



ROBERT WITTKE

STATE REPRESENTATIVE • 62nd ASSEMBLY DISTRICT

TESTIMONY: Assembly Committee on State Affairs
January 26, 2022

Chair Swearingen and Members,

Thank you for holding a public hearing on **Assembly Bill 906 (AB 906)** relating to statutory language clean up relating to the State of Wisconsin Investment Board (SWIB). As you know, SWIB is responsible for managing the assets of the Wisconsin Retirement System (WRS). The work they do to maximize the assets of the WRS is invaluable to annuitants.

AB 906 would make statutory changes to promote operational efficiency of SWIB, such as allowing for one procurement process under Chapter 25. Secondly, **AB 906** would allow SWIB to establish its own travel policies. Thirdly, the bill removes the current requirement that SWIB must obtain the attorney general's consent before hiring outside legal counsel but allows SWIB to hire outside legal counsel within the scope of any SWIB operations.

Here with me today are key SWIB staff who have the necessary expertise to fill in the details of why these proposed changes within **AB 906** are important.

I am pleased to lead on this important legislation. SWIB is a valuable Wisconsin resource. I hope you'll move **AB 906** through the committee process swiftly.

Thank you.



— Alberta Darling —
Wisconsin State Senator · District 8

Testimony before the Assembly Committee on State Affairs

Assembly Bill 906

Wednesday, January 26, 2022

Thank you Chair Swearingen and committee members for hearing Assembly Bill 906. This bill updates statutes and makes needed reforms to help the State of Wisconsin Investment Board (SWIB) operate more efficiently.

SWIB is responsible for managing the assets of the Wisconsin Retirement System, the State Investment Fund, and other state trust funds. As of December 31, 2020, SWIB managed about \$144 billion in assets. The legislature last revised SWIB's statutes in 2011. SWIB is seeking changes to address market and operational changes that have occurred in the last 10 years.

Assembly Bill 906 clarifies inconsistent statutes, eliminates duplicative requirements, and makes three substantive changes to allow SWIB to operate more efficiently. First, Assembly Bill 906 allows SWIB to use one procurement process under Chapter 25, rather than going back and forth between two similar but different procurement processes in Chapters 20 and 25. Chapter 20 supplies and services account for 1-2% of SWIB's total annual costs, and this reform will streamline the procurement process for SWIB. Next, Assembly 906 removes the current requirement that SWIB must obtain the Attorney General's consent before SWIB may hire outside legal counsel. In practice, this has been a box checking exercise for SWIB and DOJ. Removing this approval will reduce administrative burdens that can delay needed legal expertise for SWIB. Finally, the bill also allows SWIB to establish its own travel policies. This provision is modeled after the current practice in the UW System. SWIB is seeking this change as the state travel policy does not contemplate international travel, which conflicts with SWIB's need to do due diligence on international investments.

SWIB is widely recognized for its success, integrity, and innovation. Assembly 906 modernizes statutes and provides SWIB with additional flexibilities to practice more efficiently. Thank you for hearing Assembly 906. I hope to count on your support.

Chair Swearingen and Members of the Assembly Committee on State Affairs, thank you for the opportunity to appear before you today. My name is Jay Risch and I am the Government Relations Liaison for the State of Wisconsin Investment Board (SWIB). With me is Sara Chandler, SWIB's Chief Legal Counsel.

SWIB's primary duty is to manage the assets of the Wisconsin Retirement System (WRS), one of the only fully funded public pension plans in the U.S. SWIB is nationally recognized as one of the top public pension plan investors.

As of Dec. 31, 2021, SWIB managed almost \$166 billion of trust fund assets. The largest portion of assets managed by SWIB, about 89%, is in the WRS trust fund. About 10% is in the State Investment Fund (SIF), which is a pool of cash balances for state and local governments. The remaining assets are in four other separately managed trust funds.

In 2011, the legislature granted budget and position authority to SWIB's independent Board of Trustees. AB 906 makes additional, minor reforms in the spirit of that 2011 legislation to further promote operational efficiency. SWIB appreciates Representative Wittke and Senator Darling for introducing this bill and also the bipartisan list of other legislators who signed on as cosponsors.

One reform in this bill would promote efficiency by allowing SWIB to use just one procurement process (Chapter 25) rather than the two similar but different procurement processes it must maintain currently (Chapter 20 and Chapter 25). Chapter 20 supplies and service expenses account for only 1-2% of SWIB's annual total costs. This portion of the bill draft is modeled after provisions applicable to WEDC when it engages in procurement activities.

A second reform would allow SWIB to establish its own travel policies. In order to perform due diligence on new investment opportunities and appropriately monitor existing investments, SWIB staff needs to travel to domestic and international financial centers. The state's travel policy does not contemplate international travel. This portion of the bill draft is modeled after a similar provision applicable to the UW System.

Third, this bill removes the current requirement that SWIB must obtain the attorney general's consent before SWIB hires outside legal counsel. In practice, this current requirement is an unnecessary box checking exercise for both SWIB and the Department of Justice. SWIB is unaware of any instance where an attorney general denied a SWIB request to hire outside legal counsel. Also, the bill would clarify that SWIB may hire outside legal counsel in the scope of any SWIB operations.

Finally, as SWIB has not sought any statutory or administrative rule changes since 2011, this bill makes several non-substantive changes, including updating position titles and removing obsolete language from the statutes.

SWIB hopes to earn committee members' support for AB 906.