

MINUTES OF JUNE 23, 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 Koessl, Chair John David, Vice-Chair Robert Niendorf, Secretary William Ford Kathleen Kreul Michael Langyel	Jon Litscher Dan Nerad Jessica O'Donnell Mary Von Ruden David Wiltgen
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PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Dave Stella, Secretary Bob Conlin, Deputy Secretary Cindy Gilles, Board Liaison Pam Henning, Division of Management Services	Steve Hurley, Office of Policy, Privacy and Compliance Jon Kranz, Office of Budget and Trust Finance, Bob Willett
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OTHERS PRESENT:

ETF Office of the Secretary: Rhonda Dunn, Sharon Walk ETF Division of Retirement Services: Anne Boudreau, Matt Stohr ETF Office of Budget and Trust Finance: Jerry Dietzel ETF Office of Internal Audit: John Vincent ETF Office of Communications and Legislation: Sari King, Shawn Smith	Department of Justice: Assistant Attorney General Charlotte Gibson Gabriel, Roeder, Smith, and Company: Mark Buis, Brian Murphy Legislative Audit Bureau: Brian Geib Office of State Employment Relations: Paul Ostrowski
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Mr. Koessl, Chair, Employee Trust Funds (ETF) Board, called the meeting to order at 12:30 p.m.

CONSIDERATION OF PREVIOUS MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the minutes of the March 10, 2011, ETF Board meeting as submitted by the Board Liaison. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

Bob Conlin, Deputy Secretary, welcomed the following new Board members:

- Bill Ford has been elected to the Wisconsin Retirement System (WRS) annuitant seat on the Board;
- David Wiltgen has been selected by the Teachers Retirement Board as its appointee on the ETF Board;
- Jon Litscher has been appointed by the governor to the ETF Board and the Group Insurance Board; and
- Jessica O'Donnell, from the Office of State Employment Relations (OSER), has been appointed by OSER Director Greg Gracz as his designee on the Board.

Mr. Stella recognized Kathleen Kreul for her service on the Board and noted that this is her last meeting. He thanked her for her dedication and presented her with a plaque signed by ETF Board Chair Wayne Koessler. Mr. Conlin stated that Kimberly Hall has been elected to the educational support personnel seat and would be present at the next meeting.

COMMITTEE REPORTS

Executive Committee

Mr. Koessler shared the actions taken during the meeting of the Executive Committee meeting on Wednesday, June 22, 2011. The Committee elected the following officers:

Wayne Koessler, Chair
John David, Vice Chair
Bob Niendorf, Secretary

Mr. Koessler stated that the Committee reviewed the Quarterly Accomplishment Report and Quarterly Human Resources Report for the Department. The Committee also discussed the ETF Board agenda for the June 23, 2011, meeting. Lastly, they discussed the Secretary's annual evaluation.

Budget and Operations Committee

Mr. David provided a report of the Budget and Operations Committee meeting held on Thursday, June 23, 2011. The Committee approved the minutes of the December 2, 2010 and March 10, 2011 meetings. The Committee then reviewed the status of the Department's 2011–2013 Biennial Budget request.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System 30th Annual Valuation of Active Lives – December 31, 2010

Brian Murphy and Mark Buis of Gabriel, Roeder, Smith & Co. (GRS), the Board's actuaries, provided a summary of the *WRS 30th Annual Valuation of Active Lives*. Mr. Murphy referred the Board to the chart in the report (ref. ETF | 6.23.11 | 4B) that compares the recommended contribution rates for 2012 to those of 2011.

MOTION: Ms. Kreul moved to accept the actuary's report on the WRS 30th Annual Valuation of Active Lives-December 31, 2010, and adopt their recommendation. Mr. Nerad seconded the motion, which passed without objection on a voice vote.

Accumulated Sick Leave Conversion Credit Program Annual Review (ASLCC)

Mr. Murphy and Mr. Buis directed the Board to the report in their binders (ref. ETF | 6.23.11 | 4B). Mr. Buis explained that the ASLCC program is designed to convert accumulated sick leave into an account that can be used to pay health insurance premiums for retirees. The purpose of the ASLCC report is to calculate the contribution rate needed to fund those benefits. A summary of the contribution rate for the base program and the supplemental program is on the first page of the report (ref. ETF | 6.23.11 | 4B).

MOTION: Ms. Von Ruden moved to accept the actuary's report on the Accumulated Sick Leave Conversion Credit Program and adopt their recommendations. Mr. David seconded the motion, which passed without objection on a voice vote.

40.65 Duty Disability Actuarial Review

Bob Willett introduced Michael de Leon of Deloitte Consulting, who reviewed the *Duty Disability Program Actuarial Valuation as of December 31, 2010* (ref. ETF | 6.23.11 | 4C). Mr. de Leon highlighted the change in total actuarial accrued liability from \$513 million in 2010 to \$499 million in 2011, and explained this was due to smaller pay raises and lower inflation. He noted the funded ratio increased from 73% in 2010 to 83% in 2011.

MOTION: Mr. Niendorf moved to approve Duty Disability Program Actuarial Valuation as of December 31, 2010. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

Draft of Proposed Administrative Rule for ETF and Teachers Retirement (TR) Board Elections

Steve Hurley, Director of the Office of Policy, Privacy and Compliance, discussed the changes made to Wis. Admin. Code § ETF 10.10, in response to feedback from the Boards. The following changes are proposed:

- If there are multiple Board positions available:
 - and one position has more time remaining in the term, the candidate with the most votes will receive the position with the most time, the candidate with the second most votes will receive the position with the next largest amount of time, etc.;
 - and if all positions have the same amount of time remaining in the term, candidates will receive positions randomly.
- Notification of election results will be by certified mail.
- Board election materials will be retained for one year.

Mr. Hurley stated there was a discussion at the TR Board meeting earlier in the day regarding recounts. The current rule states that a candidate may request no more than one recount per election. The TR Board discussed whether to further limit recounts to situations where the difference in votes was small, such as 1% or 5%. The ETF Board opted to leave the rule as is.

OPERATIONAL UPDATES

Budget Report

Jon Kranz, Director of the Office of Budget and Trust Finance, referred the Board to the memo in their binders (ref. ETF | 6.23.11 | 5A). He explained the budget has passed the legislature. The Department requested funding for design and maintenance of facilities. In addition, the Department asked that the Wisconsin Retirement System vesting requirements be vetoed and proposed two alternatives for consideration.

The Department recommended that the legislature veto the due date of October 31, 2011, for required insurance-related studies to be completed. There is no funding available for this study. If this due date stands, the Group Insurance Board will not have an opportunity to review it and any changes recommended by the study could not be implemented by January 1, 2012, when the plan year starts.

A third veto was requested to a provision that would allow an employer to not pay the full employer required contribution rate.

Secretary's Correction of Error Authority Report

Mr. Conlin referred the Board to the Secretary's Correction of Error Authority Report in their binders (ref. ETF | 6.23.11 | 5B). Mr. Conlin explained that the memorandum is a summary of a case in which the Department did not notice that a participant had made three service purchases in one calendar year and retired before the error was caught. State statutes prohibit more than two service purchases in one year. Had the error been caught timely, the participant could have made another purchase in the following

year before retiring. The error was on the part of the Department and the participant was allowed to purchase all of the creditable service.

Board Roster Update

Mr. Conlin noted that the memorandum in the Board's binders (ref. ETF | 6.23.11 | 5C) reflects Board membership as of June 23, 2011.

Future Items for Discussion

No items for future discussion were mentioned.

Mr. Koessler announced the Board would be meeting in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) and (c) for the purpose of quasi-judicial deliberations and to discuss personnel matters. Specifically, the Board will be considering an appeal and discussing the evaluation of the Department Secretary. Upon conclusion of the discussion, the Board will reconvene in open session.

Ms. Henning was invited to stay for the discussion regarding personnel matters. All other staff left the room. During the discussion on the appeal, Ms. Gibson, Ms. Gilles, Ms. Walk and Ms. Ostrowski were asked to join the Board.

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

Members Voting Aye: David, Ford, Koessler, Kreul, Langyel, Litscher, Nerad, Niendorf, O'Donnell, Von Ruden, and Wiltgen

Members Voting Nay: None

Members Absent: None

The Board convened in closed session at 2:35 p.m. and reconvened in open session at 3:50 p.m.

**ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING
CLOSED SESSION**

Mr. Koessler made the following announcement regarding action taken by the Board during closed session:

Appeal No. 2008-020-ETF

The Board adopted the hearing examiner's proposed decision with modifications in Appeal No. 2008-020-ETF.

Personnel Matters

The Board discussed the evaluation of the Secretary.

ADJOURNMENT

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

The meeting of the Employee Trust Funds Board adjourned at 3:55 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board