



1995 SENATE BILL 483

January 16, 1996 - Introduced by LAW REVISION COMMITTEE. Referred to Committee on State Government Operations and Corrections.

1 **AN ACT to amend** 40.08 (8) (b), 40.08 (14), 40.23 (1) (b) and 40.73 (1) (d); and **to**
2 **create** 40.03 (1) (p), 40.03 (6) (k) and 40.23 (1) (bm) of the statutes; **relating**
3 **to:** group insurance board contracts for administrative functions, the effective
4 date for a retirement annuity for persons who are rejected for long-term
5 disability insurance benefits, permitting the group insurance board to offer a
6 life insurance plan to persons who are eligible for the Milwaukee teachers'
7 death benefit, increasing the time after which unclaimed published accounts
8 are transferred to the appropriate employer account and rollovers to other
9 retirement plans of certain lump sum and annuity benefits payable by the
10 Wisconsin retirement system (suggested as remedial legislation by the
11 department of employe trust funds).

Analysis by the Legislative Reference Bureau

This bill does all of the following:

1. Under current law, any participant in the Wisconsin retirement system (WRS) who is entitled to receive a lump sum payment and who also has a retirement account under a different retirement plan in the United States may request that the department of employe trust funds (DETF) pay that lump sum directly to the other retirement plan. This bill provides that any participant who is entitled to an annuity certain of less than 10 years in duration and who also has a retirement account under a different retirement plan in the United States may also request that DETF pay that lump sum directly to the other retirement plan.

2. Under current law, all moneys or credits in an account under the WRS of a person who is presumed to have died intestate or in an account that is presumed to be abandoned are required to be transferred from the employe reserve to the employer reserve of the employe trust fund at the end of the calendar year after DETF has had published in the official state newspaper notice of the person presumed to have died intestate or whose account is presumed to be abandoned. This bill provides that the moneys or credits in such an account are to be so transferred at the end of the 5th calendar year after DETF has had published in the official state newspaper notice of the person presumed to have died intestate or whose account is presumed to be abandoned.

3. Under current law, the group insurance board (GIB), attached to DETF, is responsible for providing and administering all group insurance plans offered to state and other government employes who participate in the WRS. This bill authorizes GIB to enter into contracts with any public or private entity to perform any function that is necessary to the administration of any group insurance plan offered by GIB.

4. This bill authorizes GIB to offer a life insurance plan to persons who are eligible for the Milwaukee teachers' death benefit (currently, only WRS participants who were teachers in the Milwaukee Public School system in 1982) in lieu of the death benefit. In addition, the bill authorizes the employe trust funds board to transfer in whole or in part the assets and reserves held in any account in the employe trust fund to a different account in the fund, for the purpose of providing any group insurance benefit offered by GIB.

5. Finally, this bill provides that, if a person who is of the minimum retirement age under the WRS (age 50 for a protective occupation participant and age 55 for all other WRS participants) applies for long-term disability insurance benefits and the person is rejected for such benefits by DETF, the date on which the person applied for the long-term disability insurance benefits will be used as the effective date considered by DETF for the purpose of applying for a WRS retirement annuity.

For further information, see the NOTES provided by the law revision committee of the joint legislative council.

For further information see the *state and local* 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:

LAW REVISION COMMITTEE PREFATORY NOTE: This bill is a remedial legislation proposal, requested by the department of employe trust funds and introduced by the law revision committee under s. 13.83 (1) (c) 4., stats. After careful consideration of the various provisions of the bill, the law revision committee has determined that this bill makes minor substantive changes in the statutes, and that these changes are desirable as a matter of public policy.

1 40.03 (1) (p) May, upon the recommendation of the actuary, transfer in whole
2 or in part the assets and reserves held in any account described in s. 40.04 (9) to a
3 different account described in s. 40.04 (9), for the purpose of providing any group
4 insurance benefit offered by the group insurance board.

NOTE: This SECTION authorizes the employe trust fund board to transfer the assets of the Milwaukee teachers' death benefit to the group insurance board for the purpose of providing life insurance to the remaining persons who are eligible for the death benefit program. No new participants have been admitted to that program since 1982, and the number of persons eligible for the benefit is decreasing. This provision will allow purchase of life insurance to provide the necessary benefits.

5 **SECTION 2.** 40.03 (6) (k) of the statutes is created to read:

6 40.03 (6) (k) May contract with public or private entities to provide one or more
7 administrative functions necessary to administer one or more of the plans offered
8 under this section.

NOTE: This SECTION authorizes the group insurance board to contract with public or private organizations to perform certain administrative functions, such as enrollment or data analysis, for group insurance plans for state and local employes.

9 **SECTION 3.** 40.08 (8) (b) of the statutes is amended to read:

10 40.08 (8) (b) All moneys or credits in an account for a person presumed to have
11 died intestate, without heirs or beneficiary, or to be abandoned by the person under
12 par. (a) shall be applied, at the end of the 5th calendar year in which notice is
13 published under par. (c), to the appropriate employer accounts to reduce future
14 funding requirements.

NOTE: This SECTION increases to 5 years after which unclaimed published accounts are transferred to the appropriate employer account. Currently, the statutes require the department to transfer the unclaimed account to the employers' reserve if the participant has not claimed the account within one year of publication. Even though the funds have been transferred to the employers' account, the participant or his or her beneficiaries are entitled to the funds if they contact the department at a later date. When that happens, the department must administratively credit and debit the appropriate accounts. This SECTION will alleviate that administrative task by increasing the time period after which transfers must occur to 5 years. The recommendation has no fiscal effect.

1 **SECTION 4.** 40.08 (14) of the statutes is amended to read:

2 40.08 (14) (title) ~~LUMP-SUM ROLLOVERS~~ ROLLOVERS TO OTHER RETIREMENT PLANS.

3 If a participant who is entitled to receive a lump sum payment or an annuity certain
4 of less than 10 years in duration from the Wisconsin retirement system and who has
5 an account established under any other retirement plan located in the United States
6 so directs in writing, on a form prescribed by the department, the department shall
7 pay the lump sum payment directly to the participant's account under that other
8 retirement plan for credit under that other retirement plan.

NOTE: Under current law, terminated employees have the right to roll lump sum payments over to other retirement plans. This SECTION will allow rollovers to other retirement plans of either lump sum benefits or a monthly annuity certain of less than 10 years in duration. This will provide greater retirement flexibility to terminated and retired employees as well as conform state law to s. 401 (a) (31) of the internal revenue code.

9 **SECTION 5.** 40.23 (1) (b) of the statutes is amended to read:

10 40.23 (1) (b) ~~All~~ Except as provided in par. (bm), all retirement annuities shall
11 be effective on the day following, or on the first day of a month following, the date of
12 separation from the last participating employer by which the participant was
13 employed, as specified by the participant in the written application for the annuity.
14 However, the date shall not be more than 90 days prior to the date of receipt of the
15 application by the department. The participant may specify that additional
16 contribution accumulations shall not be applied to provide an annuity until a
17 subsequent application is filed for an annuity to be paid from the additional
18 contribution accumulations.

NOTE: This SECTION creates an exception to the requirement that all annuities shall be effective on the day following, or on the first day of a month following, the employee's date of separation of service. The exception is in s. 40.23 (1) (bm), as created by SECTION 6.

19 **SECTION 6.** 40.23 (1) (bm) of the statutes is created to read:

1 40.23 (1) (bm) If an application by a participant age 55 or over, or by a protective
2 occupation participant age 50 or over, for long-term disability insurance benefits is
3 disapproved under rules promulgated by the department, the date which would have
4 been the effective date for the insurance benefits shall be the retirement annuity
5 effective date if requested by the applicant within 60 days of the disapproval or, if the
6 disapproval is appealed, within 60 days of the final disposition of the appeal.

NOTE: Under current law, a person who is of minimum retirement age may apply for a retirement annuity if found to be ineligible for either long-term disability insurance benefits or a disability annuity. However, if the application for a disability annuity is rejected, the statutes allow the department to consider the date that the participant applied for the disability annuity as the date of application for a retirement annuity. The statutes do not apply the same privilege to the person whose application for long-term disability insurance benefits is rejected, and the department may not backdate the effective date for a retirement annuity to the date the application for long-term disability insurance benefits was filed. This can result in a significant monetary loss for the person who applied for long-term disability insurance benefits, depending upon the time between when the long-term disability insurance benefits application was filed and the date rejected. This SECTION will allow backdating of the effective date for a retirement annuity to the date the application for long-term disability insurance benefits was filed.

7 **SECTION 7.** 40.73 (1) (d) of the statutes is amended to read:

8 40.73 (1) (d) Increased, upon the death of a participant who had elected the
9 additional benefit provided by s. 42.81 (14), 1979 stats., and continued making the
10 contributions provided for in s. 42.81 (14), 1979 stats., and was eligible for the benefit
11 on December 15, 1988, by an amount and for a period determined by the actuary and
12 approved by the board as being appropriate to the level of contributions provided for
13 in s. 42.81 (14), 1979 stats. The board may require that the payment of benefits under
14 an insurance contract be paid in lieu of any benefits provided under this paragraph,
15 but only if the benefits under the insurance contract are at least equal to the benefits
16 that would otherwise have been paid under this paragraph on the date on which the
17 insurance contract went into effect.

NOTE: This SECTION authorizes the payment of benefits for those persons eligible for the Milwaukee teachers' death benefit through the purchase of life insurance by the group insurance board. The assets transferred under s. 40.03 (1) (p) will be utilized for this purpose.

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(END)