

DRAFT

MINUTES

March 8, 2012

Employee Trust Funds Board
State of Wisconsin



Location:

State Revenue Building – Events Room
2135 Rimrock Road, Madison, WI

BOARD MEMBERS PRESENT:

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

Jon Litscher
Dan Nerad
Jessica O'Donnell
Mary Von Ruden
David Wiltgen

BOARD MEMBERS ABSENT:

None

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
Rob Marchant, Deputy Secretary
Cindy Gilles, Board Liaison
Pam Henning, Division of Management Services

Matt Stohr, Division of Retirement Services
Marcia Blumer, Division of Insurance Services

OTHERS PRESENT:

ETF Office of the Secretary: Chris Fried,
David Nispel
ETF Division of Retirement Services:
Anne Boudreau

ETF Office of Budget and Trust Finance:
Jerry Dietzel, Jon Kranz, Bob Willett
TR Board Member: Susan Harrison
Gabriel Roeder Smith & Company: Norm Jones

Wayne Koessl, Chair, called the meeting of the Employee Trust Funds (ETF) Board (Board) to order at 1:21 p.m.

Board	Mtg Date	Item #
ETF	6.21.12	1

CONSIDERATION OF PREVIOUS MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the December 1, 2011, minutes of the ETF Board as submitted by the Board Liaison. Mr. Nerad seconded the motion, which passed without objection on a voice vote.

ELECTION OF OFFICERS

MOTION: Mr. Langyel moved to nominate the current slate of officers. Mr. Nerad seconded the motion, which passed without objection on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met on March 7, 2012. The Committee approved the November 30, 2011, open minutes and reviewed the Retirement Board meeting agendas for March 8, 2012. The Committee also reviewed the 2011 Accomplishments Report.

The Committee discussed some of the challenges employers and the Department of Employee Trust Funds (ETF) face due to changes in reporting requirements resulting from recent legislation. They discussed ETF's various vacancies and recruitment efforts as well as the pros and cons of the Board Chair meeting with editorial boards to discuss the Wisconsin Retirement System (WRS).

The Committee also discussed the Secretary's performance evaluation process, survey, and timeline. Ms. Henning referred the Board to the memo outlining these details (Ref. ETF | 3.8.12 | 4A1). The process was implemented in 2008, with various refinements completed from Board feedback over the ensuing years. Ms. Henning invited Board members to continue to provide additional feedback.

The ETF Board discussed whether it is too soon for the current Secretary to be evaluated in a fair manner, considering he was appointed in January 2012. The ETF Board discussed delaying the evaluation process until March 2013.

MOTION: Mr. Litscher moved to delay the Secretary's performance evaluation for one year to provide Secretary Conlin the ability to establish himself within ETF and to establish his relationship with the Board. Mr. Niendorf seconded the motion, which passed without objection on a voice vote.

Budget Committee

Ms. Von Ruden reported the Budget Committee approved the December 1, 2011, minutes. They reviewed and discussed the following matters:

- The status of the procurement of a strategic partner to assist with the Department of Employee Trust Funds (ETF) strategic priority to provide additional online services.
- An update on ETF's development of the biennial budget request for the fiscal 2013-2015 biennium.
- The Division of Retirement Services operations update including current year retirement related activity and the status of the implementation of 2011 Wisconsin Acts 10 and 32.

DISCUSSION AND CONSIDERATION

WRS Annual Valuation of Retired Lives – December 31, 2011

Mr. Jones confirmed it is the recommendation of the actuary that Core Fund annuities be reduced by an average of approximately 4% effective April 1, 2012, with a sliding scale ranging from 0% to 7%. It is the actuary's further recommendation that Variable Fund annuities be decreased by 7% effective April 1, 2012.

MOTION: Mr. Litscher moved to implement the actuary's proposed recommendations as presented. Mr. Nerad seconded the motion, which passed without objection on a voice vote.

Employee Reimbursement Accounts and Commuter Benefits Contract Extension

Mr. Conlin referred the Board to the memo about Employee Reimbursement Accounts (ERA) and the Commuter Benefits Contract Extension (Ref. ETF | 3.8.12 | 5B).

Ms. Blumer discussed that Fringe Benefits Management Company is now a division of WageWorks (FBWW) and administers the ERA Program and the Commuter Benefits Program. The ERA Program is a flexible spending account program and offers medical expense and dependent care expense accounts. ETF has offered the ERA Program since 1990. The Commuter Benefits Program was implemented in 2002.

The current contract term with FBWW extends to December 31, 2012, with an option to extend the contract for two additional one year periods. The administrative expenses for the ERA Program are funded through fees that employers pay, interest income on employee contributions, and account forfeitures. The administrative expenses for the Commuter Benefits are funded through interest income on employee contributions and

an annual charge to employers based on the number of employees who participate in the program.

Ms. Blumer stated FBWW has proposed an increase in the administrative fee of 1.6% which would raise the ERA Program per participant per month (PPPM) to \$4.85 and the Commuter Benefits Program rates to \$5.18 PPPM.

MOTION: Ms. Hall moved to approve the one year contract extension for the ERA Program and Commuter Benefits Program for the 2013 plan year. Ms. Von Ruden seconded the motion, which passed without objection on a voice vote.

Procurement Update

Mr. Conlin reminded the Board of its previous authorization for ETF to pursue a procurement plan to assist with building integrated IT systems that allow ETF to provide member retirement benefit information online and allow members to change information online. ETF is currently in the first step of a two-step process. Lacking experience in this area, ETF has determined it is prudent to partner with someone with expertise in writing RFPs for this type of project. It is anticipated initial contact will be made with potential partners this spring. Once an experienced resource has been secured, the second step of the process will begin which will include the development of the larger RFP to identify the firm(s) that might assist with the implementation of a new IT system.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin informed the Board he attended the annual conference hosted by the National Association of State Retirement Administrators and the National Council of Teacher Retirement in Washington, DC over the previous weekend. He stated it was a good opportunity to learn more about federal legislation. Although it was felt no action would be taken prior to the election, it is anticipated there will be a focus on the tax debate and deficit reduction after the election, along with a heightened concern that Congress may be looking at removing tax breaks for retirement plans.

Through a series of exercises at the conference, retirement systems around the country were able to discuss various issues. For example, integrating retirement system information with human resources functions, working with policy makers to convey how important a retirement system is, and communicating facts to inform the debate about public pension plans. Mr. Conlin learned that ETF is ahead of many other retirement systems as it relates to Board governance structures. He confirmed a communication plan will be developed in the coming months to introduce himself and Mr. Marchant to

congressional delegations so that attendance at next year's conference will include congressional visits.

Mr. Conlin reported ETF is facing significant challenges in the annual reconciliation process, complicated by the workload associated with implementing legislative changes in the middle of a year and hampered by outdated ETF systems. All available internal resources have been assigned to this task and external assistance has been secured when possible. The annual reconciliation process is key to providing data to actuaries for contribution rate setting, the experience study and gain/loss analysis (released in September and December), and for producing employee statement of benefits. It is highly likely the Statements of Benefits will be late this year, as staff struggle to process 265,000 employee accounts. Mr. Conlin stated it is apparent the business process used by ETF and the applicable information technology tools are no longer viable or sustainable, which is causing the bottleneck. Implementation of new business processes and new technology in the future may allow ETF to complete real-time reconciliations. However, it will remain very difficult to accomplish completion of the process by June.

Employee Reimbursement Accounts Program and Commuter Benefits Program Updates

Mr. Marchant referred the Board to the memo in their packet (Ref. ETF | 3.8.12 | 6B). He noted a change in federal law will significantly decrease the amount of salary that employees can assign to their health expense reimbursement accounts. ETF will communicate this change to ensure the change is implemented correctly.

ADJOURNMENT

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

The Committee adjourned at 1:55 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board