

**MINUTES OF SEPTEMBER 17, 2009, MEETING
STATE OF WISCONSIN
JOINT INFORMATIONAL MEETING
TEACHERS RETIREMENT, WISCONSIN RETIREMENT,
AND EMPLOYEE TRUST FUNDS BOARDS**

Holiday Inn Hotel and Suites, Conference Rooms A & B
1109 Fourier Drive, Madison, WI

BOARD PRESENT:

Sandra Claflin-Chalton, TR Board John David, WR and ETF Boards Jennifer Donnelly, ETF Board Rosemary Finora, ETF Board Theron Fisher, ETF Board Susan Harrison, TR Board Betsy Kippers, TR Board Kathy Kreul, ETF Board Mike Langyel, ETF Board and Vice-Chair, TR Board Wayne McCaffery, TR Board Mary Jo Meier, TR Board Lon Mishler, Chair, TR Board Robert Niendorf, Secretary, ETF Board	Tom Pedersen, TR Board Patrick Phair, TR Board Roberta Rasmus, TR Board Steve Scheible, TR Board Robin Starck, Secretary, TR Board Herbert Stinski, WR Board Mary Von Ruden, ETF Board and Secretary, WR Board Marilyn Wigdahl, Chair, WR and ETF Boards David Wiltgen, TR Board Michael Woodzicka, WR Board
--	---

BOARD NOT PRESENT:

Jamie Aulik, WR Board Sean Dilweg, WR Board Wayne Koessl, Vice-Chair, WR and ETF Boards	Dan Nerad, TR and ETF Boards Gary Sherman, ETF Board
--	---

PARTICIPATING EMPLOYEE TRUST FUND (ETF) STAFF:

Dave Stella, Secretary Bob Conlin, Deputy Secretary Anne Boudreau, Division of Retirement Services Cindy Gilles, Board Liaison Sari King, Office of Legislative Affairs, Communications and Quality Assurance	David Nispel, Office of the Secretary Linda Owen, Office of Policy, Privacy and Compliance Matt Stohr, Office of Legislative Affairs, Communications and Quality Assurance
---	--

Board	Mtg Date	Item #
Jl	12/3/09	1

OTHERS PRESENT:

ETF Office of the Secretary: Rhonda Dunn, Sharon Walk ETF Office of Budget and Trust Finance: Jon Kranz, Brian Shah, Bob Willett ETF Office of Internal Audit: John Vincent Gabriel, Roeder, Smith (GRS) and Company: Brian Murphy	State Engineering Association: Bob Schaefer State of Wisconsin Investment Board (SWIB): Keith Bozarth, Sandy Drew, Gail Hanson, Ron Mensink Former ETF Board Member: Nancy Thompson
--	---

Marilyn Wigdahl, Chair, Wisconsin Retirement (WR) and Employee Trust Fund (ETF) Boards, called the meeting to order at 8:30 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

Motion: Ms. Von Ruden moved approval of the minutes of the June 18, 2009, Joint Informational (JI) meeting as submitted by the Board Liaison. Mr. Woodzicka seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENTS

Welcome/Introduction of New Board Members Sari King welcomed Betsy Kippers, currently the Secretary/Treasurer of the Wisconsin Education Association Council, and Mary Jo Meier, third grade teacher at the Waukesha School District. Ms. Kippers and Ms. Meier are new members of the Teachers Retirement (TR) Board.

Recognition of Outgoing Board Member Nancy Thompson was congratulated and thanked for her years of service on the ETF Board.

Milwaukee Public School District Election The TR Board Milwaukee Public School District seat, currently held by Michael Langyel, is up for election in spring of 2010.

New Board Orientation Format Initial orientation meetings for new board members will be conducted by Ms. King. Additional sessions will be available to Board members via the video library on the ETF website: <http://etf.wi.gov/webcasts.htm>.

New Seating Arrangement Deputy Secretary Conlin discussed the new seating arrangement for the JI meeting. Board members were encouraged to provide feedback on the arrangement.

Governance Manual A Governance Manual has been created as a resource for Board members on the purpose, structure and responsibilities of the governing boards. The "Policies" Section will be filled in over time. Every effort will be made to keep the manual updated on a yearly basis. A special thanks to Steve Hurley, Sharon Walk and Cindy Gilles for compiling the Governance Manual.

EDUCATIONAL TOPIC

Ms. Wigdahl introduced Keith Bozarth, Executive Director of the State of Wisconsin Investment Board (SWIB) and Ronald Mensink, Managing Director, Analytic and Funds Management.

Mr. Bozarth updated the Board on recent stock market developments (domestic and international). He reviewed the 2009 asset allocation process. SWIB will discuss this process in October and the Board will adopt an asset allocation strategy in December or January.

Mr. Mensink provided an overview of the asset allocation process. Equities tend to be a higher risk than bonds. Ideally, the assets should be more balanced and more diversified. During the October Retreat, SWIB will ask the Investment Board to consider looking at:

- Greater contributions to the overall rate of return;
- Diversifying some of the risk away from equities and into fixed income; and,
- Preparing the portfolio to perform more consistently across market environments.

SWIB will move toward adoption of the strategic allocation in 2010. SWIB's intent is to move slowly and implement the allocation over three years with 20% of the objectives in year 1, 30% in year 2 and 50% in year 3.

At the conclusion of SWIB's presentation, Mr. Bozarth and Mr. Mensink answered questions from Board members.

The Board took a break from 9:38 a.m. – 9:53 a.m.

DISCUSSION

Gain/Loss Analysis of Experience Among Active Members During Calendar Year 2008

Ms. Wigdahl introduced Brian Murphy, Chief Consultant, of Gabriel, Roeder, Smith, and Company (GRS). Mr. Murphy presented the report, *Wisconsin Retirement System Gain/Loss Analysis of Experience Among Active Members During Calendar Year 2008*. He explained that a gain/loss analysis is completed to:

- Measure the operation of assumptions year-by-year;
- Understand the nature of risk;
- Determine when assumption changes are needed; and,
- Gain an understanding of reason for contribution rate changes.

In 2008, the net core loss was \$1,027 million with a total asset loss of \$2,689 million. Mr. Murphy concluded his presentation with the following comments:

- Recognition of prior asset losses are expected over the next few years.
- The Gain/Loss Analysis is the third in a regular three-year experience cycle. This study, along with 2006 and 2007, will form the next experience study.
- The next experience study will be presented to the Board in December 2009 and implemented in the December 31, 2009, valuations.

Mr. Murphy answered questions from the Board members.

Wisconsin Administrative Code, s. ETF 11.11 and ETF 11.15 (4) Revisions

Mr. Nispel shared with the Board that the Department proposes to amend s. ETF 11.11. The purpose of this rule is to provide the Boards with additional flexibility when using legal counsel services for purposes of appeals. The proposed revision would allow Board staff to arrange for legal counsel for the boards as deemed necessary and in accordance with s. 40.03 (3), Stats.

The Department also proposes to amend ETF 11.5 (4). The purpose of this rule is to improve customer service and allow Department staff to better locate individuals who are allowed to accept what is called "service of process" (i.e., summons or complaint to be served on the Board) documents. Currently there are only two positions and the amended rule is proposing two additional positions.

OPERATIONAL UPDATES

Legislative and Communications Update Matt Stohr presented a legislative and communications update. Mr. Stohr referred the Board to legislative updates since the June Board meeting.

Legislative

- Assembly Bill (AB) 199: For the purposes of the Wisconsin Retirement System (WRS), AB 199 classifies various employees' as protective occupation employees (i.e., corrections specialists at state correctional institutions and psychologists at mental health institutes). The bill has been referred to the Assembly Committee on Courts and Corrections.
- Assembly Bill 337: Provides that a participating WRS employer, subject to the Municipal Employment Relations Act, may not pay, on behalf of any employee who first becomes a participating employee on or after the bill's effective date, the first 3% of earnings of an employee's required contribution. This bill has been referred to the Assembly Committee on Urban and Local Affairs.
- 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.

- Discussions continue with Senator Wirch and Representative Hubler on a bill to close the Variable Fund to new members.
- Wisconsin Act 28, the 2009-2011 Biennial Budget, has numerous provisions that directly affect ETF and the WRS. A summary of the provisions are posted on the Department website at: <http://etf.wi.gov/>.

Communications

- Furlough/Office Closure: An article was published in both the September *Trust Fund News* and *It's Your Benefit* to make WRS members and employers aware of ETF office closures due to 2009 Executive Order 285. A brief article was posted on the ETF website and press releases were sent to the media across the state. Similar communications will be used for upcoming furlough days.
- Domestic Partner Provision (2009 Wisconsin Act 28): A domestic partner "starter kit" will be available on the ETF website which will include an introduction to the program, a frequently asked questions document, affidavits, and a health insurance application.
- Newsletters: The *Trust Fund News*, *It's Your Benefit*, and *Employer Bulletins* are the bulletins currently published by ETF. In an effort to reduce overall operating costs and maintain our commitment to providing important news and information to members and employers, the Department will be making the following changes. *It's Your Benefit* will be published once per year (in September) rather than three times per year. The Department is exploring the possibility of publishing a joint newsletter with SWIB. The inactive edition of *Trust Fund News* (about 145,000) may be "piggy-backed" on the Annual Statement of Benefits in April.

Mr. Stohr noted that the vendor experienced a malfunction with the database and the addresses when the *Trust Fund News* was sent out in September to approximately 36,000 members. The problem has been fixed and no personal information was compromised.

Educational Support Provisions Budget Bill (2009 Wis. Act 28) Linda Owen discussed with the Board the two provisions in the budget bill that affect educational support staff.

- The first provision decreases the number of hours that school district educational support personnel must work to qualify for WRS coverage. As of July 1, 2009, educational support personnel are required to work 440 hours per year (same as teachers) to become eligible for WRS coverage.
- The second provision changes the service calculation for actuarial reduction purposes for all part-time non-teaching participants. If a participant has part-time

service in five of the last ten years prior to retirement, the service in each year in which the participant has a partial year of non-teaching service is recalculated to the amount of service the participant would have earned that year if the participant had been a teacher, but only for the purpose of calculating the actuarial reduction for early retirement. This applies to participants who terminate WRS employment on or after July 1, 2009.

Ms. Donnelly left the Board meeting at 10:45 a.m.

Division of Retirement Services – Operations Statistics Anne Boudreau reviewed the January – August retirement statistics.

- **Employer Administration Bureau:** There were over 4,000 Employer Communication Center inquiries; 5,930 account corrections made; nearly 6,000 beneficiary designations processed; 289 members posted military service credit; 359 elections were processed for rehired annuitants; over 225 pending retiree cases were worked on; and, a large-scale data clean-up was completed.
- **Member Services Bureau:** There have been 127,957 calls received; average wait time is 3.57 minutes with average call time at 4.3 minutes; there have been 8,309 e-mails; and 16,081 outgoing calls.
- **Benefit Services Bureau Payment Section:** Tasks completed: 13,490 tax withholding changes (due to new federal tax table); 556 health insurance cancellations; 2,718 Medicare forms/information; 4,746 address changes; 2,789 annuitant death notices; and, 568 spousal death notices. There were also 13,981 annuitant checks converted to automated clearing house for direct deposit. This saves \$56,700 per year in postage alone.

Ms. Boudreau answered questions from the Board members.

Ms. King referred the Board members to the remaining informational reports in their binders.

ADJOURNMENT

Motion: Mr. Woodzicka moved to adjourn the meeting. Ms. Von Ruden seconded the motion which passed unanimously on a voice vote.

The Joint Information meeting adjourned at 11:12 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board