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Calendar Year-to-Date Preliminary Returns as of 07/31/2018

Core Fund	2.2%
Benchmark	1.9%
Variable Fund	4.3%
Benchmark	4.3%

[For State of Wisconsin Group Health Insurance Program Participants](#)

New Health Benefit Options in 2019

There are a few changes and new health benefit options for retirees under the State of Wisconsin Group Health Insurance Program, effective January 1, 2019. Here are highlights:

- Wisconsin Retirement System members who retired from local employers (such as a city, village or school district) are newly eligible to re-enroll in health insurance through ETF if their former employer still participates in the Group Health Insurance Program. Previously, if a local retiree cancelled their coverage, they could never re-enroll in the program.
- The new group Medicare Advantage program, offered by United-Healthcare®, is expected to have a lower monthly premium than

the current Medicare-coordinated plans available through ETF. If you previously cancelled your group health insurance coverage, you may want to consider whether this new Medicare Advantage program, or one of the other 2019 options, is a good fit.

- New supplemental dental plans will be available through Delta Dental. Benefits will no longer be provided through Anthem Dental-Blue, EPIC Benefits+ or EPIC Dental Wisconsin. If you have coverage through these plans, you will need to choose a new plan during the open enrollment period.

For more information on the It's Your Choice open enrollment period, October 1-26, see page 4.

Search for New SWIB Executive Director

— David Stein, Chair, SWIB Board of Trustees

State of Wisconsin Investment Board Trustees are conducting a search for a new executive director, following the July resignation of Rick Smirl, who accepted a position with Russell Investments. The Trustees are confident with both SWIB's interim leadership plan and the prospects for finding a new executive director. Because SWIB is viewed as a preeminent agency in the public investment management space, we are confident that

our search process will attract a strong candidate to move SWIB forward.

During this transition period, the Board of Trustees has appointed Rochelle Klaskin as interim executive director. Rochelle joined SWIB in 2015 as chief legal counsel and was appointed SWIB's assistant director in 2017. She has 20 years of experience counseling organizations, leading teams, and filling key leadership roles throughout

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Tips for Visitors to New ETF Headquarters

Here are a few tips for visiting the Department of Employee Trust Funds at the new Hill Farms State Office Building:

- The street address for the building is 4822 Madison Yards Way, Madison. For driving directions, use the address for the parking garage: 4846 Sheboygan Ave., Madison.
- Visitor parking is on the lower level of the parking garage and marked with green signs. Handicapped parking is available near the building.
- The parking garage and building are not connected. See online instructions for how to check in with security and a visual aid for getting from the parking garage to ETF on the eighth floor of the North Tower.



The Hill Farms State Office Building parking garage entrance at Sheboygan Ave. Find visitor stalls by turning right after entering the structure.

Core Annuity Adjustment Projections for 2019

What does the Department of Employee Trust Funds project for retirees' Core annuity adjustments in 2019? ETF's projections using various investment return scenarios are shown in the accompanying table.

As of July 31, preliminary returns for the Core Trust Fund were 2.2%. If this figure were the finalized net return for the year, it would, when combined with investment gains and losses already in the books due to smoothing, likely produce a Core annuity adjustment of 0.6% to 1.0%. However, the year is far from over. Actual annuity adjustments are announced in March, after 2018 calendar year investment returns have been determined and an actuarial analysis conducted. Watch for news on this topic in January.

All Wisconsin Retirement System members share in the risks/rewards of trust fund investment performance. This cost-sharing design feature contributes to the continued strong funding of the WRS. Investment performance is shared by:

- Employees and employers, through annual changes in contribution rates
- Retirees, through annuity adjustments

Keep in mind:

- Retirees' annuities are increased if there is sufficient surplus in the annuity reserve to

Projected WRS Core Annuity Adjustments as of March 2018		
	2018 Core Fund Net Investment Return	Projected 2019 Core Annuity Adjustment
Scenario #1	7.2%	1.6% to 2.0%
Scenario #2	5.0%	1.2% to 1.6%
Scenario #3	0%	0% (no increase)
Scenario #4	-5.0%	-0.5% to -0.8% (a reduction)

provide at least a 0.5% increase for all;

- Annuities are reduced if a shortfall in the annuity reserve would require at least a -0.5% adjustment to make up for the shortfall;
- Negative adjustments can only reduce previously-granted increases;
- A retiree's Core annuity can never be reduced below the original value; however, there is no such limitation on Variable annuities.

For more information, see *Frequently Asked Questions: Annual Annuity Adjustments*, online at <http://etf.wi.gov/faq> or contact ETF.

Harvard Analysis Looks Favorably On WRS

A recent Harvard University report on a stress test analysis of the largest public pension plans in 10 states had many good things to say about the Wisconsin Retirement System. The report warns that some plans that are poorly funded could struggle with many problems, including high costs and possibly insolvency, while others that are well funded are characterized by a combination of fiscal discipline and adherence to policies designed to mitigate market downturns. Wisconsin is cited as an example of how “strong

funding policies can help to ensure that public pension systems are sustainable and secure.” For pension plans, stress tests typically measure the effects of various scenarios on the plan, including investment volatility and actuarial factors such as new hires terminations, retirements and mortality.

For recent media coverage of the report, see the link to *Bloomberg: Wisconsin’s Pension System Works for Everyone*, on our Government Relations webpage at http://etf.wi.gov/gov_relation/index.asp.

Important Phone Number Change

The Department of Employee Trust Funds has discontinued a little-used toll-free number, 1-877-383-1888. However, this number is still active and in fact is maintained by an organization that has no association with ETF. **Do not call 1-877-383-1888 for information about your Wisconsin Retirement System benefits.** Instead,

contact ETF’s Member Communications Center toll-free at 1-877-533-5020. If you suspect fraudulent behavior, file a complaint with the Department of Agriculture, Trade and Consumer Protection at 1-800-422-7128 or send an email to DATCP: datcph hotline@wisconsin.gov.

Hotline for Reporting Fraud and Abuse

Protecting the integrity of the Wisconsin Retirement System trust funds and its employee benefit programs is central to the operating mission of the Department of Employee Trust Funds. To that end, ETF has contracted with Ethical Advocate, an independent, third-party administrator, to manage an anonymous and confidential hotline for reporting fraud, abuse or other unethical actions.

Report an incident to the Ethical Advocate Hotline by phone or online:

- Call toll-free 1-855-366-5098
- Visit this secure online portal: <https://wisctef.ethicaladvocate.com>

For your WRS benefits-related questions or concerns, please contact ETF at 1-877-533-5020 or send an email to us from our website, <http://etf.wi.gov>.

BOARD CORNER

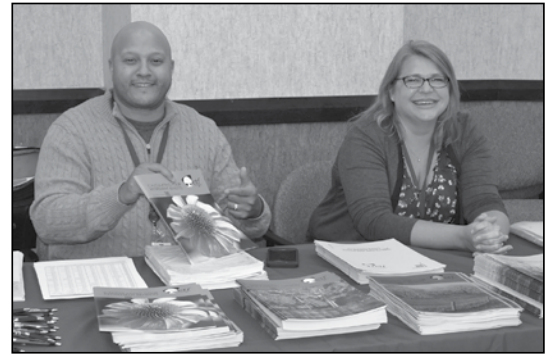
Nominations Sought for ETF Board Seat

Nomination papers are available for the next election to select the annuitant member of the Employee Trust Funds Board. Any Wisconsin Retirement System annuitant member may compete for this seat on the board; the four-year term begins May 1, 2019. Nomination materials can be downloaded from our website. You may also request a nomination packet via email: BoardElections@etf.wi.gov; write to: ETF, Retirement Board Liaison, P.O. Box 7931, Madison, WI 53707-7931. Please specify this particular election, as we are conducting four elections and want to ensure you receive the correct packet of information. Completed nomination materials must include signatures from at least 25 WRS annuitants and be received by ETF by October 26. More information about the ETF Board, membership, roles and responsibilities can be found on the Governing Boards section of our website, <http://etf.wi.gov>.

It's Your Choice Open Enrollment

The annual It's Your Choice open enrollment period is October 1-26. This is when you can make changes for 2019, such as choosing a different plan design, health plan, or coverage level and revisit supplemental benefit options. Carefully review your It's Your Choice materials—the Department of Employee Trust Funds will distribute them in a few weeks. Information will also be available after September 17 in the It's Your Choice section of our website. In the meantime, please note the following:

- The Group Insurance Board was set to meet August 22 to determine the 2019 monthly premiums for health insurance and other program changes. Look for this information in your It's Your Choice materials or on our website. You can also sign up for *ETF E-mail Updates* and follow ETF on Twitter.
- Attend a benefit fair this fall. These fairs present a great opportunity to ask questions about all ETF-administered benefit programs. To find a benefit fair near you, see our online map in the Face to Face tab on our website's Member Education page, or call us toll free at 1-877-533-5020.



- The 2018 Well Wisconsin incentive deadline is October 19. Act quickly! Complete three steps to improve your well-being and earn \$150* in 2018:
 1. Get a health screening
 2. Take the health assessment
 3. Complete a well-being activity

Visit wellwisconsin.staywell.com to get started or to learn more about this voluntary program available to employees/retirees and spouses enrolled in the group health insurance program. Contact the Well Wisconsin Program administrator, Stay-Well, at 1-800-821-6591 or send an email to wellwisconsin@staywell.com. *Note: All wellness incentives are considered taxable income. All health information is protected by law.*

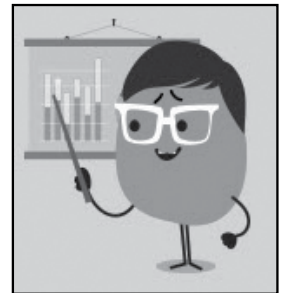
New Online Tool Helps Evaluate Options and Costs

Pre-Medicare state retirees: If you want help sorting out health insurance plan designs and options, or if you have questions about how your insurance works, tax implications, supplemental benefits, etc., try using a new online tool offered by the Department of Employee Trust Funds. The tool, called ALEX, is like having your own personal benefits counselor.

Here are some important things to know about ALEX:

- It's personalized. You will discover which plan makes the most sense for you and your family.
- It's fun to use. There's no insurance jargon or complicated legal explanations. ALEX provides easy-to-understand explanations in a conversational style.

- It's confidential. You can get the guidance you need without revealing any personally identifiable information or personal health information.
- It's useful. You can use ALEX to review and compare health plan options and cost factors such as deductibles and tax implications.



Give ALEX a try—it's a highly interactive and engaging experience. Look for the link to ALEX after September 17 in the It's Your Choice section of our website.

The Great Recession: 10 Years Later

This is the third in a three-part series that looks back at the Great Recession, its effect on the Wisconsin Retirement System and how the State of Wisconsin Investment Board invests first to help protect the pension system from another major downturn and then to earn reasonable returns.

In June 2009 the National Bureau of Economic Research, which determines start and end dates of U.S. recessions based on a range of economic indicators, declared that the Great Recession had ended. The declaration came despite many feeling the U.S. economy remaining far from fully recovered. Since then, the economy has, in many ways, pulled out of the economic tailspin. The stock market has seen tremendous growth and record highs, housing prices have bounced back, and June's job numbers show the economy has added jobs every month for almost eight years, the longest streak on record.

The Great Recession was the worst economic downturn since the 1930s. It left investors wondering what, if anything, can be done to help protect against another major economic downturn. SWIB moved to implement a disciplined, prudent, and innovative investment strategy to manage the Wisconsin Retirement System trust funds.

A key to that strategy is diversification. Choosing the right asset allocation is an important factor in providing moderate downside protection. Everyone is familiar with the children's fairytale Goldilocks and the Three Bears. Goldilocks tries to find the porridge, chair and bed that is just right. SWIB is looking for the "Goldilocks zone" with its asset allocation.

Asset allocation—the distribution of investments across stocks, bonds, and other assets to maximize returns and minimize risk—is the primary driver of long-term investment returns and is approved by SWIB's Board of Trustees. SWIB recommends a mix of assets based on expected returns, their contribution to risk, and expected liabilities of the WRS. SWIB works closely with ETF and its actuaries to identify projected liabilities and determine the appropriate return targets and proper asset allocation. SWIB continues to explore future allocation changes based on shifting market conditions.

"We are trying to find the allocation that is just right and will provide moderate downside protection from another dramatic downturn while still earning reasonable returns in multiple market conditions," David Villa, chief investment officer, said. "Our portfolio of investments is highly diversified, carefully monitored, and designed to strike an appropriate balance between risk and returns."

To provide the best value to all WRS participants in the long run across all market environments, both strong and weak, SWIB's asset allocation has become more diverse.

"Twenty-five years ago, it was possible to earn 7.5% with a portfolio made up of just investments in bonds," Villa said. "That is not the case today. The dramatic swings in the financial markets since the Great Recession have resulted in the need to build a diversified portfolio that includes not only bonds but global stocks, private equity, real estate, hedge funds, and other investments."

SWIB remains focused on the future, the challenges that lie ahead and what's best for the WRS. "The markets over time are going to continue to present significant challenges," Rochelle Klaskin, interim executive director, said. "But we are expecting that and we are building and pre-

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Villa Receives Lifetime Achievement Award

SWIB Chief Investment Officer David Villa was recently presented with a 2018 Institutional Investor Lifetime Achievement Award. Villa was recognized for having created a model for successful and aligned hedge fund investing at a U.S. public pension system.

“There is a lot of work that goes on behind the scenes in Madison to make it look easy for the CIO,” Villa said. “I was delighted to be recognized, but the achievements are really driven by almost 200 professionals who come to work every day on behalf of more than 600,000 public employees and retirees.”

Villa’s career in the financial industry spans more than 30 years. Before becoming SWIB’s chief investment officer in 2006, Villa started his career in the private sector after graduating from Princeton University with a degree in economics. Villa stepped into public service when he was named CIO of Florida’s public pension system. Villa also holds a master’s degree in economics and Latin American studies from Stanford University, and an MBA from Kellogg School of



SWIB CIO David Villa (center), with Lifetime Achievement Award presenters Kip McDaniel (left), of Institutional Investor, and Jonathan Nelson, of Providence Equity.

Management at Northwestern University.

Institutional Investor provides award-winning coverage of the people and events impacting the world’s economy and all facets of institutional asset management.

SWIB Staff Recognized Among Industry Leaders

SWIB continues to be recognized as an investment industry leader because of the highly qualified staff managing the funds of the Wisconsin Retirement System. Chris Eckerman, a private equity senior managing analyst, was recently named to Trusted Insight’s list of Top 30 Private Equity and Venture Capital Investors for 2018.

“I am honored to be selected for the 2018 Top 30 PE/VC Investors by Trusted Insight,” Eckerman said. “The list includes tremendously smart and successful individuals and I am humbled to be included. The recognition validates the strength of the SWIB platform and the long-term success of SWIB’s private equity team.”

Trusted Insight is the world’s biggest network of institutional investors, connecting investment decision-makers at endowments, foundations, pensions, insurance companies, sovereign

wealth funds, family offices, corporations and healthcare systems.

This is the second time that Eckerman has been recognized for his outstanding work. Last year, Trusted Insight named him to the list of Top 30 Public Pension



Chris Eckerman

Rising Stars. The group of 30 real estate, real assets and equities specialists were recognized for having “strong career momentum” and for producing “robust 2016 returns for their respective asset class despite challenging market conditions.” Eckerman has been part of the team at SWIB since 2013. He holds an MBA and a BBA in finance from the University of Texas at Austin.

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her career. She has the full support of the Board of Trustees and has strong rapport with both Trustees and SWIB staff.

Further, David Villa, who has been SWIB's chief investment officer since 2006, continues to lead the investment management division and drive strategies to secure SWIB's strong investment performance on behalf of the Wisconsin Retirement System. Staff is committed to making sure that the WRS remains one of the best funded pension plans in the country. Our year-to-date investment performance (preliminary through July 31, 2018) is above our benchmark. Additionally, our 1-, 5-, and 10-year investment performance for the Core Trust Fund remains strong, and we have outperformed our benchmarks in each of those periods.

Our priority is to find the best individual to lead the organization, and we will remain true to SWIB's values and disciplines in both this interim period and long-term. SWIB's disciplined,



David Stein



Rochelle Klaskin

prudent, and innovative approach to managing more than \$118 billion in assets remains unchanged. We want to assure you that during this transition, staff will continue to work on behalf of the WRS beneficiaries and the other separately managed funds SWIB invests.

If you have any questions, please feel free to contact SWIB at 1-800-424-7942 or send an email to info@swib.state.wi.us.

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paring to meet those challenges over the long-term by putting in systems and technology, and continuing to hire people with the necessary experience, skills and talent to support our investment strategies and generate the returns that are critical to achieve our long-term goals.”

SWIB Annual Report Available Online

The State of Wisconsin Investment Board's 2017 Retirement Funds Annual Report and the 2017 Schedule of Investments, a listing of SWIB holdings as of December 31, 2017, are now available on the Publications page on SWIB's website, www.swib.state.wi.us. To request a printed copy, contact SWIB at info@swib.state.wi.us or call 1-800-424-7942.

Williamson Named Blair Testin Award Recipient

Michael Williamson, retired SWIB executive director, received the Wisconsin Coalition of Annuity 2018 Blair Testin Award in recognition of his many years of exceptional service and dedication on behalf of public employees and their retirement benefits. Williamson was honored in May at the WCOA annual conference. Williamson, who retired in January, spent five years as executive director at SWIB and has worked more than 40 years in the public sector. The WCOA is a statewide organization representing more than 20 retired public employee associations. The award is named in honor of Blair Testin, former state director of retirement research.

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WRS NEWS



SWIB STATE OF WISCONSIN
INVESTMENT BOARD

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

ETF

Contact ETF for information about WRS benefits.

Call toll free 1-877-533-5020 or 608-266-3285. Hours: 7:00 a.m. to 5:00 p.m. (CT), Monday-Friday.

<http://etf.wi.gov>

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Send ETF a secure email via the “Contact ETF” page on our website, <http://etf.wi.gov>.

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SWIB

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