



STATE OF WISCONSIN
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Correspondence Memorandum

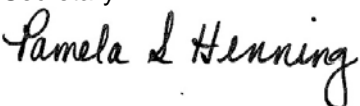
Date: March 20, 2017
To: Employee Trust Funds Board
 Teachers Retirement Board
 Wisconsin Retirement Board
From: Tarna Hunter, Legislative Liaison
Subject: Legislative and Biennial Budget Update

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

2017 – 2019 Biennial Budget

The 2017-2019 Budget Bill, **2017 AB 64** and **2017 SB 30**, were introduced by the Joint Committee on Finance on February 8, 2017 at the request of the Governor. In its review of the budget bill, ETF has identified the following budget provisions that relate to the benefit programs that ETF administers.

1. **Full Funding of Salary and Fringe Benefits** – Continued full funding of ETF’s current operations, including funding for the Transformation, Integration and Modernization (TIM) initiative. The proposed ETF 2017-19 budget consists of an overall funding increase of 1.6%.
2. **Positions for Benefits Administration System** – Provides 2.0 FTE Trust Fund Specialist four-year project positions in the Employer Services Section. These positions are essential to support employers and the implementation of BAS rollout 2, which is focused on employer reporting and administration. Provides 1.0 FTE Accountant four-year project position. This position will ensure that ETF has the necessary financial expertise to complete the TIM project and assist with post-implementation.
3. **Audits and Financial Reporting** – Provides \$90,000 annually for contracts necessary for the implementation of Governmental Accounting Standards Board (GASB) Statements 74 and 75. Additionally, provides 2.0 FTE Accountant

Reviewed and approved by Pam Henning, Assistant Deputy Secretary

 Electronically Signed 3/20/17

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Advanced permanent positions. These positions are essential for ETF to meet its financial reporting obligations, maintain compliance with GASB standards, and to comply with tax laws and regulations.

4. **Domestic Partnership Program** – Eliminates the Chapter 40 domestic partnership program on the effective date of the bill; however, grandfathers existing domestic partnerships for purposes of Wisconsin Retirement System benefits. Additionally, group health insurance coverage under a group health plan offered by the Group Insurance Board (GIB) would no longer be extended to an employee's domestic partner, effective January 1, 2018. It also provides that a surviving domestic partner is not a default beneficiary for purposes of a deferred compensation plan and is not eligible to receive duty disability survivorship benefits for deaths occurring on or after January 1, 2018.
5. **Self-Insurance Savings** – The budget assumes the Group Insurance Board will transition to a self-insured group health model starting January 1, 2018. The projected savings are \$20 million GPR in Fiscal Year 2018 and \$40 million GPR in Fiscal Year 2019.
6. **Shared Services Program (Human Resources)** – Creates a human resources shared services program within the Division of Personnel Management at the Department of Administration to consolidate human resources, payroll and benefits functions of most state agencies, including ETF. The budget transfers 5.0 FTE human resources and payroll and benefit positions from ETF to DOA. The individuals holding these positions would continue to be located at ETF but would be considered employees of DOA.
7. **General Wage Adjustments** – Provides funding for general wage adjustments of two percent on both September 30, 2018, and May 26, 2019, for state employees in the compensation reserve.

The Joint Committee on Finance (JCF) is currently conducting agency briefings on the budget. ETF's budget briefing is scheduled for March 28, 2017. After the agency briefings have concluded, the JCF will hold six public hearings around the state to collect public input on the budget bill. The JCF is a 16-member standing committee of the Wisconsin Legislature. The Committee's primary responsibility is the review of all state appropriations and revenues. After the public hearings, the JCF is expected to begin deliberations on the budget. ETF will continue monitoring the budget bill as the JCF makes modifications. In late June, the Legislature will deliver an amended budget bill to Governor Walker for review, approval and/or partial veto of the budget to be effective July 1, 2017.

Other Proposed Legislation

The following bills are remedial legislation recommended by ETF:

2017 AB 6 clarifies the current waiting period is 180 calendar days for the employer's share of income continuation insurance premiums for certain teachers employed by the University of Wisconsin System.

2017 AB 7 clarifies 2011 Act 32 changes to eligibility rules for Wisconsin Retirement System participating employees.

2017 AB 8 clarifies that protective occupation employees who have attained age 50 and who are part-time elected officials may choose to waive WRS participation.

2017 AB 9 eliminates from statutes a requirement under the WRS that a retirement application that specifies an annuity date later than 60 days after receipt by ETF will not be accepted, unless the member is at an age where a required minimum distribution is due.

2017 AB 10 eliminates the requirement that a form to cancel life insurance takes effect at the end of the calendar month that begins after the form is received from an insured employee.

The bills were introduced by Rep. Ott and referred to the Assembly Committee on Judiciary. On January 19, 2017, the Assembly Committee on Judiciary held a public hearing on the above remedial legislation. An executive session has not been scheduled.

2017 AB 62 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).

2017 AB 62 was introduced by Rep. Hebl and was referred to the Committee on Veterans and Military Affairs. The bill has not been scheduled for a public hearing.

2017 AB 128 and **2017 SB 81** prohibit the Group Insurance Board from contracting for or providing abortion services, except in certain situations such as medical emergencies, danger to the long-term health of the pregnant woman, or in cases of sexual assault or incest.

2017 AB 128 was introduced by Rep. Jacque and referred to the Assembly Committee on Health. 2017 SB 81 was introduced by Sen. Craig and referred to the Senate Committee on Insurance Housing and Trade. Neither bill has been scheduled for a public hearing.

I will be available at the March 23, 2017, board meeting to answer questions.