

DRAFT

MINUTES

June 18, 2020

Employee Trust Funds Board

State of Wisconsin

Location:

Department of Employee Trust Funds
This meeting was held via teleconference.



ETF BOARD MEMBERS PRESENT:

Wayne Koessl, Chair
John David, Vice Chair
Robert Niendorf, Secretary
Stephen Arnold
Malika Evanco
William Ford

Chris Heller
Katy Lounsbury
Leilani Paul
Roberta Rasmus
Steve Wilding

PARTICIPATING ETF STAFF:

Office of the Secretary:
Bob Conlin, Secretary
John Voelker, Deputy Secretary
Cherylynn Wilkins, Board Liaison
Division of Retirement Services:
Matt Stohr, Administrator

Division of Trust Finance (DTF):
Cindy Klimke-Armatoski, Chief Trust
Finance Officer
Office of Legal Services (OLS):
Monica Anderson, Attorney

OTHERS PRESENT:

ETF Division of Management Services:
Patrick Hughes, Kadi Mbanefo, Tim
Steiner
ETF Division of Retirement Services:
Anne Boudreau, Jim Guidry
ETF Division of Trust Finance: ETF Office
of Communications: Nancy Ketterhagen
ETF Office of Internal Audit (OIA): Michelle
Hoehne, Yikchau Sze, Amanda Williams
ETF Office of Legal Services (OLS):
Monica Anderson, Diana Felsmann, Dan
Hayes, David Nispel

ETF Office of the Secretary: Lisa Gurley,
Pam Henning, Tarna Hunter, Kathryn
Young
Gabriel, Roeder, Smith & Company (GRS):
Jim Anderson, Brian Murphy
Legislative Audit Bureau (LAB)
Milliman: Paul Correia, Dan Segal
Other Guests: 3 people connected via
telephone
Public: Joseph Kelly, Robert Schaefer

ETF BOARD MEMBERS NOT PRESENT:

Michael Langyel

Board	Mtg Date	Item #
ETF	9.17.20	2

Mr. Koessler, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 10:30 a.m.

The Board Liaison took a roll call of Board members, presenters, and essential ETF staff to verify presence and connectivity.

ANNOUNCEMENTS

Mr. Stohr provided the following announcements:

- Welcomed Katy Lounsbury back to the ETF Board;
- The annual WRS Statement of Benefits normally sent to employers were recently sent instead to employees' home addresses, due to complications related to COVID-19 and local government employees not being in the office. This ultimately provides a better service for members; and
- To reduce costs, we will no longer mail the full actuarial report in the board packets; however, we will continue send the actuarial presentation that covers the highlights. The full report will be still be available on the website.

CONSIDERATION OF MEETING MINUTES

MOTION: Mr. Ford moved to approve the open session minutes of the March 26, 2020, 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. Heller 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. Mr. Arnold seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Koessler noted the Executive Committee met via teleconference on June 17, 2020. The committee discussed the ETF Board agenda for today. Agenda presentations include the Wisconsin Retirement System (WRS) contribution rates, the gain/loss analysis, the sick leave and duty disability contribution rates, and the board redesign. The committee reviewed ETF's objectives and accomplishments from the past quarter, as well as updates on key vacancies, recruitment, and training efforts. The committee will also review the Secretary's evaluation materials to be discussed with Secretary Conlin later today.

Audit Committee

Mr. Ford indicated the Audit Committee met via teleconference on June 17, 2020. The committee approved the minutes and elected officers.

In addition, the Committee:

- Reviewed the internal audit results of the Annuity Calculations Limited Review and the Active Lives Data Extract Audit;
- Discussed the Contract Compliance Audit and the Financial Statement Audit of the Wisconsin Deferred Compensation program; and
- Approved changes to the FY2020 – FY2021 Audit Plan.

Budget and Operations Committee

Ms. Rasmus stated the Budget and Operations Committee met yesterday via teleconference. The committee discussed the following matters:

- An update on how ETF's business functions have been affected by COVID-19. For example, retirement appointments were switched from in-person meetings to phone or online meetings. This was done for the safety of staff and customers.
- The wait times for many services provided by ETF have decreased compared to past quarters. This is partly due to staff not traveling the state for outreach and, instead, being more available to process paperwork such as retirement requests.
- Ms. Baxter provided an update on the projects ETF is working on, including:
 - The Electronic Content Management System;
 - The Insurance Administration System, with ETF currently reviewing the vendor responses from a Request for Proposal (RFP); and
 - The appointment scheduling software, which will allow members the option to go online to schedule a retirement appointment with an ETF specialist.
- Ms. Hunter talked about the regular legislative session that ended in March and the special session that occurred afterwards in response to COVID-19.
- Mr. Voelker highlighted the upcoming changes to the board metrics report that will be covered at today's meeting.

DISCUSSION/CONSIDERATION

Wisconsin Retirement System 39th Annual Valuation of Active Lives and Gain/Loss Analysis – December 31, 2019

Mr. Murphy and Mr. Anderson from Gabriel, Roeder, Smith Company (GRS) presented on the Active Lives Valuation (Ref. ETF | 6.18.20 | 5A).

Mr. Murphy provided an overview of the funding objectives of the WRS. Contribution rates have been stable, he stated. The benefits promised to present active and retired members is \$126.2 billion. Mr. Murphy reviewed the impact of asset gains and losses, which are smoothed over the current year and four future years.

A gain/loss analysis measures differences between assumed and actual experience in each risk area. Mr. Anderson explained the details of the gain/loss results.

In addition, Mr. Murphy discussed the COVID-19 implications for the WRS, saying that no one knows the full scope of the impact of the pandemic. He suggested focusing on administrative issues and investment management; trusting the process, and keeping the revenue stream as normal as possible

Motion: Mr. David moved to accept the Actuary's report on the WRS 39th Annual Actuarial Valuation of Active Lives and Gain/Loss Analysis – December 31, 2019 and adopt their recommendation. Ms. Rasmus seconded the motion, which passed unanimously on a voice vote.

Accumulated Sick Leave Conversion Credit Program Annual Review

Mr. Murphy and Mr. Anderson from Gabriel, Roeder, Smith Company (GRS) presented on the Active Lives Valuation (Ref. ETF | 6.18.20 | 5B).

The Accumulated Sick Leave Conversion Credit Program is a benefit provided to State of Wisconsin employees and eligible dependents to cover the cost of health insurance premiums after retirement, until sick leave credits are exhausted. Mr. Anderson reviewed the Supplemental Health Insurance Conversion Credit Program, including differences in eligibility and a summary of the participant data that included both retirees and beneficiaries. The contribution rates are extremely low and stable.

Motion: Ms. Paul moved to accept the Actuary's report on the Accumulated Sick Leave Conversion Credit Programs Actuarial Valuation as of December 31, 2019 and adopt their recommendation. Mr. Heller seconded the motion, which passed unanimously on a voice call vote.

LUNCH BREAK – TIME: 11:57 a.m. – 12:30 p.m.

Board Liaison did a roll call of Board members. All Board members except Langyel were present.

40.65 Duty Disability Actuarial Review

Mr. Correia and Mr. Skwire from Milliman presented on the 40.65 duty disability actuarial review. Mr. Skwire explained the summary of benefits for this program. He reviewed the liabilities and did a comparison from the prior year. He also reviewed the fund balance and the surplus. The surplus is 41% of the estimated liability.

Overall, the reserve margin analysis supports the updated valuation assumptions, the surplus is sensitive to investment income and contributions, and Milliman does not recommend a premium holiday at this time, due to current economic and health uncertainty.

Ms. Klimke-Armatoski (Ref. ETF | 6.18.20 | 5C) asked the board to accept the valuations and approve the 2021 Contribution Rate Tiers.

Motion: Mr. Wilding moved to accept the Actuary's review on the Duty Disability Plan Valuation as of December 31, 2019 and the 2021 Contribution Rate Tiers and adopt the recommended contribution rate schedule. Mr. David seconded the motion, which passed unanimously on voice vote.

Procurement of Outside Tax Counsel

Ms. Anderson (Ref. ETF | 6.18.20 | 5D), presented on the procurement of outside tax counsel.

Mr. Ford moved for the Board to delegate to the Department of Employee Trust Funds Secretary the authority to solicit proposals for and execute a contract and contract amendments with federal tax counsel. This delegation of authority to execute contracts and amendments will remain in effect until June 30, 2027. The Board may withdraw this delegation at any time. Ms. Paul seconded the motion, which passed unanimously on a voice vote.

Designing a WRS Governing Board

Mr. Ford opened with the following comments. "The composition of the model board was thoughtfully put together. We want a board with an odd number of members for voting purposes. In addition, a smaller board can be more effective."

There was discussion about filling certain vacancies and the diversity of the model board. The Board needs to consider the differences between teachers and general, and state versus local employees. The Board raised concern about the number of governor-appointed seats and becoming politicized.

Mr. Arnold stated he liked the model board and believes a smaller board would be more engaged and effective, adding that a 13-member board is a better starting point with the right level of diversity on the board.

Mr. Stohr shared feedback from the Teachers Retirement Board and Wisconsin Retirement Board meetings. There was talk about too many appointed seats, the lack of a Milwaukee School District teachers seat, and appointed members should have specific relevant backgrounds.

Ms. Evanco said she liked the structure, that a smaller board is easier to work within, adding that she feels it's a good proposal.

Ms. Rasmus commented that some vacancies can take a while to fill, a smaller board could have quorum issues, and said the a 13-member board is a good proposal.

Ms. Patterson will bring a revised model to the September board meetings. ETF may be able to get it in to ETF's biennial budget proposal, which will be submitted in September, or perhaps via separate legislation.

Mr. Heller moved to proceed with drafting the statutory amendments necessary for a single retirement board for possible inclusion in ETF's Biennial Budget submission. Mr. Arnold second the motion, which passed on the following roll call vote:

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

Members Absent: Langyel

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin explained that the annual WRS Statement of Benefits is traditionally sent in bulk to employers, but this year they were sent directly to local employees using home addresses on file.

He also stated that the investment markets after the first quarter were down 12%, but as of June 5, the Core Trust Fund has since moved into a positive position. There continues to be intra-day and inter-day volatility. The markets are operating on a lot of tentative information like federal support and states reopening.

Mr. Conlin opted to save additional comments for his evaluation.

ETF Board Metrics

Mr. Voelker (Ref. ETF | 6.18.20 | 6B) informed the Board about changes it should expect regarding the ETF Metrics report. There has been an increased use of metrics throughout the agency, and ETF has made a variety of adjustments on its metrics report to the Board.

In 2018, ETF was falling behind in five areas. This quarter's report is the first without red performance indicators. The wait time for an appointment is below 15 days.

ETF has embraced the tracking of metric goals and is setting new metrics on the four strategic goals. ETF is identifying its "North Star" metrics and will be setting annual targets as well as long-term aspirational targets.

Board members commented on the great progress ETF has made with respect to metrics, saying that what gets measured gets done.

This effort seems to have had an effect culturally at ETF, which was intentional. ETF was not as purposeful in the past, but now we have a business intelligence team, a data warehouse, and we are using the data we were collecting. All of these elements are helping drive process changes.

Mr. Koessler referred the Board to the additional operational update memos (Ref. ETF | 6.18.20| 6C through 6L) included in the Board packets and offered that staff were available to answer any questions.

Mr. Stohr highlighted how ETF has adjusted due to COVID-19 (Ref. ETF | 6.18.20| 6C). He also commented on the Customer Services Memo (Ref. ETF | 6.18.20| 6D). ETF has seen a spike in requests for retirement estimates and retirement applications in the first quarter of this year.

Mr. Heller commented on the board correspondence (Ref. ETF | 6.18.20| 6L). ETF did an excellent job explaining the different aspects of the WRS.

FUTURE ITEMS FOR DISCUSSION

Mr. Stohr referred the Board to the September 17, 2020 Agenda Topics memo (Ref. ETF | 6.18.20 | 7A).

CLOSED SESSION

Mr. Koessler announced that the Board is going into closed session for two matters

- 1) Performance evaluation of the secretary and
- 2) Consideration of an appeal.

Unless there is objection, Mr. Koessler, as the board chair, will be the sole Board member to return to open session and announce the action taken on these items and adjourn the meeting. No objections were made.

MOTION: Mr. Koessler moved to convene in closed session pursuant to the exemptions contained in Wis. Stats. § 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 and Wis. Stats. § 19.85 (1) (a) for quasi-judicial deliberations. Mr. Arnold second the motion, which passed on the following roll call vote:

Members Voting Aye: Arnold, David, Evanco, Ford, Heller, Koessler, Lounsbury, Niendorf, Paul, Rasmus, and Wilding

Members Absent: Langyel

The Board convened in closed session at 1:56 p.m. and adjourned at 3:17 p.m.
Mr. Koessler returned to open session at 3:18 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING

Mr. Koessler announced the Board took the following action during closed session:

Appeal 2019-005-ETF

The Board voted to adopt the Hearing Examiner's proposed decision, with modifications as recommended by counsel.

Personnel Matters

The Board discussed Secretary Conlin's performance evaluation. He received outstanding remarks from the Board and in internal communications from ETF administrators and staff.

ADJOURNMENT

Mr. Koessler adjourned the meeting.

The Board adjourned at 3:20 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board