



ETF Requests Permission to file Amicus Brief

Wisconsin Supreme Court Takes Original Jurisdiction of Act 11 Lawsuit Supreme Court Rules ETF Board and Trustees Lack Standing

The Wisconsin Supreme Court announced in May that it will take original jurisdiction of the 1999 Wisconsin Act 11 lawsuit and consider the case on an expedited basis. Taking original jurisdiction means the case does not have to work its way through the lower courts. The Court set a briefing schedule for the parties involved and will hear oral arguments on the case on October 4, 2000. The Department of Employee Trust Funds (ETF) cannot predict when the Court

will issue a final ruling on the case, officially known as *Wisconsin Professional Police Association, Inc. et.al. v. Lightbourn, et.al.*, No. 99-32970A.

Governor Thompson signed Act 11, which makes numerous changes to Wisconsin Retirement System benefits and funding mechanisms, last December. Since then a temporary court injunction delaying the implementation of the provisions of Act 11 has been in place. In the meantime, staff at ETF have been planning and

preparing for the many changes in retirement operations created by the new law – should the Court rule some or all of the provisions of Act 11 constitutional.

Because the Court determined that the ETF Board, the Department of Employee Trust Funds, and ETF Secretary Eric Stanchfield lack the standing to "challenge the constitutionality of this legislation," the trustees and administrators of the

Supreme Court continued on page 2

Announcing

ETF's new toll-free customer service telephone number

1-877-533-5020

Talk to a specialist
Monday-Friday,
7:45 a.m. to 4:30 p.m.; CST

* * * * *

Spelling Change Acceptable Under New State Law

New legislation has authorized changing the spelling of employe with one "e" back to "ee" in the Wisconsin Statutes. 1999 Wisconsin Act 185 also allows either spelling for official purposes. The Department will switch to using "ee" as soon as administratively possible. You'll notice the change right away on our Internet site and in *Trust Fund News*. We'll change printed documents such as forms, brochures, letterhead, etc., as stock is reordered.

Employee Trust Funds Board Announces 2001 Contribution Rates

At its June 23, 2000 meeting, the Employee Trust Funds Board approved 2001 contribution rates for the Wisconsin Retirement System (WRS). These rates are based on the recommendations of the consulting actuary and will take effect for wages paid on or after January 1, 2001.

By law, WRS contribution rate changes are split evenly between the employer and employee contribution rates. Total contribution rate changes by WRS employment category, excluding the unfunded actuarial liability, duty disability, and the state accumulated sick leave conver-

sion credit rates, are summarized as follows:

- **General/Teachers/Educational Support Personnel**
Decrease of 0.6%
- **Executive and Elected**
Decrease of 0.4%
- **Protective with Social Security**
Decrease of 0.6%
- **Protective without Social Security (firefighters)**
Decrease of 2.2%

General employees make up 90% of all participants in the WRS so rate increases or decreases in this category

Contribution Rates continued on page 2

INSIDE

How Act 11 Affects Participants.....	page 2
Act 11 & the Variable Trust Fund.....	page 3
About the Variable.....	page 3
Impact of Contribution Rate Decline.....	page 5
Act 11 FAQ.....	page 5
CEM Study Results Released.....	page 7
Dual-Choice Enrollment Period Set.....	page 8
New Accumulated Sick Leave Law.....	page 8
Internet Site Updates.....	page 9
Board Corner.....	page 10
Retirees Corner & Fall Presentations	page 11

How Wisconsin Act 11 Affects WRS Participants

Editor's note: The following is a general review covering how the provisions of 1999 Wisconsin Act 11 will affect WRS members. To review specific provisions of the law, or to view ETF's summary of its provisions, please visit our Internet site at <http://badgerstate.wi.us/agencies/etf> or call the Department toll-free 1-877-533-5020 and request a paper copy

Act 11 Impact on WRS Annuitants
1) Annuitants will get a higher fixed dividend for 1999 in the form of a special fixed dividend because the Annuity Reserve will be credited with a portion of a \$4 billion transfer of funds from the Transaction Amortization Account (TAA). Department officials estimate the div-

idend will be approximately 10% in addition to the 7.5% fixed annuitant dividend granted in 2000. All annuities with beginning dates before 2000 will receive the full special fixed dividend based on the funds transferred from the TAA. The crediting of the \$4

WRS Participants continued on page 4

Supreme Court *continued from page 1*

Wisconsin Retirement System (WRS) have no formal role in the proceedings.

In its May ruling, the Court also said it will also allow District Council 40 AFSCME, AFL-CIO to file an *amicus curiae* brief. The labor union is not a party to the case, but filing such a brief allows the union to officially register its opinion on the legality of the legislation. One needs the permission of the Court to file an *amicus curiae* brief.

The parties involved in the case – primarily the Wisconsin Professional Police Association and the State Engineering Association (petitioners) and George Lightbourn, Secretary of the Department of Administration (the respondent) – prepared a *Stipulation of Facts* agreement listing all of the facts concerning Act 11 and the legal issues involved that they agree to be true. This *Stipulation* along with all court documents filed in the case, can be found on ETF's Internet site, <http://badger.state.wi.us/agencies/etf>. The

site also contains a wealth of information on Act 11 and its impact on WRS participants, including news and announcements, a complete summary of its provisions, and a calculator that allows members to compute retirement benefits according to the provisions of Act 11.

As of *Trust Fund News* press time, the Department and the ETF Board have requested permission to file an *amicus curiae* brief with the Supreme Court.

Contribution Rates *continued from page 1*

have the most significant impact on employers and employees. The total general employee covered payroll in 1999 was \$7.7 billion, therefore a decrease of 0.6% in contribution rates equates to \$46.2 million annually. Employers must pay their required contribution and may elect through collective bargaining or pay plan agreement to pick up all or part of the employee required contribution. Most of the over \$1.1 billion in contributions paid to the WRS during 1999 was paid by employers.

This is the fifth consecutive year that WRS contribution rates have declined. Since 1995 the total contribution rate reduction has been 2.0% for general employees, 3.4% for elected and executive employees, 5.4% for protective with social security, and 7.8% for protective employees without social security. Based on the 1999 covered payroll for general employees this is a reduction in contributions of \$154 million annually.

Today, total contributions account for less than 15% of the revenue to the WRS. Most of the WRS funding comes from investment income on the trust funds generated by the strategies of the State of Wisconsin Investment Board.

Frequently Asked Questions About WRS Contribution Rates

1. How are contribution rates set?

Contribution rates are determined annually for each employment category. General, teachers and educational support staff are considered one category for actuarial studies. Each contribution category is valued separately. Contribution rate changes, whether up or down, are considered to be normal for retirement systems that pre-fund retirement benefits. The WRS contribution rate decreases are the result of lower than anticipated salary increases and higher than assumed investment returns.

2. How do the contribution rate reductions affect employees?

Since contribution rate changes are split equally between the employer and employee, WRS benefits that are based on the employee contribution rate are affected. Specifically, when the employee rate declines, the future growth of money purchase retirement benefit values are reduced, separation benefit values are reduced and death benefit values are reduced. Lower contribution rates as a percent of salary means that less is being deposited into the employee account. The general employee contribution rate

(including teacher, educational support staff) has not declined to the point where benefits are yet affected. For an in-depth discussion of this issue, see *What happens to My WRS Account...* on page 5).

3. How are contribution rates affected if investment performance is poor?

Contribution rates are directly affected by investment experience of the retirement trust funds. If investment return does not meet the assumed 8% rate of investment return expected by the actuary, contribution rate increases may be required.

4. What has been the pattern of contribution rate changes since 1982 when the WRS was created?

The contribution rates are 1.2% lower for general employees now than in 1982 and substantially lower for the other categories of employees. The strength of the stock markets over the past 18 years and the lower than anticipated salary increases during the 1990s have been major factors in this reduction. However, it should be noted that in 1996 the general employee rate reached a peak and then declined more rapidly than in any previous period.

Wisconsin Act 11 and Participation in the Variable Trust Fund

If the Wisconsin Supreme Court upholds the applicable portion of 1999 Wisconsin Act 11, the Variable Trust Fund will be opened to new elections. Beginning in 2001, active Wisconsin Retirement System (WRS) participants may elect to have 50% of their future contributions deposited in the Variable Trust Fund; existing account balances may not be transferred into the Variable Trust Fund. Because the election to participate in the Variable applies only to future contributions, inactive WRS participants and WRS annuitants are not eligible to elect to participate in the Variable, unless they return to WRS-covered employment and make future contributions to the WRS.

How would variable participation affect my retirement benefit?

Participation in the Variable Trust Fund offers the possibility of gain, but you must also be prepared for investment losses due to unfavorable stock market performance. When we calculate your retirement benefit, the amount of your annuity will depend

on the amounts in your fixed and variable accounts – and the amount in your variable account will fluctuate according to investment experience.

There are two methods of calculating retirement benefits: the formula and money purchase methods. By law the WRS always pays the higher of the formula or money purchase benefit calculations. To calculate your straight life annuity under the money purchase calculation method, we multiply both the fixed and variable portions of your account by the money purchase factor for your age. Therefore the amounts of your fixed and variable annuities – which comprise your total straight life formula annuity -- will be in direct proportion to the actual amounts in these accounts. Again, these accounts fluctuate according to investment experience.

Under the formula method, your total straight life formula annuity is calculated using your straight life annuity and the variable adjustment (seen on your annual *Statement of Benefit*). To calculate your straight

life annuity under this method, we multiply your final average earnings by a formula factor; then multiply this figure by your years of service and any applicable age reduction factor, if retiring below normal retirement age. We calculate the "variable adjustment" by multiplying the variable excess (or deficiency) in your account by the money purchase factor for your age at the time your benefit begins. Straight life annuity + Variable adjustment = Straight Life Formula Annuity. Remember: the actual dollar amount of your variable excess or deficiency changes each year, depending on the investment experience of the Fixed and Variable Trust Funds.

Can I Elect Variable Participation?

Conditions for electing to join the Variable Trust Fund will vary based on your circumstances:

Current Active Employees:

If the provision of Act 11 reopening the Variable Trust Fund is ruled legal

Participation continued on page 6

About the Variable Trust Fund

The Variable Trust Fund is invested primarily in common stocks. These are currently the same stocks that are in the Fixed Trust Fund. On December 31 of each year, variable investment gains (or losses) are credited to participating active and inactive member accounts, and dividends are paid to all participating annuitants, based on the results of the Variable Trust Fund. The high investment earnings of the Variable Trust Fund over the past decade have generated considerable interest in reopening the Variable Trust Fund to new enrollments.

However, those participating in the Variable Trust Fund must be prepared for the possibility that poor stock market performances could result in investment losses. The higher potential return of the Variable Trust Fund is matched by the greater potential risk it involves; the value of your Variable Trust Fund account

could decrease when the stock market declines.

Unlike fixed annuities -- which are guaranteed never to be less than the initial fixed monthly amount -- a variable annuity may decrease to less than the initial monthly amount. In 1994, Variable Trust Fund annuitants experienced a 4% decrease in their Variable Trust Fund annuities and a 14% decrease in 1990.

Act 11's impact on Variable Trust Fund

If the Supreme Court upholds the following funding provisions of 1999 Wisconsin Act 11, current and future Variable Trust Fund participants will be affected:

1. Act 11 provides for a one-time \$4 billion transfer from the Transaction Amortization Account (TAA) to the three reserves of the trust fund. While this transfer will not affect the variable interest rate for 1999, it will create a higher effective

rate for the fixed fund. The higher fixed effective rate resulting from the TAA transfer will result in a smaller difference between the investment returns of the Variable and Fixed Funds. The smaller difference in investment returns is likely to generate lower increases in existing variable participants' variable excess balances than these participants would have experienced without the special one-time TAA transfer. The lower a participant's variable excess balance, the lower the amount that will be added to that participant's monthly formula retirement benefit when he or she retires under the formula annuity.

2. Act 11 would also eliminate the remaining TAA balance over a five-year period and replace it with a Market Recognition Account (MRA). Twenty percent of the TAA balance as valued at the end of 1999

Variable Trust Fund continued on page 6

billion in 2000, however, will slightly reduce future year dividends.

2) Annuitants will also receive somewhat higher fixed dividends over the next five years, than they would otherwise have received during that period, due to the elimination of the TAA and creation of the Market Recognition Account (MRA). The MRA is a new accounting mechanism that smoothes the fixed investment trust earnings over a five-year period. The change to the MRA would mean a faster recognition of gains and losses than occurs with the current TAA. However, fixed dividends after the five-year period would be somewhat lower, to offset the slightly higher dividends paid during the five-year phase-in period.

3) New formula multipliers for annuitants who returned to work before 2000. A participant receiving a WRS annuity who returns to work for any WRS employer can elect to become a covered WRS employee and have his/her annuity terminated. When the rehired annuitant "re-retires", a new annuity is calculated and it will be based on the person's old and new creditable service. The new formula multipliers under Act 11, however, will apply only to creditable service performed before 2000 that the participant earned after returning to work.

Act 11 Impact on WRS Active Participants

1) A formula multiplier increase of .165% will be applied to service performed before 2000. When you retire, your benefit under the formula method will be higher because ETF will apply the higher retirement multiplier to your pre-2000 service – but you had to be actively employed under the WRS after 1999.

2) All employees (except those in the protective employment category) will have an increase in the maximum formula benefit of five percent. Under the previous law, the maximum formula retirement benefit of employees in the General/Teacher/Educational Support Staff and Executive/Elected Officials employment categories was

limited to 65% of final average earnings. Act 11 increased the maximum to 70 percent. The maximum remains at 65% of final average earnings for protective category employees covered under Social Security, and at 85% for protective employees not covered under Social Security (firefighters). To be eligible for this provision, a participant must have been actively employed under the WRS after 1999.

3) The 5% percent fixed interest rate is eliminated. Active participants will receive the annual fixed effective rate interest credited to their accounts beginning December 31, 1999. This provision affects the values of all benefits that are based on your account balance, including separation benefits (which had been capped at three percent interest), death benefits and money purchase retirement benefits. But you must terminate WRS employment on or after December 30, 1999 to be eligible for this provision.

4) Employees can enroll in the Variable Trust Fund into which 50% of future required and additional contributions can be placed. The other 50% will remain in the Fixed Trust Fund. Former variable participants who cancelled their original variable participation may re-enroll. To be eligible to elect to participate in the Variable Trust, one must be an active WRS employee after 2000. (For more information on this topic, see separate articles on page 3).

5) WRS death benefits have increased. If you die as an active WRS employee and you have not reached minimum retirement age, your death benefit will increase to an amount equal to the employee's money purchase balance (employee required contribution balance plus a matching amount of employer contributions), plus any voluntary additional contributions in your account. Minimum retirement age is age 55 for most participants, and age 50 for protective category employees.

In addition, if you die as an active employee after having reached your minimum retirement age, the benefi-

ciary no longer must be a spouse or dependent child(ren), or a trust in which a spouse or dependent child has a beneficial interest, to qualify for the special death benefit. Under Act 11 your beneficiary can be any living person (or a trust in which a living person has a beneficial interest) to qualify for the special death benefit.

6) The new formula multiplier for pre-2000 service would apply to the years of creditable military service to which an employee would be entitled based on the years of creditable service performed before 2000.

7) If an employee buys WRS creditable service that was originally forfeited by taking a separation benefit before 2000, the higher formula multiplier is applied to the repurchased service. However, if the service is forfeited after 1999, the current formula multipliers apply to the repurchased service. The date the forfeited service is purchased has no effect on the formula multipliers that apply to the repurchased service.

Act 11 Impact on WRS Inactive Participants

Participants who terminated covered WRS employment before the effective date of Act 11 are not eligible for the benefits of the law, unless they return to covered WRS employment.

Upon returning to covered WRS employment, inactive participants would prospectively be eligible for Act 11 provisions. For instance, inactive members who return to WRS employment would be eligible for effective rate interest crediting for service credited to the account after the date of return. In addition, for inactive members who return to WRS employment and then terminate after January 1, 2000, when that participant takes a retirement benefit the new formula multipliers under Act 11 would apply to the creditable service performed before 2000. Inactive members who return to WRS employment would also be eligible to participate in the Variable Trust.

What happens to my WRS account when contribution rates decline?

Most people would agree that paying less each year for something is a good thing. So when Wisconsin Retirement System (WRS) contribution rates fall as they have for the past six years it is generally perceived as good news. There are, however, unintended negative consequences to individual active participant account balances when employee required contribution rates fall below certain levels. (see *Employee Trust Funds Board Announces...* on page 1).

Small changes in contribution rates are a normal occurrence when investment return, salary increases, rates of retirement and other factors are greater or lesser than expected. However, the unprecedented investment returns of the WRS over the past six years combined with lower than expected wage increases have resulted in large reductions in WRS contribution rates.

1989 Wisconsin Act 13 created temporary and permanent early retirement provisions in the WRS. It included a provision that required all contribution rate increases to be shared equally between the employee contribution rate and the employer contribution rate. Because rate

changes are shared equally between employee and employer, the employee contribution rate has fallen. The employee contribution is credited to the employee account and increases the value of the account. Money purchase retirement benefits, separation benefits and death benefits are calculated using the employee account value. Consequently, reductions in employee contribution rates cause future reductions in the amount credited to the employee account.

The Role of the BAC

The rate reductions have already reduced employee required contributions to the employee accounts of protective and elected and executive category participants. General employee (including teachers) required contribution rates have not been affected by the rate reductions because of the structure of their contribution rate, which contains a special **Benefit Adjustment Contribution (BAC)**. This special contribution was created in 1983 legislation and is not credited to the employee account, even though the employee may be required to pay this contribution (some employers pay it on employees' behalf). The BAC is

not credited to the employee account because it is considered to be an employer contribution under the law.

In calendar year 2001 the BAC will decline to 0.2%. Future rate reductions could result in a 0% BAC. When this occurs the law prescribes that any future rate reductions shall be applied against the employee required contribution. That rate is currently 5% and has been at that level since 1982. If further rate reductions occur in 2002, the employee required contribution rate of 5% may begin to decline and directly affect the value of an employee's money purchase, death and separation benefits.

What lies ahead for the BAC?

Solutions to this issue would require a law change. One possible solution involves freezing the employee required contribution rate at a specific amount. If rates went below that amount, further reductions would be applied only to the employer required contribution rate. Another solution would be to apply all increases or decreases in rates only to the employer required contribution rate and set the employee contribution rate at a fixed level.

Wisconsin Act 11: ETF Provides Answers to Frequently Asked Questions

Why did the Court dismiss the petition filed by the ETF Board and ETF Secretary Stanchfield? The Court ruled that the Board and Stanchfield, as agents of the State, lack the standing to sue another state agency regarding the constitutionality of a law. The Court also said that naming Stanchfield as an individual member of the WRS was not sufficient in this case to meet the standard for an exception to the rule.

Why did the Board and Stanchfield file suit in the first place? The Board, Secretary Stanchfield, and the Department have questions, in light of past Court decisions, about the constitutionality of how the law proposes to pay for the benefit changes. Act 11 relies on the use of "internal" funds – monies

already within the reserves of the trust funds -- rather than on "new" funds that would come from higher future contribution rates. Officials also question whether using trust fund monies to establish an employer credit account, thereby giving employers a temporary "holiday" from paying a portion of their required contributions, is a legal use of the Trust Funds. In addition, because some WRS members will see no increase in pension benefits under Act 11, officials question whether using existing funds to provide improvements for some but not all is legal.

Active WRS Members

Do I have to retire within a certain time frame in order to get the benefit improvements under Act 11? You do

not have to retire by a certain date in order to get better benefits under the new law. When you do retire, ETF will look at the years of service you earned prior to January 1, 2000. Those years of service will be calculated using the higher interest rates and the .165% higher formula factor, as provided by Act 11. The time that you work after 1999 will be calculated using pre-Act 11 provisions.

I am in the General/Teacher/Educational Support Employee category. What does Act 11 do for me?

If you began WRS covered employment after January 1, 1982, then you know your account has been limited to 5% interest. (Those who started before that date receive the annual

FAQ continued on page 7

Variable Trust Fund *continued from page 3*

(after the \$4 billion transfer) would be paid out each year over a five-year period, and investment gains/losses after 1999 would be credited instead to the new MRA. The change to the MRA and the phase-out of the TAA over the five-year period will result in higher fixed effective rate interest credited to active and eligible inactive members, and higher fixed divi-

dends for annuitants for the next five years (e.g., higher than these rates would have been if the TAA were not being eliminated and the MRA established). Again, higher fixed effective rates resulting from the TAA phase-out will result in a smaller difference between the Variable and Fixed Funds. The smaller difference in funds is likely to generate lower increases in existing variable

participants' variable excess balances than these participants would have experienced without the elimination of the TAA.

It is important to note that the impact described above applies to variable accounts as they affect the formula benefit only. Except for investment returns, these changes do not affect the money purchase calculation.

Participation *continued from page 3*

by the Supreme Court, the first possible effective date of the new Variable Trust Fund participation will be January 1, 2001. For an election to be effective January 1, 2001, the Department of Employee Trust Funds (ETF) must receive your election to enroll in the Variable Trust Fund by December 29, 2000, even though the review by the Supreme Court may not be implemented at that time. Employees who are actively working in a WRS covered position are eligible to elect participation if they are actively employed on or after January 1, 2001.

Variable participation election forms for current active employees received after December 29, 2000 will become effective on January 1 after the year they are received by the Department. Example: Election notice is received on January 3, 2001. Coverage effective date is January 1, 2002.

New WRS Participants on or after January 1, 2001:

For new WRS participants who return their variable participation election form to ETF within thirty calendar days of the start of their WRS covered employment, variable participation is immediate. Example: Employee is covered under WRS on January 15, 2001. Election notice is received on February 8, 2001. Coverage effective date is January 15, 2001 and all contributions after that date will be split between the Variable and Fixed Trust Funds.

For new WRS participants who return their variable participation election form to ETF thirty-one days or later after the start of their WRS covered employment, variable elec-

tions are effective on January 1 after the year they are received by ETF. Example: Employee is covered under WRS on January 15, 2001. Election notice is received on March 15, 2001. Coverage effective date is January 1, 2002.

Employees who previously cancelled Variable participation

Active participants who cancelled their Variable Trust Fund participation with an effective date of January 1, 1999 or earlier have one opportunity to re-elect to participate in the Variable Trust Fund. Variable participation elections will become effective on the January 1 of the year after the year they are received by the Department.

Active participants who cancelled their Variable Trust Fund participation with an effective date of January 1, 2000 or later, cannot re-enroll in the Variable Trust Fund. If you cancelled participation on or after January 1, 2000, the only way you may re-enroll in the Variable Trust Fund is by closing your WRS account (ending your WRS participation and withdrawing your account balance), then later returning to work for a WRS participating employer and becoming a new participating employee with a new variable election option.

Carefully weigh decision

Consider your election to participate in the Variable Trust Fund carefully. Once ETF receives your election form to participate in the Variable Trust Fund, it can only be withdrawn by filing an *Election to Cancel Variable Participation* form (ET-2313) with ETF. Variable cancellations are effective on the January 1 of the year after the year they are received by ETF. Example:

Variable cancellation received on February 21, 2002. Cancellation effective date is January 1, 2003.

If you decide to make an election to participate in the Variable Trust Fund, sign and date the form in ink and return it to the ETF address on the form. Do not submit the form to your employer. Participation in the Variable Trust Fund is not valid until your election is received by ETF. Variable elections will be processed by ETF staff based on the outcome of the court decision. We will mail an acknowledgement to you upon receipt of your election form.

For additional information on how the Variable Trust Fund can affect your benefits, you may request from our 24-hour self-service line the following publications:

- *Election to Participate in the Variable Trust Fund*(ET-2356)
- *Election to Cancel Variable Participation*(ET-2313)
- *Calculating Your Retirement Benefits*(ET-4107)
- *How Participation in the Variable Trust Affects Your WRS Benefits* (ET-4930)

How can I get a copy of the election form?

To obtain the *Election to Participate in the Variable Trust Fund* form (ET-2356):

- Request a copy from your Employer
- Download a copy from ETF's Internet site, <http://badger.state.wi.us/agencies/etf>
- Call or write ETF to have a copy mailed to you.

National Study Compares ETF's Retirement Benefit Administration Costs, Services with Peers

How does the retirement plan administered by the Department of Employee Trust Funds (ETF) stack up against those of other public pension systems in terms of service levels and cost? A recent study comparing the cost of doing business among fifteen public retirement systems based on 1999 data found that the Wisconsin Retirement System (WRS) has a high degree of complexity and ranks among the lowest in terms of administrative costs per member.

ETF's total cost per member was \$26, the third lowest in the study. The median was \$52 per member. The Cost Effectiveness Measurement (CEM) study also ranked ETF's service levels low by comparison. To rank service levels, the study examined a number of activities, including:

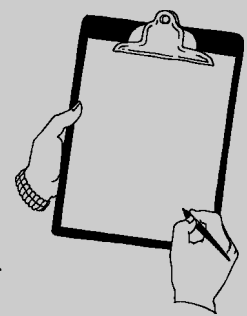
- the time it takes to issue written pension estimates
- the percentage of members counseled on a one-to-one basis

- the percentage of telephone calls resulting in busy signals
- the frequency and type of communications with members (newsletters, etc.).

Agency officials say the conclusions – particularly the low administrative costs and poor service level rankings – were expected. "We expected we would be ranked low in some areas," says Dave Mills, ETF Deputy Secretary. But documenting how ETF compares to other public retirement systems, particularly at the start of a new budget cycle, is an important and useful process. "We wanted to get this information in order to decide where to improve our services," says Mills.

The Department has set a strategic goal of increasing standards and levels of service. These efforts began two years ago with the establishment of customer service goals and prioritization of internal projects, and continued more recently with the study. The

agency has already started using the results of the study to initiate positive changes. In addition, having a neutral third-party assessment of ETF service



areas and costs will help officials demonstrate that the agency's requests for resources are reasonable.

"We have identified the services we need to raise to the median level and are setting priorities for improvement," says ETF Secretary Eric Stanchfield. "We don't want to be the highest-cost system. Our goal is to be above the median in terms of service, and at or below the median in terms of cost. If there are more things we can do to improve our services, we'll look for ways to do them."

FAQ *continued from page 5*

fixed effective rate of interest). Act 11 prospectively eliminates the 5% cap, and beginning December 31, 1999, all WRS participants, regardless of employment start date, will receive the annual fixed effective rate of interest. You will also receive a higher fixed interest rate for 1999, due to the portion of the "paper" gains transferred from the TAA to the Employee Reserve. The Department estimates that the transfer will increase the 1999 fixed effective rate by roughly 10.6% above the amount it would be had the transfer not occurred.

Since the 1999 fixed rate was 13.5% without the TAA transfer, we estimate that it would be approximately 24.1% with the \$4 billion TAA transfer. In addition, Act 11 increased by .165% the formula multiplier factor applied to your creditable service performed before 2000. When we eventually calculate your retirement benefit, we'll apply the higher formula multiplier to your pre-2000 WRS creditable years of service. The formula multiplier remains at the current levels for service performed after 1999. You will also have a chance to enroll in the Variable Trust, and your death benefits as an active employee have increased under Act 11.

I had a retirement benefit estimate calculated recently. Should I get a new estimate based on the provisions of Act 11?

No, a new estimate is not necessary. Until the court has completed a review of the law, ETF will calculate and pay benefits according to pre-Act 11 laws. If Act 11 benefit provisions are found to be constitutional, ETF will automatically calculate and pay benefits accordingly to those who have applied.

Annuitant WRS Members

What immediate impact will Act 11 have on my account?

You will get a higher fixed annuity dividend credited to your account for 1999, due to the \$4 billion TAA transfer – a portion of which flows into the Annuity Reserve. The Department estimates this "special dividend" will be approximately 10% in addition to the 1999 fixed dividend of 7.5 percent. However, fixed dividends in subsequent years would be somewhat lower due to the early distribution of \$4 billion from the TAA.

I retired in June of 1999. Will the special dividend increase under Act 11 be pro-rated, as was the regular fixed dividend I received in May 2000?

No, you'll get the full amount of this special dividend. While the normal

fixed dividend for 1999, paid in May 2000, was prorated for participants who retired during 1999, the full amount of the special dividend based on the funds transferred from the TAA will not be prorated. All annuities that began before 2000, including those that began in 1999, would receive the full dividend based on the funds transferred from the TAA.

What impact will the phase-out of the TAA and creation of the MRA have on annuity dividends over the next five years? What about 6-10 years down the road? The fixed annuity dividend over the next five years will most likely be higher than it would have otherwise been. After five years, the dividend will probably decrease to a level lower than it would have been without the phase-out and rates will fluctuate somewhat more than in the past.

Inactive WRS Members

What affect does the new law have on "alternate payees"?

By law, alternate payees are deemed inactive participants as of the divorce "decree date". Alternate payees whose decree dates are before the effective dates of the provisions in Act 11 are not eligible for those provisions.

Dual-Choice Enrollment Period Set for October 2-20

The Dual-Choice choice health insurance enrollment period for 2001 has been set for October 2-20, 2000. Dual-Choice is for currently insured active employees and retirees who take part in the State of Wisconsin Group Health Insurance program. During Dual-Choice, participants have the opportunity to change from one health plan to another or switch from single to family coverage without a waiting period for pre-existing medical conditions. Changes become effective January 1, 2001.

Even if you are satisfied with your current plan, you should take the time to review any changes to the plan's premium, benefits, and health care providers.

Active employees: If you want to switch plans or change coverage must submit a completed health application to your payroll representative by 4:30 p.m. on October 20, 2000.

Retirees: You must submit completed applications to the Department of Employee Trust Funds (ETF) by the same date and time. If you want to remain with your current plan, you do NOT need to file a health application if your plan is still offered in 2001.

Please note the following significant changes effective January 1, 2001:

Plans No Longer Available:

(Note: This information is current as of *Trust Fund Newspress* time, but is not final. See *It's Your Choice* and correspondence from the plans for more up to date information).

Subscribers in the following plans must submit an application during Dual-Choice to select a new plan for 2001.

- HMP-90, Network Health Plan – Community, and Physicians Plus – Southeast.
- Humana Emphesys – Racine will no longer be available. However, the provider network will be offered through Humana – Eastern.
- See *It's Your Choice* and correspondence from the plans for more information.

Plan Provider Network Changes:

Subscribers in the following plans may need to submit an application during Dual-Choice to change plans or to remain with current providers who will be part of a different plan network in 2001.

- Many plans have changed their service areas. For example, CompCare Blue has a new network, CompCare Blue – Northeast, which includes Brown County. Unity – Community and Unity – UW Health have also

made a number of significant network changes.

- For details on all network changes for all plans, refer to the map on page A-3 and the plan descriptions in section F of *It's Your Choice*

- Your current plan is required to provide you a list of all plan providers that will not be available in 2001. Contact your plan if you have not received this information by October 9.

SMP

The State Maintenance Plan (SMP) will be offered in Adams County, as there are no qualified HMOs in that county.

Notable Changes to Uniform Benefits for 2001

Prescription Drug Benefit

The Group Insurance Board approved increases in the prescription drug copayment and annual out-of-pocket maximum. Changes are effective January 1, 2001.

1. Prescription Drug Copayment

The prescription drug copayment will increase from \$4 to \$5 for generic drugs and from \$8 to \$10 for brand name drugs, for up to a 34-day supply. This is the first increase in copayment levels in six years.

Dual-Choice continued on page 9

New Law Affects Accumulated Unused Sick Leave

1999 Wisconsin Act 104 allows an unlimited time period for state employees to defer (escrow) their accumulated sick leave conversion credits to pay state group health insurance premiums. The new law became effective on May 9, 2000.

The old law allowed state employees under the Wisconsin Retirement System (WRS) to escrow their accumulated unused sick leave credits for

up to 10 years if the insured employee or surviving dependent(s) had comparable health insurance coverage.

Under Act 104, eligible state employees insured under the state group health insurance program at the time of termination may elect to escrow the accumulated sick leave credits indefinitely if they maintain coverage by other non-state comparable health insurance.

Act 104 also allows annuitants and their surviving dependent(s) who currently have leave credits escrowed or recently re-enrolled an opportunity to escrow their credits indefinitely. The Department of Employee Trust Funds will notify annuitants and dependents who are eligible for this new opportunity.

Enroll by phone or Internet

ERA Enrollment Period Set for October 9-November 10

The annual enrollment period for the Employee Reimbursement Accounts (ERA) program for State employees has been set for October 9 through November 10, 2000. The program allows participants to pay for

certain medical or dependent care expenses on a pre-tax rather than an after-tax basis. Participants can enroll for the 2001 plan year using a touch-tone telephone or the Internet. All eligible state employees will receive

enrollment materials and instructions in late September. Please review the information carefully to see if you would benefit from participation in the ERA program.

Check Out the Latest ETF Internet Site Updates, Including Money Purchase Calculator, Annual Report

We've added or updated several important new features to our Internet site: <http://badger.state.wi.us/agencies/etf>, making it an even more useful and convenient source of information for Wisconsin Retirement System (WRS) participants.

- The on-line calculator has been updated to allow you to project your retirement benefits under both the money purchase and formula calculations. Other calculator enhancements include: 1) Using actuarial tables to project accelerated payment options for those under age 62 unless a specific amount is entered as a Social Security award projection; 2) Allowing calculations for additional contribution accounts; 3) Providing the actuarial reduction factor and money purchase factors used in the calculation; and 4) Displaying lump sum benefits if eligible based on your input.

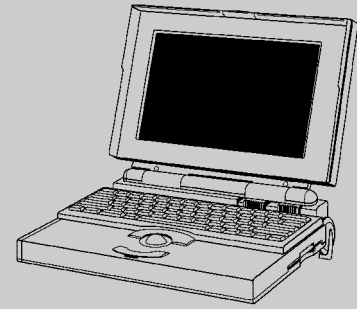
The calculator will also help you determine how Wisconsin Act 11 affects your formula retirement ben-

efits. We encourage you to use the calculator to compare your benefits with and without the provisions of the new law. The calculator includes complete and easy-to-read instructions.

- Your e-mails are secure. When you send an e-mail through our "Contact Us" page on our site, your personal information is encrypted (secured) and others on the World Wide Web can not intercept the incoming e-mail. This helps protect people from identity fraud and theft.

- Both the state and federal tax withholding tables are on the Internet site through the Retiree menu or through the Retirement Systems benefit menu.

- You can view the complete 1999 *Comprehensive Annual Financial Report* (CAFR). The report contains program statistics and financial information on all of the benefit plans administered by the Department. Sections of the report focus specifically on the Department's governing boards,



highlights of the many technology projects and improvements completed last year, summaries of 1999 legislation and the department's accomplishments, actuarial analysis, and the State of Wisconsin Investment Board's trust fund investments. The report also contains a complete listing of all employers participating in the WRS, along with their prior service liability, covered payroll, and required contributions for 1999.

- You'll find the latest news and information on 1999 Wisconsin Act 11, including important reference materials, the latest announcements, a detailed summary of the law and its impact on WRS participants, court documents, and much more.

- You can read back issues of *Trust Fund News* on-line, including the May 2000 version written specifically for inactive WRS participants.

Dual Choice *continued from page 8*

2. Prescription Drug Out-of-Pocket Maximum

The annual prescription drug out-of-pocket maximum will be \$240 for an individual and \$480 for a family. The higher copayments and out-of-pocket maximums are necessary due to substantial increases in pharmacy use and costs over the past few years. This change helps restore the previous balance. Prescription costs continue to rise at a much faster rate than other medical costs.

Smoking Cessation. Coverage under Uniform Benefits will include pharmacotherapy for smoking cessation. This benefit will provide prescription drug coverage for smoking cessation products that require a written prescription and are prescribed by a plan provider, such as nicotine inhalers or sprays. Over-the-counter products will not be covered. Coverage is limited to one three-month course of pharmacotherapy per contract year. The

health plans may require a referral or pre-authorization for these products. Participants should contact the plans directly during Dual-Choice to determine how the plan will administer the benefit.

Durable Medical Equipment. Uniform Benefits will include coverage for routine maintenance and replacement tires and batteries for durable medical equipment. Plan authorization is necessary if the purchase will exceed \$200.

For a complete copy of the Uniform Benefits for 2001, go to the Department's Internet site, <http://badger.state.wi.us/agencies/etf>, click on "Benefit Programs," then "Insurance Plans."

Changes to Standard Plans

For information on any changes to the Standard Plan, Standard Plan II, SMP or Medicare Plus \$100,000 for 2001, see *It's Your Choice* or refer to information released by Blue Cross Blue Shield United of Wisconsin, administrator of these plans.

Information Sessions Scheduled

Health fairs provide excellent opportunities to ask questions of health plan representatives. For information on dates and times, check *It's Your Choice*, call the ETF Telephone Message Center at 1-800-991-5540 or 264-6633 (local Madison), or check ETF's Internet site: <http://badger.state.wi.us/agencies/etf>.

Educational Teleconference Set

The Wisconsin Coalition of Annuitants is sponsoring its annual Educational Teleconference through the University of Wisconsin-Extension Educational Television Network (ETN) from 9 to 10:20 a.m. on Thursday, October 14. Bill Kox, ETF Director of Health Benefits & Insurance Plans, is the featured speaker. Contact the UW-Extension, your county courthouse, or this Department for the ETN site nearest you.

New Law Creates Additional Seat on ETF Board; Nominations Sought Among Educational Support Staff

The Department of Employee Trust Funds (ETF) is seeking nominations for candidates interested in running for a new seat on the Employee Trust Funds Board created by Wisconsin Act 181, which became effective June 2, 2000. Act 181 adds one new member to the Employee Trust Funds (ETF) Board. The new member is a Wisconsin Retirement System (WRS) participant who is either a public school district educational support person-

nel employee or a technical college district educational support employee.

The Department of Employee Trust Funds plans to conduct an election in February to fill the seat. Nomination papers for that election will be available October 1, 2000. Only public school and technical college district educational support personnel interested may file nomination papers and vote in the election. The new member will be elected to

the ETF Board with a term initially expiring May 1, 2003.

To request nomination papers, potential candidates should contact the Board Election Coordinator, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7937. Phone (608) 267-2862. To send an e-mail to the Board Election Coordinator, visit our Internet site, <http://www.badger.state.wi.us/agencies/etf>.

* * * * *

Nominations Sought for Two Seats on Teachers Retirement Board

Nomination papers will be available after October 1, 2000 for elementary and secondary teachers outside of the Milwaukee School District who are interested in running for seats on the Teachers Retirement Board (TR Board). Two positions are up for election, as the terms of current Board members George Conom and Melvin Pinsker expire May 1, 2001. Voting among elementary and secondary teachers

outside of Milwaukee will take place in February and March.

The TR Board is an important part of the Wisconsin Retirement System (WRS). The 13-member board advises the policy-setting Employee Trust Funds (ETF) Board on a variety of retirement and other benefit issues involving public school, vocational, and state and university teachers.

The two winners will serve five-year terms beginning May 2001. To request nomination papers, potential candidates should contact the Board Election Coordinator, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7937. Phone (608) 267-2862. To send an e-mail to the Board Election Coordinator, visit our Internet site, <http://www.badger.state.wi.us/agencies/etf>.

Department Still Seeking Claims for Distribution of Funds Recovered Through 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 funds recovered through the Special Investment Performance Dividend (SIPD) lawsuit. 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 19,000 of these. The Department has paid over \$20 million in lump sum payments to more than 16,000 claimants.

If you are the beneficiary or heir of 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 Employee Trust Funds Board's 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.

Retirees Corner

(Editorial policy statement: Trust Fund News will periodically run brief announcements submitted by and about service organizations. Publication is subject to space availability and made on a first-come, first-served basis. Trust Fund News does not guarantee publication of any particular submission.)

The Wisconsin Retired Educators' Association (WREA) is an issue-oriented, non-partisan organization committed to monitoring and improving the pension benefits for retired educators and other members

of the Wisconsin Retirement System (WRS). It has been promoting the interests of retired educators and public education since 1951.

WREA strives to be the voice and choice of retired educators by offering a broad range of member services including pension protection, long-term care insurance discounts, free financial planning seminars, travel discounts, a statewide legislative alert network, and numerous member publications.

WREA is an independent, grass-roots organization with more than 11,000 members and 74 local units. It is affiliated with the National Retired Teachers Association (NRTA), a division of the American Association of Retired Persons (AARP).

For information on annual dues and membership levels, contact: WREA, 2564 Branch St., Middleton, WI 53562; Phone: (608) 831-5115; FAX: (608) 831-1694. Internet site: <http://www.wrea.net>

ETF Sets Schedule for Spring Public Benefit Sessions

The Department of Employee Trust Funds (ETF) has scheduled free, public presentations this spring for Wisconsin Retirement System (WRS) participants considering or planning retirement. These popular presentations are valuable opportunities for members seeking general information on retirement issues and

WRS benefit programs. In 1999, more than 3,000 people considering or planning retirement attended 27 meetings held throughout the state. The presentations, conducted by ETF retirement specialists, cover WRS retirement, disability, death, and separation benefits, as well as health and life insurance. A question-and-

answer session follows each presentation. Presentations run from 7 to 9 p.m. All locations are handicapped accessible with adequate free parking. Reservations are required for the Interactive Television Presentations, but not for the other general group session locations.

RETIREMENT WORKSHOP SCHEDULE

Bangor

Bangor High School- Cafetorium
700 Tenth Ave. South, Bangor
November 7

Brookfield

Wisconsin Hills Middle School -
Gymnasium
18700 Wisconsin Ave., Brookfield
(North of Bluemound Road)
October 18

McFarland

McFarland High School-Auditorium
5103 Farwell St., McFarland
October 18

Medford

Medford Area Senior High-
Red White Theatre
1015 W Broadway, Medford
October 11

Minocqua

Lakeland Union High School-Auditorium
8669 Old Hwy 70, Minocqua
October 3

Platteville

Ullsvick Center-Beaux Arts Room
Corner of Hickory & Main, Platteville
October 17

Solon Springs

School District of Solon Springs-
Elem. Gymnasium
8993 Baldwin, Solon Springs
November 1

Wautoma

Wautoma High School-
Performing Arts Center
Cambridge St./Hwy 22, Wautoma
November 2

The following are public presentations hosted by individual employers or associations.

Reservations are not needed for these presentations. (If weather should be come severe, please listen to local radio stations for possible cancellations)

Beaver Dam

Beaver Dam Middle School- Auditorium
108 4th St., Beaver Dam
(hosted in conjunction with the Wisconsin Retired Educators' Association)
October 10

Eau Claire

Chippewa Valley Technical College-
Auditorium
620 W Clairemont, Eau Claire
November 2

Marshfield

UW Marshfield/Wood County-
Student Center
2000 W Fifth St., Marshfield
November 14

Interactive Television Public Presentations

(Reservations needed for the following sites)

Hosted by Erving Network:

October 3
Clintonville with sites at Bonduel, Wittenberg and Rosholt
Call Debbie Bernard at (715) 823-7172 to make a reservation to attend the October 3 presentation at one of these sites.

Hosted by Northern Lights Network:

September 25
CESA II with sites at Osceola, Grantsburg and Barron
September 27
CESA II with sites at Boyceville, Shell Lake and Spring Valley
Call Connie Manske at (715)986-2020 to make a reservation to attend the September 25 or September 27 presentation at one of these sites.

Department of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931

FORWARDING SERVICE REQUESTED

**Bulk Rate
U.S. Postage
PAID
Madison, WI
Permit 2798**

The *Trust Fund News* is published three times a year by the Wisconsin Department of Employee Trust Funds to inform the members of the Wisconsin Retirement System about benefit programs.

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., CST. For assistance with retirement or other benefits, call a benefit specialist toll-free at 1-877-533-5020 or 266-3285 (local Madison). For an appointment in Madison, call (608)266-5717 and 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 1-800-991-5540 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: 1-877-533-5020.

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.

