

Trust Fund News



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Employee Trust Funds
P.O. Box 7931, Madison, WI
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Developing and delivering quality benefits and services to members while safeguarding the integrity of the Trust Funds.

May 2008
Inactive Member Edition

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Effective Rates Set; Annuity Dividend and Adjustment Announced

The Department of Employee Trust Funds (ETF) set the 2007 effective rates applied to the retirement accounts of Wisconsin Retirement System (WRS) active employees and eligible inactive members. The Core effective rate is 13.1%; the Variable effective rate is 6%.

The Department also established the dividend and adjustments for retirement annuities. The Core annuity dividend is 6.6% and the Variable annuity adjustment is 0.0% (no increase). These rates were applied to the May 1 annuity payment.

WRS pension adjustments are not automatic. Whether they are granted depends on the investment performance of the pension funds invested by the State of Wisconsin Investment Board (SWIB), and the current and projected WRS funding needs. SWIB reported 2007 investment returns of 8.7% for the Core Trust Fund

Special Feature Inside:

State of Wisconsin
Investment Board insert

and 5.6% for the Variable Trust Fund. Increases granted in previous years can be reduced if the fund experiences poor investment performance.

Protection from down markets

By law, the actual Core Trust Fund investment gains and losses must be smoothed over a five-year period. The intent of the smoothing process is to limit the effect of wide swings in investment experience because of market volatility. The Trust Funds endured market losses from 2000 to 2002, and, due to the risk- and gain-sharing nature of the WRS, participants felt the effects of these losses. However, due to the smoothing of the Core Fund, ETF was

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Accelerated Payment Options Changing

Editor's note: The Wisconsin Retirement System (WRS) offers members who retire before the age of 62 "accelerated" benefit payment options. The intent is to provide a higher WRS annuity until the member reaches age 62 (at which time they can apply for Social Security benefits) and a reduced WRS annuity after age 62. A recent law change has made a small but positive change in the structure of WRS accelerated payment annuity options.

Under the current law, accelerated payment annuities have two parts: a lifetime annuity payable for the life of the annuitant, and a temporary annuity payable **until the retiree reaches age 62 or dies, whichever comes first**. This means if you choose an accelerated payment option and if you die before reaching age 62, any death benefit payable from your WRS annuity is based only on your after-age-62 life annuity amount.

A recent law change removes the requirement that the temporary annuity payment stop if the death occurs before the retiree turns 62. **The law change is effective July 1, 2008, and is not retroactive.** It does not apply to accelerated payment annuities already being paid or to annuities that become effective before July 1, 2008.

If your annuity is to begin on or after July 1, 2008, and you have chosen an

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still able to avoid reducing benefit payments and provide modest increases to retirees in most years. For instance, in 2002 no annuity increase was provided and in 2003 and 2005 the pension increases were less than 1.5%. To review Core and Variable Fund investment returns, effective rates and annuity adjustments for the past 20 years, go to our online chart at <http://etf.wi.gov/retirees/dividends.htm>.

Approximately 36,000 WRS annuitants participate in the optional (and more volatile) Variable Trust Fund. By law, ETF may grant Variable annuity increases only if there are enough Variable Fund gains to pay all retired Variable participants an increase of 2% or higher. There weren't sufficient funds this year to grant at least a 2% Variable annuity increase. However, the surplus funds are carried forward and will be included when calculating next year's Variable annuity adjustment.

Is the Variable still a good choice for me?

The Variable Fund is an all-stock portfolio. It was created as an option for members to give a portion of their ben-

efit more exposure to the stock market. Participants can experience significant gains, but they also risk significant losses from unfavorable stock market performance. It is also important to understand that the Core Fund currently contains almost 70% equity-like (stock) investments. So, increasing exposure to more stocks substantially increases the stock market risk you are exposed to.

Variable fund participation is a decision that should be made with considerable care and a full understanding of the risks involved. It's best to consider several factors, including your risk tolerance, other types of investments that fund your retirement, and your years until retirement. You need to be fully informed about the risks and rewards of participation in the Variable Fund before making the decision to participate or — if you are already in the Variable — withdrawing from the Fund.

To learn more, see *Frequently Asked Questions About the Variable Fund*, on page three and various related articles in *The SWIB Report* (special insert in this edition of *Trust Fund News*).

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accelerated payment option:

- Your temporary annuity is payable until you reach age 62.
- If you die before reaching age 62, the temporary annuity will be paid to your named survivor or beneficiary(ies) through the month in which you would have reached age 62, even if there are no death benefits payable from the lifetime portion of the annuity option that you select when you retire.

If you have already received retirement estimates from the Department of Employee Trust Funds (ETF), please note that this change will result in a very small reduction

in the amount of your life annuity in order to fund the cost of the improved death benefit protection.

If your annuity effective date will be on or after July 1 and you have already submitted your retirement application and now wish to change your annuity option to an accelerated payment option, please contact ETF immediately for an option change application. We must receive your application to change your annuity option no later than 60 calendar days after the date that your first annuity payment is issued. After the 60-day deadline expires you are no longer eligible to change your annuity option.

It's the Law: Mandatory Distributions from Your WRS Account

To assure compliance with federal laws, Wisconsin law requires that you apply for a benefit from your required and additional accounts no later than the end of the year that you reach age 69 ½. The Department of Employee Trust Funds will notify you during your 69 ½ year that you must apply for your retirement benefit. If you do not submit a benefit application by the end

of the year you reach age 69 ½, we will begin an automatic distribution from your account.

Note: If you are working in a position covered under the Wisconsin Retirement System (WRS) when you reach age 69 ½, you are neither required nor eligible to take a benefit from your account until you terminate covered WRS employment.

Frequently Asked Questions About the Variable Fund

When I retire, how will my participation in the Variable Fund affect my benefits?

1. Your Core and Variable account balances earn interest each year. Over time, depending on which trust fund earns higher interest over the years you will have either **more** or **less** money in your account than you would have if you had **never** participated in the Variable Fund. The Department annually compares your actual account balance with what it would be had you never participated in the Variable in order to determine whether you have a “variable excess” or a “variable deficiency”. If your account balance is higher due to your participation, then you have an **excess**; if lower, a **deficiency**.

If you participate in the Variable, your excess or deficiency amount is shown in Section 8 of your annual *Statement of Benefits*.

2. When you retire, ETF calculates your benefits two ways — the money purchase calculation and the formula calculation — and pays you the higher of the two calculations. The money purchase calculation is based on two factors only — your age when your annuity begins and the dollar balance in your Wisconsin Retirement System (WRS) account. Core and Variable Fund interest your account has earned over the years will be reflected in the money purchase benefit amount. **Your Variable excess or deficiency is not a factor in the money purchase calculation.**

However, your Variable excesses or deficiency **does** play a role in your formula benefit calculation. The basic formula calculation is based on four factors: final average earnings, formula multipliers based on employment category, years of service, and any applicable actuarial reduction for early retirement. Next, a Variable adjustment is applied to the calculation. The adjustment is your Variable excess (the amount you're ahead because of your Variable participation) or deficiency (the amount you're behind). A Variable excess will increase the amount of your formula annuity at retirement; a Variable deficiency will reduce it.

I am not retired. If I cancel participation in the Variable, what happens to my WRS account? *Note: The*

applicable form, Canceling Variable Participation (ET-2313), must be completed and sent directly to ETF (not your employer). Your cancellation will become effective on December 31 of the year ETF receives the form, after Core and Variable effective interest have been applied to your account balances. There are three Variable cancellation options: **Future Contributions Only, Conditional, and Unconditional**. For detailed information about each type of cancellation, review our brochure, *How Participation in the Variable Trust Affects Your WRS Benefits* (ET-4930).

Based on the type of cancellation you elect, once the cancellation becomes effective, your Variable funds are transferred to your Core account and earn Core effective rate interest. **However, after your Variable funds are transferred to the Core, you will have a “residual” Variable excess or deficiency.** Your residual excess or deficiency will be credited with the Core effective rate interest each year until you take a retirement benefit. If you have a residual excess when your cancellation becomes effective, this would result in a larger “add-on” to your formula retirement annuity. Conversely, if you have a residual deficiency when the cancellation becomes effective, your deficiency balance will grow (to a larger negative number) each year until you take a retirement benefit (resulting in a larger reduction to your formula annuity).

Note: if you opt for a Conditional cancellation, you will never have a Variable deficiency because your Variable funds would only be transferred if you were “even” or “ahead” because of your Variable participation.

I am retired and a portion of my annuity is paid from the Variable Fund. Can I transfer the Variable portion to the Core so that my entire annuity receives the annual Core fund adjustments? If I do this, what happens to the previous Variable increases and decreases I have received? You can file either a conditional or unconditional election to cancel your



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Variable participation. Detailed information about how each option works can be found in the *How Participation in the Variable Trust Affects Your WRS Benefits* brochure (ET-4930).

Important note: The Variable annuity adjustment will always be applied to the Variable portion of your annuity on the May 1 after the year in which the Department receives your cancellation. After that, the type of cancellation that you elected (conditional or unconditional) will determine when your Variable annuity is transferred to the Core Fund.

The following ETF resources will help you learn more about the Core and Variable Trust Funds, including how participation in the Variable Fund affects your retirement benefits:

- **Online recordings:** *Annual Retirement Annuity Adjustments* and *WRS Trust Funds: Core and Variable*. Find them in our Video Library at <http://etf.wi.gov/webcasts.htm>.
- **Variable excess/deficiency calculator:** If you have participated in the Variable Fund, and if you have not already begun receiving a retire-

ment annuity, use the excess or deficiency balance from your last annual *Statement of Benefits* to calculate online how much it would increase or decrease your formula retirement annuity. Go to <http://etf.wi.gov/calculator.htm>.

- **Brochure:** *How Participation in the Variable Trust Fund Affects Your WRS Benefits* (ET-4930). Call us for a paper copy or look for it on our Internet site at <http://etf.wi.gov>.
- **ETF form:** *Canceling Variable Participation* (ET-2313). The instructions contain detailed information on all of the cancellation options. Call us for a paper copy or look for it on our Internet site <http://etf.wi.gov>.
- **Historical Chart:** Review Core and Variable Fund investment returns, effective rates and annuity adjustments for the past 20 years. Go to <http://etf.wi.gov/retirees/dividends.htm>. **Important note:** Reviewing this information is helpful, but future rates and dividends are not guaranteed.



Inactive Members have WRS Survivor Benefits

Editor's note: The information presented centers on survivor benefits payable when an inactive member dies before applying for a retirement benefit. Put this article with your important papers.

For family members dealing with the loss of a loved one, the period of time following the death can be an overwhelmingly busy time.

Therefore, it's understandable that people often forget to follow through with one of the most important tasks following the death of a Wisconsin Retirement System (WRS) member: Notify the Department of Employee Trust Funds (ETF).

The first step is to call us toll-free at 1-877-533-5020 or (608) 266-3285. We will want to know the following:

- Name of the member who died;
- His/her date of birth and date of death;
- His/her Social Security number;
- Caller's relationship to the member; and
- Contact information

Our service goal for your beneficiary(ies) is to pay any benefits due as soon as possible. The benefits payable to your beneficiary(ies) will include the employee required contributions in your account and any regular additional contributions you may have made, plus accumulated interest. Section 7 of your most recent annual *Statement of Benefits* shows the

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ETF Works to Protect Your Private Information

At the Department of Employee Trust Funds (ETF), we understand the critical importance of keeping your personal information secure from unauthorized use or disclosure. We must collect and store personal data to maintain accounts and to ensure that members receive the benefits to which they are entitled. Federal regulations and Wisconsin laws mandate that we keep your information secure.

ETF has policies and procedures in place for the protection of personal information. Staff are required to verify caller identity and establish whether that person has authority to obtain account specific information. If you call us, we will, at a minimum, ask for your name, birth date and Social Security number. It does take a minute or two to verify identity, but it is for your privacy and the protection of your account. Our goal is not to create barriers, but to protect your account from those who lack proper authority.

We require our business partners to contractually promise to keep personal information secure and we give them only the information needed

to perform services. Partners that must handle protected health information, such as the health insurance program's pharmacy benefit manager, are required to sign special privacy contracts known as business associate agreements. A business associate agreement is an extensive privacy contract that is mandated by federal law.

You can give another person permission to receive personal information from your account by filing a written authorization with your signature. The common authorizations at ETF are the *Authorization to Disclose Non-Medical Individual Personal Information* (ET-7406) and the *Authorization to Disclose Medical Information* (ET-7414). Please call ETF or visit our Internet site if you need these forms. In the authorization form, you can give broad access to your information or you may restrict access to certain information. You may also specify when the authorization will expire. If you need to revoke an authorization previously filed with ETF, please do so in writing and send your letter to the attention of the Department's Privacy Officer.

What's New in ETF's Video Library? <http://etf.wi.gov/webcasts.htm>

WRS Core and Variable Trust Funds

What are the differences between the Core and the Variable Trust Funds? Is Variable Fund participation a good choice for you — how does it affect your retirement benefits? This online video provides the answers to these and other frequently-asked questions about the Wisconsin Retirement System (WRS) Trust Funds. The program also provides information about the State of Wisconsin Investment Board's management of trust fund investments, how effective rates and annuity adjustments are calculated, what it means to have a Variable "excess" or "deficiency" and how to cancel and/or elect Variable participation.

WRS Payment Options

WRS Payment Options contains information about WRS retirement benefit payment option selection and describes in-depth the details of each of the WRS payment options available. Other

topics covered include changing options, spousal consent, minimum distribution requirements and more.

Social Security Benefits

In this program, a specialist with the federal Social Security Administration explains who is eligible for Social Security (SS) Retirement and Survivor Benefits and reviews eligibility criteria for this and other SS benefit programs. This program also includes information on how benefits are calculated, when and how to apply, and basic information on disability and Medicare.

Other Titles in ETF's Video Library:

Calculating Your Retirement Benefits Online

How to Complete a Retirement Application

Planning for the Inevitable (Information about

Survivor Benefits and Beneficiary Designations)

Your Annual Statement of Benefits

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 designation 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.

New Law Changes “Standard Sequence” for Beneficiary Designation

If you have never filed a Beneficiary Designation form (ET-2320) with the Department, or if all of your named beneficiaries die before you, your beneficiaries will be determined under what is known as statutory “standard sequence.” A law change effective April 5, 2008, made the statutory standard sequence more consistent with other state laws used to determine a decedent's heirs.

If your beneficiaries are determined under standard sequence, death benefits will be paid in

equal shares to the beneficiary(ies) in the lowest-numbered group.

The new standard sequence is as follows:

1. Surviving spouse
2. Children*
3. Grandchildren
4. Parents
5. Siblings**
6. Estate

**If one of your children dies before you, that child's share is divided between the deceased child's children*

*** If one of your siblings dies before you, that sibling's share is divided between the deceased sibling's children.*

New!

ETF Adds Evening Customer Service Hours

The Department has temporarily expanded its customer service Call Center hours through June 26 to better serve you. Dial toll free: 1-877-533-5020. In the Madison area: (608) 266-3285.

New Hours:

- 7:45 a.m. - 7 p.m., Monday through Thursday*
- 7:45 a.m. - 4:30 p.m., Friday

**after June 26, hours will be 7:45 – 4:30 p.m. Monday-Friday*

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amount of the death benefit payable from your account. Section 5 of your *Statement* lists the person(s) you have chosen as your primary beneficiary(ies). If this information is incorrect, you should immediately file a new *Beneficiary Designation* form (ET-2320) with the Department (see accompanying article, above).

We understand that “putting your affairs in order” may not be high on your to-do list, but it is an important responsibility. In the event of your death,

WRS benefits due must be pursued immediately so they can be processed in a timely manner. For questions about this process or additional assistance, please don't hesitate to contact ETF.

Here's a helpful planning resource: The Department's online video, *Planning for the Inevitable (Information About Survivor Benefits and Beneficiary Designations)*. You will find it in our Video Library at <http://etf.wi.gov/webcasts.htm>.

ETF Seeks Persons With Abandoned WRS Accounts

The Department 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. 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.

Arnold, Frances A.	Gruber, Margaret M.	Marks, Deborah J.	Schultze, Kay A.
Boone, Betty A.	Guckenberger, Kay S.	McCracken, Dorothy A.	Scott, Mary
Bozzolini, Alfredo	Haas, Janet L.	McGee, Carol A.	Shelton, Janie L.
Brown, Patricia A.	Haasch, Jerome W.	McMullen, Catherine L.	Silberg, Robert A.
Bruhl, Sharon J.	Hammill, Julie C.	Mitchell, Caroline	Smith, Margaret L.
Butterfield, Paul R.	Haney, Gail J.	Moerchen, Alice M.	Soudah, Frank F.
Chancer, David	Hansen, Kathleen G.	Morgan, Betty L.	Spallas, Richard P.
Christenson, Patricia H.	Hansen, Mary J.	Moseler, Joanne	Srok, Joyce K.
Colglazier, Larry W.	Harris, Delano	Mott, Mary L.	Steers, Stanley F.
Coplin, Gertrude G.	Harris, Phyllis J.	Munnings, Susan A.	Stiegman, Jerome R.
Davis, Karen P.	Herman, Ellen	Olivas, Shirley D.	Suh, Byung D.
Decker, Nancy L.	Hodge, Robert W.	Olsen, Clark	Svanoe, Rennard G.
Dennis, Ann M.	Imlay, Sharon	Owens, Bonnie M.	Szopinski, Charolette
Dixon, Patricia E.	Isirimah, Nnaemeka O.	Peters, James M.	Tester, Lynn B.
Dolar, Salvador G.	Jansen, Joah H.	Peterson, John R.	Thompson, Thayer
Dubey, Darrell L.	Jones, John W.	Petrullo, Marguerite M.	Vollmer, Patricia A.
Elkins, Jean C.	Keyzer, Florence M.	Petis, Grace A.	Waterman, Lavon
Engel, Theodore J.	Knutson, Thomas E.	Phelps, Eloda M.	Webster, Stanley R.
Faucett, Carol M.	Koch, Mary J.	Rainford, Peter M.	Wegner, Emily R.
Felton, Annette L.	Koehl, Agnes A.	Rick, Jacqueline J.	Weidemann, Dean A.
Fox, Nancy J.	Krahn, Roger H.	Robinson, Suzanne O.	Wiese, Virginia
Garcia, Bernardo	Kreul, Patricia	Rose, Julia K.	Wilhart, Arline J.
Gentile, Anthony F.	Lapointe, David F.	Rowley, Elizabeth	Wilkinson, Gloria M.
Gissell, Jerome J.	Levine, Stephen S.	Sadoughian, Ali A.	Winkler, Shirley T.
Goldstein, Martin I.	Lindberg, Joyce A.	Salbeck, James A.	Witzke, Maria
Gothard, Barbara M.	Long, Wayne A.	Salinas, Maximiliano M.	Wright, Thomas M.
Gross, Karen J.	Lystrup, Dorothy J.	Schroeder, Wilfried H.	

Beneficiaries of Life Insurance Claims Sought

The Department is also seeking people who, under Wis. Stat. S. 40.02 (8) (a), are the beneficiaries of the deceased life insurance policyholders listed below. For an application and additional information, write to ETF at P.O.

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

Anderson, Mabel	Gelman, Mary	Madden, Patrick J.	Szymankiewicz, Lawrence
Bell, Esther	Hyde, Helen	Olson, Marilyn	Verdun, Simone
Ervin, Irene E.	Lord, Helen B.	Rogers, Ruth	Vetter, Irene B.
Gehrke, William	Lorenz, Leona	Sehrt, Naomi	Ward, Emma

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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 recom-
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.