



STATE OF WISCONSIN  
Department of Employee Trust Funds  
Robert J. Conlin  
SECRETARY

Wisconsin Department  
of Employee Trust Funds  
PO Box 7931  
Madison WI 53707-7931  
1-877-533-5020 (toll free)  
Fax 608-267-4549  
etf.wi.gov

## Correspondence Memorandum

**Date:** March 11, 2019  
**To:** Employee Trust Funds Board  
**From:** Cheryllynn Wilkins, Board Liaison  
Office of the Secretary  
**Subject:** Employee Trust Funds Board Correspondence

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

The Department of Employee Trust Funds occasionally receives correspondence on behalf of the Employee Trust Funds (Board) regarding proposed or recent changes to the Wisconsin Retirement System and other benefits.

Since the December 13, 2018, Board meeting, the following communication has been submitted for the Board's consideration:

1. January 12, 2019 - Email Correspondence – Santala
2. January 17, 2019 - Email Correspondence – Behnke
3. February 12, 2019 - Email Correspondence – Schmidman
4. February 13, 2019 - Mail Correspondence – Krumrich
5. February 24, 2019 - Mail Correspondence – Participant
6. February 27, 2019 – Mail Correspondence - Dobish

Correspondence for Board consideration is welcome via email to [BoardFeedback@etf.wi.gov](mailto:BoardFeedback@etf.wi.gov) or postal mail to Department of Employee Trust Funds, c/o ETF Board Liaison, P.O. Box 7931, Madison, WI 53707-7931.

Staff will be at the Board meeting to answer any questions.

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary

Electronically Signed 3/11/19

Board	Mtg Date	Item #
ETF	3.21.19	6F

**From:** [sinikka santala](#)  
**To:** [ETF SMB Board Feedback](#)  
**Subject:** Diversity needed on the Board of Trustees  
**Date:** Saturday, January 12, 2019 1:08:26 PM

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I just voted on the elections of the Board. And was struck by the fact that all of the candidates were white males. And after reviewing the current member list, it appears that there are only two women on the Board.

For the next cycle of recruiting/identifying candidates, please engage in a serious effort to identify women and minority candidates! The Board will be stronger and better with more points of view and life experiences.

Sincerely,  
Seija Santala

Sent from Windows Mail

**From:** [betsy a behnke](#)  
**To:** [ETF SMB Board Feedback](#)  
**Subject:** board election  
**Date:** Thursday, January 17, 2019 3:59:43 PM

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Employee Trust Funds Board:

I received the ballot for annuitant member and note there are no women listed. I would like to know why- a penis requirement? Very troubling and poorly done.

Aloha,  
Betsy Behnke

**From:** [Joan Schmidman](#)  
**To:** [ETF SMB Board Elections](#)  
**Subject:** Election  
**Date:** Tuesday, February 12, 2019 4:14:32 PM

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I'm unhappy that with 8 candidates for the board, there is not even one woman running.  
Joan Schmidman

\* RECEIVED  
EMPLOYEE TRUST FUNDS

February 13, 2019

2019 FEB 19 PM 2: 56

Employee Trust Fund  
P.O.Box 7931  
Madison, WI 53707-7931

Joseph F Krumrich  
403 Anglesey Rd.  
Wales, WI 53183  
262-968-2716  
jkrumrich@me.com  
[REDACTED]

Dear Employee Trust Fund Board

I would like to make a formal appeal to rescind my application to move from the variable trust fund to the core. I am requesting a face to face meeting with the board if necessary to defend my position.

I have been in the variable trust fund for over 50 years and have suffered the ups and downs it has taken. I follow the market and chose to file an application to move to the Core based on many financial factors. The devastating market correction in the last months of 2018 has shown it would not be my best financial decision to pull out of the variable market at this time.

I am requesting that my letter of intent to "move from variable to core" be returned and I am allowed to continue in the variable.

After submitting my application of intent I believe I should have the option to make a final financial decision after the board set's the end of the year results.

If necessary, I want to file a formal complaint as to the board's right to finalize any member's letter of intent without informing them of the actual financial ramification of the board's end the year decisions.

Sincerely yours,



Joseph Francis Krumrich

February 13, 2019

\* RECEIVED  
EMPLOYEE TRUST FUNDS  
2019 FEB 19 PM 2:56

Employee Trust Fund  
P.O.Box 7931  
Madison, WI 53707-7931

Joseph F Krumrich  
403 Anglesey Rd.  
Wales, WI 53183  
262-968-2716  
jkrumrich@me.com  
[REDACTED]

Dear Employee Trust Fund Board

My Apology

I made a huge mistake in my retirement fund and I hope you will give me a second chance. After receiving my WRS news letter I was shocked that it was in the negative and called ETF for help and was told to write a letter to the board. See attached Formal Appeal.

I called in a second time to ask for the name of the person to send the appeal to and that's when I talked to BRIAN McLoughlin. He was AWESOME. He listened, explained clearly what I have done, and made me aware of all the mistakes I had made by not using a computer. He also sent me the ETF location of the printable data I needed.

I know now that I am totally at fault for submitting the application without the information provided on your web site. Last year's 17% gain brought me to a place I thought would be the best time to change. Brian was very informative and pointed out all the resources ETF had available if I had used the computer's Employee Trust Fund data. I had no intention of pulling out of the variable when it was in the negative. Not a computer person at age [REDACTED], I realize how much this information would have helped me to make the best decision. I should NOT have sent the letter to move out of variable this year. I would never pull out of the variable fund at a very low point.

I would like a second chance. I feel that with Brian McLoughlin's guidance in using the web site I will be better informed for a future decision. This is my retirement!

Please help.

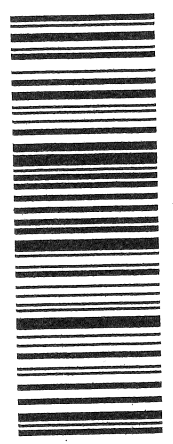
Sincerely yours,



Joseph Francis Krumrich

J. KRUMRICH  
403 ANGLESEY RD  
WALES, WI 53183

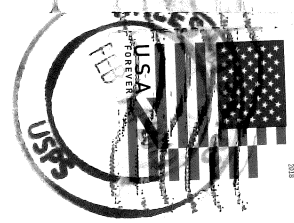
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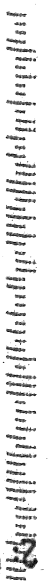
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DEPARTMENT OF EMPLOYEE TRUST FUNDS  
P.O. Box 7931  
MADISON, WI 53707-7931

53707-793131



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EMPLOYEE TRUST FUNDS  
2019 FEB 19 PM 5:55



STATE OF WISCONSIN  
Department of Employee Trust Funds  
Robert J. Conlin  
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Fax 608-267-4549  
etf.wi.gov

February 25, 2019

JOSEPH F. KRUMRICH  
403 ANGLESEY RD.  
WALES, WI 53183

Dear Mr. Krumrich:

Thank you for writing to the Employee Trust Funds Board regarding your choice to cancel your participation in the Variable Trust Fund. The Board asked me to respond. In your letter, you asked the Department of Employee Trust Funds (ETF) to rescind your cancellation.

- On December 28, 2018 ETF received your form to conditionally cancel participation in the Variable Fund. In your previous letter, you expressed concerns about opting out of the Variable Fund at a low investment point like 2018. Since you selected to withdraw from the Variable using the conditional cancellation, you will remain in the Variable until the value of the Variable portion of your annuity payment equals or exceeds the amount it would have been if you had never participated in the Variable Fund. I hope that helps lessen your concern about selling low.
- Per state law, your request to cancel is final and you can no longer rescind it. These laws are in place to protect the funds. Allowing people to rescind their cancellation after the deadline passed would shift liabilities onto the other people in the funds. I provided additional information below about the state laws that prevent people from rescinding the cancellation after it was submitted, and the deadline passed.
- Your conditional cancellation was effective on January 1, 2019. However, when your funds will be transferred to the Core Fund will be based on investment performance. I included additional information below about how the conditional cancellation process works.

### **State Law Controls Variable Cancellation**

The provisions for canceling Variable Fund participation are spelled out in the Wisconsin Statutes and Administrative Code. ETF is required to administer the laws as they are written.



- Per Wis. Stats. § 40.04 (7) and ETF 10.30 (5), a Variable Fund cancellation becomes effective on the January 1 after the date on the ETF receives the participant's completed cancellation form.
- Wis. Stats. § 40.04 (7) (a) 1. specifies that for a conditional Variable cancellation to go into effect, the amount of the member's annuity must be greater than or equal to the amount of the annuity that the member would have received if he or she had never elected Variable participation. The statute does not allow any flexibility in making this determination.

### **When Will Your Variable Annuity Be Transferred to The Core Fund?**

Since you selected a conditional cancellation, you will remain in the Variable Fund for the time being.

- After the 2018 Variable annuity adjustment is applied to the Variable portion of your annuity on May 1, 2019, we will determine whether your new annuity amount is at least as much as it would be if you had never participated in the Variable Fund. If you are at least "breaking even," your Variable annuity will be transferred to the Core Fund.
- However, if your annuity is less than the amount it would be if you had never participated in the Variable Fund, your Variable annuity will remain in the Variable Fund for another year. At that time, we will again compare your annuity against the amount it would be if you had never participated in the Variable Fund. This process will continue year after year until you break even or better, at which time we will transfer your Variable portion to the Core Fund.

Variable Fund cancellation can get confusing. Please give me a call at 608-266-1210 if you have any additional questions.

Sincerely,



Matt Stohr  
Administrator  
Division of Retirement Services

CC19-016

RECEIVED \*  
EMPLOYEE TRUST FUNDS  
2019 FEB 27 AM 9:49

February 24, 2019

Dear Employee Trust Funds Board,

I received your Board Election ballot last month and was very surprised to see that there was absolutely no representation by women or people of color.

You need to seriously examine what you are doing to encourage inclusion and equitable participation by all.

A concerned participant

MICHAEL DOBISH  
VICE PRESIDENT EMERITUS PROFESSIONAL FIRE FIGHTERS OF WISCONSIN  
1456 Parish Way, Myrtle Beach SC 29577 · 910-986-9023  
mdobish47@gmail.com

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Wisconsin Retirement Board  
c/o Board Liaison  
Department of Employee Trust Funds  
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Employee Trust Funds  
c/o Board Liaison  
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February 27, 2019

I am a retired State of Wisconsin municipal employee. I have reviewed the Wisconsin Retirement Systems, Retirement Comprehensive Annual Financial Reports from 2008 -2017. I have also reviewed the Core Fund, Rates and Adjustments document published by the State of Wisconsin Department of Employee Trust Fund (ETF) for the period of 2008 - 2017

Notably, in 2008 the investment return for the Wisconsin Retirement Fund suffered a 26.2% loss.

Thereafter, the following four years 2009 - 2012 the ETF reported investment returns totaling 49.7% in gains. Hence, the investment returns had gained back all of the losses incurred in 2008 plus an additional 23.5% from 2008 - 2012.

Remarkably, during that same period 2008-2012 core fund annuitants' pensions were reduced for 5 straight years totaling a reduction of pensions of 21.2%. Subsequently, from 2013 -2017 Core Fund annuitants received modest increases in pension ranging from a high of 4.7% in 2013 to a low of .5% in 2014.

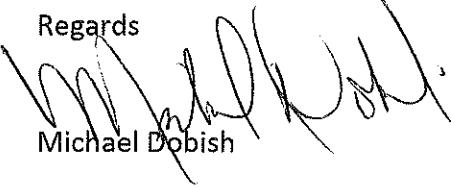
Despite the remarkable performance of investment returns from 2009 -2017 Core Fund annuitants have not gained back their losses in pension income from 2009 – 2012. The fact is Core Fund annuitants are still 8.7% behind what their pensions were in 2007.

Furthermore, the Wisconsin Retirement Systems, Retirement Comprehensive Annual Financial Report indicates the following:

- In 2008 Wisconsin Retirement Actuarial Statement of Assets and Liabilities show Total Reserves and Surpluses of \$77.4 Billion Dollars
- By December 31, 2018 the Wisconsin Retirement System, Total Reserves and Surpluses had grown to \$100.8 Billion Dollars.
- The Total Reserves and Surpluses had grown by \$20.7 Billion Dollars from 2008 – 2017

Given the above detailed facts it is difficult to understand why core fund annuitants are lagging so far behind investment returns.

Regards



Michael Dobish

Cc: Judy Newman, Wisconsin State Journal

Year	Investment Return	Anunity Adjustment	Total Reserves and Surplus (\$ in Millions)	Total Reserves an Surpluses Gains / Losses 2008-2018 (\$ in Millions)	CPI
2008	-26.20%	-2.10%	\$ 77,412.00	\$ (2,667.70)	3.8%
2009	22.40%	-1.30%	\$ 79,104.60	\$ 1,692.60	-0.4%
2010	12.30%	-1.20%	\$ 80,758.80	\$ 1,654.20	1.6%
2011	1.40%	-7.00%	\$ 79,039.30	\$ (1,719.50)	3.2%
2012	13.70%	-9.60%	\$ 78,682.70	\$ (356.60)	2.1%
2013	13.60%	4.70%	\$ 85,276.10	\$ 6,593.40	1.5%
2014	5.70%	2.90%	\$ 89,392.10	\$ 4,116.00	1.6%
2015	-0.40%	0.50%	\$ 91,526.40	\$ 2,134.30	0.1%
2016	8.60%	2.00%	\$ 95,413.90	\$ 3,887.50	1.3%
2017	16.20%	2.40%	\$ 100,819.30	\$ 5,405.40	2.4%
2018	-3.30%	0.00%			
<b>Total Gain/Loss</b>	<b>64.00%</b>	<b>-8.70%</b>		<b>\$ 20,739.60</b>	<b>17.2%</b>
2008	-26.20%	-2.10%			
2009	22.40%	-1.30%			
2010	12.30%	-1.20%			
2011	1.40%	-7.00%			
2012	13.60%	-9.60%			
<b>Total Annual Gain/Loss 2008-2012</b>	<b>23.50%</b>	<b>-21.20%</b>			



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etf.wi.gov

March 12, 2019

MICHAEL DOBISH  
1456 PARISH WAY  
MYRTLE BEACH, SC 29577

Dear Mr. Dobish,

I am writing in response to your February 27, 2019 letter, which was received by the Wisconsin Department of Employee Trust Funds (ETF) on March 4, 2019. In your letter you stated that it is difficult to understand why Core Fund annuities are lagging investment returns based on information in ETF's comprehensive annual financial report.

The CAFR is a good source of information about assets and liabilities for each program administered by ETF, among other things. However, it does not get into the details about the annual adjustments made to retiree accounts because those adjustments are made based on investment performance and actuarial factors such as mortality rates. The detailed information about adjustments is provided in the independent actuary's annual valuation of retired lives. Here is a link to the 2017 report: <http://etf.wi.gov/boards/agenda-items-2018/etf0329/etf/item5a.pdf>. Page 6 of the report shows exactly how the adjustment was determined.

There are three primary reasons why annual annuity changes are different than Core Fund investment performance. I will use 2017 as an example since 2018 isn't finalized yet.

1. Retirees on average are living longer. There is a cost to those mortality improvements since the Department of Employee Trust Funds (ETF) pays you a benefit for your lifetime.
  - a. For example, the 2% increase ETF applied to your account as of May 1, 2017, would have been 2.55% instead of 2% if retiree life expectancy on whole would have not improved. Mortality improvements reduced your increase by .55%.
  - b. The year before, when you received a .5% increase despite a negative investment year, you would have received .57% more if it weren't for mortality improvements among WI Retirement System (WRS) retirees.
2. A 5% earnings assumption, which state law requires, is built into all retirees' original Core annuities. This means that investment earnings more than 5% are

considered when determining the annuity adjustments. Said another way, ETF needs the State of Wisconsin Investment Board (SWIB) to generate a return of 5% to account for the fact we are paying you (and in some cases your survivors) a lifetime benefit. The contributions you and/or your employer paid for you during your working career and the investments on those past contributions alone are not enough to pay you for your lifetime.

3. Most importantly, WRS assets are smoothed over a course of five years. In other words, only 1/5<sup>th</sup> of the total positive investment return in 2017 was applied to the increase you received on May 1, 2018.
  - a. For example, the calculation that year incorporated the effects of shortfalls incurred in 2014 and 2015, when returns were lower than the actuarial assumption of 7.2%. The net investment return in 2015 was -.67%. In 2014, it was 5.4%.
  - b. Without smoothing, retirees would have had roughly 35% (of the Core portion) of their account clawed back in 2009 due to the 2008 stock market turmoil. Smoothing helps prevent large volatility in annuity adjustments from year to year.

Final annuity adjustments are determined by ETF's independent consulting actuary, typically in March of each year. The actuary uses the process set forth in state law. Also in accordance with state law, the actuary's process and work is audited by a separate independent actuary every five years. Point being, this is not an arbitrary process. It is the same process each year, conducted by certified actuaries, in accordance with state law. The actuary's report for 2018 will be available soon on ETF's website.

It is also important to point out that the numbers you used in your letter did not account for the negative compounding of money. For example, if I invested \$100, had a -10% return the first year, but a +10% return the following year, I would not break even. Instead, I would have \$99 after two years.

Thanks for writing. I hope this information helps answer your questions.

Sincerely,



Matt Stohr, Administrator  
Division of Retirement Services  
608-266-1210

cc: Judy Newman, Wisconsin State Journal