

DRAFT

# MINUTES

March 25, 2021

## Employee Trust Funds Board

State of Wisconsin

### Location:

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



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### ETF BOARD MEMBERS PRESENT:

Wayne Koessler, Chair  
John David, Vice Chair  
Robert Niendorf, Secretary  
Malika Evanco  
William Ford  
Chris Heller

Michael Langyel  
Katy Lounsbury  
Leilani Paul  
Roberta Rasmus  
Steve Wilding

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### ETF BOARD MEMBERS ABSENT:

Stephen Arnold

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### PARTICIPATING ETF STAFF:

#### Office of the Secretary:

Bob Conlin, Secretary  
John Voelker, Deputy Secretary  
Tarna Hunter, Director of Strategic  
Engagement and Government  
Relations  
Cheryllynn Wilkins, Board Liaison

#### Division of Management Services:

Lisa Dally, Director, Human Resources

#### Division of Retirement Services:

Matt Stohr, Administrator

#### Office of Policy, Privacy & Compliance:

Steve Hurley, Director

#### Wisconsin Deferred Compensation

Program: Shelly Schueller, Director

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### OTHERS PRESENT:

#### ETF Division of Management Services:

Patrick Hughes, Kadi Mbanefo

#### ETF Division of Retirement Services:

Anne Boudreau, Jim Guidry, Tim Harris

#### ETF Division of Trust Finance:

Cindy Klimke

#### ETF Office of Communications:

Mark Lamkins

#### ETF Office of Internal Audit (OIA):

Michelle Hoehne, Kimberly Richmond, Yikchau Sze, Amanda Williams

#### ETF Office of Legal Services (OLS):

Diana Felsmann, Dan Hayes, David Nispel

#### ETF Office of the Secretary:

Lisa Gurley, Pam Henning, Kathryn Young

#### Gabriel, Roeder, Smith & Company (GRS):

Mark Buis, Brian Murphy

#### Legislative Audit Bureau (LAB):

Bridget Wieser

#### Other Guests: 2 people connected via

Teams

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ETF	6.17.21	2

Mr. Koessler, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 12:34 p.m.

## **ANNOUNCEMENTS**

Mr. Stohr provided a brief governing board redesign update noting the redesign proposed by the three Boards was in the Governor's budget proposal. Ms. Hunter will discuss the next steps during the budget update later on the agenda.

## **CONSIDERATION OF MEETING MINUTES**

***MOTION: Mr. David moved to approve the***

- open and closed session minutes of the December 10, 2020,***
  - open and closed session minutes of the January 20, 2021, and***
  - open and closed session minutes of the February 24, 2021,***
- meetings of the Employee Trust Funds Board, as submitted by the Board Liaison. Ms. Rasmus seconded the motion, which passed unanimously on a voice vote.***

## **ELECTION OF OFFICERS**

***MOTION 1: Mr. Langyel 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. Ms. Rasmus seconded the motion.***

***NOMINATION: Mr. Ford nominated himself as Chair.***

***MOTION 2: Mr. Langyel moved to separate the Chair position from the original motion. Ms. Rasmus seconded the motion, which passed unanimously on a voice vote.***

***MOTION 3: Mr. Langyel moved to use secret ballots to cast votes for the Chair position. Mr. Heller seconded the motion, which passed unanimously on a voice vote.***

Due to the meeting being held virtually, the vote was conducted electronically. The Board Liaison sent Board members a link in which to cast their vote. The polling platform used does not show which member voted for which nominee. There is strictly a list with each vote cast. The number of votes received equaled the number of board members present at the meeting.

**VOTES COUNTED:** Ms. Wilkins announced the votes, Wayne Koessler – 6 votes. Bill Ford – 5 votes. The Chair announced with the majority of votes, Mr. Koessler will remain as Chair.

***MOTION 1 as Amended: Mr. Langyel moved to nominate John David as Vice Chair and Robert Niendorf as Secretary of the Employee Trust Funds Board. Ms. Rasmus seconded the motion, which passed unanimously on a voice vote.***

After the election was announced, the Board asked questions regarding the Open Meetings Law. The Board would like this topic as a future item for discussion and/or training.

## **COMMITTEE REPORTS**

### Executive Committee

The Executive Committee met via teleconference on March 24, 2021. The committee discussed the ETF Board agenda and the various presentations, State of Wisconsin Investment Bureau (SWIB), the GRS actuaries on the retired lives valuation and annuity adjustments, ETF Core Fund projections, and funding policy changes. The committee also reviewed some of ETF's accomplishments from the past quarter and highlighted key vacancies, recruitments, and training efforts.

### Audit Committee

The Audit Committee met via teleconference on March 24, 2021. The committee approved the minutes. In addition, the committee:

- Elected the committee officers, Mr. Ford as chair, Ms. Paul as vice chair, and Mr. Langyel as secretary.
- Reviewed the results of Wipfil's contract compliance audit of Securian Financial Group, the third-party administrator for the Group Life Insurance program.
- Discussed internal audit results of ETF's Retired Lives data extract audit, which showed positive results of benefit payment records.
- Discussed the Annuity Calculations Limited Review audit which is performed periodically to ensure annuity payments were calculated correctly and distributed to the correct individuals in a timely manner.
- Reviewed the root causes of abnormal (negative or low) balances on the annual statement of benefits and steps ETF will take to address these balances in the future.
- Discussed ETF's development and implementation of a fraud program to ensure adequate controls are in place to limit the risk of both internal and external fraud.
- Reviewed the complete FY2020 - FY2021 Audit Plan.
- In closed session, discussed ETF's Information Technology Network Security project results.

### Budget and Operations Committee

The Budget and Operations Committee met on March 24, 2021 via teleconference. The committee discussed the following matters:

- Mr. Stohr provided an operations update. ETF is very busy right now, which is typical for this time of the year because of services such as tax changes for retirees and teacher retirements. ETF is scheduled to mail retirement statements to each active employee in mid-April this year. The statements will be mailed directly to the employee's home address. In the past, the statement was sent to the employee's employer. The direct mail is a customer service improvement for the employees and also reduces work for the employer.
- Ms. Baxter provided an update on the modernization projects ETF is working on, including:
  - The Electronic Content Management system, which is scheduled to go live Labor Day weekend.
  - The Insurance Administration System. A Request for Proposal (RFP) has been prepared and ETF scheduled proof-of-concept presentations with the two finalist vendors. The proof-of-concept presentations have shown staff how the vendors would handle ETF's requirements and will help staff decide the best vendor for ETF. Staff intend to decide between the two finalists in April.
- Mr. Voelker went through the organizational metrics report, which aligns to ETF's strategic plan and tracks progress towards each initiative in the plan. Among other things, he highlighted the progress made on ETF's Equity and Inclusion (E&I) Plan, cyber security, and process documentation. Mr. Voelker will cover the metrics report at today's meeting.
- Ms. Hunter provided an update on the 2021-2023 state budget and covered the items in the Governor's budget proposal that impact ETF.

### **DISCUSSION/CONSIDERATION**

#### Wisconsin Retirement System 38<sup>th</sup> Annual Valuation of Retired Lives—December 31, 2020

Mr. Murphy and Mr. Buis from Gabriel, Roeder, Smith Company (GRS) (Ref. ETF | 3.25.21 | 5A) highlighted key points from their presentation this morning.

They discussed the Summary of Results table, with 222,723 annuitants in the Core Fund and 41,753 in the Variable Fund; annual dollar amount of annuities paid, fund balance and actuarial reserve; and the annual valuation of the system.

***MOTION: Mr. Niendorf moved to accept the Actuaries report, 38<sup>th</sup> Annual Actuarial Valuation of Retired Lives as of December 31, 2020 and adopt the recommendations. Ms. Paul seconded the motion, which passed on a voice vote.***

Wisconsin Retirement System (WRS) Funding Policy Change Options Related to Dividend Risk

Mr. Hurley's presentation (Ref. ETF | 3.25.21 | 5B) was a follow-up to the Board's request that ETF work with GRS to address dividend liability risk in the WRS Funding Policy. Mr. Hurley explained the recommended amendments to the Funding Policy. In the revised Funding Policy, dividend liability is defined as a separate risk category in the Risk Management section. Additional amendments address minor issues in consistency and add a definition for assumed rate. If approved, the amendments would require the Board and ETF to review dividend liability levels and consult with the actuary as a part of the biennial stress testing and the annual Retired Lives Valuation discussions.

Mr. Hurley inquired if the Board would like ETF to do other analysis relating to mitigation of market downturn events, or in any other subject areas. The Board had no additional requests.

***MOTION: Mr. David moved to accept the revised WRS Funding Policy. Ms. Evanco seconded the motion, which passed unanimously on a voice vote.***

**OPERATIONAL UPDATES**

Secretary's Report

Mr. Conlin announced that ETF's Chief Information Security Officer, Greg Beach, will be retiring at the end of April. Greg has built ETF an environment that will continue to do well.

On a local news station, former ETF Secretary Gary Gates was recognized. Once it is available, the news clip will be sent to the Board.

The governor's budget had mixed results for ETF. It ETF's position requests did not make the governor's proposal, but ETF is hoping to make a case with the Joint Finance Committee. The redesign that the boards jointly proposed did make the preliminary budget.

The transition to Mr. Voelker as ETF Secretary is going well. Mr. Conlin thanked the Board for its support over the years and noted the importance for Board members to unify in order to have more authority on budget and personnel costs.

Mr. Voelker thanked Mr. Conlin for his service both for the agency and for being a mentor to him. Mr. Voelker wants to continue to see the agency grow in its equity and inclusion efforts. He conducted a recruitment for Executive Team members and received 10 qualified individuals. He hopes to make the announcement of the Executive Team by April 5.

ETF Organizational North Star Metrics

Mr. Voelker (Ref. ETF | 3.25.21 | 6B) discussed the ETF Operational North Star Metrics report ending December 20, 2020. He has been working on a proposal to automate these

metrics so staff can see the advancement through the strategic goals. ETF has started its process of annual review of objectives and goals. He is revisiting the plan with senior leadership and evolving target scores. As things evolve, the Board may see changes.

In Goal 2, ETF has exceeded its current fiscal year target for documenting of Level 1 processes. Exceeding our goal has put ETF in a more value position to mature.

In Goal 3, a new measurement has been added to include the E&I Program. A robust E&I Plan will help lay the groundwork to implement change in ETF's overall culture.

### State Budget Update

Ms. Hunter (Ref. ETF | 3.25.21 | 6C) provided a summary of what the governor included and did not include in the state budget from ETF's request. The governor's budget provides full funding for continuing ETF's operations with an overall increase of 2.75%. The budget did include the retirement board consolidation with some changes to three of the seats. One of the changes is making the Public Member seat an elected position instead of a governor appointment. ETF is unsure how it would conduct this election.

The bill requires the Group Insurance Board (GIB) to conduct a study of the potential costs and savings to school districts and participants by mandating all school districts in the state to participate in the Group Health Insurance Program. This bill provides a one-time funding of \$500,000 in segregated funds to complete the study. ETF is speaking with legislators about whether this is an appropriate use of segregated funds. ETF has also been reaching out to all freshmen legislators, providing education on how we manage risk and for whom the WRS is designed.

### Equity & Inclusion (E&I) Plan Overview

Ms. Dally (Ref. ETF | 3.25.21 | 6D) provided an overview of ETF's E&I Plan, which was approved by DOA's Division of Personnel Management in December 2020. Because of the national racial injustice and social unrest, ETF staff are engaged and want to know how they can affect change. That is why Strategic Goal 3: "Build a talented and agile workforce," was adjusted to read, "Build the culture, recruitment and retention practices that will make ETF an equitable and inclusive organization."

Ms. Dally also provided a three-year overview of ETF's E&I planned initiatives in the categories of recruitment, retention, and culture. In addition to formal efforts, there have been many additional activities, including peer-led trainings on systemic racism, employee discussion groups, and a diversity book club.

### Wisconsin Deferred Compensation Program (WDC) Display of WRS Pension Data

Ms. Schueller (Ref. ETF | 3.25.21 | 6E) shared the analogy that retirement is a three-legged stool and that for financial security in retirement, most people need personal savings in addition to their WRS and Social Security benefits. WRS members may have a retirement gap as much as 10-40% between their anticipated income during retirement and their actual retirement income amounts. ETF wants people to engage in retirement planning and take action so they can reach their retirement goals.

The WDC is the seventh largest s.457 plan in the United States. Established in 1982, it has over 900 local employers and 67,000 state and local participants. No state funds are used for administration of the WDC. The WDC offers many benefits for its participants.

During the summer of 2020, a new benefit to display primary retirement income sources (WRS Pension Estimate and Social Security Estimate) alongside of the participant's WDC account balance was piloted. By adding the WRS Pension estimate amount to WDC participants' data, the WDC's "Lifetime Income Score" can provide a clearer view of a member's total retirement savings. The pilot was provided to seven employers and 1,000 employees, and the data was visible during the 10-week pilot window.

As a result of the pilot, 92% of people responding to the follow-up survey indicated they wanted to continue seeing their WRS pension estimate with their WDC account information. In addition, the pilot showed that participants were more engaged with their retirement planning by going online to review their WDC account data, meeting with a WDC plan advisor, increasing their savings deferral amounts, and making asset allocation changes.

The WDC website will populate the WRS Pension Estimate data for actively employed, vested members in late April 2021.

Mr. Koessler referred the Board to the additional operational update memos (Ref. ETF | 3.25.21 | 6F through 6I) included in the Board packets.

#### **FUTURE ITEMS FOR DISCUSSION**

Mr. Stohr referred the Board to the June 17, 2021 Agenda Topics memo (Ref. ETF | 3.25.21 | 7A). In addition, the open meetings topic will be added to the agenda for June or September.

#### **ADJOURNMENT**

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

The Board adjourned at 2:28 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Robert Niendorf, Secretary  
Employee Trust Funds Board