

CR 85-91

CERTIFICATE

STATE OF WISCONSIN)
) SS
DEPARTMENT OF EMPLOYE TRUST FUNDS)

RECEIVED

AUG 21 1985
11:15 am
Revisor of Statutes
Bureau

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Gary I. Gates, Secretary of the Department of Employee Trust Funds, and custodian of the official records do hereby certify that the annexed rules relating to separate retirement system participation in the fixed or variable trust fund and fixed retirement investment trust participation in the variable investment trust were duly approved by the Teachers Retirement, Wisconsin Retirement and Employee Trust Funds Boards and adopted by this department on August 19, 1985.

I further certify that this copy has been compared by me with the original on file in this department and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand at 201 East Washington Avenue, in the City of Madison, this 19th day of August, 19 85.

Gary I. Gates
Gary I. Gates, Secretary
Department of Employee Trust Funds

ORDER OF THE DEPARTMENT OF EMPLOYE TRUST FUNDS
ADOPTING RULES

To create ETF 10.12 and ETF 10.25, relating to separate retirement system participation in the fixed or variable trust fund and fixed retirement investment trust participation in the variable investment trust.

Analysis Prepared by the Department of Employee Trust Funds

SECTION 1 of this proposed rule order sets forth the times when a separate governmental retirement system may deposit or withdraw funds from the state fixed or variable trust fund; provides for the valuation of those investments; and distributes the investment income among the retirement systems.

SECTION 2 establishes the procedures for allowing assets of the fixed retirement investment trust which are authorized to be invested in common or preferred stock to be invested as a part of the variable retirement investment trust. This will make it unnecessary to allocate stock purchases, sales, dividends received, etc. between the separate funds and thereby streamline paperwork since virtually all such transactions involve both funds.

Small businesses are not affected by this rule.

This rule interprets ss. 40.03 (1) (n) and (2) (q), 40.04 (2) (d), (3) (intro.) and (3) (d), Stats.

Pursuant to the authority vested in the secretary of the department of employe trust funds by s. 40.03 (2) (i) and (q) and 40.04 (3) (d), Stats., the secretary of the department of employe trust funds hereby creates a rule interpreting ss. 40.03 (1) (n) and (2) (q), 40.04 (2) (d), (3) (intro.) and (3) (d), Stats., as follows:

SECTION 1. ETF 10.12 is created to read:

ETF 10.12 SEPARATE RETIREMENT SYSTEM PARTICIPATION IN THE RETIREMENT TRUST FUND. The governing body of the separate retirement system may request participation in the retirement trust fund by the adoption of a resolution accepting the provisions of this section in a form approved by the department. A certified copy of the resolution shall be forwarded to the department and participation shall be effective on the first day of the month following board approval of the resolution under s. 40.03 (1) (n), Stats. Funds may be delivered or sent to the department subject to the following:

(1) (a) DEPOSITS. Deposits shall be made in accordance with instructions issued by the department.

(b) The separate retirement system may designate any portion of its deposit for investment in the variable retirement investment trust. Deposits shall be invested in the fixed retirement trust unless otherwise designated.

(c) The separate retirement system shall provide the department 30 days advance notice of any deposit in excess of \$10 million. This requirement may be waived by the secretary.

(d) Deposits to the fixed and variable retirement investment trusts shall be accepted on the first working day of the month only. Funds received after the first working day of the month shall be transferred by the department to the local government investment pool as defined in s. 25.50, Stats., until the first working day of the next month.

(2) VALUATIONS. A separate retirement system's investments shall be as follows:

(a) A separate retirement system's proportionate ownership share of the fixed or variable retirement investment trust at the time of the system's original deposit shall be calculated as the ratio of that system's deposit to the current market value of the trust fund including that system's deposit.

(b) The current market value of the fixed and variable retirement investment trusts shall be determined as of the last day of each month.

(c) Each separate retirement system's investment shall be adjusted to current market value as of the last day of each month. The current market value of each system's investment shall be calculated as the total value of the trust fund as of the last day of the month times the system's proportionate ownership share in the fund as of the first day of that month.

(d) Each separate retirement system's proportionate ownership share in the fixed or variable investment trusts as of the first day of a month shall be calculated as the ratio of the current market value of that system's investment as of the last day of the previous month, plus any deposits and minus any withdrawals made by that system as of the first day of the new month, to the current market value of the total fund as of the last day of the previous month, plus all deposits and minus all withdrawals made by any system as of the first day of the new month.

(e) Each separate retirement system shall be given one year advance notice of any changes in the method of valuing investments or calculating proportionate ownership shares, unless an earlier effective date for the changes is mandated by statute.

(f) Interest, dividends and other investment earnings shall be recognized as income in the month received. The costs of administering and investing the assets shall be charged directly against the investment earnings monthly.

(3) REPORTS. The department shall provide, at least quarterly, each separate retirement system a report showing all transactions in its account during the preceding quarter and the current value of the system's investment.

(4)(a) WITHDRAWALS. Requests for withdrawal of funds shall be on a form prescribed by and in accordance with instructions issued by the department.

(b) The separate retirement system shall provide the department no less than 60 days advance notice of any withdrawal in excess of \$10 million.

(c) Withdrawals by a separate retirement system shall be limited in any calendar month to the greater of 5% of the system's balance on deposit or \$2 million.

(d) All withdrawals by a separate retirement system shall be deemed to have been made on the first day of the month of withdrawal.

(e) If a separate retirement system's balance on deposit drops below \$2 million, that system's investment shall be refunded and the account closed.

NOTE: Section ETF 10.12 requires a form which is available at no charge by contacting the department of employe trust funds.

SECTION 2. ETF 10.25 is created to read:

ETF 10.25 FIXED RETIREMENT INVESTMENT TRUST PARTICIPATION IN THE VARIABLE RETIREMENT INVESTMENT TRUST. The fixed retirement investment trust may invest in the variable retirement investment trust subject to the following:

(1) TRANSFER OF CURRENT INVESTMENTS. A combined stock fund shall be established as a separate account within the variable retirement investment trust as follows:

(a) Effective January 1, 1986, the fixed retirement investment trust and the variable retirement investment trust shall transfer to the combined stock fund all the trusts' investments in common and preferred stocks. In exchange, the fixed retirement investment trust and the variable retirement investment trust shall receive shares in the combined stock fund, valued at one dollar per share, equal to the market value of those stocks transferred at the time of transfer.

(b) The gain or loss realized in the fixed retirement investment trust as a result of transferring stocks to the combined stock fund at market value shall be transferred to the transaction amortization account maintained under s. 40.04 (3) (intro.), Stats.

(c) The gain or loss realized in the variable retirement investment trust as a result of transferring stocks to the combined stock fund at market value shall be recognized as income or loss in the month of transfer.

(2) ADDITIONAL INVESTMENTS. The fixed retirement investment trust and the variable retirement investment trust may purchase additional shares in the combined stock fund as follows:

(a) Effective January 1, 1986, the fixed retirement investment trust and the variable retirement investment trust shall use those funds designated for investment in common or preferred stocks to purchase shares in the combined stock fund.

(b) Shares in the combined stock fund may be purchased only as of the first day of each month.

(c) All shares purchased in the combined stock fund shall, at the time of purchase, have a book value of one dollar per share.

(3) INVESTMENT OF COMBINED STOCKS. All funds received in the combined stock fund from the fixed retirement investment trust and the variable retirement investment trust shall be used to invest in common or preferred stocks or the state investment fund.

(4) EARNINGS DISTRIBUTIONS. Earnings shall be distributed from the combined stock fund to the fixed retirement investment trust and the variable retirement investment trust according to the following:

(a) All investment income received by the combined stock fund shall be recognized as income in the month received.

(b) The book value of all investments in the combined stock fund shall be adjusted to current market value as of the last day of each month. The appraisal gain or loss shall be recognized in the month incurred.

(c) As of the last day of each month the combined stock fund shall distribute to the fixed retirement investment trust and the variable retirement investment trust all income recorded for that month including interest received, dividends received, gain or loss realized on the sale of investments and the unrealized gain or loss recognized on the adjustment of investment book value to market value. Following these distributions the unit value of shares in the combined stock fund shall be one dollar.

(d) For any month, the distribution of income between the fixed retirement investment trust and the variable retirement investment trust shall be based on the ratio of the relative number of combined stock fund shares held by each trust as of the first day of that month to the total number of combined stock fund shares outstanding.

(e) Monthly distributions from the combined stock fund to the fixed retirement investment trust resulting from gains or losses realized on the sale of investments or unrealized appraisal gains or losses shall be transferred to the transaction amortization account. Distributions resulting from all other sources shall be recognized as current income to the fixed retirement investment trust in the month of distribution.

(f) All distribution to the variable retirement investment trust shall be treated as current income in the month of distribution.

(5) WITHDRAWALS. The fixed retirement investment trust or the variable retirement investment trust may withdraw funds from the combined stock fund as of the first day of any month. The withdrawal shall be accomplished by selling combined stock fund shares to the combined stock fund. Withdrawals made after the first day of any month shall be deemed to have been made on the first day of that month for purposes of distributing income at the end of that month.

This rule shall take effect as provided in s. 227.026 (1) (intro.), Stats.

August 19, 1985
Date

Gary I. Gates
Gary I. Gates, Secretary
Department of Employee Trust Funds

FISCAL ESTIMATE
AD.MBA-23 (Rev. 11/84)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB Bill No. / Adm. Rule No.
ETF 10.12 & 10.25
Amendment No. if Applicable

Subject Separate retirement system participation in the trust fund and fixed trust fund investment in the variable trust fund.

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Increase Costs - May Be Possible to Absorb Within Agency's Budget Yes No
 Decrease Costs

Local: No local government costs

1. Increase Costs
 Permissive Mandatory
2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____

Fund Sources Affected

GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

SECTION 1 of this proposed rule allows separate retirement systems to include funds in the public employe trust fund. The rules set forth the times when the separate system may deposit or withdraw funds, provides for the valuation of those funds and the distribution of investment income.

1983 Wisconsin Act 247 provided that the separate retirement systems reimburse any administrative costs. These costs will presumably be more than offset by the separate system discontinuing its previous investment program. We therefore anticipate that this section will result in an indeterminable net cost reduction for the local system.

SECTION 2 allows the assets of the fixed retirement investment trust to be invested as a part of the variable retirement investment trust.

The transfer of stocks from the fixed fund to the variable fund at market value will result in earlier recognition of any gains or losses in the market value of the stocks since purchase. The net amount of gain or loss to be recognized is indeterminable. The gain or loss will be transferred to the transaction amortization account and amortized at the rate of 7% per year. While the timing of recognizing these gains and losses will be changed, there will be no long-term fiscal impact.

Long-Range Fiscal Implications

None

Agency/Prepared by: (Name & Phone No.)

Diane M. Bass 266-5804
Dept. of Employee Trust Funds

Authorized Signature/Telephone No.

Diane M. Bass 266-5804

Date

6/5/85

FISCAL ESTIMATE WORKSHEET

1985 Session

Detailed Estimate of Annual Fiscal Effect
AD-MBA-22 (Rev. 11/84)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

L.R.B. or Bill No./Adm. Rule No.
ETF 10.12 & 10.25

Amendment No.

Subject Separate retirement system participation in the trust fund and fixed trust fund investment in the variable trust fund

I. One-time Costs or Revenue Fluctuations for State and/or Local Government (do not include in annualized fiscal effect):

None

II. Annualized Costs: Note: Treat fiscal costs like a "checkbook": increased costs reduce available funds (-); decreased costs increase available funds (+).

	Annualized fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
Salaries and Fringes	\$ -	\$ +
Staff Support Costs	-	+
Other State Costs	-	+
Local Assistance	-	+
Aids to Individuals or Organizations	-	+
TOTAL State Costs by Category	\$ - 0	\$ + 0
B. State Costs by Source of Funds		
GPR	\$ -	\$ +
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
C. FTE Position Changes	Increased Pos. + 10	Decreased Pos. - 10
III. State Revenues-Complete this only when proposal will increase or decrease state revenues, such as taxes, license fees, etc.	Decreased Rev.	Increased Rev.
GPR Taxes	\$ -	\$ +
GPR Earned	-	+
FED	-	+
PRO/PRS	-	+
SEG/SEG-S	-	+
TOTAL State Revenues	\$ - 0	\$ + 0

Net Annualized Fiscal Impact on State & Local Funds

State	Annual Increases	Annual Decreases	Local	Annual Increases	Annual Decreases
Total Costs	\$ -	\$ +	Total Costs	\$ -	\$ +
Total Revenues	+	-	Total Revenues	+	-
NET Impact on State Funds	\$ (+) or (-)	None	NET Impact on Local Funds	\$ (+) or (-)	None

Agency/Prepared by: (Name & Phone No.)

Diane M. Bass 266-5804
Dept. of Employee Trust Funds

Authorized Signature/Telephone No.

Diane M. Bass 266-5804

Date
5/28/85



State of Wisconsin \ DEPARTMENT OF EMPLOYEE TRUST FUNDS

August 19, 1985

Gary I. Gates
Secretary

201 EAST WASHINGTON AVENUE
P.O. BOX 7931
MADISON, WISCONSIN 53707

IN REPLY REFER TO:

Gary Poulson
Assistant Revisor of Statutes
411 West State Capitol
Madison, WI 53702

RECEIVED

AUG 21 1985

Revisor of Statutes
Bureau

Dear Gary:

Re: Clearinghouse Rule No. 85-91

Enclosed is a Certificate and two copies of an Order Adopting a Rule. A certified copy of this order has also been forwarded to the Secretary of State.

Sincerely,

Diane M. Bass
Policy Analyst
(608) 266-5804

DB/abc Md4