

Trust Fund News



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What Can We Expect for Future Fixed Interest and Annuity Adjustment Rates?

At this time of year, many Wisconsin Retirement System (WRS) participants anticipate news regarding the effective rates and annuity adjustment rates for 2005. Members can expect the news to come over the course of three separate announcements. First, the State of Wisconsin Investment Board (SWIB) will announce the actual fixed and variable investment fund returns for 2004. Look for this announcement sometime in the second or third week of January.

The Department of Employee Trust Funds (ETF) uses SWIB final investment returns to calculate the effective interest rates credited to the retirement accounts of active WRS members and eligible inactive members. This news will come by mid-February. Third, ETF calculates the fixed annuity dividend and variable annuity adjust-

ments and makes this news known in late February.

We post this information on our Internet site as soon as the rates are known; newspapers carry the announcements within a day.

There are a number of factors that could make the pattern of future fixed interest and annuity dividend rates somewhat different than the last few years. These factors are as follows:

- 1999 Wisconsin Act 11 changed the fixed fund "smoothing" mechanism from the Transaction Amortization Account (TAA) to the Market Recognition Account (MRA). This shortened the length of time it takes to fully recognize each year's fixed fund gains or losses, which may slightly in-

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Review These Important Retirement Benefit Basics

What is my minimum retirement age (the earliest age I can retire)?

Most participants are first eligible for a retirement benefit at age 55. The exception: Participants who have some protective category service, who are eligible to begin a retirement benefit at age 50.* Prior to your minimum retirement age you are only eligible for a separation benefit, which is a lump sum benefit consisting of your employee required contributions plus accumulated interest. You forfeit your creditable service and all rights to employer contributions when you take a separation benefit.

* **Exception:** If your **only** protective category service is purchased service, such as forfeited protective category service that you have bought back, your minimum retirement age is 55.

What is the age when I can receive a retirement benefit with no age reduction for early retirement? It depends on your Wisconsin Retirement System (WRS) employment category. General, teacher and educational support category participants with at least 30 years of service can retire at age 57 with no age reduction; with less than 30 years of service, there will be some reduction if you retire before age 65. However, the more years of service credited to your WRS account, the less the reduction would be.

Participants who are judges, elected officials or in the executive category with at least 30 years of service can retire at age 57 with no age reduction; with less than 30 years of service, there will be some reduction if they

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retire before age 62. Again, the more years of service credited to your WRS account, the less the reduction would be. Protective category participants with at least 25 years of service can retire at age 53 with no age reduction. With less than 25 years of service, they can retire at age 54 with no reduction.

How is my benefit calculated if I have service in more than one employment category? The benefit is calculated separately for your service in each employment category, and the results are then added together. Your combined total years of service are used to calculate any applicable age reduction for early retirement. For details, see the example below.

Example: Immediately upon reaching age 53, a participant retires with 2 years of service in the “protective occupation with Social Security coverage” category and 23 years of “general” category service. All of the protective service was performed before 2000, and 18 of the 23 years of general service were performed before 2000. The final average monthly earnings are \$3,500.

Employment Category	Final Average Earnings		Formula Multipliers		Years of Service		Age Reduction		Monthly Annuity
Pre-2000 Protective w/SS	\$3,500	x	.02165	x	2.00	x	None*	= \$	151.55
Pre-2000 General	\$3,500	x	.01765	x	18.00	x	.744**	=	827.29
Post-1999 General	\$3,500	x	.016	x	5.00	x	.744**	= +	208.32
Total Monthly Annuity									\$1,187.16

*Since this participant has a total of 25 years of service, there will be no age reduction applied to the portion of the benefit based on protective category service.

**The age reduction for the general category service was calculated based on 25 years of total service.

What effect does my employment category have on my money purchase retirement benefit calculation?

The money purchase benefit calculation is based only on your age when your retirement benefit begins, and the dollar balance in your account. This calculation is the same regardless of your employment category(ies). The only way that your employment category(ies) affect your money purchase benefit amount is through

the employee required contribution rates while you are working. There are different employee required contribution rates for each employment category, which in turn, affect the dollar balance of your account on which your money purchase benefit is based.

The Department automatically calculates your retirement benefit by both the formula and money purchase methods and pays the higher benefit amount to you.



Planning to Visit ETF's Milwaukee Office? Allow for Construction Delays

If you are planning to visit the Milwaukee office of the Department of Employee Trust Funds (ETF), you need to be aware that there is major road construction involving the Marquette Interchange near downtown Milwaukee. Depending on which direction you travel from, ramp and lane closures and alternate routes may affect your route.

Our office is located in the Milwaukee State Office Building, 819 N. 6th St., Room 550.

For complete information, check out <http://www.mchange.org>, a service of the Wisconsin Department of Transportation. The site's "Map Your Route" feature provides driving directions to major downtown Milwaukee destinations or to any Milwaukee street address, taking into account changes due to the construction project.

How Divorce Can Affect Your WRS Benefits

If your marriage is legally terminated through a divorce, annulment or a legal separation, the Department can divide your Wisconsin Retirement System (WRS) account or annuity between you and your former spouse upon receipt of a Qualified Domestic Relations Order (QDRO). A QDRO is a court order directing the Department to transfer a percentage (up to 50%) of your account or annuity to an alternate payee (your former spouse). Division of your WRS account or annuity is not automatic; it is an optional part of the asset division process, and the court can decide whether or not to award a portion of your account or annuity to your former spouse.

If the court issues an order dividing your account or annuity, the percentage awarded to your former spouse is applied to the value of your account or annuity on the “decree date.” For WRS purposes, the “decree date” is defined by law as the first day of the month in which your marriage is legally terminated. Once your account or annuity is divided, you have no further rights to, or control of, the portion awarded to your former spouse.

How does a QDRO affect my WRS benefits? It all depends on your WRS account status:

If you are receiving a monthly WRS annuity

The Department will divide your annuity into two separate annuities, each payable for life to you and your former spouse. Whether there are any death

benefits payable from your respective annuities will depend on the annuity option you selected at retirement.

If you are actively employed

(or terminate WRS employment and have not taken a benefit from your account):

Your account will be divided based on the percentage specified in the QDRO, and a separate account will be established for your former spouse. Only your service and contributions earned before the decree date will be divided; you retain all service and contributions earned after the decree date. The percentage specified in the QDRO is applied to all portions of your account on the decree date, including:

- Employee and employer contributions
- Years of creditable service
- Any voluntary additional contributions in your account

If my WRS account is divided, how does a QDRO affect my WRS creditable service?

If your WRS account is being divided (rather than an annuity), a percentage of your total creditable service as of the decree date will be granted to your former spouse. This includes any service you purchased before the decree date, such as qualifying, forfeited, or outside government service. If you purchase service after the

Divorce, continued on page 4

Keep Your Beneficiary Designation Up to Date

Will my beneficiaries change automatically if I get married or divorced, have children, or there are other changes in my personal situation? No. Under WRS law all death benefits must be paid according to the last beneficiary designation received by the Department before your death, **regardless of any changes in your personal situation.** If you have never filed a beneficiary designation form, death benefits will be paid according to statutory standard sequence as defined in the statutes governing WRS death benefits. Under WRS standard sequence, your beneficiary(ies) would be determined in the following order: 1) Surviving spouse; 2) Children; 3) Grandchildren; 4) Parents; 5) Siblings; 6) Estate.

When you file a new designation with the Department, it replaces any old designation you have filed.

The new designation will provide us with current information about your beneficiaries that will help us locate them upon your death.

Do my retirement account beneficiaries change when I retire?

It depends on the payment option that you select when you retire. If you select a joint and survivor option, after your death your annuity is paid to the survivor that you named on your retirement application. Your named survivor for the joint and survivor annuity can never be changed. However, if you do not have a named survivor for a joint and survivor annuity, any death benefits from your annuity will be paid according to your last beneficiary designation.

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Rates, continued from page 1

crease the variability of the annual fixed fund rates.

- 1999 Wisconsin Act 11 directed the distribution of the December 31, 1999, TAA balance over a period of five years, 2000 through 2004. The TAA distribution augmented the fixed interest and annuity adjustment rates. However, now that the TAA distribution has ended, future fixed interest and annuity adjustment rates will be based solely on the actual investment returns (as smoothed through the MRA).
- The fixed fund experienced losses from 2000 to 2002, and those losses continue to be recognized through the MRA. This will have an affect on fixed rates through 2007; the excellent investment experience in 2003 will help offset those losses.

Since SWIB's 2004 final investment returns were not available at *Trust Fund News* printing deadlines, the Department could not project what this year's effective and annuity adjustment rates will likely be. However, we estimate that it will take at least a 1.4% fixed fund investment return to provide any **fixed annuity** increase in 2005. If there is a fixed fund loss of 3.2% (-3.2%) or more, a fixed annuity decrease is likely to result. A fixed investment return falling between those thresholds would likely result in no fixed annuity increase or decrease in 2005.

The following chart assumes that SWIB's actual fixed fund returns will be 7.8% each year and shows approximately what the fixed interest and annuity adjustment rates would be. The actual rates will be different if the fixed fund earns more or less than 7.8% each year.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
If SWIB's Actual Returns are 7.8% per year:	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
The Fixed Effective Interest Rates would be:*	7.4%	5.4%	7.3%	10.2%	8.0%	8.1%
The Fixed Annuity Adjustments would be:*	1.7%	0.0%	1.4%	4.4%	2.3%	2.4%

* Approximate rates only

Divorce, continued from page 3

decree date, the purchased service is not divided.

Note: Your years of creditable service are used when calculating any actuarial reduction for early retirement for your formula benefit. For this purpose only, your "unreduced creditable service" (as though your account had never been divided) is used to calculate the actuarial reduction.

Can I replace the service and contributions deducted from my account when it was divided? There are no provisions in WRS law that allow you to purchase the years of creditable service awarded to your former spouse through the QDRO, or to repay the contributions awarded to your former spouse. However, you can make voluntary additional contributions to your WRS account to compensate for the lost service and contributions, subject to IRS contribution limits.

Beneficiaries: If you have named your former spouse as your beneficiary, he/she is not automatically removed as your beneficiary designation when your marriage is termi-

nated. WRS law specifies that all death benefits must be paid according to the last beneficiary designation received by the Department before your death, regardless of any changes in your personal situation (see *Keep Your Beneficiary Designation Up to Date* on page three).

Multiple WRS Accounts: A QDRO applies only to your account or annuity based on your own WRS employment. If you are also entitled to benefits as a beneficiary or alternate payee of another WRS participant's account, a QDRO does not apply to those benefits.

For more detailed information on the effects of a QDRO on your WRS account or annuity, and the benefit options available to alternate payees, review our booklet, *How Divorce Can Affect Your WRS Benefits* (ET-4925). You'll find it on our Internet site at <http://etf.wi.gov/publications/et4925.htm>. You may also request a paper copy by calling the Department's toll-free Self-Service Line at 1-877-383-1888 or 266-2323 (local Madison).

WRS Calculators Available on ETF Internet Site

Did you know that the Department has on-line calculators that you can use as tools to help you plan for retirement? Rest assured: the calculators do not access the data in your Wisconsin Retirement System (WRS) account; you must enter the information necessary for the calculations. Consequently, there is no risk that an unauthorized person could access confidential data in your records through these calculators. The calculators and features are described as follows:

Retirement Benefit Calculator

This calculator enables you to project your future retirement benefits. When you enter information about your account projected to your retirement date, the calculator will project retirement benefit amounts for all of the eligible options. The calculator can perform formula benefit calculations using creditable service in multiple employment categories (e.g., you have service in the general, protective and elected official categories). It will also calculate money purchase retirement benefits based on the account balance that you enter.

The calculator does not provide official WRS estimates, and there is no guarantee that anyone will receive the projected amounts. If you are considering retiring within the next year, we recommend that you contact the Department to request an official retirement estimate packet.

Forfeited Service Cost Calculator

The Forfeited Service Cost Calculator allows WRS participants to estimate the cost of buying service that they previously forfeited by taking a WRS separation benefit. Purchasing forfeited creditable service increases your total WRS creditable service and the money balance in your account, either of which will result in

higher retirement benefits. If you forfeited service in multiple employment categories, the calculator will display the cost by category as well as the total cost. If you decide to buy forfeited service, you may purchase part or all of the service you have forfeited.

Variable Excess/Deficiency Update Calculator

If you participate or have participated in the variable trust fund, you have a variable excess or deficiency balance in your account. The Department's newest calculator can help you update the variable excess or deficiency balance from your last annual *Statement of Benefits*, based on projected fixed and variable rates that you enter. It can also tell you how much your variable excess or deficiency would increase or decrease your formula retirement benefit at your projected retirement age.

If you are still in the variable program but are considering canceling your variable participation, the new calculator may be a useful tool. If your variable contributions were already transferred to the fixed fund because you have already cancelled your variable participation, you can project your excess/deficiency balance updated to your estimated retirement age by entering an average future fixed interest rate.

This calculator cannot provide an official update of your variable excess/deficiency balance; that will be available on your next annual Statement of Benefits. The update results from the calculator will only be as accurate as the projected interest rates that you enter, and future rates are difficult to predict. General information about the effects of variable participation on your WRS benefits and about canceling variable participation is available in the brochure, *How Participation in the Variable Trust Affects Your WRS Benefits*.

Beneficiary, continued from page 3

Any life insurance benefits payable from the group life insurance programs administered through the Department of Employee Trust Funds will be paid according to the last beneficiary designation received by the Department before your death, or under statutory standard sequence as listed in paragraph one.

Does my beneficiary designation filed with the Department of Employee Trust Funds govern death benefit payments from my Wisconsin Deferred Compensation Program (Sec. 457) account? No. You must file a separate special beneficiary designation form with the program administrator for your Wisconsin Deferred Com-

pensation Program (WDC) account. Dial toll free 1-800-257-4457 or (608) 256-6200 (local Madison). WDC offices are located at 902 Ann Street; Suite A; Madison, WI 53713.

Please note that federal tax laws require the Department to distribute benefits from your WRS account to you (or to your beneficiaries if you are deceased) by certain deadlines. If we cannot locate your beneficiaries after your death by the legal deadlines, the benefits from your account may be forfeited. Therefore, it is very important for you to provide current information about your beneficiaries to the Department (e.g., addresses, name changes).

Nominations Accepted in Teacher Board Election

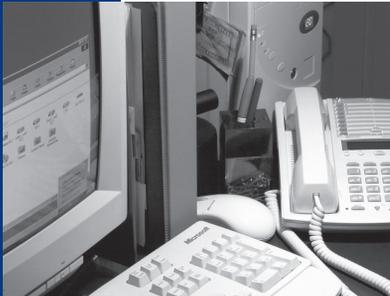
The Department has issued a call for nomination papers for active teachers in elementary and secondary schools (excluding the Milwaukee Public School District) interested in serving on the Teachers Retirement Board (TR Board). The Department will conduct a special election to fill a vacancy on the Board due to the resignation of teacher participant Reginald Delwiche. The deadline to return nomination papers is 4:30 p.m. Friday, February 18, 2005. Voting will take place in March. The winner will fill out the remainder of Delwiche's term, which expires in May 2007.

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, <http://etf.wi.gov>.

About the Board

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, technical college, and state and university teachers.



Annuitants: Sign Up to Receive Trust Fund News On-Line

Attention retired participants of the Wisconsin Retirement System (WRS): You can help save trust fund dollars by signing up for e-routing delivery of your

Trust Fund News. E-routing, a service of the Department of Administration, Division of Enterprise Technology, offers automated delivery of communications, including *Trust Fund News*, that originate from state agencies.

Retired WRS participants who register for the service will voluntarily forgo receiving a paper copy

of the newsletter (currently mailed to homes three times a year) and instead read it on-line. Trust fund dollars are saved through lower costs for paper, postage and handling. All you have to do is to register on the E-routing database with a current e-mail address and then select *Trust Fund News* for E-routing delivery. You can check out the process at:

<http://wsp3.state.wi.us/state/erouting>.

The FAQ (Frequently Asked Questions) section can tell you a lot more about how this service works and how you can sign up for it. Rest assured: the State of Wisconsin's E-routing service is very secure. Your personal data is not shared with, or sold, to anyone. Only you can update your profile!

Department Mailing Tax Statement Forms in January

The Department will mail annuitant *1099-R* forms to annuitant home addresses in early January. If you are receiving a monthly annuity, you need this form to file income tax returns for 2004.

Important Note: 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 enve-

lopes 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 2003.

If you do not receive your *1099-R* form by January 31, or if it is lost or destroyed, please contact the Department for a replacement. Call toll-free: 1-877-533-5020 or (608) 266-3285 (local Madison).

ETF Sets Spring 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 discuss WRS retirement, death, and separation benefits as well as health and life insurance benefits. Presentations run from 7 p.m. to 9 p.m., unless otherwise noted. All locations are handicapped accessible.

SCHEDULE

<u>City/Area</u>	<u>Date</u>	<u>Location</u>
Antigo	Wed., Feb. 9	Antigo High School-Volm Theater, 1900 Tenth St., Antigo
Appleton	Tues., Feb. 22	Fox Valley Technical College-Cafeteria, 1825 N. Bluemound Dr., Appleton
Berlin	Tues., March 8	Berlin High School-Theatre, 222 Memorial Dr., Berlin
Cleveland	Mon., April 4	Lakeshore Technical College-Multi Purpose Room, 1290 North Ave., Cleveland
Crandon	Wed., April 6	Crandon School District-Auditorium, 9750 US Hwy 8W, Crandon
Eau Claire	Tues., Mar. 15	Chippewa Valley Technical College-Auditorium, Room 103, 620 W. Clairemont, Eau Claire
Fond du Lac	Mon, Feb. 7	UW Fond du Lac Prairie Theatre, 400 University Ave., Fond du Lac
Green Bay	Thurs., Mar. 10	West High School-Auditorium, 966 Shawano Ave., Green Bay
Janesville	Sat., March 5*	Parker High School-Cafeteria, 3125 Mineral Point Ave., Janesville
	*8:30 a.m. -11:30 a.m.	*This program hosted by the Janesville chapter of the Wisconsin Retired Educators' Association (WREA). It includes presentations by Social Security and the WREA beginning at 8:30 a.m. WRS presentation begins at 10:00 a.m.
La Crosse	Mon., April 18	UW La Crosse-Graff Main Hall Auditorium, Room 260, 1725 West State St., La Crosse
Milwaukee	Wed., March 2	Milwaukee Area Technical College, Technical Building Room T207, 700 West State Street, Milwaukee
Park Falls	Thurs., April 14	Park Falls High School-Auditorium, 400 N 9th St., Park Falls
Peshtigo	Tues., April 5	Middle/High School Auditorium, 380 Green St., Peshtigo
Platteville	Wed., March 30	UW Platteville, Pioneer Student Ctr., University Rooms, 1 University Plaza, Platteville
Spooner	Wed., April 13	Spooner Middle School-Cafeteria, 500 College St., Spooner
Stevens Point	Wed., March 9	UW Stevens Point, University Ctr., Laird Room, 2100 Main St., Stevens Point
Verona	Wed., March 23	Verona High School-Performing Arts Center, 300 Richard St., Verona
Waunakee	Wed., March 16	Waunakee High School-Auditorium, 100 School Drive, Waunakee
West Salem	Wed., Feb. 9	West Salem High School-Auditorium, 405 E. Hamlin St., West Salem

View a WRS Benefit Presentation On-Line!

The Department of Employee Trust Funds (ETF) has posted on its Internet site a recording of one of its Wisconsin Retirement System (WRS) benefit presentations. Participants and others interested in viewing one of these popular presentations can do so anytime day or night from the comfort of home — or any location with Internet access.

The taped, two-hour presentation covers WRS retirement, separation and survivor benefits as well as health and life insurance. This presentation was given on November 4, 2004, for state employees at the Department of Health and Family Services. Topics exclusive to local government and protective category employees are not covered in depth.

There are some minimum technical requirements for viewing the presentation:

- A computer with 16+ MB RAM and a sound card. You will also need a Web browser such as Microsoft Internet Explorer or Netscape and streaming player software such as Windows Media Player 9.0 (which you can download for free from the ETF Internet site).
- Internet connection: Dial-up modems need to be a minimum of 56 kbps. If you have DSL or Cable (broadband) connections, you should encounter no problems.

To view the presentation, find the link on this specific ETF Internet site page: http://etf.wi.gov/news/ht_20041111.htm.

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FORWARDING SERVICE REQUESTED



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

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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:

<http://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 listed above. Include SSN, signature, and old and new addresses.*

ETF Fax Number:

(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.