



Core Fund Annuity Adjustment Projections

Joint Meeting

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Chief Trust Finance Officer

March 27, 2014



Current Value of Annuities*

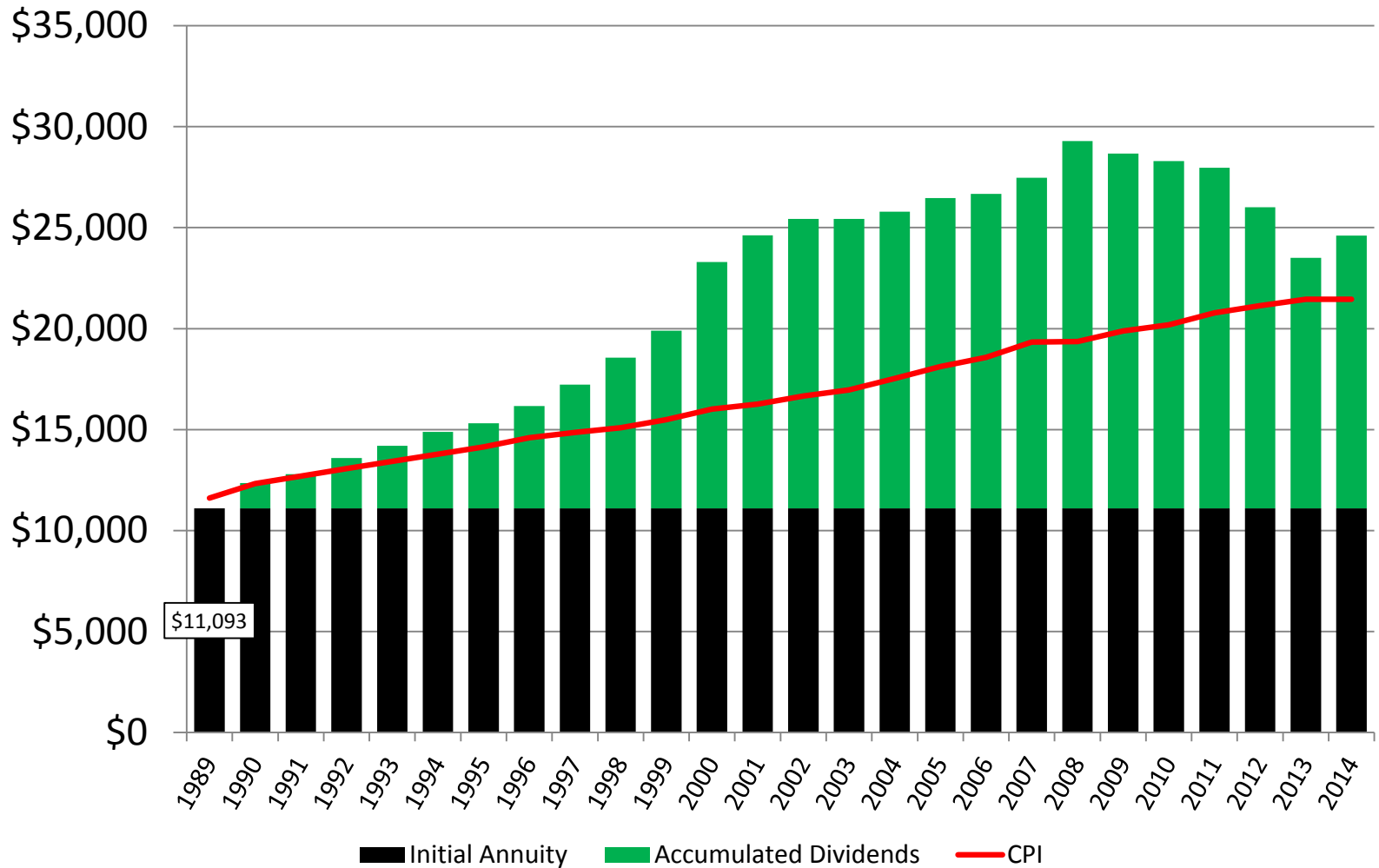
If You Retired in	A \$1,000 Core Annuity is Receiving	The Annual Rate of Increase is	A \$1,000 Variable Annuity is Receiving	The Annual Rate of Increase is	The Annual Change in CPI is
2009	\$1,047	0.9%	\$1,716	11.4%	2.1%
2004	\$1,047	0.4%	\$1,207	1.9%	2.4%
1999	\$1,237	1.4%	\$1,020	0.1%	2.4%
1994	\$1,653	2.5%	\$1,755	2.9%	2.4%
1989	\$2,219	3.2%	\$2,408	3.6%	2.8%

* Including annuity adjustments to be made effective April 1, 2014



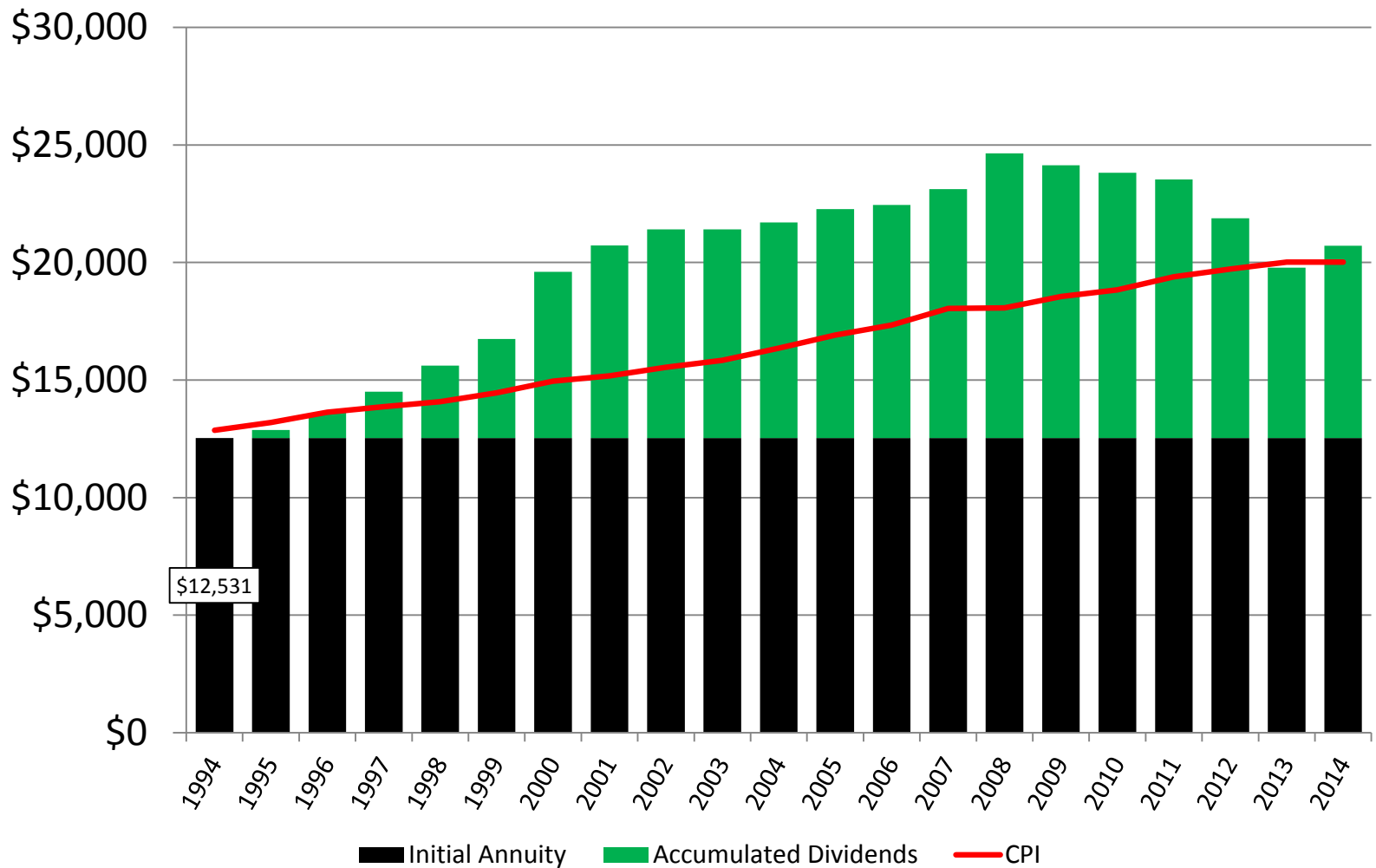
Change in Value of 1989 Annuity

(3,257 annuitants)



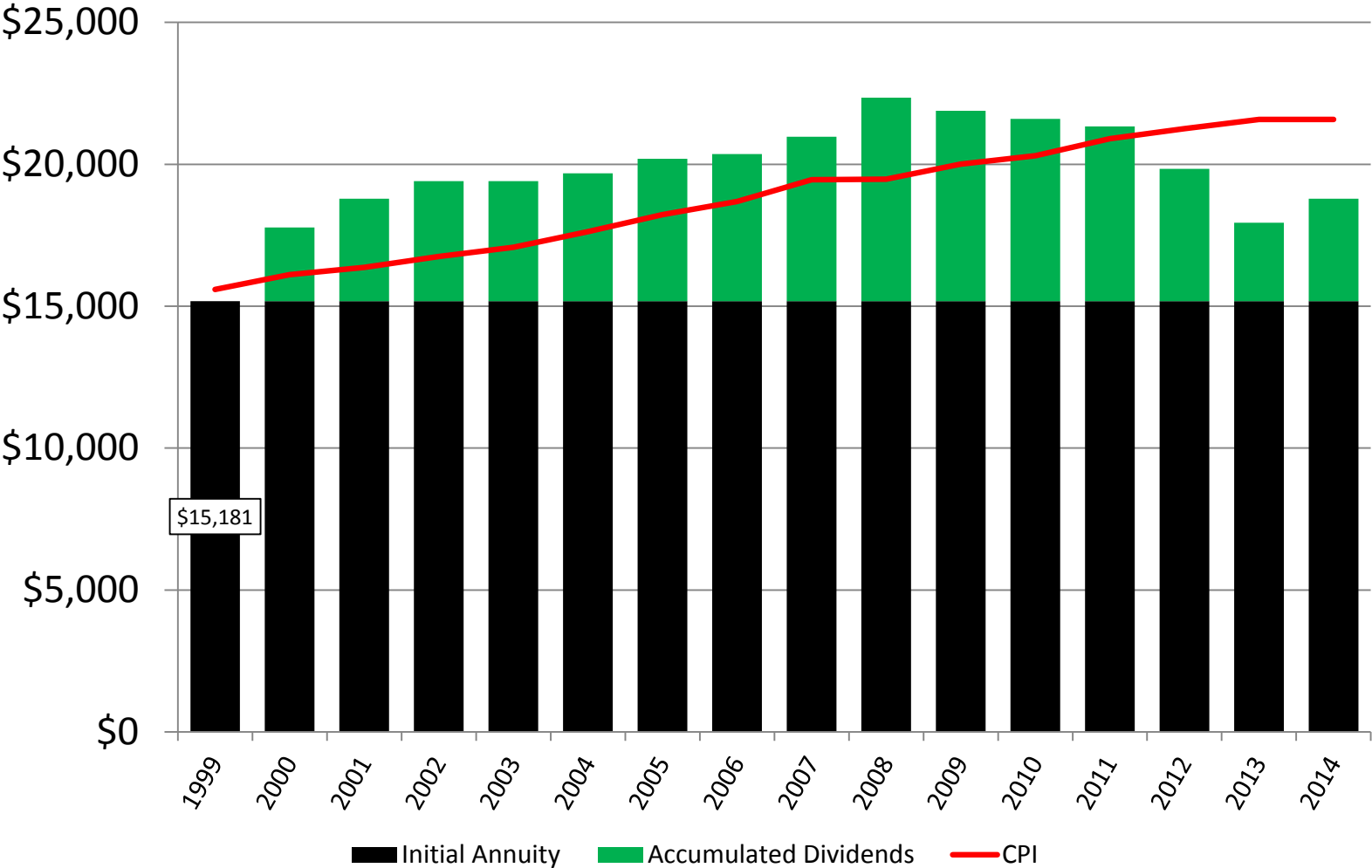
Change in Value of 1994 Annuity

(3,908 annuitants)



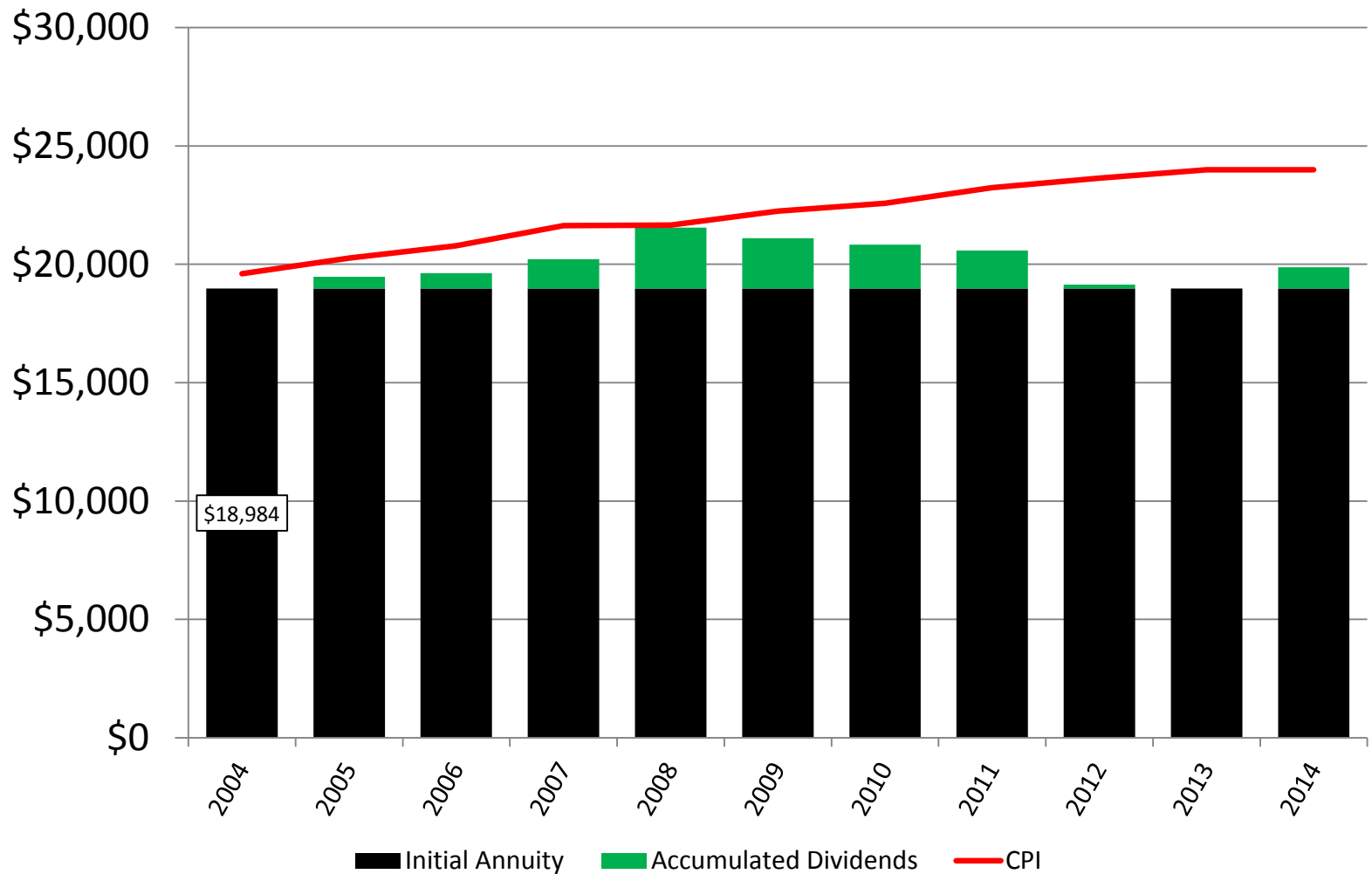
Change in Value of 1999 Annuity

(6,032 annuitants)



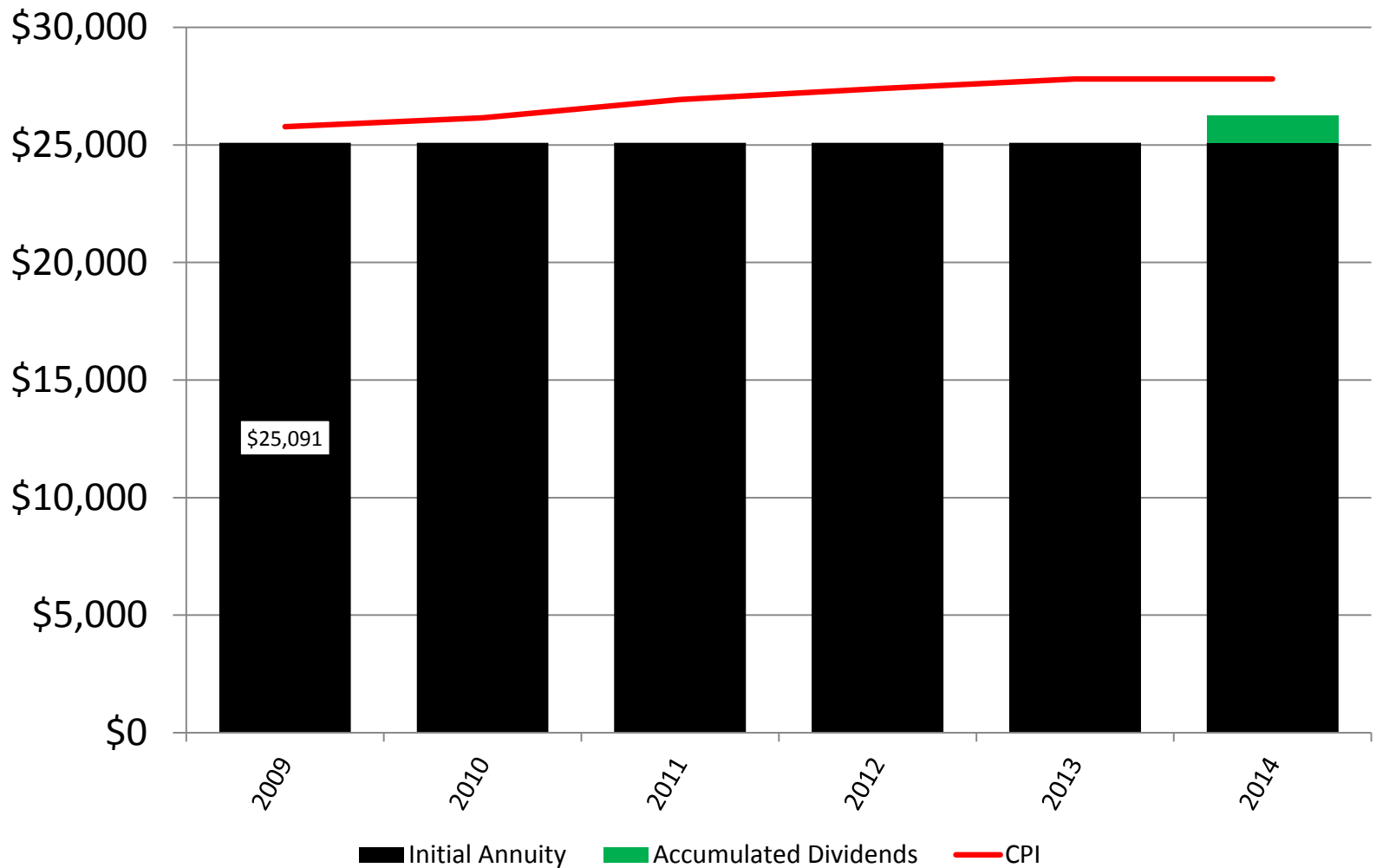
Change in Value of 2004 Annuity

(7,337 annuitants)

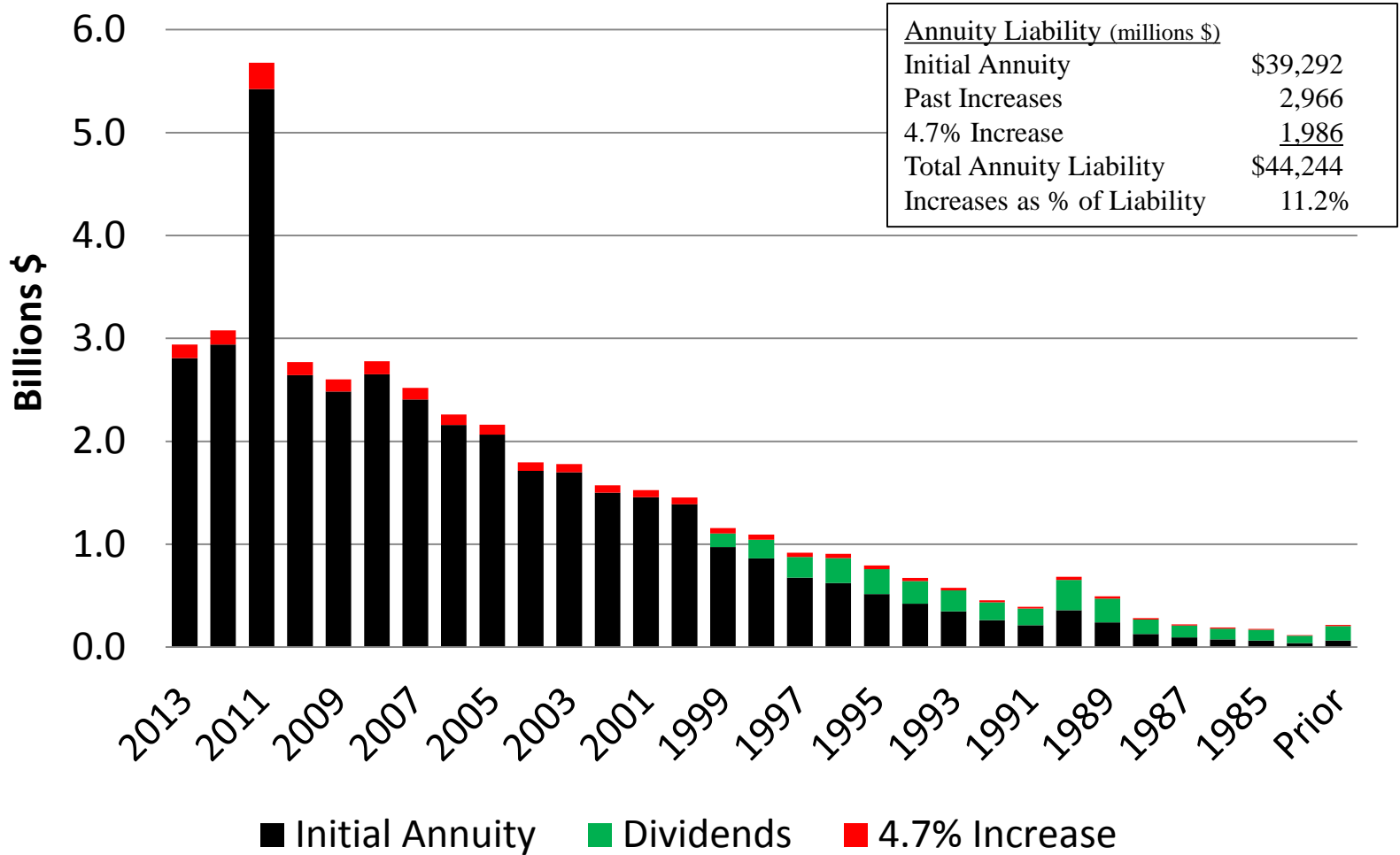


Change in Value of 2009 Annuity

(7,990 annuitants)



Annuity Liability by Year of Inception



Annuity Adjustment Projections



Assumptions

- Based on 2013 actual Core Trust Fund investment returns.
- Includes 2010 - 2013 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 \$4.7 billion investment gain to be recognized in future years, \$1.2 billion of it in 2014

Year Earned	Year to Be Recognized (millions \$)				
	2013	2014	2015	2016	2017
2014		???	???	???	???
2013	955	955	955	955	955
2012	793	793	793	793	
2011	(936)	(936)	(936)		
2010	399	399			
2009	1,288				
Totals	2,499	1,211	812	1,748	955

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

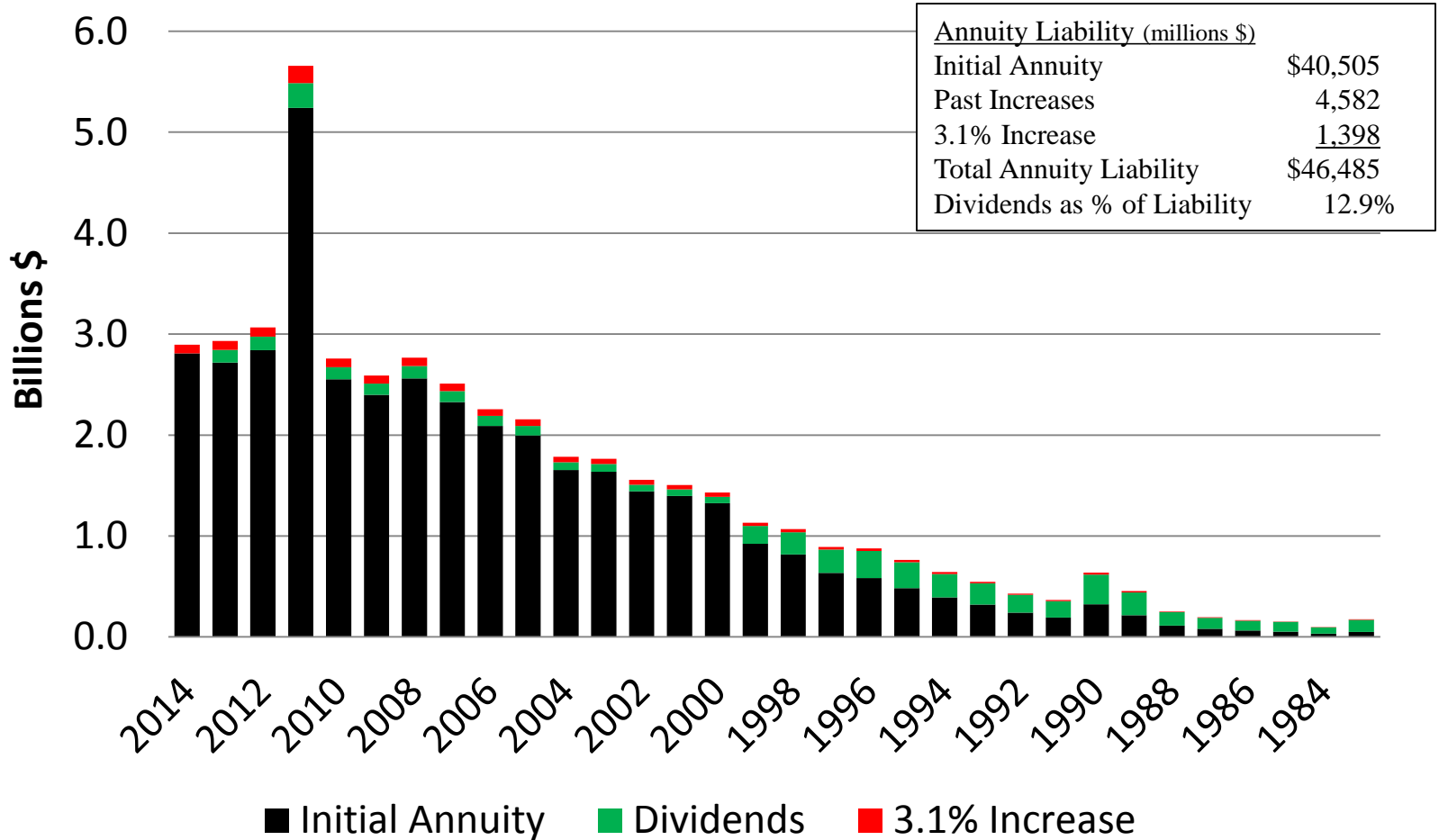
- Projections...not predictions
- Only an actuarial valuation can accurately calculate the annuity adjustments
- Useful for anticipating the magnitude, not exact amount, of future adjustments

A 7.2% investment return in 2014 will result in an annuity adjustment between 3.1% and 3.5%

	2013	2014	2015	2016	2017
SWIB Net Investment Return	13.6%	7.2%	7.2%	7.2%	7.2%
Effective Rate	10.9%	8.9% to 9.3%	8.4% to 8.8%	9.5% to 9.9%	8.5% to 8.9%
Annuity Adjustment	4.7%	3.1% to 3.5%	2.6% to 3.0%	3.7% to 4.1%	2.8% to 3.2%

Annuity Liability by Year of Inception

Projected to 12/31/2014

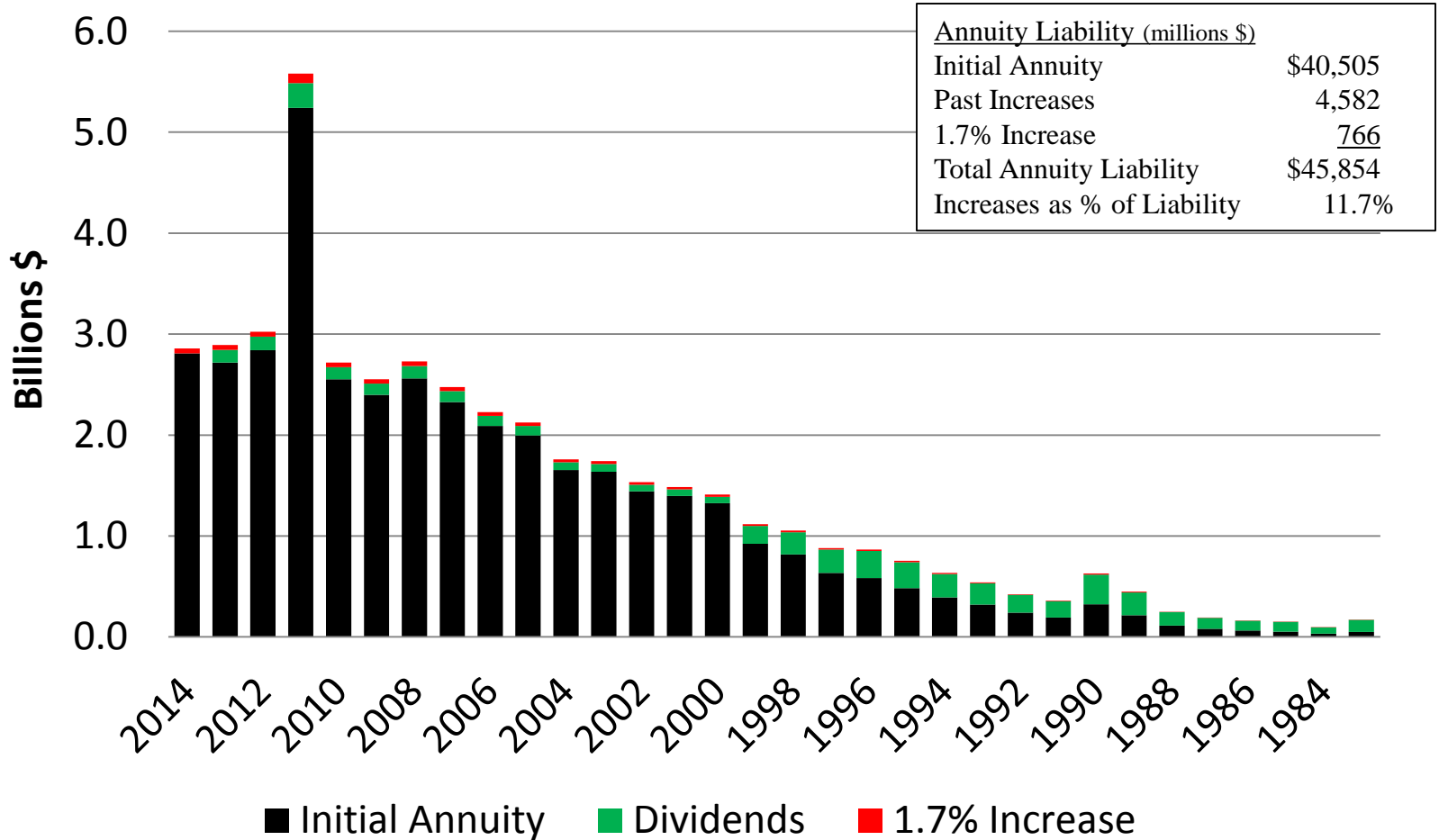


A 0% investment return in 2014 will result in an annuity adjustment between 1.7% and 2.1%

	2013	2014	2015	2016	2017
SWIB Net Investment Return	13.6%	0%	7.2%	7.2%	7.2%
Effective Rate	10.9%	7.3% to 7.7%	6.8% to 7.2%	7.9% to 8.3%	7.0% to 7.4%
Annuity Adjustment	4.7%	1.7% to 2.1%	1.2% to 1.6%	2.2% to 2.6%	1.3% to 1.7%

Annuity Liability by Year of Inception

Projected to 12/31/2014

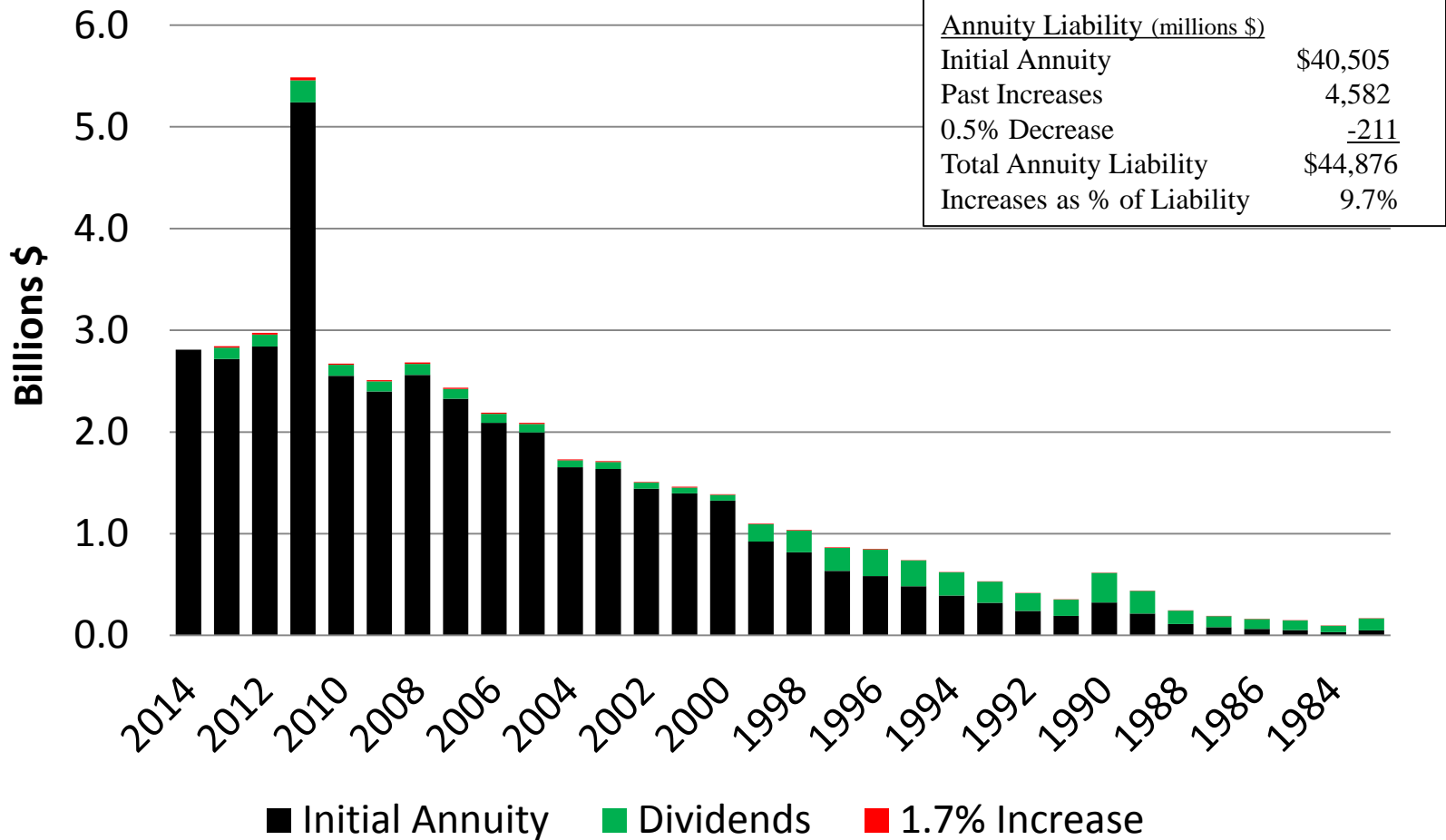


A -11.7% investment return in 2014 will result in a negative annuity adjustment

	2013	2014	2015	2016	2017
SWIB Net Investment Return	13.6%	-11.7%	7.2%	7.2%	7.2%
Effective Rate	10.9%	4.7% to 5.1%	4.1% to 4.5%	5.2% to 5.6%	4.1% to 4.5%
Annuity Adjustment	4.7%	-0.3% to -0.7%	-0.9% to -1.3%	0.0	-1.0% to -1.2%

Annuity Liability by Year of Inception

Projected to 12/31/2014



Questions?

