

# Trust Fund News



Published by the  
Wisconsin Department of  
Employee Trust Funds  
P.O. Box 7931, Madison, WI  
53707-7931

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(608) 266-3285  
<http://etf.wi.gov>

Volume 25, No. 2  
May 2007

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## ETF Announces Pension Increases; Sets Effective Rates for Employees

The Department of Employee Trust Funds (ETF) established the 2006 Core and Variable effective rates applied to the retirement accounts of Wisconsin Retirement System (WRS) active employees and eligible inactive members. The Core effective rate is 9.8%; the variable effective rate is 18%.

The Department also set the annual post-retirement dividend and adjustment for retirement annuities, which were applied to the May 1 payment. The Core annuity dividend is 3.0% and the Variable annuity adjustment is 10%.

Whether any post-retirement increases are provided depends on the performance of the pension funds invested by the State of Wisconsin Investment Board (SWIB), and the current and projected funding needs of the WRS. For 2006, finalized SWIB investment returns for the Core and Variable Trust Funds were 15.8% and 17.6%, respectively. Both

### Special Feature Inside:

State of Wisconsin Investment Board  
four-page insert

funds have experienced gains every year since 2003.

Given the strong 2006 investment performance, why isn't the Core annuity increase larger? The answer is complicated, and is based on two WRS funding requirements contained in state law, and the improved life expectancy of retirees.

- To limit wide swings in dividend payments, Core Fund gains and losses must be spread ("smoothed") over a five-year period. Therefore, this year's Core rates reflect investment results from 2002-2006. While there were investment gains carried over from 2003 onward (a total of \$2.9 billion), the calculation process

*Rates, continued on page 2*

## Wisconsin Retirement System after 25 Years

January marked the end of the 25<sup>th</sup> year of the unified, statewide Wisconsin Retirement System (WRS). In 1975, the state legislature began the process of merging the various teacher, police, firefighter, and general employee public retirement systems in the state. The fully-merged system became effective January 1, 1982. Today, about 530,000 state and local government employees and retirees across the state depend on the WRS for a portion of their retirement security and the financial well-being of their families.

The financial base of the WRS, both then and now, is the Public Employee Trust Fund, the fund from which WRS pension benefits are paid. The Trust Fund is the



visible sign of the state's commitment to the well-being of its hardworking public employees. Designed in part to help protect its workers and their families from

*Anniversary, continued on page 2*

*Rates, continued from page 1*

also includes a nearly \$1.8 billion loss carried over from 2002, the last year of the 2000 to 2002 bear market. In addition, as a result of the smoothing process, 80% of 2006's \$4.9 billion in investment gains have been *deferred* and will be recognized from 2007-2010.

- By law, WRS annuities are funded based on the assumption that the trust fund will earn 5% each year. Therefore, only investment returns above and beyond the assumed 5% earnings are available to provide increases.
- Changes in WRS annuitant mortality rates also affect annuity increases. Core and Variable annuity rates were reduced this year due to the increased life expectancy of WRS annuitant members. Retirees are living longer, which is a very good thing for our participants. However, it also means that WRS annuities are now anticipated to be paid for a longer period than originally expected. Since it will cost more than originally

expected just to pay the annuities already in force, additional reserves must be held to pay annuities over the increased life expectancy. This year that amounted to 1% being held back.

**Now that the market losses from 2000-2002 are behind us, what are the Department's projections for Core effective rates and dividends next year?** For planning purposes, the Department's consulting actuaries assume a 7.8% investment return for the fund.

Based on SWIB's finalized investment returns for 2006 of 15.8%, and assuming the fund returns exactly 7.8% each year, the accompanying chart shows **approximately** what the smoothed core effective rates and core 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 fund earns more or less than 7.8% each year.

**Projected WRS Core Effective Rates/Dividends**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>SWIB Net Investment Return</b>	15.6%	7.8%	7.8%	7.8%	7.8%	7.8%
<b>Core Effective Rate</b>	9.8%	12.6%	10.4%	9.6%	9.4%	8.2%
<b>Core Annuity Dividend</b>	3.0%	6.0%	4.1%	3.3%	3.2%	2.1%

*Anniversary, continued from page 1*

the financial hardships of old age, disability, and death, today's Trust Fund is soundly funded, prudently invested, and efficiently administered.

Although the retirement of the "baby boom" generation poses customer service challenges for

the Department of Employee Trust Funds, the Trust Fund itself, which is the 10<sup>th</sup> largest in the country and 23<sup>rd</sup> largest in the world, is well-positioned to make good on the state's promise to Wisconsin's public employees.

<b>The Wisconsin Retirement System: Yesterday and Today</b>		
	<b>1982</b>	<b>2007</b>
<b>Total participants</b>	<b>240,000</b>	<b>530,000</b>
<b>Number of retirees</b>	<b>57,000</b>	<b>137,000</b>
<b>Pension benefits paid</b>	<b>\$166.4 million</b>	<b>\$3.2 billion</b>
<b>Market value WRS assets</b>	<b>\$6.8 billion</b>	<b>\$83 billion</b>

## Follow-up Questions About Accelerated Payment Options

An article in the January 2007 issue of this newsletter (*Consider Payment Options Carefully*, *Trust Fund News*, Vol. 25, No.1) about the accelerated payment option resulted in several requests for further information:

### Why does ETF use estimated Social Security benefit tables to calculate my accelerated payment option amounts if I don't submit a Social Security benefit projection from the Social Security Administration (SSA)? Can't ETF just use my actual Social Security benefit amount?

ETF does not have access to your Social Security records. Therefore, if you do not submit a benefit projection from the SSA we have to use estimated Social Security tables to calculate your accelerated payment options. Those tables are based only on your date of birth and your WRS final average earnings. They do not include earnings from other employment. As a result, you may not receive the "correct" accelerated benefit.

### Can I just send you the Social Security benefit projection that the SSA automatically sends periodically, rather than requesting a special age-62 benefit projection from the SSA?

The age-62 benefit amount provided in the periodic projections that the SSA automatically provides assumes that you will continue to work until age 62. If you are retiring before age 62 from your WRS employment, but plan to work in non-WRS employment with comparable earnings until age 62, the SSA's automatic benefit projection may be fairly accurate. However, if you are retiring early and will not continue to have comparable earnings until age 62, the SSA's automatic

projection may show a larger age-62 amount than you will actually receive.

Since your temporary to-age-62 annuity is equal to the amount of your projected Social Security benefit (plus any annual increases), your temporary annuity could be larger than your actual Social Security benefit. If your temporary annuity is larger than your actual Social Security benefit, you will experience a decrease in your total income at age 62. To assure a more consistent income before and after age 62, we recommend that you contact the SSA to request an age-62 benefit projection based on the date on which you will actually retire.

While the accelerated payment option is a popular choice for some members, it is not right for everyone. For more information about WRS annuity options, see our *Choosing an Annuity Option* booklet (ET-4117). You'll find it on our Internet site under the Publications menu, or call us to request a paper copy.



### How to Contact Social Security

Learn more about Social Security benefits by visiting the Social Security Administration's Internet site, <http://www.ssa.gov>. Use this site to request a Social Security statement, identify the Social Security programs for which you may be eligible, and apply for benefits.

You may also call SSA toll free 1-800-772-1213, from 7 a.m. to 7 p.m., Monday through Friday. People with hearing difficulties should call SSA's toll-free TTY number, 1-800-325-0778.

## Annuitants: Receive *Trust Fund News* Electronically

Registration is ongoing for retired members 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*. Members voluntarily forgo receiving a paper copy of the newsletter and instead

read it online. Simply 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 Internet address:

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

## Important Information For Retirees

**How do I change my mailing address on file with the Department?** It's very important to notify the Department of Employee Trust Funds (ETF) when the address to which we send your correspondence changes. If you receive your benefit by paper check, you must write to us – we need your signature to authorize this change. Telephone or write us if you receive your monthly annuity benefit by direct deposit. You may also complete and return our *Name/Address Change* form (ET-2815), found on our Internet site (or call to request). Please allow up to 30 days for a change of address to be completed. And don't forget: If you still have a Wisconsin Deferred Compensation (WDC) program account, make sure your address and beneficiary designation on file with the WDC are current. Contact WDC toll free at 1-877-457-9327.

**Please consider signing up for direct deposit.** More than 80% of Wisconsin Retirement System annuitants currently enjoy the safety and security of having their annuity payments automatically deposited into their financial institution accounts. To sign up for direct deposit of your annuity, complete and return a *Direct Deposit Authorization* form (ET-7282).

**Can I change my tax withholding after I retire?** Yes, and you should periodically review your tax status and file a new election if necessary. Change your federal or Wisconsin state income tax withholding over the telephone by calling our toll-free Self-Service Line at 1-877-383-1888 or (608) 266-2323 (local Madison). You can also fill out our *Income Tax Withholding Election Form* (ET-4310).

Mail the completed form to the Department. Please allow up to 30 days after we receive the completed form for the change to be reflected in your monthly annuity benefit.

**What happens if my check gets lost or stolen?** Every month, the Department prints and mails approximately 30,000 paper annuity checks. If your check does not arrive in the mail, you must wait until the 12th of the month before contacting us. Most checks arrive by the 12th, and if we have stopped payment on the original check it can no longer be cashed. If you know that your check was stolen or destroyed, contact us immediately. We will stop payment on the missing check and issue a replacement.

**Make Sure Power of Attorney Appointment Papers Are Complete.** You may authorize another person to act on your behalf through a power of attorney (POA). Your agent, the person you authorize to act on your behalf through a valid power of attorney, may, for example, review your file, authorize disclosure of your confidential information to others, change your mailing address, and may be able to sign a benefit application. Basic Wisconsin POA documents are available at many office supply stores. The Department requires an original copy of the written POA document signed by you, unless the POA document specifically states that a photocopy is as valid as the original (or words to that effect). In either case, we must receive the POA document before we can release information about your account or benefits to your agent or accept your agent's signature on your behalf.

## Avoid Surprises: Keep Beneficiary Designation Current

**H**ave 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. Outdated designations, for example, have resulted in death benefits being paid

to former spouses. Your will does not take the place of the 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. To obtain a new *Beneficiary Designation* form (ET-2320), go to our Internet site, <http://etf.wi.gov/publications/et2320.pdf>; to request a paper copy, call our toll-free Self Service Line at 1-877-383-1888.

## ETF Offers Small Group Retirement Counseling

Did you know that the Department of Employee Trust Funds (ETF) offers small group retirement counseling sessions for Wisconsin Retirement System (WRS) members approaching retirement? The two-hour sessions, designed for up to eight participants and a guest for each, are held three times a week in the Madison office, located at 801 W. Badger Road. Sessions begin at 1:00 p.m. on Mondays and Wednesdays, and at 8:30 a.m. on Thursdays. ETF also conducts small group counseling sessions on Tuesdays at 9:00 a.m. and 1:00 p.m. at its Waukesha office, located at 141 N.W. Barstow Street. Appointments are required.

During the sessions, ETF specialists provide a step-by-step explanation of the retirement estimate and application process and an overview of post-retirement changes. Participants may ask questions throughout the session and, in fact, often benefit from the questions and comments on the retirement process shared by other attendees.

To schedule a group counseling appointment at either the Madison or the Waukesha location, call ETF toll free at 1-877-533-5020 or (608) 266-5717 (local Madison). Attendees must be within one year of minimum retirement age, have a valid retirement estimate from ETF, and bring their retirement packet to the session.

### How do I obtain a retirement estimate/packet?

Call, write or e-mail ETF 6-12 months prior to

your anticipated retirement date. We will want to know your full name and address; Social Security number; date of birth; estimated retirement date; and marital status – if married, your spouse's name and date of birth. If you have active military duty, send us your discharge papers. Please allow 10-12 weeks to receive your packet.

**Will EVERYTHING be covered?** Yes, everything applicable to YOU will be covered. The specialist providing the information reviews each person's individual account before the session.

**Am I locked into retiring if I request a retirement packet and come to an appointment?** No, you're simply requesting information so that you can make an informed decision.

**If I come to small group counseling will I still need an individual appointment?** No, group counseling offers the same information you would receive in an individual appointment, except that you have the advantage of interaction with others considering retirement, sharing questions, comments and other information.

**When should I make my group counseling appointment?** Anytime after you have received your retirement packet.



## Statement of Benefits Distributed in April

During April, the Department of Employee Trust Funds (ETF) printed and mailed the annual *Statement of Benefits* to all Wisconsin Retirement System (WRS) employers for distribution to active employees. The information provided does not change during calendar 2007, so please be sure to keep your *Statement* to reference throughout 2007. 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 *Your Annual Statement of Benefits*, one of the Department's online presentations. This one-hour video recording providing more detailed descriptions of the account data on your annual *Statement*, including creditable service, oney purchase value of your account, employer and employee contributions, and beneficiaries. To get the maximum value from this presentation, we recommend that you have your own *Statement* in hand when watching the program. Go to <http://etf.wi.gov/webcasts.htm> to view *Your Annual Statement of Benefits*.

## Board Election Results

### Annuitants Re-elect Fisher to Employee Trust Funds Board

Wisconsin Retirement System (WRS) retirees re-elected Theron “Butch” Fisher over eight other candidates to serve on the Employee Trust Funds (ETF) Board. Fisher, the incumbent, was first appointed to the Board in 2004. His 30-year career included employment at the University of Wisconsin-La Crosse and La Crosse County. In January, the Department mailed more than

135,500 ballots to all retired WRS participants. More than 45,748 ballots were cast. Fisher received 9,116 votes. The other candidates and their vote totals are as follows: Christine M. Williams, 7,476; James P. Egan 7,461; James A. Gruentzel 6,781; Gary Tveten, 4,559; Rose Bowen, 3,494; Robert Cavanaugh, 2,522; Robert C. Duero, 2,189; Michael T. Lew, 2,150.

### Educational Support Personnel Re-elect Kreul to Employee Trust Funds Board

WRS educational support personnel re-elected Kathleen Kreul to serve on the ETF Board. Kreul, the incumbent, was first elected to the Board in 2003. An employee of Southwest Wisconsin Technical College since 1977, she is a 19-year officer of the union representing educational support personnel, and is currently secretary of AFT-Wisconsin. The Department

distributed nearly 41,500 ballots in January to all WRS covered educational support personnel members, who cast 5,779 ballots. Kreul received 4,133 votes. The other candidate, Steven Eichman, manager of purchasing and transportation for the School District of Janesville, received 1,646 votes.

### Teachers Elect Scheible and Wiltgen to Teachers Retirement Board

WRS school teachers elected Steven A. Scheible and David L. Wiltgen to two seats on the Teachers Retirement (TR) Board. Scheible has taught history, economics, and geography for the past 32 years in the Eau Claire Area School District. Wiltgen, a current TR Board member, was first appointed to the Board in 2002. He is a teacher at Eau Claire Memorial High School. In January, the Department distributed more than 69,000

ballots to all WRS covered elementary and secondary school teachers (excluding the Milwaukee Public School District). Teachers, who were allowed to vote for two candidates, cast 6,750 ballots. The candidates and their vote totals are as follows: Steven A. Scheible, 4,494; David L. Wiltgen, 3,949; Philip R. Freye, 2,681; Len J. Herricks, 1,831.

### 2008 Retirement Board Election Schedule

The Department plans to conduct separate elections in January 2008 for the board seats listed below. See the September edition of *Trust Fund News* for information on requesting nomination packets and filing deadlines.

<u>Board</u>	<u>Seat</u>	<u>Current Representative</u>
TR Board	Retired WRS teacher participant	Lon Mischler
TR Board	Technical college district teacher	R. Thomas Pederson

Go to [http://etf.wi.gov/gov\\_boards.htm](http://etf.wi.gov/gov_boards.htm) for more information on the WRS governing boards, including meeting schedules, materials and membership rosters.

## 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" menu 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.

Go to [http://etf.wi.gov/news/abandoned\\_wrs.htm](http://etf.wi.gov/news/abandoned_wrs.htm) to see the complete list.

Alumkal, Antony T	Epps, Harland W	Linnane, Judith A	Sievert, Audrey I
Anderson, Lavone E	Evans, Barbara	Luety, James	Simmons, Lorraine
Andonian, Maria	Fitzgerald, Phyllis J	Mackey, Gail C	Simons, Madelyn M
Andringa, Phillip J	Foltz, Gladys E	Marshall, Loreen H	Slack, Anne L
Arango, Marta	Freeman, James	Martina, Raymond	Solomon, Jerry E
Barnes, Ruth J	Gander, Joy R	Muller, Adelheid	Spangler, Mary A
Brady, Shirley A	Giff, Mary L	Nelson, Ruth	Srabian, Nubar G
Breitzman, Carole E	Grenawalt, Mamie D	Poppe, Carl H	Strand, Roger K
Brooks, William	Guite, Muriel J	Quigley, Dorothy A	Strosin, Patricia A
Caldwell, Jessie L	Hall Jr, Clifford	Rajput, Jenny L	Sullivan, Russell D
Cardarelle, Patricia A	Hamod, Hamonde S	Reeder, Elizabeth H	Thomas, Howard
Carlson, Karen J	Hildebrand, Idaleen	Reimes, Arlene R	Torgerson, Charlene
Carne, Francis W	Hitt, Mary E	Rietz, Barbara A	Tranter, David L
Carroll, David F	Hodnett, Emily A	Riley, William J	Unrine, Glenn B
Casat, Charles D	Hood, Jay C	Robertson, Genese D	Vockel, Joan A
Casperson, Beverly A	Jannetta, Gregory N	Rodriguez, Felicita D	Walton, Dolores J
Chavez, Geraldine	Johnson, Helenann E	Roesler, Jean H	Wands, Richard B
Cockroft, Ruth E	Jones, Kim H	Romero, Hugo	Wearing, Arthur J
Crary, Ronald H	Joynt, Patrick D	Ryan, Maureen	Wiese, David C
Cridelich, Vanelia I	Kaul, Louis E	Sagataw, Kenneth B	Williams, James E
Cunningham, James	Kiely, James P	Santacrose, Mary H	Williams, Lolita D
Daniels, Eva J	King, Joyce	Sastry, Prabhakara J	Williams, Milton
Davis, Cynthia	Kingsreiter, Robert J	Scaglione, Joseph	Wolfe, Howard B
Delzell, Mary D	Klas, Lois L	Schaefer, Margaret	Wolff, Joann
Deshpande, Vithal K	Krause, Carolyn	Schroeder, Karen M	Wood, Elaine G
Dua, Som N	Kulstand, Norma P	Schuchardt, Janice M	Zhao, Bao-Wei
Elias, Lenore B	Langdon, Dolores D	Shimek, Ross E	

## Beneficiaries of Life Insurance Claims Sought

The Department of Employee Trust Funds (ETF) is seeking 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.

Madden, Patrick J	Scott, Gladys	Vetter, Irene B
Olson, Marilyn	Szymankiewicz, Lawrence	Walsh, Kathleen
Rogers, Ruth	Verdun, Simone	Ward, Emma

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MILWAUKEE WI  
PERMIT NO. 5309



*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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**Call Toll-Free:** 1-877-533-5020  
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**Wisconsin Relay Service (for speech and hearing impaired):**

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1-800-947-3529 (English)  
1-800-833-7813 (Español)

**Send an e-mail via our Internet site:**  
<http://etf.wi.gov>

**Fax Number:** (608) 267-4549

**Appointments: (608) 266-5717**  
**Madison:** appointments recommended;  
801 W. Badger Road

**Waukesha:** appointments required;  
141 N.W. Barstow St., Rm. 411

**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.*

**Telephone Message Center:**  
1-800-991-5540 or (608) 264-6633  
*Listen to pre-recorded messages on a variety of WRS topics.*

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 the Wisconsin Relay Service at the numbers listed above. We will try to find another way to provide you with usable information.