

MINUTES OF SEPTEMBER 15, 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 Kimberly Hall	Michael Langyel Jon Litscher Jessica O'Donnell Mary Von Ruden David Wiltgen
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BOARD NOT PRESENT:

Dan Nerad	
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PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Dave Stella, Secretary Bob Conlin, Deputy Secretary Jon Kranz, ETF Office of Budget and Trust Finance	David Nispel, Office of the Secretary Sharon Walk, Board Liaison
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OTHERS PRESENT:

ETF Office of the Secretary: Rhonda Dunn, Robin Reinke 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, Matt Stohr ETF Office of Budget and Trust Finance: Bob Willett	ETF Office of Internal Audit: John Vincent ETF Office of Communications and Legislation: Sari King, Shawn Smith ETF Office of Policy, Privacy & Compliance: Steve Hurley Gabriel, Roeder, Smith & Company: Norm Jones UW System Administration: Sue Chamberlain Bob Schaefer
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Mr. Koessl called the meeting of the Employee Trust Funds (ETF) Board (Board) to order at 1:25 p.m.

Board	Mtg Date	Item #
ETF	12.1.11	1

CONSIDERATION OF PREVIOUS MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the minutes of the June 23, 2011, ETF Board meeting as submitted by the Board Liaison. Mr. Litscher seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

Bob Conlin welcomed new Board member Kimberly Hall, the Educational Support Personnel member on the Board. Ms. Hall is from the DC Everest School District.

Mr. Conlin referred the Board to the printed 2010 *Comprehensive Annual Financial Report* (CAFR). Mr. Conlin thanked staff and the Legislative Audit Bureau (LAB) for their hard work in getting this report out on time.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met on September 14, 2011. The Committee reviewed the Executive Committee Charter, Quarterly Accomplishment Report, Quarterly Human Resources Report, and discussed the recruitment process for the ETF Secretary.

Audit Committee

Mr. Ford provided an update of the September 15, 2011, meeting of the Audit Committee. The Committee approved the September 16, 2010, minutes. They elected the following officers: William Ford, Chair, and Jon Litscher, Vice Chair.

The Committee also reviewed the Audit Committee's Charter, reviewed and discussed the 2011-2013 Audit Plan (which has been approved by the ETF Secretary), received a recap of the 2009-2011 Audit Plan, received and discussed the report of the Internal Controls Review Audit and discussed the 2009 and 2010 CAFRs with the LAB.

DISCUSSION AND CONSIDERATION

Gain/Loss Analysis of Experience Among Active Members, Calendar Year 2010

Norm Jones of Gabriel, Roeder, Smith & Co., the Board's actuary, discussed the *Gain/Loss Analysis of Experience Among Active Members During Calendar Year 2010*, which was presented at the Joint Informational meeting earlier in the day (ref. JI | 9.15.11 | 4A). He reminded the Board that it needs to take action to accept the actuary's report. Mr. Jones reviewed some of the highlights of the report.

***MOTION: Ms. Von Ruden moved to adopt the actuary's report.
Mr. Niendorf seconded the motion, which passed without objection on a
voice vote.***

CLEARINGHOUSE RULE #11-040

David Nispel, General Counsel, referred the Board to the memorandum regarding Clearinghouse Rule (CR) #11-040 (ref. JI | 9.15.11 | 4B). Mr. Nispel explained the rule reflects changes in practices and legislation.

Mr. Nispel noted the Group Insurance Board (GIB), Wisconsin Retirement (WR) Board and Teachers Retirement (TR) Board had previously approved the rule.

***MOTION: Mr. Ford moved to approve the changes to CR #11-040.
Mr. David seconded the motion, which passed without objection on a
voice vote.***

OPERATIONAL UPDATES

Secretary's Report

Secretary Stella referred the Board to the Secretary's Report in their binders (ref. ETF | 9.15.11 | 5A). He explained that Wisconsin Act 13 included a provision requiring the ETF Secretary to allocate \$28 million from the health insurance trust fund reserves to the employer (the State). Secretary Stella sought the Attorney General's opinion on whether this non-statutory provision would constitute a taking of accrued property rights of Wisconsin Retirement System (WRS) participants. Based on the advice of the Attorney General, Secretary Stella concurrently allocated \$28 million of the \$30 million already allocated by the GIB.

Wisconsin Act 32 requires ETF to conduct a study on two topics: 1) establishing a defined contribution plan as an option for participating employees, and 2) permitting employees to not make employee required contributions to the WRS and limiting their benefit to a money purchase benefit as created by the employer contribution to the system. The Legislature did not provide funding for this study, which will require an actuarial analysis. ETF requested funding for this study from the Joint Committee on Finance (JCF) under the 13.10 process. The JCF approved the request on September 14, 2011.

Secretary Stella spoke about the effects of employee contribution changes to the WRS as a result of Act 10. He noted that ETF does not take a position on who pays which portion of the contributions. There is a portion of the contribution, called the Benefit Adjustment Contribution, which is an employer contribution paid by the employee, unless the employer agrees to pay it. It is not credited to the employee's account. Act 10 eliminated the Benefit Adjustment Contribution. The portion is now split, with the

employer's portion being made available for the money purchase calculation. This has increased the amounts available for the money purchase calculation (an unintended benefit increase) but decreased the amounts available for the formula calculation (a reduction of the funding for formula calculations). Secretary Stella used this as an example of the unintended consequences of the changes made by Act 10.

Budget Update

Jon Kranz, Director of the ETF Office of Budget and Trust Finance, referred the Board members to the memos in their binders (ref. ETF | 9.15.11 5B), which explains budget initiatives, Governor's vetoes, and other information. Mr. Kranz stated the JCF had approved ETF's request for additional funding. The Department will receive \$2.2 million in the first year and \$1.5 million in the second year of the biennium. The \$1.5 million amount will be ongoing in the Department's annual budget. ETF's 13.10 request added another ten positions to help implement changes from Acts 10 and 32.

Long Term Disability Insurance Report and Audit Report by Wipfli

Mr. Conlin referred the Board to the informational memos in their binders about the Long Term Disability Insurance (LTDI) Actuarial Valuation (ref. ETF | 9.15.11 | 5C) and the Audit Report by Wipfli of the Employee Reimbursement Accounts Program (ref. ETF | 9.15.11 | 5D).

Future Items for Discussion

No items for future discussion were mentioned.

EXTENSION OF ACTUARIAL SERVICES CONTRACTS

Mr. Kranz referred the Board to the memos in their binders (ref. ETF | 9.15.11 | 6). He explained that ETF is asking the Board to delegate authority to the Department to negotiate extending the three actuarial services contracts through September 30, 2014. The contracts are with Gabriel, Roeder, Smith & Company for the WRS benefit programs and Deloitte Consulting, LLP, for the health insurance and other insurance programs

Each of these contracts began in 2007 and will expire in 2012. Staff recommends the Board delegate authority to the Department to extend the contracts through 2014. Mr. Kranz explained that only very minor changes were being made to the contracts. Secretary Stella added ETF is quite satisfied with the work of both companies.

MOTION: Mr. Litscher moved to delegate authority to the Department to negotiate extending the three actuarial services contracts through September 30, 2014, and to allow the Chair or his designee to sign the

contracts. Mr. David seconded the motion, which passed without objection on a voice vote.

Mr. Koessler announced the Board would be meeting in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (c) for the purpose of discussing personnel matters. Specifically, the Board will discuss recruitment to fill the position of ETF Secretary. Upon conclusion of the discussion, the Board will reconvene in open session. Mr. Stella, Ms. Henning, Ms. Dunn, and Ms. Hanold were invited to stay for the discussion regarding personnel matters. All other staff left the room.

MOTION: Mr. David moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (c), to discuss personnel matters. Ms. Von Ruden seconded the motion, which passed on the following roll call vote:

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

Members Voting Nay: None

Members Absent: Nerad

The Board convened in closed session at 2:13 p.m. and reconvened in open session at 2:45 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Koessler announced that during the closed session the Board moved to create a Search and Screen Committee consisting of the Executive Committee members. The Committee will initiate the search process for the new ETF Secretary.

ADJOURNMENT

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

The meeting of the Employee Trust Funds Board adjourned at 2:50 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board