

WRS Effective Rates and Annuity Adjustments

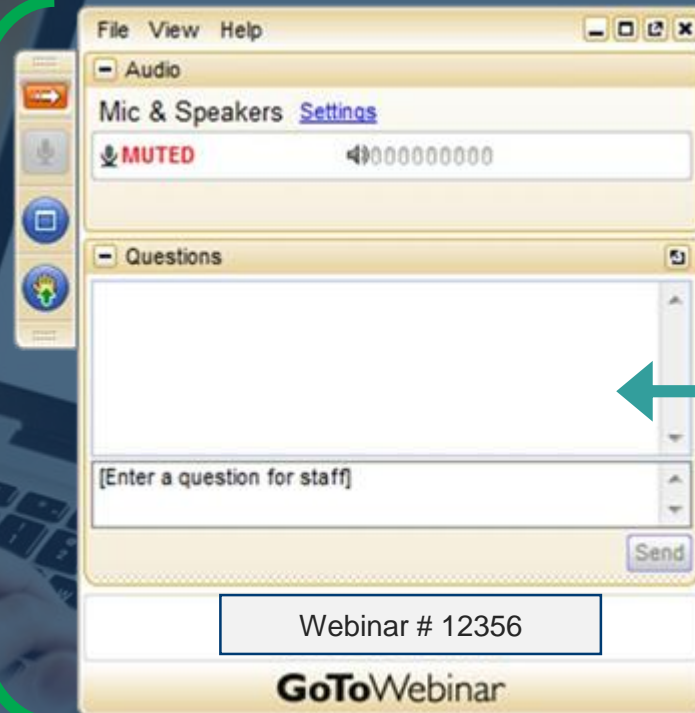


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Presenter



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Effective Rates and Annuity Adjustments Webinar Agenda

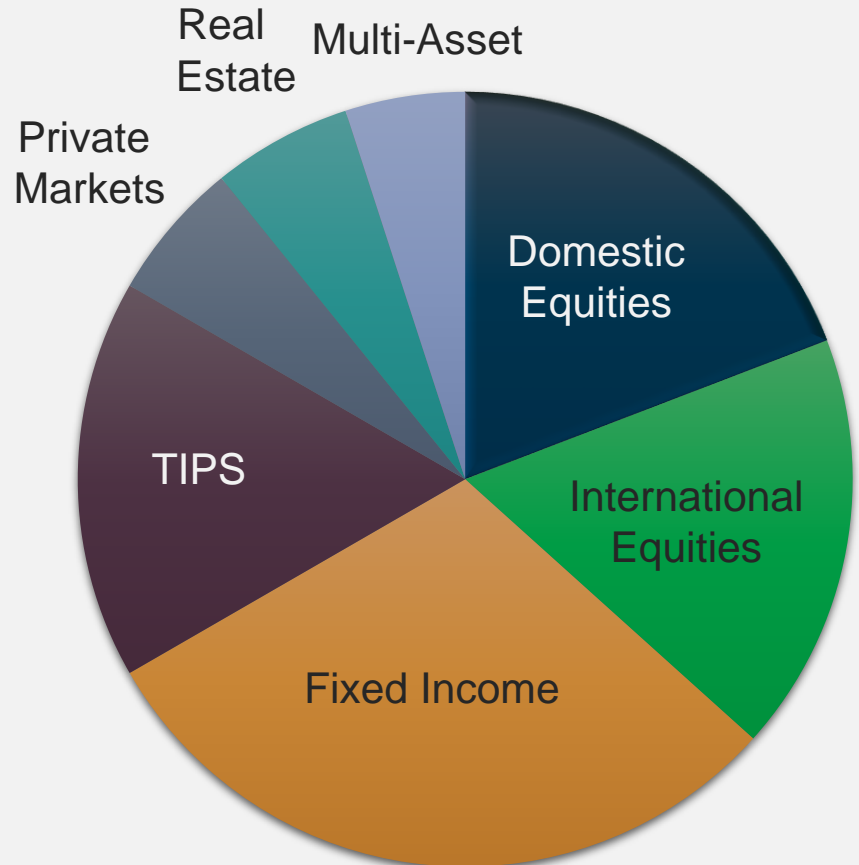
- Define and explain SWIB investment return, the effective rate and the annuity adjustment
- Explain how the Core Fund and Variable Fund effective rates calculated
- Explain how the Core Fund and Variable Fund annuity adjustments calculated

SWIB Investment Return

- Assets in both the Core Fund and the Variable Fund are managed by the State of Wisconsin Investment Board (SWIB)
- SWIB is required under law to make investment management decisions for the funds solely for the benefit of WRS members
- SWIB investment return based on calendar year investment results

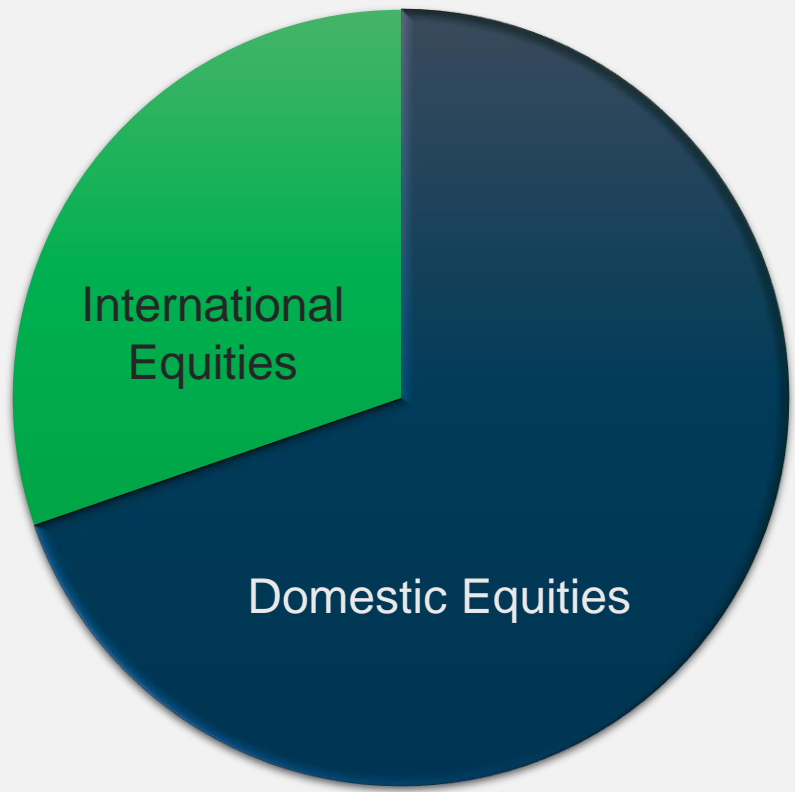
SWIB Asset Targets

www.swib.state.wi.us



Core Fund

2018 SWIB Return: **-3.3% (loss)**



Variable Fund

2018 SWIB Return: **-7.9% (loss)**

SWIB/Effective Rate/Adjustment (Core Trust Fund)

	SWIB Investment Return	Effective Rate	Adjustment
2018	-3.3%		
2017	16.2%		
2016	8.6%		
2015	- 0.4%		
2014	5.7%		
2013	13.6%		
2012	13.7%		
2011	1.4%		
2010	12.4%		
2009	22.4%		
2008	- 26.2%		

Core Fund Effective Rate

- Market Recognition Account (MRA) smoothes returns over five-year periods, helping stabilize both effective rates and annuity adjustments



- Effective rate calculation also includes allocations and adjustments for several disability plans administered by the WRS

SWIB/Effective Rate/Adjustment (Core Trust Fund)

	SWIB Investment Return	Effective Rate	Adjustment
2018	-3.3%	5.0%	
2017	16.2%	8.5%	
2016	8.6%	7.9%	
2015	- 0.4%	6.4%	
2014	5.7%	8.7%	
2013	13.6%	10.9%	
2012	13.7%	2.2%	
2011	1.4%	1.5%	
2010	12.4%	4.8%	
2009	22.4%	4.2%	
2008	- 26.2%	3.3%	

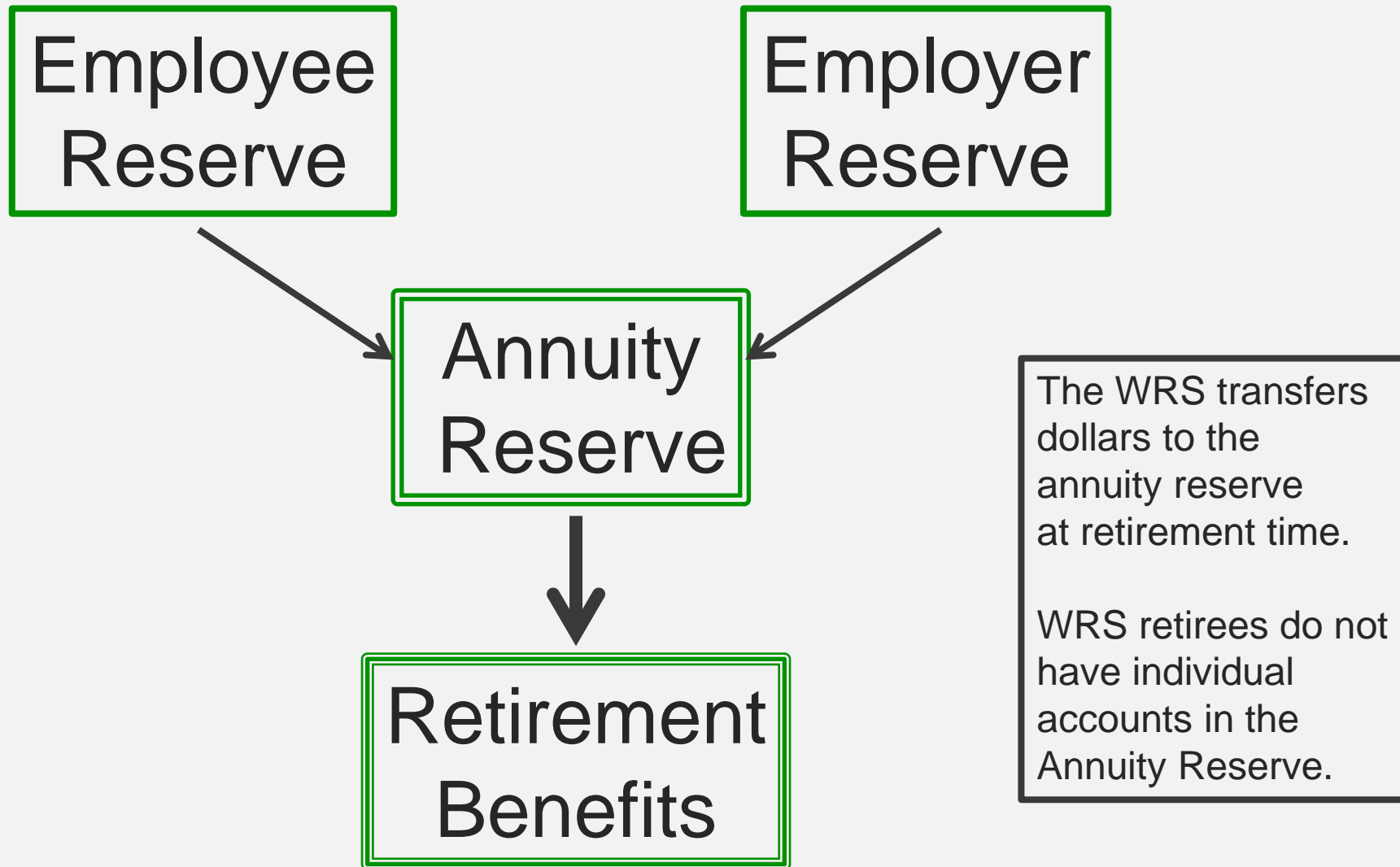
Core/Variable Annuity Adjustments

- WRS does NOT make “cost-of-living” adjustments (COLA)
- Starting point for calculation is effective rate (resulting from SWIB investments)
- 0.5% per year is reserved for mortality improvement; 0.4% reserved for administration expenses
- WRS’s outside, independent, actuaries then compare assets of annuity reserve to liabilities; final approval by ETF Board

Assumed Benefit Rate

- Initial annuity amount calculation already includes an assumed 5% investment return to fund cost of annuity
- Actual investment returns higher or lower than 5% can result in positive or negative annuity adjustments
- Because of the assumed 5%, annuity adjustments are generally 5% to 9% lower than the effective rate

WRS Dollar Flow Through Reserves



SWIB/Effective Rate/Adjustment (Core Trust Fund)

	SWIB Investment Return	Effective Rate	Adjustment
2018	-3.3%	5.0%	0.0%
2017	16.2%	8.5%	+2.4%
2016	8.6%	7.9%	+ 2.0%
2015	- 0.4%	6.4%	+ 0.5%
2014	5.7%	8.7%	+ 2.9%
2013	13.6%	10.9%	+ 4.7%
2012	13.7%	2.2%	- 9.6%
2011	1.4%	1.5%	- 7.0%
2010	12.4%	4.8%	- 1.2%
2009	22.4%	4.2%	- 1.3%
2008	- 26.2%	3.3%	- 2.1%

Core Fund ‘Floor’ Annuity Amount

- All WRS retirees, by State Statute, have a guaranteed initial annuity amount on the Core Fund portion of their annuity – this guaranteed amount is often referred to as the “floor amount”
- Variable Fund portion of a WRS annuity **does not** have a ‘floor amount’ and can go below its initial amount per month

SWIB/Effective Rate/Adjustment (Variable Trust Fund)

	SWIB Investment Return	Effective Rate	Adjustment
2018	-7.9%	-7.0%	-10%
2017	23.2%	24%	+17%
2016	10.6%	10.0%	+ 4.0%
2015	- 1.2%	0.0%	- 5.0%
2014	7.3%	7.0%	+ 2.0%
2013	29.0%	31.0%	+ 25.0%
2012	16.9%	17.0%	+ 9.0%
2011	- 3.0%	- 3.0%	- 7.0%
2010	15.6%	16.0%	+ 11.0%
2009	33.7%	33.0%	+ 22.0%
2008	- 39.0%	- 40.0%	- 42.0%

WRS SWIB Return, Effective Rate and Annuity Adjustment History (From 1983)

Chart can be located at www.swib.state.wi.us, "Investments" tab, "WRS Performance" section, link at bottom of page, titled "Historical Look at the impact of investment returns on WRS participants"

WISCONSIN RETIREMENT SYSTEM RETURNS, RATES AND ADJUSTMENTS						
YEAR	CORE TRUST FUND			VARIABLE TRUST FUND		
	TOTAL RATE OF RETURN	EFFECTIVE RATE <i>Active employees</i>	ANNUITY ADJUSTMENT <i>Retirees</i>	TOTAL RATE OF RETURN	EFFECTIVE RATE <i>Active employees</i>	ANNUITY ADJUSTMENT <i>Retirees</i>
2017	16.2%	8.5%	2.4%	23.2%	24.0%	17.0%
2016	8.6%	7.9%	2.0%	10.6%	10.0%	4.0%
2015	-0.4% (loss)	6.4%	0.5%	-1.2% (loss)	0%	-5.0% (loss)
2014	5.7%	8.7%	2.9%	7.3%	7.0%	2.0%
2013	13.6%	10.9%	4.7%	29.0%	31.0%	25.0%
2012	13.7%	2.2%	-9.6% (loss)	16.9%	17.0%	9.0%
2011	1.4%	1.5%	-7.0% (loss)	-3.0% (loss)	-3.0% (loss)	-7.0% (loss)
2010	12.4%	4.8%	-1.2% (loss)	15.6%	16.0%	11.0%
2009	22.4%	4.2%	-1.3% (loss)	33.7%	33.0%	22.0%
2008	-26.2% (loss)	3.3%	-2.1% (loss)	-39.0% (loss)	-40.0% (loss)	-42.0% (loss)
2007	8.7%	13.1%	6.6%	5.6%	6.0%	0.0%
2006	15.8%	9.8%	3.0%	17.6%	18.0%	10.0%
2005	8.6%	6.5%	0.8%	8.3%	9.0%	3.0%
2004	12.8%	8.5%	2.6%	12.7%	12.0%	7.0%
2003	24.2%	7.4%	1.4%	32.7%	34.0%	25.0%
2002	-8.8% (loss)	5.0%	0.0%	-21.9% (loss)	-23.0% (loss)	-27.0% (loss)
2001	-2.3% (loss)	8.4%	3.3%	-8.3% (loss)	-9.0% (loss)	-14.0% (loss)
2000	-0.8% (loss)	10.9%	5.7%	-7.2% (loss)	-7.0% (loss)	-11.0% (loss)
1999**	15.7%	24.1%	17.1%	27.8%	28.0%	21.0%
1998	14.6%	13.1%	7.2%	17.5%	18.0%	12.0%
1997	17.2%	12.8%	7.7%	21.6%	23.0%	18.0%
1996	14.4%	12.5%	6.6%	19.8%	20.0%	14.0%
1995	23.1%	11.3%	5.6%	25.6%	27.0%	19.0%
1994	-0.6% (loss)	7.7%	2.8%	0.8%	0.0%	-4.0% (loss)
1993	15.0%	11.0%	4.9%	16.5%	17.0%	11.0%
1992	9.7%	10.2%	4.4%	10.7%	11.0%	5.0%
1991	20.4%	12.1%	6.3%	27.1%	28.0%	18.0%
1990	-1.5% (loss)	8.6%	3.6%	-11.3% (loss)	-11.0% (loss)	-14.0% (loss)
1989*	19.2%	18.1%	11.3%	22.6%	24.0%	16.0%
1988	14.4%	10.2%	4.1%	21.7%	22.0%	14.0%
1987*	2.2%	14.0%	6.7%	-1.1% (loss)	-1.0% (loss)	-6.0% (loss)
1986	14.5%	12.7%	7.6%	11.5%	13.0%	8.0%
1985	27.5%	12.5%	7.2%	32.7%	33.0%	26.0%
1984	12.8%	11.4%	6.0%	5.8%	6.0%	0.0%
1983	12.5%	11.2%	5.0%	24.7%	26.0%	18.0%

Depending on the years you were covered under the WRS, the amount of interest credited to your **Core Fund** account may vary. Core Fund effective rates were capped by law at 5% for people who began employment between Jan. 1, 1982, and Dec. 31, 1999. A change in the law provided that Core Fund effective rates apply to all employees as of Dec. 31, 1999. Core Fund gains and losses are smoothed over 5 years. By law, no increases are applied to annuities unless the effective rate increases are in excess of at least 5%.

*Rates credited in 1987 & 1989 were distorted by one-time accounting changes.

** Results include a special one-time recognition of past earnings created by 1999 WI Act 11.



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