



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Mark Gordon
Governor

David Swindell
Executive Director

MINUTES OF THE FEBRUARY 17th 2022 BOARD MEETING

The Wyoming Retirement System (WRS) Board met on February 17th 2022 via Zoom.

Board Members present remotely: Mr. Tom Chapman (Chair), Mr. Eric Nelson (Vice-Chair), Mr. Tim Sullivan, Mr. Mike Ceballos, Mr. Paul O'Brien, Mr. John Lummis, Dr. Lesley Travers, Mr. Robert Leibrich, Ms. Vicci Colgan, Ms. Kay Watson, and Treasurer Curt Meier.

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

Others in Attendance remotely: Ms. Mika Malone and Mr. Nick Erickson from Meketa Investment Group (Meketa), Mr. Douglas Brodbeck from the Wyoming Attorney General's Office, Mr. Beau Burggraff from RVK, Inc., Ms. Lisa Jerde Spillman from the Wyoming State Treasurer's Office, and Mr. Paul Wood and Mr. Thomas Lyle from Gabriel, Roeder, Smith & Company (GRS).

From the public: Board Meeting was live-streamed via YouTube.

Legislative Liaisons present remotely: None in attendance.

WRS Board Chair, Mr. Chapman, called the meeting to order at 9:04 a.m. on February 17th 2022, and welcomed everyone to the Board Meeting. Mr. Chapman requested any comments or questions about the November 2021 Board Meeting Minutes as presented.

MOTION: Mr. Tim Sullivan moved to accept the November 2021 Board Meeting Minutes. Ms. Kay Watson Seconded. Motion carried.

INVESTMENT

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

Non-Committee Board Members present remotely: Mr. Mike Ceballos, Dr. Lesley Travers, Mr. Bob Leibrich, Mr. Eric Nelson, Ms. Kay Watson, and Ms. Vicci Colgan.

The Investment Committee commenced at 9:07 a.m. Investment Committee Chair, Mr. Tim Sullivan, commended the Investment Team on the great returns of the previous year. Mr. Masoudi provided a few quick investment updates. The Wyoming Retirement System achieved a one year return of

17.19, beating the benchmark by 2.62. January 2022 was a rocky market month with almost all assets down slightly with the exception of oil.

Mr. Masoudi then moved on to the tactical tilts discussion. Mr. Mayer went over the fund's Gold and Marketable Alternatives holdings. The Investment Team views the Gold position as an anti-currency, to combat the rise in global inflation. Within Marketable Alternatives, the TIPS exposure is outside of the benchmark. WRS has moved more into directional exposures through hedged equity. Mr. Mayer discussed the uranium holdings and investment case. Mr. Bowman went over the tactical tilts in Fixed Income. The tilts haven't changed much since the last board meeting. Currently, WRS is overweight to private credit which is offset by an underweight position in public credit. Public credit is expensive and has a lot of embedded interest rate risk. Mr. Kreiter went over Equity tactical tilts; in actively orientated markets the funds tend to be more small and mid-cap tilted. Mr. Masoudi asked for any questions about tactical tilts. Mr. O'Brien had thoughts on where uranium should be housed within the fund assets and asked for a statistical analysis of uranium to justify keeping it in that bucket. Mr. John Lummis discussed the potential increases in interest rates and the impacts that could have on the fund. Mr. Lummis would like more information on the duration of Fixed Income. Mr. Chapman stated that markets will be changing in the future and not perform as they have over the last 10 years.

Mr. Masoudi turned the meeting over to Ms. Mika Malone and Mr. Nick Erickson from Meketa to provide the 4th quarter performance overview of the fund. Mr. Erickson commented on total fund returns and the positive contributors including US Equities and Emerging Markets. COVID policies have had some impact on Emerging Market returns. Private Equity also provided positive returns for the year. Marketable Alternatives had a nice absolute performance, up above 11% for the year. There have also been strong performance increases in real estate investments. Mr. Erickson asked for any questions. Mr. Lummis asked for a high level performance attribution summary with bullet point takeaways from Meketa in the future.

Mr. Rogstad then went over the risk survey results. The survey was sent to board members, consultants and WRS staff to gather their opinions and risk appetite. This year's survey saw a 93% response rate. The majority of respondents (76%) prefer the same level of portfolio risk in the upcoming year, which was the same as last year. The maximum expected drawdown is 22%. Overall, the 5 year anticipated return rate is 7.2% which is in line with the WRS benchmark. 52% of the group are most concerned about double-digit decline, 40% are concerned about not achieving the actuarial rate, and 8% are concerned about materially underperforming in relation to their peers. Mr. Chapman asked if there were any results that surprised Mr. Masoudi and the Investment Team. Mr. Masoudi stated that one of the surprising outcomes was the range of what a "bad year" means to different groups.

Ms. Malone began the Capital Market Expectations presentation. Most investors achieved returns in 2021 that were above their target return. However, the expectations have come up in some areas due to higher yields in the Fixed Income market. Rising interest rates more than offset the tightening of credit spreads to result in higher yields across every major sector of the global bond market.

Ms. Malone then moved on to the asset allocation discussion and highlighted what had been discussed at the February 2022 Investment Committee (IC) meeting, Meketa had asked the Committee to weigh in on four decision points: capital market assumptions, risk appetite, asset classes to model, and constraints on asset classes. The IC requested that Meketa create custom inputs for Equity forecasts that were more conservative in nature. No decision has yet been made with respect to the level of equity risk that is comfortable for the IC, but Meketa will continue working to

model a variety of portfolios and their possible outcomes. Meketa can model over 90 individual asset categories, not all of these are relevant for WRS. The IC provided feedback that they felt Gold was not suited to be its own strategic asset class, and left the decision of where to house the asset within the portfolio to the staff. Ms. Colgan asked if there was a discussion about Emerging Markets at the IC meeting and wanted more information on the philosophy to invest in that asset in the first place.

The Investment Committee Adjourned at 11:54 a.m.

PUBLIC COMMENT

Mr. Chapman called for public comment at 11:55 a.m. Ms. Kelley showed the Board the online Public Comment Form. There were no public comments to share with the Board.

The WRS Board broke for Lunch at 11:56 a.m.

The WRS Board reconvened at 1:03 p.m.

EXECUTIVE DIRECTOR'S QUARTERLY REPORT

Mr. Swindell gave a summary of the 3-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 past 3 months.

AUDIT & RISK COMMITTEE

Audit & Risk Committee Members present remotely: Mr. Paul O'Brien (Chair), Ms. Vicci Colgan, Ms. Kay Watson, and Mr. John Lummis. (1 vacancy).

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

The Audit & Risk Committee commenced at 1:16 p.m. Mr. O'Brien reminded the Board that the Audit & Risk Committee will be looking for all Committees to contribute to a risk assessment in the coming months. The Internal Audit Team has been interviewing staff and the staff risk assessment will be finalized over the next few months.

The Audit Committee adjourned at 1:20 p.m.

GOVERNANCE

Governance Committee Members present remotely: Mr. Mike Ceballos (Chair) Ms. Vicci Colgan, Mr. Eric Nelson, and Mr. Tom Chapman. (1 vacancy)

Non-Committee Board Members present remotely: Mr. Tim Sullivan, Mr. Paul O'Brien, Dr. Lesley Travers, Mr. Bob Leibrich, Mr. Eric Nelson, Ms. Kay Watson, Mr. John Lummis, and Treasurer Curt Meier.

The Governance Committee convened at 1:20 p.m. Mr. Ceballos discussed the first agenda item - the Board's strategic priorities. Mr. Ceballos stated that there is not a large amount of staff capacity to analyze the strategic priorities internally. Budget flexibility has been deemed a top priority for the Board. Ms. Colgan wants to analyze how the COLA and budget flexibility fit in together. Mr. Ceballos stated he felt working one strategic priority at a time was best. Mr. Bleakley discussed the Section 310 budget issue that had been raised by the A&I Budget Department over the last 6 months, and the request for wage increases to be included as an exception request that goes through the Joint

Appropriations Committee. WRS had gone through the required approvals to increase some staff salaries closer to MPP over the last few years. Mr. Bleakley also discussed the leasing issues that WRS has encountered over the past 6 months. Mr. Ceballos stated that the Governance Committee would like to bring in a consultant to assist with strategic planning for the Board. Mr. Chapman stated that all roads lead to budget flexibility. Mr. Leibrich asked if WRS can approach the budget in a use it or lose it manner. Mr. Swindell stated that there are encumbrance opportunities, but the biggest issue is headcount and reclass roadblocks. There are some agencies that currently have more flexibility than WRS does. Mr. Nelson commented that the salary and hiring issues are also problematic at the local city and county levels as well. Mr. Ceballos stated that Mr. Swindell, Mr. Bleakley and staff will be putting together an analysis of other pensions and agencies strategies and their approaches to budget flexibility.

The Governance Committee adjourned at 1:59 p.m.

LEGISLATIVE & BENEFITS

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

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

The Legislative & Benefits Committee convened at 2 p.m. Legislative & Benefits Committee Chair, Mr. Nelson, passed the meeting on to Mr. Wood from GRS. The two objectives that GRS wanted to present to the WRS Board were the January 1, 2022 valuation update & timeline and experience study decisions. GRS is currently scrubbing the data for the valuation and asking a series of questions to ensure year to year consistency and quality. GRS expects to receive asset information by mid-March 2022. GRS is developing a risk matrix for each plan to stress test various inputs and plans to provide GASB 67 reports for each WRS plan by the end of March. In general, assumptions are broken up into economic assumptions and demographic assumptions. The current WRS assumption rate is 7.00%. The NASRA median assumption across large public plans is currently 7.00%. Changing the assumption return rate from 7.00% to 6.8% will lower the long term funded ratio for WRS. GRS recommends implementing assumption changes sometime between July 1, 2022 to January 1, 2023 to give the membership appropriate notice and information about the impacts of the changes. Mr. O'Brien felt that WRS should provide the downside risk and the high degree of unknowns that the pension faces as part of the justification for assumption changes. Mr. Ceballos commented that providing information in advance about the impacts will help the public consumption of the change. Mr. Nelson stated that the Legislative & Benefit Committee is looking for a vote from the Board on whether or not to implement the proposed assumption rate change.

MOTION: Mr. Bob Leibrich motioned to change the WRS assumption rate from 7.00% to 6.8%, Seconded by Mr. Paul O'Brien.

Mr. Chapman asked for any Board discussion. Mr. Ceballos asked if 6.8% was appropriate or if it needed to be lower. Mr. Ceballos commented that the Board may want to consider lowering it enough now to preclude the Board from wanting or needing to come back and lower it again in the near future. Discussion ensued. Mr. Leibrich felt that gradual adjustments are better for the plan and members. The Board cannot count on high returns over the next few years. Mr. Sullivan asked for the effective date rate change. Mr. Swindell stated that he would work with Mr. Wood regarding the appropriate date. Mr. O'Brien commented that while the proposed rate change would not affect the portfolio risk or how WRS invests the retirement fund, the Legislature will benefit from a more accurate return assumption. Ms. Colgan asked what should be conveyed to the Legislature about the

presumption change. Mr. Swindell responded that WRS would convey that the Board's action was prudent and takes risk off the table, providing a more accurate picture.

Call for the Question: Mr. Ceballos called for the question: All in favor. Motion passed. None opposed.

Mr. Swindell presented a legislative update including an update on SF0039, the Fire A solution bill. Currently the bill is up for 3rd reading on the Senate floor.

The Legislative & Benefits Committee adjourned at 2:56 p.m.

Mr. Chapman asked for Committee Chairs to email Ms. Kelley with their planned agendas for the March 23-24th Board Meeting.

The Board Meeting Adjourned at 2:59 p.m.