

2007 DRAFTING REQUEST

Assembly Substitute Amendment (ASA-AB485)

Received: 12/26/2007

Received By: **rchampag**

Wanted: **Soon**

Identical to LRB:

For: **Karl Van Roy (608) 266-0616**

By/Representing: **Tanya**

This file may be shown to any legislator: **NO**

Drafter: **rchampag**

May Contact:

Adtl. Drafters:

Subject: **Employ Pub - retirement**

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.VanRoy@legis.wisconsin.gov**

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Annuity distributions under WRS

Instructions:

See Attached.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	rchampag 12/27/2007	bkraft 12/28/2007		_____			State Retire
/1			nmatzke 01/03/2008	_____	mbarman 01/03/2008	mbarman 01/03/2008	

FE Sent For:

<END>

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FE Sent For:

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Champagne, Rick

From: Hein, Tanya
Sent: Thursday, December 20, 2007 2:38 PM
To: Champagne, Rick
Subject: Suggested technical amendments to AB 485

Rick,

This is a follow-up to the voice mail I just left you. Here are the changes we would like made in a substitute amendment. Please feel free to contact Bob Conlin at ETF should you have any questions. Thank you!

Tanya R. Hein
Legislative Aide
Rep. Karl Van Roy
90th Assembly District

-----Original Message-----

From: Conlin, Bob [mailto:Bob.Conlin@etf.state.wi.us]
Sent: Tuesday, December 18, 2007 12:43 PM
To: Hein, Tanya
Subject: Suggested technical amendments to AB 485

Tanya:

As a follow-up to our discussion yesterday, please consider the following technical changes to AB 485, relating to the distribution of additional contributions under the WRS. As I noted, we believe that making these changes will help clarify our responsibilities while accomplishing your intent. We appreciate your willingness to consider these. As I said on the phone, while we don't believe that there is a large demand out there for the bill, we would at least like it to be feasible to administer. These changes will help.

Initial Applicability

SECTION 2 (1) of the bill provides that the change made by the bill first applies to WRS participants who apply for an annuity on the effective date of the bill.

The bill ought to apply to annuities that are effective on the effective date of the bill. There is not a statutory definition of what it means to apply for an annuity. Is it when the person signs the application, mails the application, or we receive the application? Admittedly, we could further define this through rules or some other process. However, the effective date of an annuity is a concept that appears in the statutes and one that we are comfortable working with. Historically, statutory changes related to the form of payment of an annuity have generally been applicable to annuities that are effective after the statutory change is effective.

Thus, we'd suggest the following language:

"(1) This act first applies to annuities paid under section 40.24 (1) (f) of the statutes that become effective on the effective date of this subsection."

Appropriate Federal Reference

The bill would direct us to use the same tables that the IRS uses for determining minimum required distributions from an IRA, as defined in 26 USC 408 (a). We don't administer IRAs. The WRS operates under 401 (a) of the Code and we believe that we should be using the single life expectancy table in US Treasury Regulation s. 1.401 (a) (9)-9 Q & A-1.

This is also the table applicable to IRAs for minimum distribution purposes according to Treasury Regulation s. 1.408-8 Q & A-1. The bill's reference to s. 408(a) is a very roundabout way to get to the proper table and creates potential confusion. The confusion would come because there are other regulations about life expectancy for IRAs, such as 26

CFR s.

1.408-2(6)(iv), which mandates use of the tables in Treasury Regulation s. 1.72-9 to determine life expectancy when distributing an IRA. The tables in ss. 1.72-9 and 1.401 (a) (9)-9 differ somewhat. It appears that an IRA distribution must comply with both sets of tables. We don't believe the WRS distribution under the bill needs to be so complicated.

We think the intent of the bill was to use the single life table under the s. 401 (a)(9) regs. Thus, we think the bill should say so directly. We also use this table for a related purpose to comply with minimum distribution requirements, so we are familiar with it.

We'd be happy to work with the drafter or you on this. Please let me know if you have any questions.

Thanks.

Bob

Bob Conlin, Deputy Secretary
Wisconsin Dept. of Employee Trust Funds
(608)261-7940

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State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-2700/2
RAC:bjk&jld:rs

→ AS A Thurs PM

LRB 50210/1
RAC:bjk

ASA
tu ✓
2007 ASSEMBLY BILL 485

bhv ✓
SAV ✓

August 14, 2007 - Introduced by Representatives VAN ROY, MONTGOMERY, ALBERS, VOS, BIES and TOWNSEND. Referred to Joint Survey Committee on Retirement Systems.

- gen. cat.

1 AN ACT to amend 40.24 (1) (f) of the statutes; relating to: distribution of
2 accumulated additional contributions under the Wisconsin Retirement
3 System.

Analysis by the Legislative Reference Bureau

Currently, participants in the Wisconsin Retirement System (WRS) may make additional contributions for retirement purposes. Additional contributions are invested in the same manner as required contributions and are payable to the participant as an annuity certain payable over a specified number of months, unless the participant opts for a lump sum payment. The number of months over which the annuity is paid may not exceed 180 and may not be less than 24 months.

This bill provides that the number of months over which the annuity is paid under the WRS may not exceed the participant's life expectancy. For the purpose of calculating life expectancy, the bill requires the Department of Employee Trust Funds to use the same tables that the Internal Revenue Service uses for determining minimum required distributions from an individual retirement account.

* Because this bill relates to public employee retirement or pensions, it may be referred to the Joint Survey Committee on Retirement Systems for a report to be printed as an appendix to the bill.

single life expectancy for retirement pension plans

ASSEMBLY BILL 485

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 40.24 (1) (f) of the statutes is amended to read:

40.24 (1) (f) From accumulated additional contributions made under s. 40.05 (1) (a) 5. only, an annuity certain payable for and terminating after the number of months specified by the applicant, regardless of whether the applicant dies before or after the number of months specified, provided that the monthly amount of the annuity certain is at least equal to the minimum amount established under s. 40.25 (1) (a). ~~Subject to the period of distribution required under s. 40.23 (4) (b) 2., the~~ The number of months specified shall not exceed ~~180~~ the life expectancy of the participant and shall not be less than 24 months. For the purpose of determining life expectancy under this paragraph, the department shall use the same tables that the federal Internal Revenue Service uses for determining ~~minimum required distributions~~ from an individual retirement account, as defined in 26 USC ~~408~~ ⁴⁰¹ (a). If the death of the annuitant occurs prior to the expiration of the certain period, the remaining payments shall be made in accordance with s. 40.73 (2) without regard to any other annuity payments payable to the beneficiary. An annuity under this paragraph may be initiated prior to any other annuity amount provided under this subchapter and prior to age 55 if all other qualifications for receiving an annuity payment are met.

SECTION 2. Initial applicability.

SINGLE life expectancy for pension plans under

ASSEMBLY BILL 485

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- 2
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- 4

(1) This act first applies to ~~participants under the Wisconsin Retirement~~
~~System who apply for an annuity~~ ANNUITIES PAID under section 40.24 (1) (f) of the statutes ~~as affected~~
~~by this act~~ on the effective date of this subsection.

(END)

that ~~become~~ effective
 become