

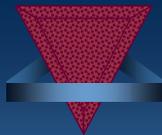


Wisconsin Retirement System

Canceling Variable Fund Participation

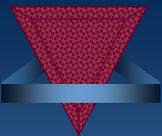
Department of Employee Trust Funds

By Kathryn Fields - Trust Funds Specialist



Topics

- ↘ The Basics: Core and Variable Funds
- ↘ Variable and its affect on WRS benefits
- ↘ When/how you may cancel participation
- ↘ Cancellation options
- ↘ Affects of cancellation
 - Active/Inactive employees and Annuitants
- ↘ Information Resources



Are you in the Variable ?

Check your Annual Statement of Benefits

or

Call ETF

MILWAUKEE AREA TECH COLLEGE
700 W. STATE ST.
MILWAUKEE WI 53233-1443

etf
DEPARTMENT OF EMPLOYEE TRUST FUNDS
WISCONSIN RETIREMENT SYSTEM (WRS)
ANNUAL STATEMENT OF BENEFITS
January 1, 2007
IRS Codes: 401(a) & 403(b)

SAMPLE

Review carefully. The amounts shown reflect our records as of 1/1/2007 and may be subject to corrections. Strict time limits apply to corrections or appeals concerning WRS accounts, service history, earnings, contributions and other records. Keep this document with your important personal records.

2006 Earnings and Service
These are earnings and service as reported by your WRS employer for the calendar year just prior to the date of this statement. Earnings and service for Teachers/Judges/Educational Support Personnel are also shown for the fiscal year.

| Category | Year | Earnings | Years of Service |
|-------------------------------|-----------------|-------------|------------------|
| EDUCATIONAL SUPPORT PERSONNEL | 2005-06 | \$31,928.61 | .46 |
| EDUCATIONAL SUPPORT PERSONNEL | 7/1 TO 12/31/06 | \$14,658.72 | .21 |

Years of Creditable Service as of 1/1/2007

| Category | Before 2000 | After 1999 | Total Service |
|-------------------------------|-----------------|------------|---------------|
| EDUCATIONAL SUPPORT PERSONNEL | .81 | 3.03 | 3.84 |
| EDUCATIONAL SUPPORT PERSONNEL | 7/1 TO 12/31/06 | .21 | .21 |
| GENERAL TEACHER | 3.07 | .00 | 3.07 |
| GENERAL TEACHER | A6 OF 7/1/06 | .00 | .36 |

Total Years of Creditable Service:

Teachers/Judges/Educational Support Personnel Final Average Earnings and years of service are based on fiscal years. This statement shows both fiscal and calendar year service. See insert for explanation.

Employee Required Contributions
Total employee contributions plus interest as of the date of this statement.

| Core | Variable | Total | |
|---|-------------|------------|-------------|
| 1/1/2006 Balance | \$23,180.86 | \$4,251.62 | \$27,432.48 |
| 2006 Interest | \$2,271.72 | \$765.29 | \$3,037.01 |
| 2006 Contributions | \$781.63 | \$781.62 | \$1,563.25 |
| Adjustment | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| 1/1/2007 Balance | \$26,234.21 | \$5,798.53 | \$32,032.74 |
| Non-taxable portion of employee contributions (Investment in Contract): | | | \$ 0.00 |

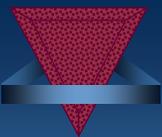
Core: 9.8%
Variable: 18.0%

Additional Contributions

| | Employee Additional | | Tax-Deterrred | | Employer Additional / LTDI | |
|---|---------------------|-------------|---------------|----------|----------------------------|-------------|
| | Core | Variable | Core | Variable | Core | Variable |
| 1/1/2006 Balance | \$21,467.30 | \$9,309.44 | | | | |
| 2006 Interest | \$2,103.80 | \$1,675.70 | | | | |
| 2006 Contributions | \$1,500.00 | \$1,500.00 | | | | |
| Adjustment | \$ 0.00 | \$ 0.00 | | | | |
| 1/1/2007 Balance | \$25,071.10 | \$12,485.14 | | | | |
| Non-taxable portion of employee contributions (Investment in Contract): | | | | | | \$24,956.15 |

The enclosed explanation form is important for understanding your Statement of Benefits. Please retain it with your statement.

ET-7365

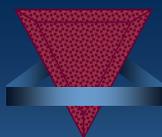


The Basics

Investment earnings (gains and losses) *do* affect the amount of benefits payable



Make an informed decision about how to cancel Variable participation!

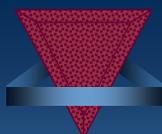


The Basics

- Contributions made to the WRS by employees and their employers are invested in two trust funds
 - Core Fund
 - Variable Fund (optional)

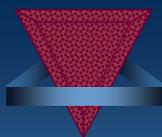
Money (including interest earnings) in these trust funds are used to pay retirement benefits

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The Basics

- The Core Trust Fund: fully diversified, (mixture of assets: stocks, fixed income, private equity and real estate)
 - Returns are smoothed (recognized evenly) over a 5-year period to keep interest and annuity adjustments *more stable*
 - All WRS participants have monies invested in the Core Fund
 - The Variable Trust Fund: primarily stocks (by law) resulting in a greater exposure to risk due to fluctuations of the stock market
 - Gains and losses *fully distributed* each year - **No smoothing**
 - NOTE: Investment losses have a much larger impact on those who participate in the Variable
- Interest credited annually based on returns as of 12/31*



Variable Fund Participation

If you have ever participated in the Variable Fund:

- ↘ Account has either a Variable "excess" or a "deficiency"

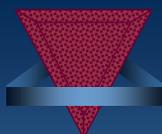
Difference between actual account value and what it would be if never participated in the Variable

Variable "excess" = the amount you are "ahead"

Variable "deficiency" = the amount you are "behind"

This excess or deficiency is used to either increase or decrease your formula annuity when retirement or disability benefit begins

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Remaining in the Variable An Individual Decision

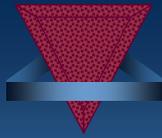
As with any investment, it's best to consider several factors, including

- ↘ Personal risk tolerance
(before and after retirement)
- ↘ Years until retirement
- ↘ Other types of investments that will provide retirement funding

Remember, the Variable Fund is more volatile

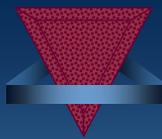
You could lose interest, or your monthly retirement annuity can do down!

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How to cancel Variable Participation

- Must file form ET-2313 - can submit *anytime*
 - ETF must receive on or before first working day of any given year (January 2) for cancellations to be effective on 12/31 the previous year
 - Can only be effective on 12/31 based on administrative rule (written to reflect annual interest crediting statutes)
 - Any Variable gain *or* loss is applied to your account for the year form is filed
- Variable funds are then transferred to your core account *based on the cancellation option chosen*⁹



Variable Cancellation Options

1. Cancel participation for all *future contributions only*. All past contributions (and annuities if applicable) remain in the Variable Trust Fund and continue to earn Variable rate interest. There is no effect on Variable annuities, all Variable adjustments still apply.
2. Cancel *conditionally*: Cancels all future Variable contributions. Past contributions will be transferred, or future Variable annuity payments will become core payments only when you are at least "breaking even" (compared to what the balance would be if had never participated in the Variable). Transfer is made after current year investment result is applied.
3. Cancel *unconditionally*: Cancels all future contributions and transfers past Variable contributions from active/inactive account(s) and/or annuity payments to the Core Fund. Transfer is made after current year investment result is applied to an account and/or annuity regardless of excess or deficiency amount.



Choose one option

Canceling Variable Participation

Department of Employee Trust Funds
P. O. Box 7931
Madison, WI 53707-7931
CANCELING VARIABLE PARTICIPATION
Wis. Stat. § 40.04 (7) Wis. Adm. Code ETF 10.30

TYPE OR PRINT IN INK

| | | | | |
|------------------------|-------|-----------|------------|--|
| YOUR NAME Last | First | Middle I. | Middle II. | Your Social Security Number |
| Address No. and Street | | | | Your Birthdate (MM/DD/CCYY) |
| City | | State | Zip Code | Your Weekday Telephone No. (include area code) |

Be sure to read the information about canceling your variable participation on the previous pages before completing this form.

You may select one of the following options for canceling your participation in the Variable Trust (check one box only):

1. I elect to cancel my participation in the Variable Trust for all dwp.com/benefits.html. I understand that all past contributions (and my annuities, if applicable) will remain in the Variable Trust.

2. I elect to cancel conditionally my participation in the Variable Trust. I understand this election will cancel all future variable contributions to my WRS account. Past variable contributions will be transferred or future variable annuity payments will become core payments only when the value of the variable portion equals or exceeds the amount I would have had if I had never participated in variable.

3. I elect to cancel unconditionally my participation in the Variable Trust. I understand this election will cancel all future variable contributions and transfer past variable contributions from my active/inactive account(s) and/or transfer my future annuity payments to the Core Trust. After the current year variable investment result is applied to my account and/or annuity. If I am not an annuitant and my account has a residual deficiency, I understand that this deficiency may grow and the deficiency amount when my annuity begins will decrease my formula benefit.

MULTIPLE ACCOUNTS

IF YOU HAVE MULTIPLE ACCOUNTS BUT ONLY WANT THIS VARIABLE CANCELLATION TO APPLY TO SPECIFIC ACCOUNT(S), use this space to specify the WRS account(s) to which you want this cancellation to apply. See "MULTIPLE ACCOUNTS" section on page 3 before completing this section. If you do not specify the account (and/or annuity) to which this cancellation is to be applied, it will be applied to all of your variable accounts and/or annuities.

1. Participant Account only or
 2. Beneficiary Account only or
 3. Alternate Payee Account only

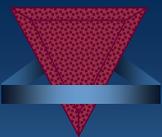
I have read and understand and agree to all of the terms of this election as stated above and in pages 1-4. I understand that Wis. Stat. § 943.305 provides criminal penalties for making false or fraudulent claims on this form and hereby certify to the best of my knowledge and belief, the above information is true and correct. I have read and understand the information regarding the effects of canceling participation in the variable trust fund.

| | | |
|-------------------|-----------|--------------------------|
| Date (MM/DD/CCYY) | Signature | Daytime Telephone Number |
|-------------------|-----------|--------------------------|

Sign: Make a copy for your records. Submit original form to: Department of Employee Trust Funds
P. O. Box 7931
Madison, WI 53707-7931

The Department will mail you an acknowledgment letter.

ETF-2313 (REV 10/2008)

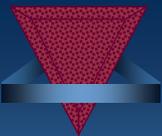


*Residual Excess/Deficiency
Non-Annuitants (Open Accounts)*

- A record of the excess or deficiency is reviewed at the time of transfer
 - Shown on your *Annual Statement of Benefits*
- ETF compares the account balance
-to -
- What the account balance *would have been* if you had not participated in the Variable Fund

* * * * *

If you transfer out of the Variable BEFORE taking a benefit, once your Variable account balance has transferred to the Core Fund, you will have a residual excess or a residual deficiency . . .



**Where to find
Your Variable
Excess
or
Deficiency
Amount**

Primary Beneficiary Designation(s) for WRS Required Account

Automated recording of beneficiary designations began in 1988. If you submitted a designation prior to that time, it is not displayed, however a record of that designation is in your file. If you never filed a designation, standard sequence applies.

Separation Benefit

Since you are age 55 or older, you are not eligible for a separation benefit.

| | Active | OR | Inactive |
|---------------------------|---------------------|----|--------------------|
| Required Contributions: | \$64,065.57 | | \$32,032.74 |
| Additional Contributions: | \$37,556.24 | | \$37,556.24 |
| Total: | \$101,621.81 | | \$69,588.98 |

Active death benefit is the amount payable if you die while employed in a position covered under the WRS.
Inactive death benefit is the amount payable if you die while not employed in a position covered under the WRS.

Formula Benefit Data

Three Highest Years of Earnings as of 1/1/2007

| Year | Earnings | Service | Variable Excess / Deficiency |
|--|-------------|---------|------------------------------|
| 2005-06 | \$31,928.61 | 46 | Employee \$668.26 |
| 2003-04 | \$31,523.39 | 49 | Employer \$958.26 |
| 2002-03 | \$28,597.55 | 49 | Total \$1,396.52 |
| \$5,326 Final Average Monthly Earnings | | | |

Money Purchase Balance

Total required employee and matching employer contributions including interest.

| | Core | Variable | Total |
|---------------------------------|--------------------|--------------------|--------------------|
| Employee Required Contributions | \$26,234.21 | \$5,798.53 | \$32,032.74 |
| Matching Employer Contributions | \$26,234.28 | \$5,798.55 | \$32,032.83 |
| Total: | \$52,468.49 | \$11,597.08 | \$64,065.57 |

When you retire you are entitled to the higher of the money purchase or formula retirement benefit amount. Money purchase benefits are based on your money purchase account balance and your age. Formula benefits are based on your age, final average monthly earnings, employment category, years of service, and variable excess/deficiency (if applicable).

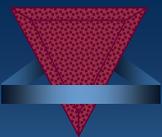
The projected monthly money purchase amounts are based on your current money purchase balance shown in section 9. The projected monthly formula benefit amounts displayed are based on your current three high years of earnings shown in section 8 and your service shown in section 2 on this statement. These projections do not include any additional contributions.

The ages shown reflect your earliest possible retirement age and the age when you first can receive an unranked benefit (no age reduction because of age). The amounts shown reflect the benefit payable under the highest paid option - paid for your life only. At retirement you will be given other option choices to protect a beneficiary.

| | |
|--------------------------------|---------|
| | Age 16 |
| Monthly Money Purchase Benefit | \$661 * |
| Monthly Formula Benefit | \$687 * |

* These monthly amounts are based on your current balances as of 1/1/2007, and assume that you have reached the retirement ages shown on that date.

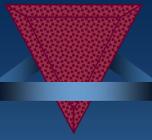
If you plan to retire within the next 12 months, you must contact the Department of Employee Trust Funds for a retirement packet that includes an estimate and application form.



**Residual Excess/Deficiency
Non-Annuitants (Open Accounts)**

- Your residual excess or deficiency will be credited with the core effective rate of interest each year
- The amount of your excess or deficiency will grow each year even after your Variable Funds are transferred to the Core Fund
- The net effect of interest credited to the excess or deficiency will be reflected in the calculation of the benefits paid from your account . . .

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Residual Excess/Deficiency

Effects on Variable Transfers on Open Accounts

Examples

NOTE: If you file a *conditional* cancellation, you could **NEVER** have a residual Variable *deficiency* because your Variable Funds would *only* be transferred if you're "even" or "ahead "

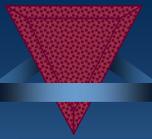
*Transferred before retirement with an **excess***

| | |
|-----------------|----------------------------|
| \$ 20,500 | Total Residual Excess |
| + 2,685 | 2007 Core Interest (13.1%) |
| = 23,185 | Excess Balance |

*Transferred before retirement with a **deficiency***

| | |
|--------------------|----------------------------|
| \$ - 20,500 | Total Residual Deficiency |
| + - 2,685 | 2007 Core Interest (13.1%) |
| = - 23,185 | Deficiency Balance |

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Residual Excess/Deficiency

Effects of Variable Transfers on Annuity Calculations

*Transfer before retirement with an **EXCESS***

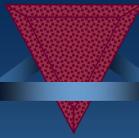
| | |
|---------------|--|
| \$ 20,500 | Total Residual Excess |
| + 2,685 | 2007 Core Interest (13.1%) |
| = 23,185 | Balance |
| x .00571 | Money Purchase (age) factor at retirement |
| \$ 132 | Variable Adjustment (<i>Add to formula</i> annuity) |

Examples

*Transfer before retirement with a **DEFICIENCY***

| | |
|--------------------|---|
| \$ - 20,500 | Total Residual Deficiency |
| + - 2,685 | 2007 Core Interest (13.1%) |
| = - 23,185 | Balance |
| x .00571 | Money Purchase (age) factor at retirement |
| \$ - 132 | Variable Adjustment (<i>Subtract from formula</i> annuity) |

NOTE: Money Purchase calculations already include the Variable excess or deficiency



Annuitants: Still "Ahead" or "Behind" *Effects on Variable Transfers on Existing Annuities*

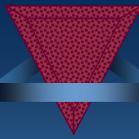
Final Retirement Annuity Calculation
shows both the Core and Variable Annuity amounts

Example

| | |
|-------------------|------------------|
| \$1,061.00 | Core Annuity |
| <u>\$1,161.62</u> | Variable Annuity |
| \$2,222.62 | Total |



- If cancel Conditionally: Annuity will receive Variable adjustments until it reaches the level it would have been if never participated in the Variable fund (may have negative Variable adjustments), then changes to a Core annuity
- If cancel Unconditionally: Annuity will change to a Core annuity effective on the following May 1 payment, regardless of the annuity amount



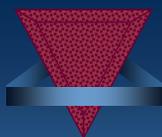
Annuitants: Still "Ahead" or "Behind" *Effects on Variable Transfers on Existing Annuities*

How do you know if your annuity is "even" or "ahead" of what it would be if you never participated in the Variable?

- Contact ETF - Allow 3 weeks for response
- ETF will send letter:



1. Current annuity amount
2. Amount annuity would be if never in Variable
3. Amount annuity is "ahead" or "behind"



Annuitants: Still "Ahead" or "Behind" *Effects on Variable Transfers on Existing Annuities*

Example Letter

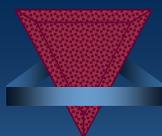
Your monthly annuity payment currently includes gross amounts of:

| | |
|-------------------|------------------|
| \$1,194.27 | Core Annuity |
| <u>\$1,408.24</u> | Variable Annuity |
| \$2,602.51 | Total |

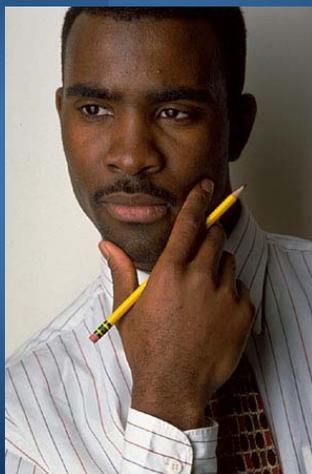
If you had never participated in the Variable fund, your total gross payment would currently be: \$2,352.15

This means your annuity is \$250.00 ahead/behind of what it would have been if you had never participated in the Variable fund

Amounts do not include the current year's investment results. If you file a cancellation this year, your annuity will receive the Variable increase **or** decrease based on the investment results for this year. That adjustment will appear on your next years May 1st annuity payment



Summary



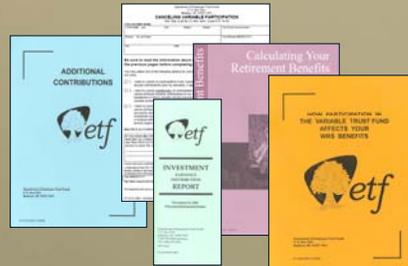
- ↘ Educate yourself as to the possible risks (or gains) of remaining in the Variable Fund
- ↘ Consider:
 - ↘ Your own risk tolerance
 - ↘ Years until retirement
 - ↘ Other investments
- ↘ Understand
 - ↘ Your own account values: (excess or deficiency)
 - ↘ How the excess or deficiency affects your retirement
- ↘ Take Action (if applicable)

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Information Resources

- ETF's Web site
- ETF's Video Library
 - WRS Trust Funds: Core & Variable
 - Annual Retirement Annuity Adjustments
 - Your Annual Statement of Benefits

- ETF Forms & Brochures
 - Canceling Variable Participation: ET-2313
 - How Participation in the Variable Fund Affects your WRS Benefits: ET-4930
 - Additional Contributions: ET-2123



THE END