



STATE OF WISCONSIN  
Department of Employee Trust Funds  
David A. Stella  
SECRETARY

801 W Badger Road  
PO Box 7931  
Madison WI 53707-7931  
1-877-533-5020 (toll free)  
Fax (608) 267-4549  
<http://etf.wi.gov>

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For more information, contact:  
Matt Stohr, Communications Director  
(608) 266-3641

**FOR IMMEDIATE RELEASE**

## Department Announces Effective Rates

MADISON, Wis. – The Department of Employee Trust Funds (ETF) has established the interest rates (herein effective rates) credited to the retirement accounts of employed Wisconsin Retirement System (WRS) members and eligible inactive members for 2008. The Core Trust Fund effective rate is **3.3%** (positive 3.3%) and the Variable Trust Fund effective rate is **-40%** (negative 40%).

The Core Fund effective rate affects the account balances of more than 262,000 active state and local government workers, including law enforcement officers, teachers, firefighters, and University of Wisconsin employees. The rates, calculated by ETF, are based on investment performance earned by the State of Wisconsin Investment Board (SWIB) and investment reserves carried over from previous years. SWIB recently announced 2008 investment returns of -26.2% for the Core Fund and -39% for the Variable Fund.

**Note:** Effective rates are the starting point for calculating annual adjustments to WRS retirees' monthly benefit payments. ETF expects to have the annual annuity adjustments finalized by mid-March.

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**Additional background information:**

- The ten- and five-year (compounded) average annual **Core Trust Fund** effective rates are 9.6% and 8.2%, respectively.
- The ten-and five-year (compounded) average annual **Variable Trust Fund** effective rates are 0.2% and -1.7%, respectively.
- The Core Fund is the larger of the two WRS trust funds. It is a balanced fund of diversified holdings in domestic and international stocks, bonds and real estate.
- Core Fund investment returns (increases as well as decreases) are spread out (smoothed) over a period of five years and the 2004-2007 investment performance – all years of increases – was factored into this year’s calculations. Conversely, only a portion of this year’s 26.2 % decrease was recognized; the remainder will be spread out in equal increments over the next four years.
- The Variable Fund was created as an option for members to have a portion of their benefit based on the performance of a broadly diversified stock portfolio. Those who have elected this option can experience significant increases, but they also risk significant decreases from unfavorable stock market performance. About 25% of the 262,000 WRS active employees participate in the Variable Fund.
- By law Variable Fund investment returns (increases and decreases) must be fully recognized each year. Therefore, WRS members who participate in the Variable Fund experience effective rates (and annuity adjustments) on the Variable Fund portion of their accounts that are closer to actual Variable Fund investment returns.
- Inactive participants are those who have left public service but still keep their retirement accounts open. About 45% of inactive members qualify for Core Fund effective rate interest crediting. The rest, by law, receive a 5% increase.
- Effective rates serve as the starting point for calculating the annual adjustments to WRS annuitants’ monthly pension benefit payments beginning May 1. Significant factors in the final annuity adjustment rate include assumed interest, annuitant mortality rates and other actuarial factors.

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