

MINUTES OF MEETING
STATE OF WISCONSIN
EMPLOYEE TRUST FUNDS BOARD

Friday, March 14, 2008

Holiday Inn Hotel and Suites
1109 Fourier Drive
Madison, Wisconsin

BOARD PRESENT:

Marilyn Wigdahl, Chair
Robert Niendorf, Secretary
John Brown
Jennifer Donnelly
Rosemary Finora
Theron Fisher
Rick Gale
Kathleen Kreul
Wayne McCaffery
Gary Sherman
Nancy Thompson

BOARD NOT PRESENT:

Wayne Koessl, Vice-Chair
Irena Macek

PARTICIPATING ETF STAFF:

Dave Stella, Secretary
Bob Conlin, Deputy Secretary
Marcia Blumer, Employee Benefit Plan Policy Advisor
Sari King, Administrator, Division of Retirement Services
Mary Alice McGreevy, Compliance/Privacy Officer
Rob Weber, Chief Legal Counsel
Ann McCarthy, Board Liaison

OTHERS PRESENT:

Sandy Drew, State of Wisconsin Investment Board
Rhonda Dunn, Office of the Secretary
Lisa Ellinger, Division of Insurance Services
Jean Gilding, Division of Retirement Services
Pam Henning, Division of Management Services
Jon Kranz, Office of Internal Audit and Budget
Brian Murphy, Gabriel, Roeder, Smith, and Company
Paul Ostrowski, Office of State Employment Relations
Linda Owen, Division of Retirement Services
Matt Stohr, Director, Legislation, Communications, and Planning

Board	Mtg Date	Item #
ETF	6/27/08	1

John Vincent, Division of Trust Finance and Employer
Services
Sharon Walk, Division of Management Services

Marilyn Wigdahl, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 8:30 a.m.

CONSIDERATION OF PREVIOUS MEETING MINUTES

Motion: Mr. McCaffery moved approval of the minutes of the December 14, 2007, meeting as submitted by the Board Liaison. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

ELECTION OF OFFICERS

Ms. King requested the action of the Board regarding the election of officers. A memorandum was provided to the Board, which included a list of current officers as well as a current Board member roster.

Nomination: Mr. Brown nominated the current slate of officers for another one-year term. Mr. McCaffery seconded the nomination.

Motion: Hearing no further nominations, Ms. Kreul moved to close nominations and cast a unanimous ballot for the current slate of officers (Wigdahl – Chair, Koessl – Vice-Chair, Niendorf – Secretary) for another one-year term. Mr. McCaffery seconded the motion, which passed without objection on a voice vote.

CONSIDERATION OF ADMINISTRATIVE RULE

Mr. Conlin indicated that the Board is asked to approve the final draft report of Clearinghouse Rule 07-062 relating to the purchase of service credit under the WRS. He directed the Board's attention to the material provided by Mr. Weber, he noted that Mr. Weber was not yet present, and suggested that if members had questions, the item could be held over until Mr. Weber arrived.

Motion: Mr. McCaffery moved approval of the final draft report on Clearinghouse Rule 07-062. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

WISCONSIN RETIREMENT SYSTEM 25th ANNUAL ACTUARIAL VALUATION OF RETIRED LIVES – DECEMBER 31, 2007

Brian Murphy of Gabriel, Roeder, Smith and Company (GRS), reviewed the report, *Wisconsin Retirement System 25th Annual Actuarial Valuations of Retired Lives – December 31, 2007*. The report represents a comparison of annuity reserve balances of the Core and Variable reserves with the present value of annuities being paid within each fund, as well as the methodology used to calculate the annual post-retirement dividend. Mr. Murphy reviewed highlights of the annual valuation and responded to questions.

Motion: Mr. Brown moved to accept the actuary's report and adopt its recommendations. Mr. Niendorf seconded the motion, which passed without objection on a voice vote.

VARIABLE FUND ASSET ALLOCATION

Mr. Stella updated the Board on the Variable trust fund. He explained that the State of Wisconsin Investment Board (SWIB) was presented with the Board's concerns about the fund and has since adopted new strategic asset allocation targets for the Core and Variable funds. The memo that he provided clarified the breakdown of the new asset allocations. He asked the Board to consider other possible changes to the fund including elimination of the fund.

An open discussion occurred. The Board provided suggestions about issues that should be examined and considered and directed staff to develop options for the Board's consideration. This will be an agenda item at future meetings.

MISCELLANEOUS

Benefit Payment System Update Ms. King updated the Board on the progress of the Benefit Payment System (BPS). She explained that the data cleanup and data migration processes have been completed. The Department has set an implementation date of October 2008.

Retirement Statistics Ms. King discussed her memo with the Board and highlighted some of the key items. The first half of the year is when the largest number of requests for retirement estimates are received. This was also the case in 2007. The highest months of retirement have been April, June and July, in 2006 and 2007. She noted there was an increase in the number of estimated annuities started in 2007, over 9,000+ members versus 8,233 in 2006.

Items for Future Discussion Board members expressed interest in further discussion of the Variable fund.

EDUCATIONAL TOPIC

Senate Bill 351/Assembly Bill 623 – State of Wisconsin Investment Board Modifications

Mr. Conlin discussed his memo with the Board relating to SB 351/AB 623 as well as the composition of the SWIB Board. He explained that the topic of SWIB membership was raised at the Wisconsin Retirement (WR) Board meeting in September 2007. The WR Board appoints one member to SWIB, and has traditionally appointed the Department Secretary. In its advisory capacity, the WR Board recommended that the ETF Board recommend a change in state law to modify SWIB membership to automatically include the Department Secretary as an ex-officio member with voting authority. This proposed change would allow the WR Board to appoint a different member to SWIB.

Mr. Conlin noted that SWIB membership would be discussed again at a future meeting and that the Department would provide a list of options for the Board to consider.

Mr. Sherman clarified that he does not vote on legislative bills that involve the Department.

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) (e) to discuss use of public employee trust funds. Department staff, Office of State Employment Relations staff, and State of Wisconsin Investment Board staff were invited to remain during the entire closed session.

Motion: Ms. Thompson moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (e) to discuss use of public employee trust funds. Mr. Brown seconded the motion, which passed on the following roll call vote.

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

Members voting nay: none

The Board convened in closed session at 10:26 a.m. and reconvened in open session at 11:10 a.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED ON DURING CLOSED SESSION

Mr. Conlin announced that the Board took the following actions during the closed session:

The Board voted to extend the contract with the Fringe Benefits Management Company (FBMC) for another year contingent upon reaching acceptable contract language to indemnify the Board and participating employees in the event of a security breach attributable to FBMC or its employees.

ADJOURNMENT

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

The meeting of the Employee Trust Funds Board adjourned at 11:11 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board