

# Rudd and Wisdom, Inc.

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May 5, 2021

Mr. Porter Wilson  
Executive Director  
Employees Retirement System  
of Texas  
Post Office Box 13207  
Austin, Texas 78711-3207

Re: Recommended Member Contribution Rates for the  
Life and AD&D Plans under the Texas Employees  
Group Benefits Program for Fiscal Year 2022

Dear Mr. Wilson:

The purpose of this correspondence is to present recommendations for member contribution rates for the Life and AD&D Plans under the Texas Employees Group Benefits Program (GBP) for Fiscal Year 2022 (FY22).

### **Background**

On August 23, 2011, the Board of Trustees of the Employees Retirement System (ERS) approved a contract with Minnesota Life Insurance Company (Minnesota Life) to provide a fully insured minimum premium arrangement for the Life Plan and a fully insured AD&D Plan for an initial term from January 1, 2012 through August 31, 2016. In accordance with the terms of the contract, the staff negotiated a series of extensions through December 31, 2021.

The staff has recently completed a procurement project designed to select an insurance carrier to provide a fully insured minimum premium arrangement for the Life Plan and a fully insured AD&D Plan for an initial term from January 1, 2022 through August 31, 2026. The staff will recommend to the Board at its meeting on May 26, 2021, the selection of Minnesota Life to provide such services.

Under the terms of the minimum premium arrangement for the Life Plan, Minnesota Life provides administrative services in return for contractual administrative fees and fully insures the life insurance risk in return for claims premiums which are limited to the lesser of (a) the actual claims incurred under the Life Plan or (b) premiums based on actual participation and the maximum claims rates included in the contract.

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The AD&D Plan is fully insured under a traditional insurance contract under which Minnesota Life accepts full risk in return for payment of premiums based on contractual premium rates.

The maximum claims rates and administrative fees for the Life Plan and the AD&D premium rates are guaranteed for the term of the contract including the extensions.

### **FY22 Rate Analysis**

We and the staff developed member contribution rates for the Life Plan based on (a) reasonable expectations of future claims determined through a review of the plan experience over the last ten years, (b) anticipated claim payment patterns, (c) expected investment income earned on funds held by ERS and (d) the maximum claims rates and administrative fees included in the Minnesota Life contract. Based on this analysis, we and the staff concluded that the member contribution rates currently in effect for FY21 for all Life coverages are appropriate for continued use for FY22.

We concluded that the current member contribution rates for the AD&D Plan are sufficient to produce adequate revenue to provide for the FY22 AD&D premium rates included in the Minnesota Life contract.

### **Conclusion and Recommendation**

Based on the analysis described above and in consultation with the staff, we recommend that the contribution rates for the AD&D Plan and all Life coverages remain at the FY21 levels for FY22.

It is our opinion that, collectively, the recommended Life and AD&D member contribution rates will provide revenue sufficient to meet the expected obligations under these plans. The recommended rates are presented in the attachment.

Please let us know if you have questions or if you need additional information.

Sincerely,



Philip S. Dial

PSD:nlg

Enclosure

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## GROUP BENEFITS PROGRAM

### Life and AD&D Plans

#### Recommended Monthly Member Contribution Rates for FY 2022

Plan	FY 2021	Recommended FY 2022
Active and Retiree Basic Term Life and AD&D (1)	\$ 2.22	\$ 2.22
Active and Retiree Optional Life and AD&D (2)		
Under Age 25	\$ 0.05	\$ 0.05
25-29	0.05	0.05
30-34	0.06	0.06
35-39	0.06	0.06
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.19	0.19
55-59	0.33	0.33
60-64	0.57	0.57
65-69	0.93	0.93
70-74	1.48	1.48
75-79	2.41	2.41
80-84	3.92	3.92
85-89	6.79	6.79
90 & Over	10.57	10.57
Active Dependent Life and AD&D (3)	\$ 1.38	\$ 1.38
Retiree Minimum Optional Life (2)	2.34	2.34
Retiree Dependent Life (3)	3.05	3.05
Voluntary AD&D		
Employee Only (4)	\$ 0.02	\$ 0.02
Employee & Family (4)	0.04	0.04

(1) Rates are per unit of coverage. \$5,000 of coverage for active employees. \$2,500 of coverage for retired employees. Basic Term Life for retirees does not include AD&D.

(2) Rates are per \$1,000 of coverage. Optional Life for retirees does not include AD&D.

(3) Rates are per unit of coverage. \$5,000 of coverage for dependents of active employees. \$2,500 of coverage for dependents of retired employees. Dependent Life for retirees does not include AD&D.

(4) Rates are per \$1,000 of coverage.