

Wisconsin Coalition of Annuitants

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Minutes of Meeting August 17, 2020

The meeting was held by Zoom and was called to order by the Chair Bob Schaefer at 9:30 a.m.

DIRECTORS & ALTERNATES PRESENT: W. Backes, AFSCME 32; R. Beglinger, WFT-R; B. Bird, DOT; J. Blank, BLUE-R; S. Drew, SWIB; E. Frank, DNR; J. Groszklaus, West Allis; S. Haase, UWRA; P. Haubrich, UWMRA; B. Holmes, ESP; A. Knop, WEAC-R; R. Kratz, DOC; K. Kreul, WFTR-R; J. Lawton, ACE; T. Leithold, KM-R; J. Maydak, West Allis; G. Mitchell, AFSCME 52; F. Nepple, OCI; E. Reiter, KM-R; B. Schaefer, SEA; R. Springman, WFT-R; J. Stangl, DCAREA; J. Thiel, ACE; C. Welch, BAREA; D. Wilcinski, WREA; C. Wren, WSAA.

GUESTS: B. Hellmer, T. Hunter, R. Klaskin, M. Lampkins, C. Preisler, R. Wojciak.

EXCUSED: B. Brooks, J. Egan, J. Miller.

MINUTES of the July meeting were approved as mailed.

GUEST: Mark Lampkins, Director, Office of Communications, ETF.

Due to technical problems Mr. Lampkins presentation will be rescheduled for September.

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

Legislatively there has been no state or federal action. There also has been no action on COVID-19 stimulus. Several states, including Illinois, have been looking at and requesting to use stimulus funds for under funded pension liabilities.

Group Insurance Board, GIB, will be meeting this week, anticipate no cost changes. Medicare Advantage is locked for three years, no change. "It's Your Choice" open enrollment will be September 30 through October 25.

The ETF Board will meet on September 17 and will be reviewing the biennium budget for July 2021 through June 2023. Also for discussion will be merging the three boards into one board.

Future WCOA meeting presentations will be on benchmarking and cyber security.

GUEST: Chris Preisler, Communications Specialist, SWIB.

Chris introduced the next two presenters.

Rochelle Klaskin, Deputy Executive Director/Chief Administrative Officer, SWIB.

Ms Klaskin gave a second quarter, June 30, performance update with the core fund -1.2%, and the variable -6.1%. As of 7/31/20 the core is 2.6% and the variable -0.9%. Peer ranking with the Bank of New York Mellon shows SWIB performance above peer group median, for one year performance in top 11%. Midwest Peer Group comparison shows SWIB being fully funded which means less risk in achieving investment goals. SWIB 5-Year effective rate of 7.21% compared to Illinois Teachers effective rate of 2.73% while funded at 39.6%.

New at SWIB; monthly podcasts, there are two available. David Villa, Executive Director/Chief Investment Officer and Private Markets with Anne-Marie Fink

The Board of Trustees consist of nine individuals representing various aspects of state/county government and employees. The Trustees set performance benchmarks for SWIB and approve compensation. The board also has an internal auditor, by statute, who reports directly to them and they have the services of SWIB legal counsel. The Board hires consultants for benchmarking, asset allocation, compensation, and governance.

In October 2018 the Executive Director and Chief Investment Officer positions were consolidated. The trustees governance consultant confirmed that many plans were combining the two positions. Added was an advisory management council consisting of the ED/CIO, Deputy ED, Agency Business Director, Chief Technical Operations Officer, and three Investment Management Leaders. A slide was provided listing other public pension models that have a combined CIO/CEO.

Brian Hellmer, Managing Director, Global Public Market Strategies, SWIB.

Mr. Hellmer grew up in Wisconsin and received his undergraduate and graduate degrees from the UW. After seven years in the Boston/Connecticut area he returned to Madison and established a business with a fellow graduate in investment advisory services. After 14 years he took a faculty position in the UW graduate program and seven years later, in August 2016 he joined SWIB.

The challenge for SWIB is the low return environment. With interest rates near all time lows internal active management is more cost-effective but requires investments in people and platforms.

Competitive advantages of SWIB are the scale of the asset base, all major asset classes, which helps reduce return costs in active management and the stability of long term investment by SWIB gives an advantage in market dislocations facing short term investors.

These advantages helps SWIB to recruit and retain talented people and it has resulted in a changed Core Fund Policy Portfolio. In the last ten years asset allocation has changed moving 6% of public equity into private equity and real estate. Having skilled staff enables direct investments into different asset classes.

Policy leverage, internally borrowing from the fund to purchase inflation sensitive bonds, TIPs, which are guaranteed by the government; has increased return, lowered risk, and volatility for the fund.

Core Trust Fund performance versus 60/40 reference portfolio shows SWIB's robust asset allocation and active management outperforms a reference portfolio by 1.4% for the past 20 years or approximately 57% on cumulative basis for the time period. SWIB achieves this outperformance with less risk than a 60/40 portfolio.

Mr. Hellmer's Division, Global Public Market Strategies, was created in January 2020 by consolidating internally run public market strategies under a single structure. There are five major strategy areas/teams; Domestic Small Cap, Global Sector Aggregate, Global Extended Fixed Income, Multi-Asset, Alternative Fixed Income. Also included is Trading and Execution , and Corporate Governance. A sixth strategy, high yield portfolio, will be added in early Q4 2020. Total assets in the Division, \$60B.

In summary the current market environment has recovered rapidly in technology and health care. Stock performance between US and International Stocks is the widest gap in decades. Federal policy on borrowing remains a concern. Inflation remains under control but the concern is outweighed by ongoing deflationary forces and subdued demand.

The markets have been very unpredictable. On the economic side the markets look surprisingly good and forecasting depends on a vaccine or cure for the virus.

Question/Comments:

Federal Reserve action / Federal Reserve has always attempted to keep inflation low, now with technology, over seas labor, energy efficiency, the Federal Reserve is trying to increase inflation to a desired 2%.

SWIB vacancies / SWIB has hired 51 people in 2020. Approved positions 236, presently 11% vacant. SWIB moving from fiscal to a calendar basis with fiscal reports to the State.

GDP has been poor / the markets have improved but the economy has not, that is a concern. The economy is not matching the markets.

Contribution rate / computed by ETF consultant.

Weak dollar / controlled weak dollars are good for US companies.

BREAK

CORRESPONDENCE - Our Chair has responded to past correspondence.

Visual Capitalist articles available at www.wicoa.org

OLD BUSINESS - Brochure will be printed and distributed to members by snail mail.

NEW BUSINESS - Financial Transaction Tax. Revisit the proposal in December.

- Retirement Security in Wisconsin will be a presentation at September meeting.
- Executive Order to Create a Social Security Payroll Tax Holiday.

Motion/Seconded The WCOA supports the resolution regarding the President's Use of an Executive Order to Create a Social Security Payroll Tax Holiday.

The resolution will be sent by email and voting will occur at 12:30PM.

12:30 - motion did not carry. Several NO's. Members will write letters on their own.

US Senators and Representatives addresses will be provided later today.

- Rick, our webmaster, has been coordinating our Zoom meetings at his cost.

Recommend paying Rick \$50 per meeting including June and July meetings.

MSC The WCOA will pay Rick \$50 per zoom meeting, including June and July meetings.

TREASURER'S REPORT - Check book balance \$9,575.39. No activity

NEXT MEETING: September 21, 2020 at 9:30 a.m.

The meeting adjourned by 12:45 p.m.

Annual Conference Monday May 17, 2021

Respectfully submitted – Dick Kratz

Upcoming meetings: ETF Board - 9/17; 12/10. SWIB Board - 9/8-9; 10/20-21; 12/15-16 GIB
- 11/18