BILL HISTORY FOR ASSEMBLY BILL 495 (LRB –3274)

An Act to repeal 25.17 (14) (f); to amend 25.18 (1) (a), 25.18 (1) (m), 40.02 (6), 40.02 (7), 40.04 (3) (intro.), 40.04 (3) (a), 40.04 (3) (d), 40.04 (4) (a) 2., 40.04 (4) (a) 2m., 40.04 (7) (a) (intro.), 40.23 (2m) (b), 40.23 (2m) (e) 1., 40.23 (2m) (e) 2., 40.23 (2m) (e) 3., 40.23 (2m) (e) 4., 40.26 (2) (b), 40.26 (5) (c), 40.73 (1) (a) (intro.) and 40.73 (1) (c); and to create 40.04 (3) (ab), 40.04 (3) (am), 40.04 (4) (a) 2g., 40.05 (2) (cm), 40.23 (2m) (em) and 40.73 (1) (am) of the statutes; relating to: benefit improvements, interest crediting, variable annuity option, contribution credits for employers, death benefits, credit for legislative service, recognition of income and capital gains and losses in the fixed retirement investment trust and affecting certain actuarial assumptions and liabilities under the Wisconsin retirement system. (FE)

1999

10–01. A. Introduced by Representative **Skindrud**; cosponsored by Senator **Wirch**.

10–01. A. Read first time and referred to joint survey committee on Retirement Systems 371

10–04. A. Assembly amendment 1 offered by Representative Vrakas **(LRB a0714)** 373

10–04. A. Assembly amendment 2 offered by Representative Vrakas **(LRB a0717)** 373

10–04. A. Public hearing held.

10–04. A. Executive action taken.

10–04. A. Report of joint survey committee on Retirement Systems received 373

10–04. A. Referred to calendar 373

10–06. A. Emergency statement attached by Governor pursuant to s. 16.47 (2) Wisconsin Statutes 378

10–06. A. Representative Kaufert added as a coauthor 381

10–06. A. Read a second time 381

10–06. A. Assembly amendment 1 **adopted** 381

10–06. A. Assembly amendment 2 **adopted** 381

10–06. A. Assembly amendment 3 offered by Representatives Klusman and Ziegelbauer **(LRB a0713)** 381

10–06. A. Assembly amendment 3 rejected, Ayes 54, Noes 45 381

10–06. A. Assembly amendment 4 offered by Representatives Vrakas and Schneider **(LRB a0731)** 381

10–06. A. Assembly amendment 4 **adopted** 381

10–06. A. Assembly amendment 5 offered by Representative Klusman **(LRB a0730)** 381

10–06. A. Point of order that Assembly amendment 5 not germane not well taken 381

10–06. A. Assembly amendment 5 rejected, Ayes 78, Noes 21 381

10–06. A. Assembly amendment 6 offered by Representative Klusman **(LRB a0733)** 381

10–06. A. Assembly amendment 6 rejected, Ayes 81, Noes 18 381

10–06. A. Ordered to a third reading 382

10–06. A. Rules suspended 382

10–06. A. Read a third time and **passed**, Ayes 79, Noes 20 382

10–06. A. Representatives Travis, Miller, Hebl, Pocan, Musser, Black, Turner and Berceau added as coauthors .. 382

10–06. A. Ordered immediately messaged 382

10–06. S. Received from Assembly 286

10–06. S. Read first time and referred to committee on Senate Organization 286

10–06. S. Rules suspended to withdraw from committee on Senate Organization and make a Special Order of Business following Assembly Bill 133 on the calendar of 10–6–99 286

10–06. S. Read a second time 286

10–06. S. Senate amendment 1 offered by Senators Welch, Farrow, Darling, Drzewiecki, Roessler, Rosenzweig, Zien, Lazich, Fitzgerald and Schultz **(LRB a0727)** 286

10–06. S. Senate amendment 1 laid on table, Ayes 17, Noes 16 286

10–06. S. Ordered to a third reading 286

10–06. S. Rules suspended 286

10–06. S. Senator Erpenbach added as a cosponsor 286
10–06. S. Read a third time and **concurred in**, Ayes 23, Noes 10 286
10–06. S. Ordered immediately messaged 286
10–06. A. Received from Senate concurred in 381
10–12. A. Report correctly enrolled 388
10–21. A. Fiscal estimate received.
11–16. A. Fiscal estimate received.
12–21. A. Report **approved** by the Governor on 12–16–1999 578
1999 Wisconsin Act 11.
12–21. A. Published 12–29–1999 578

1999
ENROLLED BILL

99en A B- 495

ADOPTED DOCUMENTS:

☒ Orig ☐ Engr ___ SubAmdt ___ 99- 3274 / 4 / 4

Amendments to above (if none, write "NONE"): AA 1, 2, 4

Corrections – show date (if none, write "NONE"): None

Topic Changes to Wisconsin Retirement System

10/8/99
Date

Enrolling Drafter

ELECTRONIC PROCEDURE:

Follow automatic or manual enrolling procedures in *TEXT2000 Reference Guide*, Document Specific Procedures, Ch. 20, Engrossing and Enrolling

DISTRIBUTION:

HOUSE OF ORIGIN:

- 11 copies plus bill jacket
- Secretary of State's envelope containing 4 copies plus newspaper notice

REVISOR OF STATUTES:

- 5 copies

DEPARTMENT OF ADMINISTRATION:

- 2 copies

LRB:

- Drafting file ..... original
- Drafting attorney ..... 1 copy
- Legal section editors ..... 1 copy each
- Reference section ..... 1 copy
- Bill index librarian ..... 1 copy

CORRECTED COPY

1999 – 2000 LEGISLATURE

LRB–3274/4
RAC:wlj:jf

1999 ASSEMBLY BILL 495

October 1, 1999 – Introduced by Representative SKINDRUD, cosponsored by Senator WIRCH. Referred to Joint survey committee on Retirement Systems.

AN ACT ***to repeal*** 25.17 (14) (f); ***to amend*** 25.18 (1) (a), 25.18 (1) (m), 40.02 (6), 40.02 (7), 40.04 (3) (intro.), 40.04 (3) (a), 40.04 (3) (d), 40.04 (4) (a) 2., 40.04 (4) (a) 2m., 40.04 (7) (a) (intro.), 40.23 (2m) (b), 40.23 (2m) (e) 1., 40.23 (2m) (e) 2., 40.23 (2m) (e) 3., 40.23 (2m) (e) 4., 40.26 (2) (b), 40.26 (5) (c), 40.73 (1) (a) (intro.) and 40.73 (1) (c); and ***to create*** 40.04 (3) (ab), 40.04 (3) (am), 40.04 (4) (a) 2g., 40.05 (2) (cm), 40.23 (2m) (em) and 40.73 (1) (am) of the statutes; **relating to:** benefit improvements, interest crediting, variable annuity option, contribution credits for employers, death benefits, credit for legislative service, recognition of income and capital gains and losses in the fixed retirement investment trust and affecting certain actuarial assumptions and liabilities under the Wisconsin retirement system.

Analysis by the Legislative Reference Bureau

This bill makes numerous changes to benefits provided under the Wisconsin retirement system (WRS) and to the financial structure of the WRS. The changes are as follows:

Benefit improvements under the WRS

Under current law, when a participant in the 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 performed 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 2.165%. For a protective occupation participant who is not covered by social security, the percentage multiplier is increased to 2.665%. For all other participants in the WRS, the percentage multiplier is increased to 1.765%. 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. For all creditable service that is performed on or after January 1, 2000, however, the bill provides that the current law percentage multipliers will apply.

Variable annuities

Under current law, assets in the variable retirement investment trust of the public employe trust fund are almost entirely invested in equities, while about 58% of the assets in the fixed retirement investment trust (FRIT) are invested in equities. Participating employes in the WRS who elect to have part of their employe required contributions segregated for a variable annuity have these contributions deposited into the variable retirement investment trust, while all other participating employes in the WRS who have all or part of their required contributions segregated for a fixed annuity have these contributions deposited into the FRIT.

Under current law, employe contribution accumulations in the variable retirement investment trust are credited annually with interest at the effective rate, which is essentially the actual rate of return on the assets, after all expenses are deducted. In contrast, contribution accumulations in the FRIT are credited with interest at the effective rate only for those participating employes who were participating employes before January 1, 1982. In contrast, participating employes who began WRS covered employment on or after January 1, 1982, have their contribution accumulations in the FRIT credited with interest at the assumed benefit rate, which is a rate of 5%.

Under current law, eligibility to participate in the variable annuity program is closed to all participants except to those who elected to participate in the program before April 30, 1980. This bill permits any participant in the WRS who is a participating employe on January 1, 2001, to participate in the variable annuity program.

Increase in maximum amount of initial retirement annuity

Under current law, the maximum amount of an initial annuity for a participant in the WRS who receives an annuity that is calculated using the percentage multiplier, other than a protective occupation participant who is not covered by social security, is an amount equal to 65% of the participant's final average earnings. This bill increases the amount to 70% for participants who are participating employes on the effective date of the bill.

Calculation of unfunded prior service liability balances

Under current law, for the purpose of funding retirement benefits under the WRS, employes and employers are required to pay contributions. These contributions are generally referred to as employe required contributions and employer required contributions. The contribution rates are based on participating employes' earnings and are determined annually. Under current law, the employer must pay the employer required contributions and may pay any of the employe required contributions on behalf of the employe. In addition, employers covered under the WRS must pay contributions for any unfunded prior service liability that is owed to the WRS as a result of past benefit improvements under the WRS that were not fully funded at the time of their creation and of recognizing prior service earned by employes before the employer became a covered employer under the WRS.

Currently, contribution rates for the payment of unfunded prior service liability are amortized over 40 years and the unfunded prior service liability balance may not be adjusted to reflect any change in the actuarial assumptions that are used to value the liabilities of the WRS. Consequently, the unfunded prior service liability balance may exceed or be less than the amount that is actuarially required to fund the unfunded prior service incurred by employers under the WRS.

This bill authorizes DETF to adjust the unfunded prior service liability balance of the WRS and of each employer to reflect any changes in certain assumptions used to value the liabilities of the WRS if the actuary recommends and the employe trust funds board approves the changes or if otherwise provided by law.

Accelerated distribution of moneys from the transaction amortization account of the fixed retirement investment trust

Under current law, the 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 and used to smooth 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 participating accounts in the fixed annuity reserve, the fixed employer accumulation reserve and the fixed employe accumulation reserve.

This bill provides that on December 31, 1999, $4,000,000,000 is to be distributed from the TAA to the reserves and accounts in the FRIT in an amount equal to a percentage of the total distribution determined by dividing each reserve's and account's balance on the prior January 1 by the total balance of the FRIT on the prior January 1.

Establishment of employer required contribution credits

Under the bill, $200,000,000 of the increase in the fixed employer accumulation reserve that results from the distribution from the TAA will be used to establish contribution credits for payments for employers that have unfunded prior service liability under the WRS. For those employers that do not have unfunded prior service liability, the credits will be used to make payments for their required employer contributions under the WRS. During the period in which the credits are used, the employers that have unfunded prior service liability will not be required to make payments for unfunded prior service liability and those employers that do not have unfunded prior service liability will not be required to make employer required contributions.

Elimination of transaction amortization account and creation of market recognition account

This bill eliminates the TAA over a five–year period and creates, in its place, a market recognition account (MRA) that is to be used for distributing the total market value investment return earned by the FRIT. Under the bill, on each December 31, the following amounts are to be distributed from the MRA to each participating account in the FRIT:

1. The expected amount of investment return in the FRIT.

2. An amount equal to 20% of the difference between the total market value investment return earned by the FRIT and the expected amount of investment return of the FRIT during the year ending on December 31.

3. An amount equal to 20% of the sum of the differences between the total market value investment return earned by the FRIT and the expected amount of investment return of the FRIT at the end of the four preceding years.

Determination of actuarial assumptions for certain purposes under the WRS

Under current law, the "assumed rate" is the probable average effective rate that is expected to be earned for the FRIT on a long–term basis. Currently, the assumed rate is a rate of 8% and the actuarial assumption for across–the–board salary increases for the purpose of valuing the liabilities of the WRS is 3.2% less than the assumed rate unless due to changed economic circumstances the actuary recommends and the employe trust funds board approves a different rate. The assumed rate for a calendar year is used for all calculations of required contributions and reserves for WRS participants and employers.

This bill increases the actuarial assumption for across–the–board salary increases for the purpose of valuing the liabilities of the WRS from 3.2% less than the assumed rate to 3.4% less than the assumed rate.

Interest crediting on employe required contribution accumulations

Under current law, for those participants in the WRS who are hired on or after January 1, 1982, interest is credited annually to their employe required contribution accumulations in the fixed annuity division of the employe trust fund at the assumed benefit rate. The assumed benefit rate is 5%. This bill provides that interest on these accumulations for participants who are participating employes in the WRS on the

effective date of the bill is to be credited at the effective rate. The effective rate is essentially the interest rate earned by the accumulations, after all expenses are deducted.

Death benefits under the WRS

Under current law, the death benefit for most participants in the WRS, other than annuitants, equals the sum of the additional and employe required contribution accumulations credited to the participant's account. In other words, the death benefit does not include the employer required contribution accumulations. However, if the participant at the time of death was a participating employe, had attained the age of 55, or the age of 50 if he or she was a protective occupation participant, and his or her beneficiary is a dependent, the death benefit is equal to the present value of the life annuity that the beneficiary would have received had the participating employe been eligible to receive an annuity and had elected to receive the annuity in the form of a joint and survivor annuity. The valuation of such a death benefit would include the employer required contribution accumulations.

This bill eliminates the requirement that the beneficiary be a dependent in order to receive the death benefit that equals the present value of a life annuity in the form of a joint and survivor annuity. Instead, the bill requires that the beneficiary must be a natural person or a trust in which a natural person has a beneficial interest. In addition, for a participating employe who has not attained age 55, and any protective occupation participant who has not attained age 50, the bill increases the death benefit for such a participating employe to an amount equal to the sum of the employe additional contribution and *twice* the employe required contribution accumulations, including any interest credited to the accumulations.

Purchase of creditable service by legislators and legislative service agency employes

This bill permits any person who is a participating employe in the WRS to purchase creditable service under the WRS for any service not previously credited that was performed by the person as a member or employe of the legislature or employe of a legislative service agency.

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.** 25.17 (14) (f) of the statutes is repealed.

2 **SECTION 2.** 25.18 (1) (a) of the statutes is amended to read:

25.18 **(1)** (a) Notwithstanding subch. IV of ch. 16 and s. 20.930, employ special legal or investment counsel in any matters arising out of the scope of its investment authority. The employment of special legal counsel shall be with the advice and consent of the attorney general whenever such special counsel is to be compensated by the board. Any expense of counsel so employed shall be borne by ~~the current income account of~~ the fund for which the services shall be furnished~~, except that the fixed retirement investment fund may bear this expense from its transaction amortization account~~.

SECTION 3. 25.18 (1) (m) of the statutes is amended to read:

25.18 **(1)** (m) Notwithstanding subchs. IV and V of ch. 16, employ professionals, contractors or other agents necessary to evaluate or operate any property if a fund managed by the board has an interest in, or is considering purchasing or lending money based upon the value of, that property. Costs under this paragraph shall be paid by the fund and charged to the appropriate ~~current income~~ account under s. 40.04 (3).

SECTION 4. 40.02 (6) of the statutes is amended 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 <u>under s. 40.04 (4) (a) 2</u>.

SECTION 5. 40.02 (7) of the statutes is 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 a rate of ~~7.5%~~ 8% and the actuarial assumption for across–the–board salary increases for the purpose of valuing the liabilities of the Wisconsin retirement system shall be ~~1.9%~~ 3.4% less than the assumed rate unless due to changed economic circumstances the actuary recommends and the board approves a different rate. 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., 2g. and 2m., 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 benefit rate is to be used under sub. (6).

SECTION 6. 40.04 (3) (intro.) of the statutes is amended to read:

40.04 **(3)** (intro.) A fixed retirement investment trust and a variable retirement investment trust shall be maintained within the fund under the jurisdiction and management of the investment board for the purpose of managing the investments of the retirement reserve accounts and of any other accounts of the fund as determined by the board, including the accounts of separate retirement systems. Within the fixed retirement investment trust there shall be maintained a transaction amortization account and a ~~current income~~ market recognition account, and any other accounts as are established by the board or the investment board. A current income account shall be maintained in the variable retirement investment trust. All costs of owning, operating, protecting and acquiring property in which either trust has an interest shall be charged to the current income or ~~transaction amortization~~ market recognition account of the trust having the interest in the property.

SECTION 7. 40.04 (3) (a) of the statutes is amended to read:

1 40.04 **(3)** (a) ~~All earnings, profits or losses of the fixed retirement investment~~
2 ~~trust and the~~ The net gain or loss of the variable retirement investment trust shall
3 be distributed annually on December 31 to each participating account in the same
4 ratio as each account's average daily balance within the respective trust bears to the
5 total average daily balance of all participating accounts in ~~that~~ the trust. ~~For the~~
6 ~~fixed retirement investment trust the amount to be distributed shall be the then~~
7 ~~balance of the current income account plus 20% of the then balance of the transaction~~
8 ~~amortization account. For the variable retirement investment trust the~~ The amount
9 to be distributed shall be the excess of the increase within the period in the value of
10 the assets of the trust resulting from income from the investments of the trust and
11 from the sale or appreciation in value of any investment of the trust, over the
12 decrease within the period in the value of the assets resulting from the sale or the
13 depreciation in value of any investments of the trust.

14 **SECTION 8.** 40.04 (3) (ab) of the statutes is created to read:

15 40.04 **(3)** (ab) Beginning on December 31, 2000, the balance of the transaction
16 amortization account shall be determined and 20% of the balance established on
17 December 31, 2000, shall be distributed annually on December 31 to each
18 participating account in the same ratio as each account's average daily balance
19 within the fixed retirement investment trust bears to the total average daily balance
20 of all participating accounts in the trust until the balance of the transaction
21 amortization account is entirely distributed. Notwithstanding sub. (3) (intro.), after
22 the entire balance of the transaction amortization account has been distributed, the
23 department shall close the account.

24 **SECTION 9.** 40.04 (3) (am) of the statutes is created to read:

1 40.04 **(3)** (am) 1. Beginning on January 1, 2000, there shall be maintained
2 within the fixed retirement investment trust a market recognition account. The
3 department shall establish and administer the market recognition account as
4 recommended by the actuary or actuarial firm retained under s. 40.03 (1) (d) and as
5 approved by the board.

6 2. Annually, the total market value investment return earned by the fixed
7 retirement investment trust during the year shall be credited to the market
8 recognition account.

9 3. Annually, on December 31, the sum of all of the following shall be distributed
10 from the market recognition account to each participating account in the fixed
11 retirement investment trust in the same ratio as each account's average daily
12 balance bears to the total average daily balance of all participating accounts in the
13 trust:

14 a. The expected amount of investment return in the fixed retirement
15 investment trust during the year based on the assumed rate.

16 b. An amount equal to 20% of the difference between the total market value
17 investment return earned by the fixed retirement investment trust and the expected
18 amount of investment return of the fixed retirement investment trust during the
19 year ending on December 31 based on the assumed rate.

20 c. An amount equal to 20% of the sum of the differences between the total
21 market value investment return earned by the fixed retirement investment trust
22 and the expected amount of investment return of the fixed retirement investment
23 trust at the end of the 4 preceding years. For the purpose of making this calculation,
24 the amount in the market recognition account at the end of each year that occurs
25 before the year 2000 shall be assumed to be zero.

1 **SECTION 10.** 40.04 (3) (d) of the statutes is amended to read:

2 40.04 **(3)** (d) Notwithstanding par. (a), assets of the fixed retirement
3 investment trust which are authorized to be invested in common or preferred stock
4 may, if authorized by rule, be invested as a part of the variable retirement investment
5 trust with that portion of the annual distributions of net gains or losses to the fixed
6 retirement investment trust from the variable retirement investment trust ~~as~~
7 ~~provided in par. (a) which results from transactions or events described in s. 25.17~~
8 ~~(14) (f)~~ being credited to the ~~transaction amortization~~ market recognition account
9 ~~and the balance of the distributions being credited to the current income account~~.

10 **SECTION 11.** 40.04 (4) (a) 2. of the statutes is amended to read:

11 40.04 **(4)** (a) 2. Credited as of each December 31 with interest on the prior year's
12 closing balance at the effective rate on all employe required contribution
13 accumulations in the variable annuity division, on all employe required
14 contributions in the fixed annuity division on December 31, 1984, on all employe
15 required contributions in the fixed annuity division of participants who are not
16 participating employes after December 31, 1984, and on all employe and employer
17 additional contribution accumulations and with interest on the prior year's closing
18 balance at the assumed benefit rate on all employe required contribution
19 accumulations in the fixed annuity division for participants who are participating
20 employes after December 31, 1984, but who terminated covered employment before
21 the effective date of this subdivision .... [revisor inserts date].

22 **SECTION 12.** 40.04 (4) (a) 2g. of the statutes is created to read:

23 40.04 **(4)** (a) 2g. Credited as of each December 31, with interest on the prior
24 year's closing balance at the effective rate on all employe required contribution

accumulations in the fixed annuity division for participants who are participating employes on or after the effective date of this subdivision .... [revisor inserts date].

SECTION 13. 40.04 (4) (a) 2m. of the statutes is amended to read:

40.04 **(4)** (a) 2m. Debited, if a participant terminates covered employment on or after January 1, 1990, but before the effective date of this subdivision .... [revisor inserts date], and applies for a benefit under s. 40.25 (2), with an amount equal to the amount by which the fixed annuity division interest credited on or after January 1, 1990, but before the effective date of this subdivision .... [revisor inserts date], to employe required contributions, exceeds the interest crediting at an annual rate of 3% on each prior year's closing balance.

11-20 AA1

SECTION 14. 40.04 (7) (a) (intro.) of the statutes is amended to read:

40.04 **(7)** (a) (intro.) As otherwise elected by a participant prior to April 30, 1980, or on or after January 1, 2001. Any participant who was a participant prior to April 30, 1980, and whose accounts on January 1, 1982, include credits segregated for a variable annuity shall have his or her employe required and additional contributions made on or after January 1, 1982, credited to the variable annuity division in a manner consistent with the participant's election prior to April 30, 1980, unless prior to January 1, 1982, the participant terminated such election under s. 40.85, 1979 stats. Any participant who elects or has elected to have any of his or her credits segregated for a variable annuity on or after January 1, 2001, shall have his or her employe required and additional contributions made on or after the date of the participant's election, credited to the variable annuity division in a manner consistent with the participant's election. The department shall by rule provide that any participant who elects or has elected variable participation prior to April 30, 1980, or on or after January 1, 2001, may elect to cancel that variable participation

AA1

as to future contributions. The department's rules shall permit a participant who elects or has elected to cancel variable participation as to future contributions, or an annuitant, to elect to transfer previous variable contribution accumulations to the fixed annuity division. A transfer of variable contribution accumulations under this paragraph shall result in the participant receiving the accrued gain or loss from the participant's variable participation. A participant may specify that election to cancel participation in the variable annuity division is conditional. If the participant so specifies the election is effective on the first date on which it may take effect on which the participant:

12-14 AA1

SECTION 15. 40.05 (2) (cm) of the statutes is created to read:

40.05 **(2)** (cm) The department may adjust the unfunded prior service liability balance of the Wisconsin retirement system under par. (b) and of each employer that makes contributions under par. (b) to reflect any changes in the assumed rate and the assumption for across–the–board salary increases specified in s. 40.02 (7) if the actuary recommends and the board approves the changes or if otherwise provided by law.

12-20 AA2

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

40.23 **(2m)** (b) Except as provided in s. 40.26, subject to the limitations under section 415 of the ~~internal revenue code~~ Internal Revenue Code, the initial amount of the normal form annuity shall be an amount equal to ~~65%~~ 70%, 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

AA2-13 – 65% (plain) or

creditable service under both par. (e) 4. and another category under par. (e), 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 by 85% and ~~65%~~ 70%, respectively, and adding the results, except that the resulting benefit may not be less than the amount of the normal form annuity that could be paid based solely on the creditable service under par. (e) 4.

SECTION 17. 40.23 (2m) (e) 1. of the statutes is amended to read:

40.23 **(2m)** (e) 1. For each participant for creditable service of a type not otherwise specified in this paragraph that is performed before January 1, 2000, 1.765%; for such creditable service that is performed on or after January 1, 2000, 1.6%.

SECTION 18. 40.23 (2m) (e) 2. of the statutes is amended to read:

40.23 **(2m)** (e) 2. For each participant for creditable service as an elected official or as an executive participating employe that is performed before January 1, 2000, 2.165%; for such creditable service that is performed on or after January 1, 2000, 2%.

SECTION 19. 40.23 (2m) (e) 3. of the statutes is amended to read:

40.23 **(2m)** (e) 3. For each participant subject to titles II and XVIII of the federal ~~social security act~~ Social Security Act, for service as a protective occupation participant that is performed before January 1, 2000, 2.165%; for such creditable service that is performed on or after January 1, 2000, 2%.

SECTION 20. 40.23 (2m) (e) 4. of the statutes is amended to read:

40.23 **(2m)** (e) 4. For each participant not subject to titles II and XVIII of the federal ~~social security act~~ Social Security Act, for service as a protective occupation participant that is performed before January 1, 2000, 2.665%; for such creditable service that is performed on or after January 1, 2000, 2.5%.

1 **SECTION 21.** 40.23 (2m) (em) of the statutes is created to read:

2 40.23 **(2m)** (em) 1. For the purpose of determining the applicable percentage
3 rate under par. (e), all of the following shall apply:

4 a. Any creditable service forfeited by a participating employe before January
5 1, 2000, and which is subsequently reestablished by the participating employe under
6 s. 40.25 (6), shall be considered to have been performed before January 1, 2000.

7 b. Any creditable service received under s. 40.25 (7), which is based on service
8 performed before January 1, 2000, shall be considered to have been performed before
9 January 1, 2000.

10 c. Any creditable military service received under s. 40.02 (15) (c), which is based
11 on creditable service performed before January 1, 2000, shall be considered to have
12 been performed before January 1, 2000.

13 2. This paragraph shall only apply to participants who are participating
14 employes on or after January 1, 2000.

15 **SECTION 22.** 40.26 (2) (b) of the statutes is amended to read:

16 40.26 **(2)** (b) The amount of the annuity payments, excluding any portion
17 originally provided by additional contributions, which would have been paid under
18 the terminated annuity, if the annuity had been a straight life annuity, prior to the
19 participant's normal retirement date or prior to the annuity termination date,
20 whichever would first occur, shall be credited to a memorandum account which is
21 subject to s. 40.04 (4) (a) 2., 2g. and 2m. and (c). If the annuity was recomputed under
22 s. 40.08 (1m) because of a qualified domestic relations order, the memorandum
23 account established under this paragraph shall be adjusted as provided under s.
24 40.08 (1m) (f) 2.

25 **SECTION 23.** 40.26 (5) (c) of the statutes is amended to read:

40.26 **(5)** (c) Any annuity or lump sum payment made to the participant shall be considered to have been made in error and is subject to s. 40.08 (4). The sum of the payments made in error shall be credited to a memorandum account. The memorandum account is subject to s. 40.04 (4) (a) 2., 2g. and 2m. and (c). If the annuity was recomputed under s. 40.08 (1m), the memorandum account established under this paragraph shall be adjusted pursuant to s. 40.08 (1m) (f) 2. The retirement account of a participant paid in error, and whose annuity was terminated, shall be reestablished as if the terminated annuity had never been effective, including the crediting of interest.

SECTION 24. 40.73 (1) (a) (intro.) of the statutes is amended to read:

40.73 **(1)** (a) (intro.) Upon the death of a participant, other than an annuitant or a participating employe, the sum of the additional and employe required contribution accumulations credited to the participant's account on the beneficiary annuity effective date or, in the case of a lump sum payment, the first day of the month in which the death benefit is approved. In addition:

SECTION 25. 40.73 (1) (am) of the statutes is created to read:

40.73 **(1)** (am) Upon the death of a participating employe who has not attained age 55, and any protective occupation participant who has not attained age 50, the sum of the additional contribution and twice the employe required contribution accumulations credited, including any interest credited to the accumulations, to the participant's account on the beneficiary annuity effective date or, in the case of a lump sum payment, the first day of the month in which the death benefit is approved.

SECTION 26. 40.73 (1) (c) of the statutes is amended to read:

40.73 **(1)** (c) ~~In lieu of the benefit payable under par. (a) or (b), upon~~ Upon the death of a participating employe who, prior to death, met all of the requirements

under s. 40.23 (1) except termination of employment and the filing of an application, if the beneficiary to whom a death benefit is payable is a ~~dependent of the participating employe~~ natural person, or a trust in which ~~such a beneficiary~~ the natural person has a beneficial interest, the present value on the day following the date of death of the life annuity to the beneficiary which would have been payable if the participating employe had been eligible to receive a retirement annuity, computed under s. 40.23 or 40.26, beginning on the date of death and had elected to receive the annuity in the form of a joint and survivor annuity providing the same amount of annuity to the surviving beneficiary as the reduced amount payable during the participant's lifetime. If there is more than one beneficiary the amount of the annuity and its present value will be determined as if the oldest of the beneficiaries were the sole beneficiary. If the death benefit payable to the beneficiary under this paragraph would be less than the amount determined under par. ~~(a) or~~ (b) the death benefit shall be payable under par. ~~(a) or~~ (b) and this paragraph shall not be applicable to the beneficiary. An annuitant receiving an annuity only under s. 40.24 (1) (f), which annuity was an immediate annuity, shall be deemed a participating employe for purposes of this paragraph only, but the amount payable under s. 40.24 (1) (f) shall not be changed.

SECTION 27. Nonstatutory provisions.

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

(a) On December 31, 1999, after the annual distribution required under section 40.04 (3) (a) of the statutes for the 1999 calendar year is made, $4,000,000,000 shall be distributed from the transaction amortization account of the fixed retirement investment trust to the reserves and accounts of the fixed retirement investment

1 trust in an amount equal to a percentage of the total distribution determined by
2 dividing each reserve's and account's balance on the prior January 1 by the total
3 balance of the fixed retirement investment trust on the prior January 1.

4 (b) 1. The employe trust funds board shall determine each participating
5 employer's share of the increase in the employer accumulation reserve that results
6 from the distribution under paragraph (a) and shall establish for each employer a
7 credit balance in the employer accumulation reserve that equals the employer's
8 share of the increase in the employer accumulation reserve that results from the
9 distribution under paragraph (a), based on each employer's share of covered payroll
10 in 1998. The total amount that shall be reserved for credit balances under this
11 subdivision shall be $200,000,000. In lieu of requiring that an employer make
12 required employer contributions under section 40.05 (2) (b) of the statutes, the
13 employe trust funds board, beginning no later than March 1, 2000, shall deduct from
14 the employer's credit balance in the employer accumulation reserve, on a monthly
15 basis, an amount that the employer would otherwise have been required to
16 contribute under section 40.05 (2) (b) of the statutes had there been no establishment
17 of the credit balance from the distribution under paragraph (a). For any employer
18 that is not required to make contributions under section 40.05 (2) (b) of the statutes,
19 the employe trust funds board, beginning no later than March 1, 2000, shall deduct
20 from the employer's credit balance in the employer accumulation reserve, on a
21 monthly basis, an amount that the employer would otherwise have been required to
22 contribute under section 40.05 (2) (a) of the statutes had there been no establishment
23 of the credit balance from the distribution under paragraph (a). The employe trust
24 funds board shall make such deductions until the credit balance is exhausted, at
25 which time the employer shall resume making all required employer contributions.

2. The total amount of the increase in the employer accumulation reserve that results from the distribution under paragraph (a) and that remains after the establishment of the credit balances under subdivision 1. shall, on the recommendation of the actuary, be applied to funding any liabilities created by the treatment of section 40.23 (2m) (e) 1., 2., 3. and 4. of the statutes in this act.

(c) The total amount distributed to the employe accumulation reserve under paragraph (a) shall be credited to participants' accounts based on their account balances as of January 1, 1999, pursuant to section 40.04 (4) (a) 2. and 2g. of the statutes.

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

(2) PURCHASE OF LEGISLATIVE SERVICE.

(a) In this subsection:

1. "Employer" has the meaning specified in section 40.02 (28) of the statutes.

2. "Final average earnings" has the meaning specified in section 40.02 (33) of the statutes.

3. "Legislative service agency" has the meaning specified in section 13.90 (1m) (a) of the statutes.

4. "Participating employe" has the meaning specified in section 40.02 (46) of the statutes.

(b) Any person who is a participating employe on the effective date of this paragraph shall be granted creditable service under the Wisconsin retirement system for any service that was performed before the effective date of this paragraph as a member or employe of the legislature or employe of a legislative service agency and that has not been previously credited, if the participating employe was a member

1 or employe of the legislature or employe of a legislative service agency for at least 600
2 hours during the calendar year in which the service was performed or the calendar
3 year immediately succeeding the calendar year in which the service was performed
4 and if, not later than the first day of the 7th month beginning after the effective date
5 of this paragraph, the participating employe submits an application for the
6 creditable service to the department of employe trust funds and pays to the
7 department a lump sum equal to the employe required contribution rate under
8 section 40.05 (1) (a) of the statutes that is applicable to the service multiplied by the
9 participating employe's final average earnings, determined as if the participating
10 employe has terminated employment and applied for a retirement annuity under the
11 Wisconsin retirement system on the date on which the department receives the
12 participating employe's application for the creditable service, and by the number of
13 months of creditable service granted under this paragraph.

14 (c) An employer may pay any amount payable under paragraph (b) on behalf
15 of any participating employe.

16 (d) Any liability incurred as a result of granting creditable service to a
17 participating employe under paragraph (b) that is not funded by the contributions
18 made by the participating employe under paragraph (b), or by the employer on behalf
19 of the participating employe under paragraph (c), shall be paid from the
20 appropriation accounts under section 20.765 (1) (a) and (b) of the statutes. The
21 amount apportioned to section 20.765 (1) (a) of the statutes and to section 20.765 (1)
22 (b) of the statutes to fund the liability shall be determined by the presiding officers
23 of each house of the legislature.

20-3 AA4

(3) AUTHORITY OF EMPLOYE TRUST FUNDS BOARD. Notwithstanding any provision in this act, the employe trust funds board shall retain the authority to maintain proper actuarial funding of the Wisconsin retirement system.

SECTION 28. Initial applicability.

(1) CALCULATION OF CONTRIBUTION RATES. The treatment of section 40.02 (7) of the statutes first applies to the calculation of contribution rates under section 40.05 (1) and (2) of the statutes for the Wisconsin retirement system for the 2001 calendar year.

(2) CALCULATION OF RETIREMENT BENEFITS. The treatment of section 40.23 (2m) (b) and (e) 1., 2., 3. and 4. of the statutes first applies to the calculation of retirement benefits for individuals who are participating employes in the Wisconsin retirement system on January 1, 2000.

(3) DEATH BENEFITS. The treatment of section 40.73 (1) (a) (intro.), (am) and (c) of the statutes first applies to death benefits paid to participants in the Wisconsin retirement system who are participating employes in the Wisconsin retirement system on the effective date of this subsection.

(4) VARIABLE ANNUITY. The treatment of section 40.04 (7) (a) (intro.) of the statutes first applies to elections for variable annuity participation that are made by individuals who are participating employes in the Wisconsin retirement system on January 1, 2001.

(5) CALCULATION OF UNFUNDED PRIOR SERVICE LIABILITY BALANCES. The treatment of section 40.05 (2) (cm) of the statutes first applies to the calculation of unfunded prior service liability balances under section 40.05 (2) (b) of the statutes for the Wisconsin retirement system for the 2001 calendar year.

1 **SECTION 29. Effective dates.** This act takes effect on the day after publication,
2 except as follows:
3 (1) ELIMINATION OF TRANSACTION AMORTIZATION ACCOUNT AND CREATION OF MARKET
4 RECOGNITION ACCOUNT. The treatment of sections 25.17 (14) (f), 25.18 (1) (a) and (m)
5 and 40.04 (3) (intro.), (a), (ab), (am) and (d) of the statutes takes effect on January
6 1, 2000.
7 **(END)**

1999 – 2000 LEGISLATURE

LRBa0714/1
RAC:wlj:kjf

ASSEMBLY AMENDMENT 1,

TO 1999 ASSEMBLY BILL 495

October 4, 1999 – Offered by Representative VRAKAS.

At the locations indicated, amend the bill as follows:

1. Page 11, line 15: delete "employe".

2. Page 11, line 20: delete the material beginning with "his" and ending with "election." on line 23 and substitute "50% of his or her required and additional contributions made on or after the date of election credited to the variable annuity division.".

11-20

3. Page 12, line 14: after "(7)" insert "and any other factor specified by the actuary".

12-14

(END)

1999 – 2000 LEGISLATURE

LRBa0717/1
RAC:wlj:jf

ASSEMBLY AMENDMENT 2,

TO 1999 ASSEMBLY BILL 495

October 4, 1999 – Offered by Representative VRAKAS.

At the locations indicated, amend the bill as follows:

1. Page 12, line 20: after "or" insert "65% for participants whose formula rate is determined under par. (e) 3. or".

12-20

2. Page 13, line 4: delete "~~65%~~" and substitute "65% or".

(END)

ASSEMBLY AMENDMENT 4,

TO 1999 ASSEMBLY BILL 495

October 6, 1999 – Offered by Representatives VRAKAS and SCHNEIDER.

At the locations indicated, amend the bill as follows:

1. Page 20, line 3: after that line insert:

"(4t) REQUEST THAT SUPREME COURT TAKE ORIGINAL JURISDICTION. Considering the implementation of this act a matter of high public importance, the legislature requests that the supreme court take jurisdiction of any original action relating to the implementation of this act.".

(END)