

FISCAL ESTIMATE FORM

1999 Session

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB #- 3274/4

INTRODUCTION # AB 495

Admin. Rule #

Subject

Makes numerous changes to benefits provided under the WRS and the financial structure of 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

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 WTCS Districts

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:

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

1. The increase in the formula benefit for all employment categories will apply to service performed before January 1, 2000. The higher formula factors will apply to purchased service (e.g., forfeited service or other governmental service) originally performed before January 1, 2000, regardless of whether it is purchased before or after that date. The current formula factors will apply to service performed after January 1, 2000.
2. The higher formula factor will apply to years of military service for which the participant has accrued sufficient WRS creditable service as of January 1, 2000 to be eligible.
3. Participating employees on or after the effective date of the bill will receive the full effective investment earnings rate prospectively, beginning with interest credited to their accounts for 1999 applied to their 1/1/99 balances.
4. On or after January 1, 2001, participating employees on or after the effective date of the bill can elect to have 50% of their prospective contributions placed in the variable trust.
5. The maximum formula benefit increases to 70% of final average earnings for all categories of employment except protective occupation employees.
6. Workload increases and administrative costs apply to the 1999-2001 biennium.
7. 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 inquiries 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 6,412 to 10,580 (1 hour and 10 minutes per application).
8. 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:

The aging of the covered WRS population together with the effects of AB 495 are projected to increase workload on an on-going basis 15% to 25%.

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11/3/99

Based on the above assumptions, the Department will need the following resources if AB 495 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 variable fund option inquiries – 15%
- Employer service and earnings inquiries – 15%
- Employee service and earnings inquiries – 200%
- System generated impact reports – 5%
- Processing suspended termination reports – 10%
- Processing rejected enrollments – 5%
- Processing employer contribution credits – 15%
- 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 19,560 additional staff hours or 11.0 FTE trust funds specialist 18-month project positions (\$549,700 salaries and fringe benefits).

Division of Retirement Services – Benefits Services

Processing and computing retirement benefits for the number of increased retirement applications (4,200). Process additional applications for health insurance, automated deposits and address and withholding changes.

The increased workload results in 2,082 staff hours in the Benefit Appraisal Section, 3,569 staff hours in the Benefit Computations Section and 1,703 staff hours in the Benefits Payment Section or 3.0 FTE trust funds assistant and 1.0 FTE financial specialist 18-month project positions (\$183,400 salaries 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: \$44,100 (for all applications, forms, and brochures)
\$1,300 (for 1,300 employer bulletins)

Printing: \$24,000 (Forms, brochures, employer bulletins)

Staff Hours: 2,795 hours or 1.5 FTE program assistant 18-month project positions (\$ 60,400 salary and fringe benefits).

Controller's Office

Manually calculate the contribution rates for the employer contribution rate holiday and unfunded prior service liability (.5 FTE and \$29,300 salary and fringe benefits).

Division of Information Technology

Add pre-2000 service 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 Qualified Domestic Relations Order (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 fields 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 fields; create one-time program to set latest rights code value; add pre-2000 and post-2000 fields to track and calculate purchased service and military service and perform other miscellaneous program changes.

Total IT Costs: \$1,509,600

2,040 (total programmer days) x 8 hours/day x \$80/hour = \$1,305,600

2,040 x \$100 Info-Tech Charges = \$204,000

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 AB 495 is as follows:

	FY 2000	FY 2001
20.0 FTE (Salaries and Fringe)	325,200	650,600
Contract Programmers (12 in FY00 / 8 in FY01) / CPU	1,150,700	358,900
PCs, Software (32), T1 Lines	167,700	22,200
Telephones, ISDN Lines, Voice Mail	13,400	7,900
Space Rental (1800 sq. ft. x \$16/sq. ft.) (1400 in 2001)	14,400	22,400
Furniture and Office Supplies	140,800	37,000
Video Production and Distribution	11,600	
Printing (Forms, brochures, employer bulletins)	24,000	
Postage (Employer bulletins)	1,300	
Postage (Applications, forms, brochures)	6,000	38,100
Total Costs:	\$1,855,100	\$1,137,100

Note: This fiscal estimate addresses only the administrative costs of AB 495. 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

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB #-3274/4

Admin. Rule #

INTRODUCTION # AB 495

Subject

Makes numerous changes to benefits provided under the WRS and the financial structure of the WRS.

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:

A. State Costs by Category

State Operations - Salaries and Fringes

Increased Costs

Decreased Costs

\$

\$ -

(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

Increased Costs

Decreased Costs

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

STATE

LOCAL

NET CHANGE IN COSTS

\$ See Narrative

\$ _____

NET CHANGE IN REVENUES

\$ _____

\$ _____

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