



Special Edition for Inactive Members

The Department of Employee Trust Funds (ETF) is pleased to present the second annual *Trust Fund News* edition designed specifically for inactive members of the Wisconsin Retirement System (WRS). *Trust Fund News* brings you

important news and information about the WRS and pertinent information regarding your rights and responsibilities as a member of the retirement system. We've also included a special eight-page pull out section from the State of Wisconsin

Investment Board (SWIB), the separate state agency responsible for investing the assets of the WRS. We hope you find this newsletter informative and useful. As always, we invite your comments and suggestions.

Governor Thompson Signs Law Enacting WRS Funding and Benefit Changes; Supreme Court Grants Injunction Blocking Implementation

Many Wisconsin Retirement System (WRS) members heard about the major retirement benefit changes that became law last December when Governor Thompson signed 1999 Wisconsin Act 11. The new law, which makes changes to Wisconsin Retirement benefits and funding mechanisms, was subsequently barred from enactment by order of a Wisconsin Supreme Court temporary injunction. The Department of

Employee Trust Funds Board and the Department of Employee Trust Funds requested the injunction — which remains in force at *Trust Fund News* press time — due to concerns about the many legal issues raised by provisions of the new law. The benefit increases and other provisions of Act 11 cannot be implemented as long as the injunction remains in force.

For an update on the current status of Act 11, see *Supreme Court Rules*

ETF Board and Trustees below.

A brief summary of the provisions of Act 11 follows. For a complete summary, visit the Department's Internet site, <http://badger.state.wi.us/agencies/etf>.

1. Distribute \$4 billion from the Transaction Amortization Account (TAA)

The portion credited to the employer accumulation reserve will, in part, help fund the benefit changes. The

Gov. Thompson Signs Law continued on page 2

Wisconsin Act 11 Current Status

Supreme Court Rules ETF Board and Trustees Lack Standing

At *Trust Fund News* press time, the Wisconsin Supreme Court had not decided whether to take original jurisdiction over a challenge to parts of 1999 Wisconsin Act 11, the retirement benefit legislation signed by

Governor Thompson in late December. The new law provides several changes to Wisconsin Retirement System (WRS) benefits and funding mechanisms and will affect all 461,000 WRS members. A temporary court injunction delaying the implementation of Act 11 is in effect.

However, in a major development, the Court did rule that the original petition-

ers, the Employee Trust Funds Board, Department of Employee Trust Funds (ETF) and Eric Stanchfield, ETF Secretary, lack standing to bring the case. The original ETF petitioners subsequently asked the Wisconsin Supreme Court to reconsider its decision, but that motion to reconsider was also denied. As a result, the trustees of the Public Employee Trust Fund and administrators of the Wisconsin Retirement System are no longer parties to the case and have no formal role in the proceedings.

The Court applied a ruling from a

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portions credited to the annuity and employe accumulation reserves will provide a special annuitant fixed dividend, effective April 1, 2000, and special credits to participant accounts. Of the amount transferred to the Employer Reserve, \$200 million will be used to establish a credit account for each employer. First, the credit accounts will be used to pay employers' Unfunded Actuarial Accrued Liability balances and then they will be used to pay their required WRS contributions, until exhausted.

2. Increase the Maximum Annuity Percentage

The law increases the maximum formula benefit limit from 65% to 70% of final average earnings for all employment categories except the protective categories. The maximum formula benefit remains at 65% of final average earnings for protective category employes covered under Social Security (primarily law enforcement officers), and at 85% for protective employes not covered under Social Security (primarily firefighters). These maximums do not apply to money purchase annuities.

3. Increase Formula Factor by .165

To be eligible for the higher formula factors for service performed before 2000, a participant must be actively employed after 1999. A participant who is on an official leave of absence is considered to be actively employed. The formula factor remains at the current levels for WRS creditable service after 1999.

4. Reopen the Variable Trust

Participating employes on or after January 1, 2001 can elect to have future contributions placed in the Variable Trust. This does not apply to current contributions or annuitant payments. Active employes can elect to have 50% of their future required and additional contributions deposited in the Variable Trust. Former variable participants who have cancelled their original variable participation may also re-enroll. Participants cannot transfer past contributions into the Variable

Trust; the election applies only to future contributions.

5. Eliminate the 5% interest crediting cap. Restore effective rate interest crediting to post-1981 member accounts

The current 5% cap on the fixed interest credited to the required contribution balances of actively employed participants first employed under the WRS after January 1, 1982, is prospectively eliminated. Beginning December 31, 1999, all participants receive the annual fixed effective rate interest credited to their accounts. The 3% cap on fixed investment earnings for separation benefits was also eliminated. This provision affects all benefits that are based on a participant's account balances: separation benefits, death benefits and money purchase retirement benefits. *Note: A participant who is currently subject to the five percent and three percent interest caps must be actively employed on or after the effective date of the law to be eligible for full effective fixed interest crediting*

6. Increase active participant death benefits

The death benefit of participants who die as active WRS employes before reaching minimum retirement age (age 55 or 50 if a protective occupation employe) will include the employe required and matching employer contributions plus any voluntary additional contributions in the employe's account. The law also eliminates the restriction that the beneficiary be a spouse, dependent child(ren), or a trust in which a spouse or dependent child has a beneficial interest in order to qualify for the special death benefit if an active WRS member dies after reaching a minimum retirement age. However, the beneficiary must be a person (or a trust in which a living person has a beneficial interest).

7. Eliminate the TAA over five years. Create Market Recognition Account (MRA).

Balances in the current TAA will be paid out over a five-year period and investment gains/losses after 1999 will

be credited to the new MRA. The MRA would become the new accounting mechanism that would smooth the fixed investment trust earnings over a five-year period, replacing the TAA. The change to the MRA would mean a faster recognition of gains and losses than occurs with the current TAA.

8. Change the Actuarial Assumptions

The current assumed investment earnings rate of the trust fund for actuarial purposes is set by statute, but the Board is given authority to make adjustments. The new law specifies a rate that the actuary shall use unless the Board revises it due to changed economic circumstances. The rate has the effect of temporarily reducing annual contribution rates below what they otherwise would be, by assuming that the cost of providing formula annuities in the future will be less.

9. Allow Legislators and legislative service agency employes to purchase creditable service

There is approximately a six-month window during which actively employed participants who have uncredited service as a member or employe of the Legislature, or as the employe of a legislative service agency, to purchase that uncredited service. The window during which eligible participants can purchase this service will end on July 1, 2000.

10. Adjust Calculation of Unfunded Accrued Actuarial Liabilities

The law allows the Employe Trust Funds Board to adjust Unfunded Accrued Actuarial Liabilities (UAAL) when there are changes to the actuarial assumptions.

For a complete summary of the new law, including the impact it will have on member accounts, visit the Department's Internet site at <http://badger.state.wi.us/agencies/etf>. You may also call the Department and request a paper copy.

How New WRS Benefit Law Could Affect Inactive Participants

Wisconsin Act 11, which became effective December 30, 1999, provides a number of benefit improvements to WRS participants who are actively employed under the WRS on or after that date. However, the Wisconsin Supreme Court has been asked to rule on the constitutionality of certain provisions in Act 11 and while these legal issues are pending, a Court ordered injunction that preventing implementation of the provisions of Act 11 stays in place until further order from the Court. (See *Governor Thompson Signs Law* on page one)

If the Wisconsin Supreme Court rules that the provisions of Act 11 are legal, participants who terminated covered WRS employment before the effective date of a provision in Act 11 are not immediately eligible for the benefit provisions in the new law. However, as long as inactive participants do not close their accounts by taking a benefit, upon returning to covered WRS employment they

would prospectively be eligible for the provisions of Act 11 as follows:

Interest Crediting: Participants who have been subject to the current five percent interest cap (and may also be subject to the three percent cap on fixed interest for separation benefit balances), and who terminated WRS employment before December 30, 1999, will continue to be subject to the interest caps. However, inactive participants who return to WRS employment after 1999 would become eligible for the fixed effective interest rates for annual interest credited to their accounts after the date they return to covered WRS employment. Inactive participants who have not been restricted to 5% interest will continue to receive the full effective interest rates.

For inactive participants who have not been restricted to 5% interest crediting, there is a provision in Act 11 that will increase their account balances. One of the funding provisions in Act 11 is a \$4 billion transfer from

the Transaction Amortization Account (TAA), which would increase the 1999 fixed effective rate. The fixed effective rate for 1999 is 13.5% without the \$4 billion transfer, and if this provision of Act 11 is implemented, we estimate the fixed effective rate for 1999 would increase to approximately 23.5% based on the \$4 billion TAA transfer. This would increase the amount of any benefit based on account balances, such as separation benefits, death benefits and money purchase retirement benefits.

Current Variable Participants: A transfer from the TAA would not affect Variable interest crediting. However, the higher fixed effective rate resulting from the TAA transfer could affect "variable excess" balances, since the variable excess is the balance above what the account would have earned had the monies been invested in the Fixed Trust Fund. The higher fixed effective rate resulting from the TAA transfer would

WRS Benefit Law continued on page 5

ETF Fine Tunes Procedures and Preparations in Advance of Act 11 Implementation

As of this writing, the Supreme Court's injunction on the implementation of 1999 Wisconsin Act 11 is still in place. In the meantime, the Department of Employee Trust Funds (ETF) is planning and developing for the many changes in retirement operations created by the new law. These preparations are necessary due to the extensive amount of time and programming effort required to implement the provisions of Act 11. We have approached planning for change as if every provision in the new law will be found legal. We are completing the work in separate "modules" that could be implemented if some or all of Act 11's provisions are struck down by the Supreme Court. Our on-line formula retirement

benefits calculator, found on our Internet site has been enhanced to reflect Act 11 provisions. In addition, the retirement benefit estimates (with retirement dates effective after 1999) that we calculate for members contain benefit estimates under the previous law as well as a printout from our on-line calculator showing formula retirement estimates under Act 11 provisions.

Please be aware that the retirement benefit estimate containing Act 11 provisions is for informational purposes *only*. If you apply for a retirement benefit while the injunction is still in effect, estimated benefits paid to you will be based on pre-Act 11 law. If some or all of the benefit changes in Act 11 are

determined to be legal, changes in the benefit amount due to Act 11 will be included in your benefit amount when it is finalized.

Retirement benefits that began after 1999 will continue to be paid on an estimated basis until a court determination on the legal issues has been made.

Since the beginning of the year, ETF has seen a tremendous increase in requests for information, benefit estimates and other services. More than 60,000 participants are eligible to retire right now; another 65,000 members will become eligible in the next five years. We ask for your continued patience and understanding as we respond to your needs during this busy period.

1962 case, *Columbia County v. Board of Trustees of the Wisconsin Retirement Fund*, which declared that "... an arm of the state has no right to question the constitutionality of the acts of its superior and creator or of another arm or governmental agency of the state."

State agencies and public officers can question the constitutionality of a statute if it is their official duty to do so. The Court was not persuaded that the trustees' fiduciary duty with respect to the Wisconsin Retirement System was the same as an official duty to challenge the constitutionality of a statute.

Despite the rejection of the trustees' original petition, the matter continues before the Court because other parties were allowed to intervene. The Court elected to treat a complaint filed by the Wisconsin Professional Police Association (WPPA) with its motion to intervene as the petition for original jurisdiction and declaratory judgment. In other actions on the case, on February 10, 2000, the Court granted petitions to intervene by WPPA, the State Engineering Association (SEA), and the Wisconsin Education Association Council (WEAC). WEAC intervened to defend Act 11 and was therefore joined with the original named respondents, Department of Administration Secretary George Lightbourn and State Treasurer Jack Voight.

The court appointed a reserve judge to resolve any remaining factual disputes and prepare findings of fact for the Supreme Court. On March 31, 2000, the remaining parties signed the factual agreement, so that there are no factual disputes that the judge will be required to resolve. The factual agreement will now be presented to the Wisconsin Supreme Court for it to consider when it decides whether it will accept the case under its original jurisdiction.

Background

The original ETF petition, filed December 23, 1999, expressed concern about the constitutionality of several provisions in the legislation. ETF's complaint identified four provi-

sions of the legislation as potentially being both a taking of property without just compensation and an impairment of contract under both the state and federal constitutions.

The four specific provisions identified by the trustees as potential problems were:

1) Requiring the ETF Board to use specified actuarial assumptions when setting the required contribution rates for 2001. The setting of these actuarial assumptions was previously reserved to the discretion of the Employe Trust Funds Board in consultation with the system's actuary.

2) Directing that \$4 billion be transferred from the Transaction Amortization Account (TAA) within the Trust Fund, in which participants and beneficiaries of the Trust have an interest, to the other accounts and reserves in the Trust. The complaint questioned whether this transfer contravened the purpose of the TAA as a smoothing mechanism intended to insulate against major market shifts in a single year, and pointed out that the ability of the Legislature to direct transfers from the TAA could arguably cause the harms and inequities which the TAA had been created to eliminate.

3) Taking \$647 million from the TAA, as part of the \$4 billion, for the specific purpose of creating a \$200 million "employer credit account." The legislation permits employers to use these credits to pay their monthly contributions to the WPS. It can be argued that Act 11 forgives employers' debts to the Trust Fund by allowing the debt to be repaid using dollars already in the Trust Fund.

4) About 51,000 inactive participants who left covered employment before Act 11 first became effective on December 30, 1999, are not eligible for any of the new benefits or benefit improvements. Because of the limit of 5% interest crediting, their accounts cannot be credited with any portion of the \$4 billion transfer. Finally, when they eventually retire and take a WRS annuity, they will receive annual annuity dividends which will likely be

lower than otherwise, because \$4 billion was taken out of the TAA in 1999, instead of gradually flowing out of the TAA over years.

Taking Private Trust Funds

The ETF complaint also alleged that taking the \$4 billion could be viewed as taking private trust funds for an improper purpose. The complaint noted that the \$200 million employer credit, the changes in actuarial assumptions and the \$4 billion transfer from the TAA were not actions which were necessary to preserve the actuarial soundness of the Trust Fund.

Equal Protection Under The Law

Another question raised by the ETF complaint was whether provisions of Act 11 violated the guarantees of the state and federal constitutions which provide for equal treatment under law. The complaint identified two possible problems in this regard:

- Protective occupation participants were excluded from any increase in the "cap" on formula benefits. For other participants, Act 11 increased by 5% the percentage of final average earnings (FAE). Act 11 would use assets already within the WRS, and in which all members have a beneficial interest to fund the expense of the benefit improvement.

- Act 11 increases the formula multiplier used to calculate formula annuity benefits for creditable service associated with years prior to 2000, using existing Trust Funds to pay for the new benefit. However about 51,000 "inactive" participants in the Trust do not benefit from the increase when they take annuity benefits from the WRS.

Stay on top of all the latest news and information regarding Wisconsin Act 11 by frequently visiting our Internet site, <http://badger.state.wi.us/agencies/etf>. We've also included the entire text of the law, a summary of its provisions, and all legal documents connected with the case – including those of the Respondents and the Supreme Court. Our on-line calculator has been programmed to allow all WRS members to calculate their formula retirement benefits under the provisions of Act 11.

actually decrease the variable excess balance, which would in turn decrease the variable adjustment to a formula benefit.

However, a higher fixed effective rate would increase account balances, which would have the affect of increasing money purchase retirement benefits. ETF publishes two booklets, *Calculating Your Retirement Benefits (ET-4108)* and *How Participation in the Variable Trust Affects Your WRS Benefits (ET4930)*, that provide detailed information about calculating formula and money purchase retirement benefits, including the adjustments for variable participation.

Formula Multiplier Increase of .165%: Act 11 would increase the formula multipliers by .165% for WRS creditable service performed before January 1, 2000. A participant who has terminated employment before January 1, 2000, would not have the new formula multipliers under Act 11 applied to creditable service performed before that date.

However, if an inactive participant returns to WRS employment, and subsequently terminates employment on or after January 1, 2000, the higher formula multipliers under Act 11 would apply to the participant's creditable service performed before 2000.

New Variable Trust Enrollments: If an inactive participant who is not currently participating in the Variable Program is actively employed under the WRS in 2001 or later, that participant would be eligible to elect that fifty percent of future WRS contributions be deposited in the Variable Trust.

Alternate payees: By law, "alternate payees" (the former spouses of WRS participants who receive a portion of the participant's WRS account through a Qualified Domestic Relations Order) are deemed inactive participants as of the decree date.* Consequently, alternate payees whose decree dates are before the effective dates of the provisions in Act 11 are not eligible for those provisions.

If the decree date is before January

1, 2000, and the participant has been restricted to 5% interest crediting, the alternate payee will continue to be restricted to 5% interest crediting even if the participant becomes eligible for effective rate interest crediting under Act 11. Likewise, if the decree date is before January 1, 2000, the alternate payee will not be eligible for the higher formula multipliers for years of service performed before January 1, 2000.

Summary of Act 11 Available. A summary of 1999 Wisconsin Act 11 that provides more detailed information about this legislation is available on the Department's Web site. (go to "What's New", then "Hot Topics".) <http://badger.state.wi.us/agencies/etf>. You may also call the Department and request a paper copy.

** The decree date is defined by law as the first of the month in which the marriage is legally terminated.*

Distribution underway

Understanding Your Annual Statement of Benefits

Important note: Due to a preliminary injunction issued by the Wisconsin Supreme Court, the information and amounts on your January 1, 2000 *Statement of Benefits* do not reflect the WRS benefit changes under 1999 Wisconsin Act 11. Please read the "Special Notice Regarding 1999 Wisconsin Act 11" included with your *Statement of Benefits*.

The Department's annual *Statement of Benefits* mailing to Wisconsin Retirement System (WRS) inactive participants began in late April. An "inactive" participant is one who has WRS account balance(s), but is not currently employed in a WRS covered position. "Alternate Payees," those who have a WRS account created as a result of a Qualified Domestic Relations Order (QDRO) following a divorce, are also considered inactive members. Department records show there are about 106,000 inactive members of the WRS.

Here's what you should do with your *Statement of Benefits*:

- Carefully review it and thoroughly read the accompanying materials. It is your record of the information and balances in your WRS account as of January 1, 2000.
- Compare it to your 1998 *Statement* to see how your WRS account balances and benefits have changed.
- Keep this and all of your annual statements with your important personal papers.
- Use it to estimate your formula retirement benefits using the calculator on our Internet site.

Your *Statement of Benefits* shows your WRS creditable service by employment category and your account balances as of January 1, 2000. You will also see the 1999 fixed interest and variable gains/losses credited to your employe-required (and additional contribution balances, if any). If you terminated WRS-covered employment during 1999, your *Statement* includes any 1999 service, earnings and contributions reported by your employer. If you have any questions regarding this reported information, you should con-

Statement of Benefits continued on page 6

tact your former employer for an explanation. Your employer is responsible for reporting corrections of this type to Employe Trust Funds.

The *Statement* also provide account information for benefit purposes. This includes amounts as of January 1, 2000 for separation benefits (if you are eligible), minimum death benefits payable to your beneficiaries, and formula benefits data and money purchase benefit balances. If you are eligible for any of the provisions of Wisconsin Act 11, some of these balances may be affected by its implementation. Your *Statement of Benefits* contains a special insert specifically addressing these changes.

For most participants, the statement also includes a projection of your formula and money purchase monthly retirement benefit amounts at both your earliest retirement age and your normal retirement age. However, due to the complex nature of some accounts, we are unable to provide a benefit projection on all statements. In those situations, a written explanation will appear in the "Retirement Benefit Projections" area of the statement.

Please note that you will not receive an annual *Statement of Benefits* from ETF if any one of the following apply:

- You have closed your WRS account by taking a lump sum benefit.
- You are receiving a monthly WRS

annuity (unless you have an additional contribution balance remaining)

- ETF does not have your valid home mailing address on file.

Why does it take four months to prepare and distribute the annual statements?

Each January, employers submit detailed annual reports of their employees' WRS-covered earnings and service to the Department of Employe Trust Fund (ETF). There are approximately 1,250 WRS employers. In addition, ETF keeps track of nearly 360,000 active and inactive participant accounts.

ETF must edit and reconcile this reported information to ensure it is accurate and complete. After individual WRS account balances are updated and reconciled, 1999 interest is added to each account. Once the annual interest has been loaded, ETF produces and distributes the *Statements*. How accurate are the benefit projections?

We have not included assumptions of future interest, earnings, creditable service, voluntary contributions or military service in your benefit projections. If your retirement date is many years away, the amounts shown on your *Statement* may be significantly less than what you will actually receive when you retire. If you are near retirement, the projection should be close to what you could expect to receive if you

select an annuity option that would be paid for your lifetime without financial protection for a joint survivor or beneficiary. Annuity option choices that provide protection for joint survivors and beneficiaries produce a lower monthly payment.

How can I do my own projections?

Use our on-line formula retirement benefit calculator. Go to <http://badger.state.wi.us/agencies/etf>. In addition, the Department's brochure, *Calculating Your Retirement Benefits*, has step-by-step instructions for calculating your retirement benefit. You can read the brochure on our Internet site, or request a paper copy from the Department.

If and when the provisions of Wisconsin Act 11 are enacted, how will my benefits change?

If you terminated employment before the effective date of any Act 11 individual provision, you are not eligible for the benefits of that provision. However, if you do not close your account by taking a separation benefit and you eventually return to WRS covered employment, you would be *prospective* eligible for the provisions of Act 11. For more detailed information, please read the "Special Notice Regarding 1999 Wisconsin Act 11" included with your *Statement of Benefits*.

Deadline to Purchase Uncredited Service with Legislature or Legislative Service Agency Set for July 1, 2000

Wisconsin Act 11 provides a window during which any active WRS participant* can purchase uncredited service as a member or employe of the Legislature, or as the employe of a legislative service agency. The deadline for purchasing such service is July 1, 2000.

For the service to qualify for purchase, you must have performed such service for at least 600 hours either during the calendar year in which the uncredited service was performed or 600 hours during the following year.

Verification of your hours of employment as a member or employe of the Legislature, or as the employe of a legislative service agency, will be required.

The injunction prohibiting implementation of Act 11 remains in effect. However, the Department must receive your application and payment no later than July 1, 2000 in order to comply with the terms of the law, assuming the provision is eventually found to be constitutional. If the Court strikes down

this provision of Act 11, your payment will be refunded. You can obtain the application form, *Certification of Legislative Service* (ETF-9039) by visiting the Department's Internet site, <http://badger.state.wi.us/agencies/etf> and go to "Publications," then "Wisconsin Retirement System Forms & Brochures".

* A participant who is on an official leave of absence is considered to be actively employed.

Carefully Weigh All Factors When Making Your Decision to Apply for Benefits

Deciding when to withdraw your funds, also called "taking a benefit," may be one of the most important decisions you face as an inactive Wisconsin Retirement System (WRS) member. You have two options:

- Withdraw your employe required and additional (if any) account balances prior to your minimum retirement age (55 for most participants, age 50 for protective category participants) as a separation benefit. By taking a separation benefit, you forfeit your employe required contribution account balance.

- Keep your account intact until you reach your minimum retirement age and then apply for a retirement benefit. Your benefit would include the full value of your WRS account including your employe and employer accumulated contributions.

This article will review your benefit options and highlight some factors to consider when making your decision. Please note: if you are an alternate payee with a WRS account that was created as a result of a Qualified Domestic Relations Order (QDRO) per a divorce, some of this information may not apply to you.

The Structure of Your Account

Your WRS account is composed of the following:

- employe required contributions
- employer required contributions
- additional contributions (if any)
- accumulated interest

You can neither borrow money from your account, nor use it as collateral for a loan. Taking a separation or a retirement benefit is your only access to the money in your account. You also cannot make contributions to your account unless you are employed in a WRS-covered position.

Annual Interest Credited to Your Account

Interest is credited on December 31 of each year based on your account balance at the beginning of the year. For example, the fixed interest credited on December 31, 2000 is calculated on your account balance as of January 1, 2000. Depending on when you first became covered under the WRS and when you terminated employment, your Fixed Trust interest rate may be restricted to 5% or even 3% on balances used for separation benefits. If you participate in the

Variable Trust Fund, the annual increases/decreases based on investment experience are also applied on December 31 to your beginning of the year (January 1) balance. Contact the Department if you have questions on how annual interest is credited to your WRS account.

Are You Vested?

Being vested means that upon reaching minimum retirement age, you are entitled to a retirement benefit that includes the employer required contributions in your account, plus interest. You are always entitled to your employe required and additional (if any) contribution balances. If your WRS coverage began before January 1, 1990 or if you terminated WRS employment after April 23, 1998, you are automatically vested under the WRS. If your WRS coverage began after 1989 and your last WRS termination was before April 24, 1998, you must have some creditable service in five separate calendar years to be vested. If you are NOT vested, you are only eligible for a separation benefit regardless of your age.

Weigh All Factors continued on page 8

ETF Announces 1999 Investment Returns, Effective Interest Rates, Annuity Increases

Another year of positive investment experience has generated some of the largest increases for Wisconsin Retirement System (WRS) members in a decade.

The accompanying chart (see page 8) outlines the good news:

- The 1999 effective interest rate for the Fixed and Variable Trust Funds is 13.5% and 28%, respectively.

- The 1999 Fixed Annuity Dividend and Variable Annuity Adjustment is 7.5% and 21%, respectively.

- State of Wisconsin Investment

Board (SWIB) published earnings for the Fixed and Variable Trust Funds were 15.5% and 27.8%, respectively.

Of particular interest to inactive members who began WRS covered employment before January 1, 1982 is the 13.5% fixed effective interest rate credited to their accounts.

About 37% of the System's 106,000 inactive participants qualify for effective rate interest crediting. Under state law, all participants — actives and inactives alike — that began WRS employment after January 1,

1982 have interest credited for retirement purposes at a rate of 5%, the maximum allowable.

About 5% of inactive WRS members also participate in the separate Variable Retirement Trust. The variable portion of their accounts was credited with a 28% effective interest rate for 1999.

The 13.5% Fixed effective interest rate is the highest since 1989. The 28% rate applied to the Variable Retirement Trust for 1999 is among the highest ever posted.

1999 Investment Chart continued on page 8

Weigh All Factors continued from page 7

Taking a Separation Benefit

You are eligible for a separation benefit if you are terminated from all WRS employment and have not reached minimum retirement age (or are not vested in the WRS).

Before applying for a separation benefit, you should carefully consider the consequences of doing so. A separation benefit is not a retirement annuity. It is a withdrawal of funds that completely closes your WRS account. A separation benefit includes only your required employe contributions, any additional contributions you may have made, and accumulated interest.

When you take a separation benefit, you forfeit the matching employer-required contributions and any future benefits based on the creditable service you earned prior to taking the separation benefit. In addition, you forfeit all benefit rights associated with that period of service.

Be aware that separation benefits are considered taxable income. You may defer or avoid taxes by rolling your separation benefit over into an IRA or to a qualified retirement plan. If you do not roll over your separation benefit payment into another qualified retirement plan or IRA, you may be

liable for significant federal and state tax liabilities on your benefit. Please contact the IRS, the Wisconsin Department of Revenue, or your tax consultant for further information.

If you take a separation benefit and later return to WRS employment you may be eligible to purchase the service you forfeited, but the cost may be considerably higher than the amount you withdrew. If you purchase your forfeited service, you do not recover other WRS benefit rights you forfeited.

Remember, terminating WRS employment doesn't automatically mean you *must* take a separation benefit. You can wait until you reach minimum retirement age and then apply for a retirement benefit. If you are vested, your retirement benefit would be based on *both* the employe required and employer required contributions, plus accumulated interest.

Taking a Retirement Benefit

As an inactive member, it may be to your advantage to take a retirement benefit as soon as you reach your minimum retirement age. This is especially true if your account is only earning five percent annual interest. If your account earns the fixed effective rate of interest, you may want to delay taking your benefit until after the first of

the year, as annual interest is credited on December 31.

To request retirement benefit estimates and an application, we recommend you contact our Department 6-9 months in advance of your planned retirement date. Please allow 8-12 weeks to receive this information. For inactive members, annuities are always effective on the first day of a month. The earliest your retirement benefit can be effective is the first day of the month following the date you reach minimum retirement age. Your completed application cannot be received more than 30 days before the date you reach minimum retirement age. If you are beyond minimum retirement age when you apply, the effective date of your annuity may be backdated up to 90 days. For example, if your application is received on June 15, the earliest date your annuity could be effective is April 1.

For more information on applying for separation or retirement benefits, or to request applications and important forms, contact the Department of Employee Trust Funds. For faster service, call our 24-hour Self-Service Telephone line toll free: (877) 383-1888 and you'll receive the information you need within a few days.

Investment Returns continued from page 7

1999 Investment Returns, Effective Interest Rates, Annuity Increases			
	State of Wisconsin Investment Board Return	Employee Trust Fund Effective Interest Rate	Employee Trust Funds Annuity Increase
Fixed Fund	15.5%	13.5%	7.5%
Variable Fund	27.8%	28%	21%

If deemed constitutional by the Wisconsin Supreme Court, 1999 Wisconsin Act 11 would reopen Variable participation, lift the 5% maximum interest cap, and restore effective rate interest crediting. However, these provisions will apply to actively employed participants *only*. For more information on Act 11 and its impact on Inactive WRS members, see *How New WRS Benefit Law Could Affect Inactive Participants* on page three, or visit our Internet site <http://badger.state.wi.us/agencies/etf>.

Some Retired Teachers Lose State Income Tax Exemption

As of January 1, 2000, the WRS annuities of certain retired teachers will no longer qualify for an exemption from state income tax. You may be affected by this Wisconsin Department of Revenue (DOR) decision if you meet all of the following criteria:

- You were a teacher under the State Teachers Retirement System before 1964, but completely closed your retirement account by withdrawing your member contributions, and

- You returned to Wisconsin teaching after 1963, and

- Credit for part or all of your pre-1964 teaching service was restored to your account, either through purchasing the service and/or having such service restored to your account as a result of a court decision (e.g. *Schmidt v. ETF* or *Benson v. Gates*).

The DOR had previously determined that when pre-1964 service was restored to a teacher's account under these conditions, benefits from the

teacher's retirement account were exempt from state income tax liability. However, the DOR recently announced its new interpretation as a result of tax appeal rulings. The new interpretation applies to WRS annuity payments issued in 2000 and later.

The DOR makes the determination of who qualifies for the teachers' state income tax exemption, not ETF. For more information about this issue, please contact DOR, P.O. Box 8933, Madison, WI 53708; (608) 266-2772.

Department Still Seeking Claims for Distribution of Funds Recovered Through the Special Investment Performance Dividend (SIPD) Lawsuit

The Department is still seeking the beneficiaries, heirs and estate representatives of former Wisconsin Retirement System (WRS) annuitants who may be eligible for a distribution from the recovered funds. To qualify, the original annuity had to begin before November 2, 1987 and continue to be paid to either the original annuitant or a beneficiary after April of 1988. *The annuity increases and retroactive supplements payable to eligible individuals who are still receiving their annuities have already been paid.*

There are nearly 30,000 total potential claims for former annuitants, but we have only received

claim inquiries for approximately 18,000 of these. As March 31, 2000, we paid over \$17.5 million in lump sum payments to nearly 14,000 claimants. Currently, the average amount of the payments we are issuing is approximately \$1,000, with amounts ranging from under fifty dollars to several thousand dollars. We are still in the process of sending claim forms and issuing payments to the individuals who have already contacted us. Due to the number of inquiries we have received and the time it takes to process claims, it can take several months to receive a payment from the Department.

To assure that the maximum number of individuals and estates receive

the benefits from the recovered funds to which they are entitled, the Department has contracted with a professional locator service to find and contact the heirs of eligible former annuitants who have not yet contacted us about a claim. We provided the service with information on more than 9,000 former annuitants with potential payments of at least \$250. Please keep in mind that the Department will pay all claims regardless of the benefit amount; the \$250 threshold was used only to determine which potential claims were given to the locator service.

If you are the beneficiary or heir of

SIPD Lawsuit continued on page 10

WRS Beneficiary Designation Form Redesigned, Ready-to-Print

Do you know who your current beneficiary is? *Is your designation current?* Updating your beneficiary designation with the Department of Employee Trust Funds (ETF) is easier than ever, thanks to the on-line availability of the Department's redesigned *Beneficiary Designation* (ET-2347) form. The electronic form greatly speeds up the process for making important beneficiary changes. Now, you can print

the form from our Internet site <http://badger.state.wi.us/agencies/etf> make the necessary changes, and mail it to ETF.

Keeping your beneficiary designation current is very important because it is NOT automatically updated in the event of divorce, marriage, birth or death of children, or any other changes in your personal situation. Outdated beneficiary designations have resulted

in death benefits being paid to ex-spouses, parents, and siblings - even after members had long since acquired a new family. If you want to change your beneficiary designation, you must fill out a new *Beneficiary Designation* form. To print an electronic copy, visit our Internet site. You may also call our self-service line toll-free and request a paper form.

a deceased WRS participant whose annuity may qualify for a share of the SIPD funds, *and you have not already contacted the Department about this potential benefit* please write to the Department for further information about eligibility and claim procedures or call us at (608) 261-4444. Be prepared to provide as much of the following information as possible: The

deceased annuitant's name, date of birth, date of death, Social Security number and approximate date of retirement, plus your name, address, phone number and relationship to the deceased.

The Employe Trust Funds Board's primary objective is to distribute as much of the recovered funds as possible to the beneficiaries, heirs and estates who are entitled to these

funds. The deadline for the Department to receive an SIPD claim inquiry has been extended to June 30, 2001. However, we encourage anyone who may be eligible for a possible claim to contact us as soon as possible, as claim inquiries are generally handled on a first-come, first-served basis.

ETF Internet Site, Self-Service Telephone Systems Contain a Wealth of Information

Your benefits under the Wisconsin Retirement System (WRS) are an important part of your financial future. Stay on top of the latest news and information by frequently visiting the Department of Employee Trust Funds' Internet site, <http://badger.state.wi.us/agencies/etf>. And through our new Self-Service, Toll-Free Telephone Systems, you can learn about specific WRS benefit programs and request important applications, forms and brochures. You will find these important resources convenient and very easy to use.



Internet Site
Have you ever wondered....

- About coming back to WRS-covered employment?
- About getting credit for military service toward your retirement benefit?
- If you can get a lump sum benefit rather than a monthly annuity when you retire?
- When you should request a retirement benefit estimate?
- How to start a retirement planning checklist?

It's all there on our Internet site. Go ahead and log on to <http://badger.state.wi.us/agencies/etf>.

Self-Service Telephone Systems

If you don't have Internet access, try our new Self-Service Line. With this system you can get an application

to apply for separation benefits, or request brochures of interest to you. Call the Self-Service Line: it's available toll-free, 24 hours a day, seven days a week. Just dial (877) 383-1888 or 266-2323 (local Madison).

You can also call the Department's Telephone Message Center to hear detailed, recorded messages covering a variety of WRS topics. Call toll-free: (800) 991-5540 or 264-6633 (local Madison)

Both of the Self-Service telephone systems require the use of a touch-tone telephone. Callers will not be able to speak to ETF staff while using either of these systems.

ETF Completes Historic Project to Electronically Convert Paper Records

The Department of Employee Trust Funds (ETF) recently completed a massive project to convert paper documents in member folders to electronic images. As a result, all of our paper folders are protected in electronic format – all 10,481,583 pages of them – and they are safer than ever before. Backup copies of the electronic images are stored offsite, offering much more security than under the old system. Paper files were always subject to possible destruction from

natural disaster such as water, wind or fire damage. In addition, we're now able to use the physical space that the files occupied for other ETF business purposes.

The project first took shape in November 1997, when the first of pieces of paper were taken from paper folders and fed into high-speed scanners. Some of the records were nearly 80 years old!

Converting paper documents to electronic images provides fast access

to information in individual member folders because they are available for viewing from any computer in the Department. We simultaneously implemented a new software system that allows us to electronically route documents between work units and individual employe workstations. This new system increases the efficiency of daily tasks, as staff can access the same documents simultaneously. The system also allows us to monitor and track the status of many work processes.

ETF Seeks Persons with Abandoned WRS Accounts

The Department of Employee Trust Funds has updated its list of individuals age 70 and older with abandoned Wisconsin Retirement System (WRS) accounts. Each year the Department of Employee Trust Funds (ETF) publishes their names in the state newspaper and the *Trust Fund News* in an attempt to find these individuals or their heirs and let them know this money is available.

Last year, ETF located 108 of the 208 persons on the final account list. If you know the whereabouts of anyone on this year's list, please ask them or their heirs to write to ETF at PO Box 7931, Madison, WI 53707-7931. Inquiries must be in writing and include the participant's complete name (published name, current and prior name), date of birth, Social Security number and the year that the name was published. Application forms are available for rightful claimants.

Most accounts are small, but over the years a few have been substantial. ETF began publishing the names of abandoned accounts in 1976. Under current law, WRS participants or heirs have up to ten years after publication to make a claim. Current WRS participants are advised to take precautions against forgetting their accounts in the future. If you terminate WRS-covered employment and do not take a benefit, provide ETF with address changes as you move so that you can receive account information and avoid possible forfeiture of your account.

To see the complete ten-year list of abandoned accounts visit our Internet site <http://badger.state.wi.us/agencies/etf> and see the "Money Awaits Missing Persons" section under "What's New."

The latest abandoned account list follows:

Ahlers, Marion E.	Hubbard, Viola M.	Oleary Marquerite C.
Albers, Robert J.	Hughes, Martha J.	Olson, Vernon R.
Alvarez, Beatriz	Humberg, Clarise S.	Olson, Viola L.
Anderson, Betty R.	Hunt, Mary J.	Opheim, Ina L. W.
Antaramian, Paul A.	Hurst, Nancy M.	Page, Beverly J.
Armstrong, Alma J.	Husted, Yvonne M.	Paik, Sang K.
Banister, Luvenia B.	Iding, James R.	Parise, Barbara J.
Bauer, Joanne M.	Jackson, Faith F.	Pearson, Geraldine S.
Bender, Richard C.	Jefferson, F. James	Pertzborn, Bernard J.
Berens, Thomas J.	Johnson, Charlotte S.	Petersen, Betty L.
Berg, Mary C.	Johnson, Clarice J.	Petri, Muriel I.
Berndt, Walter L.	Johnson, Joanne L.	Phaneuf, Patricia L.
Boggs, Joann G.	Johnson, Joyce	Phillip, William D.
Bond, Ramona C.	Johnston, David L.	Poelstra, John C.
Boot, Christine	Johnston, Ella B.	Prescott Sr., Howard A.
Brenneke, Robert L.	Jones, Ivanne B.	Prudy, Mary M.
Busche, Dolores A.	Kaprelian, R. Ludean	Quinnell, Clara M.
Cash, Nellie J.	Katzenmeyer, William G	Radtke, Barbara D.
Chilton, Maybelle R.	Kerr, Betty L.	Rasch, Ruth G.
Collins, Betty J.	Kinser Sr., Charles R.	Reidenbach, Beverley G.
Conner, John G.	Knudtson, Dorothy M.	Rome, Robert W.
Connors, Patricia	Koch, Joan K.	Roney, Lois Y.
Conti, Marie T.	Koch, Theodore J.	Salmon, Jean M.
Corney, Agnes F.	Kordus, Arthur C.	Sanders, John C.
Cox, Rosemary	Kostka, Gladys M.	Sartin, Junior L.
Crary, Janet L.	Kovatch, Kenneth F.	Schaefer, Carol
Crawford, James A.	Kraus, Dolores E.	Schanzenbach, Marianne R.
Crooks, Nancy E.	Kreimeyer, Douglas L.	Schroeder, Gladys
Dawson, Georgia S.	Kroeger, E. Lois	Schulze, June M.
Deville, Roberta L.	Ladenthin, Frances A.	Seigle, Jack C.
Diderrich, Alfred J.	Landergott, Beverly P.	Sheets, Gordon C.
Domres, Melvin W.	Lebard, Robert K.	Shinn, Gloria E.
Donnelly, Jeanne C.	Lee, Jean A.	Singer, Ella R.
Dopp, Frank A.	Levelt, Johanna M.	Smiech, Betty J.
Doyle, John P.	Levy, Doris Y.	Smith, Lois C.
Dutton, Doris E.	Linenberg, Frederick T.	Smith, Wayne H.
Eacret, Kathleen F.	Longley, Olga J.	Sonstroem, Gwendolyn O.
Edinger, Joanne M.	Lorenz, Ruth A.	St. James, Ashley H.
Erickson, Lena P.	Lowry, Bishop T	Strobel, Mark L.
Espeseth, Marlin O.	Luby, Mary N.	Talbot, Patricia A.
Ewing, Clarence L.	Luquer, Dorothy L.	Taylor, Sharon
Farrell, Patricia A.	Lynch, John P.	Teteak, Deral D.
Ferrario, Irene	Mann, Paul E.	Trudel, Ruth A.
Fischer, Robert N.	Manning, William G.	Tyson, Barbara J.
Franzen, Eleanora R.	Martinez, Maria	Uete, Tetsuo
Fritz, June C.	McDonough, Diane K.	Underwood, William L.
Gagliano, Rosalie J.	McDowell, Mary P.	Vevele, Richard R.
Gandt, Claudine J.	McKenzie, Mary E.	Vincent, Ruth E.
Garrity, James D.	McLean, Harley A.	Voss, Dale F.
Gaustad, Arleen A.	McMahon, James G.	Wardenga, Edmund
Gerndt, Betty J.	McPhee, Sharon S.	Warweg, Fred L.
Getter, Jean S.	Medina, Angelina	Webber, Robert L.
Graetz, Robert	Meehan, David W.	White, Grace E.
Grams, Jean A.	Meiselwitz, Jane M.	Wiener, Charles
Granger, Olidean M.	Middleton, Dorothy G.	Wilkie, Brian
Green, Erna V.	Moran, Leo J.	Williams, Charles E.
Grobschmidt, Dennis F.	Morton, James W.	Williams, Marilyn D.
Hall, David A.	Mullan, Alice L.	Winkel, Ruth M.
Harper, Virginia B.	Munday, Martha F.	Wirtz, Elizabeth J.
Hartman, Jack V.	Mundt, Joan L.	Wise, Dolores T.
Harvey, Julia W.	Murphey, Mary E.	Witte, Ruth F.
Helland, Arne	Myrin, Sven N.	Wolf, Donald R.
Helminen, Edward R.	Nelson, Mary J.	Wolfe, Geraldine E.
Henderson, Joeann C.	Newell, Barbara W.	Wolff, Irmie
Hicks, Herbert H.	Newkirk, Ollie B.	Yanke, Marion
Hinkle J. L.	Newton, Jack W.	Yuthas, John
Hoag, Dolores J.	Nickels, Raymond L.	
Hruschanko, John	Oelmann, Marjorie L.	

Department of Employee Trust Funds
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Department Secretary Eric Stanchfield
Deputy Secretary David Mills
Editor Nancy Ketterhagen

Write Us: For most requests write to ETF, PO Box 7931, Madison, WI 53707-7931, include your Social Security number and a daytime phone number. Retirees wanting to change mailing addresses should write to Payment Services at the above address. Include Social Security number, signature, and old and new addresses.

Fax Us: (608) 267-4549

Call Us: Monday – Friday, 7:45 a.m. to 4:30 p.m., Central Time. For assistance with retirement or other benefits call a benefit specialist. In Madison call (608) 266-3285 to speak with a specialist; for an appointment call (608) 266-5717. In Milwaukee, call (414) 227-4294.

Have your Social Security number available. The Teletypewriter number is (608) 267-0676.

E-mail us through our internet site: <http://badger.state.wi.us/agencies/etf>

Listen to pre-recorded messages on the Telephone Message Center: Call (800) 991-5540 or 264-6633 (local Madison). It is available 24 hours a day, 7 days a week. You must have a touch-tone phone to use this system.

To request ETF forms and brochures, or to report home address changes and to make tax withholding changes (annuitants only): Call our 24-hour Self-Service line toll free: (877) 383-1888.

The Department of Employee Trust Funds does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call (608) 266-3285 or TTY (608) 267-0676. We will try to find another way to get the information to you in a usable form.

