**Appendix 4 - ETD0058**

**Life Insurance**

**Scope of Work & Technical Questionnaire**

**Review the background and scope of work and then provide responses to this technical questionnaire.**

**1.0 Life Insurance Program Background**

The Wisconsin Public Employers Group (WPE) Life Insurance Program (Program) consists of two separate group life insurance plans; the State Plan and the Local Plan. The Group Life Insurance Plan for State of Wisconsin Employees began on January 1, 1958. The Group Life Insurance Plan for Local Government Employees began on January 1, 1960. These plans provide term life insurance for both Active Employees and Retirees. Employees may also insure their spouse and dependent children. Securian Financial is the Department’s Third-Party Administrator of the Wisconsin Public Employers Group Life Insurance Program.

**State Plan**

Both Active Employees and Retirees are eligible for a basic term insurance plan. Employees also receive accidental death and dismemberment insurance equal to their life insurance until age 65. If an insured Employee continues in active employment, benefits continue beyond age 65 until the earlier of retirement or attainment of age 70. The waiver of premium benefit provides free insurance to disabled Employees under age 70.

Insurance for all Employees under age 65 and for Active Employees ages 65 to 69 is equal to earnings under the Wisconsin Retirement System for the highest previous year earnings rounded to the next higher thousand dollars. At age 65, insurance reduces to 75% of the insurance then in force. At age 66, insurance reduces to 50% of the insurance in force prior to age 65. For Active Employees over age 65, these reductions are delayed until the earlier of retirement or attainment of age 70. Retirees retain lifetime coverage in a reduced amount.

A supplemental insurance plan provides added term insurance for Active Employees equal to 100% of insurance under the basic plan. Prior to April 24, 1990, an Employee could alternatively select supplemental insurance equal to 50% of insurance under the basic plan. Employees enrolled under that alternative may maintain that level of coverage. The supplemental insurance terminates on the later of the Employee's 65th birthday or retirement but in no event beyond the Employee's 70th birthday.

An additional insurance plan offers extra coverage on an employee-pay-all basis. Effective May 1, 1998, an Employee may elect up to three units of additional insurance. Each unit provides coverage equal to 100% of insurance under the basic plan. The additional insurance terminates on the later of the Employee's 65th birthday or retirement. An Employee who continues in active employment beyond age 70 may maintain the additional insurance coverage by continued payment of premiums.

The spouse and dependent insurance plan for State Employees was introduced in 1981. Insured State Employees may purchase life insurance benefits for spouses and dependents. A dependent child is eligible to the attainment of age 26. A child who is age 26 or older is also eligible if they are incapable of self-support because of a physical or mental disability that is expected to be of a long-continued and indefinite duration. Premiums for this insurance are paid entirely by Employees. An insured Employee may elect either one or two units of coverage. Each unit provides $10,000 of life insurance for an insured spouse and $5,000 for each insured dependent child.

Post-age 65 Retirees pay no further premiums. The State contributes premiums equal to 65.25% of Employee contributions for basic insurance and 37.25% of Employee contributions for supplemental insurance. These contributions are allocated to cover the cost of continuing the basic plan after retirement, to cover the State's portion of the cost of the basic and supplemental plans for Active Employees, and to cover the cost of the employer aviation accidental death and dismemberment insurance.

As of December 31, 2022, the State Plan covered 86,088 total lives for both Active Employees (49,999) and Retirees (36,089). The number of Employees who have elected spouse and dependent coverage is 22,810. Total life insurance in force for Active Employees, Retirees, spouse and dependent coverage is over $13.1 billion.

**Local Plan**

Basic, supplemental, additional, and spouse and dependent plans are available to Employees of Local Government Employers if the Employer chooses to offer the plan to their Employees. A Local Government Employer may elect to offer only the basic plan or may offer the basic plan with either or both the supplemental plan and the additional plan. The Employer may select a benefit reduction schedule for the basic plan identical to the State Plan or a plan with an age 67 benefit reduction to 25% of insurance in force prior to age 65.

The Employer's contribution for the basic plan with a 50% ultimate benefit at ages 66 and later is 40% of Employee contributions. For the plan with a benefit reduction to 25% at age 67 and later, the contribution is 20% of Employee contributions.

The spouse and dependent insurance plan for Local Government Employees was introduced in 1983.The benefits are the same as those under the plan for State Employees.

As of December 31, 2022, the Local plan covered 125,281 total lives for both Active Employees (74,611) and Retirees (50,670). The number of Employees who have elected spouse and dependent coverage is 30,677. Total life insurance in force for Active Employees, Retirees, spouse and dependent coverage is over $13.5 billion. 755 Local Government Employers participated in the plan as of December 31, 2022.

**Maintaining Coverage After Termination of Employment.**

An Employee may continue group life insurance after terminating employment. To be eligible for benefits under the Program, a member must have active group life insurance coverage at retirement and satisfy one of the following:

* Worked in a WRS-covered position prior to January 1, 1990; or
* Was a member of the group Life Insurance Program for at least one month in each of five calendar years after 1989 and met one of the following:
* Was eligible for an immediate WRS benefit;
* Had at least 20 years WRS-creditable service from service provided as of January 1, 1990, plus the number of calendar years after that date where the member had an active group life insurance coverage; or
* Was employed at least 20 years by their last Employer.

The following materials are referenced to assist Proposers.

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| **Document** | **Web Address** |
| 2022 Securian Financial Experience Report | <https://etf.wi.gov/boards/groupinsurance/2023/08/16/gib6a/direct> |
| Wisconsin Public Employers Group Life Insurance Program | [Life Insurance | ETF (wi.gov)](https://etf.wi.gov/benefits/benefits-provided-etf/life-insurance) |
| Wisconsin Public Employer Group Life Insurance Program Administration Manual | [Wisconsin Public Employers Group Life Insurance Program Administration Manual | ETF](https://etf.wi.gov/resource/wisconsin-public-employers-group-life-insurance-program-administration-manual) |
| Group Life Insurance Program Fact Sheet | [State of Wisconsin Group Life Insurance Program Fact Sheet](https://etf.wi.gov/publications/et8903/download?inline=) |
| Group Life Insurance After You Terminate Employment | [Group Life Insurance After You Terminate Employment (wi.gov)](https://etf.wi.gov/publications/et4104/direct) |
| 2020 Wisconsin Public Employers (WPE) Group Life Insurance Rate Recommendation | [GIB Memo August 8, 2019, Item 7B WPE Group Life Insurance Rate Recommendation](https://etf.wi.gov/boards/groupinsurance/2019/08/21/item7b/direct) |
| ETF Memo to the Group Insurance Board on Group Life Insurance Program Annual Report | [GIB 6 - Memo - Group Life Insurance Program Annual Report - 08.16.23 (wi.gov)](https://etf.wi.gov/boards/groupinsurance/2023/08/16/gib6/direct) |

**2.0 Scope of Work for Life Insurance Actuarial Audit**

The scope of work for the performance of these audit services includes the following:

1. Assessment of whether the funding strategy is reasonable and the reserve balances are adequate for future benefit payments.
2. Assessment of whether the funding assumptions and methods used in the Financial Experience Report (January 1, 2023 through December 31, 2023) are reasonable and appropriate for the Life Insurance Program structure and funding objectives and consistent with generally accepted actuarial standards and practices. If the Contractor recommends assumption adjustments, the Contractor must provide a detailed rationale for their recommendations and describe the general effect on the condition of the Life Insurance Program resulting from the proposed changes to the funding assumptions.
3. Assessment of whether the 5% annual premium increase for the State Plan approved by the Group Insurance Board continues to be an appropriate strategy to keep the funding level secure. See [November 2018 Group Insurance Board presentation.](https://etf.wi.gov/boards/groupinsurance/2018/11/14/item8a/direct)
4. Assessment of whether the Life Insurance Program investment strategy is reasonable and appropriate for plan liabilities.
5. Evaluate Securian’s rate methodology for compliance with the federal Older Workers Benefit Protection Act and recommend any changes to the Department.

**Anticipated Work Product:** The Contractor shall submit an electronic copy of the final written report and a PowerPoint presentation regarding the final report to the Department. The final written report and presentation will be distributed to the Group Insurance Board and to any other persons upon request. The report and presentation will be subject to disclosure under Wisconsin open records law. The Department reserves the right to use and reproduce all reports and data produced and delivered pursuant to the Contract, including publication of the report on the Department’s website, and the right to authorize others to use or reproduce such materials.

The Contractor will be required to enter into a non-disclosure agreement with Securian to preserve confidentiality between Securian and the Contractor.

The Contractor’s final written report shall include, at a minimum:

1. An overall opinion as to the reasonableness and accuracy of the actuary's conclusions and the conformance of the actuary's work with generally accepted actuarial standards and practices.

2. An overview of the scope of the review, including a brief description of the procedures performed to arrive at the conclusions reached or recommendations for improvement.

3. A detailed description of each audit exception and the estimated effect of each exception.

4. Any recommendations for improvement.

**Timing of Audit Services:** The Financial Experience Report covering the period January 1, 2023, through December 31, 2023 will be available following the August 14, 2024 Group Insurance Board meeting. Following preparation, review, and discussion of a preliminary report with the Department, the Contractor will provide the Department with a final written report and presentation by November 15, 2024 for presentation at the February 2025 Group Insurance Board meeting.

A second audit is anticipated five years later, in 2029 if an option to extend the Contract is granted by the Board and the scope of work and pricing are agreed to by the parties in a Contract amendment.

**Briefings:** At a minimum, the Contractor should be prepared to make the following briefings via conference call:

1. Audit progress reports to Department staff, upon request.

2. Presentation of the content of the preliminary and final report drafts to the Department and the Department’s consulting actuary.

3. An in-person educational briefing and explanation of the final audit report at the February 2025 Group Insurance Board meeting.

**Exit Conference**: In addition to the briefing of the preliminary report with the Department, the Contractor may be required to attend an exit conference to provide an opportunity for the Department’s consulting actuary and Department staff to discuss the preliminary report with the Contractor. The purpose of the exit conference would be to identify possible errors in the report and discuss the findings and recommendations.

**Workpapers:** As part of reviewing the results of the audit, the Department may review and duplicate workpapers prepared by the Contractor. The Contractor shall make its workpapers available to the Department for review and duplication. The Contractor shall also be available to answer Department staff questions.

**Project Execution and Administration:** The Contractor will be responsible for arranging needed meetings with the Department’s consulting actuary and the Department. The Department will designate a liaison to assist in scheduling these meetings. The Contractor will be responsible for all travel arrangements and expenses, and clerical support. No Department staff will be involved in conducting the field work, analysis, or writing of the required reports.

**3.0 Technical Questionnaire**

This section is scored. It is worth 900 maximum points. See RFP Section 7.

**a) Executive Summary:**

Provide a narrative summary of the Proposal being submitted. This summary should identify all the services and work products that are being offered in the Proposal and should demonstrate the Proposer’s understanding of the project.

**b) Proposer Capabilities and Experience:**

Describe the Proposer’s capabilities and recent experience (during the last two years) in performing actuarial valuations (including funding assumptions and funding strategies), actuarial audits, or studies of public group life insurance programs (specifically reviewing assumptions). The Proposer should include information on the types and sizes of similar public group life insurance programs for which past work has been performed, including the following information about each program:

* The types and number of participating employers, if multi-employer;
* The types and number of participants;
* The types of services provided and the number of years the services were performed; and
* Other relevant indicators of plan type, size, and comparability to the Wisconsin Public Employers Group Life Insurance Program.

The Proposer is advised to be as complete as possible in describing all valuations, actuarial audits, or studies of public group life insurance programs it has completed in the last two years. The Proposer is encouraged to highlight work performed for plans having qualities comparable to the Wisconsin Public Employers Group Life Insurance Program.

The Proposer should include other information it believes may be relevant in demonstrating its capabilities in the actuarial audit, including other professional experience and data processing capabilities, and experiences related to performing actuarial valuations or actuarial reviews.

In addition to the above, the Proposer should describe any circumstance where Proposer’s organization has been removed or replaced from an audit engagement within the last 5 years. If none, please state so.

**c) Staff Qualifications:**

Describe the qualifications of all management and lead professional personnel who will participate in each component of the actuarial audit, include:

1. a **resume;**
2. a **summary of experience** each has had in performing actuarial valuations, actuarial audits or studies of public group life insurance programs, as well as any relevant continuing education; and
3. a **management plan** identifying the responsibilities each Contractor staff person would have on the Department audit and the percentage of the audit each Contractor staff person would be anticipated to complete.

The **resume** should include information on the current and past positions held with the Proposer, educational background, actuarial and other relevant credentials, and other relevant information to demonstrate the personnel’s qualifications.

The **experience summaries** should include information on the types and sizes of public group life insurance programs for which the designated staff have completed actuarial work, including the types and number of participating employers (if multi-employer), the types and number of participants, and other relevant indicators of plan type, size, and comparability to the Wisconsin Public Employers Group Life Insurance Program. The Proposer is encouraged to highlight work performed for public group life insurance programs having qualities comparable to the Wisconsin Public Employers Group Life Insurance Program, as well as actuarial reviews performed that are similar in scope to those being requested in this RFP. The *Proposer may reference rather than repeat, duplicative information provided in the PROPOSER EXPERIENCE section.* The experience summaries also should describe the work performed and detail the roles and responsibilities the individual staff had on the projects as well as relevant continuing education. The Proposer is advised to be as complete as possible in describing all actuarial work on public group life insurance programs, specifically experience with audits as described herein, completed by designated staff during the last two years.

The **management plan** should specify the roles and responsibilities that each of Contractor’s management and professional staff who will work on the actuarial audit for the Department and include an estimation of the percentage each will contribute to the total audit. Include how long proposed project team has been working together. The management plan should also include how a possible departure of key professionals assigned to the actuarial auditing project would be handled.

In the event a proposed Contractor staff person must be replaced, the replacement must meet the same standards as outlined in the RFP and be acceptable to the Department. Failure to provide a new replacement acceptable to the Department will constitute a breach of the Contract.

**d) Proposed Methodology, Work Products, and Timeline:**

Describe the proposed **methodology** for addressing each of the components of the audit specified in 2.0 Scope of Work. The description should include specific techniques that will be used, including proposed sources of data and information. Proposers may propose alternative ways of addressing the elements of the audit scope.

In describing its proposed methodology, the Proposer should identify the type and level of assistance the Proposer anticipates needing from Department staff and Securian staff, including assistance to understand the operations and records of the Wisconsin Public Employers Group Life Insurance Program; to understand the actuarial assumptions, methods, and procedures; and to access, obtain, and analyze information needed for the audit. The Proposer should identify meetings and interviews it anticipates needing with Department staff and Securian.

Describe the final **work products**, including written reports, briefings, and availability of the workpapers as described in Section 2.0 Scope of Work. Include two or more examples of work product for actuarial valuations, actuarial audits, or experience studies of similar programs that may help to illustrate the proposed methodology and final work product.

Provide an estimated **timeline** for completion of the work that includes each stage of the process and the date the final reports will be submitted considering the timeline provisions outlined in this Appendix.

**e) Additional Information:**

Include additional information that will be essential for the Department to an understand the Proposal. This may include changes you would suggest to the scope of work, diagrams, excerpts from reports, or other explanatory documentation that would clarify and/or substantiate the Proposal. Any material included in this section should be referenced elsewhere in the Proposal.