



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Mark Gordon
Governor

David Swindell
Executive Director

MINUTES OF THE FEBRUARY 8th & 9th 2023 BOARD MEETING

The Wyoming Retirement System (WRS) Board met on February 8 & 9, 2023 at the Cheyenne Botanic Gardens, 710 S Lions Park Drive, Cheyenne, WY 82001.

Board Members present: Mr. Tom Chapman (Chair), Mr. Eric Nelson, Mr. Tim Sullivan, Mr. Paul O'Brien, Mr. Robert Leibrich, Dr. Lesley Travers, Mr. Jim Ruby, Treasurer Curt Meier and Mr. Jeremy Smith.

Board Members present remotely: Mr. John Lummis and Ms. Vicci Colgan.

Wyoming Retirement System Staff present: Mr. David Swindell, Mr. Sam Masoudi, Mr. Ben Brandes, Mr. John Kreiter, Mr. Ben Bowman, Mr. Andrew Mayer, Ms. Rachel Meeker, Mr. Adam Waddell, Ms. Laura Haskell, Ms. Rachel Kelley, Ms. Kristin Kasper, Mr. Dan Paradis, Mr. Casey Rogstad, Mr. Ben Wisdorf, Mr. George Eason, Ms. Courtney Lewis, Ms. Judie Petersen, Mr. Randy Krafft and Mr. Dale Meyer.

Wyoming Retirement System Staff present remotely: Ms. Cindy Kushnir, Mr. Mike Bleakley and Ms. Cynthia Fernandez.

Others in Attendance: Ms. Mika Malone, Mr. Nick Erickson and Ms. Paola Nealon from Meketa Investment Group (Meketa), Mr. Douglas Brodbeck from the Wyoming Attorney General's Office, Mr. Beau Burggraff and Mr. Eric Painting from RVK, Inc., Mr. André Perold and Ms. Meredith Hayes from HighVista and Mr. Kevin Reddy from the Federated Firefighters of Wyoming.

Others in Attendance remotely: none.

Legislative Liaisons absent: Representative Bill Henderson.

WRS Board Chair, Mr. Chapman convened the meeting at 12:11 p.m. on February 8, 2023. Mr. Chapman welcomed everyone to the meeting and passed the meeting on to WRS CIO Mr. Masoudi.

INVESTMENT

Investment Committee Members present: Mr. Tim Sullivan (Chair), Treasurer Curt Meier, Mr. Bob Leibrich, Mr. Tom Chapman and Mr. Paul O'Brien.

Investment Committee Members present remotely: Mr. John Lummis.

Non-Committee Board Members present: Mr. Jeremy Smith, Dr. Lesley Travers, Mr. Eric Nelson and Mr. Jim Ruby.

Non-Committee Board Members present remotely: Ms. Vicci Colgan.

Mr. Masoudi asked Mr. Rogstad to introduce Mr. André Perold from HighVista for the working lunch presentation. HighVista has been investing in biotech firms for 9 years and currently has approximately \$900 million invested in the field. According to Mr. Perold, there are very few biotech firms that actually

survive long term. Most are purchased by big pharma companies. Big pharma could spend approximately \$1.2 trillion and buy the entire biotech industry. HighVista works to put together a portfolio of small smart money managers to maximize their chances of success. According to Mr. Perold, investors have to be willing to ride out potential failures to invest in the biotech space. Mr. Chapman asked for the status of WRS' investment in HighVista. Mr. Rogstad stated that WRS has \$200 million invested in the various managers at HighVista. The team at HighVista don't consider themselves biotech experts and prefer to focus on being smart investors and finding talent in the biotech industry. Mr. Chapman thanked Mr. Perold for his presentation.

Mr. Sullivan moved on to discuss the Investment Committee agenda. He then turned the meeting over to Mr. Masoudi for the Investment Overview. According to Mr. Masoudi, the Federal Reserve raised rates from 4.25 to 4.5 during the 4th quarter. Inflation has remained high, but marginally lower inflation readings in several areas have returned some level of confidence in the market. Total portfolio returns outperformed the benchmark over all historical periods. Strong Real Assets returns since inception have contributed to an overweight of 3.2%, which was largely offset by an underweight to Total Equity of 3.0%. Final peer performance for 2022 will not be available until mid-February, but preliminary results indicate that WRS should be comfortably in the top quartile for the year, as well as the three and five-year periods. Mr. O'Brien commented that it would be helpful to show the expected returns on a lag basis to see the previous expected returns for a fairer comparison. Mr. Ruby asked if there was a relationship between opportunistic credit and private debt. Mr. Masoudi stated that opportunistic credit tends to be a more tradable asset and private debt tends to be a non-traded fixed income, but there can be some blending.

Mr. Mayer initiated the tactical tilts discussion. The investment team has been paring back on gold holdings within the portfolio. Gold is regarded as an anti-currency and has continued to outperform every other developed currency with the exception of the US dollar. The Bridgewater investment holding was trimmed over the last quarter and therefore the fund's TIPS exposure. Mr. Mayer stated that uranium has been highly volatile, but has performed much stronger than many other areas in the Equity markets. Uranium was the best performer within Marketable Alternatives during the month of January. Mr. Bowman went over the Fixed Income tactical tilt, which is currently 2% under the target allocation primarily due to the result of how the TIPS position is categorized. Effective February 1, 2023, the investment team will implement a duration-extending overlay with PIMCO to bring the overall MFI duration in-line with the blended benchmark. Mr. Kreiter went over the Equity exposures. Several managers have been added to the fund's mid-cap investment totaling approximately \$250 million. The underweight in Public Equities is largely offset by net long exposure within the long-biased Marketable Alts portfolio. The fund is underweight in Public Equities, which reflects Public Equity's role as a liquid surrogate for overweight positions in Private Real Assets and Marketable Alternatives.

Ms. Nealon from Meketa went over the Fund's 4th quarter report. Emerging Markets were up over 10% which was impacted by the easing of COVID restrictions and increased travel with later implications of rises in COVID cases. Bond markets were down in December and Fixed Income was up for the quarter. Overall, 2022 was a historically challenging year for investors. Mr. Erickson went over the attribution results. According to Meketa, Marketable Alternatives was the strongest outperformance relative to benchmark and manager selection was the primary factor. Private Equity was a negative absolute performance, though performance relative to benchmark was positive. Manager selection and underweight allocation both contributed to Private Equity's performance. Marketable Equity was a strong absolute performance, but had marginal performance relative to benchmark for the period; underweight allocation was the primary detractor. Emerging Markets Equity was a strong performer, both absolute and relative to benchmark. According to Meketa, manager selection was the primary factor in Emerging Market's success. Mr. O'Brien asked to know what is contributing to the success of Private Equities so that the team can build upon that success. Mr. Masoudi stated that Private Equity assets are generally set-up as fund of ones because they have access to a variety of asset types and funds.

Ms. Malone went over the Meketa 2023 Capital Market Expectations. According to Meketa, most of the capital market projections will be higher in 2023 than they have been in 20 years. Meketa concluded their presentation at 2:20 p.m.

Mr. Rogstad began the Risk Survey Results presentation to the Board. The Board, Investment Staff and Investment Consultant staff were all surveyed. The Risk Survey was distributed to assess participants perspectives on risk, and to provide context for the responses. According to the results, 3/4s of the respondents feel the same amount of risk is appropriate, but the investment committee was a bit more divided in their responses. Overall 60% of respondents are concerned with a double digit decline. The anticipated best-performing asset class over the next 3 years was Private Equity (27%), which was notably lower than the last survey at 52%. The average 1-year and 5-year return estimate is 4.6% and 6.8%, respectively. Most respondents believe cash will perform the worst (41%), followed by Don't Know/No Opinion (27%). The Investment Team appreciated the responses from the group as a whole. Mr. Sullivan asked for questions for Mr. Rogstad. Mr. Ruby asked about measuring success based on the asset allocation. Mr. Masoudi responded that the Board sets that allocation and that dictates how the team invests. Mr. Swindell stated that peer comparison can also be a useful measurement tool.

The Albourne Risk Update was the next Investment Committee agenda item. Mr. Rogstad updated the Board on the implementation process. During 2022, the focus was on gathering Open Protocol data from managers. Open Protocol data is a risk aggregation process to collect data in a standardized format. According to Mr. Rogstad, templates are then used to group data across funds for uniform comparisons and analysis. The status update is the official historical start date will be December 2021. There is currently 98% coverage of the current assets under management. It is an ongoing process that will have to be updated as new managers are on-boarded. Using Albourne's online tool, it's easy to drill down to see what managers are contributing to a particular exposure. Mr. O'Brien stated that he appreciates the work and thinks it will be very helpful to understand exposures.

The next discussion was the market discussion. Mr. Chapman surveyed the group to see who had heard of ChatGPT. He commented on the broad range of the artificial intelligence application. Mr. Chapman believes it is the next big thing and shared several examples he had queries into the ChatGPT program. Mr. O'Brien stated that the system output is often incorrect and requires better screening. Mr. Smith commented on the impacts of this new technology within schools and plagiarism. Mr. Masoudi commented on the market discussion and asked for any questions about the portfolio. Mr. Chapman asked about the recent changes in the capitol market assumptions and if it is changing how the team is addressing the portfolio composition. Theoretically, as interest rates go higher the team would have more Fixed Income. Mr. Masoudi stated if Treasuries were to yield the actuarial rate, hypothetically, they could put the entire fund in treasuries and have a guaranteed return of 6.8%, but no more. Mr. Masoudi commented that the goal from his perspective, is to gain more than the asset allocation of 6.8%, which would allow the plan to fund cost of living adjustments. He said the team's goal is maximizing longer term value and accept reasonable volatility to do so. As such, changes in capital market assumptions haven't really changed the team's allocation views. Mr. O'Brien commented that he views the goal as hitting the assumed rate of return. Continued market discussion ensued.

The Investment Committee adjourned at 3:36 p.m.

LEGISLATIVE & BENEFITS

Legislative & Benefits Committee Members present: Mr. Eric Nelson (Chair), Dr. Lesley Travers, Mr. Tim Sullivan and Mr. Bob Leibrich (1 vacancy).

Non-Committee Board Members present: Mr. Tom Chapman, Treasurer Curt Meier, Mr. Paul O'Brien, Mr. Jeremy Smith and Mr. Jim Ruby.

Non-Committee Board Members present remotely: Mr. John Lummis and Ms. Vicci Colgan.

The Legislative & Benefits Committee convened at 3:38 p.m. The Legislative & Benefits Committee Chair, Mr. Eric Nelson, passed the meeting over to Mr. Swindell to provide a legislative update to the Board. According to Mr. Swindell, House Bill 129 is the only bill that died in the Committee of the Whole; which would have tasked WRS to lead study on state-sponsored 401k for private employers/employees. Mr. Swindell also commented on the late emergence of several anti-ESG bills (Environmental, social, and corporate governance). Mr. Chapman stated that there doesn't seem to be movement from the Wyoming State Government Executive Branch to suppress the ESG bills in the Wyoming State Legislature. Mr. Masoudi commented that it would require a significant increase to the Investment Team staffing levels to evaluate the stock packages held by different money managers. Treasurer Meier stated that the State Treasurer's Office would have fairly limited proxy voting abilities. Mr. Chapman commented on the potentially huge challenges for both the Retirement System and the State Treasurer's Office if the proposed ESG bills are enacted. For the Treasurer, these proposed bills would impact Private Equities the most and reduce returns in that asset by 10% while decreasing the ability of the Treasurer's Office to invest with top tier investors. Treasurer Meier believes these bills will become a legislative interim topic to determine the long term effects and cost of ESG. There is a possibility that there could be more staff and finances offered to WRS and the Office of the Treasury to enact this proposed legislation. Mr. Nelson stated that he sees no benefit for either agency if this is passed even in a watered down format. According to Mr. Nelson, the added finances and staff would not negate the negative impacts of these bills. Ms. Colgan agreed with Mr. Nelson's comments and stated that these bill should be stopped. Mr. O'Brien commented that there are some elements of the bills that aren't bad, like having the ability to vote proxies, but that would require more staff and funding. Mr. Swindell stated that it is important that the WRS staff remember that they cannot lobby on legislation. Mr. Chapman commented that there are a lot of members in the WRS system and it could benefit the Board to utilize their numbers. Mr. Swindell stated that politics do not belong in WRS' investment considerations. Mr. Ruby commented that he sees some of these ESG restrictions as potential litigation issues. Mr. Smith stated that he understands where the concern is regarding the impacts of ESG on legacy businesses in Wyoming but that the proposed ESG bills require a big staff and are not operationally possible. Mr. Leibrich also commented that this would have a detrimental impact on the types of money managers that WRS could invest in. Ms. Colgan noted the potential micromanagement that would happen with the passage of these types of bills, and stated that WRS invests for the benefit of its members.

Mr. Ruby asked if Dave could put together a letter that could be signed by the Board and distributed to the Legislators. Mr. Swindell stated that it was a tight turn around for the following day, but could be discussed and be worked on for later distribution. Mr. Swindell stated that it will be beneficial to see how the conversations go during the WRS Legislative Breakfast the following morning and reconvene to discuss with the Board.

The Legislative & Benefits Committee adjourned for the day at 4:31 p.m.

EXECUTIVE DIRECTORS REPORT: Mr. Swindell gave a summary of the 9 page report included in the Board packet. The report provides highlights of his activities, including organizational changes that have occurred, along with statistics regarding all of the work accomplished by staff over the four months. Mr. Swindell commented that staff turnover and retention is one of his greatest challenges as an Executive Director. Mr. Swindell announced to the Board that the WRS Office will be moving to the Hansen Building during the spring of 2023.

At 4:40 p.m. the WRS Board moved into Executive Session.

MOTION: Mr. Jeremy Smith motioned to move into executive session for the purpose of receiving legal advice and discussing personnel. Seconded by Dr. Lesley Travers. Motion carried.

The WRS Board adjourned out of Executive Session back into public session at 5:30 p.m.

MOTION: Mr. Jim Ruby motioned to adjourn the WRS Board Meeting. Ms. Vicci Colgan seconded. Motion carried.

The WRS Board adjourned for the day at 5:31 p.m.

Thursday February 9th 2023

The WRS Board meeting was called to order at 9:29 a.m. by Chairman Tom Chapman. Mr. Chapman commented on the impressive turnout for the legislative breakfast. He thanked the Board and staff for their outreach efforts. Mr. Chapman then asked for a motion to pass the November 2022 Board Meeting minutes.

MOTION: Mr. Tim Sullivan motioned to approve the November 2022 Board Meeting Minutes. Mr. Jeremy Smith seconded. Motion passed.

Mr. Chapman then passed the meeting to the Legislative & Benefits Committee Chair Mr. Nelson.

LEGISLATIVE & BENEFITS

Legislative & Benefits Committee Members present: Mr. Eric Nelson (Chair), Dr. Lesley Travers, Mr. Tim Sullivan and Mr. Bob Leibrich (1 vacancy).

Non-Committee Board Members present: Mr. Tom Chapman, Treasurer Curt Meier, Mr. Paul O'Brien, Mr. Jeremy Smith and Mr. Jim Ruby.

Non-Committee Board Members present remotely: Mr. John Lummis and Ms. Vicci Colgan.

Mr. Nelson asked for any comments regarding that morning's legislative breakfast. Mr. Chapman commented about his conversations with legislators and encouraged Mr. Masoudi to possibly speak to the House Minerals, Business & Economic Development Committee regarding the impacts of the current proposed ESG bills. Mr. Sullivan commented that there was no fiscal impact noted regarding the bills. Dr. Travers stated that several legislators stated they would like to see more people beside Mr. Swindell in attendance during legislative meetings and hearings, possibly Board Members in attendance. Mr. Smith stated that he had good conversations with Legislators and felt that there is room to adjust the content of the ESG bills. Ms. Colgan recommended having a Board Member with investment knowledge present for the Minerals Committee Meeting. Mr. Ruby stated that he believed putting together an introductory letter to legislators would still be a good plan. Mr. Nelson felt there were some good conversations and felt that the legislators he spoke with were willing to hear about the operational challenges that could come out of the proposed ESG bills. Mr. O'Brien stated that he agreed with a letter from the Board describing the Board's position and agreed that Board Members should be more active in testifying and meeting with committees. Mr. O'Brien also commented on building in a day or two to the February meeting schedule to allow for Board attendance at legislative committee meetings. Mr. Smith believes that the bulk of the work and education will need to occur during the summer. Mr. Nelson will work with Mr. Brandes to put together a legislative communication plan. Ms. Colgan commented that the current proposed ESG bills could impact the Board's ability to fulfill their fiduciary responsibilities.

Mr. Nelson then moved on to the final agenda item which was the development of Benefit Plan Principle Statements and passed the meeting to Mr. Brandes. The Legislative & Benefits Committee had met and discussed putting together some principle statements for the Board's consideration to be used in future communications. Mr. Brandes presented draft statements to the Board which include: a healthy plan,

funding status, COLA policy, and contributions. Mr. Nelson asked the Board for any discussion or comments. Dr. Travers commented that this could be coupled with the Board Self-Evaluation. Ms. Colgan stated that the principles statements could go in line with the WRS Strategic Plan. Ms. Colgan asked for some clarification regarding the requirement to be 100% funded and what that means. Mr. Brandes stated that 100% funded means that if all actuarial assumptions are fully realized, that the sum of the current assets and future returns will be sufficient to pay those benefits. Mr. O'Brien stated that he thought the principle statements were a very good idea, but that particular points could be subject to controversy, and will not be easy to find a simple answer. Mr. O'Brien promoted having an outside speaker come in and present to the Board on these principles. Mr. Nelson commented on the funding status always being the barometer of a healthy plan and agreed it would be beneficial to hear from an outside speaker about the other areas of health for a pension plan. Mr. Swindell discussed some of the other similar pension plans out there whose resources and work can be mirrored for WRS' benefit. Mr. Swindell stated that there may be other resources at NCTR or NCPERS who could come and educate the Board on a healthy plan. Mr. Swindell recognized and thanked the staff for the successful legislative breakfast that had occurred that morning.

Mr. Chapman asked if the Board had a final decision about putting together a letter from the WRS Board regarding the current ESG bills. It was decided that Mr. Brandes would put together a letter/introduction to be shared with the legislators. Mr. Ruby recommended sending a letter the following week introducing the WRS Board to the Legislators. Mr. Swindell discussed the future timeline of the session and the potential for bills to not be sent to a committee. Mr. O'Brien stated that he believes there are three principles to include in a letter to legislators - WRS does not use ESG in its investment strategy, WRS is willing to work with legislators during and after the session to discuss this concept, and WRS does not have the operational capacity to take on the proposed ESG restrictions. Dr. Travers suggested that there be an educational element added to the letter to assist the legislators in understanding the impact of ESG restrictions. Mr. Ruby suggested the letter go to Mr. Chapman and Mr. Nelson for approval and not to the entire Board. Mr. Masoudi updated the Board on the status of House Bill 24 which authorized salary increase for investment staff. It passed the Wyoming State Senate 26-5 on third reading and will go to the Governor's Office for signature.

The Legislative & Benefits Committee concluded at 10:36 a.m.

DEFERRED COMPENSATION

Deferred Compensation Committee Members present: Mr. Bob Leibrich, Dr. Lesley Travers, Mr. Jim Ruby and Mr. Jeremy Smith.

Deferred Compensation Committee Members present remotely: Ms. Vicci Colgan (Chair).

Non-Committee Board Members present: Mr. Paul O'Brien, Mr. Tim Sullivan, Treasurer Curt Meier, Mr. Tom Chapman and Mr. Eric Nelson.

Non-Committee Board Members absent: Mr. John Lummis.

Deferred Compensation Committee commenced at 10:37 a.m. Committed Chair Ms. Vicci Colgan, turned the meeting over to Mr. Burggraff and Mr. Painting from RVK for the quarterly report. Mr. Smith asked for clarification on the RVK Watchlist and asked how watchlist funds are determined. Mr. Painting provided an explanation on how RVK makes those determinations. Mr. O'Brien asked for the addition of WRS fund benchmark status to the Watchlist. Mr. Leibrich suggested showing the under performance numbers in the rationale section of why firms are on the watchlist. Treasurer Meier recommended that if managers are in the bottom quartile, they should be put on a watchlist. Credit Suisse, Vanguard International Explorer Fund and T Rowe Price New Era are currently all on the RVK Watchlist. Mr. Painting provided an overview of the quarterly performance of the target date funds. The BlackRock Investment Suite continues to offer high quality/low cost options for 457 participants. Mr. Ruby asked about a previous legal case involving BlackRock that was discussed during the November 2022 meeting.

According to Mr. Burggraff, that particular case was dismissed, but there could be other potential cases that could come up in the future. Mr. Chapman stated that the goal of the 457 Committee was to get participants to invest and invest wisely in the correct target date fund. Mr. O'Brien commented on the lost potential of the funds to be invested with other managers outside of BlackRock. Mr. Burggraff stated that BlackRock is a competitive investor within the market of target date funds. Ms. Colgan stated that the target date funds should be evaluated annually per the charter.

The next agenda item was the 457 Plan Participant Utilization and Investment Menu Review which was presented by Mr. Burggraff. According to Mr. Burggraff, investment menu analysis offers plan sponsors a framework to evaluate the effectiveness of their investment designs and fund offerings. He stated that 68% of all Plan participants have an appropriate allocation to equity based on their estimated retirement age; this figure is up from 59% in 2017 and 64% in 2020. WRS was one of the early adopters of the white label strategy for the 457 Plan. Over time, WRS have seen an increased usage in target date funds, as well as a decrease in participants utilizing multiple target date funds. Amongst participants invested in the WRS Capital Preservation Fund, WRS has seen trends move towards older participants utilizing this fund option. This is beneficial, as typically, the risk and return profile of the WRS Capital Preservation Fund is more in-line with the needs and goals of older participants. Ms. Colgan believes that state employees are more risk averse than perhaps other groups.

Mr. Burggraff went over the 2023 RVK Work plan and highlighted action items. Mr. Burggraff discussed some of the Secure 2.0 changes and actions. There are 90 provisions within the Secure 2.0 Act, although not all are applicable to Deferred Compensation plans. Some of the provisions are optional. One provision allows employers to offer Emergency Savings Accounts that are linked to retirement plans using Roth after-tax contributions that are matched at the same rate as elective deferrals, and up to \$2,500 per year can be contributed annually. Through the Secure 2.0 Act, the required minimum distribution age has been changed and is a mandatory change for plan sponsors, including WRS, with the age going from 72 to 73 in 2023 and eventually going to age 75 in the future. Plan sponsors should expect to see outreach from their record-keepers and legal counsel to discuss implementation of required provisions and any associated changes that must be made to plan documents. The WRS 457 Plan will no longer have a Hardship Committee per new regulations within the Secure 2.0 Act. Mr. Burggraff continued to highlight some of the other changes for the Board. Self-certification and hardship withdrawals will simplify the process for administrators, but could cause a drawdown of funds in a faster manner. Mr. O'Brien commented that the overall changes give more options to participants, but could cause more of a burden on staff to give appropriate guidance to participants.

Mr. George Eason, the interim Deferred Compensation Manager, introduced Deferred Compensation Specialist Judie Petersen and Deferred Compensation Supervisor Courtney Lewis to the WRS Board. Mr. Eason then presented the 457 Operations Report. As of February 9, 2023, the Deferred Compensation Plan assets were \$940 million. Total plan distributions were \$60 million in 2022. According to Mr. Eason, there is more money coming out of the plan due to inflation. There were 1,216 auto enrollments in 2022 and the 457 staff have seen more foot traffic as COVID restrictions have been lifted. The 457 Team has been implementing some of the required Secure Act 2.0 provisions including the first day of the month provision. WRS is the only agency with Empower that does not utilize their services for an Unforeseen Circumstance Committee. The 457 Department will now utilize Empower for those services.

Mr. Eason then presented the plan for 457 Committee goals regarding data sharing, auto enrollment and auto escalation. Currently 153 agencies are not using electronic processing, which is 50% of enrolled agencies. The current goal is to move that to closer to 100%. WRS Board Member, Mr. Smith has assisted the 457 Department in getting the school districts onboard with electronic processing. Some employers will not be able to move to electronic contributions. According to Mr. Eason, agencies which only offer the 457 Deferred Compensation Plan as their only optional program, should be prioritized for auto enrollment. 457 Plan members hired by agencies that offer auto enrollment, have to "opt out" instead

of “opting in” which allows more members to save for their retirement. Currently no agencies have auto-escalation as a mandate. It is available but not mandated.

The Deferred Compensation Committee adjourned at 12:01 p.m.

The WRS Board had a break for lunch.

Public Comment: The Board requested Public Comment at 1:10 p.m. Mr. Kevin Ready, the President of the Federation of Firefighters in Wyoming provided public comment. He thanked the WRS Board for providing a secure retirement for firefighters and their families. Mr. Ready asked the Board to consider an inflation reduction payment for retirees. Mr. Chapman thanked Mr. Ready for his service and comments.

AUDIT & RISK COMMITTEE

Audit & Risk Committee Members present: Mr. Paul O’Brien (Chair) Mr. Jim Ruby (1 vacancy).

Audit & Risk Committee Members present remotely: Ms. Vicci Colgan and Mr. John Lummis.

Non-Committee Board Members present: Mr. Tim Sullivan, Mr. Eric Nelson, Mr. Bob Leibrich, Mr. Jeremy Smith, Treasurer Meier, Mr. Tom Chapman and Dr. Lesley Travers.

The Audit & Risk Committee commenced at 1:17 p.m. Audit & Risk Chair, Mr. Paul O’Brien passed the meeting on to Ms. Meeker for the Audit & Risk Committee Update. The Internal Audit Department (IAD) has several projects in the works including: the distribution audit fieldwork for Eide Bailly, follow up to the 2022 WRS Staff Operational Risk Assessment and working with the Governance Committee on two projects related to Funston and strategic planning. WRS recently reengaged with Eide Bailly as the external auditor through the BEA process with procurement. On January 11th Abbie Belthoff, the Eide Bailly’s Audit Manager for the external audit, provided WRS management with an email containing fieldwork dates, preparation guide, secure file portal instructions as well as critical reports and timeline. Mr. O’Brien asked what the limitations were on pursuing a BEA versus going out for RFP. According to Mr. Swindell, eventually WRS will go out for bid for all of our consultants once an appropriate timeline has been reached. Preliminary external audit results will be received by WRS in May 2023, with final results in June. Mr. O’Brien stated that last year Eide Bailly found no material findings to report to the Board. Mr. Leibrich requested to receive the preliminary results well in advance of the May Board meeting.

Ms. Meeker commented on the Funston project that Audit & Risk will be working on with Governance to hone in on the remaining tasks and recommendations that still need to be addressed. The plan is to update the Board during the May 2023 Board Meeting and hope to conclude Funston recommendations by the end of the year. There will be a comprehensive report including a matrix addressing each action item from the original report. Additionally, Audit & Risk will work with the Governance Committee on a Strategic Planning Project utilizing the Board Committee Risk Report to help with the process. There may be potential meetings with Committees to help collect information for the September 2023 Board Meeting.

The IT Risk Committee has been proceeding with an incident response plan. Mr. Meyer included a draft incident report which had been previously reviewed by the IT & Risk Committee. Mr. Meyer will finalize the Incident Response Plan by May 2023. Mr. Meyer is working on establishing cybersecurity training to be offered to WRS Board Members via ETS similar to what State Employees are assigned. ETS is trying to troubleshoot how to give cybersecurity training to wyboards email. Mr. O’Brien asked if there are any cyber intrusion metrics available. Mr. Meyer stated that the ETS results don’t percolate down to the agency and don’t rise to a high risk level. Mr. Lummis asked who is in the WRS chain of command regarding incident reporting and the backstops in place. Mr. Lummis stated that WRS should not assume that since nothing has happened that there will not be cyber breach within WRS. Mr. O’Brien commented that WRS houses two things that cyber criminals want - money and information. Mr. Meyer will report

back to the Audit & Risk Committee on the incident report process. Mr. Ruby suggested that the internal IT person within the Treasurer's Office connect with the WRS IT team to discuss security measures and commonalities. Mr. O'Brien agreed that would be a good activity and is the responsibility of the WRS Board to put measures in place to secure the system.

Ms. Meeker highlighted the Board Risk Committee matrix. Mr. O'Brien stated that one of the biggest risks is the people. Mr. O'Brien asked the Board if there is a need for an HR Committee. Mr. O'Brien asked Mr. Swindell about the resource capacity within the staff. Mr. Swindell stated that everyone has stepped up to cover the workload and the Deputy Director's direct reports have continued with their tasks in an effective manner during Mr. Bleakley's medical emergency. WRS is a small staff and when you lose someone, you really notice it. The team is still lean. Mr. Swindell stated that the team is a really good team, but is not built for heavy hits in staffing. Mr. Smith stated that the 457 Committee feels that the staffing issues are severe and should continue to be addressed like the conversion of the Empower employee into a state employee. Mr. O'Brien stated that conversion request would need to be finalized by this summer in order to be considered during the 2023 Budget Session. Mr. Swindell stated that a position request needs to be in by June 30, 2023 to HRD. Mr. Ruby stated that he appreciated that staff stepped up, but that concerns him about the bench strength and the potential risk of leaning on other agencies and consultants who are not as familiar with WRS. Mr. Swindell clarified that other agencies are used as an information resource not to directly do WRS work. Mr. Leibrich commented that there needs to be a decision on the budget requests by the May meeting for the 2 year budget. Mr. Swindell stated that there are policy decisions, potentially in 457, that could help guide the workload, like self-certification and giving the hardship decisions to Empower. Mr. Lummis commented that the Board should think more about succession planning within the senior staff. That task could be housed in Governance or potentially an HR Committee.

The Audit & Risk Committee adjourned at 2:21 p.m.

GOVERNANCE

Governance Committee Members present: Dr. Lesley Travers (Chair), Ms. Vicci Colgan and Mr. Eric Nelson (1 vacancy).

Governance Committee Members present absent: Mr. Tom Chapman.

Non-Committee Board Members present: Mr. Tim Sullivan, Mr. Jeremy Smith, Mr. Jim Ruby and Mr. Paul O'Brien.

Non-Committee Board Members present remotely: Mr. John Lummis.

Non-Committee Board Members absent: Treasurer Meier and Mr. Bob Leibrich.

The Governance Committee commenced at 2:22 p.m. Committee Chair Dr. Travers, initiated the meeting and thanked Ms. Meeker and Ms. Kelley for their assistance with planning the Governance Committee agenda for the February meeting. Dr. Travers requested Ms. Kelley provide an update on the Executive Director Evaluation. The Executive Director Evaluation was completed and the results were provided to Director Swindell during the February Board Meeting.

Ms. Kelley then discussed the recent WRS Board reappointments. Mr. Jim Ruby, Mr. Eric Nelson, Mr. Paul O'Brien and Dr. Travers were all reappointed for additional six year terms by Governor Gordon and those reappointments are now with the Wyoming State Senate for approval.

Ms. Kelley discussed the WRS Board Self Evaluation process that would be occurring prior to the May Board Meeting. Ms. Kelley presented the Board Self-Evaluation in its current form and requested comments and thoughts from the Board regarding the evaluation. Mr. Smith stated that he thought the questions were good and important questions to be asking the Board. Mr. Chapman requested a section on Board Chair and Committee Chair performance feedback. Ms. Kelley will work with Dr. Travers to put

together some questions related to the Board Chair and Committee Chair performance for consideration by the Governance Committee. Mr. Ruby asked if other Board members perform self-evaluations on the other boards they serve on. Dr. Travers stated that she does do a self-evaluation on the boards she serves on. Dr. Travers stated that other self-evaluations sometimes show gaps in talent and other insight for the boards she serves on. Mr. Nelson stated that this could lead to an examination of WRS Board structure.

The next agenda item was a strategic planning discussion. Ms. Meeker and Ms. Kelley will be working together to create questions to present to the Committees for goal setting and future strategic planning. Ms. Kelley requested commentary and opinions from the Board to plan a strategic planning session at the September 2023 Board meeting. Mr. Smith, Mr. Nelson and Mr. Sullivan stated they would appreciate having an outside facilitator join the Board. Mr. O'Brien stated that there are three steps to consider: identifying goals, strategies to get to a goal and implementation process. Mr. O'Brien feels that there is too much content for a strategic plan and it dovetails with the Legislative & Benefits discussion about a healthy plan. The current WRS Strategic Plan was originally developed in 2014 in Thermopolis by Becky Gratsinger from RVK, then updated in Lander with Align facilitating in 2017. The Board requested to potentially find someone who facilitates strategic planning within one of our consultants. Mr. Chapman stated that he does not want a facilitator. Mr. Chapman stated that the Funston report main recommendations should have been worked through by the Board and then the remaining action should be executed by the staff. Ms. Colgan commented that the Board doesn't need a facilitator, but needs to determine the executable goals. Dr. Travers requested each committee come up with 2 goals and bring that to the May Board meeting. She stated that if that can't be accomplished, then perhaps the Board needs a facilitator. Mr. Nelson stated that there is a Strategic Plan and perhaps the Board & staff need to go back and take a critical look at what has been accomplished. Mr. Lummis stated that the prior Strategic Plan should be reviewed. Mr. Lummis asked about the resources available to put the plan together. Mr. Lummis stated that this is hard work to compile and there needs to be dedicated staff to this project. Ms. Colgan suggested scratching out goals that do not rise to the top of the priority list. Mr. Leibrich suggested coming together with staff with mixed teams to evaluate the strategic planning.

Mr. Jim Ruby made a motion for the Committee Chairs to form a Sub-Committee on the Strategic Plan and go through the process of combining and consolidating the Funston report and Strategic Plan while working with staff and putting together a retreat outside of the quarterly planning meeting. There was no second to the motion. Mr. Chapman commented on the turnover on the WRS Board and the delay in considering strategic planning because of that transition.

Dr. Travers went over the next agenda item which was the future of the Funston Report. Ms. Meeker and Ms. Kelley will put together a chart with a breakdown of the Funston report into the main objectives. Treasurer Meier recommended adding an org chart that ties to the Funston recommendations for staffing. Treasurer Meier suggested stating why the positions are needed and structured in timelines of areas of importance that can be utilized in communication with the Legislator. Dr. Travers commented that the Strategic Plan needs to be items the organization wants and needs, there needs to be a timeline, someone to accomplish those goals, a cost, and deadline. Ms. Kelley and Ms. Meeker will rework the Funston document into something more palatable for the Board to digest and help inform the Board as the committees work on a potential strategic planning session.

The Governance Committee adjourned at 3:09 p.m.

The WRS Board meeting adjourned at 3:10 p.m.