



STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: March 16, 2010
TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board
FROM: Matt Stohr, Director of Legislative Affairs, Communications and
Quality Assurance
SUBJECT: Legislative and Communications Update

This memo is for informational purposes only. No Board action is required.

Legislative Update

Please find below a list of the bills that have been introduced during the 2009-2010 Legislative Session that, if signed into law, will have an impact on the Wisconsin Retirement System (WRS). The 2009-2010 Legislative Session began in January 2009 and the general business portion of the session will conclude in late April. The next floor period is scheduled for April 13 through April 22.

2009 Senate Bill 320

Pursuant to the Employee Trust Funds (ETF) Board's request, Senator Wirch and Representative Hubler introduced 2009 Senate Bill 320, which would close the WRS Variable Fund to new enrollees as of January 1, 2011. Senator Wirch and Representative Hubler are the co-chairs of the Legislature's Joint Survey Committee on Retirement Systems. The bill was referred to the Joint Survey Committee on Retirement Systems and has not been scheduled for a hearing as of this writing.

2009 Senate Bill 390

Senate Bill 390 as amended permits a WRS retiree, who is a member of a retiree organization that is affiliated with an employee organization or a retiree organization that represents WRS retirees, to have the Department deduct voluntary payments for retiree organizations from the retiree's monthly WRS annuity. The bill also has a component

Reviewed and approved by Robert Conlin, Deputy Secretary.

Signature Date

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that relates to the mailing (by the Department) of material on behalf of a retiree organization to WRS retirees. The bill was referred to the Senate Committee on Labor, Elections and Urban Affairs, which held a hearing on the bill on March 3, 2010. I testified in opposition to the bill at the hearing and expressed the concerns of the Department and the ETF Board.

On March 10, 2010, the committee recommended adoption of the bill, as amended by a substitute amendment, by a vote of 3 to 2. The next step in the legislative process is the Senate floor for a vote, unless the bill is referred to the Joint Survey Committee on Retirement Systems or the Joint Committee on Finance. The substitute amendment to the bill is attached for your information.

2009 Senate Bill 88/Assembly Bill 126

2009 Senate Bill 88, and its companion bill 2009 Assembly Bill 126, would create a program that would allow participating employees in the WRS to purchase creditable service for all years of active military service subject to certain conditions. Among other things, the conditions include: the employee pays the Department the required employee contribution for general category employees based on the employee's final average earnings (determined as if the employee had retired on the first day of the annual earnings period during which the Department received the application). The Assembly Committee on Veterans and Military Affairs held a public hearing on 2009 Assembly Bill 126 on April 15, 2009. Similar to Senate Bill 88, Assembly Bill 126 was referred to the Joint Survey Committee on Retirement Systems and no further action has been taken.

2009 Assembly Bill 199

2009 Assembly Bill 199 would classify various employees as protective occupation employees for the purposes of the WRS, including employees of the Parole Commission; state employees who are employed at state correctional institutes, juvenile correctional facilities, the mental health institutes at Mendota and Winnebago, the Wisconsin Resource Center, or any secure mental health facility for sexually violent persons; psychologists and corrections classification specialists employed by the Department of Corrections who perform duties related to sexually violent person commitments; and clerical employees employed at probation, extended supervision and parole offices. This bill has been referred to the Assembly Committee on Courts and Corrections. As of this writing, it has not been scheduled for a hearing.

2009 Assembly Bill 337

2009 Assembly Bill 337 provides that a participating WRS employer who is subject to the Municipal Employment Relations Act (MERA) may not pay, on behalf of any employee who first becomes a participating employee on or after the bill's effective date, the first 3% of earnings of an employee's required contribution. Employers covered by MERA generally include any city, county, village, town, metropolitan sewerage district, school district, family care district, or any other political subdivision of the state, or instrumentality of one or more political subdivisions of the state. This bill has been referred to the Assembly Committee on Urban and Local Affairs. As of this writing, it has not been scheduled for a hearing.

Communications Update

WRS Effective Rates and Annuity Adjustments

The Department sent stakeholders an e-mail announcing the effective rates in February, after the State of Wisconsin Investment Board (SWIB) investment returns were finalized and ETF staff had time to finalize the effective rates. We also sent a press release to media outlets across the state announcing the effective rates and we posted the information on the ETF Internet site. We used the same process to announce the annuity adjustments for retirees.

Wisconsin Policy Research Institute Report (WPRI) on the WRS

I previously sent Board members a link to WPRI report comparing the WRS to retirement plans offered by private employers in Wisconsin. I also sent you Secretary Stella's response to the WPRI report and various articles and columns about the report. Please find attached another item that pertains to the WPRI report. The attached editorial was in the March 16, 2010, edition of the Milwaukee Journal Sentinel (MJS) and posted on the MJS Internet site on March 15, 2010.

I will be at the March 18, 2010, Joint Information meeting to answer any questions you may have.

attachments



**SENATE SUBSTITUTE AMENDMENT 1,
TO 2009 SENATE BILL 390**

March 9, 2010 – Offered by Senator HANSEN.

1 **AN ACT** *to amend* 40.07 (1); and *to create* 20.515 (1) (g), 40.03 (2) (im) and 40.08
2 (1j) of the statutes; **relating to:** deduction of voluntary payments from
3 retirement annuities under the Wisconsin Retirement System and making an
4 appropriation.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

5 **SECTION 1.** 20.515 (1) (g) of the statutes is created to read:

6 20.515 (1) (g) *Fees paid by retiree and affiliated organizations.* All moneys
7 received from organizations and affiliated entities under s. 40.03 (2) (im) to
8 reimburse the department of employee trust funds for costs incurred in deducting
9 and remitting voluntary payments and in mailing printed information and
10 membership materials under s. 40.03 (2) (im).

11 **SECTION 2.** 40.03 (2) (im) of the statutes is created to read:

1 40.03 (2) (im) Shall permit an annuitant, beginning on July 1, 2011, who is a
2 member of a retiree organization that is affiliated with an employee organization or
3 who is a member of a retiree organization that represents annuitants to have the
4 department deduct from the annuitant's annuity monthly voluntary payments for
5 the employee or retiree organization or any other entity affiliated with either
6 organization. The secretary shall establish a procedure for deducting monthly
7 voluntary payments and for designating the organizations and affiliated entities
8 eligible to receive the voluntary payments. The procedure shall require that the
9 department, at the request of an organization or affiliated entity, mail to annuitants
10 any printed information and membership materials for the organization or affiliated
11 entity. The organization or affiliated entity must provide the department the printed
12 information and membership materials and the department must identify to the
13 organization or affiliated entity the total number of annuitants. The secretary shall
14 charge organizations and affiliated entities that wish to receive monthly voluntary
15 payments a fee to cover all costs incurred by the department in deducting and
16 remitting voluntary payments and in mailing the printed information and
17 membership materials. When remitting deducted voluntary payments to an
18 employee or retiree organization or affiliated entity, the secretary shall, for each
19 annuitant from whose annuity voluntary payments are deducted, provide the
20 employee or retiree organization or affiliated entity with the annuitant's name,
21 amount of the deduction, and a unique identifier.

22 **SECTION 3.** 40.07 (1) of the statutes is amended to read:

23 40.07 (1) Notwithstanding any other statutory provision, individual personal
24 information in the records of the department is not a public record and shall not be
25 disclosed except as provided in this section and s. 40.03 (2) (im).

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Opinion

Editorial

Sharing the costs

Employers should not be picking up the entire tab for government workers' pension benefits.

Posted: March 15, 2010 [\(3\) Comments](#)

That Wisconsin public employees have sweet pension deals probably won't come as too much of a surprise to taxpayers. For years, public employee unions have bargained for increased benefits at the expense of salary increases.

The more interesting nugget in a new study by the Wisconsin Public Research Institute is that public employees hardly ever pay their portion of the pension contribution. In all but the rarest of cases, their employers - state and local governments - pay the so-called "employee contribution" for them.

The practice should change.

For years, the idea of paying more of a public worker's compensation in benefits than in salary seemed like a good deal to both employer and employee. Public workers got a more secure retirement, and the generous pension plans didn't seem like that much of a burden for government. A booming stock market kept government contributions down, and because the employer's contribution to pensions wasn't subject to the Social Security tax, it was cheaper than boosting salaries.

But a volatile stock market and tight budgets have scrambled the picture.

As a simple matter of fairness to taxpayers, we think it's only right that public employees pick up their share of the contributions. The institute's study found that if public workers paid their share, it would save taxpayers \$600 million a year. We do not favor a change in state law to ban government from paying the employee contribution; this is a matter better left to the bargaining table. But government negotiators need to insist on this change as contracts expire.

Wisconsin's pension system is among the best run and best funded in the nation. Its hybrid approach has helped to keep it that way. Pensioners share some of the risk by receiving bigger dividends when the markets are up and smaller ones when it is down.

But as more retirees enter the system in the coming years, higher contributions may be required - especially if investment returns lag.

Public employees should pay their share.

Should public employees contribute to their pensions? E-mail your opinion to jseedit@journalsentinel.com to be considered for publication as a letter to the editor. Please see letters guidelines.