



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Mark Gordon
Governor

David Swindell
Executive Director

MINUTES OF THE FEBRUARY 16th & 17th 2021 BOARD MEETING

The Wyoming Retirement System (WRS) Board met on February 16th & 17th 2021 via Zoom.

Board Members present remotely: Mr. Tom Chapman (Chair), Mr. Eric Nelson (Vice-Chair), Ms. Laura Ladd, Mr. Tim Sullivan, Mr. Mike Ceballos, Ms. Vicci Colgan, Mr. Keith Hay, Mr. Paul O'Brien, Mr. Garth Shanklin and Treasurer Curt Meier.

Board Members absent: Ms. Kay Watson

Wyoming Retirement System Staff present remotely: Mr. David Swindell, Mr. Sam Masoudi, Mr. Ben Brandes, Mr. Mike Bleakley, Ms. Rachel Kelley, Ms. Kate Mumford, Ms. Rachel Meeker, Mr. John Kreiter, Mr. Andrew Mayer, Mr. Ben Bowman, Mr. Adam Waddell, Ms. Laura Bowen, Mr. Michael Vuyk, Mr. Dan Paradis, Mr. Casey Rogstad, Ms. Shuyeh Wang Liu and Mr. Dale Meyer.

Others in Attendance remotely: Governor Mark Gordon, Ms. Mika Malone, Mr. Nick Erickson and Ms. Paola Nealon from Meketa, Ms. Brandi Monger and Mr. Karl Anderson from the Attorney General's Office, Ms. Lisa Jerde Spillman from the Treasurer's Office, Mr. Beau Burggraff from RVK, Mr. Paul Wood & Mr. Thomas Lyle from GRS, Mr. Atul Lele, Mr. Bill Sweeney and Ms. Melissa Saphier from Bridgewater, Mr. Scott Smeester, Mr. Ron Sniffin of the Wyoming Education Association (WEA), Mr. John Lummis, Dr. Lesley Travers and Mr. Robert Leibrich.

From the public: Board Meeting was lived streamed via YouTube.

Legislative Liaisons present remotely: Senator Jeff Wasserburger, Representative Don Burkhart and Representative Andy Schwartz,

Legislative Liaisons present absent: Senator David Kinskey.

WRS Board Chair, Mr. Chapman, called the meeting to order at 9:04 a.m. on February 16th, 2021 and welcomed everyone to the February Board Meeting. Mr. Chapman introduced the newly appointed Board members, Mr. Bob Leibrich and Mr. Lummis, who were in attendance. Mr. Chapman thanked the Committee Chairs for all the work they have been doing over the past few months. Mr. Chapman then passed the meeting on to Investment Committee Chair Mr. Tim Sullivan.

INVESTMENT

Investment Committee Members present remotely: Mr. Tim Sullivan (Chair), Ms. Laura Ladd, Treasurer Curt Meier, Mr. Paul O'Brien and Mr. Tom Chapman.

Non-Committee Board Members present remotely: Mr. Keith Hay, Ms. Vicci Colgan, Mr. Mike Ceballos, Mr. Garth Shanklin and Mr. Eric Nelson.

Non-Committee Board Members absent: Ms. Kay Watson.

The Investment Committee commenced at 9:11 a.m. as Mr. Masoudi introduced the Investment Team to the new WRS Board Members. Mr. Masoudi provided the Board with an investment activities update including an overview of current portfolio weight versus Board target. Mr. O'Brien stated that he liked the rolling return chart because of the perspective it offered on the portfolio. Mr. Swindell provided some insight to the new Board Members on the recent Fire A Plan asset shift to the Vanguard Fund. Ms. Nealon from Meketa, shared the WRS Manager Performance 4th Quarter Report. With the exception of Marketable Equity, all WRS asset classes were within the Investment Policy Statement (IPS) range during the 4th Quarter of 2020. Overall the Plan had out-performed the median; year's three and five were exceptionally good compared to peers. Mr. O'Brien liked the peer comparison and asked to see it presented as a scatterplot to showcase how WRS stacks up to others. Private Equity, US Equity and Marketable Alternative have really contributed to high long term results in the portfolio. RS Small Cap had strong returns, 400 basis points over index since inception. Sanderson returned over 20% for the quarter. Polunin returned 21.4%, beating the benchmark by 9.5% for the quarter and was the strongest performer. Mr. O'Brien asked for a factor analysis of returns from Meketa of absolute versus benchmark in order to look for drivers and factors.

Mr. Chapman took a few minutes to introduce new WRS Board Member Dr. Lesley Travers, who had joined the meeting. Mr. Erickson from Meketa, presented "Investing in a Low Rate Environment." The US economy is 3.5% smaller than it was over a year ago after the ups and downs of 2020. US interest rates have essentially reached an all-time low and it is possible they are going to stay low. Achieving the returns of the past will take a higher level of risk, however there are ways to be opportunistic in a low risk environment with leverage. According to Mr. Erickson, an opportunistic approach takes patience and most investors are best served by a systematic approach. Questions still remain on what the demands will be on commercial real estate in the future with shifting work environments.

Ms. Malone discussed Meketa's expectations moving into 2021. The current policy expected rate of return is 60 basis points lower, compared to the initial 2020 assumptions. Expectations for private credit are higher than public credit. Ms. Malone compared return expectations and results from 2019 to 2020. Ms. Malone showcased the positive historical scenario returns including the most recent Global Financial Crisis Recovery and different stress testing scenarios. Mr. Sullivan thanked Meketa for their comments.

Mr. Masoudi initiated the asset allocation survey discussion and passed it over to Mr. Casey Rogstad to discuss the results and showcase the main takeaways. The Investment Team then participated in the market discussion. Mr. Bowman discussed high yields, which are at the lowest they have been in a long time. Investment grade corporate bonds are also very low. Mr. Kreiter thinks that 2021 to 2022 will be very noisy in public markets and compared geographical

differences. Some geographic areas have had more support during the crisis of 2020; where emerging markets have generally had less financial support.

Mr. Masoudi introduced the lunchtime speakers from Bridgewater, Ms. Melissa Saphier and Mr. Atul Lele. The three topics they discussed were low bond yield environment, China, and gold. In the US there are a range of secular pressures that have been building up over the last three decades - primarily increasing debt and “less fuel in the tank,” or ability for the central banks to lower rates to stimulate the economy. Investors must prepare for a wide range of outcomes and this is a risk that they are not prepared for. Investors should be thinking about what to do in a low bond yield environment and geographical diversification with the rise of China. Investors can allocate to China as a source of diversification. China has challenges in economic restructuring, debt management, capital markets opening, balance of payments/currency pressures, and geopolitical tensions. However, China also has the second largest equity and government debt market in the world and is likely to be a meaningful driver of securities returns globally. Mr. Atul and Ms. Saphier were thanked for their comments.

Investment Committee adjourned at 1:04 p.m.

GOVERNANCE

Governance Committee Members present remotely: Mr. Mike Ceballos (Chair), Mr. Tom Chapman, Mr. Garth Shanklin, Ms. Laura Ladd and Ms. Vicci Colgan.

Non-Committee Board Members present remotely: Mr. Keith Hay, Mr. Tim Sullivan, Mr. Paul O’Brien, Mr. Eric Nelson, and Treasurer Curt Meier.

Non-Committee Board Members absent: Ms. Kay Watson.

At 1:05 p.m. Mr. Chapman handed the meeting over to Governance Chair, Mr. Mike Ceballos. Mr. Ceballos highlighted the new Executive Director Evaluation criteria. The evaluation format was moved into four areas: Stewardship, Internal Management & Oversight, Goals & Continuous Improvement and Skills & Attributes. The evaluation was condensed down and offered more ranking opportunities for Board Members. Mr. Chapman asked for reactions about the changes to the Executive Director Evaluation. Mr. Nelson stated that it was a good balance of scoring and opportunities to provide comments; and could be utilized as a template for the Board Self-Evaluation. Mr. O’Brien concurred with Mr. Nelson’s comments and liked the option to provide comments if desired. The next topic of discussion was the Board Attributes Matrix which showcases what attributes are desired in Board members.

Mr. Ceballos also queried the Board on what they would like to see in the Board Self-Evaluation. Mr. O’Brien suggested having staff and perhaps consultants fill out the Board Self-Evaluation to provide a more 360 evaluation. Mr. Lummis recommended having a lead who had prepared questions for staff in order to have a more productive evaluation for a 360 scenario. Mr. O’Brien suggested having Ms. Ladd, Mr. Shanklin & Mr. Hay complete the Board Self-Evaluation and potentially an exit interview. Ms. Colgan suggested that retiring board members continue to stay in touch and provide recommendations in the years to come. Mr. Hay stated that he didn’t know if he thought staff should evaluate Board Members and Mr. Shanklin agreed. Mr. Ceballos suggested offering a broad set of questions to staff on what direction the Board could go and what they could do differently. Ms. Colgan discussed looking at the role of Committee Chairs

and Staff Liaisons over the next year. Ms. Ladd proposed a best practices comparison between the Committee Chairs & Staff Liaisons and a discussion of what could be improved. Rep. Schwartz mentioned “board packet light” and how it would be beneficial to have tabs to indicate importance. Rep. Burkhart noted that he had seen a high level of engagement and advancement of the Board over the years. Sen. Wasserburger stated that he is always impressed by the high level of presentations and the commitment of the Board to the people of Wyoming.

Mr. Bleakley noted that there was a leadership development program for staff at WRS that will occur again in the future. Mr. Ceballos asked for the Board to be prepared to provide feedback on Board Attributes and Staff Evaluation. Mr. Bleakley discussed the upcoming New Trustee Orientation. Mr. Chapman recommended breaking up the orientation and getting materials in advance. Mr. Ceballos prefers to have the Board Orientation sooner rather than later. Mr. Bleakley discussed the strategic planning session and how dates would be determined later on, potentially during the fall meeting. The Strategic Plan was reviewed in May of 2020, but will be finalized and updated during a future strategic planning session.

Governance meeting was adjourned at 2:08 p.m.

CONFERENCE UPDATE

No updates

EXECUTIVE DIRECTOR’S QUARTERLY REPORT

Mr. Swindell gave a summary of the 11-page quarterly report that was 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 past 3 months.

MOTION: Mr. Garth Shanklin motioned to move into Executive Session to discuss personnel matters and receive legal advice. Seconded by Ms. Colgan. Motion carried.

MOTION: Mr. Keith Hay moved to adjourn Executive Session and reconvene the regular session. Mr. Garth Shanklin seconded. Motion carried.

MOTION: Ms. Laura Ladd moved to adjourn for the day. Ms. Vicci Colgan seconded. Motion carried.

Wednesday February 17th 2021

Mr. Tom Chapman called the WRS Board Meeting to order on Wednesday, February 17th at 9:04 a.m. The first order of business was approval of the November 2020 Board Meeting Minutes. Mr. Chapman asked for any comments or changes to the minutes. Ms. Colgan noted that the minutes had one typo correction needed.

MOTION: Mr. Tim Sullivan motioned to approve November 17th -18th 2020 Board Meeting minutes with ensure/insure typo correction. Mr. Keith Hay seconded. Motion carried.

The WRS Board had requested and received a Wyoming Attorney General Opinion on the Fire A Plan issue. Mr. Brandes stated that the Board holds the privilege over the opinion. Mr. Brandes remarked that voting to distribute the opinion would remove the privilege of the advice to the Board.

MOTION: Ms. Vicci Colgan moved to vote to waive the privilege of the Fire A Wyoming Attorney General Opinion. Seconded by Mr. Keith Hay. Motion carried.

LEGISLATIVE & BENEFITS

Legislative & Benefits Committee Members present remotely: Mr. Eric Nelson (Chair), Mr. Tim Sullivan, Mr. Garth Shanklin, and Ms. Laura Ladd.

Non-Committee Board Members present remotely: Ms. Vicci Colgan, Mr. Tom Chapman, Treasurer Curt Meier, Mr. Keith Hay, Mr. Paul O'Brien, and Mr. Mike Ceballos.

Non-Committee Board Members absent: Ms. Kay Watson.

Legislative & Benefits Committee convened at 9:10 a.m. Committee Chair, Mr. Nelson, began with a discussion about the Fire A Plan. Mr. Swindell provided a historical summary on the Fire A situation. Mr. Brandes provided a summary of the Attorney General Opinion. The question the Board had proposed to the Attorney General was, in the event the funds of the Fire A Plan are depleted, would the Fire B Plan be responsible for picking up the liabilities of the Fire A Plan. The short answer was "no." Even though both Plans are paid out of the same pension account, they are not the same plan. WRS and the Board in its fiduciary capacity, cannot pay Fire A Plan benefits out of the Fire B Plan system funds. Treasurer Meier asked whether the legislature would be prohibited from changing the constructs to allow for Fire B Plan to pay for the Fire A Plan. Mr. Brandes stated this could be within the legislative purview to provide such a proposal. Mr. Brandes reminded the Board it is not their job to advocate for any particular opinion but instead provide facts and information about the current situation. Ms. Ladd stated that she appreciated the Attorney General Opinion and asked if the current Opinion provided supersedes previously issued Opinions? Mr. Anderson from the Attorney General's Office, stated that the question addressed in the current Opinion was not directly asked in the past. The current question supersedes the previous questions as it is posed.

Mr. Nelson thought that providing context on why the Board asked for the opinion was important. The Board has not decided to take any approach or side on a resolution. Rep. Schwartz has been working on the Fire A Plan issue over the last few months; has drafted a bill and is looking for co-sponsors. Mr. Chapman thanked Rep. Schwartz for all his work on a current draft bill. Rep. Schwartz provided an overview of the draft bill; the Plan Firefighters would reduce their Cost of Living Adjustments (COLA) and the employers would take over the bulk of the cost. Cheyenne, Laramie, and Casper make up 78% of the overall cost. The proposed cost to the State would be \$31.3 million with a 30 year amortization instead of a 15 year amortization. Rep. Burkhart stated that he continues to believe the COLA needs to be eliminated

and the local communities (employers) need to take up the burden. Rep. Burkhart stated that money should come out of the supplemental money that those communities receive from the State. Rep. Schwartz's bill changes the COLA from a 2.5% compounded to a 1.5% simple COLA. Rep. Burkhart stated that he would vote "no" on the bill because he does not feel that the State should hold the burden of the cost. Rep. Schwartz is comfortable using State money because he feels that the State has a moral obligation to help. WRS will continue to offer support and information to our legislative liaisons. Treasurer Meier's suggested \$5 million from the State for 7 years (\$35 million), \$5 million from the cities total, freeze the COLA, and see the outcome. Treasurer Meier believes the liability lies with the cities. Rep. Burkhart stated that the WRS Board's decision will come after the Legislature has taken action.

Mr. Swindell went over all current proposed legislation impacting WRS. Senate File 56 has a section that adds gaming enforcement agents to the Law Enforcement Pension Fund. House Bill 107 would allow the State Auditor's Office to consider alternative pension payment methods, potentially simplifying processes, improving interest earnings, improving member service and transparency. Auditor Racines remains neutral on House Bill 107. Currently, as proposed, 21LSO-0328 provides two "13th check" COLA payments and is similar to House Bill 112 from 2020. Mr. Nelson asked if there was any action that the Board needed to take in regards to current legislation and stated that previously, the Board had taken a position of support of a "13th check." Mr. Ceballos stated that his support for a COLA was due to retirees' decrease in purchasing power. Ms. Ladd affirmed her support for a separate COLA. Ms. Ladd felt there is a gap for the elderly retirees who missed the opportunity to fund their own COLA or have supplemental savings through the 457 program. Mr. Chapman stated that the Board will continue to help constituents try to find solutions within the confines of their fiduciary role. Mr. Bleakley remarked that the Coalition for a Healthy Retirement had posted a question to be reviewed during Public Comment, which was whether or not the Board is against an endowment concept. The proposal would be to use funds within WRS, but fund availability would be based on WRS funded status and rate of return. If the fund did well with investments some of those funds could be allocated towards an endowment. Mr. Nelson stated that he was not prepared at this time to make a determination of support without further analysis.

Legislative & Benefits Committee adjourned at 10:44 a.m.

DEFERRED COMPENSATION

Deferred Comp Committee Members present remotely: Ms. Vicci Colgan (Chair), Mr. Keith Hay, Mr. Garth Shanklin and Mr. Eric Nelson.

Deferred Comp Committee Members absent: Kay Watson

Non-Committee Board Members present remotely: Ms. Laura Ladd, Mr. Tom Chapman, Mr. Tim Sullivan, Mr. Paul O'Brien, Treasurer Curt Meier and Mr. Mike Ceballos.

Deferred Comp Committee Members Absent: Ms. Kay Watson

Deferred Compensation Committee convened at 11:02 a.m. on Wednesday February 17th. Committee Chair Ms. Vicci Colgan started the meeting by briefly going over the agenda. Mr. Burggraff of RVK, reviewed the 457 Plan Investment Menu, stating there are no red flags with the Plan. WRS currently utilizes a streamlined investment menu of 8 options and a large percentage of participants continue to use the default investment option. Over time there has

been an increase in the usage of target date funds as well as a decrease in participants utilizing multiple target date funds. Ms. Colgan stated that getting state employees into the target date fund is an accomplishment in itself. Mr. Burggraff has seen a reduction of younger participants using the Capital Preservation fund, which is a desirable outcome. Mr. Sullivan asked how many were in the money market fund. Mr. Burggraff stated 2,000-3,000 people are solely in the money market fund.

Ms. Bowen provided an overview of the Deferred Compensation accomplishments for 2020 and the planned initiatives for 2021. In 2020, 4 additional non-state agencies were added, and adopted auto-enrollment, including Niobrara County School District. The market impacts to the 457 Plan Assets were an increase to \$933 million. Contributions increased for the 5th year in a row. According to Ms. Bowen there were 4 successful communication campaigns and additional demographic information added to the new hire setup. 2021 initiatives include: reducing paperwork processing, encouraging automated options, a large data clean-up initiative and outreach to active employees with balances who are not contributing. Mr. Sullivan commended Ms. Bowen on her leadership of the 457 Plan. Ms. Colgan appreciated the clean-up work that the Deferred Comp team is doing to improve communication with constituents. Ms. Ladd asked for more information on what prompted the 4 agencies to adopt auto-enrollment. Ms. Bowen stated that two of the agencies are new and presenting that auto enrollment as a desirable outcome has been successful. The other agencies changed to auto-enrollment after continued communication and presentation of all the options.

Deferred Compensation Committee Adjourned at 11:40 a.m.

AUDIT COMMITTEE

Audit Committee Members present remotely: Mr. Keith Hay, Mr. Paul O'Brien, and Ms. Vicci Colgan

Audit Committee Members Absent: Ms. Kay Watson (Chair)

Non-Committee Board Members present remotely: Mr. Tom Chapman, Treasurer Meier, Mr. Tim Sullivan, Mr. Eric Nelson, Ms. Laura Ladd, Mr. Garth Shanklin and Mr. Mike Ceballos.

Audit Committee convened at 12:03 p.m. Mr. Chapman stated that Audit Committee Chair Ms. Kay Watson was unable to attend and asked Ms. Meeker to introduce Mr. Scott Smeester who presented on Digital Stewardship. According to Mr. Smeester, some of the deceptive narratives of cyber security are - is it's a people problem, protecting the crown jewels, threats are new and changing. Part of a board member's job is to minimize business risk. If it doesn't make sense or it isn't understood then the reporter may be the issue. Symptoms of negligence can be uneasy IT people, lack of independent evaluations and no technology seat at the table. A board's responsibility is to manage cyber risks, strengthen your posture, and prepare for a crisis. The WRS Board had several questions about malware from within an organization and test phishing emails. Mr. Smeester stated that if problems like that arise, that could indicate a cultural issue. Mr. Swindell highlighted some of the future IT changes that WRS will be implementing, like Webify. Mr. Smeester recommended that the WRS Board has a cybersecurity goal to work towards. Ms. Meeker thanked Mr. Smeester for his presentation and comments.

The WRS Internal Audit Department (IAD) has been focused on agile audit planning, field planning, risk assessment and researching various plan policy irregularities. The IAD has now implemented a risk rating scale. Internal Audit has been creating desk manuals of their own processes in order to be an example of what they request of the WRS staff. Mr. Waddell provided an update on the Volunteer Board Audit Meeting Attendance Audit. The IAD will be providing the supplemental zero attendance audit information to the Volunteer Board in its 2021 audits. The IT Audit is making great progress and the IAD is gaining a good understanding of IT processes.

Audit risk committee tasks were discussed. The Audit Committee would like to recommend each WRS committee review their respective charters to determine if there is a need to update or add risk management or governance components, determine if there is a need to include a cyber-security component, and review Funston Report to look for charter updates if needed. Mr. Waddell continues to participate in the Leadership Cheyenne program. Mr. Sullivan asked about the back-ups that State IT has in place. Mr. Waddell stated that there are multiple back-ups but they also have other database centers around the country that can serve as back-up. Mr. Bleakley informed the Board which Committees have updated their charters and which haven't over the last few years. Ms. Meeker noticed that information technology is not brought up at all in the charters with the exception of the Investment Charter. Ms. Ladd commended Ms. Meeker and Mr. Waddell on their leadership of the Audit Department. Mr. Shanklin noted the upgrade of Audit and continued training of the audit team.

Audit Committee adjourned at 1:52 p.m.

PUBLIC COMMENT

Mr. Chapman called for public comment at 2:04 p.m. Mr. Ron Sniffin from the Wyoming Education Association, joined as a representative of the Wyoming Coalition for a Healthy Retirement. Mr. Sniffin discussed the endowment concept as a way to find a way to find funds for retirees. As the Board is aware there hasn't been a COLA since 2008. The goal of the endowment idea is to take some of the unanticipated gains from a good financial year and devote a portion for the Board to utilize and potentially grant a COLA or 13th check. It will be 30 years before WRS reaches 100% funding and many of the retirees who need that COLA will not be around in 30 years. Mr. Sniffin asked for WRS Board support and for no opposition to the endowment concept. Mr. Sniffin was thanked for his comments. Ms. Kelley screen shared the Public Comment Form that had been created for the purpose of gathering comment submissions. There were no additional comments to share with the Board.

The WRS Board moved into the Recognition Celebration for the retirement of Mr. Garth Shanklin, Ms. Laura Ladd and Mr. Keith Hay from the Board. Governor Gordon joined the call and provided comments on his time working with Mr. Shanklin, Ms. Ladd and Mr. Hay.

The Board adjourned at 3:50 p.m. on Wednesday February 17th 2021.