



2015 SENATE BILL 328

October 14, 2015 - Introduced by Senators STROEBEL, LEMAHIEU and KAPENGA, cosponsored by Representatives AUGUST, SANFELIPPO, BRANDTJEN, R. BROOKS, CRAIG, GANNON, KNODL, KREMER and HUTTON. Referred to Committee on Labor and Government Reform.

1 **AN ACT to amend** 40.02 (33) (a) 1. and 40.02 (33) (a) 2. of the statutes; **relating**
2 **to:** determination of final average earnings for the purpose of calculating
3 Wisconsin Retirement System annuities.

Analysis by the Legislative Reference Bureau

Under current law, when a participant in the Wisconsin Retirement System (WRS) terminates covered employment and becomes eligible for an annuity, the annuity is calculated in one of two ways. The first way is based on the participant's final average earnings, the participant's number of years of creditable service, and a percentage multiplier. The final average earnings is a monthly rate of earnings that is calculated based on the three annual earnings periods in which the participant's earnings were highest. The second way 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. The Department of Employee Trust Funds must pay an annuity based on the method that generates the higher annuity amount.

This bill revises the methodology of the first way in which a WRS annuity is calculated by providing that the final average earnings must be based on the *five* highest annual earnings periods instead of the *three* highest annual earnings periods. Under the bill, this change takes effect on the first day of the 60th month beginning after publication and applies to participants who terminate WRS covered employment on or after the first day of the 60th month beginning after publication.

SENATE BILL 328

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) 1. of the statutes is amended to read:

2 40.02 **(33)** (a) 1. The participant's total earnings received or considered to be
3 received under sub. (22) (e), (ef), or (em) and for which contributions are made under
4 s. 40.05 (1) and (2) during the ~~3~~ 5 annual earnings periods (excluding any period
5 more than ~~3~~ 5 years prior to the effective date for any participating employer) in
6 which the earnings were the highest, subject to federal annual compensation limits;
7 by

8 **SECTION 2.** 40.02 (33) (a) 2. of the statutes is amended to read:

9 40.02 **(33)** (a) 2. Twelve times the total amount of creditable service for the ~~3~~
10 5 periods.

11 **SECTION 3. Initial applicability.**

12 (1) This act first applies to participating employees in the Wisconsin
13 Retirement System who terminate covered employment on the effective date of this
14 subsection.

15 **SECTION 4. Effective date.**

16 (1) This act takes effect on the first day of the 60th month beginning after
17 publication.

18 **(END)**