

**AGENDA AND NOTICE OF MEETING
WISCONSIN RETIREMENT (WR) BOARD
STATE OF WISCONSIN**

Holiday Inn Hotel and Suites 1109 Fourier Dr. Madison, WI	Thursday June 18, 2009 10:45 a.m. – Conf Room C
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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 *Cindy Gilles* at (608) 261-0736.

✚ Denotes action item

- 10:45 a.m. 1. **Call to Order**
- 10:45 a.m. ✚ 2. **Consideration of March 19, 2009, WR Board Meeting Minutes**
- 10:50 a.m. 3. **Announcements**
- 10:55 a.m. ✚ 4. **Appointment to Employee Trust Funds Board**
- A participating employee of city or village, a participating employee of a local employer other than a city or village, or participating state employee.
- 11:00 a.m. ✚ 5. **Approval**
- Wisconsin Administrative Code Chapters 10 and 50 Revisions: Termination of Employment and Leave of Absence
- 11:10 a.m. 6. **Operational Updates**
- WR Board Roster Update
 - Quarterly Disability Statistics Report: January 2009-March 2009
 - 40.65 Duty Disability Actuarial Review
 - Future Items for Discussion
- 11:15 a.m. 7. **Adjournment**

Times shown are estimates only.

NOTES:

- **Lunch will be served for members of the WR Board at 11:45 a.m. in George's Chophouse. No Board business will be discussed.**
- **A quorum of the WR may be in attendance at the ETF Board meeting to observe at 12:45 p.m. The WR Board will conduct no business.**

The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Cindy Gilles, 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: cindy.gilles@etf.state.wi.us

**MINUTES OF MARCH 19, 2009, MEETING
STATE OF WISCONSIN
WISCONSIN RETIREMENT BOARD**

DRAFT

Holiday Inn Hotel and Suites
1109 Fourier Drive, Madison, WI

BOARD PRESENT:

Wayne Koessl, Vice-Chair Mary Von Ruden, Secretary Jamie Aulik John David	Herbert Stinski Marilyn Wigdahl Michael Woodzicka
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BOARD NOT PRESENT:

Sean Dilweg	
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PARTICIPATING ETF STAFF:

Dave Stella, Secretary Bob Conlin, Deputy Secretary Cindy Gilles, Board Liaison	Sari King, Office of Legislative Affairs, Communications and Quality Assurance
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OTHERS PRESENT:

Office of the Secretary: Rhonda Dunn, Sharon Walk Office of Policy, Privacy and Compliance: Linda Owen	Division of Insurance Services: Diane Poole Department of Justice: Charlotte Gibson, Division of Retirement Services: Jean Gilding
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Wayne Koessl, Vice-Chair, Wisconsin Retirement Board (Board), called the meeting to order at 2:00 p.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

Motion: Ms. Wigdahl moved approval of the minutes of the December 11, 2008, Wisconsin Retirement Board meeting as submitted by the Board Liaison. Ms. Von Ruden seconded the motion, which passed without objection on a voice vote.

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ANNOUNCEMENTS

Sari King, Office of Legislative Affairs, Communications and Quality Assurance, introduced new Wisconsin Retirement Board member Michael Woodzicka.

ELECTION OF OFFICERS

Mr. Koessler 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. David nominated Marilyn Wigdahl as Chair, Wayne Koessler as Vice-Chair, and Mary Von Ruden as Secretary. Mr. Aulik seconded the nomination.

Motion: Hearing no further nominations, Mr. David moved to close nominations and cast a unanimous ballot to elect Marilyn Wigdahl as Chair, Wayne Koessler as Vice-Chair, and Mary Von Ruden as Secretary. Ms. Von Ruden seconded the motion, which passed without objection on a voice vote.

OPERATIONAL UPDATES

Ms. King referred Board members to the informational reports in their binders.

DISCUSSION AND CONSIDERATION

Proposal for Single Day Quarterly Board Meetings

Motion: Mr. Woodzicka moved to recommend a one-day quarterly Board meeting to the Employee Trust Funds Board. Mr. David seconded the motion, which passed without objection on a voice vote.

MOTION TO CONVENE IN CLOSED SESSION

Mr. Koessler 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. Gilles, and Ms. Walk 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. David seconded the motion, which passed on the following roll call vote.

Members voting aye: *J. Aulik, J. David, H. Stinski, M. Von Ruden, M. Wigdahl, M. Woodzicka and W. Koessler*

Members voting nay: *none*

The Board convened in closed session at 2:10 p.m. and reconvened in open session at 2:20 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Koessler announced that the Board took the following action during the closed session:

- **Appeal 2008-002-WR.** The Board accepted the hearing examiner's proposed decision with modifications.

ADJOURNMENT

Motion: *Mr. David moved to adjourn the meeting. Mr. Aulik seconded the motion, which passed without objection on a voice vote.*

The Wisconsin Retirement Board meeting adjourned at 2:25 p.m.

Date Approved: _____

Signed: _____

Mary Von Ruden, Secretary
Wisconsin Retirement Board



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

801 W Badger Road
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 Madison WI 53707-7931
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CORRESPONDENCE MEMORANDUM

DATE: June 4, 2009
TO: Wisconsin Retirement Board
FROM: Cindy Gilles, Board Liaison
SUBJECT: Membership on the Employee Trust Funds Board

The Wisconsin Retirement (WR) Board is asked to consider its appointment of a participating employee of a city or village, a participating employee of a local employer other than a city or village, or a participating state employee to a seat on the Employee Trust Funds (ETF) Board for a term to begin at the September 17, 2009, ETF Board meeting.

The WR Board, by statute, appoints four members to serve on the ETF Board. These appointments are staggered, four-year terms. Terms end on May 1 so new appointments typically occur in March.

The seat formerly held by Rick Gale, who resigned in December 2008, is currently up for consideration. The seat must be filled by a WR Board member who is a participating employee of a city or village, a participating employee of a local employer other than a city or village, or a participating state employee. The current WR Board members eligible for the ETF Board vacant seat follow:

Type of Seat	Current WR Board Member
Participating employee of a city or village	Michael Woodzicka
Participating employee of a local employer other than a city or village	Mary Von Ruden
Participating state employee	Marilyn Wigdahl

As Marilyn Wigdahl already serves on the ETF Board at this time, the remaining eligible WR Board members to consider for the vacant ETF Board seat are Michael Woodzicka and Mary Von Ruden. The Board can also choose to take no action, but keep in mind that would leave a vacancy on the ETF Board.

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

 Signature Date

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If an appointment is made, it will begin at the September 17, 2009, ETF meeting. The appointee will serve a term ending May 1, 2013.

The current WR and ETF Board rosters are attached for your reference.

Attachments: WR and ETF Board Rosters

**2009
EMPLOYEE TRUST FUNDS BOARD
MEMBERSHIP ROSTER**

MEMBER NAME	TERM BEGAN	TERM EXPIRES	MEMBERSHIP REQUIREMENTS
David John	6/26/08	5/1/10	§ 15.16(1)(b) Appointed by Wisconsin Retirement Board. Any Wisconsin Retirement Board member. 4-year term
Donnelly Jennifer	3/23/07	Ex Officio	§ 15.16 (1) (intro.) Director of the Office of State Employment Relations or the Director's designee. Ex Officio
Finora Rosemary	8/8/06	5/1/09	§ 15.16 (1)(c) Appointed by Governor, with Senate confirmation. Public member who is not a participant in or beneficiary of the WRS, with at least five years of experience in actuarial analysis, administration of an employee benefit plan, or significant administrative responsibility in a major insurer. 4-year term
Fisher Theron	5/1/07 (5/03-5/07)	5/1/11	§ 15.16 (1)(d) Elected by WRS annuitants. WRS annuitant as defined for purposes other than life insurance under § 40.02 (4). 4-year term
Vacant * (Gale)			§ 15.16 (1)(b)2 Appointed by Wisconsin Retirement Board. Wisconsin Retirement Board member appointed under § 15.165 (3)(b) 3, 6 or 7 (participating employee of a city or village, participating employee of a local employer other than a city or village or participating state employee). 4-year term
Koessl (V) Wayne	5/1/00 (5/96-5/00)	5/1/04	§ 15.16 (1)(b)1 Appointed by Wisconsin Retirement Board. Wisconsin Retirement Board member appointed under § 15.165 (3)(b)1, 2, 4, 5 or 8 (chief executive, finance officer or member of governing body of a participating city or village, county clerk, deputy county clerk, chairperson, or member of the governing body of a participating county or town, or public member who is not a participant). 4-year term
Kreul Kathleen	5/1/07 (5/03-5/07)	5/1/11	§ 15.16 (1)(f) Elected by educational support personnel. WRS participant who is either a public school district educational support personnel employee or a technical college district educational support employee. 4-year term
Langyel Michael	3/20/09	5/1/13	§ 15.16 (1)(a)3 Appointed by Teachers Retirement Board. Teachers Retirement Board member elected under § 15.165 (3)(a)7 (City of Milwaukee teacher participant). 4-year term
McCaffery Wayne	5/1/07 (5/03-5/07) (5/99-5/03)	5/1/11	§ 15.16 (1)(a)1 Appointed by Teachers Retirement Board. Teachers Retirement Board member appointed or elected under § 15.165 (3)(a) 1 or 2 (public or vocational school teacher). 4-year term
Niendorf (S) Robert	5/1/00 (5/92-5/96) (5/96-5/00)	5/1/04	§ 15.16 (1)(a)2 Appointed by Teachers Retirement Board. Teachers Retirement Board member appointed under § 15.165 (3)(a)4 (UW teacher participant). 4-year term
Sherman Gary	1/24/05	Ex Officio	§ 15.16 (1) (intro.) Governor or the Governor's designee on the Group Insurance Board. Ex Officio
Thompson Nancy	3/18/99	5/1/03	§ 15.165 (3)(a) 5 Appointed by Teachers Retirement Board. Teachers Retirement Board member appointed under § 15.165 (3)(a) 3 or 5 (public school administrator or school board member). 4-year term
Wigdahl (C) Marilyn	5/1/99 (6/87-5/91) (6/91-5/95) (5/95-5/99)	5/1/03	§ 15.16 (1)(b) 3 Appointed by Wisconsin Retirement Board. Wisconsin Retirement Board member appointed under § 15.165 (3)(b) 7 or 8 (participating state employee or public member who is not a participant). 4-year term

*Rick Gale resigned in December 2008. A replacement has not yet been appointed.

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

(Revised 6.4.09)

MAILINGS FOR BOARD MEMBERS SHOULD BE SENT TO:

Employee Trust Funds Board
c/o Cindy Gilles, Board Liaison
Department of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
Phone (608) 261-0736

**2009
WISCONSIN RETIREMENT BOARD
MEMBERSHIP ROSTER**

MEMBER NAME	TERM BEGAN	TERM EXPIRES	MEMBERSHIP REQUIREMENTS
Aulik Jamie	5/15/08	5/1/13	§ 15.165 (3)(b)5 Appointed by Governor. County clerk or deputy county clerk of participating county and from a different county than subs. 4 & 6. 5-year term
David John	11/30/04	5/1/08	§ 15.165 (3)(b)1 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 subs. 2 & 3. 5-year term
Dilweg Sean	12/29/06	Ex Officio	§ 15.165 (3)(b)9 Commissioner of Insurance or an experienced actuary in the Office of the Commissioner designated by the Commissioner. Ex Officio
Koessl (V) Wayne	5/1/04 (11/89-5/94) (5/94-5/99) (5/99-5/04)	5/1/09	§ 15.165 (3)(b)4 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 subs. 5 & 6. 5-year term
Vacant* (McBride)			§ 15.165 (3)(b)8 Appointed by Governor. Public member who is not a participant or beneficiary of the WRS. 5-year term
Stinski Herbert	5/8/07 (11/04-5/07)	5/1/12	§ 15.165 (3)(b)2 Appointed by Governor. Participating employee and principal finance officer of a participating city or village and from a different county than subs. 1 & 3. 5-year term
Von Ruden (S) Mary	5/1/08 (11/04-5/08)	5/1/13	§ 15.165 (3)(b)6 Appointed by Governor. Participating employee of a participating local employer other than a city or village and from a different county than subs. 4 & 5. 5-year term
Wigdahl (C) Marilyn	5/1/94 (5/84-5/89) (5/89-5/94)	5/1/99	§ 15.165 (3)(b)7 Appointed by Governor. Participating state employee. 5-year term
Woodzicka Michael	1/20/09	5/1/11**	§ 15.165 (3)(b)3 Appointed by Governor Participating employee of a participating city or village and from a different county than subs. 1 & 2. 5-year term

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

**Remainder of predecessor's term.

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

MAILINGS FOR BOARD MEMBERS SHOULD BE SENT TO:

Wisconsin Retirement Board
c/o Cindy Gilles, Board Liaison
Department of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
Phone (608) 261-0736

(Revised 4/6/09)

**STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS
EMPLOYEE TRUST FUND BOARD
WISCONSIN RETIREMENT BOARD
TEACHERS RETIREMENT BOARD**

FINAL DRAFT REPORT ON CLEARINGHOUSE RULE #08-026

FINAL RULE to amend ETF 10.08 (2) (b) 4. and to create ETF 50.30 (4), relating to termination of employment and administrative leave of absence.

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Agency Person to be Contacted for Questions

Please direct any questions about the proposed rule to David Nispel, General Counsel, Department of Employee Trust Funds, P.O. Box 7931, Madison WI 53707. Telephone: (608) 264-6936. E-mail address: david.nispel@etf.state.wi.us.

Statement Explaining Need for Rule

This rule-making is needed reflect current department interpretation of s. 40.63, Stats. regarding permitting a disabled employee, who is on a leave of absence and not expected to return to service, to apply for a disability annuity benefit and to receive such benefits if the employee’s application is approved. The proposed rule will conform the eligibility criteria regarding termination of employment for s. 40.63, Stats. disability annuities with the criteria regarding long-term disability insurance benefits under s. ETF 50.54 (2) (b). For example, under this rule, the effect on a person’s health insurance and premiums would not vary depending on whether the employer participated in the group insurance board’s health insurance under ch. 40 or if the employer offered other health insurance.

Analysis Prepared by the Department of Employee Trust Funds

1. Statute interpreted:

Section 40.63, Stats.

2. Statutory authority:

Sections 40.03 (2) (i) and 227.11 (2) (a), Stats.

3. Explanation of agency authority:

By statute, the DETF Secretary is expressly authorized, with appropriate board approval, to promulgate rules required for the efficient administration of any benefit plan established in ch. 40 of the Wisconsin statutes. Also, each state agency may promulgate rules interpreting the provisions of any statute enforced or administered by the agency if the agency considers it necessary to effectuate the purpose of the statute.

4. Related statute or rule:

Ch. ETF 10, Wis. Admin. Code, concerns the administration of the Public Employee Trust Fund and Ch. ETF 50 concerns disability benefits provided in accordance with the trust fund. Section 40.63, Stats., concerns disability annuities from the Wisconsin retirement system. There are no other related administrative rules or statutes.

5. Plain language analysis:

The purpose of this rule is to enable participants to continue to receive non-chapter 40, Stats., benefits offered by their employer, such as health insurance, while they are receiving disability benefits under s. 40.63, Stats.

6. Summary of, and comparison with, existing or proposed federal regulations:

The only federal regulations that may be affected by this proposed rule are provisions of the Internal Revenue Code regulating qualified pension plans. The Wisconsin Retirement System is required to be maintained as a qualified plan by s. 40.015, Stats. As a general rule, pension plans are supposed to provide benefits at retirement. However, federal regulations state that a pension plan may provide for the payment of a pension due to disability. The Wisconsin Retirement System provides for disability annuities under s. 40.63, Stats.

7. Comparison with rules in adjacent states:

The department did not locate any comparable rule or statute in any adjacent states.

8. Summary of factual data and analytical methodologies:

Currently, the department interprets s. 40.63, Stats., to permit a disabled employee, who is on a leave of absence and not expected to return to service, to apply for a disability annuity benefit and to receive such benefits if the employee's application is approved. This practice followed an internal review of the department's policies and the pertinent statutes and administrative rules for administering the s. 40.63, Stats., disability benefit program.

This proposed rule addresses the status of disability annuitants with regard to the Wisconsin Retirement System and other fringe benefits under ch. 40, Stats. For example, if a disabled employee is deemed to have terminated employment for all ch. 40 purposes, the effect on that person's health insurance and premiums would vary depending on whether the employer participated in the group insurance board's health insurance under ch. 40 or if the employer offered other health insurance.

Under s. ETF 50.54 (2) (b), long-term disability insurance benefits, which replaced disability annuity benefits for employees not continuously employed since before October 16, 1992, already are available for employees on a leave of absence. This proposed rule will conform the eligibility criteria regarding termination of employment for both disability annuities and long-term disability insurance.

9. Analysis and supporting documents used to determine effect on small business or in preparation of economic impact report:

This rule does not have an effect on small businesses because private employers and their employees do not participate in, and are not covered by, the Wisconsin Retirement System.

10. Anticipated costs incurred by private sector

None.

11. Statement of effect on small business:

The rule has no effect on small businesses.

Regulatory Flexibility Analysis:

The proposed rule has no significant effect on small businesses because only governmental employers and their employees may participate in the benefit programs under ch. 40 of the statutes administered by the Department of Employee Trust Funds.

Fiscal Estimate:

The proposed rule has no direct fiscal impact. The proposed rule generates no revenues for any employer. The proposed rule itself has no effect on the fiscal liabilities of any county, city, village, town, school district, technical college district or sewerage. The rule has no state fiscal effect during the current biennium and no fiscal impact on state funds.

Text of Rule

Section 1. ETF 10.08 (2) (b) 4. is amended to read:

ETF 10.08 (2) (b) 4. ~~Upon~~ Except as provided in ETF 50.30 (4), upon termination of employment the participant is treated consistently with the status of a former employee. This includes, but is not limited to the terminated employee no longer being eligible for benefits available only to active employees. Examples of such benefits may include health insurance, life insurance, income continuation insurance coverage, making deferred compensation or tax sheltered annuity contributions, worker's compensation coverage, internal grievance, promotion or transfer rights, or rights available to active employees under a collective bargaining agreement. This subd. shall not apply to benefits that may be available to the employer's retired employees, such as severance pay, post-retirement insurance coverage and/or employer payment of premiums, or post-retirement benefits or other rights provided through collective bargaining or other retirement agreements. However, agreements made after the termination date for future compensable services to be rendered by the employee would not be precluded under subd. 3.

Section 2. ETF 50.30 (4) is created to read:

ETF 50.30 (4) For purposes of benefits administered under ch. 40, Stats., the participant shall be treated as terminated for all ch. 40, Stats., purposes effective on the date before the s. 40.63, Stats., annuity is effective or on the termination date reported to the department by the employer, whichever is earlier. The benefits include, but are not limited to, health insurance coverage, sick leave credit usage, life insurance coverage, income continuation insurance coverage, Wisconsin retirement system coverage and death benefits under s. 40.73 (1) (am) and (c), Stats., and deferred compensation contributions and benefits under s. 40.80, Stats. This rule does not preclude a participating employer from placing the participant on an administrative leave of absence for purposes of benefits not administered under ch. 40, Stats.

(end of rule text)



WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

Ronald Sklansky
Clearinghouse Director

Terry C. Anderson
Legislative Council Director

Richard Sweet
Clearinghouse Assistant Director

Laura D. Rose
Legislative Council Deputy Director

CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE **08-026**

AN ORDER to amend ETF 10.08 (2) (b) 4., and to create ETF 50.30 (4), relating to termination of employment and administrative leave of absence.

Submitted by **DEPARTMENT OF EMPLOYE TRUST FUNDS**

04-08-2008 RECEIVED BY LEGISLATIVE COUNCIL.

05-01-2008 REPORT SENT TO AGENCY.

RNS:WF



WISCONSIN LEGISLATIVE COUNCIL RULES CLEARINGHOUSE

Ronald Sklansky
Clearinghouse Director

Richard Sweet
Clearinghouse Assistant Director

Terry C. Anderson
Legislative Council Director

Laura D. Rose
Legislative Council Deputy Director

CLEARINGHOUSE RULE 08-026

Comments

[NOTE: All citations to “Manual” in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated January 2005.]

2. Form, Style and Placement in Administrative Code

a. In both sections of the rule, the entire citation should be shown in the text. For example, in SECTION 1, “ETF 10.08 (2) (b)” should be inserted before “4.”

b. In s. ETF 50.30 (4), “shall” should replace “must” and “The” should replace “Such.” Also, “subs.” should be replaced with “subsection.” [See s. 1.07, Manual.]

4. Adequacy of References to Related Statutes, Rules and Forms

a. In the analysis to the rule, “Stats.” should replace “Wis. Stats.”.

b. In s. ETF 50.30 (4), “Stats.” should be inserted after the fourth statutory citation.

5. Clarity, Grammar, Punctuation and Use of Plain Language

a. The “plain language analysis” in the analysis to the rule states that a purpose of the rule is to enable participants to continue to receive **private benefits** offered by their employer, such as health insurance, while they are receiving disability benefits under s. 40.63, Stats. The meaning of the term “private benefits” is unclear. If the term “private benefits” refers to benefits other than those provided under ch. 40, Stats., the analysis should be redrafted to specifically state this. If the term has some other meaning, it should be more clearly stated.

b. SECTION 2 should be drafted to effectuate the intent of the rule more clearly. The apparent intent of the rule is to clearly state that (as specifically authorized in s. 40.63 (1) (c), Stats.) a person who is placed on an administrative leave of absence and who is not expected to

resume active service may qualify for a disability benefit under s. 40.63, Stats. However, this intent is obscured because the proposed subsection, rather than stating this directly, indirectly states that a “termination of employment” does “not preclude” a participating employer from placing the participant on administrative leave of absence if the employee is not expected to resume active service. In addition, this intent is obscured because the first sentence of the subsection, without mentioning anything about an administrative leave of absence, states that a participant must terminate all participating employment in order to be eligible for disability benefit under s. 40.63, Stats.

Response to Legislative Council Staff Recommendations

The DETF implemented all of the Legislative Council Staff recommendations contained in the Clearinghouse Report. This involved making changes in form, style, grammar, punctuation, statutory and rule references, and use of plain language.

List of Persons Appearing or Registering For or Against the Rules.

No persons registered either for or against the rule at the public hearing on May 22, 2008.

Summary of Comments Received at Public Hearing.

No person wished to testify concerning the rule. The record was held open for written comments until 4:30 p.m. on May 22, 2008, but no comments were received.

Modifications to Rule as Originally Proposed as a Result of Public Comments

None.

Modifications to the Analysis Accompanying the Proposed Rule.

The analysis was revised to reflect the comments made by the Legislative Council Staff regarding the term “private benefits” and the intent of the rule.

Modifications to the Initial Fiscal Estimate

None.

Board Authorization for Promulgation

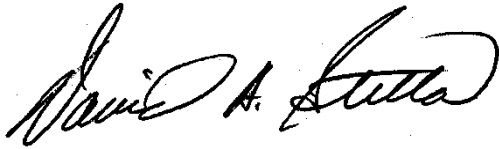
This final draft report on Clearinghouse Rule #08-026 has been duly approved for submission to the Legislature, and for promulgation, by the Department of Employee Trust Funds and by the Employee Trust Funds Board, Wisconsin Retirement Board and Teachers Retirement Board at their meetings on June 18, 2009.

Effective Date

This rule shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in s. 227.22 (2), Stats.

Respectfully submitted,

DEPARTMENT OF EMPLOYEE TRUST FUNDS



David A. Stella
Secretary

Date: May 15, 2009



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

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

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CORRESPONDENCE MEMORANDUM

DATE: June 18, 2009

TO: Employee Trust Funds Board
Wisconsin Retirement Board
Teachers Retirement Board

FROM: David H. Nispel, General Counsel

SUBJECT: Wisconsin Administrative Code Chapter 10 and Chapter 50 Revisions

Staff recommends that the Boards approve the final version of this proposed rule.

The Department of Employee Trust Funds (ETF) proposes to amend s. ETF 10.08 (2) (b) 4. and create s. ETF 50.30 (4), relating to termination of employment and administrative leave of absence. The proposed rule reflects current ETF interpretation of s. 40.63, Stats., regarding permitting a disabled employee, who is on a leave of absence and not expected to return to service, to apply for a disability annuity benefit and receive such benefits if the application is approved. The proposed rule will conform the eligibility criteria regarding termination of employment for s. 40.63, Stats. disability annuities with the criteria regarding long-term disability insurance benefits under s. ETF 50.54 (2) (b).

Board approval of the final version of the proposed rule is the next step in the administrative rule promulgation process. If approved, the rule revisions will be submitted to the State Legislature for consideration. Prior to this date, the Department has taken the following action:

- Scope statement approved by ETF Secretary (March 2008)
- Scope statement published in the Wisconsin Administrative Register (March 2008)
- Submitted the proposed rule and a report to the Legislative Council Administrative Rules Clearinghouse (April 2008)

Reviewed and approved by Robert Conlin, Deputy Secretary.

Signature Date

Board	Mtg Date	Item #
JI	6/18/09	5
WR	6/18/09	5
TR	6/18/09	5
ETF	6/18/09	7

- Submitted the rule and Legislative Council report to the Department of Administration and Legislative Reference Bureau along with notice of the scheduled public hearing (April 2008)
- Published the notice of hearing in the Wisconsin Administrative Register (April 2008)
- Held a public hearing (May 22, 2008)

The final draft report on the proposed administrative rule is attached to this memorandum. Minor technical changes to the rule were made in response to comments received in the Legislative Council Staff Clearinghouse Report. The rule now conforms to recommended form and style. There were no appearances at the public hearing and no written comments were received.

Department staff will be available at the meeting to discuss this memo and answer any questions you may have regarding the proposed revisions.

Attachment

**2009
WISCONSIN RETIREMENT BOARD
MEMBERSHIP ROSTER**

MEMBER NAME	TERM BEGAN	TERM EXPIRES	MEMBERSHIP REQUIREMENTS
Aulik Jamie	5/15/08	5/1/13	§ 15.165 (3)(b)5 Appointed by Governor. County clerk or deputy county clerk of participating county and from a different county than subds. 4 & 6. 5-year term
David John	11/30/04	5/1/08	§ 15.165 (3)(b)1 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. 5-year term
Dilweg Sean	12/29/06	Ex Officio	§ 15.165 (3)(b)9 Commissioner of Insurance or an experienced actuary in the Office of the Commissioner designated by the Commissioner. Ex Officio
Koessl (V) Wayne	5/1/04 (11/89-5/94) (5/94-5/99) (5/99-5/04)	5/1/09	§ 15.165 (3)(b)4 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. 5-year term
Vacant* (McBride)			§ 15.165 (3)(b)8 Appointed by Governor. Public member who is not a participant or beneficiary of the WRS. 5-year term
Stinski Herbert	5/8/07 (11/04-5/07)	5/1/12	§ 15.165 (3)(b)2 Appointed by Governor. Participating employee and principal finance officer of a participating city or village and from a different county than subds. 1 & 3. 5-year term
Von Ruden (S) Mary	5/1/08 (11/04-5/08)	5/1/13	§ 15.165 (3)(b)6 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. 5-year term
Wigdahl (C) Marilyn	5/1/94 (5/84-5/89) (5/89-5/94)	5/1/99	§ 15.165 (3)(b)7 Appointed by Governor. Participating state employee. 5-year term
Woodzicka Michael	1/20/09	5/1/11**	§ 15.165 (3)(b)3 Appointed by Governor Participating employee of a participating city or village and from a different county than subds. 1 & 2. 5-year term

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

**Remainder of predecessor's term.

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

MAILINGS FOR BOARD MEMBERS SHOULD BE SENT TO:

Wisconsin Retirement Board
c/o Cindy Gilles, Board Liaison
Department of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
Phone (608) 261-0736

(Revised 4/6/09)

Board	Mtg Date	Item #
WR	6/18/09	6

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

**WISCONSIN RETIREMENT SYSTEM (WRS)
DISABILITY BENEFIT ANNUITY STATISTICAL REPORT
JANUARY - MARCH 2009**

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				
	Jan	Feb	Mar	Total
Disability Estimates Requested	60	57	56	173
Disability Estimates Completed	43	77	54	174
Disability Annuities Started (on payroll)				
	Jan	Feb	Mar	Total
Teachers Retirement Board § 40.63	1	2	5	8
Wisconsin Retirement Board § 40.63	3	6	20	29
§ 40.65 Duty Disability (WR Board)	4	3	2	9
Total Annuities Started	8	11	27	46

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

**WISCONSIN RETIREMENT SYSTEM (WRS)
DISABILITY BENEFIT ANNUITY STATISTICAL REPORT
JANUARY - MARCH 2009**

TEACHERS BOARD DISABILITY ANNUITIES STARTED BY OPTION SELECTED				
Option	Jan:	Feb:	Mar:	Total
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	0	1	2	3
Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only	0	0	0	0
Life Annuity with 180 Payments Guaranteed	0	1	1	2
75% Continued to Named Survivor (Joint Survivor)	0	0	0	0
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	5	8

TEACHERS BOARD DISABILITY ANNUITIES STARTED BY GENDER					
§ 40.63 Disability Benefits by Gender	% Pop.*	Jan:	Feb:	Mar:	% of Total
Females	68%	0	1	3	50%
Males	32%	1	1	2	50%
TOTAL	100%	1	2	5	100%

*Active and inactive Teacher's Retirement Board population as of 12/31/08 for 2009

TEACHERS BOARD DISABILITY STATISTICS FOR APPLICATIONS SUBMITTED

TEACHERS BOARD DISABILITY APPLICATIONS SUBMITTED BY DETERMINATION				
Type of Determination	Jan:	Feb:	Mar:	Total
Approved	2	8	6	16
Cancelled	0	0	1	1
Deemed Approved	0	1	0	1
Denial	0	1	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	2	10	7	19

TEACHERS BOARD DISABILITY APPLICATIONS SUBMITTED BY AGE				
§ 40.63 Disability Benefits by Age	Jan:	Feb:	Mar:	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	2	0	2
46-50	0	0	1	1
51-55	1	4	4	9
56-60	0	1	1	2
61-65	1	3	1	5
TOTAL	2	10	7	19

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

**WISCONSIN RETIREMENT SYSTEM (WRS)
DISABILITY BENEFIT ANNUITY STATISTICAL REPORT
JANUARY - MARCH 2009**

TEACHERS BOARD DISABILITY APPLICATIONS SUBMITTED BY DISABILITY TYPE				
Disability Type	Jan	Feb	Mar	Total
Brain Injury	0	0	0	0
Cancer	1	3	2	6
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	1	2	3
Multiple Medical Problems	0	2	1	3
Multiple Sclerosis	0	0	0	0
Muscle/Tissue	0	1	0	1
Nephrology	0	0	0	0
Neurology	1	2	1	4
Orthopedic	0	0	1	1
Other	0	0	0	0
Reflex Sympathetic Dystrophy (RSD)	0	0	0	0
Respiratory	0	0	0	0
Unknown	0	1	0	1
TOTAL	2	10	7	19

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

**WISCONSIN RETIREMENT SYSTEM (WRS)
DISABILITY BENEFIT ANNUITY STATISTICAL REPORT
JANUARY - MARCH 2009**

WI RETIREMENT BOARD DISABILITY ANNUITIES STARTED BY OPTION SELECTED				
Option	Jan	Feb	Mar	Total
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	2	2	8	12
Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only	0	1	1	2
Life Annuity with 180 Payments Guaranteed	1	1	3	5
75% Continued to Named Survivor (Joint Survivor)	0	0	3	3
100% Continued to Named Survivor (Joint Survivor)	0	1	0	1
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	4	4
	0	1	1	2
TOTAL	3	6	20	29

WI RETIREMENT BOARD DISABILITY ANNUITIES STARTED BY GENDER					
§ 40.63 Disability Benefits by Gender	% Pop.*	Jan	Feb	Mar	% of Total
Females	62%	3	3	9	52%
Males	38%	0	3	11	48%
TOTAL	100%	3	6	20	100%

* Active and inactive WR population as of 12/31/2008 for 2009

WI RETIREMENT BOARD DISABILITY STATISTICS FOR APPLICATIONS SUBMITTED

WI RETIREMENT BOARD DISABILITY APPLICATIONS SUBMITTED BY DETERMINATION				
Type of Determination	Jan	Feb	Mar	Total
Approved	5	14	15	34
Cancelled	1	1	2	4
Deemed Approved	0	0	0	0
Denial	0	0	3	3
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	6	15	20	41

WI RETIREMENT BOARD DISABILITY APPLICATIONS SUBMITTED BY AGE				
§ 40.63 Disability Benefits by Age	Jan	Feb	Mar	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	0	1	1
46-50	2	4	3	9
51-55	3	3	11	17
56-60	1	6	4	11
61-65	0	2	1	3
TOTAL	6	15	20	41

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

**WISCONSIN RETIREMENT SYSTEM (WRS)
DISABILITY BENEFIT ANNUITY STATISTICAL REPORT
JANUARY - MARCH 2009**

WI RETIREMENT BOARD DISABILITY DETERMINATIONS				
Disability Type	Jan	Feb	Mar	Total
Brain Injury	0	0	0	0
Cancer	2	1	3	6
Cardiovascular	0	0	0	0
Chemical Dependency	0	0	0	0
Diabetes	0	0	0	0
Eye Disorders	0	0	0	0
Gastro/Intestinal	0	1	0	1
Hearing Disorders	0	0	0	0
Mental Illness	0	1	4	5
Multiple Medical Problems	1	4	0	5
Multiple Sclerosis	0	0	0	0
Muscle/Tissue	0	0	0	0
Nephrology	0	0	2	2
Neurology	1	2	4	7
Orthopedic	2	5	4	11
Other	0	0	1	1
Reflex Sympathetic Dystrophy (RSD)	0	0	0	0
Respiratory	0	1	2	3
Unknown	0	0	0	0
TOTAL	6	15	20	41



STATE OF WISCONSIN
Department of Employee Trust Funds
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SECRETARY

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Madison WI 53707-7931

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<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: June 2, 2009

TO: Teachers Retirement Board
Wisconsin Retirement Board

FROM: Diane Poole, Director
Disability Programs Bureau

SUBJECT: January – March 2009 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 January through March 2009. The report provides quarterly data on: number of annuities started, options selected, gender, determination, age, and disability type.

TRENDS

The trends, when compared to the same quarter the past five years, are as follows:

- The number of new disability annuities is lower. The Teachers Retirement Board (TR) had 8 under its jurisdiction, compared to an average of 12; the Wisconsin Retirement Board (WR) had 29 under its jurisdiction, compared to an average of 44.
- The most-selected annuity options under TR and WR jurisdiction were “100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed.”
- An equal number of males and females applied for the § 40.63 Disability Retirement Annuity benefit for the TR Board. There was one more female than male user of the § 40.63 Disability Retirement Annuity benefit for the WR Board.
- The majority of applications are approved; a very small number are denied.
- The predominant age group for both TR and WR annuities is 51-55.
- The prevalent disability types for the TR Board annuities for this quarter in the last five years are: Cancer, Mental Illness and Neurology. For the WR Board annuities, the prevalent disability types are: Orthopedic, Neurology, and Cancer.

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

Signature _____

Date _____

Board	Mtg Date	Item #
TR	6/18/09	6
WR	6/18/09	6

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. The second priority is to maintain existing disability accounts. This requires obtaining the necessary medical and income information, which again requires extensive follow-up with outside sources.

attachment

The State of Wisconsin Employee Trust Funds Board



Section 40.65
Duty Disability Plan
Actuarial Review
As of December 31, 2008

DRAFT

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I. Overview

The purpose of this report is to summarize our review of the Section 40.65 Duty Disability Plan. Included is a brief review of the Plan's experience during 2008, an estimate of the State's liability as of December 31, 2008, and an analysis of current funding levels.

In preparing this report, we have relied on claim information provided by the Department of Employee Trust Funds ("ETF"). We have not audited this information, but have relied on it as submitted after making reasonableness checks as we deemed appropriate under the circumstances.

The results of this review indicate that the Duty Disability Plan has assets of \$355.4 million and estimated liabilities of \$382.3 million as of December 31, 2008. The accrued funding shortfall is \$26.8 million, which represents about 2.1% of the \$1,284 million in covered payroll. This is a 3.0% decrease to the shortfall as a percentage of covered pay roll from last year. The asset balance does not include \$74.5 million in deferred market losses which will be recognized over the next four years.

If experience continues at recent levels, the present premium level will be sufficient to eliminate the accrued funding shortfall by the end of 2009. Therefore, no premium increase is recommended at this time.

The remainder of this report summarizes the review in more detail. A number of assumptions have been made in estimating the State's liability. Such assumptions are described throughout the report and summarized in Exhibit 2.

II. 2008 Experience Review

Fund Balance

During 2008, the fund balance increased from \$321,640,407 to \$355,410,538. Investment earnings (which, consistent with past ETF practice, reflect the deferral of recognition of actual earnings over a five year period) were \$10,506,007 with paid claims and administrative expenses totaling \$27,545,578. These components are shown in the following table along with figures for the prior ten years for comparison purposes.

Year	Contributions	Benefits		Admin Charge	Interest Credit (Charge)	Ending Balance	Average Contrib Rate
		Benefits Annual	% Increase				
1998	26,205,796	15,484,812	7.3%	235,334	4,795,610	47,912,039	3.69%
1999	26,585,142	16,802,277	8.5%	612,691	7,020,204	66,102,416	3.36%
2000	32,188,231	18,337,714	9.1%	153,551	7,273,165	87,072,547	3.76%
2001	35,120,406	19,857,704	8.3%	290,919	10,127,493 ¹	112,171,824	3.84%
2002	36,662,252	21,592,121	8.7%	349,523	9,696,940 ²	136,589,372	3.83%
2003	39,308,775	22,984,246	6.4%	460,353	10,925,975 ³	163,379,523	3.87%
2004	40,776,886	23,176,779	0.8%	338,041	13,960,608 ⁴	194,602,196	3.84%
2005	42,076,545	24,185,758	4.4%	302,193	13,187,206 ⁵	225,377,997	3.86%
2006	44,573,058	26,091,024	7.9%	318,381	22,681,739 ⁶	266,223,389	3.87%
2007	47,765,354	26,198,090	0.4%	236,623	34,086,377 ⁷	321,640,407	3.94%
2008	50,574,350	27,125,051	3.5%	420,527	10,741,359 ⁸	355,410,538	3.94%

¹ Includes a \$5,601,954 adjustment for 1999 Wisconsin Act 11.

² Includes a \$3,838,988 adjustment for understated interest during 2002 (including Wisc Act 11).

³ Includes a \$215,444 adjustment for understated interest during 2003 (including Wisc Act 11).

⁴ Includes a \$63,179 adjustment for understated interest during 2004 (including Wisc Act 11).

⁵ Includes a \$31,517 adjustment for overstated interest during 2005 (including Wisc Act 11).

⁶ Includes a \$473,544 adjustment for overstated interest during 2006 (including Wisc Act 11).

⁷ Includes a \$351,103 adjustment for overstated interest during 2007 (including Wisc Act 11).

⁸ Includes a \$235,352 adjustment for understated interest during 2008 (including Wisc Act 11).

As of December 31, 2008, there were 925 claims in payment status with annual benefits totaling \$26,782,455. 871 of the claims were for disabled participants and 54 were for beneficiaries. The number of claims and total benefits being paid increased over last year from 902 and \$25,806,128 respectively. The following table shows annual benefits as a dollar amount and as a percentage of payroll by recipient type.

	Claims in Payment Status		
	No.	Annual \$	% of Payroll
Disabled Participants	871	\$25,881,457	2.02%
Survivor Beneficiaries	54	\$900,997	0.07%
Total	925	\$26,782,455	2.09%

III. Estimated Liability as of December 31, 2008

The liability for outstanding claims under the Duty Disability Plan was estimated in two parts - reported claims and incurred claims not yet in pay status. The following paragraphs summarize the methods used and results.

Claims in Pay Status

The total liability for claims in payment status as of December 31, 2008, \$346 million, is approximately \$12 million greater than the liability as of December 31, 2007.

Incurred Claims Not Yet in Pay Status

A review of recent claims data showed lags in the time between when claims are incurred and when they are reported and reach pay status. The incurred but not reported (IBNR) liability for December 31, 2008, \$36 million, was developed by relying on a historical claims database provided by the State. The current IBNR methodology reflects the distribution of the lag between the qualifying date and the subsequent approval date of past Duty claims. A projection of the count of claims incurred but not yet reported to the State as of December 31, 2008, was applied to an average liability per approved claim to determine the IBNR. Additionally, a 10% load for conservatism was added. The projected count of claims incurred but not yet reported to ETF included an additional three claims which were approved in 2008, but, due to the timing of their qualifying date, data necessary to value their liability as a reported claim was unavailable. As a result, these approved claims were included in the IBNR liability.

Results

The total estimated liability as of December 31, 2008, for the Duty Disability plan is \$382,251,612, and developed as follows:

Annual Benefits Before Offsets	\$ 44,798,592
Offsets	
Social Security	3,981,756
Unemployment Compensation	0
Worker's Compensation	566,113
WRS Benefits	
- Separation	945,222
- Disability	5,727,287
- Normal Retirement	6,946,227
Earnings	725,799
Total Offsets*	18,892,406
Adjustment for Offsets Greater than Base Benefit	876,269
Net Offsets*	18,016,137
Annual benefits after offsets (ABAO)*	26,782,455
Present value of ABAO being paid	346,472,612
Reserve for incurred but not paid claims	35,779,000
Total	\$ 382,251,612

*Subtotals may not tie to the sum of items due to rounding.

Total net offsets are 40.2% of gross benefits before offsets.

IV. Analysis of Funding Levels

Financial Progress

As of December 31, 2008, the payout rate from this plan decreased to 2.15% of covered payroll (slightly down from 2.18% a year ago). Pertinent elements of the present financial picture include:

- During 2008 benefit reserves to pay claims increased from \$321.6 million to \$355.4 million.
- The contribution rate schedule in effect (see Exhibit 4) will generate approximately 3.94% of covered payroll. This rate appears to be sufficient to achieve a fully reserved status by the end of 2009. These calculations assume that the group size stabilizes at about its current level, as follows:

Provision for annual incurred claims*	2.15%
Amortization of accrued shortfall	<u>1.79%</u>
Total	3.94%

* Includes (Benefit Payments + Expenses) as a % of covered payroll as indicated in ETF Trust Statement.

Recent funding practice has been to limit the period of amortization of the shortfall to approximately 30 years. A projection of plan experience suggests that the current rate schedule will fund the existing shortfall in a shorter period of time. In 1998, the Board approved a rate increase of approximately .22% of payroll. It still appears that the new contribution level is sufficient for at least one more year. Therefore, we do not recommend a contribution increase at this time.

Exhibit 1: Section 40.65 Duty Disability Benefit Summary

Section 40.65 Duty Disability benefits for protective occupation participants were added in 1982. Benefits are summarized below:

Eligibility. Duty-related injury or disease that is likely to be permanent, which causes a protective occupation participant to retire, accept reduced pay or light duty assignment, or in some cases, that impairs promotional opportunities.

Amount. 80% of salary (75% if partially disabled and not a State Employee), less the following offsets:

- Social Security
- Unemployment Compensation
- Worker's Compensation
- Any other WRS benefit
- All earnings from the employer under which the disability occurred
- A percent of other earnings as follows:
 - 1/3 of earnings less than 40% of monthly salary
 - 1/2 of earnings between 40% and 80% of monthly salary
 - 2/3 of earnings over 80% of monthly salary

Survivor Benefits.

- All survivor benefits are offset by any Chapter 102 death benefits
- Pre-5/3/88:
 - 1/3 of the participant's monthly salary at time of death to surviving spouse, plus
 - \$15/month to each unmarried child under the age of 18
 - Not to exceed 65% of participant's monthly salary at time of death
 - State employees are included
- Post-5/3/88:
 - 1/2 of the participants monthly salary at time of death to surviving spouse, less other income sources that are based on the participant's earnings record
 - 1/10 of the participant's monthly salary at time of death to each unmarried child under the age of 18
 - Not to exceed 70% of participant's monthly salary at time of death
 - State employees are not included (with the exception of cancer presumptive)
- Cancer Presumptive Law:
 - 70% of the participant's monthly salary at time of death to surviving spouse, less other income sources that are based on the participant's earnings record
 - 1/10 of the participant's monthly salary at time of death to the guardian of any minor child, as long as there is no surviving spouse
 - There is no maximum

Annual Increases.

- To age 60: In accordance with WRS salary index.
- After age 60: In accordance with WRS dividend increases (as long as the claimant is not also receiving a disability retirement benefit.)

Contributions. Vary by experience.

Exhibit 2: Valuation Assumptions

Mortality: Wisconsin Projected Experience Table - 93; 98% of male mortality and 97% of female mortality.

Set Forward: 3 years for males only.

Recovery: None.

Sex: All disabled recipients are assumed to be male; all beneficiary recipients are assumed to be female.

Benefit Form: Life annuity for unmarried disabled recipients and all beneficiaries; 50% joint and survivor annuity for married disabled recipients.

Interest: 4.8% (which approximates a 7.8% valuation rate with 3.0% annual benefit increases). The valuation rate was changed for the December 31, 2004, valuation to match the WRS interest rate. The WRS interest rate was reduced from 8.0% to 7.8% as of February 1, 2004.

IBNR Loading: 10% margin for conservatism

Exhibit 3: Liability Summary by Year of Incurral

Benefits Being Paid and Reported Claim Liability by Year of Incurral

Year Incurred	Number Valued	No Benefit Payable	Total	Annual Benefit	% of Payroll	Actuarial Liabilities
2008	9	2	11	\$ 343,130	0.03%	\$ 5,119,746
2007	20	2	22	679,968	0.05%	10,652,127
2006	22	2	24	532,028	0.04%	7,730,694
2005	32	1	33	967,798	0.08%	15,196,806
2004	33	3	36	1,200,685	0.09%	17,928,495
2003	24	2	26	695,501	0.05%	10,556,752
2002	34	1	35	1,153,276	0.09%	16,991,798
2001	26	0	26	864,534	0.07%	12,904,046
2000	20	3	23	528,838	0.04%	7,803,459
1999	29	1	30	1,051,886	0.08%	15,571,665
1998	39	2	41	1,231,835	0.10%	17,187,243
1997	25	3	28	772,707	0.06%	11,028,267
1996	21	1	22	698,196	0.05%	9,456,586
1995	30	3	33	966,096	0.08%	12,977,531
1994	30	2	32	1,074,071	0.08%	13,984,295
1993	45	7	52	1,343,972	0.10%	17,569,183
1992	52	5	57	1,482,842	0.12%	19,122,365
1991	44	8	52	1,053,299	0.08%	12,841,144
1990	37	8	45	998,139	0.08%	12,626,781
1989	54	7	61	1,491,622	0.12%	17,370,493
1988	51	4	55	1,618,349	0.13%	18,679,796
1987	39	2	41	1,219,596	0.09%	13,642,762
1986	39	4	43	1,493,821	0.12%	15,551,033
1985	40	3	43	1,377,264	0.11%	14,347,606
1984	29	0	29	1,029,090	0.08%	10,931,350
1983	15	0	15	515,828	0.04%	4,719,360
1982	9	0	9	361,896	0.03%	3,511,278
1979	1	0	1	36,186	0.00%	469,949
Total	849	76	925	\$ 26,782,455	2.09%	\$ 346,472,612

Exhibit 4: Rate Schedule – Present and Proposed

December 31, 2008 Valuation

% of Covered Payroll	Applicable To
1.9	Groups with claims payout during the prior year of less than or equal to 0.5% of payroll.
2.4	Groups with one claim in which the payout during the prior year exceeded 0.5% of payroll, and groups with two or more claims in which the payout was more than 0.5% but less than 1.0% of payroll.
3.6	Groups with two or more claims in which the payout during the prior year was more than 1.0% but less than 2.0% of payroll.
5.4	Groups with two or more claims in which the payout during the prior year was more than 2.0% and less than 3.0% of payroll.
6.6	Groups with two or more claims in which the payout exceeded 3.0% but was less than 6.6% of payroll during the prior year.
6.6 + ½ of claims over 6.6%	Groups with two or more claims in which the payout exceeded 6.6% of payroll during the prior year.



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CORRESPONDENCE MEMORANDUM

DATE: May 27, 2009
TO: Wisconsin Retirement Board
FROM: Tom Korpady, Administrator
Division of Insurance Services
SUBJECT: Duty Disability Plan Actuarial Valuation

This memo is for informational purposes only. No Board action is required. The Employee Trust Funds Board will review this for approval at its June 18, 2009 meeting.

Deloitte recommends no change in premiums for the Duty Disability plan. A brief summary is found on page one of the attached "Duty Disability Plan Actuarial Review as of December 31, 2008."

Attachment

Board	Mtg Date	Item #
WR	6/18/09	6
ETF	6/18/09	5