



**STATE OF WISCONSIN**  
Legislative Audit Bureau

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Janice Mueller  
State Auditor

January 12, 2009

Senator Kathleen Vinehout and  
Representative Peter Barca, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Vinehout and Representative Barca:

We have completed our fiscal year (FY) 2007-08 financial audit of the State of Wisconsin Investment Board, as requested by the Investment Board and to fulfill our audit requirements under s. 13.94(1)(df), Wis. Stats. The Investment Board's financial statements report the investments and investment activity for the State Investment Fund, the Wisconsin Retirement System funds, and five other smaller insurance and trust funds. The statements and our unqualified opinions on them are included in the Investment Board's FY 2007-08 Annual Report, which can be found on the Investment Board's Web site.

The State Investment Fund invests the excess operating funds of State of Wisconsin agencies, the retirement funds, and the Wisconsin Local Government Investment Pool. Net investment income earned by the State Investment Fund decreased 15.5 percent, from \$302.7 million in FY 2006-07 to \$255.7 million in FY 2007-08 because of lower interest rates in the markets. After factoring in net investment income and net deposits and withdrawals, the State Investment Fund had a net asset balance of \$5.6 billion as of June 30, 2008.

The retirement funds, which include the Core Retirement Investment Trust Fund and the Variable Retirement Investment Trust Fund, experienced negative investment returns in FY 2007-08. The Core Fund reported a net investment loss of \$3.8 billion, and the Variable Fund reported a net investment loss of \$0.9 billion. After factoring in net investment income, net contribution receipts, and benefit disbursements in FY 2007-08, the net investment assets of the retirement funds as of June 30, 2008, were \$75.0 billion for the Core Fund and \$6.0 billion for the Variable Fund.

Subsequent to June 30, 2008, the global capital markets have experienced significant adverse events, which have affected the net investment assets for both retirement funds. Current information detailing investment returns and the value of retirement fund assets is provided on the Investment Board's Web site.

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The Investment Board is also responsible for investing the assets of five insurance and trust funds: the Injured Patients and Families Compensation Fund, the State Life Insurance Fund, the Local Government Property Insurance Fund, the Historical Society Trust Fund, and the EdVest Tuition Trust Fund. Each of these funds has different investment policies, as established by the agency responsible for the fund and the Investment Board. The largest of these funds, the Injured Patients and Families Compensation Fund, had net investment assets totaling \$735.6 million as of June 30, 2008.

*Government Auditing Standards* require us to provide an auditor's report on internal control over financial reporting and on compliance and other matters, which accompanies this letter. As noted in the report, we did not identify any control or compliance concerns that are required to be reported under these standards.

Sincerely,



Janice Mueller  
State Auditor

JM/BB/kc

Enclosure

cc: Senator Robert Jauch  
Senator Mark Miller  
Senator Robert Cowles  
Senator Mary Lazich

Representative Andy Jorgensen  
Representative Mark Pocan  
Representative Bill Kramer  
Representative Samantha Kerkman

Keith Bozarth, Executive Director  
State of Wisconsin Investment Board