

DRAFT

MINUTES

June 19, 2025

Employee Trust Funds Board

State of Wisconsin

Location:

Hill Farms State Office Building – Room N133/N134

4822 Madison Yards Way, Madison, WI 53705

9:00 a.m. – 2:37 p.m.



BOARD MEMBERS PRESENT:

Bill Ford, Chair

Steve Wilding, Vice Chair

Chris Heller, Secretary

Mike Abler

Becky Easland

Jen Flogel

Beau James

Katy Lounsbury*

Angela Miller*

Karl Morrin*

Justin Nickels

Michele Stanton

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Office of the Secretary:

John Voelker, Secretary

Diana Felsmann, Deputy Secretary

Kimberly Schnurr, Board Liaison

Division of Benefits Administration:

Patti Epstein, Chief Benefits Officer

Division of Trust Finance:

Cindy Klimke, Chief Trust Finance
Officer

Marie Ruetten, Deputy Administrator

Office of Budget and Management:

Tarna Hunter, Director

Office of Strategic Health Policy:

Renee Walk, Director

OTHERS PRESENT:

Office of the Secretary:

Pam Henning, Assistant Deputy
Secretary

ETF Staff:

Shellee Bauknecht*, Amanda Bielefeld*,

Laura Brauer, Amber Condon*, Taylor

DeBroux, Travis Dillon, Omar Dumdum*,

Paulina Erdman*, Jessica Goerling,

Sheila Gubin*, Dan Hayes,

ETF Staff (Cont.):

Michelle Hoehne, Julie Keal*, Kyle

Kundert*, Caroline Marsh*, Alexandra

Meyer*, Laura Patterson, Kurt Petrie,

Michele Powers, Peter Rank, Sara

Regenauer*, Steve Schmidt*, Tim

Steiner, Ilana Sullivan*, Yikchau Sze,

Barry Tucker, Amanda Williams,

Kathryn Young

* Attended virtually.

Cheiron, Inc. (Cheiron):

Janet Cranna*, Graham Schmidt*

City of Elkhorn, WI:

Corrie Daly*

Department of Justice:

Alex Thillman*

Gabriel, Roeder, Smith and Company (GRS):

Jim Anderson, Mark Buis, Rich Koch

Jackson County, WI:

Cindy Altman*, Heather Winchell*

Legislative Audit Bureau (LAB):

Nathan Heimler*, Christian Lutz*, Erin Scharlau, Elizabeth Voelz Temple*

Little Chute, WI:

Lisa Remiker-DeWall*

Milliman:

Maxwell Berube, Paul Correia

Teachers Retirement Board:

J. Michael Collins*

UW-Madison:

Marissa Isensee*

Public:

James Robaidek*

Others (Unidentified):

1 individual connected via telephone.

Bill Ford, chair, called the meeting of the Employee Trust Funds Board (Board) to order at 9:00 a.m. As some Board members were attending virtually, Ms. Schnurr, the board liaison, took roll call and confirmed quorum.

ANNOUNCEMENTS

Ms. Epstein provided the following announcements:

- This was the first Board meeting for some new ETF employees, such as Jessica Goerling, the newest board liaison in the Office of the Secretary, and Michele Powers, the newest attorney in the Office of Legal Services.
- Becky Easland has been appointed to the Audit Committee by Mr. Ford.

CONSIDERATION OF OPEN AND CLOSED MINUTES OF MARCH 27, 2025, MEETING ([Ref. ETF | 06.19.25 | 2A](#))

MOTION: Mr. Nickels moved to approve the open and closed minutes of the March 27, 2025, meeting as presented by the Board Liaison. Ms. Flogel seconded the motion, which passed unanimously on a voice vote.

COMMITTEE REPORTS

Executive Committee

Mr. Ford noted that the Executive Committee met virtually on June 18, 2025. In that meeting, the committee approved the “Open Minutes of March 26, 2025, Meeting” ([Ref. EXC | 06.18.25 | 2](#)). Secretary Voelker went over the Board’s agenda for the next day. Ms. Felsmann highlighted information from the “Executive Committee Accomplishments Report: March 2025 – May 2025” ([Ref. EXC | 06.18.25 | 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.

During that meeting, the Executive Committee voted to move into closed session to discuss the survey results for this year's secretary's evaluation. Ms. Henning and ETF's Office of Talent Management (OTM) Director, Travis Dillon, were invited to attend the closed session to answer questions from the Executive Committee related to the survey and secretary's evaluation. Mr. Ford returned to open session to announce business deliberated in closed session and adjourned the meeting.

Audit Committee

Ms. Miller noted that the Audit Committee met that morning. In that meeting, Ms. Sze announced that Becky Easland had been appointed to the Audit Committee by the ETF Board Chair, Mr. Ford. The Audit Committee voted unanimously to approve the "Open Minutes of March 27, 2025, Meeting" ([Ref. AUD | 06.19.25 | 2](#)), as well as elected Angela Miller as chair, Katy Lounsbury as vice chair, and Becky Easland as secretary.

During that meeting, Mr. Petrie presented the "Contractor Selection and Oversight Process Audit" ([Ref. AUD | 06.19.25 | 4A](#)), and Ms. Williams presented the "Annuity Calculation Period Review" report ([Ref. AUD | 06.19.25 | 4B](#)). Ms. Sze provided an overview of the "Internal Audit Plan for FY 2026" memo ([Ref. AUD | 06.19.25 | 5A](#)). The Audit Committee unanimously voted to approve the draft internal audit plan for FY 2026. Ms. Sze then discussed the "FY24 – FY25 Biennial Audit Plan Update, including Open Issues Report and Insurance Administration System Oversight Monthly Reports" ([Ref. AUD | 06.19.25 | 5B](#)).

The Audit Committee voted to move into closed session to discuss the Onboarding and Offboarding Assessment. It returned to open session to announce business deliberated in closed session. The meeting adjourned after the announcement.

Budget and Operations Committee

Ms. Flogel noted that the Budget and Operations Committee met earlier that morning and voted unanimously to approve the "Open Minutes of March 27, 2025, Meeting" ([Ref. BUD | 06.19.25 | 2](#)).

In that meeting, Ms. Epstein provided several operational updates. She shared that modernization efforts continue at ETF and preparations were ongoing for a successful launch of Insurance Administration System (IAS) with the Universities of Wisconsin (UWs) on July 1. At the May meeting, the Group Insurance Board (GIB) set premium rates for the 2026 plan year. Ms. Epstein reported that the average non-Medicare premium increase will be 8% for the State program and 11.5% for the Local program. She noted that the premium increases were driven by rising healthcare costs, reserve fund stabilization, and administrative costs. The GIB had also approved the health plan

service area qualifications and other benefits of the State of Wisconsin Group Health Insurance Program at the May meeting.

During the Budget and Operations Committee meeting, Ms. Hunter provided a legislative update with information on proposed Senate and Assembly Bills. She also discussed ETF's biennial budget as approved by the Joint Committee on Finance.

Ms. Baxter provided the Budget and Operations Committee with an overview of the IAS and Pension Administration System (PAS) projects in the "ETF Modernization Projects Update" memo ([Ref. BUD | 06.19.25 | 5](#)), which included highlights, health, major milestones, and key issues and risks. She stated that ETF continues to work through challenges facing the IAS Program. At this time, there didn't appear to be any roadblocks to implementing IAS with the UWs on July 1.

Also in that meeting, Ms. Henning provided a summary of ETF's scorecard for the last quarter ending March 31, 2025 ([Ref. ETF | 06.19.25 | 6F](#)). She said that six of the seven measurements were on track. Resource constraints continued to delay the following initiative: "Percent of milestones completed to operationalize process management for all IAS-impacted process owners." Work on this initiative will resume when feasible.

EDUCATIONAL TOPICS

Actuarial Audit of the Wisconsin Retirement System (WRS) ([Ref. ETF | 06.19.25 | 4A](#)) PPT ([Cheiron](#))

Erin Scharlau from the LAB introduced consultants from Cheiron, Janet Cranna and Graham Schmidt, who had been hired by LAB to perform the five-year actuarial audit of the WRS. Cheiron's audit included GRS's "41st Annual Valuation of Retired Lives" ([Ref. ETF | 03.28.24 | 5B](#)), "43rd Annual Actuarial Valuation and Gain/Loss Analysis" ([Ref. ETF | 06.20.24 | 4A](#)), and the "Three-Year Experience Study January 1, 2018 – December 31, 2020" ([Ref. ETF | 12.09.21 | 4A](#)) reports.

Ms. Cranna and Mr. Schmidt said Cheiron found that the results of GRS's actuarial valuations were reasonable and accurate based on the adopted assumptions and methods. They also reviewed Cheiron's recommendation for an increase to the salary increase assumption, as well as other recommendations for how GRS could improve the clarity and understanding in their reports.

For future WRS experience studies, Cheiron recommended the following:

- A review of the deferred retirement age for terminated vested participants
- A discussion of credibility to address, whether there is enough data to discern an actual trend in behavior
- Graphs showing actual, current, and recommended rates to make it easier for the reader to understand the analysis
- Using Actual-to-Expected ratios for the current and recommended assumptions

Mr. Anderson said that GRS had reviewed Cheiron's findings and would take the recommendations into consideration.

GIB Programs ([Ref. ETF | 06.19.25 | 4B](#))

Ms. Walk provided an overview of the GIB programs. She went through a brief history of the GIB, recent statistics of individuals the GIB programs served, program costs (as of May 2025), current focus areas of the GIB, and how the programs were administered. She also said that GIB worked with contracted actuaries during the rate setting process and to perform valuation audits. This work was delegated to the GIB by the ETF Board.

The Board discussed the negative cash flow condition of the Group Health Insurance Program (GHIP) reserve. In order to pay premiums and claims, the GHIP was borrowing cash from the Core Trust Fund. The Board considered the information Ms. Walk provided on the impact of rising medical, pharmacy, and dental costs. Ms. Walk responded to questions about how the GIB's current focus areas, such as reviewing plan design and evaluating the local employer program, could mitigate increasing program costs.

DISCUSSION AND CONSIDERATION

Wisconsin Sick Leave Conversion Credit Programs Annual Valuation – December 31, 2024 ([Ref. ETF | 06.19.25 | 5A](#)) [PPT \(GRS\)](#)

Mr. Anderson and Mr. Koch from GRS reviewed the actuarial valuation of the Sick Leave Conversion Credit programs, which includes the Accumulated Sick Leave Conversion Credit (ASLCC) program and the Supplemental Health Insurance Conversion Credit program (SHICC). The Board discussed GRS's recommendation to increase the contribution rate by 0.1% for the ASLCC Program and 0.3% for the SHICC Program.

MOTION: Mr. Nickels made a motion to approve the Sick Leave Conversion Credit Programs Actuarial Valuation as of December 31, 2024. Mr. Abler seconded the motion, which passed on the following roll call vote:

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

Nays: None.

Absents: None.

The Board took a break from 10:42 a.m. to 10:50 a.m.

WRS 44th Annual Valuation of Active Lives and Gain/Loss Analysis – December 31, 2024 ([Ref. ETF | 06.19.25 | 5B](#)) [PPT \(GRS\)](#)

Mr. Anderson, Mr. Buis, and Mr. Koch from GRS presented the WRS Active Lives 44th Annual Actuarial Valuation and the recommended 2026 WRS contribution rates. The Board reviewed the following 2026 WRS contribution rate recommendations with GRS:

- Increase of 0.5% in contribution rates for general, executive, and elected officials
- No change in contribution rates for protectives with social security
- Decrease of 0.2% in contribution rates for protectives without social security

The Board asked that GRS provide trends and expected counts on new entrants for all census categories.

MOTION: Mr. Heller made a motion to approve the WRS Annual Actuarial Valuation and Gain/Loss Analysis as of December 31, 2024. Ms. Fogel seconded the motion, which passed on the following roll call vote:

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

Nays: None.

Absents: None.

40.65 Duty Disability (DD) Insurance Annual Valuation – December 31, 2024 ([Ref. ETF | 06.19.25 | 5C](#)) [PPT \(Milliman\)](#)

Mr. Janke, along with Mr. Berube and Mr. Correia from Milliman, presented on the “DD Insurance Program Actuarial Valuation – December 31, 2024.” Mr. Correia said that the DD Insurance Program remains in a good financial position at the end of 2024, with the funded ratio staying within the Board-adopted target range of 125% to 135%. The actuarial liability as of December 31, 2024, increased 3.7% from the prior year, primarily due to automatic benefit increases based on the national wage index. The reserve balance increased by 1.6% in 2024 primarily due to investment income.

Mr. Berube shared the baseline scenario and four additional scenarios with projected contribution rates and fund ratios that had been included in Milliman’s actuarial valuation. Milliman’s scenarios were as follows:

- Scenario 1 assumes investment income of negative 15% in 2025 and 6.8% in future years without changing contribution rates. This results in the projected fund balance below the target range by December 31, 2025, and a continuing decrease.
- Scenario 2 presents a gradual rate increase of 0.1% of covered payroll each year between 2026 and 2029 and then being held level. Under this scenario, the fund ratio remains within the target range and begins to trend upward in 2028.

- Scenario 3 assumes an increase in the contribution rate to 0.506% of covered payroll in 2026 and then being held level, resulting in the fund ratio reaching the mid-point of the target range by 2032.
- Scenario 4 illustrates the effect of reducing claim termination rates by 10%, thereby increasing liabilities and resulting in a projection of a continuous decline in the fund ratio beginning in 2025.

Based on the actuarial valuation and projections, Mr. Janke said ETF's recommendation was Scenario 2, increasing rates by 0.1% of covered payroll in 2026.

2026 DD Insurance Employer Contribution Rates [PPT \(ETF\)](#)

Ms. Ruetten provided a breakdown of Scenario 2 in her presentation on the 2026 Employer Contribution Rates for the DD Insurance program. She illustrated the recommended 2026 rates across eight tiers, which are based on an experience-rated tier schedule. Ms. Ruetten said that the DD Insurance program was supported by employer-paid contributions and investment income.

MOTION: Mr. Wilding made a motion to approve the DD Insurance Program Actuarial Valuation as of Dec. 31, 2024, and increase 2026 contribution rates by 0.1% of covered payroll. Ms. Easland seconded the motion, which passed on the following roll call vote:

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

Nays: None.

Absents: None.

OPERATIONAL UPDATES

Legislative Update ([Ref. ETF | 06.19.25 | 6A](#))

Ms. Hunter provided a legislative update focused primarily on retiree return-to-work proposals. She highlighted the following proposed legislation:

- [2025 SB 35](#) and [2025 AB 36](#)
- [2025 SB 105](#) and [2025 AB 138](#)
- [2025 SB 170](#) and [2025 AB 196](#)
- [2025 SB 301](#)
- [2025 SB 249](#) and [2025 AB 248](#).

2025-2027 Biennial Budget Update ([Ref. ETF | 06.19.25 | 6B](#))

On May 29, the Joint Committee on Finance (JCF) met and acted on the ETF budget. They approved one-time funding of \$71 million to support the replacement of ETF's current systems for pension administration with a modern, single Pension Administration System (PAS).

However, ETF has not received any of the additional positions submitted in the 2025-2027 Biennial Budget Request. The JCF eliminated one of ETF's vacant positions. Other agency budget requests were also having vacant positions eliminated.

Ms. Hunter said that ETF would continue to monitor the budget process. After JCF completes the changes to the budget, the Legislature is expected to make modifications to the budget and will deliver an amended budget bill to the Governor for review, approval, and/or partial veto of the budget to be effective July 1, 2025. ETF will continue monitoring the budget bill and provide updates, as necessary. Ms. Hunter said that it was unclear whether the budget will pass by the end of the fiscal year, June 30, or not.

Mr. Morrin left the meeting at 12:43 p.m.

Secretary's Report

Mr. Voelker began his Secretary's Report with additional details and context to the points highlighted in Ms. Hunter's "2025-2027 Biennial Budget Update" presentation. The JCF's approval of the one-time funding of \$71 million is significant, as it will allow ETF to continue its much-needed modernization. However, ETF would have to make important decisions on how to manage this funding over an extended period of time and be disciplined on spending for modernization efforts like PAS.

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 October 2025 Agenda ([Ref. ETF | 06.19.25 | 7A](#))

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

MOVE TO CLOSED SESSION

Mr. Ford announced that the Board will be taking a 20-minute break for lunch and will convene in closed session at approximately 1:05 p.m. for consideration of appeal

2023-022-ETF and to provide a Performance Evaluation of the ETF secretary. The Board will vote to reconvene in open session following the closed session.

MOTION: Mr. Abler made a motion to move to closed session pursuant to the exemptions contained in Wis. Stats. § 19.85 (1) (a) for quasi-judicial deliberations and Wis. Stats. § 19.85 (1) (c) to discuss employment, promotion compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility. If a closed session is held, the Board may vote to reconvene into open session following the closed session. Mr. Nickels seconded the motion, which passed on the following roll call vote:

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

Nays: None.

Absents: Morrin.

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

The Board returned to open session at 2:34 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON APPEAL DELIBERATED DURING CLOSED SESSION

Mr. Ford announced that the Board met in closed session to consider appeal 2023-022-ETF and adopted the Hearing Examiner's proposed decision with counsel's recommended modifications.

ANNOUNCEMENT OF BUSINESS DELIBERATED AND ACTION TAKEN DURING CLOSED SESSION

Mr. Ford announced that the Board met in closed session and discussed Secretary Voelker's performance evaluation and shared their comments with him. In relation to Secretary Voelker's compensation, the Board approved a base building Discretionary Merit Compensation (DMC) award of the maximum of the 95-02 pay range (a maximum of between \$1.83 and \$1.93 per hour, depending on what General Wage Adjustment rate is approved in the 2025-2027 Budget and Compensation Plan) once the DMC program is open and ETF's DMC/Discretionary Equity or Retention Adjustment FY26 Plan has been submitted to the Division of Personnel Management, and delegate to the ETF HR Director the ability to process this base building increase once these conditions are met.

ADJOURNMENT

Motion: Mr. Nickels moved to adjourn the meeting. Mr. Heller seconded the motion, which passed unanimously on a voice vote.

The Board adjourned at 2:37 p.m.

Date Approved: _____

Signed: _____
Chris Heller, Secretary
ETF Board