



Retirement Funds Investment Activity Calendar Year 2020

State of Wisconsin Investment Board

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.

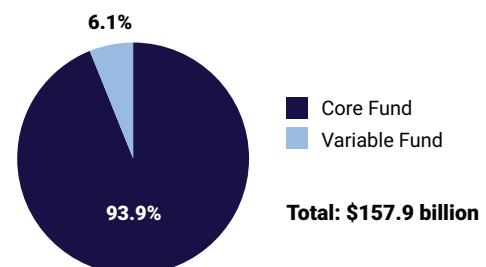
We provided unmodified opinions on the financial statements and related notes of the Retirement Funds investment activity for the year ended December 31, 2020. These financial statements report the investments and the investment activity of the WRS. Our unmodified opinions are included in SWIB's *2020 Retirement Funds Annual Report*. We conducted the financial audit by auditing SWIB's financial statements of the Retirement Funds investment activity in accordance with applicable government auditing standards, issuing our auditor's opinions, reviewing internal controls, and issuing our auditor's report on internal control and compliance.

The Core Fund was 93.9 percent of total investment assets of the Retirement Funds as of December 31, 2020

Total investment assets of the Retirement Funds were \$157.9 billion as of December 31, 2020. Core Fund investment assets were \$148.3 billion, or 93.9 percent of total investment assets. Core Fund investment assets include public equities, fixed income, limited partnerships, and cash balances.

Variable Fund investment assets were \$9.6 billion, or 6.1 percent of total investment assets, as of December 31, 2020. Variable Fund investment assets include public equities, preferred securities, and cash balances.

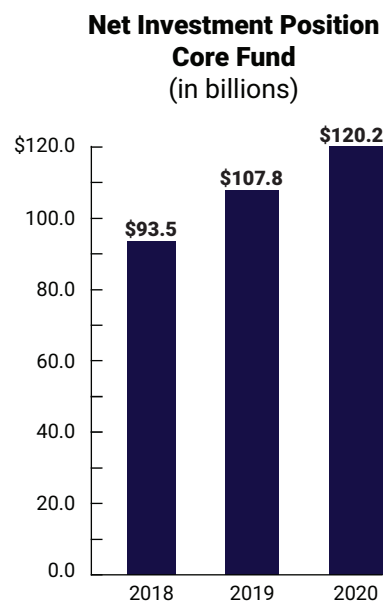
Total Investment Assets of the Retirement Funds
As of December 31, 2020



The net investment position of the Core Fund increased from \$107.8 billion as of December 31, 2019, to \$120.2 billion as of December 31, 2020

Net investment position is a measure of overall financial condition. The increase in the net investment position of the Core Fund is largely attributed to strong investment returns from private equity, public equity, and public fixed income investments.

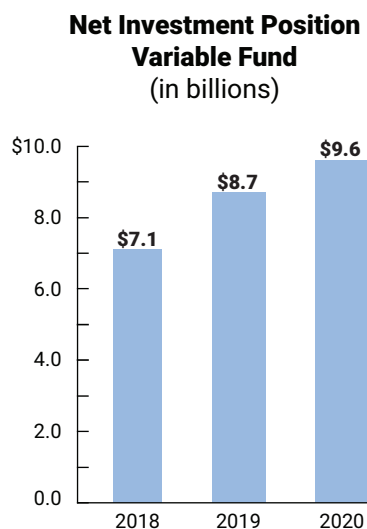
The Core Fund reported net investment income of \$17.8 billion in 2019 and \$15.9 billion in 2020. The one-year investment return, net of all fees and costs, decreased from 19.4 percent in 2019 to 15.2 percent in 2020 and exceeded the benchmark of 14.2 percent.



The net investment position of the Variable Fund increased from \$8.7 billion as of December 31, 2019, to \$9.6 billion as of December 31, 2020

As noted, net investment position is a measure of overall financial condition. The increase in the net investment position of the Variable Fund is largely attributed to strong returns from public equity investments.

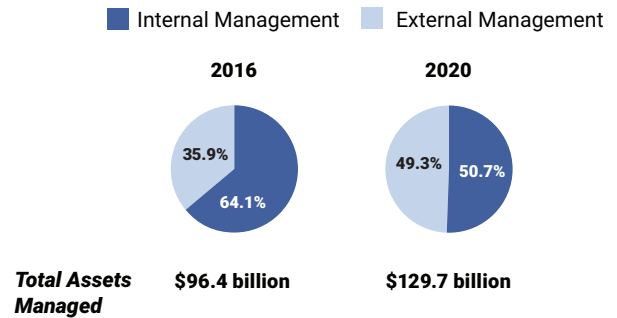
The Variable Fund reported net investment income of \$2.0 billion in 2019 and \$1.4 billion in 2020. The one-year investment return, net of all fees and costs decreased from 28.5 percent in 2019 to 17.5 percent in 2020, and lagged the benchmark of 17.9 percent.



As of December 31, 2020, 50.7 percent of the investment assets of the Retirement Funds was managed internally

In report 20-23, we described SWIB's goal to increase the percentage of assets managed internally because external management is more expensive. However, the percentage of assets managed internally by SWIB has decreased from 64.1 percent in 2016 to 50.7 percent in 2020. As noted in report 20-23, SWIB staff attributed increases in external management of investments to the use of more complex active investment strategies. SWIB also noted that it continues to improve its technology and to recruit staff with expertise to manage a portion of the assets managed by external managers. For 2020, SWIB reported external investment management fees of \$432.4 million.

Internal and External Management¹ Retirement Funds' Total Assets Managed As of December 31



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