

DRAFT

MINUTES

March 27, 2014

Employee Trust Funds Board
State of Wisconsin

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



ETF BOARD MEMBERS PRESENT:

Wayne Koessler, Chair
Robert Niendorf, Secretary
William Ford
Kimberly Hall

Jon Litscher
Victor Shier
Mary Von Ruden
David Wiltgen

BOARD MEMBERS NOT PRESENT:

John David, Vice Chair
Michael Langyel

Jessica O'Donnell
Roberta Rasmus

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
Rob Marchant, Deputy Secretary
Division of Insurance Services:
Mary Statz, Trust Funds Director
Tara Pray, Employee Benefit Plan
Policy Advisor
Division of Management Services:
Stacie Meyer, Human Resource
Manager
Cherylynn Mullins, Board Liaison

Division of Retirement Services:
Matt Stohr, Administrator
Legal Services: David Nispel, General
Counsel
Office of Internal Audit: John Vincent,
Director

OTHERS PRESENT:

ETF Division of Management Services:
Jack Loman, Sharon Walk
ETF Division of Retirement Services:
Anne Boudreau
ETF Office of Communications: Mark
Lamkins, Kathryn Fields

ETF Office of Internal Audit: Claudius
Lebi, Jackie Van Marter
ETF Office of Policy, Privacy and
Compliance: Steve Hurley
Department of Administration (DOA):
Mickie Waterman

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Gabriel Roeder Smith & Company:
Mark Buis, Brian Murphy
Internal Audit Consultant: David
MacCabe

Legislative Audit Bureau (LAB):
Brian Geib, Amelia Slaney
Phillips Borowski, S.C.: Jacob Curtis

Wayne Koessl, Chair, called the meeting of the Employee Trust Funds (ETF) Board (Board) to order at 12:45 p.m.

CONSIDERATION OF MEETING MINUTES

MOTION: Mr. Litscher moved to approve the December 5, 2013, minutes of the Employee Trust Funds Board as submitted by the Board Liaison. Ms. Von Ruden seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENTS

Mr. Marchant announced that a special April 16, 2014 Board meeting on actuarial services will be held at the Lussier Family Heritage Center.

ELECTION OF OFFICERS

Motion: Ms. Von Ruden moved to elect the current slate of officers. Current Chair is Wayne Koessl, Vice-Chair is John David, and Secretary is Robert Niendorf. Mr. Litscher seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met on March 26, 2014. The Committee approved the December 4, 2013, minutes. In addition, the Committee:

- reviewed today's ETF Board meeting agenda;
- received an update on some of the objectives and accomplishments of ETF from 2013; and
- discussed various ETF vacancies and recruitment efforts.

Ms. Meyer referred the Board to the memo (Ref. ETF | 3.27.14 | 4A1) and reviewed the process for Secretary Conlin's annual evaluation.

Audit Committee

Mr. Ford indicated the Audit Committee approved the December 5, 2013, minutes. The Committee also:

- received the status update on the 2013-2015 Audit Plan;

- elected officers for 2014;
- discussed the audit of manual transactions, findings and internal controls;
- received a briefing from the LAB;
- discussed a new audit on privacy, based on the state statutes and ETF policy; and
- received a presentation from Mr. MacCabe, an independent consultant, on the Quality Assurance Review (QAR) that was conducted on ETF's internal audit function.

Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the December 5, 2013, minutes. The Committee reviewed and discussed:

- an operations update about the number of retirements and requests for retirement estimates in 2013;
- the Department's Benefits Administration System (BAS) project and an overview of the next steps in the project. The Committee thanked the Department's negotiating team for completing a reasonable and fair contract with the vendor; and
- other Department projects that improve processes or implement law changes.

EDUCATIONAL TOPIC

Summary of External Quality Assessment Review (QAR) of Internal Audit Function

Mr. Vincent explained the Institute of Internal Auditors (IIA) is a global professional organization that establishes standards to which internal audit departments should adhere. One standard is to have a QAR every five years. This is ETF's first QAR since the audit function was established in 1985.

Mr. MacCabe discussed how the QAR can be viewed as an "audit of the auditors" and how the Audit Committee, the Executive Management Team and managers, the internal audit team, and external audit team ensure good governance within an organization. He detailed the process of performing a QAR through to the action plan and correction of identified recommendations. Based on the evidence from Mr. MacCabe's review, ETF's Office of Internal Audit "partially conforms" to the IIA standards with 12 recommendations.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System 31st Annual Valuation of Retired Lives–December 31, 2013

Mr. Buis summarized the results of the Core and Variable valuation (Ref. ETF | 3.27.14 | 6A). He noted that based on the results, the increase in the Core annuities is 4.7% and the Variable annuities will be increased by 25%.

Motion: Mr. Litscher moved to accept the actuary's report on the Wisconsin Retirement System (WRS) 31st Annual Valuation of Retired Lives

- December 31, 2013 and adopt their recommendation. Mr. Niendorf seconded the motion, which passed unanimously on a voice vote.

Employee Reimbursement Accounts (ERA) / Commuter Benefits Program / Health Savings Accounts (HSA) Contract – Issue Request for Proposal (RFP)

Ms. Pray referred the Board to the memo (Ref. ETF | 3.27.14 | 6B) requesting a release of an RFP for ERA, HSA, and Commuter Benefits Programs contracts. The current contract period for the third party administrator (TPA) of the ERA expires on December 31, 2014, with no available contract extensions. Selection of a TPA should be made by June 30, 2014, to ensure the chosen vendor will have time to design and implement a plan for the fall enrollment period.

Motion: Mr. Litscher moved to release a Request for Proposal for:

- **The Employee Reimbursement Accounts Program, which will include services for Medical and Dependent Care Flexible Spending Accounts**
- **The Commuter Benefits Program**
- **Health Savings Accounts and Limited Flexible Spending Accounts, covering dental and vision expenses only, for participants of the new High Deductible Health Plans with a Health Savings Account.**

Mr. Niendorf seconded the motion, which passed unanimously on a voice vote.

OPERATIONAL UPDATES

Secretary's Report

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

- There will be changes in ETF's Office of Internal Audit: Audit Director John Vincent is retiring and Helen Malzacher, a long-time ETF employee, accepted a position outside of ETF.
- Vitech has been selected as the vendor for the BAS. Vitech will present its system capabilities to the Board sometime in the near future.
- In a recent Legislative Audit Bureau (LAB) report, there were audit findings from the implementation of the University of Wisconsin's Human Resource System. Based on the "lessons learned" from that project, ETF leadership believes our Department is in a good position with the BAS project. ETF intends to be in contact with key LAB staff about ETF preparations for the BAS implementation and risk management plans.
- ETF continues to work collaboratively with DOA on the State Transforming Agencies Resources (STAR) project, which will integrate multiple outdated human resources, procurement and financial business systems into one state-wide system.

- Trustees serving on the State of Wisconsin Investment Board (SWIB) are comfortable with having an incentive compensation program for staff. However, they have asked for a second compensation consultant to review the program.
- The Internal Revenue Service has approved ETF's request to abate the tax penalties incurred due to the inadvertent late filing of a report.

Mr. Litscher asked that it be noted that he wishes John Vincent well in his retirement. Mr. Litscher had the opportunity to work with John at the Office of State Employment Relations. He noted that John exemplifies both professionalism and attention to detail.

APPEAL 2013-011-ETF

MOTION: Ms. Von Ruden moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for quasi-judicial deliberations regarding an appeal. Mr. Wiltgen seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Koessl, Ford, Hall, Litscher, Niendorf, Shier, Von Ruden, Wiltgen

Members Voting Nay: None

Members Absent or Not Voting: David, Langyel, O'Donnell, Rasmus

The Board convened in closed session at 1:42 p.m. and reconvened in open session at 1:54 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

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

Appeal 2013-011-ETF

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

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 1:56 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board