



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>

March 4, 2009

**FOR IMMEDIATE RELEASE**

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

**ETF Secretary Responds to School Board Association  
Press Release on WRS Contribution Rates**

MADISON, (Wis.) – Department of Employee Trust Funds Secretary David Stella issued the following statement in response to the March 3, 2009, Wisconsin Association of School Boards (WASB) press release concerning Wisconsin Retirement System (WRS) contribution rates:

“The costs of the WRS are under control,” Stella said. “The Department has not proposed increasing contribution rates into the future for the WRS. The Employee Trust Funds Board meets in June to establish contribution rates for 2010, and 2010 only. Those rates will be based on recommendations of the WRS consulting actuary.”

“There is little doubt that total contributions for 2010 will increase – probably by about 0.8% -- based on investment declines in 2008,” Stella continued. “However, fluctuations in contribution rates based on market conditions are normal.” To control wild fluctuations in contribution rates, investment gains and losses are spread, or “smoothed”, over a number of years and are shared by employers, employees and retirees. That is why, after suffering investment declines of over 26% in 2008, **“contribution rate increases for most employees will likely be less than 1% for 2010,”** Stella asserted. He added that rate changes beyond 2010 will depend on future investment returns. “It is too early to tell what those returns will be,” he said.

WRS contribution rates are typically set six months prior to the year they will go into effect. The Department has developed projections of contributions rates over the next several years that assume none of the investment losses from 2008 will be recouped. This was done to help employers and employees understand how unfavorable investment returns impact the WRS. Stella said, “WASB has referred to these hypothetical projections as having been ‘proposed’. No one has proposed adopting the projections.”

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Stella said that WASB used contribution rate projections for *future* years – years for which investment returns can't be predicted – and other assumptions of its own to conclude that school costs will go up by more than \$1 billion by 2016. WASB then concludes that the WRS retirement age should be increased now. "Great care should be exercised when considering significant retirement system changes, like those being proposed by WASB, when they are based on such projections and assumptions," he said.

"And just to be clear, the 'normal' retirement age for teachers in the WRS is 65," Stella said. By law, retirement benefits are reduced for teachers that retire before that age unless they are at least 57 years old and have 30 or more years of service. The current average retirement age for general participants in the WRS, including teachers, is 60.

"The reality is that with the cost of health insurance increasing across the nation and with personal retirement savings having been devastated by the economic crisis, more people, including public employees, are already putting off retirement," he said. "Increasing the retirement age for employees may have very little practical effect in reducing pension or other costs for school districts in the near term."

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