

UW SYSTEM ADVISORY COMMITTEE ON FRINGE BENEFITS MINUTES
April 15, 2011 Teleconference

Members Present: Fredric Kolb, Donna Menart, Susan Fontana, Sharon Pink, Steve Guo, Ana Araujo, Diane Douglas, Mary Kay Sankey

Members Absent: Tracy Hofer

Staff Present: Sue Chamberlain, Beth Ritchie

The meeting was called to order at 1:05 p.m.

Agenda Item 1: Tax Treatment of Required Employee Pension Contributions

IRS tax code provides that required employee pension (WRS) contributions are deducted on a post-tax basis unless the employer has an agreement to treat it otherwise. This has not been an issue for UWS employees because the employer has historically paid the employee's portion of the pension contributions. This will change, however, as 2011 Wisconsin Act 10 (2009-11 Budget Repair Bill) requires that employees pay half of the full pension contributions.

Local municipalities working with tax consultants have expressed an interest in having the employees' pension contributions treated on a pre-tax basis so they are not subject to taxation until the money is received as an annuity, at which time the individual may be subject to a lower tax rate due to lower income. ETF has contracted Ice Miller, a prominent legal and consulting firm, and has been advised that the IRS tax code allows pre-tax treatment of employee pension contributions if there is a salary reduction arrangement whereby the contributions are deducted prior to state and federal income taxes. FICA and Social Security contributions are not impacted.

This change could be made via compensation plans, at the discretion of the employer or by state statute. ETF supports a change to require pre-tax employee pension contributions but they prefer it to be based on state statute to ensure consistency amongst WRS employers. There is some interest at the state capitol in introducing such legislation. ETF and the Legislative Reference Bureau are drafting a bill. It is possible that Representative Steineke (R- Brown County) will introduce the bill but it's important to have as many bi-partisan co-sponsors as possible.

The FBMC supports treating employee pension contributions on a pre-tax basis. It will put UWS employees on the same footing as private sector employees whose pension contributions are treated on a pre-tax basis through 401k plans. As such, the FBMC unanimously approved the following Resolution to President Kevin Reilly:

The Fringe Benefit Advisory Committee recommends to President Reilly that UW System Administration actively support legislation that would provide for the pre-tax treatment of all employee required contributions to the Wisconsin Retirement System.

Once the proposed legislation has been drafted and released, UWSA will share the bill with campuses and institutions. Staff who are interested in supporting the change should be encouraged to contact their legislators.

Fred requested that staff develop a table demonstrating the impact of required employee pension contributions if treated on a pre-tax basis rather than on a post-tax basis to help illustrate the impact of such a change.

Agenda Item 2: Retroactive Increase in Health Insurance and WRS Contributions

There has been no formal announcement from the Governor or OSER about whether the delay in the implementation of 2011 Wisconsin Act 10 will necessitate the retroactive collection of the increased employee health insurance premium and WRS contributions. WISPOLITICS.com reported on April 12,

2011, that Governor Walker indicated that there would be no retroactive collection of employee contributions.

Agenda Item 3: Resolution of Commendation for Donna Menart

Donna Menart joined the Committee in September 1992 and has served ever since. The Committee unanimously approved the Resolution of Commendation that expresses thanks and appreciation to Donna for her loyalty and long service on behalf of all of her System colleagues and extends best wishes for success and happiness in her future endeavors.

Sue recapped a few of the major efforts successfully undertaken during Donna's tenure. These include the offering of UWS-sponsored benefit plans to domestic partners beginning in 2004 (prior to the statutory change allowing domestic partners to enroll for state group health and life insurance), first day pick up of health insurance premium for the unclassified staff and implementing the recommendations of the Legislative Audit Bureau following an audit.

Meeting adjourned at 1:50 p.m.