

DRAFT

MINUTES

September 26, 2013

JOINT MEETING OF THE
Employee Trust Funds (ETF),
Teachers Retirement (TR),
and Wisconsin Retirement (WR) Boards
State of Wisconsin



Location:

State Revenue Building – Events Room
2135 Rimrock Road, Madison, WI

ETF BOARD MEMBERS PRESENT:

John David, Vice Chair
Robert Niendorf, Secretary
William Ford
Kimberly Hall
Michael Langyel

Jon Litscher
Roberta Rasmus
Mary Von Ruden
David Wiltgen

TR BOARD MEMBERS PRESENT

Michael Langyel, Chair
Robin Starck, Vice Chair
Susan Harrison, Secretary
Sandra Claflin-Chalton
Jon Joslin

Mary Jo Meier
Dennis Murphy
Tom Pedersen
Patrick Phair
Roberta Rasmus
David Wiltgen

WR BOARD MEMBERS PRESENT:

John David, Vice Chair
Mary Von Ruden, Secretary
Jamie Aulik

Ted Nickel
Herb Stinski
Steven Wilding

BOARD MEMBERS NOT PRESENT:

Wayne Koessl, ETF and WR Board
Betsy Kippers, TR Board

Jessica O'Donnell, ETF Board
Victor Shier, ETF Board

Board	Mtg Date	Item #
JM	12.5.13	1

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary	Legal Services: David Nispel, General Counsel
Rob Marchant, Deputy Secretary	
Cherylynn Mullins, Board Liaison	Office of Budget and Trust Finance:
Division of Retirement Services:	Bob Willett, Chief Trust Financial Officer
Matt Stohr, Administrator	Office of Communications and Legislation:
Anne Boudreau, Deputy Administrator	Mark Lamkins, Director
Rory McGarry, Trust Funds Supervisor	Tarna Hunter, Legislative Liaison

OTHERS PRESENT:

ETF Division of Insurance Services:	Accenture: Sanjay Menon
Mary Statz	CEM Benchmarking: Bruce Hopkins
ETF Division of Management Services:	Department of Administration:
Jack Loman, Sherry Etes, Pam Henning,	Mickie Waterman
Sharon Walk	Legislative Audit Bureau: Brian Geib
ETF Division of Retirement Services:	Legislative Fiscal Bureau: Art Zimmerman
Jaymee Meier	State Engineering Association: Bob Schaefer
ETF Legal Services: Daniel Hayes	State of Wisconsin Investment Board: Chris Prestigiaco- mo, Chris Preisler
ETF Office of Budget and Trust Finance:	Wisconsin Legislative Council: Dan Schmidt
Nadine Konrath	
ETF Office of Internal Audit: John Vincent	
ETF Office of Policy, Privacy and Compliance:	
Steve Hurley, Gene Janke,	

John David, Vice Chair, ETF and WR Boards, called the Joint Meeting of the ETF Board, TR Board, and WR Board to order at 9:00 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Mr. Litscher moved to approve the June 20, 2013, minutes of the Joint Meeting of the ETF, WR and TR Boards, as submitted by the Board Liaison. Ms. Von Ruden seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENTS

Mr. Stohr made the following announcements:

- The 2011 Comprehensive Annual Financial Report (CAFR) is at each Board member's place setting.
- John David was reappointed to the WR Board for a term ending in May 2018.
- There are two seats on the TR Board that are up for election soon. Nomination papers for these seats are due November 1, 2013. If there is an election, the intention is to conduct it electronically.

EDUCATIONAL TOPICS

State of Wisconsin Investment Board

Chris Prestigiaco, State of Wisconsin Investment Board (SWIB) (Ref. JM | 9.26.13 | 3A) provided an overview of SWIB's Wisconsin-based investments. Mr. Prestigiaco discussed the Wisconsin Private Debt Portfolio, the Wisconsin Private Equity Portfolio, and what SWIB is doing to help finance companies throughout Wisconsin. As a result of over two billion dollars in loans via SWIB's Wisconsin Private Debt Portfolio, Wisconsin companies have been able to grow, create jobs and opportunities, while producing revenue for the Wisconsin Retirement System (WRS). In addition, SWIB has committed \$305 million dollars in investments to Wisconsin businesses under its Wisconsin Private Equity Portfolio.

Mr. Prestigiaco discussed the target customer for each investment type and highlighted SWIB's investment and portfolio strategies.

Update on Governmental Accounting Standards Board (GASB) Rule 67 and 68

Mr. Willett referred the Board to the memo (Ref. JM | 9.23.13 | 3B) in their binders. He explained how staff will implement the new GASB accounting standards relating to pensions and how plans and participating WRS employers will do the financial reporting. The most significant change will be the decoupling of pensions funding verses the financial reporting.

Staff is working to provide information to WRS employers to help make the implementation of the new accounting standards as easy as possible.

2013 WI Act 20 / Rehired Annuitants

Mr. McGarry, ETF Employer Services Section supervisor, provided an update on 2013 Wisconsin Act 20 and its effect on rehired annuitants. (Ref. JM | 9.23.13 | 3C) He discussed recent law changes, good-faith terminations, employer reporting, and rehired annuitant investigations. Through regular communication, employer bulletins, the WRS administration manual, webinars for employers and members, employer trainings, and a frequently asked questions document posted on ETF's website, ETF is working to ensure both members and employers fully understand what constitutes a good-faith termination, the required break in service, and the proper implementation of 2013 Wisconsin Act 20 standards for rehired annuitants.

The Board took a break at 10:32 a.m. and reconvened at 10:43 a.m.

Cost Effective Measurement (CEM) Benchmarking

Bruce Hopkins of CEM Benchmarking (Ref. JM | 9.23.13 | 3D) provided an overview of its most recent analysis for fiscal year 2012. CEM does not rank pension funds; instead it

reviews cost and services. To compare how ETF balances cost versus the services offered, CEM focused on a peer fund group of 15 large, public, United States funds.

Mr. Hopkins explained the nuances of ETF's cost versus its peers. Overall, ETF is extremely low cost even when compared to its low cost peers. While ETF is the most complex, this did not equate to a greater cost overall as expected.

With ETF's service levels being discussed in past years and improvements being made, ETF has increased its service score by 10 points from 2009 to 2012, but is still slightly below the peer median when it comes to services offered. The three activity levels that impact ETF's service score most are the lack of website capabilities, limited one-on-one counseling, and call center services – these all have a big impact on the overall score.

Overall, ETF keeps its cost levels extremely low while providing services in the normal range and is currently investing in service capabilities for the future.

OPERATIONAL UPDATES

Electronic Voting Option

Mr. Marchant provided a status update on the electronic voting option. (Ref. JM | 9.23.13 | 4A) Last year, there was a rule change permitting ETF to conduct elections electronically. A Request for Bid to obtain a vendor that will assist in the administration of the elections will be sent out next week. There are two available seats for the TR Board. Nomination papers are due November 1, 2013 and ETF will conduct an election if more than two candidates qualify for the open seats. This would be the first attempt to allow voting either online or with the telephone. There may be a short demonstration of the electronic voting process at the December 5, 2013 Board meeting.

Legislative Update

Ms. Hunter provided a legislative update. A detailed summary of the law changes in 2013 Act 20 (2013-15 biennial budget) was included in the legislative memo (Ref. JM | 9.23.13 | 4B). Also distributed for Board review was a constituent correspondence which was sent to the Governor and members of the legislature. After review by the Coalition of Annuitants, no action was taken.

Communication Update

Mr. Lamkins referred the Board members to his memo. (Ref. JM | 9.23.13 | 4C) Two of the initiatives that may affect ETF's future CEM service score is the implementation of a web-based newsletter for active members and incorporating social media into communications strategies.

ETF's current strategy of employer bulletins being sent electronically, media site onsite presentations viewable via mobile devices, and increased educational programs to members via webinars are in-line with ETF's continued online offerings and self service tools.

Mr. Stohr referred the Board to the remaining operational update items (Ref. JM | 9.23.13 | 4D, 4E, 4F, 4G, 4H).

FUTURE ITEMS FOR DISCUSSION

Mr. Stohr informed the Board that due to a past request, there are plans to make a presentation on retirement statistics in-depth at the December Board meeting. In December, the 2012 CAFR should be available and there may be more information on the active teacher election and the electronic voting method.

Mr. Phair suggested a memo on the economic impact of the WRS in Wisconsin.

ADJOURNMENT

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

The meeting adjourned at 11:49 a.m.

Date Approved: _____

Signed: _____
Robert Niendorf, Secretary
Employee Trust Funds Board