



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-3274/2

RAC:wlj:ch

Today AM

LRB-3274/3

1999 BILL

RAC:wlj:

WFO: Inserts
are out of order.

Regen

1 AN ACT ~~to repeal~~ 25.17 (14) (f) and 40.04 (4) (a) 2m.; **to amend** 25.18 (1) (a), 25.18
2 (1) (m), 40.02 (6), 40.02 (7), 40.04 (3) (intro.), 40.04 (3) (a), 40.04 (3) (d), 40.04
3 (4) (a) 2., 40.23 (2m) (b), 40.23 (2m) (e) 1., 40.23 (2m) (e) 2., 40.23 (2m) (e) 3.,
4 40.23 (2m) (e) 4., 40.26 (2) (b) and 40.26 (5) (c); and **to create** 40.04 (3) (ab), 40.04
5 (3) (am), 40.04 (4) (a) 2g. and 40.23 (2m) (em) of the statutes; **relating to:**
6 benefit improvements, interest crediting, recognition of income and capital
7 gains and losses in the fixed retirement investment trust and affecting certain
8 actuarial assumptions 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

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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 ~~2.2%~~ ^{2.1%}. For a protective occupation participant who is not covered by social security, the percentage multiplier is increased to ~~2.7%~~ ^{2.6%}. For all other participants in the WRS, the percentage multiplier is increased to ~~1.8%~~ ^{1.7%}. 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.

Insert Analysis A

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 ~~75%~~ ^{70%} for participants who are participating employes on the effective date of the bill.

Insert Analysis B

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

Under current law, a ~~fixed retirement investment trust (FRIT)~~ ^{the e} 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.

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This bill provides that on December 31, 1999, ~~\$5,000,000,000~~ ^{\$4,500,000,000} 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. ~~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.~~

Insert Analysis C

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

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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.

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:

Insert
D ✓

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

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

10 25.18 (1) (m) Notwithstanding subchs. IV and V of ch. 16, employ professionals,
11 contractors or other agents necessary to evaluate or operate any property if a fund
12 managed by the board has an interest in, or is considering purchasing or lending
13 money based upon the value of, that property. Costs under this paragraph shall be
14 paid by the fund and charged to the appropriate ~~current income~~ account under s.
15 40.04 (3).

16 **SECTION 4.** 40.02 (6) of the statutes is amended to read:

17 40.02 (6) “Assumed benefit rate” means a rate of 5%. The assumed benefit rate
18 shall be used for calculating reserve transfers at the time of retirement, making
19 actuarial valuations of annuities in force, determining the amount of lump-sum
20 death benefits payable from the portion of an annuity based on additional deposits
21 and crediting interest to employe required contribution accumulations under s.
22 40.04 (4) (a) 2.

23 **SECTION 5.** 40.02 (7) of the statutes is amended to read:

24 40.02 (7) “Assumed rate” means the probable average effective rate expected
25 to be earned for the fixed annuity division on a long-term basis. The assumed rate

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1 shall be a rate of ~~7.5%~~ 8% and the actuarial assumption for across-the-board salary
2 increases for the purpose of valuing the liabilities of the Wisconsin retirement system
3 shall be ~~1.9%~~ 3.4% less than the assumed rate unless due to changed economic
4 circumstances the actuary recommends and the board approves a different rate. The
5 assumed rate for a calendar year shall be used for all calculations of required
6 contributions and reserves for participants, except as provided in s. 40.04 (4) (a) 2.
7 and ~~2m. 2g.~~, and the amount of any lump sum benefit paid instead of an annuity,
8 except it shall not be used for any purpose for which the assumed benefit rate is to
9 be used under sub. (6).

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

11 40.04 (3) (intro.) A fixed retirement investment trust and a variable retirement
12 investment trust shall be maintained within the fund under the jurisdiction and
13 management of the investment board for the purpose of managing the investments
14 of the retirement reserve accounts and of any other accounts of the fund as
15 determined by the board, including the accounts of separate retirement systems.
16 Within the fixed retirement investment trust there shall be maintained a
17 transaction amortization account and a ~~current income~~ market recognition account,
18 and any other accounts as are established by the board or the investment board. A
19 current income account shall be maintained in the variable retirement investment
20 trust. All costs of owning, operating, protecting and acquiring property in which
21 either trust has an interest shall be charged to the current income or ~~transaction~~
22 ~~amortization~~ market recognition account of the trust having the interest in the
23 property.

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

(insert 5-10)

BILL**SECTION 7**

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:

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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.

BILL**SECTION 10**

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

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Insert 9-4

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

3 **SECTION 13.** 40.04 (4) (a) 2m. of the statutes is repealed.

4 **SECTION 14.** 40.23 (2m) (b) of the statutes is amended to read:

5 40.23 (2m) (b) Except as provided in s. 40.26, subject to the limitations under

6 section 415 of the ~~internal revenue code~~ Internal Revenue Code, the initial amount

7 of the normal form annuity shall be an amount equal to ~~65%~~ ^{70%} ~~75%~~, or 85% for

8 participants whose formula rate is determined under par. (e) 4., of the participant's

9 final average earnings plus the amount which can be provided under pars. (c) and

10 (d) or, if less, shall be in the monthly amount equal to the sum of the amounts

11 determined under pars. (c), (d) and (e) as modified by par. (f) and in accordance with

12 the actuarial tables in effect on the annuity effective date. If the participant has

13 creditable service under both par. (e) 4. and another category under par. (e), the

14 percent applied under this paragraph shall be determined by multiplying the

15 percent that each type of creditable service is of the participant's total creditable

16 service by 85% and ~~65%~~ ^{70%} ~~75%~~, respectively, and adding the results, except that the

17 resulting benefit may not be less than the amount of the normal form annuity that

18 could be paid based solely on the creditable service under par. (e) 4.

19 **SECTION 15.** 40.23 (2m) (e) 1. of the statutes is amended to read:

20 40.23 (2m) (e) 1. For each participant for creditable service of a type not

21 otherwise specified in this paragraph that is performed before January 1, 2000, ~~1.8%~~

22 for such creditable service that is performed on or after January 1, 2000, 1.6%.

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

1.7%

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SECTION 16

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 performed before January 1, 2000,

3 ^{2.1%}
~~2.2%~~ for such creditable service that is performed on or after January 1, 2000, 2%.

4 SECTION 17. 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 Social Security Act, for service as a protective occupation

7 ^{2.1%}
~~2.2%~~ participant that is performed before January 1, 2000, 2.2%; for such creditable
8 service that is performed on or after January 1, 2000, 2%.

9 SECTION 18. 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 Social Security Act, for service as a protective occupation

12 ^{2.6%}
~~2.7%~~ participant that is performed before January 1, 2000, 2.7%; for such creditable
13 service that is performed on or after January 1, 2000, 2.5%.

14 SECTION 19. 40.23 (2m) (em) of the statutes is created to read:

15 40.23 (2m) (em) 1. For the purpose of determining the applicable percentage
16 rate under par. (e), all of the following shall apply:

17 a. Any creditable service forfeited by a participating employe before January
18 1, 2000, and which is subsequently reestablished by the participating employe under
19 s. 40.25 (6), shall be considered to have been performed before January 1, 2000.

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

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

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

3 **SECTION 20.** 40.26 (2) (b) of the statutes is amended to read:

4 40.26 (2) (b) The amount of the annuity payments, excluding any portion
5 originally provided by additional contributions, which would have been paid under
6 the terminated annuity, if the annuity had been a straight life annuity, prior to the
7 participant's normal retirement date or prior to the annuity termination date,
8 whichever would first occur, shall be credited to a memorandum account which is
9 subject to s. 40.04 (4) (a) 2. and ~~2m.~~ 2g. and (c). If the annuity was recomputed under
10 s. 40.08 (1m) because of a qualified domestic relations order, the memorandum
11 account established under this paragraph shall be adjusted as provided under s.
12 40.08 (1m) (f) 2.

13 **SECTION 21.** 40.26 (5) (c) of the statutes is amended to read:

14 40.26 (5) (c) Any annuity or lump sum payment made to the participant shall
15 be considered to have been made in error and is subject to s. 40.08 (4). The sum of
16 the payments made in error shall be credited to a memorandum account. The
17 memorandum account is subject to s. 40.04 (4) (a) 2. and ~~2m.~~ 2g. and (c). If the
18 annuity was recomputed under s. 40.08 (1m), the memorandum account established
19 under this paragraph shall be adjusted pursuant to s. 40.08 (1m) (f) 2. The
20 retirement account of a participant paid in error, and whose annuity was terminated,
21 shall be reestablished as if the terminated annuity had never been effective,
22 including the crediting of interest.

23 **SECTION 22. Nonstatutory provisions.**

24 (1) TRANSFER OF FUNDS FROM THE TRANSACTION AMORTIZATION ACCOUNT OF THE
25 FIXED RETIREMENT INVESTMENT TRUST. (a) On December 31, 1999, after the annual

Insert 11-23

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24

25

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\$4,500,000,000

SECTION 22

1 distribution required under section 40.04 (3) (a) of the statutes for the 1999 calendar
 2 year is made, ~~\$5,000,000,000~~ shall be distributed from the transaction amortization
 3 account of the fixed retirement investment trust to the reserves and accounts of the
 4 fixed retirement investment trust in an amount equal to a percentage of the total
 5 distribution determined by dividing each reserve's and account's balance on the prior
 6 January 1 by the total balance of the fixed retirement investment trust on the prior
 7 January 1.

8 (b) ~~The~~ ^{The total} amount of the ~~increase in the employer accumulation reserve that results from the~~ ^{and that remains after the establishment}
 9 distribution under paragraph (a) shall, on the recommendation of the actuary, be ^{of the credit balances under subdivision (1)}
 10 applied to funding any liabilities created by the treatment of section 40.23 (2m) (e)
 11 1., 2., 3. and 4. of the statutes in this act.

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

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

SECTION 23. Initial applicability.

CALCULATION OF CONTRIBUTION RATES. (CS)

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

CALCULATION OF RETIREMENT BENEFITS. (CS)

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

SECTION 24. Effective dates. This act takes effect on the day after publication,

25 except as follows:

(Insert 12-12)

(Insert 12-11)

(Insert 12-20)

(Insert 12-24)

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1 (1) ELIMINATION OF TRANSACTION AMORTIZATION ACCOUNT AND CREATION OF MARKET
2 RECOGNITION ACCOUNT. The treatment of sections 25.17 (14) (f), 25.18 (1) (a) and (m)
3 and 40.04 (3) (intro.), (a), (ab), (am) and (d) of the statutes takes effect on January
4 1, 2000.

(END)

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be paid for out of funds appropriated to the legislature for general program operations.

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* 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:

SECTION 1. Nonstatutory provisions.

CS

~~(1) In this SECTION:~~ PURCHASE OF LEGISLATIVE SERVICE. In this subsection:

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

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

the statutes.

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

(a) of the statutes.

4. (d) "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

subsection shall be granted creditable service under the Wisconsin retirement

system for any service that was performed before the effective date of this subsection

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

or employe of the legislature or employe of a legislative service agency for at least 600

hours during the calendar year in which the service was performed or the calendar

year immediately succeeding the calendar year in which the service was performed

and if, not later than the first day of the 7th month beginning after the effective date

of this subsection, the participating employe submits an application for the



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1 creditable service to the department of employe trust funds and pays to the
 2 department a lump sum equal to the employe required contribution rate under
 3 section 40.05 (1) (a) of the statutes that is applicable to the service multiplied by the
 4 participating employe's final average earnings, determined as if the participating
 5 employe has terminated employment and applied for a retirement annuity under the
 6 Wisconsin retirement system on the date on which the department receives the
 7 participating employe's application for the creditable service, and by the number of
 8 months of creditable service granted under this ~~subsection~~ ^{paragraph} ~~(2)~~ ^(b)

9 ~~(3)~~ ^(c) An employe may pay any amount payable under ~~subsection (2)~~ ^{paragraph (b)} on behalf
 10 of any participating employe.

11 ~~(4)~~ ^(d) Any liability incurred as a result of granting creditable service to a
 12 participating employe under ~~subsection (2)~~ ^{paragraph (b)} that is not funded by the contributions
 13 made by the participating employe under ~~subsection (2)~~ ^{paragraph (b)}, or by the employe on behalf
 14 of the participating employe under ~~subsection (3)~~ ^{paragraph (c)}, shall be paid from the
 15 appropriation accounts under section 20.765 (1) (a) and (b) of the statutes. The
 16 amount apportioned to section 20.765 (1) (a) of the statutes and to section 20.765 (1)
 17 (b) of the statutes to fund the liability shall be determined by the presiding officers
 18 of each house of the legislature.

19

(END)
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 12-17

BILL

participating employees under the WRS. As such, the commissioners will be eligible to receive a WRS retirement annuity calculated with a percentage multiplier of 2% and to have a normal retirement age of 62. Currently, the commissioners are eligible to receive a WRS retirement annuity calculated with a percentage multiplier of 1.6% and have a normal retirement age of 65.

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:

SECTION ~~4.~~ 40.02 (30) of the statutes is amended to read:

40.02 (30) "Executive participating employe" means a participating employe in a position designated under s. 19.42 (10) (L) or 20.923 (4), (4g), (4m), (8) or (9), a participating employe who is a court commissioner appointed under s. 48.065 (1), 757.68 (1) (a), 757.72 (1), 767.13 (1) (a) or 938.065 (1) or a participating employe in a position authorized under s. 230.08 (2) (e) during the time of employment. All service credited prior to May 17, 1988, as executive service as defined under s. 40.02 (31), 1985 stats., shall continue to be treated as executive service as defined under s. 40.02 (31), 1985 stats., but no other service rendered prior to May 17, 1988, may be changed to executive service as defined under s. 40.02 (31), 1985 stats.

Insert
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~~SECTION 2. Initial applicability~~

~~(1) This act first applies to the calculation of a retirement annuity under the Wisconsin retirement system for individuals who are participating employes on the effective date of this subsection.~~

Insert
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23

The treatment of section ~~40.02(30)~~ 40.02(30) of the statutes

~~SECTION 3. Effective date.~~

~~(1) This act takes effect on the January 1 after publication.~~

Insert
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(END)

The treatment of section 40.02(30) of the statutes

1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB

.....
99-3274/3INS
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Insert Analysis A:

Variable annuities

fixed retirement investment trust

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 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 in 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 in 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 20, 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.

Insert Analysis B:

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 factors 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.

Insert Analysis C:

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 ~~that~~ 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 ~~who~~ ^{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.

Insert Analysis D:

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 ⁴ required contribution accumulations credited to the participant's account. In other words, the death benefit does not include the employe ⁴ 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 ² survivor annuity. The valuation of such a death benefit would include the employe ² 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.

Executive participating employe status for certain court commissioners

This bill provides that court commissioners, juvenile court commissioners, probate court commissioners and family court commissioners are executive

participating employes under the WRS. As such, the commissioners will have a WRS retirement annuity calculated with a percentage multiplier of 2% and will have a normal retirement age of 62. Currently, the commissioners are eligible to receive a WRS retirement annuity calculated with a percentage multiplier of 1.6% and have a normal retirement age of 65.

WFO:
Please
Check line
Spacing

Purchase of creditable service by legislators and legislative service agency employes

not previously credited

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

by the person

Insert 9-4:

SECTION 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 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 elected variable participation prior to April 30, 1980, or on or after January 1, 2001, may elect to cancel that variable participation 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:

History: 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69.

SECTION 4. 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.

Insert 11-23:

SECTION 4. 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:

History: 1981 c. 96; 1983 a. 141, 290; 1987 a. 309; 1989 a. 110, 166; 1995 a. 302, 414; 1997 a. 58.

SECTION 4. 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 ~~¶~~[#] 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.

History: 1981 c. 96; 1983 a. 141, 290; 1987 a. 309; 1989 a. 110, 166; 1995 a. 302, 414; 1997 a. 58.

Insert 12-12:

^b
(~~a~~) 1. The employe trust funds board shall determine each participating employer's share of the increase in the employer accumulation reserve that results from the distribution under ~~paragraph~~ ^{this subdivision} and shall establish for each employer a credit balance in the employer accumulation reserve that equals the employer's share of the increase in the employer accumulation reserve that results from the distribution under ~~paragraph~~ ^{this subdivision} based on each employer's share of covered payroll in 1998. The total amount that shall be reserved for credit balances under this subdivision shall be \$200,000,000. In lieu of requiring that an employer make required employer contributions under section 40.05 (2) (b) of the statutes, the employe trust funds board, beginning no later than March 1, 2000, shall deduct from the employer's credit balance in the employer accumulation reserve, on a monthly basis, an amount that the employer would otherwise have been required to contribute under section 40.05 (2) (b) of the statutes had there been no establishment of the credit balance from the distribution under ~~paragraph~~ ^{this subdivision}. For any employer that is not required to make contributions under section 40.05 (2) (b) of the statutes, the employe trust funds board, beginning no later than March 1, 2000, shall deduct from the employer's credit balance in the employer accumulation reserve, on a monthly basis, an amount that the employer would otherwise have been required to contribute under section 40.05 (2) (a) of the statutes had there been no establishment of the credit balance from the distribution under ~~paragraph~~ ^{this subdivision}. The employe trust funds board shall make such

Paragraph
(a)

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*

deductions until the credit balance is exhausted, at which time the employer shall resume making all required employer contributions.

2. ~~MM~~ 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.

Insert 12-24:

~~(#)~~ 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.

~~(#)~~ 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.

~~(#)~~ CALCULATION OF UNFUNDED PRIOR SERVICE LIABILITY BALANCES. The treatment of section 40.05 (2) (cm)[✓] of the statutes first applies to the calculation of contribution rates under section 40.05 (2) (b)[✓] of the statutes for the Wisconsin retirement system for the 2001 calendar year.

Champagne, Rick

From: Burnett, Douglas
Sent: Friday, October 01, 1999 2:25 AM
To: Champagne, Rick; Smith, Beth; Taylor, Chad
Subject: Retirement deal

Rick-In case I didn't do this earlier, Chad from Speaker Jensen's office is authorized to give you drafting instructions on the soon-to-be-jacketed /4 version of the retirement bill. The agreed-upon multiplier increase (which I think was the only remaining outstanding issue, besides the TAA transfer), is 0.165. Scott Dennison will run his model to give you the TAA transfer number (including the \$647 million for the local government piece). That number, based on Scott's earlier runs, should be about \$4 billion. If any adjustment in the TAA transfer is required next week, it can be done by amendent.

Doug Burnett
Office of Senate Majority Leader Chuck Chvala
608-266-9170

Champagne, Rick

From: Smith, Beth
Sent: Monday, September 27, 1999 4:06 PM
To: Champagne, Rick
Subject: FW: RETIREMENT BILL LANGUAGE

Rick,

Please draft the language listed below as a Senate amendment for Senator Wirch.

Thank you,

Beth

-----Original Message-----

From: Burnett, Douglas
Sent: Monday, September 27, 1999 4:04 PM
To: Smith, Beth
Subject: FW: RETIREMENT BILL LANGUAGE

Notwithstanding any provision in this Act, the Board shall retain the authority to maintain proper actuarial funding of the system.

Draft for Jensen

Per Chad:

(A) Same as 99-3274/3,

but take out court commissioners &
make any technical changes.

(B) Get multiplier increase from Scott
Demmer.

NOTE to file: I am using 99-3506/2
which is identical to 99-3274/3, but take out
the court commissioner language & make the
technical changes.



(D-Nat)
State of Wisconsin
1999 - 2000 LEGISLATURE

~~LRB-3506/2~~

~~RAC:wlijf~~

NOW

1999 BILL

LRB-3274/4

RAC:wlj:

Regen

1 AN ACT *to repeal* 25.17 (14) (f); *to amend* 25.18 (1) (a), 25.18 (1) (m), 40.02 (6),
2 40.02 (7), 40.04 (3) (intro.), 40.04 (3) (a), 40.04 (3) (d), 40.04 (4) (a) 2., 40.04 (4)
3 (a) 2m., 40.04 (7) (a) (intro.), 40.23 (2m) (b), 40.23 (2m) (e) 1., 40.23 (2m) (e) 2.,
4 40.23 (2m) (e) 3., 40.23 (2m) (e) 4., 40.26 (2) (b), 40.26 (5) (c), 40.73 (1) (a) (intro.)
5 and 40.73 (1) (c); and *to create* 40.04 (3) (ab), 40.04 (3) (am), 40.04 (4) (a) 2g.,
6 40.05 (2) (cm), 40.23 (2m) (em) and 40.73 (1) (am) of the statutes; **relating to:**
7 benefit improvements, interest crediting, variable annuity option, contribution
8 credits for employers, death benefits, credit for legislative service, recognition
9 of income and capital gains and losses in the fixed retirement investment trust
10 and affecting certain actuarial assumptions and liabilities under the Wisconsin
11 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:

BILL

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 ~~2.1%~~ ^{2.165%}. For a protective occupation participant who is not covered by social security, the percentage multiplier is increased to ~~2.0%~~ ^{2.665%}. For all other participants in the WRS, the percentage multiplier is increased to ~~1.7%~~ ^{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.

BILL***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 employees 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, employees and employers are required to pay contributions. These contributions are generally referred to as employee required contributions and employer required contributions. The contribution rates are based on participating employees' earnings and are determined annually. Under current law, the employer must pay the employer required contributions and may pay any of the employee required contributions on behalf of the employee. 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 employees 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 employee 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 employee 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 employee accumulation reserve.

This bill provides that on December 31, 1999, ~~\$2,210,000,000~~ ^{\$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.

BILL***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

BILL

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:

BILL

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

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

10 25.18 (1) (m) Notwithstanding subchs. IV and V of ch. 16, employ professionals,
11 contractors or other agents necessary to evaluate or operate any property if a fund
12 managed by the board has an interest in, or is considering purchasing or lending
13 money based upon the value of, that property. Costs under this paragraph shall be
14 paid by the fund and charged to the appropriate ~~current income~~ account under s.
15 40.04 (3).

16 **SECTION 4.** 40.02 (6) of the statutes is amended to read:

17 40.02 (6) “Assumed benefit rate” means a rate of 5%. The assumed benefit rate
18 shall be used for calculating reserve transfers at the time of retirement, making
19 actuarial valuations of annuities in force, determining the amount of lump-sum
20 death benefits payable from the portion of an annuity based on additional deposits
21 and crediting interest to employe required contribution accumulations under s.
22 40.04 (4) (a) 2.

23 **SECTION 5.** 40.02 (7) of the statutes is amended to read:

24 40.02 (7) “Assumed rate” means the probable average effective rate expected
25 to be earned for the fixed annuity division on a long-term basis. The assumed rate

BILL

1 shall be a rate of ~~7.5%~~ 8% and the actuarial assumption for across-the-board salary
2 increases for the purpose of valuing the liabilities of the Wisconsin retirement system
3 shall be ~~1.9%~~ 3.4% less than the assumed rate unless due to changed economic
4 circumstances the actuary recommends and the board approves a different rate. The
5 assumed rate for a calendar year shall be used for all calculations of required
6 contributions and reserves for participants, except as provided in s. 40.04 (4) (a) 2.,
7 2g. and 2m., and the amount of any lump sum benefit paid instead of an annuity,
8 except it shall not be used for any purpose for which the assumed benefit rate is to
9 be used under sub. (6).

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

11 40.04 (3) (intro.) A fixed retirement investment trust and a variable retirement
12 investment trust shall be maintained within the fund under the jurisdiction and
13 management of the investment board for the purpose of managing the investments
14 of the retirement reserve accounts and of any other accounts of the fund as
15 determined by the board, including the accounts of separate retirement systems.
16 Within the fixed retirement investment trust there shall be maintained a
17 transaction amortization account and a ~~current income~~ market recognition account,
18 and any other accounts as are established by the board or the investment board. A
19 current income account shall be maintained in the variable retirement investment
20 trust. All costs of owning, operating, protecting and acquiring property in which
21 either trust has an interest shall be charged to the current income or ~~transaction~~
22 ~~amortization~~ market recognition account of the trust having the interest in the
23 property.

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

BILL**SECTION 7**

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:

BILL

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.

BILL**SECTION 10**

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

BILL

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

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

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

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

12 40.04 (7) (a) (intro.) As otherwise elected by a participant prior to April 30,
13 1980, or on or after January 1, 2001. Any participant who was a participant prior
14 to April 30, 1980, and whose accounts on January 1, 1982, include credits segregated
15 for a variable annuity shall have his or her employe required and additional
16 contributions made on or after January 1, 1982, credited to the variable annuity
17 division in a manner consistent with the participant's election prior to April 30, 1980,
18 unless prior to January 1, 1982, the participant terminated such election under s.
19 40.85, 1979 stats. Any participant who elects or has elected to have any of his or her
20 credits segregated for a variable annuity on or after January 1, 2001, shall have his
21 or her employe required and additional contributions made on or after the date of the
22 participant's election, credited to the variable annuity division in a manner
23 consistent with the participant's election. The department shall by rule provide that
24 any participant who elects or has elected variable participation prior to April 30,
25 1980, or on or after January 1, 2001, may elect to cancel that variable participation

BILL

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

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

11 40.05 (2) (cm) The department may adjust the unfunded prior service liability
12 balance of the Wisconsin retirement system under par. (b) and of each employer that
13 makes contributions under par. (b) to reflect any changes in the assumed rate and
14 the assumption for across-the-board salary increases specified in s. 40.02 (7) if the
15 actuary recommends and the board approves the changes or if otherwise provided
16 by law.

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

18 40.23 (2m) (b) Except as provided in s. 40.26, subject to the limitations under
19 section 415 of the ~~internal revenue code~~ Internal Revenue Code, the initial amount
20 of the normal form annuity shall be an amount equal to ~~65%~~ 70%, or 85% for
21 participants whose formula rate is determined under par. (e) 4., of the participant's
22 final average earnings plus the amount which can be provided under pars. (c) and
23 (d) or, if less, shall be in the monthly amount equal to the sum of the amounts
24 determined under pars. (c), (d) and (e) as modified by par. (f) and in accordance with
25 the actuarial tables in effect on the annuity effective date. If the participant has

BILL

1 creditable service under both par. (e) 4. and another category under par. (e), the
2 percent applied under this paragraph shall be determined by multiplying the
3 percent that each type of creditable service is of the participant's total creditable
4 service by 85% and ~~65%~~ 70%, respectively, and adding the results, except that the
5 resulting benefit may not be less than the amount of the normal form annuity that
6 could be paid based solely on the creditable service under par. (e) 4.

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

8 40.23 (2m) (e) 1. For each participant for creditable service of a type not
9 otherwise specified in this paragraph that is performed before January 1, 2000, ~~1.7%~~ 1.765%
10 for such creditable service that is performed on or after January 1, 2000, 1.6%.

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

12 40.23 (2m) (e) 2. For each participant for creditable service as an elected official
13 or as an executive participating employe that is performed before January 1, 2000,
14 ~~2.1%~~ ^{2.165%} for such creditable service that is performed on or after January 1, 2000, 2%.

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

16 40.23 (2m) (e) 3. For each participant subject to titles II and XVIII of the federal
17 ~~social security act~~ Social Security Act, for service as a protective occupation
18 participant that is performed before January 1, 2000, ~~2.1%~~ ^{2.165%} for such creditable
19 service that is performed on or after January 1, 2000, 2%.

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

21 40.23 (2m) (e) 4. For each participant not subject to titles II and XVIII of the
22 federal ~~social security act~~ Social Security Act, for service as a protective occupation
23 participant that is performed before January 1, 2000, ~~2.6%~~ ^{2.665%} for such creditable
24 service that is performed on or after January 1, 2000, 2.5%.

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

BILL**SECTION 21**

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

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

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

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

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

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

15 40.26 (2) (b) The amount of the annuity payments, excluding any portion
16 originally provided by additional contributions, which would have been paid under
17 the terminated annuity, if the annuity had been a straight life annuity, prior to the
18 participant's normal retirement date or prior to the annuity termination date,
19 whichever would first occur, shall be credited to a memorandum account which is
20 subject to s. 40.04 (4) (a) 2., ~~2g.~~ and 2m. and (c). If the annuity was recomputed under
21 s. 40.08 (1m) because of a qualified domestic relations order, the memorandum
22 account established under this paragraph shall be adjusted as provided under s.
23 40.08 (1m) (f) 2.

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

BILL

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

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

11 40.73 (1) (a) (intro.) Upon the death of a participant, other than an annuitant
12 or a participating employe, the sum of the additional and employe required
13 contribution accumulations credited to the participant's account on the beneficiary
14 annuity effective date or, in the case of a lump sum payment, the first day of the
15 month in which the death benefit is approved. In addition:

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

17 40.73 (1) (am) Upon the death of a participating employe who has not attained
18 age 55, and any protective occupation participant who has not attained age 50, the
19 sum of the additional contribution and twice the employe required contribution
20 accumulations credited, including any interest credited to the accumulations, to the
21 participant's account on the beneficiary annuity effective date or, in the case of a
22 lump sum payment, the first day of the month in which the death benefit is approved.

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

24 40.73 (1) (c) ~~In lieu of the benefit payable under par. (a) or (b), upon~~ Upon the
25 death of a participating employe who, prior to death, met all of the requirements

BILL**SECTION 26**

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

SECTION 27. Nonstatutory provisions.

19
20 (1) TRANSFER OF FUNDS FROM THE TRANSACTION AMORTIZATION ACCOUNT OF THE
21 FIXED RETIREMENT INVESTMENT TRUST.

22 (a) On December 31, 1999, after the annual distribution required under section
23 40.04 (3) (a) of the statutes for the 1999 calendar year is made, ~~\$2,210,000,000~~ ^{\$4,000,000,000} shall
24 be distributed from the transaction amortization account of the fixed retirement
25 investment trust to the reserves and accounts of the fixed retirement investment

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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.

BILL**SECTION 27**

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

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

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

12 (2) PURCHASE OF LEGISLATIVE SERVICE.

13 (a) In this subsection:

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

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

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

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

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

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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.

24

SECTION 28. Initial applicability.Insert 19-24¹

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

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

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

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

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

21 **SECTION 29. Effective dates.** This act takes effect on the day after publication,
22 except as follows:

23 (1) **ELIMINATION OF TRANSACTION AMORTIZATION ACCOUNT AND CREATION OF MARKET**
24 **RECOGNITION ACCOUNT.** The treatment of sections 25.17 (14) (f), 25.18 (1) (a) and (m)

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1 and 40.04 (3) (intro.), (a), (ab), (am) and (d) of the statutes takes effect on January
2 1, 2000.

3 (END)

**1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-3274/4ins
RAC:.....

Insert 19-24:

~~(Q)~~ ^{*} 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.

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3274/4dn
RAC/.....

Wlj

This draft makes the following changes to LRB 99-3274/3:

1. It removes the language concerning the court commissioners.
2. It increases the multipliers by 0.165% for all categories of employes.
3. It makes a TAA transfer of \$4,000,000,000.
4. It includes a couple of technical changes. Please call if you wish for me to identify these changes.
5. *A*. It includes, virtually word for word, the language I received concerning the actuarial authority of the employe trust funds board. Please note that this language will have legal effect, but I cannot predict the effect. The language is sweeping and governs every single provision in the draft, including the multiplier increase, the reopening of the variable option and the size of the TAA transfer.

Rick A. Champagne
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**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-3274/4dn
RAC:wlj:jf

October 1, 1999

This draft makes the following changes to LRB 99-3274/3:

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