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Correspondence Memorandum

Date: April 11, 2024

To: Group Insurance Board

From: Tom Rasmussen, Life Insurance and Dental Plans Manager
Office of Strategic Health Policy

Subject: Life Insurance Premium Effective Date Modification and Annuity Effective Date Change

The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) approve the following changes to the Wisconsin Public Employers Group Life Insurance Program (Program):

- **Modify the Local Plan premium rate effective date to April 1 instead of the current date of July 1. This change would be effective April 1, 2026, contingent on the implementation date of ETF's Insurance Administration System (IAS).**
- **Modify the Program contract and policy for retirees whose life insurance will automatically continue when taking an immediate annuity to 30 days from the date coverage ends. The change would be effective immediately following the implementation of ETF's IAS.**

Change to the Local Plan Premium Effective Date

The Program is a benefit provided under the Wisconsin Retirement System (WRS) and is available to employees of the State of Wisconsin and employees of participating Local government employers. While the State and Local government plans have historically been very similar in both benefits and premiums, the two plans have always been financially independent from each other.

By January 31 of each year, State and Local employers report employees' annual earnings from the previous year to ETF. ETF then provides earnings to Securian Financial (Securian), the Board's life insurance vendor, which are used to update coverage amounts. Due to the manual process and labor-intensive administrative steps involved in updating annual salaries and premiums, the State and Local Plans have been on different schedules for annual updates. For billing purposes, premium changes

Reviewed and approved by Brian Stamm, Deputy Director, Office of Strategic Health Policy
Electronically Signed 05/09/2024

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due to salary increases and age changes are effective April 1 for the State Plan, and July 1 for the Local Plan.

With the implementation of IAS, the process of reporting and calculating annual salaries, coverage increases, and age changes will become more automated. This will allow for State and Local Plans to align the reporting period more closely with the calendar year. Currently, local members who have a claim between January and June will be paid based on their updated annual earnings (as of December 31 of the prior year) even though the premiums do not match that amount until July 1.

Aligning the Local Plan premium effective date with the State Plan will minimize the complexities of IAS configuration and implementation. This change will be contingent on the successful implementation of IAS.

There will be no significant measurable impact on the funding of the Local Plans by moving the premium effective date.

ETF solicited local employer feedback regarding the proposed change during the Dec. 14, 2023, ETF Local Update meeting. There were 263 participants on the meeting call. The feedback provided was minimal. Seven participants submitted feedback, and five of those respondents were neutral regarding the change.

Two participants, both representatives from school districts, expressed concern that due to their fiscal year being July to June, the change would cause additional work in recalculating deductions both in April and again in July. Their main concern was that the change in the life insurance premium change would no longer coincide with their fiscal year and make it more difficult to budget mid-year premium changes.

ETF also sent a survey to all Local employers in the Program. The cover letter explained the proposed change, requested employers to answer two questions about the proposed change, and provided employers an opportunity to give feedback. ETF sent the survey to 757 potential respondents, with 367 completing the survey (48% response rate). The survey asked if the proposed change would cause an unfavorable impact to the Local employer, with most (78.5%) responding “no.” It also asked if the change in the premium effective date would cause the local employer to terminate the life insurance benefit, and almost all (98.1%) stated that the change would not cause them to terminate the benefit.

There were 87 responses that provided additional feedback regarding the proposed change. 27 favored the move to April 1, while 18 mentioned that additional resources would be required to implement the change. 32 indicated that the change would create a negative impact to their budget planning and/or that their fiscal year ran from July 1 to June 30; many of these respondents identified themselves as employed by a school district. There were also several respondents in favor of a change, but they requested a January 1 effective date.

Attachment A includes a summary of the survey results and the comments that were submitted.

If approved, ETF will work with Securian to promote and educate Local employers on the change. The change would not go into effect until April 1, 2026, giving time for Local employers to plan and take the necessary steps to implement the change.

Change in Timeframe for Retirees to Begin Their Annuity to Automatically Continue Life Insurance

The current policy allows an employee to continue their group life insurance after terminating employment if the following requirements are met:

1. WRS coverage began before Jan. 1, 1990, or the employee has been covered by the Program in five calendar years beginning Jan. 1, 1990; and
2. The employee qualifies under one of the following situations:
   a. The employee is receiving an immediate WRS annuity or meets all the requirements for receiving an immediate WRS annuity except for filing of an application; or
   b. The sum of the years of the employee's creditable service in the WRS on Jan. 1, 1990, plus their years of group life insurance coverage after 1989 equals 20 years; or
   c. The employee has 20 years of service on payroll with their last employer.

If the employee begins their WRS annuity within 31 days after their coverage terminates, their insurance will be continued automatically, and premiums will be deducted from their annuity. If an employee does not immediately begin an annuity, they must file a Group Life Insurance Continuation Application (ET-2154) with ETF within 31 days of the date coverage terminates. Securian would bill the employee directly for premiums.

ETF recommends modifying the Program contract and policy to reduce the number of days required for a retiree to begin their annuity to have their life insurance continue automatically by one day. Currently, members have up to 31 days from the date their life insurance coverage terminates to take their annuity. The proposed change would shorten the allowed number of days to 30 days and would be effective immediately with the implementation of IAS.

The proposed change would make the number of days for election of continuation for life insurance consistent with both Income Continuation Insurance and health insurance benefits. The change is also being requested to ease the administrative complexities of IAS configuration.

Next Steps
If the changes are approved, ETF staff will inform and educate members and employers on these changes through newsletters and articles, the ETF Update meetings, and by updating the employer manual and ETF's website appropriately.

Staff will be at the Board meeting to answer any questions.

Attachment A: Local Life Insurance Proposed Change Survey Results