



Employer *Bulletin*

Employer Communication Center 608-266-3285

Toll free: 1-877-533-5020

etf.wi.gov

Employee Trust Funds Board Announces 2016 WRS Contribution Rates

At its June 25, 2015 meeting, the Employee Trust Funds Board (Board) approved Wisconsin Retirement System contribution rates for 2016, including rates for Wis. Stat. § 40.65 protective occupation duty disability and the State Accumulated Sick Leave Conversion Credit Program. These rates are based on current benefit levels and recommendations from the Board's independent consulting actuary.

Your specific contribution rates effective for salaries and wages paid beginning January 1, 2016 are available on ETF's Internet site at:

etfonline.wi.gov/ETFCalculatorWeb/etf/internet/employer/ETFemployerrates.jsp

WRS Employment Category:

| |
|---|
| General, Teachers and Educational Support Personnel |
| Executive, Elected and Judges |
| Protective with Social Security |
| Protective without Social Security |

Contribution Rate Change:

| | |
|----------|------|
| Decrease | 0.4% |
| Increase | 0.2% |
| Decrease | 0.3% |
| Decrease | 0.1% |

Employers who have either elected to increase prior service coverage or pay off their unfunded liability balances may also experience a change in their prior service rates.

Factors Impacting WRS Rates

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 investment experience is smoothed over a course of five years to prevent large swings in WRS contribution rates. For more information about the reasons for the 2016 rate change, the actuary's full presentation is available on ETF's website at:

etf.wi.gov/boards/agenda-items-2015/etf0625/joint/item3b.pdf

2011 Wisconsin Acts 10 and 32 in most cases prohibited WRS employers from paying the employee-required portion of the WRS contribution. The 2016 rate change will be split equally between the employee and employer for general employees, executives, elected officials and judges for 2016. Act 10 requires that the employee-required contribution for protective occupation employees be equal to the employee-required contribution for general employees.

Note: It is not uncommon for the WRS contribution rate for the Executive, Elected and Judges employment category to experience volatility from year to year because it is a small group of employees.

The annual actuarial valuation incorporates current economic and demographic data into the existing financial condition of the WRS in order to set new contribution rates for the system. It is normal for contribution rates to fluctuate somewhat from year to year, based on investment

earnings, wage inflation and demographic trends. In addition, the change in contribution rates may vary between employment categories, depending on varying demographic trends within those groups. Benefits being paid to current annuitants are not affected by these rate changes.

Possible Change to the Elected/Executive Category

The 2016 contribution rate for the Executive/Elected Official Category may decrease depending on a pending item in the state budget. On May 19, 2015, in its biennial state budget deliberations, the Legislature's Joint Committee on Finance passed Motion #456, which would authorize the Employee Trust Funds Board to combine the General Category and the Elected/Executive Category for purposes of establishing the annual employer and employee contribution rates to the WRS. Therefore, if the motion passes, the contribution rate for the Executive/Elected Category would be the same as the General Category, which is lower primarily due to its large population. In addition, the normal retirement age for the Executive/Elected Category will increase from age 62 to age 65 for new participants entering the category after December 31, 2016. Per the motion, the Board can only combine the categories if the combination would be in the actuarial interest of the WRS and would result in administrative efficiency.

The Board's actuary, Gabriel, Roeder, Smith & Company, has confirmed that bringing the Elected/Executive Category into the General Category will not have a material effect on the employees in the General Category.

As of this writing, the 2015-2017 state budget has not been enacted into law. On June 25, 2015, however, the Board adopted a motion accepting the supplemental report from the Board's actuary and, if the provision is included in the final version of the state budget, merging the Elected/Executive Category into the General Category for contribution rate setting purposes beginning in 2016.

For more background information on the Elected/Executive Category and the motion, please review the following memo to the Board, [2016 WRS Contribution Rate for the Executive/Elected Official Employment Category](#). ETF will send a follow-up Bulletin when the budget is enacted.

Why Are Duty Disability Rates Decreasing for Most Employers?

The duty disability rates for 2016 are decreasing compared to previous years. The duty disability rates vary based on claims experience. The rates will decrease for most employers because of strides made toward making the duty disability program fully funded. The reduction in rates shows the positive effect of having fully funded programs.

Contact

For more information regarding the 2016 contribution rates or the Internet contribution rate calculator, please contact ETF via the Employer Communication Center toll free at 1-877-533-5020 or 608-266-3285.

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This *Employer Bulletin* is published by the Wisconsin Department of Employee Trust Funds. Questions should be directed to contact persons listed in the *Bulletin*. Employer agents may copy this *Bulletin* for further distribution to other payroll offices, subunits or individuals who may need the information. Copies of the most recent *Employer Bulletins* are available at etf.wi.gov/employers.htm

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

Employee-Required Contribution – (Must be Paid by Employee Unless There is a Collective Bargaining Agreement in Force):

- 6.60% General, Teachers and Educational Support Personnel – (decreased .20%)
- 7.80% Judges, Elected Officials and State Executive Positions Designated in Wis. Stat. § 20.923 (4), (8), or (9) – (increased .10%)
- 6.60% Protective with Social Security – (decreased .20%)
- 6.60% Protective without Social Security – (decreased .20%)

Employer-Required Contributions – (Must be Paid by Employer):

- 6.60% General, Teachers and Educational Support Personnel – (decreased .20%)
- 7.80% Judges, Elected Officials and State Executive Positions Designated in Wis. Stat. § 20.923 (4), (8), or (9) – (increased .10%)
- 9.40% Protective with Social Security – (decreased .10%)
- 13.20% Protective without Social Security – (increased .10%)

Employer-Required Contributions – Unfunded Actuarial Liability (Must be Paid by Employer):

Same rate as 2015, unless employer elected to provide increased prior service coverage or paid off liability at an accelerated rate.

Employer Duty-Disability Contribution – (Must be Paid by Employer):

Effective January 1, 2016, the experience-rated duty-disability contribution rate schedule will change from 2015 and will be determined as listed below:

- .09% - The lesser of either groups in which the claims payout is less than or equal to 1.5% of total payroll, or employers with one or less in the number of total claims.
- .18% - The lesser of either groups in which the claims payout is greater than 1.5% but less than or equal to 3.0% of total payroll, or employers with 2 total claims.
- .35% - The lesser of either groups in which the claims payout is greater than 3.0% but less than or equal to 4.5% of total payroll, or employers with 3 total claims.
- .61% - The lesser of either groups in which the claims payout is greater than 4.5% but less than or equal to 6.0% of total payroll, or employers with a total of 4 claims.
- .96% - The lesser of either groups in which the claims payout is greater than 6.0% but less than or equal to 7.5% of total payroll, or employers with a total of 5 claims.
- 1.40% - The lesser of either groups in which the claims payout is greater than 7.5% but less than or equal to 9.0% of total payroll, or employers with a total of 6 claims.
- 1.93% - The lesser of either groups in which the claims payout is greater than 9.0% but less than or equal to 10.5% of total payroll, or employers with a total of 7 claims.
- 2.31% - The lesser of either groups in which the claims payout is greater than 10.5% of total payroll, or employers with 8 or more total number of claims.

Employer Accumulated Sick Leave Conversion Credit Contributions – (Must be Paid by Employer):

This rate applies to state agencies only. Please see your individual rate page for the sick leave rate.