

Trust Fund News



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ETF Sets Effective Interest Rates and Post-Retirement Adjustments

Trust fund earnings were enough to give Wisconsin Retirement System (WRS) covered employees modest credits to their retirement account balances and provide retirees with an increase in their monthly pension checks. The 2005 fixed* effective rate is 6.5% and the variable effective rate is 9%. Effective rates are applied to the retirement accounts of all **active employees** as well as to the accounts of eligible **inactive** members.

The Department of Employee Trust Funds (ETF) also set the annual post-retirement fixed dividend and variable adjustment, which were applied to the May 1, 2006 payment. The fixed annuity dividend is 0.8% (eight-tenths of one percent) and the variable annuity adjustment is 3%. Approximately 31,500 retirees (out of a total of 131,700) participate in the variable trust, which is invested primarily in common stocks; their annuities fully reflect the gains or losses of the investments.

Whether the Department will pay a fixed annuity dividend next year depends on fixed trust fund investment performance in 2006.

Special Feature Inside:

Four-page insert from the State of Wisconsin Investment Board

According to ETF projections:

- An investment return of at least -2.8% is needed in 2006 to pay retirees a fixed dividend next year. The fixed fund investment return has been less than -2.8% only once in the last twenty years.
- If the investment return is less than -7.8%, retirees could see a negative fixed dividend next year. The fixed fund investment return has been less than -7.8% only once in the last twenty years.

What if investment returns are higher than -2.8% in 2006? The Department anticipates paying a fixed annuity increase if the fixed fund investment return is higher than -2.8%. For
Rates, continued on page 2

Department to Relocate Downtown Milwaukee Office to Waukesha

In order to improve participant access to member services, the Department of Employee Trust Funds (ETF) has decided to relocate its downtown Milwaukee office to Waukesha later this summer.

For many years, state law required ETF to maintain an office in Milwaukee. This requirement was a remnant of the mergers of several retirement systems, including the Milwaukee Teachers Retirement Fund, into the Wisconsin Retirement System (WRS) in the early 1980s. However, in light of the projected growth in the number of WRS members who will be eligible for retirement, ETF has been examining ways to consoli-

date customer service functions and to improve efficiencies in order to meet the expected increase in demand for its services.

After careful analysis, ETF has determined that its current Milwaukee location in the downtown State Office Building is not ideally suited for effectively and efficiently serving members' needs. That facility lacks affordable, nearby parking and poses challenges for many of ETF's elderly and disabled customers. Provisions of the 2005-2007 Biennial Budget, enacted last summer, offered ETF the opportunity to find a more suitable site in the Milwaukee area.

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Rates, continued from page 1

planning purposes, the Department's consulting actuaries assume a **7.8% investment return** for the fund. Based on the State of Wisconsin Investment Board's (SWIB) finalized investment returns for 2005 of 8.6%, and assuming the fund returns exactly 7.8% each year, the accompanying chart shows **approximately** what the "smoothed" fixed effective rates and fixed annuity dividends would be for the next five years. Keep in mind that this chart is merely a projection and that actual rates will be different if the fixed fund earns more or less than 7.8% each year.

What is "smoothing" and why are fixed gains and losses smoothed? Investment gains and losses in the fixed trust fund are distributed over a five-year period. By spreading (smoothing) out the effects of gains and

losses over five years, the fixed rates will be higher than the actual earnings in bad investment years and lower than the actual earnings in good investment years. Smoothing benefits employees, employers and annuitants by reducing the volatility of the interest rate credited to the fixed fund. Stable fixed interest credits reduce the volatility of WRS employee and employer contribution rates, protecting employers from the budget disruptions caused by large annual changes in contribution rates.

Similarly, annuitants are protected from the disruption of large annual swings in their fixed annuities. Without a smoothing process, dividends would be based directly on, and be as volatile as, each year's investment returns — similar to what happens with annuities paid from the variable fund.

Projected WRS Fixed Effective Rates /Dividends						
	2005	2006	2007	2008	2009	2010
SWIB Net Investment Return	8.6%	7.8%	7.8%	7.8%	7.8%	7.8%
Fixed Effective Rate	6.5%	8.4%	11.1%	9.0%	8.3%	8.1%
Fixed Annuity Dividend	0.8%	2.6%	5.1%	3.2%	2.5%	2.4%

** Recently enacted legislation has changed the name of the fixed trust fund to the core trust fund. In the future, Trust Fund News will refer to the core trust fund rather than the fixed trust fund. See related article on page 3.*

Milwaukee, continued from page 1

The new office will be located in the Waukesha State Office Building at 141 Northwest Barstow Street. The facility has ample customer parking and more handicapped accessibility features, and will allow the Department to make more efficient use of staff resources and office space. The new space will allow ETF to serve more than twice the number of members it was able to serve in the Milwaukee office. Specifically, ETF will be able to offer more retirement counseling appointments and will introduce small group retirement counseling sessions to the area. Due to space constraints, small group sessions are not available at the Milwaukee office; they are very

popular and well attended in the Madison office. Walk-in appointments will not be available in the Waukesha office. However, ETF will continue to offer this service in the Madison office.

Moving to the Waukesha location is one strategy in a long-term plan to address the needs of ETF customers in the Milwaukee area. It will also allow the Department to more realistically explore providing expanded services in other areas of Wisconsin.

The move to Waukesha is planned for July 10, 2006. The telephone and fax numbers will remain the same.

Purchasing Forfeited Service Can Increase Retirement Benefits

If you left Wisconsin Retirement System (WRS) employment in the past and took a separation benefit, you forfeited the years of service earned before you withdrew your contributions. If you meet the eligibility requirements, you are eligible to repurchase your forfeited service. This will increase your retirement benefits and would also increase death benefits payable if you should die before retiring.

What benefits would be increased by buying forfeited service?

- Your retirement benefits will be increased, either by increasing the years of service used to calculate your formula benefit or by increasing the dollar balance in your account used to calculate your money purchase benefit (including the matching amount of employer contributions).
- If you should die before taking a retirement benefit, your service purchase payment plus accumulated interest will be included in your death benefit. If you die as an active employee under the WRS, a matching amount of employer contributions would also be included in the death benefit.
- If you take a separation benefit after buying forfeited service, your service purchase payment plus accumulated interest will be included in your payment.

When can I buy forfeited service?

- You must be employed in a position covered under the WRS. Once you have terminated WRS employment, you are no longer eligible to buy the service.
- You must have been continuously employed under the WRS for at least three continuous annual earnings periods (fiscal years for teachers, educational support personnel and judges, and calendar years for all others) at the time of your purchase.
- You can buy part or all of your forfeited service

when you apply; you do not have to buy it all at once. You can buy forfeited service up to two times each calendar year. However, you cannot buy more forfeited service than an amount equal to the years of WRS service you have accrued since you withdrew your contributions.

How do I pay for forfeited service? You can pay for forfeited service several ways:

- Submit your payment with your application to buy service.
- If you have made voluntary additional contributions to your WRS account, you may use the money in your additional account to buy service.
- You may directly transfer money from certain other retirement accounts into the WRS to buy service. These include retirement accounts qualified under sections 401(a), 401(k), 403(b), and 457(b) of the Internal Revenue Code.
- Any combination of the above.

How do I get information about buying forfeited service? Use the Department's online *WRS Forfeited Service Calculator* to project how much it would cost to buy your forfeited service, how much it would increase your formula and money purchase retirement benefits, the years it would take to recover your investment, and the estimated annual rate of return on your cost. In addition, review the Department's *Buying Creditable Service* brochure (ET-4121); review it on our Internet site at <http://etf.wi.gov> or contact us to request a paper copy.

If you are considering buying creditable service, contact us to request a forfeited service cost estimate and application. The information we provide will include details on how much your retirement benefit would increase if you buy the service.

Fixed Trust Fund Renamed

With the enactment of 2005 Wisconsin Act 153, the Wisconsin Retirement System's (WRS) fixed trust fund became known as the **core trust fund** on April 5, 2006. The Department of Employee Trust Funds, which sought the name change, believes the new name will reduce confusion among participants because it better reflects the nature of the fund in the WRS investment mix.

At its inception, the fixed fund was invested primarily in fixed income or bond investments. In order to

maximize returns, however, the fund's assets have, over time, been invested in other types of investments. Today, about 60% of the fund's assets are held in a wider variety of stocks. The fund's overall approach — to seek long-term growth through fully diversified, balanced investments — has not changed. Because the fixed fund makes up over 90% of the WRS assets and serves as the "core" of most participants' pensions, ETF believes the new name more accurately describes the fund's purpose and diversified nature.

Department Answers Common Questions About the Retirement Process

When should I contact ETF about retiring? You should contact the Department and request a retirement estimate approximately six to twelve months before your anticipated retirement date. The estimate will show your annuity options and the estimated monthly amount of each. It is critical that you thoroughly understand your options before making your selection. If you have any questions or are unclear about any of the options for which you are eligible, contact us for further clarification.

Here's a suggestion: If you are not ready to request an estimate, but want a projection of your future retirement benefit, use our WRS Retirement Benefits Calculator or refer to our brochure, *Calculating Your Retirement Benefits* (ET-4107). You'll find both on our Internet site. Call us if you'd like to receive a paper copy of the brochure.

How long does it take to get my retirement estimate from ETF? We recommend that you allow ten to twelve weeks for the Department to calculate and issue your retirement estimate. The Department can produce estimates for retirement dates up to one year in the future to allow you ample time to request and receive your estimate.

Is it necessary to come to your office when I retire? How long is the wait for an appointment with a retirement specialist? You can request your retirement estimate packet by phone or in writing. The packet will include your application, information about income tax liabilities and electronic deposit of your payments, plus any applicable information about health and life insurance continuation. When you are ready to submit your application, you can do so

in person or by mail. If you have questions about your estimate, please feel free to call us. If you prefer to handle your retirement in person, you can meet with a benefit specialist. We recommend that you call several weeks in advance for an appointment.

Can I get a lump sum benefit when I retire? If your benefit is at least \$302* per month (this amount increases annually), you are restricted to a monthly annuity paid for your lifetime. If your account provides an annuity of less than \$302 per month, you are eligible to choose either a lump sum retirement benefit or a monthly annuity. If your annuity is \$149* or less per month, you are restricted to a lump sum retirement benefit.

**The \$302 and \$149 thresholds apply to retirement benefits that become effective in 2006. These amounts are increased annually.*

Do my retirement checks increase after I retire? There may be an annuity increase (or decrease) applied to your annuity payment each May 1, based on the previous year's investment results. The fixed annuity adjustment is applied to the fixed portion of your annuity, and if you participate in the variable fund, a variable adjustment is applied to the variable portion of your annuity. (If you do not participate in the variable trust your entire annuity is invested in the fixed fund, and the fixed adjustment will apply to your entire annuity.) This is not a cost-of-living increase; it is an adjustment based on the investment results of the fixed trust fund. Your fixed monthly annuity is guaranteed by law never to be less than the original amount. However, there is no such guarantee for the variable portion of your annuity (if applicable).

Annual Statement of Benefits Mailed

In mid-April, the Department of Employee Trust Funds printed and mailed the annual *Statement of Benefits* to all Wisconsin Retirement System (WRS) employers for distribution to active employees. If you have not received your *Statement*, please contact your employer's payroll and benefits office. Retired WRS members do not receive a *Statement* (unless they have additional contributions from which no benefit has been taken).

Check out the Department's online *Statement of Benefits* informational presentation. This one-hour

presentation provides more detailed descriptions of the account data provided on the annual *Statement*, including creditable service, the money purchase value of accounts, employer and employee contributions, beneficiaries, and making additional contributions. To get the maximum value from this presentation, we recommend that you have your own *Statement of Benefits* in hand when watching it. View it on our Internet site at the following address:

<http://etf.wi.gov/members.htm>, under "Statement of Benefits Online Presentation."

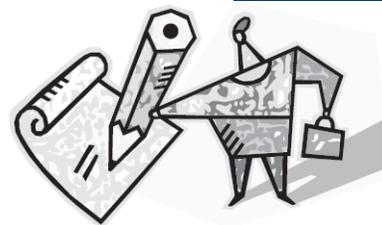
Divorce Can Affect Your Retirement Benefits

If your marriage ends in divorce (or annulment or legal separation), your Wisconsin Retirement System (WRS) account or annuity may be divided between you and your former spouse. This division is not automatic; when the court distributes the marital assets, it is up to the court to determine whether your WRS account will be divided between you and your former spouse. If the court decides to divide your WRS benefits, the judge will issue a Qualified Domestic Relations Order (QDRO). The QDRO will order the Department to transfer a percentage of your account or annuity to a completely separate account or annuity for your former spouse (called the “alternate payee”).

A QDRO awards a specific percentage of your WRS account or annuity to your former spouse. It can be any percentage up to 50%, but never more than 50%. That percentage is applied to all portions of your account, including your service and contribution balances in your account as of the “decree date.” The decree date is defined in WRS law as the first day of the month in which your marriage is legally terminated.

A QDRO can **only** award a percentage of your total account as of the decree date. It must specify a percentage, not a specific dollar amount, and the percentage must be applied to your total account value as of the decree date. A QDRO cannot specify that the percentage be applied to the portion of your account earned between specific dates, or divide your account balances as of any date other than the decree date.

How a QDRO affects your WRS benefits depends on when the divorce occurred and your status under the WRS on the decree date. There are two basic types of QDRO divisions: dividing a participant’s WRS account into separate accounts, and dividing an existing annuity into two separate annuities.



WRS Account Division

If you have not yet taken a benefit from your account, your contributions and years of service as of the decree date are divided and a portion is transferred to a separate account in your former spouse’s name. Each separate account earns interest on the balances in that account. All new contributions and years of service that you earn after the decree date are credited to your account alone. Your former spouse can take a benefit from his/her account right away, even if you are still working. Whatever your former spouse does with the alternate payee account has no effect on your WRS account or benefits.

Dividing a WRS Annuity

If you are already receiving a monthly annuity on the decree date,* your annuity is divided retroactive to the decree date and a separate annuity is established for your former spouse. Each of you receives your own annuity for life. Whether a death benefit is payable when

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Avoid Surprises: Keep Beneficiary Designation Up to Date

Have your personal circumstances changed since you first filed a Wisconsin Retirement System (WRS) beneficiary form? Keeping your beneficiary designation current is very important because it is NOT automatically updated in the event of divorce, marriage, birth or death of children, or any other changes in your personal situation. Under WRS law, all death benefits must be paid according to the last beneficiary designation received and accepted by the Department before your death, regardless of any changes in your personal situation.

Your will does not take the place of the beneficiary designation form. Outdated beneficiary designations, for example, have resulted in death benefits being paid

to former spouses. If you have a WRS account with a death benefit or life insurance benefit payable upon your death, you may update your designation by filing our beneficiary designation form. Simply stating who you want to be your beneficiary(ies) in a letter or e-mail sent to the Department of Employee Trust Funds does not change your beneficiary designation. You must file the Department’s form in order for your designation to be valid. You can print the form from our Internet site at the following address:

<http://etf.wi.gov/publications/et2347.pdf>

You may also obtain a form by sending us an e-mail through the “contact ETF” page on our Internet site or call to request a paper copy.

Teachers Elect Three to Retirement Board

Wisconsin Retirement System (WRS) teachers elected Patrick H. Phair, Robin F. Starck, and Leonard J. Herricks to serve on the Teachers Retirement (TR) Board. Phair, of Waupaca, has taught at Waupaca High School for over 25 years. Starck, of Sheboygan, has been a Sheboygan Area School District math teacher for 21 years. Herricks, of Oshkosh, is in his thirty-second year of teaching agricultural education at Oshkosh North High School.

Phair and Starck were elected to five-year terms. Herricks will fill a vacancy on the TR Board; his term will expire in May 2007.

The Department mailed 71,775 ballots to active

teacher participants. Voters cast 9,223 ballots, a 13% return rate. Phair received 6,314 votes; Starck, 6,090 votes; and Herricks, 4,739 votes. Vote totals for other candidates were: Peter J. Kaland, 4,507 votes; and Carl M. Millard, 4,304 votes.

The Department plans to conduct separate elections next January for the board seats listed below. Watch the September edition of *Trust Fund News* for information on requesting and filing nomination packets. For more information on the WRS governing boards, including meeting schedules, agendas, and membership, see the "Governing Boards" section on our Internet site.

Board	Seat	Current Representative
Teachers Retirement Board	Active Teacher Participant	David Wiltgen
Teachers Retirement Board	Active Teacher Participant	Leonard Herricks
Employee Trust Funds Board	Educational Support Personnel	Kathleen Kreul
Employee Trust Funds Board	Retired WRS participant	Theron Fisher

Direct Deposit of Annuity is Fast, Safe, Secure

Did you know that 84% of our retirees receive their Wisconsin Retirement System monthly annuities via direct deposit? Are you in the minority? Every month the Department receives phone calls from annuitants whose benefit checks did not arrive in a timely manner. In many cases, the check was delayed in its route through the postal system. Last fall, two people reported stolen checks. We strongly recommend having monthly benefit payments electronically deposited directly into a checking or savings account. This service is free of charge, fast, dependable, and very secure. Funds are deposited on the first business day of the month.

To sign up for electronic deposit, complete a *Direct Deposit Authorization* form (ET-7282). You

can obtain the form by calling our toll free Self-Service Line at 1-877-383-1888 or (608) 266-2323. You can also print the form from our Internet site. Go to: <http://etf.wi.gov/publications/et7282.pdf>

Important note: It is important to keep your home address current with the Department of Employee Trust Funds even if your monthly benefit is directly deposited into your account at your financial institution. Important materials such as benefit change notices, 1099-R tax statements, and *Trust Fund News* are sent to your home address. To update your address, telephone or write us if you receive your monthly annuity benefit by direct deposit. If you receive your benefit by paper check, you must write to us—we need your signature to authorize this change.

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either of you die depends on the annuity option that you selected when you retired. For more detailed information about the effects of a QDRO on a participant's WRS account and the benefit options available to alternate payees, refer to our brochure, *How Divorce Can Affect Your WRS Benefits* (ET-4925). You'll find it on our Internet site or call and request a paper copy.

**Exception: If your divorce occurred before April 28, 1990, and you are already receiving your WRS annuity when the Department receives the QDRO, your annuity is divided prospectively effective with the first payment issued after the Department receives the QDRO. However, if you were not yet an annuitant on the decree date, the portion of the annuity payable to your former spouse is calculated based on the percentage specified in the QDRO as applied to your account balance on the decree date.*

ETF Seeks Persons With Abandoned WRS Accounts

The Department of Employee Trust Funds (ETF) has updated its list of individuals age 70 and older with abandoned Wisconsin Retirement System (WRS) accounts. Each year ETF publishes their names in an attempt to find these individuals or their heirs and let them know this money is available.

Most accounts are small, but over the years a few have been substantial. The WRS members or their heirs have ten years after publication to apply for the

benefit. If you know the whereabouts of anyone on this list, please ask them or their heirs to write to ETF at P.O. Box 7931, Madison, WI 53707-7931, or send an e-mail via the "contact etf" page on our Internet site, <http://etf.wi.gov>.

Inquiries must include the participant's complete name (published name, current and prior name), date of birth, Social Security number and the year that the name was published.

The latest additions to the abandoned account list are as follows. To see the complete list on our Internet site, go to: http://etf.wi.gov/news/abandoned_wrs.htm

Baldwin, Herbert R.	Frink, Margaret B.	Luoma, Alina P.	Prochnow, Delores J.
Bandt, Frances D.	Glass, Grace E.	Macgregor, Alexander	Reen, Helen A.
Basford, Arthur K.	Goodlet, Judith A.	Mason, Aliene	Rood, Michael W.
Berg, Peter E.	Grabner, Donna M.	Meirick, Michael	Roseman, Joseph J.
Brassington, Richard	Hansen, Lester B.	Miller, Joyce A.	Ryan, Wendell H.
Carter, William L.	Harrison, Helen M.	Miller, Kim H.	Sanders, Robert M.
Chon, Yoo-Bang	Hordetchey, Leo M.	Miskell, Theresa	Shirley, Anne M.
Chrysler, Frani J.	Htun, Kyaw M.	Mueller, Judy H.	Spriller, Ann L.
Cooper, James A.	Huhne, Margaret H.	Nadasdy, Laszlo	Stankovic, Draga
Core, Philip	Jenks, William S.	Nelmark, Nancy	Stevens, George
Dixon, Carole A.	Jones, Patricia R.	Nicholson, Nelie A.	Tomlinson, Clement H.
Dueysen, Claudette E.	Kalaher, Lucille F.	Odell, Charles R.	Trakel, Nancy A.
Ehrlich, Esther M.	Kellum, Frederick K.	Ovalle, Sophia	Trunnell, Clara M.
Elrawi, Mohamed F.	Kilburn, Patricia K.	Payne, Theresa M.	Waara, Lois N.
Erickson, Dayton H.	Kim, Young I.	Peterson, Patricia A.	Washington, Robert O.
Ernzen, Mary M.	Kristensen, Jack E.	Phillips, John A.	Wasserman, Suzanne
Fairlie, Donald M.	Labreche, Mary P.	Pitel, John A.	Wolf, Edythe M.
Franc, Michael R.	Lawrence, Donna J.	Pollard, Dorothy J.	

Beneficiaries of Life Insurance Claims Sought

The Department also seeks people who are the beneficiaries of the deceased life insurance policy holders listed below. For an application and additional information, write to ETF at P.O. Box 7931, Madison,

WI 53707-7931. Inquiries should include the participant's complete name, including published names and former name(s), date of birth, Social Security number and year the name was published.

Bell, Esther	Gehrke, William	Hyde, Helen	Lorenz, Leona
Ervin, Irene E.	Gelman, Mary	Lord, Helen B.	Sehrt, Naomi

Retirees Can Receive Trust Fund News Online

Registration is ongoing for retired participants of the Wisconsin Retirement System (WRS) who want to receive *Trust Fund News* electronically, via E-Routing. A service of the Department of Administration, E-Routing offers e-mail notification of the availability of the latest issue of *Trust Fund News*.

Retired WRS participants who register for the service voluntarily forgo receiving a paper copy of the newsletter and instead read it online. Trust fund

dollars are saved through lower costs for postage and handling. All you have to do is register on the E-Routing database with a current e-mail address and select *Trust Fund News* for E-Routing delivery. To learn more, go to the E-Routing registration center at the following address:

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



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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

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