

DRAFT

MINUTES

December 1, 2011

Employee Trust Funds Board
State of Wisconsin



Location:

Holiday Inn Hotel and Suites
1109 Fourier Drive, Madison, WI

BOARD MEMBERS PRESENT:

Wayne Koessl, Chair
John David, Vice-Chair
Robert Niendorf, Secretary
Kimberly Hall
William Ford

Michael Langyel
Paul Ostrowski for Jessica O'Donnell
Mary Von Ruden
David Wiltgen

BOARD MEMBERS ABSENT:

Jon Litscher

Dan Nerad

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Dave Stella, Secretary
Bob Conlin, Deputy Secretary
Cindy Gilles, Board Liaison
Steve Hurley, Lucas Strelow, Office of
Policy, Privacy and Compliance

David Nispel, General Counsel
Jon Kranz, Office of Budget and Trust
Finance
Matt Stohr, Division of Insurance Services

OTHERS PRESENT:

ETF Office of the Secretary: Rhonda
Dunn, Chris Fried, Sharon Walk
ETF Division of Insurance Services: Lisa
Ellinger
ETF Division of Retirement Services:
Anne Boudreau

ETF Office of Communications and
Legislation: Shawn Smith
ETF Office of Policy, Privacy and
Compliance: Mary Alice McGreevy
WR Board Member: Steve Wilding

Wayne Koessl, Chair, called the meeting of the Employee Trust Funds (ETF) Board (Board) to order at 2:03 p.m.

Board	Mtg Date	Item #
ETF	3.8.12	1

CONSIDERATION OF PREVIOUS MEETING MINUTES

MOTION: Mr. Ford moved to approve the September 15, 2011, open and closed session minutes and the November 1, 2011, closed session minutes of the ETF Board as submitted by the Board Liaison. Ms. Von Ruden seconded the motion, which passed without objection on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met on November 30, 2011. The Committee approved the September 14, 2011, open and closed minutes and also reviewed the Quarterly Accomplishment Report and Quarterly Human Resources Report.

Audit Committee

Mr. Ford provided an update of the December 1, 2011, meeting of the Audit Committee. The Committee approved the September 15, 2011, minutes. Kimberly Hall was elected Secretary of the Committee.

The Committee reviewed the Proprietary Software Audit summary as well as the Retirement, Death, Disability, and Service Purchase Estimate Audit summary.

Budget Committee

Ms. Von Ruden shared that the Budget Committee elected Mary Von Ruden, Chair; David Wiltgen, Vice Chair; and, Jessica O'Donnell, Secretary. The Committee reviewed and approved the Committee Charter with no modifications.

Deputy Secretary Conlin presented an update on the Department's strategic planning efforts. Mr. Kranz reviewed the Board's authority to hire appropriate experts to assist in various information technology and business process reengineering efforts associated with the Department's strategic plan, and sought the Committee's support in delegating the Board's procurement authority to the Department for this purpose. The Committee endorsed the Department's request to delegate procurement authority to ETF staff.

DISCUSSION AND CONSIDERATION

Review of Committee Charters

Mr. Conlin reported that on December 12, 2008, the Board approved and adopted charters for the Executive, Audit, and Budget and Operations committees. Each of the committees recently reviewed their Committee Charter and approved them as written.

MOTION: Mr. Niendorf moved to reapprove the Executive, Audit, and Budget and Operations Committee charters with no changes. Mr. David seconded the motion, which passed without objection on a voice vote.

Clearinghouse Rule #11-044

Mr. Nispel referred the Board to Clearinghouse Rule (CR) #11-044 (Ref. ETF | 12.1.11 | 4B). The rule reflects changes and clarifications in the appeals process. Mr. Nispel shared that the Group Insurance Board approved the rule at its November 8, 2011, meeting and the Wisconsin Retirement and Teachers Retirement Boards approved the rule earlier today.

Motion: Ms. Von Ruden moved to approve CR #11-044. Mr. Niendorf seconded the motion, which passed without objection on a voice vote.

Clearinghouse Rule #11-041

Mr. Strelow referred the Board to CR #11-041 (Ref. ETF | 12.1.11 | 4C). He requested the Board's approval to the proposed changes related to this rule about Qualified Domestic Relations Orders. The Wisconsin Retirement and Teachers Retirement Boards approved the rule earlier today.

Motion: Ms. Von Ruden moved to approve CR #11-041. Mr. Ford seconded the motion, which passed without objection on a voice vote.

Clearinghouse Rule #11-042

Mr. Strelow referred the Board to CR #11-042 (Ref. ETF | 12.1.11 | 4D). He requested the Board's approval of the proposed changes related to this rule about separation from employment and rehired annuitants. The Wisconsin Retirement and Teachers Retirement Boards approved the rule earlier today.

Motion: Ms. Hall moved to approve CR #11-042. Mr. Wiltgen seconded the motion, which passed without objection on a voice vote.

Delegation of Board Authority for Approval and Termination of Annuities

Mr. Hurley shared with the Board that under Wis. Stat. § 40.03(1)(a), the ETF Board has the power and duty to authorize and terminate the payment of all annuities and death benefits, except for disability annuities (Ref. ETF | 12.1.11 | 4E). About ten years ago, this authority was delegated to the Department. Staff requested that the Board reconfirm the delegation to the Department.

Motion: Mr. David moved to delegate to the Department the power to authorize and terminate payment of all annuities and death benefits (except for disability annuities) under Wis. Stat. § 40.03(1)(a). Mr. Ford seconded the motion, which passed without objection on a voice vote.

Mr. Hurley suggested Board members add this document to their Board Governance Manual.

Delegation of Procurement Authority

Mr. Kranz told the Board that in the process of implementing the 2010-2015 Strategic Plan, the Department determined significant technology and some business process modifications must first be made (Ref. ETF | 12.1.11 | 4F). This will involve both internal and external resources to meet the needs of the Wisconsin Retirement System (WRS) participants.

It is anticipated the Department would need to contract with two or more vendors to meet these needs. Board authority under Wis. Stat. § 40.03(1)(c) provides the Board and Department with flexibility while ensuring appropriate oversight is maintained. The Department will complete the research, solicit proposals in early 2012, and present the recommendations to the Board at the March or June 2012 meeting.

The Budget and Operations Committee recommended approval of this at their meeting earlier today.

Motion: Ms. Von Ruden moved to delegate authority to solicit proposals from qualified firms to assist with technology upgrades and business process re-engineering, under Wis. Stat. § 40.03(1)(c), to the Department Secretary. Mr. Wiltgen seconded the motion, which passed without objection on a voice vote.

OPERATIONAL UPDATES

Secretary's Report

Secretary Stella provided his final Secretary's Report (Ref. ETF | 12.1.11 | 5A), as he will be retiring at the end of the year.

Maintaining Skilled Workforce: Mr. Stella encouraged the Board to assist in avoiding unnecessary turnover at all costs. Discretionary Merit Compensation awards are available to reward meritorious service as well as retaining skilled employees, especially in the midst of implementing the Department's strategic plan.

Workload: The numbers of retirements continue to steadily increase. There are approximately 18,000 applications currently, compared to 10,000 applications in 2010. Dealing with the workload volume and accomplishing the strategic plan at the same time will be challenging. The Department is looking into various system development strategies as well as partnering with outside firms to accomplish both of these.

Health Insurance Costs: Even though the health insurance premiums were kept to single digits over the past six years, future premium increases will outstrip pension increases on an annual basis. In 2012, premiums will decrease by 3% due to employees having to pay copayments for the first time.

Sick Leave Conversion: The Accumulated Sick Leave Conversion Credit Program is a cost-effective tool to pay for post-retirement health insurance. For a cost of slightly over 1% of payroll contribution by employers, retirees are able to cover the cost of premiums for several years after retirement.

Final Request: Mr. Stella's final request of the ETF Board is to continue its ongoing oversight of the Department, its administration of employee benefit plans, and engaging and communicating with the Legislature and Governor. The Department will do its part in making sure the WRS remains strong.

Mr. Stella closed by thanking the Board for their support throughout his tenure as Secretary.

Mr. Koessl thanked Mr. Stella for his dedication, commitment to service and the wonderful administrative staff at the Department.

2011 Wisconsin Acts 10 and 32 Implementation Update

Mr. Stohr provided the Board with an implementation update of Act 10 (2011-2012 Budget Repair Bill) and Act 32 (2011-2013 biennial budget) (Ref. ETF | 12.1.11 | 5B). The Department is working on a project to update the Information Technology (IT) and operational systems to reflect the law changes, as well as inform WRS employers of the changes to reporting the hours and earnings since the WRS contribution rate was changed. The implementation will require one project each for the Act 10 and Act 32 provisions.

The Act 10 project has made substantial progress on defining business rules and coding IT systems to reflect the changes. Target date for completion of the major part of the project is December 2011. A series of employer trainings via Webinar has been developed to assist with understanding new reporting procedures and requirements. These have been well received -- 30 webinars were scheduled in November, all at full capacity.

Actuarial Contract Updates

Mr. Kranz verbally updated the Board on the actuarial contracts. The contract for Gabriel, Roeder, Smith & Co. was signed and extended until September 30, 2014. Deloitte Consulting's contract will be signed with the extension until September 30, 2014. Once that expires, the contract will need to go out for a bid.

Mr. Conlin referred the Board to the Tax Compliance memo (Ref. ETF | 12.1.11 | 5C) in their binders.

The meeting adjourned at 2:58 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board