



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

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

1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: February 25, 2010
TO: Employee Trust Funds Board
FROM: Jon Kranz, Director
Office of Budget and Trust Finance
SUBJECT: Extension of Actuarial Services Contracts

Staff recommends that the Board delegate authority to the Department to negotiate extending the three actuarial services contracts through September 30, 2012. Staff also recommends the Board delegate approval authority to the ETF Board Chair or designee.

The Department currently has three active contracts for the provision of actuarial services that were awarded by the Board at the June 2007 meeting. All three firms have contracts that began October 1, 2007 and end on September 30, 2010, absent any extension. The current firms' program areas and annual retainer fees are as follows:

Gabriel Roeder Smith and Co.	Wisconsin Retirement System	\$185,820
Deloitte Consulting LLP	Health Insurance Programs	\$417,648
Deloitte Consulting LLP	Other Insurance Programs	\$ 41,764

Department staff believes that these firms have either met or exceeded expectations. Some of the services provided are used by the Group Insurance Board (GIB). Both the GIB Chair and Department staff who work directly with programs administered by the GIB concur that these contracts should be extended for the recommended two-year period.

All three contracts include provisions that address cost increases for any contract extension that essentially limits price increases to the lesser of the Consumer Price Index or 3%. All firms have verbally indicated their desire to continue their relationship with the Board.

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

Signature _____

Date _____

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The Department anticipates that the contract for other insurance programs would be modified to include the other post employment benefits (OPEB) valuation for the Duty Disability program under s. 40.65 into the services covered under the annual retainer fee. This OPEB valuation is required under current accounting standards and was not included as a core service when these contracts were bid in 2007. In addition, the Department would eliminate the current Duty Disability valuation used for rate setting and replace it with the OPEB valuation. This will increase efficiencies and better align financial reporting with the rate setting process.

Should the Board accept the Department's recommendation, staff will complete the necessary negotiations and submit the final contract document to the Chair (or designee) for approval. It is expected that this process will be completed prior to the June 2010 meeting.

I will attend the March 18th meeting to answer any questions you may have.