



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

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Dear Local Official:

As you know, 2011 Wisconsin Act 10 made significant changes to public employee compensation and collective bargaining provisions in order to provide state and local governments with the flexibility needed to reduce costs and maintain essential public services.

In addition, 2011 Wisconsin Act 32, the state's biennial budget bill, included a number of important modifications to Act 10. This letter explains these changes and discusses several important implementation issues, including the effective dates of changes to employee health and pension contribution rates, changes to collective bargaining provisions and the discontinuation of payroll deductions for union dues.

While Act 10 is now in effect, the effective dates of various changes are dependent on the status of your collective bargaining agreements. Changes in Acts 10 and 32 will not apply to employees that are covered under current collective bargaining agreements until those agreements expire, are terminated, extended, modified or renewed. The provisions in existing contracts must continue to be honored.

- For collective bargaining agreements that have expired or been terminated, the discontinuation of union dues collection should be implemented no later than the first pay period after June 29th.
- For Wisconsin Retirement System (WRS), City of Milwaukee and County of Milwaukee pension contribution rate changes, the effective date should parallel as closely as possible the timing for state employees, who will first see these deductions on their August 25th paycheck.
- If your local governmental unit participates in a health insurance plan offered by the Group Insurance Board (GIB), the health insurance contribution rate changes are effective January 1, 2012.
- Finally, local governmental units that do not have a civil service system as of June 29th are required to establish a grievance system no later than the first day of the fourth month beginning after the effective date of the bill. This means that local governmental units must create these systems by October 1, 2011.

Changes to Act 10

The following modifications, affecting local governmental units, were made to Act 10 in the state's biennial budget bill and will be effective the day after publication of Act 32:

- 1) Transit workers, as defined by Wisconsin Employment Relations Commission (WERC), are exempt from Act 10 provisions. In addition, WERC will be required to provide training programs to prepare individuals for participation as arbitrators. WERC is authorized to charge a fee for such training. Any labor organization representing transit employees which violates the prohibition on strikes may not collect dues for one year. At the end of the year, dues collection may be reinstated.
- 2) Emergency Medical Services providers were added to the definition of public safety employees.
- 3) Arbitrators are required to give greatest weight to economic conditions relating to settlement of disputes with public safety employees
- 4) The design and selection of health care coverage plans by the municipal employer for public safety employees is no longer a subject of bargaining.
- 5) New public safety employees hired on or after the effective date of the bill are subject to the requirement that they pay the same amounts toward their pensions as general occupation employees as specified under Act 10.
- 6) In addition, new public safety employees hired by local governmental unit employers who participate in health insurance plans offered by the Group Insurance Board are required to pay at least 12 percent of the average premium cost of the plan with the lowest premium cost, beginning on January 1, 2012.
- 7) School districts and technical colleges with collective bargaining agreements that were initially entered into prior to February 1, 2011 are permitted to enter into a memorandum of understanding (MOU) that reduces employer compensation or fringe benefit costs. No MOU may be entered into later than 90 days after the effective date of Act 32 and it must remain in effect for the duration of the existing contract. As a result of this provision, every school and technical college district should have the flexibility to realize pension and health savings comparable to what the Governor projected they could.
- 8) Administrative Modifications
 - a) Employee contributions for retirement into the WRS must be made from the employee's pre-tax income for the purposes of federal and state income taxes. FICA tax calculations are unaffected. This reduces the employee's taxable liability.
 - b) Employers are no longer required to recoup WRS or other local governmental unit retirement payments from employees that were to begin on the first day of the first pay period after March 13, 2011 under Act 10.

- c) Employees who serve under a fixed term appointment (e.g., Planning Board Commissioner) are treated the same as elected officials in terms of the timing of the change to WRS multipliers. The effective date of the 1.6% normal pension benefit multiplier would occur on the first day of a term of office that begins after the effective date of the bill. [Under Act 10, officials on fixed-term appointments were not covered under the same delayed effective date as elected officials.]
- d) The calculation of eligible wage increases under the Consumer Price Index (CPI) has been modified such that the Department of Revenue would calculate the average annual CPI for both state and local bargaining and that this calculation only applies to base wages of represented staff to provide uniformity across the state. The Department of Revenue will calculate the CPI upon a request from the WERC. The CPI calculation will be based on the 12 months preceding the date of the request from the WERC. If there is a decrease or no change in the CPI, the base pay of employees in the collective bargaining agreement is frozen.
- e) For those collective bargaining agreements that have expired or are operating under an extension, the union certification vote as originally outlined under Act 10 must now occur in the third month after the effective date of Act 32. The WERC is now required to assess and collect a certification fee for each election that is conducted.

While implementation of Acts 10 and 32 will be challenging for all levels of the public sector, I am confident that these changes will help set Wisconsin on a course toward stable, affordable and effective government. State and local governments will become more nimble in the face of change and be able to achieve continuous improvement.

Your thoughtful and measured approach to managing these changes along with constant communication with employees will be critical to preserving government services and Wisconsin's quality of life.

Sincerely,



Mike Huebsch
Secretary

cc: Governor Scott Walker
Keith Gilkes
Cynthia Archer