

Navigating the WRS to a Strong Future

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State of Wisconsin Investment Board



Core Fund Performance

As of December 31, 2014

2014

5.7%

Benchmark: 5.7%

Three-Year

10.9%

Benchmark: 10.4%

Five-Year

9.3%

Benchmark: 8.8%

Ten-Year

6.7%

Benchmark: 6.4%



Performance by Asset Class

As of December 31, 2014

	Benchmark	Actual Return
Total Core Fund	5.7%	5.7%
Public Equities	4.8%	4.1%
Public Fixed Income	4.4%	4.6%
Inflation Sensitive	2.2%	2.1%
Real Estate	12.4%	14.0%
Private Equity	13.5%	15.5%
Multi-Asset Strategies	3.3	7.0%



SWIB vs. “Them”

“Pension funds are not in competition to produce the highest investment returns. The purpose for investing assets is to defray the cost of benefits within an acceptable level of risk, based on a long-term investment horizon.”

Keith Brainard, Director of Research
National Association of State Retirement Administrators



Long-term Investors

- SWIB is a long-term investor
- Goal is to beat benchmarks over the long-term
- Strategy includes added protection during extreme market declines
- Strategy has met its long-term goal & has kept system in strong financial condition



Diversification is Important

- We live in a global economy
- Investing only in U.S. stocks means missed opportunities
- Stock markets of other developed economies are less-than-perfectly correlated to U.S. stock markets



Benefits of Diversification

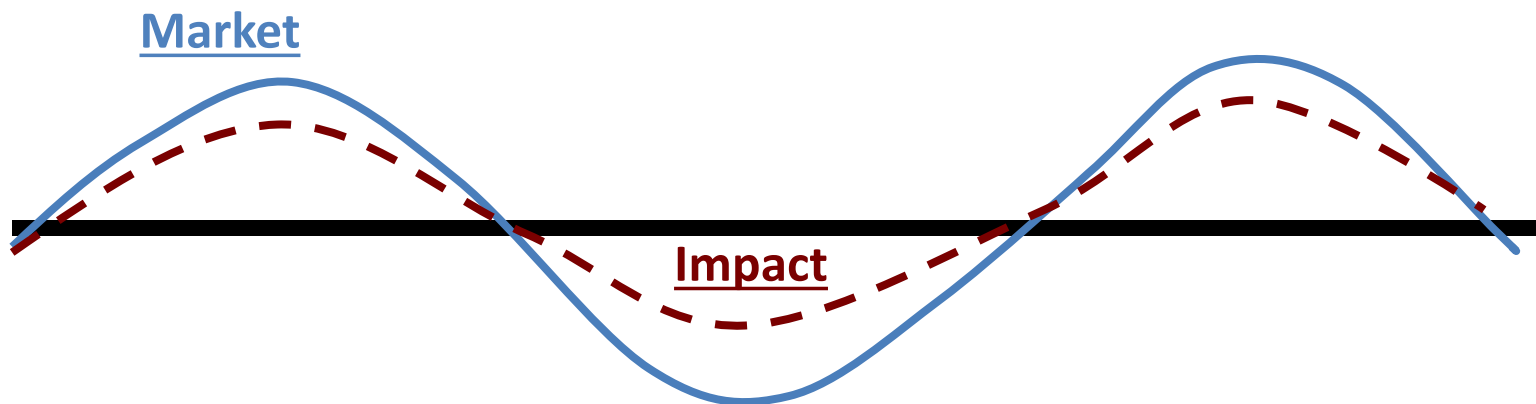
Diversification helped protect the Core Fund during downturns in U.S. stocks.

Year	Core Fund Return	S&P 500 Return
2000	-0.8%	-9.1%
2001	-2.3%	-11.89%
2002	-8.8%	-22.1%
2008	-26.2%	-37.0%



Reduce Fund Volatility

The goal is to stabilize the effects of returns on the WRS



Slight reduction in performance during strong stock markets

Better protection against extreme outcomes



Variable Fund Performance

As of December 31, 2014

2014

7.3%

Benchmark: 7.5%

Three-Year

17.4%

Benchmark: 17.1%

Five-Year

12.7%

Benchmark: 12.3%

Ten-Year

7.1%

Benchmark: 7.0%



Current Returns

As of February 28, 2015

Core Fund

2.6%

Benchmark: 2.6%

Variable Fund

3.5%

Benchmark: 3.6%



Consistent Performance

20-Year Returns*

8.6%

Core Fund

8.8%

Variable Fund

*As of December 31, 2014



Among the Best Funded

NASRA Public Fund Survey has 8 public pension funds, including the WRS, listed as funded at or above 100%.*

2001



2013



*As of June 30, 2013. Data for fiscal year 2014 not yet available. Public Fund Survey includes over 100 public retirement systems representative of approximately 85% of the total assets and members.

Controlling Costs

“Control your expenses better than your competition. This is where you can always find the competitive advantage.”

Sam Walton
Walmart Founder



SWIB's Competitive Advantage

When compared to its peers, SWIB continues to be a low-cost pension fund manager that produces favorable results.

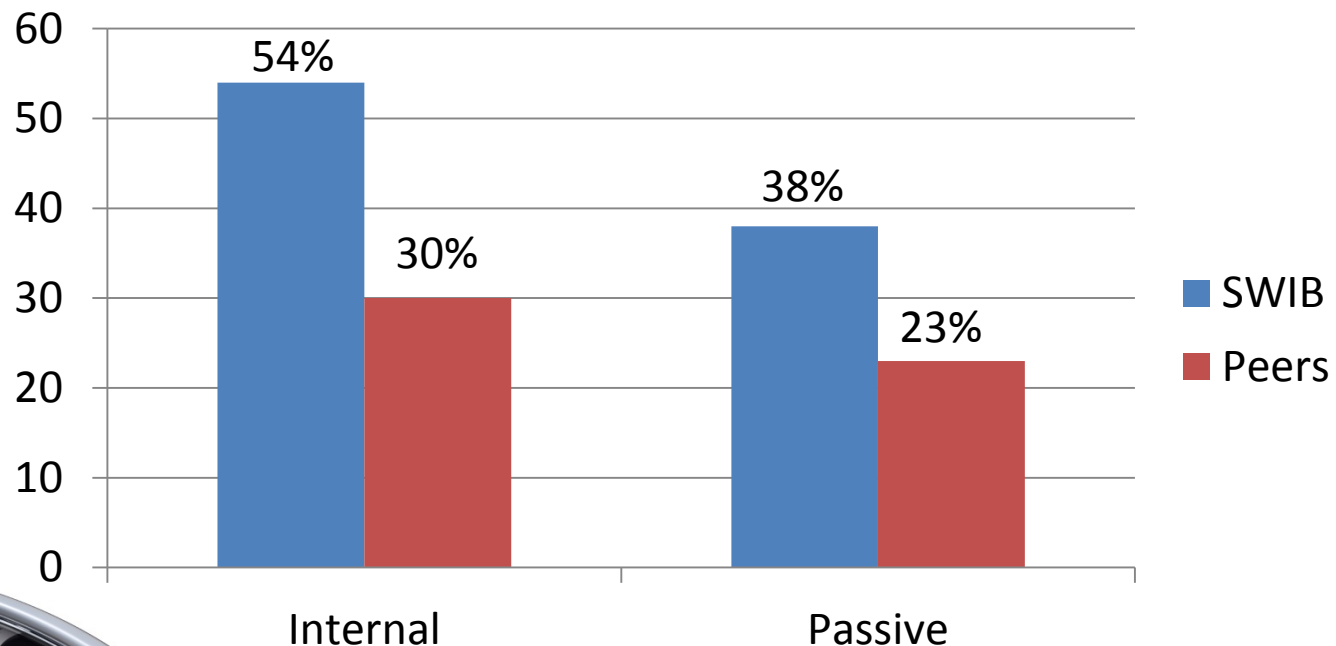


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Internal & Passive Management

Compared to peers, SWIB manages more assets internally & passively.

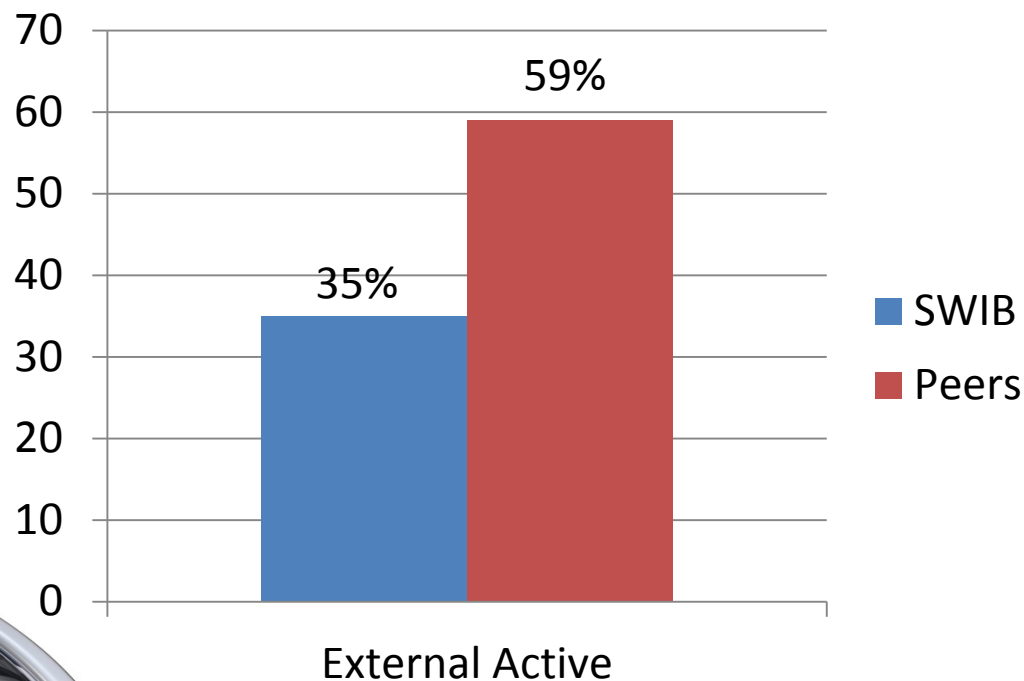


Source: CEM Benchmarking report for the five-year period ending December 31, 2013.



External Active Management

Compared to peers, SWIB uses less higher cost external active management & pays less for the external management it does use.

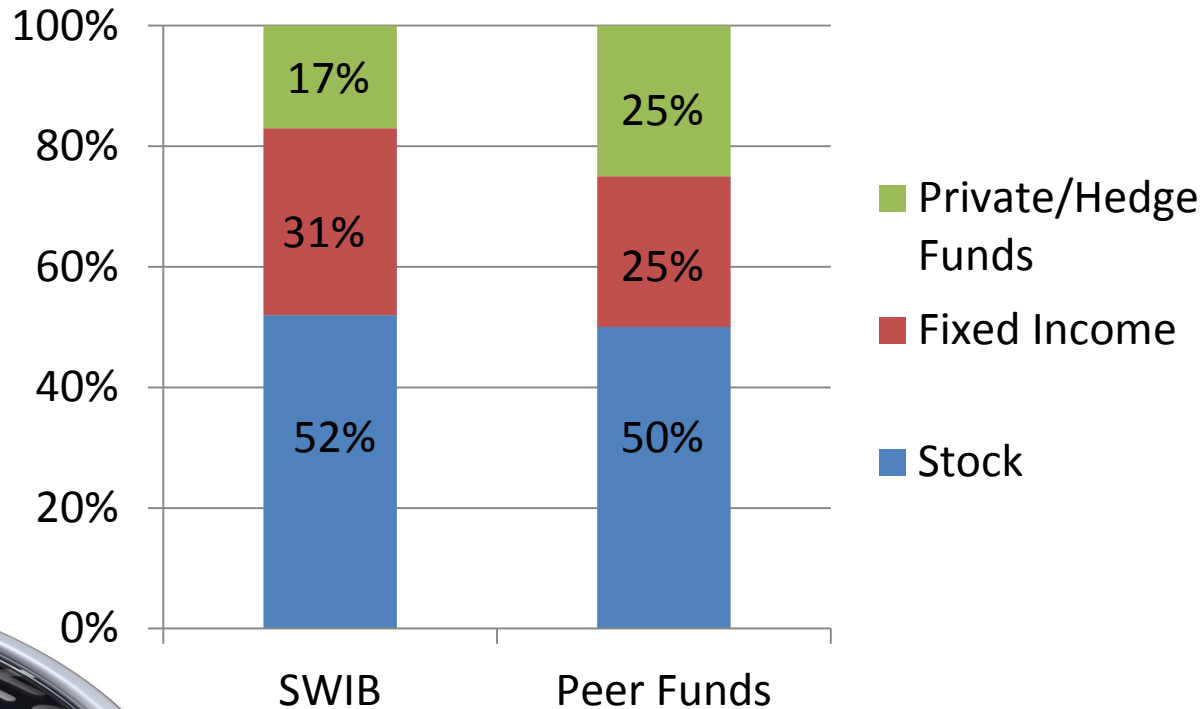


Source: CEM Benchmarking report for the five-year period ending December 31, 2013.



Fewer Higher Cost Assets

SWIB's strategic asset allocation includes fewer higher cost asset classes such as private markets & hedge funds than its peers.



Source: CEM Benchmarking.

Five-year average policy asset allocation as of December 31, 2013.



A Dollar Saved is a Dollar Earned

Reducing costs, negotiating lower fees & investing in low-cost assets combined with the performance of investment strategies have added \$1.4 billion over the past five years to the WRS.



Experience Working for You

155 Filled Positions*

Staff Credentials	Count
MBA	55
Chartered Financial Analyst (CFA)	45
Masters degrees other than MBA	27
Certified Public Accountant (CPA)	23
Attorneys	5
PhD	3
Total	158

*As of December 31, 2014: CFAs typically have advanced degrees, so the total credentials can exceed the number of employees.



What to Expect

- What's next for oil prices?
- Will U.S. growth remain strong?
- When will the Fed raise interest rates?
- Will the euro crisis flare up again?
- What unknown issues will impact world markets?



Thank You

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