

Draft

MINUTES

September 22, 2022

Joint Meeting* of the Employee Trust Funds Board and the Wisconsin Retirement Board

State of Wisconsin



Location:

Hill Farms State Office Building – Room N134
4822 Madison Yards Way, Madison WI 53705

ETF BOARD MEMBERS PRESENT:

- | | |
|----------------------------|----------------|
| William Ford, Chair | Wayne Koessl ♦ |
| John David, Vice Chair | Katy Lounsbury |
| Steve Wilding, Secretary ♦ | Leilani Paul |
| Stephen Arnold | Roberta Rasmus |
| Jen Flogel | David Schalow |
| Chris Heller | |

ETF BOARD MEMBERS NOT PRESENT:

- Amy Mizialko

* Note: It is anticipated that a quorum of members of the Wisconsin Retirement (WR) Board will be in attendance at the ETF Board meeting. The WR Board will not be conducting business during the ETF Board meeting and is strictly present for purposes of gathering information.

PARTICIPATING EMPLOYEE TRUST FUNDS STAFF:

- | | |
|--|--|
| Office of the Secretary: | Division of Retirement Services: |
| John Voelker, Secretary | Matt Stohr, Administrator |
| Shirley Eckes, Deputy Secretary | Anne Boudreau, Deputy Administrator |
| Pam Henning, Assistant Deputy Secretary | Roger Fletcher, Member Services Director |
| Tarna Hunter, Strategic Engagement and Government Relations Director | |
| Kristen Gunther, Administrative Policy Advisor | |
| Cheryllynn Wilkins, Board Liaison | |

Board	Mtg Date	Item #
ETF	12.08.22	2

OTHERS PRESENT:

ETF Division of Management Services:
Taylor DeBroux, Barry Tucker

ETF Division of Retirement Services:
Jim Guidry, Shelly Schueller ♦

ETF Office of Budget, Contract
Administration and Procurement:
Tim Steiner

ETF Office of Communications:
Nancy Ketterhagen ♦

ETF Office of Internal Audit (OIA):
Shellee Bauknecht, Michelle
Hoehne, Amanda Williams

ETF Office of Legal Services (OLS):
Laura Brauer, Diana Felsmann, Dan
Hayes, Peter Rank

ETF Office of Policy, Privacy &
Compliance: Steve Hurley ♦, Laura
Patterson ♦

ETF Office of the Secretary: Kimberly
Schnurr, Kathryn Young

Department of Administration (DOA):
Jennifer Kraus ♦, Erin Scharlau ♦,
Derek Sherwin ♦

Legislative Audit Bureau (LAB):
Bridget Wieser ♦

State Engineering Association:
Bob Schaefer

Teachers Retirement (TR) Board:
Adam Balz ♦, Ryan Kamien ♦,
Allison Pratt ♦, Tony Przbyski ♦

University of Wisconsin:
Tina Peng ♦

Wisconsin Retirement (WR) Board:
Angela Miller, Christy Schwan ♦,
Herb Stinski

Others (unidentified):
3 connected via telephone

♦ Attended via Teleconference

Bill Ford, Chair, called the Joint Meeting of the Employee Trust Funds Board (Board) and the Wisconsin Retirement Board to order at 9:30 a.m.

ANNOUNCEMENT

Mr. Ford announced that in anticipation of a quorum of members of the WR Board being in attendance at the ETF Board meeting, this is considered a Joint Meeting. However, the WR Board will not be conducting business during the ETF Board meeting and is strictly present for purposes of gathering information.

Mr. Stohr made the following announcements:

- Laura Brauer is a new attorney in OLS.
- The WR Board appointed Angela Miller, one of the new WR Board members, to the ETF Board, effective for the December meetings.
- The TR Board renewed Chris Heller's appointment term on the ETF Board.
- There are five board seats set to expire May 1, 2023, for both active employees and retired members; three on the TR Board and two on the ETF Board. The call for -nominations is open until October 14, 2022. Information regarding these seats is available on ETF's website. For any seat that receives more than one qualified candidate, an election will be held in January – February 2023.

Board	Mtg Date	Item #
ETF	12.08.22	2

CONSIDERATION OF MEETING MINUTES

MOTION: Ms. Rasmus moved to approve the open and closed session minutes of the June 23, 2022, meeting of the Employee Trust Funds Board, as submitted by the Board Liaison. Mr. David seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Ford noted that the Executive Committee met via teleconference on September 21, 2022. The committee approved minutes, reviewed the Board's agenda, and discussed the actions that need to be acted upon. Secretary Voelker discussed the importance of this biennial budget request to ETF's operations, systems modernization, and the agency's ability to provide the best customer experience for employers and members. Ms. Eckes reviewed some of ETF's objectives and accomplishments from the past quarter. This included increasing targeted communications to employers and members, using data and streamlining the annuity calculation process to better support our business, and focusing on filling vacancies and establishing goals using a new performance management system. Ms. Henning provided an update on ETF's strategic plan and the quarterly Human Resources report, including key staff vacancies, and other workforce-related activities.

Audit Committee

Ms. Paul noted that the Audit Committee met this morning. The committee approved minutes and discussed an internal audit on the sick leave reporting process. The audit reviewed this process to determine whether it is working as intended and ensures the internal controls are operating effectively. The audit provided six recommendations. In addition, OIA reviewed a Third-Party Administrator (TPA) System and Organization Controls (SOC) report. The TPA SOC report included a qualified opinion which did not have a significant or adverse impact on ETF's programs. The committee reviewed the FY2022-FY2023 Audit Plan update and the Open Issue Report.

Budget and Operations Committee

Ms. Rasmus noted that the Budget and Operations Committee met this morning. The committee reviewed and discussed the following matters:

- As per Mr. Stohr's operations update, the two primary business issues for ETF currently are 1) federal tax changes for retirees and 2) the health insurance open enrollment period that starts next week. WEA Trust will exit the health insurance market at the end of the year. As a result, approximately 52,000 members must choose a new health plan during the 2023 open enrollment period. In addition, ETF and pension plans across the country have been working to implement the federal tax withholding changes that are scheduled to go into effect in January 2023.

- Ms. Baxter provided an update on ETF's modernization journey, with the key focus being the Insurance Administration System (IAS) project. The project completed the base configuration that will be used by all employers and allow members to view and change insurance information with ETF online. In August, ETF staff, the vendor (BenefitFocus) and the University of Wisconsin (UW) began meeting three times a week. The UW is the first employer to complete discovery and work on design and will be followed by DOA, local employers, retirees, and UW Hospitals and Clinics. Full implementation of the IAS will take place in 2024. At that time members will be able to view and change insurance information with ETF online.
- Ms. Hunter provided a review of ETF's 2023-2025 state budget request. The committee supports the budget request.
- Ms. Henning reported on ETF's Organizational North Star Metrics.

Wisconsin Retirement System (WRS) Numbers from the Member's Point of View

Mr. Stohr's (Ref. ETF | 9.22.22 | 4A) presentation will focus on retirees and how the WRS affects members on a more micro level. If the Board is interested, we will provide another presentation examining active member statistics.

The purpose of the WRS is to aid public employees in protecting themselves and their beneficiaries against the financial hardships of old age, disability, illness, and accident. There are three parts to the retirement stool – WRS, Social Security, and personal savings, such as the Wisconsin Deferred Compensation Program (WDC).

There has been a 42% increase in the number of WRS retirees since 2010. Retirees make up one-third of WRS membership; 40% of retirees are between 70 and 79 years old.

In addition to the WRS, ETF offers health insurance (45,000 covered retirees and dependents), a sick leave credit program (18,000 state retirees using the credits) and the WDC. WRS retirees live all over the country and internationally; 86% reside in Wisconsin.

Ms. Stohr discussed the retirement process and the seven annuity options available. The most popular option is "100% continued to named survivor with 180 payments guaranteed". The expectation is the WRS provides 60-95% in income replacement for employees with 30 or more years of WRS creditable service. The higher years of creditable service generally provides a greater income replacement percentage.

He shared various sample accounts to show how the annuity adjustments affected retiree accounts and compared the growth to the rate of inflation.

Some retirees return to WRS employment after retirement. Some work more than two-thirds of full time and have their annuities suspended under state law, but most work less than the maximum allowable annual hours and do not have their annuities suspended.

Retiree feedback is important. Here are some common themes:

- Mostly happy with WRS benefits and ETF services
- Pleased with 2022 annuity adjustment, concerned about 2023
- Some annuitants forget the annuity option they chose and are surprised when their benefit amount changes after the death of their named survivor
- Frustration with complex paper forms for changing state and federal tax withholding and lack of online tools

ETF's Strategic Plan Annual Update

Ms. Henning and Ms. Gunther (Ref. ETF | 9.22.22 | 4B) discussed ETF's strategic plan accomplishments, which are based on four goals: 1) Customer experience; 2) Performance measurement and process management; 3) Talented workforce; and 4) Modern Technologies. ETF's goals are not time-determined but instead by meeting ETF's North Star Metrics. ETF's goals provide strategic direction to the FY2023 objectives. Great efforts have been made in the alignment of resource and strategic priorities, with leadership making the prioritization decisions based on resources and necessity. ETF continues focusing on strengthening and maturing our governance processes with four main committees that help to align our business operations.

ETF's 2023-2025 Biennial Budget

Mr. Voelker provided an overview of the risks of ETF's legacy IT systems and the effects failure could have on ETF's operations. ETF's budget request addresses the IT infrastructure needs and staff impacts. The 42% increase in retirees has put additional pressure on staff and ETF's ability to provide an exceptional customer experience. Mr. Voelker reviewed ETF's new budget development process that resulted in cross functional collaboration.

Ms. Hunter (Ref. ETF | 9.22.22 | 5A) discussed ETF's 2023-2025 Biennial Budget proposal and outlined the process. Ms. Hunter explained the three parts of the request: modernization of our legacy systems; customer service staffing; and actuarial and accounting resources. Ms. Hunter explained why each request is reasonable and necessary. ETF is not just handing in a budget; we are communicating with an emphasis on our needs and associated risks. There will be additional opportunities for more communications with key stakeholders as ETF moves its budget request forward in the next nine months.

The WRS continues to be well--managed and one of the best-funded public employee retirement systems in the country. Yet, we are administering the retirement benefits using legacy systems, some of which are over 30 years old, creating a significant risk for failure to process benefits. In the upcoming biennium, ETF intends to issue a Request For Proposal (RFP) to replace our pension administration systems. Mr. Voelker said that the bulk of the budget request is tied to ETF needing to be sure it has the funding required to upgrade both its insurance and pension systems.

ETF is also asking for statutory changes related to ETF's disability program, internal audit, and a technical change.

MOTION: Ms. Paul moved to support the Department's 2023-2025 Biennial Budget proposal as detailed. Mr. Arnold seconded the motion, which passed on the following roll call vote:

Members Voting Aye: Arnold, David, Flogel, Ford, Heller, Koessl, Lounsbury, Paul, Rasmus, Schalow, Wilding

Members Absent: Mizialko

The Board took a break from 11:43 a.m. until 11:56 a.m.

ETF Organizational North Star Metrics

Ms. Henning (Ref. ETF | 9.22.22 | 6A) discussed the ETF Organizational North Star Metrics report ending June 30, 2022 and highlighted the following:

- Of 11 targets – Eight are on track with measurements meeting or exceeding fiscal year targets and three being significantly off-track.
- Goal 1: Percent of Group Insurance Board (GIB) approved projects
This initiative is off-track due to WEA Trust leaving the Group Health Insurance Program, a significant operational disruption, and the need to shift staffing to support this change. ETF expects staff to regain focus on the GIB approved projects after It's Your Choice enrollment period.
- Goal 3: Equity and Inclusion program
Several tasks were completed this quarter, including piloting a staff network group that discuss diversity, inclusion and culture.
- Goal 2: Performance management and process
Processes related to IAS are off track, largely due to project replanning.

Ms. Henning noted that "red" does not mean that ETF is not making progress on that goal. The red marks are indicators that ETF is not as far along in completing that goal as we would like to be.

North Star Metrics – Data Management Dashboard Demonstration

Ms. Boudreau and Mr. Fletcher (Ref. ETF | 9.22.22 | 6B) provided a demonstration of the data management dashboard which is a new tool for tracking one of the North Star Metrics.

Ms. Boudreau discussed ETF's data management journey and challenges. The analogy used was ETF is building a plane, by transforming its business, while flying the plane, by meeting day-to-day operational and customer service demands. Dashboards are like a plane's instruments that allow us to navigate strategically and operationally more clearly. Mr. Fletcher shared a demonstration of the live dashboard currently being utilized. This tool connects to ETF's strategic plan goal 2. It shows the number of calls and the speed of

answer near real time. This dashboard gathers a large quantity of data from multiple systems and makes it easy to analyze and create unique and useful reports.

Secretary's Report

Mr. Voelker talked about ETF being more data driven. This clearly shows in the North Star Metrics report.

Mr. Voelker stated that ETF needs to develop its staff as the agency modernizes. It is more than just improving IT systems. The agency has established expected staff competencies and a new process to set performance goals and monitor staff progress is in place.

WEA Trust's departure from the health insurance market may be the largest health plan disruption ETF has ever experienced. The loss of this health plan affects more than 52,000 participants and has required a significant amount of ETF resources to manage the change.

He stated that ETF currently has a low vacancy rate with seven vacancies. This is a credit to the environment and positive reputation ETF has built.

Mr. Ford referred the Board to the additional operational update memos (Ref. ETF | 9.22.22| 6D through 6I) included in the Board packets.

FUTURE ITEMS FOR DISCUSSION

Mr. Stohr referred the Board to the December 8, 2022, Agenda Topics memo (Ref. ETF | 9.22.22 | 7A). Mr. Stohr mentioned two additional topics that could be added to the December meetings, a WRS presentation looking at active employees and ethics training for board members.

ADJOURNMENT

Motion: Mr. Arnold moved to adjourn the meeting. Mr. Koessl seconded the motion, which passed unanimously on a voice vote.

The Board adjourned at 12:42 p.m.

Date Approved: _____

Signed: _____

Steve Wilding, Secretary
Employee Trust Funds Board

