



# Wyoming Retirement System

*Partnering to Build Financial Security for Members and their Families*

Matt Mead  
Governor

Ruth Ryerson  
Executive Director

## MINUTES OF THE FEBRUARY 14-15, 2018 BOARD MEETING

The Wyoming Retirement System Board met on February 14-15, 2018 at the Botanic Gardens 710 S Lions Park Drive, Cheyenne, WY.

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

**Board Members absent:** Mr. Keith Hay

**Wyoming Retirement System Staff present:** Ms. Ruth Ryerson, Mr. Sam Masoudi, Mr. David Swindell, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley, Ms. Rachel Kelley, Mr. John Kreiter, Mr. Bill Ziomek, Mr. Andy Mayer, and Mr. Seth Consoliver, Mr. Joe Briones, Mr. Brady Goyn, Ms. Samantha Jacobsen, and Mr. Evan Giusto

**Others in Attendance:** Ms. Rebecca Zsich from the Attorney General's Office, Ms. Mika Malone, Mr. Nick Erickson and Ms. Paola Nealon from Meketa, Mr. Beau Burggraff from RVK, Mr. Gary McDowell from WEA, Mr. Chuck Custis from WREP, Mr. Patrick Wozny from WPEA, Mr. Bob Smith and Mr. Patrick Dimick from Bridgewater, and Ms. Aysun Kilic from Rothschild Asset Management

### Legislative Liaisons in Attendance:

**Legislative Liaisons absent:** Senator Curt Meier, Senator John Hastert, Representative Don Burkhardt, and Representative Bob Nicholas

Ms. Ladd called the meeting to order at 1:04 p.m. The first item of business is to approve the minutes.

**MOTION:** Mr. Sullivan moved to approve the minutes. Seconded by Ms. Watson. Motion carries.

### CONFERENCE UPDATES

None.

### AUDIT COMMITTEE

Mr. Shanklin announced that Ms. Gorney has moved on and after a thorough search WRS selected Ms. Jacobsen as the new Audit Manager. WRS is currently in the process of recruiting for a new Principal Auditor. Mr. Shanklin recognized Ms. Jacobsen who outlined a new structure of our audit function. This includes more in-depth auditing in our accounting and investment departments. Audits completed in the last quarter include the Teton County Weed and Pest District to ensure compliance with our part time employee policy. WRS continues to process Volunteer Fire and EMT meeting attendance compliance audits. The Audit Committee will meet in the next few weeks to discuss updating the committee goals. Ms. Ladd brought up educational opportunities for each committee to learn about a concept on an annual basis.

## **LEGISLATIVE & BENEFITS COMMITTEE**

### JAC/Legislative Update

Mr. Nelson called the Committee to order and said there are recent developments, including the JAC meeting this morning. Mr. Nelson recognized Ms. Ryerson who went through a summary of 2018 legislation. The first piece of legislation is the State of Wyoming Budget bill. As it currently stands there are no footnotes in our budget and our three exception requests, which all relate to technology, are moving forward.

House Bill 0060 would add community college police officers to the law enforcement plan. There is no actuarial impact to the plan by making this change. The WRS Board has no official position regarding this legislation.

HB 00139 is titled "retirement incentives funded". This bill would require WRS to determine any adverse impacts on the pension plan of early retirement programs and to recover payment if it is determined the incentive program will increase the unfunded liability of the pension. The WRS Board has no official position on this bill. Discussion ensued regarding taking positions on bills and the Board feels we should put out fact sheets with how WRS is affected.

HB 0102 is sponsored by individual legislators and calls for a 1% increase in the employee contributions until each of WRS' funds is 100% funded. This bill is different than the JAC-sponsored contribution increase bill.

HB 0110 now only applies to non-vested employees hired after 07-01-18 which reduced the actual savings to 25 basis points in the big plan, although the impact in other plans is considerable. This bill changes the refund an employee will receive if they leave before they are vested, changing the refund amount to only the amount the employee contributed, not the employer pick-up of the employee portion.

LSO 0322 was never introduced and would have allowed WRS to process benefit payments through our custodial bank instead of the State Auditor's Office.

HB 0109 has been introduced and will be assigned to JAC. This bill is sponsored by the JAC and increases the contribution rate by 50 basis points per year, split evenly between the employee and employer, for the next four years.

HB 0116 will require each state agency to provide documentation on how many employees they have per manager. Another potential bill that was discussed was a study to separate the employers within the 'big plan' into four separate groups. We are going to have our actuary study this as it doesn't require legislation.

Ms. Ryerson stated that the staff had a plan design luncheon and came up with a list of ideas to present to the actuary who will then incorporate those ideas in to the comprehensive plan design study which will be presented to the Board this summer.

HB 074 passed the house 46-14 for introduction. This bill would create an investment task force related to public funds and public employee retirement funds. JAC heard the bill this morning and Ms. Ladd testified. Representative Nicholas explained the various goals: to improve WRS earnings, make sure we have the correct benchmarks, bring investments in-house, attract and retain the best and brightest in Wyoming and have them live in Wyoming and pay them the appropriate compensation. Further, it would provide an educational opportunity for those serving on the commission and increase our visibility by showcasing Retirement and Treasury together at the Herschler building. There was a motion to restore the WRS Executive Director as a voting member, which failed. Ms. Ladd and Ms. Ryerson met with Governor Mead after testifying to JAC and discussed this legislation. WRS needs to provide any proposed language changes and bill mark-up, names for the Governor for potential committee appointees, and a list of our biggest concerns to Governor Mead. Discussion ensued. Another motion to extend the timeline of the task force was defeated. Mr. Ceballos asked what locations a potential task force may visit. Mr. Chapman stated the following locations have been suggested: Idaho, Wisconsin, and South Dakota. Both Mr. Chapman and Mr. Ceballos have indicated a willingness to serve. The Board discussed names to submit to Governor Mead and potential changes to the language to submit to Representative Nicholas. Mr. Brandes will put together a draft of the potential changes.

### Legislative Breakfast

Mr. Bleakley reviewed the legislative outreach and education efforts and the preparations for breakfast tomorrow. WRS invited all 90 legislators via mail, e-mail, and personal phone calls. Various educational pieces were included in the Board materials and WRS staff is always updating our educational items to have the most current information available to our stakeholders.

### Legislative Outreach

Mr. Ryerson stated that our upcoming Townhall will be held on February 27<sup>th</sup>. Ms. Wasson has updated our Townhall presentation and created a video about Wyoming's, "Pension Bang for the Buck", which is available on our website.

Legislative & Benefits goals were also discussed.

## **DEFERRED COMPENSATION COMMITTEE**

Ms. Colgan started the committee meeting by reviewing 2017 goals and accomplishments. Ms. Colgan highlighted 2018 initiatives including 457 member education, acting on consultant and staff reports covering participant fees, investment policy statement for 457 plan, and a potential new deemed IRA feature. Additional goals include committee members supporting staff outreach to large employers regarding a range of automated features including automatic enrollment in the 457 plan, holding an expert DC panel at the September Board meeting and having staff research different approaches to auto escalation.

Mr. Burggraff reviewed the 4<sup>th</sup> quarter fund performance, various fund balances, manager summaries and due diligence for the 457 plan. WRS equity funds have had a very successful year, primarily due to the strength of growth stocks in the market.

Mr. Burggraff detailed RVK's Real Assets White Label Optimization and Review. The primary review objective is to reaffirm the benchmark used for one component of the WRS Real Assets Fund. Further, RVK is researching and will recommend the best benchmark for the strategy.

Mr. Burggraff reviewed the Deemed IRA planning and implementation calendar as well as the fee schedule and proposed investment choices.

Ms. Scott highlighted that we received a favorable IRS qualification letter after working with Ms. Brandes and outside counsel, Ice Miller.

The meetings business adjourned at 5:21 p.m.

## **Thursday, February 15<sup>th</sup>**

Ms. Ladd called the meeting to order at 9:57 a.m. after a legislative breakfast at the Jonah building. Ms. Ladd thanked Mr. Bleakley and Ms. Kelley for a successful event including many productive conversations with legislators.

The first order of business is to review HB 0074 as the bill will be brought up upon noon recess in the legislature today. Mr. Brandes reviewed the three draft versions of the bill as the legislature encouraged our Board to comment and provide any potential feedback. Various suggestions and comments were reviewed.

## **INVESTMENT COMMITTEE**

Mr. Chapman called the IC meeting to order and reviewed the day's agenda. Mr. Masoudi said we would review the proposed IPS changes today but that final action would be taken in May. Mr. Chapman recognized Mr. Masoudi who reviewed recent investment activities, pending investment decisions, and general updates. Mr. Masoudi stated we are getting closer to hiring a new Investment Analyst.

## **Meketa 4<sup>th</sup> Qtr Review**

Ms. Malone highlighted various asset classes and their returns in the 4<sup>th</sup> quarter. Our portfolio is positioned more conservatively, which she feels is a positive thing considering the recent uncertainty in the markets. Mr. Erikson stated our fund is up to \$8.5B with over \$1B gained in 2017.

Ms. Malone from Meketa reviewed the 4<sup>th</sup> Qtr 2017 highlights and recommendations. Mr. Erikson reviewed our allocations vs. policy targets and performance relative to benchmarks. The absolute fund performance is 14.3% in 2017. Ms. Nealon from Meketa then went over specific manager performance. Discussion ensued regarding specific managers and investments.

## **Appendix I Discussion**

Mr. Masoudi reviewed the Investment Committee's proposed changes to Appendix I which deals with WRS' strategic asset allocation. There is a detailed memo for the reasoning behind the proposed changes included in the Board material.

There is no change within fixed income in regards to the strategic asset allocation weights but an increase to the tactical asset allocation range of 15% to 27.5%, from 15% to 25% currently. Additional proposed changes include reducing the strategic asset allocation weight for equity from 45% to 42.5%, increasing Marketable Alternatives from 17.5% to 19%, and increasing Private Markets from 17.5% to 18.5%. Tracking error is the deviation of a manager's performance against their benchmark. Discussion ensued regarding benchmarks and making sure we have the most representative benchmarks possible.

**MOTION:** Mr. Sullivan moved to approve the recommendations, as proposed by the Investment Committee, in Appendix I. Second by Mr. Ceballos. Motion carries.

## **Bridgewater Presentation**

Mr. Bob Smith and Mr. Patrick Dimick from Bridgewater presented the outlook and role of bonds in a pension's portfolio. Highlights included key views including the tightening liquidity cycle and the late-cycle Sharpe ratios across countries. There are many possible outcomes as we are at a cross point of deleveraging and liquidity including inflationary populism and Japan-like deleveraging.

## **IPS Text Revision Discussion – Meketa**

WRS' Governance Policy for Investments has been in place in its current form for over 10 years. Meketa's analysis found that certain areas seemed to be in conflict and as such, should be amended to adequately reflect all duties and responsibilities for managing the investments for WRS for all parties involved. Additionally, Meketa feels that some items would fit better into the document as appendices. The roles and responsibilities section has been updated as well. One specific area that Meketa felt necessary to update was the inclusion of a reference to the parameters of tactical trading and the ability of staff to initiate derivative based tactical trades.

Conversation ensued to discuss the maximum exposure the Board is comfortable allowing staff to express views and whether it should be a percentage or a hard dollar amount. Mr. Chapman, Mr. Masoudi, Ms. Malone and Meketa will work together to finalize the language for the May Board meeting.

### 2017 Goal Review and 2018 Goals

Mr. Masoudi went through the 2017 goals and presented the status on each goal. 2018 goals and initiatives were also reviewed.

### Battle for the Buckle

Every year WRS Board and staff guess what they think our annualized rate of return will be in our 'Battle for the Buckle'. WRS staff had higher projections than the investment team. Ms. Ryerson came in first, Ms. Ladd in second, and Mr. Chapman in third.

### GOVERNANCE COMMITTEE

Mr. Ceballos and Ms. Ladd talked about a few of the key findings from the 2017 NCPERS Annual study of public pensions. Three big takeaways that many pensions are doing: improve education, offer a health care savings plan, and the increased use of data metrics. Ms. Ladd requested staff to look in to the health care savings plan. Ms. Ryerson stated that our administrative expense of 9 basis points versus the national average of 19 was very positive.

### Assessing Board Effectiveness & Strategic Planning

WRS used the five pillars of our strategic plan and took a look at these through the lens of a SWOT analysis. Some of the outcomes were improving communication to key stakeholders, achieving 100% funding status, succession planning for both the Board and staff, legislative outreach, retirement security, impact of markets, and measuring Board effectiveness.

Mr. Ceballos reviewed the 2017 goals and progress made. Strategic planning, conducting the annual evaluation of the Executive Director, assessing Board effectiveness, review of the Board policy manual, training for Board members, and the potential for a new space for WRS. For 2018 key goals are strategic planning and coming up with a plan to move forward, board effectiveness and self-evaluation, Executive Director review, succession planning, and training opportunities.

In terms of effectiveness Mr. Ceballos asked how the Board would record the important conversations that were held this morning at the legislative breakfast. Ms. Ladd requested all Board members e-mail Mr. Bleakley to memorialize the conversations.

With so many important goals, Mr. Ceballos suggested we needed to focus on two or three that would be our key areas moving forward. Succession planning is a key area for the Board and staff as well as legislative outreach. For the next meeting Mr. Ceballos wants to confirm the key policy issues and have a discussion about what we're going to take on and what is the role of

staff. Ms. Ladd thought the white-boarding activity in Lander was an efficient way to break down the issues that are most important to the Board. The Governance Committee will hold an interim committee meeting to do the prep work prior to the May Board meeting. Part of this discussion is asking ourselves if we have the right committees and is there overlap among the committees. Mr. Nelson stated that the SWOT analysis was very valuable, but now that we've identified the issues how do we act on them?

Ms. Ladd asked about our fiduciary duty and if we are executing that, what is our vision and our 3-5 year plan for accomplishing that. Can we identify our top couple of strategic initiatives?

Discussion ensued regarding the Board's outreach and communication. This is a good time to send out a messaging piece. The idea was brought up to do a letter to the editor or press release saying how much money we've made and percentage gain. The Board decided to do an official press release highlighting the positive management of WRS this past year and our strong investment returns. The Board would like this piece to be from Chairperson Laura Ladd. Staff has been instructed to compose an editorial for Board review.

Finally, the committee discussed what should the educational piece be for the Governance committee. Ideas included a Trustee internship program and fine-tuning our education for Board members.

## **EXECUTIVE DIRECTOR'S QUARTERLY REPORT - MS. RYERSON**

Ms. Ryerson gave a summary of the 10 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. Ryerson also gave an update from JAC as the committee took testimony and voted on HB 109 and 110. The WEA, WAM, and county commissioners all said they supported the contribution increase in HB 109 but opposed the ability of the employer group not having the ability to 'pick-up' the employee contribution. The bill passed unanimously with no amendments. On HB 110 there were some concerns by two representatives that the employer pick-up of the employee portion was really an employee benefit. The bill ultimately passed with two dissenting votes. Both bills move on to the entire house for first reading.

## **OTHER BUSINESS**

None.

## **PUBLIC COMMENT**

Mr. Gary McDowell, from the Wyoming Education Association, thanked the Board for their work and stated that the member groups have lobbied on behalf of certain issues faced by WRS. He would like to offer his partnership if there's anything he can do or shouldn't do. Further, he thinks it's a great idea to put out a release about the positive developments in the past year. Lastly, Mr. McDowell said he saw a 90-year old gentleman he used to teach with that is a long-

term volunteer with the Botanic Gardens whose first question to him was when they were going to get a COLA? He told the constituent to call their local legislator but wanted the Board to be aware.

**MOTION:** Ms. Watson moved to adjourn. Seconded by Mr. Shanklin. Motion carries.

**Meeting adjourned at 4:29 p.m.**