



1995 ASSEMBLY BILL 617

October 12, 1995 - Introduced by Representatives KLUSMAN, BRANCEL, HOVEN, WIRCH, OLSEN, NOTESTEIN, DOBYNS, GOETSCH, GROTHMAN and KAUFERT, cosponsored by Senators FITZGERALD, ANDREA and PANZER. Referred to Joint survey committee on Retirement Systems.

1 **AN ACT to amend** 40.02 (33) (a) 1., 40.02 (33) (b), 40.02 (33) (c), 40.05 (1) (intro.),
2 40.05 (2) (intro.), 40.05 (2m) and 40.30 (4) (b) of the statutes; **relating to:**
3 calculating an annuity for participating employes under the Wisconsin
4 retirement system.

Analysis by the Legislative Reference Bureau

Under current law, the Wisconsin retirement system (WRS), a public pension plan that covers state and certain local employes, is subject to certain federal laws. In 1993, the federal government enacted a law that limits the amount of compensation that may be taken into account for retirement benefit purposes. Beginning in 1994, the maximum amount of annual compensation that may be considered for retirement benefit purposes is \$150,000, with limited future indexing. However, federal law provides that a public sector retirement plan, such as the WRS, may grandfather in participating employes who are hired before January 1, 1996, at the specified maximum annual compensation limit in state law as of July 1, 1993. Under the WRS, there is no maximum annual compensation limit. In order to qualify for this exception for participating employes hired before January 1, 1996, the WRS retirement plan must be amended to specifically exempt these employes from the 1994 federal law maximum annual compensation limits. This bill specifically exempts these WRS participating employes from the 1994 federal law maximum compensation limits for WRS purposes.

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 this 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:

1 **SECTION 1.** 40.02 (33) (a) 1. of the statutes is amended to read:

2 40.02 (33) (a) 1. The participant's total earnings received or considered to be
3 received under sub. (22) (e) or (em) and for which contributions are made under s.
4 40.05 (1) and (2) during the 3 annual earnings periods (excluding any period more
5 than 3 years prior to the effective date for any participating employer) in which the
6 earnings were the highest, subject to the annual compensation limits under 26 USC
7 401 (a) (17) for a participating employe who first becomes a participating employe
8 on or after January 1, 1996; by

9 **SECTION 2.** 40.02 (33) (b) of the statutes is amended to read:

10 40.02 (33) (b) For a state elected official who is prohibited by law from receiving
11 an increase in compensation during the official's term of office and who so elects,
12 one-twelfth of the annual salary, subject to the annual compensation limits under
13 26 USC 401 (a) (17) for a participating employe who first becomes a participating
14 employe on or after January 1, 1996, which would have been payable to the
15 participant during the last completed month in which the participant was a
16 participating employe in such a position if the participant had not been prohibited
17 by law from receiving an increase in salary during his or her term of office, but only
18 with respect to service as a state elected official.

19 **SECTION 3.** 40.02 (33) (c) of the statutes is amended to read:

20 40.02 (33) (c) For a participant who makes an election under s. 40.30 (2), the
21 monthly rate of earnings applicable under par. (a) or (b), increased as provided under

1 s. 40.30 (4) (b) but subject to the annual compensation limits under 26 USC 401 (a)
2 (17) for a participating employe who first becomes a participating employe on or after
3 January 1, 1996.

4 **SECTION 4.** 40.05 (1) (intro.) of the statutes is amended to read:

5 40.05 (1) EMPLOYE RETIREMENT CONTRIBUTIONS. (intro.) For Wisconsin
6 retirement system purposes employe contributions on earnings for service credited
7 as creditable service shall be subject to the annual compensation limits under 26
8 USC 401 (a) (17) for a participating employe who first becomes a participating
9 employe on or after January 1, 1996, and shall be made as follows:

10 **SECTION 5.** 40.05 (2) (intro.) of the statutes is amended to read:

11 40.05 (2) EMPLOYER RETIREMENT CONTRIBUTIONS. (intro.) For Wisconsin
12 retirement system purposes and subject to the annual compensation limits under 26
13 USC 401 (a) (17) for a participating employe who first becomes a participating
14 employe on or after January 1, 1996:

15 **SECTION 6.** 40.05 (2m) of the statutes is amended to read:

16 40.05 (2m) BENEFIT ADJUSTMENT CONTRIBUTION. Except as provided in sub. (2n),
17 in addition to the amounts under subs. (1) and (2), a benefit adjustment contribution
18 equal to 1% of earnings shall be paid by or for participating employes whose formula
19 rate is determined under s. 40.23 (2m) (e) 1. and 3. This contribution shall be
20 deducted from each payment of earnings to participating employes unless the
21 employer provides through its compensation provisions or agreements that all or
22 part of the contribution will be paid by the employer. For benefit purposes, this
23 contribution shall be treated as if it were an employer required contribution
24 regardless of whether the employer or the employe pays the contribution and, for a

1 participating employe who first becomes a participating employe on or after January
2 1, 1996, shall be subject to the annual compensation limits under 26 USC 401 (a) (17).

3 **SECTION 7.** 40.30 (4) (b) of the statutes is amended to read:

4 40.30 (4) (b) The Subject to the annual compensation limits under 26 USC 401
5 (a) (17) for a participating employe who first becomes a participating employe on or
6 after January 1, 1996, the final average salary or final average earnings used in the
7 benefit formula computation for each retirement system under par. (a) shall be the
8 individual's final average salary or final average earnings under the respective
9 retirement system, determined in accordance with the provisions of that retirement
10 system based on the earnings covered by that retirement system and on all service
11 permitted under that retirement system to be used in determining the final average
12 salary or final average earnings, increased by the percentage increase in the average
13 of the total wages, as determined under 42 USC 415 (b) (3) (A), between the date on
14 which the individual terminated all employment covered by that retirement system
15 and the date on which the individual terminated all employment covered by any of
16 those retirement systems.

17 **(END)**