State of Wisconsin Investment Board
Staff Compensation Plan

Objective: Lower Costs by Managing More Investments with SWIB Staff

- Main objective is to recruit and retain the most capable investment professionals to manage and invest the trust funds.
- No GPR funds are involved. All costs are charged to the funds managed.
- SWIB competes for staff with investment firms throughout the country.
- If SWIB does not have qualified staff to manage the assets, it must contract with external managers to manage the funds.
- Public market assets managed by external managers costs considerably more than SWIB's internal management costs -- \$0.06 per \$100 in 2009 for assets actively managed by SWIB staff vs. \$0.28 for outside active management.
- Controlling investment costs benefits taxpayers and fund participants.
- Pay for performance remains the norm in asset management.

Legislature Improved Plan in 2000 to Attract and Retain Qualified Staff

- Qualifications, experience and tenure of staff greatly improved compared to what SWIB could attract before 2000.
- Analysts hired from 1998 - 2000 averaged six months experience compared to nearly seven years experience for those hired from 2001 through 2009.
- About 70% of SWIB staff have advanced degrees or professional certifications, including PhDs, MBAs, and CFAs and one-third hold multiple degrees and/or certifications.
- Due to having qualified staff, internal management of WRS assets increased from 20.7% in 2007 to 47.3% in 2010, which reduced costs charged to the funds by an estimated \$13 million annually.
- Independent study found SWIB is a low-cost manager.

Plan Structure Rewards Pay for Performance

- Based on exceeding performance benchmarks using the 1- and 5-year portfolio and total fund measures.
- Annually compared to peer group of banks, insurance companies and in-house pension funds, excluding financial centers on east and west coasts.
- SWIB incentive compensation consistently lower than its peer group.

2011 Performance

- Core Trust Fund returned 12.4% and exceeded benchmark by about 0.2%.
- A majority of market indexes were surpassed by both internal and external managers.
- Staff incentives paid when performance surpasses investment benchmarks.