

**AGENDA AND NOTICE OF MEETING
STATE OF WISCONSIN
WISCONSIN RETIREMENT BOARD**

Thursday, September 18, 2008

1:00 p.m.

Holiday Inn Hotel and Suites

1109 Fourier Drive

Madison, Wisconsin

Documents for this meeting are available on-line at:

http://etf.wi.gov/boards/board_wr.htm

To request a printed copy of any of the agenda items, please contact

Ann McCarthy at (608) 261-0736.



Denotes action item

- 1:00 p.m.**  **1. Consideration of Minutes of Previous Meeting**
- 1:05 p.m.** **2. Announcements**
- 1:10 p.m.** **3. Operational Updates**
- **Disability Report**
 - **Local Executive Classification**
 - **Reportable Earnings**
 - **Miscellaneous**
 - **Future Items for Discussion**
- 1:30 p.m.** **4. Adjournment**

Times shown are estimates only.

The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Ann McCarthy, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931. Telephone: (608) 261-0736. Wisconsin Relay Service 7-1-1. E-mail: ann.mccarthy@etf.state.wi.us

MINUTES OF MEETING
STATE OF WISCONSIN
WISCONSIN RETIREMENT BOARD

Thursday, June 26, 2008

Holiday Inn Hotel and Suites
1109 Fourier Drive
Madison, Wisconsin

BOARD PRESENT:

Rick Gale, Chair
Wayne Koessler, Vice-Chair
Mary VonRuden, Secretary
Jamie Aulik
John David
Herb Stinski
Marilyn Wigdahl

BOARD NOT PRESENT:

Sean Dilweg

PARTICIPATING ETF STAFF:

Dave Stella, Secretary
Bob Conlin, Deputy Secretary
Michelle Baxter, Division of Trust Finance and Employer Services
Sari King, Administrator, Division of Retirement Services
Linda Owen, Division of Retirement Services
Diane Poole, Director, Disability Programs Bureau
Bob Willett, Division of Trust Finance and Employer Services
Ann McCarthy, Board Liaison

OTHERS PRESENT:

John Brown, ETF Board Member
Rhonda Dunn, Executive Assistant
Jean Gilding, Division of Retirement Services
Debra Roemer, Division of Insurance Services
Steve Scheible, TR Board Member
Matt Stohr, Director, Legislation, Communications, and Planning
John Vincent, Division of Trust Finance and Employer Services
Sharon Walk, Division of Management Services

Rick Gale, Chair, called the meeting of the Wisconsin Retirement Board (Board) to order at 1:28 p.m.

| Board | Mtg Date | Item # |
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CONSIDERATION OF MINUTES

Motion: Ms. Von Ruden moved approval of the minutes of the March 13, 2008, meeting as submitted by the Board Liaison. Mr. David seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

Introduction of New Board Members Sari King, Administrator, Division of Retirement Services, welcomed new Board member Jamie Aulik and returning Board member Mary Von Ruden, who was recently re-appointed to the Board.

Board Chair Ms. King thanked former Board chair Marilyn Wigdahl for her service and welcomed Rick Gale, the new Board chair.

APPOINTMENT TO THE EMPLOYEE TRUST FUNDS BOARD

Bob Conlin, Deputy Secretary, explained that the Wisconsin Retirement Board, by statute, appoints four of its members to represent it on the Employee Trust Funds (ETF) Board for four-year terms. He reported that Mr. Brown's term on the ETF Board expired May 2006.

NOMINATION: Mr. Stinski nominated John David to serve a four-year term on the Employee Trust Funds Board. Mr. Aulik seconded the nomination.

NOMINATION: Ms. Wigdahl nominated Mary Von Ruden to serve a four-year term on the Employee Trust Funds Board. Ms. Von Ruden seconded the nomination.

BALLOT RESULTS: Mr. David received five votes and Ms. Von Ruden received two votes.

MOTION: Mr. Koessl moved to accept the ballot results and elect Mr. David to the ETF Board. Mr. Aulik seconded the motion, which passed without objection on a voice vote.

OPERATIONAL UPDATES

2008 Board Roster Ms. King advised that the 2008 Board roster was included in the meeting materials.

Disability Statistics Quarterly Report January 2008-March 2008 Ms. King referred the Board to the provided report.

Mr. Conlin noted that the tax review backlog within Disability Services had been significantly reduced. He thanked Diane Poole and her staff for their efforts to address this issue.

40.65 Duty Disability Actuarial Review Ms. King referred the Board to the actuarial review in the materials.

Miscellaneous

- **Items for Future Discussion** The Board members expressed interest in an update on the Variable fund topic and information about the background of the local executive classification.

TREATMENT OF OVERTIME COMPENSATION

Mr. Gale introduced Michelle Baxter from the Division of Trust Finance & Employer Services, Linda Owen from the Division of Retirement Services and Bob Willett from the Division of Trust Finance & Employer Services. Ms. Baxter discussed the Department's review process on overtime and reasons for reviews and answered questions about the Department's processes.

ADJOURNMENT

Motion: Ms. Von Ruden moved adjournment. Mr. Aulik seconded the motion, which passed without objection on a voice vote.

The meeting of the Wisconsin Retirement Board adjourned at 1:44 p.m.

Date Approved: _____

Signed: _____

Mary Von Ruden, Secretary
Wisconsin Retirement Board



STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: September 4, 2008
TO: Wisconsin Retirement Board
Teachers Retirement Board
FROM: Diane Poole, Director
Disability Programs Bureau
SUBJECT: April 2008 – June 2008 Quarterly Disability Annuity Statistics

This memo is for informational purposes only. No Board action is required.

Attached is the Wisconsin Retirement System (WRS) *Disability Benefit Annuity Statistical Report* for April through June 2008. The report provides quarterly data on: number of annuities started, options selected, gender, determination, age, and disability type.

TRENDS

Overall, trends did not change much this quarter, when compared to the same quarter in the past five years:

- The number of new disability annuities is down. The Teachers Retirement Board (TR) had 7, compared to an average of 22; the Wisconsin Retirement Board (WR) had 38, compared to an average of 47.
- The most selected annuity options for TR are “For Annuitants Life only” and “100% Continued to Named Survivor (Joint Survivor).” The most selected annuity option for WR remains “100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed.”
- Females continue to be the predominant user of the \$40.63 Disability Retirement Annuity benefit for both the TR Board and WR Board.
- The majority of applications are approved; a very small number are denied.
- The predominant age group for both TR and WR is 51-55.
- The prevalent disability types for the TR Board for this quarter in the last five years are: Mental Illness, Cancer, and Neurology. For the WR Board, the prevalent disability types are: Mental Illness, Orthopedic, and Cancer.

DISABILITY PROGRAMS BUREAU WORKLOAD

Staffing

The Disability Programs Bureau is staffed by 5.5 Trust Funds Specialists and 2.5 policy analysts. One policy analyst was a new hire in March 2007. One specialist began last September and one began in July 2008. We also received a new Trust Funds Specialist

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature _____

Date _____

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leadworker position and filled that position in January 2008. The specialists are responsible for the §40.63 and §40.65 programs.

One of the experienced Trust Funds Specialists is part-time. Currently, 55% of our Specialists and 40% of our policy analysts are in training. It takes approximately 1.5 to 2 years to fully train a Specialist in our complex disability programs and approximately 2.5 years for a policy analyst to complete training.

Backlog

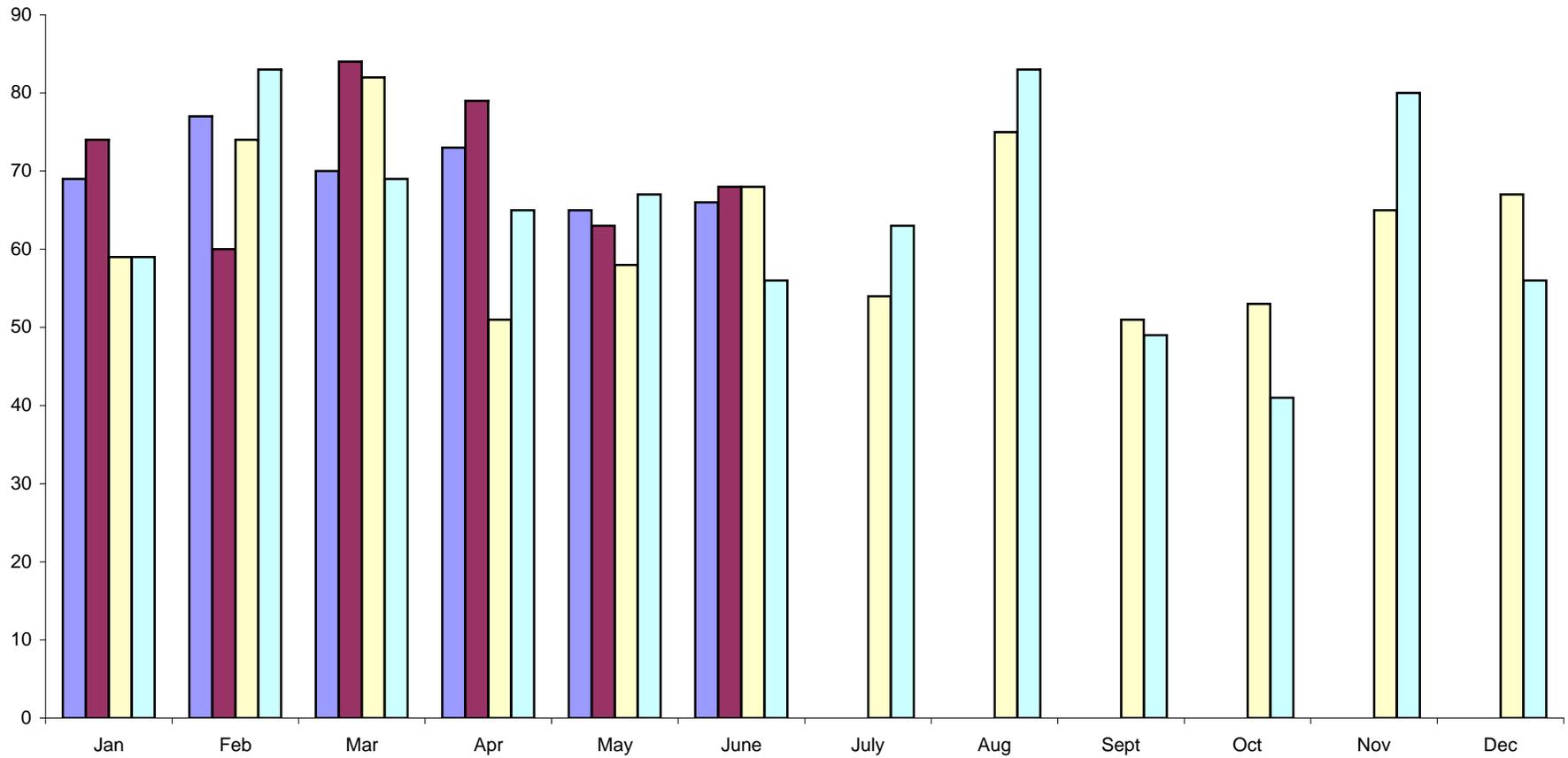
The statutorily required review of tax returns for the §40.65 program had a backlog of about three years. By adding the leadworker position and shifting some staff responsibilities, more experienced staff are dedicating a few hours per week to review tax returns. We continue to make substantial progress in alleviating this backlog.

PRIORITIES

The top priority for the Disability Programs Bureau is to approve disability benefits as quickly as possible so individuals are not without income. Approving a disability benefit requires extensive follow-up with the applicant, employer, and health care providers. An application can take up to a year to process because of this inherent dependency on outside sources to provide documentation. Another priority is to maintain existing disability accounts. This requires obtaining updated medical and income information, which again requires extensive follow-up with outside sources.

attachments

2008 v. 2007 Disability Estimates Requested and Completed



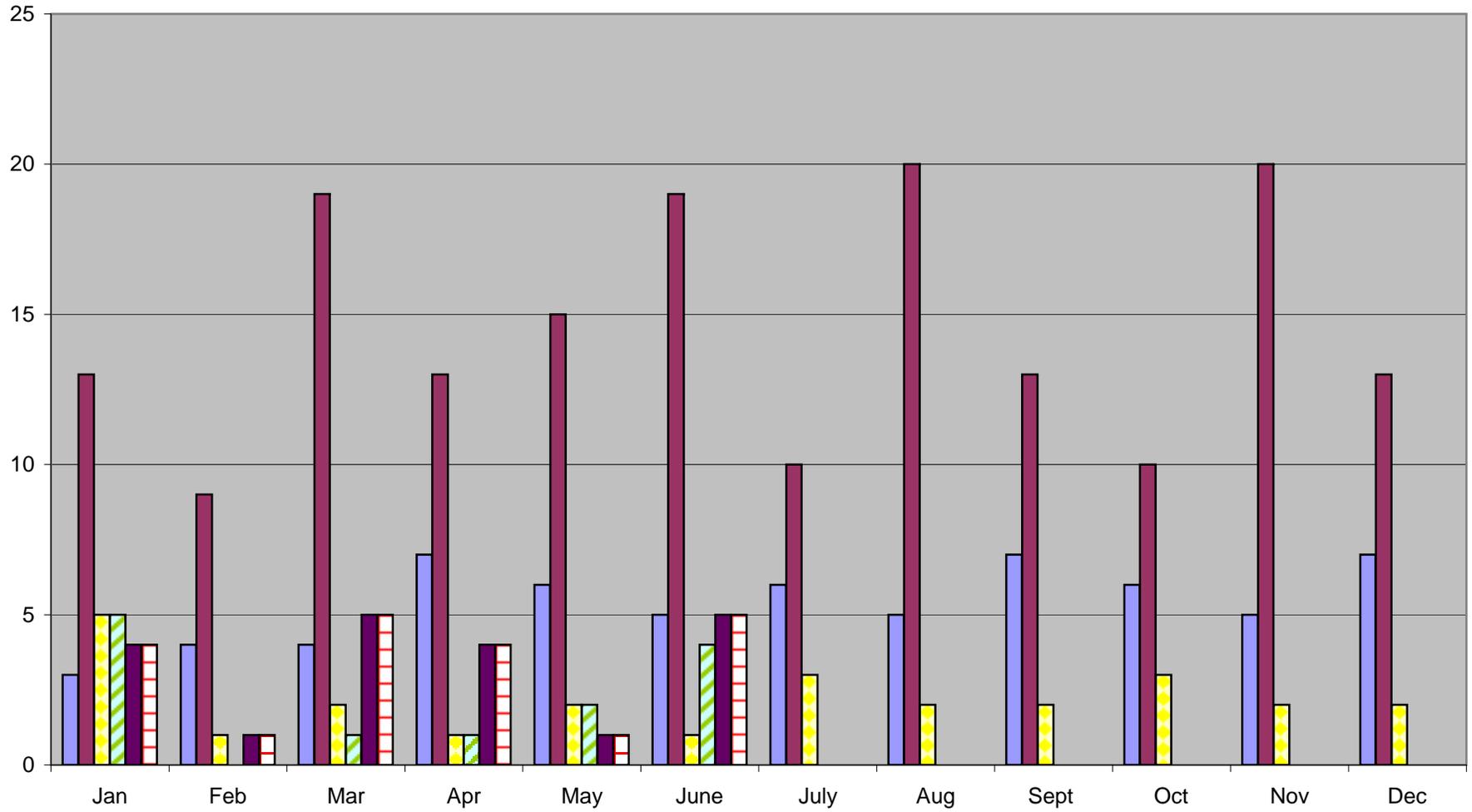
■ 2008 Disability Est. Requested

■ 2008 Disability Est. Completed

■ 2007 Disability Est. Requested

■ 2007 Disability Est. Completed

Disability Annuities Started 2007 v. 2008



| | | |
|---|--|-------------------------------|
| 2007 Teachers Retirement Board s. 40.63 | 2007 Wisconsin Retirement Board s. 40.63 | 2007 s. 40.65 Duty Disability |
| 2008 Teachers Retirement Board s. 40.63 | 2008 Wisconsin Retirement Board s. 40.63 | 2008 s. 40.65 Duty Disability |

**STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS**

**WISCONSIN RETIREMENT SYSTEM (WRS)
DISABILITY BENEFIT ANNUITY STATISTICAL REPORT
APRIL - JUNE 2008**

This report provides a summary of disability information for the Board's review. Department staff have reviewed and made the following recommendations on initial disability applications submitted by participants. Staff review individual participant applications on an ongoing basis to determine if disability benefits can continue. If you have questions or would like additional information regarding disability benefits, please contact Diane Poole at (608) 266-5387 or diane.poole@etf.state.wi.us.

The following key describes the type of disability determinations made by ETF staff:

Approved – Disability applications that meet the service, medical and employer criteria required under §40.63 (1) and (4), Wis. Stats., are approved and processed for benefit payments.

Cancelled – Disability applications that are incomplete within one year after the Department receives the disability application are cancelled. Applications are considered incomplete if the Department has not received the required medical certification and/or employer statement.

Deemed Approved – Disability applications are deemed approved if the applicant meets the service requirement and the Department receives a valid disability application and one *Medical Report* certifying the applicant's disability prior to the applicant's death. The employer is also required to submit an Employer Statement.

Denial – Disability applications are denied if the applicant does not meet all of the statutory requirements (service, medical and employer statement).

Denial Rescinded: Approved – Disability applications that were initially denied because the applicant did not meet the statutory requirements. The denial has since been overturned and the application approved due to receipt of additional information or as determined by the appropriate Board.

Termed – Disability applications that were initially approved and benefit payments made may be terminated if the Department receives information from a physician certifying that the individual no longer meets the medical definition for a disability or the individual does not comply with requests for medical or financial information.

Termed Rescinded: Approved – Disability applications that were initially approved, but the annual medical recertification was completed indicating that the individual was no longer disabled or the individual did not comply with medical or financial requests. The termination may be rescinded upon receipt of a certifying medical report, financial information, or based on an appeal determination.

Withdrawn/Void/Invalid – Disability applications are withdrawn at the request of the applicant. This occurs most often when an applicant returns to active employment and no longer meets the statutory requirements for a disability benefit.

§. 40.63 Waiver – Disability application is submitted and there is a Long-Term Disability Insurance (LTDI) election form that waives all rights to benefits under Wisconsin statutes §. 40.63 for a WRS disability retirement benefit.

| WRS DISABILITY BENEFITS | | | | |
|--|------------|------------|------------|--------------|
| | Apr | May | Jun | Total |
| Disability Estimates Requested | 73 | 65 | 66 | 204 |
| Disability Estimates Completed | 79 | 63 | 68 | 210 |
| Disability Annuities Started (on payroll) | | | | |
| Teachers Retirement Board §. 40.63 | 1 | 2 | 4 | 7 |
| Wisconsin Retirement Board §. 40.63 | 15 | 6 | 17 | 38 |
| §. 40.65 Duty Disability (WR Board) | 4 | 1 | 5 | 10 |
| Total Annuities Started | 20 | 9 | 26 | 55 |

**STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS**

**WISCONSIN RETIREMENT SYSTEM (WRS)
DISABILITY BENEFIT ANNUITY STATISTICAL REPORT
APRIL - JUNE 2008**

| TEACHERS BOARD DISABILITY ANNUITIES STARTED BY OPTION SELECTED | | | | |
|--|------------|------------|------------|--------------|
| Option | Apr | May | Jun | Total |
| 100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed | 0 | 1 | 0 | 1 |
| Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only | 0 | 0 | 0 | 0 |
| Life Annuity with 180 Payments Guaranteed | 0 | 1 | 0 | 1 |
| 75% Continued to Named Survivor (Joint Survivor) | 0 | 0 | 1 | 1 |
| 100% Continued to Named Survivor (Joint Survivor) | 1 | 0 | 1 | 2 |
| 75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either | 0 | 0 | 0 | 0 |
| TOTAL | 1 | 2 | 4 | 7 |

| TEACHERS BOARD DISABILITY ANNUITIES STARTED BY GENDER | | | | | |
|--|----------------|------------|------------|------------|-------------------|
| §. 40.63 Disability Benefits by Gender | % Pop.* | Apr | May | Jun | % of Total |
| Females | 68% | 1 | 1 | 3 | 71% |
| Males | 32% | 0 | 1 | 1 | 29% |
| TOTAL | 100% | 1 | 2 | 4 | 100% |

*Active and inactive Teacher's Retirement Board population as of 12/31/07 for 2008

TEACHERS BOARD DISABILITY STATISTICS FOR APPLICATIONS SUBMITTED

| TEACHERS BOARD DISABILITY APPLICATIONS SUBMITTED BY DETERMINATION | | | | |
|--|------------|------------|------------|--------------|
| Type of Determination | Apr | May | Jun | Total |
| Approved | 3 | 4 | 7 | 14 |
| Cancelled | 0 | 0 | 0 | 0 |
| Deemed Approved | 0 | 0 | 0 | 0 |
| Denial | 1 | 0 | 0 | 1 |
| Denial Rescinded: Approved | 0 | 0 | 0 | 0 |
| Termed | 0 | 0 | 0 | 0 |
| Termed Rescinded: Approved | 0 | 0 | 0 | 0 |
| Void/Withdrawn/Invalid | 0 | 0 | 0 | 0 |
| §. 40.63 Waiver | 0 | 0 | 0 | 0 |
| TOTAL | 4 | 4 | 7 | 15 |

| TEACHERS BOARD DISABILITY APPLICATIONS SUBMITTED BY AGE | | | | |
|--|------------|------------|------------|--------------|
| §. 40.63 Disability Benefits by Age | Apr | May | Jun | Total |
| 20-25 | 0 | 0 | 0 | 0 |
| 26-30 | 0 | 0 | 0 | 0 |
| 31-35 | 0 | 0 | 0 | 0 |
| 36-40 | 0 | 0 | 0 | 0 |
| 41-45 | 0 | 1 | 1 | 2 |
| 46-50 | 0 | 0 | 0 | 0 |
| 51-55 | 3 | 1 | 2 | 6 |
| 56-60 | 0 | 1 | 3 | 4 |
| 61-65 | 1 | 1 | 1 | 3 |
| TOTAL | 4 | 4 | 7 | 15 |

**STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS**

**WISCONSIN RETIREMENT SYSTEM (WRS)
DISABILITY BENEFIT ANNUITY STATISTICAL REPORT
APRIL - JUNE 2008**

| TEACHERS BOARD DISABILITY APPLICATIONS SUBMITTED BY DISABILITY TYPE | | | | |
|--|------------|------------|------------|--------------|
| Disability Type | Apr | May | Jun | Total |
| Brain Injury | 0 | 0 | 0 | 0 |
| Cancer | 2 | 2 | 3 | 7 |
| Cardiovascular | 0 | 0 | 0 | 0 |
| Chronic Fatigue | 0 | 0 | 0 | 0 |
| Diabetes | 0 | 0 | 0 | 0 |
| Eye Disorders | 0 | 0 | 0 | 0 |
| Gastro/Intestinal | 0 | 0 | 0 | 0 |
| Mental Illness | 0 | 0 | 1 | 1 |
| Multiple Medical Problems | 0 | 0 | 0 | 0 |
| Multiple Sclerosis | 0 | 0 | 0 | 0 |
| Muscle/Tissue | 0 | 0 | 0 | 0 |
| Nephrology | 0 | 0 | 0 | 0 |
| Neurology | 0 | 1 | 0 | 1 |
| Orthopedic | 2 | 1 | 2 | 5 |
| Other | 0 | 0 | 0 | 0 |
| Reflex Sympathetic Dystrophy (RSD) | 0 | 0 | 0 | 0 |
| Respiratory | 0 | 0 | 0 | 0 |
| Unknown | 0 | 0 | 1 | 1 |
| TOTAL | 4 | 4 | 7 | 15 |

**STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS**

**WISCONSIN RETIREMENT SYSTEM (WRS)
DISABILITY BENEFIT ANNUITY STATISTICAL REPORT
APRIL - JUNE 2008**

| WI RETIREMENT BOARD DISABILITY ANNUITIES STARTED BY OPTION SELECTED | | | | |
|--|------------|------------|------------|--------------|
| Option | Apr | May | Jun | Total |
| 100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed | 7 | 2 | 8 | 17 |
| Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only | 1 | 1 | 0 | 2 |
| Life Annuity with 180 Payments Guaranteed | 0 | 0 | 3 | 3 |
| 75% Continued to Named Survivor (Joint Survivor) | 3 | 3 | 3 | 9 |
| 100% Continued to Named Survivor (Joint Survivor) | 1 | 0 | 0 | 1 |
| 75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either | 3 | 0 | 2 | 5 |
| | 0 | 0 | 1 | 1 |
| TOTAL | 15 | 6 | 17 | 38 |

| WI RETIREMENT BOARD DISABILITY ANNUITIES STARTED BY GENDER | | | | | |
|---|----------------|------------|------------|------------|-------------------|
| §. 40.63 Disability Benefits by Gender | % Pop.* | Apr | May | Jun | % of Total |
| Females | 62% | 12 | 2 | 10 | 63% |
| Males | 38% | 3 | 4 | 7 | 37% |
| TOTAL | 100% | 15 | 6 | 17 | 100% |

* Active and inactive WR population as of 12/31/2007 for 2008

WI RETIREMENT BOARD DISABILITY STATISTICS FOR APPLICATIONS SUBMITTED

| WI RETIREMENT BOARD DISABILITY APPLICATIONS SUBMITTED BY DETERMINATION | | | | |
|---|------------|------------|------------|--------------|
| Type of Determination | Apr | May | Jun | Total |
| Approved | 8 | 12 | 17 | 37 |
| Cancelled | 2 | 1 | 0 | 3 |
| Deemed Approved | 0 | 0 | 0 | 0 |
| Denial | 1 | 2 | 3 | 6 |
| Denial Rescinded: Approved | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Termed | 0 | 0 | 0 | 0 |
| Term. Rescinded: Approved | 0 | 0 | 0 | 0 |
| Void/Withdrawn/Invalid | 0 | 0 | 0 | 0 |
| §. 40.63 Waiver | 0 | 0 | 0 | 0 |
| TOTAL | 11 | 15 | 20 | 46 |

| WI RETIREMENT BOARD DISABILITY APPLICATIONS SUBMITTED BY AGE | | | | |
|---|------------|------------|------------|--------------|
| §. 40.63 Disability Benefits by Age | Apr | May | Jun | Total |
| 20-25 | 0 | 0 | 0 | 0 |
| 26-30 | 0 | 0 | 0 | 0 |
| 31-35 | 0 | 0 | 0 | 0 |
| 36-40 | 0 | 0 | 1 | 1 |
| 41-45 | 0 | 1 | 0 | 1 |
| 46-50 | 3 | 3 | 5 | 11 |
| 51-55 | 7 | 7 | 7 | 21 |
| 56-60 | 1 | 2 | 6 | 9 |
| 61-65 | 0 | 2 | 1 | 3 |
| TOTAL | 11 | 15 | 20 | 46 |

**STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS**

**WISCONSIN RETIREMENT SYSTEM (WRS)
DISABILITY BENEFIT ANNUITY STATISTICAL REPORT
APRIL - JUNE 2008**

| WI RETIREMENT BOARD DISABILITY DETERMINATIONS | | | | |
|--|------------|------------|------------|--------------|
| Disability Type | Apr | May | Jun | Total |
| Brain Injury | 0 | 0 | 0 | 0 |
| Cancer | 0 | 0 | 2 | 2 |
| Cardiovascular | 0 | 0 | 1 | 1 |
| Chemical Dependency | 0 | 0 | 0 | 0 |
| Diabetes | 0 | 0 | 0 | 0 |
| Eye Disorders | 0 | 1 | 1 | 2 |
| Gastro/Intestinal | 0 | 0 | 1 | 1 |
| Hearing Disorders | 0 | 0 | 0 | 0 |
| Mental Illness | 2 | 3 | 5 | 10 |
| Multiple Medical Problems | 2 | 0 | 3 | 5 |
| Multiple Sclerosis | 0 | 0 | 0 | 0 |
| Muscle/Tissue | 0 | 0 | 0 | 0 |
| Nephrology | 0 | 3 | 1 | 4 |
| Neurology | 0 | 0 | 3 | 3 |
| Orthopedic | 6 | 6 | 3 | 15 |
| Other | 0 | 0 | 0 | 0 |
| Reflex Sympathetic Dystrophy (RSD) | 0 | 0 | 0 | 0 |
| Respiratory | 1 | 1 | 0 | 2 |
| Unknown | 0 | 1 | 0 | 1 |
| TOTAL | 11 | 15 | 20 | 46 |



STATE OF WISCONSIN
Department of Employee Trust Funds

David A. Stella
SECRETARY

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<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: September 5, 2008
TO: Wisconsin Retirement Board
FROM: John Vincent, Administrator
Division of Trust Finance and Employer Services
SUBJECT: Local Executive Classification

This memo is for the Board's information only. No action is required.

At the June Wisconsin Retirement Board meeting a request was made for information on why non-elected, local government executives are not considered to be "executive" positions for Wisconsin Retirement System (WRS) purposes.

"Executive participating employee" for WRS purposes is defined in state law and only includes state positions¹. The Legislature has never defined positions at the local level as "executive" positions for WRS purposes.

The term "executive participating employee" has always been directly connected with the state pay plan and has been limited exclusively to state positions since its inception. The only clear legislative history indicates that when the executive classification was created in 1973 by Assembly Bill 1120 (which was subsequently enacted as C.51, Laws of 1973), it was aimed at implementing provisions of the state compensation plan. According to the explanatory note by the Joint Committee on Employment Relations for this section of Assembly Bill 1120, "This section modifies the retirement provisions for certain administrative positions included in the proposed Executive Salary Plan to make them comparable to those for constitutional officers." This provision continued through the merger bill that created the WRS in 1982. To date, no legislation has been introduced to extend the classification to include local executives.

I will be available at the meeting to answer any questions.

¹ Wis. STAT. § 40.02 (30) "Executive participating employee" means a participating employee in a position designated under s. 19.42(10)(L) or 20.923(4), (4g), (7), (8), or (9) or authorized under s. 230.08(2)(e) during the time of employment. All service credited prior to May 17, 1988, as executive service as defined under s. 40.02(31), 1985 stats., shall continue to be treated as executive service as defined under s. 40.02(31), 1985 stats., but no other service rendered prior to May 17, 1988, may be changed to executive service as defined under s. 40.02(31), 1985 stats.

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature

Date

| Board | Mtg Date | Item # |
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STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

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CORRESPONDENCE MEMORANDUM

DATE: September 4, 2008
TO: Wisconsin Retirement Board
Teachers Retirement Board
FROM: Michelle Baxter, Director
Employer Communication and Reporting Bureau
SUBJECT: Reportable Wisconsin Retirement System (WRS) Earnings

This memo is for the Board's information only. No action is required.

Interest was expressed at the June 26, 2008, board meeting in learning more about reportable earnings for WRS purposes. Due to the variety of compensation-type payments that are reportable for WRS purposes, the attached document is being provided. The document is an excerpt from the *Wisconsin Retirement System Administration Manual*. The manual is also available on the ETF Internet site at <http://etf.wi.gov/employers.htm>

Staff will be available at the Board meeting to address any questions you have regarding this information.

Attachments

Reviewed and approved by John Vincent, Administrator, Division of Trust Finance & Employer Services.

Signature _____

Date _____

| Board | Mtg Date | Item # |
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Reportable and Non-Reportable Earnings Guide

| Reportable AND Non-Reportable Earnings Guide | | | | |
|--|--------------------------------------|---|-----------------------|---|
| Compensation Type | Payment Type | Example | WRS Reportable | Comments |
| Advance | Cash payment | Advance for ordinary and necessary expenses incurred in the business of the employer (e.g., meals, lodging, etc.) | No | The advance must be identified separately by the employer when the payment is made. |
| Allowances (See Clothing, Expense, Lodging And Vehicle) | | | | |
| Attorney Fees | Cash payment | Employee is awarded a payment representing attorney fees resulting from a grievance, compromise settlement, court order, etc. | No | Cash settlements for attorney fees are considered damages and are not reportable for WRS purposes. |
| Back Pay Awards | Cash payment | Payment resulting from a compromise settlement, court order, etc. which represents back wages. | 1. Yes 2. No | 1. Back pay awards are reportable for WRS purposes if the settlement agreement meets the requirements in Wis. Admin. Code ETF 20.12. 2. If all requirements in Wis. Admin. Code ETF 20.12 are not met in the settlement agreement, a back pay award is not reportable for WRS purposes. Refer to Chapter 13 – Compromise Agreements |
| Cafeteria Plan (IRC Section 125) Reductions | Reductions from IRS gross wages | Medical expense, dependent care expense, and insurance premiums expense reductions. | Yes | WRS earnings include amounts deducted from gross wages for Section 125 plans. |
| Cash | Cash payments of salary, wages, etc. | Payment for personal services rendered to an employer. | Yes | Amounts paid to an employee for personal services rendered are reportable for WRS purposes. |

| Reportable AND Non-Reportable Earnings Guide | | | | |
|--|---|---|----------------|--|
| Compensation Type | Payment Type | Example | WRS Reportable | Comments |
| Clothing Allowance | 1. Cash advancement or reimbursement for clothing that is adaptable for street wear | 1. Blue jeans, tennis shoes, tee shirts, etc. issued to undercover police officers | 1. Yes | 1. Clothing allowances used for the purchase of normal street wear benefit the employee as well as the employer and are, therefore, reportable for WRS purposes. |
| | 2. Cash advancement or reimbursement for standard uniforms (non-adaptable to regular street wear) | 2. Official uniforms (e.g. police, fire, bus driver, etc.) including hats, bulletproof vests, etc. | 2. No | 2. Standard uniforms are for the benefit of the employer only and are not reportable for WRS purposes. |
| Compensatory Time | 1. Cash payments resulting from use of compensatory time and payouts for unused, accumulated compensatory time made routinely (at least once a year). | 1. An employee works extra hours and receives compensatory time that is used later during the year or, if not used, is paid out to the employee at regular intervals (e.g., once a year, twice a year, etc.). | 1. Yes | 1. Payment for compensatory time is earnings for WRS purposes when used or when paid regularly to an employee during the employment relationship (regardless of whether or not the employee terminates). |
| | 2. Cash payment for unused compensatory time specifically due to termination. | 2. An employee receives a lump sum payment at time of termination for unused, accumulated compensatory time and the employer does not otherwise make payments for compensatory time. | 2. No | 2. Payment for unused compensatory time paid specifically due to termination is not reportable for WRS purposes. Refer to subchapters 502 and 503. |
| | 3. Cash payment at termination when the employer has a regular payout. | 3. An employee terminates on July 1, their regular payout of unused comp. time occurs every year on August 1. | 3. Yes | 3. Refer to subchapters 502 & 503 |
| | 4. Cash payment at termination when the employer does not have a regular payout. | 4. An employee terminates on July 1 and cashes in their comp. time earned over the duration of their employment. | 4. No | 4. Pay-off of accumulated leave at termination, whether in a lump sum or periodic installments, is not WRS reportable. Refer to subchapter 503. |
| Contributions Paid by Employer | Employer's share of contributions | Employer's share of: insurance premiums, retirement contributions, Social Security taxes, etc. | No | Employer share of contributions and premium are not reportable for WRS purposes. |
| Contract Buy Outs | Cash payment | | No | Wis. Stat. § 40.02 (22) (b) 8. |

Reportable Earnings

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|--|---|---|----------------|---|
| Compensation Type | Payment Type | Example | WRS Reportable | Comments |
| Damages Payment | Cash settlement | Employer agrees to pay employee an arbitrary amount to compensate for some wrongdoing on the part of the employer. | No | A cash settlement may not be considered earnings for WRS purposes unless it meets the requirements of Wis. Admin. Code ETF 20.12. Refer to subchapter 1302. |
| Deferred Compensation | Amounts deferred from gross wages | Employee participates in a tax-sheltered program under section 403(b) of the IRC or a deferred compensation program under section 457 of the IRC, etc. | Yes | Amounts paid for personal services rendered, but deferred for tax purposes are reportable for WRS purposes in the year when earned. |
| Employee Reimbursement Accounts | Deduction from gross wages for tax purposes | See examples under Cafeteria Plans. | Yes | Amounts paid for personal services rendered, but deducted from gross wages for tax purposes are reportable for WRS purposes. |
| Expense Allowance | Cash payment | A city mayor receives a monthly expense allowance for use in attending work-related functions and activities. | No | Expense allowance payments used for the ordinary and necessary expenses incurred in the business of the employer are not reportable for WRS purposes. The employer must make separate payments or indicate separate amounts where both wages and expense allowances are combined in a single payment. |
| Extra Curricular Activity Pay | Cash payment | A teacher also performs as the football team's coach. | Yes | The additional earnings are reportable for WRS purposes. Hours are calculated by dividing the amount paid annually by the employee's current basic pay rate. |
| Fringe Benefit | Cash payment | An employee requests and receives a direct payment or a payment to an account (e.g. IRA or tax-deferred annuity) on their behalf, or an increase in wages, instead of using the money for life and disability insurance premiums. | No | Payments in lieu of fringe benefits normally paid for or provided by the employer, but which can be paid to the employee at the employee's option are not reportable for WRS purposes. |

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|--|--|--|----------------|---|
| Compensation Type | Payment Type | Example | WRS Reportable | Comments |
| Health Savings Account (HSA) | 1. Employee salary reduction | 1. Employee instructs employer to take a pre-tax deduction from salary for deposit into a HSA. | 1. Yes | Employee salary reductions for deposit to an HSA are earnings for WRS purposes since WRS reportable earnings are gross earnings prior to deductions for insurance premiums, required WRS contributions, etc. Employer contributions to an employee's HSA in return for the employee's election of a specific health plan, in lieu of other benefits, or to defray higher out-of-pocket expenses is considered a fringe benefit and not WRS earnings. |
| | 2. Employer Contribution | 2. Employer makes a monthly contribution to an employee's HSA in return for employee's election of a higher deductible health insurance option. | 2. No | |
| | | 3. Employer makes a monthly contribution to their employees' HSA accounts | 3. No | |
| Independent Contractor Payments Note: Must meet federal Independent Contractor rules. See IRS publication 1779. | Fee-for-service cash payment | Employer hires a system analyst/programmer working for a consulting firm to complete a special project. | No | An independent contractor is not an employee of the employer and therefore, the earnings are not reportable for WRS purposes. |
| Insurance Benefit Payments | Cash payment | Income continuation or life insurance payments made to an employee by an insurance carrier. | No | Insurance payments are not payment for services rendered and are not reportable for WRS purposes. |
| Interest Payments | Cash payment | An employee receives a settlement award from an employer that includes interest on lost back wages. | No | Amounts paid as interest in settlement agreements are considered damages and are not reportable for WRS purposes. |
| IRA Payment | Payment to an IRA on behalf of an employee | An employer puts money into an IRA for an employee instead of using the money to pay health insurance premiums. | No | Payments in lieu of fringe benefits normally paid for by the employer, but which can be paid to the employee at the employee's option are not reportable for WRS purposes. |
| Joint Instrumentality Earnings | Salary | An employee works for a joint library district created by six towns and villages, only one of which is a WRS participating employer. All six entities pay a portion of the salary. | Yes/No | Although all hours worked are used in determining the employee's WRS eligibility, only the hours and earnings attributable to the WRS participating employer are reportable. |
| Jury Duty Compensation | Cash payment | An employee receives regular wages from the employer while serving jury duty. | Yes | The regular salary amount is reportable for WRS purposes. NOTE: Any amount of money paid to the employee by the court is not reportable for WRS purposes. |

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| Compensation Type | Payment Type | Example | WRS Reportable | Comments |
| Length of Service Payment | Cash payment | An employer pays an annual bonus to all employees based on a specified number of years of service. | Yes | This payment is reportable for WRS purposes as long as it is not contingent on termination of employment. |
| Lodging Advancement or Reimbursement | 1. Lodging provided in lieu of salary | 1. An employer provides a new employee with lodging in lieu of salary. | 1. Yes | 1. The value of the lodging is reportable for WRS purposes if it is not provided for the convenience of the employer or as a condition of employment. |
| | 2. Cash advance or reimbursement | 2. An employee receives cash reimbursement for lodging expenses incurred while attending a work-related conference or training seminar. | 2. No | 2. Advancement or reimbursement for ordinary and necessary expenses incurred in the business of the employer are not reportable for WRS purposes. |
| Leave of Absence Compensation | Cash payment | A teacher or police officer, for example, receives payment during an administrative leave of absence. | Yes | These earnings are reportable for WRS purposes. Refer to subchapter 505 for calculating service hours. |
| Meals Advancement or Reimbursement | 1. Cash payment | 1. An employee receives cash reimbursement for meal expenses incurred while attending a work-related conference or training seminar. | 1. No | 1. Advancement or reimbursement for ordinary and necessary expenses incurred in the business of the employer are not reportable for WRS purposes. |
| | 2. Free meal in lieu of salary | 2. Free meals provided by the employer in lieu of salary. | 2. Yes | 2. The value of the meal is reportable for WRS purposes if the employee has the option of taking cash in lieu of the free meal, if the meal is not a condition of employment and if the meal is not provided for the convenience of the employer. |
| | 3. Free meal for the employer's convenience | 3. As a condition of employment, a police dispatcher is provided with a meal on the premises of the employer strictly for convenience of the employer. The employee has no option to request cash payment in lieu of this free meal. | 3. No | 3. The value of a free meal which is provided to an employee for the convenience of the employer (as a condition of employment) and for which the employee may not take cash payment is not reportable for WRS purposes. |

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|--|--------------------------|---|-----------------------|---|
| Compensation Type | Payment Type | Example | WRS Reportable | Comments |
| Merit Pay | Cash payment | An employee receives a one-time or base building merit pay award for exceptional job performance. | Yes | The merit pay is reportable as earnings for WRS purposes as long as the merit award is not contingent on termination of employment. |
| Moving Expenses | Cash payment | An employee receives payment to cover moving expenses. | No | Payments made to relocate a new employee are not WRS reportable. |
| On-call Pay | Cash payment | A village EMT employee is paid a minimal amount per hour for being on-call. | Yes | The on-call earnings are reportable for WRS purposes. Hours are calculated by dividing the amount paid for on-call services in the annual earnings period by the employee's current base pay rate. |
| Overtime Pay | Cash payment | An employee receives overtime pay for hours worked in excess of 40 per week. | Yes | Overtime pay is reportable for WRS earnings when paid regularly to an employee during an employment relationship. |
| Penalty Payments | Cash payment | An employee receives a settlement award from an employer that includes a penalty payment to the employee for wrong doing on the part of the employer. | No | Amounts paid as penalties in settlement agreements are considered damages and are not reportable for WRS purposes. |
| Reimbursement (see Clothing, Lodging and Vehicle) | | | | |
| Sabbatical (see Leave of Absence Compensation) | | | | |
| Severance Pay | Lump sum or installments | Employee receives a severance payment resulting from, or to secure, a resignation. | No | Amounts paid which are not compensation paid for services rendered to or for an employer are not WRS reportable. |

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|--|----------------|---|----------------|--|
| Compensation Type | Payment Type | Example | WRS Reportable | Comments |
| Sick Leave Pay | Cash payment | 1. All employees of an employer receive an annual pay out for unused sick leave. | 1. Yes | 1. The sick leave pay out is reportable for WRS purposes when paid regularly to an employee during an employment relationship, when made routinely to all employees on a regular basis, and when not paid in a lump sum solely because of termination. |
| | | 2. An employee's last day worked is January 29, 2007. The employee receives payment for 20 days of unused sick leave and the employer extends the termination date to February 26, 2007. | 2. Yes | 2. The sick leave pay out is reportable for WRS purposes at termination when the payment results in extending the employee's termination date to account for the pay out. |
| | | 3. An employee's last day worked is January 30, 2007. The employee receives payment for 28 days of unused sick leave, but the employer does not extend the employee's termination date beyond January 30. | 3. No | 3. The sick leave pay out is not reportable for WRS purposes at termination if the termination date is not extended to account for the accumulated leave unless the employer routinely pays out sick leave. |
| Standby (See On Call) | | | | |
| State Elected Official Salary Increase | Delayed effect | A State senator votes to increase the pay of senators and the law is passed. The senator is prohibited from receiving the pay increase until the next term. | Yes | The value of the increase in compensation the State elected official would have received had it not been prohibited by law is reportable for WRS purposes. |
| Tax Deferral (See Deferred Compensation) | | | | |
| Tax Shelter (See Deferred Compensation) | | | | |
| Training Pay | Cash payment | A part-time police officer is sent to training that is paid by the city and may be reimbursed by the state. | Yes | If the employee is otherwise eligible for WRS, the training pay is reportable by the city for WRS purposes. |

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|--|--------------|--|----------------|---|
| Compensation Type | Payment Type | Example | WRS Reportable | Comments |
| Vacation Pay | Cash payment | 1. All employees of an employer receive an annual pay out for unused vacation. | 1. Yes | 1. Vacation pay out is reportable for WRS purposes: when paid regularly to an employee during an employment relationship; when made routinely to all employees on a regular basis; and when not paid in a lump sum solely because of termination. |
| | | 2. An employee's last day worked is January 29, 2007. The employee receives payment for ten days of unused vacation and the employer extends the date of termination to February 12, 2007. | 2. Yes | 2. The vacation leave pay out is reportable for WRS purposes at termination when the leave is used resulting in the extension of the employee's termination date. |
| | | 3. An employer routinely pays employees for unused vacation on an annual basis. If an employee terminates prior to the annual pay out, the pay out is made at termination. | 3. Yes | 3. The vacation pay out is reportable for WRS purposes as the employer regularly pays out unused vacation annually or upon termination if the employee terminates prior to the annual pay out. |
| | | 4. An employee's last day of work is January 29, 2007. The employee receives payment for 15 days of unused vacation. The employer does not regularly pay unused vacation and the employer will not allow the employee to extend their termination date to use vacation. The employer reports a termination date of January 29, 2007. | 4. No | 4. The vacation pay out is not reportable for WRS purposes at termination if the termination date is not extended and the employer does not regularly pay out unused vacation. |

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|---|---|---|----------------|--|
| Compensation Type | Payment Type | Example | WRS Reportable | Comments |
| Vehicle Advancement, Allowance and Reimbursement | 1. Cash payment – refer to subchapters 506F. | 1. An employee receives an allowance, advancement or reimbursement for use of a personal vehicle for work-related meetings and events. | 1. No | 1. Advancement or reimbursement for ordinary and necessary expenses incurred in the business of the employer are not reportable for WRS purposes. Unused amounts available to the employee for personal use are WRS reportable. Refer to 501H. |
| | 2. Value of personal use of employer-owned vehicle – refer to subchapter 501G. | 2. An employee receives use of an employer-owned vehicle for work and personal use and the employee is not required to reimburse the employer for personal use of this vehicle. | 2. Yes | 2. Only the value of the personal use of the employer-owned vehicle is reportable for WRS earnings. The employer must maintain detailed reporting of personal versus work-related use. |
| | 3. Value of work-related use of an employer-owned vehicle – refer to subchapter 506H. | 3. A city fire chief is provided with a city-owned vehicle to commute to work related destinations at anytime of the day or night for the convenience of the employer. The fire chief maintains records of personal versus work mileage and reimburses the city for personal usage. | 3. No | 3. The value of the use of the employer owned vehicle when used for commuting purposes for the convenience of the employer is not reportable for WRS purposes. |
| Voluntary Employee Benefits Association (VEBA) | Employee Contributions | Employee is required to make the contribution to fund post-employment medical expenses from their earnings and the contributions are made from pre-tax income. | Yes | VEBA is authorized under Section 501(c)(9) of the Internal Revenue Code. It allows for the tax-free pre-funding of post-employment medical expenses. Funds can only be used for post-employment medical expenses. Premium payments, both incoming funds and earnings, and post-employment expenditures are exempt for State, Federal and FICA taxation. Typically a third party administrator is responsible for account activity. |

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|---|------------------------|--|-----------------------|--|
| Compensation Type | Payment Type | Example | WRS Reportable | Comments |
| Voluntary Employee Benefits Association (VEBA) | Employer Contributions | Employer contributes money to fund post- employment medical expenses for the employee. | No | VEBA is authorized under Section 501(c)(9) of the Internal Revenue Code. It allows for the tax-free pre-funding of post-employment medical expenses. Funds can only be used for post-employment medical expenses. Premium payments, both incoming funds and earnings, and post employment expenditures are exempt for State, Federal and FICA taxation. Typically a third party administrator is responsible for account activity. |
| Worker's Compensation Credit | No payment | An employee is injured and receives temporary disability benefits through Worker's Compensation. | Yes | The earnings (and associated hours of service) that would have been paid to the employee during the period the employee was receiving temporary disability benefits from Worker's Compensation are reportable for WRS purposes. NOTE: The amount paid to the employee from Worker's Compensation is not reportable. |