

CHAPTER 7 – CONTRIBUTION RATES

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700 Introduction

Wisconsin Retirement System contribution rates are reviewed annually and may change based on actuarial assumptions and recommendations. Each year, at their June meeting, the Employee Trust Funds Board approves the rates for the following year. The approved rates are then published in an *Employer Bulletin*. 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 between the employer and employee rates. 2011 Wisconsin Act 32 require that each contribution rate be evenly divided between the Employer-Required Contribution (ERRC) and the Employee-Required Contribution (EERC) for Judges, Elected Officials and State Executive positions designated in Wis. Stat. §20.923 (4), (8) or (9) and for General category including Teachers and Educational Support Personnel. The Protective with Social Security and Protective without Social Security EERC rate is the same as the General category EERC.

Employers electing to increase prior service coverage or pay off their unfunded liability balances may also experience a change to their prior service rates.

701 Employer-Required Contribution Rates (ERRC)

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 (ERRC). 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. The prior service rate must be paid by the employer.

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. This liability is being amortized as a level percentage of payroll over a 40-year period beginning January 1, 1990, for employers in the WRS prior to 2009. The remaining balance is expected to be fully amortized by December 31, 2029. Liabilities for employers joining the WRS beginning in 2009 are amortized over 30 years. Interest is assessed on the outstanding liability at year end at the assumed earnings rate. Any liabilities remaining at the end of the amortization period will continue to be payable by the employer.

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 7.2% interest rate and for the salary increase rate (currently set at 3.2%). The [UAAL calculator](#) is found on ETF's Internet site at etf.wi.gov. Select the 'Employers' tab; go to the 'Wisconsin Retirement System' dropdown tab; and click on the link to 'General Information' to find a link to the 'Local Employer Projected Unfunded Actuarial Accrued Liability' (UAAL) calculator.

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 value of claims filed by each employer's participants. This rate must be paid by employers and can change yearly.

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)

The Accumulated Sick Leave Conversion Credits (ASLCC) Program allows retirees of the State of Wisconsin, the University of Wisconsin (UW) System, the UW Hospital & Clinics Authority and other state authorities, at the time of their retirement, to convert the value of their unused sick leave accumulation into an account to be used to pay for post-retirement health insurance. ETF's board sets sick leave conversion costs based on the actuary's recommendation. This rate must be paid by the employer.

702 Employer Payment of the Employee-Required Contribution

Chapter 40 [§40.05(1)(b)1., Wis. Stats.] prohibits an employer from paying the WRS Employee-Required Contribution (EERC) except for explicitly specified circumstances. The exceptions for non-represented managerial positions are contained in Chapter 40, while the exceptions for represented positions are contained in Chapter 111, which relates to employment relations.

ETF is governed by Chapter 40 of the Wisconsin Statutes. Questions which involve the interpretation and application of provisions in Chapter 111 dealing with collective bargaining are outside our purview and realm of expertise. Therefore, ETF recommends employers consult with their own legal counsel or seek an independent legal opinion regarding any contractual and collective bargaining questions in connection with Chapter 111 and collective bargaining agreements.

The situations in which an employer may pay the EERC are as follows:

1. **Public Safety Employees Employed by A Municipal Employer.** A municipal employer may pay the EERC in accordance with the terms of a collective bargaining agreement, for a public safety employee as defined in §111.70 (1) (mm), Wis. Stats., who was initially employed by the municipal employer prior to July 1, 2011.

Under §111.70 (1) (mm), a public safety employee is a protective occupation participant who is any of the following: a police officer, a firefighter, a deputy sheriff, a county traffic police officer, a person employed by a town, village, or city combined protective services department, or an emergency medical service provider for an emergency medical service department.

2. **Public Safety Employees Employed by a State Agency.** A state agency may pay the employee-required contribution in accordance with the terms of a collective bargaining agreement, for a state traffic patrol or state motor vehicle inspector employee, who was initially employed by the municipal employer prior to July 1, 2011.
3. **Other Employees Covered by a Collective Bargaining Agreement.** An employer may pay the EERC for employees other than public safety employees in accordance with a collective bargaining agreement if that collective bargaining agreement has not been terminated, extended, modified, or renewed since June 30, 2011. Because of the passage of time, ETF would expect that very few employers would pay the EERC under this situation.

In certain circumstances, an employer must pay the EERC. The situations all involve employers which pay the employee-required contributions for represented employees whom they initially employed before July 1, 2011. These situations are as follows:

1. **Municipal non-represented law enforcement, firefighting, and EMT managerial employees.** A municipal employer must pay the EERC on behalf of its non-represented law enforcement, firefighting, and EMT managerial employees who it initially employed before July 1, 2011, to the same extent that it paid those contributions for represented law enforcement, firefighting, and EMT employees that it initially employed before July 1, 2011. Essentially, if the employee fits situation 1 from above the employer must also pay the EERC for these individuals as well.
2. **Persons hired into non-represented law enforcement, firefighting, and EMT managerial position but previously employed in a represented position by the same municipal employer.** A municipal employer must pay the EERC on behalf of its represented law enforcement, firefighting, and EMT employees who it initially employed before July 1, 2011 and who after July 1, 2011, it employed in a non-represented law enforcement, firefighting, and EMT managerial position to the same extent that it paid those contributions for represented law enforcement, firefighting, and EMT employees that it initially employed before July 1, 2011.
3. **Non-represented managerial state patrol employees and state motor vehicle inspectors.** A state agency must pay the EERC on behalf of its non-represented managerial state patrol employees and state motor vehicle inspectors who it initially employed before July 1, 2011 to the same extent that it paid those contributions for represented state patrol employees and state motor vehicle inspectors that it initially employed before July 1, 2011.

703 Benefit Adjustment Contribution

2011 Wisconsin Act 32, effective in 2011, eliminated the Benefit Adjustment Contribution (BAC). The BAC contribution was enacted by legislation in 1984 to fund improved retirement benefits for members of the WRS as established in Wis. Stat. §40.05 (2m). The BAC was not credited to the employee's WRS account, but was used to fund overall system benefit liabilities. The BAC may still apply when adding earnings to an employment segment prior to 2011.

704 Employer Contribution Rate Information

Information on 'current year' and 'future year' employer contribution rates are provided in the [Current/Future Rate Inquiry](#) on ETF's Internet site at etf.wi.gov. To reach the contribution rate calculator, select the 'Employers' tab at the top of the Homepage. Click on the 'Wisconsin Retirement System' dropdown tab. Scroll down and select 'Contribution Rates'. Click in the section 'Select an Employer; select the employer you are interested in viewing from the list and click 'Display'. Current and future year contribution rates will appear. Please note that future year rates will be updated each year once they have been announced by the ETF Board and employers will be notified via an annual *Employer Bulletin*.

705 Municipal Police and Firefighters Pension Group

As of March 31, 1978, administration of certain local funds for police officers and firefighters was assumed by the Wisconsin Retirement Fund. This included approximately 2,000 members. As of December 31, 2016, approximately 80 annuitants or their beneficiaries remained in the system. This group was closed to new members after January 1, 1948.

The liability for retirement benefits for these annuitants is funded by employers, as benefit payments are made. Annuity reserves for these police and firefighter annuities are established by a transfer from the employer accumulation reserve at the time the annuity is approved. Earnings on these reserves are used to fund annuity adjustments on the same basis as for WRS annuitants. The unfunded liability for these annuitants as of December 31, 2016, was \$2.3 million.