WRS Effective Rates and Annuity Adjustments

A Your Benefits in Retirement topic
Objectives

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

• Define WRS effective rate and annuity adjustment

• Explain how the Core Trust Fund and Variable Trust Fund effective rates are calculated

• Explain how the Core Trust Fund and Variable Trust Fund annuity adjustments are calculated
Definitions
What is SWIB?

- Core Trust Fund
- Variable Trust Fund

Investment management decisions for the benefit of WRS members

Investment Return
Effective Rate of Interest

Based on Investment Performance

WRS Account Balance Credited Each Year

Effective Rate Creation Factors
Annuity Adjustment

Yearly changes to a retiree’s monthly pension payment

Payments may increase or decrease based on investment returns

Annuity Adjustments affect monthly payments starting May 1
How it Works
5 Year Smoothing Effective Rate

Year 5 = \frac{1}{5} \text{ of Year 5} + \frac{1}{5} \text{ of Year 1} + \frac{1}{5} \text{ of Year 2} + \frac{1}{5} \text{ of Year 3} + \frac{1}{5} \text{ of Year 4}
How WRS Dollars Flow Through Reserve

- Employee Reserve
- Employer Reserve

Annuity Reserve

Retirement Benefits
Annuity Adjustments Factors

WRS effective rate

5% assumed interest

Actuarial factors
Core Fund vs Variable Fund

Why They Have Different Adjustments
Core Fund Annuity

Guaranteed payment amount (Core floor), same as what began at retirement

Core Floor

Guaranteed payment amount with 5% assumed rate of interest built-in

Assumed 5% interest

Annuity Payment

Annuity Adjustment is possible based on investment performance

Core Floor + Annuity Adjustment
Variable Fund Annuity

No guaranteed payment amount (no floor), may go below what began at retirement

Annuity Payment

Core portion

Variable portion

Investment Gains/Losses

Variable loss

Variable portion can go up and down a large amount each year

Variable portion
Example

Core and Trust Fund Annuity Adjustments
Annuity Adjustment Rates
### 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>
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<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>
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</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>
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<tr>
<td>2013</td>
<td>29.0%</td>
<td>31.0%</td>
<td>25.0%</td>
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<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>
Resources
Annual Returns, Rates and Adjustments Page

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

Information about annuity payments and adjustments

Explanation of Core Trust Fund floor and smoothing

Explanation of Variable Trust Fund and risk

Links to resources

Annuity Payments

The week before you get paid for the first time, ETF will send an Annuity Payment Statement (ET-7211). The statement shows your first payment amount. After this first statement, ETF will only send a statement if there is a change to your payment amount (e.g., tax withholding changes, annuity adjustments, etc.).

Monthly Wisconsin Retirement System annuity payments are payable on the first day of the month. Payment dates may be affected when the first falls on a Saturday, Sunday or holiday. Deposits into individual accounts may vary by financial institution.

Related Resources
- Core Trust Fund and Variable Trust Fund
- Annual Returns, Rates & Adjustments
- Form 1075-F & Form 1042-S: Distributions
Find more webinars and events

etf.wi.gov/events
The Department of Employee Trust Funds has made every effort to ensure that this presentation is current and accurate. However, changes in the law or processes since the last revision to this presentation may mean that some details are not current. Please contact ETF if you have any questions about a particular topic in this presentation.