

DRAFT

MINUTES

June 23, 2016

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	Roberta Rasmus
John David, Vice Chair	Stacey Rolston
Robert Niendorf, Secretary	Victor Shier
William Ford	Mary Von Ruden
Michael Langyel	Bob Ziegelbauer
Leilani Paul	

TR BOARD MEMBERS PRESENT:

Robin Starck, Chair	Craig Hubbell
Tom Pedersen, Vice Chair	Jon Joslin
Sandra Claflin-Chalton	Dennis Murphy
Gary Epping	Allison Pratt
Chris Heller	Dave Schalow

WR BOARD MEMBERS PRESENT:

Wayne Koessler, Chair	Herb Stinski
John David, Vice Chair	Julie Wathke
Mary Von Ruden, Secretary	Steven Wilding
J.P. Wieske (Designee for Ted Nickel)	

BOARD MEMBERS NOT PRESENT:

Brent Grochowski, TR Board	David Wiltgen, TR and ETF Boards
Kim Schroeder, TR Board	

Board	Mtg Date	Item #
JM	9.29.16	1

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of the Secretary:

Bob Conlin, Secretary

John Voelker, Deputy Secretary

Division of Management Services:

Stacie Meyer, Human Resource
Manager

Division of Retirement Services:

Matt Stohr, Administrator

Anne Boudreau, Deputy Administrator

Office of the Secretary:

Tarna Hunter, Legislative Liaison
Cherylynn Wilkins, Board Liaison

OTHERS PRESENT:

ETF Division of Management Services:

Ryan Perkins, Shirley LaFontaine

ETF Division of Retirement Services:

Gene Janke, Julie Keal

ETF Division of Trust Finance:

Cindy Klimke, Michelle Mattox

ETF Office of Communications:

Nancy Ketterhagen, Mark Lamkins

ETF Office of Internal Audit: Yikchau Sze

ETF Office of Legal Services:

Diana Felsmann, Dan Hayes

ETF Office of the Secretary:

Sara Brockman, Pam Henning

Department of Administration, Division of
Personnel Management (DOA-DPM):

Paul Ostrowski

Gabriel Roeder Smith & Company (GRS):

Jim Anderson, Mark Buis, Brian Murphy

Milliman Consulting: Tim Herman,

Dan Skwire

State Engineering Association:

Bob Schaefer

Wisconsin Government Accountability

Board / Ethics Commission:

Adam Harvell, Kyle Kundert

General Public: Hickory Hurie,

Dr. S. Hutchinson

Robin Starck, Chair, TR Board, called the Joint Meeting of the ETF Board, TR Board, and WR Board to order at 9:01 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Ms. Von Ruden moved to approve the March 24, 2016 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:

- Welcomed Bob Ziegelbauer to the ETF Board, replacing Jon Litscher. Mr. Litscher resigned from the Board after he was appointed Secretary of the Department of Corrections;

- Welcomed Chris Heller and Allison Pratt, who were elected to the Teachers Retirement Board, active school teacher member seat; and
- A separate WR Board meeting will not be held today.

EDUCATIONAL TOPICS

Ethics Presentation – Strengthening Citizen Confidence in Wisconsin’s Public Officials

Mr. Kundert opened his presentation with a political comic from 1858 in response to two ethics scandals in Wisconsin. Mr. Kundert explained the unethical situation at that time and why the Ethics Commission and lobbying law started in Wisconsin.

Mr. Kundert discussed statutes and laws and what the ethics code allows and does not allow. He explained who is considered a State Public Official (SPO) and that non-SPOs should check with DOA-DPM for guidelines.

Board members are expected to vote on ALL matters brought before them. If there is a conflict of interest, the board member should abstain or remove themselves from the entire process including voting. Board members cannot use confidential, non-public information obtained through their position for private gain.

Mr. Harvell reviewed several hypothetical situations. A couple of key points include: 1) if your friend is a lobbyist or a lobbying principal, never accept anything from this individual; and 2) do not solicit items if it could reasonably be expected that it would influence your judgement.

Wisconsin Retirement System 35th Annual Valuation of Active Lives and Gain/Loss Analysis – December 31, 2015 – Contribution Rates

Mr. Murphy (Ref. JM | 6.23.16 | 3B) discussed the changes from last year, which included incorporating the suggestions from the actuarial audit, combining the General, Executive and Elected groups per 2015 Wisconsin Act 55, and using the fully generational mortality table included in the 2012-2014 Experience Study (Ref. JM | 12.10.15 | 3C). The mortality table now has a mortality date for each birth year.

Mr. Murphy also discussed the funding objectives of the Wisconsin Retirement System (WRS). The objectives are 1) intergenerational equity with respect to plan costs; 2) stable or increasing ratio of assets to liabilities; and 3) stable pattern of contribution rates. Mr. Murphy explained how and why the actuaries keep the contribution rates level, sharing the graph showing the annuities as a percentage of payroll.

Mr. Murphy 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 \$109.7 billion in benefit promises). Investment performance income pays for approximately two-thirds of the benefit. The contribution rates will increase for 2017, with the general category going

from 13.2% to 13.6%, split between the employer and the participant. The impact of asset gains and losses on contribution rates were also explained.

Mr. Murphy stated the reasons for contribution changes include investment return, market recognition return/smoothing and the increase in life expectancy. There are \$3.4 billion of unrecognized losses in the MRA and, due to the cost-sharing nature of the WRS, asset losses are traditionally shared by employees, employers and retirees.

Mr. Anderson reviewed the 2015 Gain/Loss Analysis of the WRS. The Gain/Loss Analysis measures differences between actual and assumed experience in each of the system's risk areas through year-by-year comparisons. Mr. Anderson discussed the population census adjustments for 2015.

Mr. Buis discussed the Legislative Audit Bureau actuarial audit conducted by Segal (Ref. JM | 3.24.16 | 3D) and the report issued on November 13, 2015 for the 2013 actuarial study. Segal reviewed the December 31, 2013 actuarial valuation and 2009-2011 experience study, determining that the actuarial cost method and asset valuation method conform to actuarial standards of practice and the data appears complete.

Segal made minor suggestions to GRS, however Segal agrees with GRS's results. Mr. Buis reminded the Board of the recommendations made by Segal and the actions GRS has taken to address the recommendations.

ETF's Workforce Overview

Ms. Meyer discussed ETF's workforce statistics and information, including the classifications and the categories within ETF and diversity statistics. Overall, ETF has a greater percentage of staff with disabilities, minority and female employees than other state agencies.

ETF continues to make efforts to build and retain its workforce through video and e-learning, ongoing training (including ETF Leadership Academy), skills training and personal development. Ms. Meyer shared information regarding civil service reform and ETF's succession plan.

OPERATIONAL UPDATES

Retirement Services Update

Ms. Boudreau referred Board members to the Retirement Services Update memo (Ref. JM | 6.23.16 | 4A). She explained how retirement benefits have been shifting from money purchase calculations to formula method calculations over the last five years. In 2010, 50% retirement benefits were money purchase calculations. In 2015, the ratio was 75% formula and 25% money purchase.

Over the last few years, call center activity has been high, yet consistent. Attendance at retirement sessions has been good and our 30-minute webinars continue to be popular with members, based on post-webinar surveys.

Legislative Update

Ms. Hunter walked the Board through the new Government Relations web page on the ETF website. The page is a source of up-to-date information on legislation that affects ETF, the biennial budget and more.

Mr. Stohr referred the Board to the remaining operational update items (Ref. JM | 6.23.16 | 4C, 4D, 4E, 4F, 4G).

ADJOURNMENT

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

The meeting adjourned at 11:07 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board