

DRAFT

MINUTES

September 20, 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 Koessl, Chair	Roberta Rasmus
John David, Vice Chair	Victor Shier
Robert Niendorf, Secretary	Mary Von Ruden
William Ford	Bob Ziegelbauer
Leilani Paul	

BOARD MEMBERS NOT PRESENT:

Michael Langyel	David Wiltgen
Stacey Rolston	

PARTICIPATING EMPLOYEE TRUST FUNDS STAFF:

Office of the Secretary:	Bureau of Budget, Contract Administration & Procurement: Bonnie Cyganek, Director
Bob Conlin, Secretary	
John Voelker, Deputy Secretary	
Tarna Hunter, Legislative Liaison	Office of Legal Services: Diana Felsmann, David Nispel
Cherylynn Wilkins, Board Liaison	
Division of Retirement Services:	
Matt Stohr, Administrator	

OTHERS PRESENT:

ETF Division of Management Services:	ETF Office of Internal Audit (OIA): Michelle Hoehn, Rick Onasch, Yikchau Sze, Mona Yee
Patrick Hughes, Anthony Lindsey, Will Wallo	
ETF Division of Retirement Services:	ETF Office of Policy, Privacy & Compliance: Steve Hurley
Anne Boudreau, Erin Esser, Jim Guidry	
ETF Division of Trust Finance (DTF):	ETF Office of the Secretary: Lisa Gurley, Pam Henning
Amelia Slaney	
ETF Office of Legal Services: Monica Anderson, Dan Hayes	DOA/Division of Personnel Management (DPM): Rachel Martin
Foley & Lardner: Jason Childress	Institute of Internal Auditors (IIA) Quality Services, LLC: George Shemo (via teleconference)

Board	Mtg Date	Item #
ETF	12.13.18	1

Wayne Koessl, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 1:16 p.m.

CONSIDERATION OF MEETING MINUTES

MOTION: Mr. Ford moved to approve the open and closed session minutes of the June 21, 2018, 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.

The Chair announced, due to time constraints of the presenter, item 4A will be heard in an order other than listed on the agenda and will be heard first.

External Quality Assessment of Office of Internal Audit

Mr. Shemo of IIA Quality Services, LLC (Ref. ETF | 9.20.18 | 4A) discussed ETF's OIA (Office of Internal Audit) as compared to the standards and the IIA Code of Ethics and that ETF's OIA meets the standards. Mr. Shemo spoke highly of Ms. Sze and what she has done to change the culture within OIA. Management looks at OIA as a resource and OIA as adding value to ETF.

ETF is proposing some changes in the organization reporting structure for OIA. Previously the OIA Director would report to ETF's Secretary. According to IIA standards, the OIA Director should be reporting administratively to ETF's Secretary and functionally to the ETF Board and more specifically the Audit Committee. This provides autonomy to the OIA Director function. The perception of independence goes a long way. The OIA Director needs functional autonomy and Ms. Sze and ETF management are supportive of the independence, they just need to formalize it.

Created by the Audit Committee and ETF management, changes need to be made to ETF's Audit Plan. With cooperation from the Audit Committee, a frequency guide of what needs to be considered for audit, assess risk and then scheduled. This will allow the Audit Committee to make the proper decision and may allow OIA to reduce scope of audits.

Mr. Ford mentioned that the Audit Committee Charter will be presented to the ETF Board for approval in December. Many of the items Mr. Shemo mentioned are already included in the revised charter. The Audit Committee has already approved many of the recommendations made by Mr. Shemo.

All that was mentioned will bring ETF, OIA, the Audit Committee and the ETF Board into line with best practices.

Mr. Conlin commented that the OIA independence will change the reporting relationship and ETF is working on the civil service structure but starting with the OIA Director brings us closer. Additionally, this change will require more work on the Audit Committee's part.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met on September 19, 2018. The Committee approved the June 20, 2018 minutes. In addition, the Committee reviewed and discussed:

- the agendas of today's Joint Meeting of the Retirement Boards and the ETF Board meeting;
- a review of ETF's accomplishments and objectives from the past quarter;
- the 2019-2021 biennial budget request being presented today; and
- ETF's quarterly Human Resources Report, including current key vacancies and recruitment efforts of the agency.

Budget and Operations Committee

Ms. Von Ruden reported the Budget and Operations Committee approved the June 21, 2018 minutes. The committee also:

- discussed the operations including retirement applications, estimates, call volumes and customer service levels in the second quarter of 2018;
- received an overview from Ms. Hunter of ETF's 2019-2021 state budget request and the usual timeline associated with the budget approval; and
- supports the department's request as proposed.

Audit Committee

Mr. Ford indicated the Audit Committee approved the June 21, 2018 minutes. In addition, the Committee discussed:

- an external audit to discuss the contract compliance of Navitus, for pharmacy benefit management services for the plan year 2016 and 2017. The audit was performed by Tricast and is considered a passing audit. This program is under the oversight of the Group Insurance Board and has exceeded its expected performance on pricing;
- another external contract compliance audit, that reviews the benefits for the Income Continuation Insurance (ICI) Program, which is self-funded from employers and employees;
- an internal audit of non-retirement payments did not identify any material inappropriate payments but did propose improvements in communication and controls to reduce the likelihood of inappropriate or excessive expenditures for non-retirement benefit programs administered by ETF including health insurance, dental, sick leave, life insurance, long-term disability insurance (LTDI) and ICI to name a few;
- recommended changes to the audit committee charter which will come before the full Board in December to ask for approval of the changes; and
- reviewed the status of the FY2018-FY2019 audit plan.

DISCUSSION AND CONSIDERATION

Procurement of CEM Services

Ms. Cyganek (Ref. ETF | 9.20.18 | 4B) provided background regarding the request. Benchmarking ETF against its customized pension peer group is beneficial to ETF and its members. CEM Benchmarking, Inc. has provided valuable insight into the Wisconsin Retirement System administration cost and service levels since 2007. The CEM contract provides a lot of value to the department and the cost in 2018 is \$45,000.

Motion: Mr. David moved to delegate the Board's authority to the ETF Secretary to procure CEM Benchmarking, Inc. for pension administration benchmarking services. Mr. Niendorf seconded the motion, which passed unanimously on a voice vote.

ETF's 2019-2021 Biennial Budget Request

Ms. Hunter informed the Board that budget requests were due September 18, however ETF wanted the Board's support prior to submitting its budget request to the Governor. If the Board supports ETF's proposal, it will be submitted.

Ms. Hunter reviewed the legislative process with the final budget to be passed sometime around July 1. Ms. Hunter (Ref. ETF | 9.20.18 | 4C) also reviewed the details ETF has in its budget proposal.

ETF's budget request consists of an overall increase of 1.39% and asks the Legislature to provide funding for the mandatory actuarial WRS audit by the Legislative Audit Bureau (LAB). The request includes statutory changes for the disability program redesign and position authority for four additional positions which will be funded within ETF's spending authority. For the effective administration of ETF's disability program, it is requesting position authority for two FTE positions. In addition, position authority for two FTE Business Intelligence personnel to help modernize ETF's data systems and to make data driven decisions is also in the request. All of the positions would be fulfilled from current expenditure authority. No additional funds are sought for these positions.

Internal audit reporting statutory changes are requested to create an independent OIA at ETF which will align with auditing best practices. This internal auditor position would be unclassified, report directly to the Board and would give organizational independence to the OIA.

Motion: Ms. Von Ruden moved to support ETF's 2019-2021 Biennial Budget proposal as detailed. Ms. Paul seconded the motion, which passed unanimously on a voice vote.

Mr. Ford commented regarding ETF's budget proposal. ETF does not receive general purpose revenue funding and ETF has a process for the Board to review the budget.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin thanked the Board for support of ETF's budget proposal request. He assured the Board that the 1.4% above current spending is within normal range compared to other agency requests. ETF currently has 21 vacancies at various stages of recruitment. Ms. Klimke with ETF's Division of Trust Finance (DTF) and her team published the 2016 Comprehensive Annual Financial Report (CAFR) earlier this year. Even though this year's CAFR is more difficult with the Government Accounting Standards Board (GASB) changes, they expect to have this year's CAFR published October 3 or 4. Ms. Klimke has significantly improved this process during her time at ETF.

ETF Metrics Report

Mr. Voelker (Ref. ETF | 9.20.18 | 5B) provided comment regarding restructuring of data and how metrics will be provided to the Board. The same data will continue to be provided but the various pieces of agency operations data will move from the Joint Meeting and consolidated into one report presented to the ETF Board which provides performance management.

Mr. Voelker focused on the performance of the four areas in red and the member impact of each.

Calls answered within three minutes with a target of 70% and ETF is at 51%. A combination of 10,000 extra calls plus questions regarding tax changes made for longer wait times early in the year.

Final annuity calculations with members receiving their final annuity calculation within five months is dependent on employers getting us the information which can affect this issue. Additionally, staffing priorities need to be made and a timely initial payment is the greater priority. The member impact on the final calculation is relatively minor due to the limited changes in the final annuity

The primary reason the payments of lump-sum death payments does not meet the set standard of staffing resources is that ETF places a priority on ensuring the named survivor continues to get their benefit first as they are more dependent on the regular (monthly) income stream.

Regarding individual appointments, the target is to have the first available appointment be within 15 days of the request, but we are closer to 29 days. There are spikes due to the high demand but now we are trending back to normal. ETF completed 14,410 estimates in the past two quarters compared to 10,305 the two quarters previously. We can get people in to a group appointment within 5-10 days.

Requests for retirement estimates compared to actual retirements is two to one. ETF has a policy stating that members need to be less than one year from retirement before requesting an estimate and encourage members to use the online tools, but it is difficult

to regulate. If ETF had a self-service tool connected to the member's data, it would be easier for the member and reduce workload for ETF.

Legal Case Update

Mr. Nispel and Ms. Felsmann (Ref. ETF | 9.20.18 | 5D) provided a more recent update than the information currently in the memo regarding the Boyden case. Secretary Conlin and Group Insurance Board members are no longer personally liable, but the risk remains for ETF, so we want to keep the Board advised. The district court decided that the exclusion did constitute sex discrimination.

Wayne thanked the staff that prepared the tour of ETF's office space.

CONSIDERATION OF APPEAL 2017-007-ETF

MOTION: Ms. Von Ruden moved to convene in closed session, pursuant to the exemption contained in Wis. Stat. § 19.85 (1) (a) for quasi-judicial deliberations. Ms. Rasmus seconded the motion, which passed on the following roll call vote:

Members Voting Aye: David, Ford, Koessl, Niendorf, Paul, Rasmus, Shier, Von Ruden and Ziegelbauer

Members Absent: Langyel, Rolston, Wiltgen

The Board convened in closed session at 2:22 p.m. and reconvened in open session at 2:46 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

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

Appeals

The Board voted six to three to adopt the Hearing Examiner's proposed decision regarding appeal # 2017-007-ETF.

ADJOURNMENT

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

The Board adjourned at 2:48 p.m.

Date Approved: _____

Signed: _____
Robert Niendorf, Secretary

