

DRAFT

MINUTES

December 14, 2023

Employee Trust Funds Board

State of Wisconsin

Location:

Hill Farms State Office Building – Room N133/N134
4822 Madison Yards Way, Madison, WI 53705
9:00 a.m. – 1:41 p.m.



BOARD MEMBERS PRESENT:

Bill Ford, Chair
Steve Wilding, Vice Chair
Chris Heller, Secretary
Jen Flogel
Katy Lounsbury*

Angela Miller*
Amy Mizialko*
Roberta Rasmus
David Schalow
Michele Stanton

BOARD MEMBERS ABSENT:

Wayne Koessl

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Budget, Contract Administration, and Procurement:

Joanne Klaas, Contracts Specialist

Division of Retirement Services:

Matt Stohr, Administrator
Anne Boudreau, Deputy Administrator
Kyle Kundert, Policy Advisor

Office of Budget and Management:

Tarna Hunter, Government Relations Director

Office of Enterprise Initiatives:

Michelle Baxter, Director

Office of Legal Services:

Laura Brauer, Attorney

Office of the Secretary:

John Voelker, Secretary
Shirley Eckes, Deputy Secretary
Kimberly Schnurr, Board Liaison

OTHERS PRESENT:

Office of the Secretary:

Pam Henning

ETF Staff:

Kevin Acker*, Shellee Bauknecht*,
Annamarie Cummings*, Taylor DeBroux,
Deena Driese, Diana Felsmann,

* Attended via teleconference.

| Board | Mtg Date | Item # |
|-------|----------|--------|
| ETF | 03.28.24 | 2A |

ETF Staff (Cont.):

Roger Fletcher, Jim Guidry, Dan Hayes, Michelle Hoehne*, Steve Hurley*, Gene Janke*, Cindy Klimke, Brittney Kruchten*, Mark Lamkins, Nicole Linskens*, David Maradiaga, Blain Parsons*, Laura Patterson, Kurt Petrie*, Peter Rank, Marie Ruetten, Amelia Slaney*, Tim Steiner, Barry Tucker, Amanda Williams*, Kathryn Young

Legislative Audit Bureau:

Lauren Gingell*

Teachers Retirement Board:

Dylan Helmenstine

Wisconsin Retirement Board:

Thomas Wegner*

Public:

Bob Schaefer

Bill Ford, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 9:00 a.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

TR Board Membership Updates

Mr. Stohr announced that on October 20, 2023, the Governor appointed three individuals to the TR Board:

- Mr. Michael Abler, an Associate Professor and the Department of Biology Chair at the University of Wisconsin – La Crosse.
- Mr. Dylan Helmenstine, a member of the Board of Education at the Wisconsin Heights School District.
- Mr. Karl Morrin, the District Administrator for the School District of Maple.

A drawing of lots was done at the TR Board Election Certification Committee meeting on December 6, 2023, in accordance with the Board Election Procedure set forth on August 5, 2015, and Wis. Admin. Code § ETF 10.10(12)(b)2. The Election Certification Committee members took action to certify the results below:

- Mr. Adam Balz would continue to serve on the TR Board until the term expired on May 1, 2029.
- Mr. Brent Grochowski would continue to serve on the TR Board until the term expired on May 1, 2027.
- Mr. Andrew Moriarity, a math teacher at Ozaukee High School, would join the TR Board until the term expired on May 1, 2029.

WR Board Membership Updates

Mr. Stohr announced that the Governor appointed Mr. Thomas Wegner, a member of the Sheboygan County Board of Supervisors, on October 20, 2023. This appointment succeeded Mr. Wayne Koessler's term on the WR Board, and Mr. Wegner would continue to serve for the remainder of the existing term, May 1, 2024.

Mr. Stohr noted that ETF staff communicated the WR Board change to Mr. Koessl already and confirmed that Mr. Koessl could continue serving on the ETF Board for the remainder of his term.

ETF Board Membership Updates

Mr. Stohr announced that the call for nominations for the Educational Support Personnel seat resulted in only one candidate filing nomination paperwork: Mr. Beau James. Mr. James was a Project and Process Management Coordinator at Madison Area Technical College. His term on the ETF Board would be effective as of May 1, 2024, until May 1, 2028.

Recognition of Outgoing Board Member

Mr. Voelker announced the retirement of ETF Board Member, Ms. Roberta Rasmus. He thanked Ms. Rasmus for her eleven years of service on the ETF Board and presented her with a resolution signed by himself and Chair, Mr. Ford.

CONSIDERATION OF September 21, 2023, OPEN SESSION MEETING MINUTES

MOTION: Mr. Schalow moved to approve the open session minutes of the September 21, 2023, meeting as presented by the Board Liaison. Ms. Flogel seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Ford noted that the Executive Committee met virtually on December 15, 2023. The committee approved minutes, reviewed the Board's agenda, and discussed the board membership changes. 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 committee had a preview of audits currently in process. Audits reviewed were Chapter 40 Procurement Process Audit, Third Party Administrator Contract Compliance Oversight, Office of Internal Audit Data Analytics Project Update, and the ETF Fraud Hotline Report. In addition, the committee conducted its annual review of the internal audit charter.

Budget and Operations Committee

Ms. Flugel noted that the Budget and Operations Committee met earlier that morning. Ms. Hunter provided a budget and legislative update; Ms. Baxter provided an update on ETF's modernization journey; and Ms. Henning shared information on ETF's Organizational North Star Metrics report.

DISCUSSION / CONSIDERATION

Review of Committee Charters

Mr. Stohr referred the Board to the "Review of Committee Charters" memo (Ref. ETF | 12.14.23 | 4A). He explained that the Audit Committee, Budget and Operations Committee, and Executive Committee recently conducted charter reviews as required every three years.

MOTION: Ms. Rasmus made a motion to approve the charters for the Audit Committee, the Budget and Operations Committee, and the Executive Committee as recommended by ETF. Mr. Heller seconded the motion, which passed unanimously on a roll call vote.

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

Nays: None.

Absents: Koessl, Mizialko.

CONTRACT EXTENTION: TRANSFORMATION, INTERIGATION AND MODERINIZATION CONSULTING SERVICES

Ms. Baxter referenced the memo, "Contract Extension: Transformation, Integration and Modernization Consulting Services" (Ref. ETF | 12.14.23 | 4B). She highlighted the background information regarding the current contract with Segal Company (Segal). Work under the contract between ETF and Segal continues as ETF moves forward with the implementation of the insurance administration system (IAS). Ms. Baxter explained that ETF was requesting a contract extension of one month so that Segal can continue to perform their oversight role up through the first decision point within the IAS implementation project scheduled for January 30, 2024. Linea Solutions will then begin providing the oversight role for the pension administration system project.

MOTION: Ms. Flugel made a motion to approve a one-month extension for the following ETF contract with The Segal Company: ETB0033 for Transformation, Integration and Modernization Consulting Services, for the period January 1,

2024, through January 31, 2024, as requested by ETF. Ms. Stanton seconded the motion, which passed unanimously on the following roll call vote:

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

Nays: None.

Absents: Koessl, Mizialko.

DELEGATION OF AUTHORITY TO SOLICIT PROPOSALS FROM QUALIFIED FIRMS FOR ACTUARIAL AUDITS

Ms. Klaas referred to the “Delegation of Authority to Solicit Proposals from Qualified Firms for Actuarial Audits” memo (Ref. ETF | 12.14.23 | 4C). She shared that due diligence requires benefit plan fiduciaries to exercise prudence in selecting service providers such as actuaries and monitor the quality of their work.

An actuarial audit is a valuable method of monitoring the quality of actuarial services performed on behalf of benefit programs. The Government Finance Officers Association recommends actuarial audits at least once every five years. An actuarial audit involves engaging the services of an outside actuary to review the work of the plan’s consulting actuary. Actuarial audits enhance the credibility of the actuarial valuation process by providing independent assurance that it was performed in accordance with actuarial standards of practice.

The audit may also provide recommendations for improving the actuarial valuation process, including how information is presented in reports or other communications. The Legislative Audit Bureau is required by s. 13.94 (1) (dc), Wis. Stats., to contract for an actuarial audit of the Wisconsin Retirement System (WRS) at least once every five years. For other benefit programs (Income Continuation Insurance, Duty Disability Insurance, Sick Leave, Health Insurance, and Life Insurance), ETF should contract for actuarial audits.

If approved by the Board, ETF staff would release a Request for Proposal in early 2024. Interested vendors will have the flexibility to submit a proposal to audit the actuarial work of one or more benefit programs. Proposals will be evaluated by a committee of subject matter experts. Contracts will be awarded to the vendors that provide the best value to conduct each type of audit being requested. ETF anticipates that contracts will be structured with a five-year initial term with a one-year optional extension to obtain two audits for each of the benefit programs. Results of these audits will be presented to the individual Board with oversight over the specific benefit program.

MOTION: Mr. Wilding made a motion to delegate the ETF Board’s authority under Wis. Stat. § 40.03 (1)(c) to the ETF secretary to solicit proposals for, and

contract with, qualified firms to perform actuarial audits as recommended by ETF. Mr. Heller seconded the motion, which passed unanimously on the following roll call vote:

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

Nays: None.

Absents: Koessl, Mizialko.

DELEGATION OF AUTHORITY TO THE ETF SECRETARY FOR EXECUTING THE STRATEGIC PARTNER FOR PENSION ADMINISTRATION SYSTEM CONTRACT, INCLUDING CONTRACT AMENDMENTS.

Ms. Klaas referred the Board to the “Delegation of Authority to the ETF Secretary for Executing the Strategic Partner for Pension Administration System” memo (Ref. ETF | 12.14.23 | 4D). She shared that since September, ETF staff have been negotiating and writing a contract with Linea and are ready to sign that contract and start work in early 2024.

Under Wis. Stat. § 40.03(1)(c), the Board may employ or select any medical, legal, and other independent contractor as required. Under Wis. Stat. § 40.03(1)(L), the ETF Board may delegate powers and duties as deemed necessary or desirable. This provision allows the Board to delegate authority to the ETF Secretary to sign the Strategic Partner for Pension Administration System contract and amendments. This delegation of authority could remain in effect until withdrawn by the Board.

MOTION: Ms. Rasmus made a motion to delegate the ETF Board’s authority to the ETF Secretary for executing the Strategic Partner for Pension Administration System (PAS) contract including contract amendments, as recommended by ETF. Ms. Stanton seconded the motion, which passed unanimously on the following roll call vote:

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

Nays: None.

Absents: Koessl, Mizialko.

WRS Federal Compliance

Ms. Brauer and Mr. Kundert presented to the Board the “WRS Federal Compliance” (Ref. ETF | 12.14.23 | 4E1). They provided an overview of significant laws impacting the

WRS and ETF and discussed how the WRS qualified as a 401(a) Governmental Plan and the benefits of maintaining that qualified status. Ms. Brauer also went over examples of WRS requirements.

Ms. Brauer and Mr. Kundert provided background information on SECURE Acts and the primary impact on the Required Minimum Distributions (RMDs), particularly SECURE 1.0, effective on January 1, 2020, and SECURE 2.0, effective on December 29, 2022. The latter's impact on RMDs include the following:

- Effective January 1, 2023, raising the age for RMDs from age 72 to age 73 for individuals attaining age 72 after December 31, 2022; additional age increases are phased-in after that.
- Effective January 1, 2024, allowing a spousal beneficiary to elect to be treated as the employee for RMD purpose (already covered in Chapter 40 Wis. Stats.).
- Awaiting further guidance from IRS on how this "election" must be made.

Ms. Brauer and Mr. Kundert explained the consequences for not taking RMDs for both members and beneficiaries as well as for ETF. They concluded with a list of actions ETF was taking to implement SECURE Acts and ensure compliance. These included updating ETF webpages, such as the "Required Minimum Distribution" page, and providing information within member and employer newsletters, ETF forms, brochures, and notices. ETF would continue monitoring federal guidance and external guidance; updating Chapter 40 and associated regulations; and running ETF system's reports, alerts, and flags.

State Compliance: 2023 WI Acts 4 and 12 Implementation Update

Mr. Stohr then provided the Board with a "State Compliance: 2023 WI Acts 4 and 12 Implementation Update" (Ref. ETF | 12.14.23 | 4E2) presentation. He presented highlights of 2023 WI Act 4, also known as the Jailers Law. Effective January 1, 2024:

- Current jailers in affected counties have until March 1, 2024, to make irrevocable decision to be general category employee or protective occupation employee for WRS purposes.
- Newly hired jailers will have a 60-day window to decide to be protective or general.

Mr. Stohr explained that the law change currently affects roughly 55 counties that do not classify their correctional officers/jailers as protective.

In anticipation of WI Act 4 implementation, ETF did the following:

- Made numerous changes to ETF IT systems.
- Developed webpages for both the counties and affected members to answer frequently asked questions.
- Provided trainings and live webinars for county payroll staff and outreach to members and stakeholder groups.
- Updated all publications, such as the administrative manual for employers.

- Prepared form and process for counties to administer the law.

Mr. Stohr discussed WI Act 12, which would require employers that participated in the City of Milwaukee retirement system to start enrolling new hires in the WRS effective January 1, 2024, and Milwaukee County to start enrolling new hires in the WRS effective January 1, 2025.

ETF was proactive in taking action to start implementing WI Act 12. These included:

- Met with employers.
- Answered employer and employee questions.
- Provided onboarding material including the WRS enrollment resolution and Social Security information to each employer. City retirement system employers have submitted the necessary forms to ETF.
- Received questions from outside parties.

The Board took a break from 10:35 a.m.–10:48 a.m.

State of Wisconsin Investment Board (SWIB) Appointee Annual Update

Mr. Schalow, Teachers Retirement Board Representative, provided the year-to-date (YTD) investment numbers from SWIB as of October 31, 2023. The current Core Fund YTD return is at 2.02%. The Core Fund's five-year performance average is 6.94%, and the 10-year average is 6.34%. The target performance for the Core Fund is 6.8%. Mr. Schalow provided a comparison of asset allocations between 2023 and 2022.

Mr. Schalow talked about the leadership change and new Board members on SWIB. He also shared that SWIB officially moved into their new office building earlier that year. Additionally, the SWIB Board of Trustees won the Institutional Investor's Allocators' Choice Award for Investment Committee/Board of the Year on September 12. The Board was nominated for its role in facilitating SWIB's ability to implement a flexible investment strategy to stay positioned for long-term success amidst challenging markets in 2022.

Mr. Voelker, Wisconsin Retirement Board Representative on SWIB, then shared that the U.S. stock market recorded its strongest month in a year in November, which was a sign of some positive momentum in the market overall. Unofficial YTD performance as of November 16 for the Core Fund was 9.5%+. Since December is a historically strong month for the market, he is hopeful that the positive momentum would carry through the rest of the year. This would be a welcome news considering the negative returns we experienced in 2022, the rocky economic forecasts for 2023, and relatively low returns we were experiencing through October.

Secretary's Report

Mr. Voelker presented his Secretary's Report to the Board. He discussed current vacancies at ETF. He shared that the Executive Team completed a series of meetings within ETF business units and surveyed staff on how confident they were in ETF's ability to implement and operationalize IAS by June 2024. Results showed a majority of staff showed a high level of confidence. Considering we are at a point in the project when nerves start to set in because the go-live date is fast approaching and there are risks yet to resolve, these results are encouraging. Feedback from staff during the meetings were positive. There is a feeling of confidence throughout the agency which did not generally exist during the Benefit Administration System (BAS) project.

At its November meeting, the Group Insurance Board considered initiatives for 2024 through 2026 in the areas of sustainability, innovation, and education. Considering the reduced level of program reserves available to mitigate rate increases and the increasing cost of health care, the board is interested in prioritizing program sustainability initiatives. This includes the possibility of increased cost sharing for participants.

Legislative Update

Ms. Hunter referred to the "Legislative Update" memo (Ref. ETF | 12.14.23 | 5B). She discussed the following items that were passed during the 2023 legislation session:

- 2023 Wisconsin Act 4 and changes to the county jailer classification under WRS.
- 2023 Wisconsin Act 12 modifies the state's approach to shared revenue for local governments; repeals Wisconsin's personal property tax; and authorizes the City of Milwaukee and Milwaukee County to impose sales and use taxes, primarily to address the city and county's unfunded pension system liabilities. Imposing the sales tax would require the City of Milwaukee and Milwaukee County to join the WRS.

She provided updates on proposed legislation that was introduced in the 2023 Session. Some of these included return-to-work requirements for teachers, such as 2023 SB 9, 2023 AB 18, 2023 SB 512, and 2023 AB 515. Other proposed items the Board discussed were as follows:

- 2023 SB 273 and 2023 AB 278 which would allow an annuitant who was a law enforcement officer or fire fighter to return to work with an employer who participates in the WRS
- 2023 SB 432 and 2023 AB 437 which modifies various insurance statutes that are administered by the Office of the Commissioner of Insurance (OCI).
- 2023 SB 630 and 2023 AB 671 allow an annuitant who was a protective occupation participant to return to work with an employer who participates in the WRS, work two thirds of full-time, and elect to not become a participating employee for purposes of the WRS, and instead continue to receive his or her annuity.

Customer Service Improvements and Trends

Ms. Boudreau referred the Board to the “Customer Service Improvements and Trends” memo (Ref. ETF | 12.14.23 | 5C). She shared an updated illustration of the North Star Dashboards and provided a review of the retirement data and customer service communications during Quarter 3 of 2023. Ms. Boudreau highlighted customer service and process improvements and shared that ETF added a new process to have a confirmation letter sent to members who make a health insurance change during open enrollment or who newly subscribe. Additionally, ETF’s replacement of another death match service with Pension Benefits Information (PBI) resulted in more accurate death information.

Procurement, Contract, and Program Appropriation Charging Updates

Mr. Stohr presented the results of the board survey on actuarial services included in Mr. Steiner’s “Procurement, Contract, and Program Appropriation Charging Updates” memo (Ref. ETF | 12.14.23 | 5D). He said that ETF planned to include the results of the actuarial services board survey in the memo going forward.

OPERATIONAL UPDATES

Mr. Ford announced that the remaining operational updates were provided in the Board meeting materials, and ETF staff were available to answer questions from Board members at that time. No questions were posed.

FUTURE ITEMS FOR DISCUSSION

March 2024 Meeting Agenda Topics

Mr. Stohr referred the Board to the “March 2024 Meeting Agenda Topics” memo (Ref. ETF | 12.14.23 | 6A). He asked if there were any items that the Board wanted to include during the March 28, 2024, meeting, but no additions were offered.

The Board took a break from 12:05 p.m.–12:38 p.m.

Ms. Lounsbury left the meeting at 12:13 p.m.

Ms. Mizialko joined the meeting at 12:32 p.m.

MOVE TO CLOSED SESSION

Mr. Ford announced the Board would be meeting in closed session to discuss ETF’s Information and Security Management program and would be getting an update on

security measures in place to protect information at ETF. 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) (d) to consider strategy for crime detection or prevention. Mr. Wilding seconded the motion, which passed unanimously on the following roll call vote:

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

Nays: None.

Absents: Koessl, Lounsbury.

The Board moved to closed session at 12:40 p.m.

The Board returned to open session at 1:41 p.m.

ANNOUNCEMENT OF BUSINESS DELIBERATED DURING CLOSED SESSION DISCUSSION

Mr. Ford announced that the Board met in 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.

ADJOURNMENT

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

The Board adjourned at 1:41 p.m.

Date Approved: _____

Signed: _____

Chris Heller, Secretary
ETF Board