

Fiscal Estimate - 2007 Session

- Original
 Updated
 Corrected
 Supplemental

LRB Number 07-4031/2	Introduction Number AB-0801				
Description Payment of premiums for health or long-term care insurance coverage from annuities under the Wisconsin Retirement System and distributions from deferred compensation accounts					
Fiscal Effect					
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs					
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts					
<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Fund Sources Affected</td> <td style="width: 40%;">Affected Ch. 20 Appropriations</td> </tr> <tr> <td> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.515(1)(w) </td> <td></td> </tr> </table>		Fund Sources Affected	Affected Ch. 20 Appropriations	<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.515(1)(w)	
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Date 2/18/2008					

Fiscal Estimate Narratives

ETF 2/18/2008

LRB Number	07-4031/2	Introduction Number	AB-0801	Estimate Type	Original
Description Payment of premiums for health or long-term care insurance coverage from annuities under the Wisconsin Retirement System and distributions from deferred compensation accounts					

Assumptions Used in Arriving at Fiscal Estimate

This bill would require the Department of Employee Trust Funds (ETF) to withhold and remit health insurance premiums and/or long-term care premiums from the monthly annuity received by Wisconsin Retirement System (WRS) annuitants for annuitants who elect this service. Current law only allows this type of deduction for insurance plans offered under a program established by the Group Insurance Board. This bill would require that ETF provide this service to any insurance carrier selected by the annuitant. In addition, the bill would allow the Wisconsin Deferred Compensation (WDC) Board to allow this deduction for retired participants in the WDC.

Key assumptions used in the preparation of this estimate include the following:

* All annuitants who retired from protective occupation category would elect this option since recent federal legislation (the Pension Protection Act) provide that public safety officers (as defined by federal regulations) are eligible for a \$3000 exclusion from their income for the purpose determining the federal income tax liability. As of December 2007, there were 9,927 individuals receiving annuities who retired as protective occupation employees. While the WRS definition of a protective occupation employee is not exactly the same as the federal definition of a public safety officer, Department Staff believes that the WRS definition is a reasonable approximation.

* An additional 23,247 WRS annuitants who retired in non-protective category occupations would elect this option. This includes participants who are currently enrolled in a health plan offered by the GIB. 11,247 individuals currently have these premiums deducted and forwarded to a GIB sponsored plan and an additional 12,000 annuitants are expected to elect the option to have premiums sent to a carrier of their choice.

* All annuitants electing this option would complete a form provided by ETF to ensure compliance with the federal Pension Protection Act provisions requiring this election.

* Approximately 10% of those electing this option would stop or change their deduction each year.

* The Department would transmit payments to approximately 150 different insurance carriers during any given month.

* The Department would not be responsible for determining or certifying any individual annuitant's eligibility for the federal exclusion from income offered under the Pension Protection Act.

* The Department would process deductions utilizing the new Benefit Payments System (BPS). It is anticipated that BPS will be operational later in the 2008 calendar year.

* The current administrator under contract to the WDC Board is willing and able to provide this service at no additional cost under the current fee structure.

Implementation costs associated with this bill are estimated to be \$525,000 and would require 6.7 full-time equivalent employees (FTE). Implementation costs includes but is not limited to charges associated with information technology system changes, publications, postage, and participant inquiries.

On-going costs associated with this bill are estimated to be \$175,000 and would require 3.8 FTE. On-going costs include charges associated with postage, publications, and participant inquiries.

The funding source identified above assumes that this is an appropriate use of resources from the Public

Employee Trust Fund. A determination of this nature is beyond the scope of this estimate.

Long-Range Fiscal Implications

On-going costs are anticipated to increase coincident with the anticipated increase in retired participants. The retired participant population is expected to double over the next 12 to 15 years.