

SWIB Observations

For the Teachers Retirement Board
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Some Basic Goals

- ▶ Maintain the integrity of the fund
- ▶ Reduce risk and still meet the target of 7.2 % overall annual growth
- ▶ Continue to focus on controlling costs
- ▶ Ensure proper oversight, monitoring, transparency and compliance

Operating in the current economic

- ▶ Economic recovery has been slow in the U.S. as well as Europe, South America and the Pacific Rim
- ▶ Limited growth also effects the emerging nations as new demand is slow to materialize
- ▶ Sectors in the US such as housing starts and new manufacturing orders are still very soft
- ▶ Interest rates continue to be very low due to the easy money policies of the Federal Reserve

Strategies

- ▶ The lessons of 2008 show how necessary it is to have diversified investment strategies
- ▶ However, investments with low risk also have historically had low returns
- ▶ Currently the fund has about 23% in domestic and 25% in international stocks. U.S stocks have profited from the large run-up in the U.S. stock markets but this has not as yet transferred into all the international markets

Strategies

- ▶ Finding new investment opportunities with low risk and the necessary returns to meet the 7.2% overall objective is paramount
- ▶ When new strategies are proposed there is an extensive review process involving oversight, risk assessment and compliance
- ▶ There is a “go slow” funding policy so that new strategies can be thoroughly studied both internally and externally

Successes

- ▶ In October, the fund reached \$100 billion for the first time
- ▶ This year retirees will likely receive a dividend and it is expected that contribution rates will stabilize.

Building internal investing capabilities

- ▶ Over the last 6 years internally managed investments have grown from 21% to 58%
- ▶ There is significant cost savings by having internal capabilities
- ▶ To be competitive, salaries and bonuses must be reasonable. Benchmarks are set to encourage high caliber work but there are extensive internal and external monitoring systems to ensure no undue risks are taken for personal gain instead of fund stability

Building internal investing capabilities

- ▶ Bonuses are based on a weighted 5 year rolling performance average

As a Trustee

- ▶ The learning curve is significant and the materials for each meeting extensive
- ▶ Each of us serve on several additional sub-committees, I am vice-chair of the Benchmark Committee and a member of the Strategic Planning and Corporate Governance Committee, Bob is on the Audit Committee and Compensation Committee. As trustees we try to attend all the sub-committee meetings whether we are on the committees or not

As a Trustee

- ▶ All trustees report quarterly personal investment transactions to the Government Accountability Board
- ▶ The SWIB staff has made a Herculean effort to bring us up to speed, no questions are considered frivolous or left unanswered