



STATE OF WISCONSIN

## Legislative Audit Bureau

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Janice Mueller  
State Auditor

February 5, 2007

Senator Jim Sullivan and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

We have completed our fiscal year (FY) 2005-06 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 present 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 2006 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 increased 96.3 percent, from \$111.5 million in FY 2004-05 to \$218.9 million in FY 2005-06 because of higher 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 \$4.7 billion as of June 30, 2006.

The retirement funds, which include the Core Retirement Investment Trust Fund and the Variable Retirement Investment Trust Fund, experienced positive investment returns in FY 2005-06. The Core Fund reported net investment income of \$7.6 billion, and the Variable Fund reported net investment income of \$755.6 million. After factoring in net investment income, net contribution receipts, and benefit disbursements in FY 2005-06, the net investment assets of the retirement funds as of June 30, 2006 were \$70.0 billion for the Core Fund and \$6.4 billion for the Variable Fund.

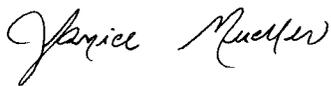
The Investment Board is also responsible for investing the assets of five insurance and trust funds: the Injured Patients and Families Compensation Fund, the State Life Insurance Fund, the Local Government Property Insurance Fund, the EdVest Tuition Trust Fund, and the Historical Society Trust Fund. 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

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and Families Compensation Fund, had net investment assets totaling \$746.0 million as of June 30, 2006.

*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/DA/kc

Enclosure

cc: Senator Julie Lassa  
Senator Russell Decker  
Senator Alan Lasee  
Senator Robert Cowles

Representative Samantha Kerkman  
Representative Kitty Rhoades  
Representative David Cullen  
Representative Joe Parisi