

DRAFT

MINUTES

September 17, 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
Michael Langyel
Katy Lounsbury
Leilani Paul
Roberta Rasmus
Steve Wilding

PARTICIPATING ETF 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
Office of Policy, Privacy & Compliance:
Laura Patterson, Policy Analyst

OTHERS PRESENT:

ETF Division of Management Services:
Patrick Hughes, Kadi Mbanefo, Tim
Steiner
ETF Division of Retirement Services:
Anne Boudreau, Jim Guidry
ETF Office of Communications: Nancy
Ketterhagen, Mark Lamkins
ETF Office of Internal Audit (OIA): Yikchau
Sze, Amanda Williams
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,
Pam Henning, Tarna Hunter, Kathryn
Young
Legislative Audit Bureau (LAB): Sherry
Haakenson
Other Guests: 3 people connected via
telephone

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

Board	Mtg Date	Item #
ETF	12.10.20	2A

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

ANNOUNCEMENTS

Mr. Stohr announced that today's CEM's presentation will be the last report for a while, as ETF will not be contracting with CEM Benchmarking for the next couple of years. While CEM provides a great service and we have learned from its benchmarking, ETF's service score does not change much from year to year. Staff resources saved will be directed toward modernization efforts and strategic initiatives.

CONSIDERATION OF MEETING MINUTES

MOTION: Mr. David moved to approve the open and closed session minutes of the June 18, 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.

COMMITTEE REPORTS

Executive Committee

Mr. Koessl noted the Executive Committee met via teleconference on September 16, 2020. The committee discussed the Joint Meeting of the Retirement Boards (JM) and the ETF Board agendas. The committee reviewed some of ETF's objectives and accomplishments from the past quarter and provided an update on the agency's Equity and Inclusion Plan development. The committee discussed the Secretary recruitment process and next steps.

Audit Committee

Mr. Ford indicated the Audit Committee met via teleconference on September 17, 2020. The committee approved the minutes. In addition, the committee:

- conducted its annual review of the Audit Committee Charter and proposed no changes;
- reviewed the results of the Member Account Adjustment audit, which did not identify any material errors but did offer a recommendation. Management agrees with the suggestion;
- discussed the TASC Balances Audit, which reviewed the transition of balances from TASC to ConnectYourCare as the new third-party administrator for the Employee Reimbursement Accounts (ERA) and Health Savings Accounts (HSA). The audit found no exceptions, the small differences were found to be reasonable, and everything was materially accurate;

- reviewed the follow-up progress of the Bureau of Budget, Contract Administration, and Procurement (BCAP) from the Office of Internal Audit (OIA) recommendations for improvement. BCAP continues to improve its contract administration function;
- reviewed the complete FY2020 - FY2021 Audit Plan; and
- discussed the Janus audit of IT governance within ETF.

Budget and Operations Committee

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

- Reviewed the committee charter without changes, which will come to the ETF Board for approval in December;
- ETF leadership's decision to not renew the contract with CEM Benchmarking services;
- ETF successfully launched appointment software ahead of schedule, which allows members to schedule a retirement appointment online rather than having to call to schedule. This is the first of many steps toward more online access for members; and
- An update on current projects, including:
 - The Electronic Content Management System that is scheduled to go live in late 2021.
 - The Insurance Administration System; ETF is currently reviewing the vendor responses from a Request for Proposal (RFP).
- Ms. Hunter provided a memo that covered ETF's budget request for the upcoming two-year state budget. She discussed each item in ETF's budget request, with all three Committee members supporting ETF's budget request.

DISCUSSION/CONSIDERATION

Designing a Wisconsin Retirement System (WRS) Governing Board

Ms. Patterson referred the Board to this morning's JM presentation (Ref. JM | 9.17.20 | 3C).

The Chair requested the Board Liaison read the proposed motion.

MOTION: Mr. Langyel moved to approve the inclusion of a proposal into ETF's 2021-2023 Biennial Budget that merges the Boards into a single board as presented by Ms. Patterson and for the Board chair on behalf of the Employee Trust Funds Board, to co-author a letter to the Governor's office supporting the proposal. Mr. Heller seconded the motion.

The Board continued its discussion. Mr. Langyel verbalized his support of the merger but had concerns over the number of elected versus appointed members.

Mr. Stohr reviewed the discussion and motions from the Teachers Retirement (TR) Board and the Wisconsin Retirement (WR) Board meetings. He shared the questions from the TR Board regarding representation of the technical colleges and the WR Board about the potential risk of changes being made during the legislative process that could end up being detrimental to the WRS. Similar to current law, the educational support seat will be open to technical college educational support personnel. He also revisited the discussion at the JM about the non-participant seat.

Ms. Lounsbury continued the discussion from the JM about the non-participant member seat. She proposed keeping the seat as one position but making it elected by WRS participants or appointed by the remaining members of the board.

Ms. Evanco questioned the viability and the desired outcome for the motion. Mr. Conlin affirmed that ETF has a good working relationship with the Governor and Ms. Lounsbury currently holds the Governor's appointment seat. Mr. Conlin stated, if the Board does not agree with the motion, then further discussion is needed.

There was discussion regarding the non-participant seat with five years of financial experience. Ms. Rasmus and Mr. Ford agree that this seat represents the taxpayers. There was concern whether the 5 year experience requirement was too restrictive such that it might be difficult for future governors to find candidates to fill the seat. They proposed removing the five years of experience requirement, with the intention that this change will make it easier for the Governor to fill the seat.

Mr. Langyel commented regarding the importance of creating a single governing board with only 13 seats.

Amendment: Mr. Ford moved to amend the motion to remove the 5 year experience requirement of the proposed board from the non-participant seat. Ms. Lounsbury seconded 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

The motion passed as amended on the following roll call vote.

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

Members Absent: Langyel

Mr. Koessl thanked the Board members for their open discussion and for putting the WRS first. He said that the Board had done its fiduciary responsibility for all members.

John David as Chair of the WR Board and Chris Heller as Vice Chair of the TR Board agreed that their respective boards would support the change to the original motion.

ETF's 2021-2023 Biennial Budget Request

Ms. Hunter referred to her memo (Ref. ETF | 9.17.20 | 4B) and provided a timeline for the budget. The adjusted base is what it takes to support ETF's operation. ETF is requesting a modest increase of approximately 3% and is only pursuing high priority initiatives and resource requests, including modernization and cybersecurity.

She also said the request has minor statutory changes that would align current law with how the WRS currently operates. In addition, ETF proposed changes to the Income Continuation Insurance (ICI) program to allow members to choose their participation levels with a sliding cost scale. This will hopefully encourage more participation in the state ICI program.

MOTION: Ms. Rasmus moved to support the Department's 2021-2023 Biennial Budget proposal as detailed. Mr. David seconded the motion, which passed unanimously on a voice vote.

OPERATIONAL UPDATES

Secretary's Report

Mr. Conlin thanked the board for supporting ETF's Biennial Budget proposal.

For the calendar year to date, Core Trust Fund investment performance is currently at 6% and the Variable Trust Fund is at 5%. With elections on the horizon, the market may have more volatility before the end of the year, he said.

The State of Wisconsin Investment Board (SWIB) regularly reviews the WRS asset allocation in light of current market conditions. In October, SWIB's asset allocation consultants will review the current asset allocation in light of lower market return forecasts. The next time the WRS conducts an experience study, the Board can expect downward pressure on the assumed investment rate of return.

The Comprehensive Annual Financial Report (CAFR) will be out later than expected due to reporting aspects of the state's sick leave program. The new Governmental Accounting Standards Board (GASB) standards have caused ETF to review how we account for sick leave.

ETF and the Wisconsin Department of Financial Institutions have been awarded a \$100,000 grant to establish a financial wellness program for WRS members and their families. A total of 139 state and local governments applied and only 24 received the

grant. Our “Wisconsin Strong” program will provide financial wellness education to WRS members and their families. Mr. Conlin thanked Tarna Hunter for her efforts.

ETF Board Metrics

Mr. Voelker (Ref. ETF | 9.17.20 | 5B) discussed significant changes to the ETF metrics report. He stated the new approach from operational metrics to organizational metrics results in ambitious goal setting and more transparency about where ETF needs to go and its progress in getting there. The previous report looked backward at what we did, he said. ETF’s new metrics report shows us if we are spending time on the right things and moving forward to accomplish ETF’s strategic goals.

Mr. Voelker clarified ETF’s new way of collecting data through North Star metrics and expounded upon each of the four Strategic Goals outlined in his memo.

Ms. Rasmus complimented Mr. Voelker and ETF for taking on this project.

Mr. Koessler referred the Board to the additional operational update memos (Ref. ETF | 9.17.20| 5C through 5G) 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 December 10, 2020 Agenda Topics memo (Ref. ETF | 9.17.20 | 6A). GRS, the Board’s actuary, will be at the December meeting to discuss the stress testing they did for the WRS.

CLOSED SESSION

Mr. Koessler announced that the Board is going into closed session to discuss personnel matters for the Recruitment of the ETF Secretary.

Unless there is an 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. Ms. Paul second the motion, which passed on the following roll call vote:

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

The Board convened in closed session at 2:36 p.m. and adjourned at 3:10 p.m. Mr. Koessler returned to open session.

**ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING
CLOSED SESSION**

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

The Board discussed aspects of the recruitment process and scheduled a special meeting for October 7 at 1:00 p.m. to review various recruitment documents.

ADJOURNMENT

Mr. Koessler adjourned the meeting at 3:16 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board