



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-4723/1
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2019 BILL

1 **AN ACT** *to amend* 40.04 (3) (a) and 40.04 (3) (am) 3. (intro.); and *to create* 40.03
2 (1) (q) of the statutes; **relating to:** allocation of core and variable investment
3 trust earnings of the employee trust funds (suggested as remedial legislation
4 by the Department of Employee Trust Funds).

Analysis by the Legislative Reference Bureau

Under current law, investment gains and losses of the core and variable retirement investment trust funds are distributed in a ratio of each participating account's average daily balance to the total average daily balance of all participating accounts. The State of Wisconsin Investment Board invests assets of the core and variable investment trust funds, which are commingled under current law, and all activity is not recorded on a daily basis for the separate participating accounts. SWIB provides certified annual earnings reports for the core and variable trust funds.

This bill provides that the Department of Employee Trust Funds may distribute the earnings to each participating account by calculating a simple average balance, which uses beginning and end-of-year balances for each participating account, and comparing that average balance to the total average balance of all participating accounts.

Also, the bill allows the Employee Trust Funds Board to modify allocation procedures as necessary to achieve equity among the various participating accounts.

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For further information, see the NOTES provided by the Law Revision Committee of the Joint Legislative Council.

LAW REVISION COMMITTEE PREFATORY NOTE: This bill is a remedial legislation proposal, requested by the Department of Employee Trust Funds and introduced by the Law Revision Committee under s. 13.83 (1) (c) 4. and 5., stats. After careful consideration of the various provisions of the bill, the Law Revision Committee has determined that this bill makes minor substantive changes in the statutes, and that these changes are desirable as a matter of public policy.

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

1 **SECTION 1.** 40.03 (1) (q) of the statutes is created to read:

2 40.03 (1) (q) May modify the investment earnings distribution procedures
3 under s. 40.04 (3) (a) and (am).

NOTE: SECTION 1 gives the ETF Board authority to modify investment earnings distribution procedures specified in the statutory provisions being amended in SECTIONS 2 and 3.

4 **SECTION 2.** 40.04 (3) (a) of the statutes is amended to read:

5 40.04 (3) (a) The net gain or loss of the variable retirement investment trust
6 shall be distributed annually on December 31 to each participating account in the
7 same ratio as each account's average daily balance within the respective trust bears
8 to the total average daily balance of all participating accounts in the trust. The
9 amount to be distributed shall be the excess of the increase within the period in the
10 value of the assets of the trust resulting from income from the investments of the
11 trust and from the sale or appreciation in value of any investment of the trust, over
12 the decrease within the period in the value of the assets resulting from the sale or
13 the depreciation in value of any investments of the trust.

14 **SECTION 3.** 40.04 (3) (am) 3. (intro.) of the statutes is amended to read:

15 40.04 (3) (am) 3. (intro.) Annually, on December 31, the sum of all of the
16 following shall be distributed from the market recognition account to each
17 participating account in the core retirement investment trust in the same ratio as

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1 each account's average ~~daily~~ balance bears to the total average ~~daily~~ balance of all
2 participating accounts in the trust:

NOTE: SECTIONS 2 and 3 eliminate the requirement for ETF to distribute the annual certified earnings for the core and variable investment trust funds by calculating an average daily balance, and instead, simply require use of an average balance.

3 (END)