State of Wisconsin Supplemental Health Insurance Conversion Credit Financial Report

Calendar Year 2024

WISCONSIN DEPARTMENT OF EMPLOYEE TRUST FUNDS

State of Wisconsin Supplemental Health Insurance Conversion Credit

Financial Report

Calendar Year 2024

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Independent Auditor's Report on the Financial Statements and Other Reporting Required by *Government Auditing Standards*

Senator Eric Wimberger and
Representative Robert Wittke, Co-chairpersons
Joint Legislative Audit Committee

Members of the Employee Trust Funds Board, and
Mr. A. John Voelker, Secretary
Department of Employee Trust Funds

Report on the Audit of the Financial Statements

Opinion

We have audited the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position and the related notes for the Supplemental Health Insurance Conversion Credit program of the State of Wisconsin, administered by the Department of Employee Trust Funds (ETF), as of and for the year ended December 31, 2024.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Supplemental Health Insurance Conversion Credit program as of December 31, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* which is issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section. We are required to be independent of ETF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to in the first paragraph present only the Supplemental Health Insurance Conversion Credit program, and do not purport to, and do not, present fairly the financial position of the State of Wisconsin as of December 31, 2024, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance. Therefore, reasonable assurance is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we exercised professional judgment and maintained professional skepticism throughout the audit. We also identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

In addition, we obtained an understanding of internal control relevant to the audit in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ETF's internal control. Accordingly, no such opinion is expressed. We also evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates and related disclosures made by management, and evaluated the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 9 and the following information found on pages 23 through 29 be presented to supplement the financial statements: the Schedules of Changes in Net OPEB Liability (Asset) and Related Ratios, the Schedule of Required Employer Contributions, and the Schedule of Investment Returns, and the related note disclosures. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) that considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2025, and published in report 25-21 on our consideration of ETF's internal control over financial reporting; our testing of its compliance with certain provisions of laws, regulations, and contracts; and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ETF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used in considering ETF's internal control over financial reporting and compliance. Report 25-21 is available on our website at *www.legis.wisconsin.gov/lab*.

LEGISLATIVE AUDIT BUREAU

Legislative Audit Bureau

September 9, 2025

Management's Discussion and Analysis

Management of the Wisconsin Department of Employee Trust Funds (ETF) presents this discussion and analysis of the financial activities for the year ended December 31, 2024, for the Supplemental Health Insurance Conversion Credit (SHICC) program. The SHICC program provides additional sick leave credits to eligible employees with at least 15 years of eligible service, which increases their sick leave account balance that can be used to pay for post-retirement health insurance premiums. This narrative is intended to supplement the financial statements which follow and should be read in conjunction with the note disclosures, which are an integral part of the financial statements.

» *Financial Statements*

The following discussion and analysis is intended to serve as an introduction to the financial statements for the SHICC program, which is a single-employer defined benefit Other Post-Employment Benefit (OPEB) plan. The financial statements include:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to Financial Statements

The financial statements and related notes are prepared in accordance with Generally Accepted Accounting Principles (GAAP) established by the Governmental Accounting Standards Board (GASB). The SHICC program is reported as a fiduciary fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the government whose funds are restricted for purposes of the trust.

The Statement of Fiduciary Net Position provides a snapshot of account balances at a point in time. It reports the assets available for future payments to benefit recipients, along with any liabilities that are owed as of the statement date. The full accrual basis of accounting is used.

The difference between assets and liabilities represents the net value of assets held in trust for future benefit payments. This amount is called "Net Position - Restricted for Other Post-Employment Benefits".

The Statement of Changes in Fiduciary Net Position displays the effect of financial transactions that occurred during the calendar year. Additions less deductions equals the net increase (decrease) in net position. This net increase (decrease) reflects the change in the value of net position that occurred during the year.

Notes to the Financial Statements are an integral part of the financial statements and provide additional information that is essential for a comprehensive understanding of the data reported in the financial statements. The notes describe the accounting and administrative policies under which ETF operates, significant account balances and activities, material risks, obligations, contingencies and subsequent events, if any.

The Required Supplementary Information (RSI) following the notes to the financial statements includes:

- Schedules of Changes in Net OPEB Liability (Asset) and Related Ratios
- Schedule of Required Employer Contributions

- Schedule of Investment Returns

» Condensed Financial Information

The following tables show comparative summaries of the SHICC net position and the changes in the SHICC net position for 2024 and 2023.

Summary of SHICC Net Position
As of December 31
(In Thousands)

	2024	2023	$ Change	% Change
Assets				
Prepaid Items	$ 5,675	$ 5,206	$ 469	9 %
Receivables	2,053	2,687	(634)	(24)
Investments	1,279,671	1,227,264	52,407	4
Total Assets	**$ 1,287,399**	**$ 1,235,157**	**$ 52,242**	**4 %**
Liabilities				
Payables	326	294	32	11
Total Liabilities	**$ 326**	**$ 294**	**$ 32**	**11 %**
Net Position - Restricted for Other Post-Employment Benefits	**$ 1,287,073**	**$ 1,234,863**	**$ 52,210**	**4 %**

Summary of Changes in SHICC Net Position
For the Years Ended December 31
(In Thousands)

	2024	2023	$ Change	% Change
Additions:				
Employer Contributions	$ 13,007	$ 11,890	$ 1,117	9 %
Net Investment Income (Loss)	102,808	127,811	(25,003)	(20)
Total Additions (Losses)	**$ 115,815**	**$ 139,701**	**$ (23,886)**	**(17)%**
Deductions:				
Other Benefit Expense	$ 63,084	$ 53,046	$ 10,038	19 %
Administrative Expenses	521	580	(59)	(10)
Total Deductions	**$ 63,605**	**$ 53,626**	**$ 9,979**	**19 %**
Net Increase (Decrease) in Net Position	**$ 52,210**	**$ 86,075**	**$ (33,865)**	**(39)%**
Net Position - Beginning of Year	**$ 1,234,863**	**$ 1,148,788**	**$ 86,075**	**7 %**
Net Position - End of Year	**$ 1,287,073**	**$ 1,234,863**	**$ 52,210**	**4 %**

» Analysis of Financial Activities

The SHICC program had a net position of $1.3 billion as of December 31, 2024. This was an increase of $52.2 million compared to $1.2 billion as of December 31, 2023. This increase is primarily a result of gains on investments of $102.8 million due to favorable market conditions offset by benefit expenses of $63.1 million.

For 2024, the SHICC Program collected $13.0 million in contributions compared to $11.9 million in 2023, an increase of 9%. The increase in contributions primarily resulted from an increase in covered payroll in 2024 compared to 2023. The program incurred expenses of $63.6 million in 2024 compared to $53.6 million in 2023, an increase of 19%. The increase in expenses is primarily related to an increase in health insurance premiums.

An actuarial valuation, in accordance with GASB standards, shows a Net OPEB Liability of $15.0 million as of December 31, 2024. The program Fiduciary Net Position as a percentage of the Total OPEB Liability is 99%. Additional information on this valuation can be found in Note 4, SHICC Program Overview.

At December 31, 2024, there were approximately 101,900 members participating in the SHICC program. Total participation in the SHICC Program varies from the Accumulated Sick Leave Conversion Credit (ASLCC) program participation because of different eligibility requirements. SHICC participation is comprised of approximately 22,300 retirees and beneficiaries, 400 inactive non-retired members, and 79,200 active members. Active members may become eligible for the SHICC benefit upon meeting the eligibility requirements. Total participation increased 3% from 2023.

» Financial Contact

This financial report is designed to provide a general overview of the program's finances. Questions concerning any of the information provided in this report should be addressed to ETF at P.O. Box 7931, Madison, Wisconsin, 53707-7931.

State of Wisconsin
Supplemental Health Insurance Conversion Credit
Statement of Fiduciary Net Position
December 31, 2024
(In Thousands)

		Other Post-Employment Benefit Trust Fund
Assets:		
Prepaid Items	$	5,675
Receivables:		
Contributions Receivable		1,025
Due From Other Benefit Programs		1,028
Total Receivables		2,053
Investments at Fair Value:		
Investment In Core Fund		1,279,671
Total Investments		1,279,671
Total Assets		1,287,399
Liabilities:		
Due To Other Benefit Programs		326
Total Liabilities		326
Net Position - Restricted for Other Post-Employment Benefits	$	1,287,073

The accompanying notes are an integral part of the financial statements.

State of Wisconsin
Supplemental Health Insurance Conversion Credit
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2024
(In Thousands)

	Other Post-Employment Benefit Trust Fund
Additions:	
Contributions:	
Employer Contributions	$ 13,007
Total Contributions	13,007
Investment Income:	
Interest, Dividend, and Other Investment Income	102,808
Net Investment Income (Loss)	102,808
Total Additions (Losses)	115,815
Deductions:	
Benefits and Refunds:	
Other Benefit Expense	63,084
Administrative Expenses	521
Total Deductions	63,605
Net Increase (Decrease)	52,210
Net Position - Beginning of Year	1,234,863
Net Position - End of Year	$ 1,287,073

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Supplemental Health Insurance Conversion Credit (SHICC) program is a single-employer, defined-benefit Other Post-Employment Benefit (OPEB) plan. State of Wisconsin employees earn sick leave hours and, depending on usage, will accumulate hours of unused sick leave while they are employed with the State of Wisconsin. If eligible, upon retirement, layoff, or death, the unused sick leave credits can be used to pay post-retirement health insurance premiums. If employees have at least 15 years of eligible service, they may be eligible for SHICC benefits upon retirement, which are additional hours of sick leave that increase their sick leave account balance. Unused sick leave credits cannot be cashed out. Employer contributions and investment earnings fund the SHICC benefits. The Department of Employee Trust Funds (ETF) and the ETF Board have statutory authority for program administration and oversight under Wis. Stat. § 40.95. The State of Wisconsin Investment Board (SWIB) is responsible for managing the SHICC investments.

» *Presentation Basis*

The financial statements of the SHICC program have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) for government units as prescribed by the Governmental Accounting Standards Boards (GASB).

The assets and operations of the SHICC program are held in trust and accounted for as a fiduciary, OPEB Trust Fund. The trust fund is used to account for the accumulation of assets and the payment of health insurance premiums by way of sick leave credits for retired eligible employees.

ETF is not a general-purpose government and does not present government-wide statements. The SHICC program administered by ETF is presented in the State's Annual Comprehensive Financial Report (ACFR), as it is a part of the State of Wisconsin financial reporting entity.

» *Measurement Focus and Basis of Accounting*

The SHICC program financial statements have been prepared in accordance with GAAP. The SHICC program is accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, contributions are recognized in the accounting period in which the underlying earnings on which the contributions are based are paid and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the fund.

» *Administrative Expenses*

ETF administrative costs are financed by a separate appropriation and are allocated to each benefit plan administered by ETF in accordance with Wis. Stat. § 40.04. Administrative expenses allocated to the SHICC program for the year ending December 31, 2024 were $521 thousand.

» Amounts Due To/From Other Benefit Programs

As of December 31, 2024, the SHICC program had a $326 thousand balance due to and a $1.0 million balance due from other benefit programs administered by the ETF. The balances between benefit programs result from the time lag between when actual receipts and disbursements are made and when those amounts are allocated between benefit programs. All liabilities are expected to be paid within one year of the balance sheet date.

» Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect amounts reported herein. Due to the inherent uncertainty involved, actual results could differ from those estimates.

2 ACCOUNTING CHANGES

» Change in Accounting Estimate

In 2024, ETF changed the measurement methodology to estimate the allocation of investment earnings between benefit programs whose assets are invested in the Core Retirement Investment Trust Fund (Core Fund). For the year ended December 31, 2024, ETF began using the average investment in Core Fund balance as the allocation basis of investment earnings for each benefit program invested in the Core Fund. Previously, ETF had used average net assets as the allocation basis. This change in basis is preferable because it better aligns with the percentage of the program's investable assets in the Core Fund and the intent of Wis. Stat. § 40.04(3)(am)(3). This change did not result in a net change of investment earnings to the Core Fund.

The SHICC Statement of Fiduciary Net Position reports its proportionate share as "Investment in Core Fund".

3 PROGRAM INVESTMENTS

The assets of the SHICC program are invested in the Core Fund which are valued at fair value. Earnings are allocated annually to the SHICC program and other benefit programs based on the average investment in the Core Fund balance for each program. The total amount invested by the SHICC program is presented as "Investment in Core Fund" on the SHICC Statement of Fiduciary Net Position. Condensed financial data for the Core Fund for the year ended December 31, 2024, is presented below.

SWIB manages the Core Fund with oversight by a board of trustees authorized in Wis. Stat. § 25.17. SWIB is not registered with the Securities and Exchange Commission as an investment company.

At December 31, 2024, the Core Fund held $128.3 billion in investment related accounts of which $3.2 billion is classified as Cash and Cash Equivalents and $3.5 billion relates to securities lending collateral. For additional information regarding the Core Fund investments including financial statements and audit report, visit the

SWIB website at https://www.swib.state.wi.us/publications.

Core Retirement Investment Fund
Condensed Statement of Net Investment Position
As of December 31, 2024
(In Thousands)

Assets:		**Core**
Cash and Cash Equivalents	$	3,210,313
Securities Lending Collateral		3,463,673
Prepaid Items		30,491
Capital Assets		71,725
Investment Receivables		9,215,999
Investments, at fair value		161,697,671
Total Assets	$	177,689,872
Liabilities:		
Securities Lending Collateral Liability	$	12,027,673
Obligation Under Reverse Repurchase Agreements		19,794,050
Short Sell Obligations		7,774,772
Collateral Due to Counterparty		21,622
Investment Payables		9,751,271
Total Liabilities	$	49,369,388
Net Position Held in Trust for:		
Other Investment Pool Participants		127,033,411
SHICC		1,287,073
Total	$	128,320,484

Core Retirement Investment Fund Condensed Statement of Changes in Net Investment Position For the year ended December 31, 2024 (In Thousands)		
Additions:		**Core**
Net Increase (Decrease) in Fair Value of Investments	$	9,644,021
Interest, Dividend, and Other Investment Income		2,535,915
Securities Lending Income		576,060
Total Additions (Losses)	$	12,755,996
Deductions:		
Investment Expense		1,907,707
Securities Lending Fees		537,597
Net Withdrawals by Pool Participants		4,515,105
Total Deductions	$	6,960,409
Net Increase (Decrease)	$	5,795,587
Net Investment Position Held in Trust		
Beginning of Year	$	122,524,897
End of Year	$	128,320,484

4 SHICC Program Overview

Governance Board

The ETF Board has statutory authority per Wis. Stat. § 40.95 for program administration and oversight of the SHICC program. Membership of the ETF Board is comprised of the following positions as required by section 15.16 of Wisconsin Statutes:

- The Governor or the Governor's designee on the Group Insurance Board;
- The Administrator of the Department of Administration's Division of Personnel Management or the Administrator's designee;
- Four members appointed by the Teachers Retirement Board (an advisory board to the ETF Board);
- Four members appointed by the Wisconsin Retirement Board (an advisory board to the ETF Board);
- A public member who is not a participant in or beneficiary of the Wisconsin Retirement System (WRS), with at least 5 years of experience in actuarial analysis, administration of an employee benefit plan or significant administrative responsibility in a major insurer;
- A WRS annuitant; and
- A participant in the WRS who is a technical college or public school district educational support personnel employee.

Program Description

The SHICC program includes the State of Wisconsin, the University of Wisconsin, and other component units of the State, and is considered a single-employer defined benefit OPEB plan. The SHICC program is reported as an Other Post-Employment Benefit Trust Fund. The SHICC program was established by Wis. Stat. § 40.95 and is defined in the State of Wisconsin compensation plan (Wis. Stat. § 230.12 (9)).

The SHICC program allows members with 15 or more years of adjusted continuous state service to convert unused sick leave balances into credits to pay for post-retirement health insurance premiums. The SHICC benefit provides a limited match of the members credits earned through the Accumulated Sick Leave Conversion Credit (ASLCC) program. ASLCC program credits are computed at the time of retirement, layoff, or death by multiplying the number of hours of unused sick leave by the highest hourly pay rate at which the employee accrued sick leave that is eligible for conversion. Employment category and number of years of service are also factored into the calculation (as noted in the table below). The SHICC program also includes a provision for the restoration of 500 hours of credits upon retirement, layoff, or death, provided at least 500 hours of accrued sick leave were used for a single injury or illness during the three years immediately preceding the retirement, layoff, or death while in state service.

All ASLCC program credits must be used before the SHICC program credits. Unused ASLCC and SHICC credits have no cash value, are carried forward from year to year without interest, and when total health insurance premiums paid on behalf of the retired employee equal or exceed the conversion credits, no further payments are made under the ASLCC and SHICC programs. ASLCC and SHICC credits may be escrowed indefinitely after retirement for participants who provide evidence of comparable health insurance coverage from another source.

» *Description of Benefits*

The SHICC program provides matching sick leave hours to participants retiring (or terminating employment) with 15 or more years of adjusted continuous state service, as noted below. These sick leave hours are in addition to, but generally do not exceed, the unused sick leave balances that are used to calculate benefits provided under the ASLCC program.

Employment Category	Benefit Eligible Hours*
Protective	Match up to 78 hours (9.75 days) per full year of service through 24 years, plus 104 hours (13 days) per full year of service over 24 years.
Others	Match up to 52 hours (6.5 days) per full year of service through 24 years, plus up to 104 hours (13 days) per full year of service over 24 years.

*The SHICC program also includes a restoration benefit of up to 500 hours when certain criteria are met.

The SHICC program also provides benefits after a member's death. The member's surviving spouse and/or dependents may be eligible to use SHICC credits to pay State of Wisconsin Group Health Insurance premiums under the following conditions:

- Member was covered by the State of Wisconsin Group Health Insurance Program under a family policy on the member's date of death and the member is either employed by the State of Wisconsin on the date of death or the member is receiving a retirement disability benefit; or
- Member has preserved SHICC credits as described in the Preserved Eligibility section below and the member dies before becoming a WRS annuitant; or
- Member has escrowed SHICC credits as described in the Escrow Eligibility section below and the member dies.

» *Eligibility and Membership*

Generally, to be eligible to use SHICC credits to pay post-retirement health insurance premiums, members with 15 or more years of adjusted continuous state service (or their insured surviving spouse and/or dependents) must be covered under the State of Wisconsin Group Health Insurance Program. If a member with 20 years of service leaves eligible service prior to retirement, the benefit is vested.

Membership as of December 31, 2024, included:

Employment Status	Count
Retirees and Beneficiaries	22,302
Inactive, Non-retired Members	446
Active Members	79,162
Total	101,910

Retirement Eligibility: At retirement, the member must have State of Wisconsin Group Health Insurance Program coverage and satisfy the following:

- Retire on an immediate annuity; or
- Retire and receive a lump-sum benefit; or
- Qualify for a WRS disability retirement benefit, long-term disability benefit or a protective occupation duty disability insurance benefit under Wis. Stat. § 40.65; or
- Have 20 years of WRS creditable service and are eligible for an immediate retirement benefit,

but have chosen not to apply for retirement or disability benefit immediately (see Escrow Eligibility section below).

Escrow Eligibility: At retirement, eligible members may elect to escrow their SHICC credits (to be used at a later date) if they have comparable health insurance coverage through another source.

Preserved Eligibility: If not eligible for an immediate annuity, SHICC eligible members must satisfy the following to defer vested (preserved) SHICC credits to pay health premiums when becoming a WRS annuitant:

- Terminate with 20 years of WRS creditable service (providing they do not elect a WRS separation benefit) or
- State constitutional officer, a member or an officer of the legislature or the head of a state department or agency who was appointed by the Governor with senate confirmation and are not eligible for an immediate annuity when terminating from state employment (providing they do not elect a WRS separation benefit).

Permanent Layoff Eligibility: If not eligible for an immediate annuity and the member is permanently laid off from State employment, the member must have 15 or more years of adjusted continuous state service to use SHICC credits to pay health premiums for up to five years after the layoff begins.

» *Contributions*

The ETF Board approves contribution rates annually, based on recommendations from the actuary. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions, in accordance with Wis. Stat. § 40.05 (4)(by). Employer contributions made during a member's working lifetime fund a post-retirement benefit. Employers made contributions totaling $13.0 million based upon a percentage of active member earnings for the year ending December 31, 2024.

» *SHICC Net OPEB Liability (Asset) of Participating Employers*

The components of the Net OPEB Liability (Asset) of the participating state employers as of December 31, 2024, were as follows (in millions):

Total OPEB Liability	$	1,302.03
Plan Fiduciary Net Position*		1,287.07
Participating Employer's Net OPEB Liability (Asset)	$	14.96
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		98.85 %

*An immaterial difference may exist between the Plan Fiduciary Net Position used in the actuarial valuation and that reported in the Statement of Fiduciary Net Position, due to the timing of the actuarial valuation.

Additional information as of the latest actuarial valuation follows:

Actuarial Valuation Date:	December 31, 2024
Measurement Date of Net OPEB Liability (Asset):	December 31, 2024
Wisconsin Sick Leave Conversion Credit Programs Experience Study:	January 1, 2021 - December 31, 2023 Published November 18, 2024
WRS Experience Study:	January 1, 2021 - December 31, 2023 Published November 19, 2024
Actuarial Cost Method:	Entry Age Normal
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.7%
Mortality*:	2020 WRS Experience Mortality Table
Healthcare Cost Trend Rate:	6.5% for the first year grading down to an ultimate healthcare cost trend rate of 4.5% over a 10 year period
Health Care Premiums:	Actual premium amounts are used for annuitants currently using sick leave credits. For all non-annuitants (active, deferred, and escrowed members), blended premiums are calculated based on non Medicare and Medicare rates for one person and multiple person coverages
Participation:	95% of active and preserved members will begin using sick leave credits immediately upon reaching eligibility
Usage for Escrowed Benefits:	45% of members currently in escrow status will at some point begin using their sick leave balances to pay for health care costs.
Sick Leave Accumulation:	For purposes of estimating sick leave balances at retirement, each individual was assumed to continue using sick leave at the same rate as in the past, but not more than 75% of the person's annual gross accrual rate based on the person's employer. The member can accrue at most 100% of their gross accrual rate but not less than 25% of their gross accrual rate. The assumed annual gross accrual rates used are 6.5 days for Beyond Vision, 12 days for University Hospital and Non-Staff University employees and 16.25 days for all other members.

*Note that mortality assumptions were not applied to members who currently have healthcare coverage for more than one person since the benefit may be transferred to a beneficiary upon death.

Actuarial assumptions are based upon experience studies conducted in 2024 on the WRS and Wisconsin Sick Leave Conversion Credit programs that covered a three-year period from January 1, 2021 to December 31, 2023.

A discount rate of 6.8% was used to measure the Total OPEB Liability for the current and prior year. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate.

Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

» *Long-Term Expected Return on Plan Assets*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is reviewed every three years in conjunction with the WRS experience study. For each major asset class that is included in the OPEB plan's target asset allocation as of December 31, 2024 these best estimates of geometric real rates of return are shown below:

Core Asset Allocation Targets and Expected Returns[1]

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return %[2]
Public Equity	38%	4.3%
Public Fixed Income	27	3.4
Private Equity/Debt	20	6.7
Inflation Sensitive Assets	19	2.1
Real Estate	8	3.8
Leverage[3]	(12)	1.1
Total Core Fund	100%	4.8%
Long-Term Expected Rate of Return		6.8%

[1]Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

[2]New England Pension Consultants Long Term U.S. CPI (Inflation) Forecast: 2.6%.

[3]The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. Currently, an asset allocation target of 12% policy leverage is used, subject to an allowable range of up to 20%.

» *Sensitivity of the SHICC Net OPEB Liability (Asset) to Changes in the Discount Rate*

The following presents the plan's Net OPEB Liability (Asset) and shows what the plan's Net OPEB Liability (Asset) would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher (in millions):

	Discount Rate		
	1% Decrease 5.80%	**Current Rate 6.80%**	**1% Increase 7.80%**
Total OPEB Liability	$ 1,436.3	$ 1,302.0	$ 1,185.6
Plan Fiduciary Net Position	1,287.1	1,287.1	1,287.1
Net OPEB Liability (Asset)	$ 149.3	$ 15.0	$ (101.5)

Amounts may not foot due to rounding.

» *Sensitivity of the SHICC Net OPEB Liability (Asset) to the Healthcare Cost Trend Rate Assumption*

The following presents the plan's Net OPEB Liability (Asset), calculated using the assumed healthcare cost trend rate, as well as what the plan's Net OPEB Liability (Asset) would be if it were calculated using the assumed trend rate that is one percentage point lower or one percentage point higher (in millions):

	Healthcare Cost Trend Rate		
	1% Decrease	**Current Rate**	**1% Increase**
Total OPEB Liability	$ 1,228.2	$ 1,302.0	$ 1,370.4
Plan Fiduciary Net Position	1,287.1	1,287.1	1,287.1
Net OPEB Liability (Asset)	$ (58.9)	$ 15.0	$ 83.3

Amounts may not foot due to rounding.

5 RELATED PARTY DISCLOSURE

» *Related Party Transactions*

During 2024, the Core Fund entered into reverse repurchase agreements with the State Investment Fund (SIF), for which the investment assets are managed by SWIB as a counterparty. The transactions were governed by a Master Repurchase Agreement, and credit exposure is also managed through the transfer of margin between the Core Fund and SIF. As of December 31, 2024, the Core Fund held $6.0 billion in bilateral reverse repurchase agreements with the SIF. The repurchase agreements were overnight agreements collateralized with U.S. Treasury securities in the amount of 102%. The Core Fund enters into similar reverse repurchase agreements with other counterparties. The Core and Variable Funds are also participants in the SIF, with investments totaling $2.0 billion and $259.5 million, respectively, as of December 31, 2024. The SIF is a short-term, commingled fund with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return.

During 2024, the Core Fund sold short-term securities with a par value totaling $105.4 million to the SIF. The market value of the securities sold was based on a determination of a reasonable price not favoring either portfolio using available independent bid ask inquiries or the securities or similar securities.

REQUIRED SUPPLEMENTARY INFORMATION

State of Wisconsin
Supplemental Health Insurance Conversion Credit
Schedules of Changes in Net OPEB Liability (Asset) and Related Ratios
(In Millions)

Calendar Year Ended, December 31	2024	2023	2022	2021	2020
Total OPEB Liability					
Service Cost	$ 31.0	$ 26.3	$ 25.7	$ 23.5	$ 24.1
Interest on the Total OPEB Liability	78.6	70.2	70.0	63.7	64.4
Difference between Expected and Actual Experience	31.1	82.7	(39.9)	(36.2)	(47.6)
Assumption Changes	52.3	0.0	0.0	120.4	0.0
Benefit Payments	(63.1)	(53.0)	(52.5)	(52.6)	(49.5)
Net Change in Total OPEB Liability	129.9	126.1	3.2	118.7	(8.6)
Total OPEB Liability - Beginning	1,172.1	1,046.0	1,042.7	924.0	932.6
Total OPEB Liability - Ending (a)	$1,302.0	$1,172.1	$1,046.0	$1,042.7	$ 924.0
Plan Fiduciary Net Position					
Employer Contributions	$ 13.0	$ 11.9	$ 5.4	$ 15.7	$ 15.1
Net Investment Income (Loss)	102.8	127.8	(175.2)	200.6	159.5
Benefit Payments	(63.1)	(53.0)	(52.5)	(52.6)	(49.5)
OPEB Plan Administrative Expense	(0.5)	(0.6)	(0.7)	(0.7)	(0.6)
Net Change in Plan Fiduciary Net Position	52.2	86.1	(222.9)	162.9	124.4
Plan Fiduciary Net Position - Beginning	1,234.9	1,148.8	1,371.7	1,208.8	1,084.4
Plan Fiduciary Net Position - Ending (b)	$1,287.1	$1,234.9	$1,148.8	$1,371.7	$1,208.8
Net OPEB Liability(Asset) - Ending (a) - (b)	$ 15.0	$ (62.7)	$ (102.8)	$ (329.0)	$ (284.8)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	98.85 %	105.35 %	109.83 %	131.55 %	130.82 %
Covered Employee Payroll	$6,497.9	$5,935.8	$5,423.5	$5,215.5	$5,018.5
Net OPEB Liability(Asset) as a Percentage of Covered Employee Payroll	0.23 %	(1.06)%	(1.90)%	(6.31)%	(5.67)%

Immaterial differences may exist between the amounts in this schedule and those reported in the Statement of Changes in Fiduciary Net Position.

Amounts may not foot due to rounding.

State of Wisconsin
Supplemental Health Insurance Conversion Credit
Schedules of Changes in Net OPEB Liability (Asset) and Related Ratios
(In Millions)

Calendar Year Ended, December 31	**2019**	**2018**	**2017**
Total OPEB Liability			
Service Cost	$ 25.5	$ 23.4	$ 23.1
Interest on the Total OPEB Liability	65.5	66.0	65.9
Difference between Expected and Actual Experience	(55.3)	(41.6)	(31.6)
Assumption Changes	0.0	25.2	0.0
Benefit Payments	(53.0)	(55.4)	(56.4)
Net Change in Total OPEB Liability	(17.2)	17.6	0.9
Total OPEB Liability - Beginning	949.8	932.2	931.3
Total OPEB Liability - Ending (a)	$ 932.6	$ 949.8	$ 932.2
Plan Fiduciary Net Position			
Employer Contributions	$ 14.4	$ 18.2	$ 17.9
Net Investment Income (Loss)	180.3	(36.5)	141.8
Benefit Payments	(53.0)	(55.4)	(56.4)
OPEB Plan Administrative Expense	(0.3)	(0.3)	(0.3)
Net Change in Plan Fiduciary Net Position	141.3	(74.0)	102.9
Plan Fiduciary Net Position - Beginning	943.1	1,017.1	914.1
Plan Fiduciary Net Position - Ending (b)	$ 1,084.4	$ 943.1	$ 1,017.1
Net OPEB Liability(Asset) - Ending (a) - (b)	$ (151.8)	$ 6.8	$ (84.8)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	116.27 %	99.29 %	109.10 %
Covered Employee Payroll	$ 4,796.1	$ 4,562.6	$ 4,454.5
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	(3.16)%	0.15 %	(1.90)%

Immaterial differences may exist between the amounts in this schedule and those reported in the Statement of Changes in Fiduciary Net Position.

Amounts may not foot due to rounding.

State of Wisconsin
Supplemental Health Insurance Conversion Credit
Schedule of Required Employer Contributions
(In Millions)

Calendar Year Ending December 31,	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a % of Covered Payroll
2017	$17.9	$17.9	$0.0	$4,454.5	0.40%
2018	18.2	18.2	0.0	4,562.6	0.40
2019	14.4	14.4	0.0	4,796.1	0.30
2020	15.1	15.1	0.0	5,018.5	0.30
2021	15.7	15.7	0.0	5,215.5	0.30
2022	5.4	5.4	0.0	5,423.5	0.10
2023	11.9	11.9	0.0	5,935.8	0.20
2024	13.0	13.0	0.0	6,497.9	0.20

State of Wisconsin
Supplemental Health Insurance Conversion Credit
Schedule of Investment Returns
Annual Money-Weighted Rate of Return, Net of Investment Expenses

	2024	2023	2022	2021	2020	2019	2018	2017
Core Fund	8.70%	11.69%	(12.94)%	17.03%	15.06%	19.49%	(3.56)%	15.85%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in Benefit Terms and Assumptions related to SHICC OPEB Liabilities (Assets)

Benefit Terms: There were no recent changes in benefit terms.

Assumptions: Based upon experience studies conducted in 2024 on the WRS and Wisconsin Sick Leave Conversion Credit programs that covered a three-year period from January 1, 2021 through December 31, 2023, the ETF Board adopted assumption changes that were used to measure the total OPEB liability, beginning with the year-end December 31, 2024, including the following:

- The healthcare cost trend rate was changed from an increase of 6.0% for the first year and declining each future year to an ultimate trend rate of 3.5% over a 12 year period to 6.5% for the first year and declining each future year to an ultimate trend rate of 4.5% over a 10 year period.
- The escrowed benefit usage assumption decreased from 50% to 45% of escrowed members will at some point begin using their sick leave balance to pay for health care costs. The present value of future benefits will be calculated by drawing down each member's account balance using the same average premiums applicable to active members and a 45% factor applied to the present value to account for the 45% escrowed benefit usage assumption.
- The sick leave accumulation continues to assume each individual is using sick leave at their same rate as in the past (earned less used), but not more than 75% of their annual gross accrual rate based on the person's employer. The member can accrue at most 100% of their gross accrual rate but not less than 25% of their gross accrual rate. The assumed annual gross accrual rates range from 6.5 to 16.25 days depending on the employer.

Based upon a three-year experience study conducted in 2021 that covered the period from January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total OPEB liability, beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%.
- Lowering the discount rate from 7.0% to 6.8%.
- Lowering the price inflation rate from 2.5% to 2.4%.
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.
- The healthcare cost trend rate was changed from an increase of 3.0% in each future year to 6.0% for the 1st year and declining each future year to an ultimate trend rate of 3.5% over a 12 year period.
- Health care premium assumptions were changed to reflect 1-person and 2-person coverage for non Medicare and Medicare along with an election percentage assumption of 50%. Previously, the the average non Medicare and Medicare premiums were based on active annuitant data with a 10% increase applied to the average premium.
- The escrowed benefit usage assumes 50% of escrowed members will will at some point begin using their sick leave balance to pay for health care costs. The present value of future benefits is now calculated by drawing down each member's account balance using the same average premiums applicable to active members and a 50% factor applied to the present value to account for the 50% escrowed benefit usage assumption. Previously, the present value of future benefits was calculated by taking the balance on deposit for escrowed annuitants multiplied by the ratio of the present value of future benefits for active status annuitants to the balance on deposit for active status annuitants multiplied by 50%.
- The sick leave accumulation assumes each individual is at their same rate as in the past (earned less used), but not more than 100% of the gross earned rate based on the person's employer and not less than 25% of their gross earned rate. The assumed annual gross earned

rates range from 6.4 to 16.25 days depending on the employer. Previously, each individual was assumed to continue using sick leave at the same rate as in the past but not less than 25% nor more than 75% of the person's annual accrual rate (usually 16.25 days).

Based upon a three-year experience study conducted in 2018 that covered the period from January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total OPEB liability, beginning with the year-end December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%.
- Lowering the discount rate from 7.2% to 7.0%.
- Lowering the wage inflation rate from 3.2% to 3.0%.
- Lowering the price inflation rate from 2.7% to 2.5%.
- Changing mortality assumptions to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.
- Changing the healthcare cost trend rate from an increase of 3.2% in each future year to 3.0%.

Significant methods and assumptions used in calculating SHICC Actuarially Determined Contributions:

	2024	2023	2022	2021	2020
Valuation Date:	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percent of Payroll, (Closed)	Level Percent of Payroll, (Closed)	Level Percent of Payroll, (Closed)	Level Percent of Payroll, (Closed)	Level Percent of Payroll, (Closed)
Remaining Amortization Period:	5 years	5 years	5 years	6 years	7 years
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
Salary Increases					
Wage Inflation:	3.0%	3.0%	3.0%	3.0%	3.0%
Seniority/Merit:	0.1% - 5.7%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Investment Rate of Return:	6.8%	6.8%	7.0%	7.0%	7.0%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2021 valuation pursuant to an experience study of the period 2018-2020.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2021 valuation pursuant to an experience study of the period 2018-2020.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period 2015-2017.
Mortality:	Fully generational mortality utilizing the WRS 2020 Mortality Table adjusted for future mortality improvements using the MP-2021 fully generational improvement scale	Fully generational mortality utilizing the WRS 2020 Mortality Table adjusted for future mortality improvements using the MP-2021 fully generational improvement scale	Fully generational mortality utilizing the WRS 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%)	Fully generational mortality utilizing the WRS 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%)	Fully generational mortality utilizing the WRS 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generational improvement scale (multiplied by 60%)
Healthcare Trend Rates:	Initial rate of 5.75% trending to an ultimate rate of 3.5% per year in year 12	Initial rate of 6.0% trending to an ultimate rate of 3.5% per year in year 12	3.0%	3.0%	3.0%
Other Information					
Notes:	There were no benefit changes during the year.	There were no benefit changes during the year.	There were no benefit changes during the year.	There were no benefit changes during the year.	There were no benefit changes during the year.

Significant methods and assumptions used in calculating SHICC Actuarially Determined Contributions:

	2019	2018	2017
Valuation Date:	December 31, 2017	December 31, 2016	December 31, 2015
Actuarial Cost Method:	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization Method:	Level Percent of Payroll, (Closed)	Level Percent of Payroll, (Closed)	Level Percent of Payroll, (Closed)
Remaining Amortization Period:	8 years	9 years	10 years
Asset Valuation Method:	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)	Five Year Smoothed Market (Closed)
Salary Increases			
Wage Inflation:	3.2%	2.0%	2.0%
Seniority/Merit:	0.1%-5.6%	0.1%-5.6%	0.1%-5.6%
Investment Rate of Return:	7.2%	7.2%	7.2%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014.	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2012-2014.
Mortality:	Fully generational mortality utilizing the WRS 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)	Fully generational mortality utilizing the WRS 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)	Fully generational mortality utilizing the WRS 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%)
Healthcare Trend Rates:	3.2%	3.2%	3.2%
Other Information			
Notes:	There were no benefit changes during the year	There were no benefit changes during the year.	There were no benefit changes during the year.

Beginning with 2017 this 10 year schedule is built prospectively.