

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

**Thursday, March 13, 2008  
8:45 a.m.  
Holiday Inn Hotel and Suites  
1109 Fourier Dr.  
Madison, Wisconsin**

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Documents for this meeting are available on-line at:  
**[http://etf.wi.gov/boards/board\\_ji.htm](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.*

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*\*Marilyn Wigdahl chairs meeting*

**☛** *Denotes action item*

- |            |          |   |
|------------|----------|---|
| 8:45 a.m.  | <b>☛</b> | 1. <b>Consideration of Minutes of Previous Meeting</b>  |
| 8:50 a.m.  |          | 2. <b>Announcements</b><br><b>Introductions of New Staff:</b> <ul style="list-style-type: none"><li>• <b>Matt Stohr - Director of Legislation, Communications, and Planning</b></li><li>• <b>Lisa Ellinger - Deputy Administrator of the Division of Insurance Services</b></li></ul> |
| 8:55 a.m.  |          | 3. <b>Legislative Update</b>  |
| 9:05 a.m.  |          | 4. <b>Wisconsin Retirement System 25<sup>th</sup> Annual Valuation of Retired Lives – December 31, 2007 (Brian Murphy and Mark Buis, Gabriel, Roeder, Smith &amp; Company)</b>  |
| 9:35 a.m.  |          | 5. <b>Wisconsin Retirement System Fifty Year Experience Projection Study (Brian Murphy and Mark Buis, Gabriel, Roeder, Smith &amp; Company)</b>   |
| 9:55 a.m.  |          | 6. <b>Effective Rate and Dividend Projections</b>   |
| 10:10 a.m. |          | 7. <b>Educational Topic</b> <ul style="list-style-type: none"><li>• <b>Fiduciary Responsibilities</b></li></ul>   |

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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. Wisconsin Relay Service 7-1-1. E-mail: [ann.mccarthy@etf.state.wi.us](mailto:ann.mccarthy@etf.state.wi.us)

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- 10:30 a.m.            8.    **Miscellaneous**
- **Pending Appeals Report**
  - **Employer Program Participation**
  - **Post-Retirement Employment**
  - **Future Items for Discussion**
- 10:40 a.m.            **Break**
- 10:50 a.m.            9.    **Educational Topic**
- **Department Counseling Sessions and Video Library Overview**
- 11:10 a.m.            10.   **State of Wisconsin Investment Board Update**
- 11:55 a.m.            11.   **Adjournment**

*Times shown are estimates only.*

**LUNCH WILL BE SERVED FOR MEETING PARTICIPANTS AT 12:00 P.M. IN GEORGE'S  
CHOPHOUSE RESTAURANT LOCATED IN THE HOTEL**

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**MINUTES OF MEETING**

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

**Thursday, December 13, 2007**

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

**BOARD PRESENT:**

Wayne McCaffery, ETF Board and Chair, TR Board  
Ted Bratanow, TR Board  
John Brown, ETF Board  
John David, WR Board  
Sean Dilweg, WR Board  
Rosemary Finora, ETF Board  
Theron Fisher, ETF Board  
Rick Gale, Secretary, WR Board and ETF Board  
Wayne Koessler, Vice-Chair, WR Board and Vice-Chair, ETF Board  
Kathy Kreul, ETF Board  
Mike Langyel, TR Board  
Irena Macek, ETF Board  
Dennis McBride, WR Board  
Lon Mishler, Vice-Chair, TR Board  
Dan Nerad, TR Board  
Robert Niendorf, Secretary, ETF Board  
Dennis Panicucci, Secretary, TR Board  
Patrick Phair, TR Board  
Tom Pedersen, TR Board  
Roberta Rasmus, TR Board  
Steve Scheible, TR Board  
Robert Shaw, TR Board  
Gary Sherman, ETF Board  
Robin Starck, TR Board  
Nancy Thompson, ETF Board  
Mary VonRuden, WR Board

**BOARD NOT PRESENT:**

Jennifer Donnelly, ETF Board  
Nan Kottke, WR Board  
Herbert Stinski, WR Board

**PARTICIPATING ETF STAFF:**

Dave Stella, Secretary  
Bob Conlin, Deputy Secretary

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Michelle Baxter, Division of Trust Finance and Employer Services  
Anne Boudreau, Division of Retirement Services  
Sari King, Administrator, Division of Retirement Services  
John Vincent, Administrator, Division of Trust Finance and Employer Services  
Ann McCarthy, Board Liaison

**OTHERS PRESENT:**

Keith Bozarth, State of Wisconsin Investment Board  
Bonnie Cyganek, Division of Retirement Services  
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  
Lynn Jarzombeck, Division of Retirement Services  
Ed Kehl, Wisconsin Coalition of Annuitants  
Nancy Ketterhagen, Office of the Secretary  
Audrey Koehn, Division of Retirement Services  
Tom Korpady, Division of Insurance Services  
Jon Kranz, Office of Internal Audit and Budget  
Linda Owen, Division of Retirement Services  
Diane Poole, Division of Insurance Services  
Deb Roemer, Division of Insurance Services  
Ken Stelzig, Wisconsin Education Association Council, Retired  
Sharon Walk, Office of the Secretary  
Rob Weber, Legal Services  
Art Zimmerman, Legislative Fiscal Bureau

Wayne McCaffery, Chair, Teachers Retirement Board, called the meeting to order at 9:32 a.m.

**ANNOUNCEMENTS**

**New Management Team** Mr. McCaffery introduced and welcomed the new management team for the Department. Dave Stella was appointed as Secretary of the Department of Employee Trust Funds. Once appointed, Mr. Stella asked Bob Conlin to serve in the position of Deputy Secretary and Rhonda Dunn to continue serving as the Executive Assistant.

**New Meeting Location** Ms. King reported that the new meeting location for the 2008 Retirement Board meetings is the Holiday Inn Hotel and Suites on Fourier Drive. She referred the Board members to a memo that included a map and driving directions for the new location.

**2009 Proposed Meeting Dates** Ms. King advised Board members to review the proposed meeting dates for 2009 and contact the Board Liaison with any concerns. The dates are:

Thursday, Friday	March 19 and 20, 2009
Thursday, Friday	June 18 and 19, 2009
Thursday, Friday	September 17 and 18, 2009
Thursday, Friday	December 3 and 4, 2009

**Recent Department Awards** Ms. King apprised the Board members on recent Department awards. She announced the first award, from the National Association of Government Defined Contribution Administrators, was a 2007 leadership recognition award for the *Stepping Stones for Retirement* presentation. Ms. King also reported that the Department received a 2007 Public Pension Coordinating Council award, for meeting public pension standards.

## CONSIDERATION OF MINUTES OF PREVIOUS MEETING

***Motion: Ms. Macek moved approval of the minutes of the September 13, 2007, meeting as submitted by the Board Liaison. Mr. Koessl seconded the motion, which passed without objection on a voice vote.***

## EMPLOYER PROGRAM PARTICIPATION

John Vincent and Michelle Baxter referred the Board members to a memo regarding employer program participation. Mr. Vincent explained that the document reflects employers within the Wisconsin Retirement System (WRS) that have joined, obtained additional, or withdrawn certain coverage from Department-sponsored benefit programs. He clarified that only public employers that abide by certain state and federal standards may add coverage under the WRS.

## BENEFICIARY DESIGNATIONS

Mr. Vincent discussed beneficiary designations with the Board members. He clarified that the effective date of beneficiary designation forms is the date that the Department receives them, as long as the forms meet Department completion requirements. Mr. Vincent noted that this "received date" system has helped the Department to process these forms efficiently and effectively. He explained that the Department accepts signed beneficiary designation forms by fax, e-mail (scanned document), hand delivery, and postal mail.

## LEGISLATIVE UPDATE

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Mr. Conlin reported that the Department is in the process of interviewing candidates for the position of Director of Legislation, Communications and Planning.

Mr. Conlin referred the Board members to his legislative report. He noted that one of the substantive provisions of the budget affecting the Department was the provision authorizing the state to pay a portion of health insurance premiums on behalf of employees after two months of employment, effective as of July 1, 2008. The state currently pays a portion after six months of employment.

Mr. Conlin discussed Senate Bill (SB) 336. This bill would change the membership of the Group Insurance Board to include representation from different state congressional districts. He noted that no hearings or legislative activities have been scheduled on SB 336 to date.

Mr. Conlin also briefed the Board members on Assembly Bill (AB) 354, regarding "protective occupation" status. AB 354 extends this status to include a number of Department of Corrections staff and Department of Health and Family Services staff who are exposed to dangerous persons. He reported that this bill would reclassify approximately 5,000 state employees, if passed. Mr. Conlin clarified that AB 354 has been approved by the Assembly Committee and may be referred to the Joint Survey Committee on Retirement Systems in the coming days.

Mr. Conlin briefly discussed Senate Bill 351 and Assembly Bill 623, concerning the State of Wisconsin Investment Board (SWIB). This proposed legislation would allow SWIB more freedom to manage the core trust fund, through different types of investments.

Mr. Stella noted that legislation is being considered to change the required knowledge standards to which SWIB members are held.

## **EDUCATIONAL TOPIC**

**Call Center Overview** Ms. King introduced Anne Boudreau and Jaymee Meier, from the Division of Retirement Services. Ms. Boudreau is the Member Services Director and Ms. Meier is the Call Management Section Supervisor. Ms. Boudreau and Ms. Meier presented information to the Boards regarding the Department Call Center. Ms. Boudreau explained the history of the Call Center including workload statistics and improvements that have been made. She reported that changes will continue to occur to help the Department better serve WRS members.

Ms. Meier discussed the services provided by the Call Center. She noted that the Call Center is often the first point of contact for members calling the Department. Ms. Meier reported that 75% of caller questions are answered within the Call Center. The other 25% of questions are sent to other areas within the Department. Ms. Meier clarified that e-mail correspondence has increased significantly for the Call Center in the last few years. She indicated they continue to improve customer service through technology by promoting the Department website and the online video library.

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Ms. Boudreau discussed some possible future challenges. She noted a few issues include keeping up with changing laws and technology and serving the increase in the retiree population.

## MISCELLANEOUS

**Department Contact Information** Ms. King presented Department contact cards to the Board members. She noted that more cards were available upon request. Ms. King presented a sample of a new folder which is used to mail retirement forms and brochures, and noted that these folders provide more Department contact information with less cost as compared to the previous folders.

**Backlog/Wait-time Report** Ms. King referred to a document prepared by Linda Owen and Audrey Koehn regarding Department backlog and processing wait-times for critical/direct service functions. She announced that a glossary of terms has been added to the report to assist reader understanding. Ms. King stated that the number of annuity deaths is slightly higher in this report, however, this increase is a typical trend during the winter months.

**Pending Appeals Report** Ms. King referred to the Pending Appeals Report distributed to the Board members. The total number of appeals is 23.

**Video Library** Ms. King reported that new video library presentations continue to be created. She explained that the most recent presentation topics are additional contributions and benefits. The benefits presentation was also broadcast live on the Internet, for members who were unable to attend in-person.

**Comprehensive Annual Financial Report (CAFR) Update** Ms. King reported that the 2005 CAFR had been distributed. She clarified that the 2006 CAFR is currently being prepared and should be available in late 2008.

**Future Items for Discussion** Ms. King requested future topics for discussion. The Boards expressed interest in post-retirement employment information, including rules and statistics.

## EDUCATIONAL TOPIC

**State of Wisconsin Investment Board – Variable Fund Asset Allocation** Mr. Stella introduced Keith Bozarth, Executive Director for the State of Wisconsin Investment Board (SWIB). Mr. Bozarth updated the Board members on the trust fund performance numbers. He reported that as of November 2007, the core fund return was 9.3% and the variable fund return was 6.5%. More information on returns will be available in 2008.

Mr. Bozarth stated that some problems have occurred with Florida's Short Term Investment Fund, and that these problems would not be an issue for the WRS Short Term Investment Fund (SIF), due to differences in the types of investments within the funds.

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Mr. Bozarth and Mr. Stella discussed the performance of the variable trust fund with the Boards. Mr. Stella reported that after a uniform audit, the Legislative Audit Bureau (LAB) recommended that SWIB reevaluate policies and procedures for making allocation and investment decisions regarding the variable fund. This recommendation was due to continual lower than expected performance returns of the variable fund and the investment limitations included in the Wisconsin statutes. Mr. Stella asked the Board members to begin thinking about the variable fund and to discuss concerns and suggestions about the issue. The Board members discussed the issue.

Mr. Stella noted that the variable fund topic will be discussed again at future Board meetings.

### ADJOURNMENT

***Motion: Mr. Langyel moved adjournment. Mr. Wiltgen seconded the motion, which passed without objection on a voice vote.***

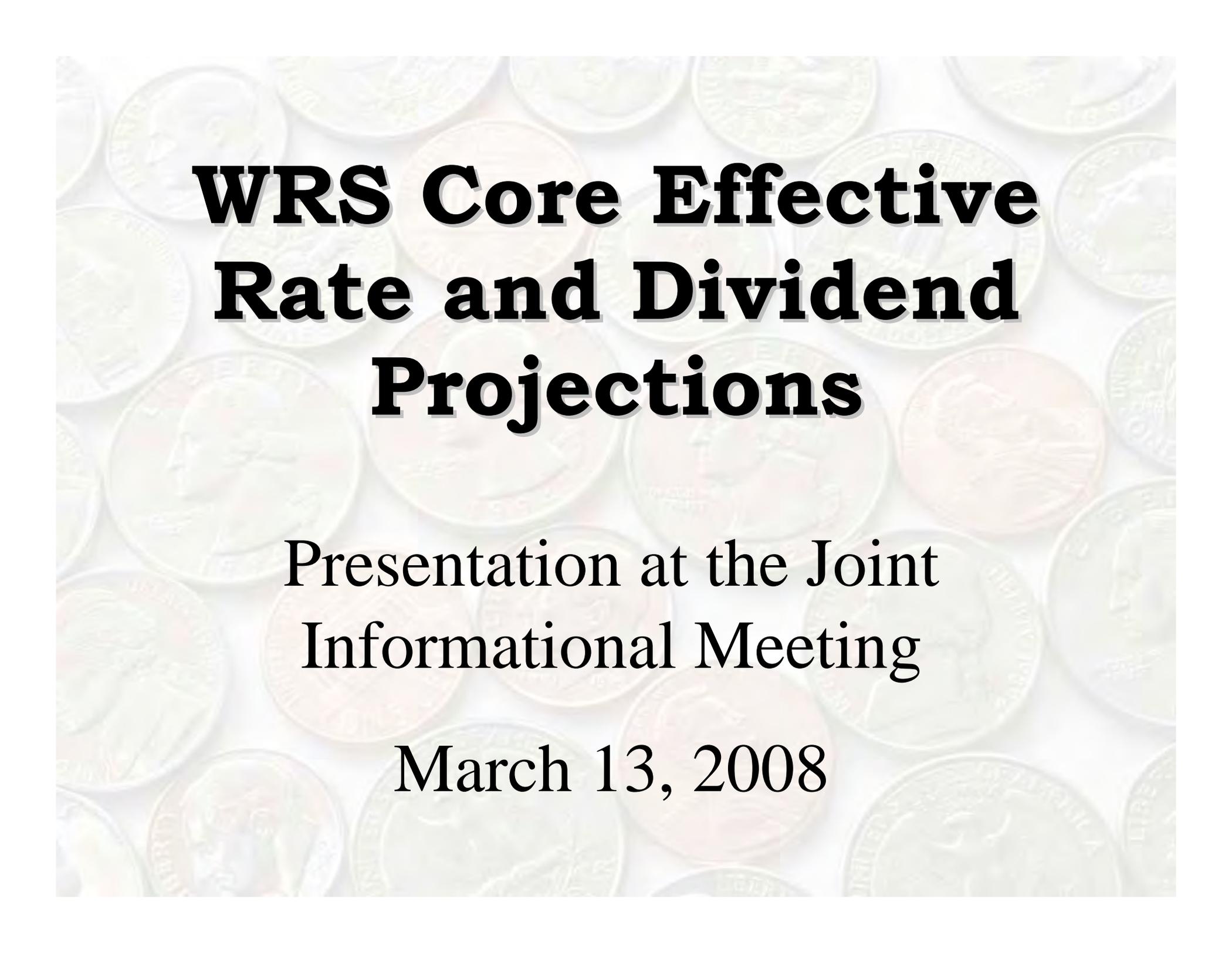
The Joint Informational Meeting adjourned at 11:55 a.m.

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

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

Dennis Panicucci, Secretary  
Teachers Retirement Board

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# **WRS Core Effective Rate and Dividend Projections**

Presentation at the Joint  
Informational Meeting

March 13, 2008

# Core Fund Effective Rate

(millions \$)

2007 Investment Income		\$ 6,369
Adjustment for Market Recognition Account		
2007 Gain Deferred to Future Years		(1,062)
Gains and Losses Carried Over From:		
2003	1,341	
2004	518	
2005	86	
2006	1,065	
2007	<u>213</u>	
Total MRA Adjustment		<u>2,161</u>
Current Year Recognized Income		8,530
Less: Allocations and Adjustments		<u>(205)</u>
Income Available for Core Effective Rate		8,325
Adjusted Beginning Reserve Balance		\$ 63,181
Effective Rate (\$8,325 / \$63,181)		13.1%

March 13, 2008

# Market Recognition Account

(millions \$)

<u>Year Earned</u>	2007	2008	2009	2010	2011
Current year	212				
First prior year	1,065	212			
Second prior year	86	1,065	212		
Third prior year	518	86	1,065	212	
Fourth prior year	<u>1,341</u>	<u>518</u>	<u>86</u>	<u>1,065</u>	<u>212</u>
Total	3,222	1,881	1,363	1,277	212

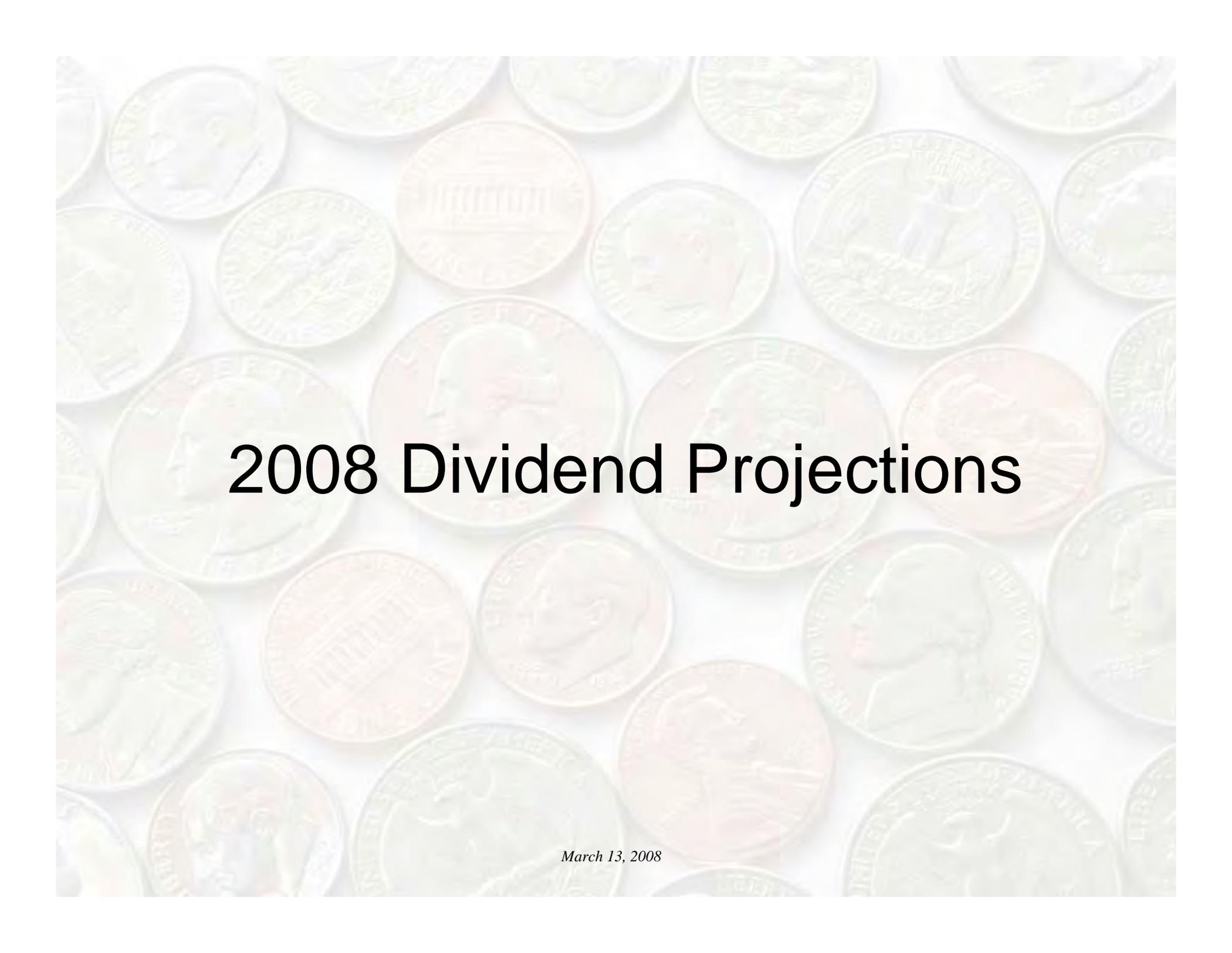
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# Variable Fund Effective Rate

(millions \$)

2007 Investment Income	\$	412
Adjusted Beginning Reserve Balance		6,470
Effective Rate ( $\$412 / \$6,470$ )		6.0%

March 13, 2008



# 2008 Dividend Projections

*March 13, 2008*

# Assumptions

- Based on 2007 Core Trust Fund investment returns and dividend
- Includes 2003 - 2007 investment gains and losses carried forward in the MRA
- Dividends will be paid if annuity reserve surplus provides at least a 0.5% dividend
- Annuities will be reduced if annuity reserve shortfall would require at least a -0.5% adjustment

*March 13, 2008*

# Assumptions (cont.)

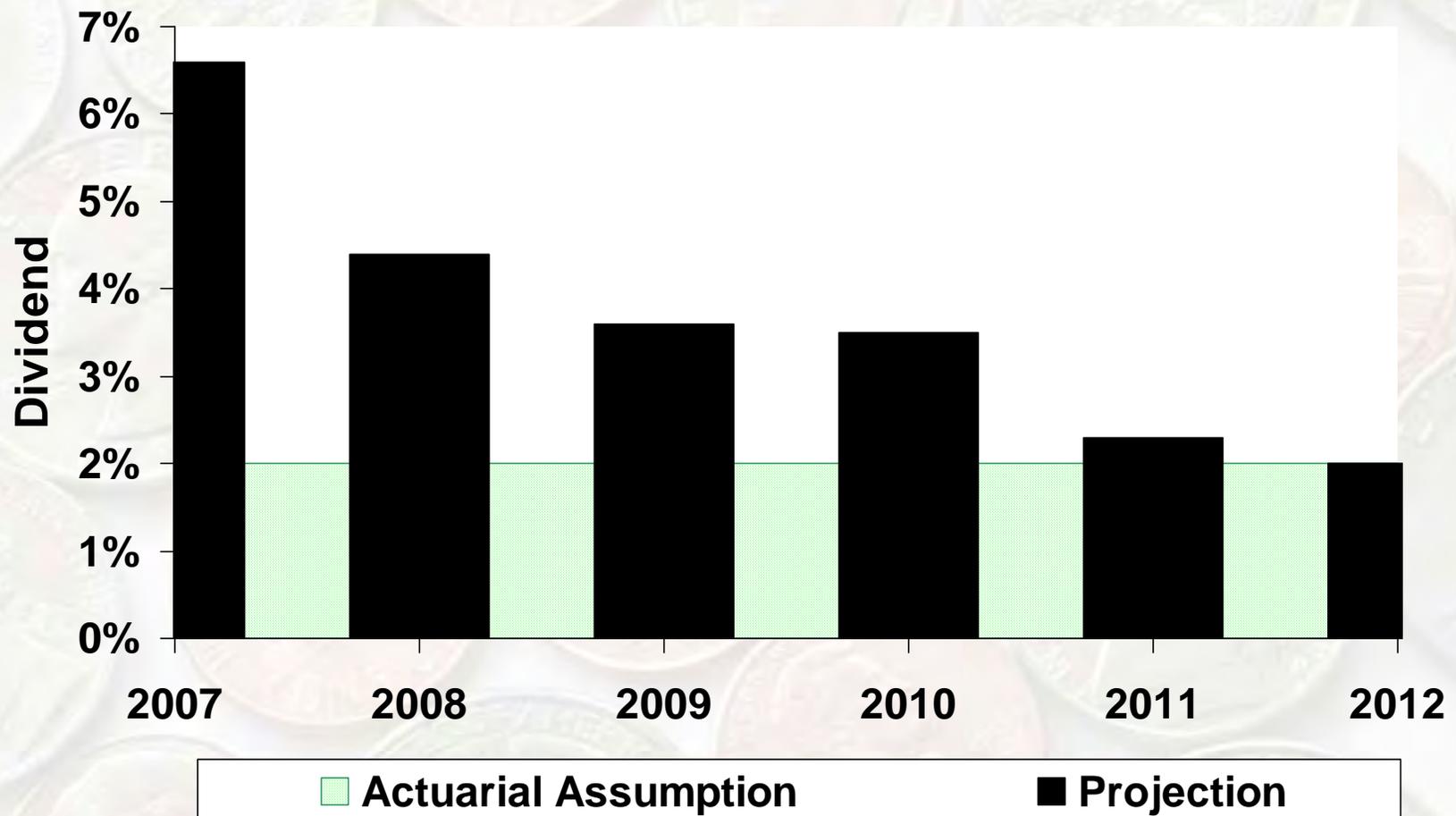
- Negative dividends can only be used to reduce dividends granted in prior years. A core annuity cannot be reduced below the original value.
- 1% per year is reserved for mortality improvement and other actuarial adjustments and is not available for dividends

# *If 7.8% Return in 2008. . .*

<b>Wisconsin Retirement System</b>						
<b>Core Effective Rate / Dividend Projections</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>SWIB Net Investment Return</b>	8.7%	7.8%	7.8%	7.8%	7.8%	7.8%
<b>Core Trust Fund Effective Rate</b>	13.1%	10.7%	9.9%	9.7%	8.3%	8.1%
<b>Core Trust Fund Dividend</b>	6.6%	4.4%	3.6%	3.5%	2.3%	2.0%

March 13, 2008

# *If 7.8% Return in 2008...*



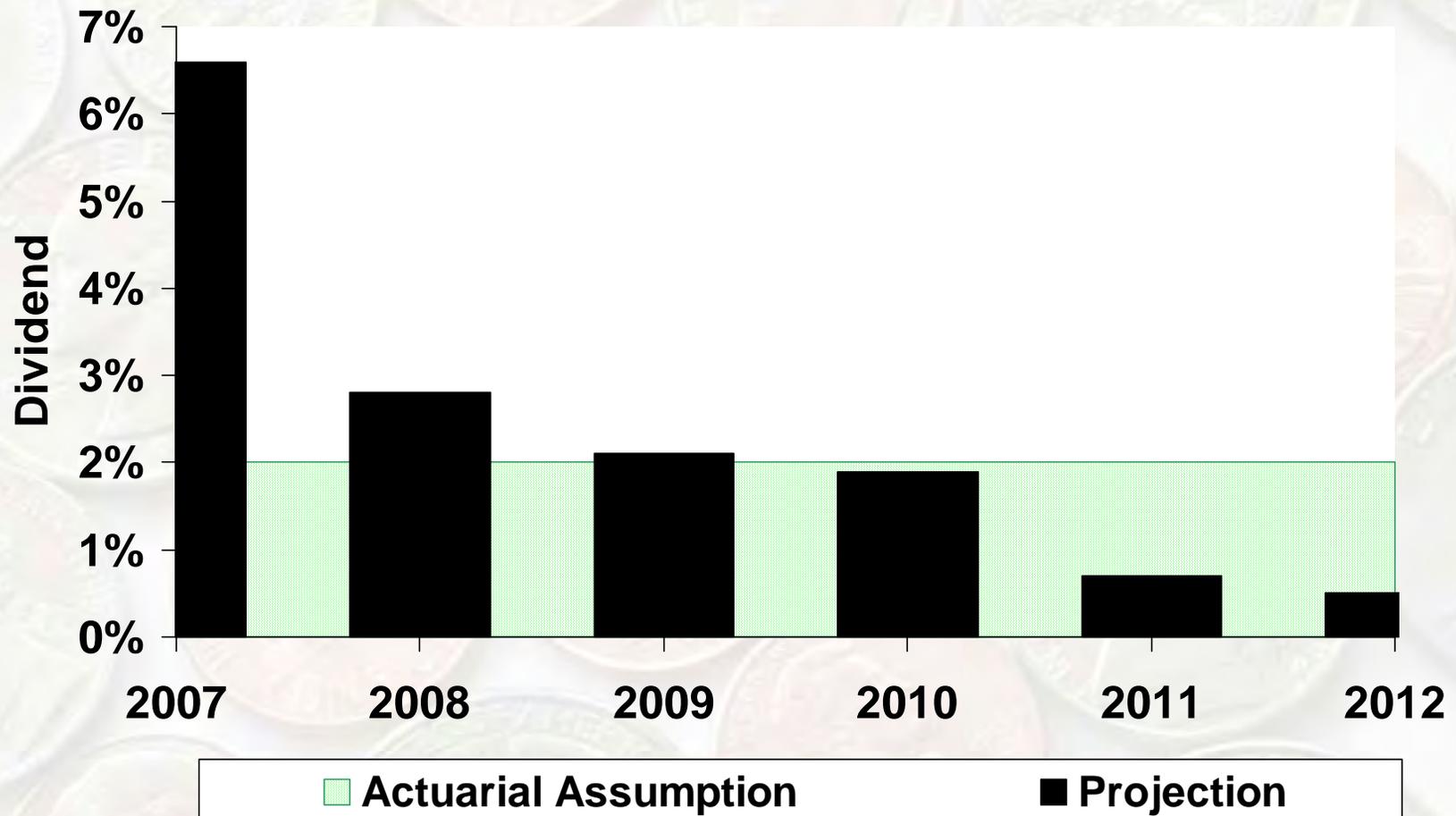
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# *If 0% Return in 2008...*

<b>Wisconsin Retirement System</b>						
<b><i>Core Effective Rate / Dividend Projections</i></b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>SWIB Net Investment Return</b>	8.7%	0.0%	7.8%	7.8%	7.8%	7.8%
<b>Core Trust Fund Effective Rate</b>	13.1%	9.0%	8.2%	8.0%	6.7%	6.4%
<b>Core Trust Fund Dividend</b>	6.6%	2.8%	2.1%	1.9%	0.7%	0.5%

March 13, 2008

# *If 0% Return in 2008. . .*



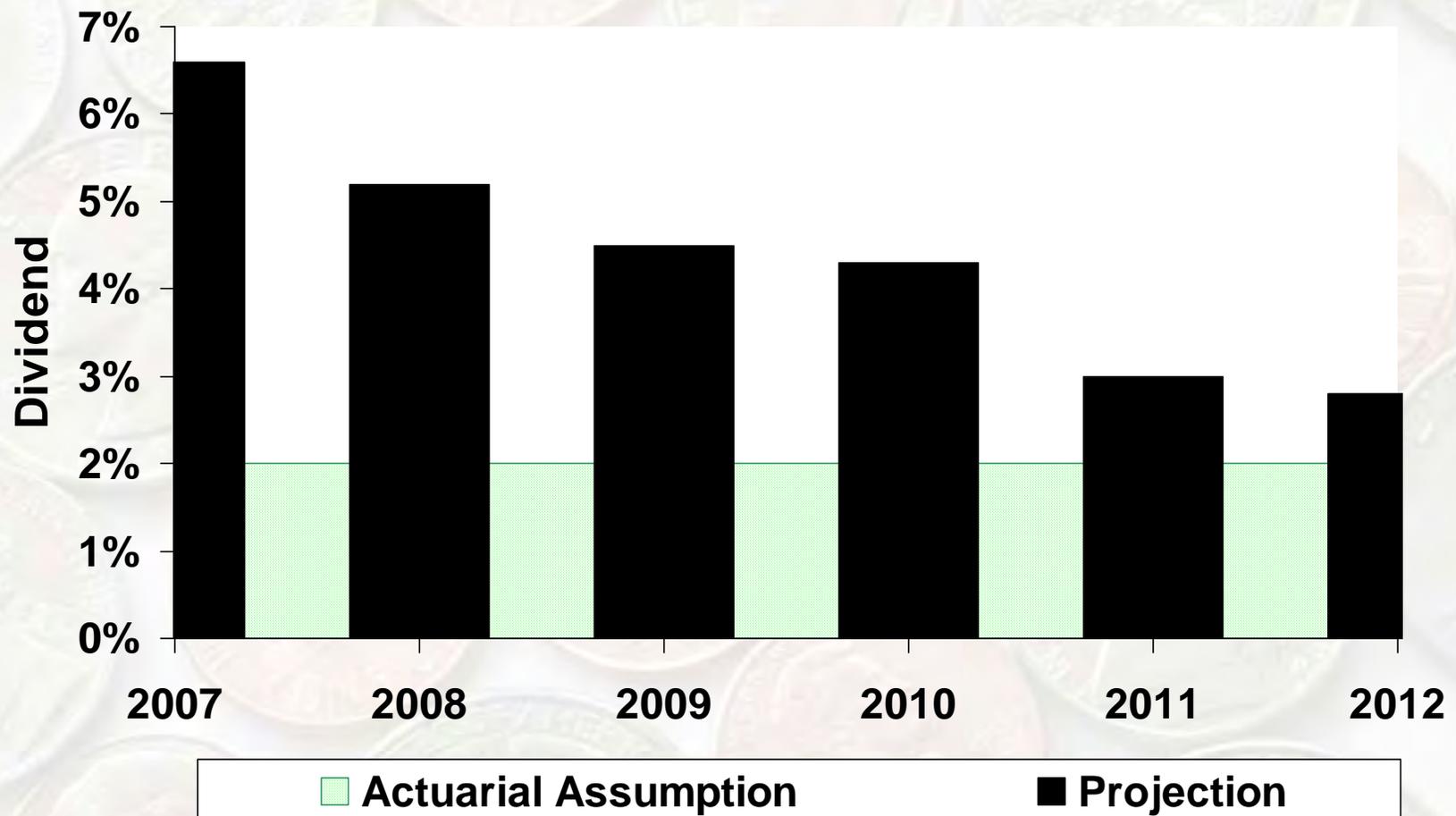
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# *If 12% Return in 2008...*

<b>Wisconsin Retirement System</b>						
<b>Core Effective Rate / Dividend Projections</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>SWIB Net Investment Return</b>	8.7%	12.0%	7.8%	7.8%	7.8%	7.8%
<b>Core Trust Fund Effective Rate</b>	13.1%	11.6%	10.8%	10.5%	9.2%	8.9%
<b>Core Trust Fund Dividend</b>	6.6%	5.2%	4.5%	4.3%	3.0%	2.8%

March 13, 2008

# *If 12% Return in 2008...*



March 13, 2008

***A -16.0% Return or Lower in 2008  
will Result in a Negative Dividend***

<b>Wisconsin Retirement System</b>						
<b>Core Effective Rate / Dividend Projections</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>SWIB Net Investment Return</b>	8.7%	-16.0%	7.8%	7.8%	7.8%	7.8%
<b>Core Trust Fund Effective Rate</b>	13.1%	5.5%	4.6%	4.3%	2.7%	2.2%
<b>Core Trust Fund Dividend</b>	6.6%	-0.5%	-1.3%	-1.6%	-3.0%	-3.5%

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*At least a -11.5% return will be needed in 2008 to pay a dividend*

<b>Wisconsin Retirement System</b>						
<b>Core Effective Rate / Dividend Projections</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>SWIB Net Investment Return</b>	8.7%	-11.5%	7.8%	7.8%	7.8%	107.8%
<b>Core Trust Fund Effective Rate</b>	13.1%	6.5%	5.6%	5.4%	3.9%	3.5%
<b>Core Trust Fund Dividend</b>	6.6%	0.5%	0.0%	-0.8%	-1.9%	-2.2%

March 13, 2008



***There will be no dividend for  
2008 if the investment return  
is between -11.5% and -16.0%***

March 13, 2008



Questions?

*March 13, 2008*



**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**  
 David A. Stella  
 SECRETARY

801 W Badger Road  
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<http://etf.wi.gov>

***CORRESPONDENCE MEMORANDUM***

**DATE:** February 29, 2008

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

**FROM:** Michelle Baxter, Director  
 Employer Communication and Reporting Bureau

**SUBJECT:** Employer Program Participation: December 2007 through March 2008

**This memo is for the Board's information only. No action is required.**

The following is an update on the employers that have been approved by their respective boards to join the Wisconsin Retirement System (WRS). This report also details employers that have joined or terminated from benefit programs administered by the Department. Please note that an employer must first come under the WRS before they are eligible to participate in the other programs, except for the Life Insurance and Deferred Compensation programs.

<b>New Employer</b>	<b>Number of Employees</b>	<b>WRS</b>	<b>Wisconsin Public Employees Group Health</b>	<b>Life Insurance</b>	<b>Income Continuation Insurance</b>
Adams, City of	23			Eff. 12/01/07	
Addison, Town of	2				Eff. 1/01/08
Allentown Sanitary District	2				Eff. 1/01/08
Ashland School District	319			Eff. 1/01/08	
Bruce, Village of	4	Eff. 1/01/08			
Buchanan, Town of	5	Eff. 1/01/08			
Capital Area Regional Planning Commission	9	Eff. 1/01/08		Eff.2/01/08	
Colby, City of	10	Eff. 1/01/08			
Country Estates Sanitary District	1	Eff. 1/01/08			
Eagle River Union Airport	3	Eff. 1/01/08			
Fulton, Town of	1				Eff. 1/01/08
Grant, Town of	1	Eff. 1/01/08			
Heart of the Valley Metropolitan Sewerage District	11		Eff. 1/01/08		
Hixton, Village of	2		Eff. 2/01/08		

Reviewed and approved by John Vincent, Administrator, Division of Trust Finance & Employer Services

Signature \_\_\_\_\_

Date \_\_\_\_\_

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Employer Program Participation

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<b>New Employer</b>	<b>Number of Employees</b>	<b>WRS</b>	<b>Wisconsin Public Employees Group Health</b>	<b>Life</b>	<b>Income Continuation Insurance</b>
Hollandale, Village of	2	Eff. 1/01/08			
Kohler School District	83			Eff. 2/01/08	
Lancaster, City of	29			Eff. 1/01/08	
Manawa Rural Fire Board	1	Eff. 1/01/08			
Manitowoc Housing Authority	3		Eff. 12/01/07		
Mayville, City of	45		Eff. 1/01/08		
Middleton, City of	109			Eff. 3/01/08	
North Cape School District	10	Eff. 1/01/08	Eff. 1/01/08		
Norway, Town of	15			Eff. 2/01/08	Eff. 2/01/08
Rice Lake, City of	97				Eff. 1/01/08
Rockland, Village of	3	Eff. 1/01/08			
Schofield, City of	7	Eff. 1/01/08			
South Milwaukee Community Development Authority	3				Eff. 3/01/08
Spring Valley, Village of	7	Eff. 1/01/08			
Sullivan, Town of	2	Eff. 1/01/08	Eff. 3/01/08		
Summit, Town of	14		Eff. 2/01/08		
Superior, City Housing Authority of	24	Eff. 1/01/08			
Tainter, Town of	3	Eff. 1/01/08			
Warrens, Village of	4	Eff. 1/01/08	Eff. 2/01/08		
Waupun, City of	73		Eff. 12/01/07		
West Baraboo, Village of	5			Eff. 2/01/08	
Westby Area School District	175			Eff. 12/1/07	
Wonewoc, Village of	5		Eff. 3/01/08		

**The following employers terminated participation in the Wisconsin Public Employer's Group Health Insurance Program, Life Insurance Program, or the Income Continuation Insurance plan during 2007. The number of employees are listed within each column.**

<b>Employer</b>	<b>Number of Employees</b>	<b>Wisconsin Public Employees Group Health</b>	<b>Life Insurance</b>	<b>Income Continuation Insurance</b>
Augusta, City of	10	X		
Neenah-Menasha Sewerage Commission	1	X		
Phelps, Town of	7	X (3)		X (4)
Phillips, City of	20	X		



STATE OF WISCONSIN  
Department of Employee Trust Funds

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SECRETARY

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**CORRESPONDENCE MEMORANDUM**

**DATE:** February 29, 2008

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

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

Sari King, Administrator  
Division of Retirement Services

**SUBJECT:** Post-Retirement Employment

**This memo is for the Board's information only. No action is required.**

Interest was expressed at the December board meeting in learning more about the effect of post-retirement employment on Wisconsin Retirement System (WRS) retirement benefits. This memorandum provides some key information on "return to work" rules for WRS annuitants, along with information on the consequences that may result when specific WRS rules governing return to work provisions are not satisfied.

Please note that WRS participants who retire can work in private employment with no affect on benefits (retirement and health/life) administered by Employee Trust Funds (ETF).

**Good-Faith Termination**

*The applicable rule is Wis.Admin. Code ETF § 10.08.*

Federal law requires a good-faith termination of employment in order to qualify for a retirement benefit distribution from a qualified retirement plan, such as the WRS.

A valid termination meets all of the following requirements:

- The employee ceases to render compensable services,
- The employee and employer comply with the employer's policy for voluntary termination,
- As of the termination date, no WRS participating employer has "rights" to any future services to be rendered by the employee that meet the qualifications for WRS for which compensation has or will be paid.

Reviewed and approved by Robert J. Conlin, Deputy Secretary

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

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However, this rule does not prohibit:

- an agreement as of the termination date for future employment with a different WRS employer that does not meet WRS participation standards,
- an agreement prior to termination for voluntary (uncompensated) future services.

### **Required Break In Service**

*The applicable statute is Wis. Stat. § 40.23 (1) (a) 1.*

Employees who terminate WRS-covered employment are ineligible for any benefit payment (including retirement annuities, lump sum retirement payments, or separation benefits) if they return to **WRS eligible employment** before the latest of the following dates:

1. the day after the annuity effective date, or
2. the 31<sup>st</sup> day after termination of all participating employment, or
3. the 31<sup>st</sup> day after ETF receives the benefit application.

The benefit payment will be cancelled if the person returns to WRS-eligible employment before this required break in service.

In addition, if the WRS employer is the same employer from which the participant terminated employment before the annuity began, the 30-day break in service requirement applies *even if the new employment does not meet WRS participation standards.*

### **Returning to Work**

A rehired annuitant who fulfills the required break in service and meets the eligibility criteria for participation under the WRS may choose whether to remain an annuitant or return to active WRS participation. Either way, a *Rehired Annuitant Election* form (ET-2319) must be filed with the employer.

- Remain an annuitant – The participant elects not to participate in the WRS as an active employee. The participant may elect WRS coverage in the future, provided eligibility requirements are met.
- Return to Active WRS participation – The participant elects to become covered under the WRS again. The Department will terminate the annuity and the member's WRS coverage will be effective on the first of the month after the Department receives the completed *Rehired Annuitant Election* form. Upon terminating WRS covered employment, the member can reapply for a retirement annuity, which will be recalculated using the new final average monthly earnings (if applicable) for all of his or her WRS covered employment, including covered employment after the return to work.

Approximately 96% of rehired annuitants with WRS participating employers elect the first option -- to remain an annuitant and continue their annuities.

**For more detailed member-oriented information on this topic, see the Department's brochure, *Information for Retirees* (ET-4116), available online <http://etf.wi.gov/retirees.htm> or by calling (877) 533-5020.**

### **Consequences**

An agreement to return to work that is entered into before termination or soon after an alleged termination, may call into question whether a good-faith termination of employment occurred. If ETF discovers or is notified of a possible invalid termination, the employer and employee must demonstrate that the termination was made in good-faith. Substantial changes in duties after rehire, re-employment with a different WRS employer, and the timing of discussions concerning re-employment are among the factors that ETF would consider in determining whether a good-faith termination occurred.

A determination that the conditions of a good-faith termination were not met means the employee did not meet the legal minimum break in service requirement and the retirement benefit was paid in error. The consequences of this decision on the employer and employee are as follows:

- If the annuitant is receiving a monthly retirement benefit, the monthly payments will be discontinued and ETF will collect any monthly benefit payments paid in error. ETF will also collect any lump sum benefit paid in error.
- The employer will be required to report the hours and earnings that would have been reported had the termination not been reported. ETF will assess interest penalties if the earnings adjustment is not part of the current processing year.
- Should the employee wish to reinstate the benefit, valid termination of the current employment is required and the employee must reapply for the retirement benefit, delaying the original annuity effective date.
- ETF-administered benefits such as health, life, and income continuation insurance may be affected. In some cases, insurance coverage may be lost, as State law does not allow enrollment due to employer error.

Staff will be available at the meeting for discussion and questions.

# Department of Employee Trust Funds (ETF) Online Wisconsin Retirement System (WRS) Presentations

Page 1 of 2

Do you want to learn more about your WRS benefits? Do you have high-speed Internet access? These online, recorded presentations will help you understand your benefits and guide you through the retirement process. To access these informative presentations, go to ETF's website ([etf.wi.gov](http://etf.wi.gov)) and click on the Video Library button (left side of screen).

TITLE AND DESCRIPTION	LENGTH
<p><b>Additional Contributions (Supplementing Your WRS Benefit)</b> This presentation provides information about how easy it is to supplement your WRS retirement benefit by making voluntary additional contributions. Topics covered include the types of contributions, how to make them, investment earnings, distribution options and requirements.</p>	37 min
<p><b>Annual Retirement Annuity Adjustments</b> This program answers frequently-asked questions about WRS annual annuity adjustments and the interest and annual adjustment process. It also covers general information about the State of Wisconsin Investment Board and its role in managing the WRS Trust Funds.</p>	37 min
<p><b>Benefit Basics - Your WRS Benefit Handbook</b> Geared toward new public employees eligible under the WRS, this presentation summarizes provisions of each benefit program, all of which are administered by ETF. These include the retirement program; health, life, and disability insurance programs; a supplemental retirement savings plan; a medical and childcare expense reimbursement program; and the Accumulated Sick Leave Conversion Credit Program.</p>	1 hr 15 min
<p><b>Buying WRS Creditable Service</b> This presentation explains the types of service that can be purchased and the advantage of doing so, eligibility criteria, how to purchase service and calculate the cost, and payment options.</p>	50 min
<p><b>Calculating Your Retirement Benefits Online</b> This program provides step-by-step instructions on how to use the Department's online retirement calculator to calculate an unofficial projection of WRS retirement benefits under both the formula and money purchase methods. Have your most recent <i>Statement of Benefits</i> from ETF in-hand while viewing this program.</p>	1 hr 20 min
<p><b>How to Complete a Retirement Application</b> <i>(Available in Closed Captioning)</i> This presentation covers step-by-step instructions for completing a WRS retirement application. It assumes the viewer has knowledge of WRS retirement benefits and payment options.</p>	37 min
<p><b>Now That You're Retired - What You Need To Know</b> This program provides the answers to frequently-asked questions from WRS participants as they move into retirement. Some of the topics covered include: direct deposit, taxes, life and health insurance premiums, death benefits and beneficiaries, and return to work provisions.</p>	1 hr 6 min

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**Department of Employee Trust Funds (ETF)**  
**Online Wisconsin Retirement System (WRS) Presentations**

Page 2 of 2

TITLE AND DESCRIPTION	LENGTH
<p><b>Planning for the Inevitable (Death Benefits and Beneficiaries)</b>            This program explains WRS survivor (death) benefits payable upon your death, whether you die before or after retirement. It explains in detail how to designate beneficiaries, who you can name as beneficiaries on your retirement account and life insurance, and how your dependents can continue health insurance after death.</p>	40 min
<p><b>Social Security Benefits</b>            This overview of the Federal Social Security (SS) Retirement and Survivor Benefits Program explains who is eligible for benefits, when they're eligible, and for which SS benefits they may be eligible. It also provides information on how benefits are calculated, when and how to apply, and basic information on disability and Medicare.</p>	27 min
<p><b>WRS Trust Funds - Core and Variable</b>            What are the differences between the Core and the Variable Trust Funds? Is Variable Fund participation still a good choice for members – how does it affect retirement benefits? This video provides the answers to these and other frequently-asked questions about the WRS Trust Funds. The program also provides information about the State of Wisconsin Investment Board's management of Trust Fund investments, how effective rates and annuity adjustment are calculated, what it means to have a Variable "excess" or "deficiency", and how to cancel and/or elect Variable participation.</p>	48 min
<p><b>Your Annual Statement of Benefits</b>            This presentation is a review of information provided on the annual <i>Statement of Benefits</i>, including explanations on creditable service, the money purchase value of accounts, employer and employee contributions, beneficiaries, and making additional contributions. Have your own statement in-hand for reference.</p>	45 min
<p><b>Your WRS Benefits</b>            This program is a review of WRS benefits administered by ETF. Topics discussed include retirement, separation and survivor benefits, and life and health insurance. The presentation features sample retirement calculations and an explanation of annuity options. Service purchases, military service credit, and additional WRS contributions are also covered.</p>	1 hr 55 min
<p><b>Wisconsin Deferred Compensation</b>            The Wisconsin Deferred Compensation (WDC) Program is a supplemental retirement savings program that allows members to make tax deferred retirement contributions to enhance their Wisconsin Retirement System (WRS) benefit. The plan is available to all active state and university employees and some local government and school district employees if their employers elected to participate in this optional program. This presentation reviews the WDC plan, offers pre-retirement strategies and provides information about the simple tools available to help members plan ahead.</p>	13 Min



# Wisconsin Retirement System

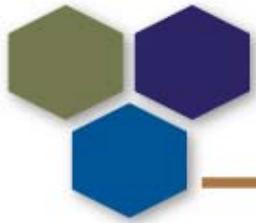
## 50-Year Actuarial Projection

March 2008

**GRS**

Gabriel Roeder Smith & Company  
Consultants & Actuaries  
[www.gabrielroeder.com](http://www.gabrielroeder.com)

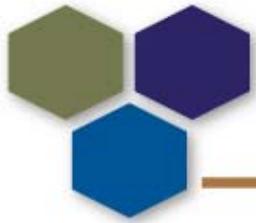
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# Funding Objectives

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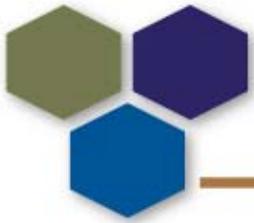
- ◆ Intergenerational equity with respect to plan costs
- ◆ Stable pattern of contribution rates (and dividends to retirees)
- ◆ Stable or increasing ratio of assets to accrued liabilities



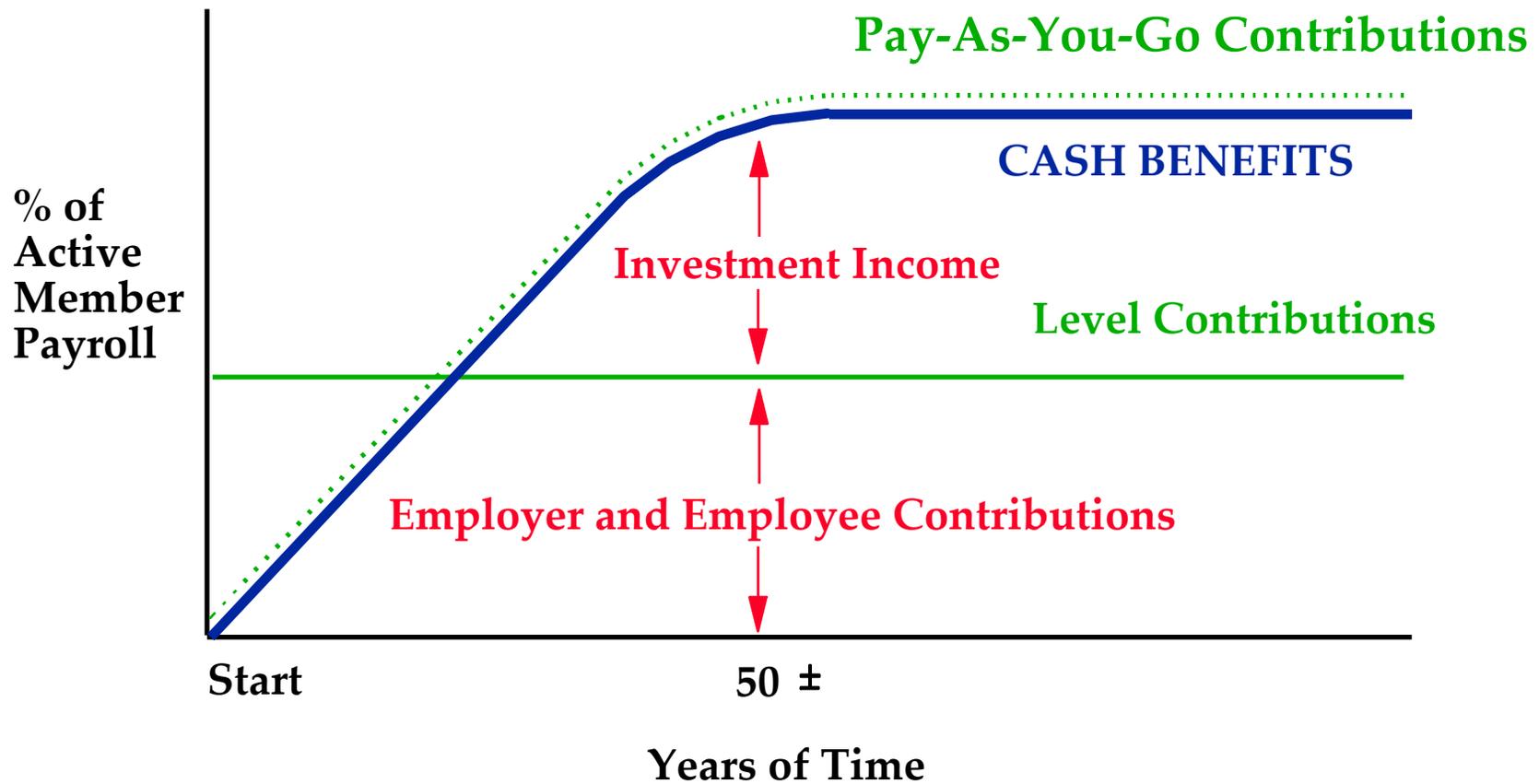
## Consequences of a Soundly Financed Program as Maturity Approaches

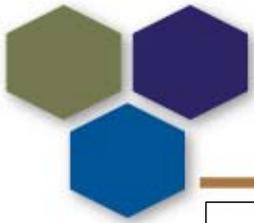
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- ◆ Funding ratio approaches 100%
- ◆ Investment income becomes the largest contributor
- ◆ Economic volatility becomes more important
- ◆ Fundamental objectives are more difficult to achieve (the “Pension Funding Paradox”)



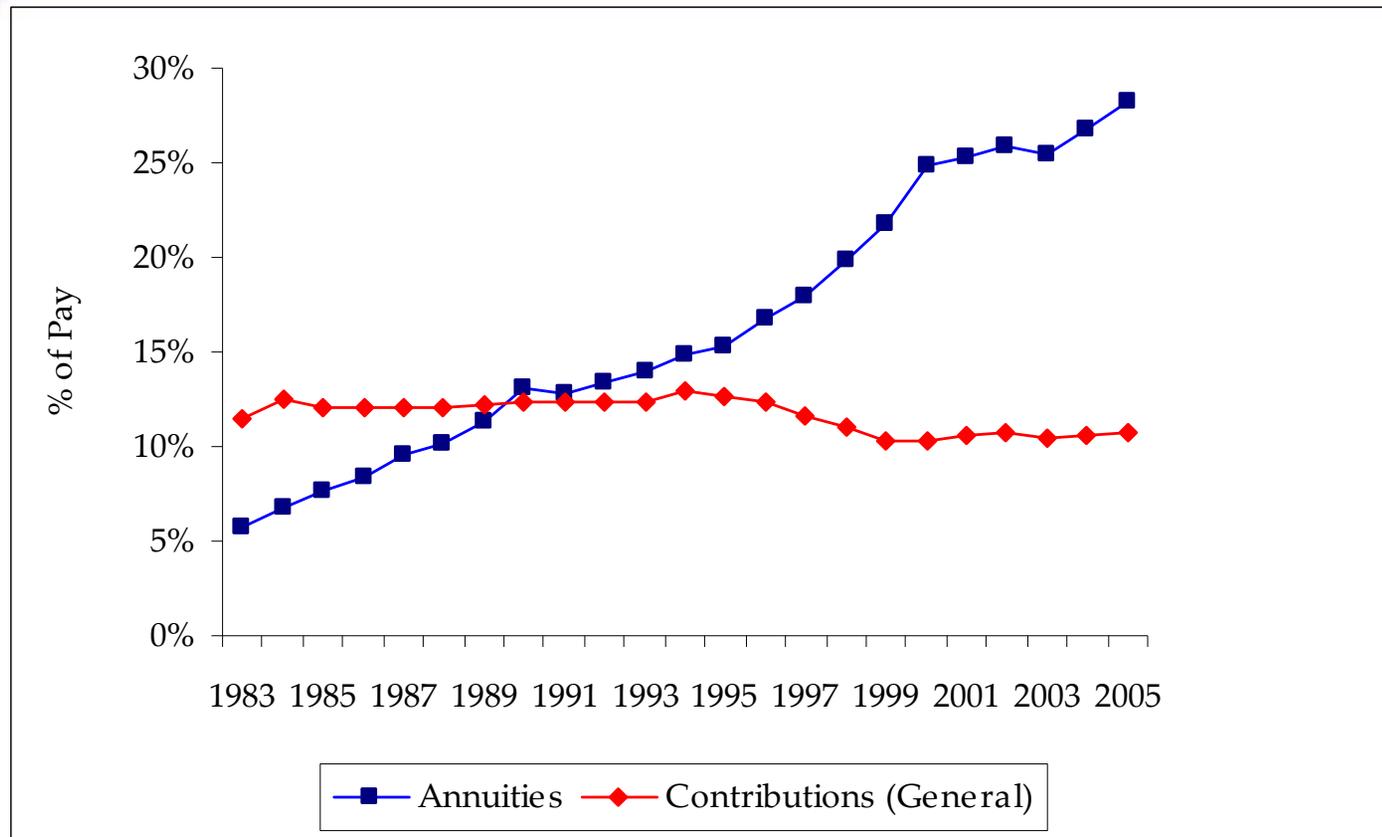
# Pattern of Maturity





# WRS

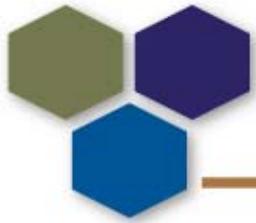
## Annuities and Contributions



Annuities are expected to continue to increase as a percent of payroll for several more decades. Increases will be paid from income from Retirement System assets.



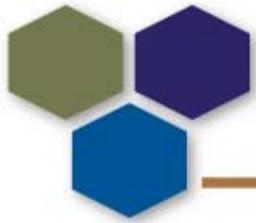
# The Nature of Actuarial Projections



## Regular Valuation

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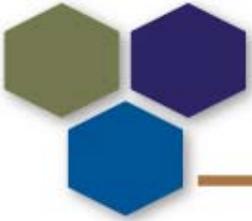
- ◆ Quantifies commitments with present value liability calculations
- ◆ Contains an implied plan for meeting cash flows
- ◆ Doesn't disclose specifics of the plan very well



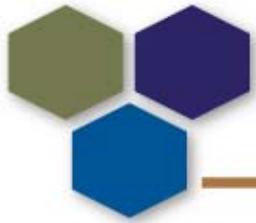
# Projection

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- ◆ Quantifies commitments by projecting year by year cash flows
- ◆ Demonstrates how the plan for meeting cash flows is expected to work
- ◆ Discloses emerging patterns
- ◆ Not a prediction



# **Demographic Changes Expected Over the Ensuing 50-Year Period**

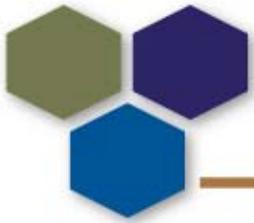


## WRS Population at 12/31/2006

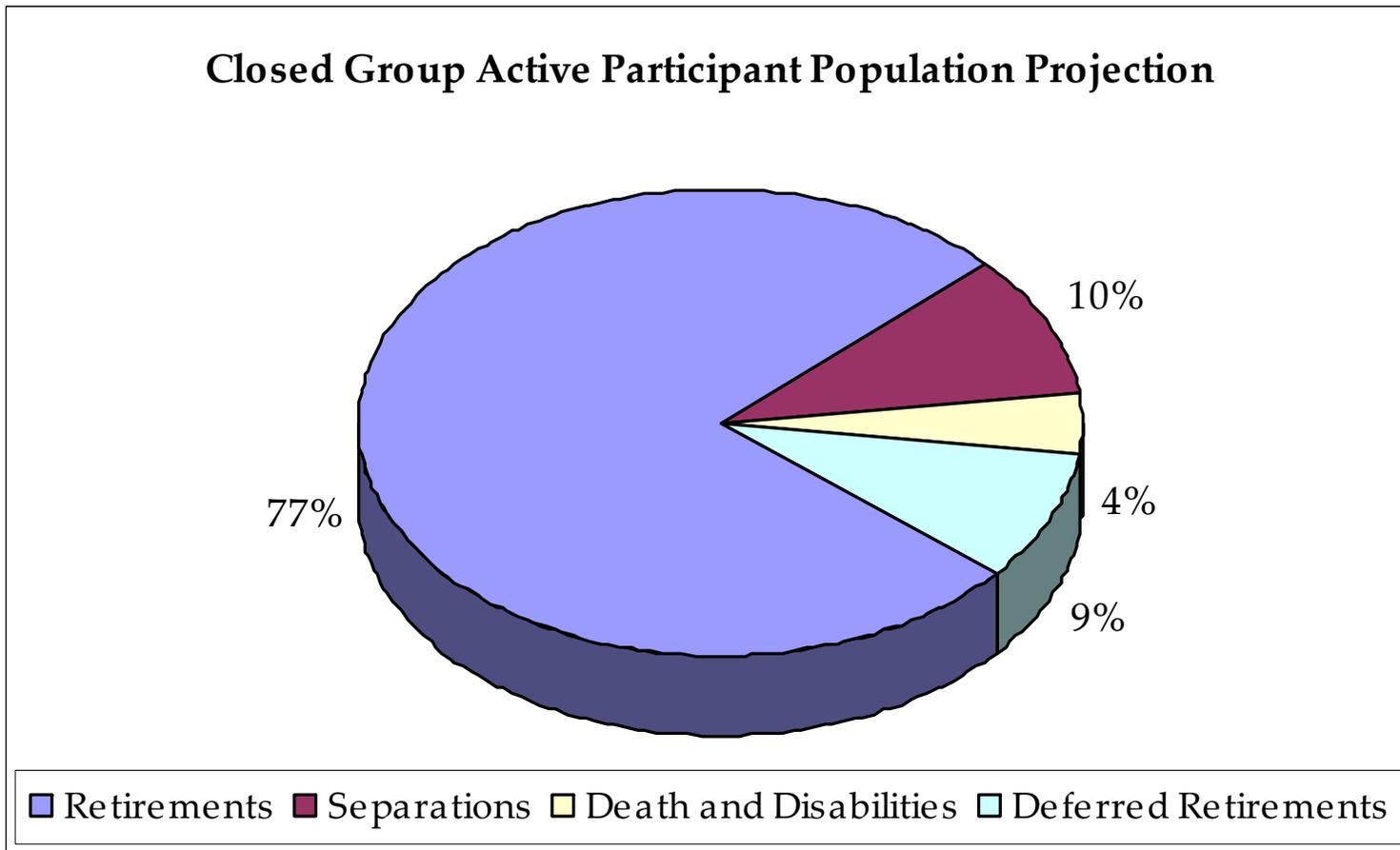
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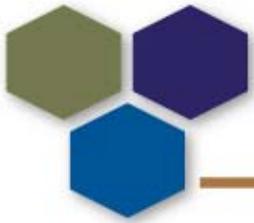
Active	260,302*
Retired	137,117
Inactive	133,985
Total	<hr/> 531,404

\* *The projection assumes that the number of active members remains constant.*

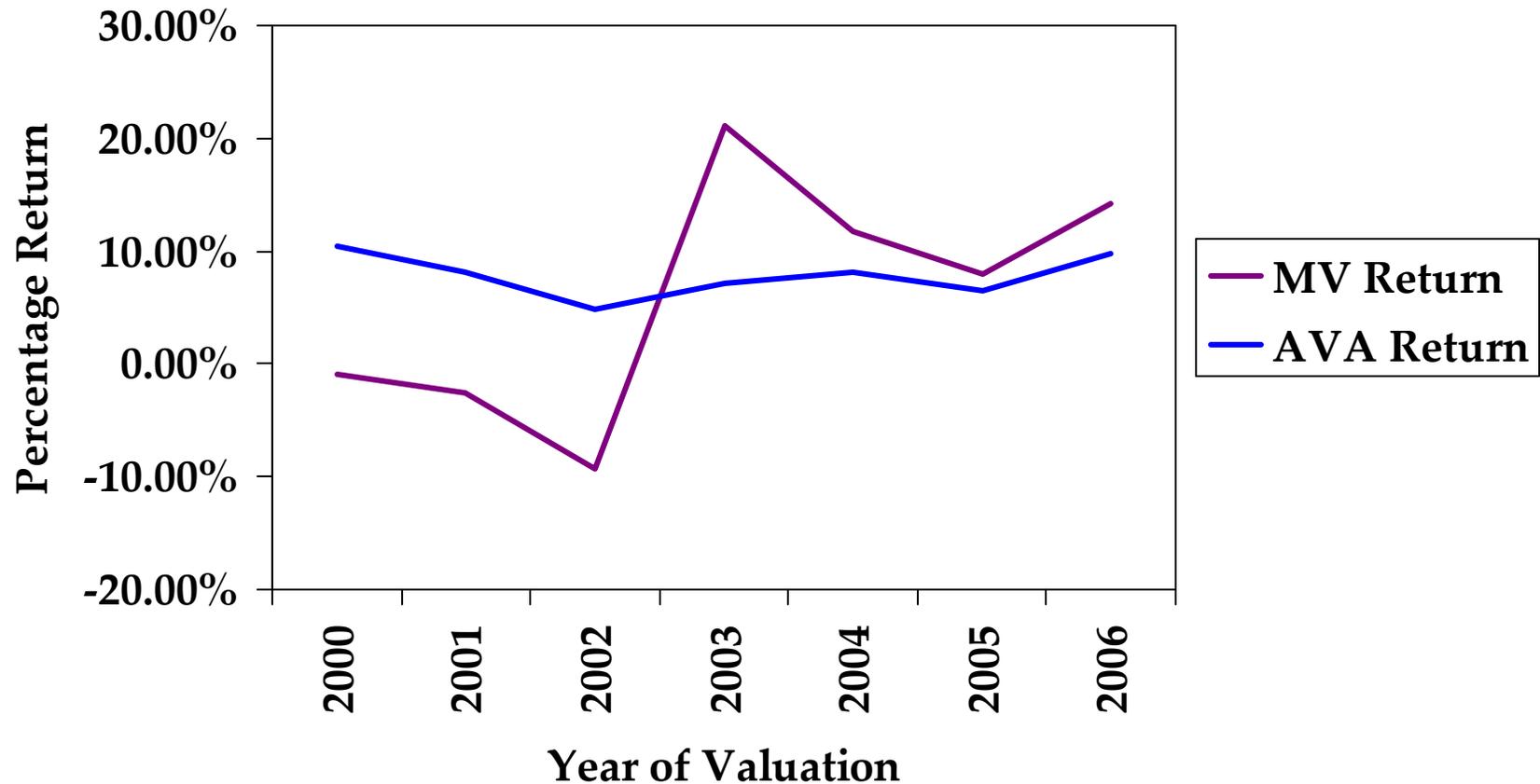


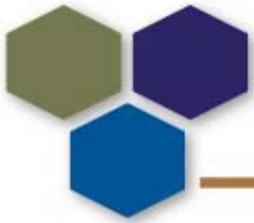
# Expected Terminations from Active Employment for Current Active Participants



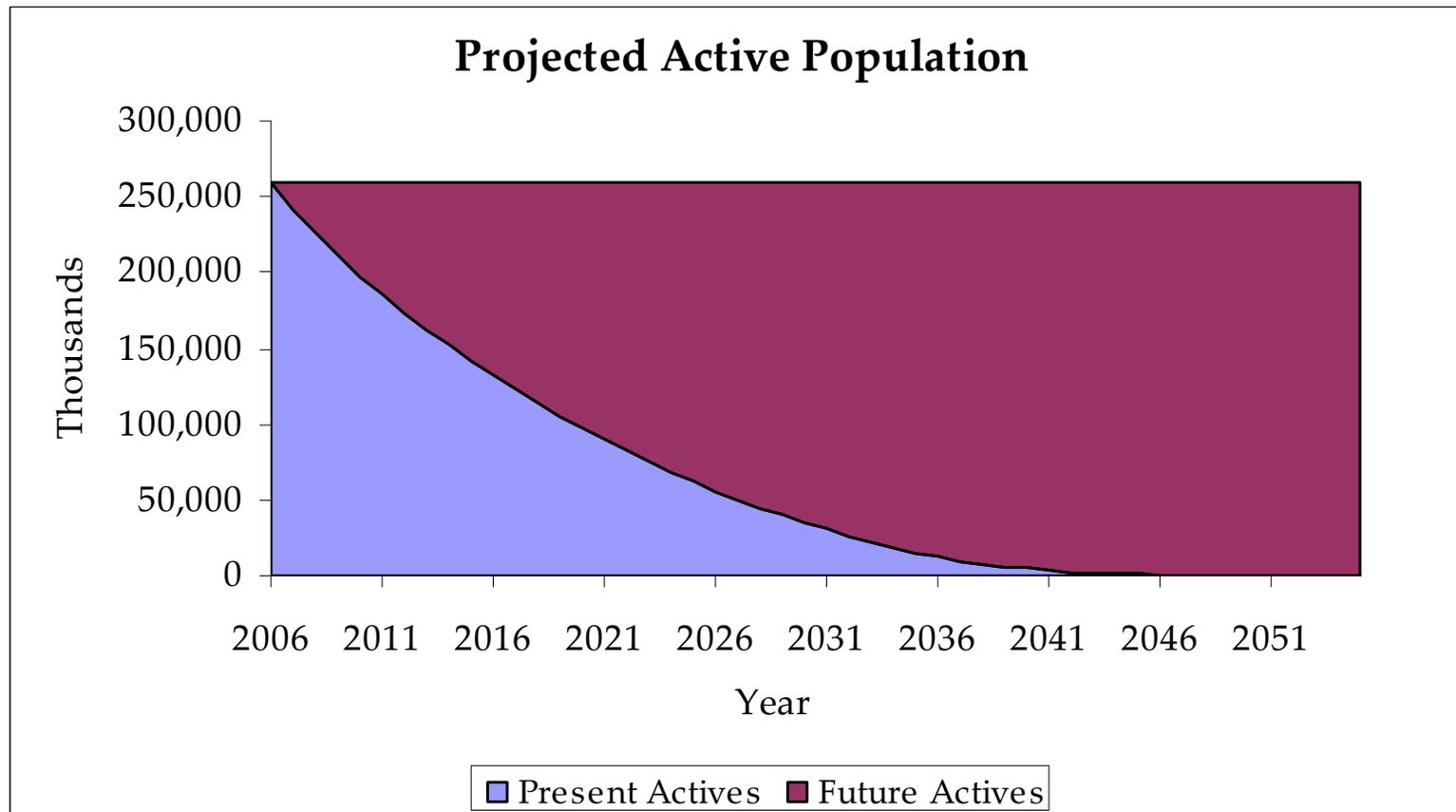


# Market Value Return vs. Actuarial Value Return

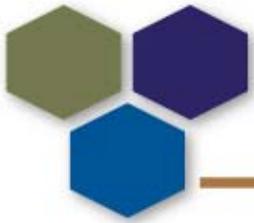




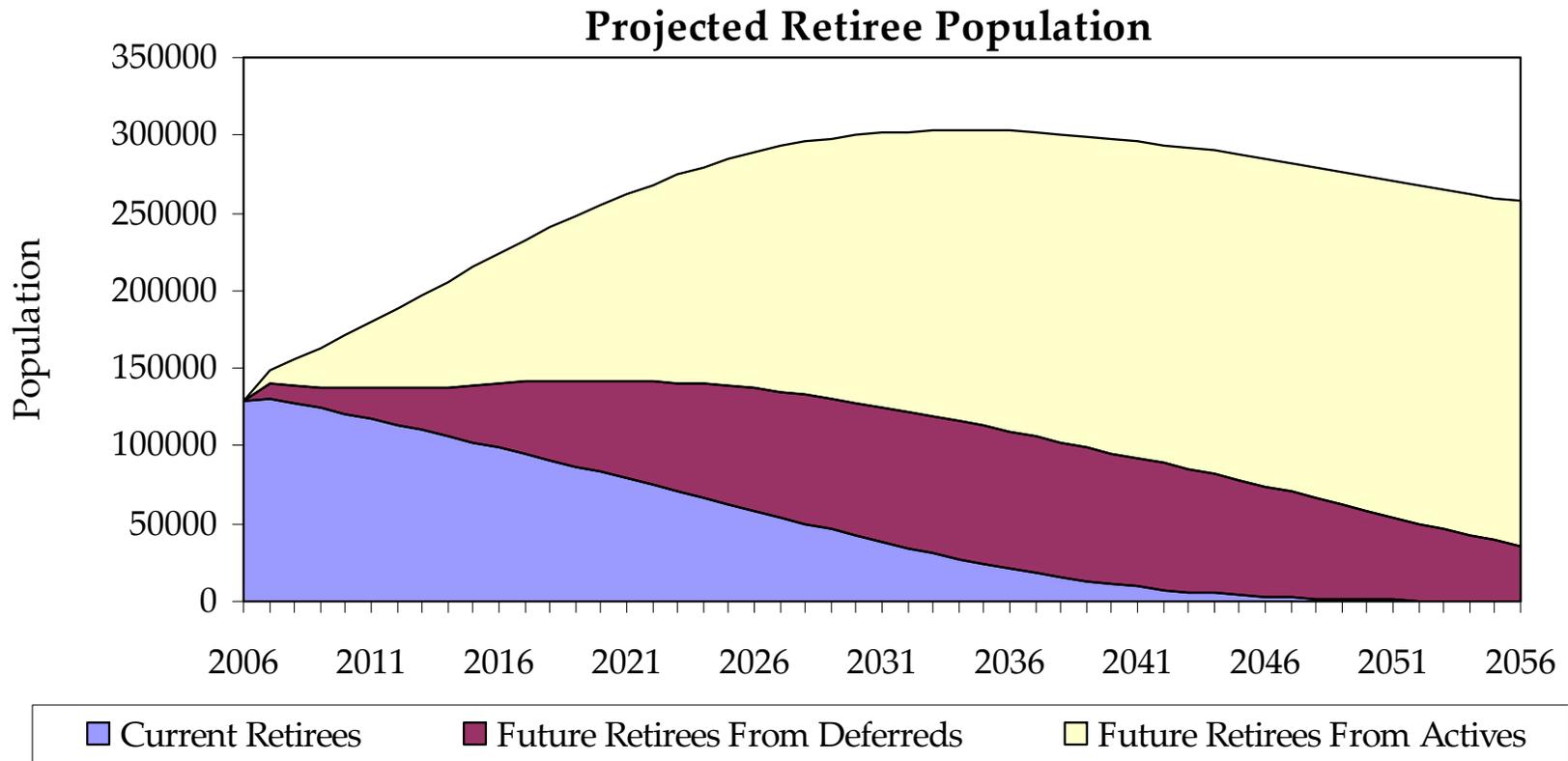
# Present & Future Actives

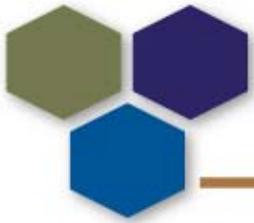


The present population has a “half life” of about 10 years.

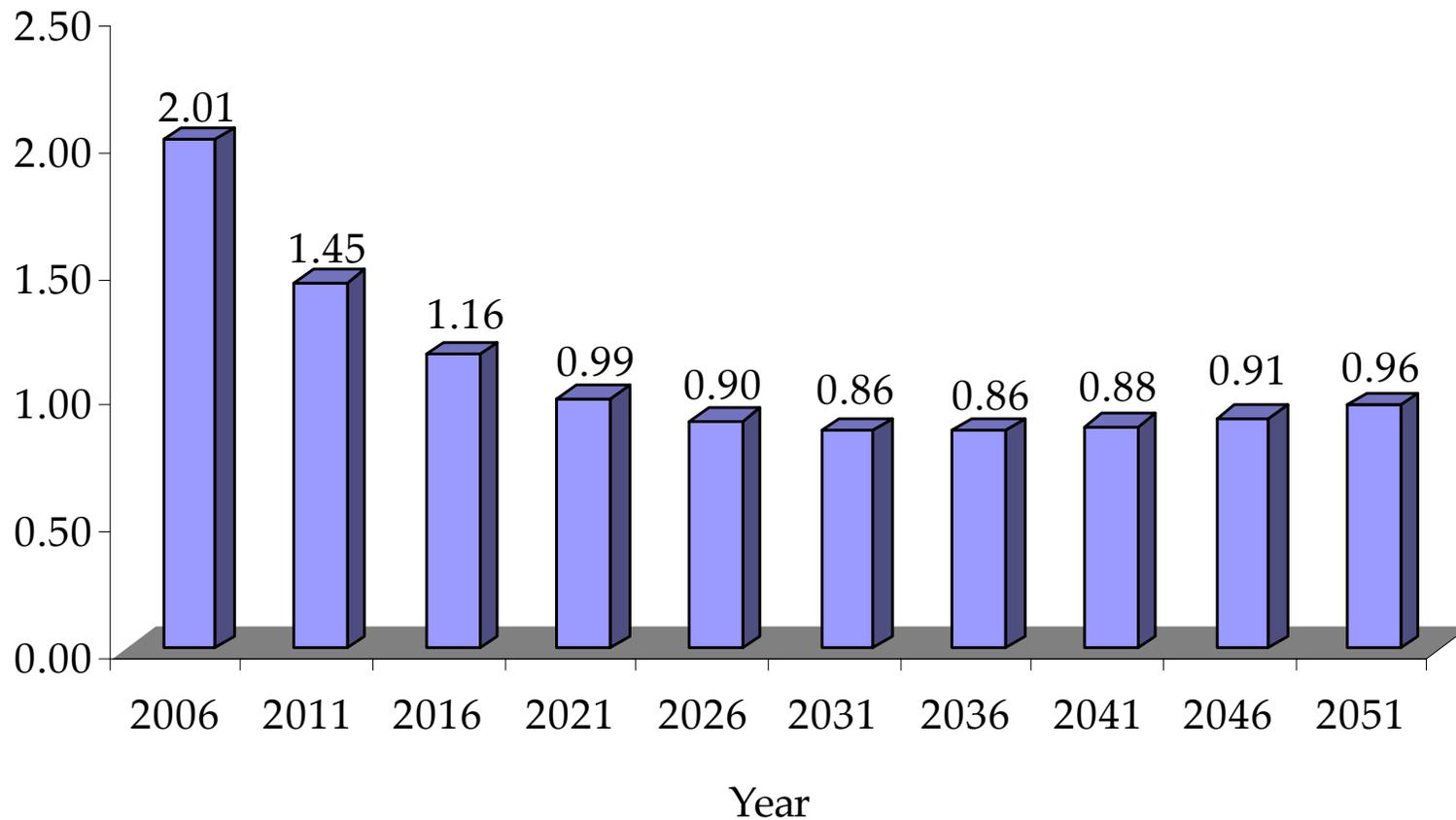


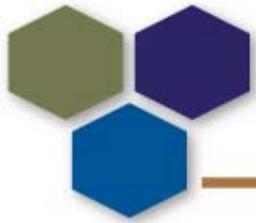
# Retiree Population Present and Future





# Ratio of Active Members to Retirees

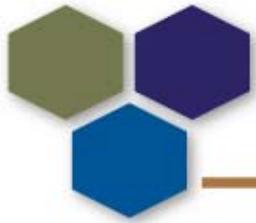




## Observations

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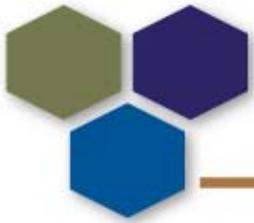
- ◆ A few present retirees will probably draw benefits for more than 50 years
- ◆ Baby boomers are beginning to retire
- ◆ The number of annual retirements will soon increase by more than 50%
- ◆ The number of retirees will double in less than 20 years



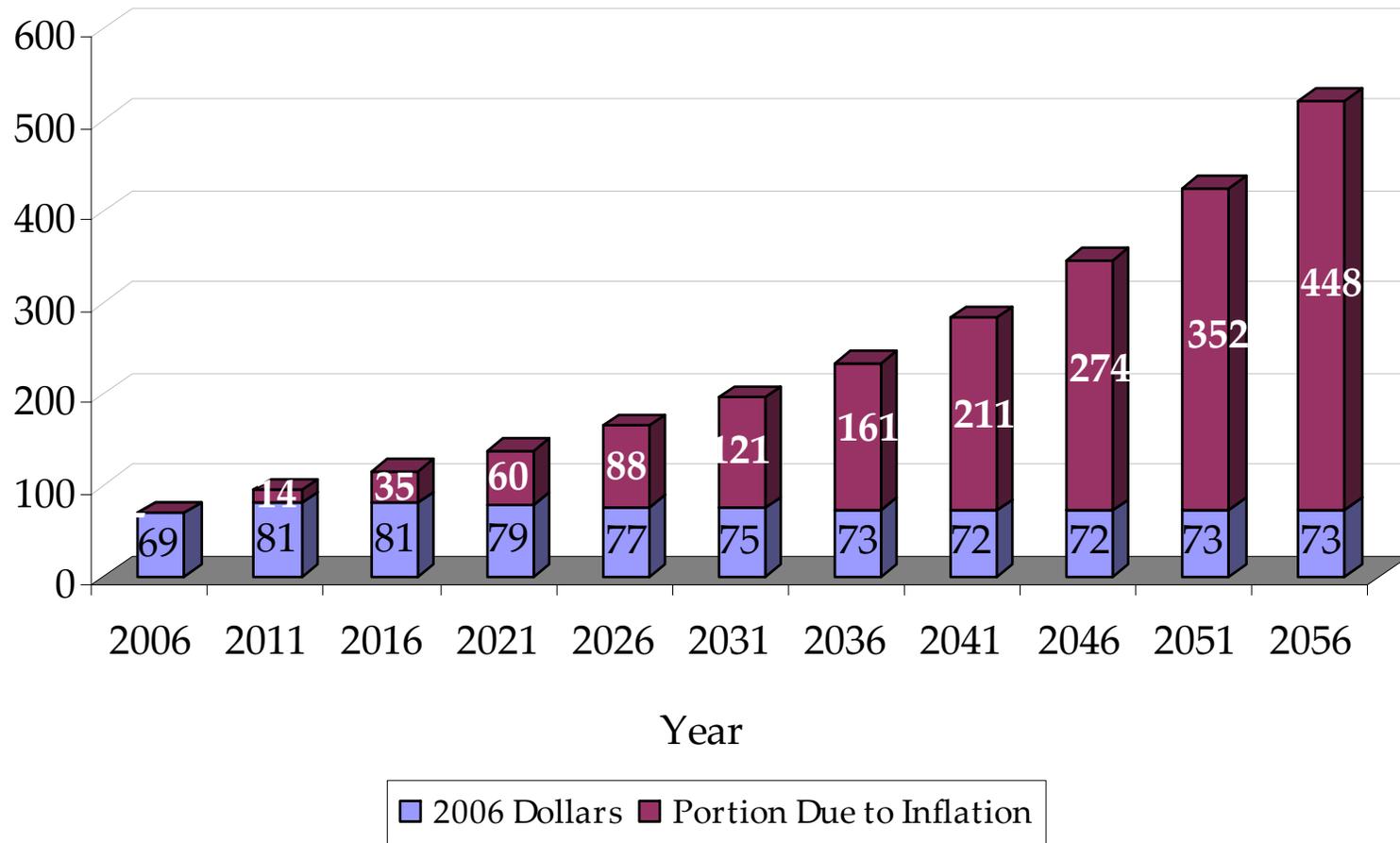
## Cash Flow Projection

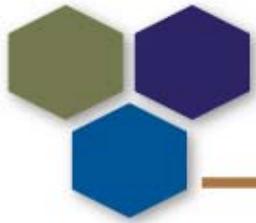
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**Expected Cash Flow Over the  
Ensuing 50-Year Period  
Based on Regular Actuarial  
Assumptions**



# Projected Fixed Investment Trust Fund Assets (\$Billions)

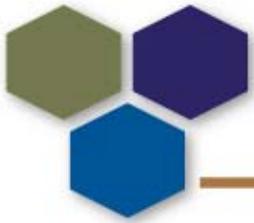




## Observations

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- ◆ In nominal terms, assets will increase by a factor of 7.6 during the projection period
- ◆ In real terms, assets need to grow a little to cover the peak of the baby boom retirements
- ◆ They may decline slightly after that

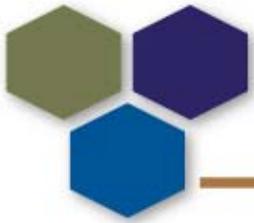


# Projected Net External Cash Flow\* Valuation Assumptions

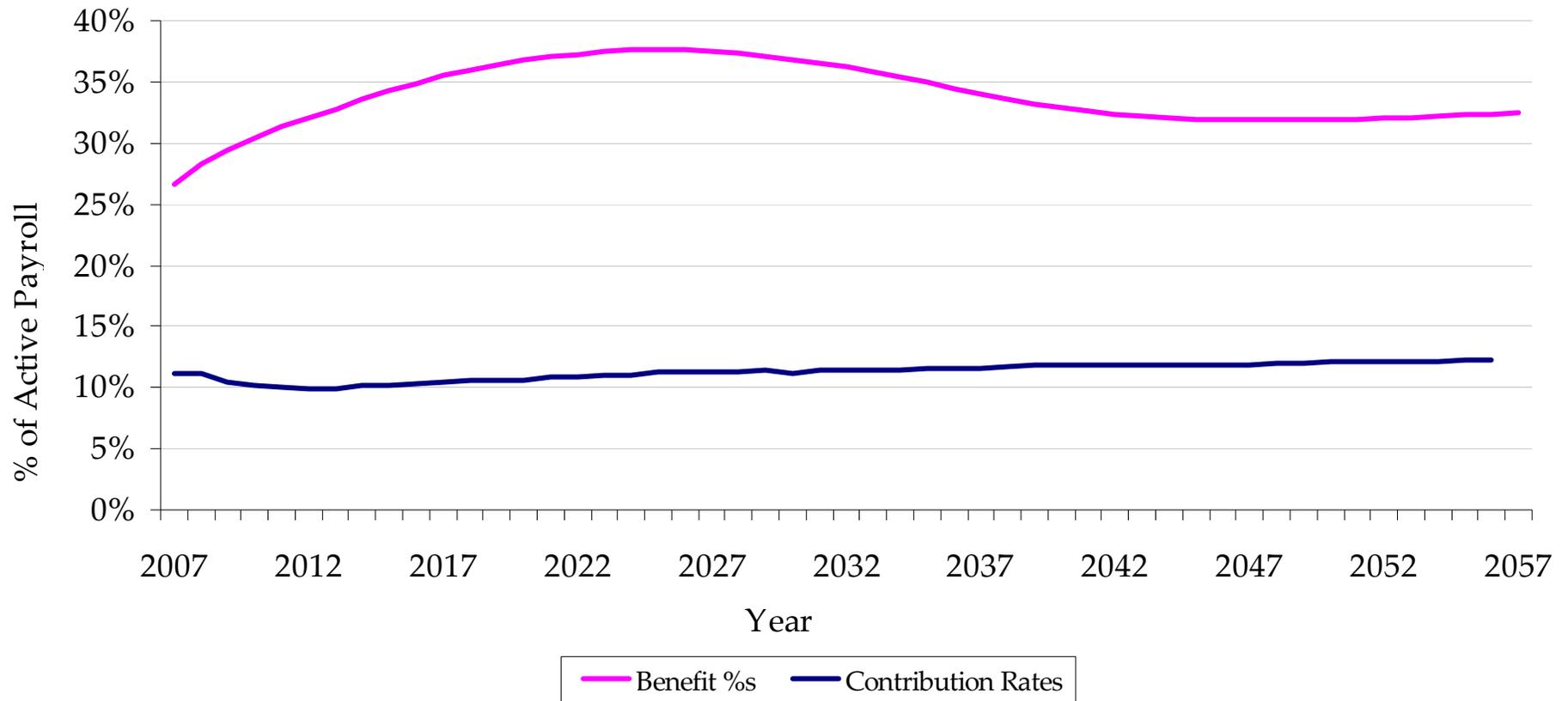
\$Billions

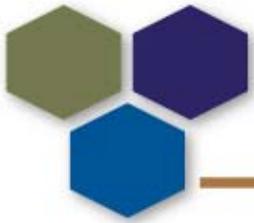
Year	Contributions	Benefit Payments	Cash Flow	% of Assets
2007	\$ 1.3	\$ 3.1	\$ (1.8)	(2.6)%
2017	1.8	6.2	(4.4)	(3.8)%
2027	3.0	9.9	(6.9)	(4.2)%
2037	4.7	13.8	(9.1)	(3.9)%
2047	7.3	19.4	(12.1)	(3.5)%
2057	11.1	29.4	(18.3)	(3.5)%

*\*Contribution income minus benefit payout.*



# Projected Contributions and Benefits as a % of Active Payroll

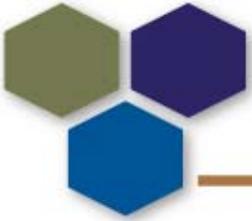




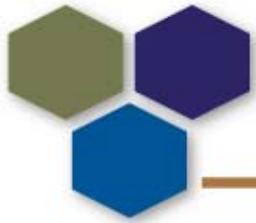
## Comments

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- ◆ Liquidity needs (i.e., contributions less benefits) increase to over 4% of fund assets
- ◆ Benefit payout peaks at about 38% of payroll – more than 3 times the level of contribution income
- ◆ More than 2/3<sup>rds</sup> of benefit payout will come from investment income



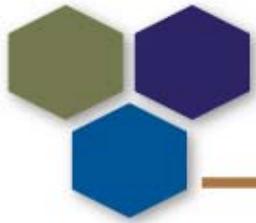
# Observations and Conclusions



## Observations 2007

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- ◆ Expected benefit payments have increased due longevity improvements.
- ◆ Although Net Cash Flow (NCF) has increased in dollar amount, expected NCF as a percentage of assets are close to prior projections due to favorable asset returns.
- ◆ If current trends continue, life expectancies at retirement will increase by about 3 years over the projection period, putting upward pressure on contribution rates (roughly 2% of payroll) and downward pressure on dividends. We review mortality rates every 3 years and make adjustments as needed.



## Observations 2007

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- ◆ Not all forecasters expect such an increase and, even if it occurs, the effect may be offset by other demographic changes, such as an increase in the average age at retirement.
- ◆ WRS continues to be one of the best funded systems in the country.