THE STATE OF WISCONSIN

PUBLIC EMPLOYERS GROUP LIFE INSURANCE PROGRAM

ADMINISTRATIVE AGREEMENT

This administrative agreement, effective January 1, 2004, is entered into by and between the STATE OF WISCONSIN, acting through its Group Insurance Board on behalf of The State of Wisconsin Public Employers Group Life Insurance Program, and Minnesota Life Insurance Company, a Minnesota company, with principal offices at St. Paul, Minnesota.

IN WITNESS WHEREOF, the undersigned parties cause this contract to be executed by their duly authorized representatives as of the day and year set forth.

STATE OF WISCONSIN MINNESOTA LIFE INSURANCE COMPANY

By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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THE STATE OF WISCONSIN

PUBLIC EMPLOYERS GROUP LIFE INSURANCE PROGRAMRECITALS

WHEREAS, the BOARD has selected MINNESOTA LIFE to establish and administer a group term life insurance program for the benefit of the public EMPLOYEES of the STATE and participating local government EMPLOYERS; AND

WHEREAS, the BOARD and MINNESOTA LIFE desire to clarify their respective rights and obligations with respect to the PROGRAM as set forth below; AND

WHEREAS, the DEPARTMENT, as staff to the BOARD, shall act on behalf of the BOARD, when authorized by the BOARD or as required by contract, statute, or ADMINISTRATIVE RULE;

NOW, THEREFORE, in consideration of the mutual covenants contained in this contract, the adequacy of which is hereby acknowledged, the BOARD and MINNESOTA LIFE intending to be legally bound, agree as follows:

ARTICLE I. DEFINITIONS

The following terms, when used and capitalized in this contract or any supplements, amendments, endorsements, or riders thereto, are defined as follows and limited to that meaning only:

1.1 ADMINISTRATIVE RULES: Rules approved by the Employee Trust Funds Board or the Group Insurance Board pursuant to Wis. Stats. §40.03(2) and Chapter 227 of the Wisconsin Statutes.

1.2 BOARD: The Group Insurance Board of the State of Wisconsin.

1.3 DEPARTMENT: Department of Employee Trust Funds of the State of Wisconsin.

1.4 EARNINGS: Wages or salary paid to persons for personal services rendered by an EMPLOYER which participates in the PROGRAM as prescribed in Wis. Stats. §40.02(22) and 40.72(1). For EMPLOYEES covered by a private pension plan, earnings means taxable compensation as reported to the Internal Revenue Service.

1.5 ELIGIBLE EMPLOYEE: As defined in Wis. Stats. §40.02(25)(a) and (c).

1.6 EMPLOYEE: As defined in Wis. Stats. §40.02(26).

1.7 EMPLOYER: As defined in Wis. Stats. §40.02(28).

1.8 MINNESOTA LIFE: Minnesota Life Insurance Company.

* 1. PROGRAM: The Wisconsin Public Employers Group Life Insurance Program.
  2. RFP: The request for proposal distributed in February 2003 on behalf of the BOARD to select a company to insure and administer the PROGRAM for the contract period beginning January 1, 2004.

1.11 SEPARATION: The termination of all rights to benefits under the Wisconsin Retirement System as prescribed in Wis. Stats. §40.25(3).

1.12 STATE: The State of Wisconsin.1.13 WRS: The Wisconsin Retirement System.

1.14 WISCONSIN PUBLIC EMPLOYERS GROUP LIFE INSURANCE PROGRAM: The group term life insurance offered by the State of Wisconsin to eligible EMPLOYEES of the STATE and participating public EMPLOYERS established and administered pursuant to Wis. Stats. §40.70, 40.72, and 40.03(6)(b).

ARTICLE II. GENERAL CONTRACT TERMS AND PROVISIONS

2.1 Contractor Appointed

The BOARD hereby appoints MINNESOTA LIFE as the exclusive insurer of the PROGRAM to continue for the term of this contract and any extension of the contract.

2.2 Effective Date

The effective date of this contract is January 1, 2004. MINNESOTA LIFE shall act as the exclusive insurer of the PROGRAM for a term of five years commencing on January 1, 2004, and ending on December 31, 2008, unless terminated in accordance with the terms and provisions as set forth in this contract.

2.3 Renewal

This contract shall be extended for up to two (2) successive one-year periods. The contract may be terminated upon written notice from the BOARD to MINNESOTA LIFE at least one hundred and eighty (180) days prior to the termination of the initial term of this contract or any extended term of this contract. In the event that this contract is extended, all of the conditions and provisions of this contract shall remain in full force and effect during the extended term, unless otherwise amended, modified, or supplemented in writing and mutually agreed to by the BOARD and MINNESOTA LIFE either prior to or at the time of the extension.

2.4 Execution of Contract

This contract becomes binding upon the BOARD and MINNESOTA LIFE when this document is reviewed and approved by the BOARD or its representative, pursuant to Wis. Stats. §40.03(6) and signed by authorized representatives for each party hereto. By their signature, each party represents that they have proper and legal authority to sign and bind their principal and that each party has all required legal right and power to perform all acts called for by this contract in the State of Wisconsin and elsewhere.

2.5 Documents Constituting Contract

The contract between the parties shall include this administrative agreement, its exhibits and any amendments, and Policy No. 2832-G, its addendum and any amendments and riders.

2.6 Order of Precedence Any conflict, ambiguity, or inconsistency among these documents shall be resolved by applying the following in descending order of precedence:

A. Chapter 40 of the Wisconsin Statutes and Chapter ETF of the Wisconsin Administrative Code;

B. Federal and STATE laws and regulations;

C. Administrative Agreement of the contract document and any amendments and exhibits;

D. Policy No. 2832-G of the contract document and any amendments and riders;

E. MINNESOTA LIFE's proposal and any attachments;

F. the RFP and any amendments.

A higher order document shall supersede a lower order document to the extent necessary to resolve any inconsistencies between them, but silence on any matter in a higher order document shall not negate or modify the provisions of a lower order document as to that matter.

All provisions of the documents referenced in C, D, E, and F above, shall be in accordance with applicable provisions of federal and Wisconsin state laws and any rules and regulations promulgated thereunder.

2.7 Amendments

This Administrative Agreement and Policy No. 2832-G can be modified or amended at any time by mutual consent of MINNESOTA LIFE and the BOARD. All such amendments shall be in writing and shall become effective only when approved by appropriate authorities and subsequently executed by the parties hereto unless another effective date is expressly agreed to between the parties and stated in such modification or amendment.

2.8 Assignment/Subcontract

MINNESOTA LIFE shall not assign any interest in the contract and shall not subcontract any services of the contract without prior consent of the DEPARTMENT. MINNESOTA LIFE shall be held responsible to ensure that any subcontractor meets all the requirements of this contract and MINNESOTA LIFE shall be held responsible for any losses resulting from the subcontractor's failure to perform in a manner satisfactory to the BOARD.

Notwithstanding the provisions of this section, MINNESOTA LIFE may contract for incidental supplies or equipment, such as the printing of materials and forms or the purchasing of data processing equipment. Such incidental purchases do not constitute "subcontracting" as contemplated above.

2.9 Changes Required by Law or Court Order

During the term of this contract, changes required in the general scope of the PROGRAM or the services provided hereunder that are necessitated by amendments to any applicable federal law or regulations or STATE statute or ADMINISTRATIVE RULE, or federal and STATE court cases, promulgated or decided subsequent to the effective date of this contract, shall be considered included in the cost of normal ongoing operations as determined by this contract. The BOARD shall consider additional payments to MINNESOTA LIFE, if MINNESOTA LIFE can document that the changes substantially increase the cost of operations.

2.10 Renegotiation

Either party may request renegotiation of, and the other party shall, in good faith, renegotiate appropriate sections of this contract, if subsequent to the effective date of this contract, STATE or federal statutes or rules and regulations are amended or judicially interpreted so as to:

A. render infeasible the fulfillment of the respective rights or obligations of either of the parties under this contract; or

B. require MINNESOTA LIFE to furnish a category, type, or amount of service not required or contemplated by this contract; or

C. require the provisions of the contract to be modified in order to conform with STATE or federal law; or

D. result in payments to MINNESOTA LIFE which would be less than MINNESOTA LIFE's costs in performing services under this contract.

ARTICLE III. CONTRACT DEFAULT AND TERMINATION

3.1 Violation of Law

Notwithstanding any other provision of this contract, either party may terminate this contract, effective immediately and without advance notice, if at any time during the term of this contract the other party is found to be in willful violation of this contract or of any Wisconsin law relating to insurance, taxes or any other matter involving life insurance.

3.2 Neglect of Duties

If the BOARD, in good faith, determines MINNESOTA LIFE is not fulfilling its contract obligations and meeting performance standards as defined in this contract and as detailed in Article VI, the BOARD shall submit a notice in writing to MINNESOTA LIFE that the BOARD has made a tentative determination that such willful or reckless neglect has occurred and the specific basis for such tentative determination. The BOARD shall give MINNESOTA LIFE at least sixty (60) days to respond to the determination in writing and allow MINNESOTA LIFE to present its response at a hearing before the BOARD to be held within sixty (60) days of the date of the original notice. If MINNESOTA LIFE fails to meet the contractual obligations noted by the BOARD within this sixty (60) day period, the BOARD may terminate this contract as provided in Article III, Section 3.4, "Effective Date of Termination for Cause," and avail itself of all rights and remedies available to it.

* 1. Breach

If MINNESOTA LIFE fails to comply with any of the covenants and agreements contained in this contract, including without limitation, the furnishing of sufficient personnel to perform its duties as provided in the contract and obtaining and maintaining all licenses required under federal and STATE law for MINNESOTA LIFE and each of their employees, then the BOARD shall give notice to MINNESOTA LIFE specifying with particularity the nature of MINNESOTA LIFE's default. If the specified default is not cured to the reasonable satisfaction of the BOARD within sixty (60) days following the date of the notice of default that is submitted to MINNESOTA LIFE by the BOARD, then the BOARD may terminate this contract as provided in Article III, Section 3.4 and avail itself of all rights and remedies available to it.

3.4 Effective Date of Termination for Cause

Except in the case of immediate termination as provided in Article III, Section 3.1, "Violation of Law," any termination of this contract for cause as stated in Article III shall be effective either one hundred and eighty (180) calendar days from the date of the written notice of termination submitted to MINNESOTA LIFE from the BOARD stating the section of this Article III which authorized such termination or the date stated in the notice of termination, whichever is later.

3.5 Unforeseen Circumstances

Neither party to the contract shall be in default by reason of failure to perform in accordance with its terms if such failure arises out of causes beyond reasonable control and without fault or negligence on their part. Such causes may include, but are not limited to, acts of public enemy, acts of the government (other than acts of the BOARD or the DEPARTMENT) in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine or restrictions, freight embargoes, and unusually severe weather, but in every case the failure to perform must be beyond reasonable control and without fault or negligence of the party.

ARTICLE IV. FINANCIAL AGREEMENT

4.1 Definitions

A. ASSETS means all the funds of any nature that arise out of the policy which MINNESOTA LIFE receives, holds, and disburses under the policy including, but not limited to, any and all premiums, experience credits, principal, and interest.

B. EXTENDED INSURANCE means insurance that is being continued for disabled EMPLOYEES without payment of premium according to the waiver of premium provisions of Policy No. 2832-G.

C. INSURANCE REDUCTION AGE means the later of an EMPLOYEE's 65th birthday or termination of employment but in no event beyond the EMPLOYEE's 70th birthday.

D. LOCAL GOVERNMENT EMPLOYEE PLAN means all insurance coverages on the lives of EMPLOYEES of participating public EMPLOYERS other than the STATE.

E. LOCAL GOVERNMENT SPOUSE AND DEPENDENT PLAN means all insurance coverages on the lives of spouses and dependents of EMPLOYEES of participating public EMPLOYERS other than the STATE.

F. POLICY YEAR means the period of time from one policy anniversary date to the next policy anniversary date.

G. POLICY YEAR PREMIUM means all EMPLOYEE and EMPLOYER premium contributions attributable to the POLICY YEAR.

H. POSTRETIREMENT INSURANCE means the insurance coverage provided to an insured EMPLOYEE after he or she attains the INSURANCE REDUCTION AGE.

I. PRERETIREMENT INSURANCE means the insurance coverage provided to an insured EMPLOYEE before he or she attains the INSURANCE REDUCTION AGE.

J. RECORDS means the financial information maintained by MINNESOTA LIFE to satisfy the terms and conditions of this agreement.

K. STATE EMPLOYEE PLAN means all insurance coverages on the lives of EMPLOYEES of the STATE.

L. STATE SPOUSE AND DEPENDENT PLAN means all insurance coverages on the lives of spouses and dependents of EMPLOYEES of the STATE.

4.2 Separation of Finances

MINNESOTA LIFE shall maintain separate and independent financial RECORDS for the ASSETS related to the STATE EMPLOYEE plan, the local government EMPLOYEE plan, the STATE spouse and dependent plan, and the local government spouse and dependent plan.

ASSETS shall be invested in the general account of MINNESOTA LIFE. The STATE and MINNESOTA LIFE agree that, during the term of this contract, they will jointly study the issues related to transferring the ASSETS to a segregated account. The STATE may request such a transfer when, in its judgment, a transfer would be in the long-term interests of the PROGRAM. The details of the transfer of ASSETS and its effect on the provisions of this agreement shall be negotiated by the STATE and MINNESOTA LIFE at the time a transfer to a segregated account is requested.

4.3 Responsibilities of MINNESOTA LIFE and the STATE

A. MINNESOTA LIFE shall:

1. Annually by March 15 present to the STATE reasonable estimated data sufficient to complete the DEPARTMENT's annual financial report.

2. Annually by June 30 present to the STATE a final report summarizing plan finances for the most recent POLICY YEAR.

3. Perform an annual experience calculation as described in Exhibit A as the basis for the annual POLICY YEAR report.

4. Immediately upon receipt, credit EMPLOYEE premium contributions as premiums and deposit EMPLOYER premium contributions in a premium deposit fund as described in Article IV, Section 4.6, "Reserves."

5. Examine and act upon all claims submitted for benefits under the policy. Exhibit B describes the basis for determining the charges against the policy for such claims attributable to a POLICY YEAR.

6. Pay all State of Wisconsin premium taxes related to premiums under the policy as required by Wis. Stats. §76.65, and its successors. Exhibit C describes the basis for determining the charges against the policy for such premium taxes attributable to a POLICY YEAR.

7. Annually reimburse the STATE for life insurance administrative expenses incurred by the DEPARTMENT in connection with the PROGRAM.

8. Annually pay to the STATE's consulting actuary the charges for actuarial services with regard to the PROGRAM.

9. Pay to the STATE's external auditor the charges for services incurred periodically in connection with the audit of MINNESOTA LIFE's administrative practices and procedures.

10. Conduct an annual satisfaction survey of the STATE and local EMPLOYERS which participate in the PROGRAM.

B. The STATE shall:

1. Annually report to MINNESOTA LIFE the life insurance administrative expenses incurred by the DEPARTMENT in connection with the PROGRAM. The STATE shall instruct MINNESOTA LIFE as to how to allocate the corresponding expense charge among the plans included in the PROGRAM.

2. Annually report to MINNESOTA LIFE the charges for actuarial services with regard to the PROGRAM. The STATE shall instruct MINNESOTA LIFE as to how to allocate the corresponding expense charge among the plans included in the PROGRAM.

3. Forward to MINNESOTA LIFE in a timely fashion all EMPLOYEE and EMPLOYER premium contributions required to be paid under the policy.

4. Provide reports as prescribed in section 7.4 of this Administrative Agreement.

4.4 Expense Charges

A. MINNESOTA LIFE Expense Charge  
  
MINNESOTA LIFE shall assess an annual expense charge to the plan as described in Exhibit D.

B. Risk Charge  
  
MINNESOTA LIFE shall assess an annual risk charge to the plan as described in Exhibit E.

4.5 Stop-Loss Provision

The financial liability of the STATE for claim charges, the State premium tax charge, MINNESOTA LIFE expense charge and the risk charge for a POLICY YEAR shall be limited by the stop-loss provision. Exhibit F describes the basis for determining and applying the POLICY YEAR stop-loss limit.

4.6 Reserves

A. Premium Deposit Fund

Employer premium contributions are deposited in a premium deposit fund and held by MINNESOTA LIFE to the credit of the STATE for the purpose of funding future insurance claims and expenses.

B. Contingent Liability Reserve

Experience credits accumulated under this agreement on the EMPLOYEE insurance plans are designated as the "contingent liability reserve". The contingent liability reserve along with the premium deposit fund shall be held by MINNESOTA LIFE to the credit of the STATE for the purpose of funding future insurance claims and expenses. Authority for accumulation of these funds for this purpose is provided in Wis. Stats. §40.03(6)(e).

The STATE may at any time determine a limit to the amount of contingent liability reserve held by MINNESOTA LIFE, but such limit shall not be less than the contingent liability reserve held by MINNESOTA LIFE when such determination is made.

C. Stabilization Reserve

On the spouse and dependent insurance plans, premiums in excess of charges are held in a stabilization reserve. This reserve is maintained to minimize the impact on the plans of fluctuations in claims experience and to stabilize premium rates.

D. Disability Claim Reserves

As long as the policy continues in force, disability claim reserves shall be calculated in accordance with the 1970 Intercompany Group Life Disability Valuation Table as shown in Exhibit I.

1. Guarantee by MINNESOTA LIFE

While the policy is in effect, MINNESOTA LIFE guarantees the principal amounts of the contingent liability reserve, the premium deposit fund and the stabilization reserve, including all interest previously credited thereto. After cancellation of the policy, MINNESOTA LIFE makes no guarantee regarding the value of the unallocated reserves which will be paid to the STATE as described in Section 4.9.B, "Distribution of Unallocated Reserves."

4.7 Sufficiency of Funds

MINNESOTA LIFE guarantees that payment of the POLICY YEAR premium of each POLICY YEAR shall be sufficient to provide for preretirement insurance coverage under the EMPLOYEE insurance plans and for coverage under the spouse and dependent insurance plans. MINNESOTA LIFE does not guarantee that the funds accumulated for the postretirement insurance shall be sufficient.

MINNESOTA LIFE shall annually perform an actuarial valuation of the EMPLOYEE insurance plans using reasonable actuarial assumptions of interest, mortality, withdrawals and salary scales as recommended by MINNESOTA LIFE and as approved by the BOARD. Subject to the requirements of Article IV, Section 4.9, "Financial Provisions in Event of Cancellation of the Policy," the STATE and MINNESOTA LIFE shall agree upon the actuarial assumptions for the annual valuation.

MINNESOTA LIFE shall annually advise the STATE of the results of this valuation including both the estimated present value of future benefits to EMPLOYEES currently over the INSURANCE REDUCTION AGE and the estimated excess of the present value of future benefits to current EMPLOYEES under the INSURANCE REDUCTION AGE over the present value of future premiums to be paid on behalf of these EMPLOYEES.

4.8 Interest Credits and Charges

A. On Reserves

Interest shall be credited on the contingent liability reserve, the premium deposit fund, the stabilization reserve and the disability claim reserves in accordance with the investment year interest crediting method. Exhibit G describes the investment year interest crediting method.

B. On Cash Flow

Interest credits and charges on cash flow shall be calculated for each POLICY YEAR as described in Exhibit H.

4.9 Financial Provisions in Event of Cancellation of the Policy

A. Allocation of Reserves for Continuing Coverage

If the spouse and dependent insurance shall be cancelled by the STATE, either independently or as part of the cancellation of the policy, MINNESOTA LIFE shall combine the balance of the stabilization reserve held for spouse and dependent insurance with the balance of the contingent liability reserve held for EMPLOYEE insurance.

Retirees Beyond Insurance Reduction Age

If the policy shall be cancelled by the STATE, MINNESOTA LIFE shall, subject to the limitations imposed by Article IV, Section 4.7, "Sufficiency of Funds," immediately allocate a portion of the combined contingent liability reserve, stabilization reserve and premium deposit fund to provide for

insurance on EMPLOYEES beyond the INSURANCE REDUCTION AGE on the date of cancellation. Such funds shall continue to be held by MINNESOTA LIFE.

Disabled EMPLOYEES

After cancellation of the policy, the EXTENDED INSURANCE for basic insurance on disabled EMPLOYEES under the INSURANCE REDUCTION AGE at discontinuance of the policy shall continue in effect as provided by the policy. The EXTENDED INSURANCE for supplemental and additional insurance on disabled EMPLOYEES under the INSURANCE REDUCTION AGE at discontinuance of the policy shall cease upon their attainment of the INSURANCE REDUCTION AGE as provided by the policy. Disability claim reserves shall be recomputed on the date of cancellation as described further in this section, and any additional amounts required for disability claim reserves as a result of cancellation of the policy shall be included as claim charges in the final annual experience calculation. However, for the purpose of Article IV, Section 4.5, "Stop-Loss Provision," and Exhibit F, reserves shall still be calculated in accordance with Exhibit I. The disability claim reserves for disabled EMPLOYEES under the INSURANCE REDUCTION AGE at discontinuance of the policy shall continue to be held by MINNESOTA LIFE.

Initial Reserve Determination and Financial Accounting

Upon cancellation of the policy, the STATE and MINNESOTA LIFE shall agree upon one of the following bases for determining the initial reserves to be held by MINNESOTA LIFE and for financial accounting of each plan under the policy after cancellation:

1. The STATE, its independent actuary and MINNESOTA LIFE shall agree upon the actuarial assumptions for determining both the portion of the contingent liability reserve, stabilization reserve and premium deposit fund required to provide for insurance on EMPLOYEES beyond the INSURANCE REDUCTION AGE on the date of cancellation and the disability claim reserves for EXTENDED INSURANCE on disabled EMPLOYEES under the INSURANCE REDUCTION AGE at discontinuance of the policy.

MINNESOTA LIFE shall annually perform an experience calculation including the experience of disabled EMPLOYEES and EMPLOYEES beyond the INSURANCE REDUCTION AGE. The experience calculation shall include claim charges, expense charges, and interest credits and charges, consistent with the provisions of this agreement. It shall also include an actuarial valuation of the reserves required to be held for all remaining insured EMPLOYEES, using assumptions agreed upon by the STATE, its independent actuary and MINNESOTA LIFE.

If the sum of all annual charges to the plan plus the increase in required reserves is greater than the interest credits, the excess shall be paid as premium to MINNESOTA LIFE by the STATE. If the sum of all annual charges to the plan plus the increase in required reserves is less than the interest credits, the excess shall be declared as an experience credit and paid to the STATE by MINNESOTA LIFE. During

the first 84 months following cancellation, the remaining unallocated reserve balance described in Article IV, Section 4.9.B, "Distribution of Unallocated Reserves" may be used to cover any excess charges or to receive any available experience credits.

2. MINNESOTA LIFE shall determine the actuarial assumptions for calculating both the portion of the contingent liability reserve, stabilization reserve and premium deposit fund required to provide for insurance on EMPLOYEES beyond the INSURANCE REDUCTION AGE on the date of cancellation and the disability claim reserves for EXTENDED INSURANCE on disabled EMPLOYEES under the INSURANCE REDUCTION AGE at discontinuance of the policy.

MINNESOTA LIFE shall annually perform an experience calculation including the experience of disabled EMPLOYEES and EMPLOYEES beyond the INSURANCE REDUCTION AGE. The experience calculation shall include claim charges, expense charges, and interest credits and charges, consistent with the provisions of this agreement. It shall also include an actuarial valuation of the reserves required to be held for all remaining insured EMPLOYEES, using assumptions determined by MINNESOTA LIFE.

If the sum of all annual charges to the plan plus the increase in required reserves is greater than the interest credits, the excess shall be carried forward as a deficit against the plan and accumulated at interest. If the sum of all annual charges to the plan plus the increase in required reserves is less than the interest credits less any prior deficit accumulated at interest, the excess shall be declared as an experience credit and paid to the STATE by MINNESOTA LIFE.

B. Distribution of Unallocated Reserves

After allocation of the portion of the contingent liability reserve, stabilization reserve and premium deposit fund to be held by MINNESOTA LIFE upon cancellation of the policy as described in the preceding section, MINNESOTA LIFE shall pay the remaining unallocated contingent liability reserve, stabilization reserve and premium deposit fund to the STATE in 84 monthly payments plus a final payment after the end of the 84-month period. The first monthly payment shall be due one month after the date of cancellation.

Upon cancellation of the policy, MINNESOTA LIFE shall identify specific securities within its general account which shall be consistent in duration, quality and yield with the general account interest-crediting basis in effect for the PROGRAM at the time of cancellation. Each monthly payment during the 84-month payout period shall reflect the investment cash flow, including principal and interest payments, received during the month on the specified ASSETS, reduced by MINNESOTA LIFE's charge for investment expenses and risk charges.

After the end of the 84-month payout period, MINNESOTA LIFE shall liquidate the remaining ASSETS within a time period which MINNESOTA LIFE and the STATE agree is reasonable for an orderly liquidation and preservation of as much market value as reasonably possible. MINNESOTA LIFE shall then pay the STATE the market value received for the liquidated ASSETS less its expenses related to the liquidation.

ARTICLE V. RESPONSIBILITIES OF MINNESOTA LIFE

5.1 Technical Assistance/Staffing

MINNESOTA LIFE's local office personnel shall work with the DEPARTMENT as needed on all administrative matters required for the efficient and effective operation of the PROGRAM. If local office personnel cannot provide requested services within a reasonable time frame, MINNESOTA LIFE's corporate office personnel shall be available to provide assistance. Duties and responsibilities shall include, but not be limited to the following:

A. Develop, revise, and implement PROGRAM policies and procedures, under the direction of the DEPARTMENT, as may be required to comply with changes in federal or STATE law or regulations.

B. Comply with all applicable STATE and federal insurance laws and ADMINISTRATIVE RULES affecting the operation of the PROGRAM.

C. Provide counsel and defense for MINNESOTA LIFE when MINNESOTA LIFE has been named as a defendant by the plaintiff. In accordance with Wis. Stats. §40.03(3), this representation shall not extend to the STATE, DEPARTMENT or BOARD absent a special, express agreement for that purpose.

D. Fully cooperate with the DEPARTMENT and the BOARD regarding any claim or litigation against any or all of the parties, including but not limited to providing relevant records, technical assistance and witnesses if necessary to the defense of such litigation. With respect to any litigation to which the DEPARTMENT or BOARD is not a party, MINNESOTA LIFE shall keep the DEPARTMENT and BOARD fully apprised concerning particulars of any litigation or threatened litigation directly concerning the PROGRAM or benefits thereunder, including settlement discussions. In litigation to which the DEPARTMENT or BOARD is not a party, MINNESOTA LIFE shall have sole responsibility regarding any claim or litigation filed by an insured or the insured's beneficiary.

E. Within reasonable limitations given its staff and resources, provide assistance to the DEPARTMENT on legal matters associated with the PROGRAM, including technical and legal questions that relate to proposed legislation, ADMINISTRATIVE RULE changes, contract changes and DEPARTMENT or BOARD recommendations.

F. Within reasonable limitations given its staff and resources, provide all renewal information and attend all renewal meetings as determined by the DEPARTMENT.

G. Maintain a claims and service office located to adequately serve participating EMPLOYERS and insured EMPLOYEES of the PROGRAM.

H. Designate a "program manager" who shall be available to the DEPARTMENT as needed to confer in person or by telephone regarding current questions on program operations, claims, and unusual problems.

I. Assist any STATE department or agency, or any local public EMPLOYER which is eligible or participates in the PROGRAM with such technical, administrative, and other services as necessary for the EMPLOYER to offer the PROGRAM to its EMPLOYEES. A response to such request for assistance shall be provided within thirty (30) days of the request.

J. Assign at least one staff position to be located at the Department of Employee Trust Funds to perform mutually agreed upon tasks pertaining to the life insurance program currently performed by ETF staff.

K. Provide hardware and software necessary for local office staff to access the DEPARTMENT's electronic records, and ensure that its staff are trained to use this system to obtain employment, salary, and related information on insured EMPLOYEES.

5.2. Administrative Responsibilities

MINNESOTA LIFE's responsibilities shall include, but not be limited to, the following administrative duties for the PROGRAM. These responsibilities apply to both the STATE and local plans unless otherwise stated. MINNESOTA LIFE shall:

Enrollment

A. Process applications, including verification of eligibility and coverage amount. Request corrections if necessary, and notify the EMPLOYER and the DEPARTMENT of effective date and amount of coverage.

B. Process and underwrite late enrollments, including requests to add coverage. Communicate results to the EMPLOYER, the EMPLOYEE, and the DEPARTMENT.

C. Process cancellation forms.

D. In a mutually agreed upon time frame and in collaboration with the DEPARTMENT, develop a system permitting participants to enroll electronically for ETF-administered insurances, including life insurance.

Premium Reporting/Membership Information

E. Maintain a billing and membership information system for local EMPLOYEES, and provide on-line access to authorized DEPARTMENT staff and EMPLOYERS participating in the PROGRAM.

F. On an annual or semi-annual basis, direct-bill certain retirees and other former EMPLOYEES who cannot pay group insurance premiums by deduction from WRS annuity.

G. Bill local EMPLOYERS monthly for premiums and maintain payment record for each insured EMPLOYEE. Administer back-charges, refunds, and late payment penalties as necessary.

H. Maintain an electronic premium reporting and membership information system(s) for STATE EMPLOYEES. Such system must accommodate both the needs of STATE agency payroll personnel and program requirements for accurate and complete membership and premium payment information.

I. Assist the DEPARTMENT in the transition from active to retiree status in the life insurance program. Tasks include certification of postretirement coverage, determination of premium amounts, notification of the EMPLOYER, the EMPLOYEE, and the DEPARTMENT Benefit Payments unit, coordination of premium collection between the EMPLOYER and the DEPARTMENT, and adjustments resulting from changes in retirement date, prior year EARNINGS reporting, etc.

Claims Administration

J. Administer and pay death, living benefit, and accidental death and dismemberment claims under the PROGRAM. Upon receipt of certification by the DEPARTMENT, verify coverage and amount of insurance. Provide all service pertaining to the investigation and approval or disapproval of claims, make claims payment to the beneficiary(ies), and notify the DEPARTMENT as to the disposition of each claim.

K. Administer the conversion of postretirement life insurance values to pay health or long-term care insurance premiums. Determine the present value of coverage to be converted, remit monthly insurance premiums to the DEPARTMENT or appropriate long-term care provider, notify the subscriber of the remaining balance annually, and assist in the transition to another premium source when the account is depleted.

L. Review and approve or disapprove medical evidence when an insured applies for a Living Benefit; pay approved benefit and maintain record of remaining death benefit, if any.

M. Document, certify, and audit death claims using the DEPARTMENT's paper and electronic records.

Waiver of Premium

N. Review and approve or disapprove medical evidence for a STATE or local EMPLOYER's request for a waiver of premium due to disability. Follow up annually on medical condition of persons whose premiums have been waived due to disability.

Conversion

O. Provide individual policies for persons eligible to convert group coverage upon termination of employment; review conversion applications; bill for premiums.

5.3 Promotional Materials and Forms

MINNESOTA LIFE shall:

A. Issue to the DEPARTMENT individual certificate-booklets setting forth the provisions of the policy to which the EMPLOYEE is entitled.

B. Submit to the DEPARTMENT for approval, drafts of all literature, forms, or video presentations regarding the PROGRAM to be provided to EMPLOYEES and EMPLOYERS. All PROGRAM literature and other written or visual aids, prepared by MINNESOTA LIFE for use with the PROGRAM shall at all times be the property of the STATE, and MINNESOTA LIFE shall not obtain or reserve any proprietary or literary rights on its own with respect thereto and, upon requests of the BOARD, shall execute any assignments necessary to release any such proprietary rights.

C. Prepare, submit to the DEPARTMENT for approval, and print in adequate numbers, enrollment applications, evidence of insurability applications, informational plan descriptions, and other selected forms for the program.

D. Work with the DEPARTMENT, other STATE agencies and local EMPLOYERS to communicate benefits through bulletins, brochures, benefits fairs and other appropriate channels including electronic channels.

E. Develop and implement a plan for offering the PROGRAM to nonparticipating local EMPLOYERS, including visits, mailings, and customized reports to inform the EMPLOYERS of plan features and changes, requirements, and estimated costs. Every eligible EMPLOYER shall be contacted or provided information about the PROGRAM by MINNESOTA LIFE or the DEPARTMENT to keep them informed of PROGRAM procedures and to review current questions.

5.4 Customer Services

MINNESOTA LIFE shall:

A. Cooperate with the DEPARTMENT in preparing additional information for distribution to ELIGIBLE EMPLOYEES or EMPLOYERS as may be necessary for the proper administration of the PROGRAM.

B. Provide non-discriminatory services to participants that include services for the physically and hearing impaired.

C. Provide adequate access by telephone, local office, internet, or other appropriate means.

D. Conduct surveys to solicit information from participants or EMPLOYERS and analyze results, upon request by the BOARD or the DEPARTMENT.

5.5 Reports

MINNESOTA LIFE shall provide the following reports to the DEPARTMENT. Monthly reports shall be provided within thirty (30) days from the end of each month; quarterly reports shall be provided within thirty (30) days from the end of the quarter.

A. A POLICY YEAR report of the financial status of the PROGRAM, disclosing value of program assets, liabilities, analysis of cash receipts and disbursements, and other relevant information as may be reasonably requested by the DEPARTMENT, annually by June 30.

B. An annual recommendation on the next year's premium rates to the DEPARTMENT for its concurrence and then to the BOARD for its approval.

C. A quarterly report on performance standards.

D. An annual report on the satisfaction survey of participating EMPLOYERS.

E. Actuarial and administrative studies on the feasibility and/or cost of proposed legislative or procedural changes, as requested by the DEPARTMENT.

F. A list of retired EMPLOYEES enrolled in the life insurance program, whose premiums are being deducted from their WRS annuity, in a format and time frame that is mutually acceptable to the DEPARTMENT and MINNESOTA LIFE.

ARTICLE VI. PERFORMANCE STANDARDS AND PENALTIES

6.1 Performance Standards

The following performance standards may be modified as circumstances warrant, by mutual agreement between the DEPARTMENT and MINNESOTA LIFE.

Quantitative Standards

MINNESOTA LIFE shall:

A. Pay 95% of all death and dismemberment claims within 14 calendar days after receipt of all necessary proof.

B. Mail 99% of all initial requests for death certificates, verification of beneficiary forms, medical evidence of dismemberment or loss of use forms, and any other required documentation within 14 calendar days of receipt of Notice of Death (ET-6301) and other documentation from the DEPARTMENT.

C. Approve or reject 99% of all applications for open enrollment (other than deferred applications) within 14 calendar days after receipt of the completed application.

D. Approve or request additional information deemed necessary for making an underwriting decision on 98% of all applications requiring evidence of insurability within 14 calendar days after receipt of the completed application.

E. Make a final disposition of 95% of all evidence of insurability applications (with notification mailed to the applicant) within 10 calendar days after receipt of all necessary information.

F. For new waiver of premium disability claims which are received by the DEPARTMENT more than 90 days after the last day for which EARNINGS were paid, approve or request additional information for 99% of such claims within 14 calendar days after receipt of the claim.

G. Make final disposition of 75% of new waiver of premium disability claims other than those included in item F above within 30 calendar days after receipt of all necessary information.

H. Make final disposition of 85% of continuing waiver of premium disability claims within 30 calendar days after receipt of all necessary information.

I. Include 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.

Qualitative Standards

With respect to the EMPLOYER annual satisfaction survey, as provided in section 4.3, MINNESOTA LIFE shall achieve:

J. 90% satisfaction with overall service.

K. 90% satisfaction with processing of enrollments and evidence of insurability.

L. 90% satisfaction with processing of claims.

M. 90% satisfaction with support and training.

6.2 Penalties

A. MINNESOTA LIFE will meet or exceed the above-mentioned performance standards. For each standard not achieved during the POLICY YEAR, MINNESOTA LIFE will be assessed a penalty as described in Exhibit J.

B. Penalties identified for noncompliance of performance standards shall be assessed at the close of the POLICY YEAR based on the annual performance results.

C. The DEPARTMENT, at its discretion, may waive any penalty.

D. Penalty amounts assessed shall be accompanied by documentation from the DEPARTMENT identifying the specific area of noncompliance.

1. MINNESOTA LIFE shall have fifteen (15) calendar days from the receipt of the DEPARTMENT penalty documentation to respond in writing to the DEPARTMENT.

2. If MINNESOTA LIFE agrees with the facts and penalty amount calculated, the penalty shall be assessed as stated above.

3. If MINNESOTA LIFE disagrees with the facts and/or penalty calculation, MINNESOTA LIFE shall provide a defense or explanation of the issue.

4. If the DEPARTMENT disagrees with MINNESOTA LIFE's explanation, the DEPARTMENT and MINNESOTA LIFE shall meet within fifteen (15) calendar days to resolve the disagreement.

E. In the event of termination of MINNESOTA LIFE services, the DEPARTMENT penalties shall be determined as provided above except that any penalty payment to the DEPARTMENT shall be due from MINNESOTA LIFE immediately upon resolution.

ARTICLE VII. RESPONSIBILITIES OF THE DEPARTMENT

7.1 Communication

The DEPARTMENT shall assist MINNESOTA LIFE in communicating the provisions of the PROGRAM to all EMPLOYEES eligible to participate in the PROGRAM. Responsibilities include, but are not limited to, the following:

A. In consultation with MINNESOTA LIFE, revise all forms, EMPLOYER manuals, and brochures as needed. Print and distribute EMPLOYER manuals and selected forms.

B. Counsel EMPLOYEES and retirees on their benefits under the PROGRAM.

C. Counsel EMPLOYERS interested in participating in the plan; approve new EMPLOYERS; respond to routine and unusual EMPLOYER questions about PROGRAM provisions and requirements.

D. Publish official notice in its Employer Bulletin on premium rates, statutory or contract changes, policies and procedures pertaining to the program. Publish information for PROGRAM participants in its Trust Fund News.

E. Review and approve or disapprove all descriptive literature, advertising material and visual aids proposed by MINNESOTA LIFE as a means for communicating and presenting the PROGRAM to the eligible EMPLOYERS.

7.2 PROGRAM Administration

The DEPARTMENT shall:

A. Require an EMPLOYER seeking group life insurance coverage pursuant to Wis. Stats. §40.03(6)(b) or 40.70 to adopt and file a resolution under terms and conditions determined by the BOARD and on forms prescribed by the DEPARTMENT.

B. Maintain records from which may be determined the names of all STATE EMPLOYEES insured under Policy No. 2832-G and the amount of insurance in force on each EMPLOYEE. The DEPARTMENT shall make available to MINNESOTA LIFE such information concerning EMPLOYEES insured under the policy as may reasonably be considered to have a bearing on the insurance, subject to the provisions of Wis. Stats. §40.07. The records of the DEPARTMENT which have a bearing on the insurance under the policy shall be open for inspection by MINNESOTA LIFE at any time.

C. Maintain participant and EMPLOYER records of the Wisconsin Retirement System and make these records available as necessary for the administration of the PROGRAM, subject to statutory restrictions.

D. Be responsible for making all decisions, or providing MINNESOTA LIFE with the BOARD's decisions, that are necessary for the appropriate operation of the PROGRAM, including determinations regarding:

1. The classification of any person as being within the definition of "EMPLOYEE" or "ELIGIBLE EMPLOYEE" in Section 1.

2. The fact and date of (a) SEPARATION of an EMPLOYEE from service of the STATE and (b) a status of leave or temporary layoff during which no EARNINGS are received.

3. The annual EARNINGS of any EMPLOYEE.

4. The fact that any insured EMPLOYEE is entitled to continue insurance under the policy with or without the requirement of any contribution toward premiums.

5. The application of statutes and contract provisions regarding the fact of coverage, whether an EMPLOYEE is entitled to enroll or to continue coverage after termination of employment, and similar matters.

6. To the extent not delegated to MINNESOTA LIFE, the review and approval or denial of requests from EMPLOYERS for enrollment of EMPLOYEES based on EMPLOYER error.

E. Accept and maintain all beneficiary designations and provide proper designation to MINNESOTA LIFE at time of claim, or assist MINNESOTA LIFE to determine proper designation.

F. Administer the appeal process by which interested parties may contest the Department's determinations related to the PROGRAM. These appeals are ultimately decided by the BOARD.

G. Fully cooperate with MINNESOTA LIFE regarding any claim or litigation against any or all of the DEPARTMENT, the BOARD and MINNESOTA LIFE including but not limited to providing relevant records, technical assistance and witnesses if necessary to the defense of such litigation.

H. Until a STATE premium reporting/membership information system is in place:

1. Initially process applications from STATE EMPLOYEES who are transferring between STATE agencies, or applying under evidence of insurability.

2. Process cancellation forms.

3. Provide evidence of coverage for premium waivers.

4. Receive notice of claim, determine fact of coverage and certify amount of coverage and other required information to MINNESOTA LIFE when an insured individual retires, dies, applies for a living benefit, or elects to convert life insurance to pay health insurance premiums.

7.3 Premium Payment and Reporting

A. The DEPARTMENT shall require each EMPLOYER to remit the total monthly premium due for its active insured EMPLOYEES. The total monthly premium due shall be as described in Policy No. 2832-G under "Premiums."

B. The DEPARTMENT shall arrange for premium payment from the salaries and wages of all insured EMPLOYES from STATE agencies and remit to MINNESOTA LIFE, unless a different reporting and remittance method is created.

C. The DEPARTMENT shall deduct premiums from annuities of insured retirees under age 65 and remit to MINNESOTA LIFE.

7.4 Reports

The DEPARTMENT shall provide the following reports:

A. Annually, by April 1, until a STATE premium reporting/membership information system is in place, the DEPARTMENT shall produce participant data in electronic format of STATE EMPLOYEES' insurance coverage from Central Payroll and the University of Wisconsin, for actuarial and statistical purposes.

B. Prior-year salary information in electronic format for each EMPLOYEE of participating local government units. The DEPARTMENT shall be responsible for ensuring that a similar report be provided for STATE EMPLOYEES to be used for updating information in the reporting/  
membership information system.

ARTICLE VIII. AUDIT PROVISIONS AND FINANCIAL REPORTING REQUIREMENTS

8.1 Books and Records Inspected by the STATE

MINNESOTA LIFE agrees to open all books, RECORDS, ledgers and journals relating to the PROGRAM for inspection and audit by the DEPARTMENT Internal Audit staff, State of Wisconsin Legislative Audit Bureau, or designated agents, attorneys and accountants, at any time during normal business hours. Records requested shall be provided to the DEPARTMENT in a format acceptable to the DEPARTMENT within thirty (30) days from receipt of request.

* 1. Audit of MINNESOTA LIFE's Financial Condition

MINNESOTA LIFE agrees to furnish the DEPARTMENT with an annual audited statement of its financial condition certified by an independent certified public accountant within one hundred twenty (120) days of the end of the calendar year.

8.3 Annual POLICY YEAR Report of the PROGRAM

MINNESOTA LIFE shall furnish a POLICY YEAR report to the DEPARTMENT, as provided in Section 5.5 A of this agreement.

8.4 STATE and Federal Tax Reporting Requirements

MINNESOTA LIFE shall be responsible for preparing and filing all reports required by federal and STATE taxing authorities including those required for the last year of the contract and filed the year after the termination of this contract or any extension thereof.

ARTICLE IX. MAINTAINING PROGRAM RECORDS

9.1 Ownership and Access

All hardware, software, computer tapes or disks purchased and/or developed by MINNESOTA LIFE relative to the PROGRAM, whether past, present or future, shall, unless otherwise agreed upon, at all times remain the property of MINNESOTA LIFE. All materials, records, documents, accounting records, software, computer tapes or disks purchased or developed by the BOARD or its agents, shall at all times remain the property of the BOARD. Any software, computer tapes or disks jointly purchased or developed by MINNESOTA LIFE and the BOARD shall be jointly owned with each party hereby agreeing not to provide, assign, transfer, copy or replicate any such software, computer tapes or disks to any third party without the other party's consent.

All materials, records, documents, accounting records and any other information provided by the BOARD to MINNESOTA LIFE for purposes of enabling MINNESOTA LIFE to perform its contractual obligations and the administrative duties as herein agreed upon, shall remain the property of the BOARD.

9.2 Duplicate Records

MINNESOTA LIFE shall produce duplicate computer tapes or discs of all RECORDS being maintained by MINNESOTA LIFE in connection with its administration of the PROGRAM. Duplicate RECORDS shall, at all times, be kept in a place of safekeeping as approved by the DEPARTMENT.

9.3 Contingency Plan/Disaster Recovery

MINNESOTA LIFE shall maintain on file a written contingency plan which will be made available for review by the DEPARTMENT upon request. Said plan shall include detail of a contingency plan for disaster recovery of MINNESOTA LIFE's electronic data processing equipment that assures the system shall be back in operation within thirty (30) days of a disaster and the method used for providing services in the event of an emergency including but not limited to a natural or man-made disaster, or temporary staffing due to a strike.

* 1. Responsibility to Maintain Confidentiality and Security of Information

### A. General Confidentiality Requirements

### While performing services under the contract, all information obtained by MINNESOTA LIFE about any individual STATE or local EMPLOYEE, whether the EMPLOYEE becomes insured or not, shall be kept in absolute confidence for as long as the information is maintained by or for MINNESOTA LIFE. Such information shall not be utilized by MINNESOTA LIFE or any of its officers, directors, agents or employees in connection with any other matter without prior written consent of the BOARD.

### B. Obligation to Comply with Wisconsin Laws Regarding Confidentiality of Records

### MINNESOTA LIFE shall observe the requirements of Wis. Stat. § 40.07, and Wis. Admin. Code § ETF 10.70, regarding Individual Personal Information in its records and in the records of the DEPARTMENT to which MINNESOTA LIFE has access.

C. Safeguards to Preserve Integrity and Confidentiality of Information

MINNESOTA LIFE shall develop, implement, maintain and use reasonable and appropriate administrative, technical and physical safeguards to preserve the integrity and confidentiality of information under the control of MINNESOTA LIFE. MINNESOTA LIFE shall document and keep these safeguards current and furnish documentation of the safeguards to the DEPARTMENT upon request.

D. Duty to Report Any Improper Use or Disclosure

MINNESOTA LIFE shall report to the DEPARTMENT any use or disclosure of confidential Individual Personal Information, as defined by Wis. Admin. Code § ETF 10.70 (1), or Medical Records, as defined by Wis. Admin. Code § ETF 10.01 (3m), not permitted by the contract, within three (3) days of learning of such non-permitted use or disclosure, so that steps may be taken to reduce any harm that may result from the improper disclosure.

### E. Managing Requests for Individual Personal Information

Except for disclosures required by contract, all requests from parties other than the insured, including a subpoena, for disclosure of confidential Individual Personal Information as defined by Wis. Admin. Code § ETF 10.70 (1), including Medical Records as defined by Wis. Admin. Code § ETF 10.01 (3m), shall be referred to the DEPARTMENT in a timely manner so that the DEPARTMENT may determine the proper response. All disclosures in response to requests shall be in strict accordance with Wis. Stat. § 40.07, and Wis. Admin. Code § ETF 10.70.

### F. Requirements for Agents and Subcontractors

Regarding services provided under the contract, MINNESOTA LIFE shall require any of its agents or subcontractors to provide reasonable assurance, evidenced by written contract, that the agent or subcontractor will comply with the same privacy and security obligations as MINNESOTA LIFE with respect to such information.

### G. Indemnification for Improper Use or Disclosure

If any improper use or disclosure is alleged and is confirmed by investigation, MINNESOTA LIFE shall indemnify the DEPARTMENT for any legal and other costs incurred by the DEPARTMENT as a result of the improper use or disclosure.

ARTICLE X. TERMINATION OF CONTRACT

* 1. Responsibilities Upon Termination

A. At the termination of this contract, MINNESOTA LIFE shall turn over all physical files and all required data pertaining to the PROGRAM in an electronic media format, acceptable to the DEPARTMENT, that includes a record layout and data description of the information contained on the electronic media or in an alternative format mutually agreeable to the DEPARTMENT and MINNESOTA LIFE. MINNESOTA LIFE shall release all files and data to the DEPARTMENT in a mutually agreeable time frame but in no case later than 90 days after notification of nonrenewal of the contract. MINNESOTA LIFE shall cooperate with both the DEPARTMENT and the new administrator in meeting any reasonable requests.

B. The DEPARTMENT shall be provided one final report for each of the reports defined in Section 5.5 with information provided for the period from the last report date to the contract end date within one hundred eighty (180) days from the contract end date.

C. MINNESOTA LIFE shall provide an independent audit of the PROGRAM prepared by a Certified Public Accounting firm that is acceptable to the BOARD for the business reporting period from the last PROGRAM audit to the contract termination date that provides an audit of all business activities for that period and financial position as of the contract termination date.

ARTICLE XI. MISCELLANEOUS PROVISIONS

11.1 Conflict of Interest

During the term of the contract, MINNESOTA LIFE shall not have any interest, direct or indirect, that would conflict in any manner or degree with the performance of services required under the contract.

11.2 Indemnification

A. MINNESOTA LIFE shall indemnify the DEPARTMENT and each of its employees, as well as the BOARD and each of its members, from and against any and all liability, costs or expenses, including reasonable attorney’s fees, incurred or sustained by reason of the acts, actions or omissions of MINNESOTA LIFE, or its officer, director, employee or agent, including any liability, cost and expense arising out of the failure of MINNESOTA LIFE or its officer, director, employee, or agent to comply fully with the terms and provisions of the contract.

B. Any life insurance benefit paid as a result of litigation or settlement shall be included in the claim charges as described in Exhibit B of this agreement.

C. Nothing in this agreement shall be construed as a waiver of the sovereign immunity of the State of Wisconsin and its subdivisions. The State of Wisconsin shall indemnify MINNESOTA LIFE as required by Wis. Stats. §895.46(1) if the law makes an employee of the DEPARTMENT or a member of the BOARD liable for an act, action or omission.

11.3 Modification, Waiver, or Consent

No modification or waiver of any provision of this contract and no consent by one party to any deviation from its terms by the other party shall be effective unless such modification, waiver, or consent is in writing and signed by properly authorized agents of each party, and the modification, waiver, or consent shall be effective only for the period, on the conditions and for the specific instance and purposes specified in such writing.

11.4 Survival of Representations and Warranties

All of the representations and warranties set forth in this contract shall survive execution of this contract and shall be deemed to continue through the term of this contract, including any extension of that term. Each party shall certify in writing to the other, upon request, the correctness of the specific representations and warranties set forth.

11.5 Relationship between STATE and MINNESOTA LIFE

Nothing contained in this contract shall be deemed or construed to appoint the officers, agents, or employees of MINNESOTA LIFE as employees or agents of the STATE. The status of MINNESOTA LIFE, its officers, agents, and employees under this contract with respect to the STATE is that of independent contractor.

11.6 Wisconsin Law

This contract shall be construed and enforced in accordance with, and be governed by, the laws of the State of Wisconsin.

11.7 Not in Conflict with Applicable Law

Nothing contained herein shall be construed to prohibit MINNESOTA LIFE from performing any act or not performing any act as either may be required by any statute, court, or other authority having jurisdiction thereover.

11.8 Severability

The provisions of this contract are severable, and, if for any reason a clause, sentence, paragraph, or other part of this contract shall be determined to be invalid by a court or federal or STATE agency, board, or commission having jurisdiction over the subject matter thereof, such invalidity shall not affect other provisions of this contract which can be given effect without the invalid provision.

11.9 Notices

All notices, requests, demands or other communications provided for or required by this contract (or any instrument or document delivered pursuant to this contract) shall be in writing and shall be deemed to have been given when sent by registered or certified mail, return receipt requested. Notices to MINNESOTA LIFE shall be addressed to Vice President, Group Insurance Division, 400 Robert Street N, St. Paul MN 55101-2098; notices to the BOARD shall be sent in care of Eric Stanchfield, Department of Employee Trust Funds, P.O. Box 7931, Madison, Wisconsin 53707-7931. Each party may designate a different address by sending written notice to the other party, to be effective within ten days of the date of the notice.

* 1. Standard Terms and Conditions

During the term of the contract the standard terms and conditions as provided by the Wisconsin Department of Administration will apply. See Exhibit K.

EXHIBIT A

ANNUAL EXPERIENCE CALCULATION

The annual experience calculation shall be performed separately for the preretirement insurance, postretirement insurance, and spouse and dependent insurance.

PreRetirement Insurance

The annual experience calculation for the preretirement insurance shall begin with a determination of all charges to the plan. Pursuant to Exhibit B of this agreement (Claim Charges), claim charges shall include items A and B (life and AD&D pooled claim charges), items C and D (death and AD&D claims), item E (living benefit claims), item J (disability claim reserves), and item K (conversion charge), and the total of these charges shall be reduced by any catastrophic loss for the policy year to produce the net claim charge for the policy year. To the net claim charge shall be added the State internal administration expense, the payments to the STATE'S consulting actuary, the State premium taxes, the MINNESOTA LIFE expense charge, and the risk charge.

If the sum of all charges to the plan is greater than the sum of the EMPLOYEE premium and the interest credits, the premium deficiency shall be withdrawn from the premium deposit fund and cleared as premium. If the premium deficiency exceeds the balance in the premium deposit fund, the remainder shall be withdrawn from the contingent liability reserve and cleared as premium.

If the sum of these charges is less than the sum of the EMPLOYEE premium and the interest credits, the excess shall be declared as an experience credit and deposited in the contingent liability reserve.

PostRetirement Insurance

The annual experience calculation for the postretirement insurance shall begin with a determination of all postretirement insurance charges to the plan. Pursuant to Exhibit B of this agreement (Claim Charges), claim charges shall include item F (life pooled claim charge), items G and H (death claims), and item I (living benefit claims). To the claim charges shall be added the State premium taxes and the MINNESOTA LIFE expense charge. The sum of these charges shall be withdrawn from the contingent liability reserve and cleared as premium. If the sum of these charges exceeds the balance in the contingent liability reserve, the remainder shall be withdrawn from the premium deposit fund and cleared as premium.

The value of all postretirement life insurance converted to pay premiums for health insurance or long-term care insurance shall be withdrawn from the premium deposit fund.

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Spouse and Dependent Insurance

The annual experience calculation for the spouse and dependent insurance plan shall begin with a determination of all charges to the plan. Pursuant to Exhibit B of this agreement (Claim Charges), claim charges shall include items L and M (death claims), item N (living benefit claims) and item O (conversion charge), and the total of these charges shall be reduced by any catastrophic loss for the policy year to produce the net claim charge for the policy year. To the net claim charge shall be added the State internal administration expense, the State premium taxes, the MINNESOTA LIFE expense charge and the risk charge.

If the sum of all charges to the plan is less than the sum of the premium and the interest credits reduced by any prior deficits accumulated at interest, the excess shall be deposited in the stabilization reserve. If the sum of all charges is greater than the sum of the premium and the interest credits, the premium deficiency shall be withdrawn from the stabilization reserve. If the premium deficiency exceeds the balance in the stabilization reserve, the remainder shall be carried forward as a deficit charge against the stabilization reserve.

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EXHIBIT B

CLAIM CHARGES

Except as provided under Section 4.5 and Exhibit F of this agreement (Stop-Loss Provision), claim charges attributable to a policy year shall be equal to the sum of the following items:

A. A pooled claim charge for all amounts of life insurance above the pooling level in the PRERETIREMENT INSURANCE plan. The pooling level for life insurance shall be $500,000.

B. A pooled claim charge for all amounts of AD&D insurance above the pooling level in the PRERETIREMENT INSURANCE plan. The pooling level for AD&D insurance shall be $500,000.

C. Up to the pooling level, all reported death and AD&D claims under the preretirement insurance plan which have a date of death during the policy year, including any interest paid to beneficiaries on such claims.

D. Up to the pooling level, all reported death and AD&D claims under the preretirement insurance plan which have a date of death in a prior policy year and were reported after compilation of the previous policy year report, including any interest paid to beneficiaries on such claims.

E. Up to the pooling level, all living benefit claims under the preretirement insurance plan which have a date of payment during the policy year, including any interest paid on such claims.

F. A pooled claim charge for all amounts of life insurance above the pooling level in the POSTRETIREMENT INSURANCE plan. The pooling level for life insurance shall be $500,000.

G. Up to the pooling level, all reported death claims under the postretirement insurance plan which have a date of death during the policy year, including any interest paid to beneficiaries on such claims.

H. Up to the pooling level, all reported death claims under the postretirement insurance plan which have a date of death in a prior policy year and were reported after compilation of the previous policy year report, including any interest paid to beneficiaries on such claims.

I. Up to the pooling level, all living benefit claims under the POSTRETIREMENT INSURANCE plan which have a date of payment during the POLICY YEAR, including any interest paid on such claims.

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J. Up to the pooling level, the reserves on the last day of the policy year less the reserves on the last day of the previous policy year for reported disability claims, such reserves to be established in accordance with Section 4.6.D. and Exhibit I of this agreement (Disability Claim Reserves) for insured EMPLOYEES whose onset of disability occurred prior to the most recent policy anniversary.

K. A conversion charge assessed by MINNESOTA LIFE to cover anticipated future excess mortality on terminating EMPLOYEES converting to individual insurance policies during the policy year.

L. All reported death claims under the spouse and dependent insurance plan which have a date of death during the policy year, including any interest paid to beneficiaries on such claims.

M. All reported death claims under the spouse and dependent insurance plan which have a date of death in a prior policy year and were reported after compilation of the previous policy year report, including any interest paid to beneficiaries on such claims.

N. All living benefit claims under the spouse and dependent insurance plan which have a date of payment during the policy year, including any interest paid on such claims.

O. A conversion charge assessed by MINNESOTA LIFE to cover anticipated future excess mortality on spouses and dependents converting to individual insurance policies during the policy year.

Death, AD&D and living benefit claims include claims for EMPLOYEES whose coverage was being continued under the waiver of premium disability benefit at the time of death or of living benefit payment.

Death, AD&D and disability claims included in the annual experience calculation for a given policy year shall include all claims reported to MINNESOTA LIFE prior to   
March 1 of the following policy year. Living benefit claims included in the annual experience calculation for a given policy year shall include all claims paid during the policy year.

B-2EXHIBIT C

STATE PREMIUM TAX CHARGE

The State premium tax charge to the plans shall be equal to the annual license fee paid by MINNESOTA LIFE to the State of Wisconsin on plan premiums for the policy year. Section 76.65 of the Wisconsin Statutes sets the annual Wisconsin license fee for "foreign insurers" at two percent of gross premiums less experience credits paid out or applied to pay premiums within the year following the year they were apportioned.

The charge for a policy year for preretirement insurance shall be equal to two percent (2%) of the following:

A. EMPLOYEE premium contributions for the policy year,

B. Plus any withdrawals from the premium deposit fund and the contingent liability reserve cleared as premium for preretirement insurance,

C. Less the dividend deposited in the contingent liability reserve, except that the credit for this deposit cannot exceed the amount of the withdrawal from the contingent liability reserve to pay premiums for postretirement insurance for the policy year.

The charge for the policy year for postretirement insurance shall be equal to two percent of the withdrawals from the contingent liability reserve and the premium deposit fund cleared as premium for postretirement insurance.

The charge for the policy year for the spouse and dependent insurance shall be equal to two percent of the policy year PREMIUM for spouse and dependent insurance.

C-1EXHIBIT D

MINNESOTA LIFE EXPENSE CHARGE

The MINNESOTA LIFE expense charge (including a charge for reinsurance expenses) for a policy year shall be as follows:

A. For preretirement insurance on the State EMPLOYEE plan, 3.60%of policy year premium.

B. For preretirement insurance on the local government EMPLOYEE plan, 6.90% of policy year premium.

C. For POSTRETIREMENT INSURANCE on the STATE EMPLOYEE PLAN, $.15 per $1,000 of POSTRETIREMENT INSURANCE in force on December 31 of the POLICY YEAR plus 1.0% of POSTRETIREMENT INSURANCE claim charges for the POLICY YEAR.

D. For POSTRETIREMENT INSURANCE on the LOCAL GOVERNMENT EMPLOYEE PLAN, $.30 per $1,000 of POSTRETIREMENT INSURANCE in force on December 31 of the POLICY YEAR plus 2.0% of POSTRETIREMENT INSURANCE claim charges for the POLICY YEAR.

E. For the State SPOUSE AND DEPENDENT PLAN, 2.30% of policy year premium.

F. For the local government SPOUSE AND DEPENDENT plan, 4.65% of policy year premium.

G. For reinsurance expenses of MINNESOTA LIFE related to EMPLOYEE insurance, 0.01% of all POLICY YEAR PREMIUM for PRERETIREMENT INSURANCE.

H. For reinsurance expenses of the reinsurers, 0.25% of the reinsured portion of policy year premium for preretirement insurance.

I. The actual amounts of any special or unusual costs incurred by MINNESOTA LIFE under the direction and authorization of the STATE. This charge shall be excluded from the MINNESOTA LIFE expense charge only for the purposes of the stop-loss provision described in Section 4.5 and Exhibit F of this agreement.

D-1EXHIBIT D

MINNESOTA LIFE EXPENSE CHARGE

J. The actual amounts of any costs, disbursements or fees paid by MINNESOTA LIFE as a result of and in defense of legal actions resulting from payment to the Department of sums certified and requested under Wis. Stats. §40.08(4). This charge shall include amounts paid to the STATE as reimbursement of its costs. This charge shall be excluded from the MINNESOTA LIFE expense charge only for the purposes of the stop-loss provision described in Section 4.5 and Exhibit F of this agreement.

K. A charge or credit which makes the policy year financial results after federal income tax for MINNESOTA LIFE and the reinsurers equal to what the results would be in the absence of Section 848 of the Internal Revenue Code of 1986 as amended (as in effect on September 4, 1991). This section, titled "Capitalization of Certain Policy Acquisition Expenses," sets forth what is commonly referred to as the DAC tax for life insurers. The amount of the policy year charge or credit shall be calculated based on the amount by which IRC Section 848 decreases or increases policy year deductible expenses for federal income tax purposes.

The charge set forth in this exhibit is based on the administrative responsibilities performed by MINNESOTA LIFE on the effective date of this agreement. Assumption of additional responsibilities by MINNESOTA LIFE shall be subject to adjustments to the charge as agreed to by the STATE and MINNESOTA LIFE.

The charge set forth in this exhibit is based on the EMPLOYEE and EMPLOYER premium contribution rates which become effective on March 1, 2004 on the STATE EMPLOYEE plan and the STATE SPOUSE AND DEPENDENT PLAN, the rates which become effective July 1, 2004 on the local government EMPLOYEE plan, and the rates in effect on January 1, 2004 on the local government spouse and dependent plan (the base rates). For any period during which premium rates other than the base rates are in effect, the MINNESOTA LIFE expense charge shall be adjusted in order to maintain a fixed relationship between the MINNESOTA LIFE expense charge and the policy year premium calculated using the base rates.

Except as described in the preceding paragraphs or as otherwise authorized by the STATE, no change shall be made in the MINNESOTA LIFE expense charge prior to January 1, 2009. After the expiration of that guarantee period, no change shall be made in the MINNESOTA LIFE expense charge unless notice is given to the STATE at least 90 days prior to the beginning of the policy year in which the change shall apply.

D-2EXHIBIT E

RISK CHARGE

The annual risk charge for the EMPLOYEE insurance plans shall be equal to the sum of the following items:

For the STATE EMPLOYEE PLAN

A. No more than .675% and no less than 0.0% of the total policy year premium in each policy year to accumulate the risk reserve as described below.

1. 1.35% of the reinsured policy year premium for each reinsurer whose accumulated risk reserve is less than its proportionate share (equal to its reinsurance percentage) of the accumulated risk reserve.

For the LOCAL GOVERNMENT EMPLOYEE PLAN

1. No more than .7125% and no less than 0.0% of the total policy year premium in each policy year to accumulate the risk reserve as described below.
2. 1.425% of the reinsured policy year premium for each reinsurer whose accumulated risk reserve is less than its proportionate share (equal to its reinsurance percentage) of the accumulated risk reserve.

The annual risk charge for the EMPLOYEE insurance plans shall be accumulated as a risk reserve until the risk reserve has accumulated to a maximum. In determining the maximum for each of the plans, the following definitions shall be used:

* "Largest POLICY YEAR PREMIUM" means the largest POLICY YEAR PREMIUM for any single POLICY YEAR during the plan's existence.
* "Largest historical premium" means the largest POLICY YEAR PREMIUM for a single POLICY YEAR prior to the effective date of this agreement.
* "Maximum historical risk reserve" means the maximum risk reserve calculated prior to the effective date of this agreement.

The maximum accumulated risk reserve for the STATE EMPLOYEE PLAN shall equal the maximum historical risk reserve plus 3.375% of the largest POLICY YEAR PREMIUM in excess of the largest historical premium.

The maximum accumulated risk reserve for the LOCAL GOVERNMENT EMPLOYEE PLAN shall equal the maximum historical risk reserve plus 3.5625% of the largest POLICY YEAR PREMIUM in excess of the largest historical premium.

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The risk reserve shall be diminished by a catastrophic loss as described in Section 4.5 and Exhibit F of this agreement (Stop-Loss Provision). However, in no event shall a catastrophic loss reduce the risk reserve below zero. If the catastrophic loss exceeds the risk reserve, the excess amount of the catastrophic loss shall be absorbed by MINNESOTA LIFE and the reinsurers. If a catastrophic loss shall diminish the risk reserve, MINNESOTA LIFE shall restore the risk reserve to its former level through additional risk charges. However, the risk charge in any one year shall not exceed the amount described above. In the event of termination of the policy, all risk reserves shall be retained by MINNESOTA LIFE and the reinsurers.

On the spouse and dependent insurance plan, the annual risk charge shall be 0.2% of policy year premium.

No change shall be made in the risk charge unless notice is given to the STATE at least 90 days prior to the beginning of a policy year in which the change shall apply.

E-2EXHIBIT F

STOP-LOSS PROVISION

EMPLOYEE Insurance

For the EMPLOYEE insurance plans, MINNESOTA LIFE shall compute a monthly stop-loss limit by applying the schedule of monthly rates shown below to the amounts of preretirement and postretirement life insurance in force under the policy.

SCHEDULE OF MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)

State EMPLOYEE PLAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Attained  Age | Rate | Attained  Age | Rate | Attained  Age | Rate |
| 17 | $.07 | 45 | $.20 | 73 | $ 2.57 |
| 18 | .07 | 46 | .23 | 74 | 2.87 |
| 19 | .07 | 47 | .26 | 75 | 3.09 |
| 20 | .07 | 48 | .27 | 76 | 3.34 |
| 21 | .07 | 49 | .28 | 77 | 3.66 |
| 22 | .07 | 50 | .29 | 78 | 3.94 |
| 23 | .07 | 51 | .30 | 79 | 4.26 |
| 24 | .07 | 52 | .32 | 80 | 4.66 |
| 25 | .07 | 53 | .32 | 81 | 5.20 |
| 26 | .07 | 54 | .32 | 82 | 5.91 |
| 27 | .07 | 55 | .34 | 83 | 6.94 |
| 28 | .07 | 56 | .35 | 84 | 7.77 |
| 29 | .07 | 57 | .36 | 85 | 8.45 |
| 30 | .07 | 58 | .38 | 86 | 9.16 |
| 31 | .07 | 59 | .39 | 87 | 9.99 |
| 32 | .08 | 60 | .42 | 88 | 10.50 |
| 33 | .09 | 61 | .45 | 89 | 11.23 |
| 34 | .09 | 62 | .49 | 90 | 12.01 |
| 35 | .09 | 63 | .56 | 91 | 12.79 |
| 36 | .10 | 64 | .64 | 92 | 13.57 |
| 37 | .11 | 65 | .75 | 93 | 14.35 |
| 38 | .11 | 66 | .87 | 94 | 15.14 |
| 39 | .12 | 67 | 1.05 | 95 | 15.97 |
| 40 | .12 | 68 | 1.26 | 96 | 17.55 |
| 41 | .13 | 69 | 1.54 | 97 | 19.32 |
| 42 | .14 | 70 | 1.79 | 98 | 45.70 |
| 43 | .16 | 71 | 2.04 | 99 | 72.85 |
| 44 | .18 | 72 | 2.29 | 100 | 83.33 |

F-1EXHIBIT F

STOP-LOSS PROVISION (cont'd)

SCHEDULE OF MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)

LOCAL GOVERNMENT EMPLOYEE PLAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Attained     Age | Rate | Attained     Age | Rate | Attained     Age | Rate |
| 17 | $.06 | 45 | $ .14 | 73 | $ 2.62 |
| 18 | .06 | 46 | .15 | 74 | 3.06 |
| 19 | .06 | 47 | .17 | 75 | 3.44 |
| 20 | .06 | 48 | .20 | 76 | 3.89 |
| 21 | .06 | 49 | .23 | 77 | 4.35 |
| 22 | .06 | 50 | .27 | 78 | 4.86 |
| 23 | .06 | 51 | .30 | 79 | 5.39 |
| 24 | .06 | 52 | .33 | 80 | 5.94 |
| 25 | .06 | 53 | .36 | 81 | 6.52 |
| 26 | .06 | 54 | .40 | 82 | 7.06 |
| 27 | .06 | 55 | .44 | 83 | 7.66 |
| 28 | .06 | 56 | .47 | 84 | 8.33 |
| 29 | .06 | 57 | .50 | 85 | 9.08 |
| 30 | .06 | 58 | .53 | 86 | 9.91 |
| 31 | .06 | 59 | .56 | 87 | 10.75 |
| 32 | .07 | 60 | .60 | 88 | 11.65 |
| 33 | .07 | 61 | .64 | 89 | 12.70 |
| 34 | .08 | 62 | .70 | 90 | 13.82 |
| 35 | .08 | 63 | .75 | 91 | 15.02 |
| 36 | .09 | 64 | .81 | 92 | 16.25 |
| 37 | .10 | 65 | .91 | 93 | 17.50 |
| 38 | .10 | 66 | 1.09 | 94 | 18.80 |
| 39 | .11 | 67 | 1.26 | 95 | 20.15 |
| 40 | .11 | 68 | 1.42 | 96 | 21.55 |
| 41 | .12 | 69 | 1.50 | 97 | 23.00 |
| 42 | .13 | 70 | 1.70 | 98 | 45.70 |
| 43 | .13 | 71 | 1.89 | 99 | 72.85 |
| 44 | .14 | 72 | 2.24 | 100 | 83.33 |

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EXHIBIT FSTOP-LOSS PROVISION (cont'd)

The schedule of monthly premium rates shown in the Addendum, "Premium Rates," of the policy shall be applied to the preretirement insurance in force to produce the estimated monthly policy year premium. Monthly, the policy year premium paid for that month shall be divided by the estimated monthly premium. The resulting proportion shall be multiplied by the estimated monthly stop-loss limit for preretirement insurance. The product shall be accumulated for all twelve months in the policy year and shall be defined as the "policy year stop-loss limit for preretirement insurance."

Monthly, the postretirement insurance in force shall be divided by the postretirement insurance in force used in determining the estimated monthly stop-loss limit for postretirement insurance. The resulting proportion shall be multiplied by the estimated monthly stop-loss limit for postretirement insurance. The product shall be accumulated for all twelve months in the policy year and shall be referred to as the policy year stop-loss limit for postretirement insurance.

The policy year stop-loss limit for the EMPLOYEE insurance plans shall be equal to the sum of the monthly stop-loss limits. The POLICY YEAR stop-loss limit for EMPLOYEE insurance is approximately 125% of POLICY YEAR expected claims.

For the purpose of this section and pursuant to Exhibit B of this agreement (Claim Charges), claim charges for the EMPLOYEE insurance plans shall include items A, B, and F (life and AD&D pooled claim charges), items C and G (death and AD&D claims), items E and I (living benefit claims), item J (disability claim reserves), and item K (conversion charge). In subsequent annual experience reports, items C and G of these claim charges shall be adjusted to reflect claims which have a date of death or dismemberment in the policy year and were reported after compilation of the policy year report. If these claim charges in a given policy year exceed the policy year stop-loss limit less State premium taxes, the risk charge, and the MINNESOTA LIFE expense charge, such excess shall be defined as a "catastrophic loss". A catastrophic loss shall not be charged against the policy year premium. If the policy is discontinued, all disability claim reserves used in calculating item G of the claim charges shall for the purpose of this section continue to be calculated in accordance with Exhibit I of this agreement.

Spouse and Dependent Insurance

The policy year stop-loss limit for the STATE SPOUSE AND DEPENDENT insurance plan shall be equal to 130% of policy year premium. The POLICY YEAR stop-loss limit for the LOCAL GOVERNMENT SPOUSE AND DEPENDENT insurance plan shall be equal to 145% of POLICY YEAR PREMIUM.

For the purpose of this section and pursuant to Exhibit B of this agreement (Claim Charges), claim charges for the spouse and dependent insurance plans shall include item L (death claims), item N (living benefit claims), and item O (conversion charge). In subsequent annual experience reports, item L of these claim charges shall be adjusted to reflect claims which have a date of death in the policy year and were reported after compilation of the policy year report. If these claim charges in a given policy year exceed the policy year stop-loss limit less State premium taxes, the risk charge, and the MINNESOTA LIFE expense charge, such excess shall be defined as a "catastrophic loss". A catastrophic loss shall not be charged against the policy year premium.

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EXHIBIT G

INVESTMENT YEAR INTEREST CREDITING METHOD FOR RESERVES

At the end of each calendar year MINNESOTA LIFE shall establish the interest rate, after investment expense, earned on the net increase in its general account invested ASSETS in that year. Such rate shall be re-established at the end of each subsequent calendar year to reflect any reinvestment of such ASSETS. Interest rates shall be established for the net increase in the invested ASSETS in each of the ten most recent calendar years. A single interest rate shall be established for all ASSETS originating ten years or more before the most recent calendar year.

For the purpose of calculating interest credits and charges on reserves, the average date of payment means the date which represents the arithmetic mean of all the payment dates of the specified item, weighted by the size of each payment. A payment date is the date on which a payment is received by or disbursed by MINNESOTA LIFE.

Contingent Liability Reserve

Deposits to the contingent liability reserve for the EMPLOYEE insurance plans occur annually on the last day of the policy year. The contingent liability reserve established by this agreement shall be subdivided into net increments (deposits plus interest credits less withdrawals less interest charges) occurring in each policy year in the most recent ten policy years. Any reserve accrued before the ten most recent policy years shall be treated as a single increment.

On each policy anniversary, the interest rates in order of recency shall be applied to the annual increments to the contingent liability reserve in order of recency. The total interest credits and charges on the contingent liability reserve at the end of each policy year shall be on the following basis:

A. Interest credits on each increment to the contingent liability reserve for prior policy years.

B. Interest charges on postretirement death and living benefit claims and interest on such claims paid during the policy year at the current policy year interest rate, calculated from the average date of claim payment for postretirement insurance during the policy year until the last day of the policy year.

C. Interest charges on the MINNESOTA LIFE expense charge, the State premium taxes, and the pooled claim charge for postretirement insurance during the policy year at the current policy year interest rate, calculated from July 1 of the policy year until the last day of the policy year on the assumption that, on the average, these charges are incurred on July 1 of the policy year.

G-1EXHIBIT G

INVESTMENT YEAR INTEREST CREDITING METHOD FOR RESERVES (cont'd)

D. Interest charges on the withdrawals from the contingent liability reserve for preretirement insurance at the current policy year interest rate, calculated from the average date of payment of death, AD&D and living benefit claims for preretirement insurance during the policy year as specified in Exhibit A of this agreement (Annual Experience Calculation) until the last day of the policy year.

Premium Deposit Fund

Deposits to the premium deposit fund shall occur as premium contributions are received by MINNESOTA LIFE, as described in Article IV, Section 4.3, "Responsibilities of MINNESOTA LIFE and the STATE." Withdrawals from the premium deposit fund of the converted values of postretirement life insurance shall be made on the first premium payment date for the health insurance or long-term care insurance to which the withdrawn value is applied for each insured electing this option. The premium deposit fund established by this agreement shall be subdivided into net increments (deposits plus interest credits less withdrawals less interest charges) occurring in each policy year in the most recent ten policy years. Any funds accrued before the ten most recent policy years shall be treated as a single increment.

On each policy anniversary, the interest rates in order of recency shall be applied to the annual increments to the premium deposit fund in order of recency. The total interest credits and charges on the premium deposit fund at the end of each policy year shall be on the following basis:

A. Interest credits on each increment to the premium deposit fund for prior policy years.

B. Interest credits on premium deposit fund deposits during the current policy year at the current policy year interest rate calculated from the average date of deposit during the policy year until the last day of the policy year.

C. Interest charges on the withdrawals from the premium deposit fund of the converted values of postretirement life insurance at the current policy year interest rate, calculated from the average date of withdrawal during the policy year until the last day of the policy year.

D. Interest charges on the withdrawals from the premium deposit fund for preretirement insurance at the current policy year interest rate, calculated from the average date of payment of death, AD&D and living benefit claims for preretirement insurance during the policy year as specified in Exhibit A of this agreement (Annual Experience Calculation) until the last day of the policy year.

G-2EXHIBIT G

INVESTMENT YEAR INTEREST CREDITING METHOD FOR RESERVES (cont'd)

E. Interest charges on the withdrawals from the premium deposit fund for postretirement insurance at the current policy year interest rate, calculated from the average date of payment of death and living benefit claims for postretirement insurance during the policy year until the last day of the policy year.

Disability Claim Reserve

Increments in the reserves for reported disability claims, as described in Exhibit B of this agreement (Claim Charges), shall occur annually on the last day of the policy year. The total disability claim reserves established by this agreement shall be subdivided into increments occurring in each policy year in the ten most recent policy years. All annual increments before the ten most recent policy years shall be treated as a single increment.

On each policy anniversary, the interest rates in order of recency shall be applied to the disability claim reserve increments in order of recency. The total interest credits on the disability claim reserve at the end of each policy year shall equal the sum of the interest credits on increments for prior policy years.

Stabilization Reserve

Deposits to the stabilization reserve for the spouse and dependent insurance plan occur annually on the last day of the policy year. The stabilization reserve established by this agreement shall be subdivided into net increments (deposits plus interest credits less withdrawals less interest charges) occurring in each policy year in the most recent ten policy years. Any reserve or deficit accrued before the ten most recent policy years shall be treated as a single increment.

On each policy anniversary, the interest rates in order of recency shall be applied to the annual increments to the stabilization reserve in order of recency. The total interest credits and charges on the stabilization reserve at the end of each policy year shall be on the following basis:

1. Interest credits on each increment to the stabilization reserve for prior policy years.
2. Interest charges on the withdrawals from the stabilization reserve at the current policy year interest rate calculated from the average date of payment of death and living benefit claims under the spouse and dependent insurance plan during the policy year as specified in Exhibit A of this agreement (Annual Experience Calculation) until the last day of the policy year.

G-3EXHIBIT HINTEREST CREDITS AND CHARGES ON CASH FLOW

This exhibit describes the method for determining interest credits and charges on cash flow, including all receipts and disbursements by MINNESOTA LIFE. For the purpose of calculating interest credits and charges on cash flow, the average date of payment means the date which represents the arithmetic mean of all the payment dates of the specified item, weighted by the size of each payment. A payment date is the date on which a payment is received by or disbursed by MINNESOTA LIFE.

PreRetirement Insurance

On each policy anniversary, interest credits and charges for preretirement insurance shall be calculated at the interest rates declared by MINNESOTA LIFE on the following basis:

A. Interest credits on EMPLOYEE premiums calculated from their average date of payment to MINNESOTA LIFE during the policy year until the last day of the policy year.

B. Interest charges on preretirement death, AD&D and living benefit claims and interest on such claims paid during the policy year, calculated from their average date of payment during the policy year until the last day of the policy year.

C. Interest charges on the MINNESOTA LIFE expense charge, the State internal administration expense charge, the actuarial service charge, the State premium taxes, the risk charge, the pooled claim charge, and the conversion charge during the policy year, calculated from July 1 of the policy year until the last day of the policy year on the assumption that, on the average, these charges are incurred on July 1 of the policy year.

D. Interest credits on the withdrawals from the contingent liability reserve and the premium deposit fund for preretirement insurance as specified in Exhibit A of this agreement (Annual Experience Calculation), calculated from the average date of payment calculated in "B" above until the last day of the policy year.

Spouse and Dependent Insurance

On each policy anniversary, interest credits and charges on the spouse and dependent insurance plan shall be calculated at the interest rates declared by MINNESOTA LIFE on the following basis:

A. Interest credits on premiums calculated from their average date of payment to MINNESOTA LIFE during the policy year until the last day of the policy year.

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B. Interest charges on spouse and dependent death and living benefit claims and interest on such claims paid during the policy year, calculated from their average date of payment during the policy year until the last day of the policy year.

C. Interest charges on the MINNESOTA LIFE expense charge, the State internal administration expense charge, the actuarial service charge, the State premium taxes, the risk charge, and the conversion charge during the policy year, calculated from July 1 of the policy year until the last day of the policy year on the assumption that, on the average, these charges are incurred on July 1 of the policy year.

D. Interest credits on the withdrawals from the stabilization reserve as specified in Exhibit A of this agreement (Annual Experience Calculation), calculated from the average date of payment calculated in "B" above until the last day of the policy year.

H-2**EXHIBIT I**

# DISABLED LIFE RESERVE FOR $1,000 OF INSURANCE

**54% of the 1970 Intercompany Group Life Disability Valuation Table**

**Interest at 7.0% Per Annum**

### Duration Less than Ten Years

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Duration **(Years)** | **Central Age at Disablement** | | | | | | | | | |
| **17** | **22** | **27** | **32** | **37** | **42** | **47** | **52** | **57** | **62** |
| 0 | 71 | 105 | 145 | 181 | 210 | 234 | 254 | 261 | 243 | 132 |
| 0.75 | 74 | 111 | 153 | 191 | 220 | 247 | 268 | 275 | 255 | 139 |
| 1 | 72 | 105 | 142 | 177 | 205 | 232 | 254 | 262 | 243 | 122 |
| 1.25 | 71 | 102 | 136 | 170 | 198 | 224 | 246 | 253 | 233 | 105 |
| 1.5 | 72 | 102 | 134 | 166 | 193 | 219 | 241 | 247 | 225 | 90 |
| 1.75 | 73 | 104 | 134 | 166 | 192 | 217 | 238 | 243 | 218 | 75 |
| 2 | 75 | 105 | 134 | 166 | 192 | 215 | 235 | 239 | 211 | 59 |
| 3 | 86 | 113 | 139 | 169 | 192 | 213 | 228 | 226 | 186 | 0 |
| 4 | 99 | 123 | 146 | 173 | 195 | 211 | 222 | 214 | 161 | 0 |
| 5 | 109 | 130 | 151 | 176 | 195 | 208 | 215 | 201 | 130 | 0 |
| 6 | 116 | 134 | 153 | 177 | 195 | 205 | 208 | 185 | 93 | 0 |
| 7 | 122 | 138 | 156 | 179 | 196 | 203 | 200 | 168 | 51 | 0 |
| 8 | 125 | 140 | 159 | 183 | 197 | 203 | 193 | 149 | 0 | 0 |
| 9 | 129 | 143 | 162 | 186 | 198 | 201 | 186 | 129 | 0 | 0 |

### Duration 10 Years and Longer

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Attained Age | Reserve |  | Attained Age | Reserve |  | Attained Age | Reserve |
| 27 | 132 |  | 40 | 181 |  | 53 | 198 |
| 28 | 134 |  | 41 | 185 |  | 54 | 195 |
| 29 | 137 |  | 42 | 189 |  | 55 | 191 |
| 30 | 139 |  | 43 | 192 |  | 56 | 186 |
| 31 | 143 |  | 44 | 195 |  | 57 | 179 |
| 32 | 146 |  | 45 | 197 |  | 58 | 170 |
| 33 | 150 |  | 46 | 199 |  | 59 | 158 |
| 34 | 153 |  | 47 | 200 |  | 60 | 144 |
| 35 | 157 |  | 48 | 201 |  | 61 | 127 |
| 36 | 162 |  | 49 | 202 |  | 62 | 105 |
| 37 | 167 |  | 50 | 202 |  | 63 | 78 |
| 38 | 172 |  | 51 | 201 |  | 64 | 43 |
| 39 | 177 |  | 52 | 200 |  |  |  |

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EXHIBIT J

PERFORMANCE STANDARDS AND PENALTIES

QUANTITATIVE STANDARDS

|  | **PENALTY** | |
| --- | --- | --- |
| **PERFORMANCE Measure** | **For each whole**  **percentage point**  **below the**  **performance standard** | **Maximum** |
| **Pay 95% of all death and dismemberment claims within 14 calendar days after receipt of all necessary proof** | **$4,000** | **$20,000** |
| **Mail 99% of all initial requests for death certificates, verification of beneficiary forms, medical evidence of dismemberment or loss of use forms, and any other required documentation within 14 calendar days of receipt of Notice of Death (ET-6301) and other documentation from the Department** | **$3,000** | **$15,000** |
| **Approve or reject 99% of all applications for open enrollment (other than deferred applications) within 14 calendar days after the receipt of the completed application** | **$3,000** | **$15,000** |
| **Approve or request additional information deemed necessary for making an underwriting decision on 98% of all applications requiring evidence of insurability within 14 calendar days after receipt of the completed application** | **$3,000** | **$15,000** |
| **Make a final disposition of 95% of all evidence of insurability applications (with notification mailed to the applicant) within 10 calendar days after receipt of all necessary information** | **$4,000** | **$20,000** |
| **For new waiver of premium disability claims which are received by the Department more than 90 days after the last day for which earnings were paid, approve or request additional information for 99% of such claims within 14 calendar days after receipt of claim** | **$3,000** | **$15,000** |
| **Make final disposition of 75% of new waiver of premium disability claims other than those included above within 30 calendar days after receipt of all necessary information** | **$4,000** | **$20,000** |
| **Make final disposition of 85% of continuing waiver of premium disability claims within 30 calendar days after receipt of all necessary information** | **$3,000** | **$15,000** |
| **Include 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** | **$3,000** | **$15,000** |

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EXHIBIT J

PERFORMANCE STANDARD AND PENALTIES

QUALITATIVE STANDARDS

|  |  |  |
| --- | --- | --- |
|  | **PENALTY** | |
| **Satisfaction Measure** | **For each whole**  **percentage point**  **below the**  **performance standard** | **Maximum** |
| **90% satisfaction with overall service** | **$4,000** | **$20,000** |
| **90% satisfaction with processing of enrollments and evidence of insurability** | **$2,000** | **$10,000** |
| **90% satisfaction with processing of claims** | **$2,000** | **$10,000** |
| **90% satisfaction with support and training** | **$2,000** | **$10,000** |

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EXHIBIT K

**A. STANDARD TERMS AND CONDITIONS (REQUEST FOR BIDS/PROPOSALS)**

**1.0 SPECIFICATIONS:** The specifications in this request are the minimum acceptable. When specific manufacturer and model numbers are used, they are to establish a design, type of construction, quality, functional capability and/or performance level desired. When alternates are bid/proposed, they must be identified by manufacturer, stock number, and such other information necessary to establish equivalency. The State of Wisconsin shall be the sole judge of equivalency. Bidders/proposers are cautioned to avoid bidding alternates to the specifications which may result in rejection of their bid/proposal.

**2.0 DEVIATIONS AND EXCEPTIONS:** Deviations and excep­tions from original text, terms, conditions, or specifications shall be described fully, on the bidder's/proposer's letter­head, signed, and attached to the request. In the absence of such statement, the bid/proposal shall be accepted as in strict compliance with all terms, conditions, and specifica­tions and the bidders/proposers shall be held liable.

**3.0 QUALITY:** Unless otherwise indicated in the request, all material shall be first quality. Items which are used, demonstrators, obsolete, seconds, or which have been discontinued are unacceptable without prior written approval by the State of Wisconsin.

**4.0 QUANTITIES:** The quantities shown on this request are based on estimated needs. The state reserves the right to increase or decrease quantities to meet actual needs.

**5.0 DELIVERY:** Deliveries shall be F.O.B. destination freight prepaid and included unless otherwise specified.

**6.0 PRICING AND DISCOUNT:** The State of Wisconsin quali­fies for governmental discounts and its educational institu­tions also qualify for educational discounts. Unit prices shall reflect these discounts.

**6.1** Unit prices shown on the bid/proposal or contract shall be the price per unit of sale (e.g., gal., cs., doz., ea.) as stated on the request or contract. For any given item, the quantity multiplied by the unit price shall establish the extended price, the unit price shall govern in the bid/proposal evaluation and contract administration.

**6.2** Prices established in continuing agreements and term contracts may be lowered due to general market conditions, but prices shall not be subject to increase for ninety (90) calendar days from the date of award. Any increase proposed shall be submitted to the contracting agency thirty (30) calendar days before the proposed effective date of the price increase, and shall be limited to fully documented cost increases to the contractor

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which are demonstrated to be industrywide. The conditions under which price increases may be granted shall be expressed in bid/proposal documents and contracts or agreements.

**6.3** In determination of award, discounts for early payment will only be considered when all other con­ditions are equal and when payment terms allow at least fifteen (15) days, providing the discount terms are deemed favorable. All payment terms must allow the option of net thirty (30).

**7.0 UNFAIR SALES ACT:** Prices quoted to the State of Wisconsin are not governed by the Unfair Sales Act.

**8.0 ACCEPTANCE-REJECTION:** The State of Wisconsin reserves the right to accept or reject any or all bids/proposals, to waive any technicality in any bid/proposal submitted, and to accept any part of a bid/proposal as deemed to be in the best interests of the State of Wisconsin.

Bids/proposals MUST be date and time stamped by the soliciting purchasing office on or before the date and time that the bid/proposal is due. Bids/proposals date and time stamped in another office will be rejected. Receipt of a bid/proposal by the mail system does not constitute receipt of a bid/proposal by the purchasing office.

**9.0 METHOD OF AWARD:** Award shall be made to the lowest responsible, responsive bidder unless otherwise specified.

**10.0 ORDERING:** Purchase orders or releases via purchasing cards shall be placed directly to the contractor by an authorized agency. No other purchase orders are authorized.

**11.0 PAYMENT TERMS AND INVOICING:** The State of Wisconsin normally will pay properly submitted vendor invoices within thirty (30) days of receipt providing goods and/or services have been delivered, installed (if required), and accepted as specified.

Invoices presented for payment must be submitted in accordance with instructions contained on the purchase order including reference to purchase order number and submittal to the correct address for processing.

A good faith dispute creates an exception to prompt payment.

**12.0 TAXES:** The State of Wisconsin and its agencies are exempt from payment of all federal tax and Wisconsin state and local taxes on its purchases except Wisconsin excise taxes as described below.

The State of Wisconsin, including all its agencies, is required to pay the Wisconsin excise or occupation tax on its purchase of beer, liquor, wine, cigarettes, tobacco products, motor vehicle fuel and general aviation fuel. However, it is exempt from payment of Wisconsin sales or use tax on its purchases. The State of Wisconsin may be subject to other states' taxes on its purchases in that state depending on the laws of that state. Contractors perform­ing construction activities are required to pay state use tax on the cost of materials.

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**13.0 GUARANTEED DELIVERY:** Failure of the contractor to adhere to delivery schedules as specified or to promptly replace rejected materials shall render the contractor liable for all costs in excess of the contract price when alternate procurement is necessary. Excess costs shall include the administrative costs.

**14.0 ENTIRE AGREEMENT:** These Standard Terms and Conditions shall apply to any contract or order awarded as a result of this request except where special requirements are stated elsewhere in the request; in such cases, the special requirements shall apply. Further, the written contract and/or order with referenced parts and attach­ments shall constitute the entire agreement and no other terms and conditions in any document, acceptance, or acknowledgment shall be effective or binding unless expressly agreed to in writing by the contracting authority.

**15.0 APPLICABLE LAW:** This contract shall be governed under the laws of the State of Wisconsin. The contractor shall at all times comply with and observe all federal and state laws, local laws, ordinances, and regulations which are in effect during the period of this contract and which in any manner affect the work or its conduct. The State of Wisconsin reserves the right to cancel any contract with a federally debarred contractor or a contractor which is presently identified on the list of parties excluded from federal procurement and non-procurement contracts.

**16.0 ANTITRUST ASSIGNMENT:** The contractor and the State of Wisconsin recognize that in actual economic practice, overcharges resulting from antitrust violations are in fact usually borne by the State of Wisconsin (purchaser). Therefore, the contractor hereby assigns to the State of Wisconsin any and all claims for such overcharges as to goods, materials or services purchased in connection with this contract.

**17.0 ASSIGNMENT:** No right or duty in whole or in part of the contractor under this contract may be assigned or dele­gated without the prior written consent of the State of Wisconsin.

**18.0 WORK CENTER CRITERIA:** A work center must be certi­fied under s. 16.752, Wis. Stats., and must ensure that when engaged in the production of materials, supplies or equipment or the performance of contractual services, not less than seventy-five percent (75%) of the total hours of direct labor are performed by severely handicapped individuals.

**19.0 NONDISCRIMINATION / AFFIRMATIVE ACTION:** In connection with the performance of work under this contract, the contractor agrees not to discriminate against any employee or applicant for employment because of age, race, religion, color, handicap, sex, physical condition, developmental disability as defined in s. 51.01(5), Wis. Stats., sexual orientation as defined in s. 111.32(13m), Wis. Stats., or national origin. This provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including appren­ticeship. Except with respect to sexual orientation, the contractor further agrees to take affirmative action to ensure equal employment opportunities.

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**19.1** Contracts estimated to be over twenty-five thousand dollars ($25,000) require the submission of a written affirmative action plan by the contractor. An exemp­tion occurs from this requirement if the contractor has a workforce of less than twenty-five (25) employees. Within fifteen (15) working days after the contract is awarded, the contractor must submit the plan to the contracting state agency for approval. Instructions on preparing the plan and technical assistance regarding this clause are available from the contracting state agency.

**19.2** The contractor agrees to post in conspicuous places, available for employees and applicants for employ­ment, a notice to be provided by the contracting state agency that sets forth the provisions of the State of Wisconsin's nondiscrimination law.

**19.3** Failure to comply with the conditions of this clause may result in the contractor's becoming declared an "ineligible" contractor, termination of the contract, or withholding of payment.

**20.0 PATENT INFRINGEMENT:** The contractor selling to the State of Wisconsin the articles described herein guarantees the articles were manufactured or produced in accordance with applicable federal labor laws. Further, that the sale or use of the articles described herein will not infringe any United States patent. The contractor covenants that it will at its own expense defend every suit which shall be brought against the State of Wisconsin (provided that such contractor is promptly notified of such suit, and all papers therein are delivered to it) for any alleged infringement of any patent by reason of the sale or use of such articles, and agrees that it will pay all costs, damages, and profits recov­erable in any such suit.

**21.0 SAFETY REQUIREMENTS:** All materials, equipment, and supplies provided to the State of Wisconsin must comply fully with all safety requirements as set forth by the Wisconsin Administrative Code, the Rules of the Industrial Commission on Safety, and all applicable OSHA Standards.

**22.0 WARRANTY:** Unless otherwise specifically stated by the bidder/proposer, equipment purchased as a result of this request shall be warranted against defects by the bidder/proposer for one (1) year from date of receipt. The equipment manufacturer's standard warranty shall apply as a minimum and must be honored by the contractor.

**23.0 INSURANCE RESPONSIBILITY:** The contractor perform­ing services for the State of Wisconsin shall:

**23.1** Maintain worker's compensation insurance as required by Wisconsin Statutes, for all employees engaged in the work.

**23.2** Maintain commercial liability, bodily injury and prop­erty damage insurance against any claim(s) which might occur in carrying out this agreement/contract. Minimum coverage shall be one million dollars ($1,000,000) liability for bodily injury and property damage including products liability and completed operations. Provide motor vehicle insurance for all owned, non-owned and hired vehicles that are used in carrying out this contract. Minimum coverage shall be one million dollars ($1,000,000) per occurrence combined single limit for automobile liability and property damage.

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**23.3** The state reserves the right to require higher or lower limits where warranted.

**24.0 CANCELLATION:** The State of Wisconsin reserves the right to cancel any contract in whole or in part without penalty due to nonappropriation of funds or for failure of the contractor to comply with terms, conditions, and specifica­tions of this contract.

**25.0 VENDOR TAX DELINQUENCY:** Vendors who have a delinquent Wisconsin tax liability may have their payments offset by the State of Wisconsin.

**26.0 PUBLIC RECORDS ACCESS:** It is the intention of the state to maintain an open and public process in the solicita­tion, submission, review, and approval of procurement activities.

Bid/proposal openings are public unless otherwise speci­fied. Records may not be available for public inspection prior to issuance of the notice of intent to award or the award of the contract.

**27.0 PROPRIETARY INFORMATION:** Any restrictions on the use of data contained within a request, must be clearly stated in the bid/proposal itself. Proprietary information submitted in response to a request will be handled in accordance with applicable State of Wisconsin procurement regulations and the Wisconsin public records law. Proprie­tary restrictions normally are not accepted. However, when accepted, it is the vendor's responsibility to defend the determination in the event of an appeal or litigation.

**27.1** Data contained in a bid/proposal, all documentation provided therein, and innovations developed as a result of the contracted commodities or services cannot by copyrighted or patented. All data, docu­mentation, and innovations become the property of the State of Wisconsin.

**27.2** Any material submitted by the vendor in response to this request that the vendor considers confidential and proprietary information and which qualifies as a trade secret, as provided in s. 19.36(5), Wis. Stats., or material which can be kept confidential under the Wisconsin public records law, must be identified on a Designation of Confidential and Proprietary Informa­tion form (DOA-3027). Bidders/proposers may request the form if it is not part of the Request for Bid/Request for Proposal package. Bid/proposal prices cannot be held confidential.

**28.0 DISCLOSURE:** If a state public official (s. 19.42, Wis. Stats.), a member of a state public official's immediate family, or any organization in which a state public official or a member of the official's immediate family owns or controls a ten percent (10%) interest, is a party to this agreement, and if this agreement involves payment of more than three thousand dollars ($3,000) within a twelve (12) month period, this contract is voidable by the state unless appro­priate disclosure is made according to s. 19.45(6), Wis. Stats., before signing the contract. Disclosure must be made to the State of Wisconsin Ethics Board, 44 East Mifflin Street, Suite 601, Madison, Wisconsin 53703 (Telephone 608-266-8123).

State classified and former employees and certain University of Wisconsin faculty/staff are subject to separate disclosure requirements, s. 16.417, Wis. Stats.

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**29.0 RECYCLED MATERIALS:** The State of Wisconsin is required to purchase products incorporating recycled mate­rials whenever technically and economically feasible. Bidders are encouraged to bid products with recycled content which meet specifications.

**30.0 MATERIAL SAFETY DATA SHEET:** If any item(s) on an order(s) resulting from this award(s) is a hazardous chemi­cal, as defined under 29CFR 1910.1200, provide one (1) copy of a Material Safety Data Sheet for each item with the shipped container(s) and one (1) copy with the invoice(s).

**31.0 PROMOTIONAL ADVERTISING / NEWS RELEASES:** Reference to or use of the State of Wisconsin, any of its departments, agencies or other subunits, or any state offi­cial or employee for commercial promotion is prohibited. News releases pertaining to this procurement shall not be made without prior approval of the State of Wisconsin. Release of broadcast e-mails pertaining to this procurement shall not be made without prior written authorization of the contracting agency.

**32.0 HOLD HARMLESS:** The contractor will indemnify and save harmless the State of Wisconsin and all of its officers, agents and employees from all suits, actions, or claims of any character brought for or on account of any injuries or damages received by any persons or property resulting from the operations of the contractor, or of any of its contractors, in prosecuting work under this agreement.

**33.0 FOREIGN CORPORATION:** A foreign corporation (any corporation other than a Wisconsin corporation) which becomes a party to this Agreement is required to conform to all the requirements of Chapter 180, Wis. Stats., relating to a foreign corporation and must possess a certificate of authority from the Wisconsin Department of Financial Institutions, unless the corporation is transacting business in interstate commerce or is otherwise exempt from the requirement of obtaining a certificate of authority. Any foreign corporation which desires to apply for a certificate of authority should contact the Department of Financial Institutions, Division of Corporation, P. O. Box 7846, Madison, WI 53707-7846; telephone (608) 266-3590.

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### EXHIBIT K

**B. SUPPLEMENTAL STANDARD TERMS AND CONDITIONS FOR PROCUREMENTS FOR SERVICES**

**1.0 ACCEPTANCE OF BID/PROPOSAL CONTENT:** The con­tents of the bid/proposal of the successful contractor will become contractual obligations if procurement action ensues.

**2.0 CERTIFICATION OF INDEPENDENT PRICE DETERMINATION:** By signing this bid/proposal, the bidder/proposer certifies, and in the case of a joint bid/proposal, each party thereto certifies as to its own organi­zation, that in connection with this procurement:

**2.1** The prices in this bid/proposal have been arrived at independently, without consultation, communication, or agreement, for the purpose of restricting competi­tion, as to any matter relating to such prices with any other bidder/proposer or with any competitor;

**2.2** Unless otherwise required by law, the prices which have been quoted in this bid/proposal have not been knowingly disclosed by the bidder/proposer and will not knowingly be disclosed by the bidder/proposer prior to opening in the case of an advertised procure­ment or prior to award in the case of a negotiated procurement, directly or indirectly to any other bidder/proposer or to any competitor; and

**2.3** No attempt has been made or will be made by the bidder/proposer to induce any other person or firm to submit or not to submit a bid/proposal for the purpose of restricting competition.

**2.4** Each person signing this bid/proposal certifies that: He/she is the person in the bidder's/proposer's organi­zation responsible within that organization for the decision as to the prices being offered herein and that he/she has not participated, and will not participate, in any action contrary to 2.1 through 2.3 above; (or)

He/she is not the person in the bidder's/proposer's organization responsible within that organization for the decision as to the prices being offered herein, but that he/she has been authorized in writing to act as agent for the persons responsible for such decisions in certifying that such persons have not participated, and will not participate in any action contrary to 2.1 through 2.3 above, and as their agent does hereby so certify; and he/she has not participated, and will not partici­pate, in any action contrary to 2.1 through 2.3 above.

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**3.0 DISCLOSURE OF INDEPENDENCE AND RELATIONSHIP:**

**3.1** Prior to award of any contract, a potential contractor shall certify in writing to the procuring agency that no relationship exists between the potential contractor and the procuring or contracting agency that interferes with fair competition or is a conflict of interest, and no relationship exists between the contractor and another person or organization that constitutes a conflict of interest with respect to a state contract. The Department of Administration may waive this provi­sion, in writing, if those activities of the potential con­tractor will not be adverse to the interests of the state.

**3.2** Contractors shall agree as part of the contract for services that during performance of the contract, the contractor will neither provide contractual services nor enter into any agreement to provide services to a person or organization that is regulated or funded by the contracting agency or has interests that are adverse to the contracting agency. The Department of Administration may waive this provision, in writing, if those activities of the contractor will not be adverse to the interests of the state.

**4.0 DUAL EMPLOYMENT:** Section 16.417, Wis. Stats., prohibits an individual who is a State of Wisconsin employee or who is retained as a contractor full-time by a State of Wisconsin agency from being retained as a contractor by the same or another State of Wisconsin agency where the individual receives more than $12,000 as compensation for the individual’s services during the same year. This prohibition does not apply to individuals who have full-time appointments for less than twelve (12) months during any period of time that is not included in the appointment. It does not include corporations or partnerships.

**5.0 EMPLOYMENT:** The contractor will not engage the services of any person or persons now employed by the State of Wisconsin, including any department, commission or board thereof, to provide services relating to this agreement without the written consent of the employing agency of such person or persons and of the contracting agency.

**6.0 CONFLICT OF INTEREST:** Private and non‑profit corpora­tions are bound by ss. 180.0831, 180.1911(1), and 181.0831 Wis. Stats., regarding conflicts of interests by directors in the conduct of state contracts.

**7.0 RECORDKEEPING AND RECORD RETENTION:** The contractor shall establish and maintain adequate records of all expenditures incurred under the contract. All records must be kept in accordance with generally accepted accounting procedures. All procedures must be in accordance with federal, state and local ordinances.

The contracting agency shall have the right to audit, review, examine, copy, and transcribe any pertinent records or documents relating to any contract resulting from this bid/proposal held by the contractor. The contractor will retain all documents applicable to the contract for a period of not less than three (3) years after final payment is made.

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**8.0 INDEPENDENT CAPACITY OF CONTRACTOR:** The parties hereto agree that the contractor, its officers, agents, and employees, in the performance of this agreement shall act in the capacity of an independent contractor and not as an officer, employee, or agent of the state. The contractor agrees to take such steps as may be necessary to ensure that each subcontractor of the contractor will be deemed to be an independent contractor and will not be considered or permitted to be an agent, servant, joint venturer, or partner of the state.

**MINNESOTA LIFE INSURANCE COMPANY**

**SAINT PAUL, MINNESOTA 55101-2098**

The Administrative Agreement effective January 1, 2004 between the State of Wisconsin, acting through its Group Insurance Board on behalf of The State of Wisconsin Public Employers Group Life Insurance Program, and the Minnesota Life Insurance Company is hereby amended as follows:

**AMENDMENT NO. 1**

Replaces page 17 with a new page 17 effective February 17, 2004. This amendment makes a clarification within Section 5.2.J of Minnesota Life’s responsibilities to verify coverage and amount of insurance upon receipt of claim and beneficiary information.

Replaces page 22 with a new page 22 effective February 17, 2004. This amendment makes a clarification within Section 7.2E that all decisions relating to determination of eligible beneficiary(ies) will be the responsibility of the DEPARTMENT.

Minnesota Life Insurance company this \_\_\_\_\_\_\_\_day of\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2004

By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chairman

The State of Wisconsin Group Insurance Board this \_\_\_\_\_\_\_\_day of\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2004

By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chairman

Claims Administration

J. Administer and pay death, living benefit, and accidental death and dismemberment claims under the PROGRAM. Upon receipt of claim and beneficiary information from the DEPARTMENT, verify coverage and amount of insurance. Provide all service pertaining to the investigation and approval or disapproval of claims, make claims payment to the beneficiary(ies), and notify the DEPARTMENT as to the disposition of each claim.

K. Administer the conversion of postretirement life insurance values to pay health or long-term care insurance premiums. Determine the present value of coverage to be converted, remit monthly insurance premiums to the DEPARTMENT or appropriate long-term care provider, notify the subscriber of the remaining balance annually, and assist in the transition to another premium source when the account is depleted.

L. Review and approve or disapprove medical evidence when an insured applies for a Living Benefit; pay approved benefit and maintain record of remaining death benefit, if any.

M. Document, certify, and audit death claims using the DEPARTMENT's paper and electronic records.

Waiver of Premium

N. Review and approve or disapprove medical evidence for a STATE or local EMPLOYER's request for a waiver of premium due to disability. Follow up annually on medical condition of persons whose premiums have been waived due to disability.

Conversion

O. Provide individual policies for persons eligible to convert group coverage upon termination of employment; review conversion applications; bill for premiums.

5.3 Promotional Materials and Forms

MINNESOTA LIFE shall:

A. Issue to the DEPARTMENT individual certificate-booklets setting forth the provisions of the policy to which the EMPLOYEE is entitled.

B. Submit to the DEPARTMENT for approval, drafts of all literature, forms, or video presentations regarding the PROGRAM to be provided to EMPLOYEES and EMPLOYERS. All PROGRAM literature and other written or visual aids, prepared by MINNESOTA LIFE for use with the PROGRAM shall at all times be the property of the STATE, and MINNESOTA LIFE shall not obtain or reserve any proprietary or literary rights on its own with respect thereto and, upon requests of the BOARD, shall execute any assignments necessary to release any such proprietary rights.

Amendment No. 1 Effective February 17, 2004

4. The fact that any insured EMPLOYEE is entitled to continue insurance under the policy with or without the requirement of any contribution toward premiums.

5. The application of statutes and contract provisions regarding the fact of coverage, whether an EMPLOYEE is entitled to enroll or to continue coverage after termination of employment, and similar matters.

6. To the extent not delegated to MINNESOTA LIFE, the review and approval or denial of requests from EMPLOYERS for enrollment of EMPLOYEES based on EMPLOYER error.

E. Accept and maintain all beneficiary designations and provide proper designation to MINNESOTA LIFE at time of claim. When necessary, assist MINNESOTA LIFE to determine eligible beneficiary(ies) under Wis. Stat. § 40.02 (8). All decisions relating to determination of eligible beneficiary(ies) will be the responsibility of the DEPARTMENT.

F. Administer the appeal process by which interested parties may contest the Department's determinations related to the PROGRAM. These appeals are ultimately decided by the BOARD.

G. Fully cooperate with MINNESOTA LIFE regarding any claim or litigation against any or all of the DEPARTMENT, the BOARD and MINNESOTA LIFE including but not limited to providing relevant records, technical assistance and witnesses if necessary to the defense of such litigation.

H. Until a STATE premium reporting/membership information system is in place:

1. Initially process applications from STATE EMPLOYEES who are transferring between STATE agencies, or applying under evidence of insurability.

2. Process cancellation forms.

3. Provide evidence of coverage for premium waivers.

4. Receive notice of claim, determine fact of coverage and certify amount of coverage and other required information to MINNESOTA LIFE when an insured individual retires, dies, applies for a living benefit, or elects to convert life insurance to pay health insurance premiums.

7.3 Premium Payment and Reporting

A. The DEPARTMENT shall require each EMPLOYER to remit the total monthly premium due for its active insured EMPLOYEES. The total monthly premium due shall be as described in Policy No. 2832-G under "Premiums."

B. The DEPARTMENT shall arrange for premium payment from the salaries and wages of all insured EMPLOYES from STATE agencies and remit to MINNESOTA LIFE, unless a different reporting and remittance method is created.

C. The DEPARTMENT shall deduct premiums from annuities of insured retirees under age 65 and remit to MINNESOTA LIFE.

Amendment No. 1 Effective February 17, 2004

**MINNESOTA LIFE INSURANCE COMPANY**

**SAINT PAUL, MINNESOTA 55101-2098**

The Administrative Agreement effective January 1, 2004 between the State of Wisconsin, acting through its Group Insurance Board on behalf of The State of Wisconsin Public Employers Group Life Insurance Program, and the Minnesota Life Insurance Company is hereby amended as follows:

**AMENDMENT NO. 2**

Replaces pages F-1 and F-2 with new pages F-1 and F-2 of Exhibit F effective January 1, 2008. This amendment updates the stop-loss basis for the employee life insurance plans to show the new stop-loss rates effective January 1, 2008.

Minnesota Life Insurance Company this \_\_\_\_\_\_\_\_day of\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2008

By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chairman

The State of Wisconsin Group Insurance Board this \_\_\_\_\_\_\_\_day of\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2008

By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chairman

EXHIBIT F

STOP-LOSS PROVISION

EMPLOYEE Insurance

For the EMPLOYEE insurance plans, MINNESOTA LIFE shall compute a monthly stop-loss limit by applying the schedule of monthly rates shown below to the amounts of preretirement and postretirement life insurance in force under the policy.

SCHEDULE OF MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)

State EMPLOYEE PLAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Attained     Age | Rate | Attained     Age | Rate | Attained     Age | Rate |
| 17 | $.07 | 45 | $ .21 | 73 | $ 2.57 |
| 18 | .07 | 46 | .24 | 74 | 2.87 |
| 19 | .07 | 47 | .27 | 75 | 3.09 |
| 20 | .07 | 48 | .28 | 76 | 3.34 |
| 21 | .07 | 49 | .29 | 77 | 3.66 |
| 22 | .07 | 50 | .30 | 78 | 3.94 |
| 23 | .07 | 51 | .31 | 79 | 4.26 |
| 24 | .07 | 52 | .33 | 80 | 4.66 |
| 25 | .07 | 53 | .33 | 81 | 5.20 |
| 26 | .07 | 54 | .33 | 82 | 5.91 |
| 27 | .07 | 55 | .35 | 83 | 6.94 |
| 28 | .07 | 56 | .36 | 84 | 7.77 |
| 29 | .07 | 57 | .37 | 85 | 8.45 |
| 30 | .07 | 58 | .39 | 86 | 9.16 |
| 31 | .07 | 59 | .41 | 87 | 9.99 |
| 32 | .08 | 60 | .44 | 88 | 10.50 |
| 33 | .09 | 61 | .47 | 89 | 11.23 |
| 34 | .09 | 62 | .51 | 90 | 12.01 |
| 35 | .09 | 63 | .58 | 91 | 12.79 |
| 36 | .10 | 64 | .66 | 92 | 13.57 |
| 37 | .11 | 65 | .78 | 93 | 14.35 |
| 38 | .11 | 66 | .90 | 94 | 15.14 |
| 39 | .12 | 67 | 1.09 | 95 | 15.97 |
| 40 | .12 | 68 | 1.31 | 96 | 17.55 |
| 41 | .14 | 69 | 1.60 | 97 | 19.32 |
| 42 | .15 | 70 | 1.79 | 98 | 45.70 |
| 43 | .17 | 71 | 2.04 | 99 | 72.85 |
| 44 | .19 | 72 | 2.29 | 100 | 83.33 |

Amendment No. 2 Effective January 1, 2008

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EXHIBIT F

STOP-LOSS PROVISION (cont'd)

SCHEDULE OF MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)

LOCAL GOVERNMENT EMPLOYEE PLAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Attained     Age | Rate | Attained     Age | Rate | Attained     Age | Rate |
| 17 | $.06 | 45 | $ .14 | 73 | $ 2.62 |
| 18 | .06 | 46 | .15 | 74 | 3.06 |
| 19 | .06 | 47 | .17 | 75 | 3.44 |
| 20 | .06 | 48 | .20 | 76 | 3.89 |
| 21 | .06 | 49 | .23 | 77 | 4.35 |
| 22 | .06 | 50 | .25 | 78 | 4.86 |
| 23 | .06 | 51 | .28 | 79 | 5.39 |
| 24 | .06 | 52 | .30 | 80 | 5.94 |
| 25 | .06 | 53 | .34 | 81 | 6.52 |
| 26 | .06 | 54 | .37 | 82 | 7.06 |
| 27 | .06 | 55 | .41 | 83 | 7.66 |
| 28 | .06 | 56 | .44 | 84 | 8.33 |
| 29 | .06 | 57 | .47 | 85 | 9.08 |
| 30 | .06 | 58 | .49 | 86 | 9.91 |
| 31 | .06 | 59 | .51 | 87 | 10.75 |
| 32 | .07 | 60 | .60 | 88 | 11.65 |
| 33 | .07 | 61 | .64 | 89 | 12.70 |
| 34 | .08 | 62 | .70 | 90 | 13.82 |
| 35 | .08 | 63 | .75 | 91 | 15.02 |
| 36 | .09 | 64 | .81 | 92 | 16.25 |
| 37 | .10 | 65 | .91 | 93 | 17.50 |
| 38 | .10 | 66 | 1.09 | 94 | 18.80 |
| 39 | .11 | 67 | 1.26 | 95 | 20.15 |
| 40 | .11 | 68 | 1.42 | 96 | 21.55 |
| 41 | .12 | 69 | 1.50 | 97 | 23.00 |
| 42 | .13 | 70 | 1.70 | 98 | 45.70 |
| 43 | .13 | 71 | 1.89 | 99 | 72.85 |
| 44 | .14 | 72 | 2.24 | 100 | 83.33 |

Amendment No. 2 Effective January 1, 2008

F-2

**MINNESOTA LIFE INSURANCE COMPANY**

**SAINT PAUL, MINNESOTA 55101-2098**

The Administrative Agreement effective January 1, 2004 between the State of Wisconsin, acting through its Group Insurance Board on behalf of The State of Wisconsin Public Employers Group Life Insurance Program, and the Minnesota Life Insurance Company is hereby amended as follows:

**AMENDMENT NO. 3**

Replaces pages 8-12 and Exhibits A, B, C, E, F, G, and H with new pages 8-12 and Exhibits A, B, C, E, F, G, and H effective January 1, 2008. This amendment establishes the division of the active employee insurance plan from the retiree insurance plan effective January 1, 2008.

Minnesota Life Insurance Company this \_\_\_\_\_\_\_\_day of\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2010

By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chair

The State of Wisconsin Group Insurance Board this \_\_\_\_\_\_\_\_day of\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2010

By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chair

ARTICLE IV. FINANCIAL AGREEMENT

4.1 Definitions

A. ASSETS means all the funds of any nature that arise out of the policy which MINNESOTA LIFE receives, holds, and disburses under the policy including, but not limited to, any and all premiums, experience credits, principal, and interest.

B. EXTENDED INSURANCE means insurance that is being continued for disabled EMPLOYEES without payment of premium according to the waiver of premium provisions of Policy No. 2832-G.

C. INSURANCE REDUCTION AGE means the later of an EMPLOYEE's 65th birthday or termination of employment but in no event beyond the EMPLOYEE's 70th birthday.

D. LOCAL GOVERNMENT EMPLOYEE PLAN means all insurance coverages on the lives of EMPLOYEES of participating public EMPLOYERS other than the STATE.

E. LOCAL GOVERNMENT SPOUSE AND DEPENDENT PLAN means all insurance coverages on the lives of spouses and dependents of EMPLOYEES of participating public EMPLOYERS other than the STATE.

F. POLICY YEAR means the period of time from one policy anniversary date to the next policy anniversary date.

G. POLICY YEAR PREMIUM means all EMPLOYEE and EMPLOYER premium contributions attributable to the POLICY YEAR.

H. POSTRETIREMENT INSURANCE means the insurance coverage provided to an insured EMPLOYEE after he or she attains the INSURANCE REDUCTION AGE.

I. PRERETIREMENT INSURANCE means the insurance coverage provided to an insured EMPLOYEE before he or she attains the INSURANCE REDUCTION AGE.

J. RECORDS means the financial information maintained by MINNESOTA LIFE to satisfy the terms and conditions of this agreement.

K. STATE EMPLOYEE PLAN means all insurance coverages on the lives of EMPLOYEES of the STATE.

L. STATE SPOUSE AND DEPENDENT PLAN means all insurance coverages on the lives of spouses and dependents of EMPLOYEES of the STATE.

4.2 Separation of Finances

MINNESOTA LIFE shall maintain separate and independent financial RECORDS for the ASSETS related to the STATE EMPLOYEE plan for active employees, the STATE EMPLOYEE plan for retirees, the local government EMPLOYEE plan for active employees, the local government EMPLOYEE plan for retirees, the STATE spouse and dependent plan, and the local government spouse and dependent plan.

ASSETS shall be invested in the general account of MINNESOTA LIFE. The STATE and MINNESOTA LIFE agree that, during the term of this contract, they will jointly study the issues related to transferring the ASSETS to a segregated account. The STATE may request such a transfer when, in its judgment, a transfer would be in the long-term interests of the PROGRAM. The details of the transfer of ASSETS and its effect on the provisions of this agreement shall be negotiated by the STATE and MINNESOTA LIFE at the time a transfer to a segregated account is requested.

4.3 Responsibilities of MINNESOTA LIFE and the STATE

A. MINNESOTA LIFE shall:

1. Annually by March 15 present to the STATE reasonable estimated data sufficient to complete the DEPARTMENT's annual financial report.

2. Annually by June 30 present to the STATE a final report summarizing plan finances for the most recent POLICY YEAR.

3. Perform an annual experience calculation as described in Exhibit A as the basis for the annual POLICY YEAR report.

4. Immediately upon receipt, credit EMPLOYEE premium contributions as premiums, credit EMPLOYER premium contributions intended to pay for current year active claims as premiums, and deposit all other EMPLOYER premium contributions in a premium deposit fund as described in Article IV, Section 4.6, "Reserves."

5. Examine and act upon all claims submitted for benefits under the policy. Exhibit B describes the basis for determining the charges against the policy for such claims attributable to a POLICY YEAR.

6. Pay all State of Wisconsin premium taxes related to premiums under the policy as required by Wis. Stats. §76.65, and its successors. Exhibit C describes the basis for determining the charges against the policy for such premium taxes attributable to a POLICY YEAR.

7. Annually reimburse the STATE for life insurance administrative expenses incurred by the DEPARTMENT in connection with the PROGRAM.

8. Annually pay to the STATE's consulting actuary the charges for actuarial services with regard to the PROGRAM.

9. Pay to the STATE's external auditor the charges for services incurred periodically in connection with the audit of MINNESOTA LIFE's administrative practices and procedures.

10. Conduct an annual satisfaction survey of the STATE and local EMPLOYERS which participate in the PROGRAM.

B. The STATE shall:

1. Annually report to MINNESOTA LIFE the life insurance administrative expenses incurred by the DEPARTMENT in connection with the PROGRAM. The STATE shall instruct MINNESOTA LIFE as to how to allocate the corresponding expense charge among the plans included in the PROGRAM.

2. Annually report to MINNESOTA LIFE the charges for actuarial services with regard to the PROGRAM. The STATE shall instruct MINNESOTA LIFE as to how to allocate the corresponding expense charge among the plans included in the PROGRAM.

3. Forward to MINNESOTA LIFE in a timely fashion all EMPLOYEE and EMPLOYER premium contributions required to be paid under the policy.

4. Provide reports as prescribed in section 7.4 of this Administrative Agreement.

4.4 Expense Charges

A. MINNESOTA LIFE Expense Charge  
  
MINNESOTA LIFE shall assess an annual expense charge to the plan as described in Exhibit D.

B. Risk Charge  
  
MINNESOTA LIFE shall assess an annual risk charge to the plan as described in Exhibit E.

4.5 Stop-Loss Provision

The financial liability of the STATE for claim charges, the State premium tax charge, MINNESOTA LIFE expense charge and the risk charge for a POLICY YEAR shall be limited by the stop-loss provision. Exhibit F describes the basis for determining and applying the POLICY YEAR stop-loss limit.

4.6 Reserves

A. Premium Deposit Fund

Employer premium contributions intended to pay for POSTRETIREMENT INSURANCE claims are deposited in a premium deposit fund and held by MINNESOTA LIFE to the credit of the STATE for the purpose of funding future insurance claims and expenses.

B. Contingent Liability Reserve

Dividends accumulated under this agreement on the EMPLOYEE insurance plans are designated as the "contingent liability reserve". The contingent liability reserve along with the premium deposit fund shall be held by MINNESOTA LIFE to the credit of the STATE for the purpose of funding future insurance claims and expenses. Authority for accumulation of these funds for this purpose is provided in Wis. Stats. §40.03(6)(e).

The STATE may at any time determine a limit to the amount of contingent liability reserve held by MINNESOTA LIFE, but such limit shall not be less than the contingent liability reserve held by MINNESOTA LIFE when such determination is made.

C. Stabilization Reserve

On the active employee PRERETIREMENT INSURANCE, and spouse and dependent insurance plans, premiums in excess of charges are held in a stabilization reserve. This reserve is maintained to minimize the impact on the plans of fluctuations in claims experience and to stabilize premium rates.

D. Disability Claim Reserves

As long as the policy continues in force, disability claim reserves shall be calculated in accordance with the 1970 Intercompany Group Life Disability Valuation Table as shown in Exhibit I.

1. Guarantee by MINNESOTA LIFE

While the policy is in effect, MINNESOTA LIFE guarantees the principal amounts of the contingent liability reserve, the premium deposit fund and the stabilization reserve, including all interest previously credited thereto. After cancellation of the policy, MINNESOTA LIFE makes no guarantee regarding the value of the unallocated reserves which will be paid to the STATE as described in Section 4.9.B, "Distribution of Unallocated Reserves."

4.7 Sufficiency of Funds

MINNESOTA LIFE guarantees that payment of the POLICY YEAR premium of each POLICY YEAR shall be sufficient to provide for preretirement insurance coverage under the EMPLOYEE insurance plans and for coverage under the spouse and dependent insurance plans. MINNESOTA LIFE does not guarantee that the funds accumulated for the postretirement insurance shall be sufficient.

MINNESOTA LIFE shall annually perform an actuarial valuation of the EMPLOYEE insurance plans using reasonable actuarial assumptions of interest, mortality, withdrawals and salary scales as recommended by MINNESOTA LIFE and as approved by the BOARD. Subject to the requirements of Article IV, Section 4.9, "Financial Provisions in Event of Cancellation of the Policy," the STATE and MINNESOTA LIFE shall agree upon the actuarial assumptions for the annual valuation.

MINNESOTA LIFE shall annually advise the STATE of the results of this valuation including both the estimated present value of future benefits to EMPLOYEES currently over the INSURANCE REDUCTION AGE and the estimated excess of the present value of future benefits to current EMPLOYEES under the INSURANCE REDUCTION AGE over the present value of future premiums to be paid on behalf of these EMPLOYEES.

4.8 Interest Credits and Charges

A. On Reserves

Interest shall be credited on the contingent liability reserve, the premium deposit fund, the stabilization reserve and the disability claim reserves in accordance with the investment year interest crediting method. Exhibit G describes the investment year interest crediting method.

B. On Cash Flow

Interest credits and charges on cash flow shall be calculated for each POLICY YEAR as described in Exhibit H.

4.9 Financial Provisions in Event of Cancellation of the Policy

A. Allocation of Reserves for Continuing Coverage

If the spouse and dependent insurance shall be cancelled by the STATE, either independently or as part of the cancellation of the policy, MINNESOTA LIFE shall combine the balance of the stabilization reserve held for spouse and dependent insurance with the balance of the stabilization reserve held for EMPLOYEE insurance.

Retirees Beyond Insurance Reduction Age

If the policy shall be cancelled by the STATE, MINNESOTA LIFE shall, subject to the limitations imposed by Article IV, Section 4.7, "Sufficiency of Funds," immediately allocate a portion of the combined contingent liability reserve, stabilization reserve and premium deposit fund to provide for

insurance on EMPLOYEES beyond the INSURANCE REDUCTION AGE on the date of cancellation. Such funds shall continue to be held by MINNESOTA LIFE.

Disabled EMPLOYEES

After cancellation of the policy, the EXTENDED INSURANCE for basic insurance on disabled EMPLOYEES under the INSURANCE REDUCTION AGE at discontinuance of the policy shall continue in effect as provided by the policy. The EXTENDED INSURANCE for supplemental and additional insurance on disabled EMPLOYEES under the INSURANCE REDUCTION AGE at discontinuance of the policy shall cease upon their attainment of the INSURANCE REDUCTION AGE as provided by the policy. Disability claim reserves shall be recomputed on the date of cancellation as described further in this section, and any additional amounts required for disability claim reserves as a result of cancellation of the policy shall be included as claim charges in the final annual experience calculation. However, for the purpose of Article IV, Section 4.5, "Stop-Loss Provision," and Exhibit F, reserves shall still be calculated in accordance with Exhibit I. The disability claim reserves for disabled EMPLOYEES under the INSURANCE REDUCTION AGE at discontinuance of the policy shall continue to be held by MINNESOTA LIFE.

EXHIBIT A

ANNUAL EXPERIENCE CALCULATION

The annual experience calculation shall be performed separately for the active employees (PRERETIREMENT INSURANCE only), retirees (including both PRERETIREMENT INSURANCE and POSTRETIREMENT INSURANCE), and spouse and dependent insurance.

Active Employee Insurance

The annual experience calculation for the preretirement insurance on active employees shall begin with a determination of all charges to the plan. Pursuant to Exhibit B of this agreement (Claim Charges), claim charges shall include items A and B (life and AD&D pooled claim charges), items C and D (death and AD&D claims), item E (living benefit claims), item J (disability claim reserves), and item K (conversion charge), and the total of these charges shall be reduced by any catastrophic loss for the policy year to produce the net claim charge for the policy year. To the net claim charge shall be added the State internal administration expense, the payments to the STATE'S consulting actuary, the State premium taxes, the MINNESOTA LIFE expense charge, and the risk charge, and any deficit balance existing at the end of the preceding POLICY YEAR.

If the sum of all charges to the plan is greater than the sum of the EMPLOYEE premium and the interest credits, the premium deficiency shall be withdrawn from the stabilization reserve. If the premium deficiency exceeds the balance in the stabilization reserve, the remainder shall be withdrawn from the premium deposit fund and cleared as premium. If the premium deposit fund is exhausted and a premium deficiency remains, the remaining premium deficiency will be established as a deficit and carried forward as a charge to the following POLICY YEAR. Interest shall be charged on a deficit balance on the same basis used to credit interest on a stabilization reserve balance.

If the sum of these charges is less than the sum of the EMPLOYEE premium and the interest credits, the excess shall be deposited in the stabilization reserve.

Retiree Insurance

The annual experience calculation for the PRERETIREMENT INSURANCE and postretirement insurance on retirees shall begin with a determination of all charges to the plan. Pursuant to Exhibit B of this agreement (Claim Charges), claim charges shall include item F (life pooled claim charge), items G and H (death claims), and item I (living benefit claims). To the claim charges shall be added the State premium taxes, the MINNESOTA LIFE expense charge, and the risk charge. The sum of these charges in excess of the PRERETIREMENT INSURANCE premium paid by retirees shall be withdrawn from the contingent liability reserve and cleared as premium. If the sum of these charges exceeds the balance in the contingent liability reserve, the remainder shall be withdrawn from the premium deposit fund and cleared as premium.

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The value of all postretirement life insurance converted to pay premiums for health insurance or long-term care insurance shall be withdrawn from the premium deposit fund.

Spouse and Dependent Insurance

The annual experience calculation for the spouse and dependent insurance plan shall begin with a determination of all charges to the plan. Pursuant to Exhibit B of this agreement (Claim Charges), claim charges shall include items L and M (death claims), item N (living benefit claims) and item O (conversion charge), and the total of these charges shall be reduced by any catastrophic loss for the policy year to produce the net claim charge for the policy year. To the net claim charge shall be added the State internal administration expense, the State premium taxes, the MINNESOTA LIFE expense charge and the risk charge.

If the sum of all charges to the plan is less than the sum of the premium and the interest credits reduced by any prior deficits accumulated at interest, the excess shall be deposited in the stabilization reserve. If the sum of all charges is greater than the sum of the premium and the interest credits, the premium deficiency shall be withdrawn from the stabilization reserve. If the premium deficiency exceeds the balance in the stabilization reserve, the remainder shall be carried forward as a deficit charge against the stabilization reserve.

# A-2

EXHIBIT B

CLAIM CHARGES

Except as provided under Section 4.5 and Exhibit F of this agreement (Stop-Loss Provision), claim charges attributable to a policy year shall be equal to the sum of the following items:

A. A pooled claim charge for all amounts of life insurance above the pooling level in the active employee plan. The pooling level for life insurance shall be $500,000.

B. A pooled claim charge for all amounts of AD&D insurance above the pooling level in the active employee plan. The pooling level for AD&D insurance shall be $500,000.

C. Up to the pooling level, all reported death and AD&D claims under the active employee plan which have a date of death during the policy year, including any interest paid to beneficiaries on such claims.

D. Up to the pooling level, all reported death and AD&D claims under the active employee plan which have a date of death in a prior policy year and were reported after compilation of the previous policy year report, including any interest paid to beneficiaries on such claims.

E. Up to the pooling level, all living benefit claims under the active employee plan which have a date of payment during the policy year, including any interest paid on such claims.

F. A pooled claim charge for all amounts of life insurance above the pooling level in the retiree plan. The pooling level for life insurance shall be $500,000.

G. Up to the pooling level, all reported death claims under the retiree plan which have a date of death during the policy year, including any interest paid to beneficiaries on such claims.

H. Up to the pooling level, all reported death claims under the retiree plan which have a date of death in a prior policy year and were reported after compilation of the previous policy year report, including any interest paid to beneficiaries on such claims.

I. Up to the pooling level, all living benefit claims under the retiree plan which have a date of payment during the POLICY YEAR, including any interest paid on such claims.

B-1

J. Up to the pooling level, the reserves on the last day of the policy year less the reserves on the last day of the previous policy year for reported disability claims, such reserves to be established in accordance with Section 4.6.D. and Exhibit I of this agreement (Disability Claim Reserves) for insured EMPLOYEES whose onset of disability occurred prior to the most recent policy anniversary.

K. A conversion charge assessed by MINNESOTA LIFE to cover anticipated future excess mortality on terminating EMPLOYEES converting to individual insurance policies during the policy year.

L. All reported death claims under the spouse and dependent insurance plan which have a date of death during the policy year, including any interest paid to beneficiaries on such claims.

M. All reported death claims under the spouse and dependent insurance plan which have a date of death in a prior policy year and were reported after compilation of the previous policy year report, including any interest paid to beneficiaries on such claims.

N. All living benefit claims under the spouse and dependent insurance plan which have a date of payment during the policy year, including any interest paid on such claims.

O. A conversion charge assessed by MINNESOTA LIFE to cover anticipated future excess mortality on spouses and dependents converting to individual insurance policies during the policy year.

Death, AD&D and living benefit claims include claims for EMPLOYEES whose coverage was being continued under the waiver of premium disability benefit at the time of death or of living benefit payment.

Death, AD&D and disability claims included in the annual experience calculation for a given policy year shall include all claims reported to MINNESOTA LIFE prior to   
March 1 of the following policy year. Living benefit claims included in the annual experience calculation for a given policy year shall include all claims paid during the policy year.

B-2EXHIBIT C

STATE PREMIUM TAX CHARGE

The State premium tax charge to the plans shall be equal to the annual license fee paid by MINNESOTA LIFE to the State of Wisconsin on plan premiums for the policy year. Section 76.65 of the Wisconsin Statutes sets the annual Wisconsin license fee for "foreign insurers" at two percent of gross premiums less experience credits paid out or applied to pay premiums within the year following the year they were apportioned.

The charge for a policy year for active employees shall be equal to two percent (2%) of the following:

1. EMPLOYEE and EMPLOYER premium contributions for the policy year,
2. Plus any withdrawals from the premium deposit fund cleared as premium for active employees.
3. Less any dividend deposited in the contingent liability reserve for retiree insurance, except that the credit for this deposit cannot exceed the amount of the withdrawal from the contingent liability reserve to pay premiums for retirees for the policy year.

The charge for the policy year for retirees shall be equal to two percent (2%) of the following:

A. EMPLOYEE premium contributions for the policy year,

B. Plus any withdrawals from the premium deposit fund and the contingent liability reserve cleared as premium for retirees.

The charge for the policy year for the spouse and dependent insurance shall be equal to two percent of the policy year PREMIUM for spouse and dependent insurance.

C-1

EXHIBIT E

RISK CHARGE

The annual risk charge for the EMPLOYEE insurance plans shall be equal to the sum of the following items:

For the STATE EMPLOYEE PLAN for active employees

A. No more than .675% and no less than 0.0% of the total policy year premium in each policy year to accumulate the risk reserve as described below.

1. 1.35% of the reinsured policy year premium for each reinsurer whose accumulated risk reserve is less than its proportionate share (equal to its reinsurance percentage) of the accumulated risk reserve.

For the LOCAL GOVERNMENT EMPLOYEE PLAN for active employees

1. No more than .7125% and no less than 0.0% of the total policy year premium in each policy year to accumulate the risk reserve as described below.
2. 1.425% of the reinsured policy year premium for each reinsurer whose accumulated risk reserve is less than its proportionate share (equal to its reinsurance percentage) of the accumulated risk reserve.

The annual risk charge for the EMPLOYEE insurance plans for active employees shall be accumulated as a risk reserve until the risk reserve has accumulated to a maximum. In determining the maximum for each of the plans, the following definitions shall be used:

* "Largest POLICY YEAR PREMIUM" means the largest POLICY YEAR PREMIUM for any single POLICY YEAR during the plan's existence.
* "Largest historical premium" means the largest POLICY YEAR PREMIUM for a single POLICY YEAR prior to the effective date of this agreement.
* "Maximum historical risk reserve" means the maximum risk reserve calculated prior to the effective date of this agreement.

The maximum accumulated risk reserve for the STATE EMPLOYEE PLAN for active employees shall equal the maximum historical risk reserve plus 2.65% of the largest POLICY YEAR PREMIUM in excess of the largest historical premium.

The maximum accumulated risk reserve for the LOCAL GOVERNMENT EMPLOYEE PLAN for active employees shall equal the maximum historical risk reserve plus 3.55% of the largest POLICY YEAR PREMIUM in excess of the largest historical premium.

The annual risk charge for the EMPLOYEE insurance plans for retirees shall be accumulated as a risk reserve.

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The accumulated risk reserve for the STATE EMPLOYEE PLAN for retirees shall equal the historical risk reserve plus $0.34 per $1,000 of the largest retiree volume in excess of the largest historical volume.

The accumulated risk reserve for the LOCAL EMPLOYEE PLAN for retirees shall equal the historical risk reserve plus $0.20 per $1,000 of the largest retiree volume in excess of the largest historical volume.

The risk reserve shall be diminished by a catastrophic loss as described in Section 4.5 and Exhibit F of this agreement (Stop-Loss Provision). However, in no event shall a catastrophic loss reduce the risk reserve below zero. If the catastrophic loss exceeds the risk reserve, the excess amount of the catastrophic loss shall be absorbed by MINNESOTA LIFE and the reinsurers. If a catastrophic loss shall diminish the risk reserve, MINNESOTA LIFE shall restore the risk reserve to its former level through additional risk charges. However, the risk charge in any one year shall not exceed the amount described above. In the event of termination of the policy, all risk reserves shall be retained by MINNESOTA LIFE and the reinsurers.

On the spouse and dependent insurance plan, the annual risk charge shall be 0.2% of policy year premium.

No change shall be made in the risk charge unless notice is given to the STATE at least 90 days prior to the beginning of a policy year in which the change shall apply.

E-2EXHIBIT F

STOP-LOSS PROVISION

Active Employee Insurance

For the active EMPLOYEE insurance plans, MINNESOTA LIFE shall compute a monthly stop-loss limit by applying the schedule of monthly rates shown below to the amounts of preretirement life insurance for active employees in force under the policy.

SCHEDULE OF MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)

State EMPLOYEE PLAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Attained  Age | Rate | Attained  Age | Rate | Attained  Age | Rate |
| 17 | $ .08 | 45 | $ .24 | 73 | $ 2.88 |
| 18 | .08 | 46 | .27 | 74 | 3.21 |
| 19 | .08 | 47 | .30 | 75 | 3.46 |
| 20 | .08 | 48 | .31 | 76 | 3.74 |
| 21 | .08 | 49 | .32 | 77 | 4.10 |
| 22 | .08 | 50 | .34 | 78 | 4.41 |
| 23 | .08 | 51 | .35 | 79 | 4.77 |
| 24 | .08 | 52 | .37 | 80 | 5.22 |
| 25 | .08 | 53 | .37 | 81 | 5.82 |
| 26 | .08 | 54 | .37 | 82 | 6.62 |
| 27 | .08 | 55 | .39 | 83 | 7.77 |
| 28 | .08 | 56 | .40 | 84 | 8.70 |
| 29 | .08 | 57 | .41 | 85 | 9.46 |
| 30 | .08 | 58 | .44 | 86 | 10.26 |
| 31 | .08 | 59 | .46 | 87 | 11.19 |
| 32 | .09 | 60 | .49 | 88 | 11.76 |
| 33 | .10 | 61 | .53 | 89 | 12.58 |
| 34 | .10 | 62 | .57 | 90 | 13.45 |
| 35 | .10 | 63 | .65 | 91 | 14.32 |
| 36 | .11 | 64 | .74 | 92 | 15.20 |
| 37 | .12 | 65 | .87 | 93 | 16.07 |
| 38 | .12 | 66 | 1.01 | 94 | 16.96 |
| 39 | .13 | 67 | 1.22 | 95 | 17.89 |
| 40 | .13 | 68 | 1.47 | 96 | 19.66 |
| 41 | .16 | 69 | 1.79 | 97 | 21.64 |
| 42 | .17 | 70 | 2.00 | 98 | 51.18 |
| 43 | .19 | 71 | 2.28 | 99 | 81.59 |
| 44 | .21 | 72 | 2.56 | 100 | 83.33 |

F-1EXHIBIT F

STOP-LOSS PROVISION (cont'd)

SCHEDULE OF MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)

LOCAL GOVERNMENT EMPLOYEE PLAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Attained     Age | Rate | Attained     Age | Rate | Attained     Age | Rate |
| 17 | $ .07 | 45 | $ .16 | 73 | $ 2.93 |
| 18 | .07 | 46 | .17 | 74 | 3.43 |
| 19 | .07 | 47 | .19 | 75 | 3.85 |
| 20 | .07 | 48 | .22 | 76 | 4.36 |
| 21 | .07 | 49 | .26 | 77 | 4.87 |
| 22 | .07 | 50 | .28 | 78 | 5.44 |
| 23 | .07 | 51 | .31 | 79 | 6.04 |
| 24 | .07 | 52 | .34 | 80 | 6.65 |
| 25 | .07 | 53 | .38 | 81 | 7.30 |
| 26 | .07 | 54 | .41 | 82 | 7.91 |
| 27 | .07 | 55 | .46 | 83 | 8.58 |
| 28 | .07 | 56 | .49 | 84 | 9.33 |
| 29 | .07 | 57 | .53 | 85 | 10.17 |
| 30 | .07 | 58 | .55 | 86 | 11.10 |
| 31 | .07 | 59 | .57 | 87 | 12.04 |
| 32 | .08 | 60 | .67 | 88 | 13.05 |
| 33 | .08 | 61 | .72 | 89 | 14.22 |
| 34 | .09 | 62 | .78 | 90 | 15.48 |
| 35 | .09 | 63 | .84 | 91 | 16.82 |
| 36 | .10 | 64 | .90 | 92 | 18.20 |
| 37 | .11 | 65 | 1.02 | 93 | 19.60 |
| 38 | .11 | 66 | 1.22 | 94 | 21.06 |
| 39 | .12 | 67 | 1.41 | 95 | 22.57 |
| 40 | .12 | 68 | 1.59 | 96 | 24.14 |
| 41 | .13 | 69 | 1.68 | 97 | 25.76 |
| 42 | .15 | 70 | 1.90 | 98 | 51.18 |
| 43 | .15 | 71 | 2.12 | 99 | 81.59 |
| 44 | .16 | 72 | 2.51 | 100 | 83.33 |

F-2

EXHIBIT F

STOP-LOSS PROVISION (cont'd)

Retiree Insurance

For the retiree insurance plans, MINNESOTA LIFE shall compute a monthly stop-loss limit by applying the schedule of monthly rates shown below to the amounts of preretirement and postretirement life insurance for retirees in force under the policy.

SCHEDULE OF MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)

State EMPLOYEE PLAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Attained  Age | Rate | Attained  Age | Rate | Attained  Age | Rate |
| 17 | $ .07 | 45 | $ .20 | 73 | $ 2.47 |
| 18 | .07 | 46 | .23 | 74 | 2.76 |
| 19 | .07 | 47 | .26 | 75 | 2.97 |
| 20 | .07 | 48 | .27 | 76 | 3.21 |
| 21 | .07 | 49 | .28 | 77 | 3.51 |
| 22 | .07 | 50 | .29 | 78 | 3.78 |
| 23 | .07 | 51 | .30 | 79 | 4.09 |
| 24 | .07 | 52 | .32 | 80 | 4.47 |
| 25 | .07 | 53 | .32 | 81 | 4.99 |
| 26 | .07 | 54 | .32 | 82 | 5.67 |
| 27 | .07 | 55 | .34 | 83 | 6.66 |
| 28 | .07 | 56 | .35 | 84 | 7.46 |
| 29 | .07 | 57 | .36 | 85 | 8.11 |
| 30 | .07 | 58 | .37 | 86 | 8.79 |
| 31 | .07 | 59 | .39 | 87 | 9.59 |
| 32 | .08 | 60 | .42 | 88 | 10.08 |
| 33 | .09 | 61 | .45 | 89 | 10.78 |
| 34 | .09 | 62 | .49 | 90 | 11.53 |
| 35 | .09 | 63 | .56 | 91 | 12.28 |
| 36 | .10 | 64 | .63 | 92 | 13.03 |
| 37 | .11 | 65 | .75 | 93 | 13.78 |
| 38 | .11 | 66 | .86 | 94 | 14.53 |
| 39 | .12 | 67 | 1.05 | 95 | 15.33 |
| 40 | .12 | 68 | 1.26 | 96 | 16.85 |
| 41 | .13 | 69 | 1.54 | 97 | 18.55 |
| 42 | .14 | 70 | 1.72 | 98 | 43.87 |
| 43 | .16 | 71 | 1.96 | 99 | 69.94 |
| 44 | .18 | 72 | 2.20 | 100 | 83.33 |

F-3EXHIBIT F

STOP-LOSS PROVISION (cont'd)

SCHEDULE OF MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)

LOCAL GOVERNMENT EMPLOYEE PLAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Attained     Age | Rate | Attained     Age | Rate | Attained     Age | Rate |
| 17 | $ .06 | 45 | $ .13 | 73 | $2.52 |
| 18 | .06 | 46 | .14 | 74 | 2.94 |
| 19 | .06 | 47 | .16 | 75 | 3.30 |
| 20 | .06 | 48 | .19 | 76 | 3.73 |
| 21 | .06 | 49 | .22 | 77 | 4.18 |
| 22 | .06 | 50 | .24 | 78 | 4.67 |
| 23 | .06 | 51 | .27 | 79 | 5.17 |
| 24 | .06 | 52 | .29 | 80 | 5.70 |
| 25 | .06 | 53 | .33 | 81 | 6.26 |
| 26 | .06 | 54 | .36 | 82 | 6.78 |
| 27 | .06 | 55 | .39 | 83 | 7.35 |
| 28 | .06 | 56 | .42 | 84 | 8.00 |
| 29 | .06 | 57 | .45 | 85 | 8.72 |
| 30 | .06 | 58 | .47 | 86 | 9.51 |
| 31 | .06 | 59 | .49 | 87 | 10.32 |
| 32 | .07 | 60 | .58 | 88 | 11.18 |
| 33 | .07 | 61 | .61 | 89 | 12.19 |
| 34 | .08 | 62 | .67 | 90 | 13.27 |
| 35 | .08 | 63 | .72 | 91 | 14.42 |
| 36 | .09 | 64 | .78 | 92 | 15.60 |
| 37 | .10 | 65 | .88 | 93 | 16.80 |
| 38 | .10 | 66 | 1.05 | 94 | 18.05 |
| 39 | .11 | 67 | 1.21 | 95 | 19.34 |
| 40 | .11 | 68 | 1.36 | 96 | 20.69 |
| 41 | .12 | 69 | 1.44 | 97 | 22.08 |
| 42 | .12 | 70 | 1.63 | 98 | 43.87 |
| 43 | .12 | 71 | 1.81 | 99 | 69.94 |
| 44 | .13 | 72 | 2.15 | 100 | 83.33 |

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STOP-LOSS PROVISION (cont'd)

The schedule of monthly premium rates shown in the Addendum, "Premium Rates," of the policy shall be applied to the preretirement insurance in force to produce the estimated monthly policy year premium. Monthly, the policy year premium paid for that month shall be divided by the estimated monthly premium. The resulting proportion shall be multiplied by the estimated monthly stop-loss limit for preretirement insurance. The product shall be accumulated for all twelve months in the policy year and shall be defined as the "policy year stop-loss limit for preretirement insurance."

Monthly, the postretirement insurance in force shall be divided by the postretirement insurance in force used in determining the estimated monthly stop-loss limit for postretirement insurance. The resulting proportion shall be multiplied by the estimated monthly stop-loss limit for postretirement insurance. The product shall be accumulated for all twelve months in the policy year and shall be referred to as the policy year stop-loss limit for postretirement insurance.

The policy year stop-loss limit for the EMPLOYEE insurance plans shall be equal to the sum of the monthly stop-loss limits. The POLICY YEAR stop-loss limit for EMPLOYEE insurance for active employees is approximately 140% of POLICY YEAR expected claims. The POLICY YEAR stop-loss limit for EMPLOYEE insurance for retirees is approximately 120% of POLICY YEAR expected claims.

For the purpose of this section and pursuant to Exhibit B of this agreement (Claim Charges), claim charges for the EMPLOYEE insurance plans shall include items A, B, and F (life and AD&D pooled claim charges), items C and G (death and AD&D claims), items E and I (living benefit claims), item J (disability claim reserves), and item K (conversion charge). In subsequent annual experience reports, items C and G of these claim charges shall be adjusted to reflect claims which have a date of death or dismemberment in the policy year and were reported after compilation of the policy year report. If these claim charges in a given policy year exceed the policy year stop-loss limit less State premium taxes, the risk charge, and the MINNESOTA LIFE expense charge, such excess shall be defined as a "catastrophic loss". A catastrophic loss shall not be charged against the policy year premium. If the policy is discontinued, all disability claim reserves used in calculating item G of the claim charges shall for the purpose of this section continue to be calculated in accordance with Exhibit I of this agreement.

Spouse and Dependent Insurance

The policy year stop-loss limit for the STATE SPOUSE AND DEPENDENT insurance plan shall be equal to 130% of policy year premium. The POLICY YEAR stop-loss limit for the LOCAL GOVERNMENT SPOUSE AND DEPENDENT insurance plan shall be equal to 145% of POLICY YEAR PREMIUM.

For the purpose of this section and pursuant to Exhibit B of this agreement (Claim Charges), claim charges for the spouse and dependent insurance plans shall include item L (death claims), item N (living benefit claims), and item O (conversion charge). In subsequent annual experience reports, item L of these claim charges shall be adjusted to reflect claims which have a date of death in the policy year and were reported after compilation of the policy year report. If these claim charges in a given policy year exceed the policy year stop-loss limit less State premium taxes, the risk charge, and the MINNESOTA LIFE expense charge, such excess shall be defined as a "catastrophic loss". A catastrophic loss shall not be charged against the policy year premium.

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EXHIBIT G

INVESTMENT YEAR INTEREST CREDITING METHOD FOR RESERVES

At the end of each calendar year MINNESOTA LIFE shall establish the interest rate, after investment expense, earned on the net increase in its general account invested ASSETS in that year. Such rate shall be re-established at the end of each subsequent calendar year to reflect any reinvestment of such ASSETS. Interest rates shall be established for the net increase in the invested ASSETS in each of the ten most recent calendar years. A single interest rate shall be established for all ASSETS originating ten years or more before the most recent calendar year.

For the purpose of calculating interest credits and charges on reserves, the average date of payment means the date which represents the arithmetic mean of all the payment dates of the specified item, weighted by the size of each payment. A payment date is the date on which a payment is received by or disbursed by MINNESOTA LIFE.

Contingent Liability Reserve

Deposits to the contingent liability reserve for the EMPLOYEE insurance plans occur annually on the last day of the policy year. The contingent liability reserve established by this agreement shall be subdivided into net increments (deposits plus interest credits less withdrawals less interest charges) occurring in each policy year in the most recent ten policy years. Any reserve accrued before the ten most recent policy years shall be treated as a single increment.

On each policy anniversary, the interest rates in order of recency shall be applied to the annual increments to the contingent liability reserve in order of recency. The total interest credits and charges on the contingent liability reserve at the end of each policy year shall be on the following basis:

A. Interest credits on each increment to the contingent liability reserve for prior policy years.

B. Interest charges on postretirement death and living benefit claims and interest on such claims paid during the policy year at the current policy year interest rate, calculated from the average date of claim payment for postretirement insurance during the policy year until the last day of the policy year.

C. Interest charges on the MINNESOTA LIFE expense charge, the risk charge, the State premium taxes, and the pooled claim charge for postretirement insurance during the policy year at the current policy year interest rate, calculated from July 1 of the policy year until the last day of the policy year on the assumption that, on the average, these charges are incurred on July 1 of the policy year.

G-1EXHIBIT G

INVESTMENT YEAR INTEREST CREDITING METHOD FOR RESERVES (cont'd)

D. Interest charges on the withdrawals from the contingent liability reserve for preretirement insurance at the current policy year interest rate, calculated from the average date of payment of death, AD&D and living benefit claims for preretirement insurance during the policy year as specified in Exhibit A of this agreement (Annual Experience Calculation) until the last day of the policy year.

Premium Deposit Fund

Deposits to the premium deposit fund shall occur as premium contributions are received by MINNESOTA LIFE, as described in Article IV, Section 4.3, "Responsibilities of MINNESOTA LIFE and the STATE." Withdrawals from the premium deposit fund of the converted values of postretirement life insurance shall be made on the first premium payment date for the health insurance or long-term care insurance to which the withdrawn value is applied for each insured electing this option. The premium deposit fund established by this agreement shall be subdivided into net increments (deposits plus interest credits less withdrawals less interest charges) occurring in each policy year in the most recent ten policy years. Any funds accrued before the ten most recent policy years shall be treated as a single increment.

On each policy anniversary, the interest rates in order of recency shall be applied to the annual increments to the premium deposit fund in order of recency. The total interest credits and charges on the premium deposit fund at the end of each policy year shall be on the following basis:

A. Interest credits on each increment to the premium deposit fund for prior policy years.

B. Interest credits on premium deposit fund deposits during the current policy year at the current policy year interest rate calculated from the average date of deposit during the policy year until the last day of the policy year.

C. Interest charges on the withdrawals from the premium deposit fund of the converted values of postretirement life insurance at the current policy year interest rate, calculated from the average date of withdrawal during the policy year until the last day of the policy year.

D. Interest charges on the withdrawals from the premium deposit fund for preretirement insurance at the current policy year interest rate, calculated from the average date of payment of death, AD&D and living benefit claims for preretirement insurance during the policy year as specified in Exhibit A of this agreement (Annual Experience Calculation) until the last day of the policy year.

G-2EXHIBIT G

INVESTMENT YEAR INTEREST CREDITING METHOD FOR RESERVES (cont'd)

E. Interest charges on the withdrawals from the premium deposit fund for postretirement insurance at the current policy year interest rate, calculated from the average date of payment of death and living benefit claims for postretirement insurance during the policy year until the last day of the policy year.

Disability Claim Reserve

Increments in the reserves for reported disability claims, as described in Exhibit B of this agreement (Claim Charges), shall occur annually on the last day of the policy year. The total disability claim reserves established by this agreement shall be subdivided into increments occurring in each policy year in the ten most recent policy years. All annual increments before the ten most recent policy years shall be treated as a single increment.

On each policy anniversary, the interest rates in order of recency shall be applied to the disability claim reserve increments in order of recency. The total interest credits on the disability claim reserve at the end of each policy year shall equal the sum of the interest credits on increments for prior policy years.

Stabilization Reserve

Deposits to the stabilization reserves for the active employee and spouse and dependent insurance plans occur annually on the last day of the policy year. The stabilization reserves established by this agreement shall be subdivided into net increments (deposits plus interest credits less withdrawals less interest charges) occurring in each policy year in the most recent ten policy years. Any reserve or deficit accrued before the ten most recent policy years shall be treated as a single increment.

On each policy anniversary, the interest rates in order of recency shall be applied to the annual increments to the stabilization reserve in order of recency. The total interest credits and charges on the stabilization reserve at the end of each policy year shall be on the following basis:

1. Interest credits on each increment to the stabilization reserve for prior policy years.
2. Interest charges on the withdrawals from the stabilization reserve at the current policy year interest rate calculated from the average date of payment of death and living benefit claims under the active employee and spouse and dependent insurance plans during the policy year as specified in Exhibit A of this agreement (Annual Experience Calculation) until the last day of the policy year.

G-3EXHIBIT H

INTEREST CREDITS AND CHARGES ON CASH FLOW

This exhibit describes the method for determining interest credits and charges on cash flow, including all receipts and disbursements by MINNESOTA LIFE. For the purpose of calculating interest credits and charges on cash flow, the average date of payment means the date which represents the arithmetic mean of all the payment dates of the specified item, weighted by the size of each payment. A payment date is the date on which a payment is received by or disbursed by MINNESOTA LIFE.

Active employee insurance

On each policy anniversary, interest credits and charges for active employees shall be calculated at the interest rates declared by MINNESOTA LIFE on the following basis:

A. Interest credits on EMPLOYEE and EMPLOYER premiums calculated from their average date of payment to MINNESOTA LIFE during the policy year until the last day of the policy year.

B. Interest charges on death, AD&D and living benefit claims and interest on such claims paid during the policy year, calculated from their average date of payment during the policy year until the last day of the policy year.

C. Interest charges on the MINNESOTA LIFE expense charge, the State internal administration expense charge, the actuarial service charge, the State premium taxes, the risk charge, the pooled claim charge, and the conversion charge during the policy year, calculated from July 1 of the policy year until the last day of the policy year on the assumption that, on the average, these charges are incurred on July 1 of the policy year.

Retiree Insurance

On each policy anniversary, interest credits and charges for retirees shall be calculated at the interest rates declared by MINNESOTA LIFE on the following basis:

A. Interest credits on EMPLOYEE premiums calculated from their average date of payment to MINNESOTA LIFE during the policy year until the last day of the policy year.

B. Interest charges on preretirement death, AD&D and living benefit claims and interest on such claims paid during the policy year, calculated from their average date of payment during the policy year until the last day of the policy year.

C. Interest charges on the MINNESOTA LIFE expense charge, the State internal administration expense charge, the actuarial service charge, the State premium taxes, the risk charge, the pooled claim charge, and the conversion charge during the policy year, calculated from July 1 of the policy year until the last day of the policy year on the assumption that, on the average, these charges are incurred on July 1 of the policy year.

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D. Interest credits on the withdrawals from the contingent liability reserve and the premium deposit fund for preretirement insurance as specified in Exhibit A of this agreement (Annual Experience Calculation), calculated from the average date of payment calculated in "B" above until the last day of the policy year.

Spouse and Dependent Insurance

On each policy anniversary, interest credits and charges on the spouse and dependent insurance plan shall be calculated at the interest rates declared by MINNESOTA LIFE on the following basis:

1. Interest credits on premiums calculated from their average date of payment to MINNESOTA LIFE during the policy year until the last day of the policy year.
2. Interest charges on spouse and dependent death and living benefit claims and interest on such claims paid during the policy year, calculated from their average date of payment during the policy year until the last day of the policy year.
3. Interest charges on the MINNESOTA LIFE expense charge, the State internal administration expense charge, the actuarial service charge, the State premium taxes, the risk charge, and the conversion charge during the policy year, calculated from July 1 of the policy year until the last day of the policy year on the assumption that, on the average, these charges are incurred on July 1 of the policy year.
4. Interest credits on the withdrawals from the stabilization reserve as specified in Exhibit A of this agreement (Annual Experience Calculation), calculated from the average date of payment calculated in "B" above until the last day of the policy year.

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**MINNESOTA LIFE INSURANCE COMPANY**

**SAINT PAUL, MINNESOTA 55101-2098**

The Administrative Agreement effective January 1, 2004 between the State of Wisconsin, acting through its Group Insurance Board on behalf of The State of Wisconsin Public Employers Group Life Insurance Program, and the Minnesota Life Insurance Company is hereby amended as follows:

**AMENDMENT NO. 4**

Replaces pages F-2 and F-4 with new pages F-2 and F-4 of Exhibit F effective January 1, 2010. This amendment updates the stop-loss basis for the local government employee life insurance plans to show the new stop-loss rates effective January 1, 2010.

Minnesota Life Insurance Company this \_\_\_\_\_\_\_\_day of\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2010

By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chair

The State of Wisconsin Group Insurance Board this \_\_\_\_\_\_\_\_day of\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2010

By \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chair

EXHIBIT F

STOP-LOSS PROVISION (cont'd)

SCHEDULE OF MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)

LOCAL GOVERNMENT EMPLOYEE PLAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Attained     Age | Rate | Attained     Age | Rate | Attained     Age | Rate |
| 17 | $ .07 | 45 | $ .16 | 73 | $ 2.93 |
| 18 | .07 | 46 | .17 | 74 | 3.43 |
| 19 | .07 | 47 | .19 | 75 | 3.85 |
| 20 | .07 | 48 | .22 | 76 | 4.36 |
| 21 | .07 | 49 | .26 | 77 | 4.87 |
| 22 | .07 | 50 | .24 | 78 | 5.44 |
| 23 | .07 | 51 | .27 | 79 | 6.04 |
| 24 | .07 | 52 | .29 | 80 | 6.65 |
| 25 | .07 | 53 | .32 | 81 | 7.30 |
| 26 | .07 | 54 | .36 | 82 | 7.91 |
| 27 | .07 | 55 | .45 | 83 | 8.58 |
| 28 | .07 | 56 | .48 | 84 | 9.33 |
| 29 | .07 | 57 | .52 | 85 | 10.17 |
| 30 | .07 | 58 | .54 | 86 | 11.10 |
| 31 | .07 | 59 | .56 | 87 | 12.04 |
| 32 | .08 | 60 | .67 | 88 | 13.05 |
| 33 | .08 | 61 | .72 | 89 | 14.22 |
| 34 | .09 | 62 | .78 | 90 | 15.48 |
| 35 | .09 | 63 | .84 | 91 | 16.82 |
| 36 | .10 | 64 | .90 | 92 | 18.20 |
| 37 | .11 | 65 | 1.02 | 93 | 19.60 |
| 38 | .11 | 66 | 1.22 | 94 | 21.06 |
| 39 | .12 | 67 | 1.41 | 95 | 22.57 |
| 40 | .12 | 68 | 1.59 | 96 | 24.14 |
| 41 | .13 | 69 | 1.68 | 97 | 25.76 |
| 42 | .15 | 70 | 1.90 | 98 | 51.18 |
| 43 | .15 | 71 | 2.12 | 99 | 81.59 |
| 44 | .16 | 72 | 2.51 | 100 | 83.33 |

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EXHIBIT F

STOP-LOSS PROVISION (cont'd)

SCHEDULE OF MONTHLY STOP-LOSS RATES PER $1,000 OF INSURANCE

(Rates for Insurance of a Greater or Lesser Amount will be Proportionate)

LOCAL GOVERNMENT EMPLOYEE PLAN

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Attained     Age | Rate | Attained     Age | Rate | Attained     Age | Rate |
| 17 | $ .06 | 45 | $ .13 | 73 | $2.52 |
| 18 | .06 | 46 | .14 | 74 | 2.94 |
| 19 | .06 | 47 | .16 | 75 | 3.30 |
| 20 | .06 | 48 | .19 | 76 | 3.73 |
| 21 | .06 | 49 | .22 | 77 | 4.18 |
| 22 | .06 | 50 | .20 | 78 | 4.67 |
| 23 | .06 | 51 | .23 | 79 | 5.17 |
| 24 | .06 | 52 | .25 | 80 | 5.70 |
| 25 | .06 | 53 | .28 | 81 | 6.26 |
| 26 | .06 | 54 | .31 | 82 | 6.78 |
| 27 | .06 | 55 | .38 | 83 | 7.35 |
| 28 | .06 | 56 | .41 | 84 | 8.00 |
| 29 | .06 | 57 | .44 | 85 | 8.72 |
| 30 | .06 | 58 | .46 | 86 | 9.51 |
| 31 | .06 | 59 | .48 | 87 | 10.32 |
| 32 | .07 | 60 | .58 | 88 | 11.18 |
| 33 | .07 | 61 | .61 | 89 | 12.19 |
| 34 | .08 | 62 | .67 | 90 | 13.27 |
| 35 | .08 | 63 | .72 | 91 | 14.42 |
| 36 | .09 | 64 | .78 | 92 | 15.60 |
| 37 | .10 | 65 | .88 | 93 | 16.80 |
| 38 | .10 | 66 | 1.05 | 94 | 18.05 |
| 39 | .11 | 67 | 1.21 | 95 | 19.34 |
| 40 | .11 | 68 | 1.36 | 96 | 20.69 |
| 41 | .12 | 69 | 1.44 | 97 | 22.08 |
| 42 | .12 | 70 | 1.63 | 98 | 43.87 |
| 43 | .12 | 71 | 1.81 | 99 | 69.94 |
| 44 | .13 | 72 | 2.15 | 100 | 83.33 |

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