

# OUR WISCONSIN RETIREMENT SYSTEM

Strong for Wisconsin





Wisconsinites should be proud to have a strong public pension system – one of the best funded in the country. The continued due diligence and oversight of policymakers and sound funding principles keep our Wisconsin Retirement System capable of paying promised benefits long into the future.

Today more than 620,000 current and former state and local government employees and their families rely on the WRS for some of their retirement security. These individuals, along with their employers, contribute to the WRS throughout their careers.

Public employees provide crucial health, education, safety, transportation and other services in our communities. And in return, the WRS provides a modest retirement income; the average pension is about \$24,700 per year. The WRS pays nearly \$4.9 billion in benefits annually – a large portion of this money gets spent in Wisconsin by the more than 85% of retirees who live here.

In these pages we've provided some useful information about the WRS. I encourage you to get better acquainted with why the WRS is strong for Wisconsin.

Sincerely,

Robert J. (Bob) Conlin  
Secretary  
Wisconsin Department of Employee Trust Funds

## WISCONSIN STATUTE CHAPTER 40

The WRS trust funds were created to:

- Protect public employees and their beneficiaries against the financial hardships of old age and disability.
- Attract and retain a qualified public workforce.
- Establish modest and portable benefits to move with employees throughout their careers into retirement.
- Achieve administrative expense savings.

**\$98** BILLION  
IN ASSETS

**9th** LARGEST  
IN THE USA

**25th** LARGEST  
IN THE WORLD

With approximately \$98 billion in assets, the WRS is the 9th largest U.S. public pension fund and the 25th largest public or private pension fund in the world. There are 620,934 individuals who participate in the WRS.



annuitants  
(retirees, disabled persons  
and beneficiaries)



former public employees  
with deferred benefits



**1,535**

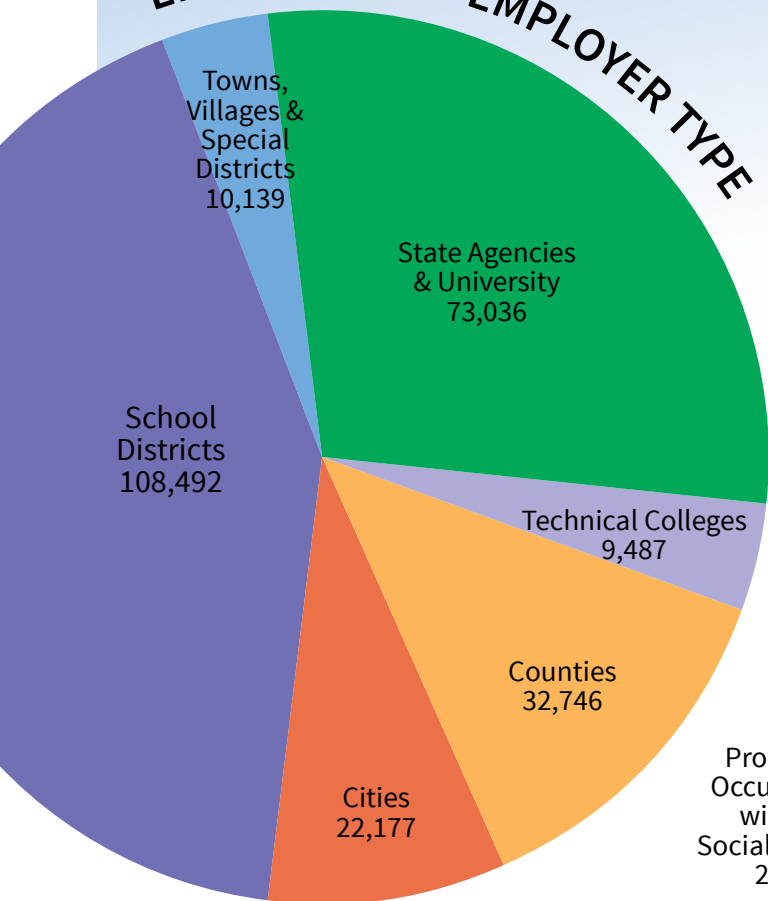
state and local  
government units  
throughout Wisconsin



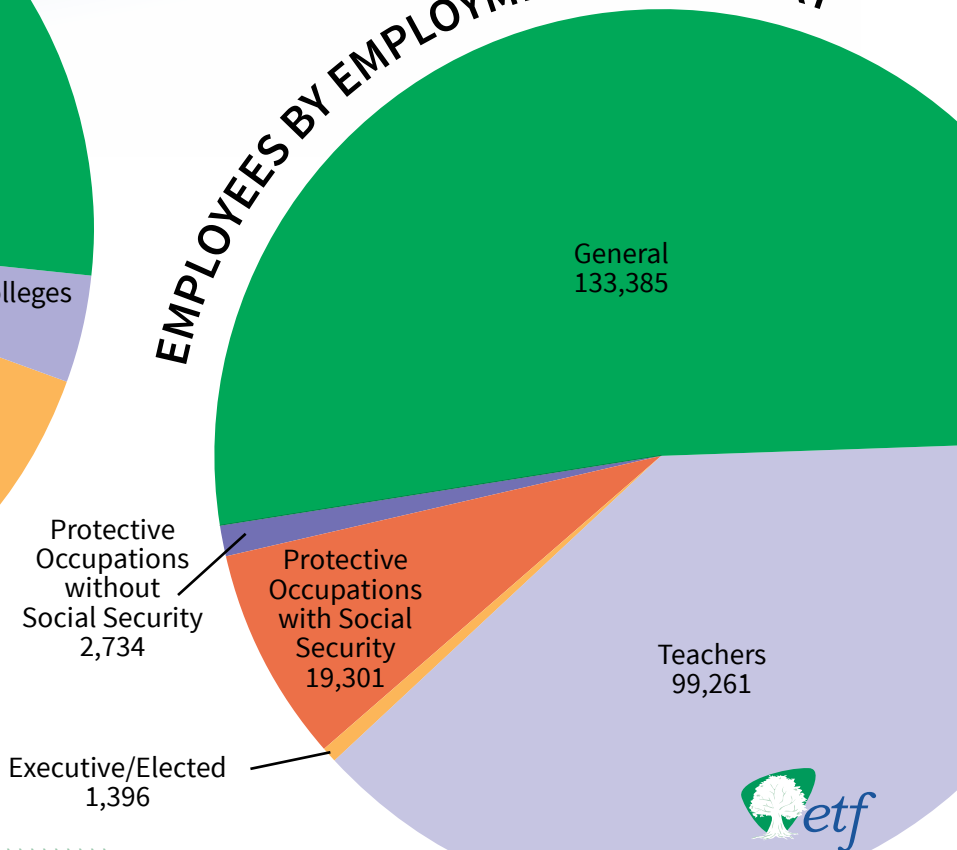
**256K**

public employees in  
Wisconsin's state agencies,  
University of Wisconsin  
System, technical colleges  
and school districts, cities,  
counties, and local units of  
government

### EMPLOYEES BY EMPLOYER TYPE



### EMPLOYEES BY EMPLOYMENT CATEGORY





## WRS: Well Designed = Well Funded

The WRS is a hybrid defined benefit plan. It contains elements of both a 401(k) or defined contribution plan and a defined benefit plan. The WRS is a strong public pension plan because of its stable funding, unique plan design and robust governance. These factors set the WRS apart from the vast majority of other plans in the United States.

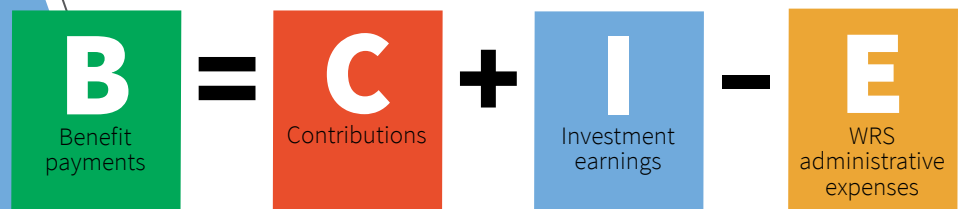
While the average funding level for U.S. public pension plans is 71.2% and generally improving, the WRS is nearly 100% funded.

Here are a few reasons why the WRS is successful:

### PRE-FUNDED

- Contribution rates are set annually by an independent actuary.
- Amounts paid by both employees and employers are paid in full, not deferred into the future.
- Funds are invested for longer periods, which minimizes the chances that one generation will have to pay for the obligations of another.

Pre-funding calculation:



*“WRS contribution rates have been remarkably stable — much more stable than other plans because of its unique structure.”*

— GRS & Company, WRS consulting actuary



## SHARED COSTS & SHARED RISKS

Investment risks and costs of the WRS are shared between government employees, employers (taxpayers) and retirees. Unlike members of other public pension plans, WRS employees and retirees bear most of the risk.

- Contribution rates are generally split evenly between employees and employers and adjusted annually, ensuring full funding of future benefits.
- Post-retirement adjustments (dividends) depend on investment performance and can be reduced based on annual investment returns.
- No guaranteed cost of living adjustments or COLAs.
- Annuities cannot be reduced below the original amount set at retirement.

## FINANCIALLY SOUND

The financial strength of the WRS ensures that benefit promises made today can be kept without burdening future generations.

- **Sustainable** – Assets are sufficient to pay all benefits when due.
- **Contribution Stability and Predictability** – Employee and employer annual pension contributions are paid in full and the contribution rates have remained stable over time.
- **Intergenerational Equity** – The cost of benefits are paid by those who receive the benefits, not passed on to the next generation.
- **Realistic Rate of Return on Investments** – An assumed rate of return of 5.0% for retirees and 7.2% for active employees is used to determine plan liabilities. These rates are more conservative than the national median of 7.5%.
- **Modest Benefits** – The average retirement benefit is approximately \$24,700 per year.

### Funds to pay pension benefits are generated from three sources:

1. Employee Contributions
2. Employer Contributions
3. Investment Earnings





Investment earnings comprise

# 75%

of revenues needed to fund the WRS

*The WRS is a “dominant statewide pension plan” with stable costs, aided by reforms and risk-sharing features.*

— Moody’s Investor Services

## WRS: Well Managed

WRS pension benefit and administrative expenses are paid from the WRS trust funds, not from general state operating revenues.

- **Low Unfunded Liabilities** – Wisconsin is 1 of 4 states with the lowest levels of unfunded liabilities or long-term debt for public employee pension and retiree health care.
- **Low Administrative Costs** – The WRS spends \$21 less than the peer average of \$90 per active member and annuitant.
- **Low Cost for Taxpayers** – State and local governments spend 1.94% of their budgets on the WRS, compared to the national average of 4.1%. No general taxes are required to support the WRS.
- **Investment Earnings** – The State of Wisconsin Investment Board professionally and prudently manages and invests the assets of the WRS. Approximately 75% of WRS benefits paid come from investment earnings.
- **Efficient** – The WRS provides lifetime benefits by pooling mortality and other risks for more than 620,000 participants.



*“Growing up in a large family that farmed, my mom would say, ‘if someone needs help, you should do what you can to help them.’ I am in public service to be a part of an even larger family devoted to helping others. I take great pride in that.”*

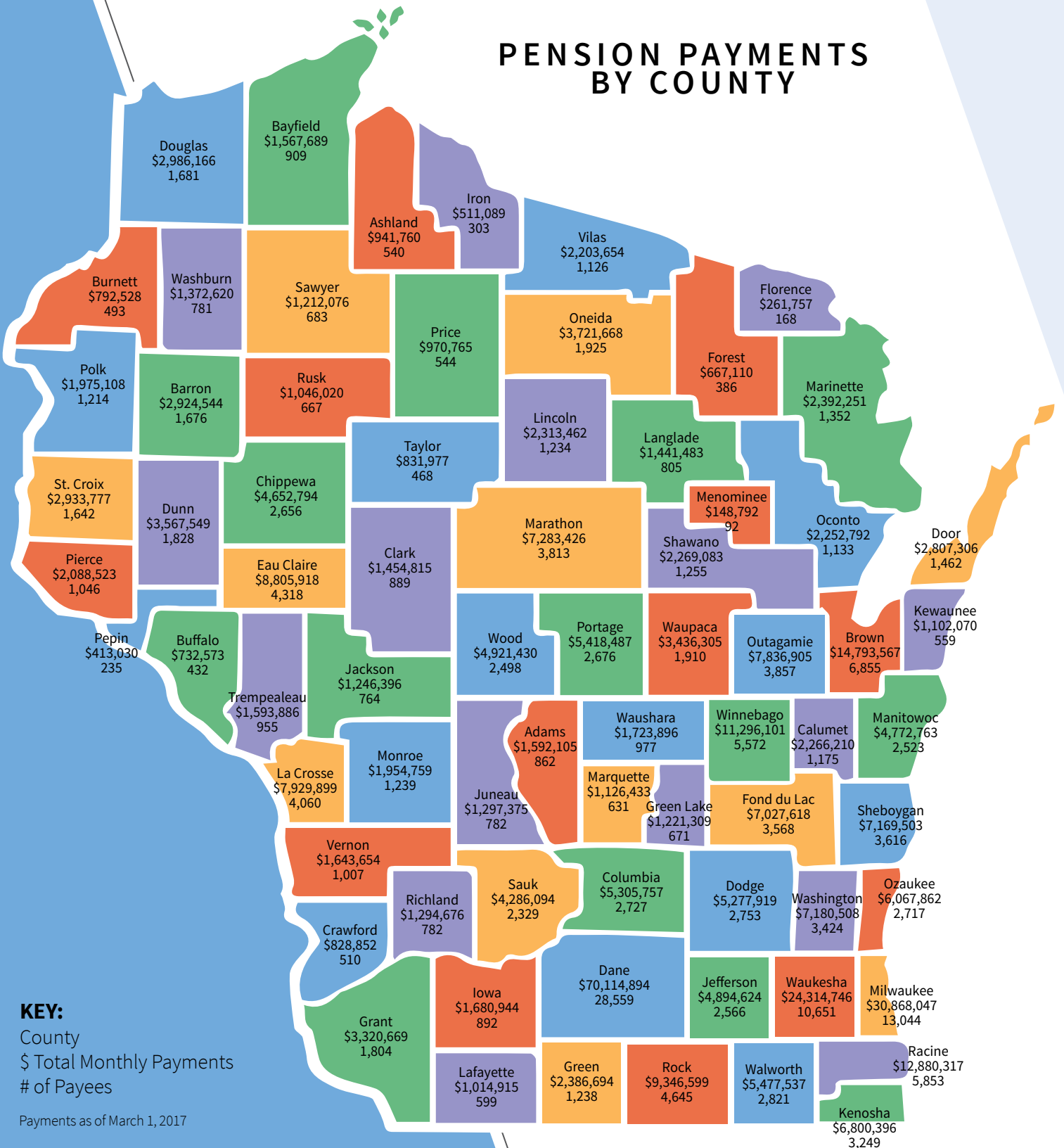
**Maggie**, firefighter and WRS member  
Madison, WI



# WRS: Economic Impact

A well-funded and well-managed retirement plan is not only good for employees, it's also good for Wisconsin. More than 85% of WRS pensions go to retirees living in Wisconsin, who purchase goods and services and pay taxes.

## PENSION PAYMENTS BY COUNTY

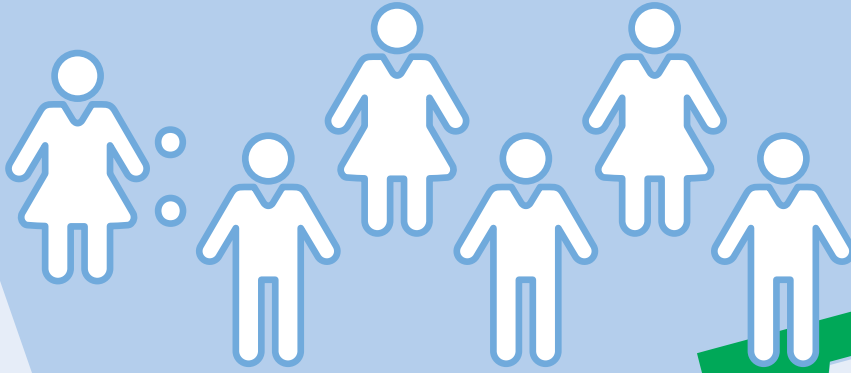


**KEY:**  
 County  
 \$ Total Monthly Payments  
 # of Payees

Payments as of March 1, 2017



# WRS Creates Jobs, Supports Wisconsin's Economy



1 in 5 Wisconsin residents are either a WRS member or are affected by the WRS as a family member.



Expenditures from public pensions supported 44,038 jobs in Wisconsin that paid \$2 billion in wages and salaries, and generated \$1.3 billion in federal, state and local tax revenues.\*



The WRS paid \$4.9 billion in benefits in 2016.



\*Pensionomics 2016: Measuring the Economic Impact of DB Pension Expenditures, report by the National Institute on Retirement Security

# WRS: Strong Public Workforce

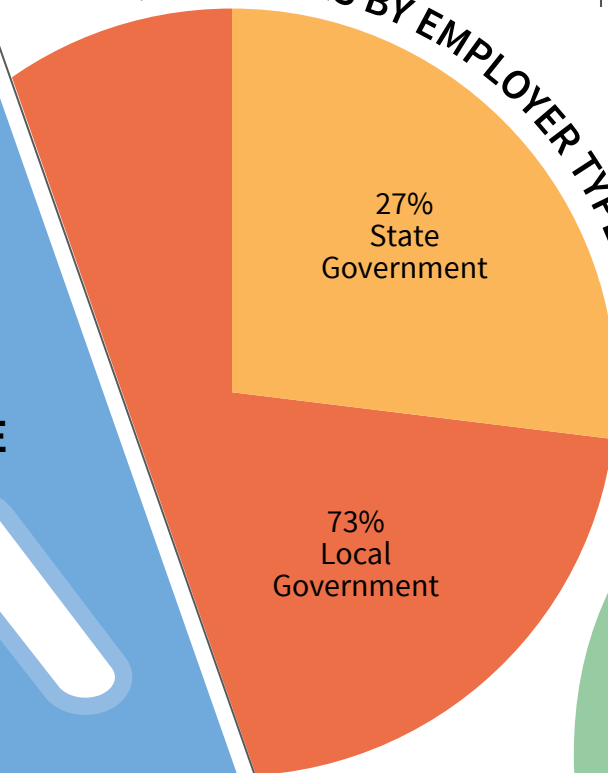
The WRS is an important incentive for qualified workers to choose and stay in public service. Employees often accept lower wages now for future retirement compensation.

**87% of Americans say pensions are a good tool to recruit public employees.**  
– *National Institute on Retirement Security*

The more than 1,500 state and local government employers participating in the WRS understand the value of a well-funded and well-managed retirement plan. Additional local government employers continue to join the WRS. Over the past 5 years, 55 local governments have chosen to join the system.

**Employees with a defined benefit plan are more likely to say that they took their current job because of that benefit. For organizations that offer a defined benefit plan, this presents a significant opportunity to gain competitive advantage in attracting and retaining security-conscious employees.**  
– *Towers Watson*

## EMPLOYEES BY EMPLOYER TYPE



The WRS benefits package is a valuable recruitment tool available to the State of Wisconsin, local governments, technical colleges and school districts throughout the state.

## AVERAGE WRS RETIREE

**60**

Retirement Age

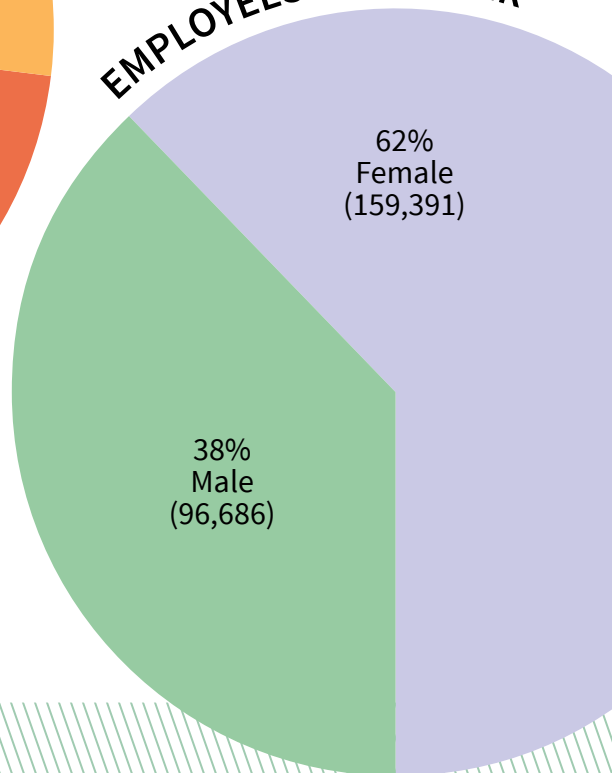
**21**

Years of Service

**\$24,725**

Annual Benefit

## EMPLOYEES BY GENDER



*“Every day I have the opportunity to make a difference in the lives of the kids that I am honored to teach. I challenge myself to consistently keep that idea clearly in focus, and if I am successful, I wholeheartedly believe that I am also helping to make Wisconsin a better place – one learner, one class, and one ‘aha!’ moment at a time.”*

**Steve**, middle school teacher and WRS member  
Ashwaubenon, WI







**Check out ETF's Government Relations web page for:**

- Proposed Wisconsin legislation and laws affecting the WRS and ETF
- Federal issues and legislation
- WRS fact sheets, studies and reports
- National trends and research
- ETF action items

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