

DRAFT

MINUTES

June 23, 2016

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
Michael Langyel
Leilani Paul

Roberta Rasmus
Stacey Rolston
Victor Shier
Mary Von Ruden
Bob Ziegelbauer

BOARD MEMBERS NOT PRESENT:

David Wiltgen

PARTICIPATING EMPLOYEE TRUST FUNDS STAFF:

Office of the Secretary:
Bob Conlin, Secretary
John Voelker, Deputy Secretary
Tarna Hunter, Legislative Liaison
Cherylynn Wilkins, Board Liaison

Division of Retirement Services:
Matt Stohr, Administrator

OTHERS PRESENT:

ETF Division of Management Services:
Ryan Perkins
ETF Division of Retirement Services:
Anne Boudreau, Jim Guidry, Deb Roemer
ETF Office of Enterprise Initiatives: Kevin Boyle, Bob Martin, Nisha Ramanathan
ETF Office of Legal Services:
Diana Felsmann, Dan Hayes
ETF Office of Internal Audit (OIA):
Yikchau Sze

Office of Strategic Health Policy:
Jessica Rosner
ETF Office of the Secretary: Sara Brockman, Pam Henning
ETF Division of Trust Finance:
Bob Willett, Cindy Klimke
Department of Administration, Division of Personnel Management (DOA-DPM):
Paul Ostrowski
Gabriel Roeder Smith & Company (GRS):
Jim Anderson, Brian Murphy
Milliman: Tim Herman, Dan Skwire

Board	Mtg Date	Item #
ETF	9.29.16	1

Wayne Koessler, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 12:15 p.m.

CONSIDERATION OF MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the open and closed session minutes of the March 24, 2016, meeting of the Employee Trust Funds Board, as submitted by the Board Liaison. Mr. Langyel seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENTS

Mr. Stohr announced that when the Board goes into closed session, Board members will be escorted upstairs to conference room 244, and visitor passes need to be visible.

COMMITTEE REPORTS

Executive Committee

Mr. Koessler noted the Executive Committee met on June 22, 2016. The Committee approved the March 23, 2016, minutes. In addition, the Committee reviewed and discussed:

- today's ETF Board meeting agenda;
 - recommendations by the actuaries on contribution rates for 2017, based on the following reviews:
 - the WRS Annual Valuation of Active Lives and Gain/Loss Analysis
 - the 40.65 Duty Disability Actuarial review by Milliman, and
 - the Accumulated Sick Leave Conversion Credit Program annual review
 - the request by the Teachers Retirement Board to discuss the electronic board election process and possible changes in the future
 - some of ETF's objectives and accomplishments from the past quarter.
- Highlights:
- ETF's Office of Strategic Health Policy has four Request for Proposals coming to a close by the fall in the areas of Wellness, Pharmacy Manager, Data Warehouse, and Self-Insurance options;
 - BAS Rollout 2 completed its project plan for employer reporting by January 1, 2018. Training has been offered to employers for feedback on the format and functionality; and
 - ETF facility and IT staff have finalized floor plans, including infrastructure and electrical specifications, for the new building at Hill Farms with the Department of Administration. The parking structure is progressing well, with a fall completion date.

- ETF's quarterly Human Resources Report, including current key vacancies and recruitment efforts of the agency and an update on the new Civil Service Reform provisions effective July 1, 2016;
- The ETF Secretary's evaluation results and compensation memo for discussion with the Board today in closed session.

Audit Committee

Mr. Ford indicated the Audit Committee approved the March 24, 2016, minutes. In addition, the Committee:

- discussed an OIA audit report regarding the state group health insurance plan and the process used to compare ETF data to the 18 separate health plans databases. All recommendations made were agreed to by ETF staff and will be made in the future;
- heard a presentation describing the Quality Assurance and Improvement Program for the OIA; and
- discussed the 2016-2017 Audit Plan.

DISCUSSION AND CONSIDERATION

40.65 Duty Disability Actuarial Review

Mr. Skwire and Mr. Herman, from Milliman, the Board's actuary for disability programs, (Ref. ETF | 6.23.16 | 4A) summarized the detailed duty disability valuation report.

Mr. Herman explained that the main driver of the increase in the actuarial accrued liability is due to the change in mortality assumptions. Using a five-year smoothing for the funding ratio, the plan is fully funded today – up from 52% funded in 2006.

Mr. Skwire further discussed the assumption changes. The assumption changes included revised mortality assumptions for disabled members, revised assumptions for active members based on the WRS three-year experience study and a change in the calculation method for incurred but not reported (IBNR) liabilities.

Motion: Mr. Langyel moved to accept the actuary's review on the Duty Disability Plan Valuation as of January 1, 2016 and the 2017 Contribution Rate Tiers and adopt their recommendation, and adopt the presented premium schedule. Mr. Shier seconded the motion, which passed unanimously on a voice vote.

Wisconsin Retirement System 35th Annual Valuation of Active Lives and Gain/Loss Analysis–December 31, 2015

Mr. Murphy presented the Executive Summary (Ref. ETF | 6.23.16 | 4B) and the required employer contribution to support retirement benefits. There was discussion about the potential effect on the WRS if an opt-out option was offered. It is the opinion of GRS that doing so would decrease the stability of the system.

Motion: Mr. David moved to accept the actuary's report on the Wisconsin Retirement System 35th Annual Valuation of Active Lives and Gain/Loss Analysis - December 31, 2015 and adopt their recommendation. Mr. Niendorf seconded the motion, which passed unanimously on a voice vote.

Accumulated Sick Leave Conversion Credit Program Annual Review

Mr. Anderson discussed the sick leave conversion credit program (Ref. ETF | 6.23.16 | 4C), which allows members to use sick leave credits to pay for health insurance premiums. The employer pays the contribution for state employees. GRS recommended an increase of 0.1% in the contribution rates for 2017.

Motion: Ms. Von Ruden moved to accept the actuary's report on the Accumulated Sick Leave Conversion Credit Program Actuarial Valuation as of December 31, 2015 and adopt their recommendation. Ms. Rasmus seconded the motion, which passed unanimously on a voice vote.

OPERATIONAL UPDATES

Secretary's Report

There was no report today.

Biennial Budget Update

Ms. Hunter presented a summary of the 2015 legislative session and provided an overview of the Wisconsin budget process. Ms. Hunter reviewed the Biennial Budget cycle. The next budget covers July 1, 2107– June 30, 2019. This process allows ETF the opportunity to secure operational and strategic resources and review Chapter 40 for technical and minor substantive changes.

Mr. Stohr referred the Board to the remaining operational update items (Ref. ETF | 6.23.16 | 5C, 5D, 5E).

PERSONNEL/APPEALS MATTERS

Mr. Koessler indicated the Board would convene in closed session to discuss the ETF Secretary's evaluation and deliberate on appeals.

MOTION: Mr. David moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) and (c) for the purpose of quasi-judicial deliberations on appeals and to discuss employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility. Mr. Niendorf seconded the motion, which passed on the following roll call vote:

Members Voting Aye: David, Ford, Koessl, Langyel, Niendorf, Paul, Rasmus, Rolston, Shier, Von Ruden and Ziegelbauer

Members Absent: Wiltgen

Ms. Rolston requested Mr. Ostrowski be invited into closed session.

The Board convened in closed session in Conference Room 244 at 1:00 p.m. and reconvened in open session in the Events Room at 3:20 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

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

Personnel Matters

The Board discussed Secretary Conlin's favorable performance evaluation. In addition, the Board moved to send a letter to the Department of Administration - Division of Personnel Management (DOA-DPM) seeking flexibility in the ability of the Board to award the Secretary a Discretionary Merit Compensation award. If DOA-DPM guidance changes for FY17 and Secretary Conlin becomes eligible for a DMC, the Board approved awarding a four-step pay adjustment when administratively feasible.

Appeals

The Board voted to adopt the Hearing Examiner's proposed decision with modifications in regard to appeals 2010-022-ETF, 2010-051-ETF, 2010-073-ETF, 2012-001-ETF, 2012-020-ETF, 2010-087-ETF, 2010-081-ETF, 2010-031-ETF, 2010-089-ETF, 2010-045-ETF, 2010-050-ETF, 2010-056-ETF, 2010-086-ETF, 2010-093-ETF, 2010-064-ETF.

ADJOURNMENT

Motion: Ms. Rolston moved to adjourn the meeting. Ms. Rasmus seconded the motion, which passed unanimously on a voice vote.

The Board adjourned at 3:22 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board