

May 2023

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Year-to-Date Investment Returns as of 2/28/2023

Core Fund	2.22%
Benchmark	2.05%
Variable Fund	4.56%
Benchmark	4.45%

Performance is net of fees.

ETF Announces WRS Annuity Adjustments

The Department of Employee Trust Funds announced this year's annual WRS annuity adjustments in early March. The Core annuity adjustment is 1.6% (an increase) and the Variable annuity adjustment is -21% (a reduction). ETF Secretary John Voelker and ETF Board Chair William Ford approved the adjustments, based on the result of calculations performed by WRS consulting actuaries.

The adjustments will first be reflected on retirees' May 1 benefit payments. Watch for your personalized annuity mailer statement from ETF. This document will show how the Core annuity adjustment and Variable annuity adjustment (if applicable) affects your payment amount, as well as any adjustments you may have made in the past month (e.g.,

tax withholding changes).

The State of Wisconsin Investment Board announced calendar year 2022 investment performance in January, which is what the adjustments are based on. The Core Trust Fund returned -12.92% and Variable Trust Fund returned -17.83% (both losses).

We often talk about the WRS's unique shared risk design feature and how it helps to keep the system fully funded and able to pay benefit promises. For the WRS, this means that the risk of investment gains and losses are shared among all members. For retirees, risk comes in the form of not having a guaranteed annual cost-of-living adjustment. Instead, WRS annuity adjustments are based on

Annuity Adjustments, continued on page 2

Finding the Best Ideas for Long-Term Success

It's no secret that 2022 was a challenging year for the financial markets. There was nowhere to hide for investors looking to escape the volatility that impacted almost every asset class, including stocks. Following strong performance in 2021, the markets faced rising inflation that soared to 40-year highs, a series of unprecedented interest rate hikes, and fears that the country would be thrown into a recession.

The State of Wisconsin Investment Board worked to navigate the volatility while seeking opportunities to keep the Wisconsin Retirement System well-po-

sitioned for the future. Because almost 50% of the Core Trust Fund and all of the Variable Trust Fund is invested in stocks, finding investment opportunities, even in a down market, is critical to SWIB's investment strategy and the long-term success of the WRS.

Susan Schmidt, SWIB's head of public equities in the Global Public Market Strategies Division, oversees what is sometimes referred to as a "best ideas portfolio," an important piece of SWIB's long-term investment strategy.

"Our strategy is relatively concentrated and very company specific," Schmidt

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Annuity Adjustment, continued from page 1

investment performance. Current employees and employers share in this risk as well, as changes in required contribution rates are also affected by annual investment performance.

By law, WRS Core annuities will be increased if there is a surplus in the annuity reserve that would provide at least a 0.5% increase. Annuities will be reduced if a shortfall in this reserve would require at least a -0.5% adjustment. For the Variable, those thresholds are 2.0% and -2.0%.

Keep in mind these important points:

- **Core Trust Fund investment returns are “smoothed” (recognized) over a five-year period.** Smoothing helps mitigate the effects of year-to-year market volatility on your Core WRS pension and helps keep employer and employee contribution rates stable. This year’s Core annuity adjustment reflects the effects of investment performance for calendar years 2018-2022.
- **Your Core annuity is guaranteed for your lifetime and, by law, will never go below your original benefit amount (“Core floor”).** The Core floor is set once the final calculation is done for your retirement benefit. The Core floor amount can be found on your most recent annuity mailer statement in the “Required Contributions” section labeled “Regular Core.” The dollar amount shown is your Core floor.
- **Variable Fund investment gains and losses are not smoothed.** Therefore, the Variable annuity adjustment each year closely reflects the prior year’s investment performance.

Average WRS Annuity Adjustments annualized, as of Dec. 31, 2022			
	5-Year	10-Year	20-Year
Core	3.1%	2.8%	1.5%
Variable	2.3%	5.1%	3.5%
Change in CPI*	3.8%	2.6%	2.5%

*Consumer Price Index

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>

WRS Facts and Figures

- The WRS paid more than \$6.9 billion in retirement benefits in 2022.
- 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.
- Funds to pay WRS pension benefits come from employee contributions, employer contributions and investment earnings. Investment income accounts for approximately 84% of the WRS revenues over the past ten years.
- As of December 31, 2022, there are 233,804 WRS retirees, all of whom participate in the Core Fund.
- Approximately 43,000 retirees also participate in the optional Variable Fund.
- As of December 31, 2022, the median annual Core benefit is approximately \$23,000; the median annual Variable benefit is approximately \$8,100; and the median combined benefit is \$25,500.
- The WRS is the 8th largest public pension fund in the U.S.

Legislative Update

— Tarna Hunter, ETF Government Relations Director

In February Governor Evers released the 2023-2025 executive state budget, a proposal for how the state should manage expenses for the next two years. The budget is introduced as separate—yet identical—legislation (bills) in the Senate and the Assembly. 2023 Assembly Bill 43 and 2023 Senate Bill 70 are currently before the Joint Committee on Finance. The JCF has spent the last few months reviewing the proposed budget and will continue to review and make changes over the next few weeks.

After JCF makes its recommended changes, the budget goes to the Assembly and the Senate for further review and, ultimately, back to the governor for signature. The governor can also veto the bill in whole or in part.

The proposed budget currently contains a few changes that affect the benefit programs administered by the Department of Employee Trust Funds. Here is a brief description:

- **Modernization-Related Ongoing IT Expenses.** Provides seven positions and funding to support our modernization effort related to ETF’s Insurance Administration System, data management, and consulting/contractor costs related to replacing outdated legacy IT systems. The budget did not provide funding for the Pension Administration System.
- **Critical Customer Service Functions.** Provides seven positions to maintain basic, critical customer service functions related to signifi-

cant increases in the number of Wisconsin Retirement System members and employers.

- **Financial and Actuarial Compliance and Reporting.** Provides two positions to ensure



Tarna Hunter

ETF can fulfill its actuarial and accounting responsibilities related to actuarial valuations, financial reporting, and the proper implementation of federal accounting requirements.

- **Return-to-Work Laws.** Provides that WRS employers may rehire an annuitant if (a) at least 30 days have passed since the employee left employment with a WRS employer; (b) at the time of retirement, the employee does not have an agreement with any WRS employer to return to employment; and (c) upon returning to work, the employee elects to not become a participating employee and to continue receiving his or her annuity.

In addition to the above provisions, the budget includes additional resource and statutory changes relating to health insurance and retirement benefits. ETF needs to be sure that it can provide its members with dependable service. The resources includ-

Legislative Update, continued on page 5

Paying for WRS Benefits

Funds to pay Wisconsin Retirement System pension benefits are generated from three sources: employee contributions, employer contributions, and WRS trust fund investment earnings. Did you know that investment income accounts for approximately 84% of WRS revenues over the past ten years? The WRS is truly a system to be proud of. Learn about how the WRS contributes to individual retirement security, helps build a strong public workforce, and supports



local economies across the state. Review *Our Wisconsin Retirement System: Strong for Wisconsin*, (ET-7100) found on the publications menu of our website.

Wisconsin Deferred Compensation Program Updates

How the SECURE 2.0 Act affects your WDC Program account

The SECURE 2.0 Act was recently signed into law, and some of its provisions will affect how you save for your retirement through the WDC. Most of the changes don't go into effect until January 1, 2024, or later, but several changes to the Required Minimum Distribution age are effective immediately:

- **RMD age raised.** Although you may keep your money in your WDC account after you retire or separate from your public employer, the Internal Revenue Service requires that you take RMD payments if you're no longer working. The RMD age was raised from 70½ to 72 a few years ago; SECURE 2.0 raises this again to age 73 (for anyone who attains age 72 after December 31, 2022).
- **Missed RMD penalty reduced.** The penalty (excise) tax for failing to take an RMD payment when you should have is reduced from 50% of the missed payment to 25%.

Beginning in 2024 or later, you will see additional changes that will affect your WDC account:

- Catch-up contributions will need to be made as Roth contributions (after taxes are paid on your income) unless you make less than \$145,000 per year.
- Beginning in 2025, if you are between the ages of 60 through 63 your catch-up contributions can be \$10,000, and this will be indexed to rise with inflation.
- RMD payments will not be required for Roth accounts.

There are also several optional provisions that may be added to the WDC in the future. The WDC is working to incorporate these, as appropriate, so we can continue to help you prepare for your retirement. For questions about RMD payments or any other SECURE 2.0 Act provisions, schedule a meeting with your local WDC Retirement Plan Advisor or call the WDC at 1-877-457-9327.

WDC Security Guarantee

A retirement account is one of the biggest financial



assets for many people. One can spend decades saving and investing to create the retirement income needed for a bright future. Unfortunately, though, the assets in a retirement account are attractive targets for cybercriminals.

The good news is that when it comes to safeguarding your WDC Program account, you are not alone. The Empower Security Guarantee, provided by Empower — the WDC's recordkeeper — will restore losses to your account that occur as a result of unauthorized transactions through no fault of your own. Any account you have with Empower is automatically eligible for this protection. Account security is a shared responsibility. For the guarantee to apply, follow the practices summarized below to protect yourself and your email, computer and other devices:

1. Register your WDC account, then keep your contact information current.
2. Protect your personal and financial data.
3. Review your accounts and respond to security alerts.
4. Increase login protection and keep device updates current.
5. Look out for suspicious emails, texts and phone calls.
6. Check back periodically with Empower for updated information, as Empower proactively monitors evolving cybersecurity threats.

You can find additional information on these practices by visiting www.wdc457.org, scrolling to the bottom of the webpage and then clicking the "Security Center" link. To log on to your account, visit the WDC website. 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.

Board Corner

Retirees Select Ford in ETF Board Election

Wisconsin Retirement System members elected William L. Ford to serve as the annuitant member of the Employee Trust Funds Board. This is Ford's fourth term serving in this capacity. Ford, who is the current ETF Board chair, retired from state service in 2009 as a senior attorney with the Wisconsin Legislative Council. The other candidates in this election were Richard J. Brunner, Norman A. Cummings, and Mark William Walters. The Department of Employee Trust Funds mailed ballots to WRS retirees in January. More than 50,000 votes were cast by the February 17 deadline.

Upcoming Board Meetings

The next regularly scheduled meetings of the Employee Trust Funds Board, the Teachers Retirement Board and the Wisconsin Retirement Board are set for June 22. Topics include the Wisconsin Retirement System consulting actuary's valuations of the Wisconsin Retirement System and the Accumulated Sick Leave Conversion Credit Program.

The next Group Insurance Board meetings are May 17 and August 16. Topics for the May meeting include annual reports of the health benefit programs, including wellness and disease management



and supplemental plans. Topics in August include Uniform Benefits changes and health and life insurance rates for the coming year.

The Deferred Compensation Board is set to meet June 8 and September 7. Topics include financial statements audits, contract compliance audits, and investment performance review.

To contact any WRS governing board: Send an email to BoardFeedback@etf.wi.gov, or send a letter to Department of Employee Trust Funds, Board Liaison, P.O. Box 7931, Madison, WI 53707-7931.

Find out more about the boards, including members, duties and responsibilities, and view board meeting schedules, agendas, and past meeting minutes. Individual meeting agendas include instructions for how to listen to meetings in real time, either online or via telephone. Visit <https://etf.wi.gov/about-etf/governing-boards>.

Legislative Update, continued from page 3

ed in the budget are critical to ensuring retirement and death benefits are calculated accurately, providing timely annuity payments, providing expert benefits guidance, and protecting personal information.

Enacted Legislation

2023 Wisconsin Act 4 classifies county jailers as Protective category participants under the WRS without a requirement that their principal duties involve active law enforcement. It requires county jailers who are currently employed by a county that does not classify county jailers as Protective participants and who choose to become Protective participants under this law to pay the employer share on the higher WRS contribution, as well as the duty disability premium, which is currently an employer cost. 2023 Act 4 provides county jail-

ers an irrevocable choice to opt out of being classified as a Protective participant. Additionally, the law provides that county employers who currently classify their jailers as Protective category participants can continue to pay the employer cost for current and future employees.

Other Legislative Proposals

2023 SB 9 and 2023 AB 18 eliminate the annuity suspension requirement for teachers of school districts who return-to-work as a substitute teacher for a school district and work more than two-thirds of full time and reduce the break-in-service requirement for teachers of school districts from 75 days to 30 days. The changes apply to retired teachers who are hired between the effective date of the bill and August 1, 2026.

News and Notes

Webinar Reviews How Rates and Adjustments Will Affect WRS Benefits

Do you have questions about how Wisconsin Retirement System effective rates and annuity adjustments are set and how they affect your benefits? Take in this popular Department of Employee Trust Funds webinar. We offer several sessions throughout the month of May, during convenient lunchtime and evening hours.

Registering for an ETF webinar is easy — all you need is an email address. Visit our Events page at <https://etf.wi.gov/events> and click on any webinar title of interest. The orange “Register Now” button will take you to the registration page. If you need assistance registering for a webinar, call ETF at 1-877-533-5020.

When are Monthly Payments Available?

Take note that the next dates the first of the month falls on a weekend or holiday are July 1 and October 1. Under state law, when the first day of the month falls on a weekend or holiday, the timing of when your funds are available in your account at your financial institution may be affected. This year, the settlement date for the July 1 payment is July 3. For the October 1 payment, the settlement date is October 2. Visit <https://bit.ly/3hngMKG>.

Resources: Living in Retirement

Enjoy the comfortable retirement you've planned and earned! If you need a refresher on your Wisconsin Retirement System retirement and health benefits, take in one of our webinars or watch an online video. Visit “Your Benefits in Retirement-Videos and Webinars” on our Living in Retirement webpage. These include:

- *Understanding Your Sick Leave Statement*
- *Accessing Your Health Benefits While Out of State*
- *Beneficiary Designations*
- *How Divorce Affects your WRS Retirement Benefits*
- *How to Use ETF's Tax Withholding Calculator*
- *New to Medicare*
- *Newly Retired? What to Expect*
- *WRS Effective Rates and Annuity Adjustments*

Reminder: Keep your important contact information on file up to date. Notify ETF of any changes such as address, beneficiary or annuity payment direct deposits. Visit the My Info page on our website. You may also send a secure email via Contact Us at <https://etf.wi.gov/contact-us>. Call ETF at 1-877-533-5020 between 7:00 a.m. and 5:00 p.m. CST, Monday through Friday.

Retirees Invited to Attend Annual WCOA Meeting

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

At the first meeting, set for May 11, 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 will answer questions. Also speaking that day will be Professor J. Michael Collins, faculty director, Center for Financial Security, School of Human Ecology at the La Follette School of Public Affairs. Collins will discuss trends in the economy, housing, health care and related issues and his work with the Social Security Administration.

At the second session on May 18, Department of Employee Trust Funds Secretary John Voelker will provide an update about the WRS and answer questions that audience members may have about the system or WRS benefits. Following Secretary Voelker will be Dr. Ed Weisbart, the national board secretary and Missouri chapter chair of Physicians for a National Health Program. Weisbart's presentation title is “Medicare Advantage — What is it really and why should we care?”

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 the Wisconsin Coalition of Annuitants website.

Tax Withholding on Monthly Payments

Do you want to adjust the amount of state or federal taxes the Department of Employee Trust Funds withholds from your Wisconsin Retirement System monthly payment? Our online tax calculator is a handy tool for determining the desired amounts ETF should withhold. You can also use the calculator to print tax withholding election forms (*Wisconsin Tax Withholding Election for WRS Annuity Payments-ET-4337* and Internal Revenue Service form *W-4P*) that you need to submit to ETF.

Tip: Watch our instructional video prior to using the calculator. *How to Use ETF's Online Tax Withholding Calculator* not only explains how to use it, but also identifies the state and federal forms involved, and describes how to transcribe dollar amounts on to the federal form. Note that ETF cannot advise you how much to withhold from

your monthly payments. If you need specific tax information, please contact the IRS or your professional tax advisor.



Find *How to Use ETF's Online Tax Withholding Calculator* and other educational resources about tax withholding for retirement payments on our website. Visit Taxes and My Benefits, found under the Benefits menu on our website. For news and information about federal taxes, and to access online tools and applications, visit the IRS online.

Keep Your Beneficiary Designation Updated

Make sure the Department of Employee Trust Funds knows who you want to receive your Wisconsin Retirement System benefits upon your death — keep your beneficiary designation up to date. Life events may have occurred since you last completed a Beneficiary Designation form. But these events do not automatically update your beneficiary designation on file; you have to file a new form if you want to make changes. In addition, WRS benefits are not covered by your will, nor will it suffice to simply state in a letter who you want to be your beneficiary.

ETF is required by law to pay death benefits based on the most recent, valid beneficiary designation on file with ETF prior to your death, regardless of any changes in your personal situation. Without this form, your WRS benefits will be paid according to statutory standard sequence. This is essentially a list of how eligible family members would be paid:

1. Surviving Spouse or Domestic Partner
2. Children (natural or legally adopted)

If one of your children dies before you, that child's share is divided between the deceased child's children.

3. Parent(s)

4. Brother(s) and Sister(s)

If one of your siblings dies before you, that sibling's share is divided between the deceased sibling's children.

5. Estate

You may change your beneficiary at any time. Simply file a new form with ETF or call us at 1-877-533-5020.

Note to Wisconsin Deferred Compensation Program Members: Your WDC beneficiary designation is a separate form. Log in to your account or call the WDC at 1-877-457-9327.

For More Information

For More Information

ETF forms

Beneficiary Designation (ET-2320)

Beneficiary Designation-Alternate (ET-2321)

ETF video

Beneficiary Designations

ETF webpage

Beneficiary Designation Form Guidelines and FAQs

Find all of the above on our website at

<https://etf.wi.gov> or call ETF at 1-877-533-5020.

Health Benefits Updates

The End of the COVID-19 Public Health Emergency and Insurance: What You Need to Know

On May 11, 2023, the federal COVID-19 Public Health Emergency will end. With it, there will be some changes to what is covered under your health insurance plan.

If you do not have Medicare, your health plan will no longer cover over-the-counter COVID-19 tests. Your plan will cover medically necessary lab tests, but cost sharing will apply. COVID-19 vaccines will still be covered as preventive services if you get them from an in-network provider. Treatments such as antiviral medications or hospital treatments will still be covered, but cost sharing may apply.

If you have Medicare, your health plan and Medicare will also still cover COVID-19 vaccines without any cost sharing to you. You will also still be able to get laboratory COVID-19 tests without cost sharing, but you will no longer be able to get over-the-counter COVID-19 tests through your plan. Treatments such as antiviral medications or hospital treatments will still be covered, but cost sharing may apply. For more information, see this Centers for Medicare and Medicaid Services webpage: <https://go.cms.gov/3TyjfZ>.

Suicide & Crisis Lifeline, ETF Mental Health Resources Webpage

988 has been designated as the new three-digit dialing code that will route callers to the National Suicide Prevention Lifeline (now known as the 988 Suicide & Crisis Lifeline) and is now active across the United States. When people call, text, or chat 988, they will be connected to trained counselors that are part of the existing Lifeline network. These trained counselors will listen, understand how their problems are affecting them, provide support, and connect them to resources if necessary. Note that the previous Lifeline phone number, which is 1-800-273-8255, will always remain available to people in emotional distress or suicidal crisis.

Group Health Insurance Program members: Your health benefits provide access to mental health coaching and resources through Well Wisconsin; coverage for medically necessary outpatient, inpa-



tient and transitional care services through your health plan; and medication treatment (by or through) Navitus. Deductibles and coinsurances may apply. If you need help accessing mental health services, or have questions about covered services, contact either your health plan, Navitus Health Solutions, or WebMD. In addition, visit ETF's new Mental Health Resources webpage at <https://bit.ly/42w97wM>. You'll find information on seeking professional help, treatment, resources you can access, and much more.

Building Healthy Habits in Wisconsin

Group Health Insurance Program members: Well Wisconsin continues to be your go-to resource for well-being support. Learn more about building healthy habits or register for a Smart Goal Workshop. You can also call or chat online with a health coach, get assistance with managing your chronic condition, participate in an onsite biometric health screening, or request a self-collection kit to participate in a screening from the convenience of your home.

This is what a fellow Wisconsinite had to say: "My coach helped me lose more weight than I planned. They held me accountable, but they were always kind and helpful, and the sessions were very convenient. I'm so glad I got the support I needed." Complete your health assessment, health check, and well-being activity to earn your \$150 pre-paid card.

Whatever you're looking for, Well Wisconsin is here to help. For more information or assistance, call Well Wisconsin at 1-800-821-6591 or visit Well Wisconsin online.

Todd Mattina Named Head Economist, Asset & Risk Allocation CIO

Todd Mattina is the State of Wisconsin Investment Board's new Head Economist, Asset & Risk Allocation Chief Investment Officer. Mattina will be responsible for taking a broad view of economic conditions in developing, recommending, and implementing SWIB's asset allocation for the fully funded Wisconsin Retirement System. By monitoring capital market conditions and maintaining valuation models, he will support the agency's investment divisions and determine how best to leverage economic policy to address opportunities, risks and challenges. Mattina will also be a member of SWIB's Management Council.

"I am honored to join such a well-respected and mission-driven investment organization. I look forward to working with the talented and dedicated team at SWIB," Mattina said.

Mattina has more than 20 years of experience in economic analysis and investments. Previously, he was senior vice president, chief economist, and co-lead of the multi-asset strategies team at Mackenzie Investments in Toronto. This role included supporting multi-asset and currency strategies by building proprietary investment models and assessing the investment implications of expected macroeconomic conditions. He also designed and implemented new investment programs and led production of Mackenzie's annual report on long-term capital market assumptions, which covered over 20 public and private asset classes, long-term expected currency valuations, and the global macroeconomic outlook.

Prior to this role, Mattina was vice president of portfolio construction, chief strategist, and chief economist at Investment Management Corporation of Ontario. Earlier in his career, Mattina worked as a deputy division chief at the International Monetary Fund in Washington, D.C., where he focused on macro-fiscal policy. He has also worked as a portfolio manager of emerging market currencies at the Canada Pension Plan Investment Board and contributed to investment models in the G-10 currency, cross-country equity selection, and tactical asset allocation strategies.



Todd Mattina

"We are pleased to have Todd as the newest member of our leadership team. His extensive qualifications, knowledge and expertise will help SWIB seek new opportunities to innovate and deliver on our mission on behalf of the beneficiaries we serve," Executive Director/Chief Investment Officer Edwin Denson said.

Mattina holds a PhD in Economics from Queen's University in Ontario, a Master of Arts in Economics from the University of British Columbia in Vancouver, and a bachelor's degree from Queen's University. He currently serves as a board trustee of Queen's University and is chair of its investment committee.

SWIB Investment Forum Set for June 13-14

The State of Wisconsin Investment Board's 2023 Investment Forum is set for Tuesday, June 13 and Wednesday, June 14. The virtual two-day conference, co-sponsored by the CFA Society of Madison, will include sessions each day from 1:30-4:30 p.m.

This year's conference will feature experts sharing insights on topics ranging from the U.S. hous-

ing market, how investors are navigating geopolitics in 2023 and beyond, demographic and labor trends, trends and market implications of rising consumer debt, and much more. The 2023 Investment Forum is free and open to the public.

For more information and to register, visit www.swib.state.wi.us/investmentforum.

Derek Drummond Named SBAI North American Committee Chair

State of Wisconsin Investment Board Funds Alpha Manager Derek Drummond has been appointed the new chair of the Standards Board for Alternative Investments North American Committee. Drummond will lead the SBAI's activities and initiatives in North America. The SBAI North American Committee has 10 members, equally split across asset owners and managers, exemplifying their commitment to neutrality.

"I feel very privileged to take on this role at such an exciting time for our industry — the needs of asset managers, owners, and the regulatory community are changing rapidly," Drummond said. "The SBAI continues to be the neutral platform to solve problems and find solutions for the many issues our industry faces."

Drummond is the portfolio manager for SWIB's funds alpha team, which allocates around \$30 billion in assets to external managers. These

highly skilled external managers can complement SWIB's internal investment capabilities by employing specialized strategies in hard to access markets. Finding alpha in a challenging market environment is important to keeping the WRS among the only fully funded public pension systems in the country.



Derek Drummond

The SBAI is an active alliance of over 150 alternative asset managers and over 100 institutional investors dedicated to advancing responsible practice, partnership, and knowledge. It advocates for an effective alternative investment ecosystem through robust standards and the exchange of ideas.

How SWIB Uses the WRS Actuaries and Stress Testing to Plan for the Future

Changing the past or predicting the future with certainty is not possible. But, learning from the past and preparing for what the future may bring plays a key role in making sure the Wisconsin Retirement System remains healthy.

The WRS is one of the few fully funded public pensions in the country, due in part to SWIB's strong investment management. Because of the unique shared risk design of the WRS, investment returns directly impact annuity adjustments for retirees and contribution rates for employees and employers. The challenge is finding the right balance between taking enough risk to make sure the WRS is providing the benefits promised to its participants while avoiding taking too much risk that could cause volatile swings in those annuity adjustments and contribution rates.

By implementing a sophisticated investment strategy, SWIB has helped position the WRS for a strong future, despite the volatility that has been a part of the financial markets over the past few years. Staying well-positioned means constantly

re-evaluating and preparing for what the future might bring. To help design a successful investment strategy, SWIB's internal investment professionals partner with Gabriel, Roeder, Smith and Company, the independent actuaries for the WRS.

SWIB's work with GRS is an important part of the asset allocation process, which is reviewed and approved annually each December by the SWIB Board of Trustees. Through robust stress testing of the pension system, SWIB is able to evaluate past investments and assess retirement trends to strengthen long-term investment returns.

"Our work is focused on helping SWIB understand the effects of investment volatility and asset



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Finding the Best Ideas, continued from page 1

said. “We are looking at developed markets across the world and trying to pick out opportunities we think other investors may be missing. To do that, we turn over a lot of rocks before we find something that we want to invest in.”

To be successful, Schmidt and her team perform extensive fundamental research to find those ideas. “It is one of the hardest things we do,” Schmidt said. “We look at all global publicly traded companies for potential investment ideas. This is when our industry expertise and knowledge help to identify a smaller subset of companies to perform deeper fundamental research.”

“It’s nice to have that longer-term view,” Schmidt said “Many investors have a short-term view, quarter to quarter. SWIB has a long-term perspective for our investment strategy. We can afford to look past quarterly volatility to really see how things are developing. A lot of times that’s when we can take advantage of temporary dislocations in the market.”

Schmidt said the current uncertainty and volatility in the markets does not impact her team’s overall strategy.

“We get excited when the markets are like this because it is a little bit volatile. When you

are on the outside looking in, it can seem crazy. But, at the same time, this is where the opportunities really happen. This is when our skills come into play because it is a very stock-specific market. We don’t think that any one sector is going to do better than others right now. Instead, we think you have to look for individual opportunities at that company-specific level where management teams can show that they truly have an expertise in operating and that they’re able to continue to grow their profits even though the economy might be slowing around them.”

To learn more about SWIB’s global equities portfolio and hear more insight on the stock market’s 2022 performance and outlook for 2023, listen to episode 21 of *The SWIB Podcast*.

The SWIB Podcast is where members of the WRS can turn to for timely information about SWIB and its investment strategy. Find all episodes at www.swib.state.wi.us/podcasts.



Susan Schmidt

WRS Actuaries, continued from page 10

allocation on the benefits of current and future retirees and on future contributions to be made to the WRS by current and active participants,” Brian Murphy, senior consult with GRS, said.

In addition to working with SWIB, GRS’s annual work with ETF includes actuarial evaluations for funding the benefits of the WRS and separately for financial reporting.

The goal is to keep the WRS positioned as one of the premier public pensions in the country. “Ultimately, the unique design of the Wisconsin Retirement System, its consistent level of

contributions and persistent fully funded status makes it the envy of many statewide retirement systems,” Jim Anderson, senior consultant with GRS, said. “I can’t tell you how many state executive directors have reached out to me and say, ‘Hey, can you make us work like Wisconsin?’ I say, well, let’s go back to 1979 and design the program like it was back then and then live the next 40 years. We might get there.”

To learn more about how GRS works with SWIB and ETF, see episode 18 of *The SWIB Podcast* at www.swib.state.wi.us/podcasts.

Department of Employee Trust Funds
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