



STATE OF WISCONSIN  
Department of Employee Trust Funds  
Robert J. Conlin  
SECRETARY

Wisconsin Department  
of Employee Trust Funds  
PO Box 7931  
Madison WI 53707-7931  
1-877-533-5020 (toll free)  
Fax 608-267-4549  
etf.wi.gov

## Correspondence Memorandum

**Date:** February 25, 2019  
**To:** Employee Trust Funds Board (Board)  
**From:** Bonnie Cyganek, Deputy Administrator  
Division of Management Services  
**Subject:** Clarification of ETF Board delegation to the ETF Secretary for executing actuarial and contract compliance audit contracts, including amendments.

**ETF recommends the Board clarify its delegation of authority to the ETF Secretary for executing actuarial and contract compliance audit services contracts, including contract amendments. This delegation of authority will remain in effect until withdrawn by the Board (See Attachment 1).**

ETF requests this clarification to confirm the delegation of authority to the ETF Secretary in light of the recent Legislative Audit Bureau audit of the Group Insurance Programs. The audit report suggests that the ETF Secretary does not have the authority to sign contract amendments. ETF disagrees with that interpretation as explained in the ETF response to the audit and based on the statutory provisions cited below.

Under Wis. Stat. § 40.03(1)(d), the ETF Board shall select and retain an actuary or an actuarial firm, under one or more contractual agreements which shall run to the department for the purpose of performing all actuarial services which are necessary for the operation and control of each of the insurance and benefit programs under this chapter. Under this paragraph, the board shall direct the secretary to sign on behalf of the department any contractual agreement approved by the board.

Per Wis. Stat. §40.03(1)(c), the Board may employ or select any medical, legal and other independent contractor as are required.

Under Wis. Stat. § 40.03(1)(L), the ETF Board may delegate powers and duties as deemed necessary or desirable. This provision allows the Board to delegate authority to the ETF Secretary to sign actuarial, contract compliance audit, or any other contract or amendment.

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary

Electronically Signed 3/11/19

Board	Mtg Date	Item #
ETF	3.21.19	5C

All currently active contracts under the statutory authority of the ETF Board are identified in the February 25, 2019 Operational Update memo titled, "Board Authority Contracts Update" (Ref. ETF | 3.21.19 | 6E). This includes actuarial and compliance audit services under "evergreen" contracts, which means their term continues until cancelled. ETF will continue to present new procurements of services to the Board as they are planned and occur. In addition, a report of all contract activity will be provided to the Board in Operational Updates at future Board meetings.

Annual renewals of actuarial and contract compliance audit contracts are not automatic because they involve review of the vendor's performance by ETF and the Board. Amendments to these contracts are routinely executed by the ETF Secretary for annual inflationary increases which are allowed per the original Request for Proposal (RFP). Sometimes amendments are executed for expanding the scope of services for additional actuarial work, such as assisting ETF on an RFP project, evaluating benefit design scenarios, or conducting actuarial audits of program valuations performed by other actuaries. In those instances, ETF has informed the Board about the details of the amendments.

If the Board approves the attached delegation of authority, staff will maintain the document in the Board's Governance Manual.

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

Attachment: Board Delegation of Authority

Date Approved:

**Delegation of Authority to the ETF Secretary to execute actuarial and contract compliance audit contracts and amendments, until such delegation is withdrawn by the Board**

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*The Employee Trust Funds (ETF) Board hereby delegates to the ETF Secretary authority under Wis. Stat. § 40.03(1)(d) to execute contracts and contract amendments with the Board's actuarial firms and under Wis. Stat. § 40.03(L) to execute contracts and contract amendments with the contract compliance audit firms.*

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**Authority for Delegation**

The ETF Board has authority under Wis. Stat. § 40.03 (1)(L), to “delegate powers and duties as deemed necessary or desirable.” Wis. Stat. §40.03(1)(d)(4) directs the secretary to sign on behalf of the department any contractual agreement approved by the Board.

**Character of Delegated Authority**

The ETF Board intends this delegation to authorize the ETF Secretary to execute actuarial and contract compliance audit contracts, including contract amendments, until such delegation is withdrawn by the Board.

ETF staff intends to provide the Board with Operational Updates on contract activity at all future Board meetings.

**Oversight**

This delegation will continue until withdrawn by the Board.