

DRAFT

MINUTES

June 21, 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
William Ford
Kimberly Hall

Michael Langyel
Jon Litscher
Jessica O'Donnell
David Wiltgen

BOARD MEMBERS ABSENT:

Dan Nerad

Mary Von Ruden

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
Rob Marchant, Deputy Secretary
Chris Fried, Board Liaison
Division of Retirement Services:
Matt Stohr, Administrator

Office of Policy, Privacy and Compliance:
Steve Hurley, Director
Office of Budget and Trust Finance:
Jon Kranz, Director

OTHERS PRESENT:

ETF Office of the Secretary:
Sharon Walk
ETF Office Enterprise Initiatives:
Bob Martin
ETF Office of Budget and Trust Finance:
Jerry Dietzel
ETF Office of Internal Audit:
John Vincent
ETF Division of Retirement Services:
Anne Boudreau, Roger Fletcher

ETF Division of Management Services:
Pam Henning, Jack Loman
ETF Division of Insurance Services:
Deb Roemer
Gabriel Roeder Smith & Company:
Mark Buis
Brian Murphy
Department of Justice:
Charlotte Gibson

Board	Mtg Date	Item #
ETF	9.20.12	1

Wayne Koessl, Chair, called the meeting of the Employee Trust Funds (ETF) Board (Board) to order at 12:55 p.m.

CONSIDERATION OF PREVIOUS MEETING MINUTES

MOTION: Mr. David moved to approve the March 8, 2012, minutes of the ETF Board as submitted by the Board Liaison. Mr. Litscher seconded the motion, which passed without objection on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met on June 20, 2012. The Committee approved the March 7, 2012, minutes.

The Committee reviewed and discussed the following matters:

- The Retirement Board meeting agendas for June 21, 2012.
- The 2012 Quarterly Accomplishments Report. In particular, ETF's efforts to expand on-line tools were discussed.
- A review of the Wisconsin Retirement System (WRS) study process, and communications from members and the media received by ETF were shared.

Budget Committee

Mr. Wiltgen reported the Budget Committee approved the March 8, 2012, minutes. Committee officers were elected: Ms. Von Ruden, Chair; Mr. Wiltgen, Vice-Chair; and Ms. O'Donnell, Secretary.

The Committee reviewed and discussed the following matters:

- The status of ETF's strategic plan.
- An update on the progress of the strategic initiative to provide additional on-line services to members and employers.
- ETF's recent request for supplemental expenditure authority to fund a portion of the on-line services initiative.
- An operations update from the Division of Retirement Services (DRS).

Audit Committee

Mr. Ford indicated the Audit Committee approved the December 1, 2011, minutes and re-elected the current slate of Committee officers: Mr. Ford, Chair; Mr. Litscher, Vice-Chair; and Ms. Hall, Secretary.

The Committee reviewed and discussed the following matters:

- A summary of the 2011-2013 Audit Plan which included a review of all audits in progress and audits being planned for the future.
- A report on the Benefit Payment System (BPS) reconciliation audit which determined that the pension payments made during the audit period were complete, accurate, and timely.
- A report on the annual annuity adjustment audit which determined that annuity adjustments in the audit period were accurate and complete. The Committee discussed one instance of a duplicate payment being made. The duplicate payment was not a system error, and ETF is working to ensure steps are put in place to avoid a similar situation in the future.
- An update on the recruitment of an additional audit position.

DISCUSSION AND CONSIDERATION

Status Update on Wisconsin Retirement System Annual Valuation of Active Lives – December 31, 2011

Mr. Murphy stated due to insufficient data various projections and estimates of data were used to provide a likely range for 2013 contribution rates as follows:

	Low Cost	High Cost
General	12.8%	13.7%
Executive and Elected	13.8%	14.8%
Protective		
• With Social Security	15.6%	16.5%
• Without Social Security	17.9%	19.3%

While these are the likely ranges given the available data, Mr. Murphy cautioned the final contribution rates may fall outside of the estimated ranges.

Status Update on Accumulated Sick Leave Conversion Credit Program Annual Review

Mr. Buis indicated it was not yet possible to confirm final 2013 contribution rates due to the unavailability of data. The 2012 contribution rate was 1.2%. With changing demographics and upward pressure due to asset losses, Mr. Buis estimates rates will increase by approximately 0.1% to 0.4% for 2013.

40.65 Duty Disability Actuarial Review

Mr. Kranz referred the Board to the memo and report regarding the interim actuarial valuation of the Duty Disability Program (Ref. ETF | 6.21.12 | 4C). He confirmed Deloitte Consulting (Deloitte) completed an actuarial valuation of the Duty Disability Program as of January 1, 2012. He explained the valuation is considered interim because participant data required for a complete valuation was not available when needed.

Deloitte found the funded status of the Duty Disability Program has continued to improve over the last year, and it is projected to reach full funding in 2014. Based on the improving funding status, Deloitte recommends that no change be made to the current employer contribution rate.

MOTION: Mr. Wiltgen moved to approve the January 1, 2012, Interim Actuarial Valuation of the Duty Disability Program including the recommendation for no change in employer contribution rates for 2013. Ms. Hall seconded the motion, which passed without objection on a voice vote.

Clearing House Rule #12-020 ETF 10.10: Employee Trust Funds and Teachers Retirement Board Member Elections

Mr. Hurley confirmed the Teachers Retirement Board approved the proposed rule as presented at their Board meeting held earlier in the day. He indicated staff recommends the Board approve the final version of this proposed rule.

MOTION: Mr. O'Donnell moved to approve Clearing House Rule #12-020 ETF 10.10 as presented. Mr. Niendorf seconded the motion, which passed without objection on a voice vote.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin noted his recent attendance at the National Council on Teachers Retirement conference. He commented many public pension plans are facing many of the same issues and pressures as the WRS. However, the WRS remains fully funded while some public pension plans are facing significant underfunding.

With increased media attention on public pension plans and the upcoming release of the WRS study, Mr. Conlin encouraged Board members to maintain communication with him and other staff at ETF and confirmed he will strive to keep Board members well informed.

Mr. Langyel excused himself from the meeting.

MOTION: Mr. David moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for the purpose of quasi-judicial deliberations on an appeal and Wis. Stat. § 19.85 (1) (e) to deliberate or negotiate the investing of public funds. Mr. Niendorf seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Koessl, David, Ford, Hall, Litscher, Niendorf, O'Donnell, Wiltgen

Members Voting Nay: None

Members Absent or Not Voting: Langyel, Nerad, Von Ruden

The Board convened in closed session at 1:17 p.m. and reconvened in open session at 1:46 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Koessl announced the Board took the following action during closed session:

Intent to Award a Contract

The Board voted to issue an intent to award a contract through December 31, 2017, with the option for two two-year extensions to LRWL Incorporated for consulting services associated with implementing a new benefit system, pending successful contract negotiations, and with ongoing updates to be provided to the Board's Executive Committee and Budget and Operations Committee.

Appeal 2010-105-ETF

The Board voted to adopt the Hearing Examiner's proposed decision with modifications.

ADJOURNMENT

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

The Board adjourned at 1:47 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board