AN ACT to amend 40.04 (10), 40.04 (11), 40.05 (4) (b), 40.05 (4) (bc), 40.05 (4) (bf),
40.05 (4) (bm), 40.05 (4) (bp) 1., 40.05 (4) (bw), 40.05 (4m), subchapter IX (title)
of chapter 40 [precedes 40.95], 40.95 (title), 40.95 (1) (a) (intro.), 40.95 (1) (b) and
40.95 (2) of the statutes; relating to: using accumulated unused sick leave
credits and health insurance premium credits for the purchase of long-term
care insurance for participants under the Wisconsin Retirement System.

Analysis by the Legislative Reference Bureau

Under current law, with certain exceptions, if a state employee who is eligible
for coverage under the state group health insurance program terminates
employment in a position that is covered under the Wisconsin Retirement System
and has attained the minimum age to begin receiving a retirement benefit, or if a
state employee who is eligible for coverage under the state group health insurance
program is laid off, the employee's accumulated unused sick leave may be converted,
at his or her basic pay rate immediately prior to termination, to credits for the
payment of health insurance premiums during the employee's retirement or period
of layoff. Also, the Department of Employee Trust Funds currently administers a
program that permits state employees to use certain health insurance premium
credits for the purchase of health insurance on retirement if their compensation
provides for such health insurance premium credits.

This bill provides that these credits may be used both for the purchase of health
insurance and long-term care insurance. Under the bill, however, a participant may
only use the credits for the purchase of long-term care insurance if he or she is not using the credits for the payment of health insurance premiums under the state group health insurance plan and if the participant is covered by a comparable health insurance plan or policy.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

**SECTION 1.** 40.04 (10) of the statutes is amended to read:

40.04 (10) An accumulated sick leave conversion account shall be maintained within the fund, to which shall be credited all money received under s. 40.05 (4) (b), (bc), (bf), (bm), (br), and (bw) for health insurance and long-term care insurance premiums, as dividends or premium credits arising from the operation of health insurance and long-term care insurance plans and from investment income on any reserves established in the fund for health insurance and long-term care insurance purposes for retired employees and their surviving dependents. Premium payments to health and long-term care insurers authorized in s. 40.05 (4) (b), (bc), (bf), (bm), and (bw) shall be charged to this account. This subsection does not prohibit the direct payment of premiums to insurers when appropriate administrative procedures have been established for direct payments. Premium payments for long-term care insurance may only be charged to this account if the participant is not using credits under s. 40.05 (4) (b), (bc), (bf), (bm), (br), and (bw) for the payment of health insurance premiums and if the participant is covered by a comparable health insurance plan or policy. A health insurance plan or policy is considered comparable if it provides hospital and medical benefits that are substantially equivalent to the standard health insurance plan established under s. 40.52 (1).

**SECTION 2.** 40.04 (11) of the statutes is amended to read:
40.04 (11) A health insurance premium credit account shall be maintained within the fund, to which shall be credited all moneys received under s. 40.05 (4) (by) for the payment of health insurance and long-term care insurance premiums, as dividends or premium credits arising from the operation of health insurance and long-term care insurance plans and from investment income on any reserves established in the fund for health insurance and long-term care insurance purposes for retired employees and their surviving dependents. Premium payments to health and long-term care insurers authorized in subch. IX may only be charged to this account after all other health insurance premium credits under s. 40.05 (4) (b), (bc), (bf), (bm) and (bw) are exhausted. This subsection does not prohibit the direct payment of premiums to insurers when appropriate administrative procedures have been established for direct payments. Premium payments for long-term care insurance may only be charged to this account if the participant is not using credits under s. 40.05 (4) (by) for the payment of health insurance premiums and if the participant is covered by a comparable health insurance plan or policy. A health insurance plan or policy is considered comparable if it provides hospital and medical benefits that are substantially equivalent to the standard health insurance plan established under s. 40.52 (1).

Section 3. 40.05 (4) (b) of the statutes is amended to read:

40.05 (4) (b) Except as provided under pars. (bc) and (bp), accumulated unused sick leave under ss. 13.121 (4), 36.30, 230.35 (2), 233.10, and 757.02 (5) and subch. I or V of ch. 111 of any eligible employee shall, at the time of death, upon qualifying for an immediate annuity or for a lump sum payment under s. 40.25 (1) or upon termination of creditable service and qualifying as an eligible employee under s. 40.02 (25) (b) 6. or 10., be converted, at the employee’s highest basic pay rate he or
she received while employed by the state, to credits for payment of health insurance
and long-term care insurance premiums on behalf of the employee or the employee’s
surviving insured dependents. Any supplemental compensation that is paid to a
state employee who is classified under the state classified civil service as a teacher,
teacher supervisor, or education director for the employee’s completion of
educational courses that have been approved by the employee’s employer is
considered as part of the employee’s basic pay for purposes of this paragraph. The
full premium for any eligible employee who is insured at the time of retirement, or
for the surviving insured dependents of an eligible employee who is deceased, shall
be deducted from the credits until the credits are exhausted and paid from the
account under s. 40.04 (10), and then deducted from annuity payments, if the
annuity is sufficient. The department shall provide for the direct payment of
premiums by the insured to the insurer if the premium to be withheld exceeds the
annuity payment. Upon conversion of an employee’s unused sick leave to credits
under this paragraph or par. (bf), for the payment of health insurance, the employee
or, if the employee is deceased, the employee’s surviving insured dependents may
initiate deductions from those credits or may elect to delay initiation of deductions
from those credits, but only if the employee or surviving insured dependents are
covered by a comparable health insurance plan or policy during the period beginning
on the date of the conversion and ending on the date on which the employee or
surviving insured dependents later elect to initiate deductions from those credits.
If an employee or an employee’s surviving insured dependents elect to delay
initiation of deductions from those credits, an employee or the employee’s surviving
insured dependents may only later elect to initiate deductions from those credits
during the annual enrollment period under par. (be). A health insurance plan or
policy is considered comparable if it provides hospital and medical benefits that are substantially equivalent to the standard health insurance plan established under s. 40.52 (1). Upon conversion of an employee’s unused sick leave to credits under this paragraph or par. (bf), for the payment of long-term care insurance, the employee or, if the employee is deceased, the employee’s surviving insured dependent may elect to delay initiation of deductions from those credits for any period of time.

SECTION 4. 40.05 (4) (bc) of the statutes is amended to read:

40.05 (4) (bc) The accumulated unused sick leave of an eligible employee under s. 40.02 (25) (b) 6e. or 6g. shall be converted to credits for the payment of health insurance or long-term care insurance premiums on behalf of the employee on the date on which the department receives the employee’s application for a retirement annuity or for lump sum payment under s. 40.25 (1). The employee’s unused sick leave shall be converted at the eligible employee’s highest basic pay rate he or she received while employed by the state. The full premium for the employee, or for the surviving insured dependent of the employee if the employee later becomes deceased, shall be deducted from the credits until the credits are exhausted and paid from the account under s. 40.04 (10), and then deducted from annuity payments, if the annuity is sufficient. The department shall provide for the direct payment of premiums by the insured to the insurer if the premium to be withheld exceeds the annuity payment.

SECTION 5. 40.05 (4) (bf) of the statutes is amended to read:

40.05 (4) (bf) Any eligible employee who was granted credit under s. 230.35 (1) (gm) for service as a national guard technician, who, on December 31, 1965, had accumulated unused sick leave that was based on service performed in this state as a national guard technician before January 1, 1966, and who is a participating
employee or terminated all creditable service after June 30, 1972, or, if the eligible employee is deceased, the surviving insured dependents of the eligible employee, may have that accumulated unused sick leave converted to credits for the payment of health insurance or long-term care insurance premiums on behalf of the eligible employee or the surviving insured dependents if, not later than November 30, 1996, the eligible employee or the surviving insured dependents submit to the department, on a form provided by the department, an application for the conversion. The application shall include evidence satisfactory to the department to establish the applicant’s rights under this paragraph and the amount of the accumulated unused sick leave that is eligible for the conversion. The accumulated unused sick leave shall be converted under this paragraph, at the eligible employee’s highest basic pay rate he or she received while employed by the state, on the date of conversion specified in par. (b) or on the last day of the 2nd month beginning after the date on which the department receives the application under this paragraph, whichever is later. Deductions from those credits, elections to delay initiation of those deductions and premium payments shall be made as provided in par. (b).

SECTION 6. 40.05 (4) (bm) of the statutes is amended to read:

40.05 (4) (bm) Except as provided under par. (bp), accumulated unused sick leave under ss. 36.30 and 230.35 (2) or 233.10 of any eligible employee shall, upon request of the employee at the time the employee is subject to layoff under s. 40.02 (40), be converted at the employee's highest basic pay rate he or she received while employed by the state to credits for payment of health insurance or long-term care insurance premiums on behalf of the employee. Any supplemental compensation that is paid to a state employee who is classified under the state classified civil service as a teacher, teacher supervisor or education director for the employee's
completion of educational courses that have been approved by the employee's employer is considered as part of the employee's basic pay for purposes of this paragraph. The full amount of the required employee contribution for any eligible employee who is insured at the time of the layoff shall be deducted from the credits until the credits are exhausted, the employee is reemployed, or 5 years have elapsed from the date of layoff, whichever occurs first.

Section 7. 40.05 (4) (bp) 1. of the statutes is amended to read:

40.05 (4) (bp) 1. Except as provided in subds. 2. and 3., for sick leave which accumulates beginning on August 1, 1987, conversion under par. (b) or (bm) of accumulated unused sick leave under s. 36.30 to credits for payment of health insurance and long-term care insurance premiums shall be limited to the annual amounts of sick leave specified in this subdivision. For faculty and academic staff personnel who are appointed to work 52 weeks per year, conversion is limited to 8.5 days of sick leave per year. For faculty and academic staff personnel who are appointed to work 39 weeks per year, conversion is limited to 6.4 days of sick leave per year. For faculty and academic staff personnel not otherwise specified, conversion is limited to a number of days of sick leave per year to be determined by the secretary by rule, in proportion to the number of weeks per year appointed to work.

Section 8. 40.05 (4) (bw) of the statutes is amended to read:

40.05 (4) (bw) On converting accumulated unused sick leave to credits for the payment of health insurance and long-term care insurance premiums under par. (b), the department shall add additional credits, calculated in the same manner as are credits under par. (b), that are based on a state employee's accumulated sabbatical leave or earned vacation leave from the state employee's last year of service prior to
retirement, or both. The department shall apply the credits awarded under this paragraph for the payment of health insurance and long-term care insurance premiums only after the credits awarded under par. (b) are exhausted. This paragraph applies only to state employees who are eligible for accumulated unused sick leave conversion under par. (b) and who are entitled to the benefits under this paragraph pursuant to a collective bargaining agreement under subch. V of ch. 111.

**SECTION 9.** 40.05 (4m) of the statutes is amended to read:

40.05 (4m) LONG-TERM CARE INSURANCE PREMIUMS. For any long-term care insurance policies provided under s. 40.55, the entire premium shall be paid as a deduction under s. 40.06 (1) (a) from an employee’s earnings or a state annuitant’s annuity or deducted from credits in accounts under s. 40.04 (10) or (11) for participants eligible to use the credits for the purchase of long-term care insurance, except that if an eligible employee is not on a state payroll or receives earnings that are insufficient to cover premium payments or a state annuitant receives an annuity that is not sufficient to cover premium payments, the eligible employee or state annuitant shall make premium payments directly to the insurer. There shall be no employer contributions.

**SECTION 10.** Subchapter IX (title) of chapter 40 [precedes 40.95] of the statutes is amended to read:

**CHAPTER 40**

**SUBCHAPTER IX**

HEALTH INSURANCE AND LONG-TERM CARE INSURANCE PREMIUM CREDITS

**SECTION 11.** 40.95 (title) of the statutes is amended to read:
40.95 (title) Health insurance and long-term care insurance premium credits.

SECTION 12. 40.95 (1) (a) (intro.) of the statutes is amended to read:

40.95 (1) (a) (intro.) Subject to sub. (2), the department shall administer a program that provides health insurance and long-term care insurance premium credits for the purchase of health insurance or long-term care insurance for a retired employee, or the retired employee's surviving insured dependents; for an eligible employee under s. 40.02 (25) (b) 6e., or the eligible employee's surviving insured dependents; for an employee who is laid off, but who is not on a temporary, school year, seasonal, or sessional layoff, and his or her surviving insured dependents; and for the surviving insured dependents of an employee who dies while employed by the state, for the benefit of an eligible employee whose compensation includes such health insurance premium credits and who satisfies at least one of the following:

SECTION 13. 40.95 (1) (b) of the statutes is amended to read:

40.95 (1) (b) The health insurance and long-term care insurance premium credits shall be based on the employee’s years of continuous service, accumulated unused sick leave and any other factor specified as part of the employee’s compensation.

SECTION 14. 40.95 (2) of the statutes is amended to read:

40.95 (2) The department is not required to administer any program that provides health insurance and long-term care insurance premium credits for the purchase of health insurance or long-term care insurance for a retired employee, or the retired employee’s surviving insured dependents; for an eligible employee under s. 40.02 (25) (b) 6e., or the eligible employee’s surviving insured dependents; for an employee who is laid off, but who is not on a temporary, school year, seasonal, or
sectional layoff, and his or her surviving insured dependents; and for the surviving insured dependents of an employee who dies while employed by the state, if the department determines that the program does not conform to the program approved by the joint committee on employment relations under s. 230.12 (9).

(END)