
PRESS RELEASE

SWIB Announces 2015 Wisconsin Retirement System Preliminary Returns

Madison, WI (*January 13, 2016*) – In a year when U.S. stocks had their worst annual performance since 2008, the primary trust fund for the Wisconsin Retirement System (WRS) ended the year flat, according to preliminary results. Preliminary returns for the state’s public employee retirement system were announced today by the State of Wisconsin Investment Board (SWIB).

The Core Fund, the larger of the two WRS trust funds with diversified holdings in global stocks, bonds, loans, real estate and private equity, ended the year with a preliminary return of negative 0.4 percent, slightly below its benchmark. The Core Fund’s preliminary five-year return is 6.7 percent, which is above its benchmark. Over that same time period, SWIB has earned a total of \$1.1 billion to the funds above market returns. The Core Fund’s benchmarks reflect the Board of Trustees’ asset allocation plan designed to generate favorable returns over time in different market environments while minimizing risk and volatility of those returns over the long-term. The preliminary market value of the Core Fund on December 31, 2015, was \$85.3 billion.

The Variable Fund, an optional stock fund targeting 70 percent domestic and 30 percent international equities, ended the year with a preliminary return of negative 1.2 percent, which was also slightly above its benchmark. The Variable Fund’s preliminary market value was \$6.7 billion on December 31, 2015. The Variable Fund’s benchmark reflects the asset allocation chosen to best meet the statutory requirement of the fund.

“This is not a market for the weak of heart,” Michael Williamson, SWIB executive director, said regarding the 2015 markets. “Many economists believe we are in a ‘low return environment.’ We cannot control the market, but we can manage risks and costs. Through our long-term investment strategy, our goal is to stabilize the effects of returns on the WRS during downturns in the stock markets, minimize severe swings in contribution rates and annuity adjustments, and earn 7.2 percent over time.”

Due to investment gains in prior years, the Department of Employee Trust Funds (ETF) is projecting that WRS retirees will not see an annuity decrease for the Core Fund. ETF will

determine annuity adjustments for the Core Fund and Variable Fund in March after an actuarial analysis is completed. Likewise, prior gains are likely to keep 2017 contribution rates for public employees and employers relatively stable, according to ETF. Contribution rates for 2017 will be set in June 2016.

The WRS is one of the best-funded public retirement systems in the country as a result of structure and investment performance. Investment earnings have generated 76 percent of the funding while employee and employer contributions have provided 24 percent of the funding for the retirement system. Despite an extended volatile market environment, investments over the long-term are expected to keep the system strong. SWIB's 20-year return for the Core Fund is 7.4 percent.

SWIB expects the volatility that the financial markets showed in 2015, and which have continued in the first weeks of 2016, to continue in the near future. "SWIB's diversified portfolio should help stabilize the WRS returns and help navigate through the wild times ahead and the turbulence we are expecting to experience over the next year," SWIB Chief Investment Officer David Villa said.

SWIB has earned positive returns in six of the last seven years since 2009 for the Core Fund and in five of the last seven years for the Variable Fund. Independent reports from Callan Associates, Inc., and CEM Benchmarking, found that SWIB's management provides significant financial benefit to the WRS. By reducing costs through its asset allocation, managing more funds internally and passively, and negotiating lower fees for external managers it hired, SWIB generates significant savings for the WRS.

Total assets under management at SWIB are about \$100 billion as of December 31, 2015. This includes, along with other state and local government investments, approximately \$92 billion in WRS trust funds, which provides benefits to over 588,000 current or former employees of state agencies, the university system, school districts and most local governments. The WRS is the 9th largest U.S. public pension fund and the 25th largest public or private pension fund in the world.