

# Wisconsin Coalition of Annuitants

[www.wicoa.org](http://www.wicoa.org)

Minutes of Meeting January 23, 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 Chair Jim Palmer at 9:32am.

**DIRECTORS & ALTERNATES PRESENT:** R. Beglinger, WFT-R, O. Berge, WARSDA; L. Bundy, ESP; V. Cutler, UWMRFA; B. Davis, WFT-R; S. Drew, SWIB; J. Elmer, WREA; E. Frank, DNR; J. Grosklaus, West Allis; R. Hoessel, DOT; A. Knop, WEAC-R; D. Kratz, CORR; J. Maydak, West Allis; J. Palmer, WPPA; D. Rohweder, ESP; B. Schaefer, SEA; T. Speranza, RPPFW; M. Susman, UWMRA; J. Vreeland, Wauwatosa; A. Wallace, UWMRA.

**GUESTS:** R. Conlin, D. Lueck, C. Preisler, D. Schmidt, S. Smith, J. Strohl, S. Werner, R. Wojciak .

**EXCUSED:** J. Egan, B. Fendel, B. Meyer, J. Miller, J. Skiles, J. Stoddard

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

**DIRECTOR:** Larry Bundy was introduced representing ESP.

## **GUEST: Robert Conlin, Secretary, ETF**

Mr. Conlin is no stranger to the WCOA, but he is before us for the first time since being appointed Secretary of ETF.

As announced previously, the preliminary returns are 1.4% for the core and -3% for the variable. The anticipated annuity adjustment on May 1, 2012 will be -4% to -4.5% for the core and the variable -6% to -10%. The final annuity adjustments will be available in March. There is a letter online at ETF and [WICOA.org](http://WICOA.org) addressing the annuity adjustments. ETF also has a video explaining the process for determining annuity adjustments.

In 2011 ETF processed around 18,500 retirements which kept ETF busy and also impacted the WRS employers. It is expected that there will continue to be retirements above the normal range of 10,000-11,000 based on the baby boomer factor. In the past couple years added staff and internal processing systems have increased efficiencies to handle the workload. An example is the lump sum benefit which went from several hours of calculations to a matter of several seconds.

In 2011 out-reach in pre-retirement counseling was expanded beyond Madison and Waukesha. The Waukesha office closed in 2011. In 2010, the small group counseling had 532 members that participated, last year around 2400 members were counseled out side of Madison. With added positions in the call center there also have been improvements in wait time along with the permanently expanded call hours of 7 AM to 5 PM.

ACT10 implementation had numerous unique characteristics including changing of contribution rates, different expiration dates of collective bargaining agreements and retirement dates all of which affect the IT systems. IT changes for employers have been changed and updated and the remaining changes will be made. The IT systems will continually be integrated to allow more online presence for WRS members to access and self service their accounts. ETF is reviewing other states systems, identifying components that would be appropriate. Workload will be shifting in the future from active member issues to pre-retirement and one-year post

retirement issues. There has been an increase in retirees tax questions, especially with the numerous and frequent IRS changes. ETF plans on developing a tax calculator available online.

There was a question on the required study and Rhode Island's pension system. The required legislative study is going well and will be done by the end of June. The actuary is in the process of addressing questions and concerns on cost issues and assumptions that need to be made. Rhode Island has been attempting to restructure their pension system, which is managed by the state treasurer's office. They have attempted to structure their system on several different systems, including a defined contribution, money purchase, lower multiplier, and shared risk along with improving their funding levels.

The required study will provide a document for out reach to the public. The media views all systems the same and the public as well as WRS members have little understanding of what makes the WRS unique. Also, with the increase in contribution rates active employees need to be made aware of how the system operates. The study will have different options and how they would impact the system and will provide answers to many myths and educate all of us.

Mr. Conlin responded to several other questions:

Employers have many different options or supplemental savings accounts for their employees such as 457 plan, 403(b), and TIAA-CREF managed plans.

The Trust Fund News reports that 87% of retirees reside or at least bank in Wisconsin.

With the upcoming adjustment there will be more people reaching the "floor" of their annuity and there will be fewer to spread out the loss. The 2007 adjustment has now been taken back and those retirees are at their "floor". The actuary will be looking at the impact considering the number of recent retirees.

ETF has several different videos describing parts of the WRS but nothing specifically comparing the defined benefit system with a defined contribution system.

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

Communications: The ETF website has a revised letter on the latest returns which Sec. Conlin mentioned in his presentation. The required study continues to generate inquiries from members and legislators regarding what it is and what it is not. Mike Ivey recently had an article that touched on the study.

Legislation: Rep. Stroebel's bill has a substitute amendment extending the break in service from 30 days to 75 days; those who work less than half time would be subject to current law provisions; and those who work more than half time would have their annuity terminated and would be required to re-enroll in the WRS for their annuity at the original amount. The benefits accrued during the rehired for more than half time employment would be paid in a lump sum plus investment earnings for the employees share only and the employer's share would remain in the system.

HEART Act is a federal act passed in 2008 with a requirement that ETF be compliant by the end of this year. The act states that the survivors of a participant in a pension system who dies while on active military duty would receive the contributions of the employer, employee, and investment returns as a death benefit. This would double the death benefit. There also is a complicated disability provision for benefits. Rep. Petryk is circulating the bill for co-sponsors.

Rep. Litjens is looking for cosponsors for legislation that mandates employers pay employees contributions during active military service. Presently employees are required to pay their share upon return from active duty; however, this bill permits employers to ask for repayment.

Rep. Strachota's bill gives the UW Board of Regents the authority to create an optional retirement plan and that a new employee would have the option for WRS or the UW plan. There are specific criteria in the bill for determining and obtaining a vendor.

The WCOA discussion on the bill included; similar bills being introduced for the last number of years addressing UW portability, TIAA-CREF controls the national portability market, optional retirement plans were a major topic about 15 years ago (Freeze/Jensen Bill), a majority of the UW system are general employees, nationally it is unknown if TIAA-CREF is used as the primary or secondary pension system, WRS is a consolidated and integrated system with the University, WRS also has deferred comp, and will the five year vesting have an influence on participation in the WRS.

Following the above lengthy discussion, Ms Smith continued with her presentation.

AB219 prohibits employers from providing post-employment health insurance, unless fully funded on an actuarial basis. A substitute amendment limits this bill to new employees hired after January 2013.

SB153 provides that the GIB offer local group health insurance plans to local government employers even if they are not part of the WRS.

Ms Smith is looking for five or six volunteers to participate in the development of the online tax calculator. She wants to "test drive" the calculator with volunteers to determine if it is usable and understandable. If interested contact her directly or the WCOA Secretary.

**GUEST: Chris Preisler, Communications, SWIB**

The Board of Trustees has conducted interviews of candidates for the Executive Director's position. Several candidates will be invited back for a second interview at the February 8 board meeting.

Two new trustees have been appointed by the Governor. Norman Cummings is Waukesha County Director of Administration and will replace David Geertsen as the local government member. Lon Roberts an attorney with Ruder Ware from Wausau is replacing David Krueger as a public member of the Board. Both were in attendance at the January Board meeting. When the Governor appointed three new members David Geertsen, Lon Roberts and Chair James Senty submitted letters of resignation. John Petersen III then withdrew his nomination and the Board is short a member and a Chair. Thomas Boldt is now serving as Chair. The governor will be appointing a third member and also will appoint the Chair and Vice Chair.

WCOA members complemented those who worked very hard in opposing the governor's appointment of John Peterson III. Several members contacted legislators and Jane Elmer provided testimony at the appointment confirmation hearing. A special thanks to former SWIB Executive Director Dave Mills for his efforts.

**LEGISLATIVE REPORT: Dan Schmidt, Senior Analyst, Legislative Council**

Mr. Schmidt provided copies of the 2010 Comparative Study of Major Public Employee Retirement Systems and shared some of the highlights. This report is completed every two years. The complete report is online at the WI Legislative Council website or at the WCOA website, [wicoa.org](http://wicoa.org).

The report contains a description of the 87 retirement systems, normal and early retirement provisions, contribution rates and vesting requirements, retirement benefit calculations, post-retirement increases and taxes, and actuarial and accounting information. Each section identifies trends in the specific area and information on the WRS.

The 87 retirement plans cover 12.2 million active employees and 6.5 million retirees and beneficiaries. This is a 3.7% increase in participants from the 2008 report. The active to retired employees' ratio has decreased with the 2010 ratio at 1.87, which means retirees are growing in numbers faster than actives.

For retirement eligibility there has been a slight shift increasing the age for early retirement and increasing years of service for full benefits. Several plans have increased their vesting period and a majority of the plans increased their contribution rate, however, 19 plans reduced employer contribution rates between 2008 and 2010.

Previous reports had an increase in the formula multipliers for retirement, and in 2010 nine have decreased the formula multiplier with three increasing their formula multiplier. There have been no changes in post-retirement annuity adjustment procedures.

Funding ratios have changed substantially. In 2000 there were 33 plans that had funding ratios in excess of 100%, in 2008 there were only 4 plans. The average funding ratio fell from 81% in 2008 to 73.4% in 2010. There also was a significant increase in plans that are less than 50% funded.

The report is well worth reviewing, it has comparisons of the different plans and has numerous graphs and charts. It is a report that WCOA members have utilized over the years and has become a document used nationally.

**CORRESPONDENCE:** None

**OLD BUSINESS:** Update on the WRS presentation for the website

We neglected to appoint an ad hoc committee at the December meeting. It was fairly clear that the committee would be Bob Schaffer, Bill Ford, Jim Skiles, Sandy Drew, Dick Kratz and Jane Elmer. The Chair appointed Ed Frank as the committee chair.

**NEW BUSINESS:** Annual Conference: The consensus is that we have an economist presentation. It was suggested to contact David Villa SWIB for a suggestion from the UW business school. Any suggestions, contact the secretary.

The following motion was introduced and following a discussion was unanimously approved.

**MSC Move that the Wisconsin Coalition of Annuity holders go on record opposing any changes to the Wisconsin Retirement System (WRS): (1) without a complete actuarial study of what the effect of any change might be on present and future members of the WRS and taxpayers; (2) before the completion of the WRS study due to be submitted by June 30, 2012, to the Governor and Joint Committee on Finance; and (3) without a complete review by the Joint Survey Committee on Retirement Systems.**

**Move that the Secretary be instructed to send notice of this motion to all members of the Legislature and the Governor.**

A resolution was introduced honoring James Senty, for his service as a trustee on SWIB since 2001, and serving as chair since 2003. The resolution was unanimously approved

**MSC That the WCOA present a resolution to James A. Senty for his years of public service on the SWIB.**

Blair Testin recipient for 2012 needs to be nominated.

Jane Elmer announced that she would be retiring in February and this would be her last meeting. The WCOA wishes her well and she is always welcomed.

**MSC The WCOA Secretary purchase a digital recorder**

**MSC The WCOA Officers for 2012 are: James Palmer II, Chair; Gerald Vreeland, Vice Chair; John Maydak, Treasurer; Dick Kratz, Secretary.**

**TREASURER'S REPORT:** Fifteen organizations have paid their annual dues. We are in need of representatives from the Department of Workforce Development and the State Attorneys Association.

**MSC The Treasurer's report approved as presented.**

**NEXT MEETING: February 20, 2012 9:30 am, WI. Professional Police Association Building. Annual Conference Monday, May 14, 2012 American Family Headquarters Madison, WI**

The meeting adjourned at 11:45am  
Respectfully submitted – Dick Kratz