

Trust Fund News



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

Toll free: 1-877-533-5020
(608) 266-3285

<http://etf.wi.gov>

May 2007
Inactive Member Edition

INSIDE

3

Department Opens
Waukesha Office

Important Information
About WRS Survivor Benefits

4

ETF Offers Many Ways to
Access Benefits Information

5

Understand Consequences
of Taking Separation Benefit

6

ETF Offers Small Group
Retirement Counseling

What's New on ETF's
Internet site?

7

ETF Seeks Persons with
Abandoned Accounts

ETF Sets Effective Interest Rates and Post-Retirement Adjustments

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

Special Feature Inside:
State of Wisconsin Investment Board
four-page insert

15.8% and 17.6%, respectively. Both 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

Rates, continued on page 2

Wisconsin Retirement System after 25 Years

January marked the end of the 25th 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 the fi-

Anniversary, continued on page 2

Rates, continued from page 1

total of \$2.9 billion), the calculation process 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

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

Anniversary, continued from page 1

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 10th largest in the country and 23rd largest in the world, is well-positioned to make good on the state's promise to Wisconsin's public employees.

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

Department Opens Waukesha Office

Retirement counseling appointments are now available at the Department's Waukesha office, located on the fourth floor of the Dreyfus State Office Building, 141 N.W. Barstow Street. The facility, which houses several other state agencies, has free surface parking and is handicap accessible. The office is staffed by experienced, fully-trained ETF retirement specialists.

Important note: You must have an appointment in order to meet with a specialist in the Waukesha office. Staff members are unable to accommodate those seeking walk-in appointments. To schedule an appointment, call ETF toll free at 1-877-533-5020 or (608) 266-5717 (local Madison). The Department also offers small group counseling at the Waukesha office.

Driving directions from Interstate-94:

Take exit 294 and go south on Pewaukee Road. Proceed for about two miles (the road will veer slightly right and become Hwy 18/North St.) Turn

left on Barstow Street. Drive 1.5 blocks to the state office building.

Directions for taking public transportation: The Waukesha office is located a block from Waukesha Transit Center, which is located at 212 E. St. Paul Ave. There are two public transit options:

(1) Take a Wisconsin Coach Lines Express from downtown Milwaukee to the Waukesha Transit Center.

http://www.waukeshametro.org/rt901mke_wauk.html

(2) Ride the Milwaukee County Transit System to Brookfield Square; transfer to the Waukesha Metro Transit system; ride to the Downtown Waukesha Transit Center.

http://www.waukeshametro.org/bus_routes_main.html



Important Information About WRS Survivor Benefits

What happens if I die while my WRS account is inactive? If you die while your account is inactive (you have terminated employment but have not taken a benefit from your account), a death benefit will be payable to your beneficiary(ies). There are several facts that you should know about the death benefits payable from your account:

- If you die while your account is inactive, the death benefit will consist of your employee required contribution balance plus any voluntary additional contributions to your account, but not the employer required contribution. The amount of your "inactive" death benefit is shown on your annual *Statement of Benefits*. A lump sum will be payable, and if your account balance is sufficiently large, a life annuity may be payable to your beneficiary(ies) depending on the balance in your account and the number and ages of your beneficiary(ies).

Since the death benefits paid from an inactive account do not include the employer required contributions made on your behalf, it may be advisable to take a retirement benefit from your account

once you reach minimum retirement age (age 50 for participants with protective employment category service, age 55 for all others). Your retirement benefit would be based on the full value of your account, including the employer contributions.

- The death benefit will be paid to the beneficiary(ies) named on the last *Beneficiary Designation* form (ET-2320) that you filed with the Department. **A change in your personal situation (e.g. marriage, divorce, birth of a child, etc.) does not automatically update your designation.** Once you have filed a *Beneficiary Designation* form with the Department, it remains in effect until the Department receives your updated designation form. Consequently, it is extremely important that you keep your designation up-to-date so the death benefit will be paid according to your wishes. Having up-to-date names and addresses for your beneficiaries will also speed payment of the death benefits to your beneficiaries, because we will be able to locate them more quickly.

- It is important that the Department be notified of your death as soon as possible. Under federal *Benefits, continued on page 4*

Benefits, continued from page 3

law, if your beneficiary is not your spouse, your beneficiary is restricted to a lump sum death benefit unless his or her monthly payments begin no later than the year after the year in which you die. Consequently, the sooner we are notified of

your death, the more flexibility your beneficiary will have in receiving a payment. Your survivors can notify the Department of your death by telephone, fax or in writing; see the contact information on the back of this newsletter.

Required distributions: Federal and state laws require that you begin receiving a distribution from your inactive WRS account in the year you reach age 70.5. If you apply for your benefit in the calendar year in which you reach age 69.5, you can defer your distribution until April 1 of the year in which you reach age 71.5. If you do not apply in the year you reach 69.5, the Department will **automatically begin distributing** your account in the year you turn 70.5. Failure to meet the minimum distribution requirements could subject you to a federal excise tax penalty. Contact us to obtain a benefit estimate and application form.

ETF Offers Many Ways to Access Benefit Information

The Department of Employee Trust Funds (ETF) places a high priority on ensuring that all members have a thorough understanding of Wisconsin Retirement System (WRS) benefits in order to make well-informed decisions. We offer many ways to provide the best possible service and information. These include:

Individual and small group appointments: Individual counseling appointments are provided in both the Madison and Waukesha offices. A telephone appointment with one of our specialists can also be scheduled. In addition, the Madison office now conducts three group counseling appointments per week, and the Waukesha office offers two group counseling appointments per week. These are for members who have their retirement packets and are within one year of retirement. To schedule an appointment, call (608) 266-5717 or toll free 1-877-533-5020.

Large group presentations: About 13,000 members attend WRS public benefit presentations every year. ETF conducts presentations each spring and fall in approximately 15 locations throughout the state. A reservation is not required. The standard presentation includes opportunities to ask questions. The Fall 2007 schedule will be posted on our Internet site in late August. To see a taped benefit presentation online, visit the "Video Library" section of our Internet site at <http://etf.wi.gov>. If you are unable to make an appointment with a benefits specialist, there are

other ways to get the information you need to make an informed decision:

View a recorded presentation online: See *What's New on ETF's Internet site?* on page six.

Read informational brochures: Extensive benefit information is provided in our booklets and brochures, all of which are available on our Internet site. You may also request paper copies.

Call or write ETF: Dial toll-free 1-877-533-5020 or (608) 266-3285 (local Madison). Write to us at P.O. Box 7931, Madison, WI 53707-7931.

Visit ETF's Internet Site: You'll find comprehensive information, forms and brochures, calculators, benefit summaries, program information, and more. Go to <http://etf.wi.gov>.

Examine your annual *Statement of Benefits*: Each year, you receive an annual *Statement of Benefits* showing information such as your WRS account balances, years of service, average monthly earnings, and benefits earned to date.

Call the Telephone Message System: Our Telephone Message System provides 120 pre-recorded messages about a wide variety of benefit-related topics. This system is available 24 hours a day, and is particularly helpful to those who do not have Internet access. Call 1-800-991-5540 or (608) 264-6633 (local Madison).

Consider the Consequences of Taking Separation Benefit

If you are under age 55 (age 50 for participants with some protective category service)¹ and are no longer working under the Wisconsin Retirement System (WRS), you are eligible for a separation benefit. There are several important facts that you should carefully consider if you are thinking about taking a separation benefit:

- A separation benefit is a lump sum payment of your employee contribution balance.² However, if you take a separation benefit you forfeit your years of creditable service as well as the rights to the employer contributions made on your behalf. This means that you are forfeiting a minimum of half the value of your WRS account.
- If you leave your contributions in your WRS account until reaching age 55 (50 for protectives), you will be eligible for a retirement benefit based on your employee contributions plus a matching amount of employer contributions.
- The amount of your separation benefit that exceeds the amount you actually contributed to your account from post-tax dollars (your “Investment in Contract”) is subject to federal and state income tax for the year in which payment is issued. In addition to the income tax liability, there is normally also an additional federal tax equal to 10% of the taxable portion of your benefit and an additional Wisconsin state tax of about 3.33%. If you roll over the taxable portion of your benefit, your tax liability is deferred until you actually receive a benefit from those monies. Note: your Investment in Contract is provided on your annual *Statement of Benefits*.
- If you are re-employed with a WRS employer after taking a separation benefit, you are treated as if you are a new WRS participant for benefit programs. This includes WRS coverage as well as eligibility for health, life and income continuation insurance. **Example:** If you terminate employment with the state and leave your WRS account intact, then later return to state employment, you immediately qualify for the state to pay a share of your health insurance premiums when you are rehired. However, if you have taken a separation benefit you are not eligible for the state share of premiums for the first six months of state employment.
- If you return to covered WRS employment for at least three complete continuous annual earnings periods³ after taking a separation benefit, you may be eligible to buy back part or all of your years of forfeited service. However,

the cost is calculated based on your three highest annual earnings after returning to WRS employment, and the cost may significantly exceed the amount you received in your separation benefit.

- If you left WRS employment to enter active military service, and you take a separation benefit before returning to work with your (same) WRS employer after you are discharged, taking a separation benefit may adversely affect your eligibility for military service credit. More detailed information about military service credit is available in the *Military Service Credit* brochure (ET-4122).
- If you are an alternate payee (you received a portion of your former spouse’s WRS account through a Qualified Domestic Relations Order), you are eligible for a retirement benefit from your alternate payee account as soon as your former spouse reaches minimum retirement age (55, or 50 for protectives). This is true even if you have not yet reached minimum retirement age, and even if you and/or your former spouse are still working under the WRS.

Example: You are an alternate payee age 47, and your former spouse is age 54. Both you and your former spouse are still working in general category positions covered under the WRS. Once your spouse reaches age 55 you are eligible to receive a retirement benefit from your alternate payee account that would be based on the full value of that account. You do not need to wait until you reach age 55, or until one or both of you terminates your WRS employment.

For more detailed information about the consequences of taking a separation benefit, refer to the Department’s *Separation Benefits* brochure (ET-3101). You’ll find it on our Internet site at <http://etf.wi.gov/publications/et3101.htm>, or call us to request a copy.

¹ *Exception: If you were first employed after 1989 and terminated employment before April 24, 1998, and have service in less than five calendar years, you will only be eligible for a separation benefit regardless of your age. However, if you return to covered WRS employment before taking a benefit from your account, you are eligible for a retirement benefit once you have reached age 55 (50 for protectives).*

² *Part or all of your employee contributions may have been paid by your employer as a fringe benefit, but are still considered employee contributions for benefit purposes.*

³ *Fiscal years (July 1 – June 30) for teachers, judges and educational support personnel, calendar years for all other participants.*

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 and sharing questions, comments and other information.

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

What’s New on ETF’s Internet Site?

<http://etf.wi.gov>

Video Library

Click on the Video Library “button” on the left side of the our homepage to find a listing of online presentations that provide detailed information on topics of interest to Wisconsin Retirement System (WRS) members. The previously-recorded presentations can be viewed at anytime from any computer with an Internet connection. Topics covered include: how to read and understand the annual *Statement of Benefits*; an overview of WRS benefits; how to use ETF’s online calculators; how to complete a retirement application; and WRS survivor benefits.

Wait Times Announcement

Unprecedented growth in the number of members eligible to retire has substantially increased the demand for many of our basic services and, consequently, the wait times for these services are now longer. This has led to an increase in the number of inquiries from members checking on the status of their estimates, applications, and other retirement-related business. Now, you can check the “Wait Times” item in the *What’s New* column to quickly learn how long it is taking for the Department to process certain service requests, including retirement estimates and separation benefit payments.

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 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	Kielty, 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

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

<http://etf.wi.gov>

PRSR STD
US POST PAID
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.

Department Secretary
Deputy Secretary
Editor

Eric Stanchfield
David Stella
Nancy Ketterhagen

Call Toll-Free: 1-877-533-5020
or (608) 266-3285 (local Madison)

**Wisconsin Relay Service (for speech
and hearing impaired):**

7-1-1 or
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 with-
holding 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 ad-
dresses 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.