



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Matt Mead
Governor

Ruth Ryerson
Executive Director

MINUTES OF THE August 23-25, 2017 BOARD MEETING

The Wyoming Retirement System Board met on August 23-25, 2017 at the Inn at Lander, 260 Grandview Dr., Lander, WY.

Board Members present: Ms. Laura Ladd (Chair), Mr. Garth Shanklin (Vice-Chair), Mr. Brian Foster, Mr. Eric Nelson, Mr. Tom Chapman, Mr. Tim Sullivan, Mr. Michael Ceballos, Ms. Vicci Colgan, Mr. Keith Hay, Ms. Kay Watson and Mr. Patrick Fleming

Board Members absent: Treasurer Mark Gordon

Wyoming Retirement System Staff present: Ms. Ruth Ryerson, Mr. Sam Masoudi, Mr. David Swindell, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley, Mr. Bill Ziomek and Mr. Andy Mayer. Mr. John Kreiter, Mr. Seth Consoliver, Mr. Joe Briones, Mr. Brady Goyn joined by conference call.

Others in Attendance: Ms. Lisa Spillman from the Attorney General's Office, Ms. Leslie Thompson and Mr. Paul Wood from GRS, Ms. Mika Malone and Mr. Nick Erickson from Meketa, Ms. Alison Adams from RVK, Mr. Gary McDowell from WEA, Mr. Chuck Custis from WREP, Ms. Elise Robillard from WEA and Ms. Betty Jo Beardsley from WPEA

Legislative Liaisons in Attendance: Representative Don Burkhart, and Representative Bob Nicholas

Legislative Liaisons absent: Senator Curt Meier and Senator John Hastert

Ms. Ladd called the meeting to order at 1:10 p.m. and recognized Mr. Nelson who is the L&B Committee Chair. Mr. Nelson recognized Ms. Ryerson who presented information from NASRA regarding national averages and trends in funding ratios, contribution rates, amortization methods, changes to real rate of return and inflation assumption.

GRS PRESENTATION – 5-YEAR EXPERIENCE STUDY

After a brief overview Ms. Ryerson introduced Ms. Thompson and Mr. Wood from GRS who are here to present the 5-year Experience Study. The purpose to the Experience Study is to analyze the actuarial assumptions and methods to ensure that they are as accurate as possible. The Experience Stud is a regularly scheduled review of the assumptions and methods as recommended by the GFOA every five years. The actuarial valuation projects the liability for each member, and for each plan as a whole. GRS reviewed WRS-specific experience from December 31, 2011 through December 31, 2016. Some of their findings include: future

economic growth likely to continue to be suppressed compared to historic levels, salary increases have been considerably lower, retirees are living longer, retirement experience has been lower than assumed and termination experience has been higher than currently assumed. They are recommending we lower the inflation assumption from 3.25% to 2.5% and increase the real rate of return to 4.75%. This would lead WRS to adjust its assumed rate of return from 7.75% to 7.25%. A copy of the complete presentation is available upon request from the WRS. Reducing the assumed rate of return will change the funding status from 78.14% to 77.38% for the Public Employee Plan. GRS has created a spreadsheet where they can adjust each year's return percentage and contribution rate and project out our funding status. GRS went through various scenarios with the Board.

GREG SMITH - COLORADO PERA

Mr. Ladd welcomed Mr. Smith from Colorado PERA who joined us via conference call. Mr. Smith discussed COPERA's Governance structure, administrative structure, and how their system went through their most recent experience study. Mr. Smith also discussed how the study affected their funding status and their assumed rate of return. The process Colorado PERA undertook to arrive at their current rate of return was explained. Colorado PERA has budget independence but the legislature must approve any benefit or contribution changes. Mr. Smith explained the very comprehensive process throughout each stage.

ACTUARIAL ASSUMED RATE OF RETURN DISCUSSION

At the conclusion of the call Ms. Ladd turned to a discussion regarding the assumed rate of return. GRS answered Board questions including the difference between an open and closed amortization period. Ms. Ladd proposed evaluating multiple scenarios, perhaps modeling a return assumption of 7.25%, 7.10%, and 7.0%. Mr. Chapman spoke about the politics of a potential contribution increase and the best way to work with the legislature moving forward. Discussion ensued if we are ready to accept GRS' recommendation to move to 7.25% or if we need more information and scenario analysis. Timing of a potential contribution increase was brought up. Rep. Nicholas told the Board that the sooner the JAC gets the information and request for a contribution increase the better. He also said any contribution increase request should be accompanied by an analysis of potentially decreasing the benefit. The JAC meets at the end of October and they are hoping to have the analysis and information ready by then, which includes making a decision on the actuarial assumed rate of return. Some of the Board members wanted more information and some wanted to move on the issue right away. Ms. Ladd suggested we wait until Friday so Board members have a chance to talk among themselves and come to a conclusion on the best way to proceed.

The next agenda item was potential legislation which at this point includes the possibility of an early retirement bill and the ongoing fact that Paid Fire A has no funding source. Ms. Ryerson said any change to the assumed rate of return should be accompanied by a report to JAC that the funding timeline for Fire A will move to a shorter time horizon.

Mr. Ryerson reported on our legislative outreach efforts that we had a successful legislative breakfast this morning as well as a legislative luncheon. Updated legislative meetings and their

attendance is in the Board packets. Ms. Ryerson reported that the ED of Idaho PERS travels six months a year, which is effective for them but she didn't think that much outreach would be necessary in Wyoming. She also reported that we probably need to do additional outreach with our employers as they will be critical if we have a request for a contribution increase.

MOTION: Mr. Sullivan moved to approve the minutes as amended. Seconded by Mr. Hay. Motion carries.

Thursday, August 24th

INVESTMENT COMMITTEE

Ms. Ladd called the meeting to order at 8:11 a.m. and turned the meeting over to Mr. Chapman, the Investment Committee Chair. Mr. Chapman reviewed the agenda and recognized Mr. Masoudi, who highlighted recent investment activities, pending investment decisions, and general updates. Mr. Masoudi welcomed Evan Giusto to the team as our newest Investment Analyst and thanked the summer interns for their hard work on the manager summaries.

Ms. Malone from Meketa explained the progress on the initial fund review, 2Q performance, allocation vs. policy targets, and fund due diligence. She highlighted the one, three, five, and ten year returns for the fund. Additional information was provided regarding each asset class and their respective returns. Mr. Erickson reviewed performance of individual funds and asset classes.

Mr. Masoudi reviewed the approval request to waive the 10% IPS holding restriction for LFL Partners. Discussion ensued regarding the nature of investment and the proposed sizing.

MOTION: Mr. Sullivan moved to waive the IPS limitation of a WRS investment of greater than 10% of a fund's asset limit and allocate 1% of our portfolio to the investment with LFL Partners. Seconded by Mr. Ceballos. Friendly amendment from Ms. Ladd for \$80M rather than 1%. Original motion was withdrawn.

MOTION: Mr. Sullivan moved to waive, for the investment in LFL Partners, the IPS limitation of WRS investments greater than 10% of a fund's assets and to allocate up to \$80M of our portfolio to the investment in LFL Partners. Seconded by Mr. Ceballos. Motion carries.

Mr. Chapman highlighted the Risk survey results with the Board. Sixty percent of the respondents felt we should be taking less risk, whereas nine percent felt we should take more risk. Complete results are available from WRS. The Board discussed the upcoming asset allocation process and the schedule for upcoming Investment Committee meetings. The IC will meet in October and January. The January meeting is open to the entire Board and is a full one-day meeting.

The Investment Committee concluded with a market discussion.

AUDIT COMMITTEE

Ms. Ladd recognized Mr. Shanklin who thanked Ms. Colgan for her service as Chair of the Audit Committee. Ms. Colgan has moved on to chair the 457 Committee so Mr. Shanklin is now the Chair of the Audit Committee. Mr. Shanklin reported that the Audit Committee met in June to receive the Audit Report from Eide Bailey in addition to the presentation of the CAFR.

MOTION: Mr. Shanklin moved to accept the CAFR as presented to the Audit Committee. Seconded by Mr. Sullivan. Motion carries.

An Investment Manager Due Diligence audit was received and said that we follow all appropriate procedures in this regard. A recommendation was made to create a checklist for manager due diligence.

WRS audit staff conducted an evaluation of Eide Bailey and the response rate was 80%; staff was either satisfied or completely satisfied with the performance of Eide Bailey.

Lastly, WRS conducted an audit of early childhood development centers. The main question revolved around whether child development center employees should be treated the same as teachers (i.e. 12 month credit for 9 months of work). It was determined they should be treated the same as other educators. As a result of these audits service credit for all four CDC centers should follow the guidelines and adjustments are being made retroactively.

457 DEFERRED COMPENSATION COMMITTEE

Ms. Ladd recognized Ms. Colgan who is the new 457 Committee Chair. Ms. Colgan introduced Ms. Scott and Ms. Adams from RVK. Ms. Scott recognized Ms. Adams who is joining us from RVK as she works with Mr. Burggraff at RVK. Ms. Adams reviewed the highlights from 2nd Qtr performance, fund due diligence and the manager watch list. RVK has completed in-depth due diligence on the glidepath used by BlackRock for the LifePath funds and compared it to other target date funds. RVK maintains a favorable assessment of the BlackRock LifePath team and their investment process. Their goal is capital appreciation before retirement and capital preservation near and at retirement. WRS Plan participant portfolios generally reveal an appropriate degree of equity risk based on their current age. As part of the due diligence process, BlackRock has offered WRS 457 Plan a fee reduction from the current management fee of 0.12% to 0.10% for the LifePath Index Series.

Ms. Scott gave an update on the RFP for record keeper. WRS has used Empower (formerly Great West Life) since 1998 and during that time has gone through four RFP's and Empower has retained our business. Four firms submitted proposals and two were selected as finalists. On-site visits were conducted in addition to face-to-face interviews. Staff is currently reviewing contracts and doing final due diligence before making a decision.

Ms. Scott gave an update on National Retirement Savings Week. Senator Enzi is introducing a resolution to support this annual event and Governor Mead will sign a proclamation. Furthermore, we are working with state legislators to sign-on as co-sponsors of NRSW. Finally,

Ms. Scott presented peer-to-peer videos created for NRSW 2017. Research has found the peer-to-peer format generates more engagement and response than traditional communications featuring an “expert.” Ms. Ladd was complimentary of the videos and requested they be given to the Coalition for a Healthy Retirement and the Department of Administration and Information. Gary DeMoss of Invesco, who had joined the meeting to provide training, encouraged continued use of this communication format.

OFFICER ELECTIONS

Ms. Ladd asked everyone to take a piece of paper and anonymously submit a name for Chair and Vice-Chair recommendation and give it to Mr. Bleakley for a list of nominations. The following individuals were nominated for Chair: Ms. Ladd. The following individuals were nominated for Vice-Chair: Mr. Shanklin, Mr. Nelson, Mr. Sullivan, Mr. Chapman, and Mr. Ceballos.

MOTION: Mr. Shanklin moves to elect Ms. Ladd as Chair, seconded by Mr. Sullivan. Motion carries.

After discussion and Mr. Shanklin, Mr. Sullivan, and Mr. Chapman dropping out, a vote was taken and Mr. Nelson was elected Vice-Chair.

CONFERENCE UPDATES

Ms. Ryerson attended the NASRA conference and reported there are 77 state plans who are members. At NASRA they present the roll call report which covers everything from funding issues to asset allocation and potential legislation. Ms. Ryerson also reported that seven Executive Directors announced their impending retirements. Mr. Swindell accompanied Ms. Ryerson and thought the conference was really valuable. Ms. Scott attended the NCTR Director’s meeting where the Chair of GASB presented. Mr. Shanklin attended the NCTR Trustee Training and teacher retirement conference. He attended the art of the foundation update, how to find your next Executive Director workshop, the impact of charter schools on pensions, and the Mooney rule. This rule states that one third of the candidates you interview for vacant positions should be representatives from minority groups.

EXECUTIVE DIRECTOR’S QUARTERLY REPORT - MS. RYERSON

Ms. Ryerson gave a summary of the 9 page quarterly report that was included in the Board packet. The report provides highlights of her activities along with statistics regarding all of the work accomplished by staff over the past 3 months.

Ms. Ladd adjourned the meeting at 5:03 p.m.

GOVERNANCE COMMITTEE

Ms. Ladd called the meeting to order at 8:17 a.m. Ms. Ladd highlighted today’s agenda and the additional items that still need to be discussed. Ms. Ladd recognized Mr. Ceballos who kicked off the Governance Committee agenda. Mr. Brandes reviewed the administrative rulemaking

update memo which covers formal rulemaking for two rules: Chapter 7: Military Service Credit, and new Chapter 21: Uniform procedures, fees, costs and charges for inspecting, copying and producing public records.

MOTION: Mr. Shanklin moved to extend the emergency rules for an additional 120 days. Seconded by Ms. Colgan. Motion carries.

MOTION: Ms. Ladd moved formal approval of Rule 7 and 21. Seconded by Ms. Colgan. Motion carries.

Mr. Brandes reviewed the Indy Mac Securities Litigation Update memo. Details including settlement amount and fees were reviewed.

STRATEGIC PLANNING UPDATES AND SWOT ANALYSIS

Mr. Ceballos summarized what we're trying to accomplish and how we are using new methods to work on strategic planning. Mr. Ceballos recognized Mr. Bleakley who highlighted the strategic plan and how that is tied in to our leadership development program and the value this represents to our system. Mr. Bleakley introduced Ms. Shields from Align who is here to lead our Strategic Planning and SWOT Analysis.

The first category reviewed based on the Board survey results was our Key Policy Issues. Board members came up and grouped the Key Policy Issues into the following categories: funded status (rates of return and risk appetite were sub categories), legislation, succession planning and retirement security (customer service). Based upon these key policy issues we are utilizing a SWOT analysis looking at the specific areas: strengths, weaknesses, opportunities and threats. The strengths were identified as our board and staff, member services and benefits, and great processes. The weaknesses were identified as succession (retirement and compensation), performance measurement, building, external issues, and not enough emphasis on long-term retirees' lack of a COLA. Opportunities included building relationships with decision makers to achieve desired outcomes, strong markets and economic recovery, importance of benefits to achieve and attract high quality employees, and educational outreach and influence. Threats were identified as political landscape, attack on DB plans, severe market downturn, and the ability to recruit people to this region.

EXECUTIVE SESSION

MOTION: Mr. Shanklin moved to go into Executive session at 10:42am for purposes of discussing personnel matters and obtaining legal advice. Seconded by Mr. Hay. Motion carries.

MOTION: Mr. Sullivan moved to exit executive session at 11:57 a. m. Seconded by Mr. Hay. Motion carries.

ACTUARIAL ASSUMED RATE OF RETURN

MOTION: Ms. Colgan moved to change the actuarial assumed rate of return to 7.00% with a 2.25% inflation rate. Mr. Sullivan seconded. Motion carries.

MEETING LOCATION

The February 2018 meeting date was set as February 14-15, 2018 in Cheyenne. All Board members are to e-mail Mr. Bleakley with dates and locations for the remaining 2018 Board meetings.

PUBLIC COMMENT

Mr. Gary McDowell, from the Wyoming Education Association, said thank you for the work that you do for us. He also spoke about the importance of attending the Board meetings and that it would be great to get younger people attending the meeting.

Meeting adjourned at 12:07 p.m.