

# Wisconsin Coalition of Annuitants

## www.wicoa.org

Minutes of Meeting February 20, 2017

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

**DIRECTORS & ALTERNATES PRESENT:** R. Beglinger, WFT-R; B. Brooks, CWCR; E. Frank, DNR; J. Grosklaus, West Allis; B. Holmes, ESP; C. Howard, WEAC-R; A. Knop, WEAC-R; R. Kratz, DOC; J. Lawton, ACE; J. Maydak, West Allis; J. Miller, DNR; G. Mitchell, UWRA; J. Munro, WARSDA; B. Schaefer, SEA; J. Skiles, UW-R; S. Sweet, BARTA; J. Vreeland, Wauwatosa; A. Wallace, UWRA; D. Wilcenski, WREA.

**GUESTS:** J. Forester, V. Hearing, T. Hunter, D. Schmidt, R. Wojciak.

**EXCUSED:** J. Blank, S. Drew, J. Egan, B. Fendel, P. Haubrich, J. Palmer, J. Stangl.

MINUTES of the January meeting were approved as mailed.

**GUEST:** Dan Schmidt, Principal Analyst and Operations Manager, WI Legislative Council.

Mr. Schmidt has completed the 2015 Comparative Study of Major Public Employee Retirement Systems. Normally this report is done every two years; however, to correlate with others this report covers three years, 2012-2015. The complete report is available at: [http://docs.legis.wisconsin.gov/misc/lc/comparative\\_retirement\\_study/2015\\_retirement.pdf](http://docs.legis.wisconsin.gov/misc/lc/comparative_retirement_study/2015_retirement.pdf)

Mr. Schmidt stated the overall theme is "there are no major changes" with just a few minor adjustments.

**Part I - Description of Retirement Systems** There has been a decrease in the total number of participants in the plans. The number of active employees is decreasing at a significant rate resulting in a declining ratio of active to retired participants.

In 2015 the WRS had 255,014 active employees and 413,254 total participants. This was a decrease of 11,453 or 2.7% lower than the 2012 report. The ratio of active to retired in 2012 was 1.54, and in 2015 the ratio was 1.61. The average ratio for all plans was 1.74.

**Part II - Normal and Early Retirement Provisions** Both the normal and early retirement ages are increasing. Between 2010 and 2015 there were 38 states that increased the normal retirement age and 24 states that increased the early retirement age. The WRS has not changed.

**Part III - Contribution Rates and Vesting Requirements** The trend is a vesting period of five years or less. Longer periods, particularly those vesting after eight years, have increased.

Contribution rates were increased in 20 plans and decreased in 10 plans. Adjustments were mainly based on investment returns. Many of the employer normal cost rates are separated from any existing accrued liabilities.

Since 2011 the WRS has a five-year creditable service to be vested. Contribution rates increased slightly to 6.8% for both the employee and employer.

**Part IV - Retirement Benefit Calculations** The trend has been toward lower multipliers. In the three-year study nine plans decreased their formula multiplier and three plans increased their multiplier. Several plans have increase the number of years to calculate final

average earnings. Of the 87 plans 44 have a five-year average salary and 26 have a three-year average salary. Since 2012 there have been more plans that have modeled the WRS.

The WRS is a defined benefit plan with a money purchase feature. The formula multiplier is 1.6% based on the average earning of the three highest years, capped at 70%.

Part V - Post Retirement Annuity Increases and Taxes Most plans have annual increases based on a set percentage or in response to the CPI. Recent trend show an increase in the number of plans basing cost-of-living adjustments on changes in CPI and a decrease in automatic annual COLA increases.

Participants in the WRS receive annual annuity positive or negative adjustments based on a formula of investment returns. The 2015 adjustment was 0.5%. Retirement benefits are subject to state income tax with some exemptions.

Part VI - Actuarial and Accounting Information Funding ratios have generally decreased since 2006. Funding has also decreased. In 2006 32% of the plans had funding ratios of 90% or more, and in 2015 that percentage was 26%. The entry-age method remains the pre-dominant method used by the plans.

Actuarial method used by the WRS is entry age. The interest assumption remains 7.2%, and the economic spread is currently 4%. The funding ratio for the WRS in 2015 was 99.97%.

Additional information related to the report is available at:

Center for Retirement Research at Boston College, <http://crr.bc.edu/data/public-plans-database/>

Center for State and Local Government Excellence, <http://slge.org>

National Association of State Retirement Administrators, <http://www.nasra.org>

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

Ms. Hunter began with the legislative report:

AB 62 Military Service Credit for time served after 1974. This bill has been introduced in previous sessions.

AB 6,7,8,9,10 Remedial ETF Legislation. There has been no action scheduled.

AB 64 Budget Bill. In the ETF budget Benefits Administration, the Governor changed a request for two permanent positions to two four-year project positions and approved a one four-year project accountant position. Two permanent accounting positions in the Finance Compliance area were approved along with \$90,000 annually for financial auditing relating to the Government Accounting Standards Board (GASD). The Governor's budget also eliminated the domestic partner program for health insurance and some other benefits; present domestic partners will be "grandfathered". ETF will be updating domestic partner benefit changes.

The Governor's budget also assumes a \$60 million savings from self-insurance which the Group Insurance Board has approved. GIB has decided to regionalize and self-insure the state's health insurance program beginning in 2018. Additional information is available at the ETF Government Relations web page. [http://etf.wi.gov/gov\\_relation/index.asp](http://etf.wi.gov/gov_relation/index.asp)

The GIB letter to the Joint Committee on Finance may be found at:  
[http://etf.wi.gov/gov\\_relation/GIB\\_Letter\\_to\\_JCF\\_Self-Insurance.pdf](http://etf.wi.gov/gov_relation/GIB_Letter_to_JCF_Self-Insurance.pdf)

The Legislative Audit Bureau audit of ETF resulted in three minor process errors; they were immaterial or did not affect the WRS fiduciary net value.

[http://etf.wi.gov/gov\\_relation/ETF\\_Audit\\_Jan2017.pdf](http://etf.wi.gov/gov_relation/ETF_Audit_Jan2017.pdf)

Several of our members contacted a toll free self-help ETF telephone number. ETF has discontinued 1-877-383-1888. The telephone number has no association with ETF.

**GUEST:** Vicki Hearing, Communications Manager, SWIB.

Ms. Hearing provided a preliminary copy of The Asset Allocation Summary and Performance Evaluation report for January 31, 2017. The Core Fund is at 1.6% with a benchmark of 1.7% and the Variable Fund is at 2.5% with a benchmark of 2.4%. Total assets under management, \$107 billion.

SWIB has responded to the LAB audit and Mr. Williamson has written a letter for distribution. <http://www.swib.state.wi.us/single-post/2017/01/31/An-Open-Letter-from-SWIBs-Executive-Director-to-WRS-Members>

SWIB continues to maintain contact and educate legislators who are not aware of SWIB operations. When incorrect information is released, SWIB contacts those responsible.

**CORRESPONDENCE** - Several WCOA members have composed a letter on behalf of WCOA to forward to the Joint Committee on Finance. Following a review of the letter and discussion there were several changes and a consensus was achieved.

MSC The WCOA will send a letter to the Joint Committee on Finance expressing our concerns with the Group Insurance Board state self-insurance health plans. (Unanimous decision with several organizations abstaining who do not participate in the state program)

The members who composed the letter were thanked.

**OLD BUSINESS** - Annual Conference flyer — (defer to March meeting).

Blair Testin Award nominees —, consider March meeting.

**NEW BUSINESS** - None

**TREASURER'S REPORT** - We have 22 member organizations. Check book balance \$8,778.70. Treasurer's report accepted as presented.

**NEXT MEETING: March 20, 2017, 9:30 a.m.** Wisconsin Education Association Council, Media Room, 33 Nob Hill, Madison, WI.

The meeting adjourned by 10:55 a.m.

Annual Conference, Friday May 19, 2017.

Respectfully submitted – Dick Kratz