

**MINUTES OF MEETING**  
**STATE OF WISCONSIN**  
**EMPLOYEE TRUST FUNDS BOARD**

**Friday, December 13, 2002**

**Sheraton Madison Hotel**  
**706 John Nolen Drive**  
**Madison, Wisconsin**

**BOARD PRESENT:**

Marilyn Wigdahl, Chair  
Wayne Koessler, Vice-Chair  
Robert Niendorf, Secretary  
John Brown  
Sherry Brown  
Stephen Frankel  
James Gruentzel  
Irena Macek  
Wayne McCaffery  
Cynthia Van Bogaert  
Nancy Thompson

DRAFT

**BOARD NOT PRESENT:**

Peter Fox

**PARTICIPATING ETF STAFF:**

Eric Stanchfield, Secretary  
Dave Mills, Deputy Secretary  
Julie Reneau, Administrator, Division of Retirement Services  
Christina Licari, Board Liaison  
Pam Henning, Director, Office of Strategic Services  
Tom Korpady, Administrator, Division of Insurance Services  
Linda Owen, Division of Retirement Services  
Shelly Schueller, Office of the Secretary  
Robert Weber, Chief Counsel

**OTHERS PRESENT:**

Sue Chamberlain, University of Wisconsin System Administration  
Brian Fusie, Department of Employment Relations  
Charlotte Gibson, Department of Justice  
Jane Hamblen, Department of Justice  
Dave Hinrichs, Department of Employee Trust Funds  
Norm Jones, Gabriel, Roeder, Smith & Company  
Nancy Ketterhagen, Department of Employee Trust Funds  
Brian Murphy, Gabriel, Roeder, Smith & Company  
Peg Narloch, Department of Employee Trust Funds  
Matt Pommer, Wisconsin State Journal  
Vicki Poole, Department of Employee Trust Funds  
Bob Schaefer, Department of Employee Trust Funds  
Bob Willett, Department of Employee Trust Funds  
Steve Werner, Wisconsin Professional Police Association

Ms. Wigdahl called the meeting to order at 8:35 a.m.

## **CONSIDERATION OF MINUTES OF SEPTEMBER 27, 2002 MEETING**

***Motion: Ms. Van Bogaert moved approval of the open session minutes of the September 27, 2002, meeting as submitted by staff. Mr. Brown seconded the motion, which passed without objection on a voice vote.***

## **ELECTION COMMITTEE**

Ms. Henning asked for two volunteers to serve with her on the Election Committee to review questionable ballots and certify the results for the upcoming Employee Trust Funds Board elections. The committee will meet on the morning of March 13, 2003, immediately preceding the March 2003 Board meetings. Ms. Van Bogaert and Mr. Koessl volunteered to serve on the committee.

## **ADMINISTRATIVE RULES**

### ***Scope Statement: Roll-ins and Buybacks***

Ms. Owen requested the Board's approval of the scope statement for amending the creditable service purchase rule. Members were presented with the full scope statement during the Joint Informational meeting held earlier in the day. There were no additional questions from the Board members regarding the scope statement.

***Motion: Mr. Brown moved approval of the scope statement. Ms. Thompson seconded the motion, which passed without objection on a voice vote. Ms. Van Bogaert recused herself from the vote.***

### ***Clearinghouse Rule: Variable Participation***

Ms. Schueller requested the Board's approval of the final administrative rule on variable participation. Members were presented with the full final administrative rule and a summary of the rule document during the Joint Informational meeting held earlier in the day. Ms. Schueller noted that the rule was adopted by both the Teachers Retirement Board and the Wisconsin Retirement Board at their individual meetings on December 12, 2002. There were no additional questions from the Board members regarding the administrative rule.

***Motion: Mr. Koessl moved approval of Clearinghouse Rule #CR02-126. Ms. Thompson seconded the motion, which passed without objection on a voice vote. Ms. Van Bogaert recused herself from the vote.***

## **RETIREMENT STATISTICS SUMMARY REPORT**

Ms. Schueller reviewed the *WRS Retirement Benefit and WRS Disability Benefit Annuity Statistical Report*. Ms. Schueller noted that November data was not yet available and would be provided to the Board as a revised report at the March 2003 meeting. In addition, Ms. Schueller pointed out a change to the September and October data. This edit will also be included in the revised report at the March 2003 meeting. Ms. Schueller informed the Board that a year-end summary of statistical data would also be provided at the March 2003 meeting.

## **FUTURE ANNUITY DIVIDEND THRESHOLDS**

Ms. Reneau presented information to members regarding future annuity dividend thresholds. Per the request of the Board, ETF Staff provided to the Board a legislative history of the dividend

thresholds, and recommendations on whether or not the gain threshold should be changed. Provided for the Board's review were a legislative history of the dividend thresholds, a memo from actuaries Brian Murphy and Norm Jones (Gabriel, Roeder, Smith & Company), a chart showing various options, current annuity and annuity reserve data and samples of dividend modeling with various thresholds. Secretary Stanchfield noted for the record that his recommendation would be to only pass through losses greater than .5%.

The Board discussed at length both the action taken at the September 2002 meeting regarding negative fixed dividends and potential options for future changes.

***Motion: Mr. Frankel moved that the Board reconsider the action taken on the future annuity dividend threshold at the September 27, 2002, Employee Trust Funds Board meeting. Ms. Thompson seconded the motion, which passed on a roll-call vote.***

***Members voting aye: J. Brown, S. Brown, S. Frankel, W. Koessler, I. Macek, W. McCaffery, B. Niendorf, N. Thompson, M. Wigdahl***

***Members voting nay: J. Gruentzel, C. Van Bogaert***

***Motion: Mr. Frankel moved that the Board institute a negative .5% threshold for this year only and that the Board revisit this issue in 2003. Mr. McCaffery seconded the motion, which passed with a majority on a roll-call vote.***

***Members voting aye: J. Brown, S. Brown, S. Frankel, J. Gruentzel, W. Koessler, W. McCaffery, B. Niendorf, N. Thompson, M. Wigdahl***

***Members voting nay: C. Van Bogaert***

#### **GROUP INSURANCE BOARD UPDATE**

Mr. Korpady presented a verbal update on activities of the Group Insurance Board including the recent health insurance study group recommendations. Board members were provided with an informational copy of a memorandum detailing the recommendations.

#### **MISCELLANEOUS**

##### ***Audit Reports***

Included for the Board's information. Ms. Reneau noted one audit was completed by Internal Audit staff. The report was titled: *Phase 2 of Verifying Named Survivor Data Using Social Security Administration's Enumeration Verification System*. Mr. Schaefer was in the audience and available to answer questions.

##### ***Pending Appeals Status Report***

Included for the Board's information. Ms. Reneau noted that the appeal total continued to decline.

##### ***March 2003 Meeting Dates***

Ms. Reneau requested the Board's approval to change the March 2003 meeting dates from March 20-21, 2003, to March 13-14, 2003.

***Motion: Ms. Thompson moved approval of the new meeting dates for March 2003. Ms. Brown seconded the motion, which passed without objection on a voice vote.***

***Press Release Regarding Former Senator Andrea***

Ms. Reneau and Secretary Stanchfield reflected on the recent death of former State Senator Joseph Andrea, adding that he had always been a reliable supporter of the Department. A copy of the joint Employee Trust Funds and State of Wisconsin Investment Board press release provided to members.

**UNPAID REQUIRED ACCUMULATED SICK LEAVE CONVERSION CREDIT (ASLCC) AND SUPPLEMENTAL HEALTH INSURANCE CONVERSION CREDIT (SHICC) CONTRIBUTIONS**

Included for the Board's information were copies of recent letters from Secretary Stanchfield to Department of Administration Secretary George Lightbourn regarding the ASLCC and SHICC unpaid required contributions.

**MOTION TO CONVENE IN CLOSED SESSION**

Ms. Wigdahl announced that, after a short break, the ETF Board would convene in closed session pursuant to exemptions contained in Wis. Stats. § 19.85 (1)(a), (f) and (g) for quasi-judicial deliberations, consultation with legal counsel and consideration of financial and/or medical records involving annuity applications. ETF staff were invited to remain during deliberations involving all topics except quasi-judicial deliberations. Ms. Licari and Mr. Fusie were invited to remain during all parts of the closed session.

***Motion: Ms. Brown moved to convene in closed session pursuant to exemptions contained in Wis. Stats. § 19.85 (1)(a), (f) and (g) for quasi-judicial deliberations, consultation with legal counsel and consideration of financial and/or medical records involving annuity applications. Ms. Thompson seconded the motion, which passed without objection on the following roll call vote.***

***Members voting aye: J. Brown, S. Brown, S. Frankel, J. Gruentzel, W. Koessl, I. Macek, W. McCaffery, B. Niendorf, N. Thompson, C. Van Bogaert, and M. Wigdahl***

***Members voting nay: none***

*The Board took a break at 11:15 a.m.*

The ETF Board convened in closed session at 11:30 a.m. and reconvened in open session at 12:30 p.m.

**ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION**

Ms. Wigdahl announced that the Board took the following action during the closed session:

- The Board conferred with legal counsel concerning potential litigation in regard to the unpaid required Accumulated Sick Leave Conversion Credit and Supplemental Health Insurance Conversion Credit Contributions.
- **Appeal 2000-035-ETF.** The Board adopted the hearing examiner's proposed decision with changes recommended by legal counsel.
- **Appeal 2002-017-ETF.** The Board rejected the hearing examiner's proposed decision and remanded the appeal to the hearing examiner for a consideration of the appellants' takings claim on the merits.

- **Appeal 2001-064-ETF.** The Board rejected the hearing examiner's proposed decision and adopted a final decision affirming the Department's determination, as recommended by legal counsel.

**ADJOURNMENT**

***Motion: Mr. Gruentzel moved adjournment. Mr. Frankel seconded the motion, which passed without objection on a voice vote.***

The ETF Board adjourned at 12:32 p.m.

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

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

Robert Niendorf  
Secretary