Introduction

Program Highlights

Wisconsin Retirement System

Summary Financial Statements

	2003 *million $*	2002 *million $*	Increase (Decrease) *million $*	Increase (Decrease) *%*
Assets	$68,313.5	$55,334.4	$12,979.1	23.5%
Liabilities	6,187.1	3,593.2	2,593.9	72.2%
Net Assets Held in Trust	62,126.4	51,741.2	10,385.2	20.1%
Additions				
Contributions	1,037.9	963.3	74.6	7.7%
Investment Income	12,043.4	(5,880.6)	17,924.0	(304.8%)
Other Additions	39.7	132.1	(92.4)	(69.9%)
Total Additions	13,121.0	(4,785.2)	17,906.2	(374.2%)
Deductions				
Benefits and Distributions	2,719.5	2,689.3	30.2	1.1%
Admin & Other Expenses	16.3	19.6	(3.3)	(16.8%)
Total Deductions	2,735.8	2,708.9	26.9	1.0%
Net Increase (Decrease)	10,385.2	(7,494.1)	17,879.3	(238.6%)

Financial Highlights

- Implementation of Governmental Accounting Standards Board Statement 34 in 2002 resulted in blending the administrative fund, general fund and fixed assets into the Wisconsin Retirement System (WRS) financial statements. This blending resulted in an increase of $2.7 million and $1.2 million in Net Assets Held in Trust for 2003 and 2002, respectively.

- Net Assets Held in Trust increased by 20.1%, from $51.7 billion to $62.1 billion. This increase was primarily the result of unusually high investment returns.

- Contributions increased by 7.7%, from $963.3 million to $1,037.9 million. This included an 8.2% increase in employer contributions, from $437.2 million to $473.2 million, and a 7.3% increase in employee contributions, from $526.1 million to $564.8 million. The increased contributions were caused by a 3.7% increase in covered payrolls, and a 3.9% increase in average contribution rates.

- Net investment income increased from a loss of $5.88 billion to a $12.04 billion gain. The balanced Fixed Trust Fund realized a 24.2% gain, while the equity-based Variable Trust Fund experienced a 32.7% gain. The Fixed Trust Fund gain, after being smoothed through the Market Recognition Account, resulted in a fixed effective rate of 7.4% being credited to the fixed accounts and reserves. The Variable Trust Fund gain was passed through to variable fund accounts and reserves with a 34% variable effective rate.

- Benefit payments increased by 1.1% from $2.69 billion to $2.72 billion. Fixed annuities increased by 5.8% from $2.20 billion to $2.33 billion, while variable annuities decreased by 23.9% from $388 million to $295 million. Lump sum payments (separations, death benefits and minimum annuities) decreased by 2.9%, from $82.2 million to $79.9 million.

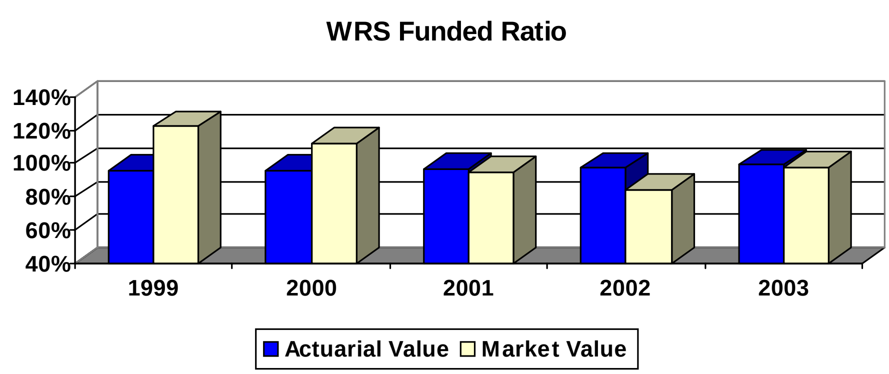
• To reduce their prior service obligation to the WRS, more than 250 employers made voluntary payments totaling in excess of $1.2 billion. Included in this total is the State of Wisconsin's payment of $705 million. Note 7 to the Financial Statements contains more information on presentation of these payments.

Funded Status

The funded status of the WRS is a measure of the extent to which the system has accumulated enough assets to pay the benefits earned by participants. The assets can be measured using either the current fair market value of assets or the smoothed actuarial value of assets. The market value measurement gives a more timely measurement, but can be extremely volatile, while the actuarial value measurement is less representative of current market values but better presents the funding trends without the year-to year-volatility.

The actuarial value-based funded ratio increased from 97.1% funded to 99.2% funded. The increase in the actuarial value funded ratio was the result of employers paying off their unfunded prior service liabilities to the WRS.

The market value-based funded status for the WRS increased from 83.9% funded to 97.8% funded. The increase in the market value funded ratio was the result of significant gains in the market value of investments during 2003, along with employers paying off their unfunded prior service liability to the WRS.



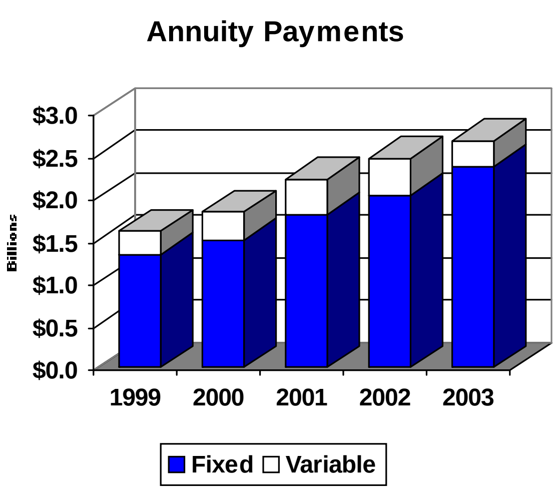
Annuity Payments

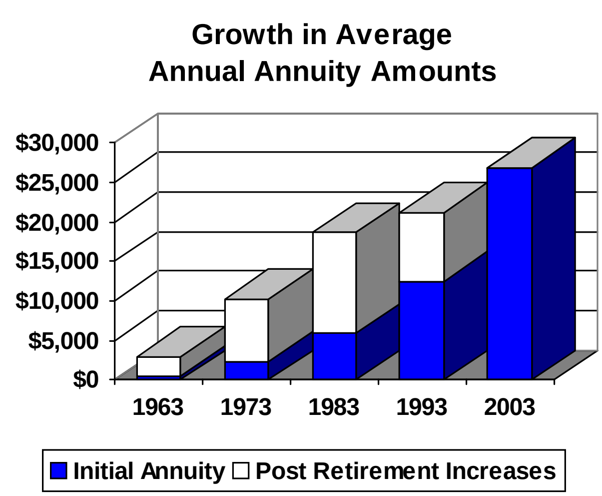
In 2003, ETF paid out a total of $2.64 billion in annual benefits to retired persons, disabled retirees, and beneficiaries of retirees, an increase of 1.3%, or $33 million over 2002. Fixed annuities increased by 5.8%, from $2.20 billion to $2.33 billion, while variable annuities decreased by 23.9%, from $388 million to $295 million. Annuities paid to the closed group Section 62.13 Police and Firefighters decreased by 6.8%, from $14.8 million to $13.8 million. Individual fixed annuities did not receive any increase in 2003, based on poor investment earnings in 2002, while individual variable annuities were decreased by 27%, effective April 1, 2003.

Approximately 7,553 additional persons began receiving annuities during 2003, while 2,260 annuities were ended due to death or expiration of a guarantee period. At the end of the year, 121,582 people were receiving retirement, disability or beneficiary annuities, an increase of 4.6% over 2002.

The **average** annual annuity received by **all** retirees (fixed and variable combined) dropped to $21,697 in 2003, down 3.0% from the previous year. The drop was the result of variable annuities being reduced by 27%. The average annual annuity for new annuities begun during 2003 was $26,770, up 3.1% from $25,956 in 2002.

The average annual benefit has been increasing through the years. The chart directly below shows how new annuities have increased over time, as well as how post-retirement increases multiply the value of the annuity over time.

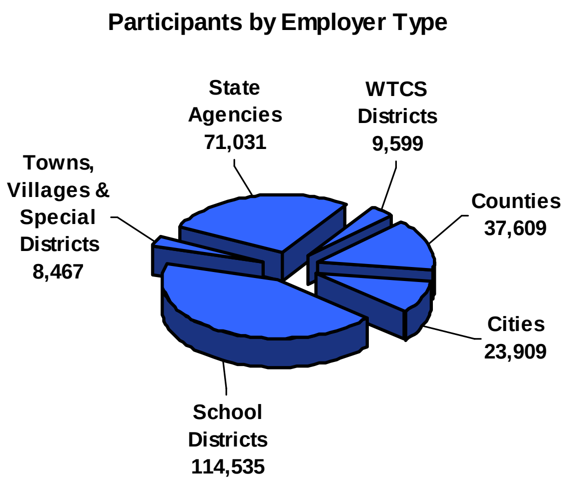


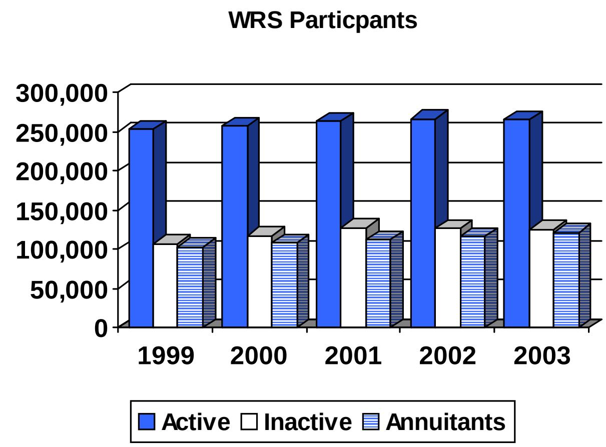


Participation

There were 512,025 individual WRS participants as of December 31, 2003, an increase of 0.5% over the previous year. Participants included 265,150 active government employees, a decrease of 0.5% over the previous year; 121,582 retirees and others receiving annuities; and 125,293 "inactives," or former public employees who had not yet taken a benefit from their retirement accounts. To put the WRS growth in perspective, the total participation level has risen by 121,262 persons since 1993, a 31.0% increase.

In 2003, the total number of employers participating in the WRS increased from 1,359 to 1,380. The increase included the addition of eight new villages, eleven new townships and two special districts.





Deferred Compensation Program

Summary Financial Statements	2003 *million $*	2002 *million $*	Increase (Decrease) *million $*	Increase (Decrease) *%*
Assets	$1,348.1	$1,042.5	$305.6	29.3%
Liabilities	0.1	0.0	0.1	0.0%
Net Assets Held In Trust	1,348.0	1,042.5	305.5	29.3%
Additions				
Total Contributions	117.2	106.9	10.3	9.6%
Net Investment Income	244.3	(133.6)	377.9	(282.9%)
Other Additions	0.8	0.8	0.0	0.0%
Additions	362.3	(25.9)	388.2	(1,498.8%)
Deductions				
Benefits and Distributions	54.3	61.0	(6.7)	(11.0%)
Admin and Other Expenses	2.5	2.4	0.1	4.2%
Deductions	56.8	63.4	(6.6)	(10.4%)
Net Increase (Decrease)	305.5	(89.3)	394.8	(442.1%)

Financial Highlights

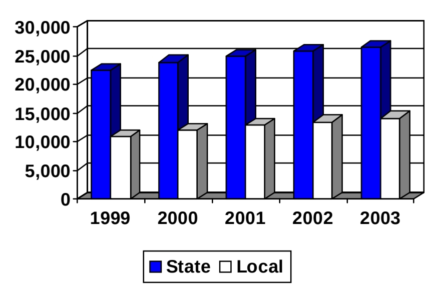
- Net assets increased by 29.3% over 2002, primarily as a result of high investment returns.
- Net investment income increased from a loss of $133.6 million to a gain of $244.3 million. Participants averaged a 20.4% return on their accounts, up from a 12.3% loss in 2002.
- Contributions increased by 9.6% in 2003. This was a combination of a 3.6% increase in the number of participants and a 5.8% increase in the average deferral per participant. The increased average deferral may have been affected by higher maximum deferral limits.
- Payouts decreased by 11.0% in 2003, dropping from the record payout level set in 2002.

Participation

The Deferred Compensation Program experienced a substantial participation increase of 3.6% during 2003. A total of 26,495 state employees and 14,098 local employees set aside a portion of their earnings on a tax-deferred basis at the end of the year. Thirty-eight additional local employers came into the program in 2003, bringing the total to 641 local participating employers.

Participants deferred $117.2 million of their earnings in 2003, an average of $2,887 per participant. This is an increase of 5.8% over the 2002 average deferral of $2,729 per participant.

Participants



Accumulated Sick Leave Conversion Credits

Summary Financial Statements				
	2003 *million $*	**2002** *million $*	**Increase (Decrease)** *million $*	**Increase (Decrease)** *%*
Assets	$1,583.7	$593.8	$989.9	166.7%
Liabilities	1,638.4	1,309.7	328.7	25.1%
Net Assets Held in Trust	(54.7)	(715.9)	661.2	(92.4%)
Additions				
Contributions	813.1	45.4	767.7	1691.0%
Investment Income	229.3	(66.1)	295.4	(446.9%)
Total Additions	1,042.4	(20.7)	1,063.1	(5,135.7%)
Deductions				
Benefits and Distributions	381.2	159.7	221.5	138.7%
Admin & Other Expenses	0.1	0.1	0.0	0.0%
Total Deductions	381.3	159.8	221.5	138.6%
Net Increase (Decrease)	661.1	(180.5)	841.6	(466.3%)

Financial Highlights

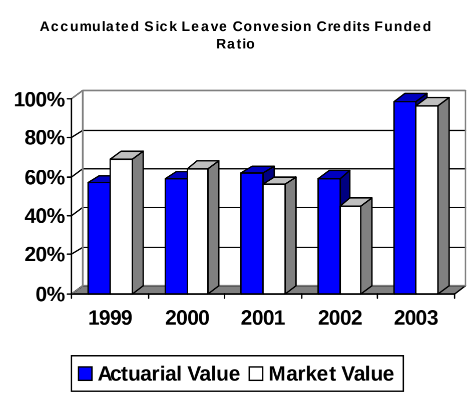
- The State of Wisconsin suspended payment of all contributions for the period beginning July 1, 2002, extending through June 30, 2003. During this time the actuarially required contributions were diverted to the state's general fund for budget deficit reduction.
- On approximately December 18, 2003, the State of Wisconsin issued pension obligation bonds to finance the unfunded accrued liability for the Accumulated Sick Leave Conversion Credits Program (ASLCC). The state made a net payment of $761.8 million to the program to reduce the unfunded liability.

Funded Status

The funded status of the ASLCC is a measure of the extent to which the system has accumulated enough assets to pay the benefits earned by participants. The assets can be measured using either the current fair market value of assets or the smoothed actuarial value of assets. The market value measurement gives a more timely measurement, but can be extremely volatile, while the actuarial value measurement is less representative of current market values but better presents the funding trends without the year-to-year volatility.

The actuarial value-based funded ratio increased from 59.0% funded to 98.6% funded. The increase in the actuarial value funded ratio was the result of the state issuing pension obligation bonds to finance the liability.

The market value-based funded status increased from 45.3% funded to 96.6% funded. The increase in the market value funded ratio was the result of the state issuing pension obligation bonds to finance the liability, as well as strong investment returns during the year.



Life Insurance

Summary Financial Statements				
	2003 *million $*	2002 *million $*	Increase (Decrease) *million $*	Increase (Decrease) *%*
Assets	$2.6	$2.0	$0.6	30.0%
Liabilities	2.3	1.7	0.6	35.3%
Net Assets Held in Trust	0.3	0.3	0.0	0.0%
Additions				
Premiums	36.8	35.1	1.7	4.8%
Other Additions	0.6	0.3	0.3	100.0%
Total Additions	37.4	35.4	2.0	5.6%
Deductions				
Benefits and Distributions	36.8	35.1	1.7	4.8%
Admin & Other Expenses	0.6	0.3	0.3	100.0%
Total Deductions	37.4	35.4	2.0	5.6%
Net Increase (Decrease)	0.0	0.0	0.0	0.0%

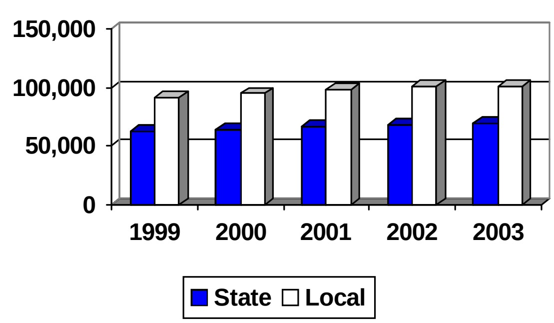
Financial Highlight

- Premiums increased by 4.8% in 2003. This reflected a 4.3% increase in insurance in force for state employees and a 5.6% increase in insurance in force for local government employees.

Participation

The basic life insurance program covered 170,220 individuals at the end of 2003, a 1.1% increase in coverage over the previous year. Basic life insurance covered 56,087 active state employees and 83,716 active local employees working for 636 local employers who chose to participate. Growth in the local government plan has been steady and significant over the past few years. In addition, 13,112 retired state and 17,305 retired local employees participated in the basic life plan. Many of these employees also had life insurance under supplemental, additional and spouse and dependent plans. At the end of 2003, there was $14.6 billion worth of life insurance in force for participants in all plans, up from $13.9 billion the previous year.

Life Insurance Participants



Employee Reimbursement Accounts

Summary Financial Statements				
	2003 *thousands $*	2002 *thousands $*	Increase (Decrease) *thousands $*	Increase (Decrease) *%*
Assets	$4,124.8	$3,831.3	$293.5	7.7%
Liabilities	3,929.4	3,571.4	358.0	10.0%
Net Assets Held in Trust	195.4	259.9	(64.5)	(24.8%)
Additions				
Contributions	18,810.0	16,871.8	1,938.2	11.5%
Investment Income	43.3	67.2	(23.9)	(35.6%)
Other Additions	0.5	4.3	(3.8)	(88.4%)
Total Additions	18,853.8	16,943.3	1,910.5	11.3%
Deductions				
Benefits and Distributions	18,237.6	16,708.2	1,529.4	9.2%
Admin & Other Expenses	680.6	742.8	(62.2)	(8.4%)
Total Deductions	18,918.2	17,451.0	1,467.2	8.4%
Net Increase (Decrease)	(64.4)	(507.7)	443.3	(87.3%)

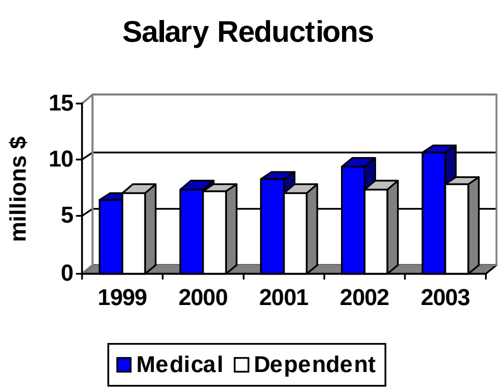
Financial Highlight

- Net assets decreased by 25% from the 2002 balance as part of a plan to reduce the surplus reserves to the target of approximately $200,000.

Participation

At the end of 2003, the Employee Reimbursement Accounts Program (ERA) had 11,379 participants, an increase of 4.9% over 2002 participation. Employees created 2,005 dependent care accounts and 9,374 medical expense accounts. The ERA program allows state employees to establish pre-tax reimbursement accounts for medical care expenses not covered by insurance and for dependent child or adult care expenses.

Total salary reductions for the year were $18.4 million ($7.8 million for dependent care and $10.6 million for medical), an increase of 9.2% over 2002. Reductions in FICA tax from this program saved the state an estimated $1.4 million in 2003, with combined FICA and income tax savings of $4.4 million realized by participants.



Commuter Benefits

Summary Financial Statements	2003 *thousands $*	2002 *thousands $*	Increase (Decrease) *thousands $*	Increase (Decrease) *%*
Assets	$2.1	$41.3	($39.2)	(94.9%)
Liabilities	137.3	79.1	58.2	73.6%
Net Assets Held in Trust	(135.2)	(37.8)	(97.4)	(257.7%)
Additions				
Contributions	942.4	235.4	707.0	300.3%
Investment Income	(0.9)	(0.1)	(0.8)	(800.0%)
Total Additions	941.5	235.3	706.2	300.1%
Deductions				
Benefits and Distributions	929.1	181.8	747.3	411.1%
Admin & Other Expenses	109.8	91.3	18.5	20.3%
Total Deductions	1,038.9	273.1	765.8	280.4%
Net Increase (Decrease)	(97.4)	(37.8)	(59.6)	(157.7%)

Financial Highlights

- The Commuter Benefits Program began operations in August 2002.
- Startup costs were funded through an advance from the state's general fund. As of year-end, $27,700 remained payable to the general fund.
- The deficit in Net Assets Held in Trust reflects administrative expenses incurred in program operations that were not reimbursed until June 2004.

Milwaukee Special Death Benefit

Summary Financial Statements	2003 thousands $	2002 thousands $	Increase (Decrease) thousands $	Increase (Decrease) %
Assets	$0.0	$983.0	($983.0)	(100.0%)
Liabilities	0.0	983.0	(983.0)	(100.0%)
Net Assets Held in Trust	0.0	0.0	0.0	0.0%
Additions				
Investment Income	0.0	(88.7)	88.7	(100.0%)
Total Additions	0.0	(88.7)	88.7	(100.0%)
Deductions				
Benefits and Distributions	0.0	(88.7)	88.7	(100.0%)
Total Deductions	0.0	(88.7)	88.7	(100.0%)
Net Increase (Decrease)	0.0	0.0	0.0	0.0%

Financial Highlight

- Effective January 1, 2003, the Group Insurance Board transferred all assets and liabilities for this program to the Minnesota Life Insurance Company.

Milwaukee Retirement

Summary Financial Statements	2003 million $	2002 million $	Increase (Decrease) million $	Increase (Decrease) %
Assets	$79.6	$57.2	$22.4	39.2%
Liabilities	0.0	0.0	0.0	0.0%
Net Assets Held in Trust	79.6	57.2	22.4	39.2%
Additions				
Deposits	6.2	5.2	1.0	19.2%
Investment Income	16.3	(7.4)	23.7	(320.3%)
Total Additions	22.5	(2.2)	24.7	(1,122.7%)
Deductions				
Benefits and Distributions	0.0	16.4	(16.4)	(100.0%)
Total Deductions	0.0	16.4	(16.4)	(100.0%)
Net Increase (Decrease)	22.5	(18.6)	41.1	(221.0%)

Financial Highlights

- Net assets increased by 39.2% in 2003. This was a combination of $16.3 million in investment gains and $6.2 million in new deposits.
- The City of Milwaukee withdrew all remaining funds on deposit and closed the account in 2002.

Duty Disability Insurance

Summary Financial Statements	2003 *million $*	2002 *million $*	Increase (Decrease) *million $*	Increase (Decrease) *%*
Assets	$151.5	$106.2	$45.3	42.7%
Liabilities	341.2	322.7	18.5	5.7%
Net Assets	(189.7)	(216.5)	26.8	(12.4%)
Revenues				
Contributions	39.3	36.8	2.5	6.8%
Investment Income	29.0	(11.0)	40.0	(363.6%)
Total Revenues	68.3	25.8	42.5	164.7%
Expenses				
Benefits and Distributions	41.4	24.1	17.3	71.8%
Admin & Other Expenses	0.1	0.4	(0.3)	(75.0%)
Total Expenses	41.5	24.5	17.0	69.4%
Net Income (Loss)	26.8	1.3	25.5	1,961.5%

Financial Highlights

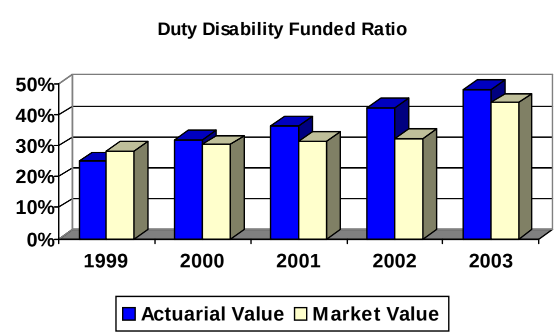
- Contributions increased by 6.8% over 2002. The contribution formula was unchanged in 2003; the increase was attributable to higher protective occupation salaries and movement within the contribution rate tiers by individual employers.
- Benefits expense increased by 71.8% in 2003. The large increase is the result of lower than normal expenses in 2002 and represents a return to the level of expenses incurred prior to 2002.

Funded Status

The funded status of the Duty Disability Program is a measure of the extent to which the system has accumulated enough assets to pay the benefits earned by participants. The assets can be measured using either the current fair market value of assets or the smoothed actuarial value of assets. The market value measurement gives a more timely measurement, but can be extremely volatile, while the actuarial value measurement is less representative of current market values but better presents the funding trends without the year-to year-volatility.

The actuarial value-based funded ratio increased from 42.6% funded to 48.2% funded. The steady increase in the actuarial value funded ratio shows the success of the long-term strategy to fully fund the program.

The market value-based funded status increased from 32.5% funded to 44.1% funded. The increase in the market value- funded ratio was the result of significant gains in the market value of investments during 2003.



Income Continuation Insurance

Summary Financial Statements

	2003 *million $*	2002 *million $*	Increase (Decrease) *million $*	Increase (Decrease) *%*
Assets	$85.5	$74.2	$11.3	15.2%
Liabilities	57.2	59.4	(2.2)	(3.7%)
Net Assets	28.3	14.8	13.5	91.2%
Revenues				
Contributions	10.5	10.3	0.2	1.9%
Investment Income	14.9	(6.6)	21.5	(325.8%)
Other Additions	0.1	0.1	0.0	0.0%
Total Revenues	25.5	3.8	21.7	571.1%
Expenses				
Benefits and Distributions	10.1	12.8	(2.7)	(21.1%)
Admin & Other Expenses	1.9	1.7	0.2	11.8%
Total Expenses	12.0	14.5	(2.5)	(17.2%)
Net Income (Loss)	13.5	(10.7)	24.2	(226.2%)

Financial Highlight

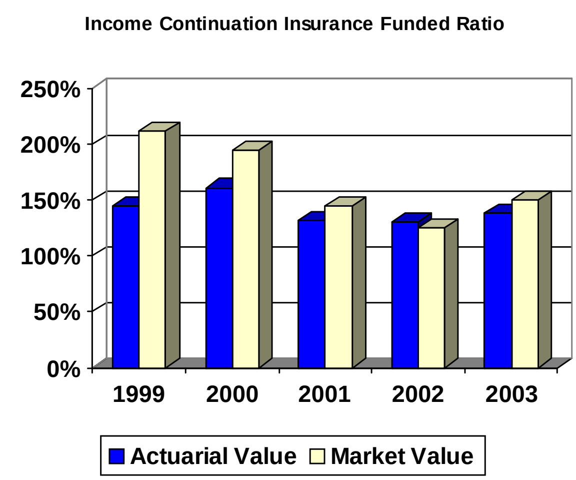
- Net assets increased by 91% during 2003 primarily as a result of large gains in the market value of investments.

Funded Status

The funded status of the Income Continuation Insurance Program is a measure of the extent to which the system has accumulated enough assets to pay the benefits earned by participants. The assets can be measured using either the current fair market value of assets or the smoothed actuarial value of assets. The market value measurement gives a more timely measurement, but can be extremely volatile. The actuarial value measurement is less representative of current market values, but better presents the funding trends without the year-to year-volatility.

The actuarial value-based funded ratio increased from 130% funded to 138% funded. The increase in the actuarial value funded ratio was the result of significant gains in the market value of investments during 2003.

The market value-based funded status increased from 125% funded to 150% funded. The increase in the market value funded ratio was the result of significant gains in the market value of investments during 2003.



Long-Term Disability Insurance

Summary Financial Statements				
	2003 *million $*	2002 *million $*	Increase (Decrease) *million $*	Increase (Decrease) *%*
Assets	$251.1	$206.6	$44.5	21.5%
Liabilities	55.0	45.2	9.8	21.7%
Net Assets	196.1	161.4	34.7	21.5%
Revenues				
Investment Income	52.5	(22.9)	75.4	(329.3%)
Total Revenues	52.5	(22.9)	75.4	(329.3%)
Expenses				
Benefits and Distributions	17.2	15.9	1.3	8.2%
Admin & Other Expenses	0.7	0.8	(0.1)	(12.5%)
Total Expenses	17.9	16.7	1.2	7.2%
Net Income (Loss)	34.6	(39.6)	74.2	(187.4%)

Financial Highlights

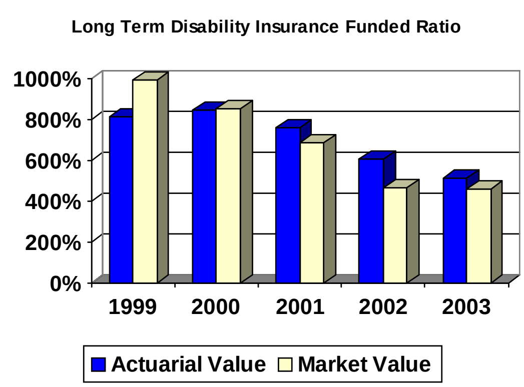
- No contributions were collected for this program during 2003, due to the excess reserves accumulated in previous years.
- The Net Assets increased by 21.5% as a result of large investment gains.

Funded Status

The funded status of the Long-Term Disability Insurance Program is a measure of the extent to which the system has accumulated enough assets to pay the benefits earned by participants. The assets can be measured using either the current fair market value of assets or the smoothed actuarial value of assets. The market value measurement gives a more timely measurement, but can be extremely volatile, while the actuarial value measurement is less representative of current market values but better presents the funding trends without the year-to year-volatility.

The actuarial value-based funded ratio decreased from 608% funded to 514% funded. The decrease in the actuarial value funded ratio was the result of the contribution holiday during 2003.

The market value-based funded status declined from 469% funded to 463% funded. The relative stability in the market value funded ratio was the result of significant gains in the market value of investments during 2003, offsetting the actuarially recommended contribution holiday.



Group Health Insurance

Summary Financial Statements	2003 *million $*	2002 *million $*	Increase (Decrease) *million $*	Increase (Decrease) *%*
Assets	$107.7	$94.6	$13.1	13.8%
Liabilities	78.6	72.7	5.9	8.1%
Net Assets	29.1	21.9	7.2	32.9%
Revenues				
Contributions	825.6	720.2	105.4	14.6%
Investment Income	0.8	1.0	(0.2)	(20.0%)
Total Revenues	826.4	721.2	105.2	14.6%
Expenses				
Benefits and Distributions	813.5	702.0	111.5	15.9%
Admin & Other Expenses	5.7	3.9	1.8	46.2%
Total Expenses	819.2	705.9	113.3	16.1%
Net Income (Loss)	7.2	15.3	(8.1)	(52.9%)

Financial Highlight

- Net assets increased by $7.2 million in 2003. This was the result of increased premiums intended to restore the plan reserves.

Participation

The Group Health Insurance Program covered 68,755 active and 18,725 retired State of Wisconsin employees at the end of 2003, about 195,000 persons when all covered dependents are included. The total amount of annual health insurance premiums for all participants was $718 million. Participants and annuitants contributed $73 million towards their health insurance premiums.

The local employer group health insurance program covered 11,124 active and 1,794 retired participants. With their dependents, the total number of people covered was about 18,000. Annual premiums paid totaled $105 million. At the end of 2003, there were 305 local employers participating in the program.

Health Insurance Participants