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Details:

(FORM UPDATED: 08/11/2010)

**WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS**

2007-08

(session year)

Senate

(Assembly, Senate or Joint)

**Committee on ... Labor, Elections and Urban
Affairs (SC-LEUA)**

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Senate

Record of Committee Proceedings

Committee on Labor, Elections and Urban Affairs

Assembly Bill 184

Relating to: the investment by certain local units of government of funds held in trust to provide post-employment benefits.

By Representatives Gottlieb, Ballweg, Fields, Hahn, Mursau, Musser, A. Ott, Petrowski and Van Roy; cosponsored by Senators Lassa, Darling, Grothman and Olsen.

November 07, 2007 Referred to Committee on Labor, Elections and Urban Affairs.

November 28, 2007 **PUBLIC HEARING HELD**

Present: (4) Senators Coggs, Wirsch, Lehman and Grothman.

Absent: (1) Senator A. Lasee.

Appearances For

- Greg Hubbard — Broydrick & Assoc.
- Julie Lassa — Senator
- Mark Gottlieb — Representative
- David Branback

Appearances Against

- None.

Appearances for Information Only

- None.

Registrations For

- Curt Witynski — League of Wisconsin Municipalities
- Monica Groves Batiza — Wisconsin Counties Association
- Ed Huck — Wisconsin Alliance of Cities
- Paul Gabriel — Wisconsin Technical College District Boards Association
- Pete Christianson — Marshall & Olsley Corp.
- David Krahn — Waukesha County

Registrations Against

- None.

Registrations for Information Only

- None.

December 4, 2007

EXECUTIVE SESSION HELD

Present: (5) Senators Coggs, Wirch, Lehman, Grothman
and A. Lasee.

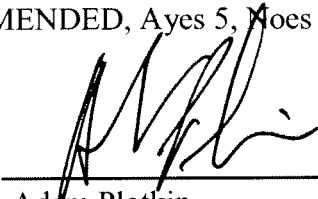
Absent: (0) None.

Moved by Senator Wirch, seconded by Senator Lehman that
Assembly Bill 184 be recommended for concurrence.

Ayes: (5) Senators Coggs, Wirch, Lehman, Grothman
and A. Lasee.

Noes: (0) None.

CONCURRENCE RECOMMENDED, Ayes 5, Noes 0



Adam Plotkin
Committee Clerk



Vote Record

Committee on Labor, Elections and Urban Affairs

Date: Tue. Dec. 4, 2007

Moved by: Wirch Seconded by: Lehman

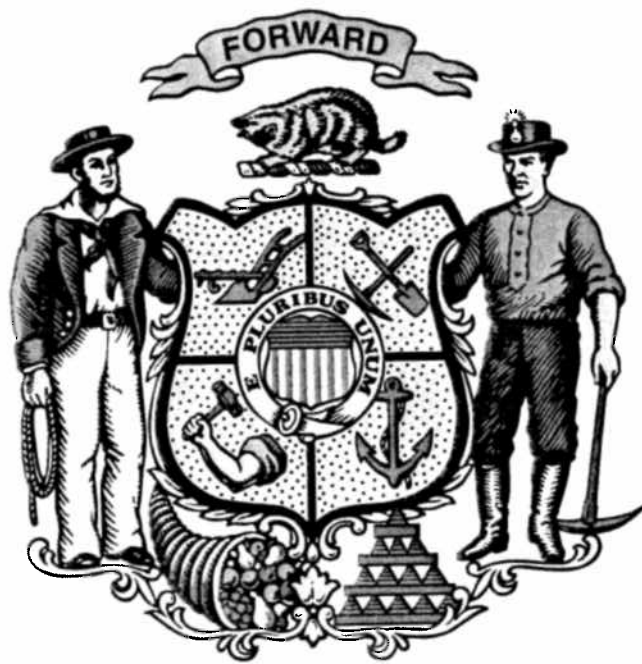
AB 184 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:
 Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

Committee Member	Aye	No	Absent	Not Voting
Senator Spencer Coggs, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Robert Wirch	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator John Lehman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Glenn Grothman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Alan Lasee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>5</u>	<u>0</u>	_____	_____

Motion Carried Motion Failed



From: Rep.Gottlieb
Sent: Tuesday, February 27, 2007 1:29 PM
To: *Legislative Assembly Democrats; *Legislative Assembly Republicans;
*Legislative Senate Democrats; *Legislative Senate Republicans
Subject: Rep. Gottlieb and Sen. Lassa/LRB-1907 and LRB-2011/OPEB
Legislation/Deadline is Friday, March 9

Attachments: 07-19071.pdf
To: All Legislators

From: Senator Julie Lassa and Representative Mark Gottlieb

Date: February 28, 2007



Re: Co-sponsorship of LRB-2011 and LRB-1907, relating to the investment by certain local units of government of funds held in trust to provide post-employment benefits.

Co-sponsorship Deadline: Friday, March 9th, at 4:30 pm.

These companion bills are an extension of 2005 Act 99, which allowed school districts to create trusts to invest funds to help pay for the increasing costs of other post-employment benefits (OPEB). Other post-employment benefits include, but are not limited to, health care and life insurance.

Our legislation would allow other local units of government to also create trusts to expand their investment opportunities to help pay OPEB costs, thereby putting other Wisconsin governmental entities on an equal footing with school districts.

It would allow all local units of government to establish trusts and invest using the guidelines established in the Uniform Prudent Investor Act. The Uniform Prudent Investor Act, which was developed by the Uniform Law Commission in 1914, provides rules for governing investments that result in protection for trust assets while providing a prospect for increased income.

The additional income from higher rates of return on trust investments is then used to help offset the annual cost of OPEB. The cost to the local unit of government is the expense of establishing and operating the trust.

If you would like to co-sponsor LRB-1907 and LRB-2011, please contact Rob Richard in the Gottlieb office at 267-2369 or Jessica Ford Kelly in the Lassa office at 266-3123 by March 9th. You will be signed onto both bills unless you specifically state otherwise.

Analysis by the Legislative Reference Bureau

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.





**WISCONSIN LEGISLATIVE COUNCIL
AMENDMENT MEMO**

2007 Assembly Bill 184	Assembly Amendment 1
<i>Memo published: September 14, 2007</i> <i>Contact: Don Dyke, Chief of Legal Services 266-0292</i>	

Assembly Amendment 1 treats SECTION 2 of Assembly Bill 184, which requires funds held in trust for other post-employment benefits to 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. The amendment deletes from this provision the references to “account” and “accounts.” The amendment, requested by the Department of Public Instruction, makes the language of the proposal consistent with language contained in other provisions of Assembly Bill 184 and in 2005 Wisconsin Act 99 (neither of which refers to trust “accounts” as distinct from trust “funds”).

Legislative History

Assembly Amendment 1 was offered by Representative Gottlieb. The amendment was recommended for adoption by the Assembly Committee on Urban and Local Affairs by a vote of Ayes, 9; Noes, 0. Assembly Bill 184, as amended, was recommended for passage by the committee by a vote of Ayes, 9; Noes, 0.

DD:jb:ksm



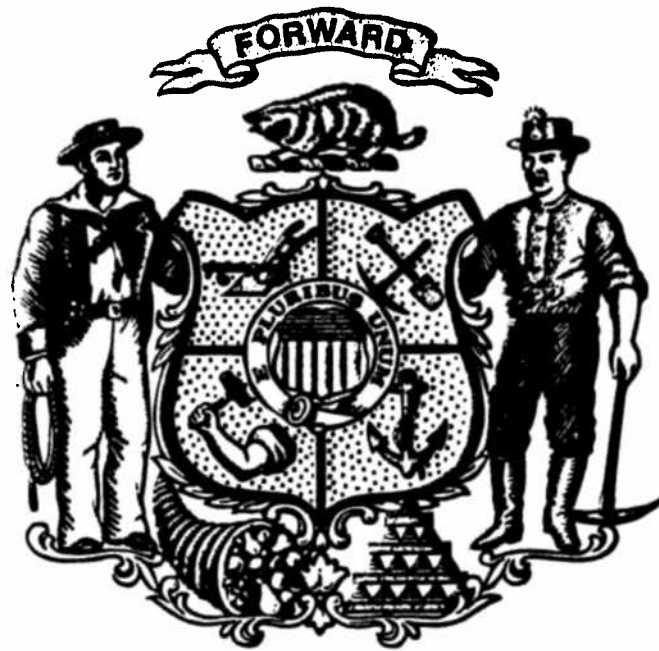
Plotkin, Adam

Subject: AP meets with Jessica Kelly and Greg Hubbard
Location: 123 BS
Start: Fri 09/28/2007 11:00 AM
End: Fri 09/28/2007 11:30 AM
Recurrence: (none)

On SB 93
AP

AB 984
←
(not added by LRB)

- Rissner supports amendment
- Gottlieb offered amendment in Assembly
- amendment & bill passed unanimously in Senate
 - public hearing in March, sep. 11 ex. 1.
- amendment takes out "or accounts" on page 2, lines 10 & 11



MEMORANDUM

TO: Honorable Members of the Senate Committee on Labor, Elections and Urban Affairs

FROM: Monica Groves Batiza, Legislative Associate *MGB*

DATE: November 26, 2007

SUBJECT: Support for Assembly Bill 184

The Wisconsin Counties Association (WCA) supports Assembly Bill 184 (AB 184), relating to the investment by certain local units of government of funds held in trust to provide post-employment benefits, as amended. AB 184 is an extension of 2005 Act 99, which allowed school districts to create trusts to invest funds to help pay for the increasing costs of other post-employment benefits (OPEB). This legislation would simply expand current law by enabling other local units of government to expand their investing opportunities. Money earned through these investments would help pay OPEB costs, which include health care and life insurance, and allow Wisconsin counties to be on equal footing with school districts.

Our support for AB 184 stems from a resolution that the WCA Board of Directors passed in February, 2007 to support legislation to allow counties more flexibility to invest for post-employment benefits.

Thank you for considering our comments. Please contact me if you have any questions.





State of Wisconsin Department of Public Instruction

Elizabeth Burmaster, State Superintendent

November 26, 2007

The Honorable Spencer Coggs, Chair
Senate Committee on Labor, Elections and Urban Affairs
State Capitol
PO Box 7882
Madison, WI 53707-7882

Dear Senator Coggs:

Adam Plotkin from your office recently called requesting the department's position on 2007 Assembly Bill 184 (AB 184), which is before your committee. The department had a concern with the bill, but that concern was addressed in the Assembly under Assembly Amendment 1, offered by Rep. Gottlieb and adopted by the Assembly. As a result, the department is now taking no position on the bill as amended.

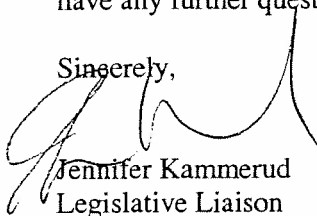
The original concern the department had with AB 184 was outlined in the fiscal estimate the department completed for 2007 Senate Bill 93 (SB 93), the companion bill to AB 184. It should be noted that the department did not do a fiscal estimate for AB 184 as none was requested from us by the Department of Administration. The language from the SB 93 fiscal estimate is excerpted below.

"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...."

"...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."

Assembly Amendment 1 to AB 184 removed the "or account" language from the bill and thus removed our concern with the bill by clarifying that the dollars should only be kept in a separate legal entity and thus removing the possibility of aiding the expenditure twice. Please feel free to contact me should you have any further questions.

Sincerely,



Jennifer Kammerud
Legislative Liaison

Cc: Representative Mark Gottlieb and Senator Julie Lassa





MARK GOTTLIEB

Speaker Pro Tempore
Wisconsin State Assembly

Testimony of Rep. Mark Gottlieb
Assembly Bill 184
Senate Committee on Labor, Elections and Urban Affairs
November 28, 2007

Chairman Coggs and Committee Members:

Thank you for the opportunity to speak before you on Assembly Bill 184 (AB 184), relating to the investment by certain local units of government of funds held in trust to provide post-employment benefits.

Last session the Legislature passed, and the Governor signed into law, Assembly Bill 167 (WI Act 99) allowing school districts to create trusts to invest and reinvest funds to help pay for the increasing costs of other post-employment benefits, otherwise called OPEBs. OPEBs include, but are not limited to, retiree health care benefits and life insurance. Previous to the enactment of Act 99, the Milwaukee Public School District was the only entity authorized to hold funds in trust to pay for other post-employment benefits.

Much like WI Act 99, AB 184 will allow all local units of government to create a trust to invest and reinvest funds to expand their investment opportunities to help pay OPEB costs – using the guidelines established in the Uniform Prudent Investor Act. The Uniform Prudent Investor Act, developed by the Uniform Law Commission in 1914, and which took effect in Wisconsin on April 30, 2004, provides rules for governing investments that result in protection for trust assets while providing the prospect for increased income. AB 184 puts other Wisconsin governmental entities on an equal footing with school districts.

OPEBs are unfunded liabilities held by state and local governmental units because of contractual promises made to public employees. The most significant OPEB facing these governments is health care – even more so than unfunded pension liabilities. Most governments provide some form of health-related benefits, but very few actually prefund the benefits.

In December of 2006, the General Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. For the first time, by 2008, state and municipal governments will be required to account for other post-employment benefits and pensions. The new GASB statement “was issued to provide more complete, reliable, and

STATE REPRESENTATIVE • 60TH DISTRICT

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District: 1205 Noridge Trail • Port Washington, Wisconsin 53074 • (262) 268-6998

decision-useful financial reporting regarding the costs and financial obligations that governments incur when they provide postemployment benefits other than pensions (OPEB) as part of the compensation for services rendered by their employees.”

Prior to GASB 45 governments typically followed pay-as-you-go accounting principles which meant that OPEB costs weren't calculated until after employees retired. Now, governments will be forced to apply GASB 45 accounting principles to report “annual OPEB cost and their unfunded actuarial accrued liabilities for services rendered”. In essence, the new regulations will improve transparency in government accounts by making it easier to know what the future liability for OPEB expenses will be for a given government and to assess whether they have a strategy for meeting these requirements.

Unlike other states and local governments, the State of Wisconsin took action against its unfunded accrued pension and OPEB liabilities by issuing \$1.3 billion in bonds in the 2003 state budget. While the refinancing of our liabilities will eventually cost taxpayers about \$3.6 billion to retire the bonds, it saved \$324 million in the long term. The impact on taxpayers is not insignificant by any means, but this gives you a glimpse of what we are facing when all local governments are forced to open their books and fully account for what they owe in unfunded liabilities. An article written in the Wisconsin Policy Research Institute Report by former Secretary of Administration George Lightbourn suggest that over a twenty-year period unfunded pension liabilities for local governments will cost taxpayers over \$5.5 billion and unfunded healthcare liabilities for local governments outside of Milwaukee could total \$5 billion. Mr. Lightbourn estimates that to eliminate unfunded pension and retiree health care liabilities will cost all state and local governments approximately \$17.4 billion.

This bill does not fix the potential unfunded liability crisis for local governments. However, it does give local governments a tool to assist them in raising the necessary funds to pay off their OPEB liabilities.

Assembly Bill 184 passed the Assembly, as amended, on a 91-5 vote.

Thank you for the opportunity to testify before you today.





JULIE LASSA

STATE SENATOR

Assembly Bill 184 Testimony
OPEB
Senate Committee on Labor, Elections and Urban Affairs
November 28th, 2007
10:15am.
411 South

Chairman Coggs and Committee Members,

Thank you for the opportunity to provide testimony today on Assembly Bill 184.

Representative Gottlieb and I have worked together on this legislation which passed the Assembly on October 24th.

Assembly Bill 184 allows all Wisconsin municipalities the ability to create trusts to pay down "other post-employment benefit" liabilities just as school districts are currently allowed to do.

OPEBs are unfunded liabilities held by state and local governmental units because of contractual promises made to public employees...such as health care coverage after retirement. OPEB trusts are a great tool for governmental units to plan for retirees health care benefits at a time when health care costs have risen dramatically...up to three times the amount of inflation since 1999.

AB 184 allows all local units of government to establish trusts and invest using the guidelines set forth in the Uniform Prudent Investor Act developed by the Uniform Law Commission. The Act provides rules for governing investments that protect the trust's assets. The bill allows all municipalities in Wisconsin to establish OPEB trusts – separate legal entities from the municipality - to use when their OPEB liabilities become due.

In 2004, the Governmental Accounting Standards Board (GASB) issued a statement to state and local governments to report plans for funding retiree health care over the next 30 years as reflected in an established and defined plan. For Wisconsin governmental units, we will need to report under GASB 45 beginning in fiscal year 2008. The improved reporting will result in more accurate data on the total costs of the benefits as well as provide a better foundation for potential methods of financing these benefits. The GASB statement encourages all units of government who provide OPEB benefits to better plan for their management over a 30 year period. Assembly Bill 184 simply gives local governments a tool to pay off OPEB liabilities.

Thank you for your time and consideration of this issue. I would be happy to answer any questions that you may have.





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Madison, Wisconsin 53703-2715

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Fax: 608/267-0645

E-mail: league@lwm-info.org
www.lwm-info.org

To: Senate Committee on Labor, Elections and Urban Affairs
From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities
Date: November 28, 2007
Re: AB 184, Expanding Municipal Investment Options for Funds Held in Trust for Post Employment Benefits

The League of Wisconsin Municipalities supports AB 184, enabling municipalities the option of using trusts and investment vehicles allowed under the Uniform Prudent Investors Act to reduce the costs of providing for their post-employment benefit obligations. The bill extends to municipalities the same legal authorization provided to school districts last session by Act 99. AB 184 passed the Assembly in October by a vote of 91-5.

Some municipalities in Wisconsin have the same long term needs related to post-employment health insurance obligations as school districts, but are currently restricted to investments in vehicles that are of a shorter duration and have a lower potential long term rate of return.

Municipalities that choose to fund their post-employment benefit obligations will find their annual costs 25% to 40% higher if this legislation is not in place, with corresponding additional pressure on property tax levies.

We urge you to recommend passage of AB 184 and allow local governments the option to provide for their post-employment benefit obligations by establishing trusts and investing assets contributed to such trusts under the Uniform Prudent Investors Act.

Thanks for considering our comments.



Public Hearing 11/28/07

AB 184

- Greg Hubbard
- Gottlieb + Lassa
 - Lehman? - concern about added risk
who pay as you go?
 - Wirch - unfunded pension liabilities - open
door to new jobs for young people
 - SC - what's in it for Baird?
- David Branback
 - works for insurance co.
 - set up trusts for school districts
\$150 in state
 - discount rate on 30 yr.
- Wirch - cost of trust?
 - safe investments
 - most aggressive fund is same as WRS