

Trust Fund News



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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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Effective Rates & Annuity Adjustments Set

The Department of Employee Trust Funds (ETF) has set the 2009 effective rates for Wisconsin Retirement System (WRS) active employees. The Core effective rate is 4.2%; the Variable effective rate is 33%. These rates were applied to the account balances of active employees, as indicated on their annual *Statement of Benefits* (see page 3).

For retirees, the Core Fund annuity adjustment is -1.3%. Retirees participating in the separate Variable Fund will receive a Variable annuity adjustment of +22% to the Variable portion of their annuities. Annuity adjustments will first be reflected on retirees' May 1 payments.

Effective rates and annuity adjustments are based on the investment performance of the pension funds, which are managed by the State of Wisconsin Investment

Special Feature Inside:

State of Wisconsin
Investment Board insert

Board. Trust Fund investments in 2009 rebounded significantly from the global economic crisis a year earlier: The Core Fund returned 22.4% — its third-highest gain in WRS history. The Variable Fund returned 33.7% in 2009, that fund's highest gain ever.

The adjustments are recommended by the WRS consulting actuary and approved by the ETF Board chair and ETF Secretary Stella.

Given the 22.4% Core Fund investment return, why are Core annuities being reduced? Although the Core Fund return was significant, investment returns are actually distributed (smoothed) over
Rates, continued on page 2

A Message From the Secretary: Annuity Adjustments and Member IDs

We are pleased that trust fund investments in 2009 rebounded significantly from the global economic crisis a year earlier. However, the need to reduce Core Fund annuities for yet a second year in a row demonstrates the severity of 2008's Core Fund investment decline of 26.2%.

Core Fund investment returns are "smoothed," or spread out over a five-year period to help cushion the effect of year-to-year market volatility. Thanks to smoothing, the consecutive negative Core annuity adjustments are, in total, still lower than the 6.6% Core adjustment retirees received beginning May

1, 2008. On the other hand, smoothing also means that the bulk of 2008's Core Fund investment loss has yet to be recognized.

Over the past few years, we have communicated rate projections to give Wisconsin Retirement System (WRS) retirees and active members, especially those at or near retirement, a general idea of what to expect the following year. Considering the volatility of the investment markets these last few years, this has been much-anticipated information. **However, remember that these are projections – not predictions.**

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a five-year period to help cushion the effect of year-to-year market volatility. The size of 2008's Core Fund decline is the reason for this year's negative Core annuity adjustment.

Why is there an 11% difference between the Variable effective rate (for employees) and the annuity adjustment (for retirees)? It is usually around 5%-7%. The major factors for the 11% difference are:

- **“Built-in” 5% assumption rate of return.** A 5% investment return is needed each year to pay benefits for a retiree's projected lifetime.
- **Carryover from last year's calculation.** By law, the WRS consulting actuary calculates Variable annuity adjustments to a whole percent. As a result, a negative number was carried over from last year and that number has compounded due to the reduction in Variable assets brought about by the 2008 market crisis.
- **Timing (the four months that Variable annuities were NOT reduced in 2009 must be accounted for).** ETF does not adjust annui-

ties until May 1 of each year; it takes time to finalize year-end investment returns and calculate interest rates and annuity adjustments. ETF was not reducing Core annuities by 42% in the first four months of 2009, even though there was roughly a 40% loss in the annuity reserve.

This lag time and the truncation (rounding of numbers) described above amounted to a -3.9% carryover loss from 2009 into this year's Variable annuity adjustment calculation. The lag time can benefit Variable annuities in certain years, such as last year when there was only a 2% overall difference between the Variable Fund effective rate and annuity adjustment. Conversely, there are years when the lag time can have a negative impact on annuities, such as this year.

For a much more detailed explanation of these factors, please see our document, *Explanation: 2010 Variable Rates*. Find it in the What's New section of our Internet site, <http://etf.wi.gov>. In addition, see the Core/Variable Info section (also in What's New) for other helpful resources, including videos and brochures.

Message, continued from page 1

Actual experience will vary. Our projections are based on possible investment return scenarios and do not include key actuarial factors that become available only after the close of the calendar year. Once these factors are determined and investment returns finalized – processes that take time to complete -- then the work to determine actual effective rates and annuity adjustments can begin.

If you are interested in learning more about how effective rates and annuity adjustments are determined, our online video, *WRS-Interest vs. Annuity Adjustments*, is a helpful resource. This video explains the entire rate calculation process. Find it in our video library at <http://etf.wi.gov/webcasts.htm>.

Member IDs

As you will note on page 3, the Department of Employee Trust Funds (ETF) has taken a major

step toward protecting the personal information of WRS members by assigning a member identification (member ID) number to each WRS member. Previously, only WRS retirees and members insured in the group health insurance plans were assigned a member ID.

We understand this issue can easily get lost in the shuffle when thinking about investment returns, retirement account balances, and pension checks. However, the adoption of member IDs is a very important change – for all of us. Your member ID will play a greater role in communicating with us about your benefits now and in the future. Make sure you know your member ID or have access to it whenever you contact us. The use of member IDs will not only help protect your personal information, it will also allow ETF to develop and implement future on-line customer service enhancements.

For active employees

Statement of Benefits Distributed; ETF Assigns Member ID Numbers

By now all employees should have received from their employers an annual *Statement of Benefits*, a year-end summary of their Wisconsin Retirement System (WRS) retirement account information. It includes such information as the previous year's earnings and service, contributions to the account, the rate of interest applied, separation and death benefit amounts, beneficiary information and retirement projections. If you have not received your *Statement*, or if it contains incorrect information, contact your employer's payroll and benefits office.

New this year: Member ID numbers

In order to better protect your personal information, the Department of Employee Trust Funds (ETF) has assigned member identification (ID) numbers to all WRS members. This change coincides with efforts already underway to further protect and secure member information by excluding the use of such personal identifiers as birthdates and Social Security numbers (SSN) on ETF printed materials. In addition, the switch to ID numbers will also allow ETF to implement future customer service enhancements.

You will find your official member ID number on your *Statement of Benefits*. Be sure to keep this member ID number for future reference. Although we are transitioning to member ID numbers, please keep in mind that your SSN and other personal information will still be an important part of the verification process when you contact us.

This also means that we must update numerous ETF forms and publications, which will take time to accomplish. Therefore, if an ETF form instructs you to provide your SSN, please provide it. Similarly, if a form instructs you to provide your member ID number, please provide the member ID number. Eventually, all of our forms will ask for ID numbers, except for those that are required by law to ask for the SSN. During this transition period, please refrain from using your member ID when asked for your SSN because it will affect the processing of your request.

We appreciate your patience during this transition period. Enhanced security of your private information will benefit all of us.

For active employees

Residual Variable Excess/Deficiency Reminder

This information is for active (and inactive) employees who have cancelled their participation in the Variable Fund. In this case your account still has either a residual "Variable excess" or a residual "Variable deficiency" — the difference between your current WRS account balance and what your balance would be if you had never participated in the Variable Fund.

Your January 1 excess or deficiency balance is shown in Section 8 of your annual *Statement of Benefits*. **Although you are no longer in the Variable Fund, your residual excess or deficiency balance is credited each year with Core effective rate interest (4.2% for 2009) until you take a WRS benefit.**

Therefore:

- If you have a residual Variable **deficiency**, it will increase (grow to a larger negative number) each time Core effective rate of interest is applied. Likewise, a residual Variable **excess** will increase each year by the Core effective interest rate.
- The only way a residual Variable excess or deficiency can decrease is if there were a negative Core effective interest rate. This has never happened, but it is possible if there are significant Core Fund investment losses.

Reminder, continued on page 6

The WDC Can Help You Afford to Retire

Can you afford to retire? Whether just beginning your working years, nearing the end or somewhere in between, you should be asking yourself that question — and laying plans to ensure just one answer when the time comes: *Yes!*

The Wisconsin Deferred Compensation Program (WDC) can help you get there. The WDC is an optional, supplemental retirement savings program administered by the Department of Employee Trust Funds (ETF). With a WDC account, you set aside a portion of your annual earnings on a tax-deferred basis to supplement future retirement income.

All state and University of Wisconsin employees can participate in the program, likewise for employees of local governments and school districts in Wisconsin that have elected to offer the WDC. Find out today if your employer participates and then join more than 49,500 other employees throughout Wisconsin who are working to financially secure their retirement incomes through WDC contributions.

Key reasons to start a WDC account:

- No minimum deferral amount.

WDC Participant Fees	
Participant Balance	Monthly/Annual Fee
\$0 to 5,000	\$0/\$0
\$5,001 to 25,000	\$1.00/\$12.00
\$25,001 to 50,000	\$2.00/\$24.00
\$50,001 to 100,000	\$4.00/\$48.00
\$100,001 and higher	\$5.50/\$66.00

- Low participant fees (see chart above).
- Wide range of investment choices.
- Tax deferred savings (up to \$16,500 per year in 2010, with additional catch-up amounts permitted if nearing retirement).
- Fully-interactive WDC Internet site, toll-free access to account information 24 hours a day and customer service contacts Monday through Friday from 7:00 a.m. to 7:00 p.m.

For more information, visit the WDC's Internet site at www.wdc457.org or call toll free 1-877-457-9327.

Statistics-at-a-Glance

WRS Retirees by Location and % of WRS Retiree Population					
Wisconsin	130,256	86.11%	Texas	1,007	0.67%
Florida	3,745	2.48%	Michigan	967	0.64%
Arizona	2,086	1.38%	Colorado	624	0.41%
Minnesota	1,991	1.32%	Arkansas	491	0.32%
Illinois	1,266	0.84%	Other States and Territories	7,443	4.92%
California	1,150	0.76%	Other Countries	246	0.16%

ETF Videos, Presentations, Group Appointments Offer Easy Access to Benefit Information

The Department of Employee Trust Funds (ETF) places a high priority on providing Wisconsin Retirement System (WRS) members with the information needed to make fully-informed benefit-related decisions. Never before have we offered so many different ways to obtain accurate, thorough, and accessible information and materials to help guide those important decisions. These include more than 23 videos, public presentations conducted in all corners of the state and group counseling appointments.

Online Videos

We have added a new title to our expanding video library: *The Road To Retirement-Online Appointment*. This program presents the same material shared in our individual and group appointments. Watching online is an especially helpful alternative to members unable to travel to our offices or those who cannot obtain a counseling appointment as soon as they would like.

ETF's most-viewed videos:

Calculating Your Retirement Benefits Online

Annual Retirement Annuity Adjustments

WRS Payment Options

Now That You're Retiring . . .

Canceling Variable Fund Participation

Planning for the Inevitable: Death Benefits and Beneficiaries

Find all of our online titles in the video library, at <http://etf.wi.gov/webcasts.htm>.

Public Presentations

Each spring and fall ETF offers a full slate of free presentations for those seeking general information on WRS benefit programs. Specialists cover retirement benefits, annuity options, separation and survivor benefits, and life and health insurance. Also covered are service purchases, military service credit and additional contributions.

Presentations are scheduled in various locations around the state. Look for the Fall 2010 *Benefit Presentations Schedule* under the Members tab on our Internet site in late August.

Can't get to the benefit presentation in your area? Review the video version of the same thing

— *Your WRS Benefits* — from the comfort of home (high speed Internet service required).

Group Retirement Appointments

ETF offers group retirement appointments specially designed for members nearing retirement.* The two-hour sessions are held at ETF's Madison and Waukesha offices. In these appointments, members receive an overview of WRS benefits and annuity calculations and a step-by-step explanation of the retirement estimate, annuity options and application process.

Although a reservation for a group session is required, it usually can be obtained much sooner than an individual appointment. Call our appointment line at (608) 266-5717 or toll free 1-877-533-5020, ext. 65717.

*attendees must be within one year of minimum retirement age and have a valid retirement estimate from ETF.

New Calculator: Accelerated Payment Cost

Are you contemplating choosing an accelerated payment annuity option* at retirement? Our new calculator will help you determine whether it would be the right choice for you. Enter data from your official WRS retirement estimate into the calculator to compute your accelerated threshold, the point at which you would begin to lose benefits as a result of choosing an accelerated payment option. (You can also use data from your own unofficial calculation obtained by using the online WRS Retirement Benefits Calculator.)

Your accelerated payment cost calculation also shows a cumulative, year-by-year comparison of regular and accelerated payment option amounts up until age 100. For a complete understanding of accelerated payment options, review the following resources, both of which can be found on our Internet site:

- Brochure, *Choosing an Annuity Option* (ET-4117)
- Video, *WRS Payment Options*

*Accelerated payment options provide a life annuity and a temporary annuity; the temporary annuity is paid until you reach age 62 and become eligible for Social Security benefits (if applicable).

Langyel to Serve Second Term on Teachers Retirement Board

Michael Langyel, a math teacher employed by the Milwaukee Public School (MPS) district, will serve a second five-year term on the Teachers Retirement (TR) Board. Langyel's first term on the TR Board began in 2005. He was the only person to seek the MPS seat last fall. Langyel's second five-year term began May 1.

2011 Retirement Board Elections

Watch the September edition of *Trust Fund News* for information regarding upcoming retirement board elections. The terms of the following board members expire in May 2011:

Theron Fisher	Employee Trust Funds Board	WRS Annuitant Member
Robin Starck	Teachers Retirement Board	Active Teacher Member
Patrick Phair	Teachers Retirement Board	Active Teacher Member
Kathleen Kreul	Employee Trust Funds Board	Ed. Support Employee Member

Offsets from Social Security Benefits Possible

The information in this article pertains to those Wisconsin Retirement System (WRS) members who will receive:

- a WRS annuity (or another governmental pension) based on government employment that was not covered under Social Security, and
- Social Security benefits that are based either on their own employment or a spouse's employment.

If both of these conditions apply to you, then your Social Security benefits may be "offset" (reduced) because of your government pension. The Social Security program has two offset provisions: the "Windfall Elimination Provision," which applies to Social Security benefits you are receiving based on your own employment, and the "Government Pension Offset," which applies

to Social Security benefits you are receiving based on a spouse's employment.

Examples of WRS employment not covered under Social Security are certain firefighters, and teachers who began their Wisconsin teaching careers before 1957 who never elected to be covered under Social Security. Most other WRS employment is covered under Social Security. These offsets do not affect the amount of your WRS benefits; they only apply to your Social Security benefits.

More detailed information is available in the following Social Security Administration brochures, found at www.socialsecurity.gov:

- *Government Pension Offset* (Publication No. 05-10007)
- *Windfall Elimination Provision* (Publication No. 05-10045)

Reminder, continued from page 3

- The more years until you retire, the more your excess or deficiency will grow.

Important Note: Your Variable excess (or deficiency) is only used to increase (or decrease) your formula annuity by the monthly value of your excess (or deficiency) balance. It does not apply to your money purchase calculation, because past Variable investment returns

are already reflected in your money purchase balances.

For more information about how Variable Fund participation affects your benefits, visit the Core/Variable Fund Information page, found in the What's New section of our Internet site, <http://etf.wi.gov>.

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 member's complete name (published name, current and prior name), date of birth, Social Security number and the year that the name was published.

Bangert, Barbara D.	Hart, Mary M.	Owen, Richard A.	Swanson, Charles E.
Bouquet, Robert L.	Hayward, Karen W.	Paley, Anthony W.	Talbott, Daniel F.
Brekan, Frank W.	Helsabeck, Dosier A.	Parmentier, Robert D.	Thomas, Sue C.
Case, Kenneth C.	Holewinski, Thomas A.	Peacy, Carol J.	Thomsen, M Penny
Conroy, John P.	Howmiller, Richard	Pemberton, Lois M.	Tiao, Yolande C.
Cooper, Judith	Jesudasan, Ignatius	Person, Warlie M.	Wall, Naomi R.
Draper, Theresa F.	Johnson, Diane R.	Peterson, Harold B.	Wasserman, Judith P.
Drier, William	Karl, Joseph E.	Prince, I Barry	Weathers, Lucy
Esser, Mary E.	Lee, Cheping	Roeglin, William A.	Whang, Uoo S.
Fleming, Judith B.	MacDonald, Larry W.	Schell, Carol A.	Wichman, Joan M.
Flint, Robert L.	Mann, Linda J.	Semaan, Ingrid L.	Willems, Gwendolyn
Franks, Peggy E.	March, Harold	Snyder, Gerald L.	Williams, Kay F.
Fredrickson, Nancy M.	Martinez, Armando P.	Solow, Rose L.	Williams-Parr, Ada
Gates, Eugene L.	Murphy, Edward C.	Sors, Charles R.	Wilmot, Graeme C.
Ghatala, M. Habeeb	Murray, Mary G.	Spehle, Edith W.	Wilson, Delmer
Gonzales, Ronald H.	Ndungu, Michael N.	Stewart, Mary	Zera, Gerald J.

Beneficiaries of Life Insurance Claims Sought

The Department is 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 member's complete name, including published names and former name(s), date of birth, Social Security number and year the name was published.

Bertold, Lydia	Peterson, Lucille	Scott, Gladys
Olson, Esther N.	Rittacca, Joesph	Tobar, Jennie

ETF Temporarily Adds Evening Customer Service Hours

The Department of Employee Trust Funds has temporarily expanded its customer service Call Center hours through June 1 to better serve members. Hours through June 1 are as follows:

7:45 a.m. – 5:30 p.m., Monday and Tuesday*

7:45 a.m. – 4:30 p.m., Wednesday through Friday

*beginning June 2, office hours are 7:45 a.m. – 4:30 p.m., Monday through Friday.

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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 (retirees only).*

Write Us:

ETF, P.O. Box 7931, Madison, WI
53707-7931. *Retirees wanting to change
mailing addresses should contact Payment
Services at the address listed above.*

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.