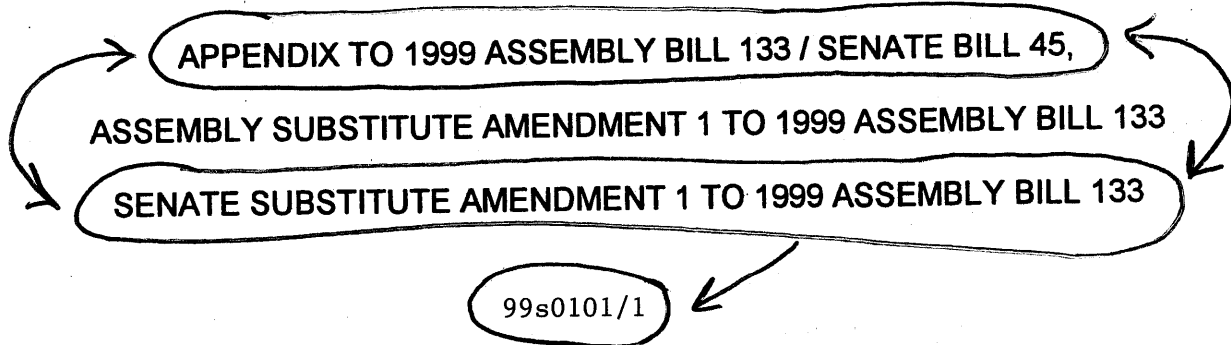


STATE OF WISCONSIN



REPORT OF THE JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by the Joint Committee on Finance, by request of Governor Tommy G. Thompson.) 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 the provisions of the executive budget bill (as specified in this report) that relate to employee pension and benefit issues.

The Joint Survey Committee finds that the following provisions of this proposed legislation reflect good public policy, and the Committee recommends their passage:

Provisions #1, 2, 3, 4, 5, 6 and 7, as specified in this report. (This includes every provision in this report.)

SUMMARY OF THE VARIOUS PROVISIONS OF THE BILL (AS AMENDED)

Under s. 13.50(6)(a), the Joint Survey Committee on Retirement Systems (JSCRS) is concerned only with the provisions of the executive budget bill, and amendments to the bill, that create or modify any system for, or making any provision for, the retirement of or payment of pensions to public officers or employees. Specifically, the sections of this proposed legislation of concern to the JSCRS are the following seven policy provisions:

Provision 1. Protective Service Status for the Administrator of the Division of State Patrol. This provision would newly include as a protective occupation participant under the Wisconsin Retirement System (WRS) any authorized unclassified employee in the Department of Transportation who is functioning as the Administrator of the Division of State Patrol, provided that 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)]

ASA 1 to AB 133 includes this provision.
AA 39 to ASA 1 to AB 133 deletes this provision.
SSA 1 to AB 133 includes this provision.
SA 1 to SSA 1 to AB 133 deletes this provision.

Fiscal Effect. This provision would not have any material effect upon the actuarial balance, goals or soundness of the WRS. Its costs would be negligible.

Provision 2. Interest Payments on WRS Refunds and Underpayments. This provision would repeal the current law's prohibition barring the Department of Employee Trust Funds (ETF) from paying interest on WRS refunds or credits of monies incorrectly paid to the WRS. The bill would newly authorize ETF to include interest on WRS refunds or credits, pursuant to rules promulgated by the Department.

The bill would repeal the current law requirement that when a WRS annuity underpayment exceeds certain dollar amount thresholds (currently \$66.60 for lump sum payments and \$2 per month on monthly annuities) and has not been

corrected for at least 12 months, ETF must pay interest on the underpayment at a rate of 0.4% for each full month during which the underpayment occurred. The bill would specify instead that ETF shall pay interest on an underpayment at a rate of interest established by the Department by rule. The bill would also provide that these changes would take effect on June 30, 2000, and would first apply to refunds, credits and annuity payments occurring on or after the effective date of the budget bill.

[AB 133 Sections: 940, 941, 9315(1)&(2) and 9415(1)]

ASA 1 to AB 133 does not contain this provision.
SSA 1 to AB 133 does not contain this provision.

Fiscal Effect. This provision would not have any material effect upon the actuarial balance, goals or soundness of the WRS. Its costs would be *de minimis*.

Provision 3. Allowing Installment Purchases of Forfeited WRS Service. This provision would modify current law to allow a WRS participating employee to submit one or more applications for the purchase and reestablishment of previously forfeited creditable service. The bill would specify that a participating employee could apply for all or part of the previously forfeited creditable service, subject to rules promulgated by ETF, but could not submit more than two applications in each calendar year. The bill would stipulate that ETF would have to receive any application and the required payment no later than the date the participating employee terminated employment with the participating employer.

[AB 133 Sections: 943 and 944]

ASA 1 to AB 133 does not contain this provision.
SSA 1 to AB 133 does not contain this provision.

Fiscal Effect. This provision would not have any material effect upon the actuarial balance, goals or soundness of the WRS. Its costs would be *de minimis*.

Provision 4. Modified Death Benefit under the Temporary Social Security Integrated Annuity Option. This provision would modify current law to provide that if a WRS annuitant who is receiving a temporary social security integrated annuity dies before attaining the age of 62, a death benefit payable to the decedent's beneficiary would continue to include the temporary social security integrated annuity payment until the month in which the decedent would have attained the age of 62. The bill would stipulate that this provision would first

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apply to the calculation of death benefits for a beneficiary of an annuitant who dies after the general effective date of the biennial budget bill.

[AB 133 Sections: 942 and 9315(3)]

ASA 1 to AB 133 does not contain this provision.

SSA 1 to AB 133 does not contain this provision.

Fiscal Effect. This provision would not have any material effect upon the actuarial balance, goals or soundness of the WRS. Its costs would be *de minimis*.

Provision 5. Granting WRS Creditable Service to Certain District Attorney Employees in Milwaukee County. This provision would authorize additional creditable service under the Wisconsin Retirement System for certain assistant district attorney employees in Milwaukee County, as follows:

Eligible Employees. Additional WRS creditable service would be granted to state employees 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 Employees 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 employees on the general effective date of this biennial budget act.

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

Unfunded Prior Service Liability Added to the Unfunded Liabilities of the DOA. This provision would require ETF to determine the amount of unfunded prior service liability for the WRS attributable to the additional creditable service

granted to the affected state employees, and would further 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. This provision further specifies 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 additional creditable service granted under this provision, plus annual interest computed at the WRS assumed rate (which is currently 8%) by the end of the current amortization period for state employee unfunded liabilities (now scheduled to end in mid-2026).

Funding. This provision 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 would otherwise 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]

ASA 1 to AB 133 includes this provision.
AA 39 to ASA 1 to AB 133 deletes this provision.
SSA 1 to AB 133 includes this provision.

Provision 6. Protective Service Status for Sex Offender Registration Specialists. AA 2 to ASA 1 to AB 133 contains a provision which would specify that sex offender registration specialists – defined as Department of Corrections

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(DOC) employees whose primary duties require direct and ongoing contact with (1) individuals required to register as sex offenders, and (2) the public, as related to its access of 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 2 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. Also, ASA 1 to AB 133 would provide 4.0 additional 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 1999-2000 and \$10,100 GPR in 2000-2001 for the Department of Corrections.

AA 2 to ASA 1 to AB 133 includes this provision.
AA 39 to ASA 1 to AB 133 deletes this provision.
SSA 1 to AB 133 does not include this provision.

Provision 7. Family Care Districts Defined as "Employers" for Purposes of the WRS. Under s. 46.2895, county boards may establish "Family Care Districts" that are local units of government, separate and distinct from the state and county. More than one county may collaborate in creating multicounty Family Care Districts. This provision would simply define Family Care Districts as employers for purposes of the WRS, so that they would be responsible for funding the WRS benefits of their employees if enrolled in the WRS.

[ASA 1 to AB 133 Sections: 931, and 932]

ASA 1 to AB 133 includes this provision.
SSA 1 to AB 133 includes this provision.

Fiscal Effect. This provision would not have any material effect upon the actuarial balance, goals or soundness of the WRS. Its costs would be negligible.

ACTUARIAL EFFECT AND PROBABLE COSTS

Under s. 13.50(6)(a) of the statutes, the Committee is required to assess the probable costs and the possible effect of any of these provisions on the actuarial soundness of the retirement system. The Committee believes that none of these provisions, if enacted, would have any significant impact on costs of the WRS, nor would they have a material effect upon the actuarial balance, goals or soundness 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.

The provisions relating to the protective occupation status of the position of the Administrator of the Division of State Patrol and employees in the Department of Corrections who function as sex offender registration specialists represent additions to the list of statutorily enumerated titles or functions for which WRS participants are granted protective occupation status.

The provisions relating 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 current 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 is concerned only with the provisions of the executive budget bill (as specified in this report) that relate to employee pension and benefit issues.

The Joint Survey Committee finds that the following provisions of this proposed legislation reflect good public policy, and the Committee recommends their passage: Provisions #1, 2, 3, 4, 5, 6 and 7, as specified in this report. (This includes every provision in this report.)

July 8, 1999