



Wisconsin Retirement System

Ensuring Our Commitment to
Service

John Voelker, ETF Secretary

Wisconsin Coalition of Annuitants
May 18, 2023



Public Service

“I think there’s no higher calling in terms of a career than public service, which is a chance to make a difference in people’s lives and improve the world”
- Jack Lew



Our Service to You Must Include

1



Sustainable Benefits

2



Dependable Support

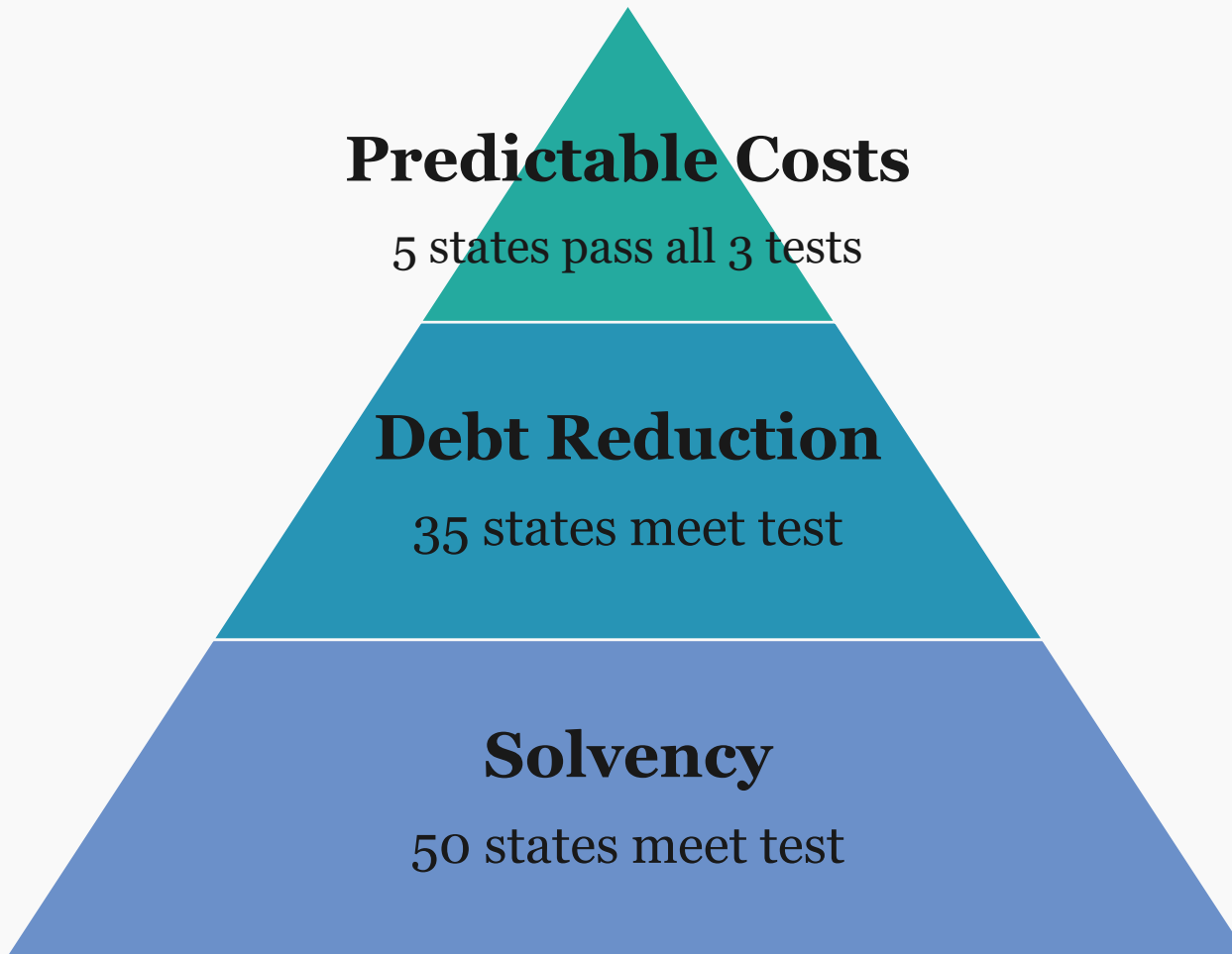


Sustainable Benefits

Wisconsin Has the Most Secure Public Pensions in the Nation

Douglas A. McIntyre
February 6, 2023
247wallst.com

Measuring Sustainability



Predictable Costs: Fiscally sustainable pension plans maintain pension benefits that are sufficient to recruit and retain a public workforce without compromising other state budget priorities.

Debt Reduction: Sustainable funding practices will maintain or reduce the size of pension debt over time.

Solvency: Cash inflows from contributions plus investment returns will be sufficient to fund benefit payments without depleting plan assets and requiring additional expenditures from annual budgets.

Source: Pew's Fiscal Sustainability Matrix Helps States Assess Pension Health
December 10, 2021

Pension Sustainability Report Card



Wisconsin



7% of payroll,
Employer contribution rate,
2020



2.7% of payroll,
Historical contribution volatility,
2008 to 2020



Does stress testing?
Yes



105% Funded ratio, 2020



6% Change in funded ratio,
2008 to 2020



-3.4% Operating cash flow,
2020



Positive net amortization

Source: The Pew Charitable Trusts (Jan 2023). *A Decade of Reforms Has Strengthened State Pension Plans: Based on the latest data, are Wisconsin's policies sustainable?*

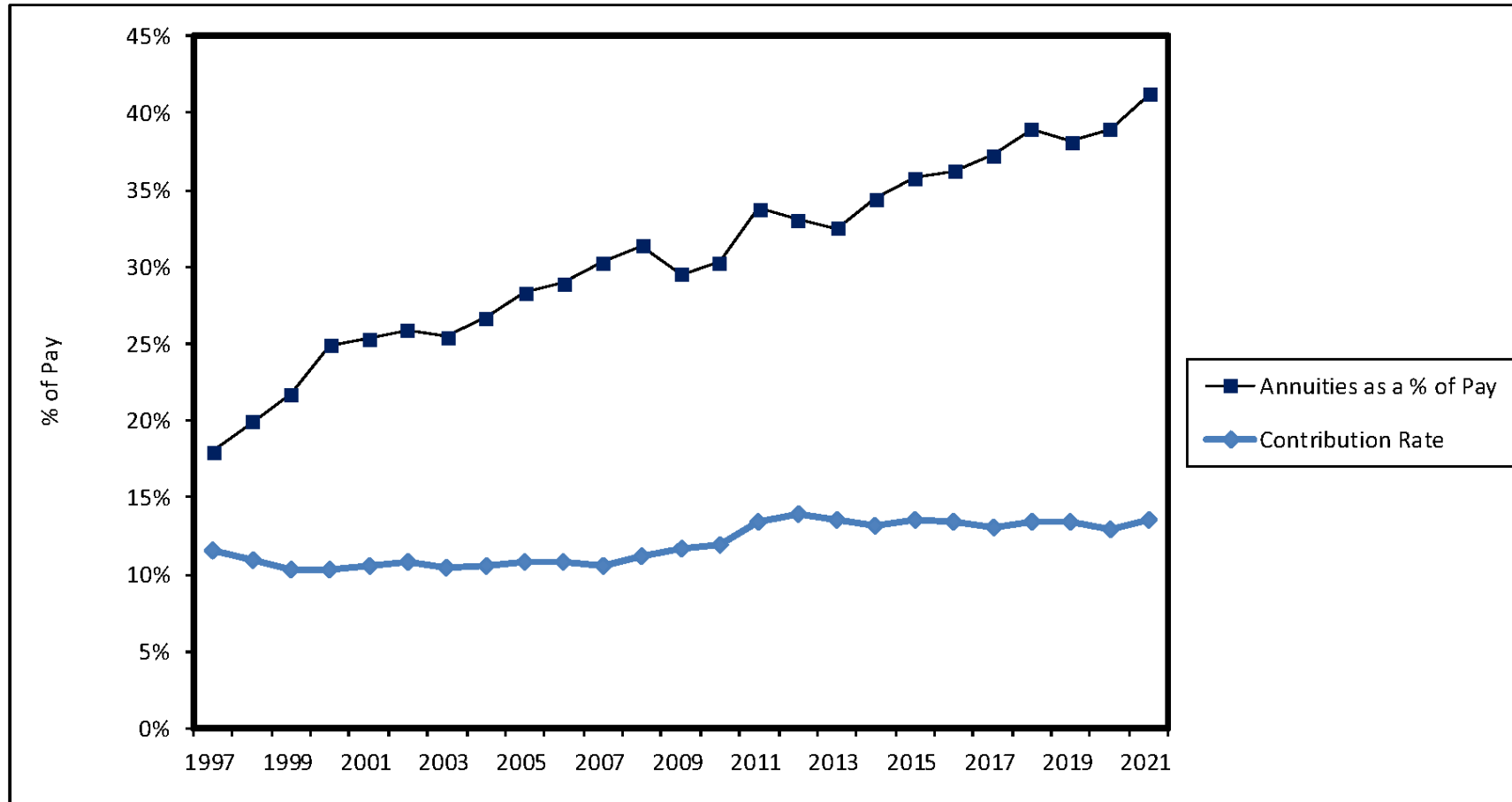
The Retirement Benefit Plan Equation

The diagram illustrates the Retirement Benefit Plan Equation using colored squares and letters. On the left, a red square with a white 'C' is labeled 'Contributions'. This is followed by a black plus sign. Next is a blue square with a white 'I' labeled 'Investment earnings'. This is followed by a black equals sign. Then is a green square with a white 'B' labeled 'Benefit payments'. This is followed by a black plus sign. Finally, on the right, is an orange square with a white 'E' labeled 'Administrative expenses'.

$$\text{Contributions} + \text{Investment earnings} = \text{Benefit payments} + \text{Administrative expenses}$$



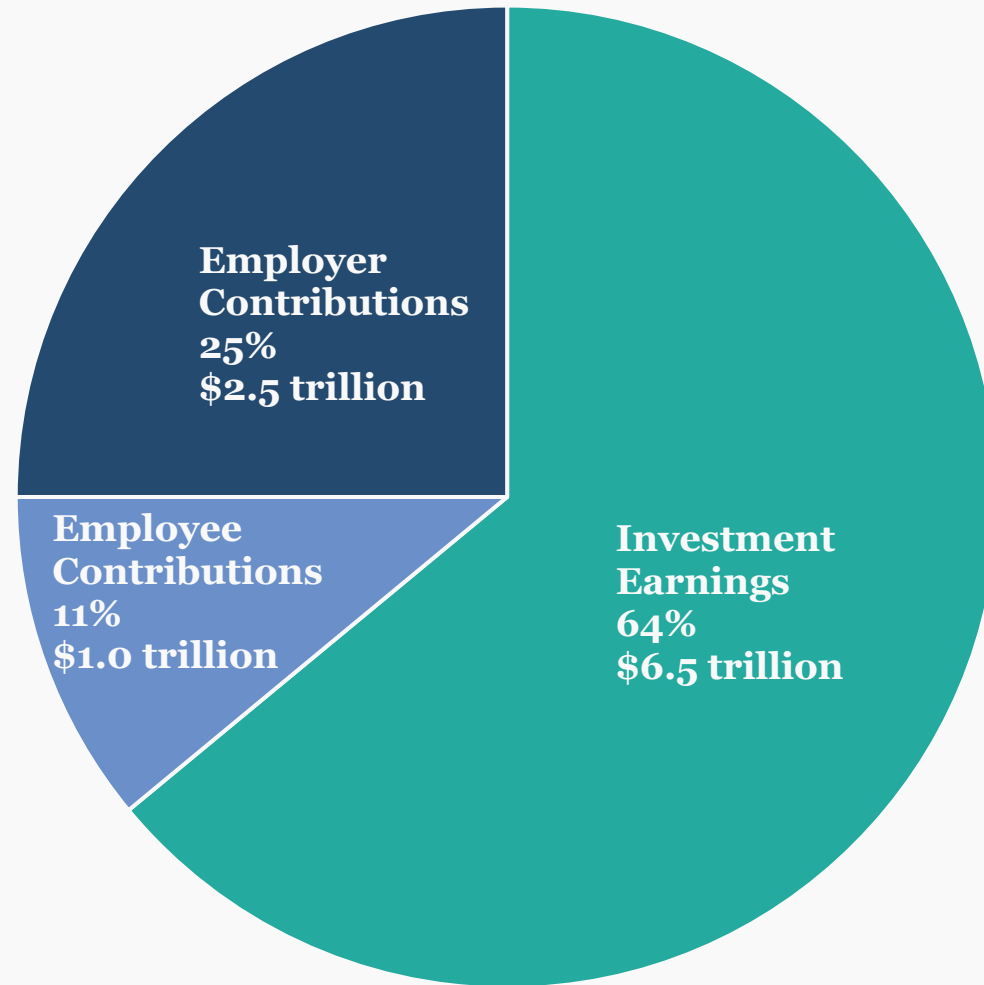
Sufficient Contributions



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

Average total rate shown is for General Participants.

U.S. Public Pension Sources of Revenue, 1992-2021



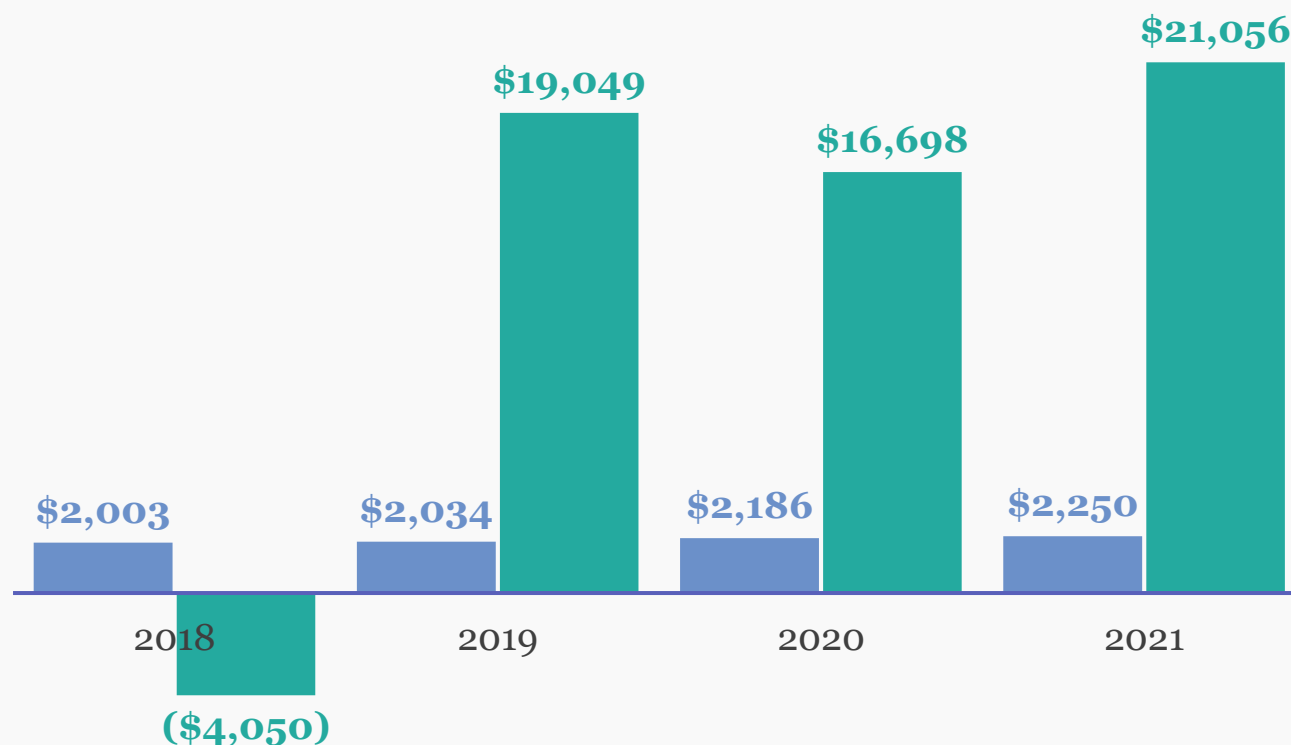
Source: NASRA (March 2023). *NASRA Issue Brief: Public Pension Plan Investment Return Assumptions.*

Investment Income 84% of WRS Revenue

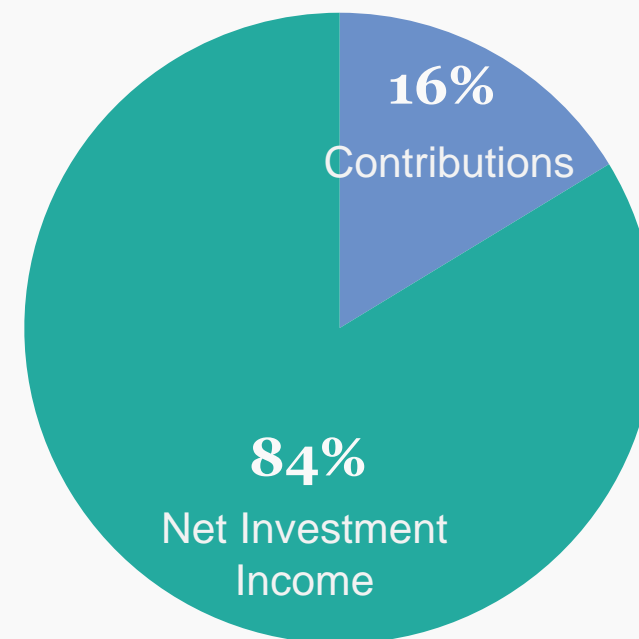
Investment
earnings

WRS Revenues (in Millions) as of December 31

■ Contributions ■ Net Investment Income



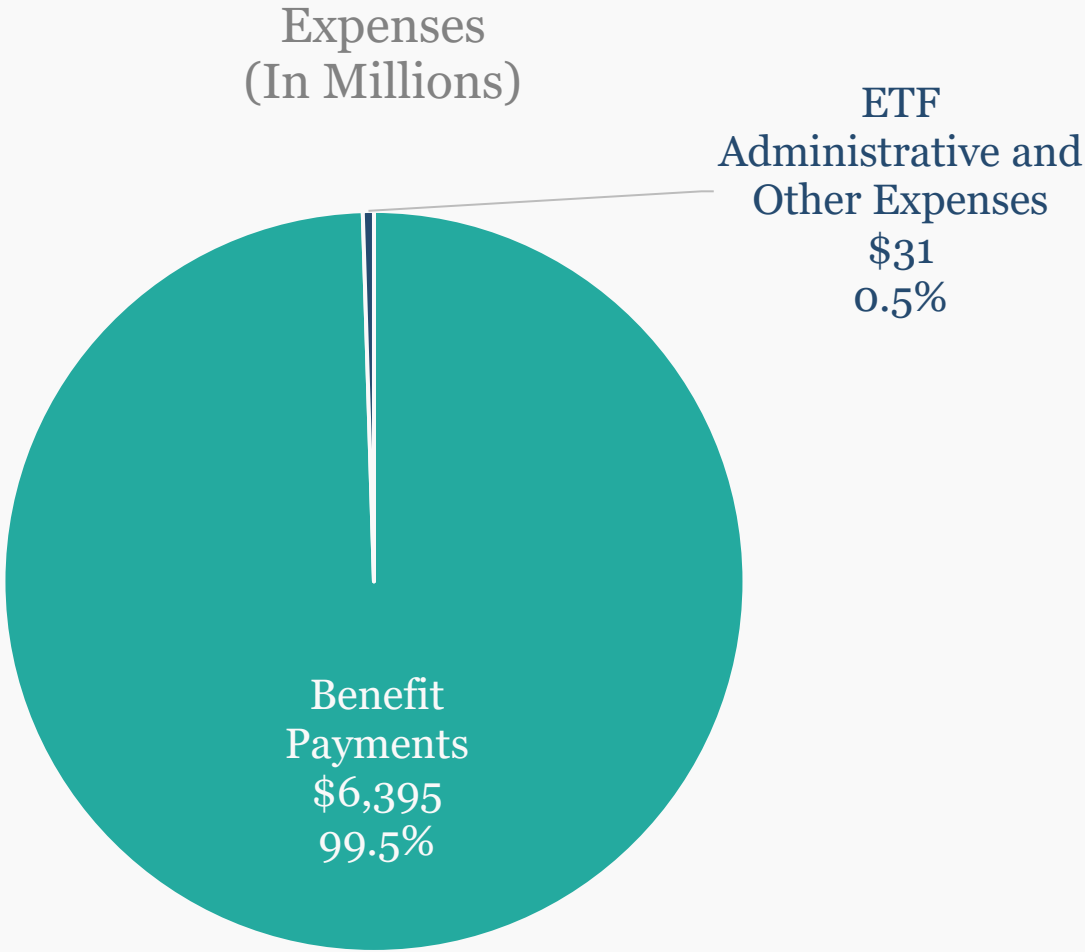
WRS Funding Sources
2012 – 2021





WRS
administrative
expenses

Reasonable Administrative Expenses



B

Benefit
payments

Annuity Adjustments Based on Investment Performance

Smoothed Returns More Than 5%

Annuity Adjustment
Paid

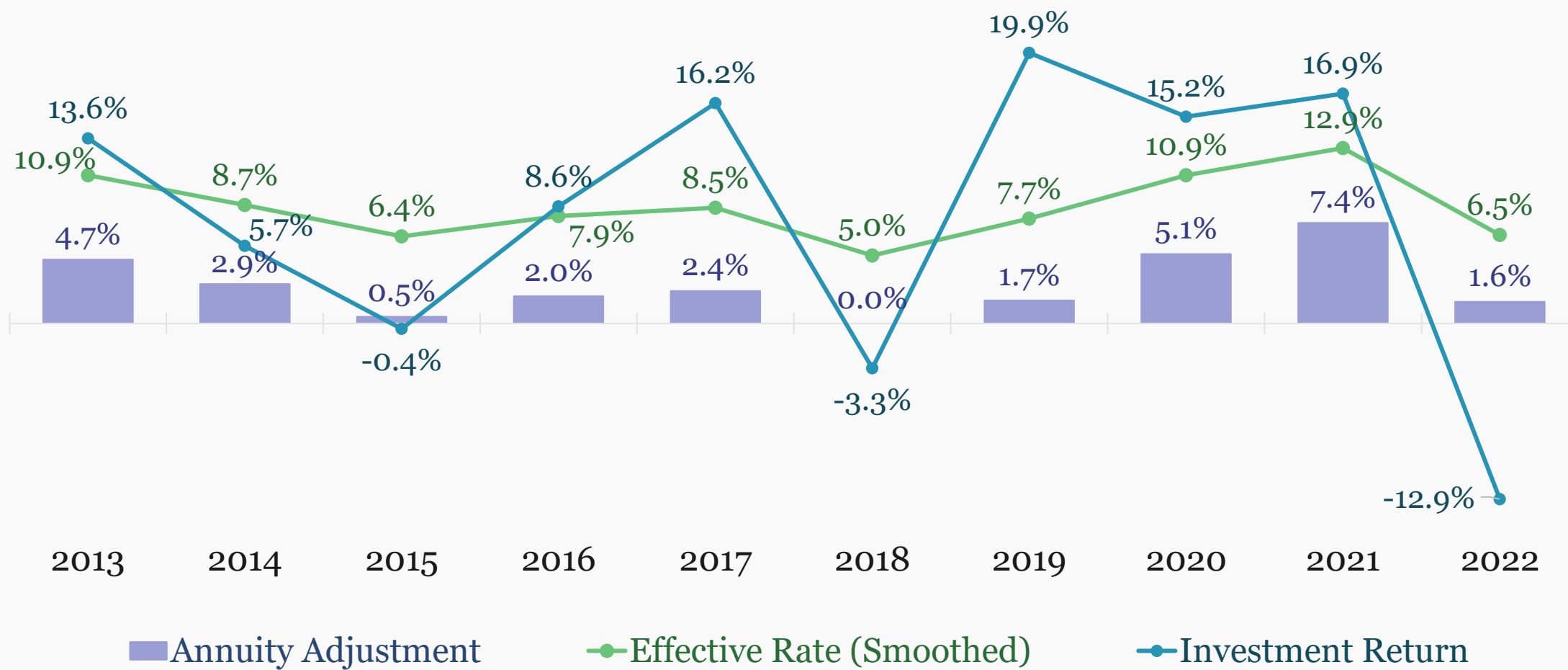


Smoothed Returns Less Than 5%

Annuity Adjustment
not paid or reduced



Impact of Shared Risk



Shared Risk and Value of Core Annuities*

If You Retired in	A \$1,000 Core Annuity is Receiving	The Annual Rate of Increase is	The Annual Change in CPI is
2018	\$1,166	3.1%	3.8%
2013	\$1,319	2.8%	2.6%
2008	\$1,319	1.9%	2.3%
2003	\$1,319	1.4%	2.5%
1998	\$1,671	2.1%	2.5%

*Includes annuity adjustments effective April 1, 2023

Result of 6.8% Investment Return in 2023 - 2026

Rate Type	2022	2023	2024	2025	2026
SWIB Net Investment Return	(12.92%)	6.8%	6.8%	6.8%	6.8%
Effective Rate	6.5%	7.9% to 8.3%	5.9% to 6.3%	4.4% to 4.8%	2.3% to 2.7%
Average Annuity Adjustment	1.6%	2.6% to 3.0%	.7% to 1.1%	(.7%) to 0%	(2.7%) to (2.3%)

Result of 0% Investment Return in 2023 and 6.8% in 2024 - 2026

Rate Type	2022	2023	2024	2025	2026
SWIB Net Investment Return	(12.92%)	0%	6.8%	6.8%	6.8%
Effective Rate	6.5%	6.6% to 7.0%	4.6% to 5.0%	3.0% to 3.4%	.7% to 1.1%
Average Annuity Adjustment	1.6%	1.3% to 1.7%	0%	(2.4%) to (2.0%)	(4.3%) to (3.9%)

Result of -11% Investment Return in 2023 and 6.8% in 2024 - 2026

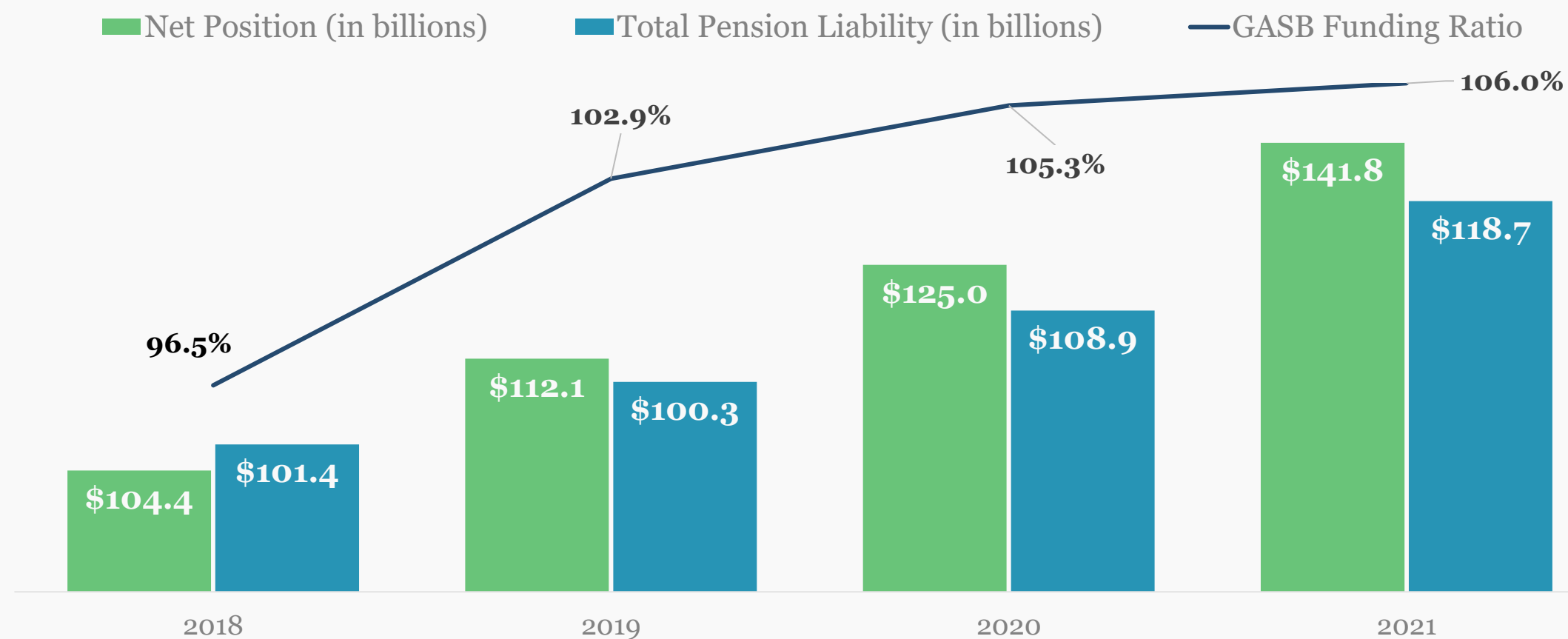
Rate Type	2022	2023	2024	2025	2026
SWIB Net Investment Return	(12.92%)	(11%)	6.8%	6.8%	6.8%
Effective Rate	6.5%	4.5% to 4.9%	2.3% to 2.7%	.4% to .8%	(2.3%) to (1.9%)
Average Annuity Adjustment	1.6%	0%	(3.1%) to (2.7%)	(4.6%) to (4.2%)	(7.1%) to (6.7%)

WRS and the Retirement Benefit Plan Equation

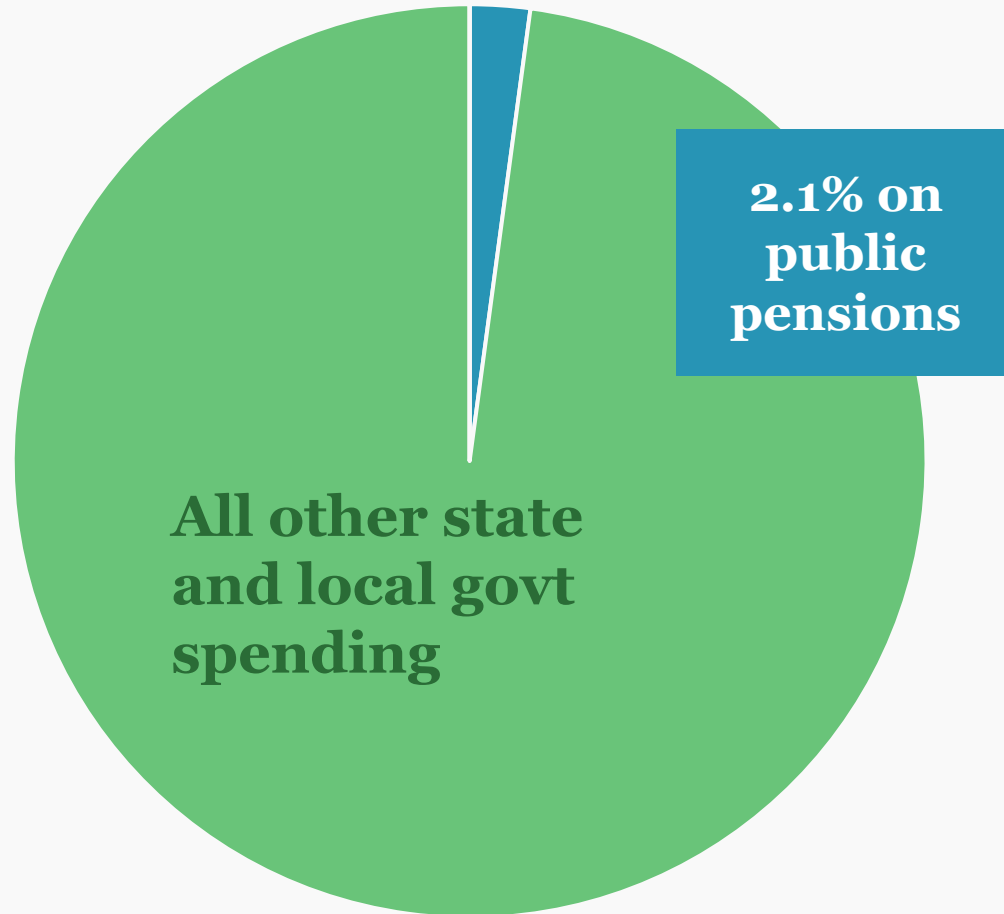
- Consistently Paid Required Contributions
- High Percentage of Income From Investment Earnings
- Risk Sharing Benefit Levels
- Low Expenses

Financial Strength

As of December 31



Low Cost to Wisconsin Taxpayers



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

Fiscal Year 2020

Source: National Association of State Retirement Administrators (February 2023)

Support the Wisconsin Economy

Pension Benefit Multiplier



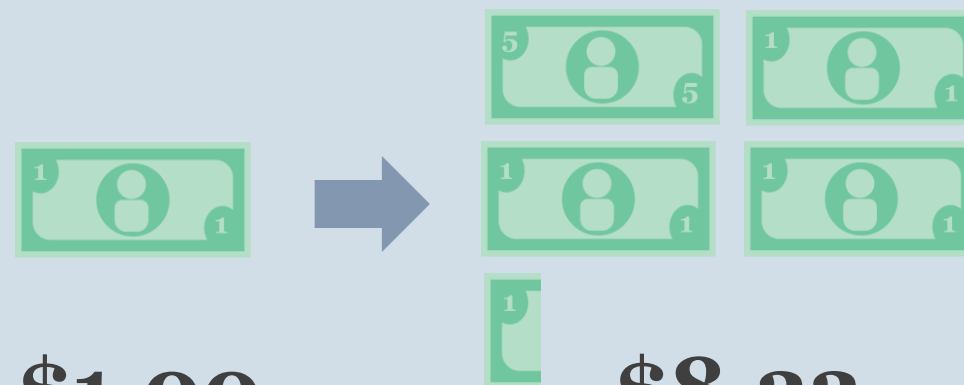
\$1.00

Pension benefits paid
to retirees in
Wisconsin

\$1.29

Total output

Taxpayer Investment Factor



\$1.00

Contributed by
taxpayers to Wisconsin
pensions over 30 years

\$8.22

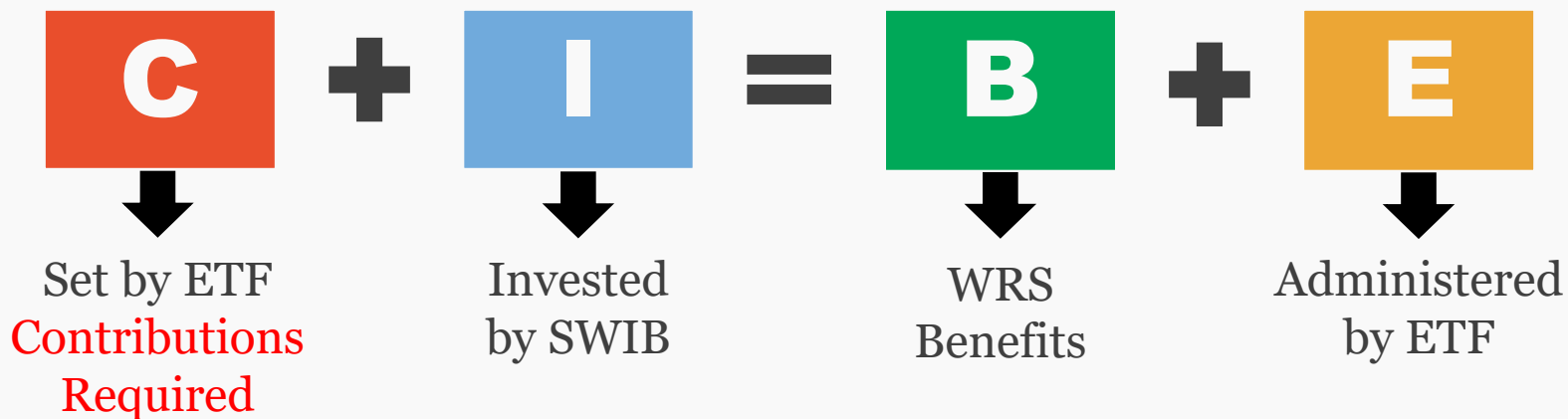
Total output

Source: National Institute on Retirement Security. *Pensionomics 2023: Measuring the Economic Impact of DB Pension Expenditures*

WRS Financial Strength and Milwaukee

Assembly Bill 245

- Requires only **Newly Hired** City (1,250/year) and County Employees (450/year) to be Enrolled in WRS
- City and County Governments Responsible for Existing Unfunded Liability





Dependable Support

Dependability Means We...



Calculate Benefits
Accurately



Ensure health
insurance benefits
and payments are
handled effectively



Pay the right
amount



Provide expert
guidance when you
need it



Ensure payments
arrive at the bank
on the first of the
month



Keep your personal
information safe

Dependability is Not This

Aging, **outdated technology** leaves air travel at risk of meltdown
(CNN 1/13/23)

Southwest Airlines is discovering the true cost of **outdated tech**
(Carrier Management 1/5/23)

Holiday meltdown exposes Southwest Airlines' **technology woes**
(Dallas Morning News, 12/29/22)

Warnings from Southwest's meltdown – **old software** creates legal risks
(Law.com 1/10/23)



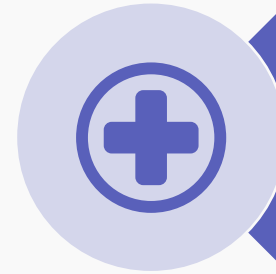
Business Risks of Using Outdated Technology

- Crashes and System Failures
- Increased Costs
- Decreased Productivity
- Security Weaknesses
- Legal and Regulatory Compliance Risks

Outdated Technology Increases Risks of ETF's Ability to...



Calculate Benefits
Accurately
(36 and 24 years)



Ensure health
insurance benefits and
payments are handled
effectively (12 years)



Pay the right amount



Provide expert
guidance when you
need it



Ensure payments
arrive at the bank on
the first of the month
(14 years)



Keep your personal
information safe

Modernization Project Accomplishments

Data Management Program

- Implementing the Master Data Management Solution
- Developing the data warehouse
- Building data governance and data quality functions

Enterprise Content Management

- OnBase went live November 2021
- Provides the functions that capture, store, retrieve, share, manage, and integrate information
- Less time entering documents manually, receive documents quicker, and help members more efficiently

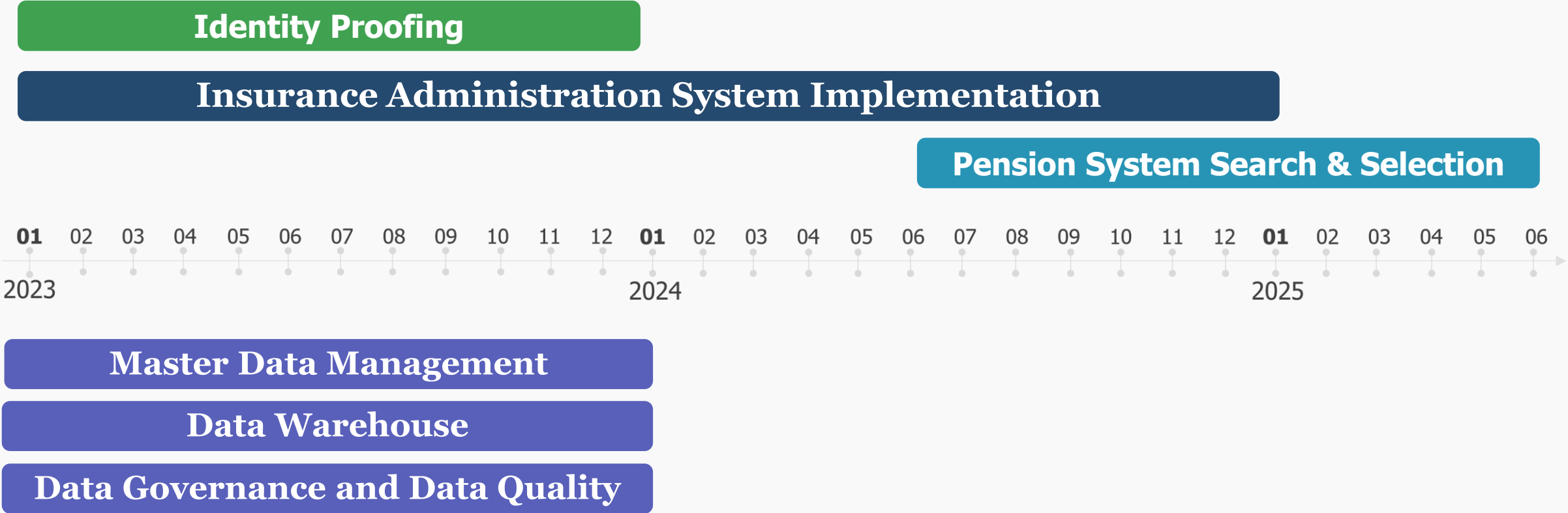
Insurance Administration System

- Vendor/system selected
- University of Wisconsin first employer group to test new system
- Engaged with other state and local employers
- Anticipated system implementation is Summer 2024

Technology Program

- Establishing infrastructure to support new systems
- New authentication system implemented to coordinate with MyWisconsin ID

Modernization Estimated Timeline



Biennial Budget Request: Ensure Dependable Support

Replacement of Outdated Technology

- Funding for 7 new positions
- Modernization Support
 - \$15 million (FY23-24)
 - \$19 million (FY 24-25)

Ensure Critical Customer Service

- Funding for 7 new positions and services to maintain basic, critical customer service functions for members and employers
- Total ETF member population increased by 14.1%, Retiree population increased 41.9%
- Funding for 2 new financial/actuarial analyst positions



“Your success will
always be measured
by the quality and
quantity of service
you render.”

— Earl Nightingale

Thank You

A grayscale image of a hand holding a large pile of coins. A tree with a full canopy of leaves is growing out of the coins. The background is a soft, out-of-focus gray.

ETF E-mail Updates



1-877-533-5020

