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CORRESPONDENCE MEMORANDUM

DATE: November 2, 2009

TO: Wisconsin Deferred Compensation Board

FROM: Matt Stohr, Director of Legislation, Communications and Quality Assurance

SUBJECT: Legislative Report

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

The 2009-2010 Wisconsin Legislative Session began in January 2009. As of this writing, roughly 370 bills have been introduced in the Wisconsin State Senate and 530 in the Wisconsin State Assembly. Some of the proposals have an effect on the Department of Employee Trust Funds (ETF); however, none of the bills have a direct impact on the Wisconsin Deferred Compensation Program (WDC). The legislative items that have an effect on the WDC include the domestic partner provision in the recently enacted state biennial budget and federal legislation relating to the required minimum distribution.

Domestic Partners

The state biennial budget bill, 2009 Wisconsin Act 28 (Act 28), has a provision relating to domestic partners. Act 28 generally establishes the right of a domestic partner to be treated like a spouse for purposes of benefits provided under Ch. 40, Wis. Stats. These benefits include, among others, health insurance coverage and coverage under the Wisconsin Retirement System (WRS). This provision, which will be effective January 1, 2010, will impact the WDC. Under current law, if a WDC participant passes away and did not select a beneficiary prior to the time of death, the participant's WDC funds are distributed in accordance with the statutory standard sequence, defined by Wis.Stat. 40.02(8)(a)2. In general, the standard sequence provides that a death benefit is payable in the following sequence: 1) surviving spouse, 2) children, 3) parents and 4) siblings. Act 28 affords a domestic partner the same rights as a surviving spouse in 40.02(8)(a)2.

As we discussed at the May Board meeting, the WDC Plan and Trust document will have to be modified to reflect the changes brought forth by Act 28 to the extent possible under current federal law. Please see agenda item #6 for the recommended language changes to the Plan and Trust document.

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature ______________________ Date __________

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Required Minimum Distribution Moratorium

H.R. 7327, the Worker, Retiree, and Employer Recovery Act of 2008 (Recovery Act) was signed into law in December 2008. Generally, participants in qualified plans are required to take required minimum distributions (RMD) by April 1 of the year following: (1) the year they retire or (2) the year they attain age 70½, whichever is later. The Recovery Act provides a temporary, one-year moratorium on required minimum distributions from individual retirement plans (e.g., IRAs) and defined contribution plans qualified under Code §§ 401(a), 403(a), 403(b), and governmental plans under § 457(b). The one-year moratorium is effective for minimum distributions beginning after December 31, 2008.

As we reported at the May meeting, Great West Retirement Systems (GWRS) mailed a notice to all affected WDC participants earlier this year, explaining the moratorium and asking participants to contact GWRS if they would like their WDC RMDs suspended. Participants will continue to receive their RMDs if they do not contact GWRS.

On April 22, 2009, H.R. 2021 was introduced. H.R. 2021, otherwise known as the Savings Recovery Act of 2009, would extend the RMD moratorium through 2012 if it is enacted. HR 2021 has been referred to the House Ways and Means Committee and other committees in the House of Representatives; however, it has not been scheduled for a public hearing as of this writing. ETF staff will continue to monitor H.R. 2021 and provide the Board with updates.

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