Core Fund Annuity Adjustment Projections

Joint Information Meeting

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# Current Value of Annuities*

If You Retired in	A $1,000 Core Annuity is Receiving	The Annual Rate of Increase is	A $1,000 Variable Annuity is Receiving	The Annual Rate of Increase is	The Annual Change in CPI is
2008	$1,000**	0%**	$796	(4.5%)	1.8%
2003	$1,000**	0%**	$1,207	1.9%	2.4%
1998	$1,267	1.6%	$914	(0.6%)	2.4%
1993	$1,656	2.6%	$1,558	2.2%	2.4%
1988	$2,206	3.2%	$2,196	3.2%	2.8%

* Including annuity adjustments to be made effective April 1, 2013

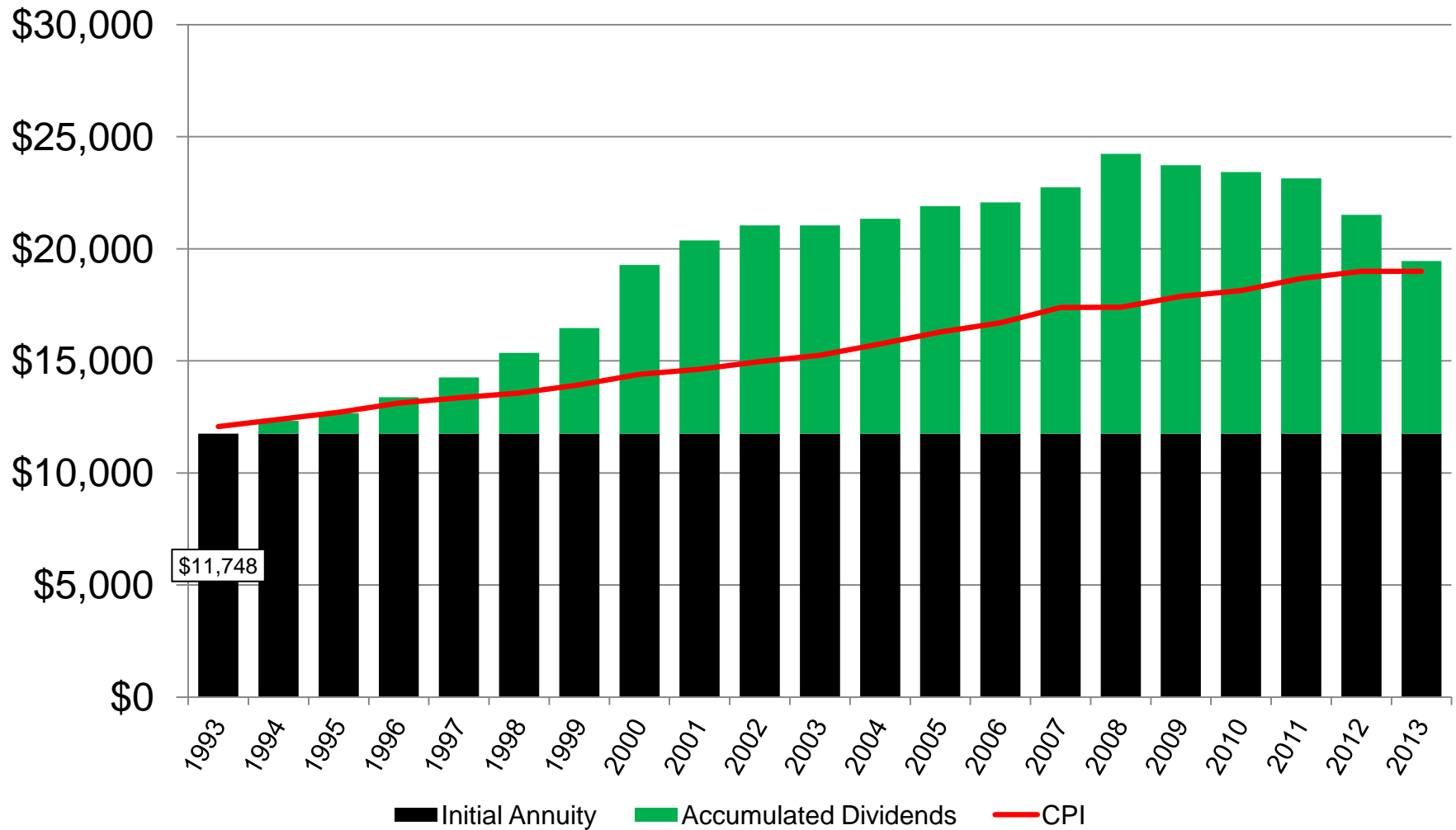* * Core annuities cannot be reduced below their original amount.

Change in Value of 1988 Annuity

(2,607 annuitants)

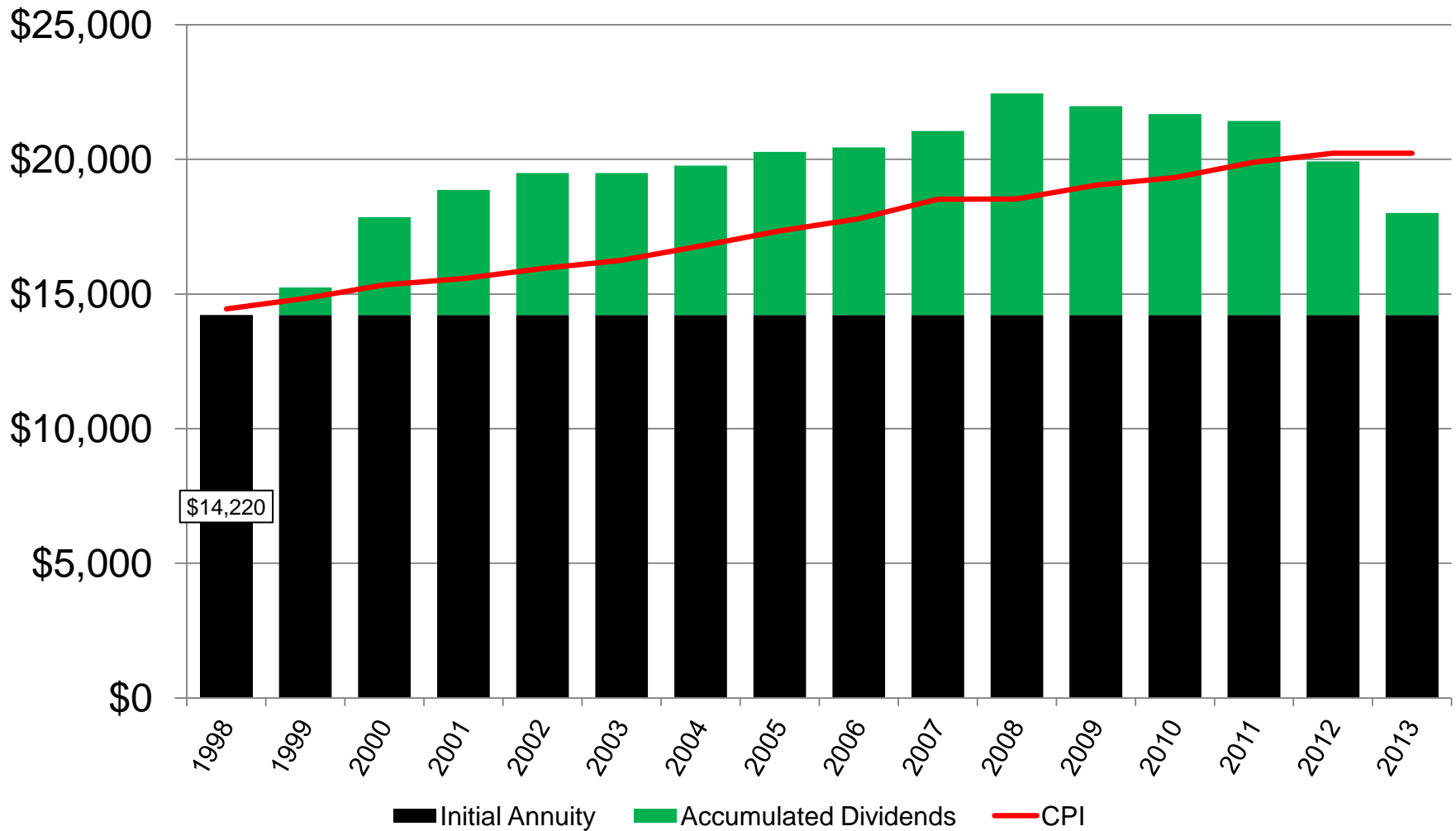Legend: Initial Annuity · Accumulated Dividends · CPI
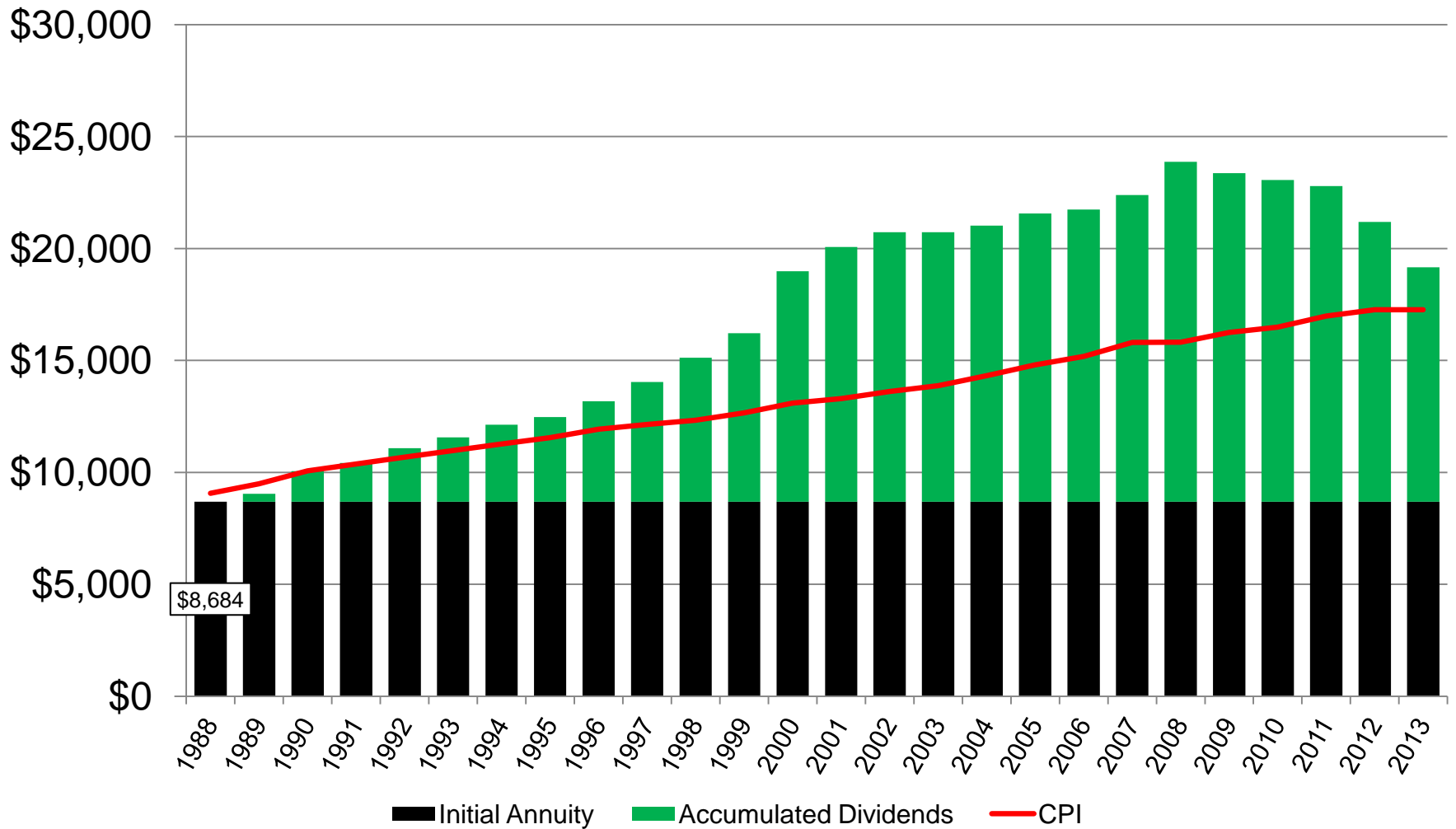
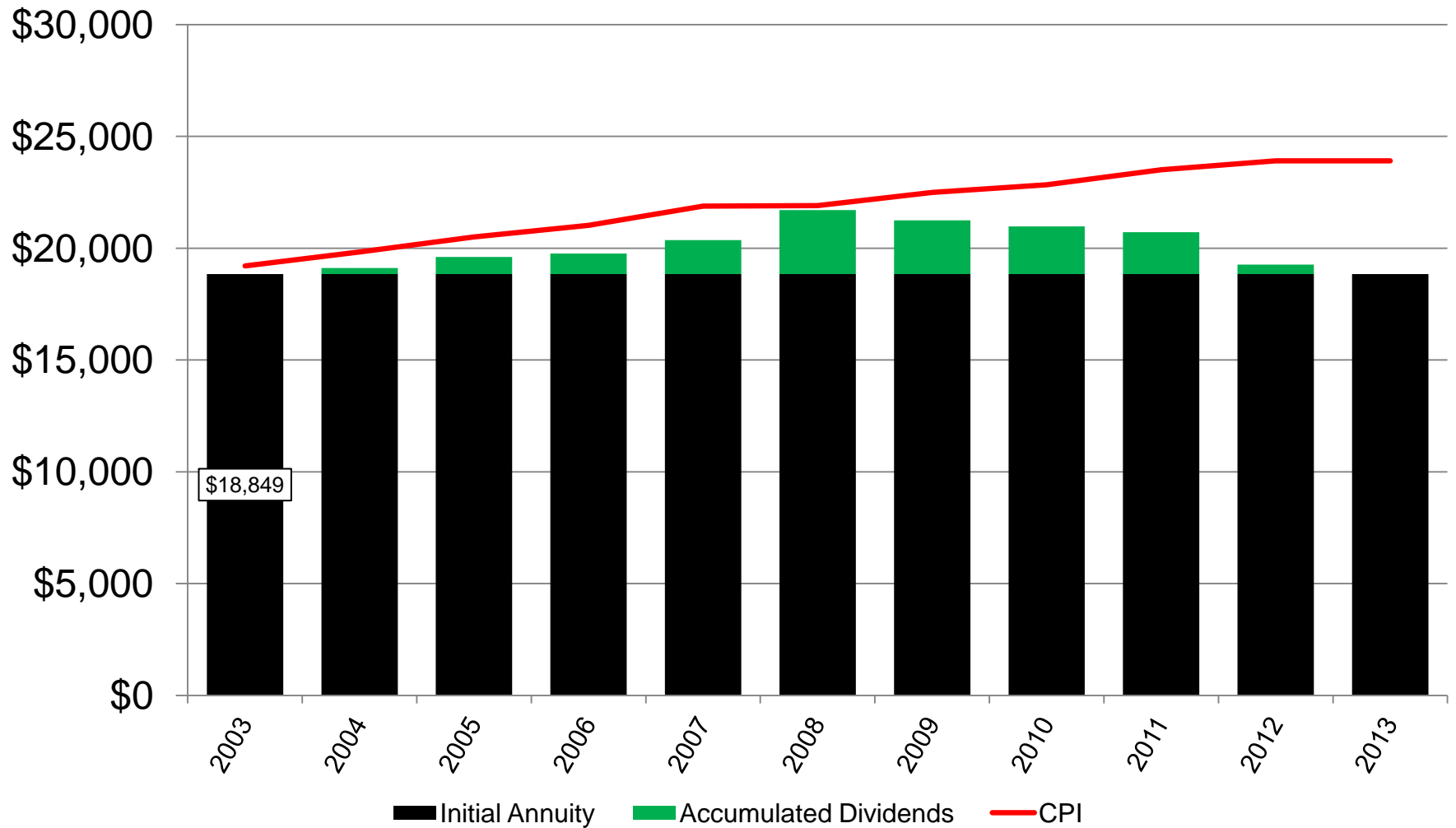# Change in Value of 1993 Annuity

(3,684 annuitants)

Change in Value of 1998 Annuity
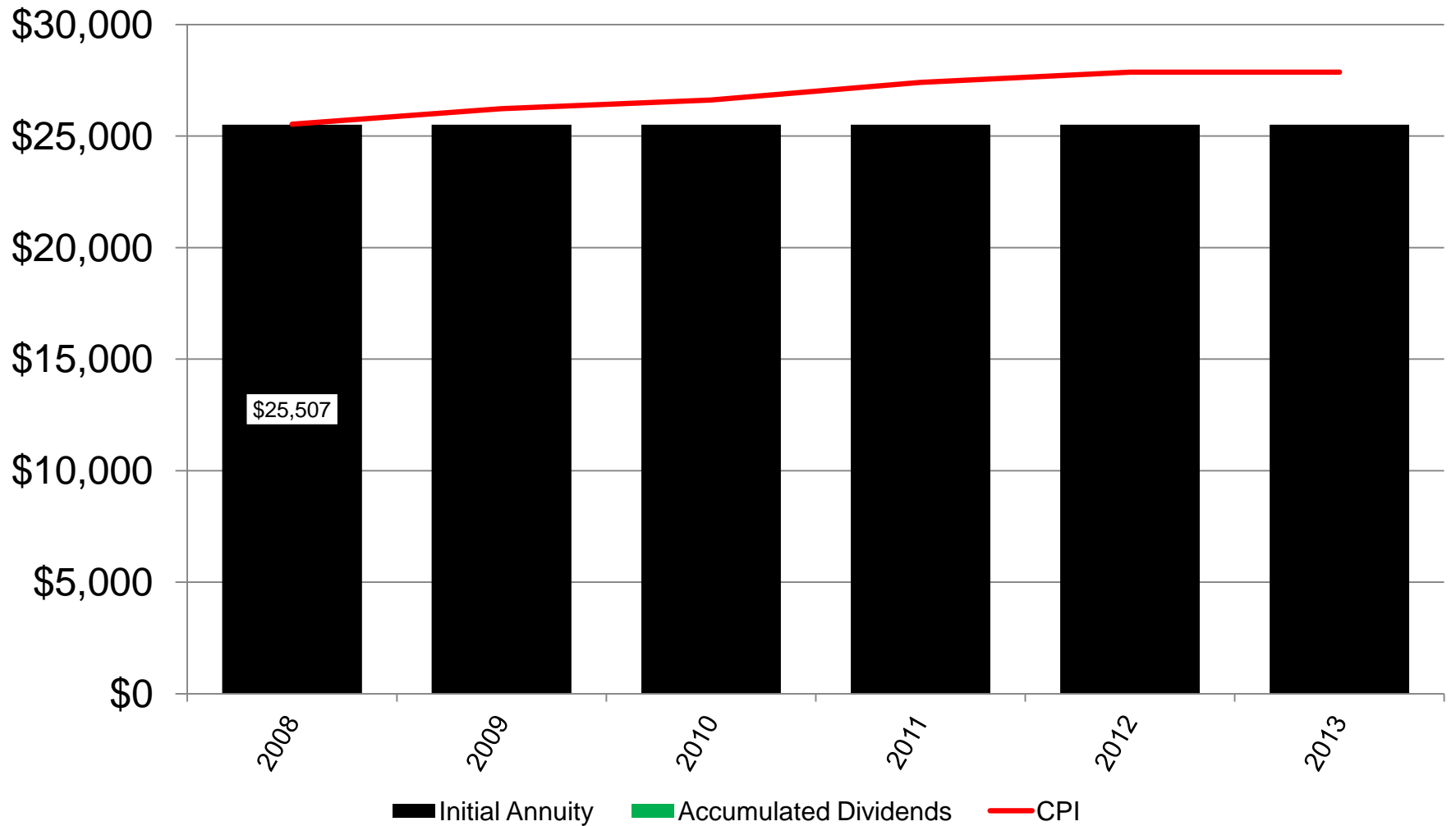
(6,024 annuitants)
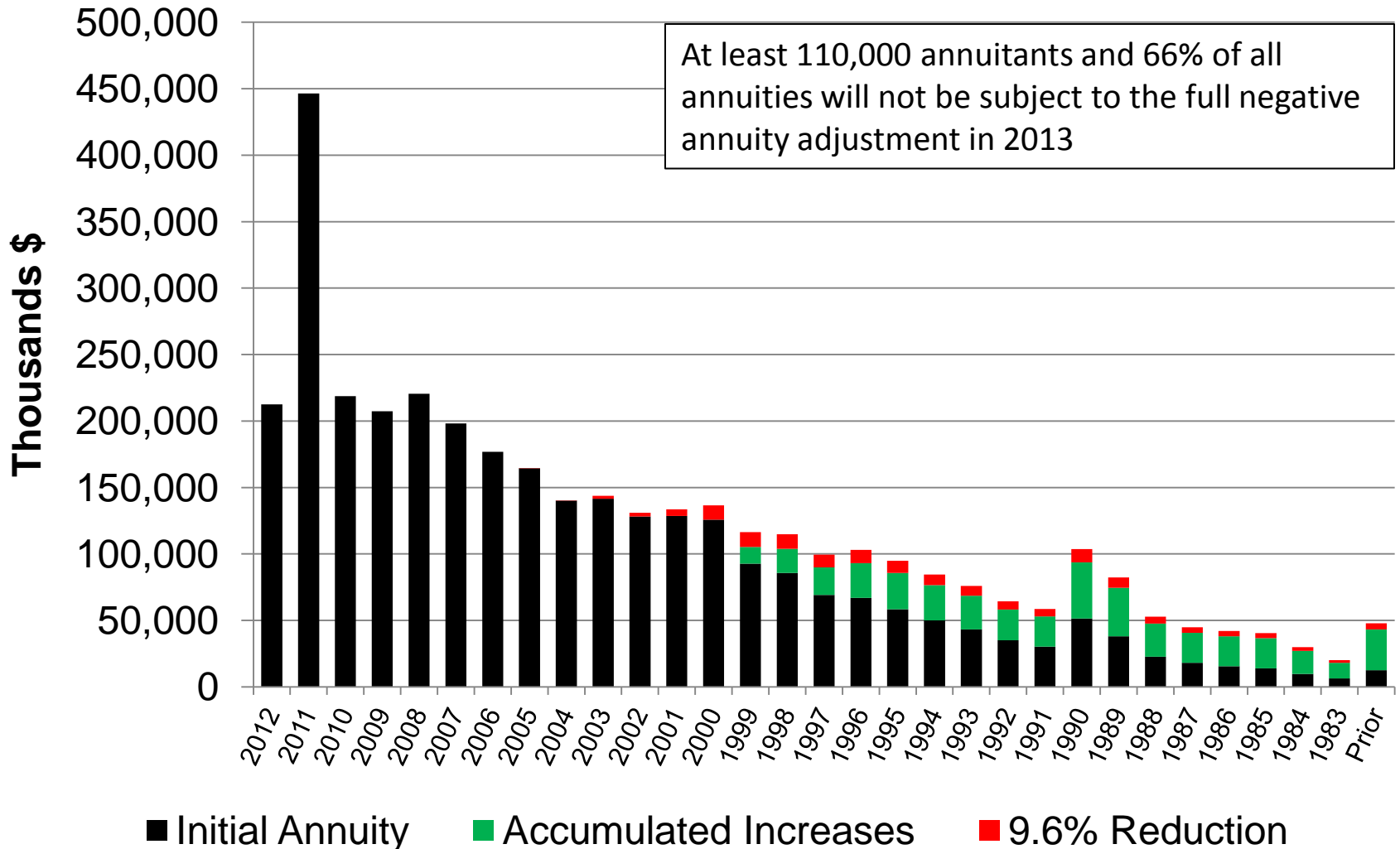
Change in Value of 2003 Annuity

(7,512 annuitants)

Change in Value of 2008 Annuity

(8,643 annuitants)

Annual Annuities by Year of Inception
As of December 31, 2012

Annuity Adjustment Projections

Assumptions

- Based on 2012 actual Core Trust Fund investment returns.

- Includes 2009 - 2012 investment gains and losses carried forward in the Market Recognition Account (MRA).

- Annuities will be increased if annuity reserve surplus provides at least a 0.5% increase.

- Annuities will be reduced if annuity reserve shortfall would require at least a -0.5% adjustment .

Assumptions (cont.)

- 0.4% per year is reserved for mortality improvement and other actuarial adjustments and is not available for annuity adjustments.

- Negative adjustments can only reduce increases granted in prior years. A core annuity cannot be reduced below the original value.

Market Recognition Account

- Investment gains / losses are "smoothed" through the Market Recognition Account (MRA):
  - The MRA is intended to give recognition to long-term changes in asset values while minimizing the impact of short-term fluctuations in the capital markets;
  - Investment gains equal to the assumed rate (7.2%) are recognized;
  - The difference between actual gains or losses and the assumed rate is spread equally over 5 years.

There is a $2.5 billion investment gain to be recognized in future years, $1.5 billion of it in 2013

Year Earned	Year to Be Recognized (millions $)				
	2012	2013	2014	2015	2016
2013		???	???	???	???
2012	794	794	794	794	794
2011	936	936	936	936	
2010	399	399	399		
2009	1,288	1,288			
2008	5,370				
Totals	3,825	1,545	257	142	794

The deferred investment gains will be allocated approximately 55% to the annuity reserve, 27% to the employer reserve and 18% to the member reserve.

Annuity Adjustment Projections

- Projections…not predictions
- Only an actuarial valuation can accurately calculate the annuity adjustments
- Useful for anticipating the magnitude, not exact amount, of future adjustments

A 7.2% investment return in 2013 will result in an annuity adjustment between 3.3% and 3.7%

	2012	2013	2014	2015	2016
SWIB Net Investment Return	13.7%	7.2%	7.2%	7.2%	7.2%
Effective Rate	2.2%	9.7% to 10.1%	7.8% to 8.2%	7.3% to 7.7%	8.5% to 8.9%
Average Annuity Adjustment	-3.0%	3.3% to 3.7%	1.9% to 2.3%	1.4% to 1.8%	2.4% to 2.8%
Maximum Annuity Adjustment	-9.6%	n/a	n/a	n/a	n/a

A 0% investment return in 2013 will result in an annuity adjustment between 1.9% and 2.3%

	2012	2013	2014	2015	2016
SWIB Net Investment Return	13.7%	0%	7.2%	7.2%	7.2%
Effective Rate	2.2%	8.1% to 8.5%	6.3% to 6.7%	5.7% to 6.1%	7.0% to 7.4%
Average Annuity Adjustment	-3.0%	1.9% to 2.3%	0.4% to 0.8%	0%	1.0% to 1.4%
Maximum Annuity Adjustment	-9.6%	n/a	n/a	n/a	n/a

Questions?