

January 2023

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Preliminary Investment Returns WRS Trust Funds

Calendar Year 2022

Core Fund -12.92%

Variable Fund -17.82%

Performance is net of fees.

Sec. Voelker: The Value of Dependability

— John Voelker, ETF Secretary

Some days I think the ideal of dependability is declining in our society. For example, you replace your dishwasher, which lasted 30 years, with one that will last 10. You wait at home for a service call, and no one shows up, or is late. We all probably have an aggravating air travel story.

I find it frustrating because dependability is so important. I am reminded of a quote from Woodrow Wilson who said, “Without dependability one’s ability may be a liability instead of an asset.” My view is likely skewed by the fact that I am in a position in which more than 663,000 individuals

are counting on me to safeguard their retirement money. As a result, dependability is often the first thing I think about in the morning and the last thing I think about before bed. I can sleep at night knowing the Wisconsin Retirement System can be depended upon. Throughout its history the shared risk plan design has successfully weathered some of the worst economic conditions, including the stock market crash

Voelker, continued on page 2



John Voelker

Managing Volatility Today for Future Success

— Edwin Denson, SWIB Executive Director and Chief Investment Officer

If you have been following the news over the past year, you don’t need me to tell you the story of the financial markets of 2022. Severe market volatility was caused by a number of factors including the continuing impact of the COVID-19 pandemic, geopolitical instability, and several interest rate hikes by the Federal Reserve in an attempt to control the highest inflation rates in the past four decades.

Add in the challenge of a market environment with almost all asset classes experiencing negative returns without the diversification benefits that usually exist between equity and fixed income asset classes, and it all adds up to a market environment unlike any in recent memory. The tumultuous markets resulted in a preliminary return of -12.92% net of all fees for the Core Trust Fund and -17.82% net of all fees for the Variable Trust Fund. This was the first time since 2018 the trust funds experienced negative returns.



Edwin Denson

Denson, continued on page 11

Voelker, continued from page 1

of 1987 and the great recession of 2008. It will weather today's volatile economic conditions as well.

Dependability in the pension business is two-prong. First and foremost, you must continually have enough money to pay current and future obligations to the participants. If the accountants and actuaries attest to that fact, you can claim to be fully funded. It sounds so simple: Make sure you have enough money to pay the bills when they come due. So why is it the WRS is one of only a few state pensions that is fully funded? It is because we have all played our part. Employers and employees contributed the necessary funding.

The State of Wisconsin Investment Board prudently invested the money. Policy makers identified a reasonable and effective level of benefits. Retirees sacrificed part of their pension during the Great Recession of 2008 to ensure the system stayed fully funded. It isn't so simple. It is a shared responsibility. The fulfillment of those shared responsibilities by everyone results in dependability.

The second prong is reliable service. That means your benefits are calculated accurately. You get paid the right amount. Your payments arrive at the bank on the first of the month. Your health insurance benefits and payments

So why is it the WRS is one of only a few state pensions that is fully funded? It is because we have all played our part...It is a shared responsibility.

are handled effectively. You get expert guidance when you need it. Your personal information remains safe. ETF staff take great pride in meeting those responsibilities and I am proud of the way they reliably perform day in and day out. However, delivering on these responsibilities has become increasingly more difficult. The number of retirees has increased 40 percent over the past 10 years and our IT systems are outdated and require upgrading. Since ensuring reliable service is necessary, our recent biennial budget submission asks for additional resources to address these challenges. These resources are essential for us to meet our dependability obligation going forward.

We are fortunate to have the WRS. It is a vital part of recruiting and retaining a quality public workforce. It contributes to financially secure retirements. It supports communities across the state by distributing more than \$6 billion in annuity payments each year to retirees. Thankfully it is also a system in which the ideal of dependability continues to be valued.

ETF Projections for Rates and Adjustments

The Department of Employee Trust Funds expects to provide a Core annuity increase to Wisconsin Retirement System retirees this year. The Core annuity adjustment is projected to be between 1.2% and 1.6%. The Variable annuity adjustment is projected to be between -21% and -25%. The projections are based on preliminary calendar year 2022 investment performance of the WRS trust funds.

These figures are projections. The actual adjustments will be announced in March, after 2022 investment returns have been finalized and an ac-

tuarial analysis conducted. In late April ETF will send all retirees a personalized annuity statement showing any change to the monthly payment for the coming year, beginning with the May 1 payment, and the reason for the change.

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

Legislative Update

— Tarna Hunter, ETF Government Relations Director

The Department of Employee Trust Funds submitted its biennial budget request to the Department of Administration in September, after review and endorsement by the ETF Board. The period covered is July 1, 2023-June 30, 2025. Here are a few highlights of our biennial budget request:

- Position and spending authority request to replace antiquated legacy IT systems. ETF currently operates a portfolio of legacy systems that range in age from 9 to 36 years old. These systems significantly increase agency risks related to information security, fulfillment of business objectives, financial costs, and agency reputation. ETF has embarked on multiple projects intended to lessen these risks and enhance the quality of service we provide. The requests included in this budget will provide the resources to fully execute these projects.
- Position request to maintain service levels for basic, critical customer service functions for members and employers. ETF's member and employer populations have significantly increased. For example, from 2010 to 2020 the retiree population increased by 41.9%, and 147 more employers joined the Wisconsin Retirement System.

- Position request to enable ETF to manage actuarial and accounting responsibilities related to actuarial valuations, financial reporting, and the proper implementation of accounting statements promulgated by the Governmental Accounting Standards Board.



Tarna Hunter

- Statutory changes necessary to complete ETF's disability programs redesign project. The changes will streamline the state's disability programs currently offered to employees. The changes, approved by the ETF Board and the Group Insurance Board, also support the long-term sustainability of the disability programs administered by ETF.

The next steps in the process involve state budget office review and potential inclusion in Wisconsin's 2023-2025 executive state budget, to be introduced by Governor Evers in February. After that, the budget is up for review and action by the state legislature.

WRS in the Spotlight for Pension Plan Stability and Sustainability

Pew Charitable Trusts has cited the Wisconsin Retirement System as one of three public employee pension plans that has maintained high funded ratios at predictable costs over the past 20 years. The other two plans are Tennessee and South Dakota.

The WRS has “exemplary characteristics,” Pew noted, “including a path to retirement security for all workers within clearly defined cost targets, a plan for managing risk, and a commitment to ensuring that policies are transparent and clearly communicated to stakeholders.”

Pew conducted a wide-ranging Q&A-style interview with Department of Employee Trust Funds Secretary John Voelker about the myriad of

factors that contribute to the long-term success of the WRS. Topics of discussion include:

- an overview of fundamental WRS design, costs, and retirement security goals
- a strong funding policy with shared risk features
- ETF's effective working relationship with the State of Wisconsin Investment Board, which manages the assets of the WRS
- how the WRS mitigates the effects of inflation on retirees

Access the link to *Wisconsin Pension Official Details State's Approach to Weathering Market Volatility* in the News section of ETF's website. Visit <https://etf.wi.gov/news>.

A Look at WRS 2021 Financials

The Department of Employee Trust Funds has released the Wisconsin Retirement System *Annual Comprehensive Financial Report* for the year ended December 31, 2021. The WRS paid approximately \$6.4 billion in benefits in 2021. The WRS funding ratio calculated in accordance with accounting standards was approximately 106% as of December 31, 2021. Sound funding and plan design principles continue to keep the WRS financially strong.

Complete WRS financial statements, with notes and supplementary information, can be found in ETF's *2021 Wisconsin Retirement System Financial Report*.

WRS Assets and Reserves

As of the end of 2021, the WRS had net assets of approximately \$142 billion, an increase of \$17 billion from 2020. These assets are invested in a balanced portfolio of equities, fixed income and other investments managed by the State of Wisconsin Investment Board.

\$75.5 billion of reserves are set aside to pay monthly benefits to over 226,000 retirees and beneficiaries; the average annual benefit is \$27,810. The annuity reserve, increased by 5% annual interest, is sufficient to pay lifetime benefits without any additional contributions.

The employer and employee reserves include contributions made by and on behalf of non-retired participants. While the employee reserve is made up of over 436,000 individual participant accounts, the employer reserve is a single comingled account with no separation of individual employer contributions. At the time a participant retires, the present value of their annuity is transferred to the annuity reserve from the employer and employee reserves. These reserves are also used to pay separation and death benefits.

The Market Recognition Account is used to smooth the effects of investment gains and losses on the WRS. Investment income that exceeds or is less than the assumed investment return of 6.8% is spread over five years. As of December 31, 2021, the WRS has \$17.0 billion in past investment gains that will be added to investment income over the next four years.

WRS Revenues and Expenses

Investment income is the largest source of revenue for the WRS. Investment income accounts for approximately 84% of the WRS revenues over the past 10 years.

Employer contributions are paid by WRS employers and are held in the employer reserve until transferred to the annuity reserve to fund new annuities. Member contributions are primarily paid by WRS participants and are held in individ-

2021 Financials, continued on page 5

Wisconsin Retirement System Summary of Net Position and Reserves (millions \$)	
	2021
Net Position	
Equities	\$ 83,779
Fixed Income Investments	48,219
Private Fund Investments	26,574
Other Investments	9,937
Other Assets	18,802
Liabilities	(45,463)
Total Net Position	<u>\$141,848</u>

Reserves	
Annuity Reserve	\$ 75,530
Employer Reserve	26,406
Employee Reserve	22,469
Market Recognition Account	17,039
Other Reserves	<u>404</u>
Total Reserves	<u>\$141,848</u>

Wisconsin Retirement System Summary of Changes in Net Position (millions \$)	
	2021
Revenues	
Net Investment Income (Loss)	\$ 21,056
Employer Contributions	1,165
Member Contributions	<u>1,087</u>
Total Revenues	<u>\$23,308</u>

Expenses	
Annuities	\$ 6,353
Separation Benefits	42
Administration	31
Other Expenses	<u>0</u>
Total Expenses	<u>6,426</u>
Increase in Net Position	<u>\$ 16,882</u>

Governing Board Election Updates

ETF Board Election Under Way

Voting is taking place now to select the retired Wisconsin Retirement System annuitant member of the Employee Trust Funds Board. ETF mailed ballots and candidate information to all annuitants of the WRS. The following four candidates are vying for the position:

- Richard J. Brunner, Wauwatosa
- Norman A. Cummings, Brookfield
- William L. Ford, Prairie Du Sac
- Mark William Walters, Madison

Cast your ballot by returning it in the envelope provided in your packet. Ballots must be received by February 17. For information about the candidates, refer to the materials in your packet. Visit https://etf.wi.gov/gov_boards.htm to learn more about the WRS governing boards.



Langyel to Serve on TR Board

Michael Langyel will serve on the Teachers Retirement Board as the WRS retired teacher member. Langyel was the only candidate to declare candidacy for this seat last fall, when ETF announced the call for nominations. Langyel's five-year term begins on May 1. Langyel has previously served on the TR Board, as the Milwaukee Public School District teacher member.

News and Notes

What's Your Well-Being Purpose for 2023?

Group Health Insurance Program members: Well Wisconsin is here to support you with living your best life and feeling well along the way. Register for a Feb. 16 in-person event—or view online—at the Dept. of Health Services in Madison, featuring Dr. Christine Whelan, UW-Madison researcher, author, and lecturer. Dr. Whelan will walk us through a “purpose roadmap” and discuss her research showing how a sense of purpose in life correlates with better health, better relationships, longer life—and even more money in your pocket. A recording will be made available on the Well Wisconsin site after the event. Register at <https://bit.ly/3jnBrQ5>.

Vaccinations at the Pharmacy: Medicare Part D

Did you know Medicare members can receive

Medicare Part D vaccinations at the pharmacy for no cost and no reimbursement paperwork? However, some vaccinations may require a prior authorization. Non-Medicare members can receive most of their vaccinations at in-network pharmacies or medical providers' offices—be sure to check with your health insurer or Navitus about coverage for some uncommon vaccinations.

1099-R & W-2 Forms

The Department of Employee Trust Funds will mail 2022 1099-R forms by January 31. W-2 tax forms for taxable retiree wellness incentives paid in 2022 will also be mailed by January 31. Those who turned age 59.5 in 2022 will receive two 1099-R forms in separate mailings. The first will reflect all

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2021 Financials, continued from page 4

ual accounts for the participant until retirement — or paid as a separation benefit if the employee leaves covered employment and chooses to withdraw contributions.

When one compares total WRS expenses of \$6.4 billion to combined member and employer

contributions of \$2.3 billion, the importance of a strong investment program to make up the difference is clear.

Find all financial reports on ETF's website, on the Financial Reports and Statements page.

For Wisconsin Deferred Compensation Program Participants

Wisconsin Deferred Compensation Program Updates

January 2023 Fee Changes

The Wisconsin Deferred Compensation Program is a self-supporting supplemental retirement savings plan and, as required by Wisconsin law, all costs for the plan are borne by participants. Every December the Deferred Compensation Board reviews participant fees and anticipated expenses. The Board uses the negotiating leverage of WDC participants to keep fees as low as possible and highly competitive with other retirement savings plans. Fees pay for important WDC features such as account recordkeeping services; a secure, user-friendly platform and maintenance of the WDC website; the call center; and planning and education resources available to all participants.

The Board recently approved increasing the administrative fees paid by WDC participants in order to counter the effects of decreased revenue caused by poor market performance in 2022. Fees paid by WDC participants are based on account balances. When overall account balances decline due to poor market performance, less is collected from participants to pay for plan expenses. Because revenue from fees collected in 2022 was down, the Board needed to raise participant fees to help keep the plan’s reserve balance within established policy standards.

Review WDC participant fees effective January 1, 2023, in the accompanying table. For more information, visit the “WDC Program Fees and Management” section of ETF’s WDC webpage, located within the Retirement menu.

WDC Investment Changes

The Vanguard Target Retirement Trust Plus options have been expanded to include both the “10” series of funds and the 2065 fund. These additional funds have a gross expense ratio of 0.055%, similar to the current target date funds. The following have been added:

- Vanguard Target Retire Trust Plus 2020
- Vanguard Target Retire Trust Plus 2030
- Vanguard Target Retire Trust Plus 2040

WDC Program Fees			
Participant Account Balance	2022 Monthly Fee	2023 Monthly Fee	2023 Annual Fee
\$1-\$5,000	\$0.00	\$0.00	\$0.00
\$5,001-\$25,000	\$0.75	\$1.25	\$15.00
\$25,001-\$50,000	\$2.00	\$3.00	\$36.00
\$50,001-\$100,000	\$4.25	\$6.50	\$78.00
\$100,001-\$150,000	\$5.50	\$8.25	\$99.00
\$150,001-\$250,000	\$7.75	\$11.75	\$141.00
Over \$250,000	\$11.50	\$17.25	\$207.00

- Vanguard Target Retire Trust Plus 2050
- Vanguard Target Retire Trust Plus 2060
- Vanguard Target Retire Trust Plus 2065

Learn more about the WDC’s target date funds at <https://bit.ly/3BzzaYj>. If you would like to make changes to your WDC investment options, you can do so anytime by logging on to your account at www.wdc457.org or calling the WDC at 1-877-457-9327.

A Quick Look at Required Minimum Distributions

Retired WDC participants have always been able to keep their funds on deposit in the WDC and access all the plan’s features, services and investment options. However, the Internal Revenue Service requires that retirees start making withdrawals at some point. These mandatory annual withdrawals are known as required minimum distributions, or RMDs. RMD amounts vary by person. That is, there is no fixed amount for an RMD. It depends on your account balance and the formula on the calculation worksheets the IRS provides.

This topic can be a little confusing. If you’d like help with your RMD as it relates to your WDC account, visit wdc457.org to set up a time to talk with your local WDC representative. In addition, review information about RMDs on the IRS website by visiting <https://bit.ly/3HyzkD4>.

Changes to Tax Withholding Forms

Wisconsin Retirement System annuitants who want to change federal or Wisconsin state tax withholding from their monthly annuity payments must now use two separate (and new) forms to do so. That is because the Internal Revenue Service has changed how it allows public pension systems to receive federal tax withholding elections from their members.

You do not need to take any action at this time. Going forward, if you want to update your tax withholding, complete and submit the new form(s) to the Department of Employee Trust Funds. For federal tax withholding changes, complete the new IRS Form W-4P: *Withholding Certificate for Periodic Pension or Annuity Payments*. For Wisconsin tax withholding, complete the new *Wisconsin Tax Withholding Election for WRS Annuity Payments* (ET-4337). Submit both forms to ETF by mail, fax or drop off at our offices in Madison. For more information, visit the Contact Us page on the ETF website.

It's always a good idea to periodically review your tax status and whether you are having ETF withhold the right amount of money from your

monthly benefit payment. Consult with your professional tax advisor for assistance. ETF cannot offer tax advice or help you complete the tax withholding forms.

For More Information

Find the following useful resources on ETF's website at <https://etf.wi.gov>.

ETF Webpage

Tax Withholding for Retirement Payments

ETF Form

Wisconsin Tax Withholding Election for WRS Annuity Payments (ET-4337)

ETF Income Tax Withholding Calculator

Use this calculator to determine how much you would like to withhold from your benefit payment for taxes. This tool also lets you print your Wisconsin State tax withholding election form.

ETF Video

How to Use ETF's tax Withholding Calculator

Retirees Invited to Join WCOA Board of Directors

— Submitted by the Wisconsin Coalition of Annuitants

Here is your chance to serve all Wisconsin Retirement System retirees by joining the board of directors of the Wisconsin Coalition of Annuitants! The WCOA is composed of groups of retired public employees who represent retirees who worked for a former public employer or who worked in a similar profession for various employers and who belong to a union or other organization that represents them.

The organization formed nearly 30 years ago to be a liaison between retirees and the Department of Employee Trust Funds and the State of Wisconsin Investment Board. Since then, the WCOA has maintained a close relationship and receives monthly updates from these agencies.

The WCOA also sponsors an annual conference. ETF and SWIB leaders are featured speakers, and it is a great opportunity to ask questions.

The conference also features speakers who are specialists in other topics of interest, such as health care.

The WCOA is looking for new members who are willing to devote a few hours a month to serve on the board of directors and who want to learn more about the WRS while representing WRS retirees. If you belong to a formal or informal group of retired public employees and are willing to spend a few hours to assure that the WRS is there to provide benefits to both today and tomorrow's retirees, please contact <https://wicoa.org>.



ETF Seeks People with Abandoned Accounts

The Department of Employee Trust Funds is looking for individuals age 70 and older who have unclaimed money in their Wisconsin Retirement System accounts. WRS members or their heirs have 10 years to apply for the benefit. If you know the whereabouts of anyone on the updated list below, please ask them or their heirs to contact ETF. Written inquiries must include the member's complete name, date of birth, Social Security number, and the year the name was published. Mail to: ETF, P.O. Box 7931, Madison, WI, 53701-7931 or send a secure email to ETF via the Contact Us page of our website. ETF cannot accept telephone calls regarding these accounts. Visit <https://etf.wi.gov/abandoned-wrs-accounts> to review the complete list of names.

Aletha L. Adair	Frances R. Dennis	Florence E. Kostka	Steve A. Reid
Martha Aguilar	Mary L. Donovan	Kenneth C. Kousek	Lydia J. Robinson
Richard J. Allard	Eizabeth Doryen	Hoa V. Lam	Teresa N. Rogers
Star R. Ames	Rosa Drut	Robert Lane	Robert E. Ronning
Renee P. Anderson	Vicky L. Eplee	Russell N. Leverne	Knut Sagmo
Rita M. Bahr	William D. Farrell	Gerold L. Lipeles	Rebecca Sanchez
Kathleen A. Bauer	Barbara S. Fisher	Marshall H. Lutz	Reinhard Schaeffe
Margaret M. Barg	Leon Fitz	David D. Malliett	Gary A. Schwartz
Michael D. Beaudry	Demetris A. Floyd	Militza M. Matijevitch	Roger E. Simons
Wendy S. Bemis	Jesus Frutos	Pollyanna M. McFarren	Guy T. Stoll
Vicki Bergquist	Edward A. Gargon	Marta R. Meyers	Pamela J. Straight
Barbara A. Booker	Jon F. Gersmehl	Maria C. Mino	David E. Stumpf
Karen A. Boonstra	Linda K. Graham	James A. Molnar	Birgitta E. Svensson
Robert L. Brubaker	Donald B. Hackler	Rosalie Muffler	Mona J. Taylor
Ronald S. Burden	Kathryn Hansen	Esther A. Nakagaki	Timothy A. Thieme
Wayne A. Bushma	Phillip Harding	Grant W. Oestreich	Wayne D. Thomas
Michael J. Campbell	Carol M. Hawkinson	Afolabi Olabode	Mary J. Urban
Imelda Capdelarieroderomer	Rebekah E. Higgin	Jim D. Olsen	Linda L. Vikemyr
Jose Carillo Hernandez	Christine A. Hinkens	Kent A. Olson	Janet C. Waymeyer
Susan R. Clements	C C. Jayakaskaran	Barbara E. Pienkos	Anna Weiland
Shari L. Cleveland	Diane K. Johnson	Susan M. Pierce	Barbara A. Weller
Calvin L. Coleman	Lynne A. Johnson	Patricia M. Plecki	Terry R. Winant
Carlos A. Cruz	Johnny Jude	Nicholas R. Putnam	Thomas R. Wisniewski
Donna R. Debroux	Barbara A. Kateley	Linda A. Ravelo	

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payments received in 2022 while under age 59.5; the second, all payments issued in 2022 after reaching age 59.5.

Required Minimum Distributions

As you prepare your taxes this year, note that some commercial tax filing software may ask if your Wisconsin Retirement System annuity payment meets the Required Minimum Distribution requirement. Any WRS annuity payment meets the Required Minimum Distribution rule, which previously required the member to receive payments from the WRS no later than April 1 of the year following the calendar year

the member reached age 70½ or by December 31 in the year of retirement (if employed beyond age 70½). The federal SECURE Act that passed in late 2019 increased the age to 72 for people who turn 70½ in 2020 or later. Now, members must take their first WRS payment by at least April 1 of the year after they reach 72, if they are no longer working.

Please note: The recently passed SECURE Act 2.0 will increase the RMD age to 73 for a person who attains age 72 after December 31, 2022. Watch for updates on how this will affect members in future *WRS News* editions.

Private Equity Provides Additional Investment Opportunities

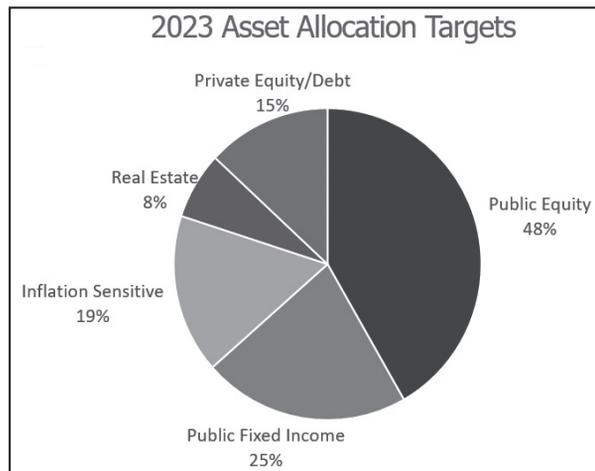
While stocks, or public equities, typically grab the headlines for their performance—especially in a negative-return environment such as the one the financial markets are experiencing now—private equity investments have been growing in importance because of the diversification and solid returns this asset class can provide, even in down markets.

In December SWIB's independent Board of Trustees approved an asset allocation for the Core Trust Fund that remains similar to the allocation set for 2022, with the exception of an increase to private equity/debt from a target of 12% to 15%, and a reduction to public equities from a target of 52% to 48%. SWIB's Board of Trustees annually reviews the asset allocation for the Core Trust Fund and has approved ranges for each asset class that allow for rebalancing, depending on the market environment.

One of the reasons for the allocation adjustment is private equity provides the benefits of a diversified portfolio and opens up investment opportunities that may otherwise not be available. Private equity offers investors access to private companies that otherwise would not be available to investors because they do not trade on stock market exchanges. These companies are often small, fast-growing businesses that can offer higher returns on investments.

Steven Kaplan, Neubauer Family Distinguished Service Professor of Entrepreneurship and Finance at the University of Chicago Booth School of Business, presented to SWIB Trustees and staff at their annual October Board workshop. He highlighted that over the past 20 years, as the number of public companies has declined, the private markets have grown, opening up new opportunities for investors.

In addition to providing portfolio diversification, private equity has a history of generating solid returns, which is important to pension funds like the Wisconsin Retirement System, as it becomes more challenging to meet their return targets. According to the American Investment Council's 2022 public pension study, private equi-



Asset allocation target totals exceed 100% due to SWIB's overall leverage of Core Fund assets.

ty delivered the strongest returns of any asset class for public pension portfolios. The report found that private equity investments delivered a median annualized return of 12.3% over a 10-year period for public pension funds across America that partner with private equity managers – a greater return than any other asset class, including public equities, which returned 11.2% over that same time period.

“When I looked at performance of the private equity—buyout and growth equity—markets over time, the results show that private equity has persistently outperformed the public equity markets over the last 30 years, regardless of how performance is measured and irrespective of the vintage year or stage in the market cycle,” Kaplan said. “And this outperformance holds even after taking account of the fees charged by the private equity managers.”

Despite the success of private equity investments in recent years, choosing the right private market investments is a challenge, Kaplan said. “While private equity as an asset class exhibits attractive performance characteristics, my research also shows that it is difficult to identify top-level managers on the basis of their prior fund performance. Therefore, consistently outperforming the average private equity fund is not easy,” Kaplan said.

SWIB's Private Equity team has been successful in searching out and executing on successful op-

Private Equity, continued on page 10

Nick Appointed Board Chair

Gov. Tony Evers has appointed Trustee Barbara Nick as chair of the SWIB Board of Trustees to succeed Trustee David Stein, whose term will end in the second quarter of 2023. Gov. Evers also appointed Clyde Tinnen as the new vice chair, a position previously held by Trustee Nick. Trustee Stein will remain on the Board through the end of his term, which will facilitate a smooth transition and continue SWIB's long-standing culture of strong governance and succession planning.

Nick was named to the Board in 2015 and was reappointed in 2021. She is the retired president and chief executive officer of La Crosse-based Dairyland Power Cooperative. She has over 40 years of experience in the electric and gas industry. Additionally, she has over 30 years of board service in energy, health care, and community. Nick is also the founder and CEO of Catto

Enterprises, LLC, where she provides business and executive development services in the energy and manufacturing industries.

Tinnen, who joined the Board in 2021, is a corporate partner in the Milwaukee office of Foley & Lardner LLP. He represents fund sponsors in connection with the formation and operation of private investment funds, investments, and securities law reporting and compliance. Tinnen also advises public corporations in Exchange Act reporting, and public and private corporations in negotiating and structuring complex business transactions.

Visit www.swib.state.wi.us/board-of-trustees to learn more.



Barbara Nick

Denson Wins Asset Owner Industry Innovation Award

SWIB Executive Director/Chief Investment Officer Edwin Denson was named winner of *Chief Investment Officer (CIO)* magazine's 2022 Asset Owner Industry Innovation Award, in the category of public defined benefit pension funds with assets greater than \$100 billion.

CIO uses these awards to highlight truly innovative approaches to the challenges of insti-

tutional asset ownership and asset management. A panel of industry judges help select the winners from the list of finalists. This year, *CIO* is celebrating those who have thrived and been incredible leaders as markets have turned rough and inflation and rates have risen. *CIO* is published to inform and network the world's largest asset owners and the people who advise them.

Private Equity, continued from page 9

portunities in a competitive investment market since 1985, when SWIB became one of the first public pension managers to invest in private equity markets. According to State Street Global Markets, for each of the last ten vintage years, SWIB has finished in the second quartile when compared to peers. This strong performance emphasizes the importance of the experienced and highly skilled team SWIB has managing the asset class.

SWIB's investment in private equity has supported the overall WRS investment strategy and provided solid returns for the Core Trust

Fund, consistently outperforming public equities. Despite the down year for public equities that returned -18%, SWIB's private equity portfolio in 2022 finished at over 6%. Over the last 10 years, SWIB's private equity portfolio has returned just above 15%, again exceeding public equities, which returned over 8% over the same time period.

SWIB will continue to innovate to keep pace with an ever-changing investment management landscape by focusing on its thoughtful asset allocation, significant portfolio diversification, and active management to meet the long-term requirements of the WRS.

Denson, continued from page 1

Positive returns from our real estate and private equity portfolios, which returned 16.7% and over 6.4%, respectively, helped offset some of the Core Trust Fund losses and highlighted the benefit of a fully diversified portfolio.

Strong absolute investment returns in three of the past four years are expected to prevent any negative annuity adjustment for beneficiaries this spring and provide continued stable employer and employee contribution rates in 2024.

While some of the challenges the financial markets faced in 2022 were unique, market corrections like the one we just experienced are, unfortunately, not. In fact, if you look at the S&P 500 from 1948 to the present, market corrections of -20% or more happen on average about once every 3.5 years while corrections of -15% or more occur on average about once every two years.

That market corrections are more frequent than we realize does little to diminish their impact, particularly on those living on a fixed income. And they further emphasize the importance of maintaining a fully funded pension system and implementing an investment strategy that can weather a variety of market climates. The fact that the WRS is fully funded means we do not have to chase every dollar of return as risk climbs.

As we move into 2023 there are, of course, no guarantees that performance will rebound. Many of the challenges the financial markets struggled with last year have carried over into



the new year and some investors believe we have entered a low return environment where making money will remain challenging. However, as a long-term investor, SWIB is maintaining its disciplined process and sticking to fundamentals. And although many long-term investors may opt to sit back and continue to assess the shifting economic and market environment rather than take action or respond, we continue to employ an innovative investment strategy that can take advantage of opportunities during uncertain times.

We will continue to identify situations when other investors are experiencing constraints of one sort or another, and we can step in to buy assets that are below their intrinsic value. This is the advantage SWIB has by being an agile asset manager that can leverage the expertise of experienced professionals to benefit the WRS trust funds.

Editor's note: Hear more from Edwin Denson on the January episode of The SWIB Podcast. We'll take a more in-depth look back at 2022 and glance forward to what we might expect in 2023. Visit www.swib.state.wi.us/podcasts.

The SWIB Podcast Returns in 2023

The SWIB Podcast will return for another season in 2023. The SWIB Podcast provides timely information about investments that help fund the Wisconsin Retirement System. Since its launch in 2020, the podcast has featured discussions with State of Wisconsin Investment Board staff and national experts on topics ranging from the global market environment and SWIB's investment strategy, to the issues facing public pensions.

Subscribe now to The SWIB Podcast. The podcasts are free, easy to access, and are available via many different apps. Find this podcast on Apple Music, Google Play, and many other popular podcast platforms as well as SWIB's website. Visit www.swib.state.wi.us/podcasts to learn more and listen to past episodes.

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