

Fiscal Estimate Narratives

ETF 4/28/2017

LRB Number	17-2278/1	Introduction Number	SB-190	Estimate Type	Original
Description increasing the minimum retirement age under the Wisconsin Retirement System and determining final average earnings for the purpose of calculating Wisconsin Retirement System annuities					

Assumptions Used in Arriving at Fiscal Estimate

The bill increases the minimum retirement age by two years for protective occupation members and by five years for all other members.

- General employees, teachers, elected officials and executive employees are currently eligible to retire at age 55 with a reduced benefit. The bill would change the minimum retirement age to 60.
- Protective employees, such as police and firefighters, are currently eligible to retire at age 50 with a reduced benefit. The bill would change the minimum retirement age to 52.

The bill also changes the formula method for calculating a WRS retirement benefit from three to five years.

- Under current law, a formula benefit is based on the average of the employee's three highest years of earnings.
- Under the bill, a formula benefit would be based on the average of the five highest years of earnings.

These changes would only apply to WRS members hired on or after the effective date of the bill.

ETF anticipates that there will be one-time administrative costs associated with this bill. ETF information technology (IT) systems will need to be modified so that the subset of employees affected by this bill is identifiable and that the proper retirement and disability processes are developed and applied to them. It is estimated that staff training, publication and forms revisions, compliance, and other administrative functions will cost approximately \$293,933. In addition, the information technology systems changes are estimated to cost \$215,576.

ETF will be able to absorb the on-going costs.

However, this fiscal estimate is based on current IT systems and staffing levels. The Department is in the middle of a multi-year initiative to modernize its business processes and replace out-of-date IT systems. The effective date of the bill may impact the cost of these changes, especially if changes need to be made to legacy systems, as well as the new benefits administration system.

Only administrative costs associated with this bill are included in this estimate. An estimate of the financial effect on the WRS Public Employee Trust Fund and its benefits needs to be provided by the Joint Survey Committee on Retirement Systems.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description increasing the minimum retirement age under the Wisconsin Retirement System and determining final average earnings for the purpose of calculating Wisconsin Retirement System annuities		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$509,509		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By	Authorized Signature	Date
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