

STATE OF WISCONSIN
Department of Employee Trust Funds
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SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: May 29, 2012
TO: Employee Trust Funds Board
FROM: Mary Alice McGreevy, Compliance Officer
Office of Policy, Privacy and Compliance
SUBJECT: Federal Tax Compliance Update

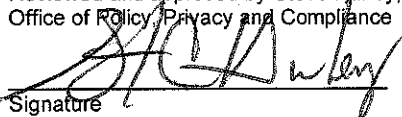
This memo is for informational purposes only. No Board action is required.

State law requires the Employee Trust Funds Board (Board) and the Secretary of the Department of Employee Trust Funds (Department) to ensure the Wisconsin Retirement System (WRS) complies with the Internal Revenue Code (IRC). As previously reported, the Department is working with its federal tax counsel, Ice Miller, LLP, on a Voluntary Correction Program (VCP) filing under the Internal Revenue Service (IRS) Employee Plans Compliance Resolution System. Using the VCP process greatly benefits the WRS because it allows the Department to take preemptive corrective action with respect to IRC requirements and ensures compliance with the IRC, as required by state and federal law.

This memorandum provides a status update on the Department's progress. The timeline of completed and remaining items follows.

COMPLETED ITEMS

- On November 29, 2010, the Department submitted a request for a Compliance Statement and favorable Determination Letter to the IRS.
- On September 14, 2011, the Department received an IRS Compliance Statement for the WRS for the VCP under the Employee Plans Compliance Resolution System, which we reported to the Board at the December 1, 2011, meeting. The statement provided that the proposed methods of correction and revision are appropriate.
- On May 14, 2012, the Department received a letter from the IRS indicating that the application for the Determination Letter has been through its initial review and has

Reviewed and approved by Steve Hurley, Director
Office of Policy, Privacy and Compliance

Signature Date 6-5-2012

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now been forwarded to the IRS Quality Assurance Staff for final evaluation before issuing the Determination Letter.

REMAINING ITEMS

- Issuance of the Determination Letter by the IRS.
- Amendments to Chapter 40 of the Wisconsin Statutes and ETF administrative rules. The IRS directs that the changes must be completed within 91 days following the close of the next legislative session after the date of the compliance statement. This is after the 2013-2014 legislative session.
 - Administrative Rules: The Department drafted the administrative rule revisions deemed necessary by the IRS. These changes have been returned by the Legislative Council Rules Clearinghouse and are undergoing final revisions in the Department before a public hearing is scheduled. We anticipate presenting the final draft report for Board approval at its meeting on September 20, 2012.
 - Statutes: The proposed bill draft has been prepared, and ETF will work to find a sponsor for the bill in the next session of the Legislature.

Many of the proposed amendments to rules and statutes are required to conform with IRS regulations that have changed since the last independent tax counsel review of the WRS conducted in the late 1990s. Other provisions clarify and codify Department practice, where previously the statutory language did not address the practice at a sufficient level of detail.

The tax compliance project is moving at the pace expected when we filed the VCP and Determination Letter request in November 2010. We anticipate its completion when the statutory and rule changes are completed. Once the Determination Letter is received, the Department will continue to update policies, procedures, rules, and statutes as necessary to maintain compliance with any changes to the IRC that affect the WRS.

Please contact Mary Alice McGreevy at (608) 267-2354 if you have any questions regarding the process or this memorandum.