

MINUTES

September 19, 2024

Employee Trust Funds Board

State of Wisconsin

Location:

Hill Farms State Office Building – Room N108
4822 Madison Yards Way, Madison, WI 53705
9:30 a.m. – 12:53 p.m.



BOARD MEMBERS PRESENT:

Bill Ford, Chair	Beau James*
Steve Wilding, Vice Chair	Angela Miller
Chris Heller, Secretary	Karl Morrin
Mike Abler	Justin Nickels
Becky Easland	Michele Stanton
Jen Flogel	

BOARD MEMBERS ABSENT:

Katy Lounsbury	Amy Mizialko
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PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of the Secretary:

John Voelker, Secretary
 Shirley Eckes, Deputy Secretary
 Pam Henning, Assistant Deputy Secretary
 Kristin Gunther, Deputy Agency Continuity Manager
 Kimberly Schnurr, Board Liaison

Division of Benefits Administration:

Jim Guidry, Benefit Services Bureau Director
 LaShay Bishop, Supervisor
 Racheal Rolli, Person Domain Data Steward

Office of Budget and Management:

Tarna Hunter, Director
 Tim Steiner, Budget, Contract Administration and Procurement Director

ETF Staff:

Shellee Bauknecht, Laura Brauer, Erin Casper, Taylor DeBroux, Travis Dillion*, Victor Dupuy*, Omar Dumdum*, Diana Felsmann, Gene Janke, Julie Keal*, Kyle Kundert*,

* Attended virtually.

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ETF Staff (Cont.):

Michelle Hoehne, Steve Hurley*, Cindy Klimke*, Peter Rank, Shelly Schueller, Amanda Williams, Kathryn Young

Ethics Commission:

David Buerger

Teachers Retirement Board:

Allison Pratt

Tony Przybylski

Others (Unidentified):

4 individuals connected via telephone.

Bill Ford, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 9:30 a.m. As some Board members were attending virtually, Ms. Schnurr, the board liaison, took roll call and confirmed quorum.

ANNOUNCEMENTS

Mr. Voelker announced that former long-time Board member, Wayne Koessl, had passed away on August 12, 2024. The Board expressed its condolences. Mr. Voelker said that in July, Mr. Koessl had been interviewed by Omar Dum Dum for a profile piece and was featured in the WRS News September 2024 issue.

Mr. Voelker made the following additional announcements:

- The Wisconsin Retirement (WR) Board had a new member, Kitzie Winters.
- Patricia (Patti) Epstein was introduced as ETF's new Division of Benefits Administration Chief Benefits Officer.
- ETF was seeking nominations for the Milwaukee public school seat on the Teachers Retirement (TR) Board.

CONSIDERATION OF OPEN AND CLOSED SESSION MINUTES OF JUNE 20, 2024, MEETING ([Ref. ETF | 09.19.24 | 2A](#))

MOTION: Ms. Easland moved to approve the open and closed session minutes of the June 20, 2024, meeting as presented by the Board Liaison. Ms. Fogel seconded the motion, which passed unanimously on a voice vote.

Mr. Wilding joined the Board meeting at 9:35 a.m.

COMMITTEE REPORTS

Executive Committee

Mr. Ford noted that the Executive Committee met virtually on September 18, 2024. The

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Executive Committee approved the Open and Closed Minutes of June 19, 2024, Meeting ([Ref. EXC | 09.18.24 | 2A](#)) and went over the Board's agenda for the next day. Ms. Eckes highlighted information from the "Executive Committee Accomplishments Report: June 2024-August 2024" ([Ref. EXC | 09.18.24 | 4A](#)). Ms. Henning provided the Executive Committee with the Quarterly Human Resource Report, which contained information regarding key staff vacancies and other workforce-related activities.

Audit Committee

Ms. Miller noted that the Audit Committee met that morning. The Audit Committee voted unanimously to approve the "Open Minutes of June 20, 2024, Meeting" ([Ref. AUD | 09.19.24 | 2](#)). Ms. Sze, Ms. Hoehne, and Mr. Petrie presented the "Insurance Administration System (IAS) Program Review" memo, with Ms. Baxter from ETF's Office of Enterprise Initiatives (OEI) present to respond to questions from the Audit Committee ([Ref. AUD | 09.19.24 | 3A](#)). Ms. Miller explained that the Office of Internal Audit (OIA) would be conducting independent oversight to provide feedback on IAS program management and verify that key program outcomes are achieved until the IAS program is successfully implemented. Ms. Miller added that OIA shared the first and second project report sent to ETF management with the Audit Committee and will be providing monthly reports to ETF management going forward. Furthermore, OIA planned to submit a quarterly status update to the Committee as part of the FY24-FY25 Biennial Audit Plan Update. The Budget and Operations Committee, which has the oversight responsibility for ETF's modernization projects, would receive the same update each quarter.

Ms. Miller said that Ms. Bauknecht presented the "Third-Party Administrator (TPA) System and Organization Controls (SOC) 1 Report Annual Review for Calendar Year (CY) 2023" ([Ref. AUD | 09.19.24 | 3B](#)), and Ms. Williams presented the "Group Health Insurance Program (GHIP) Performance Standards Design Review" ([Ref. AUD | 09.19.24 | 3C](#)) to the Committee.

Additionally, Ms. Sze provided an overview on the "Global Internal Audit Standards 2024 and Its Implications" ([Ref. AUD | 09.19.24 | 4A](#)) and the "OIA Strategic Plan" ([Ref. AUD | 09.19.24 | 4A1](#)) memos. These items contained background information on changes that had been incorporated into the "Audit Committee Charter Review and Approval" ([Ref. AUD | 09.19.24 | 4A2](#)) and the "OIA Charter Review and Approval" ([Ref. AUD | 09.19.24 | 4A3](#)). The Audit Committee unanimously voted to approve those changes to both charters, and the Audit Committee Charter would be presented to the Board for final review and approval at the December meeting. Ms. Williams and Ms. Hoehne had then shared the "Data Analytics Project Update" ([Ref. AUD | 09.19.24 | 4B](#)) and Ms. Sze provided an overview of the "FY24 – FY25 Biennial Audit Plan Update" ([Ref. AUD | 09.19.24 | 4C](#)).

Budget and Operations Committee

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Ms. Flogel noted that the Budget and Operations Committee met earlier that morning and voted unanimously to approve the “Open Minutes of June 20, 2024, Meeting” ([Ref. BUD | 09.19.24 | 2](#)). Ms. Eckes provide an operations update to the Budget and Operations Committee, and Ms. Hunter presented briefly on ETF’s 2025-2027 biennial budget request that was submitted to the Department of Administration ([Ref. BUD | 09.19.24 | 4](#)). The budget request covers July 1, 2025, through June 30, 2027, and marked an increase from the adjusted base of approximately 26.6% for all funds. Several initiatives were included in the budget related to ETF modernization, including funding for the Pension Administration System (PAS) and the creation of an enterprise risk management oversight function.

Ms. Baxter shared an update on ETF’s modernization projects ([Ref. BUD | 09.19.24 | 5](#)). She provided the Budget and Operations Committee with an overview of the IAS and PAS projects, which included highlights, health, major milestones, and key issues and risks. Ms. Baxter said that while ETF has made significant progress, several critical challenges have placed the IAS program at risk. Ms. Baxter shared that since the last Budget and Operations Committee meeting, two memos from OIA had been provided to the IAS program management team as part of OIA’s independent review ([Ref. AUD | 09.19.24 | 3A](#)). Several important findings were discovered, which largely related to program management. Ms. Baxter said that as a result, efforts have been identified to enhance IAS program management.

In addition, Ms. Baxter said the overall health of PAS is on track. However, the schedule for individual milestones is slightly at risk. Ms. Baxter highlighted that discovery sessions to define system requirements were nearing completion, and development of the Request for Proposal (RFP) was underway.

Ms. Flogel noted that the Budget and Operations Committee concluded by hearing a presentation from Ms. Henning on the “ETF Organizational North Star Metrics Report” ([Ref. BUD | 09.19.24 | 6](#)) before voting to adjourn.

EDUCATIONAL TOPICS

Ethics and Lobbying Law Training ([Ref. ETF | 09.19.24 | 4A](#))

Mr. Buerger began his presentation by providing information about the Ethics Commission. The Ethics Commission was created by [2015 Wisconsin Act 118](#) and has six partisan appointments. The Ethics Commission is responsible for administering Wisconsin statutes and conducting programs to explain and interpret these laws for the public. These statutes include:

- Chapter 11: Campaign Finance
- Subchapter III, Chapter 13: Lobbying
- Subchapter III, Chapter 19: Code of Ethics

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Mr. Buerger highlighted several important laws related to lobbying and the code of ethics, including:

- [Wis. Stat. § 13.625](#) (Restrictions on Lobbyists/Principals)
- [Wis. Stat. § 19.45](#) (Code of Ethics for State Public Officials)
- [Wis. Stat. § 19.46](#) (Conflict of Interest)
- [Wis. Stat. § 19.43](#) & [Wis. Stat. § 19.44](#) (Statement of Economic Interests)

Mr. Buerger explained that lobbying laws apply to all agency officials, including board members. Lobbying is prohibited, and board members cannot accept anything of pecuniary value. However, exceptions do apply. For example, board members are allowed to accept lodging, meals, per diems, and travel expenses related to the attendance of board meetings.

Mr. Buerger discussed ethics restrictions, including the following prohibitions:

- Use of governmental resources for a nongovernmental purpose
- Asking staff to engage in nongovernmental activity on state time
- Accepting gifts based on an individual's public position
- Intentional use or disclosure of confidential information gained by an individual's position that could result in personal gain
- Use or attempted use of a public position to influence or gain unlawful benefits, advantages, or privileges, personally or for others

Mr. Buerger provided other examples and encouraged the Board to reach out to the Ethics Commission for more information, questions, or concerns.

Disability Program Review ([Ref. ETF | 09.19.24 | 4B](#))

Mr. Guidry and Ms. Bishop provided an overview of the current state and local disability programs administered by the Wisconsin Retirement System (WRS). These programs include:

- Disability Retirement Annuity ([40.63](#))
- Duty Disability ([40.65](#))
- Income Continuation Insurance (ICI)
- Long-Term Disability Insurance (LTDI)

Mr. Guidry shared that in 2023, \$268.2 million in benefit payments were made to 10,918 recipients and provided a breakdown by program. Mr. Guidry and Ms. Bishop discussed

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the details of each program and their eligibility requirements. They highlighted several notable differences among the disability programs, including:

- Participation in ICI is voluntary and requires a member to enroll in the program versus coverage under 40.63 and 40.65 programs is automatic for eligible WRS members.
- The ICI program only requires one medical certification whereas 40.63 and 40.65 programs require two (one from a specialist).
- There are varying definitions of disability.
- Disability programs have different earnings limits.

Ms. Bishop explained that all the disability programs have a similar application process with subtle nuances between them. Generally, a claim is filed by an employee, medical and employer certifications are gathered, and a decision is rendered. The disability programs processing tasks are performed by using a case manager approach, which involves the following:

- A large portion of disability benefits administration occur after benefit approval and payments begin.
- Most tasks are processed/entered/reviewed manually.
- Benefits are monitored and assessed by the case managers for the lifetime of the benefit.

Mr. Guidry reviewed the current issues in the disability programs, which included items related to PAS, staffing and experience, Duty Disability redesign, ICI program administration, and target reserve policies.

A board member asked if individuals that qualified for the 40.63 special program had to medically recertify and if they were still able to make money with the earning review. Ms. Bishop said that these individuals did not need to complete the earning review or medical recertification. Ms. Eckes commented that ETF may need to make some plan changes or exceptions related to modernization efforts and the PAS contract to accommodate the 40.63 special process.

Another board member asked if ETF had considered reorganizing/redefining all the disability programs and pulling them all together. Mr. Guidry stated that this process would require support from legislators and used decoupling ICI sick leave to illustrate the effort involved with this process. Mr. Voelker added that ETF did not want to remove existing/active benefits from members.

[ETF's Strategic Plan Annual Review and Going Forward \(Ref. ETF | 09.19.24 | 4C\)](#)

Ms. Henning and Ms. Gunther began the presentation with a review of ETF's Strategic Plan framework and four long-term strategic goals:

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1. Creating an exceptional customer experience
2. Focus on performance measurement and process management
3. Creating a talented and agile workforce
4. Focus on modern, secure, and resilient information technologies

Ms. Gunther summarized the FY24 objectives and accomplishments for each goal and highlighted several initiatives. She then provided the Board with the FY25 objectives.

Ms. Henning wrapped up the presentation by discussing next steps related to resource prioritization. She reiterated that IAS efforts were ETF's primary focus. Ms. Henning also spoke on the next steps related to strengthening and maturing governance processes and ensuring accountability. These include integrating ETF's leadership groups—Strategic Council, Agency Management Council, Data Governance Counsel, and the Portfolio Committee—into IAS efforts such as oversight, execution, and reporting.

The Board took a break from 11:21 a.m. to 11:35 a.m.

DISCUSSION AND CONSIDERATION

Biennial Budget Update ([Ref. ETF | 09.19.24 | 5A](#))

Ms. Hunter and Mr. Steiner summarized ETF's 2025-2027 biennial budget request, which covered July 1, 2025-June 30, 2027. Ms. Hunter provided an overview of the anticipated actions and review schedule by the Governor and Legislature.

Ms. Hunter stated that the budget marked an increase from the adjusted base funding of approximately 26.6% to all funds. Funding for PAS accounted for a majority of the budget, and the remainder was for nine new ETF positions related to risk management, locating missing WRS participants, and several other initiatives within ETF. Four full-time employee (FTE)/permanent positions were requested along with the following:

- 1.0 FTE Actuarial Analyst (Permanent) Position
- 2.0 FTE Trust Funds Specialist (Project) Positions
- 2.0 FTE Trust Funds Specialist (Permanent) Positions.

Mr. Steiner said that ETF's total annual budget came to about \$83 million. He reiterated that the largest portion of the budget was to replace ETF's legacy systems. ETF was requesting a permanent increase to base funding of \$14,200,000 annually to fund the initial PAS implementation and support the system over five to seven years. Mr. Steiner shared that the PAS estimate was developed with ETF's consultant, Linea Solutions (Linea). Linea modeled the cost based on data they collected from other pension systems with a focus on systems most comparable to ETF's. Mr. Steiner noted that ETF

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is currently drafting the PAS RFP with an expected release in the fall. He said ETF expected to have a more precise cost estimate by spring of 2025 and planned to amend and update the funding request at that time.

Mr. Steiner confirmed that the second largest request in the budget was the nine new positions. ETF was requesting an increase to base funding of \$2.1 million for FY 2026 and \$1.83 million for FY 2027 to help manage and reduce agency risk, as well as to continue to improve ETF's information security management practices. The resources requested would be used to:

- Establish a formal Enterprise Risk Management (ERM) function to help ETF better identify, manage, and mitigate risks
- Implement additional measures to further enhance ETF's ability to manage information security risks and maintain the privacy of member data
- Strengthen OIA's ability to conduct objective reviews of ETF's third-party administrators, information technology project implementations, and staff oversight of external vendors.

A portion of the request included a position that would serve as the Chief Risk Officer. In addition, ETF requested funding to hire a consultant to work with the Chief Risk Officer and other ETF staff to help develop an ERM implementation plan and timeline. ETF found that ERM functions are commonplace among peer pension systems and ETF's partner, the State of Wisconsin Investment Board (SWIB). Mr. Steiner said ETF was also requesting two information security related positions, associated supplies and services, and funding for additional software and vendor services. The budget request also included additional position for OIA.

Ms. Hunter reviewed the remaining position requests, as well as the statutory change request. She commented that during the last budget request, ETF had requested an extra Actuarial Analyst. However, this request was not approved. ETF was requesting the position again, as it was critical for ETF to fulfill its actuarial and accounting responsibilities. Without in-house expertise and oversight of multiple vendor actuarial services, there was increased risk of compliance errors, which could result in inaccurate financial reporting or incorrect contribution and premium calculations. Ms. Hunter explained that this could adversely impact the financial position and funded status of benefit programs.

Ms. Hunter stated that ETF was also requesting two Trust Funds Specialist positions to help locate approximately 29,000 WRS members, designated as "missing participants." Finding WRS missing participants was crucial for both ETF and the participants for several reasons. These included compliance and legal obligations, protecting lost WRS retirement accounts from fraud, and financial security for WRS participants.

ETF was also requesting another two Trust Funds Specialist positions to address the increased demand for critical member support services. Ms. Hunter commented that

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ETF was seeing significant growth in the retiree populations, which required additional staff to help manage accounts and answer questions.

Lastly, Ms. Hunter discussed the statutory changes related to internal auditor reporting. The statutory changes would create an independent OIA at ETF. The statutory changes were consistent with auditing best practices of public retirement systems. Furthermore, the changes were essential to ensuring that ETF's internal audit reporting was independent, objective, and would improve the agency's operations. The recommendation provided that ETF's Internal Auditor (IA) would report functionally to the Board and administratively to the ETF Secretary. The Board would appoint and set the salary of the unclassified IA position. Ms. Hunter commented that this was something that had been included in the last two budget requests.

The Board asked several clarifying questions related to the estimated cost of IAS implementation over the next five to seven years. In addition, the Board wanted to know if there would be training on the employer side related to PAS. Ms. Hunter confirmed that there would be extensive employer training for both PAS and IAS. The Board asked if this would be in a subsequent budget. Ms. Hunter said that ETF would need to continue to evaluate this. Ms. Eckes commented that ETF had thought about employers and built an employer transaction portal into IAS.

A member of the Board asked Ms. Hunter to clarify the role of the IA. Ms. Hunter said that the IA would work to make sure everyone was on the same page, including collaboration with Gabriel, Roeder, Smith and Company (GRS), and report back to the Board.

A member of the Board commented that sometimes the legislature is wary of providing ongoing funding for something that is one-time in cost and asked if ETF had a backup plan if the legislature decided to only go for a one-time payment. Mr. Voelker said that ETF was using the same approach that they had used previously, and he believed the current request and approach was reasonable. He also shared that the legislature was not opposed to ETF's continued appropriation to support modernization.

Mr. Voelker mentioned that ETF's goal was to have more information and concrete numbers related to modernization in spring of 2025. He added that the plan was to have further conversations with the legislature regarding the permanent increase to the base funding for PAS.

MOTION: Ms. Miller moved to support the Department's 2025-2027 Biennial Budget proposal as detailed. Mr. Wilding seconded the motion, which passed on the following roll call vote:

Ayes: Abler, Easland, Fogel, Ford, Heller, James, Miller, Morrin, Nickels, Stanton, Wilding.

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Nays: None.

Absents: Lounsbury, Mizialko.

OPERATIONAL UPDATES

Customer Experience (CX) Update ([Ref. ETF | 09.19.24 | 6A](#))

Ms. Rolli provided a CX update to the Board. She commented that the last time an update had been presented to the Board was in June 2023 ([Ref. ETF | 06.22.23 | 5A](#)). Ms. Rolli stated that ETF was moving towards a goal of supporting customers as they prefer. As ETF worked towards modernization, customer impact and perspective continued to be heavily considered. Success to ETF meant meeting the CX vision, which states, “Our customers feel empowered and trust us to meet their need through personalized, convenient and helpful interactions.”

Ms. Rolli shared that ETF intends to meet the CX vision through the components of the roadmap. The six pillars in the CX roadmap are Governance and Strategic Alignment, Customer Understanding, Customer Centric Culture, Employee Experience, Policies and Processes, and Technology and Data.

Ms. Rolli said the goal was to integrate CX into the existing framework. She highlighted several ways ETF was able to achieve a customer-centric culture internally, including:

- Adding a customer centric core competency to ETF’s performance evaluation
- Level setting on what CX meant to each of the business units within ETF
- Access to CX website, mailbox, and articles
- Articles celebrating CX champions throughout the agency by drawing a light on those that advocate for customers or other employees within the department

Ms. Rolli explained that her team facilitated 10 small group discussions with frontline staff and sent out a survey to all specialists in the Division of Benefit Administration. From the small groups and survey responses, 81 ideas were captured. ETF was able to complete 18 of these ideas, with 13 more in-progress. Ms. Rolli highlighted some of the completed ideas, including improving web pages and forms for separation benefits and rollover applications; targeted mailing at or before minimum retirement age; and reducing mailing.

Ms. Rolli said that the CX strategic goal for FY24 was to create an inventory of ETF’s current customer voice or the Voice of Customer Program (VoC). However, they found that it was challenging to find actionable items on this amount of data. Therefore, they decided to break the information into segments, as someone beginning their career had different needs than someone going into retirement. This led the team to the idea of personas. Ms. Rolli explained that a persona is a fictional character that represents a

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group of customers. A persona usually includes an image and high-level bullets about the customer and their goals. Personas can help identify behaviors, motivations, needs, pain points, and challenges. Ms. Rolli said the team began with retirees and shared the first two personas with the Board.

Ms. Rolli stated that employees would be the team's next group of customers that would be the basis of personas. They learned that 51% of ETF's employers have less than 10 employees. Her team conducted research by asking employers questions. The following are some examples of the questions employers were asked:

- Are there challenges that ETF could help you to overcome?
- How is your experience with ETF online tools? What can be improved?
- How could ETF improve your experience or better meet your goals and expectations?
- What do you like or not like about ETF's current reporting structure?

Ms. Rolli said another way VoC was impacting ETF's interaction with members was through targeted mailings. The team added a QR code to request an online retirement estimate and moved mailings to one year prior to the median age of WRS retirement.

Ms. Rolli wrapped up her presentation by highlighting some of the next steps within the following three years related to the CX roadmap, including finishing the persona library; evaluating what has been accomplished and lessons learned; and identifying where and how the roadmap components fit with modernization.

Secretary's Report

Mr. Voelker said his discussion theme this time was "blocking and tackling," or focus and execution. For IAS, this meant having an accurate and complete plan/timeline and executing it. Furthermore, this also meant that it was imperative that issues be quickly identified and resolved through effective communication among staff, employers, and vendors. ETF was aware that the health of the overall IAS Program was currently at risk. Mr. Voelker said a large focus of the agency would be meeting the implementation deadline. He also highlighted the elevated stress levels from staff whose IAS work overlapped with the PAS project.

Mr. Voelker stated that the Biennial Budget proposal also involved blocking and tackling. He explained the importance of ETF having a solid compliance program, particularly when it came to benefits administration. He commented that this started with the actuarial position request ETF had submitted with the biennial budget proposal, and the agency would continue asking for this position if it was not approved. Mr. Voelker also stressed the importance of implementing a risk management system to protect member data. ETF had discovered that internal audits were more effective than vendor audits, which was why additional positions were requested in the budget. Mr. Voelker

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also highlighted ETF's CX goal and how the requested positions would help ETF continue to provide excellent customer service. He commented that the need for additional positions was especially poignant as the increase in the number of annuitants came with an increased demand for service. Additionally, these positions would be required to replace outdated legacy systems and meet ETF's modernization efforts.

Mr. Ford said that the remaining operational updates were provided in the ETF Board meeting materials, and ETF staff were available to answer questions from Board members at that time.

FUTURE ITEMS FOR DISCUSSION

Tentative December 2024 Agenda ([Ref. ETF | 09.19.24 | 7A](#))

Ms. Epstein presented briefly on the anticipated agenda topics for the December meeting. Board members were invited to request additional items for discussion in December.

ADJOURNMENT

Motion: Ms. Miller moved to adjourn the meeting. Mr. Morrin seconded the motion, which passed unanimously on a voice vote.

The Board adjourned at 12:53 p.m.

Date Approved: 12/12/2024

Signed: Chris Heller
Chris Heller, Secretary
ETF Board