

**DRAFT**

# MINUTES

December 5, 2013

Employee Trust Funds Board  
State of Wisconsin

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



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## **BOARD MEMBERS PRESENT:**

Wayne Koessl, 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

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## **BOARD MEMBERS ABSENT:**

None

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## **PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:**

Bob Conlin, Secretary  
Rob Marchant, Deputy Secretary  
Cherylynn Mullins, Board Liaison

Division of Retirement Services:  
Matt Stohr, Administrator  
Office of Enterprise Initiatives:  
Bob Martin, Director

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## **OTHERS PRESENT:**

ETF Division of Insurance Services:  
Deb Roemer  
ETF Division of Management Services:  
Sherry Etes, Jack Loman  
ETF Division of Retirement Services:  
Anne Boudreau  
ETF Office of Budget and Trust Finance:  
Bob Willett  
TR Board Members: Jon Joslin

ETF Office of Communications and  
Legislation: Mark Lamkins, Kathryn  
Fields, Tarna Hunter, Nancy Ketterhagen  
ETF Office of Internal Audit: John Vincent  
ETF Legal Services: David Nispel  
ETF Office of Policy, Privacy and  
Compliance: Steve Hurley, Gene Janke  
Department of Administration:  
Mickie Waterman

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Wayne Koessl, Chair, called the meeting of the Employee Trust Funds (ETF) Board (Board) to order at 1:53 p.m.

Board	Mtg Date	Item #
ETF	3.27.14	1

## CONSIDERATION OF MEETING MINUTES

***MOTION: Ms. Von Ruden moved to approve the September 26, 2013, minutes of the ETF Board as submitted by the Board Liaison. Mr. Wiltgen seconded the motion, which passed unanimously on a voice vote.***

## COMMITTEE REPORTS

### Executive Committee

Mr. Koessl noted the Executive Committee met on December 4, 2013. The Committee approved the September 25, 2013, minutes. In addition, the Committee:

- reviewed today's ETF Board meeting agenda;
- received an update on this quarter's progress toward implementing the Department's strategic plan; and
- discussed various ETF vacancies and recruitment efforts.

### Audit Committee

Mr. Ford indicated the Audit Committee approved the September 26, 2013, minutes. The Committee also:

- received the status update on the 2013-2015 Audit Plan;
- discussed the audit of manual transactions, detailing findings and resolutions; and
- discussed the Quality Assurance Review conducted by an independent consultant on ETF's internal audit function.

The audit committee reviewed and discussed the proposed revised charter. The revisions proposed to the charter are intended to provide clarification on the role and responsibility of the Audit Committee. Many of these changes are being made in response to recommendations from the Quality Assurance Review.

***MOTION: Mr. Litscher moved to accept the revised Audit Committee Charter as proposed. Ms. Von Ruden seconded the motion, which passed unanimously on a voice vote.***

### Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the September 26, 2013, minutes. The Committee reviewed and discussed:

- an operations update about the number of retirements and requests for retirement estimates in the third quarter of 2013;
- an update on the status of the Department's Request for Proposal (RFP) for a new IT system and an overview of the next steps in the process; and
- information about the Transformation, Integration and Modernization (TIM) initiative and an overview of open projects that improve processes or implement law changes.

## **DISCUSSION AND CONSIDERATION**

### RFP Actuarial Services Update

Mr. Marchant informed the Board that the RFPs for actuarial services for the retirement system, the disability program, and the health insurance program are expected to be released by December or January. With the current contracts expiring in September 2014, there will likely be a special ETF Board meeting to hear presentations from the vendors that have submitted bids. While the ultimate decision belongs to the ETF Board, because one of the RFPs involves the health insurance program some of the Group Insurance Board members will be invited to participate on the review panels. The special board meeting has been tentatively set for Wednesday, April 16.

### Wisconsin Retirement System (WRS) Past, Present, Future

As a follow up to the information presented at the Joint Meeting this morning, Mr. Conlin led a discussion on the health of the WRS. Consideration was directed toward the potential of running out of dividends in the event of another 2008 type investment climate. Intergenerational equity, active employees verses retirees, employer contributions, and previous legislative changes were also discussed. Based on the fiduciary responsibility of the Board, this topic will remain on the agenda for future meetings.

## **OPERATIONAL UPDATES**

### Secretary's Report

Mr. Conlin provided the Board with his monthly Secretary's Report. Highlights are as follow:

- ETF vacancies are holding steady at 15.
- Human Resources (HR) staff is working with the business units to determine a plan for the workforce needs of ETF as it proceeds into the implementation phase of the Benefits Administration System (BAS). After a vendor has been selected, staffing needs will be better defined and a request can be made to the Joint Finance Committee.
- One current staffing deficit is in ETF's finance division. HR staff will be seeking a GAAP (Generally Accepted Account Principles) Accountant to assist with financial reports, the Department's comprehensive annual financial reports, and the state's annual financial report.
- Every year ETF files a series of *1099-R forms*-related reports with the Internal Revenue Service (IRS). During some gaps in staffing in 2012, one of the reports was not filed in a timely manner. ETF caught and reported the error to the IRS. Even though members received their 1099R forms and taxes were properly withheld, our report was not filed with the IRS on time. The IRS institutes a substantial penalty for missing the reporting date. ETF staff is working with tax counsel to request that the penalty be abated. The Board will be kept apprised of the situation.

- In order to better utilize our managers and supervisors, a Board of Managers (BOM) and a Board of Supervisors (BOS) was created. The BOM and BOS are charged with developing ideas that will move this agency forward. These groups have already made substantial changes in efficiencies, process improvements, and found better ways to serve our members. It has been a good first year for the BOM and BOS, and the expectation is that through this empowerment, even more great things will happen in the future.

Transformation, Integration, and Modernization (TIM) Initiative

Mr. Martin explained the terminology and detailed the governance of the TIM projects. (Ref. ETF | 12.5.13 | 5B) He reviewed the governance roles, including Oversight (ETF Board and advisory groups), Core Team (ETF lead teams and project management teams), and Staff Resources. Names, faces, and responsibilities were offered to help clarify the extensive involvement necessary for a successful TIM conversion. A high-level timeline was presented along with a hypothetical project phasing table.

Appeals Update

The Board did not have questions regarding the appeals update memo. (Ref. ETF | 12.5.13 | 5C)

**ADJOURNMENT**

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

The Board adjourned at 2:59 p.m.

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

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

Robert Niendorf, Secretary  
Employee Trust Funds Board