



Wisconsin Counties Association
ANNUAL CONFERENCE
& Exhibit Hall **2023**

3:30 – 4:30 PM

Know Your Wisconsin Retirement System

**Speaker: Matt Stohr, Retirement Director, WI Department of
Employee Trust Funds**

Moderator: Brent Miller, County Administrator, Sauk County

Wisconsin Retirement System (WRS)



WCA Conference
September 18, 2023



Matt Stohr,
Administrator

WI Department of Employee Trust Funds

Agenda

- ✓ Overview of the WI Department of Employee Trust Funds (ETF) & the Wisconsin Retirement System (WRS)
- ✓ Keys to the success of the WRS
- ✓ Recent law changes-impact on counties

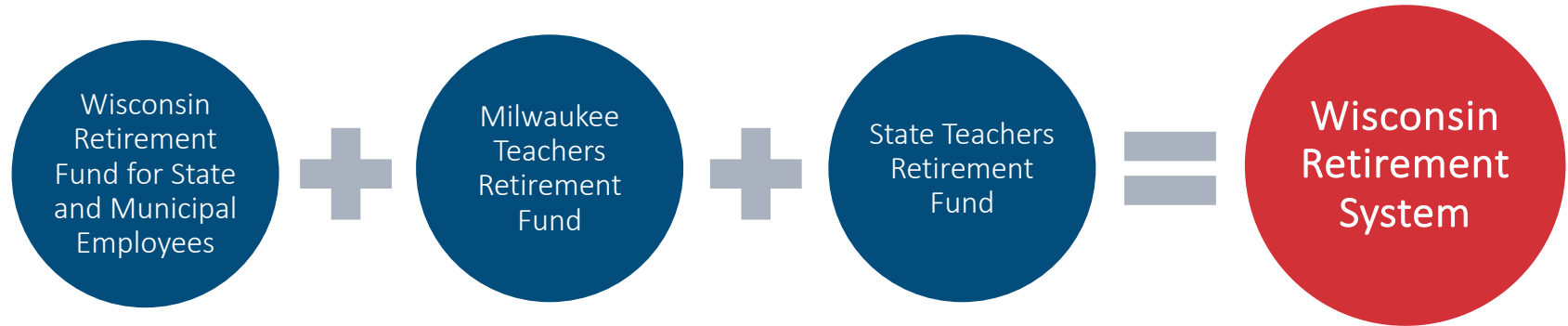
The Wisconsin Department of Employee Trust Funds

- State agency
- Non-cabinet agency
- Administers employee benefit programs, such as pension, health insurance, deferred compensation, disability, life insurance and more
- WRS is the largest benefit program administered by ETF
 - State laws are plan and trust document



WRS Overview

- WRS established in 1982, via merger of several plans



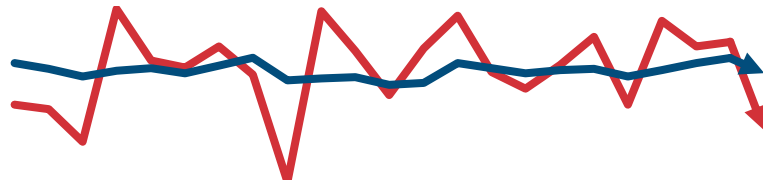
WRS Overview: Retirement Benefit

401(a) defined benefit pension plan with roughly \$125 billion in assets



Core Fund:

- Diversified portfolio
- Default option for all members



Variable Fund:

- All stock portfolio
- Optional
- If selected: 50% of member's contributions in Variable, 50% in Core

WRS Funding Ratio

The funding value-based ratio of the WRS, which smooths investment gains and losses over a five-year period, remained at 100% as of December 31, 2022.

- The fair value-based ratio of the WRS was 106% through 2021 year-end; waiting on '22 ratio but expect similar.
- National average is around 75%, with many as low as 40%.

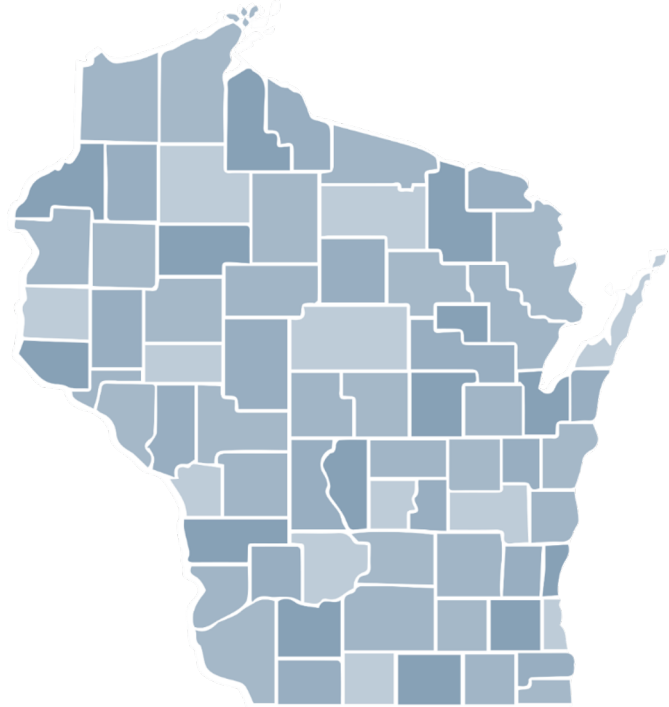
WRS Demographics: Employers

Employers:

- 1,618

Membership:

- 29% state
- 71% local



WRS Demographics: Members

Active employees:

- 258,647

Annuitants:

- 226,605

Inactive employees:

- 178,071

Total:

- 663,323

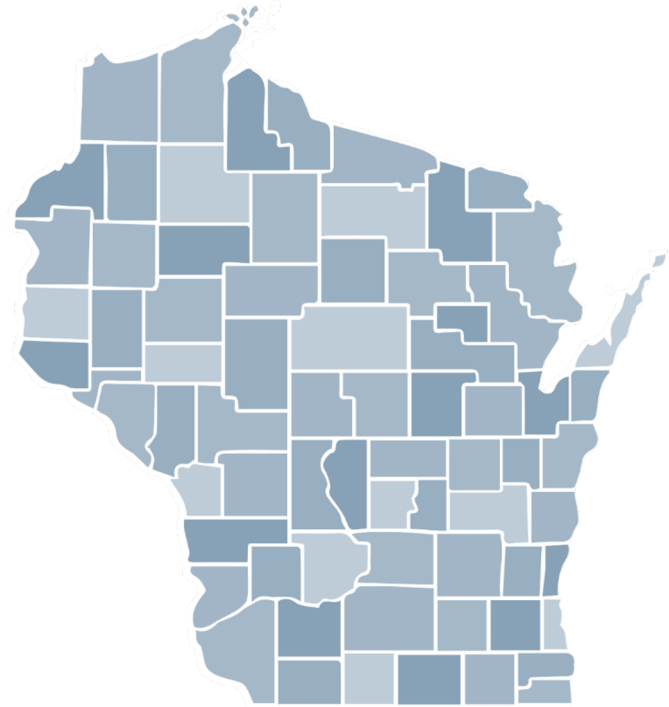


WRS Demographics: Counties

- # of County active employees:

- 2012: 33,045

- 2021: 32,405



WRS Benefits: Retirement Calculations

Defined Benefit Plan-Formula Calculation:

- $1.6\% \times \text{Final Average Earnings} \times \text{Service}$ (most participants)
- Different benefits for protective occupations
- Provides benefits in the case of death or disability prior to retirement

Money Purchase Calculation:

- Contribution balance plus interest

Member receives higher of the two benefits

Retiree Benefits

Retiree Dividends

- Compounding adjustments based on investment performance
 - A 5% investment return assumption is used to fund original retirement benefit.
 - Only investment returns in excess of 5% can produce an increase in annuity
 - For example, 6.8% performance minus 5% = ~1.8% annuity adjustment
- Can reduce previously granted adjustments
- More on this later

Keys to a Strong WRS

Governance Structure

- Board/agency oversight and authority to set rates

Disciplined Administration

- Payment of employer and employee contributions

Responsive Plan Design

- Adjusted annually based on actuarial recommendations
- Shared risk
- Smoothing of assets

Disciplined Administration

- Annual Actuarial Valuations of WRS
- Regular experience studies
- Stress testing
- Payment of employer and employee contributions
 - State law provides penalties for failure to pay
- Regular internal and external audits

WRS Benefit Design

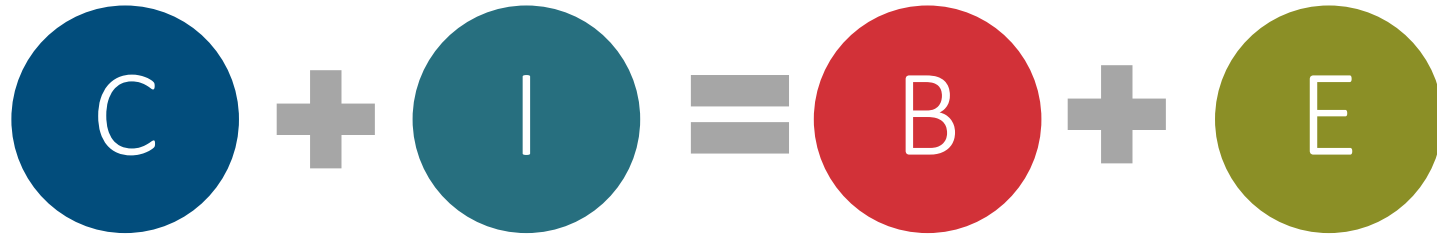
Modest Benefit

- Formula multiplier, benefit caps, etc.
- Guaranteed benefit components

Responsive Plan Design

- Adjusted annually based on actuarial recommendations
- Smoothing of assets
- Sharing asset experience and risk among
 - Employers
 - Active Members
 - Retired Members

Basic Retirement Funding Equation



The diagram illustrates the Basic Retirement Funding Equation using colored circles and mathematical symbols. On the left, a dark blue circle with the letter 'C' is followed by a gray plus sign, then a teal circle with the letter 'I'. This is followed by a gray equals sign. To the right of the equals sign is a red circle with the letter 'B', followed by a gray plus sign, and finally a green circle with the letter 'E'.

$$C + I = B + E$$

C depends on

- Short Term: Actuarial Assumptions
Actuarial Cost Method
- Long Term: I, B, E

B depends on

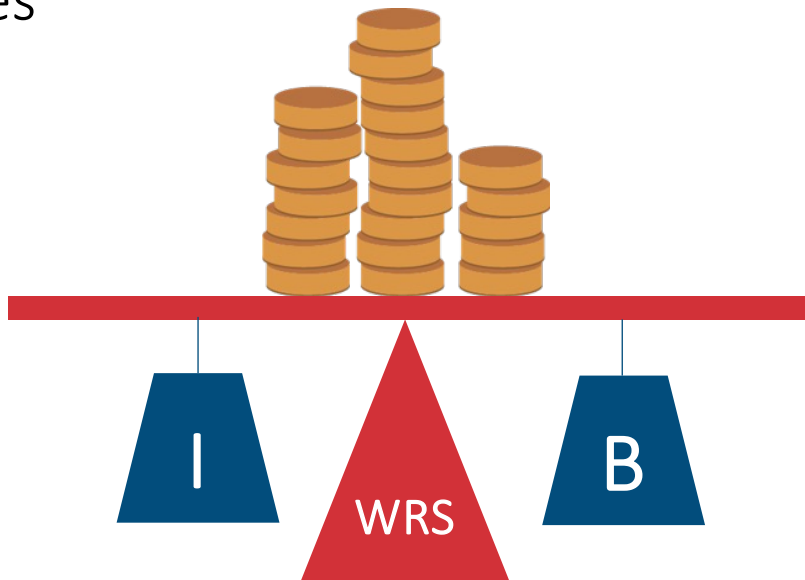
- Plan Provisions
- Experience

Investment Performance Determines Adjustments

Surpluses over 5% assumed rate of return needed to pay annuity increases



↑ 5% Assumed
Rate of Return –
Annuity Increase



↓ 5% Assumed
Rate of Return –
Annuity
Adjustment 0% or
claw back

Retiree Annuity Adjustments

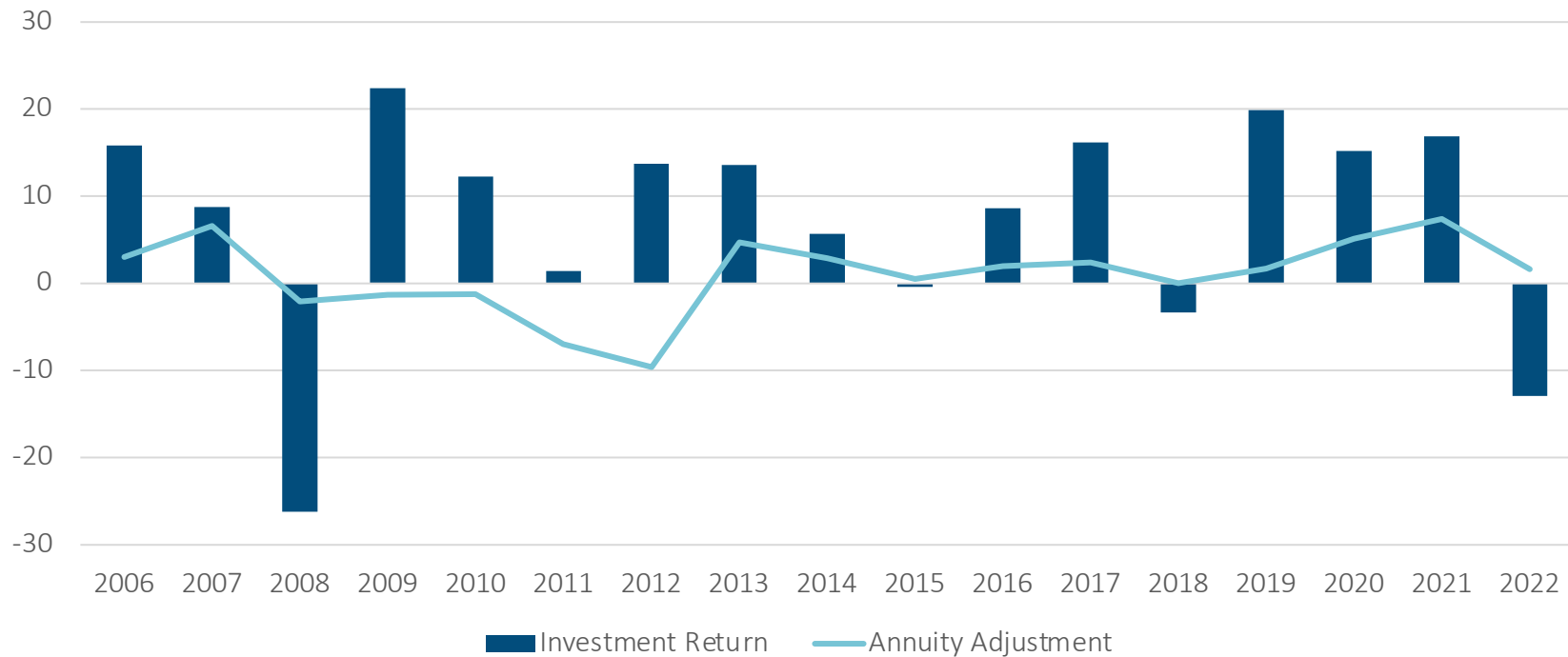
Average annual adjustment since 1987

- Core: ~3.4%
- Variable: ~3.7%
- In 2022 ~\$7 billion in benefits paid to retirees

Impact of 2008 market crash

- Between 2009 and 2013, pensions reduced by cumulative \$6 Billion

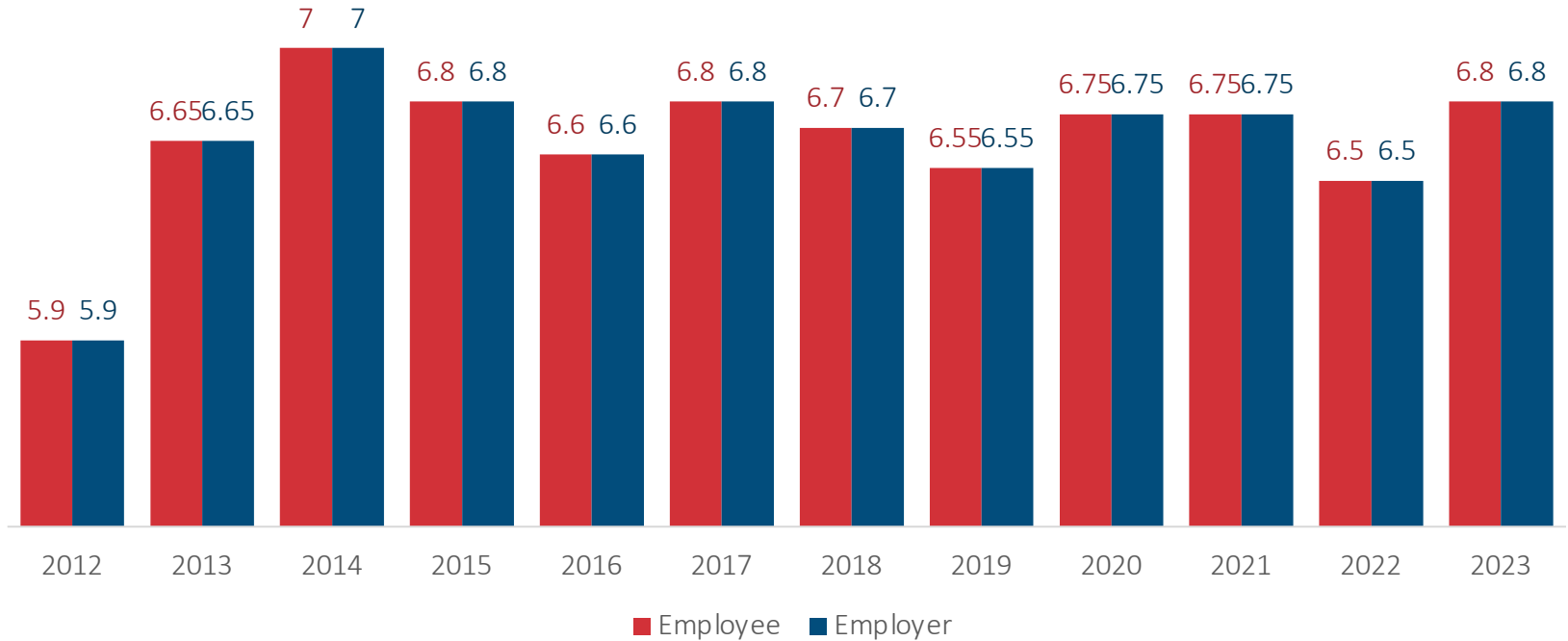
Core Fund Return vs Annuity Adjustment



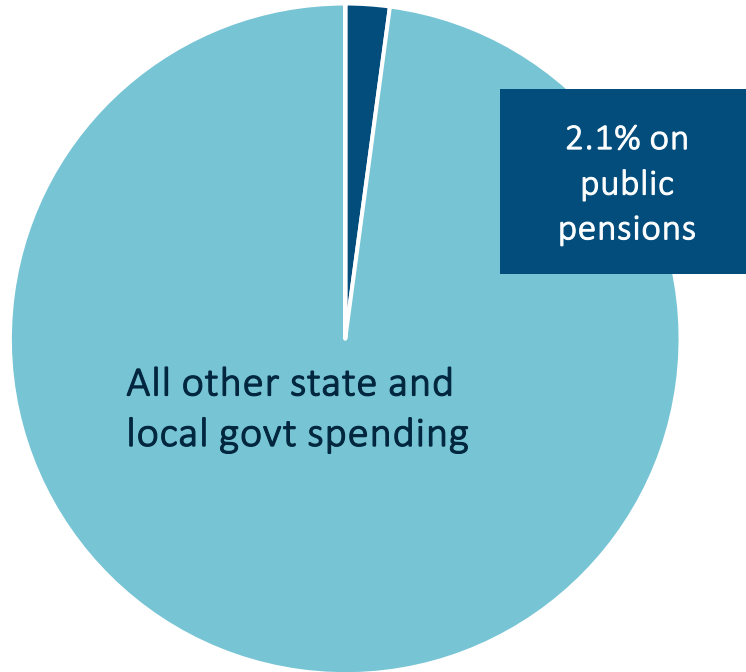
Outcomes/Success Measures

- ✓ Relatively stable contribution rates for employees and employers
- ✓ Inflation protection for retirees
- ✓ Fulfill payment obligations
- ✓ Solid funding
- ✓ Low cost

History of Contribution Rates for General Employees



Cost to Taxpayers



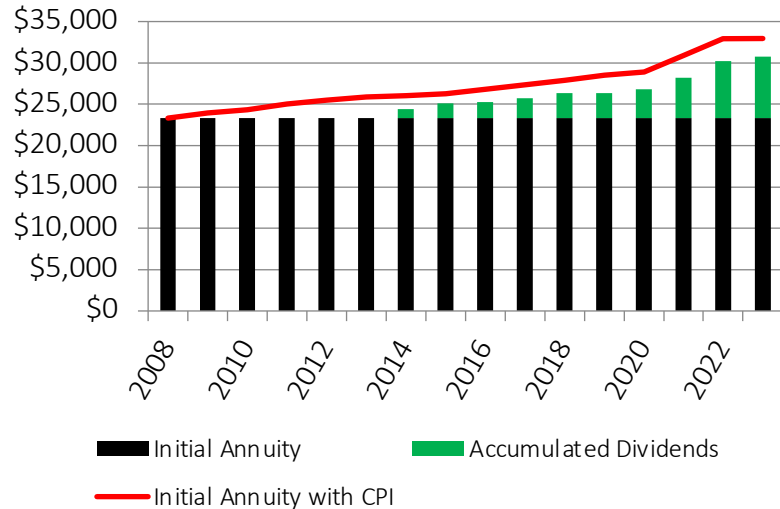
- State and local governments in Wisconsin spend 2.1% of their budgets on public pensions (WRS is largest)
- National average: 5.2%

Fiscal Year 2020

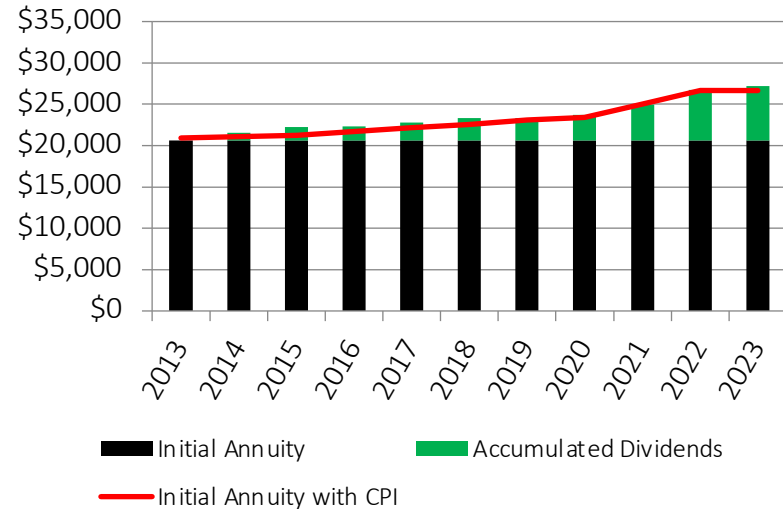
Source: National Association of State Retirement Administrators (February 2023)

Change in Value of 2008 and 2013 Annuity

2008 Annuity
(8,138 annuitants)



2013 Annuity
(9,425 annuitants)



Recent Law Changes

- 2023 WI Act 4
 - Effective January 1, 2024, jailers will be switched from general WRS category to protective in about 55 counties
 - Jailer will have to pay the extra cost but can opt out by March 1, 2024
 - Affects counties that do not currently classify jailers as protective
 - Affected counties will need to track, submit data to ETF, and explain the process to each future hire
 - ETF has FAQ and other material on our website

Recent Law Changes

- 2023 WI Act 12
 - Related to shared revenue, also many components about Milwaukee County Retirement System
 - Created a pathway for the County to join the WRS by enrolling newly hired county employees into the WRS but keeping current county employees in the Milwaukee County Retirement System

Thank You

Questions?