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

Appointments

89hr_JSC–RS_Appt_pt00

Clearinghouse Rules

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Committee Hearings

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Committee Reports

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Executive Sessions

89hr_JSC–RS_ES_pt00

Hearing Records

89hr_ab0000

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Misc.

89hr_JSC–RS__Misc__pt03b

Record of Committee Proceedings

89hr_JSC–RS_RCP_pt00

1989 ASSEMBLY BILL 448

1989 Session

LRB or Bill No./Adm. Rule No.: AB448

Amendment No. if Applicable

FISCAL ESTIMATE

DOA-2048 (R 10/88)

☒ ORIGINAL ☒ UPDATED ☐ CORRECTED ☐ SUPPLEMENTAL

Subject: PROHIBITS INVESTMENTS OF PUBLIC RETIREMENT TRUST FUNDS IN CERTAIN INVESTMENTS RELATING TO THE REPUBLIC OF SOUTH AFRICA

Fiscal Effect

State: ☐ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☐ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☒ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☒ No

☐ Decrease Costs

Local: ☐ No local government costs

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected: ☐ Towns ☐ Villages ☐ Cities ☐ Counties ☐ Others______

Fund Sources Affected: ☐ GPR ☐ FED ☒ PRO ☐ PRS ☒ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

This fiscal note updates the analysis prepared for previous divestiture legislation to reflect changes in the circumstances in South Africa and the Investment Board's (SWIB's) holdings.

Since January 1, 1986, 149 companies have sold their direct investments in South Africa. Of this 149, 68 still have some indirect business interests in that country. Assets under SWIB's management affected by this legislation have increased from $12.1 billion to $20.1 billion during the same time period.

The methodology used to prepare this fiscal note produced a cost for the previous legislation which was corroborated by the findings of a study prepared by a consulting firm agreed upon and hired by parties interested in and affected by the legislation. The consultants produced cost data for a range of proposals beyond that incorporated in the legislation. One of the proposals--An Active Investor Program--has been adopted by the Investment Board.

This bill will result in a one time cost of $36.5 million due to additional brokerage fees and price discounts associated with divestiture. The recurring annual cost is over $63.5 million, due primarily to reduced opportunities for investment selection.

This fiscal estimate is based upon the Investment Board's investments as of August 31, 1989 in companies doing business in South Africa as reported by the Investor's Responsibility Research Center (IRRC) updated through August 1989. The universe of companies includes those domestic companies with direct investments in South Africa, those identified as having licensing, distribution, franchising, trademark, or technological agreements with companies in South Africa, and those companies that have dormant subsidiaries in South Africa. The list of companies doing business in South Africa, with a few exceptions, does NOT include U.S. companies whose business relationship is limited to selling to or purchasing from South Africa. No such complete list is known to exist, although there are unsubstantiated reports of as many as 6,000 U.S. companies doing business in South Africa. Lacking complete information on all companies doing business in South Africa, this cost estimate may be substantially understated. This list does not include international investments. SWIB is starting international investing and it is estimated that at least 25 percent of the equity investments will be in companies that have some economic tie to South Africa. Divesting these assets will add significantly to the costs of divestment legislation.

The cost estimate is divided into three parts. Part 1 summarizes SWIB's investments as of 8/31/89, and the amount that would be required to be divested. Part 2 reports on the one-time transaction costs that would be incurred in selling investments, and the costs of buying replacement securities. Part 3 reports on the on-going loss of income that the retirement funds would suffer due to the limitations on future investment opportunities.

Long-Range Fiscal Implications

1) CONTRIBUTIONS TO THE FUND ARE GROWING AT 10% PER YEAR WHICH WILL POTENTIALLY INCREASE THE FISCAL IMPACT OF THIS BILL OVER TIME.
2) AS COMPANIES CONTINUE TO WITHDRAW THE AFFECTED UNIVERSE OF COMPANIES WILL SHRINK, THUS REDUCING THE POTENTIAL IMPACT BUT OFFSETTING THIS IS THE FACT THAT MORE INDIRECT RELATIONSHIPS ARE BEING DISCOVERED WHICH HAS A REVERSE IMPACT. THE NET IMPACT IS THEREFOR UNCERTAIN.

Agency/Prepared by: (Name & Phone No.) STATE OF WISCONSIN INVESTMENT BOARD

Authorized Signature/Telephone No.

Date

SWIB INVESTMENTS AND REQUIRED DIVESTMENT - 8/31/89

This cost estimate reports only on the impact of divestment upon the Wisconsin Retirement Funds. In total, these comprise $20.1 billion of the $22.6 billion managed by SWIB. Two retirement funds, the Fixed Fund and the Variable Fund are affected. Their investments and the amount of divestment required are:

	Total Investments @ Market 8/31/89 $ million	Amount Divested $ million	% Divested
Stocks	10,813.0 mil.	$2,777.0 mil.	25.7%
Public Bonds & Private Placements	6,733.0	664.0	9.9
Mortgages & Real Estate	556.0	115.0	20.7
Short Term Investments	2,018.0	00.0	0.0
Total Retirement Funds	20,120.0 mil.	3,556.0 mil.	17.7%

Full divestiture limitations (no investment in any company doing business in South Africa) will require selling and replacing over $3.5 billion of SWIB's present holdings. This search for replacements will be superimposed upon the normal growth of the retirement funds from new contributions and reinvestment of cash income. New contributions and re-investment of cash income requires finding new investments of about $1.2 billion per year. As noted earlier, this estimate is based only upon U.S. companies presently <u>identified</u> as being in South Africa.

TRANSACTION COSTS OF DIVESTMENT

Selling over $3.5 billion of investments will incur two types of transactions costs: Brokerage commissions and losses due to price pressure effects. This estimate eliminates costs associated with normal turnover, and estimates the costs due ONLY to the additional forced sales caused by divestiture.

The cost estimates are based upon SWIB's experience in obtaining low cost brokerage services, SWIB's normal annual portfolio turnover, and SWIB's estimate of the likely impact of price pressures induced by divestment.

Brokerage Fees

This estimate takes into account the availability of program sales, block trading, and the full array of sophisticated trading techniques already utilized by SWIB. Our experience is similar to that reported by independent studies of trading costs.

Brokerage fees (round trip i.e. selling and buying a replacement)

Stocks	$ 6,220/million*	= 0.6%
Marketable Bonds	10,000/million	= 1.0%
Private Placements	10,000/million	= 1.0%
Mortgages	30,000/million	= 3.0%

*This rate is derived as follows:

- selling large company stock	$2,300/mil.	x 1.0	=$2,300
- buying small company stock	6,300/mil.	x (.6)	= 3,780
- buying short term	350/mil.	x (.4)	= 140
			$6,220

Price Pressure Effect

Assets sold and replaced will obtain a price somewhat below market. The deviation from market price will not hold for all assets sold. Furthermore, in the event that some deviation is experienced, the magnitude will vary depending upon the size of the holding for any one asset that is subject to the provisions of this bill and upon the market for those assets. The average price reduction is estimated to be 1% (round trip--sale and replacement) for all assets divested. Taken together with brokerage fees, these transactions cost estimates are consistent with other studies showing transaction costs for stocks to range between 1.5%-6% plus an added 1-3% transactions cost for smaller stocks.

Summary of Assumptions and Estimates for Transactions Costs

1. Normal annual portfolio turnover for common stocks is 25%. Over three years, we would, therefore, expect to hold $(100\% - 25\%)^3 = 42\%$ of the original portfolio. Therefore, 42% of the securities divested would turn out to be forced sales. Marketable bonds, private placements, and mortgages are usually held to maturity (typically much longer than 3 years) and therefore should all be considered forced sales.

2. Transactions Costs Attributable to Divestiture.

	Forced Sales $ millions	Brokerage Fees (see table)	Price Pressure (1%)	Total Transaction Costs
Stocks	$1,166,000,000*	$6,996,000	$11,660,000	$18,656,000
Public Bonds & Private Placements	664,000,000	6,640,000	6,640,000	13,280,000
Mortgages	115,000,000	3,450,000	1,150,000	4,600,000
Total	$1,945,000,000	$17,086,000	$19,450,000	$36,536,000

* 42% of stocks affected by divestiture, assuming 25% annual turnover rate.

INCOME REDUCTION DUE TO DIVESTMENT

Fund income will be adversely affected by divestment for three reasons: 1) reduced performance, 2) a reallocation from higher return stocks to lower return short term investments, and 3) higher investment expenses deducted from income.

1. <u>Performance</u>: Both stock and fixed income portfolio will be hampered since the legislation eliminates many of the largest companies that SWIB typically reviews and invests in. While there are companies which will substitute for those removed from the universe, typically the substitutes are of lower quality in a given industry. For example in autos, GM and Ford would be excluded leaving Chrysler as the only choice of any size. Rather than having a choice among major auto manufacturers, SWIB's choice would be reduced to whether or not to invest in autos at all. SWIB has been successful in outperforming the average market over many years. The effect

of divestment restrictions is likely to hamper the continuation of the success. SWIB's record of above-average performance for the past 10 years is:

For 10 Years - 6/79 thru 6/89:	Average Annual Return
Stocks	
SWIB Common Stock Returns	17.8%
S&P-500	16.9%
SWIB Excess Return	0.9%
Fixed Income	
SWIB Fixed Income Return	11.6%
Merrill Lynch All Corp. Bond Index	11.3%
SWIB Excess Return	0.3%

Source: SWIB Annual Report, 1989

2. Reduced income from a reallocation of divested assets from stocks to short term investments is necessary in order to maintain the same volatility and risk level of the portfolio. As stated earlier, divestment typically eliminates the largest, highest quality companies in an industry and necessitates substituting smaller, lower quality companies. While smaller companies can in many cases produce very attractive returns, experience shows that they are more volatile and more risky than the present large company investments. To avoid an increase in risk caused solely by divestment, safe, stable short term investments such as treasury bills would need to be used in part to balance the increased risk of replacement common stocks.

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Expected Stock Returns Based on Long-Run Historical Data

Expected Returns (over inflation) of Divested Large Common Stocks	6.7%/year
Expected Returns (over inflation) of Replacement Portfolio: (60% Smaller Common Stocks/40% T Bills)	5.5%/year
Difference = Reduced Expected Return Over Inflation	1.2%/year

Source: Ibbotson & Associates Inc., 1989

In fixed income investments, there does not appear to be the same reallocation effect. Bonds and private placements affected by divestiture are assumed to be replaceable without affecting risk or return by a combination of higher quality Treasury bonds, and lower quality (Baa) industrial bonds.

3. Increased investment expenses would be incurred because smaller companies require more time consuming original research than do larger companies which are reviewed by many Wall Street analysts. SWIB assumes that an four additional analyst position would be needed to do the research required for the for small capitalization stocks. There would be one Analyst-1 position, two Analyst-2 positions and one Analyst-3 position. Fringes, salary and support staff costs for the additional staff would be approximately $219,000. Also, as discussed earlier, transactions costs are higher for smaller companies.

Additional SWIB Staff	$ 219,000
Higher Transaction Costs For Equity Replacement Portfolio	3,000,0000*
Total	$3,219,000

*Transaction Costs:

Round Trip Replacement Portfolio	$7,840/mil.
Round Trip Large Stocks	-4,600/mil.
Increase Rate for Transaction Costs	$3,240/mil.

$3,240/mil. x $2,777 mil. = $8,997,000

($8,997,000 would be the additional cost for the divested equity portfolio. We assume this would be divided equally over the three-year phase in period which would be approximately $3 million per year. Once divestment was completed we assume that 25% of the portfolio is turned over each year and the increased transactions costs associated with this would still apply. New contributions to the fund would increase the amount of money being invested in small cap stocks each year. Therefore we assume that the on-going costs of divestment due to higher transactions costs would be approximately $3 million per year.)

Summary of Assumptions and Estimates of On-Going Income Reduction

1. The amount of volatility and risk accepted in the funds should remain unchanged.

2. Summary of Annual Reduction in Income

	Amount Divested $ Millions	(1) Lost Performance	(2) Reduced Market Rates	Total Income Reduction
Stocks	$2,777.0	-0.9%	-1.2%	58,317,000
Public Bonds & Private Placements	664.0	-0.3%	---	1,992,000

TOTAL INCOME REDUCTION	$60,309,000
Additional Investment Expenses	$ 3,219,000
TOTAL ON-GOING COSTS ASSOCIATES WITH DIVESTITURE	$63,528,000

Investing Proceeds from Divestment in Wisconsin

This fiscal note estimates that $3.5 billion (17.7%) of the Wisconsin Retirement System assets would have to be divested over the next three years and in turn invested in companies or businesses in the State of Wisconsin.

One billion and fifty-seven million ($1,057 million) of this amount would be the proceeds from divesting securities of companies that are already doing business in Wisconsin. These are companies that have economic ties to South Africa and are headquartered in Wisconsin and/or have a significant number of employees in the state. Among others, SWIB would be forced to sell the securities of General Motors, Kimberly Clark, and Harnischfeger. SWIB, in accordance with the 1985 Wisconsin Act 53, projects that it will be investing $675 million to $2.4 billion in Wisconsin companies over the next five years. The additional $3.5 billion from this divestiture legislation therefore, more than doubles SWIB's target for investments in the state to $4-6 billion over the next five years.

It should be noted that while the Investment Board would act in good faith in response to this legislation, a question arises about the feasibility of achieving this target. This legislation narrows the universe of eligible Wisconsin companies in which SWIB can invest. Thus the question of whether there is sufficient demand from Wisconsin companies for loans totaling $4-6 billion over the next 3 to 5 years would need to be addressed. Also the implications for SWIB's share of the state's capital markets would implications for SWIB's share of the state's capital markets would need to be considered. From a diversification standpoint SWIB could be overweighted with Wisconsin investments.

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FISCAL ESTIMATE WORKSHEET — **1989 Session**

Detailed Estimate of Annual Fiscal Effect ☐ ORIGINAL ☒ UPDATED ☐ CORRECTED ☐ SUPPLEMENTAL

DOA-2047(R 10/88)

LRB or Bill No./Adm. Rule No.	Amendment No.
AB448	

Subject PROHIBITS INVESTMENTS OF PUBLIC RETIREMENT TRUST FUNDS IN CERTAIN INVESTMENTS RELATING TO THE REPUBLIC OF SOUTH AFRICA

I. One-time Costs or Revenue Fluctuations for State and/or Local Government (do not include in annualized fiscal effect):
$ 36,536,000 SEGREGATED REVENUE

II. Annualized Costs: Note: Treat fiscal costs like a "checkbook": increased costs reduce available funds (-); decreased costs increase available funds (+).

Annualized Fiscal impact on State funds from:

A. State Costs by Category	Increased Costs	Decreased Costs
Salaries and Fringes 4 NEW POSITIONS	$ - 191,000	$ +
Staff Support Costs	- 28,000	+
Other State Costs	-	+
Local Assistance	-	+
Aids to Individuals or Organizations	-	+
TOTAL State Costs by Category	$ - 219,000	$ +

B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	$ -	$ +
FED	-	+
PRO/PRS	- 219,000	+
SEG/SEG-S	-	+

C. FTE Position Changes	Increased Pos.	Decreased Pos.
	+ ( )	- ( )

III. State Revenues- Complete this only when proposal will increase or decrease state revenues, such as taxes, license fees, etc.

	Decreased Rev.	Increased Rev.
GPR Taxes	$ -	$ +
GPR Earned	-	+
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	- 63,309,000	+
TOTAL State Revenues	$ - 63,309,000	$ +

Net Annualized Fiscal Impact on State & Local Funds

State	Annual Increases	Annual Decreases	Local	Annual Increases	Annual Decreases
Total Costs	$ 63,528,000	$ +	Total Costs	$ -	$ +
Total Revenues	+	-	Total Revenues	+	-

NET Impact on State Funds	$ (+) or (-) 63,528,000	NET Impact on Local Funds	$ (+) or (-)

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
STATE OF WISCONSIN INVESTMENT BOARD	[signature]	2/14/90

1989 Session

LRB or Bill No./Adm. Rule No.
AB448
Amendment No. if Applicable

FISCAL ESTIMATE

DOA-2048 (R 10/88)

☐ ORIGINAL ☒ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

Subject PROHIBITS INVESTMENTS OF PUBLIC RETIREMENT TRUST FUNDS IN CERTAIN INVESTMENTS RELATING TO THE REPUBLIC OF SOUTH AFRICA

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Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☐ Increase Existing Revenues
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☒ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☒ No

☐ Decrease Costs

Local: ☐ No local government costs

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected: ☐ Towns ☐ Villages ☐ Cities ☐ Counties ☐ Others______

Fund Sources Affected

☐ GPR ☐ FED ☒ PRO ☐ PRS ☒ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

This fiscal note updates the analysis prepared for previous divestiture legislation to reflect changes in the circumstances in South Africa and the Investment Board's (SWIB's) holdings.

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The methodology used to prepare this fiscal note produced a cost for the previous legislation which was corroborated by the findings of a study prepared by a consulting firm agreed upon and hired by parties interested in and affected by the legislation. The consultants produced cost data for a range of proposals beyond that incorporated in the legislation. One of the proposals--An Active Investor Program--has been adopted by the Investment Board.

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The cost estimate is divided into three parts. Part 1 summarizes SWIB's investments as of 8/31/89, and the amount that would be required to be divested. Part 2 reports on the one-time transaction costs that would be incurred in selling investments, and the costs of buying replacement securities. Part 3 reports on the on-going loss of income that the retirement funds would suffer due to the limitations on future investment opportunities.

Long-Range Fiscal Implications

1) CONTRIBUTIONS TO THE FUND ARE GROWING AT 10% PER YEAR WHICH WILL POTENTIALLY INCREASE THE FISCAL IMPACT OF THIS BILL OVER TIME.
2) AS COMPANIES CONTINUE TO WITHDRAW THE AFFECTED UNIVERSE OF COMPANIES WILL SHRINK, THUS REDUCING THE POTENTIAL IMPACT BUT OFFSETTING THIS IS THE FACT THAT MORE INDIRECT RELATIONSHIPS ARE BEING DISCOVERED WHICH HAS A REVERSE IMPACT. THE NET IMPACT IS THEREFORE UNCERTAIN.

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
STATE OF WISCONSIN INVESTMENT BOARD JACQUELINE DOELER 267-2899	PATRICIA LIPTON 266-9451	2/13/90

SWIB INVESTMENTS AND REQUIRED DIVESTMENT - 8/31/89

This cost estimate reports only on the impact of divestment upon the Wisconsin Retirement Funds. In total, these comprise $20.1 billion of the $22.6 billion managed by SWIB. Two retirement funds, the Fixed Fund and the Variable Fund are affected. Their investments and the amount of divestment required are:

	Total Investments @ Market 8/31/89 $ million	Amount Divested $ million	% Divested
Stocks	10,813.0 mil.	$2,777.0 mil.	25.7%
Public Bonds &] Private Placements]	6,733.0	664.0	9.9
Mortgages & Real Estate	556.0	115.0	20.7
Short Term Investments	2,018.0	00.0	0.0
Total Retirement Funds	20,120.0 mil.	3,556.0 mil.	17.7%

Full divestiture limitations (no investment in any company doing business in South Africa) will require selling and replacing over $3.5 billion of SWIB's present holdings. This search for replacements will be superimposed upon the normal growth of the retirement funds from new contributions and reinvestment of cash income. New contributions and re-investment of cash income requires finding new investments of about $1.2 billion per year. As noted earlier, this estimate is based only upon U.S. companies presently identified as being in South Africa.

TRANSACTION COSTS OF DIVESTMENT

Selling over $3.5 billion of investments will incur two types of transactions costs: Brokerage commissions and losses due to price pressure effects. This estimate eliminates costs associated with normal turnover, and estimates the costs due ONLY to the additional forced sales caused by divestiture.

The cost estimates are based upon SWIB's experience in obtaining low cost brokerage services, SWIB's normal annual portfolio turnover, and SWIB's estimate of the likely impact of price pressures induced by divestment.

Brokerage Fees

This estimate takes into account the availability of program sales, block trading, and the full array of sophisticated trading techniques already utilized by SWIB. Our experience is similar to that reported by independent studies of trading costs.

Brokerage fees (round trip i.e. selling and buying a replacement)

Stocks	$ 6,220/million*	= 0.6%
Marketable Bonds	10,000/million	= 1.0%
Private Placements	10,000/million	= 1.0%
Mortgages	30,000/million	= 3.0%

*This rate is derived as follows:

- selling large company stock	$2,300/mil.	x 1.0	=$2,300
- buying small company stock	6,300/mil.	x (.6)	= 3,780
- buying short term	350/mil.	x (.4)	= 140
			$6,220

Price Pressure Effect

Assets sold and replaced will obtain a price somewhat below market. The deviation from market price will not hold for all assets sold. Furthermore, in the event that some deviation is experienced, the magnitude will vary depending upon the size of the holding for any one asset that is subject to the provisions of this bill and upon the market for those assets. The average price reduction is estimated to be 1% (round trip--sale and replacement) for all assets divested. Taken together with brokerage fees, these transactions cost estimates are consistent with other studies showing transaction costs for stocks to range between 1.5%-6% plus an added 1-3% transactions cost for smaller stocks.

Summary of Assumptions and Estimates for Transactions Costs

1. Normal annual portfolio turnover for common stocks is 25%. Over three years, we would, therefore, expect to hold $(100\% - 25\%)^3 = 42\%$ of the original portfolio. Therefore, 42% of the securities divested would turn out to be forced sales. Marketable bonds, private placements, and mortgages are usually held to maturity (typically much longer than 3 years) and therefore should all be considered forced sales.

2. Transactions Costs Attributable to Divestiture.

	Forced Sales $ millions	Brokerage Fees (see table)	Price Pressure (1%)	Total Transaction Costs
Stocks	$1,166,000,000*	$6,996,000	$11,660,000	$18,656,000
Public Bonds & Private Placements	664,000,000	6,640,000	6,640,000	13,280,000
Mortgages	115,000,000	3,450,000	1,150,000	4,600,000
Total	$1,945,000,000	$17,086,000	$19,450,000	$36,536,000

* 42% of stocks affected by divestiture, assuming 25% annual turnover rate.

INCOME REDUCTION DUE TO DIVESTMENT

Fund income will be adversely affected by divestment for three reasons: 1) reduced performance, 2) a reallocation from higher return stocks to lower return short term investments, and 3) higher investment expenses deducted from income.

1. Performance: Both stock and fixed income portfolio will be hampered since the legislation eliminates many of the largest companies that SWIB typically reviews and invests in. While there are companies which will substitute for those removed from the universe, typically the substitutes are of lower quality in a given industry. For example in autos, GM and Ford would be excluded leaving Chrysler as the only choice of any size. Rather than having a choice among major auto manufacturers, SWIB's choice would be reduced to whether or not to invest in autos at all. SWIB has been successful in outperforming the average market over many years. The effect

of divestment restrictions is likely to hamper the continuation of the success. SWIB's record of above-average performance for the past 10 years is:

For 10 Years - 6/79 thru 6/89:	Average Annual Return
Stocks	
SWIB Common Stock Returns	17.8%
S&P-500	16.9%
SWIB Excess Return	0.9%
Fixed Income	
SWIB Fixed Income Return	11.6%
Merrill Lynch All Corp. Bond Index	11.3%
SWIB Excess Return	0.3%

Source: SWIB Annual Report, 1989

2. Reduced income from a reallocation of divested assets from stocks to short term investments is necessary in order to maintain the same volatility and risk level of the portfolio. As stated earlier, divestment typically eliminates the largest, highest quality companies in an industry and necessitates substituting smaller, lower quality companies. While smaller companies can in many cases produce very attractive returns, experience shows that they are more volatile and more risky than the present large company investments. To avoid an increase in risk caused solely by divestment, safe, stable short term investments such as treasury bills would need to be used in part to balance the increased risk of replacement common stocks.

Expected Stock Returns Based on Long-Run Historical Data

Expected Returns (over inflation) of Divested Large Common Stocks	6.7%/year
Expected Returns (over inflation) of Replacement Portfolio: (60% Smaller Common Stocks/40% T Bills)	5.5%/year
Difference = Reduced Expected Return Over Inflation	1.2%/year

Source: Ibbotson & Associates Inc., 1989

In fixed income investments, there does not appear to be the same reallocation effect. Bonds and private placements affected by divestiture are assumed to be replaceable without affecting risk or return by a combination of higher quality Treasury bonds, and lower quality (Baa) industrial bonds.

3. Increased investment expenses would be incurred because smaller companies require more time consuming original research than do larger companies which are reviewed by many Wall Street analysts. SWIB assumes that an four additional analyst position would be needed to do the research required for the for small capitalization stocks. There would be one Analyst-1 position, two Analyst-2 positions and one Analyst-3 position. Fringes, salary and support staff costs for the additional staff would be approximately $219,000. Also, as discussed earlier, transactions costs are higher for smaller companies.

Additional SWIB Staff	$ 219,000
Higher Transaction Costs For Equity Replacement Portfolio	3,000,0000*
Total	$3,219,000

*Transaction Costs:

Round Trip Replacement Portfolio	$7,840/mil.
Round Trip Large Stocks	-4,600/mil.
Increase Rate for Transaction Costs	$3,240/mil.

$3,240/mil. x $2,777 mil. = $8,997,000

($8,997,000 would be the additional cost for the divested equity portfolio. We assume this would be divided equally over the three-year phase in period which would be approximately $3 million per year. Once divestment was completed we assume that 25% of the portfolio is turned over each year and the increased transactions costs associated with this would still apply. New contributions to the fund would increase the amount of money being invested in small cap stocks each year. Therefore we assume that the on-going costs of divestment due to higher transactions costs would be approximately $3 million per year.)

Summary of Assumptions and Estimates of On-Going Income Reduction

1. The amount of volatility and risk accepted in the funds should remain unchanged.

2. Summary of Annual Reduction in Income

	Amount Divested $ Millions	(1) Lost Performance	(2) Reduced Market Rates	Total Income Reduction
Stocks	$2,777.0	-0.9%	-1.2%	58,317,000
Public Bonds & Private Placements	664.0	-0.3%	---	1,992,000

TOTAL INCOME REDUCTION	$60,309,000
Additional Investment Expenses	$ 3,219,000
TOTAL ON-GOING COSTS ASSOCIATES WITH DIVESTITURE	$63,528,000

Investing Proceeds from Divestment in Wisconsin

This fiscal note estimates that $3.5 billion (17.7%) of the Wisconsin Retirement System assets would have to be divested over the next three years and in turn invested in companies or businesses in the State of Wisconsin.

One billion and fifty-seven million ($1,057 million) of this amount would be the proceeds from divesting securities of companies that are already doing business in Wisconsin. These are companies that have economic ties to South Africa and are headquartered in Wisconsin and/or have a significant number of employees in the state. Among others, SWIB would be forced to sell the securities of General Motors, Kimberly Clark, and Harnischfeger. SWIB, in accordance with the 1985 Wisconsin Act 53, projects that it will be investing $675 million to $2.4 billion in Wisconsin companies over the next five years. The additional $3.5 billion from this divestiture legislation therefore, more than doubles SWIB's target for investments in the state to $4-6 billion over the next five years.

It should be noted that while the Investment Board would act in good faith in response to this legislation, a question arises about the feasibility of achieving this target. This legislation narrows the universe of eligible Wisconsin companies in which SWIB can invest. Thus the question of whether there is sufficient demand from Wisconsin companies for loans totaling $4-6 billion over the next 3 to 5 years would need to be addressed. Also the implications for SWIB's share of the state's capital markets would implications for SWIB's share of the state's capital markets would need to be considered. From a diversification standpoint SWIB could be overweighted with Wisconsin investments.

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FISCAL ESTIMATE WORKSHEET — **1989 Session**

Detailed Estimate of Annual Fiscal Effect ☐ ORIGINAL ☒ UPDATED ☐ CORRECTED ☐ SUPPLEMENTAL

DOA-2047(R 10/88)

LRB or Bill No./Adm. Rule No.: AB448 — Amendment No.:

Subject PROHIBITS INVESTMENTS OF PUBLIC RETIREMENT TRUST FUNDS IN CERTAIN INVESTMENTS RELATING TO THE REPUBLIC OF SOUTH AFRICA

I. One-time Costs or Revenue Fluctuations for State and/or Local Government (do not include in annualized fiscal effect):

$ 36,536,000 SEGREGATED REVENUE

II. Annualized Costs: Note: Treat fiscal costs like a "checkbook": increased costs reduce available funds (-); decreased costs increase available funds (+).

	Annualized Fiscal impact on State funds from: Increased Costs	Decreased Costs
A. State Costs by Category		
Salaries and Fringes 4 NEW POSITIONS	$ - 191,000	$ +
Staff Support Costs	- 28,000	+
Other State Costs	-	+
Local Assistance	-	+
Aids to Individuals or Organizations	-	+
TOTAL State Costs by Category	$ - 219,000	$ +
B. State Costs by Source of Funds	**Increased Costs**	**Decreased Costs**
GPR	$ -	$ +
FED	-	+
PRO/PRS	- 219,000	+
SEG/SEG-S	-	+
	Increased Pos.	**Decreased Pos.**
C. FTE Position Changes	+ ( )	- ( )
III. State Revenues- Complete this only when proposal will increase or decrease state revenues, such as taxes, license fees, etc.	**Decreased Rev.**	**Increased Rev.**
GPR Taxes	$ -	$ +
GPR Earned	-	+
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	- 63,309,000	+
TOTAL State Revenues	$ - 63,309,000	$ +

Net Annualized Fiscal Impact on State & Local Funds

State	Annual Increases	Annual Decreases	Local	Annual Increases	Annual Decreases
Total Costs	$ 63,528,000	$ +	Total Costs	$ -	$ +
Total Revenues	+	-	Total Revenues	+	-

NET Impact on State Funds $ (+) or (-) 63,528,000

NET Impact on Local Funds $ (+) or (-)

Agency/Prepared by: (Name & Phone No.)
STATE OF WISCONSIN INVESTMENT BOARD
JACQUELINE DOELER 267-2899

Authorized Signature/Telephone No.
PATRICIA LIPTON, EXECUTIVE DIRECTOR

Date 2/14/90

1989 Session

LRB or Bill No./Adm. Rule No.
A.B. 480

Amendment No. if Applicable

FISCAL ESTIMATE

DOA-2048 (R 10/88)

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

Subject

Pre-Retirement Death Benefits Under the WRS

Fiscal Effect

State: ☐ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☐ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☒ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☐ No

☐ Decrease Costs

Local: ☐ No local government costs

1. ☒ Increase Costs
   ☐ Permissive ☒ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues
   ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues
   ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected:
   ☒ Towns ☒ Villages ☒ Cities
   ☒ Counties ☒ Others School Districts

Fund Sources Affected

☒ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

Presently, the Wisconsin Retirement System (WRS) provides a death benefit when an active participant dies before age 60 (55-protective) equal to the employee contribution account with interest credited thereto. If the participant was age 60 or over on the date of death (55-protectives) an alternative death benefit is payable, if greater, equal to the joint/survivor annuity which would have been payable had the participant retired and selected that option on the date of death.

This bill reduces the age qualifications for the joint/survivor annuity to the earliest possible retirement date under the WRS--age 50 for protectives and 55 for all other participants. It is estimated that this change in pre-retirement death benefits will require additional WRS contributions of 0.2% of covered payroll, on a weighted average basis. Pursuant to 1989 Wis. Act 13, one-half of any additional costs would be paid by employer participants and one-half by employee participants.

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.

Long-Range Fiscal Implications

The costs would continue each year into the future at about 0.2% of covered payroll, of which one-half would be paid by employer participants and one-half by employee participants.

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Jt. Survey Committee on Retirement Systems	B. Testin Blair Testin 6-3019	8/22/89

FISCAL ESTIMATE WORKSHEET — 1989 Session

Detailed Estimate of Annual Fiscal Effect ☒ ORIGINAL ☐ UPDATED ☐ CORRECTED ☐ SUPPLEMENTAL

DOA-2047(R 10/88)

LRB or Bill No./Adm. Rule No.	Amendment No.
A.B. 480	

Subject

Pre-Retirement Death Benefits Under the wRS

I. One-time Costs or Revenue Fluctuations for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs: Note: Treat fiscal costs like a "checkbook": increased costs reduce available funds (-); decreased costs increase available funds (+).

	Annualized Fiscal impact on State funds from: Increased Costs	Decreased Costs
A. State Costs by Category		
Salaries and Fringes	$ -	$ +
Staff Support Costs	-	+
Other State Costs	-	+
Local Assistance	-	+
Aids to Individuals or Organizations	-	+
TOTAL State Costs by Category	$ -	$ +
B. State Costs by Source of Funds	**Increased Costs**	**Decreased Costs**
GPR	$ - 828,000	$ +
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	- 972,000	+
C. FTE Position Changes	**Increased Pos.** + ( )	**Decreased Pos.** - ( )
III. State Revenues- Complete this only when proposal will increase or decrease state revenues, such as taxes, license fees, etc.	**Decreased Rev.**	**Increased Rev.**
GPR Taxes	$ -	$ +
GPR Earned	-	+
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
TOTAL State Revenues	$ -	$ +

Net Annualized Fiscal Impact on State & Local Funds

State	Annual Increases	Annual Decreases	Local	Annual Increases	Annual Decreases
Total Costs	$ -	$ +	Total Costs	$ -	$ +
Total Revenues	+	-	Total Revenues	+	-

NET Impact on State Funds	$ (+) or (-) $1,800,000	NET Impact on Local Funds	$ (+) or (-) $4,200,000

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Joint Survey Committee on Retirement Systems	/S [signature] Blair Testin 6-3019	8/22/89

M. M.

1989 ASSEMBLY BILL 480

1989 Session

FISCAL ESTIMATE
DOA-2048 (R 10/88)

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

LRB or Bill No./~~Adm. Rule No.~~
AB 480
Amendment No. if Applicable

Subject
Death Benefit Provision

Fiscal Effect

State: ☐ No State Fiscal Effect
Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☐ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☐ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☐ No

☐ Decrease Costs

Local: ☐ No local government costs

1. ☐ Increase Costs
☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs
☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues
☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues
☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected:
☐ Towns ☐ Villages ☐ Cities
☐ Counties ☐ Others ______

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

This fiscal estimate addresses the administrative cost of the bill only; the Retirement Research Committee will provide the fiscal effects of the program change.

This bill reduces the minimum age for participating employes to be eligible for joint survivor death benefits from age 55 to age 50 for a participating employe in a protective occupation and from age 60 to age 55 for other participating employes. The number of participants that may be involved is not known, however, it is assumed that the number is sufficiently small to result in only minor workload increases.

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Employe Trust Funds John E. Fadness - 266-3960	David Hinrichs 266-3763	8/17/89

AB 480

1989 Session

LRB or Bill No./Adm. Rule No.
AB 480

Amendment No. if Applicable

FISCAL ESTIMATE

DOA-2048 (R 10/88)

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

Subject Requirements for receiving an automatic joint survivor death benefit under the Wisconsin retirement system.

Fiscal Effect

State: ☒ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☐ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☐ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☐ No

☐ Decrease Costs

Local: ☐ No local government costs

1. ☐ Increase Costs
 ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs
 ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues
 ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues
 ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected:
 ☐ Towns ☐ Villages ☐ Cities
 ☐ Counties ☐ Others______

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

This bill has no fiscal impact on the Department of Employment Relations.

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Dept. of Employment Relations	Robert Margolies 266-1254 Robert Margolies	08/22/89

1989 ASSEMBLY BILL 480

1989 Session

FISCAL ESTIMATE

DOA-2048 (R 10/88)

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.: A.B. 480

Amendment No. if Applicable

1989

Subject

Pre-Retirement Death Benefits Under the WRS

Fiscal Effect

State: ☐ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☐ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☒ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☐ No

☐ Decrease Costs

Local: ☐ No local government costs

1. ☒ Increase Costs
☐ Permissive ☒ Mandatory
2. ☐ Decrease Costs
☐ Permissive ☐ Mandatory

3. ☐ Increase Revenues
☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues
☐ Permissive ☐ Mandatory

5. Types of Local Governmental Units Affected:
☒ Towns ☒ Villages ☒ Cities
☒ Counties ☒ Others School Districts

Fund Sources Affected

☒ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

Presently, the Wisconsin Retirement System (WRS) provides a death benefit when an active participant dies before age 60 (55-protective) equal to the employee contribution account with interest credited thereto. If the participant was age 60 or over on the date of death (55-protectives) an alternative death benefit is payable, if greater, equal to the joint/survivor annuity which would have been payable had the participant retired and selected that option on the date of death.

This bill reduces the age qualifications for the joint/survivor annuity to the earliest possible retirement date under the WRS--age 50 for protectives and 55 for all other participants. It is estimated that this change in pre-retirement death benefits will require additional WRS contributions of 0.2% of covered payroll, on a weighted average basis. Pursuant to 1989 Wis. Act 13, one-half of any additional costs would be paid by employer participants and one-half by employee participants.

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.

Long-Range Fiscal Implications

The costs would continue each year into the future at about 0.2% of covered payroll, of which one-half would be paid by employer participants and one-half by employee participants.

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Jt. Survey Committee on Retirement Systems	Blair Testin Blair Testin 6-3019	8/22/89

AB 480

FISCAL ESTIMATE WORKSHEET — **1989 Session**

Detailed Estimate of Annual Fiscal Effect ☒ ORIGINAL ☐ UPDATED ☐ CORRECTED ☐ SUPPLEMENTAL

DOA-2047(R 10/88)

LRB or Bill No./Adm. Rule No.	Amendment No.
A.B. 480	

Subject

Pre-Retirement Death Benefits Under the wRS

I. One-time Costs or Revenue Fluctuations for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs: Note: Treat fiscal costs like a "checkbook": increased costs reduce available funds (-); decreased costs increase available funds (+).

Annualized Fiscal impact on State funds from:

	Increased Costs	Decreased Costs
A. State Costs by Category		
Salaries and Fringes	$ -	$ +
Staff Support Costs	-	+
Other State Costs	-	+
Local Assistance	-	+
Aids to Individuals or Organizations	-	+
TOTAL State Costs by Category	$ -	$ +
B. State Costs by Source of Funds	**Increased Costs**	**Decreased Costs**
GPR	$ - 828,000	$ +
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	- 972,000	+
C. FTE Position Changes	**Increased Pos.** + ( )	**Decreased Pos.** - ( )
III. State Revenues- Complete this only when proposal will increase or decrease state revenues, such as taxes, license fees, etc.	**Decreased Rev.**	**Increased Rev.**
GPR Taxes	$ -	$ +
GPR Earned	-	+
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
TOTAL State Revenues	$ -	$ +

Net Annualized Fiscal Impact on State & Local Funds

State	Annual Increases	Annual Decreases	Local	Annual Increases	Annual Decreases
Total Costs	$ -	$ +	Total Costs	$ -	$ +
Total Revenues	+	-	Total Revenues	+	-

NET Impact on State Funds	$ (+) or (-) $1,800,000	NET Impact on Local Funds	$ (+) or (-) $4,200,000

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Joint Survey Committee on [illegible]	Blain Testin 6-3010	8/22/89

1989 ASSEMBLY BILL 489

1989 Session

LRB or Bill No./Adm. Rule No.
A.B. 489

Amendment No. if Applicable

FISCAL ESTIMATE

DOA-2048 (R 10/88)

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

Subject

Firefighter Employment Presumption for Cancer Death or Disability

Fiscal Effect

State: ☒ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☐ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☐ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☐ No

☐ Decrease Costs

Local: ☐ No local government costs

1. ☒ Increase Costs
   ☐ Permissive ☒ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues
   ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues
   ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected:
   ☐ Towns ☒ Villages ☒ Cities
   ☐ Counties ☐ Others______

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

This bill provides a presumption for firefighters that death or disability resulting from cancer is caused by their employment. Firefighters currently represent 33% of all protective death and disability claims under s. 40.65 of the statutes, and this fiscal note assumes that firefighter claims would increase by 30% upon passage representing a 10% increase in total 40.65 claims.

The 1990 average employer cost under 40.65, Stats., is 2.15% of payroll, and the gross covered payroll is $408,060,803. Assuming a 10% increase in total costs, this bill would require an additional $873,307 by municipal employers of firefighters. Because the presumption under this bill applies only to municipal firefighters, and because the premiums under 40.65 are applied to the various employers by an experience rating scale, there would be no additional costs to the state as an employer.

Long-Range Fiscal Implications

Costs to municipal employers continuing into the future at about 0.2% of all payroll covered under s. 40.65.

Agency/Prepared by: (Name & Phone No.)

Joint Survey Committee on Retirement Systems

Authorized Signature/Telephone No.

Blair Testin 6-3019

Date

10/31/89

AB 439

FISCAL ESTIMATE WORKSHEET | **1989 Session**

Detailed Estimate of Annual Fiscal Effect ☒ ORIGINAL ☐ UPDATED ☐ CORRECTED ☐ SUPPLEMENTAL

DOA-2047(R 10/88)

LRB or Bill No./Adm. Rule No.: A.B. 489

Amendment No.:

Subject: Firefighter Employment Presumption for Cancer Death or Disability

I. One-time Costs or Revenue Fluctuations for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs: Note: Treat fiscal costs like a "checkbook": increased costs reduce available funds (-); decreased costs increase available funds (+).

	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	**Increased Costs**	**Decreased Costs**
Salaries and Fringes	$ –	$ +
Staff Support Costs	–	+
Other State Costs	–	+
Local Assistance	–	+
Aids to Individuals or Organizations	–	+
TOTAL State Costs by Category	$ –	$ +
B. State Costs by Source of Funds	**Increased Costs**	**Decreased Costs**
GPR	$ –	$ +
FED	–	+
PRO/PRS	–	+
SEG/SEG-S	–	+
C. FTE Position Changes	**Increased Pos.** + ( )	**Decreased Pos.** – ( )
III. State Revenues- Complete this only when proposal will increase or decrease state revenues, such as taxes, license fees, etc.	**Decreased Rev.**	**Increased Rev.**
GPR Taxes	$ –	$ +
GPR Earned	–	+
FED	–	+
PRO/PRS	–	+
SEG/SEG-S	–	+
TOTAL State Revenues	$ –	$ +

Net Annualized Fiscal Impact on State & Local Funds

State	Annual Increases	Annual Decreases	Local	Annual Increases	Annual Decreases
Total Costs	$ –	$ +	Total Costs	$ –	$ +
Total Revenues	+	–	Total Revenues	+	–

NET Impact on State Funds	$ (+) or (-) None	NET Impact on Local Funds	$ (+) or (-) 873,307

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Joint Survey Committee on Retirement Systems	[signature] -	10/31/89

1989 ASSEMBLY BILL 495

1989 Session

FISCAL ESTIMATE

DOA-2048 (R 10/88)

[X] ORIGINAL [ ] UPDATED
[ ] CORRECTED [ ] SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.: A.B. 495

Amendment No. if Applicable:

Subject

Distribution of WRS Annuity Reserve Surpluses

Fiscal Effect

State: [X] No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

[ ] Increase Existing Appropriation [ ] Increase Existing Revenues
[ ] Decrease Existing Appropriation [ ] Decrease Existing Revenues
[ ] Create New Appropriation

[ ] Increase Costs - May be possible to Absorb Within Agency's Budget [ ] Yes [ ] No

[ ] Decrease Costs

Local: [X] No local government costs

1. [ ] Increase Costs
   [ ] Permissive [ ] Mandatory
2. [ ] Decrease Costs
   [ ] Permissive [ ] Mandatory
3. [ ] Increase Revenues
   [ ] Permissive [ ] Mandatory
4. [ ] Decrease Revenues
   [ ] Permissive [ ] Mandatory
5. Types of Local Governmental Units Affected:
   [ ] Towns [ ] Villages [ ] Cities
   [ ] Counties [ ] Others______

Fund Sources Affected

[ ] GPR [ ] FED [ ] PRO [ ] PRS [ ] SEG [ ] SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

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

Long-Range Fiscal Implications

None

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Joint Survey Committee on Retirement Systems	Blair Testin Blair Testin 6-3019	8/31/89

AB 495

FISCAL ESTIMATE WORKSHEET — **1989 Session**

Detailed Estimate of Annual Fiscal Effect ☒ ORIGINAL ☐ UPDATED ☐ CORRECTED ☐ SUPPLEMENTAL

DOA-2047(R 10/88)

LRB or Bill No./Adm. Rule No.	Amendment No.
A.B. 495	

Subject

Distribution of WRS Annuity Reserve Surpluses

I. One-time Costs or Revenue Fluctuations for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs: Note: Treat fiscal costs like a "checkbook": increased costs reduce available funds (-); decreased costs increase available funds (+).

	Annualized Fiscal impact on State funds from: Increased Costs	Decreased Costs
A. State Costs by Category		
Salaries and Fringes	$ -	$ +
Staff Support Costs	-	+
Other State Costs	-	+
Local Assistance	-	+
Aids to Individuals or Organizations	-	+
TOTAL State Costs by Category	$ - None	$ +
B. State Costs by Source of Funds	**Increased Costs**	**Decreased Costs**
GPR	$ -	$ +
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
C. FTE Position Changes	Increased Pos. + ( )	Decreased Pos. - ( )
III. State Revenues- Complete this only when proposal will increase or decrease state revenues, such as taxes, license fees, etc.	**Decreased Rev.**	**Increased Rev.**
GPR Taxes	$ -	$ +
GPR Earned	-	+
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
TOTAL State Revenues	$ -	$ +

Net Annualized Fiscal Impact on State & Local Funds

State	Annual Increases	Annual Decreases	Local	Annual Increases	Annual Decreases
Total Costs	$ -	$ +	Total Costs	$ -	$ +
Total Revenues	+	-	Total Revenues	+	-
NET Impact on State Funds	$ (+) or (-)	None	NET Impact on Local Funds	$ (+) or (-)	None

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Joint Survey Committee on Retirement Systems	Blair Testin (signature) Blair Testin 6-3019	8/31/89

AB 495

1989 Session

LRB or Bill No./~~Adm. Rule No.~~ AB 495

Amendment No. if Applicable

FISCAL ESTIMATE

DOA-2048 (R 10/88)

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

Subject Providing post-retirement increases in monthly benefits for annuitants of the Wisconsin Retirement Systems (WRS)

Fiscal Effect

State: ☐ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☐ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☒ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☒ No

☐ Decrease Costs

Local: ☐ No local government costs

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected: ☐ Towns ☐ Villages ☐ Cities ☐ Counties ☐ Others______

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

20.515 (1) (w)

Assumptions Used in Arriving at Fiscal Estimate

The fiscal estimate addresses the administrative costs of the bill only; the Retirement Research Committee, as required by statute, will provide the fiscal effects on the Trust Fund.

ASSUMPTIONS

1. The formula for distribution (increases) will be of a higher complexity (20% greater) than that of 1987 Wisconsin Act 27 for the Special Performance Dividend (increases).
2. Approximately 20,000 annuitants would be affected.
3. Special mailing to affected participants to explain the distribution.
4. Distribution would occur with 5/1/90 checks in same manner as other dividend payments and would be a permanent increase to monthly payments.
5. Approximately 145 hrs. of supervisory time will have to be absorbed to determine the design and testing impact on the annuity file, development of informational material for participants and training of staff.
6. One-time workload cost of $131,000 to perform assumptions 1-4 above (see page 2 for cost detail).

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Employe Trust Funds John E. Fadness 266-3960	David Hinrichs 266-3763 9-8-89	9/7/89

AB 495

1989 FISCAL ESTIMATE
AB495
Page 2

Salary (overtime)	$6,100.00
Fringe (22%)	1,300.00
Supplies & Services	
Contractual Service (analyst/programmers)	70,000.00
Computer Costs (develop programs, test and run programs, TSO charges)	48,000.00
Postage for informational mailing	4,800.00
Forms	200.00
Envelopes	400.00
Telephone Tolls	200.00
Total One-Time Cost	$131,000.00

AB 495

FISCAL ESTIMATE WORKSHEET 1989 Session

Detailed Estimate of Annual Fiscal Effect ☒ORIGINAL ☐UPDATED ☐CORRECTED ☐SUPPLEMENTAL

DOA-2047(R 10/88)

LRB or Bill No./~~Adm. Rule No.~~ AB 495

Amendment No.

Subject Providing post-retirement increases in monthly benefits for annuitants of the Wisconsin Retirement Systems (WRS)

I. One-time Costs or Revenue Fluctuations for State and/or Local Government (do not include in annualized fiscal effect):

$131,000

II. Annualized Costs: Note: Treat fiscal costs like a "checkbook": increased costs reduce available funds (-); decreased costs increase available funds (+).

	Annualized Fiscal impact on State funds from: Increased Costs	Decreased Costs
A. State Costs by Category		
Salaries and Fringes	$ -	$ +
Staff Support Costs	-	+
Other State Costs	-	+
Local Assistance	-	+
Aids to Individuals or Organizations	-	+
TOTAL State Costs by Category	$ -	$ +
B. State Costs by Source of Funds	**Increased Costs**	**Decreased Costs**
GPR	$ -	$ +
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
C. FTE Position Changes	**Increased Pos.** + ( )	**Decreased Pos.** - ( )
III. State Revenues- Complete this only when proposal will increase or decrease state revenues, such as taxes, license fees, etc.	**Decreased Rev.**	**Increased Rev.**
GPR Taxes	$ -	$ +
GPR Earned	-	+
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
TOTAL State Revenues	$ -	$ +

Net Annualized Fiscal Impact on State & Local Funds

State	Annual Increases	Annual Decreases	Local	Annual Increases	Annual Decreases
Total Costs	$ -	$ +	Total Costs	$ -	$ +
Total Revenues	+	-	Total Revenues	+	-
NET Impact on State Funds	$ (+) or (-)		NET Impact on Local Funds	$ (+) or (-)	

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Employe Trust Funds John E. Fadness 266-3960	David Henricks 266-3763	9/7/89

Grobschmidt

1989 Session

FISCAL ESTIMATE

DOA-2048 (R 10/88)

[X] ORIGINAL [ ] UPDATED
[ ] CORRECTED [ ] SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.: A.B. 521

Amendment No. if Applicable

Subject

Health Insurance Coverage for Certain State Retirees

Fiscal Effect

State: [X] No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

[ ] Increase Existing Appropriation [ ] Increase Existing Revenues
[ ] Decrease Existing Appropriation [ ] Decrease Existing Revenues
[ ] Create New Appropriation

[ ] Increase Costs - May be possible to Absorb Within Agency's Budget [ ] Yes [ ] No

[ ] Decrease Costs

Local: [X] No local government costs

1. [ ] Increase Costs [ ] Permissive [ ] Mandatory
2. [ ] Decrease Costs [ ] Permissive [ ] Mandatory
3. [ ] Increase Revenues [ ] Permissive [ ] Mandatory
4. [ ] Decrease Revenues [ ] Permissive [ ] Mandatory
5. Types of Local Governmental Units Affected: [ ] Towns [ ] Villages [ ] Cities [ ] Counties [ ] Others______

Fund Sources Affected

[ ] GPR [ ] FED [ ] PRO [ ] PRS [ ] SEG [ ] SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

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.

Long-Range Fiscal Implications

None

Agency/Prepared by: (Name & Phone No.)

Joint Survey Committee on Retirement Systems

Authorized Signature/Telephone No.

Blair Testin

Blair Testin 6-3019

Date

9/5/89

FISCAL ESTIMATE WORKSHEET — **1989 Session**

Detailed Estimate of Annual Fiscal Effect ☒ ORIGINAL ☐ UPDATED ☐ CORRECTED ☐ SUPPLEMENTAL

DOA-2047(R 10/88)

LRB or Bill No./Adm. Rule No.: A.B. 521

Amendment No.:

Subject: Health Insurance Coverage for Certain State Retirees

I. One-time Costs or Revenue Fluctuations for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:

Note: Treat fiscal costs like a "checkbook": increased costs reduce available funds (-); decreased costs increase available funds (+).

	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	**Increased Costs**	**Decreased Costs**
Salaries and Fringes	$ -	$ +
Staff Support Costs	-	+
Other State Costs	-	+
Local Assistance	-	+
Aids to Individuals or Organizations	-	+
TOTAL State Costs by Category	$ - None	$ +
B. State Costs by Source of Funds	**Increased Costs**	**Decreased Costs**
GPR	$ -	$ +
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
C. FTE Position Changes	**Increased Pos.** + ( )	**Decreased Pos.** - ( )
III. State Revenues- Complete this only when proposal will increase or decrease state revenues, such as taxes, license fees, etc.	**Decreased Rev.**	**Increased Rev.**
GPR Taxes	$ -	$ +
GPR Earned	-	+
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
TOTAL State Revenues	$ -	$ +

Net Annualized Fiscal Impact on State & Local Funds

State	Annual Increases	Annual Decreases	Local	Annual Increases	Annual Decreases
Total Costs	$ -	$ +	Total Costs	$ -	$ +
Total Revenues	+	-	Total Revenues	+	-
NET Impact on State Funds	$ (+) or (-) None		NET Impact on Local Funds	$ (+) or (-) None	

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Joint Survey Committee on Retirement Systems	Blair Testin Blair Testin 6-3019	9/5/89

The purpose of this bill is to delete the requirement to exhaust accumulated sick leave credits before disability annuity payments may commence, <u>if</u> the accumulated sick leave is subject to conversion to pay health insurance premiums after retirement under the state sick leave conversion program or a local collective bargaining contract or compensation plan. This bill would affect state employees retiring under a non-duty disability, and also a few local governmental entities that have adopted conversion provisions by contract or compensation plan.

ACTUARIAL EFFECT

This bill would have a minimal impact upon the projected liabilities of the WRS. Although this legislation has not been reviewed by the consulting actuary, it is believed that the impact would not require any change in the required employee or employer contributions to the system.

PROBABLE COST

Presently, there are under 400 applications approved for disability annuities each year, and about 28% or 112 relate to state employees. State employees qualifying for a duty-related disability annuity now have the right to convert accumulated sick leave, and this legislation would grant the same right to other state employees qualifying for a non-duty disability annuity. There are a few local government entities such as the City of Madison which have also adopted a conversion plan for accumulated sick leave to pay health insurance premiums after retirement, but most local entities do not provide for unlimited sick leave accrual as found under the state plan.

The average accrual of sick leave for state employees is about 40 hours per year. If it is assumed that the average length of service upon the date of disability application is 20 years, then state employees may be allowed to retire under a disability annuity up to $4\frac{1}{2}$ months earlier than under present law. The effect would be more limited for local governmental entities if they place a cap on total sick leave accumulation--a common practice. Although this provision has not been reviewed by the consulting actuary, it is estimated that any additional liabilities would not require a change in the required employer or employee contribution rates to the WRS.

PUBLIC POLICY

For a number of years there has been controversy over the statutory requirement of WRS law that accumulated sick leave must be exhausted before a disability annuity may become effective. Several interested parties have requested a review of this policy, particularly when provisions governing sick leave accumulation allow conversion to pay health insurance premiums after retirement. The exhaustion of sick leave credits is not required for state or local participants who retire on a regular annuity, and participants so retiring are allowed to convert their sick leave as provided by their employer plan.

The 1987 state employee bargaining contracts and 1987 Wis. Act 83 newly deleted the requirement to exhaust sick leave credits for state employees who are disabled in the line of duty and qualify for disability benefits under 40.63 or 40.65 of the statutes. This exception applies just to state employees and just for disability that is duty-related. There is not a similar exception for local governmental participants who may qualify for a duty-related benefit.

This bill deletes the requirement to exhaust accumulated sick leave before disability annuity benefits may be payable, _if_ the employer provides for the conversion of sick leave credits to pay health insurance premiums after retirment. The present requirement may prevent post-retirement health insurance coverage for those who need it the most--those who are severely disabled. One of the major concerns of our state and nation currently is to provide adequate coverage of health insurance for our citizens. This bill takes one step towards the financing of health insurance premiums after retirement for disabled WRS participants.

Grabschmidt

1989 Session

LRB or Bill No./Adm. Rule No.
A.B. 522
Amendment No. if Applicable

FISCAL ESTIMATE

DOA-2048 (R 10/88)

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

Subject

Relating to the WRS Disability Annuity Effective Date

Fiscal Effect

State: ☐ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☐ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☒ Increase Costs - May be possible to Absorb Within Agency's Budget ☒ Yes ☐ No

☐ Decrease Costs

Local: ☐ No local government costs

1. ☒ Increase Costs
   ☒ Permissive ☐ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues
   ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues
   ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected:
   ☒ Towns ☒ Villages ☒ Cities
   ☒ Counties ☒ Others School Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

Wisconsin Retirement System (WRS) participants applying for a disability annuity must first exhaust all accumulated sick leave before payments can begin. An exception to this rule are state employees who qualify for a duty-related disability annuity. This bill deletes the requirement to exhaust accumulated sick leave before disability annuity payments may commence, <u>if</u> the accumulated sick leave is subject to conversion to pay health insurance premiums after retirement.

State employees have the right to convert accumulated sick leave to post-retirement health insurance premiums under specified conditions; and a few local government entities, such as Madison, also have this right, but usually not with unlimited accumulation rights as found under the state plan. It is estimated that the average accumulation of sick leave per year is 40 hours. If it is assumed that the average disability applicant has 20 years of service, then this legislation would allow a disability annuity to become effective up to $4\frac{1}{2}$ months earlier than under present law.

In total, there are less than 400 disability annuities awarded each year, and 28% or about 112 relate to state employees. Hence, about 100+ applicants each year could receive their disability annuity up to $4\frac{1}{2}$ months earlier than present law. Although this benefit change has not been reviewed by the actuary, it is assumed that this change would <u>not</u> require an increase in contribution rates under the WRS.

Long-Range Fiscal Implications

Indeterminate.

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Joint Survey Committee on Retirement Systems	Blair Testin 6-3019	9/7/89

FISCAL ESTIMATE WORKSHEET — 1989 Session

Detailed Estimate of Annual Fiscal Effect ☒ ORIGINAL ☐ UPDATED ☐ CORRECTED ☐ SUPPLEMENTAL

DOA-2047(R 10/88)

LRB or Bill No./Adm. Rule No.	Amendment No.
A.B. 522	

Subject

Relating to the WRS Disability Annuity Effective Date

I. One-time Costs or Revenue Fluctuations for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:

Note: Treat fiscal costs like a "checkbook": increased costs reduce available funds (-); decreased costs increase available funds (+).

	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	**Increased Costs**	**Decreased Costs**
Salaries and Fringes	$ –	$ +
Staff Support Costs	–	+
Other State Costs	–	+
Local Assistance	–	+
Aids to Individuals or Organizations	–	+
TOTAL State Costs by Category	$ Indeterminate	$ +
B. State Costs by Source of Funds	**Increased Costs**	**Decreased Costs**
GPR	$ –	$ +
FED	–	+
PRO/PRS	–	+
SEG/SEG-S	–	+
C. FTE Position Changes	**Increased Pos.** + ( )	**Decreased Pos.** – ( )
III. State Revenues- Complete this only when proposal will increase or decrease state revenues, such as taxes, license fees, etc.	**Decreased Rev.**	**Increased Rev.**
GPR Taxes	$ –	$ +
GPR Earned	–	+
FED	–	+
PRO/PRS	–	+
SEG/SEG-S	–	+
TOTAL State Revenues	$ –	$ +

Net Annualized Fiscal Impact on State & Local Funds

State	Annual Increases	Annual Decreases	Local	Annual Increases	Annual Decreases
Total Costs	$ –	$ +	Total Costs	$ –	$ +
Total Revenues	+	–	Total Revenues	+	–
NET Impact on State Funds	$ (+) or (-) Indeterminate		NET Impact on Local Funds	$ (+) or (-) Indeterminate	

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Joint Survey Committee on Retirement Systems	Blair Testin 6-3019	9/7/89

1989 ASSEMBLY BILL 525

1989 Session

LRB or Bill No./Adm. Rule No.
AB 525
Amendment No. if Applicable

FISCAL ESTIMATE
DOA-2048 (R 10/88)

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

Subject

Service Eligibility Provision For Legislators and Staff

Fiscal Effect

State: ☐ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☐ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☐ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☐ No

☐ Decrease Costs

Local: ☐ No local government costs

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected: ☐ Towns ☐ Villages ☐ Cities ☐ Counties ☐ Others______

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

This bill allows a member or employe of the legislature or employe of a legislative service agency who has not received creditable service under the Wisconsin Retirement System (WRS) for performing certain past legislative service to now receive creditable service if they purchase such service by paying 5.5% or 5% of their highest final average earnings times the months of creditable service.

The number of potential participants is less than 12, therefore it is assumed that only a minor workload increase would result.

SEP 19 1989
Department of Administ...

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Employe Trust Funds John Fadness 266-3960	David Henrichs 266-3763	9/18/89

M3

1989 ASSEMBLY BILL 525

1989 Session

LRB or Bill No./Adm. Rule No.: A.B. 525

Amendment No. if Applicable:

FISCAL ESTIMATE

DOA-2048 (R 10/88)

[X] ORIGINAL [ ] UPDATED
[ ] CORRECTED [ ] SUPPLEMENTAL

Subject

Employee Purchase of Prior Legislative Service

Fiscal Effect

State: [ ] No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

[X] Increase Existing Appropriation [ ] Increase Existing Revenues
[ ] Decrease Existing Appropriation [ ] Decrease Existing Revenues
[ ] Create New Appropriation

[ ] Increase Costs - May be possible to Absorb Within Agency's Budget [ ] Yes [ ] No

[ ] Decrease Costs

Local: [X] No local government costs

1. [ ] Increase Costs [ ] Permissive [ ] Mandatory
2. [ ] Decrease Costs [ ] Permissive [ ] Mandatory
3. [ ] Increase Revenues [ ] Permissive [ ] Mandatory
4. [ ] Decrease Revenues [ ] Permissive [ ] Mandatory
5. Types of Local Governmental Units Affected: [ ] Towns [ ] Villages [ ] Cities [ ] Counties [ ] Others______

Fund Sources Affected

[X] GPR [ ] FED [ ] PRO [ ] PRS [ ] SEG [ ] SEG-S

Affected Ch. 20 Appropriations

20.765 (1)(a) and (b)

Assumptions Used in Arriving at Fiscal Estimate

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 $5\frac{1}{2}$%) 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.

The charge to the legislature's general program appropriation would be approximately 5.9% of covered payroll for general employees and 11.2% of payroll for elected officials for each month of service credit granted. There is no way to determine the final costs, because said costs will be based upon the voluntary applications of those employees who qualify for service credit and are willing to pay the lump sum required of them.

Long-Range Fiscal Implications

None

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Joint Survey Committee on Retirement Systems	Blair Testin Blair Testin 6-3019	9/14/89

33 x 2 = 66

AB 525

FISCAL ESTIMATE WORKSHEET — 1989 Session

Detailed Estimate of Annual Fiscal Effect ☒ ORIGINAL ☐ UPDATED ☐ CORRECTED ☐ SUPPLEMENTAL

DOA-2047(R 10/88)

LRB or Bill No./Adm. Rule No.	Amendment No.
A.B. 525	

Subject

Employee Purchase of Prior Legislative Service

I. One-time Costs or Revenue Fluctuations for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs: Note: Treat fiscal costs like a "checkbook": increased costs reduce available funds (-); decreased costs increase available funds (+).	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	**Increased Costs**	**Decreased Costs**
Salaries and Fringes	$ -	$ +
Staff Support Costs	-	+
Other State Costs	-	+
Local Assistance	-	+
Aids to Individuals or Organizations	-	+
TOTAL State Costs by Category	$ Indeterminate	$ +
B. State Costs by Source of Funds	**Increased Costs**	**Decreased Costs**
GPR	$ -	$ +
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
C. FTE Position Changes	**Increased Pos.** + ( )	**Decreased Pos.** - ( )
III. State Revenues- Complete this only when proposal will increase or decrease state revenues, such as taxes, license fees, etc.	**Decreased Rev.**	**Increased Rev.**
GPR Taxes	$ -	$ +
GPR Earned	-	+
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
TOTAL State Revenues	$ -	$ +

Net Annualized Fiscal Impact on State & Local Funds

State	Annual Increases	Annual Decreases	Local	Annual Increases	Annual Decreases
Total Costs	$ -	$ +	Total Costs	$ -	$ +
Total Revenues	+	-	Total Revenues	+	-
NET Impact on State Funds	$ (+) or (-) Indeterminate		NET Impact on Local Funds	$ (+) or (-) None	

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Joint Survey Committee on Retirement Systems	[signature]	9/14/89