

Fiscal Estimate Narratives

ETF 1/29/2024

LRB Number	23-5421/1	Introduction Number	SB-0908	Estimate Type	Original
Description rehired annuitants in the Wisconsin Retirement System					

Assumptions Used in Arriving at Fiscal Estimate

This bill makes the following changes to Wisconsin Retirement System (WRS) return-to-work laws:

- Allows an annuitant who returns to work for a WRS employer to not suspend their annuity for up to 60 months.
- Requires WRS employers that hire these annuitants to make payments to ETF equal to what they would have paid as required contributions for an active employee. These payments are deposited in the employer reserve account. No employee contribution is required.
- Repeals two obsolete provisions related to WRS return-to-work laws created during the public health emergency declared on March 12, 2020, by executive order 72, which ended on May 13, 2020.

Administrative costs for the Department of Employee Trust Funds (ETF) will be incurred related to information technology (IT) system changes, business process and procedure modifications, staff training, employer training, transaction processing and the revision of multiple publications.

ETF anticipates there will be one-time administrative costs of \$311,025 related to modifications to IT systems as described below.

This bill requires multiple changes to ETF's IT systems. ETF's IT systems serve over 1,550 employers and 660,000 current and former state and local government employees and contain members' confidential information. The technical knowledge and support infrastructure needed to manage legacy systems has become increasingly complex and difficult to obtain.

To implement this legislation, ETF will need to modify the Wisconsin Employee Benefit System (WEBS), which was initially installed in 1985. WEBS was programmed in COBOL, a programming language first widely used in the 1960's. COBOL, while still used in older computer programs, today is rarely used for new programs and is no longer taught at most universities, including MATC or the UW, thus making legislative changes difficult. What appears to be a simple change to WEBS can take a striking number of hours of work to develop, test, and implement. Changes can be cost prohibitive or technologically impossible.

The changes required by this bill are possible but will require modifications to 41 existing COBOL programs and requires the creation of two new COBOL programs and reports. Additionally, the implementation will require modification of seven Java applications. The estimated time to complete this work is 3,393 working hours.

ETF should be able to absorb the on-going administrative costs if funding is provided for the one-time IT system changes.

ETF is in the midst of a multi-year effort to modernize its business processes and replace its antiquated information technology systems. ETF is currently implementing an insurance administration system and will be developing a Request for Proposal to select a vendor to implement a new pension administration system. Implementation of these types of changes in the new system will be far more efficient and cost effective than the current dated system.

Finally, the bill requires WRS employers that hire these annuitants to make payments to ETF equal to what they would have paid as required contributions for an active employee. The Department is not able to determine the fiscal impact of the bill on local governments.

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

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description rehired annuitants in the Wisconsin Retirement System		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): ETF estimates there will be one-time administrative costs of \$311,025 related to modifications to IT systems.		
II. Annualized Costs:		Annualized Fiscal Impact on funds from:
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
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	\$	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By Authorized Signature Date		
ETF/ Tarna Hunter (608) 267-0908	Pam Henning (608) 267-2929	1/29/2024