



WISCONSIN LEGISLATURE

P.O. Box 7882 • Madison, WI 53707-7882

The Honorable Tommy G. Thompson
Office of the Governor
115 East, State Capitol
Madison, WI 53702

Governor Thompson:

We the undersigned Legislators are working together to encourage your support of an Optional Retirement System for new hires with the University of Wisconsin System.

Of special interest and concern is the fact that female University of Wisconsin employees when considered as a class have incurred a pension hardship not only because of family concerns and responsibilities, but also over their changing professional environment. In many cases, academic professionals are required to work at several different institutions over the course of their careers to obtain necessary experience. When employed by the University of Wisconsin, these employees suffer losses to their pension benefits because of their inability to roll over the plans into more portable 401(k)-type programs. Over forty-four other states already recognize this issue and have programs in place to eliminate the inequality. Providing an Optional Retirement Plan would address this discrepancy here.

We support the University of Wisconsin in its efforts to provide equitable benefit options to its employees regardless of their personal circumstances and career decisions. Please join us in our efforts to move this issue forward.

Sincerely,

Senator Margaret Farrow

Senator Joanne Huelsman

Senator Alberta Darling

Senator Carol Roessler

STATE OF WISCONSIN

APPENDIX TO 1999 ASSEMBLY BILL 133 / SENATE BILL 45,
ASSEMBLY SUBSTITUTE AMENDMENT 1 TO 1999 ASSEMBLY BILL 133
SENATE SUBSTITUTE AMENDMENT 1 TO 1999 ASSEMBLY BILL 133

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

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

(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

**1999-2000
JSCRS Report on A.B. 133 / S.B. 45
and Amendments Thereto**

1999 A.B. 133 / S.B. 45

STATE OF WISCONSIN
MINUTES OF MEETING
JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

THURSDAY, JULY 8, 1999

9:00 A.M.

ROOM 201 SOUTHEAST, STATE CAPITOL BUILDING

MADISON, WISCONSIN

CALL TO ORDER AND ROLL CALL

(Agenda Item 1)

The meeting of the Joint Survey Committee on Retirement Systems was called to order by Co-Chair Wirch at 9:06 A.M. in Room 201 Southeast of the State Capitol Building in Madison, Wisconsin.

Roll call was taken as follows:

Present: (7) Sen. Wirch, Rep. Vrakas, Sen. Erpenbach, Speaker Jensen, Sen. Panzer, Rep. Schneider, Mr. Mills.

Absent: (3) Ms. Hamblen, Mr. Heineck, Mr. Scott.

Others Present: Blair Testin, WREA/AARP; Dennis Boyer, AFSCME; Mel Sensenbrenner, SEA; Ryan Tierney, Staff for Rep. Hutchison; Steve Werner, WPPA; Lisa King, Leg. Audit Bureau; Terry Rhodes, LRB; Tony Mason, LRB; Roy E. Kubista, AFSCME; Joe Strohl, PFFW-RPFFW; Ken Opie, WRF/WEAC; Gail Sumi, Alliance of Cities; Rick Asplund, Assembly Democratic Caucus; Ed Kehl, WCOA; Pam Henning, DETF; Beth Smith, Staff for Senator Wirch; Brian Pleva, Staff for Rep. Vrakas; Scott Dennison, JSCRS Director; Deb Breggeman, JSCRS Staff.

CONSIDERATION OF THE MINUTES OF JUNE 24, 1999

(Agenda Item 2)

Representative Vrakas moved, seconded by Senator Panzer, to approve the minutes of the June 24, 1999, meeting of the Joint Survey Committee on Retirement Systems.

Motion carried by voice vote.

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**CONSIDERATION OF RETIREMENT-RELATED PROVISIONS IN A.B. 133; A.S.A.
#1 AND S.S.A#1 TO A.B. 133; AND A.A. #2 TO A.S.A. #1 TO A.B. 133**
(Budget Bill Provisions)
(Agenda Item 3)

The Committee had before them the retirement-related provisions contained in:

- **Assembly Bill 133/Senate Bill 45**
The Governor's Budget Bill
- **Assembly Substitute Amendment 1 and Senate Substitute Amendment 1 to Assembly Bill 133**
Joint Finance Committee Budget Recommendation
- **Assembly Amendment 2 to Assembly Substitute Amendment 1 to Assembly Bill 133**

Mr. Scott Dennison, Director of Retirement Research, presented to the Committee the Appendix Report of the JSCRS relating to seven provisions contained in the above mentioned documents as follows:

- Provision 1:** Protective Service Status for the Administrator of the Division of State Patrol
- Provision 2:** Interest Payments on WRS Refunds and Underpayments
- Provision 3:** Allowing Installment Purchases of Forfeited WRS Service
- Provision 4:** Modified Death Benefit under the Temporary Social Security Integrated Annuity Option
- Provision 5:** Granting WRS Creditable Service to Certain District Attorney Employees in Milwaukee County
- Provision 6:** Protective Service Status for Sex Offender Registration Specialists
- Provision 7:** Family Care Districts Defined as "Employers" for Purposes of the WRS

There was brief discussion among members.

Senator Wirch called the meeting into Executive Session.

Representative Schneider moved, seconded by Senator Panzer, to recommend as good public policy the seven provisions that pertain to public employee pension and benefit issues as specified in the Appendix Report relative to the Budget Bill.

Roll call vote as follows:

Ayes: (7) Sen. Wirch, Rep. Vrakas**, Sen. Erpenbach, Speaker Jensen,
Sen. Panzer, Rep. Schneider, Mr. Mills*.

Noes: (0)

Absent: (3) Mr. Heineck, Ms. Hamblen, Mr. Scott.

* Mr. Mills, DETF, expressed the Department's long-standing opposition to adding new groups to the protective occupation category and strongly prefers the undertaking of a comprehensive study rather than continuing with a piecemeal approach.

**Representative Vrakas concurred with the statement from Mr. Mills and believes that the Committee, in the future, needs to be cautious about allowing these types of provisions in the Budget Bill.

Motion carried by roll call vote.

OTHER MATTERS

(Agenda Item 4)

There were no other matters considered at this time.

ADJOURNMENT

(Agenda Item 5)

The meeting of the Joint Survey Committee on Retirement Systems adjourned at 9:45 a.m.
The next meeting will be at the call of the Co-Chairs.

Debra Breggeman, Recording Secretary

WISCONSIN EDUCATION ASSOCIATION COUNCIL

Affiliated with the National Education Association

MEMO

TO: Joint Survey Committee on Retirement Systems DATE: March 22, 1999
FROM: ^{dek} Don Krahn, WEAC Lobbyist
RE: Opposition to the UW Optional Retirement System

We have several objections to the current plan to provide the UW with an optional retirement system:

- 1) We think more study is required to deal with the proposal to make the optional plan a defined contribution plan. Such shift of market risk from one that is now shared between employers and employees to one borne entirely by employees deserves an actuarial analysis of how the contribution rates should be changed to account for the market risk shift.
- 2) The proposal raises the issue of fragmentation and whether we should reverse years of movement toward a single unified system.
- 3) Our major concern is the appearance of providing benefits to one class of employees which will not be available to all employees namely "full interest crediting" and portability; and primarily, the fact that the rest of the system will pay a cost premium of about 0.2% for a benefit they don't receive.

We think it would be better to restore full interest crediting to post-1982 hires and to allow participants (aged 55 or at retirement) to roll over their funds to an IRA of the participants choice.

Such changes may eliminate the need or desirability for a separate optional system.

Terry Craney, President
Donald E. Krahn, Executive Director



WISCONSIN COALITION OF ANNUITANTS

318 Karen Court • Madison, WI 53705

State and Local
GOVERNMENT
RETIREEES

Presentation on Proposed Optional Retirement Plan
By: Ed Kehl, Chair, Wisconsin Coalition of Annuity Retirees
To: Wisconsin Legislature's Joint Survey Committee on Retirement Systems
Monday, March 22, 1999
State Capitol, Room 417 North

The organization I represent is a coalition of 18 retiree organizations whose members participate in the Wisconsin Retirement System. During the past 18 months we have shared our concerns about the proposed ORP and have unanimously opposed it. We have endorsed the positions of our member organizations presented to you here today. Understanding the need for brevity, I will limit my remarks to some of the administrative issues.

The complex nature of the Wisconsin Retirement System and the problems associated with estimating participation rates by age group in an ORP are just two of the many variables complicating actuarial analysis. Estimates of the negative impact on WRS Trust Funds by qualified actuaries have ranged from zero to \$35 million per year once the program matures. The potential impact of further growth of ORP in other educational venues has not yet been considered although it needs to be.

Administrative cost comparisons are somewhat more reliable. These costs in the private investment sector average between 10 and 11 times the administrative costs regularly incurred by the Wisconsin Investment Board. TIAA-Cref administrative costs may be lower than the private sector investment industry but it is safe to assume they cannot compare with SWIB results.

There is considerable discontent among the category of WRS participants hired since 1982 who can only expect a 5% interest crediting to their retirement accounts. An ORP will create another category which is likely to cause another inequity between currently employed UW faculty and academic staff and future hires. Administrative problems in dealing with these inequities should be obvious.

The WCOA has monitored the effectiveness, timeliness and accuracy of the Employee Trust Fund administrative accomplishments in spite of severe budget restrictions. They have performed remarkably under the pressures of increases in employer and employee participation. The University of Wisconsin is not the only public entity with recruitment and retention problems. The WRS has difficulty competing with the private sector for entry level investment specialists and has little success in attracting experienced personnel.

In closing I am compelled to ask -- Ten years from now will the unintended consequences of an ORP create sufficient inequities and costs for the WRS that could raise serious legal questions? I would probably not be around to witness that. I still feel the need to try to prevent it from happening.

ORGANIZATIONS IN THE WISCONSIN COALITION OF ANNUITANTS

DOT Retirees - West Allis Retirees - DILHR Retirees - Epsilon Sigma Phi - Retired School District Administrators - Professional Police Association - Retired Professional Firefighters - Wisconsin Retired Corrections Personnel - State Engineers Association - AFSCME Retirees Chapter 7 - Wisconsin Education Association Council - Wisconsin State Attorneys Association - Association of Career Employees - The Association of UW Professionals - Association of Retired Conservationists - Wauwatosa Employee Retirement Club - Wisconsin Retired Educators Association - WFT/AFT Retirees

WISCONSIN RETIREMENT SYSTEM SUPPLEMENTAL ACTUARIAL VALUATIONS

BACKGROUND:

In the last Biennial Budget, the Joint Survey Committee on Retirement Systems (JSCRS) was required to contract an actuarial analysis of the impact on the Wisconsin Retirement System of the creation of a UW optional retirement system for faculty and academic staff. The contracted actuary, Gabriel, Roeder, Smith & Company (GRS), has completed the analysis and submitted its report to JSCRS.

The report analyzes the potential financial effects of a UWS Optional Retirement System (UWSORS) as proposed in 1997 Assembly Bill 331, (Section I) and certain alternative enhancements to WRS benefits which were submitted for analysis by the JSCRS (Section II). The objective of the study was to explore ways in which additional improvements to the defined contribution/hybrid features of the WRS might add to the value and attractiveness of the WRS for some or all participants.

SUMMARY OF THE ACTUARIAL REPORT:

SECTION I-FINANCIAL EFFECT OF A UWSORS

The financial impact on the WRS is primarily due to the higher turnover rates among faculty and academic staff as compared to other WRS participant groups. Turnover results in savings to the WRS when employees leave the system and forfeit employer contributions. Assuming that all new faculty and academic staff under age 40-45 would elect the UWORS, and that older new hires would elect the WRS, establishment of an ORS is projected to cost the WRS \$14.6 million per year (in 2000 dollars) in lost savings. This cost would emerge slowly over the next 30 years as membership in the UWORS increased. Ultimately, other WRS employers and employees would be required to make up the loss by increasing their contributions by 0.2% of payroll.

To avoid cost-shifting to others, the UWORS legislation could provide that the ORS contribution be set at approximately 9.6% of payroll, with the difference between WRS age entry normal cost (11.5%) and the UWORS contribution rate (9.6%) continuing to be paid to the WRS. Faculty and staff electing the UWORS would not suffer a loss under this arrangement, because the value of their WRS benefit is in fact only about 9.6% (in other words, the UW over-contributes for its younger unclassified employees).

Both proposals also assume that the UWS would continue its ongoing contributions to finance the unfunded liabilities (1.3% of payroll in 1999).

SECTION II-ENHANCEMENTS TO HYBRID FEATURES OF THE WRS

INCREASING INTEREST CREDITS:

The actual interest earned by fund assets is credited to accounts of participants hired before 1982. Participants hired after 1981 are limited to 5% interest credits on money purchase annuities and 3% on separation benefits.

Thus employees who leave WRS employment early in their careers have the unattractive choice of leaving their accounts to draw 5% per year until they reach minimum retirement age or withdrawing the employee share only, with 3% interest, and attempting to reinvest it at a better rate.

The report costs out various improvements in interest crediting for those hired after 1981. The cost ranges from .17% to .52% of payroll (general/teacher employees), depending on the existence of a floor and/or ceiling on the credit. For example, at a cost of .17% of payroll, and with no minimum interest floor, all benefits could be credited with actual earnings up to a maximum of 7%. At the opposite end of the cost spectrum, allowing for full interest crediting would increase costs by .52% of payroll. The cost estimates

assumed the enhancements would not be limited to UWS faculty and academic staff, but would be available to all WRS participants hired after 1981.

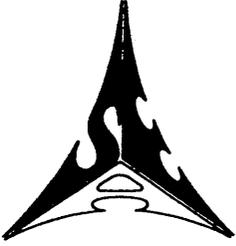
PROVIDE A MINIMUM DEATH-IN-SERVICE BENEFIT EQUAL TO 2 TIMES PARTICIPANT ACCOUNT BALANCE:

The death-in-service benefit for participants age 55 (50 for protective occupations) with an eligible spouse or dependent child is a survivor annuity equal to the amount that would have been paid if the participant had retired and elected a 100% survivor option. For all other participants, the benefit is limited to a refund of the employee contributions and interest credits depending on date of hire.

Under an enhanced benefit provision, regardless of the participant's age at death, the minimum death benefit would be a lump sum equal to two times the participant's accumulated contributions. Participants age 55 with an eligible spouse or dependent child would have the choice of the survivor annuity or the two times participant account balance.

The contribution rate increases required to improve interest crediting for all post-1981 WRS employees see above) include the enhanced death benefit features. If the death benefit provisions were implemented on a stand alone basis, the contribution rate increase would be approximately .03% of payroll for general/teacher participants.

APR 20 1990



STATE ENGINEERING ASSOCIATION

4510 REGENT STREET

MADISON, WISCONSIN 53705

(608) 233-4696

Sen. Robert W. Wirch
Post Office Box 7882
Madison, Wisconsin 53703-7882

Dear Sen. Wirch,

I am Nile Ostenso. Second Vice President of the State Engineering Association. Thomas Miller is our President. We are a collective bargaining unit of state employees. I am in charge of legislative relations. We encourage our members to work with their legislators and therefore do not have a lobbyist. Dismas Becker, our consultant, assists us in keeping track of and addressing legislative activities. See our brochure to learn more about our associations and our issues.

We have approximately 1,300 members with one or more members in every Senate District and at least one member in all but two Assembly Districts. Three, 3 of our members live and vote in your district. If you wish to have contact with our members, call Dismas Becker at (608) 255-3405.

As engineers and related professionals working for the State, we are charged with the duty of protecting public safety. In the Department of Transportation many of our members act as designers or compliance officers for the State highway safety, construction and maintenance programs for roads and bridges. In the Department of Natural Resources we oversee environmental programs related to public health and welfare. At the Departments of Commerce, and Health and Family Services, our members are responsible for safety, design, construction and approval of public and commercial buildings. These are a few of our responsibilities. When our responsibilities are threatened, we become concerned.

We have rising concerns for being hampered from carrying out our duties adequately. In the construction of highways and buildings, we are being told to facilitate the contractors' work so the project can be done in a timely manner. We value timeliness but not at the cost of quality and safety. In construction, quality control is very important to safety. Under staffing and minimal resources also detract from our performance.

Privatization of government services is another concern. We feel that privatization moves accountability one more steps away from the citizens of the State. It is also more costly in the long run.

We are also concerned with the pay and fringe benefits of state employees. Erosion in this area causes loss of qualified and experienced staff. We are particularly opposed to the break up of the Wisconsin Retirement System (WRS) or to potential optional/alternative retirement systems. Any efforts to enhance the WRS performance and encourage participants to keep their investments for retirement are strongly favored. We believe that is a good policy, which *benefits the employee as well* as the public.

If you have any questions of our organization or its members, contact Dismas Becker or me. Contact Melvin Sensenbrenner on our WRS concerns, he is our Health Insurance and Retirement Representative. Our numbers are on the back of the brochure.

Thank you,
Nile Ostenso



ROBERT W. WIRCH

STATE SENATOR - DISTRICT SECOND

Smith, Beth
From: Meyer, Amber
Sent: Monday, March 01, 1999 9:28 AM
To: Smith, Beth
Subject: FW: Actuarial follow up

-----Original Message-----

From: Dennison, Scott
Sent: Friday, February 26, 1999 7:30 PM
To: 'Robert Ring'
Cc: Rep.Vrakas; Sen.Wirch; Stella, Dave; 'schamberlain@ccmail.uwsa.edu'; Taylor, Chad
Subject: RE: Actuarial follow up

Dear Rob,

I enjoyed our visit, too. It's always nice to meet someone who has until then only been a voice on the phone.

Your actuarial math (attached below) is correct, right up to the difference of \$5.64 million as the ultimate cost differential between paying for the one plan versus the sum of paying for both of them. A few points need to be made, though.

1. If I had used 3% inflation to convert "ultimate" costs to year 2000 costs, then dividing \$5.64M by 1.03⁴⁰ to get \$1.73M would also have been right (subject, however, to point 2. below). However, note the first footnote on page 12 of my report. I did use 3% inflation to individually project payrolls for 40 years of the four UW groups that were considered separately. Then I added them back together to get the predicted \$1,611.26M UW payroll reported on page 12. The 40th root of the ratio of ending to starting payrolls, which is (1,611.26/715.23)^(1/40), isn't 1.03 but rather 1.0205. I directly used the ratio \$715.23M / \$1,611.26M to convert the "ultimate" dollar cost to "year 2000 dollars", which was tantamount to predicting that for Wisconsin, total payrolls will inflate at a rate of about 2.05% annually over the next 40 years, if inflationary raises of 3% are given to individual members and to starting salary levels.

For the university this reduction in the apparent inflation rate happens because I incorporated the population trending information developed in the report into the 40 year projections. The UW is clearly restructuring its workforce toward fewer faculty members and more academic staff to replace the faculty who are being eliminated by attrition. The UW is doing this mainly, I am told, because of pressure being put on them to economize. There is no reason to believe that this same pressure isn't being exerted by the state on other state agencies, or for that matter by county and local governments on their own agencies. (I can readily believe this from my own general observation, after living here and reading the newspapers for the past 15 months.) If this is true and if it continues, then a dollar needed by Wisconsin's governments to pay their payroll costs today (i.e., in year 2000) will be about as hard for them to come by as \$2.25 = \$1.00 times 1.0205⁴⁰ will be to come by 40 years hence.

Actually, I used the 37th power in the calculations at one point to allow for the 40 year projection beginning at the end of 1997 and not 2000, but the answers are similar and the principles being used here are the same.

2. The "ultimate cost" I calculated is not the difference between the cost of paying for both plans versus that for paying for the WRS alone, but the additional cost shifted to the remaining WRS employers (which, incidentally, includes the UW itself, to the extent that part of its future workforce would still be in the WRS). On page 17, I used some simple algebra to calculate the

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11.59% "EANC rate for remaining General Fund employees. The numbers appearing above it, also using the 11.443% EANC rate shown on page 10, the 11.59% was determined, the difference of 0.14% in EANC rates (on page 10) times the \$14,897.4M ultimate payroll remaining in the WRS equals the ultimate \$21.57M cost to the "remaining" WRS employers.

If the same entity were paying for the sum of both plans as would be paying for the WRS if no ORP were introduced into the picture, then it would certainly make sense to only speak of the "cost" of having the new plan as being exactly what you calculated -- the cost of having both plans minus the cost of having just the one plan. But the exercise in my report is aimed at predicting the cost impact to the group left with the responsibility of paying for the old plan, which is "Entity 1", while the UW paying for the new plan is "Entity 2". If a single employer were paying for it either way, your approach would be the correct one.

If some mechanism were introduced into the proposed legislation that would even things out between the two entities, such as the UW making an appropriately calculated extra payment to the WRS each year, then too it might become appropriate to observe that *in toto* the costs were ultimately being increased or decreased by some amount like the \$5.64 million you have calculated. I say "might" because of the considerations in the next paragraph.

Even though "the eggs would appear to be unscrambled" if the UW would merely pay the amount of cost being shifted to the other employers back into the WRS, this would still involve some questions of equitable treatment of all parties paying into these plans. Unless the level of contributions into the ORP were adjusted so that the UW's total pension expense was the same before and after the ORP, the UW would end up paying more than it is now -- even though the other employers would then be paying the same for their retirement costs. The extra amount paid by the UW would equal the amount by which the ORP benefits were more valuable to its members than their average expected benefits would have been under the WRS. And if the UW would be required to pay more because more valuable benefits were given to this group, then whoever is financing the UW is really who would be paying more. That would probably mean the state and/or those who pay tuition or who pay for other services provided by the UW for which it is reimbursed.

So it would seem to be necessary, if such objections are to be overcome, to set the ORP contribution rate equal to the true Entry Age Normal Cost rate attributable to the ORP group if they were back in the WRS. It would be impossible to determine this rate with any degree of certainty until about five years of experience under the new ORP had been accumulated. The ongoing effort by the UWSA and the actuaries necessary to track the plan's experience would be considerable. Not only would they have to monitor rates of election at different hire ages for the four subgroups of employees, but also the usual experience monitored for those groups as if they were in the WRS: viz., salary scale and rates of decrement. It would not be possible to merely adapt the university results from the regular WRS experience studies, since antiselection by those offered (and accepting) the ORP would be very high, resulting in the membership of the two plans having very dissimilar patterns of withdrawal and retirement, and possibly dissimilar salary scales as well.

We discussed things like this in the coffee shop, you will recall.

3. There is no way that 10% of salary can or should be construed as the contribution to the ORP under A.B. 331. In fact, it is not even the contribution by the employers to the money purchase plan that is part of the WRS. When someone retires, there is in fact a separate benefit calculation made for them as if they had been in a 10% money purchase plan. But that is done for mechanical purposes only -- to find a second annuity amount to compare to their defined benefit formula amount, and then pay them the larger of the two pensions. The actual contributions are actuarially determined based on this dual (hybrid) formula.

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A.B. 331 defines the ORP contribution rate as an annually adjusted basis, the normal cost as defined in statute that would have been paid by the WRS for ORP members if they had actually been in the WRS. Over the long term, this contribution definition should on the average equal the total (employer plus employee) Entry Age Normal Cost rate. At any point in time, however, it will be more or less than the EANC rate because of two things: (i) accumulated gains and losses and (ii) the fact that the statutory unfunded accrued liability is defined using the Frozen Initial Liability (FIL) cost method, not the Entry Age Normal (EAN) method. Over the course of time, however, if the actuarial assumptions prove to be realistic, then the contribution rate (to both the WRS and the A.B. 331 version of an ORP) would oscillate around the EANC rate.

Of course, we are not currently using the Entry Age Normal method to measure our unfunded liability, but the FIL method. But now the water gets even muddier, because use of the Frozen Initial Liability method is causing some very serious problems for the state, as many employers' share of the system's Frozen Initial Liability is growing out of control. As I see it, this is happening for three reasons. (1) The FIL method's unfunded accrued liability only stays close to the EAN method's unfunded accrued liability when experience doesn't deviate markedly from assumptions, or else it can be adjusted back to the Entry Age unfunded liability from time to time by making what actuaries call a "new start". (2) Our state's law is too rigid, and doesn't allow for a new start of the cost method just because experience has been so lopsided for so many years. (3) The FIL method anticipates paying off the Frozen Initial Liability as a constant percentage of employers' payrolls, which are not rising nearly as fast as the actuary has been predicting. Therefore, contributions have not been enough for many of them to gain on their share of the debt. The bottom line is that the Frozen Initial Liability is terribly out of whack -- in the 1997 valuation it was \$2.0 billion, while the Entry Age unfunded liability was only \$405 million. There is mounting pressure to study and fix this. There are also some legal questions that have surfaced regarding the existing cost method. I really expect us to be using some version of the Entry Age method within a few years, or at least phasing into that method.

So the bottom line of this third point is that it really makes no sense to assume an ORP contribution rate of 10%, or even one equal to the current statutory rate, which is artificially depressed from the EANC rate by (i) huge accumulated gains and (ii) an outdated cost method that may be on its last legs. The only rate of contribution to an ORP that makes any kind of theoretical sense to use in studying the ORP is the Entry Age Normal Cost rate. Even though that isn't what would be contributed next year if they created the ORP this year, it is probably very close to what would be contributed during most of the 40 year period under study.

Rob, we'll make a pension actuary out of you yet. But you've got to be asking yourself about now, "Do I really want to be one of those?"

Seriously, I did enjoy getting to visit with you last week, and I hope all this explanation clears some things up for you.

Take care.

Scott

-----Original Message-----

From: Robert Ring [SMTP:rring@tiaa-cref.org]
Sent: Friday, February 26, 1999 12:25 PM
To: scott.dennison@rrc.state.wi.us
Subject: Actuarial follow up

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Scott,



I've been meaning to follow up on the conversation that we had after you presented your study to the UWORS Benefits Advisory Committee. I enjoyed the chance to sit down and chat with you.

You may recall my mentioning that our past projections regarding UWORS had assumed a contribution rate of 10%, since we had been under the assumption that 10% was equivalent to the WRS "statutory" funding rate. I believe that is actually the current contribution rate that underlies the WRS money purchase benefit. In any event, this 10% rate had been assumed in most discussions of AB 331 and the subsequent UWORS-related bills. I tried to tie this 10% rate into your study to come up with an estimated cost impact of UWORS with this rate. I'm sure my methodology was pretty crude, but I wanted to get your impression of my estimate. I know the analysis would be more complex than I made it, since a lower contribution rate might also affect UWORS election rates and possibly even the "antiselection" assumptions you would use. In any event, here's what I did:

1) Working off pg. 13 of your report, calculate the year 40 WRS funding cost if no ORP.

Total General Payroll = \$16,057.9

EANC if no ORP = 11.44%

Total WRS funding cost = $16,057.9(.1144) = \$1,837.02$

2) Calculate the year 40 WRS funding cost, assuming ORP.

Remaining General Payroll = \$14,897.4

EANC for remaining WRS = 11.59%

Total WRS funding w/ ORP = $14,897.4(.1159) = \$1,726.61$

3) Calculate the year 40 ORP funding cost, assuming a 10% contribution rate.

ORP Payroll = \$1,160.5

ORP rate = 10%

Total ORP funding = $1,160.5(.10) = \$116.05$

4) Calculate combined WRS/ORP total funding.

$\$116.05 + \$1,726.61 = \$1,842.66$

5) Calculate ultimate cost impact in year 2000 dollars

Difference = $\$1,842.66 - \$1,837.02 = \$5.64$

Discounted at 3% inflation for 40 years = \$1.73 million

I only used the data from your "low estimate" since I feel the election rate assumptions implicit therein are the most reasonable.

Did I go about this the right way? Is my result close to what you would expect? Since the debate surrounding AB 331 always assumed a 10% ORP contribution, any reported cost impact of UWORS should probably include a 10% calculation. Does this sound reasonable to you?

Thanks for any feedback that you can provide.

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-Rob Ring



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Smith, Beth

From: Dennison, Scott
Sent: Tuesday, March 02, 1999 6:18 PM
To: Sen. Wirch
Subject: FW: Your concern at the 2/16 FBAC meeting

ROBERT M. WIRCH
STATE SENATOR, SECOND DISTRICT

Dear Senator Wirch,

The three e-mails below are a line of correspondence I initiated with George Brooks, an official at UW System Administration, after he had taken some objection to one part of my "supplemental actuarial study" when I presented it on Feb. 16th to the UWSA's Fringe Benefits Advisory Committee. He seems like a very capable and fine man. I am forwarding this to you because I believe our dialogue here has some useful points of information that you might benefit from knowing.

Best regards,

Scott

PS -- My secretary Debbie Breggeman was a bit upset today because the notices for the upcoming JSCRS meeting are being issued from either your office or Rep. Vrakas' office -- I'm not sure which. This is something that Debbie has been doing for years, and she knows exactly how to go about it and who to notify of the meetings. She told me that this has happened many times in the past when new co-chairs were appointed and their staffs naturally thought it was up to them to set up the meetings, send announcements, arrange for the meeting room, etc. One problem with this, Debbie says, is that several times in the past notices have been sent only to the legislative members of the JSCRS (or of the RRC, I suppose), and that the other members were overlooked. Debbie's feeling is that this office is supposed to be dedicated to doing the administrative work of the Joint Survey Committee, and that this is one of the functions that would fall under that heading. Although I'm fairly new here, I would have to agree with her about this. Serving the Joint Survey Committee and the Retirement Research Committee is really our only purpose for existing. I know that last year I observed Debbie setting up all the committee's meetings, and that she does indeed know all the bases to touch, order of events, etc. She's a crackerjack -- she is extremely thorough and attentive to timing and detail.

S.D.

-----Original Message-----

From: Dennison, Scott
Sent: Tuesday, March 02, 1999 5:57 PM
To: 'gbrooks@ccmail.uwsa.edu'
Subject: RE: Your concern at the 2/16 FBAC meeting

George,

Thanks for your kind words. If you or someone else at the UWSA needs to project benefits at different levels, such as 9.6%, the DC plan benefits in my tables can be simply ratioed up or down. I sent Mary Anglim a copy of my Quattro Pro worksheet used to produce those tables, after first verifying that Excel can read it with no problem. I also wrote a README file for her, and included all of these on the diskette I sent her: UW-ILLUS.WQ1 (the benefit projection spreadsheet), the README file, and several of the age and service table spreadsheets that I used in my work, with faculty and academic staff (all as of 12/31/97) in separate spreadsheets. These are in the old Lotus 1-2-3 format, so Excel can read them also. These spreadsheets are great for analysis of the workforce, since they not only have them grouped in 5-by-5 cells (5 years of age and 5 years of service groupings), but also in the native 1-by-1 tables that my original

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far seem outstanding to me. This was an unexpected source when, after the meeting on the 10th, Bob Wirch told me that of all the committees and boards he had been on, he asked the most difficult questions by far.



If you have any questions about what I did in the report, or want to take issue with anything, please feel free to call or e-mail me. My phone no. is 266-5251, e-mail is scott.dennison@rrc.state.wi.us.

Sincerely,

Scott Dennison

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macro run generated from the raw data. I'll send them to you. You might want to get these from Mary (or from me, if she doesn't still have them) to see if they are of any use to you.

STATE SENATOR ROBERT WIRCH SECOND DISTRICT

I understand your concern about the "surge" being misinterpreted. I can believe that your work in hiring good talent for the UW is difficult in the best of times, and horrendous when these blips in the statistics hit. Has there been any discussion about possibly leveling this out (i.e., the blips) by running any kind of incentive-to-retain program at the UW during the normal times, so that you could level out these blips? When I was in WV, the Univ. of WV studied severance pay incentive programs at other universities and then put together one of their own. Their motive for doing so was to reduce payroll costs by getting the more senior people to take a sweetened severance package during a limited window period. It worked much better than they had projected, and they were very pleased with it. To avoid hurting the Teachers' Retirement System (which some of the faculty were still members of, although most were in TIAA-CREF), we stipulated in the legislation that the bonus pay that professors in TRS would receive by retiring would not be creditable earnings under TRS for purposes of figuring their pensions. It was also stipulated that about a year after they ran this program, the TRS actuary (me at that time) would estimate the impact on the retirement plan by having induced these people to retire earlier than they probably would have otherwise. As I recall, the induced cost was estimated at about \$12,000 per TRS member who took the severance package. The University was then obliged to pay this amount into the retirement system to make it whole. This was peanuts for them to pay, compared with the very substantial reduction in payroll they created.

A general early retirement incentive for state employees would have the same effect, of course, but would probably be quite expensive for the state and politically out of the question -- for the foreseeable future, anyway. A severance program, however, could be limited to specific UWS employees. It would not only have the effect of leveling out the hiring blips appreciably, but would also reduce the System's payroll at the upper end.

You're right -- I've got to learn to work less hard! While I was doing the ORP study a lot of other things piled up undone, so I won't get much of a reprieve for awhile yet.

FYI, the TIAA-CREF people were in town today and dropped in on me (attorney Karen Elinski from their home office in NYC, Rob Ring from Chicago, and Pete Christianson). They were mainly on a fishing expedition.

Let me know if you need those spreadsheets, or any information regarding them or anything else. No doubt we'll be in touch before this ORP question is decided. Take care.

Cordially,

Scott

-----Original Message-----

From: gbrooks@ccmail.uwsa.edu [SMTP:gbrooks@ccmail.uwsa.edu]
Sent: Tuesday, March 02, 1999 3:23 PM
To: scott.dennison@rrc.state.wi.us
Subject: Re: Your concern at the 2/16 FBAC meeting

Scott:

Thanks for the follow-up. I certainly wouldn't take issue with your work. You did a great job on a difficult issue in a short period of time. I sure admire your devotion to your work. Do you plan to go back to a regular life sometime soon?

The only concern I had about the display of "hiring surges" is that it

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might be construed that we would have had no problems until your predicted next peak begins in 2008. Following that we will have a fairly steady stream of turnover and thus a steady stream of hiring over the next 10 years. You are probably right Scott, it is semantics.

If you could have had the time I would have liked to have seen the benefit comparisons with an ORS contribution rate of 9.6% but I certainly understand why you took the 11.5% rate according to AB 331.

You should be very proud of your work. I hope the folks downtown appreciate how devoted you are!

George

Reply Separator

Subject: Your concern at the 2/16 FBAC meeting
 Author: "Dennison Scott" <scott.dennison@rrc.state.wi.us> at INTERNET
 Date: 2/24/99 11:03 AM

Dear George,

I didn't quite understand at the Feb. 16th Fringe Benefits Advisory Committee meeting why you thought that I had "made a lot of" the "hiring surge" observation in my analysis of faculty turnover levels. I think that's what you said.

The problem may partly be differences in semantics. When I think of "turnover", the first thing that comes to mind is "withdrawal", and then retirement and the two minor causes of turnover: deaths and disabilities. The only aspect of turnover that was made much of in the study was, of course, withdrawal. Your concern puzzled me because I knew that the hiring surge observation had not been used at all in analyzing faculty withdrawal rates -- in fact, the periodic increase in hiring activity was an obstacle in my trying to find a reasonable approximation to withdrawal rates for the faculty. Of course, there was no such problem with getting rates for the Academic Staff.

I put that graph showing those two periods of extraordinary hiring activity in the first part of the report where they would be seen, hoping to give the message that UWSA really is faced with some very heavy recruiting needs from time to time. I thought I was doing the University a favor by trying to make that point in the beginning of the report where readers would see it.

The only way I used the "hiring surge" observation analytically in the entire report is on page 62, in the paragraph following the table. That has nothing to do with turnover, but with one of several factors needed to project the employee population into the future -- the trend toward reduction of faculty as a percentage of the total employee group being examined.

The FBAC and the audience it attracted to both meetings were excellent. 260-8979

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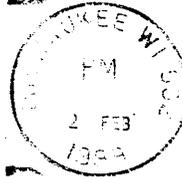
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- 1.3% of payroll
- av. contrib toward UL

- Cost of UL here is
small compared
to other states

\$2 bil UL
\$13 bil unrecognized
gain

Mr. & Mrs. Robert H. Hartwick
101 South Kane Street
Burlington, Wisconsin 53105



2
Add to
retirees list

2573911

Senator Robert Wirch
Room 422
119 Martin Luther King Jr. Bldg



2-1-99
Dear Senator — - Add to list

Thank you for visiting
with our STATE Legislative
Committee last week. WE
really appreciated the chance to
discuss issues with you and
we look forward to our work
together.

Thanks and good
wishes —
Jane Elmer

30% emp

30% employer

40% annuity

reserves

- how to use emp account
to reduce unfunded
liability

- 65% cap
excessive

- useful cap

for police & fire

- no mandatory retirement

- only 8% benefited

from ~~84~~ \$ purchase
in 84

5th Qsp

Anders $\frac{1}{3}$ of

the increase
in the multiplier

- cost would
be 79% of payroll

- it would remove
equity issue

- diminish the argument
for deindexed

- contribution plan
like TIAA PRBF

- mult increase

- court review
of current statutes

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- The WREA State Legislative Committee develops and recommends legislative policy proposals to the WREA Board of Directors, monitors state government activities and promotes WREA positions. The Committee has statewide representation.
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- The Research and Monitoring Committee, a capital city based group, is a subcommittee of the WREA Legislative Committee. It provides information on legislative issues, researches relevant legislative concerns, recommends action on legislative issues and lobbies on legislative bills.

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WREA LEGISLATIVE PRIORITIES

1999 - 2001 Biennium



W I S C O N S I N
R E T I R E D
E D U C A T O R S
A S S O C I A T I O N

Approved by the WREA Board of Directors
Affiliated with the National Retired Teachers Association (NRTA) - A Division of AARP
Howard E. Wilsmann, WREA President
October 1, 1997 - September 30, 1999
Eunice Berg, WREA President
October 1, 1999-September 30, 2001
Jane Elmer, WREA Executive Director

WREA
2564 Branch Street
Middleton, WI 53562
Phone 608-831-5115
Fax 608-831-1694
www.wrea.net

POSITION STATEMENT

The Wisconsin Retired Educators' Association (WREA) is a statewide organization which has represented retired educators since 1951. The Association has 71 local units and more than 11,000 members. WREA takes legislative positions related to its priorities and monitors legislation and state government activities of interest to its members. WREA actively participates with other groups in addressing issues that affect the general welfare of the citizens of the state.

LEGISLATIVE PRIORITIES

- Support the use of trust funds and investment income to insure that such funds are used only for participant benefits and management of the Wisconsin Retirement System (WRS).
- Monitor the WRS and support legislation that protects its integrity.
- Oppose legislative changes in the WRS that would have an adverse impact on annuitants and the stability of the fund.
- Support using Wisconsin public elementary and secondary school education funds only for public schools.
- Monitor and support legislation to promote and improve Wisconsin public education at all levels.
- Support legislation that promotes effective, equitable and financially sound Social Security, Medicare and Medicaid programs.
- Support legislation that promotes and adequately funds long-term care for aged persons with an emphasis on community care including home care, nutrition, ombudsman and transportation programs.
- Support legislation that protects the elderly and other citizens from consumer fraud.

- Support health care reform through state and federal legislation. Such legislation should include universal coverage, prescription drugs, long-term care and cost controls.

OTHER LEGISLATION

- Oppose the Qualified Economic Offer (QEO) which restricts compensation increases to 3.8% for school personnel and no other public employees.
- Support equal educational opportunities through the fair distribution of school aids and the modification of school revenue caps.
- Support greater administrative and budgeting independence for the State of Wisconsin Investment Board (SWIB) and the Department of Employee Trust Funds (ETF) while maintaining appropriate accountability requirements.
- Support an elected annuitant representative on SWIB.
- Support an equitable progressive state tax program with reduced dependence on property taxes.
- Support legislation affecting spousal impoverishment that provides higher income levels and asset retention for spouses whose partners live in institutions.
- Support election campaign finance reform.
- Monitor and support legislation related to electric utility regulation that benefits residential and small consumers.

ONGOING CONCERNS

- Support environmental protections and improvements.
- Monitor and support legislation to improve Advance Directives including Durable Power of Attorney for Health Care and Living Will documents.
- Support legislation to insure consumer rights within managed care.

- Monitor legislation that permits an optional dues check-off from the retirement benefits for members of organizations like WREA.

- WREA promotes the use of trust funds and investment practices consistent with the Wisconsin Constitution and Chapter 40.01(2) of the Wisconsin Statutes which states, "the public trust fund shall be managed, administered, invested, and otherwise dealt with solely for the purpose of ensuring the fulfillment at the lowest possible cost of the benefit commitments to participants and for no other purpose."
- WREA promotes the use of trust funds and investment practices consistent with the unanimous January 17, 1997, Wisconsin Supreme Court decision in WRTA (now WREA) et al. vs. ETF Board et al. which concludes, WRS "annuitants have a property right in the investment earnings of the annuity reserve account."

IMPORTANT TELEPHONE NUMBERS

- Governor's Office
Madison
608-266-1212
Milwaukee
414-227-4344
- Legislative Hotline
1-800-362-9472
Madison
608-266-9960
State TDD
1-800-228-2115
- WREA Legislative Chair
Harold S. Rebholz
608-233-9320
- WREA Registered Lobbyist
Jane Elmer
608-831-5115

UW leaders unimpressed by pension plan proposal

By Matt Pommer

The Capital Times

The idea of an optional pension plan is getting a lukewarm response from University of Wisconsin leaders.

In the current tight national market for top faculty, salaries are more important than fringe benefits, said Margaret Lewis, acting vice president for UW public affairs.

For new faculty, health insurance is usually the most important fringe benefit, she told legislators at a Monday hearing. An optional retirement plan would provide "certain benefits," but she said that must be placed in context.

The comments came at a Joint Survey Committee on Retirement Systems session called to take comments on the idea of an optional retirement plan.

It would be available only to new University of Wisconsin faculty and academic staff.

Professor Ronald Schultz, president of PROFS, a group that lobbies the faculty Senate, urged legislators at the meeting to allow immediate employer pickup of health insurance, instead of making new hires wait six months.

There would be "some benefit" through an optional pension plan, he said, but warned "it is also vital that an optional retirement system not have a negative impact on our current retirement system."

"The WRS (Wisconsin Retirement System) is an excellent system, almost unique in its post-retirement dividends," added Schultz.

Pushing the optional retirement idea is Assembly Speaker Scott Jensen, R-Waukesha, who is often mentioned as a possible gubernatorial candidate in 2002. Jensen contends that an optional retirement plan would help the UW recruit top faculty and academic staff.

The UW personnel walked a narrow line, apparently aware that Jensen will play a major role in determining the size of faculty pay increases for the next two years.

If the UW personnel were tiptoeing through the potential political minefield, others were outspoken.

In a written statement, Steve Werner was sharply critical.

Werner, who lobbies for the Wisconsin Professional Police Association, said an optional retirement plan would add new equity issues.

"Quite simply, creating a new benefit for a few is not only ill-conceived but goes against the philosophy of the present system — that since its creation has endeavored to treat members equally.

"But creating a separate plan for a few, we again widen instead of narrow the gap between public employees. This not only causes hard feelings, it creates lawsuits. In recent history, lawsuits have dragged out when the outcome was inevitable and cost millions in general purpose revenue funds," wrote Werner.

That was a reference to the 9½-year legal battle over the 1987 raid on the public employee pension system. In the end the state had to pay \$215 million in general tax revenue to settle the suit.

Robert Schaefer, president of the Department of Natural Resources section of the State Engineering Association, said Jensen's plan "threatens the continued operation" of the current retirement system.

The plan "will create inequity within a system that was intended to pool resources for the benefit of all enrolled employees," he said in a statement.

"Allowing individuals with high salaries to withdraw their contributions from the system reduces the pool for all those who remain," he said.

"It is poor public policy to encourage a few well-paid individuals to benefit at the expenses of many," he added.

Jensen, who appointed himself to the legislative pension committee, prodded expert witnesses to say that the plan could be developed without hurting other employees.

Scott Dennison, executive director of the retirement research committee, finally said it could be done.

Dennison also said the current WRS system "is too anemic to meet the needs of the University of Wisconsin, or for that matter, of anyone working in public service, for a truly portable plan."

Dennison blamed the 1981 decision to place a cap on interest earnings. Employees hired after that date receive only a 5 percent interest credit on their retirement account. Those hired earlier get the full interest generated by their individual accounts, he noted.

Monday, March 15, 1999

Capitol Watch **MATT POMMER**

Jensen pension plan draws fire



Pommer

Assembly Speaker Scott Jensen's passion to privatize government functions is behind the drive for an optional public employee pension plan, labor lobbyists say.

Their comments came at a joint meeting of four groups of retired public employees last week. The session was called to focus on the Jensen-driven proposal to offer an optional pension plan to newly hired faculty of the University of Wisconsin.

Rather than sending the money to the State Investment Board, the university would send the money to a private insurance company for those who selected the optional plan.

"Such a plan could appeal to short-term employees," said Jane Elmer, executive director of the Wisconsin Retired Educators Association.

Yet she suggested that providing the option to new UW personnel would be "just the camel's nose under the tent" as

by the "money purchase" approach, rather than by formula.

But the plan was "badly crippled" in the early 1980s when the Legislature imposed a 5 percent limit on the annual interest that newly hired employees' pension accounts could accrue, Dennison said.

Now some 240,000 persons are under the 5 percent limit. While the investment board is earning double digit increases, the excess over 5 percent stays in the retirement system. This severely limits any chance their initial pensions would be set by "money purchase."

Dave Stella, administrator of retirement services for the Department of Employee Trust Funds, said the 5 percent cap was a frequent complaint of public employees.

Stella said he had been "harassed and harangued" about that 5 percent cap every time he speaks to public employees.

The private plan would operate much like a mutual fund, meaning there would be no ceiling. Of course, neither would there may a formula to guaran-

sought the option.
"We are concerned about the disintegration of the Wisconsin Retirement System," she said.

Jack Coe, a longtime lobbyist for the Wisconsin Education Association Council, said Jensen's philosophy is "what's really driving" the idea of optional, privately managed pension plans for new UW faculty and academic staff.

Jensen would like to privatize garbage collection, prisons, public employee pensions and public schools, said Coe.

Steve Werner, lobbyist for the Wisconsin Professional Police Association, said Jensen's philosophy is at the heart of the pension matter.

"He wants to privatize," said Werner, warning that could undercut the Wisconsin Retirement System. "We cannot allow our pension system to be splintered off."

Elmer said the WRS was one of four public retirement systems with regular post-retirement increases.

"It doesn't take long to recognize the WRS is unique," she said. "We have great respect for the WRS."

Scott Dennison, executive director of the state's Retirement Research Committee, said many legislators don't recognize the WRS is really two systems in one.

Retirees get whichever is the larger amount: an initial pension set by formula or what the amount in their individual accounts could buy as annuities, he noted.

About one in four new WRS retirees is now having his or her initial pension determined

When the stock market soars, the optional plan may look good. But the stock market may not go up and up forever.

Stella also noted that the idea of an optional retirement plan for faculty and academic staff did not originate with the University of Wisconsin. It was a "major surprise" to Employee Trust Funds officials when it surfaced last year, he said.

"Is there a need for an ORP (Optional Retirement Plan)? What are we trying to solve?" asked Stella rhetorically.

Stella conceded Wisconsin takes a "paternalistic" approach to money in individual retirement accounts. Those who quit at mid-career get only the half (the "employee" piece) of their account.

Losing the employer half has led to most workers not withdrawing their money from the WRS when they leave public service in mid-career.

Dennison said 80 percent of those who leave the WRS in mid-career leave their money in the pension system. That is in sharp contrast to other 401(K) type retirement programs in which 80 percent of the money is withdrawn when people leave their employer.

"Wisconsin tries to guard you against being a spend-thrift," said Dennison.

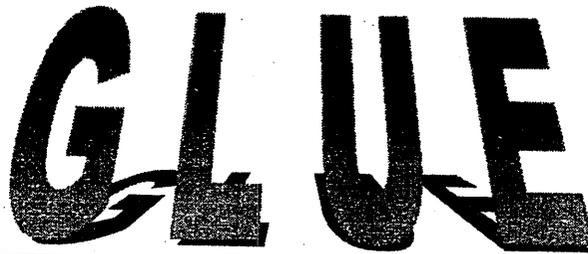
Coe said he expected the teachers union to demand that the University of Wisconsin, if it really wants Jensen's optional retirement plan, pay for potential costs on the WRS.

Dennison said it could take a "herd of actuaries" to keep track of the those costs.

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The Voice of the Kenosha Education Association

March 5, 1999



KEA SCHOLARSHIP COMMITTEE

Anyone interested in serving on the Scholarship and/or Scholarship Selection Committees should call the KEA, 654-2127. Their first meeting is scheduled for Tuesday, March 9, at 4:30 p.m.

REMINDER: ELEMENTARY CONCERNS MEETING, MONDAY, MARCH 8, 4:00 P.M., KEA OFFICE.

ABSENTEE BALLOT INFORMATION

Some of you may be away during the spring elections. If so, you should obtain an absentee ballot from your local municipality. To obtain one, contact the clerk of the city, town or village where you reside. If you contact by phone, the clerk will send the application form to you. (If you prefer, you can call the KEA, 654-2127, for a "Request for Absentee Ballot" form as we have them available at the office for you.) Here is a list of local municipalities and their respective contact people.

- City of Kenosha—Jean Morgan. 625 52nd St., 653-4020
- Brighton—Emily Uhlenhake. 23602, 31st St., Salem, 878-2218
- Bristol—Marjorie Schmidt. 857-2368
- Paris—Terri Fonk. 16607 Burlington St., Union Grove, 859-3006
- Randall—Phyllis Kaskin. 877-2165
- Salem—Antoinette Seitz. 843-2313
- Somers—Kay E Goergen. 7511 12th St., Somers, 859-2822
- Wheatland—Sheila Seigler. 537-4340
- Paddock Lake—Doris Raditz. 6969 236th Ave., Salem, 843-2713
- Pleasant Prairie—Jane Romanowski. 9915 39th Ave., 694-1400
- Silver Lake—Sharon Kerkman, 113 S. First St., Silver Lake, 889-4308
- Twin Lakes—Dorothy Sandona. 887-2858

ATTENTION NEW ASSISTANTS

Assistants hired 1997-98 and 1998-99 school years are invited to a NEW MEMBER WELCOME SOCIAL. Come for an evening of good food and fellowship with other new assistants. Any questions? We'll answer

them. We look forward to seeing you there. This social is sponsored by the KEAA.

RSVP to the KEA office, 654-2127, by March 12. The social is Tuesday, March 23, at 6:30 p.m. at the KEA.

FILE NOW FOR WEAC-RA DELEGATE FILE BY MARCH 12

KEA members are encouraged to pick up nomination papers at the KEA office for the WEAC Representative Assembly (RA) election. A full delegation of 29 KEA and 4 KEAA members (plus alternates) will be needed to attend this RA in Milwaukee April 23-25. Your nomination paper must be returned to the KEA office by March 12.

FILE NOW FOR NEA-RA DELEGATE FILE BY MARCH 12

While you are at the KEA office picking up a nomination paper for the WEAC-RA, pick up a nomination paper to become a local delegate to attend the NEA-RA. We will fund a full delegation of 10 KEA members and 1 KEAA member to the NEA-RA held in Orlando, FL, July 1-6. Your nomination paper must be returned to the KEA office by March 12.

A CONVERSATION WITH DON KRAHN

Last Tuesday, *GLUE* conversed with Don Krahn, Executive Director of WEAC. Don called to give us further information on the move to privatize part of the Wisconsin Public Employee Retirement System. Last week, *GLUE* passed some concerns on to you about the wisdom of such a move. Bob Wirch told us that he felt that the move to exempt UW Employees from the retirement system was the first step in what would be a privatization of the entire system.

Don gave us some more background and some new perspectives. The State of Wisconsin Investment Board (SWIB), the people who manage the retirement fund, are having difficulty hiring and retaining qualified people. The salaries in the private sector are higher (sound familiar?). As a result, about 15% of the fund is already being managed by the private sector and Madison is considering requesting up to 25%. The "rub" is that it costs seven times more to manage the money

in the private sector as it does by SWIB. If the salaries of SWIB employees were raised to keep them from "defecting," this cost would be passed on to us.

Further costs would be passed on if the UW people were allowed to invest somewhere besides the state retirement system. The state retirement system would receive nothing from these people, including any forfeitures. Loss of forfeitures would be a cost item passed on to us. So, Don says the reason to not want the UW people exempted is a monetary one at this point.

This is not to say that we might not have some decisions to make in the near future. What if Scott Jensen held up any bill to improve the retirement system (something he has the power to do) unless we agreed to let the UW people go? What if we were offered an attractive "multiplier" or more money put into the fund? All these things could and probably one will happen this year. Then, the members of the retirement fund must weigh the loss of the UW employees against a possible increase in their retirement.

So, we said to Don, "The bottom line is we can't say whether this is a good or a bad thing because we don't know yet?" "Yes," he said, "that's about it." Then he went further into depth on all these issues than your *GLUE* editor has the wherewithal to comprehend. Rest assured about a few things. WEAC is watching the situation carefully. At this time, we are opposed to the exemption of UW employees from the fund. Probably later this year, we will have to make a decision regarding exemptions, and we will probably be offered some incentive to approve them. When that time comes, we will give you the information you need to make an informed and intelligent decision.

P.S.

We asked Don about the money that Gov. Thompson took out of the fund some years ago. Had that money been put back? Don assured us that it had, to the tune of \$220 million. Interestingly, had Gov. Thompson put the money back when it was first demanded that he do so, it would have cost only \$40 million. By dragging the issue through the legal system, Tommy cost Wisconsin taxpayers about \$180 million.

WANT TO PRODUCE YOUR OWN TV SHOW?

School Matters, the KEA's bi-weekly television show, has two open dates for programs. The taping dates for these shows are April 19 and May 10. If you are interested in producing a show for one of these slots, contact the KEA (654-2127). A committee member will get back to you. Who knows, we may open a whole new career for you. More likely, we'll give you a chance to be creative and help out your union. Please call.

RELAY FOR LIFE

The *Relay for Life* will be held Friday, July 30, to Saturday, July 31. Last year we fielded one 15-person team. Are you interested in walking? Bring your kids, friends, spouses, and dogs. Build a school team. We had a great time last year. Help raise funds for this good cause, the American Cancer Society. Call the KEA (654-2127) and leave a message for Ellen.

STUDY TOUR TO PEOPLE'S REPUBLIC OF CHINA

This study tour includes eight two-hour lectures with guest speakers and films which will provide an introduction and orientation to the geography, culture and various social institutions of China, followed by a two-week field trip in China. All participants are expected to attend the lectures. No knowledge of the Chinese language is required.

The two-week trip to China will run from June 24 to July 7, 1999. The following places are on the itinerary: Beijing, Shanghai, Suzhou/Hiangzhou (the "Venice of the East"), Xian, and Guilin. The tour will return via Hong Kong and participants will have the opportunity to stay in Hong Kong for a few days or travel to other destinations.

The instructor for this Tour is Xun Wang (George), Assistant Professor of Sociology at UW-Parkside. As a native Chinese, he has lived in China for 30 years and has traveled extensively there.

The cost of the trip is \$3,000, which covers visa fees, round-trip airfare from Chicago O'Hare to Beijing and Hong Kong to O'Hare, domestic travel in China, sightseeing, 3 and 4 star hotels, and three meals a day. A deposit of \$1,000 is due by April 15 and full payment by May 10.

All participants must be in good general health and have a valid passport. The tour is worth three credits and open to everyone. The credits may apply to International Studies-290/490 or Sociology-Anthropology 290/490. Contact University Outreach to enroll for non-credit. Because the maximum size of the group is 30, the registration for the trip will

follow a first-come, first-serve format. For further information, contact Xun Wang (George) at 414-595-2520 or e-mail to xun.wang@uwp.edu. Or contact Laurie Odegaard at 414-595-2701 or e-mail to www.uwp.edu/academic/internationalstudies.

CALENDAR

- Elementary Concerns, Mon. Mar. 8, 4:00 p.m. at the KEA
- Scholarship/Scholarship Selection Committees, Tues. Mar. 9, 4:30 p.m. at the KEA
- Regular School Board, Tues. Mar. 9, 7:00 p.m. at the ESC
- KEA Bargaining Team, Wed. Mar. 10, 4:00 p.m. at the KEA
- KEA Board of Directors, Thurs. Mar. 11, 4:00 p.m. at the KEA
- KUSD Budget/Finance/Personnel Standing Committee, Tues. Mar. 16, 6:00 p.m. in the ESC Board Rm.
- KEA Bargaining Team, Wed. Mar. 17, 4:00 p.m. at the KEA
- KUSD Audit Standing Committee, Wed. Mar. 17, 6:00 p.m. in the ESC Board Rm.
- Association Rep. Assembly, Thurs. Mar. 18, 4:00 p.m. at the KEA
- KUSD Curriculum/Program Standing Committee, Thurs. Mar. 18, 6:00 p.m. in the ESC Board Rm.
- WEAC and NEA Rep Assembly Delegate Elections, Fri. Mar. 19
- Meet the Endorsed Candidates Reception, Fri. Mar. 19, 3:30 p.m. - 7, at Buratti's, 5722-3rd Ave.
- KUSD Planning/Facilities/Equipment Standing Committee, Mon. Mar. 22, 6:00 p.m. in the ESC Board
- Teacher Contract Negotiations Session, Tues., Mar. 23, 4:00 p.m. at the ESC
- New Educational Assistant Members' Social, Tues., Mar. 23, 6:30 p.m. at the KEA
- KEA Bargaining Team, Wed. Mar. 24, 4:00 p.m. at the KEA
- KEA Board of Directors, Thurs. Mar. 25, 4:00 p.m. at the KEA
- KEA Bargaining Team, Wed. Mar. 31, 4:00 p.m. at the KEA
- Spring Recess -- Close of Session, Thurs., Apr. 1. Schools Reopen, Mon., Apr. 12

BOWLING

Place: 1000
 Engine Doers: S. Korhonen
 J. Rusch, A. Walker
 Pairs: Lucious - A. Lichtenfeld
 C. Aulis, J. Gray
 Pairs: 1000
 Pairs: M. Lou, J. Kuhn
 B. Boris
 Top Team: J. Mullenbach
 P. Owen, A. Bouth
 Women's High Game:
 Audrey Bouth, 210
 Women's High Series:
 Carolina Aiello, 529
 Men's High Game:
 Elwood Knutson, 208
 Men's High Series: Jim Hansen
 Tom SeSanto, 560
 Splits: Audrey Bouth, 6-7; Janice Gray, 5-6; Ginny White, 3-10, 5-6

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Volume XXVII Number 3
GLUE is published irregularly by the Kenosha Education Association, 5610-55th St., Kenosha, WI 53144. Ph. 654-2127. e-mail beniem@KEA.WEAC.org. Ads for **GLUE** should arrive at the KEA Office no later than Friday, at 4:00 p.m. the week before publication and all other submissions Tuesday, at 4:00 p.m. the week of publication. All submissions are subject to the editing policies established by the KEA.
 President: Carl Walter
 Vice-President: Ellen Kupfer
 Treasurer: JoAnn Taube
 Executive Director: Mike Bernie
 Staff: Terry Lawler (Editor), Mary Snyder, Mary Wehrenbold, Jan Sucky, and Bob Bernie

ADS

TOPS - TAKE OFF POUNDS SENSIBLY
- We meet every Wed., 6-7 p.m., at Wesley Church, 4600-60th St., Kenosha. Weigh-ins begin at 5:30 p.m. TOPS IS HERE FOR YOU!

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FOR SALE: 1995 Jeep Wrangler, emerald green w/spice hard top, 4 cylinder, 5-speed manual transmission, only 18,000 mi., soft top conversion pkg., am/fm stereo w/sound bar, rear window defroster, asking \$11,500. Call Sue after 6 p.m., 654-6359.

FOR SALE: Sharp II Carousel Microwave, 1.6 cu., 900 watt, best offer-good cond. (moved), Brio table, \$50 or best offer; American Girl framed Samantha, 20"x30"; vases, asst'd.; walnut extension table, 48"x28"x28", best offer. Call 552-9764 for appt.

FOR SALE: Wire book/card rack, 6 ft. tall, spinner. Call 654-9393.

EXTRA-EXTRA! READ ALL ABOUT IT! "MINI-VAN LEADS A SHELTERED LIFE" - literally!!! If in the market, here's a deal you can't pass up. 1991 Ford Aerostar, only 23,000 miles - really! Immaculate cond.,

kept in garage, seldom driven in winter, no rust, asking \$10,950. Call Cheryl, 551-9617 a.m., or Jerril, 657-5046 evenings.

FOR SALE: Glass top, rectangular, chrome finish kitchen table w/four chairs, \$85; round bamboo coffee table, looks like Pier 1 style furniture, \$17; lg. human-sized stuffed chimpanzee toy, fills reclining chair, makes great child's gift, it's brand new and retails upwards \$150, asking \$50; small animal carriers, \$10 ea.; stackable luggage set, \$22. Call 551-9617.

FAMILY LOOKING FOR RESPITE CARE PROVIDER for 2 special needs children in evenings. Approximately 24-30 hrs. per month, \$7.50/hr. Please call 697-7834 for more info.

FOR SALE: Macintosh Perform 6115 CD, 601 RISC processor, 24 MB of RAM expandable to 72 MB, double-speed CD-Rom drive, 8 expansion ports, one expansion slot, 15 in. monitor, extended keyboard plus mouse, printer, ink cartridge, and modem. Loaded with OS 8, Claris Works 4, Netscape, and many extras, \$650. Phone 654-38031.

FOR SALE: 1986 Comanche Pickup w/cap, 4 x 2, 4 cylinder, 5 speed, 111 K mi., well maintained, \$3,000 firm. Call 658-4372 after 4 p.m.

FOR SALE: Fireplace doors, 49 x 31 in., brass finish, \$55; log rack, holds 6-8 logs, black iron, \$20; fireplace grate, large, \$5. Call 657-0192.

PLAN AHEAD - Wisconsin Dells, 8/6/99-8/13/99, 2 bdrm. villa, sleeps 6, Christmas Mountain Resort, \$750. Call 694-4505.

VOLUNTEERS NEEDED - We are looking for people to conduct School Tours at the Kenosha Co. Historical Society. The tours run from March through June. Times are 8:30-12:00. We are also in need of year-round Docents during regular Museum hours: 10 a.m.-4:30 p.m. For more info., contact Don Shepard, 654-5770.*

HOUSEKEEPING - Do you want your house clean when you come home from work at night? If so, I can clean while you're at work, weekly or biweekly. Give Mary a call at 654-2487.*

LOOKING FOR SOME SPARE CHANGE AND A WAY TO HELP THE SENIOR GENERATION? We can provide both. Hours are very flexible w/no long-term commitment expected. Duties incl. errands, shopping, and general assistance type activities. Call CompanionPlus at 697-8022 for info.*

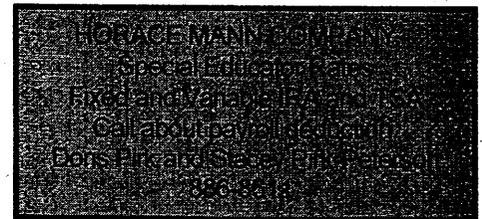
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signs. Island is 1/2 nature refuge. Family atmosphere. Call Cathy at 656-1860.*

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The Voice of the Kenosha Education Association

February 26, 1999



YOUR RETIREMENT SYSTEM IS UNDER ATTACK (AGAIN)

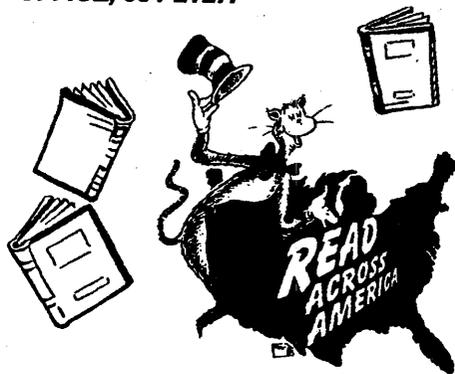
GLUE spoke to Sen. Bob Wirsch last Tuesday. He has expressed concern over Assembly Speaker Scott Jensen's proposal to partially privatize the state public employee pension system. According to *The Capital Times*, "Jensen wants to allow new faculty and academic staff members at UW campuses to opt out of the Wisconsin Retirement System. The new academic hires could have the state send their pension contributions to private firms for investment. It would make their pensions a defined contribution program, rather than a defined benefit program." Jensen has stated that the optional retirement system would help the university recruit faculty because pensions would be "portable."

What's wrong with this plan? Well, Sen. Wirsch and others feel that this is the first in what will be several moves to change the retirement system. This puts "the camel's nose in the tent," according to Wirsch. All groups that Sen. Wirsch asked about this plan, firefighters, police and teachers, are against it. In fact, *no one* in the UW system has requested this! Wisconsin has one of the best public employee pension programs, if not the best, according to Wirsch, and he cannot understand why anyone would want to mess with it. When Wirsch asked one Republican legislator why the system should be changed, he was told, "It's too good." Too good for whom? Would the Republicans favor a poor retirement system?

We agree that this is the first move against the retirement system in an effort to privatize it entirely and eventually turn it into what will be, essentially, a 401K plan. Why does Jensen feel he is justified in jeopardizing the futures of thousands of public employees? Perhaps you all should ask him (and our esteemed Governor) that very question. Contact Jensen and Gov. Thompson and let them know that you do not appreciate their meddling in your future. Speaker Scott Jensen can be called at 608-266-3387 or e-mailed at Rep.Jensen@legis.state.wi.us. Governor Tommy Thompson can be called at 608-266-1212 or e-mailed at wisgov@mail.state.wi.us. As Sen. Wirsch said to us, "As they say, if it

ain't broke, don't fix it." As always, we are grateful to Bob for watching out for us.

THE KEA HAS A VERY LIMITED SUPPLY OF BOOKMARKS, STICKERS, POSTERS, AND BALLOONS FOR "READ ACROSS AMERICA." IF YOU ARE INTERESTED IN ANY OF THESE MATERIALS, PLEASE CALL THE KEA OFFICE, 654-2127.



GROUND RULES ESTABLISHED FOR CONTRACT NEGOTIATIONS

GLUE was present at the public portion of negotiations on Tuesday, Feb 23, at the ESC. In that public session, the ground rules for negotiations were set and here they are:

1. Spokespeople
District: Superintendent Michael Johnson will be the spokesperson for the District. Each team member is free to speak at the table, but all official proposals will be in writing and will be submitted by the District's spokesperson.
Union: The Executive Director will be the spokesperson. All requests and responses should be submitted to and through him.
2. Closed Sessions: Both parties agree that after the initial bargaining session where the topics of each party are presented, sessions will be closed to the public. Further, the spokespersons will agree at the end of each session as to the information that will be released.
3. Size of Teams: District—The negotiating team will consist of the Superintendent, three Board members, the Director of Personnel, and any additional members of Administration that the District deems

necessary. Union—The Union's bargaining team will consist of eleven members, plus the Executive Director.

4. Bargaining Session Time: Each bargaining session shall be no longer than three hours, including caucuses, unless extended by mutual agreement. Each party may terminate the bargaining session at any time.
5. Bargaining Session Dates and Locations: The bargaining session cycle goal is to meet every other week. Initial sessions have been scheduled for the following dates, times, and locations: 2/23, 4 p.m., ESC; 3/2, 4 p.m., KEA; 3/23, 4 p.m., ESC; 4/14, 4 p.m., KEA; 4/26, 4 p.m., ESC; 5/5, 4 p.m., KEA; and 5/25, 4 p.m., ESC.
6. Tentative Agreements: Tentative agreements will be used to indicate a basic understanding and agreement on the specific proposal. Both parties agree that tentative agreements are contingent upon approval of the entire bargain.
7. Note Taking: Each side agrees to keep its own record of the proceedings.
8. Proposals: Each side will present a list of proposals at the initial session. Counterproposals may result from each proposal presented. Prior to the initial open meeting on Feb. 23, the parties will exchange proposals on Tuesday, Feb. 16, as a courtesy to one another so that each party may continue with their preparations (more on this later from Mike Bernier—Ed.).
9. Costing: Both parties agree that the District will provide costing information to the Union in accordance with the parameters and time frames provided in the State Statutes. The Union may contact the District with any questions.
10. Conclusion of Bargaining: When an agreement has been reached, the spokesperson from each party, or designee, will issue a joint press release. A goal of this press release will be to provide accurate information to the public on teacher salary increases (as opposed to the figures that taxpayers' groups come up with—Ed.). Examples that are representative of the Union membership

will be utilized (i.e., new teacher with BA and no experience, teacher moving on salary schedule due to...additional education, teacher at top of salary schedule, etc.)

SEMINAR ON NEW CERTIFICATION

Mark Wednesday, March 3, on your calendars if you are curious about new certification rules. Katie Stout, WEAC Director of IPD, will be at the KEA office on that date from 4-5 p.m. Michel Bernier fears that there may be enough interest in this seminar that the numbers of participants would be more than the KEA office could handle. To give us an idea of how many people to expect, Michel would appreciate it if you would phone the KEA (654-2127) and let us know that you plan to attend.

REMINDER: KEPAC GENERAL MEMBERSHIP MEETING, MONDAY, MARCH 1, 4 P.M., KEA OFFICE.

KEA SCHOLARSHIP COMMITTEE

Anyone interested in serving on the Scholarship and/or Scholarship Selection Committees should call the KEA, 654-2127. Their first meeting is scheduled for Tuesday, March 9, at 4:30 p.m.

REMINDER: ELEMENTARY CONCERNS MEETING, MONDAY, MARCH 8, 4:00 PM, KEA OFFICE.

RESPONSE TO GLUE EDITORIAL

The following comes to us from Matthew Hanser:

Dear *GLUE* Editor,

I am writing in response to the article titled, "Exercising Editorial Privilege," in the February 5th issue of the GLUE. As a fifth year teacher I would fall into the category of "younger" teachers in the KUSD. As an individual raised in the home of a teacher and union leader, I understand the importance of unity in education regardless of how many years someone has been teaching.

I do not take any of our benefits for granted because I know how long and hard people before me had to work to get the rights and benefits we have in our contract. I understand the importance of getting involved in the union and that an individual can make a difference, especially when joined by other individuals who want to achieve similar goals. I have spoken with and met with Mr. Bernier on numerous occasions to discuss issues that I do not understand, to discuss what I believe is important in education and to find out what I can do to help the union. Most recently I called Mr. Bernier to ask him why we do not

have an IRS-125 account for medical and childcare expenses. I was told that it has not been brought up as a topic for past negotiations despite the fact that the framework of the language is already in our contract. That idea is now part of the current contract negotiations.

I have three questions that I believe need to be answered. How many people were at the general membership meeting? Why must the us v. them mentality be used when discussing concerns about lack of membership participation? What do we gain as a union when people who write columns become sarcastic? A member is a member regardless of years of experience in education and we should encourage participation by all members.

If we want to move forward as a respected professional union, the sarcastic and divisive comments must stop. Little or nothing is gained when individuals are put down for not speaking up. If there are individuals that do not want to be involved, that is a personal decision and we must respect their decision. We must also welcome those individuals when they do decide to become actively involved. The biggest enemy of our union is itself when individuals in this organization put each other down.

A union is defined as: "a group of people united for some special purpose." I believe our special purpose as educators is to promote togetherness and excellence in education.

Editor's Note: I have been very fair about printing rebuttals to that "fateful" article mentioned in Matthew's and others' letters. I must tell you that what I wrote I heard coming from teachers in my own and other buildings. In fact, opinion on that article was split down the middle. Older teachers agreed with me; younger teachers were incensed. What I am pleased about is that people have responded to the article and spoken their minds about what "union" means to them and why we should not be divisive. You're right—we should not be; but it took a somewhat scatological article to get people to say so. Appeals for opinions previous to this article fell on deaf ears and silent keyboards. I would be more than happy to print any opinions that come to *GLUE* at any time, and, rest assured, I will not resort to "sarcasm" in the future and would not have the last time if that had not been the only way I could see to "build a fire" under the membership! Mea culpa, mea culpa, mea maxima culpa.

FOOD AND WINE FAIR

The Kenosha Junior Woman's Club is sponsoring its annual Food and Wine Fair, "A

Taste of Elegance," on Tuesday, March 16th. The event will be held at the Brat Stop's Parkway Chateau Banquet Hall from 5:30-8:30 p.m. Cost is \$20 in advance and \$25 at the door. This donation allows you to sample foods and beverages from numerous local restaurants, bakeries and caterers. Proceeds will be donated to the Kenosha Junior Woman's Club scholarship fund and the Kenosha Community Health Center. Tickets are available from Roger & Marv's SuperValu or from any Kenosha Junior Woman's Club member.

BOWLING
1st Place: *Engine Doctors*, 22-10
E. Korunan, J. Ruschli, A. Walker
2nd Place: *Hansen's Gardens*, 22-10
J. Hansen, E. Gascoign, J. Zahn
3rd Place: *Hillside Hardware*, 22-10
B. Nelson, S. Powers, T. DeSanto
Women's High Game:
Krista Lichtenheld, 202
Women's High Series: Pat Gallo, 490
Men's High Game & Series:
John Zahn, 235/674
Splits: Dick Boris, 3-10; Sonia Powers, 3-10; Thuy Patterson, 5-10

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Volume XXVII Number 22
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Pershing Plaza-Kenosha

CALENDAR

- KEA Budget Committee, Mon. Mar. 1, 4:00 p.m. at the KEA
- KEPAC General Membership Meeting, Mon., Mar. 1, 4:00 p.m. at the KEA
- Teacher Contract Negotiations Session, Tues., Mar. 2, 4:00 p.m. at the KEA
- School Matters Committee, Tues., Mar. 2, 4:00 p.m. at the KEA
- Teacher Certification Presentation by Kaffe Stout, WEAC IPD Director, Wed. Mar. 3, 4:00 p.m. at the KEA
- Elementary Concerts, Mon. Mar. 8, 4:00 p.m. at the KEA
- Scholarship/Scholarship Selection Committee, Tue. Mar. 9, 4:30 p.m. at the KEA
- Regular School Board, Tues. Mar. 9, 7:00 p.m. at the ESSC
- KEA Bargaining Team Meeting, Mar. 10, 4:00 p.m. at the KEA
- KEA Board of Directors, Mon. Mar. 11, 4:00 p.m. at the KEA

*Grande Design and Construction. Home: 657-5920; Office: 633-9669.**

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AFTER SCHOOL CERTIFIED TEACHER/TUTOR POSITON – Looking for a certified teacher to tutor at the Shalom center along with current teacher for the remainder of the school year. Hours after school are Mon. through Thurs. Certified teacher rate of \$17.31. *Contact Karen Schultz, 653-5923 (Funding through DPI-McKinney Grant).*

PERSONAL, CULTURAL ENRICHMENT TOUR TO EUROPE FOR STUDENTS AND TEACHERS – 14 days, June 17-30. Visit France (Paris), Germany (Munich, Berlin), Switzerland (Lucerne), Austria (Salzburg), and Czech Republic (Prague). Under \$2,800, all inclusive. *Call Andy or Joan, 414-662-3222, before March 1.*

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FOR SALE: Clown head for helium tank; 2 comforters, peach-white for double, queen/king bed; 2 amber glass lamps; asst'd. wallpaper; antique child-size wood chairs; antique pewter teapot; punch bowl; white milk-glass candlesticks; fruit bowl, etc. FREE w/any purchase, choose from dozens of mismatched Rubbermaid and Tupperware items; all prices negotiable. *Phone 552-9764.*

WEED CONTROL AND FERTILIZATION – Why put up with another year of a lawn or yard you're not happy with? At the same time, why pay a big buck for lawn care with no guarantee? *For a free analysis and estimate, call John Majercik, a licensed specialist and owner of Yardscapes landscape services, 414-694-9398.**

FOR SALE: 1995 Jeep Wrangler, emerald green w/spice hard top, 4 cylinder, 5-speed manual transmission, only 18,000 mi., soft top conversion pkg., am/fm stereo w/sound bar, rear window defroster, asking \$11,500. *Call Sue after 6 p.m., 654-6359.*

FOR SALE: Sharp II Carousel Microwave, 1.6 cu., 900 watt, best offer-good cond. (moved), Brio table, \$50 or best offer; American Girl framed Samantha, 20"x30"; vases, asst'd.; walnut extension table, 48"x28"x28", best offer. *Call 552-9764 for appt.*

FOR SALE: Wire book/card rack, 6 ft. tall, spinner. *Call 654-9393.*

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FOR SALE: Glass top, rectangular, chrome finish kitchen table w/four chairs, \$85; round bamboo coffee table, looks like Pier 1 style furniture, \$17; lg. human-sized stuffed chimpanzee toy, fills reclining chair, makes great child's gift, it's brand new and retails upwards \$150, asking \$50; small animal carriers, \$10 ea.; stackable luggage set, \$22. *Call 551-9617.*

FAMILY LOOKING FOR RESPITE CARE PROVIDER for 2 special needs children in evenings. Approximately 24-30 hrs. per month, \$7.50/hr. *Please call 697-7834 for more info.*

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FOR SALE: Computer incl. monitor and printer: 1.7 GB hard drive, 166 MHz Intel Pentium, modem, and graphics accelerator; Windows 95 and WordPerfect 7 installed; Canon color printer. *Make an offer, 551-0733.**

WESLEY UNITED METHODIST CHURCH IS SEEKING ACCOMPANIST/DIRECTOR OF MUSIC PROGRAM, hours and salary are negotiable. *Please call 654-8122.**

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1999-2000 SCHOOL CALENDAR

August 25-27 (Wednesday-Friday)	New Teacher Orientation
August 30 (Monday)	Staff Meeting/Building Meetings
August 31 (Tuesday)	Teacher Workday
September 1 (Wednesday)	Students Report
September 6 (Monday)	Labor Day
October 28-29 (Thursday-Friday)	Convention Days
November 25-26 (Thursday-Friday)	Thanksgiving Recess
December 17 (Friday—Close of Session)	Winter Recess Begins
January 3 (Monday—Schools Reopen)	Winter Recess Ends
January 24 (Monday)	Teacher Workday
February 25 (Friday)	Professional In-Service Day
March 20 (Monday)	Mid-Winter Break
April 20 (Thursday—Close of Session)	Spring Recess Begins
May 1 (Monday—Schools Reopen)	Spring Recess Ends
May 29 (Monday)	Memorial Day
June 13 (Tuesday)	End of Year for Students
June 14 (Wednesday)	Teacher Workday

2000-2001 SCHOOL CALENDAR

August 23-25 (Wednesday-Friday)	New Teacher Orientation
August 28 (Monday)	Staff Meeting/Building Meetings
August 29 (Tuesday)	Teacher Workday
August 30 (Wednesday)	Students Report
September 4 (Monday)	Labor Day
October 26-27 (Thursday-Friday)	Convention Days
November 23-24 (Thursday-Friday)	Thanksgiving Recess
December 15 (Friday—Close of Session)	Winter Recess Begins
January 2 (Tuesday—Schools Reopen)	Winter Recess Ends
January 22 (Monday)	Teacher Workday
February 23 (Friday)	Professional In-Service Day
April 12 (Thursday—Close of Session)	Spring Recess Begins
April 23 (Monday—Schools Reopen)	Spring Recess Ends
May 28 (Monday)	Memorial Day
June 12 (Tuesday)	End of Year for Students
June 13 (Wednesday)	Teacher Workday

Tentative Agreement subject to agreement by the Kenosha Unified School Board.



Smith, Beth
From: Erickson, Pat
Sent: Tuesday, March 30, 1999 2:38 PM
To: Smith, Beth
Subject: FW: ORP 3/22 report

-----Original Message-----

From: Dennison, Scott
Sent: Tuesday, March 30, 1999 2:11 PM
To: Sen. Wirch
Subject: FW: ORP 3/22 report

Dear Senator Wirch,

You asked me to keep you posted on things. The Coalition of Annuitants has conducted a writing campaign to Toby Marcowitz (sp?), the regent who chairs the regents' finance committee. They have obtained permission to have a public hearing to air their views before that committee when the regents meet next, which I think will be April 8th.

Here is an e-mail conversation I had with George Brooks of UW System Administration yesterday and today. In the top note I express my strong opinion that if the WRS money purchase plan were fixed, it would fly circles around any outside money purchase plan such as TIAA-CREF's. I really do think that's a "no-brainer", when you consider that the WRS is really a very good defined benefit plan added to a money purchase plan. If you fixed the latter to be equal to or better than TIAA-CREF's m.p. plan, then the WRS would obviously be like TIAA-CREF -- but with the formula plan added as a terrific guaranteed minimum benefit. TIAA-CREF can't even come close to offering such a guarantee on top of the money purchase plan it does offer.

I personally think that for Wisconsin an ORP is an incredibly useless idea -- if we'd just fix the great plan we've already got. If we don't want to fix it, then maybe we should just get rid of it, because as it is now with the 5% crediting rate, the money purchase plan is badly crippled.

If there is any merit to the "camel's nose under the tent" concern, then the ORP is worse than just "an incredibly useless idea". In that case, it is a dangerous idea. I know these insurance companies well, having seen them in action while I was in West Virginia. In their case, the camel's nose will definitely soon be followed by the rest of the camel. Their lust for "new business" has no limits.

Scott

-----Original Message-----

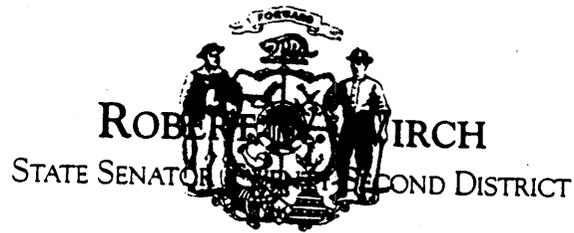
From: Dennison, Scott
Sent: Tuesday, March 30, 1999 12:25 PM
To: 'gbrooks@cmail.uwsa.edu'
Subject: RE: ORP 3/22 report

Dear George,

Here is how I would justify a 10% DC plan for new people to those older people who aren't getting it:

"1. The WRS is actually worth more than 10% of pay to the majority of professors and academic staff who expect not to leave, but to stay until retirement -- it's the ones who leave that bring the average cost down to 9.6%. 2. Also, a DC plan has no guaranteed results, just guaranteed contributions. A DC plan can go down, instead of up right before the eyes." -- George Brooks

Toll-Free Office Hotline: 1-888-769-4724
 Email: Sen.Wirch@legis.state.wi.us • Fax: (608) 267-0984
 Home: 3007 Springbrook Road, Kenosha, Wisconsin 53142 • (414) 694-7379



TO: Interested Parties
FROM: Senator Robert Wirch
DATE: March 24, 1999
RE: Optional Retirement Plan

.....

In the past, you may have received materials from me in regard to the proposed Optional Retirement Plan being pushed by Assembly Speaker Scott Jensen. I am enclosing for you some new information about this issue, including an article published in *The Capital Times*.

Also, you will find enclosed information published by a consortium of retirement groups from around the state pursuant to a meeting they held recently about the ORP. As you will note, they are united in their opposition.

If you have any questions or concerns on this or any issue, please do not hesitate to call or write to me at any time.

Aetna

Retirement Services

Aetna Investment Services, Inc.
Suite 300
2525 Cabot Drive
Lisle, IL 60532

William T. Abramowicz
Vice President
Registered Representative
630-245-4064
Fax: 630-245-4057
Pager: 800-436-4512

MAR 29 1999

March 25, 1999

Sen. Robert Wirch
Joint Survey Committee on Retirement Systems
P.O. Box 7882
Madison, WI 53707-7882

Dear Sen. Wirch:

I wanted to thank you again for the opportunity to testify before the Joint Survey Committee on the adoption of an Optional Retirement System (ORS) for the Wisconsin University System. Aetna supports the ORS and is currently a provider to 15 ORS plans. Our experience with those plans indicates that an ORS is a highly effective recruiting tool given the movement of professional staff from university to university. Additionally, an ORS is simply an alternative to the Wisconsin Retirement System (WRS). The WRS will still be there for employees who wish to choose it. The existence of the ORS gives an employee the choice to select a plan that fits their lifestyle.

As I testified, the two most important aspects of the ORS is choice and portability. University employees will not only have the choice to select between the WRS and the ORS, but also the ability to select the investment options that fits their needs. Selection of the ORS also gives employees a portable benefit that they can take with them when they move on to another job.

Finally, I would also like to comment on a couple of very important points that were discussed at the hearing. The first is education. Before an employee chooses the ORS, the insurer needs to work with them to assure that the ORS is right for them. If it is, then the employee needs to work with the insurer to determine the appropriate level of risk the employee is comfortable with at that time. In my judgment, the single most important factor in the success of an ORS is the quality of education provided to employees.

The second is the volatility of the stock market. We have all witnessed the dramatic ups and downs in the market. As part of the education process, insurers work with employees to determine the appropriate asset allocation for the employee given their proximity to retirement as well as other factors. The closer to retirement the more one's portfolio should be invested in fixed instruments, e.g. Treasuries, corporate

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bonds. If the education process is working right, the scenario mentioned at the hearing should not occur.

As your committee moves forward with your review, please do not hesitate to contact us. We are willing to work with you to shape an effective ORS that provides choice, portability and the necessary education to make Wisconsin's ORS a success.

Very truly yours,

A handwritten signature in black ink that reads "W.T. Abramowicz". The signature is written in a cursive style with a long, sweeping underline.

William T. Abramowicz
Vice President