

Trust Fund News

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ETF Board Sets 2003 Wisconsin Retirement System Contribution Rates

Acting on the recommendations of its consulting actuary, the Employee Trust Funds (ETF) Board approved the 2003 contribution rates for the Wisconsin Retirement System (WRS). The required contribution rates for about 92% of WRS employees – the more than 238,000 participants in the “general” employee category — will **increase by .4%** for 2003.

Required contribution rates for protective category employees with Social Security will **remain the same as 2002**; rates for executives & elected officials and protective category employees without Social Security will **decrease 1.0% and 1.2%**, respectively. The new contribution rates go into effect for salaries and

wages beginning January 1, 2003 and will remain in effect for the calendar year.

The rate increase for general category employees, which includes state and local government employees and public school teachers, is due in part to 2001 market investment experience and the accounting changes and financial impact of 1999 Wisconsin Act 11. This is the first year the contribution rates reflect the financing and benefit changes of 1999 Wisconsin Act 11, the pension and benefits improvement law ruled constitutional



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Federal Tax Law Changes Now Recognized

Plans are now underway to implement changes in the Wisconsin Retirement System (WRS) and the Wisconsin Deferred Compensation Program (WDC) that resulted from federal legislation enacted last year (the 2001 Economic Growth and Tax Relief Reconciliation Act or EGTRRA). Previous editions of *Trust Fund News* (September 2001 and January 2002) reviewed the provisions of EGTRRA and reported that implementation could not begin until Wisconsin income tax laws conformed to the federal laws that govern these benefit plans.

Governor McCallum signed the budget adjustment bill, 2001 Wisconsin Act 109, containing the legislation necessary to begin implementation of EGTRRA provisions. **It is very important for WRS participants to understand that some changes will be effective for 2002; others will require additional**

statutory and/or administrative rule changes before they can be implemented. The following identifies what will change for 2002 and the optional provisions of EGTRRA that will **not** be implemented at this time.

EGTRRA changes in effect for the WRS for 2002

1. The annual maximum benefit payment amount from a defined benefit plan (WRS formula benefit) is increased to \$160,000 (from \$140,000).
2. The annual income that can be used to calculate a defined benefit (earnings amount reported to WRS for benefit calculations) is increased to \$200,000 (from \$170,000).
3. The maximum annual contribution to a defined contribution plan (employee and employer contributions to the WRS) is increased to the lesser of 100% (from 25%) of compensation or \$40,000 (from \$35,000).

Optional provisions of EGTRRA to be implemented in 2003 or later:

1. **Purchase of service credits with pre-tax dollars.**

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by the Wisconsin Supreme Court a year ago.

Last year the ETF Board delayed recognition of the law's impact on contribution rates because the actuary could not incorporate the changes in time to finalize the rates.

The WRS relies on mandatory contributions from employers, employees, as well as investment earnings to fund pension benefits – both present and future. Annual rate changes, both increases and decreases, are considered normal for retirement systems that pre-fund retirement benefits. Annuity benefits are not affected by these rate changes.

2003 Required Contribution Rates

General Employees (including teachers) will increase by 0.4%

(4.0% employer required; 5.0% employee required; 0.4% benefit adjustment contribution)

Executive and Elected Employees will decrease by 1.0%

(8.1% employer required; 2.6% employee required)

Protectives with Social Security will remain unchanged

(7.1% employer required; 4.0% employee required)

Protectives without Social Security will decrease by 1.2%

(9.8% employer required; 2.4% employee required)

rates shown do not include mandatory employer contributions for duty disabilities, the state's Accumulated Sick Leave Conversion Credit Program, or unfunded liabilities – which vary by employer)

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EGTRRA included a provision to allow a qualified government retirement system to accept a transfer of assets from a Section 403(b) tax sheltered annuity plan or Section 457 deferred compensation plan (such as the WDC) to purchase permissive service credits.

The Department has identified that the implementation of this optional EGTRRA provision is a priority and is pursuing the funding and legislative and/or administrative rule changes that are necessary to accomplish this. However, it is likely that this provision allowing participants to use pre-tax dollars from eligible benefit plans to pay for WRS service credits – service for which a participant is eligible to buy — will not be in place until the end of 2003 at the earliest.

2. Roll-in dollars from a Section 457 or 403(b) plan.

EGTRRA also included an optional provision that permits a qualified retirement plan, such as the WRS, to allow its participants to roll eligible distributions from a Section 403(b) or 457 plan into their account. An amendment is needed in Wisconsin

statutes to authorize ETF to accept this type of roll-in before we can begin implementation. Funding and legislative changes will be needed to implement this provision under the WRS. We will let you know if a timeline for implementation is established.

EGTRRA changes in effect for the WDC for 2002

1. **Deferrals to the WDC**, a Section 457 deferred compensation plan, increase to the lesser of \$11,000 or 100% of compensation (from \$7,500 or 25%).

2. **Participants can contribute the maximum amount** to both a Section 457 plan and a Section 403(b) plan because the coordination of deferral requirement has been eliminated.

3. **Distribution restrictions** in Section 457 deferred compensation plans of state and local governments have been removed to provide more flexibility in establishing a benefit payment schedule.

For more information about the changes that affect the WDC, contact the plan administrator at 1-800-257-4457 or (608) 256-6200. TTY (for hearing impaired) is 1-800-995-4457.



Maximizing Death Benefits If You Become Terminally Ill

Unfortunately, actively employed Wisconsin Retirement System (WRS) participants sometimes become terminally ill. In this situation, most people seek to maximize the benefits payable to their beneficiaries upon their deaths. Prior to 1999 Wisconsin Act 11, in order to maximize a death benefit, the employee usually needed to begin a WRS retirement or disability annuity before his or her date of death. This assured that the death benefit would be based on both employee and employer contributions, and by choosing an annuity option that provided the best death benefit protection, the participant could assure that beneficiaries would receive the highest death benefit possible.

However, under Act 11, the death benefit for any participant who dies as an active WRS employee on or after December 30, 1999, now includes the employee required contributions plus a matching amount of employer contributions (and any voluntary additional contributions). Consequently, the death benefit **will often be higher** if the participant dies as an “active” employee than it would be if they were an “annuitant” on the date of death.

Any beneficiary is eligible to receive the new active death benefit under Act 11; there are no restrictions on who the beneficiary can be. *Note: Act 11 did not change the death benefits for participants who die as “inactive” participants (participants who have not begun a WRS annuity, and die while not employed in a position covered under the WRS). Inactive death benefits include only the employee required contributions and all voluntary additional contributions,*

plus accumulated interest.

Whether the death benefit would be higher if the participant dies as an active employee or an annuitant depends on the specific details of the participant’s individual WRS account, including:

- years of service
- annual earnings and account balances
- the age of the participant and the beneficiary
- the annuity option selected if the participant’s annuity begins before the date of death

To assist WRS members in making these critical decisions at such a difficult time, the Department of Employee Trust Funds (ETF) has developed a *Summary of Survivor Benefits* (ET-6518) form. The *Summary* provides information about the death benefits available when a participant is in annuitant, active, or inactive status on the date of death. The form is normally provided along with WRS disability benefit estimates.

If you or your representative(s) wish to receive the completed *Summary*, ETF must be informed of the critical state of your illness at the time the retirement or disability benefit estimates are requested. It is also important that you and/or your representatives contact your employer to learn how other employee benefits will be affected by your employment status at the time of death. To request disability benefit estimates and a *Summary of Survivor Benefits* (ET-6518) form, contact ETF toll-free at 1-877-533-5020 or Madison locally at (608) 266-3285.

Reminder to New ACH Users: First Payment is Paper Check

Many annuitants like the option of receiving their annuity payments from the Department via Automated Clearinghouse (ACH) transfer, or direct deposit. We strongly urge you to sign up for this free service. It is timely, safe, and convenient.

If you just signed up for ACH, please remember that your **first payment is a paper check that ETF mails to your financial institution**. A test transmission (called a “prenote”) is sent through the ACH system to validate the information you submitted on the authorization form. If your record passes the “prenote” process, your **next** monthly annuity pay-

ment is transmitted as a “live” ACH direct deposit. Under the ACH rules, your financial institution will notify ETF of “prenote” rejects within ten days.

About 75% of WRS annuitants receive their payments via ACH. If you would like to sign up, obtain an *Automated Clearinghouse Direct Deposit Authorization* form (ET-7282) from this Department. You can print it from our Internet site, etf.wi.gov, or call our toll-free Self-Service Line at 1-877-383-1888 or local Madison at (608) 266-2323 to request a form.



Frequently Asked Questions About the Variable Trust Fund

From Active Employees:

I participate in the variable program and plan to retire in the next few years. What effect will my variable trust fund participation have on my retirement benefits?

When you participate in the variable program, a portion of your contributions are invested in the variable trust fund. The remainder is invested in the fixed trust fund. Since annual variable interest rates are rarely the same as the fixed interest rates, you will have a higher (excess) or lower (deficiency) WRS account balance by virtue of your variable participation. This variable excess/deficiency balance is used to calculate a variable adjustment to your formula annuity when you retire. The excess/deficiency is based on a comparison of the fixed and variable investment earnings credited to your contributions reportable after your variable participation begins.

Therefore, *if you enroll in the variable trust shortly before retirement, the variable adjustment to your formula annuity will be fairly small.* Since the variable portion of your account balance will be small, and the variable portion of your annuity is calculated based on your variable account balance, only a small portion of your retirement annuity will be variable. This means that most of your annuity will receive annual fixed dividends, and only a small portion will receive the annual variable adjustment.

I filed an election to participate in the variable trust fund after 1999 Wisconsin Act 11 reopened the vari-

able to new enrollments. When will I see my variable contributions and interest on my annual *Statement of Benefits*?

If you filed an election to participate in the variable program beginning in 2001 or 2002, your variable contributions for those years will be reflected on your January 1, 2003 *Statement of Benefits*. If you made variable contributions in 2001, that statement will also show the variable interest for 2002 on only the 2001 variable contributions. Interest on your 2002 contributions will not be credited until December 31, 2003.

If I elect (or have already elected) to participate in the variable fund, can I change my mind and get out of the variable fund?

If you file a variable cancellation before your election to participate in the variable fund would otherwise become effective, it has the effect of making your election to participate in the variable fund null and void. You are eligible to elect to participate in the variable fund in the future.

If the Department of Employee Trust Funds receives your variable cancellation after your variable participation becomes effective, it becomes effective at the first of the year after it was received by the Department. Remember: You are not eligible to re-elect variable participation again unless you completely close your WRS account with a lump sum

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Dual-Choice Enrollment Period Set for October 7-25

The Dual-Choice health insurance enrollment period for 2003 has been set for October 7-25, 2002. Dual-Choice is for currently insured active employees and retirees who take part in the State of Wisconsin Group Health Insurance program. It gives participants 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, 2003.

Please refer to the September issue of our new publication, *It's Your Benefit*, for more details on

this important period in your health insurance program. In it, we review important changes to Uniform Benefits for 2003 and any changes to the Standard Plans. As with *Trust Fund News*, annuitants and continuants covered under the group health insurance program receive *It's Your Benefit* in the mail. State and local employees covered under the program receive *It's Your Benefit* from their employers. Look for the newsletter to arrive within the next few weeks.

To review a complete copy of the Uniform Benefits for 2003 on-line, or for additional information about Dual-Choice, visit our Internet site at etf.wi.gov. Click on "Benefit Programs," then "Insurance Plans."

WRS Pension May Reduce Social Security Benefits for Certain WRS Participants

Most actively employed Wisconsin Retirement System (WRS) members who do not pay Social Security taxes understand that when they retire, their WRS pension may reduce any Social Security benefits for which they qualify. Firefighters in the WRS "Protective without Social Security" employment category are one example, but there are WRS participants in other categories who have WRS employment not covered by Social Security. These members can be taken by surprise when they reach age 62 and any Social Security benefit they *do* qualify for (if they worked other occupations that were covered under Social Security) is lowered or "offset" because of their government (WRS) pension.

If you have employment that is not covered by Social Security, you should be aware of two Federal laws that may reduce your Social Security benefits. (If you are unsure of your status, check with your payroll and benefits office). One law, called "government pension offset," applies only to those eligible for Social Security benefits as a spouse or widow(er).

The other law affects the way your Social Security retirement or disability benefits are calculated. Under current law, the formula that the Social Security

Administration (SSA) uses to figure your Social Security benefits is modified due to your government (WRS) benefit. This law primarily affects those who spent most of their careers working for a government agency (including WRS employers), but who also worked at other jobs where they paid Social Security taxes long enough to qualify for retirement or disability benefits.

The SSA has two publications that explain these laws clearly and succinctly. To obtain copies, or if you need more information about how these laws affect you, write or visit any Social Security office or phone the SSA toll free at 1-800-772-1213.



Visit the Social Security Administration's Internet site, www.ssa.gov, where you can conveniently and easily conduct business on-line. For example, you can apply for Social Security retirement and spouse's benefits; estimate your Social Security benefit amount; request a Social Security statement; and check if you are eligible for benefits.

RETIREES' CORNER

Editorial policy statement: Trust Fund News periodically runs brief announcements submitted by and about retiree organizations, subject to space availability and made on a first-come, first-served basis. The Department of Employee Trust Funds does not guarantee publication of submitted articles.

Wisconsin Retired Educators' Association

The Wisconsin Retired Educators' Association (WREA) is an independent, non-partisan organization committed to monitoring and improving 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 offers a broad range of member services including pension protection, discounts on long term care insurance, dental insurance, health insurance, travel programs, AAA roadside assistance, auto and homeowners insurance, free financial issues and retirement planning seminars, a statewide legislative

alert network, and numerous member publications. WREA is a grassroots organization with over 11,500 members and 73 local units. It is affiliated with the National Retired Teachers Association (NRTA), a division of AARP.

Annual dues of \$40 for regular members (retired teachers, administrators and school personnel) and \$20 for associate members (other annuitants in the WRS, friends of education, and active educators) are payable to WREA, 2564 Branch Street, Middleton, WI 53562; Telephone: (608) 831-5115. Internet site: www.wrea.net. E-mail: wrea@wrea.net

BOARD CORNER

Nominations Sought for Posts on Two WRS Retirement Boards

The terms of four Wisconsin Retirement System (WRS) retirement board members will expire in spring 2003. Nomination packets will be available after October 1, 2002 for individuals interested in running for their seats. The details are as follows:

<u>Retirement Board</u>	<u>Term</u>	<u>Seat Representing</u>	<u>Current Representative</u>
ETF	4 yrs.	Educational Support Personnel in K-12 schools and technical college districts	Sherry Brown
ETF	4 yrs.	Annuitants	James Gruentzel
Teachers Ret. Board	5 yrs.	Retired Teachers	Don Ganther
Teachers Ret. Board	5 yrs.	Technical College Teachers	Lon Mishler

The voting process for all four elections will take place in February and March. Winners will begin terms in May 2003. Information about the responsibilities of these boards can be found on our Web site at etf.wi.gov under "About Us," and "Governing Boards."

Completed nomination packets must be received by the Department of Employee Trust Funds by 4:30 p.m. on Thursday, November 21, 2002. To request a packet, contact the Board Election Coordinator, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931. To send an e-mail to the Board Election Coordinator, visit "Contact Us" on our Internet site.

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benefit and then return to covered WRS employment as a new participant.

You cancel participation in the Variable Trust Fund by filing an *Election to Cancel Variable Participation* (ET-2313); or completely closing your WRS account. You can download the cancellation form from our Internet site, etf.wi.gov, or call us to request a copy.

From Retirees:

I am receiving a variable annuity. Can I change to a fixed annuity? What happens with the variable increases and decreases I've received in the past?

You can cancel your variable annuity by filing an election to cancel, and choosing either an unconditional transfer or a conditional transfer. **Unconditional** transfers become effective the year we receive your election. This means that when annuity dividends are granted in the spring of the year after the year in which we receive your election, you will receive the variable increase (or decrease) on the variable portion of your annuity. Once that dividend is granted

the (new) amount of your variable annuity will change to a fixed annuity, so that your entire annuity becomes a fixed annuity. In subsequent years the fixed annuity dividend will be applied to your entire annuity.

With a **conditional** election your variable annuity remains a variable annuity until you are "even" or "ahead of" what you would be getting if you had received only the fixed annuity dividends. The amount of your variable annuity is compared what that portion of your would be if it had been a fixed annuity. If that amount is equal to or greater than what it would be if the had been a fixed annuity, it is changed to a fixed annuity; your entire annuity becomes a fixed annuity.

However, if it is less than what it would be if it had only received fixed dividends, it remains as a variable annuity receiving variable dividends until it equals or exceeds the amount that it would be if it had been a fixed annuity. Once it equals or exceeds that amount, it is changed to a fixed annuity and receives fixed dividends in subsequent years.

ETF Sets Fall Benefit Presentations Schedule

The Department of Employee Trust Funds (ETF) has scheduled free, public presentations for Wisconsin Retirement System (WRS) participants, especially those considering or planning retirement in the near future. ETF specialists will review WRS retirement, disability, death, and separation benefits as well as health and life insurance benefits. Presentations run from 7 p.m. to 9 p.m. (except Beloit). All locations are handicapped accessible with adequate free parking. Reservations are required for the Interactive Television presentations, but not for the general group presentations.

Retirement Workshop Schedule

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

<u>City/Area</u>	<u>Date</u>	<u>Location</u>
Beloit (10 a.m. to 11:30 a.m.)	Saturday, Nov. 2	Beloit Memorial High School, 1225 Fourth St., Beloit (Hosted by Beloit Area Retired Educators) <i>The Social Security Administration and Wisconsin Retired Educators' Association will conduct short programs at 8:30 a.m.</i>
Eau Claire	Wed., October 30	Chippewa Valley Technical College-Rm.M103 (Auditorium) 620 Clairemont, Eau Claire <i>Note: Free parking in any student or staff parking lot at Chippewa Valley Technical College</i>
Hurley	Tues., October 8	Hurley K-12 School-Auditorium, 5503 W Range View Dr., Hurley
Medford	Wed., November 6	Medford Area Sr. High-Red White Theatre, 1015 W Broadway, Medford
Pewaukee	Tues., October 8	WCTC Pewaukee Campus-Richard T. Anderson Education Center, 800 Main St., Pewaukee
Portage	Tues., October 1	Portage High School-Auditorium 301 E. Collins, Portage (Hosted by Dodge/Columbia Co. Retired Educators) <i>The Social Security Administration will conduct a short program at 6:30 p.m.</i>
Prairie Du Chien	Thurs., October 3	Prairie Du Chien H.S. -Auditorium, 800 E Crawford St., Prairie Du Chien
Rhineland	Thurs., October 17	James Williams Jr. High-Auditorium, 915 Acacia Lane, Rhineland
Waunakee	Wed., Sept. 25	Waunakee High School-Auditorium, 100 School Dr., Waunakee
Wautoma	Wed., Nov. 6	Wautoma High School-IMC, Cambridge St./Hwy 22, Wautoma



Due to limited space, reservations are needed for all presentations listed BELOW:

Hosted by Four Lakes Network:

Dates and sites are **September 25**, DeForest; **October 2**, McFarland;
October 15, Verona; **October 16**, Monona Grove High School. Call *Melissa Monien at (608) 877-5004* to make a reservation at one of the Four Lakes Network sites.

Interactive Television Public Presentations

Hosted by Interactive Learning Services (ILS):

Tues., October 15 — Washington Island, Sturgeon Bay and Gibraltar H.S. in Fish Creek

Wed., October 16 — SW H.S. in Green Bay, Lincoln H. S. in Manitowoc and Pulaski H.S.

Call CESA 7 ILS at (920) 492-2678 to make a reservation at one of the ILS sites.

Hosted by Northern Lights Network:

Wed., September 25 — Birchwood, Clear Lake and Unity H.S. in Balsam Lake

Wed., October 2 — Glenwood City, Plum City and Northwoods H.S. in Minong

Call *Connie Manske at (715) 986-2020* to make a reservation at one of the Northern Lights Network sites.



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TTY: (608) 267-0676

For an appointment in Madison:
(608) 266-5717
For an appointment in Milwaukee:
(414) 227-4294

Send an e-mail via our Internet site:

etf.wi.gov

Telephone Message Center:

1-800-991-5540 or (608) 264-6633
Listen to pre-recorded messages on a variety of WRS topics

Toll-Free Self-Service Line:

1-877-383-1888 or (608) 266-2323
Request ETF forms and brochures; Report home address changes or make tax withholding changes (annuitants only)

Write Us:

ETF, P.O. Box 7931, Madison, WI 53707-7931.
Include your Social Security number (SSN) with all correspondence. Retirees wanting to change mailing addresses should contact Payment Services at the address above. Include SSN, signature, and old and new addresses.

Fax: (608) 267-4549

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 1-877-533-5020; (608)266-3285 (local Madison) or TTY (608)267-0676. We will try to find another way to provide you with usable information.