

Wisconsin Retirement System

A Risk-Sharing Public Pension Plan

Bob Conlin, Secretary
Wisconsin Department of Employee Trust Funds

NCPERS 2019 Public Pension Funding Forum
September 11 – 13
New York, NY



Background: Wisconsin Retirement System

- Statewide, defined benefit plan
- Some defined contribution features
- Covers most public employees in Wisconsin
 - State, University, Elected, Judicial, Teachers, Municipal, Public Safety



Background: Wisconsin Retirement System

1500
Public Employers

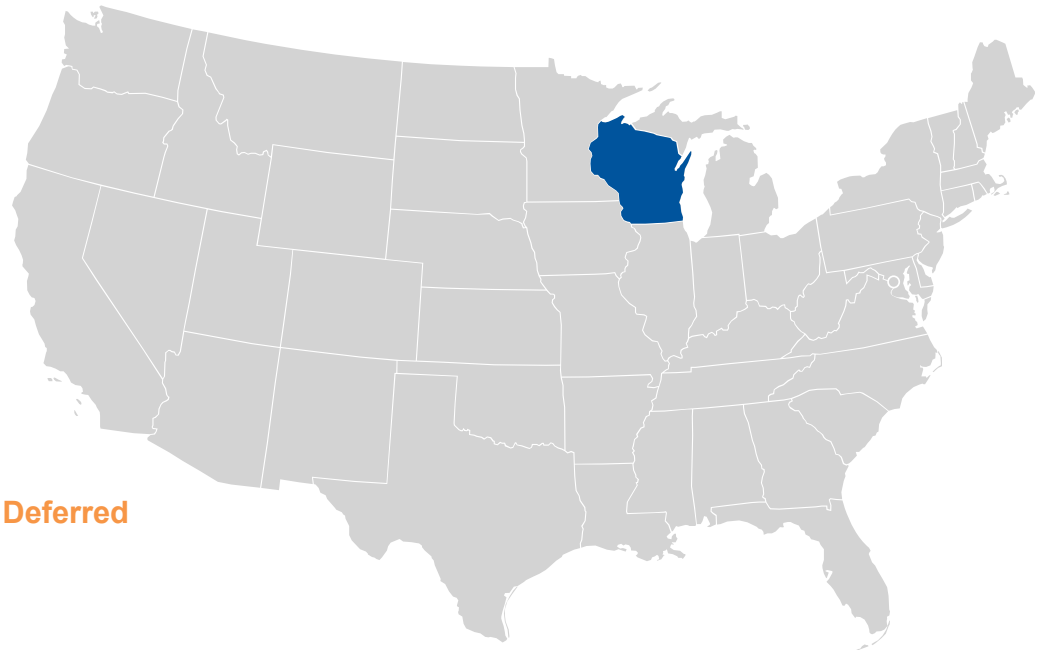
639K
Participants



27% State
73% Local

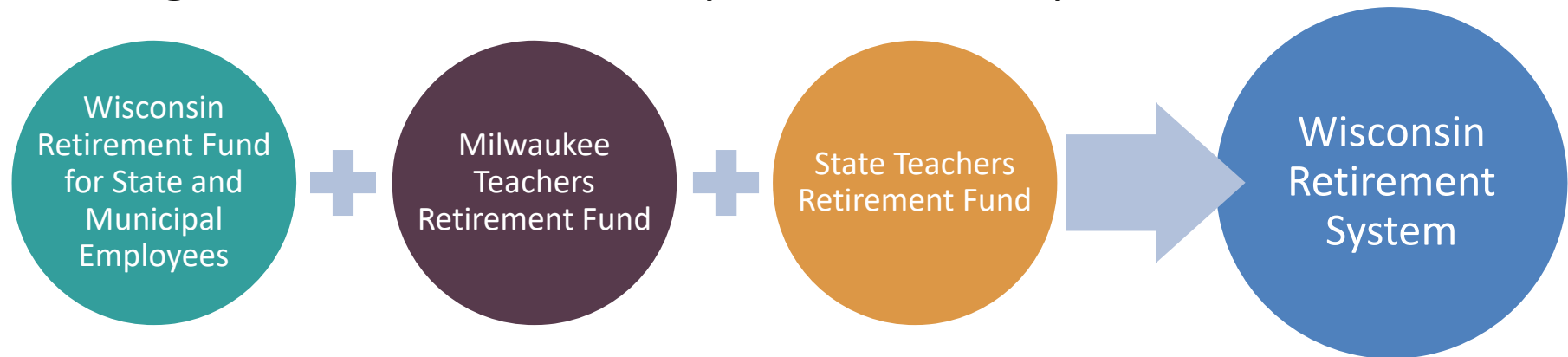


40% Active
33% Retired
27% Vested / Deferred



Background: Wisconsin Retirement System

- Established 1982
- Merger of several smaller plans over 40 years



Background: WRS Funding

Funding Goal

Full Funding

100% funded goal

Stable Rates

Relatively stable contribution rates

Funding Statistics (12/31/17)

\$107B

Assets

100%

Funded (FIL)

103%

GASB

99.5%

EAN



Background: WRS Key Risk-Sharing Features

- Split normal **cost** contribution rates between employer and employee
- Post-retirement **benefit** adjustments based on investment performance
- Active employee money purchase **benefit** minimum/Variable Fund



Cost: WRS Annual Rate Setting

1

Board establishes rates annually **based upon recommendation of consulting actuary**

2

Normal cost contribution rates are split evenly between employers and employees

- 2020 Contribution Rates: 13.5%

ER: 6.75%

EE: 6.75%

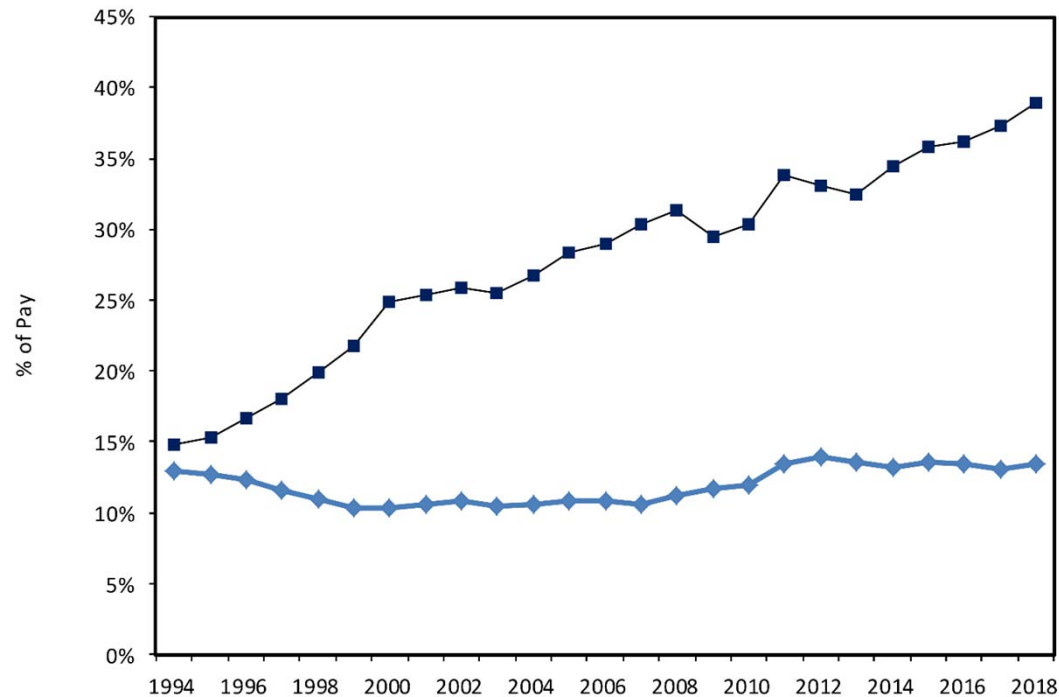
3

Contributions are remitted monthly

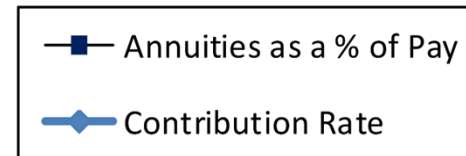
- 2018 Statewide Payroll: \$14.3B
- WRS can intercept state aids for non-payment



Cost: WRS Annuities and Contributions*



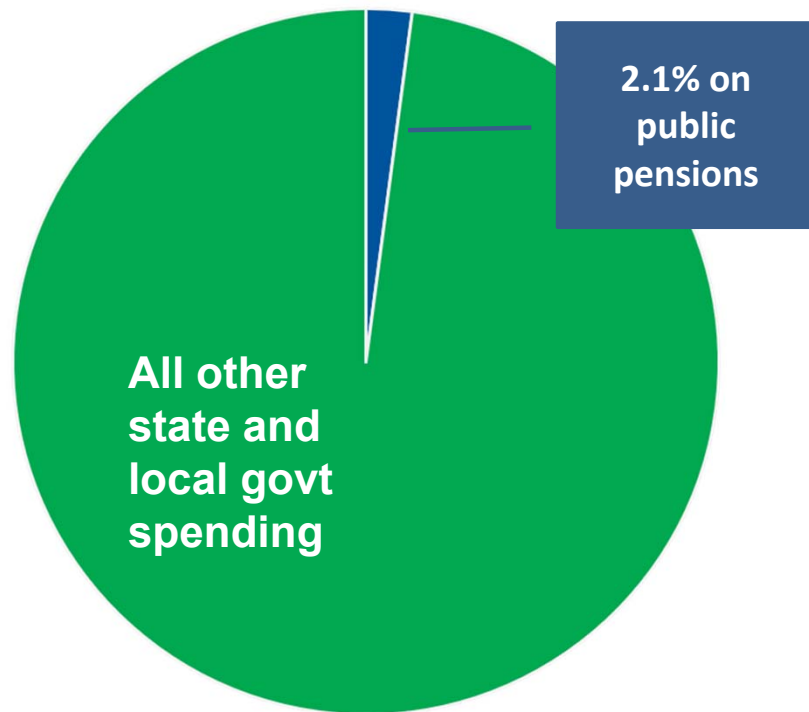
Annuities are expected to continue to increase as a percent of payroll for several more decades.



*Average total rate shown is for General Participants



Cost: WRS Impact on Taxpayers



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

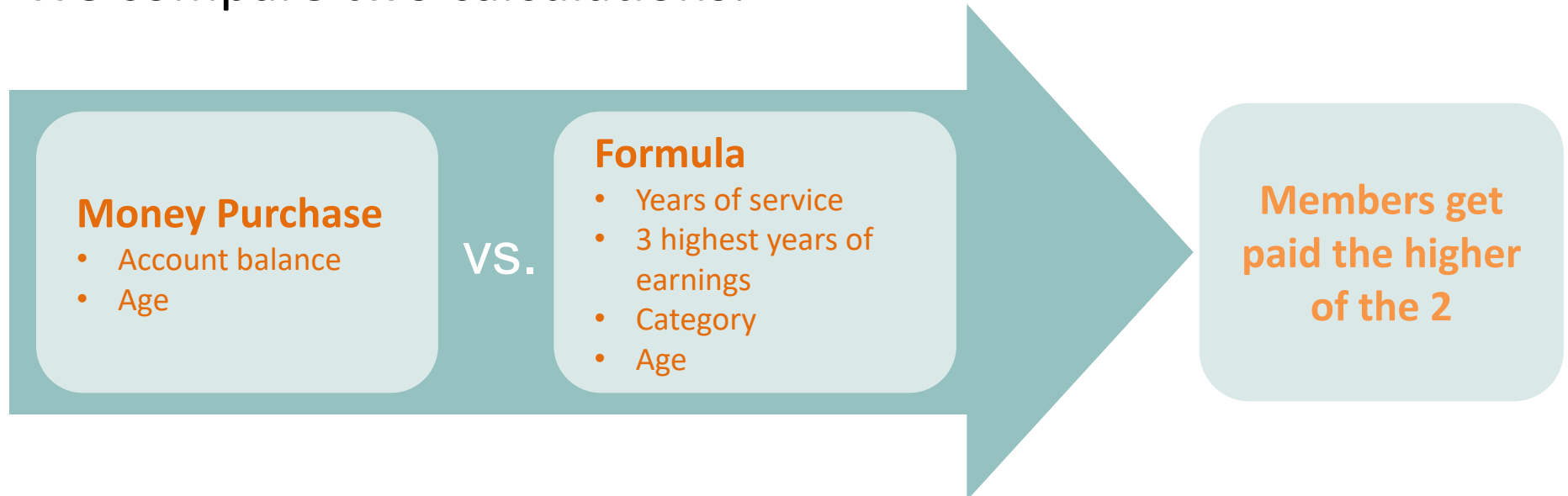
National average: 4.7%

Fiscal Year 2016

Source: National Association of State Retirement Administrators (March 2019)

Benefits: WRS Retirement Benefits

We compare two calculations:



Benefits: WRS Core and Variable Funds



Core Fund

- Automatic enrollment for all employees
- Diversified portfolio
 - Guaranteed minimum annuity payment
 - 5-year smoothing



Core + Variable Fund

- Optional 50% of contribution
- All-stock portfolio
 - No guaranteed minimum annuity payment
 - No smoothing

Benefits: WRS No Cost of Living Adjustment

Compounding adjustments are based on investment performance

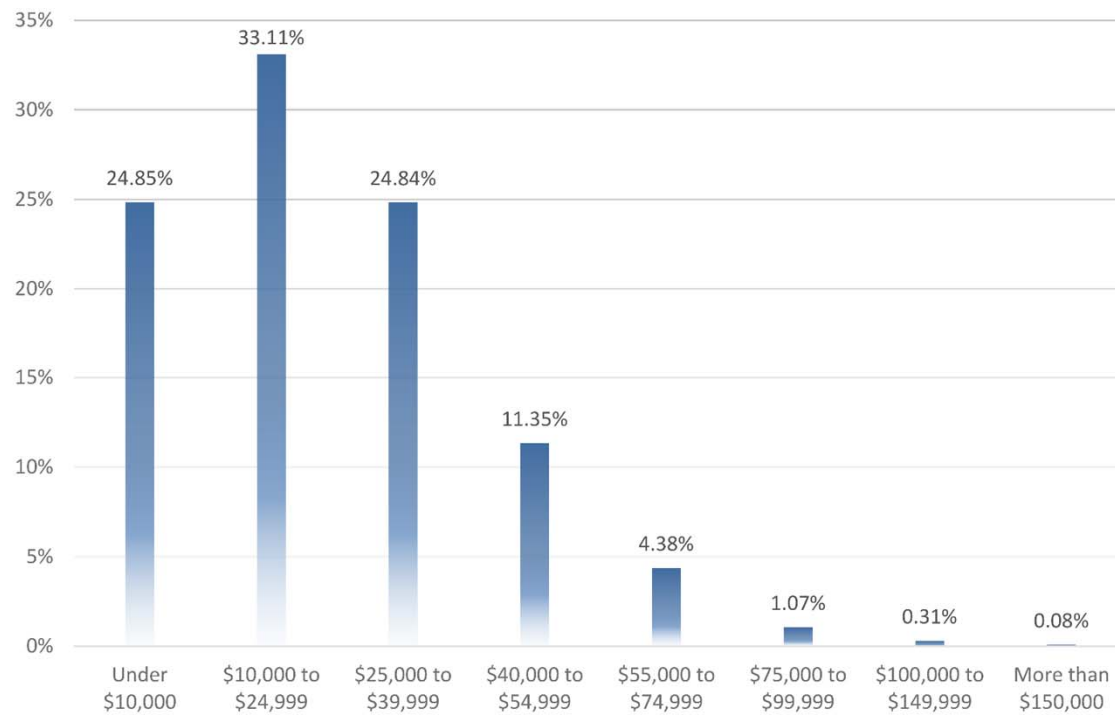
- A 5% investment return assumption is used to fund original retirement benefit.
 - Only investment returns in excess of 5% can produce an increase in annuity
 - For example, 7.0% performance - 5% = ~2% annuity adjustment
- Can reduce previously granted adjustments

Average annual adjustment since 1982 merger

- Core: 3.7%
- Variable: 3.8%
- In 2018 \$5.4 billion in benefits paid

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

Benefits: WRS Annuities by Amount in 2018



WRS Lessons Learned

- Communicate, communicate, communicate
- A 2008/09 event is painful for any type of system, but risk-sharing systems markedly improve chances of sustainability
- Implementation of risk-sharing won't necessarily fix legacy costs, but will start addressing future liabilities
- No one-size-fits-all approach
- Still need to manage system and pay contributions



Thank You



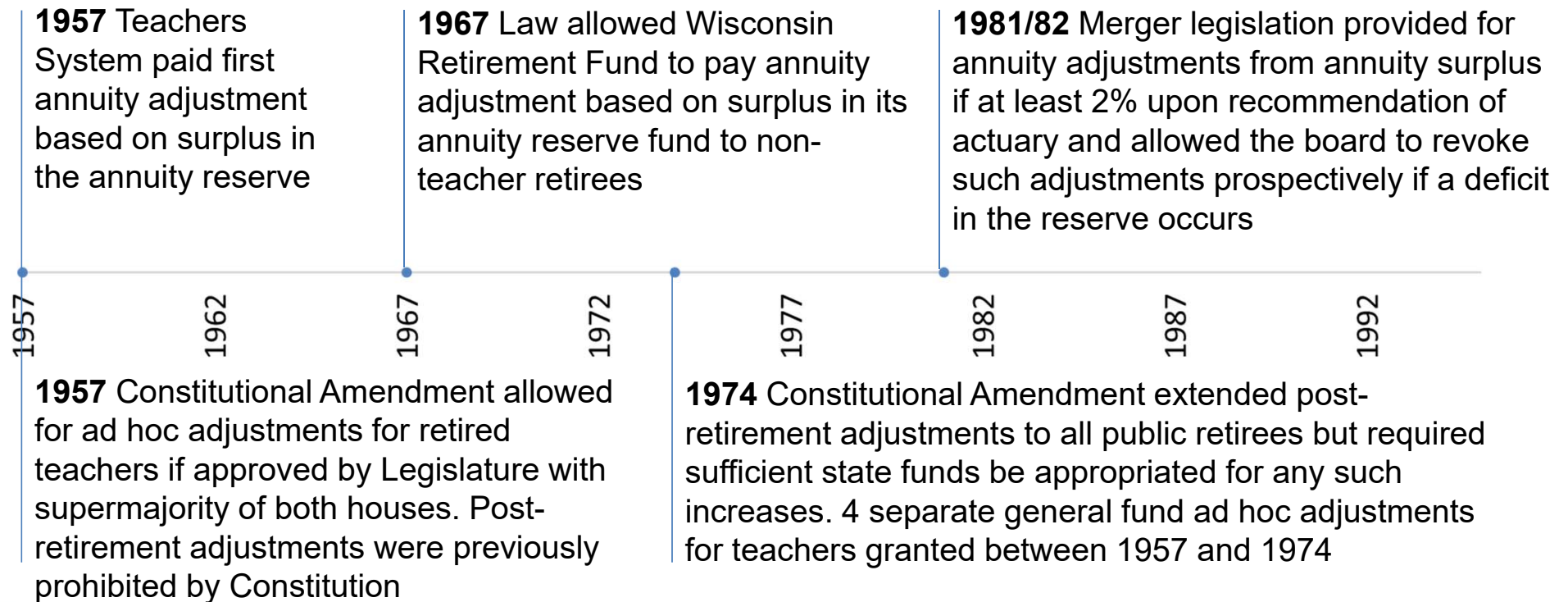
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APPENDIX



History of Post-Retirement Adjustments in Wisconsin



History of % Changes in WRS Annuities and Consumer Price Index

