

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

Friday, March 16, 2007

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

<b>DRAFT</b>
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**BOARD PRESENT:**

Wayne Koessler, Vice-Chair  
John Brown  
Rosemary Finora  
Rick Gale  
Kathleen Kreul  
Irena Macek  
Wayne McCaffery  
Paul Ostrowski (*representing Karen Timberlake*)  
Robert Niendorf, Secretary  
Gary Sherman  
Nancy Thompson

**BOARD NOT PRESENT:**

Theron Fisher  
Marilyn Wigdahl, Chair

**PARTICIPATING ETF STAFF:**

Eric Stanchfield, Secretary  
Dave Stella, Deputy Secretary  
Sari King, Administrator, Division of Retirement Services  
Jon Kranz, Director, Office of Internal Audit and Budget  
John Vincent, Administrator, Division of Trust Finance and  
Employer Services  
Robert Weber, Legal Services  
Linda Esser, Board Liaison

**OTHERS PRESENT:**

Marcia Blumer, Division of Insurance Services  
Bob Conlin, Office of the Secretary  
Rhonda Dunn, Office of the Secretary  
Caitlin Frederick, State Budget Office  
Charlotte Gibson, Department of Justice  
Jean Gilding, Division of Retirement Services  
Pam Henning, Division of Management Services  
Norm Jones, Gabriel, Roeder, Smith and Company  
Audrey Koehn, Division of Retirement Services  
Tom Korpady, Division of Insurance Services  
Linda Owen, Division of Retirement Services  
Jill Thomas, Office of State Employment Relations  
Sharon Walk, Office of the Secretary

Board	Mtg Date	Item #
ETF	06/22/07	1

Wayne Koessler, Vice-chair, called the meeting of the Employee Trust Funds Board (Board) to order at 8:30 a.m.

## **CONSIDERATION OF MINUTES OF PREVIOUS MEETING**

***Motion: Mr. Gale moved approval of the open and closed session minutes of the December 15, 2006, meeting as submitted by the Board Liaison. Mr. Brown seconded the motion, which passed without objection on a voice vote.***

## **ELECTION OF OFFICERS**

Ms. King requested the action of the Board regarding the election of officers. A memorandum was provided to the Board, which included a list of current officers as well as a current Board member roster.

***Nomination: Mr. Brown nominated the current slate of officers for another one-year term. Mr. Gale seconded the nomination.***

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

## **ETF BOARD ELECTION RESULTS**

Ms. King announced that the election results were certified by the Election Committee prior to the start of the Board meeting. She mentioned that the return rate of ballots was high for annuitants (34%). The return rate for the educational support personnel was 14%, and 10% for active teachers.

Ms. King advised the Board that Theron “Butch” Fisher, the incumbent, was re-elected to the Annuitant seat. Ms. King extended congratulations to Mr. Fisher on his re-election to the Board.

Ms. King stated that Kathleen Kreul was re-elected to the Educational Support Personnel seat. Ms. King congratulated Ms. Kreul on her re-election to the Board.

Secretary Stanchfield commented on the election process. He stated that the cost to conduct the election was approximately \$100,000. The Secretary asked for input on ways to cut costs and make the process more efficient.

## **SERVICE PURCHASE ADMINISTRATIVE RULE**

Rob Weber, Chief Counsel, explained that the Department is in the process of preparing a proposed rule concerning the purchase of creditable service under the Wisconsin Retirement

System (WRS). Mr. Weber stated that the rule is highly technical and lengthy. Mr. Weber referred to the detailed analysis that was distributed.

Mr. Weber advised that no Board action is required at this time. The proposed rule must still undergo a public hearing, then a final draft version will be prepared for submission to the Legislature. Before that happens, the final version of the rule will be brought before the Boards for their review and approval to proceed with promulgation of the rule. Mr. Weber responded to questions.

### **WISCONSIN RETIREMENT SYSTEM 24<sup>th</sup> ANNUAL ACTUARIAL VALUATION OF RETIRED LIVES – DECEMBER 31, 2006**

Norm Jones of Gabriel, Roeder, Smith and Company (GRS), reviewed the report, *Wisconsin Retirement System 24th Annual Actuarial Valuations of Retired Lives – December 31, 2006*. The report represents a comparison of annuity reserve balances of the Core and variable reserves with the present value of annuities being paid within each fund, as well as the methodology used to calculate the annual post-retirement dividend. Mr. Jones reviewed highlights of the annual valuation and responded to questions.

***Motion: Mr. Niendorf moved to accept the actuary's report and adopt its recommendations. Ms. Thompson seconded the motion, which passed without objection on a voice vote.***

Mr. Stanchfield added that Mr. Stella contacted the Board Chair on February 22, 2007 and the annuity adjustments were approved at that time.

### **BUDGET UPDATE**

Mr. Kranz referred to three documents distributed to Board members: a memo he sent to the Board, dated March 9, 2007, regarding the biennial budget update; a document summarizing the Department's budget request; and a letter sent by Secretary Stanchfield to the chairs of the Joint Committee on Finance, dated March 15, 2007, related to the biennial budget for the Department.

Mr. Stella highlighted the flexibility items that the Department requested in its proposed budget. They are: 1) flexibility for the board in retaining its own legal counsel and other contracting services; 2) flexibility in the budget in order to provide services to members; 3) flexibility in establishing compensation for the Secretary of the Department. The Governor issued his budget recommendations on February 13, 2007. None of the flexibility items were included in the Governor's budget. Mr. Kranz noted the Governor did include additional positions and funding for the Department in his recommendations. Mr. Kranz summarized the Governor's recommendations and initiatives. A brief question and answer period followed.

Secretary Stanchfield left the meeting at 10:05 a.m.

## **PURCHASE OF PRIOR NON-COVERED SERVICE**

Mr. Vincent indicated that, at the Board meeting on December 15, 2006, the Board asked the Department to provide information and a recommendation for permitting covered employees to purchase creditable service for work performed prior to their eligibility to participate in the Wisconsin Retirement System (WRS). He discussed the circumstances that would be covered by this proposed statutory change.

The Department recommends that the proposed change be modeled after current statutory provisions allowing for the purchase of other governmental service (OGS). Under OGS, an employee may purchase service performed as an employee of the federal government or of a state and local government which does not participate in the WRS, or unrecognized service for a WRS employer that was performed before the employer came under the WRS. Mr. Vincent explained that this policy change would piggyback on the OGS provisions to permit an employee to purchase creditable service for work performed prior to when he or she became eligible to participate in the WRS.

***Motion: Mr. Sherman moved that the Department draft a statutory amendment to proceed with changes to permit certain employees to purchase creditable service for work performed prior to their eligibility to participate in the WRS. Mr. McCaffery seconded the motion, which passed without objection on a voice vote.***

Following this motion, Mr. Stella indicated that the Department would bring the draft statutory language back to the Board for review by the Board at the June meeting.

## **RETIREMENT STATISTICS ANNUAL SUMMARY REPORT**

Ms. King highlighted items from the 2006 annual report. She noted there was a 5% increase in requested retirement estimates in 2006. The number of new estimated annuities started in 2006 represents an increase of 22.2% over 2004 volumes.

Small group retirement counseling sessions have proven to be an efficient and effective method to provide full retirement counseling to an increased number of members. In 2006, there was a 10.3% increase in attendance compared to 2005. Ms. King emphasized the need for counseling as the baby boomers begin to retire.

Ms. King stated there are now 113 annuitants over 100 years of age. The oldest annuitant is 111 years old.

## **MISCELLANEOUS**

**Actuarial Services Request for Proposal** Mr. Stella indicated that the Department will be issuing a Request for Proposal (RFP) for actuarial services. This will involve rebidding actuarial contracts. The bids will be for retirement related actuarial services, health insurance actuarial services, and disability insurance actuarial services. Mr. Stella asked for volunteers to evaluate responses to the RFPs. Steve Frankel, a member of the Group Insurance Board, will assist in this evaluation.

Bob Niendorf offered to help evaluate the actuarial RFPs. This process will take place in May. In June, the Board will act to choose an actuary for each of the three categories.

**Wipfli Audit of Employee Reimbursement Accounts (ERA) and Commuter Benefits**

Marcia Blumer referred to her memo to the Board, dated February 15, 2007, regarding the Wipfli LLP Audit. She noted the memo is for the Board's information only and no action is required by the Board. The memo highlights the audit report prepared by Wipfli LLP for the administration of the Employee Reimbursement Accounts (ERA) and Commuter Benefits programs for Plan years 2003, 2004 and 2005. The audit demonstrates that Fringe Benefits Management Company (FBMC) administers the programs in compliance with applicable contractual, statutory and regulatory requirements.

**ERA Program Information** Ms. Blumer referred to her memo to the Board, dated February 15, 2007, regarding ERA program information. She noted the memo is for the Board's information only and no action is required. She highlighted ERA enrollment activity, 2005 plan year forfeitures and FBMC service issues.

**Future Items for Discussion** Mr. Stella announced that Karen Timberlake has accepted a position as Executive Assistant at the Department of Health and Family Services. Once appointed, the new director of the Office of State Employment Relations will join the Board.

Mr. Stella stated that the Department has received a number of inquiries regarding the low dividend in the Core fund. One letter was specifically directed to Board members. The letter will be shared with Board members as soon as a response has been written explaining the process used in calculating the dividend.

*The Board took a break at 10:32 a.m. and reconvened at 10:40 a.m.*

**MOTION TO CONVENE IN CLOSED SESSION**

Mr. Koessl 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. Departmental staff was invited to remain during the status update on the *Helgeland* case.

***Motion: Mr. McCaffery 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, R. Gale, W. Koessl, K. Kreul, I. Macek, W. McCaffery, R. Niendorf, P. Ostrowski, G. Sherman, N. Thompson***

***Members voting nay: none***

The Employee Trust Funds Board convened in closed session at 10:40 a.m. and reconvened in open session at 11:15 a.m.

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

Mr. Koessl announced that the Board took the following actions during the closed session:

**APPEALS**

- **Appeal 2006-011-ETF**, the Board remanded the appeal to the parties for further briefing.
- **Appeal 2006-051-ETF**, the Board adopted the hearing examiner's decision with amendments.

**ADJOURNMENT**

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

The meeting of the Employee Trust Funds Board adjourned at 11:17 a.m.

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

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

Robert Niendorf, Secretary  
Employee Trust Funds Board