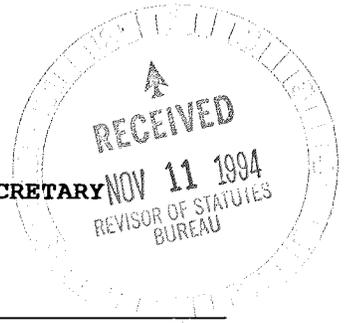


CR 94-127

State of Wisconsin
DEPARTMENT OF EMPLOYE TRUST FUNDS -- OFFICE OF THE SECRETARY
and
GROUP INSURANCE BOARD



Clearinghouse Rule #CR 94-127

AN ORDER creating s. ETF 60.60, Wisconsin Administrative Code, relating to conversion of life insurance to pay premiums for health or long-term care insurance, specifying eligibility requirements, conditions under which the election may be withdrawn, and the form and amount of the benefit available.

REPORT OF THE WISCONSIN DEPARTMENT OF EMPLOYE TRUST FUNDS
ON THE FINAL RULE

This report, prepared in compliance with ch. 227, Wis. Stats., includes the following:

- Part 1 - Analysis prepared by the Department of Employee Trust Funds;
- Part 2 - Rule text in Final Form;
- Part 3 - Recommendations of the Legislative Council Staff;
- Part 4 - Report prepared pursuant to the provisions of s. 227.19 (3), Wis. Stats., including:
 - (a) Statement of the Need for the Rule;
 - (b) Explanation of Modifications to the Rule after Public Hearings;
 - (c) List of Persons Appearing or Registering an Opinion;
 - (d) Response to Legislative Council Staff Recommendations;
 - (e) Final Regulatory Flexibility Analysis.

Submitted by:

Mary Anglim, Assistant Director
Retirement and Survivor Benefits
Wisconsin Department of Employee Trust Funds
201 East Washington Avenue, Room 171
P.O. Box 7931
Madison, Wisconsin 53707-7931
Telephone: (608) 266-6611

1-1-95

Analysis Prepared by the Wisconsin Department of Employee Trust Funds

General Summary of Rule. Under s. 40.72 (4), Stats., the State of Wisconsin and participating local public employers provide a death benefit for retired employees who meet specific service requirements. Employee-paid premiums for this insurance cease at age 65 (or later, for employees still actively employed at age 65), and subsequent premiums are paid from an employer-owned reserve held by the insurance company, currently Minnesota Mutual Life Insurance Company. The State of Wisconsin and participating local public employers also maintain several health insurance plans to which eligible active or retired employees may subscribe. It is anticipated that long-term care insurance will also be made available to state employees and retirees in the future as mandated by s. 40.55, Stats.

Section 40.72 (4r), Stats., enacted as 1989 Wisconsin Act 182, as affected by 1993 Wisconsin Act 490, permits an insured employee or retiree to exchange the employer-provided death benefit for employer-provided health insurance or long-term care insurance. Specifically, it authorizes persons insured at the post-retirement amount under the Wisconsin Public Employers Group Life Insurance Program to convert the present value of that coverage to pay premiums for health or long-term care insurance plans offered under subchapter IV of chapter 40, Stats.

Implementation of this statute was contingent on a determination by the Department of Employee Trust Funds (DETF) that the value converted would not create a federal tax liability. DETF has obtained a private letter ruling from

the Internal Revenue Service (IRS) which indicates that the conversion would not be taxable provided:

- The face amount converted does not exceed \$50,000.

- The value of insurance provided under Wisconsin Public Employees Group Life Insurance Program, up to \$50,000, is exempt from taxation under sec. 79(a) of the Internal Revenue Code (IRC). The application of sec. 79(a) to retired employees covered under a "retired lives reserve" is under study by the IRS but clarification is not expected in the near future. The IRS ruling is based on the representation by DETF that the Wisconsin Public Employees Group Life Insurance Program is an employer-provided death benefit within the meaning of sec. 79(a) of the IRC.

- Employer-paid premiums for health and long-term care insurance plans offered under subchapter IV of chapter 40, Wis. Stats., are exempt from taxation under section 106, IRC. The IRS ruling is based on the representation by DETF that the health insurance plans do so qualify. At present, no long-term care insurance plan has been proposed to the Group Insurance Board. The issue of whether a DETF-administered long-term care insurance plan qualifies fully or in part under IRC section 106 cannot be addressed until a plan is approved by the Group Insurance Board.

The proposed rule establishes eligibility criteria for the conversion, required elements of the election process, the responsibilities of DETF and the life insurance company, and method of computing benefits. Under the proposed rule,

conversion is available beginning with the coverage month of January, 1995 to eligible individuals who have attained age 66, 67, or 70, depending on employment status. The life insurance company would credit the present value of the individual's life insurance coverage to a conversion account held by the company, and would remit monthly premiums for health or long-term care insurance to DETF until the account is exhausted. The present value of the coverage depends on the insured's age at the time of conversion: the older the individual, the higher the present value. The factors used to compute present value will be recommended by the company based on the mortality experience of the life insurance plan and on the interest rates used by the company to value the post-retirement insurance program. DETF must approve the factors.

The election must be filed at least 2 full months before the conversion takes effect. DETF and the life insurance company need this advance notice in order to coordinate transition from the old to the new method of premium payment. State employees are required to exhaust their credits in the accumulated unused sick leave account before beginning to pay health insurance premiums from the converted life insurance account.

The rule makes specific provisions for required signatures. The election to convert life insurance coverage is not a benefit application but is simply a voluntary exchange of one type of employer-provided insurance for another. Thus a durable power of attorney is acceptable in lieu of the signature of the insured, as provided in s. ETF 10.75, Wis. Admin. Code. Section 40.08 (9m), Stats., permits, and the rule requires, the signature of the guardian or conservator of the estate if one has been appointed. However, if a guardian or

conservator signs the election, DETF does not intend to require a court order approving the terms of the election, since it believes that the election is exempt from this requirement under s. ETF 10.80 (2) (c), Wis. Admin. Code.

Like all other benefits under ch. 40, Stats., the life insurance conversion may not be assigned and is exempt from execution, levy, attachment, garnishment or other legal process, as provided in s. 40.08 (1), Stats. Thus, the insured cannot be required by a court or other governmental agency to make the conversion or to refrain from making it.

The rule provides for revocation of the election either before it takes effect, or within 21 days of notification to the insured that the actual value of the conversion is less than 90% of the value estimated. The election is also deemed rescinded if the insured dies within 60 days after the conversion effective date. Under all other circumstances, the conversion is irrevocable. The insured may discontinue premium payments from the conversion account, or may reallocate premium payments from one type of insurance to another, but may not reconvert the account to group life insurance. Any balance remaining in the account at the death of the insured is payable as a death benefit to the insured's beneficiaries, except that balances of less than \$25 which remain when an insured cancels coverage or discontinues premium payments revert to the employer-owned reserve.

Interest does not accrue on the unexpended balances in the conversion accounts. There are two reasons for this provision. First, Act 182 made no provision for the administrative expenses entailed in the conversion program. In addition,

from the perspective of federal tax law the conversion account is simply a mechanism to permit the insured to exchange one type of tax-exempt employer-provided benefit for another; the insured has no claim to a cash value from the conversion account. To the extent that any of the investment earnings of the life insurance reserves are attributable to the conversion accounts, those earnings should accrue to the credit of the employer which is providing the insurance benefit, thus reducing future employer-paid premiums.

The life insurance company will adjust conversion account balances when premiums are corrected retroactively, but if the conversion account is already closed when the correction is requested, DETF will make any adjustment permitted under statute and contract.

Authority for Rule: Section 40.03 (2) (ig), Wis. Stats.

Statutes interpreted: Sections 40.02 (8), 40.05 (4) (b), 40.08 (1), (9m) and (10), 40.51 as affected by 1993 Wisconsin Act 481, 40.55, 40.70, and 40.72 as affected by 1993 Wisconsin Act 490, Wis. Stats.; and ETF 10.75 and 10.80 (2) (c), Wis.Admin.Code.

Final fiscal estimate. The Department anticipates no fiscal effect of this proposed rule on the fiscal liabilities or revenues of the state or any county, city, village, town, school district, vocational, technical and adult education school district or sewerage district.

Copies of Rule. Copies of this rule are available without cost by making a request to the Department of Employee Trust Funds, Office of the Secretary, P.O. Box 7931, Madison, Wisconsin 53707, telephone (608) 266-1071.

Contact Persons. Persons with questions about this rule may call or write Mary Anglim at (608) 266-6611 or Sandra Drew at (608) 267-2929. The address for both is Department of Employee Trust Funds, P.O. Box 7931, Madison WI 53707.

TEXT OF RULE

SECTION 1. ETF 60.60 is created to read:

ETF 60.60. CONVERSION OF LIFE INSURANCE COVERAGE TO PAY PREMIUMS FOR HEALTH AND LONG-TERM CARE INSURANCE. (1) PURPOSE. The purpose of this section is to interpret s. 40.72 (4r), Stats., and to establish procedures to implement this statute.

(2) DEFINITIONS. In this section: (a) "Company" means the insurer under contract with the State of Wisconsin group insurance board to provide the life insurance program under s. 40.72 (1), Stats., and to administer the conversion accounts under s. 40.72 (4r), Stats.

(b) "Conversion" means the voluntary exchange of employer-provided group term life insurance under s. 40.72, Stats., for employer-provided health insurance or long-term care insurance, or both, administered under subch. IV of ch. 40, Stats.

(c) "Conversion account" means the account established by the company to record the balance after conversion available to pay the health or long-term care insurance premiums of the insured who has elected conversion.

(d) "Conversion effective date" means the first day of the first month for which the premium for health or long-term care insurance is fully or partially paid from the conversion account. The conversion effective date is determined as provided in subd. (4) (a) 3.

(e) "Health insurance" means insurance which is provided under s. 40.51, Stats.

(f) "Insured" means a person who has made, or who is eligible to make, the election provided in s. 40.72 (4r), Stats., and this section.

(g) "Life insurance" means insurance which is provided under s. 40.72 (1), Stats., and which has been reduced to a final amount as provided in s. 40.72 (2) and (3), Stats.

(h) "Long-term care insurance" means insurance which is provided under s. 40.55, Stats., and which qualifies as an accident and health plan under section 106 of the internal revenue code as defined in s. 71.01 (6), Stats.

(i) "Policyholder" means the State of Wisconsin group insurance board.

(j) "Present value of life insurance" means the sum which, if invested on the conversion effective date, would provide a death benefit equal to the face amount of the insured's life insurance coverage on the date of death of the insured, based on actuarial assumptions about future mortality rates and interest rates recommended by the company and approved by the department under par. (5) (a).

(3) ELECTION PROCESS. (a) An insured may elect to convert the present value of his or her life insurance to pay premiums for health or long-term care insurance, or both, by filing the form prescribed by the department provided that on the conversion effective date all of the following apply:

1. The insured meets the requirements of s. 40.72 (4), Stats., to continue life insurance coverage after termination of employment.

2. The insured has life insurance and either health insurance or long-term care insurance, or both, as defined in sub. (2).

3. The face amount of the insured's life insurance has been reduced to its final amount as provided in s. 40.72 (2) and (3), Stats.

NOTE: Under present law, this will occur at age 70 if the insured is a participating employe with life insurance coverage, at age 66 if the insured is a retired employe of the state or of a participating employer which elected to

provide post-retirement life insurance coverage at the 50% level, or otherwise at age 67.

4. The insured is no longer required to pay life insurance premiums pursuant to s. 40.05 (6) (b), Stats.

5. The insured's credits, if any, in the accumulated unused sick leave account established under s. 40.05 (4), Stats., are less than the insured's current monthly health insurance premium. This subdivision does not apply to elections to convert life insurance to pay long-term care insurance premiums.

(b) The election form shall include all of the following:

1. Estimates of the face amount and the present value of the insured's life insurance prepared by the department and based on the earliest possible conversion effective date at the time of preparation.

2. The insured's designation of a health insurance plan or long-term care insurance plan, or both, for which premiums are to be paid from the conversion account.

3. The insured's waiver of all benefits under the Wisconsin public employers group life insurance program based on the life insurance that is converted, in exchange for the benefits provided in this section.

4. The signature of the insured or of the insured's representative as provided in par. (c).

(c) A person holding the insured's durable power of attorney may sign in lieu of the insured under the provisions of s. ETF 10.75 if so authorized by the terms of the power of attorney. If a guardian or conservator of the insured's estate has been appointed, the guardian or conservator shall sign in lieu of the insured. The election is deemed not to have a long-term effect on

the insured's rights and benefits, for purposes of s. 40.08 (9m), Stats., and express court approval of the terms of the election is not required.

NOTE: See s. ETF 10.80 (2)(c).

(d) The entire face amount of insured's life insurance up to \$50,000 shall be included in the conversion. Insurance over \$50,000 may not be converted, and shall remain in force subject to the provisions of statute and contract.

(e) As provided in s. 40.08 (1), Stats., the life insurance benefits provided under s. 40.72, Stats., and this section are not assignable and are not subject to execution, levy, attachment, garnishment, or other legal process. The Department may not honor or otherwise enforce any order which conflicts with s. 40.08 (1), Stats., specifically including but not limited to an order to convert or refrain from converting life insurance coverage, to satisfy claims of creditors other than the department, to apply for, obtain or retain a benefit or entitlement, and any order the department determines to be in violation of s. 40.08 (1), Stats.

NOTE: Form ET-2324, "Election to Convert Life Insurance to Pay Health or Long-Term Care Insurance Premiums," is available at no charge from the Department of Employee Trust Funds.

(4) APPROVAL OF THE ELECTION; CONVERSION EFFECTIVE DATE. (a) Upon receipt of the election form the department shall do all of the following:

1. Verify that the election meets the requirements under sub. (3) and reject any election which does not meet the requirements.

2. Verify the face amount of the insurance coverage.

3. Determine the conversion effective date. The conversion effective date shall be the first day of the coverage month which is the later of the following:

a. The third month which begins after the department receives the insured's election to convert life insurance.

b. The first month in which the insured meets the requirements in sub. (3) (a).

(b) If the department determines that the conversion effective date is 5 or more full calendar months after the date the department received the election, the department may reject the election without prejudice. The insured may file a new election at a later time.

(c) The department shall provide the company with a copy of the approved election form and other necessary information including but not limited to: the insured's name, social security number, date of birth, verified face amount of life insurance coverage, the conversion effective date, and the type, carrier, and premium amount of the applicable health or long-term care insurance plan.

(5) CONVERSION ACCOUNT. The company shall do all of the following: (a) Recommend and provide to the department a table of conversion factors by age in years and attained months, based on mortality experience within the life insurance plan and the interest rate established by the company for valuations of the post-retirement insurance program. The company may recommend revisions to the table from time to time. The factors may not be used until approved by the department.

(b) Compute the present value of the insured's life insurance by multiplying the verified face amount, up to \$50,000, by the conversion factor for the insured's age in years and attained months on the conversion effective date.

(c) Establish a conversion account in the insured's name from the appropriate reserve, as determined by the company and the department, held by the company for the policyholder. The company shall credit the account with the

present value computed in par. (b) and debit the account each month by the premium amount certified by the department.

(d) Notify the insured of the face amount converted and the initial conversion account balance within 20 days of receipt of the approved election form.

(e) Notify the insured of the conversion account balance annually and when the balance in the conversion account falls below 4 times the monthly premium being debited. If the company does not have current address information it may request the department to mail the notification to the insured's current address.

(f) Remit to the department from each conversion account, by the 20th of the month preceding the coverage month, the applicable premiums for health and long-term care insurance.

(g) Annually report to the policyholder the number of conversion accounts opened and closed, the volume of premiums paid, and the amounts reverting to the reserves as provided in sub. (8) (c).

(h) Close the conversion account and restore the insured's life insurance coverage when so directed by the department pursuant to par. (7) (c).

(6) INTEREST ON CONVERSION ACCOUNTS. The conversion accounts may not accrue interest on the unexpended balances.

(7) REVOCATION OF THE CONVERSION ELECTION. (a) An insured may not revoke an election to convert life insurance under this section unless:

1. The department receives the insured's written request to revoke prior to the conversion effective date; or

2. The present value of the life insurance as computed by the company is less than 90% of the department's estimate, and the department receives the

insured's written request to revoke within 21 days after the company mails notification of the initial conversion account balance to the insured.

(b) If the insured dies within 60 days after the conversion effective date, the department shall deem that a timely revocation was received.

(c) When the department determines that it received a timely revocation, the department shall do all of the following:

1. Direct the company to increase the insured's life insurance coverage by the face amount used to compute the present value under par. (5) (b), less any deduction made pursuant to subd. 3.

2. Recover and refund to the company the premiums which were disbursed from the conversion account. Premiums may be recovered by deduction from the insured's Wisconsin retirement system annuity check, by payment directly by the insured, or otherwise, as the department may determine.

3. If the insured dies before the premiums are recovered, direct the company to reduced the insured's death benefit from the life insurance program by the amount of premiums disbursed.

(8) BENEFITS FROM THE CONVERSION ACCOUNT. (a) The moneys credited to the conversion account may only be used to provide health or long-term care insurance premiums or death benefits. The insured may not receive the balance in the conversion account as a living benefit or in any form which would be included in the insured's gross income under applicable provisions of the internal revenue code as defined in s. 71.01 (6), Stats., or of the temporary or permanent federal regulations.

(b) Debits to the conversion account shall cease with the premium payment for the coverage month which is the earliest of any of the following:

1. The last month for which premiums can be fully or partially paid from the balance remaining in the conversion account.

2. The month in which the insured dies.

3. The month in which insurance terminates due to an employer's withdrawal from the health or long-term care insurance program.

4. The month in which health or long-term care insurance terminates due to cancellation by the insured.

5. The second month which begins after the month in which the department receives the insured's written request to discontinue premium payments from the conversion account.

(c) The balance remaining in the account after premium payments cease is payable as a death benefit to the insured's beneficiaries as determined under s. 40.02 (8), Stats. However, if payments ceased pursuant to subd. (b) 4. or 5., balances of \$25 or less shall revert to the reserve held by the company for the policyholder and may not be paid as death benefits.

(d) An insured surviving spouse or dependent child may not continue payment of premiums from the conversion account after the death of the insured but may elect, if otherwise eligible, to continue coverage as provided in s. ETF 40.01.

(9) CHANGES AND ADJUSTMENTS (a) The department shall notify the company of annual changes in premium, health insurance and long-term care insurance plans made available, and other program changes at least 90 days in advance of the effective date of the change. The company shall make the required adjustments in remittances from all affected accounts.

(b) The insured may discontinue premium payments from the conversion account, resume payments which were previously discontinued or change the

allocation of conversion account payments from one type of insurance to another, by filing a written request with the department. The request shall be effective in the third month which begins after the department receives the request.

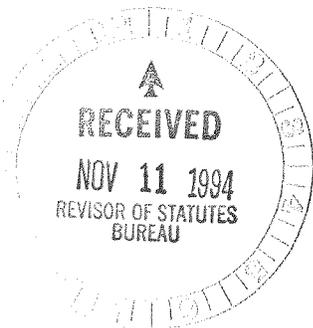
(c) The department shall notify the company of an insured's change in coverage type, carrier, family status, allocation of premiums, or other relevant data. Changes reported to the company by the fifth day of a month shall be reflected in the premium remittance for the following coverage month.

(d) If the insured reports a change of status which affects premium amounts previously paid from the conversion account, the company shall adjust the conversion account balance in cooperation with the department and the affected insurance carrier. However if all funds in the conversion account have been disbursed and the account has been closed at the time the company is notified, the department shall make the adjustments. All premium adjustments are subject to s. 40.08 (10), Stats., and applicable contractual limitations on refund of premiums.

(END OF RULE TEXT)

Effective Date: This rule shall take effect on January 1, 1995.

Signed at Madison, Wisconsin this
6th day of September 1994.



Eric O. Stanchfield
Eric O. Stanchfield
Secretary
Wisconsin Department of Employee Trust
Funds

WISCONSIN LEGISLATIVE COUNCIL STAFF

LCRC
FORM 2

RULES CLEARINGHOUSE

Ronald Sklansky
Director
(608) 266-1946

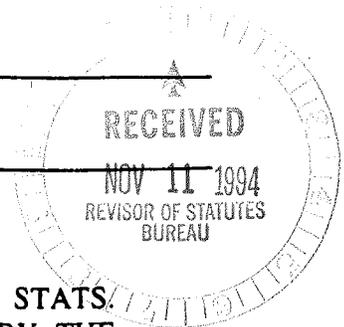
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CLEARINGHOUSE REPORT TO AGENCY



[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 94-127

AN ORDER to create ETF 60.60, relating to conversion of life insurance to pay premiums for health or long-term care insurance, specifying eligibility requirements, conditions under which the election may be withdrawn and the form and amount of the benefit available.

Submitted by DEPARTMENT OF EMPLOYE TRUST FUNDS.

7-14-94. Received by Legislative Council.

8-11-94. Report sent to Agency.

RS:GAA:jt;las

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS
[s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE
[s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached YES NO

WISCONSIN LEGISLATIVE COUNCIL STAFF

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CLEARINGHOUSE RULE 94-127

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated November 1991.]

2. Form, Style and Placement in Administrative Code

a. On page 2 of the analysis, in the next-to-last paragraph, it should be noted that ss. 40.24 (7) (a) and 40.25 (3m), Stats., were affected by 1993 Wisconsin Act 426. Similarly, in the statement of statutes interpreted, it should be noted that ss. 40.55 and 40.72, Stats., were affected by 1993 Wisconsin Acts 481 and 490, respectively. [See, also, the reference in the analysis to s. 40.72 (4r), Stats.]

b. In s. ETF 60.60 (2) (a) and (i) and (8a), the names of government agencies should not be capitalized. Also, in s. ETF 60.60 (3) (e), the phrase "qualified domestic relations order" should not be capitalized. [See s. 1.01 (4) (a), Manual.]

c. Section ETF 60.60 (3) (a) 3 (intro.) should be rewritten to read: "The insured has attained one of the following insurance reduction ages specified in s. 40.72 (2) and (3), Stats.:".

d. In s. ETF 60.60 (4) (a) (intro.), the phrase "do all of the following" should be inserted after the word "shall." See, also, the introduction to s. ETF 60.60 (5). Finally, in s. ETF 60.60 (8) (b) (intro.), the phrase "any of the following" should be inserted after the word "of." The subdivisions following the introduction in par. (b) can then conclude with periods.

5. Clarity, Grammar, Punctuation and Use of Plain Language

a. In s. ETF 60.60 (3) (c), the phrase "The same provisions shall" should be replaced by the phrase "The provisions of this paragraph."

b. Section ETF 60.60 (4) (a) 3 requires the determination of the conversion effective date. However, the determination of this date differs from the definition of the term "conversion effective date" in s. ETF 60.60 (2) (d). Further, it appears that the determination of the conversion effective date in sub. (4) (b) may differ from the description of that date in sub. (4) (a) 3. These expressions of the "conversion effective date" should be reconciled, especially since the term is used elsewhere in the rule. For example, see s. ETF 60.60 (5) (b) and (7) (a) 2 and (c).

c. The last sentence in s. ETF 60.60 (4) (a) 3 is not logically included in the list under par. (a). The sentence should be moved to another unit of s. ETF 60.60.

d. Section ETF 60.60 (8) (d) refers to other methods of premium payment. If possible, for the benefit of the reader, cross-references to statutory or rule provisions describing these methods should be included.

Part 4

Report Required by s. 227.19 (3), Wis. Stats.

(a) Need for the Rule. The rule is needed to establish the conditions under which the election permitted by s. 40.72 (4r), Stats., will occur, the sum available through conversion, and other important consequences of the election. The rule must be in place before conversions occur, to avoid inconsistent or arbitrary procedures. There is considerable interest in the conversion option among Wisconsin Retirement System annuitants and it is desirable to make this program available on January 1, 1995.

(b) Modifications to the Rule. The draft rule as submitted to the Administrative Rules Clearinghouse included the requirement that the insured's spouse also sign the election. The Group Insurance Board requested that the Chief Legal Counsel of the Department of Employee Trust Funds review the Department's statutory authority to require spousal signature. On the advice of the Chief Legal Counsel, this provision, found in paragraphs (3) (b) 5., and (c) of the draft, has been deleted, and the General Summary of the Rule was amended.

Other minor modifications were made for clarity or to respond to recommendations of Legislative Council Staff. The most important changes are:

•Subdivision (3) (a) 3 was reworded at the suggestion of Legislative Council Staff. This change has no substantive effect.

•Subdivision (4) (a) 3, the determination of the conversion effective date, was rewritten and subd. (3) (a) 5 was added at the suggestion of Legislative Council Staff to avoid apparent contradictions in the definition of this date.

•Subsection (7) was redrafted and paragraph (5) (h) was added to clarify the procedure by which a conversion can be revoked and life insurance coverage restored. The new language explicitly requires recovered premiums to be refunded to the company.

(c) List of Persons Who Appeared or Registered For or Against the Proposed Rule at a Public Hearing.

One person attended the public hearing but did not wish to speak or to register an opinion. The department received a letter from Robert Fleming, 208 Monroe St., Baraboo, Wisconsin 53913, indicating support for the proposed rule.

(d) Response to Legislative Council Staff Recommendations. All recommendations of the Legislative Council Staff have been implemented. Department staff established in a telephone conversation with Legislative Council staff that the reference to s. 40.55, Stats., in Part 2. a. of the Comments should read "40.51."

(e) Final regulatory flexibility analysis. The proposed rule itself does not directly affect small businesses.

(END OF FINAL REPORT)



STATE OF WISCONSIN

Department of Employee Trust Funds

Eric Stanchfield
Secretary

201 East Washington Avenue
P. O. Box 7931
Madison, Wisconsin 53707

November 11, 1994

- GARY L. POULSON, DEPUTY REVISOR
REVISOR OF STATUTES BUREAU
8TH FLOOR
131 W WILSON ST
• MADISON, WISCONSIN 53707

In Reply Refer To:



Dear Mr. Poulson:

RE: Clearinghouse Rule No. 94-127

Enclosed is a Certificate and two copies of an Order creating and adopting rules. A certified copy of this Order has been forwarded to the Secretary of State.

This rule has an effective date of January 1, 1995, and I request that it be published as soon as possible.

I also enclose a copy of the rule on disk, in Wordperfect 5.1 format.

Please contact me if you have any questions.

Sincerely,

David Stella, Director
Retirement and Survivor Benefits
(608) 267-9038
FAX # (608) 267-0633
TDD # (608) 267-0676