

DRAFT

MINUTES

December 11, 2014

Employee Trust Funds Board
State of Wisconsin

Location:

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



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

BOARD MEMBERS NOT PRESENT:

David Wiltgen

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of the Secretary:
Bob Conlin, Secretary
John Voelker, Deputy Secretary
Cheryllynn Wilkins, Board Liaison
Division of Retirement Services:
Matt Stohr, Administrator

Legal Services:
David Nispel, General Counsel
Daniel Hayes, Attorney
Office of Policy, Privacy and
Compliance: Steve Hurley, Director

OTHERS PRESENT:

ETF Division of Insurance Services:
Tara Pray, Deb Roemer, Mary Statz
ETF Division of Management Services:
Sherry Etes
ETF Division of Retirement Services:
Anne Boudreau

ETF Office of Communication: Mark Lamkins
ETF Office of Internal Audit: Yikchau Sze
ETF Office of the Secretary: Pam Henning, Tarna Hunter
ETF Office of Trust Finance: Bob Willett

Board	Mtg Date	Item #
ETF	4.2.15	1

Wayne Koessl, Chair, called the meeting of the Employee Trust Funds (ETF) Board (Board) to order at 2:00 p.m.

CONSIDERATION OF MEETING MINUTES

MOTION: Mr. Litscher moved to approve the open and closed session minutes of the September 25, 2014 meeting of the Employee Trust Funds Board, as submitted by the Board Liaison. Ms. Rasmus seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met on December 9, 2014. The Committee approved the September 24, 2014, minutes. In addition, the Committee:

- reviewed today's ETF Board meeting agenda;
- discussed some of the objectives and accomplishments of ETF from the third quarter of 2014, highlighting the data conversion successes related to the Department's Benefit Administration System (BAS);
- reviewed the Board member policies on reimbursement and qualifications, which will be open for discussion and consideration by the full Board;
- discussed the quarterly Human Resources Report, including current ETF vacancies and recruitment efforts of the agency; and
- discussed the ETF Secretary's compensation that will be reviewed with the Board today.

Audit Committee

Mr. Ford indicated that the Audit Committee approved the September 25, 2014, minutes. In addition, the Committee:

- reviewed the status of the 2013-2015 Audit Plan;
- reviewed the audit performed by TRICAST, Inc., to assess compliance of Navitus in providing pharmacy benefit manager solutions for the state health insurance programs. TRICAST concluded it was a clean audit with few discrepancies;
- discussed internal audit report for contract service providers for fiscal year 2013. The audit reviewed 15 of the 25 contracts and determined ETF's controls were working as planned;
- discussed an audit of ETF's mobile devices which reviewed both the physical security of the equipment (e.g., being properly inventoried) and the procedures to protect data on computers; and
- reviewed the memo from ETF's Retirement Services Division regarding the steps taken to ensure manual calculations of benefit applications are accurate. ETF has been working to improve the procedure. However, with the development of BAS, the need for manual calculations may eventually be eliminated.

Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the September 25, 2014, minutes. The Committee reviewed and discussed:

- an operations update about the number of retirements and requests for retirement estimates in the third quarter of 2014; and
- an update on the status of the BAS Project and an overview of the next steps in the project.

DISCUSSION AND CONSIDERATION

Review of Committee Charters

MOTION: Ms. O'Donnell moved to approve the charters for the Executive, Audit, and Budget and Operations Committees without change. Ms. Von Ruden seconded the motion, which passed unanimously on a voice vote.

Clearinghouse Rule # 14-055: Technical and Minor Substantive Changes in Existing ETF Administrative Rules

Mr. Hayes reminded Board members about his presentation at the Joint Meeting of the Boards this morning and the memo (Ref. ETF | 12.11.14 | 4B) regarding the changes proposed.

MOTION: Mr. Litscher moved to accept the final version of proposed Clearinghouse Rule # 14-055. Mr. Ford seconded the motion, which passed unanimously on a voice vote.

Board Member Compensation and Reimbursement Policy

Mr. Nispel reminded Board members about his presentation at the Joint Meeting of the Boards this morning and the memo (Ref. ETF | 12.11.14 | 4C) regarding the Board Member Compensation and Reimbursement Policy for Attending Board Meetings. Mr. Nispel informed the Board that the policy was approved by the Teachers Retirement Board and the Wisconsin Retirement Board as presented. Upon ETF Board approval, this policy will be added to the governance manual.

MOTION: Ms. Von Ruden moved to adopt the Board Member Compensation and Reimbursement Policy for Attending Board Meetings. Mr. Litscher seconded the motion, which passed unanimously on a voice vote.

Board Member Qualification Policy

Mr. Nispel reminded Board members about his presentation at the Joint Meeting of the Boards this morning and the memo (Ref. ETF | 12.11.14 | 4D) regarding the Board Member Qualification Policy.

MOTION: Ms. Rasmus moved to adopt the Board Member Qualification Policy as presented. Ms. Hall seconded the motion, which passed unanimously on a voice vote

Wisconsin Retirement System (WRS) Funding Policy

Mr. Hurley, referencing the Board memo (Ref. ETF | 12.11.14 | 4E), invited questions regarding the policy document and requested approval for a WRS Funding Policy.

Motion: Ms. Hall moved to approve the Wisconsin Retirement System Funding Policy. Ms. Von Ruden seconded the motion.

Amendment: Mr. Ford suggested a friendly amendment to the motion and Ms. Hall accepted the amendment which was as follows: add the blended assumed rate as a footnote to the policy and review the policy every three years following the three-year experience study.

Motion as amended 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:

- 2013 CAFR is in production and will be posted to the ETF website this month.
- SWIB Update: At the end of November the Core Fund year-to-date investment return was 6.7%, which is ahead of the benchmark. If the Core Fund produces 7.2% for calendar year 2014, the WRS will be able to pay an annuity adjustment of approximately 3%.
- Mr. Conlin noted that the most recent ETF Excellence Award was presented to Dawn Duren. Ms. Duren was recognized for her excellence in customer service. In the Disability Unit, Dawn has advanced to the position of "Specialist" which indicates she has significant program knowledge. This award distinguishes Dawn for her passion and dedication to the customer service aspect of her job.

Mr. Stohr referred the Board to the remaining operational update items (Ref. ETF | 12.11.14 | 5B).

FUTURE ITEMS FOR DISCUSSION

With the change in the statutes governing the rehiring of WRS annuitants, a request was made to provide statistics regarding how members have been affected. Mr. Conlin and Mr. Stohr responded. Fewer members are coming back to full-time state employment after retirement. If an annuitant wants to come back to service greater than two-thirds time, they must suspend their annuity. There have only been two people who were required to re-enroll in the WRS due to meeting the two-thirds threshold, and twenty-five annuitants have reestablished their WRS accounts and come back into the WRS in 2014. Mr. Stohr and Mr. Conlin pointed out that ETF does not have data that indicates how many retirees would have returned to work full-time but instead decided not to because of the 2013 Act 20 provision.

LEGAL MATTERS AND SECRETARY'S COMPENSATION

Mr. Koessler indicated the Board would convene in closed session.

MOTION: Mr. Litscher moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (c) (g) to discuss the Secretary's compensation and to confer with legal counsel concerning strategy with respect to litigation in which it is or is likely to become involved. Ms. Rasmus 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 2:37 p.m. and reconvened in open session at 3:22 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 potential future litigation in which the Board may become involved. In addition, the Board discussed the Secretary's salary and eligibility for a Discretionary Merit Compensation (DMC) award and approved a one-step pay adjustment for Secretary Conlin.

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 3:30 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board