



STATE OF WISCONSIN
Department of Employee Trust Funds

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October 19, 2009

Dear Wisconsin Retirement System (WRS) Members:

As of September 30, 2009, the Core Trust Fund was up 18% for the year and the Variable Fund was up 26.9%, based on preliminary returns. Although we don't know how the year will end, the following table shows the approximate projected range of Core Fund effective rates and annuity adjustments for next year, depending on the State of Wisconsin Investment Board (SWIB) investment returns.

| Possible Core Fund Returns and Range of Projected Effective Rate and Annuity Adjustment | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| If SWIB's net investment return on 12/31/09 is... | 25% | 20% | 15% | 10% | 5% |
| ...the Core Effective Rate will be... | 4.5% to 4.9% | 3.7% to 4.1% | 3.0% to 3.4% | 2.2% to 2.6% | 1.4% to 1.8% |
| ...the Core Annuity Adjustment will be... | -0.9% to -1.3% | -1.6% to -2.0% | -2.3% to -2.7% | -3.1% to -3.5% | - 3.8% to - 4.2% |

Important notes regarding the table above:

- The projections shown are based solely on investment return and are for illustration purposes only. Actual 2009 SWIB investment returns will not be available until January 2010. For the most recent SWIB investment performance information, visit SWIB's website at <http://www.swib.state.wi.us>.
- Actual 2009 effective rates, which are applied to active and some inactive employee accounts, and annuity adjustments, which are applied to retiree accounts, will not be available until February or March of 2010. We use the effective rates, which take into account factors such as investment returns and reserves, as a starting point to calculate the annual annuity adjustments (increases or decreases) paid to WRS retirees.
- Annuity adjustments for WRS retirees will be reflected in the May 1, 2010, annuity payment. Assumed interest, mortality rates and other actuarial factors may also affect the final annual annuity adjustments.
- **An investment return of approximately 27.9% to 30.7% is needed for a 0% annuity adjustment.**
- Core Fund investment returns are smoothed over a five-year period to reduce volatility.

Variable Trust Fund

Some WRS members have elected to participate in the optional and more volatile all-equity Variable Trust Fund. Unlike the Core Fund, the Variable Fund investment returns (increases/decreases) are not smoothed. Therefore, WRS members who participate in the Variable Fund experience effective rates and annuity adjustments on the Variable Fund portion of their accounts that are closer to actual Variable Fund investment returns.



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CORRESPONDENCE MEMORANDUM

DATE: December 1, 2009

TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board

FROM: Matt Stohr, Director of Legislative Affairs, Communications and
Quality Assurance

SUBJECT: Legislative and Communications Update

This memo is for informational purposes only. No Board action is required.

Legislative Update

Please find below a list of the bills that have been introduced during the 2009-2010 Legislative Session that, if signed into law, will have an impact on the Wisconsin Retirement System (WRS). The 2009-2010 Legislative Session began in January 2009 and will conclude this coming spring. The next floor period is scheduled for January 19-28, 2010.

2009 Senate Bill 320

Pursuant to the Employee Trust Funds (ETF) Board's request, Senator Wirch and Representative Hubler introduced 2009 Senate Bill 320, which would close the WRS Variable Fund to new enrollees as of January 1, 2011. Senator Wirch and Representative Hubler are the co-chairs of the Legislature's Joint Survey Committee on Retirement Systems. The bill was referred to the Joint Survey Committee on Retirement Systems and has not been scheduled for a hearing as of this writing.

2009 Senate Bill 390

Senate Bill 390 permits a WRS retiree, who is a member of a retiree organization that is affiliated with an employee organization, to have the Department deduct voluntary payments for retiree organizations from the retiree's monthly WRS annuity. The bill, as

Reviewed and approved by Robert Conlin, Deputy Secretary.

Signature

Date

| Board | Mtg Date | Item # |
|-------|----------|--------|
| JL | 12/3/09 | 5B |

drafted, also has a component that relates to the mailing (by the Department) of retiree organizational material to WRS members. The bill was referred to the Senate Committee on Labor, Elections and Urban Affairs and has not been scheduled for a hearing as of this writing.

2009 Senate Bill 88/Assembly Bill 126

2009 Senate Bill 88, and its companion bill 2009 Assembly Bill 126, would create a program that would allow participating employees in the WRS to purchase creditable service for all years of active military service subject to certain conditions. Among other things, the conditions include: the employee pays the Department the required employee contribution for general category employees based on the employee's final average earnings (determined as if the employee had retired on the first day of the annual earnings period during which the Department received the application). The Assembly Committee on Veterans and Military Affairs held a public hearing on 2009 Assembly Bill 126 on April 15, 2009. No further action has been taken.

2009 Assembly Bill 199

2009 Assembly Bill 199 would classify various employees as protective occupation employees for the purposes of the WRS, including employees of the Parole Commission; state employees who are employed at state correctional institutes, juvenile correctional facilities, the mental health institutes at Mendota and Winnebago, the Wisconsin Resource Center, or any secure mental health facility for sexually violent persons; psychologists and corrections classification specialists employed by the Department of Corrections who perform duties related to sexually violent person commitments; and clerical employees employed at probation, extended supervision and parole offices. This bill has been referred to the Assembly Committee on Courts and Corrections. As of this writing, it has not been scheduled for a hearing.

2009 Assembly Bill 337

2009 Assembly Bill 337 provides that a participating WRS employer who is subject to the Municipal Employment Relations Act (MERA) may not pay, on behalf of any employee who first becomes a participating employee on or after the bill's effective date, the first 3% of earnings of an employee's required contribution. Employers covered by MERA generally include any city, county, village, town, metropolitan sewerage district, school district, family care district, or any other political subdivision of the state, or instrumentality of one or more political subdivisions of the state. This bill has been referred to the Assembly Committee on Urban and Local Affairs. As of this writing, it has not been scheduled for a hearing.

Communications Update

Domestic Partner Provision (2009 Wisconsin Act 28)

The Department met its goal of having information about the domestic partner provision available prior to the health insurance enrollment period, which began on Monday, October 5, 2009. Specifically, we prepared a domestic partner “starter kit” and made it available on the ETF Internet site. The “starter kit” includes an introduction to the program, a frequently asked question document, the affidavits, and a health insurance application.

WRS Annuity Adjustment and Effective Rate Projections

In early October, we posted a table and information on the ETF Internet site that shows the approximate projected range of Core Fund effective rates and annuity adjustments for next year, depending on the State of Wisconsin Investment Board (SWIB) year-end investment returns. This document helps retirees prepare for possible negative annuity adjustments and it also helps active members who are contemplating retirement. The annuity adjustment and effective rate table is attached to this memorandum for your information.

Newsletters

The Department currently distributes three types of newsletters to WRS members and employers. The *Trust Fund News*, which provides retirement benefit information, and the *It's Your Benefit*, which provides health insurance benefit information, are distributed three times a year (January, May and September). We also send *Employer Bulletins* to WRS employers throughout the year.

At the September meeting, we talked about how the Department has decided to reduce the number of *It's Your Benefit* editions from three per year to one per year. Thus, WRS members who participate in either the state health insurance program or local health insurance program administered by the Department, will only receive a paper copy of *It's Your Benefit* in September of each year. The September 2009 edition announced the change. We will continue to provide important health insurance information to our members and employers; however, we will do so by better utilizing our Internet site and other electronic means to provide updates about health insurance benefits (e.g., expanding our popular online video programs). As you are aware, most of the health plans that participate in the state and local health insurance program provide newsletters to their enrolled members and those newsletters often cover much of the same information provided in *It's Your Benefit*.

Another important change the Department will make is to the version of the Trust Fund News that is sent to inactive WRS members-who previously received one edition of the Trust Fund News in May of each year. As of this coming spring, inactive members will receive a shorter version of the Trust Fund News with their annual statement of benefits mailing, which typically arrives in mid-April. The Trust Fund News will be an insert in the statement of benefits mailing and will be limited to one page. The content will be targeted to issues of importance to inactive members, such as reminders to update their mailing address, beneficiary designation and more. By taking advantage of the statement of benefits mailing, the Department will save valuable time and resources. In addition, inactive members will receive all WRS-related material in one mailing rather than separate mailings.

I will be at the December 3, 2009, Joint Information meeting to answer any questions you may have.

attachments