

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

**Friday, June 23, 2006**

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

<b>DRAFT</b>
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**BOARD PRESENT:**

Marilyn Wigdahl, Chair  
John Brown  
Theron Fisher  
Rick Gale  
Kathleen Kreul  
Irena Macek  
Wayne McCaffery  
Robert Niendorf, Secretary  
Gary Sherman  
Nancy Thompson  
Karen Timberlake

**BOARD NOT PRESENT:**

Wayne Koessler, Vice-Chair

**PARTICIPATING ETF STAFF:**

Eric Stanchfield, Secretary  
Dave Stella, Deputy Secretary  
Rhonda Dunn, Executive Assistant  
Sari King, Administrator, Division of Retirement Services  
Pam Henning, Administrator, Division of Management Services  
Tom Korpady, Administrator, Division of Insurance Services  
Jon Kranz, Director, Office of Internal Audit and Budget  
Robert Weber, Chief Legal Counsel  
Linda Esser, Board Liaison

**OTHERS PRESENT:**

Mark Buis, Gabriel, Roeder, Smith and Company  
Bob Conlin, Director, Legislation, Communications, and Planning  
Caitlin Frederick, State Budget Office  
Charlotte Gibson, Department of Justice  
Jean Gilding, Deputy Administrator, Division of Retirement Services  
Wayne Kerwin, Retired Department of Transportation Employee  
Brian Murphy, Gabriel, Roeder, Smith and Company  
Paul Ostrowski, Office of State Employment Relations  
Linda Owen, Division of Retirement Services  
Diane Poole, Division of Retirement Services  
Debra Roemer, Division of Insurance Services

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Mel Sensenbrenner, State Engineering Association  
Jill Thomas, Office of State Employment Relations  
John Vincent, Administrator, Division of Trust Finance and  
Employer Services  
Sharon Walk, Office of the Secretary  
Gretchen Wegner, Legislative Audit Bureau  
Steve Werner, Wisconsin Professional Police Association  
Bob Willett, Controller, Division of Trust Finance and Employer  
Services

Marilyn Wigdahl, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 8:37 a.m.

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

***Motion: Mr. Gale moved approval of the open and closed session minutes of the March 31, 2006, meeting as submitted by the Board Liaison. Mr. Niendorf seconded the motion, which passed without objection on a voice vote.***

### **RETIREMENT STATISTICS SUMMARY REPORT**

Ms. King referred to the March – May 2006 quarterly report on recent retirement benefit annuity applications approved and terminated by the Boards. The top option selected continues to be “100% continued to named survivor with 180 payments guaranteed.” The calculation type that yielded the higher annuity continues to be Money Purchase this quarter.

Ms. King mentioned that the Department of Employee Trust Funds (ETF) processed 2,366 retirement estimates in May 2006. This is the highest number of retirement estimates ever completed in one month. Retirement estimate work continues to increase and ETF actively manages its estimate caseload. Death benefits and purchase of service requests continue to be priorities.

### **WISCONSIN RETIREMENT SYSTEM TWENTY-FIFTH ANNUAL ACTUARIAL VALUATION AS OF DECEMBER 31, 2005**

Brian Murphy of Gabriel, Roeder, Smith and Company (GRS), reviewed the report, *Wisconsin Retirement System 25<sup>th</sup> Annual Actuarial Valuation as of December 31, 2005*. The valuation reflects the actuarial experience, trends and projections for non-retired participants covered by the Wisconsin Retirement System (WRS). The report establishes recommended contribution rates for the 2007 calendar year in conformance with Chapter 40 of the Wisconsin Statutes. Mr. Murphy stated that the WRS continues to be in excellent financial condition in accordance with actuarial principles of level percent-of-payroll financing.

***Motion: Mr. Gale moved to accept the actuary’s report and adopt the recommended rates. Mr. McCaffery seconded the motion, which passed without objection on a voice vote.***

### **ACCUMULATED SICK LEAVE CONVERSION CREDIT (ASLCC) PROGRAM ANNUAL ACTUARIAL VALUATION REVIEW**

Brian Murphy of GRS, provided a summary of the *Accumulated Sick Leave Conversion Credit Program Annual Actuarial Valuation – December 31, 2005*. Mr. Murphy explained the development of normal costs for the base ASLCC Program as well as the supplemental plan. The financial objectives of the ASLCC Program are to establish and receive contributions to support benefits that will remain approximately level from year to year. The report establishes recommended contribution rates for the 2007 calendar year.

***Motion: Ms. Thompson moved to accept the actuary's report and adopt the recommended rates. Mr. Brown seconded the motion, which passed without objection on a voice vote.***

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

Mr. Korpady referred to the *Section 40.65 Duty Disability Program Actuarial Review as of December 31, 2005* prepared under the direction of James H. Searcy of Deloitte Consulting, actuary to ETF. Mr. Korpady reviewed the Program's experience during 2005, gave an estimate of the State's liability as of December 31, 2005, and provided an analysis of current funding levels. He stated that the present premium level continues to meet the Board's funding policy and, therefore, no premium increase is recommended at this time.

***Motion: Mr. Gale moved to accept the actuary's report and adopt the recommendation to maintain the current rates. Mr. McCaffery seconded the motion, which passed without objection on a voice vote.***

### **EMPLOYEE REIMBURSEMENT ACCOUNT (ERA) PROGRAM**

Mr. Korpady indicated that the Board extended the grace period for the medical reimbursement account portion of the ERA program at the June 2005 meeting. This extension gave program participants an additional 2 ½ months to file claims and receive reimbursement for any qualified expenses. At that time, clarification was needed as to whether the dependent day care accounts would also be eligible for an extension of this grace period. Staff now recommends that the Board amend the ERA program to allow extension of the ERA Dependent Day Care Reimbursement Account plan year by 2 ½ months. Staff will work with the plan administrator to implement the new provision and communicate the change to plan participants.

***Motion: Mr. Gale moved to amend the ERA program to extend the grace period for the Dependent Day Care Accounts by 2 ½ months, effective with the 2006 plan year. Mr. Niendorf seconded the motion, which passed without objection on a voice vote.***

## MISCELLANEOUS

**Board Roster Update** Ms. King referred members to the updated Board roster included in their packet of materials.

**Items for Future Discussion** Ms. King mentioned that Board members should let her know if there are items they would like to see on a future agenda.

## UPDATE ON BUSS COURT DECISION

Ms. Gibson provided information on *Buss, et al. v. Department of Employee Trust Funds, et al.*, Case No. 04-CV-0127 (Dane County). This case has been certified as a class action suit. Plaintiffs applied for lump sum death benefits and separation benefits. During the injunction of the Act 11 legislation, plaintiffs were paid the amount they would have received without that legislation. The plaintiffs are requesting interest payment from the time of application until the rest of the payment was made. Each lump sum payment was calculated manually in order to maximize each person's benefit. This was quite a lengthy process. Some people received payment immediately and others waited for more than two years.

A month ago the judge ruled that the plaintiffs were not entitled to any interest or damages prior to the lifting of the injunction because their lawyer had failed to answer discovery that would have revealed whether or not they were represented in the Act 11 litigation. The court also ruled, however, that the plaintiffs were entitled to damages after the lifting of the injunction because ETF had taken so long to pay the supplemental benefits.

ETF moved for reconsideration, arguing that delay never constitutes a basis for a takings claim. The court agreed to reconsider its decision. Upon doing so, the court ruled in favor of ETF, granted summary judgment and dismissed the plaintiffs' case. Although the plaintiffs may appeal, there will be no trial this summer.

***Motion: Mr. Gale moved that a letter be sent to the Attorney General stating the Board is pleased with the excellent work of Charlotte Gibson and her initiative in regard to the Buss case. Ms. Kreul seconded the motion, which passed without objection on a voice vote.***

## BUDGET UPDATE

Mr. Kranz briefed the Board on the status of the biennial budget. He stated that staff and management continue to develop the details of ETF's 2007-2009 Biennial Budget request. The Governor issued his budget policy document at the end of May 2006. The structural deficit remains an issue this biennium. The document directs agencies to hold general purpose revenue (GPR) spending at current levels and to continue to find innovative ways to provide services at a lower cost and with fewer people.

The major theme of the ETF biennial budget request is to prepare for the unprecedented growth in our annuitant population. ETF will focus on three key components: 1) increase resources to meet anticipated additional workload; 2) replace information technology legacy systems that administer

benefit programs; and 3) put process improvements in place. Options to be addressed include operational flexibility issues that have been identified and discussed by the Board in areas such as position flexibility, expenditure authority, contracting legal services, and compensation. Mr. Kranz will provide a detailed summary of the budget request at the September Board meeting.

*The Board took a break from 9:45 to 10:00 a.m.*

#### **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) and (c) for quasi-judicial deliberations and personnel matters. ETF staff was invited to remain during select portions of the closed session.

***Motion: Ms. Kreul moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) and (c) for quasi-judicial deliberations and personnel matters. Ms. Thompson seconded the motion, which passed on a roll call vote.***

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

***(G. Sherman joined the group at 10:05 a.m.)***

***Members voting nay: none***

The Employee Trust Funds Board convened in closed session at 10:00 a.m. and reconvened in open session at 12:15 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, Mr. Stella and Ms. Henning discussed personnel matters with the Board. The Board approved a two-step pay adjustment for Secretary Stanchfield.

#### **APPEALS**

- **Appeal 2005-035-ETF.** The Board adopted the hearing examiner's proposed decision, with modifications as recommended by counsel.
- **Appeal 2005-051-ETF.** The Board adopted the hearing examiner's proposed decision, with modifications as recommended by counsel.

- **Appeal 2005-001-ETF.** The Board adopted the hearing examiner's proposed decision, with modifications as recommended by counsel. NOTE: Gary Sherman recused himself from this discussion and subsequent 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 adopted the hearing examiner's proposed decision with amendments as recommended by counsel, including treating all appellants as participating employees, and noted that the practices of the City of West Bend are unacceptable.
- **Appeals 2005-017-ETF, 2005-018-ETF, and 2005-019-ETF.** The Board adopted the hearing examiner's proposed decision, with modifications as recommended by counsel. NOTE: Karen Timberlake recused herself from this discussion and subsequent vote.

#### ADJOURNMENT

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

The meeting of the Employee Trust Funds Board adjourned at 12:17 p.m.

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

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

Robert Niendorf, Secretary  
Employee Trust Funds Board