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A Message from the Secretary: Keeping Up With Demands for Information, Service

— David Stella, ETF Secretary

I have been with the Department of Employee Trust Funds (ETF) for 23 of the Wisconsin Retirement System's (WRS) 29-year existence. It's safe to say this Department has never been busier than it is right now.

The year began with the realization that ETF would, unfortunately, have to reduce Core Fund annuities for WRS retirees for the third year in a row (see related article on page 5). And then, beginning in early February, the sheer volume of retirement estimate requests, retirement applications, and requests for information and other customer services hit us like never before.

No matter the cause—normal “baby boomer” retirements, legislative issues, or members who delayed retirement because of 2008's economic downturn—we are struggling to keep up with the demand from everyone who wants and needs information from us. We reported in January that retirement estimate requests and applications were increasing—and then February and March hit. To give you a sense of the magnitude, here are some statistics as of *WRS News* printing deadlines:

- In March alone, we received an average of 1,700 requests for retirement estimates per week.

Message, continued on page 2

Market Update:

Funds Remain Ahead of Benchmarks

— Keith Bozarth, SWIB Executive Director

There are signs that the U.S. economic environment is slowly recovering. Despite the continuing economic challenges, the Wisconsin Retirement System trust funds saw positive returns at the end of the first quarter of 2011. Both the Core and Variable Funds started the year in the positive, with the Core returning 1.2% in January and 3.3% in February, and the Variable returning 1.9% and 5.2% for the same period. The Core and Variable remain ahead of their performance benchmarks through March.

From an investment perspective,

unemployment, the fragile housing market and the uncertainty about global credit markets continues. Even with an unexpected shock from the devastating earthquake and nuclear crisis in

Market Update, continued on page 2

Preliminary Returns as of March 31, 2011

Core Fund	4.0%
Benchmark	3.7%
Variable Fund	5.6%
Benchmark	5.5%

Message, continued from page 1

- For the first three months of 2011, requests for retirement estimates are up 139% and applications are up 75%, over the same period last year.
- Incoming calls are averaging 4,310 per week, a 35% increase over the same period last year.
- We are answering 613 e-mails per week, a 70% increase over the same period in 2010.

In response to the sudden and sharp increase in service demands, we developed alternative ways to provide information. These included expanding the number of public presentations statewide, extending our Call Center hours and developing new online documents for employees retiring on a short timeline. In addition, our **E-Mail Updates** service (see page 3), has helped us communicate with thousands of members and employers quickly and efficiently.

I would like to publicly recognize how ETF employees have pulled together during this busy stretch of time. Many have taken on additional tasks in order to reduce service wait times for members and employers alike. Despite all our



An ETF employee works to find an available appointment for a member, while stacks of retirement packets await additional processing and mailing.

progress, we still cannot proclaim “immediate seating” for appointments, promise a shorter turnaround time on retirement estimates or even proclaim “zero” minutes on hold when you call.

Customer service-related workloads will remain high for quite some time, especially since roughly 25% of the active employees in the WRS are eligible to retire. But it does show that ETF employees are still the same dedicated, service-oriented, knowledgeable professionals they have always been, no matter what.

Market Update, continued from page 1

Japan, the first quarter Dow Jones Industrial Average returns rose 6.4% for its best first quarter in 12 years. Regardless of how markets are performing, the State of Wisconsin Investment Board (SWIB) continues to look beyond the immediate economic environment for ways to benefit the WRS by strengthening its operations.

In essence, SWIB is in the business of taking risks for gain. Therefore, risk management throughout the organization is an essential part of the operation. Having the proper people, processes and technology assures SWIB can successfully grow the trust fund assets by taking targeted, compensated risks. At the same time, SWIB guards against unintended, uncompensated risks.

To invest successfully, SWIB must have staff with the right training, experience and character to manage assets directly, monitor asset managers, and ensure operations are secure and professional. Recently, SWIB was provided with the resources to add a meaningful number of highly-qualified

staff. The results have been: more assets managed internally at lower cost than external management; better selection and oversight of external asset managers; and enhanced control and operation environments. Without continued ability to staff properly, these gains would be lost.

Likewise, in the past few years, SWIB has used the asset allocation process to reduce overall return volatility going forward. As it does each May, SWIB trustees are set to review the asset allocation with the board’s consultant to determine the right mix of stocks, bonds and other assets. Using approaches new to SWIB, though well established in the investment world, helps increase the efficiency of our investment activity. (See pages 10 and 11 regarding asset allocation.) Finally, SWIB recently has invested in a variety of enhanced technology tools.

We will continue to look for ways to more efficiently and safely seek returns that pay the great majority of pension benefits.

Sign up for *ETF E-Mail Updates*



The Department of Employee Trust Funds (ETF) is pleased to introduce *ETF E-Mail Updates*, a new way for you to stay informed about your Wisconsin Retirement System benefits. Use this new service to receive e-mail alerts any time the Department's Internet site is updated with important news and information. Topics include: press releases, newsletters, effective rates/adjustments announcements, *What's New?* items, and much more. Registration for *E-Mail Updates* is fast, easy, and free. Look for the red envelope icon on our Internet site at <http://etf.wi.gov>.

WRS Retirement Info and Statistics

Members Eligible to Retire

According to AARP, more than 7,000 “baby boomers” will turn 65 every day this year. Let’s bring the focus a bit closer to home: More than 106,000 Wisconsin Retirement System (WRS) members are now eligible to retire. If you are eligible to retire and think an official WRS benefits

WRS Members Eligible to Retire*	
Active	65,000
Inactive	41,000
Total	106,000

estimate is in order, please be aware that we will provide one only if you are within a year of your estimated retirement date. In the meantime, utilize the many great resources on our Internet site. To learn about WRS retirement eligibility requirements, start with our brochure, *Applying for Your Retirement Benefit* (ET-4106).

*as of 1/1/2010

Retiring on Short Notice? What You Should Know and Do

Since early February the Department of Employee Trust Funds (ETF) has struggled to meet an extremely high volume of calls, e-mails, and requests for in-person services from Wisconsin Retirement System (WRS) members who are considering retiring on a relatively short timeline. If you are considering retiring in the near future, you should review our online document, *Retiring on Short Notice?*

In this document we suggest alternative ways to obtain retirement-related information and services, including our retirement benefit estimate calculator and more than 20 online videos. *Retiring on Short Notice?* also covers:

- how to request an official benefit estimate
- how long it might take to receive an estimate
- what to do if you already have an estimate

The document also contains helpful tips and answers to common questions about the retirement process, accelerating your retirement timeline, group health insurance, the use of sick leave credits for health insurance premiums (applies to state employees only), and much more. Look for *Retiring on Short Notice?* in the *What's New* column on our Internet site, <http://etf.wi.gov>.

Should You Retire? ETF Urges Caution

The Department of Employee Trust Funds has always advised members to exercise caution when it comes to making a retirement decision. Now, more than ever, it's a message worth repeating. Base your decisions on your own financial situation. Do not take any irrevocable action based on speculation, fear, or the result of stress. And if you do decide to retire, take the time to study the different annuity options available to you and pick the one that would work best for your situation.

Top ETF Online Videos

- Calculating Your Retirement Benefits Online*
- The Road to Retirement*
- Annual Retirement Annuity Adjustments*
- WRS Payment Options*
- Your WRS Benefits*
- Returning to Work After Retirement*

Find these and many more WRS benefits-related videos in our Video Library. Go to <http://etf.wi.gov/webcasts.htm>.

Questions About 2011 Act 10 (Budget Repair Bill)

Legislation affecting the benefit programs of the Wisconsin Retirement System (WRS) was introduced in February, amended and passed as 2011 Wisconsin Act 10 (the Budget Repair Bill). However, as of *WRS News* printing deadlines, a court order has prevented implementation of the Act. Effective dates are not known at this time. Nevertheless, the following is a brief summary of some of the provisions that were in the bill signed by the governor in March.

For the answers to many more questions from WRS members, see ETF's *Frequently Asked Questions* (FAQ) document about 2011 Act 10 (Budget Repair Bill). Find it in the What's New column on ETF's Internet site. The document is updated when new information becomes available.

WRS-related provisions

Contribution rates

Most state and local government employees would pay ½ of the total WRS contribution. Example: the 2011 total WRS contribution for General category employees is 11.6% of salary. Therefore, a General employee would contribute 5.8% of his/her salary to his/her WRS account.*

Most Protective category employees would pay the same percentage of salary as General employees. Note: total WRS contribution rates can be adjusted each year (higher or lower) based upon the recommendations of the WRS independent actuaries. As a result, the amount employees will be required to pay may also change. This provision affects active employees only.

Employee required contributions

In most cases, state and local government employers are prohibited from paying the employee's share of the required contributions.**

** Prior to Act 10, the statutory employee rate was 5%.*

***The date that employees must pay 100% of their required contributions varies, depending on whether the employer has a collective bargaining agreement in place. In addition, some protective occupation category employees have the right to bargain over employee required contributions.*

Formula benefit multiplier

The formula benefit multiplier for state and local government employees in the Executive/Elected official category is lowered, from 2% to 1.6%. The effective date of this change varies, depending on employee type. See the Act 10 FAQ for more information.

Health insurance program-related provisions

Monthly premiums

For 2011, the employee-paid share of monthly health insurance premiums for **state** employees participating in the state's group health insurance program will increase. Example: Under a Tier 1 plan for state employees, the employee-paid portion for single coverage would be \$84 per month, up from \$36; family coverage would be \$208 per month, up from \$89. This provision affects active employees only.

Program cost reductions in Act 10

For the 2012 plan year, the Group Insurance Board (GIB) must find ways to reduce the average premium costs of the plans by 5%. Strategies to achieve this savings must include copayments. In addition, the Board could require health plans to offer, for state employees, health risk assessments and wellness or disease management programs. As of *WRS News* printing deadlines, no decisions were made regarding potential cost-reduction strategies. For information about GIB meetings, including meeting agendas and documents, go to http://etf.wi.gov/boards/board_gib.htm.

What happened to the study of the WRS and its benefit programs? This provision was not included in Act 10. Among other things, it would have required examining the possibility of establishing a defined contribution plan; permitting employees to not make employee required contributions; and modifying the supplemental health insurance conversion credits program (state employees only).

Will the increase in the employee required contribution rates have any effect on the cost of buying forfeited service? Yes, in most cases the cost will increase. For a detailed explanation, See the Act 10 FAQ on our Internet site.

ETF Temporarily Adds Evening Customer Service Hours

Due to high service demands, the Department of Employee Trust Funds has temporarily expanded its Customer Service Call Center hours **through July 8**. The current hours are 7:00 a.m. – 5:00 p.m., Monday through Friday. Beginning July 11, Customer Service Call Center hours will revert to 7:45 a.m. – 4:30 p.m., Monday through Friday. Call 1-877-533-5020 or (608) 266-3285.

ETF Announces Effective Rates, Annuity Adjustments

The Department of Employee Trust Funds (ETF) has announced the effective rates for Wisconsin Retirement System (WRS) active and some inactive employees. The Core effective rate is +4.8% and the Variable Fund effective rate is +16%. These rates were credited to employees' retirement accounts, as shown on their annual *Statement of Benefits*. ETF completed the distribution of the Statements to employees in mid-April (see page 8).

The Core and the Variable annuity adjustment rates are based on the effective rate calculations. This year's Core annuity adjustment is -1.2% and the Variable annuity adjustment is +11%. All WRS retirees participate in the Core Fund;

about 35,000 also participate in the optional Variable Fund. These adjustments will affect retirees' monthly payments beginning May 1.

The rates are based on investment performance earned by the State of Wisconsin Investment Board. For 2010, the Core Fund returned 12.4% and the Variable Fund, 15.6%. Core Fund investment returns are spread out (smoothed) over the course of five-years. Despite investment gains in 2009 and 2010, this year's calculation still includes the effects of 2008's \$21 billion Core Fund decrease. Variable Fund investment results are fully incorporated into the rate calculations—there is no smoothing.

Is the WRS Fully Funded?

There has been a lot of media coverage about the funding of public pension systems across the nation—is the Wisconsin Retirement System (WRS) fully funded? Yes, the WRS is fully funded and able to pay benefits to current and future WRS members. The WRS is in excellent financial condition due to a variety of reasons, including the sound investment strategy of the State of Wisconsin Investment Board, funding discipline by employers and employees, and the “risk sharing” nature of the system. The Pew Center on the States categorizes the WRS as a “solid performer,” calling it a “national leader in managing its long-term liabilities.” With assets totaling nearly \$80 billion, it is the 9th largest public pension fund in the United States and the 30th largest pension fund—public or private—in the world.

For More Information

The Pew Center on the States

Report: The Trillion Dollar Gap

<http://www.pewcenteronthestates.org>

ETF document

Core Fund and Variable Fund Percentages

This online chart shows Core and Variable Trust Fund investment returns and corresponding rate adjustments over the past 25 years. Find it on ETF's Internet site at <http://etf.wi.gov/retirees/dividends.htm>.

ETF video

Annual Annuity Adjustments

This online video covers frequently-asked questions about Wisconsin Retirement System annual annuity adjustments and explains how the rates are calculated. Find it in ETF's Video Library at <http://etf.wi.gov/webcasts.htm>.

Many Ways to Obtain WRS Benefit Information

The Department of Employee Trust Funds (ETF) offers members many ways to obtain accurate, complete, and accessible information to help guide important benefit-related decisions. These include Wisconsin Retirement System (WRD) benefits presentations held throughout the state, more opportunities for group retirement appointments, informative online videos, calculators and, of course, our many brochures and forms.

Benefits Presentations and Group Appointments

Each spring and fall ETF offers free, two-hour presentations for members seeking general information on WRS benefit programs. Presenters cover WRS retirement benefits, annuity options, separation and survivor benefits, and life and health insurance. Also covered are service purchases, military service credit and additional WRS contributions. Reservations are not required.

To find out about presentations in your area, refer to the schedule and interactive map on our Internet site. Find these under the “Benefits Presentations” link under the Members menu at <http://etf.wi.gov>.

Our group retirement appointments, designed for members nearing retirement, are extremely popular.* In a group appointment, a benefits specialist provides a step-by-step explanation of the retirement estimate, annuity options and application process, and answers any questions you may have. These appointments are held throughout the state and at ETF’s Madison office. **Reservations for group appointments are required.** Call ETF’s appointment line at (608)266-5717 or toll free, 1-877-533-5020, ext. 65717.

**Attendees must be within one year of minimum retirement age and have a valid retirement estimate/packet from ETF.*

ETF has conducted more than 50 group retirement appointments outside of Madison, serving more than 600 members this year alone. Attendees surveyed indicated the appointments were “very effective” in providing service answering member’s benefit questions.

Online Videos <http://etf.wi.gov/webcasts.htm>

If you are at or near retirement, consider viewing our most popular video, *The Road to Retirement-Online Appointment*. This program presents the same material shared in our individual and group appointments. Here are some of our other popular titles:

- *WRS Payment Options*
- *Calculating Your Retirement Benefits Online*
- *Annual Retirement Annuity Adjustments*
- *Planning for the Inevitable: Death Benefits and Beneficiaries*
- *Your WRS Benefits*

Calculators <http://etf.wi.gov/calculator.htm>

WRS Retirement Benefits

Calculate an unofficial projection of your own retirement benefit under both the formula and money purchase calculations.

Forfeited Service Cost

Calculate the cost to buy WRS creditable service previously forfeited by taking a separation benefit.

Accelerated Payment Cost

If you will be under age 62 on your WRS retirement date, you can calculate the cost of choosing an accelerated payment option.

Variable Excess/Deficiency

If you have ever participated in the Variable Trust Fund, use this calculator to find out how much your excess or deficiency balance would increase or decrease your formula retirement annuity.

ETF Forms and Brochures

To view ETF forms and brochures online, go to <http://etf.wi.gov/publications/wrs.htm>.

To request paper copies, call our Self-Service line at 1-877-383-1888 (toll free) or (608) 266-2323.

Understand Consequences of Separation Benefit

If you are considering terminating from Wisconsin Retirement System (WRS) employment and you have not reached minimum retirement age*, you could keep your retirement account intact. It would then receive annual interest until you become eligible for a retirement benefit. You could also apply for a separation benefit. However, carefully consider the consequences of exercising this option.

When you take a separation benefit you will only receive the employee required contributions in your account, voluntary additional contributions you may have made, and any accumulated interest on these contributions. You will lose the employer required contributions and all benefit rights earned during your employment, including your years of creditable service. You are completely closing your retirement account. For the separation benefit value of your WRS account, see Section 6 of your annual *Statement of Benefits*.

You will also be liable for significant **federal and state taxes** on the payment, in addition to the income tax liability. You can avoid taxes by rolling the payment into another qualified retirement plan or Individual Retirement Account (IRA).

You are **eligible** for a separation benefit if you have been terminated (i.e., your employer has reported a termination date to ETF) from all WRS employment and you are under your minimum retirement age when you apply*. You cannot be on a leave of absence. To apply for a separation benefit, contact the Department of Employee Trust Funds and ask for a separation benefit application. We must receive it before your 55th (50th for protectives) birthday.

**age 55 (50 for protective category employees)*

I also have a Wisconsin Deferred Compensation (WDC) account. What are my options? If you are eligible for a WRS separation benefit, then you are also eligible to begin taking distributions from your WDC account. In general, you would have three options:

1. **Leave your money in your WDC account.** You can access it via a distribution any time.
2. **Take a full or partial distribution.** There are no early withdrawal penalties on WDC account dis-

tributions and there are many flexible distribution options. Note: Distributions are taxed as ordinary income in the year received unless rolled into a new employer's qualified plan or an IRA within 60 days of the distribution.

3. **Roll your WDC account to your new employer's qualified plan or an IRA.**

May I roll my accrued sabbatical time into the WDC? Yes, provided you have experienced a qualifying event, such as a separation from service or retirement. In general:

- You must have a WDC account.
- You will need to know the exact dollar amount of your sabbatical time and the date of the paycheck that will include your sabbatical payout.
- You should be aware of federal deferral limits to your account.

For more details, including how to work with the WDC to defer your sabbatical, see Question 25 in ETF's *Frequently Asked Questions* document about 2011 Act 10 (Budget Repair Bill). Find it in the What's New column on ETF's Internet site <http://etf.wi.gov>.

For More Information

ETF brochure

Separation Benefits (ET-3101)

Find it at <http://etf.wi.gov/publication.htm> or call ETF to receive a printed copy.

ETF videos

Separation Benefits-Early Distribution

Ready to Retire? Understanding WDC Distribution Options

Find both of these programs in ETF's Video Library at <http://etf.wi.gov/webcasts.htm>.

Wisconsin Deferred Compensation Program
5325 Wall Street, Suite 2755
Madison, WI 53718
1-877-457-WDCP (9327)
<http://www.wdc457.org>

BOARD CORNER

ETF Board — Ford Elected

Wisconsin Retirement System (WRS) retirees elected William Ford to serve on the Employee Trust Funds (ETF) Board. Ford, of Prairie du Sac, retired in 2009 as a senior attorney with the Wisconsin Legislative Council. In January the Department distributed ballots to all retired WRS members. More than 42,000 ballots were cast. Ford received 19,393 votes (approximately 45%). The other candidates were Philip Evenson, Brookfield; Kathleen Kreul, Highland; and Dennis Panicucci, Hartford.

Teachers Retirement Board — Starck and Phair Appointed

Robin Starck, a Sheboygan Area School District teacher, and Patrick Phair, a Waupaca School District teacher, will serve second terms on the Teachers Retirement (TR) Board. Their first terms on the board began in 2006. They were the only teachers to seek the two open seats when the call for nomination papers was announced last September.

ETF Board — Educational Support Personnel Election Underway

As of *WRS News* printing deadlines, the Department was set to conduct an ETF Board election to select the educational support personnel member of the Board. Educational support personnel employees working for either a Wisconsin Retirement System (WRS) technical college districts or school district will receive a ballot. Results will be posted on our Internet site and publicized in the September edition of *WRS News*. The two candidates are:

Kimberly Hall, DC Everest Area School District
Judy L. Van Sluys, River Valley School District

For active employees

Statements Distributed; Keep Designation Current

In April the Department of Employee Trust Funds (ETF) completed distribution of the annual *Statement of Benefits*, a year-end summary of your Wisconsin Retirement System (WRS) retirement account information. If you have not received your *Statement*, or if it contains incorrect information, contact your employer's payroll and benefits office.

Page 2 of your *Statement* contains your WRS beneficiary designation on file with ETF. **Does it reflect how you would want your WRS death benefits paid?** Keeping your beneficiary designation up to date is very important because it does not take the place of a will and, in most cases, your beneficiaries do NOT automatically change if your life circumstances change (i.e., divorce, marriage, birth or death of children, etc.). Outdated beneficiary designations have resulted in death benefits being paid to, for example, former spouses or relatives of former spouses.

What's the easiest way to ensure your beneficiary designation is current? File a new *Beneficiary*

Designation form (ET-2320) with ETF. You must use this form in order for your designation to be valid. Find it online at <http://etf.wi.gov>, or call our Self Service line at 1-877-383-1888 to request a paper copy.

If you have a Wisconsin Deferred Compensation (WDC) Program account, make sure your beneficiary designation for that account is current as well. Contact the WDC toll free at 1-877-457-9327 or go to www.wdc457.org.

For More Information

ETF videos

Your Annual Statement of Benefits

Learn more about how to read and understand your *Statement* with this online video. To get the maximum value from this presentation, have your *Statement* in hand when watching the program. Find it in ETF's Video Library at <http://etf.wi.gov/webcasts.htm>.

ETF Seeks Persons with Abandoned WRS Accounts

The Department of Employee Trust Funds (ETF) is looking for individuals age 70 and older who have “abandoned” Wisconsin Retirement System (WRS) accounts. The list of WRS members known to have abandoned accounts has recently been updated with the names shown below. These WRS members or their heirs have 10 years after publication to apply for the benefit. If you know the whereabouts of anyone on this list, please ask them or their heirs to write to ETF at P.O. Box 7931, Madison, WI 53707-7931, or send an e-mail via the “Contact ETF” page on our Internet site. Inquiries must include the member’s complete name (published name, current and prior name), date of birth, Social Security number and the year that the name was published.

Allday, Edith A.	Gilmore, Linda	Lux, Elaine R.	Shekoski, Gene F.
Anderson, Dale T.	Gulan, Chester A.	Macrae, John C.	Sherman, Carol L.
Auen, Ralph J.	Hartman, James W.	Martin, William E.	Stelter, Mary L.
Bachhuber, Elizabeth M.	Hatcher, Douglas E.	Matacz, Zygmunt	Surges, Peter J.
Bagemehl, Dorothy M.	Hawpetoss, Louis J.	McClellan, Joel G.	Swanson, Gwenyth N.
Baldwin, Thelma L.	Horton, Marion J.	McGhee, Brown O.	Templeton, Phyllis R.
Barker, William H.	Howell, Anne E.	McNeil, Judith	Vanwinkle, Ronald D.
Barrett, Kathleen K.	Ignarski, Thomas J.	Miller, Toby A.	Vanwormer, Bernice J.
Boyce, Beverly A.	Jackson, Arthur L.	Milroy, Peter G.	Vinson, Leonard.
Buelow, Frank D.	Jones, Sandra A.	Moore, Joseph O.	Welch, Edward J.
Collins, Richard E.	Kang, Chil Y.	Murphy, Theresa L.	Wickland, Carol.
Czerp, Raymond M.	Karcz, Jerald.	O'Brien, John E.	Wiley, Patricia K.
Denhartog, Susan S.	Karmel, Madeline M.	Palmer, Janet D.	Wingate, Betty J.
Devine, Paul J.	Kelley, Sheila H.	Ramsing, Valerie A.	Wonderly, William F.
Dodge, Ann M.	Kernall, Marilyn K.	Reedich, John C.	Worthington, Susan
Dooley, Anna E.	Kitzrow, Helen J.	Rydberg, Sharon	Wright, Annemarie S.
Drake, Diana M.	Lamb, Michael D.	Schaefer, Priscilla	Wurm, Nancy
Erickson, Irene C.	Laughhun, Margaret J.	Schultz, Gerald A.	Xiaaj, M Xho
Evaristo, Arthur J.	Laughlin, Carol W.	Schwartz, Bonnie L.	Zwickey, Jon D.
Fleck, Mae I.	Little, Barbara J.	Severson, Louise A.	

One “Abandoned Account Owner” Success Story

In 2010 the Department of Employee Trust Funds (ETF) located more than 200 individuals who had “abandoned” accounts worth a total of \$2.5 million combined.

Why do we do it? For one, we have a fiduciary duty to pay benefits to the correct person. Unlike most “finding” services, ETF does not charge a fee if staff find the rightful account holder. ETF has been reaching out to Wisconsin Retirement System (WRS) members with abandoned accounts for many years (see above) and many heartwarming stories have emerged as a result. We do not typically convey “the rest of the story” when our attempts are successful. However, this story, edited to preserve privacy, is one we thought we would share to demonstrate the importance of finding the rightful account holder.

An ETF staff member telephoned an elderly woman who was thought to be the owner of an abandoned account. The woman was asked several identity-confirming questions. We confirmed her identity and in the course of the conversation it was revealed that the member had forgotten she worked for a Wisconsin school district (as a WRS covered employee) many, many years earlier. ETF then sent her an application to receive her long-overdue benefit.

Much to the member’s surprise, compounding interest over the years had increased her account value to \$20,000. She called us in tears, saying she “just could not believe this would have ever happened to her.” The woman subsequently submitted the application and received her long overdue benefit.

Many Asset Types Used for Investing WRS Trust Funds

The use of different asset classes is a key part of the diversification process the State of Wisconsin Investment Board (SWIB) uses to invest the retirement trust funds. The Core Fund is a fully-diversified, balanced fund. The Fund is anchored with equities (stocks) and fixed income (bonds) and includes investments in the types of asset classes listed below. State law requires that the Variable Fund be primarily invested in equities. However, diversification in the Variable Fund is achieved by investing in domestic and international equities, as well as different industries and company sizes.

Public Equities (Stocks)

Domestic: primarily common stock in U.S. companies diversified among small-, medium- and large-sized companies.

International: primarily common stock in foreign companies located in developed countries.

Emerging markets: stocks in developing countries, as defined by the World Bank.

Public Fixed Income (Bonds)

Public: U.S. government and corporate bonds purchased in public markets meeting minimum credit quality requirements.

Global: developed country bonds meeting minimum credit quality requirements.

Emerging markets: fixed income securities, mostly government debt, in developing markets as defined by the World Bank.

Private Markets

Real estate: commercial real estate investments with SWIB as a sole direct owner, or in joint ventures and partnerships with outside managers and diversified by location and property types; and diversified sets of real estate investment trusts.

Private equity/debt: leveraged buyouts and venture capital; direct, long-term loans to Wisconsin companies; and private market investments.

Multi-Asset:

Globally diversified investments: applies asset allocation strategies across world capital markets.

Trust Fund Returns Even in 20-Year Comparison

The annualized investment rates of return for the Core and Variable Trust Funds are even for a 20-year period, as shown below. Annualized return calculation takes compounding into consideration. Annual investment results are used to determine adjustments to annuity payments to WRS retirees and to the effective rates credited to active accounts.

Annual Investment Returns		
Year	Core Fund	Variable Fund
2010	12.4%	15.6%
2009	22.4%	33.7%
2008	-26.2%	-39.0%
2007	8.7%	5.6%
2006	15.8%	17.6%
2005	8.6%	8.3%
2004	12.8%	12.7%
2003	24.2%	32.7%
2002	-8.8%	-21.9%
2001	-2.3%	-8.3%
2000	-0.8%	-7.2%
1999	15.7%	27.8%
1998	14.6%	17.5%
1997	17.2%	21.6%
1996	14.4%	19.8%
1995	23.1%	25.6%
1994	-0.6%	0.8%
1993	15.0%	16.5%
1992	9.7%	10.7%
1991	20.4%	27.1%
20-Year Annualized Return	9.1%	9.1%

True Diversification Includes Asset Classes and Careful Analysis of Risk Factors

Taking a traditional view on diversification—selecting investments from a variety of asset classes—has significant limitations. However, the State of Wisconsin Investment Board (SWIB) seeks to achieve better diversification with a two-fold process: dividing the asset allocation into asset classes and focusing on the common risk factors assets can share. The goal is to help stabilize the Trust Funds’ portfolios, especially in today’s difficult markets.

Diversification, an essential part of how SWIB invests the assets of the Wisconsin Retirement System, helps manage risk and volatility. By dividing investments among assets—such as stocks, bonds, real estate and cash—investors seek to create a mix of investments that do not move together. For example, equities, fixed income, and real estate are unlikely to experience the same value movement (either up or down) at the same time.

However, this approach overlooks the fact that different asset classes can share common underlying risk factors; investment performance is driven by such factors. In addition, those factors behave differently during different economic times. For example, during an economic downturn, discount stores often benefit because consumers are looking for more bargains. At the same time, the overall consumer sector may experience a downturn because people are spending less.

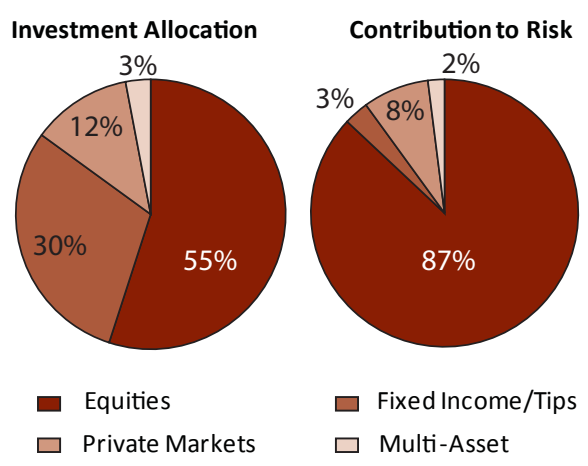
Simply seeking diversification through combining several asset classes does not take into account all variables. As a result, portfolios may not be as diversified as expected and additional diversification across the various risk factors can provide another layer of protection. By analyzing risk, SWIB considers the impact of specific economic and

market conditions on particular investments. As part of this process, SWIB routinely measures different types of risk associated with the funds. Using a combination of traditional asset allocation and risk analysis helps SWIB determine a more comprehensive mix of assets.

The **Core Fund Investment Allocation** chart (below, left) provides the current investment targets for the types of asset classes. The **Core Fund Contribution to Risk** chart (below, right) illustrates the percentage of risk each of the asset classes contribute to the Core Fund.

Asset allocation remains an important part of the diversification strategy. However, diversification and risk allocation combined creates portfolios with a more meaningful diversification. To succeed during uncertain times, this approach is key to ensure investments are structured appropriately.

Core Fund Asset Allocations



WRS Cited at Top of Pension Class

The Wisconsin Retirement System (WRS) is featured prominently in the *fedgazette*, a publication of the Federal Reserve Bank of Minneapolis. The article, “Top of the Pension Class”, highlights several keys to the success of the WRS, including a plan design that requires the timely and complete payment of required contributions,

the State of Wisconsin Investment Board’s sound investment strategy and the sharing of investment risks and rewards among employers, employees and retirees.

For this and other *fedgazette* articles on pension-related issues, see the Reserve Bank’s site at http://www.minneapolisfed.org/publications_papers.

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