

DRAFT

MINUTES

June 25, 2015

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	Paul Ostrowski
John David, Vice Chair	Leilani Paul
Robert Niendorf, Secretary	Roberta Rasmus
William Ford	Victor Shier
Michael Langyel	Mary Von Ruden
Jon Litscher	David Wiltgen

TR BOARD MEMBERS PRESENT:

Tom Pedersen, Vice Chair	Jon Litscher
Brent Grochowski, Secretary	Dennis Murphy
Sandra Claflin-Chalton	Patrick Phair
Gary Epping	Kim Schroeder
Susan Harrison	David Wiltgen
Jon Joslin	Jeffrey Zore

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	Robin Starck, TR Board
Craig Hubbell, TR Board	

Board	Mtg Date	Item #
JM	9.24.15	1

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
John Voelker, Deputy Secretary
Division of Retirement Services:
Matt Stohr, Administrator
Anne Boudreau, Deputy Administrator
Shelly Schueller, Director, Deferred
Compensation

Division of Trust Finance:
Stefanie Pauls, Financial
Management Supervisor
Office of Communications:
Mark Lamkins, Director
Office of the Secretary:
Tarna Hunter, Legislative Liaison
Cherylynn Wilkins, Board Liaison

OTHERS PRESENT:

ETF Division of Management Services:
Ryan Perkins
ETF Division of Retirement Services:
Jim Guidry, Deb Roemer
ETF Legal Services: Dan Hayes
ETF Office of Communications (OOC):
Nancy Ketterhagen
ETF Office of Internal Audit: Yikchau Sze
ETF Office of Policy, Privacy and
Compliance: Steve Hurley
ETF Office of the Secretary: Sherry Etes,
Sharon Walk
Deferred Compensation Board: Art
Zimmerman

Department of Administration:
Mickie Waterman
Empower Retirement, Marilyn Collister,
Emily Lockwood
Gabriel Roeder Smith & Company
(GRS): Jim Anderson, Mark Buis
Group Insurance Board: Chuck
Grapentine
Legislative Audit Bureau: Lisa Kasel
Milliman: Tim Herman, Dan Skwire
State Engineering Association:
Bob Schaefer

Wayne Koessler, Chair, WR and ETF Boards, called the Joint Meeting of the ETF Board, TR Board and WR Board to order at 9:02 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Ms. Von Ruden moved to approve the April 2, 2015, minutes of the Joint Meeting of the ETF, WR and TR Boards, as submitted by the Board Liaison. Ms. Rasmus seconded the motion, which passed unanimously on a voice vote.

ANNOUNCEMENTS

Mr. Stohr made the following announcements:

- Mr. Ostrowski is filling in for Ms. Carne today.
- He welcomed Mr. Schroeder to the Teachers Retirement Board, Milwaukee Public School Teacher Member seat and Leilani Paul to the ETF Board, Educational Support Personnel Member seat.

- Separate WR and TR Board meetings will not be held today.

Mr. Conlin introduced the third ETF Excellence Award winner, Nathan Johnson. This award recognizes excellence in customer service within ETF staff. Mr. Johnson is a lead worker in the call center and known for his ability to deal with the more difficult phone calls. He is known to go out of his way to help a member and often changes an angry customer into one singing the praises of ETF.

EDUCATIONAL TOPICS

The Fiduciary Responsibility of the Board

Ms. Collister discussed the fiduciary responsibilities of a board member and the importance of knowing these responsibilities. Even though Third Party Administrators, the State of Wisconsin Investment Board and others are also fiduciaries, this does not negate the fiduciary responsibility of a board member.

Ensuring contributions are put into the trust in a timely manner, hiring plan experts, and advising the Department are a few of the responsibilities. Any decision made, must be in the best interest of the participants, void of conflict of interest and self-enrichment. The role of a fiduciary is active, not passive. The duty of prudence is outlined in the *Retirement Boards Governance and Reference Manual*. The boards need a prudent, documented process and following that process includes monitoring and administration.

Ms. Collister reviewed best practices for a defined benefit plan. Many of these best practices are in place with ETF. Ms. Collister recommends there be a privacy policy developed for board members.

Wisconsin Retirement System 34th Annual Valuation of Active Lives – December 31, 2014 – Annual Annuity Adjustments

Mr. Buis of GRS (Ref. JM | 6.25.15 | 3B) discussed the funding objectives of the Wisconsin Retirement System (WRS) with the Boards. The objectives are:

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

Mr. Buis reviewed the contribution rates of active WRS members. He provided an explanation of the funding sources (assets from investments, employer contributions and member contributions) to pay the system's liabilities (approximately \$107.1 billion in benefit promises). Investment performance income pays for approximately two-thirds of the benefit. The total contribution rate will decrease, with the general category going from 13.6% to 13.2%, split between the employer and the participant. 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 2014 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.

Mortality tables were discussed. In addition, Mr. Anderson said GRS utilizes WRS member data for its actuarial calculations instead of a universal mortality table.

Executive/Elected Official Employment Category

Mr. Stohr referred the Board to the memo (Ref. JM | 6.25.15 | 3B2) on a legislative proposal regarding the contribution rates that is currently in the 2015-17 state budget. An employer communication will be sent to all WRS employers regarding the 2016 contribution rates. It will also explain the pending legislative motion to merge the Executive/Elected Official Employment category with the General Employment category for contribution rate setting purposes. If the motion is included in the final state budget, it will affect the approximately 1,400 members who are in the Executive/Elected Official Employment category. Those employees and their employers will pay the General contribution rate, which is typically lower, if the motion is enacted and approved by the ETF Board. GRS evaluated the effect of this motion and determined the change will not have a material effect on the General category. The legislative proposal would also increase the normal retirement age from 62 to 65 for employees in the Executive/Elected Official Employment category who are hired after 12/31/16, therefore, the WRS benefits for both the General and Executive/Elected groups would eventually be the same.

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

Ms. Pauls presented (Ref. JM | 6.25.15 | 3C), the GASB implementation update. GASB 67 and 68 established standards for public pension plans and governmental employers to report pension expense and liabilities. GASB does not establish standards for the funding of pension expenses. Ms. Pauls explained how the proportional share for the employer contribution was calculated and the effect on employers. The tools and communications available to employers regarding the new GASB reporting changes to assist employers with their own financial statements were also explained.

Examples of what ETF will provide and how employers will access ETF's website were shared. For the employer's financial statement, ETF will provide a footnote template and supplement to the notes.

EMPOWER Campaign

Ms. Hunter and Ms. Schueller (Ref. JM | 6.25.15 | 3D) discussed the "EMPOWER" campaign and the many unique reasons why women need this educational and engagement campaign.

In 2010, a study was done called Increasing Retirement Savings by Working Women: Understanding Gender Disparities in Wisconsin Deferred Compensation Program (WDC). Using data from the WDC and WRS, along with demographic information, the analysis found that women save substantially less than men for retirement. This study substantiates the fact that women need more education on financial literacy. This campaign is designed to be administered by the individual agency Affirmative Action Committees (AAC) utilizing many partners, WISER, Women's Council of Wisconsin, Summit Credit Union, Empower Retirement and Willett Consulting to bring resources and additional information.

Working with ETF's Office of Communication and AAC groups, a marketing plan was developed which included branding, messages, tools (website, brochures, posters, emails) and surveys. Surveys were created to guide the marketing plan, identifying what people want to learn in regard to their finances and how individuals would like to receive this information (live presentations, webinars, emails, videos).

The demonstration of the EMPOWER website, which is part of ETF's website, showed the schedule of events, and the tool kit with emails and flyers, that can be utilized by all state agencies.

OPERATIONAL UPDATES

Legislative Update

Ms. Hunter discussed the memo (Ref. JM | 6.25.15 | 4A) and the three bills that impact ETF. The first bill, allows municipalities to join the WRS permitting newly hired employees to join the WRS while letting current employees finish their careers with their existing retirement plan. The second bill eliminates sick leave for state representatives and senators. Legislators would be able to keep their already accumulated sick leave but no additional sick leave would accrue. The third bill creates a private retirement security board and establishes a private retirement security plan. It would require ETF to conduct a study on the feasibility of establishing a retirement plan for private employers. This plan would be separate from the WRS.

Retirement Services Update

Ms. Stohr discussed the University of Wisconsin Early Retirement Incentive Program. This topic was discussed at the April meeting and after further review, two of the WRS-related original options, employer additional contributions and WRS actuarial reduction factor, according to IRS rules, are no longer valid options. This leaves four remaining options for the UW employees:

- a lump sum payment
- contribution to their 457/ deferred compensation plan
- contributions to their 403b plan; or
- a contribution to their health savings account

Ms. Boudreau referred Board members to the Retirement Services Update memo (Ref. JM | 6.25.15 | 4B) and explained the materials in the packet and the customer service statistics. The first quarter of the year, the call volume on the member line is generally due to annuitants receiving their 1099Rs and members with inquiries about tax issues, the upcoming annuity adjustment, the effective rate or when the statement of benefits will be mailed. There are a couple ways that ETF provides retirement information to members: small group retirement sessions, field presentations, individual retirement sessions or webinars. Due to the gain in popularity of the webinars, as part of the operating budget ETF is looking to expand the number of people who can attend each webinar by adding bandwidth so additional members can be reached. The trend slides showed which options members are selecting for their retirement annuities.

Mr. Stohr referred the Board to the remaining operational update items (Ref. JM | 6.25.15 | 4C, 4D, 4E, 4F, 4G).

FUTURE ITEMS FOR DISCUSSION

A request was made for information on the various programs ETF administers and what board is responsible for each program.

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 11:50 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board