

Wisconsin Coalition of Annuitants

www.wicoa.org

Minutes of Meeting January 25, 2021

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; B. Bird, DOT; J. Blank, BLUE-R; B. Brooks, CWCR; S. Drew, SWIB; E. Frank, DNR; J. Grosklaus, West Allis; B. Holmes, ESP; A. Knop, WEAC-R; R. Kratz, DOC; J. Lawton, ACE; T. Leithold, KM-R; J. Maydak, West Allis; G. Mitchell, AFSCME 52; J. Munro, WARSDA; F. Nepple, OCI; E. Reiter, KM-R; B. Schaefer, SEA; Springman, WFT-R; J. Stangl, DCAREA; J. Vreeland, Wauwatosa; D. Wilcenski, WREA; C. Wren, WSAA.

GUESTS: S. Chandler, A. Fink, T. Hunter, R. Klaskin, C. Preisler, J. Risch, R. Wojciak.

EXCUSED: J. Egan.

MINUTES of the December meeting were approved as mailed

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

Performance preliminary returns as of December 31, 2020. The core fund is at 15.21% with a benchmark of 14.15%. The variable fund is at 17.52% with a benchmark of 17.9%. The core fund five year return is 10.75%, ten year return is 8.51%. The variable five-year return is 13.65% and 10 year return is 11.35%. Five year return is \$1.64B over benchmarks.

Performance compared to a 60/40 reference portfolio finds \$100 invested 20 years ago is now worth \$401 as a result of active management. The reference portfolio is valued at \$326. In October 2000 the core trust fund was valued at \$56.8B and today it is valued at \$116.8B.

SWIB cost compared to peers is 6.8 basis points lower. The peer cost is 50.4 bps with CEM benchmark of 44.4 bps and SWIB cost of 43.6 basis points. SWIB has saved \$1.3B vs. peers in last 10 years. Our peers are catching up to us using SWIB strategies.

Every two years the Legislative Audit Bureau's does a SWIB Management Audit. LAB found no significant concerns and made four recommendations. 1) Net of performance reporting, 2) Data management governance, 3) Timely carried interest information, and 4) Continue to reduce contractors. SWIB indicates all of the recommendations are or have been in progress. There also is a recommendation considering stress testing performing and reporting to the WRS. SWIB has been conducting and reporting high and low stress testing results for several years.

<https://www.swib.state.wi.us/stresstesting>

GUEST: Anne-Marie Fink, Private Markets and Funds Alpha Managing Director, SWIB, is celebrating her one year anniversary with SWIB, was introduced by Rochelle. She has over 25 years in Asset Management both private and public.

Private Markets and Funds Alpha (PMFA) includes all of the active external management. Approximately 45% of the core trust fund has external active management with 55% internal active management. External managed Private Equity/Debt and Real Estate are not publicly traded. Hedged Strategies, External Equities, and External Fixed Income are considered Funds Alpha and need management skills externally. Gaining knowledge of opportunities in emerging markets and diversification skills are not available internally or cost effective. Diversity of external management also provides SWIB with an opportunity to look at other strategies and asset classes. External investments show the latest in investment opportunities identified by others. During the pandemic high yield in fixed income has been slowly moving internally with the addition of expertise in staff. There will always be a need for external management.

Asset allocation of private equity has been increased from 9% to a goal of 11% by the end of 2021. It takes time for managers to locate and purchase property. Historically private equity outperforms public markets and SWIB's goal is to continue long term investments while considering returns and any need for liquidity. SWIB thinks out performance will continue. Private companies have fewer owners with less stockholder pressure. Private companies also tend to spread out any capital purchase over several years rather than a one time purchase. It also provides a steady stream

of income as opposed to a one time expense every 4-5 years. It appears by everyone that today's economy will have private markets continuing to outperform. Liquidity in public equity is necessary and supportive for instant purchasing in private equity.

TIPS inflation protection bonds will continue with inflation being low. SWIB portfolio designs are to protect against inflation, provide necessary returns in various environments, and have adequate liquidity. TIPS is also a balancing technique.

GUEST: Chris Preisler, Communications Specialist, SWIB.

Reaffirmed the preliminary returns that Rochelle provided earlier.

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

John Voelker the newly appointed Secretary of the Department of Employee Trust Funds will be present at our March meeting. Bob Conlin will be stepping down on April 5, 2021.

The preliminary returns indicate an annuity adjustment on the core fund of 4.7 - 5.1%.

ETF will be mailing out the 1099-R forms and any W-2 forms for those in the wellness program.

Federal withholding/tax tables have changed and will be reflected in the February annuity payment. Any personal changes may be made online.

ETF Board will meet on March 25, Group Insurance Board will meet on February 17, Deferred Compensation Board will meet on March 11.

The legislature came into session and one of the Covid-19 relief bills component is the rehired annuitants, which we discussed last year. This bill would expire in June 2021.

The Governor will be releasing his budget on February 16, 2021.

CORRESPONDENCE - The National Institute on Retirement Security have published individual state retirement fact sheets showing the impact that pension plans have on state economics. Both ETF and SWIB use the information. Individual organizations are also encouraged to use the information. There are links and more information on our website www.wicoa.org.

OLD BUSINESS - Our letter supporting ETF budget was mailed on 1/11/21 to the Governor and members of the Joint Committee of Finance.

NEW BUSINESS - Annual Conference. American Family will not be open to the public in May. After discussion it was concluded that we will continue our scheduled annual conference for Monday, May 17, 2021. The consensus was to have it virtually and members of the organization will look at various opportunities. This will be a topic for discussion in February.

TREASURER'S REPORT - Twenty seven organizations have paid their annual dues and the checkbook balance is \$9,881.59.

NEXT MEETING: The meeting adjourned at 11:08a.m. Next meeting February 15, 2021 ZOOM Annual Conference Monday, May 17, 2021. Respectfully submitted – Dick Kratz

Upcoming meetings: ETF Board - 3/25; 6/18; 9/17; 12/10. SWIB Board - 3/17-18; 6/9-10; 9/8-9; 10/20-21; 12/15-16