

# Welcome to the Employee Trust Funds Board

December 14, 2023

Meeting will begin at: 9:00 a.m.



WIFI

**WI-GUEST**

No Password is needed



**Please Sign In**

- Who? All meeting attendees
- Sheet available at the door



**Meeting Materials**

- Available at [etf.wi.gov](http://etf.wi.gov)



**Please Silence your  
Cell Phone and Mute  
your Microphone**

# Announcements

## Item 1 – No Memo

Matt Stohr, Administrator

Division of Retirement Services



# Consideration of:

Open Minutes of September 21, 2023, Meeting  
Closed Minutes of September 21, 2023, Meeting



Items 2A-2B – Memos Only





# Action Needed

- Motion needed to accept the Open and Closed Session Minutes of the September 21, 2023, meeting as presented by the Board Liaison.

# Committee Reports

Items 3A-3C – No Memo



# Review of Committee Charters



Item 4A – Memo Only

Matt Stohr, Administrator

Division of Retirement Services





# Action Needed

- Motion needed to approve the charters for the Audit Committee, the Budget and Operations Committee, and the Executive Committee as recommended by ETF.

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

**Questions?**



# Contract Extension: Transformation, Integration, and Modernization Consulting Services



Item 4B – Memo Only

Michelle Baxter, Director

Office of Enterprise Initiatives





# Action Needed

- Motion needed to approve a one-month extension for the following ETF contract with The Segal Company: ETB0033 for Transformation, Integration and Modernization (TIM) Consulting Services, for the period January 1, 2024, through January 31, 2024, as requested by ETF.

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

**Questions?**

# Delegation of Authority to Solicit Proposals from Qualified Firms for Actuarial Audits



Item 4C – Memo Only

Joanne Klaas, Contracts Specialist

Budget, Contract Administration, and Procurement





# Action Needed

- Motion needed to delegate the ETF Board's authority under Wis. Stat. § 40.03 (1)(c) to the ETF secretary to solicit proposals for, and contract with, qualified firms to perform actuarial audits as recommended by ETF.

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

**Questions?**

# Delegation of Authority to the ETF Secretary for Executing the Strategic Partner for Pension Administration System Contract, including Contract Amendments



Item 4D – Memo Only

Joanne Klaas, Contracts Specialist

Budget, Contract Administration, and Procurement





# Action Needed

- Motion needed to delegate the ETF Board's authority to the ETF Secretary for executing the Strategic Partner for Pension Administration System (PAS) contract, including contract amendments, as recommended by ETF. This delegation of authority will remain in effect until withdrawn by the Board.



The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

**Questions?**

# WRS Federal Compliance

## Item 4E1 – Employee Trust Funds Board

Laura Brauer, Attorney  
Office of Legal Services

Kyle Kundert, Policy Advisor  
Division of Retirement Services



# Informational Item Only

No Board action is required.

# Significant Laws

## Apply to the WRS

- Wis. Stats. Chapter 40
- Tax Code

## Apply to Other ETF Activity

- Health Insurance Portability and Accountability Act of 1996 (HIPAA)

# WRS Is a Qualified 401(a) Governmental Plan

- Complies with Tax Code s. 401(a).
- Is “established and maintained for its employees” by a state government or political subdivision.

# Impact of Maintaining Qualified Status

- Employer contributions are not taxed.
- Employee mandatory contributions are pre-tax.
- Protect participants from other negative financial ramifications.

# Examples of WRS Requirements

Compensation  
limits

Contribution limits

Distribution  
requirements

Distribution limits

Break-in-service  
and return-to-work  
requirements

# Federal Compliance – SECURE Acts



# Setting Every Community Up for Retirement Enhancement “SECURE”

## SECURE Acts

- SECURE 1.0 – effective on Jan. 1, 2020.
- SECURE 2.0 – effective on Dec. 29, 2022.

## Three Primary Purposes

- Help American's save for retirement.
- Improve (simplify) retirement rules.
- Lower the cost of administering and setting up retirement plans.

# Primary Impact on the WRS

## Required Minimum Distributions (RMD)

- A RMD is the amount of money that must be withdrawn annually from an employer-sponsored retirement plan (like the WRS).
- RMDs can be triggered after certain events – e.g., retirement and meeting certain age requirements, death of an employee, death of beneficiary who inherited a retirement account.

# SECURE Acts Impacts on RMDs

## SECURE 1.0 Impact on RMDs

- Pushed back the age at which retirement plan participants need to take RMDs, from 70½ to 72.

## SECURE 2.0 Impact on RMDs

- Effective Jan. 1, 2023, raises the age for RMDs from age 72 to age 73 for individuals attaining age 72 after Dec. 31, 2022; additional age increases are phased-in after that.
- Effective Jan. 1, 2024, allows a spousal beneficiary to elect to be treated as the employee for RMD purpose (already covered in Chapter 40 Wis. Stats.).
  - Awaiting further guidance from IRS on how this ‘election’ must be made.

# SECURE Act 2.0 Required Minimum Distributions (RMD) – Required Beginning Ages

Birth Year	Age RMDs Must Begin
1950 or earlier	72 (70.5 for those who turned 70.5 prior to 2020)
1951-1959	73
1960 or later	75

# Secondary Impact on WRS

## Other SECURE Provisions

- Public Safety Officer Insurance Deduction Program.
- Qualified Public Safety Employees.
- Gave plans more leeway to correct overpayments.
- Reduce excise tax for failure to take RMDs.
- Increased ability for plans to correct minor errors through EPCRS.
- Disability related pension payments excludable from gross income (beginning 2027).

# Consequences for Not Taking RMDs

## Members and Beneficiaries

- Excise taxes and other penalties.
- IRS – [Retirement Topics \(RMD\)](#).

## ETF

- Compliance monitoring/penalties and potentially plan disqualification.
- IRS – [Correcting RMD Failures](#).

# ETF Actions to Implement SECURE Acts and Ensure Compliance

ETF webpages –  
<https://etf.wi.gov/retirement/required-minimum-distribution>

Member and  
Employer newsletters

Update ETF forms,  
brochures, and  
notices

Internal staff training

Monitoring federal and  
other external  
guidance

Updating Chapter 40  
and associated  
regulations

Run ETF system's  
reports, alerts, and  
flags

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

**Questions?**



# State Compliance: 2023 WI Acts 4 and 12 Implementation Update

Item 4E2 – Employee Trust Funds Board

Matt Stohr, Administrator

Division of Retirement Services



# Informational Item Only

No Board action is required.

# WI Act 4-Jailers Law

- Review of the law change.
- Effective Jan. 1, 2024:
  - Current jailers in affected counties have until March 1, 2024, to make irrevocable decision to be general category employee or protective occupation employee for WRS purposes.
  - Newly hired jailers will have a 60-day window to decide to be protective or general.
- The law change currently affects roughly 55 counties; the counties that do not classify their correctional officers/jailers as protective.

# WI Act 4-Jailers Law (Cont.)

- ETF implementation:
  - Made numerous changes to ETF IT systems.
  - Developed webpages for both the counties and affected members to answer frequently asked questions.
  - Provided trainings-live webinar for county payroll staff, outreach to members and stakeholder groups.
  - Updated all publications, such as the administrative manual for employers.
  - Prepared form and process for counties to administer the law.

# WI Act 12-Milwaukee

- Employers that participated in the city retirement system will start enrolling new hires in the WRS on Jan. 1, 2024.
- Milwaukee County will enroll new hires in the WRS starting on Jan. 1, 2025.



# WI Act 12-Milwaukee (Cont.)

- ETF Implementation:
  - Met with employers.
  - Answered employer and employee questions.
  - Provided onboarding material including the WRS enrollment resolution and Social Security information to each employer.
    - City retirement system employers have submitted the necessary forms to ETF.
  - Received questions from outside parties.

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

**Questions?**

# BREAK

The Board is on a short break. Audio and visual feed will resume upon the Board's return.





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

## Item 4F – Employee Trust Funds Board

David Schalow, PhD, CLU, ChFC, CFA, CFP

SWIB, Teachers Retirement Board, and Employee Trust Funds Board Member

John Voelker, Secretary

Office of the Secretary



# SWIB Report for TRB/WRS/ETF 2023

David Schalow PhD, CLU, ChFC, CFA, CFP

Boards: SWIB/TRB/ETF

## WRS Investment Performance\*

Year-to-Date (YTD) as of October 31, 2023. Calendar year-to-date and 5-year performance is net of all fees and costs. Ten-year performance is net of external manager fees.

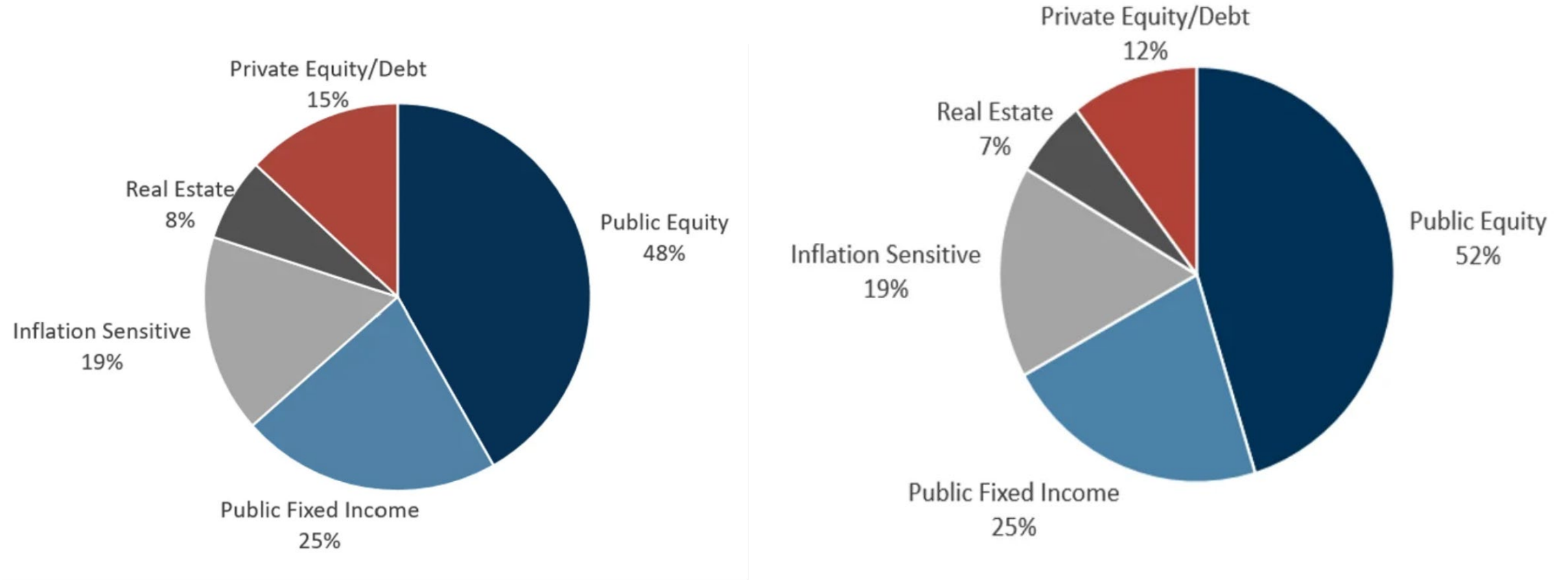
Fund	Calendar YTD	5-Year	10-Year
Core Fund	2.02%	6.94%	6.34%
Core Fund Benchmark	1.59%	6.39%	5.91%
Variable Fund	6.56%	8.22%	8.23%
Variable Fund Benchmark	7.08%	8.37%	8.25%

\*Returns and benchmarks are subject to final valuation and adjustments that may occur during the calendar year.

# Performance (Target is 6.8% for the Core)

Year	Investment Return	ETF Annuity Adjustment
2022	-12.92% (loss)	1.6%
2021	16.89%	7.4%
2020	15.2%	5.1%
2019	19.9%	1.7%
2018	-3.3% (loss)	0.0%

# Asset Allocation (Left/2023 – Right 2022)



# Leadership Change

## New Chair



**Clyde Tinnen**  
Vice-Chair, Public Member

## Retiring Chair



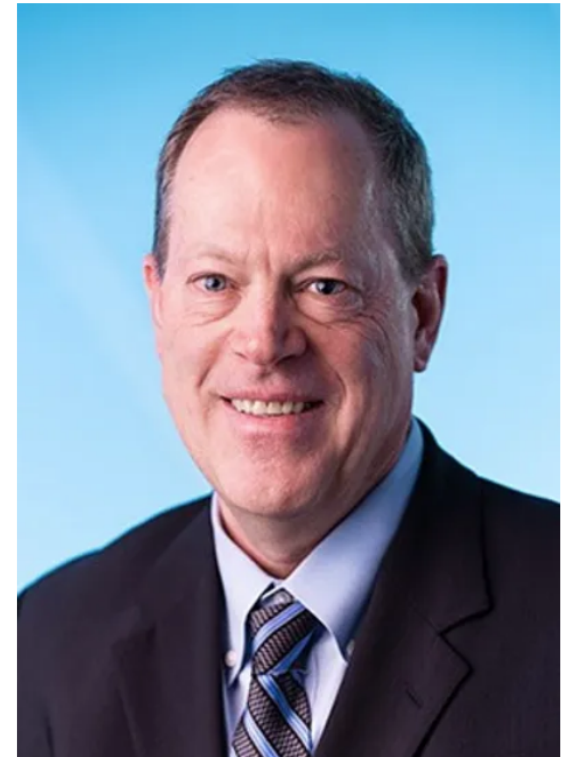
**Barbara Nick**  
Chair, Public Member

# New Board Member

## Tom Merfeld

### Public Member

Tom Merfeld is the retired chief risk officer and chief financial officer of CUNA Mutual Group in Madison. Prior to CUNA Mutual, he was the chief financial officer for a life reinsurance company in Kansas City. He was also an investment analyst for Franklin Savings Association and an assistant economist for the Federal Reserve Bank of Kansas City. He is currently a board member of both SSM Health in St. Louis and Dominican Veritas Ministries, which sponsors nine Catholic schools nationwide. Tom, who is a Chartered Financial Analyst (CFA) charterholder and a Certified Public Accountant (CPA), earned his bachelor's and master's degrees from the University of Iowa; his MBA from Rockhurst University in Kansas City, Mo.; and his Ph.D. from Marquette University.



# SWIB Honored With Board of the Year Allocators' Choice Award

The State of Wisconsin Investment Board (SWIB) Board of Trustees was honored September 12 in New York City, winning Institutional Investor's Allocators' Choice Award for Investment Committee/Board of the Year. Board Chair Barb Nick, retired president and chief executive officer of Dairyland Cooperative, accepted the award on behalf of the SWIB Trustees.

The Board was nominated for its role in facilitating SWIB's ability to implement a flexible investment strategy to stay positioned for long-term success amidst challenging markets in 2022. The Board also adopted a new long-term incentive plan as part of its competitive pay-for-performance compensation program that will assist in attracting and retaining talented professionals while also aligning them with the interests of Wisconsin Retirement System (WRS) participants.



# Officially Moved Into New Office 2023



Questions?

# Secretary's Report

Item 5A – No Memo

John Voelker, Secretary  
Office of the Secretary



The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect. The text 'Questions?' is centered at the bottom in a large, white, sans-serif font.

**Questions?**

# Legislative Update

Item 5B – Memo Only

Tarna Hunter, Government Relations Director

Office of Budget and Management



# Informational Item Only

- No Board action is required.

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

**Questions?**



# Customer Service Improvements and Trends

Item 5C – Employee Trust Funds Board

Anne Boudreau, Deputy Administrator

Division of Retirement Services



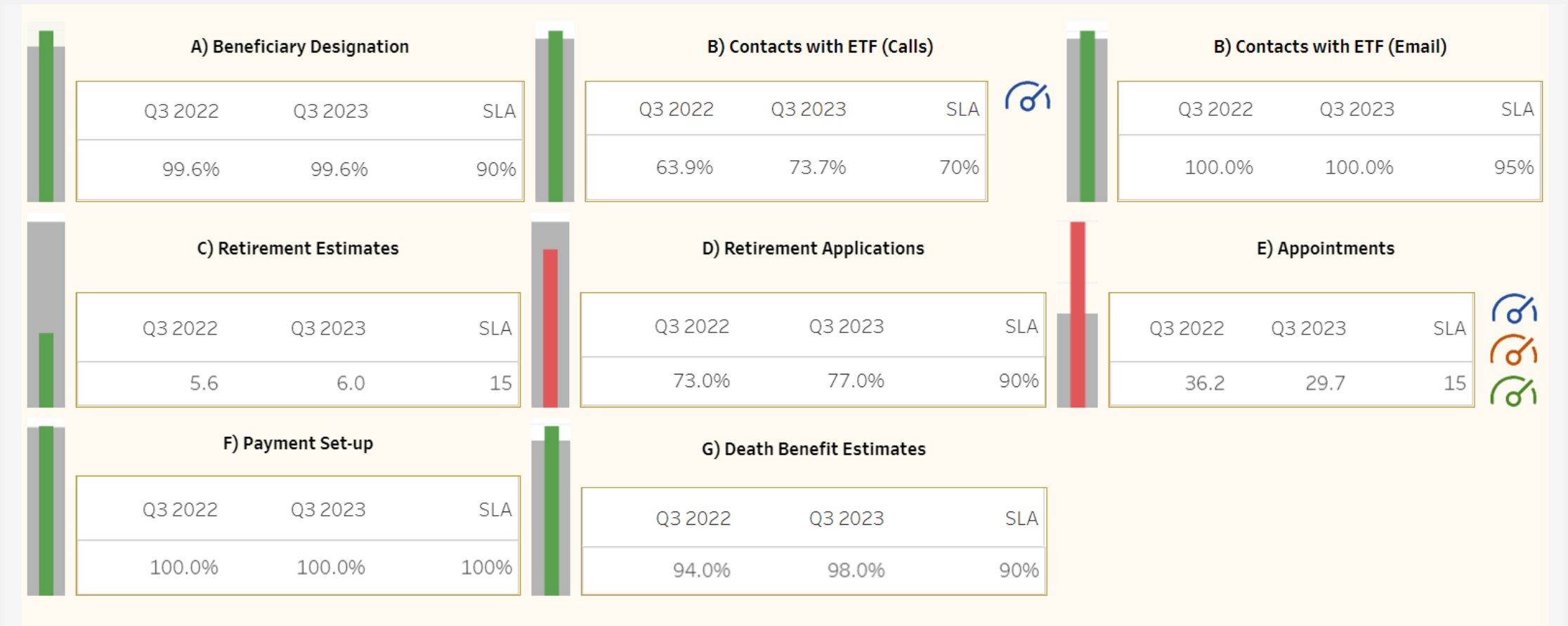


# Informational item only

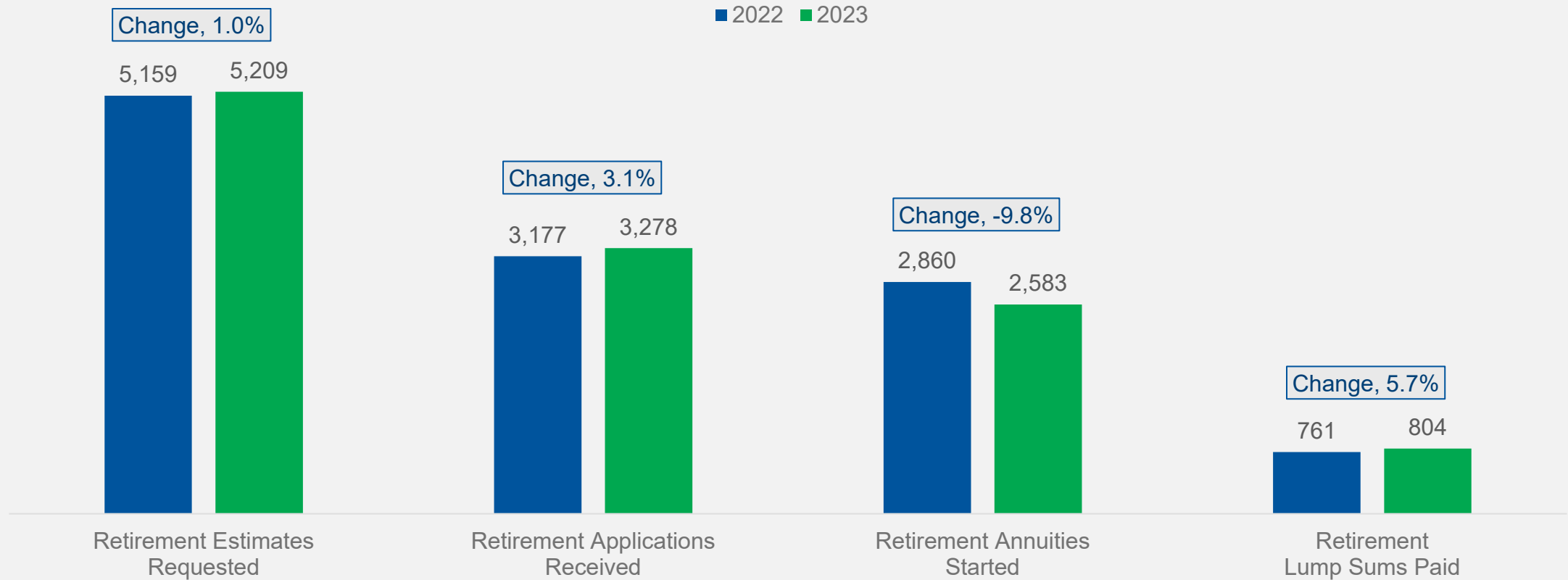
- No Board action is required.

# ETF Work Volume and Retirement Trends

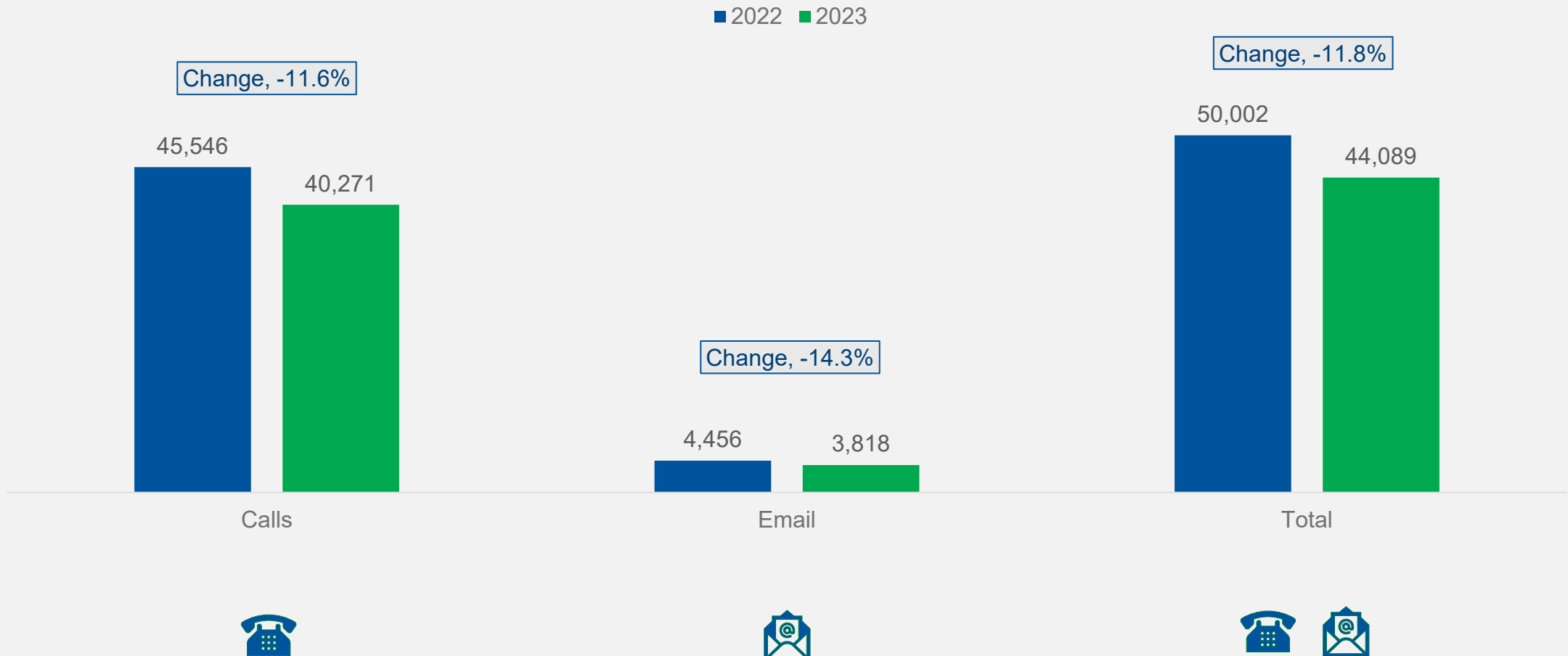
# North Star Dashboards



# Retirement Data - Quarter 3



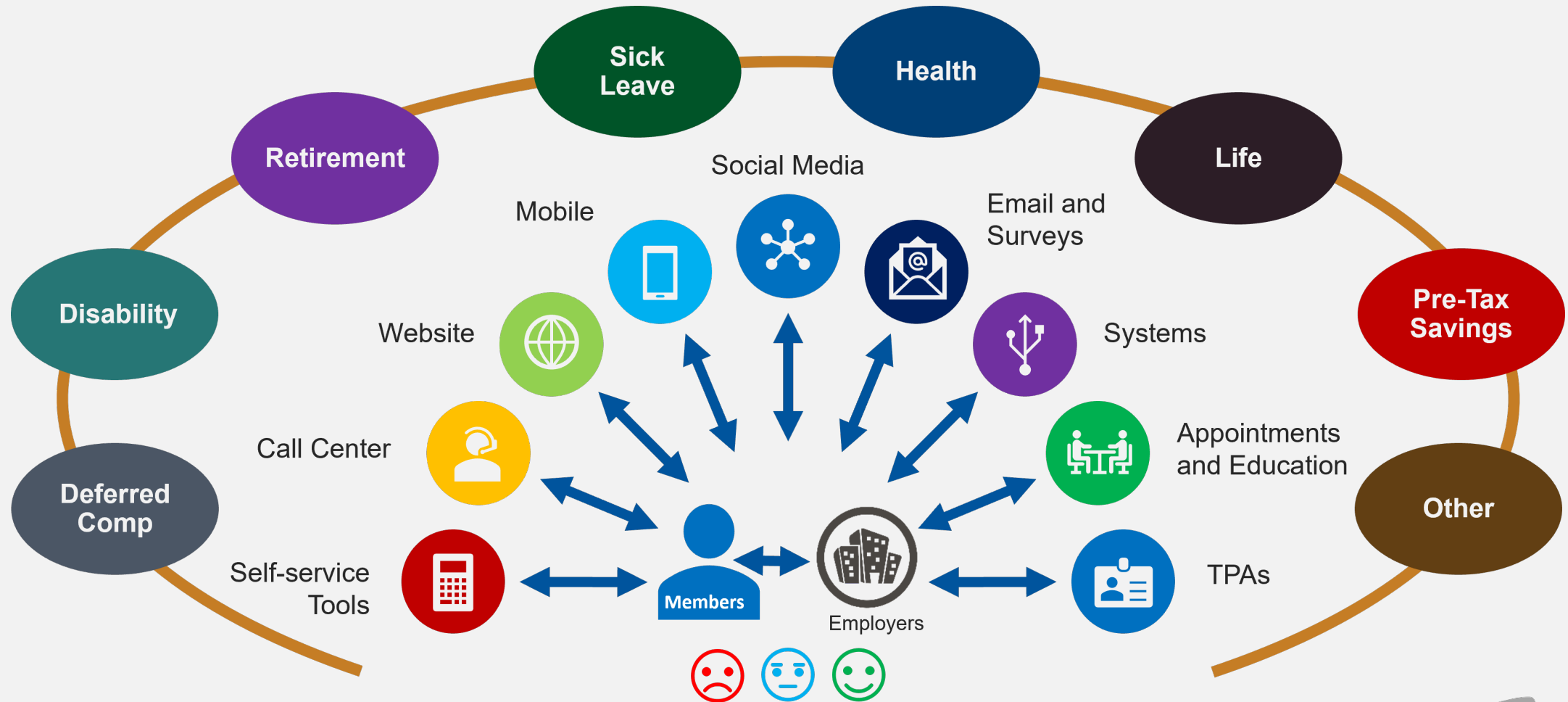
# Customer Service - Quarter 3



# ETF Operational Improvements

# Customer Interactions

Continuous incremental improvements as we strategically build for the future – *One ETF Voice.*



# Customer Service Improvements



Health Insurance  
Change  
Acknowledgement



# Process Improvements



More Accurate  
Death Information

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect. The text is centered at the bottom of the image.

**Questions?**

# Procurement, Contract, and Program Appropriation Charging Updates: Results of Board Survey on Actuarial Services

Item 5D – Memo Only

Matt Stohr, Administrator

Division of Retirement Services



# Informational item only

- No Board action is required.

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

**Questions?**

# Operational Updates

Items 5E-5J – Memos Only



# Informational items only

- No Board action is required.

The background is a dark blue gradient with numerous out-of-focus light spots in shades of blue and purple, creating a bokeh effect.

**Questions?**



# March 2024 Meeting Agenda Topics

Item 6A – Memo Only

Matt Stohr, Administrator

Division of Retirement Services



# Informational item only

- No Board action is required.



**Questions?**

# BREAK

The Board is on a short break. Audio and visual feed will resume upon the Board's return.



# CLOSED SESSION

The Board may meet in closed session pursuant to the exemption contained in Wis. Stats. § 19.85 (1) (d) to consider strategy for crime detection or prevention. If a closed session is held, the Board may vote to reconvene into open session following the closed session.



Item 7 – No Memo



# Announcement of Business Deliberated During Closed Session Discussion

Item 10 – No Memo

Bill Ford, Chair

Employee Trust Funds Board



# Adjournment



Item 11 – No Memo



---

# Thank you

---



[wi\\_etf](#)



[etf.wi.gov](#)



ETF E-mail Updates



608-266-3285  
1-877-533-5020