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CORRESPONDENCE MEMORANDUM

DATE: October 27, 2008
TO: Wisconsin Deferred Compensation Board
FROM: Matt Stohr, Director of Legislation, Communications and Planning
SUBJECT: Legislative Report

This memo is for information only. No action is required.

At the May Board meeting, we provided a brief legislative update on state and federal legislation that passed during the 2007-08 Legislative Session and the legislative session of the 110th Congress. Two legislative items that affect the Wisconsin Deferred Compensation Program have been enacted since the May Board meeting. The Department is currently in the process of implementing both Acts.

HEART Act

The Department is currently in the process of implementing the recently enacted federal H.R. 6081, the "Heroes Earnings Assistance and Relief Tax Act of 2008" (HEART), which, among other things, provides tax benefits for certain members of the military and their survivors. Several provisions of the HEART Act affect the Wisconsin Retirement System (WRS) and the Wisconsin Deferred Compensation Program (WDC) and require action by the Department. A mandatory provision in the Act requires qualified pension plans, such as the WRS, to treat persons who die while performing "qualified military service" as if they were active employees at the time of death, for WRS death benefit purposes. The provision is retroactive, applying to deaths on and after January 1, 2007. The Department will work with the Wisconsin State Legislature in the upcoming 2009-10 Wisconsin Legislative Session to modify Chapter 40 of the state statutes and/or administrative code to reflect the changes in federal law brought about by the HEART Act. The WRS must be amended by December 31, 2012 to reflect certain provisions in federal law.

Likewise, this new qualification provision also applies to § 457(g) governmental deferred compensation plans, like the WDC. However, unlike the WRS, the WDC does not treat active and inactive employee deaths differently. Therefore, this law change will have little effect on the WDC. However, the Plan and Trust document should be modified to reflect the changes brought about the HEART Act.

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2007 Wisconsin Act 226

The Department is also in the process of implementing a provision in the 2007 Wisconsin Act 226, which allows retired public safety officers to deduct money from their WRS account and/or their deferred compensation account to pay premiums for health insurance and/or long-term care premiums. The effective date of the WRS component of the Act is January 1, 2009 and the WDC component is optional. This provision is in response to a provision in the federal 2006 Pension Protection Act that provides retired public safety officers with a \$3000 federal income tax exclusion if they pay premiums from their pension or 457 account. The Department has been working with the WDC's recordkeeping firm, Great-West Retirement Services (GWRS) to ensure that programming and procedures are in place to implement this service. This will permit retired public safety officers to authorize the WDC to pay premiums for health insurance and/or long-term care premiums from their deferred compensation accounts beginning January 1, 2009.

I will be available at the meeting to answer any questions you have about these issues or any other legislative matters.