

Retirement Fund Investments

The assets of the Wisconsin Retirement System are invested by the State of Wisconsin Investment Board (SWIB). The assets are divided into a Core Retirement Investment Trust Fund and a Variable Retirement Investment Trust Fund.

The Core Trust Fund is more of a balanced fund that is diversified among many types of investments and is designed to produce a relatively steady source of investment income.

The Variable Trust Fund is invested primarily in the stock market. It experiences widely fluctuating investment gains and losses that generally reflect the experience of the stock market. The Variable Trust Fund was closed to new members from April 30, 1980 to December 31, 2000.

Since January 1, 2001, active WRS members may elect to have one-half of their contributions deposited in the Variable Trust Fund. The Department of Employee Trust Funds brochure [How Participation in the Variable Trust Fund Affects Your WRS Benefits \(ET-4930\)](#) provides information about the effects of Variable participation. You can request a copy from ETF or go to our Internet site at etf.wi.gov.

Effect On Benefits

The investment performance of the Core and Variable Trust Funds affects the WRS benefit funding requirements, as well as benefits payable to WRS members and beneficiaries.

For many members, benefits at the time of retirement are determined by a formula based on salary and years of service. **The initial formula benefit amount is not affected by investment earnings unless you participate in the Variable Trust Fund or did in the past.**

However, investment earnings while you are employed *do* help fund retirement and disability benefits and may also provide post-retirement increases.

Investment earnings may increase the amount of separation benefits, death benefits, money purchase, retirement and disability benefits.

Formula benefits are based on final average earnings, formula multipliers based on your employment category(ies), years of service and any actuarial reduction for early retirement.

Money purchase retirement benefits are based on your age and the dollar amount in your account when you take a benefit. You are always entitled to the higher of the formula or money purchase retirement benefit.

Interest Crediting

Annual interest is credited each December 31 on monies which have been in the system for the **full** calendar year. Investment earnings affect your separation and money purchase retirement benefits and, in most cases, the death benefits payable if you die before taking a benefit.

All Variable Fund monies and all voluntary additional contributions have interest credited at the effective rates, based on the investment experience of the Fund.

Depending on the years your employment was covered under the WRS, the amount of interest credited to your Core Fund contributions may vary.

- All active members' interest on Core Fund monies is at the effective rate.
- All Core Funds of members who were employed prior to 1982 have interest credited at the effective rate.
- As of January 1, 1985, members who were first employed after 1981 and who terminated prior to January 1, 1990 receive 5% annual interest (all Core Funds). However, if these members come back to covered employment, annual interest on their Core Funds will prospectively be credited at the effective rate each December 31.

- As of January 1, 1990, members who were first employed after 1981 and who terminated prior to December 31, 1999, began receiving 3% annual interest on Core employee-required contributions for separation benefit purposes only.

However, if these members come back to covered employment, two things happen:

1. Their separation benefit balance is adjusted as though it had received 5% interest each year instead of 3%.
2. Next, their employee-required contributions (including their separation benefit balance) receive effective rate interest beginning with the interest credited on December 31 of the year in which they return to covered employment.

If you have participated in the Variable Fund, your account has either a "Variable excess" or a "Variable deficiency." This is the difference between the amount that is actually in your WRS account and the amount that would be in your account if you had never participated in the Variable Fund.

If you have a "Variable excess" (the amount you are *ahead* as a result of your Variable participation), this amount is used to increase your formula retirement or disability benefit. However, if you have a "Variable deficiency" (the amount you are *behind* because of your Variable participation), this deficiency will be used to decrease your formula annuity when your retirement or disability benefit begins.

Before members take a benefit from their WRS accounts, investment earnings are credited to their accounts as explained above. Once a member begins receiving a monthly annuity, the monthly amount may be adjusted each year based on the previous year's investment returns. See the two charts on the reverse side that show 10 years of effective interest rates and annuitant adjustment rates.

Summary of Asset Mix

At the end of 2016, half of the retirement funds were invested in equities and half in fixed income and other investments. The following table shows the market value of the total assets by type.

Asset Mix as of December 31, 2016 (Million Dollars)			
	Core	Variable	Total
Equities	\$43,775	\$7,097	\$50,872
Fixed income	\$22,847		\$22,847
Inflation Sensitive	\$7,488		\$7,488
Private Markets	\$13,895		\$13,895
Multi-Asset	\$709		\$709
Cash/Overlays	<u>\$706</u>	<u>\$(81)</u>	<u>\$625</u>
Total	\$89,420	\$7,016	\$96,436

Investment Performance

There are many ways to evaluate how investments have performed over time. The State of Wisconsin Investment Board has received national attention for its excellent investment record.

SWIB's Annual Report deals with this topic in depth. If you want a copy of the most recent SWIB Annual Report, please write to:
State of Wisconsin Investment Board
P.O. Box 7842
Madison, WI 53707-7842
www.swib.state.wi.us

Effective Interest Rates		
Year	Core Rate	Variable Rate
2016	7.9%	10.0%
2015	6.4%	0%
2014	8.7%	7.0%
2013	10.9%	31.0%
2012	2.2%	17.0%
2011	1.5%	(3.0%) Loss
2010	4.8%	16.0%
2009	4.2%	33.0%
2008	3.3%	(40.0%) Loss
2007	13.1%	6.0%

experience among annuitants) is higher or lower than the assumed rate of 5% set by law, and would result in a change of at least 0.5% for all Core annuities in force in that year. If the increase or decrease results in less than this 0.5% change, then the Core annuities remain the same.

Adjustments are intended (though not guaranteed) to be permanent increases in the monthly Core annuity amounts paid. The Core increase or decrease adjustment is applied to annuities from required and additional contributions.

A Core annuity is guaranteed to never be less than its original final monthly amount. However, this excludes the accelerated portion for a person who retired prior to age 62 and chose the accelerated amount be paid until age 62.

Only past Core annuity increases can be reduced.

The Variable portion of the annuity is increased, decreased or unchanged based on Variable investment results as of December 31 each year. Unlike a Core Fund annuity, there is no guarantee that a Variable annuity will not be decreased below the original final monthly amount.

The Variable portion of the annuity increases or decreases whenever the investment income, adjusted for changes in the mortality experience among annuitants, is higher or lower than the 5% assumed rate set by law and there is at least a 2% change for all Variable annuities in force in that year.

If the increase or decrease results in less than this 2% change, then the Variable annuities remain the same. The Variable adjustment is applied to the Variable portion of annuities from required and additional contributions.

The rates shown above are the effective rates for the past 10 years. They were credited to eligible open accounts, not annuities. See the next chart, Annuitant Adjustment Rates, for the annual increases/decreases applied to annuities.

Annuitant Experience

When you apply for your annuity (regular monthly payments throughout your lifetime), funds are transferred to the Core Trust and, if applicable, the Variable Trust Annuity Reserve to provide your annuity.

The law provides that in determining the amount transferred to the annuity reserve for a new retiree, it shall be assumed that future investment earnings will be 5%. This relatively low assumption is designed to possibly provide benefit increases after retirement to help maintain living standards during periods of rising prices.

Each year we review investment results as of December 31. In the following year, the amount of monthly benefits paid to annuitants may change based on this review.

Core annuity adjustments are applied when investment income earned (adjusted by five-year smoothing and for changes in mortality

Annuitant Adjustment Rates		
Year	Core Adjustment	Variable Adjustment
2016	2.0%	4.0%
2015	0.5%	(5.0%) Decrease
2014	2.9%	2.0%
2013	4.7%	25.0%
2012	(9.6%) Decrease	9.0%
2011	(7.0%) Decrease	(7.0%) Decrease
2010	(1.2%) Decrease	11.0%
2009	(1.3%) Decrease	22.0%
2008	(2.1%) Decrease	(42.0%) Decrease
2007	6.6%	0.0%

The Core annuity adjustment was a decrease in 2008 (the first time in WRS history).

ETF 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 toll free 1-877-533-5020 or 608-266-3285 (local Madison). We will try to find another way to get the information to you in a usable form.

Wisconsin Relay Service

(for hearing and speech impaired) 7-1-1 or 1-800-947-3529 (English)
1-800-833-7813 (Spanish)

ETF has made every effort to ensure that this brochure is current and accurate. However, changes in the law or processes since the last revision to this brochure may mean that some details are not current. The most current version of this document can be found at etf.wi.gov. Please contact ETF if you have any questions about a particular topic in this brochure.



Investment Earnings Distribution Report

**As of December 31, 2016
Wisconsin Retirement System**

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ET-2124 (REV 3/24/2017)