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**Correspondence Memorandum**

**Date:** August 23, 2019

**To:** Employee Trust Funds Board  
 Wisconsin Retirement Board  
 Teachers Retirement Board

**From:** Laura Patterson, Policy Analyst, Office of Policy, Privacy & Compliance


**Subject:** Structure of the Governing Boards

**This memo is for informational purposes only. No Board action is required.**

At the June board meeting, the Employee Trust Funds (ETF) Board agreed that an educational session on the structure and history of WRS governance would be beneficial for all three boards. This memo and attachment provide an overview of structure of the governing boards.

The ETF Board, the Wisconsin Retirement (WR) Board and the Teachers Retirement (TR) Board oversee the administration of retirement benefits for Wisconsin Retirement System (WRS) members. The retirement system's current three-board structure originated in 1981 from the merger of three separate retirement plans: the Wisconsin Retirement Fund (WRF), the State Teachers Retirement System (STRS) and the Milwaukee Teachers Retirement Fund (MTRS). The idea to combine the systems started years earlier. Legislation enacted in 1975 mandated the merger of the three separate retirement funds into a single system. Authorizing legislation failed to pass in 1977 and 1979 but was enacted in 1981.

The merger legislation gave overall administrative responsibility and rule-making authority to the ETF Board. The MTRS Board was eliminated. The WRF and STRS Boards were essentially maintained but in the form of advisory bodies with new names: the Wisconsin Retirement (WR) Board and the Teachers Retirement (TR) Board. The WR and TR Boards were given the purpose of appointing several members to the ETF Board and recommending alternative administrative policies and rules to the ETF Board. The members of these three boards represent state and local government employers and employees, retired participants and the public.

Reviewed and approved by Steve Hurley, Director, Office of Policy, Privacy, and Compliance  Electronically Signed 9/5/19
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JM	9.19.19	3B

## Structure of Governing Boards

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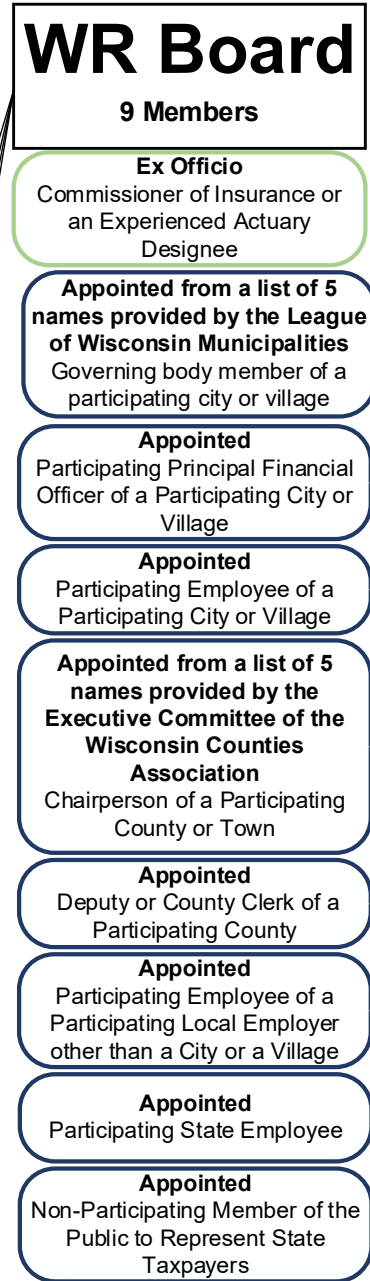
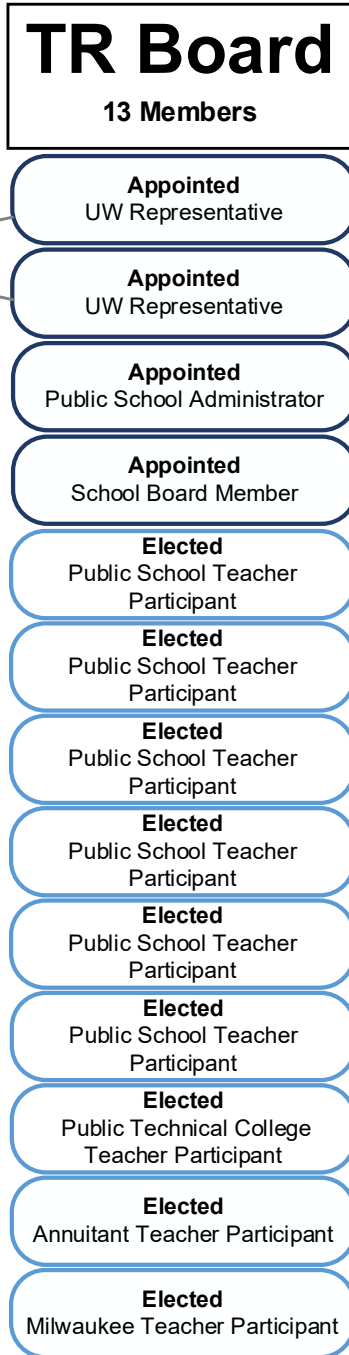
The ETF, WR and TR Boards have individual and shared responsibilities for the governance of the WRS. The ETF Board has primary oversight responsibility for the Department of Employee Trust Funds, including: appointing the ETF Secretary; approving actuarial tables; contracting for actuarial, legal, medical and other independent contractors; and hearing appeals -- except for those regarding disability determinations. The TR and WR Boards are attached boards, which advise the ETF Board on retirement system matters specific to the groups they represent, including: reviewing administrative rules and hearing appeals regarding disability determinations. In recent years, the number of appeals and administrative rules considered by all three Boards has declined.

The WRS employs a unique governance model compared to peer public pension systems. The WRS uses separate investment and pension administration organizations that are governed by different boards, while the majority of public pension systems use a single board to oversee investment and pension administration. Additionally, the ETF, WR, and TR Boards use several more members to govern than the typical public pension fund.

Staff will be available at the Board meeting to answer questions.

Attachment: Joint Retirement Meeting - Board Structure Handout

# Current ETF, WR & TR Boards



**Board Members:**

- Green = Ex Officio
- Grey = Governor Appointed with Senate Confirmation
- Dark Blue = Governor Appointed
- Teal = Appointed from Gubernatorial Appointees on the TR or WR Boards
- Orange = Appointed from Elected Members on the TR Board
- Light Blue = Elected

# Duties of the ETF, WR & TR Boards

## EMPLOYEE TRUST FUNDS BOARD

### Duties Exclusive to the ETF Board:

- Directs, oversees and appoints the Department Secretary.
- Ensures the WRS complies with the IRS Code.
- Contracts for all necessary actuarial, legal, medical and other independent contractors.
- Approves the actuarial tables, contribution rates and actuarial assumptions made by ETF's actuary.
- Determines the length of participants' creditable prior service.
- Contracts for insurance plans for death and disability benefits through the GIB.
- Transfers funds to provide for group insurance.
- Delegates powers as necessary.

### Duties Shared with the WR and TR Boards:

- Approves or rejects administrative rules proposed by the Department Secretary.
  - The ETF Board must approve all rules that the WR and TR Boards approve for a rule to be promulgated.
- Authorizes and terminates participants' benefit payments.
  - The ETF Board delegated this power to the Department Secretary in 1983.
  - The TR and WR Boards approve disability annuity benefits.
- Hears appeals of Department determinations and compels witnesses, except for disability annuity determination appeals.
  - The TR and WR Boards hear disability annuity appeals only.

## WISCONSIN RETIREMENT BOARD

- Appoints four members to the ETF Board.
- Recommends administrative policies and rules.
- Appoints one non-teacher participant to SWIB.
- Approves or rejects all administrative rules related to non-teacher participants.
- Authorizes and terminates disability annuity benefits for non-teachers.
- Hears appeals of disability determinations made by the Department for non-teachers.

## TEACHERS RETIREMENT BOARD

- Appoints four members to the ETF Board.
- Recommends administrative policies and rules.
- Appoints one teacher participant to SWIB.
- Approves or rejects all administrative rules related to teacher participants.
- Authorizes and terminates disability annuity benefits for teachers.
- Hears appeals of disability determinations made by the Department for teachers.

## Observations

- The WR and TR Boards perform nearly identical duties for their respective constituents.
- Administrative Rules - The ETF Board approves or rejects all administrative rules that the WR and TR Boards approve or reject. See *Administrative Rules Approved by the ETF, WR & TR Boards chart*.
- Disability Annuities - The TR and WR Boards are responsible for approving each individual disability annuity application. However, in 2002, the WR and TR Boards delegated their authority to approve disability benefits to the ETF Secretary. The TR and WR Boards are updated on disability payments on a quarterly basis and continue to hear determination appeals by their constituents.
- Appeals - The number of appeals has significantly declined in recent years. The decline can be attributed to an initiative in the early 2000's to lower formal appeals by hiring a special consultant/mediator. See *Appeals Handled by the ETF, WR & TR Boards chart*.