

April 5, 2023

Sen. Howard Marklein, Co-Chair
Joint Committee on Finance
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Madison, WI 53707

Rep. Mark Born, Co-Chair
Joint Committee on Finance
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Sen. Eric Wimberger, Co-Chair
Joint Committee on Audit
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Mr. Mike Queensland
Senate Chief Clerk
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Mr. Ted Blazel
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 January 11, 2023 there were some revisions to the SWIB Investment Committee (IC) Wisconsin Retirement System (WRS) Investment Guidelines.

At its February 23, 2023 meeting, the Investment Committee approved amendments to the SWIB IC WRS Investment Guidelines, which included:

- Replacing the guidelines and soft risk parameters applicable to the former global sector aggregate portfolio with those for its successor global equity portfolio;
- Removing guidelines and soft risk parameters for the discontinued stand-alone global macro portfolio;
- Modifying the long treasury portfolio's guidelines to include exchange-traded interest rate futures in the carve-outs from the single issuer concentration limit;
- Adding descriptions of approved strategies and instruments to the leverage use policy;

- Clarifying the process by which unrated securities are rated internally by SWIB staff using models reviewed by risk and compliance staff;
- Adding collateralized loan obligations (CLOs) to the investment grade credit portfolio's limit on bank loan exposure and correspondingly increasing the limit;
- Increasing each fixed income portfolio's gross and net exposure limits;
- Modifying the guidelines for the mortgage-backed securities portfolio to add total return swaps as a permitted instrument, increase the limit on CLOs collateralized by corporate bank loans, and remove the short-duration fixed income securities limit; and
- Clarifying certain defined terms and incorporating regulatory updates.

These amendments were reported to the Board of Trustees at its March 29, 2023 meeting.

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

Sincerely,

A handwritten signature in cursive script that reads "Rochelle Klaskin".

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