AGENDA AND NOTICE OF MEETING
STATE OF WISCONSIN
WISCONSIN RETIREMENT BOARD

Thursday, June 26, 2008
1:30 p.m.
Holiday Inn Hotel and Suites
1109 Fourier Dr.
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

1:30 p.m. 1. Consideration of Minutes of Previous Meeting
1:35 p.m. 2. Announcements
• Introduction of New Board Members
• Recognition of Outgoing Board Member – Dennis McBride
1:40 p.m. 3. Election to Employee Trust Funds Board
1:55 p.m. 4. Operational Updates
• 2008 Board Roster
• Disability Report
• 40.65 Duty Disability Actuarial Review
• Miscellaneous
  ➢ Future Items for Discussion
2:10 p.m. 5. Educational Topic
• Treatment of Overtime Compensation
2:30 p.m. 6. Adjournment

Times shown are estimates only.

NOTE: The Wisconsin Retirement Board will meet immediately following the Teachers Retirement Board meeting. If that Board finishes before 1:25 p.m., this Board may begin before 1:30 p.m. Please plan accordingly. Thank you.

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, March 13, 2008

Holiday Inn Hotel and Suites
1109 Fourier Drive
Madison, Wisconsin

BOARD PRESENT: Marilyn Wigdahl, Chair
Rick Gale, Secretary
John David
Herb Stinski
Mary VonRuden

BOARD PRESENT BY PHONE: Dennis McBride

BOARD NOT PRESENT: Sean Dilweg
Wayne Koessl, Vice-Chair

PARTICIPATING ETF STAFF: Bob Conlin, Deputy Secretary
Lisa Ellinger, Deputy Administrator, Division of Insurance Services
Sari King, Administrator, Division of Retirement Services
Diane Poole, Director, Disability Programs Bureau
Rob Weber, Chief Legal Counsel
Ann McCarthy, Board Liaison

OTHERS PRESENT: John Brown, ETF Board
Rhonda Dunn, Executive Assistant
Charlotte Gibson, Department of Justice
Jean Gilding, Division of Retirement Services
Linda Owen, Division of Retirement Services
Debra Roemer, Division of Insurance Services
Matt Stohr, Director, Legislation, Communications, and Planning
Sharon Walk, Division of Management Services

Marilyn Wigdahl, Chair, called the meeting of the Wisconsin Retirement Board (Board) to order at 2:13 p.m.
CONSIDERATION OF MINUTES

Motion: Ms. Von Ruden moved approval of the minutes of the December 13, 2007, meeting as submitted by the Board Liaison. Mr. Gale 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.

- CHAIR

Nomination: Mr. David nominated Rick Gale to serve a one-year term as Chair of the Wisconsin Retirement Board. Ms. Von Ruden seconded the nomination.

Motion: Hearing no further nominations, Mr. David moved to close nominations and cast a unanimous ballot to elect Rick Gale as Chair of the Wisconsin Retirement Board for a one-year term. Ms. Von Ruden seconded the motion, which passed without objection on a voice vote.

- VICE-CHAIR

Nomination: Mr. David nominated Wayne Koessl to serve a one-year term as Vice-Chair of the Wisconsin Retirement Board. Mr. Gale seconded the nomination.

Motion: Hearing no further nominations, Mr. McBride moved to close nominations and cast a unanimous ballot to elect Wayne Koessl to serve as Vice-Chair of the Wisconsin Retirement Board for a one-year term. Mr. Stinski seconded the motion, which passed without objection on a voice vote.

- SECRETARY

Nomination: Mr. Gale nominated Mary Von Ruden to serve a one-year term as Secretary of the Wisconsin Retirement Board. Mr. David seconded the nomination.

Motion: Hearing no further nominations, Mr. McBride moved to close nominations and cast a unanimous ballot to elect Mary Von Ruden to serve a one-year term as Secretary of the Wisconsin Retirement Board. Mr. Gale seconded the motion, which passed without objection on a voice vote.
DISABILITY STATISTICS

**Quarterly Report October 2007-December 2007** Lisa Ellinger, Deputy Administrator and Diane Poole, Disability Programs Director of the Division of Insurance Services referred the Board to the provided report.

**Annual Report 2007** Ms. Poole briefed the Board on the annual report. In 2007, the Department completed disability benefit estimates for 771 participants, 242 disability benefit annuities were started, and 21 duty disability benefits were initiated. The Department approved 81.4% of the disability applications submitted. Of the annuities started, 54% were for females and 46% were for males. Ms. Poole explained that 30.4% of the disability applications were for participants aged 51-55 years. The most common disability causes in 2007 were orthopedic, neurology, and cancer.

CONSIDERATION OF ADMINISTRATIVE RULE

Mr. Weber discussed Clearinghouse Rule 07-062, regarding purchase of service credit under the WRS with the Board. He provided the final draft report on this rule and explained that this rule brings together the Department regulations on purchased service into a single section of the Administrative Code. Mr. Weber explained that this rule has been revised since last presented to the Board to reflect current legislation and policy changes. He noted that the Group Insurance Board has already approved this report.

*Motion: Mr. Gale moved approval of the final draft report on Clearinghouse Rule 07-062. Ms. Von Ruden seconded the motion, which passed without objection on a voice vote.*

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) for quasi-judicial deliberations on appeal matters. Ms. Gibson, Ms. Walk, and Ms. McCarthy were invited to remain for discussion of the appeal.

*Motion: Ms. Von Ruden moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for quasi-judicial deliberations. Mr. Gale seconded the motion, which passed on the following roll call vote.*

*Members voting aye: J. David, R. Gale, D. McBride, H. Stinski, M. Von Ruden, M. Wigdahl*

*Members voting nay: none*

The Board convened in closed session at 2:27 p.m. and reconvened in open session at 2:35 p.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 2006-053-WR.** The Board remanded the appeal to the hearing examiner with instructions to address the issue of how holiday pay is calculated into the appellant's monthly benefit.

ADJOURNMENT

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

The meeting of the Wisconsin Retirement Board adjourned at 2:35 p.m.

Signed: 
Rick Gale, Secretary
Wisconsin Retirement Board
DATE: June 11, 2008

TO: Wisconsin Retirement Board

FROM: Ann McCarthy, Board Liaison

SUBJECT: Membership on the Employee Trust Funds Board

The Wisconsin Retirement (WR) Board, by statute, appoints four members to serve on the Employee Trust Funds (ETF) Board. These appointments are staggered, four-year terms. The appointments normally occur in March of each year, since all terms end on May 1 of the year.

The ETF Board member currently representing the WR Board under consideration is John Brown.

At this time, the Board may either choose to fill the position on the ETF Board or take no action. An appointee must meet the following criteria:

§ 15.16(1)(b) appointed by Wisconsin Retirement Board, any Wisconsin Retirement Board member.

If an appointment is made at this time, the expiration date of the appointment will be May 1, 2010. This is required to remain in conformity with the staggered expiration dates.

The current WR Board roster is available in section 4 for your reference.
<table>
<thead>
<tr>
<th>MEMBER NAME</th>
<th>TERM BEGAN</th>
<th>TERM EXPIRES</th>
<th>MEMBERSHIP REQUIREMENTS</th>
</tr>
</thead>
</table>
| Jamie Aulik | 5/15/08    | 5/1/13       | § 15.165 (3)(b)5 5-year term  
  Appointed by Governor  
  County clerk or deputy county clerk of participating county and from a different county than subds. 4 & 6 |
| John David  | 11/30/04   | 5/1/08       | § 15.165 (3)(b)1 5-year term  
  Appointed by Governor from a list of five names submitted by the Board of Directors of the League of Wisconsin Municipalities. Chief executive or member of the governing body of a participating city or village and from a different county than subds. 2 & 3 |
| Sean Dilweg | 12/29/06   | Ex Officio   | § 15.165 (3)(b)9 Ex Officio  
  Commissioner of Insurance or an experienced actuary in the Office of the Commissioner designated by the Commissioner |
| (C) Rick Gale | 5/1/06 (4/03-5/06) | 5/1/11       | § 15.165 (3)(b)3 5-year term  
  Appointed by Governor  
  Participating employee of a participating city or village and from a different county than subds. 1 & 2 |
  Appointed by the Governor from a list of five names submitted by the executive committee of the Wisconsin Counties Association. Chairperson or a member of the governing body of a participating county or town, and from a different county than subds. 5 & 6 |
| *Vacant (McBride) |            |              | § 15.165 (3)(b)8 5-year term  
  Appointed by Governor  
  Public member who is not a participant or beneficiary of the WRS |
| (S) Herbert Stinski | 5/8/07 (11/04-5/07) | 5/1/12       | § 15.165 (3)(b)2 5-year term  
  Appointed by Governor  
  Participating employee and principal finance officer of a participating city or village and from a different county that subds. 1 & 3 |
| (S) Mary VonRuden | 5/1/08 (11/04-5/08) | 5/1/13       | § 15.165 (3)(b)6 5-year term  
  Appointed by Governor  
  Participating employee of a participating local employer other than a city or village and from a different county than subds. 4 & 5 |
  Appointed by Governor  
  Participating state employee. |

*McBride resigned from the Board May 2008. A replacement has not yet been appointed.

(C) – Chair    (V) – Vice-Chair    (S) – Secretary

MAILINGS FOR BOARD MEMBERS SHOULD BE SENT TO:  
Wisconsin Retirement Board  
c/o Ann McCarthy, Board Liaison  
Department of Employee Trust Funds  
PO Box 7931  
Madison WI  53707-7931  
Phone (608) 261-0736

(Rev. 04/14/08)
DATE: June 10, 2008

TO: Wisconsin Retirement Board

FROM: Michelle Baxter, Director
Employer Communication and Reporting Bureau

SUBJECT: Overtime As Reportable WRS Earnings

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

Interest was expressed at the March 14, 2008, board meeting in learning more about overtime as reportable earnings for Wisconsin Retirement System (WRS) purposes. This memorandum provides information on overtime as reportable earnings, overtime earnings limit, and the process the Department follows to identify and evaluate abnormal changes in earnings.

State statutes define earnings for WRS purposes as "...the gross amount paid to an employee by a participating employer as salary or wages, including amounts provided through deferred compensation or tax shelter agreements, for personal services rendered to or for an employer..." In most instances, overtime hours and earnings are reportable for WRS purposes, as long as the hours and earnings are included in the calendar year in which the overtime was worked. Overtime and earnings are reported as part of the total hours and earnings reported for an employee for each particular year.

In general, there are no specific state limits placed on the amount of overtime that can be reported, but there are federal limits, incorporated in State statute, on overall compensation that can be reported for WRS purposes. Section 401(a)(17) of the Internal Revenue Code (IRC) limits the amount of annual compensation for pension purposes within a tax-qualified pension plan such as the WRS. Once all earnings for the previous year have been reported and based on the IRC limits, the department conducts a test of all earnings reported each year by participant prior to the closing of the previous year's records. For example, the compensation limit for the 2008 calendar year is $230,000 (up from $225,000 in 2007).

Abnormalities in salary progression can be caused by several different items, some of which are legitimate, e.g., overtime pay or a change in a position. To ensure proper reporting of salary for WRS purposes, provisions in Wis. Stat. §40.02 allow ETF to disallow types of payment determined to be a distortion of the normal pay progression patterns on which an individual's benefits would be based. When an account is identified through our employee benefit system as having an abnormal progression of salary, the Division of Retirement Services sends a benefit inquiry to the Division of Trust Finance and Employer Services for review of the account.
This review involves contacting the employer to identify the cause of the increase and to determine if it is reportable for WRS purposes.

In summary, in most instances overtime earnings are reportable for WRS purposes and abnormalities in salary are reviewed to ensure proper reporting and payment of benefits.

Staff will be available at the meeting for discussion and questions.