

DRAFT

# MINUTES

December 6, 2012

Joint Informational Meeting  
(Employee Trust Funds (ETF), Teachers Retirement (TR),  
and Wisconsin Retirement (WR) Boards)  
State of Wisconsin



## Location:

State Revenue Building – Events Room  
2135 Rimrock Road, Madison, WI

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### ETF BOARD MEMBERS PRESENT:

Wayne Koessler, Chair	Jon Litscher
John David, Vice Chair	Paul Ostrowski (for Jessica O'Donnell)
Robert Niendorf, Secretary	Mary Von Ruden
William Ford	David Wiltgen
Kimberly Hall	
Michael Langyel	

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### TR BOARD MEMBERS PRESENT

Lon Mishler, Chair	Betsy Kippers
Michael Langyel, Vice Chair	Mary Jo Meier
Robin Starck, Secretary	Tom Pedersen
Sandra Claflin-Chalton	Patrick Phair
Susan Harrison	Roberta Rasmus
Jon Joslin	David Wiltgen

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### WR BOARD MEMBERS PRESENT:

John David, Vice Chair	Jamie Aulik
Wayne Koessler, Chair	Ted Nickel
Mary Von Ruden, Secretary	Steven Wilding

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### BOARD MEMBERS NOT PRESENT:

Herb Stinski, WR Board

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

Bob Conlin, Secretary	Office of Communications and Legislation:
Rob Marchant, Deputy Secretary	Mark Lamkins, Director
Cheryllynn Mullins, Board Liaison	Tarna Hunter, Legislative Liaison
Division of Retirement Services:	
Matt Stohr, Administrator	
Anne Boudreau, Deputy Administrator	
Roger Fletcher, Bureau Director	
Diana Felsmann, Policy Analyst	

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**OTHERS PRESENT:**

ETF Division of Management Services: Bill Christianson, Jack Loman, Sharon Walk

ETF Legal Services: Daniel Hayes, David Nispel

ETF Office of Budget and Trust Finance: Bob Willett

ETF Office of Communications and Legislation: Nancy Ketterhagen

ETF Office of Internal Audit: Claudius Lebi, Jackie Van Marter, John Vincent

ETF Office of Policy, Privacy and Compliance:

Steve Hurley, Director

Gene Janke, Policy Analyst

Department of Administration: Mickie Waterman

Gabriel Roeder Smith & Company: Jim Anderson, Mark Buis, Brian Murphy

Legislative Audit Bureau: Brian Geib

State Engineering Association: Bob Schaefer

State of Wisconsin Investment Board: Vicki Hearing

University of Wisconsin System

Administration: Beth Ritchie

Sandy Drew, Retiree

Dave Stella, Retiree

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Lon Mishler, TR Board Chair, called the meeting to order at 9:01 a.m.

**CONSIDERATION OF MINUTES OF PREVIOUS MEETING**

***MOTION: Ms. Von Ruden moved to approve the September 20, 2012, minutes of the Joint Informational meeting, as submitted by the Board Liaison. Ms. Kippers seconded the motion, which passed unanimously on a voice vote.***

**ANNOUNCEMENTS**

Mr. Stohr made the following announcements:

- Cheryllynn Mullins has been hired as Board Liaison.
- Jovy Swanton has been hired as the Director of the Project Management Office.
- Jackie Van Marter has been hired as an Internal Auditor.
- The 2013 September Board meeting date has been changed to September 26, 2013.
- The upcoming TR Board election involves the retired teacher member seat and technical college teacher member seat. There will be an election for the retired teacher seat because three candidates filed nomination papers. There will not be an election for the technical college seat because only one individual filed nomination papers.
- A recent report from Morningstar, listed the Wisconsin Retirement System (WRS) as a national leader in regard to funding level.

The 2011 Annual Statements of Benefits, which lists WRS account balance information for active and inactive employees, were sent to employees approximately two weeks ago. Mr. Stohr noted that, while the statements were distributed later than in past years, this is a significant accomplishment for ETF. ETF's computer systems required many changes due to the implementation of 2011 Wisconsin Act 10 and staff worked many hours to successfully complete this project.

## **EDUCATIONAL TOPICS**

### **State of Wisconsin Investment Board (SWIB) Update**

Ms. Hearing noted the performance of the Core Fund through October 31, 2012, is 10.8%. The five-year average is 2.0%, which includes the 2008 losses, and the 10-year average is 8.3% which also includes the 2008 losses. She reminded the Boards that the assumed rate of return is 7.2%. The Core Fund has performed at or above its benchmarks for the current year as well as the five-year and the ten-year periods.

The Variable Fund return through October 31, 2012, is 13.3%. The five-year average is -0.5% and the ten-year average is 7.7%. The Variable Fund beat its benchmark at the one-year and ten-year marks, but was slightly below for the five-year period.

### **2011 Gain/Loss Analysis**

Mr. Murphy of Gabriel, Roeder & Smith (GRS) introduced Mr. Anderson and Mr. Buis.

Mr. Anderson reviewed the *2011 Gain/Loss Analysis report* (Ref. JI | 12.6.12 | 3B1) with the Boards. Reviewing the *Gain/Loss Analysis* provided the Boards with an understanding of contribution rate changes, how GRS makes its assumptions, and potential pension risks. Mr. Buis referred to the *Wisconsin Retirement System Three-Year Experience Study: January 1, 2009 - December 31, 2011* (Ref. JI | 12.6.12 | 3B2). Assumptions are a substantial part of a gain/loss analysis and the experience study reviews imputed assumptions. By performing an experience study every three years, GRS can make necessary assumption changes and keep the volatility of the contribution rate relatively stable. Mr. Buis answered questions regarding mortality assumptions.

In response to a question about forecasting the number of WRS members, Mr. Stohr commented that 2011 Wisconsin Act 32 changed the WRS eligibility criteria from 600 hours to 1,200 hours for most WRS members (440 hours to 880 hours for teachers). This change will most likely impact the WRS because fewer people will be entering the retirement system than previous years.

Mr. Murphy discussed the economic assumptions of the *Wisconsin Retirement System Three-Year Experience Study* (Ref. JI | 12.6.12 | 3B2). No additional changes will be recommended.

### Social Security/Section 218 Agreements

Ms. Felsmann presented on *Social Security/Section 218 Agreements* (Ref. JI | 12.6.12 | 3C). She gave a brief history of Social Security coverage in Wisconsin, discussed the types of Social Security coverage, ETF's role in the administration of Social Security coverage in Wisconsin, and how ETF responds to employer and employee questions.

Board members took a break at 10:14 a.m. and reconvened at 10:25 a.m.

### **OPERATIONAL UPDATES**

#### Communication of Negative Core Annuity Adjustments

Mr. Lamkins referred the Board members to the memo at their places (Ref. JI | 12.6.12 | 4A). At the last meeting, the Boards asked staff to review present and past communications to retirees about WRS annuity adjustments and benefit guarantees. Specific types of communication updates included: ETF e-mail updates; articles in the *WRS News*; online video presentations; press releases; large public presentations; and group or one-on-one counseling sessions. Communications to retirees fall under four different areas: (1) customer service assistance; (2) outreach and education activities; (3) benefits information and materials; and (4) constituent groups and media relations. With ETF's increased outreach and education activities, and materials available on the ETF website, ETF has reduced its dependency on the Call Center to answer questions about annuity adjustments.

Mr. Langyel thanked ETF for a job well done. He commented that active members and retirees should realize that the WRS is only one source of their total retirement income.

Mr. Fletcher discussed plans for direct communication to targeted groups, such as active employees not yet able to retire. The effort will first be tested among a particular select group of WRS active employees. In response to a question about the employer's role to educate WRS members about WRS benefits, Mr. Stohr mentioned that there is extensive employer training for all WRS employers throughout the state, including webinars, a full-day training, and newsletters. However, the employer training focuses on employer requirements and administrative aspects of ETF's benefit programs.

#### Legislative and Communication Update

Ms. Hunter presented on Wisconsin's budget process, biennial budget timeline, and the biennial budget cycle (Ref. JI | 12.6.12 | 4B).

### Retirement Services Update

Board members were provided a copy of *Retirement Services Update* memo in their packets (Ref. JI | 12.6.12 | 4B). Ms. Boudreau discussed the surveys sent to members with their retirement estimate packets. The response rate was 2%. Follow-up phone calls were made to ascertain why people did not respond. A few of the reasons given were: too much time had lapsed between the service and the survey; the member did not see the insert; and the process of responding to a survey via the computer is cumbersome. Since this did not generate a good response rate, ETF is considering a few other options including: (1) telephone survey after the phone call to the Call Center (Ms. Boudreau noted there are limitations with the current software); or (2) have members complete a short survey immediately following a face to face meeting.

### Wisconsin Acts 10 and 32 Implementation Update

Mr. Stohr gave the Board members a verbal update on the implementation of 2011 Wisconsin Acts 10 and 32. The completion of 2011 Statement of Benefits to all non-retired members was a big milestone for the Department. Statements were direct mailed to state employees and inactive employees; University of Wisconsin (UW) employees' statements were posted on the UW website; and for local government employees, the statements were mailed to the employer for distribution. ETF's goal is to have the 2012 statements distributed by April or May of 2013.

Mr. Mishler referred the Board members to the remaining operational updates (Ref. JI | 12.6.12 | 4E, 4F, 4G).

### Future Items for Discussion

Mr. Mishler requested suggestions for future items for discussion.

Mr. Stohr stated that staff plans to cover the new Governmental Accounting Standards Board (GASB) Rules at the March 2013 RB meeting. Staff will include information on what is being done to inform the employers.

Mr. Phair requested a discussion on the changes in the federal health care law and the impact it may have on WRS members. He also suggested at some point, additional information on Social Security and how it dovetails with the WRS to provide retirement income for public employees.

Mr. Mishler requested an overview concerning WRS members who terminate WRS employment and take separation benefits.

**ADJOURNMENT**

***MOTION: Mr. Langyel moved to adjourn the meeting. Mr. Wiltgen seconded the motion, which passed unanimously on a voice vote.***

The meeting adjourned at 11:25 a.m.

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

Signed: \_\_\_\_\_

Robert Niendorf, Secretary  
Employee Trust Funds Board