

AGENDA AND NOTICE OF MEETING

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

Thursday, September 13, 2007

9:30 a.m.

Sheraton Madison Hotel
706 John Nolen Drive
Madison, Wisconsin

Documents for this meeting are available on-line at:

http://etf.wi.gov/boards/board_ji.htm

To request a printed copy of any of the agenda items, please contact

Ann McCarthy, at (608) 261-0736.

- 9:30 a.m. 1. Consideration of Minutes of Previous Meeting
- 9:35 a.m. 2. Announcements
- New Meeting Location in 2008
 - The Employee Trust Funds Board Will Meet at 8:00 a.m., Friday, September 14, 2007
- 9:40 a.m. 3. Legislative Update
- 9:50 a.m. 4. Budget Update
- 10:00 a.m. 5. Administrative Rule Status Update
- 10:15 a.m. 6. Actuarial Report
- Gain/Loss Analysis of Experience Among Active Members During Calendar Year 2006 (Mark Buis; Gabriel, Roeder, Smith, and Company)
- 10:35 a.m. 7. Miscellaneous
- Status of Actuarial Contracts
 - 2007 New Employers
 - Pending Appeals Report
 - Video Library Website Update
 - Dual-Choice Dates
 - Review of Government Accounting Standards Board's (GASB) and Other Post-Employment Benefits (OPEB)
 - Backlog and Wait-Time Statistics
 - Future Items for Discussion
- 10:45 a.m. BREAK

- 11:00 a.m. 8. Educational Topic
• State of Wisconsin Investment Board Update
- 12:00 p.m. 9. Adjournment

Times shown are estimates only.

**Marilyn Wigdahl chairs meeting.*

**LUNCH WILL BE SERVED FOR BOARD MEMBERS & MEETING PARTICIPANTS AT NOON IN
THE ELVEHJEM ROOM.**

The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Ann McCarthy, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931. Telephone: (608) 261-0736. TTY: (608) 267-0676. E-mail: ann.mccarthy@etf.state.wi.us



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Department of Employee Trust Funds

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Madison WI 53707-7931

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CORRESPONDENCE MEMORANDUM

DATE: August 27, 2007

TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board

FROM: Ann McCarthy, Board Liaison

SUBJECT: 2008 Meeting Location

The new meeting location is:

The Holiday Inn Hotel and Suites 1109 Fourier Drive, Madison.

This change will be effective as of March 2008.

More information will be given at the December Board Meeting.



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Department of Employee Trust Funds

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CORRESPONDENCE MEMORANDUM

DATE: September 7, 2007
TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board
FROM: Bob Conlin, Director of Legislation, Communications and Planning
Phone: (608) 261-7940; e-mail: bob.conlin@etf.state.wi.us
SUBJECT: Legislative Report

Update on Substantive Provisions of the Budget Affecting the Department and Its Programs

Since the June Legislative Report, the Assembly and Senate have passed very different versions of the 2007 – 2009 state biennial budget. Efforts to resolve the differences between the two versions are being made by the Conference Committee. The Committee is made up of eight members representing the leadership teams in both houses, evenly divided between Republicans and Democrats.

The Committee has met on several occasions and has agreed to include a number of items in its final report that were common to both the Assembly and Senate versions of the budget. However, many very significant and controversial issues remain unresolved including changes regarding health insurance, taxes, education funding. The Committee has not set a deadline for reaching agreement and, unlike many states, state government will continue to operate under the 2005-2007 biennial budget until a new budget is enacted.

Earlier this summer, the Department communicated to the Conference Committee a number of concerns that it has with various provisions of each version of the budget being considered by the Conference Committee. Generally, the concerns relate to administration of the Wisconsin Retirement System (WRS) and other benefit plans administered by the Department. You received copies of this communication. The communication received some attention in the local press. To date, the Conference Committee has taken no action on any of the issues raised by the Department.

New Retirement-Related Legislation

Distribution of additional contributions: 2007 Assembly Bill (AB) 485, which was introduced on August 14, would modify the annuity distribution options available from additional contributions under the WRS. Under current law, WRS participants may make additional WRS

Reviewed and approved by Dave Stella, Deputy Secretary.

Signature Date

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contributions. Generally, these contributions are invested in the same manner as required contributions. They are paid out to participants as an “annuity certain” over a specified number of months, unless they are taken as a lump sum. Current law specifies that the number of months over which payments may be made may not be less than 24 or more than 180.

AB 485 would provide that the number of months over which additional contributions are paid as an annuity certain may not exceed the participant’s life expectancy as determined by tables produced by the Internal Revenue Service.

The bill has been referred to the Joint Survey Committee on Retirement Systems. The Committee has not scheduled any action on the bill.

2007 Legislative Session Update

The attached table identifies other relevant bills introduced during the 2007 legislative session and the status of those bills.

2007 SESSION LEGISLATIVE ACTIVITY REPORT

Revised: 8/24/07 - Last Complete Update:8/24/07

BILL NO. AUTHOR	ACT NO.	STATUS (COMMITTEE/ HEARING DATE/ETC)	SUBJECT	LINK
<u>ASSEMBLY BILLS AND RESOLUTIONS</u>				
AB 18 Lothian/Kedzie		Introduced 1/12/07; referred to JSCTE	TAX: Exempts from tax certain distributions received each year by an individual from a qualified retirement plan, if not already exempt. First applies to tax year 2007, and the maximum allowable exemption is \$2,500. The exemption amount increases each year from \$2,500 to \$5,000 in 2008, \$10,000 in 2009, \$15,000 in 2010, and \$20,000 in 2011 and thereafter.	http://www.legis.state.wi.us/2007/data/AB18hst.html
AB 23 Wasserman/Ellis		Introduced 1/24/07; referred to Labor	SICK LEAVE: Provides that no legislator may accumulate sick leave from year to year in his or her sick leave account for work performed as a member of the legislature in any legislative session beginning on or after January 5, 2009.	http://www.legis.state.wi.us/2007/data/AB23hst.html
AB 28 Lothian/Kedzie		Introduced 1/24/07; referred to Ways and Means; passage as amended recommended 3/21; referred to Jt. Finance 3/27	TAX: Creates a nonrefundable individual income tax credit for pension income received each year from a qualified retirement plan, except for pension income that is already exempt. First applies to taxable year 2008. The maximum amount of pension income allowable each year is \$2,500 in 2008; \$5,000 in 2009; \$10,000 in 2010; \$15,000 in 2011; and \$20,000 in 2012 and thereafter.	http://www.legis.state.wi.us/2007/data/AB28hst.html
AB 31 Strachota/Kanavas		Introduced 1/24/07; referred to Labor; passage recommended (5 – 2) 2/7/07; passed as amended by Assembly (66-29) 3/1/07; referred to Gov't Operations	SICK LEAVE: Provides that no legislator, no justice or judge, and no other state elected official, including a district attorney, may accumulate unused sick leave from year to year in his or her sick leave account for work performed in that capacity after the effective date.	http://www.legis.state.wi.us/2007/data/AB31hst.html
AB 43 Musser/Jauch		Introduced 1/30/07; referred to Veterans and Military Affairs; passage recommended (8-0) 3/7/07; referred to JSCRS	WRS: Provides: 1) that a participant in the WRS who terminates covered service on or after the effective date may receive creditable military service for active military service served at any time, not just before 1974; 2) that the participant may receive military service credits for military service that is also used for the purpose of establishing entitlement to a retirement benefit paid by the federal government; and 3) that, for purposes of the break in continuous employment military service credit provision, the participant may return to employment with any WRS employer.	http://www.legis.state.wi.us/2007/data/AB43hst.html

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AB 60 Travis/Piale		Introduced 2/13/07; referred to JSCTE	RETIREMENT/TAX: Exempts from tax certain amounts received each year by an individual who is at least 62 years old, from an IRA, a Roth IRA or a qualified retirement plan, if such payments are not already exempt. First applies to tax year 2008, and the maximum allowable exemption is \$2,500. The exemption amount increases \$2,500 each year for eight years so that, in 2015 and thereafter, the maximum exemption is \$20,000.	http://www.legis.state.wi.us/2007/data/AB60hst.html
AB 72 Jt. Finance		Introduced 2/14/07; referred to Jt. Finance; passage as amended recommended 3/7/07; tabled 3/13/07 (See SB 39)	BUDGET ADJUSTMENT: Among other things, requires DOA during the 2005–07 fiscal biennium to lapse or transfer to the general fund from each state agency moneys that would otherwise have been expended by the agency to pay the WRS unfunded liabilities had pension obligation bonds not been issued. Requires DOA in each future fiscal biennium to lapse or transfer these moneys to the general fund based on each state agency's proportionate share of all state retirement contributions that are required to be paid in that fiscal biennium.	http://www.legis.state.wi.us/2007/data/AB72hst.html
AB 124 Kessler/Harsdorf		Introduced 3/1/07; referred to Financial Institutions	SWIB: Generally prohibits SWIB from making certain future investments, and requires SWIB to divest itself of prior investments, related to Sudan.	http://www.legis.state.wi.us/2007/data/AB124hst.html
AB 175 Travis/Hansen		Introduced 3/12/07; referred to JSCTE	WRS: Authorizes ETF, at the request of an annuitant, to deduct from WRS retirement annuities membership dues to a labor organization, professional organization, or a retiree organization affiliated with a labor organization or professional organization.	http://www.legis.state.wi.us/2007/data/AB175hst.html
AB 184 Gottlieb/Lassa		Introduced 3/19/07; referred to Urban and Local Affairs; public hearing 3/27/07	OPEB: Requires that funds invested by local units of government to provide post-employment benefits be held in segregated accounts solely in the manner provided under the Uniform Prudent Investor Act.	http://www.legis.state.wi.us/2007/data/AB184hst.html
AB 275 Bies/Lassa		Introduced 4/23/07; referred to Labor and Industry	WORKER'S COMPENSATION: Creates a presumption that the injury or death of a fire fighter from heart or respiratory impairment or disease or from a stroke arose out of the fire fighter's employment and is covered under the worker's compensation law if: 1) at the time of death or the claim for compensation the deceased or injured fire fighter had served a total of 5 years as a fire fighter; and 2) a qualifying medical exam given prior to the start of employment as a fire fighter showed no	http://www.legis.state.wi.us/2007/data/AB275hst.html

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			sign of heart, respiratory, or cerebrovascular impairment or disease.	
AB 354 Musser/Erpenbach		Introduced 5/24/07; referred to Corrections and Courts	WRS: Classifies members of the Parole Commission and state employees employed at state correctional institutions, juvenile correctional facilities, mental health institutes, the Wisconsin Resource Center, or any secure mental health unit or facility for sexually violent persons as protective occupation participants under WRS.	http://www.legis.state.wi.us/2007/data/AB354hst.html
AB 449 Gottlieb/Lazich		Introduced 7/10/07; referred to Urban and Local Affairs	WRS: Prohibits a participating employer in the WRS covered by the Municipal Employment Relations Act from paying, on behalf of any employee, the first 3 % of earnings that the employee is required to pay as employee required contributions if that employee first becomes a participating employee in the WRS on or after the bill's effective date.	http://www.legis.state.wi.us/2007/data/AB449hst.html
AB 485 Van Roy		Introduced 8/14/07; referred to JSCRS	WRS: Provides that, for purposes of distributing additional contributions under the WRS, the number of months over which an annuity certain is paid may not exceed the participant's life expectancy, instead of the current 180 month limit. For the purpose of calculating life expectancy, requires ETF to use the same tables that the IRS uses for determining minimum required distributions from an individual retirement account.	http://www.legis.state.wi.us/2007/data/AB485hst.html
AJR 57 Huebsch/Robson		Introduced 6/21/07; referred to Rules	DAVE MILLS: Honors and congratulates Dave Mills.	http://www.legis.state.wi.us/2007/data/AJR57hst.html
<u>SENATE BILLS AND RESOLUTIONS</u>				
SB 3 Kedzie/Owens		Introduced 1/8/07, referred to JSCTE	TAXATION: Exempts from taxation certain amounts of payments received by an individual from a qualified retirement plan, if not already exempt. First applies to tax year 2007, and the maximum allowable exemption is \$2,500. The exemption amount increases each year from \$2,500 to \$5,000 in 2008, \$10,000 in 2009, \$15,000 in 2010, and \$20,000 in 2011 and thereafter.	http://www.legis.state.wi.us/2007/data/SB3hst.html

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SB 4 Kedzie/Lothian		Introduced 1/8/07, referred to JSCTE	TAXATION: Increases the additional exemption for taxpayers who reach the age of 70 or 75 before the close of the tax year. An additional exemption of \$300 may be claimed by a taxpayer who has reached the age of 70 before the close of the tax year and an additional exemption of \$350 may be claimed by a taxpayer who has reached the age of 75 before the close of the tax year.	http://www.legis.state.wi.us/2007/data/SB4hst.html
SB 5 Kanavas/Strachota		Introduced 1/9/07, referred to Ethics Reform and Gov't Ops	SICK LEAVE CONVERSION: Provides that no legislator, no justice or judge, no other state elected official, and no person appointed by the governor to a position in the executive branch requiring senate confirmation, may accumulate unused sick leave from year to year in his or her sick leave account for work performed in that position after the bill's effective date.	http://www.legis.state.wi.us/2007/data/SB5hst.html
SB 19 Jauch/Musser		Introduced 1/30/07; referred to JSCRS; withdrawn and referred to Veterans and Military Affairs 4/25/07; passage recommended (5-0) 5/23/07; referred to JSCRS	WRS: Provides: 1) that a participant in the WRS who terminates covered service on or after the effective date may receive creditable military service for active military service served at any time, not just before 1974; 2) that the participant may receive military service credits for military service that is also used for the purpose of establishing entitlement to a retirement benefit paid by the federal government; and 3) that, for purposes of the break in continuous employment military service credit provision, the participant may return to employment with any WRS employer.	http://www.legis.state.wi.us/2007/data/SB19hst.html
SB 39 Jt. Finance	5	Introduced 2/14/07; referred to Jt. Finance; recommend passage as amended 3/2; passed Senate as amended 3/13; passed Assembly 3/13; signed by Governor with partial veto 3/16; published 3/30/07	BUDGET ADJUSTMENT: Among other things, requires DOA during the 2005–07 fiscal biennium to lapse or transfer to the general fund from each state agency moneys that would otherwise have been expended by the agency to pay the WRS unfunded liabilities had pension obligation bonds not been issued. In addition, requires DOA in each future fiscal biennium to lapse or transfer these moneys to the general fund based on each agency's proportionate share of all state retirement contributions that are required to be paid in that fiscal biennium.	http://www.legis.state.wi.us/2007/data/SB39hst.html
SB 40 Jt. Finance		Introduced 2/14/07; referred to Jt. Finance; reported, as amended, without	BUDGET: Various changes in state appropriations, agency budgets and policy constituting the Biennial Budget Bill.	http://www.legis.state.wi.us/2007/data/SB40hst.html

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BILL NO. AUTHOR	ACT NO.	STATUS (COMMITTEE/ HEARING DATE/ETC)	SUBJECT	LINK
		recommendation (8-8) 6/8/07; passed Senate as amended (18-15) 6/26/07; passed Assembly as amended (51-44) 7/10/07; conference committee created 7/17/07		
SB 57 Harsdorf/Kessler		Introduced 2/21/07; referred to Veterans and Mil. Affairs & Fin. Insts.; public hearing 3/28/07	SWIB: Generally prohibits SWIB from making certain future investments, and requires SWIB to divest itself of prior investments, related to Sudan.	http://www.legis.state.wi.us/2007/data/SB57hst.html
SB 93 Lassa/Gottlieb		Introduced 3/13/07; referred to Urban Affairs	OPEB: Requires that funds invested by local units of government to provide post-employment benefits be held in segregated accounts solely in the manner provided under the Uniform Prudent Investor Act.	http://www.legis.state.wi.us/2007/data/SB93hst.html
SB 145 Leibham/Musser		Introduced 4/13/07; referred to JSCRS	MILITARY SERVICE CREDIT: Allows participating employees in the WRS to purchase years of creditable service for all years of active military service if they meet certain conditions, including the following: 1. the employee pays the general employee required contribution for each year of creditable service to be purchased based on the employee's final average earnings; 2. the employee may not purchase more than 4 years of creditable service; 3. the employee's discharge was under conditions other than dishonorable; 4. the employee may not receive creditable service under the program for any active military service used to qualify for the existing creditable military service program.	http://www.legis.state.wi.us/2007/data/SB145hst.html
SB 213 Lehman/Strachota		Introduced 6/13/07; referred to Ethics Reform and Gov't Ops.; public hearing 6/18/07	SICK LEAVE CONVERSION: Ends the accumulation of unused sick leave from year to year for legislators starting, generally, January 2009.	http://www.legis.state.wi.us/2007/data/SB213hst.html
SB 222 Risser/Sherman		Introduced 6/29/07; referred to JSCTE	RETIREMENT: Increases WRS benefits provided to an "educational support personnel employee." Makes the following changes to the WRS: (1) requires that educational support personnel employees and teachers, librarians, and administrators be treated the same in terms of qualifying for coverage under the WRS, with full-time employment for educational support personnel employees set at 1,320 hours per year; (2) provides that, for early retirement purposes, a participant's amount of creditable service in any annual earnings period shall be treated as	http://www.legis.state.wi.us/2007/data/SB222hst.html

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BILL NO. AUTHOR	ACT NO.	STATUS (COMMITTEE/ HEARING DATE/ETC)	SUBJECT	LINK
			the amount of creditable service that a teacher, librarian, or administrator would earn for that annual earnings period, currently 1,320 hours per year.	
SB 248 Darling/J.Ott		Introduced 7/31/07; referred to Environment and Natural Resources	WRS: Authorizes the creation of park districts and, among other things, provides that a district is considered an employer for WRS purposes.	http://www.legis.state.wi.us/2007/data/SB248hst.html
SJR 52 Robson/Huebsch		Introduced 6/6/07; adopted by Senate 6/26/07; concurred in by Assembly 7/31/07	DAVE MILLS: Honors and congratulates Dave Mills.	http://www.legis.state.wi.us/2007/data/SJR52hst.html

Floor session schedule for 2007-08 Legislature:

2007	2008
Jan. 3, 2007: Inauguration	Jan. 10, 2008: Bills sent to Governor
Jan. 9, 2007: Floorperiod	Jan. 15 – 31, 2008: Floorperiod
Jan. 30 – Feb. 1 2007: Floorperiod	Feb. 19 – March 13, 2008: Floorperiod (Last general business)
Feb. 13, 2007: Floorperiod	April 3, 2008: Bills sent to Governor
Feb. 20 – March 1, 2007: Floorperiod	May 6 – 8, 2008: Floorperiod (Limited Business)
March 13 – 15, 2007: Floorperiod	May 15, 2008: Bills sent to Governor
April 17 – 26, 2007: Floorperiod	May 27 & 28, 2008: Veto review period
May 3, 2007: Bills sent to Governor	May 29 – Jan. 5, 2009: Interim
May 8 – 17, 2007: Floorperiod	June 11, 2008: Bills sent to Governor
May 29 – June 29: Floorperiod (Budget)	January 5, 2009: 2009 Inauguration
Aug. 9, 2007: Nonbudget bills to Governor	
Aug. 9 (or later), 2007: Budget to Governor	
Sept. 18 – 20, 2007: Floorperiod	
Oct. 23 – Nov. 8, 2007: Floorperiod	
Dec. 11 – 13, 2007: Floorperiod	



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CORRESPONDENCE MEMORANDUM

DATE: August 30, 2007
TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board
FROM: Robert Weber, Chief Counsel
SUBJECT: Upcoming Final Administrative Rules

Over the next several months, the Boards will be asked to approve at least two other final draft reports on administrative rules at upcoming Board meetings. Those rules are:

Clearinghouse Rule 07-068 concerning the status of a non-annuitant at death for purposes of determining the appropriate Wisconsin Retirement System (WRS) death benefit. The rule provides that if a participant dies after his or her employment with a participating employer has actually been terminated, the participant will be treated as a former employee for purposes of computing a death benefit. There is some question about whether a delayed report of the termination could result in the payment of an active employee death benefit. A final draft of this rule is circulating within the Department for discussion and review. I anticipate that the Final Draft Report on the rule will come before the Boards in December.

Clearinghouse Rule 07-062, concerning the purchase of WRS service credits. This rule-making combines all Employee Trust Funds (ETF) rules on purchasing service credits into a single section of the Administrative Code and eliminates some obsolete provisions.

A small part of this rule-making amends a provision of the Long-Term Disability Insurance (LTDI) Program which is under the exclusive oversight of the Group Insurance Board (GIB). That part of the Final Draft Report was approved by the GIB at its meeting on August 28, 2007. A draft of the final rule is now circulating within the Department for review. Staff from the Division of Retirement Services and the Division of Trust Finances and Employer Services are working with the actuary on one part of the rule. This concerns how to determine the actuarial cost of purchasing credit for services rendered to non-WRS governmental units. There are different ways the calculation could be made more accurate or user friendly. A decision on the best methodology to use might require some modifications to the text of the rule.

I anticipate that the final rule-making will come before the Boards either in December 2007 or March 2008.

Reviewed and approved by David Stella, Deputy Secretary.

Signature Date

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CORRESPONDENCE MEMORANDUM

DATE: August 21, 2007

TO: Employee Trust Funds Board
 Teachers Retirement Board
 Wisconsin Retirement Board

FROM: Jean Gilding, Deputy Administrator
 Audrey Koehn, Policy Advisor
 Division of Retirement Services

SUBJECT: Backlog and Wait-Time Statistics

BACKLOGS AND WAIT-TIMES

The following table provides backlog and processing wait-times, as of August 17, 2007, for some of the Department's critical, direct service functions.

Name of Function	Number of Transactions in Backlog Status	Wait-Time
Retirement Estimate Requests	1636	9 Weeks
Individual Retirement Appointments	N/A	2 Weeks
Retirement Applications	767	Within one month of retirement benefit effective date
Estimate-to-Final Retirements	5730	6 Months
Beneficiary Designations	245	2 Weeks
Military Service Affidavits	183	2 Weeks
Annuitant Death Benefit Estimates	109	2 Weeks
Non-Annuitant Death Benefit Estimates	93	2 Weeks
Pension Verifications	33	3 Weeks
Service Purchase Estimates (not Other Governmental Service)	63	3 Weeks
General Correspondence	29	3 Weeks
Group Appointments	N/A	3 Days
Annuitant Health Insurance Requests	681	5 Weeks
Qualified Domestic Relations Order Splits	83	4 Weeks
Separation Applications	606	12 Weeks
Disability Estimates	6	4 Days
Disability Applications	88	Current
Duty Disability Tax Return Reviews	175	Up to 3 Years

Reviewed and approved by Sari King, Administrator, Division of Retirement Services.

 Signature

 Date

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CORRESPONDENCE MEMORANDUM

DATE: August 20, 2007

TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board

FROM: Sari King, Administrator
Division of Retirement Services

SUBJECT: GASB/OPEB Review

At the last Joint Informational Meeting, board members raised a few general questions and sought basic information about the Government Accounting Standards Board's (GASB) accounting standards for Other Post-Employment Benefits (OPEB).

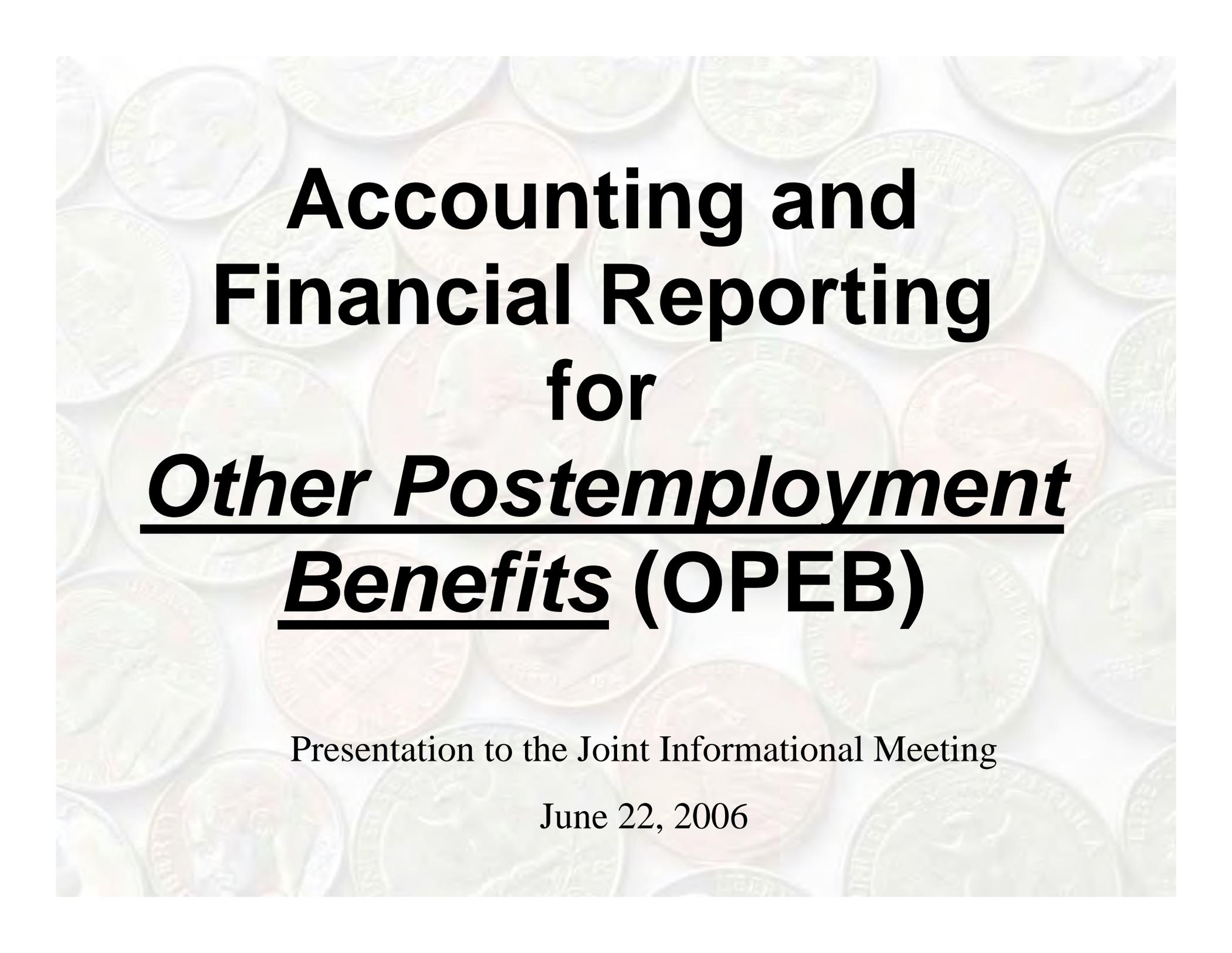
At the June 2006 Joint Informational meeting, Bob Willett, Chief Trust Finance Officer, provided the attached presentation on GASB's OPEB standards. We thought it would be useful for members to have another copy of the presentation. If you desire additional or more detailed information, please let me know.

Reviewed and approved by Dave Stella, Deputy Secretary.

Signature

Date

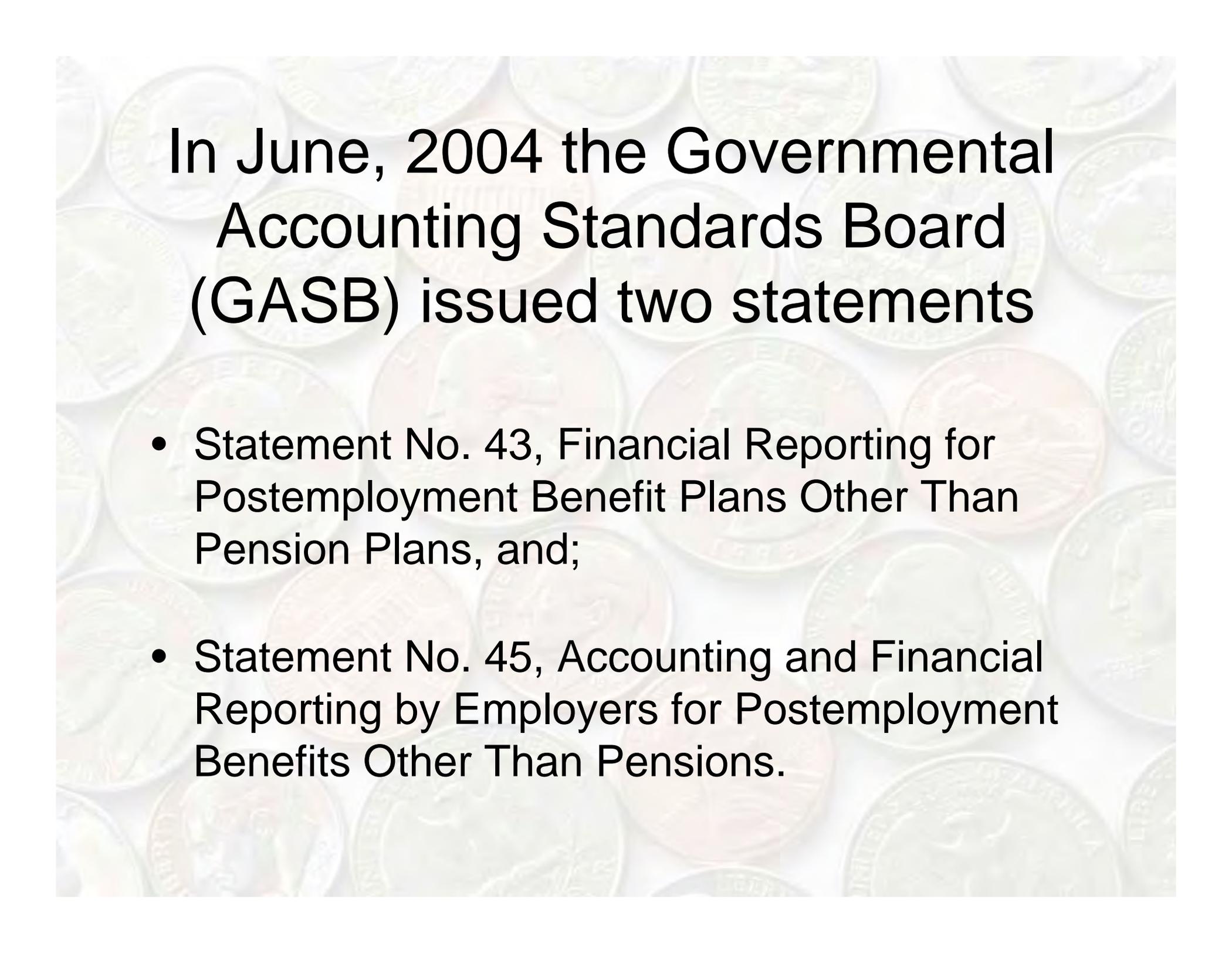
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**Accounting and
Financial Reporting
for
*Other Postemployment
Benefits (OPEB)***

Presentation to the Joint Informational Meeting

June 22, 2006



In June, 2004 the Governmental Accounting Standards Board (GASB) issued two statements

- Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and;
- Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

What is an OPEB

- Benefits (other than pensions) received after employment ends:
 - healthcare benefits
 - life insurance
 - disability and long-term care (if provided separately from a defined benefit pension plan)

What is an OPEB? (The Substantive Plan)

- The terms of an OPEB as understood by the employer and the plan members.
- There does not need to be a written plan document.
- An OPEB liability can exist even if the benefits are specifically limited by future appropriations.

A Special Type of OPEB (Implicit Rate Subsidy)

- An implicit rate subsidy exists if retired employees are allowed to pay the same health insurance premiums as active employees.
- An OPEB exists even if the employer doesn't make any direct payment of the retiree health premium.

Implicit Rate Subsidy Example

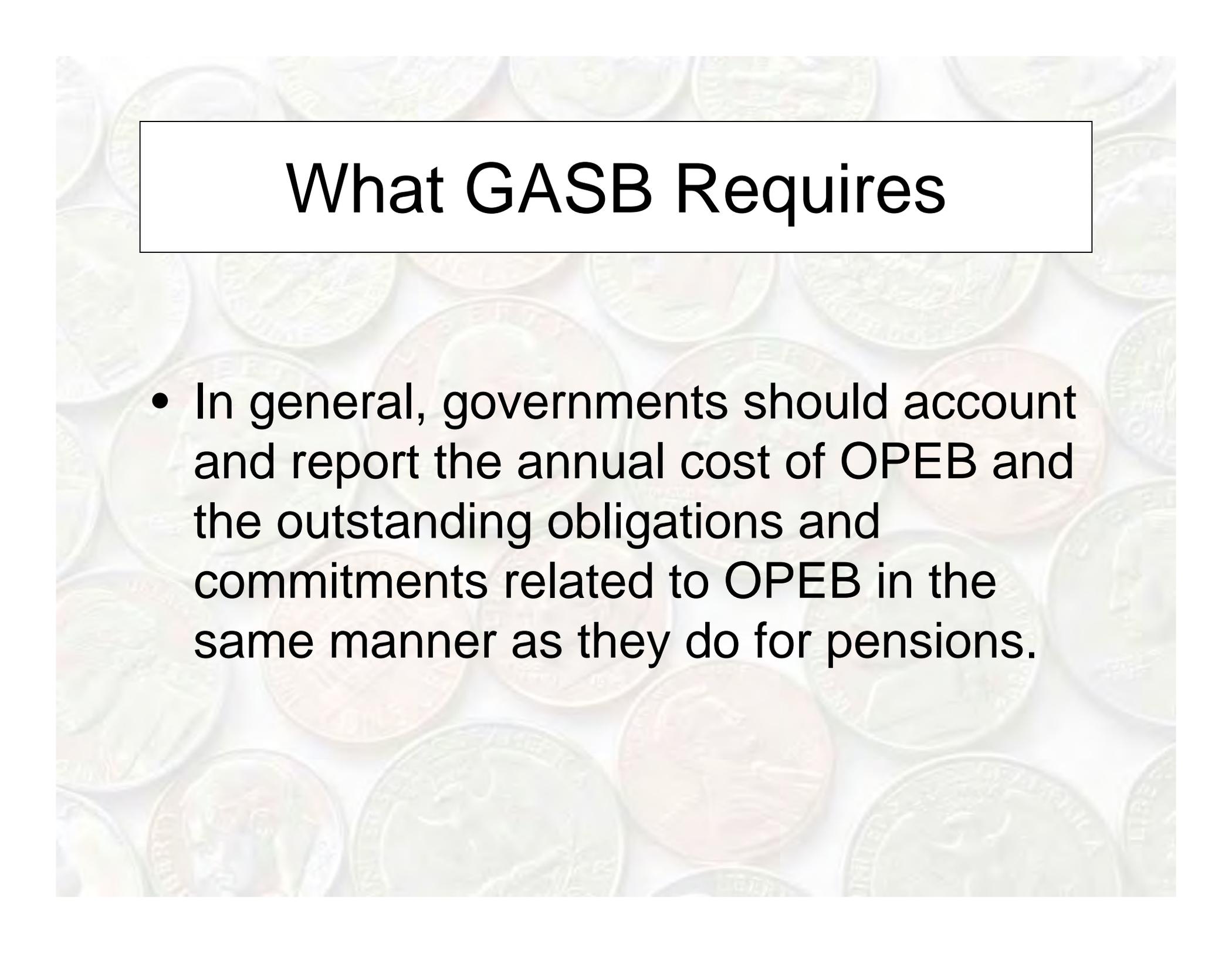
- Premium for just active members should be \$400
- Premium for just retired members should be \$500
- Premium for combined group is \$405
- Implicit Rate Subsidy = \$95
(\$500 - \$405)

Why GASB issued Standards

- OPEBs, like pensions, are earned during an employees working career, but not paid out until after employment.
- Most employers don't recognize in financial statements the cost of OPEB until they are paid (“pay-as-you-go”).

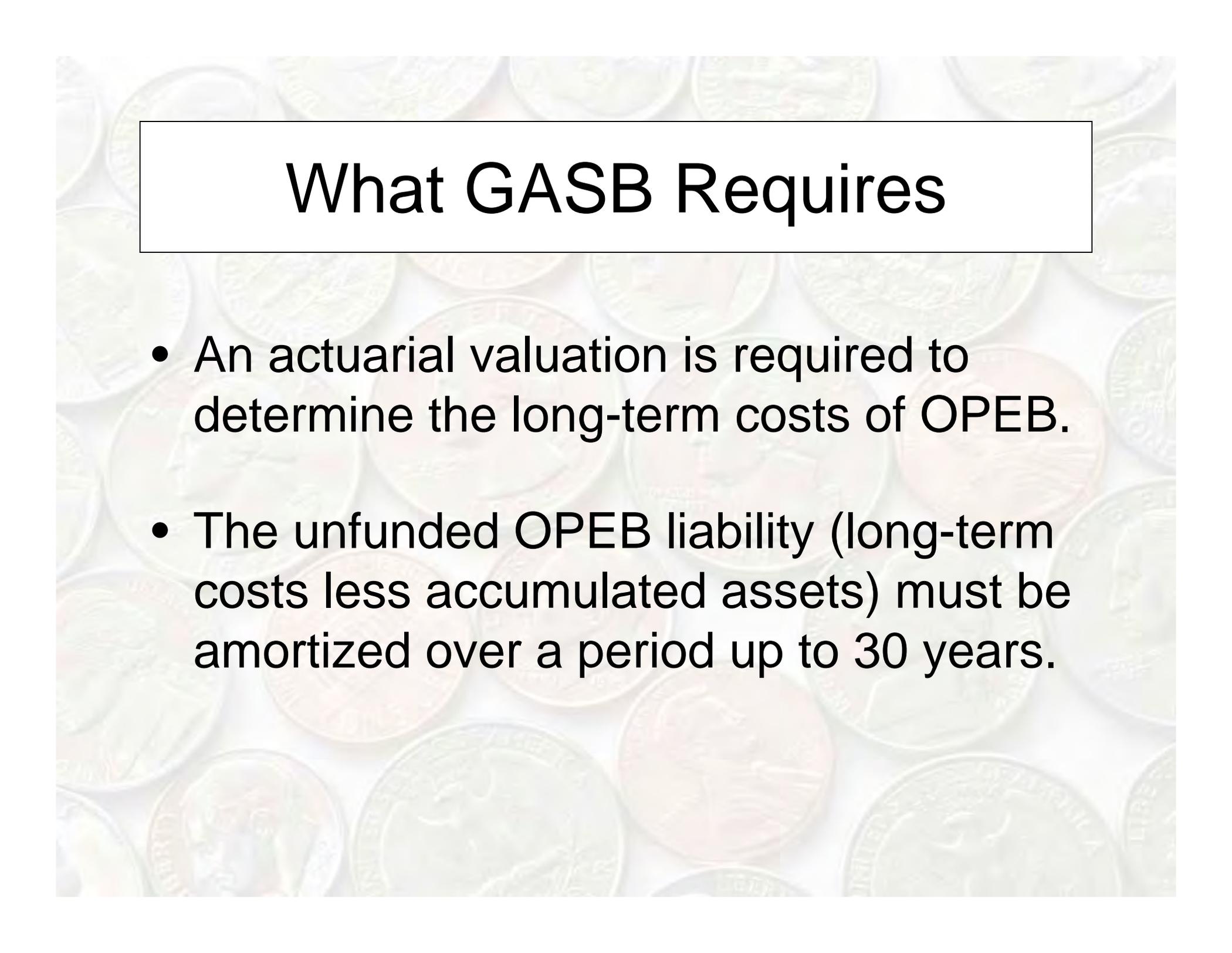
Why GASB issued Standards

- The full cost of employee benefits are not being recognized in financial statements during employment.
- A large future obligation for benefits earned but not yet paid is not being recognized in financial statements.

The background of the slide is a dense, overlapping pattern of various US coins, including pennies, nickels, dimes, and quarters, in shades of copper, silver, and gold. The coins are slightly out of focus, creating a textured, metallic background.

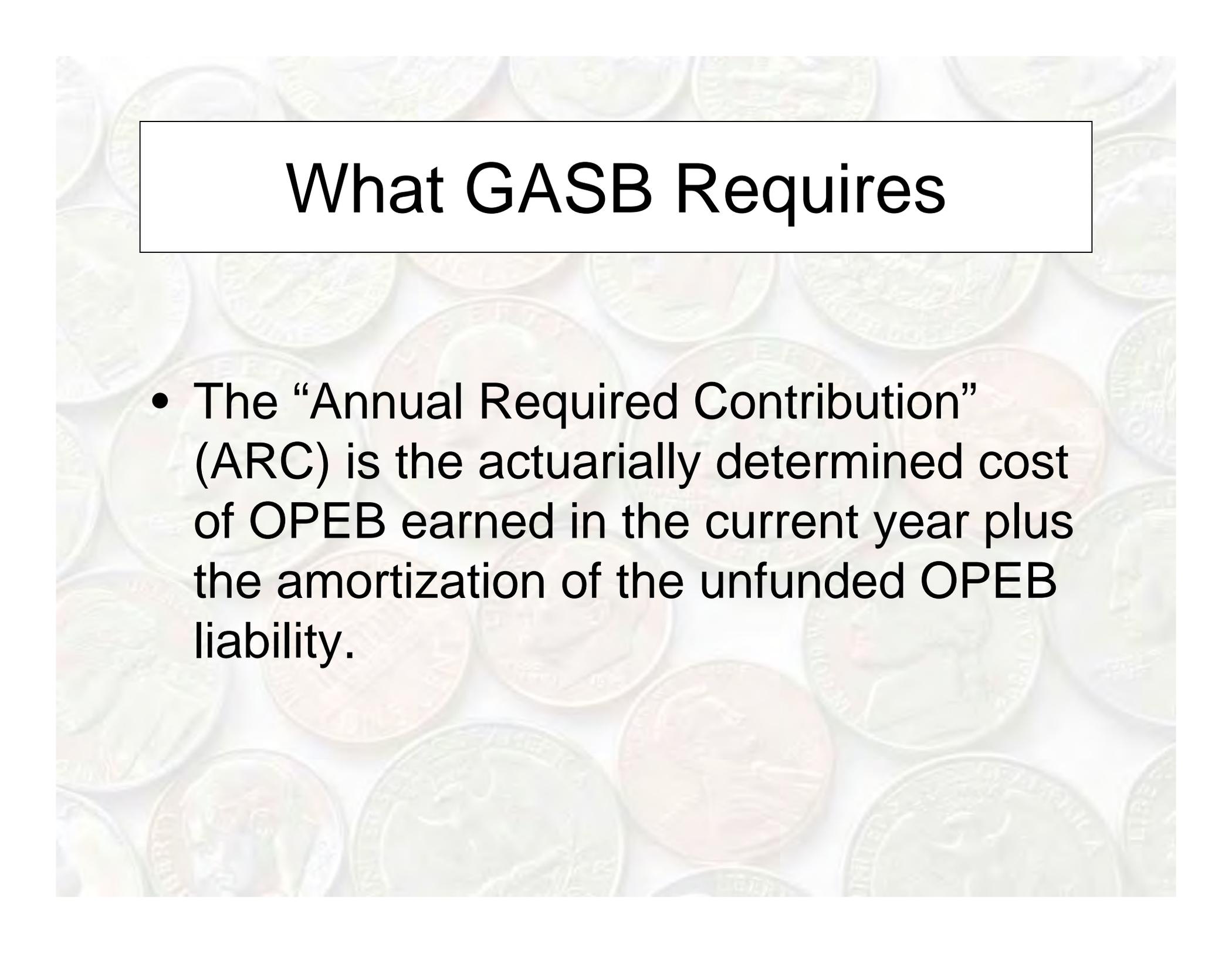
What GASB Requires

- In general, governments should account and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they do for pensions.



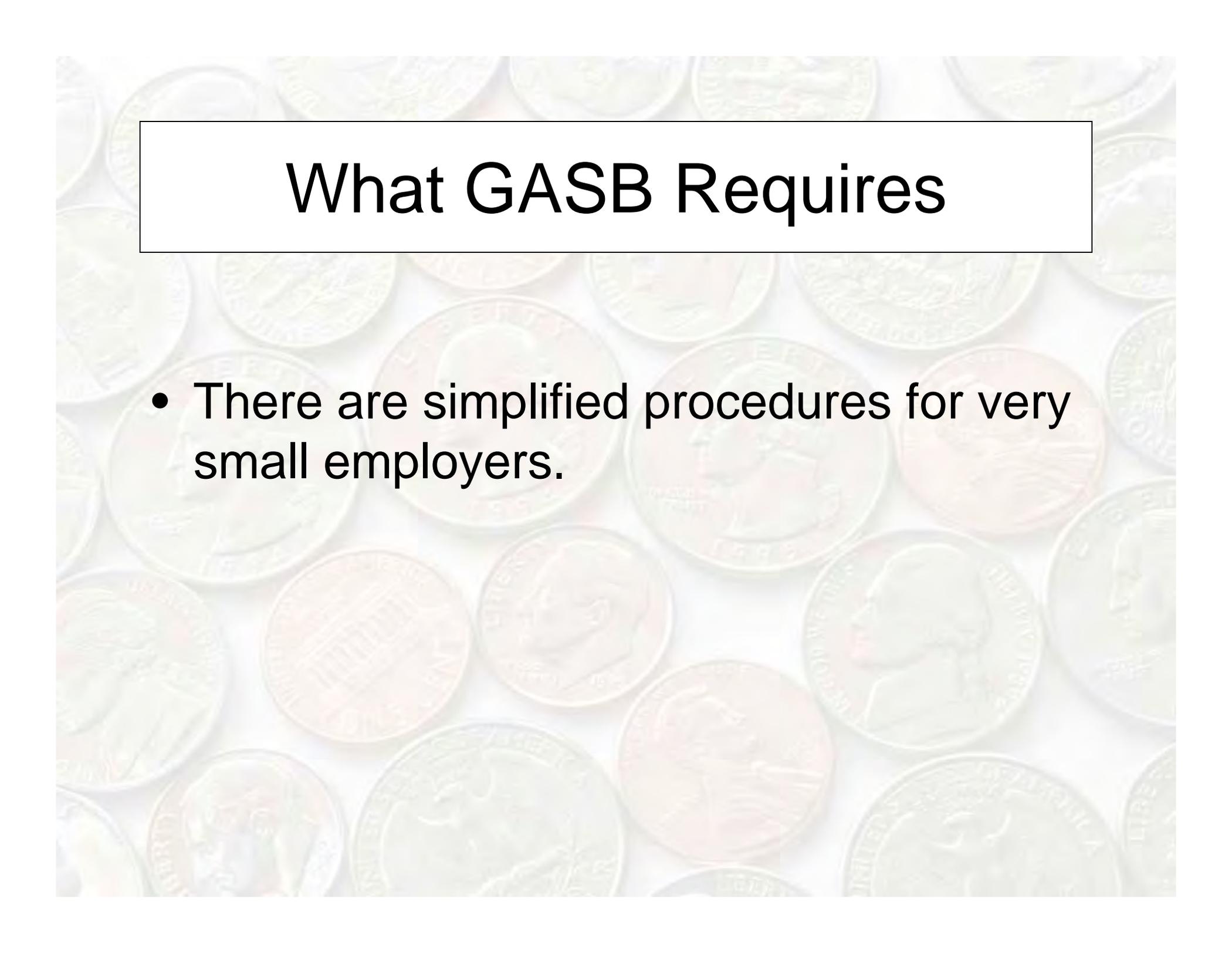
What GASB Requires

- An actuarial valuation is required to determine the long-term costs of OPEB.
- The unfunded OPEB liability (long-term costs less accumulated assets) must be amortized over a period up to 30 years.

The background of the slide is a dense, overlapping pattern of various US coins, including pennies, nickels, dimes, and quarters, in shades of gold, silver, and copper. The coins are slightly out of focus, creating a textured, metallic background.

What GASB Requires

- The “Annual Required Contribution” (ARC) is the actuarially determined cost of OPEB earned in the current year plus the amortization of the unfunded OPEB liability.



What GASB Requires

- There are simplified procedures for very small employers.

Common Misconceptions

Fiction: GASB requires employers to fund their OPEB.

Fact: GASB has no authority to require governments to fund OPEB. All they have done is to set standards for accounting and financial reporting whether or not the benefits have been funded.

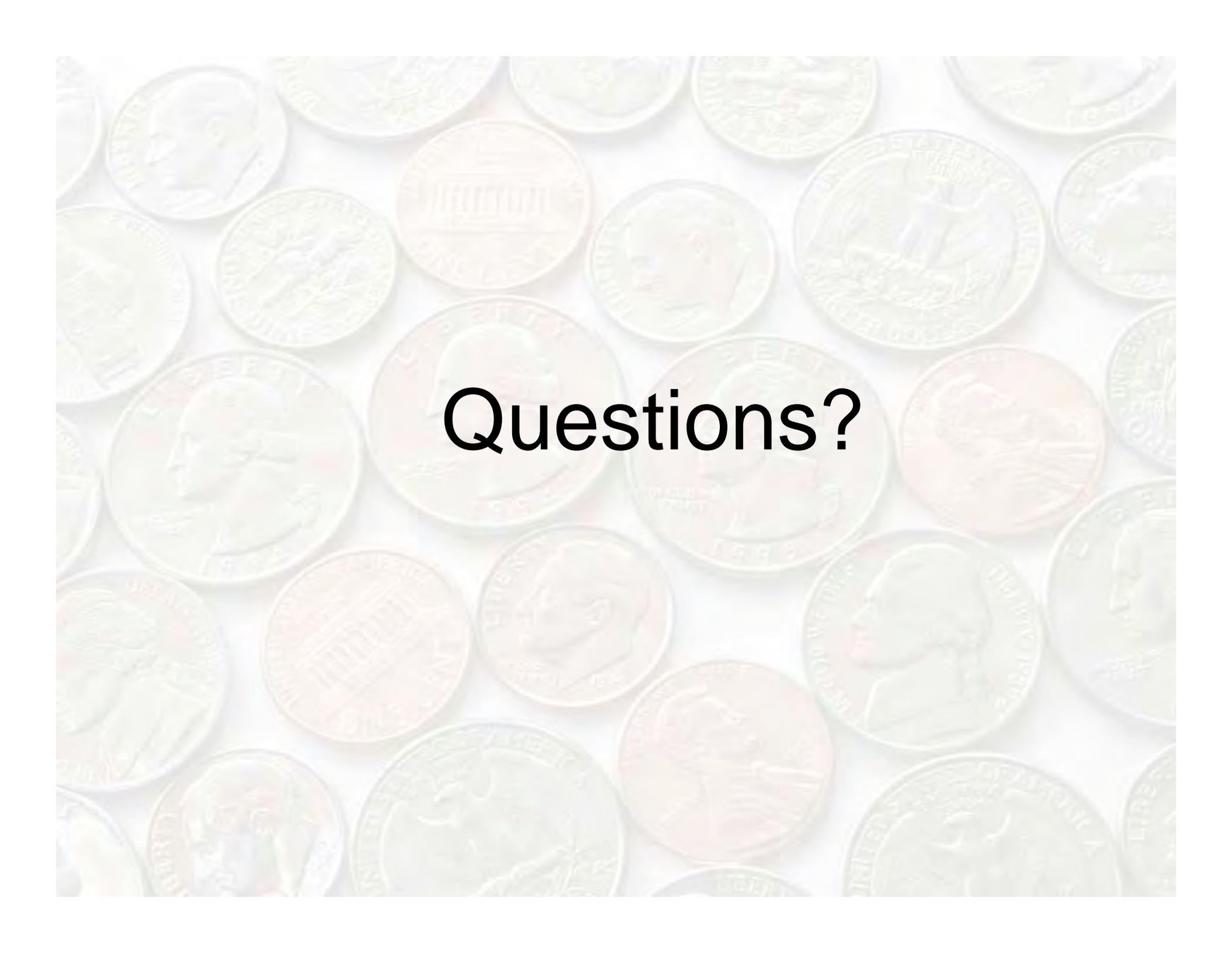
Common Misconceptions

Fiction: Employers will have to report a large liability on the face of the financial statements for all past OPEB promises.

Fact: The total liability will not be reported on the financial statements. It will be amortized over 30 years as part of the ARC. If the ARC is not funded, that amount will show as a liability on the financial statements.

Implementation Dates

Employer Type	Implementation Date
Governments with Annual Revenues of \$100 Million or More	Years Beginning After December 15, 2006
Governments with Annual Revenues between \$10 Million and \$100 Million	Years Beginning After December 15, 2007
Governments with Annual Revenues of Less than \$10 Million	Years Beginning After December 15, 2008
OPEB Plans	One Year Prior to Employer Reporting

A background image consisting of a dense, overlapping pattern of various United States coins. The coins include pennies (copper), nickels (silver), dimes (silver), and quarters (silver). The coins are scattered across the entire frame, creating a textured, metallic appearance. The word "Questions?" is centered over this background in a large, black, sans-serif font.

Questions?



STATE OF WISCONSIN
Department of Employee Trust Funds

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
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CORRESPONDENCE MEMORANDUM

DATE: August 6, 2007

TO: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board

FROM: John Vincent, Administrator
Division of Trust Finance and Employer Services

SUBJECT: **NEW EMPLOYERS FOR 2007:** January 1, 2007 – August 1, 2007

The table on the reverse side identifies Wisconsin Retirement System employers that have joined, or added coverage in certain Department-sponsored benefit programs this year through the period ending August 1, 2007. Employers added since the last report are denoted with an asterisk (*).

Since the last report, which covered the calendar year through June 1, 16 local units of government employing over 1,300 persons have been added to the list. Five of those employers joined the Wisconsin Public Employer Group (WPEG) health insurance program. Ten employers joined or added coverage under the Life Insurance program administered by Minnesota Life. Finally, one employer joined or added coverage under the Life Insurance program and joined the Income Continuation Insurance (ICI) program.

No Board action is required.

Reviewed and approved by Dave Stella, Deputy Secretary.

Signature

Date

Board	Mtg. Date	Item #
Jl	09/13/07	7

NEW EMPLOYERS SINCE JANUARY 1, 2007				
Employers	Number of Employees	Wisconsin Public Employees Group Health	Life (New or Additional)	Income Continuation Insurance
Baraboo Dist. Ambulance Service	23			Eff. 1/01/07
* Baraboo School District	335		Eff. 7/01/07	
Bayside, Village of	37	Eff. 2/01/07		
* Brigham, Town of	3	Eff. 9/01/07		
Bristol, Town of	14		Eff. 1/01/07	
Brothertown, Town of	1	Eff. 3/01/07	Eff. 2/01/07	Eff. 5/01/07
Cambridge, Village of	14		Eff. 3/01/07	
Camp Douglas, Village of	6		Eff. 1/01/07	Eff. 1/01/07
Clinton Community School District	48		Eff. 2/01/07	
* Darlington School District	120		Eff. 11/01/07	
* Deerfield, Village of	10	Eff. 10/01/07		
Delafield, City of	62			Eff. 4/01/07
* Delevan, City of	65		Eff. 11/01/07	
Dodgeville, City of	32		Eff. 3/01/07	
Dodgeland School District	56		Eff. 6/01/07	
* Elkhart Lake, Village of	17	Eff. 7/01/07		
Fennimore, City of	25	Eff. 2/01/07	Eff. 2/01/07	
Hazel Green, Village of	8	Eff. 2/01/07		
Iron Ridge, Village of	11	Eff. 3/01/07	Eff. 3/01/07	
* Jefferson, City of	74		Eff. 10/1/07	
Jefferson County	694		Eff. 6/01/07	
* Kohler School District	83		Eff. 11/01/07	
League of WI. Municipalities	9		Eff. 2/01/07	
* Mattoon, Village of	2	Eff. 10/01/07		
Montfort, Village of	4	Eff. 3/01/07		
Mt. Horeb School District	225		Eff. 1/01/07	
* North Fond du Lac School District	93		Eff. 11/01/07	
Oregon, Village of	45			Eff. 1/01/07
Oshkosh Housing Authority	34	Eff. 3/01/07		
Oshkosh Area School District	375		Eff. 1/01/07	
Racine Unified School District	2,400		Eff. 3/01/07	
* River Falls, Housing Authority	8		Eff. 11/01/07	Eff. 11/01/07
Sauk Prairie, Ambulance Commission	1	Eff. 2/01/07	Eff. 2/01/07	Eff. 2/01/07
Sauk Prairie, Recreation Commission	1	Eff. 2/01/07	Eff. 2/01/07	Eff. 2/01/07
Silver Lake Sanitary Dist	6	Eff. 2/01/07		
Sullivan, Village of	62	Eff. 4/01/07		
* Taylor County	160		Eff. 9/01/07	
Vilas County	203			Eff. 1/01/07
* Walworth, Village of	16		Eff. 9/01/07	
* Waupun, City of	73	Eff. 12/01/07		
Waterford, Town of	14	Eff. 3/01/07		
Western Racine Co. Sewage Dist	1	Eff. 2/01/07		
Whitefish Bay School District	285		Eff. 1/01/07	
Whitehall, City of	16		Eff. 4/01/07	
* Whitewater School District	167		Eff. 11/01/07	
* Wisconsin Heights School District	156		Eff. 11/01/07	