

# Wisconsin Coalition of Annuitants

Minutes of Meeting March 18, 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 9:35am.

**MEMBERS & ALTERNATES PRESENT:** O. Berge, WARSDA; V. Cutler, UWMRFA; J. Grosklaus, West Allis; J. Gruentzel, DOT; R. Hoessel, DOT; C. Howard, WEAC-R; A. Hubbard, WSAA; O. Jones, DOT; E. Kehl, DILHR/DWD; D. Kratz, CORR; J. Maydak, West Allis; J. Palmer, WPPA; D. Rohweder, ESP, B. Schaefer, SEA; J. Skiles, UW-R; J. Stoddard, CORR; J. Vreeland, WAUWATOSA; A. Wallace, UWMRA.

**GUESTS:** B. Reis, H. Stein, M. Stohr.

**EXCUSED:** J. Elmer, E. Frank, J. Miller.

**NEW MEMBER:** Ralph Hoessel, DOT was introduced by Omer Jones whom he is replacing.

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

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

**Communication:** ETF has released the annuity adjustment for May 1. The Core will be a negative 2.1% and the Variable will be a negative 42.0%. The Employer contribution rates will increase in 2010 by less than a full percent. ETF will be providing employer bulletins and will have web site videos. The ETF web site has numerous videos that address various issues and answer many questions. (secretary lost notes on remaining Communication comments)

**Budget:** There are a number of issues in the Governor's budget that would have an impact on ETF. The authority to create or abolish positions under a 14 day passive review process will be proactive for efficiency and service to WRS participants. The budget has a net gain of four positions so the passive review will be beneficial. The domestic partner provision will need revision to make it function for benefits including death benefits. There are guidelines for joint survivor and statutory standard sequence of survivors based on blood line with validation but nothing to include domestic partners. The creation of regional transit authorities' would become part of the WRS. Educational support staff working 440 hours per year would be eligible for WRS participation as part-time employees, a reduction from the current 600 hours per year to participate. Full year credit is 1904 hours for support staff and 1320 hours for teachers, administrators and librarians. There has been a request by Jane Elmer to the Co-chairs of the Joint Finance Committee, with copies to the Governor and the JSCRS, to conduct an actuarial analysis for the impact of the educational support staff changes on the WRS. There are several health related issues in the Governors budget that also will be ETF issues. ETF is also asking for the authority to purchase or build a new building. The current building is at capacity and a number of employees are located in a second building. The request is not in the Governor's budget but was forwarded to the Building Commission. There was some discussion on the budget proposal to consolidate the state attorneys under one agency and the HR staff in OSER. ETF attorneys may be exempt but HR would not be exempt.

**Legislation:** Variable fund closure, as proposed by the ETF Board, will be introduced by the Co-chairs of JSCRS. The effective date has not been determined. The media continues to imply the closure is due to poor investment return even though the Board has had it as a topic since 2007. SB 88 and AB126 relate to credible military service purchase with a maximum of four years and were referred to the JSCRS. SB 65 relates to tax exemption for retirement/pension income with a progressive income exemption beginning with \$5,000, presently in JSCRS. Similar Bills have been introduced in past sessions. The Federal Heart Act is a mandate and also relates to military service and needs to become part of WI law by 2012. Like the budget there are a numbers of health related Bills that have been introduced and could have an impact on WRS, local and private insurance.

**Question:** Why does the Variable have a 5% cost before any distribution? The 5% is an actuary cost considering mortality experience for lifetime benefits. ETF overall costs are about 3 cents for every 100 dollars.

**CORRESPONDENCE:** None

**NEW BUSINESS:** Jim Skiles reported on the JSCRS informational hearing on March 11, 2009, on Corporate Governance and Clawback provisions within the SWIB. The committee concern was what SWIB is doing to influence some of the corporate behaviors and how SWIB is “clawing back” or getting money from illegal transactions. The complete hearing is available on WisEye at:

[http://www.wiseye.org/wisEye\\_programming/ARCHIVES-jointcommittees.html](http://www.wiseye.org/wisEye_programming/ARCHIVES-jointcommittees.html) \

Gail Hanson, Deputy Executive Director spoke on Corporate Governance. SWIB cast 23,943 votes on various issues last year with most for annual meetings issues. Base pay, bonus, use of aircraft or vehicles, club memberships, golden parachutes, golden coffin (continued pay to beneficiaries) are not voted by stock holders. The only vote is for stock options for compensation which dilutes stocks. Repricing is also a concern with corporate stock compensation. Clawback is an attempt to recover bonuses. Most companies you have two options in voting: Yes for the directors listed or Withhold your vote with no opportunity to vote No.

Legislative Bill tracking: <http://www.legis.state.wi.us/> bottom right “Notification Service”.

Core vs. Variable Comparison - Jim provided a comparison beginning in 1986 which shows the Variable has not been a good investment since 2000-2001. He has projections for the next five years showing Core adjustments with assumed earnings of 7.8% will be negative in the next four years and the Variable will be 2% each year.

**OLD BUSINESS:** - Annual Conference May 20<sup>th</sup> at Madison Turners. Registration information is being mailed today. Speakers have been confirmed including Keith Bozarth, SWIB and Dave Stella, ETF. The Governor, Sen. Schultz and Rep. Berceau have been invited.

- Retirement Research Committee was eliminated with the 2005 Act 316. The functions of the Director were transferred to the Legislative Council. An appropriation for actuarial studies was created for the co-chairs of the JSCRS to determine the fiscal impact on the WRS.

**NEXT MEETING:** April 15, 2009 9:30 am, WI. Professional Police Association Building.

The meeting adjourned at 11:45am

Respectfully submitted – Dick Kratz