

OUR WISCONSIN RETIREMENT SYSTEM

Strong for Wisconsin





*ETF executive team:
Pam Henning, Assistant Deputy
Secretary; John Voelker, Secretary; and
Shirley Eckes, Deputy Secretary.*

The Wisconsin Retirement System was created forty years ago and in that time has established itself as a model public pension system and one of the best funded in the country. Our WRS is well positioned to pay promised benefits to more than 678,000 members long into the future because of the system's cost- and risk-sharing design and disciplined administration.

One in five Wisconsin residents are either a WRS member or are affected by the WRS as a family member. The Department of Employee Trust Funds appreciates the significance of this responsibility and works hard to develop and deliver quality services and safeguard the integrity of the trust funds.

In these pages you will find information that demonstrates the strength of the WRS. This includes how the well-managed WRS contributes to individual retirement security, helps build a strong public workforce, and supports local economies across the state. It is truly a system to be proud of.

Sincerely,

John Voelker
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.

WRS \$132.3 BILLION IN ASSETS 10th LARGEST IN THE USA

The WRS is among the best funded and best managed public pension systems in the country. With some \$132.3 billion in assets, it is the 10th largest U.S. public pension fund. Approximately 678,000 individuals participate in the WRS.



annuitants
(retirees, disability
and beneficiaries)



former public employees
with deferred benefits



1,586

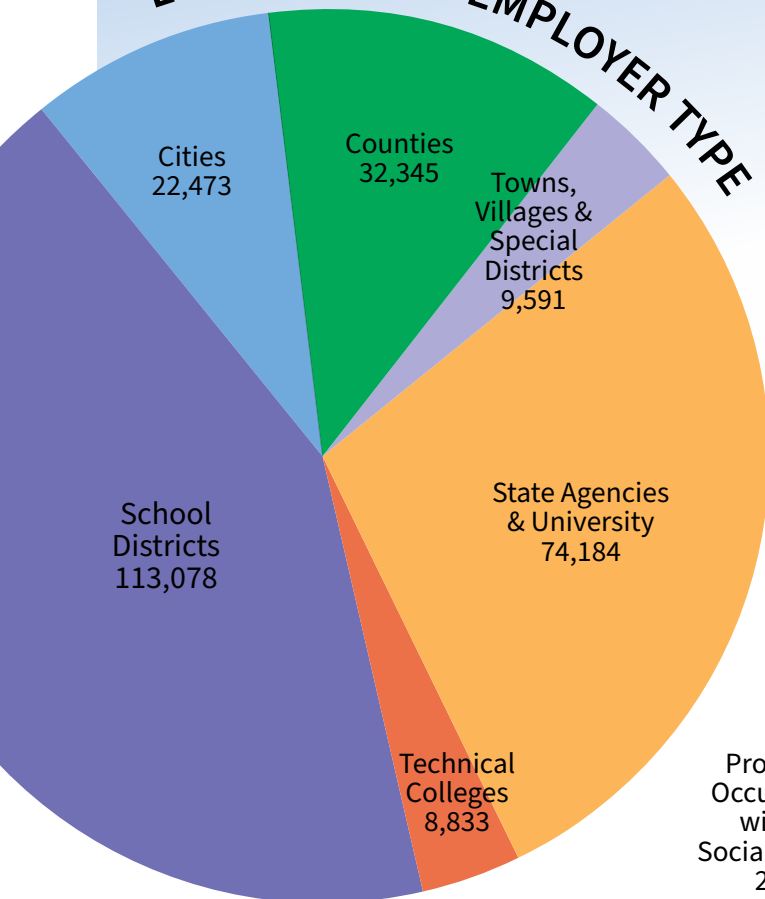
state and local
government units
throughout Wisconsin



261K

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.

Although a number of plans are near or above 100%, the median funding level in 2022 was 77.1%. The WRS is 96% funded as of December 31, 2022.

Here are a few reasons why the WRS is successful:

PRE-FUNDED

- Contribution rates are determined 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:

$$\begin{array}{ccccc} \text{B} & = & \text{C} & + & \text{I} & - & \text{E} \\ \text{Benefit} & & \text{Contributions} & & \text{Investment} & & \text{WRS} \\ \text{payments} & & & & \text{earnings} & & \text{administrative} \\ & & & & & & \text{expenses} \end{array}$$

Wisconsin is among a few states whose public retirement systems have not reduced pension benefits nor reduced, suspended, or eliminated annuity adjustment since 2009, according to the National Association of State Retirement Administrators.

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 6.8% for active employees is used to determine plan liabilities. This rate is lower than the national median of 7.0%.
- **Modest Benefits** – The median annual retirement benefit is \$25,500.

Funds to pay pension benefits are generated from three sources:

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

Investment income accounts for approximately 78% of the WRS revenues over the past 10 years.





WRS: Well Managed

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

- **Low Cost for Taxpayers** – Wisconsin state and local governments spend 2.13% of their budgets to fund public employee pension benefits.* Nationally, this figure is 5.06%.
- **Low Unfunded Liabilities** – WRS has one of the lowest levels of unfunded liabilities or long-term debt for public employee pensions.
- **Strong Investment Earnings** – The State of Wisconsin Investment Board professionally and prudently manages and invests the assets of the WRS. Approximately 78% of WRS benefits paid come from investment earnings.
- **Efficient** – The WRS provides lifetime benefits by pooling mortality and other risks for more than 678,000 participants.

*percentages include City of Milwaukee and Milwaukee County

“Wisconsin (has) demonstrated that fiscal discipline and sound policy can help states keep pension promises by maintaining full funding and stable costs.”

— Pew Charitable Trusts



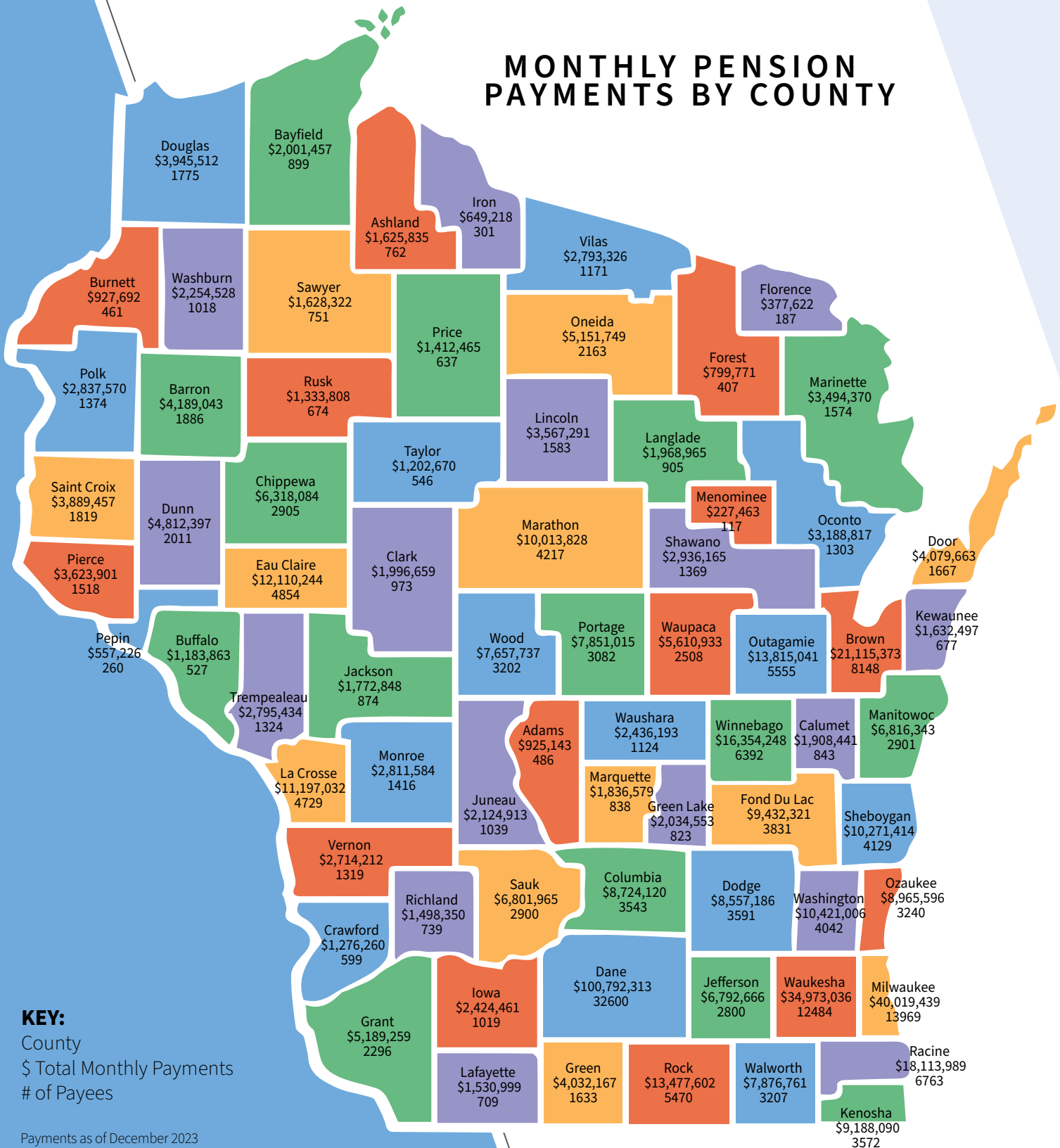
"You know you're in the right job when you go to work every day and say to yourself that you get to serve the citizens of this county. I welcome the challenge of providing safe roads for people to travel. There is a great deal of satisfaction in exceeding the public's expectations when it comes to the quality of service that we can deliver to improve the quality of everyone's lives."

Jim, Fond du Lac County employee and WRS Member

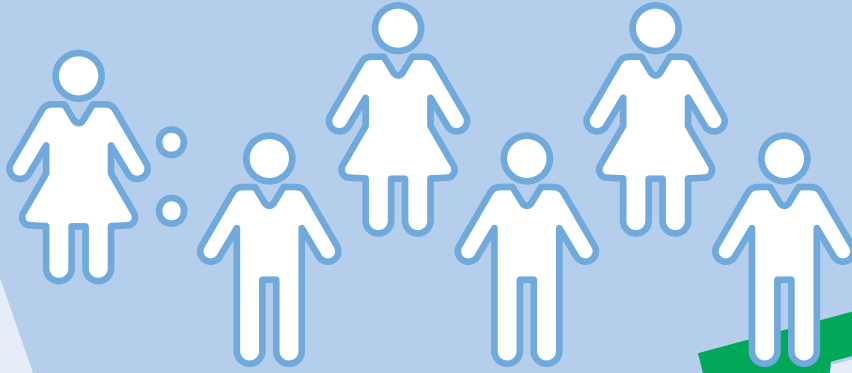


WRS: Economic Impact

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.



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 50,368 jobs in Wisconsin that paid \$2.7 billion in wages and salaries, and generated \$1.2 billion in federal, state and local tax revenues.*



The WRS paid \$7 billion in benefits in 2022.



*Pensionomics 2023: Measuring the Economic Impact of DB Pension Expenditures, report by the National Institute on Retirement Security

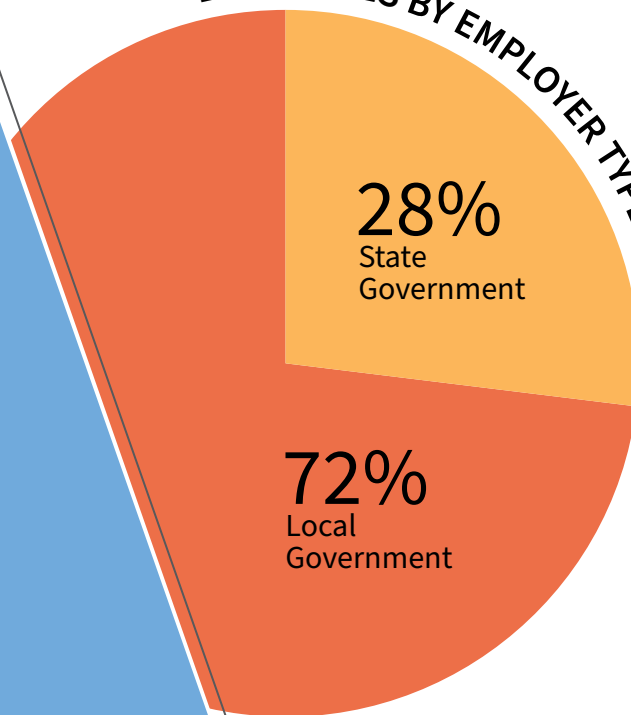
WRS: Strong Public Workforce

The WRS is an important incentive for qualified workers to choose and stay in public service.

The 1,586 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 five years, 127 local governments have chosen to join the system.

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.

EMPLOYEES BY EMPLOYER TYPE



"Higher and more equitable (retirement plan) coverage in the public sector is due to a high rate of retirement plan sponsorship among governmental employers and the fact that they tend to offer defined-benefit pensions that automatically cover eligible employees."

— National Institute on Retirement Security

9.3 General

11.8 Protective with Social Security

12.6 Teachers

13.1 Protective without Social Security

14.4 Executives & Elected

**AVERAGE YEARS OF SERVICE
BY EMPLOYEE CATEGORY**

Ramzan, a retired WRS member, enjoyed his career as a state facilities engineer. Throughout his working years, he was able to maximize his WRS pension by making additional contributions to his account, thereby contributing to a secure and stable income for his retirement years.





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