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## A Message from the Secretary: Parting Thoughts

— David Stella, ETF Secretary

In a year that has seen its share of difficult messages, this column is the hardest for me to write. After 39 years of public service, including 23 years at the Department of Employee Trust Funds (ETF), I have made the difficult decision to retire in January 2012.

Personally and professionally, I believe this is a good time for me to leave. The work has been meaningful and rewarding, and I have enjoyed my long association with the Department. As much as I would like to continue this important work, it is time to step aside, spend more time with my family and enjoy other pursuits.

ETF is in a good place. Our manag-

ers and staff have worked very hard over the last several years to build a solid infrastructure. We have highly qualified people in the right positions to lead us into the future. Our vision and plans are clear, and we are quickly developing the capacity to ensure our goals to improve customer service will be met. Wisconsin Retirement System (WRS) members can be assured that a stable and effective organization is in place.

ETF employees are very talented, creative and hard working. They are to be commended for their efforts. I am confident they will continue to move this agency forward. The board mem-

*Message, continued on page 2*

## Market Update:

### SWIB Pursues Stability in Volatile Markets

— Keith Bozarth, SWIB Executive Director

Although the U.S. economy has been growing, growth is slow and economists remain unsure how strong the recovery will be. A significant number of risks to the global and U.S. economy remain. The U.S. debt ceiling and budget immediate crisis was averted, but the underlying debate remains unresolved, the European sovereign debt crisis has been only temporarily patched, a number of uncertainties remain concerning emerging global economies, and unemployment in the

U.S. remains high. In addition, a vigorous debate persists about the prospects for significant inflation in the future. The U.S. stock market delivered solid

*Market Update, continued on page 2*

#### Preliminary Returns as of July 31, 2011

<b>Core Fund</b>	<b>5.6%</b>
Benchmark	5.2%
<b>Variable Fund</b>	<b>3.8%</b>
Benchmark	3.5%

*Message, continued from page 1*

bers I have had the pleasure of working with are dedicated and insightful. Their conscientious oversight has been helpful over the years. Being in a position to teach people about and advocate for the WRS has been an honor and privilege.

The WRS is one of the best designed and funded public retirement systems in the nation. The excellent reputation of the WRS did not come about by accident. First and foremost, the system is governed by independent boards and managed by benefits professionals. The board members and agency management staff are fiduciaries, acting solely and exclusively for the benefit of the members when making decisions that affect the WRS. As a result, proposed changes to the WRS have historically been carefully studied for both policy and fiscal impacts before they are enacted. Why is this critical? The reason is because the WRS is a complex system and even seemingly modest changes to one piece of the WRS equation can have significant unintended consequences on the system as a whole.

In these pages you will read about recent legislative changes that were made to the WRS. As

Note: The Employee Trust Funds Board will discuss the process for selecting a new ETF Secretary at its next meeting, which is set for September 15.

part of my fiduciary responsibility, I advocated that the changes be studied before their enactment to determine their fiscal effect on the WRS. My requests went unheeded. This means the financial and structural impact and associated risks of these law changes in both the short- and long-term may not be fully understood. Given the complexity and extremely large financial impact of the WRS on Wisconsin, proposed changes must be thoughtfully constructed, carefully studied and meticulously implemented.

The almost 600,000 members of the WRS and the citizens of Wisconsin need to be assured that the WRS will remain financially strong and sustainable. To that end, during my remaining tenure at ETF, I intend to articulate this message of due diligence at every opportunity.

*Market Update, continued from page 1*

returns through mid-year, but has lost that ground since. Corporate earnings remain strong, however. Periods of prolonged slow economic growth, market volatility and lower investment returns affect benefits for participants, especially retirees.

Given that back-drop, SWIB continues to focus on investment strategies that help reduce the impact of volatile stock markets and possible inflation on participants in the future. In addition, SWIB will continue to aggressively pursue the most cost effective ways to manage the WRS trust funds. Together, those efforts should help mitigate future impacts on retirees. However, because of the five-year smoothing of the Core Trust Fund and severe market losses of 2008, retirees are still feeling the effects of the Great Recession and the financial market meltdown from 2008.

Seeking innovative answers for investing the WRS trust funds is tradition. SWIB was

created in 1951 in response to concerns about the financial well-being of pensions for public workers. To address those concerns, a diverse group of government and civic leaders considered how to maximize investment returns for public pensions. The solution—creating a state agency to invest pension funds in stocks as well as other assets—was radical at the time. Now, it is the standard for providing for a viable pension system such as the WRS.

It was the beginning of what became a long list of “firsts” for SWIB, as it has evolved over the years in response to a changing financial world.

SWIB’s creation in 1951 is another reason Wisconsin has a well-earned reputation as a public pension leader. To read more about SWIB’s 60-year history, see page 10.

## New Laws Affect Retirement, Health Benefits

It has been a busy legislative season, as new laws affecting the retirement and health insurance benefit programs of the Wisconsin Retirement System (WRS) went into effect over the summer. Wisconsin Act 10, also known as the **budget repair bill**, became effective June 29, 2011. Wisconsin Act 32, the State of Wisconsin **2011-2013 biennial budget**, was effective July 1, 2011. Changes brought about by the Acts include:

- Prohibiting employers from paying the employee share of WRS contributions under most circumstances;
- Making employee-paid retirement contributions pre-tax;
- Changing the formula benefit multiplier for Elected and Executive category employees;
- Creating a new five-year vesting requirement;
- Modifying the eligibility criteria to enroll in the WRS;
- Reducing the cost of the benefits provided in the state group health insurance program; and
- Increasing health insurance premiums for state employees.

The Department of Employee Trust Funds (ETF) has published online *Information for Members About Recent WRS/Group Health Insurance Changes*, a comprehensive question-and-answer-style document for members. Look for it in the What's New column of our Internet site. Check the document often, as we update it frequently. Here are a few of the many questions covered.

**Are there any changes to the retirement benefits of retired members of the WRS?** No.

**How is my contribution to the WRS affected?** Act 10 made changes to both employee and employer required contributions to the WRS and to what an employer is allowed to pay toward WRS contributions on behalf of its employees.\* The Act also changed WRS contribution rates and how contributions are allocated to the accounts of WRS members. These changes apply to all WRS members and employers, regardless of whether there was a collective bargaining agreement in place prior to June 29, 2011. **Important note:** The rate changes are listed in the table below and were effective June 29, 2011 and remain in effect for the rest of the year. For 2012 rates (employer and employee combined), see page 4.

*\*There are some exceptions.*

**Are employee contributions to the WRS considered "pre-tax" or "post-tax"?** Under Act 32, employee required contributions are paid on a pre-tax basis. This means that an employee's contributions are not included as taxable income at the time wages are paid. Taxes on contributions are deferred until a benefit is taken.

**Will the increase in the employee required WRS contributions affect the cost of buying forfeited service?** Because most employee required contribution rates have increased, the cost of buying forfeited service has also gone up.

**What are the new participation requirements to be eligible for the WRS?** Act 32 requires that an

*Legislation, continued on page 4*

2011 WRS Contribution Rates							
Employment Category	Before June 29, 2011				June 29, 2011 and After		
	EERC	BAC	ERRC	Total	EERC	ERRC	Total
General/Teachers	5.0%	1.5%	5.1%	11.6%	5.8%	5.8%	11.6%
Protective w/SS	5.8%	0%	8.9%	14.7%	5.8%	8.9%	14.7%
Protective w/o SS	4.8%	0%	12.2%	17.0%	5.8%	11.2%	17.0%
Elected/Executive	3.9%	0%	9.4%	13.3%	6.65%	6.65%	13.3%

*EERC: employee-required contribution; BAC: benefit adjustment contribution; ERRC: employer-required contribution*

*Legislation, continued from page 3*

employee who begins employment on or after July 1, 2011 must work at least two-thirds of what is considered full-time to qualify for participation in the WRS and be expected to work for at least one year. Two-thirds of full-time is defined as 1,200 hours for general personnel or 880 hours for teachers/school district educational support staff (excluding educational support staff for technical college and other educational institutions). Employees hired to work nine or ten months per year (e.g., teacher contracts), but expected to return year after year are considered to have met the one-year requirement.

**What action did the Group Insurance Board take to adjust the Uniform Benefits package (health insurance) for state employees and non-Medicare eligible annuitants in order to comply with Act 10?** Significant health insurance changes will go into effect January 1, 2012. See related article on page 5 and our online document for additional information.

We appreciate your patience as we work to implement the provisions of these complex changes. Please monitor our website for the latest news and information—better yet, sign up for free ETF E-Mail Updates and get instant notification.

**For More Information**

**ETF document**

*Information for Members About Recent WRS/Group Health Insurance Changes*  
Find it in the What's New column at <http://etf.wi.gov>.

**ETF video**

Our newest video explains health plan changes for 2011 and 2012. Look for it in the Video Library at <http://etf.wi.gov/webcasts.htm>.

**Other ETF publications**

*It's Your Benefit* newsletter (mid-September)  
*It's Your Choice* materials (late September)

**Call ETF Customer Service**

1-877-533-5020 or (608) 266-3285

**For active employees**

**Contribution Rate Increases Set for 2012**

Required Wisconsin Retirement System (WRS) employer and employee contribution rates will increase slightly next year, due to the recognition of 2008's investment experience with the trust funds. Despite the increase, the overall rate for General category employees, which has the most employees—including teachers, is still lower than it was in the period that stretches from the 1980s through 1996.

Rate changes, whether increases or decreases, are considered normal for retirement systems that pre-fund retirement benefits. The funding principle governing the operation of the WRS holds that the funds generated from three separate sources—employee contributions, employer contributions, and investment earnings—together must be sufficient to meet WRS pension and benefit commitments. This “shared risk” feature is a major contributor to the stability and sound

funding structure of the WRS. It is also important to understand that the vast bulk of funding for the WRS comes from investment earnings. Consequently, contribution rates are impacted most by investment experience. The new rates, expressed as a percentage of payroll, go into effect for salaries and wages paid beginning January 1, 2012 and are listed in the table below.

**Important note:** The rates were developed prior to the effective dates of Act 10 (the budget repair bill) and Act 32 (the biennial budget) and, therefore, do not reflect any provisions of the new laws. We anticipate the 2013 contribution rates will reflect the provisions of Act 10 and Act 32.

2012 WRS Contribution Rates				
	General Employees	Executive & Elected	Protective w/ Social Security	Protective w/o Social Security
2011	11.6%	13.3%	14.7%	17%
2012	11.8%	14.1%	14.9%	17.2%

## Health Insurance Program Changes Set

In order to comply with a provision in 2011 Wisconsin Act 10 to reduce costs by 5%, the Group Insurance Board approved significant changes to the state's group health insurance program. Modifications were made to the 2012 Uniform Benefits package and the Standard Plan, which affects state employees and non-Medicare eligible annuitants, and primarily involve the incorporation of coinsurance and copayments for certain services.

Detailed information can be found in our online document, *Information for Members about Recent WRS/Group Health Insurance Changes* (see page 4), in the September edition of *It's Your Benefit* and in the It's Your Choice materials.

**It is important to note that preventive services will continue to be 100% covered under the Uniform Benefits package.** These include physicals, immunizations, dental cleanings, etc. In addition, the health plans can still offer optional dental benefits to state and local employers. There are no changes to prescription drug benefits offered with Uniform Benefits and the Standard Plan.

In addition, the Act 10 modifications do not take into account any changes in 2012 monthly

premium rates—the Board was scheduled to consider the rates at its August 23, 2011 meeting. Information from that meeting was not available as of *WRS News* printing deadlines. Please check our website for news about 2012 health insurance premium rates.

### It's Your Choice enrollment period set

The It's Your Choice health insurance enrollment period has been set for October 3-28, 2011. Watch for more information in the It's Your Choice booklet and on our website.

### New this year: open enrollment period

Starting this year, the annual It's Your Choice period has become an open enrollment period. This opportunity to enroll in the state group health insurance program is for eligible state employees, retired state employees and active local government employees (of participating employers). It is not available to retired local government employees. Effective January 1, 2012, a member will no longer be able to join at any other time during the year without a qualifying event such as marriage, birth or adoption.

### For active employees

## Make Roth Contributions to Your Deferred Compensation Account

A new option for building retirement savings has opened up for Wisconsin Deferred Compensation (WDC) Program participants: contributing to the WDC via a Roth option. This option allows you to contribute after-tax dollars to your WDC account. Any Roth deferrals, including contributions and potential earnings, will grow in your WDC account tax free. Also, since you are contributing with after-tax dollars, all qualified distributions are entirely income-tax and penalty-free\*. You may designate all or a portion of your current WDC deferral as a Roth deferral.

**If I terminate employment and/or retire, can I convert WDC assets to a WDC**

**Roth account option?** Yes, you can. This is called an "in-plan Roth conversion option". For more information about the WDC Roth option, visit the WDC website at [www.wdc457.org](http://www.wdc457.org) or call the WDC toll-free at (877) 457-9327.

*\*Providing you have held the Roth for five years, attained the age of 59½ and have a qualifying reason.*



## Year-end Deadlines and Decisions

Wisconsin Retirement System (WRS) members often ask whether it would be in their best interest to take certain actions **before or after** the end of the calendar year. There is no “one size fits all” answer. However, if you are thinking about retiring, making additional contributions, purchasing service or cancelling Variable participation, there are some important dates about which you should be aware.

### Additional Contributions

If you are thinking about making additional contributions to your WRS account, you may want to do so in the last few months of the year, rather than in the beginning of the year. That is because by law, contributions to the WRS do not begin to accrue interest until they have been on deposit for a year. Leave the money in an interest-bearing account and then make your WRS contribution in November or December. **Note:** ETF must actually **receive** the additional contributions by the last working day of the year (December 30 in 2011).

### Purchasing Service

If your WRS earnings are based on a calendar year, your cost to purchase creditable service may increase if ETF receives your service purchase application after January 2, 2012 (the first working day in 2012). However, if your earnings are based on fiscal year earnings (teachers, educational support personnel and judges only), your earnings may not affect the cost, but contribution rate changes will. **Note:** The ETF Board has approved contribution rate increases for all employment categories next year. See page 4 for details and more information. In addition, ETF **must** receive your service purchase application no later than your WRS termination date. Once you have terminated employment, you are no longer eligible to purchase service.

**Did Act 10 affect the cost of buying forfeited service?** Yes, in most cases the cost to purchase service has increased. See our online document, *Information for Members About Recent WRS/ Group Health Insurance Changes*. Look for it in the What’s New column on our website.

### Variable Elections and Cancellations

If you wish to either elect to participate in the Variable Fund or cancel your Variable Fund participation, ETF must receive your election before January 2 (the first working day in 2011). Elections received by that date will become effective on January 1, 2012.

### When to retire?

Asking whether it’s best to retire before the end of the year or just after the new year is a frequently-asked question. First, look at your retirement estimate and see whether your benefit is highest under the money purchase calculation or the formula calculation. If your annuity will be higher under money purchase and if your annuity effective date is in 2011, your account will be credited with prorated 5% interest for each full month you worked in 2011 before the month in which your annuity begins. However, if you want your money purchase annuity to begin in 2012, you will receive a Core (and Variable, if applicable) effective rate of interest that is based on 2011 investment experience (rather than a prorated 5%).

## For More Information

### ETF documents

*When Should I Retire?*

*Things to Consider Before Canceling Variable Information for Members About Recent WRS/ Group Health Insurance Changes*

Find these on our Internet site, under either the Core/Variable menu or the Act 10 menus in the What’s New? column, at <http://etf.wi.gov>.

### ETF brochures

*Additional Contributions* (ET-2123)

*Buying Creditable Service* (ET-4121)

*Calculating Your Retirement Benefits* (ET-4107)

Find them under the Publications menu at <http://etf.wi.gov/publications/wrs.htm>.

### ETF videos

*Additional Contributions*

*Buying WRS Creditable Service*

*Canceling Variable Fund Participation*

*Annual Retirement Annuity Adjustments*

Go to <http://etf.wi.gov/webcasts.htm>.

## Retiring Within a Year? It's a Good Idea to Plan Ahead

Over the past several months the Department of Employee Trust Funds (ETF) has made many changes—some public, some “behind the scenes”—in order to provide greater access to information and services. Here are a few examples:

- The Customer Service Call Center is now permanently staffed from 7:00 a.m. to 5:00 p.m. (see sidebar for more detail).
- Our Video Library has more than 25 titles, many of which we're in the process of updating, due to legislative and other changes.
- Our free ETF E-Mail Updates service provides information to more than 10,000 subscribers—with more signing up every day.
- We thoroughly revised and streamlined our retirement estimate packet—which has been in great demand lately—by rewriting contents, eliminating excess and/or unnecessary material and including a new brochure, *How to Retire*. This helped significantly reduce mailing costs and made this vital packet of information easier to read and understand.

### September-December: plan ahead

Although these changes mean overall improved service for members, please be aware that significant backlogs still exist, and we expect more in the last four months of 2011. For example, due to a sharp increase in the number of members retiring this year, “final annuity calculations” may take 9-12 months to complete. Members who apply for separation or lump sum retirement benefits are waiting four or more months to get paid.

At this time of year it is normal to see a spike in requests for retirement estimates and retirement appointments. And call volumes begin to climb and remain high throughout the period. Keep in mind the first week of each month is particularly busy for our staff; the best time of the day to call is either early in the morning or late afternoon.

In addition, plan to wait four or more weeks to receive your retirement estimate and, after that, up to five more weeks to see a benefits specialist (if you want an individual appointment.)

It is important to us that you have everything you need to make an informed retirement decision. Therefore, please plan ahead—keep the timeframes described earlier in mind. If you are considering retiring in the next year, here's our best advice: Request an estimate and consider scheduling a group retirement appointment; you can usually book one within a week of the date you call.

Also, watch for opportunities to meet with benefits specialist in your area. For details on group appointments and presentations in your area, see the schedule on page 9 as well as the interactive map on our Internet site, found under the “Benefits Presentations” menu at [http://etf.wi.gov/members/benefits\\_presentations.htm](http://etf.wi.gov/members/benefits_presentations.htm).

## Customer Service Improvements in Place

The Department of Employee Trust Funds (ETF) is pleased to announce the following customer service improvements:

**The Customer Service Call Center hours have permanently changed.** Call us anytime between 7:00 a.m. and 5:00 p.m., Monday through Friday. However, access to our building remains unchanged (7:45 a.m. to 4:30 p.m., Monday through Friday).

**We have enhanced our e-mail security.** The Department of Employee Trust Funds (ETF) has implemented software that automatically blocks and returns to the sender any unsecured e-mail message that contains specific confidential data, such as a Social Security number or personal health information. Receiving an encrypted message from ETF requires only a brief first-time registration. After registering, you will also be able to send secure messages to ETF. More information will soon be available on our website.

## BOARD CORNER

### ETF Board — Kimberly Hall Elected

Wisconsin Retirement System (WRS) educational support personnel elected Kimberly Hall to serve on the Employee Trust Funds (ETF) Board in balloting that concluded last May. Ms. Hall, of Weston, is an employee of the DC Everest School

District. ETF distributed 44,381 ballots. Of the 4,481 ballots returned, Ms. Hall received 3,269 votes (approximately 72%). The other candidate was Judy Van Sluys.

### Teachers Retirement Board — Nominations Sought

The process to elect two teachers to serve on the Teachers Retirement Board (TR) has begun. The terms of current TR Board members David Wiltgen and Steven Scheible expire in May. Any active teacher participant in the Wisconsin Retirement System (WRS), except those employed by the Milwaukee Public School District, may compete for one of the two available seats. The five-year terms begin May 1, 2012. Contact the Department of Employee Trust Funds (ETF) for a nomination packet if you are interested in run-

ning for one of the two open seats. Completed nomination papers must be received by ETF by 4:30 p.m., Thursday, November 3, 2011.

Nomination packets may be requested by writing to: TR Board Liaison, P.O. Box 7931, Madison, WI 53707-7931; or send an e-mail to ETF at this address: [BoardElections@etf.state.wi.us](mailto:BoardElections@etf.state.wi.us). For information on the WRS governing boards, including current board rosters, board member responsibilities, meeting schedules and agendas, go to [http://etf.wi.gov/gov\\_boards.htm](http://etf.wi.gov/gov_boards.htm).

## RETIRES' CORNER

*The WRS News periodically runs brief announcements submitted by and about retiree organizations, subject to space availability and made on a first-come, first-served basis.*

### Wisconsin Retired Educators' Association (WREA)

Since 1951, WREA's signature goal has centered on protecting the stability of the public pension fund. WREA puts the interests of retired educators first and has 15,000 members and 70 local units. WREA is a non-partisan organization, is not affiliated with any union, and does not endorse candidates or make political contributions. However, WREA has a strong legislative presence through its committee structure and a state-wide legislative alert network to match constituents and legislators. WREA provides a broad range of member benefits, providing value and savings. Membership is open to retired educators,

K-12 through higher education. Although most members are retired and pay the \$40 Regular Member fee, those still working can join as Associate Members for \$20 per year. Check WREA's website at [www.wrea.net](http://www.wrea.net) or write to WREA, 6405 Century Avenue, Middleton, WI 53562; call (608) 831-5115.

**Special Note:** In partnership with the Wisconsin Coalition of Annuitants, WREA is pleased to offer its dental plans to all WRS participants. Go to <http://www.gisconline.com/wcoa> or call Greater Insurance Service at 1-877-817-4805.

### Sign up for Free *ETF E-Mail Updates*



Have you signed up for *ETF E-Mail Updates*? More than 10,000 people are staying informed about the latest important Wisconsin Retirement System benefits-related news and information. You will hear from us when we update our *What's New?* column, post newsletters, announce effective rates, schedule benefits presentations in your area and much more. Registration for *ETF E-Mail Updates* is fast, easy, and free. Look for the red envelope icon on our Internet site at <http://etf.wi.gov>.

## ETF Sets Fall 2011 Public WRS Presentation Schedule

The Department of Employee Trust Funds (ETF) has scheduled free, public presentations for Wisconsin Retirement System (WRS) members, especially those considering or planning retirement in the near future. ETF specialists will discuss WRS retirement, death and separation benefits, and health and life insurance benefits. Reservations are not needed. All locations are handicap accessible.

### Presentation Schedule — Fall 2011

*(Presentations 6:30 p.m. to 8:30 p.m., unless otherwise indicated. If weather becomes severe, listen to local radio stations for possible cancellations.)*

Fond du Lac	Thurs., Oct. 20	Moraine Park Technical College-Cafeteria A109, 235 N. National Ave., Fond du Lac
Green Bay	Mon., Sept. 12	Northeast Wisconsin Technical College-Lecture Hall SCI32, 2740 W. Mason St., Green Bay
Kenosha	Thurs., Nov. 3	Gateway Technical College-Madrigrano Aud., 3520 30th Ave., Kenosha
Madison	Tues., Oct. 4	Madison College (Madison Area Technical College)- Truax Campus, Mitby Theater, 3550 Anderson St., Madison
Milwaukee	Wed., Nov. 16	UW-Milwaukee, UW-Milwaukee Union-Ballroom, 2200 E. Kenwood Blvd., Milwaukee
Platteville	Mon., Oct. 10	Platteville High School-Auditorium, 710 E. Madison St., Platteville
Rhineland	Wed., Sept. 14	Nicolet Area Technical College, The Nicolet Theatre, College Dr. and Hwy G., Rhineland
River Falls	Thurs., Oct. 20	River Falls High School-Auditorium, 818 Cemetery Rd., River Falls
Superior	Wed., Oct 5	UW-Superior, Yellowjacket Union-Great Room, 1605 Catlin Ave., Superior
Wisconsin Rapids	Tues., Sept. 27	Lincoln Senior High School-Performing Arts Center, 1801 16th St. South, Wisconsin Rapids

## Group Appointments Readily Available

If you are thinking about attending a Wisconsin Retirement System (WRS) public presentation (see above), you may also want to keep in mind that we offer group appointments throughout the state. In a group appointment, which is designed for members nearing retirement, a benefits specialist provides an explanation of the retirement estimate, annuity options, application process and answers questions.

Reservations for group appointments are required. In addition, attendees must be within one year of minimum retirement age and have a valid retirement estimate/packet from ETF.

ETF specialists have conducted 161 group

retirement appointments outside of Madison, serving more than 2,490 members the first half of this year alone. Attendees surveyed indicated the appointments were “very effective” in answering members’ benefit questions. This fall, ETF specialists will be in 26 different cities around the state from September to the end of December.

To find ETF’s benefit presentations schedule and an interactive map showing presentations in your area, go to the Benefit Presentations link under the “Members” menu on ETF’s Internet site, <http://etf.wi.gov/members.htm>. To make an appointment, call ETF 1-877-533-5020 or (608) 266-3285.

## A Look Back at Six Decades of Leadership

For 60 years, the State of Wisconsin Investment Board (SWIB) has set the example for many pension funds across the United States. At the suggestion of former Governor Oscar Rennebohm and attorney John C. Lobb, the Legislature and then-Governor Walter J. Kohler, Jr. created SWIB to address growing concerns about public employees' pensions. Today, SWIB remains true to its forward-thinking roots as it manages \$91 billion in assets for the WRS and other state funds. Throughout its history, SWIB—enabled by participants and state policymakers—has sought the best tools to help WRS participants to provide for retirement.

The WRS was one of the first public pensions to invest in common stocks, which, in 1951, was a contentious issue for public funds. In 1957, the Legislature created the Variable Fund making SWIB the first to give public employees the option to place half of their pension contributions in an all-stock fund. SWIB's success in the Wisconsin Private Placements Program, the nation's first such loan program in 1965, has resulted in opportunities to make billions of private investments in companies with Wisconsin ties while providing good investment returns for the trust funds. In 1996, it was cited as a model program by the U.S. Small Business Administration.

In keeping with its fiduciary responsibility, SWIB was at the forefront of the corporate governance movement, working with directors and company management to increase economic value. In 1986, SWIB became one of the founders of the Council of Institutional Investors (CII), a not-for-profit, U.S. shareowner-rights organization that works with other pension funds to address shareholder concerns. From the 1980s to the mid-1990s, SWIB was among the first public pensions to invest in private equity, leveraged buy-outs, and international markets, including developed countries in 1989 and emerging countries in 1995.

Recent innovations are more subtle to the outside observer. For example, SWIB considers well-established investment approaches new to pension funds to meet today's market challenges.



*Stocks remain the largest asset class used to help ensure the WRS can meet its financial obligations into the future. Stock certificates, like the one shown above, are rare because trading is now done electronically.*

Resources needed to enhance technology tools and expand highly qualified staff to manage more funds in-house at a significant cost savings to the WRS have been provided. This has also allowed us to deploy new organizational changes, such as developing global portfolios and centralizing our risk management operations.

With the creation of SWIB, Wisconsin sought a bold solution. In 1976, the Council of State Governments recognized the uniqueness and success of the effort stating, "(P)erhaps no State has a more completely developed investment program than Wisconsin." In 1951, Wisconsin set the standard for investing public pension funds and is still looking forward six decades later.

### Investment Performance Posted Online

SWIB posts calendar year-to-date investment returns on a monthly basis, once performance numbers are final. This process can take up to four weeks because privately traded investments, such as business loans, real estate and private equity, are unavailable until four weeks after the close of the month. Information on investment performance compared to benchmarks is available on SWIB's website. Go to [www.swib.state.wi.us/performance.aspx](http://www.swib.state.wi.us/performance.aspx).

## Understanding WRS Investments:

### What is a Benchmark?

The term “benchmarking” goes back to the early days of cobblers who would measure feet on a bench to determine the size of a shoe they were going to make. Today, the State of Wisconsin Investment Board (SWIB) uses financial market benchmarks to measure the performance of the Core and Variable Funds, each asset class (stocks, bonds, etc.) and individual portfolios.

Trustees set the benchmarks used by SWIB staff. Trustees, with help from an independent consultant, review the benchmarks each year, but apply changes to years that follow, not to the current year. SWIB’s goal is to exceed benchmarks adopted by Trustees. Each portfolio’s performance is measured against a separate benchmark. When possible, a portfolio benchmark is a market

index, such as the S&P 500, that represents the class or range of investments consistent with the manager’s investment style and the types of permissible investments in the portfolio’s investment guidelines. For example, SWIB’s small company portfolio is measured against the Russell 2000, which includes the small company segment of the U.S. equity universe. The benchmark of the Core Fund and Variable Fund combines the portfolio benchmarks based on relative weights.

As the year progresses, SWIB compares year-to-date performance with the benchmark year-to-date performance. Final results for SWIB portfolios and benchmarks are known only after the year is over.

### SWIB Board Chair Recognized for Service to WRS

Jim Senty, a State of Wisconsin Investment Board (SWIB) trustee since 2001, received the 2011 Blair Testin Award in recognition of his many years of exceptional service and dedication on behalf of public employees and their retirement benefits. He has served as SWIB Board chair since

May 2003. The award was presented at the annual conference of the Wisconsin Coalition of Annuitants, an organization representing more than 20 retired public employees’ associations. The award was named in honor of Blair Testin, former state director of retirement research.

### New SWIB Beneficiary Contact Announced

Sandy Drew, who served as the State of Wisconsin Investment Board’s (SWIB) beneficiary and legislative liaison for 10 years, has retired. Vicki Hearing, public information officer, is available to answer questions. Contact SWIB at [info@swib.state.wi.us](mailto:info@swib.state.wi.us) or call the Beneficiary

Hotline toll free, (800) 424-7942 or (608) 267-0957. More information about SWIB and how the Wisconsin Retirement System trust funds are invested can be found in the online brochure, *Investing for Your Retirement*. Find it at <http://www.swib.state.wi.us/publications.aspx>.

### SWIB Reception to Feature NYT Business Writer

The State of Wisconsin Investment Board (SWIB) will hold its annual public reception on Tuesday, September 13 at the Monona Terrace in Madison. SWIB and the Chartered Financial Analyst Society are co-sponsoring the event and hosting *New York Times* business columnist Joe Nocera, who will be speaking Tuesday afternoon. Nocera also works as a business reporter for *New York Times*

*Magazine*. He has written for publications including *Newsweek*, *Esquire* and *GQ*. His New York Times column, “Talking Business,” has earned rave reviews. Nocera will speak at 4 p.m. in the Lecture Hall at Monona Terrace with a reception to follow. Anyone interested in attending should R.S.V.P. to [annette.wiemann@swib.state.wi.us](mailto:annette.wiemann@swib.state.wi.us) or call (608) 267 -3175.

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