

# Wisconsin Coalition of Annuitants

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

## Minutes of Meeting December 21, 2015

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. Chickering, WREA; B. Fendel, AFSCME; E. Frank, DNR; J. Grosklaus, West Allis; R. Hoessel, DOT; B. Holmes, ESP; C. Howard, WEAC-R; A. Knop, WEAC-R; R. Kratz, DOC; J. Maydak, West Allis; J. Miller, DNR; J. Munro, WARSDA; F. Nepple, OCI; D. Rohweder, ESP; W. Rowe, ACE; B. Schaefer, SEA; J. Skiles, UW-R; S. Sweet, BARTA; J. Vreeland, Wauwatosa; A. Wallace, UWRA.

**GUESTS:** A. Fendel, T. Hunter, C. Preisler, R. Wojciak.

**EXCUSED:** D. Bennett, B. Davis, S. Drew, J. Egan, J. Palmer.

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

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

A copy of the Asset Allocation Summary and Performance Evaluation was provided. As of November 30, 2015, both the core and variable trust funds are at 0.8%. Value of the two funds is \$93.3 billion and total funds under management are \$100.6 billion. As of last week both the core and variable funds were in negative territory. Some are projecting that the funds will end up at 0%.

Last week the Board of Trustees met and received a annual report from CEM and Callan. Callan indicates SWIB continues to lead it's peer group over a five-year period, with minimal risk and good returns. SWIB appears to be more globally oriented than its peers along with an emphasis on international and domestic fixed income; diversification strategy.

CEM emphasis is on cost. SWIB continues to be a low cost pension fund manager. Through 2014, latest data, SWIB has saved \$144 million by investing in fewer high- management- cost assets and saved \$63 million by internal and passive management. SWIB costs have increased since 2010 but continue to be below the peers. A major cost has been additional staff for internal management.

Since the implementation of the compensation plan in 2001, newly hired employees have more credentials and approximately five years more investment experience. Three years after implementation the turnover rate for investment staff has been reduced from 8.7% to 4.2%. Support staff turnover was also reduced from 8.8% to 4.1%. In the last three years investment staff turnover has been 0%, excluding retirements. Average compensation is below the peer group, 86% of the peer medium, excluding east and west coast. The compensation plan is working.

The day after the SWIB board meeting Michael Williamson, SWIB Executive Director, and David Villa, SWIB Chief Investment Officer, met with the ETF board to share investment risk and investment strategy. The ETF board appears comfortable with the SWIB diversification strategies. The returns the next 5 to 10 years will be below 7.2%, mid 6%.

The legislative divestment bill discussed last month does not appear to be moving.

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

Ms. Hunter provided a legislative update handout. There have not been any significant changes since last month. SB 45 creating a Wisconsin Private Retirement Security Board had a public hearing with good discussion, but further action unlikely. AB 394 was amended to require the Group Insurance Board to notify the Joint Committee on Finance if they are going to implement a self-insured plan. This bill has been signed by the Governor and is Act 191.

An Annuity Adjustment Projections handout was shared that was a presentation by Bob Willett in March. A 0% return for 2015 will result in an annuity adjustment of between 0.9% and 1.1%. A return of -8.1% will result in a negative annuity adjustment. With the present projections the variable will be a negative adjustment.

SWIB and ETF boards have been spending considerable time on discussion of investment risks.

Both Boards appear satisfied with the investment risk ratio and Gabriel Roeder Smith recommended to stay with the 7.2% discount rate. In consideration of the longevity of the trust fund, the next 5-7 years are projected to be low returns. There will continue to be emphasis on investment risk.

*Question - The ETF Joint Board had an agenda item on "Dividends and Downside Investment Risk". <http://etf.wi.gov/boards/agenda-items-2015/etf1210/joint/item3a.pdf>. The report seems to imply that one of the ways to handle downside risk was to change the statutes. (page 13)* There has been discussion of lowering the 5% for retirees although the 7.2% discount rate has been considered reasonable. Any time a change is made to the system, there are consequences. The ETF Board is studying possible changes to the WRS, including statutory changes to minimize the impact on retirees.

Comment was made that our system is made up of the middle class, and slowly the middle class is disappearing. A recent Pew article in the Journal Sentinel details the shrinking middle class. <http://www.pewsocialtrends.org/2015/12/09/the-american-middle-class-is-losing-ground/>

The WRS three-year report by Gabriel Roeder Smith is worth reading and linked below. <http://etf.wi.gov/boards/agenda-items-2015/etf1210/etf/item4a.pdf>

The Federal extension of changes in health plans will not change the Group Insurance Board's decisions for 2016. The GIB will be meeting on January 7 to review additional Segal recommendations.

The recent Supreme Court case involving the Department of Public Instruction, Carney vs. Thompson, was a concern for some annuitants but has no impact on the case that protects the Wisconsin Retirement System trust funds.

There was concern by a member regarding Segal having two contracts with the state and Segal having access to individuals medical records. Ms. Hunter indicated that Siegel does not have access to individual records but will be using databases for decision making that do not have individual identifiers.

GIB is a policy- making board and, other than asking JCF approval for a self-insured plan, GIB has the authority to make policy decisions.

Segal has no track record with the Better Business Bureau and has nothing positive or negative on the Internet. Comment made that they appear to not even exist.

**CORRESPONDENCE** - None

**OLD BUSINESS** - ByLaws, we need clarification to allow individual splinter groups membership. ByLaws topic - tabled to January.

Annual Conference - we initially had approval for the third Monday in May. Now American Family tells us that only Fridays are available. (Later, John has confirmed Friday, May 13, 2016)

**NEW BUSINESS** - None

**TREASURER'S REPORT** - Check book balance \$7,855.47. Report accepted as presented.

**NEXT MEETING:** Our normal meeting date falls on Martin Luther King Day, and we will be meeting one week later on January 25, 9:30 a.m., Wisconsin Education Association Council, Media Room, 33 Nob Hill, Madison, WI.

Annual Conference, Friday May 13, 2016, American Family Headquarters.

The meeting adjourned by 10:40 a.m.

Respectfully submitted – Dick Kratz