

Trust Fund News

Volume 21, No. 1 January 2003

ETF Board Sets Negative Fixed Annuity Dividend Threshold for 2003

As a result of several consecutive years of poor investment performance, it is likely that no, or negative, fixed annuity dividends for retirees could occur. As a result, the Employee Trust Funds (ETF) Board has decided how to deal with this situation.

At its December 13 meeting, the Board decided that a negative fixed annuity dividend would be applied to April 1, 2003 payments only if the loss is greater than .5%. If the loss is less than .5%, it will be carried over to next year's dividend calculations. This equates to 50 cents for every \$100 of annuity.

Annuitants: Please remember the fixed portion of your benefit is guaranteed by law to never drop below your **final computed amount** - only past dividends can be taken back.

Under state law, the ETF Board grants positive annuity dividends if it would result in at least a 2% increase for all annuities. The law also allows the Board, if there is a deficit in the fixed annuity

reserve, to revoke past annuity dividends. This has never happened in Wisconsin Retirement System (WRS) history, but it is possible. Over the past year, the Department has been informing annuitant groups and WRS participants that, depending on market experience, there may be no dividends or negative dividends in some years.

State of Wisconsin Investment Board (SWIB) investment returns as of December 31, 2002, will determine the 2003 effective rates (interest on active and eligible inactive accounts) and annuity dividends set by the ETF Board. For more information on calendar year-to-date investment returns, SWIB assets under management and investment policies, visit the SWIB Internet site, swib.state.wi.us.

The actual annuity dividend amounts for 2003 should be calculated and available by late February. Watch the "Hot Topics" section of our Internet site, etf.wi.gov.



Published by the
Wisconsin
Department of
Employee Trust
Funds

P.O. Box 7931
Madison, WI
53707-7931

1-877-533-5020
(608) 266-3285
etf.wi.gov

ETF Participates in Hearing on Minimum Distribution Rules; IRS Delays Effective Date

The Department of Employee Trust Funds (ETF) testified in October before the Internal Revenue Service (IRS) on temporary regulations issued recently relating to minimum distributions under a qualified retirement plan. The IRS made significant changes to the minimum distribution rules relating to defined benefit

plans (such as the WRS) and annuity adjustments when it issued proposed temporary regulations in April 2002.

The temporary regulations would restrict or even disallow annuity benefit payments from increasing during retirement as well as other forms of cost-of-living allowances. The regulations require distributions to be non-increasing or increase only in certain exceptions, such as when

tied to an annual increase in the Consumer Price Index. It precludes increases based upon investment earnings such as are distributed under the WRS for annuity dividends.

Robert Weber, the Department's legal counsel presented testimony to the IRS raising concerns that the minimum distributions requirements as proposed may prevent the WRS from distributing annual dividends to annuitants. In addition, it was reiterated that any attempt to take investment-based annuity dividends away from WRS participants would be perceived as a breach of contract and a benefit cut. Based on the testimony heard by representatives of the actuarial profession, national organizations representing state and local government retirement plans, some individuals, and other pension plan professionals, the IRS has since announced it would delay the effective date of the minimum distribution regulation until further notice. ETF will monitor further developments on the temporary regulations and provide updates in future *Trust Fund News* editions.

INSIDE

Dividends Effective April 1	2
Retirement FAQs	2
Beneficiary Designation Current?	3
Statements Expected in May	4
Variable Info on Statements	4
1099-R forms in the Mail	5
Cancelling Variable Participation?	5
Board Corner	6
Public Benefit Presentations	7

Annuity Dividends Effective on April 1 Payments

This is a reminder to all retirees who will receive fixed and/or variable annuity adjustments this spring. The adjustment will be effective on the April 1 payment, rather than the May 1 payment. In past years, the annual fixed and variable annuity adjustments were effective on each year's May 1 annuity payments. However, in 2002, the administrative rule

was revised to require that beginning in 2003 the annual dividend adjustments will become effective with each year's April 1 payment. In late March, the Department will send an Annuity Information mailer to all annuitants whose annuity amounts will change on their April 1 payments.

Thinking About Retirement? Review These Important Points and Frequently-Asked Questions

When is the best time to retire? You should meet with your payroll and benefits representative to discuss "fine-tuning" the selection of your termination date. Discussion points should include any available health and life insurance coverages, premiums, and effective dates; how to best utilize vacation and other leave time balances you may have; and whether your last year working is one of your three high years. If you are thinking about returning to work for the Wisconsin Retirement System (WRS), you should also review specific rules regarding eligibility, minimum break-in-service requirements, etc.



What is the earliest age at which I can retire? All employees other than those in the protective category (police, firefighters, etc.) can retire and receive a retirement benefit at age 55; protective category employees can retire at age 50.

When should I request a retirement benefit estimate, and when do I apply? You should request your retirement estimate approximately 6-12 months before you retire. We can accept your retirement application up to 90 days before the date you terminate employment.

Is it necessary to come into your office when I retire? No. You can request your retirement estimate packet by phone, e-mail, or in writing. The estimate packet will include your application for benefits, information about income tax liabilities, electronic deposit of your payments, etc., plus any applicable information about health and life insurance continuation. You can submit your

application in person or by mail. If you have any questions about your estimates, you can call us and have your questions answered over the phone. If you prefer to handle your retirement in person, you can contact us to make an appointment with a benefit specialist. We recommend that you call us at least 12 weeks in advance for an appointment, and if you would like an appointment in April or May (when many teachers are nearing retirement), it may be necessary to contact us approximately 16 weeks in advance.

How can I project my own retirement benefit?

Use the calculators on our Internet site, etf.wi.gov, to calculate your projected WRS retirement benefits under both the formula and money purchase methods. Use your most recent *Statement of Benefits* to help you in entering data for the estimate. The calculator is designed to project retirement benefits for the majority of our members. If you have a complex account, you may want to review the *Calculating Your Retirement Benefits Brochure* (ET-4107). You can view and print the brochure from our Web site, or request that we send you one by calling 1-877-533-5020 or 266-3285 (local Madison).

After I retire, when can I expect my first annuity check? Annuities are usually *effective* the day after you terminate covered employment and your first check is payable the first of the next month.

Example:

Termination date	November 2
ETF can accept application as early as	August 4
Earliest annuity effective date	November 3
First payment date	December 1

Is Your Beneficiary Designation Up-to-Date?

Do you know who would receive the death benefits payable if you were to die? Many people assume that their beneficiaries change automatically for certain events, such as marriage, divorce, the birth of their children, or other significant changes in their personal situation. However, this is not the case with beneficiary designations filed with the Department. Under current Wisconsin Retirement System (WRS) law, all death benefits must be paid according to the last beneficiary designation you filed with the Department, regardless of any changes in your personal situation. Therefore, **it is extremely important that you keep your designation up-to-date.**

If you filed one or more beneficiary designation forms with us in the past, your death benefits will be paid according to your most recent designation on file.

If you have filed a designation since 1988, in most cases your primary beneficiaries will be shown on your annual *Statement of Benefits*. (Designations filed before 1988 will not be shown on your annual *Statements*.) If you have never filed a beneficiary designation form with us, your death benefits will be paid according to WRS statutory standard sequence (spouse, children, grandchildren, parents, siblings, estate). You can also designate "standard sequence" on your beneficiary designation form if standard sequence best meets your needs.

If you think that your designation may be out-of-date, the easiest way to make sure that your des-

ignation meets your current needs is to file a new designation. Your new designation will replace any old designation you have filed and will provide us with current information about your beneficiaries to help us locate them upon your death. To obtain a *Beneficiary Designation* form contact ETF toll-free 1-877-533-5020 or (608) 266-3285; or download the form from our Internet site, etf.wi.gov.

Note: If you are an annuitant who selected a joint and survivor annuity option when you retired, your named joint survivor (i.e., beneficiary), cannot be changed.

I also have a Wisconsin Deferred Compensation account. Do I need to update my designation in both places?

Yes. The WRS and Wisconsin Deferred Compensation (WDC) program are two separate benefit programs with separate record keeping systems. If you own a WDC account, you must contact that organization for beneficiary designation updates and, equally important, address changes. Please contact the administrator of the WDC program details regarding naming or changing beneficiaries for your Deferred Compensation Program account. Dial toll-free 1-800-257-4457 or in Madison (608) 256-6200.

ETF Prepares Rules Changes for Federal Tax Law Changes

The September 2002 edition of *Trust Fund News* highlighted new federal tax law changes now recognized under the Wisconsin Retirement System (WRS) and the Wisconsin Deferred Compensation Program (WDC). The changes were a result of federal legislation enacted last year (the 2001 Economic Growth and Tax Reconciliation Relief Act or EGTRRA). We are now making preparations to implement these changes, with the exception of two provisions that are optional under the federal law and will require changes to Wisconsin statutes and administrative code before they can be implemented. These provisions center on (1) the use of assets held in a Section 457 or 403 (b) plan to purchase service in a government defined benefit plan (such as the

WRS); and (2) the ability to roll-in dollars from Section 457 or 403 (b) plans.

The Department has made the purchase of service credits provision a priority, and has included the statutory changes necessary for implementation in our 2003-2005 biennial budget request. We have also begun the process of changing administrative rules on service purchases. Rule changes must receive Employee Trust Funds (ETF) Board and legislative approval in order to be implemented. The effective date of the proposed rule changes will depend on whether the new language remains in the biennial budget and when the budget becomes law. The Department will provide updates in the next edition of *Trust Fund News*.

Employee 2002 Statement of Benefits Expected in Spring

The *Statement of Benefits* mailing to actively employed and inactive Wisconsin Retirement System (WRS) members for calendar year 2002 will commence in April and continue through May. The Department mails *Statements* directly to inactive members; active members receive *Statements* through their employers.

Statements reflect changes in member accounts that occurred in calendar year 2002, including interest credited, creditable service earned, three high years of earnings, and any changes to the account.

Retired members do not receive a *Statement of Benefits* because they no longer have account balances. The monies in their accounts were transferred to the annuity reserve to fund their annuities. The *Statement* is produced for actively employed and inactive members (those who left WRS employment but have not yet taken a benefit) only.

Variable Trust Fund participants: You will want to know how we calculate interest on the Variable portion of your retirement account. The accompanying chart shows how variable contributions and variable interest are credited for an actively employed member in the general employment category with annual salaries of \$30,000 (2001) and \$31,000 (2002) and who elected to enroll in the Variable Fund effective on January 1, 2001.

Sample Calculation of Variable Interest Crediting for New Variable Participant*

\$0.00	January 1, 2001 Variable Fund employee required contribution balance.
\$0.00	Interest credited for 2001. There is no interest because it is credited on 12/31/01 to the 1/1/01 balance.
\$750.00	Employee required contributions to the Variable Fund during 2001 (one-half of 5% x \$30,000).
+	
\$750.00	January 1, 2002 Variable Fund employee required contribution balance.
\$775.00	Employee required contributions to the Variable Fund during 2002 (one-half of 5% x \$31,000).
+	
- \$112.50	Interest credited for 2002. The effective rate interest in the Variable for 2002 could have been -15% (estimate for illustration purposes only: \$750 x -15% = \$637.50). Interest credited on 12/31/02 to 1/1/02 balance.

\$1412.50	January 1, 2003 Variable Fund employee required contribution balance

* Fixed interest is calculated under the same method, only using the Fixed Trust balances and the Fixed Trust effective interest rate.

January 1 Statements Will Show Variable Contributions for New Enrollees

The Department has nearly completed final implementation of 1999 Wisconsin Act 11. The final Act 11 benefit calculations should be finished next month, and all provisions of Act 11 are now in place.

If you elected variable fund participation under Act 11 effective in 2001, your January 1, 2002, annual *Statement of Benefits* did not show your 2001 variable contributions. Instead, all 2001 contributions were shown on that *Statement* as being deposited in the fixed fund. However, participants' account records have now been updated to reflect new variable enrollments, and your January 1, 2003 *Statements* will correctly reflect

your 2001 and 2002 variable contributions.

If your variable participation began in 2001, your variable contributions for that year will be credited with variable interest for 2002. If

your variable participation began in 2002 your contributions for 2002 will be split between the fixed and variable funds, but you will not receive interest on your 2002 contributions until the end of 2003.



Department Set to Mail Tax Statement Forms

The Department of Employee Trust Funds (ETF) will mail important annuitant *1099-R* forms – nearly 140,000 -- to annuitant home addresses during the first week of January. If you are receiving a monthly annuity, you need this form to file income tax returns for 2002. The *1099-R* includes information such as the total and taxable amounts of the annuity for the past year, the unrecovered balance of your Investment In Contract (the portion of your retirement account that was actually paid by you from after-tax dollars), and the amounts of federal and state tax withheld.

If you are receiving more than one annuity from the Wisconsin Retirement System (WRS), such as an “accelerated payment option” or a beneficiary annuity, you will get a separate *1099-R* form for each annuity. These will be in separate envelopes and, depending on postal delivery, may arrive on separate days. The combined amounts on these *1099-R* forms equal the total that

you received in payments from the WRS in 2002. In response to your requests, we have changed the *1099-R* form this year to include information regarding health and life insurance premiums paid in 2002. The form will be printed as a single page with perforated sections. Detach the three separate forms at the perforation marks so that one form can be filed with the federal tax return, one with the state tax return, and one kept with your tax records. In addition, a control code will appear just above your name on the mailing label. This is a quality control measure that will assure only one *1099-R* per envelope. If you do not receive your form by January 31, or if it is lost or destroyed, please contact the Department for a replacement one. Call toll-free: 1-877-533-5020.



Active Employees: What Happens if You Cancel Variable Participation

If you are considering canceling participation in the variable fund, you should understand what happens to your account when your variable fund balance is transferred to the fixed fund. This information can help you decide when to cancel your participation in the variable fund.

Your variable account receives variable interest for the year in which you file your variable cancellation form. When your variable balance is subsequently transferred to the fixed fund, the Department keeps a record of any “variable excess” or “variable deficiency” in your account, based on a comparison of your account balance at the time of transfer versus what your account balance would have been if you had never participated in the variable program. **This variable excess (or variable deficiency) amount is then credited with the fixed effective rate interest each year.** When you retire, your total variable excess (or deficiency) amount, including the interest it has accrued, will be used to increase or decrease the initial amount of your formula retirement annuity.

This means that if your account is “behind” due to variable participation (a variable deficiency), when you transfer your variable monies to the fixed fund, the deficiency amount in your account will increase each year by that year’s fixed effective rate of interest. On the other hand, if you are “ahead” (a variable excess), that excess amount will be increased each year by that year’s fixed effective rate of interest.

For example, if you cancel your variable participation and your variable account is transferred to the fixed fund with a \$500.00 variable **deficiency**, that negative \$500.00 amount will increase each year by that year’s fixed effective interest rate until a benefit is paid. Therefore, if the fixed effective rate were 8% each year for 10 years after the variable cancellation, the \$500.00 deficiency would be increased by 8% each year compounded, and in 10 years would grow to a deficiency of \$1,079.47. However, if you cancel variable participation with a variable **excess**, that excess amount would also be increased each year by that year’s fixed effective interest rate until a benefit is paid.

To avoid having a remaining variable deficiency that accrues interest each year, you can file a “conditional” variable cancellation. A conditional cancellation means that your variable funds will not be transferred to the fixed fund until you no longer have a variable deficiency. For more detailed information about canceling your variable participation, review our booklet, *How Participation in the Variable Trust Affects Your WRS Benefits* (ET-4930). You can find it on our Web site, etf.wi.gov. Go to “Publications,” then “WRS Forms, Brochures and Newsletter Archives.” To request that we send you a copy, call our Self-Service Line toll-free at 1-877-383-1888 or 266-2323 (local Madison).

BOARD CORNER

Four Candidates Vie for Retired Teacher Seat on Teachers Retirement Board

Wisconsin Retirement System (WRS) members who are retired teachers will get to choose between four candidates this spring to represent them on the Teachers Retirement (TR) Board. In January, the Department will mail ballots, candidate information sheets, and voting instructions to eligible voters, using home addresses on file. The four candidates are as follows, in alphabetical order:

Donald Ganther, of Eau Claire, is the incumbent for this particular seat on the Board. A biology and chemistry teacher at Chippewa Falls High School for 25 years, he was first elected to the TR Board in 1992 to represent active teachers. In 1998 he was elected to represent retired teachers. He is also an active member of the Wisconsin Federation of Teachers.

John Marita, of Thiensville, taught mathematics for 37 years in Wisconsin public schools, including Monona

Grove and 27 years at Homestead High School. He has been a member of the Wisconsin Education Association Council-Retired (WEAC-R) member benefits committee and also served on the organization's board of directors.

Lon Mishler, of DePere, recently retired from Northeast Wisconsin Technical College, where he worked as a finance instructor for 22 years. He has served on the TR Board for the past four years, representing actively employed technical college instructors.

Dorothy Vogel, of Janesville, is a retired teacher who worked for the Janesville School District for 30 years. She served as a teachers' representative on the TR Board from 1997 to 2002. She was active in the Janesville Education Association (president, vice-president, and other positions) and is currently a tax-sheltered annuity advisor.

Two Candidates Seek to Represent Educational Support Personnel

Educational support personnel in public school districts (excluding Milwaukee) and technical college districts will get to choose between two candidates this spring to represent them on the Employee Trust Funds (ETF) Board. The Department plans to distribute ballot packets to actively employed educational support personnel through their employers in January. The winner will serve a four-year term beginning in May.

Sherry Brown, of Pewaukee, is the incumbent for this position on the ETF Board. She won the first election to represent educational support per-

sonnel on the ETF Board two years ago. Brown is a custodian at Hartland Elementary South in the Hartland/Lakeside School District, currently serves as AFSME Local 3833 president, and serves on the Waukesha Labor Council Board.

Kathleen Kreul, of Highland, has worked at Southwest Wisconsin Technical College for the past 26 years. She is 15-year officer of the union representing educational support personnel, serving as president for the past seven years. She is also the support staff vice president of the Wisconsin Federation of Teachers.

Technical College Teachers: Second Call for Nominations in Board Election

The Department has issued a second call for nominations in the 2003 Teachers Retirement Board (TR Board) election. The seat representing technical college teachers is up for election, as the term of current TR Board member Lon Mishler will expire in May. Any actively employed technical college teacher participant in the Wisconsin Retirement System (WRS) who is interested in serving on the TR Board may request nomination papers. Completed nomi-

nation papers must be returned to ETF by 4:30 p.m. on Thursday, February 27, 2003. Voting will take place in April. The winner will serve a five-year term beginning in May.

To request nomination papers, 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, etf.wi.gov.

ETF Sets Spring 2003 Public Presentation 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. All locations are handicapped accessible with adequate free parking.

Public Presentations

(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>
Black River Falls	Wed., Feb. 26	Black River Falls Middle School, Lunda Theatre, 1202 Pierce St., Black River Falls
Cleveland	Tues., April 1	Lakeshore Technical College, Multi Purpose Room, 1290 North Ave., Cleveland
DeForest	Wed., March 19	DeForest High School Auditorium, 815 Jefferson St., DeForest
Dodgeville	Wed., April 9	Dodgeville High School Gymnasium, 912 W. Chapel St., Dodgeville
Fond du Lac	Mon., March 31	UW Fond du Lac-Prairie Theater, 400 University Drive, Fond du Lac
Greenfield	Wed., March 5	Greenfield High School Auditorium, 4800 South 60th St., Greenfield
Kimberly	Tues., March 4	Kimberly High School Auditorium, W 2662 Kennedy Ave., Kimberly
Ladysmith	Mon., March 10	Ladysmith High School Auditorium, 1700 Edgewood Ave. East, Ladysmith
Marinette	Thur., March 20	Marinette High School Auditorium, 2135 Pierce Ave., Marinette
Platteville	Mon., Feb. 17	UW Platteville, Ullsvik Center, Beaux Arts Room, corner of Hickory and Main Streets, Platteville
Rice Lake	Tues., April 8	Wisconsin Indianhead Technical College, Conference Center, 1900 College Drive, Rice Lake
River Falls	Tues., April 22	River Falls High School Auditorium, 818 Cemetery Road, River Falls
Stevens Point	Wed., March 12	UW Stevens Point, University Center, Laird Room, 1015 Reserve St., Stevens Point
Superior	Tues., March 11	Superior High School, Performing Arts Center, 2600 Catlin Ave., Superior
Westby	Wed., April 23	Westby Elementary School Cafeteria, 122 Nelson St., Westby
Whitewater	Thur., April 3	UW Whitewater, Roseman Auditorium, Whitewater

*Park in Lot 7 off Starin Road. No parking permit needed.
Enter Pedestrian Mall door at North end of building.*

Interactive Television Public Presentations



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

Hosted by Four Lakes Network:

Dates and sites are **Monday, February 24** in Monona; **Tuesday, March 18** in Waunakee; **Thursday, March 27** in Middleton.

For reservations, contact Melissa Monien at (608) 877-5004.

Hosted by Erving Network:

Monday, Feb. 24 -- Sites in Bonduel, Clintonville, and Wittenberg.

For reservations, contact Debbie Bernard at (715) 823-7172.

Hosted by Nicolet Distance Education:

Tuesday, Mar. 18 -- Sites in Pembine, Phelps and Laona.

For reservations, contact Susan Fischer at (715) 365-4685.

Hosted by SRTNC - CESA III:

Thursday, Mar. 27 -- Sites in Fennimore, Richland Center and Darlington.

For reservations, contact Clark Jillson or Diane Alm at (608) 822-3276.



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

FORWARDING SERVICE REQUESTED

PRSR STD
US POST PAID
MADISON WI
PERMIT NO. 2798

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.

Department Secretary	Eric Stanchfield
Deputy Secretary	David Mills
Editor	Nancy Ketterhagen

Call Toll-Free:

1-877-533-5020 or (608) 266-3285
Have your Social Security Number available

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.