



Wisconsin Retirement System

Spring 2021 Update

John Voelker, ETF Secretary

UW-Madison Retirement Association
April 20, 2021



What We'll Discuss

1



**Safeguarding the Integrity
of the Trust**

2



**Annuity Adjustments
and Projections**

3



WRS Health

4



Customer Service

5



Questions

A Little About Me

- Wisconsin native
- Hometown, Menasha
- 33+ years in public service
- 6+ years - ETF Deputy Secretary
- 11 years – Director of State Courts
- Married and father of 2 sons

ETF's Path Forward

ETF Mission

To develop and deliver quality benefits and services to our customers while safeguarding the integrity of the trust.



Successful Organizations

Do the right things well



Safeguarding the Integrity of the Trust

Meeting our Obligations



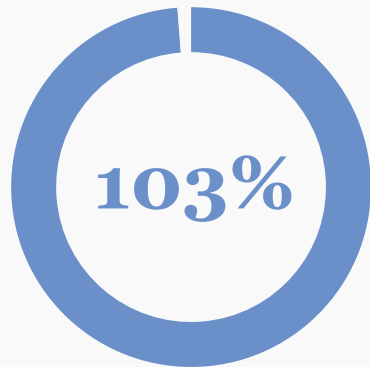
Funding Method



\$129.7 Billion

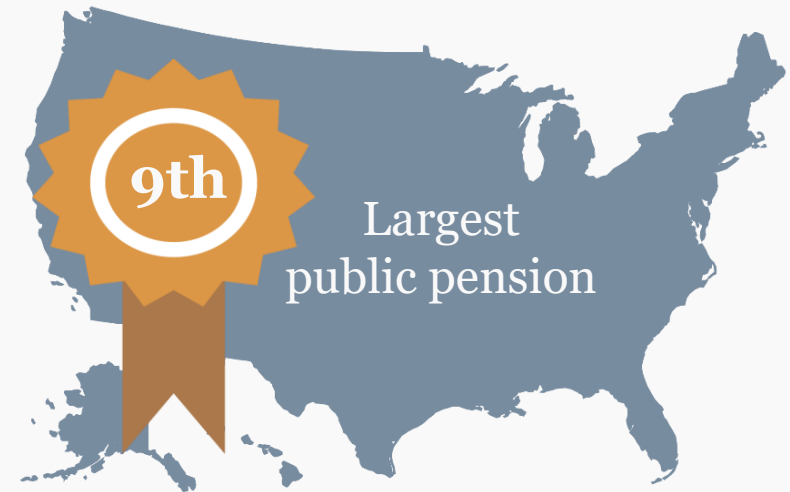
In Assets

12/31/2020*



Market Value

GASB, 12/31/19



*Preliminary estimate

HOW NOT TO
BE WRONG

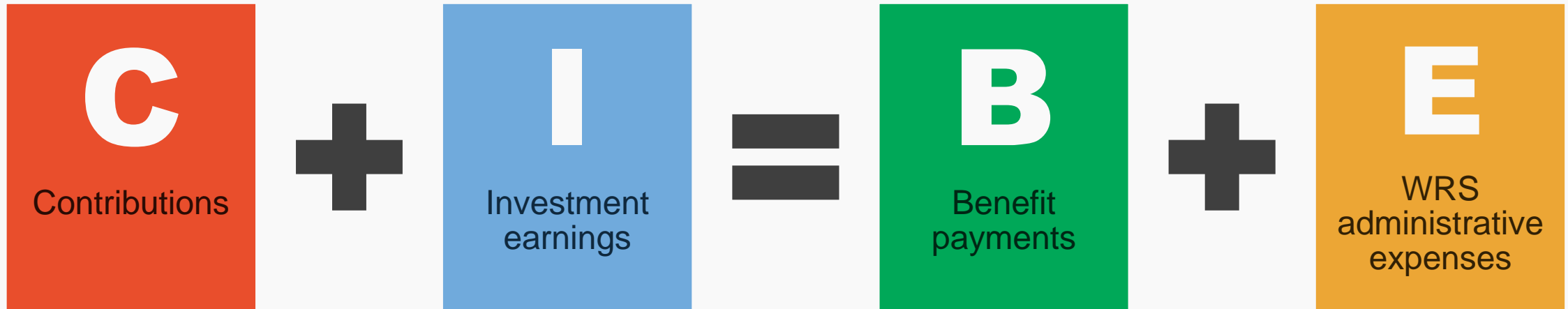


THE POWER *of*
MATHEMATICAL THINKING

JORDAN
ELLENBERG

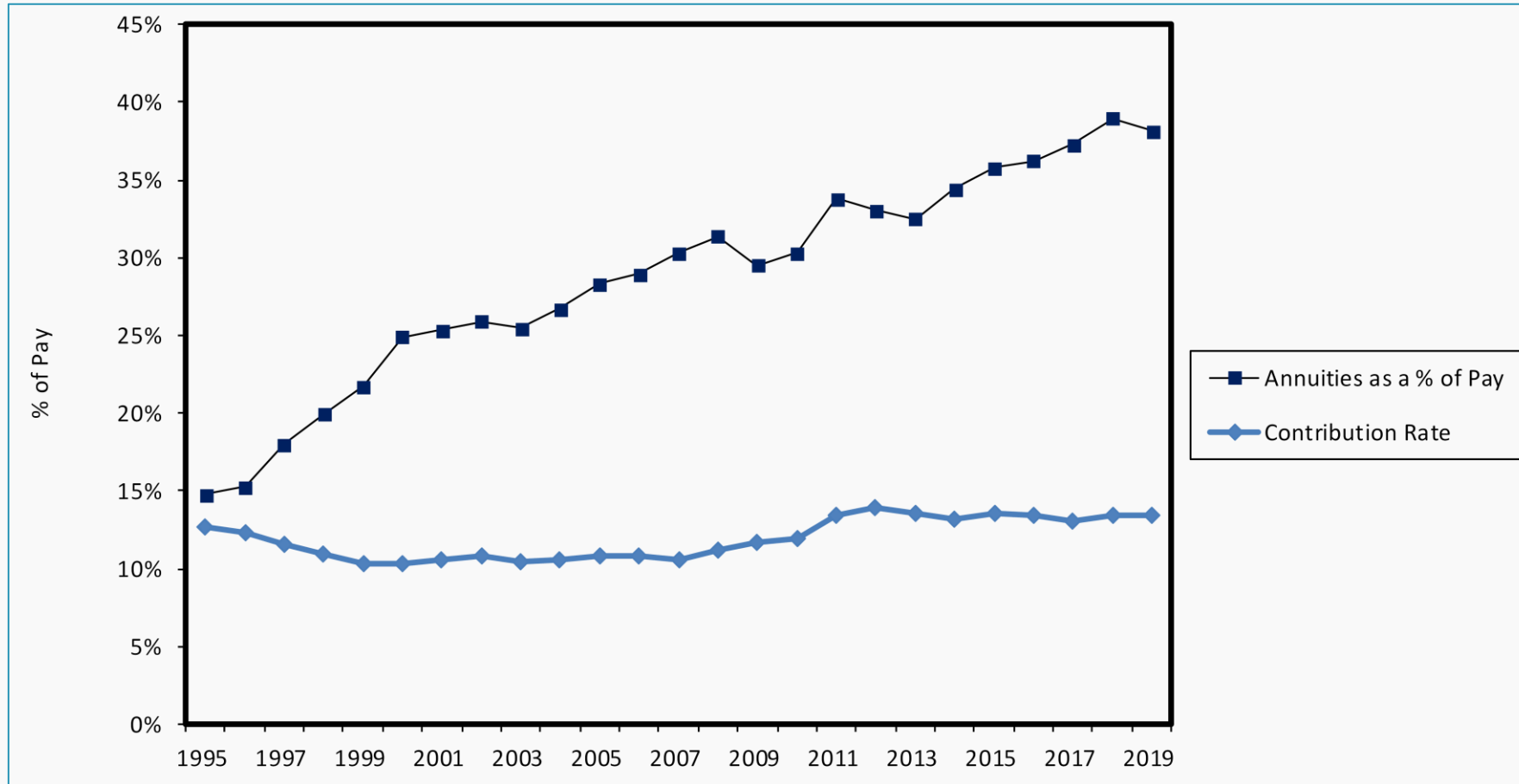


WRS Pre-funding Formula





Contribution Rate Stability



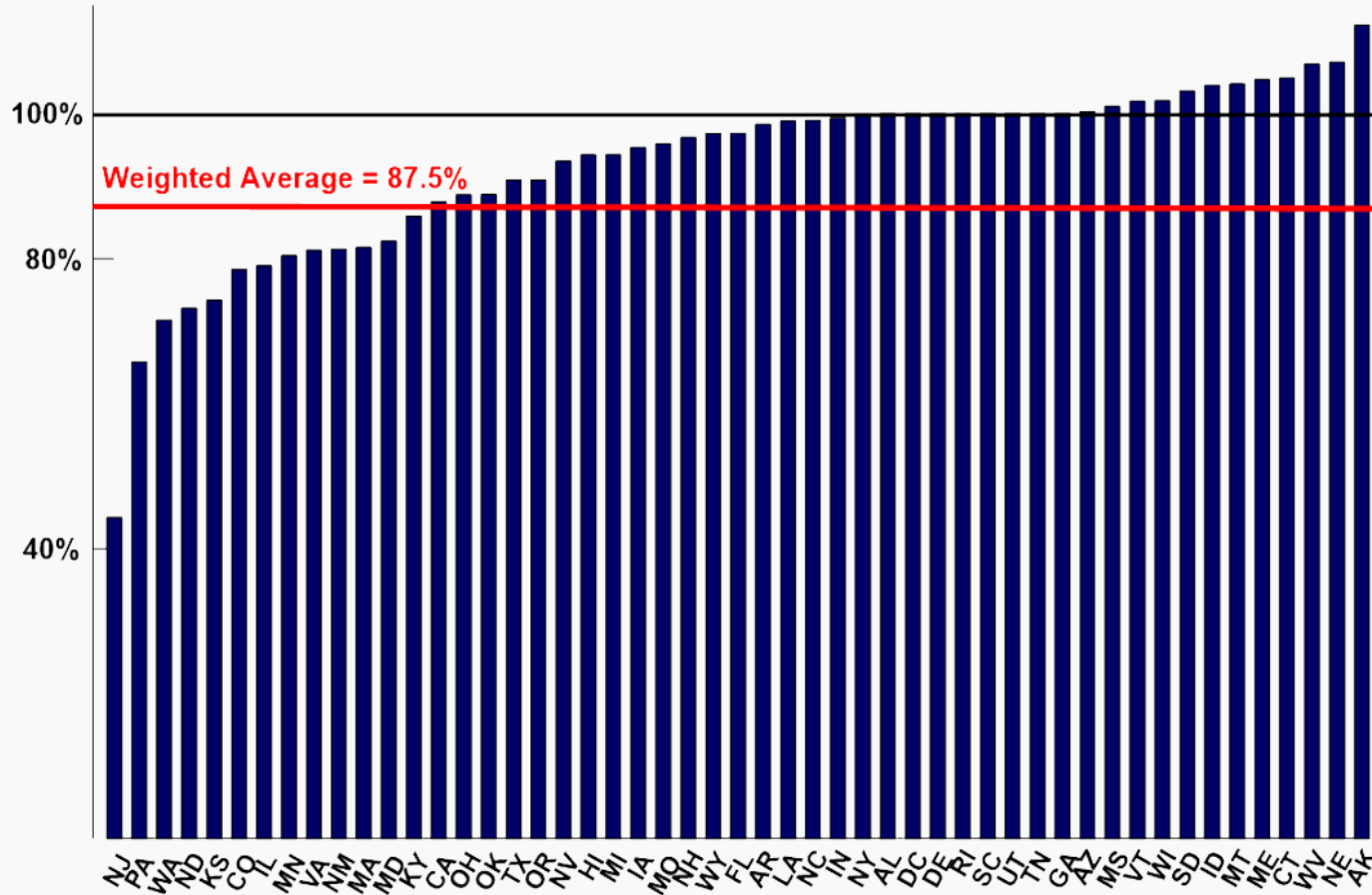
Annuities are expected to continue to increase as a percent of payroll for several more decades.

**Average total rate shown is for General Participants.*





Percent of Recommended Contributions Paid



NASRA, Public Plans Data



Pension Benefit Sources



Investment Return Assumption

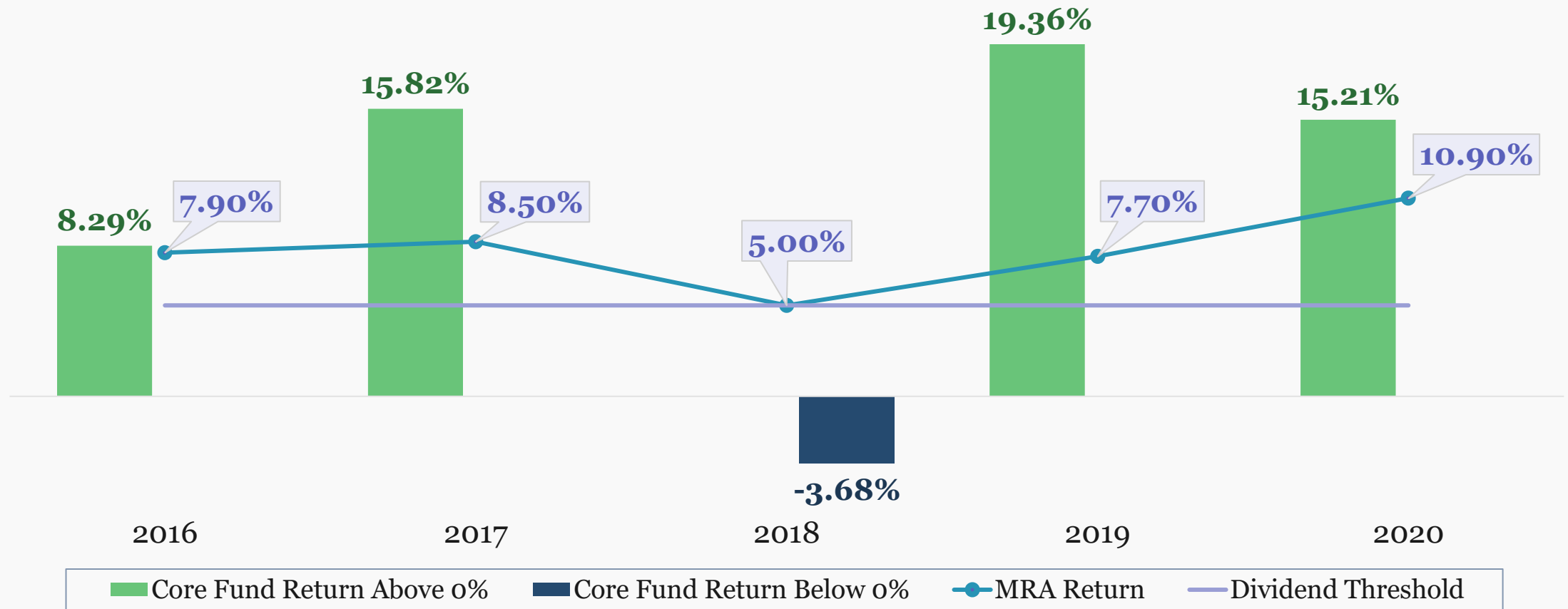


- Investment return assumptions for public pension plans have been declining over the last decade
- National median: 7.23%
- Source: National Association of State Retirement Administrators (March 2021)



Annuity Adjustments and Projections

Core Fund Returns – Market Value vs. Market Recognition Account



B

Benefit
payments

Translating Asset Return Rate of Return to Core Dividend “Re-S-F-A-P”

Return: 2020 SWIB net of fee return = 15.21%

Smooth vs. 7.0% Investment Return Assumption

- Return > assumption smoothed over 5 years
 - **Leads to \$11 billion unrecognized gains shared by Rets, EEs, ERs**
- Core fund return available for dividend = **10.40%**

Fund annuities at Investment Return 5% Threshold

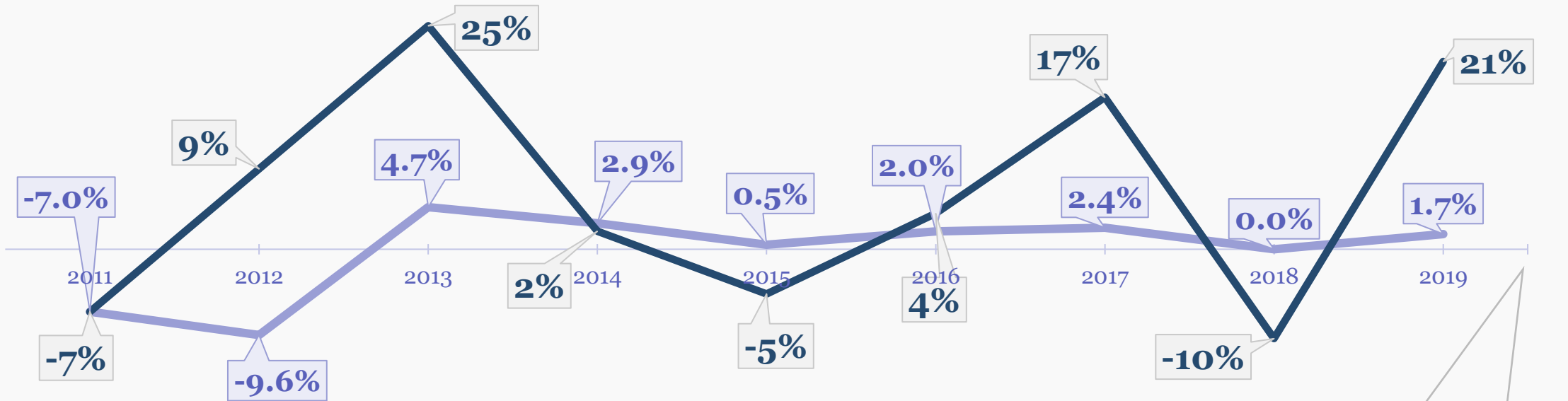
- Core fund return > threshold provides **dividend before adjustments**:
 $1.1040 \div 1.05 - 1 = 5.14\%$

Adjustments result in **5.1%** dividend **Paid**

B

Benefit payments

Variable & Core Annuity Adjustments



Core: 5.1%
Variable: 13%
Payable May 1, 2021



B

Benefit
payments

Annuity Adjustments vs. CPI

	5-Year	10-Year	20-Year	35-Year
Core	2.2%	1.2%	1.3%	3.6%
Variable	8.4%	6.3%	1.6%	4.1%
Change in CPI	2.0%	1.7%	2.0%	2.5%

Average WRS Annuity Adjustments Compared to Consumer Price Index
Annualized as of December 31, 2020

B

Benefit
payments

Result of 7.0% Investment Return in 2021 - 2024

	2020	2021	2022	2023	2024
SWIB Investment Return	15.21%	7.0%	7.0%	7.0%	7.0%
Effective Rate	10.9%	10.5% to 10.9%	9.0% to 9.4%	10.7% to 11.1%	8.7% to 9.1%
Average Annuity Adjustment	5.1%	4.6% to 5.0%	3.2% to 3.6%	4.8% to 5.2%	3.0% to 3.4%

B

Benefit
payments

Result of 0% Investment Return in 2020 and 7.0% in 2022 - 2024

	2020	2021	2022	2023	2024
SWIB Investment Return	15.21%	0%	7.0%	7.0%	7.0%
Effective Rate	10.9%	8.9% to 9.3%	7.4% to 7.8%	9.3% to 9.7%	7.3% to 7.7%
Average Annuity Adjustment	5.1%	3.1% to 3.5%	1.7% to 2.1%	3.4% to 3.8%	1.6% to 2.0%

B

Benefit payments

Result of -18% Investment Return in 2021 and 7.0% in 2022 - 2024

	2020	2021	2022	2023	2024
SWIB Investment Return	15.21%	(18%)	7.0%	7.0%	7.0%
Effective Rate	10.9%	4.7% to 5.1%	3.2% to 3.6%	5.0% to 5.4%	2.8% to 3.2%
Average Annuity Adjustment	5.1%	(.5%) to 0%	(2.3%) to (1.9%)	(.8%) to (.5%)	(2.7%) to (2.3%)

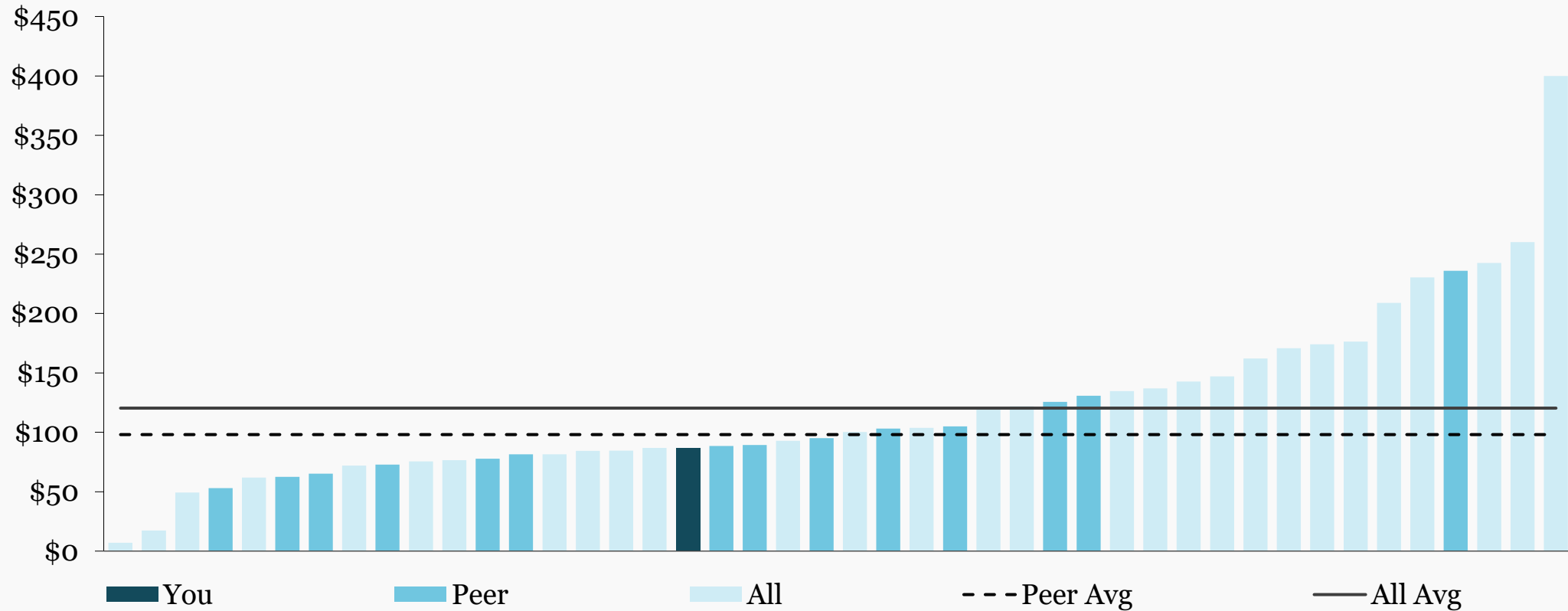


WRS Health

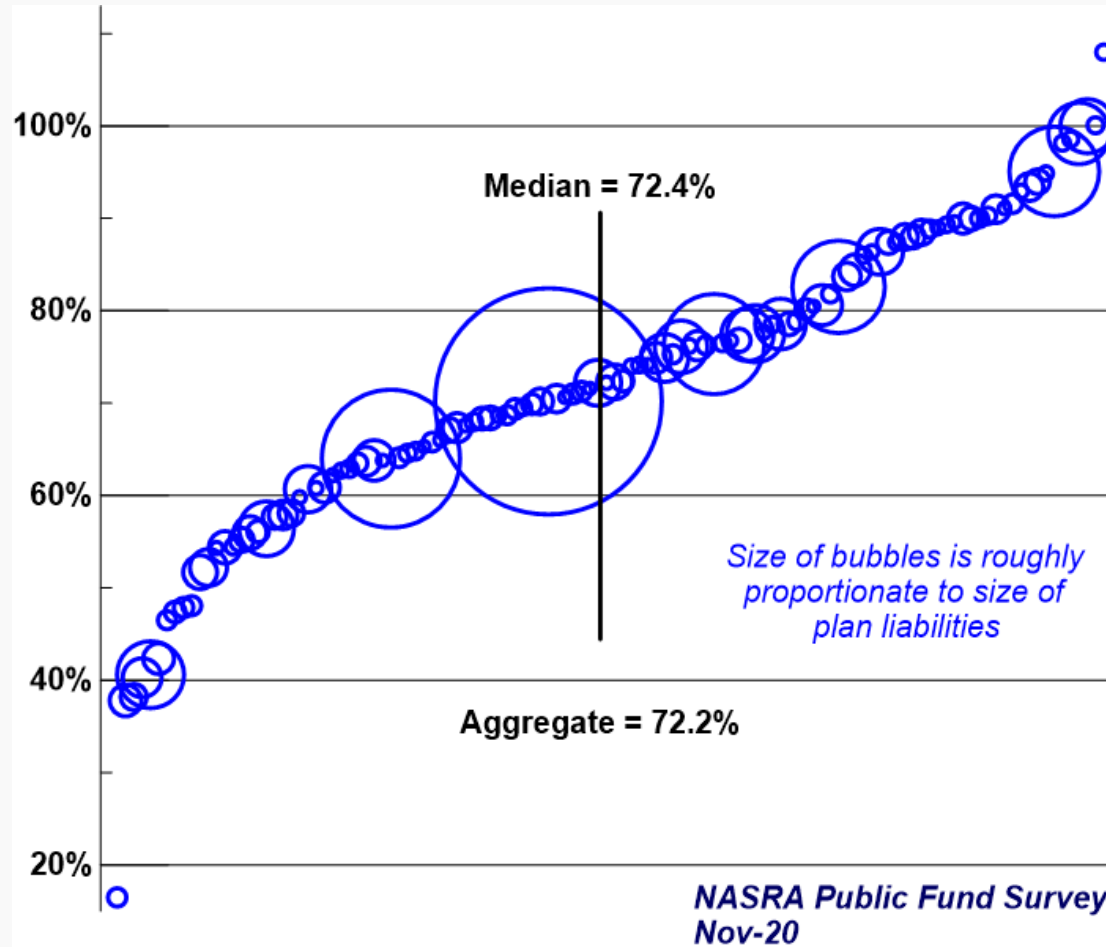


ETF total pension administration cost of \$87 per active member and annuitant was \$11 below the peer average of \$98

Pension Administration Cost Per Active Member and Annuitant

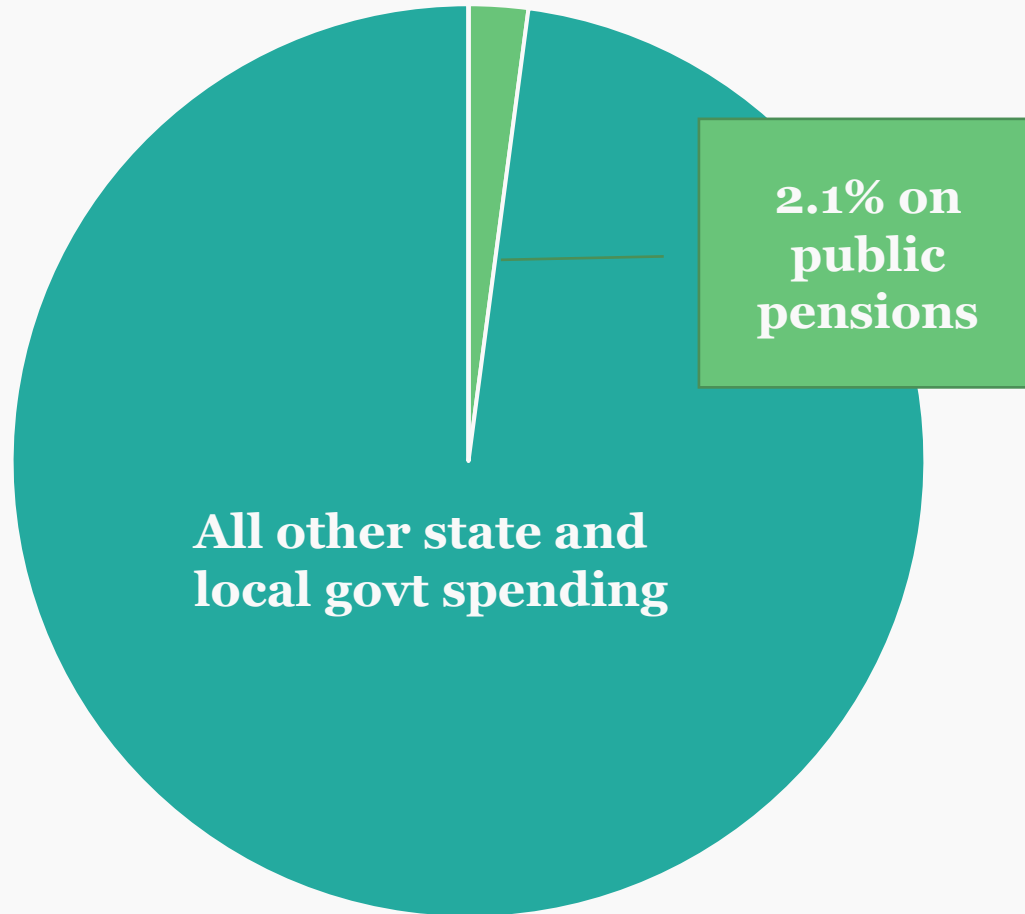


Funding Levels of Public Pension Plans



Source: NASRA Public Fund Survey, November 2020

WRS: Low Cost for Taxpayers



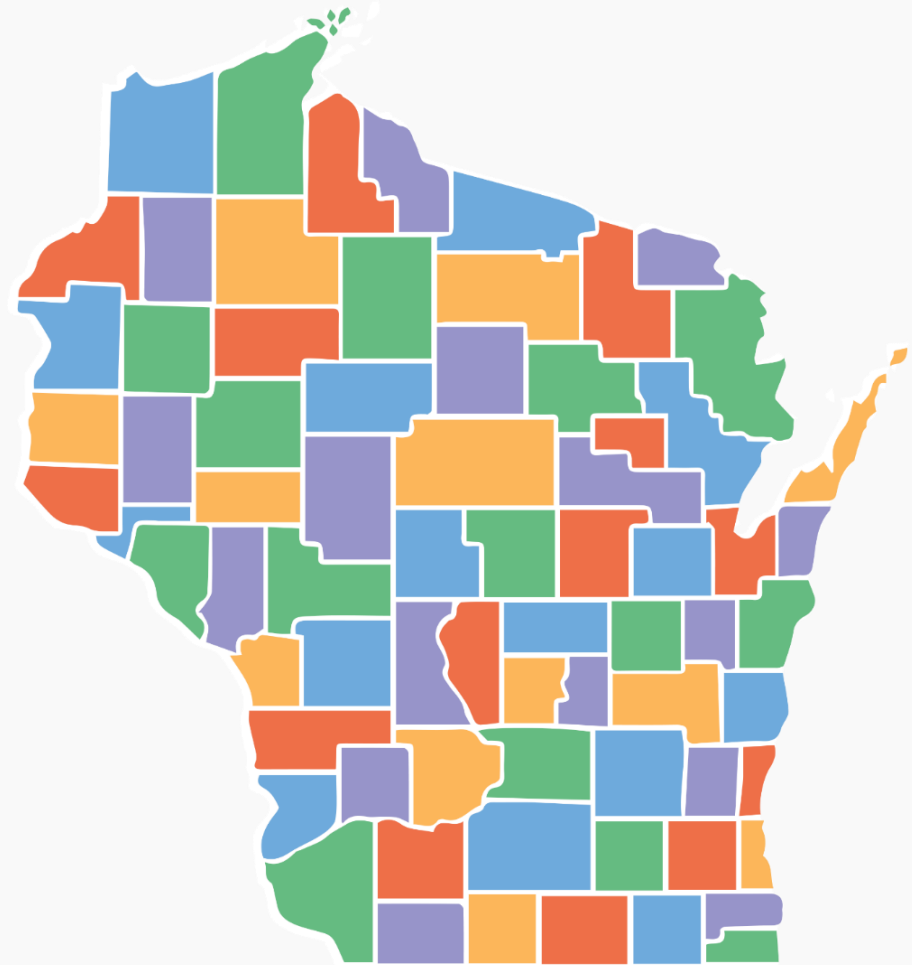
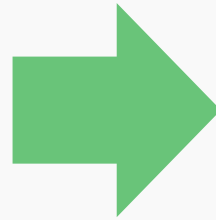
- State and local governments in Wisconsin spend 2.1% of their budgets on public pensions (WRS is largest)
- National average: 5.2%

Source: National Association of State Retirement Administrators (December 2020)

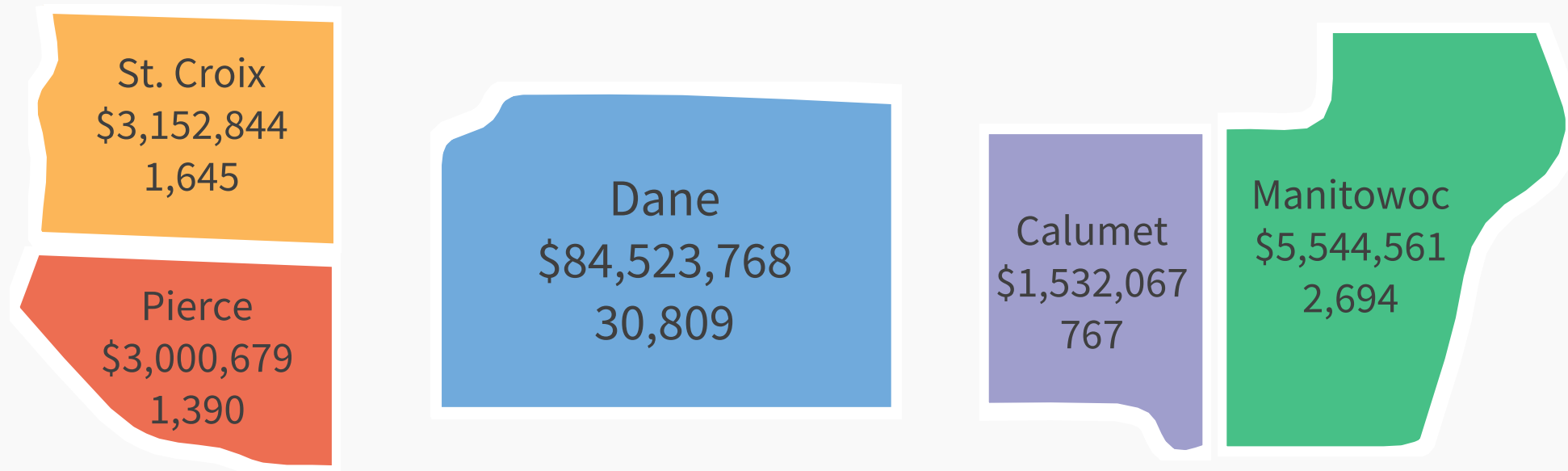
Economic Impact



Preliminary WRS benefits paid in 2020

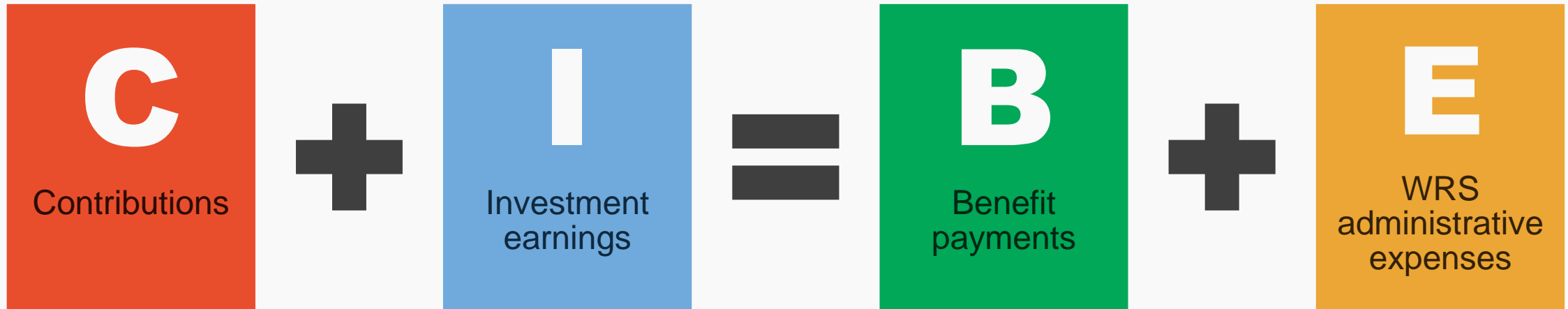


Monthly Pension Payments



As of March 2021: Total Monthly Payments by County, # of Payees

Path Forward - Keep Doing Things Right



Integrity of the Trust

Biennial Budget Proposals

- Governance Board Redesign
- 2 Cybersecurity Positions
- Return to Work Provisions
- Study Participation of School Districts in Group Health Insurance Program



Develop and Deliver Quality Benefits and Services to our Customers

Customer Experience

“The telephone seems to be the preferred mode of communication with WRS. The WRS staff have been professional and polite, but it is frustrating to wait on hold for questions that could, and should, be answered through a more robust website. In the 21st century, I would never use a financial advisor that provides only 20th century customer engagement strategies.”

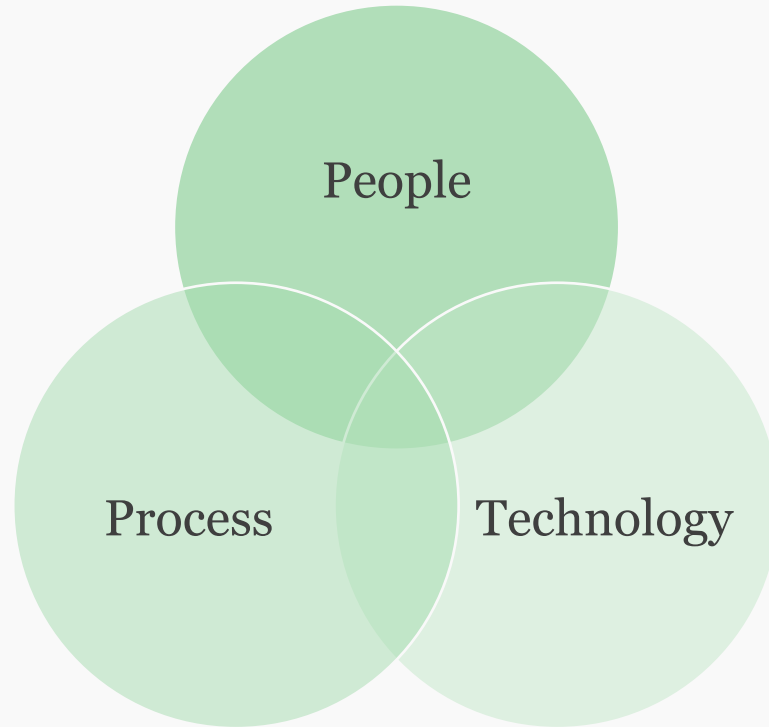
-Board feedback e-mail submitted 11/22/2020

Serving
customers
as we can

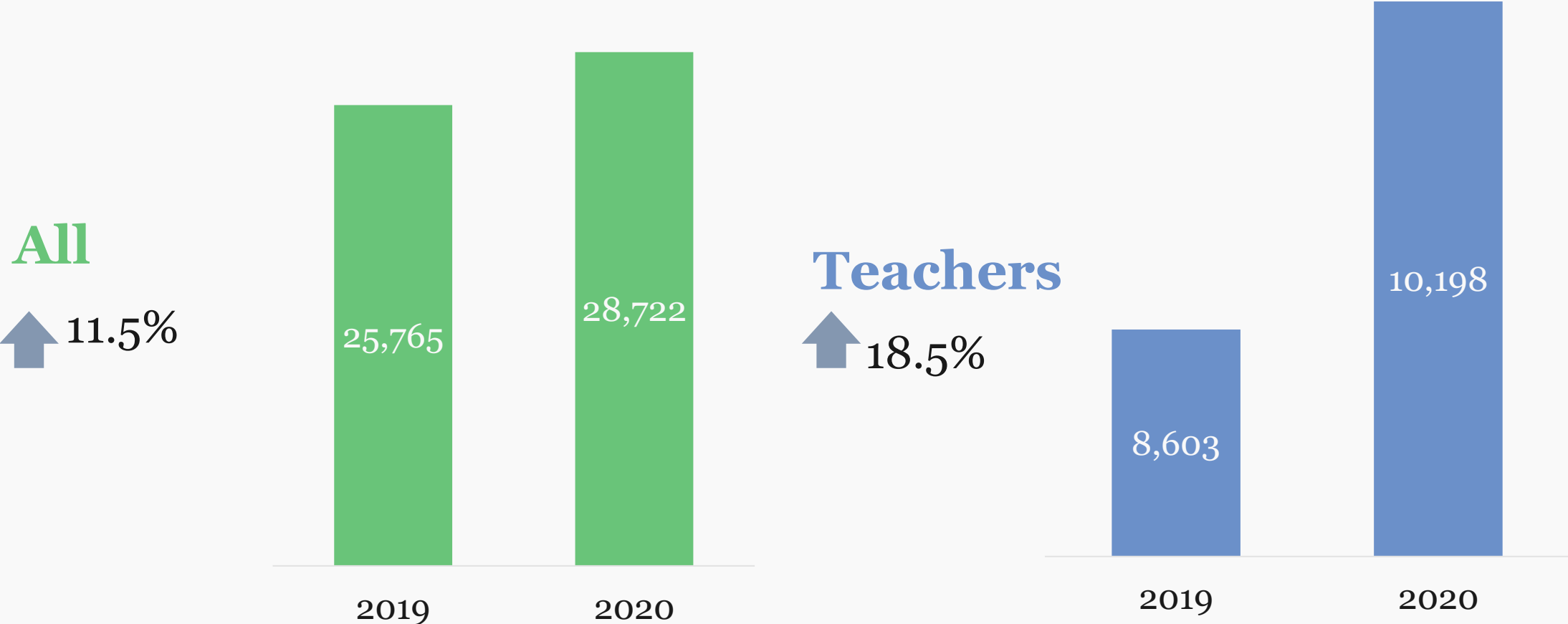
Operations Modernization



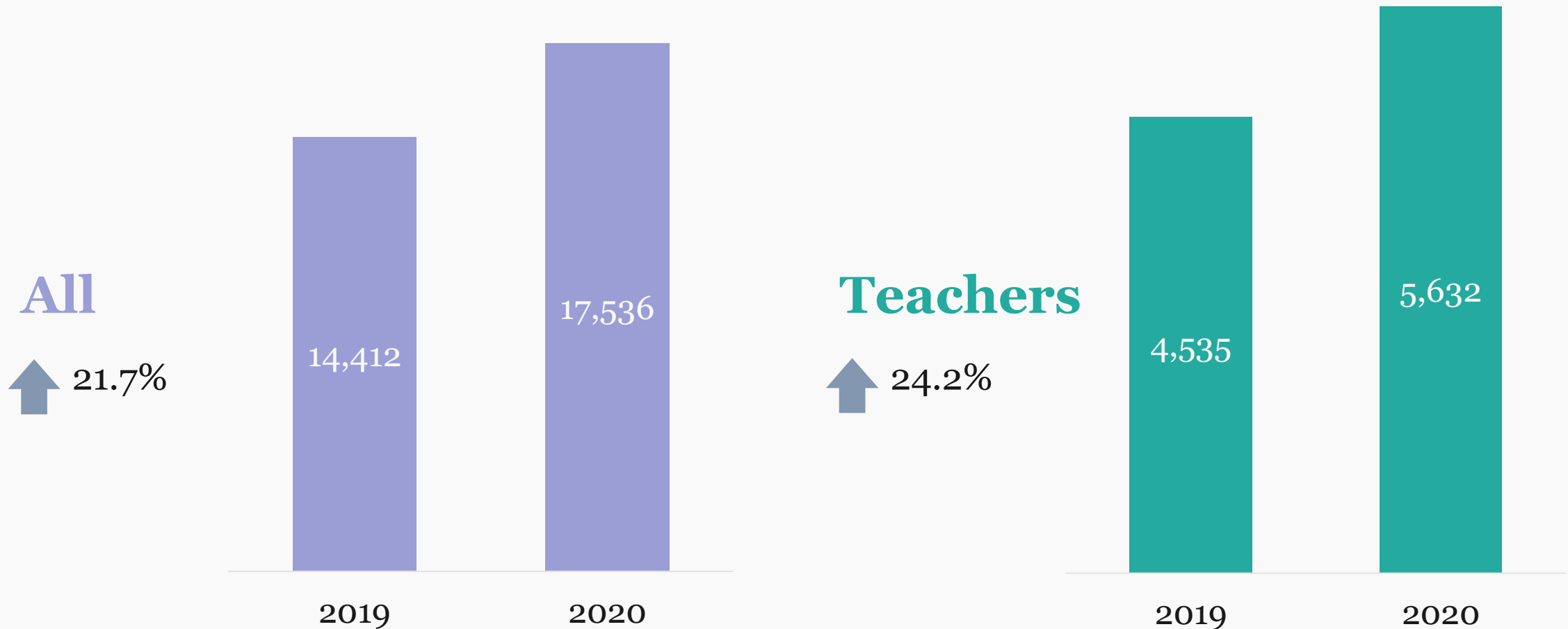
Supporting
customers as
they prefer



Retirement Trends - Estimates



Retirement Trends - Applications



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email

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Monday – Friday
To avoid peak call volume,
call Tuesday - Friday





What questions do
you have?

Thank You



ETF E-mail Updates



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