

INVESTMENT BOARD

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY01 Adjusted Base	FY02 Recommended	% Change Over FY01	FY03 Recommended	% Change Over FY02
PR-O	19,552,200	19,552,200	0.0	19,552,200	0.0
TOTAL	19,552,200	19,552,200	0.0	19,552,200	0.0

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY01 Adjusted Base	FY02 Recommended	FTE Change From FY01	FY03 Recommended	FTE Change From FY02
PR-O	104.50	104.50	0.00	104.50	0.00
TOTAL	104.50	104.50	0.00	104.50	0.00

AGENCY DESCRIPTION

The board presently manages over \$70 billion in assets. The trust funds of the Wisconsin Retirement System (WRS), which serves over 461,000 current or former employees of the state and most local governments, comprises over ninety percent of the funds under management. With assets over \$65 billion, the WRS is currently the ninth largest public pension fund in the United States and the nineteenth 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 1,000 local governments and the WRS 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 are 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 professional investment experience.

One is a member representing a local government that participates in the board-managed local government investment pool. The local government member is appointed by the Governor, with the advice and consent of the Senate, to a six-year term and must also meet prescribed statutory eligibility criteria.

Two of the members must be WRS participants. One of these members is appointed by the Teacher Retirement Board from among WRS teacher participants and the other is appointed by the Wisconsin Retirement Board from among WRS nonteacher participants, for six-year terms.

One member is the secretary of the Department of Administration, or his or 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: To 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 WRS trust funds is to achieve a long-term rate of return that will enable the WRS to meet pension obligations to current and future beneficiaries. Successful investment performance reduces the amount that taxpayers contribute to the funding of WRS 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 the governing boards.

PERFORMANCE MEASURES

Prog. No.	Performance Measure	Actual 2000	Goal 2001	Goal 2002	Goal 2003
1.	Five- and ten-year fixed fund returns averaging at least eight percent annually over the long term.	14% five-year 12.7% ten-year	In excess of 8%	In excess of 8%	In excess of 8%
1.	Retirement fund one-, five- and ten-year returns that exceed performance benchmarks (determined by the board's benchmark setting process).	Exceeded	Exceed	Exceed	Exceed
1.	Fixed fund performance ranking above the median return for public pension fund peers.	One-year exceeded; five-and ten-year slightly lagged*	Above the median	Above the median	Above the median
1.	Keep total costs (operations plus fees paid to outside suppliers) at or below the median cost of what is typical for pension funds managing a similar mix of assets.	15 base points**	Maintain at or below the median cost	Maintain at or below the median cost	Maintain at or below the median cost
1.	State investment fund one-, five- and ten-year returns that exceed performance benchmarks (determined by the board's benchmark setting process).	Exceeded	Exceed	Exceed	Exceed
1.	Achieve returns for the state investment fund which place the fund above the median of money market mutual funds as measured by the iMoneyNet Index.	Ranked well above the median return	Rank above the median return	Rank above the median return	Rank above the median return
1.	Meet annual fund cash flow requirements, as established by the governing boards, for the State Historical Society Trust Fund, the Patients Compensation Fund, the State Life Insurance Fund, the Local Government Investment Pool and the EdVest Tuition Trust Fund.	Met the cash flow needs of these funds	Meet the cash flow needs of these funds	Meet the cash flow needs of these funds	Meet the cash flow needs of these funds

* The fixed fund performance for the one-year time period ending June 30, 2000 exceeded the median return for public pension fund peers (26th percentile). The fixed fund performance slightly lagged the median fund return for the five- and ten-year performance time frames (59th and 52nd percentiles, respectively).

** As measured by cost effectiveness measurement, the board's 1999 total cost of management was 15¢ per \$100 managed (15 basis points). This compares favorably to 19¢ per \$100 managed (19bp), the cost which would be expected for a pension fund, given the board's asset mix.

INVESTMENT BOARD

GOVERNOR'S BUDGET RECOMMENDATIONS

RECOMMENDATIONS

1. Minor Transfers Within Same Alpha Appropriation

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

	ACTUAL FY00	ADJUSTED BASE FY01	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY02	FY03	FY02	FY03
PROGRAM REVENUE (2)	\$13,102.9	\$19,552.2	\$19,552.2	\$19,552.2	\$19,552.2	\$19,552.2
State Operations	13,102.9	19,552.2	19,552.2	19,552.2	19,552.2	19,552.2
TOTALS-ANNUAL	13,102.9	19,552.2	19,552.2	19,552.2	19,552.2	19,552.2
State Operations	13,102.9	19,552.2	19,552.2	19,552.2	19,552.2	19,552.2

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

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

	ADJUSTED BASE FY01	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY02	FY03	FY02	FY03
PROGRAM REVENUE (2)	104.50	104.50	104.50	104.50	104.50
TOTALS-ANNUAL	104.50	104.50	104.50	104.50	104.50

(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 FY00	ADJUSTED BASE FY01	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY02	FY03	FY02	FY03
1. Investment of funds	\$13,102.9	\$19,552.2	\$19,552.2	\$19,552.2	\$19,552.2	\$19,552.2
TOTALS	13,102.9	19,552.2	19,552.2	19,552.2	19,552.2	19,552.2

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

	ADJUSTED BASE FY01	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY02	FY03	FY02	FY03
1. Investment of funds	104.50	104.50	104.50	104.50	104.50
TOTALS	104.50	104.50	104.50	104.50	104.50

(4) All positions are State Operations unless otherwise specified

1. Minor Transfers within Same Alpha Appropriation

1999 Wisconsin Act 9 changed the manner in which the board's budget is established by indexing its budget to 0.0275 percent of the assets under management. The board's FY01 adjusted base budget is \$19.5 million, or 0.0275 percent of assets under management as of April 30, 2000. 1999 Wisconsin Act 9 also granted the board the flexibility to determine how its \$19,552,200 in budget authority should be allocated and utilized.

Pursuant to Act 9, the Governor recommends approving minor transfers within the same appropriation of:

(a) permanent salaries (\$2,734,300 in each year); (b) LTE salaries (\$13,600 in each year); (c) fringe benefits (\$662,000 in each year); (d) supplies and services (\$1,619,300 in each year); (e) permanent property (\$270,700 in each year); (f) unallotted reserve (-\$2,464,700 in each year); and (g) one-time financing (-\$2,835,200 in each year).