

Jeremy Thiesfeldt

STATE REPRESENTATIVE • 52nd ASSEMBLY DISTRICT

Testimony on SB 134

This bill will make it easier for municipalities that are currently not in the Wisconsin Retirement System (WRS) to transition into membership. Currently, there are 9 cities and 140 villages (and almost all townships) in Wisconsin that do not utilize the WRS system.

Under current law there is little to no incentive for a municipality to move to WRS due to a potential negative impact on employees and a large fiscal impact on the municipality. The proposed bill would not force a community to join the WRS. It simply provides a less expensive, viable **option** for a community to initially join.

Current law allows only a 100% workforce conversion to WRS and could jeopardize the pensions of some workers who have been employed under a different pension system. WRS requires 5 years of service to be “fully vested,” meaning they have a right to receive the employer’s matching pension contribution upon retirement. If a municipality were to convert to WRS under current law, depending on the vesting rules of their current pension, a worker may already be fully vested and conversion would result in them needing to work an additional 5 years to be likewise vested under WRS.

This bill would provide municipalities interested in participating in WRS the option to join incrementally by applying the benefit to only newly hired employees while allowing current employees to finish their careers under their existing retirement plan. In other words, the municipality could join the WRS and choose not to include its current employees in the WRS. Allowing new hires is the fairest and most practical option of moving our municipal employees into the WRS pension system.

Another benefit, outside having one of the best, stable pensions in America, is for recruitment. Due to the widely-held respect for the WRS, it is difficult for non-participating municipalities to recruit qualified, experienced candidates to fill job openings. Candidates that have worked anywhere else for any fair amount of time under WRS will likely shy away from applying for jobs in these municipalities thus diminishing potential applicant pools. Due to revenue caps and the corresponding initial conversion cost to WRS it is impractical, if not nearly impossible, to make the conversion.

The Employee Trust Fund has shared that they can administer this type of transition. Once a municipality elects to join WRS it remains irrevocable.

Serving the communities of Fond du Lac, Oakfield, Byron, Empire, Taycheedah, and the western half of Calumet township



JERRY PETROWSKI

WISCONSIN STATE SENATOR

Senate Bill 134 *Coverage for New Hires under WRS* January 14, 2016

Good morning, members of the committee, and thank you for the opportunity to provide testimony today on Senate Bill 134, which relates to coverage for new participating employers under the Wisconsin Retirement System (WRS).

Under current law, a municipality seeking to join the WRS is required to transition its entire workforce at the time the decision is made to do so. This workforce conversion can be very costly, which effectively acts as a disincentive to join for those nine cities and 140 villages not yet participating. As you may be aware, the strength of the WRS depends not only on the management of the system, but the total number of participating employees.

This bill will make it easier for these municipalities to participate in the WRS by offering them the option to transition only newly hired employees, so that through the normal process of retirement and turnover a municipality's entire workforce would be phased into the program. For the municipality, this benefit is two-fold; not only are they moving employees to the system at less cost to themselves, the ability to provide WRS benefits to a new employee is an important incentive to attract and hire great employees.

Lastly, Senate Amendment 2 will provide further options to the employer under the proposed plan by allowing the municipality, if it elects to convert its new hires to the WRS, the ability to offer its current employees the option of participating in the system as well.

Thank you again for the opportunity to speak on this bill. I would be happy to answer any questions you may have.

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