

MINUTES OF MEETING
STATE OF WISCONSIN
EMPLOYEE TRUST FUNDS BOARD

Friday, December 14, 2007

Sheraton Madison Hotel
706 John Nolen Drive
Madison, Wisconsin

BOARD PRESENT:

Marilyn Wigdahl, Chair
Robert Niendorf, Secretary
John Brown
Rosemary Finora
Theron Fisher
Rick Gale
Kathleen Kreul
Irena Macek
Wayne McCaffery
Paul Ostrowski (*representing Jennifer Donnelly*)
Gary Sherman
Nancy Thompson

BOARD NOT PRESENT:

Wayne Koessler, Vice-Chair

PARTICIPATING ETF STAFF:

Dave Stella, Secretary
Bob Conlin, Deputy Secretary
Sari King, Administrator, Division of Retirement Services
Jon Kranz, Director, Office of Internal Audit and Budget
John Vincent, Administrator, Division of Trust Finance and Employer Services
Rob Weber, Chief Legal Counsel
Ann McCarthy, Board Liaison

OTHERS PRESENT:

Anne Boudreau, Division of Retirement Services
Bonnie Cyganek, Division of Retirement Services
Sandy Drew, State of Wisconsin Investment Board
Rhonda Dunn, Executive Assistant
Charlotte Gibson, Department of Justice
Jean Gilding, Division of Retirement Services
Lynn Jarzombek, Division of Retirement Services
Linda Owen, Division of Retirement Services
Sharon Walk, Division of Management Services

Board	Mtg Date	Item #
ETF	3/13/08	1

Marilyn Wigdahl, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 8:35 a.m.

CONSIDERATION OF PREVIOUS MEETING MINUTES

Motion: Ms. Thompson moved approval of the open and closed session minutes of the September 13 and 14, 2007, meetings as submitted by the Board Liaison. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

2007-2009 BIENNIAL BUDGET UPDATE

Jon Kranz referred the Board members to his document regarding the 2007–2009 biennial budget effective on October 26, 2007, and actions by the Joint Committee on Finance (JCF).

Mr. Kranz discussed the Department's ability to operate and serve participants within the budget. He reported that the Department was awarded 24.5 new full-time equivalent positions (15.5 for direct customer service and 9.0 for information technology support). Mr. Kranz noted that although only 24.5 of the requested 63 positions were approved, the Department would have the option to request more positions through the JCF, under Wis. Stats. §13.10.

Dave Stella noted that the Department would continue to advocate for additional resources to meet critical customer service needs.

2007-2009 BIENNIAL OBJECTIVES

Mr. Stella referred to his memo regarding the Department biennial objectives for 2007-2009. He explained how the objectives are developed and implemented. Mr. Stella stated that the Department drafts objectives in the fall of each odd-numbered year and then finalizes these objectives when the fiscal year budget is approved. Once final objectives are set, each division begins implementation of the objectives for their respective areas.

CONSIDERATION OF ADMINISTRATIVE RULE

Rob Weber updated the Board on the progress of Administrative Rule 07-066, relating to hearsay evidence in administrative appeal hearings. He reported that this rule has been sent to the Legislature for review.

Mr. Weber discussed Clearinghouse Rule 07-068, regarding death and late reported terminations, with the Board and asked for their approval of the final draft report. He provided the final draft report on this rule and explained that it would redefine the determination of employee termination date, which is currently done by employer report. This rule would set the date of termination as the actual date of termination. Mr. Weber noted that the termination date impacts how employee death benefits are paid.

Motion: Mr. McCaffery moved approval of the final draft report on Clearinghouse Rule 07-068. Mr. Niendorf seconded the motion, which passed without objection on a voice vote.

PRIOR NON-COVERED SERVICE STATUTORY CHANGE

John Vincent referred the Board members to a memo regarding prior non-covered employment statutory changes. Mr. Vincent defined prior non-covered employment as work done for the state of Wisconsin that is not covered under the Wisconsin Retirement System (WRS). He recommended that the previously approved scope statement be amended to allow employees more flexibility in the purchase of prior non-covered employment.

Motion: Mr. Gale moved approval of the amendments to the scope statement concerning purchase of prior non-covered service. Mr. Brown seconded the motion, which passed without objection on a voice vote.

VARIABLE FUND ASSET ALLOCATION

Mr. Stella discussed the performance of the variable trust fund with the Board. He reported that after a uniform audit, the Legislative Audit Bureau recommended that the State of Wisconsin Investment Board (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 discuss concerns and make suggestions on the issue. The Board members discussed the issue.

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

PROPOSED SCOPE STATEMENT CONCERNING AMENDMENTS TO WISCONSIN ADMINISTRATIVE CODE ETF 11.11, RELATING TO APPOINTMENT OF BOARD COUNSEL

A memo was provided to the Board, which outlined changes to ETF 11.11. Mr. Conlin discussed the changes with the Board and asked for approval of the scope statement. He reported that this scope statement relates to appointment of legal counsel for the Board. Mr. Conlin advised that this rule change would allow the Board more flexibility in the process of obtaining and utilizing legal counsel, but would still include the Department of Justice in the process as needed.

Motion: Ms. Thompson moved approval of the Scope Statement concerning amendments to Administrative Code ETF 11.11. Mr. McCaffery seconded the motion, which passed without objection on a voice vote.

APPOINTMENT TO THE STATE OF WISCONSIN INVESTMENT BOARD

Mr. Stella updated the Board on the topic of appointments to SWIB. He explained that statutory changes in Senate Bill 351 might modify SWIB membership standards. Mr. Stella clarified that the Teachers Retirement Board representative must be an active teacher member. He stated that SWIB member standards would be discussed as an educational topic at a future meeting.

MISCELLANEOUS

Retirement Statistics Ms. King discussed the Department retirement annuity statistics report for July-September 2007. She stated that during this quarter, 60% of the members that requested retirement benefit estimates actually retired.

PROCUREMENT OF CONSULTANT SERVICES FOR GOVERNANCE STUDY

Mr. Kranz referred to his memo concerning the procurement of consultant services for a review of Department administrative functions. He explained that SWIB awarded a contract to Ennis, Knupp, and Associates, Inc. for a study to examine its statutory authority. The SWIB contract included an option allowing the Department to arrange for a similar study. Mr. Kranz noted that if approved, this study would assess the Department's ability to administer the trust in the most efficient and effective way and include associated recommendations.

Mr. Stella clarified that this study would examine the administrative function of the WRS compared to other peer retirement systems and might also be used in the 2009-2011 budget development process.

Motion: Ms. Kreul moved that the Department exercise the option included in the SWIB contract with Ennis, Knupp, and Associates, Inc. to provide consultation services for a governance study. Ms. Thompson seconded the motion, which passed without objection on a voice vote.

MOTION TO CONVENE IN CLOSED SESSION

Ms. Wigdahl announced that the Board would convene in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for quasi-judicial deliberations on appeal matters. Ms. Gibson, Ms. Walk and Ms. McCarthy were invited to remain during the closed session.

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

Members voting aye: J. Brown, R. Finora, T. Fisher, R. Gale, K. Kreul, I. Macek, W. McCaffery, R. Niendorf, P. Ostrowski, G. Sherman, N. Thompson, M. Wigdahl

Members voting nay: none

The Board convened in closed session at 10:17 a.m. and reconvened in open session at 10:30 a.m.

**ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED ON DURING
CLOSED SESSION**

Ms. Wigdahl announced that the Board took the following actions during the closed session:

- In the matter of **Appeal 2006-068-ETF**, the Employee Trust Funds Board adopted the Hearing Examiner's proposed decision with modifications. (By unanimous vote.)
- In the matter of **Appeal 2006-061-ETF**, the Employee Trust Funds Board adopted the Hearing Examiner's proposed decision. (By unanimous vote.)

ADJOURNMENT

Motion: Mr. Fisher moved adjournment. Mr. McCaffery seconded the motion, which passed without objection on a voice vote.

The meeting of the Employee Trust Funds Board adjourned at 10:31 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board