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Presenter

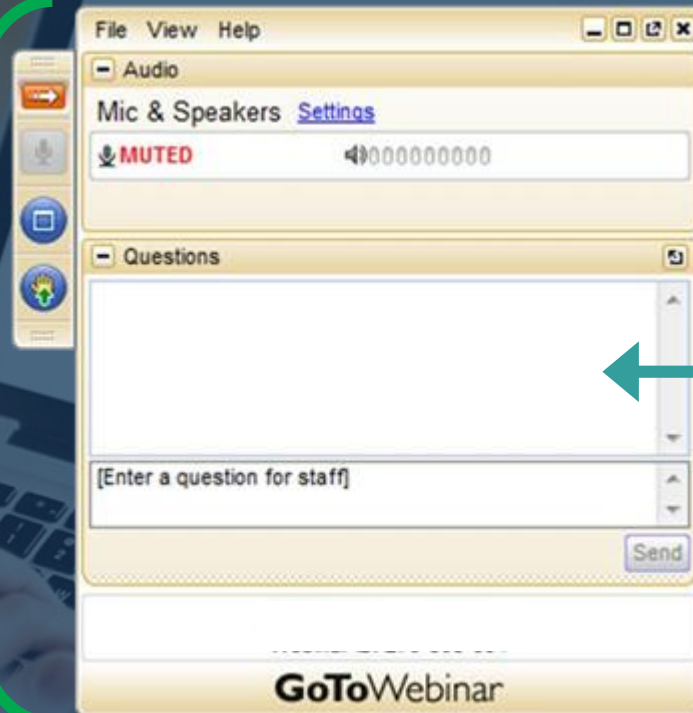
Variable Fund



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Ask questions here.

Questions are answered at the end of the presentation.

You will be muted for the entire webinar.

Variable Fund Topics

- What is the Core Fund? What is the Variable Fund? What is being invested? By whom?
- How does participation in the Variable Fund affect me?
- How do I get into the Variable Fund? How do I get out?
- How does Variable fund participation work in retirement?

The Core Fund

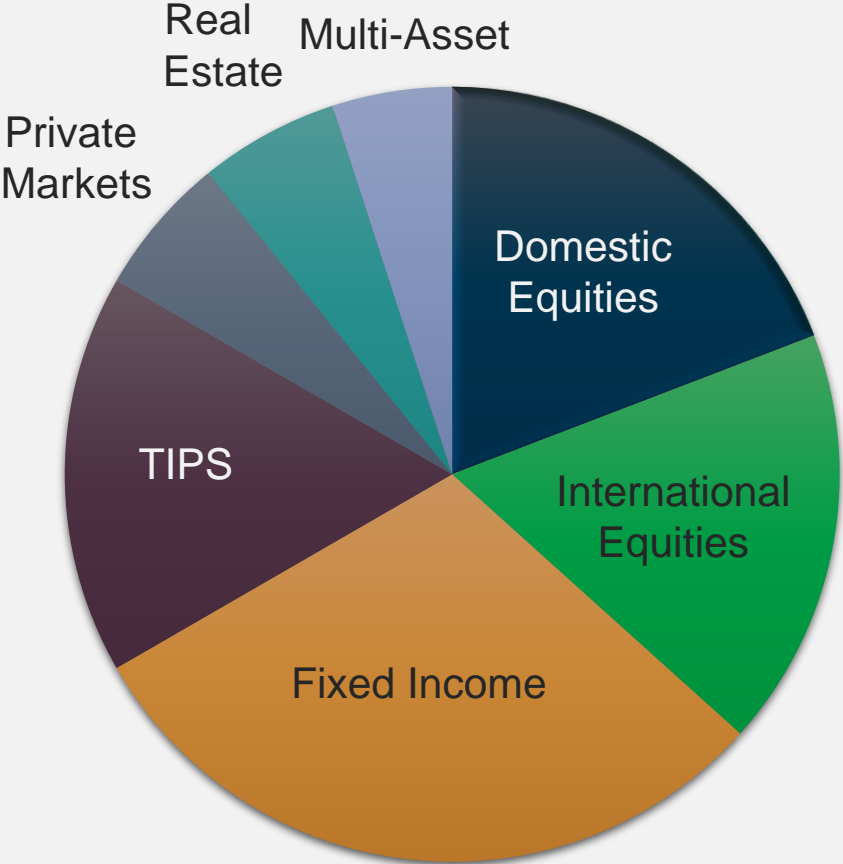
- Diversified investments, up to 65% of the total can be invested in equities (stocks). Currently just under 50%.
- Results smoothed over five years.
- Smoothing helps protect against substantial market fluctuations.

The Variable Fund

- Almost all invested in stocks, domestic and international.
- No smoothing. Effective rates of interest/annual annuity adjustments directly affected by yearly fluctuations.
- Bigger potential gains, larger risks.

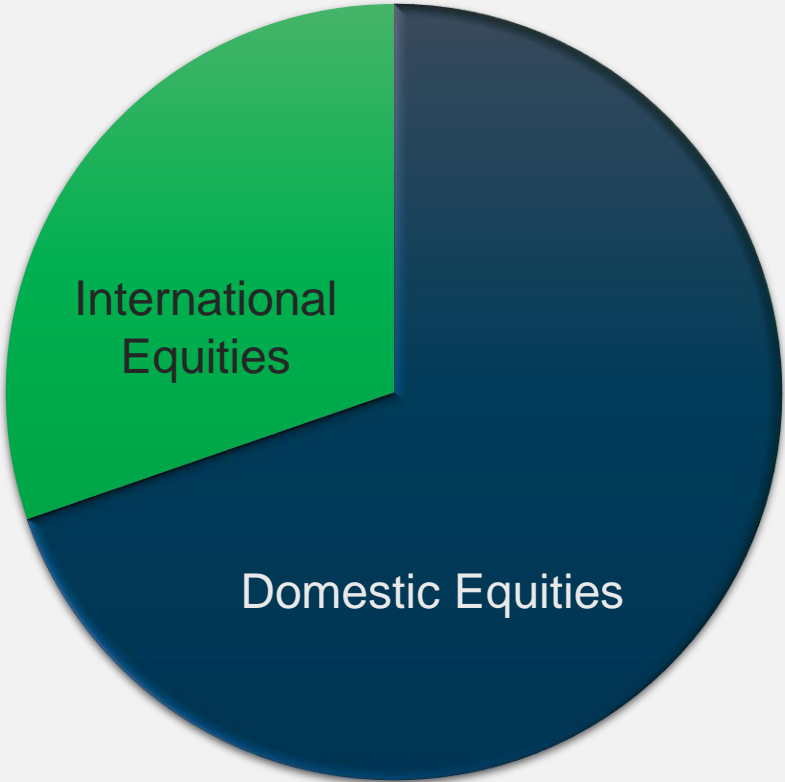
SWIB Asset Targets

www.swib.state.wi.us



Core Fund

As of 10/31/19 SWIB Return: + 15.7%



Variable Fund

As of 10/31/2019 SWIB Return: + 20.6%

How do I get into the Variable?

- Election to Participate in the Variable Trust Fund
- ET-2356
- Starting the January 1st after the election is filed, 50% of contributions go into variable.
- Includes additional contributions.

Contribution Rates (2019)

(Percent of WRS reported earnings)

EMPLOYMENT CATAGORY	EMPLOYEE CONTRIBUTION	EMPLOYER CONTRIBUTION	TOTAL
GENERAL AND TEACHER	6.55%	6.55%	13.1%
PROTECTIVE WITH SOCIAL SECURITY	6.55%	10.55%	17.1%
PROTECTIVE WITHOUT SOCIAL SECURITY	6.55%	14.95%	21.5%
ELECTED OFFICIALS AND EXECUTIVES	6.55%	6.55%	13.1%

Contribution Rates (2020)

(Percent of WRS reported earnings)

EMPLOYMENT CATAGORY	EMPLOYEE CONTRIBUTION	EMPLOYER CONTRIBUTUION	TOTAL
GENERAL AND TEACHER	6.75%	6.75%	13.5%
PROTECTIVE WITH SOCIAL SECURITY	6.75%	11.65%	18.4%
PROTECTIVE WITHOUT SOCIAL SECURITY	6.75%	16.25%	23.0%
ELECTED OFFICIALS AND EXECUTIVES	6.75%	6.75%	13.5%

Variable and WRS Retirement

- How does participation in the Variable affect my retirement calculation?
- Money Purchase calculation
- Formula calculation

Money Purchase Calculation

- Money Purchase balance at retirement (Core + Variable)
- Money Purchase factor –
 - age 56 years, 4 months
- “For Annuitant’s Life Only” annuity option

\$215,000.00

X 0.00563

\$1,210

Formula Calculation

- Final Average Earnings - Monthly

- 3 highest earnings years*

- Formula Factors**

- WRS Creditable Service

- Subtotal #1

- Age Reduction Factor**

- Subtotal #2

- Variable Excess or Deficiency 

- “For Annuitant’s Life Only” Option

\$3,652	
Pre-2000	Post-1999
X 0.01765	X 0.016
X 13.35	X 13.91
\$1,673	
X 0.885	
\$1,481***	
+ 118	
\$1,599	

*Can be calendar or fiscal years **General/Teacher Category *** Subject to formula maximum

Variable Excess or Deficiency

\$ 10,324	Employee
<u>+ 10,324</u>	Employer
\$ 20,648	Total excess/deficiency*
<u>x .00572</u>	Money purchase factor
\$ 118	Variable adjustment

*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.

Post- Retirement Changes

- Investment results for prior year are reflected on May 1st annuity payment
- Core Adjustment:
 - First dividend prorated by number of full months retired in previous calendar year
- Variable Adjustment:
 - Full adjustment is applied if annuity is effective prior to January 1st of current calendar year

Core Trust Fund

ETF Core Fund Percentages			
Year	SWIB Investment Return	ETF Effective Rate	ETF Annuity 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%	.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%
2007	8.7%	13.1%	6.6%
2006	15.8%	9.8%	3.0%
2005	8.6%	6.5%	0.8%
2004	12.8%	8.5%	2.6%
2003	24.2%	7.4%	1.4%

PROJECTIONS

	2019 Core fund finalized net investment return	Projected 2019 Core effective rate
Scenario 1	+7.0%	5.0% to 5.4%
Scenario 2	+5.0%	4.6% to 5.0%
Scenario 3	0%	3.6% to 4.0%

CORE 10/31/2019 %15.7
VARIABLE 10/31/2019 %20.8

Variable Trust Fund

ETF Variable Fund Percentages			
Year	SWIB Investment Return	ETF Effective Rate	ETF Annuity Adjustment
2018	-7.9%	-7.0%	-10.0%
2017	23.2	24.0%	17.0%
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%
2007	5.6%	6.0%	0.0%
2006	17.6%	18.0%	10.0%
2005	8.3%	9.0%	3.0%
2004	12.7%	12.0%	7.0%
2003	32.7%	34.0%	25.0%

Remaining in the Variable Fund during retirement

Monthly payments are allocated between the Core and Variable funds and each portion receives the corresponding annual adjustment.

1505 monthly annuity
 $1,000.00(66\% \text{ Core}) + 505(34\% \text{ Variable})$

$\$1,000.00 \times 1.024 (+ 2.4\% 2017)$ $\$505 \times 1.17 (+17\% 2017)$

$= 1024 (+24)$

$= 591 (+86)$

$1024 + 591 = 1615$ new payment

Negative Adjustments and the Core Floor (2008 retiree example)

Core portion of your annuity cannot drop below your starting amount (Core Floor)

Variable portion of your annuity has no protection (no floor)

Year	CORE (floor 1000)	Adjustment	New payment	VARIABLE (no floor)	Adjustment	New payment
2008	1,000	-2.1%	1,000	505	-42.0%	293
2009	1,000	-1.3%	1,000	293	+22.0%	357
2010	1,000	-1.2%	1,000	357	+11.0%	396
2011	1,000	-7.0%	1,000	396	-7.0%	368
2012	1,000	-9.6%	1,000	368	+9.0%	401

How do I get out of the Variable?

- Three ways to cancel:
 - Canceling Variable Participation
 - ET-2313
 - Starting the January 1st after the election is filed, may be out of Variable Trust Fund.

How do I get out of the Variable (1)?

- **Future contributions only**

- Starting the January 1st after the election is filed, contributions all go into the Core Fund
- Over time, variable portion of retirement becomes smaller.

How do I get out of the Variable (3)?

- **Unconditional cancellation.**

- Starting the January 1st after the election is filed, contributions all go into the Core Fund
- Past variable contributions also transferred into the Core Fund, whether or not 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 annual adjustments.

How do I get out of the Variable (2)?

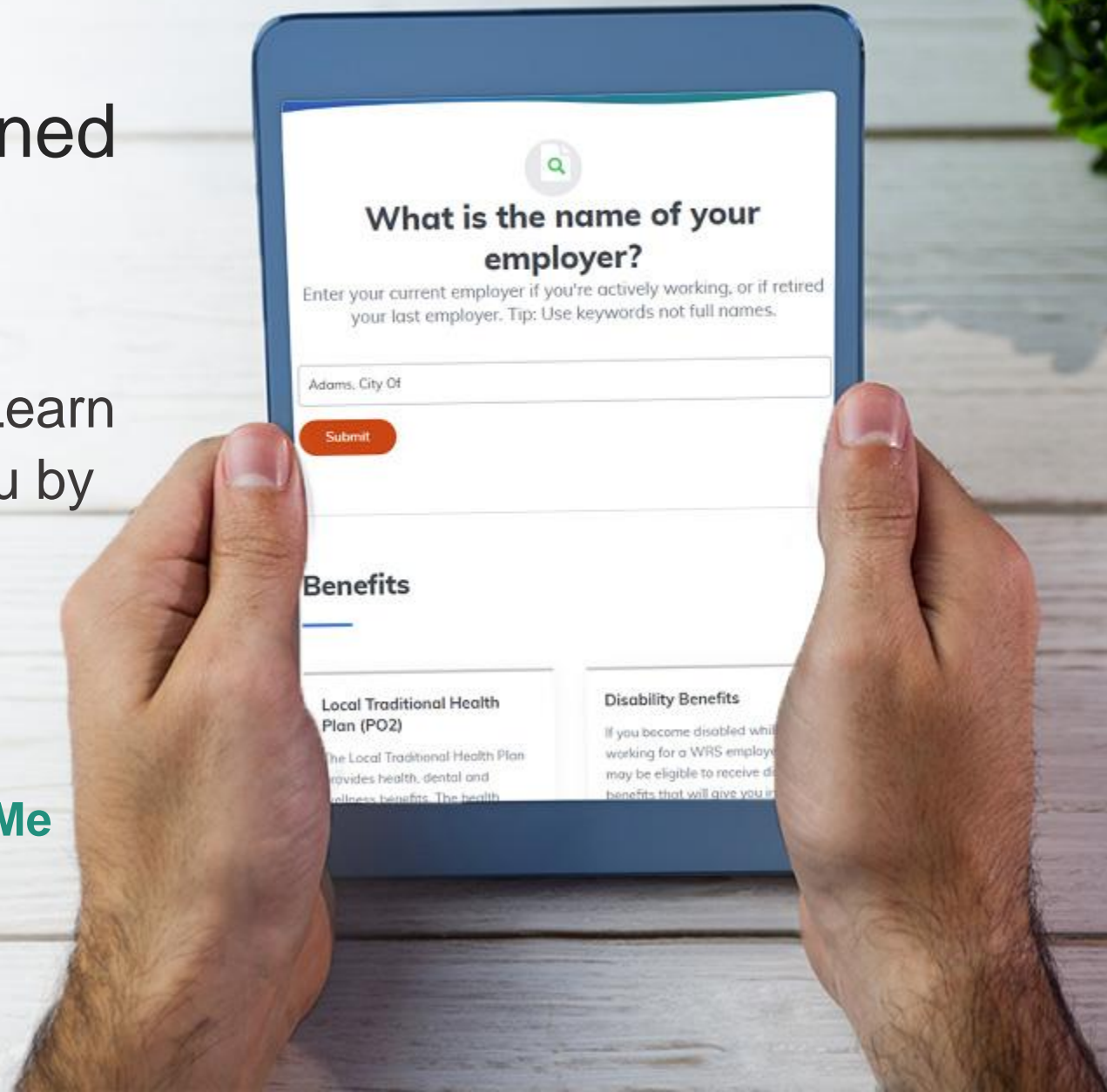
- **Conditional cancellation**

- Starting the January 1st after the election is filed, contributions all 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.

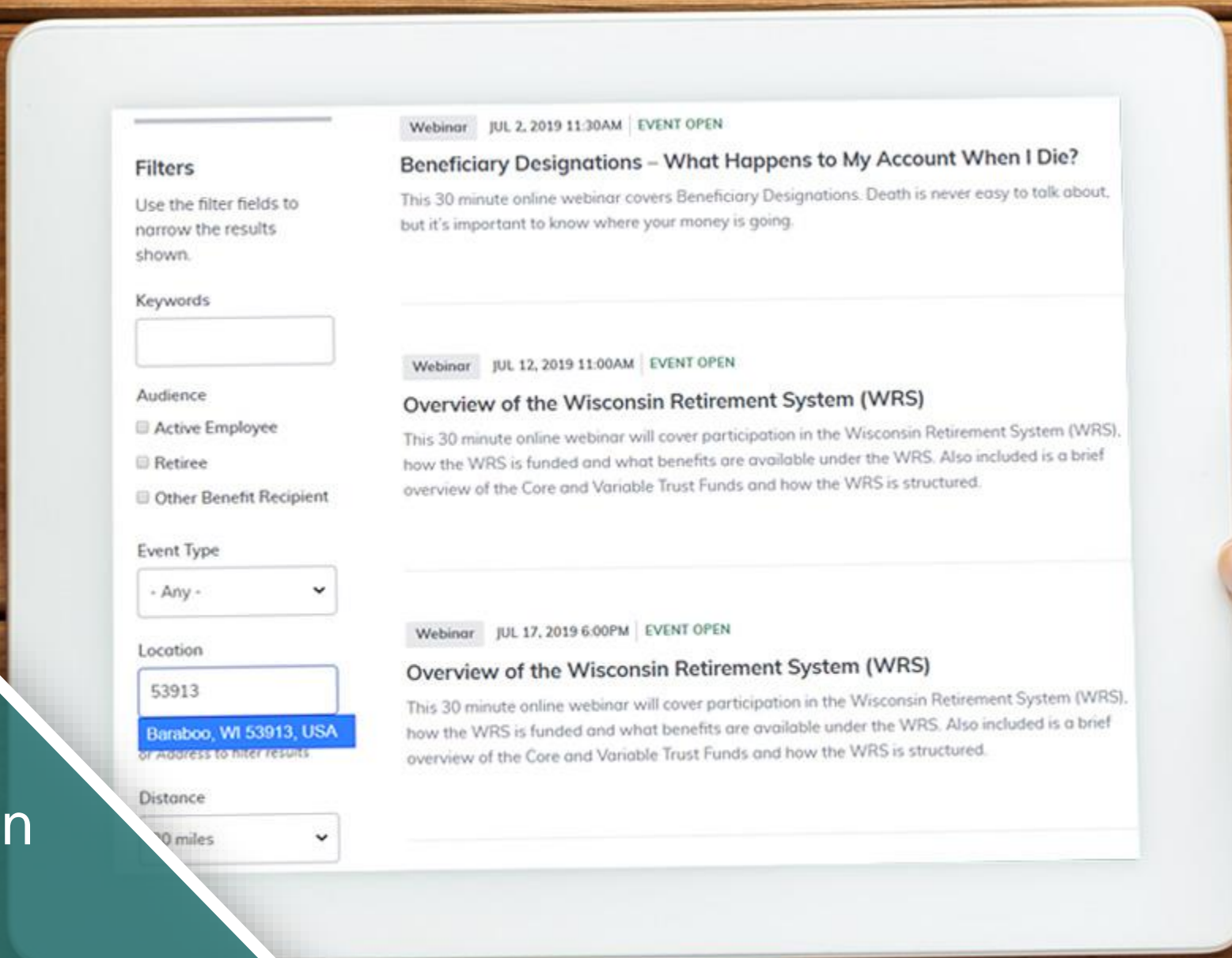
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A family of three—a woman with curly hair, a man, and a young girl—are walking together on a dirt path through a lush, green forest. The woman is on the left, the man is on the right, and the girl is in the center, slightly in front of them. They are all smiling and appear to be enjoying their walk. The background is filled with tall trees and dense foliage. The entire image has a dark blue overlay.

Questions?