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CORRESPONDENCE MEMORANDUM

DATE: March 25, 2014
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 (ETF) Board.

Expectations for End of Regular Legislative Session

The State Assembly wrapped up its two-year session on Friday, March 21. The State Senate is set to hold its last meeting of the regular session on April 1. However, the Senate is not likely to take up any bills that affect the Wisconsin Retirement System (WRS).

New Legislation

2013 SB 330 allows participating employees in the WRS to purchase years of creditable service for active service in the U.S. armed forces. The bill passed both houses and is awaiting the Governor's signature.

To purchase creditable service under the program an employee:

- Must pay ETF an amount equal to the present value of the creditable service to be purchased, in accordance with rates actuarially determined to be sufficient to fund the cost of the increased benefits that will result from granting the creditable service.
- Must have at least three continuous years of creditable service at the time of application to purchase the creditable service.
- Must have been discharged from the U.S. armed forces under honorable or general conditions.
- May not receive creditable service under the program for any service that is used for the purpose of establishing entitlement to, or the amount of, any other benefit to be paid by any federal, state, or local government entity. The exceptions are a

Reviewed and approved by Robert Marchant, Deputy Secretary

Electronically Signed 3/26/14

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disability or social security benefit, a benefit under the federal retired pay for non-regular military service program, or a benefit paid for service in the National Guard.

Other Proposed Legislation

The following bills were introduced this session, but were not passed by the full Legislature. The bills are likely “dead” and -- except in the unlikely event that they are considered in a special or extraordinary session --will need to be reintroduced next session if the Legislature intends to take action on them.

2013 AB 470 increases the minimum retirement age for all employees by two years.

- General employees, teachers, elected officials and executive employees are currently eligible to retire at age 55. The bill would change that to age 57.
- Protective employees, such as police and firefighters, are currently eligible to retire at age 50. The bill would change that to age 52.
- This change would only apply to WRS participants who are under age 40 on the effective date of the bill.

The bill was introduced by Rep. Stroebel and referred to the Joint Survey Committee on Retirement Systems. This bill did not receive a hearing this session.

2013 AB 471 changes the formula method for calculating a WRS retirement benefit.

- Under current law, a formula benefit is based on the average of the three highest years of earnings.
- Under the bill, a formula benefit would be based on the average of the five highest years of earnings.
- This change would take effect five years after the effective date of the bill.

The bill was introduced by Rep. Stroebel and referred to the Joint Survey Committee on Retirement Systems. This bill did not receive a hearing this session.

2013 AB 699 and 2013 SB 663 permit counties to classify county jailers, detention officers, and correctional officers eligible as protective occupation participants under the WRS without a requirement that their principal duties involve active law enforcement or active fire suppression or prevention. The bill does not allow credit for previous creditable service.

2013 AB 699 was introduced by Rep. Bies and referred to the Joint Survey Committee on Retirement Systems. 2013 SB 663 was introduced by Sen. Hansen and referred to the Committee on Judiciary and Labor. Neither bill received a hearing this session.

2013 SB 583 and 2013 AB 788 provide that participating employees in the WRS who retire after the effective date of the bill may be eligible to receive one, two, three, or four years of military service credit if the participant has at least five, ten, fifteen, or twenty years, respectively of creditable service.

In addition, the bills provide that the participant may receive military service credits under the WRS for service that was used to establish a federal retirement benefit.

Finally, current law provides that if a WRS participant leaves employment covered by the WRS to enter military service and returned to the same employer within 180 days after being discharged, the participant may receive one year of military service credit for each year of military service. These bills provide that the participant may return to employment with any WRS employer and receive the military service credit.

2013 SB 583 was introduced by Sen. Hansen and referred to the Senate Committee on Transportation, Public Safety, and Veterans and Military Affairs. 2013 AB 788 was introduced by Rep. Hebl and referred to the Joint Survey Committee on Retirement Systems. Neither bill received a hearing this session.

2013 SB 611 and 2013 AB 838 create the Wisconsin Private Retirement Security Board, which must establish a private retirement security plan to provide retirement benefits for residents of the state who choose to participate in the plan. This board is created within the Department of Employee Trust Funds by Chapter 15.

The bill requires the Board, with the assistance of ETF, to conduct a study to determine the feasibility of establishing a plan, conduct at least five public hearings throughout the state, and design the plan.

Eighteen months after the effective date, the Board must submit a report to the legislature, the governor, and the Joint Committee on Finance with the following information:

- The conclusions of the feasibility study.
- A summary of the testimony received at public hearings.
- The proposed design of the plan.
- An estimate of the cost of the initial establishment and administration of the plan.
- An estimate of the amount of time necessary to make the plan viable.
- A recommendation for any legislation necessary to implement the plan

ETF is required to provide staff and resources to assist the board. The bill creates three new appropriations within ETF's Chapter 20 to fund ETF's and the Board's responsibilities. ETF shall submit a request to the Joint Committee on Finance for a supplement for the initial costs of funding activities required by this bill. The bill provides that no moneys from the public employee trust fund may be expended for activities required by this bill.

2013 SB 611 was introduced by Sen. Hansen and referred to the Senate Committee on Workforce Development, Forestry, Mining, and Revenue. 2013 AB 838 was introduced by Rep. Genrich and was referred to the Assembly Committee on Aging and Long-Term Care. Neither bill received a hearing this session.

2013 SB 657 and 2013 AB 854 make the following changes to the duty disability program under the WRS, administered by ETF.

- The bill requires that any person receiving a duty disability benefit be reexamined every 5 years, by at least one physician approved by the Wisconsin Retirement Board, to determine if the person is still disabled. An ETF approved form must be submitted to ETF indicating that the person is still disabled.
- The bill requires that if an employer offers an employee who qualifies for a duty disability benefit another position and the employee does not accept the position, the employee may not receive a duty disability benefit. If an employee accepts the position, the amount of the employee's monthly benefit is reduced by all earnings the employee receives.
- This bill eliminates provisions in current law which allow an employee to receive a duty disability benefit if (1) the employee's pay or position is reduced or the employee is assigned to light duty; or (2) the employee's promotional opportunities are adversely affected if promotion is prohibited because of the disability.
- The bill also prohibits state and local public safety officers from collectively bargaining for duty disability benefits.
- The bill requires the legislative audit bureau to perform a program audit of the duty disability program.

2013 SB 657 was introduced by Sen. Grothman and referred to the Senate Committee on Judiciary and Labor. The Senate Committee held a public hearing on the bill on March 13, 2014. The Senate Committee held an executive session on the bill on March 25, 2014. The Committee adopted Amendment 1, which eliminates all provisions in the bill, except the nonstatutory provision requiring the Legislative Audit Bureau to perform a program audit of the duty disability program. The Assembly bill was introduced by Rep. Schraa and referred to the Assembly Committee on Labor.

I will be available at the March 27, 2014, board meeting to answer questions.