

Fiscal Estimate Narratives

DPI 5/2/2007

LRB Number	07-2011/1	Introduction Number	SB-093	Estimate Type	Original
Description The investment by certain local units of government of funds held in trust to provide post-employment benefits					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a school district may invest and reinvest funds that are held in trust, other than funds held in the public employee trust fund, solely to provide post-employment benefits in the manner provided under the Uniform Prudent Investor Act, which took effect in Wisconsin on April 30, 2004. This bill requires that such funds be held in segregated accounts, and extends the same provisions to other local governmental units, including cities, villages, towns, counties, and technical college districts.

The department currently requires school districts to establish a formal, separate legal trust for the investment of post-employment benefits. Transactions related to this trust fund must be accounted for in district finances in a separate accounting fund called Fund 73. Therefore, it is possible that the bill will have no fiscal impact on school district finances.

However, dollars set aside in a separate legal entity, a trust to fund future retiree benefits, meet the requirements of a current aidable expenditure for a school district even though the post-employment benefit expenditure will be made at some future time. If, under this bill, a district is allowed to hold funds in a separate district account rather than a separate legal entity, the aidable expenditure may revert back to dollars paid to current retirees and raise the potential of aiding the expenditure a second time. Thus, until the meaning of the bill's text that funds for post-employment benefits "...shall be held in a trust fund or account that is separate from all other trust funds or accounts created by, or under the control of, the local governmental unit" is reconciled with current department practice, there may be an indeterminate fiscal effect.

Long-Range Fiscal Implications