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## ***CORRESPONDENCE MEMORANDUM***

**DATE:** November 12, 2014

**TO:** Employee Trust Funds Board  
Teachers Retirement Board  
Wisconsin Retirement Board

**FROM:** David H. Nispel, General Counsel

**SUBJECT:** Board Member Qualification Policy

**Staff requests that the Employee Trust Funds Board, Teachers Retirement Board and Wisconsin Retirement Board discuss and consider adopting the Board Member Qualification Policy.**

The attached policy is intended to ensure that board members have an understanding of the requirements applicable to membership on the Employee Trust Funds Board, Wisconsin Retirement Board and Teachers Retirement Board.

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

Attachment: Board Member Qualification Policy

Reviewed and approved by Robert J. Conlin, Secretary

Electronically signed 11/24/14

Board	Mtg Date	Item #
JM	12.11.14	5C
ETF	12.11.14	4D
TR	12.11.14	3C
WR	12.11.14	4C

## **Board Member Qualification Policy** **Adopted: \_\_\_\_\_**

This board member qualification policy is intended to ensure that board members have an understanding of the requirements applicable to membership on the Employee Trust Funds Board, Wisconsin Retirement Board, and Teachers Retirement Board.

### **Applicable law**

Wis. Stat. §15.07, 15.16 and 15.165 concern the membership and qualifications of boards in the State of Wisconsin, including the Employee Trust Funds Board (ETF Board, 15.16 (1)), Teachers Retirement Board (TR Board, 15.165 (3) (a)), Wisconsin Retirement Board (WR Board, 15.165 (3) (b)).

### **Goals of this policy**

The primary goals of this policy are to ensure that the broad membership required by the foregoing statutes and the purposes of that requirement are maintained for each board.

### **Broad representation on each retirement board**

A careful review of the applicable statutes indicates that a principal emphasis is to provide for broad representation on each of the retirement boards (see the attached summary of the statutes). It also is evident that a primary purpose of the statutes is to have boards consisting of persons who bring a wide variety of skill sets, career and life experiences, and viewpoints to their participation on those boards.

The WR Board has 9 members and the membership is drawn from 9 distinct backgrounds, including members of government bodies with specified skill sets, local and state employees, and a public member who is not a participant or beneficiary of the Wisconsin Retirement System (WRS). The TR Board has 13 members and the membership is comprised of public school teachers in various specified areas, an administrator, a school board member, and an annuitant. The ETF Board, the board with statutory oversight of the Department of Employee Trust Funds, has 13 members of whom 4 are appointed by the WR Board, 4 appointed by the TR Board, 1 is a public member who is not a participant or beneficiary of the WRS, 1 is an annuitant, 1 is a participant in the WRS who is a non-teacher, and the Governor and Director of the Office of State Employment Relations or their designees.

### **Maintaining such broad representation**

In order to comply with the above statutory requirements and the goals of broad representation on each board, this policy directs candidates for membership on a board to consider which of the specified qualifications they satisfy at the time they seek election or appointment. In addition, this policy encourages candidates to consider whether they will be able to maintain that qualification during their entire term of office. Only those candidates who believe they will be able to maintain the qualifications for a

particular seat on the board for the entire length of the specified term are encouraged to seek election or appointment to the board.

### **Member ceases to meet the applicable qualifications**

There is no law specifying that a vacancy is created if an ETF Board, TR Board, or WR Board member, during his or her term of office, ceases to meet the qualifications applicable at the time of appointment or election. Wis. Stat. § 15.165 (1) (a) specifies that a member who ceases to meet the qualifications applicable at the time of appointment or election ceases to be a member of the board upon election or appointment of a qualified successor.

However, this policy provides that if a member no longer meets the qualifications for his or her specific seat the member shall notify the applicable Board Chairperson and the Secretary of ETF of such fact, in writing. In doing so, the member shall indicate whether he or she can continue to meet his or her fiduciary duty and whether his or her continued service on the Board is inconsistent with the qualifications for his or her specific seat. If such member determines that he or she is unable to fulfill his or her fiduciary duty or that his or her continued service on the Board is inconsistent with the qualification for his or her specific seat, the member is encouraged to resign from the Board. Such action by a member will ensure the board will be able to meet the goals of broad representation.

### **Oath of office**

Wis. Stat. § 15.07 (7) requires each member of a board to take and file the official oath prior to assuming office. The language of the official oath is prescribed in Wis. Stat. § 19.01 (1). That language includes the name of the specific office to which the person is being appointed. Accordingly, if a member of the TR Board or the WR Board is appointed to the ETF Board, that member must take and file an oath of office for each board.

The oath of office is filed with the Secretary of State (Wis. Stat. § 19.01 (4) (a) 9.). Past practice has been for ETF to file the oaths for elected and ex officio members and for the Governor's office to file the oaths for Governor appointees.

### **Effective date and applicability**

This policy is effective on the date it is adopted by each of the above three boards and applies to board members elected or appointed after that date.

## Summary of Applicable Statutes for Board Qualification Policy

This is a summary of the Wisconsin statute sections that pertain to membership on the Employee Trust Funds Board, Wisconsin Retirement Board, and Teachers Retirement Board.

### Applicable law

Wis. Stat. §15.07, 15.16 and 15.165 concern the membership and qualifications of boards in the State of Wisconsin, including the Employee Trust Funds Board (ETF Board, 15.16 (1)), Teachers Retirement Board (TR Board, s. 15.165 (3) (a)), Wisconsin Retirement Board (WR Board, 15.165 (3) (b)).

### ETF Board: Member Qualifications

There are 13 members of the ETF Board. In accordance with Wis. Stat. § 15.07 (1) (a), the members of the Board, other than members serving on the Board because of holding another office or position, shall be nominated by the Governor, and with the advice and consent of the Senate appointed, to serve for terms prescribed by law. However, pursuant to Wis. Stat. § 15.07 (1) (a) 3., members of the Board appointed or elected under Wis. Stat. § 15.16 (1) (a), (b), (d) and (f) shall be appointed or elected as provided in that section.

The qualifications for membership on this Board are set forth in Wis. Stat. § 15.16 (1) (a) through (f) and are as follows:

- The Governor or the Governor's designee on the Group Insurance Board
- The Director of the Office of State Employment Relations or the Director's designee
- 11 persons appointed or elected for 4-year terms as follows:
  - △ 4 members of the TR Board appointed by that Board
    - △ at least 1 appointee who is a participating employee in the Wisconsin Retirement System (WRS) and who shall have been appointed or elected to the Board as a public school teacher or who is a public school teacher from a technical college district (15.16 (1) (a) 1. and 15.165 (3) (a) 1. or 2.)
    - △ at least 1 appointee who is a University of Wisconsin System representative and who shall have been appointed to the Board as a teacher participant in the WRS (15.16 (1) (a) 2. and 15.165 (3) (a) 4.)
    - △ at least 1 appointee who is a teacher in the City of Milwaukee, a participating employee in the WRS, and who shall have been elected to the Board by teachers of the public schools in that city (15.16 (1) (a) 3. and 15.165 (3) (a) 7.)

△ at least 1 appointee who is an administrator in Wisconsin's public schools and not a classroom teacher or who is a member of a school board, and who shall have been appointed to the Board (15.16 (1) (a) 4. and 15.165 (3) (a) 3. or 5.)

△ 4 members of the WR Board appointed by that Board

△ at least 1 appointee who shall have been appointed to the Board as either the chief executive or a member of the governing body of a participating city or village, a participating employee who is the principal finance officer of a participating city or village, the chairperson or a member of the governing body of a participating county or town, a county clerk or deputy county clerk of a participating county, or a public member who is not a participant in or beneficiary of the WRS (15.16 (1) (b) 1. and 15.165 (3) (b) 1., 2., 4., 5., or 8.)

△ at least 1 appointee who shall have been appointed to the Board as either a participating employee of a participating city or village, a participating employee of a participating local employer other than a city or village, or a participating state employee (15.16 (1) (b) 2. and 15.165 (3) (b) 3., 6., or 7.)

△ at least one appointee who shall have been appointed to the Board as a participating state employee or a public member who is not a participant in or beneficiary of the WRS (15.16 (1) (b) 3. and 15.165 (3) (b) 7. or 8.)

△ 1 member who shall be a public member who is not a participant in or beneficiary of the WRS and who has at least 5 years of experience in actuarial analysis, administration of an employee benefit plan or significant administrative responsibility in a major insurer (15.16 (1) (c))

△ 1 member who shall be an annuitant and elected by annuitants, as defined for purposes other than life insurance (15.16 (1) (d))

△ 1 member who shall be a participant in the WRS and who is a non-teacher technical college educational support personnel employee or a non-teacher school district educational support personnel employee, and who is elected by participating employees meeting the same criteria (15.16 (1) (f))

### **TR Board: Member Qualifications**

There are 13 members of the TR Board who serve for staggered 5-year terms. The Governor shall appoint the members of the Board, other than the members serving on the Board because of holding another office or position and except as otherwise provided. The qualifications for membership on this Board are set forth in Wis. Stat. § 15.16 (3) (a) 1. through 7. and are as follows:

- 6 public school teachers who are participating employees in the WRS and not eligible for election under any other criteria in this statute section, and who are elected by participating employees meeting the same criteria
- 1 public school teacher from a technical college district who is a participating employee in the WRS, and who is elected by other such teachers
- 1 administrator in Wisconsin's public schools who is not a classroom teacher
- 2 University of Wisconsin System representatives, from different campuses, who are teacher participants in the WRS
- 1 person who is a member of a school board
- 1 annuitant who was a teacher participant in the WRS, and who is elected by annuitants who were teacher participants
- 1 teacher in the City of Milwaukee who is a participating employee in the WRS, and elected by other such teachers

**WR Board: Member Qualifications**

There are 9 members of the WR Board and the first 8 listed below shall serve for staggered 5-year terms. The Governor shall appoint the members of the Board, other than the members serving on the Board because of holding another office or position and except as otherwise provided. The qualifications for membership on this Board are set forth in Wis. Stat. § 15.16 (3) (b) 1. through 9. and are as follows:

- 1 member who is the chief executive or a member of the governing body of a participating city or village (appointed from a list of 5 names submitted by the board of directors of the League of Wisconsin Municipalities)
  - 1 member who is a participating employee and the principal finance officer of a participating city or village
  - 1 member who is a participating employee of a participating city or village
- △ each of the above 3 members shall be from a different county
- 1 member who is the chairperson or a member of the governing body of a participating county or town (appointed from a list of 5 names submitted by the executive committee of the Wisconsin Counties Association)
  - 1 member who is a county clerk or deputy county clerk of a participating county

- 1 member who is a participating employee of a participating local employer other than a city or village
  - △ each of the above 3 members shall be from a different county
- 1 member who is a participating state employee
- 1 member who is a public member and not a participant in or beneficiary of the WRS
- The Commissioner of Insurance or an experienced actuary in the Office of the Commissioner designated by the Commissioner