



## Legislative Fiscal Bureau

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September 12, 2011

TO: Representative Brett Hulsey  
Room 3 North, State Capitol

FROM: Art Zimmerman, Fiscal Analyst

SUBJECT: Retirement and Health Insurance Contribution Increases for State Employees, 2011

You requested information on the effect that modified employee-required retirement and health insurance contributions will have on the earnings of state employees at different levels of pay. Specifically, you asked for the effect on employees earning \$25,000, \$50,000, and \$125,000 annually. The effects of increased employee benefit contributions vary somewhat between employment classifications (general, elected officials and state executives, and protective occupation employees), and depending on the health coverage choices that are made by the employee. These choices include the selection of plans (Tier 1, 2, or 3) and the selection of single or family health care coverage. For illustration purposes, this memorandum only discusses the most common situation, general employees with Tier-1, family health care coverage.

Under 2011 Wisconsin Act 10, employee contributions to the Wisconsin Retirement System (WRS) were modified to require an employee contribution to the WRS in an amount equal to a percentage of each payment of earnings equal to one-half of the total actuarially-required contribution rate, as approved by the Employee Trust Fund (ETF) Board. Under the current 2011 WRS rates, one-half of the general participant rate is 5.8% of earnings. Under prior law, based on provisions in the state's compensation plan for nonrepresented employees and collective bargaining agreements for represented employees, general employees were paying 0.2% of earnings for WRS benefits in 2011. The net increase in 2011 under Act 10 was 5.6%.

Act 10 also increased the employee required health insurance contributions for Tier 1, 2, and 3 plans for both single and family coverage. The 2011 monthly employee contribution for Tier 1 family coverage was increased from \$89 (\$1,068 per year) to \$208 (\$2,496 a year). This represents a monthly increase of \$119 (\$1,428 a year) for Tier 1 family coverage.

The data in the table below show the effects on earnings of the WRS and health care coverage contributions only. The deductions that were made prior to Act 10 taking effect are

shown first. The deductions under current law, which reflect the Act 10 changes, are then shown. Finally, the net increases between current-law and prior-law contribution requirements are shown. Under both prior law and current law, a greater percentage of earnings is required for employee benefit contributions made by employees with lower earnings. This reflects the fact that contributions for health insurance coverage are identical regardless of salary level.

**State Employee-Required Contributions  
Retirement and Health Care Coverage  
Percentage of Earnings  
2011**

	Prior-Law Deductions		
Annual Earnings	\$25,000	\$50,000	\$125,000
WRS (0.2%)	-50	-100	-250
Health Care (\$89/Month)	-1,068	-1,068	-1,068
Net Earnings	\$23,882	\$48,832	\$123,682
Total WRS and Health Deductions	\$1,118	\$1,168	\$1,318
Percent of Annual Earnings	4.5%	2.3%	1.1%
	Current-Law Deductions		
Annual Earnings	\$25,000	\$50,000	\$125,000
WRS (5.8%)	-1,450	-2,900	-7,250
Health Care (\$208/Month)	-2,496	-2,496	-2,496
Net Earnings	\$21,054	\$44,604	\$115,254
Total WRS and Health Deductions	\$3,946	\$5,396	\$9,746
Percent of Annual Earnings	15.8%	10.8%	7.8%
Change in Total Contributions	\$2,828	\$4,228	\$8,428
Change as Percent of Annual Earnings	11.3%	8.5%	6.7%

I hope this information is helpful.

AZ/sas