



January 15, 2019

Honorable Alberta Darling, Co-Chair
Joint Committee on Finance
317 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882

Honorable John Nygren, Co-Chair
Joint Committee on Finance
309 East, State Capitol
P.O. Box 8953
Madison, WI 53708

Honorable Robert Cowles, Co-Chair
Joint Committee on Audit
118 South, State Capitol
P.O. Box 7882
Madison, WI 53708-7882

Honorable Samantha Kerkman, Co-Chair
Joint Committee on Audit
315 North, State Capitol
P.O. Box 8952
Madison, WI 53708

Mr. Jeffrey Renk
Senate Chief Clerk
P.O. Box 7882
Madison, WI 53708-7882

Mr. Patrick Fuller
Assembly Chief Clerk
Room 401, 17 West Main Street
Madison, WI 53703

Subject: Investment Policies, Objectives and Guidelines

Members of the Legislature:

Pursuant to Section 25.17(14r) of the Wisconsin Statutes, I want to advise you that since our last report on October 19, 2018 there were some revisions to (i) the SWIB Investment Committee (IC) Wisconsin Retirement System (WRS) Investment Guidelines, (ii) the WRS Investment Policy and (iii) the State Investment Fund (SIF) & Separately Managed Funds Investment Policy and Guidelines.

At its December 20, 2018 meeting, the Investment Committee approved various updates, clarifying changes and conforming changes as well as the following amendments to the SWIB IC WRS Investment Guidelines:

1. Amendments to reflect SWIB's reorganization effective October 1, 2018, including the combination of the Executive Director and Chief Investment Officer roles into a single ED/CIO role;
2. Amendments to the Internal Management General Guidelines to (a) update the reference index for determining "developed" and "emerging" fixed income markets, and (b) clarify that only SWIB official benchmarks require IC approval;
3. Amendments to the Global Equity Portfolios Guidelines to measure guidelines at the global sector aggregate portfolio level and amend the short sale limitation (now tested on the aggregate portfolio);
4. Amendments to combine the Government/Credit Portfolio and Global Bond Portfolio Guidelines, including modifications to limits on portfolio duration, issuer concentration and currency concentrations (including use of currency options and forwards) to appropriately monitor the new combined portfolio;

5. Amendments to the process for approving investments in the Exposure Management Portfolios and the Private Markets and Funds Alpha Overage Portfolios to seek additional senior investment staff input;
6. Amendments to the Private Equity, Venture Capital and Current Return Portfolio Guidelines to better reflect current and intended investment practices, including with respect to threshold ownership in a single fund, manager and company concentration limits, non-US investment limits and strategic partner co-investment;
7. Amendments to the Hedge Fund Portfolio Guidelines to require a consultant recommendation for additional investments above a certain size; and
8. Amendments to *Appendix 2, Soft Risk Parameters*, to conform to the approved 2019 asset allocation and reflect other changes described above.

The amendments listed above will be reported to the Board of Trustees at its March 13, 2019 meeting.

At its December 12, 2018 meeting, the Board of Trustees approved the following changes to the WRS Investment Policy, which amendments had also been recommended by the Investment Committee:

1. Amendments to reflect SWIB's reorganization, including (a) the combination of the Executive Director and Chief Investment Officer roles, (b) the creation of a new role to fulfill certain statutory requirements, and (c) the creation of a Management Council;
2. Amendments to the Asset Allocation Rebalancing section to reference *Appendix 1, Asset Allocation*, in discussing the ranges for mandatory rebalancing; and
3. Amendments to the Roles and Responsibilities of SWIB Fiduciaries section to clarify the roles of the Board's benchmark consultant and the various staff consultants.

At its December 12, 2018 meeting, the Board of Trustees approved the following changes to the SIF & Separately Managed Funds Investment Policy and Guidelines, which amendments had also been recommended by the Investment Committee:

1. Amendments to reflect SWIB's reorganization, including (a) the combination of the Executive Director and Chief Investment Officer roles, and (b) the creation of a new role to fulfill certain statutory requirements; and
2. Amendments to update the UW System Trust Fund benchmarks.

If you have questions on any of the changes, please contact me.

Sincerely,



Rochelle Klaskin
Deputy Executive Director/Chief Administrative Officer

cc: Jay Risch, SWIB Government Relations Liaison
Members, Joint Committee on Audit
Members, Joint Committee on Finance
Joe Chrisman, Legislative Audit Bureau
Robert Lang, Legislative Fiscal Bureau