

DRAFT

MINUTES

March 7, 2013

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
Jessica O'Donnell
Roberta Rasmus
Vic Shier
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 Management Services:
Pam Henning, Administrator
Stacie Meyer, Human Resources
Manager

Division of Retirement Services:
Matt Stohr, Administrator
Legal Services: David Nispel, General
Counsel
Office of Communications and Legislation:
Tarna Hunter, Legislative Liaison
Office of Policy, Privacy and Compliance:
Mary Alice McGreevy, Policy Analyst

OTHERS PRESENT:

ETF Division of Insurance Services:
Bill Kox, Arlene Larson
ETF Division of Management Services:
Bill Christianson, Jack Loman, Sharon
Walk, Liz Jones-Queensland
ETF Division of Retirement Services:
Anne Boudreau
ETF Office of Budget and Trust Finance:
Bob Willett

ETF Office of Internal Audit:
John Vincent
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 (ETF) Board (Board) to order at 1:39 p.m.

Board	Mtg Date	Item #
ETF	6.20.13	1

CONSIDERATION OF MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the December 6, 2012, minutes of the ETF Board as submitted by the Board Liaison. Ms. Hall seconded the motion, which passed unanimously on a voice vote.

ELECTION OF OFFICERS

MOTION: Ms. Von Ruden moved to nominate the current slate of officers: Wayne Koessl as Chair, John David as Vice-Chair, and Robert Niendorf as Secretary. Mr. Langyel seconded the motion.

MOTION: Mr. Litscher moved to close the nominations and cast a unanimous ballot for the nominees. Ms. Hall seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met on March 6, 2013. The Committee approved the December 5, 2012, minutes. In addition, the Committee:

- Reviewed today's ETF Board meeting agenda.
- Discussed how staff handles requests from individuals who want to speak directly with a board member. Mr. Conlin reviewed the current policy with the Board.
- Discussed some of the objectives and accomplishments of ETF in 2012.
- Discussed various ETF vacancies and recruitment efforts.
- Discussed the process for Secretary Conlin's annual evaluation. Ms. Henning and Ms. Meyer reviewed the process with the Board.

Audit Committee

Mr. Ford indicated the Audit Committee approved the December 6, 2012, minutes. The Committee:

- Was advised that Brandon Brickner is the new Audit Director at the State of Wisconsin Investment Board (SWIB). Brandon was previously with the Legislative Audit Bureau.
- Received and discussed the process to assess and manage the risks that will be associated with ETF's Transformation, Integration, and Modernization (TIM) initiative.

- Received an update on the Department's discussions with the University of Wisconsin (UW) following the recent audit report on the UW System's Human Resources System.
- Was advised there were no findings on an Audit Report of the new Accumulated Sick Leave System's reconciliation and security access.
- Discussed the status of the 2011-13 Audit Plan.
- Received an update on the development of the 2013-15 Audit Plan.
- Received an update on the status of the 2011 CAFR, with possible late summer publication.

Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the December 6, 2012, minutes.

The Committee received:

- an update on the Governor's 2013-2015 biennial budget proposal and the items that affect ETF.
- an operations update about the number of retirements and request for retirement estimates in 2012.
- information about ETF's Transformation, Integration and Modernization (TIM) initiative.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System 30th Annual Valuation of Retired Lives – December 31, 2012

Mr. Buis reviewed the report (Ref. ETF | 3.7.13 | 5A). He noted that the *maximum* decrease of 9.6 % is larger than the *average* decrease of 3.0% because many annuitants no longer have a dividend to reduce and therefore, in accordance with state law, the reduction is spread across the group of annuitants that still have remaining dividends.

MOTION: Mr. Litscher moved to accept the actuary's report on the Wisconsin Retirement System (WRS) 30th Annual Valuation of Retired Lives – December 31, 2012 and adopt their recommendations. Mr. David seconded the motion, which passed unanimously on a voice vote.

Clearinghouse Rule # 12-054: Technical and Minor Substantive Changes in Existing ETF Administrative Rules

Mr. Nispel reminded Board members about his presentation at the Joint Meeting (JM) of the Boards this morning and directed them to the memo (Ref. ETF | 3.7.13 | 5B2) regarding the proposed changes. Mr. Nispel requested approval of the Clearinghouse Rule.

MOTION: Mr. Langyel moved to accept the final version of proposed Clearinghouse Rule # 12-054. Mr. Litscher seconded the motion, which passed unanimously on a voice vote.

Clearinghouse Rule # 13-004: Compliance with Internal Revenue Code

Ms. McGreevy referred the Board to the memo (Ref. ETF | 3.7.13 | 5B1) and requested approval of the proposed Clearinghouse Rule to maintain ongoing compliance with the Internal Revenue Code (IRC).

MOTION: Ms. Rasmus moved to accept the final version of proposed Clearinghouse Rule # 13-004. Mr. Niendorf seconded the motion, which passed unanimously on a voice vote.

Employee Reimbursement Accounts/Commuter Benefits Program Contract Updates

Mr. Kox referred the Board to the memo (Ref. ETF | 3.7.13 | 5C1) that discussed the contract with WageWorks which allows for one additional one-year extension. If the contract extension is approved, WageWorks has proposed a per participant fee increase of 2%.

In addition to the contract approval, staff is requesting revisions to the service delivery standards and permission for WageWorks to use a subcontractor during high call volume periods.

MOTION: Ms. Von Ruden moved to approve a one-year extension of the administrative services contract with WageWorks, with the proposed fee increase for the Employee Reimbursement Accounts (ERA) Program and Commuter Benefits Program for the 2014 plan year, January 1 through December 31, 2014. Mr. David seconded the motion, which passed unanimously on a voice vote.

MOTION: Ms. Hall moved to amend the current contract with WageWorks to include the revised Service Delivery Standards, as well as approval for use of the Xerox Call Center in El Paso as a subcontractor. Mr. Ford seconded the motion, which passed unanimously on a voice vote.

Mr. Kox referred the Board to the Employee Reimbursement Accounts memo (Ref. ETF | 3.7.13 | 5C2). This memo was for informational purposes only. The Board had no questions.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin discussed his recent visit to Washington, D.C. for the National Association of State Retirement Administrators (NASRA) and National Council on Teacher Retirement (NCTR) conferences. He provided an overview of legislation currently being considered by Congress called PEPTA, Public Employee Pension Transparency Act. This act would require reporting by public pension plans in addition to the Governmental Accounting Standards Board (GASB) requirements.

As part of the Transformation, Integration, and Modernization (TIM) effort, ETF received approval to move forward with the implementation of a financial management system. ETF has enlisted the assistance of the Department of Administration (DOA) for the installation of the new system, which Mr. Conlin said we hope to have in place by the end of the year.

In March, Mr. Conlin will participate in a teleconference of the National Association of State Chief Administrators. DOA Secretary Michael Huebsch and SWIB Executive Director Michael Williamson are also scheduled to participate in this event. The focus will be public pensions and pension reform issues in the country. Mr. Conlin will have the opportunity to talk about some of the unique features that make the WRS a strong system.

Finally, Mr. Conlin noted that there was a recent news article about the National Council on Public Employee Retirement Systems and the fact that this organization is holding its annual conference in Hawaii. Mr. Conlin stated that ETF does not belong to this organization nor are we sending anyone to this conference.

Biennial Budget Update

Ms. Hunter presented additional details on the Biennial Budget. EFT requested the budget authority to continue the TIM project. In June, ETF received a \$4 million continuing appropriation from the legislature to fund a portion of the TIM project. The Governor's budget provides for an additional \$3.5 million in fiscal year 2014 and \$800,000 in fiscal year 2015. The budget allows for flexibility, but also requires accountability, with annual reporting on the TIM project.

The Budget also provides for additional funding to expand ETF's Wellness Program. This is a continuation of years of working with DOA and the health plans to provide information to participants to make better decisions affecting their health.

Regarding rehired annuitants: Ms. Hunter said the Governor's Budget requires a 75-day separation of service and the reduction of hours to less than 2/3 of a full-time position – or else the individual's WRS account must be reestablished.

Future Items for Discussion

Mr. Koessler requested future items for discussion.

According to Mr. Conlin, as part of the modernization effort and the addition of the new financial management system, ETF will be reviewing data integrity. As staff goes through the data integrity process for current systems, we expect to encounter some discrepancies on member accounts. Hopefully all will be minor in nature. Mr. Conlin noted that the ETF Board has equity authority to make corrections to benefits being paid incorrectly. Staff will come back to the Board with a proposed policy for the handling of these issues. This would give the Board the opportunity to provide input and avoid appeals.

Legal Matters

MOTION: Mr. David moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (g) to confer with legal counsel concerning litigation in which the Board is likely to become involved. Mr. Niendorf seconded the motion, which passed on the following roll call vote:

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

Members Voting Nay: None

Members Absent or Not Voting: None

The Board convened in closed session at 2:29 p.m. and reconvened in open session at 3:08 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

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

The Board conferred with legal counsel regarding the possibility of appeals that may be filed by county jailers and potential legal strategy with regard to changes in employment classification.

ADJOURNMENT

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

The Board adjourned at 3:09 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board