

## WRS: Needed by Everyone

Those of us who advocate for protecting the Wisconsin Retirement System sometimes get angry feedback from participants who do not agree that WRS is a great program. They think they can do better on their own and resent being “forced” into participating in WRS. They usually are not happy because their monthly retirement check went down, didn't increase with inflation, or didn't get the big percentage return that other, more risky, investments received. These opinions, I think, reflect a misunderstanding of the value of WRS and of how it works.

Let me begin by saying to all the investment geniuses who think they can do better on their own, “good luck. You will need it.” You may be an exception and doing well, but the rest of us mortals need WRS.

Independent research shows that *most* individuals who save on their own *get lower investment returns*, pay higher management fees, and have dramatically less at retirement than defined benefit retirement plans. Most working people do not have the *knowledge or time* to successfully manage their own retirement portfolio. People make investment mistakes such as not saving enough, taking withdrawals, misjudging risk, “chasing performance”, and attempting to “time the market” for the highs or lows. Mutual funds, index funds, IRAs, 401(k)s, and deferred compensation programs, although useful for many people and good savings tools, do not change these simple facts.

Pension plans are not the same thing as retirement savings plans such as IRA's or 410ks. Pensions pool resources and spread risk to achieve better returns and greater stability for all participants. *Pensions provide guaranteed retirement income* that individual accounts cannot provide. This is possible because the monthly retirement annuity is not solely dependent on short term investment returns, which can vary widely with market volatility. The pooled assets, plus investment returns, plus regular, continuing contributions from all the participants, insure your retirement income.

Individual accounts do not provide the economies of scale, shared risk, ability to spread poor returns over time or many plan participants that are available with defined benefit pensions like WRS. Investment advisers and retirement program sales people do not replace pension program managers with a *fiduciary duty* to invest in the best interests of the participants.

Unfortunately, allowing people the “freedom” to do dumb things does impact the rest of us and our communities. The economic health of our communities depends on the financial well being and stability of *ALL* residents. When everyone does better, *EVERYONE* does better. This is why we need to be expanding WRS to allow all Wisconsin citizens to have a secure retirement. Sink or swim with individual retirement savings is not a good way to build future economic stability for Wisconsin.

Individual accounts are not a good strategy even for knowledgeable investors. Given the rise of speed trading, the prevalence of insider trading, the frequency of fraud, and the self-serving nature of “investment advisers”, why would anyone seriously attempt to go it alone?

Diversity is a core principle of investing. Few of us have sufficient funds to effectively do this even with tools like mutual funds. But being part of a professionally managed pension like WRS can be one good way to diversify. Social Security, which is not dependent on the “market”, is another key tool of diversity. Combined with individual retirement savings, IRAs, deferred compensation many workers can have a secure retirement. The investment geniuses can still play “casino capitalism” games all they wish.

WRS has a proven record of paying out adequate, stable annuities. Why mess with success?