

Wisconsin Coalition of Annuitants  
[www.wicoa.org](http://www.wicoa.org)  
Minutes of Meeting December 15, 2010

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 9:36 am.

**MEMBERS & ALTERNATES PRESENT:** O. Berge, WARSDA; J. Calkins, UWMRA; V. Cutler, UWMRFA; J. Elmer, WREA; B. Fendel, AFSCME; E. Frank, DNR; B. Frantz, DOT; J. Grosklaus, West Allis; R. Hoessel, DOT; C. Howard, WEAC-R; A. Knop, WEAC-R, D. Kratz, CORR; A. Lee, WSAA; J. Maydak, West Allis; J. Miller, DNR; J. Munro, WARSDA; J. Palmer, WPPA; D. Rohweder, ESP, W. Rowe, ACE; B. Schaefer, SEA; J. Skiles, UW-R; T. Speranza, RPPFW; J. Stoddard, CORR; J. Vreeland, Wauwatosa; J. Zwadzich, SWIB.

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

**EXCUSED:** J. Egan, A. Wallace

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

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

The November elections changed the Assembly make up as of January 3, 2011 to 60 Republicans, 38 Democrats and one independent. The Senate will have 19 Republicans and 14 Democrats. The legislative session will begin on January 3, 2011 and conclude on May 23, 2012. The major item will be the state budget expected to be introduced in February and covering July 1, 2011 through June 30, 2013.

ETF will be requesting introduction of several bills. Closing of the variable fund will be reintroduced with an effective date of January 1, 2013. Several technical bills will also be introduced to be in compliance with the IRS code, statute revisions to be in compliance with health and benefit changes made in the last state budget and the federal Heart Act (Heroes Earnings Assistance and Relief Tax Act) which impacts death benefits for participants who die in the uniformed services. Similar to previous sessions, there may be bills that impact employer, employee and benefit adjustment contributions. Last session there was a bill that if approved would have required new local government employees to pay a minimum of 3% toward their pension contribution.

ETF has been receiving inquiries regarding retirement issues and contribution rate issues. ETF has additional information on their website answering the most frequent questions. State employees have been questioning the sick leave doubling benefit at termination and if it will be removed. The Supplemental Health Insurance Conversion Credit Program, SHICC, is addressed in the compensation plan for non-represented employees and in the labor contracts for represented employees which are administered under OSER. When a state employee retires the employer pays the specific amount of sick leave dollars and it is segregated and invested by SWIB. State statute Chapter 40.19, "Rights preserved", covers employee rights and benefits. The state previously agreed to pay 11.4% of retirement contributions for general employees and with the rate increase to 11.6% general employees will now pay .2%. Additional details are available at the ETF website.

The federal bill, HR 6484 co-introduced by Rep. Ryan (R-WI), would require state and local governments to report their pension costs based on market value. This change would be costly to state and local governments and is not necessary to protect pension systems. This legislation was generated in response to the findings of professor Andrew Rauh of Northwestern, who summarized that most pension plans will run out of money within the next 25 years.

His findings are based on two major questionable assumptions: that all public plans will no

longer receive contributions and will no longer receive positive investment returns. This bill is opposed by numerous groups, including ETF, but supported by the Americans For Prosperity, and the US Chamber of Commerce. ETF has requested to meet with Rep. Ryan's staff. The ETF and SWIB joint newsletter, "WRS News", will be issued in mid January. ETF anticipates announcing an e-mail service through GovDelivery where an individual may request e-mail notification, on selected topics, anytime ETF makes website changes. This program will reduce mailing costs and expedite information to WRS employers as well as participants. The newsletter also will have SWIB financial news with preliminary 2010 returns. Today on WisconsinEYE, [www.wiseeye.org](http://www.wiseeye.org), Keith Bozarth and Dave Stella will be presenting a program "Public Employee Pension System" (WisconsinEye website, right side in From the Archive dated 12/15/10).

There was discussion on the Actuarial Report found on the ETF web site under publications and the Valuation of Retired Lives, page 24. Of the 150,000 retirees over 8000 have retired each of the last five years. The 2008 and 2009 retirees are at their base annuity and have not shared in the negative dividends. With another 8000 in 2010 there will be around 25,000 annuitants that will not be affected by the 2008 losses. With additional year losses this could have a snowball effect with fewer retirees sharing the pain. It is expected with any policy changes, such as sick leave conversion, the number of retirees will substantially increase. The actuary reports also show the computation of annuity adjustments and much more information.

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

Ms. Drew shared information from CEM Benchmarking Inc., indicating that SWIB spent \$22 million less to manage retirement funds than its peers primarily by utilizing SWIB staff to manage investments internally and with fewer outside firms and at a lower cost than the peers. Since 2007 with additional staff internal managed funds have increased from 21% to over 46% and will be over 50% next month. The first two hedge fund managers will be hired in January and the funds will be operational by the end of the year. The SWIB annual report is online, which includes the schedule of investments.

The end of November the core fund was 7.6% beating a benchmark of 7.5% and the variable was 8.0% beating a benchmark of 7.7%.

Asset allocation is usually done at the December board meeting, however, this year the actuary has been asked to review the 7.8% assumed earnings and provide a report and a recommendation in March. There are a number of factors and concerns that must be analyzed before a change is made in the assumed earnings. The SWIB's consultants indicate that the 7.8% assumed earnings is difficult to maintain with the amount of risk that the Board is willing to take. Any change in the assumed rate would occur at the beginning of next year; however, the board will set the asset allocation targets at the March meeting. The last assumed earnings rate adjustment was in 2002 when it was reduced from 8%.

SWIB has begun legislative visits addressing the venture capital proposal that was published in the Wisconsin Prosperity Strategy report, which is now known as the Be Bold report. With a proposed special legislative session on economic development, SWIB wants to share with new legislators and leaders what it is already doing to invest in Wisconsin businesses. In addition to existing portfolios, the Board approved a new \$80 million venture capital catalyst portfolio at the December meeting. As SWIB invests in top tier national venture capital funds, it is anticipated that the funds will be more attracted to investment opportunities in Wisconsin. Ms. Drew stressed that, although SWIB seeks opportunistic investments in the state, it is important for SWIB to maintain its present investment flexibility.

State employee furloughs are recorded as workdays for employer contribution purposes. A California lawsuit is challenging the furloughs for federally funded employees.

**LEGISLATIVE REPORT: None**

**CORRESPONDENCE:** None

**OLD BUSINESS:** None

**NEW BUSINESS:** Jane Elmer provided a copy of three documents she prepared for the WREA Units addressing the legislative changes, attacks on pensions, and misleading or confusing journalism.

There was discussion on several issues: Union contracts being approved, anti public employee sentiment, right to work, anticipated legislation, educating legislators, budget deficit, JSCRS appointments, how do we inform the public and our organization members.

The WPPA has allowed the WCOA to use their vacant building for meetings. As a token of appreciation for heating the building and coffee and donuts the following action was taken.

**MSC The WCOA donate \$200 to the WPPA in appreciation for monthly use of their facilities.**

**TREASURER'S REPORT:** The organization dues statements have been mailed. The checkbook balance is \$5339.01

**NEXT MEETING: January 19, 2011** 9:30 am, WI. Professional Police Association Building.  
The meeting adjourned at 11:25 am  
Respectfully submitted – Dick Kratz