



STATE OF WISCONSIN
Department of Employee Trust Funds
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 SECRETARY

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Correspondence Memorandum

Date: November 1, 2018

To: Employee Trust Funds Board

From: Bonnie Cyganek, Director
 Bureau of Budget, Contract Administration & Procurement

Subject: Procurement of Actuarial Audit Services

ETF requests the Employee Trust Funds Board (Board) delegate its authority to the ETF Secretary to procure ongoing actuarial audit services for the Accumulated Sick Leave Conversion Credit, Income Continuation Insurance and Duty Disability Insurance programs.

Pursuant to its statutory powers and duties, the Board has contractual agreements with firms to perform actuarial services necessary for the operation and control of benefit programs under Chapter 40 of the Wisconsin Statutes.

Gabriel, Roeder, Smith & Company (GRS) currently performs the actuarial valuation for the Accumulated Sick Leave Conversion Credit (ASLCC) program. The actuarial valuation for the ASLCC program has not been reviewed or audited by an independent actuary.

Milliman, Inc. (Milliman) currently performs the actuarial valuation for the state and local income continuation insurance (ICI) programs and the duty disability insurance program. Milliman validated the 2013 valuation performed by Deloitte Consulting, LLP, for the ICI and duty disability programs prior to first performing the 2014 valuation for those programs.

The Government Finance Officers Association (GFOA) recommends as a best practice that pension plan fiduciaries and sponsors conduct actuarial audits at least once every five years for due diligence in monitoring the quality of actuarial services. This involves engaging the services of an outside actuary to perform an independent and objective review. Actuarial audits are a valuable tool for several reasons. They enhance the credibility of the actuarial valuation process by assuring it was performed in accordance with actuarial standards of practice, lead to remediation of errors that might otherwise go undiscovered and provide recommendations for improvement, including how information is presented and communicated.

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary

Pamela L Henning

Electronically Signed 12/3/18

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ETF	12.13.18	4B

ETF recommends full-scope actuarial audits of the 2018 valuations and subsequent valuations every five years for the ASLCC, ICI and duty disability programs. This requires a reviewing actuary to fully replicate the original valuations, based on the same census data, assumptions, and actuarial methods as the consulting actuary. In addition, the reviewing actuary examines methods and assumptions for reasonableness and internal consistency.

If approved by the Board, ETF will initiate procurement of 2018 actuarial audit services through negotiation of amendments to existing actuary contracts (GRS, Milliman, The Segal Company) and/or issuance of a Request for Proposals or a combination. The amendments and/or contracts executed and the results of the actuarial audits will be presented to the Board as they occur.

Staff will be available at the Board meeting to answer any questions.