

Fiscal Estimate Narratives

ETF 5/14/2013

LRB Number	13-0500/2	Introduction Number	AB-0170	Estimate Type	Original
Description Post-retirement employment of annuitants under the Wisconsin Retirement System, participation status under the Wisconsin Retirement System, and granting rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

2013 Assembly Bill 170 makes several changes to the statutes governing Wisconsin Retirement System (WRS) annuitants being re-hired by participating WRS employers. These changes include lengthening the current 30-day waiting period before an annuitant can be re-hired to 75 days. The bill also specifies that rehired annuitants who work more than one-half of full-time are ineligible to receive an annuity. It does not allow rehired annuitants to accrue additional years of covered service and requires rehired annuitants to receive a lump sum of all WRS employee required contributions on termination of employment. These provisions first apply to a WRS participating employee who terminates employment on the effective date of the bill.

In addition, the rehired annuitants, as defined above, hired by a state agency (as defined by Chapter 40 of the statutes) would be eligible to participate in the state group health insurance program.

Assumptions used to prepare this estimate include the following:

An average of 3410 annuitants are reported as being hired by WRS employers each year.

95% of the rehired annuitants choose to continue their annuity. The impact of the bill on annuitants returning to work and choosing to reestablish his/her account is unknown.

Approximately 26% are hired by state agencies and 74% are hired by local governments.

There will be some costs to state agency employers associated with the employer contribution for health insurance premiums for rehired annuitants. These costs are dependent on the number of rehired annuitants who choose to participate in the state group health insurance program and the current compensation plan provisions regarding the employee and employer portions of the premiums.

Administrative costs will be incurred related to information technology system changes, staff training, employer training, transaction processing and the revision of publications. The bulk of the cost estimates would be related to information technology changes. The Department did a preliminary analysis to determine the cost of automating the systems and databases used to track rehired annuitant accounts and to set-up separate accounts for those who return to work and reestablish their account. The estimate for the project was \$988,060. This included batch applications, CICS applications, web applications, system testing, additional analysis and testing, and project management costs. ETF would need to contract with COBOL and JAVA programmers to implement these changes. The duration of the project would exceed one year.

ETF is currently in the beginning of a multi-year effort to modernize its business processes and integrate its antiquated information technology systems. ETF has completed a significant amount of preliminary work towards achieving these goals and is in the process of developing a Request for Proposal to select a vendor to implement a new benefits administration system. Implementation of these changes in the new system would presumably be far more efficient and cost effective than the current system. Because ETF will have a new integrated benefits system within 5 years, it would choose to administer the changes in law manually until the new system is available. The costs are estimated to be \$50,000 for the implementation year and \$10,000 per year on-going.

The estimate does not include WRS program related costs. Joint Survey Committee on Retirement Systems provides the estimate of WRS program related costs.

Long-Range Fiscal Implications