



State of Wisconsin  
 Department of Employee Trust Funds  
 4822 Madison Yards Way  
 Madison, WI 53705-9100

P. O. Box 7931  
 Madison, WI 53707-7931

## Contract by Authorized Board

**Commodity or Service:**

Consulting Actuary for Wisconsin  
 Retirement System and Related Programs

**Contract No.:**

ETD0011 – Amendment #12 dated August 21, 2020

**Authorized Board:** Employee Trust Funds Board

**Contract Period:** January 1, 2020 through December 31, 2020

1. This Contract Amendment #12 is entered into by the State of Wisconsin Department of Employee Trust Funds (ETF), hereinafter referred to as the "Department," on behalf of the State of Wisconsin Employee Trust Funds Board, hereinafter referred to as the "Board," and Gabriel, Roeder, Smith & Company (GRS), hereinafter referred to as the "Contractor," whose address and principal officer appear on page 3 below. The Department is the sole point of contact for this Contract.
2. Whereby the Department agrees to direct the purchase and the Contractor agrees to supply the Contract requirements cited herein in accordance with the State of Wisconsin standard terms and conditions and in accordance with the Contractor's proposal date February 17, 2014 hereby made a part of this contract by reference.
3. In connection with the performance of work under this Contract, the Contractor agrees not to discriminate against any employees or applicants for employment because of age, race, religion, color, handicap, sex, physical condition, developmental disability as defined in s.51.01(5), Wis. Stats., sexual orientation as defined in s.111.32(13m), Wis. Stats., or national origin. This provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor further agrees to take affirmative action to ensure equal employment opportunities. The Contractor agrees to post in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.
4. Contracts estimated to be over fifty thousand dollars (\$50,000) require the submission of a written affirmative action plan. Contractors with an annual work force of less than fifty (50) employees are exempted from this requirement. Within fifteen (15) business days after the award of the Contract, the plan shall be submitted for approval to the Department. Technical assistance regarding this clause is provided by the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931, 608.266.2586, or via e-mail at [ETFSMBProcurement@etf.wi.gov](mailto:ETFSMBProcurement@etf.wi.gov).
5. This initial contract period is for fifteen (15) months. Each contract period annually will be for twelve (12) months and extend unless and until either party gives the other 180 days' notice of their intent to cancel the contract.
6. The Contract Amendment #1 is dated January 7, 2016 and the costs are not to exceed \$231,750.
7. The Contract Amendment #2 is dated February 23, 2017 and the costs are not to exceed \$236,176.
8. The Contract Amendment #2 dated February 23, 2017 is to also add GRS additional services requested by ETF for: 1). Initial reduced retirement study, delivered on March 22, 2016 for \$5,000 from February 12, 2016 email; 2). Supplemental valuation, report dated August 9, 2016 for \$10,000 from June 2, 2016 fee letter; 3). Investigation of Cost Method, report dated September 1, 2016 for \$6,000 from August 19, 2016 fee letter; and 4). Dividend Reserve supplemental valuation, dated November 9 and December 14, 2016 for \$15,000 from August 19, 2016 fee letter. The total cost for these services are not to exceed \$36,000 and are not included in Section 7 above costs.
9. The Contract Amendment #3 is dated May 19, 2017 to add the April 19, 2017 fee letter for the Contemplated Cost Method Change for the Wisconsin Retirement System and the costs are not to exceed \$5,000.
10. The Contract Amendment #4 is dated December 21, 2017 for the consulting actuary related services, with the costs not to exceed \$241,301.

11. The Contract Amendment #5 dated January 19, 2018 adds additional GRS services requested by ETF for GASB Statement No.68 Employer Cost-sharing Allocations as described in the attached Scope of Work for this Amendment #5. Costs for this work are not to exceed \$25,000 for 2018. For 2019 and subsequent years, the costs associated with this work are not to exceed \$15,000 per year.
12. The Contract Amendment #6 dated September 12, 2018 adds additional GRS services requested by the Department regarding the impacts of implementing rollovers from the Wisconsin Deferred Compensation program into the Wisconsin Retirement System (at separation from service or retirement), treated and annuitized as additional contributions, per statutory authority under Section 40.05 of the Wisconsin Statutes as described in the attached Scope of Work for this Amendment #6. Costs for this work are not to exceed \$10,000 payable upon satisfactory receipt of report by the Department.
13. The Contract Amendment #7 dated January 16, 2019 for the consulting actuary related retainer services, with the costs not to exceed \$246,561 for calendar year 2019.
14. The Contract Amendment #8 dated January 14, 2020 is for:
  - consulting actuary related retainer services described in RFP ETD0011 with costs not to exceed \$251,615 for calendar year 2020;
  - adds the scope of work described in the attached January 7, 2020 letter Re: Update/Review and Testing of OGS Software Program with costs not to exceed \$5,000; and
  - adds additional GRS services for the MagVal Plus software update for calendar year 2020 and subsequent years, with costs not exceed \$12,000 per year.
15. The Contract Amendment #9 dated May 21, 2020 is for the statement of work described in the attached GRS letter dated May 14, 2020 with costs for this work not to exceed \$40,000.
16. The Contract Amendment #10 dated June 5, 2020 is for the calculation of a liability as of 12/31/2019 in accordance with Governmental Accounting Standards Board Statement Number 16 for the Accumulated Sick Leave Conversion Credit program. The Contractor will provide a report supporting this calculation, including the methods and assumptions used. Cost will not exceed \$3,000 for this work and includes discussion and follow-up to address questions of ETF staff and/or its auditors.
17. The Contract Amendment #11 dated July 23, 2020 is for calculations connected to the benefit limitation of Internal Revenue Code § 415(b) pursuant to the statement of work described in the attached July 22, 2020 letter. Contractor shall invoice the Department with an itemized listing of costs for work as described in the attached letter by listing the type of calculation and associated fee.

| Type of Calculation                                 | Associated Fee   |
|---|--|
| <b>Calculations made for the year of retirement</b> |  |
| Benefit Estimates (up to 5 options)                 | \$1500   |
| Final Benefit Calculations (final selected option)  | \$250 for previously reviewed estimate<br>\$750 if not previously reviewed |
| <b>Calculations made for subsequent years</b>       |  |
| Routine cases                                       | \$250 per person   |
| Most non-routine cases                              | \$750 per person   |
| All other cases                                     | \$1500 per person  |

18. This Contract Amendment #12 dated August 21, 2020 is for GASB valuation reports for the Supplemental Health Insurance Conversion Credit (SHICC) program according to the statement of work described in the attached August 12, 2020 letter. The costs for this work in calendar year 2020 will not exceed \$25,000 and include implementation and reports covering 2017, 2018, and 2019. The costs for each subsequent year report will not exceed \$17,500. If Contractor staff and auditor consultation is requested by the Department, beyond the two hours allotted each year in the attached statement of work, Contractor will itemize the auditor/staff name, work performed, and standard hourly rate per the contract.
19. For purposes of administering this Contract, the order of precedence is:
  - A). The Contract with Gabriel, Roeder, Smith & Company (GRS);
  - B). This Contract Amendment #12 dated August 21, 2020;
  - C). The Contract Amendment #11 dated July 23, 2020;
  - D). The Contract Amendment #10 dated June 5, 2020;
  - E). The Contract Amendment #9 dated May 21, 2020;
  - F). The Contract Amendment #8 dated January 14, 2020;
  - G). The Contract Amendment #7 dated January 16, 2019;

- H). The Contract Amendment #6 dated September 12, 2018
- I). The Contract Amendment #5 dated January 19, 2018;
- J). The Contract Amendment #4 dated December 21, 2017;
- K). The Contract Amendment #3 dated May 19, 2017;
- L). The Contract Amendment #2 dated February 23, 2017;
- M). The Contract Amendment #1 dated January 7, 2016;
- N). Questions from vendors and ETF Answers dated January 28, 2014;
- O). The RFP dated January 6, 2014, and;
- P). Contractor's proposal dated February 17, 2014.

**Contract Number & Service:** ETD0011-Amendment #12  
 Consulting Actuary for Wisconsin Retirement System and Related Programs

|   |   |
|---|---|
| <b>State of Wisconsin</b>   |   |
| <b>Department of Employee Trust Funds</b>                           |   |
| <b>Signature</b>  | DocuSigned by:<br><i>Robert J. Conlin</i> |
| <b>Name/Title</b>   | 249598FF085F431...                        |
| Robert J. Conlin<br>Secretary<br>Department of Employee Trust Funds |   |
| <b>Phone</b>  | 608.266.0301                              |
| <b>Date (MM/DD/CCYY)</b>  | 8/21/2020                                 |

|  |  |
|--|--|
| <b>Contractor</b>  |  |
| <b>Legal Company Name</b><br>Gabriel Roeder Smith & Company                                      |  |
| <b>Trade Name</b>  |  |
| <b>Taxpayer Identification Number</b><br>38-1691268  |  |
| <b>Company Address (City, State, Zip)</b><br>One Towne Square, Suite 800<br>Southfield, MI 48076 |  |
| <b>By (print Name)/ Title</b><br>Judith A. Kermans, President                                    |  |
| Signature  | DocuSigned by:<br><i>Judith A. Kermans</i> |
| <b>Phone</b>   | CD0B0DB0C9064BB...                         |
| 248.799.9000   |  |
| <b>Date (MM/DD/CCYY)</b><br>8/21/2020  |  |



August 12, 2020

Ms. Cindy Klimke-Armatoski  
Wisconsin Department of Employee Trust Funds  
P.O. Box 7931  
Madison, Wisconsin 53707-7931

**Re: Supplemental Health Insurance Conversion Credit Program Actuarial Valuation**

Dear Cindy:

As requested, we have prepared this fee quote related to preparation of reports for the Supplemental Health Insurance Conversion Credit (SHICC) program in accordance with GASB Statement Nos. 74 and 75.

**BACKGROUND**

The Governmental Accounting Standards Board (GASB) issued standards for Other Post Employment Benefits (OPEB) (similar to GASB Statement Nos. 67 and 68 for pension plans). GASB Statement No. 74 for plan OPEB disclosures is effective for fiscal years beginning after June 15, 2016. GASB Statement No. 75 for employer OPEB disclosures is effective for employer fiscal years beginning after June 15, 2017. Wisconsin has a qualified trust for purposes of funding the SHICC program. The Department of Employee Trust Funds (ETF) requires annual actuarial valuation reports containing the required GASB information for the plan as well as participating employers.

**SCOPE OF SERVICES**

The scope of work outlined in this letter pertains to information that will be prepared by GRS for the completion of the GASB Statement Nos. 74 and 75 report, based on our understanding of the disclosure requirements prescribed in the GASB statements. GRS will prepare combined GASB Statement Nos. 74 and 75 reports for the fiscal years ending December 31, 2017, 2018 and 2019 that will include beginning of year Net OPEB Liability. GRS will use data provided by ETF previously for the funding valuations and will incorporate updated UW payroll figures as well as WHEDA and preserved member data not previously available.



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**GASB Statement No. 74 for Plan Reporting:**

- Calculation of the Single Discount Rate based on a full projection of benefit payments, expected contributions, and investment returns;
- Statement of Changes in the Net OPEB Liability and Ratios, using the Single Discount Rate as determined above;
- Statement of Fiduciary Net Position as a percentage of the Total OPEB Liability;
- Schedule of Contributions;
- Four sensitivity scenarios based on a +/-1% change to the discount rate and a +/-1% change to the health care trend assumption;
- A description of the types of benefits provided by the plan; and
- Other explanatory information including an executive summary.

**GASB Statement No. 75 for the Employer:**

- Calculation of the Single Discount Rate based on a full projection of benefit payments, expected contributions, and investment returns;
- Statement of Changes in the Net OPEB Liability and Ratios, using the Single Discount Rate as determined above;
- OPEB Expense calculation which separately tracks annual gains and losses due to demographic experience, asset experience, assumption changes, and plan changes; and
- Deferred Outflows and Inflows of Resources related to OPEBs.

Deliverables will include valuation reports in pdf format as well as employer allocation data (up to 5) in an Excel format.

Please note that there is other information not listed above that will be required in the SHICC programs' financial statements, the ETF CAFR and/or employer financial statements to fully comply with the GASB standards. This additional information will need to be provided by investment consultants, accountants or other financial statement preparers.

**Timing and Approach:**

GASB Statement No. 74 reporting requires that the Market Value of Assets be reported as of the end of the fiscal year (December 31, 2017-2019 in this case). ETF will provide the financial and other required information by the end of July.



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To reflect WHEDA, UW pay and preserved member data in prior years, GRS will develop an adjustment factor for application to the historical Entry Age Normal numbers in order to derive historical figures for 2017 and 2018 GASB reporting. Lastly, GRS will produce combined GASB Statement Nos. 74 and 75 valuation reports and send pdf versions to ETF.

We understand that future reporting in accordance with GASB Statement Nos. 74 and 75 will require completion of reports in July each year.

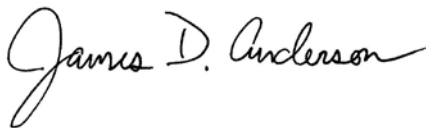
### **Fees**

Our fee to provide the combined GASB Statement Nos. 74 and 75 valuation reports for FY 2017-2019 using the approach outlined above is estimated to be \$25,000. The fee includes allocation data for five (5) employers or component units and 1-2 hours of consultation with staff and/or auditors. Should more time be requested or the auditor requests changes to our report based on their audit, the fee will increase based on time spent and standard hourly billing rates.

The annual fee for this reporting in future years will be \$17,500 annually.

Please let us know if you have any questions. We look forward to helping ETF with GASB reporting for the SHICC.

Sincerely,



James D. Anderson, FSA, EA, FCA, MAAA

JDA:ah

cc: Mark Buis, GRS  
Rich Koch, GRS  
Brian Murphy, GRS

