

Wisconsin Retirement System



Employee Contributions and WRS Investments

November, 2011

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Retirement Benefit Objective

Qualified under Sec 401 (a) of the Internal Revenue Code (IRC)



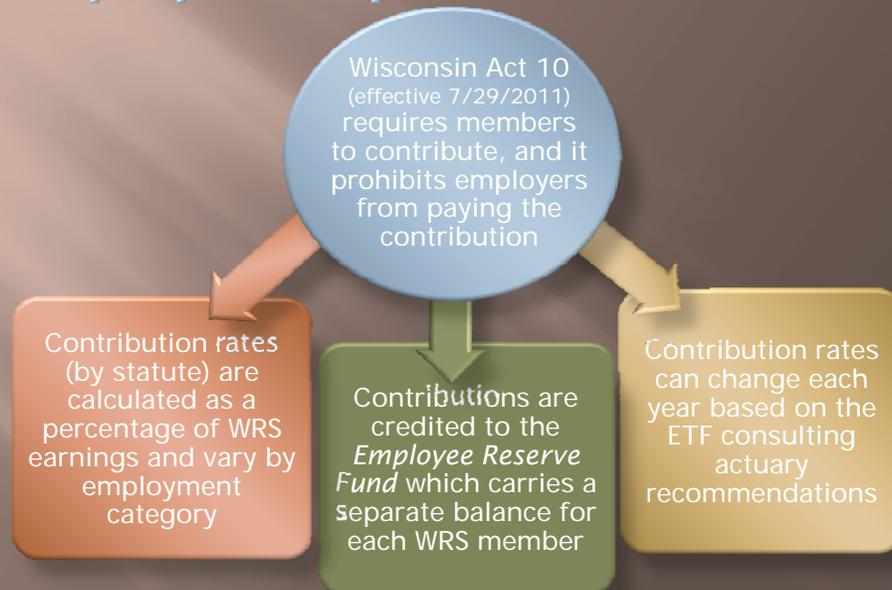
Plan expects that you will supplement your WRS retirement with your own savings program

2

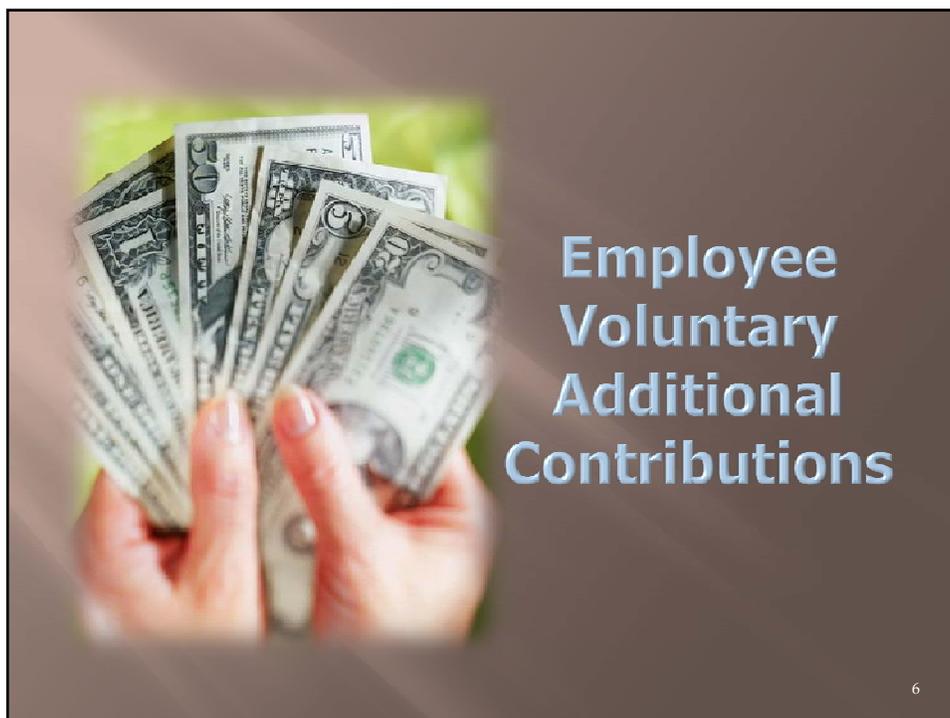
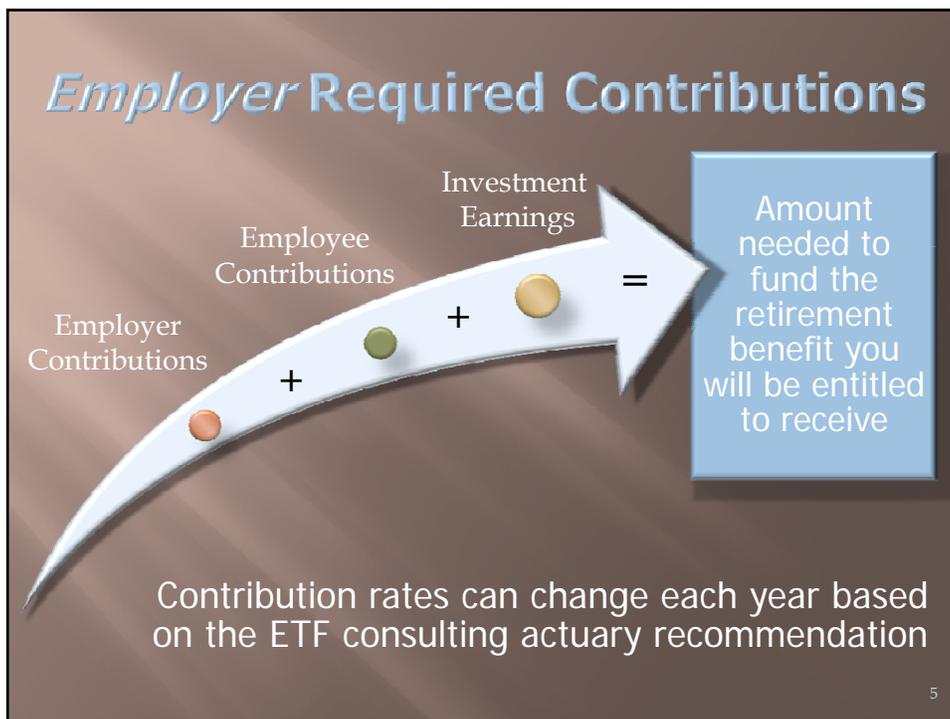
Contributions

3

Employee Required Contributions



4





WRS Trust Funds

Core

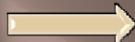
- Fully diversified
- Market gains and losses recognized over a 5-year period

Variable (Optional)

- All stocks
- Market gains and losses fully recognized
 - No smoothing

Retirement Fund Investments

100% of all contributions are deposited into the Core Fund **unless** . . .



you elect Variable Fund participation

- 50% Core
- 50% Variable

There are separate
Core and **Variable**
effective rates of interest each year

By law, the effective rate of interest is credited each December 31 to that year's January 1 balance

9

Employee/Employer Required Contribution Rates

Effective June 29, 2011

Required Pre-tax Contribution Rates 2011			
Rates subject to change annually			
Employment Category	Employee (EERC)	Employer (ERRC)	Total Normal Cost
General, Teacher and Educational Support	5.8%	5.8%	11.6%
Protectives with Social Security	5.8%	8.9%	14.7%
Protectives without Social Security	5.8%	11.2%	17.0%
Elected Officials & State Executive Retirement Plan employees	6.65%	6.65%	13.3%

- If employee is covered by a Collective Bargaining Agreement (CBA) before 6/29/11, employers may elect to pay a portion of EERC until the CBA changes or ends
- Contributions actuarially determined on a separate group basis

10

Employee/Employer Required Contribution Rates

Effective January 1, 2012

Required Pre-tax Contribution Rates 2012			
Rates subject to change annually			
Employment Category	Employee (EERC)	Employer (ERRC)	Total Normal Cost
General, Teacher and Educational Support	5.9%	5.9%	11.8%
Protectives with Social Security	5.9%	9.0%	14.9%
Protectives without Social Security	5.9%	11.3%	17.2%
Elected Officials & State Executive Retirement Plan employees	7.05%	7.05%	14.1%

- If employee is covered by a Collective Bargaining Agreement (CBA) before 6/29/11, employers may elect to pay a portion of EERC until the CBA changes or ends
- Contributions are actuarially determined on a separate group basis

11

Actual Employee and Employer Contributions

Effective June 29, 2011

Pre-tax Contributions – 2012			
Subject to change annually			
Employment Category	Employee Required	Matching Employer	Total Contribution to your WRS Account
General, Teacher and Educational Support	5.9%	5.9%	11.8%
Protectives with Social Security	5.9%	5.9%	11.8%
Protectives without Social Security	5.9%	5.9%	11.8%
Elected Officials & Executive Retirement Plan employees	7.05%	7.05%	14.1%

For retirement purposes, the employer contribution is an equal match of the employee required contribution

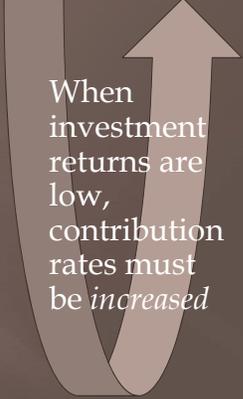
12

Market Impact on Contribution Rates



When investment returns are high, contribution rates can *decrease*

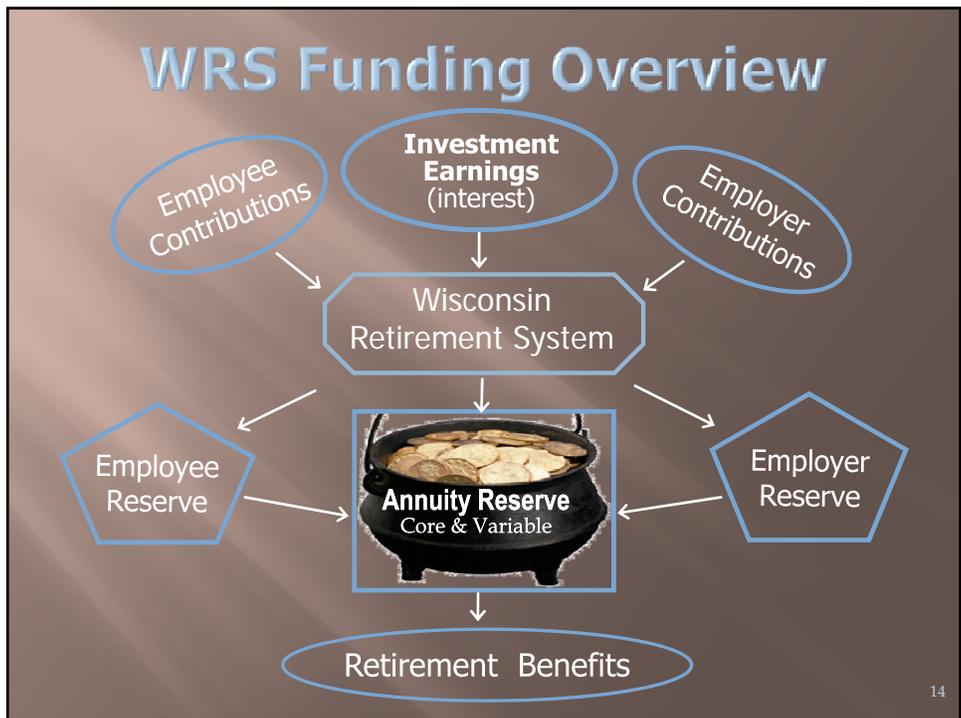




When investment returns are low, contribution rates must be *increased*

Each year the consulting actuary analyzes data provided by ETF and recommends contribution rate changes

13



State of Wisconsin Investment Board



*The goal of the Board is
to produce long-term growth
to meet pension obligations
to current and future retirees*

www.swib.state.wi.us

15

Investment Performance and Annuity Adjustments History

WRS Core Fund Percentages

Year	SWIB Investment Return	ETF Effective Rate	ETF Annuity Adjustment
2010	12.4%	4.8%	-1.2%
2009	22.4%	4.2%	-1.3%
2008	-26.2%	3.3%	-2.1%
2007	8.7%	13.1%	6.6%
2006	15.8%	9.8%	3.0%
2005	8.6%	6.5%	0.8%
2004	12.8%	8.5%	2.6%
2003	24.1%	7.4%	1.4%
2002	-8.8%	5.0%	0.0%
2001	-2.3%	8.4%	3.3%
Compounded Average		10 yr avg: 7.06% 5 yr avg: 6.97%	10 yr avg: 1.28% 5 yr avg: 0.95%

16

Investment Performance and Annuity Adjustments History

WRS Variable Fund Percentages

Year	SWIB Investment Return	ETF Effective Rate	ETF Annuity Adjustment
2010	15.6%	16.0%	11.0%
2009	33.7%	33.0%	22.0%
2008	-39.0%	-40.0%	-42.0%
2007	5.6%	6.0%	0.0%
2006	17.6%	18.0%	10.0%
2005	8.3%	9.0%	3.0%
2004	12.7%	12.0%	7.0%
2003	32.7%	34.0%	25.0%
2002	-21.9%	-23.0%	-27.0%
2001	-8.3%	-9.0%	-14.0%
Compounded Average		10 yr avg: 2.97% 5 yr avg: 2.87%	10 yr avg: -2.87% 5 yr avg: -2.88%

17

Core Smoothing Mechanism

At the end of 2010 there was a \$5.1 billion investment loss to be recognized over 5 years

Year Earned	Year to be Recognized (millions \$)				
	2010	2011	2012	2013	2014
2010	399	399	399	399	399
2009	1,288	1,288	1,288	1,288	
2008	(5,370)	(5,370)	(5,370)		
2007	212	212			
2006	1,065				
Totals	(2,406)	(3,471)	(3,683)	1,687	399

(5.1 Billion)

18

Core Fund Projected Rates

Projected WRS Core Fund Effective Rates and Annuity Adjustments			
If SWIB's net investment return on 12/31/11 is...	5%	0%	-5%
...the Core Effective Rate is projected to be approximately...	1.8% to 2.8%	0.8% to 1.8%	-0.2% to -0.8%
...and the Core Annuity Adjustment is projected to be approximately...	-3.2% to -4.2%	-4.1% to -5.1%	-4.9% to -5.9%

19

Example Interest Crediting

- If open employee accounts in the Core Fund are credited with **1.2%** interest
- If open employee accounts in the Variable Fund were reduced by **-1.0%**

2011 Example

Interest Crediting	Core: 1.2 %	Variable: -1.0 %
1/1/2010 Balance	\$52,573	\$9,323
2011 Interest	\$630	(\$93)
2011 Contributions	\$2,436	\$2,436
1/1/2012 Balance	\$55,639	\$11,665

20

2011 Interest Crediting Impact on Benefit Amounts

WRS always pays the higher of two retirement calculations

Formula

Based on Years of creditable service, average earnings, formula factors and Variable adjustment (if applicable)

Money Purchase

Based on account balance (\$) and age

Of those retiring in 2010, 50% were based on the **Money Purchase** calculation

21

WRS Facts

- Based on assets the WRS is the 9th largest public retirement system in the U.S. and the 30th largest public or private retirement system in the world
- WRS paid approximately \$3.9 billion in annuity payments in 2010
- Compared to peer systems the WRS is more complex and has far lower administrative costs than its peers
- In 2010 the average annual retiree benefit was \$24,577

22

Conclusion

The WRS is a unique and complex system
Its strength is its design



It is pre-funded

Current Contributions
pay for Future
benefits

**It is a *Shared Risk*
and Reward system**

No individual group
bears all the risks

**It has a positive
impact on
Wisconsin's
Economy**

23

**Thank You for
Watching**