

CONSIDERATION OF SB-88
(BILL NUMBER)

DATE 2/21/00

JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

NAME JESSE FISHER
ADDRESS 1317 FAUST AVE
CITY OSHKOSH STATE WI ZIP 54902
ORGANIZATION, IF ANY OSHKOSH FIRE DEPT.

WOULD LIKE TO TESTIFY (APPEAR BEFORE THE COMMITTEE)

IN FAVOR OPPOSED INFORMATION

WOULD LIKE TO REGISTER

IN FAVOR OPPOSED INFORMATION

CONSIDERATION OF SB88
(BILL NUMBER)

DATE 2-21-2000

JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

NAME MARK ZEIER
ADDRESS 2513 S. 14TH ST
CITY SHEBOYGAN STATE WI ZIP 53081
ORGANIZATION, IF ANY Prof. Fire Fighters of WI

WOULD LIKE TO TESTIFY (APPEAR BEFORE THE COMMITTEE)

IN FAVOR OPPOSED INFORMATION

WOULD LIKE TO REGISTER

IN FAVOR OPPOSED INFORMATION

CONSIDERATION OF SB 88
(BILL NUMBER)

DATE 2/21/00

JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

NAME TRUMAN GRAF

ADDRESS 5007 PRAIRIE ROSE COURT

CITY MIDDLETON STATE WIS ZIP 53562

ORGANIZATION, IF ANY WISCONSIN RETIRED EDUCATORS ASSOCIATION

WOULD LIKE TO TESTIFY (APPEAR BEFORE THE COMMITTEE)

IN FAVOR OPPOSED INFORMATION

WOULD LIKE TO REGISTER

IN FAVOR OPPOSED INFORMATION
(ALSO MONITOR)

CONSIDERATION OF SB 88
(BILL NUMBER)

DATE 2-21-00

JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

NAME RICHARD L. RASTALL

ADDRESS 119728 Kampwood Lane

CITY ETHRICK STATE WI ZIP 54627

ORGANIZATION, IF ANY _____

WOULD LIKE TO TESTIFY (APPEAR BEFORE THE COMMITTEE)

IN FAVOR OPPOSED INFORMATION

WOULD LIKE TO REGISTER

IN FAVOR OPPOSED INFORMATION

CONSIDERATION OF AB 124 & SB 88
(BILL NUMBER)

DATE 21 Feb 2000

JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

NAME MENTOR JOHN B. HERSKI
ADDRESS 1200 NORTHLAND TERRACE LAKE
CITY MARINETTE STATE WI ZIP 54143
ORGANIZATION, IF ANY Wise mil Retirees ASSN

WOULD LIKE TO TESTIFY (APPEAR BEFORE THE COMMITTEE)

IN FAVOR OPPOSED INFORMATION

WOULD LIKE TO REGISTER

IN FAVOR OPPOSED INFORMATION

CONSIDERATION OF AB 124 SB 88
(BILL NUMBER)

DATE 02/21/00

JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

NAME STEVEN C. WERNER
ADDRESS 340 COYIER
CITY MADISON STATE WI ZIP _____
ORGANIZATION, IF ANY Wis. Prof. Police Assoc.

WOULD LIKE TO TESTIFY (APPEAR BEFORE THE COMMITTEE)

IN FAVOR OPPOSED INFORMATION

WOULD LIKE TO REGISTER

IN FAVOR OPPOSED INFORMATION

PRELIMINARY

1999-2000

LRB-2277/1

STATE OF WISCONSIN

APPENDIX TO 1999 SENATE BILL 88

REPORT OF JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

(Introduced by Senators Welch, Fitzgerald, Drzewiecki, Darling, Schultz, Plache and Clausing; cosponsored by Representatives Musser, Sykora, Travis, Albers, Plouff, Goetsch, Freese, Walker, Owens, Hahn, Kelso and Pettis.)

An Act to amend 40.02 (15) (c) 4. of the statutes; relating to: creditable military service under the Wisconsin retirement system.

EXTRACT OF COMMITTEE'S RECOMMENDATION ON THIS BILL

The Joint Survey Committee on Retirement Systems finds that Senate Bill 88 [represents good public policy, and the Committee recommends its passage] [does not represent good public policy, and the Committee does not recommend its passage].

PURPOSE OF THE BILL

This bill relates to granting creditable service for the purposes of the Wisconsin Retirement System (WRS) for active military service served at any time for any participant in the WRS who terminates on or after the effective date of the bill.

Currently, a participant in the WRS may receive creditable service under the WRS for military service. Under s. 40.02, Stats., military service of two types:

1. A participant: (a) enlisted or was ordered or inducted into active service in the U.S. Armed Forces; (b) left the employment of a participating employer to enter the U.S. Armed Forces; (c) returned to the employment of the same employer within 180 days of release or discharge from the U.S. Armed Forces or released from hospitalization because of injury or sickness resulting from service in the U.S. Armed Forces; (d) served for not more than four years unless his or her service was involuntarily extended for a longer period; (e) was discharged from the U.S. Armed Forces under conditions other than dishonorable; and (f) upon return from service in the U.S. Armed Forces furnished evidence required to establish the participant's rights. If these conditions are met, the person may receive one year of military service credit for

each year of military service regardless of the amount of the participant's other creditable service in the WRS. [s. 40.02 (15) (a), Stats.]

2. A participant performed military service before 1974 and terminated covered employment under the WRS on or after March 9, 1984. The participant may receive one, two, three or four years of military service if the participant has at least 5, 10, 15 or 20 years respectively of creditable service. However, any other creditable military service granted under s. 40.02 (15) (a), Stats., is included in determining the maximum years of military service credit granted under this provision. [s. 40.02 (15) (c), Stats.]

Under current law, a person may not receive military service credits under the WRS under 2., above, for military service that is used for the purpose of establishing entitlement to a retirement benefit that is paid by the federal government. This bill permits a person to receive credit under the WRS for that military service in addition to using that service to establish a retirement benefit to be paid by the federal government.

ACTUARIAL EFFECT

This bill will increase the years of creditable service for employes who retire under formula benefits. It will have no significant actuarial effect on the WRS since it will require adjustment of the contribution rate for employes who are eligible for the credit. The rate must be sufficient to amortize the unfunded prior service liability for the new benefit over the remainder of the 40-year amortization period. As of December 31, 1999, 30 years remained on the amortization schedule.

PROBABLE COSTS

It is estimated that, assuming 5% of military service is eventually credited under a federal retirement plan, this bill would result in an increase of \$10,000,000 to the employers' unfunded liability. This would increase the employers' contributions for 2001 by about \$520,000 and this amount would increase by 4.8% each year compounded. Approximately \$2,100,000 in additional annual contributions 30 years after the effective date would result. The state would be responsible for an estimated 29% of this cost or \$150,000 in 2001 increasing to \$609,000 after 30 years.

The Department of Employee Trust Funds estimates a 5% ongoing increase in participants requesting credit for active military service and an additional 500 inquiries about military service credit. The one-time costs for revising forms and brochures, telephone message systems, revision of internal operating procedure staff training and work load associated with inquiries is \$2,700. The Division of Employer Services estimates ongoing annual operational staff costs of \$1,200 for military service processing based on the 5% increase in participants submitting requests for additional military service credit. One-time costs of \$100 are estimated to revise employer manual worker instructions. The Wisconsin Employee Benefit System modifications are estimated to cost \$16,800 for one-time expenditures for system changes for contract developer analysis, design and user testing and central processing time.

PUBLIC POLICY

The purpose of this legislation is to grant military service credit to retirees from the WRS even if that service is used to receive a federal retirement benefit.

The employer contribution rates under the bill will be adjusted to reflect the cost of granting military service for those participating employees.

RECOMMENDATION

The Joint Survey Committee on Retirement Systems finds that 1999 Senate Bill 88 [represents good public policy, and the Committee recommends its passage] [does not represent good public policy, and the Committee does not recommend its passage].

2/21/00

STATE OF WISCONSIN
JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS
MONDAY, FEBRUARY 21, 2000
11:00 A.M.
ROOM 417 NORTH (GAR), STATE CAPITOL BLDG.

A G E N D A

1. Call to Order and Roll Call.
2. Consideration of the Minutes of the January 24, 2000 Meeting.
3. **Assembly Bill 9** relating to granting creditable service under the Wisconsin retirement system for service in the federal peace corps or VISTA public service programs or in any national service program under the federal National and Community Service Act of 1990.
4. **Assembly Bill 124** relating to creditable military service under the Wisconsin retirement system.
5. **Senate Bill 88** relating to creditable military service under the Wisconsin retirement system.
6. **Assembly Bill 145** relating to granting creditable service under the Wisconsin retirement system for service in the federal public health service.
7. **Senate Bill 105** relating to classifying certain teachers employed by the state as protective occupation participants under the Wisconsin retirement system.
8. **Senate Bill 211** relating to classifying certain nurses employed by the state as protective occupation participants under the Wisconsin retirement system.
9. **Assembly Bill 388** relating to the normal retirement date under the Wisconsin retirement system for individuals employed by certain school districts.
10. **Assembly Bill 426** relating to death benefits provided under the Wisconsin retirement system and making an appropriation.
11. **Assembly Bill 455** relating to establishing a presumption for employment-connected disease for state and county fire fighters.
12. **Assembly Bill 656** relating to granting creditable service under the Wisconsin retirement system to certain assistant district attorneys formerly employed by Milwaukee County and making an appropriation.

(An Executive Session may be held during or immediately following the public hearing on the above and/or any other items pending before the Committee)

13. Other Matters.
14. Adjournment.

BILLS OF IMMEDIATE INTEREST

A.B. 9 – Pension Credit for Service in the Peace Corps, VISTA, etc.

Data has been requested from the Peace Corps to enable estimation of this bill's cost. A source for VISTA data is being sought. We will also need to identify other federal programs that might also be covered by this bill. The cost estimate will be easy to make once we have the data, and basic data in summarized form should be sufficient.

A.B. 309 – Excluding Part-Time, Seasonal and Contractual Employees from Social Security

-Plate -Shibilsky

The general effect of this would be to save the State 7.65% of the payroll for employees currently covered by Social Security who elect the alternative money purchase plan to be provided for them in lieu of Social Security coverage.

There are two questions to be answered in order to estimate the cost savings to the State under this bill:

1. **The Data Question:** How many employees and how much payroll would be affected? We may also have to get some idea of their relative ages, as explained below.
2. **The Election Question:** What percentage of employees at different pay levels would be likely to decline Social Security in favor of the private retirement plan offered to them?

I would think that older low paid employees would be inclined to prefer Social Security over the 7.5% money purchase plan, if they realized that Social Security uses a front-loaded benefit formula that greatly favors the lower paid. Also, Social Security benefits are not (yet) fully taxable, while pension benefits are. Younger employees with more years to go until retirement would seem likelier to choose the money purchase plan. Also, younger people seem to have little faith in the survival of Social Security.

Ideally, we would like to get data on election rates from another state that has already implemented this. If we cannot get data this way, then we will have to try to get age information and make some educated guesses as to rates of election of the alternate plan.

We have "absolute coverage" agreement w/ feds

S.B. 119 – Joint & Survivor Death Benefit Beneficiary No Longer Must Be a Dependent

Information needed to estimate the cost of this bill can probably all be obtained from ETF. I would need some information about the election of lump sums by those eligible for the J&S benefit, and also it might help to have the active life data that ETF gave the actuaries for the 1998 valuation. With this, it would require from 1 to 3 days of work (2 to 6 working days) for me to prepare the fiscal estimate -- depending on whether I could find a way to estimate it by hand, or had to adapt spreadsheets that I developed for the ORP study.

A.B. 245 -- Physical Examinations Required for Duty Disability

There are three conditions for a protective participant to be eligible for duty disability:

1. Injured or sickened in the line of duty, and
2. The disability is likely to be permanent, and
3. It causes him/her to retire, to be given light duty, or to lose chance of advancement.

This bill would require periodic medical examinations to determine whether the disability has continued. If not, then the disability benefit would be terminated. It might be helpful to define more carefully to what degree the disability must have persisted -- e.g., if the doctor no longer thinks that it seems likely to be a permanent condition, then has the disablement ended?

Note that the final paragraph of the bill is not enforceable against the former employer. There is no way to assure that an employee who has recovered from disability will get his or her former job back -- or for that matter, that the individual will be able to secure a similar job anywhere. If the recovered employee cannot secure a similar job, then he or she might have to accept a new line of work in order to find employment.

For such employees, this legislation would, in effect, be imposing *after the fact* the same strict definition of disability as non-protective employees are subjected to by 40.63(1)(b) *before the fact* (i.e., before they are granted disability benefits) -- namely, that the ability to perform any substantial gainful activity is enough to disqualify them from disabled status.

From here it is only a small step of logic to ask why the law should not be changed to apply to protective participants the stricter 40.63(1)(b) definition of disability in the first place. If this seems too harsh a policy to apply to police, etc., then a smaller partial duty disability benefit could be defined to fill the gap. Other police plans have this. (Just a thought.)

Employer contribution rates for the Section 40.65 disability insurance program are now about 3.3% of protectives' \$710 million payroll. Therefore, the full cost for duty disability is running at about \$23.5 million annually. If, for example, one in four future disabilities would be terminated under this bill, then the ultimate savings (in current dollars) would be somewhat less than one-fourth of the full \$23.5 million now being spent -- that is, somewhat less than 0.8% of payroll or \$6 million annually.

It would not be a full one-fourth of the total disability cost because (1) ETF would bear some expense for the medical examinations, and (2) each person disqualified for benefits would have drawn some benefits before being disqualified. For this example we can roughly estimate that the actual cost savings to the employers from this bill would be about 75% of the potential savings, which is about 0.62% of payroll or \$4,400,000 annually (in current dollars).

This much savings would not be realized immediately, but would be the limit of a pattern of increased savings each year over a period of time. This is because much of the current 3.3% of payroll contribution is needed to pay for those currently disabled, who are less likely to lose their benefits under this bill than are those who will become disabled in the future.

The assumption that one in four disabilities might be terminated under this bill is for purposes of example only. Further research would have to be done to learn what level of recovery might indeed be expected. "One in four" is a subjective impression that I have based on my previous experience with the West Virginia State Police, and it may or may not be a good assumption to use for a WRS estimate.

NOTES ON OTHER BILLS

A.B. 48 & S.B. 142 – Protective Status for County Jailers

Fiscal note has been sent out.

A.B. 124 / S.B. 88 – Allows Pre-1974 Military Service & "Double-Dipping"

I have the necessary data for costing out the addition of pre-1974 military service. The "double-dipping" part of the bill may prove to be more problematical. It will take a couple of working days to estimate the former. I should have a better idea of the latter once I've done the former.

S.B. 88 also allows "double-dipping", so it will be estimated along with A.B. 124.

A.B. 145 – Pension Credit for Public Health Service Work

I should have the fiscal note done in a couple of days. Very minimal cost to WRS.

A.B. 916 – Social Security/Part-Time Employees

This is similar to A.B. 309. *SS admin. won't want to do this (ETF has concerns also)*

S.B. 105 – Corrections Teachers Getting Protective Status

We will send this fiscal note out today or tomorrow. Pension cost is about \$300,000. These teachers don't satisfy the physical part of the definition for protectives, according to someone over at Corrections.

S.B. 127 – Retroactive Death Benefits to 1/1/97

Should not be too hard to estimate, but this is a bad idea. Why draw the line at 1/1/97?

Scott's calendar:

May 18: Coalition of Annuitants meeting
May 19: DER class
May 20: DER class
May 26: DER class
May 27: DER class
June 17-July 5: Vacation
Jul 8: Dental appointment
Jul 26: Dental appointment

Debra Breggeman's bad days (when she can't stay late):

June 2, June 9, June 16.

Other considerations:

Norm should have the variable annuity study done around June 15 thru the end of June.

As soon as we get into the new fiscal year he can begin his study of benefit increase bill(s) [A.B. 260, A.B. 323, S.B. 131, maybe others?].