



STATE OF WISCONSIN

Legislative Audit Bureau

22 East Mifflin Street, Suite 500
Madison, Wisconsin 53703
(608) 266-2818
Fax (608) 267-0410

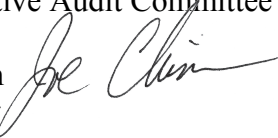
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Toll-free hotline: 1-877-FRAUD-17

Joe Chrisman
State Auditor

DATE: December 1, 2011

TO: Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee

FROM: Joe Chrisman 
State Auditor

SUBJECT: Proposed Audit of Rehired Annuitants—Background Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering an audit of rehired annuitants. Rehired annuitants are individuals who retired, began collecting retirement benefits from the Wisconsin Retirement System (WRS), and were subsequently rehired by employers that participate in the WRS.

The Department of Employee Trust Funds (ETF) administers retirement programs for all state employees, including those working at the University of Wisconsin (UW) System, and most local government and school district employees. ETF provides guidance to employers participating in the WRS on how to rehire annuitants in accordance with applicable laws.

Media reports indicate that from 2005 through 2010, there were 5,729 rehired annuitants statewide, 74 percent of whom worked for school districts, counties, municipalities, and technical colleges. An additional 26 percent worked for the State, including UW System. In their post-retirement positions, more than three-quarters of these individuals were reported to have worked less than full-time. Approximately 51 percent were reported to have been paid \$1,000 or less per month, while 12 percent were reported to have been paid \$3,000 or more per month.

Concerns have been raised about the extent to which employers participating in the WRS have employed rehired annuitants, the circumstances under which some of these individuals were rehired, whether it is cost effective to employ rehired annuitants, and the general practice of employing rehired annuitants.

An audit of rehired annuitants could:

- determine the extent to which individuals retired in recent years from employers participating in the WRS, began collecting annuities, and were subsequently rehired by participating employers, including a review of where they were employed before retirement and after being rehired, the length of time that elapsed between retirement and being rehired, their position classifications before retirement and after being rehired, the length of time they were employed after being rehired, and their compensation levels before retirement and after being rehired;
- assess ETF's efforts to monitor the procedures employers participating in the WRS use when rehiring annuitants and to educate participating employers on the proper procedures for doing so;
- determine whether participating employers adhered to legal and other requirements when rehiring annuitants;
- determine the reasons participating employers rehired annuitants, rather than hiring non-annuitants, and the actual or expected duration of their re-employment;
- estimate for a sample of rehired annuitants, whether it was more or less costly to rehire them rather than hire non-annuitants; and
- examine other states' policies concerning rehired annuitants and the extent to which employers in these states rehire annuitants.

I hope you find this information helpful. If you have any additional questions, please contact me.

JC/DS/aj

cc: Senator Mary Lazich
Senator Alberta Darling
Senator Kathleen Vinehout
Senator Julie Lassa

Representative Kevin Petersen
Representative Robin Vos
Representative Andy Jorgensen
Representative Jon Richards

David A. Stella, Secretary
Department of Employee Trust Funds