



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-1169/P1

MES:wlijjf

Stays RMR

LPS: Please fix request.

populous

DOA:.....Pawasarat, BB0230 - Milwaukee County pension obligation fund
FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

do not gen

1 AN ACT ...; relating to: the Milwaukee County unfunded pension liability
2 financing in populous counties

other than refunding bonds
Analysis by the Legislative Reference Bureau

LOCAL GOVERNMENT

This bill authorizes Milwaukee County to issue appropriation obligations on a one-time basis, to pay all or any part of the county's unfunded liability or unfunded prior service liability with respect to an employee retirement system of the county. "Appropriation obligations" are defined as any bond, note, or other obligation of a county issued as provided in the bill to evidence the county's obligation to repay borrowed money that is payable from various sources, including the following:

1. Moneys annually appropriated by the county for debt service due with respect to the obligations.
2. Proceeds of the sale of the appropriation obligations.
3. Investment earnings on the items listed above.

Before the county may issue appropriation obligations, however, the county must enact an ordinance to implement a five-year strategic and financial planning process related to the payment of unfunded employee retirement benefits. The ordinance must include a financial plan that ensures that future annual pension obligations are funded on a current basis, and the financial plan must contain quantifiable benchmarks to ensure compliance with the plan and the planning process. Annually, the county board must report to the legislature and the governor

a county with a population of 500,000 or more (currently only)

bonds

bonds bonds

shall provide

liabilities

measure

on a number of issues related to the appropriation obligations, including the county's progress in meeting the benchmarks.

The bill states that Milwaukee County is not generally liable for appropriation obligations, and appropriation obligations are not a debt of the county for any purpose whatsoever. Appropriation obligations, including the principal and interest payments, are payable only from amounts that the county board may, from year to year, appropriate.

Because this bill relates to public employee retirement or pensions, it may be referred to the Joint Survey Committee on Retirement Systems for a report to be printed as an appendix to the bill.

For further information see the 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 1. 59.605 (1) (a) of the statutes is amended to read:

59.605 (1) (a) "Debt levy" means the county purpose levy for debt service on loans under subch. II of ch. 24, bonds issued under s. 67.05 and, promissory notes issued under s. 67.12 (12), and appropriation obligations issued under s. 59.85, less any revenues that abate the levy.

SECTION 2. 59.85 of the statutes is created to read:

59.85 Appropriation obligations for payment of employee retirement system liability in populous counties. (1) DEFINITIONS. In this section:

(a) "Appropriation obligation" means a bond issued by a county to evidence its obligation to repay a certain amount of borrowed money that is payable from all of the following:

1. Moneys annually appropriated by law for debt service due with respect to such obligation in that year.

2. Proceeds of the sale of such appropriation obligations.

1 3. Payments received for that purpose under agreements and ancillary
2 arrangements described in s. 59.86.

3 4. Investment earnings on amounts in subds. 1. to 3.

4 (b) "Board" means the county board of supervisors in any county.

5 (c) "Bond" means any bond, note, or other obligation of a county issued under
6 this section.

****NOTE: To avoid repetition of "bond, note, or other obligation," I've so defined
"bond" here in par. (c).

7 (d) "County" means any county having a population of 500,000 or more.

8 (e) "Refunding obligation" means an appropriation obligation issued to fund or
9 refund all or any part of one or more outstanding appropriation obligations

10 (2) AUTHORIZATION OF APPROPRIATION OBLIGATIONS (a) A board shall have all
11 powers necessary and convenient to carry out its duties, and to exercise its authority,
12 under this section.

13 (b) Subject to pars. (c) and (d), a county may issue appropriation obligations
14 under this section to pay all or any part of the county's unfunded liability or unfunded
15 prior service liability with respect to an employee retirement system of the county
16 established under county ordinances, or to fund or refund outstanding appropriation
17 obligations issued under this section. A county may use proceeds of appropriation
18 obligations to pay issuance or administrative expenses, to make deposits to reserve
19 funds, to pay accrued or funded interest, to pay the costs of credit enhancement, to
20 make payments under other agreements entered into under s. 59.86, or to make
21 deposits to stabilization funds established under s. 59.87.

22 (c) The initial issuance of appropriation obligations under par. (b) may occur
23 only once.

INS
3/9

bond

BONDS

bonds

bonds

from

Other than refunding bonds issued under sub (b), all

bonds must be issued simultaneously

1 (d) 1. Before a county may issue appropriation ^{bonds} obligations under par. (b), its
 2 board shall enact an ordinance that ^{establishes} implements a 5-year strategic and financial
 3 planning process related to the payment of all or any part of the county's unfunded
 4 ~~liability or~~ unfunded prior service liability with respect to an employee retirement
 5 system of the county established under county ordinances. The ordinance shall
 6 include a financial plan ^{shall provide} that ensures that future annual pension/obligations are
 7 funded on a current basis. The financial plan shall contain quantifiable benchmarks
 8 to ^{measure} ensure compliance with the plan and the planning process. INS 4-8
NO 7

9 2. Annually, the county shall submit to the governor and to the chief clerk of
 10 each house of the legislature, for distribution to the legislature under s. 13.172 (2),
 11 a report that includes all of the following:

- 12 a. The county's progress in meeting the benchmarks in the ^{strategic and} financial plan.
- 13 b. Any proposed modifications to the plan ~~or the planning process~~.
- 14 c. The status of any stabilization fund that is established under s. 59.87 (3).
- 15 d. ^{The most current} Any updates to the actuarial ^{report} assumptions related to the county's employee
 16 retirement system.

17 (3) TERMS. (a) A county may borrow moneys and issue appropriation
 18 ~~obligations~~ ^{bonds} in evidence of the borrowing pursuant to one or more written authorizing
 19 resolutions under sub. (4). Unless otherwise provided in an authorizing resolution,
 20 the county may issue appropriation ^{bonds} obligations at any time, in any specific amounts,
 21 at any rates of interest, for any term, payable at any intervals, at any place, in any
 22 manner, and having any other terms or conditions that the board considers necessary
 23 or desirable. Appropriation ^{bonds} obligations may bear interest at variable or fixed rates,
 24 bear no interest, or bear interest payable only at maturity or upon redemption prior
 25 to maturity.

1 (b) The board may authorize appropriation ^{bonds} ~~obligations~~ having any provisions
2 for prepayment the board considers necessary or desirable, including the payment
3 of any premium.

4 (c) Interest shall cease to accrue on an appropriation ^{bond} ~~obligation~~ on the date that
5 the appropriation ^{bond} ~~obligation~~ becomes due for payment if payment is made or duly
6 provided for.

7 (d) All moneys borrowed by a county that is evidenced by appropriation
8 ^{bonds} ~~obligations~~ issued under this section shall be lawful money of the United States, and
9 all appropriation ^{bonds} ~~obligations~~ shall be payable in such money.

10 (e) All appropriation ^{bonds} ~~obligations~~ owned or held by a fund of the county are
11 outstanding in all respects and the board or other governing body controlling the
12 fund shall have the same rights with respect to an appropriation ^{bond} ~~obligation~~ as a
13 private party, but if any sinking fund acquires appropriation ^{bonds} ~~obligations~~ that gave
14 rise to such fund, the ^{appropriation bonds} ~~obligations~~ are considered paid for all purposes and no longer
15 outstanding and shall be canceled as provided in sub. (7) (d). ~~All appropriation~~

16 ~~obligations owned by any county fund shall be registered to the fullest extent~~
17 ~~registrable.~~ ^{bonds}

18 (f) A county shall not be generally liable on appropriation ^{bonds} ~~obligations~~, and
19 appropriation ^{bonds} ~~obligations~~ shall not be a debt of the county for any purpose
20 whatsoever. Appropriation ^{bonds} ~~obligations~~, including the principal thereof and interest
21 thereon, shall be payable only from amounts that the board may, from year to year,
22 appropriate for the payment thereof.

23 (4) PROCEDURES. (a) No appropriation ^{bonds} ~~obligations~~ may be issued by a county
24 unless the issuance is pursuant to a written authorizing resolution adopted by a
25 majority of a quorum of the board. The resolution may be in the form of a resolution

INS 6-3

1 or trust indenture, and shall set forth the aggregate principal amount of
2 appropriation ~~obligations~~ ^{bonds} authorized thereby, the manner of their sale, and the form
3 and terms thereof. ^{NOT}

4 (b) Appropriation ~~obligations~~ ^{bonds} may be sold at either public or private sale and
5 may be sold at any price or percentage of par value. All appropriation ~~obligations~~ sold
6 at public sale shall be noticed as provided in the authorizing resolution. Any bid
7 received at public sale may be rejected.

8 (5) FORM. (a) As determined by the board, appropriation ~~obligations~~ ^{certificated} may be
9 ~~in the form of bonds~~ and may be issued in book-entry form or in ~~certificate~~ ^{certificate} form.
10 Notwithstanding s. 403.104 (1), every evidence of appropriation ~~obligation~~ ^{bond} is a
11 negotiable instrument.

****NOTE: This paragraph is drafted as requested, but I think it would make more sense just to say "As determined by the board, appropriation obligations may be issued in book-entry form . . ." The term "appropriation obligation" is already defined as "a bond issued by a county to evidence its obligation to repay a certain amount of borrowed money that is payable from all of the following:" and "bond" is defined as a "bond, note, or other obligation" so it seems redundant to word this paragraph as requested — essentially stating that "a bond, note, or other obligation may be in the form of a bond, note, or other obligation."

12 (b) Every appropriation ~~obligation~~ ^{bond} shall be executed in the name of and for the
13 county by the chairperson of the board and county clerk, and shall be sealed with the
14 seal of the county, if any. Facsimile signatures of either officer may be imprinted in
15 lieu of manual signatures, but the signature of at least one such officer shall be
16 manual. An appropriation ~~obligation~~ ^{bond} bearing the manual or facsimile signature of
17 a person in office at the same time the signature was signed or imprinted shall be
18 fully valid notwithstanding that before or after the delivery of such appropriation
19 ~~obligation~~ ^{bond} the person ceased to hold such office. ^{bond}

20 (c) Every appropriation ~~obligation~~ ^{bond} shall be dated not later than the date it is
21 issued, shall contain a reference by date to the appropriate authorizing resolution,

1 shall state the limitation established in sub. (3) (f), and shall be in accordance with
2 the appropriate authorizing resolution in all respects.

3 (d) An appropriation ^{bond} obligation shall be ^{substantially} in such form and contain such
4 statements or terms as determined by the board, and may not conflict with law or
5 with the appropriate authorizing resolution.

6 (6) REFUNDING ^{(C) BONDS} OBLIGATIONS. (a) 1. A board may authorize the issuance of
7 ~~appropriation obligation~~ ^{appropriation bonds} refunding obligations. Refunding obligations may be
8 issued, subject to any contract rights vested in owners of the appropriation
9 obligations ^{bonds} being refunded, to refund all or any part of one or more issues of
10 appropriation obligations ^{bonds} notwithstanding that the obligations may have been
11 issued at different times. The principal amount of the refunding obligations may not
12 exceed the sum of: the principal amount of the appropriation obligations being ^{bonds or general obligation promissory notes}
13 refunded; applicable redemption premiums; unpaid interest on the refunded
14 appropriation obligations to the date of delivery or exchange of the refunding
15 ^{appropriation bonds} obligations; in the event the proceeds are to be deposited in trust as provided in par.
16 (c), interest to accrue on the appropriation obligations to be refunded from the date
17 of delivery to the date of maturity or to the redemption date selected by the board,
18 whichever is earlier; and the expenses incurred in the issuance of the refunding
19 obligations and the payment of the refunded appropriation obligations.

JNS
2-11

****NOTE: Subdivision 1. and par. (b) use only the words "refunded" and "refunding," but s. 16.527 (7) (a) 1. and (b), the statute on which this subdivision and paragraph are based, also uses the words "refinance" and "refinancing." Is this change intentional? Does it matter if only one term is used here and two terms are used in s. 16.527 (7) (a) 1. and (b)? Also, the word "refinancing" is used in subd. 2. when referring to the "refunding" in subd. 1.; s. 16.527 (7) (a) 2. also uses "refinancing."

20 2. A determination by the board that a refinancing is advantageous, or that any
21 of the amounts provided under subd. 1. should be included in the refinancing, shall
22 be conclusive.

Ⓟ 20 A board may authorize the issuance of general obligation promissory notes under Ag 67.12(12)(a) to refund appropriation bonds, notwithstanding Ag 67.01(9) (Intro.) STET

appropriation bonds

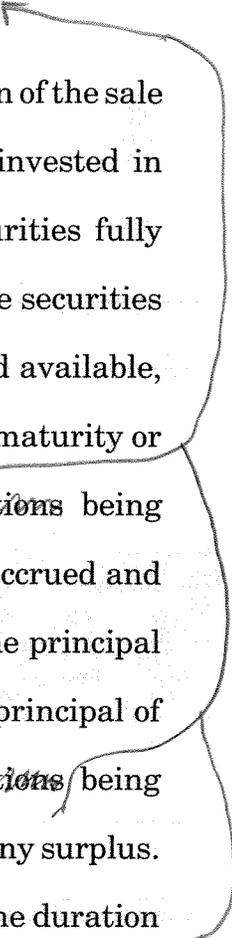
1 (b) If a board determines to exchange refunding obligations they may be
 2 exchanged privately for, and in payment and discharge of, any of the outstanding
 3 appropriation obligations being refunded. Refunding obligations may be exchanged
 4 for the principal amount of the appropriation obligations being exchanged therefor
 5 as may be determined by the board to be necessary or desirable. The owners of the
 6 appropriation obligations being refunded who elect to exchange need not pay accrued
 7 interest on the refunding obligations if and to the extent that interest is accrued and
 8 unpaid on the appropriation obligations being refunded and to be surrendered. If
 9 any of the appropriation obligations to be refunded are to be called for redemption,
 10 the board shall determine which redemption dates are to be used, if more than one
 11 date is applicable and shall, prior to the issuance of the refunding obligations,
 12 provide for notice of redemption to be given in the manner and at the times required
 13 by the resolution authorizing the appropriation obligations to be refunded.

14 (c) 1. The principal proceeds from the sale of any refunding obligations shall
 15 be applied either to the immediate payment and retirement of the appropriation
 16 obligations being refunded or, if the obligations have not matured and are not
 17 presently redeemable, to the creation of a trust for, and shall be pledged to the
 18 payment of, the appropriation obligations being refunded.

19 2. If a trust is created, a separate deposit shall be made for each issue of
 20 appropriation obligations being refunded. Each deposit shall be with a bank or trust
 21 company that is a member of the Federal Deposit Insurance Corporation. If the total
 22 amount of any deposit, including moneys other than sale proceeds but legally
 23 available for such purpose, is less than the principal amount of the appropriation
 24 obligations being refunded and for the payment of which the deposit has been created
 25 and pledged, together with applicable redemption premiums and interest accrued

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bonds or general obligation promissory notes



1 and to accrue to maturity or to the date of redemption, then the application of the sale
2 proceeds shall be legally sufficient only if the moneys deposited are invested in
3 securities issued by the United States or one of its agencies, or securities fully
4 guaranteed by the United States, and only if the principal amount of the securities
5 at maturity and the income therefrom to maturity will be sufficient and available,
6 without the need for any further investment or reinvestment, to pay at maturity or
7 upon redemption the principal amount of the appropriation ~~obligations~~ being
8 refunded together with applicable redemption premiums and interest accrued and
9 to accrue to maturity or to the date of redemption. The income from the principal
10 proceeds of the securities shall be applied solely to the payment of the principal of
11 and interest and redemption premiums on the appropriation ~~obligations~~ being
12 refunded, but provision may be made for the pledging and disposition of any surplus.

13 3. Nothing in this paragraph may be construed as a limitation on the duration
14 of any deposit in trust for the retirement of appropriation ~~obligations~~ being refunded
15 that have not matured and that are not presently redeemable. Nothing in this
16 paragraph may be constructed to prohibit reinvestment of the income of a trust if the
17 reinvestments will mature at such times that sufficient moneys will be available to
18 pay interest, applicable premiums, and principal on the appropriation ~~obligations~~,
19 being refunded.

****NOTE: I changed "subdivision" to "paragraph."

20 (7) FISCAL REGULATIONS. (a) All appropriation ~~obligations~~ shall be registered
21 by the county clerk or county treasurer of the county issuing the ~~obligations~~, or such
22 other officers or agents, including fiscal agents, as the board may determine. After
23 registration, no transfer of an appropriation ~~obligation~~ is valid unless made by the
24 registered owner in person, or by the registered owner's duly authorized attorney, on

bonds
appropriation bonds
bond

bond

1 the records of the county and similarly noted on the appropriation ~~obligation~~. The
2 county may treat the registered owner as the owner of the appropriation ~~obligation~~
3 for all purposes. Payments of principal and interest shall be by electronic funds
4 transfer, check, share draft, or other draft to the registered owner at the owner's
5 address as it appears on the register, unless the board has otherwise provided.

6 Information in the register is not available for inspection and copying under s. 19.35
7 (1). The board may make any other provision respecting registration as it considers
8 necessary or desirable.

9 (b) The board may appoint one or more trustees or fiscal agents for each issue
10 of appropriation ~~obligations~~ *bonds*. The county treasurer may be designated as the trustee
11 and the sole fiscal agent or as cofiscal agent for any issue of appropriation
12 ~~obligations~~ *bonds*. Every other fiscal agent shall be an incorporated bank or trust company
13 authorized by the laws of the United States or of the state in which it is located to
14 conduct banking or trust company business. There may be deposited with a trustee,
15 in a special account, moneys to be used only for the purposes expressly provided in
16 the resolution authorizing the issuance of appropriation ~~obligations~~ *bonds* or an agreement
17 between the county and the trustee. The board may make other provisions
18 respecting trustees and fiscal agents as the board considers necessary or desirable
19 and may enter into contracts with any trustee or fiscal agent containing such terms,
20 including compensation, and conditions in regard to the trustee or fiscal agent as the
21 board considers necessary or desirable.

22 (c) If any appropriation ~~obligation~~ *bond* is destroyed, lost, or stolen, the county shall
23 execute and deliver a new appropriation ~~obligation~~ *bond*, upon filing with the board
24 evidence satisfactory to the board that the appropriation ~~obligation~~ *obligation* has been
25 destroyed, lost, or stolen, upon providing proof of ownership thereof, and upon

1 furnishing the board with indemnity satisfactory to it and complying with such other
2 rules of the county and paying any expenses that the county may incur. The board
3 shall cancel the appropriation obligation^{bond} surrendered to the county.

4 (d) Unless otherwise directed by the board, every appropriation obligation^{bond} paid
5 or otherwise retired shall be marked "canceled" and delivered to the county
6 treasurer, or to such other fiscal agent as applicable with respect to the appropriation
7 obligation^{bond}, who shall destroy them and deliver a certificate to that effect^{to the county clerk}.

****NOTE: Your instructions used the term "evidence of appropriation obligation," which is similar to the term that is used, for the most part, in s. 16.527; but in this draft you have used "appropriation obligation" exclusively up to this point so I did not use "evidence of appropriation." Also, the instructions don't specify to whom the county treasurer shall deliver a certificate. Should it be delivered to the board?

8 (8) ^{(C) BONDS} APPROPRIATION OBLIGATIONS AS LEGAL INVESTMENTS. Any of the following may
9 legally invest any sinking funds, moneys, or other funds belonging to them or under
10 their control in any appropriation obligations^{bonds} issued under this section:

11 (a) The state, the investment board, public officers, municipal corporations,
12 political subdivisions, and public bodies.

13 (b) Banks and bankers, savings and loan associations, credit unions, trust
14 companies, savings banks and institutions, investment companies, insurance
15 companies, insurance associations, and other persons carrying on a banking or
16 insurance business.

17 (c) Personal representatives, guardians, trustees, and other fiduciaries.

18 (9) MORAL OBLIGATION PLEDGE. If the board considers it necessary or desirable
19 to do so, it may express in a resolution authorizing appropriation^{bonds} obligations its
20 expectation and aspiration to make timely appropriations sufficient to pay the
21 principal and interest due with respect to such appropriation obligations^{bonds}, to make
22 deposits into a reserve fund created under sub. (2)(b) with respect to such

1 appropriation ~~obligations~~ ^{bonds}, to make payments under any agreement or ancillary
 2 arrangement entered into under s. 59.86 with respect to such appropriation
 3 ~~obligations~~ ^{bonds}, to make deposits into any stabilization fund established or continued
 4 under s. 59.87 with respect to such appropriation ~~obligations~~ ^{bonds}, or to pay related
 5 issuance or administrative expenses.

****NOTE: The instructions state that the board may "make deposits into any reserve fund created under sub. (2) (b) 3." Not only is there no sub. (2) (b) 3., but also sub. (2) (b) does not provide for the creation of a reserve fund. That paragraph merely authorizes a county to make deposits to such a fund. Consequently, I'm not sure what your intent is in this subsection. Also, the moral obligation pledge itself is somewhat weaker than the pledge in s. 16.527 (10). Is this your intent?

6 (10) PENSION STUDY COMMITTEE. The 2 public members of the pension study
 7 committee, created by chapter 405, laws of 1965, shall have at least 10 years of
 8 financial experience.

****NOTE: This qualification is based on the requirements for a local government employee who is appointed to SWIB under s. 15.76 (1r). Is this specific enough to achieve your intent?

9 SECTION 3. 59.86 of the statutes is created to read:

10 **59.86 Agreements and ancillary arrangements for certain notes and**

11 **appropriation ~~obligations~~ ^{bonds}** At the time of issuance or in anticipation of the
 12 issuance of appropriation ~~obligations~~ ^{bonds} under s. 59.85, or general obligation
 13 promissory notes under s. 67.12 (12), to pay unfunded liability or unfunded prior
 14 service liability with respect to an employee retirement system established under
 15 ~~county ordinances~~ ^{bonds}, or at any time thereafter so long as the appropriation ~~obligations~~ ^{bonds}
 16 or notes are outstanding, a county having a population of 500,000 or more may enter
 17 into agreements or ancillary arrangements relating to the appropriation ~~obligations~~ ^{general obligation promissory}
 18 or notes, including trust indentures, liquidity facilities, remarketing or dealer
 19 agreements, letters of credit, insurance policies, guaranty agreements,
 20 reimbursement agreements, indexing agreements, and interest exchange

1 agreements. Any payments made or amounts received with respect to any such
2 agreement or ancillary arrangement shall be made from or deposited as provided in
3 the agreement or ancillary arrangement.

***NOTE: The instructions for this section seem to use the words "and" and "or" interchangeably. In most cases, I think that "or" is what best reflects your intent so I've changed most uses of "and" to "or." Please check this section carefully to ensure that it meets your intent.

4 SECTION 4. 59.87 of the statutes is created to read:

5 **59.87 Employee retirement system liability financing in ^{populous} populace**
6 **counties; additional powers. (1) DEFINITIONS.** In this section:

7 (a) "Board" means the county board of supervisors in any county.

8 (b) "County" means any county having a population of 500,000 or more.

9 (c) "Pension funding ^{plan} financing" means a ^{strategic and financial} plan of finance in which the state
10 ^{related to} purpose is to provide funds for the payment of all or part of a county's unfunded
11 liability or unfunded prior service liability with respect to an employee retirement
12 system established under county ordinances. ①

13 (d) "Trust" means a common law trust organized under the laws of this state,
14 ~~or a trust organized under the laws of another state,~~ by the county, as settlor,
15 pursuant to a formal, written, declaration of trust.

16 (2) SPECIAL FINANCING ENTITIES, FUNDS, AND ACCOUNTS. (a) To facilitate a pension
17 funding ^{plan} financing and in furtherance thereof, a board may create one or more of the
18 following:

- 19 1. A trust.
- 20 2. A nonstock corporation under ch. 181.
- 21 3. A limited liability company under ch. 183.
- 22 4. A special fund or account of the county.

1 (b) An entity described under par. (a) has all of the powers provided to it under
 2 applicable law and the documents pursuant to which it is created and established.
 3 The powers shall be construed broadly in favor of effectuating the purposes for which
 4 the entity is created. A county may appropriate funds ^{to} for such entities and to such
 5 funds and accounts, under terms and conditions established by the board, consistent
 6 with the purposes for which they are created and established.

7 **(3) STABILIZATION FUNDS.** (a) To facilitate a pension funding ^{plan} financing a board
 8 may establish a stabilization fund. Any such fund may be created as a trust, a special
 9 fund or account of the county established by a separate resolution or ordinance, or
 10 a fund or account created under an authorizing resolution or trust indenture in
 11 connection with the authorization and issuance of appropriation ^{bonds} obligations under
 12 s. 59.85 or ^{general obligation} promissory notes under s. 67.12 (12). A county may appropriate funds for
 13 deposit to a stabilization fund established under this subsection.

14 (b) Moneys in a stabilization fund established under this subsection may be
 15 used, subject to annual appropriation by the board, solely to pay principal or interest
 16 on appropriation ^{bonds} obligations issued under s. 59.85 and ^{general obligation} promissory notes under s. 67.12
 17 (12) issued in connection with a pension funding ^{plan} financing, for the redemption or
 18 repurchase of such appropriation ^{bonds} obligations or ^{general obligation promissory} notes, or to make payments under
 19 any agreement or ancillary arrangement entered into under s. 59.86 with respect to
 20 such appropriation ^{bonds} obligations or notes. Moneys on deposit in a stabilization fund
 21 may not be subject to any claims, demands, or actions by, or transfers or assignments
 22 to, any creditor of the county, any beneficiary of the county's employee retirement
 23 system, or any other person, on terms other than as may be established in the
 24 resolution or ordinance creating the stabilization fund. Moneys on deposit in a
 25 stabilization fund established under this subsection may be invested and reinvested

1 in the manner directed by the board or pursuant to delegation by the board as
2 provided under s. 66.0603 (5).

3 **SECTION 5.** 66.0602 (3) (d) 3. of the statutes is created to read:

4 66.0602 (3) (d) 3. The limit otherwise applicable under this section does not
5 apply to amounts levied by a county having a population of 500,000 or more for the
6 payment of debt service on appropriation obligations issued under s. 59.85, including
7 debt service on appropriation obligations issued to fund or refund outstanding
8 appropriation obligations of the county, to pay related issuance costs or redemption
9 premiums, or to make payments with respect to agreements or ancillary
10 arrangements authorized under s. 59.86.

***NOTE: I created s. 66.0602 (3) (d) 3. instead of amending s. 66.0602 (3) (d) 2.

11 **SECTION 6.** 66.0603 (1m) (e) of the statutes is created to read:

12 66.0603 (1m) (e) Subject to s. 67.11 (2) with respect to funds on deposit in a debt
13 service fund for ^{general obligation} promissory notes issued under s. 67.12 (12), a county having a
14 population of 500,000 or more, or a person to whom the county has delegated
15 investment authority under sub. (5), may invest and reinvest in the same manner
16 as is authorized for investments and reinvestments under s. 881.01, any of the
17 following:

18 1. Moneys held in any stabilization fund established under s. 59.87 (3).

19 2. Moneys held in a fund or account, including any reserve ^{fund} account, created in
20 connection with the issuance of appropriation ^{bonds} obligations under s. 59.85 or
21 ^{general obligation} promissory notes under s. 67.12 (12) issued to provide funds for the payment of all
22 or a part of the county's unfunded liability or unfunded prior service liability.

23 3. Moneys appropriated or held by the county to pay debt service on
24 appropriation ^{bonds} obligations or notes described in sub. 2 ^{general obligation} promissory notes under
467012 (12)

SECTION 6

general obligation promissory

bonds

until

money held in an employee retirement system of the county

1 4. Moneys constituting proceeds of appropriation obligations or notes described
2 in subd. 2. that are available for investment before the time they are spent for the
3 purposes for which they are borrowed.

***NOTE: Your predrafted materials for created s. 66.0603 (1m) (e) were difficult for me to follow. The paragraph seems to start out as a limitation on how "funds on deposit in a debt service fund for promissory notes issued under s. 67.12 (12)" may be invested, but ends up encompassing funds associated with appropriation obligations issued under s. 59.85. The first phrase in created s. 66.0603 (1m) (e) sets up an introduction, but the list of the types of investments that follow doesn't seem to have any relationship to the introduction and doesn't seem to follow the introductory clause. I've reorganized this paragraph to make it somewhat more readable, but it still seems confusing and the subdivisions still don't follow the introduction. I'm not sure what your intent is with regard to this paragraph, and I can't determine whether my reorganization achieves your intent. Please review created s. 66.0603 (1m) (e) very carefully and let me know what changes are necessary to achieve your intent.

4 **SECTION 7.** 66.0603 (5) of the statutes is created to read:

5 66.0603 (5) DELEGATION OF INVESTMENT AUTHORITY IN CONNECTION WITH PENSION
6 FINANCING IN POPULOUS COUNTIES. The governing board of a county having a
7 population of 500,000 or more may delegate investment authority over any of the
8 moneys described in sub. (1m) (e) to any of the following persons, which shall be
9 responsible for the general administration and proper operation of the county's
10 employee retirement system, subject to the board's finding that such person has
11 expertise in the field of investments:

12 (a) A ~~pension~~ ^{public} board that is organized under county ordinances.

13 (b) A ~~reputable~~ ^{for such purpose} trustee, investment advisor, or investment banking or
14 consulting firm.

***NOTE: Your predrafted version of s. 66.0603 (5) was somewhat confusing to me so I've reorganized the subsection. Is this consistent with your intent? Also, is the "pension board" supposed to be a public entity that is part of Milwaukee County government or can it be a private entity that is merely organized according to county ordinances? The instructions seem unclear to me as to what the pension board's attributes are supposed to be.

15 **SECTION 8.** 67.01 (9) (intro.) of the statutes is amended to read:

bonds ✓

1 67.01 (9) (intro.) This chapter is not applicable to appropriation/obligations
2 issued by a county under s. 59.85 and, except ss. 67.08 (1), 67.09 and 67.10, is not
3 applicable:

4 **SECTION 9.** 67.04 (5) (b) 4. of the statutes is amended to read:

5 67.04 (5) (b) 4. To pay unfunded prior service liability contributions under the
6 Wisconsin retirement system, or to pay ~~unfunded liability or~~ unfunded prior service
7 liability with respect to an employee retirement system ~~established under county~~
8 ~~ordinances~~, if all of the ^{net} proceeds of the note will be used to pay for such ^{or payments} contributions.

9 **SECTION 10.** 67.045 (1) (g) of the statutes is created to read:

10 67.045 (1) (g) The debt is issued by a county having a population of 500,000 or
11 more to pay ~~unfunded liability or~~ unfunded prior service liability with respect to an
12 employee retirement system ~~established under county ordinances~~.

****NOTE: Your instructions had what is now created s. 66.045 (1) (g) as an amendment to s. 66.045 (1) (d); but this material seems to have nothing to do with the debt described in par. (d), so I created this new paragraph. Is this OK?

13 **SECTION 11.** 67.12 (12) (a) of the statutes is amended to read:

14 67.12 (12) (a) Any municipality may issue promissory notes as evidence of
15 indebtedness for any public purpose, as defined in s. 67.04 (1) (b), including but not
16 limited to paying any general and current municipal expense, and refunding any
17 municipal obligations, including interest on them. Each note, plus interest if any,
18 shall be repaid within 10 years after the original date of the note, except that notes
19 issued under this section for purposes of ss. 119.498, 145.245 (12m), 281.58, 281.59,
20 281.60, and 281.61, ~~or~~ issued to raise funds to pay a portion of the capital costs of a
21 metropolitan sewerage district, or issued by a county having a population of 500,000
22 or more to pay unfunded liability or unfunded prior service liability with respect to

1 an employee retirement system established under county ordinances shall be repaid
2 within 20 years after the original date of the note.

3 (END)

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MES:wlj:jf

INSERT 3-9

(1m) LEGISLATIVE FINDING AND DETERMINATION. Recognizing that a county, by prepaying part or all of the county's unfunded prior service liability with respect to an employee retirement system of the county, may reduce its costs and better ensure the timely and full payment of retirement benefits to participants and their beneficiaries under the employee retirement system, the legislature finds and determines that it is in the public interest for the county to issue appropriation bonds to obtain proceeds to pay it^s unfunded prior service liability.

INSERT 4-8

(No F) The board shall make a determination that the ordinance meets the requirements of this subdivision[✓] and, absent manifest error, the board's determination shall be conclusive. The board shall submit to the governor and to the chief clerk of each house of the legislature, for distribution to the legislature under s. 13.172 (2), a copy of the strategic and financial plan.

INSERT 6-3

(No F) The resolution or trust indenture may establish such funds and accounts, including a reserve fund, as the board determines.

INSERT 7-11

(No F) or issues of general obligation promissory notes under s. 67.12 (12)[✓] were issued to pay unfunded prior service liability with respect to an employee retirement system

INSERT 8-22

(No F) authorized by the laws of the United States or of a state in which it is located to conduct banking or trust company business



DOA:.....Pawasarat, BB0230 - Populous county pension obligation fund

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

- 1 **AN ACT ...; relating to:** unfunded pension liability financing in populous
2 counties.

Analysis by the Legislative Reference Bureau

LOCAL GOVERNMENT

This bill authorizes a county with a population of 500,000 or more (currently only Milwaukee County) to issue appropriation bonds on a one-time basis, other than refunding bonds, to pay all or any part of the county's unfunded prior service liability with respect to an employee retirement system of the county. "Appropriation bonds" are defined as any bond, note, or other obligation of a county issued as provided in the bill to evidence the county's obligation to repay borrowed money that is payable from various sources, including the following:

1. Moneys annually appropriated by the county for debt service due with respect to the appropriation bonds.
2. Proceeds of the sale of the appropriation bonds.
3. Investment earnings on the items listed above.

Before the county may issue appropriation bonds, however, the county must enact an ordinance to implement a five-year strategic and financial plan related to the payment of unfunded employee retirement benefits. The financial plan shall provide that future annual pension liabilities are funded on a current basis, and the financial plan must contain quantifiable benchmarks to measure compliance with the plan. Annually, the county board must report to the legislature and the governor

on a number of issues related to the appropriation bonds, including the county's progress in meeting the benchmarks.

The bill states that a populous county is not generally liable for appropriation bonds, and appropriation bonds are not a debt of the county for any purpose whatsoever. Appropriation bonds, including the principal and interest payments, are payable only from amounts that the county board may, from year to year, appropriate.

Because this bill relates to public employee retirement or pensions, it may be referred to the Joint Survey Committee on Retirement Systems for a report to be printed as an appendix to the bill.

For further information see the *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.** 59.605 (1) (a) of the statutes is amended to read:

2 59.605 (1) (a) "Debt levy" means the county purpose levy for debt service on
3 loans under subch. II of ch. 24, bonds issued under s. 67.05 and, promissory notes
4 issued under s. 67.12 (12), and appropriation bonds issued under s. 59.85, less any
5 revenues that abate the levy.

6 **SECTION 2.** 59.85 of the statutes is created to read:

7 **59.85 Appropriation bonds for payment of employee retirement**
8 **system liability in populous counties. (1) DEFINITIONS.** In this section:

9 (a) "Appropriation bond" means a bond issued by a county to evidence its
10 obligation to repay a certain amount of borrowed money that is payable from all of
11 the following:

12 1. Moneys annually appropriated by law for debt service due with respect to
13 such appropriation bond in that year.

14 2. Proceeds of the sale of such appropriation bonds.

1 3. Payments received for that purpose under agreements and ancillary
2 arrangements described in s. 59.86.

3 4. Investment earnings on amounts in subds. 1. to 3.

4 (b) "Board" means the county board of supervisors in any county.

5 (c) "Bond" means any bond, note, or other obligation of a county issued under
6 this section.

7 (d) "County" means any county having a population of 500,000 or more.

8 (e) "Refunding bond" means an appropriation bond issued to fund or refund all
9 or any part of one or more outstanding appropriation bonds.

10 **(1m) LEGISLATIVE FINDING AND DETERMINATION.** Recognizing that a county, by
11 prepaying part or all of the county's unfunded prior service liability with respect to
12 an employee retirement system of the county, may reduce its costs and better ensure
13 the timely and full payment of retirement benefits to participants and their
14 beneficiaries under the employee retirement system, the legislature finds and
15 determines that it is in the public interest for the county to issue appropriation bonds
16 to obtain proceeds to pay its unfunded prior service liability.

17 **(2) AUTHORIZATION OF APPROPRIATION BONDS.** (a) A board shall have all powers
18 necessary and convenient to carry out its duties, and to exercise its authority, under
19 this section.

20 (b) Subject to pars. (c) and (d), a county may issue appropriation bonds under
21 this section to pay all or any part of the county's unfunded prior service liability with
22 respect to an employee retirement system of the county, or to fund or refund
23 outstanding appropriation bonds issued under this section. A county may use
24 proceeds of appropriation bonds to pay issuance or administrative expenses, to make
25 deposits to reserve funds, to pay accrued or funded interest, to pay the costs of credit

1 enhancement, to make payments under other agreements entered into under s.
2 59.86, or to make deposits to stabilization funds established under s. 59.87.

3 (c) Other than refunding bonds issued under sub. (6), all bonds must be issued
4 simultaneously.

5 (d) 1. Before a county may issue appropriation bonds under par. (b), its board
6 shall enact an ordinance that establishes a 5-year strategic and financial plan
7 related to the payment of all or any part of the county's unfunded prior service
8 liability with respect to an employee retirement system of the county. The strategic
9 and financial plan shall provide that future annual pension liabilities are funded on
10 a current basis. The strategic and financial plan shall contain quantifiable
11 benchmarks to measure compliance with the plan. The board shall make a
12 determination that the ordinance meets the requirements of this subdivision and,
13 absent manifest error, the board's determination shall be conclusive. The board shall
14 submit to the governor and to the chief clerk of each house of the legislature, for
15 distribution to the legislature under s. 13.172 (2), a copy of the strategic and financial
16 plan.

17 2. Annually, the county shall submit to the governor and to the chief clerk of
18 each house of the legislature, for distribution to the legislature under s. 13.172 (2),
19 a report that includes all of the following:

20 a. The county's progress in meeting the benchmarks in the strategic and
21 financial plan.

22 b. Any proposed modifications to the plan.

23 c. The status of any stabilization fund that is established under s. 59.87 (3).

24 d. The most current actuarial report related to the county's employee
25 retirement system.

1 **(3) TERMS.** (a) A county may borrow moneys and issue appropriation bonds in
2 evidence of the borrowing pursuant to one or more written authorizing resolutions
3 under sub. (4). Unless otherwise provided in an authorizing resolution, the county
4 may issue appropriation bonds at any time, in any specific amounts, at any rates of
5 interest, for any term, payable at any intervals, at any place, in any manner, and
6 having any other terms or conditions that the board considers necessary or desirable.
7 Appropriation bonds may bear interest at variable or fixed rates, bear no interest,
8 or bear interest payable only at maturity or upon redemption prior to maturity.

9 (b) The board may authorize appropriation bonds having any provisions for
10 prepayment the board considers necessary or desirable, including the payment of
11 any premium.

12 (c) Interest shall cease to accrue on an appropriation bond on the date that the
13 appropriation bond becomes due for payment if payment is made or duly provided
14 for.

15 (d) All moneys borrowed by a county that is evidenced by appropriation bonds
16 issued under this section shall be lawful money of the United States, and all
17 appropriation bonds shall be payable in such money.

18 (e) All appropriation bonds owned or held by a fund of the county are
19 outstanding in all respects and the board or other governing body controlling the
20 fund shall have the same rights with respect to an appropriation bond as a private
21 party, but if any sinking fund acquires appropriation bonds that gave rise to such
22 fund, the appropriation bonds are considered paid for all purposes and no longer
23 outstanding and shall be canceled as provided in sub. (7) (d).

24 (f) A county shall not be generally liable on appropriation bonds, and
25 appropriation bonds shall not be a debt of the county for any purpose whatsoever.

1 Appropriation bonds, including the principal thereof and interest thereon, shall be
2 payable only from amounts that the board may, from year to year, appropriate for the
3 payment thereof.

4 (4) PROCEDURES. (a) No appropriation bonds may be issued by a county unless
5 the issuance is pursuant to a written authorizing resolution adopted by a majority
6 of a quorum of the board. The resolution may be in the form of a resolution or trust
7 indenture, and shall set forth the aggregate principal amount of appropriation bonds
8 authorized thereby, the manner of their sale, and the form and terms thereof. The
9 resolution or trust indenture may establish such funds and accounts, including a
10 reserve fund, as the board determines.

11 (b) Appropriation bonds may be sold at either public or private sale and may
12 be sold at any price or percentage of par value. All appropriation bonds sold at public
13 sale shall be noticed as provided in the authorizing resolution. Any bid received at
14 public sale may be rejected.

15 (5) FORM. (a) As determined by the board, appropriation bonds may be issued
16 in book-entry form or in certificated form. Notwithstanding s. 403.104 (1), every
17 evidence of appropriation bond is a negotiable instrument.

18 (b) Every appropriation bond shall be executed in the name of and for the
19 county by the chairperson of the board and county clerk, and shall be sealed with the
20 seal of the county, if any. Facsimile signatures of either officer may be imprinted in
21 lieu of manual signatures, but the signature of at least one such officer shall be
22 manual. An appropriation bond bearing the manual or facsimile signature of a
23 person in office at the same time the signature was signed or imprinted shall be fully
24 valid notwithstanding that before or after the delivery of such appropriation bond
25 the person ceased to hold such office.

1 (c) Every appropriation bond shall be dated not later than the date it is issued,
2 shall contain a reference by date to the appropriate authorizing resolution, shall
3 state the limitation established in sub. (3) (f), and shall be in accordance with the
4 appropriate authorizing resolution in all respects.

5 (d) An appropriation bond shall be substantially in such form and contain such
6 statements or terms as determined by the board, and may not conflict with law or
7 with the appropriate authorizing resolution.

8 **(6) REFUNDING BONDS.** (a) 1. A board may authorize the issuance of refunding
9 appropriation bonds. Refunding appropriation bonds may be issued, subject to any
10 contract rights vested in owners of the appropriation bonds being refunded, to refund
11 all or any part of one or more issues of appropriation bonds notwithstanding that the
12 appropriation bonds may have been issued at different times or issues of general
13 obligation promissory notes under s. 67.12 (12) were issued to pay unfunded prior
14 service liability with respect to an employee retirement system. The principal
15 amount of the refunding appropriation bonds may not exceed the sum of: the
16 principal amount of the appropriation bonds or general obligation promissory notes
17 being refunded; applicable redemption premiums; unpaid interest on the refunded
18 appropriation bonds or general obligation promissory notes to the date of delivery or
19 exchange of the refunding appropriation bonds; in the event the proceeds are to be
20 deposited in trust as provided in par. (c), interest to accrue on the appropriation
21 bonds or general obligation promissory notes to be refunded from the date of delivery
22 to the date of maturity or to the redemption date selected by the board, whichever
23 is earlier; and the expenses incurred in the issuance of the refunding appropriation
24 bonds and the payment of the refunded appropriation bonds or general obligation
25 promissory notes.

1 2. A board may authorize the issuance of general obligation promissory notes
2 under s. 67.12 (12) (a) to refund appropriation bonds, notwithstanding s. 67.01 (9)
3 (intro.).

4 (b) If a board determines to exchange refunding appropriation bonds, they may
5 be exchanged privately for, and in payment and discharge of, any of the outstanding
6 appropriation bonds being refunded. Refunding appropriation bonds may be
7 exchanged for such principal amount of the appropriation bonds being exchanged
8 therefor as may be determined by the board to be necessary or desirable. The owners
9 of the appropriation bonds being refunded who elect to exchange need not pay
10 accrued interest on the refunding appropriation bonds if and to the extent that
11 interest is accrued and unpaid on the appropriation bonds being refunded and to be
12 surrendered. If any of the appropriation bonds to be refunded are to be called for
13 redemption, the board shall determine which redemption dates are to be used, if
14 more than one date is applicable and shall, prior to the issuance of the refunding
15 appropriation bonds, provide for notice of redemption to be given in the manner and
16 at the times required by the resolution authorizing the appropriation bonds to be
17 refunded.

18 (c) 1. The principal proceeds from the sale of any refunding appropriation bonds
19 shall be applied either to the immediate payment and retirement of the
20 appropriation bonds or general obligation promissory notes being refunded or, if the
21 bonds or general obligation promissory notes have not matured and are not presently
22 redeemable, to the creation of a trust for, and shall be pledged to the payment of, the
23 appropriation bonds or general obligation promissory notes being refunded.

24 2. If a trust is created, a separate deposit shall be made for each issue of
25 appropriation bonds or general obligation promissory notes being refunded. Each

1 deposit shall be with a bank or trust company authorized by the laws of the United
2 States or of a state in which it is located to conduct banking or trust company
3 business. If the total amount of any deposit, including moneys other than sale
4 proceeds but legally available for such purpose, is less than the principal amount of
5 the appropriation bonds or general obligation promissory notes being refunded and
6 for the payment of which the deposit has been created and pledged, together with
7 applicable redemption premiums and interest accrued and to accrue to maturity or
8 to the date of redemption, then the application of the sale proceeds shall be legally
9 sufficient only if the moneys deposited are invested in securities issued by the United
10 States or one of its agencies, or securities fully guaranteed by the United States, and
11 only if the principal amount of the securities at maturity and the income therefrom
12 to maturity will be sufficient and available, without the need for any further
13 investment or reinvestment, to pay at maturity or upon redemption the principal
14 amount of the appropriation bonds or general obligation promissory notes being
15 refunded together with applicable redemption premiums and interest accrued and
16 to accrue to maturity or to the date of redemption. The income from the principal
17 proceeds of the securities shall be applied solely to the payment of the principal of
18 and interest and redemption premiums on the appropriation bonds or general
19 obligation promissory notes being refunded, but provision may be made for the
20 pledging and disposition of any surplus.

21 3. Nothing in this paragraph may be construed as a limitation on the duration
22 of any deposit in trust for the retirement of appropriation bonds or general obligation
23 promissory notes being refunded that have not matured and that are not presently
24 redeemable. Nothing in this paragraph may be constructed to prohibit reinvestment
25 of the income of a trust if the reinvestments will mature at such times that sufficient

1 moneys will be available to pay interest, applicable premiums, and principal on the
2 appropriation bonds or general obligation promissory notes being refunded.

3 (7) FISCAL REGULATIONS. (a) All appropriation bonds shall be registered by the
4 county clerk or county treasurer of the county issuing the appropriation bonds, or
5 such other officers or agents, including fiscal agents, as the board may determine.
6 After registration, no transfer of an appropriation bond is valid unless made by the
7 registered owner's duly authorized attorney, on the records of the county and
8 similarly noted on the appropriation bond. The county may treat the registered
9 owner as the owner of the appropriation bond for all purposes. Payments of principal
10 and interest shall be by electronic funds transfer, check, share draft, or other draft
11 to the registered owner at the owner's address as it appears on the register, unless
12 the board has otherwise provided. Information in the register is not available for
13 inspection and copying under s. 19.35 (1). The board may make any other provision
14 respecting registration as it considers necessary or desirable.

15 (b) The board may appoint one or more trustees or fiscal agents for each issue
16 of appropriation bonds. The county treasurer may be designated as the trustee and
17 the sole fiscal agent or as cofiscal agent for any issue of appropriation bonds. Every
18 other fiscal agent shall be an incorporated bank or trust company authorized by the
19 laws of the United States or of the state in which it is located to conduct banking or
20 trust company business. There may be deposited with a trustee, in a special account,
21 moneys to be used only for the purposes expressly provided in the resolution
22 authorizing the issuance of appropriation bonds or an agreement between the county
23 and the trustee. The board may make other provisions respecting trustees and fiscal
24 agents as the board considers necessary or desirable and may enter into contracts
25 with any trustee or fiscal agent containing such terms, including compensation, and

1 conditions in regard to the trustee or fiscal agent as the board considers necessary
2 or desirable.

3 (c) If any appropriation bond is destroyed, lost, or stolen, the county shall
4 execute and deliver a new appropriation bond, upon filing with the board evidence
5 satisfactory to the board that the appropriation bond has been destroyed, lost, or
6 stolen, upon providing proof of ownership thereof, and upon furnishing the board
7 with indemnity satisfactory to it and complying with such other rules of the county
8 and paying any expenses that the county may incur. The board shall cancel the
9 appropriation bond surrendered to the county.

10 (d) Unless otherwise directed by the board, every appropriation bond paid or
11 otherwise retired shall be marked "canceled" and delivered to the county treasurer,
12 or to such other fiscal agent as applicable with respect to the appropriation bond, who
13 shall destroy them and deliver a certificate to that effect to the county clerk.

14 (8) APPROPRIATION BONDS AS LEGAL INVESTMENTS. Any of the following may
15 legally invest any sinking funds, moneys, or other funds belonging to them or under
16 their control in any appropriation bonds issued under this section:

17 (a) The state, the investment board, public officers, municipal corporations,
18 political subdivisions, and public bodies.

19 (b) Banks and bankers, savings and loan associations, credit unions, trust
20 companies, savings banks and institutions, investment companies, insurance
21 companies, insurance associations, and other persons carrying on a banking or
22 insurance business.

23 (c) Personal representatives, guardians, trustees, and other fiduciaries.

24 (9) MORAL OBLIGATION PLEDGE. If the board considers it necessary or desirable
25 to do so, it may express in a resolution authorizing appropriation bonds its

1 expectation and aspiration to make timely appropriations sufficient to pay the
2 principal and interest due with respect to such appropriation bonds, to make
3 deposits into a reserve fund created under sub. (4) (a) with respect to such
4 appropriation bonds, to make payments under any agreement or ancillary
5 arrangement entered into under s. 59.86 with respect to such appropriation bonds,
6 to make deposits into any stabilization fund established or continued under s. 59.87
7 with respect to such appropriation bonds, or to pay related issuance or
8 administrative expenses.

9 (10) PENSION STUDY COMMITTEE. The 2 public members of the pension study
10 committee, created by chapter 405, laws of 1965, shall have at least 10 years of
11 financial experience.

12 SECTION 3. 59.86 of the statutes is created to read:

13 **59.86 Agreements and ancillary arrangements for certain notes and**
14 **appropriation bonds.** At the time of issuance or in anticipation of the issuance of
15 appropriation bonds under s. 59.85, or general obligation promissory notes under s.
16 67.12 (12), to pay unfunded prior service liability with respect to an employee
17 retirement system, or at any time thereafter so long as the appropriation bonds or
18 general obligation promissory notes are outstanding, a county having a population
19 of 500,000 or more may enter into agreements or ancillary arrangements relating to
20 the appropriation bonds or general obligation promissory notes, including trust
21 indentures, liquidity facilities, remarketing or dealer agreements, letters of credit,
22 insurance policies, guaranty agreements, reimbursement agreements, indexing
23 agreements, and interest exchange agreements. Any payments made or amounts
24 received with respect to any such agreement or ancillary arrangement shall be made
25 from or deposited as provided in the agreement or ancillary arrangement.

1 **SECTION 4.** 59.87 of the statutes is created to read:

2 **59.87 Employee retirement system liability financing in populous**
3 **counties; additional powers. (1) DEFINITIONS.** In this section:

4 (a) "Board" means the county board of supervisors in any county.

5 (b) "County" means any county having a population of 500,000 or more.

6 (c) "Pension funding plan" means a strategic and financial plan related to the
7 payment of all or part of a county's unfunded prior service liability with respect to
8 an employee retirement system.

9 (d) "Trust" means a common law trust organized under the laws of this state,
10 by the county, as settlor, pursuant to a formal, written, declaration of trust.

11 **(2) SPECIAL FINANCING ENTITIES, FUNDS, AND ACCOUNTS.** (a) To facilitate a pension
12 funding plan and in furtherance thereof, a board may create one or more of the
13 following:

14 1. A trust.

15 2. A nonstock corporation under ch. 181.

16 3. A limited liability company under ch. 183.

17 4. A special fund or account of the county.

18 (b) An entity described under par. (a) has all of the powers provided to it under
19 applicable law and the documents pursuant to which it is created and established.
20 The powers shall be construed broadly in favor of effectuating the purposes for which
21 the entity is created. A county may appropriate funds to such entities and to such
22 funds and accounts, under terms and conditions established by the board, consistent
23 with the purposes for which they are created and established.

24 **(3) STABILIZATION FUNDS.** (a) To facilitate a pension funding plan a board may
25 establish a stabilization fund. Any such fund may be created as a trust, a special fund

1 or account of the county established by a separate resolution or ordinance, or a fund
2 or account created under an authorizing resolution or trust indenture in connection
3 with the authorization and issuance of appropriation bonds under s. 59.85 or general
4 obligation promissory notes under s. 67.12 (12). A county may appropriate funds for
5 deposit to a stabilization fund established under this subsection.

6 (b) Moneys in a stabilization fund established under this subsection may be
7 used, subject to annual appropriation by the board, solely to pay principal or interest
8 on appropriation bonds issued under s. 59.85 and general obligation promissory
9 notes under s. 67.12 (12) issued in connection with a pension funding plan, for the
10 redemption or repurchase of such appropriation bonds or general obligation
11 promissory notes, or to make payments under any agreement or ancillary
12 arrangement entered into under s. 59.86 with respect to such appropriation bonds
13 or general obligation promissory notes. Moneys on deposit in a stabilization fund
14 may not be subject to any claims, demands, or actions by, or transfers or assignments
15 to, any creditor of the county, any beneficiary of the county's employee retirement
16 system, or any other person, on terms other than as may be established in the
17 resolution or ordinance creating the stabilization fund. Moneys on deposit in a
18 stabilization fund established under this subsection may be invested and reinvested
19 in the manner directed by the board or pursuant to delegation by the board as
20 provided under s. 66.0603 (5).

21 **SECTION 5.** 66.0602 (3) (d) 3. of the statutes is created to read:

22 66.0602 (3) (d) 3. The limit otherwise applicable under this section does not
23 apply to amounts levied by a county having a population of 500,000 or more for the
24 payment of debt service on appropriation bonds issued under s. 59.85, including debt
25 service on appropriation bonds issued to fund or refund outstanding appropriation

1 bonds of the county, to pay related issuance costs or redemption premiums, or to
2 make payments with respect to agreements or ancillary arrangements authorized
3 under s. 59.86.

4 **SECTION 6.** 66.0603 (1m) (e) of the statutes is created to read:

5 66.0603 (1m) (e) Subject to s. 67.11 (2) with respect to funds on deposit in a debt
6 service fund for general obligation promissory notes issued under s. 67.12 (12), a
7 county having a population of 500,000 or more, or a person to whom the county has
8 delegated investment authority under sub. (5), may invest and reinvest in the same
9 manner as is authorized for investments and reinvestments under s. 881.01, any of
10 the following:

11 1. Moneys held in any stabilization fund established under s. 59.87 (3).

12 2. Moneys held in a fund or account, including any reserve fund, created in
13 connection with the issuance of appropriation bonds under s. 59.85 or general
14 obligation promissory notes under s. 67.12 (12) issued to provide funds for the
15 payment of all or a part of the county's unfunded prior service liability.

16 3. Moneys appropriated or held by the county to pay debt service on
17 appropriation bonds or general obligation promissory notes under s. 67.12 (12).

18 4. Moneys constituting proceeds of appropriation bonds or general obligation
19 promissory notes described in subd. 2. that are available for investment until they
20 are spent.

21 5. Moneys held in an employee retirement system of the county.

22 **SECTION 7.** 66.0603 (5) of the statutes is created to read:

23 66.0603 (5) DELEGATION OF INVESTMENT AUTHORITY IN CONNECTION WITH PENSION
24 FINANCING IN POPULOUS COUNTIES. The governing board of a county having a
25 population of 500,000 or more may delegate investment authority over any of the

1 moneys described in sub. (1m) (e) to any of the following persons, which shall be
2 responsible for the general administration and proper operation of the county's
3 employee retirement system, subject to the board's finding that such person has
4 expertise in the field of investments:

5 (a) A public board that is organized for such purpose under county ordinances.

6 (b) A trustee, investment advisor, or investment banking or consulting firm.

7 **SECTION 8.** 67.01 (9) (intro.) of the statutes is amended to read:

8 67.01 (9) (intro.) This chapter is not applicable to appropriation bonds issued
9 by a county under s. 59.85 and, except ss. 67.08 (1), 67.09 and 67.10, is not applicable:

10 **SECTION 9.** 67.04 (5) (b) 4. of the statutes is amended to read:

11 67.04 (5) (b) 4. To pay unfunded prior service liability contributions under the
12 Wisconsin retirement system, or to pay unfunded prior service liability with respect
13 to an employee retirement system, if all of the net proceeds of the note will be used
14 to pay for such contributions or payments.

15 **SECTION 10.** 67.045 (1) (g) of the statutes is created to read:

16 67.045 (1) (g) The debt is issued by a county having a population of 500,000 or
17 more to pay unfunded prior service liability with respect to an employee retirement
18 system.

19 **SECTION 11.** 67.12 (12) (a) of the statutes is amended to read:

20 67.12 (12) (a) Any municipality may issue promissory notes as evidence of
21 indebtedness for any public purpose, as defined in s. 67.04 (1) (b), including but not
22 limited to paying any general and current municipal expense, and refunding any
23 municipal obligations, including interest on them. Each note, plus interest if any,
24 shall be repaid within 10 years after the original date of the note, except that notes
25 issued under this section for purposes of ss. 119.498, 145.245 (12m), 281.58, 281.59,

1 281.60, and 281.61, ~~or~~ issued to raise funds to pay a portion of the capital costs of a
2 metropolitan sewerage district, or issued by a county having a population of 500,000
3 or more to pay unfunded prior service liability with respect to an employee
4 retirement system shall be repaid within 20 years after the original date of the note.

5 (END)