



Employer *Bulletin*

Employer Communication Center (608) 264-7900 Toll free: 1-888-681-3952 <http://etf.wi.gov>

2013 Wisconsin Retirement System Contribution Rates

The Department of Employee Trust Funds (ETF) typically announces the Wisconsin Retirement System (WRS) contribution rates for the following year in June. ETF's governing board usually reviews and approves the WRS contribution rates that are prepared and recommended by the Board's independent consulting actuary at the Board's June meeting. ETF then announces the rates as soon as possible, so WRS employers have ample time to work on operating budgets for the next calendar year.

2012 is different than past years. On Thursday, June 21, 2012 the Board's actuary presented a range of possible 2013 WRS normal cost contribution rates for each of the WRS employment categories (generals, elected/executive officials and judges, protectives with Social Security and protectives without Social Security). However, 2013 finalized rates will not be available until ETF receives all the necessary information from employers for 2011. This information is necessary in order for the consulting actuary to accurately determine calendar year 2013 contribution rates.

The rates presented on the following page are projections subject to change pending the final actuarial valuation. It is possible that the final approved rates could fall outside of these ranges. ETF understands the importance these rates play in establishing your operating budgets for the following year. Therefore, we asked the actuary to develop this range of possible rates to give you some direction as you work on your budget.

The projected rates include only the normal cost component of the WRS. Rates for any employer-specific unfunded accrued actuarial liability (UAAL), duty disability insurance rates for employers with protective occupation employees, and the accumulated sick leave program (state agencies and employers treated as state agencies under Chapter 40 of the statutes) are not included in the projected rates.

UAAL rates for each employer will continue unchanged unless that employer pays the balance prior to the end of calendar year 2012. The duty disability contribution rate structure is not expected to change, although individual employer rates could change depending upon claim history and other actuarial factors. Contribution rates for the accumulated sick leave program (state agencies only) are anticipated to increase. These rates will be announced at the same time the final WRS contribution rates are determined.

Again, keep in mind, ***neither of the tables include sick leave rates (state agencies only), disability rates or unfunded liability balances. The rates listed are for the normal retirement cost contributions only.***

2012 WRS Contribution Rates (current year)

Category	Employer Rate	Employee Rate	Total 2012 WRS Rate
General Category	5.9%	5.9%	11.8%
Elected, Executive & Judge	7.05%	7.05%	14.1%
Protectives with Social Security	9.0%	5.9%	14.9%
Protectives without Social Security	11.3%	5.9%	17.2%

The Range of Possible WRS Contribution Rates for 2013

Category	Employer-possible 2013 rate:	Employee-possible 2013 rate:	Total 2013 possible WRS rate
General Category	6.4-6.85%	6.4-6.85%	12.8-13.7%
Elected, Executive & Judge	6.9-7.4%	6.9-7.4%	13.8-14.8%
Protectives with Social Security	9.2-9.65%	6.4-6.85%	15.6-16.5%
Protectives without Social Security	11.5-12.45%	6.4-6.85%	17.9-19.3%

Why are Finalized Contribution Rates Late this Year?

2011 Wisconsin Acts 10 and 32 made changes to WRS benefits, contribution rates and the allocation of these contributions to WRS member accounts. The changes took effect mid-year, requiring the development of a reporting mechanism to distinguish between pre- and post- rate change earnings for 2011. WRS employers and ETF continue to work on compiling and reconciling this information.

As of this writing, all WRS employers have submitted the pre-Act 10 earnings and most of the information has been verified by ETF. Roughly 75% of the 1,481 employers have submitted post-Act 10 hours and earnings for employees, and ETF has verified the information for the majority of those employers. ETF continues to work closely with the employers that have submitted the information, but haven't had their information verified yet.

NOTE: The approximately 300 employers that have not submitted post-Act 10 hours and earnings must submit the information through our online network as soon as possible. ETF cannot provide services such as 2013 WRS contribution rates and employee Statement of Benefits, which provide account balance information, until all employers submit this information.

Why are the Rates Increasing?

There are many complex factors that affect WRS contribution rates, such as investment performance, legislative adjustments to benefit levels, demographics, etc. It is important to remember, WRS assets are smoothed over the course of five years to prevent large swings in WRS contribution rates. As a result, the investment declines from the 2008 global economic crisis will affect rates through 2014 (2009 was the first year the rates felt the negative effects of 2008).

For more information about the reasons for the anticipated rate increase, the actuary's full presentation is available on ETF's Internet site at:

<http://etf.wi.gov/boards/agenda-items-2012/etf06212012/ji/item-3a.pdf>

In most cases, 2011 Wisconsin Acts 10 and 32 prohibited WRS employers from paying the employee required portion of the WRS contribution. As a result, the likely 2013 rate increase will be split equally between the employee and employer for general employees, executives, elected officials and judges. 2011 Wisconsin Act 10 requires that the employee required contribution for protective occupation employees be equal to the amount of general employees.

How Does the WRS Compare?

- The WRS is one of the best funded public retirement plans in the nation due to the discipline of employers and employees in paying the necessary contributions. Therefore, we are able to pay the benefits that have been promised to your employees.
- Over the long-term, approximately 75% of the revenue for your employee's retirement benefit comes from investment earnings; the remainder comes from employee and employer contributions.
- Overall, Wisconsin's retirement contribution rates continue to be lower than most states.

Please visit <http://etf.wi.gov> for more information about ETF or the WRS.

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Wisconsin Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931; etf.wi.gov.