



Navigating the WRS Through a Changing Global Economy

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February 4, 2020

About SWIB

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1951

was the year Legislators voted to create SWIB and granted it authority to invest the State's funds



\$122.9 billion

in assets under management in the Wisconsin Retirement System, State Investment Fund & several separately managed trust funds



9-member

independent Board of Trustees govern SWIB



235

local fulltime positions, including investment management and investment services staff, help to manage the trust funds

About SWIB



62.6%

of SWIB staff hold multiple degrees and/or CFA/CPA certification(s)



52%

of total assets managed internally



\$54 million

in cost savings on average over peers in 2018 and \$1.3 billion over the last 10 years

Trust Funds Invested by SWIB

- Wisconsin Retirement Trust Funds (WRS)
 - Core Trust Fund
 - Variable Trust Fund
- State Investment Fund
- Injured Patients & Families Compensation Fund
- State Life Insurance Fund
- State Historical Society Trust Fund
- University of Wisconsin System Trust Funds

Well Funded

- WRS is one of the only fully funded public pensions in the country
 - National average is 72.5%
- More than \$108 billion in assets
- 8th largest public pension fund in the U.S.
 - Over 635,000 participants
 - More than 32,700 county employees

Economic Impact

- A well-funded and well-managed retirement plan is not only good for employees, but it's also good for Wisconsin
 - 1 in 5 residents are either a WRS member or are affected by the WRS as a family member
 - Expenditures from public pensions supported over 54,000 jobs in Wisconsin that paid \$2.4 billion in wages/salaries, & generated \$1.5 billion in federal, state, & local tax revenues¹

¹Pensionomics 2018: Measuring the Impact of DB Pension Expenditures, report by the National Institute on Retirement Security.

WRS Value to Wisconsin

- SWIB-generated investment returns account for approximately 75% of the income needed to fund the WRS. The public pension average is 62%¹, which means that in Wisconsin, public employers and employees bear less of the burden than those in many other states.
- The WRS paid \$5.6 billion in benefits in 2018. More than 85% of WRS pensions go to retirees living in Wisconsin.²

¹ NASRA Issue Brief: Public Pension Plan Investment Return Assumptions, Feb. 2019

² Pensionomics 2018 (Wisconsin), NIRS

WRS Value to Wisconsin

- Expenditures of WRS benefits support:
 - 54,141 jobs that paid \$2.4 billion in wages and salaries
 - \$7.4 billion in total economic activity in Wisconsin (each \$1 of benefits paid supports \$1.42 of total economic activity)
 - \$1.5 billion in federal, state and local tax revenues.¹
- A strong WRS has been cited as a factor in Wisconsin's recent credit rating upgrades.² Credit rating upgrades lower a state's borrowing costs

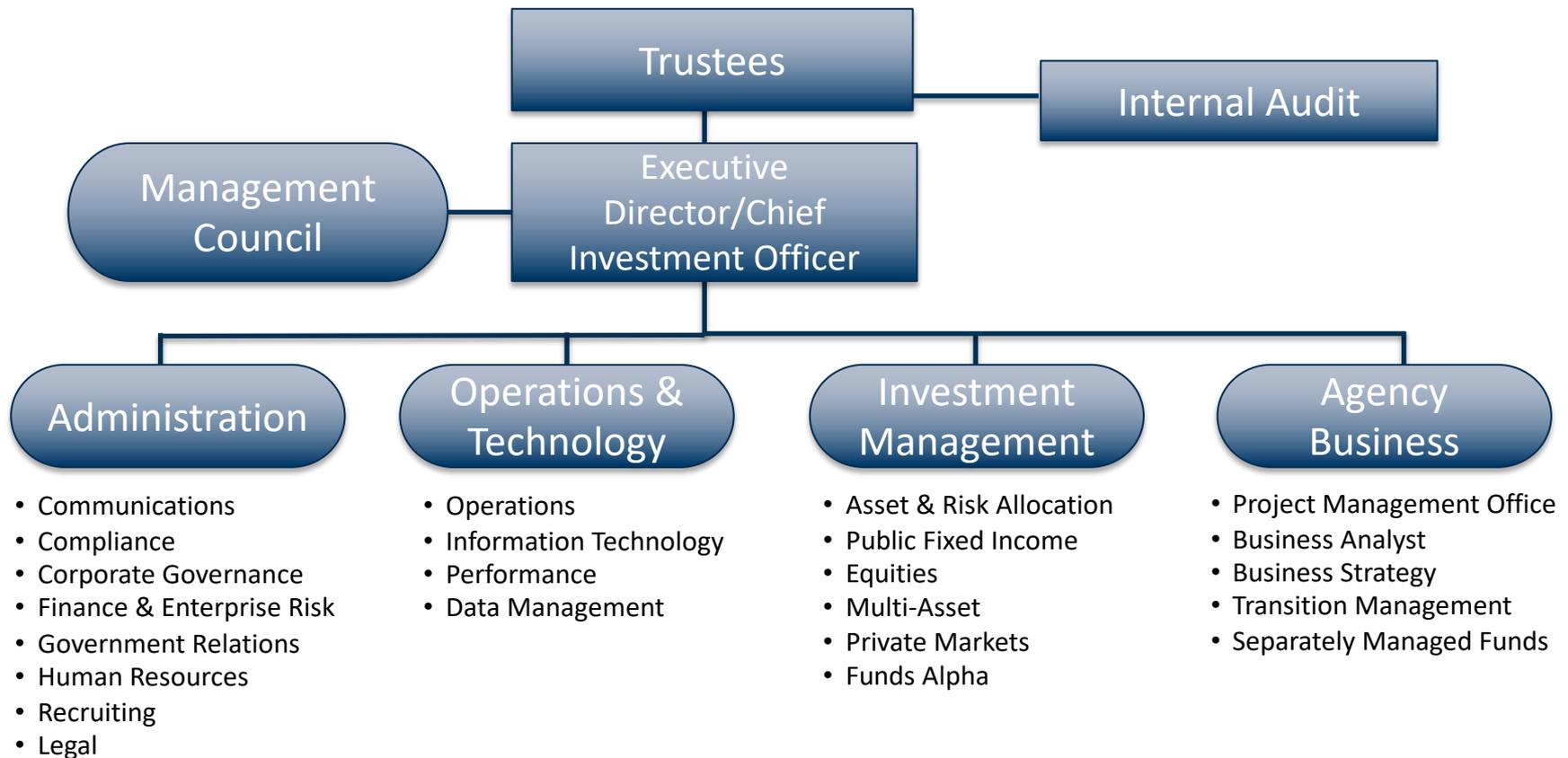
¹ Pensionomics 2018 (Wisconsin), NIRS

² "Moody's upgrades Wisconsin GO to Aa1; outlook stable," Aug. 2017

SWIB Governance

- Nine member Board of Trustees
- Diverse backgrounds and meeting specific membership requirements specified by statutes
- Governor appoints Chair and Vice Chair; Secretary is elected by Trustees
- Four Trustee Committees
 - Audit and Finance
 - Strategic Planning and Corporate Governance
 - Compensation
 - Benchmark and Performance
- Two staff committees
 - Investment Committee
 - Enterprise Risk and Compliance Committee

SWIB Organizational Structure

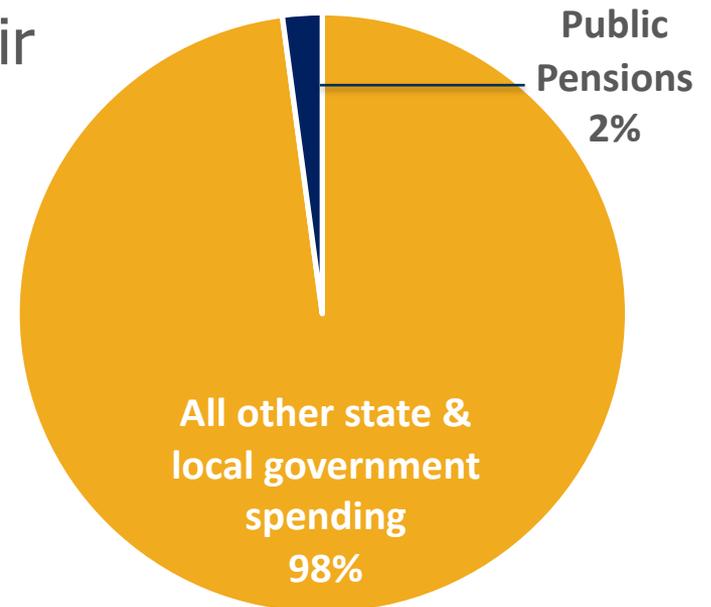


Wisconsin Retirement System



Low Cost for Taxpayers

- State & local governments in Wisconsin spend 2.1% of their budgets on public pensions (WRS is largest)
- National average: 4.7%



*Pensionomics 2018: Measuring the Impact of DB Pension Expenditures, report by the National Institute on Retirement Security.

2019 Performance – Core Fund

Preliminary as of 12/31/19

19.9%

Benchmark: 19.2%

5-Year

7.8%

Benchmark: 7.5%

10-Year

8.6%

Benchmark: 8.1%

2019 Performance – Variable Fund

Preliminary as of 12/31/19

28.6%

Benchmark: 28.3%

5-Year

9.8%

Benchmark: 9.7%

10-Year

11.2%

Benchmark: 11.0%

Investing in Wisconsin



A Trusted Partner: In-State Investing

- SWIB's goal is to generate solid returns for the WRS through strategic & targeted investments
 - Many investments lead to economic development & job creation
- As of June 30, 2019, SWIB had total investments of over \$577 million in companies with a significant presence in the state
 - Investments are made in private equity/venture capital/debt, fixed income, public equities, real estate, multi-asset & short term funds
- Including investments in companies with some level of presence and over 20 employees, this amount increases to \$22.6 billion

Dedicated In-State Portfolios

- While maintaining its fiduciary duty to manage the WRS trust funds, SWIB has identified good local investment opportunities
- SWIB has two dedicated portfolios that focus on Wisconsin
 - Wisconsin Private Debt Portfolio
 - Wisconsin Venture Capital Portfolio

Wisconsin Private Debt Portfolio

- Origins date back to the 1960s
- Since 1983, the portfolio has invested over \$2.1 billion in 237 loans
 - Current loans outstanding to Wisconsin companies total just under \$500 million
- Over 90% of loans have been to companies that are headquartered in, have operations in, or intend to invest the proceeds in Wisconsin
- Average annual loan pacing is approximately \$70 million with an average loan size of \$9 million

Private Debt Portfolio Investments



Ladysmith, Wisconsin

- Manufacturer of tissue parent rolls selling into the converter market for napkins, paper towels, and bath tissue
 - CityForest significantly expanded production capacity partially funded by a loan from Enron Corp
 - Enron's subsequent bankruptcy jeopardized the company's future, local ownership and local jobs
 - Working with the company and bankruptcy courts, SWIB provided financing to acquire Enron's notes at a significant discount to face value
 - A few years later, CityForest was able to refinance SWIB conventionally at a much lower financing rate
 - SWIB's loan ensured CityForest's long term viability as a company while generating good risk adjusted returns for the WRS
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Darlington, Wisconsin

- Producer of cheese, whey protein and lactose for sale into the food and nutraceutical industry
- Operated by a strong management team, the company was growing rapidly and adding on new state-of-the-art production capacity
- SWIB worked with Wisconsin Whey to come up with a creative financing solution to complete the expansion
- SWIB's loan allowed Wisconsin Whey to complete its projects which will lead to additional jobs positively impacting the local community while generating a good risk adjusted returns for the WRS

Wisconsin Venture Capital Portfolio

- Launched in 1999 investing in early stage funds & companies
- Approximately \$420 million committed/invested over 18 years in funds and companies
 - Over 40% specifically targeted towards in-state investing
- 85% of the funds invest in Wisconsin
- 81% of the direct company investments are in Wisconsin
- SWIB's annual Wisconsin investments average approximately 10% of the institutional opportunities

Venture Capital Portfolio Investments



Madison, Wisconsin

- Founded by a UW radiologist and a UW-Madison engineering professor
- Minimally invasive ablation technology for soft tissue lesions in the liver, kidney and lung
- SWIB and syndicate partners invested the first institutional dollars in 2009 (only a few employees at the time)
- SWIB and syndicate partners invested follow-on capital for clinical studies and commercialization
- Growing to over 100 employees, NeuWave was acquired in 2016 by Ethicon (J&J Medical Devices)
- Today, NeuWave still maintains significant operations in Madison
- NeuWave's founding team started a new company developing tumor location technology used in lumpectomies
- SWIB's investment helped create a lasting Wisconsin company while generating good risk adjusted returns for the WRS



Brookfield, Wisconsin

- Founded by two women entrepreneurs with significant backgrounds in staffing services
- Pinstripe was started to create a world class recruitment process outsourcing (RPO) business
- SWIB and syndicate partners invested the first institutional dollars into Pinstripe in 2005 (only a handful of employees at the time)
- SWIB and syndicate partners invested follow-on capital for growth and expansion
- In 2012, early investors exited the business through a growth round financing led by Accel-KKR
- Today, Pinstripe, n/k/a Cielo, is a world leading strategic RPO company located in over 95 countries with over 2,000 employees
- SWIB's investment helped create a lasting Wisconsin company while generating good risk adjusted returns for the WRS

SWIB Intangibles

- SWIB is involved in business activities around the state working with, and investing in, both mature and start-up companies
- SWIB positively impacts the Wisconsin business/start-up community in multiple ways in addition to investment activity
 - Participation in annual Madison Chamber Pressure Chamber event
 - Participation on panels/discussion on venture capital and private debt
 - Host venture capitalists from around the country to spend time in Madison/Wisconsin to learn more about the State's start-up community and network
 - Involved in the Badger Fund manager selection committee leading to seven new early stage managers and over \$90 million of early stage capital in Wisconsin
 - Connect Wisconsin companies to outside Wisconsin venture managers
 - The Wisconsin Private Debt Portfolio will also help companies seek financing (whether SWIB participates or not)
- A healthy State economy is beneficial for SWIB's Wisconsin portfolios

Thank You

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