

STATE OF WISCONSIN

APPENDIX TO

ASSEMBLY SUBSTITUTE AMENDMENT 1 TO 1999 ASSEMBLY BILL 133

REPORT OF THE JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by the Joint Committee on Finance.) An Act relating to: state finances and appropriations, constituting the executive budget act of the 1999 Legislature.

EXTRACT OF COMMITTEE RECOMMENDATION ON THIS BILL

The Joint Survey Committee on Retirement Systems is concerned only with those provisions of the budget bill relating to employe pension and benefit issues. The Joint Survey Committee finds that two of these provisions (provisions #1 and #3 below) as contained in ASA 1 to AB 133 and AA ___ to ASA 1 to AB 133 do not reflect good public policy and the Committee does not recommend their passage. The Joint Survey Committee finds that the remaining provision (provision #2 below) as contained in ASA1 to AB 133 reflects good public policy and the Committee recommends its passage.

PURPOSE OF THE BILL

Under s. 13.50(6)(a), the Joint Survey Committee on Retirement Systems (JSCRS) is concerned only with the provisions of ASA 1 to AB 133, and amendments thereto, that create or modify any system for, or making any provision for, the retirement of or payment of pensions to public officers or employes. Specifically, the sections of ASA 1 to AB 133 or AA ___ to ASA 1 to AB 133 of concern to the JSCRS are the following policy provisions:

- 1. Protective Service Status for Division of State Patrol Administrator.** ASA 1 to AB 133 would newly include, as a protective occupation participant under the Wisconsin Retirement System (WRS), any authorized unclassified

position in the Department of Transportation, the occupant of which is functioning as the Administrator of the Division of State Patrol, provided the Administrator is certified as a law enforcement officer by the Law Enforcement Standards Board. This provision would take effect on January 1, 2000. All state patrol members who would be protective occupation WRS participants would be retitled as "state traffic patrol" participants and new language would be created specifying that a member of the state traffic patrol includes the Division Administrator participant.

[ASA 1 to AB 133 Sections: 935, 936, 2031, 2032 and 9450(3)]

2. Granting WRS Creditable Service to Certain District Attorney Employes in Milwaukee County. ASA 1 to AB 133 contains a provision which would authorize additional creditable service under the WRS for certain assistant district attorney employes in Milwaukee County, as follows:

Eligible Employes. ASA 1 to AB 133 would specify that additional WRS creditable service would be granted to state employes who meet all of the following criteria:

- They were prosecutors in the Milwaukee District Attorney's Office on December 31, 1989, and transferred to state service on January 1, 1990;
- They were participants in the Milwaukee County Employes Retirement System, created by Chapter 201, Laws of 1937, but were not vested on December 31, 1989, for the purpose of qualifying for an annuity under the Milwaukee County System;
- They exercised their option to become a WRS participant on January 1, 1990; and
- They are state employes on the general effective date of this biennial budget act.

Amount of Creditable Service Granted. ASA 1 to AB 133 would stipulate that the amount of additional creditable WRS service granted to each state employe meeting all the above criteria would be equal to the amount of creditable service accumulated as of December 31, 1989, under the Milwaukee County Employes Retirement System, created by Chapter 201, Laws of 1937, for which the employe did not have vested pension rights.

Unfunded Prior Service Liability Added to Liabilities of DOA. ASA 1 to AB 133 would require ETF to determine the amount of unfunded prior service liability for the WRS attributable to the additional creditable service granted to state

employees meeting all the above criteria. ASA 1 to AB 133 would also direct that the total amount of this additional unfunded prior service liability be added to the current unfunded prior service liabilities of the Department of Administration (DOA).

Payment Schedule to Retire the Additional DOA Prior Service Liability. ASA 1 to AB 133 would specify that commencing in the 1999-00 fiscal year, DOA shall annually pay to the WRS an amount sufficient to fully amortize the total amount of unfunded prior service liability for all of the additional creditable service granted under this provision, plus annual interest computed at the WRS assumed rate (currently 8%) by the end of the current amortization period for state employe unfunded liabilities (now scheduled to occur in 2026).

Funding. ASA 1 to AB 133 would specify that for fiscal years 1999-00 through 2003-04, \$80,000 GPR annually must be deducted from the gross annual payment amounts which otherwise would be made to Milwaukee County for district attorney salaries and fringe benefits under s. 20.475(1)(d) of the statutes and stipulates that these annual deductions shall instead be applied as an offset against the total amount of the DOA's additional unfunded prior service liability plus annual interest costs associated with the additional creditable service granted under this provision.

Fiscal Effect. An estimated 36 current state employees would be affected by this provision and the total additional unfunded prior service liability is projected at \$955,700. Estimated additional unfunded liability total payments of \$107,900 GPR in 1999-00 and \$105,100 GPR in 2000-01 would be required to be paid towards this additional unfunded prior service liability created under DOA. These amounts would represent net additional fringe benefits cost to DOA of \$27,900 GPR in 1999-00 and \$25,100 GPR in 2000-01 after deducting \$80,000 GPR annually from Milwaukee County reimbursements for the costs of state prosecutors' salaries and fringe benefits. After the 2003-04 fiscal year, the state would become liable for the full annual costs of the additional unfunded liabilities since there would be no further \$80,000 GPR annual offset.

[ASA 1 to AB 133 Sections: 40r, 498d, 930t, 930v, 939t, 3211p, 3211r, 3211t and 3211v]

3. Protective Service Status for Sex Offender Registration Specialists. AA ___ to ASA 1 to AB 133, [which is the Assembly Republican Caucus omnibus amendment to ASA 1 to AB 133], contains a provision which would specify that sex offender registration specialists (defined as any employe of the Department of Corrections (DOC) whose primary duties require direct and ongoing contact with: (a) individuals required to register as sex offenders; and (b) the public

related to access to sex offender registration information) would be designated as protective occupation participants under the WRS, first effective January 1, 2000. This change in WRS participant status would apply to all creditable service earned on and after January 1, 2000. AA ___ would specify that sex offender registration specialists who become protective occupation participants on or after January 1, 2000, are not entitled to duty disability coverage for an injury or disease occurring before January 1, 2000. Currently, sex offender registration specialists are general classification participants under the WRS.

Fiscal Effect. Currently, there are 4.0 employees working as sex offender registration specialists in the Department of Corrections who would be affected by this provision. In addition, ASA 1 to AB 133 would provide an additional 4.0 positions in DOC to work as sex offender registration specialists. Increased retirement benefits contribution costs for these protective occupation positions would total \$7,800 GPR in 1999-00 and \$10,100 GPR in 2000-01 for the Department of Corrections.

ACTUARIAL EFFECT

Under s. 13.50(6)(a) of the statutes, the Committee is required to assess the possible effect of any of these provisions on the actuarial soundness of the retirement system. The Committee believes that these provisions of ASA 1 to AB 133 and AA ___ to ASA 1 to AB 133 will not have any material effect upon the actuarial balance, goals or soundness of the WRS.

PROBABLE COST

Under s. 13.50(6)(a), the Committee is required to assess the probable costs to the WRS involved in these provisions. The Committee believes that these provisions of ASA1 to AB 133 and AA ___ to ASA 1 to AB 133 will not have any significant impact on the costs of the WRS.

PUBLIC POLICY INVOLVED

Under s. 13.50(6)(a), the Committee is required to assess the desirability of these provisions as a matter of public policy.

Provisions #1 and #3 relate to the protective occupation status of the position of the Administrator of the Division of State Patrol and any employees in the Department of Corrections who function as sex offender registration specialists and represent additions to the list of statutorily enumerated of titles or functions

for which WRS participants who have those titles or perform those functions are statutorily granted protective occupation status.

Provision #2 relates to the granting of additional creditable service to certain state district attorney employees in Milwaukee County represents a one-time transitional benefit provision for a small number of now state employees who were formerly county employees and who had, prior to becoming state employees, accrued retirement benefits in the separate Milwaukee County Retirement System which currently cannot be counted as creditable service benefits for the purpose of these employees' WRS retirement benefits.

RECOMMENDATION

The Joint Survey Committee on Retirement Systems finds that provisions #1 and #3, described above, do not represent good public policy and the Committee does not recommend their passage. With regard to provision #2, described above, the Committee finds that this provision represents good public policy and recommends the passage of the provision.

June 24, 1999