

MINUTES OF MARCH 10, 2011, 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 Koessler, Chair John David, Vice-Chair Robert Niendorf, Secretary Rosemary Finora (via phone)	Michael Langyel Paul Ostrowski (for Greg Gracz) Mary Von Ruden
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BOARD NOT PRESENT:

Kathleen Kreul Wayne McCaffery	Dan Nerad
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PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Dave Stella, Secretary Bob Conlin, Deputy Secretary Cindy Gilles, Board Liaison	Linda Owen, Office of Policy, Privacy, and Compliance Jon Kranz, Office of Budget and Trust Finance
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OTHERS PRESENT:

ETF Office of the Secretary: Rhonda Dunn, David Nispel, Sharon Walk ETF Division of Insurance Services: Marcia Blumer, Lisa Ellinger ETF Division of Management Services: Lynda Hanold, Pam Henning ETF Division of Retirement Services: Anne Boudreau ETF Office of Budget and Trust Finance: Jerry Dietzel ETF Office of Internal Audit: John Vincent ETF Office of Communications and Legislation: Sari King, Matt Stohr	ETF Office of Policy, Privacy and Compliance: Steve Hurley Department of Justice: Assistant Attorney General Charlotte Gibson Gabriel, Roeder, Smith, and Company: Mark Buis, Norm Jones Legislative Audit Bureau: Brian Bellford, Brian Geib Teachers Retirement Board Member: Susan Harrison, David Wiltgen William Ford, ETF Board member-elect Jim Skiles, Wisconsin Retired Educators Association
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Wayne Koessler, Chair, called the meeting of the Employee Trust Funds (ETF) Board (Board) to order at 1:20 p.m.

Board	Mtg Date	Item #
ETF	6.23.11	1

CONSIDERATION OF PREVIOUS MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the minutes of the December 2, 2010, Employee Trust Funds Board meeting as submitted by the Board Liaison. Mr. David seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

Bob Conlin, Deputy Secretary, announced the following ETF Board appointments:

- Greg Gracz, Director of the Office of State Employment Relations
- Bill Ford, newly elected Annuitant Board member who will begin his term in May
- Wayne Koessler and John David have been reappointed by the Wisconsin Retirement (WR) Board and David Wiltgen has been appointed by the Teachers Retirement (TR) Board.

The Educational Support Personnel seat election is being conducted this spring. The results will be announced at the June meeting.

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 (ref. ETF | 03.10.11 | 3).

- CHAIR

Nomination: Ms. Von Ruden nominated Wayne Koessler to serve as Chair of the ETF Board for a one-year term. Mr. David seconded the nomination.

Motion: Hearing no further nominations, Mr. Niendorf moved to close nominations and cast a unanimous ballot to elect Wayne Koessler as Chair of the ETF Board for a one-year term. Ms. Von Ruden seconded the motion, which passed without objection on a voice vote.

- VICE-CHAIR

Nomination: Ms. Von Ruden nominated John David to serve as Vice-Chair of the ETF Board for a one-year term. Mr. Niendorf seconded the nomination.

Motion: Hearing no further nominations, Ms. Von Ruden moved to close nominations and cast a unanimous ballot to elect John David as Vice-Chair of the ETF Board for a one-year term. Mr. Niendorf seconded the motion, which passed without objection on a voice vote.

- SECRETARY

Nomination: Mr. David nominated Bob Niendorf to serve as Secretary of the ETF Board for a one-year term. Ms. Von Ruden seconded the nomination.

Motion: Hearing no further nominations, Ms. Von Ruden moved to close nominations and cast a unanimous ballot to elect Bob Niendorf as Secretary of the ETF Board for a one-year term. Mr. David seconded the motion, which passed without objection on a voice vote.

SECRETARY'S REPORT

Dave Stella, Secretary, presented his *Secretary's Report* to the Board (ref. ETF | 03.10.11 | 4). Mr. Stella highlighted:

- Implementation of the Strategic Plan
 - Improve customer service and expand ETF's online account access capabilities.
 - Expand the outreach capabilities and field presentations.
 - Improve physical infrastructure – working toward a more permanent space allocation to house all ETF employees. Currently, staff is split between Badger Road and Department of Revenue office space.
- Workload and Staffing Needs
 - In December 2010, retirement estimates were up 101% over December 2009.
 - In January and early February of this year, retirement estimates were coming in at a rate of 400-500 per week. The week of February 14-18, ETF received 1,427 retirement estimate requests.
- Budget Adjustment Bill – Mr. Stella shared with the Board the process by which a letter was submitted to the Joint Survey Committee on Retirement Systems (JSCRS) and the Joint Committee on Finance (JFC) listing ETF's concerns about certain provisions in the bill. Some of the concerns are technical in nature and others have legal substance. ETF's efforts were to try and obtain clarification of the provisions to remedy the issues that could result in legal challenges as well as make implementation of the provisions workable for ETF and employers. The bill was considered by the JSCRS in Executive Session, but no public hearing was held. The Committee report did not contain the probable costs involved, the effect on the actuarial soundness of the system or the desirability of the proposal as a matter of

public policy. A motion was made and seconded to approve the report and to find that the bill, as it related to WRS, should be “considered by the Senate and Assembly.”

Mr. Stella offered an amendment to the motion to include ETF’s recommended amendments to the bill as part of the report of the JSCRS, but the motion was not amended and passed on a 7-3 vote. Mr. Stella voted against the adoption of the report because it failed to include ETF’s recommendations.

The JFC made several amendments to the bill, including the removal of provisions that would have eliminated coverage for state limited term employees under the WRS and the State Group Health Insurance Plan. The JFC also amended provisions regarding the elimination of the Benefit Adjustment Contributions, but not in the way ETF suggested. No other amendments that related to ETF’s proposed changes were made.

The bill passed to the Assembly and at the time of this report, will not receive final action in the Senate until the appropriate quorum of the members is achieved.

COMMITTEE REPORTS

Executive Committee Mr. Conlin shared with the Board that the Executive Committee was unable to meet due to some unexpected scheduling issues of the members. He referred the Board members to the ETF Secretary’s Evaluation Process and Managerial Survey memo (ref. ETF | 03.10.11 | 5Ai), specifically Attachment A which is the Timetable.

Budget and Operations Committee The Committee reviewed and discussed the Division of Retirement Services operations update; the Department’s 2011-2013 biennial budget request; the Department’s intent to submit a supplemental funding request for the current fiscal year as well as the strategic planning update. The minutes were not approved due to a lack of quorum.

Ms. Von Ruden shared with the Board that she did not receive notification of the Committee meeting and asked that this be noted in the minutes. She was provided an apology and assured that this would be looked into so that it does not happen again.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System 28th Annual Valuation of Retired Lives – December 31, 2010 Norm Jones and Mark Buis of Gabriel, Roeder, Smith & Co., reviewed the report, *Wisconsin Retirement System 28th Annual Actuarial Valuation of Retired Lives-December 31, 2010* (ref. ETF | 03.10.11 | 6A). Mr. Jones summarized the presentation from the Joint Informational Meeting. The 2010 annuity adjustments for the Core Fund were -1.2% and +11% for the Variable Fund.

Mr. Murphy answered questions from the Board.

MOTION: Mr. David moved to accept the actuary's report on the WRS 28th Annual Valuation of Retired Lives-December 31, 2010, and adopt their recommendation. Ms. Von Ruden seconded the motion, which passed without objection on a voice vote.

Economic Assumption Study and Recommendations Norm Jones and Mark Buis of Gabriel, Roeder, Smith & Co. (GRS), presented their *Economic Assumption Study* to the Board (ref. ETF | 03.10.11 | 6B).

There are three components to economic assumptions: inflation, investment return and payroll growth.

The current economic assumptions are assumed to be:

Investment Return	7.80%
Inflation	3.00%
Wage Growth	4.00%

Current recommendations are:

Long-term Price Inflation	2.8%
Real Wage Growth	0.2% to 0.8%
Wage Inflation	3.2%
Interest Rate	7.2%

Keith Bozarth, Executive Director of the State of Wisconsin Investment Board, was asked to join the discussion and he concurred with GRS's recommendations. These recommendations will impact contribution rates in calendar year 2012 and assumptions will be reviewed again in two years.

MOTION: Ms. Von Ruden moved to accept the report of the actuary on Economic Assumptions and adopt their recommendations. Mr. David seconded the motion, which passed without objection on a voice vote.

ADMINISTRATIVE RULE CHANGES

Ms. Owen noted that Clearinghouse Rule (CR) #10-137 concerning Spousal/Domestic Partner Consent (ref. ETF | 03.10.11 | 7A) had been discussed at the Joint Informational (JI) meeting held earlier in the day. The WR and TR Boards approved these changes at their respective meetings. Ms. Owen asked if the Board members had any questions. Hearing none, she requested the Board's approval of the proposed rule.

MOTION: Mr. Niendorf moved to approve CR #10-137. Mr. Ostrowski seconded the motion, which passed without objection on a voice vote.

Ms. Owen stated that CR #10-138, concerning Power of Attorney (ref. ETF | 03.10.11 | 7B), was also discussed at the JI meeting. The WR and TR Boards approved these changes at their respective meetings. Ms. Owen offered the Board members an opportunity to ask questions about the rule and then requested their approval.

MOTION: Mr. David moved to approve CR #10-138. Ms. Von Ruden seconded the motion, which passed without objection on a voice vote.

EMPLOYEE REIMBURSEMENT ACCOUNT (ERA) PLAN AMENDMENTS

Mr. Conlin reviewed the proposed amendments to the ERA plan with the Board (ref. ETF | 03.10.11 | 8).

- The federal Heroes Earning Assistance and Relief Tax (HEART) Act of 2008, permits employers to amend their medical flexible spending account plans to allow military reservists who spend at least six months on active duty to take the remaining funds in their account as a taxable distribution.
- There are three technical amendments to the plan. Two of the amendments are required as a result of the implementation of Patient Protection and Affordable Care Act and the third is a clarification regarding the definition of SPD (summary plan document) to mean the annual ERA enrollment booklet

MOTION: Mr. Niendorf moved to approve the amendments to the ERA Plan. Mr. David seconded the motion, which passed without objection on a voice vote.

OPERATIONAL UPDATES

Budget Update Jon Kranz, Office of Budget and Trust Finance, provided the Board with a brief update of the 2011-2013 biennial budget request (ref. ETF | 03.10.11 | 9A) and the Budget Adjustment Bill. A capital budget request was also submitted but it has not yet been acted on.

Employee Reimbursement Accounts (ERA) Program and Commuter Benefits

Program Information Mr. Conlin referred the Board to the ERA memo (ref. ETF | 03.10.11 | 9B) with regard to the acquisition of Fringe Benefits Management Company by WageWorks.

FUTURE ITEMS FOR DISCUSSION

No future items were mentioned.

Mr. Koessler announced that the Board would be meeting in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) to deliberate a quasi-judicial case. Specifically, the Board will be considering an appeal. Upon conclusion of the discussion, the Board will reconvene in open session.

MOTION: Ms. Von Ruden moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) relating to quasi-judicial deliberations. Mr. David seconded the motion, which passed on the following roll call vote:

Members Voting Aye: David, Finora (via phone), Koessler, Langyel, Niendorf, Ostrowski (for Gracz), and Von Ruden

Members Voting Nay: None

Members Absent: Kreul, McCaffery, Nerad

The Board took a break from 2:05 p.m. – 2:15 p.m.

When the Board went into closed session, a quorum was present. However, after the break, as the Board began discussing the appeal, it was discovered that Board Member Finora was no longer connected via conference call. Attempts to reach Ms. Finora were unsuccessful. Since the Board did not have a quorum present, they were unable to continue with deliberations on the appeal. They reconvened in open session and proceeded with the adjournment of the meeting.

ADJOURNMENT

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

The meeting of the Employee Trust Funds Board adjourned at 2:45 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board