



Wisconsin Retirement System

Investing For Your Retirement



Trusted Partners

MORE THAN 570,000 PEOPLE look to the Wisconsin Retirement System (WRS) to help provide for their retirement. The State of Wisconsin Investment Board (SWIB) is a state agency responsible for investing the assets of the retirement system.

Participants in the WRS include current and former employees of Wisconsin's state agencies, the university system, school districts and most local governments. They look to SWIB as a trusted partner in helping them prepare for retirement.

With about \$80 billion in assets, the WRS is the 9th largest public pension fund in the United States and 30th largest pension fund in the world. An independent study by the Pew Center on the States recognizes Wisconsin as a "national leader" in managing its pension system noting the plan's built-in features that will help maintain a viable pension plan.



Highest Standards

TRUSTEES AND STAFF AT SWIB are fiduciaries required to manage investments with the highest standard of professional conduct solely for the benefit of the WRS trust funds. SWIB has adopted rigorous procedures for setting investment objectives and oversight including compliance monitoring by senior staff and an internal auditor who reports to Trustees.

SWIB's investments are managed by its own professional staff and by outside money management firms. All SWIB investment staff have undergraduate degrees, most have master's degrees and several have PhDs. Experience for senior level investment staff ranges between 10 and 34 years. A majority of the investment personnel holds or is pursuing the Chartered Financial Analyst (CFA) designation, one of the most respected designations in finance and considered by many to be the gold standard for investment analysis.

Having highly qualified staff has meant internal management of WRS assets has increased to 55%, which has reduced costs charged to the fund.



Working for You

CONTRIBUTIONS MADE BY WRS PARTICIPANTS and their employers are invested by SWIB. Those funds are used to pay retirement, death and disability benefits.

When participants retire, the initial pension annuity is determined by Department of Employee Trust Funds (ETF). The annuity payments are adjusted annually based on investment results. Investment returns at the end of the calendar year, along with other factors, are used in determining changes in the accounts of participants for the following year. Depending on those results each year, retirees may see an increase or a reduction.

- About \$4 billion in benefits are paid to WRS participants annually. Investment earnings funded a significant majority of those benefits. Investment returns have helped sustain the retirement system.
- State taxpayers also benefit from SWIB's efforts. Investments have helped reduce the cost to the taxpayers over the years with earnings that surpassed the assumed long-term rate of return.
- To maintain the system, SWIB works to invest funds in a way that will continue to ensure the WRS can meet its financial obligations into the future.



WRS Trust Funds

THE LARGER OF THE TWO TRUST FUNDS in the retirement system is the Core Fund, a well diversified and balanced fund. The basic objective of the Core Fund is to earn an optimum long-term return while taking acceptable risk.

Active WRS participants can decide to have up to 50 percent of their contributions in the all stock Variable Fund. Its goal is to achieve returns equal to or above that of similar stock portfolios over a market cycle.

Core Fund rates reflect the smoothing of returns over five years. Variable Fund returns are not smoothed.

Effective rates for the Core and Variable funds are credited to the accounts of active employees. Adjustments and dividends impact retirees' annuities.

Market volatility has significant consequences for the WRS and its participants and employers. The risk and rewards are shared. Therefore, managing that volatility takes on additional significance in the investment plan assets and in the sustainability of the plan's benefit design.



Long-Term Focus

MANAGING BILLIONS OF DOLLARS in public trusts requires sound investment decision-making, diligently constructed strategy and a best-in-class management process to ensure that SWIB is providing the highest quality services possible.

Over the past five years, the Core Fund has had a return of 2.3% while the all-stock Variable Fund has had a return of -0.7% as of Dec, 31, 2011. The ten-year return during that same period, for the Core Fund is 6.0% and the Variable Fund is 3.7%. That compares favorably to the Russell 3000 Index, which has a five-year return of 0.0% and a ten-year return of 3.5%, as of Dec. 31, 2011. For the past three years, the Core Fund investments have been positive and when compared to public pension fund peers, SWIB's performance is consistently strong. The Core Fund performance ranking was at the 23.5 percentile - in the top quartile - of the ten-year period ending Dec. 31, 2011, according to the Wilshire Trust Universe Comparison Service Ranking, which includes 387 public pension funds.

SWIB continues to meet its objectives and its responsibilities to the WRS and its members.



Asset Allocation

THE INVESTMENT PROCESS BEGINS by determining the best way to diversify the allocation of assets in a way that is likely to meet the return and risk objectives of each fund. Allocation adjustments and initiatives are considered annually.

Diversification is an important strategy for investing the pension system funds. It is one way that SWIB manages risk and helps stabilize returns.

SWIB targets the following types of investments:

- Stocks
- Bonds
- Real Estate
- Private Equity/Debt
- Multi-asset

A strategy appropriate for an individual investor may be very different from one that is looking ahead to provide retirement funds for thousands of public employees in the future.



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