



The SWIB Report

Published by The State of Wisconsin Investment Board For WRS Participants

December 2005

2006 Board Meeting Schedule*

- January 11
- February 8
- March 8
- April 12
- May 10
- June 14
- No meeting in July
- August 9
- September 13
- October 18/19 (offsite location)
- November 8
- December 13

Meetings are held on Wednesdays at the SWIB offices, unless otherwise noted.

***Tentative subject to business pending Board of Trustees**

PUBLIC MEMBERS:

James A. Senty, Chair
 Thomas J. Boldt, Vice Chair
 David Kruger
 William H. Levit, Jr.
 Deloris Sims

LOCAL GOVERNMENT MEMBER:

David Geertsen

WISC. RETIREMENT BOARD APPOINTEE:

Eric O. Stanchfield, Secretary

TEACHER RETIREMENT BOARD APPOINTEE:

Wayne McCaffery

SECRETARY, DEPT. OF ADMINISTRATION:

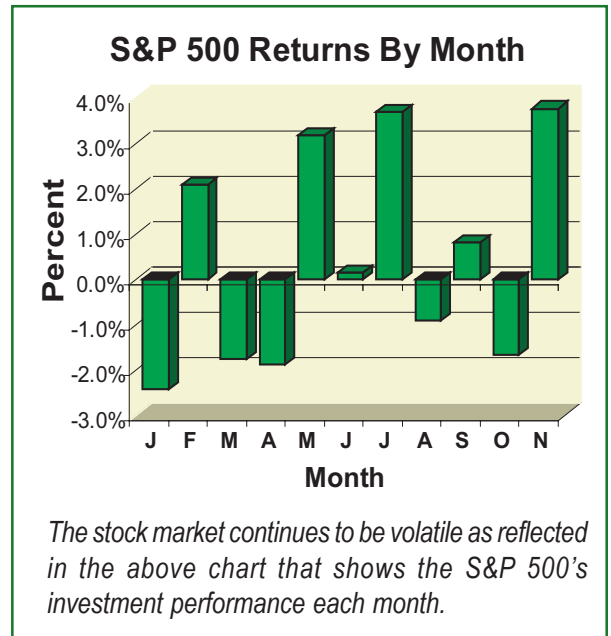
Stephen Bablitch

Contact SWIB

121 E. Wilson St.
 Box 7842, Madison, WI 53707
www.swib.state.wi.us
info@swib.state.wi.us
 Hotline: (800) 424-7942
 (Madison) 267-0957

Performance Update

The performance of the Fixed and Variable Funds is up as we near the end of 2005. As of November 30, the preliminary calendar year-to-date return for the Fixed Fund was 6.6% compared to its benchmark of 6.1% and the Variable Fund return was 7.2% compared to 6.9% for its benchmark.



The stock market continues to be volatile as reflected in the above chart that shows the S&P 500's investment performance each month.

Based on an estimate provided by the Department of Employee Trust Funds (ETF), if the end of the year investment return is above 6.3% there will likely be a Fixed Fund dividend for annuitants in 2006. The impact of investment returns on Wisconsin Retirement System participants is determined by ETF and is based on the rate of return as of December 31. Preliminary 2005 returns should be posted on the SWIB website by mid-January.

SWIB working to make positive changes in corporate elections

Corporate governance -- working with directors and management of a company with a goal of increasing the economic value -- is one aspect of SWIB's duties as manager of the WRS trust funds. SWIB acts as shareholder on behalf of WRS participants when addressing concerns about corporate practices.

A key concern for SWIB and many other investors has been the process for electing directors to the boards of public companies. In 2005, this issue moved to the forefront of corporate governance concerns for many institutional investors.

Corporate Changes *continued on page 2*

SWIB seeks excellence through new initiatives

"Fiduciary: a person who holds something in trust for another." -- New World Dictionary.

Most people recognize SWIB's role as the agency that invests retirement assets. SWIB's fiduciary responsibility requires that we not only invest solely in the best interest of the trust fund members, but also that we constantly review our operations and processes.

Each strategic initiative considers changes that would enhance existing practices. The goal is to seek the best possible way to manage retirement assets entrusted to us while working in a constantly changing investment marketplace. In 2006 we will focus on

State investment planned

SWIB is looking to invest up to \$50 million -- pending final review -- with two Wisconsin-based venture capital funds. Investments in Wisconsin, in general, and venture capital specifically have been in the news with politicians and business leaders expressing interest in having SWIB invest more in Wisconsin businesses to help stimulate the economy.

However, because of our fiduciary duty this was not the basis of our decision making. Rather, SWIB's professional investment staff conducted a rigorous analysis of opportunities that would meet our high standards and determined that these funds offered unique and promising opportunities for excellent returns for the trust funds.

The Board concurred with the staff's recommendation and approved the investments with Venture Investors and Mason Wells, subject to final due diligence by the staff. This will be the second investment in these funds, which focus on investment opportunities in Wisconsin and the Midwest that come out of academic research.

David Kruger joins Board



David Kruger

David Kruger has been appointed as a SWIB trustee by Governor Jim Doyle. He is chief executive officer and owner of The Fiore Companies. Prior to joining the Fiore Companies in 1984, he was a partner with DeWitt, Ross & Stevens specializing in real estate, tax and corporate law. A licensed real estate broker, he received a bachelor's degree in

finance and law degree from the University of Wisconsin-Madison. David serves on the board for the Wisconsin Housing & Economic Development Authority.

several areas important to the performance of the retirement funds' investments, including the following:

Contractor Standards: SWIB strives to ensure that our relationships with contractors and fund managers are free of conflicts of interest or other questionable ethical practices. We are developing a more uniform set of standards for all SWIB contracts to ensure that we follow best business practices.

Business Resumption: SWIB has tested a plan to enable us to continue critical business functions offsite if we could not access our offices in a disaster. In 2006 we will make a number of enhancements to the plan.

Currency Management: SWIB, like other large public pension funds, invests internationally for additional return and diversification. The return on an overseas investment depends on: 1) the economic performance of the company or government whose securities we hold; and 2) the value of foreign currencies compared to the dollar. We will evaluate how we manage currency exposure in investments and look for opportunities to gain added return through currency management.

Transition Management: When funds are moved from one portfolio to another there can be trading costs associated with selling and buying investments. In addition, the timing of the transition can have a major effect on the price at which securities are sold or bought. SWIB will select a pool of firms to assist us in managing transitions so they are done as effectively as possible.

Corporate Changes, *continued from page 1*

Under the current system, shareholders can't vote against a director, but have only the choice of either voting for a director or withholding their votes. As a result, shareholders act in an advisory role in elections. Even if most votes are withheld and a director receives only a few affirmative votes, the company can decide to let the director remain in office.

"We would like to see this selection process done using a more democratic method," said Lori Wersal, director of corporate governance at SWIB.

SWIB supports changes to strengthen the voice of the shareholders in the election process. We believe that changes in the voting process would encourage communication between shareholders and corporate boards about the actions, qualifications and accountability of directors. In general, such a change would help ensure that corporate Board members act in a way that reflects the best interest of shareholders.

"This issue is expected to be at the forefront of corporate concerns in 2006," Wersal said.