

**DRAFT**

# MINUTES

December 14, 2017

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 Koessler, Chair  
John David, Vice Chair  
Robert Niendorf, Secretary  
William Ford  
Michael Langyel  
Leilani Paul

Roberta Rasmus  
Jim Underhill (designee for Stacey Rolston)  
Victor Shier  
Bob Ziegelbauer

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**BOARD MEMBERS NOT PRESENT:**

Mary Von Ruden

David Wiltgen

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**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 Management Services: Trae Matte, Chief Information Security Officer  
Division of Retirement Services:  
Matt Stohr, Administrator  
Jim Guidry, Director, Benefits Services Bureau

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**OTHERS PRESENT:**

ETF Division of Management Services (DMS): Ryan Perkins, Dana Perry  
ETF Division of Retirement Services:  
Anne Boudreau, Megan Jeffers  
ETF Office of Internal Audit (OIA):  
Michelle Hoehne, Yikchau Sze  
ETF Office of Legal Services:  
Diana Felsmann, David Nispel

ETF Office of the Secretary: Jennie Bauernhuber, Lisa Gurley, Pam Henning, Tarna Hunter  
ETF Office of Strategic Health Policy (OSHP):  
Sara Brockman, Jessica Rossner  
Department of Justice: Charlotte Gibson

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ETF	3.29.18	1

Wayne Koessl, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 12:16 p.m.

## **ANNOUNCEMENTS**

Mr. Stohr showed an example of the postcard being distributed to members about ETF's move to the new building at Hill Farms. He also announced the results of the vendor surveys rating the Board's actuaries, Gabriel Roeder Smith & Company (GRS) and Milliman. ETF plans to utilize similar surveys on an annual basis.

## **CONSIDERATION OF MEETING MINUTES**

***MOTION: Ms. Rasmus moved to approve the open and closed session minutes of the September 21, 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. Koessl noted the Executive Committee met on December 13, 2017. The Committee approved the September 20, 2017, minutes. In addition, the Committee reviewed and discussed:

- today's Joint Meeting and ETF Board meeting agenda covering the various educational topics heard this morning, including presentations by the State of Wisconsin Investment Board and GRS, an update on the Benefit Administration System (BAS) project, disability program redesign and cyber security;
- some of ETF's objectives and accomplishments from the past quarter; and
- ETF's quarterly Human Resources Report, including current key vacancies and recruitment efforts of the agency.

### Audit Committee

Mr. Ford indicated the Audit Committee approved the September 21, 2017, minutes. In addition, the Committee:

- discussed the following 2016 annual financial reports: Legislative Audit Bureau (LAB) report of the Wisconsin Retirement System (WRS), the WRS Reporting for Participating Employers and the 2016 Comprehensive Annual Financial Report (CAFR), which are available on ETF's website;
- LAB discussed its findings on the 2016 reports and ETF's Chief Trust Finance Officer, Ms. Klimke, provided additional information;
- for the WRS Employer Reporting, 1500 employers are required to report their share of the deficiencies based on the government accounting standards Board (GASB) rules which are very complex. ETF disagrees with that LAB's conclusion that the finding is significant.
- reviewed the FY2018-FY2019 Audit Plan status and open issues report;

- reviewed the invoicing audit and management staff agree to the findings;
- reviewed the Office of Internal Audit Charter and approved a number of minor and substantive changes; and
- discussed the quality assurance and self-evaluation of the OIA.

#### Budget and Operations Committee

Mr. Stohr reported the Budget and Operations Committee was canceled due to lack of a quorum.

### **DISCUSSION AND CONSIDERATION**

#### Review of Committee Charters

***Motion: Mr. David moved to approve the charters for the Executive Committee, the Audit Committee and the Budget and Operations Committee. Ms. Paul seconded the motion, which passed unanimously on a voice vote.***

#### Disability Program Redesign Update

Mr. Guidry and Mr. Stohr updated the Board (Ref. ETF | 12.14.17 | 4B) on the activities related to the redesign of the disability benefits plan offered to eligible WRS employees. To close the Long-Term Disability Insurance Program (LTDI), the administrative rule must be changed; it will be through the legislative process on December 16, 2017, with an effective date of January 1, 2018. Pending LTDI claimants will be notified of the change. Multiple communications have been developed and sent to claimants.

The Aetna administrative services contract has been amended to assist ETF in the transition of members to the new program, including roles and responsibilities for handoff of the LTDI program. Aetna was acquired by and transitioning into Hartford. Hartford promises a seamless transition through utilization of Aetna's current tools and personnel.

Mr. Guidry reviewed the changes to redesign the Income Continuation Insurance (ICI) program.

Disability Program Section has increased staffing by two full-time employees by reallocating exiting vacancies within the Benefit Services Bureau.

### ETF Information Technology Annual Update

Mr. Matte provided an update to the Board on several initiatives related to ETF's cyber security. He provided examples of cyber security breaches throughout the United States, including an attack on a pension plan that made national news in 2017. Mr. Matte also described controls and processes currently in place at ETF.

ETF has implemented several initiatives to create critical controls and assessment of gaps in critical controls. He discussed additional initiatives including multi-factor authentication, cybersecurity insurance coverage and the new cybersecurity language on vendor contracts.

## **OPERATIONAL UPDATES**

### Secretary's Report

Mr. Conlin updated the Board on the following topics: ETF's move the new Hill Farms State Office Building; his upcoming testimony at an LAB hearing; an upcoming retreat with GRS actuaries and ETF staff; upcoming changes to reporting key metrics to the boards; SWIB returns and ETF's projections for positive annuity adjustments; a brief update on the January 1, 2019 go-live date for the BAS; a bill proposal to allow jailers to be classified as protective employees; a fiduciary training opportunity for board members.

Board members indicated they were interested in the fiduciary training opportunity and support was expressed for ETF to procure fiduciary training for the Board.

## **APPEAL**

Mr. Koessler indicated the Board would convene in closed session to hear appeal 2016-019-ETF.

***MOTION: Mr. Langyel moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for the purpose of quasi-judicial deliberations on an appeal. Mr. David seconded the motion, which passed on the following roll call vote:***

***Members Voting Aye: David, Ford, Koessler, Langyel, Niendorf, Paul, Rasmus, Shier, Underhill and Ziegelbauer***

***Members Absent: Von Ruden, Wiltgen***

The Board convened in closed session at 1:14 p.m. and reconvened in open session at 1:28 p.m.

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

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

Appeal 2016-019-ETF

The Board voted to adopt the Hearing Examiner's proposed decision with modifications according to Attorney Gibson's suggestions.

**ADJOURNMENT**

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

The Board adjourned at 1:30 p.m.

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

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

Robert Niendorf, Secretary  
Employee Trust Funds Board