



# State of Wisconsin Investment Board

For immediate release

Contact Vicki Hearing, Public Information Officer (608) 261-2415

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## Core Retirement Trust Fund Returns 8.8% in 2007

**Madison, WI** (January 7, 2008) – While the US stock market experienced its worst fourth quarter performance in recent years, the Core Retirement Fund ended 2007 with a positive preliminary return of 8.8%, according to the State of Wisconsin Investment Board (SWIB).

The Core Fund is the larger of the two trust funds of the Wisconsin Retirement System (WRS) and has diversified holdings in domestic and international stocks, bonds, loans, real estate and private equity. The preliminary market value of the Fund on December 31, 2007, was \$81 billion.

The Variable Fund, an all-stock fund, has a preliminary return of 5.6% for the year. The preliminary market value of the Variable Fund was \$7 billion on December 31. About 20% of the 543,000 WRS members participate in the Variable Fund.

"The good news is that both trust funds had positive performance during very difficult markets," said Keith Bozarth, executive director. "The mortgage crisis, rising oil prices and a weak dollar contributed to a great deal of volatility throughout the year and a disappointing fourth quarter for the stock market. There is every indication that these difficult conditions will continue in 2008, which makes SWIB's diversified, long-term strategy all the more important."

Investment returns include changes in market value as well as interest and dividend income. Investment returns differ from both the rates credited to WRS member accounts and the adjustments to monthly annuities for retirees, which will be announced by the Department of Employee Trust Funds later this winter.

The Core Fund return lagged the 9.5% one-year return for its benchmark. The Core Fund's five-year annual average return of 13.9% and ten-year annual average return of 8.4% are ahead of their performance benchmarks of 13.5% and 7.9%, respectively. The ten-year return is also ahead of the annual average return assumed in the actuarial projections for the WRS, currently set at 7.8%. The benchmark includes market indices for the various types of assets managed by SWIB.

The Variable Fund return was below its one-year benchmark of 7.3%, but ahead of the S&P 500 return of 5.5%. The Fund's 15.0% five-year annual average return trails its benchmark of 15.3%, but its ten-year return of 7.2% is ahead of the 6.5% return for the benchmark.

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“The turbulent second half of the year was especially difficult for financial stocks, home builders and real estate investment trusts (REITS). However, the Core Fund was well diversified. Real estate equity and private equity turned in impressive results,” said David Villa, chief investment officer. “As a result of the turbulence, many investors took refuge in US government bonds, which outpaced US stocks for the year,” Villa added.

Returns from SWIB’s total public fixed income investments also were helped, in part, by three interest rate cuts by the Federal Reserve. Total fixed income returns were 8.5% versus 8.1% for the benchmark.

SWIB’s total public equity investments earned 7.1% compared to 8.8% for the benchmark. Emerging market equities portfolios earned 41.1% against a benchmark of 39.4%. International stock investments in developed markets returned 10.4% versus 12.4% for the benchmark. In total, SWIB’s domestic equities returned 3.2%, behind the 5.1% benchmark return for the Russell 3000, a broad market indicator for US stock returns.

Pending final pricing and benchmark returns, real estate equities earned 18.9% versus a benchmark of 17.3%, and private equity investments earned 24.8% versus a benchmark of 19.1%.

Cash investments in the State Investment Fund (SIF) returned 5.2%, ahead of the 4.6% benchmark. 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 periods.

The Core and Variable Funds comprise the WRS Trust Funds, which provide benefits to current or former employees of state agencies, the university system, school districts and most local governments. The WRS is the 9<sup>th</sup> largest US public pension fund and the 22<sup>nd</sup> largest public or private pension fund in the world.

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