



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 IMMEDIATE RELEASE

## Department Announces WRS Pension 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 experience a Core Fund annuity decrease for the third year in a row.

The 2010 **Core annuity adjustment is -1.2%**. All 156,000 WRS retirees participate in the Core Fund.

Approximately 35,000 retirees also participate in the optional Variable Fund. They will see an increase on the Variable portion of their annuities. The 2010 **Variable annuity adjustment will be +11%**.

The rates were recommended by the Department's independent consulting actuary and approved by the ETF Board chair and Secretary Stella. The rate changes will affect retirees' monthly pension payments beginning May 1.

"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."

Unlike other state retirement systems, the WRS does not guarantee retirees an annual cost-of-living increase. Adjustments depend solely on the investment returns of the trust funds and current and projected WRS funding needs. Last year, WRS Trust Fund investments continued to recover from 2008's global economic crisis. As of December 31, 2010, the Core Fund returned 12.4% and the Variable Fund returned 15.6%.

The WRS remains in excellent financial condition due to a variety of reasons including:

- the sound investment strategy of the State of Wisconsin Investment Board,
- funding discipline by employers and employees, and
- the 'risk sharing' nature of the system. Retirees and active employees share in the risk of negative investment returns, as in 2008.

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**Additional information -- Core Fund:**

- The average annual Core annuity adjustment rates (compounded) are as follows:
  - 10-year: 1.28%
  - 5-year: 0.95%
- 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 156,000 retirees.
- Approximately 73% of WRS members work or worked for a local government employer and approximately 27% work or worked for state government (including the University of Wisconsin System).

**Additional information -- Variable Fund:**

- The average annual Variable annuity adjustment rates (compounded) are as follows:
  - 10-year: -2.87%
  - 5-year: -2.88%
- 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.
- Approximately 35,000 WRS retirees participate in the Variable Fund.

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