



STATE OF WISCONSIN
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The Department of Employee Trust Funds (ETF) has received numerous inquiries about the state 2009-2011 Budget Repair Bill (2011 Special Session Senate Bill 11) and the impact of the bill on the public employee benefit programs administered by ETF.

We are currently experiencing high service demands. As a result, the wait times for our services have increased. Your time is valuable; therefore, please review the following answers to frequently asked questions about the bill before contacting ETF.

1) Who determines the benefit levels of the Wisconsin Retirement System (WRS) and other fringe benefit programs for public employees?

- ETF does not determine the benefit levels for the WRS and other fringe benefit programs administered by ETF. ETF's role is to administer the benefits as determined by the Governor and Legislature.

2) Who determines how much public employees pay for their WRS contributions and health insurance premiums?

- ETF does not play a role in determining who pays the employee portion of the contributions to the WRS. In addition, ETF does not determine how much employees contribute toward health insurance premiums. Under current law, those decisions are determined through the bargaining process for represented employees and compensation plans for non-represented employees.
- ETF does not have a role in the laws that govern the collective bargaining process.

3) Does the bill change the retirement benefits of **retired** members of the WRS?

- No.

4) Are employee contributions to the Wisconsin Retirement System considered “pre-tax” or “post-tax” contributions?

- “Post-tax”. Under federal tax law (Section 414(h)(2) of the Internal Revenue Code), *employer contributions* to public retirement funds are not subject to FICA and federal income taxation (therefore, they are considered pre-tax). *Employee contributions*, on the other hand, are generally taxed normally (therefore, they are considered post-tax).

5) 2011 Special Session Senate Bill 11 (the state budget repair bill) has a provision that requires most public employees to pay half of the WRS required contributions. When public employees start paying 5.8% of their earnings into the WRS in 2011, do all of these contributions go into their individual accounts?

- Yes, the entire 5.8% will be “employee required contributions.” This means that the entire 5.8% will be credited to the employee’s account, and the employee will have vested rights to those contributions. For most public employees this will have the effect of increasing the amount payable as a separation benefit, the amount used to calculate “money purchase” retirement benefits, and the death benefits payable when a public employee dies before taking a retirement benefit. Since these contributions are actually being paid by employees from post-tax dollars, it will also increase the non-taxable portion of any benefits paid from their accounts.
- Currently most **state** employees are paying .2% of their earnings to the WRS as “benefit adjustment contributions.” These benefit adjustment contributions are **not** credited to the employees’ accounts, and therefore do not increase the WRS benefits payable from their accounts. The bill eliminates the benefit adjustment contributions, so all employee contributions would actually be credited to the employees’ accounts.

6) Can public employees who work for a WRS employer opt out of the WRS?

- No. Current law prohibits participating employees from opting out of the WRS. Allowing WRS members to opt out of the WRS would be difficult to administer, would have a detrimental impact on the sustainability of the WRS, would increase contribution rates for employees and employers in the WRS, and employees who opt out would not be taking advantage of investment returns that end up paying more than 66% of the retirement benefit.

7) There has been a lot of media coverage about the funding of pension systems across the nation. Is the WRS fully funded and able to pay benefits?

- Yes. The WRS is fully funded and able to pay benefits to current and future WRS members.

8) There has also been a lot of media coverage about the benefit levels of the WRS and how those benefits compare to the benefits in the private sector and the retirement systems in other states. How do the benefit levels of the WRS compare?

- ETF does not track information about how public sector pension benefits compare to private sector benefits. For information about how WRS benefits compare to the benefits of other public sector retirement systems, please find below a link to the *2008 Comparative Study of Major Public Employee Retirement Systems* that was prepared by the Wisconsin Legislative Council. Pages 25-30 provide information about benefit calculations.
- http://legis.wisconsin.gov/lc/publications/crs/2008_retirement.pdf

9) The bill requires the Secretary of the Department of Employee Trust Funds (ETF) to allocate from reserve accounts established for group health and pharmacy benefits an amount equal to \$28 million to reduce employer costs for providing group health insurance for state employees for the period from July 1, 2011 to December 31, 2011. Will this provision impact WRS benefits?

- No. The funds for the health insurance programs administered by ETF are in a different trust fund than the WRS. This provision in the bill may have an impact on the future premium rates for the employers and members who participate in the State Group Health Insurance Program.
- Under current law, the Group Insurance Board is responsible for the management of the group health and pharmacy benefit reserves to reduce premium costs. The reserves are derived from premium payments made by employers (the State and various participating authorities), employees, and retirees.

10) What is the status of the Accumulated Sick Leave Conversion Credit Program (ASLCC) and the Supplemental Health Insurance Conversion Credit Program (SHICC)?

- If you are a **state** employee who has questions about the Accumulated Sick Leave Conversion Credit Program (ASLCC) and the Supplemental Health Insurance Conversion Credit Program (SHICC), please read the information below before contacting ETF.
 - Although ETF administers the ASLCC and SHICC programs, ETF does not play a role in determining the amount of sick leave that employees receive, or whether and how much of it may be accrued. Those matters are defined in state law, the compensation plan for non-represented state employees and the labor agreements for represented state employees.
 - Section 9143 of the budget repair bill states that “upon termination of any collective bargaining agreement between the state and a labor organization representing employees in a collective bargaining unit under section 111.825 (1) or (2) of the statutes, as affected by this act, the director of the office of state employment relations (OSER) may continue to administer those provisions of the collective bargaining agreements that the director determines necessary for the orderly administration of the state civil services system until the compensation plan under section 230.12 of the statutes is established for the 2011–13 fiscal biennium.
 - OSER issued the following statement on February 16, 2011:
 - *The two most frequently asked questions from employees concerned about the impact of the Budget Repair Bill on their benefits relate to continuation of their eligibility for Supplemental Health Insurance Conversion Credits (SHICC) and professional development time (PDT).*
 - *Assuming that the Budget Repair Bill passes as initially proposed, eligibility for SHICC and PDT will continue for at least the remainder of the 2009-2011 biennium under the OSER Director’s discretion to continue certain provisions of the former collective bargaining agreements. Thereafter, all provisions for represented employees, other than base pay rates which continue to be negotiable, will be governed by the Compensation Plan covering represented employees, applicable statutes, or administrative code.*
 - *Note: The last day of the 2009-2011 biennium is June 30, 2011.*
 - In addition, section 9143 of the bill requires ETF, OSER and the Department of Administration to study the program and submit the findings by June 30, 2012 to the Governor.

11) Where can I get additional information about the bill?

For the bill language and the analysis on the bill, visit:

- <http://legis.wisconsin.gov/JR1SB-11.pdf>
- <http://www.thewheelerreport.com/releases/February11/0214/0214lfb.pdf>

To stay abreast on changes to the bill and supporting documents about the bill, visit the www.thewheelerreport.com.

If you are a state employee and have questions related to collective bargaining, compensation and the payment of fringe benefits, visit <http://oser.state.wi.us/docview.asp?docid=7209>.