

DRAFT

MINUTES

June 20, 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
John David, Vice Chair
Robert Niendorf, Secretary
Stephen Arnold
Malika Evanco
William Ford

Michael Langyel
Katy Lounsbury
Leilani Paul
Roberta Rasmus
Steve Wilding

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 Retirement Services:
Matt Stohr, Administrator
Jim Guidry, Director, Benefit Services
Bureau

Division of Trust Finance (DTF): Cindy
Klimke-Armatoski, Chief Trust
Finance Officer
Office of Policy, Privacy & Compliance:
Steve Hurley, Director
Office of Strategic Health Policy:
Eileen Mallow, Director

OTHERS PRESENT:

ETF Division of Management Services:
Bonnie Cyganek, Lisa Dally, Patrick
Hughes, Joanne Klaas
ETF Division of Retirement Services:
Augustine Anaman, Anne Boudreau,
Erin Esser, Gina Fischer
ETF Division of Trust Finance (DTF):
Marie Ruetten, Amelia Slaney,
Michelle Thode
ETF Office of Communications:
Nancy Ketterhagen

ETF Office of Internal Audit (OIA): Michelle
Hoehne, Yikchau Sze, Ramona Yee
ETF Office of Legal Services (OLS):
Dan Hayes
ETF Office of the Secretary: Jennie
Bauernhuber, Pam Henning
Department of Justice (DOJ): Sarah Huck
Gabriel, Roeder, Smith & Company (GRS):
Brian Murphy
Milliman: Paul Correia
Teachers Retirement (TR) Board Member:
Chris Heller

Board	Mtg Date	Item #
ETF	9.19.19	2

Wayne Koessler, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 1:34 p.m.

CONSIDERATION OF MEETING MINUTES

MOTION: Mr. David moved to approve the open and closed session minutes of the March 21, 2019, 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. Koessler noted the Executive Committee met on June 19, 2019. The Committee approved the March 20, 2019, minutes. In addition, the Committee reviewed and discussed the Joint Meeting and ETF Board agendas, which included:

- Various presentations by GRS on WRS contribution rates, gain/loss analysis;
- ETF's 2019-2021 Strategic Plan update;
- ETF's redesigned website rollout; and
- Contribution rates for the accumulated sick leave conversion program and the duty disability program.

The Committee reviewed the Secretary's evaluation materials that will be discussed this afternoon. 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 key vacancies and recruitment efforts. The Committee also discussed current ETF Board committee composition and existing vacancies. ETF Board members interested in serving on a committee or those interested in changing committees, should let Mr. Koessler know so that new appointments can be made to the Audit and Budget and Operations Committees.

Audit Committee

Mr. Ford indicated the Audit Committee approved the March 21, 2019, minutes. In addition, the Committee:

- Followed up on Audit of non-retirement program payments, corrective actions were taken and OIA considers this closed;
- Approved a reduction of the audit plan to 13 audits (two of which include information technology (IT));
- Reviewed the OIA open audit issues report;
- Discussed Internal Audit Plan which includes: 19 projects plus 13 projects related to IT plus 6 additional potential projects. If changes are necessary, they can be made during the year due to the flexibility of the plan;

- OIA plans to issue a Request For Proposal (RFP) to be approved by October. The RFP will be reviewed by a committee to choose a vendor to contract with qualified firms to perform IT internal audits.

Budget and Operations Committee

Did not meet.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System 38th Annual Valuation of Active Lives—December 31, 2018

Mr. Murphy from Gabriel, Roeder, Smith Company (GRS) (Ref. ETF | 6.20.19 | 4A) highlighted key points from their presentation this morning.

MOTION: Mr. Niendorf moved to accept the Actuary's report on the 38th Annual Actuarial Valuation of Active Lives and Gain/Loss Analysis as of December 31, 2018 and adopt the recommendations. Ms. Paul seconded the motion, which passed on a voice vote.

Accumulated Sick Leave Conversion Credit (ASLCC) Program Annual Review

Mr. Murphy from Gabriel, Roeder, Smith Company (GRS) (Ref. ETF | 6.20.19 | 4B) reviewed the ASLCC program which converts accumulated sick leave into a monetary amount upon retirement which can be used to pay for retiree health premiums. If eligible, sick leave conversion credits can be used to pay for health insurance premiums for employees and dependents.

Mr. Murphy stated that this program has been remarkably stable due to low unfunded liabilities.

MOTION: Ms. Rasmus moved to accept the Actuary's report on the Accumulated Sick Leave Conversation Credit Programs Actuarial Valuation as of December 31, 2018 and adopt the recommendations. Mr. David seconded the motion, which passed on a voice vote.

40.65 Duty Disability Program Actuarial Review

Paul Correia from Milliman and ETF's Jim Guidry and Cindy Klimke presented on the 40.65 duty disability program actuarial review. The 40.65 program provides a benefit for protective occupation participants who are injured performing their duties or contract a disease due to their occupation. It is a lifetime benefit with survivor benefits. Mr. Correia stated that the reserve margins for this program are reasonable and a reduction in contribution rates may be reasonable at this time.

Ms. Klimke referred to her memo. (Ref. ETF | 6.20.19 | 4C) She pointed out that the fund is in a very healthy position.

MOTION: Mr. Ford moved to accept the Actuary's review of the Duty Disability Plan Valuations as of December 31, 2018 and the 2020 Contribution Rate Tiers and adopt the recommended contribution rate schedule for Scenario 1 reducing rates by approximately 50% from the current rates. Mr. Wilding seconded the motion, which passed on a voice vote.

Duty Disability Reserve Policy

Jim Guidry reviewed various aspects of the program, include the reserves, which are currently 141% of liabilities.

Mr. Correia discussed the surplus and the plan funding. Having a surplus is a positive attribute because the Duty Disability program is a lifetime benefit. The target surplus was calculated based on the NAIC Risk based capital (RBC) formula. The target surplus amount is roughly 30% of the Duty Disability liabilities. Having a surplus helps to mitigate risks and cover for the volatility.

The objective of the policy is to provide the Board with guidance in establishing reserve targets sufficient to fund plan liabilities, maintain fiscal integrity and maintain contribution rate adequacy and stability. Mr. Guidry reviewed the details of the proposed policy. The policy creates a set of parameters but allows the Board flexibility if there is a need to go outside the set parameters.

There was discussion regarding the 7% assumption, the surplus and its effect on the employer contributions.

MOTION: Mr. Arnold moved to approve the Duty Disability Program Reserve Policy and approve a fund reserve target of 130%, establishing a reserve fund range of 125% to 135% of the total actuarial liability of the Duty Disability Program in Scenario 1. Ms. Paul seconded the motion, which passed on a voice vote.

Notice of Meeting / Conduct of Board Meeting Policy Update

Steve Hurley (Ref. ETF | 6.20.19| 4E) reviewed the policy presented this morning at the Joint Meeting of the Retirement Boards as it relates to board member attendance at other meetings which they are not a member.

Motion: Ms. Rasmus moved to approve the updated Conduct of Board Meeting Policy for incorporation into the Board Governance Manual as proposed. Ms. Lounsbury seconded the motion, which passed unanimously on a voice vote.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin will update the Board later during his evaluation.

2019-2021 Biennial Budget and Legislative Update

Ms. Hunter, Government Relations Director, referred the Board to the memo (Ref. ETF | 6.20.19 | 5B). Ms. Hunter discussed the State of Wisconsin 2019-2021 biennial budget. The Joint Committee on Finance (JCF) provided for full funding of ETF with a 1% increase and two FTE positions in light of ETF moving the administration of the Long-Term Disability Insurance program from a vendor to in-house. The proposal regarding changes to the organization of the OIA function was not in the budget. ETF will continue discussions on the disability redesign and the OIA Director with legislators. The JCF is expected to conclude its business by the end of the month and then send the budget to the governor for action.

ETF Metrics Report

Mr. Voelker commented on the ETF Metrics Report (Ref. ETF | 6.20.19 | 5C). ETF has been advancing metrics and business process improvement throughout the agency. It has been just over a year since ETF started providing the Board with the *ETF Operational Metrics report*. Mr. Voelker detailed how the report evolved by reviewing the objectives and the value of what is being measured. Mr. Voelker provided further explanation on the areas where ETF did not meet performance targets.

Mr. Voelker also provided a screen shot of the dashboard of call center operations. This is pilot project for the use of business intelligence in the agency.

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

Ms. Mallow, Director of Office of Strategic Health Policy, (Ref. ETF | 6.20.19 | 5D) discussed the Legislative Audit Bureau's (LAB) report released in February 2019. This report contained a number of opportunities for improving group health insurance program oversight. A number of these findings have already been completed, while others are still in progress. ETF will provide by November 22 a status report to the Legislative Audit Committee on ETF's progress implementing audit recommendations.

Mr. Koessler referred the Board to the additional operational update memos (Ref. ETF | 6.20.19 | 6E, 6F, 6G, 6H and 6I) 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 September 2019 Agenda Topics memo (Ref. ETF | 6.20.19 | 6A).

PERSONNEL MATTERS

MOTION: Mr. David 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. Mr. Wilding seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Arnold, David, Evanco, Ford, Koessl, Langyel, Lounsbury, Niendorf, Paul, Rasmus, and Wilding

The Board convened in closed session at 2:53 p.m. and reconvened in open session at 3:34 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Koessl 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.

ADJOURNMENT

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

The Board adjourned at 3:36 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board