

DRAFT

MINUTES

March 27, 2014

JOINT MEETING OF THE
Employee Trust Funds (ETF),
Teachers Retirement (TR),
and Wisconsin Retirement (WR) Boards
State of Wisconsin



Location:
State Revenue Building – Events Room
2135 Rimrock Road, Madison, WI

ETF BOARD MEMBERS PRESENT:

Wayne Koessler, Chair	Jon Litscher
Robert Niendorf, Secretary	Victor Shier
William Ford	Mary Von Ruden
Kimberly Hall	David Wiltgen
Michael Langyel	

TR BOARD MEMBERS PRESENT:

Michael Langyel, Chair	Mary Jo Meier
Susan Harrison, Secretary	Dennis Murphy
Gary Epping	Tom Pedersen
Craig Hubbell	Patrick Phair
Jon Joslin	David Wiltgen
Betsy Kippers	

WR BOARD MEMBERS PRESENT:

Wayne Koessler, Chair	Herb Stinski
Mary Von Ruden, Secretary	Steven Wilding
Dan Schwartzer for Ted Nickel	

BOARD MEMBERS NOT PRESENT:

Jamie Aulik, WR Board	Jessica O'Donnell, ETF Board
John David, Vice Chair, ETF and WR Board	Robert Rasmus, ETF Board
Sandra Claflin-Chalton, TR Board	Robin Starck, Vice Chair, TR Board

Board	Mtg Date	Item #
JM	3.27.14	1

PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

Bob Conlin, Secretary
Rob Marchant, Deputy Secretary
Division of Insurance Services:
Deb Roemer
Division of Management Services:
Cherylynn Mullins, Board Liaison
Division of Retirement Services:
Matt Stohr, Administrator
Anne Boudreau, Deputy Administrator

Legal Services: David Nispel, General Counsel
Office of Trust Finance: Bob Willett, Chief Trust Financial Officer
Office of the Secretary:
Tarna Hunter, Legislative Liaison

OTHERS PRESENT:

ETF Division of Management Services:
Jack Loman, Sharon Walk
ETF Division of Retirement Services:
Roger Fletcher, Diana Felsmann,
Julie Keal
ETF Legal Services: Daniel Hayes
ETF Office of Communications: Mark Lamkins, Kathryn Fields, Nancy Ketterhagen
ETF Office of Internal Audit: John Vincent
ETF Office of Policy, Privacy and Compliance: Steve Hurley
Department of Administration:
Mickie Waterman

Gabriel Roeder Smith & Company:
Mark Buis, Brian Murphy
Legislative Audit Bureau: Brian Geib, Amelia Slaney
Legislative Fiscal Bureau: Paul Onsager, Art Zimmerman
Office of State Employment Relations: Paul Ostrowski
State of Wisconsin Investment Board: Michael Williamson, Chris Preisler, Steve Spiekerman
State Engineering Association: Bob Schaefer
University of Wisconsin System Administration: LaDonna Steinert

Wayne Koessl, Chair, WR and ETF Boards, called the Joint Meeting of the ETF Board, TR Board, and WR Board to order at 9:16 a.m.

CONSIDERATION OF MINUTES OF PREVIOUS MEETING

MOTION: Ms. Von Ruden moved to approve the December 5, 2013, minutes of the Joint Meeting of the ETF, WR and TR Boards, as submitted by the Board Liaison. Mr. Litscher seconded the motion, which passed unanimously on a voice vote.

Board	Mtg Date	Item #
JM	6.26.14	1

ANNOUNCEMENTS

Mr. Stohr made the following announcements:

- He introduced Craig Hubbell, who was appointed by the Governor and succeeds Dan Nerad on the TR Board. Craig is the Human Resource Director for the Baraboo School District.
- Gary Epping was also appointed by the Governor and succeeds Roberta Rasmus on the TR Board. Gary is a Waunakee Community School Board member.
- Separate WR and TR Board meetings will not be held today. The disability reports will be presented during the Joint Meeting of the Boards.
- A memo containing proposed 2015 Meeting Dates is in the meeting materials. Please contact Cheryllynn Mullins with questions. (Ref. JM | 3.27.14 | 2)

EDUCATIONAL TOPICS

State of Wisconsin Investment Board (SWIB) Update

Mr. Williamson (Ref. JM | 3.27.14 | 3A) discussed SWIB's investment management style and methodology. He noted that SWIB is a low-cost fund, when compared to other large U.S. public pension funds. SWIB uses greater internal management (over 60%) to lower costs and pays less for external management services. This combination results in a low-cost pension fund with greater net returns. SWIB's five year earnings were \$2.6 billion over the market index, with \$1.7 billion a result of internal public markets management.

Mr. Spiekerman (Ref. JM | 3.27.14 | 3A) shared information about SWIB's real estate portfolio which equates to approximately 7% of the WRS portfolio. Real estate provides diversification from other asset classes and provides a current income stream to pay annuitant benefits. The return expectations are typically between equity and fixed income, but are not expected to mirror those returns because real estate is not correlated to the other asset classes.

Mr. Williamson and Mr. Spiekerman answered questions from the Board members.

Wisconsin Retirement System 31st Annual Valuation of Retirement Lives – December 31, 2013

Mr. Murphy of Gabriel, Roeder & Smith (GRS) (Ref. JM | 3.27.14 | 3B) discussed the operation of the Wisconsin Retirement System (WRS) with the Boards. Mr. Murphy explained the uniqueness of the WRS, including the Core Fund smoothing process and how dividends are calculated. Asset smoothing has worked well historically, but could not prevent negative dividends in 2009-2013. As of December 31, 2013, there is approximately \$5 billion in unrecognized gains.

Board	Mtg Date	Item #
JM	6.26.14	1

Mr. Buis of GRS continued the presentation, discussing the calculations that resulted in the 4.7% Core and 25.0% Variable annuity adjustments. With over 50% of projected future Core annuities being funded from investment returns, SWIB plays an important part in the future of the WRS.

Effective Rate and Annuity Adjustment Projections

Mr. Willett presented the annuity adjustment projections for next year (Ref. JM | 3.27.14 | 3C). He included information on how various annuity payments have changed over time and made comparisons between the growth of WRS annuities and the Consumer Price Index. He explained how investment gains and losses are “smoothed” through the Market Recognition Account.

Results of Survey regarding Future Education Topics

Mr. Stohr shared the Board’s responses from the January survey seeking potential education topics for the Joint Meeting (JM) of the Boards (Ref. JM | 3.27.14 | 3D). The Department is developing a schedule of the topics for future meetings.

OPERATIONAL UPDATES

Retirement Services Update

Ms. Boudreau referred Board members to the Retirement Services Update memo (Ref. JM | 3.27.14 | 4A). In the fourth quarter of 2013, there were 6,733 members served via small group retirement sessions, field presentations, or individual retirement session. ETF is looking to become even more available to our members in 2014. In order to do this, more group appointments are being offered for the most efficient use of staff time resources. Additionally, staffing levels in the Call Center will be increased during peak times by using trained staff from other areas on a temporary basis.

Quarterly and Annual Disability Report

Ms. Roemer referred the Boards to the quarterly disability annuity statistics report (Ref. JM | 3.27.14 | 4B1). There were no questions.

Ms. Roemer proceeded with the annual disability annuity statistics memo (Ref. JM | 3.27.14 | 4B2) and provided detailed information about the previous year.

Legislative Update

Ms. Hunter provided a legislative update. (Ref. JM | 3.27.14 | 4C) She recapped the bills introduced in 2013. 2013 Senate Bill 330 allows participating employees in the WRS to purchase years of creditable service for active service in the United States armed forces. This bill is awaiting the Governor’s signature. It is unlikely that any other bills will affect the WRS.

Board	Mtg Date	Item #
JM	6.26.14	1

Mr. Stohr referred the Board to the remaining operational update items (Ref. JM | 3.27.14 | 4D, 4E, 4F, 4G).

RECOGNIZE OUTGOING BOARD MEMBERS

Ms. Kippers and Ms. Meier were presented plaques for their five years of service on the TR Board.

ADJOURNMENT

MOTION: Ms. Von Ruden moved to adjourn the meeting. Mr. Litscher seconded the motion, which passed unanimously on a voice vote.

The meeting adjourned at 11:25 p.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board

Board	Mtg Date	Item #
JM	6.26.14	1