

# Wisconsin Coalition of Annuitants

Minutes of Meeting December 16, 2009

The meeting was held at the Wisconsin Professional Police Association Building, 304 Coyier Lane Madison and was called to order by Chair Jim Palmer at 9:30am.

**MEMBERS & ALTERNATES PRESENT:** O. Berge, WARSDA; V. Cutler, UWMRFA; J. Elmer, WREA; B. Fendel, AFSCME; E. Frank, DNR; B. Frantz, DOT; J. Grosklaus, West Allis; M. Held, WFT-R; R. Hoessel, DOT; C. Howard, WEAC-R; D. Klimpel, UWMRA; D. Kratz, CORR; J. Maydak, West Allis; J. Palmer, WPPA; D. Rohweder, ESP, W. Rowe, ACE; B. Schaefer, SEA; J. Skiles, UW-R; J. Stoddard, CORR; J. Vreeland, WAUWATOSA; A. Wallace, UWMRA; J. Zwadzich, SWIB.

**GUESTS:** S. Drew, A. Fendel, D. Schmidt, M. Stohr.

**EXCUSED:** J. Miller

## **GUEST: Dan Schmidt, Senior Analyst, Legislative Council**

Last month there was a question on IRA conversion and Mr. Schmidt provided an email which was forwarded (11/19). Introduced 12/2/09 is SB 416 which combines two federal laws into one state law. Almost annually the WI Dept. of Revenue makes changes to meet federal tax changes. SB 416 covers changes that have been made over several years and does a "catch up". SB 416 addresses the IRA to Roth IRA conversion, for those with over \$100,000 adjusted gross income, allowing tax payment over two years rather than at disbursement. The Bill also removes a sunset clause on amounts that may be contributed to retirement plans and IRA's. Two other Bills address the changes in SB416. AB 608 addresses the conversion part of Bill SB 416. SB 420 addresses the second part of SB 416 which is the amount that may be contributed to retirement plans and IRA's. If SB 416 and AB 608 did not pass and SB 420 did pass then the conversion tax change would not follow the federal law. At this time there are no companion Bills in either house. These Bills are more tax Bills than retirement Bills. There appears to be a concern for cost to the state, however, if SB 416 did not pass WI would be one of only a few states with the restriction. SB 416 does not have an effective date and there is no age limit. SB 390 would require ETF to deduct organization dues and provide organizations with names and address and is still in committee.

**MINUTES** of the November meeting were approved as mailed.

## **GUEST: Matt Stohr, Director Legislation, Communication, Planning, ETF**

Provided was a copy of a letter dated Dec.14 from ETF to the Joint Committee on Finance requesting funds and position authority under s.13-10. The request is for approximately \$1.1M Three requests are: 1) funds and four new positions, two call center and two field representatives to meet with retirees and employers mainly out state, which will improve customer service. 2) secure funds for legal services, establishing a base budget appropriation, to review compliance with federal law, and 3) funds to participate in a benchmarking study in 2010 comparing ETF to other systems. Under the first request additional temporary resources are needed to compute the Variable Fund compared to the Core for those who request what their Core would be if never enrolled in the Variable. Also, the statement of benefits for actives is presently sent to employers for distribution and ETF would prefer to mail them directly to the recipients. The over all request in s.13-10 has funds already set aside by the Committee and will have no impact on annuitants or any where in the system. The request will be acted on tomorrow 12/17. The ultimate goal is to establish passive review for funding and positions similar to SWIB. The s.13-10 requests will align with the implementation of the strategic plan.

Mr. Stohr provided a copy of his letter dated Dec. 1 to the ETF Board updating legislation and communications. There are several Bills that would impact the retirement system; however, there

has not been much activity on them. Several of the Bills have been discussed at previous meeting and by Mr. Schmidt.

SB 390 would require ETF, upon contact from an annuitant, to deduct organization dues on a monthly basis. ETF would also be required to mail information to organization members. ETF would be reimbursed for expenses; however, the reimbursement would go into the Trust Fund not into ETF operations. On 12/3 the ETF Board opposed the Bill based on 1) not consistent with intent or a good use of Trust Fund dollars and 2) providing mailing lists to organizations becomes a privacy issue and has a potential for abuse. There are concerns with the language of the present Bill. SB320 closes the Variable Fund to new enrollees on 1/1/11. The Bill is with the JSCRS and has not had a hearing. With the Variable Fund performance the mood may have changed; however, ETF supports the Bill. This year the Variable Fund had 121 conditional opt outs and 238 unconditional opt outs with 1571 new enrollments. We also received a map with retirees' primary state residence.

Several Bills are costly and some have not seen activity since introduced. Firefighters and Professional Police organizations will be contacted to inform membership of the Fallen Hero's Federal Law of 2001 that provides survivor tax benefits. ETF website has an updated annuity adjustment letter with additional percentage of returns and adjustment. As of November 31 the Core was 21.1% which means an adjustment of -1.5% to -2.0%. The actuary has indicated the numbers are on the high edge meaning the adjustment could be in the -1.0% area.

ETF has not done an analysis of the national health plan. Pre-existing conditions is a major change but should not have an impact for ETF because of the open enrollment period which permits individuals with pre-existing conditions to enroll. What might have an impact is getting all the plans in compliance and how "Cadillac" plans are defined. At this time no one has any answers.

#### **GUEST: Sandy Drew, Legislative and Beneficiary Liaison, SWIB**

Ms Drew provided a comparison chart for November. Nov. '08 the Core was -28.7% and Nov. '09 it is 21.1%, the Variable was -40.9% and now is 30.4%. Eighteen of the twenty five internal portfolios have exceeded their benchmarks. All asset classes beat benchmarks except real estate which has been down several years until the last quarter and it looks positive for this quarter. In the last 25 years there have been 4 years of 20% plus earnings and 6 of the 25 had negative returns. March 9 was the bottom of the market and from March 10 - 14 the market recovered 11.4%. Because of rebalancing prior to March SWIB was able to take advantage and benefit by the brief five day recovery.

Ms Drew thanked the WCOA for the letter to Sen. Kohl. CEO Bozarth met with our elected members and offices in Washington. Many of the provisions we supported are in the House Bill which was voted out last week. Under the Bill; the SEC has the authority to adopt a rule which give shareholders access to the proxy and a non binding vote on executive compensation, regulators will have the authority to limit incentive compensation. The Bill creates a Consumer Financial Protection Agency covering financial products and restrictions on credit rating agencies. Included is majority voting for directors and election of independent chairs. SEC would have independent funding. However, the Senate has a similar Bill which is in committee chaired by Sen. Dodd of which Sen. Kohl is a member. Sen. Dodd is involved with healthcare reform and has reelection concerns. Therefore, it does not appear anything will occur this year in the Senate and it is questionable for the next term considering Sen. Dodd and the industry opposition. Sen. Kohl is our contact and should be encouraged to get the Bill out of committee.

CEM consultants indicate that in 2008 SWIB had more internal management of Core Funds than peers, at less cost, resulting in a cost savings of \$32M. SWIB's total costs were 35.3 basis points or cents per \$100 managed compared to 39.8 basis points for the peers.

Sector portfolios in equities have seven active and three passive. International Internal is being merged with the Large Cap sector to become a Global portfolio. International Small Cap will remain the same with external management because of size of the companies and languages.

SWIB is presently recruiting for two Small Cap analysts and has requested release of the three positions still held by DOA. Sad news is a young analyst, 30's, in Fixed Income died from kidney complications and another Fixed Income analyst was activated for Military service.

SWIB Board meeting last Wednesday was cancelled due to a snow storm, rescheduled for Jan. 26. The Trustees were in town for committee meetings on Tuesday but could not legally meet on Wednesday because of the State shutting down. Compensation committee voted no pay increase for SWIB employees and this along with annual asset allocation and the annual report will be topics at the Board meeting. The snowstorm tested the disaster recovery plan which worked well with people working from home even though SWIB was open because the markets were open. SWIB will not be closed when other agencies close for furloughs.

The December SWIB Report was provided; back page has potential annuity adjustments.

When we write in regard to WRS issues it would be nice to copy Mr. Bozarth. The Restoring American Financial Stability Act has been heavily lobbied against the provisions that we support.

What is the staff turnover rate for SWIB? Ms Drew will obtain the information for us. (Emailed 12/16 2006 3.6%, 2007 5.4%, 2008 1.6%, 2009 not calculated).

Annuity adjustment is based on the returns on 12/31 and is adjusted on May 1 even though we have received several ETF Annuity Payment Statements throughout the year because of the federal tax changes.

**CORRESPONDENCE:** None

**OLD BUSINESS:** Annual Conference (May 10, 2010). SWIB will post the conference on their website, at a time to be determined, and ETF will have a notice in the January newsletter. Committee members shared ideas and will have a time table and identified volunteer needs. Early bird registration will be prior to April 15. The old mailing list needs to be updated.

Treasurer elect indicated we need to complete the SS-4 EIN process to setup our bank account at Summit Credit Union, there is a branch near the Treasurer's home in West Allis as well as in Madison. The board will explore the options for our organization.

**NEW BUSINESS:** Jane Elmer informed us that the WREA dental plan offered to all WRS retirees has added a feature. WRS retirees now have a choice of three dental plans to supplement their health insurance plans. They also have a discount plan. Ms Elmer will provide additional information for our next meeting.

Ask Mr. Schmidt to share the Comparative Study report when available.

**NEXT MEETING: January 20, 2010 9:30 am, WI. Professional Police Association Building.**  
The meeting adjourned at 11:15am

Respectfully submitted – Dick Kratz