



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: September 23, 2013
TO: Employee Trust Funds Board
FROM: Tarna Hunter, Legislative Liaison
SUBJECT: Legislative Update

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

This memorandum provides information on pertinent legislative issues to the Employee Trust Funds Board.

On June 30, 2013, Governor Walker signed the 2013-15 biennial budget bill (2013 Wisconsin Act 20). The Department of Employee Trust Funds (ETF) has completed a review of the law and prepared a summary of the provisions that relate to ETF. A detailed summary of all ETF provisions can be found on ETF's website. The budget included the following initiatives impacting the Employee Trust Funds Board:

- **ETF Budget**

Additional funding and resources for ETF's Transformation, Integration and Modernization (TIM) initiative. The budget provides \$3.5 million in FY 2014 and \$4.3 million in FY 2015 to support this multi-year initiative to modernize our business processes and systems.

- **Rehired Annuitants – Increase Required Minimum Period of Separation from Employment before Returning to Work for a Wisconsin Retirement System (WRS) Participating Employer**

The Act provides that the participant must remain separated from employment with a WRS participating employer for at least 75 days in order to be an eligible rehired annuitant. This provision first applies to a WRS participating employee who terminates after July 1, 2013. Previous law required a 30 day separation.

Reviewed and approved by Robert Marchant, Deputy Secretary

Electronically Signed 9/24/13

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- **Rehired Annuitants – Automatic Termination of Annuity upon Returning to Work for a Participating Employer in a Position in which the Member is Expected to Work at Least Two-Thirds of Full-Time Annually**

The Act provides that if a WRS annuitant, or a disability annuitant who has attained his or her normal retirement date, is appointed to a position with a WRS participating employer, in which he or she is expected to work at least two-thirds of full-time, as defined by ETF, annually, the annuity must be terminated and no annuity payment is payable until after the participant again terminates covered employment. The Act also provides that WRS annuitants who enter in a contract with a WRS participating employer, in which he or she is expected to work at least two-thirds of full-time, as defined by ETF, annually, the annuity must be terminated and no annuity payment is payable until the participant no longer provides services under the contract. This provision first applies to a WRS participating employee who terminates after July 1, 2013.

- **Re-established and Re-Retirement Calculation Methodology**

The Act modifies the methodology for annuitants who return to work and rejoin the WRS. The Act requires the original annuity to be suspended, rather than terminated. A new account is created for any subsequent period of WRS participating employment. When the rehired annuitant terminates the period of reemployment and applies for a retirement annuity, the original annuity is unsuspended and a new annuity is calculated under the same guidelines as the original annuity for the subsequent period of employment. This annuity is credited with accumulated amounts from a memorandum account that actuarially provide for the proper benefit amount. The new provisions first apply to any annuitant who returns to WRS participating employment on or after July 1, 2013.

- **Eligibility for Employees who were first hired by a WRS Employer before July 1, 2011**

2011 Wisconsin Act 32 increased the number of hours that an employee must work in order to become a participating employee in the WRS, from one-third of what is considered full-time employment to two-thirds of what is considered full-time employment, as determined by ETF.

Under 2011 Wisconsin Act 32, this change did not apply to those employees who were first hired by a WRS employer before July 1, 2011, regardless of whether or not the employees were participating employees before that date. This provision provides that, to be exempt from Act 32's two-thirds-time eligibility standard, employees must have been participating employees before July 1, 2011.

- **Disclosure of Member Information to Department of Revenue (DOR)**

ETF is permitted, but not required, to disclose member information (including Social Security Numbers) concerning the payment of WRS annuities to DOR for the purposes of administering the payment of state taxes; collecting debts owed to DOR; locating WRS participants, or the assets of WRS participants, who have failed to file tax returns, underreported their taxable income, or who are delinquent debtors; identifying fraudulent tax returns and credit claims; or providing information for tax-related prosecutions.

- **Internal Revenue Code Compliance**

The WRS is a governmental plan and is a tax-qualified retirement plan under s. 401(a) of the Internal Revenue Code (IRC). Members of tax-qualified plans enjoy many benefits, including that they do not have to pay income tax on contributions until they withdraw money from the plan. Similarly, contributed amounts are permitted to grow tax deferred. However, statutory changes are occasionally necessary to ensure the qualified status of the WRS and to allow for flexibility in the event of future changes to the IRC.

2013 Act 20 contains technical adjustments to Chapter 40 to conform to requirements of the Internal Revenue Code.

- **Additional Funding for Actuarial Studies**

The Act provides an additional \$15,000 GPR in FY 2014 to the Joint Legislative Council's appropriation to conduct actuarial studies. This is one-time funding, which increases the amount available for studies in FY 2014 to \$30,000.

Other Legislative Items

- **Other Governmental Service** - Senator Gudex is currently circulating a co-sponsorship memo for a bill allowing participating employees in the WRS to purchase years of creditable service for active service in the U.S. armed forces. This initiative would allow WRS members with prior military service to purchase Other Governmental Service, just as a WRS member who worked for other state or federal entities would be able to. This bill would not have a fiscal impact on the WRS. ETF staff has been working with Senator Gudex's office on the legislation.
- **ETF's Building** –The new Hill Farms State Office Facility that would house all of ETF's operations was approved. However, the Building Commission was directed to reduce \$250 million in bonding authority relating to the building program. This provides the Building Commission with some flexibility, but it may

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need to revisit and reprioritize the already-approved list of projects. ETF staff will keep you updated as more information becomes available.

I will be available at the September 26, 2013, Board meeting to answer questions.