



## BRIEFING SHEET

Report 16-15  
December 2016

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 manages the State Investment Fund and five other state insurance and trust funds. SWIB is governed by a nine-member Board of Trustees. Six of the trustees are appointed by the Governor, with the advice and consent of the Senate, to serve a six-year term; two of the trustees are participants in the WRS; and the Secretary of the Department of Administration or a designee also serves as a trustee.

To fulfill our statutory requirements, we conducted a management audit of SWIB by analyzing investment returns, reviewing investment expenses, examining SWIB's approach to investing assets in Wisconsin venture capital companies, and assessing the Board of Trustees' governance structure.

### Key Findings

As of December 2015, assets under management by SWIB totaled \$99.1 billion. As of December 2015, the two funds of the WRS—the Core Fund and Variable Fund—had exceeded five-year established benchmarks with average annual investments returns of 6.7 percent and 9.1 percent, respectively. However, the Core Fund's five-year investment return ranked ninth among ten large public pension plans as of December 2015.

We also found:

- It is too soon to evaluate several strategies implemented as part of a Core Fund asset allocation plan approved in 2010.
- The 20-year investment return for the Core Fund now equals the long-term rate of return assumption.
- From 2011 through 2015, SWIB's expenses increased 25.2 percent, primarily due to increases in assets managed.
- From 2011 to 2015, SWIB added 48.1 full-time equivalent (FTE) positions, largely to increase assets managed internally, manage new investment strategies, and support new information systems.
- No Board committee charter requires monitoring of actual investment expenses.

### Recommendations

We recommend the State of Wisconsin Investment Board work with the Board of Trustees to:

- develop policies and procedures to ensure that carried interest amounts are tracked for all portfolios in a consistent manner and reported annually to the Board of Trustees;
- develop guidance language for the bonus deferral policy to consider when evaluating whether to waive a deferral;
- present internal operating budget-to-actual reporting to the Board quarterly;
- increase the content and frequency of information provided to the Board on the total cost of management, including those expenses charged directly to earnings; and
- include in the Board's next self-evaluation an assessment of whether its existing committee structure or committee charters should be revised.

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