

DRAFT

MINUTES

June 17, 2021

**JOINT MEETING OF THE
Employee Trust Funds (ETF),
Teachers Retirement (TR),
and Wisconsin Retirement (WR) Boards**
State of Wisconsin



Location:

Department of Employee Trust Funds
This meeting was held via teleconference.

ETF BOARD MEMBERS PRESENT:

- Wayne Koessl, Chair
- John David, Vice Chair
- Robert Niendorf, Secretary
- Stephen Arnold
- Malika Evanco
- William Ford
- Chris Heller
- Michael Langyel
- Leilani Paul
- Roberta Rasmus
- Steve Wilding

TR BOARD MEMBERS PRESENT:

- Brent Grochowski, Chair
- Chris Heller, Vice Chair
- Esther Ancel, Secretary
- Adam Balz
- Amy Mizialko
- Allison Pratt
- Anton Przybylski Jr.
- David Schalow

WR BOARD MEMBERS PRESENT:

- John David, Chair
- Steven Wilding, Vice Chair
- Julie Wathke, Secretary
- Mark Afable
- Wayne Koessl
- Herb Stinski
- Mary Von Ruden

BOARD MEMBERS NOT PRESENT:

- James Langkamp, TR Board
- Katy Lounsbury, ETF Board

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JM	12.09.21	2

PARTICIPATING EMPLOYEE TRUST FUNDS STAFF:

Office of the Secretary:

John Voelker, Secretary
Shirley Eckes, Deputy Secretary
Tarna Hunter, Director of Strategic
Engagement and Government Relations
Cherylynn Wilkins, Board Liaison

Division of Retirement Services:

Matt Stohr, Administrator
Anne Boudreau, Deputy Administrator
Division of Trust Finance (DTF): Cindy
Klimke-Armatoski, Chief Trust
Finance Officer

OTHERS PRESENT:

ETF Division of Management Services:

Khali Glass, Patrick Hughes, Kadi
Mbanefo

ETF Division of Trust Finance (DTF):

Ramona Yee

ETF Division of Retirement Services:

Jim Guidry

ETF Office of Communications:

Nancy Ketterhagen, Mark Lamkins

ETF Office of Internal Audit:

Michelle Hoehne, Kimberly
Richmond, Yikchau Sze

ETF Office of Legal Services (OLS):

Monica Anderson, Diana Felsmann, David
Nispel

ETF Office of the Secretary:

Lisa Glosson, Pam Henning, Kathryn
Young

Legislative Audit Bureau (LAB): Bridget
Wieser

Department of Administration (DOA): Dana
Gehrmann

Gabriel, Roeder, Smith & Company (GRS):
Jim Anderson, Rich Koch, Brian
Murphy

Others: Erin Schoonmaker

Brent Grochowski, Chair, TR Board, called the Joint Meeting of the ETF Board, TR Board and WR Board to order at 9:01 a.m.

ANNOUNCEMENTS

Mr. Stohr provided the following announcements:

- Shirley Eckes as the new Deputy Secretary of ETF. Shirley then introduced herself and provided a few comments;
- Meeting logistics of multiple retirement board and committee meetings; and
- As of now, the intent is for the Boards to meet in-person in September.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Mr. David moved to approve the March 25, 2021, minutes of the Joint Meeting of the ETF, WR, and TR Boards, as submitted by the Board Liaison. Ms. Paul seconded the motion, which passed unanimously on a voice vote.

EDUCATIONAL TOPICS

Wisconsin Retirement System (WRS) 40th Annual Valuation of Active Lives and Gain/Loss Analysis – December 31, 2020

Mr. Murphy, Mr. Anderson, and Mr. Koch from Gabriel, Roeder, Smith Company (GRS) presented on the Active Lives Valuation (Ref. ETF | 6.17.21 | 3A). Mr. Murphy provided an overview of the funding objectives of the WRS. Stable contribution rates have been an important objective for the WRS. The risk share component of the WRS has made contribution rates fairly stable, which is better than most pension systems. In a well-funded system like the WRS, things are working like they should. Of the 258,338 active participants, the average earnings are \$58,317, with an average age of 44.8 years old and 11.2 years of service. The benefits promised to active and retired members is \$133.9 billion. Mr. Murphy reviewed the funding sources that will cover the benefit promises and the calculation to set the contribution rates. He discussed why there is more volatility with the contribution rates of the protective classes compared to general employees and the reasons for the contribution rate changes.

Mr. Ford asked about the disparity between the rates for the active employees and retirees. Assumption changes and mortality effect rates. There is a new tool called generational mortality that is being used, but it is still not perfect.

Mr. Koch discussed the market recognition account that smooths assets over the current year and four future years, which helps with the stability in contribution rates. Due to the cost-sharing nature of the WRS, asset gains are shared by employees, employers, and retirees.

Mr. Koch shared the gain/loss analysis that measures differences between assumed and actual experience in each risk area. It measures the assumptions and determines if changes are necessary. The WRS shares the risk of investments, asset and liability mismatch, and contributions. Additional risks include payroll risk, longevity of members, and other demographic risks.

Mr. Anderson explained the details of the gain/loss results and compared the experience to previous years. He also discussed the 2018-2020 WRS Experience Study and the selection of assumptions and the effect of changes in the assumptions.

Mr. Stohr shared the next steps with this valuation including approval of the report at the ETF Board meeting.

OPERATIONAL UPDATES

Retirement and Customer Service Trends

Ms. Boudreau provided an overview of the trends within retirement and customer service areas, highlighting (Ref. JM |6.17.21 | 4A) first quarter statistics on retirement estimates

and applications. Compared to the 2019 statistics, 2020 retirement estimates, and applications are up.

Employers previously found the onboarding process for the health plan benefits as confusing. As a process improvement, ETF revised wording, shortened the brochure, and added a checklist. ETF also created a short educational video to assist with the process.

The annual reconciliation process was completed 100% virtually, which was a terrific improvement. Reports from employers are coming in more accurately. ETF increased the number of queries to identify irregularities.

State Budget and Legislative Update

Ms. Hunter (Ref. ETF |6.17.21 | 4B) provided a summary of the status of ETF's biennial budget proposal. The Joint Committee on Finance (JCF) has started its budget review by removing over 400 policy items. The JCF took the budget "back to its base," including the removal of ETF's request for positions and modernization funding. ETF started communicating with members of the JCF. ETF looked at the basics of what we needed, which included two cyber security positions, three project positions, and modernization funding. We hope to have favorable outcomes.

Ms. Hunter referred the board to the memo (Ref. ETF |6.17.21 | 4B) highlighting a few of the legislative proposals that impact ETF.

Mr. Grochowski referred the Board to the remaining operational update items (Ref. JM | 6.17.21| 4C and 4H) and offered that staff were available to answer questions.

FUTURE ITEMS FOR DISCUSSION

The Board has no future items for discussion.

ADJOURNMENT

MOTION: Mr. Koessl moved to adjourn the meeting. Ms. Evancko seconded the motion, which passed unanimously on a voice vote.

The meeting adjourned at 10:25 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board