



1997 ASSEMBLY BILL 190

March 20, 1997 - Introduced by Representative BAUMGART. Referred to Joint survey committee on Retirement Systems.

1 **AN ACT to amend** 40.02 (33) (a) 1. of the statutes; **relating to:** the determination
2 of final average earnings for the purpose of calculating certain benefits under
3 the Wisconsin retirement system.

Analysis by the Legislative Reference Bureau

Under current law, when a participant in the Wisconsin retirement system terminates covered employment and becomes eligible for a retirement annuity, the amount of the annuity is calculated in one of 2 ways. The first is based on the participant's final average earnings, the participant's number of years of creditable service and a percentage multiplier. The final average earnings is a monthly rate of earnings that is calculated based on the 3 annual earnings periods in which the participant's earnings were highest. The 2nd way is to calculate the amount of a money purchase annuity, which is determined based on the sum of a participant's accumulated required and additional contributions plus an amount that equals the participant's accumulated required contributions. The department of employe trust funds (DETF) is required to pay an annuity based on the method that generates the higher annuity amount.

This bill provides that the amount of total earnings in each of the 3 annual earnings periods that may be considered for the purpose of calculating the amount of an annuity based on a participant's final average earnings may not exceed 110% of the amount of total earnings in the immediately preceding annual earnings period. The bill does not affect the requirement that DETF must pay an annuity based on the method that generates the higher annuity amount.

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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, except that the amount of total earnings in each of the
7 annual earnings periods that may be considered under this subdivision may not
8 exceed 110% of the amount of total earnings in the immediately preceding annual
9 earnings period and subject to the annual compensation limits under 26 USC 401 (a)
10 (17) for a participating employe who first becomes a participating employe on or after
11 January 1, 1996; by

12 **SECTION 2. Initial applicability.**

13 (1) DETERMINATION OF FINAL AVERAGE EARNINGS UNDER THE WISCONSIN
14 RETIREMENT SYSTEM. This act first applies to the calculation of the final average
15 earnings for a participating employe in the Wisconsin retirement system who
16 becomes initially eligible to receive any benefit under chapter 40 of the statutes,
17 which uses a participating employe's final average earnings to determine eligibility
18 for or the amount of the benefit, on January 1, 1998, or on the first day of the 6th
19 month beginning after publication, whichever is later.

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(END)