

1983 Senate Bill 568

Date of enactment: **March 6, 1984**
Date of publication: **March 8, 1984**

1983 Wisconsin Act 141

AN ACT to repeal 40.73 (3) (b); to amend 40.02 (7), (15) (c) (intro.), 2 and 3 and (42) (b) and (f) 1 and 2, 40.04 (4) (b) and (c), 40.19 (4) (g) and 40.23 (2) (intro.); to repeal and recreate 40.02 (6), 40.04 (4) (a) 2, 40.04 (5) (b), 40.05 (2) (a) and 40.05 (2) (b); and to

create 40.02 (24) (c), 40.05 (2) (am), 40.05 (2) (bg), (bm) and (br), 40.05 (2) (f) 8, 40.05 (2m), 40.19 (2m), 40.23 (2m) and 40.24 (1m) of the statutes, relating to retirement benefits and funding those benefits.

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

SECTION 1. 40.02 (6) of the statutes is repealed and recreated to read:

40.02 (6) "Assumed benefit rate" means a rate of 5%. The assumed benefit rate shall be used for calculating reserve transfers at the time of retirement, making actuarial valuations of annuities in force, determining the amount of lump-sum death benefits payable from the portion of an annuity based on additional deposits and crediting interest to employe required contribution accumulations.

SECTION 2. 40.02 (7), (15) (c) (intro.), 2 and 3 and (42) (b) and (f) 1 and 2 of the statutes are amended to read:

40.02 (7) "Assumed rate" means the probable average effective rate expected to be earned for the fixed annuity division on a long-term basis. The assumed rate shall be ~~redetermined at the end of each 3rd calendar year beginning with the calendar year following January 1, 1982, by averaging the effective rates in the preceding 10 calendar years, disregarding fractions of less than one percent in the average a rate of 7.5% unless due to changed economic circumstances the actuary recommends and the board approves a different rate.~~ For years in which separate effective rates were determined for the state teachers retirement system, the Wisconsin retirement fund and the Milwaukee teachers retirement fund, the effective rates of the Wisconsin retirement fund shall be used. The assumed rate for a calendar year shall be used for all calculations of required contributions and reserves for participants, except as provided in s. 40.04 (4) (a) 2, and the amount of any lump sum benefit paid instead of an annuity, except it shall not be used for any purpose for which the assumed ~~annuitant~~ benefit rate is to be used under sub. (6).

(15) (c) (intro.) Notwithstanding sub. (17) (intro.) and any other law, any person who is credited with 5, 10, 15 or 20 or more years of creditable service, not counting any previously granted creditable military service, may receive creditable military service at the time of retirement for not more than 1, 2, 3 or 4 years, respectively, of active service which meets the standards under par. (a) 5, provided:

2. Any creditable military service otherwise granted shall be included in determining the maximum ~~4~~ years to be granted under this paragraph.

3. Creditable military service under this paragraph shall be allocated at the time of retirement in proportion to the amount of the participant's creditable service for each of the types of creditable service set forth in s. 40.23 ~~(2) (b) at the time of retirement (2m) (e)~~ on the date the participant attains 5, 10, 15 or 20 years of creditable service.

(42) (b) The date on which the participant attains the age of 62 years for an elected official or for any participant who has accumulated at least 30 years of creditable service.

(f) 1. The participant applies for an annuity prior to ~~July 1, 1984~~ August 1, 1987;

2. The employer elects to apply that date under the procedures provided under s. 42.245 (2) (bm) or 42.78 (2) (bm), 1979 stats., prior to ~~July 1, 1984~~ August 1, 1987;

SECTION 3. 40.02 (24) (c) of the statutes is created to read:

40.02 (24) (c) The chief clerk and sergeant at arms of the senate and assembly.

SECTION 4. 40.04 (4) (a) 2 of the statutes is repealed and recreated to read:

40.04 (4) (a) 2. Credited as of each December 31 with interest on the prior year's closing balance at the effective rate on all employe required contribution accumulations in the variable annuity division, on all employe required contributions in the fixed annu-

ity division on December 31, 1984, on all employe required contributions in the fixed annuity division of participants who are not participating employes after December 31, 1984, and on all employe and employer additional contribution accumulations and with interest on the prior year's closing balance at the assumed benefit rate on all employe required contribution accumulations in the fixed annuity division for participants who are participating employes after December 31, 1984.

SECTION 5. 40.04 (4) (b) and (c) of the statutes are amended to read:

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

(c) Whenever a participant's account is reestablished under s. 40.26 (2) or 40.63 (10), in lieu of interest credits as provided in par. (a), any balances remaining in the account at the end of the calendar year in which reestablished shall be credited with interest at one-twelfth the effective assumed benefit rate for the year for each full month between the date the account was reestablished and the end of the calendar year.

SECTION 6. 40.04 (5) (b) of the statutes is repealed and recreated to read:

40.04 (5) (b) Credited, as of each December 31, all fixed annuity division interest not credited to other accounts and reserves under this section.

SECTION 7. 40.05 (2) (a) of the statutes, as affected by 1983 Wisconsin Act 9, is repealed and recreated to read:

40.05 (2) (a) Each participating employer shall make contributions for current service determined as a percentage of the earnings of each participating employee, determined as though all employees of all participating employers were employees of a single employer, but with a separate percentage rate determined for each of the categories specified under s. 40.23 (2m) (e). A separate percentage shall also be determined for subcategories within each category determined by the department to be necessary for equity among employers.

SECTION 8. 40.05 (2) (am) of the statutes is created to read:

40.05 (2) (am) The percentage of earnings under par. (a) shall be determined on the basis of the information available at the time the determinations are made and on the assumptions the actuary recommends and the board approves by dividing the amount determined by subtracting from the then present value of all future benefits to be paid or purchased from the employer accumulation reserve on behalf of the then participants the amount then credited to the reserve for the benefit of the members and the present value of future unfunded prior service liability contributions of the employers under par. (b) by the present value of the prospective future compensation of all participants.

SECTION 9. 40.05 (2) (b) of the statutes is repealed and recreated to read:

40.05 (2) (b) Contributions shall be made by each participating employer for unfunded prior service liability in a percentage of the earnings of each participating employe. A separate percentage rate shall be determined for each of the categories under s. 40.23 (2m) (e) as of the employer's effective date of participation. The rates shall be sufficient to amortize as a level percent of payroll over a period of 40 years from the later of that date or January 1, 1986, the unfunded prior service liability for the categories of employes of each employer determined under s. 40.05 (2) (b), 1981 stats., increased to reflect any creditable prior service granted on or after January 1, 1986, increased to reflect the effect of 1983 Wisconsin Act (this act) and increased at the end of each

calendar year after January 1, 1986, by interest at the assumed rate on the unpaid balance at the beginning of the year.

SECTION 10. 40.05 (2) (bg), (bm) and (br) of the statutes are created to read:

40.05 (2) (bg) Contributions of amounts under par. (b) may be made in advance to reduce an employer's existing unfunded prior service liability.

(bm) Contributions under par. (b) for each category of employe shall be made until the end of the 40-year amortization period or until full payment of that employer's unfunded prior service liability for all categories is made, whichever is earlier.

(br) The contribution under par. (b) by an employer in any calendar year before the end of the 40-year amortization period, or before full payment of the unfunded prior service liability determined under par. (bm) if earlier, may not be less than the dollar amount determined to be necessary in the first calendar year of the amortization schedule established by par. (b).

SECTION 11. 40.05 (2) (f) 8 of the statutes is created to read:

40.05 (2) (f) 8. If it is not possible to apply the procedures under this paragraph, the terminating employer and any successor employer shall immediately pay the full outstanding prior service liability balance unless an agreement for a different procedure is approved by the department.

SECTION 12. 40.05 (2m) of the statutes is created to read:

40.05 (2m) BENEFIT ADJUSTMENT CONTRIBUTION. In addition to the amounts under subs. (1) and (2), a benefit adjustment contribution equal to one percent of earnings shall be paid by or for participating employes whose formula rate is determined under s. 40.23 (2m) (e) 1 and 3. This contribution shall be deducted from each payment of earnings to participating employes unless the employer provides through its compensation agreements that all or part of the contribution will be paid by the employer. For benefit purposes, this contribution shall be treated as if it were an employer required contribution regardless of whether the employer or the employe pays the contribution.

SECTION 13. 40.19 (2m) of the statutes is created to read:

40.19 (2m) Any person who is a participant in the Wisconsin retirement system before the effective date of this subsection (1983), and who is not subsequently a participating employe in the Wisconsin retirement system shall continue to have the amount of, and eligibility for, the person's benefits determined in accordance with the statutes in effect on the date the person terminated as a participating employe in the Wisconsin retirement system, but the form of payment, processing procedures and accounting controls shall be determined in accordance with this chapter.

SECTION 14. 40.19 (4) (g) of the statutes is amended to read:

40.19 (4) (g) After January 1, 1982, each member of a pension fund created under s. 61.65 or 62.13 (9), (9a) or (10), 1975 stats., who was an actively employed member of that fund on March 30, 1978, shall continue to have benefits and obligations determined in accordance with the applicable provisions of s. 61.65 or 62.13 (9), (9a) or (10), 1975 stats., but paid by the Wisconsin retirement system, except that for any member whose employment terminates after the effective date of this paragraph (1983), the monthly pension shall equal 55% of the member's monthly compensation. The provisions of s. 40.23 (1) (f) relating to compulsory retirement shall not apply to those actively employed members.

SECTION 15. 40.23 (2) (intro.) of the statutes is amended to read:

40.23 (2) (intro.) Except as provided in ss. 40.19 (2) and 40.26, this subsection applies only to participants who are not participating employes after the effective date of this subsection (1983). The retirement annuity in the normal form shall be an annuity payable for the life of the annuitant with a guarantee of 60 monthly payments. Except as

provided in sub. (3) and s. 40.26, the initial monthly amount of the normal form annuity shall be the amount which, when added to the OASDHI benefit, equals 85% of the participant's final average earnings plus the amount which can be provided under pars. (a) and (c) and adjusted under pars. (d) and (e) or, if less, shall be in the monthly amount equal to the sum of the amounts determined under pars. (a), (b) and (c) as modified by pars. (d) and (e) and in accordance with the actuarial tables in effect on the annuity effective date.

SECTION 16. 40.23 (2m) of the statutes is created to read:

40.23 (2m) The following provisions apply only to participants who are participating employees after the effective date of this subsection (1983):

(a) The retirement annuity in the normal form is a straight life annuity payable for the life of the annuitant.

(b) Except as provided in s. 40.26, the initial amount of the normal form annuity shall be an amount which equals 65%, or 85% for participants whose formula rate is determined under par. (e) 4, of the participant's final average earnings plus the amount which can be provided under pars. (c) and (d) or, if less, shall be in the monthly amount equal to the sum of the amounts determined under pars. (c), (d) and (e) as modified by par. (f) and in accordance with the actuarial tables in effect on the annuity effective date. If the participant has creditable service under both par. (e) 4 and another category, the percent applied under this paragraph shall be determined by multiplying the percent that each type of creditable service is of the participant's total creditable service times 85% and 65%, respectively, and adding the results.

(c) The annuity which can be provided from a sum equal to 200% of the excess accruing after June 30, 1966, for teacher participants, or December 31, 1965, for all other participants, of the participant's required contribution accumulation reserved for a variable annuity over the amount to which the contributions would have accumulated at the fixed annuity division effective rate if not so reserved. If the participant's required contribution accumulation reserved for a variable annuity is less than the amount to which the contributions would have accumulated at the fixed annuity division effective rate if not reserved, the annuity shall be reduced by the amount which could be provided by a sum equal to 200% of the deficiency.

(d) The amount, if any, which can be provided by accumulated employee and employer additional contributions credited to the participant's account.

(e) A monthly annuity in the normal form computed on the basis of the participant's final average earnings and creditable service, if the annuity becomes effective on or after the normal retirement date of the participant, determined by multiplying the participant's final average earnings by the participant's creditable service and the following applicable percentage:

1. For each participant for creditable service of a type not otherwise specified in this paragraph, 1.6%.

2. For each participant for creditable service as an elected official or as an executive participating employee, 2%.

3. For each participant subject to titles II and XVIII of the federal social security act, for service as a protective occupation participant, 2%, except that the 2% factor shall be reduced for all years of creditable service by 0.0125 for each calendar quarter-year that elapses after the calendar year in which the participant attains age 55, excluding all calendar years prior to 1985, and before the termination date of employment as a protective occupation participant, but the factor may not be reduced to less than 1.6% and the reduction may not reduce the retirement benefit to less than the benefit payable if the participant had retired 12 months earlier than the effective date of the annuity.

4. For each participant not subject to titles II and XVIII of the federal social security act, for service as a protective occupation participant, 2.5%, except that the 2.5% factor shall be reduced for all years of creditable service by 0.0125 for each calendar quarter-year that elapses after the calendar year in which the participant attains age 55, excluding all calendar years prior to 1985, and before the termination date of employment as a protective occupation participant, but the factor may not be reduced to less than 2.1% and the reduction may not reduce the retirement benefit to less than the benefit payable if the participant had retired 12 months earlier than the effective date of the annuity.

(f) If the annuity effective date is before the normal retirement date of the participant, the annuity amount computed under par. (b) shall be reduced by 0.4% for each full month, and for each partial month including at least 15 days, before the participant's normal retirement date.

SECTION 17. 40.24 (1m) of the statutes is created to read:

40.24 (1m) A straight life annuity with a guarantee of 60 monthly payments.

SECTION 18. 40.73 (3) (b) of the statutes is repealed.

SECTION 19. **Nonstatutory provisions.** (1) **EMPLOYER CONTRIBUTION RATES.** Employer contribution rates for current service and prior service may not be changed from the rates in effect for 1984 until January 1, 1986, except as required due to an employer election under section 40.21 (6) (b) and (c) of the statutes or a prepayment under section 40.05 (2) (b) of the statutes. Notwithstanding section 40.05 (2) (b) of the statutes, as affected by this act, the prior service liability of each employer participating in the Wisconsin retirement system on January 1, 1986, shall be determined as of January 1, 1985, as if all provisions of this act were then in effect. The prior service liability thus determined, adjusted to reflect any changes during 1985 due to section 40.05 (2) (b) or 40.21 (6) (b) and (c) of the statutes, shall then be amortized as provided in section 40.05 (2) (b) of the statutes as affected by this act over a 40-year period beginning on January 1, 1986.

(2) **MILITARY SERVICE.** The treatment of section 40.02 (15) (c) (intro.), 2 and 3 of the statutes by this act applies only to persons who are employes of participating employers on or after the effective date of this act. Section 40.02 (15) (c) (intro.), 2 and 3, 1981 stats., applies to all other participants in the Wisconsin retirement system.

(3) **ACTUARIAL ASSUMPTIONS.** For the 1984 actuarial valuation, the assumed rate shall be modified, for purposes of actuarial valuations only without changes in the actuarial assumptions for across-the-board salary increases, to be equal to the most recent fixed-division effective rate, ignoring fractions of a percent, but decreasing in each subsequent year as recommended by the actuary until 1987, when the assumed interest rate used for actuarial valuation purposes shall be equal to the assumed rate as determined under section 40.02 (7) of the statutes, as affected by this act. At that time and until modification by the employe trust funds board, the actuarial assumption for across-the-board salary increases for the purpose of valuing the liabilities of the Wisconsin retirement system shall be equal to the assumed rate minus 1.5%.

(4) **OBLIGATIONS UNDER EXISTING COLLECTIVE BARGAINING AGREEMENTS.** No municipal employer, as defined under section 110.70 (1) (a) of the statutes, is required to increase the benefit contribution under this act for any employe who is covered by a collective bargaining agreement in effect on the effective date of this subsection. The level of contribution by any municipal employer for any employe shall be determined by the successor collective bargaining agreement to the collective bargaining agreement in effect on the effective date of this subsection.

SECTION 20. **Cross-reference changes.** In the sections of the statutes listed in Column A, the cross-references shown in Column B are changed to the cross-references shown in Column C:

A	B	C
Statute Sections	Old Cross-References	New Cross-References
40.02 (15)(b)	40.23 (2)(b)	40.23 (2m)(e)
40.05 (1)(a) 2	40.23 (2)(b) 2	40.23 (2m)(e) 2
40.05 (1)(a) 3	40.23 (2)(b) 3	40.23 (2m)(e) 3
40.05 (1)(a) 4	40.23 (2)(b) 4	40.23 (2m)(e) 4
40.24 (6)	40.23 (2)(b)	40.23 (2m)(e)
40.63 (8)(b)	40.23 (2)(b) and (d)	40.23 (2m)(e) and (f)
40.63 (8)(c)	40.23 (2)(b)	40.23 (2m)(e)
40.65 (5)(b) 4	40.23 (2)(c)	40.23 (2m)(d)

SECTION 21. Effective dates. (1) Except as provided in subsection (2), this act takes effect on the day following publication.

(2) The treatment of section 40.05 (2) (a), (am), (b), (bg), (bm), (br) and (f) 8 and (2m) of the statutes takes effect on January 1, 1986.
