



STATE OF WISCONSIN
Department of Employee Trust Funds

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CORRESPONDENCE MEMORANDUM

DATE: November 4, 2010
TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board
FROM: Matt Stohr, Director
Office of Communications and Legislation
SUBJECT: Legislation and Communications Update

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

This memorandum touches on the upcoming legislative session and provides a brief update on the Department's communication efforts since the September Joint Informational meeting.

Legislation Update

The general business portion of the 2011-2012 Wisconsin Legislative Session is scheduled to begin in January 2011 and conclude in the spring of 2012. As we discussed at previous meetings, the Department intends to work with the legislature to introduce a bill in the upcoming session that will consist of numerous technical changes to various programs administered by the Department. The majority of the changes relate to the Wisconsin Retirement System (WRS), but there are also changes pertaining to the life insurance program, the disability programs and other programs administered by the Department. The changes are needed to keep the WRS in compliance with the Internal Revenue Code and to clarify some of the provisions that were included in recent state Acts. For example, the bill will include language to implement the federal Heroes Earnings Assistance and Relief Tax Act of 2008 and to clarify a part of the domestic partner provision that was included in 2009 Wisconsin Act 28. We may break the bill into separate bills if the bill becomes too large. I will share the bill(s) with the Boards if and when the bill(s) is introduced.

Reviewed and approved by Rhonda Dunn, Executive Assistant.

Rhonda Dunn 11-9-10
Signature Date

Board	Mtg Date	Item #
J1	12.2.10	4A

At the time of this writing, not much information is available about who will be the committee chairs during the upcoming session. I will talk about the make-up of the 2011-2012 Legislature at the December meeting at which time more information may be available.

Communications Update

At the September meeting I wrote about our ongoing effort to communicate with WRS members, especially retirees, about the possibility of a negative Core Fund annuity adjustment in 2011. For the third straight year, we are anticipating a negative Core Fund annuity adjustment this spring. As you are aware, the Core Fund investment returns are spread out (smoothed) over a five year period; therefore, the effects of the 2008 global economic crisis will be felt for years to come. Similar to previous years, we have developed a brief letter that provides the preliminary investment returns and a range of Core Fund effective rate and annuity adjustment projections based on different investment return scenarios. The letter is placed in the *What's New* section of the Department's Internet site and has been shared with stakeholder groups. The purpose of the letter is to give members an idea of what to expect in terms of upcoming Core Fund effective rates and annuity adjustments.

Newsletter

As you are aware, we will distribute a different newsletter in January 2011 that will consist of content from both the Department of Employee Trust Funds and the State of Wisconsin Investment Board. For your information, please find attached a prototype of the newsletter, which will be called *WRS News* rather than *Trust Fund News*.

I will be at the December Joint Informational meeting to answer any questions you may have.

Attachment: WRS News (Front Page Only)

Highlights — ETF

- 2 New ETF Videos
Questions From New Retirees
- 4 New ETF Videos
Questions From New Retirees
- 5 New ETF Videos
Questions From New Retirees
- 6 New ETF Videos
Questions From New Retirees
- 7 New ETF Videos
Questions From New Retirees

Highlights — SWIB

- 8 New ETF Videos
Questions From New Retirees
- 9 New ETF Videos
Questions From New Retirees
- 10 New ETF Videos
Questions From New Retirees
- 11 New ETF Videos
Questions From New Retirees

Core Fund Projections for Next Year

— ETF Secretary David Stella

The effects of the 2008 global economic crisis — some are calling it the “Great Recession” — will be felt by all Wisconsin Retirement System (WRS) members for years to come. For active employees and employers, poor market performance in 2008 continues to put upward pressure on WRS contribution rates. For most retirees, it may mean additional reductions in WRS Core Fund in 2011 and beyond.

WRS Core Fund investment returns (increases and decreases) are smoothed over a five-year span to limit the effect of wide swings in investment experience because of mar-

ket volatility. Without smoothing, the stock market performance of 2008 would have caused retirees’ Core annuities to decrease more than 30% in 2009. Instead, there were enough deferred gains (from previous years) in the system that negative Core annuity adjustments were -2.1% in 2009 and -1.3% in 2010.

Additionally, members may recall that in 2000, 2001 and 2002 the trust funds suffered from the big Additionally, members may recall that in 2000, 2001 and 2002 the trust funds suffered from the big

Projections, continued on page 2

Market Update

— SWIB Executive Director Keith Bozarth

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