



STATE OF WISCONSIN

# Legislative Audit Bureau

NONPARTISAN • INDEPENDENT • ACCURATE

Report 25-10  
June 2025

## Retirement Funds Investment Activity Calendar Year 2024

*State of Wisconsin Investment Board*



## **Joint Legislative Audit Committee Members**

### **Senate Members:**

Eric Wimberger, Co-chairperson  
Chris Kapenga  
Howard Marklein  
Robert Wirch  
Melissa Ratcliff

### **Assembly Members:**

Robert Wittke, Co-chairperson  
Daniel Knodl  
Mark Born  
Francesca Hong  
Sequanna Taylor

# **Retirement Funds Investment Activity**

## **Calendar Year 2024**

*State of Wisconsin Investment Board*



STATE OF WISCONSIN

**Legislative Audit Bureau**

**NONPARTISAN • INDEPENDENT • ACCURATE**

Report 25-10  
June 2025

## **Legislative Audit Bureau**

---

**State Auditor**  
Joe Chrisman

**Deputy State Auditor  
for Financial Audit**  
Carolyn Stittleburg

**Assistant IT Audit  
Director**  
Jennifer Multerer

**Team Leader**  
Chloe Zhang

**Auditors**  
Erik Alvarado-Villa  
Matthew Deveau  
Nicholas Dorey  
Malvina Nyanjo  
Fechi Odocha  
Phillip Stapel  
Elizabeth Voelz Temple  
Audrey Woller

**Publications Designer  
and Editor**  
Susan Skowronski

The Legislative Audit Bureau supports the Legislature in its oversight of Wisconsin government and its promotion of efficient and effective state operations by providing nonpartisan, independent, accurate, and timely audits and evaluations of public finances and the management of public programs. Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau.

---

The Bureau accepts confidential tips about fraud, waste, and mismanagement in any Wisconsin state agency or program through its hotline at 1-877-FRAUD-17.

For more information, visit [www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab).

# Contents

---

<b>Letter of Transmittal</b>	<b>1</b>
<b>Introduction</b>	<b>3</b>
SWIB Administration	3
Audit Results	4
Total Investment Assets	4
Net Investment Income	5
Net Investment Position	6
External Management of Investments	7
Future Considerations	10
<b>Auditor's Report</b>	<b>11</b>
<b>Appendix</b>	
Members of the SWIB Board of Trustees	

## Opinions Published Separately

---

The financial statements and our unmodified opinions on them are included in the State of Wisconsin Investment Board's *2024 Retirement Funds Annual Report*.





STATE OF WISCONSIN

# Legislative Audit Bureau

Joe Chrisman  
State Auditor

22 East Mifflin Street, Suite 500  
Madison, Wisconsin 53703

Main: (608) 266-2818  
Hotline: 1-877-FRAUD-17

[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)  
[AskLAB@legis.wisconsin.gov](mailto:AskLAB@legis.wisconsin.gov)

June 3, 2025

Senator Eric Wimberger and  
Representative Robert Wittke, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Wimberger and Representative Wittke:

As required by ss. 13.94 (1) (df) and 25.17 (51), Wis. Stats., we have completed an audit of the financial statements of the Core Retirement Investment Trust Fund (Core Fund) and the Variable Retirement Investment Trust Fund (Variable Fund) administered by the State of Wisconsin Investment Board (SWIB) as of and for the year ended December 31, 2024. SWIB invests the assets of the Wisconsin Retirement System through the Core Fund and Variable Fund, and together these funds are known as the Retirement Funds. The financial statements report the investment activity for the Retirement Funds. The financial statements and our unmodified opinions on them are included in SWIB's *2024 Retirement Funds Annual Report*, which may be found on SWIB's website.

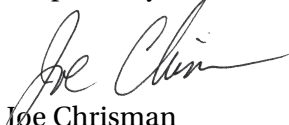
Net investment position provides a measure of overall financial condition. On the basis of generally accepted accounting principles (GAAP), the net investment position of the Core Fund increased from \$122.5 billion as of December 31, 2023, to \$128.3 billion as of December 31, 2024. The Core Fund reported net investment income of \$12.7 billion in 2023 and \$10.3 billion in 2024. The reported one-year investment return, net of all fees and costs, decreased from 11.4 percent in 2023 to 8.5 percent in 2024. The Core Fund investment return in 2024 is largely attributed to strong investment returns from public equity investments.

The net investment position of the Variable Fund increased from \$9.8 billion as of December 31, 2023, to \$11.1 billion as of December 31, 2024. The Variable Fund reported net investment income of \$1.8 billion in 2023 and 2024. The reported one-year investment return, net of all fees and costs, decreased from 22.2 percent in 2023 to 18.7 percent in 2024. The Variable Fund investment return in 2024 is largely attributed to strong investment returns from public equity investments.

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is required by *Government Auditing Standards*, begins on page 13.

We appreciate the courtesy and cooperation extended to us by SWIB staff in completing this audit.

Respectfully submitted,



Joe Chrisman  
State Auditor

JC/CS/ag





## Introduction

---

***SWIB invests the assets of the Wisconsin Retirement System through the Core Fund and the Variable Fund, which together are known as the Retirement Funds.***

The Wisconsin Retirement System (WRS) provides postemployment benefits to participating state and local government employees. The Department of Employee Trust Funds (ETF) is responsible for administering the WRS, including collecting employee and employer contributions and paying benefits. The State of Wisconsin Investment Board (SWIB) invests the assets of the WRS through the Core Retirement Investment Trust Fund (Core Fund) and the Variable Retirement Investment Trust Fund (Variable Fund). The Core Fund is a diversified fund that typically is invested for the long term in several types of investments and provides less volatile investment returns. The Variable Fund is a public equities securities fund, or stock fund, that provides returns that are typically more volatile than the Core Fund. Together, these funds are known as the Retirement Funds. SWIB reports the investment activity of the Retirement Funds in the financial statements that are included in its *2024 Retirement Funds Annual Report*, which may be found on SWIB's website. SWIB prepares the financial statements using generally accepted accounting principles (GAAP) prescribed by the Governmental Accounting Standards Board (GASB).

### SWIB Administration

***SWIB is governed by a nine-member Board of Trustees.***

SWIB is governed by a nine-member Board of Trustees, which has a fiduciary responsibility to administer the assets of each fund solely for the purpose of the fund at a reasonable cost and to manage investments with care, skill, prudence, and diligence. Board members include the Department of Administration's Secretary, six individuals appointed by the Governor and confirmed by the Senate to serve six-year terms, and two WRS participants. Four members appointed

by the Governor must have at least 10 years of experience making investments, and one member must have at least 10 years of financial experience, including in local government. The two WRS participants, who serve six-year terms, include one teacher appointed by the Teacher Retirement Board and one individual who is not a teacher and is appointed by the Wisconsin Retirement Board. The Appendix shows the members as of December 2024.

The Board of Trustees appoints the executive director/chief investment officer and the internal audit director. Although the Board establishes an overall investment plan for SWIB-managed funds, it delegated day-to-day investment management decisions to the executive director/chief investment officer and investment staff. In addition, the Board delegated certain investment decisions to a SWIB staff investment committee that is chaired by the executive director/chief investment officer. The committee meets regularly to make investment decisions, including changes to investment guidelines and strategies. SWIB senior managers work with the executive director/chief investment officer to make organizational decisions to ensure staff operate within the policies, objectives, and guidelines established by the Board.

## Audit Results

***We provided unmodified opinions on the financial statements of the Retirement Funds investment activity as of and for the year ended December 31, 2024.***

As required by Wisconsin Statutes, we have completed an audit of the financial statements and related notes of the Retirement Funds as of and for the year ended December 31, 2024. The financial statements include information on the investment activity of the Retirement Funds, including important disclosures, such as those related to deposit and investment risk and fair value measurements as of December 31, 2024. To complete our audit of the financial statements, we reviewed SWIB's internal controls over financial reporting, tested financial transactions, and reviewed the financial statements, notes, and required supplementary information that were prepared by SWIB management. We provided unmodified opinions on the financial statements and related notes as of and for the year ended December 31, 2024.

We also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, which is required by *Government Auditing Standards* and begins on page 13.

## Total Investment Assets

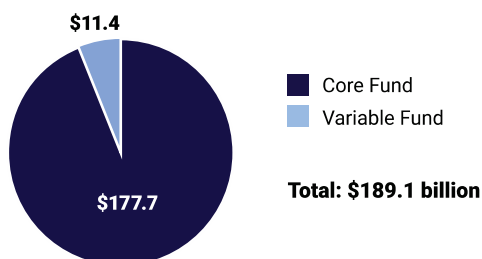
***The Core Fund accounted for 94.0 percent of the total investment assets of the Retirement Funds as of December 31, 2024.***

On a GAAP basis, total investment assets of the Retirement Funds increased from \$171.9 billion as of December 31, 2023, to \$189.1 billion as of December 31, 2024, or by 10.0 percent. As of December 31, 2024, the Core Fund accounted for \$177.7 billion (94.0 percent) of the total investment assets of the Retirement Funds and the Variable Fund accounted for \$11.4 billion (6.0 percent), as shown in Figure 1.

Figure 1

### Total Investment Assets Retirement Funds

As of December 31, 2024  
(in billions)



The Core Fund investment assets include cash balances and receivables related to investment sales, as well as investments. The Core Fund investments include a distinct mix of investment types, including public equities, fixed income instruments, derivative instruments, and private fund investments, which are made up largely of private equity and real estate limited partnerships. The Variable Fund is a public equities securities fund that provides returns that are typically more volatile than the Core Fund. The Variable Fund investment assets include cash balances and receivables, in addition to investments comprised mostly of public equities.

## Net Investment Income

***The Core Fund and the Variable Fund reported net investment income in 2024 of \$10.3 billion and \$1.8 billion, respectively.***

On a GAAP basis, the net investment income reported by the Core Fund decreased from \$12.7 billion in 2023 to \$10.3 billion in 2024 or by 18.9 percent. The reported one-year investment return, net of all fees and costs, decreased from 11.4 percent in 2023 to 8.5 percent in 2024. The Core Fund investment return in 2024 is largely attributed to strong investment returns from public equity investments. One-year investment returns exceeded the Core Fund benchmark of 7.4 percent in 2024. On a GAAP basis, the net investment income reported by the Variable Fund was \$1.8 billion in 2023 and 2024. The reported one-year investment return, net of all fees and costs, decreased from 22.2 percent in 2023 to 18.7 percent in 2024. The Variable Fund investment return in 2024 is largely attributed to strong investment returns from public equity investments. One-year investment returns exceeded the Variable Fund benchmark of 18.3 percent in 2024.

*SWIB reported that the 20-year investment return for the Core Fund was 6.9 percent as of December 31, 2024.*

SWIB has a fiduciary responsibility to prudently invest the assets of the Retirement Funds in a diversified manner to meet WRS funding needs, while minimizing the risk of large losses. SWIB’s investment strategy is to meet the long-term expected rate-of-return assumption, which is 6.8 percent. As of December 31, 2024, SWIB’s 20-year return for the Core Fund, net of external management fees but not other costs, was 6.9 percent. SWIB reported that the one-year, five-year, and 10-year returns for the Core Fund as of December 31, 2024, also exceeded the long-term expected rate-of-return assumption.

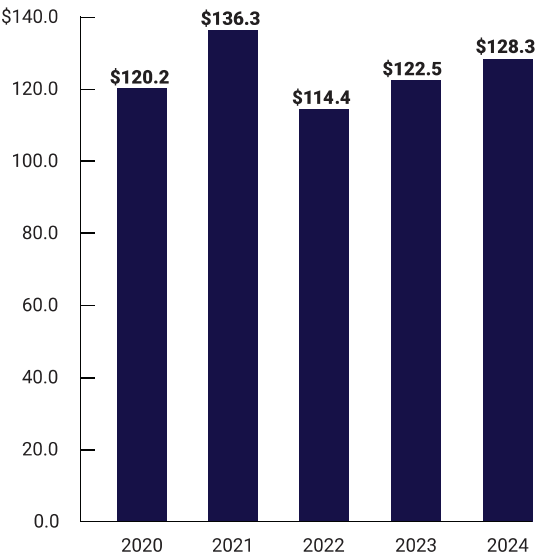
**Net Investment Position**

*The net investment position of the Core Fund increased from \$122.5 billion as of December 31, 2023, to \$128.3 billion as of December 31, 2024.*

Net investment position, which is the investment assets less investment liabilities, is a measure of overall financial condition. As shown in Figure 2, the net investment position of the Core Fund increased on a GAAP basis from \$122.5 billion as of December 31, 2023, to \$128.3 billion as of December 31, 2024, or by 4.7 percent. From December 31, 2020, through December 31, 2024, the net investment position of the Core Fund increased by \$8.1 billion, or by 6.7 percent.

Figure 2

**Net Investment Position  
Core Fund**  
As of December 31  
(in billions)



***The net investment position of the Variable Fund increased from \$9.8 billion as of December 31, 2023, to \$11.1 billion as of December 31, 2024.***

As shown in Figure 3, the net investment position of the Variable Fund increased from \$9.8 billion as of December 31, 2023, to \$11.1 billion as of December 31, 2024, or by 13.3 percent. From December 31, 2020, through December 31, 2024, the net investment position of the Variable Fund increased by \$1.5 billion, or by 15.6 percent.

Figure 3



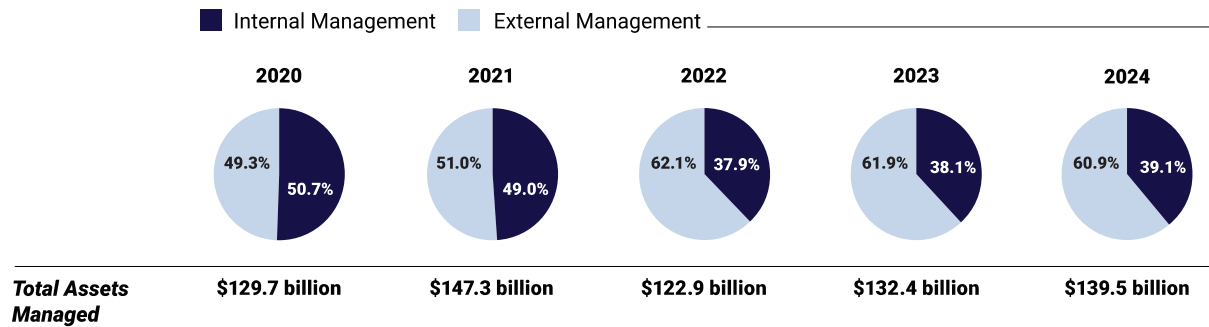
## External Management of Investments

***As of December 31, 2024, 39.1 percent of the assets of the Retirement Funds were managed internally by SWIB.***

SWIB's investment strategy for the assets of the Retirement Funds employs a mix of internal and external management of assets. Total assets managed, which are the total investment assets less related investment liabilities, are reported by SWIB in quarterly reports, which are required to be submitted to the Legislature under s. 25.17 (13m), Wis. Stats. As shown in Figure 4, the percentage of assets managed internally by SWIB has decreased from 50.7 percent as of December 31, 2020, to 39.1 percent as of December 31, 2024.

Figure 4

**Internal and External Management  
Retirement Funds' Total Assets Managed<sup>1</sup>**  
As of December 31



<sup>1</sup> Total assets managed, which are the total investment assets less related investment liabilities, are reported by SWIB in quarterly reports, which are required to be submitted to the Legislature under s. 25.17 (13m), Wis. Stats.

*The decrease in internal management of assets from December 31, 2020, to December 31, 2024, was largely the result of increases in allocations to private fund investments.*

SWIB staff attributed the decrease in internal management of assets from December 31, 2020, to December 31, 2024, to a number of factors, including increases in the overall allocation of assets to private fund investments, such as private equity limited partnerships, which are managed externally. Private fund investments as reported on the financial statements increased from \$18.3 billion as of December 31, 2020, to \$36.4 billion as of December 31, 2024, or by 98.9 percent. Further, as noted in report 24-18, SWIB indicated its decision to increase investments in private fund investments is intended to help it to meet the 6.8 percent long-term expected rate-of-return assumption for the WRS.

SWIB staff also noted decreases in allocation of assets to public equity investments, which are largely managed internally, contributed to the decrease in internal management of assets. Public equities reported on the financial statements decreased from \$62.9 billion as of December 31, 2020, to \$52.9 billion as of December 31, 2024, or by 15.9 percent.

Historically, SWIB’s goal had been to increase the percentage of assets managed internally because external management is more expensive. However, SWIB did not establish a target or target ranges for the proportion of assets to manage internally, and it did not have a written plan for moving certain investment strategies to internal management. Although more recently SWIB developed a strategic implementation framework that included factors SWIB plans to consider when determining whether particular investment strategies could be managed internally or externally, this framework did not discuss specific investment strategies SWIB expects to manage internally or externally; components of IT needs; or the skills and

number of staff needed to successfully support investment strategies. In report 24-18, we recommended that SWIB work with the Board of Trustees to develop a multiyear strategic plan and to report to the Board at least annually on its progress.

Management fees are charged by external investment managers who invest in assets such as private equity limited partnerships and hedge funds. Most external investment management fees are reported in the Net Increase (Decrease) in the Fair Value of Investments account as these fees are not directly paid by SWIB, but are reported to SWIB by external managers net of the value of the investments. Management fees typically include two components: base fees and performance fees. Base fees are calculated as a proportion of assets invested, and performance fees are typically calculated based on investment returns. Management fees can fluctuate from year to year based on the performance of the underlying investment. As shown in Table 1, external investment management fees reported by SWIB increased from \$827.4 million as of December 31, 2023, to \$1.2 billion as of December 31, 2024. In comparison, external investment management fees reported by SWIB totaled \$1.8 billion in 2021 and \$1.1 billion in 2022.

Table 1

**External Investment Management Fees<sup>1</sup>**  
For the Year Ended December 31  
(in millions)

Investment Type	2023	2024
Private Equity	\$430.6	\$ 606.4
Hedge Funds	273.6	365.8
Public Market <sup>2,3</sup>	104.7	151.4
Real Estate Limited Partnerships	18.5	85.9
<b>Total</b>	<b>\$827.4</b>	<b>\$1,209.6</b>

<sup>1</sup> Includes carried interest, which is a type of performance fee paid when a fund manager liquidates an investment and the rate-of-return exceeds an agreed-upon minimum rate.

<sup>2</sup> Includes investments in separately managed accounts and commingled investments, largely in equities and public fixed income.

<sup>3</sup> Includes \$36.1 million for the year ended December 31, 2024, and \$29.0 million for the year ended December 31, 2023, in external investment management fees reported in the External Investment Management Fees account in the Statement of Changes in Net Investment Position.

From 2023 to 2024, external investment management fees increased across all investment types, with the largest increase related to private equity investments, which increased by \$175.8 million. SWIB staff attributed the increase in external investment management fees to improved performance of the various investment types relative to prior years. Improved performance increases the performance fee component of external investment management fees. For example, SWIB reported private equity/debt investment performance improved from 6.4 percent for 2023 to 7.4 percent for 2024.

## Future Considerations

*In August 2022, the Attorney General issued opinion OAG-02-22, and indicated that SWIB has the authority to issue debt.*

As noted in report 24-5, in December 2021 SWIB requested an opinion from the Wisconsin Attorney General regarding SWIB's authority to issue public debt. SWIB noted in its request that issuing debt is one of many methods an investor may use to generate leverage, which is an investment strategy of using borrowed money to increase the potential return of an investment. The SWIB Board of Trustees first approved the use of leverage for the Core Fund in 2012. In making its request to the Attorney General, SWIB indicated it was seeking clarification on its authority to issue debt to ensure it had clear documentation of its authority for stakeholders involved in the debt issuance process, such as credit rating agencies and underwriters. In August 2022, the Attorney General issued opinion OAG-02-22, and indicated that SWIB has the authority to issue debt provided that the statutory prudent person standard, as defined in s. 25.15 (2), Wis. Stats., is met. This standard requires SWIB to manage the assets with the care, skill, prudence, and diligence of a prudent person acting in a similar capacity.

SWIB has not issued debt since it first sought an opinion on its authority from the Wisconsin Attorney General. In June 2023, S&P Global Ratings provided the WRS a AAA credit rating. In November 2024, SWIB updated the *SWIB Investment Committee Wisconsin Retirement System Investment Guidelines* to add the issuance of commercial paper, which is a form of short-term unsecured debt, to its leverage use policy. At such time as it begins to issue debt, it will be important that SWIB carefully considers financial reporting and disclosure requirements.

■ ■ ■ ■



---

## Auditor's Report

---



22 East Mifflin Street, Suite 500  
Madison, Wisconsin 53703Main: (608) 266-2818  
Hotline: 1-877-FRAUD-17[www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)  
[AskLAB@legis.wisconsin.gov](mailto:AskLAB@legis.wisconsin.gov)

## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Senator Eric Wimberger and  
Representative Robert Wittke, Co-chairpersons  
Joint Legislative Audit Committee

Members of the Board of Trustees, and  
Mr. Edwin Denson, Executive Director/Chief Investment Officer  
State of Wisconsin Investment Board

We have audited the financial statements and the related notes of the Core Retirement Investment Trust Fund and the Variable Retirement Investment Trust Fund (Retirement Funds) of the State of Wisconsin, administered by the State of Wisconsin Investment Board (SWIB), as of and for the year ended December 31, 2024, and have issued our report thereon dated May 30, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, which is issued by the Comptroller General of the United States. The financial statements and related auditor's opinions have been included in SWIB's *2024 Retirement Funds Annual Report*.

### Report on Internal Control over Financial Reporting

Management of SWIB is responsible for establishing and maintaining effective internal control over financial reporting (internal control) for the Retirement Funds. In planning and performing our audit of the financial statements, we considered SWIB's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SWIB's internal control. Accordingly, we do not express an opinion on the effectiveness of SWIB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent misstatements or to detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of SWIB's financial statements will not be prevented or that a material misstatement will not be detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the Retirement Funds are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be used when considering SWIB's internal control and compliance. The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of SWIB's internal control or on compliance. Accordingly, this report is not suitable for any other purpose.

LEGISLATIVE AUDIT BUREAU

A handwritten signature in cursive script that reads "Legislative Audit Bureau".

May 30, 2025

---

## Appendix

---



## Appendix

### **Members of the SWIB Board of Trustees**

December 2024

#### ***Department of Administration, Secretary***

---

Kathy Blumenfeld

#### ***Public Members***

---

Clyde Tinnen (Chair), term expires 2027,  
Foley & Lardner LLP, Corporate Partner

Tom Merfeld (Vice-Chair), term expires 2029,  
CUNA Mutual Group,  
Chief Risk Officer and Chief Financial Officer (Retired)

Esther Ancel, term expires 2027,  
University of Wisconsin-Milwaukee,  
Emeritus Professor of Finance

Barb Bolens, term expires 2027  
University of Wisconsin-Madison  
Director of the Nicholas Center for Corporate Finance and  
Investment Banking

Jeff DeAngelis, term expires 2029,  
Northwestern Mutual Wealth Management Company,  
Former Chief Investment Officer;  
Mason Street Advisors, Former President

#### ***Local Government Representative***

---

Robert Scott, term expires 2029,  
City of Brookfield, Director of Finance and Administration

#### ***Wisconsin Retirement System Participants***

---

John Voelker, term expires 2031,  
Department of Employee Trust Funds, Secretary

Dave Schalow, term expires 2025,  
University of Wisconsin-Stevens Point,  
Professor of Finance