



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: March 22, 2016
TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board
FROM: Tarna Hunter, Legislative Liaison
SUBJECT: Legislative Update

End of Regular Legislative Session

The 2015 Regular Session of the Wisconsin Legislature came to a close as the State Senate adjourned on March 15. Three laws were enacted that affect the Department of Employee Trust Funds and the benefit programs it administers.

2015 Session – New Laws

2015 Act 174 provides municipalities interested in participating in the Wisconsin Retirement System (WRS) the option to join and only bring in newly-hired employees while allowing current employees to finish their careers under their existing retirement plan. Specifically, the bill:

- Permits an employer to elect to participate in the WRS and choose to only bring in employees hired on or after the date that the employer elects to participate in the WRS. Employees hired before the date of election would not participate in the WRS.
- Permits the municipal employer the option to offer current employees a one-time choice of becoming participating employees in the WRS.
- Permits any municipal employer that elects to be included under the above provision to exclude its public utility employees.

Reviewed and approved by Pam Henning, Assistant Deputy
Secretary

Pamela L Henning

Electronically Signed 3/22/16

Board	Mtg Date	Item #
JM	3.24.16	4A

2015 Act 187 makes the following remedial changes to the WRS and the operation of ETF. The changes clarify current law or codify current practice. These technical changes may require minor modifications to procedures and forms for members and employers but do not make substantive changes.

The following changes are included in this legislation:

- Clarifies the treatment and uses of moneys credited to memorandum accounts of WRS participants who suspend their annuities in order to return to covered employment.
- Enables the Secretary of ETF to require retirees to receive their benefit payments electronically.
- Clarifies ETF's Qualified Domestic Relations Order (QDRO) law to more closely mirror federal law.
- Removes references to Transaction Amortization Account.
- Eliminates redundant reference to Federated Library System.
- Clarifies and distinguishes initial eligibility to receive an annuity and return to work requirements.
- Eliminates a requirement under the WRS that an application for an annuity may not be filed more than 90 days before the employee's anticipated termination date from employment.
- Changes application deadlines for an employer to join the WRS.

2015 Act 119 provides that the Board, in consultation with the Division of Personnel Management in the Department of Administration, notify the Joint Committee on Finance (JCF) through a 21-day passive review if it intends to execute a contract to provide self-insured group health plans on a regional or statewide basis. If the co-chairpersons of the JCF do not notify the Board that the JCF has scheduled a meeting for the purpose of approving the execution of the contract within 21 working days after the date of the Board's notification, the Board may execute the contract. If, within 21 working days after the date of the Board's notification, the co-chairpersons of the JCF notify the Board that the JCF has scheduled a meeting for the purpose of approving the execution of the contract, the Board may not execute the contract without the approval of the JCF.

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.

2015 AB 233 and **2015 SB 183** eliminates sick leave for state representatives and state senators. Under the bill, the current accumulated sick leave balances of legislators would not be affected. The bill would not make any changes to the state’s sick leave conversion credit programs.

2015 AB 233 was introduced by Rep. Steffen and was referred to the Assembly Committee on State Affairs and Government Operations. 2015 SB 183 was introduced by Sen. Cowles and referred to the Senate Committee on Government Operations and Consumer Protection.

In early September, the Senate Committee on Government Operations and Consumer Protection held a public hearing on 2015 SB 183. On September 8, the Committee held an executive session and recommended passage 4-1.

2015 SB 45 and **2015 AB 70** creates 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. The 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 5 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 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. 2015 SB 45 was introduced by Sen. Hansen and referred to the Senate Committee on Labor and Government Reform. 2015 AB 70 was introduced by Rep. Genrich and was referred to the Assembly Committee on Financial Institutions. A public hearing was held on SB 45 in December.

2015 AB 300 would allow WRS participants to receive military service credits for any military service (current law requires that the service must have been performed prior to 1974). In addition, this bill would eliminate the current law restriction on receiving military service credit for service that is also used to receive a federal retirement benefit. Finally, the bill would allow for a participant to receive military service credits if that participant leaves WRS covered employment to enter military service and returns to any WRS covered employment within 180 days of discharge (current law requires the participant to return to the same WRS employer).

2015 AB 300 was introduced by Rep. Hebl and was referred to the Committee on Veteran Affairs. This bill has not been scheduled for a public hearing.

2015 AB 269 and **2015 SB 213** provides that technical colleges, school districts, cities, villages, towns and counties may only provide post-retirement healthcare benefits if they comply with the following:

- The cost of the benefit must be fully funded in a segregated account for employees hired on or after January 1, 2016.
- The required funding must be determined by an actuarial study, or other method that complies with generally accepted accounting principles, conducted at least every four years.
- If a local government dissolves a segregated account established for the purpose of providing such healthcare benefits, the local government must provide for the equitable distribution of the proceeds among the beneficiaries.

The proposed legislation only applies to local governments and does not apply to the funding of the state's other post-employment benefits. The state's other post-employment benefits are currently funded according to the standards identified in the bill.

2015 AB 269 was introduced by Rep. Thiesfeldt and referred to the Assembly Committee on Urban and Local Affairs. 2015 SB 213 was introduced by Sen. Vukmir and referred to the Senate Committee on Elections and Local Government. Public hearings were held on both bills in September.

2015 AB 397 and 2015 SB 329 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.

2015 AB 397 was introduced by Rep. Sanfelippo and referred to both the Assembly Committee on State Affairs and Government Operations and the JSCRS. 2015 SB 329 was introduced by Sen. Stroebel and referred to both the Senate Committee on Labor and Government Reform and the Joint Survey Committee on Retirement Systems (JSCRS). Neither bill has been scheduled for a public hearing.

2015 AB 398 and 2015 SB 328 changes the formula method for calculating a WRS retirement benefit from 3 to 5 years.

- 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.

2015 AB 398 was introduced by Rep. August and referred to both the Assembly Committee on State Affairs and Government Operations and the JSCRS. 2015 SB 328 was introduced by Sen. Stroebel and referred to both the Senate Committee on Labor and Government Reform and the JSCRS. Neither bill has been scheduled for a public hearing.

2015 AB 361 and 2015 SB 278 would require the GIB, beginning on January 1, 2018, to make the optional insurance plans available to local government employers. The local government employers that participate in the program must establish payroll deductions for the employees to pay the premiums.

2015 AB 361 was introduced by Rep. Steffen and referred to the Assembly Committee on Urban and Local Affairs. 2015 SB 278 was introduced by Sen. Kapenga and referred to the Senate Committee on Elections and Local Government.

The Assembly Committee on Urban and Local Affairs held a public hearing and an executive session on 2015 AB 361. The Committee passed the bill 9-0. The Senate Committee on Elections and Local Government held a public hearing on 2015 SB 278.

2015 SB 744 provides that under the WRS, a protective occupation participant whose principal duties involve active law enforcement may not receive a duty disability benefit if **all** of the following occur:

- 1) the participant was injured while performing his or her duty in violation of law or any policy or protocol established by his or her employer,
- 2) the violation of law or any policy or protocol established by his or her employer that resulted in a situation that required the use of force, and
- 3) at the time the participant was injured, an individual died or suffered serious bodily harm as a result of the actions of the participant.

The bill also applies this same provision to any retirement system of a county with a population of 500,000 or more and to any retirement system of a first class city.

2015 SB 744 was introduced by Sen. Larson and referred to the Senate Committee on Labor and Government Reform. This bill has not been scheduled for a public hearing.

2015 AB 973 permits 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.

2015 AB 973 was introduced by Rep. Born and referred to the Assembly Committee on Corrections. This bill has not been scheduled for a public hearing.

I will be available at the March 24, 2016 board meeting to answer questions.