

DRAFT

MINUTES

June 20, 2019

**JOINT MEETING OF THE
Employee Trust Funds (ETF),
Teachers Retirement (TR),
and Wisconsin Retirement (WR) Boards**
State of Wisconsin



Location:

Hill Farms State Office Building – Room N108
4822 Madison Yards Way, Madison WI 53705

ETF BOARD MEMBERS PRESENT:

| | |
|----------------------------|-----------------|
| Wayne Koessl, Chair | Michael Langyel |
| John David, Vice Chair | Katy Lounsbury |
| Robert Niendorf, Secretary | Leilani Paul |
| Stephan Arnold | Roberta Rasmus |
| Malika Evanco | Steve Wilding |
| William Ford | |

TR BOARD MEMBERS PRESENT:

| | |
|--------------------------|----------------------|
| Chris Heller, Vice Chair | Amy Mizialko |
| Esther Ancel, Secretary | Allison Pratt |
| Adam Balz | Anton Przybylski Jr. |
| Gary Epping | David Schalow |
| James Langkamp | |

WR BOARD MEMBERS PRESENT:

| | |
|----------------------------|----------------|
| John David, Chair | Wayne Koessl |
| Steven Wilding, Vice Chair | Herb Stinski |
| Julie Wathke, Secretary | Mary Von Ruden |
| Mark Afable | |

BOARD MEMBERS NOT PRESENT:

| | |
|----------------------------|-------------------------|
| Brent Grochowski, TR Board | David Wiltgen, TR Board |
|----------------------------|-------------------------|

| Board | Mtg Date | Item # |
|-------|----------|--------|
| JM | 9.19.19 | 2 |

PARTICIPATING EMPLOYEE TRUST FUNDS 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
Cherylynn Wilkins, Board Liaison

Division of Retirement Services:

Matt Stohr, Administrator
Anne Boudreau, Deputy Administrator

Office of Communications:

Mark Lamkins, Director
Al Florence, Webmaster

Office of Legal Services (OLS):

David Nispel, General Counsel

Office of Policy, Privacy & Compliance:

Steve Hurley, Director

OTHERS PRESENT:

ETF Division of Management Services:

Bonnie Cyganek, Cindy Gramann,
Patrick Hughes

ETF Division of Retirement Services:

Augustine Anaman, Roger Fletcher,
Jim Guidry, Julie Keal, Kyle Kundert

ETF Division of Trust Finance: Jim

Gnorski, Cindy Klimke-Armatoski,
Marie Ruetten, Amelia Slaney

ETF Office of Communications:

Nancy Ketterhagen,

ETF Office of Internal Audit:

Michelle Hoehne, Rick Onasch,
Yikchau Sze, Ramona Yee

ETF Office of Legal Services (OLS):

Monica Anderson, Hannah Demsien,
Dan Hayes, Mary Richardson

ETF Office of the Secretary: Jennie

Bauernhuber

Department of Administration, Division of Personnel Management

(DOA/DPM): Stacey Rolston

Department of Justice (DOJ): Sarah Huck

Gabriel, Roeder, Smith & Company

(GRS): Jim Anderson, Brian Murphy

Legislative Audit Bureau (LAB):

Emily Pape

State of Wisconsin Investment Board

(SWIB): Brian Heimsoth

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

ANNOUNCEMENTS

Mr. Stohr provided the following announcements:

- In March, each of the boards elected officers.

ETF Board: Wayne Koessl, Chair; John David, Vice Chair; Robert Niendorf, Secretary;

TR Board: Brent Grochowski, Chair; Chris Heller, Vice Chair; Esther Ancel, Secretary;

WR Board: John David, Chair; Steven Wilding; Vice Chair; Julie Wathke, Secretary;

- The Chair of each of these boards will rotate chairing the Joint Meeting of the Retirement Boards.
- There are several new board members:
 - TR Board: Adam Balz, elected to the public teacher seat;
 - WR Board: Mark Afable, the Commissioner of Insurance seat;
 - ETF Board: Katy Lounsbury, the Governor's designee on the Group Insurance Board; and Malika Evanco, the DOA/DPM seat.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Ms. Paul moved to approve the March 21, 2019, 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.

EDUCATIONAL TOPICS

Wisconsin Retirement System 38th Annual Valuation of Active Lives and Gain/Loss Analysis - December 31, 2018

Mr. Murphy and Mr. Anderson from Gabriel, Roeder, Smith Company (GRS) presented on the Active Lives Valuation (Ref. JM | 6.20.19 | 3A) and the Gain/Loss Analysis. Actuaries look at the Wisconsin Retirement System (WRS) to estimate what is needed to pay future benefits.

Mr. Murphy presented demographic information about the WRS and an overview of WRS assets and liabilities. He reviewed the funding objectives which includes maintaining intergenerational equity while increasing the assets compared to the liabilities and maintaining stable contribution rates. This valuation is for the active lives, but the board needs to recognize all the participants because its decision affects 635,837 people. He discussed the liabilities and the sources of funding for financing the \$120.2 billion of total benefit promises which includes present active and retired members. For the active lives, the value of future benefits is \$51,688.8 million which is funded by contribution rates from employees and employers plus investment returns. Mr. Murphy explained the difference between the general and protective liabilities and how assets are affected with changes in the contribution rates. He explained the effect of not achieving the assumed 7% investment return and the actual market return. The WRS is strong being 100% funded with most other pension systems throughout the country being only 70% funded. This is largely due to the

cost sharing nature of the WRS with asset losses being shared by employees, employers and retirees.

Mr. Anderson reviewed the 2018 Gain /Loss analysis, which supports an understanding of the reasons for the contribution rate changes. It is a year-by-year measure of the actuarial assumptions. This analysis helps determine when assumption changes are needed and to help understand the nature of risk. Mr. Anderson detailed the population changes, comparing the actual with the expected. The system is well designed but it is the investment performance that provides a better picture of how the WRS stands from year-to-year. Mr. Anderson discussed the risks of the WRS and the effects when actual investment performance differs from the assumption.

ETF's 2019-2021 Strategic Plan

Ms. Henning reviewed the 2015-2019 Strategic Plan and its four focus areas: financial stewardship, quality and value, innovative solutions and customer engagement. She shared some of the accomplishments that ETF achieved the last year in each of the areas.

Ms. Henning explained the strategic planning process ETF followed to create a new vision and goals plan for 2019 and beyond. ETF's mission statement, "To develop and deliver quality benefits and service to our customers while safeguarding the integrity of the Trust," did not change. She concluded with ETF's four strategic agency goals, the objectives for each goal and the next steps.

ETF's New Website Demonstration

Mr. Lamkins announced yesterday's soft launch of ETF's redesigned website. He discussed what was done to develop the new site. The new website is customer-centric and focused on an effortless experience.

Mr. Florence explained that it is a mobile-friendly site and is organized based on tasks (benefits, want to retire, etc.) instead of being based on role (active member, retiree). He then reviewed various webpages with the Board, including the home page and functionality, how visitors can find their benefits, and search/filter capabilities of the site. Future enhancements to the site were also briefly discussed.

Notice of Meeting / Conduct of Board Meeting Policy Update

Mr. Hurley explained the amendments made to the Conduct of Board Meeting Policy (Ref. ETF | 6.20.19 | 3D). With multiple boards and committees meeting on the same day, it is possible to have a quorum of another board in attendance. Board members are welcome to attend the open meetings of the other boards. However, if a board member plans to attend a meeting of another board, the board member should notify the board liaison 72 hours in advance of the meeting. This would allow the board liaison a chance to review anticipated attendees and update the notice of the meeting of quorum attendance, if applicable.

Appeals Training

Mr. Nispel provided information regarding the appeals process. The last appeals training for the retirement boards was held in 2016. This afternoon the TR Board will be hearing an appeal. The last time the TR Board heard an appeal was in 2004.

Mr. Nispel explained ETF's internal process and what ETF does to resolve the issue before the matter becomes a formal appeal. Ombudperson Services and the Special Consultant to the Deputy Secretary have been very successful in working with employers and participants to resolve many of the disputes and disagreements.

Mr. Nispel briefly reviewed the steps of how a complaint goes to a formal hearing. After the hearing, there is a proposed decision.

With the assistance of the Board's counsel, DOJ Attorney Sarah Huck, the Board will meet in closed session. Ms. Huck will provide the Board with background facts, applicable law, and lead the discussion. The Board votes in closed session and the chair announces that decision in open session. Ms. Huck writes the final decision.

The new website has a training on the administrative appeals process. There is also a list of common reasons for appeals.

OPERATIONAL UPDATES

Retirement and Customer Service Trends

Ms. Boudreau provided an overview of the trends seen within retirement and customer service areas. (Ref. ETF | 6.20.19 | 4A) She highlighted first quarter comparisons with the retirement estimates and call center numbers. ETF is in the process of updating call handling software; the anticipated go live date is in late August.

ETF recently hired 12 new staff in the Member Services Bureau and the Employer and Contact Services Bureau, which includes the Call Center and a business unit that processes retirement applications. ETF is developing a new training process for these units. The new training model provides staff with the same initial training, with a broad overview of WRS programs and then different in-depth training based on more focused areas. The benefits are that all new staff in these two units will become productive more quickly with an excellent overview of all WRS programs upfront.

Ms. Boudreau also highlighted the results of the annual reconciliation process. ETF reconciles employee data submitted by employers to ensure all contributions have been paid and the correct hours and earnings have been credited. This year, reconciliations were completed by the earliest date ever and done so with one-third fewer staff. This is because nearly one-third of employer reports arrived already in balance, which is a 29% improvement over the previous five years.

Legislative Update

Mr. Hunter referred the board to the memo (Ref. ETF | 6.20.19 | 4B) at their seat. The Joint Committee on Finance took action on ETF's budget on May 14 and removed most of the policy items. Ms. Hunter reviewed the county jail classification bill. The memo explains several other bills that could affect ETF or its members.

Mr. David referred the Board to the remaining operational update items (Ref. JM | 6.20.19 | 4C, 4D, 4E) and offered that staff were available to answer any questions.

ADJOURNMENT

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

The meeting adjourned at 11:26 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board