



1995 ASSEMBLY BILL 182

March 13, 1995 - Introduced by Representatives R. YOUNG, ZIEGELBAUER, NOTESTEIN, ROBSON and BOYLE, cosponsored by Senator WINEKE. Referred to Joint survey committee on Retirement Systems.

1 **AN ACT to repeal** 40.04 (4) (a) 2m.; **to amend** 40.02 (6), 40.02 (7), 40.04 (4) (a)
2 2., 40.04 (4) (b) and 40.26 (2) (b); and **to create** 40.04 (4) (a) 2g. of the statutes;
3 **relating to:** crediting a participant's fixed annuity division account in the
4 Wisconsin retirement system at the effective rate.

Analysis by the Legislative Reference Bureau

Under current law, for those participating employes in the Wisconsin retirement system who are hired on or after January 1, 1982, interest is credited annually to all employe required contribution accumulations in the fixed annuity division at the assumed benefit rate. The assumed benefit rate is 5%. This bill provides that, beginning on the December 31 that first occurs after the effective date of this bill, interest on these accumulations is to be credited at the effective rate. The effective rate is essentially the actual interest rate earned by the accumulations, after all expenses are deducted.

This bill will be referred to the joint survey committee on retirement systems for a detailed analysis, which will be printed as an appendix to the bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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

5 **SECTION 1.** 40.02 (6) of the statutes is amended to read:
6 40.02 (6) "Assumed benefit rate" means a rate of 5%. The assumed benefit rate
7 shall be used for calculating reserve transfers at the time of retirement, and making

1 actuarial valuations of annuities in force, ~~determining the amount of lump-sum~~
2 ~~death benefits payable from the portion of an annuity based on additional deposits~~
3 ~~and crediting interest to employe required contribution accumulations.~~

4 **SECTION 2.** 40.02 (7) of the statutes is amended to read:

5 40.02 (7) "Assumed rate" means the probable average effective rate expected
6 to be earned for the fixed annuity division on a long-term basis. The assumed rate
7 shall be a rate of 7.5% and the actuarial assumption for across-the-board salary
8 increases for the purpose of valuing the liabilities of the Wisconsin retirement system
9 shall be 1.9% less than the assumed rate unless due to changed economic
10 circumstances the actuary recommends and the board approves a different rate. The
11 assumed rate for a calendar year shall be used for all calculations of required
12 contributions and reserves for participants, except as provided in s. 40.04 (4) (a) 2.
13 and ~~2m.~~ 2g., and the amount of any lump sum benefit paid instead of an annuity,
14 except it shall not be used for any purpose for which the assumed benefit rate is to
15 be used under sub. (6).

16 **SECTION 3.** 40.04 (4) (a) 2. of the statutes is amended to read:

17 40.04 (4) (a) 2. Credited as of each December 31 with interest on the prior year's
18 closing balance at the effective rate on all employe required contribution
19 accumulations in the variable annuity division, on all employe required
20 contributions in the fixed annuity division on December 31, 1984, on all employe
21 required contributions in the fixed annuity division of participants who are not
22 participating employes after December 31, 1984, and on all employe and employer
23 additional contribution accumulations ~~and with interest on the prior year's closing~~
24 ~~balance at the assumed benefit rate on all employe required contribution~~

1 accumulations in the fixed annuity division for participants who are participating
2 employes after December 31, 1984.

3 **SECTION 4.** 40.04 (4) (a) 2g. of the statutes is created to read:

4 40.04 (4) (a) 2g. Credited as of each December 31 after the effective date of this
5 subdivision [revisor inserts date], with interest on the prior year's closing balance
6 at the effective rate on all employe required contribution accumulations in the fixed
7 annuity division.

8 **SECTION 5.** 40.04 (4) (a) 2m. of the statutes is repealed.

9 **SECTION 6.** 40.04 (4) (b) of the statutes is amended to read:

10 40.04 (4) (b) Whenever a payment under s. 40.25 (2), (2m) or (4), an annuity or
11 a death benefit is computed, the prior year's closing balance of all employe
12 contribution accumulations and any accounts maintained for individual
13 participants shall be credited with interest for each full month elapsing between the
14 first day of the calendar year and the annuity effective date or the month in which
15 the payment of a benefit under s. 40.25 (2), (2m) or (4) is approved at one-twelfth of
16 the assumed benefit rate. The interest so credited shall be charged to the interest
17 earnings for the current year and shall be paid out or transferred with the amount
18 to which it was so credited.

19 **SECTION 7.** 40.26 (2) (b) of the statutes is amended to read:

20 40.26 (2) (b) The amount of the annuity payments, excluding any portion
21 originally provided by additional contributions, which would have been paid under
22 the terminated annuity, if the annuity had been a straight life annuity, prior to the
23 participant's normal retirement date or prior to the annuity termination date,
24 whichever would first occur, shall be credited to a memorandum account which is
25 subject to s. 40.04 (4) (a) 2. and ~~2m.~~ 2g. and (c). If the annuity was recomputed under

1 s. 40.08 (1m) because of a qualified domestic relations order, the memorandum
2 account established under this paragraph shall be adjusted as provided under s.
3 40.08 (1m) (f) 2.

4 (END)