



Wisconsin Retirement System

Meeting Our Dependability
Obligation

John Voelker, ETF Secretary

UW-Madison Retirement Association
April 13, 2023



Dependability

to have confidence in someone or something

Our Agenda - Pension Dependability

1



Financial Strength

2



Trustworthy Service

Who Depends on Us - People

Active WRS Members

- 257,683

Number of WRS Employers

- 1,555

Annuitants

- 233,804
- Variable Annuitants 42,251

Inactive Members

- 174,573



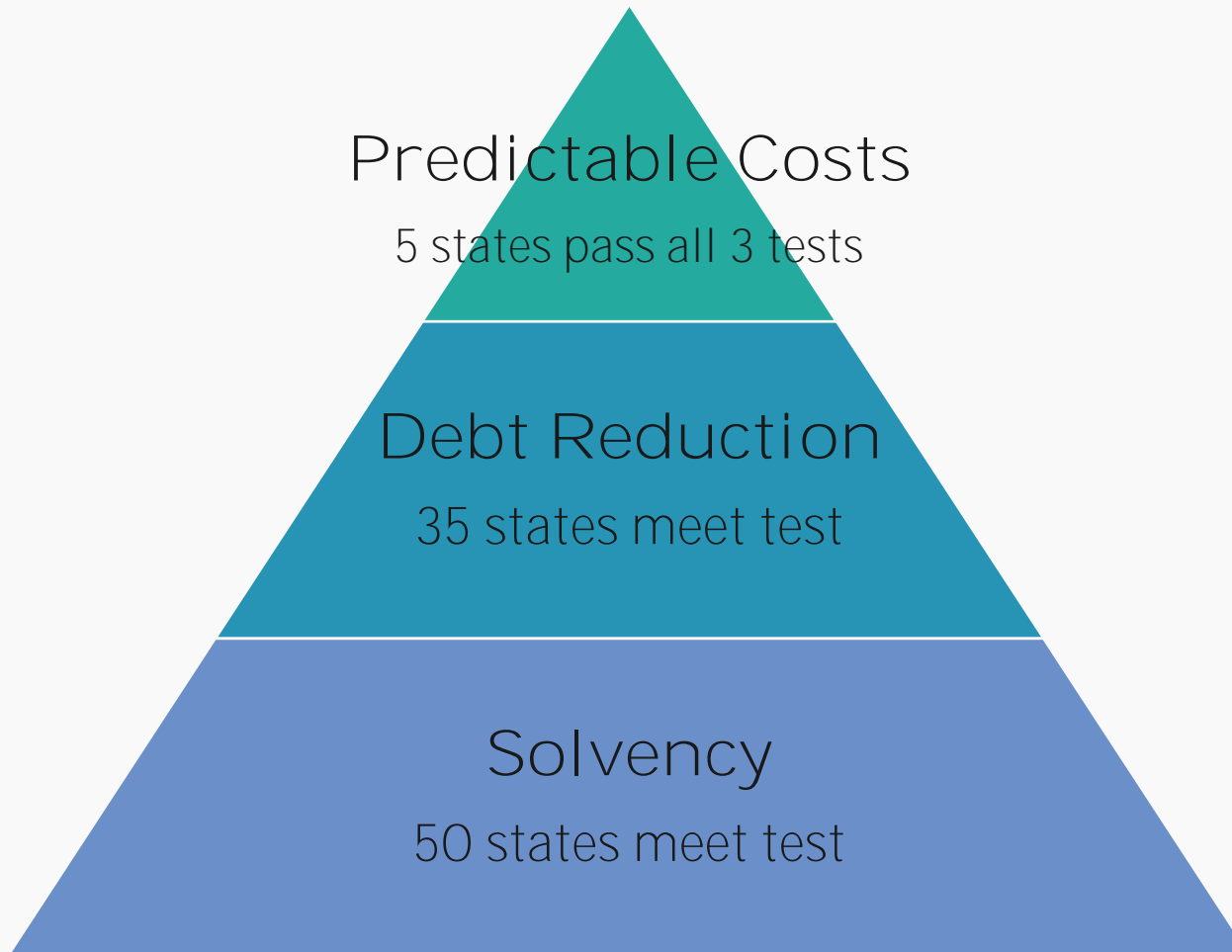


WRS Financial Strength

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

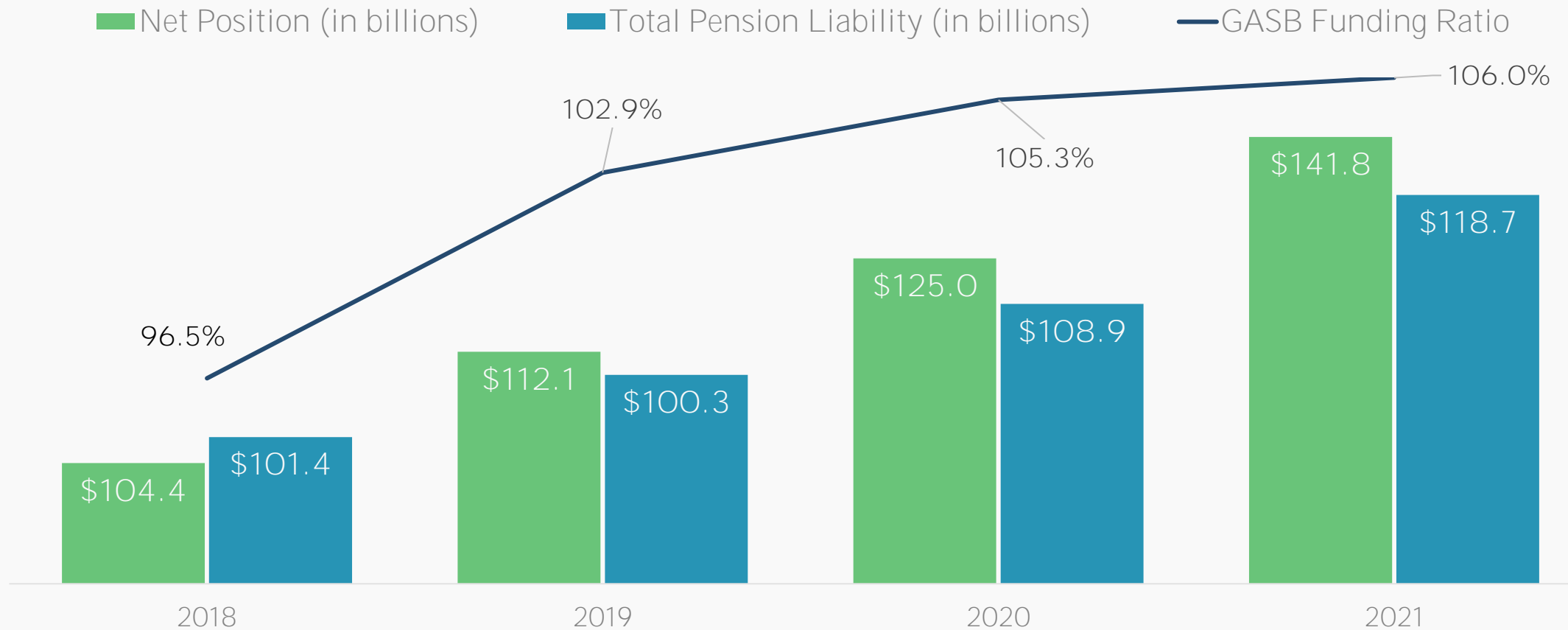


Positive net amortization

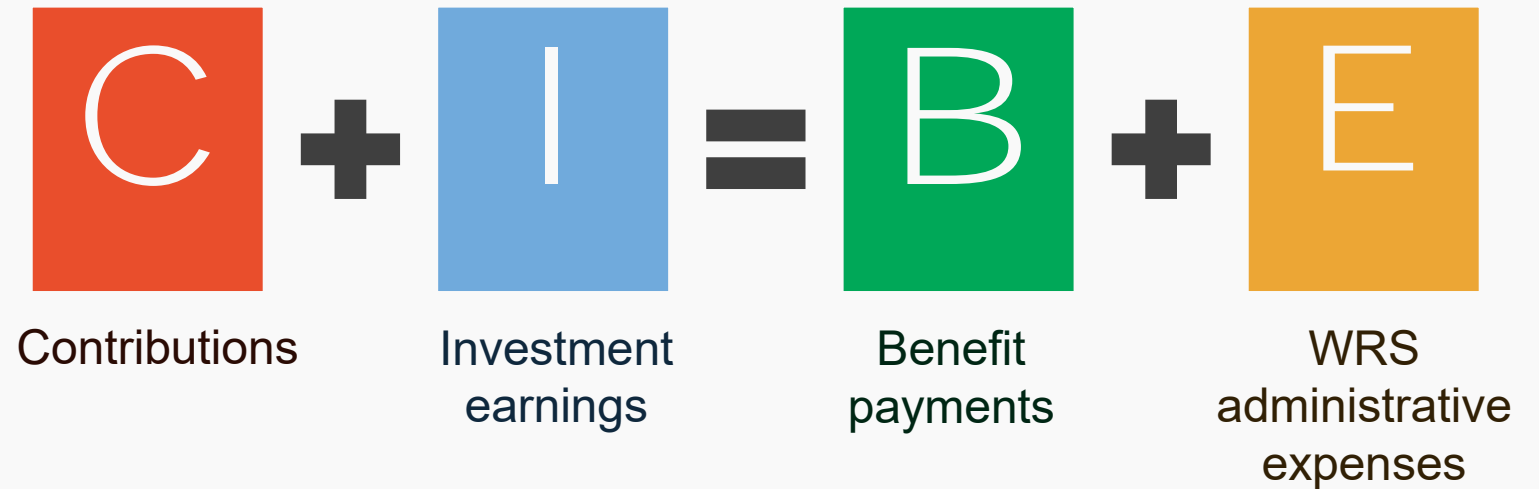
Source: The Pew Charitable Trusts (Jan 2023). *A Decade of Reforms Has Strengthened State Pension Plans: Based on the latest data, are Wisconsin's policies sustainable?*

WRS Financially Strong

As of December 31

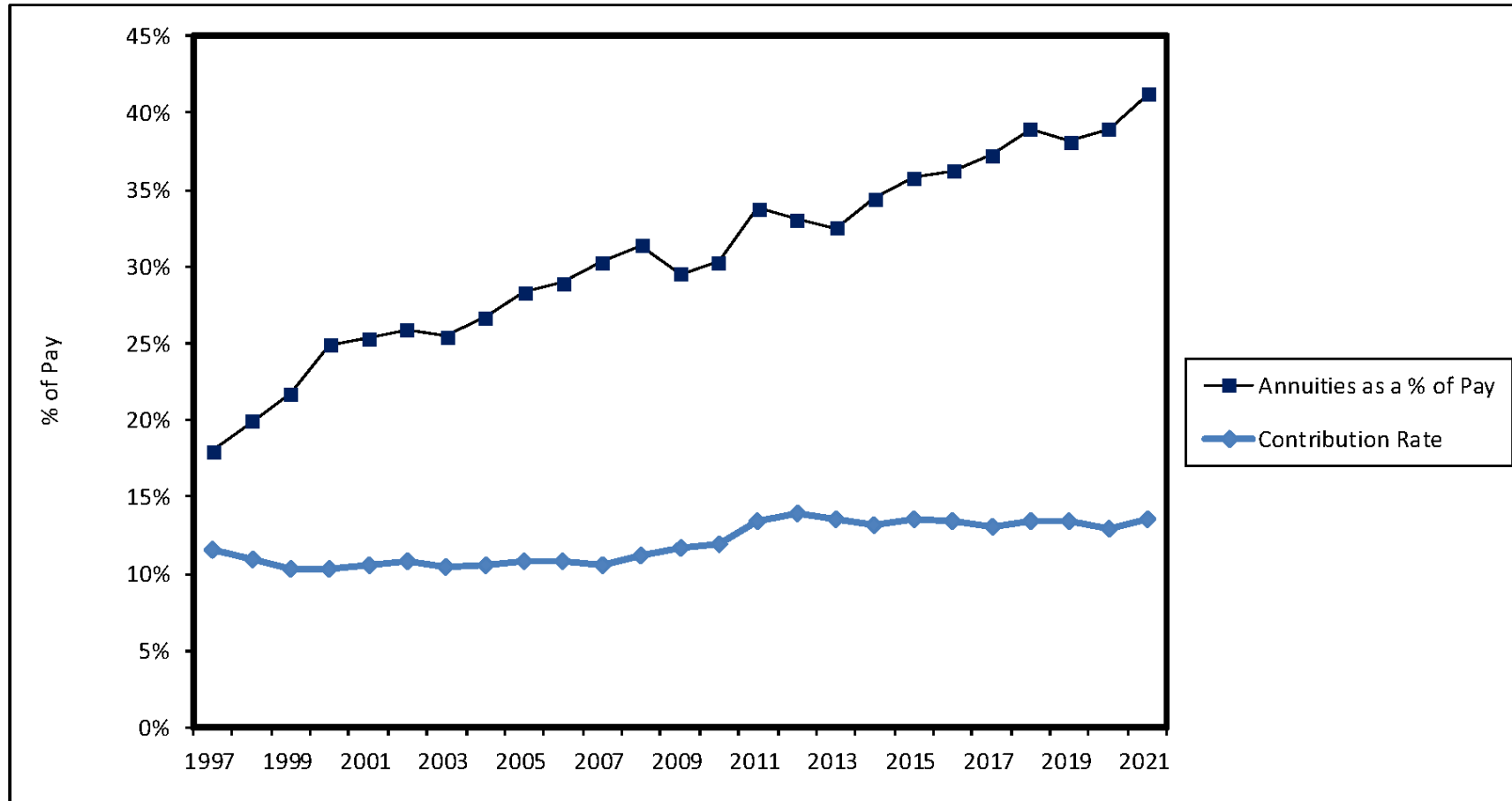


The Retirement Benefit Plan Equation





Sufficient Contributions

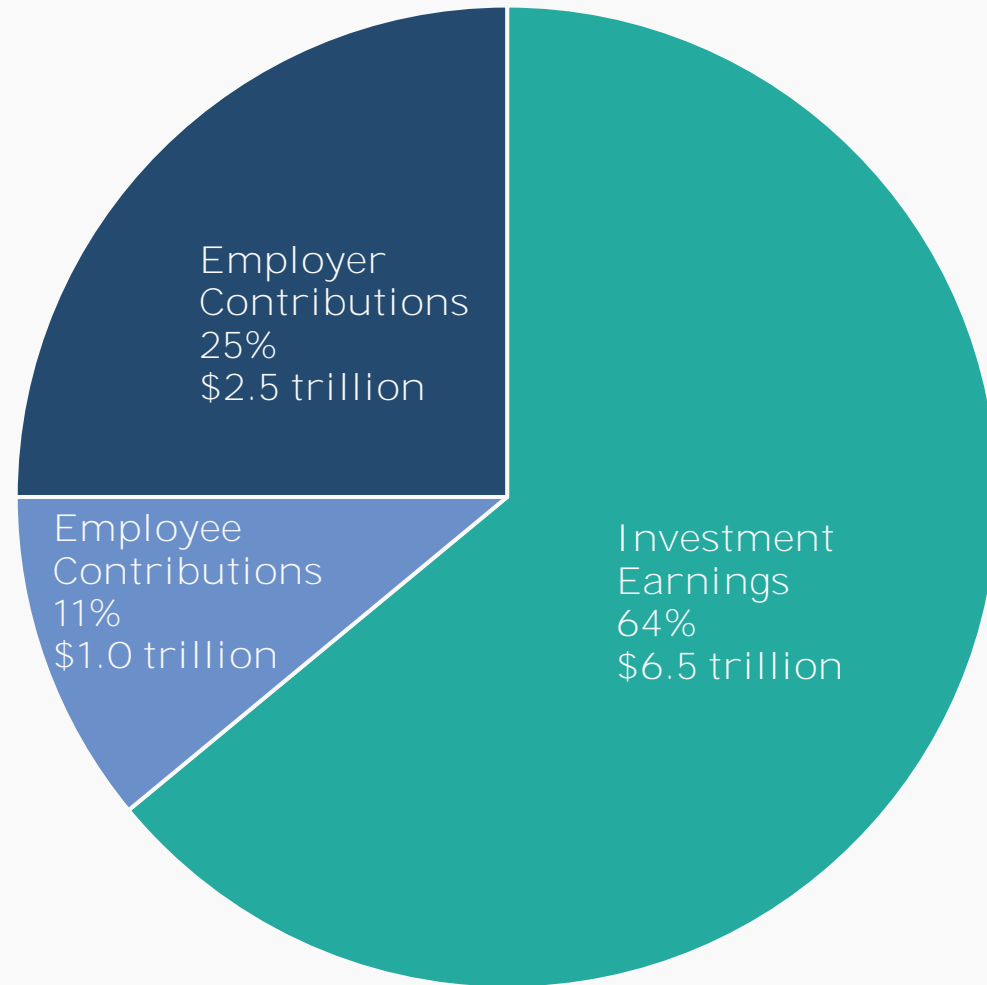


Annuities are expected to continue to increase as a percent of payroll for several more decades.

Average total rate shown is for General Participants.



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

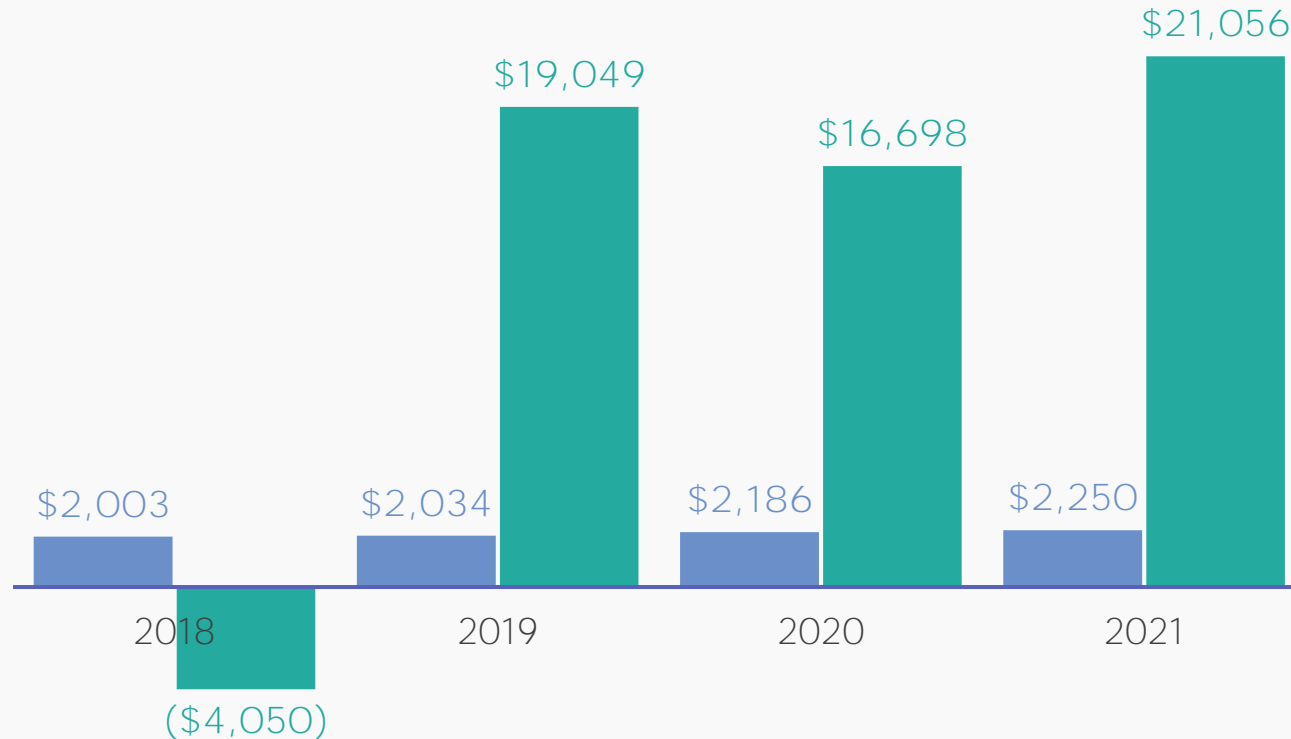


Source: NASRA (March 2023). *NASRA Issue Brief: Public Pension Plan Investment Return Assumptions.*

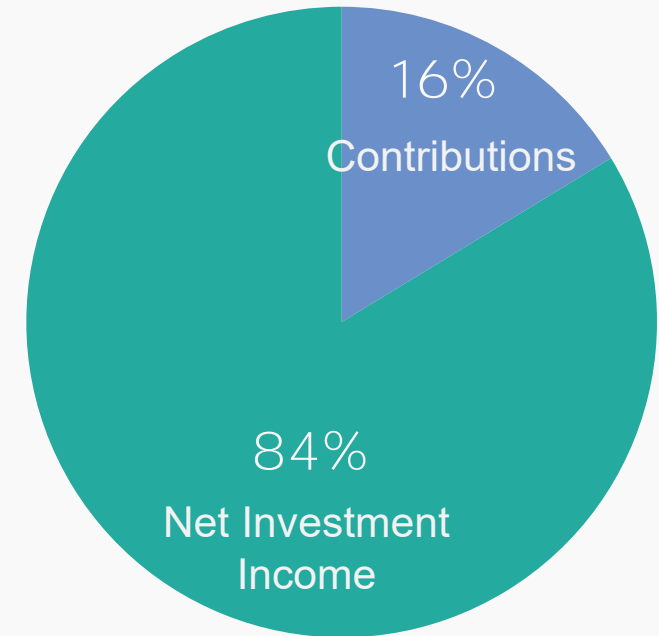
Investment Income 84% of WRS Revenue

WRS Revenues (in Millions) as of December 31

■ Contributions ■ Net Investment Income



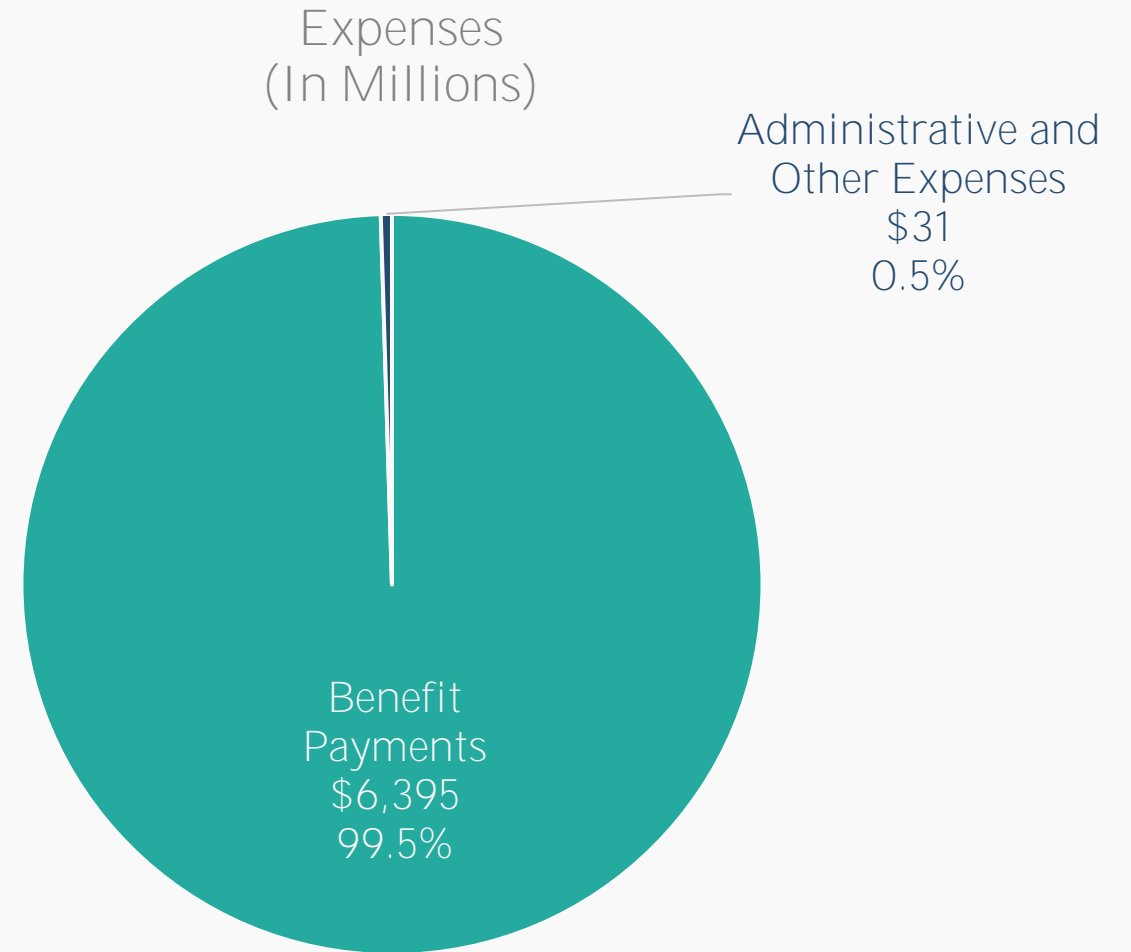
WRS Funding Sources 2012 – 2021



E

WRS
administrative
expenses

Reasonable Administrative Expenses



B

Benefit payments

Benefit Levels Dependent on Investment Performance

Smoothed Returns More Than 5%

Annuity Adjustment Paid

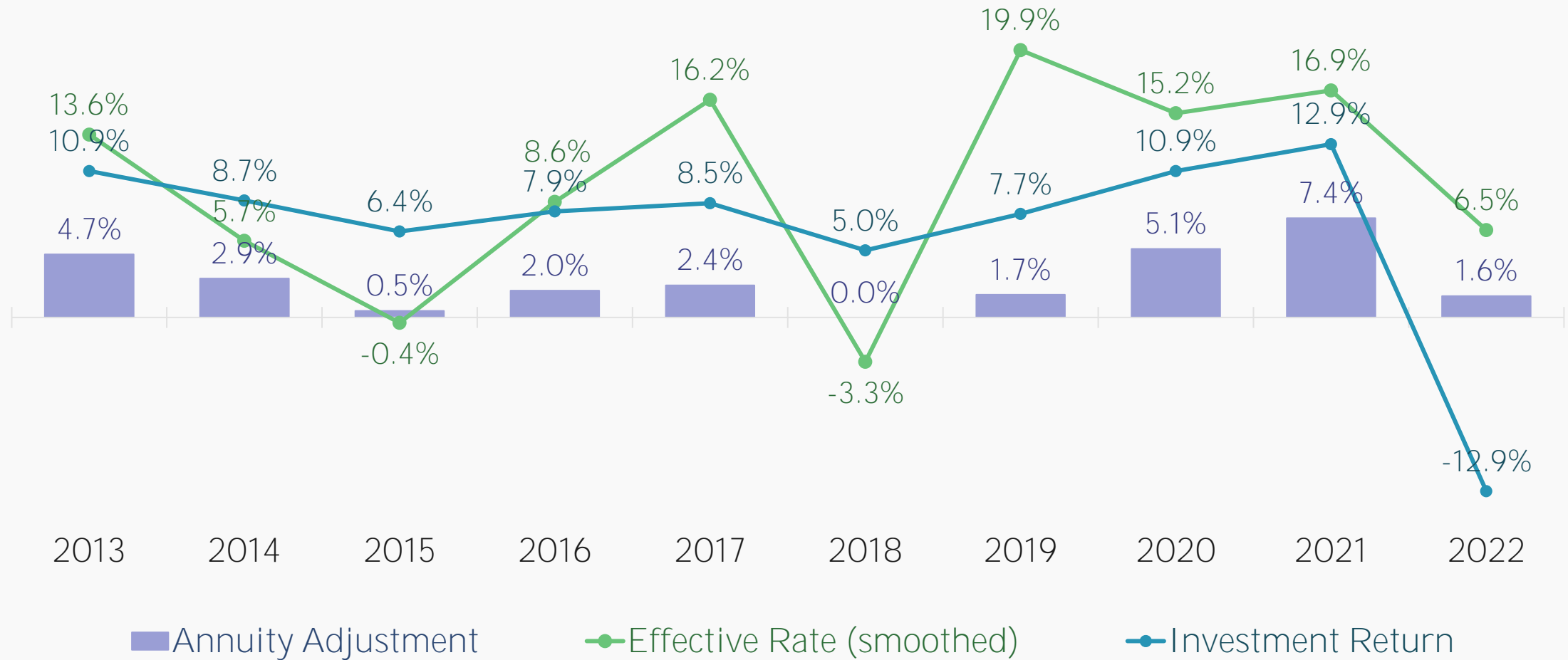


Smoothed Returns Less Than 5%

- Annuity Adjustment not paid or reduced



Impact of Shared Risk



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

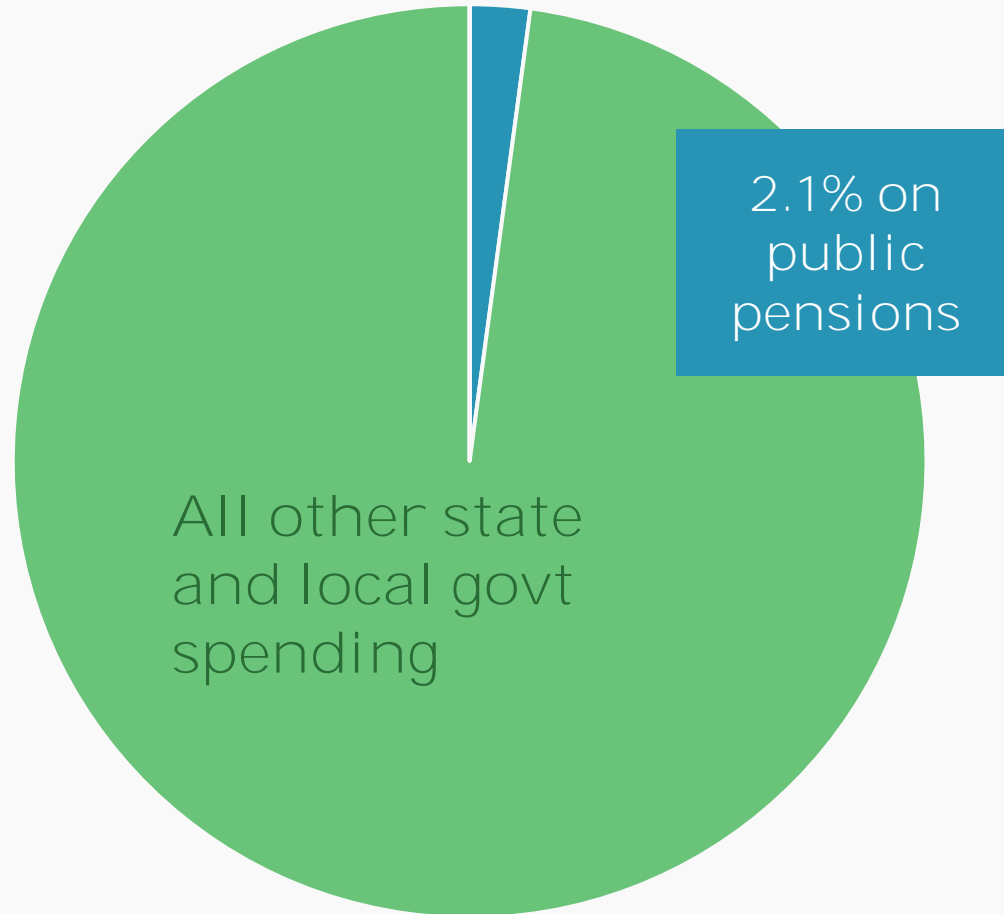
Rate Type	2022	2023	2024	2025	2026
SWIB Net Investment Return	(12.92%)	(11%)	6.8%	6.8%	6.8%
Effective Rate	6.5%	4.5% to 4.9%	2.3% to 2.7%	.4% to .8%	(2.3%) to (1.9%)
Average Annuity Adjustment	1.6%	0%	(3.1%) to (2.7%)	(4.6%) to (4.2%)	(7.1%) to (6.7%)

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%

*Including annuity adjustments to be made effective April 1, 2023

Cost to 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)

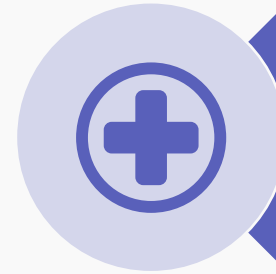


Trustworthy Service

ETF 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

Is This Dependability?

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)



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

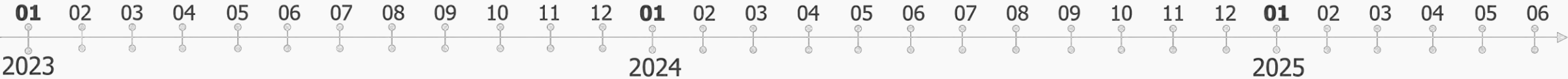
- Establishing infrastructure to support new systems
- New authentication system implemented to coordinate with MyWisconsin ID

Modernization Estimated Timeline

Identity Proofing

Insurance Administration System Implementation

Pension Search & Selection



Master Data Management

Data Warehouse

Data Governance and Data Quality



Biennial Budget Request: Ensure Trustworthy Service

Replacement of Fragile IT Infrastructure

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

Maintaining Critical Customer Service and Financial Functions

- 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

Without dependability one's ability may be a liability instead of an asset.

- Woodrow Wilson



Thank You



ETF E-mail Updates



1-877-533-5020

