CHAPTER 7 — CONTRIBUTION RATES

700 Introduction

WRS contribution rates are reviewed annually and may change based on actuarial assumptions and recommendations. Each year, at their June meeting, the Employee Trust Funds (ETF) Board approves the rates for the following year. The approved rates are then published in an Employer Bulletin. Each contribution category is valued separately. Contribution rate changes are considered normal for systems that pre-fund retirement benefits. Annuity benefits are not affected by these rate changes.

Under Wis. Stat. § 40.05, WRS contribution rate changes are evenly distributed between the employer and employee rates. 2011 Wisconsin Acts 10 and 32 require that each contribution rate be evenly divided between the Employer-Required Contribution (ERRC) and the Employee-Required Contribution (EERC) for Judges, Elected Officials and State Executive positions designated in Wis. Stat. § 20.923 (4), (8) or (9) and for General category including Teachers and Educational Support Personnel. The Protective with Social Security and Protective without Social Security EERC rate is the same as the General category EERC.

Employers electing to increase prior service coverage or pay off their unfunded liability balances may also experience a change to their prior service rates.

701 Employer-Required Contribution Rates

Each participating employer shall make contributions for current service determined as a percentage of the earnings of each participating employee. Under no circumstances may an employee be required to pay any portion of the Employer-Required Contributions. The employer contribution rates for each of the categories consist of:

A. Current Service Costs

Current service costs are set annually based on an actuarial valuation.

B. Unfunded Actuarial Accrued Liability (UAAL)

Unfunded Actuarial Accrued Liability (UAAL) (also known as Prior Service Liability) is the cost of providing benefits for service credit earned prior to an employer joining the WRS or for providing benefit improvements based on service credit earned prior to the effective date of certain major benefit legislative changes.
Monthly retirement contribution rates include a small component for prior service liability (1 or 2% for most employers), if applicable. Each month retirement contributions are made, you are also paying toward your prior service liability. The prior service rate must be paid by the employer.

Employers have the option of paying off their liability faster, thereby minimizing future interest charges. Employers can pay off the entire liability in a single payment or make payments larger than the required amounts. ETF will develop a customized payment plan for employers interested in paying off liabilities early.

UAAL prior service contribution rates are set individually for each participating employer, based on the employer’s outstanding unfunded liability balance. The liability is amortized over 40 years, beginning January 1, 1990, or the employer’s participation effective date, whichever is later. Any liabilities remaining at the end of the 40-year amortization period will continue to be payable by the employer.

ETF provides an optional UAAL calculator on its Internet site to assist employers in projecting their UAAL amortization schedule. The UAAL Calculator projects the employer prior service payments and interest using current Actuarial Assumptions of the WRS for the 7.2% interest rate and for the salary increase rate (currently set at 3.2%). Using these assumptions, the calculator produces a schedule that projects employer payments and interest through the year 2029. The UAAL calculator is found on ETF’s Internet site at etf.wi.gov. Select the ‘Employers’ tab and click on the link to ‘General Information’ to find a link to the ‘Local Employer Projected Unfunded Actuarial Accrued Liability’ (UAAL) calculator.

C. Duty Disability Costs

Duty Disability costs are applicable to protective employment category employees as defined in Wis. Stat. § 40.02 (48) (c).

The Duty Disability contribution rates, mandated by Wis. Stat. § 40.05 (2) (ar), are individually experience-rated for each participating employer. Contribution rates paid by an employer are directly related to the number and amount of claims filed by each employer’s participants. This rate must be paid by employers.

The definition of protective occupation participants, for this purpose only, is broader than for other benefit purposes in that any state employee whose duties involve supervision or discipline of inmates at a state penal institution is included in the duty disability provision.

D. Sick Leave Conversion Costs (State Agencies Only)

These contributions pay for conversion of unused sick leave to health insurance premiums for retired state employees. Annual increases can not exceed 2%. ETF’s board sets sick leave conversion costs based on the actuary’s recommendation. This rate must be paid by the employer.
702 Employee-Required Contribution Rates

The Employee-Required Contribution (EERC) rates are established in Wis. Stat. § 40.05 (1). pursuant to Wis. Stat. § 40.05 (1) (b) 1. 2011 Wisconsin Acts 10 and 32 prohibit most employers from paying any of the EERC unless there was a collective bargaining agreement in place prior to the law’s effective date. Certain employees who meet the Chapter 111 Employment Relations definition of “public safety employee” may also continue to bargain over who will pay the EERC.

Please note there are several pending legal challenges to certain provisions of Acts 10 and 32. Therefore, the information provided above may change at any time based on the status of the law.

703 Benefit Adjustment Contribution

2011 Wisconsin Act 10, effective in 2011, eliminated the Benefit Adjustment Contribution (BAC). The BAC contribution was enacted by legislation in 1984 to fund improved retirement benefits for members of the WRS as established in Wis. Stat. § 40.05 (2m). The BAC was not credited to the employee’s WRS account, but was used to fund overall system benefit liabilities. The BAC may still apply when adding earnings to an employment segment prior to 2011.

704 Employer Contribution Rate Information

Information on ‘current year’ and ‘future year’ employer contribution rates are provided in the Current/Future Rate Inquiry on ETF’s Internet site at etf.wi.gov. To reach the contribution rate calculator, select the ‘employers’ tab at the top of the Homepage. Scroll down the employer page and select ‘Contribution Rates’. Click in the section ‘Select an Employer and then press calculate’. Select the employer you are interested in viewing from the list and click ‘Display’. An alphabetical employer drop-down list will appear. Select an employer from the list and click ‘Calculate.’ Current and future year contribution rates will appear. Please note that future year rates will be updated each year once they have been announced by the ETF Board and employers will be notified via an annual Employer Bulletin.