

**MINUTES OF SEPTEMBER 17, 2009, MEETING**

**STATE OF WISCONSIN  
EMPLOYEE TRUST FUNDS BOARD**

Holiday Inn Hotel and Suites, Conference Rooms A & B  
1109 Fourier Drive, Madison, WI

**DRAFT**

**BOARD PRESENT:**

Marilyn Wigdahl, Chair Robert Niendorf, Secretary John David Rosemary Finora Theron Fisher	Kathleen Kreul Michael Langyel Wayne McCaffery Mary Von Ruden
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**BOARD NOT PRESENT:**

Jennifer Donnelly Wayne Koessl, Vice-Chair	Dan Nerad Gary Sherman
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**PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:**

Dave Stella, Secretary Bob Conlin, Deputy Secretary Cindy Gilles, Board Liaison	David Nispel, Office of the Secretary Matt Stohr, Office of Legislative Affairs, Communications and Quality Assurance
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**OTHERS PRESENT:**

ETF Office of the Secretary: Rhonda Dunn, Sharon Walk ETF Office of Budget and Trust Finance: Jon Kranz ETF Office of Legislative Affairs, Communications and Quality Assurance: Sari King ETF Office of Policy, Privacy and Compliance: Linda Owen	Gabriel, Roeder, Smith, and Company: Brian Murphy State Engineering Association: Bob Schaefer Teachers Retirement Board Members: Sandra Claflin-Chalton, Steven Scheible Former ETF Board Member: Nancy Thompson Health Choice: Mike Messer
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Marilyn Wigdahl, Chair, called the meeting of the Employee Trust Funds Board (ETF Board) to order at 1:34 p.m.

**CONSIDERATION OF PREVIOUS MEETING MINUTES**

*Motion: Mr. David moved to approve the minutes of the June 18, 2009, Employee Trust Funds Board meeting as submitted by the Board Liaison. Ms. Kreul seconded the motion, which passed without objection on a voice vote.*

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## **ANNOUNCEMENTS**

Deputy Secretary Conlin welcomed new ETF Board members Mary Von Ruden, who was appointed by the Wisconsin Retirement Board, and Dan Nerad, who was appointed by the Teachers Retirement Board and replaced Nancy Thompson.

Mr. Conlin also announced that Rosemary Finora has been re-nominated for appointment to the ETF Board by the Governor. She has Senate-hearing approval and is waiting on confirmation.

## **COMMITTEE REPORTS**

Executive Committee – Ms. Wigdahl, Chair of the Executive Committee, reported the Committee approved the minutes for the June 17, 2009, meeting; reviewed and discussed the Department's July-September 2009 Quarterly Progress Report; received an update on strategic planning activities; was advised of budgetary and service challenges; and, discussed the Human Resources Report covering the past quarter.

Audit Committee – Rosemary Finora, Chair of the Audit Committee, reported the Committee approved the minutes for the June 18, 2009, meeting; was introduced to the Department's audit team member, Ron Andrews and Legislative Audit Bureau auditors, Brandon Brickner and Brian Belford; reviewed and discussed the Department's 2009-2011 Audit plan; and, discussed the Retirement Calculation System Audit Report.

Budget and Operations Committee – John David, Chair of the Budget and Operations Committee, reported the Committee approved the minutes for the June 18, 2009, meeting; received an overview of the operating budget, including a summary of expenses for the recently completed 2009 fiscal year; and, received an overview of the Department's strategic planning efforts, including the vision statement and activity currently underway.

Ms. Wigdahl announced that Mary Von Ruden will be the new Budget and Operations Committee member replacing Nancy Thompson.

## **DISCUSSION AND CONSIDERATION**

**Wisconsin Retirement System Gain/Loss Analysis of Experience Among Active Members During Calendar Year 2008** Brian Murphy of Gabriel, Roeder, Smith, and Company, presented the report, *Wisconsin Retirement System Gain/Loss Analysis of Experience Among Active Members During Calendar Year 2008*. Mr. Murphy reported that in 2008, the net Core Trust Fund loss was \$1,027 million with a total asset loss of \$2,689 million.

***Motion: Mr. Niendorf moved to accept the “Wisconsin Retirement System Gain/Loss Analysis of Experience Among Active Members During Calendar Year 2008” actuarial report. Mr. David seconded the motion, which passed without objection on a voice vote.***

## **ADMINISTRATIVE CODE REVISIONS**

Mr. Nispel requested the Board’s approval of revisions to Wisconsin Administrative Code s. 11.11 relating to legal counsel advising the boards that are attached to ETF while a Board considers a final decision pertaining to an appeal. The proposed revisions would allow board staff to arrange for legal counsel for the boards as deemed necessary and in accordance with s. 40.03(3), Stats.

***Motion: Ms. Kreul moved to approve the final version of the proposed rule. Ms. Finora seconded the motion, which passed without objection on a voice vote.***

Mr. Nispel also asked for the Board’s approval to amend s. ETF11.15 (4), relating to the agent for service of process upon the boards that are attached to ETF. The proposed rule will improve the procedure for receipt of such service by increasing, by two positions, the number of positions authorized to accept service.

***Motion: Ms. Von Ruden moved to approve the final version of the proposed rule. Ms. Finora seconded the motion, which passed without objection on a voice vote.***

## **OPERATIONAL UPDATES**

**Secretary’s Report** Secretary Stella reviewed the following activities and challenges the Department will face in the coming biennium and beyond:

Biennial and Operating Budget Challenges:

- An across-the-board base budget reduction of 1% and salary line reductions amounted to -3%. An increase of 6.0 FTE positions per year and the salary amounts appropriated to support the positions, leaves a net budget increase of +3%. This increase was countered by 27,000+ hours of staff hours and productivity lost as a result of the furloughs imposed by Executive Order 285..
- The Legislature’s Joint Finance Committee authorized the Department to request additional funding and positions through the s. 13.10 process by creating a workload metric.
- There was approximately \$209,000 in expenses carried over from last fiscal year due to funding shortfalls. This is improved over the approximate \$600,000 from previous years.

- The Department received approval from the Department of Administration to fill 14 of its 19 vacant positions. These will be phased in as the budget allows.
- There was a capital budget request to build a new building as the Department currently pays \$1 million per year for building rental. This was turned down due to having had such a poor investment year as well as other opportunities that may be available as far as State-owned property. To date, those discussions have not transpired. The Department has outgrown its current space. Building a new office would be an asset and there is still a long-term need for it.

Strategic Plan:

- The strategic plan has gone from a two-year to a five-year plan. A vision statement and goals have been developed along with measureable objectives that can be quantified and verified throughout the process.
- The Department hopes to have the 2010-2015 Strategic Plan completed by fall and ready to present to ETF Board in December.

Information Technology (IT) Successes and On-going Projects:

- The Benefit Payment System continues to perform well since implementation last October.
- The Enrollment, Validation and Payment project allows employers to access and modify health reports on-line. The next phase will allow members to enroll online.
- The Lump Sum Payment System allows the Department to pay single sum benefits such as separation benefits and single sum retirements much more efficiently. This is scheduled to be deployed at the end of March 2010.

Wisconsin Retirement System (WRS) Compared to Other Public Retirement Systems:

- During a recent National Association of State Retirement Administrators (NASRA) meeting, many systems shared having “unsustainable” benefit structures given the market losses they have incurred. Mr. Stella was able to share with the NASRA members that the WRS was well funded and its benefit structure was “sustainable.”

**Member Correspondence** Matt Stohr shared with the Board that the most common topics of correspondence since the last Board meeting were the Department’s decision to discontinue paper checks and the tax table changes brought about by the American Reinvestment and Recovery Act of 2009.

Mr. Conlin referred the Board to a letter addressed to them from Mr. Doug King regarding enabling Variable Fund participants to protect themselves from losses. The Department's goal is to dedicate some of the new positions to the Variable Fund project, but currently, there are no funds or staff to work on this project.

The Board was also referred to a response sent to an annuitant who had contacted Senator Ellis regarding direct deposit. About 98% of the annuitants now receive electronic fund transfers versus paper checks. As a result, the Department will save approximately \$60,000 per year in postage costs alone

Mr. Conlin referred the Board to the remaining informational memos in their Board binders.

### **PLAQUE PRESENTATION**

Mr. Stella presented outgoing Board member, Nancy Thompson, a plaque for her years of services on the ETF Board and thanked her for the years she spent on the Teachers Retirement Board as well.

### **ADJOURNMENT**

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

The meeting of the Employee Trust Funds Board adjourned at 2:24 p.m.

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

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

Robert Niendorf, Secretary  
Employee Trust Funds Board