

1999 DRAFTING REQUEST

Bill

Received: **10/6/98**

Received By: **champra**

Wanted: **Soon**

Identical to LRB:

For: **Administration-Budget 6-8777**

By/Representing: **Caucutt**

This file may be shown to any legislator: **NO**

Drafter: **champra**

May Contact:

Alt. Drafters:

Subject: **Employ Pub - retirement**

Extra Copies:

Topic:

DOA:.....Caucutt - Interest on WRS refunds and underpayments

Instructions:

See Attached.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	champra 10/7/98	gilfokm 10/8/98	jfrantze 10/8/98	_____	lrb_docadmin 10/8/98		Retire
/2	champra 01/4/99	gilfokm 01/4/99	jfrantze 01/4/99	_____	lrb_docadmin 01/4/99		Retire
/3	champra 01/19/99	gilfokm 01/19/99	ismith 01/19/99	_____	lrb_docadmin 01/19/99		Retire

FE Sent For:

<END>

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FE Sent For:		13-1-19-99 kmg	IS 1/19/99	IS/PT 1/19/99			<END>

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For: **Administration-Budget 6-8777**

By/Representing: **Presser**

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May Contact:

Alt. Drafters:

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/1	champra 10/7/98	gilfokm 10/8/98	jfrantze 10/8/98	_____	lrb_docadmin 10/8/98		Retire

FE Sent For:

12-1-4-99
Kmg

Jb 1/4

Jb 1/4

ENDS

1999 DRAFTING REQUEST

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Wanted: **Soon**

Identical to LRB:

For: **Administration-Budget 6-8777**

By/Representing: **Presser**

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Drafter: **champra**

May Contact:

Alt. Drafters:

Subject: **Employ Pub - retirement**

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Topic:

DOA:.....Presser - Interest on WRS Refunds and Underpayments

Instructions:

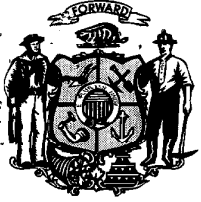
See Attached.

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1?	champra	1-10-7 kmg	26 10/8	26 10/8			

FE Sent For:

<END>



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

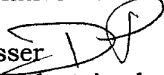
TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY

Mailing Address:
Post Office Box 7864
Madison, WI 53707-7864



Date: 5 October, 1998

To: Steve Miller
Chief, Legislative Reference Bureau

From: Dennis Presser 
Policy and Budget Analyst, 6-8777

Subject: Department of Employee Trust Funds statutory language proposals

Please draft the following eight statutory language proposals from the Department of Employee Trust Funds for its FY99-01 biennial budget request.

They include:

- Interest on refunds and underpayments
- Purchasing forfeited service
- QDRO--participant's status
- Death benefit under accelerated payment option
- Accumulated Sick Leave Conversion Credit Program changes
- Accumulated Sick Leave Conversion Credit base pay rate changes
- Closure and publication of write-off accounts
- Establishment of statutory lien provision

Please call with any questions. Thanks.

**Department of Employee Trust Funds
Statutory Language Drafting Request**

- Draft for Possible 99-01 Budget Bill Introduction
- Draft for Possible Introduction as Department-sponsored or Independent Bill

Subject: Interest on Refunds and Underpayments

Request Date: September 15, 1998

Contact Name in Agency for Drafter (phone no): Pam Henning (267-2929)

Brief Description of Intent:

1995 Wisconsin Act 302 created § 40.08 (6) (e), which states, "No interest may be credited to any money refunded under this subsection." The intent of this paragraph was to preclude an employee or employer from receiving interest on voluntary contributions that must be refunded because they exceed the contribution limits in section 415(c) of the Internal Revenue Code (IRC). However, the current language in s. 40.08 (6) (e) actually precludes interest on all refunded contributions, even those refunds made in error.

The proposed amendment would create s. 40.08 (6) (f), which would authorize the refund of interest earned on contributions paid in error or for other such reasons by an employee or employer under rules to be promulgated by the Department.

In addition, s. 40.08 (7)(c) is amended to allow the Department to include interest at the assumed benefit rate (5%) for underpayments to annuitants for a time period determined by Department rule. Under current law, interest is applied only if the underpayment to the annuitant is not corrected by the Department for at least 12 months. This will result in more equitable treatment of annuitants.

Related Statutory Citations

s. 40.08 (6) (e) of the statutes is amended to read:

No Except as provided in par. (f), no interest may be credited to any money refunded under this subsection pars. (c) or (d).

s. 40.08 (6) (f) of the statutes is created to read:

Pursuant to rules promulgated by the secretary, the secretary may credit interest on moneys refunded to a participant or employer at a rate not to exceed the legal rate of interest as determined under s. 138.04.

Effective Date of s. 40.08 (6)(e) and (f): Interest is applied to refunds paid after the effective date of biennial budget bill.

s. 40.08 (7)(c) of the statutes is amended to read:

If ~~When~~ an annuity underpayment exceeding the limits in par. (a) ~~occurs, has not been corrected~~ for at least 12 months, the payment to the annuitant to correct the underpayment shall include 0.4% interest at the assumed benefit rate on the amount of the underpayment for each full month during the period beginning on the date on which the underpayment occurred and ending on the date on which the underpayment is corrected. pursuant to rules promulgated by the secretary.

Effective Date of s. 40.08 (7)(c): Interest is applied to annuities the effective date of the biennial budget bill.



D-Note
State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0466/1

RAC: *kmg*

Seor

DOA:.....Presser – Interest on WRS Refunds and Underpayments

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

1

*Don't
Gen. Conf.*
AN ACT relating to: the budget.

I R C

(WRS)

Analysis by the Legislative Reference Bureau

RETIREMENT AND GROUP INSURANCE

Under current law, the department of employe trust funds (DETF) may not credit interest to moneys paid in error to DETF or to moneys paid to DETF by participants or employers that exceed federal internal revenue code limits on retirement contributions to a qualified governmental plan, such as the Wisconsin retirement system. This bill provides that DETF may credit interest on these moneys at a rate that does not exceed the legal rate of interest. Currently, the legal rate of interest is an annual rate of 5%.

In addition, under current law, in the event of certain annuity underpayments by DETF that are not corrected with 12 months, DETF must pay interest on the amount of the underpayment at a rate of 0.4% for each full month during which the underpayment occurred. This bill provides that DETF, pursuant to rules, must pay interest on the amount of the underpayment at the "assumed benefit rate" and eliminates the requirement that the underpayment not have been corrected within 12 months. Under current law, the "assumed benefit rate" is an annual rate of 5%.

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.

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

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0466/1dn

RAC:.....
kmj

Per a conversation with Pam Henning at DETF on October 7, 1998, I drafted s. 40.08 (6) (e) in such a way that it is clear that DETF may also pay interest on moneys paid or credited under s. 40.08 (6) (a) and (b). The suggested language was silent with regard to whether DETF could pay interest on moneys paid or credited under s. 40.08 (6) (a) and (b).

Richard A. Champagne
Legislative Attorney
266-9930

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0466/1dn
RAC:kmg:jf

October 8, 1998

Per a conversation with Pam Henning at DETF on October 7, 1998, I drafted s. 40.08 (6) (e) in such a way that it is clear that DETF may also pay interest on moneys paid or credited under s. 40.08 (6) (a) and (b). The suggested language was silent with regard to whether DETF could pay interest on moneys paid or credited under s. 40.08 (6) (a) and (b).

Richard A. Champagne
Legislative Attorney
266-9930

Champagne, Rick

From: Henning, Pamela, S [pamela.henning@etf.state.wi.us]
Sent: Tuesday, December 29, 1998 10:23 AM
To: Champagne, Rick
Subject: FW: ETF Stat Language

Hi Rick. Hope you enjoyed your days off over the holidays.

If Dan hasn't made a contact with you yet regarding ETF's changes to the interest on refunds and underpayments (LRB 0466/1) language, I wanted to forward this email message from Dan to me granting his approval of those changes.

Thanks for your help on these changes. I'll be contacting you next week regarding the QDRO (LRB 0468/1) language once I have program staff do one more review of it.

Pam Henning
267-2929
pamela.henning@etf.state.wi.us

> -----Original Message-----

> From: Caucutt, Dan
> Sent: Wednesday, December 23, 1998 3:49 PM
> To: Henning, Pamela, S
> Subject: RE: ETF Stat Language

>

> Pam: This is helpful and not unreasonable. We'll put these four as the
> first ones up on ye old template. Best for the holidays.

>

> D.

>

> -----Original Message-----

> From: Henning, Pamela, S
> Sent: Wednesday, December 23, 1998 3:33 PM
> To: Caucutt, Dan
> Subject: RE: ETF Stat Language

>

>

> Thanks for the update on statutory language. However, since I know your
> time is limited and I realize that we didn't submit a prioritized list on
> our statutory language requests, I'd like to make one last plea on behalf
> of ETF for you to reconsider our most important statutory language items.
> Our preference for items that we most strongly believe will aid our
> operations and are more fiscal related are the following:

>

- > 1. Interest on Refunds and Underpayments (LRB-0466/1)
- > 2. Purchasing Forfeited Service under WRS (LRB-0467/1)
- > 3. WRS Participant Status per QDRO (LRB-0468/1)
- > 4. Accumulated Sick Leave Conversion Credit Program Basic Pay Rate
> Changes (LRB-0471/1)

>

> The reason the Interest on Refunds and Underpayments statutory language
> changes are the most important to our agency is because 1995 WI Act 302
> mistakenly created a provision under s. 40.06(6)(e) that states, "no
> interest may be credited to any money refunded under this subsection."
> This doesn't allow us to even make interest payments on money we received
> from participants in error. We believe this is unequitable to our members
> and receive continual correspondence (including Governor referral letters)
> from members who also can't understand why we held their money in error

- > and allowed the WRS to benefit from the interest. As you know, many of
- > our processes (not yet automated) can take several months to a year to
- > complete so a year's worth of interest to a participant regardless of the
- > size of the error can be significant.
- >
- > We were slow to review the "Interest" language as drafted by the LRB and
- > have since determined that the current draft (LRB-0466/1) needs to be
- > amended to just allow ETF authority to promulgate rules to determine what
- > interest rates should be assigned depending upon whether the situation
- > warrants assumed benefit rate or effective rate interest crediting. We
- > found the current language programmatically would only get us into deeper
- > problems since we apply different rates of interest for different
- > circumstances. We also need a delayed effective date in order to allow us
- > enough time to promulgate the rule so we don't have another situation
- > where we need to make back interest payments (one SIPD effect is enough
- > for the department). I've spoken with Rick Champagne at the LRB about the
- > changes and he agrees with our changes. He will make the necessary
- > changes only after you give him the go-ahead. I'm hoping that you'll
- > reconsider this request as a high priority for the department and submit
- > it to the Governor.
- >
- > The QDRO changes are also a high priority for the department because the
- > new law, 1997 WI Act 125 which honored more QDRO's for the time period
- > between 1982 and 1990, failed to recognize the numerous participant status
- > changes that can occur between a divorce decree date and the date ETF
- > receives the QDRO. The law is written very strictly and doesn't allow any
- > flexibility to recognize the status changes (which ultimately makes the
- > law unworkable). Rick Champagne developed language that would allow ETF
- > flexibility to recognize those changes (and thereby, comply with the new
- > law) and then we can develop administrative rules that will state what the
- > different participant status changes are and how the law and the QDRO
- > affects each circumstance. Our program staff believe that without these
- > changes, we aren't complying with the law, and in actually, can't
- > administer the QDRO as mandated.
- >
- > You already "unofficially" identified the forfeited service item and the
- > ASLCC item as two possible statutory language requests that you may
- > recommend for approval in our budget. If you'd like any more information
- > on either of those items (since they are still in our top priority list),
- > please let me know.
- >
- > I really appreciate you taking another look at these items, Dan. Don't
- > hesitate to contact me for more information, if it'll help. I'll be in
- > all next week also. Thanks again.
- >
- >
- >
- >
- >
- >

Champagne, Rick

From: Caucutt, Dan [dan.caucutt@doa.state.wi.us]
Sent: Tuesday, December 29, 1998 4:01 PM
To: Champagne, Rick
Subject: Can you do the underscored change?

We try to keep our agencies happy ... Thanks and happy new year, Rick.

> -----Original Message-----

> From: Henning, Pamela, S
> Sent: Wednesday, December 23, 1998 3:33 PM
> To: Caucutt, Dan
> Subject: RE: ETF Stat Language

>
> Happy holidays, Dan. Even though I'm not in the budget office this
> holiday season, I'm strangely enough at work (when the rest of the office
> is dead).

>
> Thanks for the update on statutory language. However, since I know your
> time is limited and I realize that we didn't submit a prioritized list on
> our statutory language requests, I'd like to make one last plea on behalf
> of ETF for you to reconsider our most important statutory language items.
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> from participants in error. We believe this is unequitable to our members
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> our processes (not yet automated) can take several months to a year to
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> changes, we aren't complying with the law, and in actually, can't
> administer the QDRO as mandated.

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> ASLCC item as two possible statutory language requests that you may
> recommend for approval in our budget. If you'd like any more information
> on either of those items (since they are still in our top priority list),
> please let me know.

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> I really appreciate you taking another look at these items, Dan. Don't
> hesitate to contact me for more information, if it'll help. I'll be in
> all next week also. Thanks again.

>
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>
>

> -----Original Message-----

> From: Caucutt, Dan
> Sent: Thursday, December 17, 1998 11:07 AM
> To: Henning, Pamela S
> Subject: ETF Stat Language

>

> Hi Pam

>

> Haven't briefed yet on ETF, so no formal indication of what's in or out.
> However,
> much of the statutory language with the ETF budget request appears to be
> technical
> (some very technical). I would say (unofficially) that the items most
> likely
> to be
> included are the purchasing forfeited service and accumulated sick leave
> items.
> Best holiday wishes.

>

> D.

>

> -----Original Message-----

> From: Henning, Pamela
> Sent: Thursday, December 17, 1998 10:50 AM
> To: Caucutt, Dan
> Subject: ETF Stat Language

>

>

> Joanne Cullen passed the message that you were briefing the Governor this
> week. I have been working on the statutory language requests within the
> department to finalize any changes we may have. Do you have a drop dead
> date yet for statutory language changes to LRB? And, can you give me any
> indication (to avoid extra work on my part) if you've thrown any of our
> statutory language requests out or are they all still in? Thanks, Dan.

>



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0466/2 2

RAC:kmg:jf

Redraft under has
been run

soon → *fix* →

DOA:.....Caucutt – Interest on WRS Refunds and Underpayments

FOR 1999-01 BUDGET – NOT READY FOR INTRODUCTION

do not gen.

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

RETIREMENT AND GROUP INSURANCE

Under current law, the department of employe trust funds (DETF) may not credit interest to moneys paid in error to DETF or to moneys paid to DETF by participants or employers that exceed federal Internal Revenue Code limits on retirement contributions to a qualified governmental plan, such as the Wisconsin retirement system (WRS). This bill provides that DETF may credit interest on these moneys at a rate ~~that does not exceed the legal rate of interest. Currently, the legal rate of interest is an annual rate of 5% established by rule~~

In addition, under current law, in the event of certain WRS annuity underpayments by DETF that are not corrected within 12 months, DETF must pay interest on the amount of the underpayment at a rate of 0.4% for each full month during which the underpayment occurred. This bill provides that DETF ~~pursuant to rules~~ must pay interest on the amount of the underpayment at the "assumed benefit rate" and eliminates the requirement that the underpayment not have been corrected within 12 months. ~~Under current law, the "assumed benefit rate" is an annual rate of 5%.~~

rate established by rule

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.

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

SECTION 1. 40.08 (6) (e) of the statutes is repealed and recreated to read:

40.08 (6) (e) Pursuant to rules promulgated by the department, the department may credit interest on moneys refunded or credited under this subsection ~~at a rate that does not exceed the legal rate of interest provided under s. 138.04.~~

SECTION 2. 40.08 (7) (c) of the statutes is amended to read:

40.08 (7) (c) ~~If Pursuant to rules promulgated by the department, if an annuity underpayment exceeding exceeds the limits in par. (a) has not been corrected for at least 12 months, the payment to the annuitant to correct the underpayment shall include 0.4% interest at the assumed benefit rate on the amount of the underpayment for each full month during the period beginning on the date on which the underpayment occurred and ending on the date on which the underpayment is corrected.~~

SECTION 9315. Initial applicability; employe trust funds.

(1) REFUNDS. ^{auto ref. "RA"} The treatment of section 40.08 (6) (e) of the statutes first applies to moneys refunded or credited on the effective date of this subsection.

(2) UNDERPAYMENTS. ^{auto ref. "KB"} The treatment of section 40.08 (7) (c) of the statutes first applies to annuity payments occurring on the effective date of this subsection.

(END)

Insert 2-2

Insert 2-6

18
Insert 2-18

1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0466/2ins
RAC:kmg:jf

Insert 2-2: ✓

and at a rate of interest established by rule

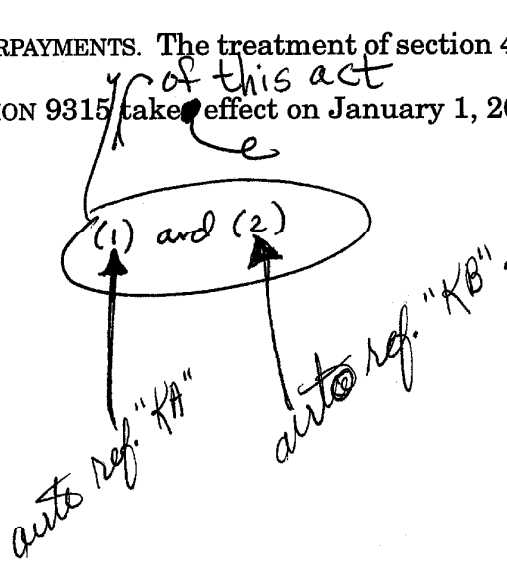
Insert 2-6: ✓

and at a rate of interest established by rule

Insert 2-18: ✓

SECTION 9415. Effective dates; employe trust funds.

(1) REFUNDS AND UNDERPAYMENTS. The treatment of section 40.08 (6) (e) and (7) (c) of the statutes and SECTION 9315 take effect on January 1, 2001.



Champagne, Rick

From: Henning, Pamela, S [pamela.henning@etf.state.wi.us]
Sent: Tuesday, January 19, 1999 12:10 PM
To: Champagne, Rick
Cc: Caucutt, Dan
Subject: LRB-0466/2 - Interest on Refunds

Rick, one minor change yet on the draft pertaining to Interest on WRS refunds and underpayments. Please change the effective date under section 9415 to June 30, 2000. We prefer not to wait until 2001 to have our rules promulgated. Thanks.

Pamela Henning
Department of Employee Trust Funds
(608) 267-2929
Fax (608) 267-0633
pamela.henning@etf.state.wi.us



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0466/2-3

RAC:kmg:jf

*Redraft under
has been run*

Sean

DOA:.....Caucutt - Interest on WRS refunds and underpayments

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

1

*Don't
Caucutt*
AN ACT relating to: the budget.

Analysis by the Legislative Reference Bureau

RETIREMENT AND GROUP INSURANCE

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In addition, under current law, in the event of certain WRS annuity underpayments by DETF that are not corrected within 12 months, DETF must pay interest on the amount of the underpayment at a rate of 0.4% for each full month during which the underpayment occurred. This bill provides that DETF must pay interest on the amount of the underpayment at a rate established by rule and eliminates the requirement that the underpayment not have been corrected within 12 months.

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.

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

1 SECTION 1. 40.08 (6) (e) of the statutes is repealed and recreated to read:

2 40.08 (6) (e) Pursuant to rules promulgated by the department and at a rate
3 of interest established by rule, the department may credit interest on moneys
4 refunded or credited under this subsection.

5 SECTION 2. 40.08 (7) (c) of the statutes is amended to read:

6 40.08 (7) (c) ~~If Pursuant to rules promulgated by the department and at a rate~~
7 ~~of interest established by rule, if an annuity underpayment exceeding exceeds the~~
8 ~~limits in par. (a) has not been corrected for at least 12 months, the payment to the~~
9 ~~annuitant to correct the underpayment shall include 0.4% interest on the amount of~~
10 ~~the underpayment for each full month during the period beginning on the date on~~
11 ~~which the underpayment occurred and ending on the date on which the~~
12 ~~underpayment is corrected.~~

13 SECTION 9315. Initial applicability; employe trust funds.

14 (1) REFUNDS. The treatment of section 40.08 (6)(e) of the statutes first applies
15 to moneys refunded or credited on the effective date of this subsection.

16 (2) UNDERPAYMENTS. The treatment of section 40.08 (7) (c) of the statutes first
17 applies to annuity payments occurring on the effective date of this subsection.

18 SECTION 9415. Effective dates; employe trust funds.

19 (1) REFUNDS AND UNDERPAYMENTS. The treatment of section 40.08 (6) (e) and (7)
20 (c) of the statutes and SECTION 9315 (1) and (2) of this act take effect on ~~January 1,~~

21 2001
22

(END)

June 30, 2000



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0466/3

RAC:kmg:ijs

DOA:.....Caucutt - Interest on WRS refunds and underpayments

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

RETIREMENT AND GROUP INSURANCE

Under current law, the department of employe trust funds (DETF) may not credit interest to moncys paid in error to DETF or to moneys paid to DETF by participants or employers that exceed federal Internal Revenue Code limits on retirement contributions to a qualified governmental plan, such as the Wisconsin retirement system (WRS). This bill provides that DETF may credit interest on these moneys at a rate established by rule.

In addition, under current law, in the event of certain WRS annuity underpayments by DETF that are not corrected within 12 months, DETF must pay interest on the amount of the underpayment at a rate of 0.4% for each full month during which the underpayment occurred. This bill provides that DETF must pay interest on the amount of the underpayment at a rate established by rule and eliminates the requirement that the underpayment not have been corrected within 12 months.

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.

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

