



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Mark Gordon
Governor

David Swindell
Executive Director

MINUTES OF THE SEPTEMBER 13th & 14th 2023 BOARD MEETING

The Wyoming Retirement System (WRS) Board met on September 13th & 14th 2023 at the Snow King Hotel - Grand View Lodge, 400 E Snow King Avenue, Jackson, WY 83001.

Board Members present: Mr. Tom Chapman (Chair), Mr. Eric Nelson, Mr. Tim Sullivan, Mr. Paul O'Brien, Mr. Robert Leibrich, Dr. Lesley Travers, Mr. John Lummis, Ms. Vicci Colgan, Mr. Jim Ruby, Treasurer Curt Meier and Mr. Jeremy Smith.

Wyoming Retirement System Staff present: Mr. David Swindell, Mr. Sam Masoudi, Mr. Ben Brandes, Mr. John Kreiter, Mr. Andrew Mayer, Ms. Rachel Meeker, Mr. Adam Waddell, Ms. Laura Haskell, Ms. Rachel Kelley, Mr. Randy Krafft, Mr. Dan Paradis, Mr. Ben Bowman, Mr. Casey Rogstad, Mr. Ben Wisdorf and Mr. Dale Meyer.

Others in Attendance: Ms. Mika Malone and Mr. Nick Erickson from Meketa Investment Group (Meketa), Mr. Karl Anderson from the Wyoming Attorney General's Office, Mr. Eric Painting from RVK, Inc., Mr. Paul Wood and Mr. Thomas Lyle from Gabriel, Roeder & Smith & Company (GRS), and Mr. Peter Landers & Mr. Brad Kelly from Global Governance Advisors, Inc. (GGA).

Others in Attendance virtually: Mr. Beau Burggraff from RVK, Inc.

Legislative Liaisons present: Representative Bill Henderson.

Legislative Liaisons absent: Senator Dan Furphy, Senator Mike Gierau and Representative Jared Olsen.

Board Chair, Mr. Tom Chapman called the meeting to order at 8:10 a.m. at the Snow King in Jackson, Wyoming. Mr. Chapman handed the meeting over to Dr. Travers to initiate the Governance Committee.

GOVERNANCE

Governance Committee Members present: Dr. Lesley Travers (Chair), Ms. Vicci Colgan, Mr. Tom Chapman and Mr. Eric Nelson (1 vacancy).

Non-Committee Board Members present: Mr. Tim Sullivan, Mr. John Lummis, Mr. Jeremy Smith, Mr. Bob Leibrich, Mr. Jim Ruby, Mr. Paul O'Brien and Treasurer Meier.

Dr. Travers introduced Mr. Peter Landers & Mr. Brad Kelly from Global Governance Advisors (GGA). Mr. Landers & Mr. Kelly were present to facilitate the WRS Board Strategic Planning Session.

The WRS Board held a Strategic Planning Session with GGA from 8:15 a.m. to 2:30 p.m. at the Snow King in Jackson, Wyoming. Mr. Kelly presented an initial report and overview to the Board. Discussion ensued. Mr. Landers & Mr. Kelly provided a list of the key priorities and discussed next steps in the process. The team from GGA will provide a ranking system to the Board and WRS Staff for the priorities. Mr. Chapman thanked Mr. Landers and Mr. Kelly for their assistance with strategic planning.

The meeting was turned back over to WRS Governance Chair Dr. Lesley Travers at 2:56 p.m. for the remaining Governance Committee Agenda items. The next item was WRS Board Elections. Dr. Travers stated that she had reached out to the WRS Trustees regarding nominations and had not heard back from the Board. Mr. Tom Chapman currently serves as the WRS Board Chair and Mr. Eric Nelson is serving as the Vice Chair.

MOTION: Ms. Vicci Colgan motioned to keep the current slate of elected officials in place. Mr. John Lummis seconded the motion. Motion carried.

Dr. Travers thanked Mr. Tom Chapman & Mr. Eric Nelson for their continued service on the Board. Dr. Travers then passed the meeting over to Ms. Kelley to discuss potential board meeting locations. Mr. Sullivan recommended Dubois as a potential option. Mr. Swindell stated that he knew of a couple of spaces for the meeting but that lodging could be challenging in Dubois. The Board determined that the November 8-9th meeting would be held in person in Cheyenne. The Board requested that the February 2024 meeting be held February 21-22nd at the Cheyenne Botanic Gardens. Potential May locations included Cody & Thermopolis. Recommended locations for September were Saratoga and Buffalo. Ms. Kelley stated she would look into all of the proposed locations.

Mr. Swindell then went over the proposed WRS staffing restructure with the Board. Mr. Meyer commented on the proposed cyber-security consultant. Mr. Swindell noted the tremendous amount of work put forth by the WRS Staff on the staffing proposal. Mr. Swindell stated that WRS is planning to move forward with the request per the previous guidance of the Board.

The Governance Committee adjourned at 3:50 p.m.

EXECUTIVE DIRECTORS REPORT:

Mr. Swindell gave a summary of the 9 page report included in the Board packet. The report provides highlights of his activities, including organizational changes that have occurred, along with statistics regarding all of the work accomplished by staff over the past four months. Mr. Swindell commented on the busy nature of the last few months with legislative meetings and conferences. Mr. Swindell introduced Ms. Samantha Mills as the new 457 Deferred Compensation Manager. Mr. Swindell noted that Ms. Rachel Meeker had started as the Deputy Director on August 1st 2023. Mr. Swindell then announced the hire of Mr. Waddell as the new Audit Manager. The search for a new Principal Auditor will begin soon.

CONFERENCE UPDATES:

Mr. Swindell and Ms. Meeker attended the NASRA Conference in Broomfield Colorado in August and Mr. Swindell provided some highlights.

AUDIT & RISK COMMITTEE

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

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

The Audit & Risk Committee commenced at 4:09 p.m. Audit & Risk Committee Chair, Mr. O'Brien highlighted the recent promotion of Ms. Rachel Meeker, previous Audit Manager, to Deputy Director and the promotion of Mr. Adam Waddell to Audit Manager. Mr. O'Brien highlighted the agenda items that need to be accepted by the Board which included Eide Bailly's External Audit Report and the Annual Comprehensive Financial Report (ACFR).

MOTION: Mr. Tim Sullivan motioned to accept Eide Bailly's External Audit Report and the 2022 Annual Comprehensive Financial Report. Dr. Lesley Travers seconded. Motion carried.

Mr. Waddell thanked Ms. Meeker for her mentorship and congratulated her on her promotion to Deputy Director. According to Mr. Waddell, the new office had mitigated a lot of physical risks that were previously existing in the Qwest Building location. The Internal Audit Department (IAD) recently conducted an attendance audit of ten Volunteer Fire Departments. There were 113 members of the Volunteer Fire, EMT and Search & Rescue Plan who were audited for monthly meeting attendance compliance from January - December 2022. This audit found five members to be out of compliance with the attendance requirements. Their accounts were recommended for adjustment to the Volunteer Fire, EMT and Search & Rescue Board who approved the adjustment. Mr. Waddell attended the ACFE Annual Conference in Seattle, Washington in June; which focused on fraud and cyber-security efforts. Mr. Waddell also attended CyberCheyenne in August with several other WRS staff members. The next goals for Mr. Waddell are to replace himself as Principal Auditor and help to solidify controls and processes within the agency. Mr. O'Brien stated that Mr. Waddell had really stepped up and congratulated him.

Mr. Dale Meyer provided a cyber-security update to the Board. Mr. Meyer & Mr. Waddell sat in on a Cyber risk meeting with CISSA on September 6th to review system risk. CISSA provided their report to WRS this week. Mr. Meyer will be reviewing the report and updating the Board. Mr. Meyer stated that WRS is trying to understand the threat landscape and determine where to concentrate efforts. One of the main goals is about raising risk awareness internally with the staff. Multi-factor authentication is fully enabled within the portal now as an added protection for our members. Mr. Meyer commented on the research he had done on several cybersecurity firms for a planned future contract.

The Audit & Risk Committee adjourned at 4:29 p.m.

At 4:30 p.m. the WRS Board moved into Executive Session.

MOTION: Ms. Vicci Colgan motioned to move into Executive Session for the purpose of discussing the cyber-security plan. Seconded by Mr. Ruby. Motion carried.

The WRS Board moved out of Executive Session into public session at 5:00 p.m.

The Board motioned to adjourn the meeting for the day.

The WRS Board adjourned for the day at 5:01 p.m.

Thursday September 14th 2023

Mr. Chapman called the meeting to order at 8:05 a.m. and thanked everyone for attending the dinner at his home the previous evening. He then passed the meeting to the Legislative & Benefits Chair, Mr. Eric Nelson.

LEGISLATIVE & BENEFITS COMMITTEE

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

Non-Committee Board Members present: Mr. Tom Chapman, Mr. John Lummis, Mr. Paul O'Brien, Ms. Colgan, Mr. Jim Ruby and Treasurer Meier.

The Legislative & Benefits Committee commenced at 8:06 a.m. Mr. Nelson asked Mr. Swindell to provide some insight on the upcoming Legislative Session schedule. Mr. Swindell informed the Board that the WRS budget hearing with the Governor would be held on October 6, 2023. According to Mr. Swindell, on October 25-26th there will be a Joint Appropriations Committee (JAC) meeting regarding the Actuarial Determined Contribution (ADC) rate concept. Representative Walters had brought forth the initial conversation regarding establishing an ADC rate for contributions to keep in line with the fiduciary obligations of the fund. The JAC has requested information on the impact of moving away from the “Fixed Rate” approach and potentially adopting an ADC approach.

Mr. Nelson turned the meeting over to Mr. Thomas Lyle and Mr. Paul Wood from GRS to present on ADC and how it would impact WRS. According to GRS, the market volatility over the last few years, could be improved with the ADC approach. As of January 1st 2023, across all eight plans, there is approximately \$2.8 Billion in Unfunded Accrued Liability (UAL). WRS plans are funded on a “Fixed Rate” basis, where rates don’t automatically change as experience emerges. With Fixed Rate funding, contribution rate is fixed at a certain level, where plan experience and assumptions changes in the short term can have large impacts on the long term projected funded status. With ADC funding, contributions are generally equal to the normal cost with administrative expenses plus an amount to amortize the unfunded accrued liability (UAL). The contribution changes every year based on the results of the actuarial valuation and the policy objectives of the Board. The ADC policy will never drop below 50% funded ratio. Fixed rate creates more volatility with funded status. Mr. Lummis provided some comments regarding implementing stress testing in conjunction with the ADC funding evaluation. Treasurer Meier expressed some concern about the stakeholder reaction to the projected contribution rates with the ADC plan. Dr. Travers commented that she was aware of a hybrid model that a Tennessee pension fund utilizes. Mr. Swindell stated that Tennessee is a hybrid combination of a Defined Contribution and Defined Benefit Plan. Mr. Chapman stated that he is on the fence between a Fixed Rate and ADC funding. Ms. Colgan stated that the Board should be aware of the short length of the upcoming Legislative Session and plan to prioritize the objectives for the agency. Mr. Chapman asked if implementing ADC will streamline future funding. Mr. Swindell commented that the move from Fixed Rate to ADC would require some time to study. Mr. Lummis stated that ADC provides a fiscal prudence that he supports and suggested perhaps considering the ADC with guardrails. Mr. Ruby stated that it boils down to the structure and who pays it. Ms. Colgan stated that it is important to keep in mind the legislative environment within the state of Wyoming and the cost that could be placed on the employee and those impacts on hiring initiatives for employers. Mr. Nelson asked if the Board is prepared to make a statement regarding ADC. Representative Henderson stated that people are the most important resource the State has and he would not use the session length concern with a reason to not pursue a new funding plan. Mr. Wood provided an overview of the different ADC Policy considerations and scenarios. Mr. Leibrich stated that funding at the 6.8% expected return will not get the system fully funded by 2048 with the current Fixed Rate system in place.

Mr. Nelson stated that he does not feel that the Board needs to take a position on ADC at this time and instead needed to wait to hear back from Mr. Swindell regarding the scheduled JAC meetings in October. Mr. Chapman stated that the feedback from the Board indicated that they were most comfortable with Scenario 3 as presented by GRS. Mr. Swindell stated that he felt that the ADC approach is more hands-on than the current Fixed Rate system. Mr. Ruby asked for Mr. Swindell to share the most current funding policy, which was adopted in 2017.

The Legislative & Benefits Committee adjourned at 10:18 a.m.

Mr. Chapman asked for any comments regarding June 30th 2023 Special Meeting Minutes and May 2023 Board Meeting Minutes that were included in the Board Packet.

MOTION: Mr. Jim Ruby motioned to approve the May 2023 Board Meeting Minutes & June 30th 2023 Special Board Meeting Minutes. Treasurer Meier second. Motion passed.

Mr. Chapman passed the meeting over Deferred Compensation Committee Chair, Ms. Vicci Colgan.

DEFERRED COMPENSATION

Deferred Compensation Committee Members present: Ms. Vicci Colgan (Chair), Mr. Bob Leibrich, Dr. Lesley Travers, Mr. Jim Ruby and Mr. Jeremy Smith.

Non-Committee Board Members present: Mr. Paul O'Brien, Mr. Tim Sullivan, Treasurer Meier, Mr. Tom Chapman, Mr. John Lummis and Mr. Eric Nelson.

The Deferred Compensation Committee commenced at 10:20 a.m. Ms. Colgan introduced the new Deferred Compensation Manager, Ms. Samantha Mills. Ms. Mills talked about her experience as a tenured state employee. Mr. Painting from RVK provided the Quarterly Performance Report to the Board. According to Mr. Painting, there are a few funds on the RVK watch list. Mr. Painting stated that during the previous Board meeting it was recommended to replace the Credit Suisse Fund. RVK has since interviewed several candidates in conjunction with WRS Staff and RVK recommends replacing Credit Suisse with T. Rowe Price. The T. Rowe Price Fixed Income Fund is ranked in the top decile over all trailing periods. According to Mr. Painting, the Stable Value Fund continues to provide a steady positive return for investors. Treasurer Meier asked for the average duration of the fund, which Mr. Painting responded with three years. Mr. Ruby asked who would be comparable to BlackRock if WRS was requested to shift funds from BlackRock due to Environmental, Social and Governance (ESG) policies. Mr. Painting stated that Vanguard would be another passive investment fund that would perform at an appropriate level.

Mr. Beau Burggraff commented virtually on the RVK White Label Review. RVK periodically reviews the White Label Fund structures to ensure they are performing in line with expectations and if any changes would offer positive benefits. WRS plans to review the Fixed Income Funds next year. These reviews are used to compare against the benchmark which is the Russell 2500 and represents the entire domestic market for small- and mid-capitalization companies. The White Label Fund has ranked in the 27th percentile vs. other core small/mid cap funds since its inception and outperformed its benchmark by 127 basis points (1.27%). Mr. Burggraff recommends maintaining the fund structure as it is and continues to have a positive outlook on current managers. Mr. Burggraff went over the market capitalization distribution and stated that the Fund as a whole is a little big on the large size.

The next agenda item was Secure Act 2.0 Update from RVK. Mr. Burggraff stated that although no significant retirement legislation are on the horizon following the passage of SECURE Act 2.0, there is potential for a few additional legislative changes including: Collective Investment Trusts (CITs) in 403(b) Plans; and other technical language updates. RVK has seen an uptick in litigation over the last year. The most common complaints continue to be: excessive investment management and/or recordkeeping fees, imprudent monitoring of investments, failure to use the lowest-cost share classes, or the inappropriate use of proprietary investment options, among others. Mr. Painting provided an update to the BlackRock LifePath Target Date funds litigation. As of July 2023, five of the lawsuits have been dismissed.

Ms. Mills thanked Mr. Eason for assistance in getting her up to speed in her new position and his service as the interim 457 Manager. Ms. Mills then went over the 457 Operations Update. Assets were at \$968.9 million as of June 30th 2023 and increased by \$36.8 million from April 1st 2023 to June 30th 2023. Contributions were \$14.8 million from April 1st 2023 to June 30th 2023. Withdrawal requests are now being completed in a day thanks to new processes implemented by Mr. Eason. Ms. Mills stated Plan Enrollment Code (PEC) discussions remain tabled at this time due to an issue with Empower. Mr. Leibrich asked if there is an opportunity to move away from paper enrollments. Ms. Mills stated that they are trying to push towards online enrollment.

Ms. Mills provided a legal update in regards to an issue that came up in July 2023 regarding employers who are ineligible to participate in the 457 Plan per IRS regulation. There were 145 participants impacted. The IRS stated that the employees could be treated as if they were terminated and pull their funds. Their funds will stay until December of 2023 unless employees pull them earlier. Ms. Mills had sent written notification to all employers and individuals impacted.

The Deferred Compensation Committee adjourned at 11:10 a.m.

INVESTMENT

Investment Committee Members present: Mr. Tim Sullivan (Chair), Mr. Bob Leibrich, Mr. Tom Chapman, Mr. Paul O'Brien and Treasurer Meier.

Non-Committee Board Members present: Mr. John Lummis, Mr. Jeremy Smith, Ms. Vicci Colgan, Dr. Lesley Travers, Mr. Eric Nelson and Mr. Jim Ruby.

The Investment Committee commenced at 11:11 a.m. Mr. Sullivan thanked Mr. Chapman and his wife Ana for the lovely evening the previous night. Mr. Masoudi thanked the Investment Team for their work and the Investment Committee for their support. Mr. Masoudi began the Investment Portfolio Overview. Mr. Masoudi highlighted the team's recent activity and potential portfolio changes. WRS is in the top decile for the 2-, 3-, 5-, and 7-year periods. In the second quarter, Marketable Equities continued their strong performance, generating a return of 6.0%, outperforming the WRS Marketable Equity portfolio return of 5.2%.

Mr. Mayer commented on Marketable Alternatives; biotech investment was up 70% in the quarter. According to Mr. Mayer, uranium had a really strong second quarter performance and is up 4.5% up currently and the uranium thesis is playing out just as Mr. Rogstad had previously outlined. The current Asset Allocation is underweight Total Equity by 4.4% and Total Fixed Income by 2.7%, overweight Marketable Alternatives by 3.2% and Private Real Assets by 2.4%. New strategic targets were implemented on July 1st 2022. Mr. Bowman provided a Fixed Income tactical tilt. According to Mr. Bowman, TIPS allocation shows zero, but it is actually 2.6% because it resides in the Marketable Alternatives basket. Currently, the team wants to hold on to the AAA CLO class for now. Mr. Kreiter commented on Equity tactical tilts. The underweight in Public Equities is largely offset by net long exposure within the long-biased Marketable Alternatives portfolio. Total Public Equity exposure is roughly neutral, accounting for this adjustment. The team recently invested in a natural gas fund Wellington, as an opportunistic strategy. The secular outlook for US natural gas demand has increased dramatically, due to growing US liquefaction capacity in response to growing demand from OECD countries to replace Russian supply. Mr. Paradis provided comments on the Real Assets tactical tilt. The Moran Funds are having high yields in the diversified Real Assets portfolio and continue to remain slightly overweight.

Mr. Masoudi handed the meeting over to the team from Meketa, Mr. Nick Erickson and Ms. Mika Malone for the 2nd Quarter Performance Report. Mr. Erickson provided the Performance Review. According to Mr. Erickson, risk sentiment has been supported by expectations that policy tightening could be ending soon, as inflation continues to fall, and growth has slowed. The three year attribution summary showcased Private Equity as the strongest performer both on absolute and relative basis. Marketable Alternatives was the second strongest relative to benchmark returns and manager selection was the primary contributor. Treasurer Meier asked for analysis of the standard deviations of assumptions by asset classes from Meketa. Ms. Malone stated that most assign a standard deviation to the private asset classes that reflects what would be a daily traded volatility. Mr. Leibrich asked Meketa for a review of beta, sharpe ratio, information ratio as categories on the Total Fund with Overlay and FX document. The secondary market is quite robust from a funding standpoint according to Ms. Malone. Meketa concluded their comments.

The next agenda item was performance compensation approval. Mr. Masoudi stated that the Investment Committee had reviewed the calculations and provided their recommendation to the Board to approve the payout. The team outperformed the benchmark by 1.67% so the team will receive the full performance comp allocation. The total value added to the system was 16%. Mr. Ruby noted the varying amounts of performance compensation percentages based on the different positions and asked for consideration of a flat percentage rate. Mr. Masoudi stated that it is weighted towards those who have a higher control on allocation, but there are varying approaches that others utilize for performance compensation. Mr. Ruby stated that he would like to reconsider a step percentage for each bonus with one percentage amount that is uniform from top to bottom and based on total salaries. Mr. Chapman stated that you want to pay people for what they can control and that the eventual goal is to get closer to salaries obtainable by the private sector. WRS performance compensation is not siloed into different asset classes and is based on the total return of the fund as a whole. Mr. Ruby stated he thought it would be better to payout all of the amount instead of the staggered schedule. Mr. Lummis said the current plan is comparable to the private sector to stagger payouts. Mr. Sullivan stated that it encourages longevity with Investment Staff.

MOTION: Mr. Eric Nelson motioned to approve performance compensation for the WRS Investment Team as presented. Seconded by Mr. Jeremy Smith. Motion passed.

PUBLIC COMMENT

Mr. Tom Chapman called for public comment at 1:10 p.m. There were no members of the public present.

INVESTMENT COMMITTEE CONTINUED

The Investment Committee received at 1:12 p.m. Mr. Swindell took a moment to acknowledge the tenure of CIO Mr. Masoudi with WRS. Mr. Swindell presented Mr. Wisdorf with his 5 year certificate and pin for service to the State of Wyoming. Mr. Masoudi asked for comments from Treasurer Meier on ESG and recent legislative developments. Mr. Masoudi stated that the WRS policies in place focus on maximizing returns and are not focused on ESG related policies. According to Treasurer Meier, the fiduciary responsibility is to make as much money as possible for stakeholders. Mr. Masoudi stated that none of the CIOs he knows are interested in being pro or anti-ESG. Treasurer Meier believes that the ESG concerns will eventually subside. Mr. O'Brien asked Mr. Masoudi to provide his strategy on energy investments. According to Mr. Masoudi, most of the team's energy exposure is through private investments with Moran. Mr. Paradis stated that the Moran portfolio was a fund of one that was heavy in energy. Mr. Paradis stated that he believes WRS has more flexibility being an energy state like Wyoming.

Mr. Sullivan asked for market discussion from the Investment Team. Mr. Masoudi stated that the market tends to be in equilibrium and outperformance is generally due to manager selection. Mr. Masoudi believes that Marketable Alternatives success is due to good manager selections by Mr. Mayer & Mr. Rogstad. Mr. Masoudi believes that raising interest rates for homeowners will make refinancing hard. Mr. Sullivan asked about the fund's real estate exposure. According to Mr. Masoudi, valuations have been holding up really well. Mr. Sullivan asked Ms. Malone for her perspective on the current markets. Ms. Malone stated that the restart to student loans payments will be interesting within the economic environment. Mr. Erickson stated that the government shutdown could also be impactful. According to Mr. Sullivan, consumer debt is through the roof.

Mr. Swindell commented on the enclosed legal memo with a recommendation to update the Performance Compensation Plan to be in line with legislation passed during the 2023 Legislative Session. According to Mr. Brandes, Amendment One to the Performance Comp Plan is to adjust the percentage for the position

of Investment Analyst and Senior Analyst from 25% to 35%. The second amendment is to update Appendix A of the WRS' Performance Comp Plan to reflect Board approved benchmarks for the Investment Period beginning July 1st 2023 and ending June 30th 2024.

MOTION: Mr. Eric Nelson to approve Amendment 1 and Amendment 2 as presented. Seconded by Mr. Jeremy Smith. Motion carried.

Discussion ensued regarding the ability to not be required to amend the Performance Compensation Plan each year. Mr. Nelson asked if there was a way to rework the plan to allow for adjustments without continual approval. Mr. Brandes recommended approving it as presented, but he would review and determine if there was a way to rework it for that consideration the following year.

Ms. Colgan called for the question. Motion carried.

The Investment Committee adjourned at 2:38 p.m.

The WRS Board Meeting adjourned at 2:42 p.m.