



The SWIB Report

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Board Works To Protect Funds

The questionable or fraudulent financial practices by several US corporations have stunned investors and created swift legal reforms. Hoping to restore investor confidence in American corporations, President Bush signed corporate accountability legislation in July. Highlights from the law are provided on page 2.

While this law is a step in the right direction, SWIB believes there are still other reforms that are necessary to protect investors. We will continue to seek additional changes.

For many years, SWIB has worked to strengthen corporate governance and oversight practices to protect the assets of the Wisconsin Retirement System. Still, we have been impacted, although not as significantly as some other large public pension funds, by the collapse of Enron, WorldCom and other companies in the news. SWIB has been promoting good governance practices by public corporations since the 1980s. It was a founding member of Council of Institutional Investors

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Annualized Performance Ending 6/30/02

Retirement Funds	1-Year Return	5-Year Return	10-Year Return
Fixed Fund	-4.9%	5.5%	9.5%
<i>Benchmark</i>	-5.2	4.9	8.8
Variable Fund	-14.7%	3.8%	10.2%
<i>Equity Benchmark</i>	-15.3	2.0	9.3
<i>S&P 500</i>	-18.0	3.7	11.4

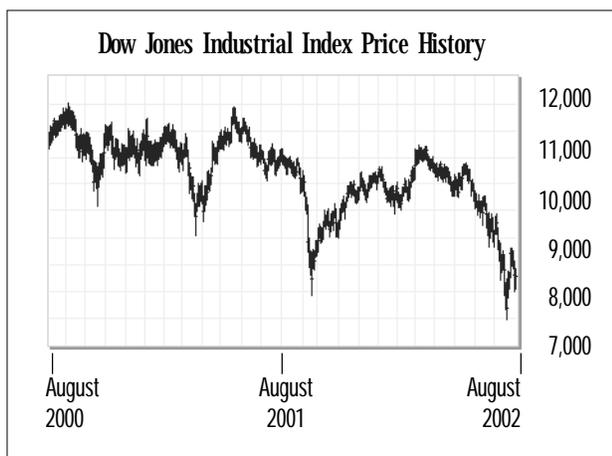
Volatile Markets Continue As Investors Remain Uncertain

The stock market continued to experience major swings during the first six months of 2002. As we continue the third straight year of negative markets, the Wisconsin Retirement System Trust Funds remain ahead of their performance benchmarks for the one-, five- and ten-year returns.

Calendar year-to-date returns from January 1 through June 30, 2002 were -4.6% for the Fixed Trust Fund and -11% for the Variable Trust Fund.

SWIB has taken steps to position the trust funds to weather some of the challenges we face during these very difficult markets. The WRS has a well-diversified portfolio of more than 2,400 individual investments, which has helped during these difficult times. When S&P500 stocks had unprecedented gains during the late 1990's, SWIB chose an investment strategy that placed less emphasis on such stocks than did some other pension funds. We also moved money from domestic stocks to other assets as the market drove the value of our stock portfolios above our targets. This strategy helped to further diversify WRS investments. It also helped the performance of the WRS Trust Funds as the markets began to correct for overvaluations

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New Federal Law Protects Investors

In July, President Bush signed into law the Sarbanes-Oxley Act of 2002. It is considered to be the most important investor protection legislation enacted since the 1930s. SWIB has been supportive of this measure since it was introduced. Some highlights are:

- Securities fraud will carry a new penalty of up to 25 years in prison. Shareholder fraud and document shredding carry up to 20 years' prison time, and maximum penalties for mail and wire fraud are 20 years.

- An independent oversight board, made up of two accountants and three outsiders and financed by fees on publicly traded companies, will conduct annual evaluations of accounting firms. The board will establish new auditing standards, investigate auditors and impose sanctions (including suspensions).

- Accounting firms will be prohibited from providing other consulting services to companies they audit.

- Lead audit partner will be required to change every five years.

- Chief executive officers (CEOs) and chief financial officers (CFOs) at publicly traded companies must swear to the accuracy of financial filings to the Securities and Exchange Commission. Convictions for willful violation carry fines of up to \$5 million and 20 years in prison.

- CEOs and CFOs who revise company financial statements for noncompliance with the law must pay back bonuses or stock options awarded due to the misstatements.

- Company board members who serve on the audit committee must be independent board members without ties to the company.

- Companies can not make loans to directors and executive officers.

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(CII), an organization of 250 pension funds and investment related firms representing nearly \$2 trillion in assets. As major shareholders, CII members work together on corporate governance measures to protect plan assets and increase return on their investments.

In 2001, SWIB joined with the University of Wisconsin - Madison School of Business to sponsor a highly successful Directors' Summit. This conference addressed many of the same issues that are found in the new law. The 2002 Directors' Summit is September 4 - 6 and it is designed for people who served on the Board of Directors of public companies.

Directors hear about key corporate governance issues from the viewpoint of institutional investors. The focus is to help directors better serve shareholders, including participants in the Wisconsin Retirement System.

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in 2000. Over 43% of Fixed Trust Fund investments are in assets other than stocks. In addition, the stock portfolios of the Fixed and Variable Funds include investments in international markets that have generally fared better than US markets over the last year.

SWIB takes a long-term view in selecting the mix of stocks, bonds and other investments for the WRS Trust Funds, because of the long-term nature of WRS liabilities. We review and stress test the overall allocation of assets annually under a variety of possible economic conditions. Our portfolio managers also take current market conditions into account in their daily buy and sell decisions.

To learn more about how market downturns affect WRS investments see "When Markets Are in A Downturn" at our website, www.swib.state.wi.us or request a copy by email to info@swib.state.wi.us, or by calling toll-free, (800) 424-7942 and 267-0957 in Madison.



Reception, Speaker Top September Board Meeting

SWIB will hold its annual reception on Wednesday, September 4 at the Monona Terrace Convention Center following the Board meeting open session scheduled for 3:30 p.m. During that time, Horace "Woody" Brock, president and founder of Strategic Economic Decisions, Inc. of New York will speak on economic trends and the markets. A reception will follow at 5 p.m. Hors d'oeuvres will be served. In accordance with s.19.45 Wisconsin Statutes, there will be a nominal charge for persons who wish to partake. To register for the reception, Contact Meredith Hauge at (608) 267-0962 by Monday, August 26.

SWIB Has New Brochures

New SWIB brochures are available. To receive an individual copy or order copies for distribution to employees or organization members, contact Vicki Hearing at info@swib.state.wi.us or call the SWIB Hotline (800) 424-7942 or 267-0957 in Madison.

2003 Meetings Set

SWIB Board of Trustees usually meet the first Wednesday of each month with the main open session scheduled for 3:30 p.m. Meetings are generally held in the Monona Terrace Convention Center. However, there are exceptions. The 2002 schedule is as follows:

September 4 October 10/11 (offsite)

November 6 December 4

The 2003 schedule is as follows:

January 15 February 12

March 12 April 9

May 7 June 11

July no meeting August 6

September 10 October 15

November 12 December 10