

GENERAL INFORMATION

You may be able to convert your Basic group life insurance coverage to pay premiums for health insurance or long-term care insurance. The program is governed by Wis. Stat. § 40.72 (4r) and Wis. Admin. Code Chapter ETF 60.60. This brochure explains who is eligible and how conversion works.

IMPORTANT: Persons with serious medical problems may be eligible to receive the entire face amount of their life insurance coverage as a Living Benefit, regardless of age. To qualify for a Living Benefit, the person must be terminally ill. If you think you meet this requirement, **do not** convert your life insurance before investigating Living Benefits. Contact Employee Trust Funds (ETF) for more information about Living Benefits.

HOW CONVERSION WORKS

Under the Wisconsin Public Employers Group Life Insurance Program, insured retirees pay premiums until age 65. After age 65, the life insurance amount reduces to 50% or 25% of the previous Basic coverage. The premiums for this coverage are paid from an employer-owned reserve held by the insurance company. When you convert, you are directing that the money that is reserved to provide your life insurance shall instead be used to pay premiums for a qualified employer-sponsored health or long-term care insurance (LTCI) plan.

The life insurance company, currently Minnesota Life, creates a non-interest-bearing conversion account in your name and credits the account with the conversion value of your life insurance coverage. The conversion value is always less than the face amount. The company then pays your monthly health or LTCI premiums from your account until the account is used up.

ELIGIBILITY

You must meet three conditions to be eligible to convert your life insurance:

1. You must be insured under the Wisconsin Public Employers Group Life Insurance Program **and** be the subscriber in one of the health or LTCI plans offered through ETF. The ETF-sponsored health insurance plans are: the State of Wisconsin Plan for state employees, the Wisconsin Public Employers Plan for employees of participating local government employers, and the Local Annuitant Health Program.

ETF has approved several LTCI plans that are available to state employees/state annuitants and their families. Contact ETF for more information about the plans that are offered.

Other health or LTCI that you have through your spouse, your employer, or another organization or private company is not eligible for conversion.

2. Your Basic life insurance coverage must be at its final reduced amount. This means you must be at least:
 - age 66, if you are either a state retiree or a local government retiree whose final reduced coverage is 50% of the pre-retirement amount;
 - age 67, if you are a local government retiree whose final reduced coverage is 25% of the pre-retirement amount;
 - age 70, if you are actively working and you are eligible to keep your life insurance after retirement.
3. State retirees must first use up their accumulated sick leave credits, if any, before drawing on their life insurance to pay health insurance premiums. This is not required when converting life insurance to pay LTCI premiums.

AMOUNT AVAILABLE THROUGH CONVERSION

If you choose to convert your life insurance, you will be credited with the conversion value of your Basic life insurance coverage. The conversion value (or "present value") is the amount that must be invested today in order to pay the face amount of the insurance upon your death. It depends on the expected rate of interest earnings and the expected length of time the investment will continue. Conversion calculations are based on the interest rate used by the company to calculate its liabilities for retirees, currently 5%, and the life expectancy of group members at each age, as calculated by the company.

IMPORTANT: The conversion value of your coverage is always less than the face amount. The older you are, the greater your conversion value. Conversion factors for some ages are shown later in this brochure.

AMOUNT CONVERTED

You must convert all of your group life insurance, not just a portion. Exception: Under Internal Revenue Service rules, conversion is limited to \$50,000 in face value. Coverage over that amount will not be converted. It will remain in force as group term life insurance.

CASH PAYMENTS NOT AVAILABLE

You cannot receive any cash payment as part of this conversion program. The benefits paid from your conversion account are not subject to income taxes. Therefore, under Internal Revenue Service rules, this money can never be paid directly to you. It must be paid to the health or long-term care insurance carrier or as a death benefit.

ADVANTAGES AND DISADVANTAGES

When you elect conversion, your health or LTCI premiums will be paid for you for a period of time. This will eliminate your need to pay premiums directly to your health or LTCI carrier. If health premiums are being deducted from your WRS annuity, deductions will temporarily cease.

On the other hand, when you convert your life insurance, you give up the life insurance which would otherwise be payable to your beneficiaries upon your death. If you die before using up the total converted amount, your death benefit will be the balance in your conversion account only. If your conversion account becomes inactive because you cancel your health or LTCI coverage or choose to pay premiums from other sources, conversion account balances of \$25 or less are forfeited.

This election is permanent. It cannot be revoked unless:

- You withdraw it in writing before the effective date,
- ETF over-estimates your conversion amount by 11% or more, and you withdraw the election within 21 days of being informed of the error, or
- You die within 60 days after the effective date.

HOW TO CONVERT LIFE INSURANCE

If you are eligible now, or will meet all eligibility requirements within the next **12 months**, you may request an election form, ET-2324, from ETF. This form will show the face amount and estimated present value of your life insurance. Complete the election form and return it to ETF. If you elect conversion to pay LTCI premiums, the agent who sold you the policy must sign it.

Do not file your election more than five months before you want conversion to be effective. ETF will return your application to you if you file too early. You will be advised to file again at a later date.

EFFECTIVE DATE

The election will take effect on the first day of the third month after ETF receives it, provided you meet all eligibility requirements on that date. For example, if you file the election form in October, it would take effect in the January coverage month if you meet all requirements on January 1. You would still owe health or LTCI premiums for November and December.

ADMINISTRATION

When you file a valid election form, ETF will stop health insurance premium payments from your annuity or via direct billing in the appropriate month. While your conversion account is open, the life insurance company will adjust your premium as needed to reflect changes in your family or Medicare status, changes in your health insurance plan through Dual-Choice or at other times, and annual changes in plan premiums. You will be notified each January of the balance left in your account. When you have four months' premiums left, the life insurance company will notify you and ETF. ETF will arrange for you to resume health insurance premium payments from your annuity or by direct billing.

EFFECT ON INSURANCE

Conversion does not change your health or LTCI coverage. If you convert, you will be assigned a new health group number and you will receive new insurance cards from your health insurance carrier. However, your medical or LTCI coverage and your providers will remain the same.

HOW CONVERSION VALUE IS CALCULATED

Your conversion value is the face value of your life insurance coverage after the final reduction, multiplied by a conversion factor based on age.

Face value of insurance x Conversion factor = Conversion value

Sample Conversion Factors

Age	Factor	Age	Factor	Age	Factor
66	0.416	76	0.587	86	0.743
68	0.448	78	0.620	88	0.772
70	0.482	80	0.652	90	0.801
72	0.517	82	0.684	92	0.829
74	0.553	84	0.714	94	0.860

The factors shown above are based on current life expectancy in the Group Life Insurance Plan and could change in the future if mortality patterns change. In an actual calculation, the factor for the person's exact age in years and full months on the effective date of conversion is used.

Example: A retiree born March 23, 1939, has Basic coverage of \$6,000 after the final reduction. ETF receives the retiree's election form for conversion to pay health insurance premiums on October 27, 2007. The retiree has no credits in the state accumulated sick leave program. The effective date of conversion is January 1, 2008, and the retiree is age 68 years and 9 months on that date. The conversion factor for that age is 0.461. The retiree's conversion value is:

$$\$6,000 \times 0.461 = \$2,766.00$$

If coverage is converted the difference of \$3,234.00 life insurance is forfeited.

Every effort has been made to ensure that the information in this brochure is accurate. In case of conflicting information, federal law, state statutes,

The Department of Employee Trust Funds does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call toll free 1-877-533-5020 or (608) 266-3285 (local Madison). We will try to find another way to get the information to you in a usable form.

ALWAYS INCLUDE YOUR NAME, SOCIAL SECURITY NUMBER, AND DATE OF BIRTH ON ALL CORRESPONDENCE TO THIS DEPARTMENT.

Contact the Department of Employee Trust Funds

Self-Service Toll Free Telephone Services

Available 24 hours a day, seven days a week. You must have a touch-tone telephone to use these systems.

SELF-SERVICE LINE: Call 1-877-383-1888 or (608) 266-2323 (local Madison) to request forms and brochures. WRS annuitants may also change their home mailing address or tax withholding election through this self-service line.

TELEPHONE MESSAGE CENTER: Call 1-800-991-5540 or (608) 264-6633 (local Madison) to hear detailed recorded messages covering a variety of WRS topics.

Note: *You will not be able to talk to a "live" person using these systems. To speak to a benefits specialist, call the telephone numbers listed below.*

Visit our Internet Site

Access the Internet site at: etf.wi.gov. A tremendous amount of information is online regarding the Wisconsin Retirement System and other benefit programs. You may e-mail the Department through this site.

Call During Office Hours

Office Hours: 7:45 am to 4:30 pm, Monday through Friday (except holidays)
Telephone: 1-877-533-5020 (toll free)
(608) 266-3285 (local Madison)
Wisconsin Relay Service (for hearing & speech impaired)
7-1-1 or
1-800-947-3529 (English)
1-800-833-7813 (Spanish)

Write Us

Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

Visit Us

Appointments: 1-877-533-5020 ext. 65717 (toll free)
(608) 266-5717 (local Madison)

Madison: **An appointment is recommended**
801 West Badger Rd.

Waukesha: **An appointment is required**
141 N.W. Barstow St., Rm. 411

CONVERTING YOUR GROUP LIFE INSURANCE TO PAY HEALTH OR LONG-TERM CARE INSURANCE PREMIUMS



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