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Tinkering with the WRS:
Very Bad Idea Without the Facts!

Recently, a number of bills, even including proposals in the 2013 – 2015 state budget, have taken aim at perceived problems related to "double dipping" (rehiring after retirement), minimum retirement age, years of service for pension calculations, and overtime abuse to "spike pensions". Here is the problem with all of these proposals: they were prepared in the absence of facts. They are solutions looking for problems.

The importance of knowing the facts before proposing new bills can be seen by current lawmaker interest in so-called double dipping. A December 2012 Legislative Audit Bureau study found that between January 2007 and March 2012, only 2,783 WRS annuitants from the UW System and state agencies came back to public employment. Most annuitants hired by state agencies worked part-time for less than one year and were paid either at their former wages or less, many being considered as Limited Term employees without benefits. The report largely concludes that there is no widespread "double dipping" in the WRS system. Moreover, the reports points out that "employers indicated that annuitants possess expertise that may be difficult to obtain from other employees."

This last point above is of keen importance. In 2011 and 2012, 31,000 public workers retired from WRS-covered positions and, owing to local and state budget cutbacks and other program changes, these employees were not fully replaced nor were new positions added. Recent retirements have depleted agencies of significant expertise and made it almost essential to hire back retirees to take care of special projects and/or provide staff backup. Finally, it must always be kept in mind that the employer, not the employee, controls all aspects of hours of work. None of these facts stopped the Governor from including additional constraining language on "double dipping" in his 2013 – 2015 budget bill.

WRS system designers built an exceptionally smart, durable system over the past 40 years. It carefully balances current and future annuitant needs with reasonable performance goals; wise, low-cost investing; solid tax payer protection; and exceptional risk management through the 5-year smoothing formula. Changing any number of factors which affect performance, employee participation rates, employee contributions, investment fund availability, future annuitant payouts, or vesting time can have significant and unintended consequences. Everything is attached to everything else.

The WRS must be managed as a single integrated system. The dangers of moving too far, too fast without considering consequences can be seen in the passage of Act 10 in 2011. This law affected many aspects of collective bargaining, but it also affected the WRS by increasing contribution rates in unanticipated ways on employees and employers. The ETF has estimated these costs at $44 million. David Stella, former ETF Secretary, said it best this way , "the financial and structural impact and associated risks of these law changes (in reference to Acts 10 and 32, 2011) in both the short and long-term may not be fully understood. Given the complexity and extremely large financial impact of the

WRS on Wisconsin, proposed changes must be thoughtfully constructed, carefully studied, and meticulously implemented."

Proposing legislation and reforms without fact checking brings about the great potential for unintended consequences. Because the WRS is so delicately balanced, those proposing change should first get the facts to support their contention, then conduct a formal actuarial study or impact assessment on the suggested "fix" to make sure that unintended and long-term damage is not done to the WRS. The legislative process allows for the funding of directed actuarial studies and/or special audits through the Legislative Audit Bureau, and such analysis should be a routine part of all WRS reform proposals. As David Stella reminds us, " the WRS is a complex system and even seemingly modest changes to one piece of the WRS equation can have significant unintended consequences on the system as a whole".

Legislative and policy proposals that purport to "reform" the WRS must have a high burden of proof!
The WRS continues to rank as one of the top public pension systems in America. Whether the Pew Center on States or Morning Star or even Governor Walker's own WRS system review in 2012, they all come to the same conclusion: it is a well-conceived and well-run system that provides public employees and taxpayers with exceptional quality and protection. The most recent accolades come from Institutional Investor e-Magazine, March 2013 saying " legislators in states with underfunded pensions would do well to borrow a page from Wisconsin and its well-funded retirement machine."

So, why all the tinkering? If it ain't broke, don't fix it!

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This publication was developed by Protect Our Wisconsin Retirement Security (POWRS). POWRS is a statewide working group of activist retirees who work in close cooperation with the Wisconsin Alliance of Retired Americans (WIARA). To contact POWRS or find other publications go to:
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