

DRAFT

MINUTES

September 21, 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

ETF BOARD MEMBERS PRESENT:

Wayne Koessler, Chair
John David, Vice Chair
Robert Niendorf, Secretary
William Ford
Michael Langyel
Leilani Paul

Roberta Rasmus
Stacey Rolston
Victor Shier
Mary Von Ruden
Bob Ziegelbauer

TR BOARD MEMBERS PRESENT:

Robin Starck, Chair
Tom Pedersen, Vice Chair
Brent Grochowski, Secretary
Sandra Claflin-Chalton
Chris Heller

Craig Hubbell
Dennis Murphy
Allison Pratt
Dave Schalow

WR BOARD MEMBERS PRESENT:

Wayne Koessler, Chair
John David, Vice Chair
Steven Wilding, Secretary
Scott Nordstrand

Herb Stinski
Mary Von Ruden
Julie Wathke

BOARD MEMBERS NOT PRESENT:

Gary Epping, TR Board
Ted Nickel, WR Board

Kim Schroeder, TR Board
David Wiltgen, TR and ETF Board

Board	Mtg Date	Item #
JM	12.14.17	1

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of the Secretary:

Bob Conlin, Secretary
John Voelker, Deputy Secretary
Pam Henning, Assistant 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

Office of Communications:

Mark Lamkins, Director

Office of Enterprise Initiatives: John
Hoskins, BAS Project Manager

Office of Strategic Health Policy:

Lisa Ellinger, Director

OTHERS PRESENT:

ETF Division of Management Services:

Bonnie Cyganek, Wes Gudenkauf,
Ryan Perkins, Dana Perry, Lori Pierick

ETF Division of Retirement Services:

Roger Fletcher, Jim Guidry, Julie
Keal, Deb Roemer

ETF Division of Trust Finance:

Cindy Klimke-Armatoski

ETF Office of Communications:

Nancy Ketterhagen

ETF Office of Enterprise Initiatives:

Bob Martin

ETF Office of Internal Audit: Michelle

Hoehne, Amelia Slaney, Yikchau Sze

ETF Office of Legal Services (OLS):

Diana Felsmann, Dan Hayes, David
Nispel, Mary Richardson

ETF Office of Policy, Privacy &

Compliance: Steve Hurley, Laura
Patterson, Lucas Strelow

ETF Office of the Secretary: Jennie

Bauernhuber

ETF Office of Strategic Health Policy:

Sara Brockman

CEM Benchmarking: Sandy Halim

Department of Administration: Derek
Sherwin

Legislative Audit Bureau (LAB):

Stephanie Yast

National Association of State Retirement

Administrators (NASRA): Alex Brown

State Engineering Association:

Bob Schaefer

Wisconsin Coalition for Retirement

Security: Claiborne Hill

Wayne Koessler, Chair, ETF and WR 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: Ms. Von Ruden moved to approve the June 22, 2017, 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:

- Deb Roemer, Director, Benefit Services Bureau, will be retiring after many significant contributions to ETF;
- There will not be separate TR Board and WR Board meetings today.

EDUCATIONAL TOPICS

A National Perspective of State and Local Public Pensions

Mr. Alex Brown, Research Manager, National Association of State Retirement Administrators (Ref. JM | 9.21.17 | 3A) provided an overview of public pensions in the United States and notable trends. Mr. Brown shared public pension funding levels, actuarial values of assets and liabilities. For FY2016 with the lowest being funded at only 15% and the Wisconsin Retirement System (WRS) at the 100% level. He discussed the various methods states are using to amortize unfunded pension liabilities and the shared risk continuum. To adequately fund pension obligations, 39 states reduced pension benefits, 30 states reduced Cost-Of-Living Adjustments (COLAs) and 9 states established new hybrid plans.

The WRS is a shared risk plan. In Wisconsin, both employers and members contribute to the individual's retirement. Retired members do not receive automatic annual cost of living increases and any annual adjustments depend on the performance of the plan's investments. Benefits may increase if the fund experiences investment gains, and may be adjusted downward or eliminated entirely in years in which investments perform poorly. Reductions can never cause a member's benefit to fall below their base annuity.

Services and Cost Benchmarking Analysis

Ms. Sandy Halim of CEM Benchmarking (Ref. JM | 9.21.17 | 3B) provided a brief background of CEM, a global agency that benchmarks 350 pension systems. CEM uses its expertise, insight and comprehensive metrics to provide objective actionable benchmarking. CEM surveys capture all costs related to running pension plans and provides ETF a comprehensive, comparative report that measures 120 key performance metrics.

When comparing ETF to its peer group, ETF is a low-cost, lower-service system, an assessment consistent with how ETF has been ranked in the past. ETF's total pension administration cost per member is \$23 below the peer average of \$90. A major reason for the low cost is the lower FTE cost. The cost of labor, use of contracted staff, higher transaction volume and lower back office costs are what add to ETF being a low-cost system.

From a member's perspective, ETF has lower service but has improved. Some of the changes that have improved ETF's service score were: reduced time for members to receive written pension estimates; and member statements and member satisfaction surveys. Planned increased web capabilities will likely help improve future service scores.

ETF's 2015-2019 Strategic Plan Update

Ms. Henning and Mr. Lamkins (Ref. JM | 9.21.17 | 3C) discussed ETF's Vision Statement and initiatives that align with ETF's strategic objectives and goals. Ms. Henning discussed the ETF's accomplishments in each of the four categories: Financial Stewardship, Quality and Value, Innovative Solutions and Customer Engagement.

The four top priorities for ETF are as follows: rolling out BAS Rollout 2 (myETF); moving ETF offices to Hill Farms; improving the customer experience; and supporting ETF's workforce. Mr. Lamkins discussed ETF's initiatives for 2018.

myETF Employer Readiness – Benefit Administration System (BAS) Update

Mr. Hoskins (Ref. JM | 9.21.17 | 3D) discussed the modernization project that brings together 20 IT systems into one system, BAS -- to be known as myETF. This project will improve accessibility for both the WRS employers and members. Mr. Hoskins highlighted some of the benefits of myETF, which includes payroll-based reporting cycles. Mr. Hoskins touched on the employer onboarding process, including employer training and education. Some 1,041 WRS employers (out of approximately 1,500) have already participated in training. ETF's goal is to have 100% participation among employers.

Mr. Hoskins shared employer survey comments and direct communications to WRS employers including myETF Messenger and ETF's website.

OPERATIONAL UPDATES

Retirement Services Update

Ms. Boudreau referred Board members to the Retirement Services Update memo (Ref. JM | 9.21.17 | 4A), which shows the 2017 second quarter statistics compared to second quarter 2016. Retirement estimate requests were 3.8% higher in 2017, with retirement applications numbers remaining basically the same as 2016. Call volume in the second quarter typically increases due to questions on taxes, 1099-R forms and member questions about their annual Statement of Benefits; however, in 2017 the call volume was significantly higher than 2016. Ms. Boudreau also discussed a shift in service delivery methods -- ETF encourages members to schedule retirement counseling appointments rather than walking into the office without an appointment – and reminded the Board about ETF's service standards and how the Retirement Services Scorecard reflects ETF performance.

Legislative Update

Ms. Hunter referred the Board to the memo (Ref. JM | 9.21.17 | 4B) and provided highlights on the 2017-19 biennial budget. The Legislature passed the budget and sent it to the Governor, who is expected to sign it. Among other things, the budget ends the domestic partnership program and provides that no new partnerships can be established after the

effective date. Additionally, current domestic partners will not be able to receive health insurance benefits under the group health insurance program after January 1, 2018.

Ms. Hunter also reviewed other proposed legislation.

It's Your Choice Health Insurance Enrollment Dates and Program Changes for 2018

Ms. Ellinger provided background on self-insurance, regionalization and the legislature's response. Ms. Ellinger also discussed the factors affecting health plan negotiations and stated the number of participating health plans will be reduced from 18 to 10 for 2018. Ms. Ellinger shared the list of health plans leaving the system, those that will be in the program this year and other changes for 2018, including Medicare options for annuitants. While about 20% of members will need to change their health plan in 2018, Ms. Ellinger said that 99% of members will be able to keep their current doctors.

An extensive communications plan targeting staff, active members, retirees, employers, health plans, media, the Legislature and other stakeholders has been developed.

ETF Building / Move Update

Ms. Henning provided an update on the Hill Farms Facility construction that kicked off in December 2015. This \$177 million project will be a 600,000-square-foot facility built on 14 acres. The building will consist of two towers, with ETF in the north tower occupying the 8th and 9th floors and part of the 7th floor. ETF will share occupancy with 9 other agencies. Ms. Henning shared several photos of the buildings in mid-construction and architect sketches detailing views, floor layouts and the parking structure. Ms. Henning discussed the multiple types of communication provided to ETF staff and provided a project schedule for 2017 – 2018.

Mr. Stohr referred the Board to the remaining operational update items (Ref. JM | 9.21.17 | 4E, 4F, 4G, 4H).

ADJOURNMENT

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

The meeting adjourned at 11:56 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board