



# Wyoming Retirement System

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

**Matt Mead**  
Governor

**Ruth Ryerson**  
Executive Director

## MINUTES OF THE FEBRUARY 25, 2015 BOARD MEETING

The Wyoming Retirement System Board met on February 25, 2015 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

**Board Members present:** Ms. Laura Ladd (Chair), Mr. Steve Sommers, Mr. Garth Shanklin, Mr. Keith Hay, Treasurer Mark Gordon, Mr. Tom Chapman, Ms. Colleen Anderson and Mr. Tim Sullivan

**Board Members absent:** Mr. Carl Jensen and Mr. Steve Wolff

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

**Others in Attendance:** Ms. Megan Nicholas from the Attorney Generals' Office, Mr. Bob Walters from the Attorney Generals' Office, Ms. Carolyn Smith from NEPC, Ms. Diana Walter from the Treasurers' Office, Gary McDowell from WEA, Ms. Vicki Colgan, Mr. Eric Nelson, Mr. Ron Sniffin from WEA, Mr. Chuck Curtis from WEA, Mr. Brent Conger, Mr. Dustin Richards, Ms. Ann Marie Huntington and Ms. Kari Jo Gray from the Governor's Office.

### **Legislative Liaisons in Attendance:**

**Legislative Liaisons absent:** Senator John Hastert, Senator Curt Meier, Representative Don Burkhart and Representative Mike Madden

**Ms. Ladd called the meeting to order at 8:02 a.m.**

Ms. Ladd recognized Governor Mead's Nominees to fill two vacancies on the Board: Vicki Colgan and Eric Nelson, who will be joining us on the Board pending Senate confirmation. Mr. Steve Sommers was recognized for his distinguished service the past 6 years and all he's done for the WRS. Steve is retiring at the end of his term.

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

## Conference Update

Mr. Chapman went to the NEPC conference in Arizona with Ms. Ryerson and Mr. Masoudi. It was a very valuable conference with many other systems in attendance as well as investment strategies behind NEPC's market outlooks and stock and country selection.

Treasurer Gordon went to the Sovereign Wealth Institute in Miami with Ms. Ryerson. Of interest was a presentation by Sirius Capital (the #1 private equity firm) who was very optimistic about the future. There was a presentation about oil prices that was very informative.

Ms. Walters was at PIMCO in Newport Beach. They are 'alive and well' without Bill Gross and perhaps even stronger as they continue moving forward.

## Meeting with Governor Mead

Ms. Ladd and Ms. Ryerson met with Governor Mead regarding the various initiatives but primarily focused on the Investment staffing plan. The conversation was favorable and the Governor is supportive of our efforts to have a long range strategic plan and he supports our efforts to build Legislative support. Positive support was received for our B-11 plan to add AWEC investment analysts to our investment team as well as our internship program.

## OAH Discussion

Ms. Ann Marie Huntington and Mr. Dustin Richards were in attendance to speak to the Board. Mr. Huntington wasn't working in April due to pancreatic cancer and shortly thereafter was approved full disability by WRS. He elected September 5<sup>th</sup> for retirement due to the fact that he had enough sick leave to get to that date. He had all but retired other than receiving benefits but because he died 3 weeks before the retirement date he was not eligible for the full retirement benefit. Mr. Richards feels the OAH decision wouldn't follow the intent of the statute and he feels the statute is bad policy because it encourages workers to take disability as soon as possible. Additionally, by taking sick leave till his retirement date he was able to stay on the employers' health insurance, which was also the health insurance for the entire family. Mr. Richards stated there was nothing on the paperwork regarding a death affecting the retirement benefit. Mr. Huntington selected an option to pay a reduced monthly benefit to his spouse and Mr. Richards would like the WRS not to accept the OAH decision and to award the benefit to Ms. Huntington.

**MOTION: Mr. Sommers moved to accept the OAH decision. Seconded by Mr. Hay. Opposed by Mr. Sullivan, all others in favor. Motion carries.**

Ms. Ladd proceeded to the Jones matter and reviewed the OAH recommendation. This matter was expedited as the ruling from OAH just came down in February. The AG's and WRS filed exceptions and during yesterday's Governance committee meeting we were joined by Mr. Jones attorney, Mr. Newman.

**MOTION: Mr. Sullivan moved** for the Board to take the matter under consideration for further review. **Seconded by Mr. Hay.** Motion carries.

**MOTION: Mr. Shanklin moved** to schedule a meeting within the next 30 days to make a decision. **Seconded by Mr. Sullivan.** Motion carries.

Mr. Walters will prepare a draft in the Huntington decision as well as work with the Board on the Jones matter.

#### **Nominations & Elections for Chair and Vice-Chair**

**MOTION: Mr. Sullivan nominated** Ms. Ladd to continue to Chair and Mr. Wolff as Vice Chair. Mr. Brandes advised to take each individually. **Seconded by Mr. Shanklin.** No other nominations for chair. Motion carries.

**MOTION: Mr. Sullivan nominates** Mr. Steve Wolff to be Vice-Chair. **Seconded by Mr. Hay.** Mr. Wolff was unable to be in attendance. **Mr. Sullivan moved** to nominate Mr. Shanklin as Vice-Chair. **Seconded by Treasurer Gordon.**

With that in mind **Mr. Sullivan withdraws** his nomination of Mr. Wolff. Discussion moves to Garth's nomination as Vice-Chair. **Motion carries.**

#### **Legislative & Benefits Committee Report**

Ms. Ryerson reviewed the legislation discussed during yesterday's committee meeting: HB 67 – Wyoming retirement system amendments, HB 72 – Volunteer firefighter and EMT pension account, SF 58 – State park officers, SF 60 – Deferred compensation plan-automatic enrollment, HB 77 Wyoming retirement system-veteran's service credit, HB 130 – Fireman's pension account-benefit adjustment and HJ 05 – Mandatory judicial retirement. The committee also discussed the updated COLA Policy and 2015 goals.

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

Mr. Chapman recognized the excitement regarding the passage of auto-enrollment. Changes to plan documents will be presented in May 2015 as we are respecting the legislative process. Our 2014 member survey results which identified key feedback from our members and retirees. RVK presented a study regarding target date funds, choose your own funds and investor behavior regarding mix your own line-up. This identified areas for improvement and the potential need for white-label funds. At the May 2015 meeting the DC committee will come back with a recommendation for mix-your own funds. 4<sup>th</sup> Quarter performance was discussed as well as the increase in equity-based funds based on 2014's strong stock market performance.

### **Audit Committee Report**

Mr. Shanklin handed out the answers to the Audit quiz handed out yesterday. He highlighted Mr. Brandes staffing report, updates regarding GASB 67/68 and the internship program. The audit committee satisfaction survey will be improved going forward. Goals were reviewed.

### **Governance Committee Report**

Ms. Ladd reviewed the committee's accomplishments as Chair Wolff had to leave for another meeting. The strategic plan was reviewed in detail and staff will assign goals to individual committees. This document will be updated quarterly and reviewed annually. OAH recommendations took a good portion of the hearing.

**MOTION: Mr. Shanklin moved** to approve the Uniform Rules. **Seconded by Mr. Hay.** Motion carries.

WRS Board annual review process was discussed including the Board's self-effectiveness and review, the Annual review for Director Ryerson and succession planning within the Board and staff. Mr. Wolff wanted a review of the Governor's Board Handbook and incorporating aspects of that into our Board policy manual. Additionally we will review the governance section of the board policy manual as well as continue legislative outreach.

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

Mr. Chapman reviewed highlights from the Investment Committee. The February meeting is extremely important as we set the asset allocation for manager selection for the entire year. Mr. Chapman reviewed the survey of staff, board and visitors. In regards to our rate of return, 75% thought 3-6%, 25% thought 6-8%, with an average of 5.07%. Consultants were the second most bearish at 5.83%, Board 6.15% with half thinking 3-6% and the other half at 6-8%. Most optimistic were visitors, 50 % at 3-6 and 50% 8-12, 8.8% average. Overall average 5.97%.

Review of required actions and results of fee structure study. We saved \$2.1M with new structure. Even with the new fee structure we still had 120 managers respond to our RFP.

In regards to staffing we are on schedule with short-term hiring for analysts and summer interns. Investment compensation was discussed and the investment staff has to review their options so there are multiple proposals available.

The second day of the IC meeting had GMO making their presentation regarding the state of the markets. They have a bearish outlook but historically have been more bearish than reality.

NEPC reviewed WRS Performance. In 2014 the WRS Total Plan ended 2014 up 4.7% net of fees.

Mr. Chapman reviewed Appendix I. It is the pleasure of the board to adjust the tactical asset allocation range as follows: equity 47%-57%. Private markets 10% to 20%. Sub asset classes: private real assets 0%-7.5%, private equity 0%-10%. We would also like to add a column for benchmark weight and delete global equities from equity asset class and add as a footnote.

**Motion: Mr. Chapman moved** to accept Appendix I as changed. **Seconded by Mr. Sommers.** Motions carries.

Mr. Chapman said the investment committee would like to explore the implications and ramifications of pension obligation bonds. Staff will review the legal framework to see if this is even possible. Lastly, Mr. Chapman recognized the investment team for their efforts to digitalize.

Ms. Smith reviewed 4<sup>th</sup> quarter performance including the drop in interest rates and the drop in oil prices which had ramifications across the Board. The S&P 500 was up 13.7% in 2014 and over the past 5 years this index is up over 200% (not annualized). Last year small caps did not perform in-line with large cap. The strength of the U.S. dollar hurt returns on foreign investments which in turn hurt WRS performance. Emerging markets were down 2.2% which also had a negative impact on our performance. Fixed Income benchmark was up 7.3%. Emerging market debt issued in U.S. dollars did better than emerging market debt in local currency. Commodities were the worst place to be, down approximately -17%. WRS was up 4.7% versus benchmark of 5.6%. Over the 3 (10.7% v 10%) and 5-year horizon, our plan versus the public pension universe is below median. We have more exposure outside the U.S. than other public pensions which is the recommendation of NEPC and GMO.

January was a tough month in the markets with the S&P being down 3%. We were down .40 versus our benchmark being down .60. Our marketable alternatives were up 1.2% which really helped the overall performance.

## **Executive Director's Report**

Ms. Ryerson reviewed two reports put together for the Board. The first is to give an **Annual Report** that outlines the entire office's efforts that the Board doesn't always see. For example the educators cancelling their trips to be in the office to help cover increased phone calls and workload. Additional items discussed included all areas of WRS:

- 1) Communications, Deferred Compensation and Member Education
- 2) Investments
- 3) Legal and Audit
- 4) Operations
- 5) Personnel, Board Administration and Legislation

## **Quarterly Report**

- 1) Met with MHP to ensure we'll have actuarial data by May, including GASB requirements
- 2) GRS ran reports as necessary for all legislation
- 3) Auditors from MHP have completed field work on DB, will be back for DC
- 4) In November, Ben Tonak and Polly Scott put together our informational brochure which has been incredibly popular.
- 5) Fall newsletter sent out a week after thanksgiving.
- 6) Early February we had a town hall with WPEA, WEA, ESPC and additional town halls are being planned.
- 7) In January communications put together a mailer to put with payroll statements
- 8) February 4<sup>th</sup> hour long interview with institutional investor regarding nomination for Executive Director of the Year
- 9) Attended the NEPC conference
- 10) NCTR – pew sent out information that included our funding status
- 11) Attending Mountain States Investors conference in Denver with Garth and Steve W; Ms. Ryerson is presenting. Mr. Masoudi is presenting on CIO's panel.
- 12) Attending Institutional Investors conference in April and presenting on panel, "Governance That Works".
- 13) RFP for Custodial banks was successful and after scoring and a site visit with the finalists we have selected Northern Trust.
- 14) DC – deleted mid-cap Perkins fund
- 15) Disability processing – approximately 4 cases/month
- 16) December 17<sup>th</sup> met with JAC regarding Volunteer Fire & EMT legislation
- 17) Legislation updates – covered in Legislative and Benefits Committee.

- 18) Attending governor's cabinet meeting December 17<sup>th</sup> and reception the night before
- 19) Meeting with Governor Mead was very positive.
- 20) IC Meeting in Jackson January 30<sup>th</sup>
- 21) Met with representatives of Fire A and B
- 22) Legislative breakfasts – 4 over the legislative session
- 23) Review of member issues – PECK
- 24) New office space is working out great and providing a great meeting space for staff
- 25) Interns are still coming in once a week
- 26) B-11 working with Sam, Dave and Mike for AWEC's and interns
- 27) New staff this quarter including Taneisha Smith-Blue and Samantha Jacobsen

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

- 1) 1099's, statements
- 2) Server capacity issues with ETS – no stand-alone server, started to experience slowness issues and now having major issues with employers not being able to upload files. Ms. Ladd voiced concerns with ETS and RAIN and to keep the Board posted.

Final updates include:

- 1) RFP's –hired Albourne as alternatives consultant
- 2) Fund of one finalized
- 3) Updated website on hold pending ETS and budget issues
- 4) New strategic planning spreadsheet has been created and each department updating their respective sections
- 5) Coordinating multiple meetings with Vol Fire and EMT
- 6) Vol fire in Hudson January 8<sup>th</sup>
- 7) Senator Bebout asked Ms. Ryerson to type up a decision matrix for legislation

## **Public Comment**

Mr. Sniffin from the WEA and Gary McDowall (Past president of WEA) spoke and thanked the WRS Board and Ms. Ryerson for all the work as well as the hosting of the town hall. The WEA has approximately 6,000 members (active and retired) in WRS' plan. WEA is looking at a town hall this summer in Evanston and voice their support for COLA's for retired members. Mr. McDowall spoke about education and the town halls as a tool to keep members in up to speed on the latest with WRS and also echoed comments on the importance of a COLA's.

Mr. Chuck Curtis from WREP thanked the Board for their service.

**MOTION: Mr. Sommers moved** to go into executive session. **Seconded by Mr. Sullivan.**  
Motion carries.

**Executive Session – (for the Purpose of Legal Advice)**

**MOTION: Mr. Wolff moved** to come out of executive session. **Seconded by Mr. Shanklin.**  
Motion carries.

**Adjournment:** With no further business **Mr. Sommers moved** to adjourn at 10:32 a.m.  
**Seconded by Mr. Hay.** Motion carries.





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## AUDIT COMMITTEE MEETING MINUTES

The Audit Committee met on February 24, 2015 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

**Committee Members present:** Mr. Garth Shanklin (Chairman), Ms. Colleen Anderson, Mr. Tim Sullivan and Mr. Keith Hay

**Committee Members absent:** Mr. Carl Jensen

**Board Members present:** Mr. Steve Sommers, Ms. Laura Ladd, Mr. Steve Wolff, Mr. Joe Bluemel, Treasurer Mark Gordon and Mr. Tom Chapman

**Board Members absent:**

**Wyoming Retirement System Staff present:** Ms. Ruth Ryerson, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley, Ms. Samantha Jacobsen and Ms. Cathy Balsler

**Others in Attendance:** Ms. Megan Nicholas from the Attorney Generals' Office, Ms. Diana Walter from the Treasurers' Office, Mr. Gary McDowell from WEA, Ms. Vicki Colgan, Mr. Eric Nelson

**Legislative Liaisons in Attendance:**

**Legislative Liaisons absent:** Senator John Hastert, Senator Curt Meier, Representative Don Burkhart and Representative Mike Madden

**Mr. Shanklin called the meeting to order at 4:13 pm**

**Motion: Mr. Hay moved** to accept the November minutes. **Seconded by Mr. Sullivan. Motion Carries.**

**Audit update from Mr. Shanklin**

Mr. Shanklin handed out an Audit Committee Quiz which in the interest of time should be done on your own time and yielded to Mr. Brandes.

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

Mr. Brandes welcomed Ms. Samantha Jacobsen, our new Principal Auditor who has experience with MHP, Wyoming Department of Audit as well as the State of Arizona. The primary focus of Ms. Jacobsen has been GASB 67/68 and to work with MHP to identify the employers we need to audit and make sure they are in compliance. Ms. Jacobsen is also assisting with the intern program discussion to which Mr. Brandes submitted a memo for the committee's consideration. MHP has offered an internship program to us at no additional charge and we will continue to look for ways to make an internship program beneficial to the audit department. In regards to the Audit survey it was not a particularly valuable tool as there was not enough feedback and with the temporary loss of Ms. Gorney due to her child's illness we do not have anything additional to report. Ms. Jacobsen said she's glad to be part of the team and excited that we are going to start performing audits.

### **2014 and 2015 Audit Committee Goals**

Mr. Shanklin highlighted the success of our 2014 'Goaljectives'. For 2015 we would like to continue to develop our Enterprise Risk Management function and are seeking diversity in our CPA firm and internship program. RAIN transition continues and our audit function is becoming primary. Ms. Anderson would like to coordinate with internal audit to develop ERM to ensure it covers audit committee charter. Feedback from Ms. Anderson (she spoke extensively to these goals):

- 1 Coordinate with Internal audit staff to develop an enterprise risk system and internal audit plan
2. Meet with our CPA firm to review accounting and reporting issues and monitor appropriate follow up action
3. Develop a report to the Board on activities of oversight of financial records, internal control processes and risk management processes.
4. Review RAIN system and operational performance
5. Audit committee members receive training in areas of Wyoming statutes, retirement plans, internal control processes and risk management.

**Adjournment:** With no further business the meeting adjourned at 4:44pm. Mr. Hay moved to adjourn, seconded by Mr. Sullivan.



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

The 457 Deferred Compensation Committee met on February 23, 2015 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

**Committee Members present:** Mr. Tom Chapman (Chairman), Mr. Tim Sullivan, Ms. Colleen Anderson and Mr. Steve Wolff

**Committee Members absent:** Mr. Carl Jensen

**Board Members present:** Mr. Steve Sommers, Mr. Garth Shanklin, Ms. Laura Ladd, Treasurer Mark Gordon and Mr. Keith Hay

**Board Members absent:**

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

**Others in Attendance:** Mr. Beau Burgraff from RVK, Ms. Megan Nicholas from the Attorney Generals' Office, Ms. Carolyn Smith from NEPC, Mr. Bob Kuchera from WPEA, Ms. Diana Walter from the Treasurers' Office, Gary McDowell from WEA, Bob Knice from Prudential, Ms. Vicki Colgan

**Legislative Liaisons in Attendance:**

**Legislative Liaisons absent:** Senator John Hastert, Senator Curt Meier, Representative Don Burkhardt and Representative Mike Madden

Ms. Ladd called the general Board to order at 1:05 p.m. She announced that Mr. Sommers would be stepping down after this meeting and therefore we would be taking nominations and electing a new Vice-Chair during Wednesday's Board meeting. Additionally, she recognized governor appointee Vicki Colgan who is joining us for the meeting.

Mr. Chapman called the 457 DC meeting to order at 1:07 pm. The highlight and big news is the passage of SF 60. It passed both chambers and is awaiting the Governor's signature. The goal today is to talk about auto-enrollment, member survey, member line-up of funds and performance.

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

Ms. Ladd had two proposed changes to the minutes to which staff will correct.

### **Automatic Enrollment**

Mr. Chapman recognized Ms. Scott to review the summary of the process for auto enrollment for state employees. The steps in the auto enrollment process consist of data collection, employee notification and data exchange. WRS is working with SAO to implement this new process as soon possible after the legislation goes into effect on July 1, 2015. The only remaining task for the committee and Board to complete is to finalize the plan document and file it with the Secretary of State's Office. There is a 30-day waiting period once we file so we will complete this at the May Board meeting.

### **Annual Member Survey**

Ms. Scott highlighted our annual member survey, which was done using a randomized survey sample representative of retirees and active employees. Highlights included customer service ratings, financial literacy of our members, percentage of assets with WRS and a breakdown of various WRS functions and how we are viewed in those areas. Discussion ensued regarding types of questions we ask and the best way to ask them. The board would like more of this type of information about members.

### **457 Plan Participant Investment Analysis – Mr. Beau Burgraff – RVK**

RVK went over the analysis of 18,000 DC participants and their investment allocations and selections. There are indications that mix-your-own investors in the 457 Plan may not be making the best investment choices for their future retirement income needs. In general, younger participants are under allocated to equities. Some participants are overweight stable value or entirely in one fund and all of these scenarios are less than optimal. Discussion ensued about the Board's collective viewpoint on the recommendations from RVK including a re-enrollment of mix-your-own assets to target date funds.

### **White Label Funds**

Mr. Burgraff explained what a white label fund is: basically a multi-manager fund that targets exposure to a broad asset class by offering one investment option that combines multiple underlying funds. Mr. Burgraff went over the advantages and disadvantages of an investment menu based on multi-manager funds. Mr. Chapman asked for information about the number of defined contribution plans using this approach. The committee would like to move forward with this concept and review the 457 Investment Policy Statement to see how a multi-manager approach could be implemented.

#### **4<sup>th</sup> Quarter 2014 Performance - Mr. Beau Burgraff, - RVK**

Mr. Burgraff reviewed asset allocation by quarter (TRD, stable value, core investments) and fund performance for the 4<sup>th</sup> quarter of 2014

#### **2014/2015 457 DC Goals**

Ms. Scott reviewed the goals and which goals were completed:

- 1) Board recommendation on re-enrollment of TDF and future allocations.
- 2) Develop board recommendation on legislative initiative for auto enrollment
- 3) Develop board recommendation on administrative fees for 457 plan.

Goals for 2015:

- 1) Revise 457 Plan Document for Automatic Enrollment and other updates
- 2) Review 457 Investment Policy Statement with a focus on developing core beliefs
- 3) Engage in staff & consultant proposals on best way to design (streamline) mix-your-own asset line up
- 4) Receive consultant reports on SVF due diligence
- 5) Receive consultant report on fees and RVK survey comparison/benchmarking
- 6) Receive staff report/expert panel on deemed IRAs
- 7) Receive demonstration of on-line retirement readiness tool
- 8) Plan & calendar for 457 committee member education

Mr. Sullivan expressed he would like our fee analysis to include a comparison or benchmarking of the other defined contribution plan offerings available at the University of Wyoming and community colleges.

**Adjournment:** With no further business the meeting adjourned at 2:41 p.m.



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## GOVERNANCE COMMITTEE MEETING MINUTES

The Governance Committee met on February 24, 2015 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

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

**Committee Members absent:** none

**Board Members present:** Mr. Tom Chapman, Mr. Tim Sullivan, Ms. Colleen Anderson and Treasurer Mark Gordon

**Board Members absent:** Mr. Carl Jensen

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

**Others in Attendance:** Trustee appointee Ms. Vicci Colgan, Trustee appointee Mr. Eric Nelson, Ms. Diana Walter from the Treasurer's Office, Ms. Megan Nicholas from the Attorney General's Office, Mr. Chuck Curtis from WREP, Mr. Bob Kuchera from WPEA, Mr. Gary McDowell from WEA and Mr. Brent Conger

**Legislative Liaisons in Attendance:** none

**Legislative Liaisons Absent:** Senator John Hastert, Senator Curt Meier, Representative Mike Madden and Representative Don Burkhart

**Mr. Wolff called the meeting to order at 1:37 p.m.**

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

### Strategic Plan Update

Mr. Ryerson explained the new layout of our strategic plan document. Any specific goal or sub-goal that does not have a date identified is because staff has not started work on that goal. Ms. Ladd suggested we assign specific Board-related goals to individual committees and then each committee can work on implementation with staff as needed. Ms. Ryerson said additional information will be provided in her quarterly report and that this particular format will be presented quarterly to the Board. Staff will start by going through the goals and working with the Board Chair to assign them to the appropriate committee.

### **Uniform Rules on Contested Case Procedures**

Ms. Brandes presented that the state adopted the uniform rule and therefore we are proposing that the WRS adopt the uniform rules as our rules. No substantive rule changes just that the Board adopt the State of Wyoming rule making process.

**Motion: Mr. Hay** moved to adopt the uniform rules. **Seconded by Mr. Sommers. Motion carried.**

### **Staffing Discussion**

Mr. Wolff and Ms. Ladd concurred that the staffing discussion regarding investment team was accomplished yesterday during the Investment Committee meeting.

### **2014 Goal Review and 2015 Goals**

2014 Goals were all accomplished including an annual self-evaluation during the May 2014 Board meeting. In regards to the Board role this has been evaluated and reflected in the current manual. It is also the responsibility of this committee to continually review the Board Policy manual. Since this was not done in 2014 it is moved to the 2015 goals. Discussion ensued if the Governor's Board Manual should be incorporated into the Board policy manual and is the Governor's Board Manual given to all new Board members. The Board will conduct their annual evaluation of Board effectiveness in May and conduct an annual evaluation of the Executive Director in August. Mr. Wolff recognized Ms. Ladd to discuss succession planning. There are various levels of this and Ms. Ladd said she trusts Ms. Ryerson to plan succession planning within the staff. In regards to Board Chairs and committee members it is the responsibility of the Board Chair to appoint the committee chairs. Ms. Ladd proposed rotating members on committees and within chairs. We will review committee assignments at the May 2015 Board meeting.

Election of Chair and Vice-Chair was discussed and it was determined that the Chair is only elected to a one-year term and is that long enough for that office to accomplish its goals. Ms. Ladd suggested Governance committee review the approximately 10 pages in the Board Policy Manual outlining Governance and the need to review that at some point.

Committee assignments and chairs were discussed with the two new Board members coming on board. Ms. Ladd recognized Ms. Colgan and Mr. Nelson as new Governor Appointees. She asked that if they were interested in specific committee assignments or leadership to please contact her

### **OAH Procedures and Process**

Mr. Wolff recognized Mr. Brandes to outline the OAH procedures and process. Historically, the Board used to hear administrative appeals but the process became too cumbersome. Therefore, the Board amended its rules to appoint outside hearing officers, in this case OAH, to hear any appeals and contested rulings. However, the Board still has the responsibility to render a final decision based on the OAH decision. During today's committee meeting we have two recommendations from OAH to consider. Included in the Board packets are two recommended decisions, a memo from Mr. Brandes outlining the procedures and highlighting that Mr. Bob Walters from the AG's office is here to advise the Board. Ms. Brandes and Ms. Nicholas from the AG's office cannot advise the Board since they represented the system during the lower level of the administrative hearing. The final decision the Board makes is appealable to District Court. All information is available to the Board to inspect at any time.

Mr. Brandes recognized Mr. Walters who explained the details on each case. The Huntington matter will be discussed in the public forum and there are no exemptions filed in the case. The Jones matter will be discussed in Executive Session as exceptions were filed and the client's attorney will be calling in as exceptions were filed yesterday.

The Huntington matter did not yield any questions. Ms. Ladd had Mr. Brandes clarify in a prior unrelated matter that the OAH recommendation yielded no questions. The Governance Committee is being used as a vehicle for discussion of these matters but the full Board will need to take action on both decisions during tomorrow's Board meeting.

Discussion ensued regarding policies and procedures, what should be discussed in Executive Session and how the Board, legally, is supposed to discuss and proceed with both decisions.



Mr. Newman will be giving his exceptions orally this afternoon. First question is to make sure Mr. Newman is prepared. Mr. Newman joined us via telephone and stated he is prepared to respond to the exceptions filed by the WRS. Mr. Newman received the WRS exceptions and wanted to address them. Mr. Newman wants to make sure the law is applied as it is intended. In 2007 the Wyoming legislature passed the current statutory provisions, specifically the definition of duty-related accidents. Mr. Newman stated it is not the board's duty to make decisions based on what you think the law should be, but what it is. The OAH made their decision after a comprehensive hearing and all the exceptions filed by WRS were already heard by the OAH and therefore the WRS Board should adopt the recommendation by the OAH. Back to what duty-related means we have to look at what the 2007 session and what the WRS wanted the legislature to adopt. Exhibit "O", date stamp 1025, the WRS proposed legislation, W.S. 9-3-402(a) (xxvi) provides: "duty connected" means an illness, injury, or disability from an injury or disease which results primarily from a specific act or occurrence determinable by a definite time and place, from a physical or mental trauma which arises from the nature and in the course of a person's law enforcement employment. This matter was brought before a committee hearing and there is ample testimony why the WRS wanted these changes and there were completely unrelated to Mr. Jones. The concept to change this was for applicants for disability who had injuries over an extended period of time that was brought close to an individual's retirement. The committee members (legislature) at that time thought the definition was too narrow and retirement system exhibit R, 1035 through 1038; ultimately after that conference the statutory language was adopted. Exhibit "P", 1029, the definition of duty-connected based on that legislative committee hearing and proposed amendments from WRS give us current statutory language. What is excluded from proposed language is that the applicant show his disability come solely from a current act or occurrence and was replaced with primarily. Also excluded was the requirement that the applicant prove his disability came solely from a serious risk which is not common to the public and at-large and peculiar to law enforcement employment. What we were left with is removal of seriously dangerous risk, serious risk not common to the public. Improper application of law to this particular claim is what the hearing examiner distinguished and set forth in his ruling in the case. In this case we have a correctional officer who was participating in what some would consider mundane nature but when he referred to this incident it was more than 'normal' course of employment, since it was inherent to his type of employment, even if it's an activity we participate in outside the course of the work place. The Wyoming worker's compensation law wouldn't necessarily help him in his decision. The WRS in their exceptions is arguing that he did use consideration of Wyoming's worker's compensation and that's clearly not what he did if you read the context. Mr. Jones activities were part of the nature of his law enforcement duties. If you look at the video it's much more than tripping as you go up the stairs. He had papers in his hand and was in a capacity to service inmates. Mr. Jones testified that he turned as he moved up the stairs because he remembered he had to do something for an inmate, therefore was not just doing the mundane, but something he was required to do in his capacity of

a correction officer. He's not a police officer and doesn't chase down criminals with a gun and that is what the 2007 legislation was attempting to limit. The purpose is to protect those acting in their job capacity which clearly Mr. Jones was. The WRS is trying to convince the Board that the statute should be construed very narrowly consistent with what they wanted when they proposed changes to the law but the legislature felt it shouldn't be so narrow and that's why they passed the current law and that's the law that needs to be applied in this current case. The WRS in one of their exceptions talks about the NY case (page 10) because although the decision in that case was reversed the WRS argues it's still good law because the language states that walking on stairs is not a heightened risk in employment. Look at that decision in context, heightened risk is not the standard in that case.

Mr. Newman stated he has made his case and ask that the Board affirm the decision of the OAH.

Mr. Hay moved to go into executive session, seconded by Ms. Ladd.

#### **Executive Session**

**MOTION: Mr. Wolff** moved to exit executive session. **Seconded by Mr. Shanklin. Motion carried.**

**Adjournment:** With no further business the meeting adjourned at 4:13 p.m.



# Wyoming Retirement System

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**Matt Mead**  
Governor

**Ruth Ryerson**  
Executive Director

## INVESTMENT COMMITTEE MEETING MINUTES

The Investment Committee met on February 23 (2:30 – 5 p.m.) and 24 (8:00-12:30 p.m.), 2015 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

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

**Committee Members absent:** None

**Board Members present:** Mr. Keith Hay, Mr. Tim Sullivan, Ms. Colleen Anderson, Mr. Steve Sommers and Mr. Garth Shanklin

**Board Members absent:** Mr. Carl Jensen

**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, Mr. David Swindell and Ms. Cathy Balser

**Others in Attendance:** Ms. Megan Nicholas from the Attorney Generals' Office, Ms. Carolyn Smith from NEPC, Ms. Diana Walter from the Treasurers' Office, Gary McDowell from WEA, Ms. Vicki Colgan, Mr. Eric Nelson, Mr. Bob Kuchera from WPEA, Mr. Chuck Curtis from WEA, Mr. Brent Conger

**Legislative Liaisons in Attendance:**

**Legislative Liaisons absent:** Senator John Hastert, Representative Donald Burkhart, Senator Curt Meier, Representative Mike Madden

**Mr. Chapman called the meeting to order at 2:51 pm**

Tom opened the meeting by outlining the importance of the February meeting in regards to asset allocation, the Investment Policy Statement and Appendix I. Mr. Chapman then passed out a WRS 2015 Return Expectation survey for staff.

**MOTION:** Ms. Ladd moved to approve minutes. **Seconded by Treasurer Gordon. Motion carries.**

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

Mr. Masoudi reviewed the agenda items including: 2014 Investment Team Operation Review, 2014/2015 IC goals, NEPC's Asset Liability Study, presentation from GMO, 2014 Performance Review, general market discussion, IPS/Appendix I and Asset Allocation Discussion. Ms. Ladd asked for major updates since the January 30<sup>th</sup> IC meeting which included real asset updates and emerging markets progress.

### **Active Equity Performance Fee Analysis – Mr. Andy Mayer**

Mr. Mayer highlighted the positive findings regarding the unique fee structures we initiated with all of our active long-only equity managers when that search process concluded in late 2012. By developing modified incentive fee structures we have saved on manager fees while providing incentives to beat their respective benchmarks. Discussion ensued if other public pension are utilizing this tactic and Ms. Smith stated that many public funds are moving towards alternative investments and so many more traditional fee structures are changing.

### **Operational Updates – Mr. Sam Masoudi**

The Custodial Bank Transition will be complete by May 1, 2015. Staffing update will be discussed later on the agenda. Our 2015 goals are to produce outstanding long-term goals, establish a robust, sustainable investment operation, stabilize current staff, introduce staff specialization, execute board approval to expand staff, launch an internship program and the promotion of Mr. Andy Mayer. In regards to investments we added new investments with Oaktree, JANA, Adams Street and increased investment allocations to higher return, lower-fee managers. We terminated Marco funds, high-yield and small cap, and restructured asset classes. Other investment decisions included tactical trades, currency hedging and real assets fund of one. We also reviewed manager summaries and score cards. Investment Infrastructure was modernized with the implementation of Tamale, our information management system. Other updates include our relationship with hedge fund consultants, new 3<sup>rd</sup> floor office space, legislative contact and attendance at conferences.

### **Review of 2014 and 2015 Goals – Mr. Tom Chapman**

Mr. Chapman reviewed the goals from 2014 which have been previously discussed in operational updates. 2015 goals have an increased focus on the existing partnership with the Treasurer's Office. Many of the goals are incorporated into the strategic plan and Ms. Ladd initiated a discussion regarding goals since we have IC goals, staff goals and strategic plan goals. What is the best way to incorporate these to prevent the proliferation of goals? Board came to the conclusion that we will continue with individual committee goals during 2015 to ensure they are incorporated into the strategic plan and then we will make sure our strategic plan is regularly updated.

### **Investment Team Staffing Plan – Mr. Sam Masoudi**

Mr. Masoudi outlined the short term (hire two analysts and two summer interns by June 2015, implement asset class specialization teams) and long term (hire two additional staff, 1 SIO and 1 Analyst) staffing priorities. The timeline for implementation was reviewed starting with Ms. Ladd and Ms. Ryerson meeting with the Governor in February of 2015. Recruitment of analyst positions will begin in March after the Governor signs the B-11.

Discussion turned to incentive compensation and the conversations between Board and staff that base compensation would be more valuable than incentive compensation. There is a legal component of this as well which was discussed with internal counsel as well as the AG's office. Mr. Brandes explained that we are within the law to do this but if we want to develop a program similar to PMI we would have to present that to the AG's office for approval. Treasurer Gordon added that he felt the way the budget process works is we would have to budget for the full amount and pay a portion of that as the state would not approve paying 'straight incentive compensation'. Discussion ensued. What is the best way to retain quality professional investment staff? Is this a priority the investment committee wants to spend political capital on the next 3-6 months? Ms. Ladd stated that we should wait for McLagan study and then discuss again at the April IC meeting. Ms. Sommers said we needed to see the actuarial data.

### **NEPC Asset Liability Study – Carolyn Smith**

The purpose of the asset liability study for the WRS is to review the projected financial status of the pension plan. This also assesses the appropriateness of the current target asset allocation relative to the expected progress of liabilities and cash flows. The biggest result of this analysis was that our funded ratio was projected to decline from 78% to 71% based on their assumed rate of return based on our allocated investments. Liabilities based on GRS' 01/01/2014 actuarial valuation report plus Payroll projections. Assets included actual returns through December 31, 2014 with NEPC assumptions used after that date. No future benefit plan changes are assumed, including increases to contribution rates.

One item that came up for discussion was the issuance of bonds. Other funds have done this because they will issue debt at 3-4% (pension obligation bond) and earn more than that on the return. You would issue the debt as state debt to make the plan 100% whole (funded).

**Adjournment:** With no further business the meeting adjourned at 5:31 pm.

**Mr. Chapman called the meeting to order at 8:01 am**

### **GMO Presentation**

Ms. Ladd called the meeting to order and recognized Mr. Chapman who recognized Mr. Masoudi. Mr. Masoudi explained our relationship with GMO who we have worked with for quite a few years. Mr. Kadnar and Ms. Stanton are in attendance from GMO to highlight their 7 year asset class forecasts and comparisons. Our holdings with GMO were highlighted in the Global Allocation Absolute Return. Market discussion ensued.

### **NEPC – Investment Market Update 4<sup>th</sup> Quarter 2014, Carolyn Smith**

Ms. Smith reviewed 4<sup>th</sup> quarter performance and noted that the majority of U.S. benchmarks in the 4<sup>th</sup> quarter column were positive, however International benchmarks were negative. Additionally, because the U.S. dollar was so strong it hurt foreign investments and most exposure was negative unless you had currency hedging. The U.S. stock market hit about 52 new highs. Large Cap was up approximately 14%, Small Cap just shy of 5%.

NEPC had the following recommendations: be judicious with risk, question the ‘traditional’ approach, different investment environments require different perspectives of risk and return, rethink fixed income portfolio structure in light of current market environment, review inflation hedging allocations in light of recent market action and finally consider market weight or slightly over-weighted target allocation to developed non-U.S. equity.

The total fund, gross of fees, was up 4.9% for 2014. Ms. Smith highlighted that the fund has had much less volatility the last few years and performed much closer to the benchmark. The biggest drag on performance was the percentage of the portfolio in international emerging markets. Over performance came from fixed income, private markets and private debt.

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.

### **General Market Discussion**

Mr. Masoudi reviewed both GMO and NEPC's presentations that small cap, emerging and international markets are predicted to over perform in a longer term time horizon. While we can't have an underperformance for 7 years it does highlight the benefit of our longer term investment horizon.

### **IPS and Appendix I Review**

Mr. Masoudi opened remarks by stating that the Investment team feels the Strategic Asset Allocation Targets and Tactical Allocation Ranges are sufficient and adequately flexible for WRS to achieve their goals. There are a few minor changes recommended changes. Based on NEPC's projected returns our recommended allocation is expected to return 6.2%. Discussion regarding benchmarks and tactical allocations ensued. Does the Board want to set tactical allocations to sub-asset classes? Discussion. One potential solution/idea is to add a column to Appendix I noting what the weight is to the sub-asset classes. The staff would still make decisions based on the allocation and benchmark weight as prescribed in Appendix I, Exhibit A. Mr. Masoudi stated that to build the private markets to the strategic allocation will take 5-7 years. Moving equality from liquid to illiquid presents a longer time horizon on how returns are reported.

**Motion: Mr. Ladd** moved to accept exhibit A with recommended changes (as proposed) to reduce equity from 50-60% to 47-57%. Increase private markets from 7-17% to 10-20%, sub classes include a change to private real assets from 0-5% to 0-7.5% and private equity from 0-7.5% 0-10%. **Seconded by Mr. Wolff. Motion carries.** The Board would also like to add a column on the Appendix I for the benchmark weight: Equity 29.8% (domestic), 21.4% (international developed equity), 5.8% (emerging markets equity); add as a footnote that the benchmark for Global Equity investments is MSCI ACWI IMI. Also amend under fixed income 4.6% (interest rates), 8.3% (credit) and 0.8% emerging market debt. These are based on benchmark weights as of January 1<sup>st</sup> of current year.

Investment Policy Statement has been reviewed and affirmed that there are no changes to the IPS.

Debt and pension obligation bonds were discussed and Mr. Sommers stated the legal and policy questions this brings up. It was recommended to have the committee review all the potential issues (if we are fully funded would we issue a COLA, lower contribution rates, etc?) prior to

making a recommendation to any legislative committee. With that in mind the committee would like staff to review the scenarios this presents (i.e. would we lower return expectations). First, we need to make sure the Wyoming Constitution would allow for the issuance of pension obligation bonds. Ms. Ladd stated we need to isolate the core questions and work with Treasurer Gordon's team to continue to move this forward. Would the funding change the state's obligation to the fund? Mr. Brandes and Ms. Ryerson will look into this and report back.

**Adjournment:** With no further business the meeting adjourned at 12:23 pm.





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Executive Director

## LEGISLATIVE & BENEFITS COMMITTEE MEETING MINUTES

The Legislative & Benefits Committee met on February 24, 2015 at the Little America Hotel, 2800 W Lincolnway, Cheyenne, WY.

**Committee Members present:** Mr. Steve Sommers (Chairman), Mr. Garth Shanklin, Mr. Steve Wolff and Treasurer Mark Gordon

**Committee Members Absent:**

**Board Members present:** Mr. Keith Hay, Mr. Tim Sullivan, Ms. Laura Ladd, Mr. Tom Chapman and Ms. Colleen Anderson

**Board Members absent:** Mr. Carl Jensen

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

**Others in Attendance:** Ms. Megan Nicholas from the Attorney Generals' Office, Ms. Carolyn Smith from NEPC, Ms. Diana Walter from the Treasurers' Office, Gary McDowell from WEA, Ms. Vicki Colgan, Mr. Eric Nelson, Mr. Ron Sniffin from WEA, Mr. Chuck Curtis from WEA, Mr. Brent Conger

**Legislative Liaisons in Attendance:**

**Legislative Liaisons absent:** Senator John Hastert, Senator Curt Meier, Representative Don Burkhardt and Representative Mike Madden

**Mr. Sommers called the meeting to order at 8:30 am.**

**Motion:** Mr. Shanklin moved to approve the minutes of the November 2014 Board meeting.  
**Seconded by Treasurer Gordon. Motion carried.**

**Bill Status Update – Ms. Ryerson**

- HB 67 – Wyoming retirement system amendments – one amendment to change the redeposit period from 7 years to 10 years. Does not affect the status of the plan as the calculation is an actuarial equivalent.
- HB 72 – Volunteer firefighter and EMT pension account – number of amendments including a requirement that once the plan reaches 107% funding the amount of fire premium would lower from 70% to 60% of the 30% fire premium tax that comes to the fund. The bill also changes the benefits for Vol Fire and EMT from \$16/month for the first 10 years to \$19/month for years over 10. The EMT Board will have 1 trustee on the new combined Board.
- SF 58 – State park officers - benefits - on general file in the house after passing the Senate.
- SF 60 – Deferred compensation plan-automatic enrollment – all the way through the process and awaiting Governor Mead’s signature.
- HB 77 Wyoming retirement system-veteran’s service credit– not a WRS bill. Representative Lindholm sponsored the bill and needed guidance. Chairman Dave Zwonitzer had been at our legislative breakfast that morning and had our brochure which assisted with the committee meeting. This bill would allow Veteran’s to purchase 8 years instead of the current 5. The bill does not clarify the service purchase as a one-time requirement. Waiting on concurrence in the house.
- HB 130 – Fireman’s pension account-benefit adjustment – not a WRS bill. Representative Burkhart sponsored a bill to remove the 25 year cap which would lower the funding status from approximately 100% to the lower 90%’s. There was a proposal for a separate account which was a better option but still took the plan from 102% to 94%. A third option was to have employer contributions continue into the plan and have employee contributions go to a separate account. That version passed the House and is waiting for introduction in the senate.
- HJ 05 – Mandatory judicial retirement – removes cap on mandatory judicial retirement. Passed House and introduced in Senate and referred to Senate appropriations.

February 27<sup>th</sup> is the last day for bills to be voted out of committee in the second house.

The WRS ‘interested’ bills are good for the system. Mr. Sommers recognized the efforts of Ms. Ryerson, Ms. Scott, and Mr. Brandes to steward these bills and ensure a successful legislative session.

### **COLA Policy**

Mr. Sommers recognized the staff that wrote the COLA Policy and inserted it into the member benefits portion of the WRS Governance Policy. Review of the COLA policy:

- Plan must be projected to continue at 100% funding plus a margin for adverse experience for 15 years.
- COLA margin must include a funded ratio necessary to keep the plan above 100% funded even in the event of a 20% market decline.

The COLA will be reviewed annually.

### **2014 Goal Review and 2015 Goals**

Mr. Sommers reviewed 2014 goals which included EMT, Park Rangers, Clean-up and Paid Fire A. Paid Fire A needs to be an ongoing goal as it was not addressed this year. WRS brought up the issue in Riverton at the JAC committee this past summer to little discussion. Ms. Ryerson brought up the new GASB requirements which should hopefully add to the discussion going forward as cities and towns will have to report unfunded liabilities on their balance sheet.

Mr. Sommers feels the following items should be addressed in the future: disability inconsistencies, additional clean-up legislation (as we only took a piece), Paid Fire A and ongoing budget needs including investment salaries.

**Adjournment:** With no further business, the meeting adjourned at 8:58 p.m.