

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-4980/1	Introduction Number SB-612	
Description increasing the minimum retirement age under the Wisconsin Retirement System; decreasing the minimum break in service for annuitants in the Wisconsin Retirement System who are rehired by a participating employer; and allowing rehired annuitants to elect to not participate in the Wisconsin Retirement System		
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" 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 checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
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)		
Agency/Prepared By ETF/ Tarna Hunter (608) 267-0908	Authorized Signature Tarna Hunter (608) 267-0908	Date 12/20/2019

Fiscal Estimate Narratives

ETF 12/20/2019

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Assumptions Used in Arriving at Fiscal Estimate

Only administrative costs associated with this bill are included in this estimate. An estimate of the financial effect on the WRS Public Employee Trust Fund and its benefits needs to be provided by the Joint Survey Committee on Retirement Systems.

The bill increases the minimum retirement age for general and executive/elected category employees from 55 to 59.5 for members who are under the age 40 on the bill's effective date.

As of December 31, 2018, the WRS had 234,764 general and elected/executive employees. Of these employees, 78,636 were under age 40, and would be subject to the minimum retirement age change in the bill. This equals 33.5 % of employees.

The bill also provides a 36-month grace period from the annuity suspension requirement for retirees who work more than two-thirds of full time and reduces the break-in-service requirement from 75 days to 45 days.

Finally, the bill requires ETF to submit an annual report to the Governor and the Legislature that provides information about rehired annuitants who elect to not suspend their annuities.

ETF anticipates that there will be one-time administrative costs associated with the changes to the minimum retirement age and the return-to-work law changes. The bill modifications affect multiple IT systems, hundreds of forms and numerous business procedures. Due to the scope of the proposal, project management services will be required. Several ETF information technology (IT) systems will need to be modified so that the various subsets of employees created by this bill are identifiable and that the proper retirement and disability processes are developed and applied to them. It is estimated that staff training, publication and forms revisions, compliance, and other administrative functions will cost approximately \$293,933. In addition, the information technology systems changes are estimated to cost \$250,886 and project management is estimated to cost \$60,000.

ETF anticipates there will be increased ongoing administrative costs associated with the changes to the return-to-work law. The bill creates additional tiers of rehired annuitant rights. For example, there are pre-2013 WI Act 20 rehired annuitants, post-2013 WI Act 20 rehired annuitants (which has an exception for certain types of contractors) and 2019 SB 612 rehired annuitants. Furthermore, 2019 SB 612 would create tiers of rehired annuitants within itself, consisting of members who haven't started their 36-month grace period, members who are operating within it and members who have used the full 36-months.

The bill requires that rehired annuitant time is tracked and reported. ETF must create a form to track a number of variables related to rehired annuitants and the vacant position being filled. The employer would be responsible for tracking the rehired annuitant's time and notifying ETF (by submitting an ETF form) once the 36-month period expires. This may increase administrative costs for employers.

ETF would be required to manually process the additional forms and monitor compliance with the 36-month period. FTEs will be needed to manage the forms, provide guidance to and assist employers, and ensure compliance with the law. Furthermore, these changes will require additional resources for ETF's Employer and Member Call Centers due to increased inquiries relating to the 36-month grace period. Finally, the bill requires ETF to develop and submit an annual report on rehired annuitants to the Governor and Legislature.

It is estimated that ETF will need 2.0 FTE Trust Fund Specialists to implement the provisions contained in this bill.

Trust Fund Specialist
\$52,000 in Salary
\$19,906 in Fringe
\$13,000* in Supplies and Services
Total: \$84,906

*Includes one-time costs of \$3,000 per FTE for computer and onboarding.

Total 2.0 FTE: \$169,811

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Onetime costs are estimated to be \$610,819.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$143,812	\$
(FTE Position Changes)	(2.0 FTE)	
State Operations - Other Costs	20,000	
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$163,812	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S	163,812	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$163,812	\$
NET CHANGE IN REVENUE	\$	\$

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Date

12/20/2019