



2013 ASSEMBLY BILL 471

November 1, 2013 – Introduced by Representatives STROEBEL, MURPHY, STRACHOTA, KOOYENGA, AUGUST, LEMAHIEU, CRAIG, BERNIER, TITTL and KAPENGA. Referred to Joint Survey Committee on Retirement Systems.

1 **AN ACT to amend** 40.02 (33) (a) 1. and 40.02 (33) (a) 2. of the statutes; **relating**
2 **to:** determination of final average earnings for the purpose of calculating
3 Wisconsin Retirement System annuities.

Analysis by the Legislative Reference Bureau

Under current law, when a participant in the Wisconsin Retirement System (WRS) terminates covered employment and becomes eligible for an annuity, the annuity is calculated in one of two ways. The first way is based on the participant's final average earnings, the participant's number of years of creditable service, and a percentage multiplier. The final average earnings is a monthly rate of earnings that is calculated based on the three annual earnings periods in which the participant's earnings were highest. The second way is to calculate the amount of a money purchase annuity, which is determined based on the sum of a participant's accumulated required and additional contributions plus an amount that equals the participant's accumulated required contributions. The Department of Employee Trust Funds must pay an annuity based on the method that generates the higher annuity amount.

This bill revises the methodology of the first way in which a WRS annuity is calculated by providing that the final average earnings must be based on the *five* highest annual earnings periods instead of the *three* highest annual earnings periods. Under the bill, this change takes effect on the first day of the 60th month beginning after publication and applies to participants who terminate WRS covered employment on or after the first day of the 60th month beginning after publication.

