

Board	Mtg Date	Item #
Jl	9/25/2003	1

## MINUTES OF MEETING

### STATE OF WISCONSIN JOINT INFORMATIONAL MEETING TEACHERS RETIREMENT, WISCONSIN RETIREMENT, AND EMPLOYEE TRUST FUNDS BOARD

Thursday, June 19, 2003

Sheraton Madison Hotel  
706 John Nolen Drive  
Madison, Wisconsin

#### BOARD PRESENT:

Ted Bratanow, TR Board  
John Brown, ETF Board and Vice-Chair, WR Board  
Reginald Delwiche, TR Board  
Suzanne Doemel, TR Board  
Barbara Ermeling, WR Board  
Theron Fisher, ETF Board  
Rick Gale, WR Board  
Kathleen Kreul, ETF Board  
Irena Macek, ETF and TR Board  
Eileen Mallow (*representing Jorge Gomez, WR Board*)  
Wayne McCaffery, Chair, TR Board and ETF Board  
Lon Mishler, TR Board  
Robert Niendorf, Secretary, ETF Board and Vice-Chair, TR Board  
Gerald Pahl, TR Board  
Nancy Thompson, TR Board, ETF Board  
Cynthia Van Bogaert, ETF Board  
Marilyn Wigdahl, Chair, WR Board and Chair, ETF Board  
David Wiltgen, TR Board

#### BOARD NOT PRESENT:

Ted Bauer, WR Board  
Jefferson Davis, Secretary, WR Board  
Wayne Koessl, Vice-Chair, ETF Board and WR Board  
John Noel, ETF Board  
Tom Pedersen, TR Board  
Dennis Pratt, TR Board  
Karen Timberlake, ETF Board  
James Tripp, TR Board

#### PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary  
Dave Mills, Deputy Secretary  
Julie Reneau, Administrator, Division of Retirement Services  
Pam Henning, Director, Office of Strategic Services  
Christina Licari, Board Liaison  
Linda Owen, Division of Retirement Services  
Shelly Schueller, Office of the Secretary  
Bob Willett, Controller

**OTHERS PRESENT:**

Michael Blumenfeld, Blumenfeld & Associates  
Sue Chamberlain, University of Wisconsin System Administration  
Jerry Dietzel, Department of Employee Trust Funds  
Rhonda Dunn, Department of Employee Trust Funds  
Sandy Drew, State of Wisconsin Investment Board  
Kendra Eppler, Legislative Audit Bureau  
Bill Ford, Legislative Council  
Brian Fusie, Department of Employment Relations  
Jim Gruentzel, Department of Transportation (retired)  
Sherry Haakenson, Legislative Audit Bureau  
Dave Hinrichs, Department of Employee Trust Funds  
Norm Jones, Gabriel, Roeder, Smith & Company  
Ed Kehl, Wisconsin Coalition of Annuitants  
Nancy Ketterhagen, Department of Employee Trust Funds  
Tom Korpady, Department of Employee Trust Funds  
Ron Mensink, State of Wisconsin Investment Board  
Brian Murphy, Gabriel, Roeder, Smith & Company  
Julie Schraufnagel, Department of Employee Trust Funds  
Mel Sensenbrenner, State Engineering Association  
Rob Weber, Department of Employee Trust Funds

Wayne McCaffery, Chair, Teachers Retirement Board, called the meeting to order at 9:00 a.m.

**CONSIDERATION OF MINUTES OF PREVIOUS MEETINGS**

***Motion: Ms. Thompson moved approval of the minutes of the March 13, 2003, meeting with one change reflecting that Ms. Ermeling was not present.***

***Ms. Van Bogaert seconded the motion, which passed without objection on a voice vote.***

**ANNOUNCEMENTS**

Ms. Reneau introduced Kathleen Kreul and Theron Fisher, recently elected members of the Employee Trust Funds Board. Ms. Reneau also noted that John Noel, recently appointed member of the Employee Trust Funds Board, and R. Thomas Pedersen, recently elected member of the Teachers Retirement Board, were unable to attend this meeting but would be introduced to the group at a later meeting.

**ADMINISTRATIVE RULE**

**Scope Statement: Dividend Distribution.** Ms. Reneau discussed possible changes to the administrative rule, which establishes the dividend distribution date under Wis. Administrative Code Chap. ETF 20.25 (1) (a) and (2). At the March 2003 meeting, the Boards each passed a scope statement that would allow the Department of Employee Trust Funds (DETF) staff to begin considering changes to the permanent rule. The Boards also expressed interest in further discussion before determining if a permanent rule change was warranted.

Ms. Reneau discussed the options researched by the DETF at the request of the Boards and explained staff recommendations. Option number two of the memorandum, favored by staff, is to amend the rule to return to the April 1 effective date (May 1 payment date).

Secretary Stanchfield noted that the Boards should act based on what they believe makes sound policy rather than what they project the dividends will do in future years. Board members expressed interest in what annuitants prefer, what the associated costs of making a change are and what administrative work is involved. They also expressed a desire to not “bounce around” from year to year.

Ms. Reneau noted that all three Boards would be asked to take action on this matter in their respective meetings.

***Ms. Van Bogaert recused herself from this discussion, as the discussion pertained to rule-making.***

## **LEGISLATIVE REPORT AND BUDGET UPDATE**

**Legislative Report.** Ms. Henning provided members with a brief update on current legislative issues, noting that the Department would continue to provide information as new legislation is introduced or approved.

**Budget Update.** Ms. Henning provided members with an update on the status and proposed provisions of the 2003-2005 biennial budget. She noted that the Joint Committee on Finance (JFC) has recommended approving additional ongoing funding for the Benefit Payments System Project. She also highlighted JFC recommendations included in the memorandum regarding several Governor’s Initiatives as well as additional JCF initiatives. Further updates will be provided as the proposed budget moves through the legislative process.

## **WISCONSIN RETIREMENT SYSTEM 22<sup>ND</sup> ANNUAL VALUATION OF ACTIVE LIVES – DECEMBER 31, 2002**

Ms. Reneau introduced Norm Jones and Brian Murphy of Gabriel, Roeder, Smith & Company, actuaries for the DETF. Mr. Jones presented a slide show in conjunction with the report, *Wisconsin Retirement System 22<sup>nd</sup> Annual Valuation of Active Lives – December 31, 2002*. The valuations reflect the actuarial experience, trends and projections for non-retired participants covered by the Wisconsin Retirement System (WRS). The valuations establish contribution rates for the 2004 calendar year in conformance with Chapter 40 of the Wisconsin Statutes.

Ms. Reneau noted that the Employee Trust Funds Board would be asked to take action regarding the valuations at their meeting on Friday, June 20, 2003.

*The Board took a break at 10:30 a.m.*

## **EDUCATIONAL TOPIC: DEPARTMENT OF EMPLOYEE TRUST FUNDS ANNUAL FINANCIAL REPORT – DECEMBER 31, 2002**

Ms. Reneau introduced Bob Willett, DETF Controller. Mr. Willett presented a Powerpoint presentation in conjunction with the *Department of Employee Trust Funds Annual Financial Report – December 31, 2002*. The report and presentation contained information regarding the year-end

balances of the combined transaction amortization and market recognition accounts, annual WRS contributions and annuity payments, new annuities begun annually, post-retirement increases compared to cost of living, unfunded actuarial accrued liabilities of employers, fixed and variable fund investment income, fixed and variable fund reserves, as well as the status of WRS insurance funds and other benefit plans.

## MISCELLANEOUS

**Benefit Payment System.** Ms. Reneau presented a status report on the Benefit Payments System (BPS) development. Ms. Reneau noted that the project is approximately 48% complete. Implementation has been delayed by six weeks due to unforeseen difficulties with the system architecture, system security and application architecture. This variance from the initial plan is largely due to the need to implement security requirements that are coordinated with the Department of Electronic Government.

**State of Wisconsin Investment Board Tours.** Ms. Licari noted that tours of the State of Wisconsin Investment Board (SWIB) would be held in the afternoon for Teachers Retirement Board and Employee Trust Funds Board members. Ms. Licari provided logistical information, maps and parking instructions to members wishing to attend and announced that a similar tour for Wisconsin Retirement Board members would be held at a later date.

**Recent Retirement News Articles.** Members were provided with copies of recent news articles related to the WRS. Ms. Reneau noted that members should feel free to contact DETF staff with any questions when the WRS comes up in the media.

**Workload.** Ms. Reneau provided members with an update regarding the status of workload levels within the Department. She noted that the Department is currently ahead of standards for processing benefit applications but the workload will be affected by recently settled union contracts. Coupled with the loss of project staff, this could mean significant delays in processing some types of work in the near future. Ms. Reneau also noted that under extreme circumstances, Secretary Stanchfield could ask the Joint Committee on Finance for emergency funding for staffing to address the workload issue.

## ADJOURNMENT

***Motion: Mr. Niendorf moved adjournment. Mr. Brown seconded the motion, which passed without objection on a voice vote.***

The Joint Informational Meeting adjourned at 11:35 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Nancy Thompson, Secretary  
Teachers Retirement Board