

Wisconsin Coalition of Annuitants

Minutes of Meeting June 17, 2009 **Corrected 7/15/09**

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

MEMBERS & ALTERNATES PRESENT: E. Frank, DNR; J. Grosklous, West Allis; J. Gruentzel, DOT; R. Hoessel, DOT; C. Howard, WEAC-R; A. Hubbard, WSAA; D. Kratz, CORR; J. Maydak, West Allis; W. Rowe, ACE; B. Schaefer, SEA; J. Skiles, UW-R; T. Speranza, RPPFW; J. Stoddard, CORR; J. Vreeland, WAUWATOSA; A. Wallace, UWMRA; J. Zwadzich, SWIB.

GUESTS: L. Checovich, S. Drew, M. Stohr.

EXCUSED: J. Elmer, J. Miller, J. Palmer, D. Schmidt

MINUTES of the April meeting and May Conference notes were approved as mailed.

GUESTS: Matt Stohr, Director Legislation, Communication, Planning, ETF

Joint Committee on Finance completed their budget the end of May, the Assembly approved their budget last week, and the Senate will probably approve their budget by tomorrow. Any differences between the Assembly and Senate will be resolved by a Conference Committee and then to the Governor. With time frames, federal money involved, and the same political majority in both houses the process is moving quickly.

Several budget items have ETF impact. 1) ETF opposes the voluntary deduction of dues from retirement annuities and the providing of names and addresses to labor organizations. The major conflicts are with SS40.01 (trust funds to be used to provide benefits or a service to provide benefits) and SS40.07 (personal information with ETF is not a public record). ETF has never shared names and addresses other than required by law. 2) ETF has been budgeted \$5,000 to do an actuarial study on protective occupation participants. This study is long over due; however, the \$5,000 funding should go to the JSCRS/Leg Council which has the study responsibility and not ETF that has almost no GPR funds. 3) Survivor benefits for police and firefighter participants who die in the line of duty, Federal Fallen Hero's Act, are not subject to federal taxation. This would require ETF to determine the cause of death which ETF does not do. ETF's position is the survivor's tax preparers should be knowledgeable of the Act. The above three items are questionable budget items.

The following are expected to be in the budget. 1) Domestic partners benefits which have previously been discussed will have definition and documentation details in the final Bill. 2) Education support staff will be eligible for participation in the WRS by reducing the minimum hours of yearly employment to the same as teachers. The above two items are considered good public policy.

ETF employee furloughs and potential layoff details are unknown. ETF is exempt from the Governor's latest 5% agency reduction. However, the ETF budget will be reduced almost \$1M to \$24M. There is no savings to the state but the furloughs and layoffs equal almost \$1M. ETF expects to receive 3.9 positions and may have to use a 1310 request to Joint Finance to meet service requirements. With ETF reduced funding; travel, training, call center hours and other services may be cut back. The Annuitant Roundtable quarterly meetings will most likely be eliminated due to lack of resources. Comment was made that we are sorry to see the ART disappear. The ART was a smaller group, than the WCOA, and provided free discussion and ETF received good input from the meetings. WCOA will have as an agenda item a review of options for the ART.

ETF is looking at additional cost savings efforts in distribution of information. Mr. Stohr will keep us posted and assured us of representation from ETF.

The May newsletter had an article on federal tax "under withholding". May 1 there were new tax tables and now there is a new tax table as of July 1. ETF has the information on its website. This has been confusing for retirees and has created a backlog at ETF. Retirees should review their July 1 Annuity Statement which they will receive within the next few days.

What impact will the furloughs have on three highest years of earnings? Unknown at this time.

It is expected that ETF workload will increase with the IRS tax tables and employees considering retirement with concern for lack of raises, furloughs and health insurance costs.

ETF Board meets tomorrow, June 18, 2009. The Board will review employer contribution rates and the actuary is recommending increases of .6% for general to 11%, .4% for elected, 1.0% for protective with social security and 1.4% for protective without social security.

The Bill on the Variable will be pursued after the budget is completed.

Sandy Drew, Legislative and Beneficiary Liaison, SWIB

Ms Drew introduced Laura Checovich a UW intern with SWIB.

SWIB performance was positive: May 31, 2009 CORE 4.5% and Variable 8.0%. Both funds were ahead of their benchmarks. The Core fund was \$59.4B and the Variable \$4.1B. The two negative areas are real estate and private equities. Several indexes were compared over the past five months reflecting the volatility of the markets. Stocks have rebounded and Bonds are now negative.

SWIB budget is on a Basis Point (amount of dollars in management). The 2010 budget will be \$26.8M which is lower than the formula. SWIB will have the 1% budget reduction and the 2% salary reduction which will not change the budget, since it was never included. The greatest impact will be furloughs of SWIB staff. Use of contractors or External Managers appears exempt for SWIB and hopefully will remain that way in the budget.

SWIB is requesting an exemption to the Government Accountability Board rule that SWIB can not share information with interns because interns also invest with the UW Foundation which is not a state agency. SWIB has 17 interns from the UW School of Business Applied Securities Analytic Program (ASAP).

The last budget authorized 20 positions and SWIB filled 14 with the other six now frozen by DOA. In addition new vacancies are frozen which includes; a Fixed Income analyst, a Corporate Governance position, and a Financial Management position. The retirement of the Head Trader, Valata Dewalt-Butler and her replacement has been approved by DOA. SWIB has moved Internal Management from 20.7% the end of 2007 to 39.1% as of 3/31/09 which is a substantial savings. The Board has not taken action on any 2008 bonuses. Trustees reappointed by the Governor are Tom Boldt and Bill Levit. A new appointee is Bruce Colburn who requires Senate approval. MARK YOUR CALENDAR The SWIB Reception is scheduled for September 8, 2009. Speaker will be Francois Trahan, ISI "Bubble" expert.

Ms Drew asked for input on communications and reaching retiree groups throughout the state. Retirees need to understand how the money is invested and how returns affect them. If anyone has an interest in having SWIB or ETF at any meeting, contact them.

CORRESPONDENCE: Jack Stoddard sent a thank you to our Conference keynote speaker.

John Maydak provided a copy of the WI Taxpayers Alliance article on the WRS.

OLD BUSINESS: Annual Conference review / feed back

Notes and comments will be shared with the Executive Committee with the suggestion that a Conference Committee be created.

NEW BUSINESS: Dental Insurance - Ed Frank

In April Anthem Dental Blue had an internal audit and thought they were insuring only UW and (OSER) state employees, not all WRS participants. Therefore, former public school teachers and local employees will not be covered by the plan. ETF has said they do not have any responsibility or authority for retiree dental plans, however, ETF contracts for the active employee's dental plan does payroll deduction and the GIB approves rates for Anthem Dental Blue and this is considered a benefit to actives. ETF would require a separate plan for all WRS retirees that they would then approve through the GIB and set the retiree cost and consider it a benefit. However, WREA has a comparable and competitive plan with Ameritas that is available to all WRS participants and independent of ETF involvement. More on this subject later.

NEXT MEETING: July 15, 2009 9:30 am, WI. Professional Police Association Building. The meeting adjourned at 11:35am

Respectfully submitted – Dick Kratz