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FOR IMMEDIATE RELEASE

Department Announces WRS Annuity Adjustments

MADISON, (Wis.) -- David Stella, Secretary of the Department of Employee Trust Funds (ETF), announced that retired members of the Wisconsin Retirement System (WRS) will receive a **Core Fund annuity adjustment of -2.1%**, a decrease, this year. This decline follows a 6.6% increase last year.

Retirees participating in the optional Variable Fund will see a **Variable annuity adjustment of - 42%**, a decrease as well. The adjustments, recommended by the Department's consulting actuary and approved by the ETF Board chair and Secretary Stella, will first be reflected on retirees' May 1 pension payments.

WRS pension adjustments, whether increases or decreases, are not automatic. They depend on and are derived from the 2008 investment performance of the pension funds invested by the State of Wisconsin Investment Board (SWIB), and current and projected WRS funding needs. Trust fund investment returns were -26.2% for the Core Fund and -39% for the Variable Fund in 2008.

This year marks the first time in WRS history that the Core annuity adjustment is a decrease. "The sizeable decline in the value of WRS assets due to the global economic crisis made this year's negative annuity adjustment necessary," said Stella. Stella noted that the diversification of investments in the Core Fund cushioned the blow, but noted that reducing Core annuities is still a difficult thing to do.

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Stella stressed that 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.

Despite this year's significant decline in investment returns, the Core annuity adjustment benefited from Core Fund investment earnings from 2004-2007. Those increases were factored into this year's calculation process because, by law, investment increases and decreases in the Core Fund are spread (or "smoothed") over a five-year period. Smoothing works to reduce the year-to-year volatility of Core Fund investment returns.

Unlike the Core Fund, Variable Fund investment returns are not smoothed. WRS retirees who elected to participate in the Variable Fund, an all stock fund, experience annuity adjustments on the Variable Fund portion of their WRS account that are closer to actual Variable Fund investment returns.

Additional information

- The ten-year compounded average annual **Core annuity adjustment** is 3.72%; the five-year compounded average is 2.14%.
- The ten-year compounded average annual **Variable annuity adjustment** is -5.07%; the five-year compounded average is -6.80% (both decreases).
- The ten-year compounded average CPI increase is 2.54%; the five-year compounded average is 2.69%.
- In 2008, the Department paid \$3.7 billion in retirement benefits to more than 145,000 retirees. The majority of these payments come from investment gains.
- Approximately 35,000 WRS retirees participate in the Variable Trust Fund, which is an all equity fund. If a retiree elected to participate in the Variable Fund during their working career, by law, 50% of the contributions to their WRS account went into the Variable Fund and 50% went into the Core Fund.
- The Core Fund is a well-diversified fund with assets in stocks, bonds, etc.

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