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an exception

Cost Proposal Addendum

Resloped Supplemental Life Rates

In reviewing the Supplemental Life rates, we have noted that the current rates straddle IRS Section 79 Table I. In order to avoid imputed income issues, the proposed rates have been re-sloped to avoid straddling.

Cost Proposal Option 1

As a result of the current rate structure and the competitive bid process, we have proposed a rate structure similar to what is currently in place, where the non-elective basic life rate is partially supported by the participant-elected supplemental life rate.

Cost Proposal Option 2

We are also proposing a rate offer to satisfy the request per #86 in the "5953 Z1 Addendum Two Questions and Answers" RFP document. The experience exhibit provided with the RFP includes basic active & retiree life annual loss ratios ranging from 130% to 250% over the past 5 years, with a 5 year total of 179%. Based on this historical experience, the basic active and retiree rates must increase significantly in order to ease the support needed from the excess supplemental life premium resulting in the favorable supplemental life plan experience loss ratios.

We believe the proposed alternate rates satisfy the State's request for rates which do not cross-subsidize.

Transitioning to Self-Supporting

It is clear the alternate rate proposal results in a significant premium increase to the State-paid basic life premiums. Noting this potential budgeting concern, we are able to offer an alternative where the State-paid basic rates are increased gradually over each of the next four years. At the same time, the employee-paid supplemental life rates will be reduced each year. Although the overall combined premiums will be similar each year, the phased rate changes will allow us to work toward the ultimate goal of self-supporting rates.

If you are interested in transitioning rates in this option, please let us know.

**REVISED COST PROPOSAL
RFP 5953 Z1**

**BASIC LIFE, AD&D, SUPPLEMENTAL LIFE (DEPENDENT) AND SUPPLEMENTAL LIFE
(EMPLOYEE) INSURANCE PLAN OPTIONS**

Bidder Name: Minnesota Life

Bidders shall fill in the proposed monthly premium amounts for each column provided below. All premium amounts specified are guaranteed by Bidder and are inclusive of all costs. Each monthly premium amount proposed should be evenly divisible by "2" with no rounding to accommodate two even deductions per month through our payroll system. Any premium amount not divisible by "2" will be reduced to the nearest lower amount that is divisible by "2" for scoring. By submitting this proposal, Bidder accepts this lower amount if a contract is awarded.

BASIC LIFE	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Rate for \$20,000 per \$1,000 Per Month	\$ 0.096	\$ 0.096	\$ 0.096	\$ 0.096	\$ 0.100	\$ 0.100

AD&D	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Flat rate for \$5,000 Per Employee Per Month	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
Flat rate for \$7,500 Per Employee Per Month	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14
Flat rate for \$10,000 Per Employee Per Month	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20

SUPPLEMENTAL LIFE - DEPENDENT	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Low Option - \$5,000						
Spouse age below 70 and/or Dependent child(ren) up to age 26	\$ 1.54	\$ 1.54	\$ 1.54	\$ 1.54	\$ 1.62	\$ 1.62
Spouse Age 70 or Older and/or Dependent child(ren) up to age 26	\$ 4.10	\$ 4.10	\$ 4.10	\$ 4.10	\$ 4.30	\$ 4.30

SUPPLEMENTAL LIFE - DEPENDENT	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
High Option - \$10,000						
Spouse age below 70 and/or Dependent child(ren) up to age 26	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.14	\$ 3.14
Spouse Age 70 or Older and/or Dependent child(ren) up to age 26	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.62	\$ 8.62

SUPPLEMENTAL LIFE COVERAGE - EMPLOYEE						
Rate/\$1,000	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Under 25	\$ 0.036	\$ 0.036	\$ 0.036	\$ 0.036	\$ 0.038	\$ 0.038
25-29	\$ 0.042	\$ 0.042	\$ 0.042	\$ 0.042	\$ 0.044	\$ 0.044
30-34	\$ 0.058	\$ 0.058	\$ 0.058	\$ 0.058	\$ 0.062	\$ 0.062
35-39	\$ 0.062	\$ 0.062	\$ 0.062	\$ 0.062	\$ 0.066	\$ 0.066
40-44	\$ 0.072	\$ 0.072	\$ 0.072	\$ 0.072	\$ 0.076	\$ 0.076
45-49	\$ 0.108	\$ 0.108	\$ 0.108	\$ 0.108	\$ 0.116	\$ 0.116
50-54	\$ 0.164	\$ 0.164	\$ 0.164	\$ 0.164	\$ 0.174	\$ 0.174
55-59	\$ 0.308	\$ 0.308	\$ 0.308	\$ 0.308	\$ 0.326	\$ 0.326
60-64	\$ 0.472	\$ 0.472	\$ 0.472	\$ 0.472	\$ 0.498	\$ 0.498
65-69	\$ 0.906	\$ 0.906	\$ 0.906	\$ 0.906	\$ 0.954	\$ 0.954
70-74	\$ 1.470	\$ 1.470	\$ 1.470	\$ 1.470	\$ 1.546	\$ 1.546
75-79	\$ 2.384	\$ 2.384	\$ 2.384	\$ 2.384	\$ 2.506	\$ 2.506
80 and over	\$ 3.870	\$ 3.870	\$ 3.870	\$ 3.870	\$ 4.064	\$ 4.064

DEPARTMENT OF LABOR ACTIVE EMPLOYEES (Grandfathered Group) BASIC LIFE, AD&D AND SUPPLEMENTAL LIFE (DEPENDENT) INSURANCE						
BASIC LIFE	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Rate for base annual salary adjusted to next higher \$1,000 plus \$2,000. \$10,000 salary minimum. \$60,000 salary maximum. High age reductions.	\$ 0.096	\$ 0.096	\$ 0.096	\$ 0.096	\$ 0.100	\$ 0.100
AD&D	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Rate for base annual salary adjusted to next higher \$1,000 plus \$2,000. \$10,000 salary minimum. \$60,000 salary maximum. High age reductions.	\$ 0.012	\$ 0.012	\$ 0.012	\$ 0.012	\$ 0.012	\$ 0.012
SUPPLEMENTAL LIFE - DEPENDENT	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Spouse - \$2,000; Child - \$500 (3 days - 6 months) \$1,000 (6 months - 19 years)	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.40	\$ 0.40

**DEPARTMENT OF LABOR RETIRED EMPLOYEES (Grandfathered Group)
BASIC LIFE INSURANCE**

BASIC LIFE	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Varies depending on amount in force at retirement. Refer to Attachment C: Census Report	\$ 0.190	\$ 0.190	\$ 0.190	\$ 0.190	\$ 0.20	\$ 0.20

As a result of the current rate structure and the competitive bid process, we have proposed a rate structure similar to what is currently in place, where the non-elective basic life rate is partially supported by the participant-elected supplemental life rate.

To satisfy your responsibilities under ERISA and state law, each of your plan documents and related communications with plan participants should be consistent with the following, either currently or following acceptance of the above quoted rates:

- basic and supplemental coverages are structured as a single ERISA plan;
- participants who elect supplemental coverages are required to contribute specified premiums which are not necessarily equal to the expected cost of coverages elected by the participant and premiums paid by the plan for one coverage may cover some or all of the cost of another plan coverage;
- you do not promise to pay the full cost of any coverage but instead agree to pay the difference between the total premium for all plan coverages and amounts contributed by participants; and
- plan assets, including participant contributions, may be used to pay any benefit or expense under the plan, including insurance premiums for any coverage.

We obtained a legal opinion on this general topic from a major law firm, which we would be willing to share with you.

In addition, your requested rate structure may impact the tax treatment of the coverages under Section 79 of the Internal Revenue Code.

Since this is your plan design decision, we encourage you to consult your own legal and tax counsel to ensure your desired result.

**REVISED COST PROPOSAL
RFP 5953 Z1**

**BASIC LIFE, AD&D, SUPPLEMENTAL LIFE (DEPENDENT) AND SUPPLEMENTAL LIFE
(EMPLOYEE) INSURANCE PLAN OPTIONS**

Bidder Name: Minnesota Life

Bidders shall fill in the proposed monthly premium amounts for each column provided below. All premium amounts specified are guaranteed by Bidder and are inclusive of all costs. Each monthly premium amount proposed should be evenly divisible by "2" with no rounding to accommodate two even deductions per month through our payroll system. Any premium amount not divisible by "2" will be reduced to the nearest lower amount that is divisible by "2" for scoring. By submitting this proposal, Bidder accepts this lower amount if a contract is awarded.

BASIC LIFE	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Rate for \$20,000 per \$1,000 Per Month	0.160	0.160	0.160	0.160	\$ 0.168	\$ 0.168

AD&D	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Flat rate for \$5,000 Per Employee Per Month	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
Flat rate for \$7,500 Per Employee Per Month	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14
Flat rate for \$10,000 Per Employee Per Month	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20

SUPPLEMENTAL LIFE - DEPENDENT	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Low Option - \$5,000						
Spouse age below 70 and/or Dependent child(ren) up to age 26	\$ 1.54	\$ 1.54	\$ 1.54	\$ 1.54	\$ 1.62	\$ 1.62
Spouse Age 70 or Older and/or Dependent child(ren) up to age 26	\$ 4.10	\$ 4.10	\$ 4.10	\$ 4.10	\$ 4.30	\$ 4.30

SUPPLEMENTAL LIFE - DEPENDENT	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
High Option - \$10,000						
Spouse age below 70 and/or Dependent child(ren) up to age 26	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.14	\$ 3.14
Spouse Age 70 or Older and/or Dependent child(ren) up to age 26	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.62	\$ 8.62

SUPPLEMENTAL LIFE COVERAGE - EMPLOYEE						
Rate/\$1,000	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Under 25	\$ 0.034	\$ 0.034	\$ 0.034	\$ 0.034	\$ 0.036	\$ 0.036
25-29	\$ 0.040	\$ 0.040	\$ 0.040	\$ 0.040	\$ 0.042	\$ 0.042
30-34	\$ 0.054	\$ 0.054	\$ 0.054	\$ 0.054	\$ 0.056	\$ 0.056
35-39	\$ 0.058	\$ 0.058	\$ 0.058	\$ 0.058	\$ 0.062	\$ 0.062
40-44	\$ 0.066	\$ 0.066	\$ 0.066	\$ 0.066	\$ 0.072	\$ 0.072
45-49	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.108	\$ 0.108
50-54	\$ 0.154	\$ 0.154	\$ 0.154	\$ 0.154	\$ 0.164	\$ 0.164
55-59	\$ 0.286	\$ 0.286	\$ 0.286	\$ 0.286	\$ 0.304	\$ 0.304
60-64	\$ 0.440	\$ 0.440	\$ 0.440	\$ 0.440	\$ 0.464	\$ 0.464
65-69	\$ 0.846	\$ 0.846	\$ 0.846	\$ 0.846	\$ 0.902	\$ 0.902
70-74	\$ 1.372	\$ 1.372	\$ 1.372	\$ 1.372	\$ 1.444	\$ 1.444
75-79	\$ 2.224	\$ 2.224	\$ 2.224	\$ 2.224	\$ 2.336	\$ 2.336
80 and over	\$ 3.610	\$ 3.610	\$ 3.610	\$ 3.610	\$ 3.790	\$ 3.790

DEPARTMENT OF LABOR ACTIVE EMPLOYEES (Grandfathered Group) BASIC LIFE, AD&D AND SUPPLEMENTAL LIFE (DEPENDENT) INSURANCE						
BASIC LIFE	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Rate for base annual salary adjusted to next higher \$1,000 plus \$2,000. \$10,000 salary minimum. \$60,000 salary maximum. High age reductions.	\$ 0.160	\$ 0.160	\$ 0.160	\$ 0.160	\$ 0.168	\$ 0.168
AD&D	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Rate for base annual salary adjusted to next higher \$1,000 plus \$2,000. \$10,000 salary minimum. \$60,000 salary maximum. High age reductions.	\$ 0.012	\$ 0.012	\$ 0.012	\$ 0.012	\$ 0.012	\$ 0.012
SUPPLEMENTAL LIFE - DEPENDENT	Initial Contract Period				Optional Year 1	Optional Year 2
	Year 1	Year 2	Year 3	Year 4		
Spouse - \$2,000; Child - \$500 (3 days - 6 months) \$1,000 (6 months - 19 years)	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.40	\$ 0.40

**DEPARTMENT OF LABOR RETIRED EMPLOYEES (Grandfathered Group)
BASIC LIFE INSURANCE**

BASIC LIFE	Initial Contract Period				Optional Year 1	Optional Year 2
Varies depending on amount in force at retirement. Refer to Attachment C: Census Report	Year 1	Year 2	Year 3	Year 4		
		\$ 0.190	\$ 0.190	\$ 0.190	\$ 0.190	\$ 0.200