

# Wisconsin Coalition of Annuitants

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

## Minutes of Meeting September 15, 2014

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

**DIRECTORS & ALTERNATES PRESENT:** R. Beglinger, WFT-R; B. Davis, WFT-R; B. Fendel, AFSCME; E. Frank, DNR; J. Grosklaus, West Allis; R. Hoessel, DOT; B. Holahan, UWMRA; C. Howard, WEAC-R; A. Knop, WEAC-R; D. Kratz, CORR; J. Maydak, West Allis; J. Miller, DNR; J. Palmer, WPPA; D. Rohweder, ESP; W. Rowe, ACE; B. Schaefer, SEA; J. Skiles, UW-R; J. Vreeland, Wauwatosa; A. Wallace, UWRA.

**GUESTS:** O. Berge, V. Cutler, A. Fendel, D. Hansen, T. Hunter, D. Lueck, C. Preisler, J. Roberts, R. Springman, S. Sweet, C. Welch, R. Wojciak .

**EXCUSED:** D. Bennett, D. Chickering, S. Drew, J. Egan.

**MINUTES** of the June meeting were approved as mailed. No meeting in July and August.

### **GUEST: Senator Dave Hansen**

SB611 Wisconsin Private Security Retirement Act

(Analysis by the Legislative Reference Bureau follows the minutes.)

Sen. Hansen is from Green Bay and stated that he taught school for nine years and drove truck for the city of Green Bay 20 years as a sanitation worker. In 1996 he was elected to the Brown County Board and in 2000 was elected Senator where he is in his 14th year and his 34th year in the WRS.

2013 Senate Bill 611 was introduced, referred to the committee on Workforce Development, Forestry, Mining, and Revenue but did not receive a public hearing. There is a growing retirement crisis, and this legislation is designed to try and solve it. AARP and others involved in retirement issues are aware of the need. The WRS is one of the strongest and best retirement systems in the country. Our concern has been that the governor might "toy with it" and that must not ever happen. Because it is such a great system, there is a goal to do a similar program for those in the private sector. The proposed legislation would create the Wisconsin Private Security Retirement Act and would provide Wisconsin residents with a totally separate retirement plan, similar to the WRS. With a lack of good-paying jobs, a minimum wage that does not meet the needs, and student loan average debt of \$27,000, it is difficult to grow the economy.

Retirement crisis: Currently half of Americans 65 and older live on \$18,000 a year or less and 75% of those nearing retirement age have less than \$30,000 in retirement savings. Many are living on \$6-\$800 a month of Social Security. In Wisconsin 101,000 individuals 65 and older claim homestead tax credit, which was cut in the governor's first budget. Over 48,000 households age 60 or older received food stamps in 2010. The number of individuals 65 and older is projected to double in the next 30 years, individuals 85 and older will skyrocket 142% to 287,000 in 30 years, and over 3900 individuals will reach the age of 100 and older which is up from 1200 in 2010. The number of people under age 17 is expected to grow at 2% and the working-age population between ages 18 and 64 will increase by less than one half of 1%. Using national numbers it is estimated that 1.5 million workers in Wisconsin have no retirement plan, and many of the available plans are under funded. The National Institute on Retirement Security indicated 84% of the people are concerned and 54% are very concerned that current economic conditions have hurt their retirement, and 72% believe they will not be able to make up any financial losses before retirement. Because of the growing crisis the legislature introduced a plan

to make it easier for small business owners, their employees, farmers, real estate agents, self employed, and others, all who have expressed an interest in the bill.

The Wisconsin Private Security Retirement Act will be separate and build on the success of the WRS. The Act calls for a separate fund and would not impact the WRS. The design is to take the best of the WRS and develop a retirement system for those in the private sector. A Board would be created to design the plan, identify participants, determine contribution rates and benefits upon retirement. The plan is a defined benefit plan, not a defined contribution or 401(k). The private fund would be managed by SWIB and the benefit administered by ETF. The plan will be voluntary and portable at low cost and no risk to the taxpayers.

The bill requires the board to conduct a number of public hearings throughout the state. Many individuals over the years have expressed that participants in the WRS have it too good. This plan would give them an opportunity to help design and participate in a similar retirement system. The bill provides a low-cost, secure pension plan for small business owners, their employees, farmers, real estate personnel, self employed, and others who currently do not have access to a retirement plan or their plan is insufficient to help with retirement security. As an open and transparent process, the bill gives the public an opportunity to create the plan that meets their needs by providing low-cost high-quality options with every participant having a guaranteed monthly retirement benefit. The bill provides an opportunity for businesses, farmers and everyone in Wisconsin to enjoy the same type of pension plan that public employees and elected officials have with the WRS. There is a retirement crisis and it is a train wreck waiting to happen if we do nothing. If we do not find a way for people to take greater responsibility for their retirement, we will see more people working longer or living in poverty relying on taxpayer assistance.

Comments/Questions: Reintroduction of the bill in the next legislative session and subsequent public hearings will depend on the November governor's election.

The involvement of SWIB and ETF will be reimbursed from the fund, similar to some of the other investments that SWIB manages. There is to be no cost to SWIB or ETF.

WRS took years to build up the fund to where it's at and a new fund will likewise take many years to mature. How will this fund assist those who are approaching retirement? The fund will not help those close to retirement but will help those looking at retirement 20-30 years from now.

Offering the citizens of Wisconsin deferred compensation 459 plan, might be of assistance to those who are going to retire in just a few years.

California and Connecticut are looking at similar pension plans. California has established a board, and they are working on some of the details. Several states have recognized the problem; however they have not done anything.

Public hearings would provide more detail to the plan and then it may have some legislative adjustments before going to the Joint Survey Committee on Retirement Systems.

Wisconsin state budget concerns were discussed including the various shortfalls and structural deficits.

The plan is a great idea but how do you motivate people to participate? If people have discretionary dollars today, they still do not invest in public funds. It is a problem

Sen. Hansen was thanked for his attendance and sharing the proposed public retirement plan with us.

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

ETF is accepting three position nominations for the board. The Annuitant Member is presently Bill Ford, and he has indicated an interest in again serving. Mr. Ford has been active on the board and an excellent annuitant representative. Educational Support Personnel and the Milwaukee Public School Teacher positions are also open. Information is available at the ETF website.

ETF will be presenting their budget at the next board meeting. Operational strategic resources, technical and minor statute changes and the four-year project will be emphasized.

The ETF website has added a video on the changes in health benefits.

Personnel changes: Rob Marchant has left for the private sector. John Voelker has been appointed Deputy Secretary and Pam Henning has been appointed Assistant Deputy Secretary. Ms. Henning will be at our October meeting.

There was a question on the rehired annuitant requirement. There's been some question as to the amount of time an annuitant may work, relative to the July 1, 2011 date. This issue needs to be clarified since people do not understand the intent. Ms. Hunter will clarify at our next meeting. There was discussion on the ramifications of the rehired annuitant legislation.

The WRS has federal guidelines where public pension plans do not. One of the requirements is public plans have employers who will not be going out of business, school districts, cities, state employees and others. There are many issues with the proposed public pension plan that will have to be answered.

### **Chris Preisler, Communications, SWIB**

Preliminary asset allocation summary was shared. As of August 31 the core is at 7.3% with a benchmark of 7.3%. The variable fund is at 7.8% with a benchmark of 8.1%. The value includes the core at \$91.1 billion and the variable at \$7.4 billion. Total funds under management \$104.8 billion. The latest Towers Watson report ranks 300 pension funds in the world. The WRS has moved up from 30th to 25th and continues to be the ninth largest in the US.

In July 4490 Ventures, a joint venture with the Wisconsin Alumni Research Foundation, made its first investment in Abodo. A second investment is expected to be announced soon. The following website, with Jeff Engel, further describes the details and the recipients. Follow@XconomyWI.

The biennial budget is being prepared for submission; however, SWIB's budget is approved by the SWIB Board, not the legislature. Approved is \$46.9 million for operations with 159.1 full-time positions and 7.25 projected positions.

The SEC has been investigating improper fees and expenses charged by large investment firms. SWIB Private Equity and legal staff are reviewing the private equity portfolio and looking for any equity fees that may have been hidden and the shifting of expenses from advisers to investors.

There was a question on Governmental Accounting Standards Board and that will be a topic for the November meeting. We need to understand what is going to be happening so we as individual organizations can support ETF.

**CORRESPONDENCE:** The Secretary sent a thank you to ACE for the memorial of Bob Alesch.

Introductions - Dwayne introduced John Roberts who will be assisting him representing ESP.

**OLD BUSINESS:**

WEAC returned our donation for the use of their facility. Their response was that they are a part of us and are willing to provide accommodations.

“A Program in Balance” video developed by WCOA is on our website. Should we expand the video, make a shorter version, or create dialogue and make it an ongoing project?

The trifold available at the [WICOA.org](http://WICOA.org) archives is another form of information.

Annual Conference - We need to continue our annual conference, with a revised format. There was good discussion with many ideas and comments. A summary will be provided to the WCOA Directors. Meanwhile we need to continue thinking of options and innovations.

#### **NEW BUSINESS:**

**MSC The WCOA secretary be given a \$150 honorarium.**

**MSC The WCOA treasurer be given a \$100 honorarium.**

Nominations for WCOA officers are due to the secretary by the October meeting. The present officers have all agreed to serve another term.

#### **TREASURER'S REPORT:**

Checkbook balance \$7667.16. Treasure's report accepted as presented.

**NEXT MEETING: October 20, 2014**, 9:30 a.m., Wisconsin Education Association Council, Media Room, 33 Nob Hill, Madison, WI.

The meeting adjourned at 11:45 a.m.

Respectfully submitted – Dick Kratz

#### **Analysis by the Legislative Reference Bureau**

Under current law the Employee Trust Fund Board (ETF board) administers the Wisconsin Retirement System (WRS) under which public employees who are covered under the WRS and their employers pay contributions to the WRS and the WRS, from those contributions and the earnings on those contributions, provides retirement annuities to those public employees.

This bill creates a Wisconsin private retirement security board (board) and requires the board to establish a private retirement security plan (plan) to provide retirement benefits for residents of this state who choose to participate in the plan. Specifically, the bill requires the board to do all of the following:

1. Conduct a study to determine the feasibility of establishing a plan (feasibility study). The feasibility study must estimate the potential population that is likely to choose to participate in the plan and the potential cost of implementing the plan and must recommend a design and structure for the plan that is most reasonable in light of that potential population and cost.
2. Hold public hearings to receive testimony relating to the feasibility study and the recommended design and structure of the plan (public hearings). The board must hold not less than five public hearings and must hold those hearings over a period of not more than three months. The board may hold no more than one public hearing in Madison and must ensure that at one least one public hearing is held in each geographic area of the state, including the southeastern part of the state, the western part of the state, the northern part of the state, and the northeastern part of the state.
3. Based on the feasibility study, the recommended design and structure of the plan, and the testimony received at the public hearings, design the plan. The board must design the plan so

that, to the greatest extent possible, the design and structure of the plan are reasonably commensurate with the design and structure of the WRS.

In designing the plan, the board must provide for the State of Wisconsin Investment Board to assist the board in managing and investing the assets of the fund and the assets of the accounts of participants in the plan and must provide for the ETF board to assist the board in administering the plan.

4. By no later than the first day of the 18th month beginning after the effective date of the bill, submit a report to the legislature, the governor, and the members of the Joint Committee on Finance (JCF) summarizing the conclusions of the feasibility study, the testimony received at the public hearings, and the design of the plan(report). The report must also include an estimate of the cost of initial establishment and administration of the plan, an estimate of the amount of time necessary to make the plan viable, and a recommendation for any legislation that is necessary to implement the plan. On enactment of that legislation, the board must implement the plan in accordance with that legislation.

In addition, the bill requires the Department of Employee Trust Funds to: 1) provide staff and other resources to assist the board in the performance of the board's duties under the bill; and 2) submit a request to JCF for supplemental funds from the general fund to be credited to the general purpose revenue (GPR) appropriation of the board created under the bill. The request must include an estimate of the initial cost of establishing the board, conducting the feasibility study, holding the public hearings, designing the plan, and preparing and submitting the report. After reviewing the request, JCF may, from its GPR general program supplementation appropriation, supplement the GPR appropriation of the board in an amount equal to the amount requested.

Finally, the bill permits the board to charge reasonable fees to participants in the plan to cover the costs of administering the plan, to recover the investment costs of the accounts of those participants, and to repay the general fund for amounts provided to the board for the costs of conducting the feasibility study, holding the public hearings, designing the plan, and preparing and submitting the report and for the costs of the initial establishment and administration of the plan. For further information see the state fiscal estimate, which will be printed as an appendix to this bill.