Designed for Success
The WRS/SWIB Difference

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State of WI Investment Board (SWIB)
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Purpose

Provide reliable retirement benefits at a reasonable cost.
Collective Retirement Funding

- Economic Efficiency
  - Higher Returns
  - Lower Costs
  - Longevity Risk is Pooled
  - Mortality Risk is Pooled
  - Investment Risk is Pooled

- The “Moral Hazard” Argument
Some Wisconsin Differences

- Risk Sharing (+/-)
- Separation of Functions
- Required Expertise
- Preference for Internal Management
- Compensation to Compete
- Participant Involvement/Accountability
Some Indicia of Success

Contribution Rates and History

- Combined Employer/Employee Rates <11%
- Since 1982, Highest Level Was 12.9%
- Social Security Tax = 12.4%
Some Indicia of Success

Dividend History

- 25-Year Average 5.4% Annually
- 25-Year CPI 3.1% Annually
- 10-Year Average 4.7% Annually
- 10-Year CPI 2.7% Annually
Some Indicia of Success

Duration of Benefit

- Average Age at Retirement < 60 years
- Average Age at Death > 82 years
- Average Service at Retirement 23 Years
SWIB One-Year Returns

SWIB Ahead of Benchmark
10 times

SWIB Behind Benchmark
7 times
SWIB Five-Year Returns

SWIB Ahead of Benchmark
15 times

SWIB Behind Benchmark
2 times
SWIB Ten-Year Returns

SWIB Ahead of Benchmark
16 times

SWIB Behind Benchmark
1 time
2007 Investment Initiatives

- Consolidated 3 Internal Large Cap Equity Portfolios
- Assigned Large Cap Analysts to 1 Sector
- Launched U.S. Large Cap Sector Portfolios
- Withdrew $8 Billion from Enhanced Funds
- Created Global REIT & Current Return Portfolios
- Initiated Index Manager Search
- Identified an Active Risk Target
2008 Investment Initiatives

- Complete Index Manager Search
- Move Passive and Enhanced Funds to Active Strategies
- Implement Revised International Equity Allocation
- Increase Funding of Internal International Portfolio
More 2008 Investment Initiatives

- Review Strategies U.S. Quantitative & External Fixed Income Managers
- Launch Internally Managed Russell 1000 Index
- Consider Using Global Equity External Managers
- Adapt Enhanced Investment Process for Internal Small Cap Portfolios
2008 Asset Allocation Targets

- Domestic Stocks 32%*
- International Stocks 26%*
- Fixed Income 30%
- Real Estate 5%
- Private Equity/Private Debt 5%
- Multi Asset 2%
- Domestic Stocks 32%*

*A 4% move from domestic (36 to 32) to international (22 to 26) is being phased in over the year.
Triage - Modernization

Short-Term Activities
- Maintain Momentum on Priorities for the Year
- Certain Administrative Tasks No Longer Required
- One Current Request for External Manager Guideline Revisions

Long-Term Planning Process
- Broader Review of Guidelines for Existing Portfolios
- Review Commingled vs. Separate Account Use
- Consideration of Additional Strategies
Miscellaneous Updates

- Newly Hired Investment Staff
- Increased Internal Management
  - International Stocks
  - U.S. Stock Index
- Sector Portfolios
- Second Staffing Request
- The Credit Crisis
# Lehman US Aggregate Bond Index 02/29/2008

<table>
<thead>
<tr>
<th>Group</th>
<th>Weight as of 2/29/2008</th>
<th>7/07 to 2/08 Return</th>
<th>Ten Year Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasuries</td>
<td>21.2%</td>
<td>11.9%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Agencies</td>
<td>11.0</td>
<td>9.3</td>
<td>6.1</td>
</tr>
<tr>
<td>Credit: Financials</td>
<td>8.5</td>
<td>3.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Credit: Industrials</td>
<td>9.1</td>
<td>5.9</td>
<td>5.9</td>
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<tr>
<td>Credit: Utilities</td>
<td>1.9</td>
<td>5.9</td>
<td>5.3</td>
</tr>
<tr>
<td>Non Corporate</td>
<td>3.5</td>
<td>8.2</td>
<td>6.6</td>
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<tr>
<td>MBS</td>
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<td>7.8</td>
<td>6.0</td>
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<tr>
<td>CMBS</td>
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<td>-0.2</td>
<td>n/a</td>
</tr>
<tr>
<td>ABS</td>
<td>0.8</td>
<td>-0.4</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Total Aggregate</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>7.9%</strong></td>
<td><strong>6.0%</strong></td>
</tr>
</tbody>
</table>
## Russell 1000 Index
02/27/1998 to 02/29/2008

<table>
<thead>
<tr>
<th>Group</th>
<th>Weight as of 2/29/2008</th>
<th>7/07 to 2/08 Return</th>
<th>Ten-Year Return*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discretionary</td>
<td>9.4 %</td>
<td>-20.3%</td>
<td>2.1%</td>
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<tr>
<td>Staples</td>
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<tr>
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<tr>
<td>Health Care</td>
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<td>4.4</td>
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<tr>
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<td>-6.4</td>
<td>6.1</td>
</tr>
<tr>
<td>Info Tech</td>
<td>15.3</td>
<td>-10.5</td>
<td>2.6</td>
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<td>4.3</td>
<td>8.0</td>
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<tr>
<td>Telecomm</td>
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<td>-21.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Utilities</td>
<td>3.9</td>
<td>-3.1</td>
<td>7.8</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>-10.1%</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

*Annualized
SWIB Historical Returns