



STATE OF WISCONSIN

Department of Employee Trust Funds

Eric O. Stanchfield
Secretary
801 West Badger Road
P.O. Box 7931
Madison, WI 53707-7931

June 21, 2002

THE HONORABLE GLENN GROTHMAN, CO-CHAIR
JOINT COMMITTEE FOR REVIEW OF ADMINISTRATIVE RULES
STATE ASSEMBLY
15 NORTH, STATE CAPITOL
MADISON WI 53702

Re: Clearinghouse Rule #02-049 relating to annuitant dividends

Dear Representative Grothman:

In accordance with Wis. Stats. § 227.19 (2), I am enclosing a copy of this proposed rule in final draft form. The report required under Wis. Stats. § 227.19 (3) is also enclosed.

Sincerely,

Pam Henning, Director
Office of Strategic Services
(608) 267-2929
FAX (608) 267-0633

Enclosure

STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS – OFFICE OF THE SECRETARY
and
EMPLOYEE TRUST FUNDS BOARD, TEACHERS RETIREMENT BOARD, and
WISCONSIN RETIREMENT BOARD

FINAL DRAFT REPORT ON CLEARINGHOUSE RULE #02-049

A RULE Amending ss. ETF 20.25 (1) (a) and (2), Wisconsin Administrative Code, relating to the annuity dividend effective date and the proration of annuity dividends.

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Agency Person to be Contacted for Questions

For information about this rule, please contact: Linda Owen, Policy Analyst, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931. Telephone: (608) 261-8164. FAX: (608) 267-0633.

Statement Explaining Need for Rule

The Department of Employee Trust Funds is required by Wis. Stats. § 227.10 (1) to promulgate as a rule each interpretation of a statute which it specifically adopts to govern its enforcement or administration of that statute. The proposed rule changes would result in the investment returns for the funds in the annuity reserve to be distributed more quickly and equitably to Wisconsin Retirement System annuitants.

Analysis Prepared by the Wisconsin Department of Employee Trust Funds

Authority for Rule: Wis. Stats. § 40.03 (1) (m), (2) (i), (7) (d) and (8) (d)

Statutes Interpreted: Wis. Stats. §§ 40.27 (2) (b) and 40.28 (2).

Current administrative rule under s. ETF 20.25 specifies that the Wisconsin Retirement System (WRS) fixed annuity dividends and variable annuity adjustments based on surpluses and/or deficiencies in the annuity reserve shall be effective on April 1 of each year. The proposed rulemaking would change the effective date of these annuity changes to March 1 of each year. The April 1 effective date for annuitant dividends was established as a date that was administratively feasible at that time. However, due to improved automation of both calculating and distributing the fixed and variable dividends, it is now administratively feasible to make the annuitant dividend adjustments a month earlier.

The proposed rulemaking also would change how dividends are prorated by reducing the minimum percentage by which a prorated annuity can be paid. Under current law, annuitants that retire in 2001 will receive a prorated dividend based upon the number of full months they were retired in 2001. If their dividend based upon the investment results would be less than 1%, no dividend is granted. The rule change would permit a dividend as low as .1% to be paid. Automation has provided the mechanism to calculate and distribute dividends in smaller increments.

Fiscal Estimate

The Department estimates that there will be no direct fiscal impact from this proposed rule upon the state and anticipates no effect upon the fiscal liabilities or revenues of any county, city, village, town, school district, technical college or sewerage district.

Final Regulatory Flexibility Analysis

The Department anticipates that the provisions of this proposed rule will have no direct adverse effect on small businesses.

(BEGINNING OF RULE TEXT)

SECTION 1. ETF 20.25 (1) (a) is amended to read:

ETF 20.25 (1) (a) Except as otherwise provided in par. (b), a fixed annuity dividend, as recommended by the actuary and approved by the chair of the employee trust funds board and the department's secretary, shall be distributed based on each December 31 valuation as specified in s. 40.27 (2), Stats. The dividend shall be effective on the ~~April~~ March 1 following the valuation date and shall apply to fixed annuities effective on or prior to the date of the valuation. As authorized under s. 40.27 (2) (b), Stats., different percentages shall be determined for annuities effective for less than a full year on the valuation date. The percentages shall be determined by multiplying the number of full months the annuity was in force times the percentage change applicable to annuities effective for the full year, dividing the result by 12 and rounding the answer to the nearest tenth of a percent. No increase shall be applied to any annuity for which the resulting increase would be less than ~~one~~ one-tenth of a percent.

SECTION 2. ETF 20.25 (2) is amended to read:

ETF 20.25 (2) Variable annuity changes, as recommended by the actuary and approved by the secretary, shall be made based on each December 31 valuation as specified in s. 40.28 (2), Stats. The changes shall be effective on the ~~April~~ March 1 following the valuation and shall apply to variable annuities effective on or prior to the date of the valuation, regardless of whether the annuity becomes a fixed annuity in the following year.

(END OF RULE TEXT)

Effective Date

This rule shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in Wis. Stat. § 227.22 (2).

Explanation of Modifications as Result of Testimony at Public Hearing

No testimony was offered at the public hearing. The only modifications made to the proposed rule were in response to the recommendation of the Legislative Council Staff on the form, style and placement in Administrative Code of the citation of statutes interpreted by the rule.

List of Persons Appearing or Registering For or Against the Rule

No persons appeared or registered either for or against the rule at the public hearing on May, 16, 2002. The record was held open for written comments until May 17, 2002, but no comments were received.

Legislative Council Staff Clearinghouse Report on CR #02-049

See page 5 – 7 for complete report.



WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

Ronald Sklansky
Clearinghouse Director

Richard Sweet
Clearinghouse Assistant Director

Terry C. Anderson
Legislative Council Director

Laura D. Rose
Legislative Council Deputy Director

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 02-049

AN ORDER to amend ETF 20.25 (1) (a) and (2), relating to the annuity dividend effective date and the proration of annuity dividends.

Submitted by **DEPARTMENT OF EMPLOYEE TRUST FUNDS**

04-12-02 RECEIVED BY LEGISLATIVE COUNCIL.

05-01-02 REPORT SENT TO AGENCY.

RS:WF:tlu;ksm

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS
[s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached YES NO



WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

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Laura D. Rose
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CLEARINGHOUSE RULE 02-049

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated September 1998.]

2. Form, Style and Placement in Administrative Code

The analysis cites the statutory authority for the rule; it also should separately cite the statutes interpreted by the rule, even if some of the statutory authority citations are repeated.

Response to Legislative Council Staff Recommendations

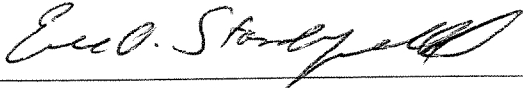
The Legislative Council Staff recommendation concerning form, style and placement in Administrative Code was adopted. The statutes interpreted by the rule were cited separately in the final rule.

Board Authorization for Promulgation

This final draft report on Clearinghouse Rule #02-049 has been duly approved for submission to the Legislature and for promulgation by the Employee Trust Funds Board at its meeting on June 21, 2002, by both the Teachers Retirement and Wisconsin Retirement Boards at their respective meetings on June 20, 2002.

Respectfully submitted,

DEPARTMENT OF EMPLOYEE TRUST FUNDS



Eric O. Stanchfield, Secretary
Wisconsin Department of Employee Trust Funds



WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

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CLEARINGHOUSE RULE 02-049

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Submitted by **DEPARTMENT OF EMPLOYEE TRUST FUNDS**

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2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

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3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS
[s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached YES NO



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CLEARINGHOUSE RULE 02-049

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The analysis cites the statutory authority for the rule; it also should separately cite the statutes interpreted by the rule, even if some of the statutory authority citations are repeated.

State of Wisconsin
DEPARTMENT OF EMPLOYEE TRUST FUNDS -- OFFICE OF THE SECRETARY
and
EMPLOYEE TRUST FUNDS BOARD, WISCONSIN RETIREMENT BOARD
and TEACHERS RETIREMENT BOARD

Clearinghouse Rule #CR

PROPOSED RULE Amending ss. ETF 20.25 (1) (a) and (2), Wisconsin Administrative Code, relating to the annuity dividend effective date and the proration of annuity dividends.

NOTICE OF HEARING AND PROPOSED RULE

NOTICE OF HEARING

The Wisconsin Department of Employee Trust Funds will hold a public hearing to review this proposed rule, which amends ss. ETF 20.25 (1) (a) and (2), Wisconsin Administrative Code, relating to the annuity dividend effective date and proration of annuity dividends in accordance with the provisions of s. 227.16 (1), Wisconsin Statutes. The public hearing will be held on Thursday, May 16, 2002 at 1:00 p.m. in room 2B, 801 West Badger Road, Madison, Wisconsin.

The public record on this proposed rule making will be held open until 4:30 p.m. on Friday, May 17, 2002 to permit the submission of written comments from persons unable to attend the public hearing in person, or who wish to supplement testimony offered at the hearing. Any such written comments should be addressed to Linda Owen, Department of Employee Trust Funds, 801 West Badger Road, P.O. Box 7931, Madison, Wisconsin 53707-7931.

Analysis Prepared by the Wisconsin Department of Employee Trust Funds

Current administrative rule under s. ETF 20.25 specifies that the Wisconsin Retirement System (WRS) fixed annuity dividends and variable annuity adjustments based on surpluses and/or deficiencies in the annuity reserve shall be effective on April 1 of each year. The proposed rulemaking would change the effective date of these annuity changes to March 1 of each year. The April 1 effective date for annuitant dividends was established as a date that was administratively feasible at that time. However, due to improved automation of both calculating and distributing the fixed and variable dividends, it is now administratively feasible to make the annuitant dividend adjustments a month earlier.

The proposed rulemaking also would change how dividends are prorated by reducing the minimum percentage by which a prorated annuity can be paid. Under current law, annuitants that retire in 2001 will receive a prorated dividend based upon the number of full months they were retired in 2001. If their dividend based upon the investment results would be less than 1%, no dividend is granted. The rule change would permit a dividend as low as .1% to be paid. Automation has provided the mechanism to calculate and distribute dividends in smaller increments.

Authority for Rule

Wis. Stats. § 40.03 (1) (m), (2) (i), (7) (d) and (8) (d), 40.27 (2) (b) and 40.28 (2).

Initial Fiscal Estimate

The proposed rule has no fiscal impact on county, city, village, town, school district, technical college district or sewerage district fiscal liabilities and revenues. The rule itself has no anticipated state fiscal effect during the current biennium and no future side effect on state funds.

Initial Regulatory Flexibility Analysis

The Department anticipates that the provisions of this proposed rule will have no direct adverse effect on small businesses.

Copies of Rule and Contact Persons

Copies of this rule are available without cost by making a request to the Department of Employee Trust Funds, Office of the Secretary, P.O. Box 7931, Madison, Wisconsin 53707, telephone (608) 266-1071. For questions about this rule making, please call Linda Owen, Policy Analyst, at (608) 261-8164.

TEXT OF RULE

SECTION 1. ETF 20.25 (1) (a) is amended to read:

ETF 20.25 (1) (a) Except as otherwise provided in par. (b), a fixed annuity dividend, as recommended by the actuary and approved by the chair of the employee trust funds board and the department's secretary, shall be distributed based on each December 31 valuation as specified in s. 40.27 (2), Stats. The dividend shall be effective on the ~~April~~ March 1 following the valuation date and shall apply to fixed annuities effective on or prior to the date of the valuation. As authorized under s. 40.27 (2) (b), Stats., different percentages shall be determined for annuities effective for less than a full year on the valuation date. The percentages shall be determined by multiplying the number of full months the annuity was in force times the percentage change applicable to annuities effective for the full year, dividing the result by 12 and rounding the answer to the nearest tenth of a percent. No increase shall be applied to any annuity for which the resulting increase would be less than ~~one~~ one-tenth of a percent.

SECTION 2. ETF 20.25 (2) is amended to read:

ETF 20.25 (2) Variable annuity changes, as recommended by the actuary and approved by the secretary, shall be made based on each December 31 valuation as specified in s. 40.28 (2), Stats. The changes shall be effective on the ~~April~~ March 1 following the valuation and shall apply to variable annuities effective on or prior to the date of the valuation, regardless of whether the annuity becomes a fixed annuity in the following year.

(END OF RULE TEXT)

Proposed Effective Date

This rule shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in s. 227.22 (2) (intro.), Wis. Stats.

Signed at Madison, Wisconsin this 11th day of April, 2002.

WISCONSIN DEPARTMENT OF EMPLOYEE TRUST FUNDS

Eric O. Stanchfield
Eric O. Stanchfield, Secretary