

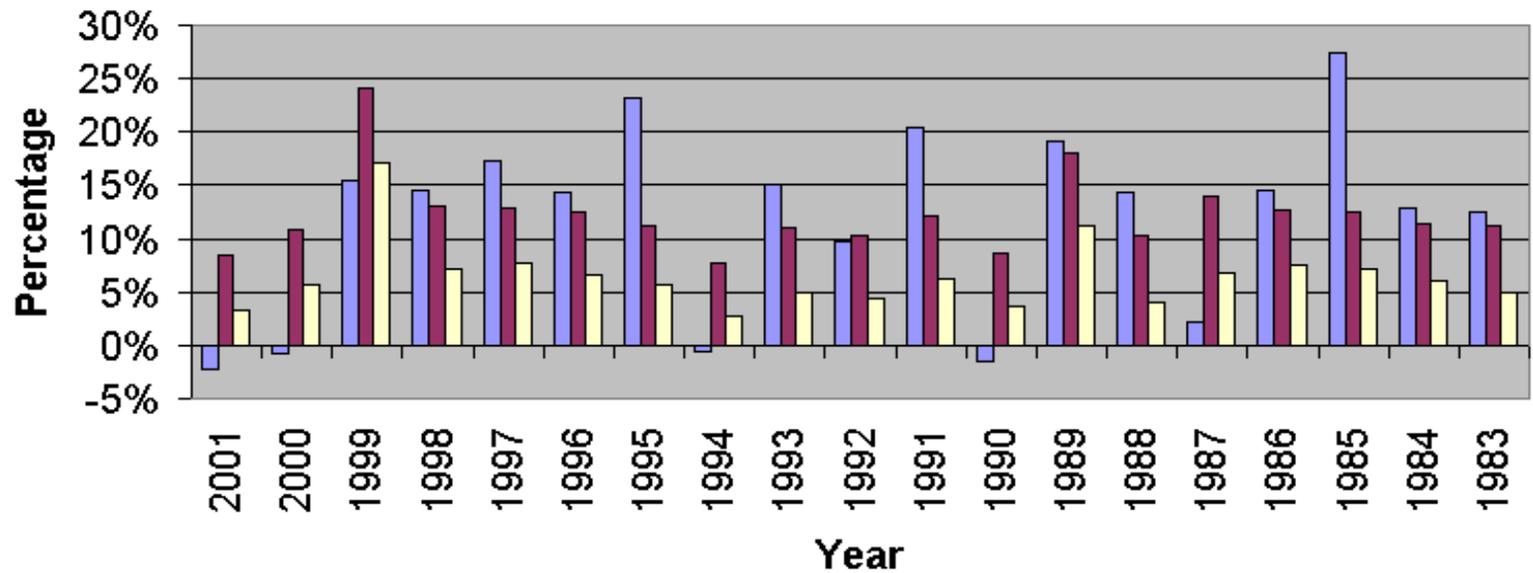
***Wisconsin Retirement System***  
***Projections of Future Fixed Effective Rates***  
***and Annuitant Dividends***



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**Department of Employee Trust Funds**  
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# History

## Fixed Trust Fund

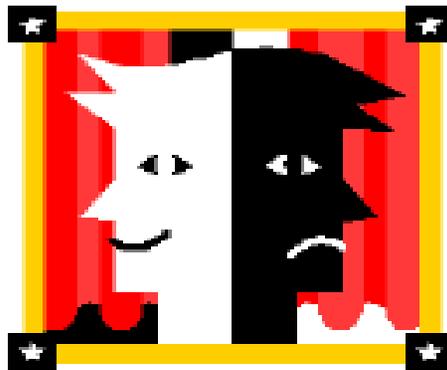


■ SWIB Investment Return ■ ETF Effective Rate ■ ETF Annuity Dividend

# ***Pay Dividend***

- **On May 1st based on previous year's return.**
- **When calculated it provides at least a 2% dividend.**
- **Prorated in the first year of retirement. If less than 1%, pay nothing.**

# 2001 Dividends



- **Fixed dividend**  
**3.3%**
- **Variable adjustment**  
**- 14%**

<b>April 1st</b>	<b>\$2000</b>
<b>\$1000</b>	<b>\$1000</b>
<b><u>x 3.3%</u></b>	<b><u>x -14%</u></b>
<b>\$33.00</b>	<b>-\$140.00</b>

**May 1st \$1,893**

# ***What about future dividends?***



# ***Future Fixed Dividends***

- **Timing of TAA close out - \$4 billion and \$1.98 billion for five years**
- **TAA Closed out after 2004**
- **Market Recognition Account (MRA) five-year schedule**

# ***If 10% Loss. . .***

<b>Wisconsin Retirement System</b>				
<b>Fixed Effective Rate / Dividend Projections</b>				
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
SWIB Investment Return	<b>-10.0%</b>	8.0%	8.0%	8.0%
ETF Effective Rate	4.7%	4.6%	4.4%	2.2%
Fixed Dividend	(0.3%)	(0.4%)	(0.6%)	(2.7%)
TAA/MRA Balance (millions)	(8,362)	(7,073)	(5,575)	(2,718)

# ***If 5% Loss. . .***

<b>Wisconsin Retirement System</b>				
<b>Fixed Effective Rate / Dividend Projections</b>				
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
SMB Investment Return	<b>-5.0%</b>	8.0%	8.0%	8.0%
ETF Effective Rate	5.8%	5.7%	5.6%	3.5%
Fixed Dividend	0.8%	0.7%	0.6%	(1.4%)
TAA/MRA Balance (millions)	(6,287)	(5,384)	(4,329)	(1,972)

# ***If 0% Return. . .***

<b>Wisconsin Retirement System</b>				
<b>Fixed Effective Rate / Dividend Projections</b>				
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
SWIB Investment Return	<b>0.0%</b>	8.0%	8.0%	8.0%
ETF Effective Rate	6.8%	6.8%	6.7%	4.7%
Fixed Dividend	1.7%	1.7%	1.6%	(0.3%)
TAA/MRA Balance (millions)	(4,211)	(3,694)	(3,084)	(1,226)

# ***If 5% Return. . .***

<b>Wisconsin Retirement System</b>				
<b>Fixed Effective Rate / Dividend Projections</b>				
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
SWIB Investment Return	<b>5.0%</b>	8.0%	8.0%	8.0%
ETF Effective Rate	7.8%	7.8%	7.8%	5.8%
Fixed Dividend	2.7%	2.7%	2.7%	0.8%
TAA/MRA Balance (millions)	(2,136)	(2,005)	(1,839)	(480)

# ***If 10% Return. . .***

<b>Wisconsin Retirement System</b>				
<b>Fixed Effective Rate / Dividend Projections</b>				
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
SWIB Investment Return	<b>10.0%</b>	8.0%	8.0%	8.0%
ETF Effective Rate	8.9%	8.9%	8.8%	6.9%
Fixed Dividend	3.7%	3.7%	3.6%	1.8%
TAA/MRA Balance (millions)	(60)	(316)	(593)	266

***What if there had  
been no Act 11?***



# ***If No 1999 Wisconsin Act 11***

<b>Wisconsin Retirement System</b>					
<b>Fixed Effective Rate / Dividend Projections</b>					
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
SWIB Investment Return	-2.3%	8.0%	8.0%	8.0%	8.0%
ETF Effective Rate	6.5%	7.0%	7.4%	7.7%	8.0%
Fixed Dividend	1.4%	1.9%	2.3%	2.6%	2.9%
TAA/MRA Balance (millions)	5,090	6,137	7,111	8,028	8,899

## ***If MRA without \$4 billion Distribution***

<b>Wisconsin Retirement System</b>					
<b>Fixed Effective Rate / Dividend Projections</b>					
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
SWIB Investment Return	-2.3%	8.0%	8.0%	8.0%	8.0%
ETF Effective Rate	10.6%	10.5%	10.4%	10.3%	6.7%
Fixed Dividend	5.3%	5.2%	5.2%	5.0%	0.0%
TAA/MRA Balance (millions)	2,025	1,183	251	(767)	159

# ***Administrative Rule Change***

## **Dividend Rule Change**



- **Pay out gains sooner in a year**
- **Prorate in first year below 1%**

# ***Potential Legislation***

- **Pay out gains if less than 2% generated**
- **Requires statutory change**



# ***Questions and Answers***

