

DRAFT

MINUTES

June 21, 2018

Employee Trust Funds Board
State of Wisconsin

Location:

State Hill Farms Building – Room N134
4822 Madison Yards Way, Madison WI 53705



ETF BOARD MEMBERS PRESENT:

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

Roberta Rasmus
Victor Shier
Mary Von Ruden
David Wiltgen
Bob Ziegelbauer

BOARD MEMBERS NOT PRESENT:

Stacey Rolston

PARTICIPATING EMPLOYEE TRUST FUNDS STAFF:

Office of the Secretary:

Bob Conlin, Secretary
John Voelker, Deputy Secretary
Cherylynn Wilkins, Board Liaison

Division of Retirement Services:

Matt Stohr, Administrator

Division of Trust Finance: Cindy Klimke-Armatoski, Chief Trust Finance Officer

Office of Policy, Privacy & Compliance:

Lucas Strelow, Policy Advisor

OTHERS PRESENT:

ETF Division of Management Services:

Patrick Hughes, Stacie Meyer

ETF Division of Retirement Services:

Anne Boudreau, Jim Guidry

ETF Division of Trust Finance (DTF):

Dave Ehlinger, Michelle Mattox, Amelia Slaney, Michelle Thode

ETF Office of Legal Services:

Monica Anderson, Diana Felsmann, David Nispel

ETF Office of Internal Audit (OIA):

Yikchau Sze

Office of Policy, Privacy & Compliance:

Steve Hurley

ETF Office of the Secretary: Lisa Gurley,

Pam Henning, Tarna Hunter

Foley & Lardner: Jason Childress

Gabriel Roeder Smith & Company (GRS):

Jim Anderson, Mark Buis

Legislative Audit Bureau: Stephanie Yost

Milliman: Paul Correia

| Board | Mtg Date | Item # |
|-------|----------|--------|
| ETF | 9.20.18 | 1 |

Wayne Koessl, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 12:42 p.m.

CONSIDERATION OF MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the open and closed session minutes of the March 29, 2018, 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.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met on June 20, 2018. The Committee approved the March 28, 2018 minutes. In addition, the Committee reviewed and discussed:

- today's ETF Board meeting agenda covering the various educational topics, including two presentations from GRS on the active lives valuation and accumulated sick leave conversion credit program and the 2019 WRS contribution rates; Milliman presentation on the disability programs and 2019 contribution rates; and review and approval of updated Board policies;
- 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; and
- the Secretary's annual evaluation review.

Audit Committee

Mr. Ford indicated the Audit Committee approved the March 29, 2018 minutes. In addition, the Committee discussed:

- an internal audit of the cash reconciliation process. The audit found a few deficiencies. All but one of the recommendations have been implemented. Going forward, DTF will reconcile quarterly instead of monthly;
- two third-party audits of the Wisconsin Deferred Compensation Program;
- an external quality OIA assessment to review internal office processes; and
- reviewed the FY2018-FY2019 audit plan and approved a couple of changes.

Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the March 29, 2018 minutes. The committee also:

- discussed a detailed report on ETF's move to the new building. Overall, the transition went very well;
- reviewed the operations update on the wait times for service and quality scores;
- met Michelle Baxter; she is replacing Bob Martin, who plans to retire in the fall; and
- discussed the status of the Benefit Administration System (BAS) project.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System 37th Annual Valuation of Active Lives and Gain/Loss Analysis–December 31, 2017

As the full actuarial valuation had been presented at the Joint Meeting, Mr. Anderson reviewed the Executive Summary (Ref. ETF | 6.21.18 | 4A) and the recommended contribution rates for 2019.

Motion: Mr. Wiltgen moved to accept the actuary's report on the Wisconsin Retirement System 37th Annual Valuation of Active Lives and Gain/Loss Analysis - December 31, 2017 and adopt their recommendation. Ms. Paul 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 | 6.21.18 | 4B), 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 there was a small decrease recommended for the 2019 contribution rates. The rates have been relatively stable over the years.

Motion: Ms. Paul moved to accept the actuary's report on the Accumulated Sick Leave Conversion Credit Program Actuarial Valuation as of December 31, 2017 and adopt their recommendation. Mr. David seconded the motion, which passed unanimously on a voice vote.

40.65 Duty Disability Actuarial Review

Mr. Correia from Milliman, the Board's actuary for disability programs, (Ref. ETF | 6.21.18 | 4C) summarized the detailed duty disability valuation report. The criteria and assumptions used for the valuation of the duty disability review were explained, along with the benefits, off-sets and survivor benefits. There was a further discussion on the valuation methods and standards utilized.

The valuation method changed from GASB 43 to GASB 10 for the December 31, 2017, valuation. The details of the liabilities as of December 31, 2017, were explained with a total liability of \$464,780,673 for 2017 under GASB 10 compared to \$558,332,368 for 2016 using GASB 43. A retrospective adequacy study was also done, which determined that the assumptions are appropriate. There was a funding analysis performed with four scenarios, and even with negative claim experience and lower than expected investment performance, the plan maintains a surplus.

Ms. Klimke discussed the contribution rate targets and the contribution rate tiers. There is a decrease from the current rates recommended. The surplus level is larger with GASB 10 but there needs to be further discussion about setting the appropriate surplus level. The 40.65 Duty Disability program is in a healthy position but the tiered rates and surplus need to be monitored. Employer contributions are tiered, based on that individual employer's claims experience. The majority of the employers are in tier 1.

Motion: Mr. David moved to accept the actuary's review on the Duty Disability Plan Valuation as of December 31, 2017, the 2019 Contribution Rate Tiers and adopt the recommended contribution rate schedule. Mr. Wiltgen seconded the motion, which passed unanimously on a voice vote.

Long-Term Disability Insurance (LTDI) Actuarial Valuations

Ms. Klimke discussed the history and changes of the LTDI fund. (Ref. ETF | 6.21.18 | 4D) For financial reporting as of December 31, 2017, LTDI will be combined and reported with the WRS fund. ETF determined that the LTDI benefits are provided through the WRS, as such should be reported as pension instead of a public entity risk pool. LTDI will no longer be reported as a separate fund.

Milliman completed the actuarial valuation as of December 31, 2017, in the same manner as in the past. However, these changes that will be made going forward came about because of new GASB standards for other post-employment benefits (OPEB) and because LTDI is a post-employment benefit.

LTDI is closed to new claims effective January 1, 2018. Mr. Correia of Milliman provided a summary of benefits, showing the historical fund balance going from a \$38,505,795 deficit to a \$642,452 surplus. If all the assumptions are realized, the plan is expected to remain in surplus status.

Motion: Mr. Wiltgen moved to accept the actuary's review on the Long-Term Disability Insurance Actuarial Valuation as of December 31, 2017. Ms. Paul seconded the motion, which passed unanimously on a voice vote.

Board Policies Update

Mr. Strelow reminded the Board of the presentation (Ref. JM | 6.21.18 | 3C) and the proposed wording change discussed at the Joint Meeting of the Retirement Boards. The proposed change would clarify language that could potentially be interpreted incorrectly regarding what violates the Wisconsin's Open Meetings law. Mr. Strelow read the exact wording of the amendment. Under the section, Communication Between Board Members at Board Meetings, the wording, "to prevent a violation of Wisconsin's Open Meeting law," changed to "to the extent that such communication could violate Wisconsin's Open Meeting law,"

Motion: Ms. Rasmus moved to approve the updated Communications Policy for incorporation into the Board Governance Manual as proposed and amended. Mr. Langyel seconded the motion, which passed unanimously on a voice vote.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin updated the Board at the Joint Meeting this morning. He had nothing further to add.

PERSONNEL MATTERS

Mr. Koessler indicated the Board would convene in closed session to discuss two matters:

- 1) the performance evaluation of ETF Secretary, and
- 2) consideration of two appeals.

Human Resource Manager Stacie Meyer was invited to stay during closed session.

MOTION: Mr. Niendorf 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 and Wis. Stat. § 19.85 (1) (a) for quasi-judicial deliberations. Mr. Shier seconded the motion, which passed on the following roll call vote:

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

Members Absent: Rolston

The Board convened in closed session at 1:36 p.m. and reconvened in open session at 3:00 p.m.

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 performance evaluation and shared their comments with him.

Appeals

The Board voted to adopt the Hearing Examiner's proposed decision with counsel's recommended modifications in regard to appeals # 2016-011 ETF and 2016-005-ETF.

ADJOURNMENT

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

The Board adjourned at 3:02 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board