Board of Trustees

STATE INVESTMENT FUND & SEPARATELY MANAGED FUNDS

INVESTMENT POLICY AND GUIDELINES

Updated September 11, 2019
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I. INTRODUCTION

The State of Wisconsin Investment Board (“SWIB”) 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 (“SIF”), and the assets of additional state agencies and programs (“Separately Managed Funds”). In its role as investment manager for these funds, SWIB is held to a high standard of fiduciary duty by the Wisconsin Statutes.

SWIB was created by the Wisconsin Legislature for the sole purpose of providing professional investment management of trusts and public funds under its control pursuant to the prudent expert standard of fiduciary duty found in Section 25.15(2) of the Wisconsin Statutes. The Board of Trustees (the “Board” or “Trustees”) has adopted this Investment Policy and Investment Guidelines for the State Investment Fund and Separately Managed Funds (“SIF & SMF Investment Policy”).

This SIF & SMF Investment Policy represents a delegation of standing authority to SWIB investment staff to promote efficient and cost effective operations of the SIF and Separately Managed Funds. In addition to this delegated authority to SWIB staff, external managers may also be used for certain active and passive investment strategies for the SIF or Separately Managed Funds.

Accordingly, the Trustees hereby delegate to the Executive Director/Chief Investment Officer (“ED/CIO”) and the investment staff of SWIB standing authority to make prudent investments pursuant to this SIF & SMF Investment Policy and to sections 15.02(4) and 25.15(2) of the Wisconsin Statutes and section IB 2.02 of the Wisconsin Administrative Code. The ED/CIO shall identify and delegate in writing the SWIB staff members who have authority to manage the SIF and Separately Managed Funds and who have authority to direct, hire, and terminate external managers.

SWIB investment staff assigned to the Separately Managed Funds also have the authority to set investment guidelines for external managers of Separately Managed Funds assets.

II. FUNDS UNDER MANAGEMENT

The State Investment Fund

The SIF is a short-term investment pool of the cash balances of various state agencies and trusts, certain WRS fund cash balances, and numerous local governmental bodies that 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))
Separately Managed Funds
SWIB also manages Separately Managed Funds as authorized by statute: the Injured Patients and Families Compensation Fund, the UW System Trust Funds, the State Life Insurance Fund, the State Historical Society Trust Fund, the Tuition Trust Fund, and the Local Government Property Insurance 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. §§ 24.61(2)(c), 25.15(1), and 25.17)

III. STATEMENT OF PURPOSE AND INVESTMENT PHILOSOPHY
This SIF & SMF Investment Policy is intended to summarize the fundamental investment objectives, philosophies, and directives relative to the investment and oversight of the assets managed by SWIB on behalf of the SIF and Separately Managed Funds.

A. Broad Investment Objectives
   1. SWIB’s overall objective in managing the SIF and Separately Managed Funds is to achieve investment returns that meet or exceed each fund’s respective benchmark over all cumulative time periods constructed with a prudent level of risk; and
   2. To comply with all applicable fiduciary and legal standards.

B. Key Investment Philosophies
   1. Investment returns are a function of risk; thus, losses are inevitable.
   2. Asset classes are broadly defined to gain exposure to the entire investable opportunity set and capture the greatest depth of available investment opportunities to the extent they offer a risk-return trade-off commensurate with the respective fund’s return objectives and risk tolerance.
   3. Including an allocation to passive investments can provide an efficient way to provide benchmark returns, adjust risk within the overall fund, provide a liquid and low cost pool of assets, and facilitate timely fund rebalancing.
   4. Risk management and performance benchmarking are integral to the entire investment process. SWIB manages and monitors risk at multiple levels. Performance benchmarking compares actual investment results to expected results.
   5. Cost optimization is a component of investment results, and costs are contained through lower-cost internal management, external fee negotiations, and a focus on net performance.
IV. RESPONSIBILITIES

SWIB's investment responsibilities for the SIF and Separately Managed Funds break down into these primary areas:

A. Setting the Asset Allocation and Investment Strategy
B. Risk Monitoring and Compliance; Waivers
C. Investment Performance Monitoring and Benchmarking
D. Cost Optimization

The roles for each of SWIB fiduciaries with respect to these responsibilities specific to the SIF and the Separately Managed Funds are outlined in Section V.

A. Setting the Asset Allocation

The SWIB Trustees approve the Separately Managed Funds asset allocation based on the specific statutes that govern the investments in the SIF and Separately Managed Funds, based on the investment objectives for each respective fund, and information provided to SWIB by the SIF and Separately Managed Funds regarding each fund’s liabilities. The respective asset allocation for each fund is set forth in the investment guidelines for the SIF and Separately Managed Funds contained herein. Unless the guidelines contained herein for the SIF or the Separately Managed Funds indicate otherwise, if a major public asset class exceeds its target allocation by more than 4%, a rebalancing will be initiated. Discretionary rebalancing may also occur from time to time as determined by the investment staff assigned to the Separately Managed Funds. In a rebalancing, an asset class that exceeds its target will be returned to its target allocation range.

B. Risk Monitoring and Compliance; Waivers

Risk is a consideration and factor in the management of the SIF and Separately Managed Funds assets, and risk is considered throughout the investment process. Portfolio managers assigned to the SIF and Separately Managed Funds are responsible for the compliance of their portfolios with this SIF & SMF Investment Policy as well as the Wisconsin Statutes and Wisconsin Administrative Code. Portfolios out of compliance with guidelines will be brought into compliance immediately, or a plan for doing so or waiver will be discussed and approved by the ED/CIO. Violations and the status of any remediation plans or waivers will be discussed at the next scheduled Enterprise Risk and Compliance Committee meeting and reported in the meeting’s minutes.

C. Investment Performance Monitoring and Benchmarking

The Trustees will review the SIF and Separately Managed Funds’ investment performance quarterly compared to the benchmarks approved by the Trustees.
D. Cost Management

Costs reduce investment returns. SWIB is committed to managing the SIF and Separately Managed Funds in a prudent and cost-efficient manner. Any applicable external management fees are negotiated to ensure that manager interests are aligned with the SIF and Separately Managed Funds and that the SIF and Separately Managed Funds net performance is optimized. Passive index management is employed where feasible to also contain costs.

V. ROLES AND RESPONSIBILITIES OF SWIB FIDUCIARIES

The following section provides the delineation of roles and responsibilities among SWIB’s fiduciaries. Below, the primary investment management responsibilities for each group as they relate specifically to the SIF and Separately Managed Funds are highlighted1:

Trustees

SWIB Trustees are fiduciaries of the SIF and Separately Managed Funds. Trustees are responsible for the overall professional investment management of the assets entrusted to them under Wisconsin state law. Trustees must manage the investment of the SIF and Separately Managed Funds’ assets pursuant to the prudent expert standard as set forth in Section 25.15(2) of the Wisconsin Statutes. The Trustees have the following investment responsibilities specific to the SIF and Separately Managed Funds:

- Establish and approve this SIF & SMF Investment Policy
- Review and approve:
  - the investment guidelines for the SIF and the Separately Managed Funds, which includes the asset allocation for each respective fund.
  - the benchmarks for the SIF and Separately Managed Funds, as recommended by the Board’s Benchmark Committee and Benchmark Consultant
- Through updates and reports provided at board meetings, monitor and be informed of:
  - investment performance and risk metrics of the SIF and Separately Managed Funds
  - spending on investment activities

Executive Director/Chief Investment Officer

The ED/CIO assists the Trustees in meeting their fiduciary and statutory duties by monitoring issues and trends and making recommendations to the Trustees. The ED/CIO is also responsible for establishing investment strategy, investment priorities, achieving investment performance targets and managing the associated investment risks. In addition

1 General investment responsibilities are also contained in the SWIB Board of Trustees WRS Investment Policy.
to the overall management of the agency and duties prescribed by statute, the ED/CIO has the following responsibilities specific to the SIF and Separately Managed Funds:

- Implements the SIF & SMF Investment Policy approved by the Board
- Sets overall investment direction, strategies and priorities for the SIF and Separately Managed Funds
- Determines implementation of the respective funds’ investment policies set by the Board by approving the allocation between:
  - active versus passive management, and
  - internal versus external management
- Identifies for the Board issues or risks related to the SIF and Separately Managed Funds
- Ensures that prudent investment processes are implemented and works with the Section 25.167 CIO to monitor investment staff compliance with investment policies and guidelines
- Ensures, with the Section 25.167 CIO, that operating procedures have been developed and implemented that are intended to ensure that investment policies and guidelines are followed
- Ensures, with the Section 25.167 CIO, that investments are completely and accurately reported on all management and financial reports and that any information requested by the Board is provided on a timely basis

Section 25.167 CIO
The Section 25.167 CIO is an investment management staff member designated by the ED/CIO to assist with the fulfillment of certain statutory duties. The ED/CIO retains oversight of those responsibilities delegated to the Section 25.167 CIO, which include the following:

- Monitors activities of the investment staff for compliance with investment policies and guidelines
- Develops and implements operating procedures that are intended to ensure that investment policies and guidelines are followed
- Ensures that investments are completely and accurately reported on all management and financial reports and that any information requested by the Board is provided on a timely basis

Investment Committee
The Investment Committee provides oversight of SWIB’s investments within the parameters established by the Board. The Investment Committee has the following investment responsibilities specific to the SIF and Separately Managed Funds:

- Reviews performance and investment objectives:
quarterly, for the SIF

- annually, for the Separately Managed Funds

- Reviews and recommends to the Trustees

  o any proposed changes to this SIF & SMF Investment Policy

  o any proposed changes to the SIF’s or Separately Managed Funds’ guidelines

  o any annual benchmark recommendations for the SIF and Separately Managed Funds from the Board’s benchmark consultant

Investment Portfolio Managers and Managing Analysts

- Manage the portfolios in accordance with the guidelines and objectives contained within this SIF & SMF Investment Policy and assure compliance with the same

- Report the Separately Managed Funds’ performance to the Investment Committee and applicable state agencies that are the beneficiaries or administers the respective fund

- Exercise full investment discretion with respect to the purchase, sale and ongoing management of assets within their respective guidelines to achieve established investment objectives

- Manage and monitor investment risks, drawdown levels and implement risk drawdown controls

VI. GENERAL INVESTMENT GUIDELINES

The following guidelines are applicable to SIF and Separately Managed Funds’ portfolios managed internally by SWIB in addition to the other guidelines contained in this SIF & SMF Investment Policy for each respective portfolio. For portfolios or assets that are externally managed the guidelines set for that external manager shall apply and control, except that #1 below shall also be applicable to all external managers.

1. All investment decisions and investment instruments are subject to applicable federal and state statutes and administrative rules for the SIF and Separately Managed Funds and to the prudent expert fiduciary standard as set forth in Wis. Stat. § 25.15(2), unless otherwise provided for by statute.

2. 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.

3. 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).
4. 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.

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. Public 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 Citigroup World Government Bond Index or the JP Morgan Emerging Markets Diversified Index, respectively.

7. The SIF and Separately Managed Funds are measured against benchmarks approved by the Board. Current benchmarks are listed in the portfolio guidelines contained within. When new benchmarks are approved by the Board or modified by the Board, these benchmarks will be updated without amendment to this SIF & SMF Investment Policy.

8. 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.

9. Public 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 Citigroup World Government Bond Index or the JP Morgan Emerging Markets Diversified Index, respectively.

10. Portfolios may utilize cash instruments or derivatives in their investment strategy. All investments used will be subjected to the risk analysis and monitoring processes.

11. 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)).
STATE INVESTMENT FUND  
(Wis. Stat. § 25.14)

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 80% 2-month T-Bills/20% 1-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)

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasuries, Agencies, Repurchase Agreements (Gov’t/Agency Collateral), and FDIC Insured Bank Deposits</td>
<td>50-100%</td>
</tr>
<tr>
<td>Commercial Paper and Corporate Notes</td>
<td>0-30%</td>
</tr>
<tr>
<td>Certificates of Deposit/Time Deposits</td>
<td>0-30%</td>
</tr>
<tr>
<td>Yankee/Euro Certificates of Deposit/Time Deposits (U.S. Dollars)</td>
<td>0-10%</td>
</tr>
</tbody>
</table>

Benchmark: 80% T-Bill (60-day) + 20% CD (30-day)
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 year
  - 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 and the minimum credit ratings for each issuer/guarantor/counterparty are as specified. The minimum rating shall be the lowest in the event of a split rating.

Repurchase Agreements (Gov’t/Agency Collateral):

<table>
<thead>
<tr>
<th>Counterparty Description</th>
<th>Each Counterparty Up To:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counterparty is the Core Trust Fund</td>
<td>$3 billion</td>
</tr>
<tr>
<td>Counterparty has at least A rating</td>
<td>$1 billion</td>
</tr>
<tr>
<td>Counterparty has at least BBB rating</td>
<td>$600 million</td>
</tr>
<tr>
<td>Counterparty is unrated but has parent with at least BBB rating</td>
<td>$500 million</td>
</tr>
<tr>
<td>Counterparty is unrated or below investment grade</td>
<td>$0</td>
</tr>
</tbody>
</table>

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+, P1 or F1+ $50 million
Commercial Paper with at least 2 of the following 3 ratings: A1, 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 aaa by Fitch, AAA by S&P or Aaa by Moody’s $100 million
Bank Instruments Rated aa by Fitch, AA by S&P or Aa by Moody’s $50 million
Bank Instruments Rated a 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.
**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 invested 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 Historical Society Board of Curators.

**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 Bloomberg Barclays Intermediate Government Index, the Barclays Intermediate Credit Index, the Bloomberg Barclays Long Government Index and the Bloomberg 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:

<table>
<thead>
<tr>
<th>Target</th>
<th>Range</th>
<th>Asset Class</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>75%</td>
<td>71.25% to 78.75%</td>
<td>Equities</td>
<td>Russell 3000 Index</td>
</tr>
<tr>
<td>23%</td>
<td>20.7% to 25.3%</td>
<td>Fixed Income</td>
<td>Bloomberg Barclays Capital Government/Credit Index</td>
</tr>
<tr>
<td>2%</td>
<td>0% to 2%</td>
<td>Cash</td>
<td>80% T-Bills (60-Day)/20% CD (30 Day)</td>
</tr>
</tbody>
</table>

Upon request by the State Historical Society, a cash balance of approximately $150,000 to $250,000 shall be maintained and will be replenished if requested by the State Historical Society when the cash balance falls below $150,000 as of any calendar quarter end.

The asset allocation of fund investments shall be reviewed at the end of each quarter. If the allocation by asset class is off of the above targets 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, 607 and 620)

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 State Life Insurance Fund (the “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 impacts of realized gains on the Fund, 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. Further, to take advantage of below-market costs and economies of scale by relying on SWIB’s existing research and credit coverage in its Government/Credit portfolio when making direct investments.

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

1. Portfolio is to be invested in U.S. dollar-denominated fixed income instruments, including government, agency, corporate and Yankee securities, that are either publicly-traded or issued under Rule 144A with registration rights
2. Non-investment grade securities shall not exceed 5% of the portfolio
3. No single issuer shall constitute more than 10% of the portfolio, with the exception of the U.S. government and its agencies
4. May invest up to 15% of the fund in securities not otherwise permitted by these guidelines and not specifically prohibited by statute, including, without limitation:
   a. investments in fixed income commingled funds, separately managed accounts or similar vehicles managed by a third party investment manager
   b. investments in issuers outside of the United States and Canada in excess of 2% of the portfolio
   c. direct obligations of foreign governments in excess of 1% of the portfolio
5. Make any other legal investment that is specifically approved by the Board

Direct investments will generally be held until maturity, unless (a) credit concerns are identified by SWIB staff, (b) an issuer on SWIB’s fixed income research list falls below a rating of BBB- from S&P, or (c) an issuer not on SWIB’s fixed income research list falls below a rating of BBB+ from S&P.

New direct investment purchases will generally be selected from investment grade issuers currently held in SWIB’s Government/Credit portfolio or otherwise included on SWIB’s fixed income research list. SWIB will generally purchase 30-year bonds if available, but may purchase shorter maturity bonds in the discretion of the portfolio manager. SWIB
acknowledges that the Fund wishes to maintain a portfolio with a minimum quality rating from a national rating agency of “A-,” and a laddered portfolio structure.

As a result of the Fund’s Investment Guidelines, it may have a more concentrated portfolio than SWIB’s Government/Credit portfolio.

**Asset Allocation:**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target</th>
<th>Expected Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>100%</td>
<td>100%-98%</td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
<td>0%-2%</td>
</tr>
</tbody>
</table>
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 SIF & SMF Investment Policy serves the following purposes:

1. Provides written documentation of the expectations for the investment program of the Fund.
2. Establishes objectives and guidelines for the investment of the Fund assets which are consistent with the Fund’s stated purpose.
3. Outlines criteria and procedures for the ongoing evaluation of the 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 SIF & SMF Investment Policy and making specific security selection decisions.

Section V - Review Procedures - Review procedures generally identify the review process relative to SIF & SMF 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 (4) (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)]:

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• 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(2)];
• 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 and pursuant to Section 25.17(3) may invest in any loans, securities, and any investments authorized by Section 620.22 and all investments permitted by Section 25.17(4) [ss. 25.17(2)(a), 25.17(3), 25.17(4)].

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 Fund assets under their control in accordance with the policy, objectives and guidelines included in this Statement of SIF & SMF Investment Policy for the Fund, and in accordance with their specific agreements with SWIB.
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 Fund assets, is to manage the assets of the Fund for the benefit of the Fund participants and claimants as set forth in Section 655.27(1) and Section 655.27(6) of the 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.

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 applicable benchmark.

Fund

<table>
<thead>
<tr>
<th>Target Allocation</th>
<th>Asset Class</th>
<th>Index/Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>83%</td>
<td>Fixed Income</td>
<td>Bloomberg Barclays Capital Government/Credit</td>
</tr>
<tr>
<td>12.75%</td>
<td>U.S. Equities</td>
<td>Russell 3000</td>
</tr>
<tr>
<td>2.25%</td>
<td>International Equities</td>
<td>MSCI World ex-U.S.</td>
</tr>
<tr>
<td>2%</td>
<td>Cash¹</td>
<td>80% T-Bills (60-Day)/20% CD (30 Day)</td>
</tr>
</tbody>
</table>

Portfolios

<table>
<thead>
<tr>
<th>Index/Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
</tr>
<tr>
<td>U.S. Equities</td>
</tr>
<tr>
<td>International Equity</td>
</tr>
<tr>
<td>Cash</td>
</tr>
</tbody>
</table>

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

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.
been defined to limit the overall risk to the 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.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>75%</td>
<td>83%</td>
<td>90%</td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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 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. SWIB’s investment managers shall ensure that Fund’s assets in the aggregate are invested to comply fully with these guidelines and rules in addition to any other investment management agreement.

**Bonds Portfolio Guidelines**

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

3. Non-Investment Grade securities shall not exceed 15% of the aggregate 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 bond portfolio.

5. Securities sold to SWIB under Rule 144A under the Securities Act of 1933 may not exceed 20% of the bond portfolio’s market value.

6. Investments authorized under Section 620.22 of the Wisconsin Statutes shall be to the limits set forth thereby, including without limitation all derivatives permitted thereunder.

7. May invest up to 15% of the Fund in securities and investments not otherwise permitted by these guidelines and not specifically prohibited by statute, including without limitation derivatives.

**Equities Portfolio Guidelines**

1. U.S. Equity Portfolios may invest in publicly traded equity securities, including convertible bonds, preferred stocks, Exchange Traded Funds (ETFs), American Depositary Receipts (ADRs) initial public offerings and when issued securities.

2. International Equity Portfolios may invest in publicly traded equity securities, including convertible bonds, ADRs and ETFs primarily in non-U.S. developed markets.

3. Equity funds will employ an indexing strategy.

4. Any other equity securities permitted by statute.

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

<table>
<thead>
<tr>
<th>Sub-Asset Class</th>
<th>Index</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equities</td>
<td>Russell 3000</td>
<td>85%</td>
</tr>
<tr>
<td>International-Developed</td>
<td>MSCI World ex U.S.</td>
<td>15%</td>
</tr>
</tbody>
</table>

2 For purposes of Section INS 6.20(8)(o)(5) of the Wisconsin Administrative Code, these Investment Guidelines shall satisfy the requirement for a plan thereunder; and, when these Investment Guidelines are publicly available the requirement under Section INS 6.20(8)(o)(6) of the Wisconsin Administrative Code shall be deemed to be satisfied.
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 Portfolio 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.

**Prohibited Investments**

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

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

**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 Fund 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 Fund’s rate of return.
5. Compare each investment manager’s results with appropriate indices or benchmarks.
Description: This 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: This is the legacy program under the Wisconsin statutes. Only a few bonds remain, and all are maturing by 2019 to match liabilities of the program as identified by the Department of Administration. There is no current investment activity by SWIB.

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 U.S. Government and its agencies.

4. Any other legal investment that is specifically approved by the Board may be made.

Benchmarks:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>Duration-neutral Bloomberg Barclays Capital Intermediate Government Credit Index and the State Investment Fund Benchmark</td>
</tr>
</tbody>
</table>
LOCAL GOVERNMENT PROPERTY INSURANCE FUND***
(Wis. Stat. § 604.05 and 605 et. seq.)

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 (SIF). 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 SIF. 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.

***Note: Due to the high liquidity needs expressed by the OCI, the Fund consists exclusively of the liquidity reserve described above, which is invested in the SIF. These guidelines for fixed income investments (separate from the liquidity reserve) are currently inactive until the Fund’s balance is in excess of the liquidity reserve identified by the OCI.

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

Quality: Issues rated “A-” or better, using the lower of split ratings

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

Issuer: 3% maximum per corporate issuer of the market value of the fund

Maturity limit: 10 years

Make any other legal investment that is specifically approved by the Board

Benchmarks:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>Duration neutral using Bloomberg Barclays 1-5 Gov’t</td>
</tr>
<tr>
<td>Cash</td>
<td>80% T-Bill (two month) / 20% CD (one month)</td>
</tr>
<tr>
<td>Fund Benchmark</td>
<td>“Roll-up” of asset class benchmarks using fund’s market values</td>
</tr>
</tbody>
</table>
UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
(Wis. Stat. § 25.17(9)(m))

Description: The University of Wisconsin System (System) trust funds consist primarily of monies that have been gifted directly to a UW institution, rather than to one of the separate, supporting foundations. The Trust Funds Office works externally with donors and other related parties, and internally with the benefiting campuses and colleges, to facilitate the receipt and proper use (compliant with donor terms and conditions) of all gifts and bequests. The majority of the trust funds are invested by SWIB. The System’s spending policy targets annual expenditures of 4% of the market value of the assets (calculated using a three-year rolling average) for payment to beneficiaries.

Investment Objective: To achieve, net of administrative and investment expenses, reasonable, attainable and sustainable returns over and above the rate of inflation. SWIB seeks to achieve this objective through the use of passive, externally-managed, public markets funds.

Investment Guidelines:

1. See VI. General Investment Guidelines above
2. Make any other legal investment that is specifically approved by the Board

Asset Allocation, Benchmarks and Rebalancing:

The target allocation and benchmarks for the liquid portion of the portfolio shall be:

<table>
<thead>
<tr>
<th>Target</th>
<th>Rebalance Range</th>
<th>Asset Class</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>48%</td>
<td>44-52%</td>
<td>Global Equities</td>
<td>MSCI ACWI IMI Index, Net</td>
</tr>
<tr>
<td>20%</td>
<td>18-22%</td>
<td>US Government / Credit Fixed Income</td>
<td>BBG/Barclays US Government/Credit Index</td>
</tr>
<tr>
<td>20%</td>
<td>18-22%</td>
<td>US TIPS</td>
<td>BBG/Barclays US TIPS Index, Series L</td>
</tr>
<tr>
<td>6%</td>
<td>5-7%</td>
<td>Hedged Developed Market Equities</td>
<td>MSCI EAFE Index Net 100% USD Hedged Index, Net</td>
</tr>
<tr>
<td>3%</td>
<td>2-4%</td>
<td>Emerging Market Equities</td>
<td>MSCI Emerging Markets Index, Net</td>
</tr>
<tr>
<td>3%</td>
<td>2-4%</td>
<td>REITS</td>
<td>FTSE EPRA/NAREIT Developed Index</td>
</tr>
</tbody>
</table>
In addition, the portfolio has an allocation to private equity through a legacy portfolio that is expected to roll off over time.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>$60M estimated NAV as of December 31, 2017</td>
<td>Private Equity</td>
</tr>
</tbody>
</table>

Rebalancing:

The asset allocation of fund investments shall be reviewed at the end of each quarter. Quarterly net capital flows to the System shall be utilized to rebalance to the target allocation. If the allocation by asset class falls outside the rebalance range following quarterly cash flows, assets will be systematically rebalanced back to the target allocation as soon as practicable and in any event prior to the next quarterly net capital flows.

Roles and Responsibilities:

SWIB. SWIB’s roles and responsibilities are detailed in an investment management agreement with the System, which provides the definitive terms of SWIB’s engagement. SWIB's responsibilities include the following (references to the trust funds in this section refer solely to the trust funds delegated to SWIB’s management by the System):

- Serve as the outsourced investment manager for the trust funds
- Determine and set appropriate asset allocation targets and ranges based on the return and risk objectives of the System
- Implement the asset allocation by selecting appropriate external investment managers or funds
- Determine performance benchmarks
- Determine or review investment guidelines for managers and/or funds to which trust funds are allocated
- Provide for the third-party custody of all trust funds assigned to SWIB’s direct management
- Rebalance the trust funds to the asset allocation targets on a periodic basis as described above
- Coordinate cash distributions for the System’s liquidity/cash flow requirements
- Regularly communicate with, and provide quarterly investment-related reports to, the System
- Consult with the System regarding investment risk and return objectives and long-term asset class expectations to allow the System to set an appropriate endowment distribution/spending policy as market conditions change
- Provide various reports and information reasonably needed for the System to compile financial statements and complete all audits
University of Wisconsin System. The System, including its Board of Regents, remains responsible for the implementation, oversight and monitoring of all aspects of the management and administration of the trust funds, other than those which have been specifically delegated to SWIB, including responsibility for monitoring its delegation of investment management authority to SWIB. Primary responsibilities of the System and its Board of Regents include:

- Approve the investment management agreement with SWIB
- Consult with SWIB in setting asset allocation targets, ranges and benchmarks
- Determine the endowment distribution/spending policy
- Communicate to SWIB liquidity/cash flow requirements
- Work with donors, estates, and trusts in taking in and properly establishing new trust funds accounts
- Maintain all accounting and recordkeeping systems related to the trust funds, and for all trust funds accounts
- Assist benefiting campuses and departments in their utilization of trust funds accounts
- Monitor and oversee the investment of all trust funds not delegated to SWIB’s management
- Direct and oversee the System’s cash flows in and out of the State Investment Fund