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March 9, 2010

FOR IMMEDIATE RELEASE

Department Announces Pension Adjustments for WRS Retirees

MADISON, (Wis.) -- David Stella, Secretary of the Department of Employee Trust Funds (ETF), announced retired members of the Wisconsin Retirement System (WRS) will experience a **Core Fund** annuity decrease for the second year in a row.

This year's **Core** annuity adjustment is **-1.3%**; it follows last year's first-ever negative Core annuity adjustment, which was -2.1%. Retirees participating in the optional **Variable Fund** will see an increase on the Variable portion of their annuities. This year's Variable annuity adjustment will be **+22%**.

"The need to reduce Core annuities again demonstrates the severity of 2008's investment declines," said Stella, who noted the reduction is due to the continuing effects of the Core Fund investment decline of 26.2% in 2008. "Core Fund investment returns are smoothed over a five-year period to help cushion the effect of year-to-year market volatility. The sheer size of 2008's Core Fund decline is the reason for this year's negative Core annuity adjustment for retirees."

The WRS, unlike many public employee pension systems, does not provide for an annual cost-of-living increase. Annuity adjustments depend solely on the investment returns of the trust funds and current and projected WRS funding needs.

The annuity 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.

In 2009 trust fund investments rebounded significantly from the global economic crisis a year earlier: The Core Fund returned 22.4%, its third-highest gain in WRS history, and the Variable Fund returned 33.7%, the highest gain in the history of the fund.

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Stella complimented the work of the State of Wisconsin Investment Board (SWIB), the state agency that manages the investments of the trust funds. "SWIB staff did an excellent job on behalf of WRS members, exceeding the investment benchmarks set by its board of trustees. These impressive results will definitely help cushion the blow of 2008's investment decline in years to come and that is good news for members and employers."

Additional information -- Core Fund:

- The average annual Core annuity adjustment rates (compounded) are as follows:
 - 10-year: 1.97%
 - 5-year: 1.35%
- 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 (decreases as well as increases) are spread out (smoothed) over a period of five years. Thus, this year's Core annuity adjustment rate calculation included a portion of 2008's \$21 billion Core Fund **decrease**.
- All WRS retirees receive at least half of their pension in the form of a Core annuity.
- The WRS has approximately 150,000 retirees.

Additional information -- Variable Fund:

- The average annual Variable annuity adjustment rates (compounded) are as follows:
 - 10-year: -4.99%
 - 5-year: -4.32%
- The Variable Fund was created as an option for those who want a portion of their benefit based on the performance of a broadly diversified stock portfolio. Variable participants can experience significant increases, but they also risk significant decreases from unfavorable stock market performance. For example, the 2009 Variable annuity adjustment was -42%.
- About 35,000 WRS retirees participate in the Variable Fund.

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