



## Retirement Funds Investment Activity

Calendar Year 2019

*State of Wisconsin Investment Board*

### Background

The State of Wisconsin Investment Board (SWIB) invests assets for the Wisconsin Retirement System (WRS) that are held in the Core Retirement Investment Trust Fund (Core Fund) and the Variable Retirement Investment Trust Fund (Variable Fund). Together, these funds are known as the Retirement Funds. SWIB also manages the State Investment Fund, and six other state insurance and trust funds.

To fulfill our statutory requirements, we conducted a financial audit of SWIB by auditing the financial statements of the Retirement Funds in accordance with applicable government auditing standards, issuing our auditor's opinions, and reviewing internal controls. These financial statements report the investments and the investment activity of the WRS.

### Audit Results

We provided unmodified opinions on the financial statements of the Retirement Funds for the year ended December 31, 2019. We provide an unmodified opinion when audit evidence supports the conclusion that the financial statements provide a fair view of an entity's financial activity in accordance with governmental accounting standards. Our unmodified opinions are included in SWIB's [2019 Retirement Funds Annual Report](#).

### Key Findings and Recommendation

Net investment position provides a measure of overall financial condition. On the basis of generally accepted accounting principles (GAAP), the net investment position of the Core Fund increased from \$93.5 billion as of December 31, 2018, to \$107.8 billion as of December 31, 2019. The Core Fund reported a net investment loss of \$3.6 billion in 2018 and a net investment gain of \$17.8 billion in 2019. The one-year investment return for the Core Fund increased from a negative 3.3 percent in 2018 to 19.9 percent in 2019. The Core Fund investment return in 2019 is primarily attributed to strong returns from public equity, public fixed income, and private equity investments.

The net investment position of the Variable Fund increased from \$7.1 billion as of December 31, 2018, to \$8.7 billion as of December 31, 2019. The Variable Fund reported a net investment loss of \$0.6 billion in 2018 and a net investment gain of \$2.0 billion in 2019. The one-year investment return for the Variable Fund increased from a negative 7.9 percent in 2018 to 28.6 percent in 2019. The Variable Fund investment return in 2019 is attributed to strong investment returns from public equity investments.

Our report includes the [Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters](#), which is required by *Government Auditing Standards*. We reported a significant deficiency in internal control related to [errors in the reporting of unfunded commitments](#) in the notes that accompany the financial statements. The note disclosure, which was misstated by a total of \$1.5 billion, was corrected for presentation in SWIB's [2019 Retirement Funds Annual Report](#). We recommend SWIB review its procedures and financial reporting process to address the deficiency we identified.