

Wisconsin Coalition of Annuitants

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Minutes of Meeting June 17, 2019

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

DIRECTORS & ALTERNATES PRESENT: W. Backes, AFSCME 32; R. Beglinger, WFT-R; B. Bird, DOT; B. Brooks, CWCR; S. Drew, SWIB; E. Frank, DNR; S. Haase, UWRA; B. Holmes, ESP; R. Kratz, DOC; J. Lawton, ACE; J. Maydak, West Allis; G. Mitchell, AFSCME 52; J. Munro, WARSDA; E. Reiter, KM-R; B. Schaefer, SEA; J. Stangl, DCAREA; S. Sweet, BAREA; J. Vreeland, Wauwatosa; C. Welch, BAREA.

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

EXCUSED: J. Blank, J. Egan, J. Grosklaus, A. Knop, J. Miller, R. Springman.

MINUTES of the April meeting were approved as mailed.

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

The following was provided by SWIB.

Rochelle Klaskin – Quarterly Update Summary

Last week the Board met for a quarterly meeting, topics included SWIB’s budget, recruiting efforts, and investment strategy.

Budget: SWIB saved approximately \$90 million in 2017 and \$1.3 billion from 2008 to 2017 due to having fewer higher cost assets and more internal management. SWIB uses its own staff to manage more than half of the WRS assets internally, which is a better value for the trust funds. The Board approved SWIB’s fiscal year 2020 \$550 million cost of management plan. In terms of cost, fees to external managers are the largest portion of SWIB’s total cost of management at about 78% of all costs. SWIB’s internal management costs represent 22% of the cost of management plan. In connection with the cost of management plan approval, the Board approved 25 full-time employee (FTE) requests in the following areas: Investment Management – 5 FTEs, Agency Business – 2 FTEs, Administration – 1 FTE, and Operations & Technology – 17 FTEs. The positions in Operations & Technology complete the deferred FTE request from the fiscal year 2019 budget. Changes to actual and expected investment performance will have the greatest impact on the cost of management plan.

Recruiting: Year-to-date as of May 24, SWIB had received 1,689 new candidate applications for its open positions (including FTEs and interns). Of those applications, there were 609 manager review requests, 295 phone interviews, and 181 interviews, including those conducted using Skype. SWIB filled 38 positions (18 FTEs and 20 interns). The average time-to-fill is running 99 days per position.

Investment Strategy: The Board provided SWIB with more flexibility on a range for leverage, leaving the target at 10%. The Board accepted the recommended modification from SWIB’s independent asset allocation consultant to have a +/- 2% range around the 10% allocation target. This allows SWIB to better position itself to take advantage of exposure management opportunities. The Board also heard a discussion regarding exposure management trades and the investment process and factors used to evaluate possible positions. Exposure management is when SWIB makes trades at the “top of house” in the Core Trust Fund rather than at the portfolio or asset class level. This allows SWIB to concentrate a trade or put on a larger position when there is an investment opportunity.”

Ms Klaskin provided a handout highlighting the above.

In addition the following was discussed.

SWIB Positions: Last year SWIB projected a need for 42 investment/service management positions. Last year the Board approved 22 positions and this year SWIB added and received approval for an additional 3 positions. Need of 42 positions, 25 approved.

Total SWIB positions, 233. SWIB will need and be looking for new/additional space.

Broker research is now a budget item removed from net of performance.

Each new investment person needs to be licensed and fees are in excess of \$100,000 dollars each. With new hires additional assets will be internally managed.

The primary staff recruitment period is April through September.

Exposure management is spread within various portfolios and is projected to return \$100M of \$600M alpha total.

GUEST: Chris Preisler, Communications Specialist, SWIB.

Changes to the board, two new members. Esther Ancel, Public Member and Dave Schalow, Educator-WRS participant. Norm Cummings' term has expired and he will be replaced.

Preliminary returns as of May 31 are Core fund 7.9% with a benchmark 07.7% and the Variable at 9.8% slightly below the benchmark of 9.9%. The form to show returns has been revised and will include additional information. The five year returns are Core Fund at 5.8% with a benchmark a 5.5% and the Variable at the benchmark of 7%. Portfolio returns have been on a roller coaster with public equities and multi-asset consolidation doing well. Total assets under management \$106.8 billion.

GUEST: Tarna Hunter, Director of Strategic Engagement and Government Relations, ETF.

At next weeks ETF Board meeting the actuaries will present a proposal for increasing contribution rates from the present 6.55% to 6.75% for employees and employers, total 13.5% up from 13.1%.

ETF will begin operating it's new website during June with full implementation sometime in July. If any questions contact Tarna.

The ETF strategic plan will be presented to the board, with four goals: 1) create an effort less customer experience, 2) implement outcomes driven performance measurement and process management, 3) build a talented and agile workforce and 4) implement modern secure and resilient information technologies.

The Legislature has been active with the budget. Policy provisions have been removed from the budget.

Two positions have been approved for the disability program, which will now be administered in-house as opposed to a third-party, with \$800,000 savings. Funding has also been provided for LAB mandatory program audits.

The so called Jailer Bill had a hearing in both the House and the Senate. ETF identified problems with the bill and will be working with the legislature to make sure IRS regulations are followed.

Department of Corrections bill providing credible years of military service after five years WRS employment. It appears to be based on retention and recruitment with a substantial costs.

Bill waiving the 2/3 salary for returning to work with a WRS employer for law enforcement and firefighters has not had any activity.

Bill was introduced for restitution from an individual annuity when a WRS employee steals from their WRS employer.

Number of health insurance related bills have been introduced to protect consumers. The state plans for pharmacy benefit management and step therapy exceed the bills requirements.

CORRESPONDENCE - The chair sent a "thank you" to the annual conference presenters.

OLD BUSINESS - None

NEW BUSINESS - Jack Lawton provided an overview of a presentation that he will be presenting this evening, The Status of Civil Service in the State of Wisconsin. A handout was provided.

The Wisconsin Civil Service system was created in 1905 when governor Robert M. LaFollette signed one of the nations first civil service bills into law and will celebrate its 114th birthday on June 17, 2019.

The purpose of civil service is to protect the public, provide fair and equal treatment, execute the laws faithfully, that government works for all not just for special interest. The purpose is achieved through enforcement of laws, with no patronage, no nepotism and no political contributions for favorable return.

With Act 10 the destruction of unions, Act 158 debilitation of service, we have lost merit selection and service via laws, administrative rules and policies. There is political control of the process through centralization of personnel management within DOA. Enforcement of the laws through civil service and grievance appeals has been lost. We risk losing respect for public service, fair and equal treatment of citizens, and hiring and retaining qualified employees.

The slippery slope of expanding executive influence on hiring. Beginning in 1967 Governors appointed Department Secretaries and in 1978 most Division Administrator's became unclassified. In 1997 14 Secretaries were Governor appointed. In 2011 with Act10 there were drastic changes.

In 2016 and 2017 employees terminated/fired had increased dramatically. The number of grievance arbitration and civil service appeals have also declined with the University appeals now going to the Board of Regents.

Number of employees leaving state service has increased since 2015 and the number of applicants for employment per announcement began dropping in 2014 and has continued to drop.

Termination is now possible based on performance or that management doesn't like you. There is no good performance evaluation available. Supervisors don't like to terminate employees and at times are told to terminate individuals. Few present employees strive to be supervisors.

TREASURER'S REPORT - Annual Conference - 65 paid, 11 guests.
Check book balance \$9,802.55.

JULY/AUGUST - in the past we have taken a month off during the summer specifically when the legislature is not in an active mode. Following discussion the following motion was made.

MSC The WCOA will not meet during the month of July 2019.

In August we will have a strategic meeting to refocus the WCOA.

MSC The WCOA will have strategic planning at no cost or do it our selves.

General discussion on the Annual Conference, we need to get started on the date/agenda - Now.

NEXT MEETING: August 19, 2019 at 9:30 a.m. Wisconsin Education Association Council, Media Room, 33 Nob Hill, Madison, WI.

The meeting adjourned by 11:15 a.m.

Annual Conference?

Respectfully submitted – Dick Kratz

Upcoming meetings: ETF Board - 9/19; 12/12 SWIB Board - 9/10-11; 10/22-23; 12/17-18