

Wisconsin Coalition of Annuitants

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Minutes of Meeting January 14, 2018

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

DIRECTORS & ALTERNATES PRESENT: R. Beglinger, WFT-R; B. Bird, DOT; J. Blank, BLUE-R; B. Brooks, CWCR; D. Chickering, WREA; S. Drew, SWIB; E. Frank, DNR; S. Haase, UWRA; B. Holmes, ESP; A. Knop, WEAC-R; R. Kratz, DOC; J. Maydak, West Allis; J. Miller, DNR; G. Mitchell, AFSCME 52; J. Munro, WARSDA; E. Reiter, KM-R; B. Schaefer, SEA; T. Speranza, RPPFW; R. Springman, WFT-R; J. Stangl, DCAREA; J. Thiel, ACE; J. Vreeland, Wauwatosa; C. Welch, BAREA, D. Wilcenski, WREA.

GUESTS: T. Hunter, R. Klaskin, C. Preisler, J. Risch, P. Smelser, R. Wojciak.

EXCUSED: J. Egan, B. Fendel, J. Grosklaus, J. Palmer, S. Sweet, C. Welch.

MINUTES of the December meeting corrected ~~-The Lame duck legislative session added four more members to the group insurance board, two from the senate and two from the assembly, with senate confirmation.~~ (Removed from the budget bill prior to signing.)

Ms Klaskin introduced guest Jay Risch, SWIB Government Relations Liaison.

GUEST: Rochelle Klaskin, Deputy Executive Director/Chief Administrator Officer, SWIB.

On 10/1/18 organizational structure changes created a Management Council consisting of David Villa Executive Director/Chief Investment Officer, Ms Klaskin, Mike Jacobs Agency Business Director, Chief Technology and Operations Officer (position vacant), and a designee from one of the asset classes.

The four investment management groups remain the same; Asset and Risk Allocation, Public Equities, Public Fixed Income, Multi Assets, and Private Markets/Funds Alpha.

Agency Business is new on the organizational chart and will be centralizing execution focused resources (project management, strategy and coordination, etc.), and areas that were previously scattered through out the agency.

The investment committee headed by David Villa remains in tact. Mr. Villa will be focusing on investments and will rely on the Management Council for executive assistance.

Cost comparisons by CEM Benchmarking imply in 2017 a savings of \$90 million over our peers. Investment strategies, internal versus external management, and negotiated fees make the difference. Just over 55% of assets are internally managed. Specialized investments require external managers. Also hedge funds using alpha/beta requires external consultation. More fees paid to external managers are the result of higher investment returns. Since 2007 costs have consistently been lower than SWIB's peers. This coincides with Mr. Villa's arrival and the increase of internal management. The cost differential of our peers is shrinking in part because our peers are starting to use SWIB investment strategies, such as internal management to decrease costs.

Asset allocation. Core fund Private Equity has increased from 8 to 9%. Global Bonds have been removed from Public Fixed Income, due to the low yield expectations of global bonds. The expected 5-7 year returns are lower given the market outlooks. When constructing a portfolio, SWIB looks to maximize the potential expected return without taking undue risk. The expected return of the asset allocation chosen by is projected at 6%, if solely passively managed SWIB's active management is expected to potentially add additional return in the range of 0.3% to 0.8%.

Market indicators for 2018 were all negative performance. The WRS being fully funded had a better effective rate of return than peer groups underfunded. Additional details available at: https://docs.wixstatic.com/ugd/69fc6d_431b9727287542abaa6ef18716902074.pdf SWIB cumulative performance the past 10 years is in the middle of its peers, 49%. Adjusted peer performance, to match SWIB risk, puts SWIB in the top third of its peers, 30%.

Investing in Wisconsin as of June 30, 2018 is over \$21 billion. Investments are in a "combination of publicly traded companies, venture-backed companies, private debt investments, and real estate". In the private debt portfolio, there are presently 39 borrowers totaling \$400 million, with 80% of the Private Debt portfolio invested in Wisconsin. Venture capital has 26 direct

investments in Wisconsin with over \$380 million invested the past 18 years. SWIB also consults with out-state investors to connect them to Wisconsin start ups.

GUEST: Tarna Hunter, Legislative Liaison, ETF.

Corrected minutes were reaffirmed and the lame duck session had no changes for ETF.

Joint Survey Committee on Retirement Systems, JSCRS, have Co-Chairs Senator Bernier and Representative Felzkowski along with members Senator LeMahieu, Senator Erpenbach, Representative Kuglitsch, and Representative Hintz. Our contact is Dan Schmidt, LRB. The state budget will be introduced late February or early March and is expected to be several months before completed and signed.

The disability re-design will be introduced to WRS members and the administration.

The Legislative Audit Bureau, LAB, Group Insurance Board, GIB, audit report should be available soon. The Governor will be appointing members on the GIB.

Dental Insurance changes, be sure your dentist is covered by the plan you chose.

Retirees, be sure to vote for your ETF Board representative.

ETF is finalizing a contract for succession planning and re-starting the modernization effort.

The assumption rate from 7.2% to 7% will not impact the 5% assumption rate for retirees.

Jailer bill was again introduced to consider protective status and is being circulated for signatures.

A number of WRS retirees have switched to the ETF Medicare Advantage program. This program will continue to be watched.

GUEST: Chris Preisler, Communications Specialist, SWIB.

Nothing further to report on SWIB.

CORRESPONDENCE - None

OLD BUSINESS - Annual Conference is set for Friday, May 10, 2019. ETF and SWIB are confirmed. WCOA needs to find a American Family sponsor, several WCOA members will follow.

NEW BUSINESS - A brief discussion was held regarding the candidates for the annuitant representative on the ETF board.

TREASURER'S REPORT - Check book balance \$10,047. Twenty two organizations paid. Report accepted as presented.

NEXT MEETING: February 18, 2019, 9:30 a.m. Wisconsin Education Association Council, Media Room, 33 Nob Hill, Madison, WI.

The meeting adjourned by 11:07 a.m.

Annual Conference Friday May 10, 2019

Respectfully submitted – Dick Kratz