

State of Wisconsin
Department of Employee Trust Funds
4822 Madison Yards Way
Madison, WI 53705-9100
P. O. Box 7931
Madison, WI 53707-7931

Contract by Authorized Board

Commodity or Service:

Compliance Audits for the State of Wisconsin Group
Life Insurance Program Contract

Contract No./Request for Proposal No:

ETH0044 Amendment #2 dated April 8, 2024

Authorized Board: State of Wisconsin Employee Trust Funds Board

Contract Period: April 29, 2019 and will extend unless and until either party gives the other one hundred eighty (180) days' notice of their intent to cancel this Contract.

1. This Amendment #2 to the Contract is entered into by the State of Wisconsin Department of Employee Trust Funds (Department) on behalf of the State of Wisconsin Employee Trust Funds Board (Board), and Wipfli, LLP (Contractor), whose address and principal officer appear below. The Department is the sole point of contact for this Contract.
2. Whereby the Department agrees to direct the purchase and Contractor agrees to supply the Contract requirements in accordance with the Department Terms and Conditions, and the documents specified in the order of precedence below, hereby made a part of this Contract by reference.
3. Contractor's audit of the State of Wisconsin Group Life Insurance Program Contract ETJ0029 between the Department and Minnesota Life Insurance Company, dba Securian Financial (Securian contract) for calendar years 2018 and 2019, was completed in 2020 per the Contract.
4. Contractor's audit of the Securian contract for calendar years 2020 and 2021, and was completed in 2022 per contract amendment 1 with costs not to exceed \$20,250.
5. Contractor's audit of the Securian contract for calendar years 2022 and 2023, shall be completed according to the attached statement of work (SOW) with costs not to exceed \$23,500.
6. For purposes of administering the Contract, the order of precedence is:
 - (a) This Contract Amendment #2 dated April 8, 2024
 - (b) The Contract Amendment #1 dated November 10, 2021;
 - (c) The Contract signed by the Department on April 29, 2019;
 - (d) Request for Proposal (RFP) ETH0044 dated October 17, 2018; and,
 - (e) Contractor's proposal dated November 28, 2018.

Contract Number & Service: ETH0044 Amendment #2 Compliance Audits for the Group Life Insurance Program Contract

State of Wisconsin Department of Employee Trust Funds	
Authorized Board:	
	State of Wisconsin Employee Trust Funds Board
By (Name):	
	A. John Voelker, Secretary Department of Employee Trust Funds
Signature:	<i>John Voelker</i>
Date of Signature:	4/9/2024

Contractor	
Legal Company Name:	WIPFLI, LLP
Trade Name:	WIPFLI, LLP
Taxpayer Identification Number:	39-0758449
Contractor Address (Street Address, City, State, Zip):	2501 West Beltline Hwy, Suite 401 Madison, WI 53713
Name & Title (print name and title of person authorized to legally sign for and bind Contractor):	Zachary D. Mayer, CPA, Partner
Signature:	<i>Zachary D. Mayer</i>
Date of Signature:	4/8/2024
Email:	zmayer@wipfli.com
Phone:	608.274.1980

Contract ETH0044 Amendment #2
Statement of Work
Compliance Audit - State of Wisconsin Life Insurance Program
Years 2022 and 2023

1. Enrollment and Eligibility (EOI and Non-EOI applications) (3.2.A and 3.2.B) [Sample Size: 30 (15 from 2022, 15 from 2023)]
 - a. Appropriate documentation/approvals
 1. *Performance Standard – Approve or reject 99% of all applications eligible for processing w/in 7 calendar days after receipt of completed application (Exhibit I.C)*
 - b. Eligibility; From above sample, include a few non new-employee (non EOI) enrollments (Family Status Change, etc.) [Sample Size: 3 of 15 from 2022, 2 of 15 from 2023]
 - c. Evidence of Insurability Declinations and Approvals
 1. Appropriate documentation
 2. Processing time
 1. *Performance Standard – Approve or request additional information deemed necessary for making underwriting decision on 98% of all applications requiring EOI w/in 7 calendar days after receipt of the completed application (Exhibit I.D)*
 2. *Performance Standard – Make a final disposition of 95% of all evidence of insurability applications and mail notification w/in 7 calendar days after receipt of all necessary info (Exhibit I.E)*
 3. Recalculate underwriting build rating
 - d. Correct coverage effective date (to tie to correct premium billing - #3.d below)
 - e. Correct coverage amount
2. Premium Billing and Collection (2.2.A.4; 3.2.H; and 3.2.K-3.2.L) [Sample Size: 25 (7 from 2022 invoicing, 6 from 2023 collections, 6 from 2022 invoicing, 6 from 2023 collections)]
 - a. Premium determined (correctly calculated according to age and rates specified in the Securian contract Administrative Agreement), billed, and collected appropriately
 - b. Review of premiums billed versus received
 - c. Premiums appropriately recorded, especially between State vs. Local, and Active vs. Retiree, pre-age 65
 - d. Correct coverage effective date with premiums beginning in the correct period
3. Claim Processing and Payments (include spouse and dependent coverage claims) (2.2.A.5; 3.2.Q; and 3.2.S) [Sample Size: 90 (45 from 2022, 45 from 2023)]
 - a. Appropriate documentation
 - b. Recompute claim payment amount (based on coverage elected and earnings base)
 - c. Payment timeliness



1. *Performance Standard – Pay 95% of all death and dismemberment claims w/in 10 days of receipt of all necessary proof (Exhibit I.A)*
 2. *Performance Standard – Mail 99% of all initial requests for death certificates, verification of beneficiary forms, medical evidence of dismember or loss of use forms, and any other required documentation within 7 calendar days of notice of Death (Exhibit I.B)*
 - d. Evidence of payment to correct beneficiary
 - e. Eligibility - Verify participant is active or retired WRS member
 - f. Appropriate recorded, especially between State vs. Local, Active vs. Retiree, pre-age 65 vs. post-age 65
4. Life to Health Applications (3.2.G) and ETF form ET-2325 <https://etf.wi.gov/publications/et2325/direct> [Sample Size: 25 (13 from 2022, 12 from 2023)]
- a. Performance Standard - 95% of all Life to Health applications, amendments and cancellations received by the fifth day of a month in the remittance due on the twentieth day of the same month (Exhibit I.I).
 - b. Verify that Securian provides timely annual notification to members of the remaining balance in the member's account. See Administrative Agreement (3.2.G).
 - c. Verify that Securian provides timely notification letters to members, the Department, and the long-term care (LTC) insurance company, when four (4) months of premium remain in the members account. See ETF form ET-2325.
5. Cancellation/Termination Processing (3.2.C) [Sample Size: 25 (13 from 2022, 12 from 2023) at least 3 samples from 2022 and 2023 must be cancellations]
- a. Appropriate documentation
 - b. No discrepancies between termination date and dates in Securian's system
6. Disability Premium Waivers (3.2.W) [Sample Size: 25 (12 from 2022, 13 from 2023)]
- a. Appropriate documentation and approvals
 - b. Adjudication timeliness
 - c. Periodic follow-up on medical conditions
 - d. Performance Standards
 1. *For new waiver of premium disability claims request additional information for 99% w/in 7 calendar days after receipt of claim (Exhibit I.F)*
 2. *Make final disposition of 95% of new waiver of premium disability claims other than those included in 6.1.F w/in 10 calendar days after receipt of all necessary information (Exhibit I.G)*
 3. *Make final disposition of 95% of continuing waiver of premium disability claims w/in 10 calendar days after receipt of all necessary information (Exhibit I.H)*
7. Interest Crediting to Reserves (2.7)
- a. Calculated in accordance with Exhibit G of the Securian contract Administrative Agreement and interest crediting methodology below. [Procedures to include obtaining calculation of the crediting rates used and recalculating formulas.]

Wisconsin Interest Crediting Methodology. The following is a description of the method used to determine the interest crediting for the State of Wisconsin:

Per the financial agreement, interest is credited on the contingent liability reserve, the premium deposit fund, the stabilization reserve and the disability claim reserves using the investment year interest crediting method.

At the end of each calendar year Securian establishes the interest crediting rate, which is meant to represent the interest earned on the general account less investment expense. The crediting rate is re-established every year to reflect reinvestment of assets. Separate interest rates are established for invested assets in each of the ten most recent calendar years, and a single interest rate is established for all assets originating ten years or more before the most recent calendar year.

The practical application of this method involves the following process:

1. The assets used in the interest calculation take the form of proxy assets that represent Securian's actual general account assets.
 2. The actual interest earned on the general account is approximated as the interest earned on the proxy assets (10 year A- bond) less an allowance for defaults representing the invested assets for each of the eleven investment cohorts (10 most recent years separately, and the assets ten years old and older).
 3. The adjustment to each cohort's crediting rate for reinvestment each year takes into account the new money rate and assumed rollover of the proxy assets.
8. Administrative Performance Standards **(3.5.E and Exhibit I)** [Procedures to include selection of four (4) quarters, two (2) quarters in 2022 and two (2) quarters in 2023 for each standard, and obtaining from Securian the underlying data supporting what was reported to the Department.]
- a. Service Level A **(Exhibit I.A)** – *Included in Claims Processing & Payments section above*
 - b. Service Level B **(Exhibit I.B)** – *Included in Claims Processing & Payments section above*
 - c. Service Level C **(Exhibit I.C)** – *Included in Enrollment & Eligibility section above*
 - d. Service Level D **(Exhibit I.D)** – *Included in Enrollment & Eligibility section above*
 - e. Service Level E **(Exhibit I.E)** – *Included in Enrollment & Eligibility section above*
 - f. Service Level F **(Exhibit I.F)** – *Included in Disability Premium Waivers section above*
 - g. Service Level G **(Exhibit I.G)** – *Included in Disability Premium Waivers section above*
 - h. Service Level H **(Exhibit I.H)** – *Included in Disability Premium Waivers section above*
 - i. Service Level I **(Exhibit I.I)** – *Included in Life to Health Applications section above*
9. Reporting – Policy Year Report **(2.2.A.2; 2.2.A.3; and 3.5.C)**
- a. Controls in process of compiling the report- walkthrough of process and identify whether control gaps or concerns. [Procedures to include inquiry of Securian personnel, walkthrough of how the data is culled for the PYR.]
 - b. Trace activity from Financial Experience sections (Pre-Age 65 and Post-Age 65) for State and Local to support. For example, pages 15, 16, 43, and 44 of the CY 2022 report. **(2.2.A.3)**
 - c. Trace reserve balances as of 12/31/22 and 12/31/23 to underlying support **(2.5)**

Audit Schedule

Event	Date
Entrance conference	April 23, 2024
Planning and evaluation of internal controls	May 2024
Data Gathering, finalization of testing plan, and sampling	June-July 2024
Detail testing and fieldwork	August 2024

Complete testing, resolve exceptions, exit conference, and report finalization	September 2024
Final Report due to the Department	October 1, 2024

Payment Schedule

The cost for the work described herein is not to exceed the amounts listed below.

Amount	Estimated Wipfli Invoice Date	Estimated Department Payment Due Date
\$11,750	June 1, 2024	June 30, 2024
\$11,750	October 1, 2024	October 31, 2024