

INVESTMENT BOARD

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY09 Adjusted Base	FY10 Recommended	% Change Over FY09	FY11 Recommended	% Change Over FY10
PR-O	30,215,300	29,720,400	-1.6	29,720,400	0.0
TOTAL	30,215,300	29,720,400	-1.6	29,720,400	0.0

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY09 Adjusted Base	FY10 Recommended	FTE Change From FY09	FY11 Recommended	FTE Change From FY10
PR-O	113.50	113.50	0.00	113.50	0.00
TOTAL	113.50	113.50	0.00	113.50	0.00

AGENCY DESCRIPTION

As of June 30, 2008, the board managed approximately \$87 billion in assets. The trust funds of the Wisconsin Retirement System comprise nearly 93 percent of the funds under management. With assets over \$81 billion, the Wisconsin Retirement System is currently the 9th largest public pension fund in the United States and the 24th largest public or private pension fund in the world.

The board also manages the state investment fund which invests the cash balances of state agencies, over 1,100 local governments and the Wisconsin Retirement System on a commingled basis. Funds are managed to protect principal, provide liquidity and enhance returns. In addition, the board manages several smaller trust funds. Each has investment objectives to fulfill specific financial needs.

The board is comprised of nine trustees, selected as follows:

- Five public members appointed by the Governor with the advice and consent of the Senate to staggered six-year terms. Four of these five members must possess at least ten years of investment experience.
- One member representing a local government that participates in the Local Government Investment Pool. This member is appointed by the Governor with the advice and consent of the Senate to a six-year term and must meet prescribed statutory eligibility criteria.
- Two members must be Wisconsin Retirement System participants. One member is appointed by the Teachers Retirement Board from among Wisconsin Retirement System teacher participants and the other is appointed by the Wisconsin Retirement Board from among Wisconsin Retirement System nonteacher participants, for six-year terms.
- One member is the secretary of the Department of Administration, or his/her designee.

MISSION

The purpose of the board is to provide prudent and cost-effective management of funds held in trust by the state. This is achieved with solid investment returns, consistent with the purpose and risk profile of each fund.

PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES

Program 1: Investment of Funds

Goal: Earn the best rate of investment return, with an appropriate level of risk, for each fund managed.

Objective/Activity: The board strives to exceed measurable investment goals for each fund. The investment objective for the Wisconsin Retirement System trust funds is to achieve a long-term rate of return that will help the system to meet pension obligations to current and future beneficiaries. Successful investment performance reduces the amount that taxpayers contribute to the funding of system benefits and provides for increases in pension benefits. The investment objective for the state investment fund is to exceed its established performance benchmark. The investment objective for the small funds is to meet annual fund cash flow requirements, as established by their governing boards.

PERFORMANCE MEASURES

2007 AND 2008 GOALS AND ACTUALS

Prog. No.	Performance Measure	Goal 2007	Actual 2007	Goal 2008	Actual 2008
1.	Investment returns for the core and variable retirement funds exceed market index returns for the asset classes in which the funds are invested on a net basis.	Net investment returns exceed market performance benchmarks on a one-, five- and ten-year basis	<u>Core:</u> 1 Year: Yes 5 Year: Yes 10 Year: Yes <u>Variable:</u> 1 Year: No 5 Year: No 10 Year: Yes	Net investment returns exceed market performance benchmarks on a one-, five- and ten-year basis	<u>Core:</u> 1 Year: No 5 Year: Yes 10 Year: Yes <u>Variable:</u> 1 Year: No 5 Year: No 10 Year: Yes
1.	Long-term investment returns for the core retirement fund meet or exceed the rate of return assumed by Wisconsin Retirement System actuary. ¹	Return averages at least 7.8% annually over the long term	Exceeded goal; ten-year return was 8.9%	Return averages at least 7.8% annually over the long term	Did not exceed goal; ten-year return was 6.7%
1.	Total costs to manage the core retirement fund are reasonable when compared to peer funds with a similar asset mix and size. ²	Total costs are at or below the normal cost paid by our peers to manage a similar asset mix	Nearly met goal; CY 2006 cost was 26.0 basis points (26.0 cents per \$100 managed) compared to typical costs of 23.6 basis points	Total costs are at or below the normal cost paid by our peers to manage a similar asset mix	Met goal; CY 2007 cost was 25.8 basis points (25.8 cents per \$100 managed) compared to typical costs of 26.3 basis points

Prog. No.	Performance Measure	Goal 2007	Actual 2007	Goal 2008	Actual 2008
1.	Core retirement fund net investment returns are in the top half of its peer group. ^{3,4}	Core fund's net five-year investment return exceeds the peer group median on an absolute and risk adjusted basis	Met goal; five- and ten-year in top 25% of peer group as of December 31, 2006 Five-year risk adjusted return ranked 4th out of 10 funds in the peer group as of December 31, 2006	Core fund's net five-year investment return exceeds the peer group median on an absolute and risk adjusted basis	Nearly met goal; five-year in top 27% and ten-year in top 30% of peer group as of December 31, 2007 Five-year risk adjusted return ranked 6th out of 10 funds in the peer group as of December 31, 2007
1.	State investment fund returns exceed investment performance benchmarks.	Exceed	Exceeded one-, five- and ten-year investment benchmarks	Exceed	Exceeded one-, five- and ten-year investment benchmarks
1.	State investment fund returns exceed the median of comparable money market mutual funds. ⁵	Above the median	Exceeded goal; return ranked first out of 212 government funds and 10th compared to 1,230 taxable funds as of December 31, 2006	Above the median	Exceeded goal; return ranked first out of 198 government funds and 148th compared to 1,180 taxable funds as of December 31, 2007

Prog. No.	Performance Measure	Goal 2007	Actual 2007	Goal 2008	Actual 2008
1.	Meet annual fund cash flow requirements as established by the governing boards for the State Historical Society trust fund, the injured patients and families compensation fund, the state life insurance fund, the local government property insurance fund and the EdVest tuition trust fund.	Meet the cash flow needs of the funds	Met goal	Meet the cash flow needs of the funds	Met goal

Note: Based on fiscal year, except where noted.

¹As assumed by the actuary.

²As reported by CEM Benchmarking, Inc.

³Trust Universe Comparison Service data for public funds with over \$1 billion in assets (not risk adjusted).

⁴Peer group selected by the Legislative Audit Bureau.

⁵As measured by the iMoneyNet Government Index and All Taxable Money Market Index.

2009, 2010 AND 2011 GOALS

Prog. No.	Performance Measure	Goal 2009	Goal 2010	Goal 2011
1.	Investment returns for the core and variable retirement funds exceed market index returns for the asset classes in which the funds are invested on a net basis.	Net investment returns exceed market performance benchmarks on a one-, five- and ten-year basis	Net investment returns exceed market performance benchmarks on a one-, five- and ten-year basis	Net investment returns exceed market performance benchmarks on a one-, five- and ten-year basis
1.	Long-term investment returns for the core retirement fund meet or exceed the rate of return assumed by Wisconsin Retirement System actuary. ¹	Return averages at least 7.8% annually over the long term	Return averages at least 7.8% annually over the long term	Return averages at least 7.8% annually over the long term
1.	Total costs to manage the core retirement fund are reasonable when compared to peer funds with a similar asset mix and size. ²	Total costs are at or below the normal cost paid by our peers to manage a similar asset mix	Total costs are at or below the normal cost paid by our peers to manage a similar asset mix	Total costs are at or below the normal cost paid by our peers to manage a similar asset mix

Prog. No.	Performance Measure	Goal 2009	Goal 2010	Goal 2011
1.	Core retirement fund net investment returns are in the top half of its peer group. ^{3,4}	Core fund's net five-year investment return exceeds the peer group median on an absolute and risk adjusted basis	Core fund's net five-year investment return exceeds the peer group median on an absolute and risk adjusted basis	Core fund's net five-year investment return exceeds the peer group median on an absolute and risk adjusted basis
1.	State investment fund returns exceed investment performance benchmarks.	Exceed	Exceed	Exceed
1.	State investment fund returns exceed the median of comparable money market mutual funds. ⁵	Above the median	Above the median	Above the median
1.	Meet annual fund cash flow requirements as established by the governing boards for the State Historical Society trust fund, the injured patients and families compensation fund, the state life insurance fund, the local government property insurance fund and the EdVest tuition trust fund.	Meet the cash flow needs of the funds	Meet the cash flow needs of the funds	Meet the cash flow needs of the funds

Note: Based on fiscal year, except where noted.

¹As assumed by the actuary.

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INVESTMENT BOARD

GOVERNOR'S BUDGET RECOMMENDATIONS

RECOMMENDATIONS

1. Across-the-Board 1 Percent Reductions
2. Standard Budget Adjustments

Table 1
Department Budget Summary by Funding Source (in thousands of dollars)

	ACTUAL FY08	ADJUSTED BASE FY09	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY10	FY11	FY10	FY11
PROGRAM REVENUE (2)	\$21,052.4	\$30,215.3	\$30,022.6	\$30,022.6	\$29,720.4	\$29,720.4
State Operations	21,052.4	30,215.3	30,022.6	30,022.6	29,720.4	29,720.4
TOTALS-ANNUAL	21,052.4	30,215.3	30,022.6	30,022.6	29,720.4	29,720.4
State Operations	21,052.4	30,215.3	30,022.6	30,022.6	29,720.4	29,720.4

(2) Includes Program Revenue-Service and Program Revenue-Other

Table 2
Department Position Summary by Funding Source (in FTE positions) (4)

	ADJUSTED BASE FY09	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY10	FY11	FY10	FY11
PROGRAM REVENUE (2)	113.50	113.50	113.50	113.50	113.50
TOTALS-ANNUAL	113.50	113.50	113.50	113.50	113.50

(2) Includes Program Revenue-Service and Program Revenue-Other

(4) All positions are State Operations unless otherwise specified

Table 3
Department Budget Summary by Program (in thousands of dollars)

	ACTUAL FY08	ADJUSTED BASE FY09	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY10	FY11	FY10	FY11
1. Investment of funds	\$21,052.4	\$30,215.3	\$30,022.6	\$30,022.6	\$29,720.4	\$29,720.4
TOTALS	21,052.4	30,215.3	30,022.6	30,022.6	29,720.4	29,720.4

Table 4
Department Position Summary by Program (in FTE positions) (4)

	ADJUSTED BASE FY09	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY10	FY11	FY10	FY11
1. Investment of funds	113.50	113.50	113.50	113.50	113.50
TOTALS	113.50	113.50	113.50	113.50	113.50

(4) All positions are State Operations unless otherwise specified

1. Across-the-Board 1 Percent Reductions

Source of Funds	Agency Request				Governor's Recommendation			
	FY10		FY11		FY10		FY11	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	0	0.00	0	0.00	-302,200	0.00	-302,200	0.00
TOTAL	0	0.00	0	0.00	-302,200	0.00	-302,200	0.00

The Governor recommends reducing most nonfederal appropriations by 1 percent to create additional efficiencies and balance the budget.

2. Standard Budget Adjustments

Source of Funds	Agency Request				Governor's Recommendation			
	FY10		FY11		FY10		FY11	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	-192,700	0.00	-192,700	0.00	-192,700	0.00	-192,700	0.00
TOTAL	-192,700	0.00	-192,700	0.00	-192,700	0.00	-192,700	0.00

The Governor recommends adjusting the department's base budget for: (a) removal of noncontinuing elements from the base (-\$192,700 in each year).