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Correspondence Memorandum

Date: July 12, 2024

To: Group Insurance Board

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

Subject: Group Life Insurance Program Annual Report

The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) accept the annual Wisconsin Public Employers (WPE) Group Life Insurance 2023 Policy Year Report by Securian Financial Group (Securian).

The WPE Group Life Insurance Program (Program) is a benefit provided under the Wisconsin Retirement System and is available to employees of the State of Wisconsin and employees of participating Wisconsin local government employers. The Program is governed under [Chapter 40](#) of Wisconsin State Statutes, [Chapter 60](#) of Wisconsin Administrative Code, and the [Third Party Administration of the Wisconsin Public Employers Group Life Insurance Program Contract](#) between the Board and Securian. The Board is the policyholder and is responsible for Program oversight. ETF has overall responsibility for the administration of the Program. Securian underwrites and assists ETF with the administration of the Program.

The 2023 policy year experience results are highlighted at the beginning of the Financial Experience Report (see Attachment A) in the letter from Securian Vice President and Actuary, Susan Munson-Regala. Securian met with ETF staff on June 26, 2024, to review and answer questions regarding the Financial Experience Report. ETF recommends the Board accept the Securian Annual Report.

State Government Life Insurance Plan Experience

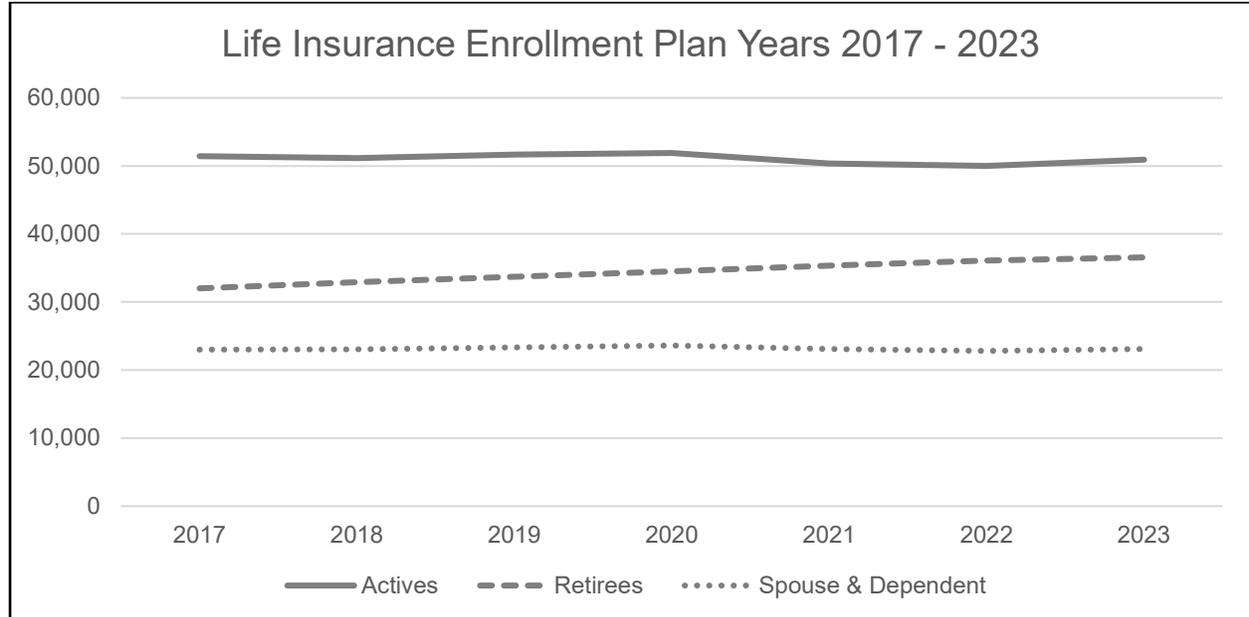
As of Dec. 31, 2023, the state life insurance plan (State plan) covered 87,487 total lives, an increase of 1,399 from 2022. There are 50,933 active employees and 36,554 retirees enrolled in the plan. The total number of insured active employees increased by 934, and the number of insured retirees increased by 465 from plan year 2022. There are 23,071 employees who have elected spouse and dependent coverage, an increase of 261 from 2022. Chart 1 illustrates enrolled membership from the past seven years. Active employee and spouse and dependent enrollment has remained relatively

Reviewed and approved by Renee Walk, Director, Office of Strategic Health Policy
 Electronically Signed 07/29/2024

Board	Mtg Date	Item #
GIB	08.14.24	5

consistent, while retiree enrollment has had steady growth of 14.2% over the past seven years.

Chart 1: State Plan Life Insurance Enrollment



Total life insurance coverage for active employees, retirees, and spouse and dependents increased to \$13.8 billion.

Claims on the employee plan were lower than targeted but within normal volatility. Claims on the state spouse and dependent plan were higher than targeted. The most recent three-year total experience for the employee plan is higher than targeted, primarily driven by COVID claims in 2021 and 2022.

The overall average interest-earning rate on all reserve funds held for the plan was 3.03%. This result reflects a conservative investment strategy involving mostly high-grade corporate bonds. The plan ended 2023 with an asset reserve (ratio of plan assets to liabilities) of 88.2%, relatively the same as the 2022 ratio of 88.5%.

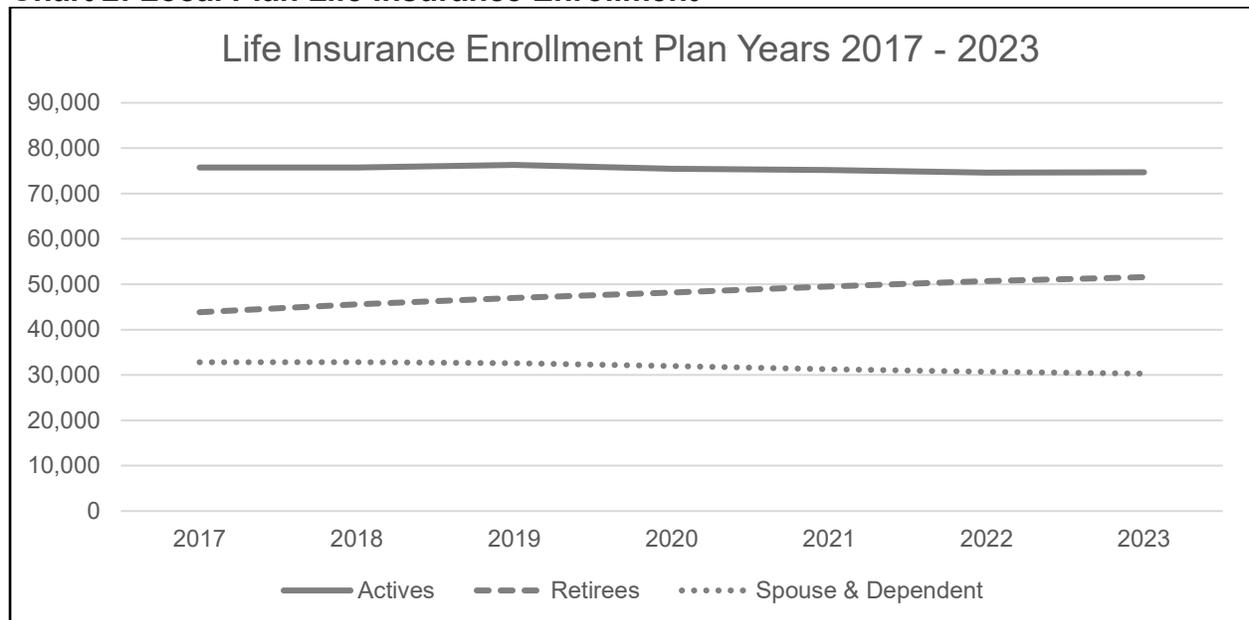
Local Government Life Insurance Plan Experience

Local government employers are eligible to offer the Basic, Additional, and Supplemental plans to their employees. A local employer may elect to offer only the Basic Plan with either, or both the Supplemental Plan and the Additional Plan. The employer may also select a benefit reduction schedule for the Basic Plan at either 50% or 25%.

As of Dec. 31, 2023, there were 759 local government employers participating in the local government life insurance plan (Local plan). The Local plan covered 126,277 total lives. That is an increase of 996 from plan year 2022. There are 74,716 active

employees and 51,561 retirees enrolled in the plan. The total number of insured active employees increased by 105, and the number of insured retirees increased by 891 from 2022. There are 30,300 employees who have elected spouse and dependent coverage, a decrease of 377 from 2022. Chart 2 illustrates the enrolled membership from the past seven years. Active enrollment has remained relatively consistent. Retiree enrollment has increased 17.6%, and the spouse and dependent enrollment has decreased 7.6% since 2017.

Chart 2: Local Plan Life Insurance Enrollment



Claim payments for the local employee plan were lower than expected, while claims on the Local spouse and dependent plan were higher than expected. The three-year total experience for the local employee plan is lower than targeted when adjusted for the mortality improvement expected in the current premium hold strategy.

The overall average interest-earning rate on all reserve funds held for the plan was 3.04%. This result reflects a conservative investment strategy involving mostly high-grade corporate bonds. The plan ended 2023 with an asset reserve (ratio of plan assets to liabilities) of 110.6%, higher than the 2022 ratio of 105.8%.

Premiums

In 2019, the Board adopted a plan that authorized a 5% annual premium increase to the State plan, effective April 2020 through April 2028 ([Ref. GIB | 08.21.19 | 7B](#)). This action was taken with the goal of maintaining and managing the program at a 100% funding level for each plan type. As a condition of approving the annual 5% premium increase, the Board also agreed to review the premium increase annually to determine if it remains appropriate. ETF recommends the Board maintain the previously agreed upon premium increase of 5%. The State plan valuation decreased slightly this year and will

continue to be monitored to determine if any changes to the premium strategy will be recommended for next year. Table 1 reflects the updated premiums effective April 1, 2025, as approved by the Board on Aug. 21, 2019.

Table 1: State Life Insurance Monthly Premiums Per \$1,000 of Insurance – Effective April 1, 2025

Attained Age	Current (2024)			Effective 4/1/2025		
	Basic	Supplemental	Additional	Basic	Supplemental	Additional
Under 30	\$0.05	\$0.05	\$0.08	\$0.06	\$0.06	\$0.08
30-34	\$0.05	\$0.05	\$0.08	\$0.06	\$0.06	\$0.08
35-39	\$0.05	\$0.05	\$0.08	\$0.06	\$0.06	\$0.08
40-44	\$0.08	\$0.08	\$0.12	\$0.08	\$0.08	\$0.13
45-49	\$0.13	\$0.13	\$0.20	\$0.14	\$0.14	\$0.21
50-54	\$0.21	\$0.21	\$0.32	\$0.23	\$0.23	\$0.34
55-59	\$0.29	\$0.29	\$0.44	\$0.31	\$0.31	\$0.46
60-64	\$0.40	\$0.40	\$0.60	\$0.42	\$0.42	\$0.63
65-69*	\$0.52	\$0.52	\$0.77	\$0.55	\$0.55	\$0.80
70 and older	**	**	**	**	**	**

There is no recommended premium action for the Local plan. The plan ended 2023 with a valuation of 110.6%. This funding level reflects a rate hold strategy for 2025. Table 2 illustrates the Local plan premiums, effective July 1, 2025.

Table 2: Local Life Insurance Premiums Per \$1,000 of Insurance – Effective July 1, 2025

Attained Age	Basic, Supplemental, and Additional
Under 30	\$0.05
30-34	\$0.06
35-39	\$0.07
40-44	\$0.08
45-49	\$0.12
50-54	\$0.22
54-59	\$0.39
60-64	\$0.49
65-69*	\$0.57
70 and older	**

An insured employee may elect either one or two units of coverage for their spouse and dependents. Each unit provides \$10,000 of life insurance for an insured spouse and \$5,000 for each insured dependent child. A dependent child is eligible until age 19, or until age 25 if they are a fulltime student. The monthly premium per unit is \$2.10 for the State Plan and \$1.60 for the Local Plan. There is no premium action being recommended by ETF on the spouse and dependent premiums for either the State or

Local Plan.

Value Add Services

Securian offers LifeStyle Benefits to all active employees enrolled in the Program. LifeStyle Benefits offer legal, financial, and grief resources; travel assistance; legacy planning resources; and beneficiary financial counseling. Spouses and insurance-eligible children can also use these resources. Legal, financial, and grief and legacy planning resources are available to retirees enrolled in the Program.

Securian contracts with the benefit providers to provide these services at no additional cost to the plan. There are no administrative responsibilities for ETF or employers. These services have been offered since 2011.

In addition to the resources listed above, a new benefit was recently added called Empathy. Empathy offers a holistic approach to bereavement support. Insured individuals can receive personalized guidance and care for the administrative, emotional, legal, and financial challenges both when preparing for a loss, and after their loved one passes away. Like the LifeStyle Benefits, there is no additional fee associated with this service to ETF, employers, or members. These services are available to all members enrolled in the life insurance program and their immediate family members and may be accessed on a voluntary basis.

Plan Reserves

The cost of life insurance for retired employees is funded in advance by employer premium contributions and by dividends from premiums paid by active employees. Each year the values of the plans' assets are compared to the present values of future benefit liabilities for retired employees and the present values of future benefits in excess of future premiums for active employees. Table 3 summarizes the reserves as of Dec. 31, 2023.

Table 3: Plan Reserves as of Dec. 31, 2023

	State Plan	Local Plan
1. Assets		
a. Retiree Premium Deposit Fund	\$288,144,222	\$236,079,586
b. Active Stabilization Reserves for Post-Retirement Funding	\$79,604,129	\$102,418,152
c. Total	\$367,748,349	\$338,497,738
2. Liabilities		
a. Post-Age 65 Retirees	\$458,216,455	\$282,288,200
b. Pre-Age 65 Retirees	\$47,690,695	\$31,288,942
c. Active Employers	(\$88,908,068)	(\$7,654,535)
d. Total	\$416,999,082	\$305,922,607
3. Unfunded Accrued Liability	\$49,250,733	(\$32,575,131)
4. Total Assets as a Percent of Total Liabilities	88.2%	110.6%

Plan Assets and Funding Structure

The assets and funding structure for active life and retiree life are described below. The target range for valuation is +/- 15% of 100%. Valuations are calculated based on projections using assumptions for future cash flows.

Table 4 summarizes the valuation calculations from the past seven years.

Table 4: WPE Group Life Insurance Valuation – ASSETS AS A PERCENTAGE OF NET LIABILITIES (\$ Millions)

Date	State Plan	Local Plan
12/31/2023	88.2	110.6
12/31/2022	88.5	105.8
12/31/2021	85.4	117.5
12/31/2020	96.5	108.0
12/31/2019	99.1	106.1
12/31/2018	74.3	115.7
12/31/2017	68.1	105.6

Active Employees

The cost of Basic, Supplemental, and Additional life insurance benefits for active employees is covered by employee and employer premiums. These plans are fully insured by Securian, and the annual premium amounts are intended to be at least sufficient to cover each year's claims and expenses. In the financial agreement, Securian guarantees the funding of these plans. This means the board does not accept any financial risk other than the timely payment of premiums.

Benefits for active employees are paid from the Stabilization Reserve. The Stabilization Reserve is available to support both active employee and retirees. The Stabilization Reserve is funded by the experience credit from active employees along with an interest credit on the prior balance.

At the August 2018 Board meeting, the Board approved a strategy to simplify plan management and financial reporting by reducing the number of experience accounts held by Securian to support the plan. As a result, the funds in the Active Premium Deposit Fund (PDF) were transferred to the Retiree PDF, and the Active PDF was closed.

Retirees Life Benefits

The cost of post-65 retiree life benefits is supported by premiums paid by employers and by the pre-65 retirees. These programs are paid through age 65 and are intended to pre-fund the cost of post-65 retiree life benefits. Retiree life benefits are insured by Securian. However, in their financial agreement with ETF, Securian does not guarantee that existing retiree life assets will be enough to cover the full cost of future retiree life benefits. ETF bears the funding risk for this portion of the plan if the current premium

rate schedule is inadequate.

Benefits for pre-65 and post-65 retirees are paid from the Retiree PDF. The Retiree PDF is funded by employer contributions on behalf of active employees and interest credits on the prior PDF balance. Withdrawals include the amount of any post-65 death claims and related expenses.

Performance Standards

The Board's contract with Securian includes nine quantitative performance standards for providing timely outcomes for customer service and administration. Securian met or exceeded eight of the nine performance standards. Securian missed the performance guarantee of 99% or higher for mailing all initial requests for information on death and dismemberment claims within seven calendar days of receipt of notice. Securian achieved a rate of 98.78% for this goal. Securian has already implemented new procedures to improve the process and assure that the goal will be met this coming year.

Securian managed a total of 36,325 transactions subject to the performance standards in 2023 and achieved an overall success rate of 99.65%.

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

Attachment A: [Financial Experience Report State of Wisconsin – Group Insurance Board \(January 1, 2023, through December 31, 2023\) with Highlights Letter](#)

Attachment B: [Group Life Insurance Plan Coverages for State Employees and Their Spouses and Dependents: Report to the Group Insurance Board of the State of Wisconsin](#)

Attachment C: [Group Life Insurance Plan Coverages for Local Government Employees and Their Spouses and Dependents: Report to the Group Insurance Board of the State of Wisconsin](#)