

**STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS
801 West Badger Road
Madison, WI 53702**

CORRESPONDENCE MEMORANDUM

DATE: June 5, 2002

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

FROM: Linda Owen, Policy Analyst
Division of Retirement Services

SUBJECT: Proposed Rule Regarding Annuitant Dividends

The Department requests that the Boards approve the proposed amendment to s. ETF 20.25, the administrative rule governing annuitant dividends. This amendment would make two changes:

1. The Department would distribute the annual fixed and variable annuitant dividends one month earlier, so that annuitants would receive the dividend beginning with each April 1 payment rather than the May 1 payment.
2. The amendment would reduce the minimum percentage by which a prorated fixed dividend can be granted. In the first year after the year in which an annuity begins, the fixed dividend is prorated based on the number of months in which the annuity was in force during the previous year. The current rule prohibits granting a prorated dividend that would be less than 1.0%. The proposed amendment would lower the minimum prorated dividend to .1%. This would have the effect of distributing a small additional portion of each year's surpluses in the annuity reserve rather than carrying them forward into the next year. This will mean that more people in their first year of retirement will receive a dividend rather than carrying over surpluses to be split among all annuitants.

A public hearing on the proposed rule was held on May 16, 2002. No one appeared to offer testimony, nor submitted any written testimony supporting or opposing the proposed amendment.