

Senate Bill 472

Published  
September 10, 1965.

CHAPTER 250

AN ACT to amend 25.28 (1), 42.241 (1), 42.243 (4) (b) 2, 42.33 (1) (b), 42.34, 42.41 (1), 42.45 (1) (b), 42.46 (1) and (2), 42.475, 42.48, 42.49 (9) (e), 42.50 (1) and 66.919 (4) (d); and to create 20.810 (1) (w), 42.20 (17), 42.244, 42.245, 42.246, 42.33 (1) (d), 42.40 (6), 42.46 (3) and 42.50 (1) (a) and (b), (4) and (5) 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 the state teachers retirement system and granting rule-making authority and making an appropriation.

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

SECTION 1. 20.810 (1) (w) of the statutes is created to read:

20.810 (1) (w) From the moneys received by the state teachers retirement system under ss. 42.20 to 42.54, in addition to other amounts provided for administration, such amounts for administration as are neces-

sary to implement chapter 250, laws of 1965 (Senate Bill 472), but not to exceed \$70,000 for the 1965-67 biennium.

SECTION 1m. 25.28 (1) of the statutes is amended to read:

25.28 (1) The moneys paid into the retirement deposit fund as provided in ss. 42.39 to 42.46 and all other money received by it from any legal source, excepting sums legally disbursed from said fund and excepting sums transferred therefrom to the general fund or the annuity reserve fund, shall constitute the retirement deposit fund; *the moneys paid into or transferred to the state accumulation fund as provided in ss. 42.245 to 42.46 and all other money received by it from any legal source, excepting sums legally disbursed from said fund and excepting sums transferred therefrom to the annuity reserve fund, shall constitute the state accumulation fund;* the moneys legally transferred from the retirement deposit fund and the state accumulation fund to the annuity reserve fund and all other moneys received by said latter fund from any legal source, excepting sums legally disbursed or transferred from said fund, constitute the annuity reserve fund; the money received by said fund, from any legal source, excepting sums legally disbursed therefrom, constitute the contingent fund, and are appropriated to the state teachers retirement board for carrying into effect ~~the provisions~~ of ss. 42.20 to 42.54.

SECTION 2. 42.20 (17) of the statutes is created to read:

42.20 (17) For the purposes of s. 42.245:

(a) "Final average compensation" means the monthly rate of compensation obtained by dividing: 1. 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 he ceased to be employed as a teacher in Wisconsin teaching and the June 30 following or coincident with his 70th birthday or July 1, 1966, if later, by 2. 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 service as a teacher in Wisconsin teaching. A separate period of service as a teacher in Wisconsin teaching shall be deemed to have ended each time a member has not served as a teacher in Wisconsin 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 s. 42.245 (1) (b) 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.

(b) "Final excess OASI compensation" means the monthly rate of compensation obtained by dividing: 1. the member's total compensation for the 5 years or such lesser period determined pursuant to par. (a), in excess of the amounts subject to contributions under s. 66.99, by 2. 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.

SECTION 3. 42.241 (1) of the statutes is amended to read:

42.241 (1) *Subject to s. 42.244* the state teachers retirement system is divided into 2 parts known as the separate group and the combined group.

SECTION 4. 42.243 (4) (b) 2 of the statutes is amended to read:

42.243 (4) (b) 2. *Except as otherwise provided in ss. 42.245 (7) (d) and 42.33 (1) (d)*, the retirement deposit fund shall consist of the deposits made by or for members plus earnings from investments less withdrawals and transfers from the fund—the total adjusted for capital gains and losses.

SECTION 5. 42.244, 42.245 and 42.246 of the statutes are created to read:

42.244 CREATION OF FORMULA GROUP; ELECTION BY MEMBERS. (1) There is created as of the effective date of this section (1965) as a part of the system a formula group, to be composed of: (a) Any combined group or separate group member, except any member who on the effective date of this section (1965) is a member receiving an annuity or a member whose annuity is being withheld pursuant to s. 42.242 (6) or 42.49 (13), who between such effective date and December 1, 1965, is employed as a teacher in Wisconsin teaching and makes a required deposit pursuant to s. 42.40, and who elects in accordance with this section to become a member of the formula group; (b) Any combined group or separate group member who on the effective date of this section (1965) is on authorized leave of absence, and who elects in accordance with this section to become a member of the formula group, but no such election shall be effective unless and until such member resumes employment as a teacher in Wisconsin teaching after such date; (c) Any member who is a member of the system on the effective date of this section (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 is first employed as a teacher in Wisconsin teaching after the effective date of this section (1965) elects in accordance with this section 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 section (1965); and (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 s. 42.241; such classification shall also be applicable with respect to any benefit, compensation or employment which is not includable for formula group purposes.

(2) Not later than January 1, 1966, the executive secretary shall mail or deliver to each member who is eligible for the election specified in sub. (1) (a) or (b), comparative information concerning the required deposits, benefits and other features applicable to members of the formula group and to members of the group to which such member then belongs, together with an envelope addressed to the system and a form to be signed and returned to the office of the system 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 employment contract of such member, and the form provided herein shall contain a statement to such effect. To be effective, the election form from any member must be received by the office of the state teachers retirement system no later than the close of business on April 1, 1966, but the board may provide for a reasonable extension of such date in individual cases on the basis of unusual or extenuating circumstances; no such extension shall be effective after June 30, 1967. The board may prescribe and 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.

(3) 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.

**42.245 BENEFITS UNDER THE FORMULA GROUP.** This section shall apply only to members of the formula group. Benefits provided under or pursuant to this section are inclusive of the benefits provided by accumulations under s. 42.243.

(1) **CREDITABLE SERVICE.** (a) Creditable service shall be expressed in years and such fractions thereof as the board determines. The creditable service of each member any time prior to July 1, 1966, shall be the number of years of service as a teacher in Wisconsin teaching (including prior service) theretofore creditable to him pursuant to the applicable statutes and rules, provided that military service meeting the requirements of s. 42.45 (2) or (3) shall be included for any such period for which the member makes deposits as provided by s. 42.45 (4). The creditable service of a member with respect to teaching after June 30, 1966, shall be the number of years of subsequent service as a teacher in Wisconsin teaching until such service as a teacher 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 military service prior thereto.

(b) A member shall be considered a new member with respect to each separate period of service as a teacher in Wisconsin teaching as determined pursuant to s. 42.20 (17) (a) which begins after June 30, 1966. The commencement of a separate period of teaching service shall not cause the loss of any benefit to which a member is entitled by virtue of any preceding service.

(c) Creditable service for Wisconsin teaching prior to the effective date of this paragraph shall be reduced by one-half of any period included therein with respect to which the required deposits of a member have been withdrawn, unless repayment of any such withdrawal has been made prior to July 1, 1966, pursuant to any applicable law. Nothing in this paragraph shall be construed to reinstate any rights waived in connection with the payment of a withdrawal or separation benefit.

(2) **RETIREMENT ANNUITIES.** (a) When a member of the formula group has ceased to be employed as a teacher in Wisconsin teaching and is not on authorized leave of absence from a teaching position in Wisconsin teaching, he may elect to receive a retirement annuity or annuities, the first payment of which shall not be made before the 50th birthday of the member.

(b) The retirement annuity of a formula group member, except as provided in par. (c), (d) or (dm), shall be in the monthly amount equal to the sum of the amounts determined pursuant to subds. 1 and 2, plus any benefit elected by such member to be provided by his accumulated additional deposits:

1. 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.

2. a. 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 and three-sevenths of one per cent of the final excess OASI compensation of the member; or

b. 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.

c. The initial amount of annuity in the normal form under this subdivision 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, survivors and disability insurance program, equals 75% of the member's final average compensation. If a member does not receive such OASI 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 OASI benefits, determinations thereof shall be made by the board on such basis as the board, by rule, establishes.

d. If the member has accumulations from required deposits in the variable annuity division, the initial amount of the annuity under this subdivision 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.

(c) In no case, except as provided in par. (d), 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:

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

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

(d) Except as provided in par. (dm) the retirement annuity of a member who elected under s. 42.244 (1) (a) or (b) to become a formula group member shall be the amount determined pursuant to par. (b), (c) or this paragraph, as the member may elect, but if the member fails to make such election, the annuity shall be that sum calculated under said paragraphs which results in the largest initial annuity. The annuity under this paragraph shall be the annuity purchased by applying as a net single premium any one or more of the following, plus any benefit elected by a member to be provided by his accumulated additional deposits:

1. The accumulation from the member's required deposits.

2. The accumulation on June 30, 1966, from state deposits made on behalf of a member, compounded to the end of the last completed calendar quarter year at the respective rates of interest credited to individual accounts in the fixed annuity division from year to year.

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

4. 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 at 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. 3 or 4 shall be reduced by the amount of such deficiency.

(dm) The retirement annuity of any formula group member who is a member of the university retirement association or the state colleges retirement association shall be the amount determined pursuant to par. (b), (c) or (d), but the amount under par. (d) 3 with respect to teaching service in Wisconsin teaching in each fiscal year after June 30, 1966, as a member of the university retirement association or the state colleges retirement association shall equal the accumulation from his required deposits with respect to his compensation for such teaching service which would have resulted if all such deposits had been made in the fixed annuity division.

(e) 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 of the optional forms set forth in s. 42.49 (2) (a) to (e). A member may elect to receive an annuity or annuities from his required deposits in one form and an annuity or annuities from the state contribution in another form. He may elect to receive his additional deposits in the fixed annuity division in a lump sum or in the form of an annuity, but additional deposits in the variable annuity division shall be received only in the form of an annuity. The excess of the total annuity to which a member is entitled under this section over the initial amount of the variable annuity provided hereunder, when both are computed in the normal form, will be the annuity payable from the fixed annuity division.

(f) Two annuities shall be deemed to be actuarially equivalent if both require the same net single premium at 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.

(g) This section shall be effective with respect to any retirement annuity provided herein if application therefor is filed after the effective date of this section (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 section (1965). As soon as possible after July 1, 1966, each such retirement annuity shall be increased to the amount determined pursuant to this section, 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.

(3) **DISABILITY ANNUITIES.** (a) 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 sub. (2), notwithstanding the age 50 requirement expressed therein.

(b) The amount of a disability annuity under this subsection shall be the greater of the following:

1. The amount of the retirement annuity to which the member would be entitled under sub. (2), notwithstanding the age 50 requirement expressed therein, or,

2. 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. 1. 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.

(c) Each initial determination of disability under this subsection 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 subsection shall be determined in the same manner.

(d) This subsection shall not be effective as to any disability which occurred prior to July 1, 1966. Payment of a disability annuity under this subsection 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.

(4) SEPARATION BENEFITS. Any formula group member who has ceased to be employed as a teacher in Wisconsin teaching and who is not on authorized leave of absence from a teaching position in Wisconsin teaching, shall be paid the accumulation from the member's required and additional deposits upon filing with the board, before the 50th 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 any provision of ss. 42.20 to 42.54.

(5) SUSPENSION OF ANNUITIES WHILE TEACHING. (a) Any retirement annuity, other than an annuity purchased by accumulations from

additional deposits, payable to a formula group member who receives compensation which is subject to s. 42.40 shall be suspended as of the last day of the first month for which he is entitled to such compensation.

(b) Payment of any annuity suspended pursuant to par. (a) shall be resumed as of the first day of the month following the last day on which the member is employed in Wisconsin teaching or is on authorized leave of absence from a teaching position in Wisconsin teaching. Any such annuity shall be payable in the same amount as would be payable if such suspension had not occurred, but if the date such suspension occurred preceded the 65th birthday of the member, the initial amount of the resumed annuity shall be the amount which can be purchased as of the date of such resumption by applying as a net single premium the sum equal to the reserve for the annuity at the date of its suspension compounded to the end of the last completed quarter year preceding the date of its resumption at the respective rates of interest credited to individual accounts in the fixed annuity division from year to year in the case of a fixed annuity, or the respective rates of earnings and capital gains and losses credited to individual accounts in the variable annuity division in the case of a variable annuity; and if the first day of the month following the 65th birthday of the member precedes the date as of which payment of an annuity is resumed, the amount thereof shall be the same amount as would be payable if payment had been resumed on the former date.

(c) If the payment of an annuity of a formula group member is suspended under this subsection and the death of such member occurs prior to the resumption of such payments and if such annuity was in a form which included a provision for payments after the death of the member, such payments shall be made to the beneficiary entitled thereto effective as of the first day of the month following such death. If such payments constitute a continuation of the annuity of the member or of a stated percentage thereof, the amount of such annuity shall be determined as if the payment thereof was resumed as of such effective date. If the annuity included a provision for a continuation of annuity payments after the death of the member only in the event of the survival of specified beneficiaries, such beneficiary designations may not be changed.

(d) This subsection shall not affect any annuity the beginning date of which precedes the date the annuitant first participated as a member of the formula group.

(6) **MINIMUM ANNUITY REQUIREMENT.** If the retirement annuity in the normal form which could be provided under this section from all available accumulations and credits, other than accumulations from voluntary additional deposits, is less than \$10 monthly, such retirement annuity shall not be paid, but in lieu thereof the then present value of such retirement annuity shall be paid in a single sum.

(7) **PARTICIPATION IN VARIABLE ANNUITY PROGRAM.** (a) Except as provided in this subsection, the provisions of s. 42.243 shall be applicable to formula group members.

(b) 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.

(c) Transfers of accumulations under s. 42.243 (3), with respect to members of the formula group, shall be subject to the following:



1. As of June 30, 1966, after the adjustments required by s. 42.243 (5) and (6), there shall be transferred from the required deposit account in the fixed annuity division of each member of the formula group to his required deposit account in the variable annuity division the amount equal to the excess if any of a) the accumulation in his account in the variable annuity division from state deposits, over b) the accumulation in his account in the variable annuity division from required deposits.

2. Any transfer of accumulations on or after July 1, 1966, shall consist of the transfer of equal amounts of required deposit accumulations and state deposit accumulations or contributions, equaling in total the amount of the annual transfer, other than of accumulations from additional deposits, permitted under s. 42.243 (3), but the transfer of state deposit accumulations or contributions shall be to the state accumulation fund of the variable annuity division.

(d) 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 variable 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 section.

**42.246 ELECTION OF FORMULA GROUP BENEFITS BY MEMBERS OF SEPARATE GROUP.** (1) Any separate group member who is eligible to elect to participate in the formula group as provided in s. 42.244, 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 separate group member who elects to become a formula group member shall also be subject to the following:

(a) 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.

(b) An election by a separate group member to become a member of the formula group shall constitute a complete waiver and forfeiture of any right of the member to any benefit under s. 42.49 (4), (6) and (7), and shall constitute a modification of his contract of employment.

(c) No such member shall be denied a disability annuity under s. 42.245 (3) by reason of the lack of an initial determination of disability under s. 42.245 (3) (c) 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 s. 42.245 (3) (b) shall be effective as to each separate group member who elects to become a formula group member, on the basis established in par. (a).

(d) 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.

(e) 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 section (1965) elects to become sub-

ject to s. 66.99, shall be the amount determined pursuant to s. 42.245 (2) reduced by the annuity in the normal form which could be purchased by:

1. If determined pursuant to s. 42.245 (2) (b), the total amount transferred to pay retroactive social security taxes with respect to such member; or
2. If determined pursuant to s. 42.245 (2) (c), one-half of the amount so transferred; or
3. If determined pursuant to s. 42.245 (2) (d), one-half of the amount so transferred, but excluding any amount by which the accumulation specified in s. 42.245 (2) (d) 3 was reduced by reason of such transfer.

SECTION 6. 42.33 (1) (b) of the statutes is amended to read:

42.33 (1) (b) In the "Retirement Deposit Fund" equal to the liabilities for *member deposits and for state deposits for members of the separate group and the combined group* and interest accretions;

SECTION 6m. 42.33 (1) (d) of the statutes is created to read:

42.33 (1) (d) In the "State Accumulation Fund" equal to the contributions made by the state with respect to members of the formula group, with earnings and capital gains accretions, as adjusted for transfers and payments therefrom. On July 1, 1966, the accumulations from state deposits in the accounts in the fixed annuity division and in the variable annuity division of all members of the formula group shall be transferred to the state accumulation fund. An amount of the state accumulation fund equal to the accumulations from required deposits from members of the formula group included in the variable annuity division shall constitute the state accumulation fund of the variable annuity division, and the remainder of the state accumulation fund shall constitute the state accumulation fund of the fixed annuity division.

SECTION 7. 42.34 of the statutes is amended to read:

42.34 The state teachers retirement board shall make such investigations of the mortality, disability, service and compensation experience of the several funds as ~~shall be~~ *are* necessary. On the basis of such investigation the board shall determine, adopt and certify the rates at which the annuities and other benefits shall be granted. The rates shall be adequate to provide for all benefits as near as may be at actual cost, but shall not be less than the rates based on the minimum standard prescribed by law for granting annuities in this state. The rates last adopted by the state annuity and investment board shall continue to be the prevailing rates until changed by action of the state teachers retirement board. No revision of rates shall affect adversely the rights of any beneficiary or annuitant under an application made prior to the date when such revision becomes effective. The state teachers retirement board shall from time to time order and make such distribution of gains and savings as it ~~may deem~~ *deems* equitable *including transfers to the state accumulation fund from any surplus in the annuity reserve fund.*

SECTION 8. 42.40 (6) of the statutes is created to read:

42.40 (6) Effective July 1, 1966, each member of the formula group shall make a deposit in the retirement deposit fund equal to 4½% 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 not subject to such contributions, but no deposit shall be required with respect to compensation for teaching service subsequent to the June 30 following or coincident with the 70th birthday of any such member.

SECTION 9. 42.41 (1) of the statutes is amended to read:

42.41 (1) Every employer shall deduct and withhold from the compensation as a teacher paid by such employer to each teacher on each payroll for each payroll period such per cent of the compensation of each teacher, as such teacher is required to deposit under s. 42.40 ~~(1) and (2)~~. Any person or officer whose duty it is to prepare the payroll for the payment of any said teachers ~~who receive their salaries from the state treasury shall~~ *may be required by the board*, on each such payroll, ~~indicate the entire monthly salary of each teacher, the amount to be paid such teacher, and the amount, if any, to be deducted for the retirement deposit fund, and shall indicate on said payroll the total of such deductions as the amount to be paid to the retirement deposit fund to furnish all information necessary for the timely and efficient administration of the system.~~ *The executive secretary shall provide any such person or officer information as to whether a teacher is a member of the separate group or, combined group or formula group.*

SECTION 10. 42.45 (1) (b) of the statutes is amended to read:

42.45 (1) (b) Beginning on July 1 following the execution of an agreement extending coverage under OASI to the members of the combined group under s. 42.241, the state deposit on behalf of each teacher who is a member of the separate group shall be computed in accordance with par. (a) and the state deposit for each other teacher shall be an amount equal to the required deposit made by such teacher under s. 42.40 (2). *State contributions for members of the formula group for fiscal years beginning after June 30, 1966, shall be determined under s. 42.46 (3).*

SECTION 11. 42.46 (1) and (2) of the statutes are amended to read:

42.46 (1) The state teachers retirement board shall annually, as soon after June 30 as ~~shall be~~ practicable, ascertain the teaching experience of, and the amount of, required deposits made during the year by each member *of the separate group and the combined group*, and on the basis thereof determine the state deposit to be made by the state in the retirement deposit fund of the state teachers retirement system on account of service rendered during the year for each *such* member. Said board shall also determine annually, as soon after June 30 as ~~shall be~~ practicable, the amount of money which must be placed in the contingent fund of the state teachers retirement system ~~in order~~ to maintain the ratio of assets to liabilities therein which is required by s. 42.33 (1) (c) *and the amount required to be paid into the state accumulation fund pursuant to sub. (3)*. Said board shall thereupon certify to the department of administration which shall forthwith prepare a warrant therefor, and upon such warrant the state treasurer shall, as of June 30, ~~1951~~ transfer the aforesaid amounts to the state teachers retirement system from the funds appropriated for the purpose. The amount transferred for the retirement deposit fund shall be credited to the individual accounts of the members for the purpose of providing an annuity or other benefit as provided in ss. 42.20 to 42.54, *but for fiscal years beginning after June 30, 1966, such credits shall be made only with respect to the accounts of members of the separate group and the combined group.*

(2) The state teachers retirement board shall annually, prior to July 15, estimate the amount of the state deposit to be made by the state in the retirement deposit fund of the state teachers retirement system for each member *of the separate group and the combined group* on account of service rendered during the current fiscal year ~~and~~, the amount of money which must be placed in the contingent fund of the state teachers retirement system in order to maintain the ratio of assets to liabilities

therein required by s. 42.33 (1) (c), *and the amount required to be paid into the state accumulation fund.* 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 state teachers retirement system from funds appropriated for the purpose. When the state teachers retirement board ~~shall have~~ *has* determined the exact amounts which were payable by the state to the state teachers retirement system for the retirement deposit fund ~~and~~, the contingent fund *and the state accumulation fund* thereof respectively for the preceding fiscal year as required by sub. (1) hereof, 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 state teachers retirement system, ~~whichever the case may be,~~ as determined from the ~~aforsaid~~ *such* final certification.

SECTION 12. 42.46 (3) of the statutes is created to read:

42.46 (3) For the purpose of providing benefits to members of the formula group, as provided by ss. 42.20 to 42.54, the state shall pay each fiscal year to the state teachers retirement system for credit to the state accumulation fund as provided by subs. (1) and (2), 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 approves, as follows:

(a) 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 Wisconsin 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.

(b) 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.

SECTION 13. 42.475 and 42.48 of the statutes are amended to read:

42.475 Whenever a member's deposit accumulation, ~~or~~ *state deposit accumulation, or both, are or an amount in the state accumulation fund is* to be paid out as a death benefit pursuant to s. 42.50, ~~or shall be~~ *is* transferred to the annuity reserve fund pursuant to s. 42.48, interest shall be credited to the amount to be so paid out or transferred for each 3-month period which ~~shall have~~ *has* elapsed since the preceding June 30 at one-fourth of the rate at which earnings were apportioned on such June 30. The interest so credited shall be charged to the earnings for the current

fiscal year and shall be paid out or transferred; ~~as the case may be,~~ with the amount to which it was so credited.

42.48 A member may apply at any time to the state teachers retirement board, on a form furnished by it, for a benefit. The board shall determine the benefit to be paid to the member, which shall be certified by the ~~said~~ board to the department of administration. The department of administration shall thereupon issue its warrants upon which the state treasurer shall make payments accordingly. If the benefit applied for is other than a single payment the ~~said~~ board shall transfer the amount of the member's individual accumulation covered by the application as so certified, from the retirement deposit fund to the annuity reserve fund, *and shall transfer from the state accumulation fund to the annuity reserve fund the additional amount required to provide the benefit if payable to or on account of a member of the formula group,* and the benefit shall thereafter be paid from the annuity reserve fund. The state treasurer shall make payment by check to the order of the member or beneficiary and the personal indorsement of the payee shall be sufficient receipt and shall constitute a statement that the payee is entitled to the payment of such benefit in full compliance with the requirements of the law.

SECTION 14. 42.49 (9) (e) of the statutes is amended to read:

42.49 (9) (e) This subsection shall apply to members of ~~both~~ the separate group ~~and~~, the combined group, *and the formula group, but any benefit hereunder to a member of the formula group shall be provided from the state accumulation fund.* Persons receiving benefits under s. 42.242 (4) or 42.245 (3) shall not receive benefits under this subsection.

SECTION 15. 42.50 (1) of the statutes is amended to read:

42.50 (1) Any member may, by written notice to the state teachers retirement board, in ~~such a form as it shall approve~~ *approved by it,* designate a sole beneficiary, or 2 or more beneficiaries to whom any death benefit payable at the death of the member shall be paid. The member may, from time to time, by a like written notice, change any of the ~~aforesaid designations~~ *such designation.* If no beneficiary ~~shall have been~~ *is* named 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. Such death benefit shall be the full amount of the accumulation in the retirement deposit fund to the credit of the member from all member's deposits ~~and all state deposits.~~ *plus:*

SECTION 16. 42.50 (1) (a) and (b), (4) and (5) of the statutes are created to read:

42.50 (1) (a) In the case of a member of the formula group the accumulation at the date of death if prior to July 1, 1966, and otherwise the accumulation at June 30, 1966, from state deposits made on his behalf, compounded to the end of the last completed calendar quarter year preceding his death at the respective rates of interest credited to individual accounts in the fixed annuity division from year to year, but 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; or

(b) In the case of a member of the separate group or the combined group, the accumulation in the retirement deposit fund from all state deposits made on his behalf.

(4) Upon the death after June 30, 1966, of a member age 60 or more of the formula group while employed as a teacher in Wisconsin teaching,

or while on authorized leave of absence from a teaching position in Wisconsin teaching, and if such member has not previously been granted an annuity under any provision of ss. 42.20 to 42.54, 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 s. 42.49 (2) (d).

(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.

(c) The payment of any death benefit under this subsection shall be subject to subs. (2) and (3).

(5) Upon the death of a member of the formula group receiving a disability annuity under s. 42.245, a death benefit shall be payable to his beneficiary in the amount of the excess, if any, of the accumulations from member additional and required 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 or are 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 life annuity (terminating in the case of a minor child at the end of the month in which he reaches the age of 21) of the monthly amount to which such beneficiary would have become entitled under sub. (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 such date. Such present values shall be determined at the rates 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 additional and required deposits applied to provide the annuity over the aggregate amount of annuity payments received by the member after his 65th birthday.

SECTION 17. 66.919 (4) (d) of the statutes is amended to read:

66.919 (4) (d) "Disability annuity" means the same as prescribed in s. 23.14 (7), 42.242 (4), ~~42.245 (3)~~, 42.49 (9), 66.191 or 66.907.

Approved August 30, 1965.