

DRAFT

# MINUTES

December 11, 2014

Wisconsin Retirement Board  
State of Wisconsin



Location:  
State Revenue Building – Events Room  
2135 Rimrock Road, Madison, WI

**BOARD MEMBERS PRESENT:**

Wayne Koessler, Chair	Jamie Aulik
John David, Vice Chair	Herbert Stinski
Mary Von Ruden, Secretary	Steven Wilding

**BOARD MEMBERS NOT PRESENT:**

Ted Nickel

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

Bob Conlin, Secretary	Legal Services:
John Voelker, Deputy Secretary	David Nispel, General Counsel
Cherylynn Wilkins, Board Liaison	Daniel Hayes, Attorney
Division of Retirement Services:	Office of Policy, Privacy and Compliance:
Matt Stohr, Administrator	Steve Hurley, Director

**OTHERS PRESENT:**

ETF Division of Insurance Services: Tara Pray	ETF Board Members: Kimberly Hall, Jon Litscher
ETF Division of Management Services: Sherry Etes	TR Board Members: Susan Harrison, Tom Pedersen, Robin Starck
ETF Division of Retirement Services: Anne Boudreau	Department of Administration: Mickie Waterman
ETF Office of Internal Audit: Yikchau Sze	
ETF Office of the Secretary: Pam Henning	

Wayne Koessler, Chair, Wisconsin Retirement (WR) Board (Board), called the meeting to order at 12:42 p.m.

Board	Mtg Date	Item #
WR	4.2.15	1

## CONSIDERATION OF MINUTES OF PREVIOUS MEETING

***MOTION: Ms. Von Ruden moved to approve the December 5, 2013, minutes of the Wisconsin Retirement Board meeting, as submitted by the Board Liaison. Mr. David seconded the motion, which passed unanimously on a voice vote.***

## ELECTION OF OFFICERS

***MOTION: Mr. Stinski moved to elect the current slate of officers. Current Chair is Wayne Koessl, Vice-Chair is John David, and Secretary is Mary Von Ruden. Mr. Wilding seconded the motion, which passed unanimously on a voice vote.***

## DISCUSSION/CONSIDERATION

### Clearinghouse Rule # 14-055: Technical and Minor Substantive Changes in Existing ETF Administrative Rules

Mr. Hayes reminded Board members about his presentation at the Joint Meeting of the Boards this morning and the memo (Ref. WR | 12.11.14 | 4A) regarding the changes proposed. The changes to the rule are designed to conform to statutes and give ETF the administrative ability to implement the statutes. Mr. Hayes will be appearing before the TR Board and ETF Board to request approval of the Clearinghouse Rule.

***MOTION: Mr. David moved to accept the final version of proposed Clearinghouse Rule # 14-055. Ms. Von Ruden seconded the motion, which passed unanimously on a voice vote.***

### Board Member Reimbursement Policy

Mr. Nispel reminded Board members about his presentation at the Joint Meeting of the Boards this morning and the memo (Ref. WR | 12.11.14 | 4B) regarding the Board Member Compensation and Reimbursement Policy for Attending Board Meetings. Upon approval, this policy will be added to the governance manual.

***MOTION: Mr. David moved to adopt the Board Member Compensation and Reimbursement Policy for Attending Board Meetings. Mr. Aulik seconded the motion, which passed unanimously on a voice vote.***

### Board Member Qualification Policy

Mr. Nispel reminded Board members about his presentation at the Joint Meeting of the Boards this morning and the memo (Ref. WR | 12.11.14 | 4C) regarding the Board Member Qualification Policy.

This policy was proposed to offer guidance to individuals considering board membership or current members who are questioning whether they can effectively serve the board. When a board member has a status change, they should notify the ETF Secretary and consider if the status change affects their ability to fulfill their fiduciary obligations. With discussion from the WR Board members, there was support for this policy. There was also discussion regarding vacancies on the board. Should a quorum issue arise affecting the board's ability to act, ETF would actively engage the governor's office for appointment of new members.

***MOTION: Mr. Wilding moved to adopt the Board Member Qualification Policy as presented. Mr. Aulik seconded the motion, which passed unanimously on a voice vote.***

### **OPERATIONAL UPDATES**

#### State of Wisconsin Investment Board (SWIB) Update

Mr. Conlin discussed his involvement and observations as a WR Board appointee to the State of Wisconsin Investment Board (SWIB). In reviewing the year-to-date returns, the estimated annuity adjustment will be approximately 3%. There is strong governance in the running of SWIB. The Board of Trustees does not make the investments or select stocks, this is delegated to staff. Most of the work done at SWIB takes place at the committee level. Trustees serve on one or more of the five committees. The Investment committee is made up of internal staff and makes regular reports to the Trustees.

The Trustees have four other committees: Audit Committee, Benchmark Committee, Compensation Committee and Strategic Planning and Corporate Governance Committee. Sandra Claflin-Chalton, TR Board delegate, serves on the Benchmark and Strategic Planning committees and Mr. Conlin serves on the Audit and Compensation committees.

Mr. Conlin reported on his involvement with the Audit Committee and the Compensation Committee. The Audit Committee hires the internal audit director for SWIB. Typical topics discussed at the Audit Committee include: risks associated with active trading, benchmark measurements, information technology and the incentive compensation program. The Compensation Committee approves the compensation guidelines, SWIB pay structure and the incentive compensation program. This committee works closely with SWIB's human resources director. The committees and the Board have contracted

with a consultant, McLagan, to assist with decisions related to compensation. Because SWIB's incentive compensation program receives a lot of attention, a second outside compensation consultant was hired. The second consultant made some suggestions, but ultimately gave assurance to the committees that the compensation structure is doing what it was intended to do. The issues are extremely complex and the SWIB trustees are committed and prepared. SWIB staff invest with the best interest of the WRS in mind.

## **ADJOURNMENT**

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

The meeting adjourned at 1:14 p.m.

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

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

Mary Von Ruden, Secretary  
Wisconsin Retirement Board