

MINUTES OF MEETING
STATE OF WISCONSIN
EMPLOYEE TRUST FUNDS BOARD

Friday, March 26, 2004

Sheraton Madison Hotel
706 John Nolen Drive
Madison, Wisconsin

BOARD PRESENT:

Marilyn Wigdahl, Chair
John Brown
Theron Fisher
Rick Gale
Wayne Koessl, Vice-Chair
Kathleen Kreul
Irena Macek
Wayne McCaffery
Robert Niendorf, Secretary
Nancy Thompson
Cynthia Van Bogaert
John Vincent (*representing Karen Timberlake*)

BOARD NOT PRESENT:

None

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Dave Stella, Deputy Secretary
Julie Reneau, Administrator, Division of Retirement Services
Christina Licari, Board Liaison

OTHERS PRESENT:

Bill Ford, Legislative Council
Brian Fusie, Office of State Employment Relations
Charlotte Gibson, Department of Justice
Jane Hamblen, Department of Justice
Norm Jones, Gabriel, Roeder, Smith & Company
Jon Kranz, Department of Administration

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

CONSIDERATION OF PREVIOUS MEETING MINUTES

Motion: Ms. Van Bogaert moved approval of the minutes of the December 12, 2003, meeting as submitted by the Board Liaison. Mr. Koessl seconded the motion, which passed without objection on a voice vote.

ELECTION OF OFFICERS

Ms. Licari requested the action of the Board 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 Board member roster.

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

Motion: Hearing no further nominations, Mr. Brown 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. Kreul seconded the motion, which passed without objection on a voice vote.

RETIREMENT STATISTICS SUMMARY REPORT

(Included for the Board's information.) Ms. Reneau reviewed the *WRS Retirement Benefit Annuity Statistical Report*.

RETIREMENT STATISTICS ANNUAL SUMMARY REPORT

(Included for the Board's information.) Ms. Reneau reviewed the *Year 2003 Benefit Annuity Statistics* report that was included in the Board packet. She explained several details of the data, charts and graphs contained in the report.

MISCELLANEOUS

Employee Reimbursement Account (ERA) Enrollment Period Report. (Provided for the Board's information.) The report reflected a significant increase in total ERA enrollment for 2004. Total enrollment for 2004 is 11,961, a 15% increase from 2003. Approximately 2,119 employees are enrolled in the dependent care reimbursement account component, an increase of over 5.5%. Enrollment for the commuter benefit program is 1,328.

Employee Reimbursement Account (ERA) Program Audit. (Provided for the Board's information.) The report, prepared by Williams Young, LLC (now Wipfli Young), is for plan years 2000, 2001 and 2002. The report reflected that Fringe Benefits Management Company administered the program in compliance with applicable contractual standards.

Pending Appeals Status Report. An update on pending appeals was provided for the Board's information.

Internal Revenue Service Update. Ms. Reneau discussed the recent resolution of the Internal Revenue Service (IRS) inquiry. Fines that had been in dispute have been abated. The Department will continue to work with the IRS to ensure that necessary corrections are made and that future reporting is correct.

WISCONSIN RETIREMENT SYSTEM 21st ANNUAL ACTUARIAL VALUATIONS OF RETIRED LIVES – DECEMBER 31, 2003

Ms. Reneau introduced Norm Jones of Gabriel, Roeder, Smith & Company (GRS); actuary for the DETF. Mr. Jones and Mr. Murphy reviewed the report, *Wisconsin Retirement System 21st Annual Actuarial Valuations of Retired Lives – December 31, 2003*. The report represents a comparison

of reserve balances of the fixed and variable reserves with the present value of annuities being paid within each fund, as well as the methodology used to calculate the annual dividend. Mr. Jones 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	121,582	29,496
Annual Amount	\$2,364.7	\$273.3
Fund Balance	25,071.9	3,635.9
Actuarial Reserve	24,724.0	2,892.2
Ratio	1.014	1.257

Based upon these results, the actuary's recommendation would be for a 0% increase to fixed annuities and a 25% increase to variable annuities. However, if the changes to Wis. Stat. § 40.27 (2) allowed by 2003 Wis. Act 153 become effective before April 1, 2004, the fixed annuity adjustment recommended would be 1.4%. Ms. Reneau noted that Wis. Act 153 has been signed into law. Publishing is expected to occur on March 29, 2004, with an effective date of March 30, 2004. Ms. Reneau added that the adjustments were approved by the Board Chair on February 26, 2004.

Motion: Mr. Gale moved to accept the actuary's report and adopt its recommendations, except that – in accord with the actuary's oral recommendation – the fixed annuity dividend effective on April 1, 2004, shall be 1.4% instead of 0%, if the amendment of Wis. Stat. § 40.27 (2) by 2003 Wis. Act 153 is effective before that date. Ms. Thompson seconded the motion, which carried without objection on a voice vote.

The Board took a break at 9:02 a.m.

Note: Ms. Timberlake joined the meeting following the break.

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 (1) (a), (f) and (g) for quasi-judicial deliberations, to consider annuity applications containing personal medical information and to confer with legal counsel. Ms. Licari was invited to remain during the closed session.

Motion: Mr. McCaffery moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a), (f) and (g) for quasi-judicial deliberations, to consider annuity applications containing personal medical information and to confer with legal counsel. Ms. Kreul seconded the motion, which passed on a roll call vote.

Members voting aye: J. Brown, T. Fisher, R. Gale, W. Koessl, K. Kreul, I. Macek, W. McCaffery, R. Niendorf, N. Thompson, K. Timberlake, C. Van Bogaert, M. Wigdahl

Members voting nay: none

The Employee Trust Funds Board convened in closed session at 9:20 a.m. and reconvened in open session at 10:58 a.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

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

- **Appeal 2000-027-ETF.** The Board rejected the hearing examiner's proposed decision and adopted an alternate decision affirming the ETF determination as recommended by legal counsel.
- **Appeal 98-143-ETF.** The Board rejected the hearing examiner's proposed decision and adopted an alternate decision affirming the ETF determination as recommended by legal counsel.
- **Appeal 99-024-ETF.** The Board rejected the hearing examiner's proposed decision and adopted an alternate decision affirming the ETF determination as recommended by legal counsel.
- **Appeal 2002-068-ETF.** The Board adopted the hearing examiner's proposed decision with changes as recommended by legal counsel (including the deletion of paragraph 21 of the proposed decision).
- **Appeal 2002-062-ETF.** The Board adopted the hearing examiner's proposed decision with changes as recommended by legal counsel.
- **Appeal 2000-087-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as recommended by legal counsel.
- **Appeal 2003-032-ETF.** The Board adopted the hearing examiner's proposed decision with amendments as recommended by legal counsel.

Note: No retirement applications were presented for discussion.

ADJOURNMENT

Motion: Ms. Kreul moved adjournment. Mr. Koessl seconded the motion, which passed without objection on a voice vote.

The meeting of the Employee Trust Funds Board adjourned at 11:00 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board