



STATE OF WISCONSIN

Legislative Audit Bureau

22 East Mifflin Street, Suite 500
Madison, Wisconsin 53703
(608) 266-2818
Fax (608) 267-0410

www.legis.wisconsin.gov/lab

Toll-free hotline: 1-877-FRAUD-17

Joe Chrisman
State Auditor

December 21, 2012

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

Dear Senator Vinehout and Representative Kerkman:

We have completed our fiscal year (FY) 2011-12 financial audit of the State of Wisconsin Investment Board, as requested by the Investment Board and to fulfill our audit requirements under ss. 13.94(1)(df) and 25.17(51), 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 2011-12 Annual Report, which can be found on the Investment Board's website.

The Core Retirement Investment Trust Fund experienced an investment gain of 1.3 percent, or \$727.9 million, in FY 2011-12, while the Variable Retirement Investment Trust Fund experienced an investment loss of 1.6 percent, or \$112.5 million. After considering net investment income and net contribution receipts and benefit disbursements in FY 2011-12, the net investment assets of the retirement funds as of June 30, 2012, were \$74.9 billion for the Core Fund and \$5.4 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 33.2 percent, from \$10.9 million in FY 2010-11 to \$7.3 million in FY 2011-12 because of lower interest rates in the financial markets. After considering net investment income and net deposits and withdrawals, the State Investment Fund had a net asset balance of \$6.8 billion as of June 30, 2012.

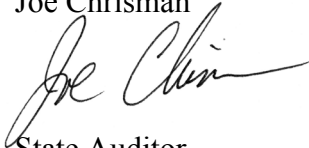
The Investment Board is also responsible for investing the assets of five insurance and trust funds: the Injured Patients and Families Compensation Fund, the State Life Insurance Fund, the Local Government Property Insurance Fund, the Historical Society Trust Fund, and the EdVest Tuition Trust Fund.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

Senator Kathleen Vinehout and
Representative Samantha Kerkman, Co-chairpersons
Page 2
December 21, 2012

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.

Sincerely,

Joe Chrisman

A handwritten signature in black ink, appearing to read "Joe Chrisman". The signature is fluid and cursive, with the first name "Joe" being particularly prominent.

State Auditor

JC/DA/sm

Enclosure

cc: Senator Chris Larson
Senator Lena Taylor
Senator Robert Cowles
Senator Mary Lazich

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

Michael Williamson, Executive Director
State of Wisconsin Investment Board