

DRAFT

MINUTES

March 21, 2019

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 Koessler, Chair	Michael Langyel
John David, Vice Chair	Leilani Paul
Robert Niendorf, Secretary	Roberta Rasmus
Stephen Arnold	Mary Von Ruden
William Ford	

BOARD MEMBERS NOT PRESENT:

Stacey Rolston	Bob Ziegelbauer
David Wiltgen	

PARTICIPATING EMPLOYEE TRUST FUNDS STAFF:

Office of the Secretary:	Bureau of Budget, Contract Administration & Procurement:
Bob Conlin, Secretary	Bonnie Cyganek, Director
John Voelker, Deputy Secretary	Joanne Klaas
Tarna Hunter, Legislative Liaison	ETF Office of Policy, Privacy & Compliance: Steve Hurley, Director
Cheryllynn Wilkins, Board Liaison	Office of Strategic Health Policy:
Division of Retirement Services:	Eileen Mallow, Director
Matt Stohr, Administrator	

OTHERS PRESENT:

ETF Division of Management Services:	ETF Office of Legal Services (OLS):
Patrick Hughes, David Lemke	Monica Anderson, Diana Felsmann, David Nispel
ETF Division of Retirement Services: Anne Boudreau, Jim Guidry	ETF Office of the Secretary: Lisa Gurley, Pam Henning
ETF Division of Trust Finance (DTF): Dave Ehlinger, Cindy Klimke-Armatoski, Amelia Slaney	Gabriel, Roeder, Smith & Company (GRS): Jim Anderson, Mark Buis, Rich Koch, Brian Murphy
ETF Office of Internal Audit (OIA): Michelle Hoehne, Rick Onasch, Yikchau Sze, Ramona Yee	Legislative Audit Bureau (LAB): Kyle Swalls
	Wisconsin Retirement (WR) Board Member: Steve Wilding

Board	Mtg Date	Item #
ETF	6.20.19	2

Wayne Koessler, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 1:01 p.m.

ANNOUNCEMENTS

Mr. Stohr announced that the following action was taken:

Teachers Retirement Board

- Change of officers
- Appointed David Schalow to the State of Wisconsin Investment Board (SWIB)

Wisconsin Retirement Board

- Change of officers
- Appointed Secretary Bob Conlin to SWIB
- Appointed John David, Wayne Koessler and Steve Wilding to the ETF Board

CONSIDERATION OF MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the open and closed session minutes of the December 13, 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.

ELECTION OF OFFICERS

MOTION: Mr. Langyel moved to nominate the current slate of officers, Wayne Koessler as Chair, John David as Vice Chair, and Robert Niendorf as Secretary of the Employee Trust Funds Board. Ms. Rasmus seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Koessler noted the Executive Committee met on March 20, 2019. The Committee approved the December 12, 2018, minutes. In addition, the Committee reviewed and discussed the Joint Meeting and ETF Board agendas, which included:

- a presentation by SWIB discussing the Wisconsin Retirement System (WRS) investment performance and 2019 outlook;
- the annual valuation of retired lives by GRS;
- Core annuity adjustments and Core effective rate projections; and
- a WRS Funding Policy review.

The Committee reviewed board appointments and the recently conducted annuitant member election, in addition to a discussion about appeals and administrative rule process. 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 December 13, 2018, minutes. In addition, the Committee:

- welcomed Michael Langyel as the Committee's newest member;
- approved officers; Mr. Ford as Chair, Ms. Paul as Vice Chair and Mr. Langyel as Secretary;
- reviewed two internal audit reports:
 - Continuity of Operations, affirming that ETF has an effective continuity of structure
 - IT Asset Management and the audit findings. ETF has improved substantially since the 2014 audit.
- discussed the memo from the Director of OIA establishing audit frequency guidelines; and
- discussed the memo from the Assistant Deputy Secretary regarding the Director of Audit reporting directly to the Audit Committee. This change is not currently in the budget; therefore, in June the Board will follow the same process for the Secretary Evaluation as in 2018.

Budget and Operations Committee

Ms. Von Ruden reviewed and discussed the following matters:

- Mr. Stohr provided an operations update about the wait times for services and provided some recent customer service accomplishments;
- Ms. Baxter provided an update on various projects. For example, ETF is working on a business process management project to streamline and improve business processes; and
- Ms. Hunter provided an update on the 2019-2021 biennial state budget proposal.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System 36th Annual Valuation of Retired Lives—December 31, 2018

Mr. Murphy, Mr. Buis and Mr. Anderson from Gabriel, Roeder, Smith Company (GRS) (Ref. ETF | 3.21.19 | 5A) highlighted key points from their presentation this morning. They discussed the Summary of Results table, with 211,126 annuitants in the Core Fund and 41,187 in the Variable Fund; annual amount of annuities paid, fund balance and actuarial reserve; and the annual valuation of the system

In addition, the actuaries commented about the effects of trust fund investment risk on WRS retiree dividends, particularly in prolonged periods of low investment returns. GRS continues to work with SWIB on finding the right ratio of investment risk/reward. Board members requested that ETF further review the dividend depletion issue and what options would require statutory change.

MOTION: Mr. Niendorf moved to accept the Actuaries report, 36th Annual Actuarial Valuation of Retired Lives as of December 31, 2018, and adopt the recommendations. Mr. David seconded the motion, which passed on a voice vote.

Legislative Audit Bureau (LAB) Audit of Group Insurance Programs Administration and Oversight

Ms. Mallow, Director of Office of Strategic Health Policy, (Ref. ETF | 3.21.19 | 5B) discussed the LAB report released on February 15, 2019. The report found employers and local units of government to be satisfied or very satisfied with the Group Health Insurance Program. The audit identified opportunities for ETF to improve when it comes to sharing information with its Boards.

ETF presented at the Joint Legislative Audit Committee and responded to questions. ETF is committed to reviewing all findings in the report and will draft a workplan in response to each finding. ETF will report back to the Joint Legislative Audit Committee with an action plan by November 2019.

Procurement and Contract Delegation

Ms. Cyganek and Ms. Klaas referred the Board to the memo (Ref. ETF | 3.21.19| 5C) clarifying the Board's delegation of authority as one of the recommendations from the LAB audit Ms. Mallow just discussed. ETF's goal is to be completely transparent to the Board.

Mr. Conlin provided more detail on the proposal. ETF will report on all the contract changes to the ETF Board going forward. The Board requested that an approval date be documented for this authority.

Motion: Mr. David moved to delegate the Board's authority to the ETF Secretary for executing actuarial and contract compliance audit services contracts, including contract amendments which will remain in effect until withdrawn by the Board. Ms. Rasmus seconded the motion, which passed unanimously on a voice vote.

WRS Policy Review and Update

Steve Hurley referred the Board to the memos (Ref. ETF | 3.21.19| 5D). The Board had no questions or concerns regarding the non-substantive policy updates. With regard to the WRS Funding Policy, there was discussion on the term "investment risk".

Motion: Mr. Langyel moved to approve the revised WRS Funding Policy. Ms. Paul seconded the motion, which passed unanimously on a voice vote.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin briefly discussed the member engagement survey and shared that in June, ETF expects to launch a newly designed website.

Mr. Conlin directed the Board to the Correspondence in their materials. The annuitant election had eight qualified candidates; however, there were some member complaints regarding the lack of candidate diversity. ETF has put together a workgroup to discuss this matter and invites recommendations and suggestions.

He stated that with regard to the jailer appeals, there remains less than 30 that might end in appeal all together.

Mr. Conlin provided the Board a personnel update on recently hired candidates and positions that are close to being filled. Through the interview process many candidates have been stating that they have been waiting for an opportunity with ETF.

Mr. Conlin also made the Board aware of recent media coverage on the benefit administration system and associated litigation.

2019-2021 Biennial Budget and Legislative Update

Ms. Hunter, Government Relations Director, referred the Board to the memo (Ref. ETF | 3.21.19 | 6B). ETF put together its budget and the Governor's proposal includes the requested funding and ETF also identified several budget provisions that relate to the benefit programs that ETF administers. Ms. Hunter highlighted a few of the items. While the bill provides for two FTE positions for the effective administration of ETF's disability program, the budget did not include the statutory changes for the disability redesign project. ETF will continue to make contacts with legislators about this issue.

The OIA Director still reports to the Board but would be under the civil service requirements. This reporting relationship is a common practice among pension systems. Ms. Hunter also explained that there is a proposal for a return to work change for retiring teachers which, decreases the separation of service from 75 days to 30 days. Ms. Hunter also explained the county jailers classification bill proposal. Specifically, there are 12 counties that classify their jailers as Protective category employees; the rest classify their jailers as General employees. Jailers could be classified as protective, but under the proposal individuals would be responsible for paying the extra cost to be Protective. ETF has explained the equity issues and the IRS code concerns with this bill at various hearings.

ETF Metrics Report

Mr. Voelker commented on the ETF Metrics Report (Ref. ETF | 3.21.19 | 6C). ETF has been maturing and addressing metrics and areas of improvement throughout the agency. He stated this document is a good opportunity to identify areas of improvement. There are 14 performance metrics, and 9 of the 14 objectives met performance targets in the fourth quarter. Mr. Voelker addressed the objectives that did not meet the targets, including contributing factors, some of which were within ETF's control and others outside ETF's influence. He also shared what ETF is doing to correct or mitigate the negative effects in the future.

Mr. Voelker explained some new services that ETF is offering. For example, the number of online appointments offered is consistently increasing.

ETF has been providing the operational metrics to the Board for one year. ETF continues to evaluate the objectives and performance targets.

Mr. Koessl referred the Board to the additional operational update memos (Ref. ETF | 3.21.19 | 6D, 6E and 6F) 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 June 2019 Agenda Topics memo (Ref. ETF | 3.21.19 | 7A).

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 2:45 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board