

MINUTES OF MEETING
STATE OF WISCONSIN
EMPLOYEE TRUST FUNDS BOARD

Friday, December 15, 2006

DRAFT

Sheraton Madison Hotel
706 John Nolen Drive
Madison, Wisconsin

BOARD PRESENT:

Marilyn Wigdahl, Chair
John Brown
Rosemary Finora
Theron Fisher
Rick Gale
Wayne Koessl, Vice-Chair
Kathleen Kreul
Irena Macek
Wayne McCaffery
Gary Sherman
Nancy Thompson
Karen Timberlake

BOARD NOT PRESENT:

Robert Niendorf, Secretary

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Dave Stella, Deputy Secretary
Sari King, Administrator, Division of Retirement Services
Tom Korpady, Administrator, Division of Insurance Services
Jon Kranz, Director, Office of Internal Audit and Budget
Linda Esser, Board Liaison

OTHERS PRESENT:

Bob Conlin, Office of the Secretary
Rhonda Dunn, Office of the Secretary
Charlotte Gibson, Department of Justice
Jean Gilding, Division of Retirement Services
Pam Henning, Division of Management Services
Norm Jones, Gabriel, Roeder, Smith and Company
Allen Knop, Wisconsin Education Association Council-Retired
Audrey Koehn, Division of Retirement Services
Jennifer Lattis, Department of Justice
Paul Ostrowski, Office of State Employment Relations
Linda Owen, Division of Retirement Services
Diane Poole, Division of Retirement Services
Debra Roemer, Division of Insurance Services
John Vincent, Division of Trust Finance and
Employer Services
Sharon Walk, Office of the Secretary
Robert Weber, Legal Services
Bob Willett, Division of Trust Finance and Employer Services

Board	Mtg Date	Item #
ETF	03/16/07	1

Marilyn Wigdahl, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 8:37 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

Motion: Ms. Thompson moved approval of the open and closed session minutes of the September 22, 2006, meeting as submitted by the Board Liaison. Mr. Brown seconded the motion, which passed without objection on a voice vote.

ELECTION COMMITTEE

Ms. King announced that the names of the candidates for election to the Board will be posted on the Department of Employee Trust Funds (Department) website on December 29, 2006. There are two seats available on the Board. One is the Educational Support Personnel Employee member and the other is the Wisconsin Retirement System (WRS) Annuitant member. Candidate names will also be noted in the January 2007 edition of the *Trust Fund News*. The biographies of the candidates will be distributed with the ballots for the election. Ms. King referred to the listing distributed to the Board members.

Ms. King indicated that two board members are needed for appointment to the Election Committee. The duties of the Election Committee are to review invalid ballots, resolve any discrepancies, and certify and accept the election report that will be prepared by an outside vendor.

The Election Committee will meet prior to the Board meeting, on Friday, March 16, 2007, at the Sheraton Madison Hotel. Mr. Koessler and Mr. Brown volunteered and were appointed to the Committee.

WISCONSIN RETIREMENT SYSTEM THREE-YEAR EXPERIENCE STUDY: JANUARY 1, 2003 – DECEMBER 31, 2005

Ms. Wigdahl introduced Norm Jones of Gabriel, Roeder, Smith and Company, actuary for the Department. Mr. Jones presented a brief overview of the report, *Wisconsin Retirement System Three-Year Experience Study: January 1, 2003 – December 31, 2005*. The objective of a three-year experience study is to review the experience of the fund and update the actuarial assumptions used in valuating the actuarial liabilities of the WRS in compliance with Section 40.03(5)(b) of the Wisconsin Statutes.

Motion: Mr. Koessl moved acceptance of the Wisconsin Retirement System Three-Year Experience Study: January 1, 2003-December 31, 2005. Mr. Brown seconded the motion, which passed without objection on a voice vote.

RETROACTIVE APPLICATION OF WRS PARTICIPATION DECISIONS

Ms. Wigdahl introduced John Vincent, Administrator, Division of Trust Finance and Employer Services. Mr. Vincent advised that following the September Board meeting, Assistant Attorney General Charlotte Gibson asked, on behalf of the Board, that the Department comment on the policy implications of changing one aspect of the WRS employee eligibility requirements. In particular, the Department was asked to comment on the ramifications of requiring retroactive coverage for a non-covered employee when the work expectations for that employee change such that he or she becomes eligible for WRS coverage.

Mr. Vincent stated that although there are policy implications involved in providing retroactive WRS coverage when the expectations of employment change, a change in current policy would necessitate a change in the statutes.

Mr. Vincent concluded that a key element in the process involves employers assessing their expectations of the position in order to properly enroll employees. To permit employees to be enrolled retroactively would cause significant administrative and programmatic issues for both employers and employees, which could lead to a significant increase in administrative error and appeals.

Discussion of the positive and negative consequences of a change to this process followed. The Board directed the Department to present alternatives to allow purchase of WRS service not initially covered by the employer at the March Board meeting.

SECRETARY'S CORRECTION OF ERROR REPORT

Mr. Stella referred to the report that was distributed with the meeting materials. He indicated that the ETF Secretary's Correction of Error Authority was created under Section 40.03(2)(w), of the Wisconsin Statutes, and took effect on August 31, 2001. He stated that this statutory provision allows the secretary to correct errors when an individual participant has unintentionally forfeited or otherwise involuntarily ceased to be eligible for a benefit, primarily due to an error in administration by the Department. This authority is rarely invoked and, when it is, is reported to the Board.

Mr. Stella described the case being presented to the Board. The Department failed to adequately provide information that resulted in a terminally ill participant mistakenly selecting a disability annuity option that adversely affected the named beneficiary. On October 6, 2006, the Department cancelled the disability annuity and paid an active death benefit to the participant's beneficiary.

SEPARATIONS AND RETIREMENT STATISTICS SUMMARY REPORT

Ms. King referred to the memo dated November 27, 2006, from Jean Gilding, Deputy Administrator, and Audrey Koehn, Policy Advisor, Division of Retirement Services. Ms. King mentioned that the Board asked the Department to provide an analysis of separation benefits paid to WRS participants in calendar year 2005. The Board was particularly interested in the years of service and age distribution of those taking separation benefits.

The age of participants who applied for and received separation benefits in 2005 ranged from a low of 18 years to a high of 75 years. Of the 3,399 separation benefits paid, 122 (or 3.6%) were paid to inactive participants who were over minimum retirement age (50 for protective category employees and 55 for all other employment category employees) and who were restricted to a separation benefit because they did not meet vesting requirements.

The years of service for participants who took a separation benefit in 2005 ranged from a low of 0.01 years to a high of 31.9 years. Of the 3,399 separation benefits paid, 1,025 individuals had less than one year of creditable service and an additional 1,680 individuals had between one and five years of creditable service. A total of 93.9% of the separation benefits were paid to participants with less than ten years of creditable service.

Of the total gross amounts payable in 2005, 83% were less than \$10,000. The lowest amount payable was \$10.28, while the highest amount was \$201,882.83. Additionally, 19 individuals had gross benefit amounts of over \$100,000. Participants are not required to indicate why they are withdrawing funds prior to minimum retirement age but, in doing so, forfeit the employer contribution and the accumulated interest. Ms. King explained that the department provides an explanation of the negative consequences of taking a separation benefit when a participant requests an application.

Ms. King referred to the memo dated December 1, 2006, from Jean Gilding, Deputy Administrator, and Audrey Koehn, Policy Advisor, Division of Retirement Services. Ms. King indicated that retirement estimate work continues to increase. Since January 2006, the Department has received 16,548 retirement estimate requests and has completed 15,811 retirement estimates. As of November 24, 2006, there were 2,108 retirement estimates waiting to be completed.

MISCELLANEOUS

Board's Letter of Support for Biennial Budget Mr. Stella referred to the letter dated December 11, 2006 to Governor Doyle that was signed by Marilyn Wigdahl, Board Chair. The letter supports the Department's biennial budget request and emphasizes the need for resources. A copy of the letter dated September 22, 2006 to Secretary Steve Bablitch, Department of Administration, from Secretary Stanchfield, was enclosed as well. This letter also details the Department's need for resources.

Biennial Budget Update Mr. Stella referred to the memo dated December 15, 2006, from Jon Kranz, Director, Office of Internal Audit and Budget. The memo details the anticipated schedule for the budget. It also summarizes the fiscal year 2007-09 biennial budget request submitted by the Department on September 22, 2006. Included in the budget are the following six initiatives: continuation of critical customer service functions; governing board operational

flexibility; continuation of core processes reengineering; manager of Medicare Part D; value-based health care purchasing initiatives; and ombudsperson services.

Mr. Stella stated that a budget update will be provided at the March 2007 Board meeting.

Participant Service Enhancement Request Ms. King indicated that a letter was received requesting an ETF office be located in northern Wisconsin. The letter and response have been distributed in the Board materials. The Department is considering ways to provide better service to participants. The customer base is being mapped and will be helpful in locating any potential outreach location needs.

Future Items for Discussion Mr. Stella reminded the Board that the request for proposals (RFPs) will be released for retirement actuarial services, as well as health and disability actuarial services, in early 2007. The Board will review the RFPs at the March 2007 meeting. Contracts will go into effect by October of 2007.

Mr. McCaffery requested more information about the retroactive application of WRS participation decisions and the purchase of prior service. Mr. Stella noted that a proposal of alternatives will be drafted in this regard for the March 2007 meeting.

Mr. Stella mentioned the Accumulated Sick Leave Conversion Credit program. The program has been receiving media attention and many legislative inquiries. This issue will be discussed at the March 2007 meeting or sooner by calling a special meeting, if necessary.

MOTION TO CONVENE IN CLOSED SESSION

Ms. Wigdahl announced that the Board would convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) and (g) for quasi-judicial deliberations and to confer with legal counsel. Attorney Charlotte Gibson, Ms. Esser, and Ms. Walk were invited to remain during the entire closed session. Attorney Jennifer Lattis and Department staff were invited to remain during the update of the *Helgeland* case.

Motion: Mr. Gale moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) and (g) for quasi-judicial deliberations and to confer with legal counsel. Ms. Thompson seconded the motion, which passed on a roll call vote.

Members voting aye: J. Brown, R. Finora, T. Fisher, R. Gale, W. Koessl, K. Kreul, I. Macek, W. McCaffery, G. Sherman, N. Thompson, K. Timberlake, M. Wigdahl

Members voting nay: none

The Employee Trust Funds Board convened in closed session at 10:00 a.m. and reconvened in open session at 10:53 a.m. Ms. Thompson left the meeting at 10:40 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:

APPEALS

- **Appeal 2005-060-ETF**, the Board denied the petition for rehearing.

ADJOURNMENT

Motion: Mr. Sherman moved adjournment. Mr. Fisher seconded the motion, which passed without objection on a voice vote.

The meeting of the Employee Trust Funds Board adjourned at 10:55 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board