



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: June 7, 2007
TO: Employee Trust Funds Board
FROM: John Vincent, Administrator
Trust Finance and Employer Services Division
SUBJECT: Purchase of Prior Non-Covered Employment as WRS Service

The attached bill draft was prepared at the Board's request based on discussions at the March 16 meeting. Under the draft, an employee would be able to purchase creditable service for work performed for a Wisconsin Retirement System (WRS) employer prior to the time he or she became eligible to participate in the WRS. If approved by the Board, the Department will seek to have the draft introduced as legislation and approved by the Legislature.

Description of draft

The draft would create section 40.285(2)(g) of the statutes. Under the draft, a participating employee may purchase creditable service for work performed for a WRS employer when the employee was not covered by the WRS because the employee was not expected to meet the minimum hours and/or duration of employment requirements. In the draft, this work is referred to as "non-covered employment." The purchase would be allowed if all of the following conditions are satisfied:

- a. The applicant was included in the WRS subsequent to the applicant's appointment to the position in which the non-covered employment occurred.
- b. At the time the applicant was included in the WRS, the applicant was serving in the same position in which the non-covered employment occurred.
- c. The applicant was included in the WRS because the expectation regarding the number of hours or the duration of employment for the position changed.
- d. The applicant applies to the department.
- e. The applicant is a participating employee with any participating employer on the day that the department receives the application.
- f. The applicant furnishes with the application evidence of the non-covered employment that the department considers acceptable.
- g. The applicant submits the required payment with the application. *The draft requires the applicant to pay the full actuarial cost of the purchased service.*

Reviewed and approved by Dave Stella, Deputy Secretary.
Signature _____ Date _____

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The draft legislation was fashioned after current language in 40.285, relative to the purchase of "other government service" (OGS), with one exception. That is, when an employee would be able to apply for the purchase. This legislation would permit an employee to submit an application to purchase immediately when expectations change and the above requirements are met. Under OGS, an employee is required to have at least three continuous years of creditable service at the time of application. Staff feels permitting the immediate purchase of creditable service is the fairest for the employee, does not add administrative complexity, does not harm the WRS, and is in concert with the wishes of the Board members.

Staff will be available at the meeting for discussion and questions.

An Act to create section 40.285 (2) (g) of the statutes relating to the purchase of creditable service for employment with a participating employer not covered under the Wisconsin Retirement System.

ANALYSIS

Under current law, employers determine the nature of their workforce and expectations for their employees. Employers are responsible for evaluating and determining each employee's eligibility for participation in the Wisconsin Retirement System. As provided in Wis. Stat. s. 40.22, all employees who meet both of the following criteria must be enrolled in the Wisconsin Retirement System on the date of hire: 1) the employee is expected to work one-third of full-time per year (600 hours for non-teaching employees and 440 hours for teachers); and 2) the employee is expected to be employed for at least one year from the date of hire. However, if an employee does not meet those criteria on the date of hire, the employee may subsequently become eligible and must be enrolled if any of the following occurs: 1) the employment expectations change such that the employee is expected to meet or exceed the hour and duration of employment criteria; 2) on the employee's one year anniversary date it is determined that the employee met the threshold for the number of hours worked for the previous year; or 3) it is determined that the employee met the threshold for hours worked in any 12 consecutive month period.

This bill addresses situations when the work expectations for an employee change such that the employee becomes eligible for enrollment in the Wisconsin Retirement System and has prior service from the date of hire in the same position with that employer. Under this bill, if certain requirements were satisfied, employees would be allowed to purchase creditable service for work performed prior to the time they became eligible to participate in the Wisconsin Retirement System. The employee can submit an application for the purchase of such creditable service if the applicant is a participating employee on the day the Department of Employee Trust Funds receives the application. The application may be submitted at any time after the change of work expectations. The applicant shall pay to the department the present value of such creditable service in accordance with rates that are actuarially determined to be sufficient to fund the cost of the increased benefits that will result from granting such creditable service. The bill sets forth additional requirements for the purchase of creditable service for non-covered employment.

SECTION 1 Section 40.285 (2) (g) of the statutes is created to read:

40.285 (2) (g) *Non-covered employment*. 1. For purposes of this paragraph, “non-covered employment” means service performed for a participating employer in a position not included within the Wisconsin Retirement System at the time of appointment pursuant to s. 40.22 (2) (a) or (b).

2. Each participating employee may apply for and receive creditable service for non-covered employment if all of the following apply:
 - a. The applicant was included in the Wisconsin Retirement System subsequent to the applicant’s appointment to the position in which the non-covered employment occurred.
 - b. At the time the applicant was included in the Wisconsin Retirement System, the applicant was serving in the same position in which the non-covered employment occurred.
 - c. Subsequent to appointment to the position in which the non-covered employment occurred, the applicant was included in the Wisconsin Retirement System because the expectation regarding the number of hours or the duration of employment for the position changed.
 - d. The applicant meets the requirements of this paragraph and submits to the department an application that is acceptable to the department.
 - e. The applicant is a participating employee with any participating employer on the day that the department receives the application.
 - f. The applicant furnishes with the application evidence of the non-covered employment that the department considers acceptable.
 - g. The applicant submits with the application payment as provided under subd. 5.
3. The department may accept an application for creditable service for non-covered employment under this paragraph at any time after the applicant is included in the Wisconsin Retirement System under subd. 2. c.
4. An applicant may not apply for more years of creditable service under this paragraph than the number of years of creditable service that the applicant has on the date of application, excluding all creditable service purchased under this section or s. 40.02 (17) (b), 1981, 1983, 1985, 1987, 1989, 1991, 1993, 1995, 1997, 1999, and 2001 stats., s. 40.02 (17) (e), 1987, 1989, 1991, 1993, 1995, 1997, 1999, and 2001, stats., s. 40.02 (17) (i) 1989, 1991, 1993, 1995, 1997, 1999, and 2001, stats., s. 40.02 (17) (k), 1989, 1991, 1993, 1995, 1997, 1999, and 2001, stats., s. 40.25 (6), 1981, 1983, 1985, 1987, 1989, 1991, 1993, 1995, 1997, 1999, and 2001 stats., or s. 40.25 (7), 1991, 1993, 1995, 1997, 1999, and 2001 stats., less the number of years of creditable service previously purchased under this paragraph or s. 40.25 (7), 1991, 1993, 1995, 1997, 1999, and 2001, stats.

5. Except as provided in sub. (4) (b), the applicant shall pay to the department a lump sum equal to the present value of the creditable service applied for under this paragraph, in accordance with rates actuarially determined to be sufficient to fund the cost of the increased benefits that will result from granting the creditable service under this paragraph. The department shall by rule establish different rates for different categories of participants, based on factors recommended by the actuary.
6. The creditable service granted under this paragraph shall be the same type of creditable service as the type that is granted to participants who are not executive participating employees, elected officials, or protective occupation participants.
7. A participating employee may apply to receive part or all of the creditable service that he or she is eligible to receive under this paragraph.
8. A participating employee may not receive creditable service under this paragraph for non-covered employment that is used for the purpose of establishing entitlement to, or the amount of, any other benefit to be paid by any federal, state, or local government entity, except a disability or OASDHI benefit or a benefit paid for service in the national guard.
9. Unless otherwise provided by the department by rule, a participating employee may not purchase creditable service under this paragraph more than 2 times in any calendar year.

(end)