

Mtg	Date	Item #
ETF	6/20/2003	1

MINUTES OF MEETING
STATE OF WISCONSIN
EMPLOYEE TRUST FUNDS BOARD

Friday, March 14, 2003

Sheraton Madison Hotel
706 John Nolen Drive
Madison, Wisconsin

BOARD PRESENT:

Marilyn Wigdahl, Chair
Wayne Koessl, Vice-Chair
Robert Niendorf, Secretary
John Brown
Sherry Brown
Stephen Frankel
James Gruentzel
Wayne McCaffery
Cynthia Van Bogaert
Nancy Thompson
Karen Timberlake

BOARD NOT PRESENT:

Irena Macek

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Dave Mills, Deputy Secretary
Julie Reneau, Administrator, Division of Retirement Services
Linda Owen, Division of Retirement Services
Pam Henning, Director, Office of Strategic Services
Shelly Schueller, Office of the Secretary
Rob Weber, Chief Legal Counsel
Bob Willett, Controller
Christina Licari, Board Liaison

OTHERS PRESENT:

Sue Chamberlain, University of Wisconsin System
Debbie Danoski
Ed Danoski
Bill Ford, Legislative Council
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
Ron Paul
Mary Pierick, Department of Employee Trust Funds
Matt Pommer, The Capital Times

Marilyn Wigdahl, Chair, called the meeting to order at 8:30 a.m.

CONSIDERATION OF PREVIOUS MEETING MINUTES

Motion: Mr. Gruentzel moved approval of the minutes of the February 24, 2003, and closed session December 13, 2002, meetings as submitted by staff. Mr. Frankel seconded the motion, which passed without objection on a voice vote.

Note: Ms. Thompson noted an inconsistency in the open session minutes of December 13, 2002. Ms. Licari will research and resubmit the minutes for approval at the June 20, 2003, meeting.

ELECTION RESULTS

Ms. Henning announced that Kathleen Kreul has been elected to the educational support personnel seat (Wisconsin Act 181) previously held by Sherry Brown and that Theron Fisher has been elected to the Wisconsin Retirement System annuitant seat [§ 15.16 (1) (intro)] previously held by Jim Gruentzel. The election results were certified by the Employee Trust Funds (ETF) Board election committee prior to the Joint Informational Meeting on March 13, 2003.

Secretary Stanchfield noted that this would be the last meeting for outgoing Board members, Sherry Brown and Jim Gruentzel. He presented Ms. Brown and Mr. Gruentzel with plaques displaying ETF resolutions in their honor. Secretary Stanchfield thanked Ms. Brown and Mr. Gruentzel for their contributions and dedication to the members of the Wisconsin Retirement System during their membership on the Board.

ELECTION OF OFFICERS

Ms. Licari requested Board action regarding the election of officers. A memorandum was provided in the Board mailing, which included a list of current officers as well as a current roster.

Nomination: Mr. Brown nominated the current slate of officers for another one-year term. Ms. Van Bogaert seconded the nomination.

Motion: Hearing no further nominations, Mr. Frankel moved to close nominations and cast a unanimous ballot for the current slate of officers (Wigdahl – Chair, Koessl – Vice Chair, Niendorf – Secretary) for another one-year term. Ms. Van Bogaert seconded the motion, which passed without objection on a voice vote.

ADMINISTRATIVE RULE

Scope Statement: Dividend Distribution. Ms. Owen presented a Scope Statement that would allow the Department of Employee Trust Funds (ETF) to proceed with a possible revision to the administrative rule that governs when annuitant dividends are distributed. In 2002 the administrative rule was revised to require annuitant dividends to be distributed in the April 1 payment rather than in the May 1 payment. Due to the harm that would result from the earlier distribution date this year because of the negative variable adjustment and 0% fixed dividend, on February 24 the Boards approved an emergency rule that moved the distribution back to the May 1 payments for this year only.

Board members raised issues about whether amending the rule again would constitute good public policy. The Department stressed that approving this scope statement does not commit the Department or the Boards to any specific course of action with respect to revising the rule. Instead, it would keep options open for revising the rule before next year's dividend is distributed and permit the Department to study the merits of alternative approaches. Possible alternatives include

changing the permanent rule back to the May 1 distribution date, establishing a conditional effective date for changing to an April 1 distribution date, etc.

Motion: Mr. Koessl moved approval of the scope statement regarding amending the rule governing annuitant dividends. Ms. Thompson seconded the motion, which passed without objection on a voice vote.

Note: Ms. Van Bogaert recused herself from discussion of the scope statement and abstained from the related vote.

DISABILITY STATISTICS SUMMARY REPORT

(Included for the Board's information.) Ms. Schueller reviewed the *WRS Disability Benefit Annuity Statistical Report* that was included in the Board packet. Ms. Schueller noted that this report also contains the November data that was not yet available at the December 2002 meeting. Members were also provided with a corrected *WRS Disability Benefit Annuity Statistical Report* for the period of September 2002 to October 2002. In addition to Ms. Schueller, Peg Narloch, Disability Program Policy Advisor, was available to answer questions.

DISABILITY STATISTICS ANNUAL SUMMARY REPORT

(Included for the Board's information.) Ms. Schueller reviewed the *Year 2002 Benefit Annuity Statistics* report that was included in the Board packet. Ms. Schueller explained several details of the data, charts and graphs contained in the report and noted that this report will continue to be updated with 2003 comparison data as it becomes available. In addition to Ms. Schueller, Ms. Narloch was also available to answer questions.

WISCONSIN RETIREMENT SYSTEM TWENTIETH ANNUAL ACTUARIAL VALUATIONS OF RETIRED LIVES – DECEMBER 31, 2002

Norm Jones and Brian Murphy from the Department's actuarial firm, Gabriel, Roeder, Smith & Company, briefly reviewed highlights of the annual valuations and responded to questions. The results of the valuations are briefly summarized as follows (\$ millions).

	Fixed	Variable
Number of Annuitants	116,289	28,668
Annual Amount	\$2,226.6	\$374.0
Fund Balance	23,142.4	2,899.3
Actuarial Reserve	23,202.9	3,993.1
Ratio	0.997	0.726

Based upon these results, effective April 1, 2002, fixed annuities would remain the same and variable annuities would be decreased by 27%. Ms. Reneau noted that the 2002 fixed and variable dividend rates were approved by the Board Chair on February 25, 2003.

MOTION: Mr. Niendorf moved to accept the report and approve the consulting actuary's recommendation on the fixed and variable annuity dividends. Mr. Brown seconded the motion, which passed without objection on a voice vote.

UPPER DIVIDEND THRESHOLD

Ms. Reneau presented the Department's recommendation for pursuing a statutory change to the fixed dividend payment threshold. Included with Ms. Reneau's memorandum for the Board's consideration were three charts showing scenarios of possible fund experience and correlating

fixed effective rate and dividend projections. Board members consulted with staff and the Department's actuary regarding the merits of pursuing a change. The Board discussed at length the public policy and actuarial aspects of making a change to the threshold. Members noted for the record that they would like documentation reflecting the Board's reasons for taking action on this issue. Staff assured the Board that such documentation would be provided.

Motion #1: Mr. Gruentzel moved to support the Department's pursuit of a statutory change to the upper dividend threshold. Mr. Koessl seconded the motion, which passed without objection on a voice vote.

Motion #2: Ms. Van Bogaert moved to instruct the Department to approach the legislature regarding amending the existing provision in §40.27 addressing the 2% threshold and instead seek the ability of the Board to set both thresholds through administrative rule. Mr. Frankel seconded the motion, which passed without objection on a voice vote.

Motion #3: Mr. Greuntzel moved to set a priority order for the Department's action regarding Motions #1 and 2. Motion #2 shall be considered as the primary action and Motion #1 as secondary. Ms. Thompson seconded the motion, which passed without objection on a voice vote.

MISCELLANEOUS

Employee Reimbursement Account (ERA) Enrollment Period Report. (Provided for the Board's information.) The report reflected a total ERA enrollment of 10,365 employees for 2003. Also noted was that the number of employees enrolled in the commuter benefit program has increased to 1,200 (from 909 in October 2002).

Pending Appeals Status Report. (Included for the Board's information.) Ms. Reneau presented an update on pending appeals, noting that the ETF Board currently has 76 pending appeals.

Peter Fox Resolution. Secretary Stanchfield noted that an ETF resolution had been prepared honoring former member Peter Fox, thanking him for his service. The resolution will be sent to Mr. Fox following the meeting.

Audit Report. (Provided for the Board's information.) Ms. Reneau reviewed the audit report "Match of Annuity File with Social Security Administration 2002 Death Master File." Internal Audit staff were available to answer questions.

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

Secretary Stanchfield noted that the Department and the Board continue to discuss with legal counsel the possibility of bringing legal action in regard to unpaid required ASLCC and SHICC contributions.

The Board took a break at 10:00 a.m.

MOTION TO CONVENE IN CLOSED SESSION

Ms. Wigdahl announced that the Employee Trust Funds Board would convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85(a), (f) and (g) for quasi-judicial deliberations, to consider applications containing personal medical information and to confer with

legal counsel. ETF staff were invited to remain during consultation with legal counsel. Ms. Licari and Mr. Fusie were invited to remain during all parts of the closed session.

Motion: Ms. Van Bogaert moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85(a), (f) and (g) for quasi-judicial deliberations, to consider annuity applications containing personal medical information and to confer with legal counsel. Mr. Frankel seconded the motion, which passed on a roll call vote.

Members voting aye: J. Brown, S. Brown, S. Frankel, J. Gruentzel, W. Koessl, W. McCaffery, B. Niendorf, N. Thompson, K. Timberlake, C. Van Bogaert, M. Wigdahl

Members voting nay: none

The Employee Trust Funds Board convened in closed session at 10:10 a.m. and reconvened in open session at 11:20 a.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:

- **Appeal 2000-040-ETF.** The Board adopted the hearing examiner's proposed decision with changes as recommended by counsel, which will be incorporated into the Board's final decision.
- **Appeal 99-116-ETF.** The Board adopted the hearing examiner's proposed decision with additional language discussed as determined necessary by counsel, which will be incorporated into the Board's final decision.
- **Appeal 99-099-ETF.** The Board adopted the hearing examiner's proposed decision with amendments recommended by counsel, which will be incorporated into the Board's final decision.

ADJOURNMENT

Motion: Ms. Timberlake moved adjournment. Ms. Thompson seconded the motion, which passed without objection on a voice vote.

The meeting of the Employee Trust Funds Board adjourned at 1:25 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board