



# The SWIB Report

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### 2007 Board Meeting Schedule\*

January 10	July (no meeting)
February 14	August 8
March 14	September 19
April 11	October 17/18
May 9	November 14
June 13	December 12

Meetings are held at SWIB. The October meeting is held at an off-site location.

\*Tentative subject to business pending

## Pension system is strong with help from investments

Some public pension systems have been making headlines because of concerns over financial problems. However, Wisconsin Retirement System (WRS) members -- and state taxpayers -- can take comfort in knowing that the Wisconsin public pension system is in sound condition.

A review by the WRS actuary found that it is one of the best funded pension funds in the country and that the WRS is on target to meet the increase in future benefit payments as more members retire.

A portion of the funds for benefits are provided by employer and employee contributions. The return on SWIB's investment of these contributions funds over 80% of benefit costs. SWIB's investment strategy takes into account current and future needs of the system to help it remain strong and viable.

State taxpayers also benefit from SWIB's efforts because contributions from public employers are less when long-term investment earnings are above the 7.8% long-term assumed rate of return. As of November 30 the preliminary five-year return was 9.9% and the ten-year was 9.1%.

However, earning an optimum rate of return is more challenging in this rapidly changing investment environment. SWIB is looking at new management strategies and asset classes that may provide future opportunities. SWIB must be nimble and well positioned to take advantage of them as they arise.

### Calendar Year - to - Date Preliminary Returns Ending 11/30/06

<b>Core Fund</b>	<b>14.3%</b>
Benchmark	13.3
<b>Variable Fund</b>	<b>15.7%</b>
Benchmark	15.8

**Investments** continued on page 2

# Q & A

## Q. Does SWIB invest in hedge funds?

A. SWIB does not invest in hedge funds. The first hedge funds pooled money from wealthy individuals to invest in stocks. These funds used various strategies to “hedge” their investments (minimize loss) in the event of a stock market decline. Hedge funds now invest in a much wider variety of investments and seek to increase returns in all types of market conditions. Many use leverage (borrowing) or other speculative strategies that may increase risk.

Hedge funds have grown from about \$50 million to an estimated \$1 trillion in about 15 years. Some public pension funds and other institutional investors have decided to use hedge fund investments as part of their asset mix. In an effort to be knowledgeable about all modern investment opportunities, SWIB has discussed hedge fund strategies and performance with several consultants and hedge fund managers. Some use more conventional investment and risk management strategies that SWIB already applies. Others use strategies that SWIB could not employ under current state law or that may carry greater risk than is appropriate for the funds SWIB invests.

Investments in hedge funds are made through private sale. Therefore, there is less regulatory oversight by the Securities and Exchange Commission than there is for publicly traded investments. There is ongoing discussion in the investment industry as to whether the level of information disclosed by hedge funds to investors is sufficient. At this time, SWIB has no plans to pursue investment in hedge funds.

## Two promoted to asset class leader positions

SWIB has named two long-time staff members as head of their respective investment groups. **Chuck Carpenter** has been promoted to lead the Private Markets Group and **Jackie Doeler** is the new managing director of Public Equities Group.

Chuck’s duties include oversight of private equity, private debt and real estate investments. He was named to the position after Bob Severance retired. Chuck joined SWIB in 1988 as supervisor for the real estate portfolio. During the next 15 years he held several positions in real estate, finally serving as assistant managing director. In September 2003 he became managing director of the newly formed Private Markets Group.

Before joining SWIB, he worked for Carley Capital Group in Madison and also worked as an account representative for Oscar Mayer & Co.

He is a 1978 graduate of Yale University where he majored in history and received a master’s degree from the University of Wisconsin in real estate appraisal and investment analysis in 1982. He has



Jackie Doeler, left, and Chuck Carpenter

earned the Chartered Financial Analyst designation.

Jackie, who served as healthcare portfolio manager since December 2001, has been interim head of equities since August upon Jean Ledford’s retirement.

She joined SWIB in 1986 working in various administrative and investment positions before moving to the small company stocks portfolio

staff in 1991.

She received her bachelor’s degree from Purdue University in Indiana and a master’s degree from the University of Wisconsin Applied Securities Analysis Program. She also has earned the Chartered Financial Analyst designation.

## Investments continued from page 1

We are also reviewing legal mandates and policies that may constrain SWIB’s ability to achieve optimal investment returns, because the trust funds are better served when we can consider all market opportunities based on risk and return.