

# STATE OF WISCONSIN

SENATE CHAIR  
**Howard Marklein**

316 East, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-0703



ASSEMBLY CHAIR  
**Mark Born**

308 East, State Capitol  
P.O. Box 8952  
Madison, WI 53708-8953  
Phone: (608) 266-2540

## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Howard Marklein  
Representative Mark Born

Date: August 14, 2023

Re: SWIB Report to JFC

Attached is a report on all expenses charged to the trust funds under management and the number of full-time equivalent positions created or abolished during the quarter from the State of Wisconsin Investment Board, pursuant to s. 25.17(13m), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

HM:MB:jm



STATE OF WISCONSIN  
INVESTMENT BOARD

AUG 14 2023

*St. Finance*

August 11, 2023

Senator Howard Marklein, Co-Chair  
Joint Committee on Finance  
P.O. Box 7882  
Madison, WI 53707

Representative Mark Born, Co-Chair  
Joint Committee on Finance  
P.O. Box 8952  
Madison, WI 53708

Senator Eric Wimberger, Co-Chair  
Joint Legislative Audit Committee  
P.O. Box 7882  
Madison, WI 53707

Representative Robert Wittke, Co-Chair  
Joint Legislative Audit Committee  
P.O. Box 8953  
Madison, WI 53708

Secretary Kathy Blumenfeld  
Department of Administration  
101 East Wilson Street  
P.O. Box 7864  
Madison, WI 53707

Dear Senator Marklein, Senator Wimberger, Representative Born, Representative Wittke and Secretary Blumenfeld:

State statutes require the State of Wisconsin Investment Board (SWIB) to report all expenses charged to the trust funds under management and the number of full-time equivalent positions created or abolished during the quarter<sup>1</sup>. The information contained in this report is for the quarter ended June 30, 2023.

Total Cost of Management Summary	3Q2022	4Q2022	1Q2023	2Q2023	Trailing 4 Qtr Total	% of Total
<b>Internal Operating Expenses</b>						
Operating Budget Expenses	\$ 13,275,388	\$ 16,013,990	\$ 14,718,435	\$ 19,303,861	\$ 63,311,674	56.2%
Custodial, Investment Operations & Banking	1,647,965	1,961,451	2,057,242	1,723,893	7,390,551	6.6%
Legal	625,000	371,714	561,635	558,921	2,117,270	1.9%
Investment Research & Consulting	9,112,954	7,570,768	8,387,483	8,535,712	33,606,917	29.9%
<b>Total Internal Operating Expenses</b>	<b>\$ 24,661,307</b>	<b>\$ 25,917,923</b>	<b>\$ 25,724,795</b>	<b>\$ 30,122,387</b>	<b>\$ 106,426,412</b>	<b>94.4%</b>
Securities Lending Agent Expenses	\$ 1,198,959	\$ 1,125,732	\$ 1,455,665	\$ 1,064,140	\$ 6,256,634	5.6%
<b>Total SWIB Operating Costs</b>	<b>\$ 25,860,266</b>	<b>\$ 27,043,655</b>	<b>\$ 27,180,460</b>	<b>\$ 31,186,527</b>	<b>\$ 112,683,046</b>	<b>100.0%</b>
<b>External Investment Management Fees</b>						
<b>Externally Managed Separate Account Fees</b>						
Beta One & Other - Separately Managed	\$ 15,970,497	\$ 12,231,686	\$ 10,289,679	\$ 15,796,013	\$ 54,287,875	7.7%
<b>Supplemental Information - External Fund Fees</b>						
Real Estate	\$ 20,775,122	\$ 20,890,279	\$ 19,702,319	\$ 21,394,315	\$ 82,762,036	11.7%
Private Equity & Venture Capital	67,722,428	72,422,893	55,955,436	64,812,083	260,912,839	36.9%
Hedge Funds	58,023,466	61,423,994	52,940,887	56,693,136	229,081,483	32.5%
Beta One & Other - External Funds	3,044,345	15,891,147	55,999,027	3,082,375	78,016,893	11.1%
<b>Total External Investment Management Fees</b>	<b>\$ 165,535,858</b>	<b>\$ 182,859,999</b>	<b>\$ 194,887,348</b>	<b>\$ 161,777,922</b>	<b>\$ 705,061,126</b>	<b>100.0%</b>
<b>Total Cost of Management</b>	<b>\$ 191,396,124</b>	<b>\$ 209,903,654</b>	<b>\$ 222,067,808</b>	<b>\$ 192,964,449</b>	<b>\$ 817,744,172</b>	

<sup>1</sup>Wisconsin Statutes Section 25.17 (13m): Investment-related costs and expenses charged to the WRS Trust Funds, State Investment Fund, State Life Insurance Fund, Historical Society Endowment Fund, Injured Patients and Families Compensation Fund and UW Trust Fund. Investment transaction expenses, such as trading commissions and interest expense, are included in investment returns, and therefore not included in this report.

SWIB operating costs are charged to the trust funds under management. Externally managed fund fees for commingled assets are netted against investment returns generated by SWIB's external fund holdings. It is important to consider costs in the context of value-added investment returns. For example, during the five years ended December 31, 2022, after consideration of all expenses, costs, and fees, SWIB generated more than \$2.7 billion in additional profits beyond what would have been generated by the benchmark portfolio SWIB is measured against. These profits all go directly into the Wisconsin Retirement System for the benefit of its beneficiaries.

Attachment A provides a breakdown of the amount and percentage of assets managed under each type of dedicated and commingled account or partnership, and the change in the amount and percentage from the prior calendar quarter. As of June 30, 2023, SWIB's total authorized full-time equivalent positions are 290 as shown in the table below.

Assets Under Management & Positions		
	03/31/2023	06/30/2023
Internal Management	46.5%	46.7%
External Management	53.5%	53.3%
Total SWIB Positions	290	290

In addition, Attachment B provides details of the services provided to SWIB and their associated quarterly costs. For definitions of the expense categories presented in the Total Cost of Management Summary table, please refer to Attachment C.

As new investment strategies are implemented and markets continue to evolve, SWIB will continue evaluating the most efficient means to manage the trust fund assets. Please contact us if you have any questions or comments about this report.

Sincerely,



Edwin Denson  
Executive Director/Chief Investment Officer

Attachments

cc: Members, Joint Committee on Finance  
Members, Joint Committee on Audit  
Robert Lang, Legislative Fiscal Bureau  
Joe Chrisman, Legislative Audit Bureau

**Total Assets Under Management**

Wisconsin Retirement System (WRS)	9/30/2022		12/31/2022		3/31/2023		6/30/2023	
	Amount (in millions)	Percent	Amount (in millions)	Percent	Amount (in millions)	Percent	Amount (in millions)	Percent
Internally Managed Assets	\$45,843	39.1%	\$46,587	37.9%	\$49,730	39.2%	\$50,868	39.5%
Externally Managed Dedicated Assets	26,743	22.8%	29,344	23.9%	29,282	23.1%	29,758	23.1%
Externally Managed Commingled Assets	44,579	38.0%	46,979	38.2%	47,809	37.7%	48,259	37.4%
1. Passive Index	1,711	1.5%	1,488	1.2%	1,168	0.9%	1,011	0.8%
2. Limited Partnerships	30,771	26.3%	31,719	25.8%	32,060	25.3%	32,894	25.5%
3. Active Managed Commingled	12,097	10.3%	13,772	11.2%	14,581	11.5%	14,354	11.1%
<b>TOTAL WRS Assets</b>	<b>\$117,165</b>	<b>100.0%</b>	<b>\$122,910</b>	<b>100.0%</b>	<b>\$126,821</b>	<b>100.0%</b>	<b>\$128,885</b>	<b>100.0%</b>

  

State Investment Fund - Internally Managed	\$17,876		\$17,742		\$19,285		\$19,718	
Separately Managed Funds - Internally Managed	\$93		\$95		\$98		\$96	
Separately Managed Funds - Externally Managed	\$2,438		\$2,523		\$2,582		\$2,603	

  

<b>Total SWIB Assets Under Management</b>	<b>\$137,573</b>		<b>\$143,269</b>		<b>\$148,786</b>		<b>\$151,302</b>	
<b>Total Internal Management</b>	<b>\$63,813</b>	<b>46.4%</b>	<b>\$64,423</b>	<b>45.0%</b>	<b>\$69,113</b>	<b>46.5%</b>	<b>\$70,682</b>	<b>46.7%</b>
<b>Total External Management</b>	<b>\$73,760</b>	<b>53.6%</b>	<b>\$78,846</b>	<b>55.0%</b>	<b>\$79,673</b>	<b>53.5%</b>	<b>\$80,620</b>	<b>53.3%</b>

**STATE OF WISCONSIN INVESTMENT BOARD**  
**Expenses for All Funds Under Management**  
**Quarter Ending June 30, 2023**

EXPENSE CATEGORY	SERVICE PROVIDED	EXPENSES
<b><u>Internal Expenses</u></b>		
Staff Compensation	Staff Compensation	\$ 12,709,967
Fringe Benefits	Fringe Benefits	3,364,452
Supplies, Travel & Facilities	General Supplies & Services	3,229,442
<b>Total Internal Expenses *</b>		<b>\$ 19,303,861</b>
<b><u>Custodial, Investment Operations and Banking Fees</u></b>		
BNY Mellon Asset Servicing - Custody	Master Custody Services	\$ 273,210
BNY Mellon Asset Servicing - Investment Operations	Investment Operating Services	1,290,249
Markit NA	Investment Data Management Software	160,434
<b>Total Custodial, Investment Operations and Banking Fees</b>		<b>\$ 1,723,893</b>
<b><u>Legal Fees</u></b>		
Arentfox Schiff LLP	Legal Work for Investment Strategies	\$ 20,604
Cox Castle & Nicholson LLP	Legal Work for Investment Strategies	78,793
DLA Piper LLP (US)	Legal Work for Investment Strategies	122,061
Godfrey & Kahn SC	Legal Work for Investment Strategies	44,162
Legal Services Expense Accrual	Legal Work for Investment Strategies	145,717
Purington Moody Weill LLP	Legal Work for Investment Strategies	60,637
Quarles & Brady	Legal Work for Investment Strategies	76,175
Reinhart Boerner Van Deuren SC	Legal Work for Investment Strategies	423
Vedder Price PC	Legal Work for Investment Strategies	10,350
<b>Total Legal Fees</b>		<b>\$ 558,921</b>
<b><u>Investment Counsel</u></b>		
Aksia LLC	Hedge Fund Investment Consulting	\$ 193,750
Alembic Global Advisors	Market Research	2,750
Alex Solutions	Research and Data Services	40,750
Algomi Corporation	Investment Consulting Services	4,201
Apex Systems - CH25	Investment Consulting Services	72,891
Arthur Selender	Investment Consulting Services	14,000
B Riley FBR Inc	Investment Research	6,000
Backstop Solutions Group	Investment Software	46,375
Bank of America Merrill Lynch	Investment Research	65,700
Barrington Research Associates Inc	Investment Research	3,450
Barrons	Investment Research	122
BCA Research Inc	Global & Domestic Fixed Income Strategy Research	32,042
Berenberg	Investment Research	10,500
Bixby Research and Analytics LLC	Research and Data Services	8,333
BiZZdesign United States Inc.	Enterprise Architecture Software	25,000
Blacklight Technology Partners, LLC	Research and Data Services	18,333
Blackrock Financial Management Inc	Risk Services	80,000
Bloomberg Finance LP	Market, Company, Industry & Benchmark Information	1,212,272
BMO Capital Markets Corp	Investment Research Services	22,500
BNY Mellon Asset Servicing - Eagle/Pace	Investment Consulting Services	115,000
BTIG, LLC	Investment Research	3,000
Callan Associates Inc	Investment Consulting & Performance Benchmarking	6,250
Canaccord Genuity	Investment Research	5,050
Cantor Fitzgerald Investment Advisors, L.P.	Investment Research	3,800
CappThesis, LLC	Research and Data Services	2,500
Carahsoft Technology Corp	Investment Consulting Services	26,767
CBJL Incorporated	Investment Consulting Services	(36,080)
CBOE Global Markets, Inc.	Research and Data Services	1,620
CCG Data Solutions	Investment Consulting Services and Software	36,400
CFRA Research	Investment Research	23,793
Charles River System Inc	Portfolio Management Trading Software & Services	443,011
CIBC World Markets Inc	Investment Research	1,000
CL King & Associates	Investment Research	3,050
Compass Point Research & Trading, LLC	Investment Research	3,300
CoStar Portfolio Strategy	Real Estate Consulting & Research Services	15,742
Cowen and Company LLC	Investment Research	41,400
Craig-Hallum Capital Group	Investment Research	5,250
Crane Data LLC	Research and Data Services	3,000
Credit Benchmark, LTD	Benchmark Service	50,000

EXPENSE CATEGORY	SERVICE PROVIDED	EXPENSES
CUSIP Global Services	Research and Data Services	16,250
Cutter Associates	Investment Organization and Systems Consulting	13,727
DA Davidson & Co	Investment Research	26,700
Dacheng Xiu	Investment Research	25,000
Daiwa Capital Markets America	Investment Research	9,000
Datacamp Inc	Research and Data Services	5,983
Davy Securities Limited	Investment Research	19,500
Deutsche Bank	Tax registration fees	40,700
DiatomC LLC	Investment Consulting Services	97,440
Dow Jones News Service	Company and Industry News Services	790
DTCC -- EPN	Trade Settlement Service	3,600
DTCC ITP LLC	Trade Settlement Service	2,315
Eberstatistics LLC	Investment Forum Speaker	25,000
EFront Financial Solutions Inc	Private Markets Portfolio Management Services	191,204
Empirical Research Partners LLC	Investment Research	38,200
enableIT LLC	Investment Research	7,920
Ernst & Young LLP	Tax Compliance Services & Investment Consulting	39,563
Euromonitor International	Research and Data Services	6,589
Evercore Group LLC	Investment Research	51,750
Exane Inc	Investment Research	44,575
FactSet Research Systems Inc	Financial & Economic Database	1,048,709
FBN Securities, Inc.	Investment Research	2,400
FIS Data Systems Inc.	Research and Data Services	16,469
Fitch Solutions Inc	Credit Rating Services	18,750
FocusEconomics S.L.U	Investment Consulting Services	36,783
Funston Advisory Services LLC	Investment Consulting Services	14,500
Furey Research Partners LLC	Small Cap Research	11,500
Gallagher	Insurance and Risk Management Services	15,875
Gcon4 Group	Integration Software	3,698
Global Financial Data Inc	Research and Data Services	33,000
Goodbody	Investment Research	500
Green Street Advisor	Real Estate Analytics	29,263
Guggenheim Securities LLC	Investment Research	5,900
Hammerstone Markets Inc	Investment Research	300
Haver Analytics	Global Macroeconomic Research	22,740
Ice Data LP	Fixed Income Indices	42,257
Institutional Shareholder Services Inc	Proxy Voting Analysis	41,914
Intelligent Automation Consulting	Automation Consulting Services	15,000
Investment Research Expense Accrual	Investment Research	(665,025)
IPC Systems Inc	Trading Telecommunication System	10,500
Janney Montgomery Scott	Investment Research	7,200
Jefferies Research Services LLC	Investment Research	57,050
Jerry Kang	Investment Forum Speaker	13,000
JP Morgan	Public Market Management Fee	15,000
Keefe Bruyette & Woods (KBW)	Investment Research	25,500
Kepler Capital Markets Inc	Investment Research	2,000
KeyBanc Capital Markets Inc	Investment Research	14,500
Keystone Consulting Inc	Investment Information Technology Consulting Services	80,960
Knowledge Services	Recruitment and Staffing Services	64,291
KPMG Limited	Tax Representation Services	5,840
Liberum Capital Inc	Investment Research	13,000
London Stock Exchange	London Stock Exchange Data	(359)
Loop Capital Markets LLC	Investment Research	6,300
Mackey LLC	Research Management System	35,577
Macquarie Capital (USA) Inc	Investment Research	11,000
Manafio Advisors Limited	Research and Data Services	3,750
Markit Group Limited	Investment Consulting Services	6,770
Markit NA	Investment Data Management Software	27,500
Markit-EDM Limited	Investment Consulting Services	191,319
Matrix IDM, LLC	Investment Consulting Services	9,800
McLagan Partners Inc	Investment Compensation Data and Analysis	6,250
Meketa Investment Group	Public Markets External Manager Consultant	70,365
MNI Market News	Research and Data Services	3,893
Money-Media Inc	Research and Data Services	5,250
Moodys Analytics	Economic, Currency & Bond Analysis	85,334
Morningstar Inc	Industrial Sector Market Research & Analysis	20,500
MSCI - Barra	Research and Data Services	99,475
MSCI Inc - Risk Metrics Solutions	Research and Data Services	288,722
MSCI, Inc	Research and Data Services	132,023
MT Analytics ULC	Investment Consulting Services	125,974

EXPENSE CATEGORY	SERVICE PROVIDED	EXPENSES
My Data Outlet International, LLC	Research and Data Services	22,000
Needham & Company LLC	Investment Research	11,300
NEPC LLC	Investment Consulting Services	80,000
Northcoast Research Partners, LLC	Research and Data Services	3,800
Northland Securities	Investment Research	4,500
Novus Partners Inc	Profit & Loss Analytics System	18,885
Nuware Technology Corp	Investment Information Technology Consulting Services	65,120
NYSE Market Inc	New York Stock Exchange Data	6,551
Oliver James	Investment Consulting Services	74,752
Oppenheimer & Co Inc	Investment Research	11,050
Options Price Reporting Authority	Quote System for Options Market	2,077
Oxford Economics USA INC	Research and Data Services	24,463
Pac-Invest	Research and Data Services	12,765
Phil Erlanger Research Co Inc	Investment Research	4,000
Piper Sandler & Co	Investment Research	44,450
Pitchbook Data Inc	Research and Data Services	20,000
PremiaLab	Investment Research	12,451
Private Placements Investors Association	Investment Research	315
Quantum Research Consulting LLC	Investment Consulting	39,600
Raymond James	Research and Data Services	16,550
Redburn Europe Limited	Investment Research	18,000
Refinitiv	Research Pricing (Autex, Baseline, FirstCall)	215,565
Renaissance Macro Research	Macro Economic Research	10,750
RIMES Technologies Corporation	Research and Data Service	46,250
Robert W. Baird & Co.	Investment Research	59,825
Rosenblatt Securities Inc	Investment Research	7,000
Roth Capital Partners	Investment Research	6,100
Russell Investment Group	Index Data	8,932
S&P Global Market Intelligence	Industry & Corporate Research	105,825
SailPoint Technologies, Inc.	Information Security Software	57,000
Sanford C Bernstein & Co LLC	Investment Research	44,150
Seaport Global Securities LLC	Research and Data Services	17,460
Sharp Decisions Inc	Investment Information Technology Consulting Services	90,240
Sheffield Haworth Inc	Recruitment Consulting	150,000
Sidoti & Company LLC	Investment Research	7,350
Simcorp USA, Inc.	Investment System	854,558
SMBC Nikko Securities America Inc	Investment Research	10,000
Snowflake Inc	Research and Data Services	41,667
Solve Advisors Inc	Investment Research	10,000
SPACInsider	Research and Data Services	3,149
Spherion	Recruitment and Staffing Services	10,663
Standards Board for Alternative Investments Limited	Investment Membership	2,440
State Street	Investment Consulting	20,000
Statista	Investment Research	177
Stephens Inc	Investment Research	9,250
StepStone Group	Private Equity Consulting Services	224,348
StepStone Group Real Estate	Real Estate Consulting Services	59,330
Stifel Nicolaus & Company Incorporated	Investment Research	30,150
Susquehanna Financial Group LLP	Investment Research	2,800
SVB Leerink	Research and Data Services	3,500
SWIFT SC	Research and Data Services	300
SystemsAccountants	Investment Information Technology Consulting Services	87,040
Taranis, Inc.	Investment Information Technology Consulting Services	66,660
TD Securities (USA) LLC	Investment Research	1,000
Telsey Advisory Group	Consumer Sector Research	18,750
The Benchmark Company LLC	Investment Research	3,150
The Financial Times Limited	Investment Research	8,047
The Leuthold Group LLC	Broad Based Market Research	2,000
The Nasdaq Stock Market, LLC	Research & Data Services	3,150
Toronto Stock Exchange	Market Data	7,759
TradeWeb	On-Line Fixed Income Trading Services	10,188
Trahan Macro Research LLC	Research and Data Services	5,300
Trivariate Research LP	Investment Research	5,000
Truist Securities, Inc.	Investment Research	12,150
Tudor Pickering Holt & Co	Investment Research	2,500
Unit4 Business Software Inc	Financial & Administration Services System	77,019
Verity LLC	Research Management System	36,289
Vertical Research Partners	Industrial Sector Market Research & Analysis	5,000
Verus Advisory Inc	Benchmarking Consulting Services	2,500
Virtu ITG Analytics LLC	Trading Transaction Cost Analysis	20,500

EXPENSE CATEGORY	SERVICE PROVIDED	EXPENSES
Visible Alpha LLC	Research and Data Services	23,739
Wedbush	Investment Research	4,500
William Blair & Company LLC	Investment Research	7,800
Wisconsin Technology Council	Investment Research Sponsorship	7,500
With Intelligence LLC	Investment Data and Research	8,568
Wolfe Trahan	Transportation and Macro Economic Research	17,000
Wolters Kluwer Law & Business	GDP Forecasting Services	13,608
Wolverine Execution Services LLC	Options Trading Platform	1,395
WorldBridge Partners Inc	Recruitment Consulting	46,250
Worth Charting LLC	Investment Consulting Services	11,000
Zelman & Associates, A Walker & Dunlop Company	Investment Forum Speaker	7,500
<b>Total Investment Counsel</b>		<b>\$ 8,535,712</b>
<b><u>Separate Account Public Market Management Fees</u></b>		
Alliance Bernstein	Public Market Management Fees	\$ 8,939,525
Blackrock	Public Market Management Fees	1,321,428
Dodge and Cox	Public Market Management Fees	742,574
Driehaus	Public Market Management Fees	282,930
eSecLending	Public Market Management Fees	4,000
Fidelity Investments	Public Market Management Fees	1,379,853
Parametric	Public Market Management Fees	586,270
Prudential Global Investment Management (PGIM)	Public Market Management Fees	140,952
Wellington Trust Company	Public Market Management Fees	2,398,482
<b>Total Separate Account Public Market Management Fees</b>		<b>\$ 15,796,013</b>
<b><u>Securities Lending Agent Fees</u></b>		
BNY Mellon Asset Servicing	Securities Lending Agent Fees	\$ 1,064,140
<b>Total Securities Lending Agent Fees</b>		<b>\$ 1,064,140</b>
<b>Total Quarterly Charges to Funds</b>		<b>\$ 46,982,540</b>

\*All costs reported are on an accrual basis except for internal operating costs which are on a cash basis of accounting. Negative expense amounts are due to accrual adjustments and/or other miscellaneous adjustments.



## Explanation of Expenses

### **Internal Operating Expenses**

Internal operating expenses consist primarily of staff compensation and fringe benefits. SWIB employs a staff of professional investment and support staff to manage trust fund assets. Other internal operating expenses consist of office equipment, supplies, business travel, information technology equipment and services, and general services.

### **Custodial & Banking Fees**

*Wisconsin Certificate of Deposit Program:* Under a contract with SWIB, Bankers' Bank administers the program under which the State Investment Fund (SIF) purchases certificates of deposit from Wisconsin-based banks and thrifts. Most administrative costs are paid by the participating banks. SWIB's expenses help underwrite other administrative costs, such as insurance that SWIB requires to be purchased.

*BNY Mellon:* Provides master custodial and administrative services (safekeeping of assets, income collection, valuations and accounting) for public and private domestic and foreign securities in the Wisconsin Retirement System (WRS), the SIF, and the other separately managed trust funds. In addition, SWIB receives performance measurement and analytical services through its contract with BNY Mellon, which serves as the official book of record for SWIB's accounting and performance measurement functions. BNY Mellon provides data and analytical tools used by SWIB for compliance and risk management. These include global collateral management, data management, and hosting services. Fees for these services are established by contract.

*US Bank:* The State of Wisconsin contracted with US Bank to be the state's working bank. The fees paid to US Bank by the SIF reflect bank service charges that are not directly applicable to the fund participants.

### **Legal Fees, Services, and Expenses**

Under authority delegated by the Attorney General, pursuant to s. 25.18 (1) (a) Statutes, SWIB may employ legal counsel for any matters arising out of the scope of its investment authority. This includes legal services relating to bankruptcies, class actions, private markets transactions, fiduciary advice, securities law, investment litigation, and other similar matters.

### **Investment Counsel**

Current law gives SWIB the authority to employ investment counsel in any matters arising out of the scope of its investment authority. Investment research and services provided include global market, industry, economic and company information, financial and performance analytics, news information, pricing and exchange data, credit ratings, financial modeling, economic forecasting, trading services, and a variety of Board consultations. These services enable SWIB to perform due diligence on current and future holdings and assist in monitoring investments.

### **Securities Lending Agent Fees**

Securities lending programs generally earn income through the reinvestment of cash collateral posted by borrowers and through the collection of fees for loans where non-cash collateral is posted. SWIB's securities lending income is shared with the agent to pay the costs associated with the administration of the program. Securities lending agent fees are reported as expenses.

**Externally Managed Separate Account Fees**

External asset managers have been delegated authority within guidelines established by SWIB to determine investment strategy and purchase securities in SWIB's name within a SWIB account. Fees are typically assessed as a percentage of the market value of assets under management and in some cases, fees are based on investment performance.

**External Funds Fees**

SWIB invests in separate legal entities managed by external investment managers to gain exposure to select strategies including Public Markets, Private Equity, Venture Capital, Real Estate and Hedge Funds. In exchange for their investment management services, the external managers charge a fee within the entity they manage. Fees are typically assessed as a percentage of the market value of assets under management, commitments, and in some cases are based on investment performance. While the fees charged to these external vehicles do not meet the statutory definition of a cost or expense to SWIB, they are currently included in SWIB's total cost of management. Accordingly, these fees are reported as supplemental information. Beginning in 2023, External Funds Fees for private markets are reported on a net fee basis rather than gross. Net fees reflect fee offsets, waivers, and deferrals.