



State of Wisconsin
2017 - 2018 LEGISLATURE

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**SENATE SUBSTITUTE AMENDMENT 1,
TO ASSEMBLY BILL 842**

March 20, 2018 - Offered by Senators HANSEN, LARSON, SCHACHTNER, JOHNSON, VINEHOUT, CARPENTER, ERPENBACH, RISSER, RINGHAND, MILLER, SHILLING and BEWLEY.

1 **AN ACT** *to amend* chapter 40 (title); and *to create* 15.165 (5), 20.515 (1) (k),
2 20.515 (2), 25.17 (1) (yu), 25.52 and subchapter X of chapter 40 [precedes 40.99]
3 of the statutes; **relating to:** the creation of a private retirement security plan
4 and making appropriations.

Analysis by the Legislative Reference Bureau

Under current law, the Employee Trust Fund Board (ETF board) administers the Wisconsin Retirement System under which public employees who are covered under the WRS and their employers pay contributions to the WRS and the WRS, from those contributions and the earnings on those contributions, provides retirement annuities to those public employees.

This substitute amendment creates a Wisconsin Private Retirement Security Board (board) and requires the board to establish a private retirement security plan (plan) to provide retirement benefits for residents of this state who choose to participate in the plan. Specifically, the substitute amendment requires the board to do all of the following:

1. Conduct a study to determine the feasibility of establishing a plan. The feasibility study must estimate the potential population that is likely to choose to participate in the plan and the potential cost of implementing the plan and must recommend a design and structure for the plan that is most reasonable in light of that potential population and cost.

2. Hold public hearings to receive testimony relating to the feasibility study and the recommended design and structure of the plan. The board must hold not less than five public hearings and must hold those hearings over a period of not more than three months. The board may hold no more than one public hearing in Madison and must ensure that at least one public hearing is held in each geographic area of the state, including the southeastern part of the state, the western part of the state, the northern part of the state, and the northeastern part of the state.

3. Based on the feasibility study, the recommended design and structure of the plan, and the testimony received at the public hearings, design the plan. The board must design the plan so that, to the greatest extent possible, the design and structure of the plan are reasonably commensurate with the design and structure of the WRS. In designing the plan, the board must provide for the State of Wisconsin Investment Board to assist the board in managing and investing the assets of the fund and the assets of the accounts of participants in the plan and must provide for the ETF board to assist the board in administering the plan.

4. By no later than the first day of the 18th month beginning after the effective date of the substitute amendment, submit a report to the legislature, the governor, and the members of the Joint Committee on Finance summarizing the conclusions of the feasibility study, the testimony received at the public hearings, and the design of the plan. The report must also include an estimate of the cost of initial establishment and administration of the plan, an estimate of the amount of time necessary to make the plan viable, and a recommendation for any legislation that is necessary to implement the plan. If no legislation is recommended, the board must implement the plan.

In addition, the substitute amendment requires the Department of Employee Trust Funds to 1) provide staff and other resources to assist the board in the performance of the board's duties under the substitute amendment; and 2) submit an estimate to JCF for supplemental funds from the general fund to be credited to the general purpose revenue (GPR) appropriation of the board created under the substitute amendment. The estimate must include the initial cost of establishing the board, conducting the feasibility study, holding the public hearings, designing the plan, and preparing and submitting the report. JCF must, from its GPR general program supplementation appropriation, supplement the GPR appropriation of the board in an amount equal to the estimate.

Finally, the substitute amendment permits the board to charge reasonable fees to participants in the plan to cover the costs of administering the plan, to recover the investment costs of the accounts of those participants, and to repay the general fund for amounts provided to the board for the costs of conducting the feasibility study, holding the public hearings, designing the plan, and preparing and submitting the report and for the costs of the initial establishment and administration of the plan.

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

1 **SECTION 1.** 15.165 (5) of the statutes is created to read:

2 15.165 (5) WISCONSIN PRIVATE RETIREMENT SECURITY BOARD. (a) There is created
3 in the department of employee trust funds a Wisconsin private retirement security
4 board consisting of the following members appointed for 5-year terms:

5 1. One member appointed by the employee trust funds board.

6 2. One member appointed by the investment board.

7 3. One member appointed by the agricultural education and workforce
8 development council.

9 4. One member appointed by the Wisconsin Women's Business Initiative
10 Corporation.

11 5. One member appointed by the senate majority leader.

12 6. One member appointed by the senate minority leader.

13 7. One member appointed by the speaker of the assembly.

14 8. One member appointed by the assembly minority leader.

15 9. One member appointed by the governor.

16 (b) Not less than 5 of the members appointed under par. (a) shall have at least
17 10 years of experience in making investments, but any person having a financial
18 interest in, or whose employer is primarily a dealer or broker in, securities or
19 mortgage or real estate investments is not eligible for appointment, and any member
20 who acquires such an interest or accepts such employment shall thereupon vacate
21 his or her membership.

22 **SECTION 2.** 20.515 (1) (k) of the statutes is created to read:

23 20.515 (1) (k) *Assistance to Wisconsin private retirement security board.* All
24 moneys transferred from the appropriation account under sub. (2) (a) for the
25 activities of the department under s. 40.99 (3).

1 **SECTION 3.** 20.515 (2) of the statutes is created to read:

2 20.515 (2) PRIVATE RETIREMENT SECURITY PLAN. (a) *Initial costs.* A sum sufficient
3 to be transferred to the Wisconsin private retirement security plan administration
4 trust fund and expended for the activities of the Wisconsin private retirement
5 security board under s. 40.99 (2) (a) to (c) and for the initial establishment and
6 administration of the Wisconsin private retirement security plan under s. 40.99 (2)
7 (d) and to be transferred to the appropriation account under sub. (1) (k) and expended
8 for the activities of the department under s. 40.99 (3).

9 (q) *Initial administrative expenses; Wisconsin private retirement security plan*
10 *administration trust fund.* From the Wisconsin private retirement security plan
11 administration trust fund, all moneys transferred to that fund under par. (a) for the
12 activities of the Wisconsin private retirement security board under s. 40.99 (2) (a) to
13 (c) and for the initial establishment and administration of the Wisconsin private
14 retirement security plan under s. 40.99 (2) (d).

15 (r) *Operating administrative expenses; Wisconsin private retirement security*
16 *plan administration trust fund.* From the Wisconsin private retirement security
17 plan administration trust fund, all moneys deposited in that fund under s. 40.99 (4)
18 (b) for the administrative costs of the Wisconsin private retirement security plan
19 under s. 40.99 (2) (d), for the investment costs of accounts under that plan, and for
20 repayment of the amounts appropriated under par. (a).

21 **SECTION 4.** 25.17 (1) (yu) of the statutes is created to read:

22 25.17 (1) (yu) Wisconsin private retirement security plan administration trust
23 fund (s. 25.52).

24 **SECTION 5.** 25.52 of the statutes is created to read:

1 **25.52 Wisconsin private retirement security plan administration trust**
2 **fund.** There is established a separate nonlapsible trust fund designated as the
3 Wisconsin private retirement security plan administration trust fund, to consist of
4 all moneys transferred to that fund under s. 20.515 (2) (a) and all moneys deposited
5 in that fund under s. 40.99 (4) (b).

6 **SECTION 6.** Chapter 40 (title) of the statutes is amended to read:

7 **CHAPTER 40**

8 **PUBLIC EMPLOYEE TRUST FUND**

9 **AND PRIVATE RETIREMENT**

10 **SECURITY PLAN**

11 **SECTION 7.** Subchapter X of chapter 40 [precedes 40.99] of the statutes is
12 created to read:

13 **CHAPTER 40**

14 **SUBCHAPTER X**

15 **PRIVATE RETIREMENT SECURITY PLAN**

16 **40.99 Private retirement security plan. (1) DEFINITIONS.** In this section:

17 (a) “Board” means the Wisconsin private retirement security board.

18 (b) “Fund” means the Wisconsin private retirement security plan
19 administration trust fund.

20 (c) “Plan” means the private retirement security plan established under this
21 section.

22 **(2) DUTIES OF BOARD.** The board shall do all of the following:

23 (a) *Feasibility study.* Conduct a study to determine the feasibility of
24 establishing a private retirement security plan to provide retirement benefits for
25 residents of this state who choose to participate in the plan. The feasibility study

1 shall estimate the potential population that is likely to choose to participate in the
2 plan and the potential cost of implementing the plan and shall recommend a design
3 and structure for the plan that is most reasonable in light of that potential population
4 and cost. In conducting the feasibility study, the board may contract with actuarial
5 consultants and any other person whose services are necessary for the board to
6 conduct the feasibility study.

7 (b) *Public hearings.* Hold public hearings to receive testimony relating to the
8 feasibility study conducted, and the design and structure recommended, under par.

9 (a). The board shall hold not less than 5 public hearings under this paragraph and
10 shall hold those hearings over a period of not more than 3 months. The board may
11 hold no more than one public hearing under this paragraph in Madison and shall
12 ensure that at least one public hearing under this paragraph is held in each
13 geographic area of the state, including the southeastern part of the state, the western
14 part of the state, the northern part of the state, and the northeastern part of the state.

15 (c) *Design of plan.* Based on the feasibility study conducted, and the design and
16 structure recommended, under par. (a) and the testimony received under par. (b),
17 design a private retirement security plan to provide retirement benefits for residents
18 of this state who choose to participate in the plan. The board shall design the plan
19 so that, to the greatest extent possible, the design and structure of the plan are
20 reasonably commensurate with the design and structure of the Wisconsin
21 Retirement System. In designing the plan, the board shall provide for the
22 investment board to assist the board in managing and investing the assets of the
23 fund and the assets of the accounts of participants in the plan and shall provide for
24 the employee trust funds board to assist the board in administering the plan. In

1 designing the plan, the board may contract with actuarial consultants and any other
2 person whose services are necessary for the board to design the plan.

3 (d) *Implementation of plan.* By no later than the first day of the 18th month
4 beginning after the effective date of this paragraph [LRB inserts date], submit a
5 report to the legislature under s. 13.172 (2), the governor, and the members of the
6 joint committee on finance summarizing the conclusions of the feasibility study
7 conducted under par. (a), the testimony received at the public hearings held under
8 par. (b), and the design of the plan under par. (c). The report shall also include an
9 estimate of the cost of initial establishment and administration of the plan, an
10 estimate of the amount of time necessary to make the plan viable, and a
11 recommendation for any legislation that is necessary to implement the plan. If no
12 legislation is recommended, the board shall implement the plan.

13 **(3) DUTIES OF DEPARTMENT.** (a) *Assistance to board.* From the appropriation
14 account under s. 20.515 (1) (k), the department shall be reimbursed for all of its costs
15 incurred in establishing the board and plan and for providing staff and other
16 resources to assist the board in the performance of the board's duties under sub. (2).
17 The department may not expend any moneys from the public employee trust fund
18 for its activities under this subsection.

19 (b) *Funding of initial costs.* The department shall submit an estimate to the
20 joint committee on finance of the initial cost of establishing the board, conducting the
21 feasibility study under sub. (2) (a), holding the public hearings under sub. (2) (b),
22 designing the plan under sub. (2) (c), and preparing and submitting the report under
23 sub. (2) (d). The joint committee on finance shall, from the appropriation under s.
24 20.865 (4) (a), supplement the appropriation under s. 20.515 (2) (a) in an amount
25 equal to the estimated amount.

