

How do Variable Fund investments affect me?

Participants in the Wisconsin Retirement System have at least half - if not all - of their pension account contributions in the Core Fund. In addition, the WRS offers an option called the Variable Fund, an equities fund.

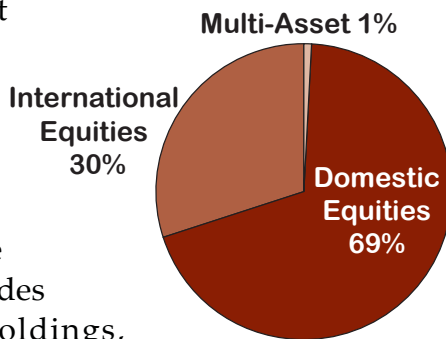
Active WRS participants can elect to have 50% of their retirement contributions in the Variable Fund. There is one opportunity to join the Variable Fund, and once canceled there is no opportunity to rejoin. Election to participate or cancel participation in the Variable Fund is done through the Department of Employee Trust Funds (ETF). Contact information is available on page 2. While a change can be made at any time during the year, it does not go into effect until the end of the calendar year.

Variable Versus Core

By law, investments in the Variable Fund must be primarily in equities and as a result, Variable Fund annuities reflect stock market changes either up or down. The stocks in the Variable Fund are the same as those in the Core Fund. However, participants in the Variable Fund are exposed to a higher degree of risk, because of possible losses from unfavorable stock market performance, for the potential of greater long-run returns.

By way of comparison, the Core Fund includes a mixture of holdings, such as stocks, bonds, and real estate that helps to stabilize the effects of market changes. In addition, the impact of Core Fund returns are smoothed over five years, lessening the impact of market volatility.

2010 Variable Fund Asset Allocation Targets



Investing the Variable Fund

Assets of the Variable Fund are invested 69%



in domestic stocks, 30% in international stocks and 1% in a portfolio that includes a mixture of domestic and international stocks in index funds to provide liquidity.

Domestic stocks primarily consist of common stock in US companies. Holdings are diversified among small, medium and large companies. Portfolios are managed internally by staff, by external managers and in index funds, such as the Russell 1000.

International stock investments are in non-US markets. Investments in the developed international markets, such as Japan and Germany, are divided among an internally managed and externally managed portfolios. SWIB also invests in externally managed emerging market funds that include developing countries, such as Mexico and the Philippines.



Variable Fund Impact

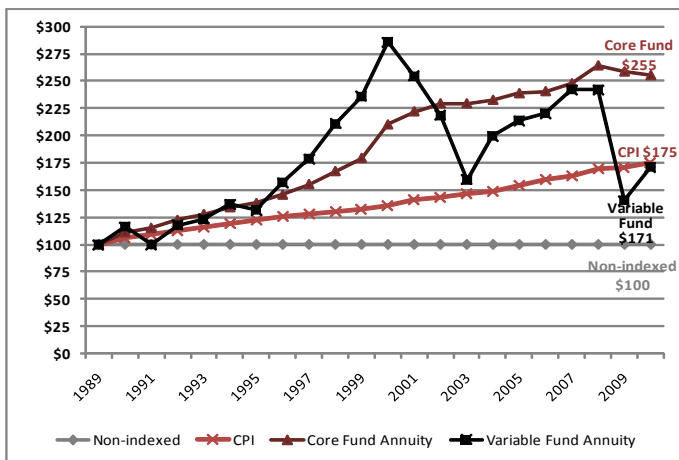
Because of the movement of the stock market, participants who choose this fund are likely to see a wider range of changes in the Variable portion of their account than in the Core Fund portion.

Once retired, Variable Fund annuity payments generally will increase when annual investment returns are greater than 5%, however other factors are considered. This is because of the assumed rate set by law needed to pay your retirement benefit for life. Annuity adjustments are calculated by Employee Trust Funds.

As with any investment, it is best to consider several important factors, such as personal risk tolerance, years until retirement and other personal investments that provide retirement funding when considering the Variable Fund option

Growth in \$100 Annuity

The chart below compares increases accumulated if \$100 was invested over 20 years including 2010 based on the percent of the Core Fund dividend, Variable Fund adjustment and Consumer Price Index increase.



Performance Overview

The exceptionally strong returns of the stock markets in the late 1990s and again in 2003 were unprecedented. There have been, over time, periods when the stock market performed poorly, including 2008, the worst year for financial markets since the 1930s. During a two-year period in the 1970s, the S&P 500 dropped by about 37% and from 2000 to 2003 the Dow Jones Index experienced the first three-year decline since 1939. Historically financial markets recover after major downturns, and much of the recovery tends to occur over short periods of time.

Annual Investment Returns		
Year	Core Fund	Variable Fund
2009	22.4%	33.7%
2008	-26.2%	-39.0%
2007	8.7%	5.6%
2006	15.8%	17.6%
2005	8.6%	8.3%
2004	12.8%	12.7%
2003	24.2%	32.7%
2002	-8.8%	-21.9%
2001	-2.3%	-8.3%
2000	-0.8%	-7.2%
1999	15.7%	27.8%
1998	14.6%	17.5%
1997	17.2%	21.6%
1996	14.4%	19.8%
1995	23.1%	25.6%
1994	-0.6%	0.8%
1993	15.0%	16.5%
1992	9.7%	10.7%
1991	20.4%	27.1%
1990	-1.5%	-11.3%
20-year Annualized Return	8.3%	7.7%

To Learn More:

Visit the Employee Trust Funds' website at <http://etf.wi.gov> for information about the effects of the Variable Fund on your benefits or to transfer to or from the Variable Fund.

More information about investing the Variable Fund is available on SWIB's website at www.swib.state.wi.us. Contact us at info@swib.state.wi.us or by calling toll-free (800) 424-7942 or (608) 267-0957.