

DRAFT

MINUTES

September 21, 2023

Employee Trust Funds Board

State of Wisconsin

Location:

Hill Farms State Office Building – Room N108
4822 Madison Yards Way, Madison, WI 53705
12:30 p.m. – 2:43 p.m.



BOARD MEMBERS PRESENT:

- | | |
|---------------------------|-----------------|
| Bill Ford, Chair | Angela Miller |
| Steve Wilding, Vice Chair | Amy Mizialko* |
| Chris Heller, Secretary | Roberta Rasmus |
| Jen Flogel | David Schalow* |
| Wayne Koessl* | Michele Stanton |
| Katy Lounsbury* | |

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

- | | |
|--|---|
| Office of the Secretary: | Division of Retirement Services: |
| John Voelker, Secretary | Matt Stohr, Administrator |
| Shirley Eckes, Deputy Secretary | Employer Services Bureau: |
| Pam Henning, Assistant Deputy Secretary | Alene Kleczek, Director |
| Tarna Hunter, Government Relations Director | Office of Enterprise Initiatives: |
| Kristin Gunther, Administrative Policy Advisor | David Schram, Business Analyst |
| Kimberly Schnurr, Board Liaison | Office of Legal Services: |
| | Dan Hayes, Attorney |
| | Office of Strategic Health Policy: |
| | Brian Stamm, Deputy Director |

OTHERS PRESENT:

- | | |
|---|--|
| ETF Staff: | ETF Staff (Cont.): |
| Shellee Bauknecht, Laura Brauer, Julie Coleman*, Victor Dupuy*, Taylor DeBroux, Diana Felsmann, Steve Hurley, Michelle Hoehne, Gene Janke, Joanne Klaas, Cindy Klimke*, Eileen Mallow*, Caroline Marsh*, Laura Patterson, Peter Rank, Marie Ruetten*, Amelia Slaney*, | Tim Steiner*, Barry Tucker, Amanda Williams, Kathryn Young |
| | Benefitfocus: |
| | Jacob Dickerson* |
| | Legislative Audit Bureau: |
| | Erin Scharlau*, Bridget Wieser* |

* Attended via teleconference.

Board	Mtg Date	Item #
ETF	12.14.23	2A

Provaliant Retirement:
Ray Smith*

State of Wisconsin Investment Board:
Harrison Freuck*

Bill Ford, chair, called the meeting of the Employee Trust Funds Board (Board) to order at 12:30 p.m. Because some of the members of the Board were attending virtually, Ms. Schnurr, the board liaison, took roll call and confirmed quorum was present.

ANNOUNCEMENTS

Mr. Ford acknowledged that several Teachers Retirement (TR) Board and Wisconsin Retirement (WR) Board members were in attendance both virtually and in-person at the ETF Board meeting. The chair invited these board members to raise their hands to ask questions if they had them.

Matt Stohr announced that ETF staff did another call for nominations to fill the Educational Support seat on the ETF Board, which was held by Leiliani Paul for many years. Nominations are due October 13, 2023, and, if necessary, there will be an election in the winter.

Mr. Stohr shared that the WR Board met this morning and reappointed Steve Wilding and Wayne Koessler to the ETF Board. ETF staff reached out to the Governor's Office about filling some of the vacant appointments on the WR Board.

Each of the Board's committees reviewed their committee charters, which is generally done every three years. The ETF Board will be asked to review and approve the charters at the December meeting.

ETF hired a new chief information officer (CIO), Adam Simcock, to replace Dan McCarthy who retired in July. Adam was a supervisor in ETF's IT area prior to taking on the CIO role.

CONSIDERATION OF OPEN AND CLOSED MINUTES OF JUNE 22, 2023, MEETING

MOTION: Ms. Flogel moved to approve the open and closed session minutes of the June 22, 2023, meeting as presented by the Board Liaison. Mr. Koessler seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Ford noted that the Executive Committee met virtually on September 20, 2023. The committee approved minutes, reviewed the Board's agenda, and discussed the actions

that need to be acted upon. The Executive Committee reviewed and approved to submit the Executive Committee Charter to the Board with no changes at the December meeting. Ms. Eckes provided the committee with some of the Department's objectives and accomplishments from the past quarter. Ms. Henning provided the quarterly Human Resource report including key staff vacancies and other workforce-related activities.

Audit Committee

Ms. Miller noted that the Audit Committee met that morning. The Audit Committee received a Quality Assurance Peer Review presentation from Jennifer Schreck from Virginia Retirement System. The Audit Committee also discussed internal audit reports such as the Required Minimum Distribution Audit, Public Records Request, and WRS Contribution Payments. The Audit Committee received its annual review on Third-Party Administrator System and Organization Controls (SOC) 1 Report. They then approved to submit the Audit Committee Charter to the Board with no changes at the December meeting. The Audit Committee ended its meeting with a review of the FY2024-FY2025 Audit Plan update, including the Open Issue Report.

Budget and Operations Committee

Ms. Flogel noted that the Budget and Operations Committee met earlier that morning. The Budget and Operations Committee heard an operations update from Mr. Stohr. Ms. Baxter provided an update on ETF's modernization journey, Ms. Hunter provided a budget and legislative update, and Ms. Henning shared information on ETF's Organizational North Star Metrics report. The Budget and Operations Committee made a slight revision to the proposed changes ETF had recommended to the Budget and Operations Committee Charter and approved the new version to be submitted to the Board at the December meeting.

Ms. Mizialko joined the meeting at 12:47 p.m.

DISCUSSION / CONSIDERATION

Administrative Rule Approval

Mr. Hayes referred the Board to the "Proposed Administrative Rule Changes: CR 23-023" memo (Ref. JM | 09.21.23 | 4A) and information that had been provided previously that morning at the Joint Meeting of the Employee Trust Funds, Teachers Retirement, and Wisconsin Retirement Boards. Mr. Ford asked if there were any additional questions or further discussion needed regarding the administrative rule change, but none were posed.

MOTION: Ms. Miller moved to approve the final version of the proposed administrative rule changes, CR 23-023, as recommended by ETF. Mr. Heller

seconded the motion, which passed unanimously on the following roll call vote:

Ayes: Flogel, Ford, Heller, Koessl, Lounsbury, Miller, Mizialko, Rasmus, Schalow, Stanton, Wilding.

Nays: None.

OPERATIONAL UPDATES

Insurance Administration System (IAS) Demonstration and Update

Ms. Kleczek, Mr. Stamm, and Mr. Schram provided an IAS Demonstration and Update for the Board. Ms. Kleczek began by discussing the project timeline. She highlighted some of the ongoing employer engagement phases, which were broken up into four phases. Among these four phases, major project discussions and decisions would take place related to billing, payments, and payroll; vendor integrations; and testing. At the start of 2024, the project would move into operational readiness, with the goal to go live in June of that year. Following that, the IAS project team would work on stabilization and preparing for It's Your Choice 2025.

Mr. Stamm went through some critical project updates. One update was that Liz Bush from the Division of Retirement Services was appointed as the IAS product owner. ETF was also working on developing a billing platform with Benefitfocus/Certfi as well as developing an in-house billing solution in order to ensure a fully functioning and well-tested billing platform was in place to meet the go-live IAS deadline. Staff also discovered that they would need to display itemized fees that were part of the overall premium paid by subscribers within Benefitplace during the benefits enrollment process. These fees were readily available to the general public but were not itemized in the overall benefit selection process during open enrollment, so ETF was working on a communication plan and educational materials in anticipation of members having questions or concerns about seeing these attached to their Benefitplace shopping carts. Additionally, 13 Local Employer participants had volunteered for focus group testing. Most recently, the employers in the focus group were invited to test ETF's integration of the Employer Transaction Application, demographic changes, and adding new members. ETF was also engaged in documenting the processes for collecting configuration information from over 900 local employers.

Due to technical issues, Mr. Schram's live demonstration was delayed. As this was being rectified, Mr. Voelker was asked to provide his Secretary Report.

Secretary's Report

Mr. Voelker provided an update on the MOVEit software data breach and that a proposed class action lawsuit had been filed in the federal district court of Connecticut

against The Hartford, which was breached by the bad actor that exploited a vulnerability in the MOVEit file transfer software. While no ETF members were part of the proposed lawsuit, if the court allowed the case to proceed, ETF anticipated that 1,658 members that had data included as part of the breach may be identified as part of the class. ETF's Office of Legal Services is closely monitoring the case.

Mr. Voelker shared that there were 19 vacancies and that interviews were underway to hire the new Office of Budget and Management Director, as well as the newly approved trust fund specialist positions in the Division of Retirement Services.

Mr. Voelker discussed the performance of the State of Wisconsin Investment Board (SWIB). As of July 31, the core fund had returned 8.32% and the variable had returned 17.92%. Total assets under management were \$130.8 billion.

Additionally, Mr. Voelker noted contribution rate changes. Overall, these contribution levels remained stable with the exception of health insurance. Health insurance contribution increased 11.8% for State and 14.6% for Locals. Health care costs would continue to be a challenge as carriers cited projected medical costs and previous experience in the market as the main reasons behind the increases. However, ETF's Office of Strategic Health Policy and the Group Insurance Board would continue to look for ways to mitigate future increases.

Mr. Voelker also provided an overview of the general wage increases for state employees. Following the Joint Committee on Employment Relations approval of the state compensation plan, the 2023 increase was set at 4%, and there was a 2% increase for July 2024.

Mr. Voelker concluded his report by discussing the ETF Town Hall that had taken place on September 19. He thanked Mr. Ford for coming to speak at the event. Overall, the ETF Town Hall had been received positively by staff.

IAS Demonstration and Update (Cont.)

Mr. Schram confirmed all technical issues were resolved and that Board members that were in person and virtual could see his screen. He identified some key areas on the welcome screen for the test member ("Joe") when he went to enroll and manage his insurance benefits. The welcome screen contained various action items that Joe could take, such as:

- View your benefits
- Print your benefits
- Upload required documents
- View your Medicare info
- Edit your HSA contribution.

Below these action buttons, Joe would be able to review his benefits at a glance and would be able to see details regarding his medical, pharmacy, wellness program, administrative fee, uniform dental benefits, health care FSA, supplemental dental, etc. Mr. Schram shared some of the items that Joe could find if he clicked the “to do items” button. This expanded to several actions Joe needed to complete, such as reviewing his personal information, electing current enrollment benefits, and completing tasks that required document uploads.

Mr. Schram walked through how it might look when Joe went to enroll in his benefits. Members like Joe would be asked if they would like medical coverage and could either begin enrollment or decline coverage. Based on this selection, other benefit options, such as pharmacy, would become available. Following the decision to begin enrollment, members would be taken to a screen with a variety of benefit plans and could view existing or add additional dependents that would also be covered under the health plan options. Joe could see what he would pay for each plan (semi-monthly cost) and could either select the plan to add to his shopping cart or view additional plan details. As a member went through the enrollment process and made benefit elections, they would populate in a shopping cart or cost summary, which would be available for members to review before checkout. At the end of the enrollment, members like Joe would be shown a screen of all of the benefits they had selected. Board members asked questions about system functionality and the magnitude of the implementation.

ETF’s Strategic Plan Annual Update

Mr. Ford announced that Ms. Henning and Ms. Gunther would be presenting ETF’s Strategic Plan Annual Update (Ref. ETF | 09.21.23 | 5B) to the Board. Ms. Henning provided an overview of the Fiscal Year (FY) 2023 strategic plan objectives and accomplishments based on the following four goals:

1. Customer experience
2. Performance measurement and process management
3. Talented workforce
4. Modern Technologies.

As part of the FY 2024 strategic planning process, a Strategic Plan Pilot collaboration among Strategic Council, Agency Management Council, and Board of Managers has been established to broaden operational and strategic insights, empower and engage leadership, and co-author ETF’s strategy. The FY 2024 strategic planning process resulted in the FY 2024 strategic plan objectives.

Ms. Henning highlighted some key next steps that would be the focus of the FY 2024 Strategic Plan. With large modernization projects like the IAS implementation on the horizon, one of these areas of focus was on resource prioritization. ETF would ensure

alignment of resources to priorities and continue refining data for reporting and decision-making. The other area of focus was concerning governance and strengthening and maturing governance processes across Strategic Council, Agency Management Council, Data Governance Council, and the Portfolio Committee. Board members asked questions about ETF's governance structure and the various councils.

2023–25 State Biennial Budget Recap

Mr. Ford announced that Ms. Hunter would present on the 2023-25 State Biennial Budget Recap (Ref. ETF | 09.21.23 | 5C). Ms. Hunter provided a summary of the 2023–2025 State Budget that Governor Evers signed into law on July 5, 2023. She noted that ETF's 2023–25 budget request consisted of an overall increase of 12.4% of all funds, including a 12.5% increase in Segregated funding and a 24.2% decrease in General Purpose Revenue funding. She broke down the results of FY 2024 and FY 2025 funding for the Board, and discussed some key items that were part of ETF's Biennial Budget Request. These included requesting resources for modernization-related ongoing information technology expenses, critical customer service functions, and mandatory legislative audit bureau actuarial audit.

OPERATIONAL UPDATES

Mr. Ford announced that the remaining operational updates were provided in the ETF Board meeting materials, and ETF staff were available to answer questions from Board members at that time. Mr. Stohr noted that a non-WRS member had submitted an email to the ETF Board, which had been forwarded to SWIB because it largely pertained to investments. Mr. Stohr called this individual to provide information about his ETF related comments and questions. This can be found in the updated version of the Board Correspondence memo available to Board members in Box and on the ETF website.

FUTURE ITEMS FOR DISCUSSION

December 2023 Meeting Agenda Topics

Mr. Stohr referred the Board to the December 2023 Meeting Agenda Topics memo (Ref. ETF | 09.21.23 | 6A). He asked if there were any items that the Board wanted to include during the December 14, 2023, meeting, but no additions were offered.

MOVE TO CLOSED SESSION

Mr. Ford announced the Board would be meeting in closed session to discuss the Strategic Partner for the Pension Administration System (PAS). The Board would vote to reconvene in open session following the closed session.

MOTION: Ms. Rasmus moved to go into closed session pursuant to the exemption contained in Wis. Stat. § 19.85 (1) (e) to deliberate or negotiate the investing of public funds or to conduct other specified public business, whenever competitive or bargaining reasons require a closed session. Ms. Flogel seconded the motion, which passed on the following roll call vote:

Ayes: Flogel, Ford, Heller, Koessl, Lounsbury, Miller, Mizialko, Rasmus, Schalow, Stanton, Wilding.

Nays: None.

The Board moved to closed session at 2:25 p.m.

All Board members, with the exception of Mr. Koessl, returned to open session at 2:40 p.m. Mr. Koessl returned to open session at 2:42 p.m.

ANNOUNCEMENT AND VOTE ON BUSINESS DELIBERATED DURING CLOSED SESSION

Announcement of Business Deliberated During Closed Session Discussion

Mr. Ford announced that the Board had met in closed session to discuss the Strategic Partner for the Pension Administration System (PAS).

Vote on Strategic Partner for PAS

MOTION: Ms. Rasmus moved to grant authority to the Secretary of ETF to issue an intent to award a contract on behalf of the Board to Linea Solutions (Linea) to consult as a Strategic Partner for a PAS for a five-year period beginning on January 1, 2024, through December 31, 2028, with an option to renew the contract for two additional two-year periods (potentially through December 31, 2032). In the event of failed or prolonged negotiations with Linea, the Secretary be allowed to commence contract negotiations on behalf of the Board with the Segal Company (Segal). Ms. Flogel seconded the motion, which passed unanimously on the following roll call vote:

Ayes: Flogel, Ford, Heller, Lounsbury, Miller, Mizialko, Rasmus, Schalow, Stanton, Wilding.

Nays: None.

Absents: Koessl.

ADJOURNMENT

MOTION: Mr. Heller moved to adjourn the meeting. Mr. Wilding seconded the motion, which passed unanimously on a voice vote.

The Board adjourned at 2:43 p.m.

Date Approved: _____

Signed: _____

Chris Heller, Secretary
ETF Board