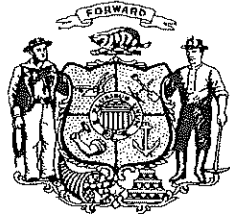


# STATE OF WISCONSIN

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: May 13, 2024

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



MAY 13 2024  
*St. Finance*

May 13, 2024

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 March 31, 2024.

Total Cost of Management Summary	2Q 2023	3Q 2023	4Q 2023	1Q 2024	Trailing 4 Qtr Total	% of Total
<b>Internal Operating Expenses</b>						
Operating Budget Expenses	\$ 19,303,861	\$ 29,927,680	\$ 30,466,430	\$ 16,684,634	\$ 96,382,605	66.0%
Custodial, Investment Operations & Banking	1,723,893	2,137,630	2,213,596	2,085,638	8,160,757	5.6%
Legal	558,921	489,077	254,543	470,162	1,772,703	1.2%
Investment Research & Consulting	8,535,712	10,199,330	7,637,651	9,086,537	35,459,230	24.3%
<b>Total Internal Operating Expenses</b>	<b>\$ 30,122,387</b>	<b>\$ 42,753,717</b>	<b>\$ 40,572,220</b>	<b>\$ 28,326,971</b>	<b>\$ 141,775,295</b>	<b>97.1%</b>
<b>Total Securities Lending Agent Expenses</b>	<b>\$ 1,064,140</b>	<b>\$ 971,498</b>	<b>\$ 1,086,188</b>	<b>\$ 1,104,239</b>	<b>\$ 4,226,065</b>	<b>2.9%</b>
<b>Total SWIB Operating Costs</b>	<b>\$ 31,186,527</b>	<b>\$ 43,725,215</b>	<b>\$ 41,658,408</b>	<b>\$ 29,431,210</b>	<b>\$ 146,001,360</b>	<b>100.0%</b>
<b>Externally Managed Separate Account Fees</b>						
Beta One & Other - Separately Managed	\$ 15,796,013	\$ 4,854,855	\$ (1,657,872)	\$ 21,469,368	\$ 40,462,364	5.2%
<b>Supplemental Information - External Fund Fees</b>						
Real Estate	\$ 21,394,315	\$ 21,806,743	\$ 21,208,015	\$ 21,563,935	\$ 85,973,008	11.1%
Private Equity & Venture Capital	64,812,083	58,359,821	65,850,965	55,512,830	244,535,699	31.7%
Hedge Funds	56,693,136	93,214,422	70,745,475	108,182,074	328,835,107	42.6%
Beta One & Other - External Funds	3,082,375	16,839,386	371,046	52,379,087	72,671,894	9.4%
<b>Total External Investment Management Fees</b>	<b>\$ 161,777,922</b>	<b>\$ 195,075,227</b>	<b>\$ 156,517,629</b>	<b>\$ 259,107,295</b>	<b>\$ 772,478,073</b>	<b>100.0%</b>
<b>Grand Total Cost of Management</b>	<b>\$ 192,964,449</b>	<b>\$ 238,800,442</b>	<b>\$ 198,176,037</b>	<b>\$ 288,538,505</b>	<b>\$ 918,479,433</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, 2023, after consideration of all expenses, costs, and fees, SWIB generated more than \$3.1 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 March 31, 2024, SWIB's total authorized full-time equivalent positions are 298 as shown in the table below.

Assets Under Management & Positions		
	12/31/2023	3/31/2024
Internal Management	45.4%	45.2%
External Management	54.6%	54.8%
Total SWIB Positions	298	298

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

<b>Total Assets Under Management</b>								
	<b>6/30/2023</b>		<b>9/30/2023</b>		<b>12/31/2023</b>		<b>3/31/2024</b>	
	Amount (in millions)	%	Amount (in millions)	%	Amount (in millions)	%	Amount (in millions)	%
<b>Wisconsin Retirement System (WRS)</b>								
Internally Managed Assets	\$50,868	39.5%	\$46,836	37.6%	\$50,381	38.0%	\$51,697	37.8%
Externally Managed Dedicated Assets	29,758	23.1%	29,716	23.9%	32,166	24.3%	36,294	26.6%
Externally Managed Commingled Assets	48,259	37.4%	47,996	38.5%	49,854	37.7%	48,357	35.5%
1. Passive Index	1,011	0.8%	916	0.7%	788	0.6%	741	0.5%
2. Limited Partnerships	32,894	25.5%	33,681	27.0%	34,302	25.9%	34,657	25.4%
3. Active Managed Commingled	14,354	11.1%	13,399	10.8%	14,764	11.2%	12,959	9.5%
<b>Total WRS Assets</b>	<b>\$128,885</b>	<b>100.0%</b>	<b>\$124,548</b>	<b>100.0%</b>	<b>\$132,401</b>	<b>100.0%</b>	<b>\$136,348</b>	<b>100.0%</b>
<b>Other Funds</b>								
State Investment Fund - Internally Managed	\$19,718		\$19,995		\$19,853		\$20,430	
Separately Managed Funds - Internally Managed	\$96		\$89		\$97		\$94	
Separately Managed Funds - Externally Managed	\$2,603		\$2,538		\$2,710		\$2,751	
<b>Total Other Funds</b>	<b>\$22,417</b>		<b>\$22,622</b>		<b>\$22,660</b>		<b>\$23,276</b>	
<b>Total Assets Under Management</b>	<b>\$151,302</b>		<b>\$147,170</b>		<b>\$155,062</b>		<b>\$159,624</b>	
<b>Supplemental AUM Breakout</b>								
<b>Total Internal Assets Under Management</b>	<b>\$70,682</b>	<b>46.7%</b>	<b>\$66,919</b>	<b>45.5%</b>	<b>\$70,332</b>	<b>45.4%</b>	<b>\$72,222</b>	<b>45.2%</b>
<b>Total External Asset Under Management</b>	<b>\$80,620</b>	<b>53.3%</b>	<b>\$80,251</b>	<b>54.5%</b>	<b>\$84,730</b>	<b>54.6%</b>	<b>\$87,402</b>	<b>54.8%</b>

**STATE OF WISCONSIN INVESTMENT BOARD**  
**Expenses for All Funds Under Management**  
**Quarter Ending March 31, 2024**

**ATTACHMENT B**

EXPENSE CATEGORY	SERVICE PROVIDED	EXPENSES*
<b><u>Internal Expenses</u></b>		
Staff Compensation	Staff Compensation	\$ 10,422,579
Fringe Benefits	Fringe Benefits	3,196,812
Supplies, Travel & Facilities	General Supplies & Services	3,065,243
<b>Total Internal Expenses</b>		<b>\$ 16,684,634</b>
<b><u>Custodial, Investment Operations and Banking Fees</u></b>		
BNY Mellon Asset Servicing - Custody	Master Custody Services	\$ 472,365
BNY Mellon Asset Servicing - Investment Operations	Investment Operating Services	1,437,298
Markit NA	Investment Data Management Software	175,975
<b>Total Custodial, Investment Operations and Banking Fees</b>		<b>\$ 2,085,638</b>
<b><u>Legal Fees</u></b>		
DLA Piper LLP (US)	Legal Work for investment Strategies	\$ 52,827
Godfrey & Kahn SC	Legal Work for investment Strategies	22,842
Husch Blackwell	Legal Work for investment Strategies	575
Legal Services Expense Accrual	Legal Work for investment Strategies	367,557
Purrington Moody Weill LLP	Legal Work for investment Strategies	12,928
Quarles & Brady	Legal Work for investment Strategies	11,492
Reinhart Boerner Van Deuren SC	Legal Work for investment Strategies	1,942
<b>Total Legal Fees</b>		<b>\$ 470,162</b>
<b><u>Investment Counsel</u></b>		
12358433 Canada Inc.	Investment Consulting	\$ 66,120
20-20 Investment Association	Investment Membership	20,000
3x108 Fintech Consulting Limited	Investment Consulting	149,838
AE Business Solutions	Investment Consulting Services	41,140
Aksia LLC	Hedge Fund Investment Consulting	193,750
Alex Solutions	Research and Data Services	43,000
Arthur Seinder	Investment Consulting Services	2,000
Australian Super	Investment Research	5,000
Automation Anywhere, Inc.	Process Automation Software	44,702
Backstop Solutions Group	Investment Software	71,003
Barrons	Investment Research	218
BCA Research Inc	Global & Domestic Fixed Income Strategy Research	27,875
Bixby Research and Analytics LLC	Research and Data Services	16,667
Blackrock Financial Management Inc	Risk Services	81,884
Bloomberg Finance LP	Market, Company, Industry & Benchmark Information	1,552,191
BNY Mellon Asset Servicing - Eagle/Pace	Investment Consulting Services	115,000
Bonfire Interactive LTD	Strategic Sourcing Software	20,000
Bridge Consulting Partners Ltd	Investment Consulting Services	75,240
Capital Economics LTD	Market Research	15,375
CappThesis, LLC	Research and Data Services	2,500
CBJL Incorporated	Investment Consulting Services	101,680
CBOE Global Markets, Inc.	Research and Data Services	66,140
CCG Data Solutions	Investment Consulting Services and Software	88,200
CEM Benchmarking Inc	Investment Cost Analysis	43,600
CFRA Research	Investment Research Services	24,269
Charles River System Inc	Portfolio Management Trading Software & Services	402,730
CoStar Portfolio Strategy	Real Estate Consulting & Research Services	23,613
CUSIP Global Services	Research and Data Services	16,250
Dacheng Xiu	Investment Research	62,475
Datacamp Inc	Research and Data Services	50
Department of Administration	Various Administrative and Technology Services	(107,364)
DiatomC LLC	Investment Consulting	92,040
Dow Jones News Service	Company and Industry News Services	355
DTCC – EPN	Trade Settlement Service	4,800
DTCC ITP LLC	Trade Settlement Service	2,374
EFront Financial Solutions Inc	Private Markets Portfolio Management Services	229,807
Elevation LLC	Research and Data Services	12,500
Eliassen Group	Information Technology Consulting Services	65,793

EXPENSE CATEGORY	SERVICE PROVIDED	EXPENSES*
EquiLend Holdings LLC	Investment Data	10,700
Ernst & Young LLP	Tax Compliance Services & Investment Consulting	70,936
FactSet Research Systems Inc	Financial & Economic Database	1,044,591
FBN Securities, Inc.	Investment Research	8,500
FIS Data Systems Inc.	Research and Data Services	11,283
Fitch Solutions Inc	Credit Rating Services	36,042
FTSE International Inc	Real Time Index Data	15,261
Funston Advisory Services LLC	Consulting Services	29,000
Gallagher	Insurance and Risk Management Services	15,875
Gcon4 Group	Integration Software	3,812
Green Street Advisor	Real Estate Analytics	29,850
Haver Analytics	Global Macroeconomic Research	22,740
Ice Data LP	Fixed Income Indices	91,726
iFathom Corporation	Investment Consulting	112,665
IHS Markit KY3P LLC	Risk Management Services	1,660
Infopro Digital Services Limited	Research and Data Services	4,000
Institutional Investor	Investment Data and Research Services	19,500
Institutional Limited Partners Association ILPA	Private Equity Research	7,500
Institutional Shareholder Services Inc	Proxy Voting Analysis	55,958
Investment Research Expense Accrual	Investment Research	410,081
IPC Systems Inc	Trading Telecommunication System	10,500
JPSB Consulting Limited	Investment Consulting	84,240
Keystone Consulting Inc	Investment Information Technology Consulting Services	74,212
Knowledge Services	Recruitment and Staffing Services	67,825
Kreischer Miller LLP	Investment Consulting	42,750
Lake Street Capital Markets, LLC	Investment Research	3,500
London Stock Exchange	London Stock Exchange Data	49,264
Makor Securities London LTD	Investment Research	3,750
Manalo Advisors Limited	Research and Data Services	3,750
Markit Group Limited	Investment Consulting Services	81,688
Markit-EDM Limited	Investment Consulting	200,885
McLagan Partners Inc	Investment Compensation Data and Analysis	27,500
Meketa Investment Group	Public Markets External Manager Consultant	68,938
MNI Market News	Research and Data Services	5,020
Moodys Analytics	Economic, Currency & Bond Analysis	89,084
Motion Recruitment Partners	Information Technology Consulting Services	8,640
MSCI - Barra	Research and Data Services	70,220
MSCI Inc - Risk Metrics Solutions	Research and Data Services	272,731
MSCI, Inc	Research and Data Services	148,798
MT Analytics ULC	Investment Consulting	80,941
My Data Outlet International, LLC	Research and Data Services	33,000
NAIOP Commercial Real Estate Development Association	Investment Consulting Services	395
National Council of Real Estate Investment Fiduciaries	Real Estate Performance Research	2,575
NEPC LLC	Investment Consulting Services	80,000
Nuware Technology Corp	Investment Information Technology Consulting Services	65,520
NYSE Market Inc	New York Stock Exchange Data	6,013
Oliver James	Investment Consulting Services	(24,764)
OptionMetrics	Investment Data Service	43,350
Options Price Reporting Authority	Quote System for Options Market	2,142
Oxford Economics USA INC	Research and Data Service	17,588
Pac-invest	Research and Data Services	14,139
PEI Media Inc	Private Equity Real Estate News	23,875
Pension Real Estate Association	Real Estate Investment Research	330
Piper Sandler & Co	Investment Research	43,100
Pitchbook Data Inc	Research and Data Services	20,333
PremiaLab	Investment Research	27,500
Preyer	Investment Consulting Services	81,428
Private Placements Investors Association	Investment Research	300
Q4 Psychological Associates	Consulting Services	6,500
Quantum Research Consulting LLC	Investment Consulting	60,300
Refinitiv	Investment Research	364,464
RIMES Technologies Corporation	Research and Data Service	48,563
S&P Global Market Intelligence	Industry & Corporate Research	108,999
Sapiat Pte Ltd	Investment Risk Analysis	10,250
Seaport Global Securities LLC	Research and Data Services	2,790
SEI Investments	Research and Data Services	22,736
SemiAnalysis	Investment Research	(156)

EXPENSE CATEGORY	SERVICE PROVIDED	EXPENSES*
SimCorp Data & Performance Capitalized Expenses	Investment System	(302,545)
SimCorp Implementation Capitalized Expenses	Investment System	(1,834,961)
Simcorp USA, Inc.	Investment System	2,131,311
Snowflake Inc	Research and Data Services	43,636
Solve Advisors Inc	Investment Research	10,299
Spherion	Recruitment and Staffing Services	16,093
StepStone Group	Private Equity Consulting Services	223,561
StepStone Group Real Estate	Real Estate Consulting Services	59,330
SWIFT SC	Research and Data Services	544
SystemsAccountants	Investment Information Technology Consulting Services	80,640
The Financial Times Limited	Investment Research	320
The Institute for Quantitative Research in Finance	Research and Data Services	5,500
The Nasdaq Stock Market, LLC	Research & Data Services	4,725
The Spaulding Group, Inc.	Audit Services	21,250
Toronto Stock Exchange	Market Data	14,553
TradeWeb	On-Line Fixed Income Trading Services	10,826
Trepp, LLC	Investment Research	52,800
UFP Research SA	Investment Research	6,250
Unit4 Business Software Inc	Financial & Administration Services System	81,409
Variyas Global Solutions, Inc.	Information Technology Consulting Services	150,703
Verity LLC	Research Management System	54,433
Verus Advisory Inc	Benchmarking Consulting Services	5,000
Virtu ITG Analytics LLC	Trading Transaction Cost Analysis	25,000
Visible Alpha LLC	Research and Data Services	19,950
With Intelligence LLC	Investment Data and Research	8,996
Wolverine Execution Services LLC	Options Trading Platform	1,395
WorldBridge Partners Inc	Recruitment Consulting	65,520
<b>Total Investment Counsel</b>		<b>\$ 9,086,537</b>
<b><u>Separate Account Public Market Management Fees</u></b>		
Alliance Bernstein	Public Market Management Fees	\$ 6,928,609
Blackrock	Public Market Management Fees	1,468,341
Dodge and Cox	Public Market Management Fees	1,184,178
Driehaus Private Equity	Public Market Management Fees	7,213,020
eSecLending	Public Market Management Fees	4,089
Fidelity Investments	Public Market Management Fees	1,492,207
Parametric	Public Market Management Fees	609,196
Prudential Global Investment Management (PGIM)	Public Market Management Fees	2,378,024
Robeco Institutional Asset Management	Public Market Management Fees	127,047
Wellington Trust Company	Public Market Management Fees	64,657
<b>Total Separate Account Public Market Management Fees</b>		<b>\$ 21,469,368</b>
<b><u>Securities Lending Agent Fees</u></b>		
BNY Mellon Asset Servicing & eSecLending	Securities Lending Agent Fees	\$ 1,104,239
<b>Total Securities Lending Agent Fees</b>		<b>\$ 1,104,239</b>
<b>Total Quarterly Charges to Funds</b>		<b>\$ 50,900,578</b>

\*All costs reported are on an accrual basis. 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. There are currently no investments in Bankers' Bank certificates of deposit and no fees were incurred.

*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.