

DRS Advisory Committee November 14, 2014



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How are Investment Options Chosen?



Investor behavior:

- ❑ Too many options can cause confusion and/or lack of participation
- ❑ Over 60% of participants need/want help; less than 10% are “active” investors
- ❑ Majority will make changes very infrequently
- ❑ Typical investor uses between three and four options

Menu Design:

- ❑ Keep it simple
- ❑ Provide one-step options
- ❑ Provide simple, low-cost building blocks that leverage our strengths for those that do want to direct their own investments
- ❑ Can't be all things to all people, and trying could result in diminished outcomes for most people

How are Investment Options Chosen?



Consideration of new options:

- ❑ Would it benefit the majority of plan members?
- ❑ Is it a basic building block?
- ❑ Does it offer something new, not currently in the program?
- ❑ Is the appeal long-term, or transitory, or cyclical?
- ❑ Is it feasible?
- ❑ Would it increase member fees?
- ❑ Is the benefit compelling enough to offset the downsides (more options, which means more complexity and confusion for most participants)



Have Markets Behaved as Expected This Year? WSIB Public Equity's "Prospects for 2014" (Presented Earlier This Year)



“The prospects for 2014? Write down a range of scenarios, stick them on a wall, and throw a dart. That’s the scientific method. For the unscientific method, ask a fund manager, broker, or financial journalist.”

– Pyford International, Q4 2013 Pyspectives Newsletter

Markets are at higher valuations than at the beginning of 2013 (with the exception of emerging markets)

Although a slow growth recovery seems to be most likely, potential problems are numerous

- ❑ **Mixed U.S. economic numbers**
- ❑ **Fundamental problems in Europe still not fixed**
- ❑ **Abenomics in Japan may not sustain reform**
- ❑ **Uncertainty around prospects in China**
- ❑ **Political and economic unrest and uncertainty in other emerging markets**

Sentiment can swing from positive to disappointed very quickly

- ❑ **In the first quarter of 2014, we have already seen monthly equity returns that are strongly negative (January at -3.7 percent), or flat (March at 0.4 percent), or strongly positive (February at +4.9 percent)**

Teachers' Retirement System Plan 3

September 30, 2014

	% of Assets	Option	Market Value	Quarterly Change
	60.50%	WSIB TAP Fund	\$4,161,217,505	↑ \$21,787,206
	0.93%	Social Balanced Fund	61,333,020	↓ (2,541,756)
17.77%	0.16%	Retirement Strategy Fund 2000	9,250,472	↓ (364,197)
	0.22%	Retirement Strategy Fund 2005	12,637,413	↓ (1,887,996)
	0.67%	Retirement Strategy Fund 2010	41,796,933	↓ (2,372,300)
	2.73%	Retirement Strategy Fund 2015	178,412,957	↓ (14,592,089)
	4.07%	Retirement Strategy Fund 2020	278,968,110	↓ (6,712,605)
	3.73%	Retirement Strategy Fund 2025	255,077,132	↓ (5,915,111)
	2.78%	Retirement Strategy Fund 2030	189,721,115	↓ (2,536,538)
	1.88%	Retirement Strategy Fund 2035	129,149,657	↓ (1,666,474)
	0.94%	Retirement Strategy Fund 2040	65,514,493	↓ (331,651)
	0.36%	Retirement Strategy Fund 2045	26,312,612	↑ 408,810
	0.15%	Retirement Strategy Fund 2050	11,714,201	↑ 435,095
	0.09%	Retirement Strategy Fund 2055	5,849,689	↓ (151,111)
	8.38%	U.S. Large Stock Fund	574,884,154	↓ (4,341,518)
	2.00%	U.S. Small Value Stock Fund	117,920,756	↓ (16,210,698)
	1.28%	Global Equity Fund	85,865,936	↓ (3,643,149)
	0.58%	Emerging Markets Equity Fund	40,038,864	↓ (1,615,599)
	4.67%	Bond Market Fund	309,810,073	↓ (3,546,359)
	3.89%	Money Market Fund	244,443,321	↓ (9,238,439)
		Total Fund	\$6,799,918,412	↓ (\$55,036,481)

School Employees' Retirement System Plan 3

September 30, 2014

	% of Assets	Option	Market Value	Quarterly Change
	74.11%	WSIB TAP Fund	\$1,202,249,763	↓ (\$1,839,172)
	0.61%	Social Balanced Fund	9,668,061	↑ 160,220
11.92%	0.13%	Retirement Strategy Fund 2000	1,590,243	↓ (354,544)
	0.27%	Retirement Strategy Fund 2005	3,924,615	↓ (247,563)
	0.93%	Retirement Strategy Fund 2010	14,625,307	↓ (324,260)
	2.65%	Retirement Strategy Fund 2015	41,085,131	↓ (2,074,452)
	3.11%	Retirement Strategy Fund 2020	50,887,878	↓ (1,227,718)
	2.46%	Retirement Strategy Fund 2025	40,145,694	↓ (897,111)
	1.09%	Retirement Strategy Fund 2030	18,248,413	↑ 145,536
	0.60%	Retirement Strategy Fund 2035	10,117,818	↑ 164,151
	0.26%	Retirement Strategy Fund 2040	4,919,839	↑ 219,973
	0.18%	Retirement Strategy Fund 2045	2,961,893	↓ (26,841)
	0.11%	Retirement Strategy Fund 2050	2,365,011	↑ 173,810
	0.11%	Retirement Strategy Fund 2055	1,934,048	↑ 14,864
	3.82%	U.S. Large Stock Fund	63,867,037	↑ 184,532
	1.21%	U.S. Small Value Stock Fund	15,888,260	↓ (1,831,013)
	0.54%	Global Equity Fund	8,806,871	↓ (395,782)
	0.25%	Emerging Markets Equity Fund	4,401,267	↓ (35,877)
	2.00%	Bond Market Fund	30,991,448	↓ (519,054)
	5.54%	Money Market Fund	85,172,468	↓ (1,129,023)
		Total Fund	\$1,613,851,062	↓ (\$9,839,323)

Public Employees' Retirement System Plan 3

September 30, 2014

	% of Assets	Option	Market Value	Quarterly Change
	58.15%	WSIB TAP Fund	\$1,336,212,427	↑ \$5,912,662
	1.15%	Social Balanced Fund	25,463,010	↓ (514,534)
19.45%	0.13%	Retirement Strategy Fund 2000	2,742,355	↓ (508,914)
	0.19%	Retirement Strategy Fund 2005	5,557,771	↑ 41,541
	0.90%	Retirement Strategy Fund 2010	19,876,629	↓ (704,624)
	2.58%	Retirement Strategy Fund 2015	56,623,754	↓ (2,787,070)
	4.01%	Retirement Strategy Fund 2020	91,011,224	↓ (2,215,421)
	4.43%	Retirement Strategy Fund 2025	100,090,052	↓ (2,841,375)
	2.80%	Retirement Strategy Fund 2030	63,621,010	↓ (1,065,775)
	1.94%	Retirement Strategy Fund 2035	45,455,894	↑ 451,225
	1.10%	Retirement Strategy Fund 2040	25,783,621	↓ (581,380)
	0.69%	Retirement Strategy Fund 2045	17,332,960	↑ 292,738
	0.41%	Retirement Strategy Fund 2050	10,968,353	↑ 1,136,106
	0.28%	Retirement Strategy Fund 2055	8,078,544	↑ 785,558
	5.91%	U.S. Large Stock Fund	141,966,725	↑ 3,021,539
	2.91%	U.S. Small Value Stock Fund	55,127,425	↓ (6,775,333)
	1.35%	Global Equity Fund	30,721,187	↓ (575,112)
	0.71%	Emerging Markets Equity Fund	17,651,411	↑ 697,820
	3.21%	Bond Market Fund	74,780,855	↑ 260,881
	7.17%	Money Market Fund	151,983,738	↓ (4,189,965)
		Total Fund	\$2,281,048,946	↓ (\$10,159,434)

Deferred Compensation Fund

September 30, 2014

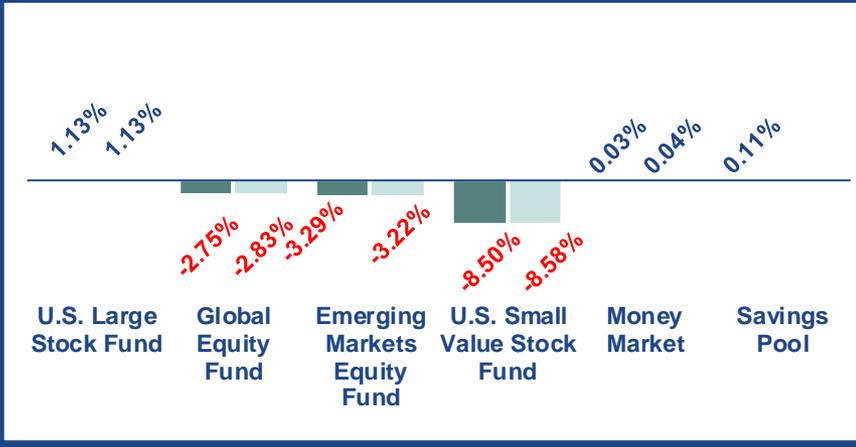
	% of Assets	Option	Market Value	Quarterly Change
43.64%	0.70%	Retirement Strategy Fund 2000	\$23,701,429	↓ (\$1,296,994)
	1.12%	Retirement Strategy Fund 2005	38,249,677	↓ (1,653,432)
	3.39%	Retirement Strategy Fund 2010	116,278,610	↓ (5,047,900)
	9.19%	Retirement Strategy Fund 2015	320,519,416	↓ (11,778,721)
	10.32%	Retirement Strategy Fund 2020	376,073,279	↓ (4,815,877)
	7.79%	Retirement Strategy Fund 2025	287,256,933	↓ (1,602,252)
	4.97%	Retirement Strategy Fund 2030	180,580,940	↓ (2,871,441)
	3.25%	Retirement Strategy Fund 2035	120,891,627	↑ 82,899
	1.66%	Retirement Strategy Fund 2040	61,191,857	↓ (294,644)
	0.75%	Retirement Strategy Fund 2045	28,685,843	↑ 413,608
	0.26%	Retirement Strategy Fund 2050	9,903,299	↑ 209,876
0.25%	Retirement Strategy Fund 2055	9,601,702	↓ (357,063)	
	3.61%	Social Balanced Fund	127,042,787	↓ (1,255,127)
	8.43%	U.S. Large Stock Fund	322,940,055	↑ 10,665,126
	5.62%	U.S. Small Value Stock Fund	176,857,213	↓ (22,727,925)
	3.09%	Global Equity Fund	112,502,920	↓ (1,637,182)
	1.61%	Emerging Markets Equity Fund	59,546,630	↓ (347,298)
	6.21%	Bond Market Fund	223,458,225	↑ 1,296,158
	27.79%	Savings Pool	911,015,989	↓ (25,696,598)
		Total Fund	\$3,506,298,431	↓ (\$68,714,788)

Equity and Cash Funds – Quarter, 1, 3, and 5 Year Returns

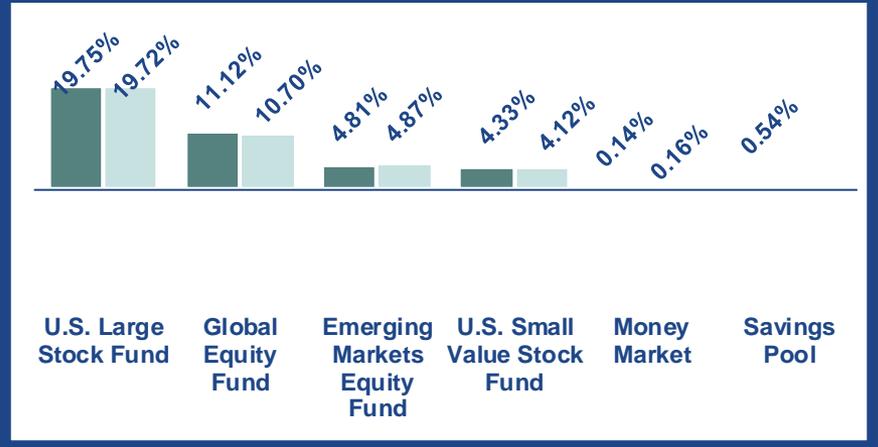
September 30, 2014

Fund Index

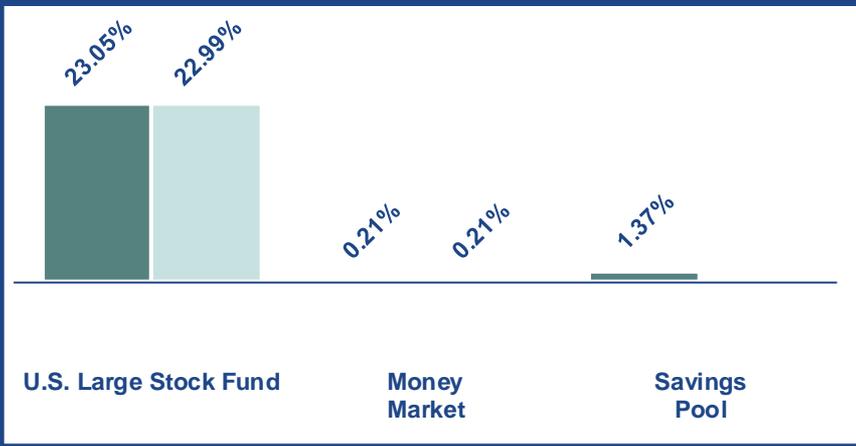
Quarter



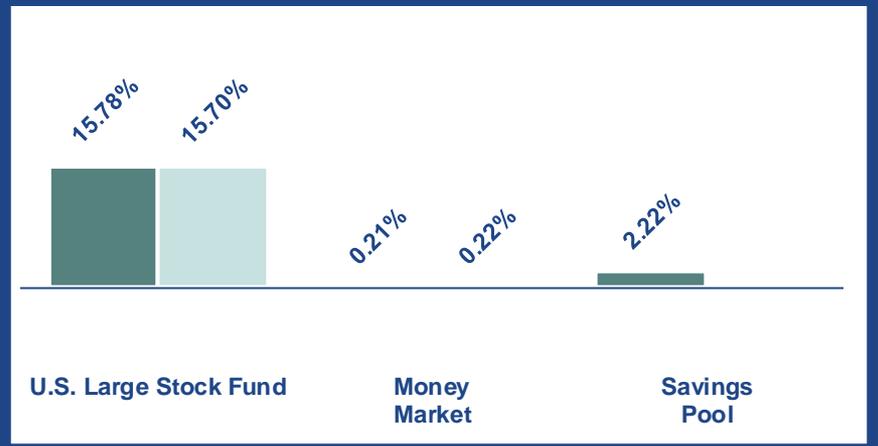
1 Year



3 Year



5 Year

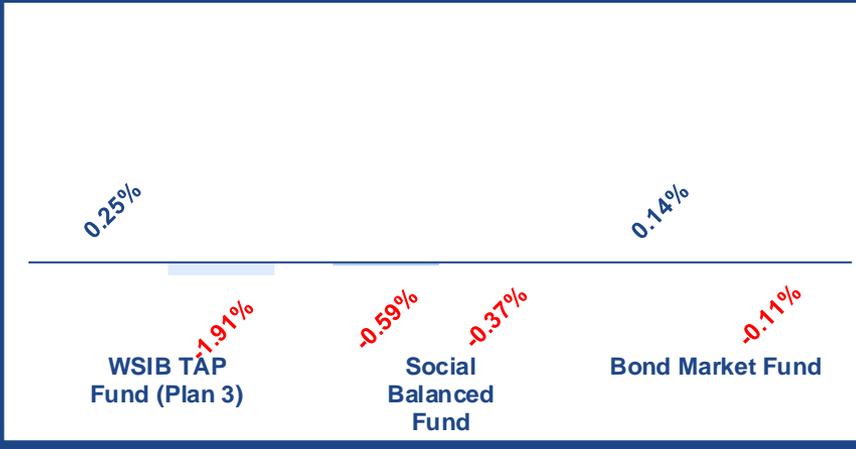


Balanced and Bond Funds – Quarter, 1, 3, and 5 Year Returns

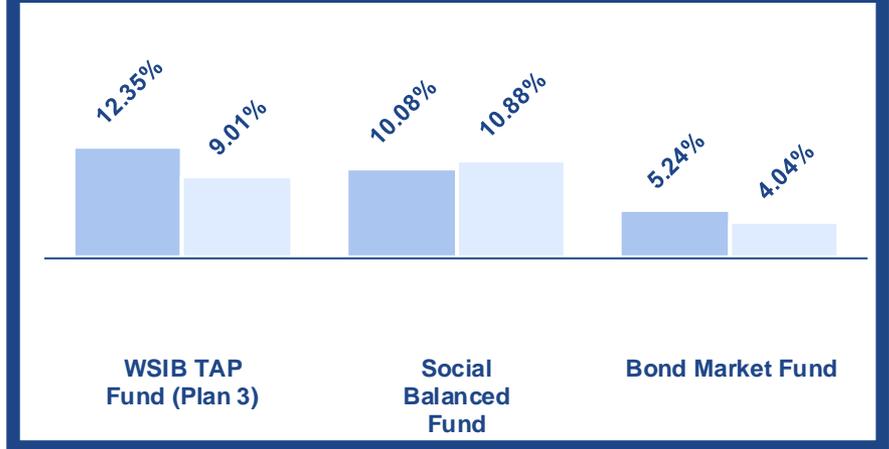
September 30, 2014

Fund Index

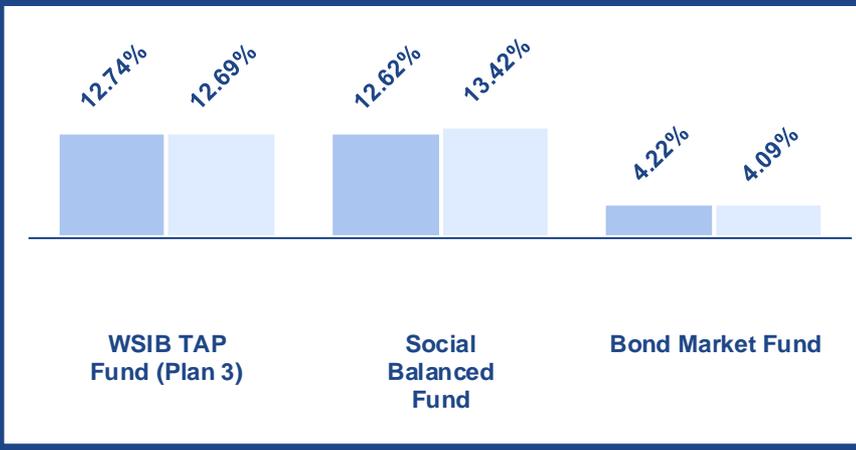
Quarter



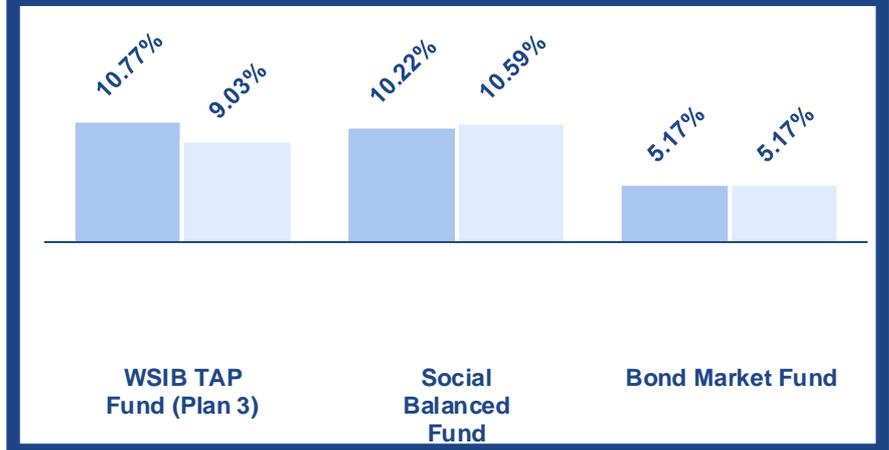
1 Year



3 Year



5 Year





Retirement Strategy Funds– Quarter Returns

September 30, 2014

Fund Index

Quarter



1 Year



Since Inception – October 3, 2008 (RS 2055 has a since inception date of January 4, 2010)

