

**MINUTES OF DECEMBER 2, 2010, MEETING
STATE OF WISCONSIN
JOINT INFORMATIONAL MEETING
TEACHERS RETIREMENT, WISCONSIN RETIREMENT,
AND EMPLOYEE TRUST FUNDS BOARDS**

DRAFT

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

BOARD MEMBERS PRESENT:

Lon Mishler, Chair, TR Board Sandra Claflin-Chalton, TR Board John David, WR and ETF Boards Theron Fisher, ETF Board Susan Harrison, TR Board Betsy Kippers, TR Board Wayne Koessl, WR and ETF Boards Kathy Kreul, ETF Board Michael Langyel, ETF and TR Boards	Robert Niendorf, ETF Board Patrick Phair, TR Board Roberta Rasmus, TR Board Steve Scheible, TR Board Robin Starck, TR Board Herbert Stinski, WR Board Mary Von Ruden, ETF and WR Boards David Wiltgen, TR Board Michael Woodzicka, WR Board
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BOARD MEMBERS NOT PRESENT:

Jamie Aulik, WR Board Sheila Conroy, ETF Board Sean Dilweg, WR Board Rosemary Finora, ETF Board	Wayne McCaffery, TR Board Mary Jo Meier, TR Board Dan Nerad, TR and ETF Boards Tom Pedersen, TR Board
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PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Dave Stella, Secretary Bob Conlin, Deputy Secretary Anne Boudreau, Shawn Smith, Division of Retirement Services Cindy Gilles, Board Liaison	Sari King, Matt Stohr, Office of Communications and Legislation Bob Willett, Office of Budget and Trust Finance
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OTHERS PRESENT:

ETF Office of the Secretary: Rhonda Dunn, David Nispel, Sharon Walk ETF Office of Budget and Trust Finance: Jerry Dietzel, Jon Kranz ETF Office of Internal Audit: John Vincent ETF Office of Communications and Legislation: Nancy Ketterhagen ETF Office of Policy, Privacy and Compliance: Steve Hurley, Linda Owen, Lucas Strelow ETF Division of Insurance Services: Lisa Ellinger	ETF Division of Management Services: Pam Henning ETF Division of Retirement Services: Jean Gilding Legislative Fiscal Bureau: Brian Bellford, Brandon Brickner State Engineering Association: Bob Schaefer State of Wisconsin Investment Board: Keith Bozarth, Sandy Drew, David Villa Wisconsin Retired Educators Association: Jane Elmer, Jim Skiles
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Board	Mtg Date	Item #
JI	3.10.11	1

Lon Mishler, Chair, Teachers Retirement (TR) Board, called the meeting to order at 8:30 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Ms. Von Ruden moved approval of the minutes of the September 16, 2010, Joint Informational meeting as submitted by the Board Liaison. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

Sari King, Office of Communications and Legislation, announced:

- For the 2011 elections, there were four candidates for the ETF Board Annuitant seat; two candidates for the two TR Board seats; and no candidates for the ETF Board Educational Support Personnel seat. This will be reannounced in the *WRS News* in January.
- There will be an article honoring Marilyn Wigdahl, retired Chair of the Employee Trust Funds and Wisconsin Retirement Boards, in an upcoming *WRS News*.
- The Wisconsin Retirement Board will not be meeting today.

EDUCATIONAL TOPIC

Rehired Annuitants

In response to a request from the September 16, 2010, Joint Informational meeting, Shawn Smith, Division of Retirement Services, shared the current rehired annuitant policy. The policy includes a valid termination and a minimum break-in-service both of which are reviewed, in detail, in the November 8, 2010, memo (ref. JI | 12.2.10 | 3A) from Ms. Smith and Anne Boudreau.

Ms. Smith highlighted the following rehired annuitant information (ref. JI | 12.2.10 | 3A):

- 1,100 employers were surveyed in October 2010. Since January 2008, at least 3,900 members were hired as rehired annuitants (81% returned to the same employer and < 2% canceled their annuity). As of January 2010, ETF has received 998 rehired annuitant election forms.
- The Internal Revenue Code states that payment of retirement benefits without a *bona fide* separation from service is prohibited under federal law. While length of time between retirement and re-employment is a factor, intent to return to work is the decisive element in establishing whether a valid termination has occurred.

- ETF becomes aware of rehires as they are reported and has an obligation to investigate on a case-by-case basis when questions arise regarding “intent to rehire.”
- Based on the October 2010 survey, employers face the following operational challenges:
 - 28% do not have formal documented procedures.
 - 38% have hiring discretion without a governing body.
 - 27% are allowed to verbally offer a position.
 - 43% are not sure if they had a practice in place or knew they did not have a practice in place to make sure 30-day break-in-service was met.
 - 37% were unsure they understood all of the rules.
- ETF has addressed these issues in various ways (i.e., revised WRS Administration Manual, Employer Bulletins, investigations, etc.).
- Based on the survey results, ETF intends to look at providing additional educational tools for employers and members.

2009 Comprehensive Annual Financial Report (CAFR)

Board members received a copy of the 2009 CAFR. From his handout, Bob Willett, Office of Budget and Trust Finance, highlighted a couple of key areas of the CAFR (ref. JI | 12.2.10 | 3B).

- Financial Reporting: Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support government programs (i.e., Wisconsin Retirement System [WRS], Duty Disability, etc.). Proprietary Funds are used to report a government’s ongoing organizations and activities – similar to those found in the private sector (i.e., Long-Term Disability Insurance, Health Insurance, etc.).
- Financial Statements include: Statement of Fiduciary Net Assets, Statement of Changes in Fiduciary Net Assets, Statement of Net Assets – Proprietary Funds, Statement of Revenues, Expenses and Changes in Fund Net Assets, Notes to Financial Statement, and Required Supplementary Information.

The 2010 CAFR is expected to be completed by September 2011. Mr. Willett also shared that for the 2010 CAFR, there may be a Summary CAFR covering key areas.

David Stella, Secretary, congratulated Mr. Willett and ETF staff for their effort in completing the 2010 CAFR in a timely manner.

The Board members took a break from 10:25 a.m. to 10:35 a.m.

State of Wisconsin Investment Board (SWIB): Investment Update

Mr. Mishler introduced Keith Bozarth, Executive Director of SWIB, and David Villa, SWIB's Chief Investment Officer.

Mr. Villa presented a short overview of SWIB data as of October 31, 2010 (ref. JI | 12.2.10 | 3C):

- Since 2008, capital markets continue to recover slowly.
- Year-to-Date Total Return Contributions by Asset Class – Total Core Fund:
 - Return = 9.0
 - Average Allocation = 100.0
 - Weighted Contribution = 9.0
- Core Trust Fund – Benchmark is 9.01
- Core Fund Return – 9.08
- Fixed income has performed slightly better than equities.

Mr. Bozarth summarized the CEM Benchmarking, Inc., report on SWIB:

- Policy Return: Higher over the last five years and higher than the peer group.
- Active Management: Higher than its peer group.
- Cost: Efforts are being made to increase more assets in-house and increase staffing (in terms of numbers and qualifications). Five-year cost numbers, based on a benchmark basis, are about \$22 million below what they were expected to be based on the peer group data.
- Risk: Right at the median fund.

OPERATIONAL UPDATES

Legislation and Communications Update

Matt Stohr, Office of Communications and Legislation, referred the Board members to the November 4, 2010, memo (ref. JI | 12.2.10 | 4A).

Legislation Update: The Legislative Session is due to begin in January 2011. As a result of the elections, the Assembly will have 60 Republicans, 38 Democrats and 1 Independent. The Senate will have 19 Republicans, 14 Democrats.

The existing Legislature may meet in December to discuss some of the State labor agreements. There may also be a special session in January with the new Legislature. Lastly, the State budget for the next biennium will most likely be introduced in February.

Communications Update: The newly formatted *WRS News* will go out about mid-January. ETF also hopes to launch an e-mail service in January or February in which members and employers can fill out a profile and choose the type of topic they would like to receive e-mail notifications about.

Contribution rates have increased over the last couple of years, due to the 2008 investment decline brought about by the global economic crisis. As of January 2011, general category State employees will see a .2% deduction on their checks toward their retirement contribution due to the current labor agreements and the compensation plan with the state.

Retirement Services Update

Anne Boudreau, Division of Retirement Services, shared key points of the July - September quarterly statistics handout (ref. JI | 12.2.10 | 4C).

- Retirement and Beneficiary Annuity Terminations: Annuity terminations were higher than normal this quarter due to an employer giving their employees notification of layoff and then rescinding it. Some employees had applied for a benefit in anticipation of layoff, then cancelled their benefit when they were able to stay employed.
- Variable at Core Project: This project began in January 2010 and provides annuitants with information on how their account may have looked had they never participated in the Variable Fund. As of November 22nd, 26,679 files of the original 32,553 had been reviewed which works out to 82%.
- Retirement Estimate Requests: Through November, retirement estimate requests were up 4.6% and application requests were up 5.2% over 2009.

David Stella, Secretary, invited Jean Gilding, Division of Retirement Services Administrator, to join him at the front of the room. Mr. Stella shared with the Board members that Ms. Gilding would be retiring in January. He thanked her for the wonderful work and many years of service she provided not only to ETF but other departments in the State of Wisconsin. Board members gave Ms. Gilding a hearty round of applause.

Remaining Operational Updates in Board Binders

Mr. Mishler referred the Board members to the remaining informational memos in their Board binders.

Future Items for Discussion

A Board member requested a follow-up discussion of rehired annuitants as well as four or five tangible examples of rehired annuitants.

Prior to adjourning the meeting, Mr. Stella announced that this was Theron Fisher's last meeting. He thanked Mr. Fisher for the seven years he's served on the Employee Trust Funds Board.

ADJOURNMENT

MOTION: Mr. Scheible moved to adjourn the meeting. Mr. Langyel seconded the motion which passed without objection on a voice vote.

The Joint Information meeting adjourned at 11:20 a.m.

Date Approved: _____

Signed: _____

Robin Starck, Secretary
Teachers Retirement Board