

Trust Fund News



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Employee Trust Funds
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*Developing and delivering
quality benefits and services
to members while safe-
guarding the integrity of the
Trust Funds.*

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ETF Announces Effective Rates; Annuity Adjustments Set

The Department of Employee Trust Funds (ETF) set the 2008 effective rates for Wisconsin Retirement System (WRS) active employees and eligible inactive members. The Core effective rate is 3.3%; the Variable effective rate is -40% (a decrease). These rates were applied to active members' retirement account balances and reflected on the annual *Statement of Benefits*, which was distributed last month.

WRS retirees will see reductions in their Core annuities for the first time in WRS history. The Core annuity adjustment is -2.1% (a decrease). Those participating in the optional Variable Fund will see a Variable annuity

Special Feature Inside:

State of Wisconsin
Investment Board insert

adjustment of -42%, a decrease as well. The adjustments, recommended by the Department's consulting actuary and approved by the ETF Board chair and ETF Secretary, will first be reflected on retirees' May 1 pension payments.

The effective rates and annuity adjustments are based on trust fund investment performance as of December 31, 2008 and reserves from previous years. The State of Wisconsin Investment Board (SWIB) invests the WRS assets. Trust fund investment returns were

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A Message From the Secretary: Planning for Change

2008 was a year of change. For the Wisconsin Retirement System (WRS), 2008 brought the first-ever negative Core Fund annuity adjustment (-2.1%), due to the economic turmoil that shook the world. Over the past few months, we have been working through media outlets, our newsletters, Internet site, video library and field presentations to inform WRS members about the fallout from the troubled economy.

Although none of us at ETF like to deliver difficult news to retirees about their benefits, or inform employers and employees about potential increases in 2010 contribution rates (to be determined in June), it is our responsibility

"Change is the law of life. And those who look only to the past or present are certain to miss the future."

— President John F. Kennedy

to keep you informed so you can adjust to these changes.

Despite the historic economic downturn in 2008, we should not lose sight of the fact that the WRS is a well-designed, well-funded and sustainable public pension system that provides vital retirement benefits for the public employees, and their families, who support our communities across Wisconsin. We should not be easily swayed by impulsive calls for long-term changes to the WRS as a re-

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-26.2% for the Core Fund and -39% for the Variable Fund in 2008.

Despite this year's significant decline in investment returns, the Core annuity adjustment benefited from Core Fund investment earnings from 2004-2007. Those increases were factored into this year's calculation process because, by law, investment increases and decreases in the Core Fund are spread (or "smoothed") over a five-year period. Smoothing works to reduce the year-to-year volatility of Core Fund investment returns.

At the same time, 2008's Core Fund investment loss of approximately \$26.8 billion will be recognized over the next four years.

Message, continued from page 1

sult of a short-term crisis. The WRS has served you well and is designed to do so long into the future. That is not to say that we should avoid looking at the WRS for ways to further improve its structure. However, great care and study should be exercised to prevent unintended damage.

One change we know we must confront is the way we deliver services. Our current service model is no longer sustainable. According to figures in a recent study by an international pension service benchmarking firm, ETF's per member customer service budget is 20 to 25% less than similar sized retirement systems around the country. As a result, Wisconsin's state and local government employees and retirees have a harder time getting through to our call center than their counterparts in other states, they wait longer for retirement estimates and finalized retirement payments, and they have less access to online services and ETF retirement specialists who can help them better understand their benefits.

We have set our sights on finding cost-effective ways to increase customer service. For example, we know members want the ability to make basic retirement account changes online (e.g., address changes, tax withholding, and

By law, Variable Fund investment returns are not smoothed. Members in the Variable Fund, an all-equity fund, experience effective rates and annuity adjustments that are closer to actual Variable Fund investment returns.

Important note: Despite this first-ever negative Core annuity adjustment, the Core portion of any WRS retiree's annuity can never be reduced below the amount he or she started with at retirement. Only Core annuity increases granted in previous years as a result of investment increases can be reduced. However, there is no similar limit on the Variable portion of a WRS retiree's annuity.

beneficiary designations). Allowing members to make these changes in a secure, online environment also makes good business sense for ETF.

However, improving and increasing customer service will require an investment of resources. We are working with the legislature and governor to address our resource needs so that we can improve and increase our customer service capacity. With a retiree population that is expected to double within the next 10 to 20 years, it is critical to make these changes and invest in operational improvements now in order to serve you better in the future.

ETF Statistics At a Glance 2008	
Total WRS members	550,814
Ratio of WRS members to ETF staff	2495:1
Members counseled in 1-on-1 or small group appointments	8,000
Phone calls received	179,000
E-mails received	8,893
Retirement estimates produced	17,758
New retirements started	9,000
Annuities paid, per month	151,000
Total annuities paid	\$3.7 billion

ETF's Phone Lines are Busy

The Department of Employee Trust Funds (ETF) places a high priority on ensuring that members have a thorough understanding of their benefits in order to make well informed decisions. However, due to the high volume of calls, our phone lines have been extremely busy. **Here are some tips that may help you obtain the service you need:**

- Make use of our automated service to order forms, and for retirees, to change tax withholding or address. Call this 24-hour service toll free at 1-877-533-5020 or local (608) 266-3285).
- Make use of the many resources on our Internet site, including forms, brochures and videos. Did you know we have more than 20 video titles? Go to <http://etf.wi.gov>.
- Plan your calls. We experience peak call volumes on Mondays, on the first two business days of

each month, and after 4:00 p.m. each day. Call on another day or at another time, if possible.

- Be prepared to wait. Whether you call or come to our Madison office, wait times will likely be lengthy.
- Contact us as early as possible if you need to order any type of calculation, such as a retirement estimate or verification of pension for mortgage refinancing.
- Keep us informed of any address changes so that ETF mailings will reach you.
- If you are a retiree, enroll in direct deposit now. It is safer and more reliable than a check mailed to your home and will soon be the standard payment method for WRS retirees. In addition, direct deposit will reduce the chance that your check will be lost or stolen.

Statement of Benefits Distributed

Active employees: By now you should have received your annual *Statement of Benefits* from your employer. Carefully review your *Statement* and keep it as a reference tool for the entire year. If you have not received your *Statement*, or if it contains incorrect information, contact your employer's payroll and benefits office.

If you currently participate in the Variable Fund: Sections 3 and 4 of the *Statement* show the Core and Variable deposits in your account. Section 8 contains your formula benefit information and your Variable "excess" or "deficiency" balance. Your excess/deficiency balance is affected by both the Core and Variable effective rate: The higher the Variable rate and the lower the Core rate, the more "excess monies" will be in your account to fund your formula benefit. Conversely, if the Variable rate is lower in comparison to the Core rate (as was the case this year), there is less than there would be if you had never par-

ticipated in the Variable Fund.

If you previously cancelled Variable participation and your Variable funds have already transferred to the Core Fund: You now have either a "residual Variable excess" or a "residual Variable deficiency". Although you are no longer in the Variable Fund, your residual excess or deficiency stays in your account and is credited with the Core effective rate of interest until you take a WRS benefit. Therefore, **it is possible, if you have a Variable deficiency, for this deficiency to become an even larger negative number each time the Core effective rate of interest is applied.**

The only way that a residual Variable deficiency could ever decrease (become a smaller negative number) is if there was a negative Core effective interest rate. To date, this has never happened, though it is possible that this could occur if there were several years of investment losses within a five-year period.

ETF Video...

Your Annual Statement of Benefits

Learn more about how to read and understand your *Statement* with this online video, *Your Annual Statement of Benefits*. To get the maximum value from this presentation, have your *Statement* in hand when watching the program.

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

A Primer on the Money Purchase, Formula Benefit Calculations

While Wisconsin Retirement System (WRS) members are generally knowledgeable about how their “formula” retirement benefit is calculated (it is based on three highest years of earnings, years of service and a formula multiplier), they are often less familiar with the other type of retirement benefit calculation: the “money purchase” method.

Money Purchase Method

Your annual *Statement of Benefits* shows a “money purchase balance” in your account. This is your employee required contribution balance, including interest, plus a matching amount of employer contributions. At retirement, your money purchase annuity is calculated by multiplying your money purchase balance by a “money purchase factor,” which is a decimal number that is based only on your age when the annuity begins. The result of this calculation is your monthly benefit amount.

Another way to understand this calculation is: based on your age (and therefore on your life expectancy), **how much is the monthly annuity that the money in your account can purchase?** The older you are when your annuity begins, the larger the annuity you will receive because your life expectancy is shorter.

Since this calculation is based on how much is in your account, the rates of interest credited to your account **will directly affect** the amount of your money purchase annuity. This is true whether you are in the Core Fund only or have also participated in the Variable Fund.

Formula Method

The dollar balance in your account is not used in the basic formula annuity calculation. Therefore, the interest credited to your account before retirement **does not affect** the initial amount of your basic formula annuity.* To calculate your formula retirement annuity, multiply your final average monthly earnings (based

on the three highest years of earnings) by the formula multipliers for your WRS employment category (there are several employment categories; find the one that applies to you on page five of our brochure, *Calculating Your Retirement Benefits*). Then, multiply the results by your years of creditable service to get your monthly straight life annuity amount. Note: There is also an early retirement reduction if you do not qualify for an annuity without a reduction.

Although interest credited before retirement does not affect the initial amount of the basic formula annuity, interest does affect a Variable Fund participants’ Variable excess/deficiency amounts. These are, in turn, used to adjust the formula annuity. If the Variable Fund has outperformed the Core Fund, then a “Variable excess” will increase the formula annuity. However, lower Variable returns result in a “Variable deficiency,” which will decrease the formula annuity.

Examples of retirement calculations using the money purchase method and the formula method can be found on page five. To project your own benefit calculations use our online calculator, found at <http://etf.wi.gov/calculator.htm>. In addition, review these helpful Department resources, all of which can be found on our Internet site:

- **Brochures:** *Calculating Your Retirement Benefits* (ET-4107); and *How Participation in the Variable Fund Affects Your WRS Benefits* (ET-4930)
- **Video:** *Calculating Your Retirement Benefits Online* (in video library)

Variable Fund participants: Review your personal circumstances to evaluate whether the level of risk (volatility) associated with the Variable suits your financial situation. See the many great resources listed in the **Variable Fund Information** menu, found in the What’s New section of our Internet site.

Calculations, continued on page 5

**Exception:* If you have participated in the Variable Fund, there is an increase (or decrease) to your formula annuity. It is based on the “Variable excess” or “Variable deficiency” in your account. This excess or deficiency is simply the difference between how much more (or less) money is in your account than there would be if you had never participated in the Variable Fund.

Carefully Consider Consequences of Taking a Separation Benefit

In these tough economic times, borrowing from retirement savings might seem like one way to get through a financial hardship. It is not surprising that some members have inquired about accessing the funds in their Wisconsin Retirement System (WRS) accounts prior to retirement. However, the only way to do so is to terminate employment and take a separation benefit or, when eligible, apply for a retirement benefit. There is no provision for a partial separation. You cannot borrow against your WRS account.

Section 6 of your annual *Statement of Benefits* shows the dollar amount of your WRS separation benefit should you terminate employment and file an application for a separation benefit. Note that it is approximately one half of the money purchase balance in your account. A separation benefit is a lump sum distribution of your employee contribution balance only.

Therefore, when you take a separation benefit, you are forfeiting the employer contribution balance (and accumulated interest) in your account. In addition, you also give up any creditable service earned and all future rights related to that service. You may also be liable for significant federal and state tax liabilities if you do not roll your payment into another qualified retirement plan or IRA.

If possible, consider leaving your funds on account until you become eligible to apply for a retirement benefit. Your account would continue to receive interest and your retirement benefit would be based on both employee and employer contributions, as shown in Section 10 of your *Statement*. For more detailed information about separation benefits, review these Department resources. Look for them on our Internet site at <http://etf.wi.gov>:

- **Brochure**, *Separation Benefits* (ET-3101)
- **Video**, *Separation Benefits-Early Distribution* (in Video Library)

Calculations, continued from page 4

Money Purchase Method

Here is a sample money purchase annuity calculation for a member age 58 who participates in the

Variable Fund:	Money Purchase Balance		Money Purchase Factor	=	Monthly Annuity	
Core Balance:	\$190,000	x	.00594	=	\$1,128.60	Core annuity
Variable Balance:	\$180,000	x	.00594	=	+1,069.20	Variable annuity
					\$2,197.80	Total

Formula Method

Here is a sample formula annuity calculation for a teacher age 58 with final average earnings of \$5,000; 29 years of service; and a \$10,000 Variable deficiency:

Final Average Earnings		Formula Multipliers		Years of Service		Actuarial Reduction	=	Monthly Annuity	
\$5,000	x	.01765	x	20.00 (pre-2000)	x	.989	=	\$1,745.59	
\$5,000	x	.016	x	9.00 (post-1999)	x	.989	=	+ 712.08	
								\$2,457.67	Formula annuity
Adjustment for Variable Deficiency:				-\$10,000	x	.00594 (money purchase factor)	=	- 59.40	
"Adjusted" Formula Annuity:								\$2,398.27	

Board Election Taking Place; Langyel Named to ETF Board

As of *Trust Fund News* printing deadlines, the Department of Employee Trust Funds was conducting a Teachers Retirement (TR) Board election among active teacher participants in public school districts (excluding the Milwaukee Public School District). The candidates are: Mary Jo Meier, Waukesha School District; Betsy M. Kippers, Racine Unified School District; and Janine L. Onsager, Belleville School District. For election results, check the Department's Internet

site after June 30 or watch for an update in the September edition of *Trust Fund News*.

In other retirement board news, the TR Board appointed Milwaukee Public School District teacher Michael Langyel to the ETF Board in March. Langyel, a district math teacher, is a member of the TR Board. He began his current term on the TR Board in 2005 and will serve on both boards simultaneously.

Reminders and Announcements for Retirees

New Internal Revenue Service Tax Tables

The IRS has published new tax withholding tables that were implemented for Wisconsin Retirement System (WRS) annuity benefits paid on May 1, 2009. The new tables will result in less withholding; however, a retiree's actual tax liability is not reduced. This may lead to a retiree owing additional taxes at the end of the year. You can change your withholding by submitting an *Income Tax Withholding Election* form (ET-4310) to ETF. Find it at <http://etf.wi.gov/retirees.htm> or call our toll-free Self Service Line at 1-877-383-1888 or (608) 266-2323.

Availability of August Annuity Payments

Because August 1 falls on a Saturday this year, WRS annuity payments — whether electronic or in the form of a paper check — may not be accessible until Monday, August 3. If you receive your payment electronically, please check with your financial institution regarding availability of funds over the weekend. Paper checks are subject to U.S. Postal Service (USPS) delivery cycles. In addition, note that the USPS is contemplating service reductions in order to reduce costs. If you receive a paper annuity check, be aware that you may encounter other types of delivery delays in the future.

ETF Phasing Out Paper Annuity Checks

The Department is gradually making electronic deposit the standard form of WRS annuity payment. Now, new retirees may only receive monthly annuity payments electronically. In addition, the Department is asking paper check recipients to convert to electronic deposit. To switch to electronic deposit or find out more information about the process:

- Complete and mail a *Direct Deposit Authorization* form (ET-7282) to ETF. Obtain the form from our Internet site or call to request a paper copy.
- Contact ETF at 1-877-533-5020 or send us an e-mail through the "Contact ETF" link on our Internet site.

Social Security Stimulus Payments

The American Recovery and Reinvestment Act of 2009 provides for a one-time payment of \$250 to individuals who receive Supplemental Security Income or Social Security benefits. Please check with the Social Security Administration (SSA) if you have questions about this payment. For more information, review this helpful online SSA publication: <http://www.socialsecurity.gov/pubs/10519.pdf> or call 1-800-772-1213.

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 listed below. Go to http://etf.wi.gov/news/abandoned_wrs.htm to see the complete list.

Acker, Margaret L.	Grosshuesch, Mary A.	Oh, Sang H.	Shearer, Myrna L.
Allen, Elizabeth	Gunia, Virginia L.	Okane, Gary S.	Sholer, Elaine J.
Alston, Nancy K.	Halvey, Patricia M.	Olcutt, Tyler K.	Shultz, Carol
Anderson, Judith	Hansen, James N.	Omeara, Mary J.	Simone, James M.
Bean, Earl	Hockett, William H.	Oneill, Mary A.	Skekner, Helen
Berg, Barbara H.	Horge, Roger	Panko David	Skowronski, Darrell B.
Braun, Nancy L.	Hubinsky, Paul J.	Pankratz, Mary R.	Smieja, Patricia A.
Brown, Valerie J.	Huh, Hyung T.	Parkevich, Natalia	Smith, Joanne M.
Bunge, Doris A.	Hutchins, Jack	Parrett, Fred F.	Smith, Peter S.
Burman, Susan C.	Johnson, Thomas O.	Paschen, Fay	Smith, Sharon L.
Castaneda, Jesse	Juhl, Robert A.	Perrill, Donald M.	Solomon, Sheila F.
Catterall, Shirley A.	Kern, Margaret L.	Peters, Ann M.	Stanton, Ellen
Cherry, Curtis B.	Kielcheski, Keith J.	Peters, Sharon M.	Stokes, Patricia
Chisholm, Thomas R.	Klein, Elizabeth A.	Peterson, Maxine E.	StPeter, Mary
Cooper, Jr., James T.	Kuester, Mary B.	Philps, C. James	Struzinski, Evelyn
Cotter, Gerald E.	Kullmann, Donna I.	Poksheva, John G.	Stubbe, Georgia
Cutler, Nancy L.	Kumar, Suriender	Ramsey, Betty J.	Stutz, Jerome Z.
Davalos, Rudy	Kwiatkowski, Eugenie M.	Ranum, Joyce A.	Thornquist, Karen R.
David, Mary C.	Laase, Thomas D.	Renteria, Rodolfo G.	Trainor, Ruth F.
Davis, Nancy B.	Langford, Annette M.	Ribich, Thomas I.	Tuchy, N. Suzanne
Demetrius, Lloyd A.	Lehman, Marilee A.	Robinson, Jean B.	Turk, Thomas L.
Desens, Carole	Lerum, Harlan F.	Ross, James F.	Vonborries, Ingrid
Dietrich, Sigrid E.	Lindner, John C.	Rott, Betty L.	Wachs, Karen I.
Doudlah, Patricia A.	Lippert, Jr., Elroy H.	Roush, Robert J.	Willis, Robert L.
Drews, Marion	Llanas, Virginia M.	Rundle, Judith H.	Wood, Ilse C.
Effa, Rebecca L.	Lopez, Ray Z.	Sabatini, Romeo R.	Woodard, Constance J.
Eilers, Roger F.	Mayer, Loretta M.	Samuelson, Charlene P.	Woods, Roy
Fischer, Jean V.	McCloud, William W.	Santora, Patricia A.	Worzer, Ursula M.
Fischer, Virginia K.	Medd, Roberta R.	Schmidt, Carole J.	Wright, Marian J.
Flug, Dale J.	Milanowski, Eugene C.	Schreiner, Patricia A.	Young, Leroy A.
Forrest, Nazan	Miller, Jeanne M.	Schwarze, Nancy L.	Zagorski, Paul J.
Gallagher, Margie N.	Musante, Carole L.	Setterwall, Monica E.	
Gleason, Nancy E.	Naum, Constantin	Shaunak, Krishan K.	

ETF Extends Call Center Hours Through June 2, 2009

The Department has temporarily expanded its customer service Call Center hours through June 2 to better serve you. Dial toll free 1-877-533-5020 or (608) 266-3285. **New hours (through June 2):** Monday and Tuesday, 7:45 a.m. - 5:30 p.m.; Wednesday through Friday, 7:45 a.m. - 4:30 p.m.

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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.