

MINUTES OF MEETING

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

Thursday, September 25, 2003

**Sheraton Madison Hotel
706 John Nolen Drive
Madison, Wisconsin**

BOARD PRESENT:

Ted Bauer, WR Board
Ted Bratanow, TR Board
John Brown, ETF Board and Vice-Chair, WR Board
Jefferson Davis, Secretary, WR Board
Reginald Delwiche, TR 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
Gerald Pahl, TR Board
Tom Pedersen, TR Board
Dennis Pratt, TR Board
Nancy Thompson, TR Board, ETF Board
James Tripp, TR Board
Cynthia Van Bogaert, ETF Board
Marilyn Wigdahl, Chair, WR Board and Chair, ETF Board
David Wiltgen, TR Board

BOARD NOT PRESENT:

Suzanne Doemel, TR Board
Barbara Ermeling, WR Board
Wayne Koessler, Vice-Chair, ETF Board and WR Board
Robert Niendorf, Secretary, ETF Board and Vice-Chair, TR Board
Karen Timberlake, ETF Board

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Julie Reneau, Administrator, Division of Retirement Services
Pam Henning, Director, Office of Strategic Services
Audrey Koehn, Director, Disability Programs Bureau
Christina Licari, Board Liaison
Linda Owen, Division of Retirement Services

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JI	12/11/2003	1

OTHERS PRESENT:

Jere Bauer, Legislative Fiscal Bureau
Michael Blumenfeld, Blumenfeld & Associates
Mark Buis, Gabriel, Roeder, Smith & Company
Sue Chamberlain, University of Wisconsin System Administration
Bill Ford, Legislative Council
Ken Johnson, State of Wisconsin Investment Board
Norm Jones, Gabriel, Roeder, Smith & Company
Ed Kehl, Wisconsin Coalition of Annuitants
Nancy Ketterhagen, Department of Employee Trust Funds
Jon Kranz, Department of Administration
Jean Ledford, State of Wisconsin Investment Board
Pat Lipton, State of Wisconsin Investment Board
Jim Palmer, Wisconsin Professional Police Association
Shelly Schueller, Department of Employee Trust Funds
Mel Sensenbrenner, State Engineering Association
Ken Stelzig, Wisconsin Education Association Council – Retired
Dwayne Rohweder, Wisconsin Retired Educators Association
Art Zimmerman, Legislative Fiscal Bureau

Marilyn Wigdahl, Chair, Wisconsin Retirement Board, called the meeting to order at 9:38 a.m.

CONSIDERATION OF MINUTES

Motion: Mr. Brown moved approval of the minutes of the June 19, 2003, as submitted by the Board Liaison. Ms. Thompson seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

Ms. Reneau introduced Tom Pedersen, recently elected member of the Teachers Retirement Board. Ms. Reneau also noted that Nancy Thompson had been selected to serve on the Personnel Evaluation Committee.

Secretary Stanchfield announced that Dave Hinrichs had left the Department of Employee Trust Funds (DETF) for a position with the Division of Enterprise Technology. In response to the vacancy this change created, Dave Stella will be returning to the DETF as Executive Assistant on December 1. Also, Joanne Cullen, DETF Budget Director, will be serving as acting administrator in the Division of Information Technology. Staff will conduct an analysis of the organizational and reporting structure of the Department in preparation for Mr. Stella's return.

Ms. Reneau noted that the 2000-2001 Comprehensive Annual Financial Report had been distributed to Board members. The 2002 Comprehensive Annual Financial Report will be available later in 2003.

2004 MEETING DATES

Ms. Licari presented the 2004 meeting dates. She noted that dates were determined by the timing requirements of the quarterly Board meetings, executive staff availability and conference center

and lodging availability. The dates for the 2004 meetings are:

Thursday, Friday	March 25 & 26, 2004
Thursday, Friday	June 17 & 18, 2004
Thursday, Friday	September 16 & 17, 2004
Thursday, Friday	December 9 & 10, 2004

LEGISLATIVE REPORT AND BUDGET UPDATE

Legislative Report. Ms. Henning provided members with an update on current legislative issues, noting that the Department would continue to provide information as new legislation is introduced or approved. Ms. Henning reviewed Assembly Bill 454, which would require the DETF to make available for public inspection and copying any records (including retirement annuities paid or projected to become payable) of participants who hold or held elected or major appointed state or local office. She added that if passed, this would require a tremendous amount of research and staff time to administer.

Ms. Henning also reported on Senate Bill 260 (SB 260), which was not yet introduced at the time the legislative update memorandum was written. SB 260 was very recently introduced with a proposed effective date of January 1, 2004. The bill allows Wisconsin Retirement System (WRS) participants to elect to designate ten percent of their required WRS contributions to be invested in venture capital. If a member participates in the variable trust, the election would result in fifty-percent investment in the fixed fund, forty percent in the variable fund and ten percent in venture capital. Ms. Henning noted that this morning Dave Mills was testifying before the Senate Committee on Job Creation regarding the Department's concerns related to the bill. The three areas of concern the Department has identified are pension policy, investment policy and administrative costs.

Secretary Stanchfield discussed the three areas of concern with Board members, noting that a ten percent individual investment would be more than ten times what the State of Wisconsin Investment Board normally invests in venture capital. He added that the implementation of this change to the WRS would require extensive system changes and would be extremely expensive. In addition, he stressed that exercising this kind of option would be unwise and unsafe. The WRS provides safe, secure and stable retirement benefits for our members.

The Board shared the concerns of staff and expressed that, in their individual meetings; they would endorse official opposition to the bill.

Budget Update. Ms. Henning provided members with a summary of the 2003-2005 biennial budget (2003 Wisconsin Act 33). She highlighted the Governor's vetoes regarding Private Employer Health Care Coverage Program, attorney consolidation, pharmacy benefit purchasing pool and group health insurance premium payments for certain part-time employees.

ADMINISTRATIVE RULES

Final Language: Dividend Distribution. Ms. Owen discussed the background of and the proposed final language for the administrative rule establishing the dividend distribution date under Wis. Administrative Code, Chap. ETF 20.25 (1) (a) and (2). The final language proposed would amend the rule to return to the April 1 dividend effective date (May 1 payment date). Each Board will be asked to take action on this matter in their respective meetings.

Note: Ms. Van Bogaert recused herself from this discussion, as the discussion pertained to rulemaking.

Draft Language: Medical Reports and Processes. Ms. Koehn discussed proposed changes to the administrative rule that defines the medical reports and processes under § 40.63 Disability Retirement and Wis. Administrative Code Chap. ETF 50.40 Long-Term Disability Insurance. The scope statement to define medical reports and processes was approved by the Boards in September 1999. Since that time, the Department has drafted language to clarify interpretations of what constitutes a disability report, what is meant by *approved* or *appointed by the Department* and how many medical reports can be considered for an application or claim.

Depending on the amount of input from the various Boards and during the public hearing, the Department may present subsequent draft language for consideration at a future meeting. Each Board will be asked to take action on approval of the draft language in their respective meetings.

Note: Ms. Van Bogaert recused herself from this discussion, as the discussion pertained to rulemaking.

MISCELLANEOUS

Benefit Payment System. Ms. Reneau presented a status report on the development of the Benefit Payments System (BPS). Ms. Reneau noted that the steering committee is reassessing the project to simplify the framework for development and upkeep. A report to the steering committee on the "simplification process" is expected in October. This simplification is required prior to proceeding with the next steps in the design of system processes, screen design, and transition and test planning.

WISCONSIN RETIREMENT SYSTEM GAIN/LOSS ANALYSIS OF EXPERIENCE AMONG ACTIVE MEMBERS DURING CALENDAR YEAR 2002

Ms. Reneau introduced Norm Jones and Mark Buis of Gabriel, Roeder, Smith & Company, actuaries for the DETF. Mr. Jones presented a slide show in conjunction with the report, *Wisconsin Retirement System Gain/Loss Analysis of Experience Among Active Members During Calendar Year 2002*. The objectives of a gain/loss analysis are to determine when economic and decrement assumption changes are required and to gain an understanding of reasons for contribution rate changes. This report looks at actual member experience and is used to identify the sources of favorable or unfavorable fluctuations.

This analysis is the third in a regular three-year experience cycle. A three study is now being conducted and will be used to identify underlying trends and emerging patterns. The three-year study will be presented in December 2003; the results will be used in the December 31, 2003, valuations. Ms. Reneau noted that the Employee Trust Funds Board would be asked to take action regarding the gain/loss analysis at their meeting on Friday, September 26, 2003.

The Board took a break at 11:05 a.m.

EDUCATIONAL TOPIC: STATE OF WISCONSIN INVESTMENT BOARD UPDATE

Ms. Reneau introduced State of Wisconsin Investment Board (SWIB) staff who participated in a presentation to the Board. Patricia Lipton, Executive Director, reported on investment results and future planning; Jean Ledford, Chief Investment Officer - Public Equities, provided an update on

the equities market; and Ken Johnson, Chief Operating Officer, reported on SWIB topics in the news and discussed the SWIB letter to the co-chairs of the Senate Committee on Job Creation (in response to SB 260). Mr. Johnson also announced that SWIB had recently purchased the building that houses their offices as a part of SWIB's real estate investments and they now rent the space from the real estate investment division.

ADJOURNMENT

Motion: Mr. Tripp moved adjournment. Ms. Thompson seconded the motion, which passed without objection on a voice vote.

The Joint Informational Meeting adjourned at 12:20 p.m.

Date Approved: _____

Signed: _____

Jefferson Davis, Secretary
Wisconsin Retirement Board