

DRAFT

MINUTES

March 23, 2017

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
Paul Ostrowski

Leilani Paul
Victor Shier
Mary Von Ruden
David Wiltgen
Bob Ziegelbauer

ETF BOARD MEMBERS NOT PRESENT:

Roberta Rasmus

PARTICIPATING EMPLOYEE TRUST FUNDS STAFF:

Office of the Secretary:
Bob Conlin, Secretary
John Voelker, Deputy Secretary
Pam Henning, Assistant Deputy Secretary
Tarna Hunter, Director of Strategic Engagement and Government Relations
Cherylynn Wilkins, Board Liaison

Division of Trust Finance: Cindy Klimke-Armatoski, Chief Trust Financial Officer
Division of Retirement Services:
Matt Stohr, Administrator
Office of Strategic Health Policy (OSHP):
Sara Brockman, Health Policy Advisor
Jessica Rossner, Program Manager

OTHERS PRESENT:

ETF Division of Management Services:
Ryan Perkins
ETF Division of Retirement Services:
Anne Boudreau, Jim Guidry
ETF Division of Trust Finance:
Dan Gopalan, Michelle Mattox,
Nanette Strennen
ETF Office of Communications: Mark Lamkins

ETF Office of Internal Audit (OIA): Michelle Hoehne, Amelia Slaney, Yikchau Sze
ETF Office of Legal Services (OLS):
Diana Felsmann, Dan Hayes
ETF Office of the Secretary: Jennie Bauernhuber
Gabriel Roeder Smith & Company (GRS):
Jim Anderson, Mark Buis, Brian Murphy

Board	Mtg Date	Item #
ETF	6.22.17	1

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

CONSIDERATION OF MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the open session minutes of the December 15, 2016, meeting of the Employee Trust Funds Board, as submitted by the Board Liaison. Mr. Wiltgen seconded the motion, which passed unanimously on a voice vote.

ELECTION OF OFFICERS

MOTION: Mr. Langyel moved to nominate Wayne Koessler as Chair, John David as Vice Chair and Robert Niendorf as Secretary. Mr. Wiltgen seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Koessler noted the Executive Committee met on March 22, 2017. The Committee approved the December 14, 2016, minutes and reviewed and discussed:

- today's Joint Meeting of the Retirement Boards and ETF Board meeting agendas, covering several educational presentations and operational updates;
- some of the Department's objectives and accomplishments for the past quarter;
- ETF's quarterly Human Resources Report, including current key vacancies and recruitment efforts; and
- the Secretary's evaluation documents, process and timeline.

Secretary's Evaluation and Timetable

Ms. Henning provided a history on the Secretary's evaluation process. (Ref. ETF | 3.23.17 | 4A1) Changes to the Secretary's Annual Performance Review document include eliminating the "Superior" rating choice in 2015 and adding an explanation to the "Developing" rating for 2016. No additional changes were suggested for 2017. The process will include feedback via a survey from ETF managers and supervisors. The Board will also be asked to complete a survey, scheduled for distribution on May 22.

Audit Committee

Mr. Ford indicated the Audit Committee approved the December 15, 2016, minutes. In addition, the Committee:

- elected Audit Committee officers for 2017;
- discussed two audit reports prepared by the Legislative Audit Bureau (LAB).
 - The Wisconsin Retirement System (WRS), which is a well-funded system using both financial standards and the GASB rules. The report shows the WRS on top of the peer pension systems. The report did note three errors which Mr. Ford explained.
 - WRS Employer Reports; and
- discussed the progress of the 2015-2017 Audit Plan.

Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the December 15, 2016, minutes. The committee also:

- reviewed the operations update on the number of retirements and number of requests for retirement estimates in the fourth quarter of 2016;
- discussed the Department's 2017-2019 state budget request; and
- discussed the status of the Benefit Administration System (BAS) project and an overview of the next steps in the project. Rollout 2 of the project is scheduled to launch January 1, 2018.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System 34th Annual Valuation of Retired Lives – December 31, 2016

Mr. Anderson summarized the results of the valuation (Ref. ETF | 3.23.17 | 5A) and, based on the results, stated the increase in the Core annuities is 2.0% and Variable annuities will be increased by 4.0%.

Motion: Mr. Wiltgen moved to accept the actuary's report on the Wisconsin Retirement System 34th Annual Valuation of Retired Lives – December 31, 2016, and adopt their recommendation. Ms. Paul seconded the motion, which passed unanimously on a voice vote.

Employee Reimbursement Accounts (ERA) / Commuter Benefits Program / Health Savings Accounts (HSA) Update

Ms. Rossner and Ms. Brockman updated the Board on benefit programs administered by Total Administrative Services Corporation (TASC) and TASC's performance. TASC is the third party administrator (TPA) for ERA, medical and dependent care, parking and commuter benefits and HSA. Ms. Brockman discussed the contract term with TASC participant fees and rate adjustments. Ms. Rossner discussed the transition and the areas of concern. She discussed improvements made in 2016 and future changes to be implemented and extended into 2017 and the next contract term.

Motion: Mr. David moved to approve a one-year extension of the administrative services contract with Total Administrative Services Corporation, with the proposed fee increase, not to exceed 3% for the Employee Reimbursement Accounts, Commuter Benefits, Limited Purpose Flexible Spending Account and Health Savings Account program for the 2018 plan year, January 1, 2018 through December 31, 2018, and adopt the staff recommendations regarding the contract. Mr. Langyel seconded the motion, which passed unanimously on a voice vote.

Disability Program Redesign Update

Mr. Stohr updated the Board on the disability redesign changes that the Board approved at the September 2016 meeting. The recommended changes were to close LTDI to new enrollees and reopen the 40.63 disability retirement program effective January 1, 2018. These changes would require changes to the administrative code.

Here is what happened since the memo (Ref. ETF | 3.23.17 | 4C).

- The Governor recently approved the administrative code scope statement. ETF is now in the process of drafting the code language for the Legislative Reference Bureau;
- ETF has made the needed changes to the current payment system to facilitate the LTDI program in-house for the grandfathered participants. The program and system is in the process of being tested to ensure the changes do not interfere with payments to other retirees;
- As the redesign process gets closer to implementation, ETF will utilize Milliman, the Board's actuary, to assist with a communication plan for members on the disability changes; and
- At the February 2017 Group Insurance Board (GIB) meeting, the Board approved changes to the Income Continuation Insurance (ICI) program, in particular to no longer be overseen by the GIB and instead be overseen by the ETF Board were approved. All ICI language is in state statute and ETF is looking to get language submitted to the legislature at some point, which will be a lengthy process.

ETF will continue to keep the Board apprised of the progress.

History of ETF Financial Statements Preparations

Secretary Conlin and Ms. Klimke (Ref. ETF | 3.23.17 | 4D) discussed a brief history of ETF's Comprehensive Annual Financial Report (CAFR) preparation and timeliness, as well as recent legislative factors that affected CAFR preparation.

Secretary Conlin and Ms. Klimke also provided additional information regarding recent audit findings from the LAB and the hearing before the Legislature's Joint Audit Committee.

Ms. Klimke, who joined ETF in June 2016, shared her past employment at the State of Wisconsin Investment Board (SWIB) and background in finance. Short-term goals for the Division of Trust Finance will center on having appropriately assigned resources, overall process improvements and training.

The Board commented how pleased they are with ETF in the handling of these issues because the credibility of ETF is only strengthened.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin updated the Board and highlighted the following:

- ETF's cyber security initiative and passive request for additional funding;
- Staff online security training sponsored by the Department of Administration;
- Recruitment for a Chief Information Security Officer;
- Milwaukee County's interest in joining the WRS.
- His participation on a National Conference of State Legislatures panel discussing public pension plan funding.

State 2017-2019 Biennial Budget Update

Ms. Hunter referred the board to the memo (Ref. ETF | 3.23.17 | 6B) and discussed the biennial budget request for July 1, 2017 – June 30, 2019. Ms. Hunter reviewed the anticipated timeline of each stage in preparing the budget, providing details of the ETF's specific funding request. Ms. Hunter also explained the Shared Services request in the budget and the potential transfer of three positions to the Department of Administration.

ADJOURNMENT

Motion: Mr. Ford moved to adjourn the meeting. Mr. Ziegelbauer seconded the motion, which passed unanimously on a voice vote.

The Board adjourned at 1:53 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board