

Highlights — ETF

- 2 Legislative Update
- 3 ETF Projections for Annuity Adjustments
- 4 WRS 2018 Financials
- 5 WDC Fees Increase
WRS Among Plans in Spotlight
- 6 Tax Information
WCOA Conference Set for May 15
Sze Named APPFA Secretary
- 7 Health Insurance Update
- 8 Abandoned Accounts

Highlights — SWIB

- 9 Asset Allocation Targets Unchanged
Palmer Appointed
- 10 Board of Trustees Wins Award
Fink Appointed PMFA Director
SWIB CIO Wins Pair of Honors

Preliminary Investment Returns WRS Trust Funds Calendar Year 2019

Core Fund	19.9%
Benchmark	19.2%
Variable Fund	28.6%
Benchmark	28.3%

Figures are gross of fees

We Are Proud to Serve You

— Robert Conlin, ETF Secretary

Happy New Year! As the 2020s dawn, your Wisconsin Retirement System continues to be strong and well-positioned to meet the State's retirement commitments well into the future. Thank you for all you do to make the WRS the success that it is.

And thank you, too, for your current and past service to the citizens of Wisconsin. If you are reading this, you are likely one of the 642,000 members of the WRS who provide, or provided, crucial health, education, public safety, transportation, and other services to citizens in communities across the state.

Through your efforts, Wisconsin is a great place to live, work, and play.

Everyone here at the Department of Employee Trust Funds is proud to serve you and to provide

your retirement, health, and other WRS benefits. Benefits specialists, call center representatives, information security technicians, accountants, and other staff work hard to answer your questions, pay your benefits, resolve problems, protect your data, and keep



Robert Conlin

Conlin, continued on page 2

Investment Success: True Value Measured Over the Long Term

— David Villa, SWIB Executive Director and Chief Investment Officer

Year-end investment returns for the Wisconsin Retirement System directly affect annuity adjustments for retirees and contribution rates for active employees; many participants often measure the State of Wisconsin Investment Board's success based on year-end returns. This past year the Core Trust Fund and the Variable Trust Fund earned extremely strong preliminary gross returns of 19.9% and 28.6%, respectively. However, the true value that SWIB provides is

measured over long time horizons and not simply by the rise and fall of the market in a single year. Over the long term, SWIB's investment strategy—along with the WRS's unique design—has maintained the plan's fully funded status and kept the



David Villa

Success, continued on page 11

Conlin, continued from page 1

daily operations working smoothly.

When you visit our website or call us, please take some time to complete the brief customer service survey. We value your feedback and use it to improve services for you.

Focus on You

Staff tell me they work at ETF because they whole heartedly believe in our mission of taking care of you and the Trust Fund. Helping

provide for your financial and physical well-being is at the core of what we do. We strive to deliver expert guidance, strong, sustainable benefit programs, and an exceptional customer experience. We appreciate your continuing support.

On behalf of everyone at ETF, best wishes to you and your family for a healthy and happy 2020.

Legislative Update

— Tarna Hunter, Government Relations Director

The Wisconsin Legislature is expected to conclude the 2019-2020 session this spring. As of *WRS News* printing deadlines, the following are the latest bills affecting the benefit programs administered by the Department of Employee Trust Funds:

- On November 5, 2019, the Senate unanimously passed [2019 Senate Bill 233](#), which authorizes ETF to withhold money from a member's Wisconsin Retirement System annuity or lump-sum payment if a court has issued a restitution order for a crime that is both felony theft and misconduct in public office, the crime resulted in a loss to the defendant's employer, and the defendant's employer participates in the WRS. Federal law limits the amount that can be withheld to 25% of the annuity or lump-sum payment. In December, the Assembly Committee on Judiciary unanimously recommended passage of companion Assembly Bill 257. As of this writing, the Assembly has not scheduled the bill for a vote.

In addition, the following bills related to WRS benefits were introduced last month:

- [2019 Senate Bill 612](#) and [2019 Assembly Bill 670](#), which increase the minimum retirement age for General and Executive/Elected Category employees from 55 to 59.5 for members who are under the age 40 on the bill's effective date. The bills also change the return to work requirements

that were passed by the Legislature in 2013 by providing a 36-month grace period from the annuity suspension requirement for those who work more than two-thirds of full time; and reduce the break-in-service requirement from 75 days to 45 days.



Tarna Hunter

- [2019 Senate Bill 627](#) and [2019 Assembly Bill 698](#), which allow an annuitant who was a teacher to return to work as a teacher for a school district and elect to not participate in the WRS and, instead, continue to receive his or her annuity. The bills also reduce the break-in-service requirement for teachers of school districts from 75 days to 30 days.

Stay Connected

ETF's Government Relations Web Page

For current information about legislation that may affect the WRS visit <https://etf.wi.gov/about-etf/government-relations>. You can also sign up for timely *ETF E-mail Updates*.

Wisconsin State Legislature Website
<http://legis.wisconsin.gov>

ETF Projections for Annuity Adjustments

The Department of Employee Trust Funds expects to provide positive Core and Variable annuity adjustments (increases) to Wisconsin Retirement System retirees this year. The Core annuity adjustment is projected to be between 1.5% and 1.9%. The Variable annuity adjustment is projected to be between 19% and 23%.

These figures are projections only—the actual adjustments will be announced in March, after 2019 investment returns have been finalized and an actuarial analysis conducted. In late April ETF will send all retirees a personalized annuity statement showing any change to the monthly payment for the coming year, and the reason for the change.

Projections are based on preliminary calendar year 2019 investment performance of the WRS Trust Funds, which are invested and managed by the State of Wisconsin Investment Board. By law, the WRS does not provide for an automatic cost-of-living adjustment. Instead, post-retirement annuity adjustments depend on investment performance and can be increased or decreased as a result.

Given the 2019 investment performance of the WRS Trust Funds, why isn't the projected Core annuity adjustment higher? Annual Core Fund investment performance is smoothed (recognized) over a five-year period. Due to this gradual smoothing, year-to-year changes in retirees' Core annuities are more stable, compared to what they would be if investment returns were fully recognized each year. Only 20% of 2019's Core Fund excess (gain) is available to fund this year's adjustment; the remainder will be carried over into the computation process for the next four years. This year's adjustment covers investment losses in 2015 and 2018 and investment gains in 2016, 2017, and 2019.

Variable Fund investment performance is not smoothed. Investment performance is fully recognized each year and as a result, Variable annuity adjustments can vary widely from one year to the next. All WRS retirees participate in the Core Fund; approximately 41,000 also participate in the optional Variable Fund.

The following factors influence WRS annuity adjustments:

- The purpose of the WRS is to provide a lifetime benefit to retirees. In order to fulfill that guarantee in a manner that is actuarially sound, a 5% return on investments is needed. WRS annuities are funded based on the assumption that the trust fund will earn 5% interest each year. Annuity adjustments, both Core and Variable, therefore, are based on investment earnings above and beyond the 5% assumed earnings.
- Core annuities can be adjusted if the increase (or decrease) would be at least 0.5% (or -0.5%). Last year, the final computed rate for the Core annuity adjustment fell between 0.5% and -0.5%; therefore, no Core annuity adjustment was provided.
- Variable annuities can be adjusted if the increase or decrease would be at least 2.0%. Last year, retirees participating in the Variable Fund saw a 10% reduction to this portion of their annuities, due to investment losses in 2018.
- Life expectancies of WRS retirees continue to increase, and that is a good thing. But it also means ETF is paying pensions for longer periods of time than expected. Consequently, the liabilities of the system are higher, and this in turn affects surplus funds available to pay post-retirement adjustments.

For More Information

Webinar: WRS Effective Rates and Annuity Adjustments

This 30-minute webinar reviews how ETF calculates the annual effective rates and annuity adjustments and how these rates affect your WRS benefits. Questions are encouraged! Registration is easy and quick. Find it on the Events page of our website at <https://etf.wi.gov/events>.

A Look at WRS 2018 Financials

The Department of Employee Trust Funds has released the *Comprehensive Annual Financial Report* of the Wisconsin Department of Employee Trust Funds for the year ended December 31, 2018. This report provides comprehensive information about ETF, the Wisconsin Retirement System, and other benefit programs administered by ETF. The WRS paid approximately \$5.6 billion in benefits in 2018. The WRS funding ratio calculated in accordance with accounting standards was approximately 96.5% as of December 31, 2018. Sound funding and plan design principles continue to keep the WRS financially strong.

Complete WRS financial statements, with notes and supplementary information, can be found in ETF's 2018 *Comprehensive Annual Financial Report*.

WRS Assets and Reserves

As of the end of 2018, the WRS had net assets of approximately \$97 billion, a decrease of \$7 billion from 2017. These assets are invested in a balanced portfolio of equities, fixed income and other investments managed by the State of Wisconsin Investment Board.

\$60.2 billion of reserves are set aside to pay monthly benefits to over 209,000 retirees and beneficiaries; the average annual benefit is \$25,893. The annuity reserve, increased by 5% annual interest, is sufficient to pay lifetime benefits without any additional contributions.

The employer and employee reserves include contributions made by and on behalf of non-retired participants. While the employee reserve is made up of over 400,000 individual participant accounts, the employer reserve is a single comingled account with no separation of individual employer contributions. At the time a participant retires, the present value of their annuity is transferred to the annuity reserve from the employer and employee reserves. These reserves are also used to pay separation and death benefits.

The Market Recognition Account is used to smooth the effects of investment gains and losses on the WRS. Investment income that exceeds or is less than the assumed investment return of 7.0% is spread over five years. As of December 31, 2018, the WRS has \$4.7 billion in past investment losses that will be used to offset investment income over the next four years.

WRS Revenues and Expenses

Investment income is the largest source of revenue for the WRS. Investment income accounts for approximately 79% of the WRS revenues over the past 10 years.

Wisconsin Retirement System Summary of Net Position and Reserves (millions \$)	
	<u>2018</u>
Net Position	
Equities	\$54,850
Fixed Income Investments	31,739
Other Investments	21,724
Other Assets	8,569
Liabilities	<u>(20,145)</u>
Total Net Position	<u>\$96,737</u>

Reserves	
Annuity Reserve	\$60,236
Employer Reserve	22,729
Employee Reserve	18,456
Market Recognition Account	(4,729)
Other Reserves	<u>45</u>
Total Reserves	<u>\$96,737</u>

Wisconsin Retirement System Summary of Changes in Net Position (millions \$)	
	<u>2018</u>
Revenues	
Net Investment Income (Loss)	\$(4,050)
Employer Contributions	1,030
Employee Contributions	973
Other Income	<u>1</u>
Total Revenues	<u>\$(2,046)</u>

Expenses	
Annuities	\$ 5,516
Separation Benefits	40
Administration	<u>32</u>
Total Expenses	<u>5,588</u>
Loss due to Impairment of Capital Assets	<u>(25)</u>
Decrease in Net Position	<u>\$ (7,659)</u>

Financials, continued on page 5

WRS Among Plans in Spotlight for Strong Funding, Cost-Sharing Design Features

The Wisconsin Retirement System is one of several public pension plans cited in two recent PEW Charitable Trusts articles on plan design and funding. *Cost-Sharing Features Can Help State Pensions Manage Economic Uncertainty* describes how the best-funded plans employ cost-sharing mechanisms to maintain fiscal health and keep costs predictable. Find *Cost-Sharing* at <http://bit.ly/2Noz1yb>.

State Pension Funds Reduce Assumed Rates of Return reviews how plans nationwide are reducing their assumptions for investment returns—a critical source of benefit funding. The article also discusses why the investment markets are expected to stay in a low return environment, calling it

the “new normal” for the foreseeable future. WRS members may recall that in December 2018 the ETF Board, acting on the recommendations of its independent consulting actuary, updated WRS key economic and demographic assumptions, including reducing the assumed rate of investment return from 7.2% to 7.0%. Find *State Pension Funds* at <http://bit.ly/2ECkGJ0>.

Nationally, investment return assumptions have been steadily declining over the last decade. The median assumption nationally among major public pension plans is 7.38%, according to the National Association of State Retirement Administrators.

[For Wisconsin Deferred Compensation Program Participants](#)

WDC Administrative Fees Increase

Effective January 1, 2020, administrative fees paid by Wisconsin Deferred Compensation Program participants increased by an average of 6.5%. Monthly fees are based on individual participant account balances. For more than 80% of WDC participants, the increase will total fifty cents or less per month.

Why did fees increase? The WDC is self-supporting, meaning no tax dollars are used to fund the program. The WDC Board determined that an increase was needed to keep pace with increases in program expenses. Administrative fees pay for expenses such as account recordkeeping, auditing services, the WDC website and call center, and participant planning and educational resources. The Board uses the negotiating lever-

WDC Participant Account Balance	2019 Monthly Fee	2020 Monthly Fee
\$1 - \$5,000	\$0	\$0
\$5,001 - \$25,000	\$1	\$1
\$25,001 - \$50,000	\$3	\$3.25
\$50,001 - \$100,000	\$6	\$6.50
\$100,001 - \$150,000	\$8	\$8.50
\$150,001 - \$250,000	\$11	\$11.75
More Than \$250,000	\$16.50	\$17.50

age of thousands of WDC participants to keep fees low and competitive with other retirement savings plans. The WDC is committed to clear disclosure of fees, so you always know how much you pay and what those fees help fund. For more information on WDC fees, see the *Plan Highlights* document on the WDC website, www.wdc457.org or call the WDC at 1-877-457-9327.

Financials, continued from page 4

Employer contributions are paid by WRS employers and are held in the employer reserve until transferred to the annuity reserve to fund new annuities. Employee contributions are primarily paid by WRS participants and are held in individual accounts for the participant until retirement—or paid as a separation benefit if

the employee leaves covered employment and chooses to withdraw contributions. When one compares total WRS expenses of \$5.6 billion to combined employee and employer contributions of \$2.0 billion, the importance of a strong investment program to make up the difference is clear.

Tax Information

Required Minimum Distributions

As you prepare your taxes this year, note that some commercial tax filing software may ask if your Wisconsin Retirement System annuity payment meets the Required Minimum Distribution requirement.

Any WRS annuity payment meets the Required Minimum Distribution rule, which previously required the member to receive payments from the WRS no later than April 1 of the year following the calendar year the member reached age 70½ or by December 31 in the year of retirement (if employed beyond age 70½). The federal SECURE Act that passed in late 2019 increased the age to 72 for people who turn 70½ in 2020 or later. Now, members must take their first WRS payment by at least April 1 of the year after they reach 72, if they are no longer working.

2020 Tax Tables

Due to comprehensive changes being made to the Federal tax tables and 2020 W4-P withholding form, the WRS will continue using the current

2019 tax tables and W4-P until complete and final information is provided by the Internal Revenue Service for 2020.

1099-R Forms

The Department of Employee Trust Funds will mail 2019 1099-R forms by January 31. W-2 tax forms for taxable retiree wellness incentives paid in 2019 will also be mailed by January 31.

Annuity Payments When First Day of Month Falls on Holiday or Weekend

Under state law, WRS annuity payments are payable on the first day of the month. The accompanying table shows upcoming 2020 payments affected when the first day of the month falls on a Saturday, Sunday or holiday.

Payment Date	Settlement Date
Wednesday, Jan. 1	Thursday, Jan. 2
Saturday, Feb. 1	Monday, Feb. 3
Sunday, Mar. 1	Monday, Mar. 2
Saturday, Aug. 1	Monday, Aug. 3
Sunday, Nov. 1	Monday, Nov. 2

WCOA Conference Set For May 15

The Wisconsin Coalition of Annuity annual conference is set for Friday, May 15 at the American Family Insurance headquarters in Madison. Wisconsin Retirement System retirees have an opportunity to meet State of Wisconsin Investment Board and Department of Employee Trust Funds leaders as well as learn more about the pension system. Other session topics include financial security and well-being in retirement.

The cost is \$25, which includes a continental breakfast and buffet lunch. The WCOA is composed of organizations representing retired state and local government employees and serves as a watchdog to assure the retirement funds are used solely for the benefit of WRS participants.

For more information about the conference, including registration details, go to <https://www.wicoa.org/2020conference.php>.

ETF Internal Audit Director Named APPFA Secretary

Yikchau Sze, director of Internal Audit at the Department of Employee Trust Funds, was recently named Secretary of the Association of Public Pension Fund Auditors.

The APPFA was established in 1991 by four internal auditors from public pension funds in Colorado, Illinois, New York, and the Wisconsin Retirement System. Since then, membership has grown to more than 100 member organizations, including the largest public employee retirement systems, including state, municipal, and teacher plans.



Yikchau Sze

Group Health Insurance Program Update

Vaccines Covered at In-Network Pharmacies

New this year for group health insurance members: Vaccines are covered at in-network retail pharmacies at no cost—it's free! Other vaccines available to you through this benefit are: pneumonia, tetanus, hepatitis, shingles, measles, mumps, human papillomavirus (HPV), pertussis, varicella, and meningitis. Simply show your Navitus card at the pharmacy. If you prefer, you can still get vaccinated at your doctor's office using your medical benefit.


Here are a few things to keep in mind: about this benefit:

- Contact the pharmacy to ensure the vaccine/immunization you want is in stock and find out whether appointments are required.
- Use an in-network pharmacy. While most pharmacies participate in the Navitus network and can administer vaccines/immunizations, not all of them offer this service. To

find an in-network pharmacy contact Navitus at 1-866-333-2757 or go to etf.benefits.navitus.com (no login required). To ensure your claim gets processed correctly, provide the pharmacist with your Navitus ID card.

Video: Get Medical Care When You Need It Fast

This video from the Department of Employee Trust Funds will walk you through your medical care options: telehealth, the nurse line, doctor's office, urgent care, and the emergency room. The video also discusses which option makes the most sense, depending on your situation, and the advantages of each, including which one would be easiest on your wallet. Print out the accompanying resource sheet so you are prepared when you need care quickly. Find *Get Medical Care When Need It Fast* on the ETF website or contact us for more information.




We're Here to Help

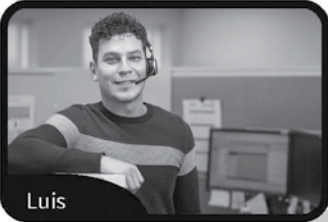
Maryann, Luis, Tasha, and all of our benefits specialists are here to answer your questions, update your beneficiary, and much more.

Website
etf.wi.gov
Find forms, videos, webinars,
send a secure email


Call
1-877-533-5020
7:00 a.m. to 5:00 p.m. (CST)
Monday-Friday
To avoid peak call volume,
call Tuesday-Friday



Maryann



Luis



Tasha

ETF Seeks Persons with Abandoned WRS Accounts

The Department of Employee Trust Funds is looking for individuals age 70 and older who have “abandoned” Wisconsin Retirement System accounts. WRS members or their heirs have 10 years to apply for the benefit. If you know the whereabouts of anyone on the list, please ask them or their heirs to contact ETF. Written inquiries to ETF must include the member’s com-

plete name, date of birth, Social Security number and the year the name was published. Mail to: ETF, P.O. Box 7931, Madison, WI, 53701-7931 or send a secure email to ETF. ETF cannot accept telephone calls regarding these accounts. Find the complete list at <https://etf.wi.gov/abandoned-wrs-accounts>.

Altmayer, Kumud S	Feirer, David K	Kazee, Patricia M	Rhoads, Lee
Amburgey, Terry L	Fink, Victoria L	Kia, Ardeshir	Robinson, Harold L
Bachelor, Charles R	Fleming, Mary J	Koss, Sheila A	Ryant, Susan K
Becerra Weber, Marcela E	Flitter, Michael J	Kuehl, Michael A	Schaeffer, Frans M
Bell, Maurice E	Fredrickson, Judy D	Lange, Richard J	Scheer, Anne C
Benci, Vieri	Garrison, Alan A	Lanzel, Carl W	Schonau, Susan
Benwitz, Peter L	Glover, Carlotta E	Larabee, Karen	Schroeder, Kirby R
Berg, Sandra M	Gavin, Donald W	Linskens, Kathleen A	Schultz, Barbara L
Bird, Carole A	Gomez, Lilia	Logan, Richard J	Seiske, Michael W
Boardman, Donna M	Goralski, Gail A	Lunde, Barbara J	Shimek, John P
Brennan, Dennis A	Gow, David J	Luong, Marty N	Simonds, Wayne R
Brooks, Roger P	Grau, Linda J	Manevitz, Larry M	Soria, Diana L
Brown, Corey R	Greenwood, Theresa J	Manoogian, Phyllis	Stanley, Robert M
Brown, Ralph H	Gunderson, Patricia L	Martell, Louis H	Stenerson, John D
Bryant, Hazel P	Hall, Robert L	McGown, Judilyn J	Stumpf, David E
Burch, Janet C	Hall, Gary M	Mendoza, Higino G	Sugent, Kimberly A
Byam, Sandra L	Hamann, Jane E	Miller, Gwen L	Sullivan Paul J
Carlin, Kevin T	Handley, Jerry A	Monzingo, Nancy A	Szwalkiewicz, Terris F
Chambers II, Roscoe B	Harris, James F	Nanopoulos, Dimitri	Taylor, Gillian D
Chudik, Cheri L	Hendrix, Diane P	Nelson, Larry J	Tefft, Julia M
Chuquin, Carmen	Hermes, Linda A	Neymark, Julie A	Thompson, Nancy L
Clarke, Alan W	Hess, Mary	Ogemah, Langford	Tibbits, Marie A
Clavier, Cyndi K	Hill, James R	Ogorman, Dale F	Treesh, Carol J
Cleveland, Wilfrid	Horowitz, Charles A	Ogrizovich, Kathleen E	Trent, Adam
Cohen, Daniel J	Huhn Wedler, Gretchen	Olson, John W	Tyler, Willie J
Corcoran, Michael D	Hunt, Harry B	Oshkosh, David W	Vance, Patsy J
Cronin, Mary T	Jackson, Christine R	Ott, Stanley	Wald, Luanne L
Cuellar, Melanie	Jarzyna, Darlene	Ozuna, Bernardo L	Wallace, Kathryn A
Dahlby, Dianne F	Jensen, Todd W	Parkinson, Jeanne M	Ward, Beverly
Davis, Gayle S	Jerrett, Kay M	Payne, Howard	Warman, Marc W
Deutsch, Margaret M	Johnson, Elizabeth N	Peron, Barbara	Waseka, Judy K
Duxbury, Lenore M	Johnson, John W	Peterson, Charlene	Webb, Vada
Ebert, Donald L	Johnson, Michael L	Petty, Stuart C	Weldon, Henry H
Eckstrom, Virginia S	Johnson, Steven B	Pogue, Ruth A	Westendorf, Christopher J
Eggert, Russel M	Johnson Jr., Osby C	Radulaski, Olga	Wicklund, Shirley A
Elmblad, Diane E	Johnston, Frank P	Reyes-Gonzalez, Armando	Will, Thomas E

Asset Allocation Targets Remain Unchanged

The State of Wisconsin Investment Board implements a prudent and innovative long-term investment strategy to manage the assets of the Wisconsin Retirement System trust funds. SWIB's portfolio of investments for the Core Trust Fund is highly diversified, carefully monitored, and designed to strike an appropriate balance between risk and return.

A highly diversified fund means SWIB invests in a number of different asset classes. Diversification helps to stabilize the effects of market changes and help meet the long-term needs of the WRS. The Core Fund is invested in domestic and global markets in stocks, fixed income, real estate, private equity, multi-asset, and inflation sensitive portfolios.

In October, investment staff and SWIB's asset allocation consultant conducted an asset allocation review. The review included an in-depth look at the current market and economic environment and themes, as well as developing trends that might impact SWIB's investment decisions in the future.

Developing the Core Fund's asset allocation focuses on what is referred to as a "Goldilocks Zone". This is an allocation that is neither "too hot" nor "too cold" in terms of risk and expected returns. The review resulted in the decision to

SWIB Asset Allocation Targets Core Trust Fund	
Stocks	49%
Fixed Income	25%
Inflation Sensitive	16%
Private Equity	9%
Real Estate	8%
Multi-Asset	4%

The total target asset allocations, in the above table, exceed 100% due to the overall leverage of Core Fund assets. Actual asset allocations may vary up to +/- 6%.

maintain the current Core Fund asset allocation.

"Going forward, we see a tightening monetary policy, which means it will become more challenging to make money," SWIB Executive Director/Chief Investment Officer David Villa said. "Over the past several years, SWIB has put in place a robust investment strategy that is designed to provide the trust funds with moderate protection from another dramatic downturn while still earning reasonable returns. We believe this is the best strategy moving forward."

Palmer Appointed to SWIB Board of Trustees

Kristi Palmer has been appointed to serve on the SWIB Board of Trustees as a public member. The members of the SWIB Board of Trustees are set by state statutes. Trustee Palmer has worked for Marathon County as finance director since 2001. Throughout her tenure with Marathon County, she has held a position on the Northcentral Employers Healthcare Alliance Board of Directors. She currently holds the position of past president of this organization. She was appointed to the Wisconsin Municipal Mutual Insurance Company Board of Directors as a member at large, vice president, and president from 2010-2015.

Prior to coming to Marathon County, Trustee Palmer held the position of finance director for

Door County and Langlade County. For the last 13 years, she has enjoyed working with the Government Finance Officers Association, completing training sessions in long-term financial planning, governance and performance management. Palmer



Kristi Palmer

holds a master's and bachelor's degree from the University of Wisconsin-Whitewater.

For more information about the Board of Trustees, visit <https://www.swib.state.wi.us>.

SWIB Trustees Win Allocators' Choice Award

The Board of Trustees of the State of Wisconsin Investment Board received *Institutional Investor's* Allocators' Choice Award for Investment Committee/Board of the Year. Chair David Stein, executive vice president of Associated Banc-Corp., accepted the award last month on behalf of the Trustees. The Board was nominated for its role in SWIB's ability to successfully manage the investments of the Wisconsin Retirement System and other trust funds. In support of SWIB's work, the nine-member, independent Board of Trustees has demonstrated a continued commitment to a strong governance structure, active internal management and a sophisticated investment strategy, building out technology, and hiring the best talent to manage the trust funds.

"As Trustees, we are continuously looking for ways to build on an already strong foundation that has led to the WRS being one of the only fully funded public pensions in the country," said Trustee Stein.

The Allocators' Choice Awards are investment industry awards given by *Institutional Investor*, a leading international financial publication, to recognize industry leaders. The awards were created as a way for asset allocators to choose peers deserving recognition for their work. Finalists were selected based on nominations submitted over the summer and were vetted by *Institutional Investor's* editorial team. Only institutional asset owners were eligible to vote in the Allocators' Choice Awards.

SWIB Names New PMFA Director

Anne-Marie Fink has been named Private Markets and Funds Alpha managing director at the State of Wisconsin Investment Board. As such, Fink is responsible for overseeing private equity, real estate, hedge funds, externally managed accounts, private debt, and venture capital portfolios.

Fink has more than two decades of investment management experience, both in the public and private sectors. She has served as the chief investment officer for the Employees' Retirement System of Rhode Island and for a large family office. She started her investment career at JP Morgan, where she spent more than 15 years as an equity and hedge fund analyst. Most recently, she was at State Street Global Advisors where she was the portfolio strategist for alternative investments.

"Anne-Marie's experience and proven record of success will help SWIB continue its work to maximize returns, manage risk and optimize costs on behalf of the beneficiaries of the Wisconsin Retirement System," Executive Director/Chief Investment Officer David Villa said.



Anne-Marie Fink

Fink earned a Bachelor of Arts degree from Yale University and an MBA from Columbia University Business School. She is also the author of *The Money Makers: How Extraordinary Managers Win in a World Turned Upside Down*, which draws on her experience in observing best practices in business management across companies and industries.

SWIB Executive Director/CIO Receives Pair of Honors

State of Wisconsin Investment Board Executive Director/Chief Investment Officer David Villa has been named one of *Trusted Insight's* 2019 Top 30 Public Pension Chief Investment Officers. The list highlights long-term investment leaders who have expertly navigated the markets time and again, especially now during the late market cycle. Villa was named to *Trusted Insight's* top 30 chief investment officer lists in

2016 and 2017. In addition, Villa was recently honored as a finalist for *Chief Investment Officer* magazine's Industry Innovation Awards in the category of risk management. He was recognized for leading the effort to create a robust and sophisticated investment strategy designed to meet the challenges of the financial markets head on, while helping grow and protect the fully funded Wisconsin Retirement System.

Success, continued from page 1

WRS financially stable.

Like any other year, the 2019 returns include two components: overall market performance and contributions made by SWIB staff that add value to the trust funds above market returns. When looking over a 20-year period through December 31, 2019, SWIB's active management and its diversified investments generated \$37.1 billion dollars for the Core Fund above what SWIB would have earned by simply investing in a low-cost passive portfolio consisting of 60% global equities and 40% domestic bonds, assuming no contributions or withdrawals.

Although the stock market finished strong in 2019, there are growing concerns about an economic downturn in the near term. In recent years, the markets have shown some volatility. This was evident at the end of 2018, which experienced wild swings of record highs and sharp downturns. While the Core Fund's preliminary gross return of 7.8% over the past five years is more than its 7.0% target; going forward, we believe we will see returns moderate and decrease. This creates some challenges for meeting the WRS's 7.0% return target.

We are doing a number of things to meet those future challenges. The most important is building on the kinds of innovative and complex investment strategies we have implemented, which are designed to meet the uncertainty caused by the ever-changing financial markets. That requires us to build out and leverage technology infrastructure and highly skilled staff as we seek ways to find additional sources of value. That added value can fill the gap between what the markets provide and what is needed for continued success in the new year and beyond.

Having passive investments within major asset classes is a relatively efficient way to take advantage of positive market performance, especially for individual investors. However,

because of SWIB's size and access to more and different types of investment markets as an institutional investor, SWIB also uses active management, including some sophisticated and innovative investment strategies and tools, to attempt to earn additional money for the trust funds above passive investments.

Through the combination of skill-based portfolio allocation and construction techniques that generally outperform passive market indexes, SWIB's investment staff are looking for ways to add value to the trust funds so that we can help deliver the promises made to the more than 642,000 WRS participants.

Delivering on this investment strategy requires an agile and collaborative organization that can identify and implement complex investment opportunities. This is why SWIB created a comprehensive and competitive compensation program that successfully allows us to meet the challenge of competing for and retaining people with the expertise needed to support and implement a successful investment strategy. With the support of the Trustees, SWIB has assembled an award-winning team and is able to recruit top talent from premier investment management firms. This has allowed SWIB to invest in its people and hire highly qualified professionals to deliver returns that will help sustain the WRS.

Furthermore, we do all of this while we continue to optimize costs. According to an independent cost consultant, SWIB saved \$54 million over its peers in 2018 and \$1.3 billion over the last ten years. Together, SWIB's overall performance and management costs compare favorably to similar public pension funds across the country.

As we look to the future, SWIB's strategic approach of looking for ways to add value becomes even more critical to maintain a fully funded pension system.

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