Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2007 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **07-3908/2**	Introduction Number **SB-471**

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:
- ☐ No State Fiscal Effect
- ☐ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☐ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☐ Decrease Existing Revenues
  - ☒ Increase Costs - May be possible to absorb within agency's budget
    - ☐ Yes ☒ No
  - ☐ Decrease Costs

Local:
- ☐ No Local Government Costs
- ☐ Indeterminate
  1. ☐ Increase Costs
     ☐ Permissive ☐ Mandatory
  2. ☐ Decrease Costs
     ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue
     ☐ Permissive ☐ Mandatory
  4. ☐ Decrease Revenue
     ☐ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected
     ☐ Towns ☐ Village ☐ Cities
     ☐ Counties ☐ Others
     ☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEGS 20.515(1)(w)

Affected Ch. 20 Appropriations

Agency/Prepared By	**Authorized Signature**	**Date**
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Fiscal Estimate Narratives

ETF 2/18/2008

LRB Number **07-3908/2**	Introduction Number **SB-471**	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) individuals who retired from a position that meets the federal definition of a public safety officer 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 public safety officer 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.

* 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 50 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 $253,000 and would require 2.1 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 $55,000 and would require 1.1 FTE. On-going costs include charges associated with postage, publications, and participant inquires.

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.