AGENDA AND NOTICE OF MEETING
EMPLOYEE TRUST FUNDS (ETF) BOARD
STATE OF WISCONSIN

Holiday Inn Hotel and Suites 1109 Fourier Dr. Madison, WI	Thursday June 18, 2009 12:45 p.m. – Conf Rooms A & B

Documents for this meeting are available on-line at: **http://etf.wi.gov/boards/board_wr.htm**
To request a printed copy of any of the agenda items, please contact *Cindy Gilles at (608) 261-0736.*

Denotes action item

12:45 p.m. 1. **Call to Order**

12:45 p.m. (action item) 2. **Consideration of March 19, 2009, ETF Board Meeting Minutes**

12:50 p.m. 3. **Announcements**
- Teachers Retirement Board Election Results
- Teachers Retirement Board Appointment to ETF Board in September
- Wisconsin Retirement Board Appointment to ETF Board in September

12:55 p.m. 4. **Committee Reports**
- Executive Committee
- Audit Committee
- Budget and Operations Committee

1:05 p.m. (action item) 5. **Discussion/Consideration**
- Wisconsin Retirement System 28th Annual Valuation of Active Lives - December 31, 2008
- Continued Discussion of Funding Corridor
- Accumulated Sick Leave Conversion Credit Program Annual Review
- 40.65 Duty Disability Actuarial Review

2:00 p.m. 6. **Operational Updates**
- Secretary's Report
- Member Correspondence
- Budget Update
- Variable Fund Administrative Update
- Tax Counsel Update
- ETF Board Roster Update
- Future Items for Discussion

The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Cindy Gilles, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931. Telephone: (608) 261-0736. Wisconsin Relay Service 7-1-1. E-mail: cindy.gilles@etf.state.wi.us

2:30 p.m.			**Break**
2:45 p.m.		*7.	**Approvals** • Wisconsin Administrative Code Chapters 10 and 50 Revisions: Termination of Employment and Leave of Absence • Delegation of Authority to Contract for Third Party Audits
2:55 p.m.		*8.	**Consideration and Approval of Recommendation of the Evaluation Committee and Award of Employee Reimbursement Accounts/Commuter Benefits Contract**
3:00 p.m.		*9.	**Appeals** • 2007-013-ETF and 2008-038-ETF
3:15 p.m.		*10.	**Personnel Matters** • Secretary's Annual Evaluation
4:25 p.m.		11.	**Announcement of Action Taken on Business Deliberated During Closed Session**
4:30 p.m.		12.	**Adjournment**

Times shown are estimates only.

*** The Board may be required to meet in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85 (1) (a) (c) and (e) for quasi-judicial deliberations, to discuss personnel matters and the use of public employee trust funds. If a closed session is held, the Board will reconvene into open session for further action on these and subsequent agenda items.**

NOTES:

- **Lunch will be served for members of the ETF Board at 11:45 a.m. in George's Chophouse. No Board business will be discussed.**
- **A quorum of the Wisconsin Retirement (WR) Board and Teacher Retirement (TR) Board may be in attendance at the ETF Board meeting at 12:45 p.m. The WR and TR Boards will not be conducting business.**

The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Cindy Gilles, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931. Telephone: (608) 261-0736. Wisconsin Relay Service 7-1-1. E-mail: cindy.gilles@etf.state.wi.us

Deloitte.

The State of Wisconsin Employee Trust Funds Board

Section 40.65
Duty Disability Plan
Actuarial Review
As of December 31, 2008

Prepared By:
Timothy D. Gustafson, FSA, MAAA
Deloitte Consulting LLP

Audit.Tax.Consulting.Financial Advisory.

Table of Contents

I. Overview

The purpose of this report is to summarize our review of the Section 40.65 Duty Disability Plan. Included is a brief review of the Plan's experience during 2008, an estimate of the State's liability as of December 31, 2008, and an analysis of current funding levels.

In preparing this report, we have relied on claim information provided by the Department of Employee Trust Funds ("ETF"). We have not audited this information, but have relied on it as submitted after making reasonableness checks as we deemed appropriate under the circumstances.

The results of this review indicate that the Duty Disability Plan has assets of $355.4 million and estimated liabilities of $382.3 million as of December 31, 2008. The accrued funding shortfall is $26.8 million, which represents about 2.1% of the $1,284 million in covered payroll. This is a 3.0% decrease to the shortfall as a percentage of covered pay roll from last year. The asset balance does not include $74.5 million in deferred market losses which will be recognized over the next four years.

If experience continues at recent levels, the present premium level will be sufficient to eliminate the accrued funding shortfall by the end of 2009. Therefore, no premium increase is recommended at this time.

The remainder of this report summarizes the review in more detail. A number of assumptions have been made in estimating the State's liability. Such assumptions are described throughout the report and summarized in Exhibit 2.

II. 2008 Experience Review

Fund Balance

During 2008, the fund balance increased from $321,640,407 to $355,410,538. Investment earnings (which, consistent with past ETF practice, reflect the deferral of recognition of actual earnings over a five year period) were $10,506,007 with paid claims and administrative expenses totaling $27,545,578. These components are shown in the following table along with figures for the prior ten years for comparison purposes.

Year	Contributions	Benefits		Admin Charge	Interest Credit (Charge)	Ending Balance	Average Contrib Rate
		Benefits Annual	% Increase				
1998	26,205,796	15,484,812	7.3%	235,334	4,795,610	47,912,039	3.69%
1999	26,585,142	16,802,277	8.5%	612,691	7,020,204	66,102,416	3.36%
2000	32,188,231	18,337,714	9.1%	153,551	7,273,165	87,072,547	3.76%
2001	35,120,406	19,857,704	8.3%	290,919	10,127,493[1]	112,171,824	3.84%
2002	36,662,252	21,592,121	8.7%	349,523	9,696,940[2]	136,589,372	3.83%
2003	39,308,775	22,984,246	6.4%	460,353	10,925,975[3]	163,379,523	3.87%
2004	40,776,886	23,176,779	0.8%	338,041	13,960,608[4]	194,602,196	3.84%
2005	42,076,545	24,185,758	4.4%	302,193	13,187,206[5]	225,377,997	3.86%
2006	44,573,058	26,091,024	7.9%	318,381	22,681,739[6]	266,223,389	3.87%
2007	47,765,354	26,198,090	0.4%	236,623	34,086,377[7]	321,640,407	3.94%
2008	50,574,350	27,125,051	3.5%	420,527	10,741,359[8]	355,410,538	3.94%

[1] Includes a $5,601,954 adjustment for 1999 Wisconsin Act 11.

[2] Includes a $3,838,988 adjustment for understated interest during 2002 (including Wisc Act 11).

[3] Includes a $215,444 adjustment for understated interest during 2003 (including Wisc Act 11).

[4] Includes a $63,179 adjustment for understated interest during 2004 (including Wisc Act 11).

[5] Includes a $31,517 adjustment for overstated interest during 2005 (including Wisc Act 11).

[6] Includes a $473,544 adjustment for overstated interest during 2006 (including Wisc Act 11).

[7] Includes a $351,103 adjustment for overstated interest during 2007 (including Wisc Act 11).

[8] Includes a $235,352 adjustment for understated interest during 2008 (including Wisc Act 11).

As of December 31, 2008, there were 925 claims in payment status with annual benefits totaling $26,782,455. 871 of the claims were for disabled participants and 54 were for beneficiaries. The number of claims and total benefits being paid increased over last year from 902 and $25,806,128 respectively. The following table shows annual benefits as a dollar amount and as a percentage of payroll by recipient type.

	Claims in Payment Status		
	No.	**Annual $**	**% of Payroll**
Disabled Participants	871	$25,881,457	2.02%
Survivor Beneficiaries	54	$900,997	0.07%
Total	925	$26,782,455	2.09%

III. Estimated Liability as of December 31, 2008

The liability for outstanding claims under the Duty Disability Plan was estimated in two parts - reported claims and incurred claims not yet in pay status. The following paragraphs summarize the methods used and results.

Claims in Pay Status

The total liability for claims in payment status as of December 31, 2008, $346 million, is approximately $12 million greater than the liability as of December 31, 2007.

Incurred Claims Not Yet in Pay Status

A review of recent claims data showed lags in the time between when claims are incurred and when they are reported and reach pay status. The incurred but not reported (IBNR) liability for December 31, 2008, $36 million, was developed by relying on a historical claims database provided by the State. The current IBNR methodology reflects the distribution of the lag between the qualifying date and the subsequent approval date of past Duty claims. A projection of the count of claims incurred but not yet reported to the State as of December 31, 2008, was applied to an average liability per approved claim to determine the IBNR. Additionally, a 10% load for conservatism was added. The projected count of claims incurred but not yet reported to ETF included an additional three claims which were approved in 2008, but, due to the timing of their qualifying date, data necessary to value their liability as a reported claim was unavailable. As a result, these approved claims were included in the IBNR liability.

Results

The total estimated liability as of December 31, 2008, for the Duty Disability plan is $382,251,612, and developed as follows:

Annual Benefits Before Offsets	**$ 44,798,592**
Offsets	
Social Security	3,981,756
Unemployment Compensation	0
Worker's Compensation	566,113
WRS Benefits	
- Separation	945,222
- Disability	5,727,287
- Normal Retirement	6,946,227
Earnings	725,799
Total Offsets*	**18,892,406**
Adjustment for Offsets Greater than Base Benefit	876,269
Net Offsets*	**18,016,137**
Annual benefits after offsets (ABAO)*	**26,782,455**
Present value of ABAO being paid	346,472,612
Reserve for incurred but not paid claims	35,779,000
Total	**$ 382,251,612**

*Subtotals may not tie to the sum of items due to rounding.

Total net offsets are 40.2% of gross benefits before offsets.

IV. Analysis of Funding Levels

Financial Progress

As of December 31, 2008, the payout rate from this plan decreased to 2.15% of covered payroll (slightly down from 2.18% a year ago). Pertinent elements of the present financial picture include:

- During 2008 benefit reserves to pay claims increased from $321.6 million to $355.4 million.
- The contribution rate schedule in effect (see Exhibit 4) will generate approximately 3.94% of covered payroll. This rate appears to be sufficient to achieve a fully reserved status by the end of 2009. These calculations assume that the group size stabilizes at about its current level, as follows:

Provision for annual incurred claims*	2.15%
Amortization of accrued shortfall	1.79%
Total	**3.94%**

* Includes (Benefit Payments + Expenses) as a % of covered payroll as indicated in ETF Trust Statement.

Recent funding practice has been to limit the period of amortization of the shortfall to approximately 30 years. A projection of plan experience suggests that the current rate schedule will fund the existing shortfall in a shorter period of time. In 1998, the Board approved a rate increase of approximately .22% of payroll. It still appears that the new contribution level is sufficient for at least one more year. Therefore, we do not recommend a contribution increase at this time.

Exhibit 1: Section 40.65 Duty Disability Benefit Summary

Section 40.65 Duty Disability benefits for protective occupation participants were added in 1982. Benefits are summarized below:

Eligibility. Duty-related injury or disease that is likely to be permanent, which causes a protective occupation participant to retire, accept reduced pay or light duty assignment, or in some cases, that impairs promotional opportunities.

Amount. 80% of salary (75% if partially disabled and not a State Employee), less the following offsets:

- Social Security
- Unemployment Compensation
- Worker's Compensation
- Any other WRS benefit
- All earnings from the employer under which the disability occurred
- A percent of other earnings as follows:
  - 1/3 of earnings less than 40% of monthly salary
  - 1/2 of earnings between 40% and 80% of monthly salary
  - 2/3 of earnings over 80% of monthly salary

Survivor Benefits.

- All survivor benefits are offset by any Chapter 102 death benefits
- Pre-5/3/88:
  - 1/3 of the participant's monthly salary at time of death to surviving spouse, plus
  - $15/month to each unmarried child under the age of 18
  - Not to exceed 65% of participant's monthly salary at time of death
  - State employees are included
- Post-5/3/88:
  - 1/2 of the participants monthly salary at time of death to surviving spouse, less other income sources that are based on the participant's earnings record
  - 1/10 of the participant's monthly salary at time of death to each unmarried child under the age of 18
  - Not to exceed 70% of participant's monthly salary at time of death
  - State employees are not included (with the exception of cancer presumptive)
- Cancer Presumptive Law:
  - 70% of the participant's monthly salary at time of death to surviving spouse, less other income sources that are based on the participant's earnings record
  - 1/10 of the participant's monthly salary at time of death to the guardian of any minor child, as long as there is no surviving spouse
  - There is no maximum

Annual Increases.

- To age 60: In accordance with WRS salary index.
- After age 60: In accordance with WRS dividend increases (as long as the claimant is not also receiving a disability retirement benefit.)

Contributions. Vary by experience.

Exhibit 2: Valuation Assumptions

Mortality: Wisconsin Projected Experience Table - 93; 98% of male mortality and 97% of female mortality.

Set Forward: 3 years for males only.

Recovery: None.

Sex: All disabled recipients are assumed to be male; all beneficiary recipients are assumed to be female.

Benefit Form: Life annuity for unmarried disabled recipients and all beneficiaries; 50% joint and survivor annuity for married disabled recipients.

Interest: 4.8% (which approximates a 7.8% valuation rate with 3.0% annual benefit increases). The valuation rate was changed for the December 31, 2004, valuation to match the WRS interest rate. The WRS interest rate was reduced from 8.0% to 7.8% as of February 1, 2004.

IBNR Loading: 10% margin for conservatism

Exhibit 3: Liability Summary by Year of Incurral

Benefits Being Paid and
Reported Claim Liability by Year of Incurral

Year Incurred	Number Valued	No Benefit Payable	Total	Annual Benefit	% of Payroll	Actuarial Liabilities
2008	9	2	11	$ 343,130	0.03%	$ 5,119,746
2007	20	2	22	679,968	0.05%	10,652,127
2006	22	2	24	532,028	0.04%	7,730,694
2005	32	1	33	967,798	0.08%	15,196,806
2004	33	3	36	1,200,685	0.09%	17,928,495
2003	24	2	26	695,501	0.05%	10,556,752
2002	34	1	35	1,153,276	0.09%	16,991,798
2001	26	0	26	864,534	0.07%	12,904,046
2000	20	3	23	528,838	0.04%	7,803,459
1999	29	1	30	1,051,886	0.08%	15,571,665
1998	39	2	41	1,231,835	0.10%	17,187,243
1997	25	3	28	772,707	0.06%	11,028,267
1996	21	1	22	698,196	0.05%	9,456,586
1995	30	3	33	966,096	0.08%	12,977,531
1994	30	2	32	1,074,071	0.08%	13,984,295
1993	45	7	52	1,343,972	0.10%	17,569,183
1992	52	5	57	1,482,842	0.12%	19,122,365
1991	44	8	52	1,053,299	0.08%	12,841,144
1990	37	8	45	998,139	0.08%	12,626,781
1989	54	7	61	1,491,622	0.12%	17,370,493
1988	51	4	55	1,618,349	0.13%	18,679,796
1987	39	2	41	1,219,596	0.09%	13,642,762
1986	39	4	43	1,493,821	0.12%	15,551,033
1985	40	3	43	1,377,264	0.11%	14,347,606
1984	29	0	29	1,029,090	0.08%	10,931,350
1983	15	0	15	515,828	0.04%	4,719,360
1982	9	0	9	361,896	0.03%	3,511,278
1979	1	0	1	36,186	0.00%	469,949
Total	**849**	**76**	**925**	**$ 26,782,455**	**2.09%**	**$ 346,472,612**

Exhibit 4: Rate Schedule – Present and Proposed

December 31, 2008 Valuation

% of Covered Payroll	Applicable To
1.9	Groups with claims payout during the prior year of less than or equal to 0.5% of payroll.
2.4	Groups with one claim in which the payout during the prior year exceeded 0.5% of payroll, and groups with two or more claims in which the payout was more than 0.5% but less than 1.0% of payroll.
3.6	Groups with two or more claims in which the payout during the prior year was more than 1.0% but less than 2.0% of payroll.
5.4	Groups with two or more claims in which the payout during the prior year was more than 2.0% and less than 3.0% of payroll.
6.6	Groups with two or more claims in which the payout exceeded 3.0% but was less than 6.6% of payroll during the prior year.
6.6 + ½ of claims over 6.6%	Groups with two or more claims in which the payout exceeded 6.6% of payroll during the prior year.

Deloitte Consulting LLP
111 S. Wacker Drive
Chicago, IL 60606-4301
United States
Tel: 312 486 2265
Fax: 312 247 2265
www.deloitte.com

STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: May 27, 2009

TO: Employee Trust Funds Board

FROM: Tom Korpady, Administrator
Division of Insurance Services

SUBJECT: Duty Disability Plan Actuarial Valuation

Staff requests that the Employee Trust Funds Board approve the "Duty Disability Plan Actuarial Review as of December 31, 2008."

Deloitte recommends no change in premiums for the Duty Disability plan. A brief summary is found on page one of the attached "Duty Disability Plan Actuarial Review as of December 31, 2008."

Attachment

Board	Mtg Date	Item #
WR	6/18/09	6
ETF	6/18/09	5

STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: June 1, 2009

TO: Employee Trust Funds Board

FROM: David Stella, Secretary

SUBJECT: Secretary's Report

This memo is for the Board's information. No Board action is required.

This report highlights several issues that are of high importance to the Department and members of the Wisconsin Retirement System (WRS). The past three months have been very challenging and we anticipate even greater challenges in the months and years ahead.

Strategic Planning

Every two years the Department of Employee Trust Funds (Department) engages in a strategic planning exercise to establish its administrative priorities for the following two-year period. Typically, the Department reports to the Employee Trust Funds (ETF) Board in December of odd-numbered years on its plan. This year, we began our planning process earlier than usual. We felt it was important to go beyond our normal two-year plan and focus on a longer time period. After conducting discussions with the Department's leadership team and completing a survey of all staff, a vision statement was developed (see attachment).

The next key steps in the planning process will be to identify a few objectives that the Department intends to accomplish over the short, medium and long terms and to develop action plans and tactics to implement them. Managers have been asked to think about what the vision statement means for their work areas and what possible changes they would like to pursue to achieve the vision.

The Department had intended to engage the services of a strategic planning consultant to assist with the next steps in planning. Operating budget constraints, coupled with the possibility of even greater across-the-board budget reductions due to declining state tax revenues, makes the need for planning ever more critical. However, it also makes it

Board	Mtg Date	Item #
ETF	6/18/09	6

increasingly more difficult to afford planning assistance. Over the summer, with or without planning assistance, the Department will take steps to finalize a strategic plan, at least for the short term, and will deliver a progress report to the Board in September.

Presentations to Stakeholders/Constituent Groups
Department staff continues to give presentations to various groups to discuss the impact of the financial market downturn on the WRS. My presentations are now focusing on the potential for another negative adjustment in Core Fund annuities in 2010. Overall, I think retirees understand the implications of smoothing the extremely large 2008 financial market loss over five years, at a time when the prospects for a significant market recovery are not encouraging.

2009-2011 Biennial Budget Proposals
The Department's budget request, as amended by the Governor, was reviewed and adopted along with various amendments by the Joint Committee on Finance (JCF). The most significant amendment was that the passive review process for requesting position authority was eliminated as a non-fiscal policy item. The Department worked very hard to get this provision restored. A modified version of the passive review request was adopted. The modified version requires the Department to submit a request for additional staff and funding under the s.13.10 process. While this is not a "passive" review process, it does create a budget supplementation process that allows the Department to seek additional positions and expenditure authority with the active approval of the JCF. The amendment also includes a requirement that the Secretary develop a workload justification methodology that ties the supplemental request to the Department's workload. In addition, if the request is greater than the workload standard supports, the ETF Board must first approve the request.

ETF will see a small overall increase in its operating budget by the end of fiscal year 2011 of just over 3%. The Governor's budget had proposed an increase to our operating budget of just over 6% by the end of fiscal year 2011. ETF was exempted from the 5% reduction in operations that applied to most other state agencies as a result of the state's worsening budget situation. However, the Governor's proposal for ETF was reduced by about $670,000 annually to reflect the following: elimination of the 2% wage increase that was scheduled to go into effect in June (about $260,000); and an amount to reflect the reduction due to furloughs of 8 days each year (about $410,000). These reductions included salary for represented staff (about 70% of ETF's workforce) even though their unions have not yet agreed to the 2% salary rollback. This will create a another funding problem since our salary line is being reduced, but we will need to fund the two percent salary increase if the unions ultimately refuse to accept the salary rollback.

ETF has been authorized an additional 3.9 full-time equivalent (FTE) positions by the end of the next 2 years compared to our current position authority. This is how it will work: we will lose 8.1 project positions at the end of June; the budget will authorize ETF to have an additional 6.0 FTE positions in each of the next 2 years. Thus, at the end of the 2-year period, we'll be authorized 3.9 more positions than we have now. Whether we'll be allowed to fill the positions under the current hiring freeze is unresolved.

No further information has been received about how the furloughs will be implemented, although the Governor indicated that some agencies may have some discretion in how they are implemented. The Joint Committee on Employment Relations (JCOER) formally approved the administration's request to eliminate the scheduled 2% wage increase scheduled for June for non-represented employees. JCOER also approved the administration's request that future increases in the non-represented employee share of health insurance premiums be tied to overall annual increases in the HMO premiums established by the Group Insurance Board each fall. At the time this report was prepared there was no information on what will happen with employees represented by unions.

ETF's budget has been stretched very thin the last several years. Despite that, given the reductions taken by many other state agencies, we are thankful for the resources we will receive. It will be difficult to keep up with our rising costs (postage, supplies, etc.) and projected workload increases. The version of the budget approved by the Joint Committee on Finance requires ETF to administer several new services for which no additional funding was provided (e.g., retiree organization dues deduction from annuities, changes affecting the calculation of retirement benefits for part-time employees, modifications to forms and brochures, and general administration of domestic partner benefits, etc. More information will be forthcoming on these items in the future.).

Continuing Hiring Freeze/Limitations Imposed on State Agencies

Since the Department of Administration (DOA) imposed a hiring justification process for all state positions in October 2008, ETF has received permission to recruit for and fill nine (50%) of eighteen vacancies. It is unlikely that decisions on the nine remaining vacancies awaiting DOA action will be issued by June 30, 2009, the end of the current fiscal year.

Proposed Furloughs of State Employees

The Governor has notified all state agencies, including the University of Wisconsin, that all state employees will be required to take eight furlough days per fiscal year without pay due to the projected budget deficit. Furloughs are required regardless of the funding source used to pay employee salaries. For ETF, this means a loss of about 13,613 hours of service per fiscal year or about 27,225 hours of service for the 2009-2011 biennium. The productive hours that will be lost are equivalent to 13 full-time employees over the biennium. At the time that this report was prepared, there were no final decisions about how the furloughs are to be imposed. ETF has been in contact with the Office of State Employment Relations (OSER) to assist in the analysis of how employee benefits will be affected by the furloughs.

Attachment: Vision Statement

DEPARTMENT OF EMPLOYEE TRUST FUNDS
VISION STATEMENT
MARCH 2009

In the next five years, it is our goal to become a leader among large public employee benefit systems by offering best practice customer services to our members. To achieve this goal;

- We will offer a suite of tools that will empower our customers to become better educated about their benefits, have access to meaningful, up-to-date information about those benefits, and to be able to enroll in, change critical information about, and apply for those benefits without reliance on staff resources;

- We will be more available to more members in more parts of the state to provide critical retirement planning, problem solving and direct education;

- We will build our infrastructure (human resources, information technology, facility, etc.) to ensure it has the capacity to support achieving our goal; and,

- We will make the most of our resources by incorporating modern best practices into our activities, by continually evaluating all of our processes for their effectiveness in meeting the needs of our customers, by safeguarding member data, and by delivering the best value to our members not only in the benefits we offer but in the services we provide.

STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: May 27, 2009

TO: Employee Trust Funds Board

FROM: Matt Stohr, Director, Office of Legislative Affairs, Communications, and Quality Assurance

SUBJECT: Member Correspondence

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

Please find attached a sampling of correspondence (letters and e-mails) that we have received from members since the last Board meeting in March. Our response precedes the member's letter in the enclosed packet. The first item in the enclosed packet was specifically addressed to the Board.

Variable Fund annuity adjustments and the Department's decision to discontinue paper check service for retirees were the most common themes in the e-mails and letters received by the Department since the March meeting.

I will be available at the June meeting to answer any questions you may have.

Attachments

Board	Mtg Date	Item #
ETF	6/18/09	6

STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: June 16, 2009

TO: Employee Trust Funds Board

FROM: Jon Kranz, Director
Office of Budget and Trust Finance

SUBJECT: 2009-2011 Department Biennial Budget Update

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

Attached document summarizes the status of the biennial budget request for the Department of Employee Trust Funds (Department) through the actions taken by the Joint Committee on Finance (JCF) and State Assembly through June 13, 2009. In addition, the document includes other provisions recommended by the Governor and provisions included by the JCF and State Assembly that could affect the Department.

The 2009-2011 biennial budget request for the Department was submitted to the Department of Administration on September 26, 2008. The period covered by the budget request is July 1, 2009 - June 30, 2011. The schedule for review and action by the Governor and Legislature is anticipated to be as follows:

Stage	Anticipated Schedule
Agency Budget Request Due	Submitted September 26, 2008
Governor Issues Budget Recommendations	February 17, 2009
Review and Action by the Joint Committee on Finance (JCF)	**Completed May 29, 2009**
Action by Full Legislature	June 2009
Final Enacted Budget	July 2009

In addition to the biennial budget request, the Department also submitted a capital budget request for the authority to acquire a new headquarters facility. The Governor's capital budget recommendations submitted in March 2009 did not include this request.

Please contact me at (608) 267-0908 should you desire any additional information.

Attachment

Reviewed and approved by Robert Conlin, Deputy Secretary.

Signature ______________________ Date ____________

Board	Mtg Date	Item #
ETF	6/18/09	6

Department of Employee Trust Funds
Summary of Fiscal 2009-2011 Biennial Budget Request
Updated June 16, 2009

Segregated Trust Fund Dollars Only

	FY 2010		FY 2011	
	FTE	**Funding**	**FTE**	**Funding**
Base Budget (FY 2009)	220.8	$26,030,300	220.8	$26,030,300
ETF Request Over Base*	25.0	$9,927,300	49.0	$11,956,200
Governor's Recommendations	(2.1)	$806,700	3.9	$1,543,700
Joint Committee on Finance	(2.1)	$129,500	3.9	$866,500
Legislature				
Final Enacted Budget				

* Includes new initiatives and standard technical adjustments

New Department Initiatives

1. Continuation of Critical Customer Service Functions

	FY 2010		FY 2011	
	FTE	**Funding**	**FTE**	**Funding**
ETF Request	33.1	$9,806,700	57.1	$11,835,600
Governor's Recommendations	6.0	$946,400	12.0	$1,683,400
Joint Committee on Finance				
Legislature				
Final Enacted Budget				

Funding and positions to address current work backlogs and anticipated workload growth due to the retirement of the "baby boom" generation. Addresses need to continue core customer service functions.

Included in this initiative were the following three statutory changes to increase the administrative flexibility available to the Department to more effectively meet the anticipated increased demand on customer service functions.

a) **Passive review process for the creation and deletion of positions**. This change would allow the Department to request changes in the authorized position level throughout the biennium based on workload metrics. To create or delete position authority, the Department would forward a request to the Joint Committee on Finance (JCF). During a 14 day review period, either the

Governor or a member of JCF could register an objection to the Department request. The JCF would schedule a meeting to discuss the request if either party registered an objection. If no action is taken by either the Governor or JCF member, the request would be considered approved after 14 days. As part of this change, the Department would need to seek Board approval for any position request that would increase the position authority over the peer system median of the ratio of participants to full-time equivalent staff. The Department would report quarterly on any positions created or deleted under this provision quarterly to the JCF, Governor, and Employee Trust Funds Board.

b) **Passive review process for the establishment of expenditure authority for the costs of administering benefit programs.** This change would allow the Secretary to establish the annual level of spending for administrative functions based on workload metrics, membership levels, and an analysis of expenditure levels of peer public systems. The Secretary would forward the annual expenditure authority recommendation to JCF and the Governor. A passive review process similar to the one described in the previous item would be utilized. The current "annual" appropriation used for administrative operations would be changed to a "continuing" appropriation allowing unused funds in one year to be carried over to subsequent years.

c) Clarification of the ETF Board's procurement authority. This change would clarify certain ambiguities regarding the Department's procurement authority. This change more clearly indicates that for the purposes of the Public Trust Fund, the Board is the procurement authority (as opposed to the Department of Administration).

Governor's Recommendation: Provides 6.0 FTE permanent positions and $946,400 in FY 2010 and 12.0 FTE permanent positions and $1,683,400 in FY 2011 to accommodate the additional workload.

Creates the passive review process for creating and deleting positions as described in item "a" of the administrative flexibility initiatives described above except that there is no requirement to obtain ETF Board approval prior to exceeding the participant to staff ratio of peer public systems.

The statutory changes related to expenditure authority (Item b) and clarification of procurement authority (Item c) were not included in the Governor's recommendations.

Joint Committee on Finance: Deleted the provisions that created a passive review process for creating and deleting positions as these provisions were deemed non-budget policy items that will be introduced as separate legislation. The Committee indicated that the Department could request additional resources via the s. 13.10 process should workload metrics indicate a need for additional positions or expenditure authority. Retained additional funding and positions as recommended by the Governor.

2. Group Insurance Program Efficiencies

Statutory changes to provide additional efficiencies for the administration of the group insurance programs.

a) **Wellness incentives for the Group Health Insurance Program.** This statutory change would allow the Group Insurance Board (GIB) to incorporate a wellness incentive component into the health plans without having to reduce another benefit as currently required by the statutes. This change will allow the GIB to better encourage member participation in wellness and disease management programs developed or sanctioned by the GIB.

b) **Expansion of GIB authority to contact for data collection and analysis services.** This change would expand the GIB's authority for obtaining consulting services related to insurance programs offered by the Board. The current authority under this provision is limited to contracting for data collection and analysis related to the health insurance programs.

c) **Elimination of the requirement for GIB approval of payroll deduction of optional insurance plans.** This change would eliminate the requirement that state agencies obtain GIB approval prior to offering payroll deduction for optional employee-pay-all insurance plans.

d) **Additional flexibility to determine long-term care insurance options.** This change would allow the GIB to limit the number of long-term care plans offered. Currently, the GIB must offer to employees any plan that meets the standards established by the GIB.

<u>Governor's Recommendation</u>: The wellness incentives (item a) and GIB contracting authority (item b) statutory changes are included in the Governor's recommendations.

<u>Joint Committee on Finance</u>: Both the wellness incentives (Item a) and the GIB contracting authority item (Item b) were deemed non-budget policy items and removed from the biennial budget bill. These items will be introduced as separate legislation.

3. New Headquarters Facility

Approval and expenditure authority for the design and construction/purchase of a new Department headquarters facility. Note that the majority of the request associated with this item will be handled via the Governor's Capital Budget request which is anticipated to be released sometime in March 2009.

This item includes a request for a sum sufficient appropriation to fund costs associated with the design and related pre-construction costs. The appropriation is requested so that the building related costs do not compete with the resource needs for day-to-day departmental operations.

Governor's Recommendation: Not included in the Governor's budget recommendations.

Summary of Department FTE Positions by Fund Source

	FY 2009 (Base)	FY 2009-11 Department Request	FY 2008-09 Governor and JCF	Change Base to Governor and JCF
SEG Permanent	212.7	269.8	224.7	12.0
SEG Project	8.1	-	-	(8.1)
SEG Total	**220.8**	**269.8**	**224.7**	**3.9**

Summary of Department Budget Request By Fund Source Through the Joint Committee on Finance and Assembly (6/13/09)

	FY 2010	FY 2011
SEG Funding Adjusted Base (FY 2007)	$26,030,300	$26,030,300
Standard Technical Adjustments	120,600	120,600
New SEG Funded Initiatives	**8,900**	**745,900**
Total SEG Funded Budget Request	**$26,159,800**	**$26,896,800**
GPR Funding Adjusted Base (FY 2007)	1,062,900	1,062,900
Standard Technical Adjustments	(220,700)	(392,400)
Total GPR Funded Budget Request*	**$842,200**	**$670,500**
All Funds Total	**$27,002,000**	**$27,567,300**

* GPR includes $30,000 per year for BadgerRx Gold advances (a program that allows non-WRS individuals to purchase prescription drugs from the State prescription drug plan at discounted prices). It does not include the $5,000 proposed by the Assembly to fund an actuarial study described in Item 7 under the State Legislature Initiatives section.

FY = Fiscal Year - the state fiscal year begins July 1 and ends June 30.

FTE = Full-time Equivalent position

GPR = General Purpose Revenues – represents appropriations from the general fund; these are primarily funds derived from income and sales taxes.

SEG = Segregated Funds – for ETF, this represents appropriations from the Public Employee Trust Fund; the source of funds included employer/employee contributions and investment earnings.

Governor's Initiatives

1. Across-the-Board One Percent Reductions

	FY 2010		FY 2011	
	FTE	**Funding**	**FTE**	**Funding**
ETF Request				
Governor's Recommendations	-	($260,300)	-	($260,300)
Joint Committee on Finance				
Legislature				
Final Enacted Budget				

Governor's Recommendation: Reduce most non-federal state agency state operations appropriations by one percent to create additional efficiencies and balance the state budget. This cut is applied equally to the three Department administrative appropriations.

2. Domestic Partner Status For Certain WRS Benefit Programs

Governor's Recommendation: Modify the definition of a dependent for the purposes of certain WRS programs including health insurance, duty disability, accumulated sick leave conversion credits, joint survivor annuity options, long-term care insurance, division of a WRS or WDC account due to a domestic relations order, death benefits, and beneficiary designations to include a domestic partner. A domestic partner is defined as an individual who is in a relationship with another individual where both individuals are at least 18 years of age, neither individual is married or in another domestic partner relationship, the two individuals are not related by blood in any way that would prohibit marriage, the two individuals consider themselves to be members of each other's immediate family, and the two individuals agree to be responsible for each other's basic living expenses. This provision would be effective for insurance coverage that begins on or after 1/1/2011 and immediately upon enactment into law for other provisions.

Joint Committee on Finance: Included the Governor's recommendations with the following modifications: changed the effective date for all provisions to 1/1/2010 (if the budget is not enacted into law by August 1, 2009, the insurance coverage provisions will be effective on 1/1/2011); requires an affidavit to attest that individuals meet the requirements of a domestic partnership (also applies to changes and dissolution of a domestic partnership); requires a six-month waiting period between the termination of a domestic partnership and any subsequent domestic partnership; and includes a requirement that both parties to a domestic partnership share a common residence.

Note: The above provisions apply to domestic partnerships only for the purposes of benefits provided under Chapter 40 of the statutes.

3. WRS Benefits for Certain Part-time Staff

Governor's Recommendation: Modify WRS eligibility standards for educational support staff to use the teacher definition of full-time (440 hours per year) when determining if individuals meet the one third time requirement for WRS participation. Under current law, education support staff must meet the one third time requirement used for non-teacher participants (600 hours per year). In addition, for the purposes of calculating the actuarial reduction for certain early retirement participants with part-time service in at least five of the 10 years immediately preceding termination, creditable service shall be calculated using the full-time definition of a year for teacher participants (full-time = 1320 hours per year). Under current law, creditable service for the purposes of determining the actuarial reduction is calculated using the equivalent of 1904 hours as one year of service for non-teacher participants. These provisions would be effective immediately upon enactment into law.

Joint Committee on Finance: Included the Governor's recommendations with a clarification that the change in WRS eligibility standards only applies to service earned after the effective date of the bill (participants will not be eligible to receive service credits for work prior to the effective date of the bill).

4. Transfer of the BadgerRx Gold Program to the Department of Health Services

Governor's Recommendation: Transfer the administration of the BadgerRx Gold program from the Department of Employee Trust Funds to the Department of Health Services. The BadgerRx Gold program allows Wisconsin residents with prescription drug coverage to purchase prescription drugs included on the formulary for the Group Insurance Board administered health plans at discounted prices. The transfer is effective on 1/1/2011.

Joint Committee on Finance: Included the Governor's recommendations.

5. Consolidation of Human Resource Staff Into the Office Of State Employment Relations

Governor's Recommendation: The Secretary of Administration along with the Director of the Office of State Employment (OSER) relations will identify and abolish all positions used for human resource functions in executive branch agencies other than the University of Wisconsin by July 1, 2011. Some of the affected individuals would be transferred to OSER. Human resource functions currently performed by agencies would be performed by the OSER. OSER would be authorized to bill executive branch agencies for all human resource services.

Joint Committee on Finance: Deleted the provisions and included a provision to allow the OSER and the Department of Administration to forward a request to the Committee to consolidate human resources functions of agencies into OSER when a detailed analysis is completed. ETF was included as an agency that would be exempt from consolidation.

6. **Health Insurance Coverage of Children to age 27**

Governor's Recommendation: Requires the Group Insurance Board administered health plans to provide coverage for children up to age 27 unless that child is married, has other health coverage, or is working full-time and is eligible for employer sponsored health coverage. This provision would be effective for the 2011 plan year.

Joint Committee on Finance: Included the Governor's recommendation.

7. **Consolidation of Various State Agency Functions**

Governor's Recommendation: This provision allows the Secretary of Administration to consolidate various state agency functions such as call centers, payroll functions, customer service functions, and legal services. The Secretary is authorized to reassign employees to other agencies to effect these consolidations.

Joint Committee on Finance: Deleted these provisions as they were deemed non-budget policy and will be introduced as separate legislation.

8. **Elimination of Positions that Have Been Vacant for One Year or More**

Governor's Recommendation: Authorizes the Secretary of Administration to eliminate any state agency position that has been vacant for at least one year. The associated funding would lapse to the underlying fund source.

Joint Committee on Finance: Deleted this provision.

9. **Includes Proposed Regional Transit Authorities As Eligible WRS Employers**

Governor's Recommendation: Modifies the definition of a state agency for the purposes of the WRS to include the proposed regional transit authorities.

Joint Committee on Finance: Included the Governor's recommendation.

State Legislature Initiatives

1. Annuity Deduction for Dues for Retiree Organizations

Joint Committee on Finance: Allows annuitants to require ETF to withhold dues from their monthly annuity payment and to transmit those amounts to retiree organizations that are affiliated with an employee organization. This provision would be effective on 1/1/2010.

Assembly: Deleted this provision.

2. Sharing of Annuitant Mailing List with Retiree and Employee Organizations

Joint Committee on Finance: Requires ETF to provide a list of names and addresses of all annuitants, at the request of a retiree organization or employee organization, to vendor (selected by ETF) for the purposes of sending mailing. The requesting organization would provide the printed information and pay the vendor directly for the costs associated with the mailing. The vendor would be prohibited from sharing the mailing list and would be required to return the list to ETF upon completion of the mailing. This provision would be effective on 1/1/2010.

Assembly: Deleted this provision.

3. Reporting of Survivor Benefits

Joint Committee on Finance: Requires ETF to gather sufficient information to determine the non-taxability of survivor benefits and ensure that this information is reported to the Internal Revenue Service (IRS) in a manner that would not result in an erroneous tax liability for the recipient.

Assembly: Deleted this provision.

4. Additional Reductions to the ETF Operating Budget

	FY 2010		FY 2011	
	FTE	Funding	FTE	Funding
ETF Request		-		-
Governor's Recommendations				
Joint Committee on Finance		(677,200)		(677,200)
Legislature				
Final Enacted Budget				

<u>Joint Committee on Finance</u>: Reduces the ETF operating budget by $677,200 annually. These amounts are associated with the 2% general wage adjustment that is effective for all state employees in June 2009 ($267,400 annually) and the executive action requiring all employees to be furloughed for eight days per year during the FY 2009 – 2011 biennium ($409,800 annually). The increase was eliminated for non-represented employees as part of the modifications to the non-represented employee compensation plan approved in May 2009. While the modifications only affect non-represented employees (24% of ETF staff), the budget action reduces the entire salary base by 2%.

5. **Coverage of Autism and Autism Related Disorders in ETF Administered Health Plans**

<u>Joint Committee on Finance</u>: Requires health plans administered by ETF to include coverage for autism and autism related disorders for coverage effective 1/1/2010. The provisions would be similar to those contained in Substitute Amendment 1 to 2009 Senate Bill 3 except for the change of definition of "post-intensive-level services" to "non-intensive level services."

6. **Coverage of Services Provided by Licensed Mental Health Professionals**

<u>Joint Committee on Finance</u>: Modifies the coverage of mental health services provided by certain licensed mental health professionals. These provisions are similar to those contained in 2007 Senate Bill 246 as amended by Amendment 1. These provisions would be effective for coverage under the ETF administered plans on or after 1/1/2010.

7. **<u>Actuarial Analysis of Increasing the Maximum Formula Benefit For Protective Occupation Employees With Social Security To 70%</u>**

<u>Assembly</u>: Requires the Department to contract for an actuarial analysis of the cost associated with increasing the maximum formula benefit for protective occupation employees with social security coverage to 70% of the final average earnings from the current statutory maximum of 65%. Provides $5,000 GPR in FY 2010 and creates a new GPR appropriation for this purpose. The GPR appropriation would be repealed at the end of FY 2010.

STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: May 28, 2009

TO: Employee Trust Funds Board

FROM: Bob Conlin, Deputy Secretary

SUBJECT: Project to Establish Variable Annuity Comparison Values

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

This memo provides an update of information I provided to you at the March Board meeting. At that meeting I directed your attention to a letter from an annuitant in the Variable Fund who pointed out that it was difficult to decide whether he should cancel participation in the Variable Fund because the Department is not able to inform him prior to the end of the year whether his annuity is ahead of or behind what it would have been had he not participated in the Variable Fund. I briefly described for you the Department's efforts to develop a proposal to bring additional transparency to the Variable Fund for annuitants. Further information is provided below.

Background

There are approximately 32,000 annuitants who participate in the Variable Fund. Generally, these annuitants receive an annuity that is made up of a Core Fund portion and a Variable Fund portion. Because investment returns in the Core Fund are smoothed over five years and because those in the Variable Fund are not, annual annuity adjustments in the Core Fund tend to be far less volatile than Variable Fund adjustments.

An annuitant may elect to cancel his or her participation in the Variable Fund. An annuitant may select from two different options when ending participation in the Variable Fund: an unconditional cancellation or a conditional cancellation. An unconditional cancellation terminates an annuitant's participation as of December 31 after the cancellation is received. At that time, the annuitant's Variable Fund annuity is transferred to a Core Fund annuity. A conditional cancellation terminates the Variable Fund annuity as of the first January 1 after the cancellation is received by the

Board	Mtg Date	Item #
ETF	6/18/09	6

Department, or as of January 1 in a subsequent year, whenever the transfer condition is met. The transfer condition is met when the annuity is equal to or greater than the amount it would be if the annuitant had not participated in the Variable Fund.

Unless an annuitant completes and submits a Variable cancellation form, the Department does not keep track of whether an annuitant's participation in the Variable Fund has resulted in an annuity that is higher or lower than had the annuitant not participated in the Variable Fund. In the past, we have been able to respond to individual requests to determine an annuitant's balance. However, with the recent losses experienced by annuitants in the Variable Fund, we are beginning to experience an increase in such requests. This will present service delivery challenges for us as inquiries from members are likely to increase near the end of the year.

Since the beginning of 2009, we have been exploring ways to provide annuitants in the Variable Fund more information about the status of their Variable Fund annuity in comparison to what it would have been had they never participated in the Variable Fund, i.e., whether they are "ahead" or "behind." (Active employees participating in the Variable Fund are provided information each year with their *Statement of Benefits* which identifies whether they have an "excess" or "deficiency" in their Variable Fund account.) The Benefit Payment System (BPS) that we launched last fall has the capability of automatically updating each year an annuitant's comparison of his or her Variable Fund annuity at the Core Fund rate. However, the data necessary for this calculation still needs to be manually calculated – with the assistance of a spreadsheet – on an individual basis and loaded into BPS.

Next Steps: Options

The Department seeks to provide annuitants participating in the Variable Fund information about whether they are ahead or behind. This will not only help annuitants make informed Variable cancellation decisions, but also allow the Department to redirect approximately 250 hours of staff time (annually) to other benefit processing work .

We estimate that it would take approximately 4,800 staff hours to complete the steps needed to establish an "ahead" or "behind" balance for all 32,000 annuitants currently in the Variable Fund. With two full-time project positions dedicated to this effort we could complete the task in approximately one year. With one full-time project position, the task would likely take two years.

It is not possible for the Department to begin this project in the current fiscal year, which ends June 30. As of the date of this memo, the Department has a few options available to it to get this project started in the next fiscal year, which starts July 1. Those options include the following:

1. Seek additional expenditure/position authority from the Joint Committee on Finance (JFC) through the existing statutory “section 13.10” process. This would require a written request to the JFC, review by JFC and the Department of Administration, and approval by JFC.

2. Assign one or more of the new positions included in the Governor’s budget to work on the project once they are hired. The Governor has authorized six additional positions for the Department in each year of the coming biennium. However, as the Department will lose approximately eight project positions at the end of June 2009, the net increase in positions for the Department is just over three positions by the second year of the biennium.

3. Use contract employees for the project. This approach makes it possible for the Department to complete the project without shifting position resources away from other critical work in the Department. However, the ability to exercise this option is contingent upon having sufficient funds available to pay for the service.

4. Reallocate current resources. Under this option, the Department would use existing staff to complete the project. Staff could be assigned to work on the project as time permits or exclusively until it is completed. This approach would mean that the project would either take longer or would divert from other important benefit processing duties.

The above options are contingent upon the final outcome of the biennial budget. As you know, recent revenue collections and projections indicate that the State’s general fund position is deteriorating as a result of the global recession. The Governor has indicated that additional state agency cuts of four percent or more will be required to help reduce the projected deficit. While we do not know how those reductions will affect the Department, it is possible that we may not be in a position to begin new projects and may be forced to reduce some services. In addition, regardless of the direct impact of additional cuts on the Department, it is possible that requests for additional resources will be discouraged or frowned upon except in dire situations.

While the Department would like to embark on this project in order to offer this additional service to annuitants in the Variable Fund, the current economic climate may hinder our ability to do so now. The Department will continue to refine its estimates of the effort required to complete the project and will keep monitoring the impact of the State’s budget deficit on the Department’s operating budget. We will keep the Board apprised as events unfold.

2009
EMPLOYEE TRUST FUNDS BOARD
MEMBERSHIP ROSTER

MEMBER NAME	TERM BEGAN	TERM EXPIRES	MEMBERSHIP REQUIREMENTS
David John	6/26/08	5/1/10	**§ 15.16(1)(b)** 4-year term Appointed by Wisconsin Retirement Board. Any Wisconsin Retirement Board member.
Donnelly Jennifer	3/23/07	Ex Officio	**§ 15.16 (1)** (intro.) Ex Officio Director of the Office of State Employment Relations or the Director's designee.
Finora Rosemary	8/8/06	5/1/09	**§ 15.16 (1)(c)** 4-year term Appointed by Governor, with Senate confirmation. Public member who is not a participant in or beneficiary of the WRS, with at least five years of experience in actuarial analysis, administration of an employee benefit plan, or significant administrative responsibility in a major insurer.
Fisher Theron	5/1/07 (5/03-5/07)	5/1/11	**§ 15.16 (1)(d)** 4-year term Elected by WRS annuitants. WRS annuitant as defined for purposes other than life insurance under § 40.02 (4).
Vacant * (Gale)			**§ 15.16 (1)(b)2** 4-year term Appointed by Wisconsin Retirement Board. Wisconsin Retirement Board member appointed under § 15.165 (3)(b) 3, 6 or 7 (participating employee of a city or village, participating employee of a local employer other than a city or village or participating state employee).
Koessl (V) Wayne	5/1/00 (5/96-5/00)	5/1/04	**§ 15.16 (1)(b)1** 4-year term Appointed by Wisconsin Retirement Board. Wisconsin Retirement Board member appointed under § 15.165 (3)(b)1, 2, 4, 5 or 8 (chief executive, finance officer or member of governing body of a participating city or village, county clerk, deputy county clerk, chairperson, or member of the governing body of a participating county or town, or public member who is not a participant).
Kreul Kathleen	5/1/07 (5/03-5/07)	5/1/11	**§ 15.16 (1)(f)** 4-year term Elected by educational support personnel. WRS participant who is either a public school district educational support personnel employee or a technical college district educational support employee.
Langyel Michael	3/20/09	5/1/13	**§ 15.16 (1)(a)3** 4-year term Appointed by Teachers Retirement Board. Teachers Retirement Board member elected under § 15.165 (3)(a)7 (City of Milwaukee teacher participant).
McCaffery Wayne	5/1/07 (5/03-5/07) (5/99-5/03)	5/1/11	**§ 15.16 (1)(a)1** 4-year term Appointed by Teachers Retirement Board. Teachers Retirement Board member appointed or elected under § 15.165 (3)(a) 1 or 2 (public or vocational school teacher).
Niendorf (S) Robert	5/1/00 (5/92-5/96) (5/96-5/00)	5/1/04	**§ 15.16 (1)(a)2** 4-year term Appointed by Teachers Retirement Board. Teachers Retirement Board member appointed under § 15.165 (3)(a)4 (UW teacher participant).
Sherman Gary	1/24/05	Ex Officio	**§ 15.16 (1)** (intro.) Ex Officio Governor or the Governor's designee on the Group Insurance Board.
Thompson Nancy	3/18/99	5/1/03	**§ 15.165 (3)(a) 5** 4-year term Appointed by Teachers Retirement Board. Teachers Retirement Board member appointed under § 15.165 (3)(a) 3 or 5 (public school administrator or school board member).
Wigdahl (C) Marilyn	5/1/99 (6/87-5/91) (6/91-5/95) (5/95-5/99)	5/1/03	**§ 15.16 (1)(b) 3** 4-year term Appointed by Wisconsin Retirement Board. Wisconsin Retirement Board member appointed under § 15.165 (3)(b) 7 or 8 (participating state employee or public member who is not a participant).

*Rick Gale resigned in December 2008. A replacement has not yet been appointed.

(C) – Chair (V) – Vice-Chair (S) – Secretary

MAILINGS FOR BOARD MEMBERS SHOULD BE SENT TO:
Employee Trust Funds Board
c/o Cindy Gilles, Board Liaison
Department of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
Phone (608) 261-0736

Board	Mtg Date	Item #
ETF	6/18/09	6

(Revised 6.4.09)

STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS
EMPLOYEE TRUST FUND BOARD
WISCONSIN RETIREMENT BOARD
TEACHERS RETIREMENT BOARD

FINAL DRAFT REPORT ON CLEARINGHOUSE RULE #08-026

FINAL RULE to amend ETF 10.08 (2) (b) 4. and to create ETF 50.30 (4), relating to termination of employment and administrative leave of absence.

Agency Person to be Contacted for Questions

Please direct any questions about the proposed rule to David Nispel, General Counsel, Department of Employee Trust Funds, P.O. Box 7931, Madison WI 53707. Telephone: (608) 264-6936. E-mail address: david.nispel@etf.state.wi.us.

Statement Explaining Need for Rule

This rule-making is needed reflect current department 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 to receive such benefits if the employee's 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). For example, under this rule, the effect on a person's health insurance and premiums would not vary depending on whether the employer participated in the group insurance board's health insurance under ch. 40 or if the employer offered other health insurance.

Analysis Prepared by the Department of Employee Trust Funds

1. Statute interpreted:

Section 40.63, Stats.

2. Statutory authority:

Sections 40.03 (2) (i) and 227.11 (2) (a), Stats.

3. Explanation of agency authority:

By statute, the DETF Secretary is expressly authorized, with appropriate board approval, to promulgate rules required for the efficient administration of any benefit plan established in ch. 40 of the Wisconsin statutes. Also, each state agency may promulgate rules interpreting the provisions of any statute enforced or administered by the agency if the agency considers it necessary to effectuate the purpose of the statute.

4. Related statute or rule:

Ch. ETF 10, Wis. Admin. Code, concerns the administration of the Public Employee Trust Fund and Ch. ETF 50 concerns disability benefits provided in accordance with the trust fund. Section 40.63, Stats., concerns disability annuities from the Wisconsin retirement system. There are no other related administrative rules or statutes.

5. Plain language analysis:

The purpose of this rule is to enable participants to continue to receive non-chapter 40, Stats., benefits offered by their employer, such as health insurance, while they are receiving disability benefits under s. 40.63, Stats.

6. Summary of, and comparison with, existing or proposed federal regulations:

The only federal regulations that may be affected by this proposed rule are provisions of the Internal Revenue Code regulating qualified pension plans. The Wisconsin Retirement System is required to be maintained as a qualified plan by s. 40.015, Stats. As a general rule, pension plans are supposed to provide benefits at retirement. However, federal regulations state that a pension plan may provide for the payment of a pension due to disability. The Wisconsin Retirement System provides for disability annuities under s. 40.63, Stats.

7. Comparison with rules in adjacent states:

The department did not locate any comparable rule or statute in any adjacent states.

8. Summary of factual data and analytical methodologies:

Currently, the department interprets s. 40.63, Stats., to permit 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 to receive such benefits if the employee's application is approved. This practice followed an internal review of the department's policies and the pertinent statutes and administrative rules for administering the s. 40.63, Stats., disability benefit program.

This proposed rule addresses the status of disability annuitants with regard to the Wisconsin Retirement System and other fringe benefits under ch. 40, Stats. For example, if a disabled employee is deemed to have terminated employment for all ch. 40 purposes, the effect on that person's health insurance and premiums would vary depending on whether the employer participated in the group insurance board's health insurance under ch. 40 or if the employer offered other health insurance.

Under s. ETF 50.54 (2) (b), long-term disability insurance benefits, which replaced disability annuity benefits for employees not continuously employed since before October 16, 1992, already are available for employees on a leave of absence. This proposed rule will conform the eligibility criteria regarding termination of employment for both disability annuities and long-term disability insurance.

9. Analysis and supporting documents used to determine effect on small business or in preparation of economic impact report:

This rule does not have an effect on small businesses because private employers and their employees do not participate in, and are not covered by, the Wisconsin Retirement System.

10. Anticipated costs incurred by private sector

None.

11. Statement of effect on small business:

The rule has no effect on small businesses.

Regulatory Flexibility Analysis:

The proposed rule has no significant effect on small businesses because only governmental employers and their employees may participate in the benefit programs under ch. 40 of the statutes administered by the Department of Employee Trust Funds.

Fiscal Estimate:

The proposed rule has no direct fiscal impact. The proposed rule generates no revenues for any employer. The proposed rule itself has no effect on the fiscal liabilities of any county, city, village, town, school district, technical college district or sewerage. The rule has no state fiscal effect during the current biennium and no fiscal impact on state funds.

Text of Rule

Section 1. ETF 10.08 (2) (b) 4. is amended to read:

ETF 10.08 (2) (b) 4. ~~Upon~~ Except as provided in ETF 50.30 (4), upon termination of employment the participant is treated consistently with the status of a former employee. This includes, but is not limited to the terminated employee no longer being eligible for benefits available only to active employees. Examples of such benefits may include health insurance, life insurance, income continuation insurance coverage, making deferred compensation or tax sheltered annuity contributions, worker's compensation coverage, internal grievance, promotion or transfer rights, or rights available to active employees under a collective bargaining agreement. This subd. shall not apply to benefits that may be available to the employer's retired employees, such as severance pay, post-retirement insurance coverage and/or employer payment of premiums, or post-retirement benefits or other rights provided through collective bargaining or other retirement agreements. However, agreements made after the termination date for future compensable services to be rendered by the employee would not be precluded under subd. 3.

Section 2. ETF 50.30 (4) is created to read:

ETF 50.30 (4) For purposes of benefits administered under ch. 40, Stats., the participant shall be treated as terminated for all ch. 40, Stats., purposes effective on the date before the s. 40.63, Stats., annuity is effective or on the termination date reported to the department by the employer, whichever is earlier. The benefits include, but are not limited to, health insurance coverage, sick leave credit usage, life insurance coverage, income continuation insurance coverage, Wisconsin retirement system coverage and death benefits under s. 40.73 (1) (am) and (c), Stats., and deferred compensation contributions and benefits under s. 40.80, Stats. This rule does not preclude a participating employer from placing the participant on an administrative leave of absence for purposes of benefits not administered under ch. 40, Stats.

(end of rule text)

LCRC
FORM 2

WISCONSIN LEGISLATIVE COUNCIL
RULES CLEARINGHOUSE

Ronald Sklansky
Clearinghouse Director

Richard Sweet
Clearinghouse Assistant Director

Terry C. Anderson
Legislative Council Director

Laura D. Rose
Legislative Council Deputy Director

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE **08-026**

AN ORDER to amend ETF 10.08 (2) (b) 4., and to create ETF 50.30 (4), relating to termination of employment and administrative leave of absence.

Submitted by **DEPARTMENT OF EMPLOYE TRUST FUNDS**

04-08-2008 RECEIVED BY LEGISLATIVE COUNCIL.

05-01-2008 REPORT SENT TO AGENCY.

RNS:WF

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

   Comment Attached YES ☐ NO ☑

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

   Comment Attached YES ☑ NO ☐

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

   Comment Attached YES ☐ NO ☑

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS [s. 227.15 (2) (e)]

   Comment Attached YES ☑ NO ☐

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

   Comment Attached YES ☑ NO ☐

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL REGULATIONS [s. 227.15 (2) (g)]

   Comment Attached YES ☐ NO ☑

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

   Comment Attached YES ☐ NO ☑

WISCONSIN LEGISLATIVE COUNCIL
RULES CLEARINGHOUSE

Ronald Sklansky
Clearinghouse Director

Richard Sweet
Clearinghouse Assistant Director

Terry C. Anderson
Legislative Council Director

Laura D. Rose
Legislative Council Deputy Director

CLEARINGHOUSE RULE 08-026

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated January 2005.]

2. Form, Style and Placement in Administrative Code

a. In both sections of the rule, the entire citation should be shown in the text. For example, in SECTION 1, "ETF 10.08 (2) (b)" should be inserted before "4."

b. In s. ETF 50.30 (4), "shall" should replace "must" and "The" should replace "Such." Also, "subs." should be replaced with "subsection." [See s. 1.07, Manual.]

4. Adequacy of References to Related Statutes, Rules and Forms

a. In the analysis to the rule, "Stats." should replace "Wis. Stats.".

b. In s. ETF 50.30 (4), "Stats." should be inserted after the fourth statutory citation.

5. Clarity, Grammar, Punctuation and Use of Plain Language

a. The "plain language analysis" in the analysis to the rule states that a purpose of the rule is to enable participants to continue to receive **private benefits** offered by their employer, such as health insurance, while they are receiving disability benefits under s. 40.63, Stats. The meaning of the term "private benefits" is unclear. If the term "private benefits" refers to benefits other than those provided under ch. 40, Stats., the analysis should be redrafted to specifically state this. If the term has some other meaning, it should be more clearly stated.

b. SECTION 2 should be drafted to effectuate the intent of the rule more clearly. The apparent intent of the rule is to clearly state that (as specifically authorized in s. 40.63 (1) (c), Stats.) a person who is placed on an administrative leave of abse3nce and who is not expected to resume active service may qualify for a disability benefit under s. 40.63, Stats. However, this intent is obscured because the proposed subsection, rather than stating this directly, indirectly states that a "termination of employment" does "not preclude" a participating employer from placing the participant on administrative leave of absence if the employee is not expected to resume active service. In addition, this intent is obscured because the first sentence of the subsection, without mentioning anything about an administrative leave of absence, states that a participant must terminate all participating employment in order to be eligible for disability benefit under s. 40.63, Stats.

Response to Legislative Council Staff Recommendations

The DETF implemented all of the Legislative Council Staff recommendations contained in the Clearinghouse Report. This involved making changes in form, style, grammar, punctuation, statutory and rule references, and use of plain language.

List of Persons Appearing or Registering For or Against the Rules.

No persons registered either for or against the rule at the public hearing on May 22, 2008.

Summary of Comments Received at Public Hearing.

No person wished to testify concerning the rule. The record was held open for written comments until 4:30 p.m. on May 22, 2008, but no comments were received.

Modifications to Rule as Originally Proposed as a Result of Public Comments

None.

Modifications to the Analysis Accompanying the Proposed Rule.

The analysis was revised to reflect the comments made by the Legislative Council Staff regarding the term "private benefits" and the intent of the rule.

Modifications to the Initial Fiscal Estimate

None.

Board Authorization for Promulgation

This final draft report on Clearinghouse Rule #08-026 has been duly approved for submission to the Legislature, and for promulgation, by the Department of Employee Trust Funds and by the Employee Trust Funds Board, Wisconsin Retirement Board and Teachers Retirement Board at their meetings on June 18, 2009.

Effective Date

This rule shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in s. 227.22 (2), Stats.

Respectfully submitted,

DEPARTMENT OF EMPLOYEE TRUST FUNDS

______________________________ Date: May 15, 2009

David A. Stella
Secretary

STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: June 18, 2009

TO: Employee Trust Funds Board
Wisconsin Retirement Board
Teachers Retirement Board

FROM: David H. Nispel, General Counsel

SUBJECT: Wisconsin Administrative Code Chapter 10 and Chapter 50 Revisions

Staff recommends that the Boards approve the final version of this proposed rule.

The Department of Employee Trust Funds (ETF) 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).

Board approval of the final version of the proposed rule is the next step in the administrative rule promulgation process. If approved, the rule revisions will be submitted to the State Legislature for consideration. Prior to this date, the Department has taken the following action:

- Scope statement approved by ETF Secretary (March 2008)
- Scope statement published in the Wisconsin Administrative Register (March 2008)
- Submitted the proposed rule and a report to the Legislative Council Administrative Rules Clearinghouse (April 2008)

Reviewed and approved by Robert Conlin, Deputy Secretary.

Signature ____________________ Date __________

Board	Mtg Date	Item #
JI	6/18/09	5
WR	6/18/09	5
TR	6/18/09	5
ETF	6/18/09	7

- Submitted the rule and Legislative Council report to the Department of Administration and Legislative Reference Bureau along with notice of the scheduled public hearing (April 2008)
- Published the notice of hearing in the Wisconsin Administrative Register (April 2008)
- Held a public hearing (May 22, 2008)

The final draft report on the proposed administrative rule is attached to this memorandum. Minor technical changes to the rule were made in response to comments received in the Legislative Council Staff Clearinghouse Report. The rule now conforms to recommended form and style. There were no appearances at the public hearing and no written comments were received.

Department staff will be available at the meeting to discuss this memo and answer any questions you may have regarding the proposed revisions.

Attachment

STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: May 26, 2009

TO: Employee Trust Funds Board

FROM: Jon Kranz, Director
Office of Budget and Trust Finance

SUBJECT: Delegation of Authority to Solicit Proposals for, and Contract with, Qualified Firms to Perform Contract Compliance Audits of Third Party Administrators

Staff recommends that the Board delegate authority to solicit proposals for and contract with qualified firms to perform contract compliance audits of third party administrators under contract with the Department.

The Department contracts with various third party administrators (TPAs) to administer portions of various benefit programs. As part of the effort to ensure the TPAs are administering these programs as intended while providing the best value to the Public Employee Trust Fund, the Department periodically contracts with other entities to ensure the TPAs are in compliance with the contract provisions.

This audit function requires specialized expertise and an infrastructure unavailable within the Department or other state agencies. The Department believes that these compliance audits should be performed every two or three years, depending on the nature of the program and experience with the TPA being audited.

The requested delegation would be used to contract with vendors to audit the following programs:

Program	Current TPA	Proposed Audit Frequency
Income Continuation Insurance and Long-term Disability Insurance	Aetna	Tri-annual
Group Health Insurance – Self-Insured Program Administration	WPS	Bi-annual

Reviewed and approved by Robert Conlin, Deputy Secretary.

Signature ______________________ Date ____________

Board	Mtg Date	Item #
ETF	6/18/09	7

Program (cont.)	Current TPA	Proposed Audit Frequency
Pharmacy Benefits Manager	Navitus Health Solutions	Bi-annual
Employee Reimbursement Accounts and Commuter Benefits	Fringe Benefits Management Company	Tri-annual
Group Life Insurance	Minnesota Mutual Life	Tri-annual

Should the Board concur with this recommendation, the Department intends to award a contract to the most qualified vendor for each program. The initial contract term would run until December 31, 2015, with the option of extending the contract for two additional two-year periods (for programs that are audited bi-annually) or one additional three-year period (for programs that are audited tri-annually).

The Board is authorized by law to employ or select vendors as required for the effective administration of the Trust. The Board may delegate its powers and duties as deemed necessary and desirable. The Department believes that delegating this task is appropriate as it is a best practice to have the performance of TPAs reviewed by independent experts on a periodic basis.

The Department will utilize a request for proposal (RFP) process to solicit and award contract(s) to the vendor that provides the best value to the Trust for each of the above listed benefit programs. The results of these audits will be presented to the ETF Board and/or Group Insurance Board as appropriate.

I will be available at the meeting to answer any questions the Board may have.

Gabriel Roeder Smith & Company
Consultants & Actuaries

ACCUMULATED SICK LEAVE CONVERSION CREDIT PROGRAMS

PRESENTED TO THE WISCONSIN DEPARTMENT OF EMPLOYEE TRUST FUNDS

ANNUAL ACTUARIAL VALUATION

DECEMBER 31, 2008

June 5, 2009

Employee Trust Funds Board
Wisconsin Retirement System
801 West Badger Road
Madison, Wisconsin 55713-2526

Ladies and Gentlemen:

The results of the **Annual Actuarial Valuation** of benefit liabilities and costs of the Accumulated Sick Leave Conversion Credit Programs are presented in this report. The recommended contribution rates are shown below:

	University Hospital Authority	Health and Education Facility	Wiscraft	Other State Employers	Totals
Base Rate	0.9%	1.4%	1.7%	0.6%	0.6%
Supplemental Rate	0.4%	0.8%	1.1%	0.2%	0.2%
Total	1.3%	2.2%	2.8%	0.8%	0.8%

The date of the valuation was **December 31, 2008**.

The valuation was based upon data, furnished by the Department of Employee Trust Funds, concerning retired and non-retired participants and pertinent financial information.

Both actuaries submitting this report are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The valuation was completed in accordance with standards of practice prescribed by the Actuarial Standards Board and in conformance with Chapter 40 of the Wisconsin Statutes. To the best of our knowledge, this report is complete and accurate, and the actuarial methods and assumptions produced results which are reasonable.

Respectfully submitted,

Brian B. Murphy, FSA, MAAA

Mark Buis, FSA, MAAA

BBM/MB:lr

1203

COMBINED RESULTS AND DISCUSSION

ASLCC PROGRAM
BASE PLUS SUPPLEMENTAL
COMPUTED TOTAL EMPLOYER CONTRIBUTION RATES

The financial objectives of the ASLCC Program are to establish and receive contributions to support benefits that will remain approximately level from year to year. Combined program valuation results for the last 10 years are presented below.

Valuation Date December 31	Base	Supplemental	Total	UAAL* Amortization Years
1999	1.8%	0.9%	2.7%	25
2000@	1.7%	1.0%	2.7%	24
2001	1.7%	1.1%	2.8%	24
2002	1.8%	1.2%	3.0%	23
2003@&	0.9%	0.5%	1.4%	22
2004	0.9%	0.4%	1.3%	21
2005	0.8%	0.4%	1.2%	20
2006@	0.7%	0.3%	1.0%	19
2007	0.6%	0.2%	0.8%	18
2008	0.6%	0.2%	0.8%	17

* *Unfunded actuarial accrued liabilities.*
@ *Assumption change.*
& *Method change.*

COMMENTS

- Based on the policy established at the June 2002 ETF Board meeting, the amortization period for unfunded actuarial accrued liabilities was closed. Therefore, the remaining period will decline one year at a time until the UAAL is fully amortized.
- The decrease in contribution rates shown above from 2002 to 2003 is primarily due to the issuance of Pension Obligation Bonds by the State of Wisconsin which paid off the majority of unfunded liabilities of the ASLCC Program.
- In computing the rates in this report, we used the frozen initial liability (FIL) method. This method was used because the Pension Obligation Bond paid off unfunded liabilities for some, but not all employers, requiring separate contribution rates for some of the employers. This method is described further on page 13.
- In total, during 2008, investment return was well below the assumed level of 7.8% on a market value basis. However, under the asset valuation method, gains and losses are phased in over a five year period, resulting in a 3.2% return on an actuarial value of assets basis. Overall contribution rates for the December 31, 2008 valuation remained unchanged from the prior year. Increases attributable to unfavorable asset performance were offset by a revision to the actuarial adjustment for future contingencies (see page 14).
- The Actuarial Value of Assets exceeds the Market Value of Assets by approximately 32% as of the valuation date. The statutory asset valuation method will recognize all of the differences between actuarial value and market value over four future years. The results will be strong upward pressure on contribution rates.

ASLCC PROGRAM
SUMMARY OF PARTICIPANT DATA
DECEMBER 31, 2008

Active Participants

	State Employees (Non-University)	University	University Hospital	Total
Number	33,781	29,504	6,435	69,720
Annual Payroll	$1,781,423,247	$1,742,699,139	$353,914,338	$3,878,036,723
Accrued Unused Sick Days	3,020,185 days	2,740,245 days	172,059 days	5,932,489 days
Averages: Age	45.8 years	47.1 years	41.1 years	45.9 years
Service	13.1 years	11.8 years	8.5 years	12.1 years
Sick Leave Days	89.4 days	92.9 days	26.7 days	85.1 days

Retirees & Beneficiaries

	Rate Category		
	Without Medicare	With Medicare	Total
Number*	4,198	7,897	12,095
Monthly Premiums			
Total	$4,177,533	$4,731,170	$8,908,703
Average	$ 995.12	$ 599.11	
Prior Year Average	$ 933.56	$ 605.22	

* *Number count does not include 4,364 escrowed annuitants.*

ASLCC PROGRAM
SUMMARY OF ASSETS
DECEMBER 31, 2008

	Base Program	Supplemental Program	Total
Beginning Balance	$1,400,565,923	$744,424,781	$2,144,990,704
Adjustment	253,467	131,723	385,190
Adjusted Beginning Balance	$1,400,819,390	$744,556,504	$2,145,375,894
Revenues			
Contributions	$ 27,654,197	$ 12,262,232	$ 39,916,429
Investment Income	43,762,602	23,441,675	67,204,277
Total Revenues	$ 71,416,799	$ 35,703,907	$ 107,120,706
Expenses			
Insurance Premiums	$ 69,236,225	$ 23,184,143	$ 92,420,368
Administration	162,095	86,563	248,658
Total Expenses	$ 69,398,320	$ 23,270,706	$ 92,669,026
Ending Balance - December 31, 2008	$1,402,837,869	$756,989,705	$2,159,827,574
Internal Rate of Return	3.2%	3.2%	3.2%

ASLCC PROGRAM
UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)
DECEMBER 31, 2008

	University Hospital Authority	Health and Education Facility	Wiscraft	Other State Employers	Totals
Balance December 31, 2007	$ 13,411,117	$ 54,148	$224,279	$ 0	$ 13,689,544
Less: Adjustments	2,748,982	3,825	10,155	0	2,762,962
Less: Payments	(1,436,872)	(4,591)	(17,907)	0	(1,459,370)
Plus: Interest	1,148,412	4,164	16,889	0	1,169,465
Balance December 31, 2008	**$ 15,871,639**	**$ 57,546**	**$233,416**	**$ 0**	**$ 16,162,601**
Base UAAL	**$ 8,784,447**	**$ 33,035**	**$127,262**	$ 0	**$ 8,944,744**
Supplemental UAAL	**$ 7,087,192**	**$ 24,511**	**$106,154**	**$ 0**	**$ 7,217,857**
Annual Payroll	$239,236,763	$306,047	$942,469	$3,637,551,444	$3,878,036,723
Base Contribution Rate					
Normal Cost	0.6%	0.6%	0.6%	0.6%	0.6%
UAAL	0.3%	0.8%	1.1%	0.0%	0.0%
Total	0.9%	1.4%	1.7%	0.6%	0.6%
Supplemental Contribution Rate					
Normal Cost	0.2%	0.2%	0.2%	0.2%	0.2%
UAAL	0.2%	0.6%	0.9%	0.0%	0.0%
Total	0.4%	0.8%	1.1%	0.2%	0.2%
Total Contribution Rate	**1.3%**	**2.2%**	**2.8%**	**0.8%**	**0.8%**

BASE PLAN RESULTS

SECTION 40.05(4)(B)
ACCUMULATED SICK LEAVE CONVERSION CREDIT PROGRAM
SUMMARY OF ACCUMULATION AND PAYMENT CONDITIONS

Accumulation. For most participants, sick leave has historically accrued at the rate of 4 hours every two weeks to a maximum of 13 days a year. The potential accrual rate was increased to 5 hours per pay period in 1998, which corresponds to 16.25 days per year. Unused portions accumulate from year to year and are converted at retirement as indicated below. The average annual sick leave balance of Wisconsin State employees (other than University employees) in 2008 was 89.4 days. Based upon an average of 13.1 years of service, this would correspond to an average annual addition of 6.8 days per year to sick leave accounts for past years. For University and University Hospital employees, the average balance was 81.0 days. Based upon an average of 11.2 years of service, this would correspond to an average annual addition of 7.2 days per year to the sick leave accounts for past years. In the future, average annual additions are assumed to be higher because potential sick leave accrual rates have been increased. For purposes of estimating sick leave balances at retirement, each individual was assumed to continue using sick leave at the same rate as in the past but not less than 25% nor more than 75% of the person's annual accrual rate (usually 16.25 days).

Eligibility for Payment of Accrued Sick Leave. Termination of employment with 20 or more years of service or eligibility for an immediate annuity from the Wisconsin Retirement System. State elected officials and certain state administrative officials terminating before their minimum service retirement age retain eligibility for benefits at their minimum service retirement age providing they do not elect a WRS separation benefit.

Amount of Payment for Unused Sick Leave. A conversion credit is computed at the time of retirement or death by multiplying the number of days of unused sick leave by the highest basic pay rate. The conversion credit is then used to cover the cost of health insurance premiums for the employee and eligible dependents. Unused portions are carried forward from year to year without interest and when total health insurance premiums paid on behalf of the retired employee equal or exceed the conversion credit, no further payments are made under the ASLCC program. Payments from the sick leave account may be escrowed indefinitely after retirement for participants who provide evidence of comparable health insurance coverage from another source.

40.05(4)(B) - Base ASLCC Program
Development of Normal Cost

Actuarial Present Value of	December 31 2008	December 31 2007
(1) Future Amount to be paid on behalf of present retirants and beneficiaries	$ 288,114,097	$ 270,542,067
(2) Future Amount to be paid on behalf of future retirees and beneficiaries	1,337,187,301	1,325,445,865
(3) Total Actuarial Present Value	$ 1,625,301,398	$ 1,595,987,932
(4) Assets	1,402,837,869	1,394,425,084
(5) Unfunded Actuarial Accrued Liabilities (UAAL)	$ 8,944,744	$ 7,187,132
(6) Present Value of Future Normal Cost: (3) - (4) - (5)	$ 213,518,785	$ 194,375,716
(7) Present Value of Future Salary	$36,588,568,377	$35,264,205,346
(8) Normal Cost: (6) / (7)	0.6%	0.6%

40.05(4)(B) - BASE ASLCC PROGRAM
COMPUTED EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2008

Contributions for	Computed Employer Contribution Rate as a % of Covered Payroll
Normal Cost	0.6%
UAAL*	0.0%
Total	**0.6%**

* *Unfunded actuarial accrued liabilities of $8.9 million were amortized over 17 years. Although this results in a 0.0% of pay contribution due to rounding, unfunded liabilities are allocated to individual employers as shown on page 5 and employers having an unfunded liability will make a separate contribution towards this unfunded liability.*

Discussion:

The financial objective of the ASLCC program is to establish and receive contributions to support benefits that will remain approximately level from year to year. In 2003, the State of Wisconsin issued Pension Obligation Bonds which paid off the majority of unfunded liabilities of the ASLCC Program. Since unfunded liabilities remained for certain employers, the funding method was changed to the Frozen Initial Liability Actuarial Cost Method. Under this method, gains and losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost. Separate amortization schedules are established for employers with unfunded liabilities (see page 5), resulting in separate contribution rates for each participating employer.

40.05(4)(B) - BASE ASLCC PROGRAM
COMPARATIVE STATEMENT OF RESULTS

Valuation Date December 31	No. Active	Covered Payroll $ Millions	Average Age	Average Service	Average Accr. Sick Days	$ Millions Assets	$ Millions UAAL	Average Computed Employer Rate
1989	48,247	$1,434.5	43.4	12.2	80.7	$ 50.0	$ 383.5	2.1%
1990	49,983	1,624.3	43.5	12.1	80.8	73.9	377.4	2.1%
1991@	54,675	1,810.4	43.4	11.8	78.0	92.4	407.9	2.1%
1992	57,577	1,932.4	43.0	11.3	74.7	121.6	387.4	2.1%
1993	58,299	2,021.8	43.3	11.6	76.0	156.4	364.4	2.1%
1994@	58,971	2,136.9	43.6	11.8	77.0	186.7	380.4	1.9%
1995	57,941	2,151.9	44.2	12.5	80.3	236.8	370.1	1.9%
1996	57,920	2,184.3	44.2	12.3	79.4	283.2	354.4	1.8%
1997@#	58,872	2,260.8	44.3	12.3	79.5	337.2	251.8	1.8%
1998	60,502	2,415.5	44.4	12.2	79.9	392.9	241.9	1.9%
1999	62,158	2,521.6	44.6	12.2	81.0	457.0	260.0	1.8%
2000@	63,008	2,753.3	44.6	12.0	80.6	515.6	214.2	1.7%
2001	64,510	2,980.6	44.5	11.8	80.9	611.7	218.7	1.7%
2002	66,442	3,096.7	44.8	11.8	80.9	619.0	262.6	1.8%
2003@&	68,366	3,349.0	45.0	11.8	80.9	1,085.1	10.9	0.9%
2004	68,269	3,400.0	45.4	12.0	83.1	1,154.0	9.5	0.9%
2005	67,460	3,410.0	45.6	12.2	84.3	1,196.0	9.3	0.8%
2006@	67,892	3,592.5	45.8	12.2	85.5	1,272.7	9.2	0.7%
2007	68,789	3,726.4	45.9	12.2	87.1	1,394.4	7.2	0.6%
2008	69,720	3,878.0	45.9	12.1	85.1	1,402.8	8.9	0.6%

@ *Assumption change.*
# *Benefit change.*
& *Method change.*

SUPPLEMENTAL PLAN RESULTS

ACCUMULATED SICK LEAVE CONVERSION CREDIT PROGRAM
SUPPLEMENTAL PLAN
DECEMBER 31, 2008

This supplemental plan provides matching credits for participants retiring with 15 or more years of state service as follows:

- Protective: Match up to 78 hours (9.75 days) per full year of service through 24 years, plus 104 hours (13 days) per full year of service over 24 years.
- Others: Match up to 52 hours (6.5 days) per full year of service through 24 years, plus up to 104 hours (13 days) per full year of service over 24 years.

The results below are for the supplemental program only. (The results on page 7 are for the ASLCC base program only.) The supplemental plan accrued liabilities are offset by supplemental plan assets which are accounted for separately by DETF. The contribution rate sufficient to amortize the UAAL over a period of 17 years (the same period as in the base program) is 0.2% of covered payroll as shown below.

Contributions for	Computed Employer Contribution Rate as a % of Covered Payroll
Normal Cost	0.2%
UAAL*	0.0%
Total	**0.2%**

* *Unfunded actuarial accrued liabilities of $7.2 million were amortized over 17 years. Although this results in a 0.0% of pay contribution due to rounding, unfunded liabilities are allocated to individual employers as shown on page 5 and employers having an unfunded liability will make a separate contribution towards this unfunded liability.*

The contribution rate shown above was developed based upon the active participant data as shown on page 3. This is the same data that was used in the development of the base plan rates.

40.05(4)(B) – SUPPLEMENTAL ASLCC PROGRAM
DEVELOPMENT OF NORMAL COST

Actuarial Present Value of	December 31 2008	December 31 2007
(1) Future Amount to be paid on behalf of present retirants and beneficiaries	$ 256,393,259	$ 232,145,537
(2) Future Amount to be paid on behalf of future retirees and beneficiaries	591,733,583	590,950,919
(3) Total Actuarial Present Value	$ 848,126,842	$ 823,096,456
(4) Assets	756,989,705	744,424,781
(5) Unfunded Actuarial Accrued Liabilities (UAAL)	$ 7,217,857	$ 6,502,446
(6) Present Value of Future Normal Cost: (3) - (4) - (5)	$ 83,919,280	$ 72,169,229
(7) Present Value of Future Salary	$ 36,588,568,377	$ 35,264,205,346
(8) Normal Cost: (6) / (7)	0.2%	0.2%

ASLCC SUPPLEMENTAL PLAN
COMPARATIVE STATEMENT OF RESULTS

Valuation Date December 31	No. Active	Covered Payroll $ Millions	Average Age	Average Service	Average Accr. Sick Days	$ Millions Assets	$ Millions UAAL	Average Computed Employer Rate
1998	60,502	$2,415.5	44.4	12.2	79.9	$ 41.2	$139.6	0.8%
1999	62,158	2,521.6	44.6	12.2	81.0	69.4	143.1	0.9%
2000@	63,008	2,753.3	44.6	12.0	80.6	97.3	212.6	1.0%
2001	64,510	2,980.6	44.5	11.8	80.9	133.4	245	1.1%
2002	66,442	3,096.7	44.8	11.8	80.9	154.2	273.9	1.2%
2003@&	68,366	3,349.0	45.0	11.8	80.9	519.9	9.1	0.5%
2004	68,269	3,400.0	45.4	12.0	83.1	570.6	7.9	0.4%
2005	67,460	3,410.0	45.6	12.2	84.3	609.7	7.8	0.4%
2006@	67,892	3,592.5	45.8	12.2	85.5	670.5	7.5	0.3%
2007	68,789	3,726.4	45.9	12.2	87.1	744.4	6.5	0.2%
2008	69,720	3,878.0	45.9	12.1	85.1	757.0	7.2	0.2%

@ *Assumption change.*
& *Method change.*

For the 2000 and subsequent valuations, retiree liabilities were separately calculated for the supplemental plan. For 1999 and prior, those liabilities were reported as base plan liabilities.

ACTUARIAL METHODS AND ASSUMPTIONS

ACTUARIAL VALUATION METHOD

The actuarial funding method prescribed in the statute for WRS is the **Frozen Initial Liability Actuarial Cost Method**. This funding method is also used for the ASLCC valuation. Under this method, the amount of remaining unfunded accrued actuarial liabilities at any valuation date is affected only by the monthly amortization payments, compound interest, the added liability created by new employer units, and any added liabilities caused by changes in benefit provisions.

Actuarial gains or losses arising from the difference between actual and assumed experience are reflected in the determination of the normal cost. In this manner, experience gains or losses in any year are amortized (spread) over the average future working lifetime of the active participant group.

ASSET VALUATION METHOD

The asset valuation method used for ASLCC valuations is referred to as the "Market Recognition Account" or MRA. The MRA recognizes assumed returns fully each year. Differences between actual and assumed returns are phased in over a closed 5-year period. The objective is to give recognition to long-term changes in asset values while the minimizing effect of short-term fluctuations in the capital markets. In accordance with its smoothing objective, the MRA will tend to exceed the market value when the markets are doing poorly, and will fall short of the market value when markets are doing well.

The principal areas of risk assumption are:

- long-term ***rates of investment return*** likely to be generated by system assets
- ***rates of mortality*** among participants, retirees and beneficiaries
- ***rates of withdrawal*** of active participants
- ***rates of disability*** among participants
- ***patterns of salary increases*** to be experienced by participants
- the age and service ***distribution of actual retirements***
- future ***rates of sick leave usage*** by plan participants

In an actuarial valuation, the actuary projects the monetary effect of each risk assumption for each distinct experience group, for the next year and for each year over the next half-century or longer.

Once actual risk experience has occurred and been observed, it will not coincide exactly with assumed risk experience, regardless of the skill of the actuary, the completeness of the data, and the precision of the calculations. Each valuation provides a complete recalculation of assumed future risk experience and takes into account all past differences between assumed and actual risk experience. The result is a continual series of small adjustments to the computed contribution rate. From time to time it becomes necessary to adjust the package of risk measurements to reflect basic experience trends -- but not random year to year fluctuations.

The liabilities calculated in this report reflect a 3% adjustment for future contingencies. Examples of contingencies are:

- Actual data for some employers (including Health and Education Facility, Housing and Economic Development and Wiscraft) was not available at the time of this report. Based on prior calculations, they represent approximately 0.2% of total liabilities.
- Higher than the anticipated rate of increase in health care costs.

SUMMARY OF ASSUMPTIONS USED FOR ANNUAL ACTUARIAL VALUATIONS ASSUMPTIONS ADOPTED BY ETF BOARD AFTER CONSULTING WITH ACTUARY

Economic Assumptions

The long-term rates of investment return used in making the valuation was 7.8% a year, compounded yearly.

Salary adjustment factors used to project earnings for each participant between the valuation date and the participant's retirement age are shown below for sample years of service. This assumption is used to project a participant's current earnings to the earnings upon which benefits will be based.

% Merit and Longevity Increase Next Year						
		University	Public School	Protective		Exec. &
Service	General	Teachers	Teachers	With S.S.	W/O S.S.	Elec.
1	3.5 %	3.5 %	5.5 %	5.0 %	4.8 %	1.2 %
2	3.5 %	3.5 %	5.5 %	5.0 %	4.8 %	1.2 %
3	3.2 %	3.4 %	5.1 %	4.4 %	4.1 %	1.2 %
4	2.9 %	3.3 %	4.7 %	3.7 %	3.5 %	1.2 %
5	2.6 %	3.2 %	4.4 %	3.1 %	2.8 %	1.1 %
10	1.6 %	2.9 %	2.8 %	1.6 %	1.4 %	1.0 %
15	1.3 %	2.4 %	1.6 %	1.0 %	0.7 %	0.9 %
20	1.1 %	1.9 %	0.9 %	0.9 %	0.6 %	0.8 %
25	0.9 %	1.3 %	0.5 %	0.7 %	0.5 %	0.6 %
30	0.7 %	1.2 %	0.3 %	0.7 %	0.4 %	0.4 %

If the number of active participants remains constant, then the total active participant payroll will increase 4.1% a year, the base portion of the individual salary increase assumptions. This increasing payroll was recognized in amortizing unfunded actuarial accrued liabilities. Premium payments from the ASLCC Program were also assumed to increase 4.1% a year.

Separate assumptions regarding secular trend of health care inflation and aging assumptions were not used. Because of the structure of the ASLCC program, use of these assumptions would not significantly affect results.

The mortality table used to measure mortality for retired participants was the Wisconsin Projected Experience Table - 2005 for men and women, as adopted by the Board in connection with the 2003-2005 Experience Study. Sample life expectancy values from this table are shown below. This assumption is used to measure the probabilities of participants dying before retirement and the probabilities of each benefit payment being made after retirement.

Single Life Expectancy
Wisconsin Projected Experience Table – 2005

Sample Attained Ages	Future Life Expectancy (years)	
	Males	Females
40	40.9	45.3
45	36.2	40.5
50	31.5	35.7
55	27.0	30.9
60	22.7	26.4
65	18.5	22.0
70	14.5	17.8
75	11.0	13.9
80	8.1	10.4
85	5.7	7.4

The values shown above are for non-disabled participants.

Sample Attained Ages	Mortality Rates	
	Males	Females
20	0.000259	0.000077
25	0.000337	0.000085
30	0.000409	0.000115
35	0.000434	0.000203
40	0.000547	0.000285
45	0.000805	0.000446
50	0.001316	0.000614
55	0.002317	0.001281
60	0.003375	0.002174
65	0.005178	0.003325
70	0.009079	0.005327
75	0.016700	0.009751
80	0.030153	0.016934

This assumption is used to measure the probability of participants dying while in service.

RATES OF RETIREMENT FOR THOSE ELIGIBLE TO RETIRE

Normal Retirement Pattern

	General		Public School		University		Protective*		Exec. &
Age	Male	Female	Male	Female	Male	Female	With S.S.	W/O S.S.	Elected
50							8%	3%	
51							8%	3%	
52							8%	7%	
53							30%	25%	
54							20%	30%	
55							20%	30%	
56							18%	30%	
57	25%	20%	40%	30%	20%	15%	18%	35%	15%
58	25%	20%	35%	30%	15%	15%	18%	30%	15%
59	25%	20%	30%	30%	15%	15%	18%	20%	15%
60	25%	20%	30%	30%	15%	15%	18%	20%	15%
61	20%	20%	30%	35%	17%	25%	18%	20%	15%
62	35%	30%	40%	40%	17%	25%	20%	20%	10%
63	35%	30%	40%	35%	17%	20%	30%	20%	10%
64	25%	25%	25%	25%	17%	20%	20%	20%	10%
65	25%	25%	25%	30%	20%	20%	30%	40%	10%
66	25%	25%	25%	25%	20%	20%	25%	40%	20%
67	10%	15%	15%	25%	20%	20%	25%	40%	20%
68	10%	10%	15%	20%	20%	20%	25%	40%	20%
69	10%	10%	20%	20%	20%	20%	25%	40%	20%
70	10%	10%	20%	20%	20%	20%	100%	100%	10%
71	10%	10%	20%	20%	20%	20%	100%	100%	10%
72	10%	10%	20%	20%	20%	20%	100%	100%	10%
73	10%	10%	20%	20%	20%	20%	100%	100%	10%
74	10%	10%	20%	20%	20%	20%	100%	100%	10%
75	100%	100%	100%	100%	100%	100%	100%	100%	100%

* *Includes early retirements.*

Early Retirement Pattern

	% Retiring Next Year						
	General		Public School		University		Exec. &
Age	Male	Female	Male	Female	Male	Female	Elected
55	7.50%	5.25%	15.00%	11.00%	5.00%	6.00%	6.00%
56	7.50%	5.25%	15.00%	11.00%	5.00%	6.00%	6.00%
57	4.00%	4.00%	15.00%	11.00%	3.00%	5.00%	4.00%
58	5.00%	5.00%	15.00%	12.00%	3.50%	6.00%	4.00%
59	5.00%	5.00%	10.00%	12.00%	3.50%	8.00%	4.00%
60	7.50%	7.50%	15.00%	15.00%	5.50%	10.00%	6.00%
61	7.00%	7.50%	15.00%	15.00%	7.50%	7.50%	6.00%
62	18.00%	15.00%	25.00%	25.00%	10.00%	15.00%	
63	18.00%	15.00%	25.00%	20.00%	9.00%	15.00%	
64	15.00%	15.00%	15.00%	15.00%	8.00%	15.00%	

The assumed rates of separation from employment prior to service retirement due to disability and other causes are shown below for sample ages. For other terminations it was assumed that a percentage depending on age of participants terminating after age 35 with 5 or more years service will leave their contributions on deposit and be paid a benefit at normal retirement age and that the remaining participants would take a separation benefit. The percentage taking a separation benefit is 100% at age 35, grading downward to 0% at retirement eligibility. All participants terminating prior to normal retirement age with less than 5 years of service were assumed to take a separation benefit.

Assumed Termination Rates by Attained Age and Years of Service

Age	Service	Protective: With Soc. Sec.	Protective: Without Soc. Sec.	Public Schools: Males	Public Schools: Females	University: Males	University: Females	Exec. & Elected	Other: Males	Other: Females
	0	12.0%	5.0%	14.0%	11.0%	20.0%	20.0%	16.0%	21.0%	20.0%
	1	6.5%	3.0%	11.0%	9.0%	16.0%	17.0%	14.0%	13.0%	14.0%
	2	4.5%	2.0%	7.0%	7.0%	13.0%	14.0%	12.0%	9.5%	10.0%
	3	4.1%	1.5%	5.2%	6.0%	11.0%	12.0%	10.0%	7.5%	8.0%
	4	3.2%	1.4%	4.0%	5.0%	9.0%	10.0%	9.5%	5.5%	7.0%
	5	3.0%	1.3%	3.2%	4.3%	7.5%	9.0%	9.0%	4.5%	6.0%
	6	2.7%	1.2%	2.7%	3.8%	6.0%	8.0%	8.5%	4.0%	5.0%
	7	2.5%	1.1%	2.5%	3.2%	5.0%	7.0%	8.0%	3.8%	4.5%
	8	2.3%	1.0%	2.3%	2.7%	4.0%	6.3%	7.5%	3.5%	4.3%
	9	2.0%	0.9%	2.0%	2.5%	3.5%	5.5%	7.0%	3.2%	4.0%
25	10 & Over	2.0%	0.9%	2.0%	2.5%	3.5%	5.5%	7.0%	3.0%	4.0%
30		2.0%	0.8%	1.8%	2.2%	3.5%	5.5%	7.0%	3.0%	3.7%
35		1.8%	0.8%	1.4%	1.8%	3.5%	5.5%	7.0%	2.6%	3.2%
40		1.4%	0.8%	1.2%	1.4%	3.4%	4.7%	5.8%	2.0%	2.7%
45		1.2%	0.7%	1.1%	1.2%	2.8%	3.4%	4.7%	1.6%	2.2%
50		1.0%	0.7%	0.9%	1.0%	1.9%	2.1%	4.2%	1.3%	1.9%
55		1.0%	0.7%	0.9%	1.0%	1.5%	1.6%	4.0%	1.3%	1.8%
60		1.0%	0.7%	0.9%	1.0%	1.5%	1.6%	4.0%	1.3%	1.8%

(% of Active Participants Terminating)

Disability Rates

Age	Protective: With SS	Protective: W/O SS	Public Schools: Males	Public Schools: Females	University: Males	University: Females	Exec. & Elected: Males	Exec. & Elected: Females	Other: Males	Other: Females
20	0.02%	0.05%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
25	0.02%	0.05%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
30	0.02%	0.05%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.04%
35	0.03%	0.06%	0.01%	0.01%	0.01%	0.04%	0.01%	0.01%	0.02%	0.05%
40	0.05%	0.08%	0.02%	0.02%	0.01%	0.06%	0.01%	0.01%	0.05%	0.70%
45	0.07%	0.16%	0.05%	0.08%	0.03%	0.05%	0.02%	0.02%	0.10%	0.10%
50	0.11%	0.92%	0.14%	0.16%	0.05%	0.10%	0.04%	0.04%	0.23%	0.15%
55	1.73%	0.68%	0.26%	0.23%	0.15%	0.15%	0.15%	0.15%	0.43%	0.28%
60	2.92%	0.20%	0.43%	0.34%	0.20%	0.23%	0.19%	0.19%	0.77%	0.39%

(% of Active Participants Becoming Disabled)

June 5, 2009

Mr. David Stella
Wisconsin Department of Employee Trust Funds
801 West Badger Road
Madison, Wisconsin 53713

Re: Accumulated Sick Leave Conversion Credit Programs

Dear Dave:

Enclosed are 75 bound copies and one unbound copy of the report of the December 31, 2008 annual actuarial valuations of the ASLCC Programs.

Sincerely,

Mark Buis

Mark Buis

MB:lr
Enclosures

STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
http://etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: June 18, 2009

TO: Employee Trust Funds Board

FROM: Bob Conlin, Deputy Secretary

SUBJECT: Tax Counsel Update

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

Based upon authority delegated by the Board in September 2008, the Department has recently completed contract negotiations and engaged the services of IceMiller, LLP, of Indianapolis as federal tax counsel.

As you will recall, it has been over 10 years since the Department has undertaken a thorough review of its compliance with the Internal Revenue Code with the assistance of tax counsel. In September 2008, the Board delegated to the Department the authority to solicit proposals for and contract with tax counsel. The Department received proposals from a large number of law firms, and after a thorough review process, IceMiller's proposal was selected. IceMiller is nationally recognized in the public employee pension and benefit field and represents public pension plans across the country. They have considerable experience working with public retirement plans, the Internal Revenue Service (IRS), and state legislatures. The Department believes IceMiller has the experience and expertise necessary for the type of review that we need.

The initial engagement with IceMiller, which is a one-year contract with renewal options, contemplates three primary phases of research and compliance work; ultimately preparing the Department to apply for a Determination Letter from the IRS in the fall of 2010 should such an application be deemed advisable. The Determination Letter process is one in which retirement plans ask the IRS to make a formal determination that the plan complies with all federal tax requirements. In addition, IceMiller will be available for some *ad hoc* work should the Department require its services. For example, if provisions of the state biennial budget relating to domestic partner benefits are signed into law, it is quite likely that additional work will be necessary to fully determine the tax reporting issues associated with those benefits.

The anticipated cost of phases one and two will be approximately $120,000.

Mary Alice McGreevy, the Department's Compliance Officer, will be the Department's primary point of contact with IceMiller.

Board	Mtg Date	Item #
ETF	6/18/09	6