

# State of Wisconsin Retiree Life Insurance Financial Report

Calendar Year 2022



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Calendar Year 2022

**Wisconsin Department of  
Employee Trust Funds**

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**ETF Executive Team**

A. John Voelker, Secretary  
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STATE OF WISCONSIN

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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

#### Opinions

We have audited the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, and the related notes for the State Retiree Life Insurance and the Local Retiree Life Insurance programs of the State of Wisconsin, administered by the Department of Employee Trust Funds (ETF), as of and for the year ended December 31, 2022.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the State Retiree Life Insurance program and the Local Retiree Life Insurance program as of December 31, 2022, 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 Opinions

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 Responsibility 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 opinions.

#### Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to in the first paragraph present only the State Retiree Life Insurance program and the Local Retiree Life Insurance program and do not purport to, and do not, present fairly the financial position of the State of Wisconsin as of December 31, 2022, 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 opinions are 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 Responsibility 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 opinions. 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 include 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 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 10 and the following information found on pages 23 through 27 be presented to supplement the financial statements: the State Retiree Life Insurance Schedules of Changes in Net OPEB Liability (Asset) and Related Ratios, the Local Retiree Life Insurance Schedules of Changes in Net OPEB Liability (Asset) and Related Ratios, and the State and Local Retiree Life Insurance Schedule of Investment Returns, which include the related notes. 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 12, 2023, and published in report 23-16, 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.

LEGISLATIVE AUDIT BUREAU

*Legislative Audit Bureau*

September 12, 2023

## 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, 2022 for the State Retiree Life Insurance Fund (SRLIF) and Local Retiree Life Insurance Fund (LRLIF). These funds are collectively referred to as the "Retiree Life Insurance funds". 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 Retiree Life Insurance funds, which are both defined-benefit Other Post-Employment Benefit (OPEB) programs. The financial statements include:

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

The Retiree Life Insurance funds are reported as fiduciary funds. 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. These amounts are 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
- Schedules of Investment Returns

The financial statements and related notes are prepared in accordance with Generally Accepted Accounting Principles (GAAP) established by the Governmental Accounting Standards Board (GASB).



## » Condensed Financial Information

The following tables show comparative summaries of the SRLIF and LRLIF net position and the changes in the net position for 2022 and 2021.

### Summary Schedule of Fiduciary Net Position

As of December 31

(In Thousands)

	2022	2021	\$ Change	% Change
<b>State Retiree Life Insurance Fund</b>				
<b>Assets:</b>				
Other Assets	\$ 122	\$ 106	\$ 16	15 %
Investment Contract	305,772	320,853	(15,081)	(5)
<b>Total Assets</b>	<b>\$ 305,894</b>	<b>\$ 320,959</b>	<b>\$ (15,065)</b>	<b>(5)%</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 2,648	\$ 1,353	\$ 1,295	96 %
<b>Total Liabilities</b>	<b>2,648</b>	<b>1,353</b>	<b>1,295</b>	<b>96</b>
<b>Net Position - Restricted for Other Post-Employment Benefits</b>	<b>\$ 303,246</b>	<b>\$ 319,606</b>	<b>\$ (16,360)</b>	<b>(5)%</b>
<b>Local Retiree Life Insurance Fund</b>				
<b>Assets:</b>				
Other Assets	\$ 167	\$ 144	\$ 23	16 %
Investment Contract	243,255	249,053	(5,798)	(2)
<b>Total Assets</b>	<b>\$ 243,422</b>	<b>\$ 249,197</b>	<b>\$ (5,775)</b>	<b>(2)%</b>
<b>Liabilities:</b>				
Other Liabilities	\$ 1,792	\$ 1,007	\$ 785	78 %
<b>Total Liabilities</b>	<b>1,792</b>	<b>1,007</b>	<b>785</b>	<b>78</b>
<b>Net Position - Restricted for Other Post-Employment Benefits</b>	<b>\$ 241,630</b>	<b>\$ 248,190</b>	<b>\$ (6,560)</b>	<b>(3)%</b>





**Summary Schedule of Changes in Fiduciary Net Position  
For the Years Ended December 31**

(In Thousands)

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
<b>State Retiree Life Insurance Fund</b>				
Additions:				
Employer Contributions	\$ 1,777	\$ 1,670	\$ 107	6 %
Investment Income	8,753	8,706	47	1
Other Income	122	96	26	27
<b>Total Additions</b>	<b>\$ 10,652</b>	<b>\$ 10,472</b>	<b>\$ 180</b>	<b>2 %</b>
Deductions:				
Other Benefit Expense	\$ 26,021	\$ 23,746	\$ 2,275	10 %
Administrative Expenses	991	872	119	14
<b>Total Deductions</b>	<b>\$ 27,012</b>	<b>\$ 24,618</b>	<b>\$ 2,394</b>	<b>10 %</b>
<b>Net Increase (Decrease) in Net Position</b>	<b>\$ (16,360)</b>	<b>\$ (14,146)</b>	<b>\$ (2,214)</b>	<b>(16)%</b>
<b>Net Position - Beginning of Year</b>	<b>\$ 319,606</b>	<b>\$ 333,752</b>	<b>\$ (14,146)</b>	<b>(4)%</b>
<b>Net Position - End of Year</b>	<b>\$ 303,246</b>	<b>\$ 319,606</b>	<b>\$ (16,360)</b>	<b>(5)%</b>
<b>Local Retiree Life Insurance Fund</b>				
Additions:				
Employer Contributions	\$ 2,007	\$ 2,047	\$ (40)	(2)%
Investment Income	6,761	6,586	175	3
Other Income	167	131	36	27
<b>Total Additions</b>	<b>\$ 8,935</b>	<b>\$ 8,764</b>	<b>\$ 171</b>	<b>2 %</b>
Deductions:				
Other Benefit Expense	\$ 13,838	\$ 10,444	\$ 3,394	32 %
Administrative Expenses	1,657	1,487	170	11
<b>Total Deductions</b>	<b>\$ 15,495</b>	<b>\$ 11,931</b>	<b>\$ 3,564</b>	<b>30 %</b>
<b>Net Increase (Decrease) in Net Position</b>	<b>\$ (6,560)</b>	<b>\$ (3,167)</b>	<b>\$ (3,393)</b>	<b>(107)%</b>
<b>Net Position - Beginning of Year</b>	<b>\$ 248,190</b>	<b>\$ 251,357</b>	<b>\$ (3,167)</b>	<b>(1)%</b>
<b>Net Position - End of Year</b>	<b>\$ 241,630</b>	<b>\$ 248,190</b>	<b>\$ (6,560)</b>	<b>(3)%</b>

## » Analysis of Financial Activities

### State Retiree Life Insurance Fund

The SRLIF provides fully paid-up life insurance benefits for post-age 64 retired employees of the State of Wisconsin and pre-age 65 annuitants who pay for their coverage.

The SRLIF's net position of \$303.2 million at December 31, 2022 decreased \$16.4 million from the prior year. The decrease is primarily caused by benefit expense exceeding contributions and investment income.

During 2022, the SRLIF collected \$1.8 million in contributions compared to \$1.7 million during 2021. This increase is primarily related to the current employer contribution schedule that includes an annual increase of 5% for nine years, as approved by the GIB in August 2019. The program incurred expenses of \$27.0 million in 2022 compared to \$24.6 million in 2021. This increase was primarily caused by higher benefit expenses in 2022, which increased 10% compared to 2021 as a result of an increase in claims. Contributions received for pre-age 65 annuitants are reported as a reduction to benefit expense, in accordance with GASB Statement No. 74, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans.

An actuarial valuation, in accordance with GASB standards, shows a Net OPEB Liability of \$659.7 million as of December 31, 2022. The fund Fiduciary Net Position as a percentage of the Total OPEB Liability was 31%. Additional information on this valuation can be found in Note 3, Retiree Life Insurance Funds Overview.

There were 36,089 retirees participating in the SRLIF in 2022 which was a 2% increase in participants from 2021.

### Local Retiree Life Insurance Fund

The LRLIF provides fully paid-up life insurance benefits for post-age 64 retired employees of participating local governments in Wisconsin and pre-age 65 annuitants who pay for their coverage.

The LRLIF's net position of \$241.6 million at December 31, 2022 decreased \$6.6 million from the prior year. The decrease is primarily caused by benefit expenses exceeding contributions and investment income.

During 2022, the LRLIF collected \$2.0 million in contributions, similar to 2021. The program incurred expenses of \$15.5 million in 2022 compared to \$11.9 million in 2021. This increase was primarily caused by higher benefit expenses in 2022, which increased 32% overall compared to 2021 as a result of an increase in claims. Contributions received from pre-age 65 annuitants are reported as a reduction to benefit expense, in accordance with GASB Statement No. 74.

An actuarial valuation, in accordance with GASB standards, shows a Net OPEB Liability of \$381.0 million as of December 31, 2022. The fund Fiduciary Net Position as a percentage of the Total OPEB Liability was 39%. Additional information on this valuation can be found in Note 3.

There were 50,670 retirees participating in the LRLIF in 2022, which was a 2% increase in participants from 2021.

## » Financial Contact

This financial report is designed to provide a general overview of the programs' 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 Retiree Life Insurance  
Statement of Fiduciary Net Position  
December 31, 2022**

(In Thousands)

	Other Post-Employment Benefit Trust Fund	
	State Retiree Life Insurance	Local Retiree Life Insurance
<b>Assets:</b>		
Receivables:		
Miscellaneous Receivables	\$ 122	\$ 167
Total Receivables	122	167
Investments at Fair Value:		
Investment Contract	305,772	243,255
Total Investments	305,772	243,255
Total Assets	305,894	243,422
<b>Liabilities:</b>		
Benefits Payable	2,170	1,470
Unearned Revenue	356	154
Due To Other Benefit Programs	21	29
Miscellaneous Payables	101	139
Total Liabilities	2,648	1,792
<b>Net Position - Restricted for Other Post-Employment Benefits</b>	<b>\$ 303,246</b>	<b>\$ 241,630</b>

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



**State of Wisconsin Retiree Life Insurance  
Statement of Changes in Fiduciary Net Position  
For the Year Ended December 31, 2022**

(In Thousands)

	Other Post-Employment Benefit Trust Fund	
	State Retiree Life Insurance	Local Retiree Life Insurance
<b>Additions:</b>		
Contributions:		
Employer Contributions	\$ 1,777	\$ 2,007
Total Contributions	<u>1,777</u>	<u>2,007</u>
Investment Income:		
Other	8,753	6,761
Net Investment Income	<u>8,753</u>	<u>6,761</u>
Service Reimbursement Income	122	167
Total Additions	<u>10,652</u>	<u>8,935</u>
<b>Deductions:</b>		
Benefits and Refunds:		
Other Benefit Expense	26,021	13,838
Carrier Administrative Expenses	869	1,490
Administrative Expenses	122	167
Total Deductions	<u>27,012</u>	<u>15,495</u>
<b>Net Increase (Decrease)</b>	<u>(16,360)</u>	<u>(6,560)</u>
<b>Net Position - Beginning of Year</b>	<u>319,606</u>	<u>248,190</u>
<b>Net Position - End of Year</b>	<u>\$ 303,246</u>	<u>\$ 241,630</u>

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

## NOTES TO FINANCIAL STATEMENTS

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State Retiree Life Insurance Fund (SRLIF) is a single-employer, defined-benefit Other Post-Employment Benefit (OPEB) plan. The Local Retiree Life Insurance Fund (LRLIF) is a multiple-employer, defined-benefit Other Post-Employment Benefit (OPEB) plan. These funds are collectively referred to as the "Retiree Life Insurance funds". The SRLIF provides post-employment life insurance benefits for all eligible employees of the State of Wisconsin and the LRLIF provides post-employment life insurance benefits for all eligible employees of participating Wisconsin local employers. The Department of Employee Trust Funds (ETF) and the Group Insurance Board (GIB) have statutory authority for program administration and oversight under Wis. Stats. § 40.70.

#### » *Presentation Basis*

The financial statements of the SRLIF and LRLIF 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 Retiree Life Insurance funds are accounted for as fiduciary, Other Post-Employment Benefit Trust Funds. These funds are used to account for the accumulation of assets and the payment of life insurance benefits for retired employees of the State of Wisconsin and participating local governments in Wisconsin.

ETF is not a general-purpose government and does not present government-wide statements. The Retiree Life Insurance funds administered by ETF are presented in the State's Annual Comprehensive Financial Report, as they are a part of the State of Wisconsin financial reporting entity.

#### » *Measurement Focus and Basis of Accounting*

The Retiree Life Insurance funds financial statements have been prepared in accordance with GAAP. The Retiree Life Insurance Funds are 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 each 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. The sources of funds for this appropriation are investment earnings and third-party reimbursements received from the programs administered by ETF. Administrative expenses allocated to the SRLIF and LRLIF as of December 31, 2022 were \$122 thousand and \$167 thousand, respectively. Costs incurred by the SRLIF and LRLIF for the third-party administrator were \$0.9 million and \$1.5 million, respectively, and are reported as "Carrier Administrative Expenses".



### » *Amounts Due To/From Other Benefit Programs*

As of December 31, 2022, SRLIF had a \$21 thousand balance due to the Wisconsin Retirement System (WRS), and LRLIF had a \$29 thousand balance due to the WRS. The outstanding 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

No accounting changes occurred during calendar year 2022.

## 3 RETIREE LIFE INSURANCE FUNDS OVERVIEW

### Governance Board

The GIB sets policy for the life insurance program for state employees and for those local employers who chose to offer the program. Membership of the GIB is comprised of the following positions as required by Wisconsin Statutes:

- Appointed by the Governor (no membership requirement);
- Ex officio, Administrator in Department of Administration, Division of Personnel Management (or their designee);
- Appointed by the Governor (insured participant in the WRS who is a teacher);
- Appointed by the Governor (insured participant in the WRS who is a retiree);
- Ex officio, Secretary of the Department of Administration (or their designee);
- Appointed by the Governor (insured participant in the WRS who is an employee of a local government unit);
- Appointed by the Governor (insured participant in the WRS who is not a teacher);
- Ex officio, Attorney General (or their designee);
- Appointed by the Governor (chief executive or member of the governing body of a local government that is a participating employer);
- Ex officio, Commissioner of Insurance (or their designee); and
- Ex officio, Governor (or their designee).



## Plan Description

### » Retiree Life Insurance Plans

The SRLIF includes the State of Wisconsin (State), the University of Wisconsin, and other component units of the State, and is considered a single-employer defined benefit OPEB plan. The LRLIF includes participating employees of 732 local government employers as of December 31, 2022, and is considered a cost-sharing multiple-employer defined benefit OPEB plan. The plans are reported as Other Post-Employment Benefit Trust Funds. The plans provide post-employment life insurance coverage to all eligible employees of participating employers. The plans are established by Wis. Stats. § 40.70. ETF, under the direction of the GIB, is responsible for the administration of the life insurance programs. ETF contracts with Securian Financial Group, Inc (Securian) as a third-party administrator for the Retiree Life Insurance plans. Benefit terms may be modified by the GIB, subject to state and federal legislative constraints.

### Membership

**Enrollment Eligibility:** Generally, members may enroll during a 30-day enrollment period after their date of hire. Members may also enroll after the initial 30-day enrollment period with evidence of insurability. Members under evidence of insurability enrollment must enroll in group life insurance coverage before age 55 to be eligible for Basic or Supplemental coverage.

Membership for basic coverage as of December 31, 2022, included:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Active*	49,999	74,611	124,610
Inactive:			
Pre-Age 65 Annuitants	6,345	9,901	16,246
Post-Age 64 Annuitants	29,744	40,769	70,513
Totals	<u>86,088</u>	<u>125,281</u>	<u>211,369</u>

\*Active members include disabled

### Contributions

The GIB approves contribution rates annually, based on recommendations from the insurance carrier. 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. A portion of employer contributions made during a member’s working lifetime funds a post-retirement benefit.



Employers are required to pay the following contributions based on active member contributions to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, premium payments must continue until age 65 for the member to be eligible for the benefit after age 65.

<b>State and Local Retiree Life Insurance Employer Contribution Rates For the year ended December 31, 2022</b>		
Coverage Type	State	Local
50% Post Retirement Coverage	28% of member contribution	40% of member contribution
25% Post Retirement Coverage	N/A	20% of member contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2022 are as listed below:

<b>Life Insurance Member Contribution Rates For the year ended December 31, 2022</b>				
Attained Age	State *		Local *	
	Basic	Supplemental	Basic	Supplemental
Under 30	\$ 0.0486	\$ 0.0486	\$ 0.0500	\$ 0.0500
30-34	0.0486	0.0486	0.0600	0.0600
35-39	0.0486	0.0486	0.0700	0.0700
40-44	0.0730	0.0730	0.0800	0.0800
45-49	0.1216	0.1216	0.1200	0.1200
50-54	0.1945	0.1945	0.2200	0.2200
55-59	0.2674	0.2674	0.3900	0.3900
60-64	0.3647	0.3647	0.4900	0.4900
65-69	0.4741	0.4741	0.5700	0.5700

\* Disabled members under age 70 receive a waiver-of-premium benefit.





The subsequent table provides the total contributions earned during 2022 by employers and pre-age 65 annuitants to fund post-retirement benefits.

State and Local Retiree Life Insurance Contributions Earned For the year ended December 31, 2022		
Contribution Type	State	Local
Employer	\$ 1,776,716	\$ 2,006,410
Pre-age 65 Annuitants*	4,389,689	6,381,658
Total	<u>\$ 6,166,405</u>	<u>\$ 8,388,068</u>

\*Contributions for pre-age 65 annuitants are recorded as a reduction of benefit expense on the Statement of Changes in Fiduciary Net Position.

### Description of Benefits

**Retirement Eligibility:** At retirement, the member must have active group life insurance coverage and satisfy one of the following:

- WRS coverage prior to January 1, 1990, or
- At least one month of group life insurance coverage in each of five calendar years after 1989

and one of the following:

- Eligible for an immediate WRS benefit, or
- At least 20 years from their WRS creditable service as of January 1, 1990, plus their years of group life insurance coverage after 1989, or
- At least 20 years on the payroll of their last employer.

In addition, terminating members and retirees must continue to pay the member contributions until age 65 (age 70 if active).

**Basic Coverage Benefits:** After retirement, basic coverage is continued for life in these amounts of the insurance in force before retirement:

% of Basic Coverage Continuing		
Age	State	Local
Before age 65	100%	100%
While age 65	75%	75%
While age 66	50%	50%
After age 66	50%	50%/25% Employer Election

**Supplemental Coverage Benefits:** After retirement, supplemental coverage may be continued until age 65 at 100% of the amount of the insurance in force before retirement at the employee’s expense.

**Additional Coverage Benefits:** After retirement, additional coverage may be continued until age 65 at 100% of the amount of the insurance in force before retirement at the employee’s expense.

**Spouse and Dependent Coverage Benefits:** After retirement, the coverage is terminated.



**Program Investments**

**Investment Contract with Insurance Carrier**

Investments for the Retiree Life Insurance funds are held with the insurance carrier, Securian, and are classified as “Investment Contract” on the Statement of Fiduciary Net Position. In accordance with the administrative agreement between the GIB and Securian, interest is calculated and credited to the Retiree Life Insurance funds based on the rate of return for a segment of the insurance carrier’s general fund, specifically, 10 Year A-Bonds (as a proxy and not tied to any specific investments). The funds invested during the year earn interest based on that year’s rate of return for 10 Year A- Bonds. The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto. No significant contract changes occurred during the calendar year.

The targeted asset allocation and expected rates of return are presented in the following table:

<b>State and Local Retiree Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2022</b>			
<b>Asset Class</b>	<b>Index</b>	<b>Target Allocation</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>
U.S. Intermediate Credit Bonds	Bloomberg US Interm Credit	50%	2.45%
U.S. Mortgages	Bloomberg US MBS	50%	2.83%
	Inflation		2.30%
	Long-Term Expected Rate of Return		4.25%

The annual money-weighted rate of return on plan investments is shown in the below table. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return remained unchanged from the prior year at 4.25%. The expected inflation rate remained unchanged from the prior year at 2.30%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

<b>State and Local Retiree Life Insurance Schedule of Investment Returns Annual Money-Weighted Rate of Return</b>	
	<b>2022</b>
State Retiree Life Insurance	2.82%
Local Retiree Life Insurance	2.77%



## State Retiree Life Insurance Net OPEB Liability (Asset) of Participating Employers

The components of the Net OPEB Liability (Asset) of the participating State employers at December 31, 2022, were as follows (In Millions):

Total OPEB Liability	\$ 963.00
Plan Fiduciary Net Position*	303.25
Participating Employer's Net OPEB Liability (Asset)	<u>\$ 659.75</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	31.49%

\*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:	January 1, 2022
Measurement Date of Net OPEB Liability (Asset):	December 31, 2022
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield*	3.72%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	3.75%
Salary Increases:	
Wage Inflation	3.00%
Senior/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

\* Based on the Bond Buyers GO index.

Some actuarial assumptions used in this valuation, including the wage inflation, mortality, and separation rates, are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The Total OPEB Liability for December 31, 2022, is based upon a roll-forward of the liability calculated from the January 1, 2022, actuarial valuation.

A discount rate of 3.75% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 2.15% for the prior year. The change in the discount rate was primarily caused by the increase in the municipal bond rate from 2.06% as of December 31, 2021 to 3.72% as of December 31, 2022. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65. At their August 2019 meeting, the GIB approved an annual premium rate increase of 5% for nine years, effective April 1, 2020.

Based on these assumptions, the plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability was applied to benefit payments, to the extent that the plan's fiduciary net



position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan’s fiduciary net position is projected to be insufficient. The plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2033. Therefore, the long-term expected rate of return on plan investments was applied through 2033 and the municipal bond index rate was applied for all remaining periods of projected benefit payments to determine the Total OPEB Liability.

**Sensitivity of the State Retiree Life Insurance 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):

	<b>Discount Rate</b>		
	<b>1% Decrease 2.75%</b>	<b>Current Rate 3.75%</b>	<b>1% Increase 4.75%</b>
Total OPEB Liability	\$ 1,164.2	\$ 963.0	\$ 807.1
Plan Fiduciary Net Position	303.2	303.2	303.2
Net OPEB Liability (Asset)	<u>\$ 861.0</u>	<u>\$ 659.7</u>	<u>\$ 503.9</u>

Amounts may not foot due to rounding.

**Local Retiree Life Insurance Net OPEB Liability (Asset) of Participating Employers**

The components of the Net OPEB Liability (Asset) of the participating local employers at December 31, 2022, were as follows (In Millions):

Total OPEB Liability	\$ 622.61
Plan Fiduciary Net Position*	241.63
Participating Employer's Net OPEB Liability (Asset)	<u>\$ 380.98</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	38.81%

\*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 valuations follows:

Actuarial Valuation Date:	January 1, 2022
Measurement Date of Net OPEB Liability (Asset):	December 31, 2022
Experience Study:	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actual Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield*	3.72%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	3.76%
Salary Increases:	
Wage Inflation	3.00%
Senior/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table

\* Based on the Bond Buyers GO index.

Some actuarial assumptions, including the wage inflation, mortality, and separation rates, are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018, to December 31, 2020. The Total OPEB Liability for December 31, 2022, is based upon a roll-forward of the liability calculated from the January 1, 2022, actuarial valuation.

A discount rate of 3.76% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 2.17% for the prior year. The change in the discount rate was primarily caused by the increase in the municipal bond rate from 2.06% as of December 31, 2021 to 3.72% as of December 31, 2022. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Based on these assumptions, the plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability was applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036. Therefore, the long-term expected rate of return on plan investments was applied through 2036 and the municipal bond index rate was applied for all remaining periods of projected benefit payments to determine the Total OPEB Liability.



**Sensitivity of the Local Retiree Life Insurance 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 2.76%	Current Rate 3.76%	1% Increase 4.76%
Total OPEB Liability	\$ 761.1	\$ 622.6	\$ 516.5
Plan Fiduciary Net Position	241.6	241.6	241.6
Net OPEB Liability (Asset)	<u>\$ 519.5</u>	<u>\$ 381.0</u>	<u>\$ 274.9</u>

**4 CONTINGENCIES, RELATED PARTIES, UNUSUAL EVENTS, & SUBSEQUENT EVENTS**

No loss contingencies, related party transactions, unusual events, or subsequent events occurred related to calendar year 2022.



## REQUIRED SUPPLEMENTARY INFORMATION

Generally accepted accounting principles require that schedules of changes in net OPEB liabilities and related ratios and the schedules of investment returns be presented to supplement the basic financial statements. This supplemental information is required by the GASB, who considers it to be an essential part of financial reporting.

<b>State Retiree Life Insurance</b>						
<b>Schedules of Changes in Net OPEB Liability (Asset) and Related Ratios</b>						
(In Millions)						
Calendar Year Ended, December 31	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service Cost	\$ 49.0	\$ 46.3	\$ 36.3	\$ 25.4	\$ 30.7	\$ 26.1
Interest on the Total OPEB Liability	28.0	27.4	30.0	33.2	31.2	30.7
Effect of economic/demographic gains or losses	(5.3)	3.3	(10.5)	(6.2)	(17.5)	(5.3)
Effect of assumptions changes or inputs	(350.1)	13.4	138.5	223.0	(94.9)	49.0
Benefit Payments	(26.0)	(23.7)	(24.7)	(19.8)	(19.5)	(17.7)
<b>Net Change in Total OPEB Liability</b>	(304.4)	66.7	169.6	255.6	(70.0)	82.8
<b>Total OPEB Liability - Beginning</b>	1,267.4	1,200.7	1,031.1	775.5	845.5	762.6
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 963.0</u>	<u>\$ 1,267.4</u>	<u>\$ 1,200.7</u>	<u>\$ 1,031.1</u>	<u>\$ 775.5</u>	<u>\$ 845.5</u>
<b>Plan Fiduciary Net Position</b>						
Employer Contributions	\$ 1.8	\$ 1.7	\$ 1.5	\$ 1.1	\$ 1.4	\$ 1.4
Net Investment Income	8.9	8.8	9.8	10.4	10.9	11.5
Benefit Payments	(26.0)	(23.7)	(24.7)	(19.8)	(19.5)	(17.7)
OPEB Plan Administrative Expense	(1.0)	(0.9)	(0.9)	(0.8)	(0.7)	(0.6)
Other	0.0	0.0	0.0	13.1 *	0.0	0.0
<b>Net Change in Plan Fiduciary Net Position</b>	(16.3)	(14.1)	(14.3)	4.0	(7.9)	(5.4)
<b>Plan Fiduciary Net Position - Beginning</b>	319.6	333.7	348.0	344.0	352.0	357.4
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 303.3</u>	<u>\$ 319.6</u>	<u>\$ 333.7</u>	<u>\$ 348.0</u>	<u>\$ 344.0</u>	<u>\$ 352.0</u>
<b>Net OPEB Liability(Asset) - Ending (a) - (b)</b>	\$ 659.7	\$ 947.8	\$ 867.0	\$ 683.1	\$ 431.5	\$ 493.5
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	31.49%	25.22%	27.80%	33.75%	44.36%	41.63%
<b>Covered Employee Payroll</b>	\$ 3,645.2	\$ 3,529.3	\$ 3,456.5	\$ 3,299.5	\$ 3,182.5	\$ 3,184.0
<b>Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll</b>	18.10%	26.85%	25.08%	20.70%	13.56%	15.50%
<b>Key Assumptions</b>						
Discount Rate	3.75 %	2.15 %	2.22 %	2.84 %	4.20 %	3.60 %
Long-Term Expected Rate of Return	4.25 %	4.25 %	4.25 %	4.25 %	5.00 %	5.00 %
20 Year Tax-Exempt Municipal Bond Yield	3.72 %	2.06 %	2.12 %	2.74 %	4.10 %	3.44 %

\*Transfer from Active Life Insurance Program

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.



**Local Retiree Life Insurance**  
**Schedules of Changes in Net OPEB Liability (Asset) and Related Ratios**  
(In Millions)

Calendar Year Ended, December 31	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>						
Service Cost	\$ 34.8	\$ 33.9	\$ 26.7	\$ 17.0	\$ 21.1	\$ 18.1
Interest on the Total OPEB Liability	18.8	18.7	20.2	21.7	20.4	19.8
Effect of economic/demographic gains or losses	(16.4)	(10.7)	(12.5)	(9.5)	(11.0)	(4.9)
Effect of assumptions changes or inputs	(240.0)	6.3	97.7	159.4	(65.1)	33.5
Benefit Payments	(13.8)	(10.4)	(12.8)	(9.3)	(7.6)	(7.3)
<b>Net Change in Total OPEB Liability</b>	(216.6)	37.8	119.2	179.3	(42.2)	59.2
<b>Total OPEB Liability - Beginning</b>	839.2	801.4	682.2	502.9	545.1	485.9
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 622.6</u>	<u>\$ 839.2</u>	<u>\$ 801.4</u>	<u>\$ 682.2</u>	<u>\$ 502.9</u>	<u>\$ 545.1</u>
<b>Plan Fiduciary Net Position</b>						
Employer Contributions	\$ 2.0	\$ 2.0	\$ 2.0	\$ 1.8	\$ 1.9	\$ 2.1
Net Investment Income	6.9	6.7	7.3	7.5	7.6	7.6
Benefit Payments	(13.8)	(10.4)	(12.8)	(9.3)	(7.6)	(7.3)
OPEB Plan Administrative Expense	(1.7)	(1.5)	(1.5)	(1.4)	(1.2)	(1.2)
Other	0.0	0.0	0.0	12.9 *	0.0	0.0
<b>Net Change in Plan Fiduciary Net Position</b>	(6.6)	(3.2)	(5.0)	11.5	0.7	1.2
<b>Plan Fiduciary Net Position - Beginning</b>	248.2	251.4	256.4	244.9	244.2	243.1
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 241.6</u>	<u>\$ 248.2</u>	<u>\$ 251.4</u>	<u>\$ 256.4</u>	<u>\$ 244.9</u>	<u>\$ 244.2</u>
<b>Net OPEB Liability (Asset) - Ending (a) - (b)</b>	\$ 381.0	\$ 591.0	\$ 550.0	\$ 425.8	\$ 258.0	\$ 300.9
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	38.81 %	29.57 %	31.36 %	37.58 %	48.69 %	44.81 %
<b>Covered Employee Payroll</b>	\$ 4,471.4	\$ 4,418.5	\$ 4,307.4	\$ 4,228.2	\$ 4,115.0	\$ 4,205.3
<b>Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll</b>	8.52 %	13.38 %	12.77 %	10.07 %	6.27 %	7.15 %
<b>Key Assumptions</b>						
Discount Rate	3.76 %	2.17 %	2.25 %	2.87 %	4.22 %	3.63 %
Long-term expected rate of return	4.25 %	4.25 %	4.25 %	4.25 %	5.00 %	5.00 %
20 Year Tax-Exempt Municipal Bond Yield	3.72 %	2.06 %	2.12 %	2.74 %	4.10 %	3.44 %

\*Transfer from Active Life Insurance Program

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 and Local Retiree Life Insurance  
Schedule of Investment Returns  
Annual Money-Weighted Rate of Return, Net of Investment Expenses**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
State Retiree Life Insurance	2.82%	2.67%	2.86%	3.09%	3.16%	3.19%
Local Retiree Life Insurance	2.77%	2.65%	2.84%	3.05%	3.10%	3.13%

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### *Changes in Benefit Terms and Assumptions related to SRLIF and LRLIF OPEB Liabilities (Assets)*

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

**Assumptions:** In addition to the rate changes detailed in the tables above, the State of Wisconsin Employee Trust Fund Board adopted economic and demographic assumption changes based on a three year experience study performed for the Wisconsin Retirement System. These assumptions are used in the actuarial valuations of OPEB liabilities (assets) for the retiree life insurance programs and are summarized below.

The assumption changes that were used to measure the December 31, 2021 total OPEB liabilities, including the following:

- 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 assumption changes that were used to measure the December 31, 2018 total OPEB liabilities, including the following:

- Lowering the long-term expected rate of return from 5.00% to 4.25%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table.