

INVESTMENT BOARD

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY15 Adjusted Base	FY16 Recommended	% Change Over FY15	FY17 Recommended	% Change Over FY16
PR-O	46,853,600	46,853,600	0.0	46,853,600	0.0
TOTAL	46,853,600	46,853,600	0.0	46,853,600	0.0

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY15 Adjusted Base	FY16 Recommended	FTE Change Over FY15	FY17 Recommended	FTE Change Over FY16
PR-O	166.35	166.35	0.00	166.35	0.00
TOTAL	166.35	166.35	0.00	166.35	0.00

AGENCY DESCRIPTION

As of June 30, 2014, the board managed approximately \$105.1 billion in assets. The trust funds of the Wisconsin Retirement System comprise nearly 93 percent of the funds under management. With assets over \$98.1 billion, the Wisconsin Retirement System is currently the 9th largest public pension fund in the United States and the 28th 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.

Investment Board

- One member is the secretary of the Department of Administration, or his or her designee.

MISSION

To be a trusted and skilled global investment organization contributing to strong financial futures for the beneficiaries of the funds entrusted to the board.

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 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 while ensuring the safety of principal and liquidity. The investment objective for the small funds is to meet annual fund cash flow requirements, as established by their governing boards.

PERFORMANCE MEASURES

2013 AND 2014 GOALS AND ACTUALS

Prog. No.	Performance Measure	Goal 2013	Actual 2013	Goal 2014	Actual 2014
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: Yes 5 Year: Yes 10 Year: Yes	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: Yes 5 Year: Yes 10 Year: No
1.	Long-term investment returns for the core retirement fund meet or exceed the rate of return assumed by Wisconsin Retirement System actuary.	Return averages at least 7.2% annually over the long term ¹ (ten years)	Met goal Ten-year net return was 7.5%	Return averages at least 7.2% annually over the long term ¹ (ten years)	Met goal Ten-year net return was 7.5%

Investment Board

Prog. No.	Performance Measure	Goal 2013	Actual 2013	Goal 2014	Actual 2014
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 peers to manage a similar asset mix	Met goal CY 2012 cost was 37.6 basis points (37.6 cents per \$100 managed) compared to typical costs of 42.4 basis points ²	Total costs are at or below the normal cost paid by peers to manage a similar asset mix	Met goal CY 2013 cost was 37.6 basis points (37.6 cents per \$100 managed) compared to typical costs of 47.1 basis points ²
1.	Core retirement fund net investment returns are in the top half of its peer group. ^{3,4}	Core fund's five-year investment return exceeds the peer group median on an absolute and risk adjusted basis	Met goal Five-year in top 25% and ten-year in top 20% of peer group as of December 31, 2012 ³ Five-year risk adjusted return in the top 24% of peer group as of December 31, 2012 ⁴	Core fund's five-year investment return exceeds the peer group median on an absolute and risk adjusted basis	Met goal Five-year in top 40% and ten-year in top 40% of peer group as of December 31, 2013 ³ Five-year risk adjusted return in the top 32% of peer group as of December 31, 2013 ⁴
1.	State investment fund returns exceed investment performance benchmarks.	Exceed benchmarks	Exceeded one-, five- and ten-year investment benchmarks	Exceed benchmarks	Matched one-year and exceeded five- and ten-year investment benchmarks

Investment Board

Prog. No.	Performance Measure	Goal 2013	Actual 2013	Goal 2014	Actual 2014
1.	State investment fund returns exceed the median of comparable money market mutual funds. ⁵	Above the median	Exceeded goal Return ranked 1st out of 180 government funds and 30th compared to 1,031 taxable funds as of December 31, 2012	Above the median	Exceeded goal Return ranked 1st out of 159 government funds and 15th compared to 994 taxable funds as of December 31, 2013
1.	Meet annual fund cash flow requirements as established by the governing boards for the State Historical Society trust fund, injured patients and families compensation fund, state life insurance fund, local government property insurance fund, and 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., (CY 2013 data is preliminary).

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

⁴Peer group with over \$10 billion in assets compiled by Callan Associates, Inc., (risk adjusted).

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

Investment Board

2015, 2016 AND 2017 GOALS

Prog. No.	Performance Measure	Goal 2015	Goal 2016	Goal 2017
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.	Net return averages at least 7.2% annually over the long term ¹ (ten years)	Net return averages at least 7.2% annually over the long term ¹ (ten years)	Net return averages at least 7.2% annually over the long term ¹ (ten years)
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 peers to manage a similar asset mix	Total costs are at or below the normal cost paid by peers to manage a similar asset mix	Total costs are at or below the normal cost paid by peers to manage a similar asset mix
1.	Core retirement fund investment returns are in the top half of its peer group. ³	Core fund's five-year investment return exceeds the peer group median on a risk adjusted basis	Core fund's five-year investment return exceeds the peer group median on a risk adjusted basis	Core fund's five-year investment return exceeds the peer group median on a risk adjusted basis
1.	State investment fund returns exceed investment performance benchmarks.	Exceed benchmarks	Exceed benchmarks	Exceed benchmarks
1.	State investment fund returns exceed the median of comparable money market mutual funds. ⁴	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, injured patients and families compensation fund, state life insurance fund, local government property insurance fund, and 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.

²As reported by CEM Benchmarking, Inc.

³Peer group with over \$10 billion in assets compiled by Callan Associates, Inc., (risk adjusted).

⁴As measured by the iMoneyNet Government Index and All Taxable Money Market Index.

Investment Board

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

	ACTUAL FY14	ADJUSTED BASE FY15	AGENCY REQUEST FY16	AGENCY REQUEST FY17	GOVERNOR'S RECOMMENDATION FY16	GOVERNOR'S RECOMMENDATION FY17
PROGRAM REVENUE (2)	\$41,643.3	\$46,853.6	\$46,853.6	\$46,853.6	\$46,853.6	\$46,853.6
State Operations	41,643.3	46,853.6	46,853.6	46,853.6	46,853.6	46,853.6
TOTALS - ANNUAL	\$41,643.3	\$46,853.6	\$46,853.6	\$46,853.6	\$46,853.6	\$46,853.6
State Operations	41,643.3	46,853.6	46,853.6	46,853.6	46,853.6	46,853.6

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

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

	ADJUSTED BASE FY15	AGENCY REQUEST FY16	AGENCY REQUEST FY17	GOVERNOR'S RECOMMENDATION FY16	GOVERNOR'S RECOMMENDATION FY17
PROGRAM REVENUE (2)	166.35	166.35	166.35	166.35	166.35
TOTALS - ANNUAL	166.35	166.35	166.35	166.35	166.35

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

(4) All positions are State Operations unless otherwise specified

Investment Board

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

	ACTUAL FY14	ADJUSTED BASE FY15	AGENCY REQUEST FY16 FY17		GOVERNOR'S RECOMMENDATION FY16 FY17	
1. Investment of funds	\$41,643.3	\$46,853.6	\$46,853.6	\$46,853.6	\$46,853.6	\$46,853.6
TOTALS	\$41,643.3	\$46,853.6	\$46,853.6	\$46,853.6	\$46,853.6	\$46,853.6

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

	ADJUSTED BASE FY15	AGENCY REQUEST FY16 FY17		GOVERNOR'S RECOMMENDATION FY16 FY17	
1. Investment of funds	166.35	166.35	166.35	166.35	166.35
TOTALS	166.35	166.35	166.35	166.35	166.35

(4) All positions are State Operations unless otherwise specified

Investment Board