



## State of Wisconsin Investment Board

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December 21, 1998

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Mr. Donald Schneider, Senate Chief Clerk  
Mr. Charles Sanders, Assembly Chief Clerk

Members of the Legislature:

Attached is the Investment Board's annual report to the Legislature on investment goals and long-term strategies, as provided under section 25.17(14g) of the Statutes. Objectives for each of the major funds managed by SWIB are described and significant changes since our last report are noted.

The Board currently manages over \$52.0 billion for the Wisconsin Retirement System (WRS), the tenth largest U.S. public pension fund and the 18th largest public or private pension fund in the world. The Board also manages over \$5.0 billion in cash balances of state agencies and local governments in the State Investment Fund (SIF). Cash balances of the WRS are also managed in SIF.

A long-term focus guides the investment strategy for the Retirement System trust funds, in keeping with their long-term obligations. The SIF emphasizes safety of principal and liquidity, commensurate with a reasonable rate of return. Key points of note in this report:

### Wisconsin Retirement System Trust Funds

- The Asian economic crisis contributed to significant turbulence in the world economy this year and may bring continued volatility to the markets. In our annual asset allocation review, we will be examining the potential performance of the Fixed Fund asset mix and other alternatives under four different economic scenarios. Past work has shown that the mix we have chosen as our objective is likely to be the most consistent performer across different economic conditions over the next five-year period.
- Domestic equities continue to be targeted at 40% of Fixed Fund assets. As strength in the market pushed the value of our stock portfolios above that goal, we rebalanced assets back to their targets. This has resulted in a shift of over \$7.3 billion from domestic stocks to other assets over the last three years. This discipline should help buffer the Fixed Fund in the event of a severe market downturn.
- We are implementing several changes in our domestic equities strategy to enhance performance for the Fixed and Variable Funds. We have engaged two outside managers to apply quantitative techniques to a

portion of our large company stock holdings. The new portfolios provide an attractive complement to our other actively managed portfolios. We are also moving a portion of our actively managed small company portfolio to an index fund. The change will bring our actively managed portfolio back to a more optimal size, further diversify our holdings and facilitate rebalancing.

- Service to fund participants continues to be a major focus. We are giving special attention to improving communication with active employees in the WRS through newsletters and group presentations.

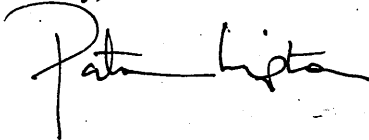
### State Investment Fund

- After almost three years of very stable short-term interest rates, global economic factors pushed rates down in September. Because of the Asian economic crisis, investors looked to the U.S. government bond market as a safe haven. As demand for these securities rose, interest rates fell. The mid summer decline in the US stock market added to this pressure.
- SWIB anticipated the downturn in rates and made two significant changes to the portfolio. First, in June we lengthened the maturity of the Fund from an average of 45 days to approximately 75 days. This locked in higher interest rates and a better rate of return for participants for a longer period of time. Secondly, we moved to target a larger portion of the Fund to securities of the U.S. government and its agencies. We made this shift because of the relatively small additional yield provided by alternative investment vehicles.
- Because of the turnover in local government treasurers, we have started an educational effort to help new treasurers become more familiar with the Local Government Investment Pool in the State Investment Fund. We are also working with the State Treasurer's Office to enable the LGIP to offer later cutoff times, same day withdrawals and expanded access to accounts.

As we look ahead to 1999, resource issues are of major concern. We are experiencing increasing problems recruiting and retaining experienced staff because of significantly higher salaries offered by investment organizations in the private sector. In addition, we are nearing the 15% statutory limit on our use of outside advisors to manage assets that involve special skills, locations or intensity of attention. These problems must be addressed in the upcoming legislative session if we are to successfully implement our investment strategies.

By March 31 we will submit our annual investment performance report to you. Please feel free to contact me if you have any questions about this report or other matters.

Sincerely,

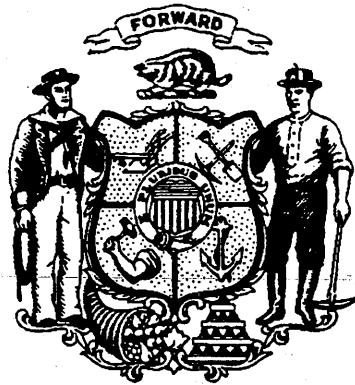


Patricia Lipton  
Executive Director

cc: Members, Joint Committee on Audit  
Members, Joint Committee on Finance  
Janice Mueller, Legislative Audit Bureau  
Robert Lang, Legislative Fiscal Bureau

# **State of Wisconsin Investment Board**

## *Investment Goals and Long-Term Strategies*



**January 1999**

## **State of Wisconsin Investment Board (SWIB)**

### **Investment Goals and Long-Term Strategies**

Section 25.17 (14g) of the Statutes provides that the State of Wisconsin Investment Board (SWIB) submit an annual report to the Legislature regarding the Board's investment goals and long-term strategies, noting any changes from the previous year.

The Board is responsible for managing the assets of the Wisconsin Retirement System (WRS), the State Investment Fund (SIF) and several smaller trust funds established by the State. As of October 31, 1998, assets under management totaled \$57.7 billion. Total assets have increased by \$4.2 billion over the last 12 months.

<b>Funds Managed by SWIB</b>		
October 31, 1998		
<b>Fund</b>	<b>\$ in Millions</b>	<b>% of Total</b>
<b>Wisconsin Retirement System (WRS)</b>	<b>\$52,135</b>	<b>90%</b>
<i>Fixed Trust Fund</i>	45,956	79%
<i>Variable Trust Fund</i>	6,179	11%
<b>State Investment Fund (SIF)*</b>	<b>4,965</b>	<b>9%</b>
<b>Other Funds</b>	<b>567</b>	<b>1%</b>
State Life Insurance Fund	63	
Local Property Insurance Fund	23	
Historical Society Endowment Fund	11	
Patients Compensation Fund	467	
Tuition Trust Fund (EdVest)	3	
<b>TOTAL</b>	<b>\$57,667</b>	<b>100%</b>
<small>*Excludes WRS Trust Funds</small>		

Our mission is to ensure that funds held in trust by the State are prudently managed. This is accomplished by providing optimal investment returns consistent with the purpose and risk profile of each trust. Fundamentally, our underlying strategy is to add value by emphasizing active management of each trust fund by SWIB's own staff. However, SWIB faces two significant constraints as we consider our future investment strategy. First, over the last two years we have lost 13 investment staff to higher paying positions in the private sector. Second, our ability to use outside advisors to complement internal resources is constrained by statute. Our ability to obtain the resources we need to successfully implement investment strategies is a significant issue that needs to be addressed in the 1999-01 biennial budget.

This report discusses investment objectives and strategies for the WRS and SIF. Our annual performance report in March will discuss the 1998 results for these funds. Information about the policies, performance and holdings of the other funds managed by SWIB is provided in our annual fiscal report.

# Fixed Retirement Trust Fund

With assets of over \$45.9 billion, the Fixed (or balanced) Fund is the largest trust under SWIB's management. Over 437,000 current or former employees of state or local government have at least half of their pension account invested in this Fund.

The Fixed Fund invests in a broadly diversified mix of assets, including stocks, bonds, business loans, real estate and other holdings. Within each asset class, investments are further diversified by portfolio.

Successful investment returns reduce the amount of contribution employers (taxpayers) or employees must pay into the WRS and/or allow for improved benefit payments. Investment returns ultimately provide for about 80% of the cost of benefits WRS members receive.

## Investment Goals

The basic investment objective for the Fixed Fund is to achieve an 8.0% annual average rate of return over the long-term. An 8.0% return is the minimum investment requirement set by the WRS actuary to accumulate the funds needed to pay projected benefits over time. An 8.0% return is projected to be 3.2% in excess of the annual wage growth.

A second goal is to exceed an investment rate of return ("benchmark") established by the Board of Trustees. The benchmark for the Fixed Fund is a weighted blend of: (a) indices that measure the performance of the broader markets for stocks, bonds and other assets (75% of the benchmark); and (b) the performance achieved by privately managed funds with characteristics similar to SWIB's portfolios (25% of the benchmark). Most SWIB portfolios have a benchmark that reflects a particular market focus.

## Investment Strategy

In keeping with the extended time horizon for the Fund's obligations, the investment strategy for the Fixed Fund is set with a long-term perspective. Broadly diversified portfolios reduce market risk.

- The Board of Trustees approves: (1) asset classes in which the Fixed Fund invests; (2) policy ranges that set the minimum and maximum share of total Fund assets to be allocated to each asset class; and (3) strategic targets that set a specific allocation target within the policy range. Guided by staff, and with the assistance of outside experts, simulations of different economic and market conditions help determine the optimal asset mix. The Board annually reviews asset allocation targets.
- Targets are achieved, in part, through the allocation of net cash flow available after considering investment earnings and contributions/withdrawals to the WRS. Net cash flow is expected to remain at about \$1.2 billion annually for the next several years. In addition, actual allocations to each asset class and portfolio are reviewed by the Board and rebalanced as necessary to remain within the target levels. This discipline has resulted in moving \$7.3 billion from domestic stocks to other asset classes since the start of the domestic stock market rally in 1995. Analysis confirms that this has helped the risk-adjusted performance of the Fixed Fund.

In 1998, SWIB completed a long-term planning exercise that examined the funding needs of the WRS and potential trends in investment markets over the next five to ten years:

- With the assistance of outside experts, we examined the potential performance of our Fixed Fund asset allocation targets under four different economic scenarios for the next five-year period. This exercise showed that SWIB's targeted mix was the most consistent performer across different economic scenarios.
- The actuary for the WRS has confirmed that a mix of stocks, bonds and other investments—in approximately the proportions used in the Fixed Fund—is likely to meet or exceed the needed 8.0% rate of return over time. An analysis by Cost Effectiveness Measurement, Inc. indicates that the asset allocation for the Fixed Fund is similar to the average of a peer group of 11 large public and private pension funds.

The following table compares targets and actual allocations as of October 31.

<b>Fixed Trust Fund Asset Allocation</b>				
Asset Class	Policy Range	Strategic Target	Actual	
			10/31/97	10/31/98
Equities	40-65%	55%	55%	52%
<i>Domestic</i>		40%	42%	38%
<i>International</i>		15%	13%	14%
Fixed Income	30-50%	35%	36%	38%
<i>Domestic</i>		30%	31%	33%
<i>International</i>		5%	5%	5%
Real Estate	0-10%	5%	3%	4%
Non Traditional	0-10%	3%	3%	2%
Cash	0-20%	2%	3%	4%
<b>TOTAL</b>		100%	100%	100%

Key points:

- The target for real estate was reduced from 7% to 5% to reflect the more limited availability of attractively priced opportunities in this market. An explicit target of 2% was established for cash. While SWIB's strategy is to be fully invested, as holdings are bought and sold or monies shifted between portfolios, there is a small percentage of Fixed Fund assets in cash on an ongoing basis. The new policy recognizes this fact of doing business.
- The actual allocations to domestic and international equities are slightly below target and fixed

income portfolios somewhat above their percentage targets. This reflects the effect of the stock market downturn that began in July, precipitated by the Asian economic crisis. With the ensuing market recovery this fall, the value of the equities portfolios improved.

The following table provides a breakdown of the current categories of investments, by portfolio, within each asset class. Appendix A provides a description of each category. The Board's annual fiscal report includes a complete listing of investments.

<b>Fixed Trust Fund Holdings By Portfolio</b>				
	10/31/97		10/31/98	
	\$ in Millions	% of Total	\$ in Millions	% of Total
<b><u>Equities</u></b>				
Domestic				
<i>Active Portfolios</i>	\$7,442	18%	\$6,893	15%
<i>Quantitative Portfolios</i>	—	—	738	2%
<i>Passive Index Funds</i>	9,495	23%	9,063	20%
International				
<i>Active Portfolios</i>	4,572	11%	5,156	11%
<i>Passive Index Funds</i>	332	1%	652	1%
Leveraged Buy-Outs	949	2%	989	2%
Emerging Markets	325	1%	384	1%
Venture Capital	73	—	102	—
<i>Total Equities</i>	<u>\$23,188</u>	<u>55%</u>	<u>\$23,977</u>	<u>52%</u>
<b><u>Fixed Income</u></b>				
Public Bonds				
<i>Active Portfolios</i>	\$6,933	16%	7,272	16%
<i>Passive Index Fund</i>	2,570	6%	3,837	8%
Private Placements	2,901	7%	3,095	7%
International/Global Bonds	2,693	6%	3,347	7%
Emerging Markets	116	—	104	—
<i>Total Fixed Income</i>	<u>\$15,213</u>	<u>36%</u>	<u>\$17,655</u>	<u>38%</u>
Real Estate	\$1,425	3%	\$1,919	4%
Non Traditional	\$1,293	3%	\$755	2%
Cash ( <i>managed in SIF</i> )	\$1,110	3%	\$1,649	4%
<b>TOTAL</b>	<b>\$42,229</b>	<b>100%</b>	<b>\$45,956</b>	<b>100%</b>

Key points:

- In 1998, we shifted \$700 million in domestic equities assets from an S&P 500 Index Fund to two externally managed quantitative equity portfolios run by JP Morgan and Grantham, Mayo, Van Otterloo. These portfolios provide an attractive complement to our actively managed equity portfolios. The external managers were hired with the understanding that they will assist us in establishing an internal quantitative investment capability when we have the resources to proceed. The following table compares the current allocation of domestic equities assets to the allocation in our last report.

<b>Domestic Equities Portfolio Allocations</b>			
<i>Fixed Trust Fund</i>			
(\$ in billions)			
October 31, 1997		October 31, 1998	
<b>Large Cap Portfolios</b>	<b>\$9.6</b>	<b>Large Cap Portfolios</b>	<b>\$10.5</b>
Active	0.9	Active	1.0
Quantitative	-0-	Quantitative	0.7
Passive: S&P 500 Index	8.7	Passive: S&P 500 Index	8.7
<b>Mid Cap Portfolios</b>	<b>\$4.0</b>	<b>Mid Cap Portfolios</b>	<b>\$3.7</b>
Active	3.2	Active	3.4
Passive: Mid Cap Index	0.8	Passive: Mid Cap Index	0.3
<b>Small Cap Portfolios</b>	<b>\$3.3</b>	<b>Small Cap Portfolios</b>	<b>\$2.4</b>
Active	3.3	Active	2.4
Passive	-0-	Passive	-0-
<b>TOTAL</b>	<b>\$16.9</b>	<b>TOTAL</b>	<b>\$16.6</b>

Our current small company portfolio is large by industry standards. We are planning to re-deploy a portion of our actively managed small company assets to a small company index portfolio. This will further diversify our holdings and facilitate rebalancing. We believe that the current level of over-weighting in small cap stocks should be maintained. Small company stock valuations are now very low relative to the large cap sector of the market.

- Two-thirds of our global/international bonds assets continue to be managed by four external managers. Their current mandate is to invest only in foreign markets. Conversely, our internal portfolio invests in foreign government bonds only if returns from those markets are expected to exceed domestic markets. We are considering a policy change that will enable internal and external portfolios to invest in either in the US or foreign markets and broaden their mandates to a global focus.
- We are considering implementing a commercial mortgage portfolio in 1999. By working with an outside mortgage originator, SWIB should be able to ensure that the necessary due diligence is



accomplished and take advantage of this sector of the market. This portfolio will augment our fixed income strategy.

- The non traditional portfolio has the opportunity to invest across asset classes. The emphasis in this portfolio moved from domestic stocks to government bonds in 1998. In the near term, we anticipate that this portfolio will have more of a focus on private equity emerging market investments.

<b>Non Traditional Portfolio</b> <i>Fixed Trust Fund</i>				
<b>Category</b>	<b>October 31, 1997</b>		<b>October 31, 1998</b>	
	Market Value (in millions)	Percent of Total	Market Value (in millions)	Percent of Total
US Stocks	\$686.9	53.3%	\$125.8	16.7%
Emerging Markets	170.2	13.2	106.9	14.2
Foreign Stocks	173.4	13.4	24.5	3.2
Government Bonds	145.6	11.3	347.1	46.2
Other	112.9	8.8	147.2	19.6
<b>TOTAL</b>	<b>\$1,289.1</b>	<b>100.0%</b>	<b>\$751.4</b>	<b>100.0%</b>

## Variable Trust Fund

About 11% of WRS assets are managed in the Variable Fund. Prior to 1980, new employees could choose to place half of their pension fund contributions in this Fund where the assets are primarily invested in the stock markets. Participants who chose the Variable Fund option accepted a greater degree of risk for the potential of greater long-term returns.

The Variable Fund consists of retirement contributions made by, or on behalf of, participants in the WRS and earnings on Fund assets. Assets of the Fund were valued at \$6.2 billion as of October 31, 1998.

State law barred further participants from entering the Variable Fund after April of 1980. As a result, the assets of the Fund will ultimately cease to exist when the pool of participants diminishes to zero. That is not expected to occur for many years. Currently, 10% of WRS members continue to participate in the Variable Fund.

### Investment Goals

The investment objective for the Variable Fund is to achieve returns, which equal or exceed that of similar equity-oriented portfolios. The Standard and Poor's Index of 500 stocks and a benchmark containing a broader mix of equity markets are used to measure Fund performance.

## Investment Strategy

Section 25.17(5) of the Statutes directs that "Assets of the Variable Fund shall be invested primarily in equity securities, which shall include common stocks, real estate or other recognized forms of equities.. " This mandate is reflected in the asset allocation policies adopted by SWIB's Trustees.

<b>Variable Trust Fund Asset Allocation</b>				
Asset Class	Policy Range	Strategic Target	Actual	
			10/31/97	10/31/98
Equities	90-100%	98%	97%	97%
Cash	0-10%	2	3	3
TOTAL		100%	100%	100%

### Key Points of note:

- Investment strategy for the Variable Fund incorporates the equity investment strategy for the Fixed Fund. SWIB's equity portfolios are shared by each Fund on a roughly 80/20 percent pro-rata basis.
- Previous comments regarding domestic equities portfolio performance also apply to the Variable Fund, due to the common holdings of the Fixed and Variable funds. Because domestic equities represent a larger percentage of the internally managed assets in the Variable Fund (71%) than in the Fixed Fund (38%) the impact of strategy changes tend to have a greater effect on Variable Fund performance. New management information systems now enable us to consider a separate investment strategy for the Variable Fund.
- The Legislature's Retirement Research Committee has been authorized funding for the WRS actuary to conduct a study of the financial implications of reopening the Variable Fund to new participants. There are a number of significant benefit eligibility issues that would need to be considered that are under the purview of the Department of Employee Trust Funds. However, reopening the Variable Fund would not necessarily require any significant changes in our investment strategy or operations.

The following table indicates the allocation of Variable Fund assets by portfolio:

<b>Variable Trust Fund Holdings By Portfolio</b>				
	<b>10/31/97</b>		<b>10/31/98</b>	
	<b>\$ in Millions</b>	<b>% of Total</b>	<b>\$ in Millions</b>	<b>% of Total</b>
<b><u>Equities</u></b>				
Domestic				
Active Portfolios	\$1,924	32%	\$1,721	28%
Quantitative Portfolios	---		185	3%
Passive Index Funds	2,454	41%	2,462	40%
International				
Active Portfolios	1,182	20%	1,286	21%
Passive Index Funds	86	1%	246	4%
Emerging Markets	84	1%	96	1%
Venture Capital	19		---	
Total Equities	<u>\$5,749</u>	<u>97%</u>	<u>\$5,996</u>	<u>97%</u>
<b>Cash</b>	<b>\$ 202</b>	<b>3%</b>	<b>\$ 183</b>	<b>3%</b>
<b>TOTAL</b>	<b>\$5,951</b>	<b>100%</b>	<b>\$6,179</b>	<b>100%</b>

## State Investment Fund

The State Investment Fund (SIF) invests cash balances of state agencies, local governments and the Wisconsin Retirement System (WRS) on a commingled basis. Safety of principal and liquidity are emphasized in managing investments for SIF, reflecting its shorter-term, cash management objectives.

State agencies deposit tax revenues, fees, federal aid payments and other revenues from over 40 state funds in the SIF until needed for state operating expenditures. Cash assets of the WRS are invested in the SIF until longer-term investment opportunities with more favorable rates of return become available. Over 1,100 local units of government deposit revenues (generated from property tax collections, state aids, fees and other sources) until needed for local operating expenditures. These commingled local funds are referred to as the Local Government Investment Pool (LGIP).

Earnings for SIF are calculated and distributed monthly, based on the participant's average daily balance as a percent of the Fund. Participants may deposit and withdraw their funds on a daily basis. As of October 31, 1998, state agency accounts represented the largest source of SIF deposits.

<b>State Investment Fund Participants</b>		
October 31, 1998		
<b>Source</b>	<b>Amount (in millions)</b>	<b>Percent of Total</b>
State funds	\$2,540	40%
WRS Trust funds	1,298	21
Local Government Investment Pool	2,449	39
<b>TOTAL</b>	<b>\$6,287</b>	<b>100%</b>

### **Investment Goals**

The investment goals for SIF are first and foremost, safety of principal; second, liquidity; and finally, rate of return. The benchmark for measuring investment performance is an equally weighted blend of:

1. The interest rates for 90-day US Treasury bills and 30-day certificates of deposit, plus the performance of the Merrill Lynch One- to Three-Year Government Bond Index; and
2. The performance of over 65 money market funds (as measured by the Donoghue Institutional Money Market Index), plus a group of selected money management funds.

### **Investment Strategy**

Safety of principal and liquidity in SIF are achieved by adherence to rigorous quality standards, careful attention to maturity schedules and an emphasis on high marketability of securities in the portfolio. Enhanced return is sought through intensive portfolio management, which considers probable changes in the general structure of interest rates.

SIF invests in direct government obligations of the US Treasury and its agencies, commercial paper of financial and industrial corporations, bank certificates of deposit, banker's acceptances, asset-backed securities, mortgage-backed securities and repurchase agreements backed by securities of the US government or its agencies, and other instruments authorized by the Board of Trustees that are within the restrictions of state law. Investment guidelines for SIF include the following asset allocation limits. There have been no changes in SIF investment guidelines since our last report.

State Investment Fund Asset Allocation Limits	
Asset Type	Limit as a Percent of Portfolio Par Value
US Treasuries and Agencies	50-100%
Commercial Paper and Corporate Notes	0-30
Certificates of Deposit and Bank Acceptances	0-30
Asset-Backed Securities	0-30
Mortgage-Backed Securities	0-30
Canadian (fully hedged)	0-20
Yankee/Euro Dollar Issues (fully hedged)	0-10

The following table compares the actual allocation of SIF assets as of October 31, 1998 to holdings a year earlier. Appendix B provides a description of each category. A complete listing of each individual investment in SIF is included in the Board's annual fiscal report.

State Investment Fund Holdings				
Asset Type	10/31/97		10/31/98	
	Amount* (In Millions)	Percent of Total	Amount* (In Millions)	Percent of Total
Cash	\$-0-	0%	\$-0-	0%
US Government:				
Treasury Bills	-0-	-0-	-0-	-0-
Notes and Bonds	193	3	344	5
Agencies	1,862	32	4,679	71
Open Repurchase Agreements	1,625	28	531	8
Asset-Backed Securities	56	1	40	1
Mortgage-Backed Securities	6	-0-	5	-0-
Yankee/Euro Dollar Issues	379	7	-0-	-0-
Certificates of Deposit and Bankers Acceptances	239	4	257	4
Commercial Paper and Corporate Notes	1,493	26	736	11
<b>TOTAL</b>	<b>\$5,852</b>	<b>100%</b>	<b>\$6,592</b>	<b>100%</b>
*Total value exceeds participant holdings due to check float and timing of postings				

Major points of note:

- After almost three years of very stable short-term interest rates, world economic factors started driving rates down in September 1998. The 90-day US Treasury bill rate had fluctuated in a narrow range of 5.0% to 5.4% since December 1995, but declined to 3.6% from August to October 1998.

As Asian economies were in crisis, investors around the world looked to the US government bond market as a safe haven to put their funds. As the demand for these securities rose, interest rates fell rapidly. The mid summer decline in the US stock market added to this pressure.

- We anticipated these problems and made two significant changes to the SIF portfolio. First, we lengthened the maturity of the Fund in June 1998 from an average of 45 days to approximately 75 days. This locked in higher interest rates for a longer period of time so the Fund's rate of return would not drop as fast as the general market decline in rates. Secondly, we moved a larger portion of the Fund into securities of the US government and its agencies. As shown in the previous table, almost 85% of the Fund was in this category as of October 31, 1998, compared to 63% a year ago. We made this shift because the relatively small yield pick-up from alternative investment vehicles was not sufficient to warrant moving out of the government sector.
- We are working with the State Treasurer's Office to enhance service to the more than 1,100 participants in the LGIP. The State Treasurer's Office is modifying its information systems to be Y2K compliant and allow later cutoff times for participant transactions, same day withdrawals and expanded access to accounts. We continue to strive to offer services comparable to the largest money market mutual funds in the country.
- Recognizing the large turnover in treasurers for local governments each year, we have started an educational effort targeted at new treasurers to help them become familiar with the LGIP. We accomplish this through mailings of informational material twice a year and individual contact.
- Though State offices were closed, we remained open for business on December 24<sup>th</sup> and 31<sup>st</sup> last year to accommodate municipalities with large tax collections on those dates. This practice was well received and will be continued.

## Appendix A

### Fixed and Variable Trust Fund Investment Portfolios

#### EQUITIES—[Fixed and Variable Funds]

**Domestic Equities (Active).** Actively managed domestic equity investments primarily consist of common stock held in US companies. These investments are managed in four internal portfolios.

- Small cap portfolio: companies with a market capitalization of up to \$1.0 billion;
- Mid cap portfolio: companies with market capitalization of \$1.0 to \$5.0 billion;
- Target portfolio: Selected companies in the small to medium capitalization range;
- Large cap issue selection portfolio: Undervalued companies with large capitalization

Each portfolio manager has the flexibility to adopt a particular style within their capitalization sectors and the flexibility to weight various industry sectors as dictated by his/her market outlook. Up to 10% of each portfolio may be invested in US equity securities of foreign companies or Canadian equities.

In 1998, SWIB contracted with JP Morgan and Grantham, Mayo Van Oterloo to each manage up to \$500 million of large cap assets using quantitative investment strategies.

**International Equities (Active).** SWIB began an international investment program in 1989 to take advantage of expanding opportunities outside the United States. The objectives are to diversify investments, enhance returns, and provide a window on trends and events that might impact our domestic portfolios. SWIB limits investments to countries rated "free" or "partly free" by the Freedom House Index. Approximately half of these assets are managed internally. The remainder is managed by Capital Guardian Trust, Morgan Stanley and Baillie Gifford.

**S&P 500 Index Fund.** In 1991, SWIB began investing in a fund that represents the Standard & Poor's Index of 500 stocks. The investment objectives are to add diversity to equity portfolios, facilitate asset allocation and complement SWIB's active investment style.

**Intermediate Cap Index Fund.** In 1997, SWIB initiated investment in a fund that replicates a mid-cap index constructed by Barclays Global Investors. The index is focused on US companies with market capitalization in the middle region of the domestic stock universe. The investment objectives are to add diversity to equity portfolios, facilitate asset allocation and complement SWIB's active investment style.

**MSCI Index Fund.** In 1996, SWIB began investment in a fund that represents the non-US developed markets index that SWIB adopted as its international equity index benchmark.

**Leveraged Buy-Outs—[Fixed Fund only].** SWIB invests in leveraged buy-out (LBO) partnerships by investing in funds, which seek superior returns from a combination of closely-held ownership and high leverage. Size, geography, and strategy diversify the portfolio.

**Venture Capital—[Fixed Fund only].** SWIB invests in selected venture capital start-up funds, which in turn invest in various stages of a new company's development. Investments are diversified across different stages of company development and geographic area.

**Emerging Markets.** SWIB's emerging markets investment program focuses on developing countries. These investments are managed in two externally managed funds: the Capital Guardian International Emerging Markets Growth Fund and the Genesis Emerging Markets Fund.

### **FIXED INCOME—[Fixed Fund]**

**Public Bonds.** Public Bonds are managed in three portfolios: (1) The core portfolio is invested primarily in US government bonds and corporate bonds purchased in public markets. Bonds are broadly diversified by credit type, maturity, and sector. (2) The market evaluation portfolio is weighted toward corporate securities and seeks temporary under-valuations through the use of swaps, sector and maturity shifts; and (3) The intermediate duration portfolio invests in US Treasury and agency securities, primarily in the three- to seven year maturity range.

**International/Global Bonds.** The internally managed portfolio may invest in US government securities and in foreign bonds when returns from overseas markets are expected to exceed domestic markets. SWIB may invest in fixed income securities of sovereign states or territories rated "free" or "partly free" in the Freedom House Index. Securities must meet minimum credit quality requirements. Four outside advisors manage approximately two-thirds of SWIB's international/global bonds: Alliance Capital Management, Brinson Partners, Morgan Grenfell Investment Services and Nomura Capital Management.

**Lehman Aggregate Index Fund.** In August 1996, SWIB began investing in this index fund which includes a broad representation of the public and corporate markets. The investment objectives are to add diversity to our bond portfolios, facilitate asset allocation, and complement SWIB's predominantly active investment style.

**Private Placements.** SWIB makes direct, long-term loans to companies located throughout the United States. In many cases, SWIB is a co-lender with other public or private investors. Occasionally, these investments include a component of company ownership. Loans are made at fixed rates of interest. Typically, a company must have a demonstrated record of good management, sales growth, profitability, and cash flow, along with reasonable levels of existing debt and equity.

**Emerging Markets.** SWIB's fixed income emerging markets investment program focuses on developing countries. Investments are managed in the Morgan Grenfell Emerging Markets Fund and the Salomon Brothers Emerging Markets Fund.

### **REAL ESTATE—[Fixed Fund]**

SWIB invests in commercial real estate as a sole direct owner, or in joint ventures and partnerships. The investment objective is to add diversity, provide long-term stability, and act as a hedge against inflation. The portfolio is diversified by region of the United States and by property type.

### **NON TRADITIONAL—[Fixed Fund]**

This portfolio may invest across asset classes in domestic or international markets. Investments are in public and private equities, fixed income instruments, partnerships and structured investments. The objectives are to improve overall performance of the Fixed Trust Fund through enhanced returns and reduced volatility.

### **CASH—[Fixed and Variable Funds]**

Temporary cash balances awaiting permanent investment are invested in short-term and intermediate-term investments. They include obligations of the U.S. government and its agencies, as well as high quality commercial bank and corporate debt obligations. (The investment vehicle is the State Investment Fund.)



## Appendix B

### State Investment Fund Investment Categories

**US Treasury Bills.** US Treasury short-term discount securities guaranteed by the full faith and credit of the US Government.

**US Treasury Notes and Bonds.** US Treasury coupon issues with original maturities of up to ten years guaranteed by the full faith and credit of the US Government.

**US Agencies.** An agency chartered by the US Government to serve the public purposes specified by the Congress. Payment of the principal and interest may or may not be guaranteed by the full faith and credit of the US Government itself.

**Repurchase Agreements.** The purchase of securities (collateral) from a bank or dealer with the simultaneous consent by the bank or dealer to repurchase the securities at the same price at a specified date and interest rate. By state law, the repurchase must occur no later than the next business day. Repurchase agreements must be US Treasury or Agency securities that meet other investment guidelines.

**Asset-Backed Securities.** Publicly traded notes backed by loans, leases or installment contracts on personal property. Cash flows generated from underlying assets are used to pay principal and interest to the shareholders.

**Mortgage-Backed Securities.** Ordinary bonds backed by an undivided interest in a pool of mortgages or trust deeds. Income from the underlying mortgages is used to pay off the securities.

**Yankee/Euro Dollar Issues.** Obligations of foreign issuers payable in US dollars and registered with the Securities and Exchange Commission.

**Certificates of Deposit.** Interest bearing, negotiable, time deposits of fixed maturity at commercial banks.

**Commercial Paper and Corporate Notes.** Unsecured promissory notes that meet maturity and credit quality standards specified in the investment guidelines.



# TRUST FUND NEWS

MAY 19 1999

May 1999  
Volume 17 No. 2  
Actives/Retirees  
Edition

## Announcing the 1998 Investment Returns, Effective Rate Interest Crediting and Annuitant Benefit Increases

The amounts differ for the State of Wisconsin Investment Board (SWIB) investment return, the Employee Trust Funds (ETF) effective rate interest crediting and the annuitant dividend for the Fixed and Variable Trusts. The reason for this is because effective rates are derived from the SWIB returns and the annuitant fixed dividend and variable adjustment are derived from the effective rate interest crediting. It is a three-step process that results in different percentages as described below.

**FIRST:** The State of Wisconsin Investment Board (SWIB) announced

the 1998 investment earnings of 14.6 percent in the Fixed Annuity Trust and a 17.5 percent increase in the Variable Annuity Trust. (See the SWIB insert for details)

**SECOND:** Employee Trust Funds set the 1998 Wisconsin Retirement System (WRS) effective rate interest crediting at 13.1 percent for the Fixed Retirement Investment Trust and 18 percent for the Variable Retirement Trust. These rates are applied to the retirement account balances of active and inactive WRS participants who began employment before January 1, 1982.

ETF uses the returns reported by SWIB to determine the WRS effective rates. The 13.1 percent fixed effective rate is less than SWIB's published fixed earnings rate of 17.5 percent since, by law, only 20 percent of the market value gain of stocks and bonds that are recorded in the Transaction Amortization Account (TAA) are distributed annually. This helps smooth the volatile effects of market gains and losses over time. At the end of 1998 the TAA balance was \$14.37 billion and ETF recognized and distributed 20 percent of that balance, or \$2.87 bil-

*1998 Returns continued on page 2*

## Making After-Tax Additional Contributions to Your Account To Supplement Retirement Savings or to Pay for Creditable Service



You can make after-tax additional contributions throughout your active working career and subsequently use them to supplement your retirement income and/or to purchase creditable service, including Wisconsin Retirement System (WRS) forfeited and qualifying service and other governmental service. As an active WRS participant, you are eligible to make after-tax additional contributions to your WRS account in two ways – through payroll deductions or by submitting a check directly to ETF.

Additional contributions are deposited into the Fixed and Variable Trusts that are invested by the State of Wisconsin Investment Board. If you

currently participate in the WRS Variable Trust, you are eligible to place all or a portion of your additional contributions into the Variable Trust. However, this is not an option for participants who do not currently participate in the Variable Trust. Additional contributions receive the full effective rate interest credit, even if you are restricted to 5 percent on your required contributions.

Although you make these additional contributions from after-tax earnings, the interest credited to your WRS account accumulates on a tax-deferred basis. You will not be subject to state and federal income tax on the investment earnings credited to your additional contributions until they are distributed to you or your beneficiary.

Effective rate interest is credited on the balance in your additional account as of January 1 each year for amounts on account for the entire previous year. This means that amounts contributed during a calendar year receive no interest until the following year. For example, if you make an additional contribution on May 1, 1999, you will receive interest on January 1, 2001 for calendar year 2000. You will not receive interest for the period of May 1, 1999 through December 31, 1999. Therefore, it is most advantageous to wait until December to make an additional contribution.

In the above example, an additional contribution must be received at ETF by the last working day of the 1999

*Additional Contributions continued on page 2*

## Additional Contributions *continued from page 1*

calendar year in order to receive interest on January 1, 2001 for the year 2000. The date that ETF actually receives the contribution (not the postmark date) that determines the date on which the contribution is made. This is critical, because if you mail an additional contribution in late December 1999, and it is not received at ETF until January 3, 2000, you will receive no interest on this contribution for the period January 3, 2000 through December 31, 2000.

You may apply to receive a benefit from your additional contributions after you terminate from all WRS-covered employment. There is no minimum age for distribution. However, if you withdraw your additional contributions before age 59, you may be subject to an early distribution tax penal-

ty. You may elect to receive your additional account funds as a lump sum payment or as an annuity (if the monthly payment amount satisfies minimum requirements). Distributions must begin by April 1 of the year following the calendar year you reach age 70 or the year you retire, if this is later.

Additional contribution amounts are subject to calendar year limitations established in Section 415 (c) of the Internal Revenue Code. At this time, the maximum amount of contributions (required and additional) that may be contributed to a WRS account is 25 percent of your gross compensation or \$30,000, whichever is less. A worksheet is available to help you determine your individual limit. If your WRS coverage begin date is before 1982, you would use the Maximum Voluntary Additional Contributions

Worksheet (ET-2566). If your WRS coverage begin date is 1982 or later, you would use the Maximum Voluntary Additional Contributions Worksheet (ET-2567).

To learn more about the benefits and restrictions that apply to additional contributions, please read the Additional Contributions brochure (ET-2123). Also, if you are interested in making additional contributions for the purpose of buying forfeited, qualifying and/or other governmental service, you should read the *Buying Creditable Service* brochure (ET-4121). These documents are available on ETF's Internet site at: <http://badger.state.wi.us/agencies/etf> or you may request copies by writing or calling us. Our address and telephone numbers are on page eight.

## 1998 Returns *continued from page 1*

lion. The variable rate difference is largely due to a positive carry-over in the Variable Trust from 1997.

There are currently about 250,000 actively employed state, university, municipal, county and school district employees in Wisconsin, and another 106,000 inactive participants who have left public employment but kept open their retirement accounts. The earnings' effect on them is:

1. The 124,000 participants covered by the Wisconsin Retirement System before January 1, 1982 received the full 13.1 percent earnings credited to their fixed accounts.
2. Under state law, participants hired after January 1, 1982 have interest credited for retirement purposes at a rate of 5 percent. There are more than 232,000 participants in this category.
3. Those who also have part of their retirement account in the Variable Trust have the full 18 percent variable earnings credited to their accounts. There are about 22,000 active and inactive participants in the variable trust. Those who par-

ticipate may not, by law, have more than 50 percent of their retirement contributions invested in the variable trust. The remainder of these contributions is invested in the fixed fund to ensure a secure base benefit amount in years of negative stock market performance. The variable fund has been closed to new entrants since April 1980.

**THIRD:** Employee Trust Funds declared a fixed annuitant dividend of 7.2 percent and a variable adjustment of 12 percent for Wisconsin Retirement System retirees. Retiree benefits increase with the May 1, 1999 checks.

The retiree increases differ from the effective interest rates credited to eligible non-retiree accounts because there is already a five percent investment earnings assumption used in the initial benefit amounts for retirees. Some other minor actuarial adjustments are also made due to improved mortality and group experience.

Almost all of the 99,000 retirees received the fixed dividend increase on May 1. The percentage dividend

amount is prorated for those who began their annuities in 1998. By law, retirees will receive no increase in May if their annuities began on or after November 2, 1998, since the prorated dividend amount equates to less than a full percent. Over the last ten years, the average compounded annual dividend in the fixed trust has been 6.0 percent.

There are the approximately 27,000 WRS retirees who also participate in the separate Variable Retirement Trust. The increase on the variable portion of their annuities is 12 percent. These retirees also participate in the fixed trust. The number of variable participants declines each year since participation was closed to new entrants in April 1980. Over the past ten years, the compounded average annual increase in the variable trust has been 9.0 percent.

*Note: If you retired in 1998 and are eligible for a benefit increase and you are still receiving payments on an estimated basis, you will receive your increase when your final calculation is completed on your benefit. The increase will not be reflected on your May 1, 1999 payment, but will be retroactive to that date when your final annuity amount is calculated.*

# How a Bill Becomes a Law and How You Can Stay Informed

**W**hen the Legislature is in session, we receive questions on whether benefits-related proposals will become law. We thought it would be helpful for you to understand the legislative process and how you can follow proposals.

The 1999 legislative session began on January 4, 1999 and will continue until January 3, 2001.

## The Legislative Process

Legislators or legislative committees introduce bills. After the Legislative Reference Bureau drafts a bill, it is introduced in its house of origin – the Assembly, if introduced by a representative, and the Senate if introduced by a senator. An introduced bill is referred to a standing committee or joint standing committee. For example, all legislation affecting retirement or pension plans must be referred to the Joint Survey Committee on Retirement Systems before either house acts on the proposed legislation. The chairperson of a standing committee may or may not schedule a public hearing on the bill. If the standing committee chairperson decides to act on a bill, there will be an executive session on the bill. If a majority of the standing committee votes in favor of the bill, then the bill may proceed to the floor of the house of origin. If no action is taken on a bill in committee, the bill “dies” in committee.

Once a bill is placed on the calendar of either house, it is scheduled for debate and possible amendment. If the bill passes, it is “messed” to the other house, where it goes through the same procedures as in the first house. A bill must pass both houses of the Legislature before the Governor can act on the bill. The Governor can sign a bill, veto a bill in whole or (if an appropriation bill) in part, or fail to sign the bill, in which case it becomes law without his signature. A two-thirds vote in each house of the Legislature is required to override any veto.

## ETF Monitors Progress

The Department of Employee Trust Funds (ETF) monitors legislation affecting all of our benefit programs. We also provide cost estimates on implementing proposed legislation as requested.

Since bill proposals only become law after going through the legislative process noted above, there may be many bills introduced affecting ETF programs that never become law. We do not speculate if bills will become law, but we always know a bill’s status. However, if a bill does become law, you can find information on the new law in our Internet site at: <http://badger.state.wi.us/agencies/etf>

under “What’s New” and then select “Hot Topics.” You can also call our toll-free telephone Message Center at (800)991-5540 or locally in Madison at 264-6633 and listen to message number 10970 (Current Topics of Interest).

## How You Can Monitor a Bill’s Progress

If you are interested in a bill proposal, you can follow its progress in several ways. It is helpful if you have a bill number; this will be either an Assembly Bill or Senate Bill number.

- *Via the Internet* – With a bill number you can access the Legislature’s Internet site at <http://www.legis.state.wi.us/billtext.html> and track a bill proposal during the 1999 session. If you do not have a bill number, but know the topic, you can search by topic name under <http://www.legis.state.wi.us/propsaz.html> to obtain a bill number.

- *Via telephone* – You can call the Legislative hotline at (800)362-9472 or locally in Madison at 266-9960. The TTY (Teletypewriter for the Hearing and Speech Impaired) number is (800)228-2115. **You must have a bill number before calling.**

## Year 2000 (Y2K) Planning Continues on Schedule

**S**ince our update in the January 1999 edition of the *Trust Fund News* (Volume 17, Number 1), we have completed the testing on our Annuity Payments System. We also have completed 95 percent of our review and testing of all internally developed applications and other personal computer hardware and software applications and anticipate 100 percent completion by October 1, 1999.

Beginning in January, the Department shifted its Y2K focus to the development and implementa-

tion of contingency planning to ensure continued operation of critical systems, equipment and devices in case of any failures on January 1, 2000. The Governor’s Y2K Executive Oversight Committee has required that department contingency plans be completed by May 1999. In early March, our Department’s Y2K actions were reviewed by a third party, the Department of Administration’s Performance Evaluation Office. The third party review provided the Department with the assurance that we have taken all

necessary and reasonable steps to prepare for the year 2000.

ETF will continue to provide Y2K updates on our progress and contingency plans. In addition to the *Trust Fund News*, please visit our Internet site (<http://badger.state.wi.us/agencies/etf>) for information under the “What’s New” section or call the recorded Y2K message on our toll-free 24-hour Telephone Message Center (800)991-5540 or call 264-6633 (local Madison) and press number 10985.

## State of Wisconsin Employes/Retirees Health Plan Survey Is Underway

State of Wisconsin employes and retirees may be selected to participate in a consumer satisfaction survey about their current health insurance plan. Beginning in April, a random sample of employes and retirees will be contacted by Opinion Dynamics Corporation (ODC). Completed survey responses will be tabulated and converted to satisfaction "scores" which will appear on individual health plan's report card.

The survey results are used to produce the Health Plan Report Cards included in the Dual-Choice Enrollment booklets made available to employes and retirees during the Dual-Choice enrollment period each October. These report cards are an

effective tool for consumers interested in evaluating and comparing customer satisfaction with health plans during the annual Dual-Choice period. This is the fifth year the health plan report cards will be published in the Dual-Choice *It's Your Choice* booklet.

A randomly selected group of participants in each available health plan are contacted for the 10-15 minute telephone interview by the survey lab. The interview includes questions about satisfaction with the care and services received from health plans. To ensure that the survey results represent the plan's total population, only the randomly selected participants can be inter-

viewed. ODC cannot accept volunteers for the survey. Those selected to be interviewed for the survey will be notified by letter in advance of a telephone contact by ODC.

If you are selected, your voluntary participation is very important to the success of the survey, and is also greatly appreciated. The state Department of Employment Relations has approved the interviewing of employes during scheduled work hours without loss of pay. Questions regarding the survey design and results should be directed to Cathy Duster, ETF Health Data Manager, at, (608) 266-0212.

## Understanding the Monthly Retirement Benefit Projections on Your Annual Statement of Benefits



Active and inactive Member Annual Statements of Benefits are mailed in April and May. Refer to this article as you review your statement.

Note: Most participants' January 1, 1999 annual Statements of Benefits will include projections of a monthly benefit amount payable to you at retirement. Due to the complex nature of some accounts, we are unable to provide a benefit projection on all statements. In those exception situations a written explanation will appear in the *Retirement Benefit Projections* section.

Your benefit projections are based on your January 1, 1999 Wisconsin Retirement System (WRS) account data as shown on your statement and do not assume any future earnings, creditable service or interest. The formula benefit includes variable excess or deficiency amounts if part of your account is in the Variable Trust. To project your benefit amount, we used your minimum (earliest) retirement age and the age when you can first receive an unreduced benefit (based on your normal retirement age and

creditable service balance). If you are past your minimum and/or unreduced benefit retirement age, your current age is used.

Below are some common questions and answers that may help you understand your projections:

### **What is the difference between Formula and Money Purchase Benefits?**

Retirement benefits are calculated using two methods – Formula and Money Purchase. A Formula Benefit is calculated using your age, three highest years of earnings, your years of creditable service, a formula factor for your employment category and an age reduction factor (if applicable). A Money Purchase Benefit is based on your money purchase account balance and your age when your benefit begins. When you apply for retirement benefits, you are automatically paid the benefit amount calculated under the method that provides you with the highest monthly payment.

### **What do you mean by employment category?**

Your employment category is based on the type of work you do. The employment categories for WRS purposes are:

General Employes and Teachers – includes state and local government employes, teachers, educational support staff and other school district employes.

Protective Occupation Employes – includes police, firefighters, prison guards and wardens.

Elected Officials and State Executives – includes legislators, judges and state executive retirement plan employes.

### **What is a formula factor?**

This is one of the multipliers used in the formula benefit calculation. There are different formula factors for different employment categories. The formula factor used in formula benefit calculations for General category employes including teachers is 1.6 percent. For Protective category employes covered by Social Security, Elected Officials, and State Executive plan employes, the formula factor is 2.0 percent. Protective category employes not covered by Social Security have a 2.5 percent formula factor.

### **What is my minimum (earliest) retirement age?**

Your minimum retirement age is determined by your employment cate-

*Retirement Projections continued on page 5*

The

# SWIB

STATE OF WISCONSIN  
INVESTMENT BOARD

# REPORT

May 1999

## Fixed Fund Returns 14.6%; Variable 17.5% in 1998

The investment return for the Wisconsin Retirement System Fixed (balanced) Fund was 14.6% for the year ending December 31, 1998. With a \$6.2 billion investment gain for the year, the market value of the Fixed Fund was \$48.8 billion at year end.

Investments for the Variable Trust Fund returned 17.5%, resulting in a gain of \$1.0 billion. This brought the total assets of the fund to \$6.8 billion.

Investment gains for both funds reflect growth in market value and the interest and dividend income.

"This was not an easy year considering the tremendous fluctuations in the market, so we're pleased to have double digit returns for the fourth consecutive year," said Executive Director Patricia

Lipton. She noted that over the last four years, the Fixed Fund has gained a cumulative 89% and the Variable Fund 115%. The 14.6% return for the Fixed Fund surpassed the 8% long-term actuarial target return. SWIB's performance also surpassed the 13.5% average return for balanced mutual funds, as reported by Lipper, Inc. The Fixed Fund return trailed the 15.5% return for the investment benchmark.

SWIB establishes a benchmark for each trust fund in order to measure performance. The Fixed Fund benchmark includes market indices for the various types of assets managed by SWIB as well as the performance of other privately managed funds with similar investment objectives. The Variable Fund "equity benchmark" includes the performances of domestic and international stock markets as well as the performance of privately managed funds that invest in these same markets.

The investment returns earned by SWIB differ from amounts credited to employee retirement accounts and the dividend amounts set for retirees by the Department of Employee Trust Funds (ETF).

### Annualized Performance Ending 12/31/98

Retirement Funds	1-year return	5-year return	10-year return
<b>Fixed Fund</b>	<b>14.6%</b>	<b>13.4%</b>	<b>12.9%</b>
<i>Benchmark</i>	<i>15.5%</i>	<i>13.7%</i>	<i>12.6%</i>
<b>Variable Fund</b>	<b>17.5%</b>	<b>16.7%</b>	<b>14.5%</b>
<i>Equity Benchmark</i>	<i>17.5%</i>	<i>17.8%</i>	<i>15.7%</i>
<i>S&amp;P 500</i>	<i>28.6%</i>	<i>24.1%</i>	<i>19.2%</i>

FYI

The State of Wisconsin Investment Board has prepared this annual newsletter to help participants in the Wisconsin Retirement System understand more about the investment of their retirement funds. Answers to frequently asked questions are provided on Page 2. We welcome your questions and comments. You can contact us using the information on Page 3.

Sincerely,  
Patricia Lipton  
SWIB Executive Director

# Q & A

## **Q. Part of my WRS account is in the Variable Fund. Is it still a good choice for me?**

A. Approximately ten percent of WRS participants have a portion of their retirement account in the Variable Fund. The Fund is primarily invested in domestic and international stocks (see chart on Page 4).

Remaining in the Variable Fund is an individual decision. Over the long-term, stocks have outperformed most other types of investments and Variable Fund returns have exceeded Fixed Fund returns. The Variable Fund's investments are diversified among different types of stocks to help reduce risk. However, unfavorable markets resulted in losses in two of the last ten years.

The process for determining the effect of investment returns on employee accounts (the "effective rate") and change in benefits for retirees differs between the Variable and Fixed

Funds. The Department of Employee Trust Funds computes those amounts. A transfer from the Variable to the Fixed Fund can be made by contacting ETF. The Variable Fund was closed to new participants by law in 1980.

<b>Investment Returns and Effect On WRS</b>						
	<b>Fixed Fund</b>			<b>Variable Fund</b>		
<b>Year</b>	<b>Rate of Return</b>	<b>Effective Rate</b>	<b>Dividend</b>	<b>Rate of Return</b>	<b>Effective Rate</b>	<b>Adjustment</b>
<b>1998</b>	14.6%	13.1%	7.2%	17.5%	18.0%	12.0%
<b>1997</b>	17.2%	12.8%	7.7%	21.6%	23.0%	18.0%
<b>1996</b>	14.4%	12.5%	6.6%	19.8%	20.0%	14.0%
<b>1995</b>	23.1%	11.3%	5.6%	25.6%	27.0%	19.0%
<b>1994</b>	-0.6%	7.7%	2.8%	0.8%	0.0%	-4.0%
<b>1993</b>	15.0%	11.0%	4.9%	16.5%	17.0%	11.0%
<b>1992</b>	9.7%	10.2%	4.4%	10.7%	11.0%	5.0%
<b>1991</b>	20.4%	12.1%	6.3%	27.1%	28.0%	18.0%
<b>1990</b>	-1.5%	8.6%	3.6%	-11.3%	-11.0%	-14.0%
<b>1989</b>	19.2%	18.1%	11.3%	22.6%	24.0%	16.0%

## **Q. How does SWIB use external managers to invest WRS trust funds?**

A. Currently, the Investment Board can use external managers for up to 15% of the total assets of the Fixed and Variable Trust Funds. Because it is typically cheaper for our staff to manage most assets, SWIB emphasizes active internal portfolio management. Outside managers are used to manage investments that involve skills, locations, support systems or intensity of staff attention that make direct management by SWIB staff impractical or less cost effective. As of December 31, 1998, outside advisors managed 13.4% of the Fixed Fund and 14.6% of the Variable Fund holdings.

SWIB uses outside advisors to manage a portion of our international investments and our quantitative domestic equities portfolios. SWIB selects outside managers based on investment style, performance, experience, company size and fee structure.

## **Q. What steps has SWIB taken to prepare for the year 2000 (Y2K)?**

A. SWIB has been actively preparing for the year 2000. We are nearly finished with all technical changes that enable our computerized systems to recognize four-digit dates instead of the traditional two-digit dates. In addition, we are working closely with the companies that provide services, such as banking and investment information, to take the necessary actions to prepare for Y2K. SWIB will continue to monitor outside vendors and agents throughout the year. Once changes are made, the SWIB staff are performing extensive testing that simulates the change to the year 2000 to make sure our computers recognize the year correctly. SWIB has a detailed report that explains much of the work we have been doing. It is available on our website at the address on Page 3.

# Volatility in the Markets Presents Challenges

Market volatility is something that you have heard a lot about with the extraordinary movement in the stock market over the past year. In 1998, the Dow Jones industrial average had 10 swings of more than 5%, including two of more than 15%, making it one of the most turbulent years on record. What does such movement mean for a large institutional investor such

as SWIB? Allocation targets have been carefully selected for stocks, bonds and other assets so that we can achieve the needed total rate of return over the long run. We focus on maintaining those targets through different market cycles. This discipline helps to buffer the trust funds in the event of a market downturn, while ensuring that the WRS receives the benefits of being fully invested.

## What is SWIB's Role in the WRS?

SWIB is responsible for investing the assets of the Wisconsin Retirement System (WRS). All other aspects of the WRS, such as managing individual accounts and benefits, are the responsibility of the Department of Employee Trust Funds. State and local governments and employees make contributions to the WRS. These contributions are invested by SWIB. The accumulated contributions are used to pay retirement benefits.

## 1998 Portfolio Highlights:

International equities investments returned 19.2%, exceeding the 19.1% return for the benchmark. SWIB maintained a major focus in European stocks and less concentration in Japan and Asia.

SWIB's fixed income portfolios were well positioned for the continuing decline in interest rates in 1998 and showed a strong performance relative to the benchmarks. The public bond portfolios gained 9.9%. The Lehman Aggregate Index, a broad market indicator for US fixed income, returned 8.7%. The private placements portfolio returned 9.5% compared to 8.6% for the benchmark. The 11.9% return for the international/global bond portfolios beat the 11.5% return for the benchmark.

Real estate investments gained 15.3%, as returns from this market continued to improve. SWIB's portfolio trailed the one-year benchmark due to an

implementation of long-term strategies, but remained well ahead of five-year and ten-year benchmarks.

SWIB's domestic equity portfolios returned 18.7% for the year. Gains in domestic stocks came from a very narrow portion of the market. The S&P 500, a widely followed market indicator for large company stocks, gained 28.6%. However, just 15 stocks accounted for half the return for the S&P 500. Disparity in returns from different sectors of the stock market was unusually large in 1998.

The Russell 2000, a leading indicator for small company stocks returned -2.6%. Small company stocks were generally out of favor in the market. However, returns show that over the long run, small company stocks yield a higher rate of return. We continue to position ourselves to capture those returns when the small company market rebounds.

## Did You Know?

The Wisconsin Retirement System is the 9<sup>th</sup> largest public pension fund in the U.S. and the 18<sup>th</sup> largest public or private pension fund in the world!



If you have questions, please contact:

State of Wisconsin Investment Board  
PO Box 7842, Madison, WI 53707-7842

Hotline: (800) 424-7942

Website: <http://badger.state.wi.us/agencies/invbd>

E-mail: [info@swib.state.wi.us](mailto:info@swib.state.wi.us)



# Investment Categories for the WRS Assets

## DOMESTIC EQUITIES:

Domestic equities investments primarily consist of common stock in US companies. Holdings are diversified among small, medium and large companies. Four portfolios are managed internally and two externally. SWIB also invests in three funds that contain the same companies as the market indices.

## INTERNATIONAL EQUITIES:

Management of stock traded on foreign markets is divided between SWIB staff and outside specialists in these markets.

## PUBLIC BONDS:

These investments include US government bonds and corporate bonds purchased in public markets, corporate securities and US Treasury and agency securities.

## INTERNATIONAL/GLOBAL BONDS:

These portfolios may invest in US or foreign bonds. Securities must meet minimum credit quality requirements. Outside advisors manage approximately two-thirds of these holdings.

## PRIVATE PLACEMENTS:

SWIB makes direct, long-term loans to companies located throughout the United States. In many cases, SWIB is a co-lender with other public or private investors. Loans are made at fixed rates of interest.

## REAL ESTATE:

SWIB invests in commercial real estate as a sole direct owner, or in joint ventures and partnerships. The portfolio is diversified by region of the United States and by property type.

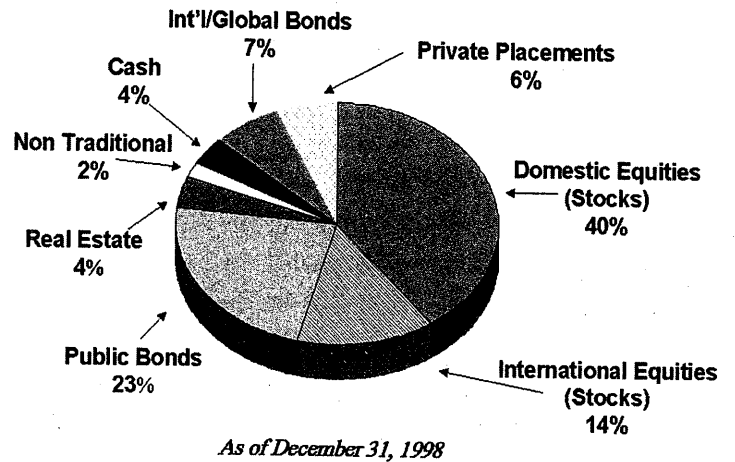
## NON TRADITIONAL:

This portfolio may invest across asset classes in domestic or international markets. Investments are in public and private equities, fixed income instruments, partnerships and structured investments.

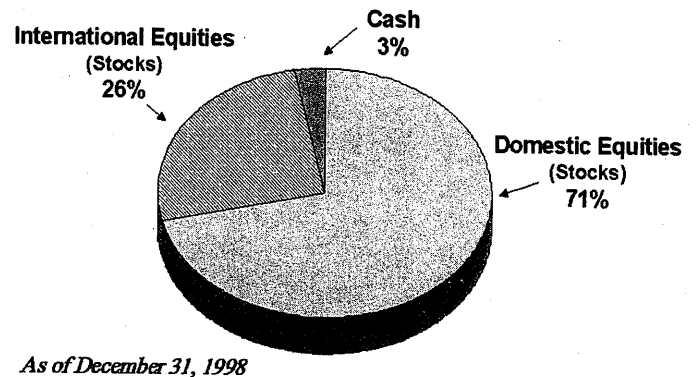
## CASH:

Temporary cash balances awaiting permanent investment are invested in short-term and intermediate-term investments and include obligations of the US government and its agencies and high quality commercial bank and corporate debt obligations.

## Fixed Fund: Diversified Assets



## Variable Fund: Primarily Stocks



## Investment Results Help Beneficiaries and State

People often associate SWIB with the benefits received by over 99,000 retirees in the WRS. Indeed, an estimated \$1.8 billion is paid to WRS participants each year. SWIB's investment earnings fund over 80% of the cost of benefits. But, the impact of SWIB's investment returns is even more widespread. Nearly one in five Wisconsin residents are WRS participants, or are affected by the WRS as family members. More than 90% of WRS retirees remain in Wisconsin. The benefits they receive strengthen local economies of communities across the state. Investment gains also reduce the amount of contributions made by employers and employees to pay benefits.

gory. For the majority of participants, the earliest retirement age is 55. Protective occupation employees can retire as early as age 50. Although a monthly benefit is payable once you reach your minimum retirement age, it is reduced by a factor (see age reduction factor below) for retiring early and having a benefit paid out over a longer period of time.

#### **What determines if a formula benefit is unreduced?**

You must be at the "normal retirement age" for your employment category (or satisfy certain creditable service requirements) to receive an unreduced benefit. An unreduced benefit has no age reduction applied for early retirement. For general category employees (including teachers) the normal retirement age is 65, but if you have 30 years or more of creditable service, you can retire at age 57 with an unreduced benefit. If you are in a protective employment category, your normal retirement age is 53 if you have 25 or more years of creditable service, 54 if you have less than 25 years of service. If you are an elected official or state executive plan employee, your normal retirement age is 62. With 30 years or more of creditable service, you can retire at age 57

with an unreduced benefit.

#### **What is an age reduction factor?**

A formula benefit that begins before you reach normal retirement age is reduced because the payment is expected to be paid for a longer period of time. An age reduction factor is used in the formula benefit calculation to reduce the monthly benefit. This reduction is permanent and continues to apply after you reach normal retirement age.

#### **How accurate are the benefit projections?**

No assumptions of future interest, earnings, contributions or creditable service have been included in the benefit projections. Also, any voluntary additional contributions you have made or any military service credit for which you may be eligible are not included in the projections.

If your retirement date is many years into the future, the amounts shown may be significantly less than what you will actually receive. If you are near retirement, the projection should be fairly close to what you could expect to receive if you select an annuity option that would be paid for your lifetime with no death benefit protection for a joint survivor or beneficiary. The annuity option choices that provide protection for joint survivors and beneficiaries produce a

lower monthly payment.

If you are within one year of your anticipated retirement date, you must contact the Department for a retirement estimate packet. This packet will include an application and estimates of your monthly benefit amount for all the annuity options available to you. We strongly recommend you request retirement estimates from the Department of Employee Trust Funds six to twelve months before you intend to retire.

We realize that for those of you just beginning your career, these projected benefit amounts might be less than you expected. However, you will see these amounts increase annually as your retirement account grows each year.

#### **How can I do my own projections?**

You can use the retirement benefit calculator at ETF's Internet site <http://badger.state.wi.us> to do your own formula benefit projections. ETF also has a brochure entitled *Calculating Your Retirement Benefits* with step-by-step instructions on how to calculate both Formula and Money Purchase Benefits. This brochure is available on the Internet site noted above, or you can request a copy from ETF.

## **Department is Still Seeking Claims for Distribution of Funds Recovered Through the Special Investment Performance Dividend (SIPD) Lawsuit**

**T**he Department is still seeking the beneficiaries and estate representatives of the remaining deceased eligible WRS annuitants who may qualify for a distribution from the recovered funds. To qualify, the original annuity had to begin before November 2, 1987 and continue to be paid after April of 1988. We have received claim inquiries for less than 45 percent of the approximately 30,000 potential claims. We are still in the process of sending claim forms and issuing payments to these claimants. All annuity increases and retroactive supplements payable to current annuitants have already been paid.

If you are the beneficiary or heir of a deceased participant whose annuity

may have qualified for a share of the SIPD funds, and you have not already contacted the Department about this potential benefit, please call us at (608) 261-4444 or write to the Department for further information about eligibility and claim procedures. Please be prepared to provide as much of the following information as possible: The deceased annuitant's name, date of birth, date of death, Social Security number and approximate date of retirement, plus your name, address, phone number and relationship to the deceased.

The Employee Trust Funds Board has extended the deadline for the Department to receive a completed SIPD claim form to November 30, 1999. It is important that we receive

a request for a claim form as early as possible before that date, to assure that we will have an opportunity to provide you with the correct claim forms.

Due to the number of inquiries we have received, it may take several months from the date we receive an inquiry until claim forms can be sent and payment issued. As of mid-March we had paid nearly \$7.5 million in lump sum payments to over 9,000 claimants. The average payment is currently around \$1,300, with amounts ranging from under fifty dollars to several thousand dollars.

# Retirement Checklist – When You Should Request Information



This list is intended as a general guideline to use when you are planning to retire within the next 12 months. Due to workload, we only prepare official retirement estimates if you are within 12 months of your anticipated retirement date. If it will be more than a year before you retire, you can use the formula retirement benefit calculator on our Internet site to project your future retirement benefits. The site contains additional information about retirement benefits and the annuity options for which you are eligible.

## □ 12 months before retirement

Contact the Social Security Administration for a projection of your Social Security benefits at age 62 or for your anticipated retirement date, whichever is later. To request an estimate of your Social Security benefits, visit the Social Security Administration's Internet site, <http://www.ssa.gov/> Or call toll-free: (800)772-1213.

## □ 6 - 12 months before retirement

Contact the Department of Employee Trust Funds to request WRS retirement benefit estimates. Note: If your Wisconsin Retirement System annuity will begin before you reach age 62, we recommend that you send us a copy of your age-62 Social Security benefit projection with your request for WRS retirement estimates. We will use these projected amounts to calculate

your accelerated payment option amounts rather than using the estimated Social Security amounts from our tables. This will help to ensure that you receive more level benefits before and after age 62 if you select an accelerated payment option.

## □ Review your retirement estimates

If you have any questions about any of the annuity options for which you are eligible, it is very important that you contact us for further clarification. You may contact us by phone, in writing, or request an appointment with one of our benefit specialists.

You can change the annuity option you select only if we receive your written request to change to a different option within 60 days after the date of your first annuity payment. Since your option selection will have a significant and permanent effect on your financial situation and that of your beneficiaries, it is critical that you thoroughly understand the annuity options before you make your selection.

## □ Health Insurance

State Employees: If you are enrolled in the State Employees Group Health Insurance program and are eligible to continue your coverage after you retire, your coverage will be continued automatically. You will receive information about post-retirement premium payments after the Department receives your retirement benefit application.

Local Employees: If you are enrolled in

the Wisconsin Public Employers Group Health Insurance program, contact your employer directly before you retire about your eligibility to continue your health insurance coverage after you retire. The Department will also provide information about the Local Annuitant Health Insurance Program, which is available to all local employer retirees who meet the eligibility criteria.

## □ Life Insurance

If you are insured under the Wisconsin Public Employers Group Life Insurance Plan and are eligible to continue your coverage after you retire, your coverage will be continued automatically. You will receive information with your retirement estimates about your eligibility to continue coverage and post-retirement premium payments.

## □ Deferred Compensation

If you participate in the Wisconsin Deferred Compensation Program, you can contact the plan administrator at any time before you retire to establish your deferred compensation distribution date. However, you must establish your distribution date within 60 days after you terminate WRS employment; otherwise you are restricted to receiving your deferred compensation funds at age 70 1/2. To speak with a Deferred Compensation Program representative, call toll-free (800)257-4457 or in 256-6200 (local Madison).

## Facts About Our Wisconsin Retirement System Retirees

### Did You Know that as of December 31, 1998 . . .

- over 99,000 members receive monthly benefits.
- 629 members age 95 and older receive monthly benefits.
- the average age at retirement is age 60.7 years.
- the largest age group receiving monthly benefits is ages 65-69.
- the total value of monthly benefits paid annually is \$1.8 billion.
- the future life expectancy of a female retiring in 1998 at age 60 is 26.1 years and for males is 21.4 years.

Source: the Wisconsin Retirement System 16th Annual Actuarial Valuations of Retired Lives December 31, 1998.

## The Board Corner - Elections Results

### Annuitants Elect James Gruentzel

Wisconsin Retirement System (WRS) retirees recently elected James A. Gruentzel to the Employe Trust Funds Board. Gruentzel, former bureau director of the Wisconsin Department of Development (now Commerce), retired in 1989 after 35 years of state service. He is a long-time member of the Association of Career Employees and has served several terms on its board of directors. His four-year term on the Board begins in May. Gruentzel replaces outgoing annuitant Otto H. Schultz, who chose not to run again.

By virtue of his election, he will also be a member of the Legislative Retirement Research Committee.

The Department of Employe Trust Funds mailed 98,375 ballots to retired teachers last January. By the time voting was completed in March, a total of 11,752 ballots were counted, representing about 12.3 percent of WRS retirees eligible to vote.

### State Teachers Elect Wayne McCaffery and Gerald Pahl

Public elementary and secondary school teachers in the WRS reelected Wayne D. McCaffery and Gerald E. Pahl to serve five-year terms on the Teachers Retirement Board (TRB). McCaffery, an economics teacher at Stevens Point Area Senior High School, has been a member of the TRB since 1989, serving as chair since 1998. He has taught economics for 20 years and is a chartered mutual fund counselor.

Pahl, a Biology/Botany teacher in the Sheboygan School District, serves as chief negotiator for the Sheboygan Education Association. An educator for the past 28 years, Pahl will serve his second five-year term on the Board.

The Department of Employe Trust Funds mailed 68,302 ballots to eligible teachers last February. Approximately 9,849 ballots were cast, representing 14 percent of the total.

## Help Us Find People with Abandoned WRS Accounts

There are 204 individuals age 70 and older with new abandoned Wisconsin Retirement System (WRS) accounts. Each year the Department of Employe Trust Funds (ETF) publishes their names in the state newspaper and the *Trust Fund News* in an attempt to find them or their heirs.

Last year, ETF located 45 of the 103 persons on the final account list. If you know the whereabouts of anyone on this year's list, please ask them or their heirs to write to ETF at P.O. Box 7931, Madison, WI 53707-7931. Inquiries must include the participant's complete name (published name, current and prior name), date of birth, Social Security number and the year that the name was published. Application forms are available for rightful claimants.

Most accounts are small, but over the years a few have been substantial. ETF started publishing abandoned accounts in 1976. Under current law, WRS participants or heirs have up to ten years of publication to make a claim. Current WRS participants are advised to take precautions against forgetting their accounts in the future. If you terminate WRS-covered employment and do not take a benefit, you need to provide ETF with address changes as you move so that you can receive account information and avoid possible forfeiture of your account.

To see the complete ten-year list of abandoned accounts visit our Internet homepage at:

<http://badger.state.wi.us/agencies/etf> and see the "Money Awaits Missing Persons" section under "What's New."

The latest abandoned account list follows:

Ankney, John F.	Lewis, Ruth E.
Bailey, Margery A.	Livori, Marilyn E.
Bartelt, Wayne L.	Loomis, Ace
Bastian, Clayton G.	Love, Carolyn G.
Beadles, Allen D.	Lukas, Walter J.
Bean, Joyce V.	Luse, Vernon L.
Behnke, Wilma L.	Maloney, Elaine M.
Bennett, Robert E.	Marchant, Kathryn M.
Bergamini, Irma E.	Markwald, Marilyn C.
Berndt, Eleanor C.	Matthews, Gerald L.
Berndt, Elizabeth L.	Mckenzie, Donald F.
Bolton, Willard	Mclean, Martha
Bouma, Barbara, J.	Meichel, Janice H.
Brittenham, Lois G.	Meinecke, James R.
Brown, Virginia A.	Mertz, Marvin C.
Buck, Doreen L.	Miller, Robert F.
Burn, Joe S.	Mitchell, Antoinette
Carey, Jerry G.	Mittelstadt, Barbara A.
Carter, Jane E.	Mohr, Rita O.
Cayle, Theodore	Mueller, Richard D.
Childs, Evelyn S.	Muir, John K.
Christensen, Mary A.	Mulvihill, Richard J.
Clegg, Ramona M.	Navig, Marie J.
Contreras, Celeste	Nimmer, Glenn N.
Cooper, Donald A.	Nora, James J.
Cox, James F.	Nordquist, Jerome P.
Danfield, Richard L.	Obrien, Patrick J.
Davis, Roy E.	Obrien, Sharon L.
Demontnollin, Marie M.	Packard, David C.
Dendrinos, Athens	Palmer, Michael B.
Desjardins, Nola M.	Parise, Anthony G.
Dippold, Edward C.	Pearson, Robert H.
Dix, Agnes S.	Perkins, Virginia H.
Doyle, Anne M.	Perschbacher, Mary E.
Duncan, George	Perzewski, Eleanore
Ellefson, Lavern H.	Peterson, Daniel C.
Engelmann, Richard	Peterson, Russell L.
Fails, Beverly M.	Phillips, Audrey J.
Ferraro, Louis J.	Picht, Betty M.
Fogarty, Bryce M.	Polzin, Richard A.
Fossum, Grover B.	Popple, Dorothy L.
Foster, Gerald A.	Pritz, Catherine A.
Fowler, Thomas W.	Provus, Malcolm M.
Fox, Mary T.	Pruitt, Charlotte S.
Fox, Ruth	Regelin, Walter A.
Gephart, William J.	Rens, Lawrence A.
Gilbert, Anne H.	Reynolds, Robert J.
Goller, Joann B.	Rice Jr, Walter H.
Green, Richard A.	Ringenoldus, James C.
Greif, Victoria M.	Robinson, Elaine M.
Grovert, Dortha A.	Roehl, Mary H.
Guest, Marion D.	Roepke, Willard W.
Hall, Bradley J.	Rojic, Daniel J.
Halyard, Earl	Romanowski, Jeanne A.
Hanson, Lucille G.	Rondou, Marion A.
Hargens, Annice C.	Rosenberg, Dorothy A.
Harper, Elizabeth A.	Rothenhoefer, Margarita
Hart, Maxine E.	Routheau, Ellen M.
Hashimoto, Richard H.	Rucker, Doris E.
Haumschild, Ruby J.	Ryan, Mary J.
Heidel, Beatrice B.	Sa, Zi H.
Henderson, Barbara L.	Samardick, Audrey N.
Hengel, Edna J.	Scheffler, Doris I.
Hentz, Dorothy C.	Schendt, Dolores M.
Hetherington, Richard	Schroeder, Alice L.
Hicks, James J.	Schultz, William C.
Hill, Richard A.	Scott, Betty L.
Hoffman, Elwood G.	Sellner, Joan M.
House, Margo V.	Siegel, David H.
Houston, Harold R.	Smith, Dorothy M.
Howell, Edgar N.	Smith, Frances A.
Hubbard, Nora O.	Smith, Joyce E.
Hunt, Mary H.	Smart, Lila J.
Hushek, Mary A.	Stewart, Murlie V.
Jablonski, Virginia M.	Stivarius, Merita L.
Jacobson, Harland E.	Strycharske, Sylvia J.
Jenson, Dorothy A.	Summers, Ann J.
Johnson, Catherine D.	Tainter, Bernard
Johnson, Veryl A.	Thale, Rose M.
Jones, Harriet N.	Thomas, Deborah Y.
Jones, Jean B.	Vandertoorn, Erika E.
Kaercher, Donald E.	Verhulst, William W.
Karras, John E.	Vertz, Roland J.
Kartman, Dolores L.	Webb, Alvin J.
Keller, Mildred E.	Weber, Betty J.
Kienholz, Eldon W.	Weber, Robert D.
Knight, James E.	Weess, Marion E.
Knutson, Elton H.	Wells, Gladys H.
Knutson, Joan C.	Wesley, Michele D.
Kottke, Eunice E.	West, Betty J.
Krupka, Raymond M.	West, Frederick H.
Lagasse, Keith	Wilcox, Mary A.
Lageson, Evelyn H.	Wilson, Francis L.
Landowski, Isabelle M.	Wilson, Ruth P.
Larberg, Anne P.	Woodruff, Jean E.
Lavery, George B.	Woodside, Billie S.
Lee, Lois M.	Wulf, Edna E.
Lehr, Mangham E.	Wycklendr, Betty J.
Leite, Maria L.	Young, Dorothy
Lesbines, Tele	Zeldin, Lee
Levensky, Richard	

Department of Employee Trust Funds  
PO Box 7931  
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ADDRESS SERVICE REQUESTED

The *Trust Fund News* is published three times a year by the Wisconsin Department of Employee Trust Funds to inform the members of the Wisconsin Retirement System about benefit programs.

**Department Secretary** Eric Stanchfield  
**Deputy Secretary** David Mills  
**Editor** Nancy Ketterhagen

**Write Us:** For most requests write to ETF, PO Box 7931, Madison, WI 53707-7931, include your Social Security number and a daytime phone number. Retirees wanting to change your mailing address write to Payment Services at the above address, and include your Social Security number, signature, and old and new addresses.

**Fax Us:** (608) 267-4549

**Call Us:** Monday – Friday, 7:45 a.m. to 4:30 p.m., Central Time. For assistance with retirement or other benefits call the Member Services Bureau. In Madison call (608) 266-3285 to speak with a specialist, and for an appointment call (608) 266-5717. In Milwaukee call (414) 227-4294.

Have your Social Security number available. The Teletypewriter number is (608) 267-0676.

**E-mail us Through Our Internet Site:**  
<http://badger.state.wi.us/agencies/etf>

**Listen to Pre-recorded messages on the Benefit Message Center:** Call 1-800-991-5540 or 264-6633 (local Madison). It is available 24 hours a day, 7 days a week. You must have a touch-tone phone to use this system.

The Department of Employee Trust Funds does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call (608) 266-3285 or TTY (608) 267-0676. We will try to find another way to get the information to you in a usable form.



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