



State of Wisconsin Investment Board

*2018 Legislative Council Study Committee on the Investment and Use of
School Trust Funds*

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What Is SWIB?

- Independent agency of the state.
- Responsible for investing the assets of the WRS, State Investment Fund and six separately managed funds.
- Investments made according to risk and purpose of each fund; none of the funds are commingled with any other fund.
- Currently managing over \$116 billion.
- Investments are managed both internally and externally.



Managing the WRS



SWIB is a unique asset and valuable partner that **invests** the WRS assets for the financial security of more than 622,000 individuals and 1,500 Wisconsin employers. The WRS accounts for approximately 92 percent of assets under management. The WRS is one of the best funded public pension plans in the country at nearly 100% funded.

SWIB's Mission



To be a trusted and skilled global investment organization contributing to strong financial futures for the beneficiaries of the funds entrusted to us.

SWIB's Investment Strategy

- Our strategy is disciplined, balanced and focused on long-term results.
- We strive to generate reasonable returns over the long term to maintain stable contribution rates and provide for the financial well being of participants.
- 2017 returns contributed to the fifth straight year of positive Core Fund annuity adjustments for WRS retirees.
- We take into account the risk sharing design of the WRS.
- Returns are not guaranteed.



Core Fund Investment Performance

Gross Of Fees as of 6/30/18

	YTD Thru 6/30/18	1 – Year Thru 6/30/18	3 – Year Thru 12/31/17	5 - Year Thru 12/31/17	10 – Year Thru 12/31/17
Core Trust Fund	0.6%	8.6%	7.3%	7.9%	6.6%
Core Trust Fund Benchmark	0.3%	7.9%	6.9%	7.7%	6.1%
Russell 3000 (U.S. stocks)	3.2%	14.8%	11.6%	13.3%	10.2%
MSCI World ex U.S. Equities	-2.8%	7.0%	4.9%	6.2%	2.6%
Bloomberg Barclays Capital Gov't/Credit (U.S. bonds)	-1.9%	-0.6%	1.8%	2.3%	3.8%
Citigroup World Gov't Bonds	-0.9%	1.9%	2.8%	1.1%	2.1%

Investment returns are more than 70% of WRS total income with 30% coming from employee and employer contributions.

Separately Managed Funds* Performance

Gross of Fees as of 12/31/17

	1 – Year	3 – Year	5 - Year	10 – Year
State Investment Fund	0.9%	0.5%	0.3%	0.5%
Benchmark	1.0%	0.5%	0.3%	0.4%
State Life Insurance Fund	7.3%	3.9%	3.6%	6.4%
Benchmark	7.1%	3.4%	3.3%	5.8%
Historical Society Endowment Fund	17.1%	9.1%	12.3%	7.8%
Benchmark	16.6%	9.0%	12.1%	7.6%
Injured Patients & Families Compensation Fund	7.2%	4.4%	4.7%	5.3%
Benchmark	6.4%	3.6%	4.0%	4.7%
Tuition Trust Fund	1.0%	1.1%	0.9%	2.8%
Benchmark	1.2%	0.8%	0.7%	2.1%
Local Government Property Insurance Fund	2.0%	0.9%	0.6%	0.8%
Benchmark	1.0%	0.5%	0.3%	0.4%

Source: Investment Performance Report as of 12/31/17

Excludes UW Trust Funds, SWIB began managing this fund as of April 1, 2018

Internal vs. External Management

Separately Managed Funds as of June 30, 2018

	Internal Management	External Management	Assets Under Management
WRS Assets	59%	41%	\$107 billion
State Investment Fund	100%	0%	\$7.2 billion
State Life Insurance Fund	100%	0%	\$112.9 million
Historical Society Endowment Fund	0%	100%	\$17.0 million
Injured Patients & Families Compensation Fund	0%	100%	\$1.3 billion
UW System Long Term Trust Fund	0%	100%	\$419.65 million
Local Government Property Insurance Fund (SIF Only)	100%	0%	\$1.3 million
Tuition Trust Fund (No active management/bonds maturing)	100%	0%	\$3.2 million

Cost of Management

Calendar Year	2013	2014	2015	2016	2017
Cost	36.1 bps	33.2 bps	31.5 bps	35.0 bps	38.1 bps
Assets under management	\$101.3 billion	\$102.8 billion	\$99.1 billion	\$104.6 billion	\$117.0 billion

Information as of 12/31/17.

- Basis points (bps) - One basis point is equivalent to 0.01% (1/100th of a percent). For every \$100 in assets under management, costs were 38 cents in CY 2017. bps costs are calculated on the average AUM for the calendar year
- Costs are charged directly to the investment income of each trust fund. No general revenue is used to fund SWIB operations. Each fund must pay its portion of the costs.
- Costs include external manager fees, research and consulting fees, and SWIB's internal budget (including salaries, incentive compensation, supplies and services, etc.).

Cost of Management

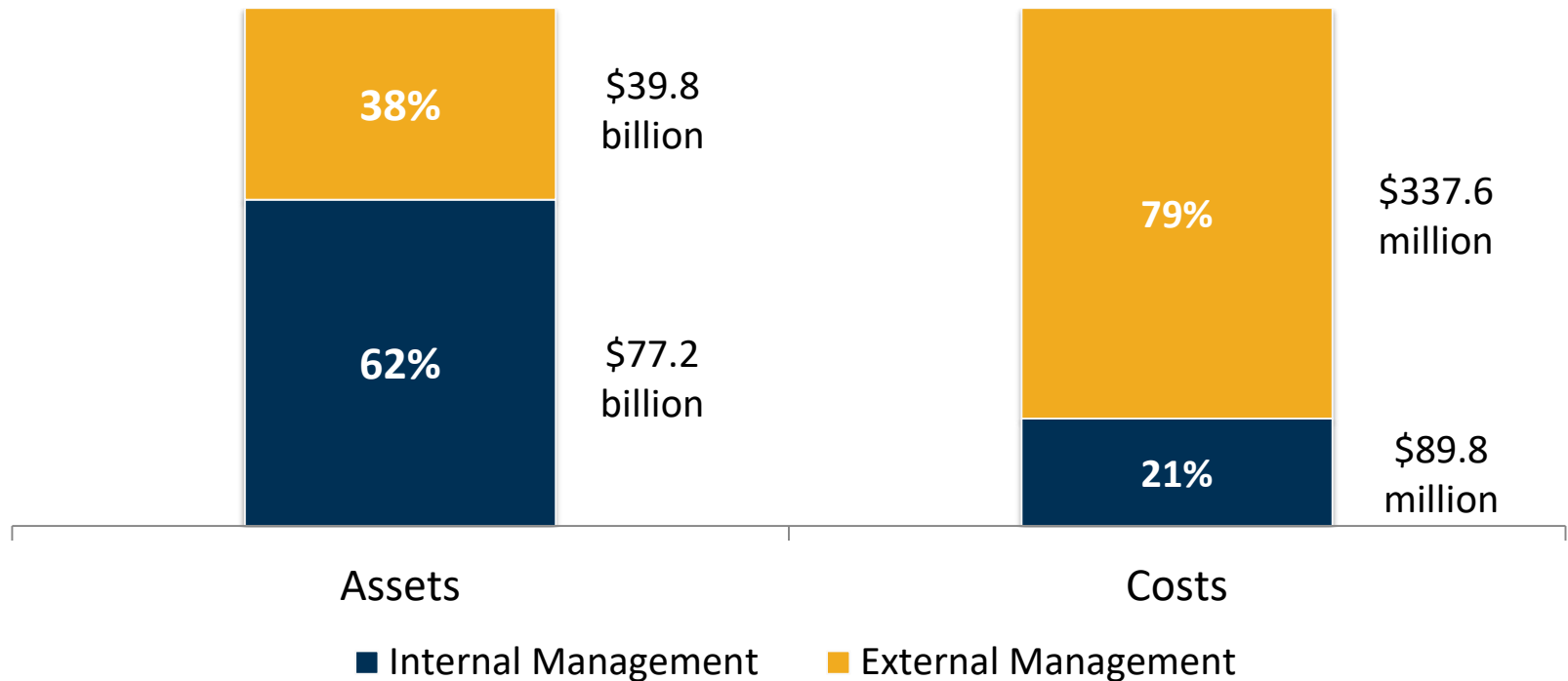
- SWIB has a fiduciary responsibility to fully recover costs from each fund for all services, oversight and management.
- Section 25.187 of Wisconsin Statutes:
 - The investment board shall assess each fund for which the board has management responsibility for its share of the board's operating expenditures for the current fiscal year in an equitable manner.



All Funds Internal vs. External Costs

Internal management costs significantly less

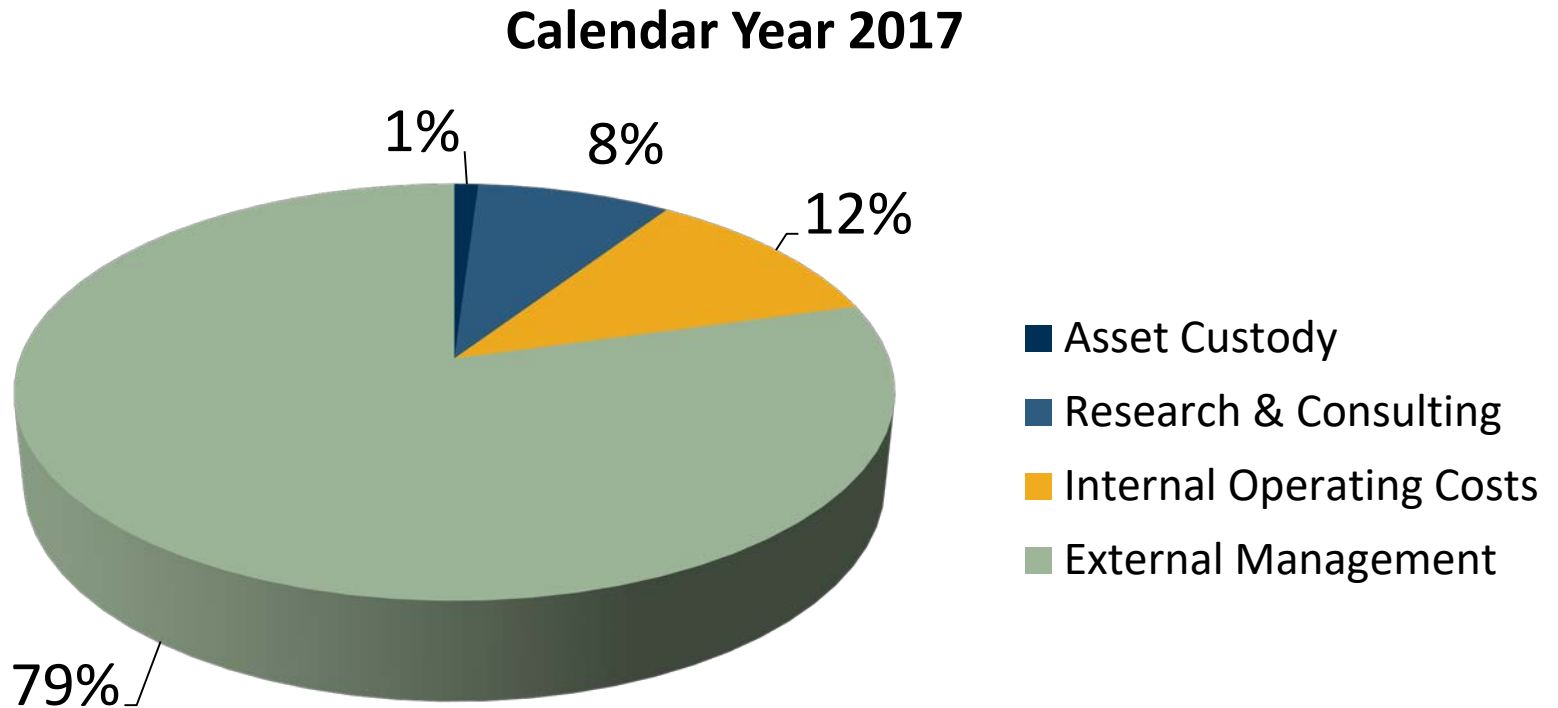
Cost to externally manage 38% of assets represents 79% of SWIB's total costs.



CY 2017 Costs = \$427.4 million

Information as of 12/31/17.

All Funds - Total Costs of Management



Total cost of management for all trust funds in CY 2017 = \$427.4 million

Information as of 12/31/17.

Thank You

