

FREQUENTLY ASKED QUESTIONS REGARDING THE VARIABLE FUND

What is the Variable Fund? The Wisconsin Retirement System (WRS) consists of a Core Trust Fund (Core) and the Variable Trust Fund (Variable). If you elect to participate in the Variable Fund, 50% of your WRS employer and employee required contributions and additional contributions made after your election will be deposited in the Variable.

The Variable Fund is invested in stocks only, while the total stock investment of the Core Fund is a diversified fund, with investments in stocks, bonds, and more. Members who elect to participate in the Variable are exposed to a higher degree of investment risk. Variable Fund investment have a more direct effect on your participant account at the end of **each calendar year**, while the impact of Core Fund returns is smoothed over **five years**.

How do I know if I am in the Variable Fund? If you are a non-annuitant (not retired), look on your annual *Statement of Benefits* to confirm whether your retirement contributions go to the Variable Fund and the Core Fund, or just to the Core Fund. If you are an annuitant (retired), you can check your *Notice of Final Retirement Annuity Calculation* (ET-4820) to learn whether you have participated in the Variable Fund. Also, if you received an *Annuity Correction Notice* (ET-4902), you can see whether any portion of your retirement annuity comes from the Variable Fund as well as any adjustment that was made to your annuity amount.

Is participation in the Variable Fund right for me? Participation in the Variable Fund is a personal decision. Factors you may want to consider are:

- your comfort level with a higher degree of investment risk
- how many years you have until retirement
- other personal investments you may have

For a full description of effective rates and annuity adjustments and how they are calculated, view our online video, [WRS -- Interest vs. Annuity Adjustments](#).

Can my Variable annuity be decreased below my original Variable annuity amount? Yes. Unlike the Core Fund, there is no limitation on Variable annuity decreases.

When I retire, how will participation in the Variable Fund affect my benefits? Your Core Fund and Variable Fund account balances earn interest each year. Depending on which trust fund earns higher interest over the years, you will have either more or less money in your account than you would have if you had never participated in the Variable Fund. If your account balance is higher

due to your participation, then you have an excess amount. If your account balance is lower, then you have a deficiency.

What is an excess, what is a deficiency, and how do these affect my retirement account? If you cancel your Variable Fund participation, and once your Variable account balance has been transferred to the Core Fund, you will have either a Variable excess or a Variable deficiency recorded on your WRS account. This is a record of the amount that your account is ahead (Variable excess) or behind (Variable deficiency) as a result of your Variable Fund participation. Your Variable excess or deficiency will be credited with Core Fund effective rate interest each year. This means that the amount of your excess or deficiency will grow to a larger amount each year after your Variable funds are transferred to the Core Fund. The longer it will be until you retire, the more your excess or deficiency will have grown.

The Variable excess or deficiency is used to adjust your **formula retirement benefit**. When you retire, your Variable excess or deficiency will either increase (Variable excess) or decrease (Variable deficiency) your formula benefit. This excess or deficiency is not applicable to your money purchase retirement benefit calculation because the Core and Variable investment returns already are reflected in your money purchase balances. You receive the higher of the formula or the money purchase calculation. For more information, please consult our brochure, [Calculating Your Retirement Benefit](#) (ET-4107) or our online video, [Calculating Your Retirement Benefits Online](#).

How do I know if I have an excess or a deficiency? Your Variable excess or deficiency balance is updated once each year, after annual interest is credited. You can find out your current excess or deficiency balance by checking Section 8 of your last *Annual Statement of Benefits*. In addition, you can use our [Variable Excess/Deficiency Update Calculator](#) to project your future excess or deficiency balance.

Can I get out of the Variable Fund? Yes. Retired and non-retired members can elect to cancel participation in the Variable Fund at any time. However, the cancellation becomes effective on the January 1 after the date ETF receives your [Canceling Variable Participation](#) form (ET-2313).

What do I need to know if I want to cancel participation in the Variable Fund? If you decide to cancel your participation in the Variable Fund, the cancellation become effective on the January 1 after the date ETF receives your cancellation form. You should need to know whether you have a Variable excess or a Variable deficiency balance. This will help you decide cancellation option is best for you and your personal financial situation -- see below for more information about cancellation options).

I am retired, what options do I have for canceling Variable Fund participation? You can file either an unconditional cancellation or a conditional cancellation. If you file an **unconditional cancellation**, the Variable portion of your annuity will be transferred to the Core Fund after the annual Core and Variable adjustments are made to the May 1 payment in the year after your cancellation form is received. In the case of a **conditional cancellation**, after the annual Core and Variable Fund adjustments are made to your May 1 payment in the year after your cancellation form is received, the new amount of your total annuity will be compared to the amount that your annuity would be if you had never participated in the Variable Fund. For more information see the next question on conditional cancellation.

I am retired and want to file a conditional cancellation. When will the Variable portion of my annuity be transferred to the Core Fund? If the amount of your total annuity is equal to or greater than the amount it would be if you had never participated in the Variable Fund, the Variable portion of your annuity is transferred to the Core Fund. The Core annuity adjustment (only) will be applied to your total annuity every year thereafter. If the amount of your total annuity is less than the amount it would have been if you had never participated in the Variable Fund, the Variable portion of your annuity will remain in the Variable Fund until your total annuity reaches an amount equal to or greater than the amount it would be if you had never participated in the Variable Fund.

I am not retired, what options do I have for canceling my Variable Fund participation? You have three cancellation options:

- future contributions cancel
- conditional cancel
- unconditional cancel

A future contributions cancellation becomes effective at the end of the year in which ETF receives your cancellation form. Once it is effective, all new contributions to your account will be deposited in the Core Fund only.

A conditional cancellation results in your Variable Fund being transferred to the Core Fund only when your account is equal to or greater than what your balance would be if you had never participated in the Variable Fund.

An unconditional cancellation means that after the Variable gain or loss is applied to your account for the year in which ETF receives your cancellation form, your Variable balance will be transferred to the Core Fund. After your Variable Funds are transferred to the Core Fund, you will have either a residual Variable excess or a residual Variable deficiency. Your residual excess or deficiency will be credited with the Core Fund effective rate interest each year until you take a retirement benefit.

Where can I obtain information?

ETF forms and brochures:

- [*How Participation in the Variable Trust Affects Your WRS Benefits \(ET-4930\)*](#)
- [*Calculating Your Retirement Benefit \(ET-4107\)*](#)
- [*Canceling Variable Participation \(ET-2313\)*](#)
- [*Election to Participate in the Variable Fund \(ET-2356\)*](#)

ETF online videos:

- [*WRS Trust Funds: Core & Variable*](#)
- [*Canceling Variable Participation*](#)
- [*Calculating Your Retirement Benefits Online*](#)

ETF documents:

- [*Explanation: 2010 Variable Rates*](#)
- [*SWIB Informational Paper: How do Variable Fund Investments Affect Me?*](#)

ETF online calculator:

- [*Variable Excess/Deficiency Update Calculator*](#)