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CORRESPONDENCE MEMORANDUM

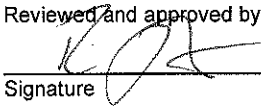
DATE: May 25, 2012
TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board
FROM: Matt Stohr, Administrator
Division of Retirement Services
SUBJECT: Update on Implementation of 2011 Wisconsin Acts 10 and 32

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

Department of Employee Trust Funds (Department) staff has provided periodic updates to the Retirement Boards about 2011 Wisconsin Acts 10 and 32. The purpose of this memo is to provide a brief update on the progress the Department has made on implementation of the Acts.

Acts 10 and 32 contained major changes to the Wisconsin Retirement System (WRS). Among other things, the Acts: (1) in most cases prohibited WRS employers from paying the WRS employee required contribution, (2) eliminated the Benefit Adjustment Contribution, (3) reduced the WRS formula benefit multiplier for the elected/executive WRS employment category, (4) increased the WRS eligibility criteria, and (5) included a five-year vesting requirement. In addition, the allocation of the WRS contribution rate between the employee and employer changed in the middle of the year. Therefore, WRS employers are required to separately track WRS contributions before and after the effective date of Act 10.

The Department has implemented a project to update our Information Technology (IT) and operational systems to reflect the law changes and to inform WRS employers about the nuances of reporting hours and earnings for employees because the allocation of the WRS contribution rate was changed in the middle of the year. The implementation of the law changes will actually require two separate projects: one project to implement the Act 10 provisions (items 1-3 listed above) and one project to implement the Act 32 provisions (items 4 and 5 listed above).

Reviewed and approved by Robert J. Marchant, Deputy Secretary

Signature _____ Date 6-4-12

Board	Mtg Date	Item #
Jl	06.21.12	5A

Due to resource limitations, we are currently working on the Act 10 requirements and will begin work on the Act 32 requirements, once the Act 10 requirements are implemented.

The Department has made substantial progress on the implementation of Act 10 and has put temporary mechanisms in place to enforce Act 32 provisions until we are able to make them permanent. As of this writing, the Department has completed five of the ten phases of the Act 10 project; the first five phases were much larger than the remaining phases. Our target completion date for the Act 10 project is set for the end of July 2012. Barring unforeseen circumstances, our target completion date for the Act 32 project will likely be sometime in the late fall or early winter of 2012.

I am extremely proud of the DRS staff that has been involved in this substantial project and how we have been able to find workarounds when our IT systems were in the process of being modified to comply with the law changes.

At the June Board meeting, I will discuss the work we are doing to obtain information from WRS employers so that Act 10 implementation can be completed, as well as how the implementation will affect the timing of the final 2013 contribution rates and other services. I will also be available at the meeting to answer any questions you may have.

Update on the Implementation of 2011 WI Act 10



**JOINT INFORMATIONAL MEETING
JUNE 21, 2012**

**MATT STOHR, ADMINISTRATOR, DIVISION
OF RETIREMENT SERVICES**

Overview of Act 10 WRS Changes



- **2011 Wisconsin Act 10 went into effect on June 29, 2011.**
- **Major changes to the Wisconsin Retirement System (WRS):**
 - in most cases prohibited WRS employers from paying the WRS employee required contribution,
 - eliminated the Benefit Adjustment Contribution,
 - reduced the WRS formula benefit multiplier for the elected/executive WRS employment category, and
 - changed the allocation of the WRS contribution rate between the employee and employer in the middle of 2011.

Overview of Act 32 WRS Changes



- **Went into effect on July 1, 2011.**
- **WRS changes:**
 - Repealed and recreated many of the WRS contribution employee pick-up provisions in Act 10.
 - Generally, increased the WRS eligibility criteria for certain employees.
 - Generally, included a five-year vesting requirement.
 - Employee required contributions taken out on pre-tax basis.
- **ETF will begin implementation once Act 10 implementation is complete. We are implementing the pre-tax provision during the Act 10 project.**

Act 10 Project: Two Parts



- **System (IT) and process changes:**
 - 14 phases
 - The largest phases are complete.
- **Employer reporting in two waves:**
 - ETF needs employee hours and earnings for pre-Act 10 and post-Act 10 service.
 - ✦ Act 10 changed money purchase benefits, death benefits, formula multiplier, etc. Therefore, ETF needed a way to recognize the mid-year benefit changes.

Status



- 1481 employers in 2011
- As of June 15, 2012, all employers have submitted the employee information for the first half of 2011 and we have verified the information for all but a handful.
- As of June 12, 2012, 1000 employers have submitted their second half information and we have reconciled about 700 of the 1000 employers.
- Goal: all employers complete by end of July, 2012.

What This Means to Services



- Typically, after we reconcile all employers, at least two months are needed for our trust finance team and actuaries to finalize the contribution rates for the following year.
- If meet goal, finalized contribution rates could be available in mid-September.
- Interest crediting late.
- Statement of Benefits late.

Communication



- We are communicating with members and employers through our websites, e-mail updates, newsletters, public presentations, call center, etc.
- Thank you for your support as we work to implement the changes.
- Questions?