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***CORRESPONDENCE MEMORANDUM***

**DATE:** February 29, 2008

**TO:** Teacher Retirement Board  
 Wisconsin Retirement Board  
 Employee Trust Funds Board

**FROM:** Robert Weber, Chief Counsel

**SUBJECT:** Administrative Rule for Purchase of Service Credit (CR#07-062)

**Each Board is asked to adopt a motion to approve the Final Draft Report on Clearinghouse Rule 07-062 for submission to the Legislature and promulgation.**

The Group Insurance Board has already approved this report. If approved by the retirement boards, the next step in the promulgation process is to send the Final Draft Report to the Legislature for committee review.

The rule making covers purchases of service credit under the Wisconsin Retirement System (WRS) in general and specific to provisions on each of the six types of service purchase available. The most significant of these are: credit for service forfeited by taking a separation benefit (or similar pre-1982 withdrawal) and credit for "other governmental service" (OGS), which are services rendered to a federal, state or local governmental employer that does not participate in the WRS. Military service is excluded from OGS. But OGS does include services rendered to a current WRS employer before the employer participated in the WRS.\* This rule making interprets WIS. STAT. § 40.285.

The proposed rulemaking brings together the ETF regulations on purchased service into a single section of the Administrative Code. The rule retains the codification of some key past policies, revises current rule language to reflect legislative and policy changes, corrects outdated statutory and rule cross-references and deletes provisions in the current rules that have become obsolete since the last revisions in 1997.

The Department has made a number of changes to the proposed rule text since it was last discussed with the Boards. Those changes are described below:

- Changes were made to the provisions relating to the purchase of credit for OGS. Purchases of OGS are complicated because of the requirement that the cost be equal to the actuarial

Reviewed and approved by Robert J. Conlin, Deputy Secretary.	
_____ Signature	_____ Date

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value of the credit purchased. Various aspects of a person's unique WRS coverage history can affect the value of this kind of purchase. Unless the purchase is made at retirement, the value can only be estimated based upon a number of assumptions. The text of the proposed rule largely carried over provisions of the existing administrative rule on this topic. However, the Department has discovered anomalies in the existing method of calculating the value of an OGS purchase. The Department has shared these odd and inconsistent results with the actuary and asked the actuary to develop a more reliable method of calculating the cost of OGS service. The text of the rule was revised to list some of the factors now considered significant to making more accurate calculations and to facilitate making other adjustments in the methodology that the actuary deems appropriate.

- Technical, grammatical, and other editorial changes were made in response to comments raised as part of the Legislative Council Clearinghouse process and internal staff review. Issues raised by the Legislative Council are listed beginning on page 42 of the attached. The Department's response and a listing of staff-initiated changes begin on page 47 of the attached.

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The other four kinds of credit that may be purchased relate to services rendered decades ago and are therefore becoming archaic. They are: (1) credit for the 6-month qualifying period required for Wisconsin Retirement Fund employees until January 1, 1973; (2) credit for a pre-08/31/1967 teacher improvement leave certified by the UW Board of Regents; (3) previously uncredited pre-1988 service in certain executive positions that was excluded from credit under the Wisconsin Retirement Fund because the employee was over 62; and, (4) previously uncredited service before the 1957-58 school year as a "junior" teacher.