Wisconsin Department of Employee Trust Funds

TRUST FUND NEWS

August 2001
Act 11 Edition

# Wisconsin Supreme Court: Pension and Benefits Law is Constitutional

The Wisconsin Supreme Court reached a decision on *Wisconsin Professional Police Association, Inc. et. al., v. George Lightbourn et. al.*, the lawsuit surrounding 1999 Wisconsin Act 11. In a 5-2 vote, the justices ruled that the provisions of the pension and benefit improvement law were legal and could be implemented. The Court rejected petitioners' arguments that the law was a "taking" of property without just compensation, that it was an impairment of contract, and that it violated principles of trust law.

In a separate 4-3 vote, the Court also allowed the provision granting WRS employers a $200 million contribution "holiday." Among other things, the Court said the petitioners failed to show any tangible harm suffered due to this particular provision, and that reducing the cost to employers of fulfilling their benefit obligations to employees is a legitimate trust purpose.

The Court's order barring implementation of the law was simultaneously removed. ETF officials are pleased to see the long wait for WRS members come to an end. The Department has moved quickly to fully implement the provisions of Act 11, which brings some of the most significant changes to benefit levels and accounting mechanisms in Wisconsin Retirement System (WRS) history.

Within three weeks of the June 12 decision, the Department began distributing the 9.6% monthly pension increase (plus interest retroactive to May 1, 2000) given to more than 95,000 annuitants who retired before 2000. This was a result of the law's $4 billion transfer of gains from the Transaction Amortization Account

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This special edition of *Trust Fund News* contains a complete review of the provisions of 1999 Wisconsin Act 11 and its immediate effect on our members. Watch for our subsequent, regular editions for additional Act 11-related articles, including a discussion of the potential long-term implications of the Court's decision on the Wisconsin Retirement System.

## Supreme Court Denies Motion for Reconsideration

The State Supreme Court turned down the Motion for Reconsideration filed in June by the State Engineers' Association (SEA). The organization filed the motion with the Court concerning its decision in *Wisconsin Professional Police Association et. al. v. Lightbourn, et.al.*, on the constitutionality of 1999 Wisconsin Act 11. The motion focused on the provision allowing $200 million of the $4 billion Transaction Amortization Account (TAA) transfer to give employers a contribution "holiday."

# ETF Begins Production and Distribution of Statement of Benefits

The delay in the Supreme Court's decision on 1999 Wisconsin Act 11 forced the Department to postpone its annual spring distribution of the *Statement of Benefits* to active and inactive participants. We appreciate your patience during this period and apologize for the delay.

We are now extremely busy implementing the provisions of 1999 Wisconsin Act 11, including updating account balances of over 250,000 active and 117,000 inactive participants to reflect the requirements of the law. Once this process is finished, we will generate the 2001 annual *Statement of Benefits*. You should receive your annual *Statement* by late October. Note: You will not receive a *Statement* if you have closed your account by taking a lump sum benefit or are receiving a monthly annuity, unless you previously made optional

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# Your Annual Statement of Benefits and 1999 Wisconsin Act 11

The annual *Statement of Benefits* you should receive in late October will be updated to reflect 1999 Wisconsin Act 11 provisions. In Section 2, "Years of Creditable Service" has been divided into two categories to distinguish between service earned prior to 2000 and service earned after 1999. You will also see your total creditable service. In addition, the calculation used to produce the projected "Monthly Formula Benefit" in Section 10 has been updated. These changes were necessary in order to reflect provisions in Act 11 that provide a higher formula multiplier on service earned prior to 2000 for formula benefit calculation purposes.

If you elected to enroll in the Variable Trust Fund effective January 1, 2001, **Variable information will not be reflected on your January 1, 2001 annual** *Statement*. That's because the January 1, 2001 *Statement* covers contribution and service updates that occurred during 2000. Since your contributions by law will not be split between the Fixed and Variable Trust Funds until 2001, they will first be reflected on your *Statement* dated **January 1, 2002**. Your contributions to the Variable Trust Fund will first be reflected on your *Statement* dated January 1, 2002 and first begin accruing interest on that date. **The first time that you will see variable effective rate interest crediting is on your January 1, 2003** ***Statement*****.**

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(TAA). In addition, on August 1, eligible retirees received a supplemental fixed dividend of .6%, retroactive to May 1, 2001. Based on the total retiree population, the average pension increase was $105 per month and will add $138 million per year to the system's payroll.

The law also significantly boosted the WRS pension benefits of 260,000 actively employed members. Benefit changes include an improved formula multiplier for service before 2000, additional interest crediting on accounts, improved death benefits, and the ability to join the variable program.

**Background**

1999 Wisconsin Act 11 was signed into law by former Governor Tommy Thompson on December 16, 1999. It was immediately challenged by the Department of Employee Trust Funds (ETF), and the Wisconsin Supreme Court issued an injunction preventing implementation of its provisions while it considered taking original jurisdiction of the case. The Court then removed ETF from the case, saying the ETF Board and Secretary Stanchfield lacked the legal standing to bring suit under the circumstances of this case (i.e., where a claim of unconstitutionality was made and another state agency is named as respondent). The justices realigned the parties involved, naming the Wisconsin Professional Police Association (WPPA) and the State Engineers' Association (SEA) petitioners. The Court later agreed to take original jurisdiction and consider the case on an "expedited" basis. The Court heard oral arguments last October and issued its 122-page decision on June 12.

To review the decision, visit ETF's Internet site at badger.state.wi.us/agencies/etf. Our site also contains an updated summary of Act 11 provisions and the various legal documents filed in the case.

**For a complete review of Act 11 provisions and its impact on WRS members, see the accompanying articles in this special issue of** *Trust Fund News***.**

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supplemental contributions (i.e., "additional contributions") to your account and you have an additional contribution balance remaining.

If you were actively employed prior to January 1, 2000, you will also receive a *January 1, 2000 Statement Supplement* that shows revisions to your 1999 account balances. The revisions reflect revised interest crediting resulting from 1999 Wisconsin Act 11. The *Supplement* will display the same beginning "1/1/1999 Balance" that was shown on your January 1, 2000 *Statement*, but the ending "1/1/2000 Balance" will change due to revised interest crediting provisions in the law. The ending "1/1/2000 Balance" on the *Supplement Statement* equals the beginning 1/1/2000 Beginning balance on your January 1, 2001 *Statement*.

If you have any questions regarding your service, earnings or contributions, contact your employer (or former employer, if you are an inactive participant) for an explanation. Employers are responsible for reporting any corrections to the Department.

## Effect of Act 11 on Annuitant WRS members

The following is a summary of the key provisions of Act 11 and how they affect WRS annuitants — members who have already taken a retirement benefit.

**Provision: Distribute $4 billion from the Transaction Amortization Account (TAA) and create a Market Recognition Account (MRA).**

**Impact:** On July 1, 2001, the Department began paying eligible retirees the retroactive dividend adjustment resulting from the $4 billion of investment gains transferred from the TAA. The monies normally would have been distributed on May 1, 2000, so the dividend increase is retroactive to that date. Annuitants who retired before 2000 received the retroactive dividend payment and saw their base annuities go up about 9.6%, based on the April 2000 fixed dividend amount. The same group of annuitants received a .6% adjustment on their annuities from May 1, 2001, forward.

There was also an increase in the annual fixed dividend applied on the May 1, 2001 payments; the fixed dividend is being increased from 5.1% to 5.7%, retroactive to that date. This dividend is payable to annuitants who retired before November 2, 2000. It is prorated for those who retired during 2000.

Act 11 eliminates the Transaction Amortization Account (TAA) over a five-year period (2000 to 2004) and creates a Market Recognition Account (MRA). Twenty percent of the TAA balance as valued at the end of 1999 (after the $4 billion transfer) will be paid out each year over a five-year period, and investment gains/losses after 1999 will be credited instead to the new MRA. The MRA becomes the new accounting mechanism that smoothes the fixed investment trust earnings over a five-year period, resulting in a faster payout of gains and losses than occurs with the TAA. Consequently, fewer investment earnings will be available in the future due to the early distribution of TAA funds, meaning that dividends will be correspondingly lower.

While most retirees have already received their retroactive payments, some will experience a delay in receiving their monies. The accounts of about 5,000 retirees will need manual calculations completed due to changes that occurred in their annuities since January 2000. This will take up to 18 months to complete. About 3,000 people who received lump sum benefits since January 2000 are eligible for a supplemental payment, and about 12,500 members who retired after 1999 still need to have final calculations done on their annuities.

**Provision: Incorporate new (higher) formula multipliers for annuitants returning to work.**

**Impact:** A participant receiving a WRS annuity who returns to work for any WRS employer can elect to become a covered

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**<u>Question:</u> I retired in 2000, why didn't my monthly benefit check increase on July 1?**

**<u>Answer:</u> Because you retired in 2000, you are not eligible to receive the 9.6% increase. Only those who retired before 2000 received the 9.6% increase.**

Because you terminated after 1999, your retirement benefit will be calculated using the higher formula multiplier and new money purchase balances provided by Act 11; these provisions will determine the increased amount of your benefit. Unfortunately, due to the number of benefit applications pending a final calculation, it may take up to 18 months to complete the backlog of final calculations.

We sincerely apologize for the delay in finalizing benefit calculations.

## Effect of Act 11 on Active WRS Members

The following is a summary of the key provisions of Act 11 and how they affect WRS Active Members.

*Important note: If you had a WRS account on the effective date of a provision of Act 11, but were not actively employed under the WRS on that date, you were not immediately eligible for the benefits of that provision. However, if you did not close your account by taking a lump sum benefit, and if you subsequently return(ed) to WRS covered employment after 1999, you are prospectively eligible for the provisions of Act 11 after your return to WRS employment.*

**Provision: Distribute $4 billion from the Transaction Amortization Account (TAA) and create a Market Recognition Account (MRA).**

**Impact:** Eligible employees will get a higher fixed effective interest rate credit for 1999. Generally, active employees will see a 24.1% effective rate credited to their accounts for 1999.

Act 11 eliminates the Transaction Amortization Account (TAA) over a five-year period (2000 to 2004) and creates a Market Recognition Account (MRA). Twenty percent of the TAA balance as valued at the end of 1999 (after the $4 billion transfer) will be paid out each year over a five-year period, and investment gains/losses after 1999 will be credited instead to the new MRA. The MRA will become the new accounting mechanism that smoothes the fixed investment trust earnings over a five-year period, resulting in a faster payout of gains and losses than occurs with the TAA. Consequently, fewer investment earnings will be available in the future due to the early distribution of TAA funds, meaning that interest crediting will be correspondingly lower.

**Provision: Increase Maximum Annuity Percentage**

**Impact:** Act 11 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 employees covered under Social Security (who are, typically, law enforcement officers), and at 85% for protective employees not covered under Social Security (generally, firefighters). These maximums do not apply to money purchase annuity benefits.

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**Active** *continued from page 3*

**Provision: Increase Retirement Formula Factor by .165**

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

**Provision: Reopen the Variable Trust**

**Impact:** Beginning January 1, 2001, active participants can elect to have future contributions deposited in the Variable Trust. This does not apply to past contributions or annuity payments. Active employees can elect to have 50% of their future required and additional contributions deposited in the Variable Trust. Former variable participants who cancelled their original variable participation effective January 1, 1999 or earlier may also re-enroll.

**Provision: Eliminate the 5% interest crediting guarantee and credit effective rate interest to post-1981 member accounts**

**Impact:** The 5% guarantee on the fixed interest credited to the required contribution balances of actively employed participants first employed under the WRS after 1981 is prospectively eliminated. Beginning December 31, 1999, all participants receive the annual fixed effective rate of interest credited to their accounts. The 3% interest guarantee for separation benefits is also eliminated. This interest crediting provision affects all benefits that are based on a participant's account balances: separation benefits, death benefits and money purchase retirement benefits.

**Provision: Increase active participant death benefits**

**Impact:** The death benefit of participants who die as active WRS employees will include the employee required and matching employer contributions plus any voluntary additional contributions in the employee's account. There are no restrictions on who can be named as a beneficiary for this new active death benefit. Act 11 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 natural living person (or a trust in which a living person has a beneficial interest) to qualify for the special death benefit.

If an active participant dies after reaching minimum retirement age and qualifies for the special death benefit, the higher of the special death benefit or the new Act 11 death benefit will be paid.

**Provision: Change the Actuarial Assumptions**

**Impact:** The current assumed investment earnings rate of the trust fund for actuarial and salary growth purposes is set by statute, but the Board is given authority to make adjustments. The new law changes both the investment earnings rate and the salary growth rate specified in statute, but continues to allow the Board to revise it due to changed economic circumstances.

For a complete summary of the new law, including the impact it will have on member accounts and how it will affect payments to current benefit recipients and annuitants, visit the Department's Internet site at badger.state.wi.us/agencies/etf.

# Act 11 Funding Mechanisms Explanation

To pay for the benefit improvements, the law relies on "internal" sources of funding rather than initiate new or additional employer and employee contributions.

Specifically, Act 11 calls for:

- Transferring $4 billion in stock market gains from the Transaction Amortization Account (TAA) to the three Trust Fund reserves.
- Changing actuarial assumptions, which ultimately influence employer and employee contribution rates.

**Transaction Amortization Account**

The TAA is an account where market gains and losses are recorded. Think of it as sort of a "buffer" account. Its purpose is to smooth the impact of investment gains and losses on the three Trust Fund reserves: the annuity reserve, the employee accumulation reserve, and the employer accumulation reserve.

Under the old law, paper gains and losses of the invested assets of the Fixed Trust were credited to the TAA. Then, 20% of the entire TAA balance as of December 31 of each year was withdrawn and disbursed among the three reserves. Act 11 still allows the regular 20% distribution (until the TAA is phased out in five years), but simultaneously ordered the one-time transfer of an additional $4 billion to the three reserves.

Under Act 11, $200 million of the total amount credited to the Employer Reserve has been used to create separate "credit balance" accounts for each WRS employer. Individual employer credit amounts vary from several hundred dollars to several million dollars, depending on the employer's total payroll.

The Board and others questioned whether giving employers a contribution "holiday" was a legal use of the Trust Funds. The Court ruled 4-3 that the provision was legal, commenting that WRS participants do not have a legal right to veto legislative decisions about benefit funding without showing some tangible injury – and the petitioners in this case failed to show any tangible harm suffered as a result of the $200 million credit.

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**Annuitants** *continued from page 3*

WRS employee and have his/her annuity terminated. When the rehired annuitant "re-retires", a new annuity is calculated based on both the old and new creditable service. However, in most cases the new formula multipliers under Act 11 will apply only to the creditable service performed before 2000 that the participant earned after returning to work.

The current formula multiplier would apply to the participant's creditable service performed before 2000 that was used to calculate the original annuity.

# Effect of Act 11 on Inactive WRS Members

Inactive members are Wisconsin Retirement System (WRS) participants who have terminated covered employment but have not closed their accounts by taking a WRS retirement benefit. Their retirement accounts remain in the WRS.

If you are an inactive member and you terminated employment before the effective date of Act 11, you are not eligible for the benefits of the law. However, as long as you do not close your account by taking a lump sum benefit, **upon returning to covered WRS employment you would prospectively** be eligible for the provisions of Act 11.

**Provision: Eliminate the 5% interest crediting guarantee. Restore effec tive rate interest crediting to post-1981 member accounts**

**Impact:** If you are an inactive member subject to the current five percent interest guarantee (and may also be subject to the three percent guarantee on fixed interest for separation benefit balances), and you terminated WRS employment before December 30, 1999, you continue to receive 5% interest. However, if you returned to WRS employment after December 29, 1999, the following changes, courtesy of Act 11, apply:

- The effective interest rate will be credited to your account on the December 31 after the date you return to covered employment.
- Your separation benefit balance (shown on your annual *Statement of Benefits*) will be adjusted to the balance that would exist if you had received 5% interest (instead of 3%) from the beginning of your initia employment date. In other words, your separation benefit balance will be equal to the employee required contribution balance portion of your money purchase balance (plus any voluntary additional contributions in the account and interest).

**Provision: Increase Retirement Formula Factor by .165**

**Impact:** If you terminated employment before 2000, you will not have the new formula multipliers under Act 11 applied to your creditable service performed before that date. However, if you return to WRS employment and terminate employment on or after January 1, 2000, when you take a retirement benefit the new formula multipliers under Act 11 will apply to the creditable service you performed before 2000.

## 9.6% Fixed Dividend Calculation Explained

Here's an example showing how the Department calculated the 1999 fixed dividend change applied to July 1 annuity payments, retroactive to May 1, 2000.

| | |
|---|---|
| $931 | Monthly benefit on April 2000 (before 1999 and 2000 dividends applied) |
| x 17.1% | 1999 dividend of 7.5% + 9.6% (due to $4 billion TAA distribution) |
| $159.21 | |
| | |
| $159.21 | |
| + $931.00 | |
| **$1,090.21** | Monthly fixed amount from 5/1/00 forward |
| – $1,000.00 | Previously paid on 5/1/00 based on 7.5% dividend |
| $90.21 | Retroactive payment per month |
| x 14 | Months (May 2000 through July 2001) |
| **$1,262.94** | **Retroactive amount owed to retiree** |
| x 5.6% | Interest due on retroactive amount |
| **$70.73** | |
| | |
| **$1,262.94** | |
| **+ $70.73** | |
| **$1,333.67** | **Total retroactive amount paid on July 1, 2001** |

# Act 11 Reopens the Variable Trust Fund

More than two decades after it was closed, the Variable Trust Fund has been opened to new enrollments. This article provides some background on the Variable program, the impact of Act 11 on current Variable participants, and eligibility requirements and procedures for new enrollees.

**Who can Enroll?**

Active employees can elect to have 50% of their new contributions after 2000 credited to the Variable Trust. Active participants who cancelled their Variable participation before 1999 can elect to re-enroll.

**What is the Impact of Act 11 on Current Variable Participants?**

Act 11 provided a one-time $4 billion transfer from the Transaction Account (TAA) to the three reserves of the trust fund, which is retroactive to 1999. This results in the final fixed effective rate of interest for 1999 being increased from 13.5% to 24.1%. This TAA transfer has no effect on the variable effective rate for 1999, or variable account balances. However, the "variable excess" amount is based on a comparison between the fixed and variable effective rates for each year. Therefore the TAA transfer has the effect of decreasing the January 1, 2000 variable **excess** amount, which is applied when calculating the benefits of persons with variable accounts.

Remember: The variable excess amount applies only to formula annuities. If a participant's money purchase benefit is larger than the formula retirement benefit, ETF will not use the variable excess in the final retirement benefit calculation. Your money purchase benefit calculation uses variable and fixed balances to determine your benefit. Your variable excess balance is shown on your annual *Statement of Benefits*.

It's important to note that a higher fixed effective rate would increase participants' account balances, which would have the effect of increasing participants' **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* (ET-4930), that provide detailed information about calculating formula and money purchase retirement benefits, including the adjustments for variable participation. You can view these on our Internet site at badger.state.wi.us/agencies/etf, or request a paper copy by calling the Self-Service Line toll free at 1-877-383-1888 or 266-2323 (local Madison).

**Impact on Employees: New Enrollment Opportunity**

Active members can elect to participate in the Variable Trust. To be eligible, a participant must be an active WRS employee after 2000. Active employees can elect to have fifty percent of their **future** contributions deposited in the Variable Trust; existing account balances based on past contributions cannot be transferred into the Variable Trust. You can enroll by completing a *Variable Participation Election* form (ET-2356) and sending it to the Department of Employee Trust Funds. Participation will be effective the January 1 after the year your form is received by the Department. For example: If the election form is received on October 18, 2001, the coverage effective date is January 1, 2002. Contact your employer for an election form or download one from the "Publications" section on our Internet site.

For new WRS participants who return their *variable participation election* form within 30 calendar days of their beginning covered employment, variable participation is effective immediately.

Active employees 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. Active participants who cancelled their variable participation with an effective date of January 1, 2000, or later cannot re-enroll in the program.

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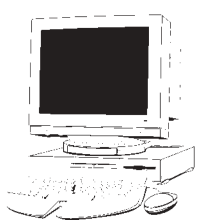

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# Department Sets Priority on Issuing Retroactive Dividends to WRS Annuitants

When the Supreme Court authorized the implementation of Act 11 on June 12, the Department of Employee Trust Funds (ETF) immediately took steps to begin paying out increases in the fixed dividend adjustments to more than 95,000 annuitants who retired before 2000. Payments were issued quickly and automatically, thanks to the many months of planning, programming, and testing on the part of ETF administrators and staff.

However, dividend payments to about 5,500 Wisconsin Retirement System (WRS) annuitants will be delayed. That's because their accounts changed in some manner since April 2000, requiring ETF staff to manually review and calculate everything in order to ensure that accurate adjusted benefit payments get disbursed. Examples of such changes include death of the annuitant, division of the annuity due to divorce, reduction for death of the joint survivor, or expiration of guaranteed payments.

The Department has contacted all of the annuitants or estate representatives for accounts that require special handling. Officials have placed the highest priority on the project and expect to complete it by the end of the year.

# Spotlight On: Effective Rate Interest Crediting

Of the Act 11 provisions boosting the retirement benefits of active participants, one eliminating the 5% fixed interest guarantee was most welcome to the nearly 200,000 employees affected. Prior to Act 11, the retirement account of any active member that first became employed after January 1982 received 5% interest crediting, while colleagues with pre-1982 start dates annually received the fixed effective rate of interest (i.e., full interest crediting under the accounting procedures of the Wisconsin Retirement System) – which more closely reflects the actual investment experience of the Trust Fund.

Under Act 11, active members who have been limited to 5% interest and were active on or after December 30, 1999 will prospectively receive the annual fixed effective rate of interest credited to their accounts, beginning with interest for 1999. (In order to qualify for this provision, a participant must be an active WRS participating employee on or after December 30, 1999).

The elimination of the 5% fixed interest guarantee affects all benefits that are based on your account balances, including your death benefits, money purchase, and separation benefits. These balances are shown on your annual *Statement of Benefits*. If you are eligible for the provisions of Act 11 and if you have a post-1981 start date: The fixed rate of interest credited to your account after 1999 will likely be higher (because it's getting the effective rate, which historically has been higher than 5%); therefore your death, money purchase, and separation benefits will be worth more in the future.

**A special note about separation benefits:** Before Act 11, when participants who were limited to 5% interest left covered WRS employment and took separation benefits (by withdrawing the funds in their accounts), state law limited their separation benefit to 3% interest. With Act 11, beginning with interest credited on December 31, 1999, the 3% interest guarantee on fixed investment earnings for separation benefits has been eliminated, and the effective rate of interest will apply to separation benefit balances.

## Fixed Fund Effective Rate Percentages and Annuity Adjustments

| Actives | Effective Rate of Interest 2000 | 1999 |
|---|---|---|
| With pre-1982 WRS start date | 10.9% | 24.1% |
| With post-1981 WRS start date | 10.9% | 24.1% |

| Annuitants | Fixed Dividend* 2000 | 1999 |
|---|---|---|
| | 5.7% | 17.1% |

| Inactives | Effective Rates 2000 | 1999 |
|---|---|---|
| With pre-1982 WRS start date | 10.9% | 24.1% |
| With post-1981 WRS start date | 5% | 5% |

* First payable on May 1 of the following year. Note: Annuitants who retired in 2000 will receive a prorated dividend based on the number of full months they were retired.

**Funding Mechanicisms** *continued from page 4*

**For detailed information on how this provision of Act 11 alone affects you, see the accompanying articles throughout this special issue of *Trust Fund News*.**

### Actuarial Assumptions Changed

When the bill became law on December 31, 1999, the assumed investment earnings rate of the trust fund as recommended by the actuary was 8%. The actuary also assumed that the salaries of the combined WRS covered population would annually increase by 4.8%. Act 11 changed the statute to reflect the actuary's 8% investment earnings rate assumption, and further reduced the assumed rate of salary growth to 4.6%. This would have resulted in downward pressure on mandatory employee and employer annual contributionrates, by assuming that the cost of providing formula annuities in the future will be less. However, in the interim since the law was signed, the WRS actuary has determined that the salary assumption should be lowered to 4.5%, thus rendering this provision of the law moot.

In its ruling, the Court said the Legislature may make adjustments in statutory rates, but the ETF Board has the final word in setting rates, so the WRS is always protected.

**Variable Trust Fund** *continued from page 6*

The rate of interest for participating active and inactive member variable accounts has been close to or above 20% for seven of the past ten years. Annuitants have enjoyed similar good fortune, with double digit variable adjustments most of the past decade. However, those in the Variable must be prepared for the possibility that poor stock market performance could result in losses. Variable annuitants experienced a decrease of 11% in 2000, a 4% decrease in 1994, and a 14% decrease in 1990.

### Where can I find information on the specific funds in the Variable?

The State of Wisconsin Investment Board (SWIB) invests the assets of the WRS. You can review its *Schedule of Investments* by visiting the agency's Internet site, swib.state.wi.us. This publication lists the holdings for the Variable Fund as of June 30, 2000. You can also view the most up-to-date holdings (filed quarterly with the Securities and Exchange Commission (SEC)) by visiting the SEC's Internet site, www.sec.gov.

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

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