

DRAFT

MINUTES

June 26, 2014

Employee Trust Funds Board

State of Wisconsin

Location:

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



ETF BOARD MEMBERS PRESENT:

Robert Niendorf, Secretary
William Ford
Kimberly Hall
Michael Langyel

Jessica O'Donnell
Roberta Rasmus
Victor Shier
Mary Von Ruden

BOARD MEMBERS NOT PRESENT:

Wayne Koessler, Chair
John David, Vice Chair

Jon Litscher
David Wiltgen

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
Division of Insurance Services:
Mary Statz, Trust Funds Director
Tara Pray, Employee Benefit Plan
Policy Advisor
Division of Management Services:
Cherylynn Mullins, Board Liaison

Division of Retirement Services:
Matt Stohr, Administrator
ETF Office of Policy, Privacy and
Compliance: Steve Hurley, Director
ETF Office of Trust Finance: Bob Willett,
Chief Trust Financial Officer

OTHERS PRESENT:

ETF Division of Insurance Services: Deb
Roemer
ETF Division of Management Services:
Pam Henning, Michael McNally,
Sherry Etes
ETF Division of Retirement Services:
Anne Boudreau
ETF Legal Services: Dan Hayes

ETF Office of Communications: Kathryn
Fields, Erika Fakler
ETF Office of Internal Audit:
John Vincent
ETF Office of the Secretary:
Tarna Hunter
Department of Administration (DOA):
Mickie Waterman

Board	Mtg Date	Item #
ETF	9.25.14	1

Gabriel Roeder Smith & Company:
Jim Anderson, Mark Buis, Brian
Murphy

Office of State Employment Relations:
Paul Ostrowski

Bob Niendorf, Secretary and Acting Chair, called the meeting of the Employee Trust Funds (ETF) Board (Board) to order at 1:11 p.m.

CONSIDERATION OF MEETING MINUTES

MOTION: Mr. Shier moved to approve the open and closed session minutes of the March 27, 2014 meeting 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.

MOTION: Mr. Ford moved to approve the open and closed session minutes of the April 16, 2014 meeting of the Employee Trust Funds Board as submitted by the Board Liaison. Ms. Hall seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Niendorf noted the Executive Committee met on June 12, 2014. The Committee approved the March 25, 2014, minutes. In addition, the Committee:

- reviewed today's ETF Board meeting agenda;
- discussed some of the objectives and accomplishments of ETF from the first quarter of 2014;
- discussed current ETF vacancies and recruitment efforts of the agency; and
- agreed to move the ETF Secretary's evaluation to the September board meeting.

Audit Committee

Mr. Ford indicated that this was John Vincent's last meeting as Director of Internal Audit. He thanked Mr. Vincent for his diligence in keeping the Committee informed. The Committee:

- approved the March 27, 2014, minutes;
- reviewed the completed items on the 2013-2015 Audit Plan;
- discussed the audit of manual transactions, findings and the adopting of an internal controls process to ensure this does not happen in the future (The Committee would like to commend ETF staff on how they have handled the resolution of the manual transactions audit.);
- discussed the various audit reports; and
- discussed the two new additions to the Open Action Plan report.

Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the March 27, 2014, minutes. The Committee reviewed and discussed:

- an operations update about the number of retirements and requests for retirement estimates in the first quarter of 2014;
- the Department's Benefits Administration System (BAS) project and an overview of the next steps in the project;
- other Department projects that improve processes or implement law changes; and
- adopted minor revisions to the Committee charter, which has been submitted to the ETF Board for approval.

MOTION: Ms. O'Donnell moved to accept the revised Budget and Operations Committee Charter as proposed. Mr. Ford seconded the motion, which passed unanimously on a voice vote.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System 33rd Annual Valuation of Active Lives and Gain/Loss Analysis—December 31, 2013

Mr. Murphy reviewed the proposed contribution rates and employer costs for 2015. (Ref. ETF | 6.26.14 | 4A). They discussed the decrease in contribution rates for 2015.

The contribution rates for 2015 are as follows:

General	13.6%
Executive & Elected	15.4%
Protective with Social Security	16.3%
Protective without Social Security	20.2%

Motion: Mr. Langyel moved to accept the actuary's report on the Wisconsin Retirement System (WRS) 33rd Annual Valuation of Active Lives and the Gain/Loss Analysis - December 31, 2013 and adopt the recommendation of the actuary. Ms. Von Ruden seconded the motion, which passed unanimously on a voice vote.

Accumulated Sick Leave Conversion Credit Program Annual Review –December 31, 2013

Mr. Buis reviewed the proposed contribution rates and employer cost for 2015. (Ref. ETF | 6.26.14 | 4B). The rate decreased from 1.4% to 1.2% for contribution rates for 2015.

Motion: Ms. Rasmus moved to accept the actuary's annual valuation report on the Accumulated Sick Leave Conversion Credit Programs - December 31, 2013 and adopt the recommendation of the actuary. Ms. Von Ruden seconded the motion, which passed unanimously on a voice vote.

40.65 Duty Disability Actuarial Review

Mr. Willett referred the Board to the memo (Ref. ETF | 6.26.14 | 4C). For the first time since its inception, the Duty Disability Plan achieved a 100% funding ratio. He summarized the assets and liabilities. He reminded the Board that last year, in anticipation of full funding, the Board approved a multi-tiered premium schedule that is experienced-based. This will allow employers with the best experience to pay less than those who have had poorer claims experience. The proposed actuarial adjustment to the contribution rate for 2015 is -0.12% for all.

Motion: Ms. Hall moved to accept the actuary's review on the Duty Disability Plan valuation as of January 1, 2014 and adopt the actuary's recommendation. Mr. Shier seconded the motion, which passed unanimously on a voice vote.

Wisconsin Retirement System Funding Policy

Mr. Hurley referred the Board to the memo (Ref. ETF | 6.26.14 | 4D) and the discussion of the Joint meeting from this morning.

Motion: Mr. Langyel moved to direct staff to draft a WRS Funding Policy for discussion at a future board meeting. Ms. Rasmus 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:

- ETF currently has 29 vacancies and is prepared to fill several more positions in the next few days, including the Deputy Secretary, Internal Audit Director, the Management Services Deputy Administrator and a Leadworker position in the accounting office. The overall quality of the candidates for these positions has been quite high and he is confident that ETF will be adding value with the selected candidates.
- The Legislative Audit Bureau (LAB) identified issues in the preparation of our material for the state's fiscal year Comprehensive Annual Financial Report. The WRS operates on a calendar year financial reporting basis. The difficulties have been the significant adjustments that need to be made to transform ETF's financial statement from the calendar year reports to the fiscal year reports, which are the state's official record. In light of the new Governmental Accounting Standards Board changes in the generally accepted accounting principles, ETF collaborated with the LAB, the State Controller and State of Wisconsin Investment Board to develop a solution that would avoid the need for preparing two sets of financial reports. This will diminish the additional work required by the

GASB changes and will help with long-term transparency with the financial reports.

- The Benefits Administration System (BAS) project is rapidly approaching Day 100 of the planning phase. ETF's staff and Vitech team as well as some technical infrastructure personnel from the Department of Administration have been steadily preparing a project plan for the three primary roll outs, which will begin in July or August. The first rollout focuses on ETF's imaging system. The second rollout works with the inputs into BAS. This phase will be working with the employers. The emphasis for rollout three will be the outputs from BAS.

Biennial Budget: Actuarial Service

Mr. Conlin discussed the April 16 ETF Board meeting, during which the Board was asked to select an actuary for the health insurance and other insurance programs that work with the Group Insurance Board (GIB). The statutes provide the ETF Board the authority to select all of the actuaries for the WRS. The GIB had representation and input into the selection of the health actuaries. ETF has discussed the possibility of providing the authority for selection of the health actuary to the GIB. In a discussion with the Executive Committee, the one concern raised was the ability to delegate the authority without the need to make a change statutorily. Mr. Conlin indicated that staff would prepare a document for the Board to delegate its authority to the GIB.

Mr. Stohr referred the Board to the remaining operational update items (Ref. ETF | 6.26.14 | 5C, 5D).

ASSESSMENT OF AND DELIBERATION ON EMPLOYEE REIMBURSEMENT ACCOUNTS (ERA) / COMMUTER BENEFITS PROGRAM / HEALTH SAVINGS ACCOUNTS CONTRACT

Mr. Niendorf indicated that the Board would convene in closed session to deliberate on the award of a contract for the administration of the ERA, Commuter Benefits and the HSA programs.

MOTION: Ms. Von Ruden moved for the Board to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (e) to deliberate or negotiate the investing of public funds or to conduct other specified public business, because competitive or bargaining reasons require a closed session. Ms. Rasmus seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Ford, Hall, Langyel, O'Donnell, Rasmus, Niendorf, Shier, Von Ruden

Members Voting Nay: None

Members Absent or Not Voting: David, Koessl, Litscher, Wiltgen

The Board convened in closed session at 2:06 p.m. and reconvened in open session at 2:24 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Niendorf announced the Board deliberated on the issuance of the letter of intent to award a contract or contracts for the administration of the Employee Reimbursement Accounts, Commuter Benefits Program and Health Savings Accounts programs during closed session.

ISSUANCE OF LETTER OF INTENT TO AWARD CONTRACTS FOR EMPLOYEE REIMBURSEMENT ACCOUNTS / COMMUTER BENEFITS PROGRAM / HEALTH SAVINGS ACCOUNTS PROGRAMS

Motion: Ms. Von Ruden moved that the Employee Trust Funds Board direct the Department to issue a letter of intent and enter into negotiations with eflexgroup, Inc. to secure a contract or contracts for the Employee Reimbursement Accounts, the Commuter Benefits Program, Health Savings Accounts and the Limited Flexible Spending Account Program under terms consistent with the Board's directions to staff and to delegate contract approval to the Secretary of the Department of Employee Trust Funds or designee. Ms. Hall seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Ford, Hall, Langyel, Niendorf, O'Donnell, Rasmus, Shier, Von Ruden

Members Voting Nay: None

Members Absent or Not Voting: David, Koessl, Litscher, Wiltgen

ADJOURNMENT

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

The Board adjourned at 2:27 p.m.

Date Approved: _____
Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board