

MARSH & MCLENNAN COMPANIES INC

Form 11-K

December 24, 2002

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

SEC NO. 1-5998

A. Full title of the Plan:

MARSH & MCLENNAN COMPANIES STOCK INVESTMENT PLAN

B. Name of issuer of the securities held pursuant to the Plan and the
address of its principal executive office:

MARSH & MCLENNAN COMPANIES, INC.
1166 Avenue of the Americas
New York, NY 10036-2774

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SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the MARSH & MCLENNAN COMPANIES STOCK INVESTMENT PLAN COMMITTEE has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

MARSH & MCLENNAN COMPANIES STOCK
INVESTMENT PLAN
(Name of Plan)

Date: December 13, 2002

By: /s/ Sandra S. Wijnberg

Sandra S. Wijnberg
Chairperson, Stock Investment Plan Committee

MARSH & MCLENNAN COMPANIES STOCK INVESTMENT PLAN

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INDEPENDENT AUDITORS' REPORT

To Marsh & McLennan Companies Stock Investment Plan Committee:

We have audited the accompanying statements of net assets available for benefits of the Marsh & McLennan Companies Stock Investment Plan (the "Plan") as of June 30, 2002 and 2001, and the related statement of changes in net assets available for benefits for the year then ended June 30, 2002. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, information regarding the Plan's net assets available for benefits as of June 30, 2002 and 2001 and the changes in net assets available for benefits for the year ended June 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These schedules are the responsibility of the Plan's management. Such schedules have been subjected to the auditing procedures applied in the audit of the basic 2002 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP
New York, New York

December 13, 2002

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STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS JUNE 30, 2002 AND 2001

Assets: -----	2002 -----	2001 -----
CASH AND CASH EQUIVALENTS	\$ 81,330,812	\$ 27,213,871
INVESTMENTS (NOTE 2)	2,026,316,414	2,193,997,303
RECEIVABLES:		
LOANS RECEIVABLE - PARTICIPANTS	29,741,672	30,284,198
DIVIDENDS AND INTEREST RECEIVABLE	9,123,029	8,797,968
RECEIVABLE FROM COMPANY:		
Contributions	5,297,961	5,061,718
Loan Repayments	612,371	641,271
	5,910,332	5,702,989
RECEIVABLE FOR INVESTMENTS SOLD	247,293	16,225,626
TOTAL ASSETS	2,152,669,552	2,282,221,955
Liabilities: -----		
PAYABLE FOR INVESTMENTS PURCHASED	3,086,988	2,431,279
NET ASSETS AVAILABLE FOR BENEFITS	\$2,149,582,564	\$2,279,790,676
	=====	=====

See notes to financial statements.

MARSH & MCLENNAN COMPANIES STOCK INVESTMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS YEAR ENDED JUNE 30, 2002

	2002 -----
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	\$ 2,279,790,676
INVESTMENT INCOME:	

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Dividends	35,693,211
Interest	23,199,638

	58,892,849
NET REALIZED AND UNREALIZED DEPRECIATION IN FAIR VALUE OF INVESTMENTS	(171,386,036)
CONTRIBUTIONS:	
Employer	47,671,612
Employee	94,109,159

	141,780,771
DISTRIBUTIONS TO AND WITHDRAWALS BY EMPLOYEES	(191,293,610)
NET TRANSFERS FROM OTHER PLANS (NOTE 1)	31,797,914

NET DECREASE	(130,208,112)

NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	\$ 2,149,582,564
	=====

See notes to financial statements.

MARSH & MCLENNAN COMPANIES STOCK INVESTMENT PLAN NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002 and 2001

(1) Description of the Plan:

The Marsh & McLennan Companies Stock Investment Plan (the "Plan") is a defined contribution Employee Stock Ownership Plan which allows participants to contribute through payroll deductions from 1% to 15% of their salary, on a before and/or after-tax basis. Marsh & McLennan Companies, Inc. ("MMC" or the "Company") matches up to the first six percent of participants' before and/or after tax contributions in the following percentages:

- o 71-2/3% for each participant who elects to receive dividends on their MMC shares as cash payments each quarter (100% for those participants age 55 or whose age plus years of plan participation equals at least sixty-five).
- o 66-2/3% for each plan participant who elects not to receive the cash dividends (95% for those participants age 55 or whose age

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plus years of plan participation equals at least sixty-five).

The increase over the basic match must be invested in the Company stock fund. Participants who are age 55 or whose age plus years of plan participation equals at least sixty-five may diversify their contribution and accumulated balance among the MMC Stock Fund, a Fixed Income Fund and various Putnam mutual funds. In addition, Company basic matching contributions are invested the same as participants' contributions. The Company's matching contributions to a participant are suspended for 12 months if the participant makes certain in-service withdrawals from their Account. Employee and Company contributions are subject to certain limitations in accordance with Federal Income Tax Regulations. For employees hired on and after January 1, 1998, the Plan includes a vesting schedule for Company matching contributions. These employees shall vest 33% in such contributions after three years of service, 67% after four years of service and 100% after five years of service.

In April 2002 and May 2002, \$25,286,480 and \$5,398,001 were transferred into the Plan from the KVI Profit Sharing and 401(k) Plan and the J&H/KVI Profit Sharing Plan, respectively. In August 2001, \$1,113,433 was transferred into the Plan from CODA, Inc. 401(k) Retirement & Savings Plan.

In the fourth quarter of 1998, the Company consummated a business combination with Sedgwick Group plc ("Sedgwick"). Former employees of Sedgwick became eligible to participate in the Plan effective January 1, 2000. Participants' balances in the Sedgwick Savings & Investment Plan were transferred into the Plan on December 2, 2002.

The trustee, Bankers Trust Company, is responsible for maintaining the assets of the Plan, making distribution payments as directed by the Company and generally performing all other acts deemed necessary or proper to fulfill its responsibility as set forth in the Trust Agreement.

Certain administrative functions are performed by employees of the Company or its subsidiaries. All such costs as well as administrative expenses for the Trustee's fees are paid directly by the Company. The employee benefits handbook, containing Plan information and documents constituting part of a Prospectus, is provided to each participant in the Plan.

(2) Summary of Significant Accounting Policies:

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein.

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Actual results could differ from those estimates. The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for plan benefits.

Cash and cash equivalents

Cash and cash equivalents primarily consist of interest bearing money market investments, which are available on demand.

Investments

The common stock of Marsh & McLennan Companies, Inc. and shares of Putnam Mutual Funds are reflected in the accompanying statements of net assets available for benefits at quoted market prices.

The Plan's Fixed Income Fund, which consists of guaranteed insurance contracts and group annuity contracts, has been presented in the financial statements at contract value, which approximates fair market value. The investments in this fund are valued at contract value, which is cost plus accrued interest, and are guaranteed by the issuing institution as to principal and interest. The average yield for these investment contracts was approximately 6.2% for the year ended June 30, 2002.

The following table presents the market values of investments that represent 5% or more of the Plan's net assets at the beginning of the plan-year:

	June 30,	
	2002	2001
Marsh & McLennan Companies common stock	\$1,315,391,574	\$1,335,120,212

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value as follows:

	Year Ended June 30,
	2002
Common Stock	\$ (57,506,768)
Mutual Funds	(113,879,268)
	\$ (171,386,036)

The plan offers a program that is both participant and non-participant directed. All non-participant directed contributions are invested in the Marsh & McLennan Companies Stock Fund. The net assets as of June

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30, 2002 and 2001 and changes in net assets relating to the Company stock fund for the year ended June 30, 2002 are as follows:

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	June 30, 2002	June 30, 2001
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 20,062,259	\$ 16,662,081
COMMON STOCK	1,315,391,574	1,335,120,212
DIVIDENDS AND INTEREST RECEIVABLE	7,675,965	7,071,311
RECEIVABLE FROM COMPANY:		
Contributions	4,893,804	4,671,398
Loan repayments	574,918	589,965
	5,468,722	5,261,363
INTERFUND RECEIVABLE	28,580	113,269
TOTAL ASSETS	1,348,627,100	1,364,228,236
LIABILITIES		
PAYABLE FOR INVESTMENTS PURCHASED	1,292,674	248,538
TOTAL LIABILITIES	1,292,674	248,538
NET ASSETS AVAILABLE FOR BENEFITS	\$1,347,334,426	\$1,363,979,698

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	June 30, 2002
NET ASSETS AVAILABLE FOR BENEFITS, Beginning of year	\$1,363,979,698
INVESTMENT INCOME:	
Dividends	29,068,366
Interest	520,176
	29,588,542
NET REALIZED AND UNREALIZED DEPRECIATION IN FAIR VALUE OF INVESTMENTS	(57,506,768)
CONTRIBUTIONS:	
Employer	44,146,665

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Employee	81,325,918

	125,472,583
DISTRIBUTIONS TO AND WITHDRAWALS BY EMPLOYEES	(99,776,847)
NET TRANSFERS BETWEEN FUNDS	(15,913,039)
NET TRANSFERS FROM OTHER PLANS	1,490,257

NET DECREASE	(16,645,272)

NET ASSETS AVAILABLE FOR BENEFITS, End of year	\$1,347,334,426
	=====

(3) Related party transactions:

The Putnam Investors Fund, Inc., the Putnam Fund for Growth & Income, the Putnam Voyager Fund, the Putnam Global Growth Fund, the Putnam New Opportunities Fund, the George Putnam Fund of Boston, the Putnam S&P 500 Index Fund and the Putnam Bond Index Fund are managed by Putnam Investments, LLC, a subsidiary of the Company.

(4) Loans receivable-participants:

Plan participants may borrow funds from their account subject to certain limits and conditions. Outstanding loans, which are secured by the participants' interest in the Plan, are generally repaid through payroll deductions or, at the option of the participant, the total outstanding balance may be prepaid anytime after the completion of 12 months of loan repayments. Participants' loan repayments and any interest due are paid into the participants' account.

New loans to participants amounted to \$13,437,974 and \$13,935,507 for the years ended June 30, 2002 and 2001, respectively, and repayments from participants, including interest, amounted to \$15,007,677 and \$14,767,980 respectively.

(5) Income Tax Status:

The Internal Revenue Service has determined and informed the Company by a letter dated January 28, 2002, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code ("IRC"). The Plan has been amended since receiving the determination letter. However, the Plan Administrator and the Plan's tax counsel believe that the Plan is currently being operated in compliance with the applicable requirements of the IRC.

(6) Payment of Benefits:

Benefit payments to participants are recorded upon distribution. Amounts

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allocated to accounts of persons who have elected to withdraw from the Plan but have not yet been paid were \$243,799 at June 30, 2002. These amounts have not been recorded as liabilities in the accompanying financial statements.

(7) Supporting Schedules:

The detail of assets held for investment as of June 30, 2002 is provided on Schedule I.

The summary of transactions occurring during the year ended June 30, 2002 representing more than 5% of the Plan's net assets as of July 1, 2001 is reportable under the Department of Labor Regulation 2520.103-6 and is presented on Schedule II.

(8) Subsequent Event:

Effective July 1, 2002, the vesting schedule for all participants was changed to 20% after two years of service, 40% after three years of service, 67% after four years of service and 100% after five years of service.

SCHEDULE
Page 1 of

MARSH & MCLENNAN COMPANIES STOCK INVESTMENT PLAN SCHEDULE H, line 4i - SCHEDULE OF ASSETS HELD AT END OF YEAR AS OF JUNE 30, 2002

PRINCIPAL AMOUNT OR NUMBER OF SHARES		2002	
		COST	FAIR VALUE
27,233,780	COMMON STOCK: MARSH & MCLENNAN COMPANIES, INC.	\$ 532,583,838	\$ 1,315,391,5
7,174,538	MUTUAL FUNDS: PUTNAM INVESTORS FUND	103,241,181	69,951,7
3,995,145	THE PUTNAM FUND FOR GROWTH AND INCOME	76,568,224	63,882,3
4,792,913	PUTNAM VOYAGER FUND	93,328,252	63,830,6
4,426,537	PUTNAM GLOBAL GROWTH FUND	61,194,966	31,729,0
941,470	PUTNAM NEW OPPORTUNITIES FUND	64,568,069	30,390,6
1,803,768	GEORGE PUTNAM FUND OF BOSTON	32,155,132	28,625,7
3,877,114	PUTNAM S&P 500 INDEX FUND	120,178,940	93,632,2
2,850,432	PUTNAM BOND INDEX FUND	31,379,270	35,031,8
		582,614,034	417,074,4
1,922,033	FIXED INCOME FUND: SUNAMERICA LIFE INSURANCE CO 6.30% DUE JANUARY 2, 2004	1,922,033	1,922,0
12,278,387	PRINCIPAL MUTUAL LIFE INSURANCE COMPANY 6.95% DUE SEPTEMBER 30, 2002	12,278,387	12,278,3
	PRINCIPAL MUTUAL LIFE INSURANCE COMPANY		

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12,055,662	7.04% DUE DECEMBER 31, 2002	12,055,662	12,055,662
	ALLSTATE LIFE INSURANCE		
12,003,121	6.87% DUE SEPTEMBER 30, 2002	12,003,121	12,003,121
	NEW YORK LIFE		
17,341,666	7.52% DUE MARCH 31, 2003	17,341,666	17,341,666
	JOHN HANCOCK INSURANCE COMPANY		
12,055,677	6.20% DUE NOVEMBER 30, 2002	12,055,677	12,055,677
	JOHN HANCOCK LIFE INSURANCE		
12,023,449	7.30% DUE NOVEMBER 30, 2003	12,023,449	12,023,449
	METROPOLITIAN LIFE INSURANCE		
13,302,745	6.81% DUE SEPTEMBER 30, 2003	13,302,745	13,302,745
	HARTLAND LIFE INSURANCE		
13,321,740	6.92% DUE MARCH 31, 2004	13,321,740	13,321,740
	METROPOLITIAN LIFE		
15,026,996	5.83% DUE JUNE 30, 2004	15,026,996	15,026,996
	TRAVELERS INSURANCE CO		
15,035,283	5.89% DUE SEPTEMBER 30, 2004	15,035,283	15,035,283
	TRAVELERS INSURANCE CO		
17,344,850	7.63% DUE JUNE 30, 2003	17,344,850	17,344,850
	JOHN HANCOCK INSURANCE COMPANY		
12,047,020	6.58% DUE NOVEMBER 30, 2004	12,047,020	12,047,020
	NEW YORK LIFE		
20,756,625	5.09% DUE SEPTEMBER 30, 2005	20,756,625	20,756,625
	MONUMENTAL LIFE INSURANCE COMPANY		
15,556,387	4.99% DUE JUNE 30, 2005	15,556,387	15,556,387
	MONUMENTAL LIFE INSURANCE COMPANY		
10,362,797	4.88% DUE MARCH 31, 2005	10,362,797	10,362,797
	PRINCIPAL LIFE		
12,326,822	5.60% DUE MARCH 31, 2006	12,326,822	12,326,822
	NEW YORK LIFE		
10,524,522	5.26% DUE MARCH 31, 2004	10,524,522	10,524,522
	HARTFORD LIFE		
10,575,738	5.79% DUE MARCH 31, 2005	10,575,738	10,575,738
	METROPOLITIAN LIFE		
11,666,911	5.95% DUE JUNE 30, 2006	11,666,911	11,666,911
	ALLSTATE LIFE		
11,664,439	5.86% DUE SEPTEMBER 29, 2006	11,664,439	11,664,439
	HARTFORD LIFE		
12,326,699	5.63% DUE MARCH 31, 2006	12,326,699	12,326,699
	MONUMENTAL LIFE INSURANCE COMPANY		
12,330,851	5.67% DUE MARCH 31, 2006	12,330,851	12,330,851
		-----	-----
		293,850,420	293,850,420
		-----	-----
	TOTAL INVESTMENTS	\$ 1,409,048,292	\$ 2,026,316,400
		=====	=====

SCHEDULE II

MARSH & MCLENNAN COMPANIES STOCK INVESTMENT PLAN
SCHEDULE H, line 4j - SCHEDULE OF REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 2002

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DESCRIPTION OF ASSET -----	COST OF ASSETS -----	CURRENT VALUE OF ASSETS -----	NET GAIN (LOSS) -----
TRANSACTION BY ISSUE:			
BANKERS TRUST COMPANY OF NEW YORK			
PYRAMID CASH TEMPORARY FUND			
INVESTMENTS			
297 PURCHASES	\$ 589,005,372	\$ 589,005,372	\$ -
402 SALES	533,249,030	533,249,030	-