



# The SWIB Report

Published by The State of Wisconsin Investment Board For WRS Participants

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## Calendar Year - to - Date Preliminary Returns

*Ending 02/28/07*

<b>Core Fund</b>	<b>0.8%</b>
Benchmark	0.9
<b>Variable Fund</b>	<b>0.3%</b>
Benchmark	0.4

## Strong returns reported in '06

For the third straight year, strong returns from private market and international investments played an important role to help push the Core Retirement Fund to a 15.8% return in 2006 beating the 14.6% benchmark return. The Core Fund (formerly known as the Fixed Fund) is the larger of the two trust funds of the Wisconsin Retirement System (WRS) and has diversified holdings in domestic and international stocks, bonds, loans, real estate and private equity.

Reflecting the strength of the domestic and international stock markets, the Variable Fund, an all-stock fund, returned 17.6% for the year, matching its benchmark.

“The Core Fund’s 2006 performance was strong in terms of total return and compared to its market benchmark of 14.6%. With our own talented staff and careful selection of outside managers, SWIB added \$735 million in value by outperforming the Core Fund benchmark,” said **Dave Mills**, executive director. “SWIB has beaten the Core Fund benchmark for four consecutive years for the first time since the WRS composite benchmark was implemented in 1982,” Mills added.

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#### Executive Director

David C. Mills

#### Deputy Executive Director

Gail Hanson

#### Chief Investment Officer

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#### Contact SWIB

121 E. Wilson St.  
Box 7842, Madison, WI 53707  
www.swib.state.wi.us  
info@swib.state.wi.us  
Hotline: (800) 424-7942  
(Madison) 267-0957

## Legislation would have negative impact on WRS

Senate Bill 57 and Assembly Bill 124, which seek to stop SWIB from investing in certain companies that do business in the African nation of Sudan, have been introduced at the Capitol. While SWIB shares the concerns about atrocities and human rights violations that the bill addresses, it also opposes the legislation because it conflicts with SWIB’s fiduciary responsibilities.

“Certainly, Senate Bill 57 and Assembly Bill 124 are well-intentioned, but provide the wrong solution,” said **Dave Mills**, executive director. “They attempt to send a political message to Sudan at the expense of the members of the retirement system.”

By law, SWIB must make investment decisions in the best financial interest of the trust funds it manages. While SWIB

**Sudan** continued on page 2

## Senty, Boldt renamed to Board leadership

**Governor Doyle** has re-appointed **James Senty** of La Crosse Board chair for the State of Wisconsin Investment Board. Senty has served as chair since April 2003 and has been a SWIB Trustee for six years. **Tom Boldt** was also reappointed as Board vice chair. He has served as vice chair since May 2004 and has been a SWIB Trustee for three and a half years.

## Dave Mills announces plans to retire

After serving since December 2003, executive director, **Dave Mills**, has announced plans to retire sometime later this year. "It is with very mixed emotions that I make this announcement," said Mills. "It's been a terrific experience and a tremendous honor to lead this agency. The Governor, Legislature, taxpayers and – most importantly – the members of the retirement system are extremely fortunate to have such a capable, conscientious group of professionals at SWIB working on their behalf."

In announcing the retirement, Board chairman **James Senty** expressed deep appreciation for Mills' contributions as executive director. "Dave has done an outstanding job for the Board and for all those whose money we invest," Senty said. The Board is conducting a nationwide search to fill the position.

## Governor recommends budget improvements for SWIB

**Governor Doyle's** 2007-09 budget recommendations could help SWIB increase WRS investment earnings by over \$44 million a year.

That will come about in two ways. First, by increasing funding for portfolios managed by SWIB's own staff, the budget will enable SWIB to improve net returns by reducing its use of more expensive outside investment firms. Second, the Governor's budget will enable SWIB's staff to implement new investment initiatives that should increase earnings.

The funding for SWIB's

budget comes from investment earnings, not state tax revenues. Currently, SWIB is authorized to assess each trust fund up to 2.75 cents for each \$100 of assets SWIB manages. The Governor's budget raises this amount to 3.25 cents, the first such increase since 1999.

This will increase the funding for SWIB's internal budget by approximately \$4 million annually but enable SWIB to save over \$15 million annually in fees paid to investment firms. This net savings of \$11 million is part of the expected \$44 million total gain to the trust funds. The Governor's recommendation also

provides additional protection for SWIB's budget should market downturns significantly reduce the value of assets under management.

"We are very appreciative of the Governor's support for these initiatives and look forward to working with the Legislature to gain its support as well," said **Dave Mills**, executive director. "By adding to our investment earnings, these initiatives reduce the amounts that would otherwise need to be raised from employer and employee contributions largely financed by state taxpayers and potentially increase dividends paid to annuitants."

## Sudan continued from page 1

cannot make investments based on social or political objectives, it does consider the economic effects of social and humanitarian issues during investment analysis. SWIB works to identify companies that may have business ties to Sudan and to evaluate the nature of those relationships.

"Virtually any restriction on investment opportunities will have an adverse effect on the WRS trust fund returns and increase the multi-million dollar management fees," Mills



said. In turn, legislation that restricts investments will result in higher costs to taxpayers through higher contribution rates to fund WRS liabilities and lower dividends paid to retirees.

In addition, the Wisconsin Supreme Court has repeatedly found that using public employee retirement funds in ways not related to the purpose of the funds is an unconstitutional impairment of contract rights. For more information about Sudan and SWIB visit [www.swib.state.wi.us/hottopics.asp](http://www.swib.state.wi.us/hottopics.asp).