



STATE OF WISCONSIN
Department of Employee Trust Funds
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***Non-retired WRS members are asking....
.....Should I retire in December or wait until January?***

Because of the recent downturn in the investment markets, many participants who were planning to retire early in 2009 are asking the Department of Employee Trust Funds (ETF) whether their benefits would be higher if they start their annuities before the end of 2008 instead of waiting until January.

There is no definitive, “one size fits all” answer. Whether a December or January annuity begin date provides the higher benefits for you will be based on your own Wisconsin Retirement System (WRS) account. The key factors are:

- Whether you participated in the Variable Fund in 2008
- How much of your account is in the Variable Fund
- Whether your annuity is higher under the **Formula** or **Money Purchase** calculation

Do you currently participate in the Variable Fund?

- If the answer is yes, go to the “You’re in the Variable Fund” section of this document.
- If unsure, check your last **Annual Statement of Benefits** (Section 3 or Section 9) to see if there are any funds listed under “Variable”.

You’re in the Core Fund Only

If you have never been in the Variable Fund, or transferred your Variable contributions to the Core Fund before 2008, the current market turmoil will have relatively little effect on the initial amount of your retirement annuity, or may even have no effect at all.

- ◆ If you are currently in the Core Fund only, **and** your annuity is higher under the **Formula** calculation, your benefit will **not** be increased by starting your annuity before January 1, 2009. **There is no advantage to your WRS benefit from terminating employment and beginning your annuity in December.**
- ◆ If you are currently in the Core Fund only and your annuity is higher under the **Money Purchase** calculation, it may be to your advantage to terminate employment and begin your annuity in December if the final 2008 Core Fund investment losses are more than –20%. If the Core Fund losses are greater than –20%, the prorated 5% interest for 2008 that you would receive with a December annuity effective date would be larger than the Core effective rate interest you would receive if your

annuity does not become effective until January. The higher prorated interest would result in a slightly higher money purchase annuity.

Note: At the end of November 2008 the preliminary Core Fund returns from the State of Wisconsin Investment Board (SWIB) were -28.3%. While we cannot predict what the final investment results will be for 2008, it is unlikely that the Core Fund losses will be less than -20%. This means that prorated 5% interest for 11 months will probably be higher than the full Core effective rate of interest for 2008.

- ◆ **If you have already received retirement estimates from ETF, your estimates should be accurate based on the retirement information you provided (e.g. termination date, projected earnings, etc.).**

You're In the Variable Fund

Participants who are still in the Variable Fund are asking whether they can avoid the Variable Fund losses for 2008 by retiring before the end of the year. The answer is no; the losses will be applied either to their Variable accounts or, if their annuities begin in 2008, to the Variable portion of their annuities.

- ◆ If your annuity begins in 2008, the initial amount of your annuity will be higher than if you retire in 2009 because the 2008 Variable Fund losses will not have been applied to your account. **However, the full variable annuity decrease based on 2008 Variable Fund losses would be applied to the Variable portion of your annuity on your payment issued on May 1, 2009.** (Unlike the Core annuity adjustment, the Variable annuity adjustment is not prorated in the first year after retirement.)
- ◆ If your annuity begins in 2009, the Variable Fund losses will already have been applied to your account. Consequently, the initial amount of your annuity will be lower than if your annuity begins in December 2008. However, there will be no Core and Variable annuity adjustments applied to your annuity on the May 1, 2009 annuity payment.
- ◆ If a Variable participant's annuity begins just before the end of 2008, the annuity payments through April 1 are higher than they would be if the annuity begins in January 2009. However, after the annuity adjustments are applied to the May 1, 2009 payment, the ongoing amount of the annuity is generally lower than it would be if the annuity had begun in January.
- ◆ **If you received retirement estimates from ETF in 2008, the accuracy of your estimates depends on whether the annuity effective date used in the estimates was in 2008 or 2009 and, if the effective date was in 2009, when in 2008 your estimates were prepared:**
 - If the annuity effective date in your estimates was in 2008, the estimated beginning amounts in your estimates are still accurate. *However, don't forget that the Variable portion of your annuity will decrease significantly (possibly by as much as 45% or more) on your May 1, 2009 annuity payment.*

- If the annuity effective date used in your estimates is in 2009, whether your estimated amounts are too high, and by how much, depends on when ETF calculated your estimates. Below are the assumed 2008 Variable effective interest rates that were used at various times during 2008:

January 1 through October 20 –	0%
October 21 through November 14 –	-20%
November 15 through December 4 –	-30%
December 5 to the present –	-40%

If your estimates were calculated after December 4 they should be fairly accurate. If they were calculated before October 21 the estimated amounts may be significantly overstated. If they were calculated between those dates they will be overstated, but not by as much as if they were prepared before October 20.

Variable Cancellations

If you file a *Canceling Variable Participation* form (ET-2313), since your Variable contributions are actually invested in the Variable Fund this year you will still have the variable loss for 2008 applied to your Variable account at the end of 2008. More detailed information on canceling Variable participation is available in the resources listed at the end of this document.

THE BOTTOM LINE...

...If you are in the Variable Fund, you cannot “escape” the effects that the 2008 Variable Fund losses will have on your retirement benefits.

RESOURCES

We strongly encourage you to take advantage of the many resources available to you so that you make informed decisions. These include the information provided in this document, in addition to the Department’s customer service specialists, brochures, online videos and other website resources:

Online Videos <http://etf.wi.gov/webcasts.htm>

WRS—Interest vs. Annuity Adjustments
Canceling Variable Participation
WRS Trust Funds: Core and Variable

Online Articles, Forms and Brochures <http://etf.wi.gov>

Things to Consider Before Canceling (for Annuitants and Non-Annuitants)
How do Variable Fund Investments Affect Me?
Core Fund Projected Annuity Adjustments
How Participation in the Variable Trust Affects Your WRS Benefits brochure (ET-4930)
Canceling Variable Participation form (ET-2313)

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