



STATE OF WISCONSIN

Legislative Audit Bureau

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Joe Chrisman
State Auditor

December 16, 2011

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We have completed our fiscal year (FY) 2010-11 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 Wisconsin Retirement System funds, the State Investment Fund, and five other smaller insurance and trust funds. The statements and our unqualified opinions on them are included in the Investment Board's FY 2010-11 Annual Report, which can be found on the Investment Board's Web site.

The retirement funds, which include the Core Retirement Investment Trust Fund and the Variable Retirement Investment Trust Fund, experienced positive investment returns in FY 2010-11. The Core Fund reported net investment income of \$14.3 billion, and the Variable Fund reported net investment income of \$1.4 billion. After factoring in net investment income and net contribution receipts and benefit disbursements in FY 2010-11, the net investment assets of the retirement funds as of June 30, 2011, were \$76.7 billion for the Core Fund and \$5.8 billion for the Variable Fund.

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 income earned by the State Investment Fund decreased 29.2 percent, from \$15.4 million in FY 2009-10 to \$10.9 million in FY 2010-11 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 \$6.5 billion as of June 30, 2011.

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.

Senator Robert Cowles and
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Page 2
December 16, 2011

Enclosed is a management letter, which includes an auditor's report on internal control over financial reporting and on compliance and other matters, as required by *Government Auditing Standards*. As noted in this letter, which was provided to the Investment Board, we did not identify any control or compliance concerns that are required to be reported under these standards. However, in a separate memorandum to Investment Board management, we observed and offered suggested improvements to further enhance the Investment Board's compliance monitoring procedures.

Sincerely,



Joe Chrisman
State Auditor

JC/BB/bm

Enclosure

cc: Senator Mary Lazich
Senator Alberta Darling
Senator Kathleen Vinehout
Senator Julie Lassa

Representative Kevin Petersen
Representative Robin Vos
Representative Andy Jorgensen
Representative Jon Richards

Keith Bozarth, Executive Director
State of Wisconsin Investment Board