



The SWIB Report

Published by The State of Wisconsin Investment Board For WRS Participants

December 2007

Calendar Year - to - Date Preliminary Returns

Ending 11/30/07

Core Fund	9.30%
Benchmark	9.85
Variable Fund	6.53%
Benchmark	8.06

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Performance update

Growing concerns about the lending industry continued to bring volatility to financial markets as we approach the end of the year.

November, in particular, saw several severe swings in the Dow Jones Industrial Average including a high of 13,660 on November 6 and a low of 12,743 on November 26. November has been called the worst monthly stock market performance since 2002.

The preliminary return for the Core Fund as of November 30 remained positive at 9.3%. SWIB will post preliminary 2007 returns on the website (www.swib.state.wi.us) by mid-January.

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Request for increased budget authority granted

To continue to strengthen its investment program, SWIB has been granted greater budget authority in the 2007-2009 biennial budget signed into law on October 26.

This raises the amount that SWIB is authorized to assess the trust funds this year to 2.85 cents for each \$100 of assets, up from 2.75 cents. Next year the amount goes to 3.25 cents. This is the first such increase since 2000. That change may mean about a \$4 million increase in funding for SWIB's internal budget based on \$90 billion of trust funds assets.

With this budget change SWIB will have the funding to add staff for the first time since 1999. Assets have grown over \$23 billion (32%) since then. SWIB is also seeking approval for additional staff that will enable us to move forward with initiatives that should increase WRS earnings and lower costs.

"This strengthens our capability to move some WRS money from more costly outside managers to our in-house staff," said Keith Bozarth, SWIB executive director. "It's cost-effective and we appreciate the Governor's and Legislature's support for these initiatives."

Dave Stella named to Board, thanks goes to Eric Stanchfield

David A. Stella, recently appointed secretary of Employee Trust Funds, has been named to the SWIB Board as the non-educator participant representative. Stella had served as deputy secretary of ETF since 2003. Before that, he was executive director of the Denver Public Schools Retirement System from 2001 to 2003, and head of retirement services for ETF from 1986 to 2001.

A native of Spooner, Wisconsin, Stella has over 30 years of public service experience in the state.

Stella succeeds Eric Stanchfield, who resigned to take a position in Washington, D.C. Stella will complete the remaining five years of that term. The Board expressed its appreciation to Stanchfield for his many years of service. He had been a SWIB Trustee since 1992.



Dave Stella

Performance

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If Core Fund returns are above -19.4%, retirees are expected to receive an increase in 2008, according to projections by the Department of Employee Trust Funds.

Some experts expect concerns about the lending industry to continue into 2008. Likewise, some US market analysts have said they expect market volatility to continue into next year.

Such challenging conditions can test the patience of long-term investors, such as SWIB. We do consider the widespread

effects of the problematic lending industry on the financial markets as a whole. However, sticking to a disciplined approach especially during volatile markets has proven to be the best strategy for investors, such as SWIB, which must focus on the long-term.

The range of investment options available to SWIB includes stocks, bonds, real estate, private equity, and venture capital. SWIB diversifies investments to protect the fund, reduce overall risk and achieve long term financial performance.

2008 Board Meetings

January 9

February 13

March 12

No April Meeting

May 14

June 11

No July Meeting

August 13 (Tentative)

September 10

October 8/9

November 12

December 10

Meetings are held at SWIB. The October meeting is held at an off-site location. Meeting dates are tentative, subject to business pending.

SWIB launches new portfolios

After months of planning, SWIB has successfully launched our sector portfolio investment strategy. The strategy is expected to improve focus and knowledge within the large cap domestic stock portfolios by narrowing the market sector each individual analyst covers. Managing analysts have individual discretion over trades within their assigned market sector. This provides new opportunities for analysts while making the most of their knowledge and expertise. The five sector portfolios are health care, industrials and materials, technology, consumer discretionary, and financials. SWIB expects to expand to 10 sectors in 2008.

Dow Jones Industrial Average Historical Price Chart
Year-to-date

