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## 70 Years of Retirement Benefits for State Employees

Seventy years ago this month—May, 1943—legislation creating a retirement system for State of Wisconsin employees became law. While proposals for such a system had been circulating for years, many consider Ingeborg Sidwell to be the catalyst for it to become reality.

At that time, Sidwell was a state employee who, along with several other women, scrubbed the capitol floors with a mop and a bucket. She was almost 80 years old and wanted to retire, but knew it would be difficult, as she had lost much of her savings when the banks failed in the 1930s.

That spring, when Gov. Walter Goodland vetoed a bill to establish a state employee retirement system, Sidwell worried about what would happen to her and her coworkers. Many were elderly and most had medical problems. Therefore, she sought out the governor and told him of the small salary she made, her many expenses and her small savings. She asked him to reconsider his decision to veto the legislation.

Whether Sidwell's chat with the governor made the difference is unknown. However, not long after their meeting, Gov. Goodland sent a

*70 years, continued on page 2*

## Financial Forecast Looks Promising for WRS

— Michael Williamson, SWIB Executive Director

**“It was the best of times, it was the worst of times.”** We are all familiar with those famous words from *A Tale of Two Cities*, by Charles Dickens. Many retirees in the Wisconsin Retirement System (WRS) may feel that this is the perfect way to sum up 2012.

Although the State of Wisconsin Investment Board (SWIB) earned great returns in both the Core Fund (13.7%) and the Variable Fund (16.9%), about half of the retirees in the WRS will be seeing another reduction in their benefits in May. As I wrote in my last column, I fully understand that the benefit reductions WRS retirees have experienced in recent years are very difficult. However, the unique shared risk and reward design of the WRS, along with our strong investment returns, is what allows the system to remain fully funded.

### Calendar Year-to-Date Preliminary Returns as of 03/31/2013

<b>Core Fund</b>	<b>4.2%</b>
Benchmark	4.0%
<b>Variable Fund</b>	<b>8.8%</b>
Benchmark	8.7%

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*70 years, continued from page 1*



Ingeborg Sidwell

message to the legislature: He said he was “changing his mind” and that the legislature should override his veto. The subsequent vote to override was swift and nearly unanimous (just one dissenter).

According to newspaper accounts at that time, Gov. Goodland originally vetoed the bill because he wanted to delay its cost until after the war was over, rather than making it effective January 1, 1944, as provided in the bill. Sidwell retired on a monthly pension of \$14.70; she died in 1947 at the age of 84.

## Legislative Spotlight: State Biennial Budget Bill

— Tarna Hunter, ETF Legislative Liaison

As a part of administering the Wisconsin Retirement System (WRS), insurance and other benefit programs, the Department of Employee Trust Funds (ETF) monitors legislation that may affect our programs and communicates with the legislature about proposed benefit changes. This new column will help keep you up to date on what’s happening at the state and federal level and highlight key issues that affect you and your benefits.



Tarna Hunter

In February Gov. Walker released the 2013-2015 executive budget, a proposal of how the state should manage expenses for the next two years. The budget, called 2013 Assembly Bill 40, is currently before the Joint Committee on Finance (JCF). The JCF has spent the last few months reviewing the bill and will hold several working sessions to amend it in the coming weeks. After JCF makes its recommended changes, the bill goes to the assembly and the senate for further review and, ultimately, back to the governor for signature. The governor can also veto the bill in whole or in part.

While no one can say with certainty what the final bill will contain, as proposed it currently contains a number of provisions that affect the WRS and other ETF-administered programs. Some of these provisions include:

- An increase in the minimum break-in-service requirement from 30 to 75 days for WRS retirees who return to work. In addition, the changes mandate that a WRS annuity be stopped if a retiree returns to a WRS-participating employer and is expected to work at least two-thirds of full time. If enacted, these changes will apply to any active WRS employee who terminates employment after the effective date of the bill.
- Additional funding for the wellness program for state employees; implementation of a tobacco use premium surcharge of \$50 per month for individuals enrolled in the state’s Group Health Insurance Program in 2014 and 2015.
- Technical changes to Chapter 40 of the Wisconsin Statutes, in order to better align the laws governing the WRS with various requirements of the Internal Revenue Code. The WRS is a tax-qualified retirement plan.
- Support for ETF’s initiative to modernize its internal benefits administration processes and information technology systems. This initiative includes expanding customer service capabilities and providing secure online services for members.

As with any legislative proposal, provisions are subject to change. We will continue to monitor developments and provide updates as they occur. Watch ETF’s website for the latest information.

*Update, continued on page 3*

## 2013 Annuity Adjustments Set

In March the Department of Employee Trust Funds (ETF) announced the 2013 Core and Variable annuity adjustments for Wisconsin Retirement System (WRS) retirees, as shown at right. Although Variable annuities will see a sizeable increase, Core annuities will see a sizeable decrease.

For more than a year ETF has been advising retirees to prepare for a large negative Core annuity adjustment, primarily due to the lingering effects of 2008 investment declines on the Core Fund. Due to the strong 13.7% investment return achieved by State of Wisconsin Investment Board in 2012, this year's negative Core annuity adjustment is not quite as large as feared.

However, the reduction is still larger than last year's adjustment and will be difficult for many of our members to absorb.

### Why another negative Core annuity adjustment?

Core Fund gains and losses are recognized, or smoothed, over a five-year period. Although the Core Fund has experienced significant investment gains since 2008, those smoothed gains haven't fully offset 2008 losses of \$21 billion, which are still being recognized. Therefore, there is still a shortfall in the system; shortfalls are made up by repealing past annuity increases, in accordance with state law.

The good news is that if investments perform as expected, the WRS is well positioned for what lies ahead. This is the last time that 2008 losses will affect Core Fund annuities. In fact, please keep the following points in mind:

	Core	Variable
2012 SWIB Investment Returns	13.7%	16.9%
2013 Annuity Adjustments	-9.6%	9.0%

- The system is sustainably-funded and capable of paying each individual retiree's guaranteed Core Fund benefit, which is the amount received at retirement;
- As a result of strong investment performance, if investment returns meet expectations in 2013, the system should be in a position to issue a modest Core annuity increase for all retirees in 2014.

### What about 2014 employee and employer contribution rates?

The 2008 losses will continue to put upward pressure on contribution rates through the end of 2014. This timeline differs from the annuity adjustment (as well as the effective rates) calculation processes. That is because, for contribution rate purposes, the 2008 losses were first recognized in the 2010 contribution rate calculations. Therefore, there is one more year to go in the five-year smoothing process for purposes of setting employer and employee required contribution rates. The contribution rates for 2014, which will be reviewed by the ETF Board at its June 20 meeting, may increase. Watch for an update in the September edition of the *WRS News* or monitor ETF's website.

## For More Information

*Update, continued from page 2*

### Summary of the 2013-2015 Budget Bill

This online document presents ETF's initial review of the budget bill and its implications for the WRS System and other ETF-administered benefit programs. It also includes a link to the entire budget bill. Find it on ETF's website at <http://etf.wi.gov/news/ht-budget-info.htm>.

### Email Notification of Legislative Developments

If you are interested in monitoring legislative developments more closely, you may want to subscribe to the legislature's email notification service at <https://notify.legis.wisconsin.gov>.

## Information for Active Employees

### Statements Distributed; Keep Beneficiary Designation Current

The Department of Employee Trust Funds (ETF) has completed distribution of the annual *Statement of Benefits*, a year-end summary of your Wisconsin Retirement System (WRS) retirement account information. The 2012 Core and Variable (if applicable) effective rates of interest have been applied to your account. Contact your employer (not ETF) if your statement contains incorrect information or if you have not received this important document.

Page 2 of your *Statement* contains your WRS beneficiary designation on file with ETF. Does it reflect how you would want your death benefits paid? Keeping your beneficiary designation up to date is very important. Your will does not take the place of a beneficiary designation form and, in most cases, your beneficiaries do not automatically change if your life circumstances change (such as divorce, marriage, birth or death of children). For example, outdated beneficiary designations have resulted in death benefits being paid to former spouses or relatives of former spouses.

**What is the easiest way to ensure my beneficiary designation is current?** File a new *Beneficiary Designation* form (ET-2320) with ETF. You must use our form in order for your designation to be valid. Find it on our website, under Forms, or call ETF at 1-877-533-5020 to request a paper copy. If you have a Wisconsin Deferred Compensation

	Core	Variable
2012 SWIB Investment Returns	13.7%	16.9%
2012 Effective Rates	2.2%	17.0%

(WDC) Program account, make sure your beneficiary designation for that account is current as well. Contact the WDC at 1-877-457-9327 or online at [www.wdc457.org](http://www.wdc457.org).

### Considering Retirement? Check Out the How to Retire Menu on our Website

Whether you plan to retire within the year or if that big event is still several years out, the How to Retire menu on ETF's website contains the information and resources you need for a careful, well thought out decision. Topics and features include:

- a retirement planning checklist
- how to calculate an unofficial projection of your monthly benefit
- how to request a WRS retirement estimate from ETF
- determining what time of year is best for you to retire
- how to schedule an appointment
- Links to ETF forms, brochures and other videos of interest

Find the How to Retire menu on ETF's website, under the Members tab, at <http://etf.wi.gov/members.htm>.

## Video an Online Retirement Appointment

The Department's online video, *Road to Retirement: Online Retirement Appointment* explains everything members would hear in a face-to-face appointment, including how and when to complete the Wisconsin Retirement System retirement application. If you have received your packet of retirement information from us and are ready to retire, watch this online retirement appointment.

Topics covered include: beneficiaries/survivor benefits, account information, benefit calculations, reviewing the estimate/application, payment options and how to complete the application process. Look for *Road to Retirement* in our Video Library at <http://etf.wi.gov/webcasts.htm>.



## Information for Retirees

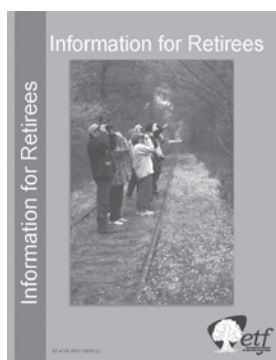
### Annuity Payment Statements Distributed

The Department of Employee Trust Funds (ETF) has completed distribution of the latest Annuity Payment Statement to Wisconsin Retirement System (WRS) retirees. This document shows the 2013 Core and Variable annuity adjustments and the effect of the adjustments (if any) on an individual's monthly annuity payments, beginning May 1.

**New this year:** On the statement, we changed the phrase "Regular Core" to "Core floor" to help members more readily identify their guaranteed Core Fund benefit (the initial amount received at retirement). If you participate in the Variable Fund, you will also notice the phrase "Regular Variable" was changed to "Variable".

### What to Expect When You Retire

The Department's informational brochure, *Information for Retirees* (ET-4116), is an especially handy reference guide for newly-retired



members. Topics covered include: when changes will be made to your payment, how to change financial institutions for your direct deposit, how premiums for life and health insurance are handled and how they affect your

payment, changing tax withholding, returning to work after retirement, and the effects of moving from the area on your health insurance coverage. Find *Information for Retirees*, and many other helpful brochures, on ETF's website, under the Forms and Publications menu or call us to request paper copies.

### Have you used ETF's online tax calculator?

ETF's online tax calculator is a great tool for determining how much to withhold from your monthly annuity payment. This tool also allows you to print your tax withholding election—which speeds up the process and lets you keep a copy for your records. Locate the

### For More Information

*Information for Retirees Regarding 2013 Annuity Adjustments.* This Department of Employee Trust Funds (ETF) question-and-answer-style document contains answers to frequently asked questions about the Core and Variable annuity adjustments. Find it on the Core/Variable Info menu on our website at <http://etf.wi.gov> or call ETF at 1-877-533-5020.

calculator at <http://etf.wi.gov/calculator.htm>.

### Apply for Social Security Benefits Online

When it's time to apply for Social Security benefits, the easiest way to do so is from the comfort of home, at your own computer. Go to [www.socialsecurity.gov](http://www.socialsecurity.gov), where you can apply online for Social Security retirement benefits in as little as 15 minutes. Be sure to have your bank/financial institution account information ready. In most cases there are no forms to sign or documents to send.

### Variable Cancellation Options for Retirees

If you are thinking about canceling your participation in the Variable Fund, carefully study your cancellation options so that you can make a fully-informed decision. For detailed information consult the following resources, all available on ETF's website, or call us to request paper copies.

- *How Participation in the Variable Trust Affects Your WRS Benefits* brochure (ET-4930)
- *Things to Consider Before Canceling* (ET-2313). This informative document also contains the cancellation form.
- *Variable Participation: Is it Right for You?* This ETF online video presents the basic information on the Core and Variable Trust Funds, including all of your options for cancelling Variable participation.

## BOARD CORNER

### WRS Governing Board Changes

The Department of Employee Trust Funds (ETF) announces the following recent elections and appointments for the governing boards of the Wisconsin Retirement System (WRS). Board positions take effect on May 1, unless otherwise noted.

#### Teachers Retirement (TR) Board

**Officers:** Michael Langyel, retired-City of Milwaukee Public School District, was elected chair; Robin Starck, Sheboygan Area Public School District, was elected vice chair; Susan Harrison, University of Wisconsin-Eau Claire, was elected secretary. These are one-year terms.

**Board members:** Dennis Murphy, retired-Gateway Technical College, and R. Thomas Pedersen, Wisconsin Indianhead Technical College, were elected to the Board to fill seats for five-year terms. It is Murphy's first term and Pedersen's third term on the board.

**Appointments:** Michael Langyel and Roberta Rasmus, Chippewa Falls School District, were appointed as TR Board representatives on the ETF Board. Sandra Clafin-Chalton, University of Wisconsin-Stout, was appointed as TR Board representative on the State of Wisconsin Investment Board, effective July 1.

#### Wisconsin Retirement (WR) Board

**Officers:** Wayne Koessl, former Kenosha County Board member, was elected chair; John David, City of Watertown, was elected vice chair; Mary

Von Ruden, Rolling Hills Nursing and Special Care Home, was elected secretary. These are one-year terms.

**Appointments:** Mary Von Ruden was appointed as WR Board representative on the ETF Board. ETF Secretary Robert Conlin was appointed as WR Board representative on the State of Wisconsin Investment Board, effective July 1.

#### Employee Trust Funds (ETF) Board

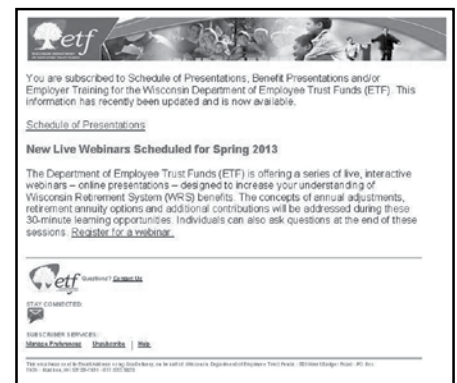
**Officers:** Wayne Koessl, designee of the WR Board, was elected chair; John David, designee of the WR Board, was elected vice chair; Robert Niendorf, designee of the TR Board, was elected secretary. These are one-year terms.

**Appointment:** Victor Shier was appointed by Gov. Walker and confirmed by the Wisconsin Senate on January 29, 2013 to serve as public member on the ETF Board for a four-year term.

For information on the governing boards of the WRS, including board rosters, meeting dates, and materials, see the Governing Boards section of ETF's website at <http://etf.wi.gov>.

## New Topic: Preliminary Year-to-Date Investment Returns

Subscribers of *ETF E-mail Updates* can now receive, on a monthly basis, notification of preliminary, calendar year-to-date investment returns for the Wisconsin Retirement System (WRS) trust funds, along with other important information from the State of Wisconsin Investment Board (SWIB). Registration for this free service is easy and quick. Look for the red envelope icon on our website. On the Quick Subscribe page, select the "SWIB News" box. You can also choose from a variety of topics on WRS retirement and other benefit programs. Join the more than 25,000 subscribers who have already signed up for this great service!



*ETF E-mail Updates* subscribers can choose from more than 20 different topics. Shown: a recent e-mail notification about ETF-hosted online webinars.

## A Definite Benefit: ETF's Customer Service Call Center

The 24 specialists in the customer service call center of the Department of Employee Trust Funds (ETF) are often the first point of contact for many Wisconsin Retirement System (WRS) members. They are always ready to answer questions and provide information on all aspects of your WRS benefits—they can also take requests for a benefit estimate or arrange appointments for individual or group retirement sessions.

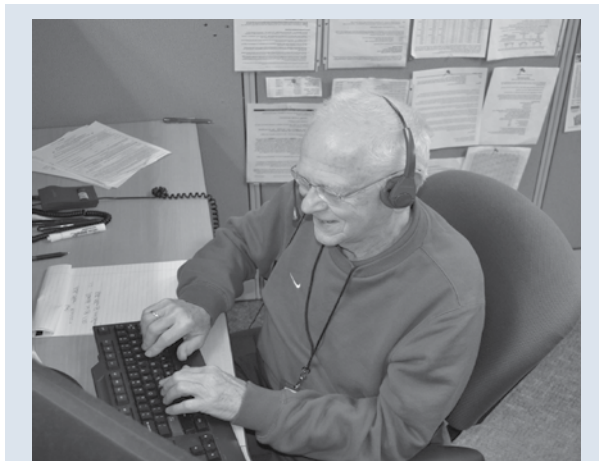
The specialists provide accurate and timely information on a wide range of complicated topics over the phone or by email. In 2012 they handled 173,542 calls and email requests. On a normal day, each specialist will work on an average of 60 calls.

WRS benefits are a unique and complex topic. New specialists undergo a rigorous six weeks of in-depth training. It takes about a year to become fully trained to answer all types of phone calls. In addition, all specialists participate in monthly, subject-specific training sessions.

Callers frequently ask to speak with the specialist who assisted them on a previous call. We are unable to honor these requests, but be assured that all specialists are knowledgeable and happy to assist you.

Sometimes, callers ask for advice and want to know what an ETF specialist would do, given the same situation. A specialist's role is not to advise; it is to provide easily-understood information so that you can make informed decisions. We do, however, offer these suggestions for obtaining the best possible service from us:

1. Avoid long wait times—try not to call on Mondays, the busiest day of the week.
2. Try to call early in the day.
3. Have your Social Security number or Member ID number handy when you call.



We are celebrating 13 years of taking your calls! Barry, pictured here, was a part of the original team of 10 specialists. Six others are still part of the ETF team. "I enjoy taking the apprehension out of the retirement process and solving issues that may occasionally pop up," he says.

4. We appreciate your patience as we verify your identity. Confidentiality is our first priority.
5. If you are calling on behalf of a member, we can assist you when:
  - The member is present when you call and gives ETF permission to share information with you.
  - The member has filed with ETF an *Authorization to Disclose Non-Medical Individual Personal Information* (ET-7406) naming you as the person to whom information may be released.
  - We have received and approved the paperwork naming you as Durable Power of Attorney or Guardian.
6. Call our Telephone Message Center 24/7 to hear current messages on many benefit-related topics. Call 1-877-533-5020 or (608) 266-3285.



### Simply need a form or informational brochure?

Find it under the Publications Menu on ETF's website at <http://etf.wi.gov/publications.htm> or call the Self-Service Line at 1-877-383-1888 or (608) 266-2323. Here are some of our most-requested:

- *Calculating Your Retirement Benefits* (ET-4107)
- *Beneficiary Designation* (ET-2320)
- *Retirement Estimate Request* (ET-4207)

## Venture Fund Targets Early-Stage Companies

The State of Wisconsin Investment Board (SWIB) and the Wisconsin Alumni Research Foundation (WARF) are creating an early-stage venture capital fund focused on information technology.

Called 4490 Ventures, a reference to the 44° N latitude and 90° W longitude lines that approximate the center of the state of Wisconsin, the \$30 million fund will focus on early-stage companies primarily in Wisconsin. The intent of the private fund, capitalized jointly by SWIB and WARF, is to generate attractive returns and build value for state retirement fund participants and WARF's primary beneficiary, the University of Wisconsin–Madison.

Carl Gulbrandsen, WARF's managing director, said work on the fund has been underway for more than a year and involved significant effort from both organizations as well as independent research to help define the fund's focus and scope.

"WARF has recognized for some time that there is a significant opportunity in Madison and other regions of the state in information technology startup companies, but experienced venture management and funding for such companies has been lagging our peer states," Gulbrandsen said. "We appreciate the opportunity to work with SWIB on this effort and we all agree there are some excellent investment opportunities here."

Michael Williamson, SWIB executive director, said the fund will build upon the partners' previous success with startups in a variety of industries.

"We are pleased to be able to launch this effort with WARF and believe that together, we have the ingredients necessary for success," Williamson said. "Our previous experience has proven that early-stage investments can play a valuable role by diversifying our portfolio."

Regarding the rationale behind the investment, Williamson said, "Make no mistake about it. We are creating this fund to make money for our participants in the Wisconsin Retirement System."

Gulbrandsen said the market research helped confirm the value of information technology being

*Venture Fund, continued on page 9*



### Venture Capital Timeline

March 2013

1985	SWIB becomes an early participant in private equity markets. This is considered the anchor point for SWIB's interest in venture capital initiatives
1999	SWIB approves its first venture capital initiative—a proposal to invest up to \$50 million in healthcare and biotech companies in Wisconsin and the Midwest
2000	SWIB makes its first VC allocations: \$45 million to Mason Wells Biomedical Fund I in Milwaukee and Venture Investors Early Stage Fund III in Madison
	SWIB makes its first side-by-side investment, the process by which the agency makes venture capital allocations directly to companies
2011	SWIB commits \$80 million to a Catalyst Portfolio with Northgate Capital. This can help gain access to high-quality VC funds for both SWIB and Wisconsin companies
2012	SWIB makes its most recent fund allocation: \$25 million to the Venture Investors Early Stage V Fund, putting VC total over \$130 million since 2008 and \$305 million overall
2013	SWIB and Wisconsin Alumni Research Foundation create 4490 Ventures, a VC fund targeting early-stage information technology companies in Wisconsin/Midwest



*Venture Fund, continued from page 8*

developed here and highlighted the strength of Wisconsin's information technology (IT) workforce skills. However, capturing value from IT innovations may call for an approach different from the licensing activity used in other industries because young IT companies may not rely on patentable technology. As a result, an important way to capture returns and create value is to invest in the companies themselves.

Williamson noted there is industry consensus regarding the need for seed-stage funding in the \$500,000-to-\$2 million range for the kinds of companies the new fund will target.

The technologies involved might include, but would not be limited to, data management, informatics, data storage, social grid computing, hardware, new materials, software, mobile technology security, and

health care information technology, such as the operating systems for medical devices or patient record keeping.

"We hope the establishment of this fund will bring attention to the many investment opportunities that exist in this state," Gulbrandsen said. "Past experience has shown that these types of funds often attract the talent, capital and resources necessary to create high-performing startup companies. Given the consistent Top-10 ranking of UW-Madison's computer sciences department and the high-quality work going on at other state campuses and companies, we know there are plenty of excellent ideas here."

SWIB and WARF have retained a recruiting firm that specializes in private markets investment professionals to conduct a nationwide search for a qualified fund manager with operational experience.

## Two Appointed to SWIB Board of Trustees

**S**andra Claffin-Chalton and Bob Conlin have been appointed to the Board of Trustees for the State of Wisconsin Investment Board (SWIB). Both appointments will be effective July 1.

Claffin-Chalton was appointed by the Teachers Retirement Board (TR) and Conlin was appointed by the Wisconsin Retirement (WR) Board. These are two of five boards of trustees associated with the Department of Employee Trust Funds (ETF). The boards set policy and review the overall administration of the benefit programs provided for state and local government employees.

According to state law, the TR and WR Board are each responsible for appointing a member to SWIB's nine-member Board of Trustees. The remaining seats on SWIB's board consist of six public members who are appointed by the governor, five of whom require ten years of financial or investment experience, as well as the

secretary of the Department of Administration.

Claffin-Chalton will replace Wayne McCaffery, who has served on SWIB's Board of Trustees since 2001. Conlin will replace Dave Stella, who has served on the board since 2007.

Claffin-Chalton is a senior lecturer in economics in the department of social science at the University of Wisconsin-Stout. She retired from full-time teaching in 2011. In addition to teaching, she has served as an economic consultant to private enterprise and government organizations.

Conlin was appointed ETF secretary in 2012 after serving as the agency's deputy secretary for four years. Prior to his appointment as deputy secretary he was the agency's director of legislation, communications and planning. Before joining ETF, he served as a senior staff attorney at the non-partisan Wisconsin Legislative Council.

## SWIB Reports Favorable Returns, Less Cost to Manage Retirement Funds

The Wisconsin Retirement System (WRS) is considered among the best-funded public employee retirement systems in the country. Because of its unique shared-risk design, funding discipline—and with the State of Wisconsin Investment Board (SWIB) doing its part by providing favorable returns—WRS members know the system has not experienced the same underfunding problems plagued by some public retirement systems.

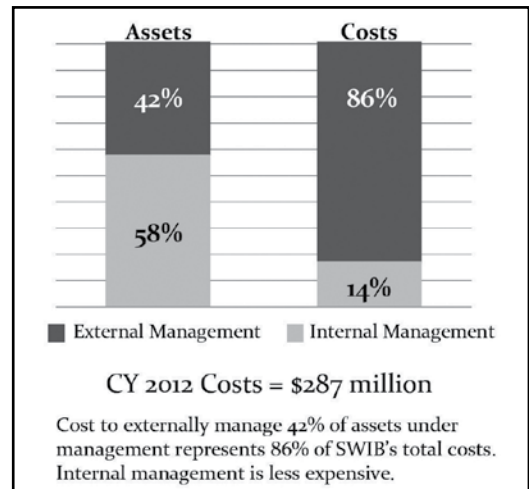
But what may not be common knowledge is this: SWIB is managing the funds and generating favorable returns that help keep the system fully-funded at a lower cost, when compared to our peers.

“Our investment team has worked to put in place a strong internal management program,” David Villa, SWIB chief investment officer, said. “This program has allowed SWIB to manage WRS assets more efficiently by paying less for out-of-state external manager fees and creating investment jobs here in Wisconsin. In addition, SWIB has implemented a number of investment strategies that provide favorable returns and acceptable risk to keep the WRS fully-funded and able to meet the annuities promised to retirees.”

Reports from CEM Benchmarking, Inc. and Callan Associates, Inc., found that when compared to its peers, SWIB’s management of WRS investments provides a significant financial benefit to the retirement system and that its asset allocation, diversification and long-term investment strategy allow for a favorable risk/return tradeoff.

CEM, an independent provider of objective and actionable benchmarking information for public pension plans, attributes SWIB’s lower costs primarily to a greater reliance on SWIB’s staff to manage investments internally.

Since 2007, SWIB has increased the share of the retirement funds managed internally from 21% to 55%. In addition, SWIB’s costs have decreased from the peer median benchmark in 2007 to well below the peer median benchmark in 2011. SWIB’s qualified staff allows for lower-



cost, in-house investing while maintaining strong performance. Without qualified staff to manage the assets, SWIB would have to contract with expensive external managers to manage the funds. CEM found when SWIB does use outside investment managers, it pays lower rates for the outside investment services than its peers pay.

About 70% of SWIB staff members hold advanced degrees or professional certifications. One-third of its employees hold multiple degrees or certifications. SWIB’s compensation remains below industry medians, but awards better compensation to staff who add value to the trust funds. This allows SWIB to be competitive when hiring and retaining highly qualified staff.

How does SWIB’s staff perform when compared to peers? Callan Associates, a firm that provides research, education, decision support and advice to institutional investors, found the Core Fund’s investment performance is above average when compared to its peers. In 2012, the Core Fund returned 13.7% and exceeded its one-year benchmark to earn an additional \$574 million for the fund. In addition to exceeding the one-year benchmark, the Core Fund has exceeded the three-, five- and ten-year benchmark for the period ending Dec. 31, 2012.

The Core Fund’s annualized ten-year return as of Dec. 31, 2012 was 8.3%, which is above the 7.2% assumed rate of return.

*Forecast, continued from page 1*



Michael Williamson

Now that the Core Trust Fund has fully recognized the losses from 2008 through the five-year smoothing process, I am often asked if we have turned the corner.

Are we headed for better times and, more importantly, positive annuity adjustments? While nothing is a sure thing, I am an optimist and I do believe the forecast for the future does look promising.

We have seen steady improvement in U.S. employment with three-and-a-half years of continued expansion in jobs and although the price of oil is high, it is not spiking. The federal government's policies are having a positive effect on keeping inflation increases modest.

Housing appears to have turned a corner, with new housing starts and existing sales up and the inventory of new and existing houses for sale down to 2004 levels. Although the U.S. deficit remains high, it has narrowed from \$1.5 trillion to \$1.1 trillion. Those are

encouraging signs for our economy. There are, however, concerns that could cause bumps in the fiscal road we are traveling in 2013. We continue to monitor the world economy and, especially the Eurozone. While there is some cause for optimism, we are watching how high unemployment rates in countries like Greece and Spain will affect investments.

SWIB will continue working to manage risk for the WRS through the diversification of funds. We are implementing investment strategies that help stabilize Core Fund returns and, in turn, contribution rates and annuity adjustments for WRS members. Those investment strategies have resulted in positive returns over the past five years since the market decline in 2008.

Is the glass half empty or half full? Because the WRS is such a well-funded public pension plan that continues to meet its promised obligations and SWIB staff continues to make investment decisions that have the system well positioned for what lies ahead, I choose to believe the glass is half full. And unless there is another economic meltdown, I am optimistic that we will be able to pay a positive annuity adjustment in 2014. This will be a welcome change.

## SWIB Named Private Equity Limited Partner of the Year

Private Equity International (PEI), a financial information and media company that publishes multiple trade magazines dedicated to covering alternative assets, named the State of Wisconsin Investment Board (SWIB) its Limited Partner of the Year in North America. SWIB was chosen for its management of and investment strategy in private equities.

SWIB's private equity team includes Chuck Carpenter, managing director-private markets; Scott Parrish, portfolio manager; Tom Drake, managing analyst; John Drake, managing analyst; Beth Puleo, investment analyst; and Janice Schmid, investment support specialist.

PEI has bestowed the awards annually since 2001. Four finalists for each award, as well as an option for write-in candidates, are circulated and

thousands of votes by peers are cast in total. In the Limited Partner of the Year-North America category, SWIB finished in first place, followed by the Florida State Board of Administration and Ewing Marion Kauffman Foundation.

When announcing this year's winners, PEI stated, "Being the year's top investor means more than just committing to most capital to private equity managers (though it doesn't hurt). It also means helping set a standard in the industry that other limited partners end up following."

Private equity is equity capital that is not quoted on a stock exchange. Investors and funds invest directly into private companies or conduct buyouts of public companies that result in a removal of public equity.

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MILWAUKEE, WI  
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ET-7402

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Published in January, May and September by the Department of Employee Trust Funds and the State of Wisconsin Investment Board to inform Wisconsin Retirement System (WRS) members about benefit programs and trust fund investment news and information.

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