

I. Overview

The Wisconsin Public Employers Group Life Insurance program offers group life insurance to current and retired employees of state government and participating local public employers. Under Chapter 40, the statutory authority to contract for group insurance benefits for State and local government employees resides in the Group Insurance Board (GIB). The GIB has administered a comprehensive group life insurance program for State employees since January 1, 1958 and for Wisconsin public employers who elect to participate since January 1, 1960. The GIB selects a life insurance company to underwrite the life insurance benefits for employees. Minnesota Life Insurance Company (MLIC) has been the Insurer for these plans since their inception.

While the State and local government plans have historically been very similar in both benefits and premiums, the two plans have always been financially independent of each other. Additionally, while the State acts as one employer under the plan for State employees, the local government plan currently includes over 630 separate and independent participating employers, each with its own circumstances and needs.

II. Historical Development and Statutory Authority

A. Basic Insurance

Basic insurance coverage, authorized by s. 40.72(1), Stats., is equal to an employee's annual earnings for the prior calendar year (as reported to WRS) rounded to the next highest thousand dollars. Section 40.05(6)(a) of the Wisconsin Statutes limits the premium rate for an employee to no more than \$.60 monthly for each \$1,000 of insurance. Employees and employers share the premium cost of basic insurance. Basic coverage also includes a post-retirement benefit in a reduced amount.

B. Accidental Death and Dismemberment (AD&D)

AD&D coverage was added to the basic insurance in 1969. AD&D coverage is equal to an employee's insurance under the basic, supplemental, and additional coverages.

C. Supplemental Insurance

Supplemental insurance, authorized by s. 40.72(10), Stats, was added to the State plan in 1974 and the local plan in 1984. State employees and the State share the premium cost of the pre-retirement insurance. Prior to July 1, 1995, local employers were required to pay an amount equal to at least 20% of the total premium for supplemental coverage. Effective July 1, 1995, local employers are not required to contribute toward the premiums for supplemental insurance.

D. Additional Insurance

Additional insurance was added by insurance policy rider to the State and local plans in 1984. There are no statutory limits on premium rates for this insurance and employees must pay the entire premium cost. There is no post-retirement benefit; however, an employee who continues in active employment beyond age 70 may continue this coverage by continuing to pay premiums.

In 1998, two more units of Additional coverage were made available to State and local employees whose employer files a resolution to offer the coverage. Employees may elect one, two, or three levels of Additional coverage.

E. Spouse and Dependent Coverage

Spouse and dependent coverage, available to active employees under age 70, was first offered to State employees in 1981 and local employers in 1983. The amount of coverage at that time was \$5,000 for an insured spouse and \$2,500 for each dependent child. In 1988, a second optional unit of coverage was introduced, allowing an employee to double the amounts of insurance by paying an additional monthly premium.

The spouse and dependent plan benefits and premiums for the State and local plans were identical for several years. Through the early 90's, the financial experience of the State and local plans fluctuated causing differences in benefit levels and premium. Effective July 1, 1996, the coverage for both the State and local plan became the same--\$10,000 per unit for spouses and \$5,000 per unit for each dependent.

III. Innovative Benefits

A. Living Benefit

In 1992, a living benefit rider was added to the plan. The living benefit provision allows an insured employee, retiree, spouse or dependent to receive the proceeds of his or her life insurance coverage while still living if certain medical criteria are met.

B. Life to Health or Long-Term Care Option

This option, authorized by Section 40.72(4r), Stats, enables persons insured at the post-retirement amount under the plan 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. Administrative Rule ETF 60.60, effective in 1995, establishes procedures to implement this statute.

IV. Premiums

A. Premium Structure Until 1995

Premiums are established annually by the GIB, based on the recommendations of the Insurer. Historically, employee premium rates were designed to pay the cost of current coverage for active employees (i.e. preretirement insurance). Employer premium contributions were designed to fund the cost of post-retirement insurance, calculated as a percentage of active employee premiums. As premium rates fell in the basic and supplemental plans, the effect of the employer subsidy of the premium rates became more evident. Premium rates in the supplemental plan were substantially below the basic plan rates, even though all insured employees must enroll in the basic plan in order to be eligible for supplemental plan coverage. The rate disparity was due to the employer subsidy structure put in place when the plan was instituted in 1974.

B. Current Premium Structure

In 1995, changes in the premium structure were implemented in both the State and local plans. These changes were intended to simplify the plan for both the employer and the employees and to recognize differences in environmental circumstances and claims experience of the local government and State plans. In both plans, the changes simplify the plan for both employers and employees and increased its attractiveness to employees. The following is a summary of the changes.

B.1 Separate experience rating for State and local plans.

The local plan and the State plan are now experience-rated separately. In the past, portions of the plans have been rated together. Because the populations and the experiences in the two plans are often quite different, this approach has produced some distortions in premium rates on both sides. The plans were deemed large and stable enough to be rated independently.

B.2 State employer subsidy shifted back to basic plan.

A new premium rate structure was implemented in the State plan to shift the employer subsidy back to the basic life insurance plan and to equalize the premium rates in the basic and supplemental plans for each age category. The State reduced its premium contribution toward supplemental insurance to 35% of employee premium and increased its contributions toward basic insurance to 63% of employee premium. At the same time, employee premiums for basic insurance were decreased while employee premiums for supplemental insurance were increased. Effectively, the State began paying a portion of the cost of preretirement basic insurance coverage, which previously was covered totally by employee premiums.

B.3 Simplification of premium schedule for local plan.

The premium schedule was simplified in the local plan by setting employee premiums for supplemental and additional coverages equal to the basic premium. Employee premiums for supplemental increased at all ages, while premiums for additional decreased for employees age 45 and above.

B.4 Local plan employers not required to contribute to supplemental coverage.

Prior to 1995, local government employers were required to contribute toward the cost of supplemental coverage. Very few local employers elected the supplemental plan, presumably because the required employer contribution precludes collective bargaining on this benefit. Employers now have the option of offering both levels of coverage over and above the Basic plan without increasing their fringe benefit costs.

I. Overview of State and Local Government Plan Coverages

A. Basic Coverage

- A.1 Basic insurance, (40.72(1), Stats.) is equal to an employee's annual earnings for the prior calendar year rounded to the next highest thousand dollars.
- A.2 Basic coverage is offered to all State employees and to local government employees whose employers have elected to participate in the plan.
- A.3 An employee must elect basic coverage to be eligible for any other coverage.
- A.4 Section 40.05(6)(a) of the Wisconsin Statutes limits the premium rate for an employee to no more than \$.60 monthly for each \$1,000 of insurance. (See Appendix D for premium rates.)
- A.5 Active employees who reach age 70 will have premiums discontinued and the amount of basic insurance adjusted as shown in Section II.A. of this Appendix B.

B. Supplemental Insurance

- B.1 Supplemental insurance, (s. 40.72(10), Stats) is equal to an employee's annual earnings for the prior calendar year rounded to the next highest thousand dollars.
- B.2 Supplemental coverage is offered to all State employees and to local employees whose employers choose to offer it.
- B.3 Section 40.05(6)(a) of the Wisconsin Statutes limits the premium rate for an employee to no more than \$.60 monthly for each \$1,000 of insurance.
 - a. State employees and the State share the premium cost of the pre-retirement insurance.
 - b. Local employers are not required to contribute toward the premiums for supplemental insurance.
- B.4 There is no post-retirement benefits under this coverage.
- B.5 This coverage may not be continued beyond the employee's 70th birthday.

C. Additional Insurance

- C.1 Up to three levels of Additional insurance is available to State employees and to local employers who file a resolution to offer three levels. Each level is equal to an employee's annual earnings for the prior calendar year rounded to the next highest thousand dollars.
- C.2 Additional coverage is offered to all state employees and to local employees whose employers choose to offer it.
- C.3 There are no statutory limits on premium rates for this insurance and employees must pay the entire premium cost.
- C.4 There is no post-retirement benefit.
- C.5 An employee who continues in active employment beyond age 70 may continue this coverage by continuing to pay premiums. See Section E. below, Age 70 and Over Additional Plan.

D. Spouse and Dependent Coverage

- D.1 This plan is offered to all eligible State employees. Any local government employer offering the basic insurance plan may also elect to offer the spouse and dependent insurance plan.
- D.2 The employee must be covered under the basic insurance plan and may elect either one or two units of coverage. Each unit provides benefits according to the following schedule:

Spouse	\$10,000
Dependent	\$5,000

- D.3 Waiver of premium disability benefit is available while the insured employee is under age 65 and qualifies for waiver of premium on his or her insurance.
- D.4 A dependent is eligible from 14 days of age until the end of the calendar year in which the age of 19 is attained, or until age 25 if a full-time student. A physically or mentally disabled dependent may qualify for continued coverage past age 25.
- D.5 The conversion privilege is available to any spouse or dependent who loses coverage and was insured continuously for the entire six months preceding termination.
- D.6 There is no post-retirement benefit.
- D.7 There are no statutory limits on premiums for this coverage. Employer contributions are not required.

E. Age 70 and Over Additional Plan

- E.1 Provides up to three levels of additional coverage. Each level is equal to 100% of the previous year's earnings, rounded to the next higher \$1,000.
- E.2 Plan is available to State employees and to employees of local government employers who choose to participate.
- E.3 Coverage terminates when the employee retires or terminates employment.
- E.4 The plan does not include Waiver of Premium or Accidental Death and Dismemberment benefits.
- E.5 Employees can obtain Age 70 and Over Additional coverage under the following conditions:
 - a. Active employees who have Additional coverage when they turn age 70 may enroll without evidence of insurability by filing an application within 30 days before their 70th birthday.
 - b. All other active employees who are over age 70 may apply for coverage under evidence of insurability.
 - c. Basic coverage is not a prerequisite.

II. Special Benefits of the State and Local Government Plans

A. Post-retirement Insurance Coverage

Post-retirement insurance coverage, calculated as a percentage of the employees' pre-retirement basic insurance amount, commences at the insurance reduction age according to the following schedule.

Attained Age	Post-Retirement Insurance as a Percent of Pre-Retirement Basic Insurance
While age 65	75%
While age 66	50%
While age 67 and after	25%*

*Applies only to employees of local government employers. Local government employers may elect a continuation of 50% of the Basic coverage if they agree to make the increased employer contributions. State employee coverage continues at the 50% rate from age 66 and after.

B. AD&D Coverage

AD&D coverage is equal to the total amount of life insurance in effect before the insurance reduction age. This AD&D insurance terminates upon attainment of the insurance reduction age.

Coverage A -- Loss of Life, Limb or Sight

<u>Loss</u>	<u>Benefit Payment</u>
Life	Principal Sum
Two or more members	Principal Sum
One member	One-half of principal sum
Thumb and index finger on same hand	One-fourth of principal sum

Coverage B -- Permanent and Total Loss of Use

<u>Loss</u>	<u>Benefit Payment</u>
Each hand or foot from wrist or ankle	One-fourth of principal sum
Each arm or leg from shoulder or hip	One-fourth of principal sum

C. Waiver of Premium for Disabled Employees

- C.1 A waiver of premium disability benefit is available to all employees under age 70.
- C.2 An employee deemed to be disabled under an Employee Trust Funds disability annuity plan (s. 40.63 Wis. Stats.) automatically qualifies as a disabled employee under the group life plan.
- C.3 Employees on waiver at age 65 or later are assumed to be retired, and they continue their insurance at the amounts shown in Section II.A. above.

D. Living Benefit

- D.1 Insured employees, annuitants, spouses and dependents may receive all or part of the value of their life insurance coverage while living if they:
 - a. Are diagnosed with a terminal condition caused by illness or injury and have life expectancy of 12 months or less;
 - b. Are enrolled in a certified hospice care program; or

c. Have been confined for medical reasons to a skilled, intermediate or custodial care facility for six continuous months and are expected to be confined until death.

D.2 The minimum benefit is \$5,000 or the whole value of the insurance, if less.

D.3 Any remaining value at death will be paid to the beneficiary (ies).

E. Converting Life Insurance to Pay Health or Long-Term Care Insurance Premiums

E.1 The present value of life insurance may be used to pay premiums for health or long-term care insurance offered through the Department.

E.2 The employee must be at their final insurance reduction age and the life insurance must be reduced to its final amount.

E.3 State employees must exhaust their accumulated sick leave before paying for health insurance premiums through the conversion program.

E.4 The election is permanent; it cannot be withdrawn.

F. Conversion Privilege

F.1 Subsection 40.70(9), Wis. Stats, provides that the life insurance shall terminate as provided in the contract.

F.2 The contract should provide an option for the employee to convert life insurance coverage upon termination of employment if the employee was covered by such insurance during the entire six months preceding termination.

F.3 A local government employee may secure an earlier right to conversion if insured under the local government plan from the effective date of the plan to the date of employee termination and, if employed for at least six months with the local government employer.

F.4 The premium for the converted policy must be on a uni-sex rate basis.

F.5 The waiver of premium benefit and the AD&D insurance are not convertible.

F.6 No conversion privilege is offered to employees whose insurance decreases because they have reached age 65 (if retired) or age 70 (if actively employed).

G. Continuation of Coverage

Employees who meet the following requirements may continue coverage:

- G.1 WRS coverage began before January 1, 1990 or coverage has been in force in five calendar years beginning January 1, 1990; and
- G.2 One of the following situations applies:
 - a. The employee is receiving an immediate WRS annuity or meets all of the requirements for receiving an immediate WRS annuity except the filing of the application; or
 - b. The sum of the years of creditable serve in the WRS on January 1, 1990 plus the years of group life insurance coverage after 1989 equals 20 years; or
 - c. Have 20 years of service on payroll with the last employer.
- G.3 Until a retired employee reaches age 65, the amount of insurance is the same as prior to termination or retirement. Premiums will cease at the beginning of the month in which the employee reaches age 65.

III. Eligibility and Enrollment Procedures

A. Eligibility

- A.1 An eligible employee for life insurance purposes is defined by Wis. Stat. §40.02(25) as any participating employee who has been participating under the Wisconsin retirement system for a period of at least 6 months prior to attainment of age 70, not including any period of leave of absence without pay.
- A.2 The following State employee groups covered under the WRS are immediately eligible for coverage if application is received within 30 days of taking office or starting employment:
- A State elected official;
 - An employee of a Legislative Service Agency under Wis.Stat. §13.80-13.96;
 - A State constitutional officer;
 - A justice of the Supreme Court;
 - A court of appeals judge;
 - A circuit judge
 - A district attorney;
 - An employee of the Senate or Assembly;
 - Or the Chief Clerk or Sergeant-at-Arms of the Senate or Assembly.
- A.3 Any visually impaired employee of the nonprofit corporation which is under contract with the Department of Health and Family Services under Wis. Stat. §47.03(1m)(a), 1989, is eligible for coverage after six months WRS participation or on the first day of the month following completion of 1,000 hours of service, whichever is first.
- A.4 Local government employees may also qualify if they are covered by a retirement plan established pursuant to:
- a. s. 61.65 stats. pertaining to pension funds for police and fire employees, or
 - b. s. 66.80 stats. pertaining to pension systems created, administered and maintained for employees of first class cities (City of Milwaukee only), or
 - c. In first class cities and counties having a population of 500,000 or more, any person included under a retirement system for such city or county whose current employment or official status has continued for six months.

- A.5 The definition of employee, for purposes of insurance under the plan, shall not exclude any individual who, while insured for the group life insurance plan, is retired on an immediate annuity, or is retired on a disability annuity.
- a. Except in the case of a disability annuity, such retired employee shall have been an employee of the State or participating local employer for at least 20 years or have at least 20 years of creditable service or have reached the normal retirement date, as determined for annuity computation purposes.
 - b. The 20 years of creditable service requirement must be satisfied while participating in the Wisconsin Retirement System. However, for teachers retiring prior to age 70 an aggregate of 20 years of creditable service as defined in ETF 10.03 Wisconsin Administrative Code shall satisfy this requirement.

A.6 Exclusions

- a. Employees who are hired at age 70 or over, or who attain age 70 before completing six months under the retirement system are not eligible for coverage. However, employees who are over age 70 when their employer first participates in the program are eligible for Basic coverage at the reduced level. They may also apply for Age 70 and Over Additional coverage through evidence of insurability.
- b. The program is not available to employees who are not members of the Wisconsin Retirement System, except for those listed in item A.4 above. This includes employees identified in Section 40.22(4) Wis. Stats. as not eligible to participate.

B. Enrollment Procedures

- B.1 It is the responsibility of each State agency and local government employer to determine whether or not an employee is eligible for coverage and when such coverage is effective. The plan uses a positive enrollment concept, based on the employee meeting the eligibility requirements and signing an application. Normally, an employee is eligible after six months participation under the retirement system.
- B.2 Any employee who declines to enroll in the group life insurance plan when initially eligible shall not thereafter become insured unless, prior to attainment of age 55, the employee furnishes evidence of insurability satisfactory to the Insurer. Such evidence must be furnished at the applicant's own expense.

- B.3 An insured employee may enroll for spouse and dependent coverage by filing an application provided by the Department which must be received by the employer within 30 days after:
- a. The date the employee first qualifies with that employer as an eligible employee under subsection 40.02(25) of the Wisconsin Statutes.
 - b. The date the employee returns to active employment after a leave or layoff without earnings if, during that absence, coverage was discontinued.
 - c. The date the employee is hired if the employee is eligible immediately upon hire.
 - d. The date the insured employee first has a spouse or dependent to insure. If the insured employee is on leave at the time of such occurrence, then upon return to active employment.
 - e. The date an employee obtains insurance coverage under the provisions of Subsection 40.70(l)(b) of the Wisconsin Statutes.
- B.4 An eligible insured employee under age 70 who does not enroll for Spouse and Dependent coverage within the time period specified in the preceding paragraph may obtain coverage by providing evidence of insurability satisfactory to the Company for all of the individuals who are eligible for coverage.