

## Chapter ETF 20

## WISCONSIN RETIREMENT SYSTEM

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**ETF 20.01 Actuarial estimate charges.** (1) Before submitting a resolution to become a participating employer under the Wisconsin retirement system, an employer, as defined in s. 40.02 (28), Stats., may obtain, upon written request to the department and the payment of a fee of \$50.00 if more than 10 employes or \$25.00 if 10 employes or less, an actuarial determination of its estimated prior service liability. The employer shall supply the data with respect to its employes in accordance with instructions from the department.

(2) The determination of the prior service liability shall be furnished without charge to any employer which has submitted a resolution for inclusion under the Wisconsin retirement system.

(3) The secretary of the department is authorized to set the rates for special actuarial studies or estimates requested by state agencies, local units of government, or other organizations when in the secretary's judgment it is feasible and appropriate to perform the studies.

History: Emerg. eff. 6-30-77; cr. Register, November, 1977, No. 263, eff. 12-1-77; renum. from ETF 4.03 and am., Register, December, 1982, No. 324, eff. 1-1-83.

**ETF 20.015 Participating employes.** Only a person classified as a teacher under s. 40.02 (55), Stats., who is employed with the expectation that there will be at least 440 hours of actual performance of duty during an annual earnings period with that employer shall be deemed to be employed one-third of what is considered full-time employment with that employer and thereby meet the 600 hour requirement of s. 40.22 (1) (b) and (2), Stats.

History: Cr. Register, January, 1985, No. 349, eff. 2-1-85.

**ETF 20.02 Continued employment with a participating employer.** A participant to whom a retirement annuity is payable under s. 40.23, Stats., and who is subsequently employed by any participating employer and does not otherwise satisfy the requirements of s. 40.22 (1), Stats., shall not be considered to be a continuing participating employe for purposes of s. 40.22 (2), Stats.

History: Emerg. cr. eff. 7-1-83; cr. Register, October, 1983, No. 334, eff. 11-1-83.

**ETF 20.03 Annuity computations.** (1) For purposes of annuity computations, other than option conversion, an applicant's age shall be deter-

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mined to the nearest month. For option conversion purposes, an applicant's age shall be determined to the nearest quarter year.

(2) For purposes of determining maximum benefits under s. 40.23 (2), Stats., and integrated benefits under s. 40.24 (4), Stats., the estimated OASDHI benefit shall be based on the following:

(a) It shall be assumed that the employe has been in a position covered under OASDHI in all years from 1956, or if later, from the year after the year in which age 21 was attained, to the year of retirement or death, except that years in which earnings are reported under s. 40.05 (1) (a) 4., Stats., shall be counted as zero.

(b) It shall be assumed that covered earnings increased from 1956, or if later, from the year after the year in which age 21 was attained, to the year of retirement or death at a rate determined by the actuary to reflect changes in the OASDHI wage base and approximate average changes in earnings during that time.

(c) The delayed retirement credit under federal social security regulations shall be applied to each year after age 65 and up to age 72.

(d) Based upon the assumptions in pars. (a) to (c) and in accordance with the provisions of the federal social security act, the actuary shall prepare a table correlating the employe's age and final average earnings with a primary OASDHI benefit, adjusting the table as necessary to prevent, in most cases, assumed OASDHI benefits from exceeding actual OASDHI benefits.

(e) Notwithstanding pars. (a) to (d), if the applicant furnishes the official social security award certificate or a letter from the social security administration which shows that the retirement or disability benefit that is first payable from the participant's OASDHI account at the time of application for Wisconsin retirement system benefits is or will be in a different amount, the amount certified by the social security administration shall be used in the benefit computation.

(3) The actuarial factors used in computing annuities for beneficiaries shall be the same as the factors used in computing retirement annuities. For purposes of computing a beneficiary social security integrated annuity the beneficiary's estimated OASDHI benefit shall be the primary OASDHI benefit amount determined for the deceased participant pursuant to sub. (2).

History: Renum. from ETF 7.01 (2), 7.03 and 7.06 and am. Register, December, 1983, No. 336, eff. 1-1-84.

**ETF 20.04 Optional forms of annuity.** Pursuant to s. 40.24, Stats., a participant may elect one of the optional annuity forms prescribed in sub. (1) or (2) in lieu of a statutory option:

(1) A joint survivorship annuity with payments reduced 25% upon the death of the participant or the one beneficiary who was designated by the participant in the original application for an annuity.

(2) An annuity payable under sub. (1) plus a social security integrated annuity as determined under s. 40.24 (4), Stats.

History: Cr. Register, November, 1982, No. 323, eff. 12-1-82.  
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**ETF 20.05 Annuity options integrated with social security.** (1) A participant or beneficiary shall not be eligible for the social security integrated annuity if the reduced annuity payable for life under s. 40.24 (4), Stats., or s. ETF 20.04 would be less than \$25.00 per month for a benefit with an effective date in calendar year 1982 or, for a benefit with an effective date in a subsequent calendar year, the monthly amount applied under this section for the previous calendar year increased by the salary index, as defined in s. 40.02 (52), Stats., ignoring fractions of the dollar.

(2) Pursuant to s. 40.03 (2) (k), Stats., the department will assume that the primary OASDHI benefit, as defined in s. 40.02 (44), Stats., for a person eligible to receive a beneficiary annuity and selecting an option payable under s. 40.24 (4), Stats., will be based on the work record of the participant from whose account the benefit is being paid.

History: Cr. Register, June, 1979, No. 282, eff. 1-1-80; cr. (2), (1) renum. from ETF 7.02 (1) and am., Register, November, 1982, No. 323, eff. 12-1-82.

**ETF 20.06 Early retirement reduction factors.** In computing a formula annuity in the normal form beginning prior to the normal retirement date of a participant, there shall be a .5% reduction for each month the participant's age is under 65 but at least 60 and a .4% reduction for each month the participant's age is under 60.

History: Cr. Register, June, 1979, No. 282, eff. 1-1-80; renum. from ETF 7.02 (2), Register, November, 1982, No. 323, eff. 12-1-82.

**ETF 20.15 Computation for reestablishment of creditable service forfeited.** (1) For purposes of reestablishing creditable service as provided in s. 40.25 (6) (a) 3, Stats., the application received date is deemed to be the first day of the annual earnings period in which it is received. In cases where the service to be reestablished was earned in more than one employment category separate calculations shall be done for each period of service using the statutory contribution under s. 40.05 (1) (a), Stats., for each employment category.

(2) Upon making application, the amount payable shall be due as follows:

(a) If the creditable service being reestablished is 2 or less years the amount payable shall accompany the application. The application and amount payable shall be deemed to be received within the preceding annual earnings period if received within the first month after the end of an annual earnings period.

(b) If the creditable service being reestablished exceeds 2 years, the amount payable may be divided into 5 equal annual installments. The first installment shall accompany the application. Subsequent installments shall be received by the department on or before the last day of the annual earnings period, June 30 for teachers applying to reestablish creditable service on or after November 1, 1985 and December 31 for non-teachers, or 30 days from the date of the billing by the department, whichever is later. Payment received within 30 days of the date of billing, but later than the last day of the annual earnings period, shall be deemed received within the preceding annual earnings period.

(c) Interest shall be added to each installment after the first installment and shall be paid in full each year. The interest shall be calculated at the most recently established fixed effective rate as defined in s. 40.02 (23) (a), Stats., on the unpaid principal balance outstanding on the prior

January 1 for non-teachers or the prior July 1 for teachers. The participant may prepay any or all installments at the time the regular annual installment payment is made. Paying more than the required installment shall reduce the amount of the last installment due. Interest at the most recently established effective rate shall be prorated monthly on the balance remaining after payments made prior to the month of December for non-teachers or the month of June for teachers.

(d) Failure to pay the installments as due shall result in notification by the department of the past due installment. If within 30 days from the date of the notification the past due amount is not received or the department is not advised in writing by the employe of eligibility under sub. (4), and eligibility under sub. (4) is subsequently certified by the employer, all amounts previously paid plus any interest credited to the amounts shall be refunded as provided in s. 40.08 (6), Stats., and the application to reestablish the forfeited service shall be cancelled.

(e) If the department notifies the applicant that the payment or first installment accompanying the application is insufficient, the additional amount payable shall be due within 30 days from the date of the department's notice.

(f) If a benefit application is received by the department, any unpaid balance, including prorated interest on that balance from the last regular installment date, shall be due within 30 days after the benefit application is effective. Failure to pay the amount due within 30 days after the benefit application is effective shall result in the department refunding any amounts previously received as provided in s. 40.08 (6), Stats., and the application to reestablish the forfeited service shall be cancelled.

(g) If the participant dies prior to repayment of all installments due under this subsection, and the department determines that after deducting the unpaid balance the benefit available under s. 40.25 (6), Stats., would be greater if the previously forfeited creditable service had been fully reestablished than the value of the benefit without reestablishing the creditable service previously forfeited, the department shall deduct any unpaid balance due under this subsection from the benefit payable under s. 40.25 (6), Stats., prior to approval of the benefit application; otherwise the installments already received shall be refunded with the death benefit as provided in s. 40.08 (6), Stats.

(3) Except as provided in sub. (4), application to reestablish credits under s. 40.25 (6), Stats., shall be accepted only once for a participant unless the participant receives a subsequent separation benefit, a retirement annuity under s. 40.23, Stats., or s. 40.24, Stats., or a lump sum payment under s. 40.25 (1), Stats., and reapplies under the provisions of s. 40.25 (6), Stats.

(4) (a) If a participant fails to pay an installment, as required by sub. (2) (b) to (d), to reestablish credits under s. 40.25 (6), Stats., the application shall not be cancelled if failure to pay is due to an involuntary leave of absence or is due to a discharge or removal from the employe's covered employment and the employe exercises a right to appeal within 30 days of the discharge or removal. The involuntary leave of absence, discharge, or removal must have had a duration of at least 90 calendar days at the time the installment is first due. The past due installment plus interest shall be deferred until the following June 30 for teachers who applied to reestablish creditable service on or after November 1, 1985 or December

31 for non-teachers at which time both the deferred installment and any other installment regularly due on that date shall be payable. Failure to pay the deferred installment shall result in cancellation of the application to reestablish forfeited service and all amounts previously paid plus interest credited to the account shall be refunded as provided in s. 40.08 (6), Stats.

(b) If the actual amount due under sub. (2) (e) is greater than the estimate provided the applicant by the department, the applicant shall have the option of withdrawing the application without prejudice, in which case any amounts previously received by the department shall be refunded as provided in s. 40.08 (6), Stats.

Note: Section ETF 20.15 requires a form which is available at no charge by contacting the Department of Employee Trust Funds.

History: Emerg. cr. eff. 1-1-82; cr. Register, June, 1982, No. 318, eff. 7-1-82; renum. from ETF 9.01 and am. (2) and (3), cr. (4), Register, March, 1983, No. 327, eff. 4-1-83; am. (1) and (4), r. and recr. (2), cr. (4) (b), Register, October, 1985, No. 358, eff. 11-1-85.

**ETF 20.16 Credit for service during qualifying period.** (1) If a participating employe has previously received a separation benefit, and the employe has reestablished the maximum possible forfeited creditable service under s. 40.25 (6), Stats., the employe may receive credit for service during any qualifying period if otherwise eligible under s. 40.02 (17) (b), Stats.

(2) The payment to purchase qualifying service as provided in s. 40.02 (17) (b), Stats., shall be based on the applicant's highest earnings in a single annual earnings period at the time the application is received. The earnings shall be annualized prior to calculating the amount due from an applicant who worked less than full-time as defined in s. ETF 10.03 (3) or had less than a full year of service reported. For purposes of this section, the application received date is deemed to be the first day of the annual earnings period in which it is received. In cases where the applicant has service credited in more than one employment category, the service shall be credited to the employment category in effect at the time the service originally would have been credited.

(3) The amount payable shall accompany the application and shall be deemed to be received within the preceding annual earnings period if received within the first month after the end of an annual earnings period.

(4) If the department notifies the applicant that the payment accompanying the application is insufficient, the additional amount payable shall be due within 30 days from the date of the department's notice. If the actual amount due is greater than the estimate provided the applicant by the department, the applicant shall have the option of withdrawing the application without prejudice.

(5) Except as provided in sub. (4), application to purchase qualifying service as provided under s. 40.02 (17) (b), Stats., shall be accepted only once from a participant.

Note: Section ETF 20.16 requires a form which is available at no charge by contacting the Department of Employee Trust Funds, P.O. Box 7930, Madison, WI 53707.

History: Emerg. cr. eff. 2-19-82; cr. Register, June, 1982, No. 318, eff. 7-1-82; renum. from ETF 9.02 and am., Register, March, 1983, No. 327, eff. 4-1-83; renum. to be (1), cr. (2) to (5), Register, October, 1985, No. 358, eff. 11-1-85.

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**ETF 20.20 Cancellation of retirement annuity and separation applications.**

(1) Any separation, retirement or lump sum payment application cancelled pursuant to this section shall have no force or effect, and any subsequent application shall be treated as a new application. A written request to cancel an application under sub. (3) (a) or (4) shall be accompanied by repayment of any check issued pursuant to the application.

(2) A written request to cancel an application under this section which is due on a Saturday, Sunday or holiday when the state offices are closed shall be timely if received in the department the next working day.

(3) An application for a separation benefit under s. 40.25 (2), Stats., shall be cancelled if:

(a) The applicant's written request for cancellation is received by the department within 30 days after the application was received by the department.

(b) The applicant becomes a participating employe within 30 days after the application was received by the department.

(c) The applicant dies prior to the date of the separation benefit check.

(4) An application for a retirement annuity under s. 40.23 or 40.24, Stats., or s. ETF 20.04, or a lump sum payment under s. 40.25 (1), Stats., shall be cancelled if the participant's written request for cancellation is received by the department within 30 days after the application was received by the department or within 30 days after the annuity effective date, whichever is later.

History: Cr. Register, April, 1983, No. 328, eff. 5-1-83.

**ETF 20.23 Adjusting annuities for equity after reentry into service.** (1) Pursuant to s. 40.03 (1) (a), Stats., in determining the monthly amount of a recomputed annuity in the normal form under s. 40.26 (3), Stats., the applicant's estimated social security benefit shall not be greater than the amount determined by:

(a) Dividing the creditable service earned prior to the effective date of the prior annuity by the participant's total creditable service.

(b) Dividing the final average earnings determined for the new annuity computation by the final average earnings determined in computing the prior annuity.

(c) Multiplying the result in par. (a) times the result in par. (b) times the social security benefit amount used in determining the amount of the prior annuity.

(d) Dividing the creditable service earned since the effective date of the prior annuity by the participant's total creditable service.

(e) Multiplying the result in par. (d) times the social security benefit amount determined under s. ETF 20.03 (2) based on the participant's total service and earnings.

(f) Adding the amounts determined in pars. (c) and (e).

(2) Pursuant to s. 40.03 (1) (a), Stats., the monthly amount of a recomputed annuity in the normal form under s. 40.26 (3), Stats., excluded-Register, October, 1985, No. 358

ing any portion which on either the original or recomputed annuity was a variable annuity, shall not be less than the monthly amount of the original fixed annuity in the normal form increased by any dividends granted prior to termination of the original annuity.

(3) The board may review adjustments made under this section and may make other adjustments as necessary to prevent any inequity.

History: Cr. Register, February, 1984, No. 338, eff. 3-1-84.

**ETF 20.25 Fixed and variable annuity changes.** Annuity changes shall be made as follows:

(1) A fixed annuity dividend, as recommended by the actuary and approved by the chair of the employee trust funds board and the department's secretary, shall be distributed based on each December 31 valuation as specified in s. 40.27 (2), Stats. The dividend shall be effective on the April 1 following the valuation date and shall apply to fixed annuities effective on or prior to the date of the valuation. As authorized under s. 40.27 (2) (b), Stats., different percentages shall be determined for annuities effective for less than a full year on the valuation date. The percentages shall be determined by multiplying the number of full months the annuity was in force times the percentage change applicable to annuities effective for the full year, dividing the result by 12 and rounding the answer to the nearest tenth of a percent. No increase shall be applied to any annuity for which the resulting increase would be less than one percent.

(2) Variable annuity changes, as recommended by the actuary and approved by the secretary, shall be made based on each December 31 valuation as specified in s. 40.28 (2), Stats. The changes shall be effective on the April 1 following the valuation and shall apply to variable annuities effective on or prior to the date of the valuation, regardless of whether the annuity becomes a fixed annuity in the following year.

History: Cr. Register, November, 1957, No. 23, eff. 12-31-57; r. and recr. Register, December, 1976, No. 252, eff. 1-1-77; renum. from Ret 8.05 (2) and am., Register, January, 1983, No. 325, eff. 2-1-83; emerg. r. and recr. eff. 1-1-84; r. and recr. Register, April, 1984, No. 340, eff. 5-1-84.