

**MINUTES OF JUNE 18, 2009, MEETING
STATE OF WISCONSIN
JOINT INFORMATIONAL MEETING
TEACHERS RETIREMENT, WISCONSIN RETIREMENT,
AND EMPLOYEE TRUST FUNDS BOARDS**

DRAFT

Holiday Inn Hotel and Suites
1109 Fourier Drive, Madison, WI

BOARD PRESENT:

<p>Jamie Aulik, WR Board Sandra Claflin-Chalton, TR Board John David, WR and ETF Boards Rosemary Finora, ETF Board Theron Fisher, ETF Board Susan Harrison, TR Board Wayne Koessl, Vice-Chair, WR and ETF Boards Kathy Kreul, ETF Board Mike Langyel, Vice-Chair, TR Board Lon Mishler, Chair, TR Board Wayne McCaffery, ETF and TR Boards Dan Nerad, TR Board</p>	<p>Robert Niendorf, Secretary, ETF Board Dennis Panicucci, , TR Board Tom Pedersen, TR Board Patrick Phair, TR Board Steve Scheible, TR Board Robin Starck, Secretary, TR Board Herbert Stinski, WR Board Nancy Thompson, ETF Board Mary Von Ruden, Secretary, WR Board Michael Woodzicka, WR Board Marilyn Wigdahl, Chair, WR and ETF Boards</p>
--	---

BOARD NOT PRESENT:

<p>Sean Dilweg, WR Board Jennifer Donnelly, ETF Board Roberta Rasmus, TR Board</p>	<p>Gary Sherman, ETF Board David Wiltgen, TR Board</p>
--	--

PARTICIPATING EMPLOYEE TRUST FUND (ETF) STAFF:

<p>Dave Stella, Secretary Bob Conlin, Deputy Secretary Jean Gilding, Division of Retirement Services Cindy Gilles, Board Liaison Sari King, Office of Legislative Affairs, Communications and Quality Assurance</p>	<p>David Nispel, Office of the Secretary Matt Stohr, Office of Legislative Affairs, Communications and Quality Assurance Bob Willett, Office of Budget and Trust Finance</p>
---	--

Board	Mtg Date	Item #
Jl	9/17/09	1

OTHERS PRESENT:

ETF Office of the Secretary: Rhonda Dunn, Sharon Walk ETF Office of Budget and Trust Finance: Jerry Dietzel, Jon Kranz ETF Office of Internal Audit: John Vincent ETF Office of Legislative Affairs, Communications and Quality Assurance: Nancy Ketterhagen ETF Office of Policy, Privacy and Compliance: Linda Owen	Legislative Fiscal Bureau: Art Zimmerman Gabriel, Roeder, Smith (GRS) and Company: Mark Buis, Norm Jones State Engineering Association: Bob Schaefer State of Wisconsin Investment Board (SWIB): Gail Hanson UW Systems Administration: Sue Chamberlain, Nicole Zimm
--	--

Lon Mishler, Chair, Teachers Retirement Board, called the meeting to order at 8:30 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

Motion: Ms. Thompson moved approval of the minutes of the March 19, 2009, Joint Informational (JI) meeting as submitted by the Board Liaison. Mr. Panicucci seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

Welcome/Introduction of New Board Members Mr. Mishler welcomed Susan Harrison and Sandra Clafin-Chalton, new Teachers Retirement (TR) Board members.

Recognition of Outgoing Board Members Wayne McCaffery, Dennis Panicucci and Bob Shaw were congratulated and thanked for their years of service on the TR Board. Mr. McCaffery remains a member of the ETF Board.

New Meeting Space Configuration Bob Conlin, Deputy Secretary, shared with Board members the new meeting space configurations. These were designed in order to enhance information-sharing, make better use of the meeting space, and improve the acoustics.

EDUCATIONAL TOPIC

Bob Willett, Office of Budget and Trust Finance, presented a *Wisconsin Retirement System (WRS) Contribution Rate Overview* to the Board members.

- Who Sets Rates: The ETF Board's consulting actuary has the statutory responsibility to determine actuarial assumptions and contribution rates. The ETF Board approves the assumptions and contribution rates determined by the actuary.

- Funding Benefits: Contributions and investment income is collected during an employee's working career, but current retiree benefits do not factor into the contributions. Two-thirds of WRS benefits come from investment returns.
- Who Pays Contributions: WRS contribution rates include four components: employee share, employer share, benefit adjustment contributions and prior service contributions. Over 99% of employers pay most or all of the contributions to the WRS.
- WRS Contribution Rate Structure: The rate groups contributing to the WRS are general employees (including teachers), elected/executive employees, and protective with and without social security coverage employees.
- Maintaining Stable Contribution Rates: The goal of the WRS is to maintain stable rates through intergenerational equity and government budgeting. The actuary will use the market recognition account and amortization reserves to smooth actuarial experience and stabilize contribution rates.

DISCUSSION/CONSIDERATION

Wisconsin Retirement System 28th Annual Valuation of Retired Lives – December 31, 2008

Norm Jones and Mark Buis, Gabriel, Roeder, Smith & Company (GRS), actuaries for the ETF Board, presented their report, *Wisconsin Retirement System 28th Annual Valuation of Retired Lives – December 31, 2008*, to the Boards. The valuation establishes contribution rates for the 2010 calendar year in conformance with Chapter 40 of the Wisconsin Statutes.

Mr. Jones and Mr. Buis discussed the funding method and the various factors that go into it (i.e., gains/losses, average retirement age increasing, ratio of funding value to market value, etc.). Normal cost contributions increased for all valuation groups due to the unfavorable investment market last year. It is anticipated that there will be a strong upward pressure in contribution rates over the next four years. WRS continues to operate in accordance with the principles of level percent of payroll financing.

Mr. Jones and Mr. Buis answered questions from the Board members.

Wisconsin Administrative Code Chapter 10 and Chapter 50 Revisions

David Nispel, General Counsel, provided a brief overview of the administrative code process for Board members as they will be requested to approve the revisions to Wisconsin Administrative Code Chapters 10 and 50 in their respective Board meetings. The Department proposes to amend s. ETF 10.08 (2) (b) 4. and create s. ETF 50.30 (4), relating to termination of employment and administrative leave of absence. The proposed rule reflects current ETF interpretation of s. 40.63, Stats., regarding permitting a disabled employee, who is on a leave of absence and not expected to return to service, to apply for a disability annuity benefit and receive such benefits if the

application is approved. The proposed rule will conform the eligibility criteria regarding termination of employment for s. 40.63, Stats. disability annuities with the criteria regarding long-term disability insurance benefits under s. ETF 50.54 (2) (b).

Mr. Nispel answered questions from the Board members.

OPERATIONAL UPDATES

Legislative and Communications Update Matt Stohr, Director, Office of Legislative Affairs, Communications and Quality Assurance, presented a legislative and communications update. Mr. Stohr began with referring the Board to an article shared with Board members that was distributed by the Associated Press on June 15, 2009, on contribution rates. The Department will distribute a press release announcing contribution rates on June 19, 2009.

Legislative Update:

State

- Senate Bill 88 and Assembly Bill 126: Eligible WRS employees may purchase no more than four years of creditable service for years of military service at the required employer contribution rate (currently 5%). Senate Bill 88 has not had a hearing to date. Assembly Bill 126 had a hearing but no further action has been taken at this time. The Department has prepared a fiscal estimate on administrative costs for the bill, but the program costs are difficult to define absent an actuarial analysis.
- Consistent with the ETF Board's recommendation, the Department is working with Senator Wirch and Representative Hubler on a bill to close the Variable Fund to new enrollees.

Federal

- Healthcare Enhancement for Local Public Servants Act of 2009 (HELPS II) (HR 1413) allows all retired public employees a federal income tax exclusion of up to \$3,000 for distributions from governmental retirement plans for health and long-term care insurance premiums.
- Required Minimum Distribution Moratorium (HR 7327), otherwise known as the Worker, Retiree and Employer Recovery Act of 2008 (Recovery Act), provided a one-year moratorium for required minimum distributions. There is a bill proposed this congressional session (HR 2021) which would extend the moratorium to 2012.

State Budget

- Both the Assembly and the Senate have approved their versions of the budget.

Two proposals that are of concern to ETF are annuity deduction for dues for retiree organizations and sharing of annuitant mailing addresses with retiree and employee organizations. If these were to pass, it would increase administrative costs as well as compromise membership information and privacy. ETF will be contacting the Governor's office regarding these provisions and others of concern.

Division of Retirement Services – Operations Statistics Jean Gilding, Administrator, Division of Retirement Services, reviewed the first quarter retirement statistics in which there was an 8.7% increase in retirement estimate requests over the first quarter of 2008. New annuities rose 2.3% over the same period in 2008.

Ms. Gilding then shared with the Board a sampling of services provided by the Division of Retirement Services. It consists of three bureaus: Employer Administration Bureau, Member Services Bureau and Benefit Services Bureau.

- Employer Administration Bureau: Employer Communication Center; Member/Employer Reporting; and, Member WRS Account Maintenance and Employer Administration. In 2008, the bureau received 8,596 inquiries.
- Member Services Bureau: Member Contact Management, Member Benefit, Information; Outreach and Processing; and, Member Retirement Planning. In 2008, the bureau received 177,006 calls into the system. Average wait time was 4.42 minutes – 30 seconds longer than 2007. Average call time was 3.58 minutes. There were 22,366 outgoing calls and 8,554 e-mails answered. In 2008, there were 15,418 member presentations/retirement sessions.
- Benefit Services Bureau: Benefit Application Eligibility and Processing; Lump Sum and Monthly Payroll Processing; and, Annuitant Account Maintenance (WRS and Health Insurance). Also, 8,300 paper check conversions were automated.

Mr. Mishler referred Board members to the remaining informational reports in their binders.

ADJOURNMENT

Motion: Ms. Wigdahl moved to adjourn the meeting. Ms. Thompson seconded the motion which passed without objection on a voice vote.

The Joint Information meeting adjourned at 10:43 a.m.

Date Approved: _____

Signed: _____

Mary Von Ruden, Secretary
Wisconsin Retirement Board