



2005 ASSEMBLY BILL 1120

March 14, 2006 – Introduced by Representatives PETROWSKI, AINSWORTH, MUSSER, ALBERS, OTT, HAHN, OWENS and TOWNSEND, cosponsored by Senator ROESSLER. Referred to Committee on Insurance.

1 **AN ACT to amend** 40.04 (10), 40.04 (11), 40.05 (4) (b), 40.05 (4) (bc), 40.05 (4) (bf),
2 40.05 (4) (bm), 40.05 (4) (bp) 1., 40.05 (4) (bw), 40.05 (4m), subchapter IX (title)
3 of chapter 40 [precedes 40.95], 40.95 (title), 40.95 (1) (a) (intro.), 40.95 (1) (b) and
4 40.95 (2) of the statutes; **relating to:** using accumulated unused sick leave
5 credits and health insurance premium credits for the purchase of long-term
6 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

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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:

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

2 40.04 (10) An accumulated sick leave conversion account shall be maintained
3 within the fund, to which shall be credited all money received under s. 40.05 (4) (b),
4 (bc), (bf), (bm), (br), and (bw) for health insurance and long-term care insurance
5 premiums, as dividends or premium credits arising from the operation of health
6 insurance and long-term care insurance plans and from investment income on any
7 reserves established in the fund for health insurance and long-term care insurance
8 purposes for retired employees and their surviving dependents. Premium payments
9 to health and long-term care insurers authorized in s. 40.05 (4) (b), (bc), (bf), (bm),
10 and (bw) shall be charged to this account. This subsection does not prohibit the direct
11 payment of premiums to insurers when appropriate administrative procedures have
12 been established for direct payments. Premium payments for long-term care
13 insurance may only be charged to this account if the participant is not using credits
14 under s. 40.05 (4) (b), (bc), (bf), (bm), (br), and (bw) for the payment of health
15 insurance premiums and if the participant is covered by a comparable health
16 insurance plan or policy. A health insurance plan or policy is considered comparable
17 if it provides hospital and medical benefits that are substantially equivalent to the
18 standard health insurance plan established under s. 40.52 (1).

19 **SECTION 2.** 40.04 (11) of the statutes is amended to read:

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

19 **SECTION 3.** 40.05 (4) (b) of the statutes is amended to read:

20 40.05 (4) (b) Except as provided under pars. (bc) and (bp), accumulated unused
21 sick leave under ss. 13.121 (4), 36.30, 230.35 (2), 233.10, and 757.02 (5) and subch.
22 I or V of ch. 111 of any eligible employee shall, at the time of death, upon qualifying
23 for an immediate annuity or for a lump sum payment under s. 40.25 (1) or upon
24 termination of creditable service and qualifying as an eligible employee under s.
25 40.02 (25) (b) 6. or 10., be converted, at the employee's highest basic pay rate he or

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1 she received while employed by the state, to credits for payment of health insurance
2 and long-term care insurance premiums on behalf of the employee or the employee's
3 surviving insured dependents. Any supplemental compensation that is paid to a
4 state employee who is classified under the state classified civil service as a teacher,
5 teacher supervisor, or education director for the employee's completion of
6 educational courses that have been approved by the employee's employer is
7 considered as part of the employee's basic pay for purposes of this paragraph. The
8 full premium for any eligible employee who is insured at the time of retirement, or
9 for the surviving insured dependents of an eligible employee who is deceased, shall
10 be deducted from the credits until the credits are exhausted and paid from the
11 account under s. 40.04 (10), and then deducted from annuity payments, if the
12 annuity is sufficient. The department shall provide for the direct payment of
13 premiums by the insured to the insurer if the premium to be withheld exceeds the
14 annuity payment. Upon conversion of an employee's unused sick leave to credits
15 under this paragraph or par. (bf), for the payment of health insurance, the employee
16 or, if the employee is deceased, the employee's surviving insured dependents may
17 initiate deductions from those credits or may elect to delay initiation of deductions
18 from those credits, but only if the employee or surviving insured dependents are
19 covered by a comparable health insurance plan or policy during the period beginning
20 on the date of the conversion and ending on the date on which the employee or
21 surviving insured dependents later elect to initiate deductions from those credits.
22 If an employee or an employee's surviving insured dependents elect to delay
23 initiation of deductions from those credits, an employee or the employee's surviving
24 insured dependents may only later elect to initiate deductions from those credits
25 during the annual enrollment period under par. (be). A health insurance plan or

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1 policy is considered comparable if it provides hospital and medical benefits that are
2 substantially equivalent to the standard health insurance plan established under s.
3 40.52 (1). Upon conversion of an employee's unused sick leave to credits under this
4 paragraph or par. (bf), for the payment of long-term care insurance, the employee
5 or, if the employee is deceased, the employee's surviving insured dependents may
6 elect to delay initiation of deductions from those credits for any period of time.

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

8 40.05 (4) (bc) The accumulated unused sick leave of an eligible employee under
9 s. 40.02 (25) (b) 6e. or 6g. shall be converted to credits for the payment of health
10 insurance or long-term care insurance premiums on behalf of the employee on the
11 date on which the department receives the employee's application for a retirement
12 annuity or for lump sum payment under s. 40.25 (1). The employee's unused sick
13 leave shall be converted at the eligible employee's highest basic pay rate he or she
14 received while employed by the state. The full premium for the employee, or for the
15 surviving insured dependents of the employee if the employee later becomes
16 deceased, shall be deducted from the credits until the credits are exhausted and paid
17 from the account under s. 40.04 (10), and then deducted from annuity payments, if
18 the annuity is sufficient. The department shall provide for the direct payment of
19 premiums by the insured to the insurer if the premium to be withheld exceeds the
20 annuity payment.

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

22 40.05 (4) (bf) Any eligible employee who was granted credit under s. 230.35 (1)
23 (gm) for service as a national guard technician, who, on December 31, 1965, had
24 accumulated unused sick leave that was based on service performed in this state as
25 a national guard technician before January 1, 1966, and who is a participating

ASSEMBLY BILL 1120**SECTION 5**

1 employee or terminated all creditable service after June 30, 1972, or, if the eligible
2 employee is deceased, the surviving insured dependents of the eligible employee,
3 may have that accumulated unused sick leave converted to credits for the payment
4 of health insurance or long-term care insurance premiums on behalf of the eligible
5 employee or the surviving insured dependents if, not later than November 30, 1996,
6 the eligible employee or the surviving insured dependents submit to the department,
7 on a form provided by the department, an application for the conversion. The
8 application shall include evidence satisfactory to the department to establish the
9 applicant's rights under this paragraph and the amount of the accumulated unused
10 sick leave that is eligible for the conversion. The accumulated unused sick leave shall
11 be converted under this paragraph, at the eligible employee's highest basic pay rate
12 he or she received while employed by the state, on the date of conversion specified
13 in par. (b) or on the last day of the 2nd month beginning after the date on which the
14 department receives the application under this paragraph, whichever is later.
15 Deductions from those credits, elections to delay initiation of those deductions and
16 premium payments shall be made as provided in par. (b).

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

18 40.05 (4) (bm) Except as provided under par. (bp), accumulated unused sick
19 leave under ss. 36.30 and 230.35 (2) or 233.10 of any eligible employee shall, upon
20 request of the employee at the time the employee is subject to layoff under s. 40.02
21 (40), be converted at the employee's highest basic pay rate he or she received while
22 employed by the state to credits for payment of health insurance or long-term care
23 insurance premiums on behalf of the employee. Any supplemental compensation
24 that is paid to a state employee who is classified under the state classified civil
25 service as a teacher, teacher supervisor or education director for the employee's

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1 completion of educational courses that have been approved by the employee's
2 employer is considered as part of the employee's basic pay for purposes of this
3 paragraph. The full amount of the required employee contribution for any eligible
4 employee who is insured at the time of the layoff shall be deducted from the credits
5 until the credits are exhausted, the employee is reemployed, or 5 years have elapsed
6 from the date of layoff, whichever occurs first.

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

8 40.05 (4) (bp) 1. Except as provided in subds. 2. and 3., for sick leave which
9 accumulates beginning on August 1, 1987, conversion under par. (b) or (bm) of
10 accumulated unused sick leave under s. 36.30 to credits for payment of health
11 insurance and long-term care insurance premiums shall be limited to the annual
12 amounts of sick leave specified in this subdivision. For faculty and academic staff
13 personnel who are appointed to work 52 weeks per year, conversion is limited to 8.5
14 days of sick leave per year. For faculty and academic staff personnel who are
15 appointed to work 39 weeks per year, conversion is limited to 6.4 days of sick leave
16 per year. For faculty and academic staff personnel not otherwise specified,
17 conversion is limited to a number of days of sick leave per year to be determined by
18 the secretary by rule, in proportion to the number of weeks per year appointed to
19 work.

20 **SECTION 8.** 40.05 (4) (bw) of the statutes is amended to read:

21 40.05 (4) (bw) On converting accumulated unused sick leave to credits for the
22 payment of health insurance and long-term care insurance premiums under par. (b),
23 the department shall add additional credits, calculated in the same manner as are
24 credits under par. (b), that are based on a state employee's accumulated sabbatical
25 leave or earned vacation leave from the state employee's last year of service prior to

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1 retirement, or both. The department shall apply the credits awarded under this
2 paragraph for the payment of health insurance and long-term care insurance
3 premiums only after the credits awarded under par. (b) are exhausted. This
4 paragraph applies only to state employees who are eligible for accumulated unused
5 sick leave conversion under par. (b) and who are entitled to the benefits under this
6 paragraph pursuant to a collective bargaining agreement under subch. V of ch. 111.

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

8 40.05 (4m) LONG-TERM CARE INSURANCE PREMIUMS. For any long-term care
9 insurance policies provided under s. 40.55, the entire premium shall be paid as a
10 deduction under s. 40.06 (1) (a) from an employee's earnings or a state annuitant's
11 annuity or deducted from credits in accounts under s. 40.04 (10) or (11) for
12 participants eligible to use the credits for the purchase of long-term care insurance,
13 except that if an eligible employee is not on a state payroll or receives earnings that
14 are insufficient to cover premium payments or a state annuitant receives an annuity
15 that is not sufficient to cover premium payments, the eligible employee or state
16 annuitant shall make premium payments directly to the insurer. There shall be no
17 employer contributions.

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

CHAPTER 40

SUBCHAPTER IX

**HEALTH INSURANCE AND LONG-TERM
CARE INSURANCE PREMIUM CREDITS**

24 **SECTION 11.** 40.95 (title) of the statutes is amended to read:

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1 **40.95** (title) **Health insurance and long-term care insurance premium**
2 **credits.**

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

4 **40.95 (1)** (a) (intro.) Subject to sub. (2), the department shall administer a
5 program that provides health insurance and long-term care insurance premium
6 credits for the purchase of health insurance or long-term care insurance for a retired
7 employee, or the retired employee's surviving insured dependents; for an eligible
8 employee under s. 40.02 (25) (b) 6e., or the eligible employee's surviving insured
9 dependents; for an employee who is laid off, but who is not on a temporary, school
10 year, seasonal, or sessional layoff, and his or her surviving insured dependents; and
11 for the surviving insured dependents of an employee who dies while employed by the
12 state, for the benefit of an eligible employee whose compensation includes such
13 health insurance premium credits and who satisfies at least one of the following:

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

15 **40.95 (1)** (b) The health insurance and long-term care insurance premium
16 credits shall be based on the employee's years of continuous service, accumulated
17 unused sick leave and any other factor specified as part of the employee's
18 compensation.

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

20 **40.95 (2)** The department is not required to administer any program that
21 provides health insurance and long-term care insurance premium credits for the
22 purchase of health insurance or long-term care insurance for a retired employee, or
23 the retired employee's surviving insured dependents; for an eligible employee under
24 s. 40.02 (25) (b) 6e., or the eligible employee's surviving insured dependents; for an
25 employee who is laid off, but who is not on a temporary, school year, seasonal, or

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SECTION 14

1 sessional layoff, and his or her surviving insured dependents; and for the surviving
2 insured dependents of an employee who dies while employed by the state, if the
3 department determines that the program does not conform to the program approved
4 by the joint committee on employment relations under s. 230.12 (9).

5

(END)