

**DRAFT**

# MINUTES

September 25, 2014

Employee Trust Funds Board  
State of Wisconsin

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



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**ETF BOARD MEMBERS PRESENT:**

Wayne Koessler, Chair  
John David, Vice Chair  
Robert Niendorf, Secretary  
William Ford  
Kimberly Hall  
Michael Langyel

Jon Litscher  
Jessica O'Donnell  
Roberta Rasmus  
Victor Shier  
Mary Von Ruden

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**BOARD MEMBERS NOT PRESENT:**

David Wiltgen

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**PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:**

Bob Conlin, Secretary  
John Voelker, Deputy Secretary  
Division of Insurance Services:  
Mary Statz, Trust Funds Director  
Tara Pray, Employee Benefit Plan  
Policy Advisor  
Division of Retirement Services:  
Matt Stohr, Administrator  
Office of Policy, Privacy and Compliance:  
Steve Hurley, Director  
Mary Alice McGreevy, Policy Analyst  
Lucas Strelow, Policy Analyst

Office of Trust Finance: Bob Willett,  
Chief Trust Financial Officer  
Office of the Secretary:  
Tarna Hunter, Legislative Liaison  
Cherylynn Wilkins, Board Liaison  
Pam Henning, Assistant Deputy  
Secretary

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**OTHERS PRESENT:**

ETF Division of Insurance Services: Deb  
Roemer

ETF Division of Management Services:  
Mike Bormett, Bill Christianson,  
Sherry Etes, Nadine Konrath

Board	Mtg Date	Item #
ETF	12.11.14	1

ETF Division of Retirement Services:  
Anne Boudreau  
ETF Legal Services: Dan Hayes, David  
Nispel  
ETF Office of Communications: Kathryn  
Fields

ETF Office of Internal Audit:  
Yikchau Sze  
Department of Administration (DOA):  
Mickie Waterman  
Office of State Employment Relations:  
Paul Ostrowski

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Wayne Koessl, Chair, called the meeting of the Employee Trust Funds (ETF) Board (Board) to order at 12:30 p.m.

## CONSIDERATION OF MEETING MINUTES

***MOTION: Ms. Von Ruden moved to approve the open and closed session minutes of the June 26, 2014 meeting of the Employee Trust Funds Board, as submitted by the Board Liaison. Mr. Shier seconded the motion, which passed unanimously on a voice vote.***

## COMMITTEE REPORTS

### Executive Committee

Mr. Koessl noted the Executive Committee met on September 24, 2014. The Committee approved the June 26, 2014, minutes. In addition, the Committee:

- reviewed today's ETF Board meeting agenda;
- discussed some of the objectives and accomplishments of ETF from the second quarter of 2014;
- reviewed the Executive Committee Charter and determined no changes were necessary;
- discussed the quarterly Human Resources Report including current ETF vacancies and recruitment efforts of the agency; and
- discussed the ETF Secretary's evaluation that will be reviewed with Secretary Conlin today.

### Audit Committee

Mr. Ford indicated that the Committee welcomed Yikchau Sze, the new Director of Internal Audit. The Committee:

- approved the June 26, 2014, minutes;
- reviewed the Audit Committee Charter and determined no additional changes were necessary;
- reviewed the status of the 2013-2015 Audit Plan; and
- discussed the new auditing approach regarding risk assessment.

### Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the June 26, 2014, minutes. The Committee reviewed and discussed:

- an operations update about the number of retirements and requests for retirement estimates in the second quarter of 2014;
- the Department's Benefits Administration System (BAS) project and an overview of the next steps in the project; and
- a preview of the Department's 2015-2017 budget request that will be discussed in detail in this meeting.

## **DISCUSSION AND CONSIDERATION**

### Approval for Release of Tax Counsel Request for Proposal

Ms. McGreevy reviewed the Board memo (Ref. ETF | 9.25.14 | 4A) explaining the background of current tax counsel and the goals for retaining outside tax counsel for the future. ETF must manage the WRS in express compliance with the Internal Revenue Code and assistance from tax counsel is crucial to doing so.

***Motion: Mr. Litscher moved to approve delegation of authority to the Department of Employee Trust Funds to solicit proposals for, and to contract with federal tax counsel. Mr. Niendorf seconded the motion, which passed unanimously on a voice vote.***

### Delegate Selection of State Health Insurance Actuary to Group Insurance Board

Mr. Strelow referred the Board to the memo (Ref. ETF | 9.25.14 | 4B). He discussed the current process for actuarial selection and explained why delegating the authority to the Group Insurance Board to contract for actuarial services would be beneficial. He also reviewed the specifics of the delegation document highlighting the eight year expiration date.

***Motion: Mr. Litscher moved to approve delegation of authority to the Group Insurance Board to contract for actuarial services for health insurance programs. Mr. David seconded the motion, which passed unanimously on a voice vote.***

### Procurement Policy Revision

Mr. Hurley referred the Board to the memo (Ref. ETF | 9.25.14 | 4C), referencing the original policy and the proposed changes. He discussed the appeals process with reference to Board procurements and how the proposed changes to the policy provide more clarity and provide the Board the necessary time to gather all the necessary information to render a prudent decision if there are appeals.

***Motion: Ms. Rasmus moved to approve the revised Vendor Procurement Appeals Policy. Mr. Langyel seconded the motion, which passed unanimously on a voice vote.***

#### Wisconsin Retirement System (WRS) Funding Policy

Mr. Hurley, referencing the Board memo (Ref. ETF | 9.25.14 | 4D) invited questions regarding the draft Funding Policy document and requested approval for the continued development of a WRS Funding Policy. A final document will come back to the Board at a future Board meeting for final approval.

***Motion: Mr. Litscher moved to direct the Department of Employee Trust Funds to continue developing a Wisconsin Retirement System funding policy for discussion and approval at a future board meeting. Mr. David seconded the motion, which passed unanimously on a voice vote.***

#### 2015-17 Biennial Budget Request

Ms. Hunter referred the Board to the memo (Ref. ETF | 9.25.14 | 4E). The period covered by this budget request is July 1, 2015 – June 30, 2017. She detailed funding amounts and the anticipated budget process schedule.

ETF is proposing three initiatives in this budget request: 1) Health Care Data Transparency: Cost and Quality; 2) Critical Customer Service Functions: Call Center; and 3) Mandatory LAB and GASB Audit/Financial Reporting.

In addition to the initiatives, the proposal has technical changes to align state law with federal law, streamline operations and reflect changes in related statutes and rules. There was discussion regarding item # 5, concerning LTEs and the federal Affordable Care Act. ETF is attempting to adjust statutes to accommodate the Affordable Care Act. The Board expressed concerns regarding the eligibility of LTEs being offered insurance under the Affordable Care Act within 30 days. It is the employer's responsibility to determine if an LTE qualifies under the Affordable Care Act. Staff will work with OSER and update Board members regarding clarification on item # 5.

***Motion: Mr. Litscher moved to support the Department's 2015-17 biennial budget proposal as detailed, except for item five until clarification is provided. Ms. O'Donnell 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:

- Yesterday ETF conducted a retreat with ETF and Gabriel, Roeder, Smith & Company (GRS), the board's WRS actuary. It was a day-long discussion about how the WRS operates, discussing the strengths and weaknesses within the WRS. This retreat provided ETF staff the opportunity to deepen their knowledge while allowing the actuaries to understand ETF's concerns and issues.
- The Benefits Administration System (BAS) project is going well.

- ETF has been working with the DOA on a new state facility near the Hill Farms/Department of Transportation location. An RFP will be issued in October with evaluation and selection completed by the end of the year. Ms. Henning and her staff are well prepared, with the program statement completed and requirements laid-out. ETF has been helping DOA with some of its planning.
- Michael Williamson, of the SWIB, and Mr. Conlin will speak to several bond rating agencies about why Wisconsin's retirement system is different, with respect to its pension philosophy. This meeting will present an opportunity for ETF and SWIB to showcase the unique features of the WRS. In many states, the pension can be a negative on their credit rating, but in Wisconsin, it is either a neutral or a positive reflection for the state's credit rating.

Mr. Stohr referred the Board to the remaining operational update items (Ref. ETF | 9.25.14 | 5B, 5C).

Mr. Nispel informed the Board about a claim filed by a WRS member with the Wisconsin Claims Board. ETF made an error on this member's retirement estimate, inflating the years of creditable service by nine years. This member is seeking the monthly benefit amount that appeared on the estimate for the rest of her life. The Claims Board does not have authority to award WRS trust funds monies to the member.

Mr. Nispel provided an update on same sex marriage memo (Ref. JM | 9.25.14 | 5D). Since August 28 memo, the 7<sup>th</sup> Circuit Court of Appeals upheld the Federal District Court decision. Wisconsin along with other states requested the United States Supreme Court to take the case. On September 29, the Supreme Court will have its pre-term meeting at which time they will determine the cases they will hear.

## **PERSONNEL MATTERS**

**Mr. Koessler indicated the Board would convene in closed session to discuss Secretary Conlin's performance evaluation and salary.**

***MOTION: Mr. David moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (c) to discuss the Secretary's performance evaluation. Mr. Langyel seconded the motion, which passed on the following roll call vote:***

***Members Voting Aye: David, Ford, Hall, Koessler, Langyel, Litscher, Niendorf, O'Donnell, Rasmus, Shier, and Von Ruden***

***Members Absent: Wiltgen***

The Board convened in closed session at 1:49 p.m. and reconvened in open session at 3:07 p.m.

**ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING  
CLOSED SESSION**

Mr. Koessler announced the Board took the following action during closed session:

The Board discussed Secretary Conlin's favorable performance evaluation. In addition, the Board discussed seeking additional pay flexibility for the Secretary's position and requested the ETF Human Resources staff work with the Office of State Employment Relations to determine a means to provide the additional pay flexibility.

**ADJOURNMENT**

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

The Board adjourned at 3:09 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Robert Niendorf, Secretary  
Employee Trust Funds Board