

DRAFT

MINUTES

December 8, 2022

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



Location:

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

ETF BOARD MEMBERS PRESENT:

William Ford, Chair	Amy Mizialko *
Steve Wilding, Secretary	Leilani Paul
Jen Flogel	Roberta Rasmus
Chris Heller	David Schalow
Angela Miller	

TR BOARD MEMBERS PRESENT:

Chris Heller, Vice Chair	Amy Mizialko *
Esther Ancel, Secretary *	Allison Pratt
Ryan Kamien *	David Schalow

WR BOARD MEMBERS PRESENT:

Steven Wilding, Vice Chair	Angela Miller
Julie Wathke, Secretary *	Mary Von Ruden *
Nathan Houdek	

BOARD MEMBERS NOT PRESENT:

Stephen Arnold, ETF Board	Katy Lounsbury, ETF Board
Adam Balz, TR Board	Anton Przybylski Jr., TR Board
John David, ETF and WR Board	Christy Schwan, WR Board
Brent Grochowski, TR Board	Herb Stinski, WR Board
Wayne Koessl, ETF and WR Board	

Board	Mtg Date	Item #
JM	09.21.23	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
Kyle Kundert, Program and Policy
Analyst

Office of Policy, Privacy & Compliance:

Laura Patterson, Policy Advisor

OTHERS PRESENT:

ETF Division of Management Services:

Taylor DeBroux, Victor Dupuy *,
Patrick Hughes *

ETF Division of Retirement Services:

Roger Fletcher *, Jim Guidry, Julie
Keal *

ETF Office of Communications:

Nancy Ketterhagen

ETF Office of Internal Audit:

Shellee Bauknecht *, Michelle
Hoehne, Kurt Petrie, Yikchau Sze,
Amanda Williams

ETF Office of Legal Services (OLS):

Laura Brauer, Diana Felsmann, Dan
Hayes, Peter Rank

ETF Office of Policy, Privacy &

Compliance: Julie Coleman *, Steve
Hurley

ETF Office of the Secretary:

Pam Henning, Kimberly Schnurr,
Kathryn Young

Ethics Commission: David Buerger

WisconsinEye *

* Attended via teleconference

Mr. Ford, Chair, ETF Board, called the Joint Meeting of the ETF Board, TR Board, and WR Board to order at 9:06 a.m.

ANNOUNCEMENTS

Mr. Stohr reviewed the meeting schedule of the multiple retirement boards and the committees.

Mr. Ford announced that today's meetings are going to be recorded by WisconsinEye.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Ms. Rasmus moved to approve the March 24, 2022, minutes of the Joint Meeting of the ETF, WR, and TR Boards, as submitted by the Board Liaison. Mr. Heller seconded the motion, which passed unanimously on a voice vote.

EDUCATIONAL TOPICS

Board Policies and Format Update

Ms. Patterson (Ref. JM | 12.08.22 | 3A) provided an overview of the multiple board governance policies and procedure documents. Currently, each of the five governing boards has its own policies. Ms. Patterson is recommending a consolidation of each document into a single policy document for all governing boards. Board members will have answers to questions from a single document, which will be more efficient for the member, the board, and ETF.

The single policy document contains all policies related to the boards; however, this document does not include any policies to specific Board related benefit plans or programs.

Ms. Patterson addressed each of the following policies in the document: Conflict of Interest; communications to ensure Board members are following their fiduciary duties with regard to communications; privacy of personal Information, which is addressing member's personal information; Board operations; and vendor procurement.

The Boards will review this document every three years; however, this does not prevent ETF from bringing a topic up earlier and asking for approval of the change.

Wisconsin Retirement Systems Numbers from the Active Member's Point of View

Mr. Kundert (Ref. JM | 12.08.22 | 3B), shared the current Wisconsin Retirement System (WRS) active member workforce numbers including demographic trends relating to age and years of service. The WRS active membership count was basically the same in 2021 as they were in 2001.

The number of employees leaving WRS employment (and becoming inactive members) prior to minimum retirement age has been slightly increasing since 2003, with a significant jump between 2020 and 2021. The number of employees retiring prior to normal retirement age saw a significant jump in 2011 likely due to Act 32 and Act 11 but has been mostly flat since 2003. The protective occupations have higher early retirement numbers from 2017-2021.

Contribution rates have increased slightly over time but have been relatively flat since 2013. The WRS uses a shared contribution model for employees and employers.

Mr. Stohr discussed 2011 WI Acts 32 and Act 11, during which ETF saw an increase in retirements. In the third quarter, ETF had a slowdown in requests for retirement estimates and applications, presumably based on economic factors. Board members asked about potential legislative proposals to change the retirement age and how that may contribute to the number of retirements. Mr. Stohr talked about the past legislative proposals that would have increased the minimum retirement age to 59 as an example, but those bills did not

pass. Nevertheless, currently the average retirement age has been around 60-61 years old. Point being, there are many reasons people retire when they do, such as the economy. Board members asked about the funding of the WRS in light of the numerous retirements in recent years and the baby boomer retirement numbers. Mr. Stohr talked about the various controls in the WRS to keep the WRS current with trends, such as the three-year experience study and contribution rate and annuity adjustment annual reviews and valuations. He also pointed to the significant number of employers that have joined the WRS the last 5 years.

Mr. Voelker commented that even with all the market changes and legislative changes, the contribution rates have been stable, the WRS has been recovering from the great recession, and WRS continues to be fully funded.

Ethics Training

Mr. Buerger (Ref. JM | 12.08.22 | 3C) discussed the Ethics Commission as an agency. It is very small, with only six partisan appointments. Lobbying is prohibited and as a board member, you cannot receive anything of pecuniary value. However, board members can be reimbursed for expenses incurred to speak at a group event.

Board members need to always consider the following: a person cannot use their position to obtain financial gain or anything of substantial value for the private benefit of themselves, their immediate family, or an organization with which they are associated. As a board member, you need to identify who is benefiting. For example, the attendance at these Board meetings benefits the state because of your attendance and work. This allows you to accept meals, lodging, and expenses.

Mr. Buerger discussed conflict of interest and when an official may act. If a Board member has questions regarding the law and what they can or cannot do, contact the Ethics Commission directly.

State of Wisconsin Investment Board (SWIB) Appointee Annual Update

Mr. Schalow, Teachers Retirement Board Representative, provided the September 30 investment numbers available from SWIB's website. The current Core Fund was -17.64%, but to-date it is at -11%. The Core Fund's five-year performance average is 5.85% and the 10-year average is 6.9%. The target performance for the Core Fund is 6.8%. Mr. Schalow offered a historical perspective comparing the 2008 negative performance versus the annuity adjustment for the next five years.

Mr. Schalow talked about the new Board members on SWIB and shared an architectural drawing of SWIB's new office building scheduled to be completed in early 2023.

Mr. Voelker, Wisconsin Retirement Board Representative, used two words to describe SWIB's 2022 – Volatility and Change. Volatility: the -11% Core return is good considering

the market and where the return was earlier. For example, if we get to a negative 10% performance, there will be a small +1.9% to 2.3% annuity adjustment in 2023.

Mr. Voelker highlighted changes that SWIB is focused on. SWIB Executive Director/Chief Investment Officer (ED/CIO), Edwin Denson is still relatively new and is assessing organizational structure, restructuring some areas, and reassigning some staff. SWIB is trying to hire someone to do Mr. Denson's asset allocation duties, prior to him becoming ED/CIO. SWIB also has a consultant to review a long-term compensation program to assist with retaining high-level staff. Operationally, SWIB is modernizing its back office to bring more administration in house. As a point of reference, 74% of assets are actively managed by SWIB, and 48% of assets are internally managed. The percent of internally managed assets are down from a high of 65% in 2015. SWIB continually assesses the asset allocation. A new asset allocation currently under consideration by SWIB projects the 10-year return to just under our assumed rate of 6.8%.

OPERATIONAL UPDATES

Customer Service Improvements and Trends

Ms. Boudreau (Ref. JM | 12.08.22 | 4A) compared the third quarter of 2021 to this year's third quarter. The request for retirement estimates are down 19.4% and retirement applications are down 10.7%. Member calls and emails were up 13.2% during the It's Your Choice open enrollment. Open enrollment was substantially up from 2021, primarily due to the withdrawal of WEA Trust from the state group health insurance program that affected nearly 55,000 members.

Ms. Boudreau highlighted a few of the business area improvements made this quarter:

- 1) ETF installed the latest version of its call routing system. One of the features implemented includes whisper coaching, which allows a trainer to provide information to the specialist while on a call without the member hearing. This translates to a better customer experience for members;
- 2) ETF has been holding targeted employer discovery sessions, creating strong partnerships;
- 3) Recently, ETF piloted a new death match service. This service helps ETF be proactive to ensure we are only paying members or named survivors who are alive; and
- 4) ETF now offers a kiosk for members to self check-in for their appointment in the reception area on the 8th floor.

Legislative and Budget Update

Ms. Hunter provided an update on ETF's budget request and the current legislative composition after the last election cycle.

With regard to ETF's budget request, ETF has been working with the Department of Administration and had multiple conversations regarding ETF's priorities and the risks with ETF's IT legacy systems.

Ms. Hunter (Ref. JM | 12.08.22 | 4B) primarily focused on the election results. ETF has been developing relationships with both parties in the legislature and will continue doing so.

In 2023 there is the potential for several proposals to be passed that affect ETF including budget, return-to-work, increasing minimum retirement age, change in the final average earnings calculation, jailers bill, and the City of Milwaukee and Milwaukee County joining the WRS.

Mr. Ford referred the Board to the remaining operational update items (Ref. JM | 12.08.22| 4C and 4G) and offered that staff were available to answer questions.

FUTURE ITEMS FOR DISCUSSION

Mr. Stohr reminded the boards of the WRS retired lives valuation and the SWIB update that are planned for the March 2023 agenda.

ADJOURNMENT

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

The meeting adjourned at 11:02 a.m.

Date Approved: _____

Signed: _____

Steve Wilding, Secretary
Employee Trust Funds Board