



DUEY STROEBEL

STATE SENATOR • 20TH DISTRICT

Testimony on Senate Bill 612

January 29, 2020

Good Morning Senator Craig and colleagues of the Senate Committee Government Operations, Technology and Consumer Protection. This a public hearing on SB 612 is a great opportunity to discuss the important topic of the Wisconsin Retirement System's role in alleviating our workforce difficulties.

I want to thank Representative Felzkowski for working this with me on this as we did not start out on the same page some months ago. I was a leading advocate of the limitations on 'Double-Dipping', or rehired annuitants, in 2011 and 2013. It culminated in a provision in the 2013 State Budget, Act 20, to end collecting one's pension while working more than two thirds of full time hours at another WRS participating employer. I am still in favor of this policy. That being said, I believe this is an opportunity to align a couple different of policy goals at once and make some difficult decisions for the good of Wisconsin. It is a policy with something in it for everyone. One with bipartisan supporters.

SB 612 allows rehired annuitants to continue receiving their pension payments while working full-time at a WRS participating employer for up to 36 months over the life of the annuitant. The annuitant would decide if and when to utilize those months. To ease workforce concerns the mandatory separation period would be lowered from 75 days to 45 days. The bill would also require some reporting from WRS employers to ETF so we know how this option is being utilized. Specifically, employers would report: how the vacancy was created, where the notice of the vacancy was posted, whether the rehired annuitant will earn a higher salary than at her previous position, and if so why.

SB 612 also increases the minimum retirement age for non-protective service from 55 to 59 ½. This aligns early WRS retirement with federal tax preferential treatment for 401k's. The increased retirement age would apply to new employees and employees under forty. Essentially, this grandfathers in everyone older than a Millennial. It is important we work in gradual structural reform of the WRS so it represents the reality of tomorrow and not of decades ago when the current age framework was established. When I'm asked why we need to raise the retirement age when the WRS is a national leader already in many ways, I come back to two reasons: Cost and Fairness.

Cost is something we should always be looking at as stewards of public funds. Cost is a separate concept from the WRS being "fully funded." A low cost pension plan can be underfunded. A high cost pension plan can be actuarially funded. Cost is what we charge employees and the taxpayers to offer the benefit. Included with my testimony is the history of contribution rates for general employees going back to 1989 I pulled from ETF's website. Since 2013 we have bounced around between thirteen and fourteen percent. 2020's contribution rate is fifty percent higher than the 2002 low of nine percent. Increased contribution rates means less take-home pay for employees.



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In 2016 the Joint Committee on Retirement Systems ordered an actuarial study on some pension reform concepts. A copy of page nine of this study was handed out with my testimony. Page nine analyzed an increase in the retirement age to 60 beginning for those under 40. The independent experts found a savings of .11% of payroll immediately and .16% of payroll when fully phased in. This may not sound like much, but when total payroll for employees in the general fund is \$12.68 billion we are talking approximately \$11 million in reduced annual contributions immediately. That number would increase as the new retirement age phases in and as payrolls inevitably increase with inflation. The WRS will continue to be the envy of the nation and taxpayers and employees, who pay half of contributions, would benefit immediately.

Fairness is admittedly subjective, but a key feature of the policy we try to enact in the Capitol. Our nation is facing a slow motion policy crisis with an ageing workforce, longer life expectancies, and social benefit structures created before these changes. As policymakers we have a duty to be fair and compassionate to the aging while being fiscally prudent and fair to a younger generation born into these structural issues. Unlike many other areas of public policy pension system don't change quickly. We protect, rightly so, vested rights and benefits of those already retired. There is also strong political support, and the bill recognizes that support, to not make changes for workers close to retirement.

What does that leave us with? If we are going to avoid incredible fiscal pressures on state and local governments a generation from now, we must bend the cost curve down with action now. This is only fair to the taxpayers who have not yet reached adulthood or even been born.

Finally, one should consider the fairness of private sector workers paying higher taxes for a public sector benefit virtually extinct from the private sector. If we do not pass this bill, sixteen years from now in 2036, public employees will be retiring with pensions at 55, with three decades left on their life expectancy, while Americans can't receive full Social Security benefits until 67, or even significantly reduced early benefits until 62. Can you defend that system as fair to the kindergartener today who will be paying taxes in 2036?

I think SB 612 balances generous retirement benefits, human resources concerns, cost and fairness in an era of increased life expectancy and demographic challenges. Thank you for your time. I'd be happy to answer any questions.



WRS Contribution Rates

See the current employer and employee contribution rate and how rates have changed since 1989

The money to pay WRS benefits comes from employee- and employer-required contributions and investment earnings. Contribution rates are a percentage of an employee's annual salary. The rates change from year to year, based on investment earnings and an actuarial analysis. The table below shows the required contribution rates since 1989. **Note:** Employers also pay for duty disability, the state's Accumulated Sick Leave Conversion Credit Program, and unfunded liabilities. These rates are not included in the figures below because they vary from employer to employer.

The contribution rate tables are separated by employment category. Click on the employment category name in the list below to be taken to the contribution rate table. Type a year or rate in the keyword filter to search the table quickly. Click on "Back to Top" at the bottom of the table to return to this list.

- [General and Teacher Members](#)
- [Executives and Elected Officials](#)
- [Protective Occupation with Social Security](#)
- [Protective Occupation without Social Security](#)

General and Teacher Members

Use the keyword filter to search and narrow down the table by year.

Year	Employer Contribution %	Benefit Adjustment Contribution*	Employee** Contribution %	Total Rate %
2020	6.75	N/A*	6.75	13.5
2019	6.55	N/A*	6.55	13.1
2018	6.7	N/A*	6.7	13.4
2017	6.8	N/A*	6.8	13.6
2016	6.6	N/A*	6.6	13.2
2015	6.8	N/A*	6.8	13.6
2014	7.0	N/A*	7.0	14.0
2013	6.65	N/A*	6.65	13.3
2012	5.9	N/A*	5.9	11.8
2011	5.1/5.8	1.5/0.0	5.0/5.8	11.6

Year	Employer Contribution %	Benefit Adjustment Contribution*	Employee** Contribution %	Total Rate %
2010	4.8	1.2	5.0	11.0
2009	4.5	0.9	5.0	10.4
2008	4.6	1.0	5.0	10.6
2007	4.6	1.0	5.0	10.6
2006	4.5	.9	5.0	10.4
2005	4.4	.8	5.0	10.2
2004	4.2	.6	5.0	9.8
2003	4.0	.4	5.0	9.4
2002	3.8	.2	5.0	9.0
2001	3.8	.2	5.0	9.0
2000	4.1	.5	5.0	9.6
1999	4.4	.8	5.0	10.2
1998	4.8	1.2	5.0	11.0
1997	5.0	1.4	5.0	11.4
1996	5.1	1.5	5.0	11.6
1995	4.8	1.2	5.0	11.0
1994	4.8	1.2	5.0	11.0
1993	4.8	1.2	5.0	11.0
1992	4.8	1.2	5.0	11.0
1991	4.7	1.1	5.0	10.8
1990	4.6	1.0	5.0	10.6
1989	4.9	1.0	5.0	10.9

**WISCONSIN RETIREMENT SYSTEM
SUPPLEMENTAL ACTUARIAL VALUATIONS
AS OF DECEMBER 31, 2015**

Modification of SB 329 by LRBa2446

PRESENT PROVISIONS: Any Protective occupation participant who has attained age 50 and any other participant who has attained age 55 may apply for a reduced retirement annuity.

PROPOSED PROVISIONS: Increase the reduced retirement eligibility age by ~~2~~ years (from ~~age 50~~ to ~~52~~ for Protective participants, and from age 55 to **60** for other participants) for those members **currently under age 40** at the effective date and for all members hired **on/after** the effective date.

Actuarial Statement

The financial effect of the proposal is shown below (Dollars in \$ Millions):

Group	Change in PVFB*	Contribution Rate ^{&}			Long-Term Impact
		Current	After Proposal	Change	
General [^]	\$9.5	13.66%	13.55%	(0.11)%	(0.16)%
Protective w/ SS	2.2	17.51	17.43	(0.08)	(0.09)
Protective w/o SS	0.2	21.86	21.81	(0.05)	(0.05)

[^] Includes Executive and Elected Officials

* Present Value of Future Benefits

& Contribution Rates are shown to the one-tenth percent in the funding valuation

It may seem counterintuitive that a change that increases the present value of future benefits (PVFB) can lead to a decrease in contribution rates. The initial increase in PVFB is very small in relative terms and can be caused by the interaction of the formula benefit with the money purchase benefit (more members being shifted to the money purchase benefits) as well as the shift in the retirement decrement pattern. In the long term, however, extending the retirement age tends to allow members to accrue their benefit over a longer period of time which typically reduces the normal cost for new entrants. In simple terms, this is a reflection of the fact that extending the retirement age means that fewer people will draw benefits over the life of the plan, and therefore total costs can go down (more money is paid to each person, but fewer people in total are involved). The long-term impact represents the expected change to the future service normal cost as future entrants join the plan under the proposed benefit structure. The long-term impact will emerge gradually over time as current active members are replaced by new hires.



MARY FELZKOWSKI

STATE REPRESENTATIVE • 35th ASSEMBLY DISTRICT

Office: (608) 266-7694
Toll Free: (888) 534-0035
Rep.Felzkowski@legis.wi.gov

P.O. Box 8952
Madison, WI 53708-8952

Senate Committee on Government Operations, Technology, and Consumer Protection

January 29, 2020

Assembly Bill 612

Representative Mary Felzkowski, 35th Assembly District

Chairman Stroebel and Committee Members:

Thank you for allowing me to speak today on Senate Bill 612 relating to allowing annuitants back into the workforce and increasing the minimum retirement age for Wisconsin Retirement System (WRS) employees.

I am authoring the bill before you today because it is no secret that Wisconsin is currently facing a shortage of many professions in the public sector. One of the biggest examples of this is our educator workforce shortage. I hear from my local districts all the time about the struggle to find teachers, and what kind of sacrifices my districts end up having to make because they do not have the workforce they need to meet the needs of their students. While I think the teacher shortage has pushed our districts toward really creative solutions, we are reaching a tipping point where even these innovations will not be able to shield a district from feeling the effects of these shortages down the road.

At the end of the day, these shortages will mean less opportunity and choice for our kids. One of the best resources to address this issue is at our fingertips. Retired educators with a wealth of expertise, knowledge, and the desire to continue helping their local school districts. Senate Bill 612 would allow all annuitants, or "retirees," in WRS to re-enter the workforce after retirement. A retiree would be allowed to work full-time for 36 months without suspending their pension payment. However, any new WRS employment after retirement would not contribute to their overall annuity.

While my school districts are a big reason why I support this bill, it will apply to all retirees in the WRS system. For example, this bill will help Wisconsin's police and fire chiefs. I heard from one who is interested in training others in his retirement, but current law disincentivizes him from coming back into the workforce because he would have to stop collecting his pension payments while employed. This bill would allow for him to work a total of 36 months full time, while collecting his pension, aiding him in sharing his vast knowledge with other firefighters.

This bill also addresses a reform for WRS that many other states have already implemented or are currently exploring. Americans across the United States are living longer, and Wisconsinites are no different. Yet, Wisconsin has not reformed retirement since the retirement age was put into statute decades ago. With one of the only fully funded pensions in the country, it is incumbent upon us to think about the future integrity of the retirement fund and how best to protect retirees in years to come. With that in mind, this bill raises the retirement age for WRS participants to a minimum age of 59.5. This change will first apply to employees under the age of 40 when the bill is passed. Protective service occupations are NOT included in this change. This age mirrors the earliest under federal law that someone is able to withdraw from their 401(k) without a penalty. It is also worth noting that between 2010 and 2018, 27 other states raised their early retirement ages.

Members, thank you again for your time and consideration of this important legislation. I want to thank Senator Stroebel for being such a thoughtful partner in this. I would be happy to answer any of your questions.



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

Wisconsin Department
of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Testimony
Wisconsin Department of Employee Trust Funds
Senate Committee on Government Operations, Technology and Consumer Protection
January 29, 2020

Chairperson Stroebel, and members of the committee, we will be testifying for information only. Thank you for providing the Department of Employee Trust Funds (ETF) the opportunity today to testify on 2019 Senate Bill 612 about proposed changes to the WRS return to work laws and increasing the WRS minimum retirement age. I'm Tarna Hunter, ETF's Legislative Liaison. In attendance with me today is Matt Stohr, Administrator of ETF's Division of Retirement Services.

As you know, ETF administers the Wisconsin Retirement System (WRS) and several other fringe benefit programs for state, University, local government and school district employees across Wisconsin. ETF is a non-cabinet agency. We do retirement estimates, the counseling, the education presentations, all of the retirement calculations and all of the accounting, actuarial work and ensure compliance with state and federal law. Our sister agency, the State of Wisconsin Investment Board, is responsible for investing the assets of the WRS.

The WRS has over 640,000 total members around the state: including about 260,000 active employees and about 210,000 retirees. Those active employees work for just over 1500 public employers. The vast majority of active employees work for local units of government, such as school districts around the state.

Like all WRS related legislation, the bill should be referred to the Joint Survey Committee on Retirement Systems to determine if the changes are good or bad retirement policy. This testimony will call attention to the administrative and potential legal aspects of the bill.

Return to Work Law – Break in Service

The bill makes changes to the WRS return to work laws that were enacted in 2013 Act 20. The current law provides that employees who retired after July 1, 2013 must have a break in service of 75 days. Prior to Act 20, the break in service was 30 days.

The WRS is governed by the Internal Revenue Code. A break in service from employment is a requirement for tax-qualified retirement plans such as the WRS. The IRC does not dictate a specific waiting period but requires that retirement benefits generally cannot be distributed to members unless there has been a clear indication of complete severance of the employment relationship with the former employer. Because it is so short, a mere 30- or 45-day break in service often appears at odds with the

employer's and employee's professed intent to terminate their relationship, especially when the person is hired back into the same position.

Some of you may recall back when the limit was 30 days, there was a lot of press about public employees who abused the law. ETF supported increasing the break in service in 2013 because it is difficult to determine if there is an actual termination, if the time period of the break could be considered a long vacation.

Return to Work Law – Annuity Suspension

Additionally, current law prohibits rehired annuitants from working more than two-thirds of full time and continuing to receive their annuity. This bill provides a 36-month grace period from that annuity suspension requirement and allows rehired annuitants to work full time for 36-months. It is our interpretation that the 36-month grace period is not consecutive and can be used throughout the retirement period.

We understand that employers, especially school districts, are having difficulty finding qualified workers. This change is not a silver bullet that will fix this issue, but the hope is this change may provide some relief. But the administrative complexity that will be added may not be worth it. Providing the 36-month grace period contained in this bill will add another layer of complexity to a law that is already administratively complex. It creates additional tiers of rehired annuitant rights. For example, there are pre-2013 WI Act 20 rehired annuitants, post-2013 WI Act 20 rehired annuitants (which has an exception for certain types of contractors) and 2019 SB 612 rehired annuitants. Furthermore, 2019 SB 612 would create tiers of rehired annuitants within itself, consisting of members who haven't started their 36-month grace period, members who are operating within it and members who have used the full 36-months.

Return to Work Law – Tracking and Reporting

The bill requires that rehired annuitant time is tracked and reported. The employer is responsible for tracking and reporting this information to ETF. ETF currently determines that an employee has met the two-thirds requirement via a one-year look back on the member's employment history. A retiree who returned and exited employment several times under this law could exceed the three-year grace period, but ETF may not be aware of this situation until potentially a year after the fact. The 36-month grace period would be challenging for both employers and ETF to administer to ensure compliance with the law.

Increasing the WRS Minimum Retirement Age – IRC Provisions

2019 Senate Bill 612 increases the minimum retirement age from 55 to 59.5, which is the earliest age a person is permitted to retire and receive any pension benefit. The WRS normal retirement age is 65, except for public safety employees. Employees who retire before the age of 65 receive a reduction in their WRS pension benefit, unless the employee has 30 years of service.

This provision in the bill links the minimum retirement age for the WRS to the federally set age when employees are allowed to withdraw funds penalty-free from their 401(k) defined contribution accounts. The WRS is inherently different than 401(k) plans. The

WRS is governed by Section 401(a) of the Internal Revenue Code and is expressly prohibited from having a 401(k) plan. Because of that, the WRS could place its qualified status in jeopardy by including a citation to the 401(k) law in Chapter 40, which essentially serves as the WRS plan document. In addition, the 401(k) subsection cited in the bill contains other requirements, creating a potential ambiguity about the application of those requirements to the WRS, requirements that under federal law, do not and cannot apply to a 401(a) governmental plan. For example, a 401(k) subsection references a "severance from employment," but a severance from employment for 401(k) purposes is not the same as the good faith termination required before a 401(a) governmental defined benefit plan participant may take a benefit.

Additionally, linking the WRS minimum retirement age to the federal 401(k) law provides that the WRS minimum retirement age could be changed without the state legislature's consent. The WRS is a state governmental retirement plan, governed by state laws. It is unclear what advantage there would be by attaching the minimum retirement age to the federal 401(k) defined contribution plan laws.

Applying Higher Minimum Retirement Age to Current Employees

Under the bill, the increased WRS minimum retirement age would be applied to current WRS employees who are under the age of 40 on the effective date of the bill. Currently, there are approximately 79,000 WRS employees who are under the age 40. Changing benefits for current employees will create inequities among colleagues doing the same work and may cause those who feel they have a vested benefit of the lower minimum retirement age to seek legal redress. Last year, the bill that increased the WRS minimum retirement age only applied to new employees. While you would still have inequities among employees, you may avoid legal challenges.

Thank you, Chairperson Stroebel and members of the committee, for the opportunity to testify on this bill. We are pleased to answer any questions that you may have.

Assembly Bill 670 Testimony

Senate Bill 612 Testimony

Thank you for this opportunity to testify in front of you today. My name is Mike Richie and I have spent the past 35 years in education; including 22 years as a superintendent. I retired in 2018 at the age of 57 and currently fill in as part time as superintendent in the Tomorrow River School District. So, this Bill could have a direct impact on my future employment.

Why did I retire at the age of 57?

At the time I reached the age of 57, I had served 21 years as a superintendent, 15 in my previous district. I made many difficult decisions, implemented a true pay for performance pay scale after ACT 10, disciplined and terminated employees, started three charter schools, established a 4K program, outsourced our food service program, passed four operational referendums to exceed the revenue limits, build a 28 million dollar high school, changed the culture of the school district for the better and three years ago drastically changed the grade structure by moving the 7th and 8th grade students into the high school – which was met with huge opposition from the community.

Why did I move the 7th and 8th students into the high school? Because it was good for kids...there were so many advantages and academic opportunities for students; along with cost savings measures to taxpayers. Let's talk about the opposition for a minute.

I simply needed a break, or I thought maybe I need to do something different. So, I retired and started working as an educational consultant for Hazard, Young and Attea an educational consulting firm based out of Schaumburg, IL. After I started working for HYA, I received a phone call from the Tomorrow River School District as they needed an interim because their current superintendent was diagnosed with leukemia. How could I say no. This was supposed to be a short-term job, not even a full semester. **However, a few things happened.** Today, I continue to work for HYA along with being a part time superintendent.

There is definitely a shortage of teachers and administrators in Wisconsin. During the 2017-18 school year 2,432 Emergency Teacher Certifications were issued statewide by the Department of Public Instruction. Wisconsin faces larger rates of teacher attrition than the national average, with 7.8% of Wisconsin teachers leaving the profession in 2018. Compared to the national average of 7.3%

In a report from *the Task Force for Advancing Teachers and School Leaders through the University of Wisconsin System* it states that over the past decade, UW System Colleges of Education have experienced a statistically significant decrease in student enrollment in teacher education programs, as well as teacher certification and leadership programs. In addition, the supply of qualified teachers in the State of Wisconsin does not meet the current demand. There is also a drop off in qualified applicants for open teaching positions across all school districts.

There is an even higher demand for teachers high need school districts, especially in rural and urban districts, and especially in fields such as special education, bilingual education, math, science and information technology.

Because of our current law if you are retired from Wisconsin, you cannot work fulltime in Wisconsin and collect your retirement annuity. This is forcing good Wisconsin educators out of state if they choose to continue to work in education full time. Also, educators are retiring from Illinois, Iowa, Minnesota and other states and coming to Wisconsin to work full time in school districts. Taking jobs away from Wisconsin people.

I will refer you to the Blue Ribbon Commission on School Funding Recommendation Report, page 10, dated January 4, 2019. Representative Joel Kitchens and Senator Luther Olsen chaired this Commission; this was a 16-member Commission. The Commission held eight public hearings and two informal hearings; this Commission listened to testimony from hundreds of individuals.

The RECOMMENDATION on page 10 from this Commission states: Restore pre 2013 Act 20 law regarding hiring annuitants, including the 30-day break in service requirements and the choice of whether to terminate the annuity or continue to receive it. I fully support the Blue Ribbon Commission on School Funding recommendation.

My intent is not to point fingers here and it does not really matter how this current law was implemented, but it needs to change. Wisconsin retirees need to be allowed to work full time or more than what the current law allows and collect their annuity. So, I appreciate the attempt to make this happen.

Let's look at the current proposal:

1. **The current proposal:** Reduces the 75-day waiting period to 45 days – **this is good**
2. **The current proposal:** Allows annuitant who is hired by a WRS employer as an employee to work for not more than 36 months and not suspend his or her annuity- **this is better than not being able to work full time at all, but why the cap at only 36 months? If things are going well in the district now they need to make a forced change. When a retiree works in a school district; this saves the school district and tax payers' money.**
3. **The current proposal:** Increases the retirement age to 59.5 – it's great that this only applies to people under the age of 40; but if an educator wants to retire at 55, 56, 57 etc. why do you want to force that educator to work until 59.5. This is not good for students, forcing a teacher who does not want to be in a classroom to teach. This may also lead to less people going into the education profession.

I applaud that both the Assembly and Senate are looking at this situation and as a superintendent; I am hopeful that we will see some changes from our current law. This will definitely help fill some of the teacher and administrator positions in Wisconsin that are tough to fill.

Thank you for listening and I am happy to answer any questions you might have.



122 W. WASHINGTON AVENUE, MADISON, WI 53703
PHONE: 608-257-2622 • TOLL-FREE: 877-705-4422
FAX: 608-257-8386 • WEBSITE: WWW.WASB.ORG

JOHN H. ASHLEY, EXECUTIVE DIRECTOR

TO: Members, Senate Committee on Government Operations, Technology and Consumer Protection
FROM: Dan Rossmiller, WASB Government Relations Director
DATE: January 29, 2020
RE: Support for SENATE BILL 612, relating to allowing rehired annuitants to elect to not participate in the Wisconsin Retirement System; decreasing the minimum break in service for annuitants in the Wisconsin Retirement System who are rehired by a participating employer; and increasing the minimum retirement age under the Wisconsin Retirement System.

My name is Dan Rossmiller, I am the Government Relations Director for the Wisconsin Association of School Boards (WASB), a voluntary membership association representing all 421 of Wisconsin's locally elected public school boards.

Senate Bill 612 would make a number of changes to state statutes regarding the Wisconsin Retirement System (WRS), affecting two groups of people: those who retired on or after July 2, 2013 and are drawing a pension payment (annuity) from the WRS; and those who are working in WRS covered employment and will be under 40 years of age on the date this legislation takes effect. I will explain this in my testimony.

Wisconsin's schools are facing significant teacher supply issues. One way to address this problem is to encourage retired teachers to return to work in Wisconsin schools. Retired teachers are ideally suited to help our state address this issue if we can entice them to return to work. They have both subject matter and pedagogical expertise, they understand how to evaluate students' progress and they understand school rules and how schools operate, including school discipline and other procedures.

However, a significant deterrent to teachers who retired on or after July 2, 2013 and wish to return to the classroom is our state's current so-called "double dipping" law. Under that law, a WRS annuitant (i.e., a retiree receiving a WRS pension benefit) who retired on or after July 2, 2013, and who is hired in a WRS position (expected to last 365 consecutive days and 880 hours per fiscal year) does not have the option to choose whether to be a participating WRS employee. Instead, such an annuitant's WRS annuity (pension payment) is automatically suspended when he/she is hired in a WRS position, at which point both the annuitant and the district are required to make statutory contributions to WRS on behalf of the annuitant. Evidence suggests that many retired teachers who hold valid DPI licenses to teach and are able to return to teaching are unwilling to do so if it means forfeiting their pension payments. Bottom line: If they wish to go back to work, they would prefer to work in jobs that don't require them to forego their pensions.

Ironically, however, these retired teachers can move to another state and resume teaching without forfeiting their WRS pension payments. (Thus, we may be inadvertently helping other states solve their teacher supply issues.)

Alternatively, these retired teachers can choose to remain within our state and take jobs with non-WRS covered employers without forfeiting their pension payments. Either way, Wisconsin schools are losing the benefit of their teaching ability at a time when many districts with vacant teaching positions are seeking teachers with the right credentials to step right into the classroom.

What Senate Bill 612 Does and Why It is Good for Both Schools and the WRS:

This bill would allow teachers who retire from teaching and later wish to return to teaching in Wisconsin public schools to elect to not participate in the WRS for a period of up to 3 years, thus allowing them to continue to receive their WRS annuities (pension payments) while working. This would save both school districts (taxpayers) and these rehired teachers the cost of making contribution payments to the WRS that are required under current law. In effect, this bill would make it easier and cheaper for school districts to hire fully credentialed and highly qualified teachers.

This bill would also reduce from 75 days to 45 days the minimum required break in service before a person who retires and receives a WRS pension can be rehired by a participating WRS employer (e.g., a school district). This change would help school districts address teacher shortage issues by helping them hire replacement teachers in a timely manner. The bill would, for example, allow a school district to hire a teacher who retired effective June 30 for the following school year by roughly August 15, in time for that teacher to complete any required in-service training before classes start. This would be an especially valuable tool to have available to fill a vacant position for which the school, despite its best efforts, cannot find another suitable candidate.

Finally, this bill would increase the minimum retirement age for general employees (including teachers) under the WRS from 55 to 59.5 for covered employees who are under age 40 at the time either bill becomes law.¹ This age (59.5) matches the minimum age at which individuals may make withdrawals from their tax deferred retirements accounts such as IRAs, 401(k) or 403(b) plans without a tax penalty.

As people live longer, they are collecting WRS pension benefits for a longer and longer period compared to how long they contributed to the WRS. Much in the same way that raising the normal retirement age for Social Security has helped to stabilize the Social Security Trust Fund, raising the minimum WRS retirement age makes sense and would stabilize the Retirement Fund as workers would contribute for a longer period and collect annuities for a shorter period.

¹ Most public employee pension systems have a “normal” retirement age and a “minimum” retirement age. “Normal retirement” refers to the age, number of years of service, or both, that a person must attain in order to qualify for full retirement benefits without an actuarial reduction in his or her annuity for retiring earlier. The normal retirement requirement for general employees (including teachers) in the WRS is 65 years of age. (The employee must also have completed 5 years of service in order for his or her annuity benefit to have vested.)

The current “minimum age” at which general employees (including teachers) in the WRS can retire with an annuity is 55 years of age; however their monthly annuity payment will generally be subject to a permanent actuarial reduction (or discount) to reflect the fact that they will be paying in for a shorter than normal period and collecting for a longer than normal period of time. The amount of actuarial discount for early retirement for general employees (and teachers) in the WRS varies according to the employee’s number of years of service. It continues even after an annuitant reaches normal retirement age.

Wisconsin currently uses the so-called “rule of 87” to determine whether an actuarial reduction applies. If an employee’s age at retirement plus years of service total up to 87 no actuarial reduction (or discount) applies. Thus, a general employee (or teacher) who is at least 57 years of age and who has at least 30 years of service can retire without an actuarial reduction in their annuity amount. A general employee (or teacher) who retires at the minimum age of 55 is currently subject to an actuarial reduction in their annuity amount unless they have at least 32 years of covered service.

As the attached chart indicates, relative few employees would be negatively affected by this change. While the minimum retirement age would increase from 55 to 59.5 for WRS participants under 40, most employees currently retire almost a couple years after having reached age 59.5. As the chart indicates (see highlighted portions) both the average (mean) and median age at which general employees and teachers covered by the WRS are retiring is currently well above age 61. Further, according to the Department of Employee Trust Funds, “Most Public School employees choose to retire early at age 62. The next most popular ages for early retirement are 63 or 64. The least common early retirement age for teachers is age 55.”² This negates arguments that raising the retirement age will deter young people from entering the teaching profession.

This may be explained by the fact that the absolute earliest you can start claiming Social Security retirement benefits is 62. However, claiming before your full (or normal) retirement age will result in the payout being permanently reduced. For those who turned 62 in 2018, full retirement age is 66 and four months. However, for those who turn 62 in 2019, the full retirement age will increase to 66 and six months. Full retirement age is set to increase by two months each year until it hits 67. Therefore, for anyone born in 1960 or later, including all those affected by this bill, the full retirement age for Social Security purposes will be 67. Even after the change made in this bill, that is a gap of 7.5 years. Without the change made by this bill, it is 12 years.

Given current life expectancies, of those reaching age 65, men can expect to reach age 84.4; women can expect to reach 86.7. That means men who retire at 55 and live to be 65 can expect to live off their WRS pensions for 29.4 years after retirement, while women who retire at 55 and live to be 65 can expect to live off their WRS pension income for 31.7 years, which could easily be a span longer than their working career (during which they made contributions to the WRS).

Raising the retirement age will help to stabilize the Retirement Fund in another way. The bulk of pension benefits paid by the WRS result from investment earnings of the Retirement Fund rather than employee contributions. It should be of concern to policy makers that as WRS participants are living longer, they are drawing even more upon investment earnings than in previous periods. It should be of further concern that the ratio of active employees (those contributing to the fund) compared to retirees (those drawing benefits out of the fund) is decreasing rapidly.

Since 2000, the number of beneficiaries and annuitants of retirement systems throughout the nation has increased significantly, likely due to an increase in baby boomer retirements. According to the “*2017-18 Comparative Study of Major Public Employee Retirement Systems*” prepared by the non-partisan Legislative Council staff, the ratio of active employees to retired employees in the WRS in 2017-18 is 1.30, which is a decrease from the ratio of 1.61 found in the 2015 Report. The report notes that the ratio of active employees to retired employees in the WRS for 2017-18 (1.30) is slightly lower than the average ratio for all plans in the report (1.48). By increasing the minimum retirement age, albeit with an effective date roughly twenty years from now, this bill will bring that ratio of active employees to retired employees more in balance and closer to the ratios found in other public employee retirement systems.

Finally, the current treatment of rehired annuitant teachers is actually disadvantageous to many of those teachers. When a teacher who retired on or after July 2, 2013 returns to work, the Department of Employee Trust Funds (ETF) essentially freezes their initial annuity account and labels it “Annuity A.” It then places the employee and employer contributions earned by the rehired annuitant into a new annuity account labelled

² Source: <https://etf.wi.gov/publications/et4964/direct> (See chart 5 on page 6 of 10 and accompanying narrative.)

“Annuity B.” Because most rehired annuitant teachers do not accrue enough accumulated contributions in their “Annuity B’ account before they “re-retire” to qualify for a monthly payment under the WRS, they receive a lump-sum payment, all of which is then subject to income taxes in the year in which they receive it. Rather than this income being spread and taxed out over time, it is taxed all at once, negating part of the benefit.

The WASB’s Position:

WASB member boards, through their appointed delegates to the WASB Delegate Assembly, our policy setting body, have adopted two resolutions that directly address and support the changes made by this bill. Once adopted, WASB resolutions remain in effect until amended or repealed. These resolutions are:

4.37 Rehiring Wisconsin Retirement System (WRS) Retirees

The WASB supports legislation that would: a) allow a person who is receiving a Wisconsin Retirement System (WRS) retirement annuity to be rehired in WRS participating employment after at least a 30-day break period between terminating WRS participating employment and returning to WRS participating employment; and b) restore to such rehired employees the option to continue to receive their WRS annuity (but not accrue any additional WRS contributions or service credit), regardless of the number of hours worked.

4.36 Retirement Age

The WASB supports an incremental increase in the age at which employees are eligible for retirement benefits under the Wisconsin Retirement System.

Thank you for the opportunity to share our perspective on this bill and support for it.

Employee Trust Fund Data on the Average and Median Ages of Retirement for Each Employee Category			
YEAR	EMPLOYMENT CATEGORY	AVERAGE AGE	MEDIAN AGE
2008	ELECTEDS AND EXECUTIVES	62.18	61.37
2008	GENERAL AND TEACHERS	60.06	59.46
2008	PROTECTIVE WITH SOC SEC (POLICE)	55	53.62
2008	PROTECTIVE WITHOUT SOC SEC	53.75	53.92
2009	ELECTEDS AND EXECUTIVES	62.7	62.32
2009	GENERAL AND TEACHERS	60.34	59.86
2009	PROTECTIVE WITH SOC SEC (POLICE)	55.55	54.21
2009	PROTECTIVE WITHOUT SOC SEC	54.46	53.42
2010	ELECTEDS AND EXECUTIVES	61.95	61.55
2010	GENERAL AND TEACHERS	60.64	60.29
2010	PROTECTIVE WITH SOC SEC (POLICE)	55.23	53.98
2010	PROTECTIVE WITHOUT SOC SEC	54.22	53.65
2011	ELECTEDS AND EXECUTIVES	62.54	62.13
2011	GENERAL AND TEACHERS	60.39	59.94
2011	PROTECTIVE WITH SOC SEC (POLICE)	55.86	54.93
2011	PROTECTIVE WITHOUT SOC SEC	54.45	53.95
2012	ELECTEDS AND EXECUTIVES	63.73	62.97
2012	GENERAL AND TEACHERS	60.66	60.47
2012	PROTECTIVE WITH SOC SEC (POLICE)	55.27	54.12
2012	PROTECTIVE WITHOUT SOC SEC	54.99	54.33
2013	ELECTEDS AND EXECUTIVES	62.84	63.21
2013	GENERAL AND TEACHERS	60.8	60.68
2013	PROTECTIVE WITH SOC SEC (POLICE)	55.72	54.81
2013	PROTECTIVE WITHOUT SOC SEC	55.04	54.12
2014	ELECTEDS AND EXECUTIVES	64.09	63.99
2014	GENERAL AND TEACHERS	61.1	61
2014	PROTECTIVE WITH SOC SEC (POLICE)	55.59	54.77
2014	PROTECTIVE WITHOUT SOC SEC	54.67	53.83
2015	ELECTEDS AND EXECUTIVES	62.73	62.78
2015	GENERAL AND TEACHERS	61.23	61.05
2015	PROTECTIVE WITH SOC SEC (POLICE)	55.75	54.36
2015	PROTECTIVE WITHOUT SOC SEC	55.5	54.9
2016	ELECTEDS AND EXECUTIVES	64.57	63.81
2016	GENERAL AND TEACHERS	61.28	61.07
2016	PROTECTIVE WITH SOC SEC (POLICE)	55.4	54.15
2016	PROTECTIVE WITHOUT SOC SEC	54.53	53.93
2017	ELECTEDS AND EXECUTIVES	63.69	63.05
2017	GENERAL AND TEACHERS	61.32	61.17
2017	PROTECTIVE WITH SOC SEC (POLICE)	55.45	53.96
2017	PROTECTIVE WITHOUT SOC SEC	54.96	54.08
2018	ELECTEDS AND EXECUTIVES	62.28	62.05
2018	GENERAL AND TEACHERS	61.38	61.24
2018	PROTECTIVE WITH SOC SEC (POLICE)	55.29	54.04
2018	PROTECTIVE WITHOUT SOC SEC	55.25	54.4



Office of the County Administrator

Tennies Government Center
432 E. Washington Street
P.O. Box 1986
West Bend, WI 53095-7986
(262) 306-2200

Pension Reform: So-called Double Dipping and Retirement Age

Public Affairs Coordinator Ethan Hollenberger

Wisconsin's pension system is among the best in the world. This is largely due to ETF's ability to adapt with the market without asking for politicians to act. Nonetheless, there are several policy decisions the legislature must make to ensure the system's long term viability.

It is often argued that the pension system is a great recruiting tool. While that's true, we also have to recognize the world of post-retirement benefits and the mindset of workers entering the work force has changed. Take-home pay has become the key figure when recruiting employees.

Washington County recently completed a multi-million-dollar compensation plan. The plan pays our employees at or above the 75th percentile when compared to other similar Wisconsin counties. Additionally, our plan is based on wage increases on merit, performance, and professional development. Washington County's compensation plan is a model for all local governments.

Washington County is concerned about the cost of the pension system which is ever increasing. In 2005, the contribution rate for the county was 4.4%. Today, it is 6.75%. This increase has a significant impact on our budget. And, a significant impact on the employee's take-home pay.

Take the .4 % 2020 increase which is split by the county and employee. On Washington County's wages budget of \$41.25 million a .2% increase results in increased expenses of \$82,500. Our employees take the same hit in take-home pay. For reference, this is about 12% of our net-new construction growth.

Remember, this cost analysis also does not include the cost for COLA or merit pay increases.

This bill increases the retirement age to the federal minimum. This creates parity between the public worker retirement age and the taxpayers paying for the system. Washington County residents strongly support this provision, and more, to ensure equality between the public and private sectors.

Additionally, the bill allows so-called double-dipping for retirees. On one hand, the county has concerns with losing full time employees from the system. The cost of double-dipping increases the system loses anticipated contributions. On the other hand, this is an important Band-Aid during a time of workforce shortages to help fill positions with experienced employees. This bill strikes a balance.

As lawmakers, you have the responsibility to look to the future. Every pension system has had struggles. Even Wisconsin's system has seen changes over the past two decades. Small, incremental changes supported by the public bend the cost curve slightly without huge changes in crisis.

Please advance this bill and other small changes to begin to ensure contribution rates stay the same or decrease.



Statement to the Senate Committee on Government Operations, Technology and Consumer Protection

January 29, 2020

Opposition to SB 612, relating to Increasing the minimum retirement age for some public employees and not others, and other changes to WRS

Peggy Wirtz-Olsen

Vice President

Wisconsin Education Association Council

My name is Peggy Wirtz-Olsen. I am a teacher from Marshfield, currently serving as Vice President of the Wisconsin Education Association Council. WEAC represents teachers and other public school employees in every part of Wisconsin.

As I am sure you are aware, the teaching workforce is primarily female. Other professions in the state, including police and firefighters, remain predominately male workforces. In Wisconsin, the male-dominated public employees tend to fall into what are known as “protective” groupings like police and firefighting.

The authors of SB 612 chose to raise the minimum retirement age for “non-protective” public employees, including teachers and other public employees, from the current age of 55 to 59.5. The bill’s authors chose not to change the minimum retirement age for protective employees, which is currently age 50.

Singling out teachers while leaving male-dominated professions alone smacks of injustice. In solidarity, the protective classes have consistently stood shoulder to shoulder with educators and spoken out against divide-and-conquer policies. We stand together because we have a common vision to improve our communities through our hard work and unique contributions.

One of the stated goals of this legislation is making it easier to hire retired teachers, as a solution to teachers leaving the profession in alarming numbers. Carving out educators as a workforce and shouldering them with additional barriers because they chose to teach children will not attract and keep qualified teachers in our classrooms. Teachers just entering the profession say it’s one more sign that our state doesn’t value them. It’s one more reason to rethink teaching in Wisconsin.

What will attract the best and brightest into the teaching profession and retain those who are already working in our schools? Treat us like professionals. Make us feel appreciated. Give us a seat at the table. And pay us in a manner that is worthy of our positions and our training.

Making it easier to hire retired educators can certainly be part of the equation, and there are ways to accomplish that without raising the retirement age. But hear this. Hiring retired teachers is not a long-term solution. It is only one small part of the solution and it needs to be done in a way that respects and rewards our state’s hard-working teachers. It needs to be fair.

Thank you for listening to the concerns of tens of thousands of teachers through WEAC. We look forward to continuing to work with you to support and strengthen our state’s public schools.

Ron Martin, President
Bob Baxter, Executive Director



School Administrators Alliance

Representing the Interests of Wisconsin School Children

TO: Senate Committee on Government Operations, Technology and Consumer Protection
FROM: John Forester, Executive Director
DATE: January 29, 2020
RE: SB 612 – WRS Retirement Age/Return to Work

Mr. Chairman and members of the Committee, thank you very much for the opportunity to testify on this important legislation. My name is John Forester. I'm the Executive Director of the Wisconsin School Administrators Alliance (SAA). In that capacity, I represent more than 4,600 school administrators throughout Wisconsin including school superintendents, business officials, principals and associate principals, special education directors and personnel directors. Today, I am also speaking on behalf of the 10,000 members of the Wisconsin Retired Educators Association (WREA).

The SAA, and WREA, opposes Senate Bill 612, relating to increasing the minimum WRS retirement age and return to work provisions for WRS annuitants. If adopted, this legislation would:

- Increase the minimum WRS retirement age from the current age 55 to the greater of age 59.5 or the age at which the IRS does not penalize a person for taking a distribution from a 401(k) plan.
- First apply the change in the minimum retirement age to individuals who are under the age of 40 on the bill's effective date and who terminate WRS-covered employment on or after the bill's effective date.
- Allow an annuitant who is hired by a WRS employer as an employee to elect to not suspend his or her annuity for not more than a total of 36 months.
- Reduce the break-in-service requirement from the current 75 days to 45 days.

In anticipation of this hearing, I sought input on SB 612 from a broad cross-section of SAA and WREA members. This process culminated at a meeting of the SAA Legislative Committee in which more than 40 committee members discussed the merits of this legislation for more than an hour.

I want to make it very clear that, throughout this process, members expressed strong support for rolling back the provisions of the current return to work law to allow retired teachers, administrators and staff to return to WRS-covered employment without restrictions in order to fill critical positions in school districts throughout Wisconsin. However, members also expressed the following concerns or reservations about the proposed legislation:

- Wisconsin has one of the only fully funded pension systems in the country. In their co-sponsorship memo, the authors suggested that it was necessary to raise the minimum WRS retirement age in order to maintain the integrity of the fund and to protect retirees into the future. SAA and WREA members wonder if these are simply assertions that have yet to be proven as fact. Perhaps we need an actuarial study to bring clarity to this issue.
- It is unclear how the 36-month return to work window will be defined and ultimately administered. Must it be used continuously, in one, 36-month block? If not, who is responsible for the record keeping to determine how much time may be left in the 36-month window for each rehired annuitant? The current return to work law is an extremely complicated law for the Department of Employee Trust Funds (ETF) to administer and for school district administration and employees to navigate. In 2016, the SAA retained the Boardman & Clark Law Firm to help SAA members clearly understand the law surrounding rehiring WRS annuitants. I have attached the memo that Attorney Michael Julka produced for our membership. It should also be noted that Attorney Julka also produced a 51-minute video that accompanied the memo. It appears that the return to work provisions in SB 612 will add another layer of complexity in an already complicated law and will likely add administrative burden for school districts.
- This bill will likely result in educators who are burned out at age 55 staying in the classroom for an additional 4.5 years, which is not in the best interests of children. Several members have shared with me that the current minimum retirement age can be a useful tool in facilitating early retirements that are in the best interests of all parties involved.
- The bill may result in significant numbers of retirement age educators leaving the profession a few years before they intended for fear that the bill will open the door for additional retirement system changes.
- According to a National Institute on Retirement Security study issued in November of 2019, 91% of teachers say pensions incentivize public workers to have long public service careers; 86% of teachers agree that a pension benefit is a major reason why they stay in their job; 75% of teachers say they would be more likely to leave their job if their pension were cut; and 96% of teachers say offering a pension is an effective tool for retaining employees. This legislation may result in some under-40 educators perceiving the bill as an attack on their pension and a reason to leave the profession.

We have one additional question raised by our legal counsel that the committee might want to reflect on: How will this bill address challenges from participants under the age of forty that they have accrued the benefit of an annuity at age 55 by operation of Wis. Stat. 40.91(1). The scope of which benefits accrue to participants under that statute appears to be an unsettled question of law that the Wisconsin State Supreme Court reserved in *Wisconsin Prof'l Police Ass'n, Inc. v. Lightbourn*, 2001. In that case the court stated:

We would understand a contention that a participating employee had a right to exercise one of several monetary options at retirement if those options had existed during the period when the participating employee was rendering service but were then eliminated before the employee's retirement. Such a claim would be different from a contention that a participant had a right to maintain some operating procedure in the WRS that had existed during a period that the participant was rendering service.

A participant that is under the age of 40 might use this case law and statutory language to bring a claim that participants under 40 have already accrued the benefit of receiving an annuity at age 55 should the employee continue to meet all the applicable criteria and then retire at age 55.

Thank you for your consideration of our views. If you should have any questions regarding our thoughts on SB 612, please call me at 608-242-1370.

Wisconsin Association of School District Administrators

HIRING AND REHIRING OF WISCONSIN RETIREMENT SYSTEM (WRS) ANNUITANTS

Michael J. Julka

July 19, 2016

boardman
& clark llp

LAW FIRM



Madison Office
1 S. Pinckney Street, Suite 410
Madison, Wisconsin 53703
(608) 257-9521
mjulka@boardmanclark.com

I. “Good-Faith” Termination of Employment.

- A. Federal law requires a “good-faith” termination of employment to qualify for a benefit distribution from a qualified retirement plan such as the Wisconsin Retirement System (WRS). A “good-faith” termination from WRS employment has two requirements:
1. Fulfill a minimum break in service.
 - a. The earliest date that an annuitant may return to WRS employment is the latest of the following dates:
 - (1) The day after the effective date of the retiree’s annuity.
 - (2) The 76th day after the retiree terminated his/her WRS-participating employment.
 - b. See Wis. Adm. Code ETF § 10.08.
 2. Meet all required conditions to be a valid termination.
 - a. A valid termination meets all of the following conditions:
 - (1) The employee ceases to render compensable services (e.g., wages, contributions to retirement plans, as well as any other item of value).
 - (2) The employee and employer comply with the employer’s policies for voluntary termination, including, when appropriate, the filing of a letter of resignation.
 - (3) As of the termination date, the employer has no “rights” to any future services to be rendered by the employee that might meet the qualifications for WRS coverage for which compensation has or will be paid. No agreement for future services can be entered into prior to the employee’s termination.
 - (4) The employee is treated consistently with the status of a former employee.
 - (5) The terminated employee has no authority to act as a representative of the employer or exercise any authority/control over employees of the employer.

- (6) The employer has paid the employee any accumulated benefits that are customarily paid to employees at the time of termination.
- 3. Contracts for agreements for WRS employment entered into during the minimum break in service period bring into question whether the termination was done in "good faith." The Employee Trust Fund ("ETF") may investigate situations where it appears a contract or agreement was entered into during the minimum break in service period.
- 4. The above conditions do not prohibit an agreement as of the termination date for future employment with a different WRS employer that does not meet WRS participation standards.
- B. Teachers employed under a 9/10 month contract may be considered terminated as of the last day they are required to perform district-related work rather than the last day of the contract's fiscal year (June 30).
- C. Annuitants returning to work as "contractors" should meet the 75-day break in service as evidence of good faith termination, as required under federal law. A "contractor" is not WRS eligible, so if an annuity is suspended, the school district does not re-enroll the annuitant/contractor in WRS.

II. For Annuitants Who Terminated All WRS Covered Employment Prior To July 2, 2013, And Began Receiving Their WRS Annuities Immediately Thereafter.

- A. School districts may hire (or in the case of the same district, rehire) such employees in positions that meet WRS participation standards provided their termination was valid as defined by Wis Admin Code ETF 10.08 and the employee met the minimum 75 day break in service from the date of their termination.
 - 1. The hired/rehired annuitant may elect to suspend receipt of his/her annuity and become a participating employee in WRS again, OR
 - 2. Continue receiving his/her WRS annuity and, thereby, not be a WRS participating employee.
- B. WRS participation standards:
 - 1. Employment in a WRS-eligible position for what is expected to be at least one-third of what the ETF considers to be full-time, AND
 - 2. Is expected to be for at least 365 consecutive days.

- C. ETF considers full-time employment to be 1320 hours per fiscal year for teachers (including administrators and other employees supervising any educational activity) and 1904 hours for educational support personnel (non-teaching staff such as teacher's aids, custodial staff, administrative assistants, etc.). However, for WRS eligibility purposes, annuitants hired/rehired by a school district in these categories working at least 440 hours are considered to be working one-third of full-time, and annuitants hired/rehired by a CESA in the educational support personnel category working at least 600 hours are considered to be working one-third of full-time.
- D. If the hired/rehired annuitant elects not to be a WRS participating employee, neither the hired/rehired annuitant nor the school district is compelled to make statutory contributions to WRS on behalf of the hired/rehired annuitant. The employee may elect to suspend his/her WRS annuity and participate in the WRS at any time, however.

III. For Annuitants Who Retired On Or After July 2, 2013.

- A. The school district from which the annuitant terminated may not rehire the annuitant during a 75-day break-in-service period, even if the new position does not meet WRS participation standards.
- B. Other school districts may not hire the retired annuitant during a 75-day break-in-service period if the position meets WRS participation standards.
- C. Other school districts may hire the annuitant without regard to the 75-day break-in-service period if the new position does not meet WRS participation standards.
- D. WRS participation standards.
 - 1. Employment in a WRS-eligible position for what is expected to be at least two-thirds of what the Employee Trust Fund (ETF) considers to be full-time, AND
 - 2. Is expected to be for at least 365 consecutive days.
- E. ETF considers full-time employment to be 1320 hours per fiscal year for teachers (including administrators and other employees supervising any educational activity) and 1904 hours for educational support personnel (non-teaching staff such as teacher's aids, custodial staff, administrative assistants, etc.). However, for WRS eligibility purposes, annuitants hired/rehired by a school district in these categories working at least 880 hours are considered to be working two-thirds of full-time, and annuitants hired/rehired by a CESA in the educational support personnel category working at least 1200 hours are considered to be working two-thirds of full-time.

- F. The WRS annuity is automatically suspended for hired/rehired annuitants who are hired/rehired in a new position that meets WRS participation standards. The suspension of an annuitant's annuity simply delays payments pursuant to the formula; there is not a "penalty."

IV. Scenarios.

- A. Assume that a WRS annuitant who terminated all WRS covered employment after July 1, 2013, is rehired by the same school district and is expected to work 800 hours for a term of 365 calendar days after having satisfied the 75-day break-in-service period.

Answer: Because the annuitant's new position does not meet WRS participation standards, the annuitant is entitled to keep his/her annuity and is not a participating employee for purposes for WRS contributions by the employer or the employee. However, following the one-year anniversary, the hourly criterion must be monitored on a day by day basis, and if the 880 hours criterion has been met in the preceding rolling 12 month period, the WRS annuity will be suspended.

- B. Assume that a WRS annuitant who terminated all WRS covered employment after July 1, 2013, is rehired by the same school district and is expected to work 1,000 hours for a term of 364 calendar days after having satisfied the 75-day break-in-service period.

Answer: Because the annuitant's new position does not meet WRS participation standards, the annuitant is entitled to keep his/her annuity and is not a participating employee for purposes for WRS contributions by the employer or the employee. However, if the employee is expected to return for the following year, the WRS eligibility criteria is considered to be met upon hire, or if the employee is still an employee on the 365th day, the WRS annuity will be suspended.

- C. Assume that a WRS annuitant who terminated all WRS covered employment after July 1, 2013, is rehired by the same school district and is expected to work 2,000 hours for a term of 364 calendar days after having satisfied the 75-day break-in-service period.

Answer: Because the annuitant's new position does not meet WRS participation standards, the annuitant is entitled to keep his/her annuity and is not a participating employee for purposes for WRS contributions by the employer or the employee. However, if the employee is expected to return for the following year, the WRS eligibility criteria is considered to be met upon hire, or if the employee is still an employee on the 365th day, the WRS annuity will be suspended.

- D. Assume that a WRS annuitant who terminated all WRS covered employment after July 1, 2013, is rehired by the same school district and is expected to work 800 hours for a term of more than 365 consecutive calendar days after having satisfied the 75-day break-in-service period.

Answer: Because the annuitant's new position does not meet WRS participation standards, the annuitant is entitled to keep his/her annuity and is not a participating employee for purposes for WRS contributions by the employer or the employee.

- E. Assume that a WRS annuitant who terminated all WRS covered employment after July 1, 2013, is rehired and is expected to work 1,500 hours by the same school district for a school year (195 contract days spanning from August 25 through June 10) as a long-term substitute replacement teacher after having satisfied the 75-day break-in-service period.

Answer: Because the annuitant's new position does not meet WRS participation standards, the annuitant is entitled to keep his/her annuity and is not a participating employee for purposes for WRS contributions by the employer or the employee. However, if the employee is expected to return for the following year (including if returning as a per diem substitute teacher), the WRS eligibility criteria is considered to be met upon hire, or if the employee is still an employee on the 365th day, the WRS annuity will be suspended.

- F. Assume that a WRS annuitant who terminated all WRS covered employment after July 1, 2013, is rehired and expected to work 1,500 hours by the same school district for a school year (195 contract days spanning from August 25 through June 10) as a long-term substitute replacement teacher after having satisfied the 75-day break-in-service period. The annuitant is then contacted in August of the subsequent school year by the same school district to serve in a different long-term substitute replacement teacher position and expected to work 1600 hours for the subsequent school year (195 contract days spanning from August 25 through June 10).

Answer: Because the annuitant's new position meets WRS participation standards, the annuitant is not entitled to keep his/her annuity and is a participating employee required to submit WRS contributions by the employer or the employee. When the annuitant arrives to work in August, they have met the 12 month criterion (they were an employee of the District from August through August) and they worked 1,500 hours in the preceding 12 month period.

Note: The answer in this scenario is different if the annuitant is hired in the second school year by a different school district to serve in a long-term substitute replacement teacher position regardless of the number of hours as long as it is only for a school year - each employment relationship with different school districts is treated separately and not combined.

- G. Assume that a WRS annuitant who terminated all WRS covered employment after July 1, 2013, is rehired and expected to work 1,500 hours by the same school district for a school year (195 contract days spanning from August 25 through June 10) as a long-term substitute replacement teacher after having satisfied the 75-day break-in-service period. The annuitant is then contacted in August of the subsequent school year by the same school district to serve in the same long-term substitute replacement teacher position and expected to work 1500 hours for the subsequent school year (195 contract days spanning from August 25 through June 10).

Answer: Because the annuitant's new position meets WRS participation standards, the annuitant is not entitled to keep his/her annuity and is a participating employee and WRS contributions are required to be submitted by the employer and the employee. When the annuitant arrives to work in August, they have met the 12 month criterion (they were an employee of the District from August through August) and they worked 1,500 hours in the preceding 12 month period.

- H. Assume that a WRS annuitant who terminated all WRS covered employment after July 1, 2013, is rehired and expected to work 1,500 hours by the same school district for a school year (195 contract days spanning from August 25 through June 10) as a long-term substitute replacement teacher after having satisfied the 75-day break-in-service period. The annuitant is then contacted on June 25 by the same school district to become a regular contracted teacher and expected to work 1500 hours for the subsequent school year (195 contract days spanning from August 25 through June 10).

Answer: The annuitant will have their WRS annuity suspended and the employer must enroll them as a participating employee effective June 25, the day that the new position (which will make the 12 months and 880 hours eligibility criteria expected) was offered and accepted.

- I. Assume that a WRS annuitant who terminated all WRS covered employment after July 1, 2013, signs up with the same school district from which he/she terminated and with other school districts for which he/she has never worked and works in multiple school districts throughout the school year as an available per diem substitute teacher after having satisfied the 75-day break-in-service period.

Answer: Because the annuitant's new position does not meet WRS participation standards at any of the subsequent employers, the annuitant is entitled to keep his/her annuity and is not a participating employee for purposes for WRS contributions by the employer(s) or the annuitant. Moreover, because the annuitant's new position does not meet WRS participation standards, the annuitant is not required to satisfy the 75-day break-in-service period with respect to employers which are not the employer from which the annuitant retired.

However, per diem substitute teachers are subject to the 880 hour limitation on a rolling twelve month basis for each separate employer for purposes of determining whether their annuities are suspended.

- J. Assume that a WRS annuitant who terminated all WRS covered employment after July 1, 2013, satisfies the 75-day break-in-service period and is rehired for a full-time teaching position for a full school year (195 contract days spanning from August 25 through June 10) and has a provision in his/her individual contract which states that he/she resigns from said employment on June 10 and that the board of the school district, per the contract, accepts said resignation.

Answer: Because the annuitant's new position does not meet WRS participation standards, the annuitant is entitled to keep his/her annuity and is not a participating employee for purposes for WRS contributions by the employer or the employee. However, should the employee return to that District for even one day on or after August 25 of the subsequent year, his or her WRS annuity will be suspended and the District will be required to enroll him or her in the WRS. Once an employer has determined that an employee was not WRS-eligible when first hired or at their one-year anniversary date, continued eligibility monitoring on a rolling 12-month basis must begin. Employees who work the required hours in any 12 consecutive months must be enrolled in the WRS on the day after they have worked the required number of hours. Because the employee has worked more than 880 hours in a 12 month period with the same WRS employer he or she would need to be re-enrolled in the WRS.

V. See Attached Form ET-2319

Sample Rehired Annuitant Election (ET-2319)

FOR ETF USE ONLY
WRS Term Date:
Benefit Eff. Date:
Benefit App. Rec'd:
WRS Enrollment Date:

Department of Employee Trust Funds
Wisconsin Retirement System
P.O. Box 7931
Madison, WI 53707-7931
REHIRED ANNUITANT FORM
Wis. Stat. § 40.26 (1) and (1m)



PLEASE TYPE OR PRINT IN BLACK

Please refer to Chapter 15 of the WRS Employer Manual for instructions on completing this form.

Social Security Number or Member ID: 1	
Employee Name (Last, First, Middle): 2	Gender: 3 <input type="checkbox"/> Male <input type="checkbox"/> Female
Birth Date (MM/DD/YYYY): 4	
Address (Street, City, State, Zip): 5	
Employer Name (If State of Wisconsin, include department): 6	ETF Employer ID No. 69-036- 7
Hire/Rehire Date: 8	
WRS Termination Date (For WRS term date, refer to Previous Service & Benefit Inquiry App on ONE or contact ETF at 1-877-533-5020) (Complete Box 1 below if term date is prior to 7/2/13 or Box 2 if term date is on or after 7/2/13): 9	
WRS Employment Category: 10	Expected Duration of Employment (no. of months): 11
Hours Expected to Work (per year): 12	
If the annuitant is returning to their previous employer, will the annuitant perform duties substantially similar to their previous duties? <input type="checkbox"/> Yes <input type="checkbox"/> No 13	Person Hired is a Contractor? <input type="checkbox"/> Yes <input type="checkbox"/> No 14

NOTE: Have your employee complete ONLY ONE of the boxes below, depending upon their WRS termination date:

BOX 1 – WRS Termination Date Was Prior to July 2, 2013 – Employee Election Under Wis. Stat. § 40.26 (1)
I certify I had a valid termination and have remained terminated from all WRS participating employment between my date of termination and the latest of the following dates: 1) the day after my annuity effective date, 2) the 31st day after my termination date, or 3) the 31st day after ETF received my benefit application.
15

I AM NOT ELIGIBLE, at this point, to participate in the WRS. Should I become eligible, I understand I need to complete a new Rehired Annuitant Form indicating my desire to elect or not elect WRS participation.

I ELECT to actively participate in the WRS. I understand my WRS annuity will be suspended and WRS coverage will begin effective the first of the month following ETF's receipt of this election.

I DO NOT ELECT to actively participate in WRS pursuant to Wis. Stat. § 40.26 (1). I understand I may elect to actively participate in the WRS at any time in the future, provided I meet the WRS eligibility criteria for participation, by filing an updated form.

EMPLOYEE MUST SIGN HERE	Signature of Employee (in ink) 17	Date
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- OR -

BOX 2 – WRS Termination Date Was On or After July 2, 2013 – Annuity Suspension Under Wis. Stat. § 40.26 (1m)
I certify I had a valid termination and have remained terminated from all WRS participating employment between my date of termination and the latest of the following dates: 1) the day after my annuity effective date, 2) the 76th day after my termination date, or 3) the 76th day after ETF received my benefit application.
16

I ELECT to actively participate in the WRS as an active employee because my position is expected to last one year and requires 800 hours of service (440 hours for teachers and educational support staff) but is not expected to require 1,200 hours of service (880 hours for teachers and educational support staff). I understand my WRS annuity will be suspended and WRS coverage will begin the first of the month following ETF's receipt of this election.

IT IS NOT EXPECTED that my position, as an employee or a contractor, will last at least one year and require 1,200 hours of service (880 hours for teachers and educational support staff). I understand that my WRS annuity will continue and no WRS credit will be provided for my service. However, should expectations change, or I meet the eligibility criteria, a new form will be required and my annuity will be suspended at that time.

IT IS EXPECTED that my position, as an employee or a contractor, will last at least one year and require 1,200 hours of service (880 hours for teachers and educational support staff). I understand and acknowledge that my WRS annuity will be suspended effective the first of the month following my hire date and remain suspended until I again terminate all WRS employment. As an employee with a suspended annuity I will have my current service and earnings credited to the WRS. As a contractor, though my annuity will be suspended, I will not have my current service and earnings credited to the WRS.

EMPLOYEE MUST SIGN HERE	Signature of Employee (in ink) 17	Date
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AGENT MUST SIGN HERE AND SUBMIT TO ETF	I understand that Wis. Stat. § 943.395 provides criminal penalties for knowingly making false or fraudulent claims on this form and hereby certify that, to the best of my knowledge and belief, the above information is true and correct. I certify that I am responsible for reporting coverage information to the Wisconsin Retirement System.		
	Signature and Title of Agent (in ink) 18	Phone Number	Date

Table 15.2 - Rehired Annuitant Election Form Fields

Field	Field Title	Instructions
1	Social Security Number	Obtain the employee's Social Security number directly from the employee's Social Security card. Attach a copy of the Social Security card, if available.
2	Employee Name	Enter the last name, first name and middle initial.
3	Gender	Check the appropriate box.
4	Birthdate	Enter the date as it appears on the birth certificate (MM/DD/CCYY).
5	Address	Enter employee's permanent home address.
6	Employer Name	State of Wisconsin agencies - enter the name of the agency. All other employers are to enter the name exactly as printed on their WRS <i>Monthly Retirement Remittance Reports</i> (ET-1515).
7	ETF Employer ID Number	Enter your seven-digit EIN (XXXX-XXX) as shown on your WRS <i>Monthly Retirement Remittance Report</i> (ET 1515).
8	Hire/Rehire Date	Enter the date the employee returned to employment as a WRS annuitant.
9	WRS Termination Date	Enter the WRS annuitant's final WRS termination date as found on the 'Prior Service and Benefit Inquiry' application on the Online Network for Employers (ONE).
10	Employment Category	Determine the appropriate employment category from the categories listed in subchapter 401.
11	Expected Duration of Employment	The number of months the employee is expected to be employed. Positions expected to last greater than 12 months may use "permanent" or "indefinite". This field is required as it may affect whether the annuitant may continue their benefit.
12	Hours Expected to Work (per year)	The number of hours per year the employee is expected to work. This field is required as it may affect whether the annuitant may continue their benefit.
13	Is the Annuitant Returning to their Former Employer? If so, are the Duties expected to be the Same?	If the WRS annuitant is returning to their former employer, indicate whether they will be performing duties substantially the same or similar to their previous position. If not returning to their former employer, indicate "N/A"
14	Person Hired is a Contractor?	Indicate whether the WRS annuitant is claiming to be an independent contractor rather than an employee.
15	WRS Termination Date is Prior to July 2, 2013 [refer to box 9 above] - Employee Election	The employee must check the appropriate box indicating that their position is not WRS eligible or, if WRS eligible, whether they elect to or not to participate in the WRS and have their WRS annuity suspended.
16	WRS Termination Date is on or after July 2, 2013 [refer to box 9 above] - Position Expectation	The employee or contractor must check the appropriate box indicating whether the two-thirds of full-time employment and twelve months duration of employment eligibility criteria are expected. If so, the WRS annuity will be suspended the first of the month following the rehire date. Note: Two-thirds full-time hours equals 1,200 hours (880 hours for teachers and educational support staff of school districts).

Wisconsin Retirement System
 Chapter 15 — Employment of Annuitants

Field	Field Title	Instructions
17	Employee Signature and Date	The employee must sign and date the form to validate the election to participate or not participate in the WRS, if eligible to make an election otherwise, the employee or contractor signature indicates an understanding and acceptance of the consequences of their return to WRS employment.
18	Signature and Title of Agent and Date	Only the WRS agent (or alternate agent) is authorized to sign this form. By signing the form, the agent is certifying that the information regarding this employee is correct. Refer to subchapter 201.

Kim Kaukl
Executive Director
1755 Oakwood Circle
Plain, WI 53577
Cell Phone: (608) 553-0689
kimkaukl@wirsa.org



President, Chuck Keller
President-Elect, Cheryl Gullicksrud
Secretary, Diana Bohman,
Treasurer, Robert Smudde
Past President, Ben Niehaus

January 29, 2020

Senator Stroebel and members of the Senate Committee on Government Operations, Technology and Consumer Protection

I am the Executive Director of the Wisconsin Rural Schools Alliance (WiRSA) and I am writing on behalf of Wisconsin Rural Schools Alliance (WiRSA) members in opposition to SB 612. Our organization represents and supports over 220 members with 155 rural school districts, several CESAs, technical colleges, universities, businesses and individual members.

WiRSA was supportive of the initial concept of this bill but our organization is registering in opposition of the SB 612 because of the added change for the minimum retirement age for general employees (including teachers) under the WRS from 55 to 59.5 for covered employees who are under age 40 at the time the bill becomes law. We also have concern with the 36-month language and the uncertainty of how this will be defined and administered. We feel this language may have another negative impact on the education profession similar to Act 10 and have added impact on our ability to attract/retain educators. Many members shared that this added language looks to be another swipe at educators and may make the profession look less appealing for young people. Finally, we need to dispel the notion that retirees are double dipping; they are not. They are receiving a regular salary and the district is no longer adding anything to the WRS. The WRS payment they are earning is derived from the dollars put in prior to retirement and already earned. This situation should be no different than those in the private sector that retire and go back to work and still draw their pension. These retirees give districts, especially rural districts, viable options to fill open positions with quality educators.

In conclusion, SB 612 may end up being more detrimental to school districts than helpful. We would also like to see an actuarial study done on this proposal. To our knowledge, one hasn't been conducted. Wisconsin has one of the most financially sound pension systems in the country and it might be important to see if this legislation will impact the viability of the pension system. With this in mind, we ask that you oppose SB 612 or look to amend the retirement language, so the bill can do what it was initially intended to do: Give districts another tool to fill positions of need.

Thank you for your time and taking my written testimony into consideration,

Kim Kaukl

Kim Kaukl
Executive Director
Wisconsin Rural Schools Alliance
608-553-0689
kimkaukl@wirsa.org

Strong Schools, Strong Communities



To: Senator Stroebel (Chair) and members of the Senate Committee on Government Operations, Technology and Consumer Protection
From: Terri Phillips, Executive Director for the Southeastern Wisconsin Schools Alliance (SWSA)
Date: January 29, 2020
Re: Comments regarding SB612

My name is Terri Phillips and I am the Executive Director for the Southeastern Wisconsin Schools Alliance, also known as the SWSA. I represent 32 public school districts in Southeastern Wisconsin who educate approximately 25% of the public school students in Wisconsin.

Thank you for the opportunity to provide input on SB612. SWSA has registered a neutral position on this bill and is providing feedback for you and your committee to consider.

Our membership consists of both superintendents and board members. In addition, business managers frequently attend our monthly meetings and are solicited for feedback on bills impacting district operations, such as this one. We conducted a survey of our members as well as facilitated several conversations over the course of the past few months. Based upon the information I gathered, I would like to provide feedback and questions for you and your committee to consider as you move forward with this legislation.

1. SWSA is supportive of reducing the “wait” timeframe to rehire retired teachers. We have been advocating for flexibility in this area for some time. We appreciate the recognition that the teacher pipeline issue is impacting certain curricular areas more than others, and sometimes temporarily rehiring a retired educator with the right skill set is the best option for our students.
2. SWSA is registering a neutral position as our membership still has many unanswered questions regarding this legislation. We have reviewed the fiscal estimate dated 12/20/2019. This estimate only includes administrative costs associated with this bill and *does not* provide an estimate of the financial effect on the WRS Public Employee Trust Fund. We have posed several questions and encourage you to seek answers to the following questions:
 - a. Why does the proposed bill have a restriction on the number of months that a retired teacher can continue to be employed, and why was 36 months chosen? It is important to note that a teacher can retire from a public school with full benefits, and still teach at a private school. Quite frankly, this creates an inequity within the two school systems.
 - b. What are the impacts of raising the retirement age? Have the following questions been answered?
 - i. What will the cost of increasing the retirement age do to WRS?
 - ii. Can this proposal be supported financially in the state of Wisconsin without compromising the WRS pension system?
 - iii. Has an actuarial study of this proposal been conducted? Wisconsin has one of the most financially sound pension systems in the country. Might this legislation impact the viability of this pension system?

I would like to share one final comment shared by our membership. Although this bill provides some short-term assistance with the teacher pipeline issue, it certainly does not address the long-term issues. We look forward to continuing the conversation and potential legislation that will strengthen Wisconsin’s teacher pipeline.

Thank you for the opportunity to provide input on this important legislation. We encourage you to take time and reflect on these questions as you consider next steps for this legislation. The members of the SWSA are always happy to discuss policy decisions and how they impact our kids.

Theresa A. Phillips

Terri Phillips, SWSA Executive Director
swsaexecdirector@gmail.com