

DRAFT

MINUTES

December 13, 2018

Employee Trust Funds Board

State of Wisconsin

Location:

Hill Farms State Office Building – Room N133/134
4822 Madison Yards Way, Madison WI 53705



ETF BOARD MEMBERS PRESENT:

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

Roberta Rasmus
Jim Underhill (designee for Stacey Rolston)
Mary Von Ruden
Bob Ziegelbauer

BOARD MEMBERS NOT PRESENT:

David Wiltgen

PARTICIPATING EMPLOYEE TRUST FUNDS STAFF:

Office of the Secretary:

Bob Conlin, Secretary
John Voelker, Deputy Secretary
Tarna Hunter, Legislative Liaison
Cherylynn Wilkins, Board Liaison

Division of Retirement Services:

Matt Stohr, Administrator

Bureau of Budget, Contract Administration
& Procurement:

Bonnie Cyganek, Director

Division of Management Services: Steve
Mueller, Administrator

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

OTHERS PRESENT:

ETF Division of Management Services:

Anthony Lindsey, David Lemke

ETF Division of Retirement Services:

Anne Boudreau, Jim Guidry

ETF Division of Trust Finance (DTF):

Dave Ehlinger, Gamze Ligler,
Michelle Mattox, Amelia Slaney

ETF Office of Communications (OOC):

Nancy Ketterhagen, Mark Lamkins

ETF Office of Internal Audit (OIA):

Michelle Hoehne, Rick Onasch,
Yikchau Sze, Ramona Yee

ETF Office of Legal Services (OLS):

Diana Felsmann, Dan Hayes, David
Nispel

ETF Office of Policy, Privacy &

Compliance: Steve Hurley

ETF Office of the Secretary: Lisa Gurley,
Pam Henning, Tarna Hunter

Gabriel, Roeder, Smith & Company

(GRS): Jim Anderson, Mark Buis,
Brian Murphy

Legislative Audit Bureau (LAB):

Stephanie Yost

Board	Mtg Date	Item #
ETF	3.21.19	2

Wayne Koessl, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 12:15 p.m.

CONSIDERATION OF MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the open and closed session minutes of the September 20, 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.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met on December 12, 2018. The Committee approved the September 19, 2018, minutes. In addition, the Committee reviewed and discussed the Joint Meeting and ETF Board agendas, which included:

- the presentation by GRS on the WRS three-year experience study;
- updates by Wisconsin Retirement Board and Teachers Retirement Board SWIB appointees Bob Conlin and Sandra Clafin-Chalton;
- a request for procurement delegation for actuarial audit services for several benefit programs;
- a presentation of the 2017 Comprehensive Annual Financial Report; and
- an IT security update.

The Committee also reviewed the membership and duties of the various governing boards. The Committee discussed some of the Department's accomplishments including several key business process improvements from the past quarter and was provided an update on the key vacancies and recruitment efforts.

Audit Committee

Mr. Ford indicated the Audit Committee approved the September 20, 2018, minutes. In addition, the Committee discussed:

- two annual WRS financial reports administered by ETF;
- LAB identified an IT security deficiency in procedures; however, the risk is low due to other measures in place;
- an advisory audit of retirement estimates;
- annual review of internal audit charter to make it consistent with the audit committee charter; and
- ETF audit affirmations.

Mr. Ford reviewed the memo (Ref. ETF | 12.13.18 | 3B) and the substantial changes proposed in the charter. There was discussion with the Board about the changes. Mr. Ford noted that this should not have any financial effect. Administratively, Internal Audit Director Yikchau Sze will still report to the ETF Secretary. Functionally, Ms. Sze will report to the Audit Committee and the ETF Board.

Motion: Ms. Rasmus moved to approve the modifications to the Audit Committee Charter as recommended by the Audit Committee. Ms. Paul seconded the motion, which passed unanimously on a voice vote.

Budget and Operations Committee

Due to lack of a quorum, the committee could not conduct any business.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System Three-Year Experience Study: January 1, 2015 – December 31, 2017

Mr. Murphy reviewed what was discussed (Ref. ETF | 12.13.18 | 4A) at the Joint Meeting this morning, including proposed changes to economic and demographic assumptions of the WRS.

The ETF Board discussed the overall effects of each proposed change, including impact on contribution rates. Several Board members shared their thoughts regarding GRS's assumption change proposals.

The Board moved to accept the Three-Year Experience Study January 1, 2015 - December 31, 2017, and set the demographic assumptions as recommended by GRS and the actuarial assumptions as follows: a price inflation rate of 2.5%, a wage inflation rate of 3.0% and an investment return of 7.0%.

Motion: Mr. Ford moved to accept the Three-Year Experience Study: January 1, 2015 – December 31, 2017, and the demographic changes as proposed and set the actuarial assumptions as follows:

- the demographic assumptions as recommended by GRS;
- a price inflation rate of 2.5%;
- a wage inflation rate of 3.0%; and
- an investment return of 7.0%.

Mr. Langyel seconded the motion, which passed unanimously on a voice vote.

Procurement Delegation for Actuarial Audit Services for the Accumulated Sick Leave Conversion Credit Program, Income Continuation Insurance Program and the Duty Disability Program

Ms. Cyganek referred the Board to the memo regarding procurement delegation of actuarial audit services (Ref. ETF | 12.13.18 | 4B) and provided an overview of vendors currently providing audits of the Board's programs. She stated if the Board approves the motion in front of them, ETF will initiate procurement of 2018 actuarial audit services through negotiation of amendments to existing actuary contracts and/or issuance of a Request for Proposal. Ms. Cyganek stated ETF will update the Board as contracts are completed.

Motion: Mr. David moved to delegate the Board's authority to the ETF Secretary to procure ongoing actuarial audit services for the Accumulated Sick Leave Conversion Credit, Income Continuation Insurance and Duty Disability Insurance programs. Mr. Ziegelbauer seconded the motion, which passed unanimously on a voice vote.

Department of Employee Trust Funds 2017 Comprehensive Annual Financial Report (CAFR)

Ms. Klimke referred the Board to the 2017 CAFR (Ref. ETF | 12.13.18 | 4C) and provided an overview of the report and highlighted changes, which included the new Governmental Accounting Standards Board (GASB) statement No. 74 that:

- affects state and local retiree life insurance plans;
- requires actuarial calculation of net Other Post Employment Benefit (OPEB) liability; and
- adds two reports issued with employer schedules/data for participating employers.

The 2017 CAFR had significant changes that required research and discussion, primarily due to GASB and OPEB. ETF had re-evaluated previous GASB and OPEB changes, which resulted in changes to how ETF reported LTDI and Duty Disability.

Ms. Klimke also discussed the Wisconsin Retirement System's (WRS) financial status. She stated that the WRS is financially strong and that 74% of WRS revenue comes from investment income; 26% from employee and employer contributions.

At the conclusion of her presentation Mr. Voelker recognized Ms. Klimke for her on-going work to improve processes, procedures and outcomes in the Division of Trust Finance, including her focus on quality, management expectations, and training and developing staff.

Information Technology Security Initiatives Update

Mr. Mueller updated the Board on ETF initiatives to assist with security measures. Some of these include:

- additional security controls;
- ETF20 Program, which included inventory of ETF's hardware and software;
- new incident response plan;
- re-writing ETF contract terms and conditions to center on industry standards; and
- developing a formal Information Risk Management Program (IRMP).

Mr. Mueller also provided an update on staffing additions that will include a risk and compliance analyst, a project manager and a part-time intern.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin briefly discussed the legislature's post-election extraordinary session, and education and outreach efforts by Tarna Hunter, ETF's Government Relations Director.

ETF Metrics Report

Mr. Voelker commented on the ETF Metrics Report (Ref. ETF | 12.13.18 | 5B). He stated that one of the objectives – reducing the wait time for scheduled appointments -- continues to present a challenge. This could relate to a 30% increase in retirement estimates completed between the last quarter of 2017 to the first quarter of 2018, and a 6% increase in the second quarter of 2018. ETF will continue to refine the report.

Mr. Koessl referred the Board to the additional operational update memos (Ref. ETF | 12.13.18 | 5C & 5D) included in the Board packets and offered that staff were available to answer any questions.

FUTURE ITEMS FOR DISCUSSION

Mr. Stohr referred the Board to the March 2019 Agenda Topics memo (Ref. ETF | 12.13.18 | 6), explaining this list of upcoming meeting topics will be provided at each current meeting, and reminding Board members where to find the base agenda for the year's meetings online.

LEGAL MATTERS

MOTION: Ms. Rasmus moved to convene in closed session, pursuant to the exemptions contained in Wis. Stats. § 19.85 (1) (g) to confer with legal counsel for the governmental body concerning strategy to be adopted with respect to litigation in which it is or is

likely to become involved. Ms. Paul seconded the motion, which passed on the following roll call vote:

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

Members Absent: Wiltgen

The Board convened in closed session at 1:44 p.m. and reconvened in open session at 2:45 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Koessl announced the Board met in closed session to consult with legal counsel regarding current or potential litigation and that no action was taken during closed session.

ADJOURNMENT

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

The Board adjourned at 2:46 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board