

Wisconsin Coalition of Annuitants

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Minutes of Meeting February 20, 2012

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 Jerald Vreeland at 9:36 am.

DIRECTORS & ALTERNATES PRESENT: R. Beglinger, WFT-R; L. Bundy, ESP; S. Drew, SWIB; W. Ford, ETF-B; E. Frank, DNR; R. Hoessel, DOT; A. Knop, WEAC-R; D. Kratz, CORR; J. Maydak, West Allis; B. Meyer, WREA; J. Miller, DNR; J. Munro, WARSDA; D. Rohweder, ESP; B. Schaefer, SEA; J. Skiles, UW-R; M. Susman, UWMRA; J. Vreeland, Wauwatosa; A. Wallace, UWMRA.

GUESTS: V. Hearing, D. Lueck, S. Sweet, R. Wojciak.

EXCUSED: O. Berge, V. Cutler, B. Davis, J. Egan, B. Fendel, J. Grosklaus, C. Howard, J. Palmer, T. Speranza,

MINUTES of the January meeting were approved as mailed and corrected.

GUEST: Vicki Hearing, Public Information Officer, SWIB

The preliminary returns as of January 31 are: Core trust fund 3.8 and Variable trust fund 5.7. Comments at the SWIB office, why couldn't this have been two months earlier? Investments are looking better; however there is still concern over volatility.

Executive Director will be named within the next day or two. Senior staff met with the final two candidates, both of whom were very impressive and a good fit for SWIB. Mr. Bozarth plans on leaving by June providing a slight overlap.

At the last SWIB board meeting compensation for support staff only was approved at 1.75%. For the second year the investments staff did not receive an adjustment, however, specific positions were adjusted for market competition. Incentive compensation will be an item at the April Board Meeting. Mr. Boldt, vice-chair, will continue to chair the board pending the governor's appointment. Ms. Hearing is of the understanding that the governor's office is working on the appointment. The governor could appoint a chair from the existing trustees.

What are the goals that the Executive Director and top management have identified and expect to accomplish in 2012?

There will be a portfolio manager hired as the Policy Implementation Manager, which will be responsible for leverage. The asset allocation target for 2012 is the same as set in 2010 and is based on the recommendation of the consultant. Leverage is expected to be at 1% in 2012 with a goal of 20% depending on the investment environment and opportunities. There is no timeline or target date for the 20%. The first step will be securing a contract with the Policy Implementation Manager. As a reminder, the goal is to reduce the volatility from the equity portfolio and increasing the fixed income holdings. TIPS have also been increased along with other inflation protection investments. Hedge funds are also moving forward with six managers, the first four funded at \$100 million each and the last two at \$50 million each. To add hedge fund managers, SWIB continues to move very cautiously and has not accepted the traditional fees. It has taken a year to get to six managers with the ultimate goal being 15 managers. Investment staffs continue to look at reducing risks with more diversification and focusing on the short term impact on annuitants and long-term impact on active employees. Investment staff meetings are always open. The March 13 Board Meeting will have several presentations by investment staff and consultants. Those are also open to the public with limited seating. If interested in attending contact Annette at SWIB.

SWIB also will complete and implement a risk assessment framework with enterprise risk management and internal audit. This is a project that was first discussed in 2006, and after 2008 implementation was accelerated. This risk assessment framework will be all inclusive for SWIB. For example in Ms. Hearing's area it will include communications and information received by WRS participants. The idea is to measure the degree of risk against the number of controls.

SWIB staff has been encouraged to investigate best investment ideas by being tactical. But not timing the market. Ideas from small groups staff meetings are then referred to the investment committee.

Another goal is to make a smooth transition to the new executive director and the newly appointed trustees.

In April SWIB will be hosting a venture capital presentation by a top tier Californian. Invited are those who are requesting as well as providing venture capital. If you're interested in following this topic there is an e-newsletter online at Wisconsin Technology Council website. SWIB has been involved in venture capital for a number of years and has been looking for ways to expand investments. There has been suspicion with venture capital, and SWIB has received some questions including why they use the California venture capital firm and why SWIB is investing in Wisconsin.

SWIB continues to look at performance and expects that the 7.2% is achievable. There are a lot of reports, studies, and research on pension plan funding and what various states have done to their plans. The latest information seems to indicate that many plans did not move totally into defined contribution from defined benefits but really made adjustments modeling the WRS.

Questions: What are SWIB's plans with the report due June 30 and the change in Executive Director's? The final candidates are fully aware of the situation and the new executive director will be exchanging information with Sec. Conlin since ETF has the primary responsibility. All indications are that the Executive Director transition will be seamless. Both candidates are from outside the system.

Constituents of our membership are fearful that they will lose their defined benefits once the June 30 report is received by the Legislature. There is misinformation circulating, a fear of the unknown and a fear that legislative leadership has already made up their minds considering what occurred a year ago. With the bypassing of the JSCRS there is little trust in the Legislature. At this time, no one has the answer.

Defined benefit and defined contribution plans had a partnership between the employer and employee until 2008 when the private employer in contribution plans broke the partnership by failing to pay. The fear is that Gov. Walker will also focus on a contribution plan without employer contribution showing a savings to taxpayers. Because many private employees lost their 401(k)s in 2008, public employees then became the target. The question now is what can be done for everyone's financial security. A major consideration is the cost of management. All indications are that the defined benefit plan is cheaper to operate than a defined contribution plan. The WRS management is paid out of investment earnings and not contributions.

LEGISLATIVE REPORT: Rep. Strachota's AB539 has five assembly sponsors and is in the education committee as well as the JSCRS. There is no companion Bill in the Senate. There are similarities to this bill and one that was introduced in 1997. The wording "company" in the present bill eliminates the most efficient money managers in the state. A major concern is permitting young active employees to opt out of the WRS. We need to watch the bill, but at this time it does not appear to be moving.

CORRESPONDENCE: Coalition members were all notified of the death of Jack Stoddard, a WCOA founding member.

OLD BUSINESS: WCOA/WRS PowerPoint presentation has been initiated by Bob Schaefer. His initial presentation was e-mailed by the Sec. to the Coalition Directors and Mr. Schaefer received numerous responses. The ad hoc committee will meet following today's meeting.

- Blair Testin Award - we are in the unique situation where we have two excellent candidates for the award, Dave Stella and Keith Bozarth.

MSC The WCOA will recognize Dave Stella and Keith Bozarth as the recipients of the 2012 Blair Testin award. The award will be presented at the 2012 Annual Conference on May 14.

NEW BUSINESS: Annual Conference - There is interest in having an economist speak at our annual conference. Suggestions are Don Nichols of the LaFollette Institute or Steve Rick with UW & CUNA. The committee will follow with the suggestions and will also be contacting ETF and SWIB presenters.

- Conference registration material will be snail mailed and e-mailed March 1.

TREASURER'S REPORT: Seventeen organizations have paid their dues.

- It was suggested that our webmaster fee be paid annually.

MSC The WCOA will pay our web master the annual fee of \$450.

- Checkbook balance \$6284.22. Report accepted as presented.

NEXT MEETING: March 19, 2012 9:30 am, WI. Professional Police Association Building.
Annual Conference Monday, May 14, 2012 American Family Headquarters Madison, WI
The meeting adjourned at 11:40am
Respectfully submitted – Dick Kratz