

The Wisconsin Retirement System: 2008 Impacts

Legislative Council Symposium

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WRS – How Managed

WRS = ETF and SWIB

- **Department of Employee Trust Funds (ETF)**
 - **Administers Benefits for WRS Participants**

- **State of Wisconsin Investment Board (SWIB)**
 - **Manages and Invests WRS Assets**

SWIB's Organization

- **Nine-Member Board of Trustees:**
 - 6 Members Appointed by Governor
 - 1 Representative of Teacher Participants
 - 1 Representative of Non-Teacher Participants
 - Secretary of Department of Administration
- **Fiduciary Duty to Participants**
- **Professional Investment Staff**
- **Active and Index Management**

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Asset Allocation

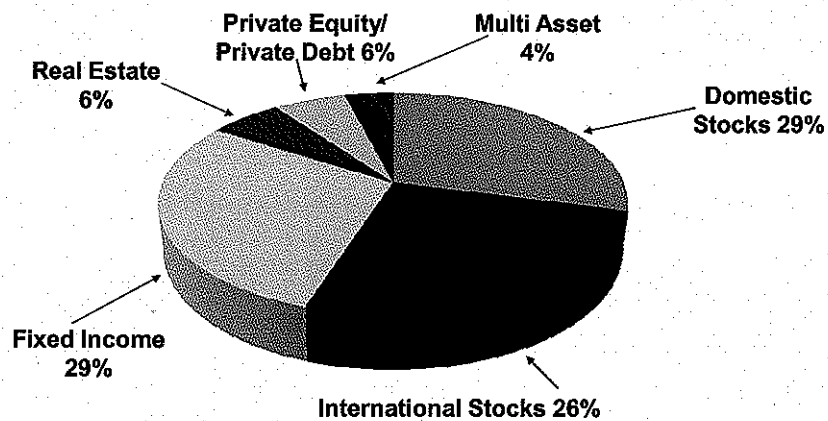
Challenge – Choose Mix of Stocks, Bonds, and Other Assets to:

- **Meet Current & Future Cash Needs of WRS Participants**
- **Fund Benefit Obligations**
- **Manage Risk**

Fact: Asset Mix = 90% of Returns

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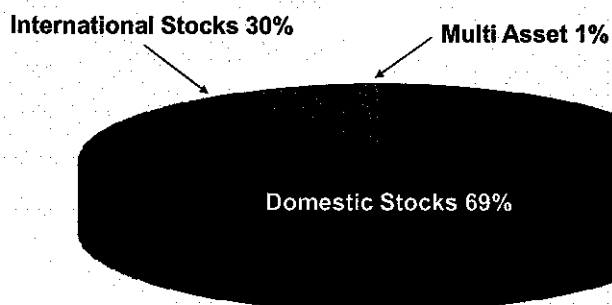
Core Fund: Diversified Assets



Asset Allocation Targets for 2009

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Variable Fund: Stocks



Asset Allocation Targets for 2009

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SWIB's Investment Performance

As of December 31, 2008

	One Year	Five Years	Ten Years
Core Fund	-26.2%	2.6%	3.8%
Benchmark	-24.9%	2.7%	3.4%
Variable Fund	-39.0%	-1.6%	0.4%
Benchmark	-39.0%	-1.2%	-0.2%

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Equity Returns

Index	2008
United States	
S&P 500	-37.0%
Russell 1000	-37.6%
Russell 2000	-33.8%
International	
MSCI Developed (ex US)	-43.6%
MSCI Emerging Markets	-53.3%

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Other 2008 Market Returns

Index	2008
Fixed Income	
Barclays Capital Gov't/Credit	5.7%
Salomon World Gov't Bonds	10.8%
CSFB High Yield	-22.0%
Private Markets	
Real Estate – NCREIF Index	5.3%
Real Estate – NAREIT Equity Index	-37.7%
Private Equity – Aggregate Benchmark (custom)	-8.8%

Comparison with Other Funds*

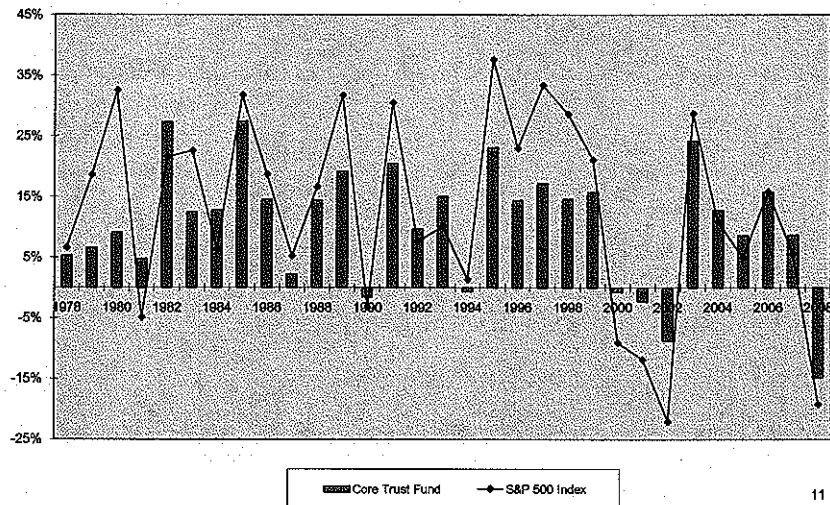
Calendar Year 2008

	Median Fund	Core Fund	Rank
Core Trust Fund vs. Public Funds >\$10B	-26.6%	-26.2%	44.0 percentile
Core Trust Fund vs. Public Funds >\$1B	-25.9%	-26.2%	55.1 percentile
Core Fund Domestic Equities vs. Public Funds >\$1B	-37.5%	-36.8%	40.0 percentile

*Trust Universe Comparison System

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Core Trust Fund and S&P 500 Annual Performance



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Asset Allocation Changes

- Returns Dominated by Equities
- WI Act 212 (passed 2008) Provided Ability to Better Diversify – for example:
 - Active currency management
 - Relax “long-only” constraints
 - Global market availability
- Incremental Approach to Change

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Strategic Asset Allocation

	CTF* 2008	CTF* Step 1	CTF* Step 2
Equities	58%	55%	50%
Fixed Income	30%	29%	28%
Private Markets	10%	12%	14%
Multi-Asset	2%	4%	8%

* Core Trust Fund

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Stock Market Recoveries

Market Peak (High)	Market Trough (Low)	Recovery (Back to Previous High)	Trough to Recovery Unannualized Performance ¹	Best One Week Period During Recovery ²	Best One Week Performance ²	Year Recovered From Peak
August 1929	June 1932	December 1944	197.1%	August 9, 1932	25.9%	13.5%
May 1945	May 1947	December 1949	15.2%	March 23, 1948	6.2%	11.0%
July 1957	December 1957	July 1958	13.1%	January 7, 1958	3.6%	27.4%
January 1962	June 1962	April 1963	17.1%	July 5, 1962	8.0%	13.8%
January 1966	September 1966	March 1967	17.0%	September 15, 1968	5.3%	11.2%
November 1968	June 1970	December 1971	33.4%	August 24, 1970	7.5%	27.3%
December 1972	September 1974	December 1976	48.9%	October 14, 1974	16.7%	24.7%
November 1980	July 1982	October 1982	22.0%	August 23, 1982	11.5%	12.5%
August 1987	November 1987	April 1989	23.0%	December 18, 1987	5.9%	25.8%
May 1990	October 1990	February 1991	19.9%	January 21, 1991	5.9%	23.8%
August 2000	September 2002	March 2006	41.3%	October 16, 2002	10.7%	24.3%
Average Amount of Recovery Coming in Best Week (5 straight trading days)				31.8%		

¹ Performance is based on S&P Price Index Return (not the Total Return Index).

² One week is defined as 5 consecutive trading days.

Changes Underway

- 20 Additional Positions Authorized
 - 14 hired
 - 6 frozen
- Internal Management
 - 20.7% end of 2007
 - 37.6% end of 2008
- 6 of 10 Sector Portfolios Actively Staffed
 - Outperformed benchmark by \$37 million
- Staffed Large Cap Portfolio More Appropriately
 - Outperformed benchmark by \$165 million
- January 31 Report to Legislature

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External Engagement

- Potential Regulatory Reform
 - Joint project of CII and CFA Institute
 - Informal public fund cooperation
- Ongoing Corporate Governance Work
 - Proxy voting
 - Company interaction
 - Legal and regulatory changes
- Accounting Issues
 - Participation in PCAOB
 - Participation in International Accounting Standards Board

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Stock Market Recoveries

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