

DRAFT

# MINUTES

June 26, 2014

**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:**

Robert Niendorf, Secretary  
William Ford  
Kimberly Hall  
Michael Langyel

Jessica O’Donnell  
Roberta Rasmus  
Victor Shier  
Mary Von Ruden

---

---

**TR BOARD MEMBERS PRESENT:**

Michael Langyel, Chair  
Robin Starck, Vice Chair  
Susan Harrison, Secretary  
Sandra Claflin-Chalton  
Gary Epping  
Brent Grochowski

Craig Hubbell  
Jon Joslin  
Dennis Murphy  
Tom Pedersen  
Patrick Phair  
Jeffrey Zore

---

---

**WR BOARD MEMBERS PRESENT:**

Mary Von Ruden, Secretary  
Jamie Aulik

Ted Nickel  
Herb Stinski

---

---

**BOARD MEMBERS NOT PRESENT:**

John David, Vice Chair, ETF and  
WR Board  
Wayne Koessler, Chair, ETF and WR  
Board

Jon Litscher, ETF Board  
Steven Wilding, WR Board  
David Wiltgen, ETF and TR Board

---

---

Board	Mtg Date	Item #
JM	6.26.14	1

**PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:**

Bob Conlin, Secretary  
Division of Management Services:  
Cheryllynn Mullins, Board Liaison  
Division of Retirement Services:  
Matt Stohr, Administrator  
Anne Boudreau, Deputy Administrator  
Legal Services: Daniel Hayes, Attorney

Office of Communications: Nancy  
Ketterhagen, Publication Editor  
Office of Policy, Privacy and Compliance:  
Steve Hurley, Director  
Office of the Secretary:  
Tarna Hunter, Legislative Liaison

---

---

**OTHERS PRESENT:**

ETF Division of Insurance Services:  
Deb Roemer  
ETF Division of Management Services:  
Pam Henning, Erika Fakler, Sharon  
Walk  
ETF Division of Retirement Services:  
Diana Felsmann, Julie Keal  
ETF Office of Communications:  
Kathryn Fields, Joe Starr  
ETF Office of Enterprise Initiatives:  
Elizabeth White, Monica Vertz  
ETF Office of Internal Audit: John  
Vincent

ETF Office of Policy, Privacy and  
Compliance: Gene Janke  
ETF Office of Trust Finance:  
Bob Willett  
Department of Administration:  
Eric Geane, Mickie Waterman  
Gabriel Roeder Smith & Company  
(GRS): Jim Anderson, Mark Buis,  
Brian Murphy  
Legislative Audit Bureau: Lisa Kasel  
State of Wisconsin Investment Board:  
Chris Preisler  
University of Wisconsin System  
Administration: LaDonna Steinert

---

---

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. Starck moved to approve the March 27, 2014, 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:

- He introduced new TR Board members Brent Grochowski, a teacher with the Burlington School District and Jeff Zore, a counselor with the Cudahy School District.
- On April 16, the ETF Board held a special meeting to select the actuaries for the Boards. The current contracts expire on October 1, 2014. Gabriel, Roeder, Smith (GRS) was selected as the actuary for the Wisconsin Retirement System (WRS); Segal was selected as the actuary for the health insurance programs; and Milliman was selected as the actuary for the other insurance programs (including disability).
- John Vincent, ETF's Internal Audit Director, was recognized. This will be his last meeting, as he will be retiring tomorrow.

## **EDUCATIONAL TOPICS**

### Wisconsin Retirement System 33<sup>rd</sup> Annual Valuation of Active Lives and Gain/Loss Analysis – December 31, 2013

Mr. Murphy of GRS (Ref. JM | 6.26.14 | 3A) discussed the funding objectives of the Wisconsin Retirement System with the Boards. These objectives are:

- Intergenerational equity with respect to plan costs
- Stable or increasing ratio of assets to liabilities
- Stable pattern of contribution rates

Mr. Murphy reviewed the contribution rates of the active WRS members. He provided an explanation of the funding sources (assets from investments, employer contributions, and member contributions) for the system's liabilities (approximately \$103 billion in benefit promises). Primarily due to favorable investment performance, the contribution rate will decrease in 2015 across all categories, with the general category going from 14.0% to 13.6%. The impact of asset gains and losses on contribution rates were also explained.

Mr. Anderson discussed the Gain/Loss Analysis of the WRS. Taking in the WRS assumptions of risk areas, investment earnings in 2013, and salary related gain to show the liability changes, the Gain/Loss Analysis measures differences between actual and assumed experience in each of the system's risk areas.

Mr. Murphy discussed the impact of early retirement on the WRS. The cost to the system will vary, based on the age and years of service of the member. Mr. Stohr and Mr. Conlin also discussed how early retirements (members who retire prior to their normal retirement age), affect WRS employers and the workforce of local communities.

Mr. Buis of GRS continued the presentation, discussing how the new Governmental Accounting Standards Board (GASB) accounting financial statements will differ from the previous standards and rules for public pension reporting. Through the GASB accounting method, there will be great variances from year to year because the accounting number is very different than the funding number. There is concern that people will be confused with the different numbers.

### WRS Funding Policy

Mr. Hurley presented (Ref. JM | 6.26.14 | 3B) the background and need for creating a written WRS funding policy for the Board. The benefit of having such a policy is to summarize the WRS plan and describe the actuarial mechanisms by which those objectives can be achieved. This would be a valuable, multi-use document for many people (i.e. taxpayers, Board members) and improve transparency with the public. The process of developing a funding policy will improve the understanding of how the WRS is funded and identify ways to manage the various risks associated with the plan. Mr. Hurley explained that many of the items to be included in a funding policy are already in the statutes, but slight gaps in the statutes leave room for interpretation. A funding policy does not need to include statutes. However, a funding policy would provide clarification but allow flexibility as the market changes.

## **OPERATIONAL UPDATES**

### Retirement Services Update

Ms. Boudreau referred Board members to the Retirement Services Update memo (Ref. JM | 6.26.14 | 4A). In the first quarter of 2014 there were 4,092 members served via small group retirement sessions, field presentations, or individual retirement sessions. Webinars have been extremely popular: ETF conducted 51 webinars, reaching 2,093 people. Some of the current webinar topics are the Variable Fund, selecting an annuity option and purchasing service. Ms. Boudreau discussed trends regarding retirement benefit options, estimates and applications received.

Due to a fire alarm, the Board took a break at 11:00 a.m. and reconvened at 11:13 a.m.

### Legislative / Budget Update

Ms. Hunter provided an update on the budget process and timeline. (Ref. JM | 6.26.14 | 4B)

### Communication Update

Ms. Ketterhagen referred Board members to the Communications Update memo (Ref. JM | 6.26.14 | 4C). She discussed the communication initiatives including:

- How we deliver information and interact with members, employers and third-party administrators and;
- Improving our customers' experiences; and
- Increasing member engagement and education.

#### Legal Case Update

Mr. Hayes updated the Board on a legal case regarding Wisconsin's prohibition on same sex marriage. While ETF is not a party to this case, the determination could have an impact on the WRS. Mr. Hayes will keep the Board informed on the case.

Mr. Stohr referred the Board to the remaining operational update items (Ref. JM | 6.26.14 | 4D, 4E, 4F).

#### **ADJOURNMENT**

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

The meeting adjourned at 11:32 p.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Robert Niendorf, Secretary  
Employee Trust Funds Board