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For Distribution

Attention: Cindy Gilles, Secretary  
[cindy.gilles@etf.state.wi.us](mailto:cindy.gilles@etf.state.wi.us)

Marilyn Wigdahl, Chair, and Members  
Department of Employee Trust Funds Board

November 23, 2009

Members, Employee Trust Funds Board  
Department of Employee Trust Funds, State of Wisconsin

RE: Request for Action at December 3, 2009 Meeting of the ETF Board

Dear Ms. Wigdahl and Members of the Board,

At your March 20, 2009 meeting, Deputy Secretary Bob Conlin laid out a plan that the Department was considering to address the issue of providing annuitants with Variable at Core balances. Prior to the June 18, 2009 meeting of the Board, he sent the Board a project proposal for a Project to Establish Variable Annuity Comparison Values, dated May 28, 2009.

I am pleased to learn from the Secretary's Office that shortly after the ETF Board's September 17, 2009 meeting, the Department of Administration finally authorized ETF to fill its vacancies. I am also pleased to learn that on November 20, 2009 the Department submitted a supplemental funding request to the Joint Committee on Finance for their quarterly meeting. The ETF's Variable at Core Project was included in that request.

Until such time as ETF is in a position to complete the Variable at Core Project, I offer the following issue for your consideration at your next meeting:

*A duly diligent Variable Fund annuitant who is trying to decide whether or not to cancel her participation should not have to make this irrevocable, lifetime decision until she is told exactly how much her future annuity would be "ahead or behind" if she cancelled her participation in the Variable Fund. Therefore, she should be allowed to request her Variable at Core balance at the end of the year and make her decision after she knows what her annuity would be if she cancelled her participation. She should be able to do so even if ETF cannot provide her Variable at Core balance until after December 31<sup>st</sup> because ETF does not have sufficient resources to provide it to her sooner.*

To use an analogy, a person should not be forced to decide whether or not she wants to remain in her current job or move to a new job without first being told what her new salary would be in the future if she moved to the new job.

Similarly, an annuitant should not be forced to decide whether or not to remain in the Variable Fund or move to the Core fund without first being told what her new annuity would be in the future if she moved to the Core Fund.

Issue: Even a duly diligent person could file a request before December 31<sup>st</sup> to Conditionally Cancel her participation in the Variable Fund and later be surprised to learn that her Variable at Core balance was “ahead” by only 1 cent after December 31<sup>st</sup>. As a result, she would be needlessly and irrevocably moved to the Core Fund even though she may have wanted to remain in the Variable Fund had she known that her balance was so little “ahead.” *The Board has a fiduciary responsibility to her to prevent this from happening.*

Issue: Even a duly diligent person could file a request before December 31<sup>st</sup> to Unconditionally Cancel her participation in the Variable Fund and later be surprised to learn that her Variable at Core balance was “behind” by much more than she expected after December 31<sup>st</sup>. As a result, she would be needlessly and irrevocably moved to the Core Fund even though she may have wanted to remain in the Variable Fund had she known that she was so far “behind.” *The Board has a fiduciary responsibility to her to prevent this from happening.*

I once again urge your immediate consideration of alternatives such as emergency rule or other extraordinary administrative and legislative options to protect the futures of retired public employees. These are unprecedented financial times not seen since the Great Depression. They deserve unprecedented action, not business as usual.

Potential solutions to this issue have been brought to your attention in 7 separate letters over the last 12 months, during which time the Board has had 3 meetings. I urge you not to walk out of your 4<sup>th</sup> and last meeting of the year without having taken any action to address this issue. To abandon it could reasonably be observed by annuitants and those in the media following the story as remarkably unresponsive.

The Wisconsin Retirement System is one of the finest in the world. You have done a remarkable and laudable job of upholding the public trust. You have a duty to the WRS. But you have a wider duty to the people it serves.

Respectfully submitted,

Douglas King,  
The Madison Group

Cc:  
Robert Conlin, Deputy Secretary, ETF  
Selected State Senators  
Selected State Representatives  
Selected Print & Electronic Media Representatives  
Interested Parties  
The Madison Group Consultants