

Keeping the WRS on the Road to Success

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Looking Back at 2015



- U.S. stocks experience worst annual performance since 2008
- Oil prices declined significantly
- Soft economic growth & currency devaluation in China
- Uncertainty around U.S. interest rate hike
- “Low return environment”

Core Fund Performance

2015

-0.4%

Benchmark: -0.3%

Three-Year

6.2%

Benchmark: 5.9%

Five-Year

6.7%

Benchmark: 6.2%

Ten-Year

5.8%

Benchmark: 5.6%

Variable Fund Performance

2015

-1.2%

Benchmark: -1.3%

Three-Year

11.0%

Benchmark: 10.8%

Five-Year

9.2%

Benchmark: 8.9%

Ten-Year

6.1%

Benchmark: 6.0%

Performance by Asset Class

	Benchmark	Actual Returns
Total Core Fund	-0.3%	-0.4%
Public Equities	-2.2%	-2.2%
Public Fixed Income	-0.9%	-1.0%
Inflation Sensitive	-6.6%	-6.6%
Real Estate	14.9%	16.1%
Private Equity	8.0%	10.4%
Multi-Asset Strategies	-0.4%	-1.2%
Alpha Pool Overlay	3.1%	2.3%

Real Estate's Strong Performance



2015
16.1%

Three-Year
15.7%

Five-Year
16.7%

Ten-Year
7.4%

Private Equity Helps Diversify



2015
10.4%

Three-Year
14.3%

Five-Year
13.8%

Ten-Year
11.5%

Value vs. Growth Stocks

facebook

amazon



Google

18

stocks accounted for

50%

of stock market returns in 2015

Markets Signal Challenges

- “Low return environment” continues
- Not impossible to make money, but significant challenges are ahead
- Returns similar to 2015 & 2016
- Investment strategy that protects trust funds & stabilizes impact on participants

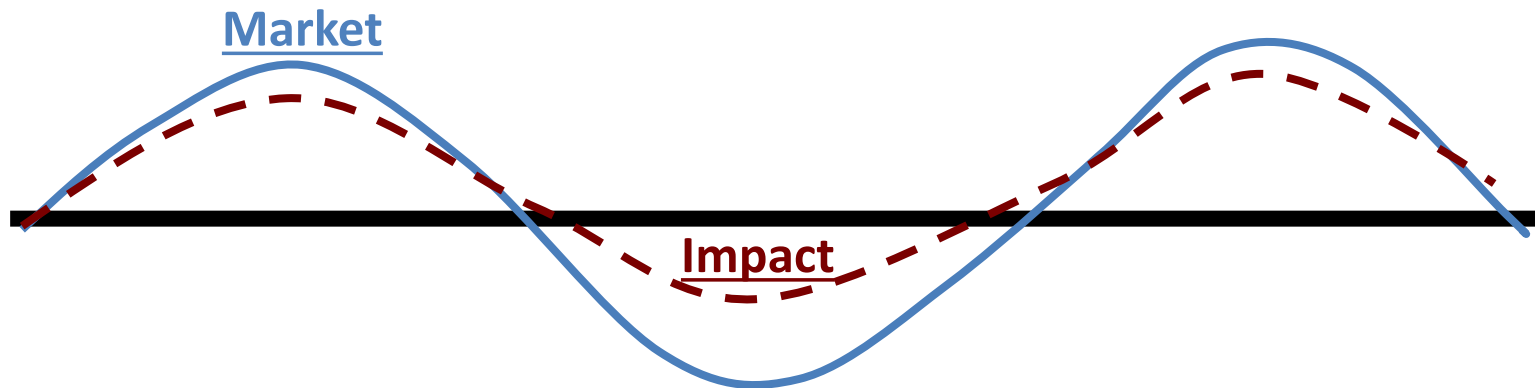


Managing Investment Risk

- Managing investment risk is central to our work
- Diversification is the primary tool we use to manage risk
- Most risk exposure comes from the stock market – 85%
- Strategy includes reducing exposure to stocks
- The Core Fund is fully diversified fund with investments in addition to stocks in bonds, real estate, fixed income, etc.
- Asset allocation matches the investment environment

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

Is it Working?

Core Fund
-2.5%

S&P 500
-5.1%

Russell 3000
-5.7%

MSCI World ex US Equities
-8.6%

*Preliminary as of 2/29/16

Long-Term Stability

20-Year Returns*

7.5%

Core Fund

7.5%

Variable Fund

*As of December 31, 2015

Looking Forward

- Markets will remain extremely volatile
- Achieving 6.5% to 6.7% over the next few years is realistic
- We can earn 7.2% over the long-term
- The WRS will remain financially healthy



A Dollar Saved is a Dollar Earned

- SWIB is considered a low-cost pension fund manager
- Saved \$144 million by investing in fewer higher-cost assets such as private markets & hedge funds
- Saved \$63 million by managing more assets internally & passively & negotiating lower external management fees
- Combined savings of \$207 million

Working for the WRS & You

\$1.2 Billion

Reducing costs, negotiating lower fees & investing in low-cost assets combined with the performance of investment strategies have added value over the past five years to the trust funds, which benefits the over 600,000 WRS participants.



Thank You

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