

**AGENDA AND NOTICE OF MEETING
JOINT INFORMATIONAL MEETING
STATE OF WISCONSIN
TEACHERS RETIREMENT, WISCONSIN RETIREMENT
AND EMPLOYEE TRUST FUNDS BOARDS**

**Thursday, March 19, 2009
8:45 a.m.
Holiday Inn Hotel and Suites
1109 Fourier Dr.
Madison, Wisconsin**

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

**Wayne Koessl chairs meeting*

← *Denotes action item*

- 8:45 a.m.** **←** 1. **Consideration of Minutes of December 11, 2008, Meeting**
- 8:50 a.m.** 2. **Announcements**
- **Introduction of New Wisconsin Retirement Board Member, Michael Woodzika**
 - **Reappointment of Daniel Nerad to Teachers Retirement Board**
 - **Introduction of David Nispel**
- 8:55 a.m.** 3. **Educational Topics**
- **Wisconsin Retirement System 26th Annual Valuation of Retired Lives – December 31, 2008 (Brian Murphy and Mark Buis, Gabriel, Roeder, Smith & Company)**
 - **Effective Rate and Dividend Projections**
 - **Investment Returns and WRS Retirement Benefits**
 - **State of Wisconsin Investment Board Update**
- 10:55 a.m.** **Break**
- 11:05 a.m.** 4. **Operational Updates**
- **Legislative and Communications Update**
 - **Pending Appeals Report**
 - **Employer Program Participation**
 - **Future Items for Discussion**
- 11:15 a.m.** 5. **Discussion Topic**
- **Proposal for Single Day Quarterly Board Meetings**

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

11:45 a.m. 6. **Adjournment**

Times shown are estimates only.

**LUNCH WILL BE SERVED FOR MEETING PARTICIPANTS AT 11:45 A.M. IN
GEORGE'S CHOPHOUSE RESTAURANT LOCATED IN THE HOTEL**

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MINUTES OF MEETING

DRAFT

**STATE OF WISCONSIN
JOINT INFORMATIONAL MEETING
TEACHERS RETIREMENT, WISCONSIN RETIREMENT,
AND EMPLOYEE TRUST FUNDS BOARDS**

Thursday, December 11, 2008

**Holiday Inn Hotel and Suites
1109 Fourier Drive
Madison, Wisconsin**

BOARD PRESENT:

John David, WR Board and ETF Board
Sean Dilweg, WR Board (represented by Eileen Mallow)
Rosemary Finora, ETF Board
Wayne Koessl, Vice-Chair, WR Board and Vice-Chair, ETF Board
Mike Langyel, TR Board
Irena Macek, ETF Board
Wayne McCaffery, ETF Board and TR Board
Lon Mishler, Chair, TR Board
Dan Nerad, TR Board
Robert Niendorf, Secretary, ETF Board
Dennis Panicucci, Vice-Chair, TR Board
Patrick Phair, TR Board
Tom Pedersen, TR Board
Roberta Rasmus, TR Board
Steve Scheible, TR Board
Robert Shaw, TR Board
Gary Sherman, ETF Board
Robin Starck, Secretary, TR Board
Herbert Stinski, WR Board
Nancy Thompson, ETF Board
Mary VonRuden, Secretary, WR Board
Marilyn Wigdahl, WR Board and Chair, ETF Board
David Wiltgen, TR Board

BOARD NOT PRESENT:

Jamie Aulik, WR Board
Jennifer Donnelly, ETF Board
Theron Fisher, ETF Board
Kathy Kreul, ETF Board

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PARTICIPATING ETF STAFF: Dave Stella, Secretary
Bob Conlin, Deputy Secretary
Cindy Gilles, Board Liaison
Sari King, Office of Legislative Affairs, Communications and Quality Assurance
Matt Stohr, Director, Office of Legislative Affairs, Communications and Quality Assurance
Rob Weber, Chief Counsel, Office of the Secretary
Bob Willett, Office of Trust Finance and Data Analysis

OTHERS PRESENT: Michelle Baxter, Division of Insurance Services
Keith Bozarth, State of Wisconsin Investment Board
Sue Chamberlain, UW Systems
Jerry Dietzel, Office of Trust Finance & Data Analysis
Sandy Drew, State of Wisconsin Investment Board
William Ford, Wisconsin Legislative Council
Dan Hayes, Wisconsin Law Enforcement Officers Association
Lynn Jarzombek, Division of Retirement Services
Norm Jones, Gabriel, Roeder, Smith and Company
Dan Joyce, State Engineering Association
Nancy Ketterhagen, Office of Legislative Affairs, Communications and Quality Assurance
Jon Kranz, Office of Internal Audit and Budget
Steve Macek
Brian Murphy, Gabriel, Roeder, Smith and Company
Linda Owen, Office of Policy, Privacy and Compliance
Terry Rhodes
John Vincent, Office of Internal Audit
Sharon Walk, Office of the Secretary

Marilyn Wigdahl, Chair, Employee Trust Funds Board, called the meeting to order at 9:40 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

Motion: Mr. Phair moved approval of the minutes of the September 18, 2008, meeting as submitted by the Board Liaison. Mr. Shaw seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

Introduction of New Board Liaison Sari King introduced Cindy Gilles as the new Board Liaison.

Teachers Retirement Board Election Ms. King announced that no candidates came forward for the Teachers Retirement Board vacancies as a result of the fall announcement. Another call for nominations will be published in the January *Trust Fund News*.

Benefit Payment System (BPS) Update Ms. King announced that the November and December annuity checks were written successfully by the new BPS. 1099 forms will be printed from this system. Mr. Panicucci complimented the ETF for their work on BPS. Secretary Stella congratulated and thanked all the staff for their years of hard work toward making this program a success.

EDUCATIONAL ISSUES

State of Wisconsin Investment Board Performance Update Ms. Wigdahl introduced Keith Bozarth, Executive Director of the State of Wisconsin Investment Board (SWIB). Mr. Bozarth presented information on the Core and Variable Funds.

Core Fund: Currently, Core Fund assets are allocated 60% to stocks, 30% to bonds and the remainder to private equity/real estate. SWIB approved, and will implement in January, asset allocations of 6% real estate, 6% private equity/private debt, 4% multi asset, 29% domestic stocks, 26% international stocks and 29% fixed income.

Variable Fund: Currently, Variable Fund assets are allocated at 69% domestic stock, 30% international stock and 1% multi asset. There has been no change for next year.

Equity Returns: Since the start of 2008, the majority of the broad market indexes have declined almost 40% through the end of November. The international index decline has been more substantial. The Core Fund was down about 28% for the year and the Variable Fund was down approximately 40%. The stock market has increased somewhat since its lowest point in November.

Mr. Bozarth also discussed the "Invest in Wisconsin Portfolio (\$350-400 million)" a long standing program that provides loans to private companies which are privately negotiated and the "Venture Capital Portfolio (\$200 million)," a state-focused program which looks at opportunities within the state.

At the conclusion of the presentation, Mr. Bozarth answered questions from Board members.

Dividend Projection Bob Willett updated the Board on dividend projections and touched on several different dividend scenarios. He noted that a dividend will be paid if the annuity reserve surplus provides at least a 0.5% dividend. Annuities will be reduced if the annuity reserve shortfall is at least - 0.5%. Negative dividends can only be used to reduce dividends granted in prior years. A Core annuity cannot be reduced below the original value.

He discussed the Market Recognition Account (MRA) and how investment gains and losses are "smoothed" through the MRA. The gains or losses are spread out over a five-year period. The MRA is intended to recognize long-term changes to asset values while minimizing the impact of short-term capital market fluctuations. If the 2008 Core Fund investment return is -20%, the adjustment will be approximately -1.2%. If the 2008 investment return drops to -40%, the adjustment will be approximately -5.3%. A return of -16.0% or lower will result in a negative adjustment for 2008.

At the conclusion of the presentation, Mr. Willett answered questions from Board members. Deputy Secretary Conlin cautioned Board members against giving retirement advice to Wisconsin Retirement System (WRS) members who ask and instead suggested that Board members direct questions to ETF staff due to the complexity and unique nature of member accounts.

Actuarial Update on Projected Future Contribution Rates and Other Actuarial Items for Consideration Ms. Wigdahl introduced Brian Murphy and Norm Jones of Gabriel, Roeder, Smith & Company. Board members were provided a copy of Mr. Murphy and Mr. Jones' PowerPoint presentation. Mr. Jones noted that market values have declined by 30% or more, which will have a dramatic impact for all retirement systems across the nation. He reviewed projected contribution rates under several scenarios, detailing the data in each.

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

OPERATIONAL UPDATES

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

Video Library Ms. King shared with the Board that the video library has received over 60,000 viewers and continues to grow rapidly.

2006 Comprehensive Annual Financial Report A status report was handed out at the start of the meeting.

Legislative and Communications Update Matt Stohr, Director, Office of Legislative Affairs, Communications and Quality Assurance, presented a legislative and communications update.

Communication Efforts:

- In October, SWIB and ETF sent a joint letter to all WRS retirees and employers to assure the retirees that despite market conditions, the WRS was solvent and able to pay future benefits.
- Mr. Stohr and Sandy Drew, State of Wisconsin Investment Board, will be meeting with legislative leaders and stakeholders in December and January to share with them the impact the stock market has had on the WRS.
- Secretary Stella and Mr. Bozarth are presenters in the ETF video covering market conditions and its impact on the WRS.
- ETF created a "One Stop Shop" on the ETF home page regarding the Variable Fund.
- In January, the "Trust Fund News" will be pushed back a couple of weeks in order to get information about 2008 preliminary investment returns to the members.

EDUCATIONAL TOPIC

Open Meetings Law Rob Weber, Chief Counsel, Office of the Secretary, educated the Board on the Open Meetings Law. A brief summary of Open Meetings Law includes:

- **Public Notice:** Every meeting must be preceded by public notice including time, date, place of meeting and subject matter. Notice must be given at least 24 hours in advance of meeting.
- **Open Session:** All discussions (formal or informal) shall be initiated, deliberated and acted upon only in open session except as provided by in Wis. Stat. § 19.85.
- **Access:** Meeting must be open to all citizens at all times. The location has to be reasonably accessible to the public. Access to documents discussed by the Board must be available. There must be a record of motions and roll-call votes. Public has the right to tape record, videotape, film or photograph as long as it does not interfere with meeting. Public access does not require the governmental body to allow citizens to speak or actively participate in meetings.
- **Exceptions:** For meetings of State governmental bodies, the meeting building and the room must both be handicapped accessible without assistance.

At the conclusion of the presentation, Mr. Weber answered questions from Board members. Mr. Weber also announced that he will be retiring from ETF.

ADJOURNMENT

Motion: Ms. Rasmus moved to adjourn the meeting. Ms. Thompson seconded the motion which passed without objection on a voice vote.

The Joint Information meeting adjourned at 12:12 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board



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

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CORRESPONDENCE MEMORANDUM

DATE: February 23, 2009

TO: Employee Trust Fund Board
Teacher Retirement Board
Wisconsin Retirement Board

FROM: Linda Owen, Policy Analyst
Office of Policy, Privacy and Compliance

SUBJECT: Investment Returns and WRS Retirement Benefits

This memorandum is for informational purposes only. No action is required.

Attached is an informational paper that explains how investment experience affects WRS retirement benefits. This document was prepared in response to questions raised by retirement board members and participants.

The Department plans to add this information to our internet site, and it may also be used as the basis for other informational materials. You are welcome to direct any questions about this document to me at (608) 261-8164.

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature _____

Date _____

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Wisconsin Retirement System

26th Annual Actuarial
Valuation of Retired Lives
December 31, 2008

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com



Operation of the System

Separate reserves are maintained for core and variable annuities. Each year, the actuary compares reserve balances with the present value of annuities being paid within each fund.

Core Annuity Division. If the supplemental reserve is positive and is at least 0.5% of core annuity liabilities, core annuity increases (dividends) may be granted. If the supplemental reserve is negative and is more than 0.5% of core annuity liabilities in absolute value, prior core annuity dividends are reduced by an aggregate amount equal to the shortfall. Increases or decreases become effective in April following the December 31 valuation.



Operation of the System

Variable Annuity Division. If the supplemental reserve is at least 2% of liabilities, substantially all of the reserve (dropping fractions of a percent) is used to increase or decrease annuities for the ensuing year. Increases or decreases become effective in April following the December 31 valuation.



Smoothing Mechanisms

It is undesirable for a retiree to experience wide swings in monthly benefits from year to year, particularly if the swings are downward. This possibility is mitigated in the Core division by the asset smoothing process, as well as by the portfolio mix. Although a negative dividend could not be avoided this year, the smoothing mechanism has worked remarkably well.



Smoothing Mechanisms

The variable fund is marked to market each year and subject to wide swings. The “dropping fractions of a percent” in terms of the gain that is distributed is a form of smoothing. However, the magnitude of the gains and losses is such that this has very little practical effect as a smoothing mechanism.



Summary of Results – December 31, 2008

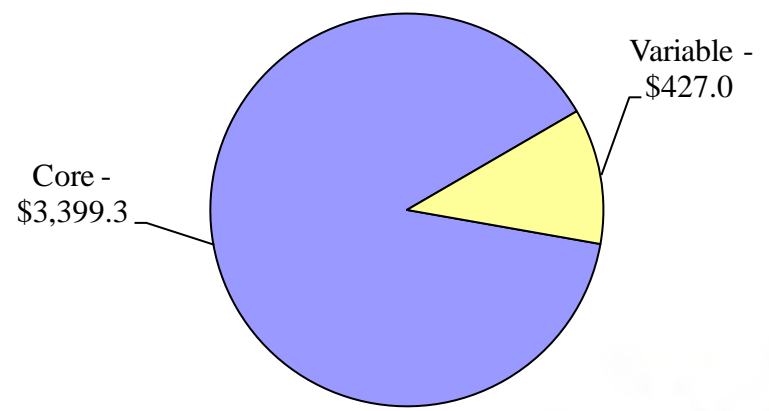
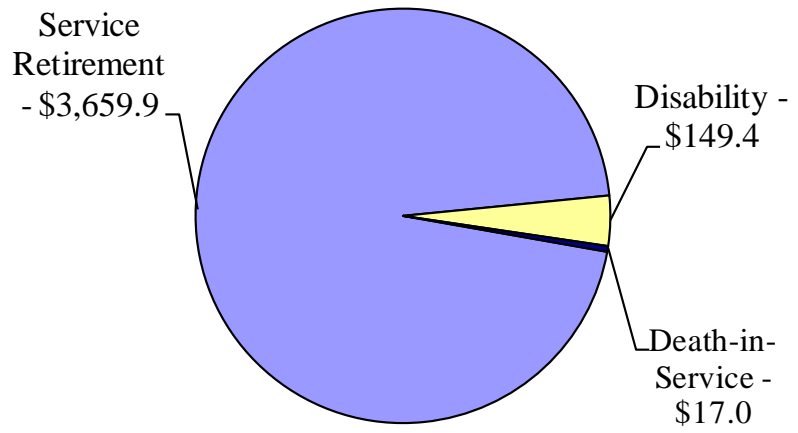
\$ Millions

	Core	Variable
Number of Annuitants	144,107	34,927
Annual Amount	\$ 3,399.3	\$ 427.0
Fund Balance	35,798.1	2,574.5
Actuarial Reserve	36,551.5	4,491.0
Ratio	0.979	0.573



Annuities Being Paid by Type

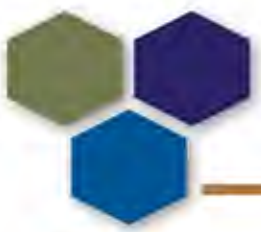
\$ Millions



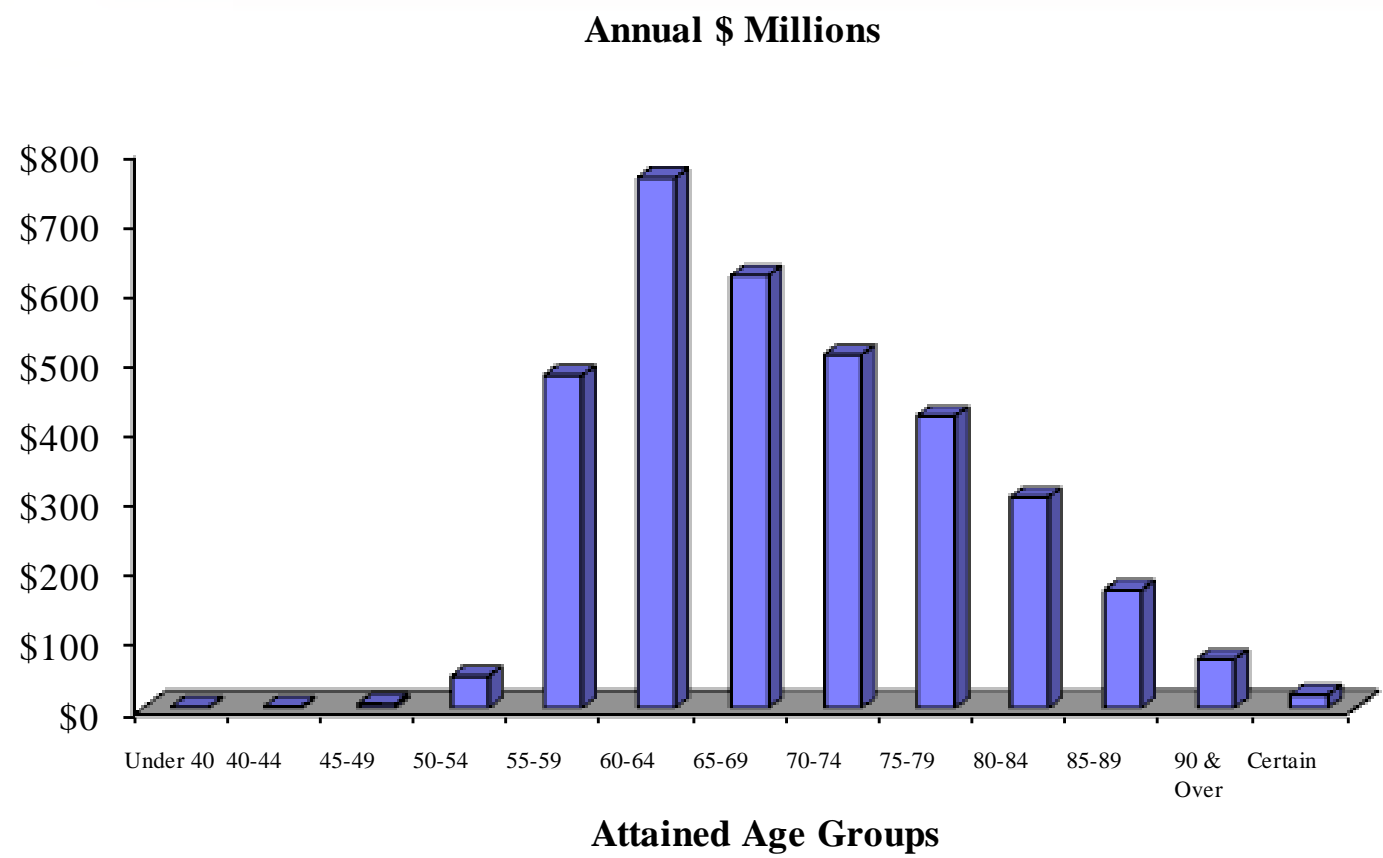


Primary Sources of Dividend

	<u>% of APV</u>
1. SWIB published investment return	(26.20)%
2. MRA adjustment	<u>29.50%</u>
3. Published effective earnings rate	3.30%
4. Adjustment to relate earnings to average fixed annuity balance	<u>(0.16)%</u>
5. Earnings rate based on average balance	3.14%
6. Expected dividend before adjustments: 1.0314/1.05-1	(1.77)%
7. Adjustment to relate average asset to ending liability	0.02%
8. Carryover from last year due to timing of dividend accounting adjustments and rounding	0.42%
9. Adjustments to contingency reserve and data reserve	(0.61)%
10. Experience Study	0.00%
11. Experience and other effects	(0.12)%
12. Statutory adjustment to round to nearest one-tenth percent	<u>(0.04)%</u>
13. Computed dividend rate: (6)+(7)+(8)+(9)+(10)+(11)+(12)	(2.1)%



Core Annuities Being Paid



Average age

- at retirement

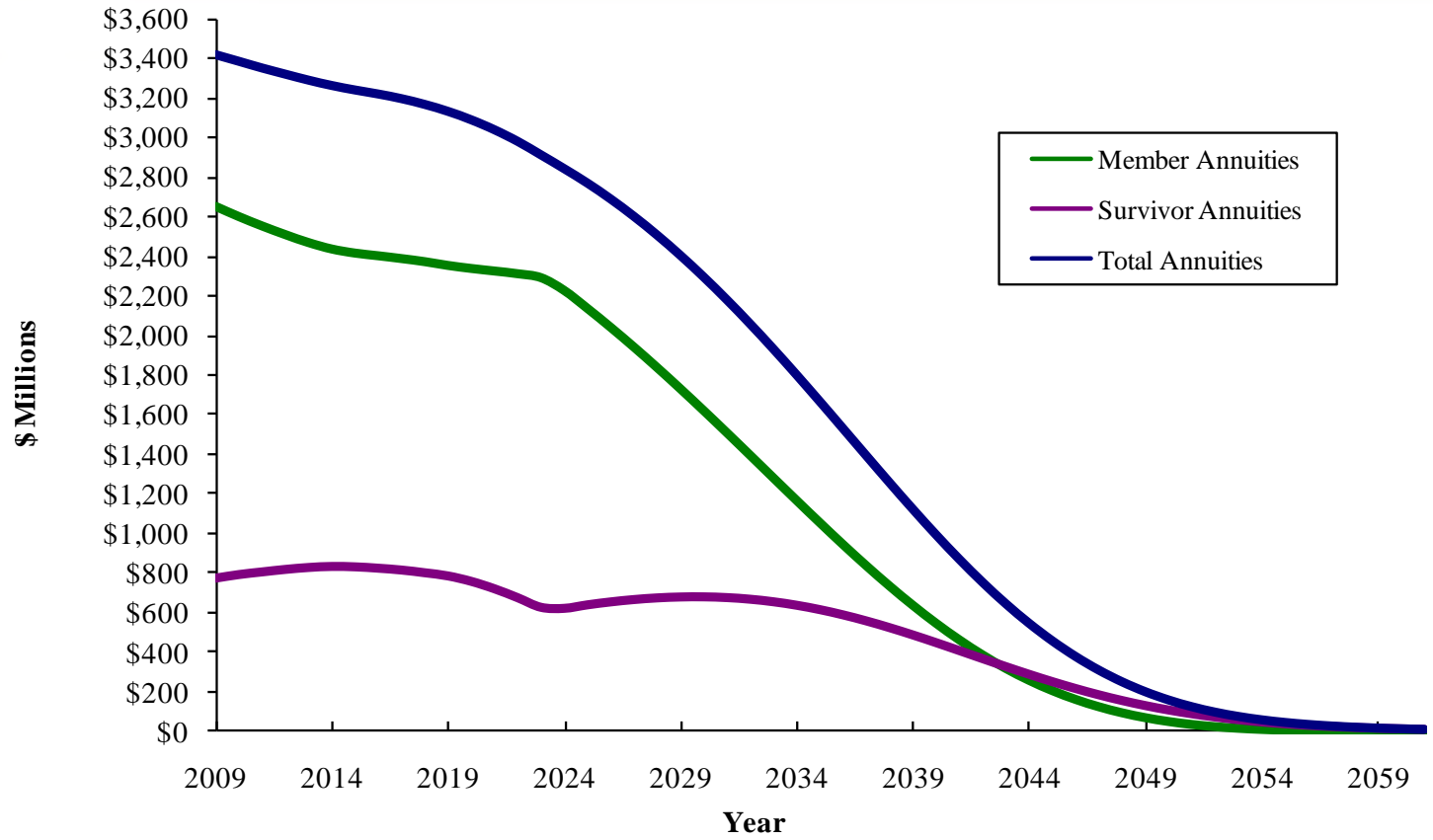
59.6 years

- now (12/31/2008)

70.3 years



Projected Future Core Annuities



Total Future Payments	\$87.4 billion
From Present Assets	35.8
From Investment Return	51.6

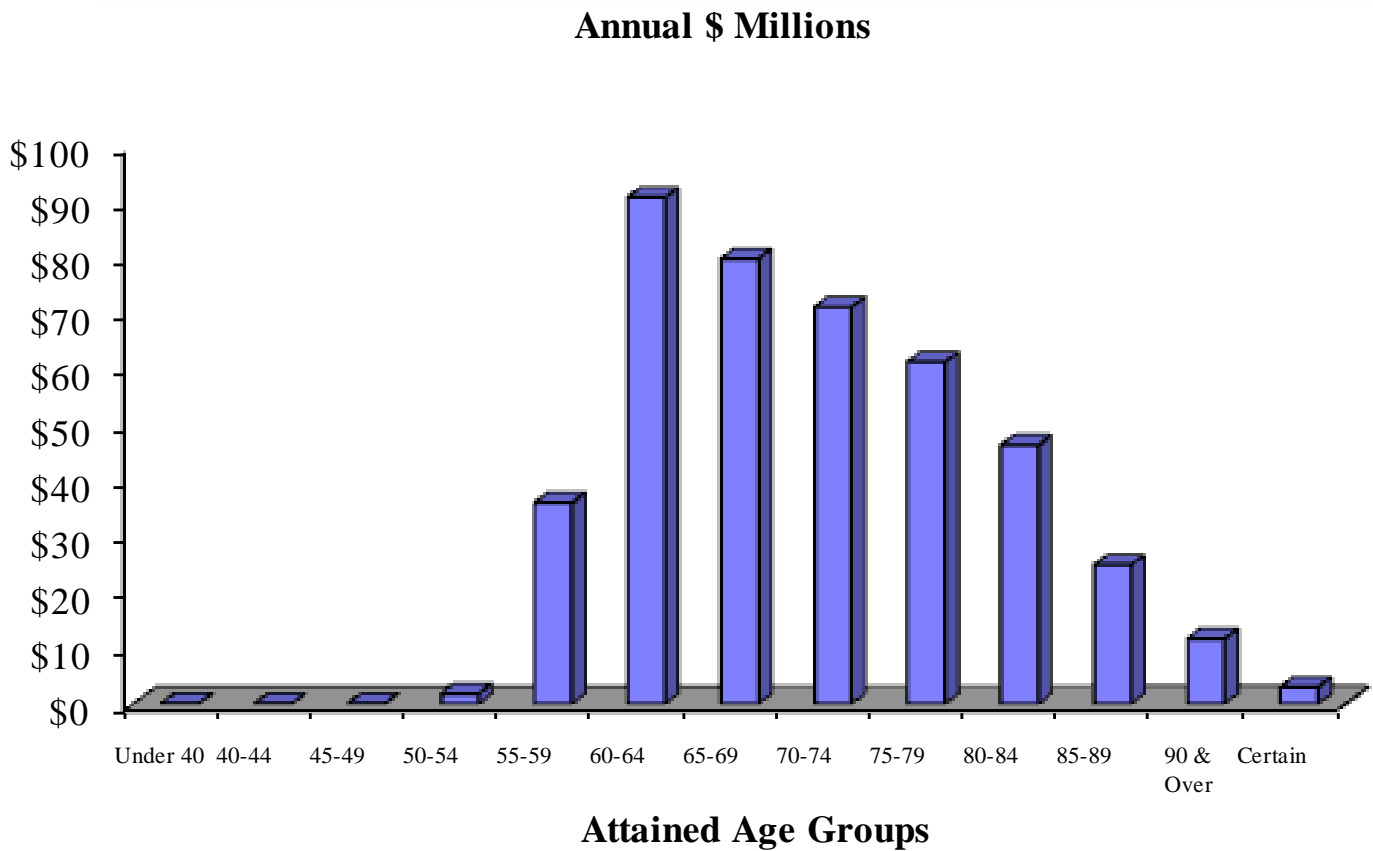


Primary Sources of Variable Adjustment

	<u>% of APV</u>
1. SWIB published investment return	(39.0)%
2. Adjustment to published effective rate	(1.0)%
3. Published effective earnings rate	(40.0)%
4. Adjustment to relate earnings to average variable annuity fund balance	1.0%
5. Earnings rate based on average balance	(39.0)%
6. Expected change before adjustments: 0.61/1.05-1	(41.9)%
7. Adjustment to relate average asset to ending liability	(1.2)%
8. Carryover from last year due to timing of distribution, accounting adjustments and truncation	1.1%
9. Adjustments to contingency reserve	(0.5)%
10. Experience Study	0.0%
11. Experience and other effects	(0.2)%
12. Statutory adjustment (truncate to whole percent or adjust to zero if reserve is less than 2%)	0.7%
13. Variable annuity change: (6)+(7)+(8)+(9)+(10)+(11)+(12)	(42.0)%



Variable Annuities Being Paid



Average age

- at retirement
- now (12/31/2008)

59.2 years
70.2 years



Comparative Statement - Core

\$ Millions

Valuation Date	Number	\$ Millions				Change in	
		Annual Annuities	Fund Balance	Actuarial Reserve	Ratio	Annuities	CPI
1998	\$ 99,112	\$1,349.5	\$14,951.8	\$13,943.0	1.072	7.2 %	1.6 %
1999	102,817	1,513.8	16,857.8	15,687.2	1.075	17.1 %	2.7 %
2000	107,425	1,867.0	20,517.8	19,405.3	1.057	5.7 %	3.4 %
2001	112,142	2,048.6	21,979.7	21,283.6	1.033	3.3 %	1.6 %
2002	116,289	2,226.6	23,142.4	23,202.9	0.997	0.0 %	2.4 %
2003	121,582	2,364.7	25,071.9	24,724.0	1.014	1.4 %	1.9 %
2004	126,211	2,500.3	26,920.0	26,232.2	1.026	2.6 %	3.3 %
2005	131,674	2,691.4	28,575.3	28,359.7	1.008	0.8 %	3.4 %
2006	137,117	2,843.6	31,180.5	30,273.9	1.030	3.0 %	2.6 %
2007	142,906	3,075.3	35,050.1	32,877.5	1.066	6.6 %	4.1 %
2008	144,033	3,399.3	35,798.1	36,551.5	0.979	(2.1)%	0.1 %
26-Year Average						5.1 %	3.0 %
10-Year Average						3.7 %	2.5 %

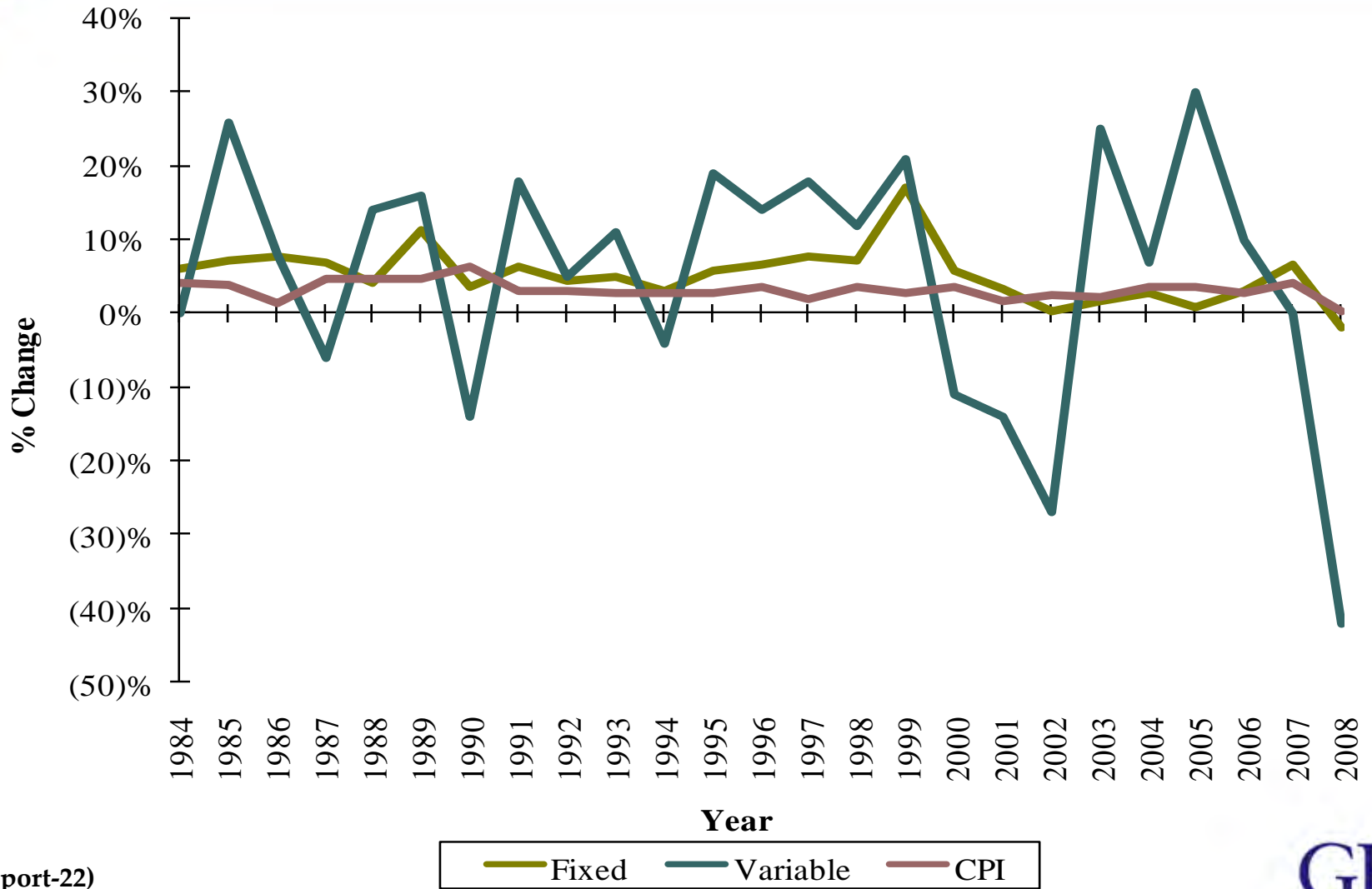


Comparative Statement - Variable

Valuation		\$ Millions				Change in	
		Annual	Fund	Actuarial	Ratio	Annunities	CPI
Date	Number	Annunities	Balance	Reserve			
1998	\$25,424	\$289.5	\$3,400.5	\$3,035.5	1.120	12.0 %	1.6 %
1999	26,257	345.8	4,432.9	3,659.1	1.212	21.0 %	2.7 %
2000	27,321	445.3	4,211.4	4,749.3	0.887	(11.0)%	3.4 %
2001	28,314	424.4	3,901.8	4,547.4	0.858	(14.0)%	1.6 %
2002	28,662	374.0	2,899.3	3,999.1	0.726	(27.0)%	2.4 %
2003	29,496	273.3	3,635.9	2,892.2	1.257	25.0 %	1.9 %
2004	30,270	346.0	3,909.9	3,654.5	1.070	7.0 %	3.3 %
2005	31,499	376.5	4,092.7	3,970.7	1.031	3.0 %	3.4 %
2006	32,683	391.8	4,594.2	4,145.2	1.108	10.0 %	2.6 %
2007	33,880	432.6	4,625.0	4,563.7	1.013	0.0 %	4.1 %
2008	34,927	427.0	2,574.5	4,491.0	0.573	(42.0)%	0.1 %
26-Year Average						3.4 %	3.0 %
10-Year Average						(5.1)%	2.5 %



History of % Changes





Looking Ahead

- ◆ Dividend projections will be the subject of the next topic
- ◆ Negative dividends are likely due to continued recognition of prior investment losses
- ◆ Variable adjustment will have some downward pressure next year due to timing of adjustment and carryover of truncated amounts



Looking Ahead

- ◆ Important to keep long-term perspective – even with full recognition of recent market losses, core fund has achieved long-term investment objective and dividends have averaged over 3.5% the last 26 years.



Core Fund Annuity Adjustment Projections

Joint Information Meeting
March 19, 2009

Assumptions

- Based on 2008 actual Core Trust Fund investment returns.
- Includes 2004 - 2007 investment gains and losses carried forward in the Market Recognition Account (MRA).
- Dividends will be paid if annuity reserve surplus provides at least a 0.5% dividend.
- Annuities will be reduced if annuity reserve shortfall would require at least a -0.5% adjustment .

Assumptions (cont.)

- Negative adjustments can only reduce dividends granted in prior years. A core annuity cannot be reduced below the original value.
- 0.5% per year is reserved for mortality improvement and other actuarial adjustments and is not available for dividends.

Market Recognition Account

- Investment gains / losses are “smoothed” through the MRA:
 - The MRA is intended to give recognition to long-term changes in asset values while minimizing the impact of short-term fluctuations in the capital markets;
 - Investment gains equal to the assumed rate (7.8%) are recognized;
 - The difference between actual gains or losses and the assumed rate is spread equally over 5 years.

At the end of 2007 there was over \$4.7 billion of investment gains to be recognized in future years

<u>Year Earned</u>	<u>Year to be Recognized (millions \$)</u>			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
2008	?	?	?	?
2007	212	212	212	212
2006	1,065	1,065	1,065	
2005	86	86		
2004	518			
Total	1,881	1,363	1,277	212

At the end of 2008 there is an \$18.6 billion investment loss to be recognized in future years

<u>Year Earned</u>	<u>Year to be Recognized (millions \$)</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
2008	(5,368)	(5,368)	(5,368)	(5,368)	(5,368)
2007	212	212	212	212	
2006	1,065	1,065	1,065		
2005	86	86			
2004	518				
Total	(3,487)	(4,005)	(4,091)	(5,156)	(5,368)

Current Value of Annuities

If You Retired in	A \$1,000 Core Annuity is Receiving	The Annual Rate of Increase is	A \$1,000 Variable Annuity is Receiving	The Annual Rate of Increase is	The Annual Change in CPI is
2003	\$1,112	2.1%	\$703	(6.8%)	2.7%
1998	\$1,441	3.7%	\$594	(5.1%)	2.5%
1993	\$1,926	4.5%	\$1,023	0.2%	2.5%
1988	\$2,585	4.9%	\$1,403	1.7%	2.8%
1983	\$3,511	5.2%	\$2,046	2.9%	3.0%

A 7.8% investment return in 2009 will result in an annuity adjustment between -3.4% and -3.8%

<i>Core Effective Rate / Annuity Adjustment Projections</i>						
	2008	2009	2010	2011	2012	2013
State of Wisconsin Investment Board Net Investment Return	-26.2%	7.8%	7.8%	7.8%	7.8%	7.8%
Core Trust Fund Effective Rate	3.3%	1.9% to 2.3%	1.3% to 1.7%	-0.3% to -0.7%	-1.2% to -1.6%	6.4% to 6.8%
Core Trust Fund Annuity Adjustment	-2.1%	-3.4% to -3.8%	-3.9% to -4.3%	-5.7% to -6.1%	-6.6% to -7.0%	0.4% to 0.8%

An investment return between 27.9% and 30.7% is needed in 2009 to avoid a negative annuity adjustment

<i>Core Effective Rate / Annuity Adjustment Projections</i>						
	2008	2009	2010	2011	2012	2013
State of Wisconsin Investment Board Net Investment Return	-26.2%	27.9% to 30.7%	7.8%	7.8%	7.8%	7.8%
Core Trust Fund Effective Rate	3.3%	5.2% to 5.6%	5.0% to 5.4%	3.5% to 3.9%	3.1% to 3.5%	10.4% to 10.8%
Core Trust Fund Annuity Adjustment	-2.1%	0.0%	-1.0% to -1.4%	-1.9% to -2.3%	-2.2% to -2.6%	4.2% to 4.6%

A 0% investment return in 2009 will result in an annuity adjustment between -4.5% and -4.9%

<i>Core Effective Rate / Annuity Adjustment Projections</i>						
	2008	2009	2010	2011	2012	2013
State of Wisconsin Investment Board Net Investment Return	-26.2%	0.0%	7.8%	7.8%	7.8%	7.8%
Core Trust Fund Effective Rate	3.3%	0.6% to 1.0%	0.0% to 0.4%	-1.9% to -2.3%	-3.2% to -3.6%	4.5% to 4.9%
Core Trust Fund Annuity Adjustment	-2.1%	-4.5% to -4.9%	-5.2% to -5.6%	-7.3% to -7.7%	-8.4% to -8.8%	-0.9% to -1.3%

A -10% investment return in 2009 will result in an annuity adjustment between -5.9% and -6.3%

<i>Core Effective Rate / Annuity Adjustment Projections</i>						
	2008	2009	2010	2011	2012	2013
State of Wisconsin Investment Board Net Investment Return	-26.2%	-10.0%	7.8%	7.8%	7.8%	7.8%
Core Trust Fund Effective Rate	3.3%	-0.5% to -0.9%	-1.5% to -1.9%	-4.2% to -4.6%	-6.1% to -6.5%	1.7% to 2.1%
Core Trust Fund Annuity Adjustment	-2.1%	-5.9% to -6.3%	-6.9% to -7.3%	-9.4% to -9.8%	-11.1% to -11.5%	-3.5% to -3.9%

A background of various US coins including pennies, nickels, dimes, and quarters. The coins are scattered across the frame, with some showing the profile of George Washington, the Union Shield, and the Statue of Liberty. The word "LIBERTY" is visible on several coins.

Questions?



STATE OF WISCONSIN
Department of Employee Trust Funds

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SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: March 18, 2009

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

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

SUBJECT: Legislative and Communications Update

This memorandum is for informational purposes only. No action is required.

Legislative Update

The 2009-2010 Legislative Session began in January 2009. With the exception of the 2009-2011 biennial budget bill (2009 Assembly Bill 75), there is a bill that, if enacted, will have an impact on the Wisconsin Retirement System (WRS). 2009 Senate Bill 88, and its companion bill 2009, Assembly Bill 126, would create a program that would allow participating employees in the WRS to purchase creditable service for all years of active military service subject to certain conditions. Among other things, the conditions include: the employee pays the Department the required employee contribution for general category employees based on the employees final average earnings (determined as if the employee had retired on the first day of the annual earnings period during which the Department received the application). The Department has prepared a fiscal estimate that focuses on the administrative costs of the bill. The actual program costs are difficult to define absent an actuarial analysis.

The Department is currently working with Senator Bob Wirth and Representative Mary Hubler, Co-chairs of the Joint Survey Committee on Retirement Systems, on a bill to close the Variable Fund to new enrollees. The draft bill number is LRB 2121/3. I anticipate the bill will be introduced within the next couple of weeks. I will share a copy of the bill with Board members once it is introduced and becomes a public document.

Update on Department's Communication Efforts:

Since the December 2008 Board meetings, the Department has continued to communicate with WRS members and employers about the 2008 finalized investment returns, the effective rates and the annuity adjustments. We used various communication tools to keep members, employers and the general public informed about the impact of the 2008 investment returns on the WRS and its members and employers. First, the January edition of the Trust Fund News focused on the finalized investment returns and provided members with projected effective rates

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and annuity adjustments. In addition to the Trust Fund News, we also developed and posted letters on the Department's website. The letters kept members and employers abreast of the most current information. Third, we continued to meet with various employee and employer organizations and provided them with important information about the market impact on the WRS. Lastly, the Department distributed press releases to announce the effective rates and annuity adjustments. Both of the press releases generated extensive media coverage.

I will be at the March 19, 2009 Joint Information meeting to answer any questions you may have. In addition, I will provide the Boards with legislative updates throughout the legislative session on the bills noted above and other legislation that has an impact on the WRS.



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CORRESPONDENCE MEMORANDUM

DATE: March 3, 2009

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

FROM: Sharon Walk
Appeals Coordinator

SUBJECT: Pending Appeals

This memo is provided for informational purposes only. No Board action is necessary.

Over the past year, the number of pending appeals has remained steady, with a monthly average of 31. The chart below shows pending appeals during the past 12 months.

	Employee Trust Funds (ETF) Board	Wisconsin Retirement (WR) Board	Teachers Retirement (TR) Board	Group Insurance (GI) Board	Deferred Compensation (DC) Board	TOTAL
April 2008	13	5	1	5	0	24
May 2008	15	5	0	4	0	24
June 2008	17	7	0	6	0	30
July 2008	18	8	0	8	0	34
August 2008	14	9	0	8	0	31
September 2008	16	9	0	8	0	33
October 2008	13	8	0	7	0	28
November 2008	13	9	0	8	0	30
December 2008	13	9	0	7	0	29
January 2009	17	11	0	10	0	38
February 2009	20	9	0	9	0	38
March 2009	19	7	0	9	0	35

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature

Date

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The appeals currently pending before the ETF Board and the WR Board can be divided into the following categories:

ETF Board	
Participation or Category of Employment.....	10
Annuity Option or Start Date.....	5
Beneficiary	2
Cancellation of WRS Separation Benefit	<u>2</u>
Total.....	19
WR Board	
Section 40.63 Disability Denial	5
Section 40.65 Duty Disability Overpayment.....	<u>2</u>
Total.....	7

Independent Record Review Process

As some board members may recall, in 2000 the appeal backlog stood at 300+ cases and the typical appellant was required to wait an average of three years for a final decision. The Department consulted with Nancy Williams of William Mercer, Inc., who proposed several changes to the appeals process. One of these changes was the implementation of an Independent Record Review (IRR) process.

With an IRR, when an appeal is received by the Department, the appellant is contacted to discuss the matter. The IRR process functions independently within the Department. The member is given an opportunity to discuss the matter with someone who was not involved in making the ETF determination. In some situations, explaining the statutory language that was used in the decision helps resolve the matter. Other times, creative solutions are found that allow the Department to grant a benefit while staying within the confines of Chapter 40.

Several examples of recent appeals that have been resolved through the IRR process are summarized below:

- 2008-026-WR This appeal concerned the gross monthly salary to be used to calculate a duty disability benefit. The appellant felt that the monthly salary amount should include holiday pay that he had received. A recent final decision of the WR Board found that holiday pay should be included. The Department worked with the employer to complete the proper reports and the appeal was withdrawn.
- 2008-044-ETF The appellant filed an appeal concerning his employment as a police officer from 1985-86. The appellant wanted credit for this service. The Department contacted the employer to find out the number of hours that had been worked. It was determined that the appellant did not work sufficient hours to qualify and he agreed to withdraw his appeal.
- 2008-051-ETF When the appellant inquired about the amount of creditable service he was eligible to purchase, the Department advised him that the number of years was 2.25. Upon review of his file, it was discovered that he was eligible to purchase an additional 5.4 years of service. This oversight occurred because

the member had taken three separation benefits and only one separation benefit was noted when the initial determination was made. The Department worked with the member. He was allowed to purchase the full amount of service and the appeal was withdrawn.

2008-013-ETF The member wanted credit for part-time service as a police officer for the years 1983, 1984 and 1985. The employer was contacted but no longer had records for this time period. The appellant was unable to prove that he had worked the necessary hours to qualify. Since he could not do this, he agreed to withdraw his appeal.

Staff will be available at the March 19, 2009, meeting to answer any questions you may have.



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CORRESPONDENCE MEMORANDUM

DATE: March 19, 2009

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

FROM: Bob Conlin, Deputy Secretary
Steve Hurley, Director, Office of Policy, Privacy and Compliance

SUBJECT: Proposal to Hold All Board Meetings on One Day Each Quarter

This memo is for Executive Committee and Board discussion and action by the Employee Trust Funds (ETF) Board.

Recommendation: Staff recommends that the Boards consider holding future meetings on one day each quarter, rather than spread business out over two days.

The three Wisconsin Retirement System (WRS) Boards currently meet quarterly over two days (usually Thursday and Friday). Typically, all three Boards meet Thursday morning for a "Joint Informational" session where general information is shared with all members. Early Thursday afternoon, the Teachers Retirement and Wisconsin Retirement Boards convene, primarily to hear appeals, approve administrative rules, and to study and recommend to the ETF Board alternative administrative policies regarding benefits for teachers and non-teachers in the WRS. Recently, due to a low number of appeals, these meetings have been concluding by 2:00 p.m. On Friday morning, the ETF Board meets and generally concludes its business by about noon. In all, the Boards only meet for about seven to eight hours over two consecutive days.

Several Board members have asked ETF about the rationale for the current Board schedule and about the possibility of reducing it from two days to a single day. Historically, it appears that the primary reason that Board meetings span two days is due to the large number of appeals that the Boards were regularly asked to hear. Because the volume of appeals has gone down significantly in the last few years, the Boards have been able to conduct shorter meetings.

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CORRESPONDENCE MEMORANDUM

DATE: March 19, 2009
TO: Employee Trust Fund Board
Teacher Retirement Board
Wisconsin Retirement Board
FROM: Sari King, Constituent Relations
Office of Legislative Affairs, Communications and Quality Assurance
SUBJECT: Wisconsin Retirement System Resources

This memorandum is for informational purposes only. No action is required.

The Department of Employee Trust Funds (ETF) places a high priority on ensuring that members have a thorough understanding of their Wisconsin Retirement System (WRS) benefits in order to make well informed decisions. In order to provide this level of service, Call Center and Ombudspersons customer service staff are available to members.

This is an extremely busy time of year in the Call Center, as members contact ETF about WRS effective interest rates, monthly annuity adjustments, and questions relating to the annual *Statement of Benefits*. The busiest times are Mondays, the first two business days of each month, and after 4:00 p.m. To better serve members during this peak call volume period, ETF will temporarily expand its customer service Call Center hours from April 13 to June 2.

Expanded Hours (from April 13th – June 2nd):
7:45 a.m. - 5:30p.m., Monday and Tuesday
7:45 a.m. - 4:45 p.m., Wednesday through Friday

June 2, hours will revert to 7:45 a.m. to 4:45 p.m., Monday through Friday.

The number for the Call Center is 1-877-533-5020 or (608) 266-3285.

ETF also has Ombuds staff to assist members with benefit questions and concerns. An Ombudsperson can act as a “navigator” by explaining the options and clarifying benefit provisions. The Ombudsperson is a confidential resource who acts as a neutral party to work for equity, fairness and compliance with program policies and insurance contracts. The staff is available 7:45 a.m. until 4:30 p.m., Monday through Friday, to answer customer inquiries. The Ombuds staff can be reached at 1-877-533-5020 x 17947 or (608) 261-7947.

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature _____

Date _____

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CORRESPONDENCE MEMORANDUM

DATE: February 24, 2009

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

FROM: Michelle Baxter, Director
 Insurance Administration Bureau

SUBJECT: Employer Program Participation: January 2009 – March 2009

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

The following is a year-to-date list of the employers that have been approved by their respective boards to join the Wisconsin Retirement System (WRS) effective January 1, 2009. This report also lists employers that have joined other benefit programs administered by the Department. Please note that an employer must first come under the WRS before it is eligible to participate in other Department-administered programs, except for the Life Insurance and Deferred Compensation programs.

NEW EMPLOYER	NUMBER OF EMPLOYEES	WRS	WISCONSIN PUBLIC EMPLOYEES GROUP HEALTH	LIFE	INCOME CONTINUATION INSURANCE
		Effective Date	Effective Date	Effective Date	Effective Date
Belmont, Town of	1	1/01/09			
Black Creek, Village of	13	1/01/09			
Fountain, City of	4	1/01/09			
Freedom Area School District	63	1/01/09			
Gillett, City of	10	1/01/09			
Highland, Town of	2	1/01/09			
Hughes, Town of	1	1/01/09			
Jefferson County	683		01/01/09		
Knight, Town of	3	1/01/09			
Loyal, City of	8	1/01/09			
Oconomowoc, Town of	25		01/01/09		
Rudolph, Town of	1	1/01/09			
Southwest Family Care Alliance	25	1/01/09	01/01/09	1/01/09	1/01/09
West Salem, Village of	20	1/01/09			
Westport, Town of	7				03/01/09

Reviewed and approved by Tom Korpady, Division of Insurance Services.

 Signature

 Date

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Note: In addition, the following employers have filed resolutions to join the WRS and are awaiting final approval by the Social Security Administration: Cambridge-Oakland Wastewater Commission, Town of Clayton, Cross Plains Area Emergency Medical Services, Door County Tourism Zone Commission, and Manitowoc-Calumet Library System.

Please contact me at (608) 266-9317 if you have any questions.

Staff believes that with careful planning and disciplined adherence to agendas, it is possible to condense the two-day format into one day. Please see the attached sample Board agenda. There are significant advantages to completing all the meetings in one day:

- **Facilitates Information Flow to All Board Members.** One-day meetings would facilitate attendance at ETF Board meetings of Teacher and Wisconsin Retirement Board members. This also would make it easier for these members to monitor and stay abreast of ETF Board activities.
- **Efficiently Uses Board Members' Time.** One-day meetings would reduce the amount of time Board members need to be away from their jobs or other activities. In the long-term, this may make service on the Boards more palatable to a broader range of people.
- **Reduces Meeting-Related Expenditures.** One-day meetings would reduce overall costs for ETF by cutting expenditures for meeting space, meals and lodging for Board members. Preliminary estimates suggest a savings of at least \$700 per quarterly meeting (\$2,800 annually).
- **Efficiently Uses ETF Staff Time.** One-day meetings would significantly reduce the amount of ETF staff time spent out of the office. The board liaisons, who also serve as administrative assistants within the Department, spend the equivalent of two full days out of the office arranging board space and equipment, and coordinating business needs with the hotel staff. Additionally, Department executive and program staff who are responsible for attending Board meetings spend the better part of two days out of the office.

The only potential barrier to concluding the Boards' work in one day would be an increase in appeals. However, we believe that, absent an unexpected spike in appeals cases, we can accommodate the periodic appeals that we now have with *ad hoc* adjustments in the Board agendas. For example, we could shorten the Joint Informational portion of the meeting or make other adjustments to agendas so that the Boards have sufficient time to address the appeals. If appeals increase, we could schedule special meetings of the affected Boards just to hear the appeals. Finally, if appeals increase significantly, the Boards could go back to a two-day meeting format.

In conclusion, we believe that the advantages of going to a one-day meeting schedule outweigh the potential disadvantages and that those disadvantages can be addressed on an *ad hoc* basis.

Attachment

**EXAMPLE OF
1-DAY RETIREMENT BOARD
MEETING AGENDA**

7:30 a.m. – 9:15 a.m.	Executive Committee/Budget & Operations Committee/Audit Committee (1, or possibly 2, of the 3 meetings)
9:30 a.m. – 11:00 a.m.	Joint Informational Session
11:00 a.m. – 11:30 a.m.	Wisconsin Retirement Board
11:30 a.m. – 12:00 noon	Teachers Retirement Board
12:00 noon – 1:15 p.m.	Lunch
1:30 a.m. – 4:00 p.m.	Employee Trust Funds Board