

**Department of Employee Trust Funds**  
**WISCONSIN RETIREMENT SYSTEM ADMINISTRATION MANUAL**

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**CHAPTER 7 — CONTRIBUTION RATES**

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**700 Introduction**

The Employee Trust Funds Board approves WRS contribution rates annually in June. The new rates are announced via *Employer Bulletin* approximately six months prior to their effective date and are based on recommendations of the consulting actuary for the benefit levels in effect. Each contribution category is valued separately. Contribution rate changes are considered normal for systems that pre-fund retirement benefits. Annuity benefits are not affected by these rate changes.

Under Wis. Stat. § 40.05, WRS contribution rate changes are distributed evenly between the employer and employee. Employers electing to increase prior service coverage or pay off their unfunded liability balances may also experience a change in their prior service rates.

**701 Employer-Required Contribution Rates**

Each participating employer shall make contributions for current service determined as a percentage of the earnings of each participating employee. Under no circumstances may an employee be required to pay any portion of the employer-required contributions. The employer contribution rates for each of the categories consist of:

**A. Current Service Costs**

Current service costs are set annually based on an actuarial valuation.

**B. Unfunded Actuarial Accrued Liability (UAAL)**

Unfunded Actuarial Accrued Liability (UAAL) (also known as Prior Service Liability) is the cost of providing benefits for service credit earned prior to an employer joining the WRS or for providing benefit improvements based on service credit earned prior to the effective date of certain major benefit legislative changes.

Monthly retirement contribution rates include a small component for prior service liability (1 or 2% for most employers), if applicable. Each month retirement contributions are made, you are also paying toward your prior service liability.

Employers have the option of paying off their liability faster, thereby minimizing future interest charges. Employers can pay off the entire liability in a single payment or make payments larger than the required amounts. ETF will develop a customized payment plan for employers interested in paying off liabilities early.

UAAL prior service contribution rates are set individually for each participating employer, based on the employer's outstanding unfunded liability balance. The liability is amortized over 40 years, beginning January 1, 1986, or the employer's participation effective date, whichever is later.

ETF provides an optional UAAL calculator on its Internet site to assist employers in projecting their UAAL amortization schedule. The UAAL Calculator projects the employer prior service payments and interest using current Actuarial Assumptions of the WRS for the 7.8% interest rate and for the salary increase rate (currently set at 4.0%). Using these assumptions, the calculator produces a schedule that projects employer payments and interest through the year 2029. This calculator is found on ETF's Internet site at <http://etf.wi.gov> in the *Employers* section.

### **C. Duty Disability Costs**

Duty Disability costs are applicable to protective employment category employees as defined in Wis. Stat. § 40.02 (48)(c).

The Duty Disability contribution rates, mandated by Wis. Stat. § 40.05 (2)(ar), are individually experience-rated for each participating employer. Contribution rates paid by an employer are directly related to the number and amount of claims filed by each employer's participants.

The definition of protective occupation participants, for this purpose only, is broader than for other benefit purposes in that any state employee whose duties involve supervision or discipline of inmates at a state penal institution is included in the duty disability provision.

### **D. Sick Leave Conversion Costs (State Agencies Only)**

These contributions pay for conversion of unused sick leave to health insurance premiums for retired state employees. Annual increases cannot exceed 2%. ETF's board sets sick leave conversion costs based on the actuary's recommendation.

## **702 Employee-Required Contribution Rates**

The Employee-Required Contribution rates are established in Wis. Stat. § 40.05 (1). Pursuant to Wis. Stat. § 40.05 (1) (b). The employer may pay all or a portion of the

Employee-Required contribution, and may choose to pay all or a portion of the rate for all their employees, a group of employees, or a single employee.

### 703 Benefit Adjustment Contribution

The Benefit Adjustment Contribution (BAC) was enacted by legislation in 1984 to fund improved retirement benefits for career public employees in the WRS as established in Wis. Stat. § 40.05 (2m). It is paid by employees, unless the employer agrees to pay all or a portion of the contribution. The BAC is not credited to the employee's WRS account, but is used to fund overall system benefit liabilities.

### 704 Description of Contribution Rates

WRS contribution rates are reviewed annually and may change based on actuarial assumptions and recommendations.

#### DESCRIPTION OF CONTRIBUTION RATES FOR YEAR 2011

##### Employee Required Contribution (may be paid by employer)

- 5.0% General, including teachers and educational support personnel
- 3.9% Judges, elected officials and state executive positions designated in §20.923 (4), (8), or (9)
- 5.8% Protective with Social Security
- 4.8% Protective without Social Security

##### Employee Benefit Adjustment Contribution (may be paid by employer)

- 1.5% General, including teachers and educational support personnel
- 0.0% Judges, elected officials and state executive positions designated in §20.923 (4), (8), or (9)
- 0.0% Protective with Social Security
- 0.0% Protective without Social Security

##### Employer Required Contributions - Current Service (must be paid by employer)

- 5.1% General, including teachers and educational support personnel
- 9.4% Judges, elected officials and state executive positions designated in §20.923 (4), (8), or (9)
- 8.9% Protective with Social Security
- 12.2% Protective without Social Security

##### Employer Required Contributions - Unfunded Actuarial Liability (must be paid by employer)

Same rate as 2010, unless employer elected to provide increased prior service coverage or paid off liability at an accelerated rate. Notification of any change for individual employers will be sent at a later date.

**Employer Duty Disability Contribution (must be paid by employer)**

Effective January 1, 2011, the experience-rated duty disability contribution rate schedule will remain the same as 2010 and will be determined as listed below:

- 1.9% Groups with claims payout of less than or equal to 0.5% of payroll.
- 2.4% Groups with one claim in which the payout is more than 0.5%, and groups with two or more claims in which the payout is more than 0.5%, but less than 1.0% of payroll.
- 3.6% Groups with two or more claims in which the payout is more than 1.0%, but less than 2.0% of payroll.
- 5.4% Groups with two or more claims in which the payout is more than 2.0%, but less than 3.0% of payroll.
- 6.6% Groups with two or more claims in which the payout exceeds 3.0% of payroll.
- > 6.6% Groups with two or more claims in which the payout exceeded 6.6% during the prior year. Rate will be 6.6% plus 50% of new claims exceeding 6.6%. The 50% experience factor is based on claims incurred in the last 4 ½ years (2006).

**Employer Accumulated Sick Leave Conversion Credit Contributions (must be paid by employer)**

This rate applies to state agencies only and is supplied to the individual state agencies annually.

**705 Online Employer Rate Information**

Employers and other interested parties can access individual 'current year' and 'future year' employer contribution rates on ETF's Internet site at [etf.wi.gov](http://etf.wi.gov). To reach the contribution rate calculator, select the 'employers' button at the top of the Homepage. Scroll down the employer page and select 'WRS Contribution Rates.' A screen, including an alphabetical employer drop down list, will appear. Select the employer you're interested in viewing from the list and click 'Calculate.' Current and future year contribution rates will appear. Please note that future year rates will be updated each year following the Employee Trust Fund Board's announcement.