

Wisconsin Coalition of Annuitants

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Minutes of Meeting February 16, 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. Bennett, WREA; S. Drew, SWIB; R. Hoessel, DOT; A. Knop, WEAC-R; D. Kratz, CORR; J. Maydak, West Allis; J. Miller, DNR; J. Munro, WARSDA; D. Rohweder, ESP; B. Schaefer, SEA; J. Skiles, UW-R; J. Vreeland, Wauwatosa; A. Wallace, UWRA.

GUESTS: T. Hunter, C. Preisler, D. Schmidt, S. Sweet, R. Wojciak.

EXCUSED: D. Chickering, B. Davis, J. Egan, B. Fendel, E. Frank, J. Grosklaus, J. Palmer.

MINUTES of the January meeting were approved as mailed.

GUEST: Chris Preisler, Communications Specialist, SWIB.

Mr. Preisler provided the monthly Asset Allocation Summary and Performance Evaluation as of January 31, 2015. The core fund is at -0.1 with a benchmark of 0.0 and the variable fund is at -2.2 with a benchmark of -2.0. Under management are \$88.5 billion in the core and \$7 billion in the variable. Total assets under management, \$103.4 billion.

Mention was made of the recent *Wall Street Journal* article emailed 2/8/15 evaluating the returns for 2014 and the need to continue diversification. Article link:

<http://www.marketwatch.com/story/401k-balances-rise-but-lag-market-gains-2015-01-29>.

Last week was the Board meeting. Economist Peter Berezin spoke and reaffirmed the SWIB investment strategy and staying on course with international investments.

Michael Williamson, Executive Director, updated the board on the strategic plan and the accomplishments of meeting objectives during the first of three years. The 2015 second-year plan is to continue focusing on investment strategies along with improving operations and technology. A major effort is that staff continually be informed of the changes and their role in the agency.

A recent news article addressed private equity fees and the hidden costs. SWIB legal staff has always obtained information through contracts with private equity managers regarding fees and the possibility of hidden fees. Private equity has returned around 15% for the past several years, net of fees. SEC will be adding regulations.

SWIB has been receiving inquiries as to why the returns were not as high as the US equities. With the investment strategy to minimize the highs as well as minimize the lows there will be individual inquiries. SWIB is a long-term investor and does not “chase” the market. If you have inquiries feel free to refer them to Mr. Preisler.

CEM published an article on the benefits of active management versus passive management. There have been some inquiries, as to why SWIB does not invest in index funds.

<http://www.cembenchmarking.com/Files/Documents/WhatDatabaseTellsAboutEMH.pdf>

GUEST: Tarna Hunter, Legislative Liaison, ETF.

The Governor introduced his budget in the beginning of February. ETF identified four provisions that are related to the benefit programs that ETF administers.

- 1) Employee incentive to opt out of state health insurance is for only active employees who would be eligible for a \$2000 incentive.
- 2) Currently, child support obligations may be assigned to a WRS account. The budget extends the assignment to income continuation and duty disability programs.
- 3) The Group Insurance Board is directed to find \$25 million in savings.
- 4) Group Insurance Board terms would be staggered and increased from two years to four years to increase the continuity of the board.

Sen. Hanson and Rep. Genrich are circulating a bill for the Private Retirement Security program that Sen. Hanson previously shared with us. The bill creates the Private Retirement Security Board and requires the board, with assistance from ETF, to conduct a study to determine the feasibility of establishing a plan, conduct at least five public hearings throughout the state, and design the plan. ETF will review the bill and provide additional information. This bill is just in its initial stages. SB45 <http://docs.legis.wisconsin.gov/2015/related/proposals/sb45>.

Reminder to vote for the annuitant member of the ETF board; voting closes February 27.

In January there was a change in the mailing of newsletters. Retirees will receive a hard copy in the mail and active employees will receive it electronically. They are separate versions for active and retired members. If you would like to receive the active newsletter, you can sign up for gov.delivery on ETF's website.

The new state Hill Farms office building is pending a contract with a group that includes Gilbane, which has an office in Milwaukee; C.D. Smith, based in Fond du Lac; HGA, headquartered in Minneapolis; and SmithGroup JJR, headquartered in Detroit.

WellWisconsin covers adults who participate in a wellness assessment through the Group Insurance Board's individual state health plans. Rewards paid to members are considered taxable income. There is a wellness event scheduled for Madison on May 13, 2015. The event will take place at Monona Terrace. Participants in the group insurance plan will be able to have biometric screening and participate in other wellness initiatives, including financial wellness.

GUEST: Dan Schmidt, Senior Analyst, Legislative Council.

The legislature has been quiet in terms of retirement issues, and the budget likewise does not address any retirement concerns. Mr. Schmidt will provide a report if anything is referred to the Joint Survey Committee on Retirement Systems.

Mr. Schmidt provided a list of the new members of the JSCRS. Legislators are Senators Lasee, Marklein, and Erpenbach along with Representatives Murphy, Kuglitsch, and Mason. All are new to the committee.

CORRESPONDENCE - None.

OLD BUSINESS - Annual Conference.

ETF Secretary Conlin has been contacted and a speaker from SWIB will be arranged.

The Blair Testin award will be finalized at the March meeting.

The committee will be working on conference details for the next meeting.

NEW BUSINESS - None

TREASURER'S REPORT - Checkbook balance \$7755.54.

The State Office of Commissioner of Insurance (OCI) has joined the WCOA. Fred Nepple is the WCOA Director.

Treasurer's report accepted as presented.

NEXT MEETING: March 16, 2015, 9:30 a.m., Wisconsin Education Association Council, Media Room, 33 Nob Hill, Madison, WI.

WCOA Annual Conference, Monday, May 18, 2015.

The meeting adjourned at 10:50 a.m.

Respectfully submitted – Dick Kratz