



1997 SENATE BILL 31

January 28, 1997 - Introduced by Senators GROBSCHMIDT, C. POTTER, RUDE, RISSER, BUETTNER, PLACHE, FITZGERALD, SHIBILSKI, MOEN and SCHULTZ, cosponsored by Representatives HANSON, OTT, TRAVIS, MUSSER, DOBYNS, HUBER, NOTESTEIN, BOYLE, TURNER, ZIEGELBAUER, R. YOUNG, PLALE, KREUSER, SPRINGER, BALDWIN, GRONEMUS, BLACK, HASENOHRL, RYBA, BRANDEMUEHL, MURAT, MEYER and LORGE. Referred to Joint survey committee on Retirement Systems.

- 1 **AN ACT** *to amend* 40.05 (2) (b) and 40.73 (1) (c) and (d); and *to create* 40.05 (2)
2 (bu) of the statutes; **relating to:** the requirements for receiving an automatic
3 joint survivor death benefit under the Wisconsin retirement system.

Analysis by the Legislative Reference Bureau

Under current law, a beneficiary of a participant in the Wisconsin retirement system (WRS) may apply for a lump sum death benefit upon the death of the participant. If the participant is not an annuitant, the lump sum is the sum of the additional and required employe contributions credited to the participant's account. For teacher participants who were members of the state teachers retirement system or the Milwaukee teachers retirement system, the lump sum amount also includes employer contributions credited to the participant's account on or before June 30, 1973, plus interest. For participants who were participants under the WRS on or before December 31, 1965, the lump sum also includes employer contributions credited to the participant's account on December 31, 1965, plus interest.

In lieu of a lump sum death benefit described above, an automatic joint survivor death benefit is payable to a beneficiary of a WRS participating employe if the beneficiary is a dependent of the participating employe and the participating employe reaches a minimum age of 55 for protective occupations or 60 for other occupations. Either the dependent beneficiary or a trust established for the dependent beneficiary may receive the automatic joint survivor death benefit. The amount of the joint survivor death benefit is the present value on the day after the participating employe's death of the life annuity to the beneficiary which would have

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been payable if the participating employe had elected to receive the annuity in the form of a joint and survivor annuity. The value of the automatic joint survivor death benefit cannot be less than the value of the lump sum payment that the beneficiary is eligible to receive. If the value of the lump sum payment is higher, the beneficiary cannot receive an automatic joint survivor death benefit. For the purpose of determining eligibility for an automatic joint survivor death benefit, an annuitant who receives payment from an annuity only from accumulated additional contributions, subject to certain limitations, may be considered a participating employe.

This bill reduces the minimum age for participating employes to be eligible for joint survivor death benefits to age 50 for a participating employe in a protective occupation and to age 55 for other participating employes.

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

For further information see the *state and 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.** 40.05 (2) (b) of the statutes is amended to read:

2 40.05 (2) (b) Contributions shall be made by each participating employer for
3 unfunded prior service liability in a percentage of the earnings of each participating
4 employe. A separate percentage rate shall be determined for the employe
5 occupational categories under s. 40.23 (2m) as of the employer's effective date of
6 participation. The rates shall be sufficient to amortize as a level percent of payroll
7 over a period of 40 years from the later of that date or January 1, 1986, the unfunded
8 prior service liability for the categories of employes of each employer determined
9 under s. 40.05 (2) (b), 1981 stats., increased to reflect any creditable prior service
10 granted on or after January 1, 1986, increased to reflect the effect of 1983 Wisconsin
11 Act 141, increased at the end of each calendar year after January 1, 1986, by interest
12 at the assumed rate on the unpaid balance at the end of the year and adjusted under
13 pars. (bu), (bv) and (bw).

14 **SECTION 2.** 40.05 (2) (bu) of the statutes is created to read:

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1 40.05 (2) (bu) The employer contribution rate determined under par. (b) for
2 each employer shall be adjusted, if necessary, to reflect the added prior service
3 liability of paying additional joint and survivor death benefits to beneficiaries of
4 participating employes as a result of 1997 Wisconsin Act ... (this act) and that rate
5 shall be sufficient to amortize the unfunded prior service liability of the employers
6 over the remainder of the 40-year amortization period under par. (b).

7 **SECTION 3.** 40.73 (1) (c) and (d) of the statutes are amended to read:

8 40.73 (1) (c) In lieu of the benefit payable under par. (a) or (b), upon the death
9 of a participating employe who ~~has attained the age of 60 years, or age 55 if a~~
10 ~~protective occupation participant, prior to death, met all of the requirements under~~
11 ~~s. 40.23 (1) except termination of employment and the filing of an application,~~ if the
12 beneficiary to whom a death benefit is payable is a dependent of the participating
13 employe, or a trust in which such a beneficiary has a beneficial interest, the present
14 value on the day following the date of death of the life annuity to the beneficiary
15 which would have been payable if the participating employe had been eligible to
16 receive a retirement annuity, computed under s. 40.23 or 40.26, beginning on the
17 date of death and had elected to receive the annuity in the form of a joint and survivor
18 annuity providing the same amount of annuity to the surviving beneficiary as the
19 reduced amount payable during the participant's lifetime. If there is more than one
20 beneficiary the amount of the annuity and its present value will be determined as
21 if the oldest of the beneficiaries were the sole beneficiary. If the death benefit payable
22 to the beneficiary under this paragraph would be less than the amount determined
23 under par. (a) or (b) the death benefit shall be payable under par. (a) or (b) and this
24 paragraph shall not be applicable to the beneficiary. An annuitant receiving an
25 annuity only under s. 40.24 (1) (f), which annuity was an immediate annuity, shall

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1 be deemed a participating employe for purposes of this paragraph only, but the
2 amount payable under s. 40.24 (1) (f) shall not be changed.

3 (d) Increased, upon the death of a participant who had elected the additional
4 benefit provided by s. 42.81 (14), 1979 stats., and continued making the contributions
5 provided for in s. 42.81 (14), 1979 stats., and was eligible for the benefit on
6 December 15, 1988, by an amount and for a period determined by the actuary and
7 approved by the board as being appropriate to the level of contributions provided for
8 in s. 42.81 (14), 1979 stats., or any lower level of contributions, as determined by the
9 actuary and approved by the board. The board may require that the payment of
10 benefits under an insurance contract be paid in lieu of any benefits provided under
11 this paragraph, but only if the benefits under the insurance contract are at least
12 equal to the benefits that would otherwise have been paid under this paragraph on
13 the date on which the insurance contract went into effect.

14 **SECTION 4. Effective dates.** This act takes effect on the day after publication,
15 except as follows:

16 (1) The treatment of section 40.05 (2) (b) and (bu) of the statutes takes effect
17 on the first January 1 after publication.

18 (END)