



STATE OF WISCONSIN
Department of Employee Trust Funds

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TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board

FROM: Bob Conlin, Director of Legislation, Communications and Planning
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SUBJECT: Legislative Report

Update on Substantive Provisions of the Budget Affecting the Department and Its Programs

The Joint Committee on Finance (JCF) has wrapped up its work on the 2007-2009 budget bill, 2007 Senate Bill (SB) 40, and the bill now goes to the full Legislature for further deliberations. When introduced by the Governor, the SB 40 contained a number of substantive provisions affecting the Department's programs. Some of the more significant provisions, and JCF's actions on them, are summarized below:

Health insurance coverage for domestic partners of state employees and annuitants: The bill proposed to change the definition of "dependent" for purposes of health insurance provided to state employees and annuitants by the Group Insurance Board. The definition, under the bill, would be changed to include a domestic partner, a domestic partner's minor children dependent on the employee for support, and children of the domestic partner of any age if disabled and requiring continued dependence. The provision would apply to group health insurance coverage effective January 1, 2009.

This provision was not included in the JCF version of the budget.

Earlier pick-up of employer health insurance contribution: The bill would require that, for most state employees, the employer would be required to begin making the employer contribution to an employee's health care coverage on the first day of the third month after employment begins with the state. Currently, such contributions begin on the first day of the seventh month after employment begins.

This provision remains in the JCF version of the budget.

Modification of the Wisconsin Retirement System (WRS) benefit calculation for educational support staff: The bill, as introduced, would change the WRS retirement provisions affecting educational support staff in the following ways: (1) provide that the full-time equivalent of one year of creditable service for an educational support staff employee would be reduced from 1,904 hours to 1,320 hours; (2) provide that to qualify as a participant in the WRS,

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the one-third of full-time minimum requirement for educational support staff would be lowered from 600 hours to 440 hours; and (3) increase the final average earnings of educational support staff by 25% for the purposes of calculating a WRS annuity.

This provision was not included in the JCF version of the budget.

In addition to the above provisions, the JCF adopted a provision that appropriates \$15,000 of general purpose revenue to the Legislative Council Staff to be used by the Joint Survey Committee on Retirement Systems (JSCRS) to contract for actuarial services if the JSCRS decides to request an actuarial study of either SB19 or 2007 Assembly Bill (AB) 43. These are identical bills that would, among other things, eliminate the January 1, 1974 cutoff date in current law for counting certain military service as creditable service for WRS purposes. Currently, only military service completed prior to January 1, 1974, can be counted as creditable service under the WRS at the rate of one year of military service (up to a total of 4 years) for every 5 years of WRS service. Each bill has already been approved by the Veteran's Committee in the House of origin and been referred to the JSCRS.

New Retirement-Related Legislation

The following identifies a few new legislative initiatives related to retirement issues.

Sick leave for elected officials: SB 213 is a new proposal that would prohibit legislators from accumulating sick leave from year to year. It does not apply to other elected officials like some previous proposals. The bill has been scheduled for a public hearing in the Senate on June 18.

Protective occupation status for certain corrections workers: AB 354 would classify members of the Parole Commission and state employees who are employed at state correctional institutions, juvenile correctional facilities, the mental health institutions at Mendota and Winnebago, the Wisconsin Resource Center, or any secure mental health unit or facility for sexually violent persons as protective occupation participants under the WRS. An amendment has been introduced to include certain psychologists who work for the Department of Corrections with sexually violent persons and clerical employees of probation and parole offices in the protective occupation category. The bill has been referred to the Assembly Committee on Corrections and the Courts, but will likely need to be referred to the JSCRS before it is voted on by the entire Assembly.

2007 Legislative Session Update

The attached table identifies other relevant bills introduced during the 2007 legislative session and the status of those bills.

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BILL NO. AUTHOR	ACT NO.	STATUS (COMMITTEE/ HEARING DATE/ETC)	SUBJECT	LINK
<u>ASSEMBLY BILLS AND RESOLUTIONS</u>				
AB 18 Lothian/Kedzie		Introduced 1/12/07; referred to JSCTE	TAX: Exempts from tax certain distributions received each year by an individual from a qualified retirement plan under the IRC, if not already exempt. First applies to taxable year 2007, and the maximum allowable exemption is \$2,500. The exemption amount increases each year from \$2,500 to \$5,000 in 2008, \$10,000 in 2009, \$15,000 in 2010, and \$20,000 in 2011 and thereafter.	http://www.legis.state.wi.us/2007/data/AB18hst.html
AB 23 Wasserman/Ellis		Introduced 1/24/07; referred to Labor	SICK LEAVE: Provides that no member of the legislature may accumulate sick leave from year to year in his or her sick leave account for work performed as a member of the legislature in any legislative session beginning on or after January 5, 2009.	http://www.legis.state.wi.us/2007/data/AB23hst.html
AB 28 Lothian/Kedzie		Introduced 1/24/07; referred to Ways and Means; passage as amended recommended 3/21; referred to Jt. Finance 3/27	TAX: Creates a nonrefundable individual income tax credit for pension income received each year from a qualified retirement plan, except for pension income that is already exempt. First applies to taxable year 2008. The maximum amount of pension income allowable each year is \$2,500 in 2008; \$5,000 in 2009; \$10,000 in 2010; \$15,000 in 2011; and \$20,000 in 2012 and thereafter.	http://www.legis.state.wi.us/2007/data/AB28hst.html
AB 31 Strachota/Kanavas		Introduced 1/24/07; referred to Labor; passage recommended (5-2) 2/7/07; passed as amended by Assembly (66-29) 3/1/07; referred to Gov't Operations	SICK LEAVE: Provides that no member of the legislature, no justice or judge, and no other state elected official, including a district attorney may accumulate unused sick leave from year to year in his or her sick leave account for work performed in that capacity after the effective date.	http://www.legis.state.wi.us/2007/data/AB31hst.html
AB 43 Musser/Jauch		Introduced 1/30/07; referred to Veterans and Military Affairs; passage recommended (8-0) 3/7/07; referred to JSCRS	WRS: Provides: 1) that a participant in the WRS who terminates covered service on or after the effective date of the bill may receive creditable military service for active military service served at any time, not just before 1974; 2) that the participant may receive military service credits for military service that is also used for the purpose of establishing entitlement to a retirement benefit paid by the federal government; and 3) that, for purposes of the break in continuous employment military service credit provision, the participant may return to employment with any WRS employer.	http://www.legis.state.wi.us/2007/data/AB43hst.html

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AB 60 Travis/Piale		Introduced 2/13/07; referred to JSCTE	RETIREMENT/TAX: Exempts from tax certain amounts received each year by an individual who is at least 62 years old, from an IRA, a Roth IRA or a qualified retirement plan, if such payments are not already exempt. First applies to taxable year 2008, and the maximum allowable exemption is \$2,500. The exemption amount increases \$2,500 each year for eight years so that, in 2015 and thereafter, the maximum exemption is \$20,000.	http://www.legis.state.wi.us/2007/data/AB60hst.html
AB 72 Jt. Finance		Introduced 2/14/07; referred to Jt. Finance (SEE SB 39)	BUDGET ADJUSTMENT: Among other things, requires DOA during the 2005–07 fiscal biennium to lapse or transfer to the general fund from each state agency moneys that would otherwise have been expended by the agency to pay the WRS unfunded liabilities had pension obligation bonds not been issued. Requires DOA in each future fiscal biennium to lapse or transfer these moneys to the general fund based on each state agency's proportionate share of all state retirement contributions that are required to be paid in that fiscal biennium.	http://www.legis.state.wi.us/2007/data/AB72hst.html
AB 124 Kessler/Harsdorf		Introduced 3/1/07; referred to Financial Institutions	SWIB: Generally prohibits SWIB from making certain future investments, and requires SWIB to divest itself of prior investments, related to Sudan.	http://www.legis.state.wi.us/2007/data/AB124hst.html
AB 175 Travis/Hansen		Introduced 3/12/07; referred to JSCRS	WRS: Authorizes ETF, at the request of an annuitant, to deduct from WRS retirement annuities any membership dues to a labor organization, professional organization, or a retiree organization affiliated with a labor organization or professional organization.	http://www.legis.state.wi.us/2007/data/AB175hst.html
AB 184 Gottlieb/Lassa		Introduced 3/19/07; referred to Urban and Local Affairs; public hearing 3/27/07	OPEB: Requires that funds invested by local units of government to provide post-employment benefits be held in segregated accounts solely in the manner provided under the Uniform Prudent Investor Act, which took effect in Wisconsin on April 30, 2004.	http://www.legis.state.wi.us/2007/data/AB184hst.html
AB 275 Bies/Lassa		Introduced 4/23/07; referred to Labor and Industry	WORKER'S COMPENSATION: Creates a presumption that the injury or death of a fire fighter due to heart or respiratory impairment or disease or due to a stroke arose out of the fire fighter's employment and, therefore, is covered under the worker's compensation law if: 1) at the time of death or the claim for compensation the deceased or injured fire fighter had served a total of five years as a fire fighter; and 2) a	http://www.legis.state.wi.us/2007/data/AB275hst.html

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			qualifying medical examination given prior to the commencement of employment as a fire fighter showed no evidence of heart, respiratory, or cerebrovascular impairment or disease.	
AB 354 Musser/Erpenbach		Introduced 5/24/07; referred to Corrections and Courts	WRS: Classifies members of the Parole Commission and state employees who are employed at state correctional institutions, juvenile correctional facilities, the mental health institutes at Mendota and Winnebago, the Wisconsin Resource Center, or any secure mental health unit or facility for sexually violent persons as protective occupation participants for the purposes of the WRS.	http://www.legis.state.wi.us/2007/data/AB354hst.html
<u>SENATE BILLS AND RESOLUTIONS</u>				
SB 3 Kedzie/Owens		Introduced 1/8/07, referred to JSCTE	TAXATION: Exempts from taxation certain amounts of payments received by an individual from a qualified retirement plan, if not already exempt. First applies to taxable year 2007, and the maximum allowable exemption is \$2,500. The exemption amount increases each year from \$2,500 to \$5,000 in 2008, \$10,000 in 2009, \$15,000 in 2010, and \$20,000 in 2011 and thereafter.	http://www.legis.state.wi.us/2007/data/SB3hst.html
SB 4 Kedzie/Lothian		Introduced 1/8/07, referred to JSCTE	TAXATION: Increases the additional exemption for taxpayers who reach the age of 70 or 75 before the close of the taxable year. An additional exemption of \$300 may be claimed by a taxpayer who has reached the age of 70 before the close of the taxable year and an additional exemption of \$350 may be claimed by a taxpayer who has reached the age of 75 before the close of the taxable year.	http://www.legis.state.wi.us/2007/data/SB4hst.html
SB 5 Kanavas/Strachota		Introduced 1/9/07, referred to Ethics Reform and Gov't Ops	SICK LEAVE CONVERSION: Provides that no member of the legislature, no justice or judge, no other state elected official, and no person appointed by the governor to a position in the executive branch requiring senate confirmation, may accumulate unused sick leave from year to year in his or her sick leave account for work performed in that position after the bill's effective date.	http://www.legis.state.wi.us/2007/data/SB5hst.html

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SB 19 Jauch/Musser		Introduced 1/30/07; referred to JSCRS; withdrawn and referred to Veterans and Military Affairs 4/25/07; passage recommended (5-0) 5/23/07	WRS: Provides: 1) that a participant in the WRS who terminates covered service on or after the effective date may receive creditable military service for active military service served at any time, not just before 1974; 2) that the participant may receive military service credits for military service that is also used for the purpose of establishing entitlement to a retirement benefit paid by the federal government; and 3) that, for purposes of the break in continuous employment military service credit provision, the participant may return to employment with any WRS employer.	http://www.legis.state.wi.us/2007/data/SB19hst.html
SB 39 Jt. Finance	5	Introduced 2/14/07; referred to Jt. Finance; recommend passage as amended 3/2; passed Senate as amended 3/13; passed Assembly 3/13; signed by Governor with partial veto 3/16; published 3/30/07	BUDGET ADJUSTMENT: Among other things, requires DOA during the 2005–07 fiscal biennium to lapse or transfer to the general fund from each state agency moneys that would otherwise have been expended by the agency to pay the WRS unfunded liabilities had pension obligation bonds not been issued. In addition, requires DOA in each future fiscal biennium to lapse or transfer these moneys to the general fund based on each agency's proportionate share of all state retirement contributions that are required to be paid in that fiscal biennium.	http://www.legis.state.wi.us/2007/data/SB39hst.html
SB 40 Jt. Finance		Introduced 2/14/07; referred to Jt. Finance	BUDGET: Various changes in state appropriations, agency budgets and policy constituting the Biennial Budget Bill.	http://www.legis.state.wi.us/2007/data/SB40hst.html
SB 57 Harsdorf/Kessler		Introduced 2/21/07; referred to Veterans and Mil. Affairs & Fin. Insts.; public hearing 3/28/07	SWIB: Generally prohibits SWIB from making certain future investments, and requires SWIB to divest itself of prior investments, related to Sudan.	http://www.legis.state.wi.us/2007/data/SB57hst.html
SB 93 Lassa/Gottlieb		Introduced 3/13/07; referred to Urban Affairs	OPEB: Requires that funds invested by local units of government to provide post-employment benefits be held in segregated accounts solely in the manner provided under the Uniform Prudent Investor Act, which took effect in Wisconsin on April 30, 2004.	http://www.legis.state.wi.us/2007/data/SB93hst.html
SB 145 Leibham/Musser		Introduced 4/13/07; referred to JSCRS	MILITARY SERVICE CREDIT: Allows participating employees in the WRS to purchase years of creditable service for all years of active military service if they meet certain conditions, including the following: 1. the employee pays the general employee required contribution for each year of creditable service to be purchased on earnings based on the	http://www.legis.state.wi.us/2007/data/SB145hst.html

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			employee's final average earnings, determined as if the employee had retired on the first day of the annual earnings period during which ETF received the application; 2. the employee may not purchase more than 4 years of creditable service; 3. the employee must have been discharged from the military under conditions other than dishonorable; 4. the employee may not receive creditable service under the program for any active military service that is also used to qualify for the current law creditable military service program.	
SB 213 Lehman/Strachota		Introduced 6/13/07; referred to Ethics Reform and Gov't Ops.; public hearing scheduled 6/18/07	SICK LEAVE CONVERSION: Ends the accumulation of unused sick leave from year to year for members of the legislature starting, generally, in January 2009.	http://www.legis.state.wi.us/2007/data/SB213hst.html
SJR 52 Robson/Huebsch		Introduced 6/6/07; referred to Sen. Org	DAVE MILLS: Honors and congratulates Dave Mills.	http://www.legis.state.wi.us/2007/data/SJR52hst.html

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Floor session schedule for 2007-08 Legislature:

2007	2008
Jan. 3, 2007: Inauguration	Jan. 10, 2008: Bills sent to Governor
Jan. 9, 2007: Floorperiod	Jan. 15 – 31, 2008: Floorperiod
Jan. 30 – Feb. 1 2007: Floorperiod	Feb. 19 – March 13, 2008: Floorperiod (Last general business)
Feb. 13, 2007: Floorperiod	April 3, 2008: Bills sent to Governor
Feb. 20 – March 1, 2007: Floorperiod	May 6 – 8, 2008: Floorperiod (Limited Business)
March 13 – 15, 2007: Floorperiod	May 15, 2008: Bills sent to Governor
April 17 – 26, 2007: Floorperiod	May 27 & 28, 2008: Veto review period
May 3, 2007: Bills sent to Governor	May 29 – Jan. 5, 2009: Interim
May 8 – 17, 2007: Floorperiod	June 11, 2008: Bills sent to Governor
May 29 – June 29: Floorperiod (Budget)	January 5, 2009: 2009 Inauguration
Aug. 9, 2007: Nonbudget bills to Governor	
Aug. 9 (or later), 2007: Budget to Governor	
Sept. 18 – 20, 2007: Floorperiod	
Oct. 23 – Nov. 8, 2007: Floorperiod	
Dec. 11 – 13, 2007: Floorperiod	