

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

Thursday, December 14, 2006

DRAFT

Sheraton Madison Hotel
706 John Nolen Drive
Madison, Wisconsin

BOARD PRESENT:

Ted Bratanow, TR Board
John Brown, ETF Board
John David, WR Board
Rosemary Finora, ETF Board
Theron Fisher, ETF Board
Rick Gale, Secretary, WR Board and ETF Board
Len Herricks, TR Board
Wayne Koessl, Vice Chair, WR Board and Vice Chair,
ETF Board
Kathy Kreul, ETF Board
Mike Langyel, TR Board
Irena Macek, ETF Board
Wayne McCaffery, Chair, TR Board and ETF Board
Lon Mishler, Vice-Chair, TR Board
Robert Niendorf, Secretary, ETF Board
Dennis Panicucci, TR Board
Patrick Phair, TR Board
Tom Pedersen, TR Board
Roberta Rasmus, TR Board
Robert Shaw, TR Board
Gary Sherman, ETF Board
Robin Starck, TR Board
Herbert Stinski, WR Board
Nancy Thompson, ETF Board
Mary VonRuden, WR Board
Marilyn Wigdahl, Chair, WR Board and Chair, ETF Board
David Wiltgen, Secretary, TR Board

BOARD NOT PRESENT:

Jorge Gomez, WR Board
Nan Kottke, WR Board
Dennis McBride, WR Board
Dan Nerad, TR Board
Karen Timberlake, ETF Board

Board	Mtg Date	Item #
Jl	03/15/07	1

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Dave Stella, Deputy Secretary
Sari King, Administrator, Division of Retirement Services
Bob Conlin, Director, Legislation, Communications and
Planning
Linda Esser, Board Liaison
Shelly Schueller, Director, Deferred Compensation Program

OTHERS PRESENT:

Brandon Brickner, Legislative Audit Bureau
Mark Buis, Gabriel, Roeder, Smith and Company
Sandy Drew, State of Wisconsin Investment Board
Rhonda Dunn, Office of the Secretary
William Ford, Legislative Council
Jean Gilding, Division of Retirement Services
Gail Hanson, State of Wisconsin Investment Board
Dan Hayes, Wisconsin Law Enforcement Officers Association
Pam Henning, Division of Management Services
Steve Hurley, Director, Quality Assurance Services Bureau
Norm Jones, Gabriel, Roeder, Smith and Company
Ed Kehl, Wisconsin Coalition of Annuitants
Nancy Ketterhagen, Office of the Secretary
Allen Knop, Wisconsin Education Association Council-Retired
Audrey Koehn, Division of Retirement Services
Tom Korpady, Division of Insurance Services
Jon Kranz, Director, Office of Internal Audit and Budget
Jennifer Lattis, Department of Justice
Peg Narloch, Division of Insurance Services
Linda Owen, Division of Retirement Services
Diane Poole, Division of Insurance Services
Deb Roemer, Division of Insurance Services
Mel Sensenbrenner, State Engineering Association
Ken Stelzig, Wisconsin Education Association Council-Retired
John Vincent, Division of Trust Finance and Employer Services
Sharon Walk, Office of the Secretary
Rob Weber, Legal Services
Art Zimmerman, Legislative Fiscal Bureau

Marilyn Wigdahl, Chair, Wisconsin Retirement Board, called the meeting to order at 9:36 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

Motion: Ms. Thompson moved approval of the minutes of the September 21, 2006, meeting as submitted by the Board Liaison. Mr. Wiltgen seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

2008 Meeting Dates Ms. King advised Board members to review the meeting dates for 2008 and contact the Board Liaison with concerns about those meeting dates. The dates are:

Thursday, Friday	March 13 and 14, 2008
Thursday, Friday	June 26 and 27, 2008
Thursday, Friday	September 18 and 19, 2008
Thursday, Friday	December 11 and 12, 2008

Employee Trust Funds Board and Teachers Retirement Board Election Update Ms. King indicated that there is significant interest in the elections being held in January 2007 for Board seats. There are nine candidates for the Employee Trust Funds (ETF) Board annuitant member seat; two candidates for the ETF educational support personnel seat; and four candidates for the two seats on the Teachers Retirement (TR) Board. She stated that more details would be provided at the TR and ETF meetings.

Comprehensive Annual Financial Report (CAFR) Update Ms. King pointed out that the 2004 CAFR had been distributed. The 2005 CAFR is currently being prepared and should be available early in 2007.

WISCONSIN RETIREMENT SYSTEM (WRS) THREE-YEAR EXPERIENCE STUDY: JANUARY 1, 2003 – DECEMBER 31, 2005

Ms. Wigdahl introduced Norm Jones and Mark Buis of Gabriel, Roeder, Smith & Company, actuaries for the Department of Employee Trust Funds (Department). Mr. Jones and Mr. Buis gave a slide presentation in conjunction with the report, *Wisconsin Retirement System Three-Year Experience Study: January 1, 2003 – December 31, 2005*. The objective of a three-year experience study is to review the experience of the fund and update the actuarial assumptions used in valuating the actuarial liabilities of the Wisconsin Retirement System (WRS) in compliance with Section 40.03(5)(b) of the Wisconsin Statutes.

The investigation was based upon the statistical data furnished for annual active member and retired life actuarial valuations, and supplemental information furnished by the Department concerning participants who died, withdrew, became disabled or retired during the last three years. This investigation was also based on published historical economic data.

This study analyzed both decrement experience and economic assumptions. The recommendation includes the investment return remaining at 7.8%, the wage assumption remaining at 4.1% and the resulting economic assumptions based on a 3.7% spread.

Following the presentation, Mr. Jones and Mr. Buis answered questions from the Board members.

Ms. King noted that the ETF Board would be asked to take action regarding the study and the actuary's recommendations at the meeting on December 15, 2006.

Mr. Stella referred to a memo dated December 4, 2006, prepared by Linda Owen, Policy Analyst, for Board members. The memo describes how changes in mortality rates affect WRS benefit calculations.

ATTORNEY GENERAL OPINION ON BOARD LIABILITY ISSUE

Mr. Stella briefed the Board members on the request made by Dave Mills, Executive Director of the State of Wisconsin Investment Board (SWIB), and Eric Stanchfield, Secretary of the Department, for an opinion on the liability coverage available to Board members. Mr. Stella introduced Jennifer Lattis of the Attorney General's Office.

Ms. Lattis explained that she had come to reassure Board members who may be concerned about personal liability issues. In the Attorney General's opinion, dated October 30, 2006, the liability issue was clarified. Ms. Lattis indicated that individual members of SWIB and the Boards associated with the Department are entitled to damage limitations, notice of claim, indemnity and legal representation for actions taken within the scope of their Board duties because they are state officers.

Ms. Lattis went on to describe circumstances under which Board members might not be entitled to have the state pay damage awards. If a Board member was not acting within the scope of duty, was found to have breached fiduciary duty, or performed an illegal action, he/she may not be entitled to the state's indemnification.

A brief question and answer period followed Ms. Lattis' presentation.

LEGISLATIVE UPDATE

Mr. Conlin announced that as a result of the November elections, control of the state Senate for the upcoming legislative session had shifted from Republicans to Democrats, and the size of the Republican majority in the Assembly had decreased.

He noted that the parties have selected their legislative leadership teams and have started appointing committees and committee chairs. The Joint Committee on Finance will have two new co-chairs and several new members. One committee that has a direct effect on the retirement Boards is the Joint Survey Committee on Retirement Systems (JSCRS). It reviews all retirement legislation. Representative Jeskewitz has been appointed to chair the assembly side of that committee. Other leadership will be announced in the coming weeks.

Representative Vukmir will chair the Assembly Health and Health Reform Committee. Senator Jon Erpenbach will chair the Senate Health Committee.

A new Attorney General, J.B. Van Hollen, will head the State's Department of Justice. The Attorney General serves on or appoints a person to serve on the Group Insurance Board, represents the Department of Employee Trust Funds and the various Boards associated with the Department, and appoints an Assistant Attorney General to serve on the JSCRS.

Some notable changes will take place in Governor Doyle's administration. Commissioner of Insurance, Jorge Gomez, who serves on the Wisconsin Retirement Board and serves or appoints a person to serve on the Group Insurance Board, has resigned his position effective the middle of December. Additionally, Secretary of Administration, Stephen Bablitch, who serves or appoints a person to serve on the Group Insurance and State of Wisconsin Investment Boards, is leaving state government and will be replaced by current Revenue Secretary Michael Morgan.

Sick Leave Conversion Mr. Conlin advised that recent press reports have focused attention on the state's sick leave conversion program. The media interest in this program began with the release of a report by the Legislative Audit Bureau on various employment practices of the University System. Subsequent media inquiries discovered that legislators and other elected officials were accruing sick leave and have potentially large amounts of sick leave conversion credits available upon retirement. It is expected that legislation will be introduced during the upcoming session to alter the program, at least for elected officials. Mr. Conlin indicated that he would keep the Boards posted with any future developments on this issue.

Tribal Law Enforcement Participation in the WRS Mr. Conlin advised the Boards that the Joint Legislative Council's Special Committee on State-Tribal Relations is once again exploring the possibility of modifying current state law to allow tribes to cover their tribal law enforcement officers under the WRS. Current law does not authorize this coverage. One of the primary issues for the tribes to consider is their willingness to give up some of their tribal sovereignty in order to allow the Department to enforce contribution and other requirements. If the Committee decides to recommend that tribal law enforcement officers be allowed to participate in the WRS, the full legislature would need to approve the change and the Governor would need to sign it into law. Mr. Conlin stated that he is closely following this issue and will provide updates as necessary.

Charter School Participation in the WRS Mr. Conlin indicated that he and John Vincent, Administrator, Division of Trust Finance and Employer Services, testified before the Joint Legislative Council's Special Committee on Charter Schools. The Committee is considering allowing teachers who are employed by charter schools that are not instrumentalities of public entities to be covered by the WRS. Mr. Conlin stated that the full legislature and the Governor would need to approve this change before it could become law. He advised the Boards that further updates on the work of this Committee will be provided in the future.

The Board took a break at 10:53 a.m. and reconvened at 11:10 a.m.

MISCELLANEOUS

Waukesha Office Update Ms. King reminded all present that the downtown Milwaukee Office moved to the Waukesha State Office Building effective July 10, 2006. Group counseling sessions and individual appointments are being offered at the Waukesha site. The Waukesha Office has been well received by participants.

Benefit Payment System (BPS) Update Ms. King reported that the Department is continuing to make steady progress toward implementation of the BPS. The acceptance testing phase continues. Design enhancements have been made due to this phase of testing.

Pending Appeals Report Ms. King referred to the Pending Appeals Report distributed in the informational packet. The total number of appeals is 48 and continues to drop.

Continuity of Operations Plan Ms. King referred to a memo dated December 14, 2006, from Steve Hurley, Director, Quality Assurance Services Bureau. This memo describes the activities of the Department in the disaster recovery process and ETF's work with the Department of Administration. Ms. King advised the Boards that Mr. Hurley is available to answer questions about the memo and the agency's process.

Video Library Ms. King mentioned that, as numbers of retirees continue to grow, new ways to provide information to participants are being explored and implemented. The Department originally called the online presentation method "MediaSite." That method has been renamed "Video Library." There are currently four media presentations available on the ETF website: Your WRS Benefits; Your Annual Statement of Benefits; How to Complete a Retirement Application; and, Planning for the Inevitable (Information About Survivor Benefits and Beneficiary Designations). A fifth presentation will be added on January 1, 2007. It is entitled: Calculating Your Retirement Benefits. Ms. King asked the Boards to provide feedback on the presentations.

Future Items for Discussion Ms. King requested members to provide her with any items for discussion at future Board meetings.

EDUCATIONAL TOPIC

Deferred Compensation Program Mr. Stella introduced Shelly Schueller, Director, Wisconsin Deferred Compensation Program (WDC). Ms. Schueller indicated that the WDC is a supplemental retirement savings program authorized under Section 457 of the Internal Revenue Code (IRC). The WDC was created by Wisconsin Laws of 1981 Chapter 187 and established in 1982 for state employees. It has been available to local employers since 1985.

Ms. Schueller noted that the program runs like a 401(k) program with tax deferred savings to selected mutual funds. The money invested is deducted pretax directly from payroll. The current maximum contribution is \$15,000 per year. In 2007, that maximum increases to \$15,500 per year or 100 percent of compensation, whichever is less. The program contains an "Age 50 catch-up provision" allowing people 50 years and older to invest an additional \$5,000 annually. The program has flexible distribution options. Ms. Schueller stated that another feature of the program is the portability option. Dollars from other qualified plans can be rolled into and out of the WDC. She mentioned that participants can purchase WRS forfeited and qualifying service using Section 457 funds.

Ms. Schueller provided a brief history of the WDC program. She mentioned that State legislation created the Deferred Compensation (DC) Board in 1989. This five-member Board is appointed by the Governor and confirmed by the Senate. The terms are staggered and four years in length. This policy-making Board meets two or three times per year and has statutory responsibility to provide program oversight. It sets participant fees, approves contracts for administrative services and audits, and hears participant appeals. It also selects and monitors investment fund options. The DC Board has a written Investment Policy Statement and an Investment Committee provides advice on options to the full Board. Additional investment review and analysis is provided by ETF and an investment advisory firm, Advised Assets Group.

Ms. Schueller pointed out that participant fees are extremely low and no state funds are used for the WDC. She indicated that Board members should feel free to contact her with any questions or concerns regarding the program.

ADJOURNMENT

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

The Joint Informational Meeting adjourned at 11:40 a.m.

Date Approved: _____

Signed: _____

Rick Gale, Secretary
Wisconsin Retirement Board