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**CORRESPONDENCE MEMORANDUM**

**DATE:** February 29, 2008  
**TO:** Employee Trust Funds Board  
**FROM:** Jean Gilding, Deputy Administrator  
Lynn Jarzombeck, Policy Advisor  
Division of Retirement Services  
**SUBJECT:** 2007 Annual Retirement Annuity Statistics

**This memo is for the Board's information only. No action is required.**

Please find attached the 2007 annual Wisconsin Retirement System (WRS) annuity statistics, which reflect a portion of the retirement benefit activities completed by the Department of Employee Trust Funds. The annuity statistics consist of (1) 2007 WRS Retirement Annuity Data tables and (2) WRS statistical report graphs.

The data tables show the total number of retirement estimates requested and completed, and the number of new retirement annuities started in 2007 with a breakdown by option type selected and calculation method (money purchase versus formula). The tables also show the number of retirement annuities finalized by fund type, employer type and gender. Finally, the tables show terminated annuities by type, gross annuity payments, and beneficiary annuities started and terminated.

The statistical report graphs compare the volume of activity by quarter from January 2005 through December 2007. The graphs denote the following for the 2005-2007 three-year period:

- Retirement Estimates Requested - Estimate requests follow a consistent pattern with requests gradually declining in the last two quarters of the year. With the beginning of a new year, many participants begin to plan for a possible retirement during the year and request a retirement estimate. Many also desire a new estimate when the new year interest rate information becomes available.
- Retirement Estimates Completed - Other than two spikes in 2006, the processing of retirement estimate requests remains fairly consistent throughout the year. The Department strives to maintain a timely response to participants' requests for retirement estimates. This is accomplished by shifting workload priorities when necessary.

Reviewed and approved by Sari King, Administrator, Division of Retirement Services.

Signature \_\_\_\_\_

Date \_\_\_\_\_

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- Estimated Annuities Started - April, June and July are peak months for starting new estimated retirement annuities. The late spring and early summer months are marked with a surge of participants collecting their first annuity payments. Participants receive “estimated” annuities calculated as close as possible to their final eligible benefits. Estimating benefits allows the Department to quickly process retirement applications to meet participants’ retirement needs in a timely manner.
- Annuities Finalized - During the year, the number of annuities finalized gradually climbs each quarter with an occasional spike of increased processing activity. The Department must address increased workloads when an increase occurs. An annuity benefit can be finalized when all applicable information for that participant is received and processed by the Department, such as final employer termination and earnings information, military and service purchase information. When an annuity benefit is finalized, the Department recalculates the benefit with the participant’s final account information. This process ensures the participant will receive the benefit to which he/she is entitled, and the Department is correctly and accurately paying benefits.

### **2007 WRS Retirement Annuity Highlights**

- Although the number of retirement estimates requested remained relatively constant during 2006 and 2007, the ratio of “*annuities started*” to “*estimates requested*” changed significantly. In 2006, 8,233 new annuities were started and 17,716 estimates were requested, for a ratio of 2.15 (for every annuity started 2.15 estimates were requested). In 2007, 9,003 new annuities were started and 16,957 estimates were requested, for a ratio of 1.88.
- During 2007, continued emphasis was placed on both starting and finalizing new annuities. In 2006, the number of new estimated annuities increased by 13.6%, while 2007 experienced a 9.4% increase.
- The most often selected annuity benefit has remained unchanged for several years, with 25.8% of new annuitants choosing the *100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed* option. The second most frequently selected option, at 17.3%, was the *Life Annuity with 180 Payments Guaranteed*. Together, these two options account for 43.1% of the options selected in 2007 compared to 36.9% in 2006.
- More annuity calculations end up being higher under the money purchase (defined contribution) calculation method than the formula (defined benefit) calculation method. For 2007, 54.4% were higher under the money purchase calculation method compared to 52.1% in 2006 and 58.0% in 2005. Correspondingly, 45.6% were higher under the formula calculation method in 2007, compared to 47.9% in 2006 and 42.0% in 2005.
- Of the retirement annuities finalized in 2007, 58.4% were for women and 41.6% were for men. In 2006, these percentages were 55.3% women and 44.7% men. The WRS population eligible to retire is comprised of 61.9% women and 38.1% men (based on data in the *26th Annual Actuarial Valuation* dated December 31, 2006).

- Gross annuity payments exceeded \$3.45 billion for 2007, an increase of 7.5% over 2006 (\$3.21 billion). The core dividend (3.0 percent) and the variable adjustment (10.0 percent), along with increased new annuities were responsible for this significant increase in benefit dollars paid.

Staff will be available at the Board meeting to discuss this report further or answer related questions.

Please forward your questions or comments regarding the information in this memo, including the tables and charts, to Jean Gilding at (608)266-1210 (e-mail [jean.gilding@etf.state.wi.us](mailto:jean.gilding@etf.state.wi.us)) or Lynn Jarzombeck at (608)261-8081 (e-mail [lynn.jarzombeck@etf.state.wi.us](mailto:lynn.jarzombeck@etf.state.wi.us)).

attachments