

# Wisconsin Coalition of Annuitants

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## Minutes of Meeting September 26, 2011

The meeting was held at the Wisconsin Professional Police Association Building, 660 John Nolen Drive, 2nd Floor Conference Room Madison and was called to order by Vice Chair Ed Frank at 9:32am.

**DIRECTORS & ALTERNATES PRESENT:** O. Berge, WARSDA; V. Cutler, UWMRFA; B. Fendel, AFSCME; E. Frank, DNR; B. Frantz, DOT; J. Grosklaus, West Allis; R. Hoessel, DOT; A. Knop, WEAC-R; D. Kratz, CORR; J. Maydak, West Allis; J. Miller, DNR; J. Munro, WARSDA; B. Schaefer, SEA; T. Speranza, RPFfw; J. Stoddard, Corr; M. Susman, UWMRA; J. Vreeland, Wauwatosa; A. Wallace, UWMRA.

**GUESTS:** A. Fendel, V. Hearing, S. Smith, S. Sweet, R. Wojciak .

Joe Poirier is an intern with SWIB and was introduced before Ms Hearing's presentation.

**EXCUSED:** S. Drew, J. Egan, J. Elmer, J. Palmer, D. Schmidt, J. Skiles

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

### **GUEST: Shawn Smith, Communications and Legislative Director, ETF**

Ms. Smith mentioned Secretary Stella's announced retirement that was included in the WRS News and the various articles printed by the news media. The WRS and ETF are in fine shape and Mr. Stella's retirement is based on personal reasons. The ETF Board executive committee at the September meeting indicated they will be conducting the recruitment for Mr. Stella's replacement.

ETF was successful with a 13.10 request. In the budget process the Joint Finance Committee set aside funding for ETF with the understanding that if it was needed it would be requested through a 13.10 process. On September 14 approval was received for 3 staff in the call center, 4 positions for new retirement processing, 3.5 positions for IT infrastructure, funds for additional space at the Department of Revenue building, funds to conduct the actuarial analysis of studies required by Acts 10 and 32 and \$1.9 million for IT development. With the annuitant population expected to double in the near future it is necessary to continue the development of online self service tools and adding staff to maintain the current service level. The total request from the Trust Fund monies was approximately \$4 million over the next two years.

The recent Cost Effective Management (CEM) fact sheet compared 80 leading global pension systems and reported the WRS administrative cost was \$54 per member, compared to a peer average of \$80 per member.

Rehiring annuitants has been a popular media topic throughout the state. The retiring and then hiring of a UWGB administrator generated a lot of legislative interest. When allegations are received from various sources ETF routinely investigates the individual rehiring process, including the 30 day break in service requirement. There have been a number of retired teachers returning to the classroom for short or long-term and filling specific needs. Rep. Stroebel has a bill that would prevent collecting an annuity if working half-time or more for a WRS employer. Rep. Stroebel is one of several elected officials who are certified public accountants that have banded together and review government spending.

Question: What is the statute or rule for career executives returning after five years and receiving all of their sick leave?

This is a question for OSER. Act 10 does permit career executives to move to different agencies without any recruitment procedure.

Question: The media has reported that numerous Milwaukee County employees will be joining the WRS. How will the obligations and contracts be handled?

There are around 130 Milwaukee County employees who have become state employees and there are unresolved questions on their status. By contract they have transfer rights within Milwaukee County before joining the WRS.

ETF is working on completion of a legislative package. The Federal HEART (Heroes Earnings Assistance and Relief Tax) Act of 2008 requires state qualified plans to be in compliance

by 2013. Presently a WRS employee killed on active military duty has a death benefit as being inactive; the change would have the employee on active WRS status. In addition, several technical corrections based on WI legislation and IRS changes will be introduced to clarify Chapter 40.

ETF has received numerous and varied inquiries regarding the retired annuitant policy. The present 30 day break in service is difficult to administer and monitor. IRS requires a bona fide separation of service and nationally plans like the WRS have a six-month break in service. The ETF position is that annuitants, following a six month break in service, if employed 2/3 time for a year or longer that their annuity would stop and their service and earnings would accrue. Requirements would then be uniform for the system. There are concerns by employers with specific skill and knowledge positions but the policy must be defensible with the IRS. This will be a debated issue.

The impact from Acts 10 and 32 on WRS contribution changes are unknown since an actuarial study has not been conducted. The new eligibility of one third time to two thirds time will reduce the number of new employees entering the system, and retirees continuing to work without contributing to the WRS will have an unknown impact.

Question: Can active employees make additional contributions to their retirement account?

Yes, and there is a video on the ETF website explaining the procedure.

Act 10 requires an October 31 report from ETF on health related issues which includes a payment tier structure, online marketplace drug purchase and several other health related issues. A second study is to be completed by June 30, 2012 and will address defined contribution plans vs. defined benefit plans as well as the impact on the system by allowing employees to opt out and make their own contributions to the WRS as a money purchase option. The studies are to be conducted jointly by ETF, DOA and OSER.

#### **GUEST: Vicki Hearing, Public Information Officer, SWIB**

Keith Bozarth at the August Board meeting indicated his intent to retire in 2012. Mr. Bozarth has been with us since June 2007 and indicated he will spend at least a month with his replacement and will then be retiring to Texas where his wife has a position in Houston. The Board has begun a nationwide search using consultants to identify candidates. A public announcement has not been made.

The Next Generation Jobs legislation is a model to invest in Wisconsin bioscience through venture capital. This legislation will allow SWIB to work with other state entities in advising, managing and investing their money and also charging for SWIB's time and expertise. This is similar to the present Historical Society, Patient Compensation Fund and several others that SWIB bills for staff time, but not for the expertise of the staff. The various funds are independent of the WRS and have their own objectives. This bill will allow SWIB to be involved in economic development without using WRS funds. Another Bill is the State Venture Capital Fund which is being debated; SWIB has not been asked or been involved in any consultation on this Bill.

With the increase in investment instruments five positions have been added for IT support and accounting. Internal management is at 55% and is expected to remain constant.

In the news, the UBS trader facing \$2.3 billion in fraud charges used futures and options after having worked in IT and accounting for over three years. SWIB accounting, IT and traders all have walls between them. SWIB accounting views settled trades and has a checks and balance on the result, along with Mellon Bank paying the trade and viewing the settlement. If a trade was made and there was an alert SWIB has 24 hours to cancel the trade. In addition SWIB trades are in smaller increments than the UBS trader's. The UBS trader also had a motive of increasing his bonus based on the dollar amount of trades, which is not an issue with SWIB. SWIB also has a compliance and risk person which is another oversight to ensure that information to the public is correct.

Nationally there are a number of studies that have been done on the defined benefit and defined contribution programs. Most indicate the defined contribution programs cost more than defined benefits. There are a number of problems in instituting a defined contribution program after

having a defined benefit program. Corporations simply eliminated defined benefit programs, and then started defined contribution 401(k) programs.

SWIB has hired a new communications specialist, Chris Preisler.

Market conditions are not good and it may be two years before things turn around.

The general population focus on public employees is now beginning to focus on corporations that fail to finance pension plans.

SWIB has three hedge funds and hopes to have a fourth signed by the end of the year and a possible fifth fund by mid 2012. They are performing as expected and a benefit in this market.

A brief discussion on the European situation compared Greece banking system to Lehman Brothers. France and Germany have investments in Greece and if Greece decides not to pay their debt there would be a ripple effect. It's the depth of the debt that is the concern.

Latest performance as of August 31: Core 1.9 and Variable -3.3.

**LEGISLATIVE REPORT:** Included in the above

**CORRESPONDENCE:** None

**OLD BUSINESS:** None

**NEW BUSINESS:** None

**TREASURER'S REPORT:** Balance \$6,338.76

MSC WCOA accept report as presented.

**NEXT MEETING: October 24, 2010** 9:30 am, WI. Professional Police Association Building.

Annual Conference Monday, May 14, 2012 American Family Headquarters Madison, WI

The meeting adjourned at 11:45am

Respectfully submitted – Dick Kratz