

DRAFT

MINUTES

March 20, 2019

Executive Committee

Employee Trust Funds Board
State of Wisconsin



Location:

Department of Employee Trust Funds
Hill Farms State Office Building – Room N102
4822 Madison Yards Way, Madison, WI 53705

COMMITTEE MEMBERS PRESENT:

Wayne Koessler, Chair (via teleconference)
John David, Vice Chair

Robert Niendorf, Secretary

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of the Secretary:
Bob Conlin, Secretary
John Voelker, Deputy Secretary

Pam Henning, Assistant Deputy
Secretary

OTHERS PRESENT:

Apex Systems: Nathan Spencer

Wayne Koessler, Chair, Executive Committee (Committee), called the meeting to order at 3:31 p.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

Motion: Mr. David moved to accept the open session minutes of the December 12, 2018, Executive Committee meeting, as submitted by the Board Liaison. Mr. Niendorf seconded the motion, which passed unanimously on a voice vote.

GOVERNANCE MATTERS

Board Agenda Review

The Committee reviewed the agendas of the March 21, 2019, Joint Meeting of the Retirement Boards (JM) and the ETF Board. At the JM, Rochelle Klaskin and Edwin

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Denson from the State of Wisconsin Board (SWIB) will present on the Wisconsin Retirement System (WRS) 2018 investment performance and 2019 outlook, Gabriel, Roeder, Smith (GRS), the board's actuary, will present on the WRS Annual Retired Lives Valuation recommending annuity adjustment rates of 0% for the Core Fund and -10% for the Variable Fund. Other highlights include ETF's Chief Trust Financial Officer, Cindy Klimke, providing the annual review of Core Fund annuity adjustments and effective rate projections; a WRS Funding Policy review, incorporating the three-year experience study changes approved in December; operational updates by Anne Boudreau on retirement and customer services trends; the Member Engagement survey results by Mark Lamkins; and the Disability Statistics annual report by Jim Guidry.

The ETF Board agenda includes the election of officers; committee reports on the ETF Secretary evaluation process and timeline; the Retired Lives Valuation by GRS and approval by the Board of the Core and Variable annuity adjustments; a Legislative Audit Bureau Audit of the Group Insurance Programs and recommendations by Office of Strategic Health Policy Director Eileen Mallow; a request for procurement and contract delegation by the Board; approval of WRS Funding Policy changes; operational updates, including the agency operational metrics review; and a biennial budget and legislative update by Tarna Hunter.

ETF Board Appointments

Stephen Arnold was appointed to the ETF Board for the non-WRS participant seat.

The Wisconsin Retirement (WR) Board and the Teachers Retirement (TR) Board each appoint one person to SWIB; the current appointments have expired. The TR Board appoints a WRS teacher participant and the WR Board appoints a WRS non-teacher participant. David Schalow will ask to be considered the TR Board appointee to SWIB. The WR Board will also consider its options to appoint a member to SWIB.

Governor Evers reappointed Steve Wilding to the WR Board, with a term expiring in 2024. The WR Board has four appointments to the ETF Board; however, one of the seats eligible for appointment is vacant. The WR Board will be reviewing appointments at tomorrow's meeting. The appointments will be effective May 1, 2019.

The TR Board will review appointments to the ETF Board in June.

Discussion of Appeals and Administrative Rule Process

The committee discussed the roles of the WR Board, TR Board and ETF Boards in relation to their responsibility over appeals and administrative rules approvals. Over the years, very few appeals have been brought to these boards, and currently all three boards are required to meet and approve administrative rules. There may be an opportunity to consolidate these responsibilities into the ETF Board, as extra resources and duplication is required for each board to meet and review separately.

ETF will present an appeals process training update at the June board meetings.

ETF Board Annuitant Member Election Results

There were eight candidates, with 209,337 ballots distributed and 51,012 votes cast (24.4%). Bill Ford, current Annuitant incumbent, won with over 17,800 votes and the two runner-up candidates received 7,000 votes each. There were 263 ballots returned with no vote cast; it should be noted that 101 of these included comments on the lack of diversity among the candidates. The Committee reviewed and discussed the election results and feedback regarding the lack of candidate diversity. ETF will brainstorm ideas for options to attract a more diverse candidate pool for future elections.

OBJECTIVES AND ACCOMPLISHMENTS

Department Quarterly Progress Report

Mr. Conlin and Mr. Voelker discussed the Quarterly Accomplishments Report (Ref. EXC | 3.20.19 | 4A), highlighting:

- At the Legislative Audit Committee hearing on the Group Insurance Program audit the committee questioned the size of health insurance reserves. The hearing provided an opportunity to clarify a number of issues for the Committee.
- GIB selected ConnectYourCare for administration of the state employee Health Savings Accounts (HSA), Section 125 Cafeteria Plans, Employee Reimbursement Accounts (ERA) and Commuter Fringe Benefit Accounts programs. The current vendor, TASC, appealed the decision.
- A Request-for-Proposal (RFP) for the Wisconsin Public Employee (WPE) Group Life Insurance Program for life insurance will be sent to vendors for bid soon.
- The first dashboard reports utilizing data compiled from the data warehouse were provided to the GIB at its February meeting. The GIB reviewed utilization to help target health care program focus areas and cost.
- The additional training for employers was a success during the 2018 WRS annual reconciliation process. The training stressed the importance of maintaining accurate records throughout the year, resulting in fewer periodic transactions processed during annual reconciliation to correct previously reported information. The process in 2019 resulted in 19% less periodic transactions.

PERSONNEL MATTERS

Human Resources Report

Ms. Henning reviewed and responded to questions from the Committee regarding the Quarterly Human Resources Activities Report (Ref. EXC | 3.20.19 | 5A), highlighting current vacancies and recruitment efforts.

Secretary's Evaluation and Timetable

Ms. Henning discussed the evaluation process and timeline (Ref. EXC | 3.20.19 | 5B) for the ETF Secretary's evaluation scheduled for the June Board meeting.

Internal Audit Director Proposed Evaluation Process

Ms. Henning referred the Committee to the memo (Ref. EXC | 3.20.19 | 5C) and discussed the proposed evaluation process for the Internal Audit Director for this coming review period.

ADJOURNMENT

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

The Committee adjourned at 4:26 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Executive Committee