



BRIEFING SHEET

Report 20-23
November 2020

State Auditor

[Joe Chrisman](#)

State of Wisconsin Investment Board

Background

The State of Wisconsin Investment Board (SWIB) invests assets for the Wisconsin Retirement System (WRS). SWIB also managed the assets of the State Investment Fund and four other funds, as of December 2019. SWIB is governed by a nine-member Board of Trustees.

To fulfill our statutory requirements, we conducted an evaluation of SWIB by analyzing investment performance, assessing expenses, examining the use of external managers, examining staffing levels, and assessing staff compensation.

Key Findings

Assets managed by SWIB totaled \$128.8 billion as of December 2019. The investment return for the five-year period as of December 2019 was 7.8 percent for the Core Fund and 9.8 percent for the Variable Fund. Both funds exceeded their one-year and five-year benchmarks as of December 2019. The Core Fund's 30-year investment return was 8.3 percent and remained above the long-term expected rate-of-return assumption of 7.0 percent as of December 2019. The Core Fund's five-year investment return ranked fifth among ten large public pension plans that we reviewed.

We also found:

- SWIB's annual expenses totaled \$480.3 million in 2019, an increase of 48.3 percent since 2015. After we considered the effect of increased assets SWIB managed in 2018 and 2019, we found that the increases in SWIB expenses were primarily attributable to an increase in management fees paid for external investment management expertise.
- To achieve returns of 7.0 percent, SWIB uses external managers to employ active strategies with Core Fund investments. From December 2017 to December 2019, the percentage of SWIB assets managed externally increased from 36.0 percent to 46.5 percent, in part, as the result of increased investment in these active strategies.
- The Board authorized an additional 47.0 full-time equivalent (FTE) positions during 2018 and 2019. SWIB had 235.0 authorized FTE positions as of December 2019, which included 86.0 FTE positions for investment management staff, or 36.6 percent.
- Overall compensation provided to SWIB investment management staff for 2019 performance was at 66.0 percent of its comparison group median, which decreased from 99.0 percent in 2016.
- For 2019 performance, 172 staff received \$13.9 million in bonuses, the highest total bonuses awarded from 2015 through 2019.

Recommendations

We recommend SWIB expand on the manner in which it reports investment returns, improve its reporting to the Board of Trustees on carried interest information, continue to assess and reduce its contracted positions, and take steps to improve its overall data management. The Legislature could consider creating a statutory requirement for SWIB related to performing and reporting the results of stress tests of the WRS.

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