

MINUTES OF MARCH 18, 2010, 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:

Wayne Koessl, Vice-Chair Robert Niendorf, Secretary Sheila Conroy Rosemary Finora	Theron Fisher Kathleen Kreul Wayne McCaffery Mary Von Ruden
--	--

BOARD NOT PRESENT:

Marilyn Wigdahl, Chair John David Michael Langyel	Dan Nerad Gary Sherman
---	---------------------------

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Dave Stella, Secretary Bob Conlin, Deputy Secretary Cindy Gilles, Board Liaison Steve Hurley, Office of Policy, Privacy, and Compliance	Connie Koberle, Division of Management Services Jon Kranz, Office of Budget and Trust Finance Betsy Woodward, Division of Retirement Services
--	---

OTHERS PRESENT:

ETF Office of the Secretary: Rhonda Dunn, David Nispel, Sharon Walk ETF Division of Management Services: Lynda Hanold, Pam Henning ETF Division of Retirement Services: Jean Gilding ETF Office of Budget and Trust Finance: Bob Willett ETF Office of Internal Audit: Claudius Lebi, John Vincent	ETF Office of Legislative Affairs, Communications and Quality Assurance: Nancy Ketterhagen, Sari King, Matt Stohr ETF Office of Policy, Privacy and Compliance: Linda Owen Gabriel, Roeder, Smith, and Company: Mark Buis, Brian Murphy Office of State Employment Relations: Paul Ostrowski Teachers Retirement Board Member: Sandra Claflin-Chalton, Susan Harrison
--	---

Wayne Koessl, Vice-Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 1:35 p.m.

Board	Mtg Date	Item #
ETF	6.24.10	1

CONSIDERATION OF PREVIOUS MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the minutes of the December 3, 2009, Employee Trust Funds Board meeting as submitted by the Board Liaison. Ms. Finora seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

Bob Conlin, Deputy Secretary, welcomed new ETF Board member Sheila Conroy, Director of the Office of State Employment Relations.

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.

MOTION: Ms. Von Ruden moved to cast a unanimous ballot for the current slate of officers (Marilyn Wigdahl, Chair; Wayne Koessler, Vice Chair; and Robert Niendorf, Secretary) for a one-year term. Mr. McCaffery seconded the motion, which passed without objection on a voice vote.

COMMITTEE REPORTS

Executive Committee Mr. Conlin shared with the Board that the Executive Committee was unexpectedly unable to meet. Mr. Conlin referred the Board to the steps and timeline for the Secretary's evaluation process.

Lynda Hanold was introduced as the Department's new Human Resources Director.

Audit Committee Rosemary Finora reported that the Audit Committee was introduced to Department staff members Helen Malzacher and Claudius Lebi. The Committee:

- Approved the September 17, 2009, Committee minutes.
- Elected officers: Rosemary Finora, Chair; Wayne McCaffery, Vice-Chair; and Kathy Kreul, Secretary.
- Discussed with Legislative Audit Bureau (LAB) staff, the 2007 Comprehensive Annual Financial Report (CAFR), the status of the 2008 CAFR, and an overview of the LAB's audit process.
- Discussed the Department's Pandemic Plan audit report as well as the 2009-2011 audit plan progress.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System 27th Annual Valuation of Retired Lives – December 31, 2009 Brian Murphy and Mark Buis of Gabriel, Roeder, Smith & Co., reviewed the report, *Wisconsin Retirement System 27th Annual Actuarial Valuation of Retired Lives December 31, 2009*. Mr. Murphy summarized the presentation from the Joint Informational Meeting. The adjustments for the Core Fund were -1.3% and +22% for the Variable Fund.

Mr. Murphy answered questions from the Board.

MOTION: Mr. Niendorf moved to accept the report of the actuary. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

Administrative Code Revisions

Steve Hurley, Director, Office of Policy, Privacy and Compliance, discussed the final draft report of *Clearinghouse Rule #10-004: Relating to Changes Made to Ch. 40, Stats. by 2009 Wisconsin Act 28 Regarding Benefits for Domestic Partners and Health Insurance for Adult Children*. Board approval of the final version of the proposed rule is the next step in the administrative rule promulgation process. The Group Insurance and Deferred Compensation Boards must also approve the final version of this rule. If approved by all five boards, it will be submitted to the State Legislature for consideration.

MOTION: Mr. McCaffery moved approval of the final version of proposed Clearinghouse Rule 10-004: Relating to Changes Made to Ch. 40, Stats. by 2009 Wisconsin Act 28 Regarding Benefits for Domestic Partners and Health Insurance for Adult Children. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

Board Communication Policy

Mr. Conlin noted that the *Conflict of Interest* and the *Rules of Conducting a Board Meeting* policies had been explained at the Joint Informational Meeting earlier in the day. He invited Board members to ask questions and discuss these policies prior to taking any action. The Board discussed the policies and the following motions were made.

MOTION: Ms. Von Ruden moved to approve the “Conflict of Interest” policy. Ms. Finora seconded the motion, which passed without objection on a voice vote.

MOTION: Ms. Kreul moved to approve the “Rules of Conducting a Board Meeting” policy. Ms. Finora seconded the motion, which passed without objection on a voice vote.

Mr. Koessler announced that the Board would be meeting in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (e) relating to the investing of public funds. Specifically, the Board would be discussing the extensions of the actuarial services contracts. Upon conclusion of the discussion, the Board would reconvene in open session.

MOTION: Mr. McCaffery moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (e) relating to the investing of public funds. Ms. Von Ruden seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Conroy, Finora, Fisher, Koessler, Kreul, McCaffery, Niendorf and Von Ruden

Members Voting Nay: None

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Koessler announced that the Board voted to delegate authority to the Department to negotiate extending the three actuarial services contracts through September 30, 2012. The Board also recommended approval authority to the ETF Board Chair or designee.

OPERATIONAL UPDATES

Secretary’s Report Dave Stella, Secretary, presented his *Secretary’s Report* to the Board. The following is a summary:

Challenges Remaining

Even though there was a gain in 2009, the Core Fund will have more than \$9.5 billion in losses to be recognized in the next three to four years. The Variable Fund will have a 22% increase, but that is still more than 41% below the pre-2008 level.

ETF Accomplishments

- The new Lump Sum Payment System will be deployed within a week.
- Phase 4 of the Electronic Enrollment and Validation Project (EVP) is well on its way. Phase 4 will focus on providing members with a web-based system for enrollment, thereby eliminating manual paper processes. EVP has also

completed the “myETF Benefits” inquiry applications which will allow members to view personal demographic information and health insurance enrollment data.

- Member identification numbers (ID) have been assigned to all members replacing the use of social security numbers. The Department obtained additional hardware to support the deployment of secure online member access.
- Rapid improvement exercises were held to identify areas that need improvement within the Department.
- The Legislature’s Joint Committee on Finance (JCF) approved supplemental funding for critical customer service functions in December. The Department plans to request the remaining funds that JCF set aside for our modernization and key project costs for this biennium. This request will be made in June.
- The five-year ETF strategic plan has been developed. Key components of the plan include more on-line capabilities and having a staff presence throughout the state.
- A new accelerated payments calculator is available online for participants to assist them in understanding the financial implications of choosing the accelerated payments annuity option.

Wisconsin Policy Research Institute (WPRI) Report

Mr. Stella shared with the Board that he usually would not respond to a report of this nature, but after carefully reviewing it, he found many instances of selective use of data and inconsistent conclusions. In Mr. Stella’s response to WPRI, he focused on WRS being a well-designed and a well-run public pension plan.

Lump Sum Payment System Betsy Woodward, Division of Retirement Services and Connie Koberle, Division of Management Services, provided a presentation to the Board on the new Lump Sums Payment System (LSPS). LSPS will be used to calculate and pay various “lump sum” payments such as separation benefits, death benefits and certain lump sum retirement benefits. Operationally, it will replace a manual calculation process that took up to 3 hours to complete a single transaction. With an automated system, that same transaction will take 1-2 minutes. The system will be delivered on time and on budget.

Ms. Woodward and Ms. Koberle addressed questions from the Board.

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

FUTURE ITEMS FOR DISCUSSION

No future items were mentioned.

ADJOURNMENT

MOTION: Ms. Von Ruden moved to adjourn the meeting. Mr. McCaffery seconded the motion, which passed without objection on a voice vote.

The meeting of the Employee Trust Funds Board adjourned at 2:55 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board