

Highlights — ETF

- 3 Legislative Update Retirement and the WDC: Staying in the Plan a Good Option
- 4 The WRS at 40: Legislative Milestones
- 6 Pilot Program Earns Recognition, Financial Literacy Award Retirees Invited to Attend WCOA Meetings
- 7 Board Corner
- 8 Well Wisconsin Program Updates

Highlights — SWIB

- 9 SWIB Works to Weather Market Volatility
- 10 Podcast Explores the Role Technology Plays in Investing
- 11 WRS Provides Strong Economic Pillar for Wisconsin

Year-to-Date Investment Returns as of Feb. 28, 2022

Core Fund	-4.81%
Benchmark	-4.93%
Variable Fund	-7.43%
Benchmark	-7.45%

Performance is net of fees.

Strong Investment Performance Drives Pension Increases for Retirees

Due to a third straight year of double digit returns by the State of Wisconsin Investment Board, Wisconsin Retirement System retirees will receive pension payment increases this year. The Core annuity adjustment is 7.4% and the Variable annuity adjustment is 15.0%. The increases will first be reflected on the May 1 annuity payment.

Watch for your personalized annuity mailer statement to arrive in the mail from the Department of Employee Trust Funds. This statement will show your new monthly payment amount and any adjustments you may have made in the past month (such as tax withholding).

ETF Secretary John Voelker and ETF Board Chair Wayne Koessler approved the adjustments in March, following recommendations by the ETF Board's consulting actuary.

The 7.4% Core annuity increase is the fourth highest provided since 1987, the highest since 1999, and marks the third consecutive year for an annuity increase.

"This is great news, especially during this period of rising inflation," says Voelker. "We are fortunate that consistently strong investment performance over the past few years can support this level of increase."

The WRS is a risk-sharing system: Retirees, employees and employers share the

Strong Performance, continued on page 2

Expert Perspectives Help SWIB Navigate Inflation Challenges

Over the past two years, the pandemic has been a big economic story driving both monetary and fiscal policy. Now a new concern is grabbing headlines: inflation.

Just as the development of vaccines opened the opportunity for meaningful re-engagement, the economy hit a couple of snags. The first was supply chain issues, which have resulted in supply not being able to keep up with the demand recovery. Then came what has been termed the "great resignation" or the seemingly permanent exit from the workforce resulting in labor shortages. Both the supply chain issues, and the

labor shortages are contributing to the highest rate of U.S. inflation in four decades.

As the Federal Reserve seeks to put the right policies in place to combat the economic challenges, SWIB is also keeping a close eye on what it all means when it comes to the Wisconsin Retirement System with some great perspective from an inside expert.

To help navigate the situation, the State of Wisconsin Investment Board's Leo Kropywiansky, a senior portfolio manager with the Asset & Risk Allocation Division, is drawing on his more than

Inflation, continued on page 10

Strong Performance, continued from page 1

effects of investment gains and losses to help keep the system fully funded. Employees and employers pay for benefits through required contributions, and their rates are generally split evenly and influenced by investment performance.

For retirees, there is no guarantee of a cost-of-living adjustment, a common practice among pension systems as well as Social Security to ensure retirees’ purchasing power is not eroded by inflation. Instead, WRS annuity adjustments, which can be increases or decreases, are solely based on investment performance.

Keep in mind that Core investment returns are “smoothed” (recognized) over a five-year period. Smoothing helps mitigate the effects of year-to-year market volatility on retirees’ pensions. This year’s Core annuity adjustment reflects Core Fund investment performance from 2017-2021. In four of those five years, the Core Fund experienced gains, but the effects of a -3.3% (loss) return in 2018 is still a factor. In 2021 the Core Fund returned 16.89% (net of fees).

While asset smoothing has worked well historically, it still could not prevent negative adjustments in 2009-2013, due to the effects of the Great Recession.

Variable Fund returns are not smoothed, which means the full impact of gains or losses are applied to all who participate in this fund. In 2021 the Variable Fund returned 19.95% (net of fees).

One final note: Given the volatility in the markets thus far, it may be a good idea to set aside some of this year’s relatively high increase in order to prepare for future years. Our current projections indicate that a return of -18% (a loss) 2022 could result in a negative annuity adjustment in 2023.

Average WRS Annuity Adjustments annualized, as of Dec. 31, 2021			
	5-Year	10-Year	20-Year
Core	3.3%	2.3%	1.5%
Variable	10.6%	8.6%	3.1%
Change in CPI*	2.9%	2.1%	2.3%

*Consumer Price Index

WRS Facts and Figures

- The WRS paid more than \$6.3 billion in benefits in 2021.
- The WRS has 228,161 retirees, all of whom participate in the Core Fund.
- Approximately 42,251 retirees also participate in the Variable Fund.
- The financial impact of the WRS on Wisconsin is widespread, as more than 85% of WRS retirees live, pay taxes, and buy goods and services in Wisconsin.
- The median annual Core benefit is approximately \$21,500.
- The median combined benefit (Core and Variable) is approximately \$23,800.
- By law, a Core annuity dividend (increase) will be granted if it is at least 0.5%. If there is a deficit that would result in a -0.5% or greater decrease, prior dividends will be reduced. For the Variable, those thresholds are 2.0% and -2.0%.
- The WRS is 100% funded.
- The WRS is the 8th largest public pension fund in the U.S.

For More Information

ETF Webinar
WRS Effective Rates and Annuity Adjustments
<https://etf.wi.gov/events>

ETF Webpage
WRS Performance
<https://etf.wi.gov/wrs-performance>

Legislative Update

— Tarna Hunter, ETF Government Relations Director

The 2021 Regular Session of the Wisconsin Legislature ended when the State Senate adjourned March 9. Two bills were signed into law that affect the Department of Employee Trust Funds and the benefit programs it administers.

2021 WI Act 245

This law makes some remedial changes recommended by ETF. These changes clarify current law or codify current practice and may require minor modifications to procedures and forms for Wisconsin Retirement System members and employers, but do not make substantive changes.

2021 WI Act 104

This law makes a number of changes to Wisconsin's regional structural collapse team contracted with the Division of Emergency Management in the Department of Military Affairs. The bill changes the team's designation from being a structural collapse

team to an urban search and rescue task force and expands the disaster incidents that the team responds to. Currently, the team is comprised of local government firefighters and other technical specialists.

The bill allows DMA to reimburse a local employer for any increase in contributions for duty disability premiums because an employee incurred an injury while performing duties as a member of an urban search and rescue task force.

Visit our Government Relations page to stay informed about state and federal legislation that may affect the Wisconsin Retirement System. Find it on our website at <https://etf.wi.gov>.



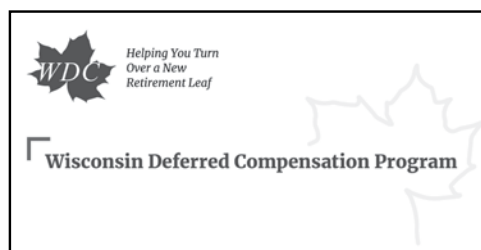
Tarna Hunter

[For Wisconsin Deferred Compensation Program Participants](#)

Retirement and the WDC: Staying in the Plan is a Good Option

Retirement doesn't have to automatically signal the end of your savings in the Wisconsin Deferred Compensation Program. Even when you're no longer a public employee in Wisconsin, you don't need to take your account balance somewhere else. Keeping your money in the WDC post-retirement may benefit you more than you realize. Here are some great reasons to stay right here:

- **Potentially lower fees.** There's a good chance the WDC has a lower fee structure in comparison to accounts offered by private sector brokers. That's because the large number of people currently saving in the WDC allows us to arrange for lower fees and keep more of your money working for you. To review WDC fees, view this document at <https://bit.ly/3vZr7C4>.
- **Dedicated representatives.** Get the assistance you need from a salaried WDC Retirement Plan Advisor as you plan for and enjoy retirement. RPAs are available to you as long as you have an account balance in the WDC. This service is provided at no cost.



- **Investment choices.** The WDC offers a wide array of investment funds and investment services, including target date funds, online advice, managed account services, and opportunities to invest in other mutual funds via a self-directed window.
- **Flexible payouts.** Disbursements from the WDC aren't one-size-fits all. Choose a distribution plan that suits your financial needs, including periodic payments and partial withdrawals.

To log on to your account visit the WDC at <http://bit.ly/2q3vKIs>. To speak with a customer service representative, call 1-877-457-9327 Monday-Friday between 7 a.m. and 9 p.m., and Saturdays between 8 a.m. and 4:30 p.m., CST.

The WRS at 40: Legislative Milestones

This year marks 40 years since legislation implementing the Wisconsin Retirement System became effective. Strong legislative oversight has fundamentally shaped the WRS and the other public employee benefits administered by the Department of Employee Trust Funds.

We like to say our journey to success began in 1943, when Gov. Walter Goodland requested the legislature override his veto of a state employee retirement system bill. Ingeborg Sidwell, an 80-year-old state employee who scrubbed floors at the state capitol, is credited with compelling Goodland to change his mind. Sidwell received a monthly pension of \$14.70.



1975: Pathway to Merger

Chapter 280, Laws of 1975 direct the ETF Board to prepare legislation for the next legislative term (1977), to effectuate the merger of the Wisconsin Retirement Fund, State Teachers Retirement System, and the Milwaukee Teachers Retirement Fund. It ended up taking two legislative sessions before the statutes

of the to-be-merged systems were reconciled with the successful passing of Chapter 96, Laws of 1981 and the creation of the WRS.

1982: A System is Born

Effective January 1, 1982, legislation (Chapter 96, Laws of 1981) merges the Wisconsin Retirement Fund, the State Teachers Retirement System, and the Milwaukee Teachers Retirement System into one Wisconsin Retirement System.



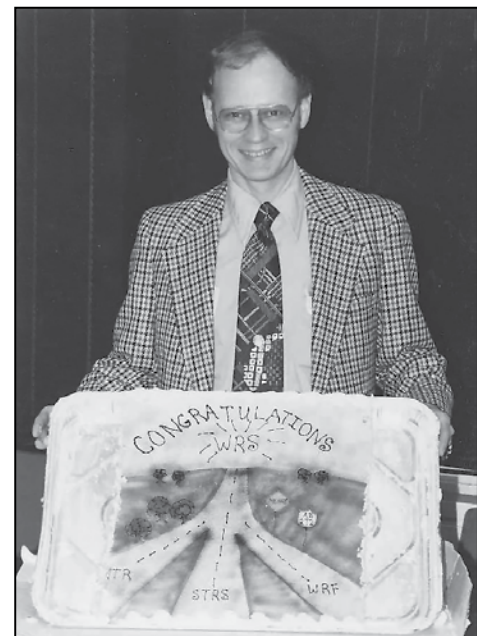
Ingeborg Sidwell (4th from left) and colleagues, circa 1943. Sidwell is credited with compelling Gov. Goodland to override his veto of a state employee pension system. Photo: ETF archives

1945-1948: Build Up and Consolidation

The general trend in Wisconsin was a proliferation of separate state and local government pension funds. During this period the legislature set a course to consolidate and merge existing public employee pension funds. In 1948 the Wisconsin Municipal Retirement Fund and the State Employees Retirement Fund merged to become the Wisconsin Retirement Fund.

1967: A State Agency is Born

Chapter 75, Laws of 1967 create the Department of Employee Trust Funds and the ETF Board, as a result of the Kellett Commission: Reorganization of State Government.



Former ETF Secretary Gary Gates at an in-house celebration of the WRS merger legislation. Gates served as Secretary from 1976 to 1992. Photo: ETF archives

1983

WI Act 141 was a major benefits bill. Changes include reducing the actuarial discount for an early retirement between ages 60 and 65; increasing formula factors; and establishing age 62 as the normal retirement age for teachers and general category



1983 WI Act 141 signed into law. Standing, L to R: State Rep. Vernon Holschbach; ETF Secretary Gates; Blair Testin, director of Retirement Research to the legislature's Joint Survey Committee on Retirement Systems; State Senator Carl Otte. Seated: Gov. Tony Earl. Holschbach and Otte were co-chairs of the Joint Survey Committee. Photo: ETF archives

employees with 30 or more years of service. The law funded benefit improvements by creating the Benefit Adjustment Contribution, which increased employee contributions by 1%.

1987

WI Act 27 directs early recognition of \$230 million from the WRS Transaction Amortization Account, an asset smoothing method used at that time. The annuity reserve received a total of \$84.7 million, which was used in place of General Purpose Revenue to pay a Special Investment Performance Dividend to certain WRS retirees. A lawsuit ensued, which was resolved by a Wisconsin Supreme Court decision 10 years later, directing that the money must be repaid to the fund.

1989

WI Act 13 creates an early retirement window for certain employees by, among other things, reducing the monthly actuarial discount. The act also changes vesting requirements, WRS participation standards, and interest crediting on separation benefits. The law also increases the annuity dividend paid on May 1, 1990 by recognizing \$500 million from the TAA.

1991

WI Act 116 adds an annuitant member seat to the ETF Board, to be elected by WRS annuitants. Fourteen candidates filed nomination papers in the first election, which was won by Otto Schultz.

1999

WI Act 185 changes the spelling from “employe” to “employee”. Some say the single “e” was in place in order to avoid confusion between “employee” and “employer”—that there was a risk for error because the “e” and the “r” keys are located next to each other on the keyboard.

WI Act 11 makes some of the most significant changes in WRS history. These include increasing the formula multiplier for service performed before Jan. 1, 2000; increasing active employee death benefits; increasing the maximum formula benefit for certain employee categories; reopening the Variable Trust Fund (closed in 1979 to new participants); phasing out the TAA to create a Market Recognition

Account for the distribution of gains and losses. A lawsuit ensues. In June 2001, the Wisconsin Supreme Court ruled the provisions were legal and could be implemented.

2003

WI Act 53 establishes that a positive or negative annuity adjustment (dividend) will be paid from the Core annuity reserve if at least a .5% increase (or decrease) is generated in all Core annuities.

2011

WI Act 10 eliminates the Benefit Adjustment Contribution; prohibits employer pick-up of employee contributions for certain employee categories; prospectively reduces the formula multiplier for some; sets parameters on employer-paid health insurance contributions; requires a 5% cut to health insurance program costs; and much more.

WI Act 32 changes WRS eligibility and participation requirements, return-to-work rules, and vesting requirements. It also prohibits municipal employers from paying certain employees' required contributions; specifies that employee contributions be made from employees' federal and state pre-tax income; and orders a study of potential modifications to the WRS.

2016-Present

Since 2016, no legislation has significantly affected the WRS and the public employee benefits administered by ETF.

Pilot Program Earns Recognition and Governor's Financial Literacy Award

The Department of Employee Trust Funds recently received a 2021 Governor's Financial Literacy Award for its pilot financial wellness program, Wisconsin Strong: Your Financial Security™. The program was selected by the Governor's Council on Financial Literacy and Capability for successfully meeting the following criteria:

- Innovative implementation of an effective financial literacy and capability program
- Emphasis on financial inclusion
- Demonstrated measurable results
- Collaboration with partners
- Scalability of the program design

The Wisconsin Strong program provided targeted and online education, resources, and tools to help the state's 475,000 government employees and retirees maximize their Wisconsin Retirement System benefits, grow their financial knowledge, and achieve their personal financial goals.

The pilot program was conducted March 2021 through February 2022. More than 18,300 participants completed online financial health self-assessments, personalized and interactive courses, and webinars. More than 200 individuals



took steps to reduce their college debt and 401 new college savings accounts were started.

If you signed up for the Financial Fitness Challenge educational platform, you can continue to access resources through May 31. The vendor, Financial Fitness Group, will provide customer service support. Visit <https://bit.ly/3LDqeUa> to access the Financial Fitness Challenge.

For individuals that set up a Savi account for student loan repayment and loan forgiveness, these services will continue per the terms of their accounts. The vendor, Savi, will provide customer service support.

In addition to the Governor's Financial Literacy Award, MissionSquare Research Institute featured the Wisconsin Strong program in its report, Innovative Public Sector Employee Financial Wellness Programs. The report highlights the program's outreach and education, metrics, and lessons learned.

Retirees Invited to Annual WCOA Conference Meetings Set for May 5, 19

The Wisconsin Coalition of Annuity will host two separate annual meetings—virtually—and all Wisconsin Retirement System retirees are invited to attend.

In the first meeting, set for May 5, Department of Employee Trust Funds Secretary John Voelker will provide an update about the WRS and answer questions from audience members. The session will also feature representatives from the Wisconsin Department of Health Services discussing well-being resources.

At the May 19 session, State of Wisconsin Investment Board Executive Director/Chief Investment Officer Edwin Denson will discuss

how the WRS is invested and protected for the future and also take questions. The session will also feature a representative from the University of Wisconsin-Madison who will discuss what is in store for workers in the Wisconsin economy.

Both sessions will be held via Zoom and run from 9:30 a.m. to 12:00 p.m. Registration is free. To register, visit <https://bit.ly/37II5QA>.



Board Corner

The Department of Employee Trust Funds announces the following changes to the Wisconsin Retirement System governing boards. Wisconsin statutes require that board officers be elected at the first meeting of each year.

ETF Board: Officers Elected

Officers: William Ford was elected chair; John David, vice-chair; Steven Wilding, secretary.

Teachers Retirement Board: Officers Elected

Officers: Brent Grochowski was elected chair; Chris Heller, vice-chair; Esther Ancel, secretary.

Wisconsin Retirement Board: Officers Elected

Officers: John David was elected chair; Steven Wilding, vice-chair; Julie Wathke, secretary.

Special Thanks to Koessl, Niendorf, Langyel

ETF would like to recognize and thank Wayne Koessl for continuing his long tenure serving on the WRS governing boards. Koessl, ETF Board chair from 2011 to May 2022, has served on multiple boards since 1989. While no longer ETF Board chair, Koessl continues to serve on both the ETF Board and the Wisconsin Retirement Board. The Department would also like to recognize and thank outgoing members Bob Niendorf and Michael Langyel for their long tenures of board service. Niendorf had served on multiple boards for a 39-year period and Langyel on multiple boards for a 16-year period.

Watch for Nomination Papers

Picture yourself serving your Wisconsin Retirement System and fellow retirees on a WRS governing board! Watch for the September edition of *WRS News* for information on how to declare your candidacy for the following two board seats:

- ETF Board-Annuitant Member
- Teachers Retirement Board-Retired Teacher Member

The elections are scheduled to take place in January, but the first step is the self-nomination process this fall. Again, watch for instructions in September, which will include where to obtain the official nomination forms and details about the requirement to obtain signatures from 25 eligible voters.

Board Meeting Schedules

Retirement Boards

The ETF Board, Teachers Retirement Board and Wis-



consin Retirement Board are scheduled to meet June 23. Topics include the consulting actuary's valuation of the WRS and the Accumulated Sick Leave Conversion Credit Program; employer and employee contribution rates for the coming year; an actuarial review of the Duty Disability Program; and ETF internal operations updates.

Group Insurance Board

The next Group Insurance Board meetings are set for May 18 and August 17. Topics for the May meeting include annual reports of the health benefit programs. Topics in August include Uniform Benefits changes and updates, and health and life insurance premium rates for the coming year.

Deferred Compensation Board

The Deferred Compensation Board is set to meet on June 9 and September 1. Topics include financial statements audits, contract compliance audits, and investment performance reviews.

State of Wisconsin Investment Board

The SWIB Board of Trustees meets quarterly in Madison, and also conducts an annual off-site Trustee workshop. Meetings are held in the Board Room at SWIB, 121 E. Wilson St., Madison, unless otherwise stated. Agendas and Board materials are posted online at www.swib.state.wi.us. The Board next meets June 14-15.

For More Information

WRS Governing Boards

<https://etf.wi.gov/about-etf/governing-boards>

SWIB Board of Trustees

<https://www.swib.state.wi.us/meetings>

For State of Wisconsin Group Health Insurance Program Participants

Well Wisconsin Program Updates

Well Wisconsin Radio is better than ever in 2022—and podcasting! Well Wisconsin Radio offers a library of episodes that discuss health and well-being topics with experts from around the State of Wisconsin. Recent episodes include:

- Setting goals and finding purpose during times of uncertainty with Dr. Christine Whelan.
- A talk with Dr. Beth Olson about the link between nutrition and the immune system.
- Stress management tips with health coach Alicia Canavera.

Listen to Well Wisconsin Radio podcasts by subscribing via the podcast platform of your choice. You'll also be notified of new episodes. You may also visit the Well Wisconsin Radio webpage at <https://bit.ly/3uzYpXK> to find current and past episodes. Note: you don't have to be a group health insurance participant to listen to a podcast — anyone can listen in and learn!

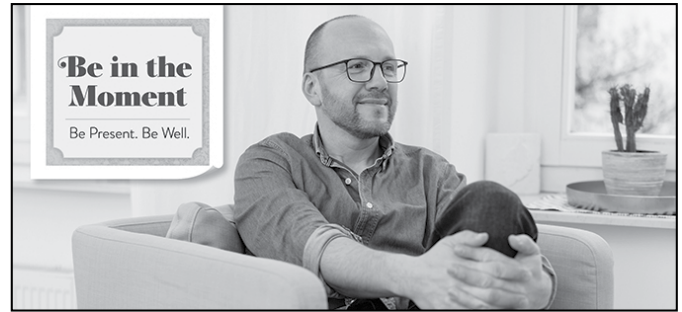
Take up these fun Well Wisconsin challenges!

Invitational Team Steps Challenge: Create or join a team and log at least five days of steps in all five weekly rounds. Registration is open from April 13 to May 3; the challenge itself runs from May 4 to June 7 and qualifies as a well-being activity.

Five to Thrive Challenge: Need another reason to eat those fruits and veggies? We know eating them can help us improve our health and feel more energized, but now you can earn credit toward your \$150 Well Wisconsin incentive, too. Watch for more information on how to get involved in this challenge, which begins July 11.

Random Acts of Kindness

Take part in monthly activities to promote kindness, self-compassion, and overall well-being with the Random Acts of Kindness at Work Calendar.



Check off 21 monthly activities throughout the year—things like sending kind wishes to five people or creating a journal to capture wonderful moments throughout the year.

Reminder: Participation Deadline is Oct. 14

Earn a Well Wisconsin gift card by completing the below activities by October 14:

- **Health Assessment:** When you take the 15-minute health assessment, you'll learn how everyday choices affect your well-being.
- **Health Check:** Choose one of five options to get a status on your health.
- **Well-being Activity:** Complete one of the well-being activities. You will have the option to choose the activity that most interests you.

Note: The Well Wisconsin Program challenges and wellness incentive are available only to Wisconsin Retirement System employees, retirees and their spouses who participate in the State of Wisconsin and Wisconsin Public Employers Group Health Insurance Programs.

For More Information

Register for a Well Wisconsin Challenge
<https://webmdhealth.com/wellwisconsin>

Random Acts of Kindness Calendar
<https://bit.ly/3JzMUH>

Receive Important ETF Updates via Email



Get important Wisconsin Retirement System-related news year-round, with email notifications via *ETFE-Mail Updates*. Sign up with an email address. To register, look for the red envelope icon on our website or call the Department of Employee Trust Funds at 1-877-533-5020.

SWIB Works to Weather Market Volatility

Volatility is a word that has become all too common the last couple of years when talking about the financial markets. With the country still dealing with the effects of the COVID-19 pandemic, market volatility caused by economic and world events, like inflation and the war in Ukraine, has caused more uncertainty.

Volatility in the financial markets is not new and is something the State of Wisconsin Investment Board is prepared to deal with through its diversified asset allocation and strategic investment management of the Wisconsin Retirement System trust funds.

“It is very hard to know in real time whether there has been a shift in the existing economic or market environment that will be persistent as opposed to transitory,” SWIB Executive Director and Chief Investment Officer Edwin Denson said. “The result is that at SWIB we have implemented an asset allocation that can help weather changes in market conditions without having to predict precisely when they will occur or if they are occurring.”

Denson added that the structure of the WRS is key in SWIB’s ability to implement the investment strategy it has. “The fact that the WRS is fully funded and operates on a unique risk sharing model means that we don’t have to chase every dollar of return as the risk climbs higher and higher,” he said. “Instead, maintaining a disciplined long-term asset allocation allows us to generate reasonable returns that help keep contribution rates for employers and employees stable and avoid large swings in annuity adjustments for retirees.”

An important part of SWIB’s investment strategy is active management. Active management is when an investor makes buy, hold, and sell decisions in an effort to control risk and outperform returns that would be generated by a passive or indexed portfolio. Over the last 20 years, SWIB’s active management and diversified holdings generated \$34.3 billion for the Core Trust 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.

Along with active management, SWIB relies on the use of internal management to drive returns

at a cost lower than the fees paid to external managers. “Using our own staff to actively manage the funds is a key cost-saving measure that helps grow the WRS,” Denson said. “We are currently managing approximately 50% of funds internally,” he continued. “By using internal active management with our current asset allocation, which is tilting towards sub-asset classes that have more expected active return, we increase the likelihood of meeting the return target for the Core Fund over long-time periods.”

In addition, the Core Fund uses a modest amount of leverage in its investment strategy. SWIB’s independent Board of Trustees has approved a leverage target of 15% for the Core Fund.

“We are using leverage where it can be combined with other assets in a way that provides the lowest level of risk for a given level of return,” Denson said. “Our goal is to leverage low-volatility assets to help manage risk rather than boost returns. The leverage helps reduce risk by supporting a higher allocation to lower risk fixed income securities and a lower allocation to equities at the same target return. This strategy is a small part of our long-term strategy of greater diversification and risk control.”

SWIB’s asset allocation, active strategies, internal management, and use of leverage to reduce risk are all important to generate returns in a low return environment.

“Ultimately, we are long-term investors,” Denson said. “The next 10 years will be challenging for the fund from a total return perspective because returns on assets are generally expected to be low relative to longer-term expectations, in part because of higher than average realized returns from risk assets, like stocks, over the last few years. We believe in the strategy we have put in place that is designed to help withstand a low return environment by allocating our capital to areas we feel the most confident we can generate reasonable returns based on the risk we are taking.”



Edwin Denson

Inflation, continued from page 1

25 years of experience as an economist, collaborating with staff insights, and using inflation modeling scenarios.

Furthermore, Kropywiansky draws on the expert perspective of SWIB Executive Director/Chief Investment Officer Edwin Denson, also an economist by training.

“Inflation has surprised on the upside in the last several months, and the timing of disinflation has been delayed,” said Kropywiansky, who holds a Ph.D. in economics from Massachusetts Institute of Technology. “One important thing we are watching is wage growth and the potential for a wage-price spiral.”

Looking ahead, the most plausible path for inflation is downward over the next two years, he said. Tighter financial conditions, including Federal Reserve interest rate hikes and weaker risky asset prices, will most likely take some steam out of the economy in 2022. In addition, waning consumer savings from pandemic fiscal relief, school re-openings, and easing fears of COVID infection in the workplace make a continued rise in labor supply likely, helping to moderate wage inflation.

Wage growth picked up markedly in the second half of 2021. This, as much as the goods and services inflation surprise, warrants a pretty

fast pace of tightening by the Federal Reserve in 2022, with a plausible 0.25 percentage point rate hike at every remaining meeting.

“Right now, it looks like there is nowhere to hide when it comes to finding positive investment returns,” Kropywiansky said, adding, “The only good news is that these scenarios don’t last forever.”

The other good news is that SWIB’s asset allocation is fully diversified. “Some investments, such as the TIPS (treasury inflation-protected securities) portfolio are doing better than other assets,” Kropiansky said, adding that the Core Trust Fund’s asset allocation target for TIPS is 19%.

“TIPS, which are a good way to project against inflation, have held up well and year-to-date are the best performing asset class,” he said. “What happens to the SWIB policy portfolio when the economy experiences surprising high inflation, and the Fed becomes more active? You typically see poor returns for risky assets like stocks and high yield bonds,” he added. “It can take some time for risky assets to find their footing again.”

In the meantime, Kropywiansky and the SWIB team will continue to use their expertise to help weather these turbulent times.

Podcast Explores the Role Technology Plays in Investing

We live in a world full of technology. Faster computers, smart phones, and cars that can drive and park themselves are all part of a world that is becoming more reliant on technology. Like every other industry, the financial sector has been touched by technology. The relationship between data, technology, and human talent is key to the successful incorporation of these trends in active portfolio management.

Investment managers are constantly enhancing the technology they use to stay on the cutting edge of an industry that is changing at a rapid pace. SWIB is no different. But what does this technology look like? How does it help investment management staff make the right decisions to help the

Wisconsin Retirement System meet its goals?

In the latest episode of The SWIB Podcast, hear how SWIB is enhancing

technology to support the increasingly complex internal strategies used to add value to the WRS trust funds. You will hear from two SWIB portfolio managers, Nick Stanton, head of multi-asset strategy, and Derek Drummond, funds alpha portfolio manager, about how they use technology and how it helps them work smarter to meet



Technology, continued on page 11

WRS Provides Strong Economic Pillar for Wisconsin

The Wisconsin Retirement System was created 40 years ago to help protect public employees and their beneficiaries against the financial hardships of old age and disability, to attract and retain a qualified public workforce, establish modest benefits, and achieve administrative savings. There's no doubt that the WRS has done that and more over the last four decades.

The WRS is more than just a retirement benefit for state and local government employees. As one of the only fully funded public pension systems in the country, the WRS helps strengthen the state's economy. Money paid to and spent by participants in defined pension benefits like the WRS support significant economic activity that ripples through the economy, creating a multiplier effect as one person's spending becomes another person's income. In Wisconsin, more than 85% of WRS pensions go to retirees living in Wisconsin, who purchase goods and services and pay their taxes here.

Pensionomics, an annual analysis from the National Institute on Retirement Security, calculates each state's economic benefit stemming from state and local pension payments. The impact of those pension plans is substantial. "Benefits paid by state and local pension plans support a significant amount of economic activity in Wisconsin," said Dan Doonan, executive director of NIRS. "In 2018, around 225,000 residents of Wisconsin received almost \$6 billion in pension benefits from state and local plans. Expenditures made by retirees of these pension systems provide steady economic stimulus to Wisconsin communities and local economies across the state."

Doonan said each dollar paid out in pension benefits in Wisconsin supported \$1.50 in total economic activity. "In 2018, retiree expenditures stemming from state and local pension plans ben-

efits also supported 53,000 jobs that paid \$2.7 billion in wages and salaries as well as \$8.8 billion in total economic output. In addition, \$1.6 billion in federal, state, and local tax revenue was generated. Basically, with more economic activity, tax revenues will rise."

The WRS accounts for more than 95% of the Wisconsin public pension assets included in the *Pensionomics* study. A well-funded and well-managed retirement plan like the WRS is not only good for employees, but also for the state.

"The WRS is widely viewed as *the* successful system in retirement circles," Doonan said. "It has maintained its strong funding levels and the state has a long track record of being very responsible and ensuring the contributions are made both by employees and employers—which is a big factor. Over time, retirees have also seen increases in their benefits to help manage inflation during retirement."

For the WRS specifically, investment earnings generated by SWIB comprise approximately 80% of revenues needed to fund the system with the remainder split evenly between employee and employer contributions. That 80% investment return compares to just 60% nationwide. Wisconsin state and local governments spend just 2.1% of their budgets on the WRS compared to the U.S. average of 5.2%.

"I think it's noteworthy that retiree pensions are an economic stabilizer as well," Doonan said. "They do help stabilize the economy during difficult times, much like Social Security is an economic stabilizer. It's a very dependable source of income."

Want to learn more about the economic impact the WRS has on Wisconsin? Check out episode 14 of The SWIB Podcast. Visit our site at <https://www.swib.state.wi.us/podcasts>.

Technology, continued from page 10

investment goals that keep the WRS among the only fully funded pension systems in the country. The SWIB Podcast is where members of the WRS can turn to for timely information about SWIB and its investment strategy. Subscribe to

The SWIB Podcast: Wisconsin Retirement System Insights on iTunes, Google Play, and wherever else you get podcasts. Visit <https://www.swib.state.wi.us/podcasts>.

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