



January 17, 2012

Employee Trust Funds
RFP # **ETG0011**
Purchase Order: **ETBC0000052**

Mr. Steve Hurley
Director, Office of Policy, Privacy & Compliance
Wisconsin Department of Employee Trust Funds
P.O. Box 7931
Madison, Wisconsin 53707-7931

Re: Act 32 Actuarial Analysis

Dear Steve:

Outlined below are the proposed contents of the materials that would be provided by GRS for the proposed Wisconsin Act 32 Analysis. We have listed the primary components of the proposed outline followed by the suggested analysis to be performed by GRS.

- 1) Current State of the WRS Plan
 - Funding Ratio
 - Future Liabilities
 - Sustainability of Current WRS design

GRS would prepare some historical schedules with discussion, some analysis on the impact of recent legislation (Act 10) and some baseline projections which will form the basis for comparing the optional plans.

- 2) Analysis – Creating an Optional Defined Contribution Plan in the WRS
 - Assumptions
 - Projected Contribution Rates for Optional DC Plan Participants
 - Compare Retirement Benefit Adequacy between DC and DB Plans
 - Potential Effects on the Current WRS Plan

GRS would prepare benefit example analysis under different scenarios (age, service, group, etc), projections under a few scenarios to illustrate the impact on the WRS Plan and discussion and analysis of results.

- Administrative Costs
- Complexity; Multiple Benefit Structures
- Withdrawal of DC Plan Funds Prior to Retirement
- Shifting More Risk to the Individual
- Projected Affect to Disability and Death Benefits

For these items, GRS will primarily provide a narrative discussion of the pros and cons, issues to consider, and some examples from other Systems.

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- 3) Analysis – Permitting Employees to Opt Out of Making WRS Contributions and Take a Money Purchase Benefit
- Assumptions
 - Projections of Retirement Benefit Adequacy
 - Potential Effects on the Current WRS Plan

GRS would prepare benefit example analysis under different scenarios (age, service, group, etc), projections under a few scenarios to illustrate the impact on the WRS Plan and discussion and analysis of results.

- Administrative Costs
- Effect on Death and Disability Benefits

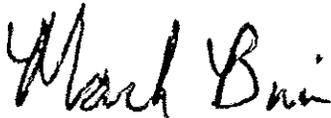
For these items, GRS will primarily provide a narrative discussion of the pros and cons, issues to consider, and some examples from other Systems.

As discussed, the cost for a full study for a system with the size and complexity of the Wisconsin Retirement System would typically be in the range of \$75,000 to \$100,000. Based on your input, we have attempted to limit the amount of actuarial projections and scenario testing wherever possible. However, some projections are required in order to add validity to the study and form a basis for analysis. Our proposed fee is \$45,000. In order to save cost, we propose a conference call to discuss the results.

The study would be based upon the December 31, 2010 census and financial data. If available, the most recent YTD market rate of return could also be incorporated. The study would be completed by April 1, 2012.

We look forward to working with you on this project. Please let us know if you have any questions and if we may proceed.

Sincerely,



Mark Buis, FSA, EA, MAAA

MB:rmn

cc: Jon Kranz, WRS
Gene Janke, WRS
Brian Murphy, GRS
Norm Jones, GRS