



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

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Audit Evaluates SWIB Performance and Expenditures

MADISON – Today, the nonpartisan Legislative Audit Bureau (LAB) released its evaluation (report 16-15) of the State of Wisconsin Investment Board (SWIB). SWIB invests assets for the Wisconsin Retirement System (WRS), the State Investment Fund, and five other state insurance and trust funds. As of December 2015, assets under management by SWIB totaled \$99.1 billion of which the WRS Core Fund and Variable Fund accounted for 92.8 percent.

As of December 2015, the WRS Core Fund and Variable Fund had exceeded five-year benchmarks. However, LAB found the Core Fund's five-year investment return ranked 9th among ten large public pension plans. The Core Fund had a one-year absolute return of -0.4 percent in 2015 that triggered a bonus deferral policy, which was subsequently waived by the Board. In 2015, SWIB staff earned \$11.1 million in bonuses. LAB recommends that SWIB work with its Board to develop language for its deferral policy to increase transparency for deferral decisions.

LAB analyzed trends in the Core Fund's investment returns. In December 2015, the 20-year investment return for the Core Fund equaled the amount the WRS actuary expected the Core Fund to earn. In prior years, the 20-year investment return had been greater than the rate expected by the WRS actuary.

"It is important that we continue to monitor long-term investment returns because they have the potential to affect WRS participants and employers," said Rep. Samantha Kerkman. "The WRS is a strong public pension system and I want it to remain so."

No general purpose revenue (GPR) directly supports SWIB's operations. 2011 Wisconsin Act 32 gave SWIB the authority to establish its own operating budget and to create or abolish staff positions. From 2011 through 2015, SWIB's expenses increased 25.2 percent, primarily due to increases in assets managed. From 2011 through 2015, SWIB added 48.1 full-time equivalent positions, largely to increase assets managed internally, manage new investment strategies, and support new information systems.

"SWIB has been granted more budget and position authority than other state agencies. As a result, I expect SWIB to use this authority to achieve strong investment performance and effectively manage its resources, both of which are important to WRS participants and employers," said Sen. Robert Cowles. "We will continue to use LAB's audits to help us maintain effective oversight of SWIB."

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