

1973 Senate Bill 231

Date published:
May 10, 1973

CHAPTER 20 , Laws of 1973

AN ACT to repeal 40.10 (2) (a) 6, 41.02 (25), 41.03 (2) (a), 41.14 (1) (d) 5, 41.16 (3), 42.20 (10) (b) 4, 42.242 (6), 42.243 (7) (d), 42.245 (2) (b) 2. d, 42.246 (1) (b) and (c), 42.33 (3) and (4), 42.34, 42.42 (3) and (4), 42.49 (13) and (16) (f), 42.70 (1) (d) and (2) (h), 42.78 (2) (b) 3 and 42.79 (1) (b) and (c); to amend

40.60 (4), 42.20 (26) (a), 42.241 (7) (b), (e) and (f), (8) (ab), (12) and (12ab), 42.242 (2a) (a) (intro.), (3) (e), (4) (a) and (b) and (7), 42.243 (2) (d), (3) and (5) (c), 42.244 (1), 42.245 (2) (a), (b) (intro.) and 2. b, (d) (intro.) and (f), (3) (a) and (b) 1 and 2, (4) and (7) (c) 1, 42.246 (1) (intro.), (a) and (e) (intro.) and 1 and (f), 42.33 (1) (b) and (2), 42.42 (1), 42.46 (1), (2) (b) and (3) (a) and (b), 42.49 (4) (a), (6) (c), (7) (a), (9) (a) and (b), (10) (a), (15) and (16) (a) 1. b, 42.50 (1) (b), (4) (a) and (5) (intro.), 42.51 (3), (5) and (6) (a) and (b), 42.70 (1) (a) to (c), 42.71 (2) (e), 42.75 (1) and (2), 42.78 (2) (b) (intro.) and 1. b, (d) (intro.), 1 and 3 and (f), (3) (b) 2 and (5) (a) 1, (b) 1 and (c) (intro.), 42.79 (1) (intro.) and (a), (e) (intro.) and 1 and (f), 42.80 (6) (d) and 42.89 (2) and (6); to repeal and recreate 42.245 (5), 42.33 (1) (c), 42.46 (2) (a), 42.50 (1) (intro.) and (2) (b), 42.78 (5) (a) (intro.), 42.87 and 42.89 (3); and to create 40.50 (2), 40.60 (5), 40.61, 40.65, 40.70, 42.20 (26) (c), 42.244 (4), 42.245 (2) (c) and (i), 42.37 (5), 42.40 (6a), 42.50 (1) (c) and (6), 42.70 (2) (v), 42.77 (3), 42.78 (2) (c) and (j) and (5) (a) 3, 42.80 (8) and 42.89 (7) of the statutes, relating to various changes in teacher retirement fund laws and in teacher retirement benefits.

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

SECTION 1. 40.10 (2) (a) 6 of the statutes is repealed.

SECTION 2. 40.50 (2) of the statutes is created to read:

40.50 (2) "Beneficiary" means the person, or a trust in which such person has a beneficial interest, so designated by a member, participant, employe or annuitant in the last-written designation of beneficiary on file with the department at the time of death except that if a member, participant, employe or annuitant has filed a written designation of beneficiary in a form which is applicable only to a specified benefit plan such written designation shall not apply in determining beneficiaries under another benefit plan or plans. If the member, participant, employe or annuitant designates 2 or more persons as joint beneficiaries, then payment to such beneficiaries shall be share and share alike unless the member, participant, employe or annuitant designates otherwise.

(a) In the absence of a written designation of beneficiary, or if no beneficiary so designated survives the member, participant, employe or annuitant, the beneficiary shall be the person or persons surviving as next of kin, determined in the following sequence: group 1, widow or widower; group 2, child or children (including stepchild or legally adopted child), but the share of any deceased child shall be payable to the surviving spouse of that child, or to the surviving children of that child if there is no spouse, or otherwise to the other eligible children in this group; group 3, parent; group 4, grandchild; group 5, brother or sister. No payment may be made to a person included in any group if there are living persons in any of the preceding groups as listed. Payment to 2 or more beneficiaries included in any group shall be share and share alike.

(b) If there is no written designation of beneficiary and no beneficiary determined as provided in par. (a), the beneficiary shall be the estate of the member, participant, employe or annuitant.

(c) A designation of beneficiary may be signed and filed by a guardian when accompanied by a certified copy of an order of a circuit or county court approving the specific terms thereof.

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SECTION 3. 40.60 (4) of the statutes is amended to read:

40.60 (4) ~~Whenever~~ If any person files a claim ~~therefor~~ within 7 years after the publication of such notice and furnishes proof of ownership of any amounts in an inactive account the claim shall be paid on the same basis as if no action had been taken under this section except that no interest shall accrue after the last normal date for crediting interest which preceded publication of such notices. The cost of the benefit shall be charged to the employer account credited under sub. (2).

SECTION 4. 40.60 (5) of the statutes is created to read:

40.60 (5) Notwithstanding any other provision of the statutes any account subject to this section may be settled as provided in s. 867.03.

SECTION 5. 40.61 of the statutes is created to read:

40.61 Benefit corrections. Any underpayment or overpayment of a separation, withdrawal or death benefit under ch. 41 or 42 which does not exceed \$5, and any correction of an annuity payment which does not exceed \$1 per month, shall not be corrected but shall be credited or debited to the investment income accounts of the fund from which the benefit was paid. If the member, participant, employee or beneficiary requests correction within 2 years of the original payment the benefit shall be corrected and the amount of the correction credited or debited to the appropriate account.

SECTION 6. 40.65 of the statutes is created to read:

40.65 Employer additional contributions. An employer under any retirement fund or system under ch. 41 or 42 may make contributions for any participant or member in addition to the employer contributions or deposits required under chs. 41 and 42. Such contributions for each employe shall be identified separately on the employer's reports to the appropriate retirement fund or system, and shall be available for all benefit purposes to the same extent as contributions or deposits deducted from the earnings of the employe. Such contributions shall also be considered earnings or compensation for all benefit purposes under chs. 40 to 42.

SECTION 7. 40.70 of the statutes is created to read:

40.70 Distribution of annuity reserve surpluses. Notwithstanding any other provision of the statutes, any distribution of surpluses in the reserves for fixed annuity payments established under any of the plans created by chs. 41 and 42 shall be made as follows:

(1) Such distributions shall be expressed as percentage increases in the amount of the monthly annuity in force, including prior distributions of surpluses but not including any amount paid as a variable annuity or as a supplemental or adjusted benefit, preceding the effective date of the distribution. For purposes of this section, annuities in force shall include any disability annuity suspended because the annuitant had exceeded his earnings limitation for that year.

(2) Different percentages may be applied to annuities with different dates of initial payment as may be determined to be equitable.

(3) Such distributions shall not be offset against any other benefit being received but shall be paid in full, nor shall any other benefit being received be reduced by any such distributions made after the effective date of this section (1973).

(4) The effective date of such a distribution shall be no earlier than the first day of the 3rd full month after the percentages are established by the appropriate board.

SECTION 8. 41.02 (25) of the statutes is repealed.

SECTION 9. 41.03 (2) (a) of the statutes is repealed.

SECTION 10. 41.14 (1) (d) 5 of the statutes is repealed.

SECTION 11. 41.16 (3) of the statutes is repealed.

SECTION 12. 42.20 (10) (b) 4 of the statutes is repealed.

SECTION 13. 42.20 (26) (a) of the statutes is amended to read:

42.20 (26) (a) "Final average compensation" means the monthly rate of compensation obtained by dividing 1) the member's total compensation subject to required deposits for the 5 fiscal years in which such compensation was the highest during the fiscal years preceding the June 30 ~~nearest~~ following the date he ceased to be employed as a teacher in Wisconsin teaching by 2) 12 times the number of years of his creditable service for such 5 years. If a member has such compensation for less than 5 such fiscal years his final average compensation is the rate obtained by dividing his total compensation for all such years by 12 times the total number of years of his creditable service therefor.

SECTION 14. 42.20 (26) (c) of the statutes is created to read:

42.20 (26) (c) For any annuity determined in accordance with s. 42.245 (2) (c), "final average compensation" means the monthly rate of compensation obtained by dividing 1) the member's total compensation subject to required deposits for the 3 fiscal years in which such compensation was the highest during the fiscal years preceding the June 30 following the date he ceased to be employed as a teacher in Wisconsin teaching by 2) 12 times the number of years of his creditable service for such 3 years. If a member has such compensation for less than 3 such fiscal years his final average compensation is the rate obtained by dividing his total compensation for all such years by 12 times the total number of years of his creditable service therefor.

SECTION 15. 42.241 (7) (b), (e) and (f) of the statutes are amended to read:

42.241 (7) (b) When a person deemed to be an active member under this subsection becomes a member of the combined group, the reserve held in the annuity reserve fund based on the accumulations from member's deposits and state deposits, and the reserve ~~held in the contingent fund~~ based on any prior service computation, of such member, shall be transferred to the retirement deposit fund until an annuity is again granted to such member. Such reserve shall be based on the member's attained age when such funds are transferred. An annuity subsequently granted to any such member shall be in the same optional form as the discontinued annuity.

(e) Notwithstanding s. 42.49 (13), any retired member who is employed in a position in which he makes required deposits after August 17, 1957, and before the date on which an agreement is executed extending coverage under OASDHI to the members of the combined group under this section and subch. VI of ch. 40, shall be deemed an active member, his annuity shall be discontinued, and the reserve held in the annuity reserve fund based on accumulations from member's and state deposits, and the reserve ~~held in the contingent fund~~ based on any prior service computation under s. 42.51 or annuity under s. 42.49, of such member, shall be transferred to the retirement deposit fund until an annuity is again granted to such member. Such reserves shall be based on the member's attained age when such funds are transferred. An annuity subsequently granted to any such member shall be in the same optional form as the discontinued annuity.

(f) The reserve ~~held in the contingent fund~~ based on a prior service computation or

an annuity under s. 42.49, which is transferred to the retirement deposit fund under par. (b) or (e), shall for the purposes of s. 42.242 (1) be deemed an accumulation from state deposits.

SECTION 16. 42.241 (8) (ab), (12) and (12ab) of the statutes are amended to read:

42.241 (8) (ab) The annuity paid from the contingent account of the annuity reserve fund to any member of the separate group who retired after April 30, 1957, who was eligible to make the choice pursuant to sub. (9) and who elects under sub. (12a) to become a member of the combined group, shall be canceled at the end of 6 months after becoming a member of the combined group, except for that portion thereof which is paid under s. 42.51 because of prior service. If any such member shall present to the board satisfactory proof that he is not qualified for either an OASDHI primary or disability benefit that portion of the annuity so canceled shall be reinstated and paid thereafter until he qualifies for such an OASDHI benefit.

(12) Coverage of members of the combined group under OASDHI shall be effective as of January 1, 1955, or the date on which covered earnings were first paid to any such member, if such date is later. The employer contributions to the public employes social security fund in behalf of such members, for covered employment under OASDHI between January 1, 1955, and the end of the calendar quarter in which the agreement extending such coverage is executed, shall be paid by transferring the amounts necessary to make such payment from the accumulations from state deposits in the account of each such member. The employe contributions for such period shall be paid by transferring the amounts necessary to make such payment from the accumulation from required deposits in the account of each such member. If such accumulations are not sufficient to make such payment the additional amount necessary to make such payment shall be paid from the contingent account of the annuity reserve fund. Such funds shall be transferred under this subsection. For the purposes of this subsection covered earnings are earnings upon which required deposits are based.

(12ab) Coverage under OASDHI of a member of the combined group who elects to transfer thereto under sub. (12a) shall be effective as of January 1, 1955, or the date on which covered earnings were first paid to such member, if such date is later. The employer contributions to the public employes social security fund on behalf of such a member for covered employment under OASDHI between January 1, 1955, and the end of the calendar quarter in which the agreement extending such coverage is submitted to the federal department of health, education and welfare, shall be paid by transferring to said fund the amount which is required to make such payment from the accumulation from state deposits in the account of such member. The employe contributions for such period shall be paid by transferring the amount which is required to make such payment from the accumulation from required deposits in the account of such member. If such accumulations are not sufficient to make such payments and the member is receiving an annuity from the annuity reserve fund, the additional amount required therefor shall be paid from the reserve for such member's annuity in the annuity reserve fund, and such member's annuity shall be reduced proportionately. If such accumulations and the said amount in the annuity reserve fund are not sufficient to make such payments, the additional amount required to make such payments shall be paid from the contingent account of the annuity reserve fund.

SECTION 17. 42.242 (2a) (a) (intro.), (3) (e) and (4) (a) and (b) of the statutes are amended to read:

42.242 (2a) (a) (intro.) The widow of any member of the combined group may with respect to an annuity payable under s. ~~42.243 (7) (d)~~ or 42.50 which annuity is to begin prior to the widow's 62nd birthday, elect to take the actuarial equivalent thereof as:

(3) (e) When an annuity is increased under this subsection, the increase in the annuity shall be paid from the contingent account of the annuity reserve fund.

(4) (a) If, before attaining age ~~50~~ 55, a member who has made required deposits for not less than a school year during each of 5 fiscal years and who was employed in teaching or was on leave of absence from teaching in this state, within the 12-month period immediately preceding the occurrence of disability, becomes unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration, and furnishes due proof thereof and that such disability has then existed for 60 days, the member shall be paid from the contingent account of the annuity reserve fund an annuity during the continuance of such disability, in monthly payments of \$100 each, in addition to any other benefit payable to such member. The board may at any time not more than once in any year require proof of the continuance of such disability and if the member fails to furnish satisfactory proof thereof, or if it appears at any time that the member has become able to engage in any substantial gainful activity, such annuity shall cease.

(b) If a member receiving a disability annuity under par. (a) becomes eligible to receive an OASDHI disability or primary retirement benefit the amount of such annuity paid from the contingent account of the annuity reserve fund shall be reduced by the amount of such OASDHI benefit. If any such member fails to apply for an OASDHI benefit upon reaching the age of eligibility therefor, or fails to pursue any such application in good faith, the portion of such annuity paid from the contingent account of the annuity reserve fund shall cease.

SECTION 18. 42.242 (6) of the statutes is repealed.

SECTION 19. 42.242 (7) of the statutes is amended to read:

42.242 (7) (title) LUMP SUM PAYMENT OF DEPOSITS. Any member, who has attained the age of ~~50~~ 55 years, has ceased to be employed as a teacher in ~~the public schools, state universities or university in this state,~~ Wisconsin teaching and is not on authorized leave of absence from a teaching position in ~~the public schools, state universities or university in this state~~ Wisconsin teaching, and whose total accumulation from required deposits, state deposits and annuity payments withheld ~~pursuant to sub. (6), including accumulations under s. 42.243, does not exceed \$3,000~~ would provide an annuity in the normal form of less than \$25 monthly, may be paid such accumulation in a single payment upon filing an application therefor in such form as the board requires. The accumulation from additional deposits shall be paid at the same time.

SECTION 20. 42.243 (2) (d) of the statutes is amended to read:

42.243 (2) (d) Said election, once made, is irrevocable but any election filed during a period of membership which was terminated shall not continue to be effective if the person again becomes a member.

SECTION 21. 42.243 (3) and (5) (c) of the statutes are amended to read:

42.243 (3) TRANSFER OF ACCUMULATIONS. Each person who, on January 1, 1958, has a deposit in the retirement deposit fund, and subsequently becomes a participant in the variable annuity division, may elect in writing upon a form furnished by the board,

that 10% per year, for not to exceed 5 years, of his accumulation in the retirement deposit fund, as of the date he becomes a participant in the variable annuity division, be transferred from the retirement deposit fund of the fixed annuity division to the retirement deposit fund of the variable annuity division. The first transfer shall be made on July 1 following such election, or earlier at the discretion of the board. ~~If No election may be made under this subsection after June 30, 1974, except that if~~ at the time of retirement the transfers as elected under this subsection prior to June 30, 1974, have not been completed, another transfer equal to one annual transfer may be made at the election of the member. No such transfers shall be made after the commencement of a retirement annuity.

(5) (c) *Crediting.* Earnings will be credited to the individual accounts in the retirement deposit fund only on amounts which have been on deposit for the full year except that, whenever a member's deposit accumulation, or state deposit accumulation, or both, are to be paid out in a single sum as a death benefit pursuant to ~~sub. (7) (d) of~~ s. 42.50, or are transferred to the annuity reserve fund pursuant to s. 42.48, interest shall be credited to the amount to be so paid out or transferred for each 3-month period which has elapsed since the preceding June 30 at one-fourth of the rate at which earnings were apportioned on such June 30. The interest so credited shall be charged to the earnings for the current fiscal year and shall be paid out or transferred with the amount to which it was so credited. Earnings credited pursuant to this paragraph shall be excluded from the determination of the excess or deficiency resulting from participation in the variable annuity division as required by s. 42.245 (2) (b) 1 or (d) 4.

SECTION 22. 42.243 (7) (d) of the statutes is repealed.

SECTION 23. 42.244 (1) of the statutes is amended to read:

42.244 (1) There is created as of September 11, 1965, as a part of the system a formula group, to be composed of: (a) Any combined group or separate group member, except any member who on September 11, 1965, is a member receiving an annuity or a member whose annuity is being withheld pursuant to s. 42.242 (6) or 42.49 (13), 1965 Stats., who at any time on and after September 11, 1965, but prior to December 1, 1965, is employed as a teacher in Wisconsin teaching and makes a required deposit pursuant to s. 42.40, and who elects in accordance with this section to become a member of the formula group; (b) any combined group or separate group member who on September 11, 1965, is on authorized leave of absence, and who elects in accordance with this section to become a member of the formula group, but no such election shall be effective unless and until such member resumes employment as a teacher in Wisconsin teaching concurrently with the termination of such leave of absence; (c) any member who is a member of the system on September 11, 1965, but who is not eligible for an election under (a) or (b), who prior to July 1, 1966, or, who within 90 days from the last day of the month in which he is first employed as a teacher in Wisconsin teaching after September 11, 1965, elects in accordance with this section to become a member of the formula group, but his participation as a member of the formula group shall not include or relate to any benefit, compensation or employment for any period prior to July 1, 1966; and (d) any person who becomes a member of the system after November 30, 1965. For purposes of subch. VI of ch. 40 each member of the formula group shall also be classified as a member of the combined group or of the separate group, as determined pursuant to s. 42.241; such classification shall also be applicable with respect to any benefit, compensation or employment which is not includable for formula group purposes.

SECTION 24. 42.244 (4) of the statutes is created to read:

42.244 (4) (a) Beginning on the effective date of this subsection (1973) the formula group shall include every member who on or after such date is employed as a teacher in Wisconsin teaching and who makes a required deposit pursuant to s. 42.40. For purposes of subch. VI of ch. 40, each member of the formula group shall also be classified as a member of the combined group or of the separate group as determined pursuant to s. 42.241.

(b) For any combined group member who becomes a member of the formula group on or after the effective date of this subsection (1973), any formula annuity, disability annuity under s. 42.245 (3) or death benefit under s. 42.50 (4) shall be reduced by the amount of annuity or other benefit that could be provided by the aggregate of the following amounts, together with interest thereon compounded at the rate of interest credited to member fixed division accounts for each full fiscal year between June 30, 1973, and the effective date of such annuity or other benefit.

1. For the fiscal year ending June 30, 1967, 2-1/2% of the amount of compensation for such year which is in excess of \$6,600.

2. For the fiscal year ending June 30, 1968, 2-1/2% of the amount of compensation for such fiscal year which is in excess of \$7,200.

3. For the fiscal years ending June 30, 1969, to June 30, 1971, 2-1/2% of the amount of compensation for each of such fiscal years which is in excess of \$7,800.

4. For the fiscal year ending June 30, 1972, 2-1/2% of the amount of compensation for such fiscal year which is in excess of \$8,400.

5. For the fiscal year ending June 30, 1973, 2-1/2% of the amount of compensation for such fiscal year which is in excess of \$9,900.

(c) Subsection (1) (c) shall not apply to any member who qualifies under par. (a), but any such member shall be subject to par. (b) as to any full fiscal year during which he was a member of the combined group.

SECTION 25. 42.245 (2) (a) of the statutes is amended to read:

42.245 (2) (a) When a member of the formula group has ceased to be employed as a teacher in Wisconsin teaching and is not on authorized leave of absence from a teaching position in Wisconsin teaching, he may elect to receive a retirement annuity or annuities, the first payment of which shall not be made before the ~~50th~~ 55th birthday of the member unless he has qualified for a disability benefit under s. 42.49 (9).

SECTION 26. 42.245 (2) (b) (intro.) of the statutes is amended to read:

42.245 (2) (b) (intro.) The retirement annuity in the normal form of a formula group member, except as provided in ~~par. pars. (c) and (d) or in s. 42.244 (4) (b)~~, shall be in the monthly amount equal to the sum of the amounts determined pursuant to ~~subs. 1 and 2~~ this paragraph, plus any benefit elected by such member to be provided by his accumulated additional deposits:

SECTION 27. 42.245 (2) (b) 2. b of the statutes is amended to read:

42.245 (2) (b) 2. b. If the annuity begins prior to the 65th birthday of the member, the annuity ~~which at the date it begins is the actuarial equivalent of the annuity deferred to the 65th birthday of the member~~ determined pursuant to subd. 2. a but reduced as recommended by the actuary and approved by the board by a percentage of the amount thereof for each month or major portion thereof between the beginning date of his annuity and the date of his 65th birthday.

SECTION 28. 42.245 (2) (b) 2. d of the statutes is repealed.

SECTION 29. 42.245 (2) (c) of the statutes is created to read:

42.245 (2) (c) The retirement annuity in the normal form of a formula group member, except as provided in pars. (b) and (d) or in s. 42.244 (4) (b), who on or after the effective date of this paragraph (1973) is employed as a teacher in Wisconsin teaching and who makes a required deposit pursuant to s. 42.40 shall be in the monthly amount equal to the sum of the amounts determined pursuant to par. (b), except that:

1. The amount determined under par. (b) 2. a shall be determined by multiplying the number of years of creditable service by 1.3% of the member's final average compensation.

2. The 75% limitation on combined formula annuity and OASDHI benefits in par. (b) 2. c shall be increased to 80%.

SECTION 30. 42.245 (2) (d) (intro.) of the statutes is amended to read:

42.245 (2) (d) (intro.) The retirement annuity in the normal form of a formula group member shall be the amount determined pursuant to par. (b), ~~(c) if eligible therefor, or this paragraph, as the member may elect, but if the member fails to make such election, the annuity shall be that sum calculated under said paragraphs which~~ whichever results in the largest initial annuity. The annuity under this paragraph shall be the annuity purchased by applying as a net single premium any one or more of the following, plus any benefit elected by a member to be provided by his accumulated additional deposits:

SECTION 31. 42.245 (2) (f) of the statutes is amended to read:

42.245 (2) (f) Two annuities shall be deemed to be actuarially equivalent if both require the same net single premium at the date as of which the determination is made. ~~The net single premium for a deferred annuity shall be deemed to include the present value of any death benefit payable prior to its commencement.~~

SECTION 32. 42.245 (2) (i) of the statutes is created to read:

42.245 (2) (i) If the formula group retirement annuity of a member of the combined group who became a member of the formula group on or before the effective date of this paragraph (1973) is less than the amount to which such member would have been entitled under s. 42.242, the formula group retirement annuity shall be increased to such amount.

SECTION 33. 42.245 (3) (a) of the statutes is amended to read:

42.245 (3) (a) If, before attaining age 65, a formula group member who has made required deposits for not less than a school year during each of 5 fiscal years within the 84-month period preceding the occurrence of disability, becomes unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration, and furnishes due proof thereof, and if the teaching service of the member was terminated because of such disability, such member shall be paid a

disability annuity during the continuance of such disability. The teaching service of a member shall not be considered to have been terminated because of disability if a member has engaged in any employment other than Wisconsin teaching between the date the disability occurred and the date of approval by the board of his application for a disability annuity. The board may at any time, but not more than once in any fiscal year, and only until the member has attained age 65, require proof of the continuance of such disability, and if the member fails to furnish satisfactory proof thereof, or if it appears at any time that the member has become able to engage in any substantial gainful activity, such annuity shall be reduced to the amount of the retirement annuity to which he would be entitled under sub. (2), notwithstanding the age ~~50~~ 55 requirement expressed therein.

SECTION 34. 42.245 (3) (b) 1 of the statutes is amended to read:

42.245 (3) (b) 1. The amount of the retirement annuity to which the member would be entitled under sub. (2), notwithstanding the age ~~50~~ 55 requirement expressed therein, or,

SECTION 35. 42.245 (3) (b) 2 of the statutes is amended to read:

42.245 (3) (b) 2. The lesser of the following amounts: 50% of the final average compensation, or ~~1-1/2%~~ 1.3% of the final average compensation multiplied by the number of years of creditable service, including in the latter assumed service between the date the disability occurred and the 65th birthday of the member. ~~Whenever the annuitant becomes eligible for disability benefits or for old-age benefits as a retired worker under the federal OASDHI system, the amount of his disability annuity, other than any amount attributable to his additional deposits, shall be reduced by 20% of the amount thereof, but in no event shall such reduction lower the disability annuity below that which could have been provided under subd. 1. Such reduction shall be effective with the annuity payment for the 8th month after the annuity begins except during such period as the disability annuitant furnishes evidence to the fund that he is not eligible for benefits from the federal OASDHI system.~~ Any annuity payable under this paragraph shall not be subject to optional modification. All available required deposit accumulations, state deposit accumulations and state contributions shall be applied to the cost of any annuity provided under this paragraph.

SECTION 36. 42.245 (4) of the statutes is amended to read:

42.245 (4) SEPARATION BENEFITS. Any formula group member who has ceased to be employed as a teacher in Wisconsin teaching and who is not on authorized leave of absence from a teaching position in Wisconsin teaching, shall be paid the accumulation from the member's required and additional deposits upon filing with the board, before the ~~50th~~ 55th birthday of the member, a written request therefor and a full and complete discharge and release of all right, interest or claim on the part of the member to state deposit accumulations and to any benefit arising under this subchapter.

SECTION 37. 42.245 (5) of the statutes is repealed and recreated to read:

42.245 (5) REENTRY INTO SERVICE. (a) If any member receiving a retirement annuity receives compensation which is subject to s. 42.40 (6a), his annuity shall be terminated as of the end of the month prior to the date on which the total of such compensation received in any fiscal year exceeds 6 times his average monthly earnings for the 3 fiscal years in which his earnings were the highest. For purposes of this subsection, compensation is considered received as of the date on which such compensation would be paid normally.

(b) Upon termination of an annuity in accordance with par. (a), each member whose annuity is so terminated shall be credited, as of the date such annuity is

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terminated, with additional deposits, required deposits and state deposits equal to the then present value of the portion of the terminated annuity which was originally provided by the corresponding type of deposit. All such amounts remaining in a member's account at the end of the fiscal year in which credited shall be credited with interest or variable gains or losses for each full month elapsing between the date of credit and the end of the fiscal year, at one-twelfth of the applicable rate for such fiscal year.

(c) Upon subsequent retirement, the annuity of a former annuitant shall be recomputed under sub. (2) and applicable provisions, but the annuitant shall be required to accept the same optional form of annuity as that under which he initially retired. If such annuity is one providing a survivor life contingency the same beneficiary must be designated, but this sentence shall not apply if the creditable service of the member for employment after his reentry into service exceeds his creditable service for previous employment. Upon such recomputation, the amount of any annuity determined pursuant to sub. (2) (b) 2 shall be reduced by the amount of the annuity that can be provided, on the earlier of the subsequent retirement date or the normal retirement date of the member, by the sum of the aggregate annuity payments as determined under sub. (2) (b) 2 made to the annuitant prior to his normal retirement date. The board, however, may adjust any annuity recomputed under this paragraph as necessary to prevent any inequitable result.

SECTION 38. 42.245 (7) (c) 1 of the statutes is amended to read:

42.245 (7) (c) 1. As of June 30, 1966, but as of June 30, 1973, for each member who becomes a member of the formula group on the effective date of this amendment (1973), after the adjustments required by s. 42.243 (5) and (6), there shall be transferred from the required deposit account in the fixed annuity division of each member of the formula group to his required deposit account in the variable annuity division the amount equal to the excess, if any, of a) the accumulation in his account in the variable annuity division from state deposits, over b) the accumulation in his account in the variable annuity division from required deposits.

SECTION 39. 42.246 (1) (intro.) of the statutes is amended to read:

42.246 (1) (intro.) Any separate group member who is eligible to elect to participate in the formula group as provided in s. 42.244, and who so elects, or who becomes a formula group member pursuant to s. 42.244 (4), shall be subject to all laws and regulations applicable to the formula group, but he shall not be required to become subject to social security coverage. Each separate group member who ~~elects to become~~ becomes a formula group member shall also be subject to the following:

SECTION 40. 42.246 (1) (a) of the statutes is amended to read:

42.246 (1) (a) For ~~purposes of determining the amount of member deposits and state contributions, and for purposes of determining the amount of any benefit,~~ with respect to each such member, it shall be assumed that the member is and was subject to subch. VI of ch. 40, and that the social security benefit expectancy of such member is the same as that of a combined group member with the same salary and service experience and the same age, whose social security coverage was effective January 1, 1955.

SECTION 41. 42.246 (1) (b) and (c) of the statutes are repealed.

SECTION 42. 42.246 (1) (e) (intro.) of the statutes is amended to read:

42.246 (1) (e) (intro.) The initial amount of retirement annuity of each separate group member who ~~elects to become~~ becomes a member of the formula group, and who on or after September 11, 1965 elects to become subject to subch. VI of ch. 40, shall be the amount determined pursuant to s. 42.245 (2) reduced by the annuity in the normal form which could be purchased by:

SECTION 43. 42.246 (1) (e) 1 of the statutes is amended to read:

42.246 (1) (e) 1. If determined pursuant to s. 42.245 (2) (b) or (c), the total amount transferred to pay retroactive social security ~~taxes~~ contributions with respect to such member; or

SECTION 44. 42.246 (1) (f) of the statutes is amended to read:

42.246 (1) (f) If the amount of the retirement annuity of a member of both the separate and formula groups, as calculated under s. 42.245 (2) ~~(b) 2, a and b,~~ is less than the amount to which such member would have been entitled under s. 42.49 (4), (6) or (7), the annuity shall be increased to such amount, and then adjusted as provided under s. 42.245 (2) (b) 1 if such person is a participant in the variable annuity, provided that the annuity shall be so increased only if said member pays into the retirement deposit fund a sum equal to the difference between the amount which said member actually paid into said fund and the amount which he would have paid into said fund if he had not ~~electe~~d to become a member of the formula group, such payment to be made prior to filing an application for a retirement annuity.

SECTION 45. 42.33 (1) (b) of the statutes is amended to read:

42.33 (1) (b) In the "Retirement Deposit Fund" equal to the liabilities for member deposits ~~and for state~~, State deposits for members of the separate group and the combined group and interest accretions; shall be transferred to the state accumulation fund on July 1, 1973, except as otherwise provided in par. (d).

SECTION 46. 42.33 (1) (c) of the statutes is repealed and recreated to read:

42.33 (1) (c) On June 30, 1973, the then existing assets and liabilities of the contingent fund under s. 42.33 (1) (c), 1971 stats., shall be transferred to the annuity reserve fund under par. (a), as an account within such reserve fund.

SECTION 47. 42.33 (2) of the statutes is amended to read:

42.33 (2) The board shall establish and maintain such reserve or surplus funds or accounts as the interests of the members and the future solvency of the funds may require. The board shall as of June 30 of each year make such valuations of the several funds as are necessary for the purposes of the ~~state teachers retirement~~ system.

SECTION 48. 42.33 (3) and (4) of the statutes are repealed.

SECTION 49. 42.34 of the statutes is repealed.

SECTION 50. 42.37 (5) of the statutes is created to read:

42.37 (5) Make such investigations of the mortality, disability, service and compensation experience of the system as are necessary, and on the basis of such investigations and the recommendations of the actuary adopt the rates at which annuities and other benefits shall be granted, but such rates shall be the same for the fixed and the variable divisions. No revision of rates shall affect the rights of any annuitant or beneficiary whose benefit was effective prior to the effective date of any such revision. The board may from time to time make such distribution of gains and savings as it deems equitable.

SECTION 51. 42.40 (6a) of the statutes is created to read:

42.40 (6a) Effective as to compensation paid on and after January 1, 1974, except as provided in sub. (9), each member of the system who is not an annuitant shall make a deposit in the retirement deposit fund equal to 5% of all compensation received for teaching service performed by such member.

SECTION 52. 42.42 (1) of the statutes is amended to read:

42.42 (1) PRIOR CONTRACTS. Every contract of employment as a teacher made after July 8, 1921 shall specify that it is subject to the provisions of the state teachers retirement law, and give the date of the birth of the teacher, and such other information as the board may require for the identification of the teacher. ~~In any case when such contract was made before July 1, 1947 no deduction without the consent of the teacher shall be made in excess of the deduction authorized when the contract was made.~~

SECTION 53. 42.42 (3) and (4) of the statutes are repealed.

SECTION 54. 42.46 (1) of the statutes is amended to read:

42.46 (1) The board shall determine annually, ~~as soon after June 30 as practicable, ascertain the teaching experience of, and the amount of required deposits made during the year by, each member of the separate group and the combined group, and on the basis thereof determine the deposit to be made by the state in the retirement deposit fund on account of service rendered during the year for each such member. Said board shall also determine annually, as soon after June 30 as practicable, the amount of money which must be placed in the contingent fund to maintain the ratio of assets to liabilities which is required by s. 42.33 (1) (c) and the amount required to be paid into the state accumulation fund pursuant to sub. (3). The amount of the state deposit to the retirement deposit fund shall be credited to the individual accounts of the members for the purpose of providing an annuity or other benefit as provided in this subchapter, but for fiscal years beginning after June 30, 1966, such credits shall be made only with respect to the accounts of members of the separate group and the combined group.~~

SECTION 55. 42.46 (2) (a) of the statutes is repealed and recreated to read:

42.46 (2) (a) As of June 30 of each year, the board shall cause a valuation to be made of the fund on such basis as the board establishes to determine the amounts necessary to maintain the assets of the fund as required by this section. The results of such valuation as of any June 30 shall provide the basis for the determination of the amount of the payments to be made under par. (b) for the second fiscal year which begins after such valuation date.

SECTION 56. 42.46 (2) (b) of the statutes is amended to read:

42.46 (2) (b) The board shall certify the contribution ~~rates~~ rate derived in accordance with ~~par. (a) sub. (3)~~ to the department of administration and ~~shall certify the appropriate contribution rate~~ to each state department or agency and each public school employing or paying the salaries of teachers. The heads of the respective departments and agencies and of each public school which make the salary deductions in accordance with s. 42.40 shall at the time that the salary deductions are sent to the board, by applying the ~~appropriate retirement association's employer~~ contribution rate to the ~~appropriate portion of the~~ compensation of the respective employes of that department or agency, or public school determine the amount of the corresponding state contribution to be made from the proper fund and appropriation of the state and shall indicate the amount of such contribution on the payroll report submitted to the

system. The system shall transmit summaries of such payroll reports to the department of administration together with a voucher for payment to the state teachers retirement system, from the appropriate state funds and appropriations of the amounts payable thereto as indicated by the payroll reports. Thereupon the department of administration shall approve such voucher for payment within 5 days after its receipt and the treasurer shall issue his check therefor to the state teachers retirement system.

SECTION 57. 42.46 (3) (a) and (b) of the statutes are amended to read:

42.46 (3) (a) The accrued liability shall be determined as of June 30, 1966, as the then present value of all future benefits to or for the then members of the formula group of ~~each retirement association~~ to be paid or purchased from the state accumulation fund, less the present value of a percentage of the prospective future compensation of such members, and less the amount then credited to the state accumulation fund for the benefit of the members ~~of the respective associations~~. The percentage referred to in the preceding sentence shall be determined as the uniform percentage of the compensation of all such members ~~of each retirement association~~ which if contributed throughout the entire period of the employment of each as a teacher in Wisconsin teaching would be sufficient to provide for all benefits to be paid or purchased on their behalf from the state accumulation fund. The accrued liability contribution shall be the uniform annual amount required to liquidate the accrued liability within 40 years from July 1, 1966. The accrued liability shall be redetermined as of June 30, 1973, on the basis provided in this paragraph, and the accrued liability contribution thereafter shall be as nearly as is possible the uniform annual amount required to liquidate the redetermined accrued liability within 40 years from July 1, 1974.

(b) The normal contribution rate for any fiscal year commencing after June 30, 1965, shall be the uniform percentage of the compensation of all members of the formula group of ~~each retirement association~~ determined as of the ~~first day of such fiscal year~~ valuation date by deducting from the then present value of all future benefits to be paid or purchased from the state accumulation fund on behalf of the then members of the formula group of ~~each retirement association~~, the amount then credited to said fund for the benefit of the members ~~of the respective associations~~ and the present value of future accrued liability contributions of the members ~~of the respective association~~, and dividing the remainder by the present value of the prospective future compensation of all such members.

SECTION 58. 42.49 (4) (a) of the statutes is amended to read:

42.49 (4) (a) When a member who has taught after August 3, 1947, ceases to be employed as a teacher in the public schools, state universities or university in this state and is not on a leave of absence from a teaching position in the public schools, state universities or university in this state, and has attained the age of 60 years or more, and has had not less than 30 years of teaching experience of which not less than 20 years were in the public schools, the state universities or the university in this state, and has applied the entire accumulations from required deposits as provided in sub. (2), and the accumulations from state deposits have been applied by the member to the purchase of an annuity as provided in sub. (3), and when the annuity purchased by such accumulations from state deposits, together with the annuity, if any, provided for the member under s. 42.51 (3), when computed as an annuity payable monthly to the member during life is less than an annuity of \$2 per month for each year of the member's teaching experience, not exceeding 35 years, in the public schools, state universities or university in this state, the annuity to the member shall be increased so that the member shall be paid an annuity for life equal to such annuity, or the actuarial equivalent of such life annuity. The increase in the annuity shall be paid

from the contingent account of the annuity reserve fund.

SECTION 59. 42.49 (6) (c) of the statutes is amended to read:

42.49 (6) (c) If the sum of the annual annuity provided in par. (b) and the annual annuity purchased by the accumulation of required deposits when computed as an annuity payable to the member during life is less than one-seventieth of the average annual salary as defined in par. (b), multiplied by the number of years of the member's teaching experience not exceeding 35 years in the public schools, the state universities, or the university in this state, the annuity to the member shall be increased so that the member shall be paid an annuity for life equal to such amount, or the actuarial equivalent of such life annuity. Any such increases in the annuity shall be paid from the contingent account of the annuity reserve fund. Any increased annuity herein provided shall not be available for any member who has at any time withdrawn any amount from the retirement deposit fund or received any annuity under this subchapter, except that

SECTION 60. 42.49 (7) (a) of the statutes is amended to read:

42.49 (7) (a) When a member who has taught after July 29, 1951, ceases to be employed as a teacher in the public schools, state universities or university in this state and is not on a leave of absence from a teaching position in the public schools, state universities or university in this state, and has attained the age of 60 years or more and has had not less than 25 years of teaching experience in the public schools, the state universities or the university in this state, or has attained the age of 55 years or more and has had not less than 30 years of teaching experience in the public schools, the state universities or the university in this state, and has applied the entire accumulation from the member's required deposits as provided in sub. (2), and the accumulations from the state deposits have been applied by the member to the purchase of an annuity as provided in sub. (3), and when the annuity purchased by such accumulations from the state deposits, together with the annuity, if any, provided for the member under s. 42.51 (3), when computed as an annuity payable monthly to the member during life is less than an annuity of \$2 per month for each year of the member's teaching experience, not exceeding 35 years, in the public schools, state universities or university in this state, the annuity to the member shall be increased so that the member shall be paid an annuity for life equal to such annuity, or the actuarial equivalent of such life annuity. The increase in the annuity shall be paid from the contingent account of the annuity reserve fund.

SECTION 61. 42.49 (9) (a) and (b) of the statutes are amended to read:

42.49 (9) (a) If, before attaining age ~~50~~ 55, a member who has made required deposits for not less than a school year during each of 5 fiscal years and who was employed in teaching or was on leave of absence from teaching in this state, within the 12-month period immediately preceding the occurrence of disability, becomes physically or mentally incapacitated to such extent that the member is wholly, and presumably will be permanently, unable to engage in teaching, and furnishes due proof thereof and that such disability has then existed for 60 days, the member shall be paid from the contingent account of the annuity reserve fund an annuity during the continuance of such disability, in monthly payments of \$25 each, in addition to any other benefit payable to such member. The board may at any time not more than once in any year require proof of the continuance of such disability and if the member shall

fail to furnish satisfactory proof thereof, or if it appears at any time that the member has become able to engage in teaching, such annuity shall cease.

(b) A member who has attained age ~~50~~ 55 but who has not attained the minimum age required to qualify for the minimum benefit as provided in sub. (4) who has made required deposits for not less than a school year during each of 5 fiscal years, and who was employed in teaching or was on leave of absence from teaching in this state within the 12-month period immediately preceding the occurrence of disability, and becomes physically or mentally incapacitated as provided in this subsection, and furnishes due proof thereof, and that such disability has then existed for 60 days, shall be entitled to the increased annuity described in sub. (4) upon application therefor to the board if said member has had not less than 20 years of teaching experience in schools, departments or institutions included in the state teachers retirement system, and applies the entire accumulation from the member's required deposits at the time that such disability occurs toward the purchase of an annuity.

SECTION 62. 42.49 (10) (a) of the statutes is amended to read:

42.49 (10) (a) Each retired teacher whose application for an annuity under the state teachers retirement system was granted before January 1, 1952, or who has made no required deposits based on compensation for teaching service performed after December 31, 1951, who is 65 years of age or more, whose annuity was not increased under sub. (6), (s. 42.49 (3c), Stats., 1951), and who taught 20 or more years in the public schools, state universities or university of this state, shall be paid an additional \$1.25 per month for each year of the first 20 years of teaching experience in the public schools, state universities, or university in this state and \$1 per month for each additional year, but the total additional payment shall not exceed \$45 per month; except that the additional amount so paid shall not exceed an amount which, when added to the annuity otherwise payable from state deposit accumulations and the contingent account of the annuity reserve fund under this section when computed as a straight life annuity, not including any annuity for prior service under s. 42.51 (3), will exceed \$110 per month.

SECTION 63. 42.49 (13) and (16) (f) of the statutes are repealed.

SECTION 64. 42.49 (15) of the statutes is amended to read:

42.49 (15) (title) LUMP SUM PAYMENT. Any member, after attaining the age of ~~50~~ 55 years, having ceased to be employed as a teacher in ~~the public schools, state universities or university in this state,~~ Wisconsin teaching and not being on a an authorized leave of absence from a teaching position in ~~the public schools, state universities or university in this state~~ Wisconsin teaching, whose accumulation from state deposits ~~does not exceed \$2,500 would not provide an annuity in the normal form of at least \$25 monthly,~~ may apply such accumulation to the purchase of an annuity as provided in sub. (3) or may withdraw such accumulation in a single payment upon filing an application therefor with the board in such form as the board requires, but the payment of said accumulation in a single sum shall be made only with, or after, the withdrawal of all of the accumulation from the member's own deposits in accordance with sub. (1).

SECTION 65. 42.49 (16) (a) 1. b of the statutes is amended to read:

42.49 (16) (a) 1. b. The monthly amount of any other benefit payable from such system resulting from service as a teacher, including amounts paid to a member as dividends pursuant to action of the board under s. ~~42.34~~ 42.37 (5) and amounts paid pursuant to sub. (10), all adjusted as provided in subd. 1. a.

SECTION 66. 42.50 (1) (intro.) of the statutes is repealed and recreated to read:

42.50 (1) (intro.) The death benefit payable to a beneficiary shall be the full amount of the accumulation in the retirement deposit fund to the credit of the member from all member's deposits plus:

SECTION 67. 42.50 (1) (b) of the statutes is amended to read:

42.50 (1) (b) In the case of a member of the separate group or the combined group, the accumulation ~~in the retirement deposit fund~~ from all state deposits made on his behalf.

SECTION 68. 42.50 (1) (c) of the statutes is created to read:

42.50 (1) (c) In the case of death after the effective date of this paragraph (1973) of a member of the formula group who was a member of the system on June 30, 1966, the accumulation at June 30, 1973, or at the date of death of the member if earlier, from state deposits made on his behalf, compounded to the end of the last completed calendar quarter year preceding his death at the respective rates of interest credited to individual accounts in the fixed annuity division from year to year, but any accumulation on June 30, 1973, from state deposits in the variable annuity division shall be so compounded at the respective rates of earnings and capital gains and losses credited to individual accounts in the variable annuity division. For purposes of this paragraph the accumulation from state deposits at June 30, 1973, is deemed to include an amount equal to the accumulation from a member's required deposits for teaching service in Wisconsin teaching during the period July 1, 1966, through June 30, 1973.

SECTION 69. 42.50 (2) (b) of the statutes is repealed and recreated to read:

42.50 (2) (b) As an annuity payable monthly for life to each of 2 or more beneficiaries.

SECTION 70. 42.50 (4) (a) and (5) (intro.) of the statutes are amended to read:

42.50 (4) (a) If the ~~designated~~ beneficiary to whom a death benefit is payable is a spouse, child under age 21 ~~(including legally adopted child)~~, or child age 21 or older if handicapped ~~(including a legally adopted child or a stepchild)~~, or other dependent of such member, as determined by the board, or a trust in which such beneficiary has a beneficial interest, a benefit having a present value at the day following the date of death of such member of the life annuity to the beneficiary which would have been payable if such member had been eligible to receive a retirement annuity beginning on the date of his death and had elected to receive such annuity in the optional form provided under s. 42.49 (2) (d).

(5) (intro.) Upon the death of a member of the formula group receiving a disability annuity under s. 42.245, a death benefit shall be payable to his beneficiary in the amount of the excess, if any, of the accumulations from member required deposits applied to provide the annuity over the aggregate amount of disability annuity payments received by the member. If the beneficiary or beneficiaries to whom a death benefit is payable is ~~or are a wife spouse, minor child (including stepchild or legally adopted child), or dependent husband designated as beneficiary on the date the disability annuity was approved~~ or a trust in which such beneficiary has a beneficial interest, the death benefit shall not be less than:

SECTION 71. 42.50 (6) of the statutes is created to read:

42.50 (6) Upon the death of a member after credits have been reestablished in his account pursuant to s. 42.245 (5) (b), the amount of a death benefit shall be as otherwise determined under this section, but the amount so determined shall be reduced by the sum of all retirement annuity payments received by such member.

SECTION 72. 42.51 (3) of the statutes is amended to read:

42.51 (3) When any member of Class A or Class B who has taught at least 25 years in the public schools, the state universities or the university is paid an annuity under s. 42.242 or 42.49 (3) the annuity shall be increased by the annuity which would be granted at the rates then in force on an accumulation equivalent to the amount of the computation above defined, and such additional annuity shall be paid from the contingent account of the annuity reserve fund. ~~No accumulation from state deposits or transfer of funds shall be required in case of such additional annuity.~~ This section shall not authorize or include any increase in or addition to the death benefit provided in s. 42.50 for any person who did not come within or under this subchapter, relating to the state teachers retirement system, prior to July 16, 1923.

SECTION 73. 42.51 (5) and (6) (a) and (b) of the statutes are amended to read:

42.51 (5) Any member of Class A, having elected to retire before July 8, 1921, shall from said date, be paid the benefits provided under the teachers' insurance and retirement fund law, subject to all the conditions thereof, except the pro rata reduction authorized thereby, as if said law had continued in effect during the payment of such benefits. Such payments shall be made from the contingent account of the annuity reserve fund, except as other provision shall be made therefor.

(6) (a) Any member of Class A who shall have complied with this subchapter and who shall elect to retire after July 8, 1921, may elect to relinquish any other benefits under this subchapter and to receive in lieu thereof the benefits provided under the teachers' insurance and retirement fund law as if said law continued in effect until such benefits are fully paid, subject to all the conditions of said law, except the pro rata reduction authorized thereby; provided, that if the member shall, before such election to retire, have received any benefit derived from required deposits, the amount so received, with interest, shall be repaid by a pro rata reduction of the future benefits so elected by such member. The accumulation to the credit of the member in the retirement deposit fund shall be applied at the rates then in force toward the payment of the benefit so elected and any remaining part of the benefit so elected shall be paid from the contingent account of the annuity reserve fund.

(b) Notwithstanding any other provisions of the statutes, s. 42.49 (4), (6) and (7) relating to an increased annuity apply to a member who retired pursuant to this subsection if after June 24, 1955 such member teaches in a position which requires him to make, and he does make, required deposits; but such increased annuity shall be payable as a monthly annuity for life only and the quarterly annuity portion thereof which was granted pursuant to this subsection shall be converted to a monthly annuity and such increased annuity shall also be decreased by all of that portion of such quarterly annuity which previously was granted to such member from the contingent account of the annuity reserve fund.

SECTION 74. 42.70 (1) (a) to (c) of the statutes are amended to read:

42.70 (1) (a) A reserve fund made up of amounts transferred from the ~~general fund, the state accumulation fund and the retirement deposit fund~~ for the payment of annuities granted pursuant to this subchapter and interest accretions thereto.

(b) A retirement deposit fund, made up of member deposits made under s. 42.80 (5a) ~~for members of the separate group, s. 42.80, (6) for members of the combined group and s. 42.80, (7) for members of the formula group, (8) and (9) and interest accretions thereto.~~

(c) A state accumulation fund made up of amounts paid by the state on behalf of members of the formula group and interest accretions thereto, together with gifts, legacies and amounts received from any other source and amounts transferred pursuant to s. 42.89 (3).

SECTION 75. 42.70 (1) (d) and (2) (h) of the statutes are repealed.

SECTION 76. 42.70 (2) (v) of the statutes is created to read:

42.70 (2) (v) For any annuity determined in accordance with s. 42.78 (2) (c), "final average compensation" means the monthly rate of compensation obtained by dividing 1) the member's total compensation subject to required deposits (including any compensation which would have been subject to required deposits if not exempted pursuant to s. 42.84 (4)) for the 3 fiscal years in which such compensation was the highest during the fiscal years preceding the June 30 following the date of termination of his membership teaching by 2) 12 times the number of years of his creditable service for such 3 years. If a member has such compensation for less than 3 such fiscal years his final average compensation is the rate obtained by dividing his total compensation for all such years by 12 times the total number of years of his creditable service therefor.

SECTION 77. 42.71 (2) (e) of the statutes is amended to read:

42.71 (2) (e) Make such investigations of the mortality, disability, service and compensation experience of the several funds as are necessary. On the basis of such investigation the board shall determine, adopt and certify the rates at which the annuities and other benefits shall be granted. ~~The rates shall be adequate to provide for all benefits as near as may be at actual cost but shall not be less than the rates based on the minimum standard prescribed by law for granting annuities in this state, but such rates shall be the same for the fixed and variable divisions.~~ No revision of rates shall affect ~~adversely~~ the rights of any beneficiary or annuitant ~~under an application made prior to the date when such revision becomes effective whose benefit was effective prior to the effective date of any such revision.~~ The board may ~~order and from time to time~~ make such distribution of ~~any surplus which accrues in the annuity reserve funds gains and savings~~ as it deems equitable.

SECTION 78. 42.75 (1) of the statutes is amended to read:

42.75 (1) SEPARATION BENEFITS. Any member who has ceased to be employed as a teacher in the public schools of a city of the 1st class, and is not on leave of absence from a teaching position in such city, may be paid the accumulation from the member's deposits made while a member of the combined group, on filing with the board before the 55th birthday anniversary of such member a written request therefor and a full and complete discharge and release of all right, interest or claim on the part of such member to state deposit accumulations which accrued while he was a member of the combined group. ~~Such state deposit accumulations shall thereupon be transferred to the state general fund in accordance with s. 42.223 (3).~~ Withdrawal of member's deposits made before said member became a member of the combined group shall be governed by s. 42.86. Any member who has ceased to be employed as a teacher in the public schools of a city of the 1st class, and is not on leave of absence from a teaching position in such city and who has attained the age of 55 years, and whose total accumulation from required deposits and state deposits which accrued while he was a member of the combined group, does not exceed \$3,000 may be paid such accumulation in a single payment upon filing an application therefor in such form as the board requires.

SECTION 79. 42.75 (2) of the statutes is amended to read:

~~42.75 (2) DEATH BENEFITS. Each member may, by written notice to the board, in such form as it approves, designate a sole beneficiary, or 2 or more beneficiaries to whom any death benefits payable at the death of the member, shall be paid. The member may, by a like written notice, change any such designation. Such The death benefits payable to beneficiaries shall be the full amount of the accumulation in the retirement deposit fund to the credit of the member from all member's deposits and all state deposits made under s. 42.80 (6), plus an amount which is equal to twice the accumulation which would have resulted from the deposits made by such member under s. 42.80 (1) to (5) if interest had been compounded thereon at the rate of 3% per annum. Such death benefits shall be payable as an annuity or annuities payable monthly during the life of one or more beneficiaries, except that if any such annuity would be less than \$10 per month, the benefit shall be paid to the beneficiary in a single sum. If more than one beneficiary is designated and any of such designated beneficiaries shall predecease such member, the death benefit shall, unless the member has designated otherwise, be paid to the surviving beneficiaries in shares of equal value. The board may require proof of the death of deceased beneficiaries from the surviving beneficiaries. If no beneficiary has been designated by the member, or if no designated beneficiary survives the member, such death benefit shall be paid in a single sum to the estate of the member. If the designated beneficiary survives the member, but dies before making application for or receiving any benefits under this subchapter, such death benefit shall be paid in a single sum to the estate of the deceased beneficiary upon the application of the executor or administrator of such estate.~~

SECTION 80. 42.77 (3) of the statutes is created to read:

42.77 (3) (a) Beginning on the effective date of this subsection (1973) the formula group shall include every member who on or after such date is engaged in membership teaching and who makes a required deposit pursuant to s. 42.80, or who until July 1, 1973, is exempted from making deposits under s. 42.84 (4) For purposes of subch. VI of ch. 40, each member of the formula group shall also be classified as a member of the combined group or of the separate group as determined pursuant to s. 42.72.

(b) For any combined group member or separate group member who becomes a member of the formula group on or after the effective date of this subsection (1973), any formula annuity, disability annuity under s. 42.78 (3), or death benefit under s. 42.78 (5) (b) shall be reduced by the amount of annuity or other benefit that could be provided by the aggregate of the following amounts, together with interest thereon compounded at the rate of interest credited to member fixed division accounts for each full fiscal year between June 30, 1973, and the effective date of such annuity or other benefit:

1. For members of the combined group:

a. For the fiscal year ending June 30, 1967, 2-1/2% of the amount of compensation for such year which is in excess of \$6,600.

b. For the fiscal year ending June 30, 1968, 2-1/2% of the amount of compensation for such year which is in excess of \$7,200.

c. For the fiscal years ending June 30, 1969, to June 30, 1971, 2-1/2% of the amount of compensation for each of such fiscal years which is in excess of \$7,800.

d. For the fiscal year ending June 30, 1972, 2-1/2% of the amount of compensation for such year which is in excess of \$8,400.

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e. For the fiscal year ending June 30, 1973, 2-1/2% of the amount of compensation for such fiscal year which is in excess of \$9,900.

2. For members of the separate group the following amounts reduced by actual deposits under s. 42.80 (1) to (5) and (9):

a. For the fiscal year ending June 30, 1967, 4-1/2% of the amount of compensation for such fiscal year plus 2-1/2% of such compensation which is in excess of \$6,600.

b. For the fiscal year ending June 30, 1968, 4-1/2% of the amount of compensation for such fiscal year plus 2-1/2% of such compensation which is in excess of \$7,200.

c. For the fiscal years ending June 30, 1969, to June 30, 1971, 4-1/2% of the amount of compensation for each of such fiscal years plus 2-1/2% of such compensation which is in excess of \$7,800 in each such fiscal year.

d. For the fiscal year ending June 30, 1972, 4-1/2% of the amount of compensation for such fiscal year plus 2-1/2% of such compensation which is in excess of \$8,400.

e. For the fiscal year ending June 30, 1973, 4-1/2% of the amount of compensation for such fiscal year plus 2-1/2% of such compensation which is in excess of \$9,900.

(c) Section 42.77 (1) (c) shall not apply to any member who qualifies under par. (a), but any such member shall be subject to par. (b) as to any full fiscal year during which he was a member of the combined group or the separate group.

SECTION 81. 42.78 (2) (b) (intro.) of the statutes is amended to read:

42.78 (2) (b) (intro.) The retirement annuity in the normal form of a formula group member, except as provided in ~~par. pars. (c) and (d) or in s. 42.77 (3) (b)~~, shall be in the monthly amount equal to the sum of the amounts determined pursuant to this paragraph, plus any benefit elected by such member to be provided by his accumulated additional deposits:

SECTION 82. 42.78 (2) (b) 1. b of the statutes is amended to read:

42.78 (2) (b) 1. b. If the annuity begins prior to the 65th birthday of the member, the annuity ~~which at the date it begins is the actuarial equivalent of the annuity deferred to the 65th birthday of the member~~ determined pursuant to subd. 1. a but reduced as recommended by the actuary and approved by the board by a percentage of the amount thereof for each month or major portion thereof between the beginning date of his annuity and the date of his 65th birthday.

SECTION 83. 42.78 (2) (b) 3 of the statutes is repealed.

SECTION 84. 42.78 (2) (c) of the statutes is created to read:

42.78 (2) (c) The retirement annuity in the normal form of a formula group member, except as provided in pars. (b) and (d) or in s. 42.77 (3) (b), who on or after the effective date of this paragraph (1973) is engaged in membership teaching and who makes a required deposit pursuant to s. 42.80, or who until July 1, 1973, is exempted from making required deposits under s. 42.84 (4) shall be in the monthly amount equal to the sum of the amounts determined pursuant to par. (b), except that:

1. The amount determined under par. (b) 1. a shall be determined by multiplying the number of years of his creditable service by 1.3% of his final average compensation.

2. The 75% limitation on combined annuity and OASDHI benefits in par. (b) 2 shall be increased to 80%.

SECTION 85. 42.78 (2) (d) (intro.) of the statutes is amended to read:

42.78 (2) (d) (intro.) The retirement annuity in the normal form of a formula group member shall be the amount determined pursuant to par. (b), (c) if eligible therefor, or this paragraph, ~~as the member elects, but if the member fails to make an election, the annuity shall be that sum calculated under said paragraphs which whichever~~ results in the largest initial annuity. The annuity under this paragraph shall be the annuity purchased by applying as a net single premium the sum of the following, plus any annuity elected by such member to be provided by his accumulated additional deposits:

SECTION 86. 42.78 (2) (d) 1 and 3 of the statutes are amended to read:

42.78 (2) (d) 1. The accumulation from the member's required deposits made pursuant to s. 42.80 (6) ~~and (7) to (9)~~.

3. An amount equal to the accumulation from a member's required deposits made pursuant to s. 42.80 (6) ~~and (7) to (9)~~.

SECTION 87. 42.78 (2) (f) of the statutes is amended to read:

42.78 (2) (f) Two annuities shall be deemed to be actuarially equivalent if both require the same net single premium on the date as of which the determination is made. ~~The net single premium for a deferred annuity shall be deemed to include the present value of any death benefit payable prior to its commencement.~~

SECTION 88. 42.78 (2) (j) of the statutes is created to read:

42.78 (2) (j) If the formula group retirement annuity of a member of the combined group who became a member of the formula group on or before the effective date of this paragraph (1973) is less than the amount to which such member would have been entitled under s. 42.73, the formula group retirement annuity shall be increased to such amount.

SECTION 89. 42.78 (3) (b) 2 of the statutes is amended to read:

42.78 (3) (b) 2. The sum of the amount of the annuity that can be purchased by the accumulation from additional deposits on the date the disability annuity begins, if the member so elects, plus the lesser of the following amounts: 50% of the final average compensation, or ~~4-1/2%~~ 1.3% of the final average compensation multiplied by the number of years of creditable service, including in the latter assumed service between the date the disability occurred and the 65th birthday of the member. ~~Whenever the annuitant becomes eligible for disability benefits or for old age benefits as a retired worker under the federal OASDHI system, the amount of his disability annuity other than any amount attributable to his additional deposits, shall be reduced by 20% of the amount thereof, but in no event shall such reduction lower the disability annuity below that which could have been provided under subd. 1. Such reduction shall be effective with the annuity payment for the 8th month after the annuity begins except during such period as the disability annuitant furnishes evidence to the fund that he is not eligible for benefits from the federal OASDHI system. Any annuity payable under this subsection shall not be subject to optional modification. All~~

available required deposit accumulations, state deposit accumulations and state contributions shall be applied to the cost of any annuity provided under this subsection.

SECTION 90. 42.78 (5) (a) (intro.) of the statutes is repealed and recreated to read:

42.78 (5) (a) (intro.) The death benefit payable to a beneficiary shall be the full amount of the accumulation in the retirement deposit fund to the credit of the member from the member's deposits under s. 42.80 (6) to (9), plus:

SECTION 91. 42.78 (5) (a) 1 of the statutes is amended to read:

42.78 (5) (a) 1. An amount which is equal to twice the accumulation which would have resulted from the deposits made by such member under s. 42.80 (1) to (5) prior to July 1, ~~1966~~ 1973, if interest had been compounded thereon at the annual rate of 3% per annum, and

SECTION 92. 42.78 (5) (a) 3 of the statutes is created to read:

42.78 (5) (a) 3. In the case of death after the effective date of this subdivision (1973) of a member of the formula group who was a member of the system on June 30, 1966, the amount under subd. 2 shall be determined as the amount which is equal to the accumulation at June 30, 1973, or at the date of death of the member if earlier, from state deposits made on his behalf, compounded to the end of the last completed calendar quarter year preceding his death at the respective rates of interest credited to individual accounts in the fixed annuity division from year to year, provided that any accumulation on June 30, 1973, from state deposits in the variable annuity division shall be so compounded at the respective rates of earnings and capital gains and losses credited to individual accounts in the variable annuity division. For purposes of this paragraph the accumulation from state deposits at June 30, 1973, is deemed to include an amount equal to the accumulation from a member's required deposits for membership teaching during the period July 1, 1966, through June 30, 1973.

SECTION 93. 42.78 (5) (b) 1 and (c) (intro.) of the statutes are amended to read:

42.78 (5) (b) 1. If the ~~designated~~ beneficiary to whom a death benefit is payable is a spouse, child under age 21 (~~including legally adopted child~~), or child age 21 or older if handicapped (including a legally adopted child or a stepchild), or other dependent of such member, as determined by the board, or a trust in which such beneficiary has a beneficial interest, a benefit having a present value at the day following the date of death of such member of the life annuity to the beneficiary which would have been payable if such member had been eligible to receive a retirement annuity beginning on the date of his death and had elected to receive such annuity in the optional form provided under s. 42.81 (15) (b) 1.

(c) (intro.) Upon the death of a formula group member receiving a disability annuity under sub. (3), a death benefit shall be payable to his beneficiary in the amount of the excess, if any, of the accumulations from member deposits applied to provide the annuity over the aggregate amount of annuity payments received by the member. If the beneficiary or beneficiaries to whom a death benefit is payable is a ~~wife spouse, minor child, or dependent husband designated as beneficiary on the date the disability annuity was approved~~ (including stepchild or legally adopted child), or a trust in which such beneficiary has a beneficial interest, the death benefit shall not be less than:

SECTION 94. 42.79 (1) (intro.) of the statutes is amended to read:

42.79 (1) (intro.) Any separate group member who is eligible to elect to participate in the formula group under s. 42.77, and who so elects, or who becomes a formula group member pursuant to s. 42.77 (3), shall be subject to all laws and rules applicable to the formula group, but he shall not be required to become subject to social security coverage. Each such separate group member shall also be subject to the following:

SECTION 95. 42.79 (1) (a) of the statutes is amended to read:

42.79 (1) (a) For ~~purposes of determining the amount of member deposits and state contributions, and for~~ purposes of determining the amount of any benefit, with respect to each such member, it shall be assumed that the member is and was subject to subch. VI of ch. 40, and that the social security benefit expectancy of such member is the same as that of a combined group member with the same salary and service experience, and the same age, whose social security coverage was effective January 1, 1955.

SECTION 96. 42.79 (1) (b) and (c) of the statutes are repealed.

SECTION 97. 42.79 (1) (e) (intro.) of the statutes is amended to read:

42.79 (1) (e) (intro.) The initial amount of retirement annuity of each separate group member who ~~elects to become~~ becomes a member of the formula group, and who on or after September 9, 1965, becomes subject to subch. VI of ch. 40, shall be the amount determined pursuant to s. 42.78 (2) reduced by the annuity in the normal form which could be purchased by:

SECTION 98. 42.79 (1) (e) 1 of the statutes is amended to read:

42.79 (1) (e) 1. If determined pursuant to s. 42.78 (2) (b) or (c), the total amount transferred to pay retroactive social security ~~taxes~~ contributions with respect to such member; or,

SECTION 99. 42.79 (1) (f) of the statutes is amended to read:

42.79 (1) (f) If the amount of the retirement annuity of a member of both the separate and formula groups is less than the amount to which such member would have been entitled under s. 42.81 (17) (a) 3 and (b), the annuity shall be increased to such amount, ~~and then adjusted as provided under s. 42.76 (12) if such person is a participant in the variable annuity. This paragraph shall be effective with all retirement annuities granted after June 1, 1967.~~

SECTION 100. 42.80 (6) (d) of the statutes is amended to read:

42.80 (6) (d) All amounts reserved from the salaries of such members, or deposited by or on behalf of such members, shall be held for the benefit of the individual teacher in the retirement ~~deposit~~ fund for the purpose of providing an annuity or other benefit as provided in this subchapter.

SECTION 101. 42.80 (8) of the statutes is created to read:

42.80 (8) Effective as to teachers salaries paid on and after July 1, 1973, except as provided in sub. (9), the board of school directors shall reserve from the salary of each teacher who is a member of the fund an amount equal to 5% of all compensation received for teaching performed by such teacher.

SECTION 102. 42.87 of the statutes is repealed and recreated to read:

42.87 Assignments. (1) The benefits payable to, or other right and interest of any member, beneficiary or distributee of any estate under this subchapter shall be exempt

from any tax levied by the state or any subdivision thereof, and exempt from levy and sale, garnishment, attachment or any other process whatsoever, and shall be unassignable except as specifically provided in this section. The exemption from taxation contained in this section shall not apply with respect to any tax on income.

(2) Insurance premiums, however, shall be deducted as provided in s. 42.71 (2) (b) if the annuity is sufficient.

(3) Any member, beneficiary or distributee of any estate under this subchapter may waive, absolutely and without right of reconsideration or recovery, the right to, or the payment of all or any portion of, any benefit payable or to become payable under that law.

(4) The board may retain from the appropriate annuity or other benefit such amount as it determines to be required to reimburse the system for any money or moneys paid to any annuitant, member, beneficiary or estate as a result of an inadvertent clerical error, misrepresentation or fraud.

SECTION 103. 42.89 (2) of the statutes is amended to read:

42.89 (2) In the retirement deposit fund equal to the liabilities for deposits made by members under s. 42.80 (5a) to (9) and earnings and capital gains accretions. On June 30, 1973, all remaining accumulations from state deposits shall be transferred to the state accumulation fund created under s. 42.70 (1) (c).

SECTION 104. 42.89 (3) of the statutes is repealed and recreated to read:

42.89 (3) On June 30, 1973, the then existing assets and liabilities of the general fund as created under s. 42.70 (1) (d), 1971 stats., shall be transferred to the state accumulation fund created under s. 42.70 (1) (c).

SECTION 105. 42.89 (6) of the statutes is amended to read:

42.89 (6) For the purpose of providing benefits of members of the formula group under this subchapter, the state shall pay each fiscal year to the retirement fund for credit to the state accumulation fund as provided by s. 42.71 (1) (e), the amount equal to the sum of the normal contribution and the accrued liability contribution for such year. The amounts of such contributions shall be determined annually by the board on the basis of such estimates of interest, mortality, salary increases and dropout rates as are applied to the system, and such other tables as the board approves, and in accordance with sub. (7), as follows:

(a) The accrued liability shall be determined as of June 30, 1966, as the then present value of all future benefits to or for the then members of the formula group to be paid or purchased from the state accumulation fund, less the present value of a percentage of the prospective future compensation of such members, and less the amount then credited to the state accumulation fund. The percentage referred to in the preceding sentence shall be determined as the uniform percentage of the compensation of all such members which if contributed throughout the entire period of the employment of each as a teacher in membership teaching would be sufficient to provide for all benefits to be paid or purchased on their behalf from the state accumulation fund. The accrued liability contribution shall be the uniform annual

amount required to liquidate the accrued liability within 40 years from July 1, 1966. The accrued liability shall be redetermined as of June 30, 1973, on the basis provided in this paragraph, and the accrued liability contribution thereafter shall be as nearly as is possible the uniform annual amount required to liquidate the redetermined accrued liability within 40 years from July 1, 1974.

(b) The normal contribution rate for any fiscal year commencing after June 30, 1965, shall be the uniform percentage of the compensation of all members of the formula group determined as of the ~~first day of such fiscal year~~ valuation date by deducting from the then present value of all future benefits to be paid or purchased from the state accumulation fund on behalf of the then members of the formula group, the amount then credited to said fund and the present value of future accrued liability contributions, and dividing the remainder by the present value of the prospective future compensation of all such members.

SECTION 106. 42.89 (7) of the statutes is created to read:

42.89 (7) As of June 30 of each year the board shall cause a valuation to be made of the fund on such basis as the board establishes to determine the amounts necessary to maintain the assets of the fund as required by this section. The results of such valuation as of any June 30 shall provide the basis for the determination of the amount of the payments to be made by the state under s. 42.71 (1) (e) for the second fiscal year which begins after such valuation date.

SECTION 107. **Transitional provisions.** As a means of implementing the revised state contribution basis established under this act and to assist in the funding of the benefit improvements provided by this act the following actions are directed:

(1) Effective June 30, 1973, and continuing until modified by the state teachers retirement board, the interest assumption for the purpose of valuing the liabilities of the state teachers retirement system with respect to members other than annuitants shall be 5%.

(2) Effective June 30, 1973, and continuing until modified by the Milwaukee teachers retirement board, the interest assumption for the purpose of valuing the liabilities of the Milwaukee teachers retirement fund with respect to members other than annuitants shall be 5%.

(3) Notwithstanding any other provision of ch. 42, the contribution rate under section 42.46 (3) of the statutes for the fiscal year beginning July 1, 1973, shall be 6.1% of the compensation of all members of the state teachers retirement system, and the amount to be contributed under section 42.89 (6) of the statutes for the fiscal year beginning July 1, 1973, shall be \$5,214,000.

SECTION 108. **Effective date.** This act shall take effect on the day following publication except as otherwise provided herein, and except that the amendment to section 42.243 (2) (d) of the statutes shall be effective July 1, 1974.
