

DRAFT

MINUTES

December 9, 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	Katy Lounsbury
John David, Vice Chair	Amy Mizialko
William Ford, Secretary	Leilani Paul
Stephen Arnold	Roberta Rasmus
Malika Evanco	David Schalow
Chris Heller	Steve Wilding

TR BOARD MEMBERS PRESENT:

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

WR BOARD MEMBERS PRESENT:

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

BOARD MEMBERS NOT PRESENT:

Allison Pratt, TR Board

Board	Mtg Date	Item #
JM	3.24.22	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
Cheryllynn Wilkins, Board Liaison

Division of Retirement Services:

Matt Stohr, Administrator
Anne Boudreau, Deputy Administrator
Shelly Schueller, Director of Wisconsin
Deferred Compensation Program
Office of Communications: Mark
Lamkins, Director

OTHERS PRESENT:

ETF Division of Management Services:

Patrick Hughes, Kadi Mbanefo

ETF Division of Trust Finance (DTF):

Cindy Klimke-Armatoski, Caroline
Marsh, Amelia Slaney, Ilana Sullivan

ETF Division of Retirement Services:

Roger Fletcher, Jim Guidry, Julie
Keal, Kyle Kundert

ETF Office of Communications:

Nancy Ketterhagen

ETF Office of Internal Audit:

Michelle Hoehne, Yikchau Sze,
Amanda Williams

ETF Office of Legal Services (OLS):

Diana Felsmann, Dan Hayes

ETF Office of Policy, Privacy & Compliance:

Steve Hurley, Laura Patterson

ETF Office of the Secretary:

Pam Henning, Kimberly Schnurr,
Kathryn Young

Gabriel, Roeder, Smith & Company (GRS):

Jim Anderson, Mark Buis, Rich Koch,
Brian Murphy

State of Wisconsin Investment Board:

Jay Risch,
Chris Preisler

Mr. David, Chair, WR Board, called the Joint Meeting of the ETF Board, TR Board, and WR Board to order at 10:15 a.m.

ANNOUNCEMENTS

Mr. Stohr provided the following announcements:

- Reviewed the meeting schedule of the multiple retirement board and committee meetings;
- The WR Board appeal scheduled for January 6, 2022, has been resolved and the Board will not need to meet. The ETF Board is still scheduled to meet;
- The intent is to plan for all future Board meetings to be held in person. ETF will continue to monitor guidance from federal, state, and local health experts that may warrant changes. ETF's priority is the health and safety of our staff and the members we serve. Due to technology and facility limitations, combination virtual and in person meetings would be difficult for the audience at this time and meetings will be either 100% virtual or in person;
- Introduced Diana Felsmann as ETF's new General Counsel; and
- There is an election planned for two active member teacher seats on the Teachers Retirement Board. For the first time, ballots will be mailed to eligible voters using home addresses on file, instead of employer distribution.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Ms. Evanco moved to approve the June 17, 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) Three-Year Experience Study: January 1, 2018 – December 31, 2020

Mr. Murphy, Mr. Anderson, and Mr. Buis from Gabriel, Roeder, Smith Company (GRS) presented on the WRS Three-Year Experience Study (Ref. JM | 12.9.21 | 3A).

Mr. Anderson provided a history, overview, and an understanding of the purpose of the WRS experience study. He reviewed the process GRS uses to set the assumptions and explained how GRS involves the State of Wisconsin Investment Board (SWIB). He touched on some potential impacts of COVID-19 on the valuation.

Mr. Buis shared demographic assumptions for both state and local government members. Mortality assumptions is based on a single generational mortality table specifically for the WRS. Mr. Buis provided examples of how the generational mortality table is put into practice, recommended changes, and its impact on both the active lives and retired lives valuations.

Mr. Anderson reviewed the economic assumptions and how the historical experience table for prices and wages are utilized in setting the inflation assumption. Mr. Anderson explained what was used to set the investment return, including SWIB's historical trends, SWIB's expectations of investment return, and comparisons to other pension systems.

Mr. Murphy commented that the WRS investment return assumption of 7.0% is significantly higher than the NEPC's (one of the largest independent investment consulting firms and SWIB asset allocation advisor) 10-year forecast. In review of national trends and recent changes of other retirement system investment return assumptions, a 7.0% investment return assumption is near the upper end of the reasonable range. Historically, 7% was considered conservative, but now it is closer to the median, compared to peers, and trending downward. GRS is requesting the ETF Board consider reducing the investment return assumption from 7% to a figure between 6.8% and 6.2%.

Mr. Murphy provided a table showing how an investment return decrease would impact members, employers, and WRS plan. Overall, he said changing the assumed rate of return should not materially affect retiree dividends or employee contributions.

Mr. Stohr shared that the ETF Board will review the report and act at its meeting in the afternoon.

Wisconsin Strong Program

Ms. Hunter, Ms. Schueller, and Mr. Lamkins presented the results of ETF's Financial Wellness Program, Wisconsin Strong: Your Financial Security (Ref. ETF | 12.9.21 | 3B).

The Wisconsin Strong program was made possible by a one-year grant provided by the National Association of State Treasurers (NAST). ETF was 1 of 24 organizations that received the funding. The vision of this program was to create a holistic, innovative, and engaging program that provides the right education at the right time of the member's life. ETF wanted participants to take actionable, sustainable changes. The financial fitness part of this program provided an online financial self-assessment and used partners to leverage tools and resources for the benefit of participants.

Mr. Lamkins reviewed the marketing and education of the program. Marketing materials were developed in-house by ETF staff. ETF then partnered with employers to build engagement by providing mass and targeted digital marketing and education to employees.

The Measures of Success of Wisconsin Strong:

Engagement -- The set goals for champions and participants were nearly doubled; more than 18,000 people participated in the Wisconsin Strong program.

Satisfaction -- On a 5-point scale the average satisfaction was 3.9, with 86-87% stating the program fit easily within their work week and personal life, felt they were given the appropriate tools and resources, and would recommend the program to their coworkers, friends, or family members.

Changes in benefits knowledge, changes in behavior, and action -- Many participants acted or said they were planning to take action in the near future by creating a budget or spending plan, review a financial plan, make a positive change to improve their credit score, or start contributing more money to an emergency fund or a retirement account.

There was an overall positive response to the program via testimonials. The success of Wisconsin Strong demonstrated what ETF can do to help members understand how their benefits work.

State of Wisconsin Investment Board (SWIB) Appointee Annual Update

Mr. Schalow, the TR Board appointee to SWIB, presented a SWIB update. The market has been strong; SWIB exceeded its Core Fund assumed rate of return goal of 7%.

Mr. Schalow reviewed SWIB's asset allocation and discussed the stress testing SWIB conducts to evaluate and strengthen its investment strategy. Since 2013, SWIB has worked with the WRS's independent actuary to conduct stress testing every two years.

Mr. Schalow updated the boards on personnel changes at SWIB over the past year, including the death of David Villa, SWIB's Executive Director and Chief Investment Officer; and the newest SWIB Trustees, John Voelker and Clyde Tinnen. Additionally, SWIB is building a new office building.

Mr. Voelker, the WR Board appointee to the SWIB Board of Trustees, presented an update. Mr. Voelker was appointed in February 2021.

Asset allocations are set to be changed in December and there will be discussions about leverage. SWIB trustees do not do any investing; they provide ranges on where to invest money.

Stress testing at SWIB considers different investment risk scenarios and the impact on dividends and contributions. The goal is to determine the “Goldilocks Zone” which best balances risk and investment income. This has consistently been between 6-7% and continued to be in the most recent stress testing.

SWIB has committed resources to the cybersecurity and risk management areas and continues to examine how to best compete for talent. SWIB is an active investment management firm and in Mr. Voelker’s opinion, approaches its responsibilities in a professional manner.

OPERATIONAL UPDATES

Customer Service Improvements and Trends

Ms. Boudreau provided an overview of the trends within ETF’s retirement and customer service areas, highlighting (Ref. JM |12.9.21 | 4A) third-quarter statistics on retirement estimates and applications. She said that 2021 retirement estimates and applications were down for 2021 when compared to the same quarter in 2020.

The It’s Your Choice period (health insurance open enrollment) is a busy time of year for the call center. This year, the number of calls answered were up by 7.89%, with the average wait time down 45 seconds. There were no significant plan changes requiring action, which we believe resulted in fewer calls. Webinars to educate members of the various benefit offerings have proven effective and well received by members.

As we strategically build for the future, we are making incremental, operational improvements to better serve customers – for example, providing the ability to request an estimate and a retirement appointment online. The number of members requesting retirement estimates online has increased from 20% at the start of 2020 to 35% thus far in 2021. During 2021, the majority of members scheduled an appointment online, with 51% of members using ETF’s online scheduler tool.

In addition, a secure information exchange system, Box, enables staff to respond to member requests quickly and securely for confidential information. Box is user-friendly for members and will be fully implemented in the coming weeks.

Legislative Update

Ms. Hunter highlighted a few of the legislative proposals that affect ETF (Ref. ETF |12.9.21 | 4B). Ms. Hunter reviewed the status of two bills that relate to the return-to-work laws for teachers. She also talked about the bill related to designation changes to members of an urban search and rescue task force, even though it does not directly affect ETF.

Mr. David referred the Board to the remaining operational update items (Ref. JM | 12.9.21| 4C and 4F) and offered that staff were available to answer questions.

FUTURE ITEMS FOR DISCUSSION

Mr. Stohr reminded the boards of the retired lives valuation in March. He requested two TR Board members for the Election Certification Committee in March. Mr. Heller and Mr. Balz volunteered.

ADJOURNMENT

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

The meeting adjourned at 12:49 p.m.

Date Approved: _____

Signed: _____

William Ford, Secretary
Employee Trust Funds Board