

DRAFT

# MINUTES

December 11, 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

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**ETF BOARD MEMBERS PRESENT:**

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

Jon Litscher  
Jessica O'Donnell  
Roberta Rasmus  
Victor Shier  
Mary Von Ruden

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**TR BOARD MEMBERS PRESENT:**

Robin Starck, Chair  
Tom Pedersen, Vice Chair  
Sandra Clafflin-Chalton  
Gary Epping  
Susan Harrison  
Craig Hubbell

Jon Joslin  
Michael Langyel  
Jon Litscher  
Dennis Murphy  
Patrick Phair  
Jeffrey Zore

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**WR BOARD MEMBERS PRESENT:**

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

Mollie Zito (Designee of Ted Nickel)  
Herb Stinski  
Steven Wilding

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**BOARD MEMBERS NOT PRESENT:**

Brent Grochowski, TR Board  
David Wiltgen, ETF and TR Board

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Board	Mtg Date	Item #
JM	4.2.15	1

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

Bob Conlin, Secretary	Office of Policy, Privacy and Compliance: Steve Hurley, Director
John Voelker, Deputy Secretary	Office of the Secretary:
Division of Retirement Services:	Tarna Hunter, Legislative Liaison
Matt Stohr, Administrator	Sharon Walk, Executive Staff
Anne Boudreau, Deputy Administrator	Assistant Supervisor
Legal Services:	Cherylynn Wilkins, Board Liaison
David Nispel, General Counsel	Office of Trust Finance:
Daniel Hayes, Attorney	Bob Willett, Chief Trust Financial Officer
Office of Communications:	
Mark Lamkins, Director	

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**OTHERS PRESENT:**

ETF Division of Insurance Services:	Department of Administration:
Deb Roemer, Mary Statz	Mickie Waterman
ETF Division of Management Services:	Legislative Audit Bureau: Lisa Kasel,
Bill Christianson, Sherry Etes	Carolyn Stittleburg
ETF Division of Retirement Services:	State Engineering Association:
Diana Felsmann, Julie Keal	Bob Schaefer
ETF Office of Communications:	Vitech Systems Group Inc.: Chris
Kathryn Fields, Nancy Ketterhagen	Lodge, Brian McKinney
ETF Office of Internal Audit: Yikchau Sze	
ETF Office of the Secretary: Pam Henning	

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Robin Starck, Chair, TR Board, called the Joint Meeting of the ETF Board, TR Board and WR Board to order at 9:00 a.m.

Mr. Stohr introduced the Lincoln School choir:

- ETF established a partnership with Lincoln Elementary School in 2001 as part of the Affirmative Action Committee's outreach efforts to the local community. Since that time, ETF has mentored students, started a pen pal program, conducted school supply drives, hosted students on Take Your Child to Work Day, collected hats, mittens and scarves and hosted numerous winter and spring concerts.
- The Lincoln Choir is directed by Cassie Krueger and consists of 35 4<sup>th</sup> and 5<sup>th</sup> graders. Their theme this year is, "Be Brave, Be Strong, Be True to You." The choir sang several songs.

**CONSIDERATION OF MINUTES OF PREVIOUS MEETING**

***MOTION: Ms. Von Ruden moved to approve the September 25, 2014, minutes of the Joint Meeting of the ETF, WR and TR Boards, as submitted by the***

***Board Liaison. Mr. Langyel seconded the motion, which passed unanimously on a voice vote.***

## **ANNOUNCEMENTS**

Mr. Stohr made the following announcements:

- There will be two board seat elections for the Employee Trust Funds Board in 2015: the Educational Support Personnel member seat currently held by Kimberly Hall and the WRS Annuitant member seat currently held by William Ford.
- The voting for these elections will be throughout February 2015. The new voting format will be online or via telephone.
- Two volunteers are needed from the ETF Board for the Election Certification Committee. Ms. Von Ruden and Mr. Litscher volunteered to serve on the committee.
- Ms. Walk will notify all candidates about the next steps in the election process.

## **EDUCATIONAL TOPICS**

### Electronic Voting Demonstration

Ms. Walk explained the new voting options for the board elections – online and via telephone. She discussed the cost savings and other benefits of moving from paper voting to electronic voting. The process of how and why ETF is now able to make this voting change was explained. She emphasized the security features provided by Everyone Counts, the vendor that will administer the election. Ms. Walk went through parts of the communication plan, including how members will be notified of the election and how they will vote.

### Vitech Presentation

Mr. Conlin introduced Mr. Lodge and Mr. McKinney, Vitech Systems Group. Vitech has partnered with ETF to integrate ETF's multiple, outdated systems into a single Benefits Administration System (BAS).

Mr. Lodge discussed Vitech Systems Group, who they are and what they do for clients. He explained the product including the benefit capabilities and enterprise capabilities. He shared some of Vitech clients and how ETF's high customer service focus fits well into the system.

Mr. McKinney discussed the BAS project and why this project will be a success for Vitech and ETF. Mr. McKinney emphasized ETF's mission and the project mission in connection with BAS: improve customer service, customer and partner self-service capabilities, automated processes and system security. The project will be successful when ETF has one integrated system, customers and partners that are empowered with self-service, efficient workflows and everything occurs in a secure environment. He commended ETF for its commitment to success, which is demonstrated by strong project oversight, a

dedicated core team for the project and providing additional staff resources when needed. He complemented ETF on the emphasis that is put on internal communication. Mr. McKinney discussed ETF's project management methodology and the benefits of the Agile approach.

#### Governmental Accounting Standards Board (GASB) 67 and 68 Update

Mr. Willett discussed the pension accounting standards and the implementation of the new GASB standards. These new standards are effective for the WRS in 2014. The first reporting for employers and schools is June 30, 2015, and, for municipalities, at the end of 2015. These standards are the measurements for pension expense and liability reports. GASB establishes standards for financial reporting but has no correlation to the funding of pensions. Nor does GASB require governments to change how participants and employers pay for their pensions. Mr. Willett explained that through GASB, the accounting and funding functions for pensions have been decoupled. The calculation of the pension liability and annual expense has changed for financial reporting and will be different and more volatile than in the past. Employers must present the net pension liability on their financial statement. Pension disclosure is going to be more visible than it has been in the past.

Mr. Willett presented how these methods would show funding percentages if GASB standards were applied from 2011-2013. Under GASB standards, the valuation results would show the WRS 92.7% funded in 2011, 100.0% funded in 2012 and 108.8% funded in 2013. He discussed the steps taken to implement the GASB standards. One of the implementation challenges is the partial allocation to employers which will include the timing of allocation and the audit of allocation.

The American Institute of Certified Public Accountants (AICPA) new standards require the auditor to verify census data reported by employers to the WRS. ETF is implementing a new "Employer Compliance" function to assure accurate reporting by employers. The LAB will be performing on-site testing of employer reporting for a sample of employers.

Mr. Willett stated there will be two measures of the pension liability: one for funding and other for accounting. Employer's fund balance reporting will be directly affected by the pension liability. ETF has communicated with employers on how we will help them meet the new requirements.

#### **DISCUSSION AND CONSIDERATION**

##### Clearinghouse Rule # CR 14-055: Technical and Minor Substantive Changes in Existing ETF Administrative Rules

Dan Hayes discussed how and why Clearinghouse Rule # 14-055 changes were made. (Ref. JM | 12.11.14 | 5A) Mr. Hayes also went through the process of approval. Changes were made in response to comments received in the Legislative Council Clearinghouse Report. The rule now conforms to the recommended form and style.

### Board Member Reimbursement Policy

Mr. Nispel discussed the Board Member Compensation and Reimbursement Policy. (Ref. JM | 12.11.14 | 5B). ETF's has an established practice. The creation of a policy that will be included in the Board Governance Manual puts in writing current practices. Board members are asked to submit their actual, reasonable and necessary travel expenses.

### Board Member Qualification Policy

Mr. Nispel shared the Board Member Qualification Policy (Ref. JM | 12.11.14 | 5C), which is intended to fill a gap in the Board policy area. The policy references the statutes which create a wide variety of representation on the various Boards. The proposed policy addresses the situation when a member ceases to meet the applicable membership qualification. It will give Board members and potential Board members an understanding of the requirements applicable to membership. This policy, if approved, will be prospective.

### WRS Funding Policy

Mr. Hurley presented (Ref. JM | 12.11.14 | 5D) a final draft that incorporated the suggested changes from previous meetings for the WRS Funding Policy. The purpose of a funding policy is to serve as a governing document to guide any recommendations of potential adjustments to the WRS. A funding policy will assist the Board's actuary in determining whether the actuary should suggest changes to plan assumptions. This policy will help improve transparency with WRS participants and the public by increasing the understanding of WRS funding. This is a foundational pension funding policy heavily rooted in statute. Mr. Hurley urged the Board to review and augment this document as a result of future discussions as to how to respond to specific risks or contingencies.

## **OPERATIONAL UPDATES**

### Legislative / Budget Update

Ms. Hunter discussed the make-up of the Wisconsin Legislature, as 99 Assembly seats and 17 Senate seats were up for election in November. Republicans maintained the majority. The 16-member Joint Finance Committee has been selected. DOA has been reviewing ETF's budget and will be briefing the Governor for inclusion in the 2015-17 budget bill, which will most likely be introduced in early February. With 25% of the Assembly being new members, it is important for ETF to engage and educate new members and their staff on the benefits ETF administers.

### Retirement Services Update

Ms. Boudreau referred Board members to the Retirement Services Update memo (Ref. JM | 12.11.14 | 6B). The numbers in 2014 are typical for retirement estimates and retirement applications. An additional breakdown of how beneficiaries have elected to

receive their annuities has been added to this report. When reviewing what retirement benefit options members take, the lump sum retirement option benefit appears to be selected more often. However, this could be because there are not as many people eligible for a long-term annuity.

### Communications Update

Mr. Lamkins discussed ETF's communication/media strategies to engage and connect with members. A new e-newsletter for active employees is planned to launch in January 2015. This process improvement, in line with ETF's modernization initiative, will give ETF the ability to provide two different newsletters for members: one for active employees (online) and one for retirees (print). Customized newsletters allow ETF to provide relevant, targeted information to members based on where they are in their member life cycle and links to helpful web resources and self-service tools. Mr. Lamkins shared a prototype of the new e-newsletter, *WRS News Online*. The e-newsletter will have full-color graphics, a share function via social media and eventually link members to the BAS portal log-in for easy access to their individual benefits information. Due to the cost savings and flexibility of an e-newsletter format compared to print, ETF will increase frequency from three to four issues annually. The print newsletter for retirees, *WRS News*, will continue to be published in January, May and September.

Mr. Stohr referred the Board to the remaining operational update items (Ref. JM | 12.11.14 | 6D, 6E, 6F, 6G, 6H).

Suggestion for the disability statistics report: Board members would like the format to be tabulated annually instead of monthly. Ms. Roemer responded that in April 2015, the disability statistics annual report should provide more information and the quarterly report will be adjusted going forward as well.

### **FUTURE ITEMS FOR DISCUSSION**

Mr. Phair requested an update on investments and risk management from the State of Wisconsin Investment Board (SWIB).

### **ADJOURNMENT**

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

The meeting adjourned at 11:51 p.m.

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

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

Robert Niendorf, Secretary  
Employee Trust Funds Board