

Wisconsin Coalition of Annuitants

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Minutes of Meeting January 28, 2013

The meeting was held at the Wisconsin Professional Police Association Building, 660 John Nolen Drive, 2nd Floor Conference Room, Madison, and was called to order by Chair Jim Palmer at 9:35 a.m.

DIRECTORS & ALTERNATES PRESENT: R. Beglinger, WFT-R, D. Bennett, WREA; O. Berge, WARSDA; L. Bundy, ESP; j. Craig, UWRA, V. Cutler, UWMRA; S. Drew, SWIB; E. Frank, DNR; C. Howard, WEAC-R; A. Knop, WEAC-R; D. Kratz, CORR; J. Maydak, West Allis; J. Palmer, WPPA; D. Rohweder, ESP; B. Schaefer, SEA; J. Skiles, UW-R; J. Vreeland, Wauwatosa; A. Wallace, UWRA.

GUESTS: T. Hunter, F. Nepple, C. Preisler, J. Strohl, M. Susman, R. Wojciak.

EXCUSED: B. Davis, J. Egan, B. Fendel, J. Groszklaus, J. Miller.

MINUTES of the December meeting were approved as mailed.

GUEST: Chris Preisler, Communications, SWIB

Mr. Preisler distributed an Asset Allocation summary for November 30, 2012. The December 31, 2012 summary will be available at next month's meeting. The preliminary numbers have recently been released. The Core fund finished at 13.6% ahead of the benchmark of 12.8% and the Variable finished at 16.9% ahead of the benchmark of 16.7%. ETF continues to project the Core adjustment between 0% and -13%. The 3 year, 5 year and 10 year returns have all exceeded or met their benchmarks with the 10 year return for the Core at 8.4%. The 10 year Variable at 7.9% also met the benchmark. This is the fifth and final year of adjusting for the 2008 loss. Assets under management are \$79 billion in the Core and \$6 billion in the Variable. Last week, the Wisconsin Reporter had an article on pension plans and indicated that the WRS is slightly below the pre-2008 level.

Following the Newtown school murders several pension plans have requested divesting of companies producing firearms. SWIB has investments with Cerberus Capital Management which owns a conglomerate of firearm-producing companies known as Freedom Group. A company within Freedom Group produced the assault weapon involved in Newtown. Freedom Group also produces weapons for the military and law enforcement. Cerberus has announced plans to sell Freedom Group. Cerberus, as a private equity firm, makes it's own investment decisions without investors' input. SWIB has received correspondence requesting they divest of any investments involving firearms. Cerberus Capital Management is the only SWIB investment involving firearms.

Brandon Brickner has been hired by the Board of Trustees as the Internal Auditor Director. Mr. Brickner was previously with the LAB as the Assistant Financial Audit Director.

Institutional Investor magazine will be doing an article on the WRS. One of their senior writers was in Madison and has interviewed several SWIB Board Members as well as SWIB Executive Director, the WCOA Chair and the Governor. Publication date has not been announced.

The Governor will announce his budget on February 20, and there may be mention of venture capital and SWIB. SWIB is willing to assist as a consultant to any legislative venture or investment capital funds; however, SWIB will not be involved in any management and will charge for their consultation.

Comment was made on the information in the Organic Valley video. Mr. Preisler indicated that additional videos will be produced by SWIB for participant education and information.

GUEST: Tarna Hunter, Legislative Liaison, ETF

The Core adjustment for May 1, 2013 of 0% to -13% is the largest and last of the five-year smoothing. Contribution rates for active members increased from 5.9% to 6.5%. The Variable adjustment will be between 9% and 11%.

The rehired annuitants report, compiled by LAB, was presented at a hearing last week to the Legislative Audit Committee, headed by Sen. Cowles and Rep. Kerkman. The hearing is available on Wisconsin Eye. ETF's position is that extending the 30-day break in service requirement will be a simple and straightforward change that will permit ETF to administer the law correctly and that policy changes are not necessary. Legislative discussion covered employer needs and public perception. This session the JSCRS members are Co-Chair Sen. Frank Lasee, Sen. Farrow, Sen. Hansen, Co-Chair Rep. Stroebel, Rep. Severson and Rep. Berceau. Rep. Stroebel testified before the LAC and reaffirmed his position on rehired annuitants. In addition to the LAC and Rep. Stroebel, Sen. Vinehout has expressed interest in addressing the needs of the employers as well as stopping the "wink and nod" rehires. It is anticipated legislation will be introduced.

The ETF budget is requesting two positions for outreach in the health care initiative to bring employers and health plans together. The Transformation, Integration, and Modernization (TIM) project budget request is funding for a period of 10 years to rebuild IT and improve service delivery.

When the Governor's budget is released, Ms. Hunter will present it to WCOA. The question was also asked regarding budgeting for ETF having its own building, which was a proposal of several years ago. It is anticipated that resources for ETF to be consolidated under one roof will be included in the next budget. Another question was ETF's budget authority for utilizing consultants. Auditors and actuaries are routinely included in the budget as consultants.

(The following information was received from Ms Hunter as a follow up to the meeting)

ETF's budget request covers the period of July 1, 2013 – June 30, 2015. ETF's budget request will support its mission and long-range strategic plan by providing 1) funding and flexibility for strategic plan implementation; 2) funding for statewide wellness initiative for health plan participants; and 3) statutory updates per the Internal Revenue Code.

Funding and Flexibility for Strategic Plan Implementation. ETF requested \$5 million in FY 2014 and \$8.5 million in 2015 to modernize its business processes and integrate its information technology systems. This funding will allow ETF to continue its Transformation, Integration, and Modernization (TIM) initiative, which will reduce administrative costs for ETF and employers around the state, as well as meet the growing demand for on-line service.

Anticipated modernization expenditures include business process analysis, financial management software, benefits administration software, hardware and software configuration and implementation costs, and strategic partner services.

Funding will also be used for limited term employees to help backfill and for two permanent positions to support ETF's Wellness Initiative and provide counseling services in locations outside Dane County.

In addition to the funding request, ETF has asked for the flexibility to add positions and delete vacant positions with the approval of the Governor and Joint Finance Committee, as well as the flexibility to manage the operations budget over a two-year period, as opposed to annual. These provisions will allow for more efficient management of the multi-year modernization initiative.

Funding for Statewide Wellness Initiative for Health Plan Participants. This initiative is a continuation of past efforts to increase health care quality and value. ETF will coordinate with health plans on program design and implementation, as well as work with employers to engage employees and provide them with information they need to make good decisions regarding their health. ETF is requesting two positions to provide outreach statewide.

Statutory Updates per the Internal Revenue Code. This provision is a federal condition required for obtaining a final Internal Revenue Service determination letter. It is comprised of a

handful of technical statutory changes to ensure that the statutes are in compliance with the Internal Revenue Code.

LEGISLATIVE REPORT: None

CORRESPONDENCE: None

OLD BUSINESS: Officer Installation completed as required in the bylaws.

NEW BUSINESS: Teachers Retirement Board Election. There was minimal candidate information included with the ballots. Anyone who retired as a teacher is eligible to vote and should have received a ballot.

Annual Conference - Several dates were identified to avoid organization conflicts. John Maydak will contact American Family to confirm a date. (The annual conference has been scheduled for Monday, May 13, 2013 at the American Family Headquarters, Madison.) Potential speakers along with ETF and SWIB were identified and Ed Frank will be contacting them. A future suggestion is to utilize technology for a long-distance presenter. Health care should be considered a topic for the conference; not all retirees are under the ETF health care plans. There are changes coming in 2014.

TREASURER'S REPORT: Sixteen groups have paid their annual dues.

Our Webmaster annual contract has been received in the amount of \$500. Rick has done a fantastic job with our website and many positives have been received. In addition he assists in other technical areas.

MSC The WCOA approve payment of \$500 for the 2013 website and maintenance.

Current checkbook balance \$7469.33 approved as presented.

NEXT MEETING: February 18, 2013 9:30 a.m., LOCATION TO BE DETERMINED

The meeting adjourned at 10:50 a.m.

Respectfully submitted – Dick Kratz