

**BRIEFING SHEET**[Report 16-13](#)  
December 2016**State Auditor**  
[Joe Chrisman](#)**Retirement Funds  
Investment Activity****Calendar Year 2015***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 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 financial audit of SWIB by auditing the financial statements for the Retirement Funds in accordance with applicable government auditing standards, issuing our auditor's opinions, and reviewing internal controls.

**Audit Results**

We provided unmodified opinions on the Core Fund and the Variable Fund financial statements for the year ended December 31, 2015. 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 2015 Retirement Funds Annual Report.

**Key Findings**

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 decreased from \$88.8 billion as of December 31, 2014, to \$85.4 billion as of December 31, 2015; and
- the net investment position of the Variable Fund decreased from \$7.3 billion as of December 31, 2014, to \$6.7 billion as of December 31, 2015.

Net investment income for the period ended December 31, 2014, totaled \$4.6 billion for the Core Fund and \$0.5 billion for the Variable Fund. For the period ended December 31, 2015, net investment losses totaled \$0.6 billion for the Core Fund and \$0.1 billion for the Variable Fund. The decrease in net investment income reflects the decline in investment returns realized by each fund. The investment return of the Core Fund declined from 5.7 percent in 2014 to 0.4 percent in 2015. The investment return of the Variable Fund declined from 7.3 percent in 2014 to 1.2 percent in 2015.

Our report includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. We report a significant deficiency in internal control as it pertains to certain central internal control functions at the Department of Administration related to cash that affect the Retirement Funds' financial statements.

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