

Trust Fund News



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Wisconsin Department of
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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INSIDE

3

Board Recommends
Closing Variable Fund
Statement of Benefits
Distributed

4

Phone Lines Are Busy
Carefully Consider
Separation Benefit

5

Primer on Money Purchase,
Formula Calculations

6

"How To" Information for
Members

7

ETF Seeks Persons with
Abandoned Accounts

ETF Temporarily Adds
Customer Service Hours

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 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 returns 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 -26.2%

Rates, continued on page 2

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 result of a short-term cri-

Message, continued on page 2

Rates, continued from page 1

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.

By law, Variable Fund investment returns are not smoothed. Members in the Variable

Am I in the Variable Fund?

If you do not know whether you elected to participate in the Variable Fund, take a look at your most recent annual *Statement of Benefits*. Sections 3 and 4 show the Core and Variable deposits in your account. If you see dollars listed under the Variable heading, then you participate in the Variable Fund. If there are no dollars listed under this heading, then you do not participate in this fund.

Fund, an all stock fund, experience effective rates and annuity adjustments that are closer to actual Variable Fund investment returns.

Message, continued from page 1

sis. 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. But, 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 on-

line (e.g., address changes, tax withholding, and 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 that we 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 Board Recommends Closing Variable Fund

After more than a year of analysis and deliberation, the Employee Trust Funds (ETF) Board late last year approved recommending to the Legislature that the Variable Trust Fund be phased out. Because such a step requires a law change, the Board, in approving the proposal, directed the Department to forward the recommendation to the Legislature so it could make its way through the legislative process.

Under the Board's recommendation, the Variable Fund would be closed to new employees who begin Wisconsin Retirement System (WRS) participation on or after the effective date of the law change and also close it to existing WRS covered employees not currently participating in the Variable Fund. Participants whose elections to participate in the Variable were effective prior to the date the Fund would be closed would con-

tinue to make contributions until they choose to cancel participation.

When will the Variable Fund close? The Department cannot predict whether the Board's proposal will be acted on in the current legislative session, which runs through the spring of 2010. Keep monitoring our Internet site for the latest developments.

In the meantime, Variable Fund participants should review their personal circumstances to evaluate whether the high level of risk (volatility) associated with the Variable Fund suits their financial situation. See the Variable Fund Information page, in the "What's New" Section of our Internet site, for a number of resources to help you understand the Variable Fund. Go to <http://etf.wi.gov>.

Statement of Benefits Distributed

Each year, the Department of Employee Trust Funds (ETF) produces the annual *Statement of Benefits* for members, including "inactive" members, who have Wisconsin Retirement System (WRS) account balances. This group includes members who have WRS accounts as a result of a Qualified Domestic

Relations Order following a divorce. Carefully review the information on your *Statement* and thoroughly read the materials enclosed with it. Compare your *Statement* to the one you received last year to see how the account balances and benefits have changed. Keep it with your important personal papers.

[Review these ETF online videos...](#)

Your Annual Statement of Benefits

Learn more about how to read and understand your *Statement of Benefits*. To get the maximum value from this presentation, we recommend that you have your *Statement* in hand when watching the program.

Now That You're Retiring

This program acquaints new retirees with what they need to know as they move into retirement. It explains the role ETF plays in the administration of benefits and what to expect on an ongoing basis. Topics include direct deposit, benefit payment statements, annual adjustments, life and health insurance options, and returning to work.

Calculating Your Retirement Benefits Online

Our most-viewed video, this program provides step-by-step instructions on how to use our online retirement calculator to calculate an unofficial projection of WRS retirement benefits under both the formula and money purchase methods.

Find these and other programs in our video library at <http://etf.wi.gov/webcasts.htm>.

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 Wisconsin Retirement System (WRS) benefits in order to make well informed decisions. However, due to the high volume of calls we receive at this time of year, our phone lines have been extremely busy. **Here are some hints 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. You can reach this 24-hour service by calling toll free (1-877-533-5020) or local (608) 266-3285).
- Make use of the many resources on our Internet site, including forms, brochures and videos — of which we have more than 20 titles, including: *Calculating Your Retirement Benefits Online; How to Complete a Retirement Application; Annual Retirement Annuity Adjustments; Buying Creditable Service; Divorce and Your WRS Benefits.*
- 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.

Carefully Consider the 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. Therefore, it is not surprising that some inactive members have inquired about accessing the funds in their Wisconsin Retirement System (WRS) accounts. However, the only way to do so is to 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 apply for one). 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 credit-

able 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.

Why wait? 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 employee **and** employer contributions, as shown in Section 10 of your *Statement*. For more detailed information, review these Department resources. Look for them on our Internet site, under the Publications menu, or in our Video Library.

- ETF brochure, *Separation Benefits* (ET-3101)
- ETF video, *Separation Benefits-Early Distribution* (in Video Library)

How the WRS Works: 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 six. 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 are on our Internet site:

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

Attention, Variable Fund participants: Review your personal circumstances to evaluate whether the high 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 under the What’s New section of our Internet site, <http://etf.wi.gov>.

Calculations, continued on page 6

**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.*

“How-To” Information for Members

Update your mailing address on file with the Department of Employee Trust Funds (ETF)

- Complete and mail to ETF a *Name/Address Change* form (ET-2815)

Update your Wisconsin Retirement System (WRS) beneficiary designation

- Complete and mail to ETF a *Beneficiary Designation* form (ET-2320)

Estimate your WRS retirement benefits using ETF’s online calculator

- Go to <http://etf.wi.gov/calculator.htm>.

Request a WRS retirement estimate (must be within 12 months of retirement date)

- Send your request via e-mail or call us at 1-877-533-5020 or (608) 266-3285.

Learn more about your WRS benefits and the retirement process

- Attend a WRS presentation this fall or next spring at a location near you — or view a video of it online. Check our Internet site in August for the Fall 2009 schedule. Watch our video recording of this same presentation, *Your WRS Benefits*. Find it in our Video Library at <http://etf.wi.gov/webcasts.htm>.
- Review the other great titles in our Video Library, including: *How to Complete a Retirement Application*; *WRS Payment Options*; and *Now That You’re Retiring*.

Obtain the forms you need

- Find them on our Internet site at <http://etf.wi.gov/Publications>.
- Call or send an e-mail to ETF to request paper copies. Call our Toll-Free Self-Service Line, 1-877-383-1888 or (608) 266-2323. It is available 24 hours a day and there is no waiting “on hold.” Send an e-mail through the “Contact ETF” menu on our Internet site.

Calculations, continued from page 5

Money Purchase Method

Here is a sample money purchase annuity calculation for a participant age 58 who participates in the Variable Fund:

	Money Purchase Balance	x	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	

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

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

7-1-1 or
1-800-947-3529 (English)
1-800-833-7813 (Español)

**Send an e-mail via our Internet
site:** <http://etf.wi.gov>

Fax Number: (608) 267-4549

Appointments: (608) 266-5717
Madison: appointments 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.