

August 15, 2022

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

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

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

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

Dear Senator Marklein, Senator Cowles, Representative Born, and Secretary Blumenfeld:

State statutes require the State of Wisconsin Investment Board (SWIB) to report all costs and expenses charged to the trust funds under management during the prior quarter as well as 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, 2022.

Total Cost of Management Summary	3Q2021	4Q2021	1Q2022	2Q2022	Trailing 4 Qtr Total	% of Total
<b>Internal Operating Expenses</b>						
Operating Budget Expenses	\$ 12,882,486	\$ 14,225,300	\$ 14,062,637	\$ 42,801,859	\$ 83,972,282	61.0%
Custodial, Investment Operations & Banking	1,712,812	1,752,273	1,803,372	1,692,456	6,960,913	5.1%
Legal	642,792	821,846	625,000	625,000	2,714,638	2.0%
Investment Research & Consulting	10,099,210	10,521,546	10,007,468	9,150,155	39,778,379	29.0%
<b>Total Internal Operating Expenses</b>	<b>\$ 25,337,300</b>	<b>\$ 27,320,965</b>	<b>\$ 26,498,477</b>	<b>\$ 54,269,470</b>	<b>\$ 133,426,212</b>	<b>97.0%</b>
Securities Lending Agent Expenses	706,762	784,251	1,282,912	1,412,138	4,186,063	3.0%
<b>Total SWIB Operating Costs</b>	<b>\$ 26,044,062</b>	<b>\$ 28,105,216</b>	<b>\$ 27,781,389</b>	<b>\$ 55,681,608</b>	<b>\$ 137,612,275</b>	<b>100.0%</b>
<b>External Investment Management Fees</b>						
<b>Externally Managed Separate Account Fees</b>						
Beta One & Other - Separately Managed	\$ 15,897,862	\$ 9,818,853	\$ 12,730,351	\$ 6,621,385	45,068,451	6.9%
<b>Supplemental Information - External Fund Fees</b>						
Real Estate	\$ 17,175,742	\$ 17,693,091	\$ 19,209,516	\$ 19,257,344	73,335,693	11.2%
Private Equity & Venture Capital	56,476,982	61,375,539	56,999,361	72,498,709	247,350,590	37.6%
Hedge Funds	46,910,532	42,415,360	72,033,779	60,862,749	222,222,421	33.9%
Beta One & Other - External Funds	18,697,235	4,722,875	18,411,505	26,091,654	67,923,270	10.4%
<b>Total External Investment Management Fees</b>	<b>\$ 155,158,353</b>	<b>\$ 136,025,718</b>	<b>\$ 179,384,512</b>	<b>\$ 185,331,841</b>	<b>\$ 655,900,425</b>	<b>100.0%</b>
<b>Total Cost of Management</b>	<b>\$ 181,202,415</b>	<b>\$ 164,130,934</b>	<b>\$ 207,165,901</b>	<b>\$ 241,013,449</b>	<b>\$ 793,512,700</b>	

SWIB operating costs are charged to the trust funds under management and externally managed fund fees are netted against the 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, 2021, after consideration of all expenses, costs, and fees, SWIB

<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.

generated more than \$2.2 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, 2022, SWIB's total authorized positions are 290 as shown in the table below.

<b>Assets Under Management &amp; Positions</b>		
	<b>3/31/2022</b>	<b>6/30/2022</b>
Internal Management	50.7%	48.4%
External Management	49.3%	51.6%
Total SWIB Positions	<b>290</b>	<b>290</b>

In addition, Attachment B provides details of the services provided to SWIB and their associated quarterly costs.

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.

For definitions of the expense categories presented in the Total Cost of Management Summary table, please refer to Attachment C

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)	9/30/2021		12/31/2021		3/31/2022		6/30/2022	
	Amount (in millions)	Percent	Amount (in millions)	Percent	Amount (in millions)	Percent	Amount (in millions)	Percent
Internally Managed	<b>\$72,136</b>	<b>51.2%</b>	<b>\$72,165</b>	<b>49.0%</b>	<b>\$64,161</b>	<b>45.5%</b>	<b>\$52,094</b>	<b>41.7%</b>
Externally Managed Dedicated Accounts	<b>35,978</b>	<b>25.5%</b>	<b>36,740</b>	<b>25.0%</b>	<b>36,289</b>	<b>25.8%</b>	<b>27,907</b>	<b>22.4%</b>
Externally Managed Commingled Accounts	<b>32,809</b>	<b>23.3%</b>	<b>38,311</b>	<b>26.0%</b>	<b>40,434</b>	<b>28.7%</b>	<b>44,852</b>	<b>35.9%</b>
1. Passive Index Funds	2,894	2.1%	2,857	1.9%	2,283	1.6%	1,689	1.4%
2. Limited Partnerships	22,128	15.7%	26,574	18.1%	28,548	20.3%	30,212	24.2%
3. Actively Managed Commingled Accounts	7,787	5.5%	8,881	6.0%	9,603	6.8%	12,950	10.4%
<b>TOTAL WRS Assets</b>	<b>\$140,923</b>	<b>100.0%</b>	<b>\$147,217</b>	<b>100.0%</b>	<b>\$140,884</b>	<b>100.0%</b>	<b>\$124,853</b>	<b>100.0%</b>
State Investment Fund - Internally Managed	<b>\$14,648</b>		<b>\$16,051</b>		<b>\$16,930</b>		<b>\$18,401</b>	
Separately Managed Funds - Internally Managed	<b>\$123</b>		<b>\$123</b>		<b>\$111</b>		<b>\$101</b>	
Separately Managed Funds - Externally Managed	<b>\$2,225</b>		<b>\$2,276</b>		<b>\$2,095</b>		<b>\$2,409</b>	
<b>Total Assets Under Management</b>	<b>\$157,919</b>		<b>\$165,666</b>		<b>\$160,020</b>		<b>\$145,764</b>	
<b>Total Internal Management</b>	<b>\$86,906</b>	<b>55.0%</b>	<b>\$88,338</b>	<b>53.3%</b>	<b>\$81,202</b>	<b>50.7%</b>	<b>\$70,596</b>	<b>48.4%</b>
<b>Total External Management</b>	<b>\$71,012</b>	<b>45.0%</b>	<b>\$77,328</b>	<b>46.7%</b>	<b>\$78,818</b>	<b>49.3%</b>	<b>\$75,168</b>	<b>51.6%</b>

**STATE OF WISCONSIN INVESTMENT BOARD**  
**Expenses for All Funds Under Management**  
**Quarter Ending June 30, 2022**

EXPENSE CATEGORY <sup>1</sup>	SERVICE PROVIDED	EXPENSES
<b><u>Internal Operating Expenses</u></b>		
Staff Compensation	Staff Compensation	\$ 35,222,915
Fringe Benefits	Fringe Benefits	5,633,291
Equipment, Supplies & Services	General Supplies & Services	1,945,653
<b>Total Internal Operating Expenses</b>		<b>\$ 42,801,859</b>
<b><u>Custodial, Investment Operations and Banking Fees</u></b>		
BNY Mellon Asset Servicing - Custody	Master Custody Services	\$ 308,898
BNY Mellon Asset Servicing - Investment Operations	Investment Operating Services	1,378,501
Markit NA	Investment Data Management Software	5,019
US Bank	Banking Fees	38
<b>Total Custodial, Investment Operations and Banking Fees</b>		<b>\$ 1,692,456</b>
<b><u>Legal Fees</u></b>		
Chapman & Cutler LLP	Legal Work for Investment Strategies	\$ 15,000
Cox Castle & Nicholson LLP	Legal Work for Investment Strategies	3,354
DLA Piper LLP (US)	Legal Work for Investment Strategies	100,211
Godfrey & Kahn SC	Legal Work for Investment Strategies	1,704
Husch Blackwell	Legal Work for Investment Strategies	2,438
Latham & Watkins LLP	Legal Work for Investment Strategies	25,823
Legal Services Expense Accrual	Legal Work for Investment Strategies	506,219
Purrington Moody Weill LLP	Legal Work for Investment Strategies	68,503
Quarles & Brady	Legal Work for Investment Strategies	74,040
Shearman & Sterling LLP	Legal Work for Investment Strategies	161,099
Vedder Price PC	Legal Work for Investment Strategies	11,875
Legal Services Expense Accrual Reversal	Legal Work for Investment Strategies	(345,265)
<b>Total Legal Fees</b>		<b>\$ 625,000</b>
<b><u>Investment Counsel</u></b>		
ABG Sundal Collier Inc	Investment Research	\$ 750
Adeptyx Consulting	Investment Consulting Services	28,116
Aksia LLC	Hedge Fund Investment Consulting	193,750
Alembic Global Advisors	Market Research	3,000
Alex Solutions	Research and Data Services	39,750
Aon Hewitt Investment Consulting Inc	Investment and Risk Management Research	15,000
Apex Systems	Investment Consulting	50,289
Arthur Selender	Investment Consulting	2,000
B Riley FBR Inc	Investment Research	5,000
Backstop Solutions Group	Investment Software	12,400
Bank of America Merrill Lynch	Investment Research	93,950
Barrington Research Associates Inc	Investment Research	3,100
BCA Research Inc	Global & Domestic Fixed Income Strategy Research	33,458
Berenberg	Investment Research	48,350
Blackrock Financial Management Inc	Risk Services	75,000
Bloomberg Finance LP	Market, Company, Industry & Benchmark Information	994,409
BMO Capital Markets Corp	Investment Research Services	22,050
BNY Mellon Asset Servicing - Custody	Master Custody Services	48,000
BNY Mellon Asset Servicing - Eagle/Pace	Investment Consulting Services	188,360
Bridge Consulting Partners Ltd	Investment Consulting	84,480
Broad Street Consulting Group	Recruitment Consulting	19,500
BTIG, LLC	Investment Research	1,000
Canaccord Genuity	Investment Research	5,250
Carnegie Inc	Investment Research	500
CBJL Incorporated	Investment Consulting	95,940
CBOE Global Markets, Inc.	Research and Data Services	1,500
CFRA Research	Investment Research Services	17,325
Charles River System Inc	Portfolio Management Trading Software & Services	357,082
CIBC World Markets Inc	Investment Research	4,750
CL King & Associates	Investment Research	5,500
Codrington Japan	Investment Research	1,000

EXPENSE CATEGORY <sup>1</sup>	SERVICE PROVIDED	EXPENSES
Colliers Securities LLC	Investment Research	1,500
Compass Point Research & Trading, LLC	Investment Research	500
Consensus Economics Inc	Investment Research Services	34,800
Copp Clark	Research and Data Services	3,713
CoStar Portfolio Strategy	Real Estate Consulting & Research Services	28,738
Cowen and Company LLC	Research and Data Services	33,100
Craig-Hallum Capital Group	Investment Research	5,200
Crane Data LLC	Research and Data Services	3,000
Cross Current Research LLC	Healthcare Sector Research	5,000
CUSIP Global Services	Research and Data Services	10,833
DA Davidson & Co	Investment Research	20,200
Dacheng Xiu	Investment Research	37,500
Daiwa Capital Markets America	Investment Research	9,100
Datacamp Inc	Research and Data Services	4,587
Davy Securities Limited	Investment Research	4,750
Deutsche Bank	Tax registration fees	57,395
DNB Bank ASA	Investment Research	10,000
Dow Jones News Service	Company and Industry News Services	924
DTCC – EPN	Trade Settlement Service	3,001
DTCC ITP LLC	Trade Settlement Service	3,366
EFront Financial Solutions Inc	Private Markets Portfolio Management Services	154,390
Elevation LLC	Research and Data	10,000
Empirical Research Partners LLC	Investment Research	137,500
Ernst & Young LLP	Tax Compliance Services & Investment Consulting	19,000
Euromonitor International	Research and Data Services	19,482
Evercore Group LLC	Investment Research	72,350
Exane Inc	Investment Research	64,935
FactSet Research Systems Inc	Financial & Economic Database	969,680
FBN Securities, Inc.	Investment Research	5,000
FIS Data Systems Inc.	Research and Data Services	21,230
Fitch Solutions Inc	Credit Rating Services	17,500
FocusEconomics S.L.U	Investment Consulting	34,980
Furey Research Partners LLC	Small Cap Research	11,000
Gallagher	Insurance and Risk Management Services	15,533
Gartner Inc	Technology Sector Research	29,285
Global Peer Financing Association	Investment Consulting	1,000
Goodbody	Investment Research	6,750
Grandview Analytics LLC	Investment Information Technology Consulting Services	48,462
Green Street Advisor	Real Estate Analytics	16,937
Guggenheim Securities LLC	Investment Research	17,050
Hammerstone Markets Inc	Investment Research	300
Haver Analytics	Global Macroeconomic Research	22,700
HSBC Securities (USA) Inc.	Investment Research	2,250
Ice Data LP	Fixed Income Indices	28,035
Informa Business Intelligence Inc (Sagient Research Systems)	Investment Research	5,250
Institutional Investor	Investment Data and Research Services	19,500
Institutional Shareholder Services Inc	Proxy Voting Analysis	41,914
Intelligent Automation Consulting	Automation Consulting Services	7,050
Investec Securities (US) LLC	Investment Research	5,000
IT-Venture LTD	Investment Consulting	127,600
Janney Montgomery Scott	Investment Research	2,000
Jefferies Research Services LLC	Investment Research	73,150
Keefe Bruyette & Woods (KBW)	Investment Research	31,250
Kepler Capital Markets Inc	Investment Research Services	4,400
KeyBanc Capital Markets Inc	Investment Research	25,000
Keystone Consulting Inc	Investment Information Technology Consulting Services	281,075
KPMG Limited	Tax Representation Services	9,778
Kreischer Miller LLP	Investment Consulting	(29,800)
Kroll Bond Rating Agency, Inc. (KBRA)	Investment Research and Data Services	15,000
Liberum Capital Inc	Investment Research	16,000
Longbow Securities LLC	Investment Research	1,500
Loop Capital Financial Consulting Services	Valuation Consulting Services	2,300
Mackey LLC	Research Management System	52,079
Macquarie Capital (USA) Inc	Investment Research	22,850
Markit Group Limited	Investment Consulting	1,250
Markit NA	Investment Data Management Software	20,167

EXPENSE CATEGORY <sup>1</sup>	SERVICE PROVIDED	EXPENSES
Markit-EDM Limited	Investment Consulting	187,884
Matrix IDM, LLC	Investment Consulting	28,000
McLagan Partners Inc	Investment Compensation Data and Analysis	46,813
Meketa Investment Group	Public Markets External Manager Consultant	66,930
MKM Partners	Investment Research Services	8,250
MNI Market News	Research and Data Services	2,835
Money-Media Inc	Research and Data Services	5,030
Moodys Analytics	Economic, Currency & Bond Analysis	80,237
Morningstar Inc	Industrial Sector Market Research & Analysis	12,500
MSCI - Barra	Research and Data Services	46,350
MSCI Inc - Risk Metrics Solutions	Research and Data Services	340,245
MSCI, Inc	Research and Data Services	27,807
MUFG Securities America	Investment Research	10,500
My Data Outlet International, LLC	Research and Data Services	23,833
National Bank Financial Inc	Investment Research	3,200
Needham & Company LLC	Investment Research	15,000
Nephron Research LLC	Investment Research	2,500
New Street Research LLC	Investment Research	25,000
Northland Securities	Investment Research	3,000
Novus Partners Inc	Profit & Loss Analytics System	18,885
Nuware Technology Corp	Investment Information Technology Consulting Services	196,126
NYSE Market Inc	New York Stock Exchange Data	6,098
Oliver James	Investment Consulting	86,280
Oppenheimer & Co Inc	Investment Research	7,500
Options Price Reporting Authority	Quote System for Options Market	2,394
Pac-invest	Research and Data Services	12,276
Phil Erlanger Research Co Inc	Investment Research	4,000
Piper Sandler & Co	Investment Research	51,300
PremiaLab	Investment Research	12,451
Preyer	Investment Consulting	16,667
Raymond James	Research and Data Services	17,200
Redburn Europe Limited	Investment Research	19,650
RedLine Associates, Inc	Recruitment Consulting	34,000
Refinitiv	Research Pricing (Autex, Baseline, FirstCall)	94,845
Renaissance Macro Research	Macro Economic Research	29,500
Robert W. Baird & Co.	Investment Research	56,350
Rosenblatt Securities Inc	Investment Research	13,600
Roth Capital Partners	Investment Research	3,600
Russell Investment Group	Index Data	8,932
Rystad Energy AS	Investment Research	22,500
S&P Global Market Intelligence	Industry & Corporate Research	122,523
SailPoint Technologies, Inc.	Information Security Software	18,750
Sanford C Bernstein & Co LLC	Investment Research	86,355
Santander Investment Securities Inc	Investment Research	12,900
Seaport Global Securities LLC	Research and Data Services	19,630
SEB Securities Inc	Investment Research	5,500
Sharp Decisions Inc	Investment Information Technology Consulting Services	86,772
Sidoti & Company LLC	Investment Research	7,750
Simcorp USA, Inc.	Investment System	1,537,646
SMBC Nikko Securities America Inc	Investment Research	8,000
Snowflake Inc	Research and Data Services	25,000
Solve Advisors Inc	Investment Research	9,000
SPACInsider	Research and Data	2,999
State Street	Investment Consulting	20,000
Stephens Inc	Investment Research	19,760
StepStone Group	Private Equity Consulting Services	218,986
StepStone Group Real Estate	Real Estate Consulting Services	57,883
Stifel Nicolaus & Company Incorporated	Investment Research	40,300
Stuart Frankel & Co., Inc	Investment Research	9,000
Susquehanna Financial Group LLP	Investment Research	1,500
SVB Leerink	Research and Data Services	9,000
SWIFT SC	Research and Data Services	892
SystemsAccountants	Investment Information Technology Consulting Services	78,080
Taranis, Inc.	Investment Information Technology Consulting Services	32,340
TD Securities (USA) LLC	Investment Research	4,500
Telsey Advisory Group	Consumer Sector Research	31,250

<b>EXPENSE CATEGORY<sup>1</sup></b>	<b>SERVICE PROVIDED</b>	<b>EXPENSES</b>
The Benchmark Company LLC	Investment Research	4,000
The Financial Times Limited	Investment Research	6,459
The Leuthold Group LLC	Broad Based Market Research	10,000
The Nasdaq Stock Market, LLC	Research & Data Services	4,500
Toronto Stock Exchange	Market Data	14,226
TradeWeb	On-Line Fixed Income Trading Services	9,534
Trahan Macro Research LLC	Research and Data Services	2,000
Trivariate Research LP	Investment Research	15,000
Truist Securities, Inc.	Investment Research	9,120
Tudor Pickering Holt & Co	Investment Research	7,900
Unit4 Business Software Inc	Financial & Administration Services System	69,827
Urban Land Institute	Investment Consulting Services	1,150
Vadim Moroz	Investment Consulting	53,100
Investment Research Accrual Reversal	Investment Research	(850,000)
Vertical Research Partners	Industrial Sector Market Research & Analysis	10,375
Verus Advisory Inc	Benchmarking Consulting Services	42,000
Virtu ITG Analytics LLC	Trading Transaction Cost Analysis	20,500
Visible Alpha LLC	Research and Data Services	32,957
V-Soft Consulting Group Inc	Investment Information Technology Consulting Services	50,400
WallachBeth Capital LLC	Investment Consulting Services	3,000
Washington Speakers Bureau	Investment Consulting Services	10,000
Wedbush	Investment Research	11,500
WestPark Capital, Inc.	Investment Research	1,000
William Blair & Company LLC	Investment Research	11,000
With Intelligence LLC	Investment Data and Research	4,500
Wolfe Trahan	Transportation and Macro Economic Research	47,585
Wolters Kluwer Law & Business	GDP Forecasting Services	11,535
Wolverine Execution Services LLC	Options Trading Platform	1,367
WorldBridge Partners Inc	Recruitment Consulting	210,310
Worth Charting LLC	Investment Consulting	6,500
Yipit, LLC	Research and Data Services	15,000
<b>Total Investment Counsel</b>		<b>\$ 9,150,155</b>
<b><u>Securities Lending Agent Fees</u></b>		
BNY Mellon Asset Servicing	Securities Lending Agent Fees	\$ 1,412,138
<b>Total Securities Lending Agent Fees</b>		<b>\$ 1,412,138</b>
<b>Total Quarterly Charges to Funds</b>		<b>\$ 55,681,608</b>

<sup>1</sup>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 the 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.