

MINUTES OF MEETING

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

Thursday, December 15, 2005

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

BOARD PRESENT:

Ted Bratanow, TR Board
John Brown, ETF Board
John David, WR Board
Suzanne Doemel, Vice-Chair, TR Board
Theron Fisher, ETF Board
Rick Gale, Secretary, WR Board and ETF Board
Wayne Koessl, Vice-Chair, WR Board and Vice-Chair, ETF Board
Kathleen Kreul, ETF Board
Mike Langyel, TR Board
Eileen Mallow (*Jorge Gomez, WR Board*)
Wayne McCaffery, Chair, TR Board and ETF Board
Lon Mishler, Secretary, TR Board
Dennis Panicucci, TR Board
Tom Pedersen, TR Board
Roberta Rasmus, TR Board
Robert Shaw, TR Board
Gary Sherman, ETF Board
Herbert Stinski, WR Board
Nancy Thompson, ETF Board
James Tripp, TR Board
Cynthia Van Bogaert, ETF Board
Marilyn Wigdahl, Chair, WR Board and Chair, ETF Board

BOARD NOT PRESENT:

Nan Kottke, WR Board
Dennis McBride, WR Board
Robert Niendorf, Secretary, ETF Board
Dan Nerad, TR Board
Karen Timberlake, ETF Board
Mary VonRuden, WR Board
David Wiltgen, TR Board

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Dave Stella, Deputy Secretary
Sari King, Administrator, Division of Retirement Services
Jon Kranz, Director, Office of Budget and Deferred Compensation
Vicki Poole, Director, Legislative, Communications and Planning
Robert Weber, Chief Legal Counsel
Bob Willett, Controller

Linda Esser, Board Liaison

OTHERS PRESENT:

Rhonda Dunn, Executive Assistant
William Ford, Legislative Council
Jean Gilding, Division of Retirement Services
David Hayes, Wisconsin Law Enforcement Officers
Association
Pam Henning, Division of Management Services
Steve Hurley, Division of Management Services
Bryan Kalisch, State Budget Office
Nancy Ketterhagen, Office of the Secretary
Ed Kehl, Wisconsin Coalition of Annuitants
Audrey Koehn, Division of Retirement Services
Pam Licht, Division of Management Services
Peg Narloch, Division of Insurance Services
Linda Owen, Division of Retirement Services
Mary Pierick, Division of Insurance Services
Diane Poole, Division of Insurance Services
Deb Roemer, Division of Insurance Services
Mike Schwaegerl, Wisconsin Retired Educators Association
Mel Sensenbrenner, State Engineering Association
John Vincent, Division of Trust Finance and Employer Services
Sharon Walk, Board Liaison
Steve Werner, Wisconsin Professional Police Association

Marilyn Wigdahl, Chair, Wisconsin Retirement Board, called the meeting to order at 9:37 a.m.

CONSIDERATION OF MINUTES

Motion: Ms. Thompson moved approval of the minutes of the September 22, 2005, meeting. Mr. Mishler seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

2007 Meeting Dates Ms. King asked board members to review the tentative dates for the 2007 meetings and to contact the board liaison with concerns about those meeting dates. The possible dates are:

Thursday, Friday	March 15-16, 2007 OR March 22-23, 2007
Thursday, Friday	June 21-22, 2007 OR June 28-29, 2007
Thursday, Friday	September 13-14, 2007 OR September 27-28, 2007
Thursday, Friday	December 13-14, 2007

Blended Positions in the Division of Retirement Services Ms. King made an announcement regarding a trial program developed to help address workload more effectively. Several new employees in the Division of Retirement Services will be cross-trained to work in both the call center and member services areas, resulting in improved customer service.

Teachers Retirement Board Election Ms. King noted that an election will be held to fill three seats that are available on the Teachers Retirement (TR) Board. There are five candidates for these seats. The ballots will be mailed in January and must be returned postmarked no later than March 3, 2007. An election committee will be selected at the TR Board meeting. The new board members will be announced at the March 30, 2006, meetings.

Retirement of Vicki Poole Mr. Stella announced that Vicki Poole, Director of Legislation, Communications and Planning, will be retiring. Her last day will be December 30, 2005. Mr. Stella and Secretary Stanchfield congratulated Ms. Poole and thanked her for her many contributions to Employee Trust Funds (ETF).

Public Pension Coordinating Council Award Mr. Stella announced that ETF applied for an accreditation award and met the professional standards for public pension plan design and administration. As a result, ETF received the 2005 Public Pension Coordinating Council Award. This award came from a confederation of three national organizations: National Association of State Retirement Administrators; National Conference on Public Employee Retirement Systems; and National Council on Teachers Retirement.

ADMINISTRATIVE RULES UPDATE

Mr. Weber referred to the Administrative Rulemaking Status Report. The document summarizes each rule proposal and its current status.

Mr. Weber called attention to the Separate Retirement System Investment Rule. This rule will result in slight changes to the earnings that the Milwaukee Public School System will see in their accounts. The new procedure will more accurately reflect what is actually happening and will match market results more closely. Milwaukee Public Schools recognizes this as being an appropriate valuation method. Discussion of the proposed rule followed.

Mr. Weber discussed the TR Board Elections Rule, which is a supplement to the existing rule. A special election must be held at the discretion of the ETF Secretary to fill a vacant seat for the remaining term of office. This rule provides a method for combining a special election with the next regular election to any seat on the TR Board.

Mr. Weber indicated that the scope statement for the Hearsay Evidence Rule should be published in the December register. He noted that the scope statement is very limited. It strikes out a sentence currently in the administrative rule. The sentence is "No finding of fact may be based on hearsay." This change gives the boards the opportunity to rely on hearsay if they choose to do so. The proposed rule adds to the responsibilities of the legal advisor during the boards quasi-judicial deliberations on administrative appeals before the boards. The counsel to the boards will have an express duty to advise the boards concerning any hearsay evidence in the record and whether the boards may rely upon that evidence to make factual findings. *Ms. Van Bogaert did not participate in discussion of the above rules.*

A possible legislative proposal referenced in the November 7, 2005 memo to the boards from Mr. Weber was discussed. The proposed legislation would allow the boards to have the discretion to determine what evidence is reliable and, when the circumstances warrant, would allow reliance upon that evidence. Discussion of this legislative proposal followed.

Ms. Van Bogaert asked for clarification of the cross-references in the memo. She also requested more background information on this rule and how it has changed since 1991, as well as a copy of the unofficial attorney general's opinion.

LEGISLATIVE UPDATE

Ms. Vicki Poole provided a legislative report to the boards. She explained that the remedial legislation process provides for minor technical corrections without needing to introduce a new bill. Six items listed in her report were reviewed and accepted by the Law Review Committee and will now become part of the Revisor's Bill.

Ms. Poole gave a brief summary of AB 747 which provides that non-teaching employees need only work 990 hours in an annual earnings period to receive one year of creditable service. Discussion regarding this bill took place. Ms. Poole mentioned that a companion bill, SB 438, was also introduced which contains the same language as AB 747.

Ms. Poole also provided a summary of the 2005 legislative session in her report.

RETIREMENT STATISTICS SUMMARY REPORT

Clarification and Expansion of Statistics Report/Money Purchase vs. Formula Mr. Stella provided requested information about the circumstances that would tend to result in a retirement benefit being higher under the formula vs. money purchase calculation. Mr. Stella referred to the memo from Linda Owen dated November 16, 2005 regarding the many factors that affect this complex issue. He noted that results vary significantly based on the details of each participant's account. Discussion of the many variables followed.

WRS Retirement Benefit Annuity Statistical Report Ms. King provided an update on the Wisconsin Retirement System annuity payments. She pointed out that the dollars paid out actually dropped from September through November. This change is due to a higher annuitant death rate during the quarter.

The Board took a break at 10:55 a.m. and reconvened at 11:10 a.m.

MISCELLANEOUS

Benefit Payment System Mr. Stella reported that ETF will begin to use the new payment system on or about January 30, 2006. The current system will be producing the January 2006 check that the annuitants receive on February 1, 2006. After that ETF plans to cut over to the new benefit payment system. An extensive final testing phase is currently taking place. Mr. Stella recognized the tremendous amount of effort that has been put forth by ETF staff on this project.

Actuarial Audit Mr. Stella noted that the Legislative Audit Bureau hires an independent actuary every five years to review the work of our current actuary. Milliman, an actuarial firm from Brookfield, Wisconsin, has been awarded the contract to conduct this audit. The audit will begin in January 2006 with an expected completion date in June 2006. Once the audit is complete, the findings will be presented to the boards.

Pending Appeals Report Ms. King referred the boards to an updated report on pending appeals. She noted that the TR Board continues to have no appeals pending.

Solie/Baxter Update Ms. King noted that ETF has received over 300 inquiries from participants asking whether they are eligible for service credit under the Solie and Baxter court decision. Most inquiries were generated from an article in the fall *Trust Fund News* and the majority of people have not been eligible. She indicated that staff will continue to look at each case. A short discussion of file review results followed.

Attendance at Joint Informational (JI) Meeting Ms. King thanked board members for attending the JI meeting. She noted that items of common interest to the retirement boards will be covered at the JI meeting to save board members' time and encouraged continued participation.

EDUCATIONAL TOPIC: FIFTY YEAR PROJECTIONS

Mr. Stella and Mr. Willett presented excerpts from the fifty year projection study that was conducted by Gabriel, Roeder, Smith and Company for the State of Wisconsin Investment Board (SWIB). This study assesses asset allocation decisions so that SWIB can maximize return, minimize volatility in the portfolio and meet the actuarial requirements of funding the system. He noted that this study is not a prediction but a projection using certain assumptions.

Mr. Stella covered the demographic changes expected over the ensuing fifty-year period. Mr. Willett spoke about Monte Carlo simulations used to develop contribution rate projections and post-retirement dividend projections under various investment return scenarios based on 1,000 random trials.

Mr. Stella and Mr. Willett fielded questions throughout the presentation. Discussion followed the presentation.

ADJOURNMENT

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

The Joint Informational Meeting adjourned at 12:00 p.m.

Date Approved: _____

Signed: _____

Rick Gale, Secretary
Wisconsin Retirement Board