

**MINUTES OF MEETING**  
**STATE OF WISCONSIN**  
**EMPLOYEE TRUST FUNDS BOARD**

**Friday, June 18, 2004**

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

**BOARD PRESENT:**

Marilyn Wigdahl, Chair  
John Brown  
Theron Fisher  
Rick Gale  
Wayne Koessl, Vice-Chair  
Kathleen Kreul  
Irena Macek  
Wayne McCaffery  
Robert Niendorf, Secretary  
Nancy Thompson  
Cynthia Van Bogaert  
Karen Timberlake

**BOARD NOT PRESENT:**

None

**PARTICIPATING ETF STAFF:**

Eric Stanchfield, Secretary  
Dave Stella, Deputy Secretary  
Julie Reneau, Administrator, Division of Retirement Services  
Christina Licari, Board Liaison  
Robert Weber, Chief Legal Counsel  
Bob Willett, Controller

**OTHERS PRESENT:**

Brian Fusie, Office of State Employment Relations  
Jane Hamblen, Department of Justice  
Brian Murphy, Gabriel, Roeder, Smith & Company  
James Palmer, Wisconsin Professional Police Association  
Jill Thomas, Office of State Employment Relations

Marilyn Wigdahl, Chair, called the meeting to order at 8:30 a.m.

**CONSIDERATION OF PREVIOUS MEETING MINUTES**

***Motion: Mr. Koessl moved approval of the minutes of the March 26, 2004, meeting as submitted by the Board Liaison. Ms. Timberlake seconded the motion, which passed without objection on a voice vote.***

**Supplemental Accounts Investment Valuation.** Mr. Willett presented a scope statement for amending Wis. Admin. Code Chap. ETF 10.12 regarding other retirement systems in Wisconsin electing to have their funds invested in the fixed and variable retirement trust funds. The scope statement proposed to refine the investment valuation procedure to provide better internal controls, simplified administration and greater transparency.

***Motion: Mr. Brown moved approval of the scope statement amending the rule to refine the investment valuation procedure. Ms. Thompson seconded the motion, which passed without objection on a voice vote.***

***Note: Ms. Van Bogaert abstained from discussion and voting on this topic as the topic pertains to rule-making.***

**Acceptance of Documents via Facsimile.** Mr. Weber presented a scope statement for amending Wis. Admin. Code Chap. ETF 10.30 (5) (b) and (8), 10.75 (2) (a), and 10.82 (2), and create or amend other provisions of the administrative code as necessary concerning the receipt of documents by facsimile. The scope statement proposed that electronic documents are functionally the same as original documents and that electronic documents should be accepted with no requirement of also submitting an original.

Mr. Weber noted that the draft rule that is brought forward for the Board's approval will also address documents received electronically via email or the Department's internet site as well as address contingencies for documents that are received but are illegible or indecipherable.

***Motion: Mr. Koessl moved approval of the scope statement amending the rule regarding the acceptance of documents received via facsimile. Mr. Gale seconded the motion, which passed without objection on a voice vote.***

***Note: Ms. Van Bogaert abstained from discussion and voting on this topic as the topic pertains to rule-making.***

## **RETIREMENT STATISTICS SUMMARY REPORT**

Ms. Reneau reviewed the *WRS Retirement Benefit Annuity Statistical Report*.

## **WISCONSIN RETIREMENT SYSTEM 23<sup>rd</sup> ANNUAL ACTUARIAL VALUATIONS OF ACTIVE LIVES – DECEMBER 31, 2003**

Brian Murphy from the Department's actuarial firm, Gabriel, Roeder, Smith & Company (GRS), reviewed highlights of the report titled *Wisconsin Retirement System 23<sup>rd</sup> Annual Actuarial Valuations of Active Lives – December 31, 2003* and responded to questions. The valuation was based upon all current plan provisions related to non-retired participants. Based upon the results of the valuation, the actuary recommends an increase in normal cost contributions.

***Motion: Ms. Kreul moved to adopt the rates as proposed by the actuary in the "Wisconsin Retirement System 23<sup>rd</sup> Annual Actuarial Valuations of Active Lives – December 31, 2003." Mr. Koessl seconded the motion, which passed without objection on a voice vote.***

## **ACCUMULATED SICK LEAVE CONVERSION CREDIT (ASLCC) PROGRAMS ANNUAL ACTUARIAL REVIEW – DECEMBER 31, 2003**

Brian Murphy from the Department's actuarial firm, GRS, presented the *Accumulated Sick Leave Conversion Credit Programs Annual Actuarial Valuations as of December 31, 2003*. The financial objectives of the Board in funding the ASLCC program is to establish and receive contributions to support benefits that will remain approximately level from year to year. The recommended 2005 contribution rate is 1.4% of covered payroll.

Staff noted that on page five of the report, the section titled "Amount of Payment for Unused Sick Leave" should reflect that the conversion credit is computed based on the member's *highest* basic pay, not the current basic pay as stated in the report. GRS will issue a correction to this page of the report in the near future.

***Motion: Mr. Koessl moved to accept the actuary's report and adopt the 2004 contribution rate as recommended. Mr. Koessl seconded the motion, which passed without objection on a voice vote.***

## **SECTION 40.65 DUTY DISABILITY PROGRAM ACTUARIAL REVIEW**

Tom Korpady, Administrator, Division of Insurance Services, discussed the *Section 40.65 Duty Disability Program Actuarial Review as of December 31, 2003*, as prepared by James Sceaux of Deloitte & Touche LLP. The results of this review indicated that the Duty Disability program has assets of \$163.4 million and estimated liabilities of \$339.2 million as of December 31, 2003. The accrued funding shortfall is \$175.8 million, which represents about 17% of the \$1015.6 million in covered payroll. This is a decrease of 2% since the December 31, 2002, review.

Mr. Korpady noted that the increase in assets of the program (19%) far outweighed the increase in liabilities (5.6%) and that the assets of the program have doubled since the end of 2000.

The current premium rate, approved in 1998, continues to meet the Board's funding policy, and the funding level continues to meet liabilities. Therefore, no premium increase is recommended at this time.

***Motion: Mr. Niendorf moved to accept the actuary's report. Mr. Gale seconded the motion, which passed without objection on a voice vote.***

## **MISCELLANEOUS**

**Pending Appeals Status Report.** An update on pending appeals was provided for the Board's information.

**Benefit Information Accessibility to Participants.** Included for the Board's information.

Ms. Reneau discussed the Department's approach to appointments as well as other methods of providing retirement and other information to participants. Board members expressed specific interest in providing as much information as possible via the Department's internet site.

**Audit Reports.** (Provided for the Board's information.) Ms. Reneau reviewed the audit reports *Controls Over Closing Inactive Accounts* and *Review of Stale Dated Checks – Phase I*. Internal Audit staff were available to answer questions.

*The Board took a break at 9:50 a.m.*

### **MOTION TO CONVENE IN CLOSED SESSION**

Ms. Wigdahl announced that the Employee Trust Funds Board would convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for quasi-judicial deliberations. Ms. Licari was invited to remain during the closed session.

***Motion: Mr. Koessler moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for quasi-judicial deliberations. Mr. Niendorf seconded the motion, which passed on a roll call vote.***

***Members voting aye: J. Brown, T. Fisher, R. Gale, W. Koessler, K. Kreul, I. Macek, W. McCaffery, R. Niendorf, N. Thompson, K. Timberlake, C. Van Bogaert, M. Wigdahl***

***Members voting nay: none***

The Employee Trust Funds Board convened in closed session at 10:05 a.m. and reconvened in open session at 11:25 a.m.

### **ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION**

Ms. Wigdahl announced that the Board took the following actions during the closed session:

- The Board requested that the ETF Board Chairperson send a letter to the Director of the Office of State Employment Relations (OSER), Karen Timberlake, regarding Secretary Stanchfield's compensation.
- **Appeal 2003-047-ETF.** The Board rejected the hearing examiner's proposed decision and adopted an alternate decision affirming the ETF determination. The Board requested that the Department bring forward for discussion at the next board meeting the pros and cons of changing the administrative rule to establish a date certain for the approval date of lump sum benefits.
- **Appeal 2003-066-ETF.** The Board adopted the hearing examiner's conclusion, but rejected the decision that the Department breached its duty and adopted an alternate decision as recommended by counsel.

### **ADJOURNMENT**

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

The meeting of the Employee Trust Funds Board adjourned at 11:27 a.m.

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

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

Robert Niendorf, Secretary  
Employee Trust Funds Board