

# Wisconsin Coalition of Annuitants

[www.wicoa.org](http://www.wicoa.org)

## Minutes of Meeting November 18, 2019

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:** W. Backes, AFSCME 32; R. Beglinger, WFT-R; B. Bird, DOT; B. Brooks, CWCR; S. Drew, SWIB; E. Frank, DNR; B. Holmes, ESP; A. Knop, WEAC-R; R. Kratz, DOC; K. Kreul, WFFT-R; J. Lawton, ACE; T. Leithild, KM-R; G. Mitchell, AFSCME 52; J. Munro, WARSDA; B. Schaefer, SEA; R. Springman, WFT-R; J. Stangl, DCAREA; S. Sweet, BAREA; J. Vreeland, Wauwatosa; C. Welch, BAREA; D. Wilcenski, WREA; C. Wren, WSAA.

**GUESTS:** T. Hunter, R. Klaskin, J. Risch, R. Wojciak.

**EXCUSED:** J. Blank, J. Egan, J. Grosklaus, S. Haase, J. Maydak, J. Miller.

**WCOA ELECTION:** Balloting is completed, Bob Schaefer will be the WCOA Chair in 2020.

**MINUTES** of the October meeting were approved as mailed.

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

In Review: At the September SWIB Board meeting annual statements were approved and received a positive audit from LAB. Consultants shared with the Board fiduciary requirements and annual staff training was held.

In October an educational session for the board was held offsite with speakers from US private equity and this year from Canada.

On the second day the ETF actuaries spoke to the board on types of stress testing, covering multiple years of returns, and asset allocations. The following link provides details beginning on page 186.

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[1db6b9d76c71.filesusr.com/ugd/69fc6d\\_f582dec6b19d4fe5b9c52d7e9dd5bb8a.pdf](https://7ffb9e60-f2dc-4359-b148-1db6b9d76c71.filesusr.com/ugd/69fc6d_f582dec6b19d4fe5b9c52d7e9dd5bb8a.pdf)

Example: Low risk actually will deplete dividends quicker than higher risk. Therefore, return and volatility is a crucial balancing. All stress testing looks at the Goldilocks actuarial rate of return of 6 to 7%.

There is no change in the asset allocation targets. NEPC Investment Consulting (used by SWIB and ETF) have long term expected returns looking better than 5 to 7 year expected returns.

Re-balancing of assets is done monthly. Recommendations to the board for asset allocation will have little change. Projected 5 to 7 year expected return is 6.23%, 30 year expected return is 7.51%. Both have a risk of 11.5%. Adding 1.2% active return will result in 7.8 to 8.3% return in 30 years.

SWIB budget is \$550 million with \$450 million external costs. Additional internal staff results in less external cost. The goal is to bring in more external assets within the next five years.

Public equity has added US small-cap equity with external management. Fixed income has added mortgage backed securities adding diversity to the allocation.

Reference portfolio is a means to show performance to the board. If the SWIB were strictly a 60/40 passive investment fund what would it look like? Global bonds are no longer part of the reference portfolio due to the interest rates being very flat. The Core Trust Fund would out perform the reference portfolio by 26% over a 20 year time period. Based on value of June 1999 with no contribution or withdrawal it would equate to \$36.4 billion excess value.

Hedge funds are part of an alpha overlay and not part of the asset allocation.

December Board meeting will have two consultants comparing SWIB to its peers, CEM and Cullen. Benchmarks will be reviewed for all portfolios with anticipated suggestions.

SWIB will move eventually but probably not before mid 2022. Additional space may be acquired through rent or lease.

IT and security of information is constantly updated.

Preliminary returns Core Fund 15.7% with the benchmark of 15.2% and the Variable fund 20.8% with a benchmark of 20.6%

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

GIB meet last week and their focus will be quality-of-life/health, health program quality, and program affordability. They will be reviewing programs to determine where their focus should be.

The Governors task force on retirement had their first meeting in Green Bay, the State Treasurer is Chairing the task force and will be presenting to us.

Legislative action - Bills being circulated would make changes to return to work laws. A bill to recover restitution through annuity withdrawal is being reviewed.

**CORRESPONDENCE -**

**OLD BUSINESS -** Annual Conference speakers are almost confirmed.

**NEW BUSINESS -**

**TREASURER'S REPORT -** Check book balance \$10,091.89. No activity

**NEXT MEETING:** December 16, 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 Monday, May 18, 2020.

Respectfully submitted – Dick Kratz