



2017 ASSEMBLY BILL 324

May 16, 2017 - Introduced by Representatives AUGUST, HUTTON, ALLEN, DUCHOW, GANNON, KNODL and STEFFEN, cosponsored by Senators STROEBEL, MOULTON, KAPENGA, NASS, MARKLEIN, LEMAHIEU and CRAIG. Referred to Committee on State Affairs.

1 **AN ACT to amend** 40.02 (33) (a) (intro.), 40.02 (33) (c), 40.23 (1) (a) (intro.), 40.23
2 (1) (am) 2., 40.23 (1) (bm), 40.25 (2) and 40.63 (7); and **to create** 40.02 (33) (am)
3 of the statutes; **relating to:** increasing the minimum retirement age under the
4 Wisconsin Retirement System and determining final average earnings for the
5 purpose of calculating Wisconsin Retirement System annuities.

Analysis by the Legislative Reference Bureau

For individuals who first become participating employees in the Wisconsin Retirement System on or after the effective date of this bill, this bill increases the minimum retirement age for general participants from age 55 to age 60 and for protective occupation participants from age 50 to age 52. The bill does not change the minimum retirement age for an individual who was a participating employee in the WRS before the effective date of the bill.

For individuals who first become participating employees in the WRS on or after the effective date of this bill, this bill modifies the formula method for calculating a participant's retirement annuity by calculating the participant's final average earning using the participant's five highest annual earning periods rather than three highest annual earning periods. Under current law, when a WRS participant terminates covered employment and becomes eligible for an annuity, the Department of Employee Trust Funds calculates the participant's annuity amount using two methods and pays the participant an annuity using whichever method results in a higher amount. The first method, known as the formula method, is based

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on the participant's final average earnings, the participant's number of years of creditable service, and a percentage multiplier. Under current law, a participant's final average earnings is a monthly rate of earnings calculated based on the three annual earnings periods in which the participant's earnings were highest. The second method is to calculate the amount of a money purchase annuity, which is determined based on the sum of a participant's accumulated required and additional contributions plus an amount that equals the participant's accumulated required contributions. This bill does not change the formula method for calculating a participant's annuity if the participant was a participating employee in the WRS before the effective date of the bill.

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 *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.** 40.02 (33) (a) (intro.) of the statutes is amended to read:

2 40.02 (33) (a) (intro.) The For a participant who was a participating employee
3 before the effective date of this paragraph [LRB inserts date], the monthly rate
4 of earnings, ignoring any fractions of a dollar, obtained by dividing:

5 **SECTION 2.** 40.02 (33) (am) of the statutes is created to read:

6 40.02 (33) (am) For a participant who first became a participating employee
7 on or after the effective date of this paragraph [LRB inserts date], the monthly
8 rate of earnings, ignoring any fractions of a dollar, obtained by dividing:

9 1. The participant's total earnings received or considered to be received under
10 sub. (22) (e), (ef), or (em) and for which contributions are made under s. 40.05 (1) and
11 (2) during the 5 annual earnings periods (excluding any period more than 5 years
12 prior to the effective date for any participating employer) in which the earnings were
13 the highest, subject to federal annual compensation limits; by

14 2. Twelve times the total amount of creditable service for the 5 periods.

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1 **SECTION 3.** 40.02 (33) (c) of the statutes is amended to read:

2 40.02 **(33)** (c) For a participant who makes an election under s. 40.30 (2), the
3 monthly rate of earnings applicable under par. (a), (am), or (b), increased as provided
4 under s. 40.30 (4) (b) but subject to federal annual compensation limits.

5 **SECTION 4.** 40.23 (1) (a) (intro.) of the statutes is amended to read:

6 40.23 **(1)** (a) (intro.) Except as provided in par. (am), any participant who was
7 a participating employee before the effective date of this paragraph ... [LRB inserts
8 date], who has on or before the annuity effective date attained age 55, and any
9 participant who first became a participating employee on or after the effective date
10 of this paragraph ... [LRB inserts date], who has on or before the annuity effective
11 date attained age 60, any protective occupation participant who was a participating
12 employee before the effective date of this paragraph ... [LRB inserts date], who has
13 on or before the annuity effective date attained age 50, ~~on or before the annuity~~
14 ~~effective date~~ and any protective occupation participant who first became a
15 participating employee on or after the effective date of this paragraph ... [LRB
16 inserts date], who has on or before the annuity effective date attained age 52 shall
17 be entitled to a retirement annuity in accordance with the actuarial tables in effect
18 on the effective date of the annuity if the participant submits an application for a
19 retirement annuity on a form furnished by the department and all of the following
20 apply:

21 **SECTION 5.** 40.23 (1) (am) 2. of the statutes is amended to read:

22 40.23 **(1)** (am) 2. Any participant who has attained age 55 if the participant was
23 a participating employee before the effective date of this paragraph ... [LRB inserts
24 date], or age 60 if the participant first became a participating employee on or after
25 the effective date of this paragraph ... [LRB inserts date], and who is a participant

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1 because of employment other than part-time service as an elected official and who
2 is also a participating employee because of part-time service as an elected official
3 may, after termination of all covered employment other than service as a part-time
4 elected official, waive further participation under the fund for his or her current, and
5 any future, part-time service as an elected official. Any election under this
6 paragraph is irrevocable and is effective beginning the day after the date of election.
7 Notwithstanding par. (a), any participant who elects under this paragraph may
8 receive a retirement annuity for all service under the fund credited to the participant
9 to the date he or she elects. The date a participant elects under this paragraph is
10 deemed to be the date of separation from the last participating employer by which
11 that participant was employed.

12 **SECTION 6.** 40.23 (1) (bm) of the statutes is amended to read:

13 40.23 (1) (bm) If an application by a participant who was a participating
14 employee before the effective date of this paragraph ... [LRB inserts date], who has
15 attained age 55 ~~or over, or,~~ by a participant who first became a participating
16 employee on or after the effective date of this paragraph ... [LRB inserts date], who
17 has attained age 60, by a protective occupation participant who was a participating
18 employee before the effective date of this paragraph ... [LRB inserts date], who has
19 attained age 50 ~~or over, or by a protective occupation participant who first became~~
20 a participating employee on or after the effective date of this paragraph ... [LRB
21 inserts date], who has attained age 52, for long-term disability insurance benefits
22 is disapproved under rules promulgated by the department, the date which would
23 have been the effective date for the insurance benefits shall be the retirement
24 annuity effective date if requested by the applicant within 60 days of the disapproval
25 or, if the disapproval is appealed, within 60 days of the final disposition of the appeal.

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1 **SECTION 7.** 40.25 (2) of the statutes is amended to read:

2 40.25 (2) Subject to sub. (2t), if all requirements for payment of a retirement
3 annuity are met except attainment of age 55 ~~or~~ for participants who were
4 participating employees before the effective date of this paragraph [LRB inserts
5 date], age 60 for participants who first became participating employees on or after
6 the effective date of this paragraph [LRB inserts date], age 50 for protective
7 occupation participants who were participating employees before the effective date
8 of this paragraph [LRB inserts date], or age 52 for protective occupation
9 participants who first became participating employees on or after the effective date
10 of this paragraph [LRB inserts date], a separation benefit may be paid, if the
11 participant's written application for a separation benefit is received by the
12 department prior to the participant's 55th birthday ~~or~~ for participants who were
13 participating employees before the effective date of this paragraph [LRB inserts
14 date], 60th birthday for participants who first became participating employees on or
15 after the effective date of this paragraph [LRB inserts date], 50th birthday for
16 protective occupation participants who were participating employees before the
17 effective date of this paragraph [LRB inserts date], or 52nd birthday for protective
18 occupation participants who first became participating employees on or after the
19 effective date of this paragraph [LRB inserts date], in an amount equal to the
20 additional and employee required contribution accumulations of the participant on
21 the date the application for a separation benefit is approved.

22 **SECTION 8.** 40.63 (7) of the statutes is amended to read:

23 40.63 (7) If an application, by a participant who was a participating employee
24 before the effective date of this paragraph [LRB inserts date], who has attained
25 age 55 ~~or over, or,~~ a participant who first became a participating employee on or after

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1 the effective date of this paragraph [LRB inserts date], who has attained age 60,
2 by a protective occupation participant who was a participating employee before the
3 effective date of this paragraph [LRB inserts date], who has attained age 50 or
4 over, or by a protective occupation participant who first became a participating
5 employee on or after the effective date of this paragraph [LRB inserts date], who
6 has attained age 52, for any disability annuity is disapproved, the date which would
7 have been the disability annuity effective date shall be the retirement annuity
8 effective date if so requested by the applicant within 60 days of the disapproval or,
9 if the disapproval is appealed, within 60 days of final disposition of the appeal.

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(END)