

Senate Bill 473

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CHAPTER 248

AN ACT to amend 38.24 (1) (a) and (b); to repeal and recreate 38.24 (20); and to create 38.24 (1) (ba), (2) (n), (o) and (p), (7), (7a), (7b) and (11) (g) of the statutes, relating to elective changes in the benefit program, and the contribution rates of members and the state and other matters pertaining to teachers annuity and retirement funds in cities of the 1st class and granting rule-making authority.

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

SECTION 1. 38.24 (1) (a) and (b) of the statutes are amended to read:

38.24 (1) (a) A reserve fund made up of amounts transferred from the general fund, *the state accumulation fund* and the retirement deposit fund for the payment of annuities granted pursuant to this section and interest accretions thereto.

(b) A retirement deposit fund, made up of deposits made under sub. (11) (f) 1, 2 and 3, *for members of the combined group, and sub. (11) (g) for members of the formula group*, and interest accretions thereto.

SECTION 2. 38.24 (1) (ba), (2) (n), (o) and (p), (7), (7a), (7b) and (11) (g) of the statutes are created to read:

38.24 (1) (ba) A state accumulation fund made up of amounts paid by the state on behalf of members of the formula group and interest accretions thereto.

(2) (n) "Membership teaching" means employment as a teacher in the public schools of a city of the 1st class.

(o) "Final average compensation" means the monthly rate of compensation obtained by dividing: a) the member's total compensation subject to required deposits for the 5 fiscal years in which such compensation was the highest during the 10 fiscal years preceding both the June 30 nearest the date of termination of his membership teaching and the June 30 following or coincident with his 70th birthday or July 1, 1966, if later, by b) 12 times the number of years of his creditable service for such 5 years. If a member has such compensation for less than 5 such fiscal years his final average compensation is the rate obtained by dividing his total compensation for all such years by 12 times the total number of years of

his creditable service therefor. (Final average compensation shall be determined separately with respect to each separate period of membership teaching. A separate period of membership teaching shall be deemed to have ended each time a member has not engaged in membership teaching for a period in excess of 2 school years, unless on authorized leave of absence, or has been granted an annuity or separation benefit.) For purposes of this paragraph and sub. (7a) (a) 2 only, the phrase "2 school years" shall be defined by rule of the board, but in no event shall a period of 2 school years include more than 28 consecutive calendar months.

(p) "Final excess OASI compensation" means the monthly rate of compensation obtained by dividing: a) the member's total compensation for the 5 years or such lesser period determined pursuant to par. (o), in excess of the amounts subject to contributions under s. 66.99, by b) 12 times the number of years of his creditable service for such period, but such monthly rate shall not exceed the amount by which the final average compensation of the member exceeds \$550.

(7) CREATION OF FORMULA GROUP; ELECTION BY MEMBERS. (a) There is created as of the effective date of this subsection (1965) as a part of each retirement fund created pursuant to this section a formula group, to be composed of: a) any combined group or separate group member, except any member who on such date is a member receiving an annuity, who between such effective date and December 1, 1965, is employed in membership teaching and makes a required deposit pursuant to sub. (11), and who elects in accordance with this subsection to become a member of the formula group; b) any combined group or separate group member who on the effective date of this subsection (1965) is on authorized leave of absence, and who elects in accordance with this subsection to become a member of the formula group, but no such election shall be effective unless and until such member resumes membership teaching after such date; c) any member who is a member of the system on the effective date of this subsection (1965) but who is not eligible for an election under a) or b) herein, who within 90 days from the last day of the month in which he first engages in membership teaching after the effective date of this subsection (1965) elects in accordance with this subsection to become a member of the formula group, but his participation as a member of the formula group shall not include or relate to any benefit, compensation or employment for any period prior to the effective date of this subsection (1965); d) any person who becomes a member of the system after November 30, 1965. For purposes of s. 66.99 each member of the formula group shall also be classified as a member of the combined group or of the separate group, as determined pursuant to sub. (3); such classification shall also be applicable with respect to any benefit, compensation or employment which is not includable for formula group purposes.

(b) Not later than January 1, 1966, the secretary shall mail or deliver to each member who is eligible for the election specified in par. (a) a) or b), comparative information concerning the required deposits, benefits and other features applicable to members of the formula group and to the members of the group to which such member then belongs, together with an envelope addressed to the retirement fund and a form to be signed and returned to the retirement fund by each member who desires to become a member of the formula group. A member who elects to become a member of the formula group shall thereby become subject to the laws relating to the formula group, and such election shall constitute a modification of the terms and conditions of employment of such member, and the form provided herein shall contain a statement to such effect. To be effective, the election form of any member must be received by the office of the retirement fund no later than the close of business on April 1, 1966, but the board may provide for a reasonable extension of such date in indi-

vidual cases on the basis of unusual or extenuating circumstances; no such extension shall be effective after June 30, 1967. The board shall have full authority to prescribe and to take all actions necessary to assure compliance with the expressed intent of this subsection, which is to assure all eligible members an opportunity to make an informed election of membership in the formula group.

1. Participation in the formula group shall not be effective, as to any member who becomes a member of such group, before July 1, 1966, or the beginning date of his retirement annuity under s. 42.245 if earlier.

(7a) **BENEFITS UNDER THE FORMULA GROUP.** This subsection shall apply only to members of the formula group. Benefits provided under this subsection are inclusive of the benefits provided by accumulations under sub. (6).

(a) *Creditable service.* 1. Creditable service shall be expressed in years and such fractions thereof as the board determines. The creditable service of each member at any time prior to July 1, 1966, shall be the number of years of membership teaching creditable to him pursuant to the applicable statutes and rules. The creditable service of a member with respect to teaching after June 30, 1966, shall be the number of years and completed months of subsequent membership teaching until his employment is terminated but not including any period subsequent to the June 30 following or coincident with his 70th birthday. The board shall fix and determine by proper rules and regulations how much teaching in any year is equivalent to one year of creditable service. Military service after June 30, 1966, shall be creditable on the same basis as prior military service.

2. A member shall be considered a new member with respect to each separate period of membership teaching as determined pursuant to sub. (2) (o) which begins after June 30, 1966. The commencement of a separate period of membership teaching shall not cause the loss of any benefit to which a member is entitled by virtue of any preceding service.

(b) *Retirement annuities.* 1. When a member of the formula group has ceased membership teaching and is not on authorized leave of absence from membership teaching, he may elect to receive a retirement annuity or annuities, the first payment of which shall not be made before the member's 55th birthday.

2. The retirement annuity of a formula group member, except as provided in subd. 3 or 4 shall be in the monthly amount equal to the sum of the amounts determined pursuant to this subdivision, plus any benefit elected by such member to be provided by his accumulated additional deposits:

a. The annuity purchased by applying as a net single premium, the amount equal to 200% of the excess if any, of a) the accumulation from the required deposits of the member over b) the accumulation therefrom which would have resulted if the accumulation therefrom in the variable annuity division on June 30, 1966, had been transferred to, and all subsequent deposits had been made in, the fixed annuity division. If a) is less than b), the annuity of the member shall be reduced by the amount which could be purchased by 200% of the amount of the deficiency, plus:

1) If the annuity begins on or after the 65th birthday of the member, the monthly annuity in the normal form determined by multiplying the number of years of his creditable service by the sum of six-sevenths of one per cent of his final average compensation plus three-sevenths of one per cent of the final excess OASI compensation of the member; or

2) If the annuity begins prior to the 65th birthday of the member, the annuity which at the date it begins is the actuarial equivalent of the annuity deferred to the 65th birthday of the member determined pursuant to subd. 2. a. 1).

b. The initial amount of annuity in the normal form under subd. 2. a shall not exceed the amount which, when added to the primary or disability insurance benefit for which he is eligible, or for which he will be eligible upon attaining the lowest age at which old-age benefits are payable, under the federal old-age and survivors insurance program, equals 75% of the member's final average compensation. If a member does not receive such OASDI amount by reason of his failure to apply therefor or by virtue of the suspension thereof, he will notwithstanding such fact be deemed to receive such amount. If a member fails to establish the amount of, or his eligibility for, such OASDI benefits, determinations thereof shall be made by the board on such basis as the board, by rule, establishes.

c. If the member has accumulations from required deposits in the variable annuity division, the initial amount of the annuity under subd. 2. a shall be increased by 200% of the excess, or decreased by 200% of the deficiency, of the amount purchased by the application of such accumulations over the amount which could be purchased by an equal accumulation in the fixed annuity division.

3. In no case except as provided in subd. 4, shall the initial amount of the retirement annuity in the normal form of a formula member be less than the sum of the following, plus any benefit elected by such member to be provided by his accumulated additional deposits:

a. The annuity which can be provided, on the date such annuity begins, from the accumulated required deposits of the member at such time, and

b. One-half of the annuity determined pursuant to subd. 2, exclusive of any amount provided by accumulated additional deposits.

4. The retirement annuity of a member who elected under sub. (7) (a) a) or b) to become a member of the formula group shall be the amount determined pursuant to subd. 2 or 3 or this subdivision, as the member elects, but if the member fails to make an election, the annuity shall be that sum calculated under said subdivisions which results in the largest initial annuity. The annuity under this subdivision shall be the annuity purchased by applying as a net single premium the sum of the following, plus any annuity elected by such member to be provided by his accumulated additional deposits:

a. The accumulation from the member's required deposits made pursuant to sub. (11) (f) and (g).

b. The accumulation on June 30, 1966, from state deposits made on behalf of a member pursuant to sub. (11) (f), compounded to the end of the last completed calendar month at the respective rates of interest credited to individual accounts in the fixed annuity division from year to year.

c. An amount equal to the accumulation from 4½% of a member's compensation for membership teaching in each fiscal year after June 30, 1966, compounded to the end of the last completed calendar month at the respective rates of interest credited to individual accounts in the fixed annuity division from year to year.

d. An amount equal to the excess, if any, of a) the accumulation from the required deposits of the member over b) the accumulation therefrom which would have resulted if the accumulation therefrom in the variable annuity division on June 30, 1966, had been transferred to, and all subsequent deposits had been made in, the fixed annuity division. If a) is less than b), the accumulation under either subd. 4. b or c shall be reduced by the amount of such deficiency.

e. The present value as of the date of annuity purchase of any annuity payable pursuant to subs. (3a) (e) and (4) (b), but not including the present value of any such annuity based on service after June 30, 1966.

5. The normal form of retirement annuity is an annuity payable monthly during life, with a guaranty of at least 60 monthly payments. A member may elect to receive in lieu of the normal form of annuity an

actuarially equivalent annuity in any optional form provided in this section. The excess of the total annuity to which a member is entitled under this subsection over the initial amount of the variable annuity hereunder, when both are computed in the normal form, shall be the annuity payable from the fixed annuity division.

6. Two annuities shall be deemed to be actuarially equivalent if both require the same net single premium on the date as of which the determination is made. The net single premium for a deferred annuity shall be deemed to include the present value of any death benefit payable prior to its commencement.

7. The provisions of this subsection shall be effective with respect to any retirement annuity provided herein if application therefor is filed after the effective date of this subsection (1965) and if the beginning date of such annuity is after such effective date, but until July 1, 1966, each such retirement annuity shall be determined and paid as provided by the law in effect as to any member prior to the effective date of this subsection (1965). As soon as possible after July 1, 1966, each such retirement annuity shall be increased to the amount determined pursuant to this subsection, subject to the same optional modification if any as was applied to the original retirement annuity, and payment of such increased amount shall be made retroactively to the beginning date of each such annuity. Any such increased amount shall be included, as provided herein, as a part of any related death benefit or beneficiary annuity arising from the death of a member.

8. The compulsory retirement provision of sub. (4) (da) shall be fully applicable to formula group members.

(c) *Disability annuities.* 1. If, before attaining age 65, a formula group member who has made required deposits for not less than a school year during each of 5 fiscal years within the 84-month period preceding the occurrence of disability, becomes unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration, and furnishes due proof thereof, such member shall be paid a disability annuity during the continuance of such disability. The board may at any time, but not more than once in any fiscal year, and only until the member has attained age 65, require proof of the continuance of such disability, and if the member fails to furnish satisfactory proof thereof, or if it appears at any time that the member has become able to engage in any substantial gainful activity, such annuity shall be reduced to the amount of the retirement annuity to which he would be entitled under par. (b), notwithstanding the age 55 requirement expressed therein.

2. The amount of a disability annuity under this paragraph shall be the greater of the following:

a. The amount of the retirement annuity to which the member would be entitled under par. (b), notwithstanding the age 55 requirement expressed therein, or

b. The sum of the amount of the annuity that can be purchased by the accumulation from additional deposits on the date the disability annuity begins, if the member so elects, plus the lesser of the following amounts: 50% of the final average compensation, or 1½% of the final average compensation multiplied by the number of years of creditable service including in the latter assumed service between the date the disability occurred and the 65th birthday of the member. Whenever the annuitant becomes eligible for disability benefits or for old-age benefits as a retired worker under the federal old-age and survivors insurance system, the amount of his disability annuity, other than any amount attributable to his additional deposits, shall be reduced by 20% of the amount thereof, but in no

event shall such reduction lower the disability annuity below that which could have been provided under subd. 2. a. Such reduction shall be effective with the annuity payment for the 8th month after the annuity begins except during such period as the disability annuitant furnishes evidence to the fund that he is not eligible for benefits from the federal old-age and survivors insurance system. Any annuity payable under this paragraph shall not be subject to optional modification. All available required deposit accumulations, state deposit accumulations and state contributions shall be applied to the cost of any annuity provided under this paragraph.

3. Each initial determination of disability under this paragraph shall be made by the state agency designated to make determinations of disability by agreement with and for the secretary of health, education and welfare under the federal social security laws. An initial determination of ineligibility shall be binding upon the board. An initial determination of eligibility may be accepted or rejected by the board. Continued eligibility for benefits under this paragraph shall be determined in the same manner.

4. This paragraph shall not be effective as to any disability which occurred prior to July 1, 1966. Payment of a disability annuity under this paragraph shall be effective as of the first day of the month following the month in which the disability occurred, as determined by the board, but no payment shall be made for any period more than 60 days prior to the receipt by the board of a written application, on a form prescribed by the board, for such disability annuity. Such application shall be completed by the member or, if the member is incapacitated, by any person on behalf of the member.

(d) *Limited disability annuities.* If, before attaining age 55, a formula group member who has made required deposits for not less than a school year during each of 5 fiscal years, and who was employed in membership teaching or was on authorized leave of absence from membership teaching within the 12-month period immediately preceding the occurrence of disability, becomes physically or mentally incapacitated to such extent that the member is wholly, and presumably will be permanently, unable to engage in teaching, and furnishes proof thereof and that such disability has then existed for 60 days, the member shall be paid a life annuity during the continuance of such disability, in monthly payments of \$25 each, in addition to any other benefit which would be payable to such member pursuant to par. (b) in the absence of the age 55 limitation expressed in par. (b) 1. The board may at any time, not more than once in any year, require proof of the continuance of such disability and if the member fails to furnish satisfactory proof thereof, or if it appears at any time that the member has become able to engage in teaching, the \$25 monthly annuity payment provided herein shall cease. A member shall not receive an annuity under par. (c) and this paragraph at the same time.

(e) *Death benefits.* 1. Any member of the formula group may, by written notice to the board, in such form as it approves, designate a sole beneficiary, or 2 or more beneficiaries to whom any death benefits payable at the death of the member shall be paid. The member may, from time to time, by a like written notice, change any previous designation. Such death benefits, except as otherwise provided in this paragraph, shall be payable as an annuity or annuities payable monthly during the life of one or more beneficiaries, except that if any such annuity would be less than \$10 per month, the benefit shall be paid to the beneficiary in a single sum. If more than one beneficiary is designated and any of such designated beneficiaries predecease such member, the death benefit shall, unless the member has designated otherwise, be paid to the surviving beneficiaries in shares of equal value. The board may require proof of the death of deceased bene-

ficiaries from the surviving beneficiaries. If no beneficiary has been designated by the member, or if no designated beneficiary survives the member, such death benefit shall be paid in a single sum to the estate of the member. If the designated beneficiary survives the member, but dies before making application for or receiving any benefits under this paragraph, such death benefits shall be paid in a single sum to the estate of the deceased beneficiary upon the application of the executor or administrator of such estate. Such death benefit shall be the full amount of the accumulation in the retirement deposit fund to the credit of the member from the member's deposits made under sub. (11) (f) and (g), plus:

a. An amount which is equal to twice the accumulation which would have resulted from the deposits made by such member under sub. (11) (a) to (e) prior to July 1, 1966, if interest had been compounded thereon at the annual rate of 3% per annum, and

b. An amount which is equal to the accumulation on June 30, 1966, from state deposits made under sub. (11) (f), compounded to the end of the last completed calendar month preceding his death at the respective rates of interest credited to individual accounts in the fixed annuity division from year to year, provided that any accumulation on June 30, 1966, from state deposits in the variable annuity division shall be so compounded at the respective rates of earnings and capital gains and losses credited to individual accounts in the variable annuity division.

2. Upon the death, after June 30, 1966, of a member age 60 or more of the formula group while employed in membership teaching, or while on authorized leave of absence from membership teaching, and if such member has not previously been granted an annuity under any provision of this section, there may be paid in lieu of any other benefit under this section a death benefit as follows:

a. If the designated beneficiary to whom a death benefit is payable is a spouse, child under age 21 (including legally adopted child), child age 21 or older if handicapped, or other dependent of such member, as determined by the board, a benefit having a present value at the day following the date of death of such member of the life annuity to the beneficiary which would have been payable if such member had been eligible to receive a retirement annuity beginning on the date of his death and had elected to receive such annuity in the optional form provided under (2) (a) of sub. (12) (o).

b. If there is more than one such designated beneficiary, the amount of such annuity and its present value shall be determined as if the oldest of such beneficiaries were the sole beneficiary.

3. Upon the death of a formula group member receiving a disability annuity under par. (c) a death benefit shall be payable to his beneficiary in the amount of the excess, if any, of the accumulations from member deposits applied to provide the annuity over the aggregate amount of annuity payments received by the member. If the beneficiary or beneficiaries to whom a death benefit is payable is a wife, minor child, or dependent husband designated as beneficiary on the date the disability annuity was approved, the death benefit shall not be less than:

a. If such death occurs prior to the 65th birthday of the member the present value, at the date of such death, of the annuity (terminating in the case of a minor child at the end of the month in which he reaches the age of 21) in the normal form of the monthly amount to which such beneficiary would have become entitled under subd. 1 if such death had occurred on the day prior to the date on which the disability annuity commenced and if the death of the beneficiary or beneficiaries who failed to survive the disability annuitant had occurred prior to said date. For the

purposes of this paragraph, the \$10 minimum annuity provision in subd. 1 shall be disregarded and present values shall be determined at the rate certified by the board; or

b. If such death occurs on or after the 65th birthday of the member, the excess, if any, of the accumulations from member deposits applied to provide the annuity over the aggregate amount of annuity payments received by the member after his 65th birthday.

4. The payment of any death benefit under this paragraph shall be subject to optional modification under sub. (4) (em).

(f) *Separation benefits.* Any formula group member who has ceased membership teaching and is not on authorized leave of absence from membership teaching shall be paid the accumulation from the member's required and additional deposits, including the amount paid by the member pursuant to sub. (11) (a) to (e), the total reduced by any amount transferred to the public employes social security fund for the payment of employee retroactive social security contributions pursuant to sub. (9) (d), upon filing with the board, before the 55th birthday of the member, a written request therefor and a full and complete discharge and release of all right, interest or claim on the part of the member to state deposit accumulations and to any benefit arising under this section. Any member who has attained the age of 55 years, has ceased membership teaching, is not on authorized leave of absence from membership teaching and who is entitled to an annuity or annuities commencing immediately for which (exclusive of any annuity purchased by the accumulation from additional deposits) the aggregate single premium does not exceed \$3,000, may be paid such single premium in a single payment upon filing an application therefor in such form as the board requires. The accumulation from additional deposits shall be paid at the same time.

(g) *Reserves upon which annuities are based.* All annuities paid under this subsection shall be paid from the reserve fund. If the annuity or part thereof is based on an accumulation in the retirement deposit fund, the board shall transfer such accumulation from the retirement deposit fund to the reserve fund. If the annuity or part thereof is not based on an accumulation in the retirement deposit fund, the board shall transfer from the state accumulation fund to the reserve fund an amount sufficient to establish the necessary reserve to pay such annuity. If the benefit is paid in a lump sum such payment may be made directly from the retirement deposit fund if based on an accumulation in said fund, from the reserve fund if based on a reserve in said fund, and otherwise from the state accumulation fund. The board may make such transfers between funds as may be necessary to carry out the purposes of this section.

(h) *Variable annuities.* Except as provided in this subsection, the provisions of sub. (6) shall be applicable to formula group members.

1. Each member of the formula group may elect, by written notice filed with the board upon a form furnished by said board, to have 50% of his required deposits and not to exceed \$5,000 in any fiscal year of his additional deposits, paid into the retirement deposit fund of the variable annuity division. With respect to members who so elect or who made such an election prior to becoming members of the formula group, there shall concurrently be paid into the state accumulation fund of the variable annuity division an amount equal to the amount of each required deposit paid into the retirement deposit fund of the variable annuity division after June 30, 1966.

2. The retirement deposit fund after June 30, 1966, shall not include deposits or payments made by the state for formula group members. On July 1, 1966, there shall be established for the purpose of providing vari-

able annuity benefits for members of the formula group the state accumulation fund of the variable annuity division in the amount equal to the aggregate amount of the accumulations from required deposits of all such members in the variable annuity division. Earnings and capital gains shall be credited to the state accumulation fund of the variable annuity division at the same time and in the same amounts as such earnings and capital gains are credited to individual accounts in the retirement deposit fund of the variable annuity division with respect to accumulations of required deposits which are subject to this subsection.

3. The excess of the total annuity payable under this subsection over the initial amount of variable annuity payable, when both are computed in the normal form, will be paid as a fixed annuity.

(7b) ELECTION OF FORMULA GROUP BENEFITS BY MEMBERS OF SEPARATE GROUP. (a) Any separate group member who is eligible to elect to participate in the formula group as provided in sub. (7), and who so elects, shall be subject to all laws and regulations applicable to the formula group, but he shall not be required to become subject to social security coverage. Each such separate group member shall also be subject to the following:

1. For purposes of determining the amount of member deposits and state contributions, and for purposes of determining the amount of any benefit, with respect to each such member, it shall be assumed that the member is and was subject to s. 66.99, and that the social security benefit expectancy of such member is the same as that of a combined group member with the same salary and service experience, and the same age, whose social security coverage was effective January 1, 1955.

2. An election by a separate group member to become a member of the formula group shall constitute a modification of his contract of employment.

3. No such member shall be denied a disability annuity under sub. (7a) by reason of the lack of an initial determination of disability under sub. (7a) (c) 3 if the member's ineligibility by reason of insufficient coverage for OASI disability benefits prevents the issuance of such a determination. The reduction required by sub. (7a) (c) 2. b shall be effective as to each separate group member who elects to become a formula group member, on the basis established in subd. 1.

4. Each such member may elect to participate in the variable annuity division to the same extent and under the same procedures as other formula group members.

5. The initial amount of retirement annuity of each separate group member who elects to become a member of the formula group, and who on or after the effective date of this subsection (1965) becomes subject to s. 66.99, shall be the amount determined pursuant to sub. (7a) (b) reduced by the annuity in the normal form which could be purchased by:

a. If determined pursuant to sub. (7a) (b) 2, the total amount transferred to pay retroactive social security taxes with respect to such member; or,

b. If determined pursuant to sub. (7a) (b) 3, one-half of the amount so transferred; or,

c. If determined pursuant to sub. (7a) (b) 4, one-half of the amount so transferred, but excluding any amount by which the accumulation specified in sub. (7a) (b) 4. b was reduced by reason of such transfer.

(11) (g) *Deposits for members of the formula group.* 1. Beginning with the first monthly payment of teachers salaries after June 30, 1966, the managing body of such schools in any such city shall reserve from the

salary of each teacher who is a member of the formula group an amount equal to $4\frac{1}{2}\%$ of all compensation received for teaching service performed by such teacher which is subject to contributions under s. 66.99, plus 7% of such compensation in excess of the amount subject to such contributions, but no reservation shall be required with respect to compensation for teaching service subsequent to the June 30 following or coincident with the 70th birthday of any teacher.

2. Any such member, or any person on behalf of any such member, may make additional deposits.

3. All amounts reserved from the salaries of such members, or deposited by them, shall be held for the benefit of the individual teacher in the retirement deposit fund for the purpose of providing an annuity or other benefit under this section.

4. State contributions with respect to members of the formula group shall be made as provided in sub. (20) (f).

SECTION 3. 38.24 (20) of the statutes is repealed and recreated to read:

38.24 (20) MAINTENANCE OF ASSETS. The board of trustees shall at all times maintain assets in the annuity and retirement fund as follows:

(a) In the reserve fund at least equal to the present value of the prospective benefit payments under annuities which have been granted.

(b) In the retirement deposit fund equal to the liabilities for deposits and earnings and capital gains accretions.

(c) In the general fund as of June 30 of each year, at least equal to the following ratios to the present value of all future payments of benefits from the general fund, namely: the actual percentage of such assets to such present value on August 31, 1957, which percentage shall be increased by $2\frac{1}{2}\%$ on August 31, 1957; and the actual percentage of such assets to such present value on August 31, 1958, which percentage shall be increased by $2\frac{1}{2}\%$ on August 31, 1958, and on August 31 of each year thereafter, until and including August 31, 1960, and on June 30 thereafter, but not to exceed 100%. The board of trustees shall as of August 31, 1957 and on August 31 of each year thereafter, until and including August 31, 1960, and on each June 30 thereafter, cause a valuation to be made of the funds on such basis as they may establish to determine the amount necessary to maintain the assets of the fund as provided in this paragraph, and shall certify the amount required to maintain the assets of the fund each year as provided in par. (e). As of July 1, 1966, the board shall transfer to the state accumulation fund $34\frac{3}{4}\%$ of the present value of all future payments of benefits from the general fund to members of the formula group. Thereafter the general fund shall be applied solely to provide benefits for members of the combined group and the separate group.

(d) As of July 1, 1966, the board shall establish the state accumulation fund for the benefit of members of the formula group by the transfer provided in par. (c) and by the transfer from the retirement deposit fund of the accumulations from state deposits in the accounts in the fixed annuity division and in the variable annuity division of all such members.

(e) The board shall annually, prior to July 15, estimate the amount required, if any, to be paid into the reserve fund in order to maintain assets therein as required by par. (a), the amount which must be placed in the general fund of the annuity and retirement fund in order to maintain the ratio of assets to liabilities therein required by par. (c) and the amount required to be paid into the state accumulation fund pursuant to par. (f). Thereupon said board shall certify such estimate to the department of administration which shall prepare a warrant each month for one-

twelfth of said estimated amounts and upon such warrants the state treasurer shall transfer the sums specified therein to the annuity and retirement fund from funds appropriated for the purpose. When the board has determined the exact amounts which were payable by the state to the annuity and retirement fund for the reserve fund, the general fund and the state accumulation fund thereof respectively for the preceding fiscal year, a final certification thereof shall be made by said board to the department of administration and a final payment pursuant thereto shall be made to or from the annuity and retirement fund, whichever the case may be, as determined from the aforesaid final certification.

(f) For the purpose of providing benefits of members of the formula group under this section, the state shall pay each fiscal year to the annuity and retirement fund for credit to the state accumulation fund as provided by par. (e), the amount equal to the sum of the normal contribution and the accrued liability contribution for such year. The amounts of such contributions shall be determined annually by the board on the basis of such estimates of interest, mortality, salary increases and dropout rates as are applied to the system, and such other tables as the board shall approve, as follows:

1. The accrued liability shall be determined as of June 30, 1966, as the then present value of all future benefits to or for the then members of the formula group to be paid or purchased from the state accumulation fund, less the present value of a percentage of the prospective future compensation of such members, and less the amount then credited to the state accumulation fund. The percentage referred to in the preceding sentence shall be determined as the uniform percentage of the compensation of all such members which if contributed throughout the entire period of the employment of each as a teacher in membership teaching would be sufficient to provide for all benefits to be paid or purchased on their behalf from the state accumulation fund. The accrued liability contribution shall be the uniform annual amount required to liquidate the accrued liability within 40 years from July 1, 1966.

2. The normal contribution rate for any fiscal year commencing after June 30, 1965, shall be the uniform percentage of the compensation of all members of the formula group determined as of the first day of such fiscal year by deducting from the then present value of all future benefits to be paid or purchased from the state accumulation fund on behalf of the then members of the formula group, the amount then credited to said fund and the present value of future accrued liability contributions, and dividing the remainder by the present value of the prospective future compensation of all such members.

Approved August 30, 1965.