

## 2001 ASSEMBLY BILL 498

September 19, 2001 – Introduced by Representative VRAKAS, cosponsored by Senator WIRCH. Referred to Joint survey committee on Retirement Systems.

1 **AN ACT** *to repeal* 40.05 (2m), 40.05 (2n) and 111.91 (2) (g); and *to amend* 40.05  
2 (1) (a) (intro.), 40.05 (1) (a) 2., 40.05 (1) (a) 3., 40.05 (1) (a) 4., 40.32 (1) and 111.91  
3 (1) (cm) of the statutes; **relating to:** contribution rates under the Wisconsin  
4 retirement system.

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

Under current law, required employer and employee contributions under the Wisconsin retirement system (WRS), and the earnings on these contributions, fund the cost of providing retirement annuities to public employees who are covered under the WRS. While required employee contribution rates are set by statute, these rates do not necessarily reflect the actual required employee contribution rates. The reason is that current law also provides that any increase or decrease in contribution rates must be reflected equally in reductions or increases in the required employer and employee contribution rates. This bill establishes a 5% required employee contribution rate under the WRS for all participating employees and eliminates the requirement that any increase or decrease in contribution rates must be reflected equally in reductions or increases in the required employer and employee contribution rates.

Under current law, certain WRS benefit improvements are funded by a benefit adjustment contribution. This contribution is treated as if it were an employer contribution regardless of whether the employee or employer pays the contribution. This bill eliminates the benefit adjustment contribution. As a result of this change, any increase or decrease in the cost of WRS retirement benefits that is not otherwise

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covered under the 5% required employee contribution rate must be paid as part of the required employer contribution rate.

This bill will be referred to the joint survey committee on retirement systems for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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

1           **SECTION 1.** 40.05 (1) (a) (intro.) of the statutes is amended to read:

2           40.05 **(1)** (a) (intro.) Except as provided in par. (b) and sub. ~~(2n)~~:

3           **SECTION 2.** 40.05 (1) (a) 2. of the statutes is amended to read:

4           40.05 **(1)** (a) 2. For each participating employee whose formula rate is  
5 determined under s. 40.23 (2m) (e) 2., ~~5.5%~~ 5% of each payment of earnings.

6           **SECTION 3.** 40.05 (1) (a) 3. of the statutes is amended to read:

7           40.05 **(1)** (a) 3. For each participating employee whose formula rate is  
8 determined under s. 40.23 (2m) (e) 3., ~~6%~~ 5% of each payment of earnings.

9           **SECTION 4.** 40.05 (1) (a) 4. of the statutes is amended to read:

10          40.05 **(1)** (a) 4. For each participating employee whose formula rate is  
11 determined under s. 40.23 (2m) (e) 4., ~~8%~~ 5% of each payment of earnings.

12          **SECTION 5.** 40.05 (2m) of the statutes is repealed.

13          **SECTION 6.** 40.05 (2n) of the statutes is repealed.

14          **SECTION 7.** 40.32 (1) of the statutes is amended to read:

15          40.32 **(1)** The sum of all contributions allocated to a participant's account under  
16 each defined contribution plan sponsored by the employer, including all employer  
17 contributions and picked-up contributions credited with interest at the effective rate  
18 under ss. 40.04 (4) (a) and (5) (b) and 40.05 (2) (g) and all employee contributions  
19 made under ss. 40.02 (17) and 40.05 (1) ~~and (2m)~~, may not in any calendar year

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1 exceed the maximum contribution limitation established under section 415 (c) of the  
2 Internal Revenue Code.

3 **SECTION 8.** 111.91 (1) (cm) of the statutes is amended to read:

4 111.91 **(1)** (cm) Except as provided in sub. (2) ~~(g) and (h)~~ and ss. 40.02 (22) (e)  
5 and 40.23 (1) (f) 4., all laws governing the Wisconsin retirement system under ch. 40  
6 and all actions of the employer that are authorized under any such law which apply  
7 to nonrepresented individuals employed by the state shall apply to similarly situated  
8 employees, unless otherwise specifically provided in a collective bargaining  
9 agreement that applies to those employees.

10 **SECTION 9.** 111.91 (2) (g) of the statutes is repealed.

11 **SECTION 10. Effective date.**

12 (1) This act takes effect on January 1, 2002.

13 **(END)**