

Trust Fund News



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

Developing and delivering quality benefits and services to members while safeguarding the integrity of the Trust Funds.

Volume 26, No. 1
January 2008

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New Management Team at ETF

Two Department of Employee Trust Funds (ETF) executive staff members were recently elevated to senior leadership positions in the agency. The ETF Board of Trustees appointed David A. Stella secretary of the Department, after a national recruitment effort. Stella succeeds Eric Stanchfield, who last summer departed to head the District of Columbia Retirement Board. Stella subsequently appointed Bob Conlin, ETF's director of legislation and communications, to serve as deputy secretary, and asked Rhonda Dunn to continue as executive assistant.

At the time of his appointment, Stella was serving as the Department's deputy secretary, a position he had held since 2003. He was also administrator of the agency's Division of Retirement

Special Feature Inside:

Guest article by Keith Bozarth, Executive Director, State of Wisconsin Investment Board

Services from 1986 to 2001, and executive director of the Denver Public Schools Retirement System from 2001 to 2003. Stella will lead a staff of more than 200 full-time employees in the administration of Wisconsin Retirement System (WRS) and other employee benefit programs. He is only the third ETF secretary since legislation merging three separate retirement programs (the Wisconsin Retirement Fund, the State Teachers Retirement System, and the Milwaukee Teachers Retirement Fund) into one public employee retirement system — the WRS — was enacted in

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Secretary's Notes

-- by David Stella, Secretary, Department of Employee Trust Funds

Dear Wisconsin Retirement System Participants:

I am honored that the Employee Trust Funds Board appointed me Secretary of the Department of Employee Trust Funds (ETF), and I look forward to serving you. I am no stranger to ETF, as I have been involved in administering Wisconsin Retirement System (WRS) and other employee benefits for 20 years, the last 4 as deputy secretary. We have a high-quality Wisconsin public employee retirement system with good benefits for our members at a reasonable cost for taxpayers. The WRS is well funded and nationally respected. It is an important part of the financial security of public

*"Even if you're on the right track, you'll get run over if you just sit there."
— Will Rogers*

employees and their families, and offers them protection from financial hardship in their old age. In short, the WRS is a good example of government getting it right.

Now is not the time, however, to rest on our laurels. We have been telling you that ETF faces significant service delivery challenges over the next decade and beyond due to the retirement of an entire generation of baby boomers. We received some additional resources as

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1981. The Department's first secretary, Gary Gates, retired in 1992.

ETF Board chair Marilyn Wigdahl said the Board was pleased with Stella's extensive employee benefits experience and outstanding reputation for serving the trust funds, adding that his qualifications and leadership experience "will provide additional stability to an already solid Wisconsin Retirement System."

Stella has over 30 years of public service experience in Wisconsin. A native of Spooner, he holds bachelor's and master's degrees from the University of Wisconsin–Madison, and is certified

as a Retirement Administrator by the Institute for Retirement Education.

Prior to joining ETF, Conlin served for 13 years as an attorney with the Wisconsin Legislative Council staff, a legislative service agency. Raised in Durand, Conlin is a 1988 graduate of St. John's University in Minnesota, and a 1991 graduate of the University of Wisconsin Law School.

Dunn, a Madison native, has served in a variety of management positions over the course of 34 years at ETF. She was first appointed executive assistant in 2003 by Secretary Stanchfield.

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part of the biennial budget, but resources are only part of the answer.

As secretary, I intend to take a thorough look at the way we do business and, when necessary, make changes in order to further improve the retirement system and the other benefit plans we administer. The Department will adapt to the ever-changing needs of all our members, providing the services needed and expected in a timely and professional manner.

Over the coming months we will be reviewing our business practices, setting goals and priorities for the coming years, engaging in discussions with policymakers, and striving to improve your overall experience with the WRS. We can't do it alone. We need your ideas and support as we move forward. Through it all, though, we will continue to protect the integrity of the Trust Funds, make your needs our highest priority, and continue delivering quality service.

When Will ETF Announce Effective Rates?

At this time of year, many Wisconsin Retirement System (WRS) participants anticipate news regarding the effective rates and annuity adjustment rates. You can expect the news to come over the course of three separate announcements early in 2008. First, in January, the State of Wisconsin Investment Board (SWIB) will announce the Core and Variable Fund investment returns for 2007. Next, the Department of Employee Trust Funds (ETF) will use these investment returns to calculate the effective interest rates credited to the retirement accounts of active WRS members and eligible inactive members. Look for an announcement on these rates in early- to mid-February. Finally, in late February, ETF will announce annuity dividends and adjustments that will take effect in May.

Is the dividend "adjustment" a Cost of Living Adjustment (COLA)? No. Some retirement systems guarantee annual increases of a set amount, 2% or 3%, for example, to help combat the effects of inflation. Other systems offer nothing, and rely on special legislation to provide periodic post-retirement increases.

The WRS does not guarantee an annual increase. The WRS is a system that relies on investment performance to determine annual adjustments. Participants and employers share the risk. Good returns mean lower employer and employee contributions and the granting of post-retirement increases. Conversely, poor returns can mean higher contributions and lower (or none, or negative) post-retirement adjustments. In short, if the market does well, retirees see an increase; if it does poorly, decreases are possible.

Persevering Under Pressure: Investing During Difficult Markets

Trust Fund News Guest Article

-- by Keith Bozarth, Executive Director, State of Wisconsin Investment Board

One of the best things about a new job is the opportunity to meet new people. During my first six months as SWIB executive director, it has been my privilege to encounter some great people. I have spent time with many of the leaders of Wisconsin Retirement System (WRS) participant groups and am grateful for their support and insight, especially regarding several key issues in the works.

I have also had the opportunity to get better acquainted with SWIB staff members as I watch them in action. So, when people ask about today's volatile markets — especially considering the current financial and lending markets — I am comfortable in reassuring people that SWIB is persevering under pressure. SWIB is disciplined, following the long-term strategy that will help provide for current and future pension obligations.

Headlines about the troubled financial markets and lending industry have caused some participants to worry about the safety of their pension funds. Some of the particular investments that have been in the news were considered by SWIB, but staff determined that these investments were not suitable for SWIB. Like other investors, the WRS is affected by the volatility and broader downturn in the financial markets that has resulted from concerns about sub-prime loans

and other mortgage-related investments. However, diversification and our long-term focus helps mitigate these concerns.

It is important to remember that what we are seeing in the markets is not new. Current fluctuations experienced by the financial markets due to credit excesses have affected the markets in the past. Over time, investors who remain diversified and disciplined are more likely to produce the long-term results necessary to help keep the pension system healthy.

SWIB's investment process helps protect the pension funds for the long term. Risk assessment and diversification are an important part of that process. Working with a pension fund consultant, trustees consider the appropriate risk and return objectives for the Core and Variable Trust Funds. Then, trustees — with the help of the consultant and investment staff — set the mixture of stocks, bonds and other investments to meet these objectives. The trustees also establish investment guidelines for portfolio managers based on these objectives.

I have spent my career helping to invest and manage pension funds and working on behalf of public employees and retirees. I look forward to working with and serving an organization that is recognized for doing a job so well.

Enhance Your Benefit With Additional Contributions

Did you know that you can enhance your Wisconsin Retirement System (WRS) retirement benefit by making additional contributions? Additional contributions are invested by the State of Wisconsin Investment Board with the rest of the retirement funds and will increase your pension benefit when you retire.

The objective of the WRS is to provide a retirement benefit that, when combined with Social Security benefits, produces a total retirement benefit of between 50 and 85% of your pre-retirement earnings. This assumes you will have a full career of public employment (approximately 25-35 years of service) and retire at your normal retirement age (anywhere from

age 53 to 65, depending on your employment category). Making additional contributions is an especially good idea if the majority of your career was not covered under the WRS.

Are contributions tax-deferred? There are two kinds of additional contributions: regular (after-tax) and tax-deferred. Under federal law, the only participants who can make tax-deferred additional contributions are employees of educational institutions that have had a tax-deferred agreement with the Department of Employee Trust Funds (ETF) since before 1982. If you work for an educational institution, contact your employer for information about whether it has

Contributions, continued on page 6

Use Online Calculators to Help Plan Retirement

Even before you decide to make it “official,” check out the Department’s three online calculators to help you plan your retirement:

Retirement Benefit Calculator

Enter your years of service, annual earnings and account balance projected to your anticipated retirement date, and this calculator will estimate retirement benefits for that date, providing both a money purchase calculation and a formula benefit calculation. It can also perform formula benefit calculations using creditable service in multiple employment categories. If you plan to retire within one year, contact us immediately to request an official retirement estimate packet.

Forfeited Service Cost Calculator

Use this calculator to project an unofficial cost estimate for buying back any WRS creditable service that you previously forfeited by taking a WRS separation benefit. Buying your forfeited service increases both your total WRS creditable service and the money purchase balance in your WRS account. Your forfeited service payment will be matched by employer contributions, so your money purchase balance will increase by double the amount of your payment. If you are serious about buying your forfeited service,

Online Video Recordings

The Department has two recorded presentations providing more detailed information on using the calculators: *Calculating Your Retirement Benefits Online* and *Buying WRS Creditable Service*.

The presentations can be viewed at anytime from any computer with a high speed Internet connection. To access the programs, go to our Video Library, <http://etf.wi.gov/webcasts.htm>.

contact the Department to request an official estimate and application. More detailed information is available in our brochure, *Buying Creditable Service* (ET-4121).

Variable Excess/Deficiency Update Calculator

Use this calculator to update your variable excess or deficiency balance from your last annual *Statement of Benefits* and find out how much it would increase or decrease your formula retirement annuity. This calculator is only for members who participate (or have ever participated) in the Variable Trust Fund and have not yet retired. For more information about the effects of Variable participation on your WRS benefits, review our brochure, *How Participation in the Variable Trust Affects Your WRS Benefits* (ET-4930).

What’s New in ETF’s Video Library?

<http://etf.wi.gov/webcasts.htm>

Additional Contributions

This program provides information about how to enhance your Wisconsin Retirement System (WRS) retirement benefit by making voluntary additional contributions. Topics covered include the types of contributions you can make, how to make them, investment earnings, distribution options and requirements.

Your WRS Benefits — 2007

This program, recorded in front of a live studio audience and simultaneously broadcast on the Internet, is for members considering or planning retirement in the near future. An ETF specialist discusses WRS retirement, death, and separation benefits, as well as health and life insurance benefits.

Social Security Benefits

This recording features Karyl L. Richson, Social Security Administration public affairs specialist. Richson explains who is eligible for Social Security (SS) retirement benefits and reviews eligibility criteria for this and other SS benefit programs. She also provides information on how benefits are calculated, when/how to apply, and information on disability and Medicare.

Wisconsin Deferred Compensation (WDC) Program

This recording features Eric Zeegers, senior account executive with the WDC Program. Zeegers presents an overview of the WDC Program, who can participate, and offers pre-retirement savings strategies and simple retirement planning tools.

When Are Payments Available When the First of the Month Falls on a Weekend?

Editor's note: Under state law, monthly annuity payments are payable on the first day of the month. In 2008, March 1 and November 1 both fall on Saturdays. The following is a reminder about the availability of Wisconsin Retirement System (WRS) annuity payments when the first of the month falls on a weekend.

What happens when the first day of the month falls on a weekend?

If payment is a paper check: The Department of Administration prints the checks and delivers them to the Post Office on the last mailing day of the month. (Examples: if the first falls on Saturday, checks are delivered to the Post Office on Friday; if the first falls on Sunday, checks are delivered on Saturday.) Your actual receipt date will depend on the speed of the mail delivery. If the first falls on a day mail is not delivered, such as a Sunday or January 1, the earliest paper checks will begin to arrive is the second day of the month.

If payment is an electronic Automated Clearing-House (ACH) deposit: In general, retirees have access to their funds on the next available business day. Federal rules provide that if the payment date falls on a weekend or holiday, the “settlement date” — the date a financial institution actually receives the money from the Federal Reserve — is the next available business day.

Here's how the process works: On the first day of each month, the State of Wisconsin makes the funds available to US Bank (the federal depository handling ACH payments) for further processing by the Federal Reserve. The Federal Reserve then sends the funds to participants' financial institutions. US Bank determines the date that the Federal Reserve actually transfers the money to participant accounts. This date is called the “settlement date.”

In most cases, the settlement date and the payment date are the same day (the first of the month). However, federal rules also provide that if the payment date falls on a weekend or a holiday, the settlement date has to be the next business day. (Example: Saturday, September 1, 2007, was the payment date for that month's

annuity payment. The settlement date, therefore, was Tuesday, September 4 — the next available business day because Monday, September 3 was Labor Day and not a business day.)

Why is my ACH deposit sometimes available to me on a Saturday, when it just so happens that Saturday is the first of the month? There may be times when the first of the month falls on a weekend AND your financial institution already has your WRS payment in your account. That is because your financial institution has chosen to make the funds available to you, even though the Federal Reserve technically has not and will not transfer the payment to your bank until the first available business day. This is an individual decision made by each financial institution — some will not allow members to access these deposits until the funds are actually received from the Federal Reserve, while others are willing to allow it. You should check with your financial institution regarding its policy on handling deposits for ACH payments that are dated on non-business days (i.e., weekend or holiday).

If your annuity is currently paid by paper check, you should consider enrolling in the ACH program. You will never again have to check your mailbox on the first day of the month, wondering whether your check will really arrive that day. Even though there are times when ACH payments may be delayed by a day or two due to federal banking rules, ACH is by far the fastest, most secure way in which to receive your payments. 86% of WRS annuitants have already enrolled in ACH and enjoy the security of knowing where their money is on the first of the month. Call us today at 1-877-533-5020 (toll free) to gain that same security for yourself!



Teachers Retirement Board Elections Set

The Department of Employee Trust Funds is set to conduct two Teachers Retirement Board elections. Ballot distribution will take place in late January, with results announced at the March board meeting. The successful candidates' terms of office begin May 1, 2008.

Retired Teacher Member

Six candidates filed election papers for this election. All Wisconsin Retirement System (WRS) retired teacher participants will receive a ballot, mailed to their home addresses on file with the Department. Retirees vote for one candidate of their choice. The candidates are as follows:

Linda Kassera, Weyauwega
Carl Munson, Milwaukee
Lon Mishler, De Pere
Robert Kulhanek, Sheboygan
Terry J. Olson, Durand
Grant Tews, Fox Point

Technical College Instructor Member

Two candidates filed election papers for this election. Ballots will be distributed to all WRS teacher participants at Wisconsin technical college districts, through their employers. Voters choose one candidate of their choice. The candidates and their employers are as follows:

Tanvir Khan,
Northeast Wisconsin Technical College

R. Thomas Pedersen,
Wisconsin Indianhead Technical College-New
Richmond

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such an agreement with ETF. For regular (after-tax) contributions, interest earned is not taxed until you take a distribution.

How do I make additional contributions? You can make regular contributions either through your employer or by submitting a check directly to the WRS. There is no specific form for making additional contributions, but if you send a check directly to ETF, include a letter that provides your name, Social Security number, and the reason you are submitting the payment. Tax-deferred contributions must be submitted by your employer through a salary reduction agreement.

What interest do I receive on my additional contributions? Your additional contribution balance as of January 1 is credited with effective rate interest (Core Fund rate and, if applicable, the Variable Fund effective rate) each December 31. For example, your January 1, 2007, additional contribution balance would receive 2007 effective rate interest on December 31, 2007. It is important

to note that your additional contributions do not begin to earn interest until the January 1 after we receive them. For example, additional contributions received during 2007 will be credited with interest for 2008 on December 31, 2008, but no interest will be credited for 2007 regardless of when in 2007 we received the contributions.

What about tax liabilities when I take a benefit?

The amount of your benefit from **investment earnings** on your regular (after-tax) additional contributions is fully taxable. The **entire amount** of your benefit from tax-deferred additional contributions is fully taxable.

To learn more:

- Watch our latest online video, *Additional Contributions (Supplementing Your WRS Benefit)*; go to <http://etf.wi.gov/webcasts.htm>.
- Review our brochure, *Additional Contributions* (ET-2123). Find it on our Internet site or call ETF to request a paper copy.

ETF Sets Spring 2008 Public WRS 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, separation benefits, as well as health and life insurance benefits. Presentations run from 7 p.m. to 9 p.m. No reservations are needed. All locations are handicap accessible.

Public Presentations

Antigo	Wed., April 9	Antigo High School-Volm Theater, 1900 Tenth Ave., Antigo
Cleveland	Tues., April 1	Lakeshore Technical College-Multipurpose Room (Lakeshore Building), 1290 N. Ave., Cleveland
Green Bay	Thurs., March 13	UW-Green Bay, Rose Hall, Lecture Hall (use plaza-level entrance), 2420 Nicolet Dr., Green Bay
Hayward	Thurs., March 27	Hayward High School-Auditorium, 10320 Greenwood Lane, Hayward
Lancaster	Tues., March 4	Lancaster High School-Hillery Auditorium, 806 E. Elm St., Lancaster
Milwaukee	Thurs., April 3	UW-Milwaukee Student Union-Ballroom, 2200 E. Kenwood Blvd., Milwaukee
Oshkosh	Thurs., April 17	Oshkosh North High School-Auditorium, 1110 W. Smith Ave., Oshkosh
Phillips	Wed., March 26	Phillips High School-Auditorium, 990 Flambeau Ave., Phillips
Rice Lake	Tues., April 22	Wisconsin Indianhead Technical College-Conference Center, 1900 College Dr., Rice Lake
River Falls	Tues., April 8	River Falls High School-Auditorium, 818 Cemetery Rd., River Falls
Waunakee	Tues., March 18	Waunakee High School-Small Auditorium, 301 Community Dr., Waunakee
West Salem	Tues., April 15	West Salem High School-Auditorium, 405 E. Hamlin St., West Salem

ETF Offers Group Retirement Information Sessions

The Department of Employee Trust Funds (ETF) offers small group counseling sessions for Wisconsin Retirement System (WRS) members approaching retirement. The two-hour sessions, designed for up to eight participants and guests, are held three times a week at ETF's Madison office, located at 801 W. Badger Road. Monday and Wednesday sessions begin at 1:00 p.m.; Thursday sessions begin at 8:30 a.m. Sessions are offered on Mondays at ETF's Waukesha office, located at 141 N.W. Barstow Street, Room 411.

In group sessions, participants receive an overview of WRS benefits and annuity calculations, along with a step-by-step explanation of the retirement estimate, annuity options, and application process. Participants may ask

questions throughout the session and benefit from the questions, comments, and information on the retirement process shared by other meeting participants.

While an appointment for a group counseling session is required, an appointment can usually be scheduled much sooner than an individual counseling session.

To make an appointment for a group session, call ETF's Madison appointment line at (608) 266-5717 or toll-free 1-877-533-5020, ext. 65717. Group counseling attendees must:

- Be within one year of minimum retirement age;
- Have a valid retirement estimate from ETF (less than one year old); and
- Bring their retirement packets to the session.

Avoid Surprises: Keep Beneficiary Designation Updated

Have your personal circumstances changed since you first filed a Wisconsin Retirement System beneficiary form? Keeping the designation current is very important — it is NOT automatically updated in the event of divorce, marriage, birth or death of children, or any other changes in your personal situation. What's the easiest way to ensure your designa-

tion is current? File a new *Beneficiary Designation* form (ET-2320) with the Department of Employee Trust Funds. You must use this form in order for your designation to be valid. It's available on our Internet site or by calling our toll-free Self Service Line at 1-877-383-1888 to request a paper copy.

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Madison, WI 53707-7931

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.

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mended; 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 Secu-
rity number (SSN) with all correspon-
dence. 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.