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Correspondence Memorandum

Date: November 19, 2024

To: Employee Trust Funds Board

From: Cindy Klimke-Armatoski, Chief Trust Finance Officer
Division of Trust Finance

Subject: Wisconsin Retirement System (WRS) Three-Year Experience Study:
January 1, 2021 – December 31, 2023

The Department of Employee Trust Funds (ETF) requests the Employee Trust Funds Board (Board) accept the Wisconsin Retirement System *Three-Year Experience Study January 1, 2021 – December 31, 2023*, including the updated demographic assumptions contained in the report.

Actuarial valuations of the WRS are conducted annually by the Board's consulting actuary, Gabriel, Roeder, Smith & Company (GRS) and are based on several demographic and economic assumptions. Wisconsin statutes require the Board's actuary to conduct an experience study at least every three years to review the assumptions and determine if updates are needed. This study reviews current actuarial assumptions and methods and compares them to actual experience of the WRS during the years 2021 – 2023.

Demographic assumptions include rates of withdrawal, disability, retirement, mortality, and pay increases due to merit and longevity. GRS has made specific recommendations for these assumptions in the report.

Economic assumptions have a more significant impact on valuations and include the investment return assumption and price and wage inflation assumptions. The investment return assumption is used to determine how much pension plan assets will grow to meet its pension liabilities. If the assumption is too optimistic, contributions to the fund will not meet pension obligations. If the assumption is too pessimistic, the contributions will be higher than necessary. The wage inflation assumption is used to help determine the rate of growth of future benefit liabilities. GRS is recommending no change to the economic assumptions.

The table on page 17 of the report shows the impact the demographic assumption changes would have had on the December 31, 2023, active lives valuation had the

Reviewed and approved by Diana Felsmann, General Counsel (incoming Deputy Secretary)
Electronically Signed 11/26/2024

Board	Mtg Date	Item #
ETF	12.12.24	4D1

changes been in place at that time. While it is important to understand the impact of changing actuarial assumptions, the impact should not drive the decision in setting the assumptions.

Assumptions adopted by the Board will be used in the December 31, 2024, actuarial valuations and will be the basis for 2026 contribution rates.

Actuaries from GRS will be at the Board meeting to present their report and answer any questions.

Attachment A: [Wisconsin Retirement System Three-Year Experience Study: January 1, 2021 – December 31, 2023](#)