

Fiscal Estimate Narratives

ETF 10/2/2003

LRB Number	03-2338/1	Introduction Number	SB-260	Estimate Type	Original
Subject					
Venture capital fund					

Assumptions Used in Arriving at Fiscal Estimate

Following are the assumptions used in preparing an estimate that would allow participants in the Wisconsin Retirement System (WRS) to elect to have 10% of their retirement contributions segregated into a venture capital annuity:

1. If a participant elects venture capital in required contributions, then a participant can elect to have any percentage of venture capital in additional deposits.
2. The IT system changes required would include designing a new fund type, fund option, status codes, rights codes, and interest crediting. Changes would also be required to all estimate and calculation modules (retirement/death/disability) as well as all programs associated with generation of our annual Statement of Benefits.
3. There would be a one-time initial election to allow for venture capital enrollment. Approximately 75,000 people would have an interest and would call or write for information.
4. Approximately 3,500 people (5% of the total active participants currently in variable) would actually elect the venture capital option in the initial enrollment.
5. Beyond the first year, approximately 140 new participants a year would elect the venture capital option.
6. New brochures, identifying the risks involved, would need to be developed.
7. A new form would be required for every additional deposit.
8. All forms and brochures related to variable participation and additional contribution reporting would require review and changes.
9. Changes would be needed to actuarial reporting.
10. Employer training and communications to employers, participants and Department staff would be needed.

MEMBER SERVICES: Providing comprehensive services to members would involve one-time costs for staff time for project planning and implementation; computer system enhancements; revision of communication tools such as forms, brochures and benefits presentations; and operational adjustments to revise procedures and related staff training. Additionally, one-time staffing costs to handle the increased workload of written inquiries and walk-in information as well as on-going workload costs would be needed.

\$291,600 (one-time)
\$4,800 (on-going)

BENEFIT SERVICES: One-time costs to make necessary program changes that would include planning, testing screens, developing automated calculations, revising forms and procedures, training staff and dealing with the increased complexity of 1099-R tax reporting would be needed. Additionally, on-going costs would be involved due to the increased complexity of benefit computations and tax reporting.

\$54,300 (one-time)
\$2,300 (on-going)

OFFICE SERVICES: The costs associated with office services include additional staff time; processing incoming and outgoing mailings; postage; designing, revising and printing of forms and brochures; and prepping, indexing and scanning documents to image.

\$80,700 (one-time)
\$1,100 (on-going)

CALL CENTER: The costs associated with the Department's call center include planning and implementation, revision of communication tools, computer system editing, increased workload and related

costs, and staff training. Based upon increased call volume and inquiries, 3.5 FTE one-year project positions and .5 FTE permanent position is required.

\$241,600 (one-time) and 3.5 FTE one-year project Trust Funds Specialist positions
\$35,500 (on-going) and .5 FTE Trust Funds Specialist position

CONTROLLER'S OFFICE: Daily account adjustments, weekly and monthly benefit vouchers, reconciliation tasks, benefit reallocations, fund transfers, and effective rate interest calculations would all be needed to incorporate the venture capital option. System testing would require 1.0 two-year project accountant position.

\$86,300 (one-time) and 1.0 FTE two-year project accountant position
\$2,100 (on-going)

INFORMATION TECHNOLOGY (IT): In designing an IT system to accommodate the venture capital option, there are similarities in the design, construction, and related processing of the Act 11, Phase II, variable accounts:

- same election and cancellation rights
- separate venture capital account balances
- separate excess/deficiency tracking
- same treatment as variable for benefit processing
- same interest crediting and annuitant dividend procedures

These similarities provide a means to compare the effort needed to implement the venture capital option. However, the changes needed to add this option are even more complex than Act 11, Phase II, because commensurate changes would also be needed in the new multi-million dollar benefit payment system.

\$5,602,800 (one-time over 2.5 years)
\$30,000 (on-going)

EMPLOYER SERVICES: To provide appropriate services to employers regarding the venture capital option, there would be an increased workload in terms of employer inquiries, suspended transactions, and benefit inquiries; operational adjustments, including staff training; communication tool revisions; enhancements to the computer system; and time for project planning and implementation.

\$393,800 (one-time)
\$1,300 (on-going)

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
6,751,100 (3.5 FTE one-year project positions and 1.0 FTE two-year project position)			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$47,100	
(FTE Position Changes)		(0.5 FTE)	
State Operations - Other Costs		30,000	
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$77,100	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S (77,100)		77,100	
III. 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		\$77,100	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
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