

1997-98 SESSION  
COMMITTEE HEARING  
RECORDS

Committee Name:

Joint Survey Committee  
on Retirement Systems  
(JSC-RS)

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR\_RCP\_pt01a
- 97hrAC-EdR\_RCP\_pt01b
- 97hrAC-EdR\_RCP\_pt02

- Appointments ... Appt
- 
- Clearinghouse Rules ... CRule
- 
- Committee Hearings ... CH
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- Committee Reports ... CR
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- Executive Sessions ... ES
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- Hearing Records ... HR
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- Miscellaneous ... Misc
- 97hr\_JSC-RS\_Misc\_pt09
- 
- Record of Comm. Proceedings ... RCP
-

Hearing 9-19



State of Wisconsin

JOINT SURVEY COMMITTEE ON RETIREMENT SYSTEMS  
AND THE RETIREMENT RESEARCH COMMITTEE

BLAIR L. TESTIN  
RESEARCH DIRECTOR

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September 5, 1996

TO: Members of the Retirement Research Committee  
FROM: Blair Testin, Consultant *B. T.*  
RE: RRC Meeting -- September 19, 1996

Senator Rick Grobschmidt and Rep. Judith Klusman, Co-Chairs of the Retirement Research Committee, have scheduled the next meeting of the RRC for:

THURSDAY, SEPTEMBER 19, 1996

3:00 P.M.

ROOM 417 NORTH (G.A.R. HALL), STATE CAPITOL BLDG.

The agenda for this meeting will include a review of the actuarial audit of the WRS prepared by Segal Co. Staff from that actuarial firm will present an overview and be available to answer questions.

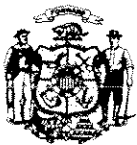
The agenda will also include a review of the Legislative Audit Bureau evaluation of the s. 40.65 protective death and disability program. Audit Bureau staff will also be present to provide an overview and to answer questions.

Both of these audits touch on subject matters currently being studied by the RRC and its subcommittees. Hopefully, these audits will provide new information and possible courses of action.

If you have any questions or concerns with this scheduled meeting, please contact this office.

BT:db

Enc.



State of Wisconsin

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September 11, 1996

TO: Diann Allsen, LAB  
FROM: Blair Testin, Consultant *B.T.*  
RE: Segal Presentation to the RRC

Thank you for arranging to have Segal Co. representatives present their actuarial audit to the RRC in addition to the ETF presentation. The RRC is scheduled to meet starting at 3 P.M. in Room 417 North (G.A.R. Hall) of the State Capitol on September 19.

The RRC is presently reviewing several areas that are touched upon by the Segal audit including the following:

1. UAAL Issues.
2. Transaction Amortization Account.
3. S. 40.65 Disability Program.

Accordingly, I believe it would be most appropriate for the Segal representatives to concentrate on the parts of the actuarial audit that relate to these issues. In particular, Section 3 and Section 6 (pages 30 and 31) relate to the UAAL issue; Section 5 relates to the TAA issue; and Section 4 relates to the 40.65 issue.

Relative to the UAAL issue, I believe a good comparison between the entry age normal actuarial method vs. the fixed liability method used by the WRS would be beneficial. Also, any possible approaches that would be feasible to change from FIL to EAN would be of interest. Also, discussions on the length of amortization period which will be subject to GASB rulings in the future would be desirable.

Relative to the TAA issue, I believe some expansion of the suggestions found on page 28 would be helpful, along with Segal's experience with other large, multi-employer public pension plans.

For background information for the Segal representatives, I am enclosing memos from ETF, GRS, and RRC Staff on the three issues noted above. All of these memos contain some discussion of alternatives which Segal Co. representatives may wish to refer. Could you please pass these on to the Segal Co. for their review.

If you or Segal Co. representatives have any questions about the RRC hearing, please contact this office.

BT:db

Enc.

cc: Senator Grobschmidt, Rep. Klusman, Dave Stella

**STATE OF WISCONSIN**

**RETIREMENT RESEARCH COMMITTEE**

**THURSDAY, SEPTEMBER 19, 1996**

**3:00 P.M.**

**ROOM 417 NORTH (G.A.R. HALL), STATE CAPITOL**

**A G E N D A**

1. Call To Order and Roll Call.
2. Consideration of the Minutes of the January 12, 1996, Meeting.
3. Review of the "Actuarial Audit of the Wisconsin Retirement System", dated July 12, 1996, by The Segal Company.
4. Reveiw of the Wisconsin Legislative Audit Bureau's "Duty Disability Program", dated August, 1996.
5. Other Matters.
6. Adjournment.

RRC HEARING  
SEPTEMBER 19, 1996

Blair: If we're going to look at an early retirement proposal, we should look at the Illinois approach. An individual can purchase 5 years of service. Employee and employer continue to make contributions until recouped. Hold positions open until recouped.

**SEGAL**

**Unfunded Liability**

refinance and pay off. Statutes give new municipalities 40 years.

FIL: Frozen initial liability - the system we use- this is not real common

EAN: Entry age normal

consider when below 30 switch to open amortization - could pool funding, those paying continue to pay

costs going down for general employees and protectives

**TAA**

concept is very common

Blend of 2 and 4 on page 28: (2) put a corridor in place that limits the TAA to a percent of market value and recognizes additional gains or losses if necessary to achieve that result. (4) recognize 100% of the assumed investment return and then spread the difference between the assumed investment income and the actual investment income over five years.

Uses of TAA - legal restriction - currently being examined by courts.

## DUTY DISABILITY

WRS costs going down, DD costs going up.

■ mortality rates should be looked at

If WRS is cashed out, could transfer what \$ was there to fund DD. Will hold down DD increased costs. If they don't cash out there is an offset of DD.

Definition of Disability: Some states (Conn.) use insurance definition. 1<sup>st</sup> two years disabled from your job. After two years must be totally disabled.

\*\*Fundamental differences with other systems-

1. issue of light duty.

review of disability

Pelzek: In Milw. There is little change due to reevaluation. Defn: incapable of performing all duties of job.

**STATE OF WISCONSIN**  
**MINUTES OF MEETING**  
**RETIREMENT RESEARCH COMMITTEE**  
**THURSDAY, SEPTEMBER 19, 1996**  
**3:00 P.M.**  
**ROOM 417 NORTH (G.A.R. HALL), STATE CAPITOL BUILDING**  
**MADISON, WISCONSIN**

OCT 10 1996

**CALL TO ORDER AND ROLL CALL**  
**(Agenda Item 1)**

The meeting of the Retirement Research Committee was called to order by Co-Chair Grobschmidt, at 3:00 P.M., in Room 417 North of the State Capitol Building in Madison, Wisconsin.

Roll call was taken as follows:

Present: (11) Ms. Fisher, Senator Grobschmidt, Ms. Hamblen, Mr. Heineck, Mr. Jordi, Rep. Klusman, Ms. O'Donnell, Mr. Pelzek, Mr. Schultz, Mr. Stella, Senator Weeden.

Absent: (8) Senator Andrea, Mr. Falstad, Rep. Hoven, Mr. Lieberg, Mr. Mesenbourg, Mayor Meyer, Ms. Olson, Rep. Wirch.

Others Present: Roy E. Kubista, AFSCME; Mark D. Zeier, PFFW; Rick Gale, PFFW; Steve Werner, WPPA; Beth Rozman, Staff for Rep. Wirch; Geoff Gaston, Staff for Senator Andrea; Lisa Moen, Staff for Sen. Grobschmidt; Ginger Mueller, Staff for Rep. Klusman; Blair Testin, Consultant for RRC; Deb Breggeman, Staff for RRC.

**CONSIDERATION OF THE MINUTES OF JANUARY 12, 1996**  
**(Agenda Item 2)**

**Representative Klusman moved, seconded by Mr. Stella, to approve the minutes of the January 12, 1996, meeting of the Retirement Research Committee.**

**Motion carried by voice vote.**

**OTHER MATTERS**  
**(Agenda Item 5)**

**Representative Klusman moved, seconded by Mr. Stella to appoint a subcommittee consisting of the two Co-Chairpersons (Grobschmidt and Klusman), along with Mr. Stella from the Employee Trust Funds, Ms. O'Donnell from the Department of Employment Relations, and Mr. Otto Schultz, Annuitant Representative, to start the search for Blair Testin's replacement/Director of Retirement Research.**

**Motion carried by voice vote.**

It was also noted that Blair Testin, Consultant for the Retirement Research Committee, has been asked by the Co-Chairs to begin working on the "Comparative Survey of Major Public Retirement Systems". The comparative survey is updated every two years and features 85 public retirement systems from across the country. The last survey was completed in 1994.



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**REVIEW OF THE "ACTUARIAL AUDIT OF THE WISCONSIN RETIREMENT SYSTEM"**  
**DATED JULY 12, 1996, BY THE SEGAL COMPANY**  
(Agenda Item 3)

Mr. Thomas D. Levy, Senior Vice-President, and Mr. Roderick B. Crane, Vice-President, from The Segal Company, made a presentation of the "Actuarial Audit of the Wisconsin Retirement System".

Members of the Committee asked questions of Mr. Levy and Mr. Crane during and following their presentation.

**REVIEW OF THE WISCONSIN LEGISLATIVE AUDIT BUREAU'S "DUTY DISABILITY PROGRAM" DATED AUGUST, 1996**  
(Agenda Item 4)

Mr. Donel B. Bezruki, Legislative Audit Bureau, reviewed the audit report entitled, "An Evaluation of Duty Disability Program, Department of Employee Trust Funds", dated August, 1996.

Following the presentation Committee members asked questions of Mr. Bezruki.

**ADOURNMENT**  
(Agenda Item 6)

The meeting of the Retirement Research Committee adjourned at 5:03 p.m. The next meeting will be at the call of the Co-Chairs.

Debra Breggeman, Recording Secretary