

## Fiscal Estimate - 2011 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 11-3202/1	<b>Introduction Number</b> AB-0539	
<b>Description</b> Authorizing the Board of Regents of the University of Wisconsin System to establish an optional retirement system for its employees		
<b>Fiscal Effect</b>  <b>State:</b> <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 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 type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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## Fiscal Estimate Narratives

ETF 2/24/2012

LRB Number	11-3202/1	Introduction Number	AB-0539	Estimate Type	Original
<b>Description</b> Authorizing the Board of Regents of the University of Wisconsin System to establish an optional retirement system for its employees					

### Assumptions Used in Arriving at Fiscal Estimate

This bill would allow the University of Wisconsin Board of Regents (UWS) to establish an optional retirement plan for its employees. If this plan is created, UWS employees initially hired on or after January 1, 2012 would have a choice of participating in either the optional plan or the Wisconsin Retirement System (WRS) but could not participate in both plans at the same time. Employees who join the UWS optional plan would not be allowed to join (or re-join) the WRS during their UWS employment.

Assumption used in this estimate are as follows:

- \* UWS employees who participate in the optional plan would be covered under the Income Continuation Insurance (ICI) program administered by the Department of Employee Trust Funds (ETF).
- \* UWS employees who participate in the optional plan would not be eligible for Long-term Disability Insurance (LTDI) benefits or retirement disability benefits under s. 40.63.
- \* UWS protective occupation employees would be eligible for Duty Disability benefits under s. 40.65 regardless of which retirement plan they choose.
- \* UWS would be responsible for all administrative costs related to the optional plan.
- \* UWS employees who choose the WRS would not be allowed to later participate in the optional plan and terminate participation in the WRS.
- \* UWS employees would continue to participate in the ETF administered state group health insurance program.
- \* Any costs associated with the provisions that allow retroactive participation back to January 1, 2012 are not included in this estimate.

ETF anticipates that there will be one-time and on-going administrative costs associated with this bill should the UWS create an optional plan. It is expected that the costs would be incurred for staff training, publication and forms revisions, information technology systems changes, internal revenue code compliance, and other administrative functions. The amount of these costs is highly dependent on the details of the optional retirement plan to be created by the UWS. Since these details are not known, these costs are indeterminate.

If the UWS creates the optional plan, disability program costs could be increased. For example, current ICI recipients are required to apply for LTDI benefits if they are disabled for more than one year. Under the bill, if UWS does not provide similar LTDI benefits, it is possible that UWS employees receiving ICI benefits would remain in ICI longer than under current law. As such ICI costs could increase. There could be a similar effect on the Duty Disability program. Increased costs would be dependent on participation levels in the optional retirement plan and the design of that plan. An actuarial analysis would be needed to determine the long-term cost effect on the disability programs.

There may be a material fiscal effect on the WRS program costs. The potential effect is dependent upon many factors, including the participation levels in the UWS optional plan and demographics of those participants. If costs increase and if those costs were not addressed through some form of payment to the Public Employee Trust Fund, the contribution rates of the employees and state/local employers who remain in the WRS may increase. In addition, the investment strategy for the fund may require adjustment, which may affect investment returns. An actuarial analysis would be required to determine these costs and potential affects. The Joint Survey Committee on Retirement Systems may wish to obtain such an analysis.

In addition, the State of Wisconsin Investment Board may provide a fiscal estimate regarding the potential impact on asset allocations, cash flow, and investment returns.

**Long-Range Fiscal Implications**