

State of Wisconsin Investment Board

MAILING ADDRESS
PO BOX 7842
MADISON, WI 53707-7842

121 EAST WILSON ST
MADISON, WI 53702
(608) 266-2381

15 February 2000

Senator Brian Burke, Co-Chair
Joint Committee on Finance
P.O. Box 7882
Madison, WI 53707-7882

Representative John Gard, Co-Chair
Joint Committee on Finance
P.O. Box 8952
Madison, WI 53708-8952

Mr. George Lightbourn, Secretary
Department of Administration
101 East Wilson Street
P.O. Box 7864
Madison, WI 53707-7864

Dear Committee Co-Chairs and Secretary Lightbourn:

Attached is our quarterly report of charges to funds managed by the Investment Board for expenses incurred under ss. 25.18 (1)(a) and (m). This report includes payments made during the quarter ending December 31, 1999.

Under ss. 25.18 (1)(a), the Board may employ special legal or investment counsel in any matter arising out of the scope of our investment authority. Under ss. 25.18 (1)(m), the Board may employ professionals, contractors or agents to evaluate or operate any property in which the Board has an interest. Expenses for these services are charged to the current income of the fund for which the services were furnished.

Because the report represents actual payments made during the quarter, significant fluctuations in amounts reported for each vendor will occur from quarter to quarter.

Section 25.17 (13m) of the Statutes provides for this report on a quarterly basis. Please contact me if you have any questions or comments about this report.

Sincerely,

Patricia Lipton
Executive Director

cc: Members, Joint Committee on Finance
Bob Lang, Legislative Fiscal Bureau

STATE OF WISCONSIN INVESTMENT BOARD

Direct Charges Under ss. 25.18 (1) (a) or (m)

10/1/99 to 12/31/99

Custodial and Banking Fees

Bank of New York	\$48,144	
Bankers Bank	\$2,500	
Boston Co. Institutional Investor	\$1,001,346	
Total Custodial and Banking Fees		\$1,051,990

Legal Fees, Services and Expenses

Baker & Botts	\$4,252	
Cox, Castle & Nicholson	\$55,745	
Foley & Lardner	\$4,746	
Jones, Day, Reavis & Pogue	\$22,247	
McDermott Will & Emery	\$1,013	
Michael Best & Friedrich	\$18,008	
Reinhart Boerner Van Dueren	\$3,888	
Ruder, Ware & Michler	\$3,228	
Solheim, Billing & Grimker SC	\$21,124	
Stafford Rosenbaum Attorneys	\$1,469	
Whyte Hirschboek	\$1,595	
Total Legal Fees, Services and Expenses		\$137,315

Investment Counsel

AG Risk Management	\$18,500	
Bloomberg, LP	\$66,126	
Bridge Information Services	\$4,402	
Bridgewater Associates	\$3,750	
Commerce Clearing House, Inc.	\$7,525	
CP Risk Management	\$7,593	
First Call	\$21,800	
Garland Associates, Inc.	\$2,264	
Heidrick & Struggles, Inc	\$50,743	
IDC Portfolio Mgmt, Inc.	\$6,250	
Instinet	\$320	
Kenneth Purdy Consulting	\$1,224	
Lawrence Kudlow	\$25,000	
Maria Fiorini Ramirez	\$975	
Shilling, Gary A.	\$21,000	
Smithers & Co.	\$4,063	
Standard & Poor's	\$34,483	
Stone & McCarthy Research	\$900	
Telerate	\$17,976	

STATE OF WISCONSIN INVESTMENT BOARD
 Direct Charges Under ss. 25.18 (1) (a) or (m)
 10/1/99 to 12/31/99

Toronto Stock Exchange	\$729	
Voss, William	\$7,152	
Wilshire	\$22,083	
Total Investment Counsel		\$324,858

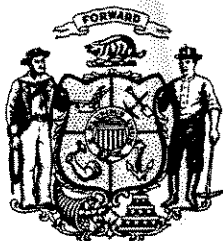
Real Estate Advisory Fees

AETNA PMSA Fund	\$8,313	
Black Rock Fund Investors	\$12,421	
Bristol Group, Inc.	\$73,914	
Heitman Capital Management Corp.	\$134,213	
Hudson Advisors (Lonestar Funds)	\$404,963	
Invesco Realty Advisors, Inc.	\$43,113	
Kensington Realty Advisors	\$99,384	
Koll Bren Realty Advisors	\$384,001	
Landmark Realty Advisors	\$158,795	
Lazard Freres	\$156,250	
Lend Lease Real Estate Investment	\$284,159	
MIG Realty Advisors, Inc.	\$14,988	
New England Mutual	\$8,313	
Northwestern Mutual Life	\$27,846	
PM Realty Advisors, Inc.	\$39,058	
PRICOA Trans European	\$26,081	
Prudential (Senior Housing)	\$7,884	
Security Capital	\$534,926	
Sentinel Realty Advisors Corp.	\$25,194	
Wispark Corporation	\$7,970	
Yarmouth Capital Partners	\$168,536	
Total Real Estate Advisory Fees		\$2,620,322

Index Fund Fees

Barclays Global Investors (a.k.a. Wells Fargo)	\$1,143,290	
Total Index Fund Fees		\$1,143,290

<u>Total</u>		\$5,277,776
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20 March 2000

Representative John Gard, Co-Chair
Joint Committee on Finance
PO Box 8952
Madison, WI 53708-8952

Senator Brian Burke, Co-Chair
Joint Committee on Finance
PO Box 7882
Madison, WI 53708-7882

Representative Carol Kelso, Co-Chair
Joint Committee on Audit
PO Box 8952
Madison, WI 53708-8952

Senator Gary George, Co-Chair
Joint Committee on Audit
PO Box 7882
Madison, WI 53708-7882

Mr. Donald Schneider
Mr. Charles Sanders

Members of the Legislature:

Section 25.17(14r) of the Statutes requires that the State of Wisconsin Investment Board (SWIB) submit a report to the Joint Committee on Audit, Joint Committee on Finance and the Chief Clerks of each House summarizing any change in the Board's investment policies, upon adoption of the change.

On February 3, 2000 the Board approved modifications to the Investment Policy Guidelines relating to the Real Estate and Fixed Income portfolios. Attached are the modified guidelines. Additions to the previous guidelines are shaded and deletions are the stricken material. Also attached for informational purposes is the revised Real Estate Investment Guidelines which specifically addresses the detailed operation of our real estate portfolios.

Real Estate Guideline Changes

SWIB operates an internally managed real estate portfolio with assets totalling \$1.9 billion as of January 31, 2000. The underlying objective of the real estate program is to prudently invest in high quality real estate investments which serve to enhance long-term investment performance, generate attractive risk-adjusted returns, diversify SWIB's asset base and reduce the volatility of the entire SWIB investment portfolio.

The program presently has two main components, the Core portfolio, and the Non-Core portfolio. Both the Core and Non-Core portfolios are direct investment portfolios, whereby SWIB is the sole or joint owner in real property. Within this structure, SWIB engages investment managers to manage individual real estate investments and pools of investments. Guideline changes were effected at the February board meeting which specifically address the Core Portfolio.

Prior to the guideline modifications, SWIB staff had the discretion to invest, without prior Board approval, in properties meeting specific criteria. SWIB staff was given this authority with a spending limit of up to \$50 million. After \$50 million in properties were acquired, SWIB staff could not make

new discretionary investments until the Board was provided with a detailed retrospective review of the investments made.

The guideline changes were effected to provide SWIB staff with enhanced discretionary authority when potential investments fall within stipulated criteria. The revised program was designed to be ongoing and continually funded so that attractive, core properties could be acquired as available in the market. To accomplish this goal, the \$50 million discretionary funding cap was removed and a policy of monthly reporting was adopted.

The new investment guidelines include revised criteria for investments that qualify for the discretionary Core Portfolio. Generally, these changes simplify and clarify the criteria, while keeping the emphasis on stable, institutional quality, equity investments. Qualifying investments still must afford SWIB control of the investment and be one of the four major property types (office, industrial, apartments or retail). Under this plan, incentive fees for external managers are not permitted.

The newly adopted real estate investment policies strengthen the real estate program by expediting the investment process and allowing SWIB staff and investment managers the opportunity to move rapidly when the market offers attractive opportunities.

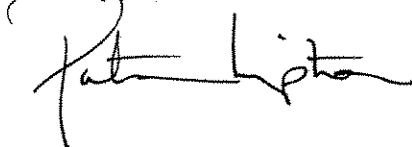
Public Fixed Income Guideline Changes

SWIB's internal staff manages in excess of \$6.6 billion in domestic public bond investments. Prior to the guideline changes adopted at the February board meeting, these investments were held in three separately managed portfolios: the Intermediate Duration portfolio (IDP), the Core Public Bonds portfolio (Core), and the Market Evaluation portfolio (MEP).

The recent guideline changes restructured the above portfolios into two portfolios: the Long Government/Corporate portfolio (LGC) and the Intermediate Government/Corporate portfolio (IGC). These changes were adopted as a result of a comprehensive asset allocation review completed in January. The effect of this change will be to align our portfolios with the broader bond market and will focus more expertise on specific areas of the market. The LGC's mandate is long-term, primarily focusing on maturities 10 years and longer. The IGC portfolio is concentrated on the intermediate bond market, primarily focusing on maturities 10 years and shorter. These changes also address existing staffing constraints and considerations for succession planning. Additional information regarding this change was provided in our annual Goals and Performance report to the Legislature in January.

Please contact me if you have any questions about this report.

Sincerely,



Patricia Lipton
Executive Director

cc: Members, Joint Committee on Audit
Members, Joint Committee on Finance
Legislative Audit Bureau
Legislative Fiscal Bureau

REAL ESTATE PORTFOLIO

Description: The Real Estate and Mortgage Portfolio contains investments in mortgages, commingled real estate investment pools and various types of direct equity ownership in real estate assets, either solely or in joint ventures and partnerships. The portfolio is intended to hold both Core and Non-Core investments. Core investments have relatively stable and predictable returns, and should make up the majority of the portfolio over a longer, strategic time frame. Non-Core investments have relatively higher returns, and higher risk, and will be used on a more tactical basis.

Portfolio Purpose and Objectives: A professionally managed portfolio of real estate investments diversified as to geographic location and property type, provides overall asset and return diversification for the retirement fund and acts as a hedge against inflation.

CRITERIA APPROVED FOR INVESTMENTS

Investments in the Real Estate Portfolio will be managed within the following guidelines:

1. ~~Any investment held in the Real Estate Portfolio may be sold. Sell any property or mortgage in the portfolio pursuant to a disposition plan submitted to the Board or the Board's Real Estate Committee.~~
2.
 - a. ~~Make an investment falling within the parameters of the "Discretionary Core Portfolio Investment Criteria," as set forth in the separate Real Estate Investment Guidelines, provided that the cumulative amount of such investments not yet reported to the Real Estate Committee at a meeting may not exceed \$50 million at any time, and provided further that the investment is processed and closed in accordance with the Real Estate Procedures Manual approved by the Committee or Board.~~
 - ~~b. Make an investment falling within the parameters of the "National Industrial Separate Discretionary Account Program (NISDAP)," as set forth in the separate Real Estate Investment Guidelines, provided that the cumulative amount of such investments not yet reported to the Real Estate Committee at a meeting may not exceed \$25 million at any time, and provided further that the investment is processed and closed in accordance with the Real Estate Procedures Manual approved by the Committee or Board.~~
3.
 - c. The Board or Real Estate Committee must first review all Non-Core ~~other~~ prospective acquisitions, and Core acquisitions that do not meet the Discretionary Core Portfolio Investment Criteria ~~mortgage loans~~ and make the recommendation whether or not to close. Staff may close the investment upon completion of due diligence.

- 4.2. Make modifications of mortgages or leases; enter into new leases; make expenditures for maintenance and improvements; grant easements; hire consultants, service providers, real estate advisors and property managers; and, in general, take all necessary action to manage, maintain and enhance investment value of the real estate and mortgage portfolio.
- 5.3. ~~Deposit as earnest money or as an option binder up to five (5%) percent of the total asking price for the purchase of real estate. (Any offer or option is to be subject to approval under sub. 1, above prior to closing.)~~ Staff will make quarterly monthly reports to the Real Estate Committee and Board summarizing activity in the Discretionary Core Portfolio.
- 6.4. Prior to funding an investment where real property is a material component, the property shall be evaluated for the presence of environmental or code compliance problems. Where material problems are present, funding shall not occur until an assessment has been conducted and the noncompliance has been corrected, and an adequate remediation program is in place or other provisions have been made to address the liability. SWIB may not initiate substantial development or improvement of real property owned by SWIB without making provision for compliance with state and local codes and ordinances, including the Wisconsin Environmental Policy Act, as applicable.
- 7.5. No more than 10% of the value Core Portfolio of the Real Estate Portfolio may be invested in non-U.S. investments. Only such investment funds which anticipate investing less than 50% of such funds capital in emerging markets as defined by the International Finance Corporation (IFC) may be purchased.
- 8.6. Make any other legal investment that is specifically approved by the Board.

DERIVATIVES AUTHORITY

All derivative strategies must be reviewed and recommended by the Risk/Derivatives Committee and approved by the Trustees.

NOTE: Separate Real Estate Investment Procedures and Guidelines have been adopted by the Board of Trustees and appear in separate documents available from the Real Estate Division.

STATE OF WISCONSIN INVESTMENT BOARD

REAL ESTATE

INVESTMENT GUIDELINES

Revised February 3, 2000

The information in this report is true and correct to the best of my knowledge and is submitted after review by:

Approved for inclusion in Board Meeting Materials by:

Charles R. Carpenter
Assistant Investment Director

Robert H. Severance
Investment Director

Patricia Lipton
Executive Director

**STATE OF WISCONSIN INVESTMENT BOARD
REAL ESTATE INVESTMENT GUIDELINES**

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1. REAL ESTATE INVESTMENT GUIDELINES STATEMENT OF PURPOSE

The purpose of the State of Wisconsin Investment Board (SWIB) Real Estate Investment Guidelines (Guidelines) is to provide general controls and specific requirements which will allow the Board, Staff and external real estate professionals to carry out the goals and objectives set forth herein for the SWIB real estate investment program. This is regarded as a professional operating document for an agency in the public domain.

The following Guidelines are separated into five complementary sections which establish certain definitions, describe policy goals and objectives, core and non-core portfolios, investment criteria for SWIB's Discretionary Core Portfolio Program, and structure of fees for real estate service providers. Asset management policies and procedures are set forth in a separate document, the Real Estate Division Procedures Manual (Procedures Manual).

These Guidelines are designed to enable the SWIB Real Estate program to attain the highest possible risk-adjusted returns in a coordinated and comprehensive manner. Recognizing that real estate markets change over time, this document will be revised and updated as needed so that SWIB can take advantage of changing market opportunities, insofar as they contribute to the achievement of the overall goals and objectives of the SWIB real estate investment program. To that end, SWIB will prepare an annual Real Estate Division Strategy Report.

2. DEFINITIONS

The following definitions for frequently used terms in these Guidelines are provided in order to clarify their usage in the formulation and implementation of the real estate investment program for SWIB.

The term "Advisor" shall be deemed to mean any company or individual which, by contractual agreement, provides property investment opportunities to SWIB, provides property asset management services to SWIB, provides due diligence review on property opportunities referred to them by SWIB, or provides any combination of the foregoing to SWIB on a non-discretionary basis. Unless otherwise stipulated, SWIB will retain investment decision authority over all issues related to the acquisition, operation and disposition of the property investments generated by an Advisor. In exercising investment management responsibilities on behalf of SWIB, Advisors act as fiduciaries.

The term "Asset Manager" shall be deemed to mean any company, or individual, which may be retained by SWIB to implement and supervise SWIB's asset management policies and procedures for a specified number of SWIB's individual real estate property investments. Managers, Advisors and joint venture partners may be Asset Managers. The activities of Asset Managers shall be controlled by guidelines and criteria set forth in SWIB's Procedures Manual and Accounting Manual, and that Asset Manager's contract with SWIB. In exercising investment management responsibilities on behalf of SWIB, Asset Managers act as fiduciaries.

The term "Investment Proposal Source" shall be deemed to mean any company, or individual, which provides property investment opportunities to SWIB. Advisors operating under contractual agreement with SWIB and/or companies or individuals active in the real estate marketplace not having a contractual relationship with SWIB, such as life insurance companies, investment banking firms, commercial banks, real estate operating companies, real estate development companies, property owners and other tax-exempt institutions, may be Investment Proposal Sources.

The term "Joint Venture Partner" shall be deemed to mean any individual or other entity which co-invests with SWIB in real estate transactions. As deemed appropriate by SWIB, the Joint Venture Partner may also provide asset management services to SWIB for coinvestments.

The term "Manager" shall be deemed to mean any company or individual which, by contractual agreement, assumes discretion over SWIB's real estate capital, invests the capital (in numerous properties via pooled investment vehicles), provides asset management and periodically reports to SWIB. By virtue of the contractual agreement, SWIB shall not retain investment authority as to the buying, holding or selling of the assets of pooled investment vehicles. In exercising investment management responsibilities on behalf of SWIB, Managers act as fiduciaries.

The term "Pooled Investments" shall include open-end or closed-end funds, public and private real estate investment trust shares (REITs) and stock in real estate development or operating companies. SWIB does not retain discretion over the acquisition, management, reporting or disposition of the individual assets of a pooled investment.

3. REAL ESTATE GOALS AND OBJECTIVES

INTRODUCTION

The real estate program addressed in this section and other sections of the Guidelines encompasses equity-oriented property investments exclusive of the portion of SWIB real estate capital invested through traditional (non-participatory) mortgage lending.

GENERAL GOALS AND OBJECTIVES

The underlying objective of the real estate program is prudent investment in real property to create a diversified real estate portfolio of high quality property assets which will enhance long-term investment performance, generate attractive risk adjusted returns, diversify SWIB's asset base and reduce the volatility of the entire SWIB investment portfolio.

Meeting this objective requires a flexible investment strategy so that as market conditions change, SWIB may take advantage of emerging opportunities.

DIVERSIFICATION

An important objective of the SWIB real estate program is prudently to diversify over time its portfolio investments. The result should be to minimize the impact of any secular or cyclical change in the economy, financial markets and/or real estate markets.

Diversification may by subject occasionally to investment decisions to position SWIB to capitalize on opportunities provided by changes in markets which may require SWIB to assume (justified) risk not typically associated with established diversification guidelines.

RISK MANAGEMENT

Real estate investment inherently has risk and the potential for maximum return is typically related to the amount of incurred risk. The SWIB real estate investment program is highly oriented toward risk management. This approach allows for the creation of maximum risk-adjusted yields.

Risk is managed by creating managerial, advisory, joint venture, consulting and asset management relationships which will provide to SWIB information regarding market conditions, investment opportunities and asset management techniques. A major component of risk management is the tracking and monitoring of portfolio performance and composition so that active strategies may be implemented to improve over time the overall risk-adjusted performance of the SWIB real estate portfolio.

ASSET MANAGEMENT

Asset management is critical to the management of risk. Therefore, SWIB will enter into only those asset management relationships which provide the most professional services. SWIB requires that a long-term asset management plan be defined (as specified in the separate Procedures Manual) for each property asset prior to closing. Such asset management plans will be periodically updated to reflect market conditions.

RATES OF RETURN

The investment potential offered in the real estate marketplace, and SWIB's overall investment goals, establish the range of acceptable yields and returns applicable to the investments outlined in these Guidelines.

Underlying considerations for SWIB's identification of acceptable rates of return are as follows:

- Current income yield levels typically will be more heavily weighted than the potential for appreciation. However, within its Non-Core Portfolio, SWIB may invest in properties where appreciation is a major component of projected overall return.
- Return projections generally will be based on ten year anticipated holding periods.
- Financial projections, including those for rates of return and cash flows, will be calculated on the following bases: (i) most likely case; (ii) optimistic case; and (iii) pessimistic case. These projections will include realistic expectations of occupancy; current and future levels of rent, expenses and capital expenditures; leasing costs and concessions; lease terms and conditions; residual capitalization rates and future sale costs. Such projections will be made on a discounted cash flow approach to value, using appropriate discount rates. All projections will be made on an "actual cash flow" basis, as opposed to a "stabilized" basis.
- Acceptable rates of return assume adoption of "disposition strategies" for each property asset so that any asset may be sold when SWIB's investment value has peaked and/or when such a sale is justified based on the requirements of the SWIB real estate program.
- Rates of return shall be consistent with current real estate markets, inflationary expectations, and fixed income markets.

PROPERTY COMPLIANCE WITH ENVIRONMENTAL REGULATION

SWIB will only consider property investments which will fully comply with all local, state and federal environmental regulations regarding acceptable levels of hazardous materials and other contaminants. Therefore, SWIB shall require engineering reports and certifications which document the absence of asbestos, petroleum products and hazardous materials at the property. If such materials are present, SWIB will obtain evidence that the materials can be contained and managed in accordance with all local, state and federal statutes, laws, regulations and standards.

INDIVIDUAL TRANSACTION SIZE

SWIB's gross investment value in any single property shall not exceed 1% of the SWIB fixed fund assets.

4. CORE AND NON-CORE PORTFOLIOS

This section defines, "Core" and "Non Core" real estate investments, and focus on property level risk.

CORE PORTFOLIO

Core properties have relatively stable and predictable initial yields and overall returns. As such, the income portion of return provides at least as much to total return as the appreciation component. Typically, Core investments will include investment vehicles and ownership structures that either give SWIB optimum control over investment management, or properly align SWIB's interests with the investment manager. Core investments will include properties from the four major property types (office, retail, apartment, and distribution), for which track record performance data is available, or for which realistic, satisfactory economic projections can be made. SWIB will likely hold Core investments for more than three years.

An unspecified pooled investment may only be considered Core if its acquisition criteria are consistent with SWIB's definition of Core Investments. For portfolio classification purposes, all investments that meet the definition of Core above shall be deemed Core investments. Pooled Investments shall be considered Core investments if, in the opinion of the investment manager, the following conditions are met: 1) At least 90% of the investments held by each respective Pooled Investment meet the definition of Core above; and 2) The stabilized, portfolio level loan-to-value ratio must fall below 65%.

NON-CORE PORTFOLIO

Non-Core properties and investments have a higher risk profile than Core and typically depend on appreciation for a substantial portion of their return. Non-Core investments provide higher returns to reflect the increased risks and diminished security of income compared to Core properties. Non-Core assets include, but are not limited to, non-traditional property types, underperforming investments, unspecified pooled investments with acquisition criteria that are not consistent with SWIB's definition of Core Investments, and/or properties that involve development, redevelopment, or high levels of initial or ongoing leasing risks. All investments that do not meet the definition of a Core investment are considered Non-Core.

ALLOCATION

Long term optimal portfolio allocations shall be as follows.

1. Core Portfolio - A minimum of 65% of the total real estate portfolio.
2. Non-Core Portfolio - A maximum of 35% of the total real estate portfolio.

SWIB recognizes that meeting the target allocations for any specified time period for each program component is dependent upon the status of the total real estate portfolio, the existing portfolio of investments and the quality of available investment opportunities relative to prevailing real estate market conditions. Real estate markets are inefficient, and SWIB must be able to deviate from long term target

weightings if conditions warrant. Annually in the Strategy Report, staff shall recommend to the Real Estate Committee, for its action, any recommendation for a larger component of Non-Core for the succeeding year. SWIB shall not be compelled to fund new investments solely for the purpose of deploying allocated real estate capital.

5. DISCRETIONARY CORE PORTFOLIO INVESTMENT CRITERIA

The following investment criteria set forth the standards for SWIB's Discretionary Core Portfolio program, and identify the characteristics of qualifying investments based upon the following criteria. Any investment that does not meet these criteria does not qualify for the Discretionary Core Portfolio Program.

- Investments shall consist primarily of office buildings, industrial buildings, multi-family residential developments, retail properties, or a mix of any of these.
- Investments shall be located in only those domestic markets predetermined by SWIB Staff.
- At time of investment, not more than 10% of the annual Discretionary Core Portfolio allocation shall be invested in unimproved land, and then only if it is in conjunction with related adjoining improved real property.
- Eligible investments will NOT include hotels, motels, mobile home parks, golf courses, resorts or time-shares.
- At time of investment, not more than 10% of the annual Discretionary Core Portfolio allocation shall be invested in assets that have not reached initial stabilization.
- Investments will be i) 100% direct equity purchases, or ii) ownership structures in which SWIB has at least a 50% position and control over acquisition decisions, asset management, property management, reporting requirements, and restructuring or disposition decisions.
- Investments will generally be unleveraged. If leveraged, loan-to-value ratios of the Manager's Discretionary Core portfolio will be less than or equal to 50%.

6. STRUCTURE OF FEES FOR EXTERNAL REAL ESTATE PROFESSIONALS

INTRODUCTION

SWIB pays fees to its Managers, Advisors, Asset Managers and Consultants for providing professional, high quality services. Fees will be structured for the purpose of assuring the following:

- (1) Fair compensation related to the services provided;
- (2) Relationship to SWIB's capital investment and the performance of assets, as objectively determined;
- (3) Emphasis on investment management;
- (4) Ability to terminate contract at SWIB's sole discretion, without penalty;
- (5) Compensation to be set within generally accepted industry standards.

SWIB will only pay its Managers, Advisors, Asset Managers and Consultants. Investment Proposal Sources (as the phrase is defined in the "Definitions" section hereof) will not normally be directly compensated by SWIB.

Prior to closing (funding) any SWIB investment, compensation paid to any known party associated with a SWIB real estate transaction will be identified as to payee, payor, amount of compensation and that party's relationship to SWIB, any trustee, or any staff member.

RIGHTS TO TERMINATE

Specified fees will be paid only per written agreement. SWIB will require the right to terminate all agreements without cause and at SWIB's sole discretion, and without substantial termination payments or penalties.

CONSULTANTS FEES

Consultants may be paid on a retainer or project-specific fee basis in an amount and at such times as determined by written agreement. Consultants shall be compensated in a manner to assure primacy of SWIB as the client and provision of all services to SWIB on a completely objective basis.

CORE FIXED INCOME LONG GOVERNMENT/CORPORATE PORTFOLIO

Description: ~~The Core Portfolio consists of bonds purchased in public markets and is broadly diversified in terms of credit, maturities, and sectors. It includes Government, corporate, and Yankee Bonds. Included within the Core Portfolio are two subportfolios. The first is a "Hedge" portfolio consisting of Treasury securities which allows the Core Portfolio to be fully invested. The second is the High Yield portfolio consisting of investments in high yield bonds.~~ The Long Government/Corporate Portfolio (LGC) consists of dollar denominated primarily investment grade bonds purchased in public markets. LGC is broadly diversified across sectors including government, agency, corporate, and Yankee. Its average duration is expected to be maintained within the long spectrum.

Portfolio Purpose and Objectives: ~~The Core Portfolio is designed to invest in long term fixed income assets of medium to high quality with commensurate returns. The portfolio is consistent with standard pension asset management practice of maintaining a large core position of lower risk, fixed income assets which provide safety of principal and market rate returns. The portfolio is diversified across government and corporate issuers. For purposes of enhancing portfolio return, up to 15% of the portfolio may be allocated to higher yielding securities which may carry a lower credit rating, including below investment grade (BBB as rated by S&P). This may be done to take advantage of special situations where the portfolio manager believes the credit rating is overly cautious and the securities are mispriced. Risk and return of the CORE portfolio are compared regularly with the benchmark comprised of appropriate components as established by the SWIB Benchmark Committee.~~ The LGC portfolio is designed to invest in public fixed income assets of primarily high to medium credit quality with commensurate returns. The duration of the portfolio is constrained within a fifteen percent (15%) band around the assigned benchmark index. The portfolio is diversified by maturity and sector. Risk and return of the LGC portfolio are compared regularly with the benchmark comprised of appropriate components as established by the SWIB Benchmark Committee or Board.

CRITERIA APPROVED FOR INVESTMENTS

Investments in the ~~CORE~~ LGC Portfolio will be managed within the following guidelines:

1. Any investments purchased for the portfolio may be sold.
2. Fixed income investments, publicly traded in the U.S. (including EuroDollar fixed income instruments issued by U.S. based issuers) and payable in U.S. dollars, including Yankees, convertible bonds, trust preferred issues and such other fixed income instruments as are included in the portfolio benchmark, may be purchased which conform to the following:
 - a. Average portfolio quality should be "A" or better.
 - b. ~~An average duration for the portfolio of not less than 80% of the assigned benchmark's duration.~~ Portfolio duration will be maintained within a range of

fifteen percent plus or minus the duration of the benchmark established by the SWIB Benchmark Committee or Board.

- c. With the exception of U.S. government and agency securities, no more than 5% of the portfolio (bonds at market value with accrued interest) may be invested in any one issuer rated BBB- and above, only 3% of the portfolio may be invested in any one issuer rated BB+ and below.
 - d. ~~Aggregate par value of securities rated less than BAA shall not exceed 15% of the portfolio (bonds at market value with accrued interest), including cash.~~ Investments rated BB+ and below may be purchased, provided they do not constitute more than 15% of the portfolio (bonds at market value with accrued interest).
 - e. Investments trading under Rule 144A may be purchased, provided they do not constitute more than 10% of the portfolio (bonds at market value with accrued interest).
 - f. A security of a non-U.S. issuer may only be purchased if it is the debt obligation of any sovereign state, agency or territory, related supra-national organization or other issuer based in a country listed as "Free" or "Partly Free" in the most recent version of the Freedom House Index.
3. Make any other legal investment that is specifically approved by the Board.

DERIVATIVES AUTHORITY

Subject to review and approval of the SWIB Risk Management/Derivatives Committee, positions in financial futures, options and swaps are permitted if the purpose is to reduce the interest rate exposure to which the portfolio is subjected in the normal course of business, to facilitate the structuring of synthetic securities/indices that conform to these guidelines, to invest anticipated cash flows or to adjust duration within the duration guidelines.

1. Eligible futures and options contracts are:
 - (a) 3 month U.S. Treasury Bill (IMM)
 - (b) 2 year U.S. Treasury Note (CBT)
 - (c) 5 year U.S. Treasury Note (CBT)
 - (d) 10 year U.S. Treasury Note (CBT)
 - (e) U.S. Treasury Bond (CBT)
 - (f) Options on the above contracts
 - (g) Over-the-counter options
2. Transactions must be specific. That is, a financial futures or option contract must be identified with a specific asset (or group of assets) at the time the contract is executed. In

each case, the purpose of the transaction must be explicitly stated at the time of execution and a written record of purchases and sales of contracts maintained and reported to the Trustees regularly.

3. If the transaction is against an anticipated rather than an existing cash transaction, the cash transaction must be reasonably expected to occur.
4. When a hedged position is closed, the corresponding futures or options position must also be closed.
5. Swap counterparties must be rated B/C by Keefe, "A-1/A" by Standard and Poors, or "P-1/A" by Moody's. Dealers must be recognized by and report to the Federal Reserve.

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MARKET EVALUATION INTERMEDIATE GOVERNMENT/CORPORATE PORTFOLIO

Description: The ~~Market Evaluation Portfolio (MEP)~~ Intermediate Government/Corporate Portfolio (IGC) consists of dollar denominated primarily investment grade bonds purchased in public markets. ~~MEP IGC~~ is broadly diversified across sectors including government, agency, corporate, and Yankee. Its average duration is expected to be maintained within the intermediate/long spectrum ~~established by the policy committee.~~

Portfolio Purpose and Objectives: The ~~MEP IGC~~ portfolio is designed to invest in public fixed income assets of primarily high to medium credit quality with commensurate returns. The duration of the portfolio is constrained within a ~~twenty~~ fifteen percent (2015%) band around the assigned benchmark index. The portfolio is diversified by maturity and sector. Risk and return of the ~~MEP IGC~~ portfolio are compared regularly with the benchmark comprised of appropriate components as established by the SWIB Benchmark Committee or Board.

CRITERIA APPROVED FOR INVESTMENTS

Investments in ~~MEP IGC~~ will be managed within the following guidelines:

1. Any investments purchased for the portfolio may be sold.
2. Fixed income investments, publicly traded in the U.S. (including EuroDollar fixed income instruments issued by U.S. based issuers) and payable in U.S. dollars, including Yankees, convertible bonds, trust preferred issues and such other fixed income instruments as are included in the portfolio benchmark, may be purchased which conform to the following:
 - a. Average portfolio quality should be "A" or better.
 - b. Portfolio duration will be maintained within a range of ~~twenty~~ fifteen percent plus or minus the duration of the benchmark established by the SWIB Benchmark Committee or Board.
 - c. With the exception of U.S. Government and agency securities, no more than 5% of the portfolio (bonds at market value with accrued interest) may be invested in any one issuer rated BBB- and above, only 3% of the portfolio may be invested in any one issuer rated BB+ and below.
 - d. Investments rated BB+ and below may be purchased, provided they do not constitute more than 15% of the portfolio (bonds at market value with accrued interest).

- e. Investments trading under Rule 144A may be purchased, provided they do not constitute more than 10% of the portfolio (bonds at market value with accrued interest).
- f. A security of a non-U.S. issuer may only be purchased if it is the debt obligation of any sovereign state, agency or territory, related supra-national organization or other issuer based in a country listed as "Free" or "Partly Free" in the most recent version of the Freedom House Index.

3. Make any other legal investment that is specifically approved by the Board.

DERIVATIVES AUTHORITY

Subject to review and approval of the SWIB Risk Management/Derivatives Committee, positions in financial futures, options and swaps are permitted if the purpose is to reduce the interest rate exposure to which the portfolio is subjected in the normal course of business, to facilitate the structuring of synthetic securities/indices that conform to these guidelines, to invest anticipated cash flows or to adjust duration within the duration guidelines.

1. Eligible futures and options contracts are:

- (a) 3 month U.S. Treasury Bill (IMM)
- (b) 2 year U.S. Treasury Note (CBT)
- (c) 5 year U.S. Treasury Note (CBT)
- (d) 10 year U.S. Treasury Note (CBT)
- (e) U.S. Treasury Bond (CBT)
- (f) Options on the above contracts
- (g) Over-the-counter options

2. Transactions must be specific. That is, a financial futures or option contract must be identified with a specific asset (or group of assets) at the time the contract is executed. In each case, the purpose of the transaction must be explicitly stated at the time of execution and a written record of purchases and sales of contracts maintained and reported to the Trustees regularly.

3. If the transaction is against an anticipated rather than an existing cash transaction, the cash transaction must be reasonably expected to occur.

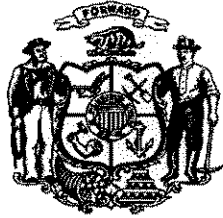
4. When a hedged position is closed, the corresponding futures or options position also must be closed.

5. Swap counterparties must be rated B/C by Keefe, "A-1/A" by Standard and Poors, or "P-1/A" by Moody's. Dealers must be recognized by and report to the Federal Reserve.

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Date: April 13, 2000

Re: Special Investment Performance Dividend Quarterly Report

Attached is a copy of a report from the Department of Employee Trust Funds, which provides information on the progress of the SIPD distribution project.

The report is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh



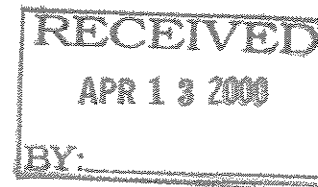
STATE OF WISCONSIN

Department of Employee Trust Funds

Eric O. Stanchfield
Secretary
801 West Badger Road
P.O. Box 7931
Madison, WI 53707-7931

April 11, 2000

HONORABLE BRIAN BURKE
HONORABLE JOHN GARD
CO-CHAIRS, JOINT COMMITTEE ON FINANCE
STATE CAPITOL
MADISON WI 53702



Subject: The Department of Employee Trust Funds' report to the Joint Committee on Finance for January 1 – March 31, 2000 on the Special Investment Performance Dividend (SIPD) lawsuit special distribution.

Dear Senator Burke and Representative Gard:

In July 1999, when the Joint Committee on Finance approved the Department of Employee Trust Fund's plan for continuing the special distribution resulting from the Special Investment Performance Dividend (SIPD) lawsuit, the Committee directed the Department to provide quarterly reports on the progress of the SIPD distribution project. The following is the Department's quarterly report for the third quarter of fiscal year 1999-2000.

SIPD Distribution Statistics

	3rd Quarter FY 99-00	Total to Date
Number of payments issued	2,280	14,058
Average # payments per week	175	N/A
Total amount of payments	\$2,422,693.61	\$17,751,576.00
Average amount per payment	\$1,062.58	\$1,262.73
Claim inquiries received	1,301*	17,991
Average # claim inquiries per week	100	N/A

* Of these 1,301 inquiries, 991 were documented as generated by Education Credit Services (ECS), the professional locator service retained by the Department to locate the heirs and beneficiaries of former WRS annuitants who are eligible for a share of the SIPD funds.

While there was still some staff turnover at the SIPD office during this quarter, the staffing situation stabilized significantly compared to the last quarter. Consequently, there is a 60% increase in the average number of payments issued per week as compared to the last quarter.

The amount of the average payment issued during this quarter also increased by nearly 30% over the last quarter. This reflects the fact that ECS contacted the heirs/beneficiaries with the largest potential payments first, and we are still processing the earliest claim inquiries received after ECS began their location efforts.

3rd Quarter FY 99-00 SIPD Expenditures

During this quarter the Department's documented SIPD administrative expenditures totaled approximately \$214,800. Of this amount, approximately \$84,600 was paid to the contracted locator service. ECS is continuing their manual review at the State Records Center of the files for which they have not yet located any heirs/beneficiaries. We anticipate that they will complete this review before June 30, 2000.

If there are any questions about the SIPD project expenditures, please contact Joanne Cullen, the Department's Budget Director, at 266-3960. Questions concerning the overall project can be directed to Linda Owen at 261-8164.

Sincerely,



Eric O. Stanchfield
Secretary

cc: Dan Caucutt, Department of Administration
Bob Lang, Legislative Fiscal Bureau
Secretary George Lightbourn, Department of Administration



State of Wisconsin Investment Board

MAILING ADDRESS
PO BOX 7842
MADISON, WI 53707-7842

121 EAST WILSON ST
MADISON, WI 53702
(608) 266-2381
FAX: (608) 266-2436

18 April 2000

Senator Brian Burke, Co-Chair
Joint Committee on Finance
P.O. Box 7882
Madison, WI 53708-7882

Representative John Gard, Co-Chair
Joint Committee on Finance
P.O. Box 8952
Madison, WI 53707-8952

Dear Senator Burke and Representative Gard:

I am in receipt of your letter of 18 April 2000 concerning our Compensation Plan. I note your request to forward to you a copy of the performance-based bonus plan as soon as it is available, and will do so. I anticipate that this work should be completed and adopted by the Board of Trustees by mid-August.

We will summarize our experience with recruitment and retention given our new compensation package in a report to you which we will deliver at the end of January 2001. The report will include the relevant comparisons with past experience.

Sincerely yours,

Patricia Lipton
Executive Director

- c. Members, Joint Committee on Finance
Robert Lang, Legislative Fiscal Bureau

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: 266-8535



ASSEMBLY CHAIR
JOHN GARD

315 North, State Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: 266-2343

JOINT COMMITTEE ON FINANCE

April 18, 2000

Ms. Patricia Lipton, Executive Director
State of Wisconsin Investment Board
P. O. Box 7842
Madison, WI 53707-7842

Dear Ms. Lipton:

Thank you for your April 5, 2000, letter transmitting the plan recently approved by the Investment Board trustees to implement a more competitive compensation structure for Board's investment professionals. This plan is the result of action taken by the Legislature in 1999 Wisconsin Act 9 to provide increased budgetary and salary flexibility to the Board. This additional budgetary flexibility was provided by the Legislature in large part to address investment staff recruitment and retention difficulties which have been experienced by the Board in the last few years.

We believe that the Act 9 modifications will provide the Board with the necessary tools to bring its investment staff salaries closer to the median salaries paid at peer, private sector institutions. In turn, these changes in compensation policies should improve the Board's ability to attract and retain qualified investment staff.

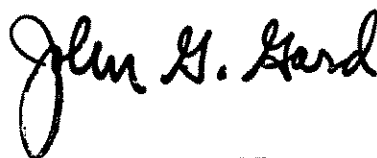
We appreciate your attention to keeping the Joint Committee on Finance apprised of the Board's plans in this area and we look forward to receiving a copy of the performance-based bonus compensation plan as soon as that is available. In addition, we would like to be notified periodically of the Board's investment staff recruitment and retention experience as a result of the new compensation structure. In this regard, therefore, we request that you provide the Joint Committee on Finance, by January 31 of next year, with a summary of the Board's recruitment and

retention experience for its investment staff during the preceding calendar year, with appropriate comparisons to those periods before the implementation of the new compensation structure.

Sincerely,



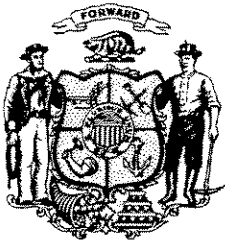
BRIAN BURKE
Senate Chair



JOHN GARD
Assembly Chair

BB:JG:js

cc: Members, Joint Committee on Finance



State of Wisconsin Investment Board

MAILING ADDRESS
PO BOX 7842
MADISON, WI 53707-7842

121 EAST WILSON ST
MADISON, WI 53702
(608) 266-2381
FAX: (608) 266-2436

May 12, 2000

Senator Gary George, Co-Chair
Joint Committee on Audit
PO Box 7882
Madison, WI 53708-7882

Representative Carol Kelso, Co-Chair
Joint Committee on Audit
PO Box 8952
Madison, WI 53707-8952

Dear Senator George and Representative Kelso:

Thank you for your letter regarding our annual goals and performance report to the Legislature. That report provided performance data as of December 31, 1999. As an update, the following table shows the performance of the Fixed and Variable Trust Funds as of March 31, 2000. Both trust funds were ahead of their one-, five- and ten-year benchmarks at the end of March.

Annualized Returns For Periods Ending March 31, 2000

Fixed Retirement Trust Fund

	<u>One Year</u>	<u>Five Years</u>	<u>Ten Years</u>
Fixed Fund Return	20.1%	16.9%	13.3%
Investment Benchmark	16.4	16.1	12.6
Actuarial Benchmark	8.0	8.0	8.0

Variable Retirement Trust Fund

	<u>One Year</u>	<u>Five Years</u>	<u>Ten Years</u>
Variable Fund Return	34.0%	22.7%	16.2%
Investment Benchmark*	25.8	21.6	16.0
S&P 500	17.9	26.8	18.8

*The investment benchmark is the equity component of the Fixed Fund investment benchmark

Passive Management

I hope the following additional information will address the questions you raised about our use of passive management. We make the decision to use active or passive management (or some combination of the two) on a market-by-market basis. Economic fundamentals support a role for a passive strategy in markets that are more efficient. In those markets, information is incorporated into prices more quickly, making it more difficult for a portfolio manager to add value through active buying and selling of individual securities. In less efficient markets, information is not available to the investing public as quickly, nor is it as broadly disseminated. This provides an added opportunity for a trained portfolio manager to profit from information that is not yet incorporated into the asset price.

For example, our large company stock investments are primarily in index funds due to the efficiency of that market. In contrast, our small company stock investments are primarily in an actively managed portfolio, due to the less efficient nature of that market. (In some markets, such as private equity and private placements, active management is the only practical option.)

Passive management also has three other benefits:

- Rebalancing assets. When asset classes run-up in value relative to their strategic targets, it is more efficient and less disruptive to rebalance the assets by buying or selling our shares in index funds. This eliminates the need for an active manager to sell out of or buy into positions they would not otherwise take. This process also greatly reduces transaction costs.
- Diversification of investment strategy. An active portfolio manager may have a particular strength in covering a certain segment of the market. A passive component to our strategy enables us to have broader exposure to the market with low management costs.
- Back-up for actively managed portfolios. If there is unanticipated turnover in active managers, index funds can provide an immediate back-up option until vacancies are filled.

Fixed Retirement Fund

At the end of 1998, approximately 30% Fixed Fund assets were passively managed. This was slightly below the average (36%) for a peer group of 12 other large public funds. According to a report by Cost Effectiveness Measurement, Inc., SWIB actively manages a larger share of Fixed Fund assets internally than the average for our peers. Other funds rely to a greater extent on outside managers. By law, outside management is limited to 15% of Fixed and Variable Fund assets.

Our use of index funds has marginally increased in 2000. As noted in our February report, this is largely in our small and mid cap domestic stock portfolios. Our last strategic planning exercise confirmed these portfolios are among the largest such portfolios actively managed by any public or private investment organization. We want to avoid situations in which an individual portfolio manager has too much cash to move in and out of securities without unfavorably affecting the market.

Another problem with excessively large portfolios can be finding sufficient quantities of investments that the manager believes have a good chance to provide excess returns. The risk in these situations is that the manager may be forced to take on larger positions than are warranted, given their fundamental and economic analysis. By reducing the size of these actively managed portfolios, we believe that there is a greater probability that our managers can outperform the market going forward.

We continue to believe passive strategies play a role in the work we do at the Investment Board. Internal asset management depends on an adequate number of staff positions and on the recruitment and retention of experienced professionals in those positions. I am hopeful that our expanded budget authority and recently approved compensation plan will help us to pursue both active and enhanced passive strategies internally. Presently, I anticipate that the amount of passive management in the Fixed Fund will not increase significantly from the levels projected in our February 2000 report.

Senator George and Representative Kelso

May 12, 2000

Page 3

Variable Fund

The changes in passive strategy in our stock portfolios described for the Fixed Fund also affect the Variable Fund due to the common holdings in the two funds. As you know, the Variable Fund may reopen as a result of 1999 Wisconsin Act 11. We have been exploring whether fund participants would find it easier to make a decision about enrolling in the Variable Fund if it basically provided a market rate of return through passive management. In addition, over the last year, several members of the Legislature expressed interest in a greater role for passive strategies.

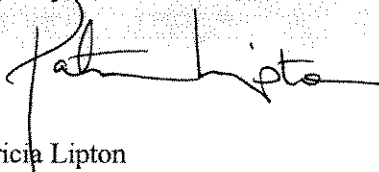
Since our February strategy report, we have been discussing this topic with major groups that represent participants in the Wisconsin Retirement System. We have also provided information about the role of passive investments and Variable Fund strategy in a recent newsletter sent to all participants. To date, we have learned that the preference of fund participants is clearly that we maintain a significant role for active management in the Variable Fund. For that reason, I do not anticipate significant increases in passive strategies for the Variable Fund beyond the level projected for 2000 in our February report.

Our 1999 returns clearly show the benefits of active management and we are committed to maintaining a strong active presence in the markets. The budget flexibility SWIB received gives us the ability to make decisions based on what makes the most sense from a total return perspective. This enables us to continue to effectively manage assets internally and actively where there is a cost and return advantage to do so.

Due to your interest, I attached an updated version of the Legislative Audit Bureau's appendix, listing one-, five-, and ten-year returns and related benchmarks as of December 31, 1999 on a portfolio-by-portfolio basis.

Again, we welcome your comments and questions. Please let me know if I can be of further assistance.

Sincerely



Patricia Lipton
Executive Director

**State of Wisconsin Investment Board
Portfolio Descriptions, Balances and Performance
As of December 31, 1999**

Domestic Equity Portfolios

Large Cap Equities

Large Cap Issue Selection Portfolio

Created March 31, 1997
 Description Holds undervalued large cap stocks (with market capitalization over \$5 billion) to complement the S&P 500 index fund.
 Managed Internal
 Balance \$2.265 billion
 Benchmark S&P 500 Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	27.4%	21.0%
Since Inception	28.0%	28.1%

S&P 500 Index Fund

Created October 31, 1991
 Description Tracks the S&P 500 market return.
 Managed External
 Balance \$15.269 billion
 Benchmark S&P 500 Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	21.0%	21.0%
5 year	28.5%	28.6%
Since Inception	20.2%	20.3%

Quantitative Portfolio

Created June 30, 1998
 Description Risk-controlled strategy that attempts to loosely track the S&P 500 Index, yet earn excess returns by variations from the Index.
 Managed External
 Balance \$671 million
 Benchmark S&P 500 Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	19.6%	21.0%
Since Inception	19.1%	20.5%

Enhanced Portfolio

Created June 30, 1998
Description Similar to Quantitative Portfolio, yet retains more restrictions on variations from the S&P 500 Index.
Managed External
Balance \$671 million
Benchmark S&P 500 Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	19.0%	21.0%
Since Inception	20.0%	20.5%

Mid Cap Equities

Mid Cap Portfolio

Created July 31, 1990; modified July 1996
Description Focuses on domestic companies with a market capitalization between \$1 billion and \$5 billion.
Managed Internal
Balance \$5.551 billion
Benchmark Russell Mid-Cap Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	24.1%	19.5%
5 year	21.8%	22.1%
Since Inception	16.7%	16.0%

Mid Cap Index Fund

Created September 30, 1997
Description Tracks the mid cap market return.
Managed External
Balance \$825 million
Benchmark BGI Intermediate Cap Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	35.3%	34.4%
Since Inception	23.1%	22.8%

Small Cap Equities

Small Cap Portfolio

Created December 31, 1982; modified July 1996
Description Focuses on domestic companies with a market capitalization under \$1 billion.
Managed Internal
Balance \$3.680 billion
Benchmark Russell 2000 Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	49.2%	20.6%
5 year	19.5%	18.4%
10 year	13.4%	12.9%

Small Cap Index Fund

Created January 31, 1999
Description Tracks the small cap market return.
Managed External
Balance \$1.116 billion
Benchmark Russell 2000 Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
Since Inception	19.5%	19.7%

Private Equity

Leveraged Buy-out

Created July 31, 1985
Description Private placement equity designed to produce superior earnings from closely held and leveraged companies.
Managed Internal
Balance \$1.148 billion (investments)
Benchmark 15% net of fees absolute return

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	25.8%	15.0%
5 year	23.8%	15.0%
10 year	17.2%	15.0%

Venture Capital

Created August 31, 1985
Description Private Placement equity designed to produce superior earnings from investment in companies in early stages of development. Limited to 2% of assets.
Managed Internal
Balance \$186 million (investments)
Benchmark 15% net of fees absolute return

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	34.8%	15.0%
5 year	18.8%	15.0%
10 year	14.3%	15.0%

Domestic Fixed Income Portfolios

Public Fixed Income

Core Portfolio

Created June 30, 1977
 Description Holds highly diversified portfolio of fixed income securities. Longest duration of all fixed-income portfolios.
 Managed Internal
 Balance \$3.603 billion
 Benchmark Merrill Lynch Public Bond Hybrid Index and Lehman Brothers Public Bond Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	-6.0%	-3.4%
5 year	9.1%	8.6%
10 year	8.9%	8.3%

Market Evaluation Portfolio

Created December 31, 1988
 Description Hold highly diversified portfolio of fixed-income securities. Focus is corporate issues.
 Managed Internal
 Balance \$1.756 billion
 Benchmark Merrill Lynch Government/Corporate Hybrid Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	-2.6%	-2.8%
5 year	8.1%	8.3%
10 year	8.3%	8.2%

Intermediate Duration Portfolio

Created December 31, 1983; modified November 1994
 Description Primarily focused on U.S. Treasury securities with a maturities range of 3 to 7 years and a duration of approximately 5 years.
 Managed Internal
 Balance \$1.240 billion
 Benchmark Merrill Lynch 5-year Government Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	-1.6%	-2.5%
5 year	7.6%	6.7%
10 year	8.1%	6.8%

Lehman Aggregate Index Fund

Created September 30, 1996
 Description Tracks the Lehman Aggregate bond market return.
 Managed External
 Balance \$3.838 billion
 Benchmark Lehman Aggregate Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	-0.8%	6.3%
Since Inception	-0.8%	6.2%

Private Placements

Private Placements Portfolio

Created June 30, 1977
Description Privately negotiated fixed-rate intermediate-term corporate debt instruments. Illiquid nature of securities expected to provide additional return.
Managed Internal
Balance \$3.239 billion
Benchmark 60% sector-weighted Lehman Intermediate Corporate Bond Index plus 10 basis points, 40% sector-weighted Lehman Corporate Bond Index plus 10 basis points.

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	0.0%	-1.1%
5 year	8.3%	8.0%
Since Inception	8.5%	8.2%

NML Real Estate Mortgage Portfolio

Created June 30, 1999
Description Private commercial mortgages invested in participation with Northwestern Mutual.
Managed Internal
Balance \$401 million
Benchmark Duration adjusted Lehman BAA Corporate Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
Since Inception	3.0%	0.9%

International Portfolios

International Equities

Internal International Portfolio

Created September 30, 1989
 Description Non-U.S. securities in "free" or "partially-free" countries, as rated by Freedom House Index.
 Managed Internal
 Balance \$4.954 billion
 Benchmark MSCI World ex. U.S. (Net Tax)

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	32.1%	28.5%
5 year	20.5%	16.7%
10 year	15.9%	11.1%

External International Portfolios

Created September 30, 1989 and June 30, 1993
 Description Non-U.S. securities in "free" or "partially-free" countries, as rated by Freedom House Index.
 Managed External (3)
 Balance \$5.995 billion
 Benchmark MSCI World ex. U.S. (Net Tax)

Performance

	<u>Mgr. 1</u>	<u>Mgr. 2</u>	<u>Mgr. 3</u>	<u>Benchmark</u>
1 year	18.7%	72.8%	36.6%	28.5%
5 year	17.6%	23.5%	20.8%	16.7%
Since Inception	14.8%	15.1%	18.9%	11.1%*
	*16.0 for Mgr. 3			

World ex. U.S. Index Fund

Created November 30, 1996
 Description Tracks the MSCI World ex. U.S. market return.
 Managed External
 Balance \$689 million
 Benchmark MSCI World ex. U.S. (Net Tax)

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	25.7%	25.9%
Since Inception	17.0%	17.2%

Equity Emerging Markets

External Manager 1

Created April 30, 1992
Description Investments limited to developing countries.
Managed External
Balance \$449 million
Benchmark Morgan Stanley Emerging Market Free Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	77.9%	65.2%
5 year	9.6%	2.4%
Since Inception	12.8%	7.5%

External Manager 2

Created April 30, 1992
Description Investments limited to developing countries.
Managed External
Balance \$353 million
Benchmark Morgan Stanley Emerging Market Free Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	47.0%	65.2%
5 year	3.6%	2.4%
Since inception	8.9%	7.5%

Global Fixed Income

Internal Global Bond Portfolio

Created December 1996
Description Authority to invest in Global fixed-income securities. Non-U.S. fixed income limited to "free" and "partially free," as determined by the Freedom House Index.
Managed Internal
Balance \$971 million
Benchmark Salomon WGBI Unhedged (Net Tax)

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	-1.4%	0.6%
Since inception	5.7%	6.7%

External Global Fixed Income Portfolios

Created September 30, 1989 and June 30, 1993
Description Authority to invest in Global fixed-income securities. Non-U.S. fixed income limited to "free" and "partially free," as determined by the Freedom House Index.
Managed External (3)
Balance \$2.490 billion
Benchmark Salomon WGBI Unhedged (Net Tax)

Performance

	<u>Mgr. 1</u>	<u>Mgr. 2</u>	<u>Mgr. 3</u>	<u>Benchmark</u>
1 year	1.9%	2.9%	0.2%	4.0%
5 year	11.1%	11.1%	11.6%	11.1%
10 year	8.5%	9.4%	8.3%	8.6%

WGBI Index Fund

Created November 30, 1999
Description Tracks the Salomon World Government Bond Index
Managed External
Balance \$222 million
Benchmark WGBI Unhedged (Net Tax)

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
Since Inception	-0.4%	-0.2%

Fixed Income Emerging Markets

External Manager 1

Created December 31, 1994
Description Investments limited to developing countries.
Managed External
Balance \$73 million
Benchmark J.P. Morgan Emerging Market Bond Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	28.4%	26.0%
5 year	19.3%	16.3%

External Manager 2

Created December 31, 1994
Description Investments limited to developing countries.
Managed External
Balance \$70 million
Benchmark J.P. Morgan Emerging Market Bond Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	27.9%	26.0%
5 year	18.4%	16.3%

Real Estate

Real Estate Portfolio

Created June 30, 1977
Description Commercial real estate investments through direct ownership and participating mortgages, which serve to hedge inflation.
Managed Internal
Balance \$1.907 billion
Benchmark NCREIF Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	8.3%	11.9%
5 year	10.8%	10.8%
10 year	7.1%	4.4%

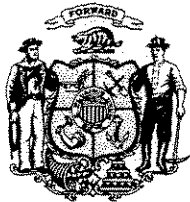
Non-Traditional

Non-Traditional Portfolio

Created January 1995
Description Cross-border, cross-asset investments. Take advantage of market inefficiencies created by complexity of securities.
Managed Internal
Balance \$1.378 billion
Benchmark Morgan Stanley Capital International (MSCI) All Country Index

Performance

	<u>Portfolio</u>	<u>Benchmark</u>
1 year	5.3%	27.3%
Since Inception	13.9%	19.2%



State of Wisconsin Investment Board

MAILING ADDRESS
PO BOX 7842
MADISON, WI 53707-7842

121 EAST WILSON ST
MADISON, WI 53702
(608) 266-2381

15 May 2000

Senator Brian Burke, Co-Chair
Joint Committee on Finance
P.O. Box 7882
Madison, WI 53707-7882

Representative John Gard, Co-Chair
Joint Committee on Finance
P.O. Box 8952
Madison, WI 53708-8952

Mr. George Lightbourn, Secretary
Department of Administration
101 East Wilson Street
P.O. Box 7864
Madison, WI 53707-7864

Dear Committee Co-Chairs and Secretary Lightbourn:

Attached is our quarterly report of charges to funds managed by the Investment Board for expenses incurred under ss. 25.18 (1)(a) and (m). This report includes payments made during the quarter ending March 31, 2000.

Under ss. 25.18 (1)(a), the Board may employ special legal or investment counsel in any matter arising out of the scope of our investment authority. Under ss. 25.18 (1)(m), the Board may employ professionals, contractors or agents to evaluate or operate any property in which the Board has an interest. Expenses for these services are charged to the current income of the fund for which the services were furnished.

Because the report represents actual payments made during the quarter, significant fluctuations in amounts reported for each vendor will occur from quarter to quarter.

Section 25.17 (13m) of the Statutes provides for this report on a quarterly basis. Please contact me if you have any questions or comments about this report.

Sincerely,

Patricia Lipton
Executive Director

cc: Members, Joint Committee on Finance
Bob Lang, Legislative Fiscal Bureau

STATE OF WISCONSIN INVESTMENT BOARD
Direct Charges Under ss. 25.18 (1) (a) or (m)

1/1/00 to 3/31/00

Custodial and Banking Fees

Bank of New York	\$48,344	
Bankers Bank	\$2,500	
Boston Co. Institutional Investor	\$1,332,842	
Firststar	\$1,532	
Total Custodial and Banking Fees		\$1,385,219

Legal Fees, Services and Expenses

Axley Brynelson	\$2,908	
Baker & Botts	\$2,532	
Department of Justice	\$784	
Foley & Lardner	\$474	
Girard & Green LLP	\$13,663	
Grant & Eisenhofer PA	\$7,802	
Mallon & Johnson P.C.	\$360	
McDermott Will & Emery	\$3,426	
Michael Best & Friedrich	\$895	
Quarles & Brady	\$4,176	
Reinhart Boerner Van Dueren	\$5,635	
Ruder, Ware & Michler	\$352	
Solheim, Billing & Grimker SC	\$21,932	
Stafford Rosenbaum Attorneys	\$3,625	
Total Legal Fees, Services and Expenses		\$68,562

Investment Counsel

American Stock Exchange	\$2,174
Bloomberg, LP	\$88,690
Bridgewater Associates	\$3,750
Capital Management Sciences	\$14,220
Council of Institutional Investors	\$25,000
CP Risk Management	\$1,954
Doeler, Jacqueline	\$24,130
Dow Jones & Co	\$6,111
Elkins McSherry	\$35,000
Factset Data Systems	\$46,878
First Call	\$21,800
Garland Associates, Inc.	\$17,860
Heidrick & Struggles, Inc	\$24,529
IDC Portfolio Mgmt, Inc.	\$6,250
Instinet	\$1,240

STATE OF WISCONSIN INVESTMENT BOARD
Direct Charges Under ss. 25.18 (1) (a) or (m)

1/1/00 to 3/31/00

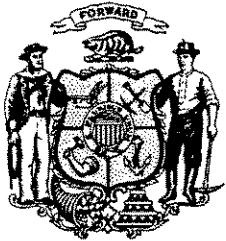
Institutional Shareholders	\$92,700	
Investor Responsibility Research Center	\$23,575	
Kenneth Purdy Consulting	\$19,932	
Maria Fiorini Ramirez	\$975	
McCarthy, Crisanti & Maffei	\$9,360	
MOBEO	\$1,299	
NASDAQ Stock Market	\$500	
New York Stock Exchange	\$5,145	
Options Price Reporting Authority	\$1,587	
Reuters America Inc.	\$79,550	
Stone & McCarthy Research	\$900	
Strategic Economic Decisions	\$12,500	
Strategic Investment Solutions, Inc.	\$57,500	
Telerate	\$11,974	
Thomson Trading Services	\$3,200	
Toronto Stock Exchange	\$891	
Wellesley Group, Inc.	\$15,000	
Wilshire	\$42,958	
Total Investment Counsel		\$699,132

Real Estate Advisory Fees

AETNA PMSA Fund	\$48,133
Boston Co. Institutional Investor	\$5,768
Bristol Group, Inc.	\$223,910
Hudson Advisors (Lonestar Funds)	\$341,771
Jones, Lang, Wootton Realty Advisors	\$117,935
Kensington Realty Advisors	\$97,714
Koll Bren Realty Advisors	\$382,867
Landmark Realty Advisors	\$161,942
Lazard Freres	\$142,484
Lend Lease Real Estate Investment	\$196,433
MIG Realty Advisors, Inc.	\$65,597
Morgan Stanley Capital International	\$464,628
New England Mutual	\$6,980
Northwestern Mutual Life	\$32,760
PM Realty Advisors, Inc.	\$38,543
PRICOA Trans European	\$26,081
Prudential (Senior Housing)	\$9,771
Security Capital	\$530,053
Westbrook Real Estate	\$475,832
Whitehall Street Real Estate	\$115,589

STATE OF WISCONSIN INVESTMENT BOARD
Direct Charges Under ss. 25.18 (1) (a) or (m)
1/1/00 to 3/31/00

Yarmouth Capital Partners	<u>\$158,768</u>	
Total Real Estate Advisory Fees		\$3,643,559
 <u>Index Fund Fees</u>		
Barclays Global Investors (a.k.a. Wells Fargo)	<u>\$625,329</u>	
Total Index Fund Fees		\$625,329
 <u>Total</u>		 <u><u>\$6,421,802</u></u>



State of Wisconsin Investment Board

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12 June 2000

Representative John Gard, Co-Chair
Joint Committee on Finance
PO Box 8952
Madison, WI 53708-8952

Senator Brian Burke, Co-Chair
Joint Committee on Finance
PO Box 7882
Madison, WI 53708-7882

Representative Carol Kelso, Co-Chair
Joint Committee on Audit
PO Box 8952
Madison, WI 53708-8952

Senator Gary George, Co-Chair
Joint Committee on Audit
PO Box 7882
Madison, WI 53708-7882

Mr. Donald Schneider
Mr. Charles Sanders

Members of the Legislature:

Section 25.17(14r) of the Statutes requires that the State of Wisconsin Investment Board (SWIB) submit a report to the Joint Committee on Audit, Joint Committee on Finance and the Chief Clerks of each House summarizing any change in the Board's investment policies, upon adoption of the change.

On April 5, 2000 the Board approved modifications to the Investment Policy Guidelines relating to the Wisconsin Certificate of Deposit program. Attached are the modified guidelines. Additions to the previous guidelines are shaded and deletions are ~~stricken~~.

Additionally, the investment guidelines pertaining to domestic equity portfolio management were modified to remove references to the "Target Portfolio." This internally managed portfolio was terminated in December 1999 due to the resignation of the portfolio manager. The portfolio value, at the time of its termination, was approximately \$327 million, representing .5 % of the total Fixed Trust Fund assets. Proceeds from this portfolio were allocated to existing internally managed domestic equity portfolios.

Wisconsin Certificate of Deposit Guideline Changes

The Wisconsin Certificate of Deposit Program is contained within the State Investment Fund (SIF) and is managed by the SIF Portfolio Manager. The Wisconsin CD program was designed to facilitate community-based bank involvement by providing a competitive rate of return on funds invested in the SIF. Any bank or thrift in the State of Wisconsin is eligible to participate in the Wisconsin CD Program.

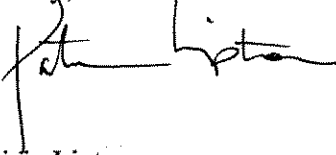
To make the Wisconsin CD Program more attractive and accessible, in 1997 SWIB teamed up with Bankers' Bank to administer the program. At that time, the guidelines were revised to offer participants more flexibility and additional maturity choices. As a result of those changes, SWIB's total CD purchases from Wisconsin banks and thrifts has, to date, seen a 350% increase and has added more than 175 new banks and thrifts with facilities in 94% of Wisconsin counties.

To enhance SWIB's ability to make CD purchases and meet the growing interest of Wisconsin banks and thrifts, on April 5, 2000, the Board voted to increase SWIB's investment limit from \$350 million to \$400 million.

The boost in the investment limit will allow SWIB to continue its efforts of participating in the local community and will provide more CD options to Wisconsin banks and thrifts.

Please contact me if you have any questions about this report.

Sincerely,



Patricia Lipton
Executive Director

cc: Members, Joint Committee on Audit
Members, Joint Committee on Finance
Legislative Audit Bureau
Legislative Fiscal Bureau

WISCONSIN CERTIFICATE OF DEPOSIT PROGRAM

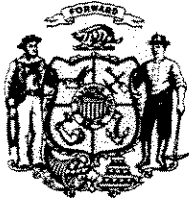
Any bank or thrift in the State of Wisconsin is eligible to participate in the Wisconsin Certificate of Deposit Program in the State Investment Fund within the following guidelines:

CRITERIA APPROVED FOR INVESTMENTS

Investments under the Wisconsin Certificate of Deposit Program will be managed by the SIF Investment Director within the following guidelines:

1. The bank/thrift qualifies for "pass-through" insurance by being classified as "well capitalized" by the FDIC or "adequately capitalized" with an FDIC waiver which states the institution qualifies for "pass-through" insurance.
2. The total dollar amount invested by SWIB in the CD's of any individual bank/thrift shall not exceed the lesser of \$10,000,000 or three (3%) percent of reported assets of the individual bank/thrift, providing that the total dollar amount invested by SWIB in any individual holding company (when investing in the CD's of the bank/thrifts of the holding company) shall not exceed \$35 million, unless the total dollar amount of CD investment in the program is less than ~~\$350~~ \$400 million.
3. The total dollar amount (face value) of CD investment under the program shall not exceed ~~\$350~~ \$400 million.
4. The maturity limit for the program shall be not greater than 3 years.
5. Make any other legal investment that is specifically approved by the Board.

Note: The SIF Investment Director may use a third-party custodian to help administer and oversee the execution of the program.



State of Wisconsin Investment Board

MAILING ADDRESS
PO BOX 7842
MADISON, WI 53707-7842

121 EAST WILSON ST
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(608) 266-2381

June 15, 2000

Senator Brian Burke, Co-Chair
Joint Committee on Finance
P.O. Box 7882
Madison, WI 53707-7882

Representative John Gard, Co-Chair
Joint Committee on Finance
P.O. Box 8952
Madison, WI 53708-8952

Mr. George Lightbourn, Secretary
Department of Administration
101 East Wilson Street
P.O. Box 7864
Madison, WI 53707-7864

Dear Committee Co-Chairs and Secretary Lightbourn:

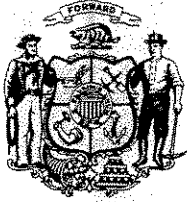
Section 25.187(2)(c)3.b. of the Statutes, as created by 1999 Wisconsin Act 9, provides that the Investment Board annually submit a report to you on total assets under management as of April 30. On April 30, 2000, assets managed by SWIB totaled \$71.1 billion.

Please let me know if you have any questions.

Sincerely,

Patricia Lipton
Executive Director

cc: Members, Joint Committee on Finance
Bob Lang, Legislative Fiscal Bureau



State of Wisconsin Investment Board

MAILING ADDRESS
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121 EAST WILSON ST
MADISON, WI 53702
(608) 266-2381

15 August 2000

Senator Brian Burke, Co-Chair
Joint Committee on Finance
P.O. Box 7882
Madison, WI 53707-7882

Representative John Gard, Co-Chair
Joint Committee on Finance
P.O. Box 8952
Madison, WI 53708-8952

Mr. George Lightbourn, Secretary
Department of Administration
101 East Wilson Street
P.O. Box 7864
Madison, WI 53707-7864

Dear Committee Co-Chairs and Secretary Lightbourn:

Attached is our quarterly report of charges to funds managed by the Investment Board for expenses incurred under ss. 25.18 (1)(a) and (m). This report includes payments made during the quarter ending June 30, 2000.

Under ss. 25.18 (1)(a), the Board may employ special legal or investment counsel in any matter arising out of the scope of our investment authority. Under ss. 25.18 (1)(m), the Board may employ professionals, contractors or agents to evaluate or operate any property in which the Board has an interest. Expenses for these services are charged to the current income of the fund for which the services were furnished.

Because the report represents actual payments made during the quarter, significant fluctuations in amounts reported for each vendor will occur from quarter to quarter. Specifically, due to timing issues, this report contains approximately two quarters of real estate advisory fees. Differences such as this make it difficult to draw conclusions from quarter-to-quarter comparisons of the data.

Section 25.17 (13m) of the Statutes provides for this report on a quarterly basis. Please contact me if you have any questions or comments about this report.

Sincerely,

A handwritten signature in black ink that reads "Patricia Lipton".

Patricia Lipton
Executive Director

cc: Members, Joint Committee on Finance
Bob Lang, Legislative Fiscal Bureau

STATE OF WISCONSIN INVESTMENT BOARD
Direct Charges Under ss. 25.18 (1) (a) or (m)
4/1/00 to 6/30/00

Custodial and Banking Fees

Bank of New York	\$48,657	
Bankers Bank	\$2,500	
Boston Co. Institutional Investor	\$841,588	
Firststar	\$2,593	
Total Custodial and Banking Fees		\$895,338

Legal Fees, Services and Expenses

Allf & Associates	\$6,955	
Axley Brynelson	\$60	
Department of Justice	\$2,296	
Foley & Lardner	\$314	
Girard & Green LLP	\$11,934	
Grant & Eisenhower PA	\$2,832	
Jones, Day, Reavis & Pogue	\$25,924	
Mallon & Johnson P.C.	\$934	
McDermott Will & Emery	\$18,694	
Michael Best & Friedrich	\$6,282	
Quarles & Brady	\$833	
Ruder, Ware & Michler	\$11,334	
Solheim, Billing & Grimker SC	\$6,190	
Stafford Rosenbaum Attorneys	\$435	
Total Legal Fees, Services and Expenses		\$95,017

Investment Counsel

AG Risk Management	\$9,250
American Stock Exchange	\$4,349
Bloomberg, LP	\$91,569
Bridgewater Associates	\$3,750
Capital Management Sciences	\$28,440
Conference Board, The	\$10,600
CP Risk Management	\$1,645
Dow Jones & Co	\$6,111
Factset Data Systems	\$46,878
First Call	\$21,800
Garland Associates, Inc.	\$16,000
George Barlow	\$1,500
Heidrick & Struggles, Inc	\$2,493
IDC Portfolio Mgmt, Inc.	\$6,250
Instinet	\$780

STATE OF WISCONSIN INVESTMENT BOARD
Direct Charges Under ss. 25.18 (1) (a) or (m)
4/1/00 to 6/30/00

KPMG Peat Marwick, LLP	\$4,031	
Maria Fiorini Ramirez	\$975	
McLagan Partners	\$41,455	
MOBEO	\$1,949	
NASDAQ Stock Market	\$1,955	
New York Stock Exchange	\$3,430	
Options Price Reporting Authority	\$1,587	
Reuters America Inc.	\$70,464	
Russell/Mellon Analytical Services	\$1,250	
Stone & McCarthy Research	\$900	
Strategic Investment Solutions, Inc.	\$57,500	
Telerate	\$19,428	
Thomson Trading Services	\$6,400	
Toronto Stock Exchange	\$756	
Trade Web	\$1,200	
Wellesley Group, Inc.	\$30,000	
Wilshire	\$82,492	
Total Investment Counsel	\$577,187	\$577,187

Real Estate Advisory Fees

AETNA PMSA Fund	\$97,407
Apollo Advisors II & LP	\$156,250
Bristol Group, Inc.	\$73,914
Fortress Investment Corp	\$222,222
Goldman Sachs & Co.	\$2,534,923
Heitman Capital Management Corp.	\$271,498
Hudson Advisors (Lonestar Funds)	\$689,060
Invesco Realty Advisors, Inc.	\$90,923
Jones, Lang, Wootton Realty Advisors	\$62,289
Kensington Realty Advisors	\$90,046
Koll Bren Realty Advisors	\$208,323
Landmark Realty Advisors	\$457,593
Lazard Freres	\$312,500
Lend Lease Real Estate Investment	\$178,095
MIG Realty Advisors, Inc.	\$44,577
New England Mutual	\$10,521
Northwestern Mutual Life	\$1,780
PM Realty Advisors, Inc.	\$38,770
PRICOA Trans European	\$169,989
Prudential (Senior Housing)	\$24,173
Security Capital	\$1,227,811

STATE OF WISCONSIN INVESTMENT BOARD
Direct Charges Under ss. 25.18 (1) (a) or (m)
4/1/00 to 6/30/00

Sentinel Realty Advisors Corp.	\$52,818	
Westbrook Real Estate	\$923,533	
Whitehall Street Real Estate	\$75,439	
WKB Value Partners	\$528,256	
Yarmouth Capital Partners	\$289,393	
Total Real Estate Advisory Fees		\$8,832,102
 <u>Index Fund Fees</u>		
Barclays Global Investors (a.k.a. Wells Fargo)	\$747,678	
Total Index Fund Fees		\$747,678
 <u>Total</u>		 <u><u>\$11,147,322</u></u>



State of Wisconsin Investment Board

MAILING ADDRESS
PO BOX 7842
MADISON, WI 53707-7842

121 EAST WILSON ST
MADISON, WI 53702
(608) 266-2381

15 November 2000

Senator Brian Burke, Co-Chair
Joint Committee on Finance
P.O. Box 7882
Madison, WI 53707-7882

Representative John Gard, Co-Chair
Joint Committee on Finance
P.O. Box 8952
Madison, WI 53708-8952

Mr. George Lightbourn, Secretary
Department of Administration
101 East Wilson Street
P.O. Box 7864
Madison, WI 53707-7864

Dear Committee Co-Chairs and Secretary Lightbourn:

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Because the report represents actual payments made during the quarter, significant fluctuations in amounts reported for each vendor will occur from quarter to quarter. These differences make it difficult to draw conclusions from quarter-to-quarter comparisons of the data.

Section 25.17 (13m) of the Statutes provides for this report on a quarterly basis. Please contact me if you have any questions or comments about this report.

Sincerely,

Patricia Lipton
Executive Director

cc: Members, Joint Committee on Finance
Bob Lang, Legislative Fiscal Bureau

STATE OF WISCONSIN INVESTMENT BOARD
Direct Charges Under ss. 25.18 (1) (a) or (m)
7/1/00 to 9/30/00

Custodial and Banking Fees

Bank of New York	\$50,038	
Bankers Bank	\$2,500	
Boston Co. Institutional Investor	\$343,660	
Firststar	\$2,132	
Total Custodial and Banking Fees		\$398,330

Legal Fees, Services and Expenses

Alf & Associates	\$2,398	
Baker & Botts	\$3,215	
Bryan Cave LLP	\$6,503	
Cox, Castle & Nicholson	\$6,250	
Department of Justice	\$2,453	
Jones, Day, Reavis & Pogue	\$13,241	
Mallon & Johnson P.C.	\$1,252	
McDermott Will & Emery	\$154	
Michael Best & Friedrich	\$1,868	
Ruder, Ware & Michler	\$2,047	
Solheim, Billing & Grimker SC	\$10,621	
Stafford Rosenbaum Attorneys	\$378	
Sullivan, Hill, Lewin, Rez & Engel	\$26,861	
Wilmer, Cutler & Pickering	\$84,642	
Total Legal Fees, Services and Expenses		\$161,883

Investment Counsel

American Stock Exchange	\$3,262	
Bloomberg, LP	\$103,688	
Bridge Information Services	\$3,119	
Bridgewater Associates	\$3,750	
Capital Management Sciences	\$14,220	
Cost Effective Measurements	\$15,000	
Dow Jones & Co	\$6,111	
Elkins McSherry	\$2,500	
Factset Data Systems	\$31,252	
First Call	\$21,800	
Garland Associates, Inc.	\$1,014	
IDC Portfolio Mgmt, Inc.	\$6,250	
Instinet	\$780	
Institutional Shareholders	\$7,198	
Kenneth Purdy Consulting	\$12,452	

STATE OF WISCONSIN INVESTMENT BOARD
Direct Charges Under ss. 25.18 (1) (a) or (m)

7/1/00 to 9/30/00

Maria Fiorini Ramirez	\$975	
McLagan Partners	\$26,171	
MOBEO	\$1,949	
Morgan Stanley Capital International	\$17,500	
Multex Company	\$22,500	
NASDAQ Stock Market	\$160	
New York Stock Exchange	\$5,145	
Petersen, John L.	\$10,122	
Reuters America Inc.	\$77,757	
Russell/Mellon Analytical Services	\$1,250	
Salomon Analytics Yield Book	\$25,000	
Stone & McCarthy Research	\$900	
Strategic Economic Decisions	\$12,500	
Strategic Investment Solutions, Inc.	\$57,500	
Telerate	\$6,670	
Thomson Trading Services	\$5,753	
Toronto Stock Exchange	\$945	
Trade Web	\$1,800	
Uniglobe Keystone Travel	\$505	
Wilshire	\$34,764	
Total Investment Counsel		\$542,262

Real Estate Advisory Fees

Apollo Real Estate Mgmt IV	\$156,250	
Bristol Group, Inc.	\$127,196	
Heitman Capital Management Corp.	\$137,240	
Jones, Lang, Wootton Realty Advisors	\$54,276	
Kensington Realty Advisors	\$97,057	
Lend Lease Real Estate Investment	\$146,139	
MIG Realty Advisors, Inc.	\$15,762	
PM Realty Advisors, Inc.	\$38,876	
Sentinel Realty Advisors Corp.	\$26,003	
Wispark Corporation	\$23,910	
Total Real Estate Advisory Fees		\$822,708

<u>Total</u>	\$1,925,183
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State of Wisconsin Investment Board

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December 20, 2000

Representative John Gard, Co-Chair
Joint Committee on Finance
PO Box 8952
Madison, WI 53708-8952

Senator Brian Burke, Co-Chair
Joint Committee on Finance
PO Box 7882
Madison, WI 53707-7882

Representative Carol Kelso, Co-Chair
Joint Committee on Audit
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Madison, WI 53708-8952

Senator Gary George, Co-Chair
Joint Committee on Audit
PO Box 7882
Madison, WI 53707-7882

Mr. Donald Schneider, Senate Chief Clerk
Mr. Charles Sanders, Assembly Chief Clerk

Members of the Legislature:

Annually under s. 25.17(14g) of the Statutes, the Investment Board submits a report to the Legislature on investment goals and long-term strategies. I am writing to let you know of our plan to submit this year's report in early February, as we did last year. Although this will be after the December 31 due date, it will enable us to provide a more complete and informative report to you.

Additional review of the investment strategy for the Wisconsin Retirement System trust funds will take place at the meeting of our Board of Trustees on January 11. We believe that it will be helpful to reflect the outcome of that discussion in our report to you.

Our report will also include the performance assessment required under s. 25.17(14m). As we did last year, we plan to combine the two reports to make it easier to understand the relationship between our strategies and our investment results.

Please feel free to contact me if you have any questions or concerns.

Sincerely,

Patricia Lipton
Executive Director

cc: Janice Mueller, Legislative Audit Bureau
Robert Lang, Legislative Fiscal Bureau