



**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**

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Dear Wisconsin Retirement System (WRS) Retirees:

The WRS 2008 finalized annuity adjustments are:

**Core Fund annuity adjustment: -2.1%**  
**Variable Fund annuity adjustment: - 42%**

Annuity adjustments for WRS retirees will first be reflected in the May 1, 2009, annuity payment. The annuity adjustments are primarily based on trust fund investment performance as of December 31 of each year and reserves from previous years. For 2008, trust fund investment returns were **-26.2%** for the Core Fund and **-39%** for the Variable Fund.

Core Fund Annuity Adjustment

Why is the Core Fund annuity adjustment negative 2.1% when the fund actually experienced a 26.2% decrease? Investment increases and decreases in the Core Fund are spread (or "smoothed") over a five-year period. This means that in years with good investment returns the Core Fund annuity adjustment will normally be less than the actual investment returns, but in years with negative returns the annuity adjustments will normally not be as negative. Because of smoothing, only 20% of the Core Fund's approximately 26.2% decrease is recognized in the 2008 annuity adjustments. The remainder will be spread out in equal increments over the next four years. Similarly, positive investment results from 2004-2007 are being recognized this year and helped dampen 2008's investment declines.

This year's negative annuity adjustment follows a 6.6% increase last year. Despite this first-ever negative Core annuity adjustment, the Core portion of any WRS retiree's annuity can never be reduced below the amount he or she started with at retirement. Only Core annuity increases granted in previous years as a result of investment increases can be reduced. However, there is no similar limit on the Variable portion of a WRS retiree's annuity.

Variable Fund Annuity Adjustment

While Core Fund investment returns are smoothed over a five-year period, by law the Variable Fund investment returns (increases and decreases) must be fully recognized each year. Members who elected to participate in the Variable Fund experience annuity adjustments that are closer to actual Variable Fund investment returns. The Variable Fund is an all-equity fund and volatility is expected. Depending on when you retired, you may have also experienced many years of positive annuity adjustments, such as the 25% annuity adjustment in 2003 and the consecutive years of double-digit annuity adjustment increases in the 1990s. You may have also experienced a number of years with negative annuity adjustments, including three consecutive years of decreases in 2000, 2001 and 2002 that totaled a -52.7% annuity adjustment during the three-year span.

If you are unsure whether you participate in the Variable Fund, check your most recent WRS annuity payment statement. For more information about the Variable Fund, visit the *Variable Fund Information* menu in the **What's New** section of our Internet site at <http://etf.wi.gov>.

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