

**Committee Name:**

**JOINT SURVEY COMMITTEE – RETIREMENT SYSTEMS  
(JSC–RS)**

**Appointments**

89hr\_JSC–RS\_Appt\_pt00

**Clearinghouse Rules**

89hr\_JSC–RS\_CRule\_89–

**Committee Hearings**

89hr\_JSC–RS\_CH\_pt00

**Committee Reports**

89hr\_JSC–RS\_CR\_pt00

**Executive Sessions**

89hr\_JSC–RS\_ES\_pt00

# Hearing Records

## 89hr\_ab0107

89hr\_sb0000

**Misc.**

89hr\_JSC–RS\_Misc\_pt89

**Record of Committee Proceedings**

89hr\_JSC–RS\_RCP\_pt00

CONSIDERATION OF

AB 107  
(BILL NUMBER)

DATE

8/3/89

JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS

NAME ALLAN R KORITZINSKY, ATTORNEY  
ADDRESS 7617 MINERAL POINT ROAD  
CITY MADISON STATE WI ZIP 53705-051  
ORGANIZATION, IF ANY State Bar, Family Law Section, American Academy of Matrimonial Lawyers and self

WOULD LIKE TO TESTIFY (APPEAR BEFORE THE COMMITTEE)

IN FAVOR                       OPPOSED                       INFORMATION

WOULD LIKE TO REGISTER

IN FAVOR                       OPPOSED                       INFORMATION

**Assembly Hearing Slip**

(Please print plainly)

Date: Aug 3, 1989  
Bill No. AB 107  
Or  
Subject \_\_\_\_\_

Peter P. Roper  
(Name)  
402 W. Wilson St, MADISON 53703  
(Street Address or Route Number)  
MADISON 53703  
(City & Zip Code)  
FAMILY LAW SECTION  
STATE BAR OF WISC.  
(Representing)

Speaking in favor:   
Speaking against:   
Registering in favor:   
Registering against:   
Speaking for information only; Neither for nor against:

Please return this slip to a messenger promptly.  
(Fill out a separate slip for each bill.)

Assembly Sergeant at Arms  
Room 210 West  
State Capitol  
Madison, WI 53702

OFFICE MEMO AD-2

To	Date	Time
From	<input type="checkbox"/> Please Call <input type="checkbox"/> Returning Call <input type="checkbox"/> Will Call	
Phone	Taken By	
<input type="checkbox"/> Comment <input type="checkbox"/> Route	<input type="checkbox"/> For Your Inf. <input type="checkbox"/> Approve/Sign	<input type="checkbox"/> Prepare Reply <input type="checkbox"/> Take Action
		<input type="checkbox"/> Return <input type="checkbox"/> File

JIM WALDO  
 1202 April Lane  
 Green Bay  
 54304

AB 107

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OFFICE MEMO

AD-2

To	Date	Time
From	of	
Phone	Received By	
<input type="checkbox"/> Please Call <input type="checkbox"/> Returning Your Call	<input type="checkbox"/> Will Call Again	<input type="checkbox"/> Called to See You

- Comment
- For your Information
- See Me
- Take Action
- Approve
- Sign
- Revise
- Prepare Reply For My Signature
- Reply Direct
- Per Your Request
- Code
- Route To:

Hearing notice

Bill Oliver  
 201 Delefeld  
 Waupesa, WI  
 53188

- Return
- File

Typing Request

Date Needed \_\_\_\_\_  Rough  Double SP  
 Original + \_\_\_\_\_ copies  Final  Single SP

Copy Request

\_\_\_\_\_ Copies

April 20, 1989

Bill Oliver  
201 Delefield Avenue  
Waukesha, WI 53188

Dear Mr. Oliver:

Thank you for sharing your concerns as they relate to Assembly Bill 107 which relates to division of a participant's rights and benefits under the Wisconsin retirement system pursuant to a qualified domestic relations order. I certainly understand your concerns in this matter.

For your reference, I have enclosed a copy of the bill. There is a very good analysis of this legislation on pages one through three.

When we schedule a public hearing on AB 107I will forward a copy of the hearing notice with the pertinent information. In the meantime, please do not hesitate to contact me with any additional questions or comments which you may have.

Sincerely,

RICHARD GROBSCHMIDT  
State Representative  
21st Assembly District

Enclosure

RG:lm

Bill Oliver 549-8055  
201 Delafield Ave  
Waukegan, WI  
53188

Send copy of AB-107 &  
Blair's Analysis

Also — Put him on List  
for notice of public hearing.

State of Wisconsin  
21st Assembly District



Cudahy, Oak Creek  
South Milwaukee

---

**Richard Grobschmidt**  
State Representative

October 17, 1989

Mary E. Stigler  
1104 Catherine Street  
Waukesha, WI 53186

Dear Mary:

Thank you for your letter regarding Assembly Bill 107. I'm happy to hear of your attorneys interest in this legislation also.

Assembly Bill 107 is now ready to be scheduled for Assembly floor debate. I am confident this will occur during our current October session. You could write to your Assembly and Senate representatives and encourage them to vote in favor of this proposal, but I really don't foresee any obstacles occurring. I will be sure to keep you apprised of the progress of this bill.

Thank you again for contacting me. If I can ever be of any assistance to you in the future, please don't hesitate to let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Richard Grobschmidt', is written over the typed name.

RICHARD GROBSCHMIDT  
State Representative  
21st Assembly District

RG/js

November 8, 1989

Mary Stigler  
1104 Catherine Street  
Waukesha, WI 53186

Dear Ms. Stigler:

Thank you for your recent letter regarding the status of Assembly Bill 107. This legislation was referred to the Joint Survey Committee on Retirement Systems on October 10, 1989. To date the Committee Chairpersons have not scheduled any committee action. I have, however, contacted Representative Kunicki, Finance Co-Chairperson, and requested that they act on this legislation prior to the January floor period of the Legislature. It is likely that it would then pass the Legislature and be sent on to the Governor for his final approval.

Again, thank you for your interest and you may be assured of my continued support for this legislation.

Sincerely,

RICHARD GROBSCHMIDT  
State Representative  
21st Assembly District

RG:lm

1 Nov. 89

NOV 2 1989

Dear Mr. Probschmidt,

I have written to you prior to this  
re AB 107 -

I've been told this bill was supposed  
to be on the Assembly Floor in October and  
the Senate by early November.

Today, I called your Hot line -  
evidently nothing has happened yet to AB 107.  
He said it has either not passed or is still  
in the joint Finance Committee -  
which is it?

And what is taking so long? I was  
told weeks ago it could be up for the  
Governor's signature by the mid of  
November.

What is happening?

Sincerely

Mary E. Stigler

P.S. Thanks for the  
copy of AB 107 - My  
attorney was very interested.

MARY STIGLER  
1104 CATHERINE ST.  
WAUKESHA, WI. 53186



# Walter J. Kunicki

STATE REPRESENTATIVE • CO-CHAIR, JOINT COMMITTEE ON FINANCE

November 21, 1989

Dear Rick:

I've received your letter asking for Committee action on AB 107.

As a courtesy to members of the Legislature, the Finance Committee will not be meeting on Assembly bills until after the holidays, except for special session bills or 13.10 matters.

When the committee meets in January, I will give every consideration to scheduling your bill.

I recognize the strong support for this measure and will be in touch with you.

Sincerely,

A handwritten signature in cursive script that reads "Wally".

WALTER J. KUNICKI  
State Representative

November 8, 1989

State Representative <sup>Walter</sup> Wally Kunicki  
Room 127 South, State Capitol  
Madison, WI 53702

Dear Representative Kunicki:

I would like to take this opportunity to request that the Joint Finance Committee act on Assembly Bill 107 in a timely manner. AB 107 relates to division of a participant's rights and benefits under the Wisconsin Retirement System pursuant to a qualified domestic relations order.

This legislation has received unanimous approval from the Joint Survey Committee on Retirement Systems as well as the Assembly Committee on Tourism, Recreation and Government Operations. As you can see there is widespread support for this legislation and I would like to see it ready for final floor action when the Legislature reconvenes in January.

Thank you in advance for your consideration of this matter, and please feel free to contact me with any questions or concerns which you may have regarding AB 107.

Sincerely,

RICHARD GROBSCHMIDT  
State Representative  
21st Assembly District

RG:lm

February 5, 1990

Mary Stigler  
1104 Catherine Street  
Waukesha, WI 53186

Dear Ms. Stigler:

I would like to take this opportunity to update you on Assembly Bill 107. As you know, the Joint Finance Committee held a hearing on this legislation last Tuesday, January 30. The Committee did approve passage of AB 107, therefore, it is now ready to be scheduled for floor debate in the Assembly.

Again, thank you for your interest in this matter and you may be assured of my continued support and leadership which this debated by the full legislature. *When* *XS*

Sincerely,

RICHARD GROBSCHMIDT  
State Representative  
21st Assembly District

RG:lm

1104 Catherine Street  
Waukesha, Wis. 53186

24 January 1990

JAN 29 1990

Rep. Richard Grobschmidt  
State Capitol  
Madison, Wis. 53709

Dear Rep. Grobschmidt,

I am writing regarding AB 107 (1989) which you reintroduced on Feb. 7, 1989 for consideration in the 1989 session. I have been following this bill since 1987 - it relates to division of a participant's rights and benefits under the Wisconsin Retirement system pursuant to a qualified domestic relations order. I was told this bill has been recommended for adoption by the Joint Committee on Retirement Systems and the Assembly Committee on Tourism, Recreation and Government Operations. The bill is now in the Joint Committee on Finance, where it was all of last year.

What is the problem? If it takes any longer for this bill to be passed, I and many others won't need it any more - we will all be on welfare. This is very important to those of us who were married for 25, 30 or 37 years, as I was. This bill will aid us in getting that part of the pension which we also earned during our long term marriages as an equal partner. I have a legal deadline to meet in March, 1990.

I urge you and your constituents to do what ever is necessary to expedite matters so that this bill can pass and be signed by the Governor SOON.

Thank you in advance for your concern and assistance.

Sincerely,



Mary E. Stigler

P.S. I called your office, the hot line and your home during the past month, without any results.



State of Wisconsin

JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS  
AND THE RETIREMENT RESEARCH COMMITTEE

May 14, 1990

BLAIR L. TESTIN  
RESEARCH DIRECTOR

ROOM 203, 110 E. MAIN STREET  
MADISON, WI 53703  
(608) 266-3019

TO: Rep. Rick Grobschmidt  
FROM: Blair Testin, RRC Staff *BT*  
RE: Governor's Partial Veto of 1989 A.B. 107

Assembly Bill 107 provides for the division of rights and benefits under the Wisconsin Retirement System pursuant to qualified domestic relations orders. This bill reflects efforts by the Department of Employee Trust Funds and the Retirement Research Committee to recognize court orders in an equitable manner.

The 1989 bill as first introduced provided for a delayed effective date of 90 days in order to allow the DETF to gear-up for its implementation. However, the bill was amended in the Jt. Committee on Finance to provide that the bill would apply to all court orders becoming effective on the day following publication. As a result of this amendment, the bill would apply to court orders immediately, but would not be implemented by the DETF for 90 days—creating a three-month period of confusion.

The DETF requested the deletions from A.B. 107 that are contained in the Governor's partial veto. In effect, the Governor vetoed the 90-day delayed implementation of the provisions of A.B. 107, thus allowing the implementation to coincide with the effective date as to qualified domestic relations orders under this legislation. The DETF has been working diligently in the interim in order to implement this program immediately.

Accordingly, I recommend no attempt to override the partial vetoes of 1989 A.B. 107. The veto actions were requested by the DETF, and in fact, enhance the initial operation and administration of this legislation. Please contact me if I may furnish you any further information.

BT:db

cc: Sen. Jauch

February 23, 1990

Representative David Prosser  
205 West Capitol  
Madison, Wisconsin

Dear Representative Prosser:

Re: Assembly Bill 107 - Division of Wisconsin Retirement System Accounts and Benefits Pursuant to a Qualified Domestic Relations Order

Representative Richard Grobschmidt asked that I contact you concerning an amendment to AB 107 that you may be interested in pursuing when the Senate takes up this bill sometime in the next few weeks. I attempted to call you on Tuesday, February 6 about your proposed amendment, but you were on the Assembly floor at that time.

It is my understanding that your concern about the current bill is that it does not permit application of the division of WRS accounts and benefits retroactively to qualified domestic relations orders that have been finalized sometime in the past.

Such difficulties occur with any change in the law that applies prospectively. In the case of AB 107 there are a number of reasons that the bill was drafted in this manner. First, retroactive application of changes to Chapter 40, which deals with employe benefits, causes potential conflicts with the State Constitution and contract law. Article IV, Section 26 of the State Constitution provides that any increase in benefits of any kind under the retirement system that applies to those who have terminated employment must be passed on a three-fourths vote of both Houses of the Legislature and provide sufficient state funds (GPR) to cover the cost of the increased benefits. Since AB 107 is a change in the benefit structure retroactive application of this law would raise questions as to how state funding of this bill would apply.

In addition, retirement benefits granted under Chapter 40 are a contractual right. Consequently, retroactive application of laws that affect contractual rights to benefits already accrued raise a legal cloud over the application of such changes. I would foresee significant problems in reducing benefits to current participants based upon court orders that did not apply to the Department of Employee Trust Funds or to Chapter 40 benefits at the time the order was made. Participants could correctly argue that none of their benefits should be subject to division because WRS law at the time of the divorce guaranteed that no reduction to their benefit was possible.

Page 2  
Representative David Prosser

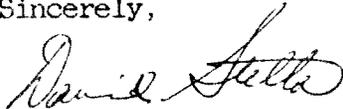
Third, the administrative implications of retroactive application of AB 107 are of extreme concern to this Department. There are currently over 336,000 participants in the WRS. If a conservative estimate were used that 10% of the system's participants may at some time in the past have had a divorce settlement that could now be affected retroactively by AB 107, the workload implications for this agency would be very onerous. There would no doubt be a substantial workload increase for the court system as well if many past divorce settlements were reopened to now apply the provisions of AB 107.

The appropriation provisions of the current bill contemplate prospective application of the law. Retroactive application would involve a much higher number of account divisions and require significantly higher administrative expenditures.

The bill was drafted with the agreement of the State Bar Association, the Joint Survey Committee on Retirement Systems and this Department. The Department strongly believes that AB107 should remain in its form given the concerns described earlier in this letter.

If you would like to discuss this matter further please contact me at your convenience.

Sincerely,



David Stella, Director  
Retirement and Survivor Benefits  
(608) 267-9038

cc: Representative Richard Grobschmidt  
Senator Robert Jauch  
Blair Testin, Director, Retirement Research



# STATE BAR OF WISCONSIN

## M E M O R A N D U M

TO: All Representatives  
FROM: Ed Lien  
RE: AB 107  
DATE: February 15, 1990

The Family Law Section of the State Bar heartily recommends passage of AB 107.

The bill simply allows the division of state pension assets pursuant to a divorce decree just as private pensions are divided. Pension assets are often one of the most significant items of property to be divided at divorce. Such a division conforms to the presumed 50/50 property division in the divorce statutes and the principles of marital property.

EEL/mlw

Stephen L. Smay  
Executive Director

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William A. J. Drenkler  
*Wisconsin Rapids*  
Francis J. Podvin

P.O. Box 7158  
Madison, WI 53707-7158  
402 W. Wilson St.  
Madison, WI 53703  
(608) 257-3838  
FAX (608) 257-5502



Wisconsin  
State  
Assembly

State Capitol, Room 110 North  
P.O. Box 8953, Madison, WI 53708  
(608) 266-3784

State Representative  
**Rebecca Young**

CHAIR  
Committee on Children & Human Services  
MEMBER  
Committee on Health  
Committee on Judiciary  
Committee on Urban Education  
Transportation Projects Commission  
Wisconsin Women's Council

July 31, 1989

✓ Senator Bob Jauch, Co Chair  
Representative Rick Grobschmidt, Co Chair  
Joint Survey Committee on State Retirement Systems

SUBJECT: AB 107

Dear Senator Jauch and Representative Grobschmidt:

I will be unable to be at the hearing on AB 107 but wanted to express to you a very strong support for this bill.

As you know, the federal Retirement Equity Act of 1984 aimed to provide equity between workers and their spouses in private sector pension plans. It required private pension plans to comply with Qualified Domestic Relations Orders practices (QDRO) that identify the parties and specify these in determining the portion of planned benefits to be payable to an alternate payee.

I was very pleased to work on this bill with Secretary Gates and with Blair Testin along with several members of the State Bar. It is a complex bill and benefitted greatly from the willingness of Secretary Gates, Mr. Testin, Mr. Koritzinsky, and Ms. Balisle and other representatives of the Department of Employee Trust Funds in developing a fair way for dividing retirement benefits in the event of divorce.

I urge you to report this bill out shortly so that it can be on the calendar during the October floor period.

With all best wishes,

Sincerely,

REBECCA YOUNG  
State Representative  
76th Assembly District

RY/rl

cc: Members of the Joint Survey Committee on Retirement Systems  
Secretary Gates  
Blair Testin  
Allan Koritzinsky  
Linda Balisle



This is 100% recycled paper.

AUG 3 1989



Wisconsin  
State  
Assembly

State Capitol, Room 110 North  
P.O. Box 8953, Madison, WI 53708  
(608) 266-3784

State Representative  
**Rebecca Young**

CHAIR  
Committee on Children & Human Services  
MEMBER  
Committee on Health  
Committee on Judiciary  
Committee on Urban Education  
Transportation Projects Commission  
Wisconsin Women's Council

July 31, 1989

Senator Bob Jauch, Co Chair  
✓ Representative Rick Grobschmidt, Co Chair  
Joint Survey Committee on State Retirement Systems

SUBJECT: AB 107

Dear Senator Jauch and Representative Grobschmidt:

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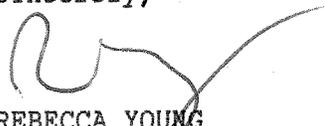
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I was very pleased to work on this bill with Secretary Gates and with Blair Testin along with several members of the State Bar. It is a complex bill and benefitted greatly from the willingness of Secretary Gates, Mr. Testin, Mr. Koritzinsky, and Ms. Balisle and other representatives of the Department of Employee Trust Funds in developing a fair way for dividing retirement benefits in the event of divorce.

I urge you to report this bill out shortly so that it can be on the calendar during the October floor period.

With all best wishes,

Sincerely,

  
REBECCA YOUNG  
State Representative  
76th Assembly District

RY/rl

cc: Members of the Joint Survey Committee on Retirement Systems  
Secretary Gates  
Blair Testin  
Allan Koritzinsky  
Linda Balisle



This is 100% recycled paper.

January 25, 1990

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director  
Legislative Fiscal Bureau

SUBJECT: Assembly Bill 107: Division of Wisconsin Retirement System Benefits  
Pursuant to Court Order

Assembly Bill 107 would create a procedure by which a Wisconsin Retirement System (WRS) participant's accumulated rights and benefits would be divided pursuant to a qualified domestic relations order (primarily divorce proceedings) issued by a state court or its equivalent. Assembly Bill 107 was originally referred to the Joint Survey Committee on Retirement Systems. The Joint Survey Committee, on a vote of 9-0, found that the bill represented good public policy and recommended passage, subject to the adoption of Assembly Amendment 1. The bill was then referred to the Assembly Committee on Tourism, Recreation and Government Operations, which recommended passage by a vote of 10-0.

#### BACKGROUND

In 1984, the U.S. Congress enacted the Retirement Equity Act of 1984 (REA) as an amendment to the earlier Employee Retirement Income Security Act of 1974 (ERISA). The REA addressed such issues as pension plan participation requirements, vesting ages, pre-retirement death benefits for spouses, required spousal consent for annuity options, and assignment of pension plan rights and benefits pursuant to a qualified domestic relations order (order). However, these acts affect only private pension plans; they do not apply to public pension plans such as the Wisconsin Retirement System (WRS), the principal public retirement system in the state.

Also in 1984, the Legislature enacted 1983 Wisconsin Act 186, which converted Wisconsin from a common law property system to one based on joint ownership of property rights during marriage. Under that Act and in subsequent implementing legislation (1987 Wisconsin Act 393), the joint ownership principle was applied to retirement benefits generally.

Notwithstanding these changes as they affected Wisconsin residents, neither of these acts modified WRS statutory provisions governing either the pension rights of WRS participants or the divisibility of those pension rights and benefits upon divorce. Specifically, under current law, s. 40.08(1) of the statutes stipulates that the "benefits payable to, or other rights and interests of any member... shall not be assignable, either in law or in equity, or be subject to execution, levy attachment, garnishment or other legal process except as specifically provided in this section".

Accordingly, this statutory provision (and others granting WRS participants total management and control of their rights and benefits) has led the Department of Employee Trust Funds (ETF) to conclude that it is prohibited from implementing any order requiring payment of retirement benefits to an alternate payee (former spouse). Where such orders have been served on ETF and required the division of annuity payments, the Department has remitted the entire annuity payment to the court of jurisdiction for division among the parties.

#### SUMMARY OF BILL

Assembly Bill 107 would establish a mechanism to divide a WRS participant's pension rights and benefits between the participant and an "alternate payee" (former spouse) in accordance with a qualified domestic relations order of a state or territorial court.

Initiation of a Division of a Participant's WRS Rights and Benefits. The division of a WRS participant's pension rights and benefits would be initiated by ETF upon service of a qualified domestic relations order issued by a court in accordance with the domestic relations law of any state or territory. In order for ETF to act on the order, all of the following provisions would have to be met by the order: (1) the WRS would have to be named in the order; (2) the names, dates of birth, addresses and Social Security numbers of the WRS participant and alternate payee (former spouse) would have to be specified; (3) the decree date would have to be specified; (4) the alternate payee's percentage share of the participant's account, not to exceed 50% of its value, would have to be specified; (5) the alternate payee's share could not be required to be paid to the Internal Revenue Service or to another alternate payee; (6) the WRS participant would have to certify all potential military service credit; (7) benefits could not be ordered which exceeded the value of benefits to which the participant would have been entitled, absent the order; (8) joint ownership of a participant's account could not be assigned; (9) any division of rights or benefits could be undertaken only as specified under the bill; (10) the participant's employer would have to certify all earnings, service and contributions of the participant through the decree date; (11) ETF

could not be required to enforce or monitor the benefits assigned to the former spouse; and (12) the order would have to be issued after the effective date of the bill and would have to apply to a participant's marriage which was dissolved on or after the effective date of the bill.

Once a qualified domestic relations order, meeting all of the above considerations, had been served on ETF, the participant's creditable service amounts and accounts (if not yet retired) or annuity values (if retired) would be subject to division in the percentages specified in the order. However, the nature of the division would depend upon whether or not the participant is an annuitant or an active employe.

Division if the Participant Is Retired. Under the bill, if the participant has retired and is receiving a pension from the WRS, the amount subject to division would be the present value of the annuity being paid. The annuity would be divided in accordance with the percentage specified in the order, and the participant's annuity would be recalculated. The recalculated annuity would continue to be paid under the annuity option originally chosen at retirement by the annuitant, provided that option was not a joint and survivor annuity with the alternate payee as the beneficiary. In this case, the annuity to the participant would be recalculated and paid as a straight life annuity.

Further, if the annuitant was not receiving an annuity from all parts of the participant's account (for example, if the annuitant had made additional contributions to his or her retirement account in the past but was not yet taking an annuity from those additional contributions), the dollar amounts and creditable service attributable to those accounts would also be subject to division. In all cases, the amounts paid to the alternative payee would be paid as a straight life annuity calculated based on standard actuarial tables using the alternate payee's age on the decree date.

In the case of an annuitant who was receiving a disability annuity and had that annuity terminated (because of recovery from the disability), current law provides that the participant's retirement account be credited with an additional amount equal to the present value of the contributions which would have been required in order to generate the payment levels of the terminated annuity. The retirement account of the participant must be reestablished and supplemented, as if the terminated annuity had never been effective, including the crediting of all interest, contributions and creditable service which theoretically would have been earned during the period the disability annuity was in force. Under Assembly Bill 107 in this special case, the reestablished contribution amounts and creditable service would be reduced by the percentage specified in the order. Notwithstanding this procedure affecting disability

annuities, if the participant was receiving an annuity and a duty disability benefit under s. 40.65 of the statutes, on or before the decree date of the order, that duty disability benefit level would not be affected by the order. Normally, the duty disability benefit is calculated and is then offset, in part, by the value of other benefits, including a WRS annuity. Thus, the reduction of a WRS annuity under the procedures set forth in this bill would not result in a higher duty disability benefit (because of a resulting smaller WRS annuity offset after the annuity division ordered by the decree).

Division if the Participant Is Not Retired. Under the bill, if the participant has not retired on the date of the order, the creditable service and the dollar amounts credited to all parts of the participant's account would be divided in accordance with the percentage specified in the order. The creditable service and dollar amounts due the alternate payee would be transferred to a separate account to be established and maintained by ETF. The alternate payee would have complete control and ownership rights to this account.

If the participant has not attained the earliest age for retirement under current law (age 55, except age 50 for protectives), the alternate payee could request the value of the new, separate account maintained in the WRS employe accumulation account paid as a lump sum amount (similar to a separation benefit). The alternate payee would also have the option of leaving the amounts on account in order to qualify for an annuity at a later date.

Once the participant has reached the earliest age for retirement (but is still working), the alternate payee would no longer be permitted to take a lump sum payment but would instead receive an annuity. The value of the alternate payee's annuity would be the higher of a money purchase based annuity (a purchased annuity based on the dollar amount in the employe accumulation account times two) or the WRS formula-based annuity (years of creditable service x employe category multiplier x final average earnings). The alternate payee's final average earnings formula amount would be computed using the participant's final average earnings for the earnings period for the year in which the alternate payee's annuity was first effective. Thus, although the participant and the alternate payee will have separate WRS accounts after the decree date, these accounts must be linked so that the participant's final average earnings amount may be applied to the alternate payee's annuity. The intent of this provision is to allow the alternate payee to benefit from the participant's future salary growth after the divorce decree but prior to the commencement of the retirement benefit.

Finally, it should be noted that although a participant's years of creditable service may be divided pursuant to a qualified domestic relations

order, any benefit or right which is deemed available to the participant based on the attainment of a certain length of service is not divisible. For example, assume that a participant had 30 years of creditable service and would be eligible for an early retirement with an unreduced annuity. If a qualified domestic relations order allocated 15 of those years of creditable service to an alternate payee, the participant would still be considered under the bill to have earned 30 years of service for the purpose of taking the early retirement. Thus, the determination of the participant's normal retirement date would be based on his or her total service that would have been recognized had the number of years of creditable service not been divided by the court decree.

The general effective date of the bill would be the first day of the fourth month after publication.

Assembly Amendment 1. Assembly Amendment 1 to Assembly Bill 107 is a technical amendment made necessary by the need to cross-reference a new statutory section created by 1989 Wisconsin Act 13 (the 1989 Early Retirement Act).

#### FISCAL EFFECT

Assembly Bill 107 would appropriate one-time funding of \$150,000 SEG in 1989-90 to ETF in a separate, continuing appropriation for administrative responsibilities related to permitting the division of WRS participants' accounts and benefits pursuant to a qualified domestic relations order.

ETF has indicated that it will incur administrative costs in two areas: (1) one-time programming costs to modify the Wisconsin Employee Benefits System (an integrated, on-line management information system which provides ETF staff with information on employee, employer and annuitant accounts) to: (a) permit the division of all relevant participant accumulation and years of creditable service accounts; (b) provide a linkage between the participant and the alternate payee so that changes in the participant's final average earnings figure could be computed; (c) recompute participant and alternate payee annuities; and (2) costs for additional permanent administrative staff to process domestic relations-related inquiries, to perform the actual splitting of participant accounts and to establish new alternate payee accounts.

ETF has estimated that it will need \$101,400 SEG for 3.0 SEG project computer analyst or programmer positions and \$19,500 SEG for computer time over a 13-month period beginning with the enactment of Assembly Bill 107 in order to provide on-line capability within WEBS to effect participant account divisions and related activities. Further, ETF has estimated the need for 1.6

SEG permanent trust fund assistant 2 positions for on-going retiree counseling and benefit processing duties associated with the requirements of the bill. The Department believes that a 0.6 SEG trust fund assistant 2 position would need to be in place soon after the date of publication of the bill and that a 1.0 SEG trust fund assistant 2 position would be required upon the general effective date of the bill (approximately 4 months after publication). Based upon an assumed publication date of March 1, 1990, and 3.0 SEG computer programming project positions and 0.6 SEG permanent trust fund assistant 2 positions being authorized as of that date, and the 1.0 SEG trust fund assistant 2 position being authorized four months later as of July 1, 1990, the following funding levels would be required in this biennium.

TABLE I

AB 107 Implementation Costs

	<u>Amounts (SEG)</u>	
	<u>1989-90</u>	<u>1990-91</u>
<u>One-Time Costs</u>		
3.0 SEG project positions for computer analysis/programming (13 months from 3/1/90)	\$31,200	\$70,200
Computer time	<u>6,000</u>	<u>13,500</u>
Subtotal	(\$37,200)	(\$83,700)
<u>On-Going Costs</u>		
0.6 SEG permanent trust fund assistant 2 (beginning 3/1/90)	\$5,600	\$16,900
1.0 SEG permanent trust fund assistant 2 (beginning 7/1/90)	-0-	28,100
Supplies and services	<u>500</u>	<u>3,700</u>
Subtotal	(\$6,100)	(\$48,700)
TOTALS (ONE-TIME AND ON-GOING COSTS)	\$43,300	\$132,400

TECHNICAL AMENDMENTS

As currently drafted, Assembly Bill 107 would amend a now obsolete separate continuing appropriation under ETF for automated operating costs in order to add one-time funding of \$150,000 SEG for implementation of this bill. Several technical points should be noted and might be considered for change by adopting a technical amendment. First, as drafted, the funding provided does not match the expenditure estimates as identified by ETF; in addition, no position authorizations are provided. Therefore, consideration could be given either to funding the estimated costs as outlined in Table I, along with the requisite position authorizations or to remove all funding from the bill, thereby requiring ETF to seek supplemental funds under s. 13.10 of the statutes at such time as the bill becomes effective. Second, as drafted, the funding is placed in an inappropriate and obsolete appropriation. Funding might more appropriately be included in ETF's general administrative operations appropriation. If it is felt that funds should be provided only for one-time costs, the funding level identified in Table I for that purpose (a total of \$120,900 SEG) could be provided. Alternatively, if it is felt that both one-time and on-going costs should be funded, the total funding level identified in Table I for that purpose (a total of \$175,700 SEG) could be provided.

Prepared by: Tony Mason