

Wisconsin Department of Employee Trust Funds
Statement of Fiduciary Net Assets
December 31, 2002
(In Thousands)

| | Wisconsin Retirement System | Deferred Compensation |
|--|--|----------------------------------|
| Assets: | | |
| Equity In Pooled Cash & Cash Equivalents | \$ 951,976 | \$ 1,873 |
| Securities Lending Collateral | 2,189,877 | 0 |
| Prepaid Expenses | 1,868 | 0 |
| Receivables: | | |
| Contributions Receivable | 356,716 | 224 |
| Prior Service Contributions Receivable | 1,727,317 | 0 |
| Benefit Overpayments Receivable | 1,901 | 0 |
| Due From Other Trust Funds | 1,165 | 21 |
| Miscellaneous Receivables | 146 | 0 |
| Interest and Dividends Receivable | 200,276 | 0 |
| Investment Sales Receivable | 55,636 | 0 |
| Total Receivables | <u>2,343,157</u> | <u>245</u> |
| Investments at Fair Value: | | |
| Bonds | 10,556,120 | 0 |
| Private Placements | 3,397,058 | 0 |
| Stocks | 32,144,057 | 0 |
| Limited Partnerships | 2,624,447 | 0 |
| Mortgages | 696,266 | 0 |
| Real Estate | 429,426 | 0 |
| Investment In Fixed Fund | 0 | 0 |
| Investment In Variable Fund | 0 | 0 |
| Other Investments | 0 | 1,040,369 |
| Total Investments | <u>49,847,374</u> | <u>1,040,369</u> |
| Capital Assets | <u>99</u> | <u>0</u> |
| Total Assets | <u>55,334,351</u> | <u>1,042,487</u> |
| Liabilities: | | |
| Fixed Investment Due Other Programs | 1,014,076 | 0 |
| Variable Investment Due Other Programs | 12,666 | 0 |
| Securities Lending Collateral Liability | 2,189,877 | 0 |
| Benefits Payable | 188,140 | 0 |
| Other Estimated Future Benefits | 0 | 0 |
| Deferred Revenue | 352 | 0 |
| Due To Other Trust Funds | 1,199 | 0 |
| Miscellaneous Payables | 69,291 | 0 |
| Investment Payables | 117,624 | 0 |
| Total Liabilities | <u>3,593,225</u> | <u>0</u> |
| Net Assets Held in Trust for Pension Benefits and Pool Participants | <u>\$ 51,741,126</u> | <u>\$ 1,042,487</u> |

The accompanying notes are an integral part of the financial statements.

A schedule of funding progress for the Wisconsin Retirement System is presented on page 64

Statement 1

| Accumulated Sick Leave Conversion | Life Insurance | Employee Reimbursement Accounts | Commuter Benefits | Special Death Benefit | Milwaukee Retirement Systems |
|-----------------------------------|----------------|---------------------------------|-------------------|-----------------------|------------------------------|
| \$ 0 | \$ 1,831 | \$ 3,557 | \$ 0 | \$ 0 | \$ 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 5,468 | 0 | 195 | 40 | 0 | 0 |
| 326 | 0 | 38 | 1 | 0 | 1,165 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 109 | 2 | 40 | 0 | 0 | 0 |
| 0 | 186 | 1 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 435 | 188 | 79 | 1 | 0 | 1,165 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 587,911 | 0 | 0 | 0 | 983 | 43,321 |
| 0 | 0 | 0 | 0 | 0 | 12,666 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 587,911 | 0 | 0 | 0 | 983 | 55,987 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 593,814 | 2,019 | 3,831 | 41 | 983 | 57,152 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 2,906 | 0 | 0 | 0 |
| 1,309,685 | 0 | 0 | 0 | 983 | 0 |
| 0 | 1,676 | 633 | 0 | 0 | 0 |
| 0 | 61 | 0 | 79 | 0 | 0 |
| 0 | 0 | 32 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 1,309,685 | 1,737 | 3,571 | 79 | 983 | 0 |
| \$ (715,871) | \$ 282 | \$ 260 | \$ (38) | \$ 0 | \$ 57,152 |

**Wisconsin Department of Employee Trust Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended December 31, 2002
(In Thousands)**

| | Wisconsin Retirement System | Deferred Compensation |
|---|--|----------------------------------|
| Additions: | | |
| Contributions: | | |
| Employer Contributions | \$ 437,192 | \$ 0 |
| Employee Contributions | 526,149 | 106,896 |
| Total Contributions | <u>963,341</u> | <u>106,896</u> |
| Deposits | | |
| Investment Income: | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | (6,949,779) | 0 |
| Interest | 726,766 | 0 |
| Dividends | 243,884 | 0 |
| Securities Lending Income | 52,167 | 0 |
| Other | 117,879 | (133,643) |
| Less: | | |
| Investment Income Distributed to Other Funds | (114,042) | 0 |
| Investment Expense | 144,153 | 0 |
| Securities Lending Rebates and Fees | 41,404 | 0 |
| Net Investment Income | <u>(5,880,598)</u> | <u>(133,643)</u> |
| Interest on Prior Service Receivable | 127,972 | 0 |
| Miscellaneous Income | 4,082 | 831 |
| Total Additions | <u>(4,785,203)</u> | <u>(25,916)</u> |
| Deductions: | | |
| WRS Benefits and Refunds: | | |
| Retirement, Disability, and Beneficiary Separation Benefits | 2,650,779 | 0 |
| Total WRS Benefits and Refunds | <u>38,470</u> | <u>0</u> |
| Total WRS Benefits and Refunds | <u>2,689,249</u> | <u>0</u> |
| Other Benefit Expense | 0 | 0 |
| Distributions | 0 | 60,996 |
| Unusual Write-Off of Receivable | (33) | 0 |
| Carrier Administrative Expenses | 0 | 2,258 |
| Departmental Administrative Expenses | 19,651 | 108 |
| Total Deductions | <u>2,708,867</u> | <u>63,362</u> |
| Net Increase (Decrease) | (7,494,070) | (89,278) |
| Net Assets | | |
| Beginning of Year | <u>59,235,196</u> | <u>1,131,765</u> |
| End of Year | <u>\$ 51,741,126</u> | <u>\$ 1,042,487</u> |

The accompanying notes are an integral part of the financial statements.

Statement 2

| Accumulated Sick Leave Conversion | Life Insurance | Employee Reimbursement Accounts | Commuter Benefits | Special Death Benefit | Milwaukee Retirement Systems |
|-----------------------------------|----------------|---------------------------------|-------------------|-----------------------|------------------------------|
| \$ 45,367 | \$ 5,331 | \$ 0 | \$ 34 | \$ 0 | \$ 0 |
| 0 | 29,809 | 16,872 | 201 | 0 | 0 |
| <u>45,367</u> | <u>35,140</u> | <u>16,872</u> | <u>235</u> | <u>0</u> | <u>0</u> |
| | | | | | 5,164 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| (66,119) | 20 | 67 | 0 | (89) | (7,438) |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| <u>(66,119)</u> | <u>20</u> | <u>67</u> | <u>0</u> | <u>(89)</u> | <u>(7,438)</u> |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 310 | 4 | 0 | 0 | 0 |
| <u>(20,752)</u> | <u>35,470</u> | <u>16,943</u> | <u>235</u> | <u>(89)</u> | <u>(2,274)</u> |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 159,684 | 35,139 | 16,708 | 182 | (89) | 0 |
| 0 | 0 | 0 | 0 | 0 | 16,434 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 658 | 91 | 0 | 0 |
| 114 | 307 | 85 | 0 | 0 | 0 |
| <u>159,798</u> | <u>35,446</u> | <u>17,451</u> | <u>273</u> | <u>(89)</u> | <u>16,434</u> |
| (180,550) | 24 | (508) | (38) | 0 | (18,708) |
| <u>(535,321)</u> | <u>258</u> | <u>768</u> | <u>0</u> | <u>0</u> | <u>75,860</u> |
| \$ (715,871) | \$ 282 | \$ 260 | \$ (38) | \$ 0 | \$ 57,152 |

**Wisconsin Department of Employee Trust Funds
Statement of Net Assets -- Proprietary Funds
December 31, 2002
(In Thousands)**

Statement 3

ASSETS

| | Duty Disability | Long-Term Disability Insurance | Health Insurance | Income Continuation Insurance |
|--|-----------------|--------------------------------|------------------|-------------------------------|
| Current Assets: | | | | |
| Equity in Pooled Cash & Cash Equivalents | \$ 0 | \$ 0 | \$ 53,769 | \$ 0 |
| Investment in Fixed Fund | 102,846 | 206,601 | 0 | 72,414 |
| Prepaid Expenses | 0 | 0 | 39,275 | 0 |
| Contributions Receivable | 3,175 | 0 | 431 | 770 |
| Due From Other Trust Funds | 0 | 0 | 1,113 | 0 |
| Benefit Overpayments Receivable | 165 | 18 | 8 | 971 |
| Total Current Assets | 106,186 | 206,619 | 94,596 | 74,155 |
| Total Assets | 106,186 | 206,619 | 94,596 | 74,155 |

LIABILITIES

| | | | | |
|---|--------------|------------|-----------|-----------|
| Current Liabilities: | | | | |
| Benefits Payable | 1,793 | 412 | 0 | 750 |
| Deferred Revenue | 0 | 0 | 62,641 | 97 |
| Current Portion of Estimated Future Benefits Due To Other Trust Funds | 20,539 | 6,663 | 8,064 | 12,117 |
| Miscellaneous Payables | 57 | 901 | 0 | 151 |
| Total Current Liabilities | 22,389 | 8,024 | 1,996 | 110 |
| Noncurrent Liabilities: | | | | |
| Noncurrent Portion of Estimated Future Benefits | 300,297 | 37,144 | 0 | 46,133 |
| Total Noncurrent Liabilities | 300,297 | 37,144 | 0 | 46,133 |
| Total Liabilities | 322,686 | 45,168 | 72,701 | 59,358 |
| NET ASSETS RESTRICTED FOR BENEFITS | \$ (216,500) | \$ 161,451 | \$ 21,895 | \$ 14,797 |

The accompanying notes are an integral part of the financial statements.

**Wisconsin Department of Employee Trust Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets -- Proprietary Funds
For the Year Ended December 31, 2002
(In Thousands)**

Statement 4

| | Duty Disability | Long-Term Disability Insurance | Health Insurance | Income Continuation Insurance |
|---|---------------------|--------------------------------------|------------------|-------------------------------------|
| Operating Revenues: | | | | |
| Investment Income | \$ (10,971) | \$ (22,872) | \$ 985 | \$ (6,553) |
| Contributions | 36,757 | 0 | 720,191 | 10,278 |
| Miscellaneous Income | 13 | 1 | 9 | 54 |
| | <u>25,799</u> | <u>(22,871)</u> | <u>721,185</u> | <u>3,779</u> |
| Total Operating Revenues | | | | |
| | | | | |
| Operating Expenses: | | | | |
| Benefit Expense | 24,099 | 15,899 | 701,976 | 12,831 |
| Carrier Administrative Expenses | 0 | 656 | 2,452 | 1,289 |
| Departmental Administrative Expenses | 407 | 153 | 1,467 | 367 |
| | <u>24,506</u> | <u>16,708</u> | <u>705,895</u> | <u>14,487</u> |
| Total Operating Expenses | | | | |
| | | | | |
| Operating Income (Loss) | <u>1,293</u> | <u>(39,579)</u> | <u>15,290</u> | <u>(10,708)</u> |
| Change in Net Assets | 1,293 | (39,579) | 15,290 | (10,708) |
| Total Net Assets - Beginning of Year | <u>(217,793)</u> | <u>201,030</u> | <u>6,605</u> | <u>25,505</u> |
| Total Net Assets - End of Year | <u>\$ (216,500)</u> | <u>\$ 161,451</u> | <u>\$ 21,895</u> | <u>\$ 14,797</u> |

The accompanying notes are an integral part of the financial statements.

**Wisconsin Department of Employee Trust Funds
Statement of Cash Flows -- Proprietary Funds
For the Year Ended December 31, 2002
(In Thousands)**

Statement 5

| | Duty Disability | Long-Term Disability Insurance | Health Insurance | Income Continuation Insurance |
|--|-----------------|--------------------------------------|---------------------|-------------------------------------|
| Cash Flows from Operating Activities | | | | |
| Cash Received for Insurance Premiums | \$ 36,586 | \$ 0 | \$ 723,849 | \$ 10,230 |
| Cash Paid for Employee Benefits | (21,365) | (6,650) | (714,757) | (11,948) |
| Cash Paid for Administrative Services | (405) | (802) | (5,302) | (1,444) |
| Interest Income | 13 | 1 | 9 | 54 |
| Net Cash Provided (Used) by Operating Activities | 14,829 | (7,451) | 3,799 | (3,108) |
| Cash Flows from Investing Activities | | | | |
| Investment Income | (10,971) | (22,873) | 983 | (6,553) |
| Decrease (Increase) in Investment in Fixed Fund | (3,858) | 30,324 | 0 | 9,661 |
| Net Cash Provided (Used) by Investing Activities | (14,829) | 7,451 | 983 | 3,108 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 0 | 0 | 4,782 | 0 |
| Equity in Pooled Cash and Cash Equivalents at Beginning of Year | 0 | 0 | 48,987 | 0 |
| Equity in Pooled Cash and Cash Equivalents at End of Year | 0 | 0 | 53,769 | 0 |
| | \$ | \$ | \$ | \$ |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | |
| Operating Income (Loss) | \$ 1,293 | (39,579) | 15,290 | (10,708) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | |
| Investment Income (Loss) Classified as Operating Revenue | 10,971 | 22,872 | (985) | 6,553 |
| Changes in Assets and Liabilities: | | | | |
| Decrease (Increase) in Contributions Receivable | (171) | 0 | 131 | (33) |
| Decrease (Increase) in Benefit Overpayments Receivable | 27 | (7) | (8) | (285) |
| Decrease (Increase) in Prepaid Expenses | 0 | 0 | (7,351) | 0 |
| Decrease (Increase) in Due From Other Trust Funds | 0 | 11 | (1,046) | 82 |
| Increase (Decrease) in Estimated Future Benefits | 2,562 | 9,460 | (4,777) | 1,296 |
| Increase (Decrease) in Deferred Revenue | 0 | 0 | 3,529 | (14) |
| Increase (Decrease) in Benefits Payable | 145 | 0 | 0 | 0 |
| Increase (Decrease) in Miscellaneous Payables | 0 | (282) | (646) | (129) |
| Increase (Decrease) in Due to Other Trust Funds | 2 | 74 | (338) | 130 |
| Total Adjustments | 13,536 | 32,128 | (11,491) | 7,600 |
| Net Cash Provided (Used) by Operating Activities | 14,829 | (7,451) | 3,799 | (3,108) |

The accompanying notes are an integral part of the financial statements.