

DRAFT

MINUTES

December 6, 2012

Employee Trust Funds Board
State of Wisconsin



Location:

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

BOARD MEMBERS PRESENT:

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

Jon Litscher
Paul Ostrowski for Jessica O'Donnell
Roberta Rasmus
Mary Von Ruden
David Wiltgen

BOARD MEMBERS ABSENT:

None

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

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

ETF Legal Services: Daniel Hayes,
David Nispel
Office of Communications and Legislation:
Mark Lamkins, Director
Tarna Hunter, Legislative Liaison

OTHERS PRESENT:

ETF Division of Management Services:
Bill Christianson, Jack Loman
ETF Division of Retirement Services:
Anne Boudreau
ETF Office of the Secretary:
Sharon Walk
ETF Office of Internal Audit:
John Vincent, Jackie Van Marter

Department of Administration:
Mickie Waterman
Department of Justice:
Charlotte Gibson
Gabriel Roeder Smith & Company:
Jim Anderson, Mark Buis,
Brian Murphy

Wayne Koessler, Chair, called the meeting of the Employee Trust Funds Board (ETF Board) to order at 12:30 p.m.

Board	Mtg Date	Item #
ETF	3.11.12	1

CONSIDERATION OF PREVIOUS MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the September 20, 2012, minutes of the ETF Board as submitted by the Board Liaison. Mr. Litscher seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met on December 5, 2012. The Committee approved the September 19, 2012, minutes.

The Committee:

- Reviewed today's ETF Board meeting agenda.
- Discussed some of the objectives and accomplishments of ETF over the last quarter, particularly the agency's modernization efforts.
- Discussed ETF's staff vacancies and recruitment efforts. In particular, ETF is in the process of developing a Chief Financial Officer position.
- Met in closed session to discuss legal matters related to classification of county jailers.

Audit Committee

Mr. Ford indicated the Audit Committee approved the September 20, 2012, minutes.

The Committee:

- Received an update on the progress and status of management action plans to address recommendations from prior audits.
- Reviewed the 27 open action plans, down from 40 reported at the June 1, 2012, meeting.
- Was introduced to Jackie Van Marter – new staff auditor (advanced level).
- Reviewed and discussed the status of the 2011-2013 Audit Plan.
- Discussed the results of a review of the IT system issues associated with the annual Statement of Benefits.

Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the September 20, 2012, minutes.

The Committee:

- Received an update on the Department's 2013-2015 biennial budget request, which was submitted to the Governor.
- Received an overview of the Wisconsin Retirement System's (WRS) administrative costs.
- Received an operations update from the Division of Retirement Services.

In addition, Bob Willett provided the Committee with information about the assumed rate of return for WRS investments.

DISCUSSION AND CONSIDERATION

2011 Gain/Loss Analysis

Mr. Anderson reviewed the most pertinent information from the Gain/Loss Analysis (Ref. ETF | 12.6.12 | 4A).

The Contribution Rate Change:

	General	Executive & Elected	Protective with Soc. Sec.	Protective without Soc. Sec.
2012 Normal Cost Rate	11.8%	14.1%	14.9%	17.2%
Effect of Asset Performance	0.8	0.8	1.2	1.9
Effect of Benefit Changes	0.7	(1.0)	0.2	(0.2)
Demographic Experience	0.0	0.1	0.1	0.1
2013 Normal Cost Rate	13.3	14.0	16.4	19.0

MOTION: Mr. Niendorf moved to accept the Actuary's Gain/Loss Analysis. Ms. Von Ruden seconded the motion, which passed unanimously on a voice vote.

Mr. Buis summarized the Three-Year Experience Study (Ref. ETF | 12.6.12 | 4B). The overall impact on the contribution rate would be an increase of approximately 0.2% of payroll. This would impact rates in 2014. Consequently, no further rate changes are recommended for 2013.

MOTION: Mr. Wiltgen moved to accept the Actuary's Three-Year Experience Study. Mr. Litscher seconded the motion, which passed unanimously on a voice vote.

Duty Disability Valuation

Mr. Koessler referred the Board to the memo and report regarding the actuarial valuation of the Duty Disability Program (Ref. ETF | 12.6.12 | 4C).

MOTION: Ms. Von Ruden moved to accept the January 1, 2012, Actuarial Valuation of the Duty Disability Program. Mr. Ford seconded the motion, which passed unanimously on a voice vote.

Recommendation to Develop and Release a Request for Proposal for Actuarial Services

Mr. Willett referred the Board to the memo and report regarding the Rebid of Actuarial Services Contract (Ref. ETF | 12.6.12 | 4D). The Board currently has three contracts for actuarial services: the Wisconsin Retirement System, held by Gabriel, Roeder, Smith & Company; and the Group Health Insurance and Disability Programs, held by Deloitte Consulting. These vendors were selected by the Board in 2007; their seven-year contracts end on September 30, 2014.

MOTION: Mr. Litscher moved to authorize the Department to issue Requests for Proposals for ongoing actuarial services. Ms. Hall seconded the motion, which passed unanimously on a voice vote.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin noted the Legislative Audit Bureau (LAB) is finalizing the Rehired Annuitant Audit and he expects its release soon. When the report is available, a copy will be forwarded to the Board.

As part of the Transformation, Integration, and Modernization (TIM) effort, ETF has enlisted the assistance of a strategic planner to conduct an agency-wide readiness assessment. This assessment was undertaken to gauge the emotional and mental readiness of ETF staff to achieve this major change initiative. This effort involved meetings with more than 100 staff members over the course of several weeks. The strategic partner reported that ETF staff is energized and ready to move forward, due largely to frustration with the current systems and processes. However, some staff doubt ETF's ability to successfully implement new software and business processes. Over the next year, a key challenge will be to adequately communicate with and involve staff members as ETF moves forward.

Mr. Conlin expanded on the discussions from the Joint Informational and Budget and Operations Committee meetings this morning. ETF's budget request asked for approximately \$8 million per year to fund the TIM project. There have been numerous meetings with the Department of Administration (DOA) budget staff to ensure they

understand the reasons for the request. DOA has been working with ETF to review funding and offered some possible financing options. The ETF Board expressed support for ETF's efforts and noted the importance of adequately communicating why financing the initiative may be preferable, if that is the eventual method of funding chosen.

Future Items for Discussion

Mr. Koessler requested future items for discussions. None suggested at this time.

MOTION: Mr. Litscher 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. Ms. Von Ruden seconded the motion, which passed on the following roll call vote:

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

Members Voting Nay: None

Members Absent or Not Voting: Rasmus

The Board convened in closed session at 1:03 p.m. and reconvened in open session at 1:43 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

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

Appeals 2010-020-ETF; 2010-033-ETF; 2010-039-ETF; 2010-040-ETF; 2010-003-ETF; 2010-091-ETF

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

ADJOURNMENT

Motion: Mr. Ford moved to adjourn the meeting. Mr. David seconded the motion, which passed unanimously on a voice vote.

The Board adjourned at 1:44 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board