



# Wyoming Retirement System

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

**Matt Mead**  
Governor

**Ruth Ryerson**  
Executive Director

## MINUTES OF THE NOVEMBER 21, 2014 BOARD MEETING

The Wyoming Retirement System Board met on November 21, 2014 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

**Board Members present:** Ms. Laura Ladd (Chair), Mr. Steve Wolff, Mr. Steve Sommers, Mr. Carl Jensen, Mr. Garth Shanklin, Mr. Keith Hay, Treasurer Mark Gordon, Mr. Tim Sullivan and Mr. Joe Bluemel

**Board Members absent:** Mr. Tom Chapman, Ms. Colleen Anderson

**Wyoming Retirement System Staff present:** Ms. Ruth Ryerson, Mr. Sam Masoudi, Mr. David Swindell, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley, Ms. Erin Gorney and Ms. Cathy Balser

**Others in Attendance:** Ms. Diana Walter from Wyoming State Treasurer's Office, Ms. Carolyn Smith from NEPC, Mr. Beau Burgraff from RVK, Mr. Robert Kuchera from WPEA, Mr. Chuck Custis from WREP, Ms. Maureen Bader from the Wyoming Liberty Group and Mr. Brent Conger

**Legislative Liaisons in Attendance:** Senator Curt Meier, Representative Mike Madden

**Legislative Liaisons absent:** Senator John Hastert, Representative Don Burkhart

**Ms. Ladd called the meeting to order at 8:05 a.m.**

Ms. Ladd recognized Treasurer Gordon who announced Michael Walden-Newman is leaving the Treasurer's Office for the Nebraska Investment Office and introduced his new proxy and long-time employee who will be managing the investment portfolio, Ms. Diana Walter. Ms. Walter introduced herself and outlined her experience with the Treasurer's office and said she is excited to contribute and represent their office on the Retirement System Board.

**MOTION: Mr. Sommers moved to accept** the minutes of the August 21, 2014 Board meeting.  
**Seconded by Mr. Sullivan.** Motion carries.

## **Conference Update**

Ms. Ladd went to the Treasurer's Conference with Ms. Ryerson, Mr. Masoudi, Mr. Chapman & Mr. Bluemel. It was a very valuable conference with members of the JAC, legislators and money managers.

Ms. Ladd went to New York for the Goldman Sachs Asset Management Conference with Mr. Chapman, Mr. Masoudi and Mr. Kidd. Howard Marks from Oaktree, an industry leader, was one of the key presenters.

## **Board Meeting Dates & Locations**

Ms. Ladd recognized Mr. Bleakley to review the meeting dates and locations for 2015:

February - Cheyenne - due to board member conflicts it was requested to move the meeting from February 25-27 to February 23-25. Mr. Bleakley will check with Little America for room availability, as it's during the legislative session.

May 20-22 - Laramie, Holiday Inn

August 19-21 – Jackson, hotel TBD

November – 3<sup>rd</sup> week in Cheyenne

Mr. Bleakley will coordinate meeting space and e-mail all Board members and affected parties.

## **Meeting with Governor Mead**

Ms. Ladd and Ms. Ryerson met with Governor Mead regarding the strategic plan, board succession, relationship with treasurers' office, staffing needs and levels, potential for budget autonomy and active priorities. The Governor reiterated his support for quality staff and having the means to hire them at an appropriate, market level for the work they are doing, the internship program and our priorities.

Ms. Ladd and Ms. Ryerson had lunch with eight Natrona area legislators in Casper on Tuesday, November 18<sup>th</sup> after the JAC meeting. It was a very positive meeting and we are excited to be providing increased outreach to all our stakeholders.

## **Legislative & Benefits Committee Report**

Mr. Sommers outlined the primary issues discussed in yesterday's committee meeting, legislation and the JAC meeting. The JAC report was mainly follow-up items from the JAC meeting in Riverton this July. In regards to the Legislation it looks like there are going to be four bills: 1) Clean-up bill – definitions of interest, actuarial equivalency, inconsistencies in statute, eliminates old and out of date language. This bill was unanimously approved by JAC and will be a House file. 2) Auto-enrollment for the 457 plan. This has been discussed at length and has quite a bit of support among the appropriations committee. This bill will be introduced in the Senate. 3) Park Rangers. This bill amends the law enforcement statutes in the big plan to make park rangers parallel to law enforcement in regards to the same benefits as law enforcement if they are killed or injured while on duty. This is a Senate file. 4) The last bill would combine the Volunteer Fire and EMT Plans. There is a meeting in December with LSO to finalize the bill. This would increase the health of both plans.

Also discussed was the COLA policy. Before a COLA can be recommended to the legislature for approval we have to provide a margin of safety. We need 100% funding + margin. Our actuaries, GRS, put together an analysis regarding this and have provided a policy memo dated October 27<sup>th</sup>, 2014. We will need to do an analysis every year for any plan that is above 100%. The committee is recommending a policy to provide for full funding even with a 20% market loss over a 15 year period.

**MOTION: Mr. Sommers** moved to adopt an amendment to the governance policy manual to provide for a cola margin policy that is provided for and explained on page 2 of the GRS memo, “titled summary conclusions and definitions”. We will compute this margin for every plan, every year that exceeds 100% funding using a hypothetical 20% market loss for a period of 15 years.

**Seconded by Mr. Bluemel.** Motion carries.

WRS staff will update the policy manual based on the instruction of the Board.

#### **457 Deferred Compensation Committee**

Ms. Ladd recognized that Mr. Chapman was traveling and she would give the report. During yesterday's meeting the first item that was discussed was the fee structure on the 457 plans. All participants currently pay a 35 basis point fee and there is a rebate to high balance participants (above \$182k). Due to increases in assets in the plan as well as WRS' efforts to reduce administrative fees the committee wanted to reduce the fees to participants.

**MOTION: Mr. Sommers** moved to approve reducing the fee from 35 to 30 basis points.

**Seconded by Mr. Sullivan.** Motion carries.

Ms. Ladd discussed auto-enrollment as previously discussed in Legislative & Benefits committee. This would become effective July 1, 2015 should it pass the legislature.

Ms. Ladd also discussed 3<sup>rd</sup> quarter performance, the due diligence monitor and investment choices of participants. Ms. Scott stated that the decision to terminate the Perkins Mid-Cap fund was made in late August and to replace it with the S&P Mid-cap fund effective December 5<sup>th</sup>.

### **Audit Committee Report**

Mr. Shanklin reviewed the October 15<sup>th</sup> Audit Committee meeting. Discussed were the IIA Standards, the Audit Committee manual, and Committee audit charter.

**MOTION: Mr. Shanklin** moved to approve the Audit Committee Charter as amended in yesterday's committee meeting. **Seconded by Mr. Hay.** Motion carries.

Mr. Shanklin highlighted Mr. Dugas' report from MHP regarding the COSO Framework and introduced the 2014 Audit Information. Mr. Shanklin outlined Ms. Gorney's audit committee staff charter.

**MOTION: Mr. Shanklin** moved to accept the staff audit charter. **Seconded by Mr. Hay.** Motion carries.

The Audit Department has hired a new principal Auditor, Samantha Jacobsen, and we are excited to have her join the team. She has audit experience with the Wyoming Department of Audit as well as MHP.

**MOTION: Mr. Shanklin** moved to accept the internal FY 2015 Audit Plan. **Seconded by Mr. Hay.** Motion carries.

The strategic plan was reviewed and the need for interns was highlighted. The committee would like the governance committee to incorporate this into the strategic plan. Mr. Shanklin pointed out items discussed including taking minutes at meetings outside of committee meetings at Board meetings and meeting with key leadership staff independently.

### **Governance Committee Report**

Mr. Bluemel highlighted yesterday's items discussed. The rehired retiree rule was discussed to ensure we are compliant with IRS regulations. Currently, it is open for public comment although none has been received thus far.

The second item is our updated strategic plan. The Governance committee has moved and recommended adoption of the strategic plan. In the August Board meeting we approved the outline of the strategic plan but this revised plan has added details.

**MOTION: Mr. Bluemel** moved to approve the 2014 WRS Strategic Plan as amended. **Seconded by Mr. Shanklin.** Motion carries.

Ms. Ryerson highlighted the added sections to the strategic plan: Succession Planning for Executive Director. Goal 3 G had some minor changes. Goal 4 item D 3 was moved to better fit our priorities. Lastly was improving our internship program and relationship with local community colleges. Goal 5 H had minor grammatical changes.

**MOTION: Mr. Bluemel** moved to amend his motion to include Goal 4 D 3 (also recommended by audit committee). **Seconded by Mr. Sullivan.** Motion carries.

Ms. Ladd asked that 4 D 1 have a minor grammatical change that she and Ms. Ryerson will review.

Ms. Ladd recognized Mr. Bluemel for his dedicated service and everything he's done for this Board. Discussion included next social event to include accomplishments of the last 1-2 years.

### **Investment Committee Report & NEPC 1<sup>st</sup> Qtr & April Performance Reviews**

Ms. Ladd reviewed highlights from the Investment Committee. The IC is reducing its exposure to global macro funds by end of the year (half a percent of assets under management). The "Dare to be Great" memo by Howard Marks was discussed and the need to take risk in order to be great and to be different. Ms. Ladd recognized Senator Meier who had a long and dedicated tenure and service to the WRS Board. He is no longer going to be one of our Legislative Liaisons and the Board thanked him for his service.

The long-term planning and staffing levels were reviewed yesterday and Mr. Masoudi's proposal to add two analyst interns in the spring or summer of 2015 and turn those into AWEC Investment Analyst positions in the new budget biennium. We are also looking at another SIO and analyst bringing the total investment team to eight people. The internship program with the University of Wyoming remains a priority. The length of the AWEC Investment Analyst program would be a 3-year term. Additionally, we are looking at incentive compensation and engaging a third party consultant to assist us with development of this program. Mr. Masoudi's

long-term plan envisions a SIO and analyst for each asset class division and rotating these teams once a year to encourage cross-training and bench strength.

**Motion: Mr. Bluemel** moved to adopt the long-term plan recommended by Investment Committee and written by Mr. Masoudi. **Seconded by Mr. Wolff.** Motion carries.

Ms. Ladd recognized Mr. Mayer and his promotion to, “Investment Associate”, and the work he has done as well as the contributions made to WRS. Ms. Ladd reviewed Mr. Kreiter and Mr. Kidd’s presentations regarding real assets consultant updates and emerging markets manager search update. WRS Investments has received the final agreement regarding funding of the fund-of-one as well as the due diligence on this process. PIMCO presented on the state of the markets via videoconference and their view about what it means to us in terms of an asset allocation model.

Ms. Smith from NEPC talked about slowing growth in the 3<sup>rd</sup> quarter so market volatility picked up. GDP for the quarter was up 3.5% in the U.S. which bucked the international trend. We outperformed the benchmark mainly due to our fixed income holdings and private debt holdings. Equity exposure has been a big factor in 3 and 5 year performance. YTD our total plan is up 4.9% versus benchmark of 5.1%.

WRS is currently in the RFP process of interviewing custodial banks. Everyone is welcomed to stop by the new office space for the Investment team on the third floor at 6101 Yellowstone Road.

### **Executive Director’s Report**

Ms. Ryerson reported there are many areas of activity but the biggest is the RAIN update:

- 1) Started Change Advisory Board
- 2) School Districts paying entire summer; RAIN requires monthly contributions
- 3) Rate increases July 1 and calendar months don’t correspond with school district pay periods
- 4) Server capacity issues with ETS

There were also staffing changes during the quarter. Mr. David Swindell started September 8<sup>th</sup> as our new Deputy Director. Ms. Pamela Pendleton, who ran WRS retiree payroll, left for the private sector. That allowed for an internal promotion of Ms. Cynthia Fernandez which then opened the Lead Benefits position. Ms. Gorney was reclassified to Audit Manager which then allowed us to post and recruit for the Principal Auditor, and Samantha Jacobsen will start

December 8<sup>th</sup>. Interns continue 1 day a week and our Project Manager, Doug Powell, has gone part-time and we are working with ETS to keep him through the warranty period (next summer).

The management team has continued work with Align regarding leadership training and efficiencies. The temporary receptionist has changed and improved. Mr. Bleakley re-wrote the Business Integration Manager Job description to focus on training and education, and interviews are coming in the next few weeks. Mr. Swindell and Ms. Todd have been interviewing for a new Benefits Specialist and a decision will be made by November 24<sup>th</sup> 2014.

JP Morgan has not been meeting our level of expectations and we have issued an RFP. RFP's are due December 8<sup>th</sup> and we will review and make a decision by the end of January with a 3-month transition. New custodial bank will be effective May 1, 2015.

Ms. Scott prepares our JAC report and does a terrific job at that.

Ms. Ryerson reported that she has spent a lot of time with the Volunteer Boards this quarter. She has a meeting with LSO regarding combining the volunteer boards the first week of December. GRS has provided actuarial data and Representative Burkhardt has been involved as well.

We worked with the budget office to reassign some staff from the DC to the DB budget. This is a more appropriate cost allocation and will save 457 participants on fees.

RFP's for alternative consultants and fund of one is ongoing. The website RFP will require another meeting with ETS.

New office space finally has its' certificate of occupancy so we are starting to move in. Open space in the middle of Suite 320 will have cubicles for the interns. We also have Suite 330 and Accounting is moving there.

In regards to our CAFR we received the GFOA Certificate for Excellence in Financial Reporting.

Strategic planning continues and staff really spent a lot of time adding details and Ms. Ryerson will provide detailed staff updates every quarter.

Treasurer's Conference was very beneficial.

Ms. Ryerson took the disability administration over when the former deputy director retired in July, and we are currently processing approximately 4-8 disabilities per month.

The Governor's Cabinet meeting was attended by Ms. Ryerson in September. Also, the September 29<sup>th</sup> meeting with Governor Mead was very productive. Meetings with Treasurer Gordon regarding synergies and opportunities to work together on investment functions continue between WRS and the Treasurer's Office.

Ms. Ryerson and Mr. Swindell met with ETS regarding our relationship and structure.

Weekly management and investment team meetings have continued to be productive. We submitted our annual report to the state as required. Additionally, WRS participated in the SAO benchmark audit as one of three test agencies. Mr. Riley and Mr. Bleakley processed the report.

Ms. Scott and Mr. Tonak put together a communications and legislative information brochure that everyone should have received. Last month was National Save for Retirement Week, which led to an increase in positive website traffic, phone calls, etc. First Lady Carol Mead came and read to elementary school students "Sonja's Story", a story about a young girl who travels forward in time, meets future versions of herself, and learns about saving and retirement.

Contributions are up YTD for the DC plan and the department has raised their goals for next year.

### **Public Comment**

Mr. Kuchera from the WPEA thanked the WRS Board and Staff for the work they do and how much goes into managing the retirement system. They are working on educating members throughout the state on all the work we do and supporting keeping the fund the way it is now.

Senator Esquibel spoke that some legislators do not know how much work we do and that he appreciates being here to learn about what we're doing.

**MOTION: Mr. Bluemel moved** to go into executive session. **Seconded by Mr. Sullivan.**

Motion carries.

### **Executive Session**

**MOTION: Mr. Sullivan moved** to come out of executive session. **Seconded by Mr. Jensen.**

Motion carries.

**Adjournment:** With no further business **Mr. Bluemel moved** to adjourn at 11:19 a.m. **Seconded by Mr. Wolff.** Motion carries.





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## AUDIT COMMITTEE MEETING MINUTES

The Audit Committee met on November 20, 2014 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

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

**Committee Members absent:** Ms. Colleen Anderson

**Board Members present:** Mr. Steve Sommers, Ms. Laura Ladd, Mr. Steve Wolff and Mr. Joe Bluemel

**Board Members absent:** Treasurer Mark Gordon and Mr. Tom Chapman

**Wyoming Retirement System Staff present:** Ms. Ruth Ryerson, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley, Ms. Erin Gorney and Ms. Cathy Balser

**Others in Attendance:** Mr. Bob Kuchera from WPEA, Mr. Chuck Custis from WREP, Mr. Brent Conger

**Legislative Liaisons in Attendance:** Senator Curt Meier and Representative Mike Madden

**Mr. Shanklin called the meeting to order at 1:42 pm**

**Motion:** Mr. Jensen moved to accept the August minutes. **Seconded by Mr. Sullivan. Motion Carries.**

### **Audit update from Mr. Shanklin**

The Audit Committee met on October 15<sup>th</sup> to review all materials. Ms. Ladd inquired as to if there are minutes from the October 15<sup>th</sup> meeting to which Mr. Brandes and Mr. Bleakley stated we do not take minutes when a quorum of the Board is not in attendance. Ms. Ladd said a

summary of those outside meetings should be presented to which all agreed that would be beneficial.

### **Internal Audit Department – Mr. Brandes**

Mr. Brandes reviewed the October 15<sup>th</sup> meeting and audit function within WRS. Erin has been reclassified and promoted to an Audit Manager. We have hired Craig's replacement, Samantha Jacobsen, to be our new Principal Auditor who will be starting December 8<sup>th</sup>. Ms. Jacobsen brings 4+ years of audit experience with the State of Wyoming Department of Audit and most recently worked for the State of Arizona Department of Education. Ms. Gorney has continued to work on the RAIN project although it is our goal to wean her off of that. We would like to approve the audit charter, staff audit charter and 2015 audit plan. Mr. Brandes recognized Mr. Dugas from MHP who came to present additional information regarding enterprise risk management.

### **Enterprise Risk and The COSO Framework – Mr. Ken Dugas**

Technology has changed and that brings new risks. Mitigating risk requires strong internal controls. This is where the COSO Framework comes in with all aspects of risk. There is a 3 sided cube with Operations, Reporting, and Compliance on one side; control environment, risk assessment, control activities, information and communication, and monitoring activities on the second side. On the final side the cube is entity level, decision, operating unit and function.

Mr. Brandes outlined that Audit Staff has included the Audit Committee Fundamentals Manual for everyone's reference and to use as a teaching tool.

### **Financial Audit Intro**

At the October 15<sup>th</sup> meeting the question was raised what direction the Audit Committee would like the Audit Department and Firm (MHP) to go in.

### **Review and Discussion – Audit Committee Charter**

Item 2 on the charter please strike, "as well as".

Number 3 had significant debate if we should add, "relevant department heads as necessary/needed". We are not going to add it at this time but Mr. Shanklin instructed Ms. Ryerson to inform staff that any staff member is welcome to contact the IAD or Audit Committee with any concerns they may have at any time.

**Motion: Mr. Sullivan** moved to approve the Audit Committee Charter with the amendment above. **Seconded Mr. Hay. Motion carried.**

#### **Staff Audit Charter – Mr. Brandes & Ms. Gorney**

**Motion: Mr. Hay** moved to approve the amending Staff Audit Charter. **Seconded by Mr. Jensen. Motion carried.**

#### **Review and Discussion – FY 2015 Audit Plan**

Ms. Gorney reviewed the priority level given to each audit project. We are hoping to get back to a more audit oriented audit department now that RAIN has gone live.

**Motion: Mr. Hay** moved to accept the audit plan. **Seconded by Mr. Sullivan. Motion Carried.**

#### **Strategic Plan Discussion**

Ms. Ryerson gave a brief update on where we're at with Goal #5 as it relates to audit. Mr. Shanklin spoke to the ongoing need to address areas we need to focus on.

Mr. Shanklin spoke about staffing levels and the needs of the audit department. Discussion started on an audit internship program. Mr. Shanklin asked the Audit Department to come up with a staffing plan for the next Board meeting.

Motion will be made during entire Board meeting tomorrow to add internship program. Goal 4 A 3 f will be the audit internship program.

**Adjournment:** With no further business the meeting adjourned at 3:13.



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## **457 DEFERRED COMPENSATION COMMITTEE MEETING MINUTES**

The 457 Deferred Compensation Committee met on November 20, 2014 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

**Committee Members present:** Mr. Tom Chapman (Chairman), Mr. Tim Sullivan, Mr. Carl Jensen and Mr. Steve Wolff

**Committee Members absent:** Ms. Colleen Anderson

**Board Members present:** Mr. Steve Sommers, Mr. Garth Shanklin, Ms. Laura Ladd, Mr. Keith Hay and Mr. Joe Bluemel

**Board Members absent:** Treasurer Mark Gordon

**Wyoming Retirement System Staff present:** Ms. Ruth Ryerson, Mr. Doug Kidd, Mr. John Kreiter, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley, Mr. Sam Masoudi and Ms. Erin Gorney

**Others in Attendance:** Ms. Carolyn Smith from NEPC, Mr. Beau Burgraff from RVK, Mr. Bob Kuchera from WPEA, Mr. Chuck Curtis from WREP, Ms. Maureen Bader from Wyoming Liberty Group and Mr. Brent Conger

**Legislative Liaisons in Attendance:** Senator Curt Meier and Representative Mike Madden

**Legislative Liaisons absent:** Senator John Hastert and Representative Don Burkhart

**Mr. Chapman called the meeting to order at 10:09 am.**

**Motion: Mr. Sullivan** moved to approve the minutes. **Seconded by Mr. Jensen. Motion carries.**

**457 Plan Administrative Fee Review – Mr. Beau Burgraff – RVK**

RVK went over the detailed projections for the administrative fees charged by the 457 Plan to participants. Projections show net revenue of approximately \$2 million and projected administrative expenses of approximately \$1.75 million. Based on the historical and projected fee structure, total plan asset future growth assumptions, contributions and withdrawals, and the number of plan participants we can project the growth of the reserve account. RVK has projected out the reserve account growth based on various administrative expenses: 35, 32, and 30. The objective expressed in the 457 Plan Investment Policy Statement is to maintain a reserve account balance to cover 1-2 years of administrative expenses, while keeping fees to participants as low as possible. The reserve account was at approximately twice the amount of administrative expenses as of year-end 2013. Discussion ensued regarding reducing the fee to either 32 or 30 basis points.

**Motion: Mr. Wolff** moved to reduce plan fees to 30 basis points effective January 1, 2015.  
**Seconded by Mr. Sullivan. Motion carries.**

### **Automatic Enrollment**

Mr. Chapman announced that the bill to authorize automatic enrollment passed unanimously through the JAC. The extra record keeping requirement to require a written acknowledgement of the notification for auto-enrollment has been removed. Ms. Ladd thanked Senator Meier for his leadership on JAC regarding this bill and thanked Ms. Ryerson for her explanation and stewardship at JAC regarding the administrative requirements to the committee. The bill contains the following policy provisions:

- 1) Effective for new employees hired after July 1, 2015
- 2) Contributions are Pretax
- 3) 30 day opt-out, 90 day permissible withdrawal
- 4) Stable value during 90 days
- 5) Then age-appropriate target-date fund
- 6) 3% default savings rate
- 7) Allows non-state employers to elect "in" to automatic enrollment should they choose.

Ms. Scott went over draft changes to the 457 Plan Document that are recommended if the bill passes prepared in collaboration with the plan recordkeeper. The committee will revisit this in the May meeting.

Ms. Scott met with SAO to prepare for roll out and implementation of auto enrollment, pending the results from the legislative session. Automatic Enrollment will require programming changes to the SAO payroll system and the data exchange process. Ms. Scott reviewed the tentative

timeline for rollout of automatic enrollment. Mr. Sommers stated a 1-page summary for this legislation and all legislation that could be presented to committee members. Senator Meier suggested we talk to Senator Perkins on this legislation.

### **3<sup>rd</sup> Quarter Performance – Mr. Beau Burgraff, - RVK**

Mr. Burgraff reviewed how the assets are invested in our plan (target retirement date, stable value, core investments as well as individual funds within core investments). Also discussed was fund performance, managers on watch, investment policy review, Artisan Growth Team Update, Response to Organizational Changes at PIMCO and SEC Regulations regarding money market funds.

**Adjournment:** With no further business the meeting adjourned at 11:16 a.m.



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## GOVERNANCE COMMITTEE MEETING MINUTES

The Governance Committee met on November 20, 2014 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

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

**Board Members present:** Mr. Tom Chapman, Mr. Tim Sullivan, Mr. Carl Jensen and Mr. Steve Wolff

**Board Members absent:** Treasurer Mark Gordon and Ms. Colleen Anderson

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

**Others in Attendance:** Mr. Beau Burgraff from RV Kuhns, Mr. Chuck Curtis from WREP, Mr. Bob Kuchera from WPEA, Ms. Maureen Bender from the Wyoming Liberty Group and Mr. Brent Conger

**Legislative Liaisons in Attendance:** Senator Curt Meier and Representative Mike Madden

**Legislative Liaisons Absent:** Senator John Hastert and Representative Don Burkhart

**Mr. Bluemel called the meeting to order at 12:08 p.m.**

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

### **Rehired Retiree rule-making update**

Mr. Brandes updated the Committee that the new rule has been put out for public comment. No public feedback has been received. The current rule is outdated and one of the issues with the current rule is the requirement for a retired member who is rehired for employment. The new

rule will clarify the rules for a rehired retiree and make sure we are in compliance with IRS regulations. We need to show that individuals have been separated from service for long enough to truly qualify as retired under IRS regulations.

### **Strategic Planning and Adoption**

At the May 2014 Board meeting in Thermopolis we went through our entire strategic plan for WRS. The Board added a layer of detail and wanted the staff to further flush out. Ms. Ryerson has been meeting with staff to detail each goal and how we are going to achieve that goal. The plan has been laid out in great detail. Mr. Bluemel outlined the goal that once this document has been approved it will be a living document and we will update it and visit it every year. Ms. Ryerson was recognized to go through the plan. Ms. Ryerson outlined that the plan should include budget items as well. Discussion ensued of all individual goals included in the plan. Ms. Ladd asked Ms. Ryerson to add some additional detail to 1 D 1 which she will do. Goal #2 relates to investments and the investment team went through and detailed those goals. In this section we talked about adding B 2 3 to look for possible synergies with the Treasurer's office to increase efficiencies. Under Goal #2 "I" was added to evaluate how to best simplify the 457 investment menu for plan participants. Goal #3 is similar to Goal #1 but we have broken it out to simply the goals. Goal 3 F is new to incorporate deferred compensations' goal of auto-enrollment. Change Goal 3 G 1 – plan events to meet with legislators as appropriate and Goal 3 G 2.

**Motion: Mr. Bluemel** moved to amend Goal 3 G 2 to coordinate legislative meetings with local Board members. **Seconded by Mr. Shanklin. Motion carried.**

Goal #4 was previously discussed at the August Board meeting as an example to show a goal with more detail. Under Goal 4 section F was added to represent the 457 plan.

Goal 4 D was added by staff to strengthen areas of thin staffing and discussion ensued regarding how to best articulate our needs.

**Motion: Ms. Ladd** moved to amend Goal 4 D to say: Strengthen areas of thin staffing to improve efficiency. Sub-section 1. Full-time state employee: Receptionist and sub-section 2. Full-time educator. **Seconded by Mr. Sommers. Motion carried.**

Also under Goal 4 section G2C – “ne utilized”, minor grammatical change to correct.

Change H was discussed as too granular, only keep upper level (“H”) but delete numbers 1-4. No motion as grammatical changes.



The Audit Team put together Goal #5 as the Board didn't have much detail in this area. Change sub-goal C to work with external auditors only.

Discussion about progress reports on strategic plan will be presented annually to the Board.

**Motion: Ms. Ladd** moved to add 3 C to give historical/educational packet to new legislators.  
**Seconded by Mr. Shanklin. Motion carried.**

**Motion: Mr. Shanklin** moved for adoption of the strategic plan to the entire Board. **Seconded by Mr. Hay. Motion carried.**

**Adjournment:** With no further business the meeting adjourned at 1:27 p.m.



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## INVESTMENT COMMITTEE MEETING MINUTES

The Investment Committee met on November 19 (1:00 – 5 p.m.) and 20 (8:00-9:45 a.m.), 2014 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

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

**Committee Members absent:** None

**Board Members present:** Mr. Keith Hay, Mr. Tim Sullivan, Mr. Carl Jensen, Mr. Steve Sommers and Mr. Garth Shanklin

**Board Members absent:** Ms. Colleen Anderson

**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, Ms. Erin Gorney and Ms. Cathy Balser

**Others in Attendance:** Senator Floyd Esquibel, Ms. Carolyn Smith from NEPC, Mr. Robert Kuchera from WPEA, Ms. Maureen Bader from Wyoming Liberty Group, Mr. Chuck Curtis from Wyoming Retired Educator Personnel, Mr. Brent Conger

**Legislative Liaisons in Attendance:** Senator Curt Meier, Representative Mike Madden

**Legislative Liaisons absent:** Senator John Hastert, Representative Donald Burkhardt

### **Mr. Chapman called the meeting to order at 1:00 pm**

Tom opened the meeting by recognizing the service of Mr. Bluemel and congratulating him on his appointment as a District Judge by Governor Mead. Mr. Bluemel will serve out the remainder of the calendar year and thanked the Board for the success and pride he has in how well the fund is doing.

## **Investment Overview – Mr. Sam Masoudi**

Mr. Masoudi reviewed the agenda items including staffing plan, providing feedback on real assets as well as providing feedback on our emerging markets manager search. We are trimming our Global Macro Exposure effective 12-31-14. Overview included updates on custodial contract, private equity fund of one, real assets consultant, emerging markets manager search, private equity co-invest fund, marketable alternatives contract RFP, expanded office space and foreign county openings.

## **“Dare to be Great II” – Howard Marks Memo – Mr. Tom Chapman**

Mr. Chapman reviewed the memo from Howard Marks, one of our managers from Oaktree and one of the most widely respected institutional investors in the financial community. The core principle of the memo is the discussion of how to increase returns compared to our peers and how much risk we are willing to accept to accomplish this. The ensuing discussion focused on leadership, retaining quality staff and building on our success. Also discussed was political pressure and outside influences on maintaining or achieving a certain investment performance return.

## **Investment Group Long Term Plan – Mr. Sam Masoudi**

Looking at historic WRS returns, some of our toughest years were during a time when we experienced turnover with the CIO or within the investment department. By having a deeper bench we can prevent many of the risks and ups and downs associated with turnover. With more investment staff we can spend more time on investing rather than on administration. Also, by allowing more time to devote to investments we can find more managers who perform similarly but with lower fees. Potentially insourcing more of the plan’s investments would also save on investment fees to the overall fund.

Recommendations include hiring two analysts by summer of 2015, implement asset class specialization teams (comprised of 1 SIO and 1 analyst each) and implementing an incentive compensation plan. In the long-term we would hire two additional staff (1 SIO and 1 Analyst) in 2016 or 2017.

Mr. Masoudi proceeded to review the peer staffing comparison versus regional comparable pension funds. Team structure, asset class specialization, the potential new organizational chart, staffing lifecycle, and internship program with a focus on ‘home-grown’ talent. Mr. Masoudi is working with the School of Business at the University of Wyoming to hire 2-3 interns every year. Additionally, Mr. Masoudi reviewed the proposed analyst program and discussion ensued

regarding classification of employees. Presentation included reasons why we should hire additional staff and the costs of additional hires. Current cost is 0.022% and by increasing staff we would never go above 0.026%. To implement the staff plan we would utilize the B-11 process to hire two analysts in June of 2015 and in the Fall of 2015 we will present our budget for the 2016-2018 biennium including converting two temporary Analysts to permanent positions. Part of the 5-year plan to be competitive with regional pension plans is incentive compensation with qualitative and quantitative aspects. Discussion of next steps included Investment Committees need to determine the support for additional staffing and incentive compensation.

**MOTION: Mr. Blumel moved** that the IC recommend the Board adopt the staffing recommendations based in Mr. Masoudi's 5-year plan. **Seconded by Mr. Wolff.** Motion carries.

### **NEPC – Investment Market Update 3<sup>rd</sup> Quarter 2014, Carolyn Smith**

Ms. Smith reviewed 3<sup>rd</sup> quarter performance and noted that the majority of benchmarks in the 3<sup>rd</sup> quarter column were negative. Although the S&P was up 1.1% for the quarter our benchmark is much larger including additional equities and small and mid-caps as well. Equity performance has been very strong in the 3 and 5-year categories (post 2008). Ms. Smith outlined the global market place, the difference in returns between large and small cap stocks, and strength of the U.S. Dollar.

In the 3 and 5-year periods we have outperformed our benchmark through asset allocation and manager selection. The funds that have done the best had the highest allocation to equities. Also important was the compliance check and due diligence monitor showing that there are no red flags. Ninety percent of performance return is based on asset allocation. Ms. Smith also reviewed our risk /return profile which is the most balanced it has ever been.

Ms. Smith reviewed various pages outlining the returns of various asset classes and managers.

### **Real Assets Consultant Update – John Kreiter**

We are still pursuing a fund of one in the private real assets market. There are relatively few managers in this space, so the diligence effort didn't need to be as time consuming as our search for a private equity fund manager. We have narrowed the field down to 5 managers. Discussion ensued regarding the pluses and minuses of working with the various firms. Next step is to schedule a meeting for Flag Capital & Real Asset Portfolio to come to Cheyenne.

### **Emerging Markets Manager Search Update – Mr. Doug Kidd**

We are looking at our managers to augment and improve existing passive exposure to Emerging Market Equities, improving WRS expected returns with volatility less than or equal to the MSCI EM index. We have 3 buckets in emerging markets and Mr. Kidd reviewed that we need to be conscious of the volatility in emerging markets. Also discussed was converting the current Blackrock mandate from MSCI EM IMI to MSCI EM risk-weighted index. Mr. Kidd explained the combination of managers that we could potentially select in addition to up and down market risk, Sharpe ratio and standard deviation. As far as a timeline WRS will have this selected and rolled out by February 2015.

**Motion: Mr. Bluemel** moved to accept the minutes. **Seconded by Treasurer Gordon. Motion carries.**

### **Market Discussion**

Postponed till Thursday.

**Adjournment:** With no further business the meeting adjourned at 4:48 pm.

**Mr. Chapman called the meeting to order at 8:00 am**

### **PIMCO Videoconference & Market Discussion**

Tony Crezinski & Rick Fulford from PIMCO hosted a presentation about market conditions in the U.S. and around the world. Q&A session ensued after the presentation followed by a general market discussion regarding our investment allocations, strategy and where we're headed.

### **Staff Announcement**

Mr. Masoudi brought up the importance of staff and with that in mind made a special announcement: the promotion of Andrew Mayer to Investment Associate.

**Adjournment:** With no further business the meeting adjourned at 9:49 am.



# Wyoming Retirement System

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

**Matt Mead**  
Governor

**Ruth Ryerson**  
Executive Director

## LEGISLATIVE & BENEFITS COMMITTEE MEETING MINUTES

The Legislative & Benefits Committee met on November 20, 2014 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

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

**Committee Members Absent:** Treasurer Mark Gordon

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

**Board Members absent:** Mr. Tom Chapman and Ms. Colleen Anderson

**Wyoming Retirement System Staff present:** Ms. Ruth Ryerson, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley, Ms. Erin Gorney and Ms. Cathy Balser

**Others in Attendance:** Ms. Leslie Thompson from GRS (via phone), Mr. Robert Kuchera from WPEA, Mr. Chuck Curtis from WREP, Ms. Maureen Bader from the Wyoming Liberty Group, Mr. Brent Conger

**Legislative Liaisons in Attendance:** Senator Curt Meier and Representative Mike Madden

**Legislative Liaisons absent:** Senator John Hastert and Representative Don Burkhart

**Mr. Sommers called the meeting to order at 3:30 pm.**

### JAC Report – Ms. Ryerson

Many of the items at JAC were follow-up requests from July's JAC Meeting. The cost of RAIN was projected to be \$14M but so far we've spent approximately \$8M. Part of that reduction was ETS pulling our telephony project out of our most recent budget request. We do have ongoing costs regarding contract IT maintenance and a Project Manager. Other items discussed included

legislation for combining the Volunteer Plans, Ad Hoc Cost of Living Adjustments, Redeposit Trends and Late Employer Payments. Discussion ensued regarding funding of Volunteer Plans.

## Legislation

There were no amendments to the clean-up bill which passed unanimously and was assigned to the House. Auto enrollment passed unanimously and was assigned to the Senate. The park rangers' bill had an amendment regarding what constitutes 'duty-related'. The next time we meet with the JAC is December 18<sup>th</sup> to discuss the volunteer plans, and combining the two plans into one.

## COLA Policy Memo

Mr. Sommers discussed the requirements for recommending a COLA and the funding requirements. The Committee and Board need to decide what sort of decline in the market we should guard against in our official COLA policy. In addition to accounting for a potential 20% loss, for example, we also need to decide the timeframe we want to account for if the market lost this multiple times over a pre-determined time frame. Ms. Thompson from GRS joined us via telephone to discuss projections. When GRS calculates a 20% loss, they put it in the 'first' year and then calculate a 7.75 return, on average, for the remaining life of the calculation. Our requirement to give a COLA is 100% funding plus the margin totaling 104%. Discussion ensued with questions from the Committee to Ms. Thompson. 15-year and 30-year projections are the same because we're always assuming 7.75%. The flip side of the coin is that retirees are saying they only live 15 years but whether it's 15 or 30 the numbers turn out the same.

Upon conclusion of phone call with Ms. Thompson, discussion ensued regarding timeline for updating the policy manual with the exact numbers we want to move forward with.

**Motion: Mr. Bluemel** moved to accept a policy of 20% market loss and 15 year duration period.  
**Seconded by Mr. Wolff. Motion carried.**

Mr. Sommers asked Ms. Ryerson to have staff come up with the changes to the policy manual and details regarding the decision matrix.

**Motion: Mr. Bluemel** moved to approve the minutes of the August 2014 Board meeting.  
**Seconded by Mr. Wolff. Motion carried.**

**Adjournment:** With no further business, the meeting adjourned at 4:39 p.m.