

DRAFT

MINUTES

December 9, 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 Koessl, Chair
John David, Vice Chair
William Ford, Secretary
Steven Arnold
Malika Evanco
Chris Heller

Katy Lounsbury
Amy Mizialko
Leilani Paul
Roberta Rasmus
David Schalow
Steve Wilding

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of the Secretary:
John Voelker, Secretary
Shirley Eckes, Deputy Secretary
Pam Henning, Assistant Deputy
Secretary
Cheryllynn Wilkins, Board Liaison

Division of Retirement Services (DRS):
Matt Stohr, Administrator

ETF Division of Trust Finance (DTF):
Amelia Slaney, Director of Financial
Compliance Bureau

OTHERS PRESENT:

ETF Bureau of Information Security
Management: Dave Maradiaga
ETF Division of Management Services:
Patrick Hughes, Kadi Mbanefo
ETF Division of Retirement Services:
Anne Boudreau, Jim Guidry
ETF Division of Trust Finance (DTF):
Cindy Klimke-Armatoski, Caroline
Marsh, Erin Seliger, Ilana Sullivan
ETF Office of Communications:
Nancy Ketterhagen, Mark Lamkins
ETF Office of Internal Audit (OIA):
Michelle Hoehne, Yikchau Sze,
Amanda Williams

ETF Office of Legal Services (OLS):
Diana Felsmann, Dan Hayes
ETF Office of Policy, Privacy, and
Compliance: Laura Patterson
ETF Office of the Secretary: Tarna Hunter,
Kimberly Schnurr, Kathryn Young
Gabriel, Roeder, Smith & Company (GRS):
Jim Anderson, Mark Buis, Rich Koch,
Brian Murphy
Legislative Audit Bureau (LAB):
Erin Scharlau
State of Wisconsin Investment Board: Jay
Risch

Board	Mtg Date	Item #
ETF	3.24.22	2A

Teachers Retirement Board Member: Adam
Balz

Others: Chris Preisler, one unidentified
guest connected via Microsoft
Teams

Mr. Koessler, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 1:20 p.m.

ANNOUNCEMENTS

Mr. Stohr provided the following announcements:

- Reviewed the meeting schedules; and
- Thanked Ms. Mizialko and Ms. Lounsbury for volunteering to the serve on the Audit Committee.

CONSIDERATION OF MEETING MINUTES

MOTION: Mr. David moved to approve the open and closed session minutes of the September 16, 2021, meeting of the Employee Trust Funds Board, as submitted by the Board Liaison. Ms. Lounsbury seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Koessler noted that the Executive Committee met via teleconference on December 8, 2021. The committee discussed the joint meeting of the Retirement Boards and the ETF Board agendas, including presentations by GRS on the three-year experience study and sick leave experience study and ETF presentations on the Annual Comprehensive Financial Report (ACFR), the Wisconsin Strong Program, and customer service improvements and trends.

The committee also reviewed some of ETF's objectives and accomplishments from the past quarter, key staff vacancies, recruitments, and required training on security and public records.

Audit Committee

Ms. Paul noted that the Audit Committee met via teleconference on December 9, 2021. The committee approved the minutes. In addition, the committee:

- Conducted an election for the vice chair and secretary of the committee;
- Discussed LAB's audits of ETF's 2020 ACFR and other financial reports;
- Heard OIA's report on the third-party administrator (TPA) contract compliance audits;
- Reviewed the Audit Committee Charter for adequacy and approved the current charter without changes;

- Reviewed the internal audit charter and approved the revisions as proposed by the OIA Director;
- Ms. Sze affirmed the independence of the internal audit function at ETF; and
- Reviewed the FY2022 – FY2023 Audit Plan and completed engagements.

Budget and Operations Committee

Ms. Rasmus noted that the Budget and Operations Committee met on December 9, 2021, via teleconference. The committee discussed the following matters:

- Ms. Henning and Mr. Stohr provided an operations update. The COVID situation continues to be fluid with ETF preparing for its eventual return to a hybrid work environment, set to begin January 3, 2022, but subject to change. One of the benefits of ETF's hybrid work schedules is that ETF can reduce its footprint at the Hill Farms State Office building from three floors to two floors.
- Ms. Baxter provided an update on ETF's modernization projects, including:
 - The Enterprise Content Management system (ECM) which went live in November; and
 - The Insurance Administration System (IAS) project that kicked off this fall. Once fully implemented, members will be able to view and change insurance information online.
- Ms. Hunter provided a legislative update and explained the bills that could impact ETF and its benefit programs.
- Ms. Henning reported on ETF's Organizational North Star Metrics report.

DISCUSSION/CONSIDERATION

Wisconsin Retirement System (WRS) Three-Year Experience Study: January 1, 2018 – December 31, 2020

Mr. Murphy, Mr. Anderson, and Mr. Buis from Gabriel, Roeder, Smith Company (GRS) highlighted the presentation on the WRS Three-Year Experience Study (Ref. JM | 12.9.21 | 3A) at the Joint Meeting of the Retirement Boards (JM) this morning.

They shared the Summary of Economic Scenarios provided at the JM and made the following recommendations.

Measure	Current Assumption	Reasonable Range	Recommended Assumption
Price Inflation	2.5%	2.0% - 2.5%	2.4%
Wage Inflation	3.0	2.7% - 3.2%	3.0%
Investment Return	7.0%	5.4% - 7.0%	6.2% - 6.8%

New assumptions approved by the Board would be used in the December 31, 2021 actuarial valuations and would be the basis for the 2023 contribution rates. The approved assumptions would also be used in calculating new annuities beginning January 1, 2023.

Board members discussed different strategies to consider when determining a new actuarial assumed investment return within the recommended range, including taking an incremental approach.

Motion: Mr. David moved to accept the Three-Year Experience Study: January 1, 2018 – December 31, 2020, and set the actuarial assumptions as follows:

- ***the demographic assumptions as recommended by GRS;***
- ***a price inflation rate of 2.4%;***
- ***a wage inflation rate of 3.0%; and***
- ***an investment return of 6.8%.***

Mr. Arnold seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Arnold, David, Evanco, Ford, Heller, Koessler, Lounsbury, Mizialko, Paul, Schalow, and Wilding

Members Voting Nay: Rasmus

Sick Leave Experience Study Report

Mr. Anderson and Mr. Koch from Gabriel, Roeder, Smith Company (GRS) presented on the first ever Sick Leave Experience Study (SLCC) (Ref. ETF | 12.9.21 | 4B).

GRS anticipates refining assumptions in future experience studies. Many of the assumptions developed for the WRS experience study were used for the SLCC experience study. Mr. Anderson reviewed the unique sick leave assumptions.

Mr. Koch expanded on the participation analysis of the SLCC programs, and the approach GRS used to set the assumptions and the proposed changes. Mr. Koch summarized the results of GRS's sick leave valuation.

Motion: Ms. Rasmus moved to accept the Sick Leave Conversion Credit Programs Three-Year Experience Study January 1, 2018 – December 31, 2020, including the updated assumptions contained in the report.

Mr. Arnold seconded the motion, which passed on the following roll call vote:

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

Temporarily Absent: Mizialko

Department of Employee Trust Funds 2020 Annual Comprehensive Financial Report (ACFR) Highlights

Ms. Slaney (Ref. ETF | 12.9.21 | 4C) provided an update regarding ETF's 2020 ACFR. This report was previously referred to as the Comprehensive Annual Financial Report and was renamed by the State of Wisconsin Department of Administration after discovery that the previously used acronym may be considered a racial slur.

The Legislative Audit Bureau (LAB) issued an unmodified opinion (or "clean" audit) of the financial statements for the year ending December 31, 2020. In addition, LAB offered three recommendations to improve the Employee Reimbursement Account and Commuter Benefits Program oversight and processes. ETF is working with the third-party administrator to address the recommendations.

The WRS is financially strong, and over three of the four years, the WRS has been funded more than 100%. Funding of the WRS comes from member and employer contributions totaling 19% and investment returns accounting for 81%.

OPERATIONAL UPDATES

Secretary's Report

Mr. Voelker complimented the DTF staff for a second year with no material LAB findings with ETF's ACFR.

Mr. Voelker highlighted three strategic areas:

Goal 1: Create an effortless customer experience. In the Call Center, the average speed of answer during *It's Your Choice* was 1 minute and 23 seconds; it has not been under 2 minutes in the last five years. The Division of Retirement Services reallocated staff during this surge time.

Goal 3: Build a talented and agile workforce. ETF has seen outstanding work by its staff. Megan Jeffers received the ETF Employee Excellence Award, which recognizes exceptional customer service. This time ETF opened nominations for a second award to be given to contractors; Kadi Mbanefo was the recipient of this award.

The 2021-2023 State Compensation Plan is still pending with the legislature. With support from Department of Administrations' (DOA) – Division of Personnel Management (DPM), ETF will be able to provide a market adjustment for a large portion of its staff, provide competitive salaries, and make staff available to receive merit increases if the plan is approved by the Legislature. We are trying to take full advantage of the budget allotment assigned to ETF.

The annual engagement survey had 89% of ETF staff responding to the survey with 86% stating they would like to still be working at ETF a year from now.

Goal 4: Secure and modernize information technologies. The implementation of the Enterprise Content Management (ECM) system is a big victory, done in partnership with a third-party vendor that met ETF's business needs. Mr. Voelker remarked that the ECM implementation is proof that we have the talent and may successfully modernize ETF with the right focus, third-party partnerships and resources. We look forward to more successes.

ETF Organizational North Star Metrics

Ms. Henning (Ref. ETF |12.9.21 | 5B) discussed the ETF Operational North Star Metrics report ending November 2021 and highlighted the following:

- ETF is on track to meet its annual targets:
 - Goal 1: added a customer service road map with milestones;
 - Goal 2: made some refinements to the measure, with an intentional focus on documentation of processes related to the ECM and the Insurance Administration System (IAS) modernization efforts;
 - Goal 2:10 process improvements have been made in preparation for more modernization and IAS; and
 - Goal 4: advancements in ETF's IT Security Management Program.

Ms. Henning remarked that overall, ETF feels confident in the progress reported in our scorecard and measures.

Mr. Koessl referred the Board to the additional operational update memos (Ref. ETF | 12.9.21| 5C through 5D) included in the Board packets.

FUTURE ITEMS FOR DISCUSSION

Mr. Stohr referred the Board to the March 24, 2022 Agenda Topics memo (Ref. ETF | 12.9.21 | 6A), including a presentation on the aforementioned ECM project.

CLOSED SESSION

Mr. Koessl announced that the Board is going into closed session to discuss ETF's Information and Security Management program and will be getting an update on security measures in place to protect information at ETF.

Unless there is an objection, Mr. Koessl, 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. Heller moved to convene in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85 (1) (d) to consider strategy for crime detection or prevention. Ms. Rasmus seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Arnold, David, Evanco, Ford, Heller, Koessler, Mizialko, Paul, Rasmus, Schalow, and Wilding

Members Temporarily Absent: Lounsbury

The Board convened in closed session from 2:50 p.m. until 3:41 p.m. Mr. Koessler returned to open session.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Mr. Koessler announced, in closed session, the Board received an update from ETF's Chief Information Security Officer on the agency's IT security management program and various initiatives to protect member and employer information. No action was taken.

ADJOURNMENT

Mr. Koessler adjourned the meeting at 3:43 p.m.

Date Approved: _____

Signed: _____

William Ford, Secretary
Employee Trust Funds Board