



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Matt Mead
Governor

Ruth Ryerson
Executive Director

MINUTES OF THE MAY 23, 2014 BOARD MEETING

The Wyoming Retirement System Board met on May 23, 2014 at the Big Horn Federal Savings Bank, 643 Broadway Thermopolis, WY.

Board Members present: Mr. Steve Wolff, Mr. Carl Jensen, Mr. Garth Shanklin, Ms. Laura Ladd, Mr. Keith Hay, Treasurer Mark Gordon, Ms. Colleen Anderson, Mr. Tom Chapman, Mr. Tim Sullivan and Mr. Joe Bluemel

Board Members absent: Mr. Steve Sommers

Wyoming Retirement System Staff present: Ms. Ruth Ryerson, Mr. Sam Masoudi, Mr. Andy Mayer, Mr. Doug Kidd, Mr. John Kreiter, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley and Ms. Cathy Balsler

Others in Attendance: Ms. Carolyn Smith from NEPC, Mr. Mark Randall from GRS, Mr. Todd Kanaster from GRS, Ms. Leslie Thompson from GRS, Mr. Ken Decaria from WEA, Ms. Betty Jo Beardsley from WPEA, Mr. Robert Kuchera from WPEA, Mr. Gard Ferguson from Vol. EMT Board, Mr. Chuck Custis from WREP and Mr. Gary McDowell from WEA

Legislative Liaisons in Attendance: Senator John Hastert, Representative Don Burkhart, Representative Mike Madden

Legislative Liaisons absent: Senator Curt Meier

Ms. Ladd called the meeting to order at 8:01 a.m.

MOTION: Mr. Shanklin moved to accept the minutes of the February 28, 2014 Board meeting. **Seconded by Mr. Bluemel.** Motion carries.

Conference Update

Mr. Chapman and Ms. Ryerson attended the Institutional Investor Public Pension Roundtable in Los Angeles and provided feedback on conference. Mr. Chapman was able to spend time with other pension funds including Alberta, Utah, San Bernardino, and South Dakota. Mr. Bluemel attended the NCPERS conference in Chicago. Mr. Wolff also attended the NCPERS conference. Ms. Ladd attended an outsourced CIO conference in Boston.

Legislative & Benefits Committee & GRS Actuarial Summary

Ms. Ladd brought up that many items were covered in the strategic planning portion of the retreat. Three bills are carryover ones from the previous legislative session that will be addressed at the JAC meeting in late July: Fire A funding, State Parks D&D benefits, and Volunteer EMT funding. The committee is also recommending that we bring up for discussion with the JAC: auto-enrollment for 457 and a clean-up bill. Ms. Ladd also discussed the Judicial COLA presentation made by GRS. Currently, the judicial plan is not in a position to give a COLA and still withstand the much market volatility. The Board will work on specific criteria for granting COLAs over the coming year.

MOTION: Mr. Bluemel moved to approve the Legislative & Benefits Committee minutes from the February 2014 Board meeting. **Seconded by Mr. Wolff.** Motion carries.

GRS presented a summary of the actuarial projections and funded ratios for all of the plans administered by WRS. The new projections take into account the positive investment returns we've been seeing as well as the contribution increases passed by the legislature. The State plan is projected to be fully funded in 23 years.

457 Deferred Compensation Committee

MOTION: Mr. Jensen moved to approve the 457 Deferred Compensation Committee minutes from the February 2014 Board meeting. **Seconded by Mr. Wolff.** Motion carries.

Mr. Chapman summarized the positive changes: increased enrollment, positive investment returns and increase in target date fund usage. Discussion continued regarding WRS' auto-enrollment initiative and the need to present that at the July 2014 JAC meeting. Ms. Scott stated the recommendation is 3% of salary for the auto enrollment. Mr. Chapman outlined the recommendations as follows: default contributions are pre-tax, 90 day opt-out, new hires only, default contributions are to the stable value fund during 90 day opt-out period, and then moved to age appropriate target date funds, with no auto-escalation. No increase to the states' contribution rate (\$20 per employee per month) is being proposed at this time. Discussion ensued about terminology and how to best present the concept to the JAC. As part of our recommendation it will be known as 'default enrollment' not 'auto-enrollment'.

MOTION: Mr. Sullivan moved to accept the above proposal to be recommended to the JAC in July. **Seconded by Mr. Jensen.** Mr. Wolff offered a friendly amendment to change the word 'auto' to 'default', which was accepted by Mr. Sullivan. Motion carries.

Ms. Scott outlined the re-enrollment initiative to get members to enroll in the correct target date funds. Over 300 phone calls came in to WRS from 9,000 letters sent out. Only 500 have opted out of the re-enrollment process.

Audit Committee Report

MOTION: Mr. Hay moved to approve the Audit Committee minutes from the February 2014 Board meeting. **Seconded by Mr. Sullivan.** Motion carries.

Mr. Shanklin highlighted the upcoming June 19, 2014 outside auditor report at the CAFR review meeting at WRS headquarters. Discussion continued regarding Enterprise Risk Management.

Governance Committee Report

MOTION: Mr. Shanklin moved to approve the Governance Committee minutes from the February 2014 Board meeting. **Seconded by Mr. Hay.** Motion carries.

Mr. Bluemel highlighted the success of the strategic planning retreat. Mr. Bluemel stated that a written document, put together by himself, Ms. Ryerson and the consultants from RV Kuhns, will be distributed electronically approximately 6 weeks before the Rock Springs Board meeting in August. Once comments are collected it is our plan to vote on a formal strategic plan at the August meeting.

Chapter 2

Mr. Brandes highlighted the direct rollover rule that is a product of our meeting with the IRS regarding our qualified tax status. The rule was approved last February and there was a public comment period to which no comments were received.

MOTION: Mr. Bluemel moved to accept the rule in chapter. **Seconded by Mr. Hay.** Motion carries.

Investment Committee Report & NEPC 1st Qtr & April Performance Reviews

Ms. Ladd spoke about strategic planning and investment committee meetings, including discussion about investment staff salaries, investment objectives and complexity of investments.

MOTION: Mr. Chapman moved to approve the Investment Committee minutes from the November 20, 2013 and February 26-27, 2014 committee meetings. **Seconded by Treasurer Gordon.** Motion carries.

MOTION: Mr. Bluemel moved to approve the Appendix I as well as additional and revised governance policy appendices 1, 2, 3, and 4 as recommended by the Investment Committee. **Seconded by Mr. Wolff.** Motion carries.

Ms. Ladd discussed public records requests, wanting to ensure that sure we are in compliance, and Ben Brandes is working with his counterpart at the Treasurers' office to make sure we are appropriately transparent.

Ms. Smith reviewed our portfolio and returns for 1st Qtr as well as 1, 3, 5 and 10 year returns. Ms. Smith also said YTD (including April) our total portfolio is up 2.3%, equity is up 1.8%, fixed income is up over 4%.

Executive Director's Report

Ms. Ryerson reported that on May 20th WRS went live with RAIN and with that the introduction of self-funded COLAs. Ms. Ryerson also reported that we are working with Align Consulting to make changes to staff job duties and work flow in our new RAIN environment.

Staffing changes during the quarter included Mr. Mike Bleakley being hired as Board Administrator and HR Manager; Ben Tonak replacing Aimee Inama as our Information Officer; and the retirement of Deputy Director Harry Wales. Ms. Ryerson and Mr. Bleakley are leading the search for a replacement candidate and it has been posted on the state website, various newspapers, NASRA and picked up by the financial news.

Ms. Ryerson spoke about the new and old methodologies used for the service credit purchase calculator, and the recent updates the GRS has made to the calculators.

Ms. Ryerson stated that we are working on a third floor build out and giving up our space on the first floor (part of it as soon as the 3rd floor is ready, the rest after a year when we no longer need a testing/training room for RAIN). This will allow for our staff and board committees to have the meeting and office space they need. We are renewing our existing lease on the 5th floor this summer.

Mr. Ryerson also discussed:

- the volunteer boards (she will take over working with them once Harry Wales retires);
- the investment consultant RFP process for the deferred compensation plan;
- our investment department intern program;
- the cost allocation and budgeting process for the deferred compensation program;
- work being done with JP Morgan to modernize our cash transfer process, and contract negotiations to extend the contract for another year or two.

Public Comment

Mr. Gard Ferguson from Vol. EMT spoke about the funding bill that failed the legislature. Mr. Ferguson spoke about the need to fund the Vol. EMT plan and the important services these volunteer EMTs provide.

Mr. Ken Decaria from the Wyoming Education Association gave some history about retirement contributions and mentioned that employees gave up salary increases so they wouldn't have to pay increased contribution rates. Mr. Decaria also spoke about COLAs, and that their group represents 6,000+ retired members who are becoming increasingly concerned about the lack of COLA. Mr. Decaria also spoke about the contribution increases and what that means to employees. In regards to the 'default' enrollment for 457 plans he said there is usually an incentive (i.e. match), but the teachers do not get the match (only state employees).

Mr. Shanklin moved to go into executive session. Mr. Hay seconded. Motion carried unanimously.

Executive Session

Motion to come out of executive session was made by Mr. Joe Bluemel; Mr. Sullivan seconded.

MOTION Adjournment: With no further business Mr. Bluemel moved to adjourn at 12:10 p.m. **Seconded by Mr. Wolff.** Motion carries.



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AUDIT COMMITTEE MEETING MINUTES

The Audit Committee met on May 21, 2014 at the Big Horn Federal Savings Bank. 643 Broadway Thermopolis, WY

Committee Members present: Mr. Garth Shanklin (Chairman), Ms. Colleen Anderson, Mr. Carl Jensen, Mr. Tim Sullivan and Mr. Keith Hay

Board Members present: Mr. Steve Sommers, Ms. Laura Ladd, Mr. Steve Wolff, Mr. Tom Chapman, Treasurer Mark Gordon and Mr. Joe Bluemel

Wyoming Retirement System Staff present: Ms. Ruth Ryerson, Mr. Andy Mayer, Ms. Polly Scott, Mr. Ben Brandes, Mr. Sam Masoudi, Mr. Mike Bleakley and Ms. Cathy Balsler

Others in Attendance: Ms. Carolyn Smith from NEPC, Ms. Becky Gratsinger and Mr. Jim Voytko from RV Kuhns

Legislative Liaisons in Attendance: Representative Don Burkhart, Representative Mike Madden

Mr. Shanklin called the meeting to order at 9:05.

Audit update from Ben Brandes

Rain officially launched 05/20 and the audit team at WRS has been pulled from many auditing functions to launch RAIN. Now that RAIN has been launched they will refocus on auditing responsibilities. CAFR will be approved and presented at June 19, 2014 Audit committee meeting. Currently, the report has been sent to our external auditors', McGee, Hearne and Paiz. Chapter 2 of the Board's administrative rules, regarding roll-overs, will be ready for formal adoption at Friday meeting. New rules for Vol. Fire have been adopted by the Vol. Fire Board.

Enterprise Risk Management

Mr. Ben Brandes spoke about managing risk and ERM. He explained ERM and the role of internal audit in ERM. Committee Discussion ensued. Treasurer Gordon spoke about us working together as they are experiencing many of the same concerns in regards to working with ETS to make sure we are secure against data breaches. Discussion continued about cross-training within the office and succession planning.

Adjournment: With no further business the meeting adjourned at 9:39.



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GOVERNANCE COMMITTEE MEETING MINUTES

The Governance Committee met on May 21, 2014 at the Big Horn Federal Savings Bank. 643 Broadway Thermopolis, WY

Committee Members present: Mr. Joe Bluemel (Chairman), Ms. Laura Ladd, Mr. Garth Shanklin, Mr. Steve Sommers and Mr. Keith Hay

Board Members present: Treasurer Mark Gordon, Mr. Tom Chapman, Mr. Tim Sullivan, Ms. Colleen Anderson, Mr. Carl Jensen and Mr. Steve Wolff

Wyoming Retirement System Staff present: Ms. Ruth Ryerson, Mr. Andy Mayer, Mr. Sam Masoudi, Mr. Mike Bleakley, Ms. Polly Scott, Mr. Ben Brandes and Ms. Cathy Balsler

Others in Attendance: Ms. Carolyn Smith from NEPC, Ms. Becky Gratsinger and Mr. Jim Voytko from RV Kuhns

Legislative Liaisons in Attendance: Representative Don Burkhart, Representative Mike Madden

Mr. Bluemel called the meeting to order at 9:40 a.m.

Chapter 12: Rehired Retiree

This project has been postponed to the August 2014 meeting.

MOTION: Mr. Shanklin moved to approve the February 2014 meeting minutes. **Seconded by Mr. Sommers. Motion carried.**

Chapter 2

Discussion that Chapter 2 needs to be approved on Friday by the entire WRS Board.

Adjournment: With no further business the meeting adjourned at 9:45 a.m.



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INVESTMENT COMMITTEE MEETING MINUTES

The Investment Committee met on May 22, 2014 at the Big Horn Federal Savings Bank. 643 Broadway Thermopolis, WY

Committee Members present: Ms. Laura Ladd (Chairman), Mr. Joe Bluemel, Mr. Steve Wolff and Mr. Tom Chapman

Committee Members absent: Treasurer Mark Gordon

Board Members present: Mr. Keith Hay, Mr. Tim Sullivan, Ms. Colleen Anderson, Mr. Carl Jensen and Mr. Garth Shanklin

Board Members absent: Mr. Steve Sommers

Wyoming Retirement System Staff present: Ms. Ruth Ryerson, Mr. Andy Mayer, Mr. Doug Kidd, Mr. John Kreiter, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley, Mr. Sam Masoudi and Ms. Cathy Balser

Others in Attendance: Ms. Carolyn Smith from NEPC, Mr. Ken Decaria from WEA, Ms. Betty Jo Beardsley from WPEA, Mr. Robert Kuchera from WPEA

Legislative Liaisons in Attendance: Senator John Hastert, Representative Don Burkhart, Representative Mike Madden

Legislative Liaisons absent: Senator Curt Meier

Ms. Ladd called the meeting to order at 2:30 pm

Ms. Ladd opened the meeting by announcing that Trustee Tom Chapman will become the new Committee Chair after this meeting. Ms. Ladd recognized Sam Masoudi for overview. Mr. Masoudi went through investment updates as well as operating updates from the investment memo.

IPS and Asset Allocation Proposed Changes – Mr. Sam Masoudi

The Investment Team proposed changes to the Investment Policy Statement (IPS) relating to asset class definitions and exposure targets in Appendix I of the IPS. Mr. Masoudi presented an overview of the general investment strategy and philosophy. A discussion was held in

conjunction with the NEPC presentation by Ms. Carolyn Smith addressing projected asset class returns and a return optimization model at the April Investment Committee meeting.

MOTION: Mr. Bluemel moved for to approve appendix I and governance policy concerning investment appendixes' 1, 2, 3 and 4. **Seconded by Mr. Wolff. Motion carried.**

NEPC – Investment Market Update 1st Quarter 2014, Carolyn Smith

Ms. Smith reviewed various pages outlining the returns of various asset classes and slides highlighting reduced volatility; that stocks are not overvalued based on historical data and the spread with high yield and corporate bonds. Ms. Smith explained most clients had positive first quarter returns. Our portfolio automatically rebalances because we're in the "overlay" program which is what they recommend to maintain a balanced portfolio.

Ms. Smith moved on to the Due Diligence Monitor. This is used to monitor investment managers who could have issues and concerns surface. PIMCO and Copper Rock were highlighted with some concerns she wants us to be aware of.

Ms. Smith outlined our total plan performance versus other large funds that are our benchmark. Our 3-month rank is ahead of the benchmark, the 1-year is behind, 3 and 5-year are ahead of the benchmark. She then preceded to overview our compliance check. Next up was a review of the performances from all of our different asset classes. Reviews included April 2014, 1st Qtr 2014, 1, 3, 5 and 10-year returns.

Ms. Ladd brought up NEPC's contract which ends in August. Ms. Ladd stated it is the recommendation of the Investment Committee and staff to extend their contract for a period of one year. Discussion covered what, if anything, NEPC can do better and what is going well and if there is a need to do an RFP just to see what else is out there. Board members will e-mail feedback to Ms. Ladd.

Ms. Ladd also pointed out that the 457 plan is going out with an RFP for their consulting services.

Private Equity Preliminary Plan and Discussion – Mr. Doug Kidd

Mr. Kidd led a brief discussion about why we need a private equity plan and that there are now 5,200 private equity funds according to Credit Suisse. The Board has currently approved 3% to this allocation but recent discussions have contemplated 5 and even 10% allocations. Private Equity has a much longer time horizon. Discussion about making sure we are protected for this type of investment and that we would not be part of a consortium of funds. We alone would have discretion and authority to act on our own.

Committee discussion ensued about Private Equity. Decision has already been made regarding an asset allocation to commit money to this asset class.

Adjournment: With no further business the meeting adjourned at 4:32 pm.



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LEGISLATIVE & BENEFITS COMMITTEE MEETING MINUTES

The Legislative & Benefits Committee met on May 22, 2014 at the Big Horn Federal Savings Bank, 643 Broadway Thermopolis, WY.

Committee Members present: Mr. Steve Sommers (Chairman), Mr. Garth Shanklin, Mr. Joe Bluemel, Mr. Steve Wolff

Committee Members Absent: Treasurer Mark Gordon

Board Members present: Mr. Keith Hay, Mr. Tim Sullivan, Ms. Colleen Anderson, Mr. Carl Jensen, and Ms. Laura Ladd

Wyoming Retirement System Staff present: Ms. Ruth Ryerson, Mr. Andy Mayer, Mr. Doug Kidd, Mr. John Kreiter, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley and Ms. Cathy Balsler

Others in Attendance: Ms. Carolyn Smith from NEPC, Mr. Mark Randall from GRS, Mr. Todd Kanaster from GRS, Ms. Leslie Thompson from GRS, Mr. Ken Decaria from WEA, Ms. Betty Jo Beardsley from WPEA, Mr. Robert Kuchera from WPEA

Legislative Liaisons in Attendance: Senator John Hastert, Representative Don Burkhart, Representative Mike Madden

Legislative Liaisons absent: Senator Curt Meier

Mr. Sommers called the meeting to order at 11:40.

Mr. Sommers said that many legislative items were already discussed this morning during strategic planning. Mr. Sommers opened it up for general comments prior to GRS' presentation. Ms. Anderson spoke about educators paying increased contributions and Mr. Sullivan said that at the Wyoming County Commissioners Association he brought up increasing employee contributions, and met with some resistance.

GRS Presentation

Mr. Randall gave a brief overview on the 01/01/2014 actuarial valuations. At the February 2013 Board meeting the Board had decided to update its actuarial assumptions, in particular taking GRS and NEPC's recommendation to lower the long-term earnings assumption from 8% to 7.75%. Generational mortality tables were also substituted for the old ones being used in the

past. Both of these changes increased plan liabilities, but are more reflective of actual experience.

Mr. Kanaster presented “The Actuarial Valuation Process” , an educational powerpoint presentation about actuarial process, for all those in attendance.

Ms. Thompson & Mr. Randall presented, “A Valuation Summary”. This presentation reviewed the funding ratios, projected 30-year funded ratios, and additional actuarial information. Ms. Ryerson stated that all information is available on the WRS Board website as well as in the binders from GRS. After Board approval the valuations will be placed on the WRS public website as well.

GRS Judicial COLA recommendation

Mr. Mark Randall discussed how there are different ways to evaluate the actuarial soundness of a plan when granting a COLA. You can base it on a market value basis or an actuarial value basis. WRS bases all of its actuarial projections on an actuarial value basis. Mr. Randall mentioned that it is the actuary’s job not recommend a COLA if it could potentially bring the funded ratio of a plan to less than 100%. The judicial plan is currently 103% funded, but it is GRS’ recommendation that there is not sufficient ‘buffer’ within the plan to give a COLA at this time. They would like to see the plan funded at least 108%-110% to ensure adequate funding and prevent the plan from falling below full funding level with potential fluctuations in future earnings of the plan.

Adjournment: With no further business, the meeting adjourned at 2:04 p.m.