

## INVESTMENT BOARD

### GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY23 Adjusted Base	FY24 Recommended	% Change Over FY23	FY25 Recommended	% Change Over FY24
PR-O	102,731,100	102,731,100	0.0	102,731,100	0.0
TOTAL	102,731,100	102,731,100	0.0	102,731,100	0.0

### FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY23 Adjusted Base	FY24 Recommended	FTE Change Over FY23	FY25 Recommended	FTE Change Over FY24
PR-O	290.00	290.00	0.00	290.00	0.00
TOTAL	290.00	290.00	0.00	290.00	0.00

### AGENCY DESCRIPTION

As of June 30, 2022, the board managed approximately \$145.8 billion in assets. The trust funds of the Wisconsin Retirement System comprise nearly 86 percent of the funds under management at \$124.9 billion in assets. The Wisconsin Retirement System is a risk-sharing defined benefit plan. It is a hybrid model in that it contains elements of a defined benefit plan and a defined contribution plan, similar to a 401(k). The board works to protect and grow the assets of the Wisconsin Retirement System for the benefit of the approximately 652,000 participants who count on the pension for a more secure financial future. The Wisconsin Retirement System consistently ranks among the ten largest public pension funds in the United States and is the 25th largest public or private pension fund in the world.

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

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.

## **Investment Board**

- 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 or her designee.

## **MISSION**

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

## **PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES**

Note: The goals, objectives and activities have been slightly modified.

### **Program 1: Investment of Funds**

Goal: Earn a reasonable 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 board's overall objective for each fund it manages is to seek aggregate investment returns in excess of the applicable benchmarks over all cumulative time periods constructed with a prudent level of risk. 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 participants and 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 separately managed funds is to meet annual fund cash flow requirements, as established by their governing boards.

**PERFORMANCE MEASURES**

**2021 AND 2022 GOALS AND ACTUALS**

<b>Prog. No.</b>	<b>Performance Measure</b>	<b>Goal 2021</b>	<b>Actual 2021</b>	<b>Goal 2022</b>	<b>Actual 2022</b>
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. <sup>1,2</sup>	Net investment returns exceed market performance benchmarks on a one-, five- and ten-year basis	<p><u>Core:</u> 1 Year: Yes 5 Year: Yes 10 Year: Yes</p> <p><u>Variable:</u> 1 Year: No 5 Year: Yes 10 Year: Yes</p>	Net investment returns exceed market performance benchmarks on a one-, five- and ten-year basis	<p><u>Core:</u> 1 Year: Yes 5 Year: Yes 10 Year: Yes</p> <p><u>Variable:</u> 1 Year: No 5 Year: No 10 Year: Yes</p>
1.	Long-term investment returns for the core retirement fund meet or exceed the rate of return assumed by Wisconsin Retirement System actuary. <sup>3</sup>	Net return averages at least 7.0% annually over the long term (ten years)	Met goal  CY 2020 ten-year net return was 8.5%	Net return averages at least 7.0% annually over the long term (ten years) <sup>4</sup>	Met goal  CY 2021 ten-year net return was 10.1%
1.	Total costs to manage the core retirement fund are reasonable when compared to peer funds with a similar asset mix and size. <sup>5</sup>	Total costs are at or below the normal cost paid by peers to manage a similar asset mix	Met goal  Total investment costs were below the benchmark cost	Total costs are at or below the normal cost paid by peers to manage a similar asset mix	Met goal  Total investment costs were below the benchmark cost
1.	Core retirement fund investment returns are in the top half of its peer group. <sup>6</sup>	Core fund's five-year investment return exceeds the peer group median on an asset allocation adjusted basis	Met goal  CY 2020 gross return of 11.13% vs. median of 10.82%	Core fund's five-year investment return exceeds the peer group median on an asset allocation adjusted basis	Met goal  CY 2021 gross return of 12.81% vs. median of 12.64%
1.	State investment fund returns exceed investment performance benchmarks. <sup>1,2</sup>	Exceed benchmarks	1 Year: Yes 5 Year: Yes 10 Year: Yes	Exceed benchmarks	1 Year: No 5 Year: Yes 10 Year: Yes
1.	State investment fund returns exceed the median of comparable money market mutual funds. <sup>7</sup>	Above the median	Met goal	Above the median	Met goal

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<b>Prog. No.</b>	<b>Performance Measure</b>	<b>Goal 2021</b>	<b>Actual 2021</b>	<b>Goal 2022</b>	<b>Actual 2022</b>
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, UW System trust funds, and EdVest tuition trust funds.	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.

<sup>1</sup>Returns reported Net of Fee, except where noted.

<sup>2</sup>Core and variable trust fund official investment performance and measures are reported on a calendar year basis. State investment fund official investment performance and measures are reported on a fiscal year basis.

<sup>3</sup>The assumed rate of return is established by the Employee Trust Funds Board, acting on recommendation of its independent consulting actuary.

<sup>4</sup>The rate of return assumed by the Wisconsin Retirement System actuary was reduced to 6.8% in December 2021, effective for the 2021 Wisconsin Retirement System valuation and for use in determining contribution rates for 2023.

<sup>5</sup>As reported by CEM Benchmarking, Inc. Cost-effectiveness reporting is performed on a calendar year basis and is available on annual calendar year lag.

<sup>6</sup>Peer group Public Funds with over \$10 billion in assets compiled by Callan Associates, Inc. Returns measured at Gross of Fee and on an asset allocation adjusted basis.

<sup>7</sup>As measured by the appropriate market index or peer data.

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### 2023, 2024 AND 2025 GOALS

Prog. No.	Performance Measure <sup>1</sup>	Goal 2023 <sup>1</sup>	Goal 2024	Goal 2025
1.	Investment returns for the Wisconsin Retirement System exceed market index returns for the asset classes in which the funds are invested on a net basis. <sup>2,3</sup>	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. <sup>4</sup>	Net return averages at least 6.8% annually over the long term (five and ten years)	Net return averages at least 6.8% annually over the long term (five and ten years)	Net return averages at least 6.8% annually over the long term (five and ten years)

Note: Based on fiscal year, except where noted.

<sup>1</sup>Previously stated 2023 performance measures and goals have been modified to reflect the above.

<sup>2</sup>Returns reported Net of Fee, except where noted.

<sup>3</sup>Core and variable trust fund official investment performance and measures are reported on a calendar year basis. State investment fund official investment performance and measures are reported on a fiscal year basis.

<sup>4</sup>The assumed rate of return is established by the Employee Trust Funds Board, acting on recommendation of its independent consulting actuary.

**Investment Board**

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

	ACTUAL FY22	ADJUSTED BASE FY23	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY24	FY25	FY24	FY25
PROGRAM REVENUE (2)	\$83,969.4	\$102,731.1	\$102,731.1	\$102,731.1	\$102,731.1	\$102,731.1
State Operations	83,969.4	102,731.1	102,731.1	102,731.1	102,731.1	102,731.1
TOTALS - ANNUAL	\$83,969.4	\$102,731.1	\$102,731.1	\$102,731.1	\$102,731.1	\$102,731.1
State Operations	83,969.4	102,731.1	102,731.1	102,731.1	102,731.1	102,731.1

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

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

	ADJUSTED BASE FY23	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY24	FY25	FY24	FY25
PROGRAM REVENUE (2)	290.00	290.00	290.00	290.00	290.00
State Operations	290.00	290.00	290.00	290.00	290.00
TOTALS - ANNUAL	290.00	290.00	290.00	290.00	290.00
State Operations	290.00	290.00	290.00	290.00	290.00

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

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

	ACTUAL FY22	ADJUSTED BASE FY23	AGENCY REQUEST FY24	AGENCY REQUEST FY25	GOVERNOR'S RECOMMENDATION FY24	GOVERNOR'S RECOMMENDATION FY25
1. Investment of funds	\$83,969.4	\$102,731.1	\$102,731.1	\$102,731.1	\$102,731.1	\$102,731.1
TOTALS	\$83,969.4	\$102,731.1	\$102,731.1	\$102,731.1	\$102,731.1	\$102,731.1

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

	ADJUSTED BASE FY23	AGENCY REQUEST FY24	AGENCY REQUEST FY25	GOVERNOR'S RECOMMENDATION FY24	GOVERNOR'S RECOMMENDATION FY25
1. Investment of funds	290.00	290.00	290.00	290.00	290.00
TOTALS	290.00	290.00	290.00	290.00	290.00