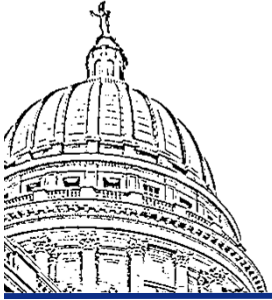


January 25, 2017

State of Wisconsin Investment Board

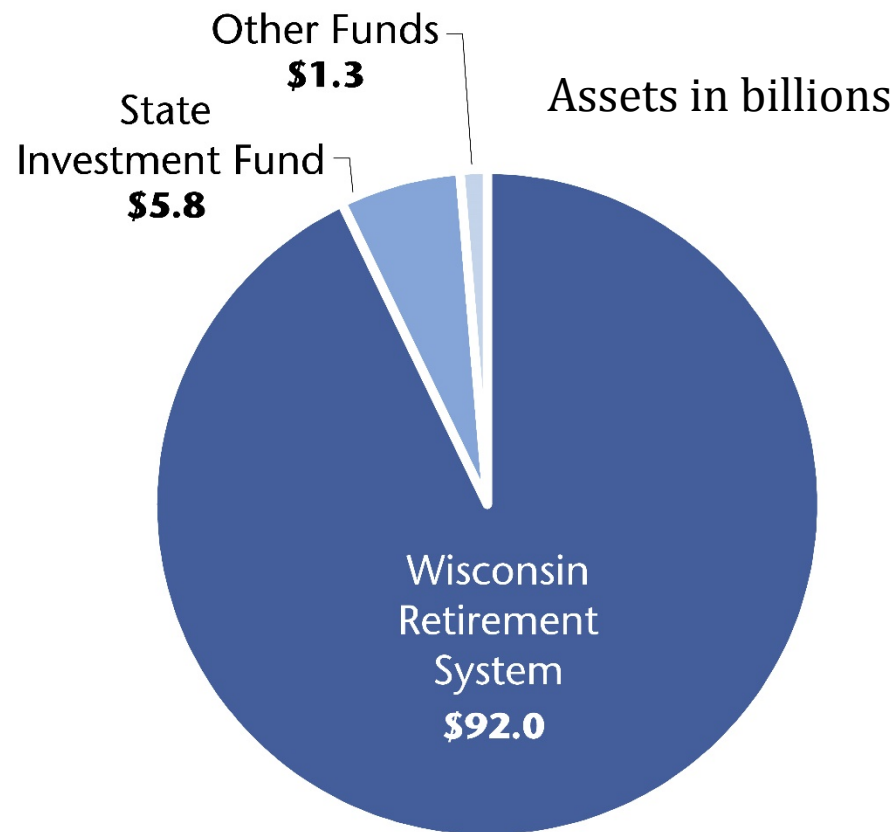
Report 16-13
Report 16-15

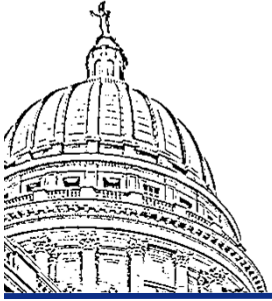




Overview

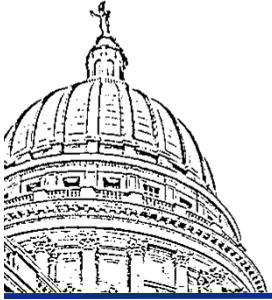
As of December 2015, assets under SWIB's management totaled \$99.1 billion.





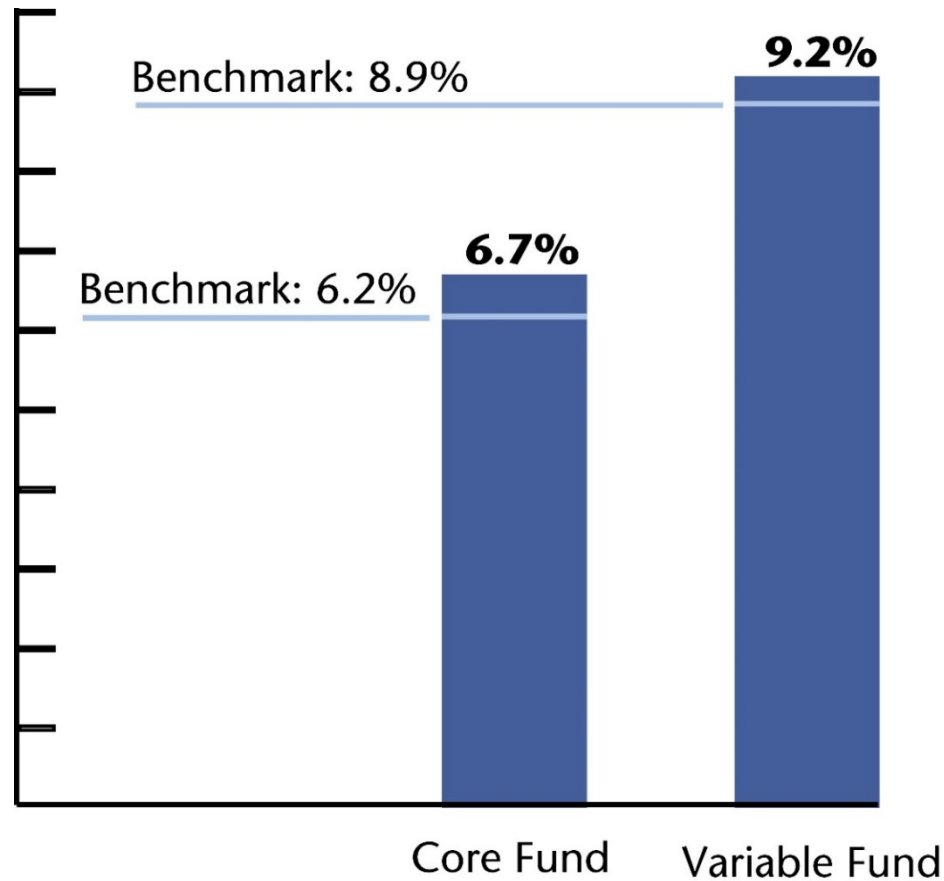
Financial Audit (Report 16-13)

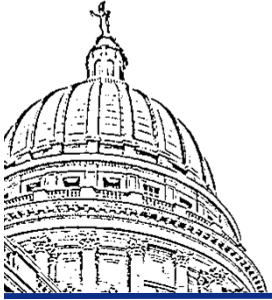
- We perform an annual financial audit of the Core Fund and Variable Fund.
- We provided unmodified opinions for the year ended December 31, 2015.
- Both funds reported net investment losses for the year.



Investment Performance

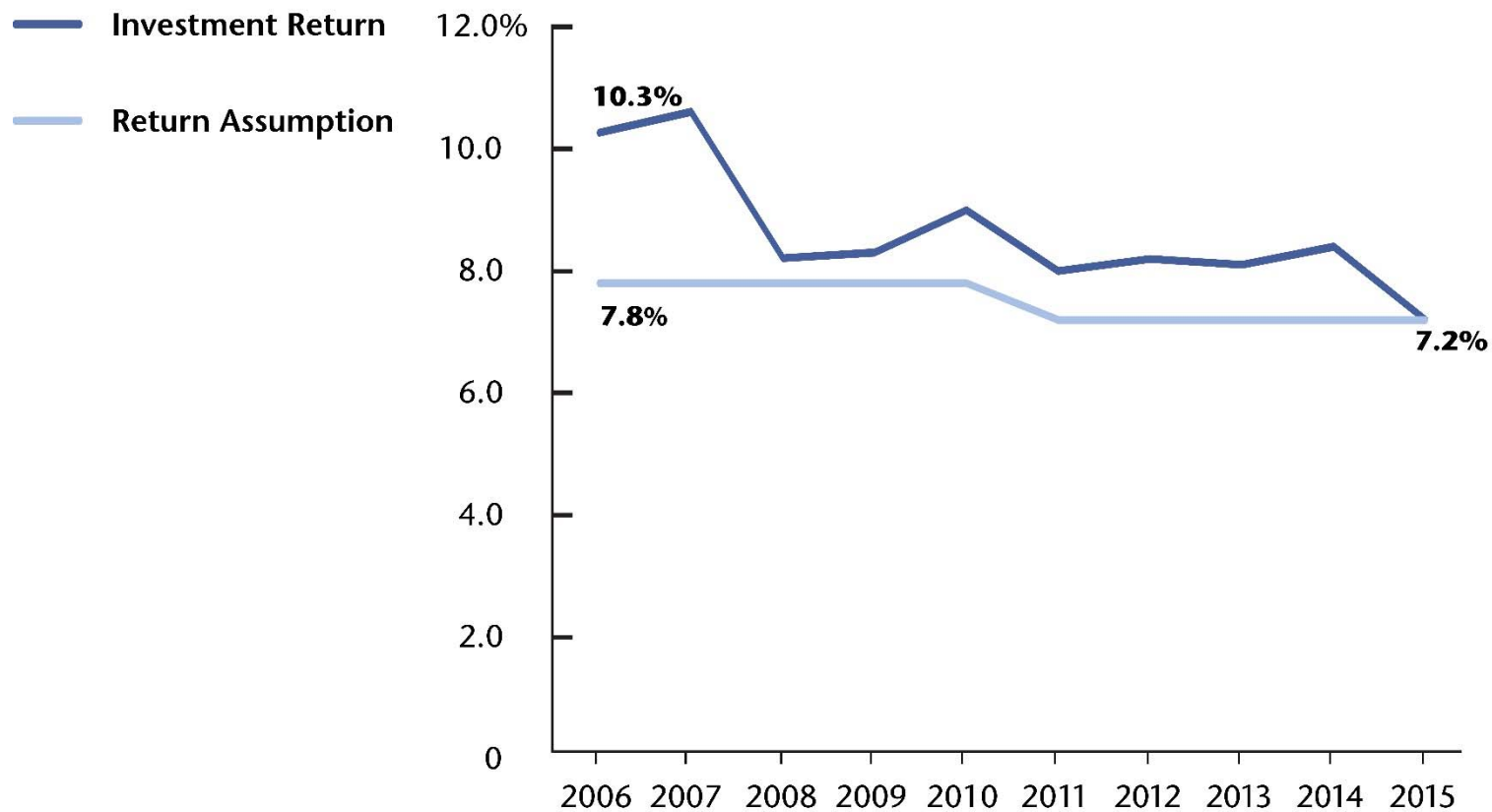
Five-Year Average Annual Investment Returns

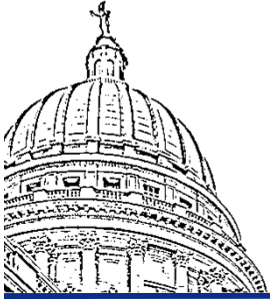




Investment Performance

Core Fund 20-Year Investment Returns Compared to Return Assumption

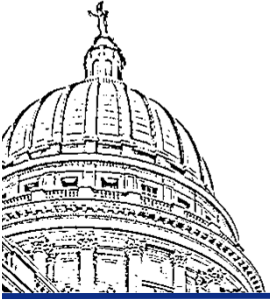




Investment Performance

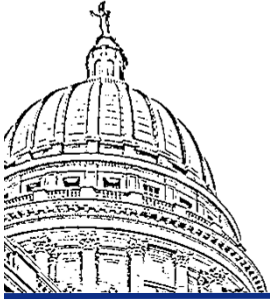
Investment Return Rankings of the Core Fund Among Ten Large Public Pension Plans

Period	2013 Comparison	2015 Comparison
One-Year	7	9
Three-Year	7	9
Five-Year	4	9
Ten-Year	5	8



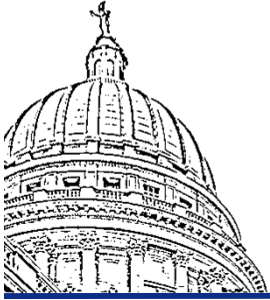
Investment Expenses

- No general purpose revenue directly supports SWIB's operations.
- Expenses increased 25.2 percent from 2011 to 2015 due to:
 - increases in assets under management,
 - information systems implementation,
 - complex investment strategies, and
 - internal operating budget increases.
- The internal operating budget increased largely due to an additional 48.1 full-time positions authorized as internal management of assets increased.



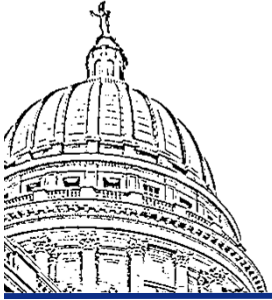
Compensation

- The Board of Trustees and the Executive Director authorize salaries and bonuses.
- Salaries and bonuses are benchmarked to a peer group.
- Total bonuses awarded for 2015 performance were \$11.1 million compared to \$12.2 million awarded for 2014 performance.
- The Core Fund's 2015 one-year investment return of -0.4 percent triggered a bonus deferral policy, which was waived by the Board of Trustees.



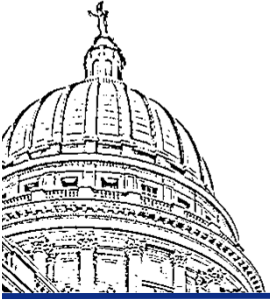
Wisconsin Venture Capital Investments

- In 2015, SWIB had commitments of \$304.8 million to venture capital investments targeting Wisconsin companies and had invested \$151.3 million.
- Nearly three-fourths of the invested funds as of December 2015 were in companies outside of Wisconsin.
- SWIB targets start-up companies for its private equity portfolio, although other state initiatives invest in both earlier and later stages of venture capital companies.



Board Oversight

- The Board of Trustees meets periodically throughout the year and has four committees.
- Other large public plans generally have more committees than does SWIB.
- No committee charter includes explicit responsibility for monitoring actual investment expenses.



Recommendations

We recommend that SWIB work with the Board of Trustees to:

- develop policies to ensure carried interest is consistently tracked,
- develop guidance for the bonus deferral policy,
- present internal operating budget reports quarterly,
- increase the content and frequency of total costs of management information, and
- assess whether its existing committee structure or charters should be revised.