OUR WISCONSIN RETIREMENT SYSTEM
Strong for Wisconsin
The Wisconsin Retirement System was created forty years ago, effective January 1, 1982. In that time the WRS 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 652,000 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.

ETF executive team:
Pam Henning, Assistant Deputy Secretary; John Voelker, Secretary; and Shirley Eckes, Deputy Secretary.
The WRS is among the best funded and best managed public pension systems in the country. With some $129.8 billion in assets, it is the 8th largest U.S. public pension fund. More than 652,000 individuals participate in the WRS.

- **221K** annuitants (retirees, disabilitants and beneficiaries)
- **172K** former public employees with deferred benefits
- **1,537** state and local government units throughout Wisconsin
- **259K** 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**

- School Districts: 111,181
- State Agencies & University: 74,632
- Technical Colleges: 8,829
- Counties: 32,862
- Towns, Villages & Special Districts: 9,501
- Cities: 22,244

**EMPLOYEES BY EMPLOYMENT CATEGORY**

- General: 132,985
- Teachers: 102,465
- Protective Occupations with Social Security: 19,749
- Protective Occupations without Social Security: 2,758
- Executive/Elected: 1,292

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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 is 72.8%. The WRS is 100% funded as of December 31, 2020.

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:

\[ B = C + I - E \]

Benefit payments = Contributions + Investment earnings – WRS administrative expenses

“Successful state pension systems, such as those in Wisconsin, South Dakota, and Tennessee, have maintained high funded ratios over the past 20 years in part because they have strategies — including policies that target debt reduction and share gains and losses with workers and retirees — to mitigate cost increases during economic downturns.”

— Pew Charitable Trusts
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 $22,089.

Funds to pay pension benefits are generated from three sources:
1. Employee Contributions
2. Employer Contributions
3. Investment Earnings
Investment earnings comprise approximately 80% of revenues needed to fund the WRS.

**WRS: Well Managed**

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

- **Low Administrative Costs** – The WRS consistently spends less per active member and annuitant than most of its peers.

- **Low Cost for Taxpayers** – Wisconsin state and local governments spend 2.1% of their budgets on the WRS, compared to 4.7% nationally*. No general taxes are required to support the WRS.

- **Low Unfunded Liabilities** – Wisconsin is 1 of 3 states with 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 80% of WRS benefits paid come from investment earnings.

- **Efficient** – The WRS provides lifetime benefits by pooling mortality and other risks for more than 652,000 participants.

*percentages include City and County of Milwaukee

“While it is a misconception to hold that there is a one-size-fits-all solution to plan design and financing, there are core principles that are pervasive among public retirement plans: mandatory participation, shared financing, benefit adequacy, pooled investment and longevity risks, and lifetime benefit payouts.”

— National Association of State Retirement Administrators
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“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.

### Monthly Pension Payments by County

<table>
<thead>
<tr>
<th>County</th>
<th>$ Total Monthly Payments</th>
<th># of Payees</th>
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<tbody>
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<td>Burnett</td>
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**Notes:**
- Payments as of December 2020
- Key: County, $ Total Monthly Payments, # of Payees
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Expenditures from public pensions supported 53,011 jobs in Wisconsin that paid $2.7 billion in wages and salaries, and generated $1.6 billion in federal, state and local tax revenues.*

The WRS paid $6.0 billion in benefits in 2020.

*Pensionomics 2021: 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. Employees often accept lower wages now for future retirement compensation.

The 1,537 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 5 years, 54 local governments have chosen to join the system.

At a time when state and local governments are struggling to attract and retain employees to deliver vital taxpayer services, a new national poll finds that retirement and healthcare benefits are critically important job features, more so than salary. These benefits are viewed as a powerful recruitment and retention tool, with nearly all state and local workers (93%) saying that pensions incentivize public workers to have long public service careers, and 94% agreeing that a pension is a good tool for both attracting and retaining employees.

— National Institute on Retirement Security, State and Local Government Employee Views on Their Jobs, Compensation and Retirement

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

- **29%** State Government
- **71%** Local Government

### AVERAGE YEARS OF SERVICE

- **14.1** Executives & Elected
- **12.0** Protective with Social Security
- **13.9** Protective without Social Security
- **9.9** General
- **12.7** Teachers

### WRS RETIREES*

- **62** Retirement Age
- **21** Years of Service
- **$22,089** Annual Benefit

*General Category employees; median figures.
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.
Check out ETF’s Government Relations page for:
• Proposed Wisconsin legislation and laws affecting the WRS and ETF
• Federal issues and legislation
• WRS fact sheets, studies and reports
• National trends and research
• ETF action items

etf.wi.gov/about-etf/government-relations

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