

DRAFT

# MINUTES

June 22, 2017

Employee Trust Funds Board  
State of Wisconsin

Location:

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



**ETF BOARD MEMBERS PRESENT:**

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

Leilani Paul  
Roberta Rasmus  
Mary Von Ruden  
David Wiltgen  
Bob Ziegelbauer

**BOARD MEMBERS NOT PRESENT:**

Victor Shier

**PARTICIPATING EMPLOYEE TRUST FUNDS STAFF:**

Office of the Secretary:

Bob Conlin, Secretary  
John Voelker, Deputy Secretary  
Tarna Hunter, Director of Strategic  
Engagement and Government  
Relations  
Cherylynn Wilkins, Board Liaison

Division of Retirement Services:

Matt Stohr, Administrator  
Office of Legal Services:  
Dan Hayes, Attorney

**OTHERS PRESENT:**

ETF Division of Management Services:  
Stacie Meyer, Ryan Perkins

ETF Division of Retirement Services:  
Anne Boudreau, Jim Guidry, Deb  
Roemer

ETF Office of Communications:  
Nancy Ketterhagen, Mark Lamkins

ETF Office of Legal Services:  
Diana Felsmann, David Nispel,  
Amanda Postel

ETF Office of Internal Audit (OIA):  
Yikchau Sze

Office of Policy, Privacy & Compliance:  
Steve Hurley

ETF Office of the Secretary: Pam Henning  
ETF Division of Trust Finance:

Cindy Klimke, Michelle Mattox  
Gabriel Roeder Smith & Company (GRS):

Jim Anderson, Brian Murphy  
Milliman: Paul Correia, Jack Chimielewski

Board	Mtg Date	Item #
ETF	9.21.17	1

Wayne Koessler, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 12:43 p.m.

## CONSIDERATION OF MEETING MINUTES

***MOTION: Ms. Von Ruden moved to approve the open and closed session minutes of the March 23, 2017, 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. Koessler noted the Executive Committee met on June 21, 2017. The Committee approved the March 22, 2017, minutes. In addition, the Committee reviewed and discussed:

- today's Joint Meeting and ETF Board meeting agenda including the Disability Program Redesign update, recent biennial budget action and other operational updates;
- recommendations by the actuaries on contribution rates for 2018, 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
- some of ETF's objectives and accomplishments from the past quarter;
- ETF's quarterly Human Resources Report, including current key vacancies and recruitment efforts of the agency;
- 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 23, 2017 minutes. In addition, the Committee:

- due to the sensitive nature of the details of an OIA IT security audit report, met in closed session for discussion of the audit;
- in open session discussed the Legislative Audit Bureau Report 17-7, for 2015. ETF agrees with the recommendations of the audit and started implementation in 2015;
- approved the FY2018-FY2019 Audit Plan; and
- reviewed the completion of the FY2016-FY2017 Audit Plan.

### Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the March 23, 2017 minutes. The committee also:

- reviewed the operations update on the number of retirements and requests for retirement estimates in the first quarter of 2017 and overall customer service improvements;
- 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**

### 40.65 Duty Disability Actuarial Review

Mr. Correia and Mr. Chimielewski, from Milliman, the Board's actuary for disability programs, (Ref. ETF | 6.22.17 | 4A) summarized the detailed duty disability valuation report.

The guidelines used for the valuation of duty disability review were explained. How the mortality assumption of the active lives is different than the disabled lives and survivors and the related future death benefits were also discussed. There was a further discussion on the assumption changes comparing the liabilities versus the assets. The validation method with the assumptions are tested regularly with one of the tests being the Liability Runoff Study.

The Duty Disability program is for the protective category members. Employer contributions are tiered, based on that individual employer's claims experience. The Duty Disability program for 2016 and 2017 is fully funded with long-term funding trends showing a decrease in contributions.

***Motion: Mr. Langyel moved to accept the actuary's review on the Duty Disability Plan Valuation as of January 1, 2017, the 2018 Contribution Rate Tiers and adopt their recommendation, and adopt the presented premium schedule. Mr. Von Ruden seconded the motion, which passed unanimously on a voice vote.***

### Wisconsin Retirement System 36<sup>th</sup> Annual Valuation of Active Lives and Gain/Loss Analysis—December 31, 2016

As the full actuarial valuation had been presented at the Joint Meeting, Mr. Anderson presented the Executive Summary (Ref. ETF | 6.22.17 | 4B) and the recommended required employer contribution rates for 2018.

***Motion: Mr. Ziegelbauer moved to accept the actuary's report on the Wisconsin Retirement System 36<sup>th</sup> Annual Valuation of Active Lives and Gain/Loss Analysis - December 31, 2016 and adopt their recommendation. Mr. Wiltgen seconded the motion, which passed unanimously on a voice vote.***

Accumulated Sick Leave Conversion Credit Program Annual Review

Mr. Buis discussed the sick leave conversion credit program (Ref. ETF | 6.22.17 | 4C), which allows members to use sick leave credits to pay for post-retirement health insurance premiums. The program uses a five-year smoothing of assets and is only for state agencies and university employees. Mr. Buis indicated that his report recommends contribution rates for 2018.

***Motion: Ms. Paul moved to accept the actuary's report on the Accumulated Sick Leave Conversion Credit Program Actuarial Valuation as of December 31, 2016, and adopt their recommendation. Mr. Ostrowski seconded the motion, which passed unanimously on a voice vote.***

Clearinghouse Rule # CR 17-031: ETF-50 – Disability Programs Redesign

Mr. Hayes reminded the Board of the presentation (Ref. JM | 6.22.17 | 3C) at the Joint Meeting of the Retirement Boards.

***Motion: Ms. Rasmus moved to approve the final revisions of the Clearinghouse Rule # CR 17-031 as proposed. Mr. Wiltgen seconded the motion, which passed unanimously on a voice vote.***

## OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin updated the Board and highlighted the following:

- Michael Williamson, Executive Director of the State of Wisconsin Investment Board (SWIB), is retiring at the end of this year; A search firm will be utilized for the recruitment;
- Milwaukee County's interest in joining the WRS; and
- Planned ETF staff engagement events, including a summer picnic and a town hall meeting.

State 2017-2019 Biennial Budget Update

Ms. Hunter referred the board to the memo (Ref. ETF | 6.22.17 | 5B) and presented the current status of ETF's specific biennial budget funding requests. The two separate raises of 2% each for state employees were kept, pending approval of the compensation plan. All self-insurance contracts go before the JCF for a passive review. The JCF requested a 13.10 hearing for ETF to approve the self-insurance group health insurance program contracts. At that hearing the JCF rejected all the self-insurance contracts and recommended several modifications to the authority it has over the group health insurance program and the Group Insurance Board (GIB).

Mr. Conlin discussed the legislature's desire to be more involved with the state's health program. Mr. Ford stated concerns that the proposed changes to the GIB might make for a less effective GIB.

Mr. Stohr referred the Board to the operational update item (Ref. ETF | 6.22.17 | 5C).

## **PERSONNEL MATTERS**

Mr. Koessler indicated the Board would convene in closed session to discuss the ETF Secretary's evaluation. Ms. Henning and Ms. Meyer were invited to stay during closed session.

***MOTION: Mr. David moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (c) 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, Koessler, Langyel, Niendorf, Paul, Ostrowski, Rasmus, Von Ruden Wiltgen and Ziegelbauer***

***Members Absent: Shier***

The Board convened in closed session at 1:34 p.m. and reconvened in open session at 3:03 p.m. Mr. Ostrowski did not stay for closed session.

## **ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION**

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

### Personnel Matters

The Board discussed Secretary Conlin's favorable performance evaluation. The Board moved to delay action on Secretary Conlin's compensation until the September ETF Board meeting to obtain information available in the upcoming 2017-2019 Compensation Plan.

## **ADJOURNMENT**

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

The Board adjourned at 3:04 p.m.

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

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

Robert Niendorf, Secretary  
Employee Trust Funds Board