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Preliminary Investment Returns WRS Trust Funds Calendar Year 2021

Core Fund	16.89%
Benchmark	16.25%
Variable Fund	19.95%
Benchmark	20.21%

Performance is net of all fees.

Secretary Voelker: The WRS at 40 Years

— John Voelker, ETF Secretary

January 1 marked 40 years since legislation implementing the Wisconsin Retirement System became effective.

So, what do you get a retirement system on its anniversary? When I am stumped for gift ideas, I usually check the internet. I discovered that a 40th anniversary is symbolized by the ruby. The more I read about what the ruby represents, the more I realized it would be the perfect gift.

The ruby is regarded as promoting wealth and knowledge. It is also a protector of possessions. Amazing—these are also some of the key qualities of the WRS.

Wealth

WRS retirement benefits are a key part of our participants' long-term financial security. The WRS lifetime benefit provides a piece of mind for the retirement years. The approximately \$6 billion in pension payments that are paid on an annual basis are subsequently spent in communities across the state. This, in turn, supports local economies.

Voelker continued on page 2



John Voelker

Continuing to Keep Pace With Changing Investment Management Landscape

— Edwin Denson, SWIB Executive Director and Chief Investment Officer

As executive director and chief investment officer, my primary goal is to ensure that we deliver on our mission to the Wisconsin Retirement System. This month, we announced preliminary 2021 year-end returns for the WRS. The Core Trust Fund ended the year with a preliminary net return of 16.89% and the Variable Trust Fund finished 2021 with a preliminary net return of 19.95%.

These returns are expected to result in a positive annuity adjustment for retirees and stable contribution rates for employees and employers. Further, we continue to develop and obtain the necessary talent and technology to implement our sophisticated investment strategy. I could not be more pleased with our staff for navigating the market volatility throughout the year and remaining steadfast and committed to our long-term investment strategy.



Edwin Denson

Denson, continued on page 11

Voelker, continued from page 1

Knowledge

As the administrator of the WRS, the Department of Employee Trust Funds is committed to providing expert guidance so you can make good decisions on the use of your benefits. We also realize you're wanting to do more online. Our website was redesigned in 2019, and it now includes interactive tools and short videos to make it easier to get the information you need.

During the past two years of the pandemic, nearly two-thirds of members have been served virtually, compared to in-person. In the coming years, our modernization efforts will make it possible for you to securely and conveniently access your individual benefits and do more online. Of course, our call center staff are always happy to help.

Protector of Possessions

As a trust fund, your contributions and the investment earnings can only be used for your benefit. Combine that with disciplined administration—which has resulted in one of the best funded plans in the country—and you'll see that the WRS is well-positioned to

pay promised benefits for years to come.

We applaud anniversaries because it takes hard work to make any marriage or program successful over the long run. For the WRS, that has included the ETF Board and the State of Wisconsin Investment Board working in the best interest of the system and its members. The ETF Board is constantly working with ETF and independent consulting actuaries to ensure program sustainability. This was recently exhibited when the board worked with the actuaries to adjust economic assumptions used in performing the annual system valuation.

Having reasonable assumptions is critical to keeping the WRS well-funded. SWIB and its staff are continually assessing appropriate risk and investment opportunities. Their performance over the years have led to 80% of WRS revenues coming from investment income.

The ruby symbolizes the strength of the WRS in many ways, but no gifts are required. As with any anniversary, the real gift is knowing you have a committed and dependable partner on your side. That is something worth celebrating.

ETF Projections for Annuity Adjustments

The Department of Employee Trust Funds expects to provide Core and Variable increases to Wisconsin Retirement System retirees this year. The Core annuity adjustment is estimated to be between 7.0% and 7.4%. The Variable annuity adjustment is projected to be between 13% and 17%. These projections are based on preliminary calendar year 2021 investment performance of the WRS trust funds.

Keep in mind these figures are projections only. The actual adjustments will be announced in March, after 2021 investment returns have been fi-

nalized 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, beginning with the May 1 payment, and the reason for the change.

By law, a Core annuity adjustment will be paid if the adjustment rate is at least 0.5%; if less than 0.5%, no adjustment is made. In addition, a Variable annuity adjustment will be made if the adjustment rate is at least 2%; if less than 2%, no adjustment is paid.

Webinar: WRS Effective Rates and Annuity Adjustments

How about a refresher on how the Department of Employee Trust Funds calculates annual effective rates and annuity adjustments, and how these rates affect your Wisconsin Retirement System benefits? Take in this webinar and have all of your questions answered. Multiple sessions are offered over the next several months. To register for a session, visit <https://bit.ly/3pXOXJQ>.

For Wisconsin Deferred Compensation Program Participants

Wisconsin Deferred Compensation Program Update

Program Fees Reduced January 1

The Deferred Compensation Board, citing favorable investment returns and administrative cost savings, recently approved reducing monthly fees by an average of 34%. The new fee structure went into effect January 1.

The Wisconsin Deferred Compensation Program is self-supporting, meaning no tax dollars are used to run the program. Administrative fees charged to participants pay for expenses such as account record keeping, auditing services, the WDC website and call center, and participant planning and educational resources. The new fees are shown in the accompanying table.

The board uses the negotiating leverage of thousands of WDC participants to keep fees low and competitive with other supplemental retirement savings plans. The WDC is also committed to clear disclosure of fees to ensure you always know how much you pay and what those fees help fund.

Comprehensive Financial Planning Services

The WDC now has financial planners to help you build a financial plan that addresses all components of wealth management, including retirement, financial and personal goals, savings and income needs, risk management, and estate planning. Although you are already retired, consulting with a WDC financial planner may be a helpful way to create a customized, comprehensive plan to help you maintain or set new financial goals. The fee structure is as follows:

- \$499 for a one-time plan or \$299 plus \$29 per month for ongoing access to a planner, with no minimum account balance required.

WDC Participant Fees effective Jan. 1, 2022		
Account Balance	Fee Per Month	Fee Per Year
\$0 to \$5,000	\$0.00	\$0.00
\$5,001 to \$25,000	\$0.75	\$9.00
\$25,001 to \$50,000	\$2.00	\$24.00
\$50,001 to \$100,000	\$4.25	\$51.00
\$100,001 to \$150,000	\$5.50	\$66.00
\$150,001 to \$250,000	\$7.75	\$93.00
Over \$250,000	\$11.50	\$138.00

- For members enrolled in My Total Retirement, the WDC's managed account service, the cost is \$399 for a one-time plan or \$199 plus \$15 per month for ongoing access to a certified financial planner.

Set up a meeting and learn more about the new services. Visit this secure Empower Retirement webpage, <https://bit.ly/3lHNk1p> or call 1-833-301-9355. Note: There is no guarantee provided by any party that participation in any of the advisory services will result in a profit. Investing involves risk, including possible loss of principal.

A Look at WRS 2020 Financials

The Department of Employee Trust Funds has released the *Annual Comprehensive Financial Report* for the year ended December 31, 2020. The Wisconsin Retirement System paid approximately \$6 billion in benefits in 2020. The WRS funding ratio calculated in accordance with accounting standards was approximately 105% as of December 31, 2020. 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 *2020 Annual Comprehensive Financial Report*.

WRS Assets and Reserves

As of the end of 2020, the WRS had net assets of approximately \$125 billion, an increase of \$13 billion from 2019. These assets are invested in a balanced portfolio of equities, fixed income and other investments managed by the State of Wisconsin Investment Board.

\$68.8 billion of reserves are set aside to pay monthly benefits to more than 221,000 retirees and beneficiaries. The average annual benefit is \$26,369. 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 431,000 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, 2020, the WRS has \$10.7 billion in past investment gains that will be added to 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 81% of the WRS revenues over the past 10 years. Employer contributions are paid by WRS employers and are held in the employer reserve until transferred to the annuity reserve to fund new annuities.

Wisconsin Retirement System Summary of Net Position and Reserves (millions \$)	
	2020
Net Position	
Equities	\$ 72,347
Fixed Income Investments	42,385
Other Investments	24,307
Other Assets	19,079
Liabilities	(35,152)
Total Net Position	<u>\$124,966</u>

Reserves	
Annuity Reserve	\$ 68,760
Employer Reserve	24,623
Employee Reserve	20,886
Market Recognition Account	10,683
Other Reserves	14
Total Reserves	<u>\$124,966</u>

Wisconsin Retirement System Summary of Changes in Net Position (millions \$)	
	2020
Revenues	
Net Investment Income (Loss)	\$ 16,698
Employer Contributions	1,134
Member Contributions	1,053
Total Revenues	<u>\$18,885</u>

Expenses	
Annuities	\$ 5,939
Separation Benefits	39
Administration	33
Other Expenses	0
Total Expenses	<u>6,011</u>
Increase in Net Position	<u>\$ 12,874</u>

2020 Financials, continued on page 5

ETF Board Updates Actuarial Assumptions

The Employee Trust Funds Board recently considered and updated key economic and demographic assumptions that are used to value the liabilities of the Wisconsin Retirement System. This included reducing the current assumed rate of investment return from 7.0% to 6.8%. The 6.8% rate will be effective for the 2021 WRS valuation and used to determine employer and employee contribution rates for 2023.

The board's decision was based on the *Wisconsin Retirement System Three-Year Experience Study January 1, 2018–December 31, 2020*, completed by its independent actuary, which included a recommended range of assumed rates for the board to consider. State law requires an experience study be conducted at least every three years. The change in the investment return assumption will not affect the annuity adjustment (dividend) process for retirees. Post-retirement adjustments will still depend on investment performance in excess of 5%.

Nationally, investment return assumptions are decreasing. More than half of the 131 major public pension plans have reduced their investment return

assumptions since fiscal year 2018. In November the median assumption was 7.0%, the lowest level in more than 40 years, according to the National Association of State Retirement Administrators.

Actuarial assumptions are a critical part of any actuarial valuation, which determines the level of contributions necessary to fund promised benefits. It's important to confirm the on-going reasonableness of the assumptions used because continued use of outdated assumptions could result in understating or overstating the overall cost of benefits.

For More Information

WRS Actuarial Reports and Studies

Visit the About ETF section of our website at <https://etf.wi.gov>

NASRA—Latest Investment Return Assumptions

Visit <https://bit.ly/3m10UNp>

Upcoming Governing Board Meetings

Stay current with Wisconsin Retirement System governing board discussions and actions. Agendas are available approximately one week in advance of the scheduled meetings. Visit <https://etf.wi.gov/about-etf/governing-boards>.

The next regularly scheduled meetings of the Employee Trust Funds Board, the Teachers Retirement Board and the Wisconsin Retirement Board are set for March 22. Topics include the WRS consulting actuary's valuation of the system; approval of WRS effective rates and annuity adjustments;

ETF's projections for rates next year; WRS funding policy review; and ETF budget and legislative updates.

The Group Insurance Board will meet February 16. Topics include analysis of the It's Your Choice open enrollment period and preliminary changes to the program agreement/guidelines; and uniform benefits for next year.

The Deferred Compensation Board is set to meet March 31. Topics include an investment performance review and various policy updates.

2020 Financials, continued from page 4

Member 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 \$6 billion to combined member and employer contributions of \$2.2 billion, the importance of a strong investment program to make up the difference is clear. Find the *Annual Comprehensive Financial Reports* on our website, under the WRS Actuarial Reports and Studies section.

ETF Seeks People 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 updated list below, please ask them or their heirs to contact ETF. Written inquiries must include the member’s complete 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 via the Contact ETF page of our website. ETF cannot accept telephone calls regarding these accounts. Visit <https://etf.wi.gov/abandoned-wrs-accounts> to review the complete list of names.

Ames, Erlinda F	Herem, John K	Martin, Bermihna J	Smith, Belinda G
Bird, Jean E	Hinton, Ricardo O	Martinez, Maria J	Spaar, Wilfred
Blumenberg, Gordon L	Jensen, Karen J	Montes, Cristina	Sturm, Mary M
Boudreaux, James R	Jimenezgutierrez, A	Morrison, Christopher S	Tobey, Darala, L
Chaopricha, Sangrawee	Kawlewski, Patricia A	Niemzyk, John A	Vollmer, Linda M
Christoph, John E	Lee, Ying Y	Okoh, Emmanuel E	Wade, Ralph L
Farag, Karim K	Leitzke, Tom D	Orcutt, Karen A	Wester, Grace L
Farley, Leah K	Lesko, Connie A	Popov-Rihter, Vida	White, Gary M
Fournier, Jean A	Loh, David	Riznic, Jovica R	Yonker, June
Freeman, Linda J	Mackay, Mary C	Russell, Lance W	
Guglielmotto, Cheryll A	Macmillen, William B	Sanchez, Carolina C	
Hatlen, Lynn M	Marshall, Levi S	Schanen, Ricka M	

News and Notes

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.

1099-R Forms

The Department of Employee Trust Funds will mail 2021 1099-R forms by January 31. W-2 tax forms for taxable retiree wellness incentives paid in 2021 will also be mailed by January 31. Retirees who turned age 59.5 in 2021 will receive two 1099-R forms in separate mailings. The first will reflect all payments received in 2021 while under age 59.5; the second, all payments issued in 2021 after reaching age 59.5.

MyInfo Page

Keep your information on file with ETF up to date. Visit the MyInfo page for information, forms and instructions for changing your mailing address, tax withholding, and financial institution; to log in to your Wisconsin Deferred Compensation Program account; and designate a beneficiary. Go to <https://etf.wi.gov/my-info> or call ETF.

When Are Monthly Payments Available?

Under state law, Wisconsin Retirement System annuity payments are payable on the first day of the month. The payments affected when the first day of the month falls on a Saturday, Sunday, or holiday for the rest of the year are as follows: Sunday, May 1 (settlement date May 2); and Saturday, Oct. 1 (settlement date Oct. 3).

Program Helps with Student Loan Debt

Do you have a family member struggling with student loan debt? Here’s a resource that can help them navigate the complexities of student loan programs to lower their payments or forgive loans: The Savi Student Loan Relief program. Savi is free for WRS members and their families. The average Savi user reduces their payment by more than \$1,800 per year. To learn more and set up an account, visit <https://wistrong.bysavi.com>.

Information for Pre-Medicare Retirees

Pre-Medicare retirees: Are you up to speed on what to expect from the Department of Employee Trust Funds as you approach your 65th birthday? The more you know ahead of time the less stressful and better informed your decisions will be. Several months before you or your spouse reach age 65, ETF will send a packet of information about what you need to do—and yes, which forms to complete—in order to prepare for Medicare.

Note: Only members and their spouses who are *actively enrolled* in the health insurance program as a retiree will automatically receive this packet.

If you are already receiving Social Security benefits: You'll be automatically enrolled in Medicare. Three months before your Medicare coverage starts, you'll receive from Medicare a packet with your Medicare card and other important information.

Many people choose to delay receiving Social Security benefits until age 65 or later. If you are not yet receiving Social Security benefits, you must take action to enroll in Medicare when you first become eligible. You'll receive from Medicare a packet with instructions for enrolling and other important information.

When you receive your Medicare card, it's very important to send a copy of it to ETF immediately. Otherwise, your Medicare-coordinated coverage under the State of Wisconsin Group Health Insurance Program may be delayed.

How does being on Medicare initially affect my State of Wisconsin Group Health Insurance Program benefits? You'll have the option to choose a different plan design, a new health plan, or cancel coverage or change coverage levels (for example, family to single). You must file a health insurance application (ET-2331) with ETF within 30 days of the enrollment in Medicare. You can, if you wish, submit an application up to three months *before* your Medicare coverage is effective. You can



also make changes due to your spouse's Medicare enrollment.

If you do not make a change, ETF will move you to the Medicare version of your current health plan. Your covered spouse or other dependents will keep the non-Medicare benefits package until they become eligible for Medicare. In addition, your monthly premium under the group health insurance program will decrease. If you're curious about Medicare rates for your current health insurance plan, visit <https://etf.wi.gov/benefits-by-employer>, and follow these steps:

1. Select the [Health Program](#) offered;
2. Select [Health Insurance-Retirees with Medicare](#); and
3. Select [Medicare Health Plan Premium Rates](#).

For More Information

Contact ETF

Call 1-877-533-5020

ETF video

New to Medicare

<https://etf.wi.gov/video/new-medicare>

Medicare

<https://www.medicare.gov>

Wisconsin Medigap Helpline

Free counseling for Wisconsin Medicare beneficiaries. Visit <https://bit.ly/31Ds7yG>.

For State of Wisconsin Group Health Insurance Program Participants

Health Benefits Update

COVID-19: At-Home Test Kit Available

Medicare members can request a free COVID-19 at-home collection test kit from the State of Wisconsin and Vault Medical Services. Request your kit at <https://bit.ly/3JkjEke>. Visit ETF's Health Benefits webpage at <https://bit.ly/3BgI3o3> for additional information and resources.



COVID-19: You Stop the Spread

The most effective way to stop the spread of COVID-19 is to get vaccinated. COVID-19 vaccines are covered by the medical and pharmacy benefit for all non-Medicare members, and by the medical benefit (Part B) for Medicare members.

If you have questions about the COVID-19

vaccine or an additional dose of the vaccine, visit the Wisconsin Dept. of Health Services website at <https://www.dhs.wisconsin.gov>.

A New Year, A New Chance to Check Out the Well Wisconsin Program

Use 2022 to get a fresh start to connect with yourself, identify your well-being goals and learn about the resources available to help you live your best life.

- Has it been a while since you've had your cholesterol or glucose tested? Request a self-collection kit or schedule your onsite biometric screening.
- Need help identifying a well-being goal and getting dedicated support in accomplishing it? Connect with a health coach.
- Looking for some digital tools and resources? Check out the Well Wisconsin portal or download the app.

- Grab a cup of coffee or tea and settle in to Well Wisconsin Radio for monthly expert interviews on various health topics. You can also access previous episodes that have aired. These include discussions on pancreatic cancer awareness, caring for caregivers, women's health, the brain and youth sports, racism and public health, seasonal affective disorder and much more!

Learn about all of this and more on ETF's webpage, <https://etf.wi.gov/well-wisconsin-members>. Ready to login to your account and get started? Visit <https://webmdhealth.com/wellwisconsin>.



Sign up for Navitus' texting program to get occasional messages with valuable tips about your pharmacy benefits. It's easy to get started! Simply text "START" to 35385 to get the enrollment link.

SIGN UP TODAY!



Board of Trustees Approves Asset Allocation Targets

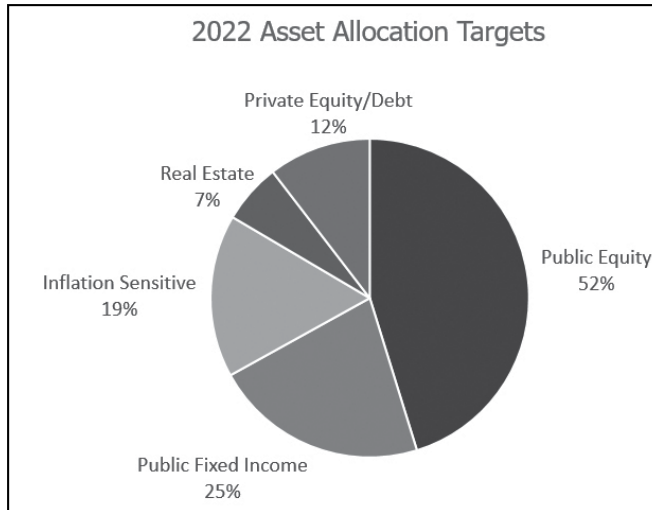
One of the most important jobs the State of Wisconsin Investment Board has in managing the Wisconsin Retirement System is determining how the trust funds will be invested. Striking an appropriate balance between the risk taken and returns generated is crucial in helping keep the WRS among the only fully funded public pension systems in the country.

In October investment staff and SWIB's asset allocation consultant presented the results of SWIB's annual 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.

This year, in addition to the annual asset allocation review, SWIB incorporated results of a stress test of the WRS. Every two years, SWIB conducts robust stress testing of the system to evaluate and strengthen its investment strategy. Since 2013 we have worked with the WRS consulting actuary to conduct the stress testing—not to calculate exact predictions, but to understand the range of potential impacts on the WRS of various market scenarios, including severely unfavorable markets. We test multiple scenarios with different asset mixes over long periods of time. The goal is to implement an asset allocation that fits in the “Goldilocks Zone”. This is an allocation that is neither “too hot” nor “too cold,” in terms of risk taken and expected returns.

Approximately one-half of the Core Trust Fund will remain invested in public equities. The remainder of this fund is diversified among fixed income, real estate, private equity, and inflation sensitive assets. The asset allocation review resulted in the recommendations that were approved by the Board of Trustees at its December meeting.

“This is a robust, diversified asset allocation that can help us weather changes in market conditions without having to predict precisely when those changes will occur,” SWIB Executive Director/Chief Investment Officer Edwin Denson said. “We have allocated our capital to areas where we feel the most confident we can generate reasonable returns based on the risk we are taking.”



**Asset Allocation Target totals exceed 115% due to SWIB's overall leverage of Core Fund assets.*

Within the public equities and public fixed income asset classes, the 2022 asset allocation is tilting toward sub-asset classes with more active return potential in order to increase the probability of maintaining the WRS's fully funded status over the long term. Denson said the asset allocation allows SWIB to take full advantage of the skill and knowledge of staff.

Denson added that having the right asset allocation and staff in place is especially important, given the design of the WRS.

“The unique shared risk/reward design means investment returns directly impact annuity adjustments for retirees and contribution rates for employees and employers,” he said. “The struggle is finding the right balance between taking enough risk to make sure the WRS is providing the benefits promised to its participants while avoiding taking too much risk that could cause volatile swings in annuity adjustments and contribution rates. We believe that we have an asset allocation mix that gets that balance right.”

There were no recommended asset allocation target changes for the Variable Trust Fund, which is required by Wisconsin law to only invest in equities. The Variable Fund is invested in 70% domestic and 30% international public equities.

More information about SWIB's investment guidelines can be found at www.swib.state.wi.us/statutes-guidelines. Stress testing results can be found at www.swib.state.wi.us/stresstesting.

Tinnen and Blumenfeld Appointed; Ancel and Nick Reappointed to Board of Trustees

Clyde Tinnen and Kathy Blumenfeld are the newest members of the SWIB Board of Trustees. Gov. Tony Evers appointed Clyde Tin-



Clyde Tinnen



Kathy Blumenfeld

nen to the board for a six-year term. Tinnen fills the position previously held by Mark Doll, whose term ended in 2021; Doll had served on the board since 2015.

Kathy Blumenfeld will serve on the board as part of her new role as secretary of the Department of Administration. She replaces Joel Brennan who is leaving the administration to become president of the Greater Milwaukee Committee.

Tinnen is a corporate partner in the Milwaukee office of Foley & Lardner LLP. He represents fund sponsors in connection with the formation and operation of private investment funds, investments, and securities law reporting and compliance. Tinnen also advises public companies in Exchange Act reporting, and public and private companies in negotiating and structuring complex business transactions. Before joining Foley & Lardner, Tinnen was a partner at two other large international law firms. Prior to working as a lawyer, he was a senior financial ana-

lyst for two public companies.

Before being appointed DOA Secretary, Blumenfeld was serving as secretary of the Department of Financial Institutions. Prior to her appointment to DFI, she was the executive vice president of special operations of Total Administration Services Corporation in Madison. Blumenfeld is both a Certified Public Accountant (CPA) and a Project Management Professional (PMP).

In addition, Trustees Esther Ancel and Barbara Nick were reappointed as public members to six-year terms that will expire in May 2027. Ancel, who is an emeritus professor of Finance in the Lubar School of Business Administration at the University of Wisconsin-Milwaukee, was first appointed to the board in 2019.

Nick, who is the retired president and chief executive officer of Dairyland Power Cooperative, a utility company based in La Crosse, was first appointed to the board in 2015. She is currently the board's vice-chair and secretary.

The SWIB Board of Trustees consists of nine members meeting specific membership requirements under state statutes. Trustees have a fiduciary responsibility to act solely in the best interest of the funds under management. They appoint the executive director and the internal audit director and are responsible for approving SWIB's asset allocation, setting the annual budget and performance benchmarks, establishing and overseeing the compensation program, and monitoring performance. For more about the Board of Trustees, visit www.swib.state.wi.us/board-of-trustees.

SWIB Wins Pair of Institutional Investor Allocators' Choice Awards

The financial industry is taking notice of the hard work, success, and innovation of the State of Wisconsin Investment Board staff. SWIB was recognized with two industry honors—Team of the Year and Partnership of the Year—at the 4th Annual *Institutional Investor Allocators' Choice Awards* in September. The Allocators' Choice Awards are given annually 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 in different categories. For the second time in the last five years, SWIB was honored as Team of the Year. The award recognized SWIB staff for their dedication,

Awards, continued on page 11

Denson, continued from page 1

2021 presented unusual challenges for SWIB. At the beginning of the year, we mourned the loss of our long-time Executive Director and Chief Investment Officer David Villa, who led our investment strategy for more than 15 years. It was difficult. At the same time, it was a credit to our professional staff, and the solid organization that David helped build, that we were able to remain focused, move forward, and end 2021 with strong investment performance.

Despite the continuing impacts of the pandemic on both our workplace and the markets, the level of collaboration and innovation across the organization and commitment by staff over the past year was both satisfying and impressive. We moved forward a number of initiatives that are helping keep the WRS one of the only fully funded public pensions in the country. Part of our work included building out the internal fixed income strategies we launched in 2020 to target less efficient segments of the market in mortgage-backed securities and high yield bonds. We also continued to enhance the infrastructure and technology needed to support new and innovative investment strategies.

As we look ahead to 2022, we have implemented a robust and diversified asset allocation that can help us navigate changes in market conditions without having to predict precisely when those changes will occur. As part of the asset allocation for 2022, we are implementing a new allocation to levered loans that will be managed internally. We continue to believe in the

value of internal management to drive returns at costs lower than the fees paid to external managers when we can effectively support the strategy. Since 2006, when SWIB was managing just 20% of assets internally, we have been working to put in place the infrastructure and people to build our internal management program. Today, we are managing more than half of the retirement funds in-house.

What motivates me the most when I look to the future is that we will continue to be innovators to keep pace with an ever-changing investment management landscape. And while we will change and evolve, our commitment to our mission, vision, and values, which have established us as an economic pillar for the state of Wisconsin, remain the same. We remain focused on active investment strategies, thoughtful asset allocation, significant portfolio diversification, and cost-effective internal management.

In 2021, SWIB celebrated 70 years of service to the state of Wisconsin. The organization that started 70 years ago has not only endured but also flourished. Our continued success requires constant improvement to keep pace with rampant change in the economy, the world, and the investment industry. Being a leader today is no easier than it was 70 years ago. The future will hold new challenges, especially as we look to earn the returns needed to maintain the WRS. But as we embark on the next 70 years, now, more than ever, we remain committed to delivering results for the WRS and its members.

Awards, continued from page 10

diligence, and fortitude during 2020. The agency navigated volatile markets to produce the most value added to the Wisconsin Retirement System in more than a decade; onboarded a significant number of new talented professionals; and moved forward key projects in an otherwise uncertain and challenging year. SWIB accepted the Partnership of the Year award on behalf of the Global Peer Financing Association. GPFA

is a nonprofit partnership of 20 global investors with nearly \$9 trillion in assets. It was launched by SWIB and three other public pension funds seeking to increase and support peer-to-peer securities financing trading activity. Finalists were selected based on nominations submitted over the summer and were vetted by the *Institutional Investor* editorial team.

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ET-7402

WRS NEWS



SWIB STATE OF WISCONSIN
INVESTMENT BOARD

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