

Wisconsin Coalition of Annuitants

Minutes of Meeting January 20, 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 9:37am.

MEMBERS & ALTERNATES PRESENT: O. Berge, WARSDA; V. Cutler, UWMRFA; J. Elmer, WREA; E. Frank, DNR; B. Frantz, DOT; J. Grosklaus, West Allis; R. Hoessel, DOT; C. Howard, WEAC-R; D. Klimpel, UWMRA; D. Kratz, CORR; A. Lee, WSAA; J. Maydak, West Allis; J. Miller, DNR; J. Palmer, WPPA; B. Schaefer, SEA; J. Skiles, UW-R; T. Speranza, RPPFW; J. Stoddard, CORR; J. Vreeland, WAUWATOSA.

GUESTS: S. Drew, S. King.

EXCUSED: B. Fendel, D. Rohweder, A. Wallace

MINUTES of the December meeting were approved as mailed.

GUEST: Sandy Drew, Legislative and Beneficiary Liaison, SWIB

Performance: A handout of a preliminary report provides the dollar amounts in all of the various SWIB funds and a summary of the Internal/External Management in the major investment areas. Internal Management has increased from 38% on 12/31/08 to 41% on 12/31/09. The various asset classes YTD returns with benchmarks where listed and the Core Fund is 22.9%, benchmark 19.9% and the Variable 33.7%, benchmark 32.0%.

Public Equities (about 55% of investment) had a strong return of 35.5%. Small Cap out performed Large Cap, International Equities out performed Domestic with Emerging Markets top performer at 79.3%.

Fixed Income (about 29% of investment) was 10.4%, US and Global were 6.4% and 6.5%, and High Yield and Emerging Markets had strong returns in the 40-50% range.

Private Markets (about 12% of investments) have improved but are still in the negative area with Private Equity at -6.2% and Real Estate at -31.3%. Indications are that it will be another year before Real Estate turns around especially Commercial. WI private equities, Venture Capital, are also behind benchmarks due to the economy and companies not going public. WI private debt portfolio did well at 33.7% which is an all time high.

Multi-Asset (about 4% of investments) returned 37.3%. Credit Data, using the spread between investment grade bonds and treasury, returned 56.7% which was three-quarters of the Multi-Asset return.

In total the Core and Trust earned \$1.3B in EVA (Extra Value Added is the additional funds added by active management of the asset allocation, or as WCOA state the expertise of SWIB staff).

Board: The December meeting was cancelled due to the snow storm, however, the day before the Compensation Committee met and voted no across the board salary increases. The January meeting will address the asset allocation with SWIB staff recommending a reduction in Equities and Fixed Income with an increase in TIPS (Treasury Inflation Protected Securities) and an allocation to Hedge Funds. TIPS provide protection against inflation. Ms Drew provided two recent articles from *Pensions & Investments* "Wisconsin May Pioneer Leveraged Approach to Manage Risk" and "2 Public Plan Execs Oppose Diluting SEC Proxy Proposal". Leverage during minimal economic growth years would have returns better than average but during good years would be less than average. It would also provide control for dividends as well contribution rates. SEC has reopened its rule on proxy voting and may give individual corporations an opt out clause, which SWIB opposes.

Federal Legislation: Mr. Bozarth and Ms Drew met with Sen. Kohl last week. Sen. Kohl seemed to agree with the issues SWIB and WCOA have presented to him. Corporate governance, shareholders role in compensation, shareholders access to proxy and directors appointment to boards are the main issues of institutional investors. SEC would also control its budget through

present fee collection without congress removing funds. The Bill has passed the House and is in the Senate committee Chaired by Sen. Dodd and Sen. Kohl is a member. Passage appears good.

Misc: Global Equity Sector portfolios have been established combining the Domestic and International equities portfolios. Progress has been made having DOA release positions. Two positions are in the recruitment stage. Hedge Fund investment is to reduce the risk, the opposite of what most think. We can expect many annuitant questions, just as we have had many questions.

GUEST: Sari King, Administrator, Division of Retirement Services, ETF

Ms King provided a handout on preliminary returns. Core SWIB Return 22.2%, Effective Rate 4%, annuity adjustment -1%. Variable SWIB Return 33.7%, Effective Rate 32-36%, annuity adjustment between 25-30%.

Tax statements are in the mail. Tax tables changed again on 1/1/10. Some of the past changes did not seem to be worth the effort. Tax forms are being revised at ETF for status, exemptions and withholding. WisTax.org (608-241-9789) has a 2010 Tax Handbook which addresses annuities and tax changes and a change in capital gains.

Trust Fund News will be mailed this week. There are several articles for annuitants including the Annual Conference information and the need to keep a current address on file with ETF. ETF will be conducting benefit workshops throughout the state. An ETF online video "The Road to Retirement" is almost like a live interview and individual questions may be asked. There are several other videos to assist and answer questions for active and retired WRS participants. If any questions arise check the ETF video library online. The telephone call volume at ETF is high.

ETF is in the process of filling 4 positions. Currently there are 25 vacant positions most a result of retirements. Total WRS retirees were less in 2009 than 2008, but December 2009 had more than December 2008. It appears people are working longer than planned. A problem emerging is individuals failing to sign up for Medicare when eligible and having healthcare coverage confusion. ETF is looking at a solution to help avoid penalties.

Legislation: SB 390, deduction of organization dues, and SB320, closing the Variable enrollment, have not seen any action.

CORRESPONDENCE: None

OLD BUSINESS: Annual Conference Monday May 10, 2010 update. The committee has received a nomination for the Blair Testin Award.

MSC James Gruentzel will be the recipient of the 2010 Blair Testin Award.

Announcement or "getting the word out" of the Conference statewide is a concern. ETF and SWIB have been of assistance. Following a discussion and several options the committee will meet again following today's meeting and others are welcome. Professor Duddleston has committed to speak. The committee will check on video taping the conference for future distribution. The WCOA should look at setting up a website for communication and general information.

Financial, Treasurer's Report - Present checkbook balance \$5,350.88. We have obtained a federal identification number. The account will be moved from M & I to Summit Credit Union which has a branch near our treasurer's home in West Allis. There are several organizations that need to pay their dues.

NEW BUSINESS: The WCOA brochure needs to be updated for the Annual Conference. Following a request for the active WCOA Directors, the secretary will email/mail a listing.

NEXT MEETING: February 17, 2010 9:30 am, WI. Professional Police Association Building. The meeting adjourned at 11:25am Respectfully submitted – Dick Kratz

