

# Wisconsin Coalition of Annuitants

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## Minutes of Meeting October 20, 2014

The meeting was held at the Wisconsin Education Association Council, Media Room, 33 Nob Hill, Madison and was called to order by Vice Chair Jerold Vreeland at 9:30 a.m.

**DIRECTORS & ALTERNATES PRESENT:** R. Beglinger, WFT-R; D. Bennett, WREA; D. Chickering, WREA; B. Davis, WFT-R; S. Drew, SWIB; B. Fendel, AFSCME; E. Frank, DNR; B. Holahan, UWMRA; C. Howard, WEAC-R; A. Knop, WEAC-R; D. Kratz, CORR; J. Miller, DNR; J. Munro, WARSDA; D. Rohweder, ESP; W. Rowe, ACE; B. Schaefer, SEA; J. Skiles, UW-R; J. Vreeland, Wauwatosa; A. Wallace, UWRA.

**GUESTS:** V. Cutler, A. Fendel, P. Henning, T. Hunter, B. Kox, C. Preisler, C. Welch, R. Wojciak.

**EXCUSED:** J. Groszklaus, J. Egan, J. Maydak, J. Palmer.

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

### **GUEST: Tarna Hunter, Legislative Liaison, ETF.**

Beginning in January the newsletter will be provided electronically to all active members and all retirees will receive a hard copy.

A copy of the ETF 2015-17 biennial budget proposal was provided. The request consists of an increase of 7.7% in all funds, including a 7.8% increase in Seg funds (operations) and a 12.6% decrease in GPR funds (carryover from retirees' adjustment made in the 1970's). The Governor will make recommendations in January or February, then the joint committee on finance will do a review, followed by the full legislature taking action in June, and the final budget enacted in July. The budget is to maintain the status quo along with four initiatives. 1) Health care data collection will look at how health care delivery is organized, measured and purchased. A goal is to provide cost-effective value-based purchasing of health plans, physicians, and elective/nonemergency inpatient procedures. The data will be publicly available. 2) The Call Center customer service is requesting two full-time employees. The additional positions will provide better service, which has been an area of concern, and assist in collecting email addresses for all participants. 3) There is a mandatory Legislative Audit Bureau (LAB) and a Governmental Accounting Standards Board (GASB) audit required. 4) Technical changes are needed to comply with state and federal law.

### **GUEST: Bill Kox, Deputy Administrator, Division of Insurance Services, ETF.**

ETF administers health insurance for retirees of state, university, UW hospital, and some local governments. Dual choice, an opportunity to change plans, goes through October 31. The biggest change in 2015 is for those not on Medicare being offered a high deductible health plan, \$1500 individual/\$3000 family, which needs to be paired with a health saving plan (HSA). For retirees not on Medicare and interested in the high deductible health plan, be sure to check on the options upon Medicare eligibility.

Prescription drug costs have had a significant increase. Navitus administers the self-insured plan with the D portion to be underwritten by Dean Health Insurance beginning in 2015. Generic, brand-name, and specialty drugs have been going up around 14% to 16% every year. Average cost of drugs per month: generic \$24, brand-name \$240, specialty drugs \$2500. Specialty drugs are taken by 1% to 2% of participants but are costing 20% to 22% of the total cost. Five years ago there was a savings in the drug prescription program and the surplus was used to supplement the cost the last five-years. A five year review would show about a 5% to 10% increase. With the surplus gone, Pharma increases and other factors, the drug prescription increase for 2015 is 21%. ETF is working with Navitus and the health plans in an effort to keep the cost down.

The ETF has hired a benefits consultant, Segal Company, and there will be a review of all benefit programs and the data available. Segal was initially hired in October by the Group Insurance Board.

In response to a question the prescription drug costs in the United States are double those in other developed countries.

**GUEST: Pam Henning, Assistant Deputy Secretary, ETF.**

Ms. Henning has been with ETF since 1998 and is familiar with the WCOA having attended many meetings during her early career. Prior to a recent promotion she was the Management Services Administrator for 10 years.

Ms. Henning shared the restructuring challenges of some of the offices and bureaus in keeping with changes in function and future planning in serving members and employers. Communication, policy compliance, and security are major parts of the agency initiative.

The state building program involving ETF has been a major issue for at least the last six years because of distractions. The proposal now is to have ETF and six other agencies housed in a new 600,000-square-foot building covering 14 to 16 acres. Location will be on Madison's west side at the Hill Farms area. Cost is not to exceed \$196 million. ETF's present building would be sold as part of the proposal. The plan indicates ETF will have 50,000 to 60,000 square feet. ETF has 266 full-time employees and about 40 limited-term employees in two locations. The budget request is for two additional full-time employees. Last May a 1310 request (budget adjustment by Joint Committee on Finance) was approved for seven positions in benefit administration.

The State Claims Board made an award to an annuitant whose annuity hand calculation was in error when a .95 year's credit was viewed as a 9.0 years credit. ETF has instituted additional checks so a similar error will not occur.

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

The asset allocation summary was provided. The core fund is at 4.8% matching its benchmark and the variable fund is at 4.7% with a benchmark of 4.9%. The core fund is at \$88.796 billion and variable fund is at \$7.172 billion for a total of \$95.968 billion in retirement funds. Total assets are \$103.14 billion. The market has been a roller coaster the last few weeks. Inflation sensitive, real estate equity, and private equity show the market swing protection diversification is providing. Internal management is at 57% and external management at 43%.

In response to a question on investments and influence by the legislature, there is a fiduciary responsibility for both the SWIB and ETF boards. Also in statute there is language that the legislature has no authority over the SWIB investments. Senator Hansen's bill is in early stages and will not use SWIB dollars.

An article from the Journal Sentinel on Wisconsin's Venture Capital shows almost a doubling of capital over 2013 but still less than most states. The 4490 venture capital is making its second investment in a company called EatStreet. SWIB has also made an investment in the company.

You received a recent email on the Dutch pension system which was reported in the New York Times. The WRS is modeled after that system and was mentioned in the article.

**CORRESPONDENCE - None**

**OLD BUSINESS** - The Wisconsin Alliance for Retired Americans recently honored WCOA member Bob Beglinger for his involvement and dedication with the agency.

The WCOA video "A Program in Balance" will be periodically reviewed and updated by Bob Schaefer and Sandy Drew.

WCOA present officers have agreed to serve another term.

**MSC The WCOA current officers will be retained for another term.**

Annual Conference - We need to make decisions on the annual conference format. This will be a topic for the November meeting. The Annual WCOA Conference the third Monday in May will not conflict with any of our organizations' annual meetings. Any volunteers for the committee?

**NEW BUSINESS** - The Dutch pension system could be a topic for a future meeting or even annual conference presentation.

**TREASURERS REPORT** - \$7417.16 in the checking account.

**NEXT MEETING** - **November 17, 2014**, 9:30 a.m., Wisconsin Education Association Council, Media Room, 33 Nob Hill, Madison, WI.

The meeting adjourned at 11:10 a.m.

Respectfully submitted – Dick Kratz