

ETF Boards and Department Organization

Board Functions and Responsibilities

The Wisconsin citizens who serve on the six boards that provide oversight for the Department of Employee Trust Funds (ETF) play important roles. Board decisions affect hundreds of thousands of individuals who participate in the retirement programs funded by the trust funds as well as other fringe benefit programs ETF operates for Wisconsin.

This section explains how members are appointed or elected, shows how membership overlaps, and provides information on individual board members. Members of the boards come from a variety of geographic areas, and under state statutes, are chosen in a variety of ways. Some members are direct appointees of the incumbent Governor, others are appointed to fixed terms from lists submitted to the Governor by specified organizations, and still others are directly elected by active participants or retirees. Thirty-seven individuals served as board members in 2002, with three positions vacant.

The members and officers of each board are listed, along with a short explanation of each board's responsibility:

Employee Trust Funds Board (13 Members)

This board sets policy for the Department of Employee Trust Funds; appoints the ETF Secretary; approves tables used for computing benefits, contribution rates and actuarial assumptions; authorizes all annuities except for disability; approves or rejects ETF administrative rules; and generally oversees administration of the benefit programs, except group insurance and deferred compensation. Membership criteria is set by state law, with some members appointed by the Teachers Retirement Board (TRB) and the Wisconsin Retirement Board (WRB).

Members, how they are chosen for the ETF Board, and their original source of appointment or election are:

Board Members

Chair: Marilyn J. Wigdahl, retired financial specialist, University of Wisconsin-LaCrosse; appointed by Wisconsin Retirement Board (WRB member appointed by the Governor as a participating state employee).

Vice-Chair: Wayne E. Koessl, government affairs representative, Wisconsin Electric Power Co., Kenosha, and member Kenosha County Board of Supervisors; appointed by Wisconsin Retirement Board (WRB member appointed by Governor as a member of a governing body of a participating city, village, town or county).

Secretary: Robert M. Niendorf, retired professor, University of Wisconsin-Oshkosh, College of Business Administration; appointed by Teachers Retirement Board (TRB member appointed by the Governor as a University teacher participant in WRS).

John L. Brown, county clerk, Washburn County, Spooner; appointed by the Wisconsin Retirement Board (WRB member appointed by the Governor from a participating county or town from a list submitted by the Wisconsin Counties Association).

Sherry Brown, custodian, Pewaukee; elected by educational support personnel in public school districts or technical college districts.

Peter Fox, ex-officio, Secretary of Wisconsin Department of Employment Relations, Madison.

Stephen H. Frankel, ex-officio, vice president and managing actuary, Northwestern Mutual Life Insurance, Milwaukee (Governor's designee on the Group Insurance Board).

James A. Gruentzel, retiree; elected by retirees.

Irena Macek, teacher, Milwaukee Public School District; appointed by Teachers Retirement Board (TRB member elected by Milwaukee Public School teachers).

Wayne D. McCaffery, teacher, Stevens Point Area High School; appointed by the Teach-

ers Retirement Board (TRB member who is a public school or vocational school teacher).

Vacant: appointed by Wisconsin Retirement Board (WRB member appointed by Governor as an employee of a participating local government).

Nancy L. Thompson, member, Waterloo School Board; appointed by the Teachers Retirement Board (TRB member appointed by the Governor who is a public school administrator or school board member).

Cynthia A. Van Bogaert, attorney, appointed by the Governor as a public member who is not a participant in or beneficiary of the WRS. The appointee must have substantial actuarial, employee benefit or insurance experience.

Wisconsin Retirement Board (9 Members)

The Wisconsin Retirement Board (WRB) advises the ETF Board on matters relating to retirement; approves or rejects administrative rules; authorizes or terminates disability benefits for non-teachers; and hears appeals of disability rulings. It appoints four members to the ETF Board and one non-teaching participant to the separate State of Wisconsin Investment Board.

Board Members

Chair: Marilyn J. Wigdahl, La Crosse; state employee appointed by Governor. (See ETF Board)

Vice-Chair: John L. Brown, county clerk, Washburn County, Spooner; must be from a county different from other county appointees. (See ETF Board.)

Secretary: Vacant.

Theodore H. Bauer, retired finance director, City of Neenah; appointed by Governor as a local government financial officer.

Jefferson E. Davis, estate planner, Milwaukee; appointed by the Governor as a public member who is not a participant or beneficiary of the WRS.

Connie O'Connell, Office of the Commissioner of Insurance, Madison; designated by the Commissioner as an experienced actuary.

Wayne E. Koessl, Kenosha; appointed by Governor from a list of names submitted by the Wisconsin Counties Association, chair or member governing body of a participating county or town. (See ETF Board.)

Vacant: appointed by Governor as a participating employee from a city or village. Must be from a different municipality and county than other appointees to this board.

Barbara J. Ermeling, clerk/treasurer, Village of Weston; Governor's appointee from a list of city or village chief executives supplied by the League of Wisconsin Municipalities.

Teachers Retirement Board (13 Members)

The Teachers Retirement Board (TRB) advises the ETF Board on retirement and other benefit matters involving public school, vocational, state and university teachers; approves or rejects administrative rules; authorizes or terminates teacher disability benefits; hears disability benefit appeals. Nine of the 13 members are elected. It appoints four members to the ETF Board and one teacher participant to the separate State of Wisconsin Investment Board.

Board Members

Chair: Wayne D. McCaffery, teacher, Stevens Point School District; elected by public school teachers. (See ETF Board.)

Vice-Chair, Robert M. Niendorf, retired finance professor, College of Business Administration, University of Wisconsin-Oshkosh; appointed by the Governor as a UW faculty member. (See ETF Board.)

Secretary: Nancy L. Thompson, member of the Waterloo School Board; appointed by the Governor as a school board member. (See ETF Board.)

Reginald Delwiche, teacher, Park Falls

School District; elected by public school teachers.

Suzanne Doemel, teacher, Oshkosh Area School District; elected by public school teachers.

Irena Macek, teacher, Milwaukee Public School District; elected by Milwaukee Public School District teachers. (See ETF Board.)

Theodore Bratanow, Engineering Mechanics faculty, University of Wisconsin-Milwaukee; appointed by the Governor as a UW faculty participant. Must be from a different campus than the other UW representative.

James Tripp, teacher, Glenwood City School District; elected by public school teachers.

Donald T. Ganther, retired teacher, Chippewa Falls School District; elected by retired school teachers.

Lon L. Mishler, finance instructor, Northeast Wisconsin Technical College; elected by participating Wisconsin Technical College instructors.

Gerald E. Pahl, teacher, Sheboygan School District; elected by public school teachers.

Dennis W. Pratt, superintendent of schools, Darlington Community Schools; appointed by the Governor as a public school administrator who is not a classroom teacher.

David Wiltgen, teacher, Eau Claire School District; elected by public school teachers.

Group Insurance Board (10 Members)

The board sets policy for the group health, life, and income continuation insurance plans for state employees and local employers who choose to offer them. The board also can provide other insurance plans, if employees pay the entire premium.

Board Members

Chair: Stephen H. Frankel, Milwaukee; appointed as the Governor's designee. (See ETF Board.)

Vice-Chair: Randy A. Blumer, deputy commissioner of insurance, Office of the Commissioner of Insurance; designee of the Commissioner.

Secretary: Esther Olson, teacher; appointed by the Governor as an insured teacher participant in the WRS.

Robert A. Alesch, retired; appointed by the Governor as a retired, insured employee.

Martin Beil, Mazomanie; appointed by the Governor as an insured member of the retirement system who is not a teacher.

Karen Timberlake, deputy attorney general, Wisconsin Department of Justice; designee of the Attorney General.

Gale F. Dushack, retired; appointed by the Governor; no membership requirements.

Peter Fox, secretary of Wisconsin Department of Employment Relations, ex-officio. (See ETF Board.)

Charles E. McDowell, administrator, Wisconsin Department of Administration (DOA); designee of the DOA Secretary.

Vacant: Governor's appointee as an employee of a local unit of government. (See Wisconsin Retirement and ETF Boards.)

Deferred Compensation Board (5 Members)

The board sets policy, contracts with investment and administrative service providers, and oversees administration of the Deferred Compensation Program. The board is responsible for establishing criteria and procedures for selecting and evaluating investment options offered by the Program. All board members are appointed by the Governor with senate confirmation; there are no statutory requirements for appointments.

Board Members

Chair: Edward D. Main, retired.

Vice Chair: Peter F. Ullrich, investment broker, Wauwatosa.

Secretary: Martin Beil, executive director, American Federation of State, County and Municipal Employees Union, Council 24, Madison.

John F. Nelson, investment director/small company stocks, State of Wisconsin Investment Board, Madison.

J. Jean Rogers, administrator, Division of Economic Support, Wisconsin Department of Workforce Development, Madison.

Private Employer Health Care Coverage Board

The Private Employer Health Care Coverage Program (PEHCCP) Board sets policy for the PEHCCP, which is a small business employer health insurance purchasing pool. The Board was created by 1999 Wisconsin Act 9, which outlines requirements of the Private Employer Health Care Purchasing Alliance (PEHCPA).

According to the Act, responsibilities of the Board are:

To establish criteria for the administrator of the PEHCPA; to establish the PEHCPA enrollment period; to specify the manner of employer premium payments for employee coverage; to set and adjust the commission rate for the sale of PEHCPA policies, based upon the average commission rate that the insurance agents are paid in the state for the sale of comparable health insurance policies; and to submit an annual report to the Legislature and Governor on the operation of the program by December 31 of each year and include any recommendations for improving the program.

Board Members

John Turcott, Madison; one member who represents health maintenance organizations.

Tim Size, Sauk City; one member who represents hospitals.

James G. Krogstad, Madison; one member who represents insurance agents, as defined in s. 628.02(4).

Gina Erickson, Janesville; one of two members who is an employee eligible to receive health care coverage under subch. X of Ch. 40 and whose employer employs not more than 50 employees.

Vacant; one of two members who is an employee eligible to receive health care coverage under subch. X of Ch. 40 and whose employer employs not more than 50 employees.

DeWane G. Bierman, Onalaska; one member who represents insurers.

James R. Janes, Oshkosh; one of two members who are, or who represent, employers that employ not more than 50 employees and who are eligible to offer health care coverage under subch. X of ch. 40.

Christopher J. Queram, Madison; one of two members who are, or who represent, employers that employ not more than 50 employees and who are eligible to offer health care coverage under subch. X of ch. 40.

Vacant; one member who is a physician, as defined in s. 448.01(5).

Gary A. Meier, Racine; one of two members who represent the public interest.

Kenneth W. Conger, Kohler; one of two members who represent the public interest.

Eric Stanchfield, secretary of the Department of Employee Trust Funds (ETF); ETF secretary or unnamed designee.

Phyllis Dube, Secretary of the Department of Health and Family Services (DHFS); secretary of DHFS or unnamed designee.

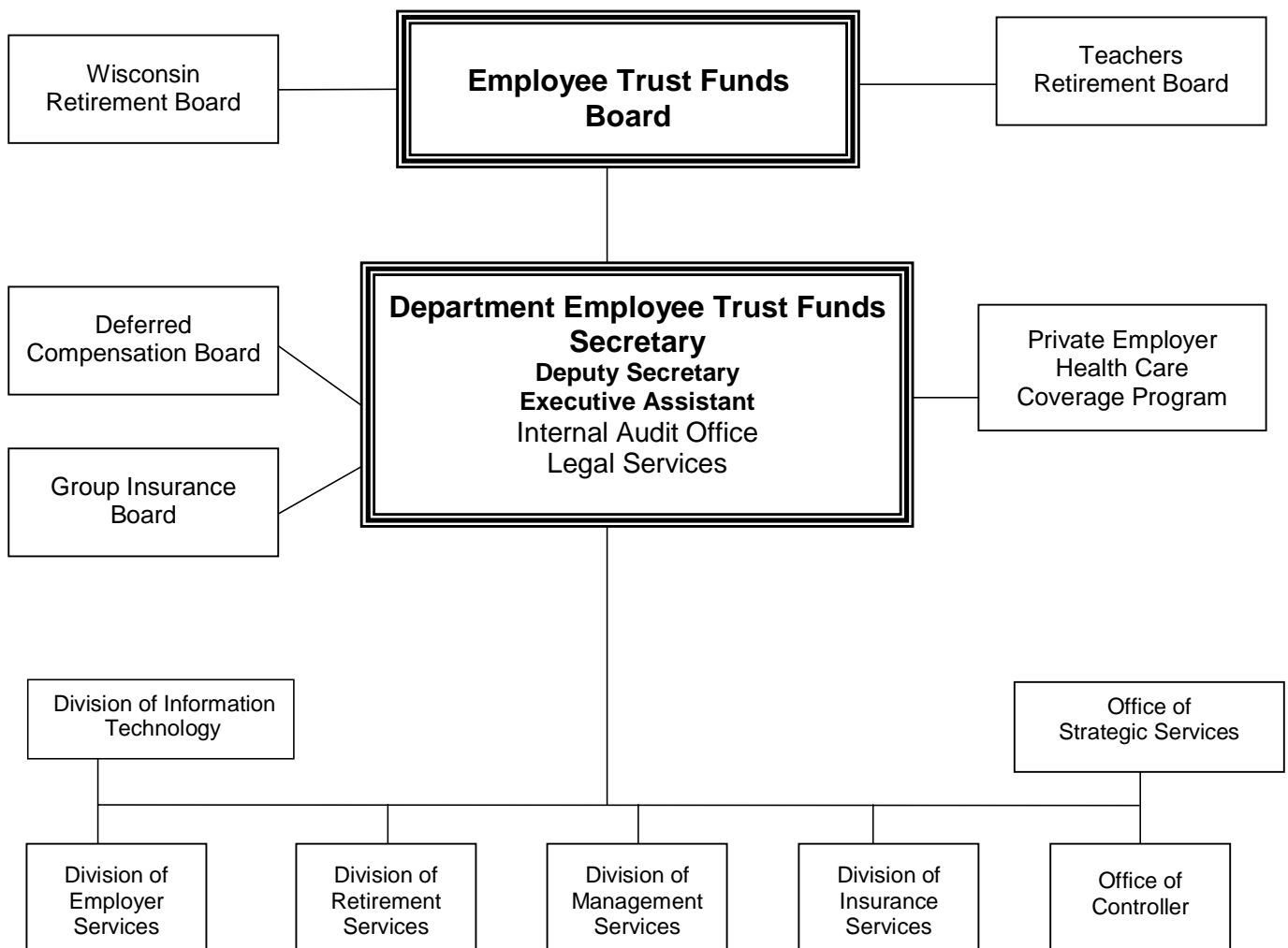
State of Wisconsin Investment Board

The State of Wisconsin Investment Board (SWIB) is an independent state agency, not part of the ETF Board. SWIB issues a separate annual report, discussing its investment activities. A brief review is contained in the Investments Section of this annual report.

Department Organization

The Department of Employee Trust Funds had 188.35 permanent, full-time positions and 26 project FTE positions at the end of 2002, with employees in offices in Madison and Milwaukee.

The Department's organizational chart is shown below:



2002 ETF Management Staff

Secretary: Eric Stanchfield
 Deputy Secretary: David Mills
 Executive Assistant: David Hinrichs
 Legal Counsel: Robert Weber
 Legislation and Planning Director: Vicki Poole

Office of Internal Audit
 Director: Robert Schaefer

Office of the Controller
 Director: Robert Willett

Office of Strategic Services
 Director: Pam Henning

Division of Information Technology
 Administrator: David Hinrichs

Division of Retirement Services
 Administrator: Julie Reneau

Division of Insurance Services
 Administrator: Tom Korpady

Division of Employer Services
 Administrator: Jean Gilding

Division of Management Services
 Administrator: Rhonda Dunn

Principal Consultants And Administrators**Consulting Actuaries:**

Gabriel, Roeder, Smith & Co.
 Detroit, MI (retirement)

Deloitte & Touche, Inc.
 Minneapolis, MN (insurance plans)

Auditors:

Legislative Audit Bureau
 Madison, WI

Third Party Administrators:**Health Insurance:**

Blue Cross Blue Shield United of
 Wisconsin, Milwaukee, Wisconsin

**Income Continuation Insurance
and Long-Term Disability Insurance:**

CORE, INC.
 Burlington, Massachusetts

Deferred Compensation:

Nationwide Retirement Solutions
 Columbus, Ohio

**Employee Reimbursement Accounts
and Commuter Benefits:**

Fringe Benefits Management Co.
 Tallahassee, Florida

Life Insurance:

Minnesota Life Insurance Co.
 St. Paul, Minnesota

Legislation and Annual Accomplishments

The bills that became law in 2002 that affect the Wisconsin Retirement System (WRS) and other employee benefit programs administered by the Department of Employee Trust Funds include the following:

2001 Wisconsin Act 109 (budget reform bill):

Sick Leave Conversion Credit Program Contribution Suspension – Suspended state employer payroll contributions for both the accumulated sick leave conversion credit program (ASLCC) and the supplemental health insurance conversion credit program for those payrolls between July 1, 2002 and June 30, 2003. The Department of Employee Trust Funds and the State of Wisconsin Investment Board were exempted from the payment suspension.

Private Employer Health Care Coverage Program

– Provided a \$850,000 general purpose revenue (GPR) loan from the Office of the Commissioner of Insurance to fund the operating costs of the Private Employer Health Care Coverage Program (PEHCCP). The loan is to be repaid with interest within a reasonable time period as determined by the Department of Administration (DOA) Secretary and the PEHCCP Board. If the monies are not sufficient to make the lapse, DOA pays the remaining principle and interest payments after the close of each fiscal year.

- Authorized the Department to seek funding from any person for the payment of costs of designing, marketing, and contracting for administrative services of the PEHCCP.

- Exempted 3.5 FTE GPR positions from any hiring freeze under Act 109.

Federal and State Pension and Income Tax Conformity – Conformed the federal Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)

to Wisconsin State income tax laws for purposes of pension legislation. EGTRRA changes that affected the WRS include the following:

- Increased the annual maximum benefit payment amount from a defined benefit plan (WRS formula benefit) to \$160,000 (from \$140,000);

- Increased the annual income used to calculate a defined benefit (earnings amount reported to the WRS for benefit calculations) to \$200,000 (from \$170,000); and

- Increased the annual maximum contribution to a defined contribution plan (employee and employer contributions to the WRS) to the lesser of 100% (from 25%) of compensation or \$40,000 (from \$35,000).

ETF Objectives for 2002

The 2002 objectives prepared by the Department as shown below are regularly reported to the ETF Board. The listing of accomplishments that follow are related to the objectives.

1. Develop an interactive Web site where members can access account balances, benefit options, benefit forms and other pertinent information necessary for the effective administration of a member's personal benefits.

2. Build on the member online access project and develop an interactive Web site where employers can conduct ETF business.

3. Study benefit, funding, and service delivery options for the Group Health Insurance Plan and implement agreed upon changes.

4. Review the previously prepared transitional retirement study and identify recommendations for implementation.

5. Identify existing processes and operations within

ETF that can be simplified or streamlined, develop a plan to implement, and execute plan.

6. Develop and implement a single payment system to process benefit applications, maintain benefit accounts, process payments, and provide reporting/administrative functions.
7. Establish additional mechanisms to communicate from Secretary's Office and encourage more frequent communication by supervisors.
8. Provide cross-organizational training and utilization of staff to assist in handling workflow "spikes."

Accomplishments for January 1, 2002, through December 31, 2002

Service to Employees

1. Group benefit presentations were held in the spring and fall in 46 locations throughout the state. These presentations educate members about their retirement and other benefits. Approximately 10,400 members attended these programs in 2002. Topics in the program include calculating formula retirement benefits, annuity options, disability and separation benefits, taxes and survivor benefits plus health and life insurance benefits.
2. The first edition of *It's Your Benefit* was produced and distributed to participants under the State of Wisconsin group health insurance program. The newsletter is distributed three times a year to state and local government employees and retirees and provides information on benefits under the health insurance program as well as topics such as rising health care costs, eligibility and enrollment issues, benefit design and health plan news.
3. Health Plan Employer Data and Information Set (HEDIS) data was included in the report card section of the annual *It's Your Choice* health insurance program enrollment booklet. HEDIS data are a set of performance measures that improve upon the quality of care provided by organized delivery systems by increasing accountability of managed care.
4. The Secretary's Office controlled correspondence system was reviewed and revised and new procedures for assigning work in the records management area were implemented, resulting in more equitable work distribution, better customer service and reduced backlogs. Additionally, cross training among a variety of units was conducted to ensure appropriate coverage for the monthly check writing process to assure timely distribution of benefits.
5. Basic instruction in the use of Wisconsin Employee Benefit browsers; the difference between transactions and static content; use of the Internet, Intranet, and Extranet; the Customer Information Control System; ETF Internet subsystems and mail processing; and ETF Internet calculators was presented to staff, increasing their efficiency in serving customers.
6. A new Quality Assurance Service Bureau was created to better handle health insurance complaints. Internal standards were developed for health insurance complaint acknowledgement, complaint review, and health plan responses so these items could be tracked to measure performance. Additionally, a new form was created to track informal complaints. The health insurance complaint backlog was reduced from 108 to 21 complaints.
7. A new Office of Strategic Services was formed to serve as the agency's primary link to the legislative and executive branches of state government, the media, federal agencies, and constituent groups on the strategic initiatives of the Department. The office handles budget policy, legislative relations, federal relations, communication, strategic plan-

ning, administrative rule development and the Wisconsin Deferred Compensation Program.

Service to Employers

1. The Employer Services Division conducted 33 training sessions on the WRS for local governments and school districts in 16 cities throughout the state including: Eau Claire; Fennimore; La Crosse; Madison; Menasha; Menomonie; Milwaukee; Oshkosh; Rhinelander; Rice Lake; Sheboygan; Stevens Point; Twin Lakes; Waukesha; Wausau; and Whitewater.

2. A secure method for transmitting WRS annual earnings and service data from employers via the Internet was implemented to aid WRS employers in reporting employee information to the Department.

Benefit Programs

1. The Group Insurance Board endorsed recommendations for changes in the Group Health Insurance Plan: changing the current premium contribution system to a tiered approach; carving out prescription drug benefits and contracting with a pharmacy benefit manager; converting the standard plans into one preferred provider plan; integrating quality and safety standards; and creating a stand-alone dental plan when a reasonable employer contribution becomes available.

2. The Group Insurance Board approved offering direct deposit of short-term disability benefits for disability recipients that will be disabled for a minimum of six months. This option provides a service improvement to eligible recipients while maintaining consistency with payment in other disability benefit programs administered by the Department.

3. Enrollment began in August 2002 for the new Commuter Benefits Program that allows state and university employees to pay for their mass transit

and/or parking expenses on a pre-tax basis.

4. Under the Wisconsin Retirement System (WRS), the definition of the “Joint and Survivor Annuity Reduced 25% upon Death of Annuitant or Named Survivor” option previously required the amount of the annuity to be reduced by 25% for the month in which either the annuitant or the named survivor died. An administrative rule became effective to allow the annuitant to receive the full annuity payment for one additional month upon the death of the named survivor before the amount decreased by 25%. This change decreases the situations in which the Department must recover an overpayment from the annuitant.

5. An administrative rule became effective that removed the responsibility of a WRS employer to make a medical determination for employees eligible under the Long-Term Disability Insurance (LTDI) program and instead rely on physicians’ medical determinations. Without this change, the Department was required to deny the application for LTDI benefits if the employer indicated the employee was not disabled or if the employer indicated there was no information on which to base an opinion.

6. The Department and Group Insurance Board became members of the Leapfrog Group, which is a national coalition whose goal is to improve the patient safety, health care quality and overall value of health care for members.

Administration

7. ETF joined forces with an outside contractor to develop and implement the Benefit Payment System project, which is being designed to improve the timeliness and efficiency of benefit payments, enhance the system’s ability to respond to changes in calculations and requirements, and provide seamless interface with other internal

systems. The design phase of the Benefit Payment System project was started, merging the system architecture with user requirements.

8. The Department received funding and one position from the legislature to implement security and privacy regulation mandates under the federal Health Insurance Portability and Accountability Act (HIPAA).

9. The Department finalized a strategic business and Information Technology plan for the years 2002-2005.

10. The Department completed the conversion of phase two of the variable participation system relating to requirements under 1999 Wisconsin Act 11 to reopen employee contributions to the variable trust fund. This conversion automated the enrollment of participants' contributions to the variable trust fund and reflected the variable contributions and interest on the annual *Statement of Benefits* for January 1, 2003.