

# Trust Fund News



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

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## ETF Board Discusses the Variable Trust Fund

The assets of the Wisconsin Retirement System (WRS) are held in trust to pay member retirement benefits. The money to pay for benefits comes from three sources: employee contributions, employer contributions and investment earnings. The State of Wisconsin Investment Board (SWIB), which invests and manages the assets, pools the assets and places them in either the Core Trust Fund or the Variable Trust Fund.

Under state law, the Variable Fund is almost entirely invested in stocks. It was designed in the 1950s to give participants the opportunity to increase their retirement benefits by directing a portion of their accounts into stock market investments in return for the potential for higher gains. However, unfavorable

market performance can also result in significant losses, leading to reduced account balances (deficiencies) and reduced annuity payments, even for retirement benefits based on the formula calculation.

Conversely, the Core Fund, in which all WRS members have at least half of their pension funds, is a balanced fund of diversified holdings in domestic and international stocks, bonds, loans, real estate and private equity. This diversification reduces the overall risk of the Core Fund.

Participation in the Variable Fund is optional. Those who decide to divide their contributions between the Core and Variable have a stock exposure of about 85%, according to SWIB.

Last year the Legislative Audit Bureau  
*Variable*, continued on page 2

## A Message from the Secretary: The Importance of Service

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

Quality service is a core value of the Department of Employee Trust Funds (ETF). We believe in providing service that is timely, accurate, thorough and accessible. This belief lies at the heart of our mission statement. In fact, every ETF employee has a reminder of this commitment on his or her desk.

We are always looking for ways to improve our service to you. For example, in every edition of Trust Fund News, you will learn about new programs in our online video library. The videos are a cost-effective way of using technology to improve access to needed information about retirement and other benefits. Our group appointments, in which we present

retirement planning information and services to members in a small group setting, have been very popular. Our online retirement calculator, the most-viewed section of our Internet site, can help you calculate your own retirement benefit projection from the comfort of your home. And, we just concluded a trial period of extended customer service hours in our Call Center and are evaluating whether to make the longer hours permanent.

You have my promise that we will keep looking for new and creative ways to provide the services that you need and expect. However, there are limits to what we can do. Despite significant improvements in

*Message*, continued on page 2

### *Variable, continued from page 1*

recommended that SWIB re-evaluate its process for making investment decisions that affect the Variable Fund. This came after Variable investment returns failed to meet established benchmarks.

Based on information provided by SWIB, the Employee Trust Funds (ETF) Board has been evaluating the risks and benefits of participation in the Variable Fund and plans to take up the issue again at its September meeting. Preliminary Board discussions have centered

on the fundamental design of the Variable Fund and whether it is meeting the needs of participants.

If you currently participate in the Variable, or are considering the idea, take the time to review your financial situation and determine your tolerance for risk. As with any investment decision, examine whether the risk is worth the potential gain or loss. See page three for a number of resources to help you do your due diligence.

### *Message, continued from page 1*

our Call Center, many of you periodically have trouble getting through to a specialist. In addition, the wait time to receive a separation benefit payment is several months and, as the article on page three points out, it is taking us up to eight months to finalize retirement annuities. And members wanting an individual retirement appointment routinely wait several weeks to see a benefit specialist.

We are not pleased with the current levels of service in some areas, but nevertheless are forced to prioritize because our budget is limited and the number of members nearing retirement continues to grow. As you may know, ETF's budget is established by law every two years as part of the larger state budget process. Our funding source is the investment income of the public employee trust fund, not state tax dollars. Our operating budget currently equates to about two cents for every \$100 of assets in the fund. Unfortunately, unless something changes, pressure to do more will sharply increase as more of you transition into retirement.

The Wisconsin Retirement System's consulting actuary recently completed a 50-year projection of our system. According to the actuary, our retiree population will increase from 143,000 to 232,000 in the next 10 years

— a 62% increase. We will have nearly 300,000 retired members in 20 years, a 105% increase from today. In addition, an independent consultant recently examined ETF's operations. The resulting report concluded that, when compared to similar sized retirement systems, ours is funded at a lower rate, provides fewer services, and has a higher member-to-staff ratio.

Given our limited budget and the influx of new retirees, yet despite our efforts to find more cost-effective ways of providing service, the outlook for our ability to meet your service demands without additional resources is not good. At some point, when our budget gets stretched too much, the possibility of longer delays and service interruptions will increase. We did receive some much-needed additional staff as part of the last state budget. However, short-term solutions do not address the core issues that underlie our problem. We need a long-range approach to addressing our resource needs in order to tackle both current and future challenges.

In the next edition, I will discuss our plans to address these challenges while maintaining a strong commitment to providing the quality service you deserve.

## **What's New in ETF's Video Library?**

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

- *Returning to Work After Retirement*
- *Divorce and Your WRS Benefits (for Annuitants)*
- *Divorce and Your WRS Benefits (for Non-Annuitants)*
- *Income Continuation Insurance Benefits*
- *The Employee Reimbursement Accounts Program (for state employees only)*
- *The It's Your Choice Book: Your Health Insurance Benefits for 2009 (October 2008)*

# Common Questions from Recently-Retired Members

**How long does it take for the Department of Employee Trust Funds (ETF) to finalize my annuity calculation?** It generally takes about 4-8 months for ETF to finalize your annuity — primarily because we have to wait for reports from your employer in order to reconcile your account. Until then, your monthly payments are based on estimated amounts. However, there are exceptions:

- If your Wisconsin Retirement System (WRS) account was inactive some time before your annuity began, your annuity is finalized before your first payment.
- If we are still waiting for your final termination data from your employer or other updates to your account, it may take longer than 4-8 months.

## Can I change my annuity option after I retire?

To change the annuity option that you selected on your application, we must receive your written option change request no later than 60 calendar days after the date your first annuity payment is issued. Example: If your first payment is issued on December 1, 2008, ETF must receive your written option change request no later than January 30, 2009. After the 60-day deadline expires your annuity selection is irrevocable.

**When will I get my first annuity increase?** The annual annuity adjustments are effective on each May 1 payment.\* Annuitants generally receive their first annuity adjustments on May 1 in the year **after** the year in which their annuities begin. Examples:

- A teacher retired on June 10, 2008. The first annuity adjustment will be on the May 1, 2009, annuity payment.
- A participant retires on January 2, 2009. The first adjustment will be on the May 1, 2010 annuity payment.

In the first year after you retire, your Core Fund annuity dividend will be prorated based on the number of full months that your annuity was in effect during the previous year. Example: If your annuity became effective July 15, 2008, then you would receive on the May 1, 2009 payment

five-twelfths of the full Core Fund adjustment, because your annuity was effective for five full months in 2008 (August – December).

**The Variable adjustment is not prorated.** If a portion of your annuity is paid from the Variable Fund, the full Variable adjustment will be applied to your Variable annuity regardless of how many months your annuity was in force during the previous year.

After the first year you will receive the full Core Fund annuity dividend each year (and the full Variable adjustment if applicable). Both Core and Variable adjustments can be increases or decreases, although to date there has never been a

*Questions, continued on page 4*

## Additional Resources

The following Department resources will help you learn more about how participation in the Variable Fund affects your benefits:

**Brochure:** *How Participation in the Variable Trust Fund Affects Your WRS Benefits*, (ET-4930).

**Form:** *Canceling Variable Participation* (ET-2313). The instructions contain detailed information on all cancellation options for both active employees and retirees.

**Online videos:** *Annual Retirement Annuity Adjustments* and *WRS Trust Funds: Core and Variable*. Go to <http://etf.wi.gov/webcasts.htm>.

**Online calculator:** If you have not already begun receiving a retirement annuity, use the excess or deficiency balance from your last annual *Statement of Benefits* to calculate how much it would increase or decrease your formula retirement annuity. Go to <http://etf.wi.gov/calculator.htm>.

**Chart:** Review Core and Variable Fund investment returns, effective rates and annuity dividends and adjustments for the past 20 years. Go to <http://etf.wi.gov/retirees/dividends.htm>.

# Options for Canceling Variable Participation

## RETIREES

*Applicable form: Canceling Variable Participation (ET-2313). Complete and send to ETF*

If you wish to cancel your participation in the Variable Fund, your options are to file either an **unconditional** or a **conditional** cancellation. No matter which option you choose, a “Variable adjustment” will be applied to the Variable portion of your annuity on the May 1 payment in the year **after** the year in which the Department receives your election to cancel variable participation. After that, the type of cancellation that you elected will determine when your Variable annuity is transferred to the Core Fund.

**Unconditional Cancellation:** After the annual Core and Variable annuity adjustments are made to your May 1 payment in the year after we receive your cancellation, the Variable portion of your annuity will be transferred to the Core Fund. The Core annuity adjustment will be applied to the full amount of your annuity in every year thereafter.

### Example — Unconditional Cancellation:

- 1) *ETF receives unconditional variable cancellation election on February 1, 2008.*
- 2) *The variable annuity adjustment is applied to the variable portion of your May 1, 2009 annuity payment for the last time.*
- 3) *Core annuity dividend (only) applied to your total annuity every year beginning May 1, 2010.*

**Conditional Cancellation:** After the annual Core and Variable Fund annuity adjustments are made to your May 1 payment in the year after we receive your cancellation, the new amount of your total annuity will be compared to the amount that your annuity would be **if you had never participated in the Variable**, and then:

- If your annuity is *equal to or greater than* the amount it would be if you had never participated, the Variable portion of your annuity is transferred to the Core Fund. The Core annuity adjustment will be applied to your total annuity every year thereafter.
- If the new amount of your annuity is *less than* the amount it would have been if you had never participated in the Variable, the Variable portion of your annuity will remain in the Variable Fund for another year. This comparison will be done each year thereafter until your total annuity reaches an amount equal to or greater than the amount it would be if you had never participated in the Variable. Once that condition is met the Variable portion of your annuity will be transferred to the Core Trust Fund.

*Options, continued on page 5*

### Questions, continued from page 3

Core annuity decrease. Your Core annuity can never be decreased below the finalized initial amount. However, there is no limitation on Variable annuity decreases.

**Now that I'm retired, can I get out of the Variable Fund?** Yes, you can elect to cancel participation at any time. Your cancellation will become effective the January 1 after the Department receives it. This means that the full Variable adjustment will be applied to the Variable portion of your annuity on the May 1 payment in the year after the year in which we receive your cancellation.

Please see the article above for more detailed information about the effects of conditional and unconditional variable cancellations for annuitants.

*\*Because adjustments are dependent on the previous year's investment returns, adjustments are not guaranteed.*

### To learn more:

- **View our online video:** *Now That You're Retired: What You Need to Know*. Find it at <http://etf.wi.gov/webcasts.htm>.
- **Review our brochure,** *Information for Retirees* (ET-2006). Find it on our Internet site, <http://etf.wi.gov>, under the Publications menu. Or, call ETF to request a paper copy.

## ETF to Discontinue Accepting 403 (b) Contributions

Employees eligible to make tax-deferred contributions (also known as Internal Revenue Code section 403(b) funds) to supplement their retirement savings should be aware that, effective January 1, 2009, the Wisconsin Retirement System (WRS) will no longer be an investment option.

The ability to contribute tax-deferred dollars to the WRS until the effective date of change is limited to employees of educational institutions whose employers enrolled in this program before May of 1982. However, the Department of Employee Trust Funds (ETF) has determined that it is no longer able to accept 403(b) contributions in light of recent changes in federal law.

If you currently have 403(b) additional contributions credited to your WRS account, the funds will continue to earn interest until such time as you are eligible to withdraw the deposits. Withdrawals are subject to the same terms under which the contributions were made (i.e., withdrawals require termination of all WRS participating employment).

Contact your employer's benefits and payroll office for information on other 403(b) investment options available to you. Or, consider the Wisconsin Deferred Compensation (WDC) Program. You will find more information about the WDC under the Members tab on our Internet site, <http://etf.wi.gov>.

*Options, continued from page 5*

**Important note:** The comparison done for a conditional cancellation compares the amount of your annuity to the amount that your annuity would be if **you had never participated in the Variable**, not to the amount it would be if you had only been in the Core Fund since you first retired.

This means that if you had a "variable excess" when you retired, but your annuity has decreased due to Variable losses, it's possible for your annuity to meet

the "breaking even" condition for a conditional Variable cancellation while still being less than it was when you first retired.

**Tip:** If you file a conditional Variable cancellation and later decide to cancel your Variable participation regardless of whether you are "ahead" or "behind," you can file an unconditional Variable cancellation at any time.

### ACTIVE EMPLOYEES

*Applicable form: Canceling Variable Participation (ET-2313). Complete and send to ETF (not your employer).*

Active employees have three cancellation options: **Future Contributions Only**, **Conditional**, and **Unconditional**. No matter which option chosen, the cancellation will become effective on December 31 of the year ETF receives the form, after Core and Variable effective interest have been applied to account balances.

Although the May 2008 edition of *Trust Fund News* covered this topic in-depth (and we suggest you review it), this very important note is worth repeating here:

**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 Variable excess" when your cancellation becomes effective, this interest 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).

## RETIREES' CORNER

*Trust Fund News periodically runs brief announcements submitted by and about retiree organizations, subject to space availability and made on a first-come, first-served basis.*

### **Wisconsin Retired Educators' Association (WREA)**

The WREA is committed to monitoring and protecting pension benefits for retired educators and other members of the Wisconsin Retirement System (WRS).

The WREA offers a broad range of services and benefits, including substantial discounts on long-term care and health insurance, travel programs, roadside assistance, and auto and homeowners insurance. Members also have access to dental, vision, hearing, whole life insurance, identity theft prevention and Medicare programs. A grassroots organization with over 13,000 members and 72 local units, WREA is affiliated with

the National Retired Teachers Association, AARP's Educator Community.

Annual dues of \$40 for regular members (retired teachers, administrators and school personnel) and \$20 for associate members (other annuitants in the WRS, friends of education and active educators) are payable to WREA. Access information online at or send payment to WREA, 2564 Branch Street, Middleton, WI 53562. Phone: 608/831-5115; FAX: 608-831-1694; <http://wrea.net>.

### **Wisconsin Coalition of Annuitants (WCOA) Dental Coverage Announcement**

*Note: While the Group Insurance Board authorizes plans to establish policies and contract with WRS participants, the Board does not administer or oversee these plans. Dental coverage beyond that provided by plans participating in the state's group health insurance program is not an Employee Trust Funds-administered benefit. Therefore, if you have questions, contact the vendor. Do not contact the Department of Employee Trust Funds.*

The WCOA is pleased to announce that retirees and their dependents can access several dental plans made available through the Wisconsin Retired Educators' Association (WREA). WREA will waive its membership fee to encourage participation in these plans. For information on these WREA/America dental plans and an enrollment form, go to <https://gisconline.com/wcoa> or call 1-877-817-4805.

The DentalBlue plans offered by Anthem continue to be an option for retirees. Open enrollment is set for

October 15-December 3; applications and the annual premium (paid in full) are due by December 31. Coverage is effective January 1, 2009. Current DentalBlue participants will be billed for their 2009 premiums. For information and an enrollment form, go to the "Quick Links" section of the Office of State Employment Relations (OSER) Internet site at <http://oser.state.wi.us>.

All DentalBlue plans are listed on the site, but 2009 information is pending. Or you can call 1-866-511-4476 and identify yourself as a WRS/OSER applicant.

## BOARD CORNER

### **Department Seeks Candidates for Teachers Retirement Board Election**

**T**he Department has issued a call for nomination papers for active teachers seeking election to seats on the Teachers Retirement Board. Any active teacher (excluding those employed by the Milwaukee Public School District, which vote in a separate election) interested in serving on the board may request nomination papers. The terms of two current teacher members, Wayne McCaffery and Dennis Panicucci, expire this spring. ETF will conduct one election to select two winners. Voting will take place in

February. The winners will serve five-year terms beginning May 1.

To request a nomination packet, contact Ann McCarthy, ETF Board Election Coordinator, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931. E-mail: [Ann.McCarthy@etf.state.wi.us](mailto:Ann.McCarthy@etf.state.wi.us).

Completed packets must be received by the Department of Employee Trust Funds by 4:30 p.m., Friday, November 7.

## ETF Sets Fall 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, and separation benefits, as well as health and life insurance benefits. No reservations are needed. All locations are handicap accessible.

**Note: Watch a live, interactive Internet broadcast of this presentation on Tuesday, November 18 at 7:00 p.m. Find the link on our Internet site, <http://etf.wi.gov>.**

### Presentations

Ashland	Thurs., Oct. 2	6:30-8:30 p.m.	Wisconsin Indianhead Technical College, Conference Center, 2100 Beaser Ave., Ashland
Chippewa Falls	Wed., Oct. 8	6:30-8:30 p.m.	Chippewa Falls Senior High School, Cafeteria, 735 Terrill St., Chippewa Falls
Fond du Lac	Wed., Oct. 15	7:00-9:00 p.m.	Goodrich Little Theatre, 72 W. Ninth St., Fond du Lac
Kenosha	Tues., Nov. 4	6:30-8:30 p.m.	Tremper High School, Auditorium, 8560 26th Ave., Kenosha
Janesville	Tues., Nov. 11	6:30-8:30 p.m.	Marshall Middle School, Cafeteria, 25 S. Pontiac Dr., Janesville
La Crosse	Thurs., Oct. 16	7:00-9:00 p.m.	UW LaCrosse, Cartwright Center-Valhalla (Student Union), 1741 State St., La Crosse
<i>(Note: a Social Security Administration presentation is set for 6:30 p.m.)</i>			
Madison	Sat., Oct. 4	8:30-10:30 a.m.	Madison Area Technical College Truax Campus, Mitby Theater, 3550 Anderson St., Madison
Mauston	Thurs., Nov. 13	6:30-8:30 p.m.	Mauston High School, Auditorium, 800 Grayside Ave., Mauston
Medford	Tues., Sept. 30	6:30-8:30 p.m.	Medford Area Senior High School, Red & White Theater, 1015 W. Broadway Ave., Medford
Pewaukee	Tues., Oct. 28	6:30-8:30 p.m.	Waukesha Co. Technical College, Richard T. Anderson College Center, 800 Main St., Pewaukee (free parking in lots 7,8,9)
Platteville	Tues., Oct. 14	6:30-8:30 p.m.	UW Platteville, Ullsvik Hall, Nohr Gallery (ground floor), Corner of Hickory and Main Sts., Platteville
Spooner	Tues., Sept. 23	6:30-8:30 p.m.	Spooner Middle School, Cafeteria, 500 College St., Spooner
Stevens Point	Tues., Oct. 14	6:30-8:30 p.m.	UW Stevens Point, Dreyfus Univ. Center, Theater, 1015 Reserve St., Stevens Point
Sturgeon Bay	Thurs., Oct. 23	6:30-8:30 p.m.	Sturgeon Bay High School, Auditorium, 1230 Michigan St., Sturgeon Bay
Tomahawk	Thurs., Sept. 25	6:30-8:30 p.m.	Tomahawk Elementary School, Auditorium, 1048 E. King Rd., Tomahawk

## ETF Offers Small Group Retirement Appointments

The Department of Employee Trust Funds (ETF) offers small group retirement appointments for Wisconsin Retirement System (WRS) members approaching retirement. The two-hour sessions are held at ETF's Madison office, located at 801 W. Badger Road, and at the Department's Waukesha office, located at 141 N.W. Barstow Street, Room 151 (West entrance).

In small group retirement appointments, 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 shared by other participants.

While a reservation for a group session is required, it usually can be scheduled much sooner than an individual appointment. To schedule a group appointment, call ETF's Madison appointment line at (608) 266-5717 or toll-free 1-877-533-5020, ext. 65717.

### Group retirement appointment attendees must:

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

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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. 151

**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. *Please include your Social  
Security Number 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.