

DRAFT

# MINUTES

December 12, 2024

## Employee Trust Funds Board

State of Wisconsin

### Location:

Hill Farms State Office Building – Room N108  
4822 Madison Yards Way, Madison, WI 53705

9:15 a.m. – 2:11 p.m.



### BOARD MEMBERS PRESENT:

Bill Ford, Chair

Chris Heller, Secretary\*

Mike Abler

Becky Easland

Jen Fogel

Beau James

Katy Lounsbury

Amy Mizialko\*

Karl Morrin\*

Michele Stanton

### BOARD MEMBERS ABSENT:

Angela Miller

Justin Nickels

Steve Wilding

### PARTICIPATING EMPLOYEE TRUST FUNDS STAFF

#### Office of the Secretary:

John Voelker, Secretary

Kimberly Schnurr, Board Liaison

#### Office of Legal Services:

Diana Felsmann, Incoming Deputy  
Secretary

#### Division of Benefits Administration:

Patti Epstein, Chief Benefits Officer

#### Division of Trust Finance:

Cindy Klimke, Chief Trust Financial  
Officer

### OTHERS PRESENT:

#### Office of the Secretary:

Pam Henning, Assistant Deputy  
Secretary

#### ETF Staff:

Shellee Bauknecht\*, LaShay Bishop\*,  
Laura Brauer, Erin Casper, Taylor  
DeBroux, Omar Dum Dum\*, Paulina  
Erdman\*, Michelle Hoehne\*,

#### ETF Staff (Cont.):

Tarna Hunter, Steve Hurley\*, Gene  
Janke, Kyle Kundert\*, Mark Lamkins\*,  
Matthew Martinelli\*, Laura Patterson,  
Peter Rank, Marie Ruetten\*, Erin  
Seliger\*, Amelia Slaney, Tim Steiner,  
Ilana Sullivan\*, Barry Tucker,

\* Attended virtually.

Board	Mtg Date	Item #
ETF	03.27.25	2A

**ETF Staff (Cont.):**

Renee Walk\*, Amanda Williams\*,  
Kathryn Young  
**Gabriel, Roeder, Smith & Company  
(GRS):**

Jim Anderson, Mark Buis, Rich Koch  
**Jefferson County, WI:**  
Terri Palm\*

**Legislative Audit Bureau (LAB):**  
Erin Scharlau\*

**Milliman:**  
Jack Chmielewski, Paul Correia\*  
**Milwaukee County Retirement Plan  
Services:**  
Erika Bronikowski\*

**Segal:**

Robert Burrell, Ken Vieira\*  
**Teachers Retirement Board:**  
Michael Langyel, Allison Pratt\*, David  
Schalow

**UW-Madison:**  
Marissa Isensee\*

**Wisconsin Retirement Board:**  
Thomas Wegner\*

**Public:**  
Jim Guidry\*, Bob Schaefer, Jeffrey  
Teuscher\*

**Others (Unidentified):**  
2 individuals connected via telephone.

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Bill Ford, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 9:15 a.m. As some Board members were attending virtually, Ms. Schnurr, the board liaison, took roll call and confirmed quorum.

**ANNOUNCEMENTS**

Mr. Voelker announced the appointment of Diana Felsmann, current General Counsel of the Department of Employee Trust Funds (ETF), as the next ETF Deputy Secretary. Ms. Felsmann would formally begin her new role on February 9, 2025.

Ms. Felsmann shared a brief overview of her professional background working at ETF.

Ms. Epstein made the following announcements:

- Board Liaison, Erin Casper, would be leaving ETF to study occupational therapy. Her last day would be January 3, 2025.
- The call for nominations for the Milwaukee public school teacher seat resulted in only one candidate filing nomination paperwork: Ms. Ingrid Walker-Henry. Ms. Walker-Henry is an elementary school teacher in Milwaukee Public Schools and is currently the president of the Milwaukee Teachers' Education Association. She will succeed Amy Mizialko at the June Board meeting.

**CONSIDERATION OF OPEN SESSION MINUTES OF SEPTEMBER 19, 2024,  
MEETING ([Ref. ETF | 12.12.24 | 2A](#)) AND OF OPEN AND CLOSED SESSION  
MINUTES OF OCTOBER 1, 2024, MEETING ([Ref. ETF | 12.12.24 | 2B](#))**

***MOTION: Mr. Abler moved to approve the open session minutes of September 19, 2024, meeting and the open and closed session minutes of the October 1,***

***2024, meeting as presented by the Board Liaison. Ms. Stanton seconded the motion, which passed unanimously on a voice vote.***

## COMMITTEE REPORTS

### Executive Committee

Mr. Ford noted that the Executive Committee met virtually on December 11, 2024. The Executive Committee approved the Open Minutes of the September 18, 2024, Meeting ([Ref. EXC | 12.11.24 | 2](#)) and went over the Board's agenda for the next day. Ms. Felsmann highlighted information from the "Executive Committee Accomplishments Report: September 2024-November 2024" ([Ref. EXC | 12.11.24 | 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. Lounsbury, Vice Chair of the Audit Committee, delivered the committee report as Angela Miller, the Audit Committee Chair, was unable to attend the meeting. Ms. Lounsbury noted that the Audit Committee met virtually on December 9, 2024. Ms. Sze announced that Shellee Bauknecht accepted a position with the Division of Trust Finance and would be transitioning out of the Office of Internal Audit (OIA) next January. The Audit Committee then voted to approve the "Open Minutes of September 19, 2024, Meeting" ([Ref. AUD | 12.09.24 | 2](#)).

Ms. Lounsbury stated that Ms. Sze, Ms. Hoehne, and Ms. Williams presented an update on OIA's "Data Sharing Agreement" review. Ms. Bauknecht provided an overview of the "Third-Party Administrator (TPA) Contract Compliance Oversight" memo ([Ref. AUD | 12.09.24 | 3B](#)). The Audit Committee was presented with the recently completed Navitus Pharmacy Benefit Program Administration Audit that was outsourced to PillarRx and presented to the Group Insurance Board at the November 2024 meeting ([Ref. GIB | 11.13.24 | 17A](#)). Afterwards, the Audit Committee heard a presentation from Ms. Sze on the "ETF Hotline Annual Summary Report" ([Ref. AUD | 12.09.24 | 3C](#)).

Ms. Lounsbury stated that the "Annual Independence Affirmations and Disclosures" memo was presented and written by Ms. Sze ([Ref. AUD | 12.09.24 | 4A](#)). The document affirmed that ETF's internal audit function is free from personal, external, or organizational impairments to independence. Ms. Sze then provided an overview of the "FY24-FY25 Biennial Audit Plan Update" ([Ref. AUD | 12.09.24 | 4B](#)), which included reports from September and October on the Insurance Administration System (IAS) Program Review by OIA and an Open Audit Issues Report. Afterwards, the Audit Committee voted to adjourn.

### Budget and Operations Committee

Ms. Flogel noted that the Budget and Operations Committee met earlier that morning. Ms. Felsmann, incoming Deputy Secretary, attended the meeting. The committee expressed appreciation and well wishes to Ms. Casper and Ms. Eckes, who would be leaving ETF next January and February, respectively.

Ms. Flogel stated that the Budget and Operations Committee voted unanimously to approve the “Open Minutes of September 19, 2024, Meeting” ([Ref. BUD | 12.12.24 | 2](#)). Ms. Epstein provided an operations update to the committee. Ms. Hunter, then, presented information from the “2025-2027 Biennial Budget Update” memo ([Ref. BUD | 12.12.24 | 4](#)).

Ms. Hunter and Ms. Baxter discussed the “Summary of IAS Costs” to the Budget and Operations Committee ([Ref. BUD | 12.12.24 | 5](#)). The presentation included an IAS cost overview breakdown from state fiscal years 2020 to 2025, Quarter 1. Ms. Hunter and Ms. Baxter also shared remaining milestones and estimated payments to Benefitfocus in the memo and their presentation to the committee.

Ms. Flogel reported that the committee, then, discussed the “ETF Modernization Projects Update” memo ([Ref. BUD | 12.12.24 | 6](#)). Ms. Baxter provided the Budget and Operations Committee with an overview of the IAS program and Pension Administration System (PAS), which included highlights, health, major milestones, and key issues and risks. Ms. Baxter reported that several critical challenges continued to put the IAS program at risk. These key challenges and watch points include Benefitplace-required enhancements, retiree testing delays, retiree experience, billing solutions, local employer data collection, reporting, vendor integration, COBRA platform delay, end-to-end testing, and operational readiness.

Ms. Flogel stated that the IAS Program Review Reports for September and October prepared by OIA for the December Audit Committee meeting was linked in Ms. Baxter’s “ETF Modernization Projects Update” memo. Ms. Flogel requested that ETF provide OIA’s IAS Program Review Reports as attachments instead of links for the Budget and Operation Committee going forward.

Ms. Baxter concluded with an update on PAS. The initial search and selection project overall health is green. The schedule for vendor selection was being monitored but may need to shift to allow sufficient time to review proposals and negotiate contracts.

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 | 12.12.24 | 7](#)). Ms. Henning introduced two new measurements that appeared on the scorecard beginning the second quarter of FY2025. The new measurements were “percent of milestones completed on schedule, as defined in the Initiative Operationalize process management for all IAS-impacted process owners”

under Goal 2, and “percent of IAS-impacted positions indicating their competency level for critical non-technical skills is at least a ‘Meets,’ as determined by the biquarterly assessment tool” under Goal 3. The Budget and Operations Committee then voted to adjourn.

## **DISCUSSION AND CONSIDERATION**

Review of Audit Committee Charter ([Ref. ETF | 12.12.24 | 4A](#))

***MOTION: Ms. Lounsbury moved to approve the charter for the Audit Committee as recommended by ETF. Ms. Easland seconded the motion, which passed on the following roll call vote:***

***Ayes: Abler, Easland, Flogel, Ford, Heller, James, Lounsbury, Mizialko, Stanton.***

***Nays: None.***

***Absents: Miller, Morrin, Nickels, Wilding.***

State of Wisconsin Investment Board (SWIB) Appointee Annual Update ([Ref. ETF | 12.12.24 | 4B](#))

Mr. Schalow, Teachers Retirement Board Representative on SWIB, and Mr. Voelker, Wisconsin Retirement Board Representative on SWIB, shared the WRS investment performance through October 2024. Mr. Schalow stated that the core fund returned 8.10% and the variable fund returned 16.87%. He also provided the five-year and 10-year performance for both the core and variable funds. Mr. Voelker added that total assets under management are \$139.5 billion.

Mr. Schalow said that the target performance for the Core Fund is 6.8%. He provided a comparison of asset allocations between 2024 and 2023.

Mr. Schalow talked about the leadership change and new Board members on SWIB. Additionally, SWIB’s Funds Alpha Team won the Institutional Investor’s Allocators’ Choice Award for 2024 Hedge Fund Allocator of the year on September 16. Chief Investment Officer for Private Markets and Funds Alpha at SWIB, Anne-Marie Fink, was named in Pensions and Investments’ 2024 Influential Women in Institutional Investing List, while Senior Portfolio Manager, Chase Nicholson, was named 2024 Rising Star and NextGen. Mr. Schalow also shared that The SWIB Podcast recently released an episode on Wisconsin Retirement System (WRS) Insights, which featured discussions about market challenges and how SWIB is relying on more robust and complex investment strategies to keep the WRS positioned for long-term success.

Audit of Actuarial Valuations as of December 31, 2023

**Sick Leave Conversion Credit (SLCC) Programs Actuarial Valuation Audit ([Ref. ETF | 12.12.24 | 4C1](#))**

Mr. Chmielewski explained that Milliman performed an actuarial audit review of the December 31, 2023, actuarial valuation report ([Ref. ETF | 06.20.24 | 4B](#)) and the Three-Year Experience Study ([Ref. ETF | 12.09.21 | 4B](#)) that was prepared by Gabriel, Roeder, Smith & Company (GRS) for the Wisconsin SLCC Programs, Accumulated Sick Leave Conversion Credit (ASLCC) Program, and the Supplemental Health Insurance Conversion Credit (SHICC) Program. Mr. Chmielewski stated that Milliman found all significant benefit provisions were accounted for in an accurate manner, the actuarial assumptions and methods were reasonable and applied correctly, and the results of the valuation reasonably reflect the aggregate liabilities of the SLCC programs. He provided an overview of the recommendations Milliman made to GRS for reporting improvements and the potential liability impacts, with the most significant related to the participation rate assumption. This recommendation was included in GRS's SLCC Programs Three-Year Experience Study, which would be presented to the Board later in the meeting.

Mr. Chmielewski stated that Milliman found GRS's reports met the actuarial standards of practice (ASOPs) that apply to pension plans. He explained that even though the Wisconsin SLCC Programs are not pension plans, reviewing the ASLCC and SHICC reports using the pension ASOPs was a reasonable approach, as sick leave plans are not specifically covered by the ASOPs.

***MOTION: Ms. Flogel moved to accept the audit report of the SLCC Programs actuarial valuation as of December 31, 2023, (and related experience study) and the response of the consulting actuary, GRS, as requested by ETF. Mr. Abler seconded the motion, which passed on the following roll call vote:***

***Ayes: Abler, Easland, Flogel, Ford, Heller, James, Lounsbury, Stanton.***

***Nays: None.***

***No Response: Mizialko.***

***Absents: Miller, Morrin, Nickels, Wilding.***

**Duty Disability Insurance Program Actuarial Valuation Audit ([Ref. ETF | 12.12.24 | 4C2](#))**

Mr. Burrell stated that Segal completed an audit of Milliman's Duty Disability Insurance Plan actuarial valuation as of December 31, 2023 ([Ref. ETF | 06.20.24 | 4D](#)), and related experience studies. He provided background information on the audit conducted by Segal and noted that Segal was tasked with replicating the liabilities using the data

and assumptions used by Milliman, remarking on the assumptions, and providing an overall assessment of the report.

Mr. Burrell highlighted findings from Segal's audit. These included the following:

- Segal believed that the Milliman Valuation reports accurately reflect the accounting results of the State of Wisconsin Duty Disability Insurance Plan for the fiscal year ending December 31, 2023.
- The demographic assumptions appear to be reasonable in the aggregate, given the relative narrow margin (0.67%) of the expected claims for the period 2019-2023.
- The "Claims Termination Rates" are based on a blend of the health and disability mortality rates from the 2018-2020 WRS experience study, with heavy adjustments.

Mr. Burrell, then, went over some of the recommendations Segal offered to Milliman as a result of the audit. Recommendations were related to disclosures and review of some assumptions, with the most significant related to claim termination rates.

***MOTION: Ms. Easland moved to accept the audit report of the Duty Disability Insurance Plan actuarial valuation as of December 31, 2023 (and related experience studies) and the consulting actuary's (Milliman) response as requested by ETF. Ms. Lounsbury seconded the motion, which passed on the following roll call vote:***

***Ayes: Abler, Easland, Flogel, Ford, Heller, James, Lounsbury, Mizialko, Stanton.***

***Nays: None.***

***Absents: Miller, Morrin, Nickels, Wilding.***

The Board took a break from 10:38 a.m. to 10:48 a.m.

Three-Year Experience Studies: January 1, 2021 – December 31, 2023

**WRS Three-Year Experience Study: January 1, 2021-December 31, 2023 ([Ref. ETF | 12.12.24 | 4D1](#))**

Mr. Anderson, Mr. Buis, and Mr. Koch from GRS went over the WRS Three-Year Experience Study that covered the period from January 1, 2021, to December 31, 2023. Mr. Anderson provided a history, overview, and purpose of the WRS experience study. He reviewed the process GRS used to set the assumptions and explained how the COVID-19 pandemic had an impact on each of the years covered in the three-year experience study. He stated that it was still too early to tell the long-term mortality impacts from COVID. In general, due to COVID influence, GRS moved about 25% of

the way to the observed experience for trends consistent with prior studies and recommended no changes when the observed experience trends reverse course from the prior studies.

Mr. Buis shared demographic assumptions for both state and non-state (local) government members. Afterwards, he provided a table showing gains and losses due to salaries across 2019, 2020, 2021, 2022, 2023, and an average. He stated that based on these calculations, GRS recommended increasing merit and longevity portion of salary increase assumption for most groups due to actuarial losses in four of the last five years.

Mr. Koch provided an overview of mortality for WRS, a summary of WRS retiree mortality experience, and recommendations on both current and future mortality rates. He went over the historical mortality improvement impact on dividends and benefit option factors.

Mr. Buis provided information on economic assumptions. GRS did not recommend any changes to economic assumptions based on the three-year experience study. He highlighted wage inflation for the WRS over periods of the last three, five, ten, fifteen, and twenty years. Mr. Buis then shared information regarding price inflation for the WRS. He stated that GRS recommended maintaining price inflation at 2.4%.

Mr. Buis also went over wage inflation. He noted that average salaries for WRS increased approximately 3.4% for the last 3 years and 2.4% over the last 20 years. Based on this data, and current 60 basis spread between price and wage inflation, GRS did not recommend changes to the wage inflation assumption of 3%.

Mr. Anderson highlighted SWIB's 2024 Target Core Fund Asset Allocation and provided a summary of forward-looking geometric returns for the WRS portfolio. GRS's analysis found the current 6.8% assumption reasonable and did not recommend changing it.

The assumptions approved by the Board would first be used in the December 31, 2024, valuation, which would first impact rates in 2026.

***MOTION: Ms. Flogel moved to accept the WRS Three-Year Experience Study: January 1, 2021-December 31, 2023, including the updated demographic assumptions contained in the report as requested by ETF. Mr. Abler seconded the motion, which passed on the following roll call vote:***

***Ayes: Abler, Easland, Flogel, Ford, Heller, James, Lounsbury, Mizialko, Stanton.***

***Nays: None.***

***Absents: Miller, Morrin, Nickels, Wilding.***

**SLCC Programs Three-Year Experience Study: January 1, 2021-December 31, 2023** ([Ref. ETF | 12.12.24 | 4D2](#))

Mr. Anderson and Mr. Koch began the presentation by stating that each year the actuarial liabilities of the SLCC programs were calculated as part of the December 31 valuation. To perform the valuation, Mr. Anderson explained that GRS had to make assumptions about the future experience of the WRS about various risk areas. The results of the liability calculations depend on those assumptions. Mr. Koch added that the economic and demographic assumptions were developed in the concurrent WRS Experience study that was just presented to the Board.

Mr. Anderson highlighted some of the assumptions unique to the SLCC programs. These include the healthcare trend rate, healthcare premiums, participation rate of future retirees, and the accumulation and usage of sick leave credits. GRS reviewed these unique actuarial assumptions and methods and compared them to actual experience of the SLCC programs during the years 2021-2023.

Mr. Anderson summarized the changes GRS recommended, along with the impact the changes would have on the December 31, 2023, ASLCC Program and the SHICC Program valuations had the changes been in place at that time. He stated that Mr. Anderson stated that the assumptions approved by the Board would first be used in the December 31, 2024, valuation, which would first impact rates in 2026.

***MOTION: Mr. Abler moved to accept the Sick Leave Conversion Credit Programs Three-Year Experience Study: January 1, 2021-December 31, 2023, including the updated assumptions contained in the report as requested by ETF. Ms. Stanton seconded the motion, which passed on the following roll call vote:***

***Ayes: Abler, Easland, Flogel, Ford, Heller, James, Lounsbury, Mizialko, Stanton.***

***Nays: None.***

***Absents: Miller, Morrin, Nickels, Wilding.***

## **OPERATIONAL UPDATES**

### **Secretary's Report**

Mr. Voelker focused the Secretary's Report on the IAS program. He noted that the program was progressing, but several key challenges required continued attention to ensure successful execution and readiness for go-live. These included BenefitPlace-required enhancements, retiree testing delays, retiree experience, billing solutions, local

employer data collection, reporting, carrier integration, COBRA platform delay, end-to-end testing, and operational readiness. End-to-end testing started for IAS earlier that week on December 9. Mr. Voelker shared that the annual staff engagement survey offered important insights, particularly on IAS. Most staff indicated that incomplete system development was their top concern regarding the implementation of IAS.

Amy Mizialko left the meeting at 12:26 p.m.

Karl Morrin joined the meeting at 12:28 p.m.

Mr. Ford said 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 | 12.12.24 | 6A](#))

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

## **MOVE TO CLOSED SESSION**

Mr. Ford announced the Board would take a lunch break and convene in closed session at 1:05 p.m. to discuss ETF's Informational Security Updates from David Maradiaga, and for consideration of appeals 2014-050-ETF and 2014-091-ETF. The Board would vote to reconvene in open session following the closed session.

***MOTION: Ms. Easland moved to approve moving to closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) and (d) for quasi-judicial deliberations, and 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. Ms. Fogel seconded the motion, which passed on the following roll call vote:***

***Ayes: Abler, Easland, Fogel, Ford, Heller, James, Lounsbury, Morrin, Stanton.***

***Nays: None.***

***Absents: Miller, Mizialko, Nickels, Wilding.***

The Board convened in closed session at 1:05 p.m.

The Board returned to open session at 2:08 p.m.

**ANNOUNCEMENT OF BUSINESS DELIBERATED DURING CLOSED SESSION DISCUSSION**

Mr. Ford announced that the Board met in closed session to discuss ETF's Informational Security Updates from David Maradiaga, and for consideration of appeals 2014-050-ETF and 2014-091-ETF.

**ANNOUNCEMENT OF ACTION TAKEN ON APPEALS DELIBERATED DURING CLOSED SESSION**

Mr. Ford announced that the Board met in closed session to consider appeals 2014-050-ETF and 2014-091-ETF and adopted the Hearing Examiner's proposed decision with counsel's recommended modifications.

**ADJOURNMENT**

***Motion: Ms. Lounsbury moved to adjourn the meeting. Ms. Fogel seconded the motion, which passed unanimously on a voice vote.***

The Board adjourned at 2:11 p.m.

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

Signed: \_\_\_\_\_  
Chris Heller, Secretary  
ETF Board