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### Preliminary Investment Returns WRS Trust Funds Calendar Year 2020

<b>Core Fund</b>	<b>15.21%</b>
Benchmark	14.15%
<b>Variable Fund</b>	<b>17.51%</b>
Benchmark	17.90%

Performance is net of fees.

## ETF and the WRS are Well Positioned for a Successful Future

— Robert Conlin, ETF Secretary

*Department of Employee Trust Funds Secretary Robert Conlin announced in September that he will step down from his post in March to join family out East. The ETF Board recently appointed his successor, ETF Deputy Secretary John Voelker. See page 2.*

As my time at ETF draws to a close, I'd like you all to know that the Wisconsin Retirement System remains strong, and it continues to be recognized as one of the best-funded public pension plans in the country. After very strong investment returns in 2019, the funded status of the WRS stood at 103% as of December 31, 2019. While the pandemic of 2020 wreaked havoc on the financial markets in the first quarter of 2020, those markets rebounded and finished the year strong, with the State of Wisconsin Investment Board securing a (benchmark beating) Core Fund return in excess of 15%. Core Fund annuity adjustments this spring should be about in the range of 4.7% to

*Well Positioned, continued on page 2*



Robert Conlin

## SWIB Ends 'Up and Down' Year in a Strong Position

— David Villa, SWIB Executive Director and Chief Investment Officer

This past year has been a year to remember. As governments and institutions worked to manage the COVID-19 pandemic and its economic impact, the financial markets experienced a great deal of volatility. We ended the year in a strong positive position with the Core Fund achieving a preliminary net return of 15.21% and 106 basis points ahead of the benchmark.

SWIB staff have added \$1.9 billion in value above the Core Fund's benchmark over the last five years. While the end of the year has brought positive news, we continue to monitor and evaluate the longer-term impacts of the pandemic to position the Wisconsin Retirement System toward success.

Despite the ups and downs in 2020, we remained committed to our long-

*Strong Position, continued on page 11*



David Villa

## Voelker Appointed ETF Secretary

The Employee Trust Funds Board recently announced Deputy Secretary John Voelker will become the next secretary of the Department of Employee Trust Funds, effective April 5, 2021.

“John is uniquely qualified for this position. He offers tremendous experience and leadership skills, along with a deep knowledge of ETF programs and operations,” said ETF Board Chair Wayne Koessl. “The board is confident John will uphold the high standards required to safeguard the integrity of the Trust and develop and deliver quality services to members of the Wisconsin Retirement System.”

Voelker has served as ETF deputy secretary since 2014. Prior to that, Voelker worked for 11 years leading the Wisconsin Court System as the director of state courts. He also served as executive assistant to the chief justice of the Wisconsin Supreme Court.

In accepting the position, Voelker said, “I am humbled by the trust placed in me by the board, honored to serve WRS members, and excited to lead the talented and committed team at ETF. I have been in the WRS for more than 33 years and appreciate the importance sustainable benefit programs have on the economic and physical health of our members, employers, and communities across the state. I look forward to building on the many accomplishments of Secretary Conlin by continuing efforts to modernize operations and preserve the strong funding position of the WRS.”



John Voelker

### *Well Positioned, continued from page 1*

5.1% and we should see downward pressure on contribution rates paid by active employees and their employers.

In 2020 ETF paid more than \$5.6 billion in benefits to retirees across the state. Those retirees, in turn, spend that money in Main Street businesses in every county in Wisconsin. And Main Street will need that support more than ever as we rebound from the physical and financial effects of the pandemic.

When the pandemic hit, ETF employees pivoted almost instantaneously to working remotely in order to keep benefit payments flowing, benefit applications processing, and the news and information you need streaming. This was no accident. ETF’s business disaster training and preparations in the years leading up to 2020 prepared us well for our current virtual environment. Our investments in security and technology allowed our everyday work to continue efficiently, safely, and securely.

We’ve continued to make improvements

during the pandemic and have increased our service offerings to include virtual retirement appointments that can be scheduled online, and virtual WRS benefit fairs and trainings for employees and employers statewide.

With full support of the ETF Board, we continue to attract and retain a talented, agile, and diverse workforce who remain highly committed to the well-being of the 648,000-plus members and their families who participate in the WRS. We also remain committed to investing in updated and secure technology systems to serve you better. And we continue to improve in all ways as a matter of course.

As I wind down my service, I know that ETF and the WRS are well positioned for a successful future. To be sure, there is more work to do and there will always be challenges to overcome, but the dedicated professionals at ETF and SWIB, with your continued support, are ready, able, and willing to address those challenges head on. Thank you for your support over the years. The WRS is truly strong for Wisconsin!

## 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 October, after review and endorsement by the ETF Board. The period covered is July 1, 2021-June 30, 2023. Here are a few highlights of our biennial budget request:

- Consolidate the Wisconsin Retirement Board and the Teachers Retirement Board into the ETF Board. The proposed merger reduces the number of boards from three to one and the number of retirement board member positions from 35 to 13. The practical result of this merger will create greater efficiencies, reduce costs, and mirror best practices for retirement board governance while retaining representation of WRS participants and stakeholders. All three boards worked together to request this change.
- Position requests for two computer and internet security analyst positions to enhance our robust cybersecurity program.
- Position request for a data services specialist to support our data management program and initiatives. This position is essential for ETF to build an effective data management program that supports a successful transition to modern

benefit administration systems and ongoing digital business operations into the future.

- Statutory changes necessary to complete ETF's disability programs redesign project. The changes will streamline, simplify, and reduce duplication of the disability programs we currently offer to state and local government employees.
- Create an independent Office of Internal Audit at ETF. This change is consistent with auditing best practices of public employee retirement systems and is essential to ensure that ETF's internal auditing function is an independent, objective consulting activity designed to add value and improve ETF's operations.



Tarna Hunter

The next steps in the process involve state budget office review and potential inclusion in Wisconsin's 2021-2023 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.

## ETF Projections for Annuity Adjustments

The Department of Employee Trust Funds expects to provide positive Core and Variable annuity adjustments (increases) to Wisconsin Retirement System retirees this year. The Core annuity adjustment is projected to be between 4.7% and 5.1%. The Variable annuity adjustment is projected to be between 10% and 14%. Projections are based on preliminary calendar year 2020 investment performance of the WRS trust funds (see page 1).

These figures are projections only. The actual adjustments will be announced in March, after 2020 investment returns have been finalized and an actuarial analysis conducted. In late April ETF will send all retirees a personalized annuity state-

ment showing any change to the monthly payment for the coming year, and the reason for the change.

### For More Information

#### ETF Webinar: WRS Effective Rates and Annuity Adjustments

This 30-minute webinar reviews how ETF calculates the annual effective rates and annuity adjustments and how these rates affect your WRS benefits. Listen in and feel free to ask questions! Registration is easy and quick. Find all scheduled webinars at <https://etf.wi.gov/events>.

## A Look at WRS 2019 Financials

The Department of Employee Trust Funds has released the Wisconsin Retirement System Financial Report for the year ended December 31, 2019. The WRS paid approximately \$5.7 billion in benefits in 2019. The WRS funding ratio calculated in accordance with accounting standards was approximately 103% as of December 31, 2019. 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 2019 Wisconsin Retirement System Financial Report.

### WRS Assets and Reserves

As of the end of 2019, the WRS had net assets of approximately \$112 billion, an increase of \$15 billion from 2018. These assets are invested in a balanced portfolio of equities, fixed income and other investments managed by the State of Wisconsin Investment Board.

\$63.7 billion of reserves are set aside to pay monthly benefits to over 215,000 retirees and beneficiaries; the average annual benefit is \$25,645. 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 400,000 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 7.0% is spread over five years. As of December 31, 2019, the WRS has \$5.5 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 80% of the WRS revenues over the past 10 years.

*2019 Financials, continued on page 5*

Wisconsin Retirement System Summary of Net Position and Reserves (millions \$)	
	2019
<b>Net Position</b>	
Equities	\$ 66,011
Fixed Income Investments	36,427
Other Investments	22,894
Other Assets	12,221
Liabilities	(25,460)
Total Net Position	<u>\$112,093</u>

Reserves	
Annuity Reserve	\$ 63,658
Employer Reserve	23,390
Employee Reserve	19,487
Market Recognition Account	5,516
Other Reserves	<u>42</u>
Total Reserves	<u>\$112,093</u>

Wisconsin Retirement System Summary of Changes in Net Position (millions \$)	
	2019
<b>Revenues</b>	
Net Investment Income (Loss)	\$19,049
Employer Contributions	1,047
Member Contributions	<u>988</u>
Total Revenues	<u>\$21,084</u>

Expenses	
Annuities	\$ 5,646
Separation Benefits	44
Administration	34
Other Expenses	<u>4</u>
Total Expenses	<u>5,728</u>
Increase in Net Position	<u>\$ 15,356</u>

## ETF Cybersecurity Efforts a Top Priority

— Greg Beach, ETF Chief Information Security Officer

Cybersecurity has been in the news recently as the scope of a sophisticated computer attack, presumably conducted by a foreign actor, continues to grow. It started when hackers compromised software made by a company called SolarWinds. The company estimates that around 18,000 customers were affected, including many federal and state agencies. Department of Employee Trust Funds computer systems were not compromised in the attack.

Recognizing the growing threat posed by hackers, ETF has been investing significantly in cybersecurity. ETF has built a robust team with a total of nearly 150 years of cybersecurity experience. The team has a good mix of seasoned veterans with decades of experience as well as promising up-and-comers. Several years ago, ETF recognized the growing importance of cybersecurity by creating the position of Chief Information Security Officer and establishing the Bureau of Information Security Management.

This dedicated cybersecurity team works to protect ETF member information by implementing a broad set of up-to-date tools and techniques

guided by industry best practices and standards. Every day they are monitoring the ETF network, searching for vulnerabilities, and patching systems with the latest updates.

Another of the team's efforts is the implementation of an Information Risk Management Program to help ETF maximize resources by focusing efforts on the most important risks and issues. Cybersecurity is a complex and growing field and in addition to concentrating on the most relevant issues, it is important to provide sufficient resources to the team. In light of this, ETF has requested additional positions in the next biennial budget (see *Legislative Update*, page 3).

Cybersecurity will continue to be a top priority for ETF and we are committed to protecting the information of Wisconsin Retirement System members every day and into the future.



Greg Beach

## When Are 2021 Payments Available?

Under state law, Wisconsin Retirement System annuity payments are payable on the first day of the month. The accompanying table shows remaining payments this year that may be affected when the first day of the month falls on a Saturday, Sunday, or holiday. For more information, visit <http://bit.ly/2Wow4kB>.

Payment Date	Settlement Date
Saturday, May 1	Monday, May 3
Sunday, August 1	Monday, August 2

### *2019 Financials, continued from page 4*

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 individual 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 \$5.7 billion to combined member and employer contributions of \$2.0 billion, the importance of a strong investment program to make up the difference is clear.

## Federal Authorities Issue COVID-19 Fraud Alert

The U.S. Department of Health and Human Services Office of Inspector General is alerting the public about fraudulent schemes related to COVID-19. Scammers are using telemarketing calls, text messages, social media platforms, and door-to-door visits to perpetrate COVID-19-related scams.

Although the Department of Employee Trust Funds has not received any notifications, it has been reported that individuals in Wisconsin are receiving calls and texts from scammers indicating they will send COVID-19 vaccines to you in exchange for your banking or credit card information.

Scammers are offering COVID-19 tests, HHS grants, and Medicare prescription cards in exchange for personal details, including Medicare information. These services are unapproved and illegitimate.

Here are some tips to help you avoid falling victim to fraudulent schemes:

- Government officials will not contact you in this way or ask you for money.



- Be cautious about unsolicited requests for personal information.
- Do not respond to calls, voicemails, emails, texts — and don't click on hyperlinks. If you are contacted, don't fall for it! The scammers can be very persuasive, bold, and aggressive.
- Personal information collected by scammers can be used to fraudulently bill federal health care programs and commit medical identity theft. If you suspect COVID-19 health care fraud, report it by calling 1-800-447-8477 or visit <https://oig.hhs.gov/fraud/report-fraud>.

## News and Notes

### 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 RMD 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.

### 1099-R Forms

The Department of Employee Trust Funds will mail 2020 1099-R forms by January 31. W-2 tax

forms for taxable retiree wellness incentives paid in 2020 will also be mailed by January 31.

### Federal Tax Table Adjustment

The federal tax tables have changed for 2021. This means some WRS retirees may see an adjustment to their federal tax deductions beginning with the February 1 payment. Any member whose monthly payment has changed as a result of the new tax table will receive an annuity mailing statement from ETF reflecting the new withholding amount. To adjust your federal or state tax withholding, submit an *Income Tax Withholding Election Change* (ET-4310) form. Before making any changes, you may want to use ETF's online tax withholding calculator to help you determine the impact of income tax withholding elections on your monthly payments. Find it on our website at <http://etf.wi.gov/calculator.htm>. Note: The State of Wisconsin tax withholding tables did not change for 2021.

## ETF Seeks Persons with Abandoned WRS Accounts

The Department of Employee Trust Funds is looking for individuals age 70 and older who have “abandoned” 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 list below, please ask them or their heirs to contact ETF. Written inquiries to ETF 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. ETF cannot accept telephone calls regarding these accounts. To review the complete list, go to <https://etf.wi.gov/abandoned-wrs-accounts>.

Armas, Maria E	Greene, David R	McDonald, Anne F	Shaw, Teresa J
Brannanbrown, Thomas H	Guyant, Katherine	McGregor, Cynthia C	Slentz, Deborah L
Bunch, Susie B	Hadrath, Dianne R	Meier, Dinae K	Steele, Paul L
Burge, Mary J	Haley, Robert K	Meiers, Mary L	Swanson, Vicki C
Buros, Thomas P	Hall, Mary E	Miller, Gwen L	Thomas, Terri L
Burroughs, Diane K	Hall, Patricia L	Munoz, Milton G	Thomas, Vickie L
Carrillo, Alfonso	Hanson, John C	Niemuth, David A	Vang, Xang
Chiang, Tzuushuh	Hartley, Linda S	Pashke, Kathleen M	Wakefield, Paula J
Christianson, Randy B	Harwood, Ann M	Paulmann, Osvald S	Wetzel, Bonnie L
Clark, M Danielle	Heuer, Linda J	Peterson, James D	White Anderson, Renee P
Collins, Denise A	Japuntich, Jacqueline K	Pinger, Judith L	Wilcox, Joan C
Doxtator, Anderson J	Kadell, Kevin W	Quimby, Kelvin L	Williams, Deborah M
Dunka, Sheryl M	Lathrop, Linda K	Reno, Isidore R	Wormsbacher, John B
Elmer, Donna R	Laurila, Linda M	Rogers, Phillip J	Yermish, Neal M
Eriksson, Tomas B	Lewandowski, Barbara A	Rohutny, Catherine R	Zurawski, Marlene C
Fleischmann, Lois E	Lott, Gerald W	Ryan, Thomas P	
Flesch, Edward C	Mansell, Margaret R	Schachtschneide, Judith L	
Glass, Mark L	Mccarty, Sheri	Schommer, Steven G	

## 'Missing Members Project' Connects Members with Their WRS Pension Accounts

Earlier this year the Department of Employee Trust Funds began a project to locate certain Wisconsin Retirement System employees who had left service years ago, still had money in their WRS accounts, but did not have a current address on file with ETF.

Such “lost contact” members generally do not know they have benefits coming to them. The impact on the individuals we have “found” thus far has been significant and gratifying. For example:

- **The member who no longer lives in Wisconsin that forgot about her WRS employment in the late 1970s:** When we contacted her, she had just received a job layoff notice. Thankfully, forty years of compound interest meant she was entitled to a sizable lump sum.

Learning she had more than \$48,000 in her account brought her to tears.

- **The member who lives out of state:** When contacted, she was recovering from COVID-19. She stated the unexpected money would really help her financial situation.
- **The member who forgot about her two years of service with a municipal employer in the 1980s:** She had recently been laid off from her job and her husband had picked up a second job to help make ends meet. She said she was “beyond thrilled” when ETF found her and explained she still had money in her account.

Keep your address on file with ETF updated so that you receive important information about your benefits. Visit the MyInfo page of our website at <https://etf.wi.gov>.

## Well Wisconsin: Take Care and Be There for Life's Meaningful Moments

Tune in to greater well-being with an improved Well Wisconsin experience. This year the program has partnered with WebMD Health Services to bring information and resources to fit your interests and well-being goals. What's new for 2021? A more personalized experience with WebMD Health powered by WebMD ONE; recommended action plans; and a new home page with simplified navigation.

What's staying the same? Rewards for com-

pleting activities, as follows:

- **Health assessment:** Complete a WebMD ONE 10-minute questionnaire
- **Health check:** Complete one of the following health checks: a biometric screening; a dental exam; or one coaching session
- **Well-being activity:** Complete one of the many activities WebMD has to offer.

Visit the new Well Wisconsin website at <https://www.webmdhealth.com/wellwisconsin>.

## Survey: More Info Needed for Care Option Decisions

The results of a survey among health insurance program participants provided valuable feedback on member preferences for receiving health care when unexpected medical needs arise. The survey asked about their knowledge and use of options for seeking emergency care. If you completed the survey, thank you for your prompt feedback!

Overall, what we learned from you is that more information is needed on when and why telehealth, same-day appointments with a primary care provider, and nurse hotlines can be better options than the emergency room when care is needed fast. This is further supported by IBM Watson Health's 2019 analysis of our members' emergency room visits: 67% were avoidable, meaning the member could have been treated effectively and safely in another setting, such as an

Telehealth	Doctor's Office	Urgent Care	Emergency Care
Fast, usually within 30 minutes	Same-day appointments may be available	Expanded hours, open evenings and weekends	24/7 access
Cost: \$	Cost: \$\$	Cost: \$\$\$	Cost: \$\$\$\$
Best Use: Minor, non-emergency medical needs	Best Use: When you need in-person care	Best Use: Non-life threatening immediate medical needs	Best Use: Serious medical needs

urgent care or doctor's office.

Do you know your options when you need medical care unexpectedly? Consider the accompanying table, a quick reference guide. For more information, review our online video, *Get Medical Care When You Need it Fast*; your *It's Your Choice 2021 Decision Guide*; or our Health webpage. Find these resources online at <https://etftwi.gov> or call us at 1-877-533-5020.

## ETF Surveying Medicare Recipients

The Department of Employee Trust Funds has launched a satisfaction survey among Medicare enrolled participants in the State of Wisconsin Group Health Insurance Program. The survey was sent to a randomly selected group of participants enrolled in either the IYC Medicare Advantage Plan administered by United-Healthcare, or the IYC Medicare Plus plan and Health Plan Medicare offerings.

If you receive the survey, please complete it

as soon as possible. If you need assistance completing it, call ETF at 1-877-533-5020.

Survey responses are anonymous and confidential. ETF will use aggregate member feedback to continue developing quality health care services and programs that best fit participants' needs and budgets. Our analysis of results will be presented to the Group Insurance Board in May. Monitor our website for news or watch for an update in the September edition of *WRS News*.

## How the 'Goldilocks Zone' Benefits the WRS

In the classic fairy tale, Goldilocks looks for the porridge that is not too hot, not too cold, but just right. Similarly, the State of Wisconsin Investment Board has to strike just the right balance between an asset allocation that is not too risky for the Wisconsin Retirement System risk-sharing design but takes enough risk to generate the returns necessary to sustain the pension system over the long term.

To find that balance, SWIB works closely with asset allocation and actuarial consultants to model the assets and liabilities of the plan, simulate potential outcomes, and determine the sustainability of the WRS across a number of potential asset allocations. Based on that work, last month, SWIB's Board of Trustees approved the strategic asset allocation targets for the Core Fund for 2021.

"We try to run an asset allocation that is neither too hot or risky, nor too cold and not risky enough," SWIB Managing Director of Asset and Risk Allocation Edwin Denson said. "We refer to that range as the Goldilocks Zone."

An asset allocation outside the Goldilocks Zone could negatively impact annuity payments for retirees and contribution rates for employees

	Policy Target
Stocks	51%
Public Fixed Income	25%
Inflation Sensitive Assets	16%
Private Equity/Debt	11%
Real Estate	8%
Multi-Asset	4%
<b>Total</b>	<b>115%</b>

Totals exceed 100% due to SWIB's overall leverage of Core Fund assets. SWIB's actual asset allocation may vary up to +/-6% from the targets above.

and employers.

"We look to balance the need for return over the long run against the risk of disappointing adverse returns in the short-term," Denson said.

Asset allocation is the process of dividing investments among different types of assets in a combination expected to provide a targeted return while helping manage risk. For years, many institutional investors crafted balanced portfolios composed of 60% stocks and 40% bonds or other fixed income offerings. These portfolios performed well throughout the 1980s

*'Goldilocks Zone', continued on page 11*

## Hellmer Named to SEC Investor Advisory Committee

The U.S. Securities and Exchange Commission has appointed Brian Hellmer, SWIB's managing director of global public market strategies, to serve a four-year term on its Investor Advisory Committee.

The committee advises the SEC on regulatory priorities, regulation of securities products, trading strategies, fee structures, and disclosure effectiveness. In addition, the committee offers guidance on initiatives to protect investors and promote investor confidence and the integrity of the U.S. securities markets.

"I am honored to be selected. This is a great opportunity for SWIB to have a seat at the table for these discussions and to help promote a better environment for public market investors," Hellmer said. "I also look forward to using this

role on the committee as an opportunity to advocate on behalf of Wisconsin Retirement System members and providing a voice for investors."

Hellmer oversees the global public market strategies division which has five major strategy areas and also includes SWIB's trading operation and corporate governance effort.

"Brian's knowledge and experience makes him an excellent addition to the committee as it works to advise the SEC of the viewpoint of investors like SWIB, and represents the interest



Brian Hellmer

*Hellmer, continued on page 10*

## SWIB to Relocate to Madison Yards in 2022

The State of Wisconsin Investment Board has signed a lease to relocate in the summer of 2022 to a new building to be developed by Smith Gilbane at Madison Yards on Madison's near westside. The new facility will provide the agency with the space needed to house staff and to increase its ability to manage assets internally. Internal management, using staff in Wisconsin, is a key cost-saving measure that helps grow the fully funded Wisconsin Retirement System.

"SWIB is evolving with the rest of the investment industry," said SWIB Executive Director and Chief Investment Officer David Villa. "To meet our fiduciary duty, our investment strategy has become more sophisticated and diverse. We need to continue to build the necessary expertise to support the complexity of managing assets in a more challenging market environment and to do so we need to build out our infrastructure and technology to support that expertise. By growing our internal management, we are able to implement a robust investment strategy designed to effectively manage the WRS at a lower cost than external managers. And the more investments we can manage in Madison, the less we have to pay to Wall Street firms."

SWIB manages more than 50% of all funds internally, up from 21% in 2007, with plans to increase that percentage over the next few years. SWIB expects to continue to grow its staff to achieve those plans.

SWIB's costs are lower than its peers in part because SWIB can manage assets internally for multiples less than what it would cost to pay external managers. In 2019 alone, those cost savings over peers translated to more than

\$70 million for the WRS. Over the past 10 years, the savings totaled approximately \$1.3 billion.

Even considering emerging work from home practices, SWIB has outgrown the available space at its office in downtown Madison. The proposed building is part of the 21-acre complex that includes a State of Wisconsin office building that opened in 2018 and houses the Department of Employee Trust Funds. SWIB will begin the process to sell its existing downtown office building overlooking Lake Monona, which is owned by the WRS. The pension plan will benefit from the gains expected from the sale of the building.

"SWIB's strategic approach to invest in highly diversified and complex investment strategies and to manage assets internally becomes even more critical to maintaining a strong WRS during challenging market environments," said Board of Trustees Chair David Stein. "This new office space will also allow SWIB to attract and retain the talent needed to manage the WRS and enhance its technology to support those strategies."

Advances in technology design will provide a superior infrastructure that SWIB's aging building cannot support for SWIB's technology, network systems, and growing number of data sources. It will also provide enhanced security and flexibility for managing the trust funds. SWIB's current office building was purchased by the WRS about 17 years ago. The move to a new location will also spur the redevelopment of SWIB's current premier location.

To learn more, download our New Location Fact Sheet at <http://bit.ly/3pNLFS> and visit [www.madisonyds.com](http://www.madisonyds.com).

### *Hellmer, continued from page 9*

of public pension plan participants," David Villa, SWIB's executive director and chief investment officer, said.

Hellmer who joined SWIB in 2016, has more than 30 years of investment manage-

ment experience. He holds bachelor's and master's degrees in finance, investments, and banking from the University of Wisconsin-Madison School of Business. He is also a Chartered Financial Analyst charter holder.

*Strong Position, continued from page 1*

term investment strategy. We accomplished a great deal, all while pivoting to a remote working environment. It hasn't been easy and there were times when we weren't ahead of the game, but by staying the course we were able to take advantage of market opportunities to generate returns and add value to the WRS. Exceeding our 7% target return for both the 5- and 10-year periods is expected to result in continued stability in employer and employee contribution rates and a positive annuity adjustment for retirees.

Our ability to handle market disruptions caused by the pandemic is possible because of the foundation we have put in place. We have worked hard to implement a robust and sophisticated investment strategy designed to weather various market conditions. We continue to build and enhance the infrastructure and technology needed to support our strategy. And most importantly, we have added to our already strong investment management and services teams so that we can continue our success.

The governance of the system and the dedication of our Board of Trustees have also played an important role in putting that foundation in place. By building on past success with an eye toward continuous improvement,

SWIB has become a recognized world-class investment manager. A strong governance model allows us to be steadfast in our journey and to work through obstacles and difficulties the markets present.

SWIB is fortunate to have dedicated leadership in its nine-member independent Board of Trustees, which includes Department of Employee Trust Funds Secretary Bob Conlin. December was Bob's last meeting as a SWIB Trustee, and his contributions will be missed. Bob's record and dedication has been steadfast: he has served on the Board for the last seven years, has been serving the pension system at ETF for the last 14 years, and his career in Wisconsin is concluding with nearly 30 years of public service. It is because of the leadership of people such as Bob that the WRS is recognized as one of the top public pension funds in the nation.

This past year was not the first time we saw significant volatility in the markets, nor will it be the last. As we look ahead to 2021, there remains uncertainty. But, because of the work we have done, and continue to do, one thing members of the WRS can be certain of is Wisconsin's pension system is well-positioned for whatever comes next.

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*'Goldilocks Zone', continued from page 9*

and 1990s. However, inflation and bond yields have declined significantly over the last 30 years, making it difficult for investors like SWIB to make money. SWIB has traditionally diversified the Core Trust Fund with other types of assets as well. Today, in addition to stocks and bonds, Core Fund investments include inflation sensitive assets, private equity and debt, real estate, and multi-asset securities.

A diversified portfolio and the use of leverage helps the Core Fund perform well in a variety of market environments with less risk.

"Having a diversified and efficient asset allocation allows the WRS to survive the

downturns in the market well enough to be in a position to capitalize on opportunities that arise when the markets become dislocated," Denson said.

The end result has been positive for the WRS. "We have outperformed a low-cost, simple 60% global stock, 40% domestic bond alternative to our strategy," Denson said. "In fact, over time, we have outperformed the actual rate of return needed for long run plan sustainability. The road ahead will continue to be difficult. But we remain committed to the strategy and discipline that has resulted in a good outcome for our stakeholders thus far."

Department of Employee Trust Funds  
PO Box 7931  
Madison, WI 53707-7931

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<http://etf.wi.gov>

**Address for correspondence:**  
ETF  
P.O. Box 7931, Madison, WI  
53707-7931

**Street address:**  
ETF  
Hill Farms State Office Bldg.  
4822 Madison Yards Way  
Madison, WI 53705

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**SWIB**

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**Address for correspondence:**  
SWIB  
P.O. Box 7842, Madison, WI  
53707-7842

<http://www.swib.state.wi.us>

**Email:** [info@swib.state.wi.us](mailto:info@swib.state.wi.us)  
**Toll free:** 1-800-424-7942  
608-267-0957

**Editors**

ETF — Nancy Ketterhagen  
SWIB — Chris Preisler  
Send an e-mail to *WRS News*  
[WRSNews@etf.wi.gov](mailto:WRSNews@etf.wi.gov)