

MINUTES OF MEETING
STATE OF WISCONSIN
JOINT INFORMATIONAL MEETING
TEACHERS RETIREMENT, WISCONSIN RETIREMENT,
AND EMPLOYEE TRUST FUNDS BOARDS

Thursday, March 17, 2005

DRAFT

Sheraton Madison Hotel
706 John Nolen Drive
Madison, Wisconsin

BOARD PRESENT:

Ted Bratanow, TR Board
John Brown, Vice-Chair, ETF Board
John David, WR Board
Suzanne Doemel, TR Board
Theron Fisher, ETF Board
Brian Fusie (*representing Karen Timberlake, ETF Board*)
Rick Gale, WR Board and ETF Board
Wayne Koessler, Vice-Chair, ETF Board, and WR Board
Nan Kottke, WR Board
Kathleen Kreul, ETF Board
Irena Macek, ETF Board and TR Board
Wayne McCaffery, Chair, ETF Board and TR Board
Lon Mishler, TR Board
Dan Nerad, TR Board
Robert Niendorf, Secretary, ETF Board
Dennis Panicucci, TR Board
Roberta Rasmus, TR Board
Robert Shaw, TR Board
Gary Sherman, ETF Board
Herb Stinski, WR Board
Nancy Thompson, ETF Board
James Tripp, TR Board
Marilyn Wigdahl, Chair, ETF Board and Chair, WR Board

BOARD NOT PRESENT:

Jorge Gomez, WR Board
Tom Pedersen, TR Board
Cynthia Van Bogaert, ETF Board
David Wiltgen, TR Board

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Dave Stella, Deputy Secretary
Sari King, Administrator, Division of Retirement Services
Jean Gilding, Deputy Administrator, Division of Retirement Services
Deborah Budzisz, Board Liaison
Robert Weber, Chief Legal Counsel

OTHERS PRESENT:

Sue Chamberlain, University of Wisconsin System Administration
Sandy Drew, State of Wisconsin Investment Board
Kendra Eppler, Legislative Audit Bureau
Bill Ford, Legislative Council
Gail Hanson, State of Wisconsin Investment Board
Dan Hayes, Wisconsin Law Enforcement Officers Association
Barry Kasten, Legislative Audit Bureau
Tony Mason, Legislative Fiscal Bureau
Ron Mensink, State of Wisconsin Investment Board
Dave Mills, State of Wisconsin Investment Board
Brian Murphy, Gabriel, Roeder, Smith & Company
Mel Sensenbrenner, State Engineering Association
Ken Stelzig, Wisconsin Education Association Council – Retired
Steve Werner, Wisconsin Professional Police Association
Art Zimmerman, Legislative Fiscal Bureau

Marilyn Wigdahl, Chair, Wisconsin Retirement Board, called the meeting to order at 8:43 a.m.

CONSIDERATION OF MINUTES

Motion: Ms. Thompson moved approval of the minutes of the December 9, 2004, meeting. Ms. Rasmus seconded the motion, which passed without objection on a voice vote.

INTRODUCTIONS

New Board Members. Mr. Stella introduced new members Gary Sherman, Nan Kottke, and Dennis McBride. Gary Sherman is a new member of the Group Insurance Board (GIB) and by virtue of his appointment to the GIB, he is a member of the Employee Trust Funds (ETF) Board. Nan Kottke is a new member of the Wisconsin Retirement (WR) Board. Ms. Kottke fills the County Clerk of a participating county position. She succeeds John Brown on the WR Board. Dennis McBride is also a new member of the WR Board. He fills the public member who is not a participant or beneficiary of the WRS slot formerly held by Jefferson Davis.

New Staff Members. Mr. Stella introduced Sari King to the Board. Ms. King has been appointed to the position of Administrator of the Division of Retirement Services. She succeeds Julie Reneau.

LEGISLATIVE REPORT AND BUDGET UPDATE

Legislative Report. Mr. Stella noted that two bills have been introduced that affect retirement, and there has not yet been any committee action taken. Assembly Bill 81 (Musser) proposes creditable military service under the WRS to allow such service when served at any time, not just before 1974. Senate Bill 60 (Wirch) proposes exempting from taxation certain amounts of pension income received by an individual. ETF's analysis of this bill is that it would be generally favorable for affected WRS annuitants. The bill creates a tax exemption for the first \$10,000 of pension income (provided it's not already exempt under other provisions).

Budget Update. Jon Kranz presented an update on the biennial budget. Mr. Kranz reported that the Governor introduced his budget recommendations on February 8, 2005. Mr. Kranz summarized the budget requests made by the Department as compared with what the Governor has recommended.

WISCONSIN RETIREMENT 22ND ANNUAL VALUATION OF RETIRED LIVES – DECEMBER 31, 2004

Mr. Stella introduced Norm Jones and Brian Murphy of Gabriel, Roeder, Smith & Company, actuaries for the Department. They presented a PowerPoint presentation in conjunction with the report, Wisconsin Retirement System 22nd Annual Actuarial Valuation of Retired Lives – December 31, 2004. The report represents a comparison of reserve balances of the fixed and variable reserves with the present value of annuities being paid within each fund, as well as the methodology used to calculate the annual dividend. Mr. Stella noted that the ETF Board would be asked to accept this report at their meeting on Friday, March 18, 2005.

EFFECTIVE RATE AND DIVIDEND EXPECTATIONS

Mr. Stella introduced Bob Willett. Mr. Willett is the Controller and Chief Trust Finance Officer for the Department. Mr. Stella cautioned that the figures, while approximations, are reasonably accurate based on certain assumptions in our program. Mr. Willett used a PowerPoint presentation while discussing his projections.

EDUCATIONAL TOPIC: FIDUCIARY TRAINING

Mr. Stella introduced Nancy Williams of Ennis Knupp & Associates. Ms. Williams provided a PowerPoint presentation in connection with her discussion on fiduciary duties. Some main points in Ms. Williams' presentation included the types of people considered fiduciaries and the primary responsibilities of fiduciaries. These responsibilities include prudence, loyalty, management of conflict of interest and several others. She also discussed liability issues.

The Board took a break at 10:46 a.m and reconvened at 11:02 a.m.

STATE OF WISCONSIN INVESTMENT BOARD UPDATE

Dave Mills, Executive Director, provided members with an update on the State of Wisconsin Investment Board (SWIB).

Mr. Mills introduced Ken Johnson, Chief Operating Officer, Bob Severance, Chief Investment Officer for Private Markets, Gale Hanson, Deputy Executive Director, Sandy Drew, Legislative Liaison, and Ron Mensink, Director of Risk Analytics. Mr. Mills presented a year in review portion of the slide presentation on equities for the year 2004. Mr. Johnson reviewed a recent comparative study of internal and external asset management effectiveness. Mr. Severance presented an overview of the Private Markets Group.

MISCELLANEOUS

Mr. Stella announced that due to the time constraints the miscellaneous topics would be discussed at each individual board meeting.

ADJOURNMENT

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

The Joint Informational Meeting adjourned at 12:05 p.m.

Date Approved: _____

Signed: _____

Rick Gale, Secretary
Wisconsin Retirement Board