



Dear Members and Employers of the Wisconsin Retirement System:

There is no shortage of headlines regarding recent developments in financial markets and the economy. The national and global economies are experiencing challenging times. The State of Wisconsin Investment Board (SWIB), which invests Wisconsin Retirement System (WRS) assets, and the Department of Employee Trust Funds (ETF), which administers WRS benefits, have heard from many participants who are naturally concerned about the financial health of the WRS and security of their benefits.

In this uncertain time, we want to assure you that the WRS is, and will remain, solvent and able to provide retirement benefits long into the future. SWIB's long-term investment focus not only helps the WRS withstand challenging economic times, but it also means that SWIB is not forced to change investment strategies during periods of market volatility. WRS assets, however, are not entirely immune from the volatility that the stock markets have experienced this year.

Assets in the Core Fund are broadly diversified in various types of investments -- stocks, bonds, real estate, etc. This helps to protect the Core Fund from the full effect of stock market swings. The Variable Fund is an all-stock fund and, as such, is not as well protected from market fluctuations.

As you know, trust fund investment gains and losses are shared between WRS participants and employers. In good market conditions, retiree benefits are increased,

(continued on reverse)

employee accounts receive interest, and employer contribution rates fall. Conversely, in bad market conditions, retiree benefits can go down, employee accounts can shrink, and employer contribution rates can increase. Although final 2008 investment performance will not be known until after December 31, it is possible that a decrease in WRS investments could be significant.

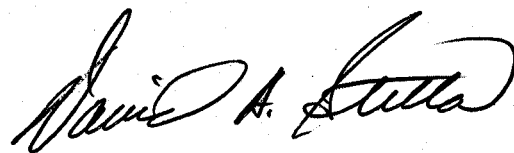
If the year ends with a significant decrease, retirees should be prepared for a reduction in their Variable and Core Fund annuities. (Remember: By law, a retiree's Core Fund annuity can never be reduced below the finalized annuity amount he/she received at retirement.) Because we spread Core Fund investment returns (gains and/or losses) over a five-year period to reduce the Fund's volatility, the WRS has never had to reduce Core Fund annuities. Smoothing will help cushion the impact of market declines this year. However, because of the size of recent market declines, and if market conditions do not improve, retirees should be prepared for some reduction in Core Fund annuities next spring. Employers should also prepare to see increases in contribution rates in the future.

Keep in mind that the year is not over and there may still be some market recovery this quarter. SWIB and ETF will stay vigilant during these extraordinary times and provide you with periodic updates through our respective Internet sites and newsletters. In the meantime, please visit us online at www.swib.state.wi.us and etf.wi.gov for more information.

Sincerely,

Handwritten signature of Keith Bozarth, consisting of a stylized 'K' followed by a cursive 'Bozarth'.

Keith Bozarth
Executive Director
State of Wisconsin Investment Board

Handwritten signature of David A. Stella, written in a cursive script.

David A. Stella
Secretary
Department of Employee Trust Funds