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Press Release

WRS' strong performance aided by rebound in world stocks

Madison, Wisc., (January 7, 2010) After their biggest losses since the 1930s, stock markets worldwide rebounded and the Wisconsin Retirement System Trust (WRS) Funds posted large gains in 2009 according to the State of Wisconsin Investment Board (SWIB).

The Core Fund, the larger of the two WRS trust funds, with diversified holdings in domestic and international stocks, bonds, loans, real estate, and private equity ended the year with a preliminary return of 22.2 percent. The preliminary market value of the Core Fund on December 31, 2009, was \$67.8 billion. The Variable Fund, an optional, U.S. and international stock fund, ended the year with a preliminary return of 33.7 percent, its largest return since the WRS was formed in 1982. The Variable Fund's preliminary market value was \$5.1 billion on December 31.

The Department of Employee Trust Funds (ETF), which administers the WRS, will determine effective rates to be applied to active and inactive employee accounts, and the WRS consulting actuary will recommend annuity adjustments for WRS retirees once these preliminary 2009 investment returns are finalized.

Based on preliminary returns, ETF estimates that the Core Fund effective rate will be about 4.0 percent and the annuity adjustment will be approximately negative 1.0 percent, reflecting the continuing effect of 2008 market losses. The Variable Fund effective rate will likely be between 32 and 36 percent and the Variable Fund annuity adjustment will likely be between 25 and 30 percent as result of the preliminary returns. The final effective rates and annuity adjustments for both the Core Fund and Variable Fund will likely be announced in March 2010. Visit etf.wi.gov for more information in February and March.

After hitting a low in early March, the Standard & Poor's 500 stock index gained nearly 65% percent over the remainder of 2009, finishing the year with a return of 26.5 percent. As of December 31, U. S. stocks had recovered half of the losses from the severe downturn that began in October 2007.

Developed international stock markets had an even stronger recovery, gaining 33.7 percent for the year. Emerging markets gained 78.5 percent.

“SWIB was well positioned to take advantage of the market recovery because we rebalanced to our long-term stock targets when the markets were at their lowest levels,” said Keith Bozarth, SWIB executive director. He noted that SWIB’s managers also posted strong results relative to the markets in which they invest.

SWIB surpassed the one-year performance benchmarks for the Core Fund (19.9%) and the Variable Fund (32.0%). The benchmarks include market indices for the various types of assets managed by SWIB. Preliminary data indicates that SWIB’s outperformance of benchmarks generated over \$1.2 billion in added gains to the trust funds in 2009.

The Core and Variable Funds both ended the year ahead of their ten-year benchmarks, and the Core Fund is also ahead of its five-year benchmark.

“There are still challenges ahead,” said chief investment officer David Villa, adding, “Our outlook for 2010 remains cautious.

“Concerns about unemployment levels, weakness in consumer spending and uncertainty about the future impact of the unprecedented amount of government fiscal and monetary stimulus remain. Credit risks continue to impact global markets as well.”

Assets under management at SWIB are about \$78 billion. This includes more than \$72.8 billion in trust funds of the WRS, which provides benefits to over 557,000 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 28th largest public or private pension fund in the world.

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