

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-4644/1	Introduction Number AB-1120	
Description Using accumulated unused sick leave credits and health insurance premium credits for the purchase of long-term care insurance for participants under the Wisconsin Retirement System		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local:		
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations		
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input checked="" type="checkbox"/> SEGS		
Agency/Prepared By ETF/ Jon Kranz (608) 267-0908	Authorized Signature Dave Stella (608) 266-3641	Date 3/1/2006

Fiscal Estimate Narratives

ETF 3/14/2006

LRB Number	05-4644/1	Introduction Number	AB-1120	Estimate Type	Original
Description Using accumulated unused sick leave credits and health insurance premium credits for the purchase of long-term care insurance for participants under the Wisconsin Retirement System					

Assumptions Used in Arriving at Fiscal Estimate

LRB-4644/1 allows state employees who are eligible to use accumulated sick leave conversion credits (ASLCC) and supplemental health insurance conversion credits (SHICC) to pay to pay for long-term care insurance premiums under Chapter 40. Current law only allows these credits to be used for the purchase of state group health insurance. Under the bill, a participant could use these credits to purchase long-term health insurance only if they are not being used to purchase health insurance and if the participant is covered by a comparable health insurance plan.

At retirement, the total amount of sick leave conversion credits is determined for each eligible annuitant. While the total amount of available sick leave credits is not affected by this bill, this bill will result in the accelerated depletion of individual accounts. The sick leave conversion credit programs (SHICC and ASLCC) are pre-funded through a charge to state agencies based on a percentage of payroll and through investment earnings on the fund balance. At retirement, the participant's unused sick leave is converted into a dollar value that can be used to purchase health coverage under the state group insurance program. The longer the monies are held by the fund, the greater the investment earnings and conversely, the shorter the time the funds are held, the lower the investment earnings. The added option of allowing participants to use this program to purchase long-term care insurance will accelerate the use of these funds. The accelerated use of credits will result in lower investment earnings and the difference will need to be made up through an increase in the percentage of payroll charged to state agencies.

Based on information provided by the ETF Board's actuary, the estimated annual program cost associated with this bill are 0.1 percent to 0.4 percent of covered payroll. Based on state payroll data for calendar year 2004, the annual costs would be between \$3.4 million and 13.6 million on an all funds basis. The actual amount will depend upon the amount of the premium and the number of individuals who choose to utilize the long-term care insurance option offered under this bill.

Administrative costs associated with the implementation phase are estimated to be \$45,800. On-going administrative costs are estimated to be \$1,400 SEG annually. Administrative costs will be incurred in order to reprogram the Department's sick leave credit computer system, revise brochures and forms, and to administer monthly premium remittance to long-term care insurers for participants who elect to use their sick leave credit balance to pay their long-term care premiums.

Long-Range Fiscal Implications

On-going.