

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

**DRAFT**

**Friday, June 24, 2005**

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

**BOARD PRESENT:**

Marilyn Wigdahl, Chair  
John Brown  
Theron Fisher  
Rick Gale  
Paul Hankes (*representing Karen Timberlake*)  
Wayne Koessler, Vice-Chair  
Kathleen Kreul  
Irena Macek  
Gary Sherman  
Nancy Thompson  
Cynthia Van Bogaert

**BOARD NOT PRESENT:**

Wayne McCaffery  
Robert Niendorf, Secretary

**PARTICIPATING ETF STAFF:**

Eric Stanchfield, Secretary  
Dave Stella, Deputy Secretary  
Sari King, Administrator, Division of Retirement Services  
Sharon Walk, Board Liaison  
Marcia Blumer, Program Manager, Division of Insurance Services  
Tom Korpady, Administrator, Division of Insurance Services  
Linda Owen, Policy Analyst, Division of Retirement Services  
Robert Schaefer, Director, Internal Audit  
Robert Weber, Chief Legal Counsel  
Bob Willett, Controller

**OTHERS PRESENT:**

Bill Aye, Fringe Benefits Management Company  
Daryl Beacher, Fringe Benefits Management Company  
Desiree DeThier, Legislative Audit Bureau  
Rhonda Dunn, Executive Assistant  
Linda Esser, Board Liaison  
Brian Fusie, Office of State Employment Relations  
Jean Gilding, Deputy Administrator, Division of Retirement Services  
Pam Henning, Administrator, Division of Management Services

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Susan Jones, Fringe Benefits Management Company  
Nancy Ketterhagen, Office of the Secretary

Audrey Koehn, Division of Retirement Services  
Vicki Poole, Office of the Secretary  
Lorraine Ritch, Fringe Benefits Management Company  
Elena Ungur, Internal Audit  
John Vincent, Administrator, Division of Trust Finance and Employer  
Services  
Gretchen Wegner, Legislative Audit Bureau

Marilyn Wigdahl, Chair, Employee Trust Funds Board (Board), called the meeting to order at 8:32 a.m.

### **CONSIDERATION OF PREVIOUS MEETING MINUTES**

***Motion: Mr. Koessler moved approval of the minutes of March 18, 2005 meeting as submitted by the Board Liaison. Mr. Brown seconded the motion, which passed without objection on a voice vote.***

***Ms. Thompson felt that the minutes did not reflect the Board's intent on the issue of possible statutory change to the pro rata interest crediting procedure on lump sum benefits. Secretary Stanchfield noted that we do need to make certain that the minutes are clear on that point. He said if necessary, a modification would be brought to the next Board meeting, after reviewing the tape.***

### **RETIREMENT STATISTICS SUMMARY REPORT**

Ms. King presented a review of the Wisconsin Retirement System (WRS) Retirement Benefit Annuity Statistical Report and asked for input regarding any changes the Board would like to see to the categories that are reported.

### **WISCONSIN RETIREMENT SYSTEM 24<sup>TH</sup> ANNUAL ACTUARIAL VALUATION OF ACTIVE LIVES – DECEMBER 31, 2004**

Norm Jones from the Department's actuarial firm, Gabriel, Roeder, Smith & Company (GRS), reviewed highlights of the report titled *Wisconsin Retirement System 24<sup>th</sup> Annual Actuarial Valuation of Active Lives – December 31, 2004* and responded to questions. Based upon the results of the valuation, the actuary feels that the WRS continues to be in excellent financial condition in accordance with actuarial principles of level percent-of-payroll financing.

***Motion: Ms. Thompson moved to accept the report. Mr. Brown seconded the motion, which passed without objection on a voice vote.***

## **ACCUMULATED SICK LEAVE CONVERSION CREDIT PROGRAM ANNUAL ACTUARIAL REVIEW – DECEMBER 31, 2004**

Norm Jones from the Department's actuarial firm, GRS, presented the *Accumulated Sick Leave Conversion Credit Program Annual Actuarial Valuation as of December 31, 2004*. Mr. Jones commented that the average unfunded actuarial accrued liability (UAAL) rates are relatively low and four employers have balances after the state paid off its liability. These rates will persist for the remaining 20 years of the amortization period unless these employers choose to pay off their unfunded liability earlier.

***Motion: Mr. Koessl moved to accept the actuarial report. Mr. Brown 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, 2004*. The results of this review indicate that the Duty Disability program has assets of \$194.6 million and estimated liabilities of \$347.6 million as of December 31, 2004. The accrued funding shortfall is \$153.0 million, which represents about 14% of the \$1,061.4 million in covered payroll. This is a decrease of 3% from last year. The asset balance does not include \$6.5 million in deferred market losses, which will be smoothed over the next five years. This number is much lower than last year.

The present premium level continues to meet the Board's funding policy. The actuary recommends no change to the existing rate.

The board members expressed a desire to meet with Jim Searcy of Deloitte Development. Mr. Searcy is the insurance program actuary. Secretary Stanchfield commented that a meeting with Mr. Searcy could be arranged. Mr. Korpady will look into inviting Board members to a Group Insurance Board (GIB) meeting that Mr. Searcy will attend or possibly schedule a teleconference with him.

***Motion: Mr. Gale moved to accept the actuarial review. Ms. Kreul seconded the motion, which passed without objection on a voice vote.***

## **MISCELLANEOUS**

**Audit Report – Follow-up on Audits Using Social Security Administration's Enumeration Verification System (EVS).** Mr. Stella explained the Social Security Administration's service to identify missing or incorrect data on annuity files. The EVS process is a method to help assure that data has the greatest integrity. A match rate of 98.9% on annuitant records and 97.5% on named survivor records indicates that processes are in place to assure proper payment. Although this service has been free in the past, there is a possibility that a charge may be incurred for future use. The Secretary's Office believes that EVS should continue to be utilized.

**Solie/Baxter Court Decision Update.** Mr. Stella explained the complexity of the court decision whereby certain teachers and former teachers who have previously forfeited years of creditable service are eligible to have that service restored to their WRS accounts without costs to them. He described the methods the Department will use to identify eligible participants. He also explained that teachers who have had creditable service restored through the Benson case will not be eligible for more credit through the Solie/Baxter case.

The Board will be advised as to the ongoing progress of our compliance with the Supreme Court decision in this case.

### **CONSIDERATION OF CHANGES TO EMPLOYMENT REIMBURSEMENT ACCOUNT (ERA) PROGRAM PROVISIONS RELATIVE TO TREASURY NOTICE 2005-42**

Marcia Blumer, Division of Insurance Services, addressed the Board. Ms. Blumer recommended that the Board approve an amendment to the ERA program adopting the provisions of Treasury Notice 2005-42, effective with the 2005 plan year. This amendment applies only to the medical expense reimbursement account component and would extend the plan year by 2½ months to March 15, 2006.

Ms. Blumer further recommended that implementation of the provision be delayed for dependent care reimbursement accounts until the taxation and reporting issues are adequately addressed by the Internal Revenue Service (IRS). Staff requests authority to move ahead with implementation for the dependent care component for the 2005 plan year in the event that IRS guidance is provided.

***Motion: Mr. Gale moved to accept the recommendation of staff per the June 24, 2005 memo from Marcia Blumer. Ms. Thompson seconded the motion, which passed without objection on a voice vote.***

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

Ms. Wigdahl announced that the Board would convene in closed session, pursuant to the exemptions contained in Wis. Stat. 19.85(1) (a), (c), and (e) for the purposes of quasi-judicial deliberations, discussion of personnel matters and the use of public funds. Department of Employee Trust Funds staff and Office of State Employment Relations staff were invited to remain during selected portions of the closed session.

***Motion: Ms. Thompson moved to convene in closed session. Ms. Van Bogaert seconded the motion, which passed on a roll call vote.***

***Members voting aye: J. Brown, T. Fisher, R. Gale, P. Hankes, W. Koessl, K. Kreul, I. Macek, N. Thompson, G. Sherman, C. Van Bogaert, M. Wigdahl***

***Members voting nay: none***

The Board convened in closed session at 9:29 a.m. and reconvened in open session at 12:13 p.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:

### **PERSONNEL MATTERS**

Secretary Stanchfield, Ms. Dunn, and Ms. Henning discussed personnel matters with the Board. The Board approved the following: a one-step pay adjustment for Secretary Stanchfield upon the proposed reassignment of the Secretary's position from an Executive Salary Group (ESG) 5 to an ESG 7, if approved as part of the 2005-07 biennial budget. Mr. Hanks (*representing Karen Timberlake*) abstained from the vote.

### **APPEALS**

- **2003-085-ETF, 2003-086-ETF, 2003-087-ETF, 2003-088-ETF, 2003-089-ETF, 2003-090-ETF, 2003-091-ETF, 2003-092-ETF, 2003-093-ETF, 2003-094-ETF, 2003-095-ETF, 2003-096-ETF, 2003-097-ETF, 2003-098-ETF**

The Board rejected hearing examiner's proposed decision that the claims are barred and remanded the appeals for determination on the merits.

- **2004-040-ETF**

The Board adopted the hearing examiner's proposed decision with amendments as discussed with counsel.

### **ADJOURNMENT**

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

The meeting of the Board adjourned at 12:15 p.m.

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

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

Robert Niendorf, Secretary  
Employee Trust Funds Board