

**DRAFT**

# MINUTES

June 22, 2017

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  
Michael Langyel  
Paul Ostrowski

Leilani Paul  
Roberta Rasmus  
Mary Von Ruden  
David Wiltgen  
Bob Ziegelbauer

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**TR BOARD MEMBERS PRESENT:**

Robin Starck, Chair  
Tom Pedersen, Vice Chair  
Gary Epping  
Chris Heller  
Craig Hubbell

Jim Langkamp  
Dennis Murphy  
Allison Pratt  
Dave Schalow  
David Wiltgen

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**WR BOARD MEMBERS PRESENT:**

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

Herb Stinski  
Julie Wathke  
Steven Wilding

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**BOARD MEMBERS NOT PRESENT:**

Sandra Claflin-Chalton, TR Board  
Brent Grochowski, TR Board  
Ted Nickel, WR Board

Scott Nordstrand, WR Board  
Kim Schroeder, TR Board  
Victor Shier, ETF Board

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Board	Mtg Date	Item #
JM	9.21.17	1

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

Office of the Secretary:

Bob Conlin, Secretary  
John Voelker, Deputy Secretary  
Tarna Hunter, Director of Strategic  
Engagement and Government  
Relations  
Cheryllynn Wilkins, Board Liaison

Division of Retirement Services:

Matt Stohr, Administrator  
Anne Boudreau, Deputy Administrator  
Deb Roemer, Director, Benefit  
Services Bureau

Office of Legal Services:

Dan Hayes, Attorney

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**OTHERS PRESENT:**

ETF Division of Management Services:

Ryan Perkins

ETF Division of Retirement Services:

Roger Fletcher, Jim Guidry,  
Gene Janke, Julie Keal

ETF Division of Trust Finance:

Cindy Klimke-Armatoski, Nanette  
Strennen

ETF Office of Communications:

Nancy Ketterhagen

ETF Office of Internal Audit: Michelle

Hoehne, Yikchau Sze

ETF Office of Legal Services (OLS):

Diana Felsmann, James Kates, David  
Nispel, Amanda Postel, Mary  
Richardson

ETF Office of Policy, Privacy &

Compliance: Steve Hurley, Laura  
Patterson

ETF Office of Strategic Health Policy:

Sara Brockman

Department of Administration: Rachel

Martin, Derek Sherwin

Gabriel Roeder Smith & Company

(GRS): Jim Anderson, Mark Buis,  
Brian Murphy

Legislative Audit Bureau (LAB): Emily

Pape

State Engineering Association:

Bob Schaefer

University of Wisconsin System:

Zova Vang

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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.

**CONSIDERATION OF MINUTES OF PREVIOUS MEETING**

***MOTION: Mr. Koessler moved to approve the March 23, 2017 minutes of the Joint Meeting of the ETF, WR, and TR Boards, as submitted by the Board Liaison. Ms. Wiltgen seconded the motion, which passed unanimously on a voice vote.***

## **ANNOUNCEMENTS**

Mr. Stohr made the following announcements:

- welcomed new board member, Jim Langkamp, who was elected to the Teachers Retirement Board- active school teacher member seat;
- ETF recently hired Bonnie Cyganek as the Director of Budget, Contract Administration and Procurement; and
- there will be separate TR Board and WR Board meetings today.

## **EDUCATIONAL TOPICS**

### Wisconsin Retirement System 36<sup>th</sup> Annual Valuation of Active Lives and Gain/Loss Analysis – December 31, 2016

Mr. Murphy (Ref. JM | 6.22.17 | 3A) provided a brief overview of what will be covered in the GRS presentation. Mr. Anderson 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. Anderson discussed the importance of stable contribution rates and reviewed the contribution rates of active WRS members. He also provided an explanation of how WRS funding sources (assets from investments, employer contributions and member contributions) pay the system's liabilities (approximately \$113.6 billion in benefit promises). The impact of asset gains and losses as related to contribution rates were also explained. Recommended contribution rates will decrease slightly for 2018, with the general category (normal cost) going from 13.6% to 13.4%.

Mr. Anderson also discussed the reconciliation of the Market Recognition Account, which is essentially the balancing of the assumed investment return and the actual investment return, with gains/losses to be phased in (smoothing). Smoothing assets protects contribution rates from extreme market volatility, such as the financial crisis of 2008. He also stated that from a funding status perspective (both frozen initial and entry age normal methods), the WRS is fully funded.

Mr. Buis reviewed the 2016 Gain/Loss Analysis of the WRS. Through year-by-year comparisons, the Gain/Loss Analysis measures differences between actual and assumed experience in each of the system's risk areas: normal retirement, early retirement, death, disability, salary increases and investment return.

Mr. Murphy discussed some current trends among pension systems nationwide. Since 2009, nearly every state modified public pension benefits, raised employee contributions or both. Some states reduced automatic cost-of-living adjustments while others established new hybrid plans. The overall drivers of pension plan redesign are the 2008 financial crisis,

actuarial issues, the retirement of the baby boomers, the expectations of millennials and GASB 68 and 75.

#### Disability Program Redesign Update

Ms. Roemer (Ref. JM | 6.22.17 | 3B) provided the current state of each of the four disability programs and the goals of the redesign project. She stated ETF has been working with the board's actuary, Milliman, to redesign the state Income Continuation Insurance (ICI) program and close the Long-term Disability Insurance (LTDI) program. A summary of the ICI proposed redesign was provided. Ms. Roemer shared project next steps, including statute and rule changes, board approvals and a communication plan covering employers, members and ETF staff.

#### Clearinghouse Rule # CR 17-031: ETF 50 – Disability Programs Redesign

Mr. Hayes provided an overview of the administrative rule change for which Board approvals will be requested at the separate meetings. He said the rule effectively does three things: 1) closes the LTDI program for new applications effective January 1, 2018, 2) allows for the reopening of the 40.63 disability annuity program effective January 1, 2018, and 3) moves the oversight of the LTDI program from the Group Insurance Board (GIB) to the ETF Board. The oversight transfer will change which board will hear disability appeals after January 1, 2018. Mr. Hayes stated the administrative rules promulgation process has been going smoothly; details are in the memo (Ref. JM | 6.22.17 | 3C).

### **OPERATIONAL UPDATES**

#### Retirement Services Update

Ms. Boudreau referred Board members to the Retirement Services Update memo (Ref. JM | 6.22.17 | 4A), which shows the first quarter statistics are similar to those of previous first quarters. Ms. Boudreau discussed a shift in how ETF is maximizing staff resources while better serving members at the same time. Example: ETF is directing members to schedule retirement "counseling" appointments, as opposed to walking in and expecting immediate service. This change has allowed us to add additional one-on-one appointment slots. Example: ETF is now offering virtual retirement appointments. These appointments are conducted live online and allows the member and the specialist jointly view documents and address member questions.

Ms. Boudreau also shared current trends in retirement benefit options selected, and retirement estimate requests and retirement applications received. She also referred to the Retirement Services Scorecard.

Legislative Update

Ms. Hunter discussed the memo (Ref. JM | 6.22.17 | 4B) providing highlights since the last meeting. Ms. Hunter discussed the 2017-19 biennial budget and noted that the positions ETF requested were retained by the Joint Committee on Finance (JCF). The JCF also kept the provision for the partial elimination of the Chapter 40 domestic partnership program. If the budget is accepted as-is, no new partnerships can be established after the effective date, and current domestic partners will not be able to receive health insurance benefits under the group health insurance program after July 1, 2018. Also in the budget: ETF has been removed from the shared services program requiring ETF to transfer five FTE human resource positions to DOA; The two, 2% raises for state employees were kept, pending approval of the compensation plan. The budget is still a proposal and needs to be approved by the JCF, legislature and the Governor, where additional changes could be made.

Ms. Hunter said a 13.10 hearing was held in order to decide whether JCF was going to approve the self-insurance group health insurance program contracts. At that hearing the JCF rejected all the self-insurance contracts and recommended several modifications to the authority it has over the group health insurance program and the Group Insurance Board.

Ms. Hunter also reviewed other proposed legislation.

Mr. Stohr referred the Board to the remaining operational update items (Ref. JM | 6.22.17 | 4C, 4D, 4E, 4F).

**ADJOURNMENT**

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

The meeting adjourned at 10:37 a.m.

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

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

Robert Niendorf, Secretary  
Employee Trust Funds Board