

STATE OF WISCONSIN
Senate Journal
Ninety–Eighth Regular Session

FRIDAY, June 22, 2007

The chief clerk makes the following entries under the above date.

REPORT OF COMMITTEES

The committee on **Ethics Reform and Government Operations** reports and recommends:

BRENNAN, JUDGE MICHAEL, of Marshfield, as a member of the Government Accountability Board, to serve for the term ending May 1, 2014.

Confirmation.

Ayes, 5 – Senators Risser, Miller, Kreitlow, Ellis and Leibham.

Noes, 0 – None.

EICH, JUDGE WILLIAM, of Madison, as a member of the Government Accountability Board, to serve for the term ending May 1, 2010.

Confirmation.

Ayes, 5 – Senators Risser, Miller, Kreitlow, Ellis and Leibham.

Noes, 0 – None.

MOHR, JUDGE JAMES, of Eagle River, as a member of the Government Accountability Board, to serve for the term ending May 1, 2011.

Confirmation.

Ayes, 5 – Senators Risser, Miller, Kreitlow, Ellis and Leibham.

Noes, 0 – None.

NORMAN, DIANE, of McFarland, as a member of the Tax Appeals Commission, to serve for the term ending March 1, 2013.

Confirmation.

Ayes, 5 – Senators Risser, Miller, Kreitlow, Ellis and Leibham.

Noes, 0 – None.

FRED RISSER
Chairperson

PETITIONS AND COMMUNICATIONS

State of Wisconsin
Department of Transportation

June 21, 2007

The Honorable, The Senate:

Enclosed is the report required under 343.237(9), regarding the release of photos from the Department driver record files to Wisconsin Law Enforcement, Federal Government Law Enforcement and all other eligible State Law Enforcement.

This report is provided annually and contains the agencies and the purpose for which copies of the photographs were provided. Please forward this report, as you feel appropriate to any interested parties.

If you have any questions regarding the release of photographs please contact Debbie Kraemer, Supervisor in the Records and Licensing Information Section, Bureau of Driver Services, by phone at (608) 264-7060.

Sincerely,

FRANK J. BUSALACCHI

Secretary

**State of Wisconsin
Investment Board**

June 22, 2007

The Honorable, The Legislature:

Pursuant to S. 25.17 (14R), Wis. Stats., I want to advise you of revisions to SWIB's "Investment Policy, Objectives and Guidelines" recently approved by the Board of Trustees. These guidelines apply to SWIB's internal investment managers. I am sending you electronic copies of the revised guidelines plus a red-lined copy that shows the language added or deleted. In summary, these amendments:

1. Incorporate revised guidelines for the Injured Patients and Families Compensation Fund that combine separate guidelines that the Fund's Board had developed with guidelines that SWIB had previously developed.
2. Allow the Global Bond Portfolio, which invests in both the US and international countries, more flexibility to invest in currencies not in the benchmark and to invest up to 5% of the portfolio in below investment grade bonds. Ford and General Motors are examples of companies whose bonds fell to below investment grade. The Government/Credit Bond Portfolio has been able to invest in these bonds, but not the Global Bond Portfolio. The revised guidelines allow the Global Bond Portfolio Manager to purchase currency as well as bonds from a country that is not in the benchmark. Sometimes, the bonds are not attractive investments but the currency is. This particularly applies to countries where interest rates are expected to increase, which would hurt the bonds but benefit the currency.
3. Give managers of the non-US equity and bond portfolios more options to manage the currency risk in their portfolios. The revisions give them greater flexibility to diversify the risk of holding currency in levels different from their benchmarks.

4. Clarify the definition of US stocks to include stock of companies that have incorporated offshore for tax purposes but list on US exchanges rather than in their country of domicile.
5. Move approval authority for certain private equity and real estate investments from the Trustees to the Chief Investment Officer and Executive Director. This practice is consistent with our peers and permits a more expeditious turn-around when investment opportunities arise.
6. Increase from 33% to 40% the amount of private equity and real estate investments that may be made outside the US. Non-US developed markets have become increasingly attractive. SWIB makes the real estate and private equity investments through funds that are managed by general partners who need flexibility to take advantage of all opportunities when they occur, including investments in non-US developed markets.
7. Permit the manager of the Government/Credit Bond Portfolio to use derivative instruments to adjust duration of bonds or invest anticipated cash to replicate a position that would have been taken through the purchase or sale of a permitted bond. This gives the manager greater flexibility to adjust the portfolio attributes at lower transaction costs.
8. Update the Appendices to reflect changes the Board of Trustees made to benchmarks for some of the portfolios, to

soft parameters including the addition of Ex Ante Tracking Error for each portfolio and for asset allocation targets for 2007.

9. Incorporate minor changes to clean up the language and grammar and to reflect changes in titles or names.

The statutes do not appear to require SWIB to inform you of changes we make to contracts with external managers. However, the percentage of the assets managed by external managers has grown over the past few years. In light of that, we decided in 2006 to advise you of changes we make to those contracts. During the past six months, SWIB made a change to all contracts with external managers who manage global or emerging market fixed income portfolios. The change clarifies the procedure the manager should follow if sovereign debt the manager holds is downgraded. SWIB also modified the contract with one manager that manages an opportunistic high yield/emerging markets fixed income portfolio to allow the manager to invest up to 5% of the market value of the portfolio in defaulted debt in countries in which it is authorized to invest.

If you have any questions on any of the changes, please contact me at 261-0187 or Sandy Drew at 261-0182.

Sincerely,

GAIL HANSON

Interim Executive Director

Referred to committee on **Retirement Systems**.