

INVESTMENT POLICY, OBJECTIVES, AND GUIDELINES

STATE OF WISCONSIN INVESTMENT BOARD

Updated

November 16, 2011

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INTRODUCTION

The State of Wisconsin Investment Board (“SWIB” or “Board”) is an independent state agency responsible for the management and investment of all funds entrusted to it, including assets of the Wisconsin Retirement System (WRS), the State Investment Fund, and the assets of various other state agencies and programs. In its role as investment manager for these funds, SWIB is held by the Wisconsin statutes to a high standard of fiduciary duty.

SWIB was created by the Wisconsin Legislature for the sole purpose of providing professional investment management of trusts and public funds under its control, in accordance with its standard of fiduciary duty. The Board of Trustees (“Trustees”) has established the investment guidelines set forth herein, pursuant to a comprehensive and ongoing evaluation of the appropriate risk and return standards for each fund under management. These guidelines are intended to assist in development of a diversified portfolio of investments, tailored to accomplish the purpose of each fund within acceptable risk parameters. They represent a delegation of standing authority to investment managers within the organization, in an effort to promote efficient and cost effective operation of the funds. In addition to the funds managed by SWIB staff, external managers are used for certain investment strategies. Establishment of investment guidelines for external managers has been delegated to the Investment Committee as part of the Committee’s charter approved by the Trustees.

These guidelines are not intended to represent an absolute limit on the type of investments that can be made by the Board or considered by staff. In many instances, investments that fall outside of the standing authority delegated to Investment Board staff may well be appropriate for inclusion in one or more of the Board's portfolios. The Trustees explicitly reserve the right to authorize other legally allowable investments as they deem consistent with the Board's responsibilities as a fiduciary.

Accordingly, the Trustees hereby delegate to the Executive Director and professional investment staff of the Board, standing authority to make prudent investments within the following investment guidelines, pursuant to sections 15.02(4) and 25.16(1) of the Wisconsin Statutes and section IB 2.02 of the Wisconsin Administrative Code. Included in this delegation is the ability to hire and terminate external managers of assets managed on behalf of SWIB.

FUNDS UNDER MANAGEMENT

The Wisconsin Retirement System (WRS)

The assets of the WRS constitute a large majority of the total funds invested by SWIB. The retirement funds are invested globally in both long-term and short-term investments, across a wide range of asset types and classes. The WRS assets are divided into two funds---a Core Retirement Investment Trust (the Core Fund) and a Variable Retirement Investment Trust (the Variable Fund). The Core Fund is a broadly diversified portfolio of stocks, bonds, mortgages, non-public securities, real estate and other holdings. The Variable Fund is primarily invested in global stocks.

A. Core Retirement Investment Trust

The Core Fund is a pooled fund consisting of the retirement contributions made by and on behalf of participants in the WRS. Participants include state, school, and local government employees (with the exception of the City and County of Milwaukee). All participant contributions are invested in the Core Fund unless the participant has elected to contribute to the Variable Fund. (Wis. Stat. § 25.17(3))

B. Variable Retirement Investment Trust

The Variable Fund, like the Core Fund, is a pooled fund consisting of retirement contributions made by or on behalf of the participants of the WRS. A qualified participant can elect to credit 50% of the total monthly retirement contributions made by or on behalf of the participants to the Variable Fund, with the balance going to the Core Fund. The purpose of the Variable Fund is to permit participants to share in expanding global economies through the profits of business and industry. However, unlike the Core Fund, the Variable Fund does not enjoy diversification across a variety of different asset classes and could be subject to greater volatility of earnings. (Wis. Stat. § 25.17(5))

The State Investment Fund

The State Investment Fund (SIF) is a short-term investment pool of the cash balances of various state agencies and departments, WRS fund cash balances pending longer term investment, and numerous other local governmental bodies which elect to participate in the SIF through the Local Government Investment Pool. The SIF functions as the state's cash management fund. By pooling idle cash balances of the WRS, all state funds and a large number of municipalities, the SIF provides all participants in the fund with competitive rates of return and enhanced liquidity. The stated objectives of the SIF in order of priority are to provide safety of principal, liquidity, and competitive rates of return. The SIF is invested primarily in obligations of the U.S. Government and its agencies, and high quality commercial bank and corporate debt obligations. (Wis. Stat. § § 25.14(5), 25.17(3)(b), (ba), (bd) and (dg))

Other Funds

SWIB also manages several other smaller funds established by state law: the Local Government Property Insurance Fund, the State Historical Society Trust Fund, the State Life Insurance Fund, the Tuition Trust Fund--Edvest Wisconsin Program, and the Injured Patients and Families Compensation Fund. Separate objectives, policies, and guidelines apply to investment of the assets in each fund. They are managed in accordance with risk and investment parameters determined to be appropriate for achieving the purpose of each fund and subject to the specific statutory authority provided for the fund. (Wis. Stat. § 25.14(1)(a), 25.15(1), and 25.17)

IMPLEMENTATION POLICIES

This section of the Investment Guidelines is intended to summarize the fundamental investment objectives, philosophies, and directives relative to the implementation and oversight of the investment of assets managed by SWIB. Key areas are elaborated upon, and specific investment guidelines are articulated. This section is intended to provide an outline of the common and critical components of successful administration of a large pool of public assets. Detailed supplemental policies and procedures are set forth below under General Guidelines and Portfolio Guidelines.

The following practices pertain primarily to the management of WRS assets. Other funds are managed by SWIB in similar but not identical fashion.

BROAD INVESTMENT OBJECTIVES

SWIB's overall objectives in managing WRS assets are:

1. To maximize long-term investment return with a prudent level of risk in order to ensure that sufficient funds are available to meet pension fund obligations; and
2. To comply with all applicable fiduciary and legal standards

KEY INVESTMENT PHILOSOPHIES

1. Through quantitative asset/liability modeling and qualitative evaluation, an appropriate strategic asset allocation mix can be selected. Application of a rebalancing regimen after allowing a predetermined amount of "drift" around targets effectively contains allocation risk and can add value by enforcing a "buy low, sell high" approach at the asset class level.
2. A well-diversified asset mix in the Core Fund, dominated by equities, historically has been a favorable position for meeting long-term objectives, recognizing that strategies will not always appear to add value over shorter time frames. It is essential to hold to the investment program during difficult times, and the diversified asset mix should mitigate the impact of negative market environments.
3. A core of passive investments within major asset classes is a relatively efficient way to provide benchmark returns, adjust risk within the overall fund, provide a liquid and low cost pool, and facilitate timely fund rebalancing.
4. Over the long term, active management can add value beyond market-neutral benchmarks at the asset class, sector, and security levels by exploiting market inefficiencies and their resulting valuation opportunities. Better opportunities for active management exist with inefficient asset types than with efficient asset types.

5. Risk management and performance benchmarking are integral to the entire investment process. Risk is addressed from asset allocation through individual security selection and ex post measurement by a sound risk management structure. Ex ante and ex post total fund risk and component contributions to risk are assessed and considered in the structuring of the investment program. Performance benchmarking compares actual investment results to expected results. Cost control is a component of investment results, and costs are contained through lower-cost internal and passive management approaches and external fee negotiations.
6. Fund and portfolio results are most appropriately measured against market indices, representing neutral, or passive market positions. Peer comparisons are fraught with difficulties due to differences in liability structure, investment style, risk preferences, and inconsistencies over time and are generally used as secondary comparisons. Results are evaluated on the basis of investment return as well as return for the level of assumed risk.

RESPONSIBILITIES

SWIB's investment responsibilities break down into these key areas:

1. Asset Allocation
2. Active Risk
3. Asset Class Structure
4. Asset Allocation Rebalancing
5. Risk Monitoring and Compliance
6. Performance Evaluations
7. Specific Investment Performance Objectives

ASSET ALLOCATION

SWIB undertakes a review of its strategic asset allocation plan every other year, including asset/liability modeling, to determine a suitable target allocation for each asset class included in the Core Fund. The strategic nature of these reviews contemplates a long-term (2-3 business cycles) time horizon over which potential results are evaluated. This exercise is not an attempt to predict short-term market movements, but an effort to understand the long-term impacts of poor, normal, and above average market results. In the "off year" of the two-year cycle, structural asset allocation adjustments and other funding initiatives are considered.

In addition to the potential future market impact, SWIB also contemplates the impact of actuarial analysis, the soundness of investment return and risk expectations, and the asset allocation policies of its peers.

Historical strategic asset allocation targets by calendar year are contained in *Appendix 1* for the Core and Variable Trust Funds.

The policy targets that have been adopted for the Core Trust Fund implementation are:

U.S. Equities	28%
International Equities	25%
Fixed Income	26%
TIPS.....	7%
Real Estate	6%
Private Equity/Debt.....	6%
Multi-Asset	6%
TOTAL	104%

Based on risk and return assumptions, this portfolio has a return expectation of approximately 7.6%. However, in one out of three years, the return is expected to be higher than 20.1% or lower than -4.9%.

The policy targets that have been adopted for the Variable Trust Fund are currently:

U.S. Equities	69%
International Equities	30%
Equity Multi-Asset.....	1%

Based on risk and return assumptions, this portfolio has a return expectation of approximately 8.4%. However, in one out of three years, the return is expected to be higher than 24.9% or lower than -8.1%.

Performance and risk attribution arising from deviations from the policy asset allocation targets will be reviewed with the Trustees on a quarterly basis.

ACTIVE RISK

As part of the strategic asset allocation, the Trustees establish a fund level active risk objective. Active risk represents the volatility of excess returns or the added risk of actively investing the assets rather than replicating the benchmark. The active risk objective for the Core and Variable Trust Funds is 120 bps +/- 60 bps. Guidelines for individual portfolios will be constructed so that the aggregate risk of the portfolios is within the range established for the fund level risk objective. The Investment Committee will review the allocation of active risk and report to the Trustees quarterly.

ASSET CLASS STRUCTURE

Portfolios within each of the approved asset classes will be structured in a manner that attempts to effectively cover the universe represented by appropriate benchmarks, and provide adequate flexibility to position the portfolios as desired relative to respective benchmarks. Index funds and actively managed portfolios will be combined in a manner that attempts to accomplish desired performance objectives within acceptable risk parameters.

Portfolios may be managed internally by SWIB investment professionals or externally by money management firms. In making the decision on how the portfolios will be managed, SWIB compares the resources, expertise, and cost of internal management versus external management. If the decision is made to manage the portfolios externally, SWIB will determine whether a separate account or commingled fund best suits SWIB's needs.

ASSET ALLOCATION REBALANCING

Core and Variable Fund asset allocations will be reviewed monthly for potential rebalancing. When feasible, index funds will be used to facilitate rebalancings to minimize opportunity and trading costs. Derivative securities may be used to implement temporary adjustments. When active portfolios are used in a rebalance, portfolio managers will be consulted and included in the process.

The Board has adopted Core and Variable Trust Funds Strategic Rebalancing Procedures. In accordance with these procedures, when a major liquid asset class (*i.e.*, Total Public Equities, Total Public Fixed Income) exceeds its target allocation by +/-4% of public market assets as of month end, a mandatory rebalancing exercise will be initiated. Alternatively, when a major liquid asset class exceeds its target asset allocation by +/-4% of public market assets as of mid-month a meeting will be called to determine whether or not to trigger a discretionary rebalancing to bring the allocation closer to benchmark weights. In the mandatory rebalancing, an asset class in excess of its target will be sold to a level equal to the midpoint between the target and the range maximum. When a rebalance is triggered, a plan will be developed whereby specific dollar amounts will be considered for movement based on the degree of the over/underweight, liquidity characteristics, and current market conditions.

RISK MONITORING AND COMPLIANCE

It is recognized that risk issues permeate the entire investment process, and risk is considered throughout the investment process from asset allocation to performance evaluation. Ongoing monitoring will be accomplished through a “mosaic” approach, in which various forms of analysis and reporting contribute to the total picture. Inspection of levels of diversification, nominal risk exposures, risk/return plots, Value at Risk, tracking error, and worst case scenario modeling form the core of the monitoring process. Comprehensive reports will be assembled and presented to SWIB’s Investment Committee and the Trustees at least quarterly. Portfolio managers are responsible for the compliance of their portfolios with these investment guidelines, as well as the Wisconsin Statutes and administrative code.

SWIB’s Compliance Officer will review portfolios and asset classes monthly for compliance with investment guidelines. Portfolios out of compliance with guidelines will be brought into compliance immediately, or a plan for doing so will be discussed and approved by the Executive Director. Analytics and Funds Management will review the funds, asset classes and portfolios for compliance with soft parameters in *Appendix 3*. Portfolios outside of the soft parameters will be discussed with the Investment Committee, and justification for maintaining the exposure, if desired, will be provided to the Investment Committee. Decisions based on compliance issues will be brought to the Trustees for their information and vote if required.

PERFORMANCE EVALUATIONS

SWIB will review fund, portfolio, and benchmark returns at least monthly. At least quarterly, SWIB will conduct reviews of performance and allocation/guideline compliance.

Performance reviews will be conducted versus benchmarks as outlined in *Appendix 2*. Quarterly results will be evaluated to review progress toward longer term objectives. Comprehensive performance evaluations will be conducted annually. It is understood that there are likely to be intermittent periods when portfolio performance deviates from market indexes. During such times, comparisons with specific peer groups also will be considered.

SPECIFIC INVESTMENT PERFORMANCE OBJECTIVES

SWIB will seek to meet the following goals in managing WRS assets. *Appendix 2* contains additional objectives at the asset class and portfolio levels.

A. Core Fund

1. A return in excess of a hypothetical portfolio comprised of asset class benchmarks weighted by strategic target allocations over all cumulative time periods over three years in length:

28%	Russell 3000
25%	Morgan Stanley Capital International (MSCI) All Country World Index excluding the United States (ACWI ex-US)
26%	Fixed Income Composite
7%	Barclays Capital U.S. TIPS

- 6% 40% NPI (National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index) / 60% ODCE (Open-End Diversified Core Equity)
- 6% Private Equity/Debt Composite
- 6% Multi-Asset Composite Benchmark
- 4% State Investment Fund Benchmark

- 2.. A nominal return in excess of the Fund's actuarial earnings assumption over a long-term period (2-3 business cycles) with a prudent level of risk.
- 3.. An aggregate return ranking of median or above median versus SWIB's peers (large public pension funds) over five-year periods, with a volatility of return ranking of median or below median.

B. Variable Trust Fund

1. An aggregate return in excess of a hypothetical portfolio comprised of asset class benchmarks weighted by strategic target allocations, over all cumulative time periods over three years in length:

- 69% Russell 3000
- 30% MSCI ACWI ex-US
- 1% Total Variable Fund Benchmark

2. A return ranking of median or above median versus SWIB's peers' (large public pension funds) equity portfolio returns over five-year periods, with a volatility of equity return ranking of median or below median.

INVESTMENT GUIDELINES – INTRODUCTION INTERNAL MANAGEMENT

Each portfolio is assigned “hard” (compulsory) investment guidelines and may be assigned “soft” (expected) parameters intended to trigger supervisory and Investment Committee attention. Managers are not allowed to deviate from compulsory guidelines. Any deviation requires correction and/or the receipt of a waiver by the Executive Director (ED) or the ED’s designee. All waivers will be provided to the Board at their next scheduled meeting.

Soft parameters refer to desired characteristics and/or risk exposures. Managers are allowed, however, to deviate from soft parameters in pursuit of excess return, subject to potential supervisory and/or Investment Committee inquiry and discussion. The investment guidelines are included in the body of this document. Soft parameters for each portfolio are detailed in *Appendix 3*.

External managers operate under contractual investment guidelines established by SWIB’s Investment Committee.

GENERAL GUIDELINES INTERNAL MANAGEMENT

The following compulsory guidelines are applicable to all internally managed portfolios. Individual portfolio guidelines appear subsequently.

1. All investment decisions are subject to all applicable federal and state statutes and administrative rules and are subject to the prudent expert fiduciary standard as set forth in Wis. Stat. § 25.15(2). Where investments are directed by other agencies or authorities, however, SWIB is relieved from any obligations relevant to prudent investment. (Wis. Stats. § 25.17(2)(c), (d), (e) and (f)).
2. Each asset class will maintain a prudent level of diversification within its area of specialization.
3. All securities trades are subject to a best execution standard in an effort to maximize, to the extent practical within legal constraints, overall returns.
4. Exposure limits and credit quality exposure limits are to be applied at the time of purchase. Unless otherwise indicated, “value” shall mean market value including un-invested cash.
5. Any sovereign debt obligation in which SWIB invests must be rated “B3/B-” or above, unless otherwise approved in advance by the Investment Committee based on its guidelines for individual business case determinations.
6. SWIB shall attempt to invest in organizations that adhere to prevailing local and national laws and generally accepted standards of conduct including the respect of human rights (Wis. Admin. Code s. IB 2.02 (7)). The Freedom House Freedom in the World Index, The Index of Economic Freedom and the Transparency International Corruption Perceptions Index may be consulted for information in this regard.
7. All holdings may be sold, so long as any restrictions imposed by state and federal laws are complied with.
8. Credit quality rating requirements refer to an entire rating level, e.g., “A or better” includes “A-” and better ratings. The lower of split ratings is used. Investment grade securities are those rated “BBB-” or better (or the equivalent rating agency rating).
9. Fixed income securities backed by the full faith and credit of the U.S. government will be classified as U.S. government securities for purposes of these guidelines.
10. Public and private equity investments in markets designated as “developed” or “emerging” are investments in entities that are incorporated or organized in countries included in the MSCI World Index or the MSCI Emerging Market Index, respectively. Public fixed income investments in markets designated as “developed” or “emerging” are

investments in the debt of countries (or of companies incorporated or organized in countries) included in the Salomon World Government Bond Index or the JP Morgan Emerging Markets Diversified Index, respectively. Real estate investments in markets designated as “developed” or “emerging” are investments in properties in countries included in the EPRA/NAREIT Developed Index and the EPRA/NAREIT Emerging Market Index, respectively.

11. Exchange-traded derivatives must be traded on a recognized exchange approved by the Investment Committee.
12. Over-the-counter (OTC) derivatives may be traded only with counterparties with which SWIB has a current International Swap and Derivative Association (ISDA) agreement.

OTC derivatives including swaps may only be used within public equity portfolios and other portfolios with specific authority as an alternative to physical securities when it is deemed advantageous for portfolio construction. Guideline limits and soft parameters for each portfolio will be applied to the aggregate exposures which includes both physical and synthetic securities.

For clarity, this Item 12 does not apply to over-the-counter derivatives entered into on behalf of SWIB, or a title-holding entity that is wholly-owned by SWIB, by an external manager or advisor in connection with a real estate separate account.

- A. If the ISDA agreement includes a Credit Support Annex (CSA) with terms approved by the Investment Committee:
 - (1) The counterparty, or its guarantor, must, on each date on which a transaction is entered into, have an actual credit rating of not less than: (1) “A2/P2” on short-term debt from S&P or Moody’s; and/or (2) “Baa2/BBB” on long-term debt from S&P or Moody’s.
 - (2) The collateral that SWIB holds under a CSA may be invested in the following:
 - a. FDIC insured deposit accounts;
 - b. Any money market fund having a rating of at least “Aaa” by Moody’s or at least “AAAm” by S&P;
 - c. Overnight commercial paper having a rating of at least “P-1” by Moody’s and “A-1” by S&P;
 - d. Overnight repurchase agreements with U.S. government, agency or dollar cash collateral;
 - e. Overnight reverse repurchase agreements with U.S. government, agency or dollar cash collateral; and
 - f. The State Investment Fund.
- B. If the ISDA agreement does not include a Credit Support Annex (CSA) with terms approved by the Investment Committee, the counterparty, or its guarantor, must, on each date on which a transaction is entered into, have an actual credit

rating of not less than: (1) “A1/P1” on short-term debt from S&P or Moody’s; and/or (2) “A2/A” on long-term debt from S&P or Moody’s.

Trades with counterparties without an Investment Committee approved CSA are limited to 4- month currency forwards.

13. The Executive Director or, in his or her absence, his or her designee, may suspend any of the guideline limits in an emergency after an attempt has been made to reach a majority of the Trustees. The members of the Board shall be notified by the end of the following business day of the reason for the suspension of the limits.
14. Dollar limitations for commitments to funds or other investments do not apply to incidental and customary contractual reinvestment, indemnity, reserve or similar obligations incorporated into the terms of an investment, provided such obligations are not expected to amount to more than 10% of the base commitment.
15. The Investment Committee will review the performance and risk exposures of internally and externally managed portfolios. As part of the review process, portfolio managers/managing analysts may be asked to provide the Investment Committee with updates on portfolio strategy.
16. Portfolios may utilize cash instruments or derivatives in their investment strategy. All investments used will be subjected to the risk analysis and monitoring processes at the portfolio, asset class and fund levels. New derivative strategies will be reviewed with the Investment Committee prior to implementation.

The following guidelines apply to private markets portfolios:

17. The portfolio manager shall be responsible for notifying the Executive Director and including in the portfolio strategy reports to the Trustees disclosure of any referrals or significant contacts (other than status requests) by or on behalf of SWIB Trustees regarding consideration of an investment opportunity.
18. The Private Markets Group shall report to the Trustees all portfolio commitments to non-public investments.
19. Funds or commingled investment pools authorized to invest more than 50% of their capital outside the U.S. shall be considered non-U.S. investments.
20. Each portfolio manager shall obtain written confirmation from legal counsel (which may be external legal counsel) that documentation has been satisfactorily completed prior to closing of any investment in his or her portfolio that involves negotiated SWIB documentation.
21. Each portfolio manager shall submit to the Managing Director – Private Markets a written summary of any proposed investment. The Managing Director will review all such investments to determine that a) the investment falls within the portfolio’s investment guidelines, including limits on invested capital, b) that the investment is consistent with the portfolio’s

established strategy, and c) that the appropriate due diligence standards are being applied. No such investment may be closed without approval of the Managing Director – Private Markets, Chief Investment Officer and/or Executive Director depending upon the nature and amount of the investment. The portfolio manager shall retain responsibility for each investment decision. External managers with delegated investment discretion operate under separate authority.

PORTFOLIO GUIDELINES INTERNAL MANAGEMENT

A. U.S. Equity Portfolios

The U.S. Equity Portfolios are invested primarily in publicly traded equity securities that are registered with the Securities and Exchange Commission, including convertible bonds, common stocks, preferred stocks, Exchange Traded Funds (ETFs), American Depositary Receipts (ADRs), American Depositary Shares (ADSs), securities issued in initial public offerings, and when-issued securities. The U.S. Equity Portfolios may also be invested in equity securities that are publicly traded on stock exchanges in other developed countries.

1. When aggregated with other SWIB portfolios, no more than 20% of outstanding shares of any single issuer, excluding shares held in ETFs, may be owned.
2. When aggregated with other SWIB portfolios, no single issuer's equity securities may represent more than 3% of the total market value of all SWIB equity portfolios.
3. When aggregated with other SWIB portfolios, securities subject to restrictions on trading pursuant to Rule 144 under the Securities Act of 1933 shall not constitute more than 1% of the market value of all SWIB equity portfolios.
4. Up to 10% of each portfolio's market value may be invested in international and emerging markets companies through common stocks, ADRs, ADSs, or country-specific ETFs, subject to the administrative rule noted in General Guideline #6. All international and emerging markets stock transactions must be done on an exchange located in a developed country.
5. Portfolios may use exchange-traded futures contracts or ETF's to equitize cash and receivables.
6. Currency exposure management is permitted (but not required) through the use of exchange-traded currency instruments and through the use of over-the-counter spot and forward contracts in foreign currencies. Direct currency hedging is permitted to directly hedge currency exposure back to the U.S. dollar.
7. Portfolios may sell short any securities that may be purchased under applicable guidelines and may then use the proceeds from the short sale to purchase additional approved securities. The total value of the short sales in a portfolio may not exceed 20% of a portfolio's value.
8. Investments may be made in put option contracts and call option contracts on securities, futures or an index of a group of securities that are traded on an exchange, board of trade or an over-the-counter market regulated under the laws of the United States or other developed countries. Put and call options may be purchased or sold on investments that could be held in the portfolio if the options were exercised. The aggregate notional value of put options sold and not covered by portfolio cash is limited to 10% of the market

value of the portfolio. The aggregate notional value of call options sold and not covered by the underlying security positions is limited to 10% of the market value of the portfolio.

9. Except as provided in 4 above, securities must be issued by an entity that is incorporated in the United States; provided that investment is also permitted if the issuer is incorporated in a tax haven outside the United States if 1) the company's headquarters are located in the U.S. or 2) the headquarters are located in Belize, Bahamas, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Isle of Man, Marshall Islands, Panama, Liberia or Netherland Antilles and the primary exchange for the issuer's securities is located in the U.S.

B. Global Equity Portfolios

The Global Equity Portfolios are invested primarily in publicly traded equity securities, including convertible bonds, common stock, preferred stock, ADRs, ADSs, ETFs, securities issued in initial public offerings, and when-issued securities, in each case that are issued and traded in U.S. and non-U.S. developed markets.

1. Investments in companies whose headquarters and/or primary exchange are located in emerging market countries shall not exceed 5% of a portfolio's market value.
2. When aggregated with other SWIB portfolios, no more than 10% of outstanding shares of a single issuer, excluding shares held in ETFs, may be owned.
3. When aggregated with other SWIB portfolios, no single issuer's securities may represent more than 3% of the total market value of all SWIB equity portfolios.
4. When aggregated with other SWIB portfolios, securities subject to restrictions on trading pursuant to Rule 144 of the Securities Act of 1933 shall not constitute more than 1% of the market value of all SWIB equity portfolios.
5. Securities offered or sold to U.S. investors pursuant to Regulation D or Rule 144A under the Securities Act of 1933 may be purchased if they are publicly traded on a stock exchange in a developed country.
6. Portfolios may use exchange-traded futures contracts or ETF's to equitize cash and receivables.
7. Currency exposure management is permitted (but not required) through the use of exchange-traded currency instruments, and through the use of spot and forward contracts in foreign currencies. Direct currency hedging is permitted to directly hedge currency exposure back to the U.S. dollar. Cross-currency exposure management to transfer out of an exposed currency and into a benchmark currency is permitted.
8. Portfolios may sell short any securities that may be purchased under applicable guidelines and may then use the proceeds from the short sale to purchase additional approved securities. The total value of the short sales in a portfolio may not exceed 20% of a portfolio's value.

9. Investments may be made in put option contracts and call option contracts on securities, futures or an index of a group of securities that are traded on an exchange, board of trade or an over-the-counter market regulated under the laws of the United States or other developed countries. Put and call options may be purchased or sold on investments that could be held in the portfolio if the options were exercised. The aggregate notional value of the put options sold and not covered by portfolio cash is limited to 10% of the market value of the portfolio. The aggregate notional value of call options sold and not covered by the underlying security positions is limited to 10% of the market value of the portfolio.

C. Passive Equity Portfolios

The objective of the passive equity portfolios is to closely track the returns and risk of their respective benchmarks.

1. The universe for inclusion in the portfolio shall be the full respective benchmark for each portfolio. Non-benchmark securities may be held from time-to time as a result of corporate actions, purchases or sales in advance of expected changes to the benchmark. Activity or retention of non-benchmark securities will only occur if the portfolio manager deems it beneficial to performance and not significantly detrimental to tracking error.
2. Securities offered or sold to U.S. investors pursuant to Regulation D or Rule 144A under the Securities Act of 1933 may be purchased if they are publicly traded on a stock exchange in a developed country.
3. Portfolios may use exchange-traded futures contracts or ETFs to equitize cash and receivables.
4. Investments may be made in put option contracts and call option contracts on securities, futures or an index of a group of securities that are traded on an exchange, board of trade or an over-the-counter market regulated under the laws of the United States or other developed countries. Put and call options may be purchased or sold on investments that could be held in the portfolio if the options were exercised. The aggregate notional value of put options sold and not covered by portfolio cash is limited to 10% of the market value of the portfolio. The aggregate notional value of call options sold and not covered by the underlying security positions is limited to 10% of the market value of the portfolio.
5. Currency exposure management is permitted (but not required) through the use of exchange-traded currency instruments, and through the use of spot and forward contracts in foreign currencies. Direct currency hedging is permitted to directly hedge currency exposure back to the U.S. dollar. Cross-currency exposure management to transfer out of an exposed currency and into a benchmark currency is permitted.

D. Shareholder Opportunity Portfolio

The Shareholder Opportunity Portfolio is invested primarily in publicly traded equity securities that are registered with the Securities and Exchange Commission, including convertible bonds, common stocks, preferred stocks, Exchange Traded Funds (ETFs), American Depository

Receipts (ADRs), American Depository Shares (ADSs), securities issued in initial public offerings, and when-issued securities. The Portfolio may also be invested in equity securities that are publicly traded on stock exchanges in other developed countries.

1. When aggregated with other SWIB portfolios, no more than 20% of outstanding shares of any single issuer, excluding shares held in ETFs, may be owned.
2. When aggregated with other SWIB portfolios, no single issuer's equity securities may represent more than 3% of the total market value of all SWIB equity portfolios.
3. When aggregated with other SWIB portfolios, securities subject to restrictions on trading pursuant to Rule 144 under the Securities Act of 1933 shall not constitute more than 1% of the market value of all SWIB equity portfolios.
4. The Portfolio may use exchange-traded futures contracts or ETF's to equitize cash and receivables.
5. The portfolio may sell short any securities that it can purchase under its guidelines for purposes of managing tracking error.
6. Investments may be made in put option contracts and call option contracts on securities, futures or an index of a group of securities that are traded on an exchange, board of trade or an over-the-counter market regulated under the laws of the United States or other developed countries. Put and call options may be purchased or sold on investments that could be held in the portfolio if the options were exercised. The aggregate notional value of put options sold and not covered by portfolio cash is limited to 10% of the market value of the portfolio. The aggregate notional value of call options sold and not covered by the underlying security positions is limited to 10% of the market value of the portfolio.
7. Securities must be issued by an entity that is incorporated in the United States; provided that investment is also permitted if the issuer is incorporated in a tax haven outside the United States if 1) the company's headquarters are located in the U.S. or 2) the headquarters are located in Belize, Bahamas, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Isle of Man, Marshall Islands, Panama, Liberia or Netherland Antilles and the primary exchange for the issuer's securities is located in the U.S.

D. Government/Credit Portfolio

The Government/Credit Portfolio is invested in publicly traded and Rule 144A, U.S. dollar denominated fixed income instruments, primarily of investment grade, including government, agency, corporate, and Yankee securities.

1. The portfolio shall maintain an average quality rating of A or better.
2. Effective duration of the portfolio shall remain within 15% of the assigned benchmark's duration.

3. Non-Investment Grade securities shall not exceed 15% of the portfolio's market value.
4. With the exception of U.S. government and agency securities, issuer concentrations are restricted to 5% (investment grade) and 3% (non-investment grade) of the market value of the portfolio.
5. Securities sold to SWIB under Rule 144A under the Securities Act of 1933 may not exceed 20% of the portfolio's market value.
6. Financial futures, options, and swaps are permitted for the purposes of adjusting durations, taking or modifying credit positions, or investing anticipated cash flows, subject to the following guidelines:
 - (a) Derivatives may be used to replicate a position that would be taken through the purchase or sale of a permitted bond.
 - (b) Eligible contracts are:
 - (1) 2-Year U.S. Treasury Futures
 - (2) 5-Year U.S. Treasury Futures
 - (3) 10- Year U.S. Treasury Futures
 - (4) 30- Year U.S. Treasury Bond Futures
 - (c) Each contract must be specific to an explicitly documented transaction. Contracts must be closed when any hedged positions are closed.

E. U.S. TIPS Index Portfolio

The U.S. TIPS Index Portfolio is invested in U.S. Treasury inflation protected securities (TIPS).

1. Individual securities must be U.S. TIPS which are included in the Barclays U.S. TIPS benchmark.
2. The portfolio's option adjusted duration should be $\pm 15\%$ of the benchmark duration.

F. Global Bond Portfolio

The Global Bond Portfolio is invested in publicly traded and Rule 144A fixed income obligations of governments, government-related entities, and corporations around the world, primarily in developed markets, including the United States.

1. Overall portfolio quality must be maintained at an average rating of "A" or better.
2. Effective duration of the portfolio shall remain within 20% of the assigned benchmark's duration.

3. Corporate securities may not exceed 20% of the portfolio's market value.
4. Securities rated "BB+" or lower but no lower than "CCC-/Caa3" may not exceed 5% of the portfolio's market value.
5. No single corporate issuer shall represent more than 5% of the portfolio's market value.
6. Emerging market debt is limited to sovereign debt of countries in the J P Morgan Emerging Market Global Diversified Bond Index and shall not exceed 10% of the portfolio's market value.
7. Securities sold to SWIB under Rule 144A shall not exceed 20% of a portfolios market value.
8. Currency, interest rate, credit or return exposure management is permitted but not required. Exposure management is permitted only through the use of (a) exchange-traded interest rate and currency instruments, (b) spot and forward contracts in foreign currencies, (c) foreign exchange options and (d) interest rate, credit default and total return swaps on securities approved herein in accordance with the General Guidelines above. Direct currency hedging is permitted to directly hedge currency exposure back to the U.S. dollar. Cross-currency exposure management to transfer out of an exposed currency and into a benchmark currency is permitted.

The portfolio may take a position in currency of benchmark countries of up to +/- 10% versus the currency weight in the benchmark. Currencies of non-benchmark countries may be held through the use of forward contracts, provided that the notional value of any single non-benchmark currency shall not exceed 5% of the market value of the portfolio. The portfolio may be short a non-benchmark currency in an amount up to 5% of the market value of the portfolio. The aggregate exposure to emerging market currencies through a combination of owning emerging market debt and the net position in emerging market currencies separate from the underlying assets (measured using the notional value of currency forward) shall not exceed 10% of the portfolio's value.

G. Wisconsin Private Debt Portfolio

The Wisconsin Private Debt Portfolio's objective is to invest funds of the Wisconsin Retirement System in business activities that provide market-rate returns consistent with SWIB's fiduciary responsibilities and also to contribute to Wisconsin's economy. The investments will be focused on fixed-income instruments issued by corporations that are headquartered in Wisconsin, have existing operations in Wisconsin, or that intend to apply the proceeds to new business operations in Wisconsin. Investments will be primarily private loans negotiated by SWIB directly or as part of an investor group that includes banks or other institutional investors, but may also be securities sold to SWIB pursuant to Rule 144A or in public fixed income markets. Investments may be made in fixed income instruments and in instruments with both fixed income and equity features.

1. Investments may carry a rating from a national rating agency, the National Association of Insurance Commissioners (NAIC) or SWIB. Notwithstanding the provisions of the

General Guidelines above, the Portfolio Manager may make investments that carry a “BBB” or better rating from a national rating agency or the NAIC, provided that if the investment carries only a SWIB rating, it shall be approved by the Managing Director – Private Markets, regardless of size.

2. Investments may be made in below investment grade instruments provided that such investments do not in the aggregate constitute more than 25% of the portfolio par value. Any investment below investment grade requires approval from the Managing Director – Private Markets.
3. Aggregate portfolio issuer limits shall be scaled by quality and a purchase may not cause the portfolio's exposure to a borrower or issuer to exceed the following limits (at par value):

Rating	Maximum Position
U.S. Gov't/Agency	No Limit
“AA” or higher	\$100 MILLION
“A”	\$75 MILLION
“BBB”	\$50 MILLION
“BB” or less	\$25 MILLION

4. The portfolio shall maintain at minimum a weighted average rating of “BBB”, where “AAA”=4, “AA”=3, “A”=2, “BBB”=1, and “BB” or less =0.
5. Up to 15% of the portfolio may be invested in companies headquartered in, or doing a significant amount of business in, Illinois, Iowa, Minnesota or Michigan.
6. Other guideline limitations notwithstanding, portfolio managers or other staff authorized by the Managing Director – Private Markets may modify or waive terms of investments in the portfolio and generally take any and all other actions that are necessary and reasonable to protect, maintain or enhance the value of SWIB’s position in the investments.

H. Wisconsin Private Equity Portfolio

Investments in the Wisconsin Private Equity Portfolio are individually authorized by the Trustees, but shall be monitored and managed in conjunction with the Wisconsin Private Debt Portfolio. Prior to investment, a private equity consultant hired by SWIB will review prospective investments and confirm that new investments meet a prudent investor standard.

In managing the Wisconsin Private Equity Portfolio (the “Portfolio”), Staff is authorized to hold or to sell, in Staff’s sole discretion, any and all shares of a company’s stock that becomes publicly traded, regardless of whether the shares are in the Portfolio because (1) the company that issued shares held directly in the Portfolio has gone public or (2) the Portfolio received such shares through a distribution.

Portfolio venture capital holdings will be aggregated with other venture capital holdings for purposes of applying the 2% venture capital Core Fund limit set forth in the Private Equity Portfolio guidelines below.

I. Private Equity Portfolio

The Private Equity Portfolio consists of private equity or equity-related investments made on a global basis in limited partnership or other fund vehicles and direct investments in operating or holding companies (through strategic partnerships or as co-investments alongside funds in which SWIB is an investor). Investment guidelines and soft parameters shall be applied to the aggregate composition of the Private Equity Portfolio (including the Legacy and Current Return portfolios). A private equity consultant hired by SWIB will review prospective investments with new managers and confirm that new investments meet a prudent investor standard. Follow-on funds and secondary fund purchases will not require consultant review. A “follow-on fund” is either (a) a direct investment that is parallel to a fund in which SWIB is or has been an investor or (b) an investment or an investment vehicle that has the same sponsor or manager and is either parallel to, or has a substantially similar investment strategy as, a fund in which SWIB is or has been an investor. Direct investments where SWIB is the lead investor may not be made.

1. Any other guidelines notwithstanding, all portfolio commitments are subject to the following approvals:

	Managing Director – Private Markets	Chief Investment Officer	Executive Director
New Manager			
• Buy-out and Co-investment	\$100 million or less	Over \$100 million up to \$300 million	Over \$300 million
• Venture Capital	\$30 million or less	Over \$30 million up to \$60 million	Over \$60 million
• Strategic Partnerships	\$30 million or less	Over \$30 million up to \$60 million	Over \$60 million
Follow-on Commitments			
• Buy-out and Co-Investment	\$150 million or less	Over \$150 million up to \$300 million	Over \$300 million
• Venture Capital	\$50 million or less	Over \$50 million up to \$75 million	Over \$75 million
• Strategic Partnerships	\$50 million or less	Over \$50 million up to \$75 million	Over \$75 million
SWIB ownership, greater than 33%, of an individual fund, excluding co-investments	All	Either CIO or ED	

2. SWIB may not own more than 50% of a company's outstanding equity (through both fund ownership and co-investment).
3. Venture capital investments may be made only through funds that invest the majority of their capital in the U.S. or other developed markets. No more than 2% of the Core Fund may be invested in venture capital.
4. Non-venture capital investments may be made through funds, strategic partnerships, or co-investments. Commitments for non-venture capital co-investments alongside a strategic partner that entered into a written agreement to co-invest with SWIB in a number of transactions with SWIB and be responsible for due diligence may be made without approval of the Chief Investment Officer or Executive Director, but only in investments in the U.S. or Canada. Non-venture capital co-investments alongside a fund may be made without prior approval of the Chief Investment Officer or Executive Director only in investments that invest the majority of their capital in the U.S. or developed international markets.
5. Aggregate exposure (including co-investments) to any fund manager or sponsor, or investments with any company or strategic partner, may not exceed 20% of the total Private Equity Portfolio exposure without approval of the Chief Investment Officer or Executive Director. (Exposure is defined as net asset value plus unfunded commitments.)
6. No more than 45% of the Private Equity Portfolio may be invested (including commitments to investments) outside of the U.S.
7. Other guideline limitations notwithstanding, portfolio managers or other staff authorized by the Managing Director – Private Markets may modify or waive terms of investments in the portfolio and generally take any and all other actions that are necessary and reasonable to protect, maintain or enhance the value of SWIB's position in the investments.

J. Real Estate Equity Portfolio Guidelines

The Real Estate Equity Portfolio contains investments in a broad range of real estate and real estate related assets, including equity and debt investments, either solely, or through investment vehicles and structures such as public or private Real Estate Investment Trusts (REITs), public or private real estate company securities, limited liability corporations, limited partnerships, joint ventures, separate accounts or co-investment vehicles. Investment guidelines and soft parameters for Real Estate shall be applied, on an invested basis, to the aggregate composition of the Real Estate Equity Portfolio (except that all REIT portfolios shall be included in the aggregate as Core holdings). Certain investments with relatively higher expected returns, and higher risk, may be used on a more tactical basis. A real estate consultant hired by SWIB will review prospective commingled fund investments with new managers and/or new strategies and confirm such new investments meet a prudent investor standard. Follow-on funds and secondary fund purchases will not require consultant review. A “follow-on fund” is either (a) a direct investment that is parallel to a fund in which SWIB is or has been an investor or (b) an investment or an investment vehicle that has the same sponsor or manager and is either parallel to, or has a substantially similar investment strategy as, a fund in which SWIB is or has been an investor.

1. Each real estate investment must be processed and closed in accordance with applicable provisions of the Real Estate Procedures Manual.
2. All portfolio commitments are subject to the following approvals:

	Managing Director – Private Markets	Chief Investment Officer	Executive Director
Commingled Fund			
• New Fund	\$100 million or less	Over \$100 million up to \$300 million	Over \$300 million
• Follow-on Fund	\$150 million or less	Over \$150 million Up to \$300 million	Over \$300 million
Core - Separate Account	\$150 million or less	Over \$150 million Up to \$300 million	Over \$300 million
Non-Core – Separate Account	\$100 million or less	Over \$100 million Up to \$300 million	Over \$300 million

3. Aggregate exposure (including co-investments) to any commingled fund manager or sponsor, may not exceed 20% of the total Real Estate Equity Portfolio exposure without approval of the Chief Investment Officer or Executive Director. (Exposure is defined as net asset value plus unfunded commitments.) This does not apply to real estate investments for which SWIB has sole discretion to select, retain, and terminate manager(s) and/or advisors without cause.
4. Aggregate direct public REIT and real estate company stock holdings (excluding underlying commingled fund holdings and externally managed REIT Portfolios) may not exceed 15% of the market value of the Real Estate Equity Portfolio and portfolio investments in any one public REIT or company may not exceed 3% of the market value of the Real Estate Equity Portfolio. SWIB’s direct ownership position in any public REIT or company may not exceed 20% of outstanding voting equity, without Board approval. The externally managed REIT portfolio(s) will be managed under separate authority, with guidelines set out in the management agreements between SWIB and the selected manager(s).
5. No more than 40% of the aggregate portfolios may be invested (including commitments to investments) outside the U.S. Commingled funds that are authorized to invest more than 50% of their capital in emerging markets require prior approval of the Chief Investment Officer or Executive Director.
6. Other guideline limitations notwithstanding, the portfolio manager or other staff authorized by the Managing Director – Private Markets may: modify or waive terms of investments in the portfolio, including without limitation mortgages and leases on real estate in the portfolio; enter into new mortgages and leases; execute deeds and bills of sale; make expenditures for maintenance and improvements; grant easements; hire consultants, service providers, real estate advisors and property managers; and generally take any and all other actions that are necessary and reasonable to protect, maintain or enhance investment value of SWIB’s position in the investments.

7. Prior to funding a direct investment where real property is a material component, the property shall be evaluated for the presence of environmental and code compliance issues. If environmental issues that require action by governmental authorities exist, then funding shall not occur until an adequate remediation program is in place. If code compliance issues exist, then an adequate plan to bring the property into compliance shall be in place.
8. SWIB may not initiate improvement or development of real property owned or controlled by SWIB without making provisions for compliance with applicable Federal, state and local codes and ordinances.
9. Staff may hire up to five real estate advisors at any time with delegated investment discretion. These advisors shall have investment discretion of up to \$100 million of capital for each discretionary investment, with guidelines set out in the management agreements between SWIB and the selected manager(s). Staff has authority to terminate selected managers and/or advisors and hire replacement managers and/or advisors.

K. Real Estate Commercial Mortgage Portfolio

This portfolio will invest in commercial real estate mortgage whole loans on a participation basis only. Investments will typically have a fixed interest rate, some amortization of principal and call protection.

1. SWIB may only invest in participations of whole mortgage loans sponsored by, and jointly invested in, firms previously approved by the Managing Director – Private Markets.
2. The portfolio manager shall be responsible for review of the mortgage loan underwriting done by the lead investor, including the secured property, the borrower, and transaction terms.
3. The portfolio manager shall also be responsible for reviewing the risk adjusted return anticipated by the loan originator. The portfolio manager shall have discretion to approve participations in loans sponsored by approved firms, as well as approve any loan modifications requested by the lead investor, as each individual case may warrant.

L. Current Return Portfolio

The Current Return Portfolio consists of current return or certain equity-related investments, made on a global basis, in limited partnership or other fund vehicles and direct investments in operating or holding companies (through strategic partnerships or as co-investments alongside funds in which SWIB is an investor). Investments may be made in fixed income instruments and in instruments with both current pay and equity features. Investment guidelines and soft parameters shall be applied to the aggregate composition of the Private Equity Portfolio (including the Legacy portfolio), unless otherwise stated. A consultant hired by SWIB will review prospective investments with new managers and confirm that new investments meet a prudent investor standard. Follow-on fund and secondary fund purchases will not require consultant review. A “follow-on fund” is either (a) a direct investment that is parallel to a fund

in which SWIB is or has been an investor or (b) an investment or an investment vehicle that has the same sponsor or manager and is either parallel to, or has a substantially similar investment strategy as, a fund in which SWIB is or has been an investor. Venture capital investments and direct investments where SWIB is the lead investor may not be made.

1. Any other guidelines notwithstanding, all portfolio commitments are subject to the following approvals:

	Managing Director – Private Markets	Chief Investment Officer	Executive Director
Funds or Strategic Partnerships and Co-investments	\$100 million or less	Over \$100 million up to \$300 million	Over \$300 million
Investments in excess of 33% of individual fund (excluding co-investments)	All	Either CIO or ED	

2. SWIB may not own more than 50% of a company’s outstanding equity.
3. Investments may be made through funds, strategic partnerships, or co-investments. Co-investments may be made only in investments that invest the majority of their capital in the U.S. or developed international markets. Co-investments may be made with either a Current Return Portfolio fund or a fund investment held in the private equity portfolios.
4. Aggregate exposure (including co-investments) to any fund manager or sponsor, or investments with any company or strategic partner, may not exceed 20% of the total Private Equity Portfolio exposure without approval of the Chief Investment Officer or Executive Director. (Exposure is defined as net asset value plus unfunded commitments.)
5. No more than 40% of the Current Return Portfolio may be invested (including commitments to investments) outside of the U.S.
6. No more than 25 % of any fund or strategic partnership shall be invested (including commitments to investments) in emerging markets.
7. Other guideline limitations notwithstanding, portfolio managers or other staff authorized by the Managing Director – Private Markets may modify or waive terms of investments in the portfolio and generally take any and all other actions that are necessary and reasonable to protect, maintain or enhance the value of SWIB’s position in the investments.

M. Currency Overlay

In order to separate the management of currency risk from the risk of asset allocation and security selection, a currency overlay may be established at the fund level for the Core Fund and/or the Variable Fund. The Chief Investment Officer, the Managing Director Analytics and

Fund Management and the internal Global Bond Portfolio Manager shall set the currency overlay strategy.

1. The amount of the overlay will be expressed in relation to the size of the aggregate non-U.S. market value of the internally managed Global Large Cap Equities Portfolio and the internally managed MSCI World ex US Index Portfolio. This amount is referred to as the “portfolio reference value.” For example, if the Global Large Cap Equities Portfolio has a non-U.S. market value of \$1 billion and the MSCI World ex US Index Portfolio has a market value of \$1 billion, then the portfolio reference value is \$2 billion.
2. Only the currencies of developed market countries in the MSCI World Index may be used to implement the currency overlay.
3. Currencies may be bought or sold.
4. Use of exchange-traded currency instruments and spot and forward contracts in foreign currencies are permitted in accordance with the General Guidelines above.
5. Positions in any individual non-U.S. currency may be taken equal to +/- 10% of the portfolio reference value for major currencies (Euro, UK Sterling and Japanese Yen) and +/- 5% for all other non-U.S.MSCI World benchmark currencies. For example, if the portfolio reference value is \$2 billion, individual currency positions in major currencies could be taken of +/- \$200 million.
6. Up to 25% of the portfolio reference value may be hedged into U.S. dollars.
7. The risk of the currency overlay strategy in aggregate will be limited to 25% of the active risk objective for the total trust fund, which is set by the board.
8. Limits shall be calculated using the notional value of the currency instruments (*i.e.*, forwards and futures) and the portfolio reference value at the time of purchase.

N. Asset Class Adjustment Portfolios

Portfolios may be established at the asset class level for public equity and public fixed income asset classes to provide for adjustment of the asset class exposure. In determining portfolio investments, exposures held in both internally and externally managed portfolios will be considered. The Chief Investment Officer, the Managing Director Analytics and Fund Management and senior staff from the public equity and public fixed income asset classes shall set the portfolio strategy. Portfolio oversight will be the responsibility of Funds Management. These portfolios may invest in any instrument approved for the relevant asset class portfolios described elsewhere in these guidelines. The portfolios may use derivative instruments to adjust exposures. Portfolios will not have a separate benchmark or risk target, but will be included within the benchmark and risk parameters for the asset class.

1. Public Equity – The portfolio will be used to adjust sector exposures; market capitalization; the allocation among U.S., developed international and emerging market

exposures; the currency exposure of the asset class; or otherwise to adjust asset class exposures to manage tracking error.

2. Public Fixed Income – The portfolio will be used to adjust the duration of fixed income investments; allocation among sub-asset classes (*i.e.*, high yield, global, U.S.); the tilt between government and credit; the currency exposure of the asset class; or otherwise to adjust the asset class exposures to manage tracking error.

O. Multi-Asset Strategies

Investment strategies across a variety of asset classes may be implemented within the following guidelines:

1. The maximum amount to be allocated to Multi-Asset Strategies, expressed as a percentage of the total trust fund, shall be approved by the Board.
2. The maximum active risk objective of an individual multi-asset investment strategy at time of implementation will be targeted at no more than 6% of the active risk objective for the total trust fund, which is set by the board.
3. Each individual multi-asset investment strategy and its investment guidelines shall be approved by the Investment Committee and by the Chief Investment Officer, the Managing Director of Analytics and Fund Management and the Executive Director, and acknowledged by the Director of Enterprise Risk and Compliance and the Chief Financial Officer that they can support the compliance and accounting for the strategy.
4. A report will be provided to the Board on the adoption and the implementation of each multi-asset investment strategy.
5. A multi-asset investment strategy may be managed either by internal investment staff or by an external manager. The SWIB individual(s) proposing a strategy will manage and monitor the strategy and ensure that all reporting requirements are satisfied.
6. Leverage and derivatives may be used to implement individual strategies and to adjust the market exposure of the portfolio, subject to the active risk target limit stated in guideline 2 above.
7. Individual strategy proposals will include some or all of the following as appropriate: Rationale; Objective; Portfolio Process, Structure, and Management; Risk Issues; Benchmark; Exit Strategies; Reporting Requirements; and Guidelines.

STATE INVESTMENT FUND

Description: The State Investment Fund (SIF) is the investment vehicle for cash and short-term investments of various state and local government funds, including that portion of the Core Fund and the Variable Fund.

Investment Objectives: In order of importance:

1. Safety of principal
2. Liquidity
3. Competitive money market returns as defined by a benchmark of 70% 3-month T-Bills/30% One-Month CD yield.

Investment Guidelines (maturity, issuer and credit quality exposure limits are to be applied at the time of purchase):

ASSET ALLOCATION (Percent of Portfolio at Par Value)

Treasuries, Agencies, Repurchase Agreements, and FDIC Insured Bank Deposits	50-100%
Commercial Paper and Corporate Notes	0-30%
Certificates of Deposit/Time Deposits	0-30%
Yankee/Euro Certificates of Deposit/Time Deposits (U.S. Dollars)	0-10%

MATURITY GUIDELINES (Maximum)

The portfolio weighted average maturity will not exceed one year, consistent with portfolio purpose and objectives. Maturity of floating rate securities shall be based on interest rate reset dates except as specified below.

The following maturity limits shall apply to each instrument.

Repurchase Agreement Gov't/Agency Collateral	10 years
Treasuries and Agencies	5 years
Commercial Paper	270 days
Corporate Notes	1 year
Certificates of Deposit/Time Deposits	
Wisconsin Certificate of Deposit Program	3 years
Marketable Certificates of Deposit/Time Deposits	1 year
Yankee/Euro Certificates of Deposit/Time Deposits	1 years
Reverse Repurchase Agreements	1 day

CREDIT QUALITY / ISSUER EXPOSURE
(Maximum Size at Par Value)

The maximum exposure for each issuer/guarantor shall be in the aggregate (unless specified as per issue) as follows.

Repurchase Agreements (Gov't/Agency Collateral)	No limit
U.S. Treasury Bills and U.S. Agency Discount Notes	No limit
U.S. Treasury Notes (per issue)	\$500 million
U.S. Agency Notes (per issue)	\$250 million
A1+, P1 Rated Commercial Paper with Long-Term Rating of AAA by S&P or Aaa by Moody's	\$100 million
A1+, P1 Rated Commercial Paper with Long-Term Rating of AA by S&P or Aa by Moody's	\$75 million
Commercial Paper with at least 2 of the following 3 ratings: A1+ or P1 or F1+	\$ 50 million
Commercial Paper with at least 2 of the following 3 ratings: A1 or P1 or F1	\$ 25 million
AAA Rated Corporate Notes with maturity of 180 days or less	\$100 million
AAA Rated Corporate Notes with maturity of greater than 180 days	\$ 50 million
AA Rated Corporate Notes with maturity of 180 days or less	\$ 50 million
AA Rated Corporate Notes with maturity of greater than 180 days	\$ 25 million
Bank Instruments Rated A by Fitch, AAA by S&P or Aaa by Moody's	\$100 million
Bank Instruments Rated A/B by Fitch, AA by S&P or Aa by Moody's	\$ 50 million
Bank Instruments Rated B by Fitch, A by S&P or A by Moody's	\$ 25 million
Wisconsin Certificate of Deposit Program – individual bank (unless a higher limit from another category applies)	\$ 10 million or 3% of assets, whichever is less
Bank Deposits	Up to the amount guaranteed by the FDIC
Reverse Repurchase Agreements	\$200 million

Make any other legal investment that is specifically approved by the Trustees.

SIF WISCONSIN CERTIFICATE OF DEPOSIT (CD) PROGRAM

Up to \$500 million may be invested in Wisconsin banks subject to the following guidelines:

1. The bank qualifies for FDIC “pass-through” insurance.
2. The total dollar amount invested by SWIB in the CD's of any individual bank shall not exceed the lesser of \$10,000,000 or three (3%) percent of reported assets of the individual bank.
3. The maturity limit for a CD in the program shall be not greater than 3 years.

LOCAL GOVERNMENT PROPERTY INSURANCE FUND
(Wis. Stat. § 604.05)

Description: The Local Government Property Insurance Fund was created by Chapter 605 of the Wisconsin Statutes and is administered by the State Office of the Commissioner of Insurance (OCI). It provides a vehicle through which any local governmental unit in Wisconsin may insure its property against damage or destruction. OCI and its contract administrator regularly monitor fiscal activity in the Fund and are responsible for ensuring that an adequate liquidity reserve is maintained to pay claims. OCI funds targeted for near-term liquidity are invested in the State Investment Fund. The remaining assets are invested in a fixed income portfolio, laddered by maturity.

Investment Objective: OCI is responsible for advising SWIB at least annually of projected cash flow needs of the Fund and the size of the liquidity reserve to be invested through the State Investment Fund. Funds not included in the liquidity reserve are invested by laddering assets into fixed income investments. The investment objective of the Fund is to ensure safety of principal and maximization of return within liquidity needs established by OCI. This is accomplished using a laddered portfolio of fixed income securities.

Investment Guidelines (exposure limits are to be applied at the time of purchase):

1. Quality: Issues rated “A-” or better, using the lower of split ratings.
2. Sector: U.S. Treasury and government agencies (Including TIPS) – no limit.
 U. S. Corporates – no limit.
 AAA rated U.S. Mortgage-backed, asset-backed securities – maximum 3% of the market value of the fund.
3. Issuer: 3% maximum per corporate issuer of the market value of the fund.
4. Maturity limit: 10 years.
5. Make any other legal investment that is specifically approved by the Board.

Benchmarks:

<u>Asset Class</u>	<u>Benchmark</u>
Fixed Income	Duration neutral using Barclays 1-5 Gov’t
Cash	70% T-Bill (three month) / 30% CD (one month)
Fund Benchmark	“Roll-up” of asset class benchmarks using fund’s market values

STATE HISTORICAL SOCIETY TRUST FUND
(Wis. Stat. § 25.17(3)(c))

Description: The State Historical Society Trust Fund supports current and anticipated initiatives and operations of the Society through the generation of current income as well as longer-term capital growth. The Society is responsible for administering the operations of the Fund, and the fund’s securities are maintained by SWIB. The Historical Society policy permits annual expenditures of up to 5% of the market value of the fund (calculated using a three year rolling average) for purposes determined by the Board of the Historical Society.

Investment Objective: To maintain a diversified portfolio of high quality publicly issued equities and fixed income obligations providing long-term growth in capital and income generation.

Investment Guidelines (exposure limits are to be applied at the time of purchase)

1. The bond portfolio shall maintain a minimum quality rating of “A-,” using the lower of split ratings
2. Non-Investment Grade securities shall not exceed 5% of the fund
3. No single issuer shall constitute more than 5% of the fund, with the exception of the US Government and its agencies
4. Equity issues with market capitalization ≤ \$500 million shall not exceed 10% of the market value of the equity portfolio
5. Notwithstanding the above requirements, investments may be made in index funds that are benchmarked against the Russell 3000 Index, the Russell 2000 Index, the Russell 1000 Index, the Barclays Intermediate Government Index, the Barclays Intermediate Credit Index, the Barclays Long Government Index and the Barclays Long Credit Index
6. Make any other legal investment that is specifically approved by the Board.

Asset Allocation, Benchmarks and Rebalancing

The Fund’s target allocation and benchmark shall be:

<u>Target</u>	<u>Range</u>	<u>Asset Class</u>	<u>Benchmark</u>
75%	71.25% to 78.75%	Equities	Russell 3000 Index
23%	20.7% to 25.3%	Fixed Income	Barclays Capital Government/Credit Index
2%		Cash	70% T-Bills (three month)/30% CD (one month)

A cash balance of \$150,000 to \$250,000 shall be maintained and will be replenished when the cash balance falls below \$150,000 as of any calendar month end.

The asset allocation of fund investments shall be reviewed at the end of each quarter. If the allocation by asset class is off by more than + or – 10% for fixed income or + or – 5% for equities, assets will be systematically rebalanced back to the target allocation.

STATE LIFE INSURANCE FUND
(Wis. Stat. § 604.05 and 607)

Description: The State Life Insurance Fund offers low cost life insurance protection to Wisconsin residents in amounts not exceeding \$10,000 per person. The State Office of the Commissioner of Insurance is responsible for administering the operations of the Life Insurance fund. The fund’s securities are maintained by SWIB.

Investment Objective: To maintain a diversified portfolio of high quality publicly issued fixed income obligations that will preserve principal, maximize income while minimizing costs to policyholders, and approximate the expected life of the Fund’s insurance contracts. Surplus income from the Fund is used to minimize the cost of insurance to the Fund’s policyholders.

Investment Guidelines (exposure limits are to be applied at the time of purchase)

1. Portfolio is to be invested in publicly traded U.S. dollar denominated instruments, including government, agency, corporate and Yankee securities. (Private placements purchased prior to January, 2003 may remain in the portfolio.
2. The portfolio shall maintain a minimum quality rating from a national rating agency of “A-,” using the lower of split ratings
3. Portfolio weighted average maturity, including cash, shall be a minimum of 10 years
4. Non-investment grade securities shall not exceed 5% of the fund
5. No single issuer shall constitute more than 5% of the fund, with the exception of the U.S. government and its agencies
6. Notwithstanding the above requirements, investments may be made in index funds that are benchmarked against the Barclays Intermediate Government Index, the Barclays Intermediate Credit Index, the Barclays Long Government Index and the Barclays Long Credit Index
7. Make any other legal investment that is specifically approved by the Board.

Asset Allocation and Benchmarks:

<u>Asset Class</u>	<u>Allocation</u>	<u>Benchmark</u>
Fixed Income	97%	Duration neutral using Barclays Capital Gov't Credit Intermediate and Long Term Index
Cash	3%	70% T-Bill (three month) / 30% CD (one month)

INJURED PATIENTS AND FAMILIES COMPENSATION FUND
(Wis. Stat. § 655.27(4)(e))

STATEMENT OF INVESTMENT POLICY
(Including Objectives, Guidelines and Review Procedures)

INTRODUCTION

The following document represents the investment objectives, policies, guidelines and review procedures for the Injured Patients and Families Compensation Fund.

The Injured Patients and Families Compensation Fund (the “Fund”) was created by Chapter 655 of the Wisconsin statutes to provide excess medical malpractice coverage for Wisconsin health care providers and to compensate injured claimants. This statement was developed recognizing the liability conditions of the Injured Patients and Families Compensation Fund and the importance of the performance of the capital markets providing investment returns to assist in securing the solvency and integrity of the Fund.

This Injured Patients and Families Compensation Fund Statement of Investment Policy serves the following purposes:

1. Provides written documentation of the expectations for the investment program of the Injured Patients and Families Compensation Fund.
2. Establishes objectives and guidelines for the investment of the Injured Patients and Families Compensation Fund assets which are consistent with the Injured Patients and Families Compensation Fund’s stated purpose.
3. Outlines criteria and procedures for the ongoing evaluation of the Injured Patients and Families Compensation Fund investment.
4. Provides a communication vehicle for the investment manager(s).

The descriptions below outline the content of the following five sections.

Section–I - Delegation of Responsibilities - The section will list the primary responsibilities of various parties related to the Fund.

Section –II - Investment Objectives - The Fund expects to receive results from the investment manager(s) that are consistent with the policies included herein. This section outlines the specific objectives established for each asset category and for the total portfolio, including portfolio and fund benchmarks. These objectives will provide a basis for evaluating the effectiveness of the investment program over time.

Section III - Investment Policy -The principal components of policy are asset mix or the percentage of assets invested in various classes of securities and the fund rebalancing policy.

Section IV - Investment Guidelines - These are the specific parameters within which the Fund’s investment manager(s) should operate in executing the investment policy and making specific security selection decisions.

Section-V - Review Procedures - Review procedures generally identify the review process relative to investment policy, investment performance and investment management.

I. DELEGATION OF RESPONSIBILITIES (Injured Patients and Families Compensation Fund)

The Wisconsin State Statutes establish responsibilities for the Board of Governors and for the State of Wisconsin Investment Board (SWIB). The responsibilities of the Board of Governors relate to the management of the Fund liabilities and setting cash flow requirements. SWIB’s responsibility is to manage the Fund’s assets to meet the maturity and liquidity needs established by the Board of Governors.

Responsibilities of the Board of Governors

- Handles overall administrative management of the Fund [s. 655.27 (2)];
- May contract out for services necessary for operation of the Fund, through the Office of the Commissioner of Insurance (OCI) [s. 655.27 (2)];
 - The contractor may hire legal counsel if approved by the Board of Governors;
 - The contractor may subcontract its duties;
- OCI has interpreted the Board of Governors’ contracting authority as limited to claim services [Ins. 17.29, Wis. Admin. Code];
 - The contracted claims servicing agent’s duties include reporting on claims, establishing reserves, subcontracting for annuity payments, investigating claims, negotiating settlements, preparing reports as requested by OCI or the Board of Governors, and making recommendations on filing appeals;
- Recommends health care provider fees to be set by OCI [s. 655.7 (3)];
- Is responsible for overseeing and reporting on Fund accounting [s. 655.27 (4)];
- Must submit a report to SWIB and DOA quarterly that projects cash flow needs of the Fund [s. 655.27 (4) (e)];
- With approval of OCI, may arrange reinsurance or pursue other loss funding management to preserve solvency and integrity of the Fund [s. 655.27 (40) (g)];
- Must approve settlements of claims against the Fund [s. 655.27 (5) (c)];
- Appoints a council to oversee peer reviews on claims paid by the Fund [s. 655.275 (2)].

Responsibilities of the State of Wisconsin Investment Board

- Is required to invest moneys in the Fund [s. 655.27 (4) (e)];
- Has “exclusive control of the investment” of the Fund [s. 25.17 (1) (intro) and (kp)];
- Must determine what investments will meet the needs of the Fund (*i.e.*, establish asset allocation policies), as reported by the Board of Governors, including maturity and liquidity needs [s. 655.27 (4) (e)];

- Must perform its duties in accordance with the prudent expert fiduciary standards [s. 25.15];
- May retain investment counsel or advisers to assist in matters relating to its investment authority for the Fund [s. 25.18 (1) (a)];
- May contract with outside managers for investment of assets in the Fund [s. 25.18 (2) (e)];
- May set standards for and monitor such managers in accordance with its fiduciary duty [s. 25.18 (2) (e)]; and
- Shall comply with the statutory investment authority granted with respect to the Fund [ss. 25.17(2)(a), 25.17(3)].

Responsibilities of the External Investment Manager

SWIB may manage the Fund assets with internal staff or may hire external money managers for certain asset classes. Individual firms with money management responsibility shall:

1. Comply with any applicable legislative or regulatory requirements
2. Manage Injured Patients and Families Compensation Fund assets under their control in accordance with the policy, objectives and guidelines included in this Statement of Investment Policy for the Injured Patients and Families Compensation Fund, and in accordance with their specific agreements with the State of Wisconsin Investment Board.
3. Exercise full investment discretion within the policies and standards included herein as to buy, hold and sell decisions for all assets under management.

Responsibilities of the Finance, Audit and Investment Committee

The Board of Governors has delegated certain oversight responsibility to its Finance, Audit, and Investment Committee.

1. Provide SWIB with maturity and liquidity information on the Fund to assist in the establishment of asset allocation targets.
2. Receive reports from SWIB regarding asset performance and asset class levels.
3. Hire an investment consultant to assist the Committee and Board of Governors as necessary.

II. INVESTMENT OBJECTIVES (Injured Patients and Families Compensation Fund)

The primary objective of the investment managers, with respect to the Injured Patients and Families Compensation Fund assets, is to satisfy its obligations to Injured Patients and Families Compensation Fund participants and claimants as set forth in Chapter 655 Wisconsin Statutes, through prudent investment management.

A secondary objective is to provide a balance between capital appreciation, preservation of capital, and current income. An emphasis is placed on preservation of capital and current income. Risk is viewed principally as the long-term erosion of aggregate capital. To minimize the probability of substantial loss of principal over the investment horizon, an emphasis is placed on minimizing portfolio volatility before seeking substantial capital growth.

Over a complete market cycle (three to eight years), it is the goal of the aggregate Injured Patients and Families Compensation Fund assets to equal or exceed:

1. An absolute rate of return equivalent to the current actuarial requirement.

Benchmarks are established for the Fund as well as asset classes and subclasses. Performance of the Fund, asset class or asset subclass is measured with reference to the benchmark.

Fund

<u>Target Allocation</u>	<u>Asset Class</u>	<u>Index/Benchmark</u>
83%	Fixed Income	Barclays Capital Government/Credit
12.75%	U.S. Equities	Russell 3000
2.25%	International Equities	MSCI World ex US
2%	Cash ¹	70% T-bill (three month)/30% CD (one month)

<u>Portfolios</u>	<u>Index/Benchmark</u>
Fixed Income	Barclays Capital Government/Credit
Large Cap Equity	S&P 500
Mid Cap Equity	S&P 400
Small Cap Equity	Russell 2000
International Equity	MSCI World ex US
Cash	70% T-Bill (three month)/30% CD (one month)

III. INVESTMENT POLICY
(Injured Patients and Families Compensation Fund)

The asset mix that follows is a target mix with a maximum standard for the commitment to each asset category. Maximum and minimum commitments to the various asset classes have been defined to limit the overall risk to the Injured Patients and Families Compensation Fund assets. Equity investments are limited to the level of surplus funds, as determined by the Board of Governors. Should surplus funds change significantly, the equity target will be reset and guidelines amended.

¹ The target allocation for Cash is the greater of 2% or the actual portfolio cash allocation required to meet the actuarially established cash reserve. The additional Cash target allocation beyond 2% is offset by a reduction in the Fixed Income target allocation.

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equities	10%	15%	20%
Fixed Income	75%	83%	90%
Cash	0%	2%	5%

A cash reserve is established by the Fund’s actuary and updated periodically. In addition, amounts equal to unpaid claims that have been authorized but not yet paid shall be held as cash and excluded from performance. Note that Fund performance will be calculated in comparison to the asset class target weighted benchmark with the benchmark cash allocation equal to the greater of 2% or the actual portfolio cash allocation (see footnote 1). The asset mix shown above is for the Injured Patients and Families Compensation Fund as a whole. To the extent multiple managers are used, individual manager targets will be established by agreement with the manager.

Exposure limits and credit quality exposure limits are to be applied at the time of purchase. Unless otherwise indicated, “value” shall mean market value.

The minimum and maximum standards were determined as a result of the desired objectives and risk tolerances of the Fund. Should the percentage investment in any class rise above the stated maximum standards or fall below the stated minimum as of any month end, an automatic rebalancing will be triggered to bring the asset class to the midpoint between the target and the minimum or maximum, whichever has been breached.

Diversification

Fund assets are to be broadly diversified in order to minimize the risk of large losses in individual investments. Diversification is, in part, accomplished through asset allocation and portfolio selection.

IV. INVESTMENT GUIDELINES **(Injured Patients and Families Compensation Fund)**

Investment guidelines are the specific parameters investment managers should follow in executing policies and strategies. All investment managers should comply fully with these guidelines and rules in addition to any other investment management agreement.

Bonds

Guidelines

1. A minimum of 30% of investable assets (excluding the cash reserve and cash held for approved but unpaid benefits) must be invested in U.S. Treasury or Agency securities.
2. Investments must be in the form of marketable debt issues, including Rule 144A with registration rights.

3. At least 80% of the bond portfolio must be rated “A3/A-” or better, using the lower of split rating.
4. Adequate diversification by issuer and sector must be maintained. The securities of any issuer should not exceed 5% of the bond portfolio based on market value at the time of purchase. (Government or government agency securities are excluded from this limitation.)
5. Issues trading under Rule 144A (with registration rights) may not exceed 10% of the portfolio’s market value.
6. Cash equivalents may be held in the bond portfolio at the investment manager's discretion.
7. The average duration of the aggregate bond portfolio shall be less than 10 years. Individual securities may have durations longer or shorter than 10 years, as deemed appropriate by the investment manager(s).

Strategy

Publicly traded fixed income investments, managed by SWIB, will employ an immunization strategy of matching assets to liabilities beyond the projected short-term cash outflows. Return enhancement will also be sought wherever possible.

Equities

Guidelines

1. US Equity Portfolios may invest in publicly traded equity securities, including convertible bonds, preferred stocks, ETF’s, ADR’s initial public offerings and when issued securities.
2. International Equity Portfolios may invest in publicly traded equity securities, including convertible bonds, ADR’s and ETF’s primarily in non-US developed markets.

Strategy

Equity funds will employ an indexing strategy. Outside managers are expected to earn a return consistent with the appropriate market indices.

Asset allocation within the equity asset class has been established into the following sub-asset classes. (Note that the US indices are weighted based upon their market capitalization.):

<u>Sub-Asset Class</u>	<u>Index</u>	<u>Target</u>
Large Cap	S&P 500	70%
Mid Cap	S&P 400	7%
Small Cap	Russell 2000	8%
International-Developed	MSCI World ex US	15%

On a quarterly basis, SWIB will report the actual market value of equity investments by category to the target. Through discussion with the Finance, Audit and Investment Committee, decisions will be made on rebalancing within the sub-asset class.

Cash Equivalents

Guidelines

As a guideline, cash equivalent investments should be of high quality involving minimal risk of principal. A diversified money market fund is appropriate as are U.S. Treasury Bills.

Strategy

Sufficient cash balances, invested in the State Investment Fund, will be maintained to satisfy projected short term cash outflows and unpaid claims that have been authorized for payment.

Prohibited Investments

Fund assets may not be invested in the following instruments or strategies:

1. Short Selling
2. Use of Margin
3. Hedge Funds

Derivative investments are permitted in accordance with State Statutes.

V. REVIEW PROCEDURES (Injured Patients and Families Compensation Fund)

All investment policies, objectives and guidelines will be reviewed periodically by SWIB in collaboration with the Board of Governors, whenever circumstances warrant.

Review of Performance

On a monthly basis, SWIB will review the asset mix as of the end of the month for potential rebalancing. If the rebalancing target is triggered, SWIB will execute the rebalancing in accordance with the guidelines.

On a quarterly basis, SWIB will perform the following:

1. Review the manager's portfolio for compliance with the Injured Patients and Families Compensation Fund's investment guidelines.
2. Compare the manager's investment reports with the custodian's report to identify and resolve any discrepancies.

3. Review the asset valuation basis used by the manager(s) or custodians for all classes of assets, particularly those with limited marketability.
4. Review each portfolio's rate of return.
5. Compare each investment manager's results with appropriate indices or benchmarks.

TUITION TRUST FUND – EDVEST WISCONSIN PROGRAM
(Wis. Stat. § 14.63 (10)(b))

Description: Edvest Wisconsin is a State of Wisconsin prepaid college tuition program. SWIB’s investment responsibility is to maintain sufficient cash balances to meet current liabilities and to horizon match the remaining assets in fixed income instruments to the estimated liabilities.

- Investment Objectives:**
1. Market value of assets is to exceed the present value of the estimated liabilities.
 2. Cash balances and estimated annual income should be sufficient to meet current requirements.

Note: SWIB internal Edvest investment guidelines were superseded by transfer of operational management of the Tuition Trust Fund to Wells Fargo Asset Management. The Wells Fargo Heritage Money Market Fund account was authorized by the Trustees on January 15, 2003.

Investment Guidelines (exposure limits are to be applied at the time of purchase):

1. All issues shall be rated “A-” or better, using the lower of split ratings.
2. Individual corporate bond sector weightings shall not exceed two times the relevant weighting in the Lehman Corporate Bond Index.
3. No issuer shall represent more than 5% of the fund, with the exception of the US Government and its agencies.
4. Any other legal investment that is specifically approved by the Board may be made.

Benchmarks:

<u>Asset Class</u>	<u>Benchmark</u>
Fixed Income	Duration-neutral Barclays Capital Gov't Intermediate and Long Term Index
Cash	70% T-Bill (three month) / 30% CD (one month)
Fund Benchmark	“Roll-up” of asset class benchmarks using fund's market values

Appendix 1:

HISTORICAL STRATEGIC ASSET ALLOCATION TARGETS

HISTORICAL STRATEGIC ASSET ALLOCATION TARGETS CORE TRUST FUND

Beginning Calendar Year	U.S. Equities	International Equities	Fixed Income	TIPS	International Fixed Income	Real Estate	Private Equity/Debt	Multi- Asset	Cash
1982	30%		60%			10%			0%
1983	30%		60%			10%			0%
1984	30%		60%			10%			0%
1985	30%		60%			10%			0%
1986	30%		60%			10%			0%
1987	40%		40%			20%			0%
1988	50%		40%			10%			0%
1989	50%		40%			10%			0%
1990	50%	6%	32%		4%	10%			0%
1991	50%	6%	32%		4%	10%			0%
1992	47%	8%	30%		5%	10%			0%
1993	45%	10%	30%		5%	10%			0%
1994	40%	15%	28%		7%	10%			0%
1995	40%	15%	28%		7%	5%	5%		0%
1996	40%	15%	28%		7%	7%	3%		0%
1997	40%	15%	30%		5%	7%	3%		0%
1998	40%	15%	30%		5%	5%	3%		2%
1999	42%	15%	35%		N/A	5%	3%		0%
2000	39%	18%	34%		N/A	4%	5%		0%
2001	39%	18%	34%		N/A	4%	5%		0%
2002	39%	18%	34%		N/A	4%	5%		0%
2003	40%	19%	31%		N/A	4%	6%		0%
2004	39%	20%	31%		N/A	4%	6%		0%
2005	39%	20%	29%		N/A	5%	5%	2%	0%
2006	36%	22%	30%		N/A	5%	5%	2%	0%
2007	36%	22%	30%		N/A	5%	5%	2%	0%
2008	32%	26%	30%		N/A	6%	6%	2%	0%
2009	29%	26%	29%		N/A	6%	6%	4%	0%
2010	28%	25%	26%	7%	N/A	6%	6%	6%	-4%

Notes:

For calendar 1998, cash was explicitly targeted. For all other calendar years through 2009, cash is targeted at 0%, and beginning with 2010 a negative cash position is targeted to represent the cost of trust fund leverage.

Prior to calendar 1999, domestic and international fixed income were targeted separately. From calendar 1999 through 2009, total fixed income is targeted as a

single asset class. Since 2010, TIPS are targeted separately.

Prior to calendar 2000, private equity was considered part of U.S. equities. Since calendar 2000, private equity is considered part of Alternatives, renamed Private Equity/Debt in 2005.

VARIABLE TRUST FUND

Beginning Calendar Year	U.S. Equities	International Equities	Multi-Asset
2000	75%	25%	
2001	80%	20%	
2002	80%	20%	
2003	80%	20%	
2004	80%	20%	
2005	79%	20%	1%
2006	79%	20%	1%
2007	79%	20%	1%
2008	69%	30%	1%
2009	69%	30%	1%
2010	69%	30%	1%

Notes:

Prior to calendar 2000, the relative domestic/international split from the Core Trust Fund was also adopted for the Variable Trust Fund.

Appendix 2

SPECIFIC INVESTMENT PERFORMANCE OBJECTIVES

(Including Universe Where Available)

The Universe will be established by SWIB's Quantitative Analytics Group with the concurrence of the Benchmark Consultant.

U.S. EQUITY

PORTFOLIO	BENCHMARK	UNIVERSE RANK OBJECTIVE
Total U.S. Equity	Russell 3000	Above Median
Large Cap	Russell 1000	Above Median
Small Cap Diversified	Russell 2000	Above Median
Shareholder Opportunity	Russell 2000	Above Median

INTERNATIONAL EQUITY

PORTFOLIO	BENCHMARK	UNIVERSE RANK OBJECTIVE
Total International Equity	MSCI ACWI ex US	Above Median
Developed Markets Portfolios	MSCI World ex US	Above Median
Developed Small Cap	MSCI World ex US, Small Cap	N/A
Emerging Markets	MSCI Emerging Markets	Above Median

GLOBAL EQUITY

PORTFOLIO	BENCHMARK	UNIVERSE RANK OBJECTIVE
Global Large Cap	MSCI World	Above Median
Sector Portfolios	MSCI World Sector Indices	N/A

PUBLIC FIXED INCOME

PORTFOLIO	BENCHMARK	UNIVERSE RANK OBJECTIVE
Total Public Fixed Income	Composite	Above Median
U.S. Investment Grade FI	Barclays Capital Gov't/Credit	Above Median
Gov't/Credit	Barclays Capital Gov't/Credit	Above Median

PUBLIC FIXED INCOME (Continued)

PORTFOLIO	BENCHMARK	UNIVERSE RANK OBJECTIVE
TIPS	Barclays Capital U.S. TIPS	N/A
Global FI	Citigroup World Gov't Bond	Above Median
High Yield	CSFB Institutional High Yield	Above Median
Emerging Debt	JP Morgan Emerging Markets Global Diversified	Above Median

PRIVATE MARKETS

PORTFOLIO	BENCHMARK	UNIVERSE RANK OBJECTIVE
Real Estate Equity	National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (NPI) / Open-End Diversified Core Equity (ODCE) (40% NPI / 60% ODCE)	N/A
Global REITS	FTSE - European Public Real Estate Association (EPRA) / National Association of Real Estate Investment Trusts (NAREIT) Developed Index	N/A
Total Private Equity	“Roll-up” of the private equity portfolio benchmarks	N/A
Private Equity	Venture Economics Buyouts weighted by vintage year	N/A
Wisconsin Private Equity	Venture Economics Venture Funds weighted by vintage year	N/A
Private Equity Legacy	Venture Economics Funds weighted by vintage year	N/A
Wisconsin Private Debt	Barclays Duration Adjusted BAA Corporate plus 20 bps	N/A
Current Return	Absolute 8.5% net of fees	N/A
Commercial Mortgages	Barclays Duration Adjusted BAA Credit	N/A

MULTI ASSET

PORTFOLIO	BENCHMARK	UNIVERSE RANK OBJECTIVE
Total Multi Asset	Roll Up of the component Benchmarks	N/A
Merger Arbitrage	90 day T Bills plus 3%	N/A
Hedge Funds	Hedge Fund Research Inc.(HFRI) Fund of Funds Composite Index plus 1.65%	N/A
UBS Map Portfolio	Fund Benchmark	N/A
Liquidity Portfolios	Public Equity and Fixed Income Components of the Fund Benchmark	N/A

Appendix 3

SOFT PARAMETERS – ASSET CLASS AND PORTFOLIO

PORTFOLIO ASSET CLASS CHARACTERISTIC	ASSET CLASS	DISCUSSION TRIGGER	
Asset Class Exposure	Core Fund		
	U.S. Equity	Strategic Target +/- 15% of the Strategic Target	
	Int'l Equity	Strategic Target +/- 15% of the Strategic Target	
	Investment Grade	Strategic Target +/- 15% of the Strategic Target	
	High Yield	Strategic Target +/- 100 bps	
	Global	Strategic Target +/- 15% of the Strategic Target	
	EM Debt	Strategic Target +/- 100 bps	
	Variable Fund		
	U.S. Equity	65% to 75%	
	Int'l Equity	25% to 35%	
	Maximum Small Cap Exposure	U.S. Equities	2.75x Benchmark
	Ex Ante Tracking Error	Public Equities	.75% - 2.25%
		Public Fixed	.4% - 1.2%
Core Fund		.6% - 1.8%	
Counterparty Exposure (internal and external separate account portfolios)		WRS (Core and Variable Funds)	5 bp exposure (net of collateral, if any) to a single counterparty
Duration	U.S. Public Fixed	+/- 15% of Benchmark	
	Global Fixed	+/- 15% of Benchmark	
PORTFOLIO CHARACTERISTIC	PORTFOLIO	DISCUSSION TRIGGER	
ACTIVE/INDEXED EQUITIES			
Minimum Number of Holdings	Global	100	
	Small Cap Diversified	100	
	Shareholder Opportunity	10	
	Global Sector Portfolios	Lesser of 25 names or 25% of sector index names	
	Merger Arb	10	
PORTFOLIO CHARACTERISTIC	PORTFOLIO	DISCUSSION TRIGGER	

Ex Ante Tracking Error	Global	2% - 6%
	Passives:	
	R1000 Index	6 bp annualized
	MSCI ex US	20 bp annualized
	Small Cap Diversified	3% - 9%
	Shareholder Opportunity	3% - 9%
	Active Global Sectors:	
	Utilities	1.8% - 5.4%
	Consumer Staples, Telecom	2.2% - 6.5%
	Energy, Financials, Materials, Healthcare	2.4% - 7.2%
	Technology	3% - 9%
Consumer Discretionary, Industrials	2.6% - 7.9%	
Maximum Position Size	Global	Benchmark weight \pm 2.5%
	Passives	5% of portfolio in ETFs/notional value of futures
	Small Cap Diversified	5%
	Shareholder Opportunity	15%
	Global Sector Portfolios	Benchmark weight \pm 5%
	Merger Arb	15%
Maximum Company Ownership	Global	10% of outstanding
	Passives	10% of outstanding
	Small Cap Diversified	10% of outstanding
	Shareholder Opportunity	19% of outstanding
	Global Sector Portfolios	10% of outstanding
	Merger Arb	10% of outstanding
Top Ten Holdings	Small Cap Diversified	25% of portfolio
Minimum Number of Countries	Global	10
P/E Ratio	Global	50%-150% of Benchmark
	Small Cap Diversified	50%-150% of Benchmark
	Global Sector Portfolios	50%-150% of Benchmark

PORTFOLIO CHARACTERISTIC	PORTFOLIO	DISCUSSION TRIGGER
Maximum Sector Exposure	Global	Benchmark weight $\pm 5\%$
	Small Cap Diversified	Benchmark weight $\pm 10\%$
	Shareholder Opportunity	Benchmark weight $\pm 20\%$
	Merger Arb	25% of portfolio value
Maximum Notional Uncovered Sold Calls	Global	5% of portfolio value
	Passives	5% of portfolio value
	Small Cap Diversified	5% of portfolio value
	Shareholder Opportunity	5% of portfolio value
	Global Sector Portfolios	5% of portfolio value
	Merger Arb	5% of portfolio value
Maximum Notional Uncovered Sold Puts	Global	5% of portfolio value
	Passives	5% of portfolio value
	Small Cap Diversified	5% of portfolio value
	Shareholder Opportunity	5% of portfolio value
	Global Sector Portfolios	5% of portfolio value
	Merger Arb	5% of portfolio value
Maximum Cash	Global	5%
	Passives	1% in unequitized cash
	Small Cap Diversified	5%
	Shareholder Opportunity	10%
	Global Sector Portfolios	5%

PORTFOLIO CHARACTERISTIC	PORTFOLIO	DISCUSSION TRIGGER
GOVERNMENT/CREDIT		
Number of Issuers	Gov't/Credit	20-200
Interest Rate Futures/Interest Rate Swaps Absolute Duration Contribution	Gov't/Credit	25% of Benchmark
Maximum Industry Sector Exposure	Gov't/Credit	Greater of 10% or 3 x Benchmark
Ex Ante Tracking Error	Gov't/Credit	.34% - 1.01%
Maximum Cash	Gov't/Credit	20%
GLOBAL FIXED INCOME		
Interest Rate Futures/Interest Rate Swaps Absolute Duration Contribution	Global Fixed	25% of Benchmark
Minimum Number of Countries	Global Fixed	5
Maximum Exposure to Individual Sovereign Issuer	Global Fixed	40%
Ex Ante Tracking Error	Global Fixed	.5% - 1.5%
Maximum Cash	Global Fixed	20%
PRIVATE MARKETS		
Maximum Outside Developed Markets	Private Equity	15% of Buyouts (Current and Legacy Portfolios) 15% of Current Return Portfolio
Maximum Venture Capital	Private Equity	15%
Minimum Buyouts (corporate finance, special situation, mezzanine)	Private Equity	85%
Maximum Direct Investments (including co-investments)	Private Equity	20% of Buyouts
Minimum Funds	Private Equity	80%
Maximum Development Risk (Direct Holdings Only)	Real Estate	10%
Maximum Single Property Type Exposure - Quarterly	Real Estate	50%

PORTFOLIO CHARACTERISTIC	PORTFOLIO	DISCUSSION TRIGGER
Minimum Core Holdings (Including REIT portfolios)	Real Estate	50%
Maximum Value Holdings	Real Estate	30%
Maximum Opportunistic Holdings	Real Estate	30%
Maximum Core Portfolio Leverage	Real Estate	50%
Maximum Core Fund/Deal Leverage (Must be non-recourse to SWIB)	Real Estate	65%
Maximum Real Estate Equity Portfolio Leverage	Real Estate	60%

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