



STATE OF WISCONSIN  
Department of Employee Trust Funds  
Robert J. Conlin  
SECRETARY

801 W Badger Road  
PO Box 7931  
Madison WI 53707-7931

1-877-533-5020 (toll free)  
Fax (608) 267-4549  
<http://etf.wi.gov>

## CORRESPONDENCE MEMORANDUM

**DATE:** November 19, 2013

**TO:** Employee Trust Funds Board  
Teachers Retirement Board  
Wisconsin Retirement Board

**FROM:** Mark Lamkins, Director, Office of Communications and Legislation

**SUBJECT:** Communications Update

**This memo is for informational purposes only. No Board action is required.**

### Board Orientation Videos

The Department of Employee Trust Funds (ETF) provides Board orientation online videos, also known as webcasts, for new and existing members of the five active governing boards of the Wisconsin Retirement System (WRS). The video library can be accessed any time via the ETF website and includes four presentations specifically for Board members, about 15 minutes each, on the following topics:

- Disability Program—Explains Income Continuation Insurance, Disability Retirement Benefits, Long-Term Disability Insurance and Duty Disability Benefits.
- Ethics and Fiduciary Duty—Explains the responsibilities of a fiduciary and the manner in which they are expected to carry out duties and Chapter 40 of the Wisconsin Statutes.
- ETF History and the WRS Legislative Oversight Committee—Explains history of ETF, function of the Legislative Oversight Committee and how the WRS governing Boards are interrelated.
- WRS Funding and Benefits—Explains WRS funding and the basics of Separation Benefits, Retirement Benefits, Disability Benefits and Survivor Benefits.

The two latter presentations are being revised and should be available for viewing in early December 2013.

### Economic Impact of WRS

At the September 2013 Board meeting there was discussion about efforts by ETF to create awareness about the impact of the WRS on Wisconsin communities and the state's economy and the ripple effect of paid pension benefits.

Reviewed and approved by Robert J. Marchant, Deputy Secretary

Electronically Signed 11/25/13

Board	Mtg Date	Item #
JM	12.5.13	4C

Last spring ETF published two informational articles about the economic impact of the WRS on the state's economy. These articles ran in the March 2013 constituent publications of the Wisconsin Counties Association (WCA) and the League of Wisconsin Municipalities (LWM).

The article, "On Solid Ground: The WRS and Its Effect on Our State", included key findings from recent national industry reports—by the National Institute on Retirement Security (NIRS), Pew Center for the States and Morningstar—about the WRS and how it compares to other peer state pension systems.

Here are a few highlights from the article:

- In 2011, the WRS made more than \$4.1 billion in payments to 167,000 retirees and beneficiaries; 86% of whom live in Wisconsin. Their spending creates a multiplier effect. According to NIRS, each dollar in pension benefits paid brings \$1.49 back into the state's economy.
  - The "Pension Benefit Multiplier" in the NIRS analysis included combined 2009 data for the WRS, Milwaukee County Employees Retirement System, Milwaukee Employees Retirement System and other governmental non-WRS participating employers.
  - Using 2010 data for the WRS only, NIRS found that each dollar in WRS pension benefits paid supports \$1.13 in total economic activity in the state.
  - Please note: In the future, it may be more meaningful to look at taxpayer contributions to state and local pension plans. NIRS found that each dollar in taxpayer contributions to the WRS (including employee contributions paid by employers in 2010) supports \$4.74 in total output in the state.
- Pew identifies the WRS as a "solid performer" when it comes to paying benefit obligations for current and future retirees. Pew points out that a strong funding level and regular payment of actuarially required contributions sets the WRS apart from other public pension plans.
- In 2012, Morningstar declared the WRS is the strongest funded state pension system in the country with a 99.8% funded ratio and a \$23 unfunded liability per resident.
  - Please note: Morningstar issued similar findings for the WRS earlier this fall; a 99.9% funded ratio and an \$18 unfunded liability per resident.

Through continued collaboration with the WCA and LWM, as well as other groups such as the Wisconsin Retired Educators Association, Wisconsin Towns Association and the Wisconsin Association of School Boards, ETF focuses on increasing awareness about the WRS and its financial stability, and promoting the impact of the WRS on the state's economy. In addition, outreach and assistance to legislators and local media provides opportunities for ETF to present accurate, relevant and timely information about the WRS and trends in public pension plans.

ETF also makes WRS-related information from national industry reports and studies, as well as ETF prepared reports and data, available on its website and through its other communications to members and employers, such as the *WRS News* and electronic employer bulletins.

### **Other Updates**

***WRS News, January 2014 Issue***—In this issue of *WRS News*, the new, fully integrated Benefits Administration System (BAS)—with its secure online portals and self-service tools—for WRS members and employers will be introduced. The multi-year BAS implementation is scheduled to begin in first quarter of 2014. Ongoing updates about the BAS will be provided in the newsletter to compliment other planned education and outreach activities. Also included in this issue will be projections for effective rates and annuity adjustments for 2014 based on State of Wisconsin Investment Board preliminary investment returns through December 31, 2013.

***2012 Comprehensive Annual Financial Report (CAFR)***—The Office of Budget and Trust Finance and the Office of Communications and Legislation have compiled all financial data, statistics and narrative for the 2012 CAFR for the year ending December 31, 2012. The report has been submitted to the Legislative Audit Bureau for final review and approval and should be published on the ETF website the first week of December 2013.

Staff members will be at the Board meeting to answer any questions.

Attachment A: Article – “On Solid Ground: The WRS and Its Effect on Our State”



Percentage of pension benefit funding from investment earnings: 76% (remainder comes from employee and employer contributions)

# On Solid Ground.

The Wisconsin Retirement System and its effect on our state.

—Nancy Ketterhagen, Office of Communications, Department of Employee Trust Funds

## Are you aware of the effect of the Wisconsin Retirement System on Wisconsin's state and local economies?

The Wisconsin Retirement System (WRS) pays retirement, disability and death benefits to public employees (and their beneficiaries) of the state of Wisconsin and participating Wisconsin local government employers. In 2011 the WRS paid more than \$4.1 billion in payments to approximately 167,000 retirees and beneficiaries—86% of whom reside in Wisconsin. Their spending reverberates throughout the state, as one person's spending becomes another's income, creating a multiplier effect.

Each dollar paid in WRS pension benefits supports \$1.49 in total economic activity in Wisconsin, according

to a recent National Institute on Retirement Security (NIRS) analysis.

Spending coming from WRS pension payments in 2009 helped support 50,317 jobs that generated \$2.0 billion in wages and salaries, according to NIRS. To put things in perspective, Wisconsin's unemployment rate in 2009 was 8.7%. The fact that WRS pension payments supported 50,317 jobs is significant, as it represented 1.6 percentage points in the state's labor force.

As for impact on tax revenues, the study found that WRS pension payments supported \$856.7 million in federal, state and local government revenues.

## Do you know the WRS is one of the best funded pension plans in the United States?

Twice within the past year the WRS has been nationally recognized for its rock-solid funding status. Funded status is a measure of the extent to which the system has accumulated enough assets to pay the benefits earned by members.

### Morningstar, Inc.

Morningstar, Inc. found that with a 2011 funded ratio of 99.8%, the WRS is the strongest funded public pension plan in the United States. Only seven states have a funding ratio of 90% or better, led by Wisconsin. That compares to 21 states that fall below Morningstar's fiscally-sound threshold of a 70% funded ratio.

The public pension plan analysis focused on two key metrics: funded ratio (the ability of a pension plan to meet its obligations) and unfunded liability per capita (the amount each taxpayer in the state would need to pay to fully fund an unfunded liability).

Fourteen states have an unfunded liability under \$1,500 per capita, Morningstar's threshold for "good" unfunded liability levels. Based on this calculation, Wiscon-

sin's unfunded liability per resident is \$23, the lowest of any public pension plan in the country.

It is important to note that in the WRS, employers are responsible for managing their unfunded liabilities. The majority of the system's 1,480 employers have no unfunded liability obligations to the WRS; less than 200 currently have an unfunded liability balance.

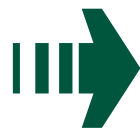
### The Pew Center for the States

In its report, *The Widening Gap Update*, the Pew Center called the WRS a "solid performer" when it comes to paying its benefit obligations for current and future retired Wisconsin public employees.

For all states combined, the gap between pension system assets and pension obligations grew by nearly 9% from 2009 to 2010, due to the continued effects of the financial crisis of 2008 and states' inability to fully fund their pension commitments.

By contrast, Wisconsin's funding level remained strong. The report demonstrates that Wisconsin's strong funding level and regular payment of its actuarially required contributions sets the WRS apart from many other public pension plans.

## WRS Pension Benefit Multiplier



**\$1.00**  
pension benefits paid to WRS Retirees

**\$1.49**  
goes back into the Wisconsin economy

This article was published in the March 2013 edition of "Wisconsin Counties" Magazine

# On Solid Ground.


## WRS at a Glance

The WRS provides a modest income and financial security in retirement for Wisconsin state government employees and employees of local government employers who elect to participate.

- Average WRS pension benefit paid in 2011: \$24,916 per year.
- Percentage of pension benefit funding from investment earnings: 76% (remainder comes from employee and employer contributions)
- Number of employers: 1,480
  - 1,423 local government, 57 state government
- Employees by employer type:
  - 27% state
  - 73% local

- Number of WRS members: 570,612
  - Active employees: 256,232
  - Annuitants (retirees, disability recipients, beneficiaries): 167,453
  - Inactive employees: 146,927

The Department of Employee Trust Funds is the state agency that administers WRS benefits, including collecting all contributions made to the public employee trust funds, calculating and disbursing payments from the trust funds, and providing information and services to employees and employers.

The WRS had approximately \$85 billion in assets as of December 31, 2012. It is the 9th largest U.S. public pension fund and the 30th largest public or private pension fund in the world. WRS assets are professionally managed by the State of Wisconsin Investment Board. 

## RESOURCES

- *Pensionomics 2012: Measuring the Economic Impact of State and Local Pension Plans*; National Institute on Retirement Security; [http://www.nirsonline.org/storage/nirs/documents/factSheetsPreviews/Factsheet\\_WI.pdf](http://www.nirsonline.org/storage/nirs/documents/factSheetsPreviews/Factsheet_WI.pdf)
- An excerpt of *The State of State Pension Plans: A Deep Dive into Shortfalls and Surpluses*, is available at <http://global.morningstar.com/statepensions>.
- For more information about Morningstar's analysis of government pension plans, the company's *State and Local Pensions 101* overview is available at <http://global.morningstar.com/pensions101>.
- To review *The Widening Gap Update*, go to [http://www.pewstates.org/uploadedFiles/PCS\\_Assets/2012/Pew\\_Pensions\\_Update.pdf](http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/Pew_Pensions_Update.pdf)

For more information, contact Nancy Ketterhagen at [nancy.ketterhagen@etf.wi.gov](mailto:nancy.ketterhagen@etf.wi.gov) or 608.266.7471.

**Website: [www.etf.wi.gov](http://www.etf.wi.gov)**