

DRAFT

MINUTES

September 19, 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:

John David, Vice Chair
Robert Niendorf, Secretary
Stephen Arnold
William Ford
Chris Heller
Michael Langyel

Katy Lounsbury
Leilani Paul
Roberta Rasmus
Stacey Rolston (designee for Malika Evanco)
Steve Wilding

PARTICIPATING EMPLOYEE TRUST FUNDS STAFF:

Office of the Secretary:
Bob Conlin, Secretary
John Voelker, Deputy Secretary
Pam Henning, Assistant Deputy Secretary
Tarna Hunter, Director of Strategic Engagement and Government Relations
Cherylynn Wilkins, Board Liaison

Division of Retirement Services:
Matt Stohr, Administrator
Division of Trust Finance (DTF): Cindy Klimke-Armatoski, Chief Trust Finance Officer

OTHERS PRESENT:

ETF Division of Management Services:
Dave Lemke, Eddie Ukoeninn
ETF Division of Retirement Services:
Anne Boudreau, Jim Guidry
ETF Division of Trust Finance (DTF):
Jim Gnorski, Amelia Slaney
ETF Office of Communications:
Nancy Ketterhagen
ETF Office of Internal Audit (OIA): Michelle Hoehne, Rick Onasch, Yikchau Sze, Ramona Yee

ETF Office of Legal Services (OLS):
Monica Anderson, Diana Felsmann, Dan Hayes, David Nispel
ETF Office of Policy, Privacy & Compliance: Steve Hurley
ETF Office of the Secretary: Lisa Gurley
Gabriel, Roeder, Smith & Company (GRS):
Jim Anderson (teleconference)
Legislative Audit Bureau (LAB):
Stephanie Yost
Milliman: Tim Herman, Paul Correia (teleconference)
Segal Consulting: David Berger

Board	Mtg Date	Item #
ETF	12.12.19	2

BOARD MEMBERS NOT PRESENT:

Wayne Koessl

John David, Vice Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 12:05 p.m.

CONSIDERATION OF MEETING MINUTES

MOTION: Mr. Ford moved to approve the open and closed session minutes of the June 20, 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. David noted the Executive Committee met on September 18, 2019. The Committee approved the June 19, 2019, minutes. In addition, the Committee reviewed and discussed both the Joint Meeting and Board agendas, which include various presentations:

- By Sandy Halim from CEM Benchmarking;
- The ETF staff review of the retirement board structure and agency COOP plan; and
- Operational updates on customer service, legislation and metrics as well as Milliman and Segal Consulting's actuarial valuation audit reports on ETF benefit programs.

The Committee discussed the current ETF Board committee composition now filled with new members, particularly Steve Wilding and Chris Heller, of the Budget and Operations Committee. There was also discussion of Department of Employee Trust Funds (ETF) objectives and accomplishments from the past quarter, including an overview of ETF's modernization roadmap and successful implementation of the new call center automatic call distribution system. The Committee was also provided an update on key vacancies, recruitment and training efforts and some highlights from the recent ETF Engagement Survey.

Audit Committee

Mr. Ford indicated the Audit Committee approved the June 20, 2019, minutes. In addition, the Committee reviewed and discussed:

- External audit of the Income Continuation Insurance program. It is an optional self-insurance program for both state and local governments funded by premium contributions;
- The Long-Term Disability Insurance (LTDI) program is now administered by ETF. An audit reviewed the design and control of the administration of the program. A few suggestions were made that ETF agrees to and will implement.;
- Consulting review of third-party administration contracts is to ensure ETF receives the contracted service in a timely manner and within budget. There were 68 contracts included in the contract ledger. Contract administration is improving. The Audit Committee will keep abreast of the progress.
- The annual review of the Audit Committee Charter, which includes the responsibilities and duties of the Audit Committee, was completed. No changes are recommended; and
- The Audit Committee reviewed the 2020-2021 Audit Plan.

Budget and Operations Committee

The Committee conducted the election of officers with Roberta Rasmus elected as Chair; Chris Heller, Vice Chair; and Steve Wilding, Secretary. The Committee reviewed and discussed the following matters: an operations update about the wait times for service and recent accomplishments, such as the new call routing system (Mr. Stohr); an update on current ETF projects, including a new records management system (Ms. Baxter); and a review of the final 2019-2021 state budget and legislative update (Ms. Hunter).

DISCUSSION AND CONSIDERATION

Audit of Actuarial Valuations as of December 31, 2018

Accumulated Sick Leave Conversion Credit (ASLCC) Actuarial Valuation Audit Report

Ms. Klimke explained that ETF conducts an annual valuation of the ASLCC program to set contribution rates. An actuarial audit is a valuable method of monitoring the quality of actuarial services performed in completing the annual valuation of the program. ETF contracted with Milliman to review the ASLCC valuation.

Tim Herman, Milliman, (Ref. ETF |9.19.19 | 4A1) stated that the audit found GRS's assumptions and actuarial work to be reasonable and appropriate. Milliman's in-depth review of the member data confirmed that data used by GRS is consistent and appropriate and that the benefits, assumptions and methods used in the valuation were reasonable. Recommendations were made to add additional risk analysis to future reports. In addition, the actual value of assets was found to be reasonable.

Jim Anderson, GRS, commented that this is the first audit of the ASLCC Program.

MOTION: Mr. Niendorf moved to accept the audit report of the Accumulated Sick Leave Conversion Credit Programs (ASLCC) actuarial valuation as of December 31, 2018 and direct ETF's consulting actuary to implement

appropriate recommendations. Ms. Rasmus seconded the motion, which passed on a voice vote.

Duty Disability Insurance Actuarial Valuation Audit Report

Ms. Klimke (Ref. ETF | 9.19.19 | 4A2) explained that ETF contracted with Segal Consulting to perform a full-scope audit, which includes replicating the original actuarial valuation. She said the Government Finance Officers Association recommends conducting actuarial audits at least once every five years.

David Berger from Segal Consulting presented the audit of the Duty Disability Insurance actuarial valuation. Mr. Berger described the scope of the audit, a brief explanation of the valuation itself and the plan benefits, and a summary of the comparative results.

Overall, Segal believes that the Milliman Valuation report accurately reflects the assets and liabilities for the State of Wisconsin Duty Disability Insurance Plan for the fiscal year ending December 31, 2019. Segal agreed the assumptions accurately anticipate the future and that all tolerances are within actuarial standards. In addition, Segal suggested better documentation of benefits.

MOTION: Ms. Paul moved to accept the audit report of the Duty Disability Insurance Plan Actuarial Valuations as of December 31, 2018 and direct ETF's consulting actuary to implement the appropriate recommendations. Mr. Wilding seconded the motion, which passed on a voice vote.

Governance Consultant Services

Ms. Henning (Ref. ETF | 9.19.19 | 4B) provided background regarding the evolution of the ETF Secretary's evaluation process. In addition, she stated that utilizing an external consultant – versus solely the HR Director -- for this evaluation would create more candid discussions with Board members, while providing additional anonymity.

A Board self-evaluation reinforces the understanding and expectations of the board's purpose, roles and responsibilities. This is recognized as a board/corporate governance best practice. An external consultant is better positioned to facilitate and encourage candid discussions, strengthening communications. They could provide structure for problem solving, setting priorities and creating action plans.

Ms. Henning reviewed the self-assessment process, beginning with an independent consultant researching concerns of the board and, ultimately, discussing its analysis with the Board.

Ms. Henning provided several considerations the Board could entertain, including fiduciary training, review of policies and practices of the Board, and WRS governing board structure.

Mr. Langyel commented in favor of asking a consultant to discuss several of these topics with the board, in addition to other governance best practices.

The Board directed ETF to gather more information and present to the Board, including additional research on consultant services, current and potential Board structure and governance, and costs.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin reviewed highlights from the CEM report. He emphasized that ETF spent less than peers in the areas of governance and financial control. ETF's overall goal has always been to remain a low-cost provider while raising the customer service rankings. ETF is spending considerably less than other pension systems in the major projects area.

Every two years ETF holds an all-staff town hall to communicate, among other things, ETF's strategic goals and priorities. Due to space limitations, ETF this year will have separate sessions

The Comprehensive Annual Financial Report (CAFR) should be available next week

Wisconsin's 2019-2021 Biennial Budget and Legislative Update

Ms. Hunter, Government Relations Director, referred the Board to the memo (Ref. ETF | 9.19.19 | 5B). Ms. Hunter reviewed the final action on the 2019-2021 biennial budget (WI Act 9), signed July 3. There were a few provisions that impacted ETF. These provisions include continued full funding of ETF's current operations with a 1% increase; a 2% salary increase for employees on January 1, 2020, and an additional 2% on January 1, 2021; provided for two FTE positions to bring the Long-Term Disability Insurance program from a vendor to in-house; and SEG funds for the mandatory LAB actuarial audits.

In August, a lawsuit was filed in the Wisconsin Supreme Court that could impact the agencies and boards represented by the Department of Justice. The court has not specified whether it will take the case. Because the Department of Justice represents various boards, including the ETF Board, ETF will continue to monitor this situation and provide updates as necessary.

ETF Metrics Report

Mr. Voelker commented on the ETF Metrics Report (Ref. ETF | 9.19.19 | 5C). This quarter shows no significant changes to the report. ETF continues to have more detailed conversations about metrics, including the data we currently use or could better use, for a more meaningful report. Mr. Voelker provided further explanation on the areas where ETF did not meet performance targets. The call center wait times typically are higher during the open enrollment period, yet these numbers are included

in year averages. ETF continues making changes to handle the peak call times. For example, last week's average call to answer was 24 seconds.

Work continues on various business process improvement projects throughout the agency. This includes appointment scheduling software improvements that should be able to handle increased capacity for appointment scheduling. A solution should be implemented the first quarter of next year. Another success was to the retirement estimate process. This project increased capacity by almost 25%.

Mr. David referred the Board to the additional operational update memos (Ref. ETF | 9.19.19 | 6D, 6E, 6F and 6G) included in the Board packets and offered that staff were available to answer any questions. Mr. Stohr highlighted a couple of the memos.

FUTURE ITEMS FOR DISCUSSION

Mr. Stohr referred the Board to the December 2019 Agenda Topics memo (Ref. ETF | 9.19.19 | 6A).

ADJOURNMENT

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

The Board adjourned at 1:41 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board