Senator Darling
Representative Vos

EMPLOYEE TRUST FUNDS

Omnibus Employee Trust Funds Motion
[LFB Papers #290 and #291]

Motion:

Move the following:

1. *Participant Service Functions [Paper #290].* Adopt Alternatives 1, 2, and 4, as follows:

Alternative 1: Provide $410,600 SEG in 2011-12 and $443,400 SEG in 2012-13 and 6.50 SEG positions annually for participant-service functions.

Alternative 2: Provide an additional $336,300 SEG in 2011-12 and $498,600 SEG in 2012-13 for supplies and services costs associated with inflationary and participant increases in the 2011-13 biennium.

Alternative 4: Place $2,861,400 SEG in 2011-12 and $3,674,700 SEG in 2012-13 of public employee trust funds in the Committee's supplemental appropriation account for segregated funds for release under s. 13.10 of the statutes to address further agency funding and position authority needs in the 2011-13 biennium. Provide that the Department may submit one or more requests for the supplemental funds and any request would be required to be submitted by the applicable due date for agency requests for any of the Committee's quarterly meetings under s. 13.10. Require that any supplementation request by ETF include a detailed expenditure plan and a description of how the plan addresses increasing workload and service improvements. Require that any request for additional positions be consistent with the methodology, developed by the Secretary of ETF pursuant to section 9115(1x) of 2009 Wisconsin Act 28. Provide that, if the Secretary intends to request an increase in authorized positions beyond the number derived from the methodology, the ETF Board would be required to approve the request to the Committee. Provide that the Committee is not required to find that an emergency exists prior to approving a supplementation request.

2. *Audit of Dependent Eligibility Under Benefit Programs [Paper #291].* Adopt Alternative 3 to delete the Governor's provision. Instead, provide one-time funding of $700,000 SEG in 2011-12 in the Committee's supplemental appropriation account for segregated funds. Require the Department to request all or part of the funds under a 14 day passive review process. Require that the request submitted to the Committee specify the results of any pilot survey relating to dependent eligibility and provides a detailed budget for a full audit of dependent eligibility

relating to group health insurance programs administered by the Department.

3. *Wisconsin Retirement System (WRS) Vesting Requirements.* Move to provide that any employee of a Wisconsin Retirement System (WRS) participating employer who is initially hired on or after the effective date of bill, must have creditable service in at least five calendar years to be fully vested in (entitled to) a WRS retirement annuity as provided in current law. Provide that employees who terminate without having worked in at least five years of creditable service would be vested proportionately in an annuity at retirement, as follows: (a) service in only one year at 20% of the employer match; (b) two years at 40%; (c) three years at 60%; (d) four years at 80%; and (e) five years at 100%.

4. *Wisconsin Retirement System Eligibility Requirements.* Provide that, to become covered under the WRS, an individual must work for a covered employer at least two-thirds of what is considered full-time employment, as determined by ETF by rule. Provide that the requirement first apply to individuals hired on or after the effective date of the bill.

5. *Study of Potential Modifications of the Wisconsin Retirement System and State Employee Health Insurance Options.* With respect to the WRS, require the Secretary of DOA, the Director of the Office of State Employment Relations (OSER), and the Secretary of ETF to study the structure of the WRS and benefits provided under the WRS. The study must specifically address the following issues: (a) establishing a defined contribution plan as an option for participating WRS employees; and (b) permitting employees to not make employee required contributions and limiting retirement benefits for employees who do not make employee required contributions to a money purchase annuity. Provide that, no later than June 30, 2012, the Secretary of DOA, the OSER Director, and the Secretary of ETF must report their findings and recommendations to the Governor and the Joint Committee on Finance.

With respect to state employee health insurance options, require the OSER Director and the Secretary of ETF to study the feasibility of: (a) offering to state employees and local governmental employees covered under health care insurance plans offered by the Group Insurance Board (GIB), beginning on January 1, 2013, the options of receiving health care coverage through either a low-cost health care coverage plan or through a high-deductible health plan and the establishment of a health savings account as defined in federal law; (b) implementing a three-level health insurance premium cost structure that would establish separate premium levels for single individuals, married couples with no dependents, and families with dependents; (c) implementing a program beginning January 1, 2013, to provide an online marketplace for the purchase of prescription drugs as a supplement to the pharmacy benefit management program provided under the group health insurance plans offered by the Group Insurance Board; (d) requiring state employees to receive health care coverage through a health benefits exchange established pursuant to the federal Patient Protection and Affordable Care Act of 2010; and (e) creating a health care insurance purchasing pool for all state and local government employees and individuals receiving health care coverage under the Medical Assistance program. Require that, no later than June 30, 2012, the OSER Director and Secretary of ETF report their findings and recommendations to the Governor and the Joint Committee on Finance.

Note:

WRS Vesting Requirements. Under current law, no minimum period is established for a WRS participant to be "vested" or entitled to some level of pension benefits. As a result, an individual working for a WRS employer for any period of time may either take a separation benefit (as described below), or leave his or her account established in the WRS for a future annuity or lump-sum benefit.

If a participant leaves WRS service before age 55 (age 50 for protective classification employees), the individual may apply for a separation benefit. However, once a participant reaches these age thresholds, he or she becomes eligible for a retirement benefit and can no longer receive a separation benefit. A separation benefit is not a retirement benefit. Rather, it is a withdrawal of amounts in the employee's WRS accumulation account. The separation benefit generally includes the total of: (a) all employee-required contributions made to the participant's account, whether paid by the participant or by the employer on behalf of the participant; (b) any additional voluntary contributions made by the employee; and (c) the accumulated interest credited to the employee's account.

The motion would phase-in an employee's vesting rights to a future pension benefit for participants hired on or after the effective date of the bill. The motion would not affect overall WRS costs or contribution rates. However, the motion would modify the provision of pensions under the WRS. Under s. 13.50(6)(a) of the statutes, "No bill or amendment thereto creating or modifying any system for, or making any provision for, the retirement of or payment of pensions to public officers or employees, shall be acted upon by the legislature until it has been referred to the joint survey committee on retirement systems and such committee has submitted a written report on the bill or amendment. Such report shall pertain to the probable costs involved, the effect on the actuarial soundness of the retirement system and the desirability of such proposal as a matter of public policy."

Wisconsin Retirement System Eligibility Requirements. Under current law, to become covered under the WRS, an individual must work for a covered employer at least one-third of what is considered full-time employment, as determined by ETF by rule. For all WRS participants, other than teachers, librarians, administrators, and educational support personnel, ETF defines full-time employment to be 1,904 hours per year and one-third employment to be 600 hours per year. For teachers, librarians, administrators, and educational support personnel, ETF defines full-time employment to be 1,320 hours per year and one-third employment to be 440 hours per year.

The motion would raise the WRS eligibility threshold for individuals hired on or after the effective date of the bill to two-thirds of what is considered full-time employment. Based on current ETF rules, the new threshold for participants, other than teachers, librarians, administrators, and educational support personnel would be 1,200 hours per year, and for teachers, librarians, administrators, and educational support personnel, 880 hours per year.

By reducing future participation in the WRS, state and local employer costs would be lowered; however, potential savings cannot be estimated. A determination of the long-term fiscal effect on the WRS would require an actuarial study.

Under s. 13.50(6)(a) of the statutes, "No bill or amendment thereto creating or modifying any system for, or making any provision for, the retirement of or payment of pensions to public officers or employees, shall be acted upon by the legislature until it has been referred to the joint survey committee on retirement systems and such committee has submitted a written report on the bill or amendment. Such report shall pertain to the probable costs involved, the effect on the actuarial soundness of the retirement system and the desirability of such proposal as a matter of public policy."

Study of Potential Modifications of the Wisconsin Retirement System and State Employee Health Insurance Options. The motion would substantially incorporate the study provisions under 2011 Special Session Senate Bill 11/Assembly Bill 11, as modified by the Joint Committee on Finance, relating to potential retirement and health insurance modifications. The SS SB11 and SS AB11 provision was deleted by the Conference Committee. Unlike the bill, the motion does not include a study of the feasibility of creating a vesting period for retirement benefits or modifying the supplemental health insurance conversion credits program. The motion includes a study concerning the implementation of a three-level health insurance premium cost structure that would establish separate premium levels for single individuals, married couples with no dependents, and families with dependents. The motion would also add a study of the feasibility of implementing a program beginning January 1, 2013, to provide an online marketplace for the purchase of prescription drugs as a supplement to the pharmacy benefit management program provided under the group health insurance plans offered by the Group Insurance Board.

[Change to Bill: $7,371,000 SEG]