Variable Fund
A Saving and Investing topic
Objectives

By the end of this presentation, you will be able to:

• Define Variable Trust Fund and explain how it works
• Analyze how the Variable Fund can affect your retirement benefit
• Elect to join or cancel the Variable Fund
Definitions
Core and Variable Funds

Core Fund
- Automatic enrollment for all employees
- Diversified portfolio
  - Guaranteed minimum annuity payment
  - 5-year smoothing

Core + Variable Fund
- Optional 50% of contribution
- All-stock portfolio
  - No guaranteed minimum annuity payment
  - No smoothing
WRS Trust Funds

Core Fund
- Stocks
- Fixed Income
- Securities
- Real Estate
- Private Equity
- Multi-Asset

Variable Fund
- Domestic Equities
- International Equities
Contributions

Employee Contribution

Salary

50% Core Fund

50% Variable Fund

Employer Contribution
Join the Variable Fund
How do I get into the Variable?

- Election to Participate in the Variable Trust Fund (ET-2356)
- Starts the January 1 after the election is filed
- Includes additional contributions
Variable Retirement Calculations

How Variable participation affects benefit calculation
Money Purchase Calculation

Core + Variable account balances \times \text{Money Purchase factor (Based on age)} = \text{Money Purchase benefit amount}
Variable Excess or Deficiency

The total Variable excess or deficiency amount is based on a comparison of the actual balance of your account vs. what your account balance would be if your contributions had been invested only in the Core Fund.

<table>
<thead>
<tr>
<th>Variable Adjustment Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Variable excess or deficiency</td>
</tr>
<tr>
<td>Money purchase factor (based on your age)</td>
</tr>
<tr>
<td>Variable adjustment</td>
</tr>
</tbody>
</table>
Variable Trust Fund Impact on Formula Calculation

Variable excess or deficiency \times \text{Money Purchase factor (based on age)} + \text{Formula benefit calculation} = \text{Total Formula benefit amount}
Variable Fund in Retirement
Core Fund Annuity

Core Floor

Guaranteed minimum payment amount

Annuity Payment

Core Floor

Annuity Adjustment

Annuity Adjustment is possible based on investment performance
Variable Fund Annuity

Annuity Payment

- Core portion
- Variable portion

Variable portion has no minimum payment amount (no floor)

Investment Gains/Losses

- Variable adjustment
- Variable portion

Variable portion can go up and down a large amount each year
# WRS Effective Rates and Annuity Adjustments

## Core Trust Fund

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment Return</th>
<th>Effective Rate</th>
<th>Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>-0.4% (loss)</td>
<td>6.4%</td>
<td>0.5%</td>
</tr>
<tr>
<td>2014</td>
<td>5.7%</td>
<td>8.7%</td>
<td>2.9%</td>
</tr>
<tr>
<td>2013</td>
<td>13.6%</td>
<td>10.9%</td>
<td>4.7%</td>
</tr>
<tr>
<td>2012</td>
<td>13.7%</td>
<td>2.2%</td>
<td>-9.6% (loss)</td>
</tr>
<tr>
<td>2011</td>
<td>1.4%</td>
<td>1.5%</td>
<td>-7.0% (loss)</td>
</tr>
<tr>
<td>2010</td>
<td>12.3%</td>
<td>4.8%</td>
<td>-1.2% (loss)</td>
</tr>
<tr>
<td>2009</td>
<td>22.4%</td>
<td>4.2%</td>
<td>-1.3% (loss)</td>
</tr>
<tr>
<td>2008</td>
<td>-26.2% (loss)</td>
<td>3.3%</td>
<td>-2.1% (loss)</td>
</tr>
</tbody>
</table>

## Variable Trust Fund

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment Return</th>
<th>Effective Rate</th>
<th>Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>-1.2% (loss)</td>
<td>0%</td>
<td>-5.0% (loss)</td>
</tr>
<tr>
<td>2014</td>
<td>7.3%</td>
<td>7.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>2013</td>
<td>29.0%</td>
<td>31.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>2012</td>
<td>16.9%</td>
<td>17.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>2011</td>
<td>-3.0% (loss)</td>
<td>-3.0% (loss)</td>
<td>-7.0% (loss)</td>
</tr>
<tr>
<td>2010</td>
<td>15.6%</td>
<td>16.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2009</td>
<td>33.7%</td>
<td>33.0%</td>
<td>22.0%</td>
</tr>
<tr>
<td>2008</td>
<td>-39.0% (loss)</td>
<td>-40.0% (loss)</td>
<td>-42.0% (loss)</td>
</tr>
</tbody>
</table>
Cancelling Variable Participation
How do I get out of the Variable?

Cancelling Variable Participation (ET-2313)

Out of Variable Trust Fund

January 1
Option 1: Future Contributions Only

- Starting January 1 after the election is filed, all contributions go into the Core Fund
- The Variable Fund will continue to receive investment returns on the balance remaining in the fund but will not receive any more funding from new contributions (Over time, the Variable portion of your retirement benefit becomes smaller)
Option 2: Conditional Cancellation

• Starting January 1 after the election is filed, all contributions go into the Core Fund

• Also, once Variable portion of WRS account/retirement equals or exceeds the value of what it would have been if in the Core Fund, past Variable contributions also transferred into the Core Fund
Option 3: Unconditional Cancellation

• Starting January 1 after the election is filed, all contributions go into the Core Fund

• Past Variable contributions also transferred into the Core Fund, whether the value equals or exceeds the value of what it would have been if in the Core Fund

• If retired, Variable adjustment is applied one last time, then only Core annuity adjustments
Resources
Variable Fund

Join & cancel forms

Variable Excess or Deficiency Update Calculator

Links to resources

You can choose to deposit 50% of your contributions, including additional contributions, into the Variable Trust Fund. The Variable Fund is an all stocks fund. Participants in this fund are exposed to a higher degree of risk (because of possible losses from unfavorable stock market performance), in exchange for the possibility of greater returns over the life of the investment in the fund. The Variable Fund is not smoothed like the Core Fund; therefore, the full rate of return is applied each year.

Before you join, take the time to understand how participation affects your benefits, both before and during retirement. See the Variable Trust Fund (ET-F939) brochure for a detailed explanation of how the Variable Fund works and how it is calculated in your money purchase and formula calculations. Also, understand how variable excess or deficiency (below) affect your account before you decide.
Annual Returns, Rates and Adjustments Page

- Rate of return
- Effective rate of interest
- Annuity adjustment
- Searchable yearly list of each

The table below shows investment performance of the WRS Trust funds and the impact on WRS members since 1986.

- Preliminary, year-to-date returns are communicated monthly and yearly via our web site, social media and member newsletters.
- Effective rates are applied to your WRS account balances and appear on your annual WRS Statement of Benefits. ETF distributes these statements in April.
- Investment returns also affect annual adjustments to WRS retirees’ monthly pensions. ETF notifies retirees about benefit payment changes in April.
Learn at your leisure from the comfort of your home:

**Member Education**
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