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CORRESPONDENCE MEMORANDUM

DATE: November 15, 2012

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

FROM: Roger Fletcher, Director, Member Services Bureau,
Division of Retirement Services
Mark Lamkins, Director, Office of Communications and Legislation

SUBJECT: Communication of WRS Annuity Guarantees and Adjustments to Retirees

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

At the Joint Informational (JI) meeting in September 2012, ETF staff members were asked to review present and past communications to retirees about WRS annuity guarantees and adjustments, and how market declines affect monthly annuity payments. Specifically, we reviewed targeted communications to retirees around the major global investment market declines of 2002 and 2008.

Strengthening customer relationships, meeting the needs of members and employers, and providing value-added information about the WRS are an integral part of the ETF communications strategy. Over the past decade, ETF has increased its targeted communications to retirees in an attempt to increase awareness about the unique risk- and gain-sharing nature of the WRS, and to prepare retirees for possible negative annuity adjustments.

Anticipating the largest Core Trust Fund investment loss (-26.2%) and first-ever negative Core annuity adjustment (-2.1%), ETF in 2008 ramped up communications to retirees with an alert on the ETF website in October 2008; a mailed letter in November 2008 that projected a dividend loss; and co-sponsored a series of roundtable presentations and an online video with the State of Wisconsin Investment Board (SWIB) on the financial condition of the WRS.

Board	Mtg Date	Item #
JI	12.6.12	4A

Reviewed and approved by Robert J. Marchant, Deputy Secretary


Signature

12/5/12
Date

This year (2012) is the fifth and final year of smoothing 2008 losses into the rate calculations. By mid-December 2012, ETF will have pushed out information about projected continued negative investment returns and Core annuity adjustments at least five different times over the past 12 months. This includes ETF E-mail Updates, articles in the *WRS News*, an online video presentation, and a press release. Of course, there were many other touch points or opportunities for members to get information by contacting the Customer Service Call Center, making a private appointment with a benefits specialist, or attending a local public presentation or benefit fair.

In early 2013, ETF and SWIB plan to mail a letter to all annuitants, announcing a range of projected Core annuity adjustments. The primary goal of this letter is to help prepare almost half of them for another negative Core annuity adjustment. ETF anticipates the adjustment will bring many to their original Core annuity amount (“the floor”). Targeted communications to constituent groups, such as the Wisconsin Retired Educators Association (WREA), the Wisconsin Coalition of Annuitants (WCOA), the Wisconsin Education Association Council (WEAC) and others, are also planned.

In general, communications to retirees fall under four different areas: (1) customer service assistance; (2) outreach and education activities; (3) benefits information and materials; and (4) constituent groups and media relations.

Customer Service Assistance

WRS members can contact the Customer Service Call Center, Monday - Friday, 7 a.m. to 5 p.m., CT, for assistance and to receive benefits information and materials. They can also download brochures and forms from the ETF website and send inquiries via postal mail or e-mail to the Call Center. Staff members answer a broad range of questions about how trust fund investment returns affect retirement benefits, how rates are set, and more.

With ETF’s increased outreach and education activities, and more benefits information and materials available on the ETF website over the past couple of years, the Call Center has experienced a decrease in call volume. The chart below shows call trends during March through May when the majority of calls about annuity adjustments are received.

Customer Service Call Center Trends: March - May

Year	Call Volume	Call Variance
2007	33,691	
2008	34,405	2%
2009	34,263	0%
2010	40,931	16%
2011	34,782	-18%
2012	33,455	-4%

Outreach and Education Activities

ETF benefits specialists are available to meet with members as they transition to retirement or whenever members schedule a private one-on-one appointment to address questions related to their individual account. Local public presentations and WRS benefits fairs are also scheduled throughout the year.

Number of Attendees

Activity	2009	2010	2011*	2012**
Walk-ins	4,254	4,190	5,311	2,859
One-on-One Appointments	3,388	3,895	3,033	3,157
Group Sessions (in Madison)	1,566	1,693	1,574	148
Group Sessions (outside of Madison)	-	-	2,406*	2,358
Public Presentations	4,428	5,722	6,305	4,255
Total	13,636	15,500	18,629	12,777

*Started offering group sessions outside of Madison in 2011. Interest in benefits changes due to Act 10 and Act 32 increased contacts.

**Based on data available through October 2012.

Benefits Information and Materials

In addition to receiving a fully customized retirement estimate/packet one year before retirement, members have several ways to get benefits information and materials via the web, postal mail, and e-mail any time during the year.

The *WRS News* newsletter covers topics of interest to both active employees and retirees. ETF publishes the newsletter with SWIB to ensure there is relevant content on trends in investments, strategy, and how future investment returns may affect WRS members. The newsletter is currently printed and mailed to retirees three times a year in January, May, and September. A separate newsletter on health insurance benefits is also mailed in September.

In between editions of the newsletter, members can go to the ETF website for information about benefits, use online benefit calculators, and download online videos, program brochures and forms. ETF started producing online videos in 2006.

Members and others are using ETF online tools. More than 24,000 subscribers have signed up for ETF's free e-mail notification service, ETF E-Mail Updates, since the service started in January 2011.

Information is available on these topics of interest to retirees:

- How to calculate retirement benefits and choose an annuity option

- Preliminary and actual Core Fund investment returns, rates, and annuity adjustments
- The differences between the Core Fund vs. the optional Variable Fund
- The fact that Core annuities cannot be reduced below an individual's minimum Core annuity amount (floor)
- The WRS offers a stable, knowable retirement income but does not provide cost of living adjustments (COLAs)
- The reasons why Core Fund investment returns are smoothed—to defer gains to avoid a negative annuity adjustment and to mitigate volatility in rates
- The risk- and gain-sharing nature of the WRS
- How WRS interest affects an individual's annuity adjustment
- Retirement readiness and the concept of the “three-legged stool”: WRS pension, Social Security, and other personal savings
- Understanding the annuity mailer/payment statements
- Tax liability on WRS benefits
- How divorce can affect WRS benefits
- Separation and death benefits
- Beneficiary designation

Constituent Groups and Media Relations

ETF regularly collaborates with SWIB and constituent groups to promote awareness about WRS benefits and to support the interests of members and employers.

As a result, members—and *the general public*—get information from a variety of external resources, including constituent newsletters and, of course, the media (e.g., newspapers, TV and radio). For example:

- In the fall 2012 issue of the *WREA News*, ETF Secretary Bob Conlin wrote a Q&A column, in layman's terms, that addressed retiree concerns about possible benefit cuts.
- On the front page of the *Wisconsin State Journal* (September 21, 2012), the lead article headline declares: “Officials: Don't change Wisconsin Retirement System.” It sends a strong, clear message that the WRS is doing what it is supposed to do. The article provides SWIB's 7.2 percent goal for year-end investment returns, and actuarial projections for an average 11 percent benefit cut for many retirees due to the smoothing of losses from 2008.

In the article, ETF board member Michael Langyel took advantage of the opportunity to hit home these messages:

- “Retirees need to save in years when their benefits increase.”
- “Rather than make a new system, we have to reiterate to everyone that this is a fixed benefit and really call on people to work with their financial advisers.”

It is also worth noting that the WRS is often cited in national trade journals and pension system studies for its strong funding level and funding discipline. In 2012, the Pew Center for the States called the WRS a “solid performer” when it comes to paying benefit obligations for current and future retirees; and in a report released by Morningstar in November, the WRS was dubbed the strongest-funded government pension system out of all 50 states with a 99.8% funded ratio.

Looking to the Future

ETF has implemented a long-range strategic plan that focuses on increasing member education and outreach throughout the state, and empowering members with expanded online self-service tools to securely access individual WRS account information any time. Members consistently ask for more online tools and ways to customize how they receive information (e.g., e-mail rather than postal mail).

These efforts will help to increase the number of communication touch points and provide more ways for ETF to add value throughout the lifecycle of the member. The availability of a web-based member portal is driven by ETF’s multi-year initiative to modernize and integrate its benefits administration system and business processes by 2017.

ETF regularly assesses the effectiveness of its communications in meeting member needs and looks for opportunities to collect member feedback. In 2013, ETF is developing a pilot outreach and education campaign to target active vested employees (5 years or more of service and under age 49) and to begin building awareness about WRS benefits and the need for financial retirement planning earlier in their careers.

The growing demand for online services and social media will change how ETF communicates with members—and how members communicate with ETF—in the future.

Staff members will be at the Board meeting to answer any questions you may have.