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CHAPTER 322

AN ACT to create 38.24 (2) (bk) and (m) and (6) of the statutes, relating to variable annuities and fixed annuities under the combined group of teachers annuity and retirement funds in cities of the first class, and granting rule-making authority.

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

SECTION 1. 38.24 (2) (bk) and (m) of the statutes are created to read:

38.24 (2) (bk) "Combined group" means the combined group established under sub. (3), as created by chapter 78, laws of 1957 (Bill No. 378, S.).

(m) "Variable annuity" means any annuity provided by the accumulations in the funds of the variable annuity division resulting from contributions made pursuant to sub. (6), and constitutes a contract involving life contingencies providing for the dollar amount of benefits or other contractual payments or values under said subsection to vary so as to reflect differences which may arise between the total value of the annuity reserve for variable annuities and the reserve that would be required if such annuities were fixed annuities.

SECTION 2. 38.24 (6) of the statutes is created to read:

38.24 (6) VARIABLE ANNUITIES. (a) *Purpose.* The purpose of this subsection is to establish a well balanced, broadly diversified investment program so as to provide retirement benefits which will fluctuate as the value and earnings of such investments vary, in relation to changes in the general economy. It is anticipated that greater utilization of equity investments will result in the accumulation of larger deposit reserves during the working years of the member and tend to preserve the pur-

chasing power of the deposits made and the benefits provided, and should provide better protection in periods of inflation.

(b) *Fixed and variable annuity divisions.* There are created within the combined group of each retirement fund, as defined in sub. (2) (i), 2 divisions known as the variable annuity division and the fixed annuity division.

(c) *Deposits.* 1. Each member of the combined group may elect, by written notice filed with the board upon a form furnished by said board, to have 50 per cent of his required deposits and state deposits paid into the retirement deposit fund of the variable annuity division beginning September 1, 1958, and reserved for the purchase of a variable annuity.

2. Said election may be made at any time by the member, and shall become effective as to deposits based on earnings after the following June 30 unless the board adopts rules for more frequent elections.

3. Said election shall have no effect on any benefit under sub. (4) (b) or (fg).

4. Said election, once made, is irrevocable.

5. In the absence of such election the member shall participate in the fixed annuity division only, and his entire required deposit shall be paid into the retirement deposit fund of the fixed annuity division.

6. Any member of the combined group who has elected under subd. 1 to participate in the variable annuity division may also direct, upon a form furnished by the board, that any or all additional deposits subsequently made by or on behalf of said member be paid into the retirement deposit fund of the variable annuity division, but the maximum amount of such additional deposits paid into such fund shall be \$5,000 per year.

(d) *Funds.* 1. The board shall at all times maintain in the funds of the fixed annuity division assets in accordance with sub. (20).

2. The board shall at all times maintain in the funds of the variable annuity division a reserve fund and a retirement deposit fund:

a. The reserve fund shall consist of all transfers made to the reserve fund plus earnings from investments less payments from the fund—the total adjusted for capital gains and losses and for mortality gains and losses. The annuities paid from this fund shall be adjusted annually so that the value of the total required reserve for these annuities, if they were considered as fixed annuities, would, under the mortality and interest assumptions under which they were issued, be within 2 per cent of the amount of this fund;

b. The retirement deposit fund shall consist of the deposits made by or for the members plus earnings from investments less withdrawals and transfers from the fund—the total adjusted for capital gains and losses.

3. The board shall establish and maintain such reserve or surplus funds in the fixed annuity division and in the variable annuity division 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 retirement fund.

4. Assets of the variable annuity division shall be invested primarily in equities securities which shall include common stocks, real estate or other recognized forms of equities whether or not subject to indebtedness, including securities convertible into common stocks.

5. After July 1, 1963, all the assets of the fixed annuity division of the combined group shall be invested only in investments which are legal for life insurance companies in Wisconsin under s. 206.34.

6. The assets in the retirement deposit fund and the reserve fund of the variable annuity division shall be evaluated annually by the board

of trustees at a date fixed by the rules of said board. The market value of investments used in this evaluation shall be the value certified by the state of Wisconsin investment board. The board of trustees may make additional evaluations of the fund at times between the annual evaluations if deemed desirable.

(e) *Earnings—apportionment and crediting.* 1. Earnings. The earnings of the funds of the variable annuity division shall consist of such items as dividends, rents, interest payments and other income derived from investments rather than from changes in capital value of investments. The earnings shall be decreased by the administrative and investment expenses of such funds.

2. Apportionment. As of June 30 of each year the board shall determine the earnings to be apportioned to the several funds of the variable annuity division.

3. 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, or are transferred to the reserve fund, 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.

(f) *Capital gains and losses.* 1. Capital gains for any period shall be the value of each fund as evaluated by the board under par. (d) 6 at the end of the period plus the disbursements from the fund during the period (other than for investments or for administrative and investment expenses charged to earnings); less the total of a. the value of the fund at the beginning of the period, b. the earnings of the fund during the period, and c. receipts (other than receipts from investments) during the period. If this quantity is negative, it shall be the capital loss for the period.

2. Apportionment. As of June 30 of each year the board of trustees shall determine the capital gains or losses to be apportioned to the several funds.

3. Crediting to accounts. Capital gains and losses will be credited to the individual accounts in the retirement deposit fund only on amounts that have been on deposit for the full year, except that the board may, in order to avoid substantial inequities in case of extraordinary capital gains or losses, allocate a portion of these to deposits made during the current year.

(g) *Board to fix annuities.* The board shall make such investigations of the mortality, disability, service and compensation experience of the several funds as shall be necessary. On the basis of such investigation the board shall determine, adopt and certify the rates at which the beginning payments on variable annuities shall be made. The rates last adopted by the board shall continue to be the prevailing rates until changed by action of the board.

(h) *Adjustment of variable annuity payments.* Whenever the balance in the reserve fund of the variable annuity division, as of June 30 of any year, exceeds or is less than the present value of all variable annuities in force, determined in accordance with the rate of interest and approved actuarial tables then in effect, by at least 2 per cent of said present value, the amount of each variable annuity payment shall be proportionately increased or decreased.

(i) *Interim adjustments.* Notwithstanding the provisions of subd. 2, the board may, in order to avoid substantial inequities, in the event of extraordinary fluctuation in the market value of the investments, increase or decrease the variable annuity payments at times other than June 30.

(j) *Separation benefits.* Any member who has ceased to be employed as a teacher, and is not on leave of absence from a teaching position, may be paid the accumulation from the member's deposits made in or transferred to the variable annuity division, on filing with the board before the fifty-fifth 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 in the variable annuity divisions as the result of state deposits made in the variable annuity division while he was a participant therein. Withdrawal of accumulations from member's deposits in the fixed annuity division shall be governed by sub. (4) (g).

(k) *Other rights.* Other rights and benefits shall be as nearly consistent with this section as the board determines to be practicable considering the nature of the benefits under the variable annuity division.

(l) *Annuities.* When a member has ceased to be employed as a teacher, and is not on a leave of absence from a teaching position, the accumulation from the member's deposits and state deposits may be applied by the member as a net single premium at the rate certified for beginning payments by the board, to the purchase of a variable annuity, the first payment to be made in such month and year after the application for the variable annuity is received by the board as the member directs, which variable annuity may be:

1. A variable annuity payable monthly to the member during life; or

2. A variable annuity payable monthly to the member during life, with a guaranty of at least 180 monthly payments; and in the event of the death of the member before 180 monthly payments have been made, the remainder of the 180 monthly payments shall be continued to one beneficiary or divided equally, or as the member otherwise specified, between 2 or more beneficiaries designated by the member until payments have been made for 180 consecutive months after such annuity began. Upon the death of any designated beneficiary after he has become entitled to receive monthly payments under this subdivision, the then present value of his benefit shall be paid in a single sum to his estate. Upon the death of the member before payment has been made for 180 months, the then present value of the remainder of such payments shall be paid in a single sum to the estate of the member in cases where no beneficiary was designated or where the member's estate was designated as beneficiary. In the event of the death of any designated beneficiary prior to the death of the member, then upon the death of the member, the then present value of the benefit, if any, which would have been payable to said beneficiary, shall be paid in a single sum to the estate of the member; or

3. A variable annuity payable monthly to the member during life, and after death of the member, monthly payments of one-half the monthly amounts which would have been paid to the member if he had lived, to be continued to such beneficiary during life as the member has designated in the original application for a retirement allowance; or

4. A variable annuity payable monthly to the member during life, and after the death of the member, the same monthly payment which would have been paid to the member if he had lived, to be continued to such beneficiary during life as the member has designated in the original application for a retirement allowance; or

5. In such variable life annuity or annuities as the board approves, but the amount payable monthly to others upon the death of the member shall not be more than the amount which would have been payable monthly to the member if he continued to live.

6. The first payment of an annuity under this paragraph shall not be made before the fifty-fifth birthday anniversary of the member unless he has qualified for a disability annuity under sub. (4) (f).

SECTION 3. This act shall take effect on January 1, 1958.

Approved July 5, 1957.
