

DRAFT

MINUTES

December 5, 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:

- | | |
|----------------------------|-------------------|
| Wayne Koessler, Chair | Jon Litscher |
| John David, Vice Chair | Jessica O'Donnell |
| Robert Niendorf, Secretary | Roberta Rasmus |
| William Ford | Victor Shier |
| Kimberly Hall | Mary Von Ruden |
| Michael Langyel | David Wiltgen |

TR BOARD MEMBERS PRESENT

- | | |
|---------------------------|----------------|
| Michael Langyel, Chair | Mary Jo Meier |
| Robin Starck, Vice Chair | Dennis Murphy |
| Susan Harrison, Secretary | Tom Pedersen |
| Sandra Claflin-Chalton | Patrick Phair |
| Jon Joslin | Roberta Rasmus |
| Betsy Kippers | David Wiltgen |

WR BOARD MEMBERS PRESENT:

- | | |
|---------------------------|----------------|
| Wayne Koessler, Chair | Ted Nickel |
| John David, Vice Chair | Herb Stinski |
| Mary Von Ruden, Secretary | Steven Wilding |

BOARD MEMBERS NOT PRESENT:

Jamie Aulik, WR Board

Board	Mtg Date	Item #
JM	3.27.14	1

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
Rob Marchant, Deputy Secretary
Cherylynn Mullins, Board Liaison
Division of Retirement Services:
Matt Stohr, Administrator
Anne Boudreau, Deputy Administrator
Legal Services: David Nispel, General
Counsel

Office of Communications and Legislation:
Mark Lamkins, Director
Tarna Hunter, Legislative Liaison
Office of Policy, Privacy and Compliance:
Gene Janke, Policy Analyst

OTHERS PRESENT:

ETF Division of Insurance Services:
Deb Roemer
ETF Division of Management Services:
Jack Loman, Sherry Etes
ETF Division of Retirement Services:
Roger Fletcher, Diana Felsmann, Julie
Keal
ETF Legal Services: Daniel Hayes, Allen
Angel, Vickie Baker, Liz Dos-Anderson
ETF Office of Budget and Trust Finance:
Bob Willett
ETF Office of Communications and
Legislation: Kathryn Fields, Nancy
Ketterhagen

ETF Office of Policy, Privacy and
Compliance: Steve Hurley
Department of Administration:
Mickie Waterman, Jennifer Kraus
Department of Justice:
Charlotte Gibson
Gabriel Roeder Smith & Company:
Mark Buis, Brian Murphy
Legislative Audit Bureau:
Brian Geib
State Engineering Association:
Bob Schaefer

Michael Langyel, Chair, TR Board, 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 September 26, 2013, minutes of the Joint Meeting of the ETF, WR and TR Boards, as submitted by the Board Liaison. Mr. David seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENTS

Mr. Stohr made the following announcements:

- The investment performance of the Core Fund through the end of October was up 11.4% and the Variable Fund was up 23.5%.
- The implementation of 2011 Wisconsin Act 10 was completed earlier this year and the changes to our IT systems for 2011 Wisconsin Act 32 are scheduled for deployment this weekend.

- Nomination papers were received for the two seats on the TR Board to be filled in May 2014. Staff is currently verifying eligibility of the two nominees.
- Before the March 2014 Board meetings, staff will send a questionnaire to Board members asking for suggested educational topics at future meetings.

EDUCATIONAL TOPICS

Appeals Training

Mr. Nispel provided an overview on the appeal process. (Ref. JM | 12.5.13 | 3A) Mr. Nispel detailed the customer service approach to the complaints at ETF. When members' grievances are handled at an appropriate level, more timely resolutions can be reached and less formal appeals are ultimately filed.

Ms. Gibson from the Department of Justice serves as Legal Counsel for the Boards; she expanded on the appeals process focusing on the Boards' responsibilities when adjudicating an appeal. (Ref. JM | 12.5.13 | 3A2) Ms. Gibson explained the process of how the appeal record is gathered and disseminated to the Board. She also summarized how to prepare for the closed session, the decision-making process and ultimately make the final Board decision on the appeal. If the appellant wants to take future action within the process, the matter can be brought to the Circuit Court of Appeals and ultimately to the State Supreme Court.

Wisconsin Retirement System (WRS) Past, Present, Future

Mr. Janke presented on WRS retirement historical trends from 1987 to 2012. (Ref. JM | 12.5.13 | 3B1) He explained the difference between "early retirement" and "normal retirement" and provided an overview of the member retirement rates. Retirements over the years have been constant except for a few spikes (1990 and 2011), which coincided with specific benefit legislation. While discussing retirement trends among the various employment categories, Mr. Janke explained that teachers generally have one career path starting right out of college. As a result, teachers tend to retire with long years of WRS service. Generally, having more years of WRS service may explain their earlier retirements, compared to other general category employees, who may not have as many years of WRS service and may not be as prepared for retirement.

Ms. Boudreau continued the discussion by sharing statistics on customer service and the trends of WRS members seeking information on retirement. (Ref. JM | 12.5.13 | 3B2) In the Customer Service Call Center, calls are answered, on average, in less than one minute--with 99% of callers having a positive experience (measured by survey results). One of the busiest times of the year for the Call Center is during the *It's Your Choice* open enrollment period. Last year, during this 4 week period, callers waited an average of 1½ minutes. This year, staff from other areas helped out for this time period and the wait time decreased by 23%.

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

The discussion continued with Mr. Conlin, along with Mr. Murphy and Mr. Buis from GRS, presenting on the potential future of the WRS under various economic assumptions. As a joint effort with ETF and the State of Wisconsin Investment Board (SWIB), GRS prepared a 50-year actuarial projection analysis. Several events in the last decade have had an effect on the WRS, including 1999 Wisconsin Act 11, the technology crash in 2000-2002, the global economic crisis in 2008 and 2011 Wisconsin Act 10 and 32. The WRS continues to be a well-funded, sound retirement system. ETF and SWIB want to ensure the WRS remains a stable system and prepare for the future. Therefore, GRS, SWIB and ETF will continue to monitor the effects of those changes on the WRS over the course of time.

Mr. Murphy compared the GRS 2002 WRS study with the 2013 study, explaining the differences with regard to the ratio of active members to retirees, projected Core Fund assets, and assets as a percent of payroll. More than two-thirds of benefit payout will come from investment income. Various simulated scenarios showed that the unique benefit structure of the WRS enables it to deal with volatility to an extent not feasible in most public sector retirement systems.

Mr. Buis presented various dividend projections based on various economic assumption with discussions particularly focused on the dividend reserve. Scenarios were generated to view probabilities of all dividends being depleted in light of negative investment returns with a deterministic scenarios summary. He explained how numbers change as circumstances change.

OPERATIONAL UPDATES

Electronic Voting Update

Mr. Marchant informed the Boards that a vendor has been selected to perform the next election, via phone and online. However, there were not enough nominees to hold a TR Board election next spring. Work is continuing on the project so that ETF is ready to conduct an electronic election in 2015, if necessary.

Legislative Update

Ms. Hunter provided a legislative update. (Ref. JM | 12.513 | 4B) She discussed 2013 Senate Bill 330 and 2013 Assembly Bill 414 that allow participating employees in the WRS to purchase years of creditable service for active service in the United States armed forces. Other bills Ms. Hunter mentioned were 2013 Assembly Bill 470, which increases the minimum retirement age for all employees by two years (applies to employees under 40 years of age at time of enactment) and 2013 Assembly Bill 471 which changes the formula method for calculating a WRS retirement benefit.

Communication Update

Mr. Lamkins referred the Board members to his memo (Ref. JM | 12.5.13 | 4C) that discussed the Board orientation videos. Efforts made by ETF to create awareness about the impact of the WRS on the Wisconsin's economy were also discussed.

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The 2012 Comprehensive Annual Financial Report (CAFR) has been sent to the Legislative Audit Bureau for final approval and will be on the ETF website mid-December.

Mr. Stohr referred the Board to the remaining operational update items (Ref. JM | 12.5.13 | 4D, 4E, 4F).

ADJOURNMENT

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

The meeting adjourned at 12:00 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board