

DRAFT

MINUTES

September 25, 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:

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

TR BOARD MEMBERS PRESENT:

Robin Starck, Chair	Jon Joslin
Tom Pedersen, Vice Chair	Michael Langyel
Brent Grochowski, Secretary	Jon Litscher
Sandra Claflin-Chalton	Patrick Phair
Gary Epping	Jeffrey Zore
Craig Hubbell	

WR BOARD MEMBERS PRESENT:

Wayne Koessler, Chair	Jamie Aulik
John David, Vice Chair	Ted Nickel
Mary Von Ruden, Secretary	Steven Wilding

BOARD MEMBERS NOT PRESENT:

Susan Harrison, TR Board	Herb Stinski, WR Board
Dennis Murphy, TR Board	David Wiltgen, ETF and TR Board

Board	Mtg Date	Item #
JM	12.11.14	2

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
John Voelker, Deputy Secretary
Pam Henning, Assistant Deputy Secretary
Division of Retirement Services:
Matt Stohr, Administrator
Legal Services: Daniel Hayes, Attorney

Office of Policy, Privacy and Compliance: Steve Hurley, Director
Office of the Secretary:
Tarna Hunter, Legislative Liaison
Cheryllynn Wilkins, Board Liaison

OTHERS PRESENT:

ETF Division of Insurance Services:
Deb Roemer
ETF Division of Management Services:
Mike Bormett, Bill Christianson,
Sherry Etes, Nadine Konrath, Sharon Walk
ETF Division of Retirement Services:
Anne Boudreau, Diana Felsmann,
Julie Keal
ETF Legal Services: David Nispel
ETF Office of Communications:
Kathryn Fields, Mark Lamkins
ETF Office of Internal Audit: Yikchau Sze
ETF Office of the Secretary: Pam Henning

ETF Office of Trust Finance:
Bob Willett
Cost Effective Management (CEM):
Bruce Hopkins
Department of Administration:
Mickie Waterman
Gabriel Roeder Smith & Company (GRS): Jim Anderson, Mark Buis, Brian Murphy
Legislative Audit Bureau: Lisa Kasel
National Association of State Retirement Administrators (NASRA): Keith Brainard
Office of State Employment Relations:
Paul Ostrowski
State Engineering Association:
Bob Schaefer

Wayne Koessler, 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: Ms. Von Ruden moved to approve the June 26, 2014, minutes of the Joint Meeting of the ETF, WR and TR Boards, as submitted by the Board Liaison. Mr. Litscher seconded the motion, which passed unanimously on a voice vote.

Board	Mtg Date	Item #
JM	12.11.14	2

ANNOUNCEMENTS

Mr. Stohr made the following announcements:

- He introduced the following new ETF personnel: Deputy Secretary John Voelker, Assistant Deputy Secretary Pam Henning, Deputy Administrator – Division of Management Services Mike Bormett and Internal Audit Director Yikchau Sze.(Ref. JM | 9.25.14 | 2);
- As announced in the September addition of the *WRS News*, the following seats are open for nomination: On the ETF Board, the Educational Support Personnel seat currently held by Kimberly Hall and the WRS Annuitant seat currently held by William Ford. On the TR Board, the Milwaukee Public School Teacher seat currently held by Michael Langyel.
- Nomination papers must be submitted by November 3. If there are multiple candidates for the seat, ETF will conduct an election in February 2015 with the terms beginning May 1, 2015.
- There will be a demonstration of the new web-based election process at the December 2014 meeting.

EDUCATIONAL TOPICS

National Pension Trends – National Association of State Retirement Administrators (NASRA)

Mr. Conlin introduced Mr. Brainard, Research Director, NASRA. Mr. Brainard (Ref. JM | 9.25.14 | 3A) explained the differences between private and public sector employment and the various retirement systems (i.e. pensions, defined benefit plans, 401K and Social Security). Mr. Brainard discussed the effects of the 2008-09 market change on pension systems throughout the United States. He explained changes in actuarial values of assets and liabilities of pension systems as a whole. The Wisconsin Retirement System is regularly referred to as the model of the ideal pension system and he commended ETF, the ETF Board, and SWIB for maintaining a fully funded system. Nearly every state has modified public pension benefits, raised employee contributions or both since 2009. The type of changes made were generally to lower benefits, such as higher retirement age qualifications, more required years of service, longer vesting periods, reduced or eliminated cost of living adjustments or a hybrid plan.

Cost Effective Measurement (CEM) Benchmarking

Mr. Stohr introduced Mr. Hopkins, CEM Benchmarking. CEM compares pension plans globally to their peers and provides feedback to the plans.

Mr. Hopkins (Ref. JM | 9.25.14 | 3B) explained that ETF runs a very low cost, very complex system, with below peer average service. This report looks exclusively at the pension part of ETF and not the health care benefits. Even with ETF's more expensive total cost (TIM/BAS) in the fiscal year, ETF has a lower cost per member average than

other organizations. ETF is \$28.55 below the average cost per member. On average, ETF had lower transaction volumes per member but had higher productivity from the staff. ETF has lower costs per full-time equivalent (FTE) for salaries and benefits, building and utilities. The relative complexity of the benefits administered by ETF is the highest scoring, 100.

The total service offered by ETF is lower than its average peer organization. This score is comprised of total capabilities, availability, timeliness and quality. Upon review of the line item breakdown, the goals and scoring of CEM might not be consistent with ETF's goals. The three highest-impact items on ETF's service score are the call center, one-on-one counseling and website. Increased flexibility in hours for the call center and one-on-one counseling would increase ETF's service score.

Mr. Stohr reiterated the conflicting interests between CEM's weighted service scores and ETF's goals and decisions. Due to resource constraints, ETF encourages members to attend group counseling instead of one-on-one counseling and doing more with webinars for the purpose of providing more information to more members in the most efficient way. ETF's score could fluctuate over the next 3-5 years because ETF is engaged in a large project to provide more online services to members and integrate multiple individual IT systems. To accomplish this, the decision was made to utilize ETF's internal staff and employ their expertise exclusively in the project, which removes them from the daily operations. While this may have the short term effect of lower service scores, ETF should see the service score raise substantially when the BAS is complete.

The Boards took a break at 10:57 a.m. and reconvened at 11:07 a.m.

WRS Funding Policy

Mr. Hurley presented (Ref. JM | 9.25.14 | 4) a working draft for the WRS Funding Policy. A pension funding policy is a formal set of parameters used in the determination of annual contributions. The funding policy summarized the objectives of the pension plan and the actuarial methods or other mechanisms used to achieve those objectives.

Mr. Hurley detailed the four main parts of the policy: financial objective, funding guidelines, funding methods and principles and risk management. He also explained how each piece protects the WRS. While much of this policy is based on established statutes, some parts, like being 100% funded, are not statutory. This policy would be for the Board but could be a reference for legislators or anyone with questions. With the Governmental Accounting Standards Board (GASB) changes, it separates accounting from a funding policy. ETF wants to have a target or goal to fund the benefits of the WRS. A funding policy provides boundaries that can aid in selecting funding methods. Additionally, a funding policy is a way to guide the Board's decisions in the future.

OPERATIONAL UPDATES

Legislative / Budget Update

Ms. Hunter discussed the process for ETF's 2015-17 biennial budget request. She highlighted the three main initiatives in this budget request. The first initiative seeks to redesign the way ETF uses cost and quality measures in its health care programs. The redesign will build upon current tiering strategies to advance the goal of value-based purchasing. Members are becoming more engaged with their own health care and the Group Insurance Board will be offering a high deductible health plan option for 2015. This initiative will provide members relevant information on cost and quality of healthcare, enabling them to choose the best value. The second initiative is investment in the call center. Call volume is continuing to increase due to an aging population and the call center will be gathering and verifying email addresses for approximately 570,000 members to modernize communications. This is a time consuming, but crucial activity and will require additional staffing. The third initiative will address mandatory LAB audits and the new GASB reporting.

Mr. Stohr referred the Board to the remaining operational update items (Ref. JM | 9.25.14 | 5B, 5C, 5E, 5F, 5G).

ADJOURNMENT

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

The meeting adjourned at 11:36 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board