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Correspondence Memorandum

Date: May 29, 2020

To: Employee Trust Funds Board
 Wisconsin Retirement Board
 Teachers Retirement Board

From: Laura Patterson, Office of Policy, Privacy & Compliance

Subject: Designing a Model Wisconsin Retirement System (WRS) Board

ETF requests the Board approve taking steps to determine statutory amendments for potential inclusion in ETF’s Biennial Budget submission and to draft a plan for transitioning to a single retirement board.


Topics and questions to consider before the upcoming board meeting include:

- 1. The current membership of the Teachers Retirement (TR) Board, Wisconsin Retirement (WR) Board, and Employee Trust Funds (ETF) Board. (Slides 9-12).**
- 2. The membership of the best-practice WRS Board. (Slides 16–21)**
- 3. Should ETF pursue the necessary steps to transition to a single WRS Board? (Slide 21)**

In 2019, ETF presented the ETF, WR and TR Boards with two educational sessions on the WRS Governing Boards: [Composition of the Governing Boards](#) & [Structure of the Governing Boards](#).

The Structure of the Governing Boards presentation on September 19, 2019, reviewed the best practices of public pension governing boards compared to the three-board structure utilized by the WRS. The presentation covered: the number and size of typical public pension plan boards; the typical balance of different types of board members – ex officio, elected and appointed; the demographics and representation of WRS members on the WRS Boards; and the experience and skill set that public pension boards need. At the end of this presentation, the Boards requested this follow-up education session covering the design of a best practice WRS Board.

Reviewed and approved by Steve Hurley, Director, Office of Policy, Privacy, and Compliance



Electronically Signed 6/5/20

Board	Mtg Date	Item #
ETF	6.18.20	5E
TR	6.18.20	4A
WR	6.18.20	4A

The Composition of the Governing Boards presentation on December 12, 2019, discussed how the WRS's current three-board structure originated from the merger of several separate retirement plans in 1981. The merger legislation gave overall administrative responsibility and rule-making authority to the ETF Board. The WR and TR Boards were given the purpose of appointing several members to the ETF Board and recommending alternative administrative policies and rules to the ETF Board for their respective constituents. The workload of the WR and TR Boards has significantly reduced since merger because current WRS-covered employees generally have the same benefits, which was not true at the time of merger.

This presentation, Designing a Model WRS Board, covers the membership of a model WRS Board, taking into consideration the criteria in slides 14-19. Slides 1-13 review the previous presentations and the current ETF, WR and TR Board memberships. Slides 14-21 apply the recommendations made in the previous presentations to a single WRS Board, including:

- Slide 16, applying a 13-member single board structure to the Model WRS Board, which is the board structure used by most public pension plans and recommended by industry experts.
- Slide 17, overviewing the breakdown of ex officio, appointed and elected members on the Model WRS Board to the typical public pension plan.
- Slide 18, comparing the demographics of the WRS, current ETF Board and the model WRS Board. The Model WRS Board more closely aligns the current WRS demographics to board membership than the current ETF Board does.
- Slide 19, outlining the seats on the Model WRS Board that were chosen to bring specific expertise, such financial, local government and human resource experience, to the Model WRS Board.
- Slide 20, laying out the membership of the Model WRS Board.

The purpose of this presentation is to provide the current WRS Boards a model of a single WRS Board that could be used if the ETF, WR and TR Boards decide to merge. If the ETF, TR or WR Boards decide to merge, the next steps are to draft the appropriate statutory language and determine a transition plan.

Staff will be available at the Board meeting to answer questions.

Attachment: Designing a WRS Governing Board Presentation

Designing a Model WRS Governing Board

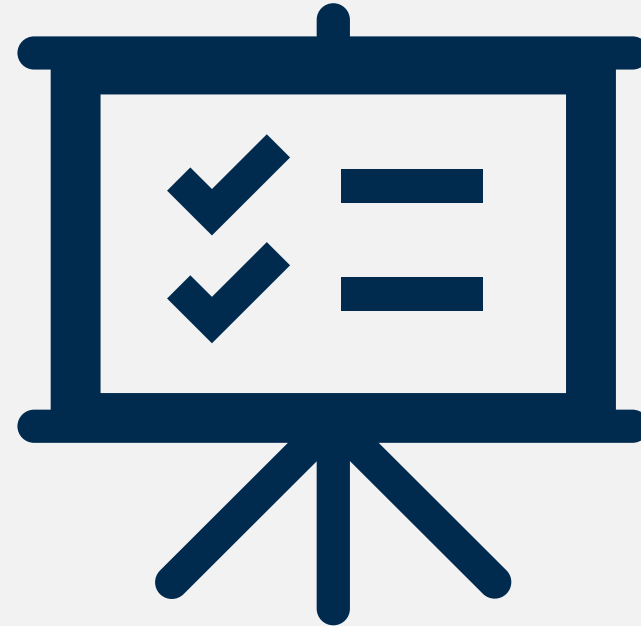
Laura Patterson

Office of Policy, Privacy & Compliance



Agenda

- Board Structure Review
- Board Composition Review
- Designing a Governing Board

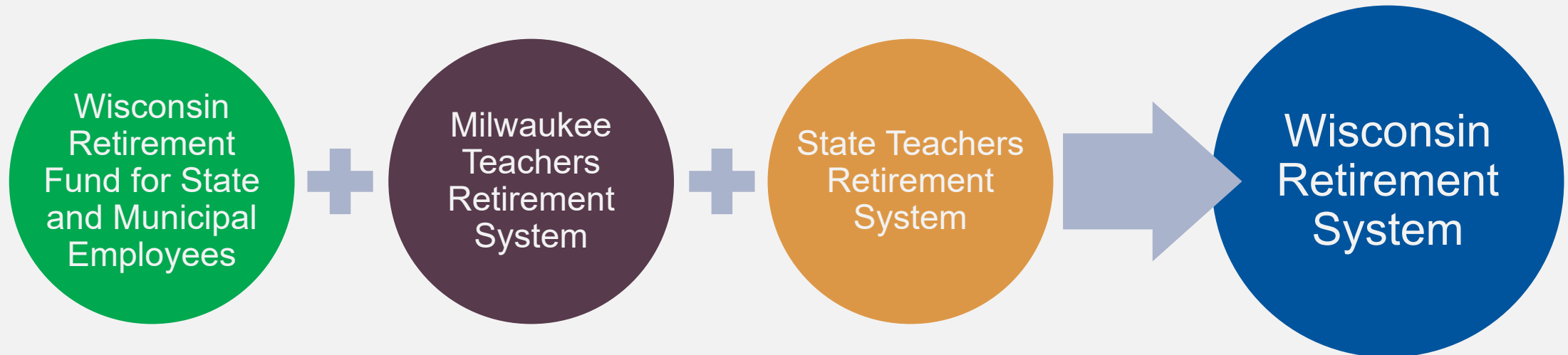


A photograph of a family of three walking along a path in a forest. The woman is on the left, wearing a red and black plaid shirt and blue jeans. The man is on the right, wearing a white t-shirt and a red and black plaid jacket over blue jeans. A young girl is in the center, wearing a white dress with a polka-dot pattern and a white headband. They are all smiling and holding hands. The background is a lush green forest with tall trees.

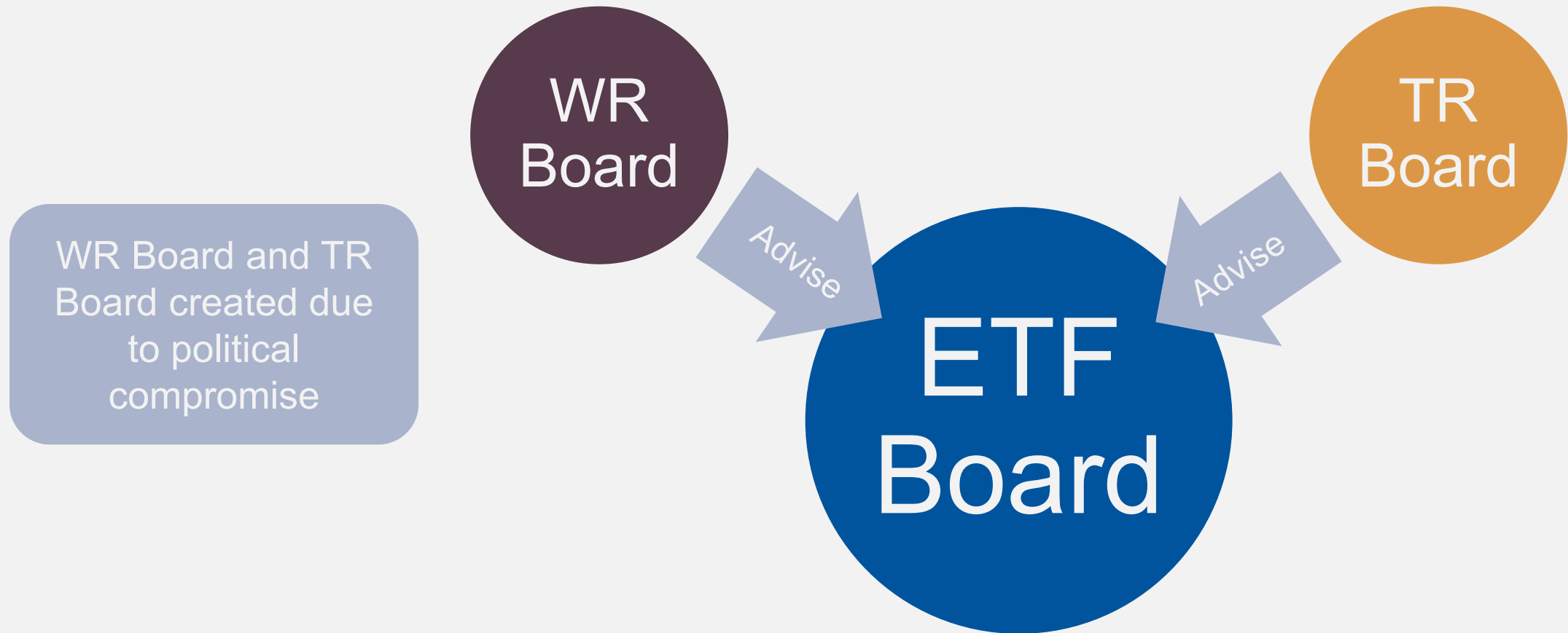
Board Structure Review

Wisconsin Retirement System

- Established 1982
- Merger of several smaller plans
- Uniform benefits today



WRS Board Establishment



WRS Board Powers

All Boards

- Hear appeals
- Authorize benefit payments
- Approve administrative rules

ETF Board

- Appoints the ETF Secretary
- Approves actuarial tables
- Contracts with actuarial legal medical and other independent contractors
- Several other powers and delegates as necessary

WR & TR Boards

- Appoint members to the ETF Board and SWIB
- May amend any rule, created prior to 1982, to make it no longer applicable to their respective demographics

WRS Board Powers - Appeals

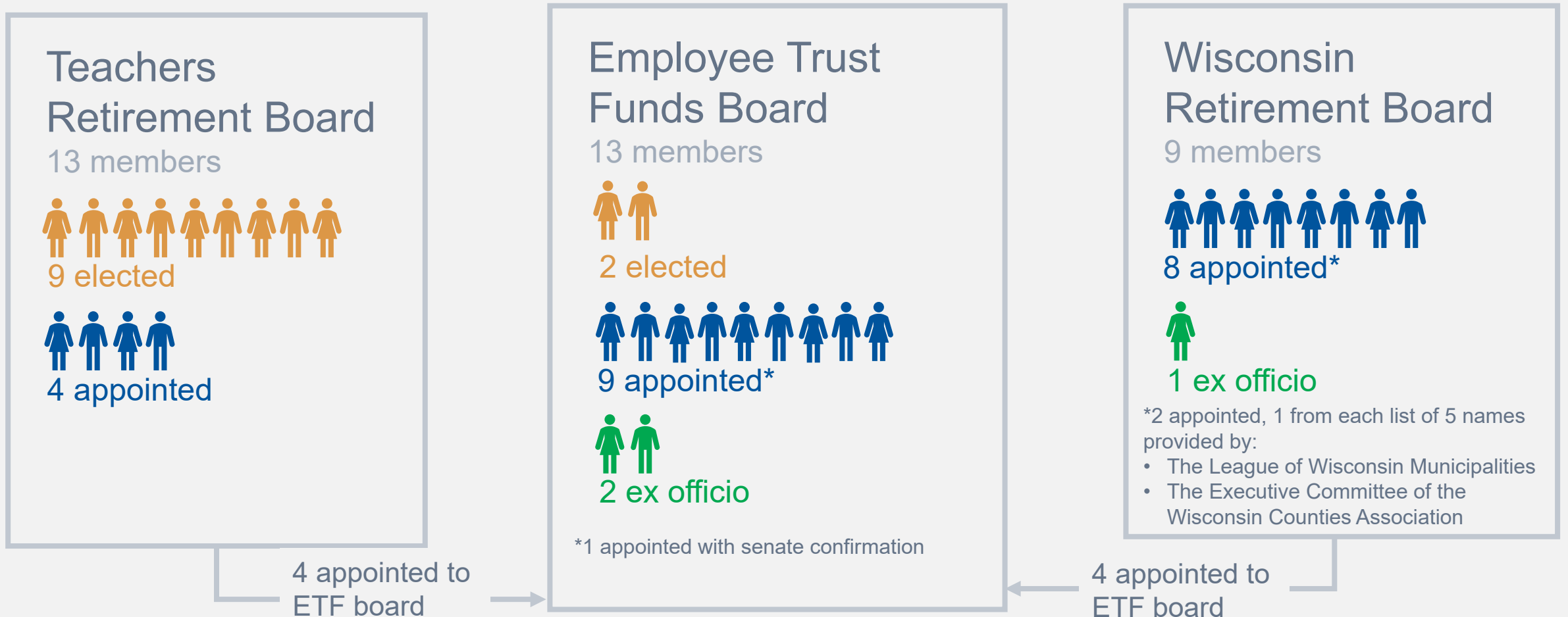
The Governing Boards' equity powers under ETF 11.03(2)(b) Limitation of Board Remedies:

- The Boards are generally limited to deciding an appeal based on the law and facts
- Benefits cannot be granted unless the member is eligible for the benefit, and meets all of the qualifications
- ETF Board has equity powers to correct inequities based on administrative errors
- TR & WR Board do not have equity powers

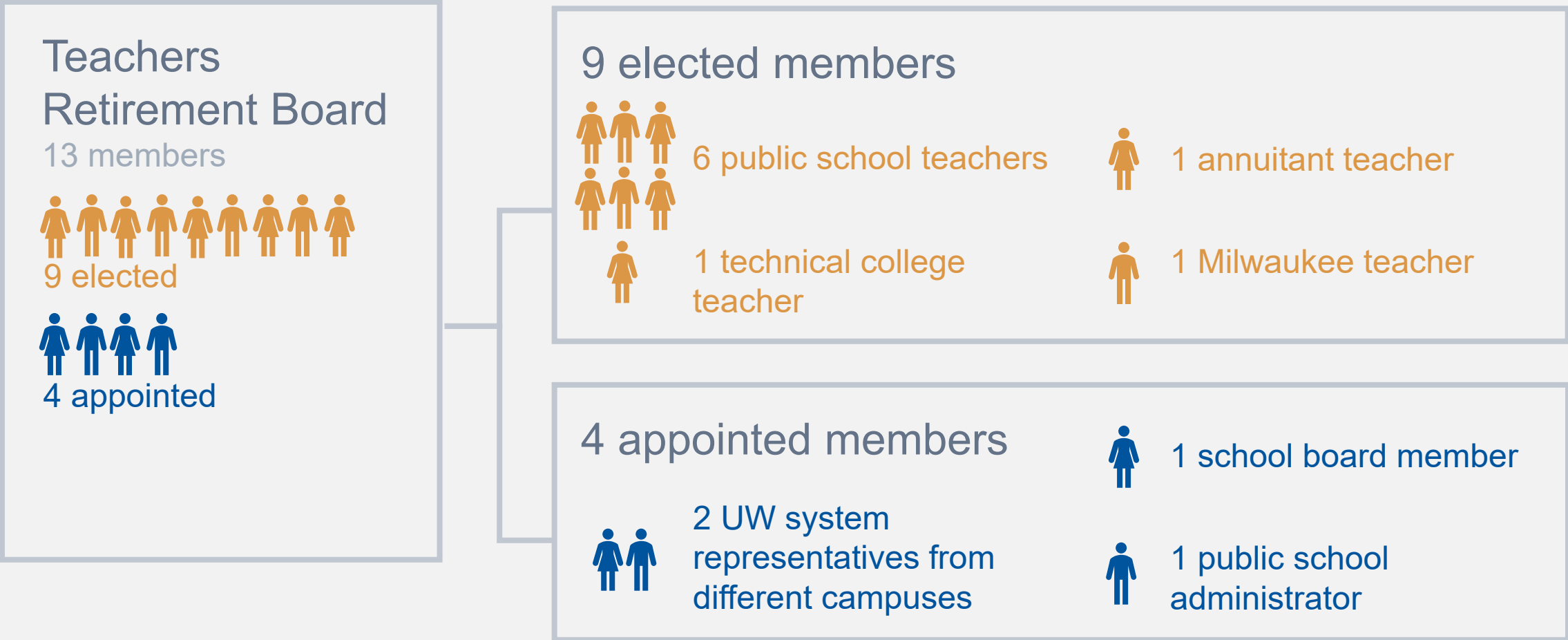
A photograph of a family of three walking on a dirt path through a forest. The mother is on the left, wearing a red and black plaid shirt and blue jeans. The father is on the right, wearing a blue and white plaid shirt over a white t-shirt and blue jeans. A young girl is in the center, wearing a white dress with black polka dots and a white headband. They are all smiling and holding hands. The background is a dense forest with tall trees and green foliage.

Board Composition Review

Current WRS Board Composition



Current Teachers Retirement Board



Current Wisconsin Retirement Board

Wisconsin Retirement Board

9 members



8 appointed*



1 ex officio

*2 appointed:

- ** 1 from a list of 5 names provided by The League of Wisconsin Municipalities
- *** 1 from a list of 5 names provided by The Executive Committee of the Wisconsin Counties Association

8 appointed members



1 governing body member of a WRS city or village**



1 WRS principal financial officer of a WRS city or village



1 WRS employee of a WRS city or village



1 WRS state employee



1 non-WRS member of the public to represent taxpayers



1 chairperson of a WRS county or town***



1 deputy or county clerk of a WRS county



1 WRS employee of a local employer (not city or village)

From different counties

From different counties

1 ex officio



Commissioner of insurance or an experienced actuary designee

Current Employee Trust Funds Board

Employee Trust Funds Board

13 members



2 elected



9 appointed*



2 ex officio

*1 appointed with Senate confirmation
** 2 appointed from elected members on the TR Board

2 elected members



1 WRS annuitant



1 public school or technical college support personnel employee

2 ex officio members



1 governor or governor's designee on GIB



1 DOA-DPM administrator or designee

9 appointed members



1 public member with 5 years related experience*



1 WRS state or local employee



1 WRS state employee or non-member taxpayer



1 WR board member



1 public school administrator or school board member



1 UW teacher participant



1 public school or technical college teacher participant**



1 Milwaukee teacher participant**

Membership Observations

Specific Board seat requirements



WRS demographics not fully reflected



Including profession, status and employer type

Protective participants do not have a designated seat



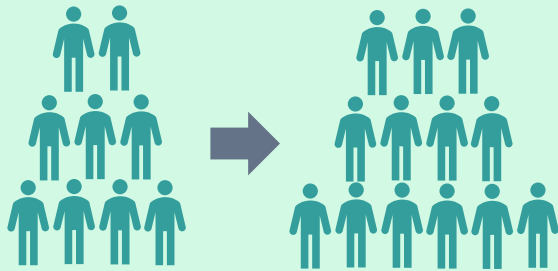
Protectives have the most unique benefits of any group



Designing a Governing Board

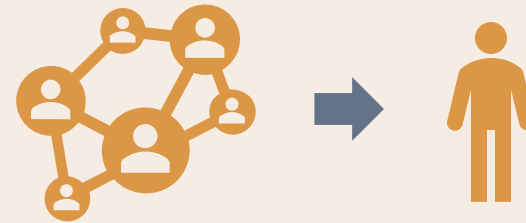
Composition Considerations

Number & Size



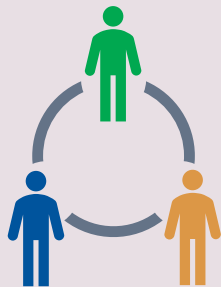
A single board with 9 to 13 members

Representation



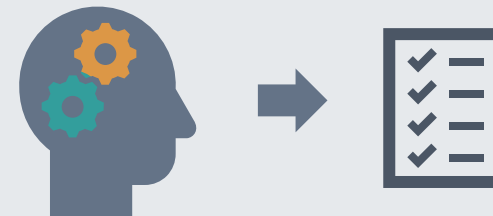
Base elected seats by plan demographics

Balance



Include ex officio, elected, and appointed members

Experience

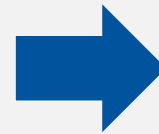


Align board member experience requirements with needed skill set

Number & Size Considerations

13 Members

- Within recommended size of 9 -13 members
- Maintains current level of representation on the ETF Board
- Aligns with typical single board structure of public pension plans



Balance Considerations

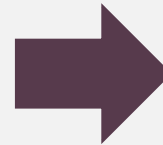
Mix of Ex Officio, Elected & Appointed Members

Typical Pension Plan Membership

- 33% elected
- 44% appointed
- 22% ex officio

Model WRS Board Membership

- 46% elected
- 38% appointed
- 15% ex officio



Model WRS Board
13 members

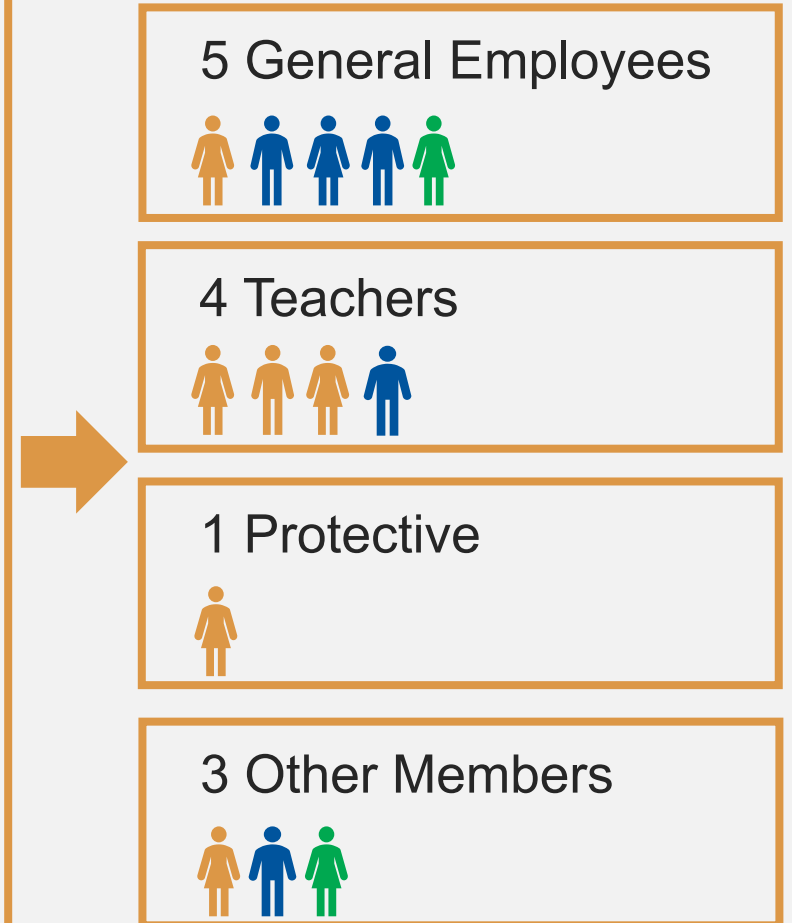


*1 appointed with Senate confirmation

Representation Considerations

* Educational Support Staff make up 32% of General Employees

- General Employees*
 - Current WRS Demographic = 52%
 - Current ETF Board = 62%
 - Model WRS Board = 38%
- Teachers
 - Current WRS Demographic = 39%
 - Current ETF Board = 23%
 - Model WRS Board = 31%
- Protectives
 - Current WRS Plan Demographic = 10%
 - Current ETF Board = 0
 - Model WRS Board = 8%
- Other Members
 - Annuitant – general, teacher or protective = 8%
 - Governor or their Designee – general, teacher, protective or non-participant = 8%
 - Non-Participant with audit, actuarial or finance experience = 8%



Experience Considerations

- Align appointed board member experience requirements with needed skill set
- Experience on the topics the board makes decisions on
- Flexible requirements to all diverse perspectives



Local Government Experience

- School Administrator or Local Unit of Government Administrator



Human Resource or Financial Experience

- Participating State or Local Chief Human Resources or Financial Officer (not from a school district)



Audit, Actuarial or Financial Experience

- Non-Participant with 5 years audit, actuarial benefit or financial experience



State, Governing or Employer Experience

- Elected Chief Executive Officer from a Participating Employer or an Elected Member of a Governing Board

Model WRS Board

Model ETF Board 13 members



6 elected



5 appointed*



2 ex officio

* 1 appointed with Senate confirmation

6 elected members



1 annuitant



1 annuitant – teacher



1 active participant –
educational support staff



2 active participants – teachers



1 protective – active participant

2 ex officio members



1 Governor or Governor's
designee on the GIB



1 DPM-DOA Administrator or
designee

5 appointed members



1 UW Active Representative



1 school administrator or local unit of
government administrator



1 participating state or local chief human
resources or financial officer (not from
a school district)



1 elected chief executive officer from a
participating employer or an elected
member of a governing board



1 non-participant with 5 years audit,
actuarial benefit or financial
experience*



Questions?

Thank you



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