



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Matt Mead
Governor

Ruth Ryerson
Executive Director

MINUTES OF THE August 21, 2015 BOARD MEETING

The Wyoming Retirement System Board met on August 21, 2015 at The Wort Hotel, 50 Glenwood St, Jackson, WY.

Board Members present: Ms. Laura Ladd (Chair), Mr. Steve Wolff, Mr. Eric Nelson, Mr. Garth Shanklin, Mr. Keith Hay, Ms. Colleen Anderson, Mr. Tom Chapman, Mr. Tim Sullivan and Ms. Vicci Colgan

Board Members absent: Treasurer Mark Gordon

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. Lisa Spillman from the Attorney General's Office, Ms. Carolyn Smith from NEPC, Mr. Bob Kuchera from WPEA, Mr. Gary McDowell from WEA, and Mr. Brent Conger

Legislative Liaisons in Attendance: Senator John Hastert, Representative Don Burkhart and Representative Bob Nicholas

Legislative Liaisons absent: Senator Curt Meier

Ms. Ladd called the meeting to order at 8:01 a.m.

Opening Remarks

Ms. Ladd thanked Mr. Chapman for organizing the trip up the ski lift.

MOTION: Ms. Ladd asked if everyone had a chance to review the May meeting minutes. Ms. Ladd stated they incorrectly said February, not May. Also, on the conference update section Laura went to an investment summit not a euro summit. **Mr. Wolff moved** to accept the minutes of the May 2015 Board meeting with the changes as submitted above. **Seconded by Mr. Sullivan. Motion carries.**

Conference Update

Ms. Ryerson went to the NASRA conference at the beginning of August. This group has 84 plans that participate. The group puts out a publication, Roll Call, with a plethora of information if anyone would like to see. Texas Teachers are keeping their actuarial rate at 8%, 5.5 real and 2.5 inflation. They are also opening a London office. Nevada is 100% indexed and has lowest fees, no emerging markets and no fixed income. North Carolina teachers are lowering their assumed rate of return by .05% per year. Average funding level is 74.2% and we're at 79%. The median plan has negative cash flow. Average -2.2%, ours is -2.7%. Nationwide average is 1.46 actives to retirees and we're 1.41.

Legislative & Benefits Committee Report

Ms. Ladd stated the first item was to address the refund rate of 5.5%.

MOTION: Mr. Shanklin moved to accept the L&B Committee's recommendation to lower interest rate from 5.5% to 3% effective January 1, 2016, thus matching the statutorily set rate in the Volunteer plans. **Seconded by Mr. Wolff. Motion carries.**

WRS will make sure to include an update in the quarterly newsletter. We also reviewed our presentation to the JAC committee which was longer than usually and reported to be very positive by various legislators. Additionally we are working on setting up an educational seminar October 26th before the October JAC meeting.

Further, we are moving up the experience study and discussed whether we should move it up from 2017 to 2016 as well as conducting an audit of our actuaries. Ms. Ladd highlighted the Board packet and the articles about paying investment professionals appropriately as well as the NCPERS public fund study.

The budget was discussed along with the exception requests. The 401a plan was discussed and a recommendation not to include this item was voted on, although Ms. Ladd noted it was a split decision. Lastly, upcoming legislation was discussed to include a clean-up bill to change our disclosure requirements, deferred compensation plan forfeitures during the permissive withdrawal period, and other 'housekeeping items'. Information will be presented for the November Board meeting.

457 Deferred Compensation Committee

Mr. Chapman highlighted the meeting as longer than normal and that the committee reviewed our guiding principles and what direction we want to take the 457 plan. RVK reported there is a paradigm shift in the industry to more focus on principal savings. Guiding principals were outlined as follows:

- 1) Retirement outcome for members. Retirement security.
- 2) Objective of the plan – 15% income replacement.
- 3) What investments should be offered? More choice, less choice, etc. 3 tier investment menu. Participation and outcomes are more important than choices.
- 4) Plan design.
- 5) Plan driven investment changes, i.e. mapping and re-enrollment. Re-direct assets to plan default and always have an opt-out for members.

The committee reviewed the plan participant survey. Many lack the knowledge on their own investments and some times the level of knowledge is on the lower end.

The “jam study” highlighted a fair in California with two booths: one with 24 jams and one with 6 choices. 60% stopped by the booth with 24 jams, but only 3% purchased, 40% stopped by the booth jam with 6 choices and 30% purchased.

The 3 tiered structure is becoming industry standard. Tier 1 is for the non-active investor, who is directed into the appropriate target date fund. Tier 2 is a more active approach and targets a portfolio of single asset class funds. The third tier approach includes a self-directed brokerage account, along with options 1 and 2.

MOTION: Mr. Chapman moved to recommend to the Board it restructure the 457 Plan’s investment menu to have three tiers. The second tier should be comprised of asset class funds to include multiple managers. A third tier of a self-directed brokerage account should be added to for those participants wanting more choices. **Seconded by Ms. Sullivan.** Motion carries.

Audit Committee Report

Mr. Sullivan reviewed the progress and updates from our IAD including the CAFR review, RFP for outside audit firms and noted we’re hoping to have a selection made by November 1st.

Governance Committee Report

Mr. Wolff reviewed the three items on the agenda: strategic plan updates and policy, adoption of administrative rule amendments and board policy manual discussion.

MOTION: Ms. Colgan moved to accept administrative rules. **Seconded by Mr. Shanklin.**
Motion carries.

The update on the strategic plan from Ms. Ryerson was well received and Mr. Wolff thanked Ms. Ryerson for her thoroughness. May 2016 will be an in-depth review of the strategic plan.

Lastly, the governance committee will be working on updating the board policy manual and present updates at the November Board meeting.

Investment Committee Report & NEPC 2nd Qtr & July Performance Reviews

Mr. Chapman reviewed highlights from the Investment Committee. This was one of the shortest investment team meetings which means things are running very smoothly. The investment team has been busy with the private markets funds-of-one. Mr. Kidd has been working on a 4 factor portfolio which is \$1.2 billion of the portfolio. The team is continued their activist hedge fund search and is close to making some investments in this asset category. We are also working on changing some of our macro managers. Operationally, the custodial bank transition is complete, the intern and analyst programs are going very well and we renewed the NEPC contract through the summer of 2016. Lastly, they are finishing their asset class reviews and manager summaries as well as reviewing board advisory seats. The interns are looking at the tactical overlay strategy.

PIMCO and Acadian presented. PIMCO presented on emerging markets currency and debt. Acadian was very negative on China but very positive on India. The question was why should we be investing in emerging markets? If we can withstand the short-term volatility there is a positive long-term outlook.

Last was the NEPC 2nd quarter review and general market discussion. Other comments included approaching the Governor's Office to request permission for out of country travel. Ms. Ladd reviewed the portion of the budget covering the analysts. Currently, they are approved through the B-11 process but now we have incorporated the AWEC positions into our general budget exception requests.

Ms. Ladd highlighted a few housekeeping items. Ms. Ladd recognized Mr. Jensen's dedicated 12 years of service and thanked him for all he did. Ms. Ladd indicated that we now have an at-large democrat open seat and asked if anyone had recommendations. Secondary consideration is for the northeastern part of the state. Everyone was asked to send suggestions to Mr. Bleakley by September 9th so we can have a list of at least 3 people to send to the Governor. Lastly, regarding the meeting calendar:

- 1) Do we wish to meet the 3rd week of the month? Wednesday - Friday format?
- 2) Location of meetings?
- 3) Duration of the meetings and could meetings be shorter? 2 days instead of 2.5 days

Ms. Smith reviewed 2nd quarter performance. ACWI was up 35 basis points but our benchmark was down 2.1% (fixed income). For the last year equities were up 71 basis points. Emerging markets were down over 5 percent. Our asset allocation was key in our performance ranking vs peers. ACWI up over 13% last 3 years, fixed income was up just shy of 3%. For the quarter our total plan was up 40 basis points, which ranked us in the 38th percentile and benchmark was down 10 basis points. The biggest amount of outperformance comes from fixed income, which is up 2.4% YTD and outperforming benchmark. For a 1 year time horizon we were up 1.6%, while the benchmark was up 2.4%. Our emphasis on developed non-US and emerging market equities hurt our performance. Really strong performance over 3 and 5 years: 9.5% over 3, 9.8% over 5 and while this is outperforming our benchmark it does not put us above the 50th percentile compared to our peers. Long term performance is better than our actuarial assumed rate of return, which is a good thing. Discussion ensued regarding specific managers and asset classes. Ms. Smith stated we are in compliance with our IPS and Ms. Ladd said she appreciated the updates to NEPC's reports.

OAH Recommendations

Mr. Bleakley got Mr. Walters on the phone from the AG's office and discussed OAH protocol. The Board proceeded to get Mr. Pat Crank and Mr. John Keck on the line for their hearing regarding the OAH recommendation. Ms. Colgan recused herself due to her prior work experience with one individual. Mr. Crank stated a terrible mistake was made by Mr. Bryan Pederson and Ms. Jackie Leftover. They were instructed to obtain the necessary paperwork to start the retirement benefit for Mr. Keck but Ms. Leftover got the wrong paperwork. Mr. Pederson was a former legislator and should have known better. OAH has rejected the three arguments Mr. Crank presented. Mr. Crank believes there are material facts in dispute and this should go to a hearing:

- 1) The OAH 09-3-24A states there is no ability to redeposit the money into the retirement system. There is only one way to do a redeposit and that's working for the state for 2 years and redepositing the funds. They feel the administrative hearing officer has added language that didn't exist. The WRS has ability to allow for a redeposit in circumstances of hardship.
- 2) If two parties reach agreement and understanding and the written documents don't meet that understanding then the Board can reform the rules.

- 3) The record keeping requirements of the WRS are not clear. The fax transmission records are not clear and page totals vary. Mr. Crank feels the Board cannot fully know the true intention without the adequate records and only 1 of 7 pages can be produced, according to Mr. Crank.

Mr. Wolff asked why the delay of approximately 10 months between when the funds were withdrawn and when Mr. Keck noticed it had been withdrawn. Mr. Crank stated that there were two amounts (exhibit 6) and one of those amounts was \$3,500 which Ms. Keck thought was the monthly benefit amount. It wasn't until later when Ms. Keck was attending a retirement seminar in Laramie and asked Mr. Keck about listing her as a spouse that they contacted the retirement system and discovered the error.

Ms. Ladd and Mr. Walters asked about the missing 6 pages and what they would expect to find. Mr. Crank stated that he did not know what the contents of the missing 6 pages might be and that these documents could help determine the intent. Mr. Crank said his client could not produce those documents either.

With no further questions Ms. Ladd reviewed the options.

MOTION: Mr. Shanklin moved to approve the OAH recommendation. **Seconded by Mr. Hay. Ms. Anderson is opposed. Ms. Colgan is recused. Motion carries.**

Next on the agenda are Mr. Lowell and Ms. Moneyhun, who called in for their OAH recommendation hearing. Ms. Ladd offered the caller an opportunity to speak. Mr. Lenich was on the call as well. Mr. Lenich said his goal, speaking on behalf of Mr. Lowell, is to present to the Board a deeper understanding. Ms. Moneyhun presented a summary of the case. Ms. Moneyhun supports the findings of fact as presented by the OAH officer. Mr. Lowell did agree that he was retired, rehired after a break of 30 days, and was rehired by a different employer. The OAH applied the WRS Act and Board's rules. He indicated that the system's determination included language that wasn't in the official rules at the time Mr. Lowell retired.

Ms. Ladd asked for clarification based on his retirement application, which was signed that he has no promise or expectation of future employment on December 2, 2014. Ms. Ladd asked whether Mr. Lowell expected to take the job of County Sheriff that he had been just elected to at the time. Mr. Lowell's counsel, Mr. George Lemich, explained that there was a possibility he would not be able to take office but had no reason to believe he would not take office.

MOTION: Mr. Wolff moved to go into executive session for the purpose of obtaining legal advice. **Seconded by Mr. Shanklin. Motion carries.**

Board reconvened at 10:12 a.m.

Ms. Ladd entertained if there was a motion to accept the OAH recommendation.

MOTION: Hearing none, **Mr. Wolff moved** to not accept the OAH recommendation and to grant the WRS motion for summary judgment. **Seconded by Mr. Shanklin. Motion carries.**

Further discussion regarding the draft order presented to the Board by Mr. Robert Walters, specially assigned as advisory attorney for the matter, which would decline to accept OAH recommendation and grant WRS motion for summary judgment, would be reviewed by Board members and any proposed modifications supplied to Mr. Walters, and the Board Chair was authorized to execute the Findings of Fact, Conclusion of Laws and Order when confirmed as finalized.

2016 Meeting Locations –

Mr. Shanklin nominated Casper; Mr. Wolff nominated Cody or Powell. Mr. Chapman nominated Dubois (Brook lake Lodge). Two in Cheyenne, one in Casper. May would be in Casper and Saratoga was also mentioned. It's important for outreach to our members to be available in various parts of the state. Senator Hastert mentioned Sundance as well.

November and February will be in Cheyenne; May will be in Casper. Ms. Ladd would like Mr. Bleakley to send a list to board and staff of the following locations to be voted upon for August: Cody, Sundance, Dubois or Saratoga.

Ms. Ladd would like to convene an executive committee meeting to discuss if we can have a 2-day meeting. We are looking at Tuesday-Wednesday-Thursday combination (Tuesday/Wednesday) moving to the 4th week of the month. Half Thursday if needed. Mr. Bleakley will send a calendar.

Executive Director's Report

Quarterly Report – some of the highlights included:

- 1) Ms. Ryerson is working with our actuaries on the updated COLA policy.
- 2) GASB requirements continue to be a project our staff is working diligently on. GASB 68 report is on website.
- 3) New service purchase calculators and benefit recalculations for the new Volunteer plan have kept us busy.

- 4) RFP will be put out early next year for actuarial services; an RFP will also be issued for audit firm.
- 5) On the budget we have been working with ETS to get approval for exception requests. Mr. Swindell has taken the lead on preparation of the budget. Mr. Bleakley has been working with A&I:HRD regarding position numbers for that.
- 6) WPEA is having their annual meeting next week and they are having a retirement town hall from 3 to 5pm on August 28th at the Holiday Inn on Fox Farm road in Cheyenne. WPEA wants to plan another town hall in the northeastern portion of the state. In July, the WEA created a video with the first 3 minutes having the Governor talk about the importance of public employees and the retirement system.
- 7) Mr. Bleakley has organized a training with A&I:HRD to be the monthly training focused on retirement issues including: RAIN, auto-enrollment, rehired retiree.
- 8) Mr. Brandes and Ms. Ryerson continue to work with JP Morgan on foreign tax withholdings.
- 9) Northern Trust was out to do a training with the applicable people.
- 10) Deferred compensation continues work on the 401a plan and many meetings with SAO.
- 11) Our meeting with the JAC was very positive. Ms. Ryerson and Mr. Masoudi met with Representatives Nicholas and Burkhart in July to prep for the JAC issues.
- 12) Ms. Ryerson and Mr. Masoudi met multiple times with Mercer regarding investment compensation.
- 13) ETS is moving our server.
- 14) Ms. Ryerson continues to administer the Vol Fire and EMT and they are now combined. Ms. Ryerson met in Hudson the same day as the Governor's meeting. The next meeting with them will be in Afton and Mr. Swindell will attend as well.

Ms. Ladd recognized Ms. Ryerson and staff efforts, it has really paid off. Ms. Ladd stated that Treasurer Gordon asked Ms. Ladd to sit in on the interviews for the CIO position at the Treasurer's Office.

Public Comment

Mr. Curtis thanked the Board for their education and outreach. Mr. McDowell thanked the Board to meet publically and consideration of many locations for our meetings.

Adjournment: With no further business **Mr. Sullivan 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 August 20, 2015 at The Wort Hotel, 50 Glenwood Street, Jackson, WY.

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

Committee Members absent:

Board Members present: Ms. Laura Ladd, Mr. Tom Chapman, Mr. Eric Nelson and Mr. Steve Wolff

Board Members absent: Treasurer Mark Gordon

Wyoming Retirement System Staff present: Ms. Ruth Ryerson, Mr. Dave Swindell, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley, Mr. Sam Masoudi and Ms. Cathy Balser. Ms. Erin Gorney and Ms. Samantha Jacobsen appeared by phone.

Others in Attendance: Mr. Bob Kuchera from WPEA, Ms. Lisa Spillman from the Attorney General's Office, Mr. Gary McDowell from WEA

Legislative Liaisons in Attendance: Senator John Hastert, Representative Don Burkhart and Representative Bob Nicholas

Legislative Liaisons Absent: Senator Curt Meier

Mr. Sullivan called the meeting to order at 2:11 pm

Motion: Mr. Shanklin moved to accept the May minutes. **Seconded by Mr. Hay. Motion Carries.**

Internal Audit Department – Mr. Brandes

Mr. Sullivan turned the meeting over to Mr. Brandes for an Internal Audit Department update. Auditors Ms. Gorney and Ms. Jacobsen called into the meeting and participated by phone.

Mr. Brandes reported that the school district salary audit is close to being completed. Ms. Gorney has been working on goal 5 of the strategic plan and identifying areas of risk within the agency. She has developed a series of surveys as part of this implementation.

There is a segment of our plan employers outside of the major participants such as health centers, senior centers, etc., that need examination to determine if there are compliance issues.

CAFR Review and RFP for external auditor

The CAFR was issued last month and Ms. Gorney has provided a memo regarding action items to make the CAFR process and end product even better than it already is. Mr. Brandes asked Mr. Swindell to provide an update on the financial audit wrap-up. We are working to make the CAFR more user-friendly and add some more graphics, said Mr. Swindell. This was the first year where we had to add GASB 67 and 68. Handouts are available and information has been disseminated to our members.

Mr. Brandes highlighted that we are in our 13th year with MHP and although there is a good partnership it's also an opportunity to explore an RFP for our outside audit firm. We would like a firm in place by approximately November 1st.

Lastly, claims for securities litigation were filed on our behalf from the prior custodian and now that we've switched custodial banks they will no longer do that for us and some of the filings go back 7 years. We have endeavored ourselves to file these claims rather than employ an outside firm. We have set-up a process to file these claims internally and by processing internally it saves about \$30,000 per year. Ms. Gorney and Ms. Jacobsen have worked with Ms. James on establishing a process for filing claims using a research tool provided by one of WRS's retained securities litigation law firms.

We utilized an MHP intern for 2 weeks this summer at no cost to the system. This was a very positive experience for both WRS and MHP. Ms. Jacobsen was primarily responsible for overseeing the interns work product.

Mr. Brandes proposed the audit committee to meet in late September or early October for a status update and preparation for next year's audit plan which will be presented in the November Board meeting.

Adjournment: With no further business the meeting adjourned at 2:55 pm. Mr. Hay moved to adjourn, seconded by Ms. Colgan.



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457 DEFERRED COMPENSATION COMMITTEE MEETING MINUTES

The 457 Deferred Compensation Committee met on August 20, 2015 at The Wort Hotel, 50 Glenwood Street, Jackson, WY.

Committee Members present: Mr. Tom Chapman (Chairman), Ms. Vicci Colgan, Ms. Colleen Anderson and Mr. Steve Wolff

Committee Members absent: Carl Jensen

Board Members present: Mr. Garth Shanklin, Ms. Laura Ladd, Mr. Tim Sullivan, Mr. Eric Nelson and Mr. Keith Hay

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. David Swindell, Mr. Andy Mayer, Mr. Sam Masoudi and Ms. Cathy Balsler

Others in Attendance: Mr. Beau Burggraft and Mr. Rob Palmeri from RVK, Ms. Lisa Spillman from the Attorney General's Office, Mr. Bob Kuchera from WPEA, Mr. Gary McDonnel from WEA and Mr. Brent Conger

Legislative Liaisons in Attendance: Senator John Hastert, Senator Curt Meier, Representative Don Burkhart and Representative Bob Nicholas

Legislative Liaisons absent:

Mr. Chapman called the meeting to order at 8:06 a.m. Ms. Ladd welcomed new and returning legislative liaisons and board members.

Motion: Mr. Chapman reviewed the minutes. Mr. Wolff moved to accept the minutes, seconded by Mr. Sullivan.

Guiding Principles & Literature Review

Mr. Chapman recognized Ms. Scott who introduced Mr. Beaugraff and Mr. Palmeri from RVK Consultants. Ms. Scott highlighted a pair of memos, one from her and one from RVK. The consultant's memo summarizes the research pertaining to what plan sponsors are facing nationally in overseeing participant directed retirement plans and draws primarily from seven research articles. The staff memo uses the literature review to develop guiding principles the

board may want to incorporate into its policies to support an outcomes focused framework for the 457 Plan.

DC plans are moving toward fewer, but more diversified, investment choices which is thought to improve investor outcomes. A three-tiered investment menu is becoming the industry standard for DC plans. Tier 1 is the target date funds; Tier 2 is asset class funds; Tier 3 is a self-directed brokerage account. WRS does not currently offer a self-directed brokerage account.

457 Investor Survey

At its May meeting, in the context of determining the appropriate structure of the 457 plan investment lineup, the committee requested a participant survey to ascertain more about how participants are making investment decisions. WRS partnered with RVK and completed a survey of 1,600 randomly selected participants; there were 341 responders. A brief highlight of the Participant Survey Analysis was presented. Key takeaways included:

- Many respondents lacking a fundamental purpose for investing on their own
- Respondents have a varying degree of investment knowledge, experience and engagement
- Respondents better understand the risk/return relationship between asset classes than characteristics within an asset class
- Most responders used historical performance for performance selection, rather than asset allocation
- Few make deliberate style and market cap decisions
- Over half of responders said an investment option diversified across style and market cap would help their decision making
- Many offered no response to questions directed at investment decision making

A robust discussion ensued regarding how to balance the needs of 457 plan investors and the role of the plan sponsor.

MOTION: Mr. Chapman moved to recommend to the Board it restructure the 457 Plan's investment menu to have three tiers. The second tier should be comprised of asset class funds to include multiple managers. A third tier of a self-directed brokerage account should be added to for those participants wanting more choices. **Seconded by Ms. Sullivan.** Motion carries.

2nd Quarter 2015 Performance - Mr. Beau Burggraff, - RVK

Mr. Burggraff reviewed asset allocation by quarter (TRD, stable value, core investments) and fund performance. Most funds are meeting the established benchmarks. There are three funds on "watch" meaning some performance standards have not been met and RVK is doing due diligence on them. Being on watch should not be construed to mean the funds are not high-

quality or will be removed from the 457 Plan investment menu. RVK is not recommending changing managers at this time. Discussion ensued regarding performance.

Adjournment: With no further business the meeting adjourned at 9:59 a.m.



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GOVERNANCE COMMITTEE MEETING MINUTES

The Governance Committee met on August 20, 2015 at the The Wort Hotel, 50 Glenwood Street, Jackson, WY.

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

Committee Members absent:

Board Members present: Mr. Tom Chapman, Mr. Tim Sullivan, Ms. Vicci Colgan and Ms. Colleen Anderson

Board Members absent: Treasurer Mark Gordon

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

Others in Attendance: Ms. Lisa Spillman from the Attorney General's Office, Mr. Gary McDowell from WEA, Mr. Bob Kuchera from WPEA

Legislative Liaisons in Attendance: Senator John Hastert, Representative Don Burkhart and Representative Bob Nicholas

Legislative Liaisons Absent: Senator Curt Meier

Mr. Wolff called the meeting to order at 3:00 p.m.

MOTION: Ms. Ladd moved to approve the February 2015 meeting minutes. **Seconded by Mr. Shanklin. Motion carried.**

Strategic Plan Update

Mr. Wolff recognized Ms. Ryerson who reviewed the strategic plan. Anything new is in red and anything that's completed has a date. Goal 1 has added a mission statement on the importance of the defined benefit plan and designates a staff member to stay up on social media. This was based on Representative Burkhardt receiving e-mails from the Reason Foundation. This person will stay abreast of all current events and forward information to the Board. Goal 2B – we added a number 4 to create a career development plan for staff. 3D5 we added a goal to assess the effectiveness of the current legislative outreach program. Ideas include sending out a survey to legislators and asking our legislative liaisons for feedback.

3E added 4 and 5 for the creation of a 401a plan for opt-outs of automatic enrollment. Under 3 we added I to evaluate potential new legislation including: public records requests and confidentiality of hedge funds. Number 3 was brought up in executive session yesterday about certain small employers not wanting to enroll new employees into the plan due to the expense (health care center, nursing homes, and weed & pest districts). WRS would need statutory changes and IRS determination letters. J is for our experience study to keep the board within the 30 year timeframe for fully funded status. Goal 4A added 5 which established continual monitoring of ETS and the functionality of the IT and RAIN systems. Goal 4F is to review the 457 IPS to develop the core beliefs, core line-up and making recommendations. Additionally, to engage in staff and consultant proposals, reviewing consultant reports on stable value fund, receiving reports on fees, expert panel on deemed IRA's and plan a calendar for 457 committee member education. 4G1b is for GASB reporting requirements which will be headed up by Mr. Swindell and our accounting department. Goal 4 we added J to "improve the CAFR to highlight significant information and make it more user-friendly". Under K we had talked about promoting a positive work environment for staff, beyond compensation. The social event we did between staff and the board last year was very positive for staff. Discussion ensued about K being moved under goal 1 which is retaining quality staff and leadership. We would like a Board member to work with Mr. Bleakley to plan an annual Board/staff retreat and be our 'social coordinator'. Ms. Colgan will be the social chair and work with Mr. Bleakley to plan an event at the November Board meeting. Is there a desire to have a strategic planning retreat in May of 2016 since it will have been 2 years? This will be planned. In regards to incentive compensation and certain items that have been 'put on the back burner' - they will remain in the strategic plan for now.

Adoption of Administrative Rule Update – Mr. Ben Brandes

Ms. Brandes reviewed the contested case procedure rule as previously discussed and that all state agencies need to adopt the OAH rules that were put out. We will update chapter 1 and delete chapter 3. Mr. Brandes asked the committee to recommend to the board the adoption of these rules.

MOTION: Mr. Shanklin moved to adopt this, **seconded by Mr. Hay. Motion carried.**

Board Manual

Mr. Wolff stated that the Governance committee is responsible to annually update our governance manual. We are focusing on the Board responsibilities section and a red line version will be sent to the Board prior to the November Board meeting. If anyone has any changes please send them to Mr. Wolff. In the next couple of months we will have a Governance committee conference call. We finished by having a discussion about public notice responsibilities.

Adjournment: With no further business the meeting adjourned at 3:30 p.m.



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INVESTMENT COMMITTEE MEETING MINUTES

The Investment Committee met on August 20, 2015 at The Wort Hotel, 50 Glenwood Street, Jackson, WY.

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

Committee Members absent: None

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

Board Members absent:

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. Carolyn Smith from NEPC, Mr. Beau Beaugraff and Mr. Rob Palmeri from RVK, Mr. Robert Kuchera from WPEA, Ms. Lisa Spillman from the Attorney General's Office, Mr. Gary McDowell from WEA, Mr. Brent Conger

Legislative Liaisons in Attendance: Senator John Hastert, Representative Donald Burkhart, Representative Bob Nicholas

Legislative Liaisons absent: Senator Curt Meier

Mr. Chapman called the meeting to order at 10:21 a.m.

MOTION: Mr. Sullivan moved to approve the minutes from May 2015. Seconded by Mr. Wolff. Motion carries.

Introduction, Overview and General Issues

Mr. Chapman recognized Mr. Masoudi who highlighted the overview including tactical trades, upcoming investment decisions including private markets fund of one and our four factor portfolio. We are also working with various activist hedge funds and global macro funds to make additional investments. Operating updates include conclusion of the transition from JPMorgan to Northern Trust and hiring of interns and analysts. The team worked very hard to get out two page summaries for each of our managers and those were distributed to all Board members.

EM Panel – PIMCO and Acadian

Mr. Chapman recognized Mr. Kidd who introduced Ms. King and Ms. Rahman from PIMCO, and Mr. Gassler and Mr. Rothman from Acadian.

Ms. King and Ms. Rahman presented their Emerging Markets (EM) outlook. The structure of the global economy and debt markets are changing rapidly and the emerging market has been steadily deleveraging while the domestic market debt levels have risen sharply. They also highlighted the inflow of money into EM over the past decade from international investors and long-term buys and that EM valuations are attractive versus comparative asset classes. Their view is the EM debt has higher yields alongside solid fundamentals. EM's are settling into a lower, more sustainable, but still robust pace.

Mr. Rothman and Mr. Gassler focused heavily on China and their outlook was bearish. They stated the market crash in June/July in China and the currency movements are manifestations of issues regarding Chinese growth. The Chinese growth miracle was spurred by a highly unbalanced economy. Rather than China rebalancing their economy they have stuck to the less balanced approach which has necessitated an increased debt-to-GDP ratio. China has reached almost 300% Debt-to-GDP. India was also discussed in addition to Acadian's unified systematic approach for country evaluation.

2nd Qtr. Performance Review – Carolyn Smith, NEPC

Carolyn reviewed the 2nd quarter performance, the compliance check and due diligence monitor showing that there are no red flags. PIMCO and AQR had some performance issues over the last several months and they will continue to monitor. Carolyn said that ninety percent of performance generated is based on asset allocation, illustrating the relative importance over manager selection. 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.

The fund was up 40 basis points for the quarter versus negative for the benchmark. The fund is up 1.8% for the year which represents the 88th percentile for the 1-year return versus the peer set NEPC measures us against. The fund is below median in the 3, 5 and 10 year time horizon. The plan has less volatility today than it has in the past. Ms. Smith also reviewed was the tactical asset allocation versus what the Board set and confirmed we are in compliance. The fixed income asset class has been the strongest piece of our portfolio where marketable alternatives has been the weakest so far this year. The emphasis on non-US has really helped our portfolio the last couple of years.

Market Discussion

Mr. Masoudi spoke about the Fed wanting to raise rates, the volatility in China, commodity prices and other factors facing the fund as we continue to make the best investment decisions we can with the information and resources we have. Discussion ensued.

Adjournment: With no further business the meeting adjourned at 2:10 pm.



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 August 20, 2015 at The Wort Hotel, 50 Glenwood Street, Jackson, WY.

Committee Members present: Ms. Laura Ladd (Chair), Mr. Garth Shanklin, Mr. Eric Nelson and Mr. Steve Wolff

Committee Members Absent: Treasurer Mark Gordon

Board Members present: Mr. Keith Hay, Mr. Tim Sullivan, Mr. Tom Chapman, Ms. Colleen Anderson and Ms. Vicci Colgan

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: Ms. Lisa Spillman from the Attorney General's Office, Mr. Robert Kuchera from WPEA and Mr. Gary McDowell from WEA

Legislative Liaisons in Attendance: Senator John Hastert, Representative Don Burkhart and Representative Bob Nicholas

Legislative Liaisons absent: Senator Curt Meier

Ms. Ladd called the meeting to order at 3:30 pm.

MOTION: Mr. Wolff moved to accept the May minutes. **Seconded by Mr. Shanklin. Motion carried.**

Interest Rates paid on Member Accounts - GRS

Ms. Ladd recognized Mr. Swindell's interest rate memo and then Mr. Masoudi's recommendation and analysis memo. Mr. Masoudi highlighted option 1 and option 2 that he is recommending. The first would be to pay a rate at 70-80% of the prior years' investment returns to give a benefit to our members if they refund or a beneficiary if they should die. The second option would be matching the Vol Fire plan with a rate of 3%. It's important to make sure we are taking care of our members, especially those with fewer resources and the younger members. Mr. Nelson asked about the administrative burden of calculating this rate annually. Mr. Masodi deferred to Mr. Swindell who spoke about the actuaries need for this rate for their calculations.

MOTION: Mr. Nelson made a motion to adopt a fixed rate of 3%, down from 5.5%, effective January 1, 2016. **Seconded by Mr. Hay.** Discussion ensued that members will be affected immediately and we need a communication plan. This would not be retroactive. **Motion carried.**

JAC Update – Ms. Ladd & Ms. Ryerson

The 5 year investment plan was presented to the JAC. Additionally, the budget and RAIN were discussed. Ms. Ryerson pointed out that our audit staff reviewed the IFS/SAO recommendations and presented that to the JAC. Representative Nicholas thought this was one of the best WRS presentations to the JAC and that really helps build our repertoire with the legislature. He feels it was beneficial for Ms. Ryerson and Mr. Masoudi to present to the committee. Representative Burkhart feels it would be beneficial for Board members to attend the JAC meetings and see the robust discussion that occurs. Ms. Ladd stated that we would like to schedule a legislative educational half-day retreat the day before (October 26th) JAC in October 27 in Casper. Senator Hastert said he received an invite for a retirement town hall next week in Cheyenne and that we should invite all legislators. Ms. Ladd would like Mr. Bleakley to invite all the legislators. Representative Nicholas also suggested a happy hour as we may get greater attendance.

Experience Study Discussion

Ms. Ladd stated that the experience study was discussed during yesterday's legislative breakfast. Discussion ensued regarding if our assumed rate of return is too aggressive? Usually this is conducted every 5 years. The experience study goes back 5 years and assesses all of our assumptions and if they have been correct looking back. Would the Board like to take this up ahead of the normal 5 year schedule? Discussion ensued. Ms. Ladd said some pension funds have lowered their short-term horizon while maintaining the higher rate for a long term horizon. The average of 126 pension plans is 7.68% per NASRA. The median until 2009 was 8%. GRS will present their findings and this may happen at the May 2016 Board meeting.

Potential legislation was also discussed in regards to the timeline for introduction. Representative Nicholas said that 'housekeeping' legislation is pretty standard and can absolutely be introduced in a budget session. If we can get a bill to Appropriations by November's meeting they can probably sign off on it for the upcoming budget session.

Budget Priorities

Ms. Ryerson reviewed the budget. There are two negative numbers where we feel we do not need budget authority to receive the contributions for some COLAs granted many years ago. We receive contributions from Highway Patrol and Game & Fish for COLA's that were directly funded by the agencies. Additionally, we receive money for the EMT pension and that spending authority has been moved to the DB Pension administration budget. Spending authority for RAIN has been 'moved up' to defined benefit so going forward we won't have a separate IT budget, we'll just have the main three: DB, DC and Investments. Updates to our hardware and software are also an exception request. We are proposing to make our 'permanent temp' into a full-time position. This is the person who is the face our agency and we have high turnover in this position. Other requests:

- 1) Experience Study
- 2) Audit of Actuaries
- 3) WRS recently conducted a salary study with Mercer and McLagan for the Investment Team and ED salaries, so there is a request for additional salary budget authority
- 4) Our investment analysts are AWEC's and rather than putting them in as permanent positions we are going to keep them as AWEC's but put them in the regular budget process.
- 5) Continuation of the internship program
- 6) In the Deferred Compensation department we would like to change our contractor through Empower to a full-time employee. We pay the cost either way as a percentage of total assets in the plan.
- 7) 401a plan for tax reversals on automatic enrollment. Detailed discussion ensued.

MOTION: Mr. Shanklin moved to leave the 401a plan in the budget exception requests. **Seconded by Mr. Sullivan.** Vote was 4-3 to leave it in the budget. Mr. Shanklin, Mr. Nelson, Mr. Sullivan and Mr. Chapman in favor. Ms. Colgan abstained. Ms. Anderson, Mr. Hay and Mr. Wolff opposed. **Motion carried.**

MOTION: Ms. Colgan moved to reconsider the vote. **Seconded by Mr. Sullivan.** Does including the 401a make the budget more complicated so that we have too many priorities? Vote was 4-4. In favor of leaving in the budget: Mr. Shanklin, Mr. Hay, Mr. Sullivan, Mr. Chapman.

Opposed: Ms. Colgan, Mr. Nelson, Ms. Anderson, Mr. Wolff. Ms. Ladd (Chair) breaks the tie to remove this exception request.

Adjournment: With no further business, the meeting adjourned at 5:25 p.m.