Committee Name:
JOINT SURVEY COMMITTEE – RETIREMENT SYSTEMS (JSC–RS)

Appointments

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STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 70

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Grobschmidt, Hamilton and Volk, cosponsored by Senators Jauch, Andrea and Lorman.) An Act to create 40.05 (1)(a) 6 of the statutes, relating to allowing rollovers from qualified pension plans and individual retirement accounts to the Wisconsin retirement system.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THE BILL

The Wisconsin Retirement System (WRS) provides pension coverage for 200,000 active employees of state and local government. The basic pension is a formula benefit supported by required contributions from participating employers and employees. In addition, WRS law allows participating employers and/or employees to make additional voluntary contributions to an employee's account which are credited with interest each year and may be used for additional annuities or lump sum payments upon termination.

The Federal Internal Revenue Code authorizes and encourages persons receiving distributions from qualified retirement plans to "rollover" the distributions into another qualified plan or an individual retirement arrangement (IRA). In order to rollover into another qualified plan, the second pension plan must accept rollovers. Although the WRS is a qualified pension plan under IRS Code, WRS law does not presently accept rollovers from other qualified pension plans or IRAs. The purpose of this

bill is to specifically authorize such rollovers which will be handled as additional contributions to the employee account, to be used at termination or retirement to purchase additional annuities or lump sum payments.

ACTUARIAL EFFECT

This bill would have no effect upon the actuarial balance or goals of the Wisconsin Retirement System.

PROBABLE COST

Except for modest WRS administrative costs which would be charged to investment income, this bill would have no effect upon required employee or employer contribution rates. The new rollover authority would essentially use the process for additional voluntary contributions that is now authorized by WRS law.

PUBLIC POLICY

One of the major policy issues facing Federal and State pension planners is the portability and preservation of pension accruals. The Federal IRS Code authorizes the rollover of eligible distributions from qualified pension plans or IRA accounts to other qualified pension plans or IRA accounts. The WRS provides a basic formula pension funded by required employee and employer contributions, and the system also allows additional voluntary contributions by either employer or employe participants which may be used to provide supplemental annuities or lump sum payments upon termination or retirement.

Additional contributions are credited to an employee's accumulation account which is credited each year with the full rate of investment return. Upon termination only, the additional account may be paid as a lump sum payment, payments over a period certain, or as an additional retirement annuity in any of the various options provided by the WRS.

Even though the WRS essentially has all of the administrative machinery in place to allow rollovers from other qualified pension plans or IRAs, WRS law does not currently permit such rollovers. The purpose of this bill is to specifically authorize rollovers from other IRA accounts or qualified pension plans, and such rollover amounts would be treated as additional contributions for the affected participant.

The bill would have no effect upon the required contribution rates for employees and employers under the WRS, but would facilitate the portability and preservation of prior pension accruals--a goal strongly encouraged by Federal law and regulations. This legislation reflects the recommendations of the RRC.

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 107

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Grobschmidt, Volk, and Young; cosponsored by Senator Jauch, by request of Joint Survey Committee on Retirement Systems.) An Act to amend 20.515 (1)(t) and 40.26 (2)(b); and to create 40.02 (2m), 40.02 (18f), 40.02 (48m), 40.06 (7), 40.08 (1m) and 40.08 (13) of the statutes, relating to division of a participant's rights and benefits under the Wisconsin retirement system pursuant to a qualified domestic relations order and making an appropriation.

EXTRACT OF COMMITTEE'S RECOMENDATION ON THIS BILL

PURPOSE OF THE BILL

Presently, Sec. 40.08 (1) of the statutes governing the Wisconsin Retirement System (WRS) provides that benefits and rights of participants--"shall not be assignable, either in law or equity or be subject to execution, levy, attachment, garnishment, or other legal process except as specifically provided in this section". Other WRS provisions give plan participants total management and control of rights and benefits under the system, except as to the selection of annuity options. There currently is no procedure under WRS law whereby a direct payment may be made to a party other than the WRS participant pursuant to a court's domestic relations order.

The purpose of this bill is to provide a mechanism for the division of WRS benefits and rights pursuant to an order issued by a court under a domestic relations law of any state or territory of the United States. Specifically, this bill provides the following:

- Section 1--This section provides technical amendments relative to appropriations provided within this bill.

- Section 2--This section newly defines "an alternate payee" as the former spouse of a participant.

- Section 3--This section defines "decree date" as the date of termination of a participant's marriage.

- Section 4--This section newly defines a "qualified domestic relations order". This definition requires that such an order name the WRS, name and give the dates of birth, addresses and social security numbers of the participant and the alternate payee, specify the decree date, and specify the alternate payee's percentage share not to exceed 50% of the participant's account on the decree date. The definition also requires that the court order not require payments which are otherwise required to be made to the IRS or another alternate payee, nor to assign joint ownership, nor to provide greater benefits than those benefits that the participant would be entitled to without the decree. The definition also requires the participant to report all potential military service credit.

- Section 5--This section creates a new obligation for employer participants to report upon proper notification, earnings, service, and contributions of a participant that is named in a court order.

- Section 6--This section establishes the division process that shall occur pursuant to a qualified domestic relations order. There are two division procedures based upon whether or not the participant is an annuitant upon the decree date. The two procedures may be summarized as follows:

  (a) Participant is an Annuitant--When a decree date occurs after the participant's annuity has become effective, the present value of the annuity then being paid is determined and divided by the percentage specified by the court order. The percentage paid to the alternate payee shall be paid as a straight life annuity computed using the payee's age on the effective date. The participant's annuity is also recalculated as of the decree date, reflecting the division specified by the court decree. The same annuity option that was selected by the participant at the time of retirement shall continue unless that option was a joint/survivor annuity, in which case the recalculated participant's annuity shall be paid as a straight life annuity.

ACTUARIAL EFFECT

This bill would have no effect upon the actuarial balance or goals of the WRS.

PROBABLE COST

This bill establishes a new procedure to divide a participant's accumulated rights and benefits under the WRS, based upon the present value of the annuity being paid or the service credit and accumulation accounts for participants who are not annuitants. The bill specifically prohibits the payment of benefits that would exceed the value of benefits to which the participant would otherwise be entitled. Accordingly, this bill would have no effect upon regular required contribution rates to the WRS. On the other hand, this legislation would cause some increase in administrative procedures, and the bill provides for a one-time appropriation of $150,000 to carry out program modifications that will be required to accommodate the new division process.

PUBLIC POLICY

The Federal Retirement Equity Act of 1984 (REA) was designed to provide greater equity between workers and their spouses relative to private sector pension plans. The REA Act requires private pension plans to comply with qualified domestic relations orders that properly identify the parties involved and provide specific instructions for determining the portion of plan benefits which will be payable to an alternate payee.

The REA Act is generally construed as representing a new milestone in the development of women's rights. Although the REA Act does not apply to public pension systems, it may be deemed as setting a precedent for retirement plans in the public sector. The statutes governing the Wisconsin Retirement System (WRS) do not permit direct payments to an alternate payee pursuant to a court domestic relations order, and hence, do not reflect the REA precedent.

The purpose of this bill is to establish a procedure for the division of WRS benefits pursuant to a qualified domestic relations order. The bill specifies certain criteria that a court order must meet in order to qualify, and then establishes a division process based upon the status of the WRS participant (retired or not) on the effective date of the court order.

(b) Participant Not an Annuitant--If the decree date is before the participant applies for an annuity, the alternate payee's benefits and rights shall be determined by the creditable service and account balances of the participant on the decree date. The alternate payee is deemed to be a participant who has ceased to be a participating employee, and may apply for benefits immediately or delay application to a later date. If the alternate payee applies for benefits before the participant has reached the earliest age of retirement (age 55 or 50 for protectives), the benefit shall be paid as a lump sum based upon the share of the employee's account that was credited to the alternate payee under the decree. If the alternate payee's date of application for benefits is after the participant has reached the earliest age for retirement, the benefit is determined using the years of creditable service that are allocated to the alternate payee under the court decree, but using the participant's final average earnings as of the alternate payee's date of application for benefits.

The participant's account also reflects percent division of service credit and account balances that are specified by the court order as of the decree date. When the participant ultimately applies for benefits, the annuity calculated by the standard formula shall reflect the reduced service credit pursuant to the domestic relations order, except that any benefit or right which is available only after the attainment of a specified length of service (such as the determination of the normal retirement date) shall be determined upon the total service that would have been recognized had the amount not been divided by court order.

- Section 7--This section specifies that the ETF may not be required to enforce or monitor the beneficiary designation specified in the qualified domestic relations order.

- Section 8--This section provides technical amendments governing reentry into covered employment after an initial retirement.

- Section 9--This section provides an additional appropriation under 20.515 (1)(t) of $150,000 to carry out certain administrative responsibilities related to this act.

- Section 10--This section establishes the effective date for the new division of benefits procedures as the first day of the fourth month beginning after publication.

The division process is based upon the present value of the annuity being paid, or the creditable service and accumulation accounts for participants other than annuitants. This bill specifically provides that no court order can require payments greater than that which the participant is entitled to. Accordingly, this bill would have no effect upon regular required contribution rates to the WRS. However, the bill does increase administrative expenses of the Department of Employee Trust Funds and provides a one-time appropriation of $150,000 to carry out start-up administrative expenses.

This legislation approaches the equity standards that have been established for the private pension sector by the Federal REA law, and the concept has been recommended for passage by the Wisconsin Retirement Research Committee.

STATE OF WISCONSIN

APPENDIX TO 1989 SENATE BILL 144

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Senators Andrea, Jauch, Moen, Feingold, Chilsen, Kincaid, Kreul, Strohl, Rude, Roshell, Shoemaker, Chvala, Buettner, Plewa and Burke; cosponsored by Representatives Grobschmidt, Volk, Antaramian, Larson, Lorge, M. Coggs, Bolle, Porter, Coleman, Goetsch, Radtke, Hamilton, Carpenter, Holperin, Barca, Black, Vanderperren, Zweck, Lepak, Robson, Van Dreel, Brandemuehl, Gruszynski and Underheim.) An Act to amend 13.51 (1), 13.51 (2) (intro.), 15.07 (1)(a)3 and 4, 15.16 (1)(intro.), 15.76 (intro.) and 15.76 (3); and to create 13.51 (2)(f) and 15.16 (1)(d) of the statutes, relating to representation of annuitants in the Wisconsin retirement system on the retirement research committee, employee trust funds board and the state investment board.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THE LEGISLATION

This bill relates to the membership of the Retirement Research Committee (RRC), the Employee Trust Funds Board (ETFB) and the State Investment Board (SIB). Presently, none of these bodies have a member specifically designated as a representative for annuitants of the Wisconsin Retirement System (WRS). This bill adds one additional member appointed by the Governor to the RRC, changing that Committee from 18 to 19 members. The bill also deletes a statutory reference in the statutes governing the RRC stating that 8 members shall constitute a quorum.

The bill also adds one annuitant to the ETFB to be elected by annuitants of the WRS, changing that board from an 11 to 12 member body. Also, the bill adds a member to the SIB who is an annuitant and elected by annuitants of the WRS, increasing its membership from

8 to 9. Lastly, the bill establishes the expiration dates of the first term for the three new members created by this act.

ACTUARIAL EFFECT

This legislation would have no effect upon the actuarial balance or goals of the WRS.

PROBABLE COST

This legislation would have no effect upon the employer or employee contribution rates to the WRS. However, there would be minor added administrative costs for the RRC, ETFB, and SWIB because of added members and added procedures that are required by elections.

PUBLIC POLICY

Senate Bill 144 presumably was introduced by groups representing the interests of annuitants under the WRS. Currently, there are about 200,000 actively employed participants under the WRS, and 70,000 annuitants--reflecting a ratio of three actives to one annuitant. Presently, the RRC, the ETFB and the SIB have no members that by definition are annuitants of the WRS representing the interests of this group. All three of these bodies do have members that represent active employees and also employers of these employees. The purpose of this legislation is to add members who will specifically represent the interests of WRS anniutants.

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 214

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Hamilton, Van Gorden, Holschbach, Black, Vergeront, Robson, Gruszynski, Bolle, Grobschmidt, Volk, Van Dreel, Gronemus and Schneiders, cosponsored by Senator Andrea.) An Act to amend 40.02 (17)(intro.); and to create 40.25 (7) and 111.91 (2)(g) of the statutes, relating to granting cre itable service under the Wisconsin retirement system to an employe for prior service as an employe of a government employer that did not participate in the Wisconsin retirement system.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THE BILL

Currently, the statutes governing the Wisconsin Retirement System (WRS) provide no mechanism by which a participating employee may receive credit or purchase credit for service with a Federal, state of local public employer not participating under the WRS. The purpose of this bill is to allow employee participants to receive creditable service for service with another governmental entity under prescribed conditions.

A participant who has at least three years of regular creditable service under the WRS may apply for up to 10 years of creditable service with an employer not covered by the WRS, if the participant furnishes adequate evidence of such service, and if the participant makes a lump sum payment equal to the present value of the additional service to be recognized under the WRS. The present value will be actuarially determined to fully fund the cost of increased benefits resulting from the additional service, and hence, there will be no impact upon regular required contributions under the WRS.

ACTUARIAL EFFECT

This bill may increase the actuarial liabilities of the system, but it requires participants to pay the full cost of any additional actuarial liabilities that may be recognized.

PROBABLE COST

This bill specifies that a WRS participant applying for additional service with a public employer other than a WRS participating employer must pay the full actuarial cost for improved benefits resulting from such service credit. Accordingly, there would be no effect on regular required WRS contribution rates.

PUBLIC POLICY

Presently, most municipal, county, school district, and state governmental units located in Wisconsin are participating employers under the WRS. Major exceptions are Milwaukee City and Milwaukee County which provide separate plans for their employees. There presently is no provision under WRS law which allows WRS participants to receive or purchase credit for service with a public employer who is not a participating employer of the WRS.

This bill newly allows participants to purchase up to 10 years of creditable service with a Federal, state or local public employer not covered by the WRS. In order to do so, the employee must have three years of regular creditable service, must furnish adequate evidence of service with a non-participating employer, and must pay the lump-sum present value of the pension benefits provided by the additional service credit. Accordingly, there would be no effect upon regular required WRS contribution rates, if enacted. This bill would provide for added portability of benefits between other public retirement plans and the WRS.

1989-90 LRB-2648/1

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 250

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Grobschmidt, Volk, Hamilton, Antaramian, Larson, Lorge, M. Coggs, Bolle, Porter, Coleman, Goetsch, Radtke, Carpenter, Holperin, Barca, Black, Vanderperren, Zweck, Lepak, Robson, Van Dreel, Brandemuehl, Gruszynski and Underheim, cosponsored by Senators Andrea, Jauch, Moen, Feingold, Chilsen, Kincaid, Kreul, Strohl, Rude, Roshell, Shoemaker, Chvala, Burke and Plewa.) An Act to amend 13.51 (1), 13.51 (2)(intro.), 15.07 (1)(a)3 and 4, 15.16 (1)(intro.) 15.76 (intro.) and 15.76 (3); and to create 13.51 (2)(f) and 15.16 (1)(d) of the statutes, relating to representation of annuitants in the Wisconsin retirement system on the retirement research committee, employee trust funds board and the state investment board.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

The Joint Survey Committee on Retirement Systems finds that Assembly Bill 250, as amended by Assembly Amendment #1, represents good public policy and recommends its passage.

PURPOSE OF THE LEGISLATION

This bill relates to the membership of the Retirement Research Committee (RRC), the Employee Trust Funds Board (ETFB) and the State Investment Board (SIB). Presently, none of these bodies have a member specifically designated as a representative for annuitants of the Wisconsin Retirement System (WRS). This bill adds one additional member appointed by the Governor to the RRC, changing that Committee from 18 to 19 members. The bill also deletes a statutory reference in the statutes governing the RRC stating that 8 members shall constitute a quorum.

The bill also adds one annuitant to the ETFB to be elected by annuitants of the WRS, changing that board from an 11 to 12 member body. Also, the bill adds a member to the SIB who is an annuitant and elected by annuitants of the WRS, increasing its membership from

8 to 9. Lastly, the bill establishes the expiration dates of the first term for the three new members created by this act.

ACTUARIAL EFFECT

This legislation would have no effect upon the actuarial balance or goals of the WRS.

PROBABLE COST

This legislation would have no effect upon the employer or employee contribution rates to the WRS. However, there would be minor added administrative costs for the RRC, ETFB, and SWIB because of added members and added procedures that are required by elections.

PUBLIC POLICY

Assembly Bill 250 presumably was introduced by groups representing the interests of annuitants under the WRS. Currently, there are about 200,000 actively employed participants under the WRS, and 70,000 annuitants--reflecting a ratio of three actives to one annuitant. Presently, the RRC, the ETFB and the SIB have no members that by definition are annuitants of the WRS representing the interests of this group. All three of these bodies do have members that represent active employees and also employers of these employees. The purpose of this legislation is to add members who will specifically represent the interests of WRS anniutants.

RECOMMENDATION

The Joint Survey Committee on Retirement Systems finds that Assembly Bill 250, as amended by Assembly Amendment #1, represents good public policy and recommends its passage.

9/12/89

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 380

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Van Dreel, Robson, Boyle and Carpenter, cosponsored by Senator Van Sistine, by request of Donald J. Pagel.) An Act to renumber and amend 40.02 (15); to amend 40.02 (17)(intro.), 40.02 (40), 40.05 (2)(b) and 40.71 (1)(c); and to create 40.02 (55m) and 40.05 (2)(bv) of the statutes, relating to granting creditable service for service in the commissioned corps of the federal public health service and the national oceanic and atmospheric administration.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THE BILL

Participants of the Wisconsin Retirement System (WRS) currently may receive service credit for military service which may or may not be a break in covered public employment under specified conditions. Section 40.02 (15)(a) defines military service as active service in the U.S. Army including the WACS, the Navy including the WAVES, the U.S. Air Force including the WAFS, the U.S. Marine Corp. including the WMS, and the U.S. Coast Guard including the SPARS.

Federal service in the Public Health Service (PHS) and the National Oceanic and Atmospheric Administration (NOAA) does not meet the definition of military service under WRS law. The purpose of this bill, therefore, is to newly define service in the PHS and NOAA as creditable military service under the same specified conditions that service in the U.S. Armed Forces is recognized.

This change in definition affects WRS participants who retire on or after the effective date of this legislation. In addition, the bill provides that any newly created liabilities shall be included in the prior service liability that is being amortized by contributions from employer participants over a 40-year period.

ACTUARIAL EFFECT

This bill will increase the actuarial liabilities of the WRS relative to any service credit newly granted for service in the PHS and NOAA. The bill provides that the additional liabilities will be added to WRS prior service liabilities which are an obligation of employer participants to amortize over a 40-year period.

PROBABLE COST

There are simply no records under the WRS that indicate how many participants would newly qualify for credit relative to service in the PHS and NOAA. Accordingly, any cost must be based upon numerous assumptions which may or may not prove valid. Previous surveys of those qualifying for military service reflect that the average military recognition is three plus years per participant.

For purposes of this appendix report, it is assumed that 50 WRS participants would newly qualify for military service credit, that the average service so recognized is three years, that the average salary of the participants affected is $30,000, and that the normal cost of a year of creditable service is 10.6% of covered payroll. Under these assumptions, $477,000 of accrued liability would newly be recognized under the WRS.

This bill requires that the added liabilities would be amortized by employer participants over a 40-year period. About 30% of the newly accrued liabilities would become an obligation of the state as an employer, and the remaining 70% would be an obligation of local governmental employers including municipalities, counties, and school districts. Presumably, this additional liability would not require an immediate increase in the amortization payments now being made by state and local employer participants under the WRS.

PUBLIC POLICY

The Federal Government presently recognizes seven "uniformed services" which include service in the five branches of the U.S. Armed Forces, plus service in the Public Health Service (PHS) and the National Oceanic and Atmospheric Administration (NOAA). Sources within the PHS and NOAA indicate that service thereunder closely parallels

service in the U.S. Armed Forces. All individuals in these uniformed services are commissioned officers who have been directly recruited and serve at the pleasure of the President for a minimum of two or more years. The pay scales are similar to those scales paid to officers of the U.S. Armed Forces, assignments may be with the various armed forces, and service in one of these two agencies was deemed to satisfy the requirement for military service when such service was required during periods of conflict.

It is estimated that there are about 6,000 uniformed officers in the two Federal agencies at the present time, but the number of such officers was lower during past periods of conflict. There simply is no information available that would indicate how many present or future participants under the WRS would newly qualify for military service credit because of the passage of this bill. It should be noted that the inclusion of PHS and NOAA service would apply for both crediting procedures--where military service is a break in public employment and where such service is not a break in public employment but was performed before 1/1/74.

Presently, the WRS is nearly unique in granting service credit for military service which is not a break in public employment--at no cost to the employee participant. This bill expands the crediting provisions, placing service in the Federal PHS and NOAA agencies on the same footing as service in the various branches of the U.S. Armed Forces. The costs of this service credit would be added to existing prior service liabilities which are an obligation of employer participants under the WRS.

NOTE: This bill was drafted prior to the passage of 1989 Wis. Act 13. If this bill progresses, those provisions governing prior service liabilities would require amendment to reflect passage of Wis. Act 13.

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 382

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Hasenohrl, Vanderperren, Lepak, Van Gorden, Musser, Fortis, Roberts, Antaramian, Robson, Klusman, Lautenschlager, Rohan, Stower, Barca, Medinger, Vergeront, Brandemuehl, Thompson, Boyle, Gruszynski, Porter, Holperin and Ott, cosponsored by Senators Kincaid, Chilsen, Weeden, Moen and Andrea.) An Act to amend 40.02 (48)(a) and 110.07 (3); and to create 110.07 (4) of the statutes, relating to powers, duties and retirement bneefits of state motor vehicle inspectors and making an appropriation.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THE BILL

This bill concerns motor vehicle inspectors employed by the State Department of Transportation (D.O.T.). This bill newly authorizes motor vehicle inspectors to enforce laws governing the operation of vehicles while under the influence of alcohol, and to arrest persons for whom warrants have been issued.

This bill also designates motor vehicle inspectors who are not presently protective occupation participants as under that classification of the Wisconsin Retirement System (WRS). The presumed intent is that the change from general WRS participant to protective participant shall be prospective in nature for service rendered after the effective date of this legislation.

ACTUARIAL EFFECT

This bill would have no effect upon the actuarial goals or balance of the Wisconsin retirement System.

PROBABLE COST

There are presently 111.5 authorized positions for motor vehicle inspectors. Of this number, 22.5 are currently vacant, and 11 of the filled positions are currently under the WRS protective category. This bill, therefore, would newly cause about 100 positions to be changed from general classification under the WRS to protective participants. For 1990, the WRS required employer contributions are approximately 6% higher for protective participants than for general participants. In addition, employers of protective participants have a separate contribution rate to the disability program under 40.65, Stats., which is presently 0.9% of covered payroll for D.O.T. protective participants.

Employee contributions are also 1% higher under the protective category than the general WRS classification. This legislation provides an appropriation from segregated funds of approximately $150,000 in each of the two fiscal years of the next biennium. These funds would cover the additional employer costs resulting from the change in classification, and costs would continue into the future at a higher rate of about 7% of covered payroll.

PUBLIC POLICY

The Wisconsin Retirement Research Committee (RRC) carried out a major review of positions covered by the WRS protective occupation category in 1964--RRC Report #10. One of the conclusions of that study was that some positions designated as protective should not be, and some other positions not designated as protective should be. These conclusions were based upon an assumption that only those WRS positions which require retirement at earlier than normal ages in the public interest should be covered under the protective category. The report noted that the protective category was not intended to be a reward for hazardous or unpleasant duty, or as a vehicle of only providing higher benefits for a special group. Pursuant to this RRC study, motor vehicle inspectors who were hired after January 1, 1968, were designated as general WRS participants, while those hired before that date continued their WRS designation as protectives.

Under current WRS law, participants may fall under the protective category by specific statutory designation, by action of the employer, by employee appeal to the retirement board if the employer refuses to so classify, or by collective bargaining--if the positions are deemed to meet the basic definition of requiring principal involvement in law enforcement or fire suppression--see 40.02 (48)(intro.). Hence, motor vehicle inspectors could now be classified as protective if the employer designated them as

protectives, or if the state collective bargaining agreements so provided. Of interest, the biennial budget bill (1989 S.B. 31) as passed by the legislature provides a new review procedure by the department of Employment Relations relative to any positions designated as protective by the various state agencies.

The purpose of this bill is to provide that all motor vehicle inspectors (including those hired after 1/1/68) shall be specifically designated under the protective category. This is accomplished in Section 1 by repealing the phrase "if hired prior to January 1, 1968" from s. 40.02 (48)(a) of the statutes. Spokesmen for the Dept. of Transportation indicate that the intent is to provide protective service accrual prospectively--for service rendered after the effective date. However, the repeal of this section may raise questions relative to retroactive credit under the protective category for service rendered as an inspector before the effective date, and there may be a need to amend this bill to clarify the prospective intent of this change.

Spokesmen for the D.O.T. indicate that there have been substantial changes in the authority and responsibilities of motor vehicle inspectors since the 1964 RRC study. Presently, motor vehicle inspectors and state patrol officers have the same training and the same physical requirements. Inspectors presently have full arrest authority in certain areas, and this bill expands the arrest authority relative to drunk driving and arrest powers when a warrant has already been issued.

Currently, the D.O.T. has 111.5 designated positions for motor vehicle inspectors, of which 22.5 are presently vacant. Eleven of the current inspectors are under the protective category because they were in covered employment before 1/1/68, while the remaining inspectors are general participants under the WRS. D.O.T. spokesmen also indicate that morale problems occur because those inspectors who are WRS general participants work side by side with state patrol officers and a few other inspectors who have the protective designation.

From a public policy standpoint, it would appear that motor vehicle inspector job descriptions and requirements have significantly changed since the 1964 RRC study indicated such positions should not be under the protective category. Motor vehicle inspectors currently have arrest powers in certain areas, and this bill expands the authority of motor vehicle inspectors after the effective date. The proposed change in classification will have an impact upon employer and employee contributions to the retirement system, and the bill does provide for an increase in appropriation for the 1989-91 biennium from segregated funds to cover the higher

contribution rates to the WRS. Employee contributions would also increase by 1% for the effected motor vehicle inspectors.

Perhaps one caution that ought to be noted considering this legislation is a possible precedent. Several other groups of WRS participants may also seek protective designation including county jailers, paramedics, handlers of hazardous waste, etc. It should be noted that the same results for motor vehicle inspectors could be achieved by employer designation by the Dept. of Transportation or by future collective bargaining agreements. The right for D.O.T. as an employer to designate inspectors as protectives could perhaps be clarified by deleting all references in 40.02 (48)(a) to motor vehicle inspectors.

1989-90

LRB-2165/1
LRBs0199/1

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 413 AND

ASSEMBLY SUBSTITUTE AMENDMENT #1 THERETO

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Swoboda, Plache, Hauke, Thompson, Musser, Boyle, Fortis and Lorge, cosponsored by Senators Jauch and Kincaid.) An Act to renumber 40.02 (48)(intro.); to renumber and amend 40.02 (48)(a)(c); and to create 40.02 (17)(g) of the statutes, relating to classifying paramedics and ambulance attendants as protective occupation participants for the purposes of the Wisconsin retirement system

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THE LEGISLATION

Under present law, participants of the Wisconsin Retirement System (WRS) whose principle duties involve law enforcement or fire suppression and prevention, require frequent exposure to danger and peril, and require a high degree of physical conditioning are classified as "protective occupation participants" (P.O.P.). Participants may be included under the P.O.P. category by specific reference under the definition of a P.O.P. as found in Chapter 40, by employer designation as meeting the basic definition, or by employee appeal to the Retirement Board when the employer refuses to so designate a position.

Presently, some police officers and firefighters who are by defintion P.O.P.'s are also designated by their employer as emergency medical technicians--advanced (the definition of a

paramedic), or as ambulance attendants. However, in some counties, participants who are paramedics or ambulance attendants are not firefighters or law enforcement officers, and hence, are general participants under the WRS. Therefore, the purpose of A.B. 413 is to establish by definition that all emergency medical technicians--advanced and ambulance attendents as defined under ss. 146.35 and 146.50, Stats., are P.O.P.s prospectively. The bill provides that this change shall become effective on the January 1 following publication--presumably January 1, 1991, if enacted in 1990.

The A.S.A. #1 to A.B. 413 makes corrections to provisions in the original bill to reflect passage of 1989 Wis. Act 31--the biennial budget bill. Said Act also makes changes to the provisions of law governing the definition of protective occupation participants. It should further be noted that A.B. 429 which has passed both Houses of the Legislature and is awaiting the Governor's signature makes changes to the definitions of "emergency medical technicians--advanced" and "ambulance attendant". If the A.S.A. #1 to A.B 413 progresses, it will need further amendments to reflect the changes in A.B. 429.

ACTUARIAL EFFECT

This legislation would increase the future accrual of liabilities under the WRS by a change in classification from general employee to protective category for certain participants. However, other provisions of WRS law require effected employers and employees to contribute at a higher rate to cover these accrued liabilities, and hence the actuarial balance of the WRS would not be negatively affected.

PROBABLE COST

Benefit rights under the WRS are higher for a protective occupation participant than for general employees, and hence, higher contributions are required for affected employees and employers. General employees are required (1990) to contribute at the rate of 6%, while protectives with social security contribute at the rate of 6.9%. Employer normal cost contributions in 1990 are 4.6% for general employees and 10% for protectives with social security. In addition, protectives have access to the special death and disability program provided by s. 40.65, Stats., and the employer cost for this program range from 0.6% to 4.5% of covered payroll based upon the employer's experience rate under that program. Accordingly, for those positions affected by this bill, employee costs will go up about 1%, but employer costs will more than double.

The State Department of Health and Social Services indicates that there are 600 licensed emergency medical technicians--advanced (paramedics), and over 12,000 licensed ambulance attendents--as these positions are defined under Chapter 146 of the statutes. On the other hand, some of these positions are currently protective occupation participants, while others may be volunteers or employees of the private sector. Hence, the number of positions that would be affected by passage of this bill is unknown, but it is assumed to affect mostly certain counties including Door, Douglas, Waushara and Marquette which presently have ambulance service organized independent of a police or fire department.

PUBLIC POLICY

Under present law, participants of the WRS may be included in the protective category by statutory designation, by action of the employer, by employee appeal to the Retirement Board, or by collective bargaining--if the positions are deemed to meet the basic criteria of requiring active involvement in law enforcement or fire suppression as described under s. 40.02 (48)(a).

Many of the WRS participants who are licensed paramedics or ambulance attendants as defined under ss. 146.35 and 146.50, Stats., are presently in the protective category because they are also police officers and firefighters. However, a few counties have organized paramedic service outside of the police or fire service, and these participants are general employees because they do not meet the basic definition of active involvement in law enforcement or fire suppression. Accordingly, the employers cannot designate these positions as protective by unilateral action or by collective bargaining.

This bill would newly define these positions as protective after the effective date, thus mandating them under the protective category with or without the approval of the employers involved. This change would cause employee contributions to increase by about 1%, and employer costs would more than double. In addition, the employers would be obligated for contributions under the protective death and disability program under s. 40.65, Stats., which vary according to the employer's experience.

It should be noted that there is no longer a major difference in the normal retirement for general employees and protectives. After the early retirement window created by 1989 Wisconsin Act 13 closes on June 30, 1990, the normal retirement for general employees will be 65 or 57 with 30 years while the normal retirement for protectives will be 54 or 53 with 25 years of service. Hence, there is only a difference of four years in the normal retirement for general and protective participants with long service.

On the other hand, there is a major difference in the multiplier upon which benefits are calculated. The multiplier for general employees is 1.6% for each year of creditable service, while the multiplier for protectives with social security is 2% per year--25% higher than the general employee rate. This higher multiplier may be the principle reason for seeking protective designation for the affected paramedics and ambulance attendents. On the other hand, WRS law allows employers to make additional contributions to an employee's account which can offset the difference in the multiplier between these two categories. Therefore, a mandated inclusion in the protective category is not the only method by which paramedics and ambulance attendents can receive higher benefits.

Perhaps of primary importance is the precedent that this bill might set. The protective category is presently restricted to those participants who are primarily involved in law enforcement or fire suppression. Paramedics and ambulance attendents do not now meet this requirement unless they are also members of a police or fire department. This legislation would establish a precedent for expanding the protective category to include positions that are deemed hazardous or strenuous. There are many other positions under the WRS that might meet any new criteria for protective designation based upon hazardous or strenuous duty.

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 480

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Grobschmidt, Ladwig, Potter, Lorge, Travis, Hamilton, Holschbach, Radtke, Wood, Schneiders, Panzer, Wineke, Musser, Carpenter, Van Dreel, Huber, Walling, Boyle, Baldus, Schneider, Tregoning, Volk, Plache, Ott and Gruszynski, cosponsored by Senators Jauch, Burke, Feingold, Buettner, Moen and Andrea.) An Act to amend 40.73 (1)(c) and (d) of the statutes, relating to the requirements for receiving an automatic joint survivor death benefit under the Wisconsin Retirement System.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THS BILL

The statutes governing the Wisconsin Retirement System (WRS) determine survivor death benefits for participants who die before retirement based upon the participant's age at death. If the active participant was age 60 or over (age 55 for protectives) on the date of death, the surviving spouse is eligible for the joint/survivor annuity that would have been payable had the participant retired and selected that annuity on the date of his or her death.

However, if the participant was under age 60 (55-protectives) on the date of death, the only benefit payable to surviving beneficiaries is the employee accumulation account with interest credited thereto. For WRS participants who were under covered employment before January 1, 1982, the amount of interest credited for death benefit purposes is the effective rate of interest. However, for participants coming under covered employment on or after January 1, 1982, the employee accounts are credited at the rate of 5%, starting on January 1, 1985.

The purpose of this bill is to reduce the age requirement for the joint/survivor annuity benefit to the earliest age that WRS statutes permit participants to retire with actuarial discount. This age is 50 for protective participants, but 55 for all other participant classifications. Accordingly, the joint/survivor annuity would be payable to the surviving spouse if the participant was eligible to retire at the time of death, if the annuity is of greater value than the employee accumulation account.

ACTUARIAL EFFECT

This bill would increase the actuarial liabilities of the WRS and hence, there would be a corresponding increase in future employer and employee contribution rates.

PROBABLE COST

The consulting actuary for the Retirement Research Committee (RRC) has projected that lowering the eligibility for the joint/survivor annuity benefit to age 50 for protectives and age 55 for all other participants would increase WRS contribution rates as follows:

- General	--	0.2% of payroll
- Police	--	0.4% of payroll
- Fire	--	0.6% of payroll
- Elected	--	0.2% of payroll

Pursuant to 1989 Wis. Act 13, one-half of any additional costs will be paid by employer participants and the other one-half by employee participants. The costs will continue into the future at about 0.2% of covered payroll (weighted average basis), of which the employee and employer participants shall share equally.

The 1990 projected payroll for covered participants is $5.4 billion, and hence, employer costs would increase for 1990 by about $6 million and employee contributions would also increase by about $6 million. Of this amount, about 70% ($4.2 million) of added employer costs relates to local government and 30% ($1.8 million) relates to the state as an employer. It is further assumed that state employer costs would be funded approximately 46% ($828,000) from GPR and 54% ($972,000) from segregated sources.

PUBLIC POLICY

The current age requirement to qualify for the joint/survivor annuity upon the death of an active participant reflects a severe "cliff" in benefit levels. The difference in value of survivor benefits just before and after the qualifying age of 60 (55-protective)

may be as much as 300% or more. Also, we allow participants to retire as early as age 55 with actuarial discount, but the protection of the automatic joint/survivor annuity payable to a surviving spouse does not apply for another five years. This represents a significant shortcoming in the WRS plan design. Every year several active participants die shortly before qualifying for the joint/survivor annuity, resulting in a severe reduction in survivor benefits.

The RRC recommended a reduction in the age requirements for the pre-retirement joint/survivor annuity during the 1987 legislative session. In addition, the Joint Survey Committee on Retirement Systems (JSCRS) gave favorable recommendation to a 1987 session bill (A.B. 609) which provided the same statutory changes as found in 1989 A.B. 480. This bill addresses a major deficiency in the state-administered retirement plan design.

Note: In the second to last paragraph of the LRB analysis, reference is made as to the bill's application to state employees included in collective bargaining units. This paragraph was written before passage of 1989 Wis. Act 13. Reflecting the passage of this Act, state employees who are included in collective bargaining units shall be governed by the provisions of this bill if enacted, unless the collective bargaining agreements specifically provide otherwise.

RECOMMENDATION

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 489

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Antaramian, Hauke, Clarenbach, Gruszynski, Fergus, Fortis, Boyle, Lautenschlager, Lorge, Musser, Plache, Porter, Vanderperren, Barca, Bell and Black, cosponsored by Senators TeWinkle, Roshell, Strohl and Andrea.) An Act to amend 891.45 of the statutes, relating to a presumption for purposes of death and disability benefits that fire fighters' cancer is caused by employment.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THE BILL

Presently, Section 891.45, Wis. Stats., establishes a presumption for municipal firefighters who have five or more years of service that any disability or death resulting from heart or respiratory impairment or disease is deemed to be employment-related for purposes of benefit programs under s. 40.65 (2) or 66.191, 1981 Stats., or any pension or retirement system applicable to firefighters in this state. This statutory provision was first enacted by Chapter 341, Laws of 1961, and applies to the Wisconsin Retirement System (WRS) and Milwaukee City firefighters.

The purpose of this bill is to expand the presumption for firefighters that any death or disability resulting from cancer shall be deemed to be employment-related for purposes of s. 66.191, 1981 Stats., or s. 40.65 (2), Stats. The new presumption requires an initial qualifying medical examination before joining the Fire Department showing no evidence of cancer, and a total of ten years of service as a firefighter since joining the Fire Department. As written, this bill presumably would not apply to Milwaukee City firefighters.

ACTUARIAL EFFECT

This bill would increase the actuarial liabilities of the death and disability insurance program administered under s. 40.65, Stats. by

the Department of Employee Trust Funds (DETF). There is no current information available that would allow a precise prediction of the added actuarial costs to this program if the bill were enacted. The costs are annually calculated by the actuary for the DETF, and are reflected as experience-related contribution rates by employers of firefighters which currently range from 0.4% to 8.1% of covered (firefighter) payroll.

PROBABLE COST

Section 40.65, Stats., establishes a death and disability insurance program for protective participants under the WRS. There presently are about 13,000 protectives of which 80% are police officers and 20% are firefighters. Of the claims now being paid under s. 40.65, 33% relate to firefighters and 67% relate to police officers--a rate that is more than 50% higher for firefighters than would be warranted by their numbers alone. A possible conclusion may be that firefighter employment is more hazardous than employment as a police officer, or that the presumption under s. 891.45 which applies only to firefighters may also be a factor in the higher ratio of claims for firefighters.

For purposes of this committee report, it may be assumed that firefighter claims under s. 40.65, Stats., would increase by 30% if this legislation is enacted expanding the presumption of injury or death from cancer as employment related. This 30% increase would translate into a 10% increase in total claims under s. 40.65. The 1990 covered payroll for all protectives under the s. 40.65 insurance program is $408,060,803 and the average employer costs is 2.15% of payroll.

Assuming a 10% increase in total costs, this bill would result in an additional $873,307 which would be paid by municipal employers of firefighters. Because there are no firefighters in state employment, all of the additional costs would be paid by local government, and would be paid upon experience-rating of each individual employer of firefighters.

PUBLIC POLICY

Presently, Section 891.45, Stats., establishes a presumption for municipal firefighters that any disability or death resulting from heart or respiratory impairment or disease shall be deemed to be employment-related for purposes of various pension and retirement programs. This statutory presumption was first enacted in 1961, and it presumably reflects the difficulty of measuring the effects of smoke and poisonous gases that firefighters encounter in their employment duties. Nearly every legislative session since 1961, bills have been introduced to expand the existing presumption for firefighters, or to newly provide a presumption for police officers within the state. Since 1961, none of these bills have received favorable action by the state legislature.

The presumption clause applies to benefit programs for firefighters under the old 66.191 program which was repealed in 1982, and also the current s. 40.65 death and disability insurance program that was created in 1982 as a replacement. The experience of claims under the new death and disability program which is now administered by the DETF has been much greater than originally anticipated, and has led to a sizable unfunded accrued liability ($7.6 million) under that program, and rapidly expanding contribution rates to meet present and future payments. The s. 40.65 program was significantly amended by the 1987 legislative session in an attempt to control costs of the program, but it is too early to determine whether or not those changes will control costs.

This bill would expand the presumption of employment-related disease or death resulting from cancer for firefighters under the WRS with ten or more years of covered employment. This legislation presumably reflects that firefighters may be exposed to substances which are carcinogenic in their employment functions. There have been numerous studies around the country attempting to measure the cancer risk for firefighters, but the resulting evidence appears inconclusive at this point in time. This bill, if enacted, would provide greater benefits and protection for qualifying firefighters and their dependents, and a corresponding higher cost for municipal employers of firefighters.

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 495

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Walling, Tregoning, Ladwig, Panzer, Radtke, Schneiders, Schmidt, Young, Goetsch, Lehman, Huelsman, Hamilton, Klusman, Musser, Lorge and Zien, cosponsored by Senator Buettner.) An Act to create 40.27 (2) (am) of the statutes, relating to the distribution of surpluses in the fixed annuity reserve of the public employe trust fund.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THE BILL

Benefits paid to annuitants of the Wisconsin Retirement System (WRS) are subject to adjustment each year according to the investment performance of retirement fund assets. At the time of retirement, assets are transferred to the annuity reserves sufficient to pay the annuity for the projected lifetime, and assuming 5% interest earnings during that period. If the investment return is greater than 5%, "surpluses" are generated which are subject to distribution under s. 40.27 (2) of the statutes.

That statutory section provides that annuities shall be increased if the surpluses are sufficient to allow at least a 2% increase in the amount of all annuities in force. This section does not specify how the Employee Trust Funds Board shall grant the increases, but during the 1980's decade the Board has granted such increases as a level percentage for all annuities in force. The percentage increases have ranged from 4.1% to as high as 7.6%, granted on a compounded basis.

During each calendar year, dividends and interest received along with actual gains and losses from sales of investment holdings are credited to a "current income" account. The transaction amortization account (TAA) reflects approximately the difference between the actuarial value of retirement fund assets and the market value of such assets. At the end of each year, a certain percentage of the TAA is credited to the major WRS accounts along with the balance in the current income account. The three major WRS accounts are the employer aggregate account, the employee accumulation account and the annuity reserves account. The distribution from the TAA and the current income account is based upon the ratio of each major account to the total of all accounts, and the annuity reserves account represents approximately 33% of such assets.

1989 Wis. Act 13 (the early retirement bill) made a number of changes to the TAA. First, this Act changed the annual distribution of the TAA from 7% to 20% of the year-end balance. Secondly, Wis. Act 13 provided for an immediate distribution from the TAA of $500 million, to be allocated to the three major WRS accounts based upon their proper ratio. These two changes, the $500 million immediate recognition and the percentage increase in the TAA annual distribution may provide higher surpluses in the annuity reserves in the next several years than would otherwise have been the case.

The purpose of this bill is to dedicate the share of the $500 million plus the share of annual 20% TAA distribution allocated to the annuity reserves to the older annuitants under the WRS who are still negatively affected by inflation. In spite of the surplus increases granted over the last several years, those who retired before 1978 do not have the purchasing power that they had at the time of retirement. Their purchasing power has been diminished by approximately 11% for those retiring in 1977 to more than 50% for those who retired in 1970 and before. The dedication of the TAA 20% distribution would continue to be directed to the older retirees until all retirees have at least 100% of the purchasing power that they had at the time of retirement.

ACTUARIAL EFFECT

This bill would have no effect upon the actuarial balance of the WRS.

PROBABLE COST

This bill specifies how some of the fixed annuity reserve surpluses shall be distributed to annuitants of the WRS in the next one or more years. The bill would have no effect upon the required employer or employee contributions to the WRS.

PUBLIC POLICY

This bill effects the process of providing post-retirement increases in benefits for WRS annuitants. Benefits are subject to adjustment each year if earnings on invested assets exceed the assumed interest rate of 5%. Since 1980, the Employee Trust Funds Board has allocated the surplus on an "across-the-board" percentage increase for all annuities in effect for at least one year. These increases have ranged from 4.1% up to as high as 7.6%, granted on a compounded basis. The annual increases in the 1980's decade have averaged more than 6%, a level well in excess of the changes in the Consumer Price Index (CPI).

Most of those WRS participants who retired in 1980 or later have experienced a real growth in the purchasing power of their annuities--as high as 29%. On the other hand, those who retired before 1978 still do not have the purchasing power that they had at the time of retirement. The loss in purchasing power ranges from about 11% for those retiring in 1977 to more than 60% for those retiring in 1970 or before.

Although in recent years the ETF Board has granted "across-the-board" percentage increases for all annuities, this procedure is not dictated by statute. The ETF Board may grant different percentages based upon the year of retirement as may be determined equitable by that Board. Prior to 1980, many of the annuity adjustments were granted on a staggered basis with higher percentages allocated to those who had been retired for a longer period. It should also be noted, that a cap on benefit increases has been in effect from 1982, but terminates at the end of 1989. This cap provides that any potential increase in benefits that exceed the average salary index as defined by WRS law shall be dedicated to those older retirees still negatively effected by inflation.

This bill would newly dedicate the share of the one-time $500 million distribution of the TAA going to the annuity reserves to those older retirees still negatively effected by inflation. In addition, this bill dedicates the share of the annual distribution from the TAA again to those older retirees still negatively effected by inflation. The mid-year balance of the TAA was approximately $2.75 billion; and assuming that this tAA balance is maintained to the end of the year, the potential dollars that could be dedicated to older retirees in 1990 approaches $350 million. If this amount were allocated on an "across-the-board" percentage increase, it would amount to about 7% for each annuitant, but this amount would obviously produce significantly higher benefits if dedicated in total to those who have less than 100% purchasing power. This bill would not affect the regular distribution from the current income account, reflecting dividends, interest earnings, and actual gains and losses from investment sales.

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 516

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Medinger, Grobschmidt, Hamilton, Musser, Gruszynski, Stower, Boyle, Lewis, Underheim, Fortis, Holschbach, Potter, Radtke, Walling, cosponsored by Senators Jauch, Moen, Roshell, Helback and Shoemaker.) An Act to amend 40.02 (17)(intro.) and 40.05 (2)(b); and to create 40.02 (17)(g) and 40.05 (2)(bw) of the statutes, relating to granting creditable service to university of Wisconsin instructional faculty for teacher improvement leave.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THE BILL

This bill concerns only U.W. faculty who were on paid "teacher improvement" leave of absence between January 1, 1964 and August 31, 1967. During this period (prior to the merger of the state colleges and universities), the state colleges had a policy of granting leaves of absence for purposes of "teacher improvement". Those qualifying were covered by a contract with the state college which usually provided for payment at 50% of the normal rate of earnings, but with an obligation to return to college teaching for a specified period after the leave of absence.

During that time period the state retirement systems did not grant creditable service for leaves of absence, even if earnings were paid during such periods. The law has subsequently been changed to allow such credit. The purpose of this bill is to grant creditable service for actively employed faculty members who were on teacher improvement leave during the specified period--up to a maximum of one creditable year per person.

The bill requires that the teachers applying for "teacher improvement" service credit shall pay 5% of their highest average monthly wage for each month of service recognized. The balance of the added liabilities would be paid by the U.W. System over approximately 40 years.

ACTUARIAL EFFECT

It is estimated that this legislation could involve about 50 years of creditable service with a present value of approximately $196,200. The bill requires the teacher applicants to pay part of the cost involved, and the U.W. System would pay the remainder.

PROBABLE COST

The bill effects only teachers employed by the state colleges who were placed on "improvement leave of absence" during the period of January 1, 1964 to August 31, 1967. It is estimated that less than 100 U.W. System faculty would be affected by this legislation and that about 50 years of creditable service could be granted thereunder. It is further assumed that the faculty involved would have an average annual salary of $36,000 and that the normal cost of a year of creditable service for general employees under the WRS is 10.9% of payroll. Based upon these assumptions, $196,200 of added liability would be recognized under the state retirement system.

In order to receive credit for teacher improvement leave, the affected faculty are required to contribute 5% of their highest monthly average earnings for each month of creditable service recognized. The balance of the newly recognized liabilities would be added to the prior service liabilities of the U.W. System, to be funded over the remainder of the 40-year amortization period. Accordingly, $90,000 of the added liabilities would be paid by U.W. faculty and $106,200 by the U.W. System. The added employer obligation presumably would not require an increase in the present amortization rate allocated to the U.W. System.

PUBLIC POLICY

During the period of January 1, 1964 to August 31, 1967, certain teachers of the state colleges were granted leave of absence for the purpose of "teacher improvements". Said teachers were granted payments under contract equal to about one-half of normal earnings, but creditable service was not permitted under the state retirement systems during that time period for leave of absence. Starting in 1967 a different method of providing teacher improvement was adopted, and creditable service was earned after that date. In addition, the statutes now governing the WRS allow creditable service for a leave of absence period, with or without earnings, and at the discretion of the employer.

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 521

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Grobschmidt, Hamilton, and Volk, cosponsored by Senators Jauch and Stitt). An Act to amend 40.05 (4)(ad) and 40.51 (2); and to create 40.02 (25)(b) 6m and 40.51 (11) of the statutes, relating to allowing any retired state employe and certain other former state employes to purchase coverage under the state employee group health insurance plan by furnishing evidence of insurability satisfactory to the insurer.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THE BILL

Under current law, terminating state employees may continue their health insurance coverage under the state insurance program, if they retire on an immediate annuity (not more than 30 days after termination), or if they are over age 55 and have 20 years of creditable service. State statutes do not provide subsequent enrollment under the state health insurance program for terminated state employees who for one reason or another do not continue their insurance coverage upon termination. This could include those state employees who retired before access to the state health plan was authorized, or who left state employment before age 55, or who chose to defer their annuity and had less than 20 years of service at the termination date.

The purpose of this bill is to allow any terminated state employee participant who is receiving an annuity from the Wisconsin Retirement System (WRS), or who has left state service after 20 or more years of creditable service before being eligible for an immediate annuity, to purchase coverage under the state employee group health insurance plan if evidence of insurability is provided which is satisfactory to the insurer.

ACTUARIAL EFFECT

This bill would have no material actuarial effect upon the retirement or group insurance programs administered by the Department of Employee Trust Funds (DETF).

PROBABLE COST

This bill would allow a small number of retired state employees to purchase coverage under the state employee group health insurance plan by furnishing satisfactory evidence of insurability to the insurer. This bill should have no material effect upon required premium contribution rates paid by the state or eligible state employees.

PUBLIC POLICY

1987 Wis. Act 107 provides group health insurance coverage for retired public employees other than state employees, if they provide evidence of insurability and pay the full required premium rate. By definition, retired employees of the state do not have access to the group insurance program created by this act. In addition, some terminating state employees may not have qualified or applied for continued coverage under the state employee group health insurance program administered by the DETF. Hence, a small number of terminated state employees currently have no access to the state employee health insurance program or the group health insurance plan established for local government retirees.

This bill allows any terminated state employee who is receiving an annuity under the WRS, or who left state service after 20 years before becoming eligible for an immediate annuity, to purchase coverage under the state employee group health insurance plan if satisfactory evidence of insurability is furnished to the insurer, at the retirees expense. This bill should have no material effect upon the required premium contribution rates of the state or state employees to the state health insurance plan. This legislation has been recommended for introduction and passage by the Wisconsin Retirement Research Committee.

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 522

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representatives Grobschmidt, Hamilton, and Volk, cosponsored by senators Jauch and Stitt.) An Act to repeal 40.05 (4)(bL); to amend 40.02 (25)(b) 10, 40.04 (10), 40.05 (4)(br) and 757.02 (5); and to repeal and recreate 40.02 (22) (f) of the statutes, relating to allowing state employees, and certain local government employes, who are eligible for a disability annuity to avoid delay of the start of the annuity by converting accumulated unused sick leave to credits for the payment of health insurance premiums.

EXTRACT OF COMMITTEE'S RECOMENDATION ON THIS BILL

PURPOSE OF THE BILL

The statutes governing the Wisconsin Retirement System (WRS) now require that accumulated sick leave must be exhausted before a participant may receive a disability annuity. Section 40.02 (22) 6., Stats., which defines "earnings" provides that payments upon termination of employment of accumulated vacation, sick leave, or compensatory time are considered a continuation of an employee's earnings for purposes of a disability annuity effective date.

An exception to this requirement was enacted during the 1987 session for state employees who qualify for a duty-related disability under 40.63 or 40.65 of the statutes. It should also be noted that the exhaustion of accumulated sick leave is not required for participants who retire on a regular retirement annuity, and hence state and other employees are able to convert their accumulated sick leave credits to pay health insurance premiums after retirement under prescribed conditions.

STATE OF WISCONSIN

APPENDIX TO 1989 ASSEMBLY BILL 525

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Representative Grobschmidt, co-sponsored by Senator Andrea.) An Act relating to allowing a member or employee of the legislature to employee of a legislative service agency who did not receive creditable service under the Wisconsin retirement system for certain legislative service to purchase the period of service not previously credited.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

PURPOSE OF THE BILL

This bill concerns active participants of the Wisconsin Retirement System (WRS) who served in the legislature or as a legislative employee and did not receive creditable service for the period involved. The bill allows such participants to receive credit for prior service, if the participant met the 600 hour minimum qualification for participation under the WRS during the calendar year involved, and pays a specified lump sum payment to the system on the date of application.

The required lump sum payment must be submitted with an application for creditable service within six months after the effective date of this legislation. The payment is determined as 5% of the participating employee's monthly final average earnings, or 5½% of FAE for elected or executive service, for each month of service recognized. The bill specifies that the required payment shall not be subject to employer "pick-up" under s. 40.05 (1)(b), Stats.

The bill also provides that the balance of the prior service liability granted under this legislation which is not funded by the applicant's lump sum payment shall be paid from the general program appropriation of the legislature under s. 20.765 (1)(a) and (b) of the statutes.

ACTUARIAL EFFECT

This bill requires full actuarial funding by the participating applicant and the legislature for any prior service credit that may be granted.

PROBABLE COST

This bill presumably would effect a very limited number of participating employees who do not have credit for prior service as a legislator or legislative employee. The normal cost for a creditable year of service is 10.9% for general employees and 16.7% for elected officials.

The bill requires the applicants to pay the current required employee contributions (5% or 5½%) for each month of credit granted, and requires the balance of costs to be funded from the legislature's appropriation for general program operations. There would be no costs involved for other participating employees or employers.

PUBLIC POLICY

This bill allows active participants of the WRS to "buy back" service as a legislator or legislative employee which is not credited under the system. The employee must apply for the credit within six months after passage, and must pay a lump sum payment equal to the current employee contribution rate for such service--5% of wages if general service, or 5½% of wages if elective or executive service. The balance of the costs for prior service credit is to be funded from the general program appropriation of the legislautre.

Legislative employees were previously allowed to purchase service credit during a six-month period in 1971 (Chapter 176), and one legislative employee was allowed to purchase service credit in 1981 (Chapter 91). Legislators were also allowed to purchase legislative service credit during a two-week period in 1974 (Chapter 288). There is no current authorization under WRS law to purchase service credit which was not recognized at the time of service.

All three of the previous acts allowing the purchase of legislative service were given a favorable recommendation by the JSCRS. This bill allows the purchase of prior legislative service in the same manner that the statutes now allow an employee to purchase probationary service that is not credited under the system.