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HISTORY OF EMPLOYEE TRUST FUNDS

The Department of Employee Trust Funds (ETF) initially began in 1967. The concept, however, of providing retirement benefits to Wisconsin's public employees began in 1891. It was then the legislature enacted Chapter 287 to provide retirement protection and security for police officers and fire fighters in Milwaukee, primarily because of the public safety work they did.

Numerous changes have occurred in the past 100 years. Today nearly all public employees are assured of retirement protection. The history, however, of how retirement protection for Wisconsin's public employees falls into two phases: (1) the first 56 years from 1891 to 1947 when many public employers established separate systems, and (2) the years from 1948 to the present when plans consolidated. It was during the last phase that public employee retirement systems merged to form one system, the Wisconsin Retirement System (WRS), now managed by ETF.

Following the pension plan established for Milwaukee police and fire, other municipalities recognized the importance of giving the same protection to their police and fire fighters. In 1907, the legislature adopted legislation that enabled other municipalities to establish retirement systems for their public safety employees, and about 60 small individual systems began in the following years.

Milwaukee established the first retirement plan for public teachers after Chapter 510, Laws of 1909, created the Milwaukee Teachers Annuity and Retirement Fund. Participation in the fund was initially voluntary but later became mandatory. Chapter 322, Laws of 1911, created a statewide retirement plan for all teachers who taught in the other public school systems, including normal schools and the state university system. A series of changes to the statewide plan and its governing boards took place over the years. Chapter 511, Laws of 1951, clarified the governing and investment structure and renamed the plan the State Teachers Retirement System (STRS) and created one governing board to oversee the plan.

The first pension system providing retirement protection to any state employees, other than university teachers, covered conservation wardens after enactment of Chapter 227, Laws of 1935. Eight years later, the legislature created: (1) the Wisconsin Municipal Retirement Fund (Chapter 175, Laws of 1943) for all non-Milwaukee local employees; and (2) the State Employees Retirement Fund for state employees (Chapter 1976, Laws of 1943).

Between 1935 and the late 1940s, the legislature created a number of separate systems for Milwaukee County and City of Milwaukee employees. Chapters 201 and 396, Laws of 1937, created the first county and city employee retirement systems for workers other than Milwaukee police and fire.

By the mid-1940s, approximately 75 separate employee retirement systems operated in Wisconsin. Members of the legislature, taxpayer groups, and pension experts expressed concerns about the haphazard, uncoordinated growth of public pension systems. Questions also arose about the financial solvency of the smaller systems.

To study the issue, the legislature created the Joint Legislative Interim Committee on Pensions and Retirement Plans in Wisconsin. The Committee issued its report in early 1947 and recommended consolidating and merging the public pension systems.

The first phase of a lengthy process commenced by closing the old systems to new municipal employees and putting new employees under a consolidated umbrella. Since they still had participants, the smaller systems continued to operate for their existing participants. As people retired, however, the systems eventually merged with the umbrella system. All newly hired non-teachers who worked for county, municipal, and state employers, outside Milwaukee, became members of the Wisconsin Retirement Fund (WRF). This consolidated the separate, small police, fire, and warden funds into the WRF.

The next step occurred in 1951 when Chapter 511, Laws of 1951, abolished the three separate public school, normal school, and university retirement boards originally created in 1921. The act also abolished the State Annuity and Investment Board created in 1929. In their place, the legislature established the State Teachers Retirement Board, which covered all teachers, and the State of Wisconsin Investment Board (SWIB).

The public pension system then consisted of the Wisconsin Retirement Fund (WRF), the State Teachers Retirement System (STRS), the Milwaukee Teachers Retirement System (MTRS), and the two systems for Milwaukee City and Milwaukee County employees.

The legislature created the Department of Employee Trust Funds (ETF) in 1967 (Chapter 75, Laws of 1967). ETF operated under the direction of a seven-member ETF Board that was responsible for managing STRS and WRF. Chapter 280, Laws of 1975, initiated the final step toward merger. To ensure a financially sound retirement system, the legislature declared that STRS, MTRS, and WRF merge into one system called the Wisconsin Retirement System (WRS).

In 1977, Chapter 182, merged the remaining police and fire department retirement systems outside Milwaukee into the WRS. The full implementation of merger took place under Chapter 96, Laws of 1981. It created a Teachers Retirement Board and a similar

Wisconsin Retirement Board for non-teachers. The purpose of the two Boards is to advise the ETF Board, the primary policymaking Board.

The WRS is one of the largest retirement systems—public or private—in the United States and even the world. ETF keeps track of service and earnings for 550,000-plus WRS participants and administers all benefits. The State of Wisconsin Investment Board (SWIB) invests all contributions that employers and employees make to the system. The following are key legislative milestones that involve the WRS and other employee benefits that ETF administers:

- Chapter 512, Laws of 1957, provided a group life insurance program for state employees.
- Chapter 211, Laws of 1959, created the first group health insurance program for state employees and 1985 WI Act 29 extended group health to local governments (see note below about Ch. 112, Laws of 1961).
- Chapter 412, Laws of 1959, allowed municipal governments to offer group life insurance.
- Chapter 112, Laws of 1961, extended group health insurance to municipalities, but it was suspended in 1963 and repealed in 1967 by Chapter 43, Laws of 1967.
- Chapter 125, Laws of 1971, created both the income continuation insurance (ICI) plan that provides benefits for serious, long-term illness and the accumulated sick leave conversion program for state employees. 1985 WI Act 29 extended ICI insurance to local governments wanting to participate.
- Chapter 51, Laws of 1973, authorized supplemental life insurance coverage for state employees.
- Chapter 187, Laws of 1981, authorized a deferred compensation plan for state employees and 1983 WI Act 290 authorized local governments to participate.
- 1985 WI Act 29 allowed ETF to provide insurance plans for WRS annuitants and their dependents.
- 1987 WI Act 399 authorized an employee reimbursement accounts program to help state employees pay uninsured health care and day care expenses from pre-tax income.
- 1987 WI Act 356 authorized the Group Insurance Board to make long-term care coverage available to all eligible employees and state annuitants.
- 1989 WI Act 323 allowed participants of the WRS and the Milwaukee County and City systems to have portability and reciprocity of their accrued benefits when they move from one system to the other.
- 1991 WI Act 141 permitted ETF to promulgate administrative rules defining how a WRS participant can roll funds to or from another qualified pension plan into the WRS or out of the WRS.

- In 1992, the Group Insurance Board created the long-term disability insurance program (LTDI) to comply with the federal Older Workers Benefit Protection Act (OWBPA) which prohibits an employer from discriminating against the older worker. LTDI replaces the disability annuity benefit under Wis. Stats. § 40.63, for employees hired after October 1992. Employees hired before then have the option of LTDI or Wis. Stats. § 40.63 benefits.
- 1997 WI Act 69 eliminated the five-year vesting requirement for participants first covered under the WRS on or after January 1, 1990, and who terminate employment after April 23, 1998.
- 1999 WI Act 9 required ETF to design a small business employer health insurance program known as the “Private Employer Health Care Purchasing Alliance”. Under the legislation, the program is governed by a 13-member board and was scheduled to operate from January 1, 2001, to January 1, 2010.
- 1999 WI Act 11 provides several changes to WRS benefits and funding mechanisms, including a formula multiplier increase for WRS service prior to 2000, eliminating the 5% cap on fixed fund participants, improving death benefits, and reopening the variable fund to new participants starting January 1, 2001.

SOURCES

Wisconsin Blue Book, 1956, 1968, 1975, 1980-81, 1989-90 and 1995-96. Wisconsin Legislative Reference Bureau.

Wisconsin Retirement System, Informational Paper #71, Art Zimmerman, Wisconsin Legislative Fiscal Bureau, January 2009.

(Revised: April 2012)