

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

=====

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 | |
|---|---|----------------|----------------|
| 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 | - |