

**DRAFT**

# MINUTES

September 29, 2016

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 Koessl, Chair  
John David, Vice Chair  
Robert Niendorf, Secretary  
William Ford  
Michael Langyel  
Paul Ostrowski

Leilani Paul  
Roberta Rasmus  
Victor Shier  
Mary Von Ruden  
David Wiltgen  
Bob Ziegelbauer

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**PARTICIPATING EMPLOYEE TRUST FUNDS STAFF:**

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

Division of Retirement Services:  
Jim Guidry, Employee Benefits Plan  
Policy Advisor  
Deb Roemer, Trust Funds Director  
Matt Stohr, Administrator  
Office of Legal Services: Dan Hayes,  
Attorney

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**OTHERS PRESENT:**

ETF Division of Management Services:  
Ryan Perkins  
ETF Division of Retirement Services:  
Anne Boudreau, Gene Janke, Ann  
Suchomel  
ETF Office of Policy, Privacy &  
Compliance: Steve Hurley  
ETF Office of Legal Services:  
Diana Felsmann  
ETF Office of Internal Audit (OIA):  
Yikchau Sze

ETF Office of the Secretary:  
Sara Brockman, Pam Henning  
ETF Division of Trust Finance:  
Cindy Klimke  
Department of Administration (DOA):  
Derek Sherwin  
Legislative Audit Bureau (LAB):  
Jere Bauer Jr., Rachel Janke, Paul  
Onsager

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Board	Mtg Date	Item #
ETF	12.15.16	1

Wayne Koessl, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 12:45 p.m.

## CONSIDERATION OF MEETING MINUTES

***MOTION: Ms. Von Ruden moved to approve the open session minutes of the June 23, 2016, 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.***

***MOTION: Ms. Von Ruden moved to approve the closed session minutes of the June 23, 2016, meeting of the Employee Trust Funds Board, as submitted by the Board Liaison. Ms. Paul seconded the motion, which passed unanimously on a voice vote.***

## COMMITTEE REPORTS

### Executive Committee

Mr. Koessl noted the Executive Committee met on September 28, 2016. The Committee approved the June 22, 2016, minutes. In addition, the Committee reviewed and discussed:

- today's Joint Meeting of the Retirement Boards and ETF Board meeting agendas, highlighting;
  - CEM Benchmarking analysis;
  - ETF's 2015-2019 Strategic Plan;
  - overview of the Administrative Rule process;
  - review of a new customer service scorecard used by the Division of Retirement Services;
  - redesign proposal of the short- and long-term disability programs; and
  - ETF's 2017-2019 Biennial Budget request.
- some of ETF's objectives and accomplishments from the past quarter; and
- ETF's quarterly Human Resources Report, including current key vacancies.

### Audit Committee

Mr. Ford indicated the Audit Committee approved the June 23, 2016, minutes. In addition, the Committee:

- conducted an annual review of the Audit Committee charter and recommended no changes to the charter;
- reviewed a Navitus pharmacy benefit management audit which was performed by a third-party administrator, Tricast. The external audit was considered a passing audit, finding few discrepancies;
- discussed an OIA audit report regarding WRS annuity benefit calculations; and
- discussed the 2015-2017 Audit Plan.

### Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the March 24, 2016 minutes. The committee also:

- reviewed the operations update on Member Services Bureau work statistics, including the number of retirements and requests for retirement estimates in the second quarter of 2016;
- discussed an update on the status of the Benefit Administration (BAS) project and an overview of the next steps in the project. Rollout 1.5 of the project is scheduled to launch in October 2016; and
- discussed the Department's 2017-2019 state budget request.

## **DISCUSSION AND CONSIDERATION**

### Clearinghouse Rule # CR 16-033: Technical and Minor Substantive Changes in Existing ETF Administrative Rule

Mr. Stohr reminded Board members about the presentation at the Joint Meeting of the Retirement Boards (Ref. ETF | 9.29.16 | 4A) regarding the changes proposed. Both the Teachers Retirement Board and Wisconsin Retirement Board approved the changes. Mr. Hayes made himself available for questions.

***MOTION: Mr. David moved to accept the final version of proposed Clearinghouse Rule # 16-033. Mr. Niendorf seconded the motion, which passed unanimously on a voice vote.***

### Long-Term Disability Insurance (LTDI) Report

Ms. Roemer and Mr. Guidry presented Milliman's actuarial valuation (Ref. ETF | 9.29.16 | 4B) that was presented to the Group Insurance Board last May. The GIB accepted the report and approved the recommended premium contributions.

### Disability Program Redesign Proposal

Ms. Roemer and Mr. Guidry began by describing the history of the four disability benefit programs currently administered by ETF. (Ref. ETF | 9.29.16 | 4C) They explained the complexity of the programs and the differences between state and local benefits. ETF's goal is to have one long-term disability program and one short-term disability program. To that end, ETF has been working with Milliman to analyze its current programs and look for ways to reduce duplication, complexity, and administrative costs, and to minimize disruption for members, ETF and the WRS Trust Funds.

Milliman's analysis concluded that closing LTDI to new enrollees and reopening 40.63 would be the best way to achieve the stated objectives. Mr. Guidry explained the benefits of this proposal for members, for ETF and to the WRS Trust Funds. There is no impact on existing disabilitants, but it would take approximately 37 years to run out

to termination. Financially, there would be approximately \$1 million in net savings annually. In addition, IT resources would not be needed to develop new LTDI claims in myETF.

***Motion: Mr. Ford moved to approve the proposed changes for the LTDI disability program. Ms. Paul seconded the motion, which passed unanimously on a voice vote.***

Board members asked to have regular status updates as this initiative proceeds.

#### Biennial Budget Update

Ms. Hunter presented ETF's 2017-19 proposed biennial budget request, detailing the funding necessary for operations, initiatives and new building expenses. This includes requests for new FTE positions.

***Motion: Ms. Von Ruden moved to support the Department's 2017-2019 Biennial Budget proposal as detailed. Mr. Wiltgen seconded the motion, which passed unanimously on a voice vote.***

## **OPERATIONAL UPDATES**

### Secretary's Report

Mr. Conlin highlighted the following as part of his report.

- Outlined how the agency is handling the new recruitment standards included in ACT 150. He noted the new application process seems to be increasing the applicant pool for some positions.
- Provided an update on the BAS project, including the upcoming Rollout 1.5 scheduled for November 10, 2016. He noted the agency's increased testing has improved the process, which will be especially important with Rollout 2 affecting 1500 employers. He pointed out that the biggest risk with Rollout 2 is the bridging between BAS and the legacy systems.
- The RFP process for assessing self-insurance is underway, and the initial results will be presented at the November 30, 2016, Group Insurance Board meeting. He further explained that the process has required resources throughout the agency.
- Explained the results from the ETF staff engagement survey, including staff's interest in pay advancement. He noted that the Department of Administration has not issued guidelines on merit pay at this point.
- Stated that the issuance of GASB audit and CAFR will be delayed due to matters out of ETF's control. This is creating issues with some of ETF's employers because they are not able to get the information needed from the state to complete financial statements, which may affect their bond rating or eligibility for various forms of aid.

Mr. Stohr referred the Board to the remaining operational update items (Ref. ETF | 9.29.16 | 5B).

**ADJOURNMENT**

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

The Board adjourned at 2:18 p.m.

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

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

Robert Niendorf, Secretary  
Employee Trust Funds Board