

## 1999 ASSEMBLY BILL 323

May 6, 1999 – Introduced by Representatives FREESE, TRAVIS, MUSSER, ALBERS, SYKORA, HAHN, BOCK, COGGS, REYNOLDS, SCHOOFF, PLOUFF, BLACK, BOYLE and POCAN, cosponsored by Senators ROBSON, PLACHE, SCHULTZ, DARLING and BAUMGART. Referred to Joint survey committee on Retirement Systems.

1     **AN ACT to amend** 40.23 (2m) (e) 1., 40.23 (2m) (e) 2., 40.23 (2m) (e) 3. and 40.23  
2           (2m) (e) 4. of the statutes; **relating to:** making an accelerated distribution from  
3           the transaction amortization account of the fixed retirement investment trust  
4           of the employe trust fund and increasing the retirement formula multiplier for  
5           participating employes in the Wisconsin retirement system.

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### ***Analysis by the Legislative Reference Bureau***

Under current law, when a participant in the Wisconsin retirement system (WRS) terminates covered employment and becomes eligible for a retirement annuity, one of the ways in which the amount of his or her annuity is determined is by multiplying the participant's final average earnings by the participant's years of creditable service and by a percentage multiplier. For a protective occupation participant who is covered by social security, an elected official and an executive participating employe, the percentage multiplier is 2%. For a protective occupation participant who is not covered by social security, the percentage multiplier is 2.5%. For all other participants in the WRS, the percentage multiplier is 1.6%.

This bill increases the percentage multiplier for all classes of participants in the WRS for creditable service that is earned before January 1, 2000. For a protective occupation participant who is covered by social security, an elected official and an executive participating employe, the percentage multiplier is increased to 2.2%. For a protective occupation participant who is not covered by social security, the percentage multiplier is increased to 2.7%. For all other participants in the WRS,

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the percentage multiplier is increased to 1.8%. The increase in the percentage multiplier first applies to the calculation of retirement benefits for individuals who are participating employes in the WRS on January 1, 2000, or on the effective date of the bill, whichever is later. For all creditable service that is earned on or after January 1, 2000, however, the bill provides that the current law percentage multipliers will apply.

Under current law, a fixed retirement investment trust (FRIT) and a variable retirement investment trust are maintained within the public employe trust fund under the management of the investment board. Within the FRIT, a transaction amortization account (TAA) is maintained that is used for the purpose of smoothing out fluctuations in unrecognized gains and losses in the value of FRIT assets. The balance of the TAA closely parallels the difference between market value and the adjusted book value of the assets. Annually, 20% of the balance of the TAA is distributed to the fixed annuity reserve, the fixed employer accumulation reserve and the fixed employe accumulation reserve.

This bill provides that on January 1, 2000, or on the effective date of this bill, whichever is later, \$2,100,000,000 is to be distributed from the TAA to the fixed annuity reserve, the fixed employer accumulation reserve and the fixed employe accumulation reserve in an amount equal to a percentage of the total distribution determined by dividing each reserve's balance on the prior January 1 by the total balance of the fixed retirement investment trust on the prior January 1. Under the bill, the increase in the fixed employer accumulation reserve that results from the distribution shall, on the recommendation of the actuary, be first applied to funding any liabilities created by the bill.

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.

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

1           **SECTION 1.** 40.23 (2m) (e) 1. of the statutes is amended to read:

2           40.23 **(2m)** (e) 1. For each participant for creditable service of a type not  
3 otherwise specified in this paragraph that is credited before January 1, 2000, 1.8%;  
4 for such creditable service that is credited on or after January 1, 2000, 1.6%.

5           **SECTION 2.** 40.23 (2m) (e) 2. of the statutes is amended to read:

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1           40.23 (2m) (e) 2. For each participant for creditable service as an elected official  
2           or as an executive participating employe that is credited before January 1, 2000,  
3           2.2%; for such creditable service that is credited on or after January 1, 2000, 2%.

4           **SECTION 3.** 40.23 (2m) (e) 3. of the statutes is amended to read:

5           40.23 (2m) (e) 3. For each participant subject to titles II and XVIII of the federal  
6           social security act, for service as a protective occupation participant that is credited  
7           before January 1, 2000, 2.2%; for such creditable service that is credited on or after  
8           January 1, 2000, 2%.

9           **SECTION 4.** 40.23 (2m) (e) 4. of the statutes is amended to read:

10          40.23 (2m) (e) 4. For each participant not subject to titles II and XVIII of the  
11          federal social security act, for service as a protective occupation participant that is  
12          credited before January 1, 2000, 2.7%; for such creditable service that is credited on  
13          or after January 1, 2000, 2.5%.

14          **SECTION 5. Nonstatutory provisions.**

15          (1) TRANSFER OF FUNDS FROM THE TRANSACTION AMORTIZATION ACCOUNT OF THE  
16          FIXED RETIREMENT INVESTMENT TRUST.

17          (a) On the effective date of this paragraph, \$2,100,000,000 shall be distributed  
18          from the transaction amortization account of the fixed retirement investment trust  
19          to the employe accumulation, employer accumulation and annuity reserves of the  
20          fixed retirement investment trust in an amount equal to a percentage of the total  
21          distribution determined by dividing each reserve's balance on the prior January 1 by  
22          the total balance of the fixed retirement investment trust on the prior January 1.

23          (b) The increase in the employer accumulation reserve that results from the  
24          distribution under paragraph (a) shall, on the recommendation of the actuary, be

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1 applied to funding any liabilities created by the treatment of section 40.23 (2m) (e)  
2 1., 2., 3. and 4. of the statutes in this act.

3 (c) The total amount distributed to the employe accumulation reserve under  
4 paragraph (a) shall be equitably credited to participants' accounts based on their  
5 account balances as of January 1, 2000, pursuant to section 40.04 (4) (a) 2. of the  
6 statutes.

7 (d) The total amount distributed to the annuity reserve under paragraph (a)  
8 shall be distributed as provided under section 40.27 (2) of the statutes.

9 (2) ADMINISTRATION OF BENEFIT IMPROVEMENTS. No later than the first day of the  
10 6th month beginning after the effective date of this subsection, the department of  
11 employe trust funds shall do all of the following:

12 (a) Implement the changes required by the amendments to section 40.23 (2m)  
13 (e) 1., 2., 3. and 4. of the statutes in this act.

14 (b) If necessary, adjust the benefits paid to any participant in the Wisconsin  
15 retirement system who terminated covered employment between the effective date  
16 of this subsection and the first day of the 6th month beginning after the effective date  
17 of this paragraph.

18 **SECTION 6. Initial applicability.**

19 (1) The treatment of section 40.23 (2m) (e) 1., 2., 3. and 4. of the statutes first  
20 applies to the calculation of retirement benefits for individuals who are participating  
21 employes in the Wisconsin retirement system on January 1, 2000, or on the effective  
22 date of this subsection, whichever is later.

23 (END)