



State of Wisconsin Investment Board

Press Release

Contact: Vicki Hearing 608-261-2415

Fixed Retirement Trust Fund Returns 12.7% in 2004

Madison, WI (*January 6, 2005*) – Strong returns from international stocks and private market investments combined with a fourth quarter surge in U.S. stocks helped push the Fixed Retirement Fund to a preliminary 12.7% return in 2004 according to the State of Wisconsin Investment Board (SWIB).

The Fixed Fund, the larger of the two trust funds of the Wisconsin Retirement System (WRS), is the core fund with diversified holdings in domestic and international stocks, bonds, loans, real estate and private equity. The preliminary market value of the Fixed Fund on December 31, 2004, was \$63.7 billion.

The Variable Fund, an all-stock fund, also has a preliminary return of 12.7% for the year. The preliminary market value of the Variable Fund was \$6.2 billion on December 31. About 21% of the 520,000 WRS members participate in the Variable Fund.

“We got a solid boost from the rebound of equity markets. There was an additional payoff of having a number of our portfolio managers generate great returns,” said David Mills, executive director. “This year’s performance is a great example of how important a commitment to diversification is.”

Investment returns include changes in market value as well as interest and dividend income. Investment returns differ from rates credited to Wisconsin Retirement System (WRS) member accounts and adjustments to monthly annuities for retirees. These rates – calculated by the Department of Employee Trust Funds -- will not be available until mid to late February.

The Fixed Fund return beat its one-year benchmark of 11.7% and the Lipper Index of Balanced Mutual Funds return of 8.9% in 2004. The Fixed Fund’s five-year annual average return of 4.4% and ten-year annual average return of 10.5% are also ahead of their performance benchmarks. The benchmark includes market indices for the various types of assets managed by SWIB. The ten-year return is also ahead of the 7.8% annual average return assumed in the actuarial projections for the WRS.

The Variable Fund was below its one-year benchmark of 13.4% but ahead of the S&P 500 return of 10.9%. The Fund’s five- and ten-year annual average returns remain ahead of their respective benchmarks.

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SWIB's private market investments had exceptionally strong performance in 2004. Final portfolio and benchmark calculations for private markets are pending. Private equity investments in leveraged buyouts and venture capital returned 21.2% compared to 10.8% for the benchmark. Real estate returned 20.7% versus 12.4% for its benchmark. Real estate investment trusts (REITs) contributed to the performance of the real estate portfolio.

There were substantial gains from profitable sales from both portfolios as part of the private markets reorganization. In addition, both portfolios benefited from the rise in the Euro and exposure to international investments. Demand in both markets also created significant selling opportunities at attractive prices.

SWIB's domestic stocks returned 10.7%, below a return of 11.9% for the Russell 3000, a broad market indicator for US stock returns. SWIB invests in a diversified mix of small, mid-size and large companies. Investments in healthcare hurt the overall performance of domestic stocks, which were also hit hard by a drop in large pharmaceuticals, down about 10% for the year.

International stock investments in developed markets returned 21.7% and SWIB's internally managed portfolio returned 23.2% compared to the benchmark of 20.4%. The emerging markets and multi-asset portfolios, also performed well. Emerging market equities returned 27.3% against a benchmark of 26.0% and emerging market debt returned 16.9% versus a benchmark of 11.6%. The multi-asset portfolio, which includes opportunistic investments across asset classes, returned 15.7% versus 13.3% for the benchmark.

SWIB's global bonds returned 10.8% against a benchmark of 10.3%. In a weak bond market, US investment grade fixed income holdings saw a 4.4% total return versus 4.2% for the benchmark.

Cash investments in the State Investment Fund (SIF) returned 1.3% against the benchmark, which returned 1.4%. The SIF is a liquid investment fund for cash balances of various state and local governmental units. The SIF return remains ahead of its benchmark for both the five- and ten-year returns.

The Fixed and Variable Funds comprise the WRS Trust Funds, which provides benefits to over 520,000 retirees, and current or former employees of state and local governments. All WRS members have at least half, if not all, of their pension account in the Fixed Fund. The WRS is the 9th largest US public pension fund and the 23rd largest public or private pension fund in the world.

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