

SWIB Announces 2016 WRS Preliminary Returns; Earns \$1.1 billion over Market Returns

Madison, WI (January 17, 2017) – The State of Wisconsin Investment Board (SWIB) today announced preliminary returns for the Wisconsin Retirement System (WRS), the state’s public employee retirement plan. The Core Fund, the larger of the two WRS trust funds, ended the year with a preliminary return of 8.5 percent and a preliminary five-year return of 8.1 percent, both above their benchmarks. The Variable Fund, an optional stock fund, ended the year with a preliminary return of 10.6 percent and a five-year preliminary return of 12.1 percent also exceeding their benchmarks.

Over the last five years, SWIB staff has earned \$1.1 billion over market returns after costs. The year-end returns, combined with the cost savings generated by managing more assets internally and passively, and negotiating lower external management fees generated \$294.2 million after costs in value above market returns for the trust funds in 2016.

The Core Fund, with diversified holdings in global stocks, bonds, loans, real estate and private equity, ended the year ahead of its benchmark of 8.0 percent. The Core Fund’s benchmarks reflect the Board of Trustees’ asset allocation plan designed to generate favorable returns over time in different market environments while minimizing risk and volatility of those returns over the long-term. The preliminary market value of the Core Fund on December 31, 2016, was \$89.3 billion.

The Variable Fund, with an allocation of 70 percent domestic stocks and 30 percent international stocks, finished ahead of its benchmark of 10.4 percent. The Variable Fund’s benchmark reflects the asset allocation chosen to best meet the statutory requirement of the fund. The Variable Fund’s preliminary market value was \$7.0 billion on December 31, 2016.

“In a time when many public pension funds across the country are struggling with issues related to underfunding, SWIB has helped fuel one of the best funded pension systems in the U.S., protecting and growing the assets that more than 600,000 members of the WRS count on for a more secure retirement,” Michael Williamson, SWIB executive director, said.

The solid funding of the WRS is a result of plan design and investment performance. Investment earnings generated by SWIB have accounted for 73 percent of the total income of the WRS over the last 10 years. The Core Fund’s 20-year return is 7.2 percent, which is equal to the assumed rate of return of 7.2 percent.

Despite the ups and downs the markets have experienced since the Great Recession, SWIB has implemented a disciplined, prudent and innovative investment strategy designed to weather a variety of economic environments to ensure the WRS is able to meet its obligations today and in the future. In 2016, the markets experienced a continuation of the volatility that defined 2015. Stocks bounced between their lowest levels since 2014 to record highs in all three major U.S. indexes near the end of the year.

“As one of the few well-funded public pension plans, the WRS is unique,” Williamson said. “We invest first to protect our members from another downturn and then to earn reasonable returns. And that strategy is working. Unlike many other systems, we do not have to take unnecessary investment risk and reach for returns. This strategy means our returns may trail other public pension funds when the markets are performing well, but also will not dip as low when the markets are negative.”

The Department of Employee Trust Funds will determine annuity adjustments for the Core Fund and the Variable Fund in March after an actuarial analysis is completed. Investment performance also affects contribution rates for public employees and employers; rates for 2018 will be set in June.

Total assets under management at SWIB were about \$104.5 billion as of December 31, 2016. This includes, along with other state and local government investments, approximately \$96.4 billion in WRS trust funds, which provides benefits for current and former employees of state agencies, the university system, school districts and most local governments. The WRS is the 9th largest U.S. public pension fund and 25th largest public or private pension fund in the world.