

DRAFT

MINUTES

June 17, 2021

Employee Trust Funds Board

State of Wisconsin

Location:

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



ETF BOARD MEMBERS PRESENT:

Wayne Koessler, Chair
John David, Vice Chair
Robert Niendorf, Secretary
Steven Arnold
Malika Evanco
William Ford

Chris Heller
Michael Langyel
Leilani Paul
Roberta Rasmus
Steve Wilding

ETF BOARD MEMBERS ABSENT:

Katy Lounsbury

PARTICIPATING ETF STAFF:

Office of the Secretary:

John Voelker, Secretary
Shirley Eckes, 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

Office of Enterprise Initiative:

Michelle Baxter, Director

Office of Legal Services (OLS): David Nispel, General Counsel

OTHERS PRESENT:

ETF Division of Management Services:

Khali Glass, Patrick Hughes, Kadi Mbanefo

ETF Division of Retirement Services:

Anne Boudreau, Jim Guidry

ETF DTF: Ramona Yee

ETF Office of Communications:

Nancy Ketterhagen

ETF Office of Internal Audit (OIA): Michelle

Hoehne, Kimberly Richmond

ETF Office of Legal Services (OLS): Monica

Anderson, Diana Felsmann, Dan Hayes

ETF Office of the Secretary: Lisa Gurley,

Kathryn Young

Department of Administration (DOA): Dana

Gehrmann, Joe Kelly

Gabriel, Roeder, Smith & Company (GRS):

Jim Anderson, Rich Koch, Brian Murphy

Legislative Audit Bureau (LAB):

Erin Scharlau, Bridget Wieser

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Milliman: Paul Correia
University of Wisconsin: Erin
Schoonmaker

Other Guests: two unidentified guests
connected via MicrosoftTeams

Mr. David, Vice Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 12:30 p.m.

ANNOUNCEMENTS

Mr. Stohr provided a recap of the state budget update and that the Board redesign proposal was not included in the budget. The Teachers Retirement (TR) Board took action at today's meeting on two of the three appointments to the ETF Board that were out of date. TR Board members Amy Mizialko and David Schalow were nominated and approved to serve terms that will go into effect July 1, 2021. Mr. Stohr thanked Bob Niendorf and Michael Langyel for their extensive time and service to the Boards and ETF. Mr. Niendorf is the Secretary of the ETF Board, and an election for the position will be on the September Board agenda.

Mr. Niendorf summed up his time on the board, saying, "I have enjoyed the privilege of serving on the retirement boards. In 1970 and 1974, I was elected to the TR Board and then became a governor appointment since 1989. I have helped the Board many times appoint ETF Secretaries who would effectively administer the benefit programs and provide strong protection of the trust fund. ETF has protected the trust for the benefit of all the retired members. We have a strong retirement system."

Mr. Langyel thanked the board members and staff for protecting the livelihood of so many people and families, saying, "It has been such a privilege to set the goals of members first. Ms. Mizialko is a fantastic leader and will serve our members well."

Mr. Niendorf and Mr. Langyel's contributions will be recognized at the September Board meeting.

CONSIDERATION OF MEETING MINUTES

MOTION: Mr. Koessl moved to approve the open session minutes of the March 25, 2021, meeting of the Employee Trust Funds Board, as submitted by the Board Liaison. Ms. Rasmus seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

The Executive Committee met via teleconference on June 16, 2021. The committee discussed the Joint and ETF Board agendas, including the consulting actuary's

presentation on the active lives, gain/loss, and sick leave valuations, and duty disability contribution rates, ETF Core Fund projections, and funding policy changes. The Executive Committee also discussed Core fund projections and funding policy changes.

The committee also reviewed some of ETF's objectives and accomplishments from the past quarter, including selection of the insurance administration system vendor for the next phase of modernization, key staff vacancies, recruitments, and training efforts relating to advancing ETF's efforts on the Equity and Inclusion (E&I) Plan Initiative.

Budget and Operations Committee

The Budget and Operations Committee met on June 16, 2021 via teleconference. The committee discussed the following matters:

- Ms. Henning and Mr. Stohr provided an operations update. The ETF office is scheduled to gradually open up to members starting on July 5.
- Ms. Baxter provided an update on the ETF's modernization projects, including:
 - The Enterprise Content Management system, which is scheduled to go live this fall.
 - The Insurance Administration System. A Request for Proposal (RFP) was prepared and ETF scheduled proof-of-concept presentations with the two finalist vendors. After much research, ETF's Strategic Council picked one of the vendors, and ETF is now in contract negotiations with the vendor.
- Ms. Hunter provided an update on the 2021-2023 state budget and covered the items in the budget proposal that affect ETF. The committee discussed the need for staff positions that were included in ETF's budget request. ETF is working with the Legislature's Joint Committee on Finance (JCF) to get those positions added to the Legislature's budget. Ms. Hunter will go through the budget and the bills at today's meeting.
- Ms. Henning went through the organizational metrics report, which aligns to ETF's strategic plan and tracks progress toward each initiative in the plan. She highlighted the progress made on ETF's E&I plan.

Audit Committee

The Audit Committee did not meet quorum and the meeting will be rescheduled.

DISCUSSION/CONSIDERATION

Wisconsin Retirement System 40th Annual Valuation of Active Lives and Gain/Loss Analysis—December 31, 2020

Mr. Anderson from consulting actuary Gabriel, Roeder, Smith Company (GRS) (Ref. ETF | 6.17.21 | 4A) highlighted key points from the presentation this morning at the Joint Meeting of the Boards.

There was discussion regarding the mortality assumptions, the potential reduction in member annuities, and if the Board is doing everything it can to avoid the possibility of a negative annuity adjustment.

Mr. Anderson explained the actuarial assumptions and methods and that the assumed rates of investment return have the most significant impact on the Valuation. Actual WRS mortality experience is also used.

Mr. Voelker commented that there will be a decrease in contribution rates for most employers next year, but there are approximately 85 employers that will have a slight increase due to the number of protective employees they have on payroll.

MOTION: Mr. Langyel moved to accept the Actuary's report on the 40th Annual Actuarial Valuation of Active Lives and Gain/Loss Analysis as of December 31, 2020 and adopt the recommendations. Mr. Niendorf seconded the motion, which passed on a voice vote.

Accumulated Sick Leave Conversion Credit (ASLCC) Programs Valuation

Mr. Murphy from consulting actuary Gabriel, Roeder, Smith Company (GRS) (Ref. ETF | 6.17.21 | 4B) reviewed the actuarial valuation of the Sick Leave Conversion Credit programs, which include the Accumulated Sick Leave Conversion Credit (ASLCC) program and the Supplemental Health Insurance Conversion Credit program (SHICC). The ASLCC converts accumulated sick leave into a monetary amount upon retirement that can be used to pay for retiree health insurance premiums. This benefit is provided for state employees and eligible dependents. To qualify, members need to have more than 20 years of WRS creditable service or be eligible for an immediate annuity.

If eligible, sick leave conversion credits can only be used to pay for health insurance premiums for employees and dependents.

Mr. Murphy explained the differences between the ASLCC and SHICC programs. He reviewed the assets data and the employer contribution rates. Positive investment returns brought the rate down from prior years.

MOTION: Ms. Paul moved to accept the Actuary's report on the Sick Leave Conversation Credit Programs Actuarial Valuation as of December 31, 2020 and adopt the recommendations. Mr. Ford seconded the motion, which passed on a voice vote.

40.65 Duty Disability Insurance Program Actuarial Valuation

Paul Correia from Milliman (Ref. ETF | 6.17.21 | 4C) presented the 40.65 duty disability program actuarial review. The valuation assumptions from 2020 were the same as 2019. The 40.65 program provides a benefit for protective occupation participants who are injured performing their duties or contract a disease due to their occupation. It is a lifetime benefit with survivor benefits. Liability represents the expected future benefit payments based on 967 disabled members and 59 survivors (i.e. spouses and domestic partners) who were receiving benefits as of December 21, 2020. Mr. Correia provided multiple assumption scenarios and the effect on the projected surplus. Investment income is the primary driver of contribution rates. A premium holiday is still not

recommended because of the uncertainty due to the pandemic and the sensitivity of the fund to market returns.

Ms. Klimke (Ref. ETF | 6.17.21 | 4C) presented the Duty Disability Insurance 2022 Employer Contribution Rate tiers, which are based on an experience-rated tier schedule. The program reserves continue to remain in a healthy position. The duty disability insurance programs are supported by employer paid contributions and investment income.

MOTION: Ms. Rasmus moved to accept the Actuary's review of the Duty Disability Plan Valuations as of December 31, 2020 and reduce the 2022 Contribution Rates by 50% of the current rate schedule. Mr. Heller seconded the motion, which passed on a voice vote.

Transformation, Integration and Modernization Consulting Services Contract Extension

Ms. Baxter referred (Ref. ETF | 6.17.21 | 4D) the Board to the memo in the board materials.

MOTION: Ms. Evanco moved to approve a two-year extension for the ETF contract with The Segal Company: ETB0033 for Transformation, Integration and Modernization (TIM) Consulting Services for the period January 1, 2022, through December 31, 2023. Ms. Paul seconded the motion, which passed on a voice vote.

Open Meetings Law Training Planning

Mr. Nispel facilitated a discussion on questions the Board had regarding Open Meetings Law in order to prepare for a training on the topic at the September Board meeting. There are four key principles: 1) Public Notice requirements 2) Meeting in open session, whenever possible, with reasonable accessibility to the public 3) Closed Session requirements that need to be followed 4) Application to Governing Bodies.

Key Concepts 1) How do you know when or if you are having a meeting 2) Handling of multiple and overlapping meetings 3) Open Session Requirements and Public Participation 4) Voting 5) Keeping the Minutes of Meetings 6) Closed Session Requirements (Administrative Appeals/Evaluation of the ETF Secretary)

Board members have identified the need for additional training for items such as: definition of a walking quorum and how to avoid having one; and how board members can communicate with each other without violating any part of the open meetings law.

Mr. Nispel will address the above key principles, and answer Board questions as they relate to the Open Meetings Law at the September Board meeting.

OPERATIONAL UPDATES

Secretary's Report

Mr. Voelker opened by asking if any members had questions regarding the monthly secretary reports, and there were none. In the next few months, three things will happen that can advance the agency forward but also have some risk. Mr. Voelker wanted to inform the Board about where the agency is going and the potential risks.

In the ETF budget request, ETF asked for a number of positions, which the JCF took out stating they wanted to, "bring the state biennial budget down to its base." Mr. Voelker said he met with JCF members and had constructive discussions, but was unsure of what the outcome will be. The Fiscal Bureau has written reports to support ETF. Mr. Voelker stated that if ETF does not get approval for these positions, it will be a step back in our position authority and we will likely be less effective in key areas within our organization.

Staff will begin transitioning back to the office in July with a new hybrid model that consists of a combination of working from home and in the office. The majority of staff want to work primarily from home, and going forward for effective recruitment, people are starting to expect flexibility as part of a work environment. This is a social experiment and the risk is building an effective hybrid work model. ETF needs to rebuild a new culture and adapt to the new workspace. The comfort level of staff coming back into the office after being out during the pandemic needs to be carefully monitored. How do we support a hybrid model as an organization? This is all new territory.

With modernization and the new enterprise content management system, staff have done a good job designing the system, testing has been going well, and we are expecting to go live in September. During a busy summer, staff will need to be trained to use the new system and start the insurance system project.

ETF Organizational North Star Metrics

Ms. Henning (Ref. ETF | 6.17.21 | 5B) discussed the ETF Operational North Star Metrics report ending March 2021. She highlighted the following:

- A successful launch of the software, Box, on ETF's website. The Employer Services Section has used this technology with employers, fillable forms, and secure sending. Participants are finding new ways to utilize Box, and ETF has purchased additional licenses. In addition, ETF has utilized this technology to assist with secure sending and retrieval of documents, providing a more efficient process of exchanging information.
- ETF has made significant progress and improvements on the E&I program, including the completion of the new Human Resources (HR) Online site, a new Manager's Toolbox providing resources to support equitable recruitment and staff management practices, hiring and interviewing changes, and psychological safety training. Additionally, HR launched a process enabling staff to update their email

signature with pronoun personalization, enhancing visibility of and promoting staff diversity. This is optional, and many staff are using it.

State 2021-2023 Biennial Budget Update

Ms. Hunter (Ref. ETF | 6.17.21 | 5C) provided a summary of the status of ETF's biennial budget proposal. She stated that along with John Voelker, they had good discussions with the JCF.

Regarding the Board consolidation proposal, JCF used the wording, "not considered," so it is highly unlikely that it will be included in the final version of the budget. However, ETF can consider other avenues for pursuing this change.

Mr. Ford asked about the option of stand-alone legislation to achieve the desired consolidation, and there was discussion of that subject.

Mr. David referred the Board to the additional operational update memos (Ref. ETF | 6.17.21 | 5D through 5H) included in the Board packets.

FUTURE ITEMS FOR DISCUSSION

Mr. Stohr referred the Board to the September 16, 2021 Agenda Topics memo (Ref. ETF | 6.17.21 | 6A). We will recognize Mr. Niendorf and Mr. Langyel at the September Board meeting. This opens a position on the Executive Committee and on the Audit Committee, if members are interested in filling either of these positions, they should inform the Board Liaison of their interest.

CEM Benchmarking used to present at the September meetings; more to come on whether a Joint Meeting of the Retirement Boards will be held. In addition, the open meetings law training will be added to the agenda for September.

ADJOURNMENT

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

The Board adjourned at 2:27 p.m.

Date Approved: _____

Signed: _____

_____, Secretary
Employee Trust Funds Board