

DRAFT

# MINUTES

September 20, 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
- Jessica O'Donnell
- Mary Von Ruden
- David Wiltgen

**BOARD MEMBERS ABSENT:**

- Jon Litscher
- Dan Nerad

**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 Budget and Trust Finance:  
Bob Willett, Chief Trust Financial Officer
- Office of Policy, Privacy and Compliance:  
Steve Hurley, Director  
Mary Alice McGreevy, Policy Analyst

**OTHERS PRESENT:**

- ETF Division of Retirement Services:  
Anne Boudreau
- ETF Division of Management Services:  
Pam Henning, Jack Loman,  
Sharon Walk
- ETF Office of Legal Services:  
David Nispel
- ETF Office of Communications and  
Legislation: Mark Lamkins
- ETF Office of Enterprise Initiatives:  
Bob Martin
- ETF Office of Internal Audit: John Vincent
- ETF Office of Policy, Privacy and  
Compliance: Lucas Strelow
- Gabriel Roeder Smith & Company:  
Jim Anderson, Mark Buis
- Department of Administration:  
Mickie Waterman
- State Engineering Association:  
Bob Schaefer

Board	Mtg Date	Item #
ETF	12.6.12	1

Wayne Koessl, Chair, called the meeting of the Employee Trust Funds (ETF) Board (Board) to order at 1:18 p.m.

## **CONSIDERATION OF PREVIOUS MEETING MINUTES**

***MOTION: Ms. Von Ruden moved to approve the June 21, 2012, minutes of the ETF Board as submitted by the Board Liaison. Mr. Ford seconded the motion, which passed without objection on a voice vote.***

## **COMMITTEE REPORTS**

### Executive Committee

Mr. Koessl noted the Executive Committee met on September 19, 2012. The Committee reviewed and discussed the following matters:

- The Retirement Board meeting agendas for September 20, 2012; and
- The 2012 Quarterly Accomplishments Report.

### Budget and Operations Committee

Ms. Von Ruden reported the Committee reviewed and discussed the following matters:

- An update on the progress of ETF's strategic initiative to provide additional on-line services to members and employers;
- An update on ETF's 2013-2015 biennial budget request which will be submitted to the Governor this month;
- An update on ETF's recent request for supplemental expenditure authority to fund a portion of the on-line services initiative; and
- An operations update from the Division of Retirement Services (DRS).

### Audit Committee

Mr. Ford reported the Audit Committee reviewed and discussed the following matters:

- Approved the September 20, 2012, minutes;
- Discussed the 2011-2013 Audit;
- Were presented with educational topics including: *How and Why Audits Are Determined and Scheduled* and *Identification and Assessment of Risks From Acts 10 and 32*; and
- Received an update on the recruitment of an additional ETF auditor.

## DISCUSSION AND CONSIDERATION

### Wisconsin Retirement System (WRS) Annual Valuation of Active Lives – December 31, 2011

Mr. Buis noted that the Board had received a full overview of the valuation report (Ref. ETF | 9.20.12 | 4A) at the Joint Informational Meeting earlier today. The Board is asked to approve the contribution rates for the active lives valuation. The rates are as follows:

General	13.3%
Executive & Elected	14.0%
Protective with Social Security	16.4%
Protective without Social Security	19.0%

***Motion: Mr. Langyel moved to accept the Actuary's report on the WRS Annual Valuation of Active Lives as of December 31, 2011, and adopt their recommendation. Mr. Wiltgen seconded the motion which passed without objection on a voice vote.***

### Accumulated Sick Leave Conversion Credit Program Annual Review

Mr. Buis reviewed the Accumulated Sick Leave Conversion Credit (ASLCC) Program report (Ref. ETF | 9.20.12 | 4B). He reminded the Board that the program allows members to accumulate sick leave and convert it into an account to pay for health insurance premiums at retirement. The cost this year is 1.3% of payroll, split between the base and supplemental plans.

***Motion: Ms. Von Ruden moved to accept the Actuary's report on the Accumulated Sick Leave Conversion Credit Program and adopt their recommendation. Mr. Ford seconded the motion which passed without objection on a voice vote.***

### 2013-2015 Biennial Budget

Mr. Marchant provided an overview of ETF's 2013-2015 Biennial Budget request. The budget will be submitted to the Governor and then will be reviewed by the Joint Finance Committee and the full Legislature. ETF's top priority is funding and flexibility for its modernization efforts. The second priority is the statewide wellness initiative. The third priority is to make technical statutory changes in order to maintain consistency with the Internal Revenue Code.

***Motion: Mr. Ford moved to support the 2013-2015 Biennial Budget as presented. Mr. Wiltgen seconded the motion which passed without objection on a voice vote.***

#### Discussion of 2013 Annuity Adjustments

Mr. Conlin noted that the ETF Board is a policy-making body and, therefore, Mr. Willett and Mr. Hurley were in attendance to facilitate any further discussion the Board wished to have regarding 2013 annuity adjustments. Mr. Hurley commented on the discussion at the Joint Informational meeting this morning, which focused on communication and education. He noted that ETF will continue its efforts to keep members informed. He also discussed the false perception that some retirees believe that a WRS dividend is the same as a guaranteed cost-of-living increase. Mr. Stohr explained that retirees are notified of changes in their annuities through a “mailer” that is sent 7-10 days prior to the payment date. The technology that creates these mailers is very out of date and difficult to manipulate or change. ETF has a video available on the website that explains the mailers. There was no further discussion among Board members with respect to the 2013 annuity adjustments.

#### Unfunded Actuarial Accrued Liability

Mr. Willett provided an overview of the definition of unfunded liability (Ref. ETF | 9.20.12 | 4E). An unfunded liability involves taking the actuarial accrued liability (i.e., the value of the benefits that have been promised) and subtracting the value of the assets. The difference is the unfunded liability. He reviewed this concept in detail with the Board.

#### **BOARD POLICY: GUIDELINES FOR HANDLING VENDOR APPEALS OF BOARD PROCUREMENT DECISIONS**

Mr. Hurley discussed ETF’s proposed *Vendor Procurement Appeals Policy* (Ref. ETF | 9.20.12 | 5). This policy is intended to guide the handling of vendor appeals of procurement awards made by ETF.

***MOTION: Mr. Langyel moved to approve the Vendor Procurement Appeals Policy as presented. Ms. Von Ruden seconded the motion which passed without objection on a voice vote.***

## **OPERATIONAL UPDATES**

### Secretary's Report

Mr. Conlin thanked the Board for its support of the ETF budget initiative. He said he realizes that when annuities are being reduced and contribution rates are being increased, it may be difficult for the Legislature to grant an increase in funding even though ETF's budget request will have no material effect on rates or adjustments. Knowing the Board that oversees the operation and has a fiduciary duty to the trust fund is willing to lend its support will go a long way in helping the Legislature understand the importance for both the WRS and our membership.

Mr. Conlin updated the Board on the status of ETF's efforts to obtain a facility that would house all staff. Discussions with the Department of Administration are on-going and have been positive.

Mr. Conlin noted that the Legislative Audit Bureau's review of the rehired annuitant process is almost complete. The results will be shared with the Board.

There will be an opportunity for Board members to participate in training by the International Foundation of Employee Benefit Plans. ETF is looking into training that will be offered to staff -- there will be a couple of seats available for Board members. The training will likely be six full days in order to obtain a certificate of achievement.

### Strategic Plan Update

Mr. Marchant provided an update on the implementation of ETF's Strategic Plan. He noted that the effort to connect more with WRS members located outside of the Madison area has been successful. The retirement presentations have been well attended.

ETF has also implemented an on-line retirement application process which permits members to file an electronic retirement estimate request. This has not been publicized and yet we are receiving about three applications per day.

Mr. Marchant reviewed the work that is on-going with the Transformation, Integration and Modernization (TIM) initiative. He discussed the development of a Request for Proposal for the benefits administration system.

### Tax Compliance Update

Ms. McGreevy advised the Board that ETF has secured a favorable determination letter from the Internal Revenue Service (IRS). The letter was issued on July 19, 2012. This

letter means that the benefits provided by the WRS are eligible for continued favorable tax treatment.

**ADJOURNMENT**

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

The Board adjourned at 2:42 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Robert Niendorf, Secretary  
Employee Trust Funds Board