



STATE OF WISCONSIN
INVESTMENT BOARD

November 22, 2022

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

Dear Senator Cowles,

As recommended by the Legislative Audit Bureau (LAB) in its evaluation (report 22-8) of the State of Wisconsin Investment Board (SWIB) and its audit (report 22-12) of the Wisconsin Retirement System annual audited financial statements, we have prepared this report for the Committee's review. As detailed below, SWIB has already addressed several of LAB's recommendations and others are in progress.

Recommendations from Report 22-8:

Recommendation: *Modify its policies for awarding signing bonuses and retention bonuses by establishing more-precise criteria for determining the amounts to award.*

This recommendation was addressed by policy modifications approved by SWIB's Board of Trustees in September 2022.

Recommendation: *Modify its policies by indicating the circumstances when repayment of a signing bonus may be waived.*

This recommendation was addressed by policy modifications approved by SWIB's Board of Trustees in September 2022.

Recommendation: *Work with the Board of Trustees to modify policies to require it to report the total amount of external management fees paid each calendar year and comply with the modified policies by providing the Board of Trustees in the final quarterly update for a given calendar year all available information about the total amount of external management fees paid during that calendar year.*

This recommendation was addressed by policy modifications approved by SWIB's Board of Trustees in September 2022. The total amount of external manager fees for 2021 have already been reported, and the fees for 2022 will be reported in 2023.

Recommendation: *Continue to assess and report to the Board of Trustees at least annually on its progress in improving its data management.*

This recommendation was addressed through a presentation to SWIB's Board of Trustees in September 2022 on data management.

Recommendation: *Continue to assess its need for contract staff and convert the positions filled by contract staff who perform typical operational tasks into full-time equivalent positions.*

This recommendation has been addressed. SWIB has been focused on reducing contracted positions since 2018 and has been reporting data on contracted positions to the Board of Trustees since December of that year. From 2018 through September 2022, SWIB has reduced contracted positions from 33.9 to 19.4 and will continue to assess opportunities to convert contracted positions to FTEs on an ongoing basis. That being said, SWIB will likely always have some level of contracted positions, which will fluctuate up and down over time to address specific projects or short-term staffing gaps. Each contracted position is generally reviewed every three to six months for the continued necessity of the role. In addition, SWIB's Internal Audit team conducted an audit of this area in 2018.

Recommendation: *Document more-precise reasons for awarding salary increases.*

SWIB's annual salary review process is completed in the first quarter of each year. SWIB's Human Resources team is prepared to implement this recommendation in Q1 2023.

Recommendation: *Assess in writing the planning and vendor evaluation processes it used for Project Centum and identify improvements that could help avoid delays and unexpected expenditures on future information technology projects.*

SWIB's Internal Audit team conducted an audit of the pre-implementation phase of Project Centum and presented the audit to SWIB's Board of Trustees in June 2022. SWIB project management staff have also undertaken an internal review of the planning and vendor evaluation process, which is ongoing.

Recommendation: *Allow members of the public to provide brief comments at Board of Trustees meetings.*

SWIB staff have been working on a template for members of the public to provide comments to SWIB's Board of Trustees either electronically or in hard copy. This template is expected to be available on SWIB's website and at Board of Trustees meetings before the end of the year.

Recommendation: *Allow members of the public to watch Board of Trustees meetings online.*

SWIB's current building does not have the technology to support online viewing of in person Board of Trustees meetings. SWIB will be moving to its new facility at Madison Yards in 2023, which will have improved technology capabilities. Staff will evaluate its ability to address this recommendation at that time.

Recommendation: *Develop a multi-year strategic plan that includes goals for the proportion of assets managed internally, and report to the Board of Trustees at least annually on its progress toward implementing its strategic plan and any changes it has made to the strategic plan.*

SWIB has convened a cross-functional team to address this recommendation. A strategic plan of this nature will involve a significant outlay of time and resources across the agency. We anticipate presenting a draft of the plan to SWIB's Board of Trustees in Q4 of 2023.

Recommendation from Report 22-12:

Recommendation: *Provide specific information on external investment management fees in its financial report and to the Department of Employee Trust Funds to assist it in transparently reporting external investment management fees in its financial reporting.*

SWIB will next prepare the WRS audited financial statements in 2023. In addition to its current practices of reporting these fees quarterly to the Board of Trustees and the Legislature and annually to the Department of Employee Trust Funds, SWIB's Finance team is prepared to include specific external investment management fee information in the 2023 WRS audited financials.

I hope this information has been helpful. We appreciate the work of the LAB audit team in covering so many important topics in these reports. Thank you for your time and the opportunity to provide you with further information about SWIB.

Sincerely,

A handwritten signature in black ink that reads "Edwin Denson". The signature is written in a cursive, slightly slanted style.

Edwin Denson
Executive Director/Chief Investment Officer

Cc: Joe Chrisman, State Auditor
Barbara Nick, Chair, SWIB Board of Trustees