

Wisconsin Coalition of Annuitants

www.wicoa.org

Minutes of Meeting January 23, 2017

The meeting was held at the Wisconsin Education Association Council, Media Room, 33 Nob Hill, Madison, and was called to order at 9:30 a.m. by the Vice Chair and the Chair, James Palmer, arrived at 9:35 a.m.

DIRECTORS & ALTERNATES PRESENT: R. Beglinger, WFT-R; J. Blank, BLUE-R; B. Brooks, CWCR; D. Chickering, WREA; S. Drew, SWIB; E. Frank, DNR; J. Groszklaus, 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. Palmer, WPPA; D. Rohweder, ESP/WREA; J. Skiles, UW-R; J. Stangl, DCAREA; J. Vreeland, Wauwatosa; A. Wallace, UWRA; C. Welch, BAREA, Wilcenski, WREA.

GUESTS: J. Forester, T. Hunter, C. Preisler, R. Wojciak.

EXCUSED: J. Egan, B. Fendel, E. Frank, S. Sweet.

MINUTES of the December meeting were approved as mailed.

NEW ORGANIZATION MEMBER: The WCOA Executive Committee approves membership to BLUE-R.

MSC The WCOA welcomes membership to the Bay Lakes United Educators - Retired.

Jim Blank is their director.

GUEST: Chris Preisler, Communications Specialist, SWIB.

Mr. Preisler provided a copy of the monthly Asset Allocation Summary and Performance Evaluation as of December 31, 2016. In addition he provided a copy of the press release with the year end returns, dated January 17, 2017. The core fund finished at 8.5% above its benchmark of 8.0%, and the trust fund finished at 10.6% above its benchmark of 10.4%. There was the anticipated volatility in 2016, but at the end of the year the markets finished strong. Assets under management are \$89.3 billion in the core fund and \$7 billion in the variable fund for a total of \$96 billion in retirement funds. Overall assets under management are \$104.5 billion. Internally managed assets are 64% and externally 36%.

The SWIB strategy for investments will not follow US markets either up or down. Investments are not all in stocks and as result will be less than the US stock markets. The world market equities finished the year at 2.7% and is expected to improve in 2017.

The five year return for the core fund is 8.1% and for the variable fund 12.1%, both exceeding their benchmarks. The 20 year core fund return is 7.2% which is the assumed rate of return.

The last five years SWIB has earned \$1.1 billion over market returns after costs. The 2016 year-end returns combined with the cost savings by managing internally and passively generated \$294.2 million after cost in extra value added above market returns. Money saved is as good as earned.

ETF is preliminarily estimating a core annuity adjustment in the area of 1.5%. There is no preliminary estimate on the variable. Final decisions will be made in March.

The Legislative Audit Bureau recently completed a every two year management audit of SWIB. The report and SWIB's response is on the SWIB website. They audit focused on four areas; strategy and performance, board oversight, costs, and Wisconsin investments. There were several findings in the audit, nothing that created a red flag. It was recommended that SWIB improve on policy and procedures of reporting the following to the board; carried interest on portfolios, cost of management, and internal operating budget actuals. It was also recommended that governance of the board, which is reviewed annually internally, consider reviewing their committee structure.

The audit also wants to have greater detail spelled out on the policy of employee incentive compensation. An example being; with a negative return and the employee meeting benchmarks, the employee would receive a deferred compensation. Like the core fund compensation is based on five-years performance.

SWIB staff turnover has drastically improved with the compensation plan. The investment management staff, including junior investors, average 16.8 years experience.

Comment was made that several years ago the board made investment decisions and because of a conflict the investment decisions were given to a investment committee made up of SWIB staff and headed by the Chief Investment Officer. Since that time the CIO reports monthly to the board.

The LAB audit team spends considerable time with SWIB staff learning procedures. Most LAB audit members are CPAs.

A concern is that the auditors develop their own peer group to compare to SWIB. The peers are not necessarily using an investment strategy of risk and return similar to SWIB.

GUEST: Tarna Hunter, Legislative Liaison, ETF.

The 2017 Legislature began its session earlier in January and appears to be busier than anticipated. The Joint Survey Committee on Retirement Systems, JSCRS, has all of its members appointed. Co-Chairs are Representative Todd Novak, Baraboo Mayor, and Senator Pat Testin, grandson of Blair Testin. New to the committee is Senator David Craig and returning members are Senator Jon Erpenbach, Representative Mike Kuglitsch and Representative Cory Mason. No legislation has been referred to the JSCRS.

Five bills have been introduced that were requested by ETF. Assembly Bills 6,7,8,9,10 are remedial legislation suggested by ETF. The bills clarify statutory language and ETF policy.

Rep. Hebl introduced a military service credit bill which appears to have cost issues. Similar bills were introduced in previous legislative sessions.

This Wednesday there will be an audit committee hearing for both SWIB and ETF. The Legislative Audit Bureau website (<http://legis.wisconsin.gov/lab/search-results/?q=ETF>) has the reports for SWIB and ETF as well as the agency response.

The Group Insurance Board (GIB) has scheduled February 8 as the next meeting with location changed to the Sheridan Hotel. Nothing has changed since our last meeting.

As requested Ms Hunter explained the return to work, rehiring a retiree law change. The ACT 187 of 2016 needed clarification; the 76th day after termination is the "break in-service" date.

CORRESPONDENCE - None

OLD BUSINESS - None

NEW BUSINESS - Following a brief discussion it was decided to write to the Legislative Audit Committee expressing our support of SWIB and ETF and their policy/operations.

MSC The WCOA will send a letter to the Legislative Audit Committee in support of SWIB and ETF. (Sandy D. will compose)

Annual conference- We have four speakers committed. Bob Conlin, ETF; Michael Williamson, SWIB; Lisa Lampkins AARP; and Kevin McKinley (On Your Money, PBS).

Be thinking of individuals to be considered for the Blair Testin award.

TREASURER'S REPORT - We now have 24 organizations in the WCOA.

MSC The WCOA approve payment of the annual website bill of \$650.00

Check book balance \$9,413.18.

Treasures report accepted as presented.

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

The meeting adjourned by 10:35 a.m.

Annual Conference Friday May 19, 2017

Respectfully submitted – Dick Kratz