

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL
- CORRECTED
- UPDATED
- SUPPLEMENTAL

LRB # - 1713/1

INTRODUCTION # AB 309

Admin. Rule #

Subject

Excludes part-time, temporary and seasonal state employes from coverage under federal Social Security Act and requires the Department of Employee Trust Funds to establish an alternative plan for those employes.

Fiscal Effect

State: No State Fiscal Effect

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

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

- Increase Existing Appropriation
- Decrease Existing Appropriation
- Create New Appropriation
- Increase Existing Revenues
- Decrease Existing Revenues

Decrease Costs

Local: No local government costs

- | | | |
|--|--|--|
| 1. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
4. <input type="checkbox"/> Decrease Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Governmental Units Affected:
<input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities
<input type="checkbox"/> Counties <input type="checkbox"/> Others _____
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
|--|--|--|

Fund Sources Affected

- GPR
- FED
- PRO
- PRS
- SEG
- SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

AB 309 excludes from Social Security coverage for services performed by part-time, temporary and seasonal state employes who are not otherwise required under Federal law to be covered under Social Security. The bill requires that the Department of Employee Trust Funds (DETF) establish a retirement plan that meets the definition of an alternate plan under Section 3121 of the U.S. Code in place of Social Security coverage. This alternate plan will be mandatory for all State agency employes that are defined (under U.S. Code provisions) as temporary, seasonal or part-time unless they elect Social Security coverage within 30 days of hire date or during January of odd numbered years.

The bill requires the DETF to contract with an individual or company in the private sector to provide administrative and investment services for this plan. The contractor must reimburse DETF for any and all costs relating to the administration of this program. DETF is required to submit rules creating the alternate plan to the Legislative Council no later than September 1, 2000. If enacted, the bill becomes effective on January 1, 2001.

The bill states that DETF will develop rules to establish procedures for administration of the program and requirements for participant elections into or out of this alternate plan. The bill implies DETF will provide administrative oversight of all contract services, but the bill provides no funding or positions. All monies that DETF currently administers are trust fund dollars, and DETF may not use the monies for other than trust fund purposes (s. 40.01 (2); s. 40.04(1)). Without the necessary appropriation authority and general-purpose revenue, DETF will not be able to administer the program.

DETF estimates that a minimum of one and a maximum of three contracts would be necessary for this program with separate or combined competitive bidding processes for each: (1) administrative services; (2) investment management of trust; and (3) actuarial/auditing services.

The on-going option of employes to elect out of the alternate retirement plan and back into Social Security coverage will have a fiscal impact on state employers and the University of Wisconsin to implement an on-going election process. In addition, payroll systems for the State and UW may need enhancements to provide for an alternate retirement plan and collect and distribute employe contributions.

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Long-Range Fiscal Implications:

On-going.

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Date

May 19, 1999

DETF will experience an increase in telephone communications from employers and employees in answering questions regarding coverage options and election process and the impact of the new alternate plan on WRS benefits, Medicare and Social Security. In addition, DETF will be required to develop educational and training materials for state agencies and perform on-site training for state and UW payroll and benefits staff on election, enrollment and eligibility issues.

DETF estimates the following fiscal impact of AB 309:

- 1.0 FTE program and planning analyst 6 to handle the increase in telephone and written inquiries from employers, employees and the Social Security Administration and to provide educational training for state agency and UW payroll and benefits staff (\$49,500 salary and fringe benefits per year; \$1,200 on-going supplies; \$8,500 one-time costs for furniture/computer).
- .50 FTE employee benefit plan policy advisor entry to prepare administrative rules and plan document, assist in request to modify the Section 218 agreement with the Social Security Administration and provide contract oversight (\$22,200 salary and fringe benefits per year; \$1,200 on-going supplies; \$8,500 one-time costs for furniture/computer).
- \$400 one-time costs for forms development, administration manual updates and Employer Bulletin notices.
- \$20,000 one-time costs for federal tax counsel to assist in the development of the plan document and prepare a request for a ruling to the Social Security Administration on modifying the Section 218 agreement.
- \$30,000 one-time costs for consultant services to develop and evaluate the initial competitive bidding process to select contractors for administration, investment management and actuarial/auditing services.

Note: If the Wisconsin Deferred Compensation Program could be used as the alternate plan, the above cost estimates could be substantially reduced.

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):
 \$67,400 one-time

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$ 71,700	\$ -
(FTE Position Changes)	(1.50 FTE)	(- FTE)
State Operations - Other Costs	2,400	-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 74,100	\$ -
B. State Costs by Source of Funds		
GPR	\$ 74,100	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
State Revenues Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ -

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ 74,100	\$
NET CHANGE IN REVENUES	\$	\$

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