REPORT FOR THE UNIVERSITY SENATE

University Senate Committee: Compensation Committee

Brief History of Issue - why the issue is being considered:

The economic downturn has many states examining their financial status. According to a National Conference on State Legislators study and Pensions & Investments’ research there are at least 10 states, including Wisconsin that are looking to improve their financial positions by exploring the possibilities (or have already introduced bills) of moving their retirement plans from a defined benefits plans to a defined contributions plan. Wisconsin State Representative Pat Strochta introduced a bill that would permit Wisconsin universities to allow new hires to opt out of the Wisconsin Retirement System (WRS) defined benefits plan by offering an optional retirement plan. In Wisconsin, The Joint Committee on Finance added an amendment to the 2011-2013 Biennial State Budget (Act 32) that required the Department of Administration, Office of State Employee Relations and the Department of Employee Trust Funds to study the structure of the WRS and benefits provided by the WRS. The Joint Committee on Finance directed the study group to determine the effect of establishing a defined (401(k) – type) contribution plan as an option for employees and to determine the effect of allowing employees to opt out of contributing to WRS. The study concluded the following:

- a defined contribution plan could increase the cost to taxpayers and employees
- it could lower retirement benefits
- allowing employees to opt out of WRS would lower their benefits and
- allowing employees to opt out of WRS would destabilize the fund for all.

The recommendation of the committee was that neither an optional defined contribution plan nor an opt-out option be implemented at this time. The committee believes that allowing employees to opt out of the WRS would weaken the system thus resulting in lower employee benefits.

Points Discussed by Committee:

- Solvency of WRS.
- Portability issues with the current plan.
- Survey results from the compensation committee survey.

Pros of Recommendation:

- It is an efficient retirement system. National average of all state and local spending on retirement is 2.9% whereas WRS spending only makes up 1.3% (4th best in the country)
- Its fully funded (Study by Pew Center, 2010)
- Low risk to taxpayers
- Would not lower the level of benefits to employees.
- 86% of the respondents to the compensation committee survey support opposition to any legislation that would weaken WRS.

Cons of Recommendation:

- does not allow for employees to opt out of the plan.
Technology/Human Resource Impact:

Committee Recommendation:

We recommend that the UWEC University Senate oppose any legislation that would allow any UW employee to opt out of the Wisconsin Retirement System.
MOTION FOR THE UNIVERSITY SENATE

The University Senate Committee: Compensation Committee
by a vote of __8__ for to __0__ against on ______4-15-2014____ (Date)

Recommends that:

The UWEC University Senate oppose any legislation that would allow any UW employee to opt out of the Wisconsin Retirement System.

Implementation Date: Immediate

Signed: _____ Sasha Showsh

Chair of the Committee

Send to: University Senate Office