

**MINUTES OF JUNE 24, 2010, MEETING  
STATE OF WISCONSIN  
JOINT INFORMATIONAL MEETING  
TEACHERS RETIREMENT, WISCONSIN RETIREMENT,  
AND EMPLOYEE TRUST FUNDS BOARDS**

**DRAFT**

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

**BOARD MEMBERS PRESENT:**

|                                           |                                               |
|-------------------------------------------|-----------------------------------------------|
| Lon Mishler, Chair, TR Board              | Dan Nerad, TR and ETF Boards                  |
| Marilyn Wigdahl, Chair, WR and ETF Boards | Robert Niendorf, ETF Board                    |
| Jamie Aulik, WR Board                     | Paul Ostrowski (for Sheila Conroy), ETF Board |
| Sandra Claflin-Chalton, TR Board          | Tom Pedersen, TR Board                        |
| John David, WR and ETF Boards             | Patrick Phair, TR Board                       |
| Theron Fisher, ETF Board                  | Roberta Rasmus, TR Board                      |
| Betsy Kippers, TR Board                   | Steve Scheible, TR Board                      |
| Wayne Koessl, WR and ETF Boards           | Robin Starck, TR Board                        |
| Kathy Kreul, ETF Board                    | Mary Von Ruden, ETF and WR Boards             |
| Mary Jo Meier, TR Board                   | Michael Woodzicka, WR Board                   |

**BOARD MEMBERS NOT PRESENT:**

|                                    |                           |
|------------------------------------|---------------------------|
| Sean Dilweg, WR Board              | Wayne McCaffery, TR Board |
| Rosemary Finora, ETF Board         | Herbert Stinski, WR Board |
| Susan Harrison, TR Board           | David Wiltgen, TR Board   |
| Michael Langyel, ETF and TR Boards |                           |

**PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:**

|                                                |                                                                                    |
|------------------------------------------------|------------------------------------------------------------------------------------|
| Dave Stella, Secretary                         | Sari King, Office of Legislative Affairs,<br>Communications and Quality Assurance  |
| Bob Conlin, Deputy Secretary                   | Matt Stohr, Office of Legislative Affairs,<br>Communications and Quality Assurance |
| Anne Boudreau, Division of Retirement Services |                                                                                    |
| Cindy Gilles, Board Liaison                    |                                                                                    |

**GUEST SPEAKER: LEIGH SNELL**, Federal Relations Director for the National Council on Teacher Retirement (NCTR).

| Board | Mtg Date | Item # |
|-------|----------|--------|
| Jl    | 9.16.10  | 1      |

**OTHERS PRESENT:**

|                                                                                            |                                                                |
|--------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| ETF Office of the Secretary: Rhonda Dunn                                                   | Legislative Audit Bureau: Brian Belford                        |
| ETF Division of Insurance Service: Lisa Ellinger                                           | State Engineering Association: Bob Schaefer                    |
| ETF Division of Retirement Services: Jean Gilding, Shawn Smith                             | State of Wisconsin Investment Board: Keith Bozarth, Sandy Drew |
| ETF Office of Budget and Trust Finance: Jon Kranz, Bob Willett                             | UW System Administration: Nicole Zimm                          |
| ETF Office of Internal Audit: John Vincent                                                 | Wisconsin Association of School Boards: Dan Rossmiller         |
| ETF Office of Legislative Affairs, Communications and Quality Assurance: Nancy Ketterhagen | Wisconsin Education Association Council: Ken Stalzig           |
| ETF Office of Policy, Privacy and Compliance: Steve Hurley, Linda Owen                     | Wisconsin Law Enforcement Officers Association: Dan Hayes      |
| Department of Administration: Caitlin Frederick                                            | Wisconsin Retired Education Association: Mike Schwaegerl       |
| Gabriel, Roeder, Smith and Co.: Norm Jones, Brian Murphy                                   | William Ford                                                   |

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

**CONSIDERATION OF MINUTES OF PREVIOUS MEETING**

***MOTION: Mr. David moved approval of the minutes of the March 18, 2010, Joint Informational meeting as submitted by the Board Liaison.  
Ms. Von Ruden seconded the motion, which passed without objection on a voice vote.***

**ANNOUNCEMENTS**

Sari King made the following announcements:

- Gary Sherman has resigned from the ETF Board as he is now a judge for the Wisconsin Court of Appeals.
- There will be no Wisconsin Retirement or Teachers Retirement Board meetings today.

## EDUCATIONAL TOPIC

### **Guest Speaker: Leigh Snell, NCTR Federal Relations Director**

Dave Stella, Secretary, introduced Leigh Snell. Mr. Snell's expertise is in the area of public pension plans and related issues, including retirement policy, taxation and securities regulation. In 1972, Mr. Snell joined the Federal Trade Commission (FTC) and served as special assistant to then-Commissioner Elizabeth (Hanford) Dole. In 1975, he left the FTC to become the legislative staff of former U.S. Senator Sam Nunn (D-GA). He is currently the Federal Relations Director for NCTR.

Mr. Snell presented an educational session for the Board providing an overview of what is happening in Washington D.C. related to public pension plans and healthcare reform. Included in his talk under healthcare reform was: grandfathering, new grandfathering rules, reinsurance, reporting cost of healthcare and excise tax on Cadillac plans. Mr. Snell then moved on to financial market reform, including house-passed bill (H.R. 4173), Senate financial reform legislation, public plan issues, and divestment legislation. He concluded by discussing federal agency interest in public plans, the preliminary views document of the Governmental Accounting Standards Board and state trends in pension reform.

Mr. Snell answered questions from the Board members.

**Legislative and Communications Update** Matt Stohr, Office of Legislative Affairs, Communications and Quality Assurance, provided an update on legislative and communication issues on the state level.

### **Legislative Update**

The Wisconsin Legislative Session began in January 2009 and concluded on April 10, 2010. The following bills **did not** pass in this session:

**Senate Bill 320** would have closed the Wisconsin Retirement System (WRS) Variable Fund to new enrollees.

**Senate Bill 390/Assembly Bill 916** would have allowed retirees who participate in an employee organization to deduct monies from their monthly annuities for membership organization dues. This bill also had a component relating to the mailing (by the Department) of material on behalf of a retiree organization to WRS retirees, although that component was removed by an Assembly substitute amendment.

**2009 Senate Bill 88/Assembly Bill 126** would have created a program to allow participating employees in the WRS to purchase creditable service for all years of active military service subject to certain conditions.

**2009 Assembly Bill 199** would have classified various employees as protective occupation employees for purposes of the WRS.

**2009 Assembly Bill 337** provided that a participating WRS employer who is 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.

Some of these bills may surface again in the next Legislative session which will run from January 2011 through spring of 2012. Currently there are 3 incumbents not running for the Senate next year and 20 incumbents in the Assembly who are not seeking reelection.

Dan Nerad, Employee Trust Funds Board, joined the meeting at 9:00 a.m.

### **Communications Update**

With the election for Governor this fall, Mr. Stohr shared with the Board members some of the candidates' comments on WRS contribution rates. He also referred the Board to an article in their packets, written by Mike Ivey of the Capital Times, on *Pensions in Peril: Public Worker Retirement System Sputters with Market*.

**Reports and Studies on Public Pension Plans** Mr. Stohr referred the Board to a brief table identifying an example of various reports that discuss public pension funding sources, the methods used and the funding ratio of the WRS using different measures. Mr. Stohr noted that there will continue to be reports on public pensions, and it is important to consider the source of the report, the assumptions used in the report, and the intentions of the authors of the report when reading them.

**Newsletter** The first joint newsletter between ETF and the State of Wisconsin Investment Board (SWIB) will be issued in January 2011. Some of the advantages of having a joint newsletter include SWIB having more direct access to WRS members and cost sharing economies

The Joint Informational meeting took a brief break from 10:10 a.m. to 10:20 a.m.

### **DISCUSSION**

**Wisconsin Retirement System 29<sup>th</sup> Annual Valuation of Active Lives – December 31, 2009** Ms. Wigdahl introduced Norm Jones and Brian Murphy of Gabriel, Roeder, Smith & Company, actuaries for the ETF Board. Mr. Jones and Mr. Murphy presented their report, *Wisconsin Retirement System 29<sup>th</sup> Annual Valuation of Retired Lives – December 31, 2009*, to the Boards. The valuation establishes contribution rates for the 2011 calendar year.

Mr. Jones and Mr. Murphy discussed the funding method and the various factors that are taken into consideration (i.e., gains/losses, experience amortization reserve). Currently, approximately \$200-300 million more in benefits are paid out per year versus investment returns. This pattern will increase over the next decade or so. As of 2009, there were 263,000 active participants with annual earnings of \$12.5 million. The average participant age was 46, with 12 years of service, \$47,000 in earnings, and \$53,500 in contributions.

In 2011, contribution rates for general participants will be 11.6%, and for executive and elected officials they will be 13.3% compared to 11% and 11.9% respectively in 2010.

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

## **OPERATIONAL UPDATES**

**Retirement Services Update** Anne Boudreau, Division of Retirement Services, shared January – March quarterly statistics with Board members. Comparing the first quarter of 2010 with the first quarter of 2009, requests for retirement estimates were up 14.5%.

### **January – March 2010**

- Retirement Activity – Estimates and New Annuities
  - Requests for retirement estimates were up 14.5%.
  - New annuities increased 6.8% the first five months this year.
- Retirement Activity – Option Selections and Demographics
  - There were 13 retirement annuity terminations. Nine annuitants returned to work and elected to participate in the WRS. Eight signed up for health insurance.
  - There were 49 beneficiary annuities started and three beneficiary annuity terminations.
- Annuities – Payroll Date and Annuitant Location
  - 98.45% of annuitants receive their checks by direct deposit.
- Customer Service
  - The main line received almost 40,000 calls.
  - Members continue to increase their use of e-mail as a means of contacting the Department.
  - In-person sessions increased 13% due to increased retirement numbers.
  - Ten field presentations took place with a total of 845 people in attendance.
- Trends
  - Retirement estimate requests were up 14.5% and applications were up 22.2%.

Ms. Boudreau answered questions from the Board members.

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

## ADJOURNMENT

***MOTION: Mr. Woodzicka moved to adjourn the meeting. Ms. Rasmus seconded the motion which passed without objection on a voice vote.***

The Joint Information meeting adjourned at 11:30 a.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_  
Mary Von Ruden, Secretary  
Wisconsin Retirement Board