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**CORRESPONDENCE MEMORANDUM**

**DATE:** November 16, 2009  
**TO:** Employee Trust Funds Board  
**FROM:** Mary Alice McGreevy, Compliance Officer  
**SUBJECT:** Tax Counsel Update

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

The Department of Employee Trust Funds (Department) informed the Employee Trust Funds Board (Board) at the June meeting that the Department had used the authority granted by the Board to engage the services of Ice Miller, LLP of Indianapolis, Indiana as federal tax counsel. Ice Miller was hired to conduct a thorough review of the Department's compliance with the Internal Revenue Code (IRC). The agreement with Ice Miller covers several phases of research and compliance work; ultimately preparing the Department to ask the Internal Revenue Service to make a formal determination that the Wisconsin Retirement System (WRS) complies with all tax requirements, if it is deemed advisable. In addition, Ice Miller agreed to be available for *ad hoc* work should the Department require it.

The initial compliance review meeting between Ice Miller representatives and Department staff occurred on April 27, 2009. Since that time, the Department has utilized tax counsel services to help resolve *ad hoc* questions relating to the provisions of 2009 Wisconsin Act 28, including tax issues with the implementation of domestic partner benefits and the extension of health insurance benefits to adult dependents up to age 27. In addition, tax counsel advised the Department regarding the tax reporting required for imputed income resulting from the use of accumulated sick leave conversion credits for the health insurance premiums of non-tax dependents, such as domestic partners and certain adult children.

More recently, the Department has begun working with Ice Miller on an in-depth examination of our operational compliance with IRC §§ 401 (a) (17) and 415. These provisions of the IRC specify limits on annual compensation, benefits and contributions

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

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Signature

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Date

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that a plan must take into account in calculating pension amounts. These code sections must be strictly observed to protect the tax qualified status of the WRS. We anticipate meetings with Ice Miller attorneys on January 12 and 13, 2010, at our office in Madison. This will be the next significant step to preparing the compliance report and planning for future compliance with the IRC.

Department staff will be available at the meeting to answer any questions you may have regarding this memorandum.