

SWIB REPORT

February 2009 :: Published For Wisconsin Retirement System Participants

2008 final returns announced

Final 2008 returns were announced at the end of January with the Core Fund ending the year with -26.2 percent return and the Variable Fund at -39.0 percent. The Core Fund's diversification helped it outperform the -37.0 percent return for the S&P 500, a -43.6 percent for international markets and -53.3 percent for emerging markets.

Core Fund returns were also helped by very little direct investment in mortgage-backed securities, no hedge fund investments, and by being underweight in the financial sector.

Markets continued their downward trend into 2009 amid concerns about weak fourth quarter earnings, rising unemployment and the need for additional federal action to address financial problems in the banking sector. The Core and Variable Funds posted negative returns but pulled ahead of their performance benchmarks for the first month of the year.

Markets, WRS are symposium topics

The Legislative Council, a nonpartisan service agency of the Wisconsin Legislature, will sponsor an educational symposium on SWIB, financial

Calendar Year - to - Date Preliminary Returns

Ending 1/31/09

| | |
|----------------------|--------------|
| Core Fund | -4.8% |
| Benchmark | -5.2% |
| Variable Fund | -8.2% |
| Benchmark | -8.5% |

markets and the effects on the Wisconsin Retirement System. The two-hour symposium is set for 8:30 a.m. Thursday, February 26 at the Capitol, Room 412 East. It is open to legislators and to the public.

The focus will be how the benefit structure and the investment aspect are connected, especially at a time when the markets are so challenging.

Keith Bozarth, SWIB executive director, will provide an overview of SWIB, discuss 2008 performance, comparative

SWIB manager is nominated for Rising Star honor

Dominic Garcia, fixed income fund-of-funds manager, has been nominated as one of 15 Rising Stars of Public Funds nationwide.

Garcia joined SWIB in September to fill the newly created position that includes overseeing fixed income external managers. Before joining SWIB he was the deputy chief investment officer of the New Mexico Public Employees Retirement Association and had also worked as a fiscal analyst for the New Mexico Legislative Finance Committee. Dominic received his master's degree in public policy from the University of Chicago and his undergraduate degree in political science from the University of New Mexico.

Rising Star honorees are nominated by their managers, mentors and peers, and selected by the editors of Institutional Investor News. According to Institutional Investor News, they "represent a mix of investment officers, investment advisors, consultants and client relationship managers and meet the criteria of being 45 years of age or under, having achieved a demonstrable level of success during their minimum seven-year career working in the sector and are active participants in the broader public funds investing community."

Contact SWIB

121 E. Wilson St.
Box 7842, Madison, WI 53707
www.swib.state.wi.us
info@swib.state.wi.us
Hotline: (800) 424-7942
(Madison) 267-0957



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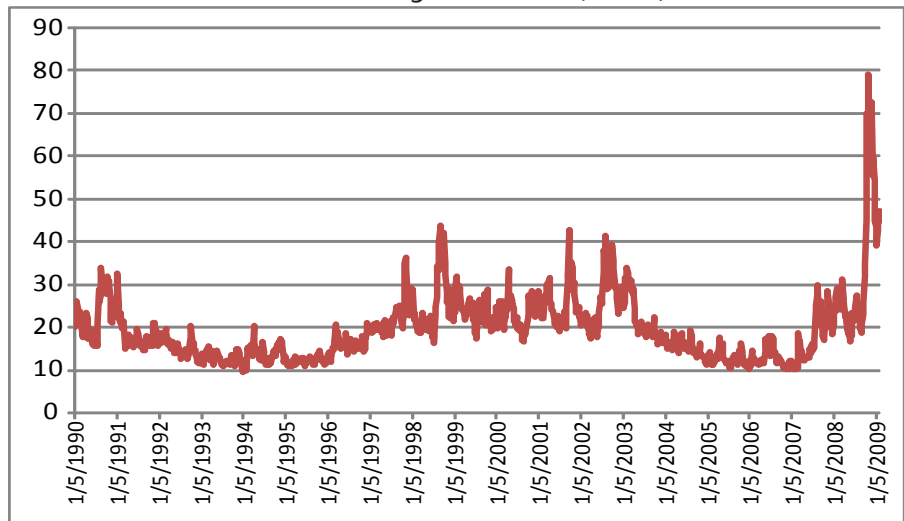
Symposium

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data and 2009 changes. Dave Stella, secretary, Department of Employee Trust Funds, will present the 2008 market impact on the retirement system and will provide a look at public retirement plans from a national perspective.

Dick Rippe, managing director and economist for International Strategy & Investment (ISI), one of SWIB's economic consulting firms, will address global financial and economic issues. Before joining ISI in 2008, Rippe was chief economist at Prudential Equity Group.

Volatility Index (VIX)



The VIX is calculated and presented in real-time by the Chicago Board Options Exchange. It is a popular measure of the implied volatility of S&P 500 index options. It is often called the "fear index" and represents one measure of the market's expectation of volatility over the next 30 day period. The chart reflects the historic levels of volatility of 2008, the highest since the 1930s. In mid-November, volatility, measured by VIX, was four times its historical average.

SWIB supports regulatory project

The events of the past year have -- among other things -- highlighted the need for reform in the financial markets. SWIB works with other large institutional investors through the Council of Institutional Investors (CII), a nonprofit, US shareowner-rights organization as part of a long-standing commitment to improve governance of corporations to protect shareholders' interests.

SWIB is a founding member of CII, which began in 1985. Gail Hanson, SWIB deputy executive director, serves on CII's Board of Directors. In 2008, SWIB joined CII in asking Congress for strong corporate governance as well as regulatory reform.

A diverse, independent panel -- the Investors' Working Group (IWG) -- has been created to focus on potential changes in federal regulations. Led by William Donaldson, and Arthur

Levitt Jr., two highly respected former chairs of the Securities and Exchange Commission, IWG is a non-partisan panel of experts co-sponsored by CII and the CFA Institute Centre for Financial Market Integrity. It is charged with the task of recommending ways to improve the regulation of the U.S. financial markets.

"This group has been established to work with policymakers in efforts to restore public confidence by seeing to it that essential regulatory changes will include consideration of the primacy of investor interest," said Levitt.

"The financial crisis has revealed serious flaws in the current framework of financial regulation," said Joe Dear, executive director of Washington State Investment Board and CII chair. "The need for fundamental reform has never been greater.

And the IWG will make sure that shareowners have a seat at the table during the debate over how to fix the financial regulatory system."

The CFA (Chartered Financial Analyst) Institute Centre is a global, not-for-profit association of investment professionals, which promotes the Code of Ethics and Standards of Professional Conduct for the investment profession.

Visit <http://www.swib.state.wi.us/governance.asp> for more information.

Annual report available

SWIB's annual report and schedule of investments for fiscal year 2008 are now available. Copies have been posted on the SWIB website at http://www.swib.state.wi.us/annual_reports.asp. Printed copies are also available by contacting SWIB.