

No. 196, S.]

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CHAPTER 381

AN ACT to amend 66.90 (2), 66.901 (14) and (19) and 66.906 (2) (b) (intro. par.), (3a) (a) and (3b); and to create 66.901 (14a) and 66.9065 of the statutes, relating to variable annuities under the Wisconsin retirement fund.

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

SECTION 1. 66.90 (2) of the statutes is amended to read:

66.90 (2) A retirement and benefit fund to be operated and maintained in accordance with * * * ss. 66.90 to 66.918 is hereby created. This fund shall be known as the "Wisconsin retirement fund." *The fund shall with respect to the accumulation of credits and the payment of annuities and benefits therefrom, be divided into 2 divisions to be known as the fixed annuity division and the variable annuity division. Each division shall be separately held, managed, administered, valued, invested, reinvested, distributed, accounted for and otherwise dealt with. Except where it is otherwise specifically provided, or where the context otherwise requires ss. 66.90 to 66.918 shall apply equally to each division of the fund. Section 66.9065 shall control with respect to the variable annuity division.*

SECTION 2. 66.901 (14) and (19) of the statutes are amended to read:

66.901 (14) A series of * * * monthly payments, payable at the end of each calendar month during the life of an annuitant; the first payment to be made as of the end of the first complete calendar month following the date upon which such annuity shall begin, and the last payment to be made as of the end of the calendar month prior to the month in which the annuitant * * * dies, except as provided in s. 66.906 (3). * * * The first payment shall include * * *, *in addition to the initial monthly amount, a pro rata * * * amount for any fraction of a month elapsing between the date such annuity begins and the end of such calendar month, except as provided in s. 66.906 (3).*

(19) The rate determined by the board from the experience of the calendar year or part thereof *for the fixed annuity division* which, after making provision for the reserves authorized by s. 66.916 (2) and after providing for interest requirements * * * on the *fixed annuity reserves*, will distribute the remaining interest income *from assets of the fixed annuity division* for the year to the balances in the additional, normal, municipal and prior service credit accounts of the individual employes *in the fixed annuity division*.

SECTION 3. 66.901 (14a) of the statutes is created to read:

66.901 (14a) VARIABLE ANNUITY. Any annuity provided by credits segregated for a variable annuity pursuant to s. 66.9065 the amount of which will change in accordance with s. 66.9065 (10). A "fixed annuity" shall be any other annuity.

SECTION 4. 66.906 (2) (b) (intro. par.), (3a) (a) and (3b) of the statutes are amended to read:

66.906 (2) (b) (intro. par.) The *initial* amount of any retirement annuity shall be determined in accordance with the prescribed rate of interest and the approved actuarial tables in effect on the date of approval of such annuity by the board and shall be the sum of the following:

(3a) (a) Notwithstanding any other provisions of ss. 66.90 to 66.918, any participant who is eligible to receive an ordinary retirement annuity under * * * *sub.* (2) may elect, in lieu of such annuity, to take the actuarial equivalent thereof as an annuity payable monthly to the participant during life, and after the death of the participant, monthly payments of 75 per cent of the monthly amounts * * * *payable* to the participant, *if living*, to be continued to such one beneficiary during life as the participant shall have designated in his original application for an annuity.

(3b) Notwithstanding any other provision of ss. 66.90 to 66.918, any participant who is eligible to receive an ordinary retirement annuity under * * * *sub.* (2), which annuity is to begin prior to the participant's sixty-fifth birthday, may elect, in lieu of such annuity, to take the actuarial equivalent thereof as: (a) a reduced annuity payable monthly for life, plus (b) a temporary annuity payable monthly and terminating with the payment due in the month in which the participant attains age 65. It is the intent of its option that so far as is practicable the aforesaid life annuity and temporary annuity will be determined in such *relative* amounts that the participant's total anticipated retirement benefits from the fund and from primary social security will be the same both before and after attainment of age 65, assuming that the participant has no further wages credited to his account under the federal old-age and survivors insurance system after ceasing to be a participating employe. Section 66.908 (2) (c) shall apply to an annuity granted under this subsection.

SECTION 5. 66.9065 of the statutes is created to read:

66.9065 VARIABLE ANNUITIES. (1) (a) Any participating employe may by written notice to the fund elect to provide for a variable annuity through a segregation of credits in his account to be accumulated from future contributions. Such notice of segregation shall be effective as of the beginning of the calendar quarter year following its receipt by the fund.

(b) Such segregation shall continue during all service as a participating employe for the same or any other participating municipality and may not be reduced.

(c) Any segregation may be increased in the manner provided under par. (a), and when increased shall be subject to the provisions of par. (b).

(d) The total amount segregated under this subsection shall not exceed one-half of the normal contribution.

(2) A portion of the municipality credit for current service provided by s. 66.904 (1) (a) 2 (c) which is equal to the amount of the normal contribution segregated by a participating employe for a variable annuity pursuant to sub. (1) shall also be segregated for a variable annuity for that person.

(3) In the case of any participating employe currently contributing toward a variable annuity any subsequent additional contribution made pursuant to s. 66.903 (2) (a) 2 shall be segregated for a variable annuity.

(4) (a) Any participating employe who has acted pursuant to sub. (1) may by written notice to the fund provide that a specified amount of the credits accumulated in accounts in his name pursuant to s. 66.904 (1) (b) be segregated for a variable annuity. The aggregate amount so segregated shall not exceed 10 per cent of the accumulated credits in all his accounts as of the beginning of the calendar year in which the original notice under sub. (1) is effective. Such segregation shall be effective as of the beginning of the calendar quarter year following the receipt by the fund of such notice and shall be improved with interest for each month of

the current year prior to such segregation at one-twelfth of the effective rate of interest for the preceding year.

(b) At intervals of not less than 12 months thereafter either by filing a separate written notice or by so directing in a prior written notice pursuant to par. (a) or this paragraph, he may provide for the segregation of credits for a variable annuity in the same manner as under par.

(a) in an amount not in excess of the amount computed under the 10 per cent segregation limit as originally determined under par. (a), but the aggregate segregation of accumulated credits under this subsection shall not exceed 50 per cent of the accumulated credits in all his accounts as at the beginning of the calendar year in which the original notice under sub.

(1) was effective.

(c) In effecting such segregation the accumulation of additional credits as of the beginning of the calendar year shall first be segregated until exhausted; next equal amounts of the accumulation of normal credits and municipality credits shall be segregated until such accumulations as of the beginning of the calendar year have been exhausted; finally accumulated prior service credits shall be segregated to the extent required.

(5) The board shall, except as specifically provided herein, have sole discretion to establish rules governing the amount of segregations for a variable annuity, which without limitation because of enumeration shall include the form, time and procedure for filing the notices, the minimum, maximum and unit amounts which may be segregated, both from current contributions and accumulated credits, the increasing of the amounts segregated, and other appropriate regulations. Such rules, among other things, shall fix procedures governing the operation of the variable annuity division, the frequency with which variable annuity payments are to be varied, and the mechanics of allocating the results of investment experience to the accounts of individuals having credits in the variable annuity division. The present value of any variable annuity at any time shall be determined in conformity with the actuarial tables in effect at such time.

(6) (a) Within the accounts maintained for each individual participant there shall be maintained a record of the amount of each type of credit segregated for a variable annuity. Credits so segregated shall not be credited with interest as provided in s. 66.904 (1) (b) 1 and 2, but in lieu thereof net gains or losses shall be credited or debited as the case may be as follows:

1. All balances so segregated at the beginning of each year remaining so segregated at the end of the year shall then be credited or debited at the rate of net gain or loss for the year.

2. All amounts so segregated during the year pursuant to sub. (4), or because re-establishment of credit after cancellation of an annuity due to re-entrance into the service, remaining so segregated at the end of the year shall then be credited or debited at one-twelfth of the rate of net gain or loss for the year for each full month from the date so segregated to the end of the year.

(b) Credits segregated for a variable annuity at the beginning of each year and all amounts so segregated within the year pursuant to sub. (4), or because of re-establishment of credit after cancellation of an annuity due to re-entrance into the service, not remaining in such accounts at the end of the year because of the granting of annuities or death benefits during the year shall be credited with interest, on the first day of the month in which the first annuity or death benefit payment is due, for each full month elapsing between the first day of the year or the date of credit, as the case may be, and the first day of the month in which such

first annuity or death benefit payment is due, at one-twelfth of the effective rate of interest for the previous year.

(c) Fractions less than one-tenth per cent in the rate of net gain to be credited to any account pursuant to this subsection shall be disregarded.

(7) (a) Notwithstanding any other provisions of the statutes, the funds of the variable annuity division shall be invested primarily in common stocks which qualify as investments under the applicable provisions of s. 201.25 (1) (ff) and (fg), real estate, and securities which are convertible into such common stocks, and all of such funds shall be excluded in computing the 15 per cent limitation provided for in s. 25.17 (2b).

(b) The value of all securities and of uninvested funds of the variable annuity division shall notwithstanding the provisions of s. 66.916 (2) be determined periodically on the basis of their then market value at intervals specified in the rules. The market value shall be the value certified by the Wisconsin investment board. For listed securities such shall be determined as of the close of the final market day at the end of the period; for unlisted securities it shall be determined to be the bid price; for real estate it shall be determined to be the value as appraised at intervals fixed by the board of trustees. The net gain of the variable annuity division for any period shall be the excess of 1. the increase within the period in the value of the assets of the variable annuity division resulting from income from the investments thereof and from the sale or the appreciation in value of any investment thereof; over 2. the decrease within the period in the value of such assets resulting from the investment expenses of the variable annuity division and from the sale or the depreciation in value of any investments thereof. If the decrease exceeds the increase the amount of such excess shall be the net loss of the variable annuity division for the period.

(c) The rate of net gain or loss for any period shall be determined by dividing the amount thereof by the average of the amounts of the assets of the variable annuity division at the beginning of each month in the period. Any net gain or loss of the variable annuity division not credited or debited to participants' accounts pursuant to sub. (6) (a) or (b) or to the reserve for variable annuities granted account pursuant to sub. (9) at the end of any period shall be considered in the determination of the rate of net gain or loss for the ensuing period.

(8) (a) A retirement annuity or beneficiary annuity provided pursuant to s. 66.906 or 66.909 by available accumulated credits which include amounts segregated for a variable annuity shall consist of a fixed annuity and a variable annuity, the respective initial amounts of which shall be determined on the basis of the ratio of the available accumulated credits of the participant not segregated for a variable annuity (which shall be deemed to provide a fixed annuity) to the accumulated credits segregated for a variable annuity on the date his annuity begins or his death occurs.

(b) A disability annuity granted pursuant to s. 66.907 to a participant whose accounts include amounts segregated for a variable annuity shall consist of a fixed annuity and a variable annuity, the respective initial amounts of which shall be determined on the basis of the ratio of all classes of the accumulated credits of the participant not segregated for a variable annuity at the date of the disability annuity begins, to his accumulated credits so segregated at that date.

(c) If the initial amount of the variable annuity so determined is less than \$10 the entire annuity shall be a fixed annuity.

(d) If the initial amount of the variable annuity so determined is at least \$10 and the amount of the fixed annuity is less than \$10 the entire annuity shall be a variable annuity.

(9) (a) All accumulated credits applied to provide variable annuities shall be credited to the reserve for variable annuities granted account and all variable annuity payments shall be charged to that account.

(b) The balance at the beginning of any year in the reserve for variable annuities granted account, as adjusted by transfers thereto and payments therefrom, shall not be credited with interest as provided by s. 66.916 (4) but shall be credited or debited, as the case may be, at the end of the year with net gain or loss at the rate of net gain or loss of the variable annuity division for the year.

(10) (a) Periodically the amount payable with respect to all variable annuities previously granted shall be redetermined so as to reflect the net gain or loss of the reserve for variable annuities granted as determined by rule in accordance with actuarial procedures approved by the board of trustees on a basis which it deems appropriate from time to time and without limitation as to the nature of the procedures that may be adopted. The board of trustees may for as long as it deems desirable provide that the variation in the amounts payable under variable annuities shall not be affected by the fluctuations in the mortality experience under variable annuities granted.

(b) In conformity with the rules the executive director shall certify to the director of budget and accounts the rates of increase or decrease in the variable annuities previously approved, and the director of budget and accounts shall make payments accordingly until a new certification is made.

(11) In addition to the changes made pursuant to sub. (10) variable annuities granted under ss. 66.906 (3a) and (3b) and 66.907 (2) shall be changed in conformity with the subsection under which granted.

(12) (a) Whenever any person having credits segregated for a variable annuity ceases to be a participating employe:

1. If the total accumulated credits segregated for a variable annuity as of the beginning of the year in which the date of separation occurs aggregates less than \$2,000 such credits shall be credited to the fixed annuity account of such person at the end of the following calendar year unless previously terminated pursuant to s. 66.904 (1) (b) 4.

2. If the total accumulated credits segregated for a variable annuity as of the beginning of the year in which the date of separation occurs aggregates \$2,000 or more such person shall automatically be deemed to have irrevocably renounced all rights to a separation benefit under s. 66.91 unless the application for such separation benefit is received by the board within one year after such termination of employment.

(13) This section shall be effective at the beginning of the calendar year 1958 but the required written notice under sub. (1) may be given previously by a participating employe.

(14) This section shall not be operative, except for the filing of written notice, until the beginning of the second calendar month after 500 written notices have been filed with the fund pursuant to sub. (1).

Approved July 18, 1957.