

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 2583/1

INTRODUCTION # SB 131

Admin. Rule #

Subject

Makes an accelerated distribution from the transaction amortization account and increases the retirement formula multiplier by .2% for participating employees in 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 Costs - May be possible to Absorb Within Agency's Budget Yes No

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

Decrease Costs

Local: No local government costs

- | | | |
|---|---|---|
| <p>1. <input type="checkbox"/> Increase Costs
 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> <p>2. <input type="checkbox"/> Decrease Costs
 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> | <p>3. <input type="checkbox"/> Increase Revenues
 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> <p>4. <input type="checkbox"/> Decrease Revenues
 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> | <p>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</p> |
|---|---|---|

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

s. 20.515 (1)(w)

Assumptions Used in Arriving at Fiscal Estimate:

LRB 2583/1 would increase the formula multiplier by 0.2% for all employment categories for all service credited to the participant's account prior to January 1, 2000. For all creditable service earned on or after January 1, 2000, the current percentage multiplier will apply. The bill applies to participants who are active employees on January 1, 2000 or the effective date of the bill, whichever is later. On January 1, 2000, \$2.1 billion is distributed from the TAA to the fixed annuity reserve, the fixed employer accumulation reserve and the fixed employee accumulation reserve based upon the percentages in each reserve. The distribution is first applied to funding any liabilities created by the bill.

In preparing the estimate, the Department made the following assumptions:

1. The bill will be effective on January 1, 2000.
2. The increase in the formula benefit for all employment categories will apply to service "credited" before January 1, 2000. (The bill uses the term "credited" which the Department interprets to mean any forfeited, qualifying, other governmental, teacher improvement leave or other service purchased before January 1, 2000.)
3. Military service credits will continue to be credited at the time of retirement. Therefore, only military service credited under the continuous service provisions of s. 40.02 (15)(a) will apply to this bill.
4. The increases to the formula multiplier will not apply to any participant who terminates covered employment before January 1, 2000.
5. Workload increases and administrative costs apply to an eighteen-month period from the effective date of the bill (January 1, 2000 – June 30, 2001).
6. Associated workload will increase by the following:
 - Retirement estimate requests will increase by 50% from 17,500 to 26,250 (26 minutes per estimate).
 - Appointments will increase by 30% from 3,750 to 4,875 (1 hour and 10 minutes per appointment).
 - Telephone inquires will rise by 35% from 237,500 to 320,625 (6 minutes per phone inquiry).
 - Forfeited service purchase requests will increase by 60% from 2,100 to 3,360 (30 minutes per request).
 - Qualifying service requests and applications will rise by 100% to 3,000 (15 minutes per request).
 - Active military service credit requests will increase by 60% from 1,750 to 2,800 (10 minutes per request).
 - Member Services field presentations will increase by 25% from 216 to 270 (7 hours per presentation).
 - Retirement applications will increase by 65% from 6,324 to 10,524 (1 hour and 10 minutes per application).
7. The Department's databases will require significant changes to calculate the two tiers of benefits based on service earned before and after the bill's effective date.

Continued on next pages

Long-Range Fiscal Implications:

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Based on the above assumptions, the Department will need the following resources if AB 260 is enacted:

Division of Employer Services

For the number of increased retirement applications, the Division of Employer Services will experience the following workload increases:

- Beneficiary designation – 35%
- Military service credits – 25%
- Internal benefit inquiries – 15%
- Employer service and earnings inquiries – 15%
- Employee service and earnings inquiries – 5%
- System generated impact reports – 5%
- Processing suspended termination reports – 10%
- Processing rejected enrollments – 5%
- Auditing of insurance applications for new employees replacing those who retire – 70%
- Participants purchasing qualified service, forfeited service or other governmental service – 100%

This increased workload results in 5,532 additional staff hours or 3.0 FTE (2.0 trust funds assistant and 1.0 financial specialist) 18-month project positions (\$153,000 salaries and fringe benefits).

Division of Retirement Services – Member Services

Prepare retirement estimates; counsel participants on appointments or walk-ins; answer general inquiries via telephone, e-mail and written correspondence; prepare service purchase estimate and military service requests; revise forms and brochures; update the telephone message system; respond to requests for forms and brochures; conduct field presentations; and train staff.

The increased workload results in 17,580 additional staff hours or 10.0 FTE trust funds specialist 18-month project positions (\$499,800 salaries and fringe benefits).

Division of Retirement Services – Benefits Services

Processing and computing retirement benefits for the number of increased retirement applications (4,200).

The increased workload results in 2,610 staff hours in the Benefit Appraisal Section and 2,696 staff hours in the Benefit Computations Section or 3.0 FTE trust funds assistant 18-month project positions (\$147,200 salaries and fringe benefits).

Division of Retirement Services – Payment Services

Process additional applications for health insurance, automated deposits and address and withholding changes.

The increased workload results in 405 staff hours or .25 FTE financial specialist limited term employee position (\$8,600 salary and fringe benefits).

Division of Administrative Services

Processing mail for the estimates, additional retirements, inquiries, purchase of service, military papers and miscellaneous documents; preparing and mailing retirement packets; prepping, scanning and indexing documents to image; design, revision and printing of forms and brochures; and mailing employer bulletins.

- Postage: \$42,200 (for all applications, forms, and brochures)
- \$1,300 (for 1,300 employer bulletins)

Printing: \$17,400 (Forms, brochures, employer bulletins)

Staff Hours: 1,610 hours or 1.0 FTE program assistant 18-month project position (\$40,300 salary and fringe benefits).

Division of Information Technology

Add pre-2000 service buckets (create new fields for tracking pre-2000 service) by category; develop one-time program to accumulate the pre-2000 service; modify late reported earnings program to reflect pre-2000 service; modify QDRO programs to adjust pre-2000 service; change the estimate calculations programs (retirement, death and disability) to reflect the formula increase; allow creditable service overrides to the estimate processing changes; modify service display screens to display pre-2000 service by category; modify Statement of Benefits to include new factors; modify retirement calculation database to include buckets of service for pre-2000 and post-2000 service; change lump sum worksheet and calculation to include breakdown of pre- and post-2000 service by category; modify reconciliation for new service buckets; create one-time program to set latest rights code value and perform other miscellaneous program changes.

Total IT Costs: \$917,600

1,240 (total programmer days) x 8 hours/day x \$80/hour = \$793,600

1,240 x \$100 Info-Tech Charges = \$124,000

Office of Communications

The Department will be making Website updates including formula calculator changes and informational changes on 750 brochures and forms requiring approximately 130 additional staff hours to complete for which the Department will not request additional resources. In addition, the Department will develop a video for distribution to 1,250 employers and field representative presentations to save additional staff hours and travel costs.

Video Production and Distribution (1500 copies): \$11,600

SUMMARY

The total funding necessary for the Department to implement the provisions of LRB 2583/1 is as follows:

	FY 2000	FY 2001
17 FTE / .25 LTE (Salaries and Fringe)	283,000	565,900
Contract Programmers (9 in FY00 / 1 in FY01)	873,200	44,400
PCs, Software (26), T1 Lines	121,400	10,200
Telephones, ISDN Lines, Voice Mail	11,900	6,800
Space Rental (1800 sq. ft. x \$16/sq. ft.) (1400 in 2001)	14,400	22,400
Furniture and Office Supplies	118,700	23,800
Video Production and Distribution	11,600	
Printing (Forms, brochures, employer bulletins)	17,400	
Postage (Employer bulletins)	1,300	
Postage (Applications, forms, brochures)	5,000	37,200
Total Costs:	1,457,900	710,700

Note: This fiscal estimate addresses only the administrative costs of LRB 2583/1. The Joint Survey Committee on Retirement Systems will estimate the fiscal effect on the trust fund.

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):

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations - Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds		
GPR	\$	\$ -
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	\$ <u>See Narrative</u>	\$ _____
NET CHANGE IN REVENUES	\$ _____	\$ _____

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