

# SWIB Quarterly Update

Wisconsin Coalition of Annuitants

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# Agenda



Performance



Cost Effectiveness



Asset Allocation



Incentive Compensation



Questions



# Performance



# WRS Core Fund Performance

## Preliminary Calendar Year-to-Date

As of February 29, 2024

**1.19%**

## Final Performance

As of January 31, 2024

**5-Year**

**10-Year**

**8.29%**

**7.27%**

Benchmark: 7.71%

Benchmark: 6.85%

Note: Calendar year-to-date and 5-year returns are net of fees, and 10-year returns are net of external manager fees.



# WRS Variable Fund Performance

## Preliminary Calendar Year-to-Date

As of February 29, 2024

**4.57%**

## Final Performance

as of January 31, 2024

**5-Year**

**11.07%**

Benchmark: 11.22%

**10-Year**

**9.73%**

Benchmark: 9.77%

Note: Calendar year-to-date and 5-year returns are net of fees, and 10-year returns are net of external manager fees.





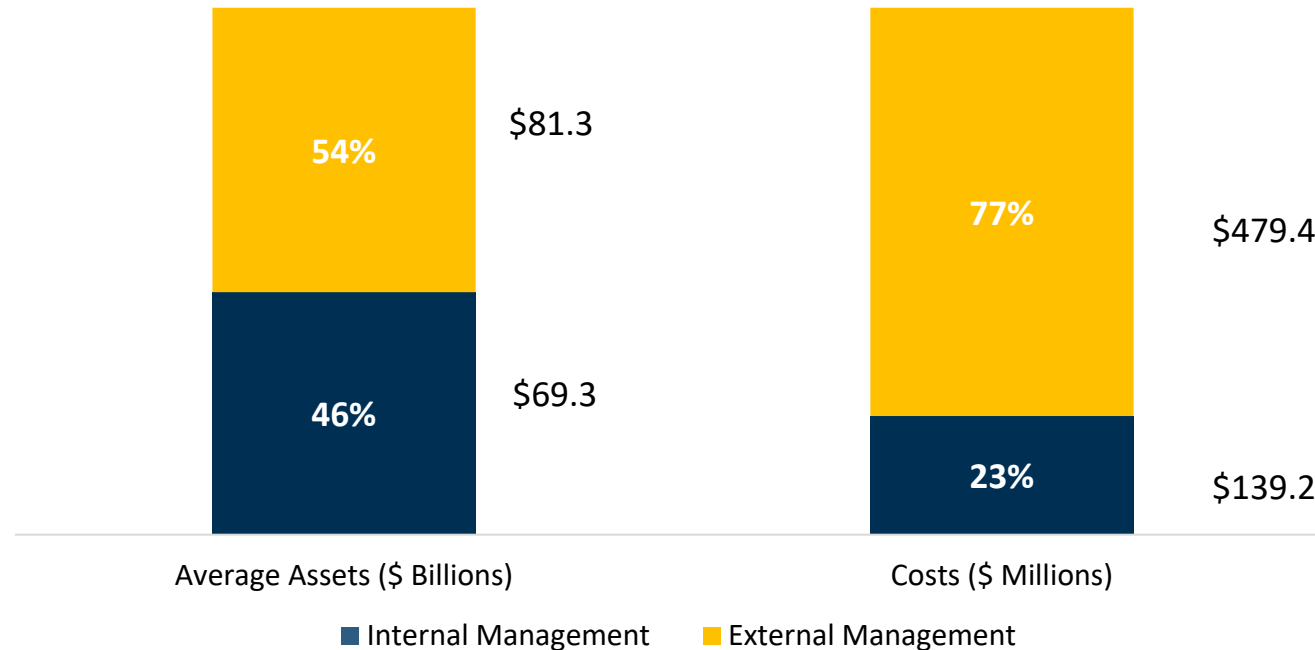
# Cost Effectiveness



# Internal Costs vs. External Base Fees

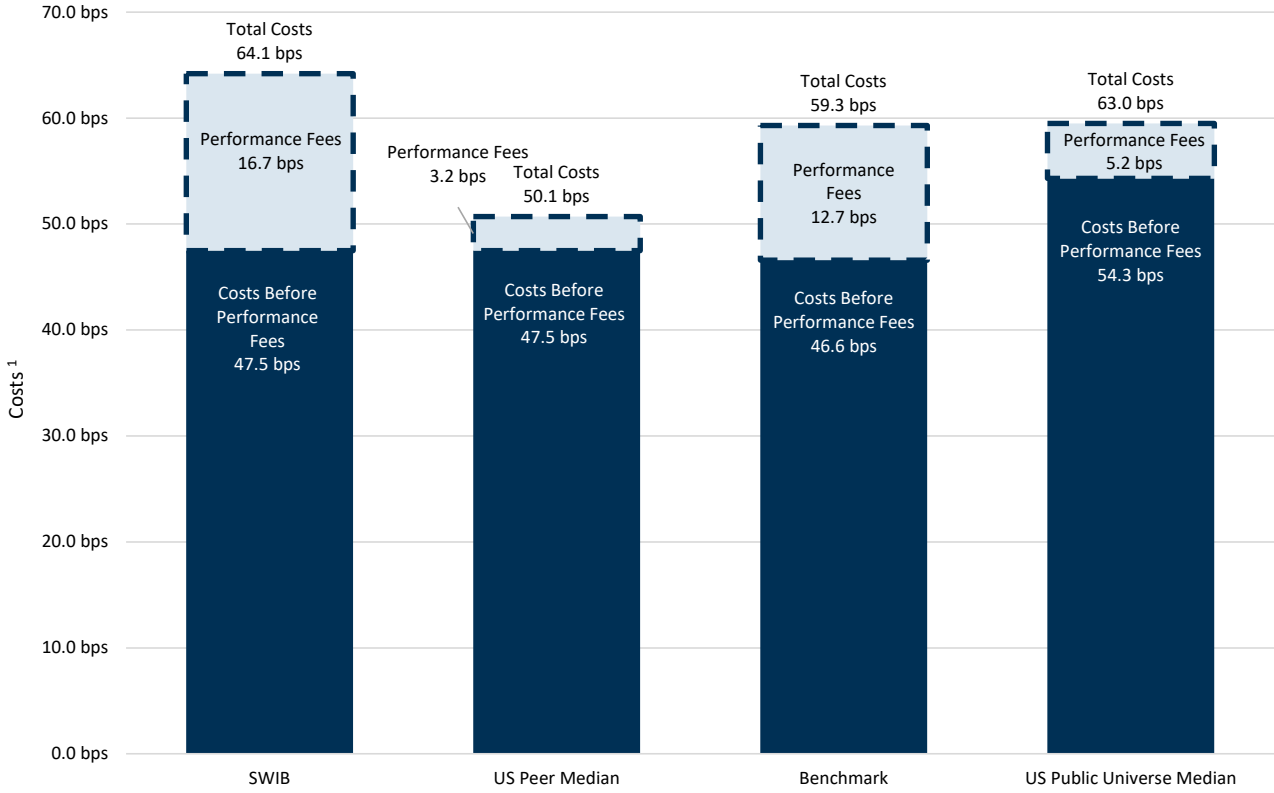
*Internal management costs significantly less*

SWIB saved **\$536 million** vs. peers from 2013-2022.



CY 2023 Internal + External Manager Base Fees = \$618.6 million

# Median Costs Including Performance Fees



<sup>1</sup> Costs for US Peer Median and US Public Universe Median represent the median of each data point, resulting in the sum of the median cost before performance fees and the median performance fees not equaling the median total costs for each category. As a result, the above total median figures vary modestly from the sum of the individual median inputs.

When adjusted for performance fees, SWIB’s costs are equal to the peer median, slighter higher than the CEM Benchmark, and lower than the U.S. Public Universe.





# Asset Allocation



# Summary of Asset Allocation Changes

## Public Markets Allocation

- Reduce Public Equity from 48% to 40%
- Increase Fixed Income from 25% to 27%

## Private Markets Allocation

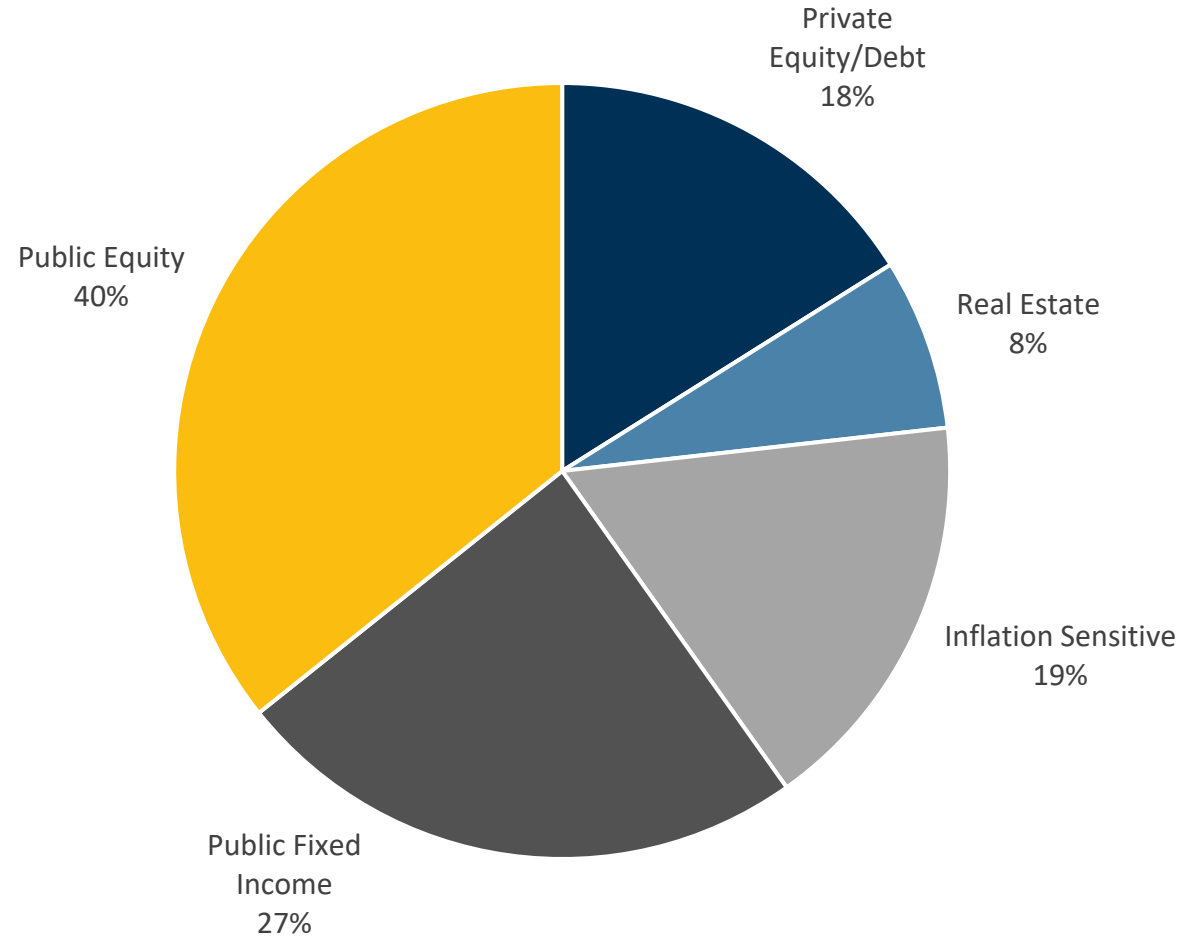
- Increase Private Equity & Debt from 15% to 18%

## Leverage Level

- Reduce Leverage Level from 15% to 12%



# 2024 Asset Allocation Targets



Note: Asset allocation target totals exceed 100% due to SWIB's overall leverage of CTF assets.

Long Term Target Returns and Risk	
	2024 Policy Portfolio
10-Year Expected Return	6.5%
30-Year Expected Return	7.4%
Standard Deviation	12.4%
Sharpe Ratio 10 Yr.	0.20
Target Active Risk	120 bps +/- 60bps



# Incentive Compensation



# Incentive Compensation by the Numbers

A total of **263** employees are eligible for incentive compensation awards.



- 90 Investment Management Staff
- 173 Investment Services Staff



The 2023 incentive compensation payments represent less than **5%** of all SWIB's costs for managing the WRS.



SWIB's investment management has added more than **\$3.1 billion** above benchmark returns to the WRS over the last five years.



# Inventive Compensation by the Numbers



Over the last 20 years, SWIB's active management and diversified holdings generated **\$29.5 billion** for the Core Fund above what it would have earned investing in a passive 60/40 portfolio.



The plan primarily focuses on **five-year** returns, a longer-term measure that aligns with SWIB's long-term investment strategy and the period used to calculate retiree annuity adjustments.



SWIB has generated strong returns for the WRS that keep it fully funded. With a funded ratio of **100%** as of Dec. 31, 2023, the WRS is one of the only fully funded public pensions in the U.S.





[www.swib.state.wi.us/podcasts](http://www.swib.state.wi.us/podcasts)

**NEW EPISODE COMING SOON!**

**Episode 27**

*How SWIB's Co-Investment Portfolio Benefits the WRS, with Chris Eckerman and Kirk Wolff from SWIB's Private Equity & Co-Investment Team*

**Some Recent Episodes:**

**Episode 26**

*'It Ain't Over Till It's Over' : A Look Back at 2023 and Ahead to 2024 with SWIB Executive Director/Chief Investment Officer Edwin Denson*

**Episode 25**

*A Look Into the Housing Market and SWIB's MBS Portfolio with Mike Shearer, head of fixed income strategies, and Leo Kropywiansky, senior portfolio manager*

