



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Mark Gordon
Governor

David Swindell
Executive Director

MINUTES OF THE MAY 19th & 20th 2020 BOARD MEETING

The Wyoming Retirement System Board met on May 19th & 20th 2020 via Zoom.

Board Members present remotely: Ms. Laura Ladd (Chair), Mr. Tom Chapman (Vice Chair), Mr. Eric Nelson, Mr. Tim Sullivan, Mr. Mike Ceballos, Ms. Vicci Colgan, Mr. Keith Hay, Ms. Kay Watson, Mr. Garth Shanklin and Treasurer Curt Meier.

Board Members absent: Mr. Brian Foster

Wyoming Retirement System Staff present remotely: Mr. David Swindell, Mr. Sam Masoudi, Mr. Ben Brandes, Mr. Mike Bleakley, Ms. Rachel Kelley, Ms. Kate Mumford, Ms. Rachel Meeker, Mr. John Kreiter, Mr. Andy Mayer, Mr. Ben Bowman, Mr. Adam Waddell, Ms. Laura Bowen, Mr. Michael Vuyk, Mr. Joe Briones, Mr. Dan Paradis, Mr. Casey Rogstad, and Ms. Shuyeh Wang Liu.

Others in Attendance remotely: Ms. Mika Malone, Mr. Nick Erickson and Ms. Paola Nealon from Meketa Investment Group, Ms. Rebecca Zisch from the Wyoming Attorney General's Office, Ms. Lisa Jerde Spillman from the Wyoming State Treasurer's Office, Ms. Alison Adams & Mr. Beau Burggraff from RVK, Mr. Paul Wood, Mr. Thomas Lyle, Mr. Mark Randall from Gabriel, Roeder, Smith & Company (GRS), Mr. Michael Cembalest & Ms. Lara Clarke from JP Morgan, and Mr. Leland Miller from Eide Bailly

From the public: Board Meeting was live streamed via YouTube.

Legislative Liaisons present remotely: Representative Andy Schwartz, Senator Jeff Wasserburger, Senator Dave Kinskey, and Representative Don Burkhart.

Ms. Ladd called the meeting to order at 10:00 a.m. on May 19th 2020 and welcomed everyone to the May 19-20 Board Meeting. Ms. Kelley went over general Zoom housekeeping.

INVESTMENT

Investment Committee Members present remotely: Mr. Tom Chapman (Chair), Ms. Laura Ladd, Treasurer Curt Meier, Mr. Mike Ceballos and Mr. Tim Sullivan.

Non-Committee Board Members present remotely: Mr. Keith Hay, Ms. Kay Watson, Ms. Vicci Colgan, Mr. Garth Shanklin and Mr. Eric Nelson.

Non-Committee Board Member absent: Mr. Brian Foster

Investment was convened at 10:08 am. Investment Committee chair Mr. Chapman, began discussing the current market situation. The Investment team has been very opportunistic with tactical trading during a volatile market. Mr. Masoudi provided the Board with an Investment activities update. 2020 marked the completion for the Investment team's first 5 year plan. The team will begin working on

the next 5 year plan to present to the Board later this year. The new summer intern Ms. McKenna Legerski will be starting June 15th 2020. Ms. Ladd asked about the summer intern program and how that would occur during the pandemic. The plan will be a more remote internship with possible in person training later in the summer.

The Wyoming Retirement System (WRS) Board discussed implementation of a 65% currency hedge benchmark previously discussed at the February 2020 Board Meeting.

Motion: Mr. Chapman motioned to approve an amendment to the Investment Policy Statement (IPS) implementing a 65% currency hedge benchmark. Mr. Eric Nelson seconded. Motion carried

The meeting was turned over to Ms. Malone from Meketa for the quarterly reporting and performance comments. According to Ms. Malone, the markets have recovered substantially with a meaningful rebound in May. She provided historic insight on how these trends usually last, with the caveat being we are facing a global pandemic. As the economy reopens there will be more of a turnaround. WRS outperformed in Domestic Equity and Developed International Equity. The overlay really helped in the 1st quarter. Mr. Masoudi stated that real estate and energy markets will likely be hit hard when their values are updated due to the lagged reporting. Mr. Chapman emphasized that the portfolio diversification allowed the portfolio to hold up well due to asset allocation and Marketable Alternatives. The portfolio also weathered the current market situation well due to the teams' tactical decisions. According to Meketa, 19.8% of the WRS portfolio is allocated to hedge funds, which is more than the average peer plan. Mr. Mayer discussed the current liquidity of the portfolio and how that the liquidity has allowed the team to trade opportunistically. Mr. Chapman stated that WRS is more liquid than most programs. Ms. Malone discussed the different Coronavirus shock description testing scenarios for WRS. Meketa also discussed their capability to run a variety of scenario tests for WRS.

Mr. Chapman moved on to market discussion with the Investment team. Mr. Bowman discussed fixed income and explained how the team was able to move from a more liquid portfolio through adjustments to allow for investments in different investment classes such as high yield debt. Up until recently there hasn't been a lot of distressed debt to take advantage of in the market. Additionally, sharp rapid declines have occurred over a few weeks that would normally occur over several months. Mr. Kreiter discussed Equity and consumption risk. Mr. Kreiter has been examining the structural changes that have been occurring as a result of the pandemic and current investor preferences.

JP Morgan Presentation - Michael Cembalest

Ms. Lara Clarke from JP Morgan introduced Mr. Cembalest as the guest speaker. Mr. Cembalest is the point person for JP Morgan Chase on COVID-19. Mr. Cembalest was optimistic that states with low infection rates, there will be a reasonable increase in consumer spending. The current studies being published are not verified and uncharacteristically shared over the internet. A month ago there were 80 vaccine trials and as time has gone on it appears that the time table on the vaccine may be shorter than previously expected. He state his belief that there is a 50/50 likelihood that there will be a vaccine. Distribution of a vaccine would begin after phase three testing. Previously, 90% of infections were above a certain latitude within the world, but now countries in Africa and Brazil are starting to have outbreaks. Mr. Cembalest believes the onset of warmer weather will help damper transmission rates. Ms. Ladd asked his perspective on a rural state like Wyoming and what metrics our state should be paying attention to the most. According to Mr. Cembalest, Wyoming looks pretty good as a state without a formal lockdown policy. His concern would be access to reliable health care and the distance required to travel for that care. The states that went into the pandemic with

underfunded pensions are going to suffer greatly and possibly face Chapter 9 bankruptcy (if the law is changed). Wyoming could find opportunities to attract e-commerce companies with our low tax rates. Ms. Colgan asked what good could possibly come out of this pandemic. According to Mr. Cembalest, there is potential for advances in medical technology and noted the resilience of working people. Mr. Chapman thanked Mr. Cembalest for speaking to the group.

Investment Committee adjourned at 12:43 p.m.

GOVERNANCE

Governance Committee Members present remotely: Mr. Mike Ceballos, Mr. Tom Chapman, Ms. Laura Ladd and Ms. Vicci Colgan.

Governance Committee Members Absent: Mr. Brian Foster (Chair).

Non-Committee Board Members present remotely: Mr. Keith Hay, Ms. Kay Watson, Mr. Tim Sullivan, Mr. Garth Shanklin and Treasurer Curt Meier.

Governance convened at 1:32 p.m. Ms. Ladd began the meeting stating that Mr. Foster, the Chair of the Governance Committee, was unable to attend the Board meeting. Mr. Mike Bleakley, as the staff liaison to the committee, presented on his behalf. Mr. Bleakley discussed the results of the WRS Board Self-Evaluation. Ms. Colgan requested in the future, that the questions be more singular in nature. Ms. Ladd asked for comments and requested improvements of the evaluation to be directed to Ms. Kelley. Mr. Ceballos requested highlights of the sections for the Board to look at within each board packet since the document size is large. A discussion ensued on how the Board individually should reach out to the Executive Director and staff. Mr. Shanklin stated that not knowing the boundaries between staff and board members can be one of the potential major pitfalls for all Boards. Ms. Ladd asked when the last time the self-evaluation was overhauled, according to Mr. Bleakley 2011-2012 was the last time. The process has been made easier but the substance has not changed. Mr. Bleakley then moved on to the overall board evaluation questions and responses. Rep. Schwartz commented that the WRS Board is one of the better Boards he has sat on and he is appreciative of the evaluation results. More education on Benefits and Investments for board members was one of the notable results of the survey.

Mr. Bleakley went over the Strategic Plan document plan redline. Mr. Chapman asked about the summer retreat plan and how to incorporate changes to the strategic plan as part of the retreat. Mr. Bleakley went over all of the strategic goals briefly and highlighted edits and comments of interest. Ms. Ladd asked for the WRS Leadership Philosophy be shared with the Board. Edits were made to the Strategic Plan draft document by Mr. Bleakley with the Board's guidance. Some of the added goals were specific to technology advancements in operations. Ms. Ladd asked for technology upgrades across the system to be a goal, with sub-goals specific to operations. Rep. Schwartz asked for the Board to proactively ask for appropriate tweaks to the system since the Board is the expert on the needs of the system. Ms. Ladd stated that clearer education, developing solutions for actuarial soundness, and developing that plan with our legislative liaisons could be an added sub-goal.

Sen. Kinskey addressed board composition and the possibility of the Board being made up of more investment and pension professionals as well as other ideas for longer term solvency of the plan. Board succession planning should be a highlighted goal. Mr. Bleakley noted that legislation passed to increase the number of investment professionals on the WRS Board. Sen. Kinskey stated that skill level and background of the Board is very important; especially investment background.

Ms. Ladd stated that the retreat would preferably be in-person. Ms. Ladd thanked Mr. Bleakley for taking over the Governance discussion in Mr. Foster's absence.

Governance Committee adjourned at 2:53 p.m.

DEFERRED COMPENSATION

Deferred Comp Committee Members present remotely: Ms. Vicci Colgan (Chair), Mr. Keith Hay, Ms. Kay Watson, Mr. Garth Shanklin and Mr. Eric Nelson.

Non-Committee Board Members present remotely: Ms. Laura Ladd, Mr. Tom Chapman, Mr. Tim Sullivan, Treasurer Curt Meier and Mr. Mike Ceballos.

Non-Committee Board Members absent: Mr. Brian Foster.

Deferred Compensation Committee Chair, Ms. Vicci Colgan, began the 457 Committee at 2:54 p.m. and then handed it off to Ms. Bowen, the new Deferred Compensation Manager. Ms. Bowen began by highlighting the successful last year of the 457 Plan. Of note was a 99% participation rate for both the State of Wyoming and Albany County – showing auto enrollment is working. Market impacts increased the asset level of the plan to \$805.4 million. Member contribution increase was over \$5 million, due to some innovative ways to improve matching from employers. Ms. Ladd asked if there were any ways the Board could help getting other employers on board with 457 auto enrollment. Ms. Bowen acknowledged Mr. Sullivan and Mr. Nelson for their assistance in getting new employers enrolled. Mr. Shanklin asked about portability options for the 457 plan and Ms. Colgan stated could be part of the future goals for the plan.

Mr. Beau Burggraff from RVK presented the performance summary of the plan for the 1st Quarter. Significant highlights include the high performance of treasuries. Dodge & Cox and Vanguard are new international equity funds. Equity markets have come back. Fixed Income is starting to show the spread narrowing. Next RVK discussed participant flows. Information was gathered from other record-keepers. A large percentage of participants continue to use the default investment option. Younger participants are making better decisions and overall there has been improvement. Mr. Swindell asked about young members being under allocated in equities and expressed concern about those groups not knowing how to allocate.

Deferred Compensation Committee adjourned at 3:48 p.m.

The WRS Board Meeting adjourned for the day at 3:50 p.m. Tuesday May 19th 2020.

Wednesday May 20th 2020

The WRS Board meeting began at 9:04 a.m. Wednesday, May 20th 2020. Ms. Ladd called the meeting to order and referred back to a conversation which occurred the previous day regarding the Board makeup. Ms. Ladd stated that she felt the board representation has always been good and has worked well, and is something that should be continually improved upon. Sen. Wasserburger agreed with Ms. Ladd regarding the makeup of the Board. Treasurer Meier felt that there is a good board education system to get people up to speed but does appreciate having investment expertise like Mr. Chapman. Rep. Burkhart stated that he appreciated the current Board's decisive actions when compared to previous Boards.

LEGISLATIVE & BENEFITS

Legislative & Benefits Committee Members present remotely: Mr. Eric Nelson (Chair), Mr. Tim Sullivan, Mr. Garth Shanklin, and Ms. Laura Ladd.

Legislative & Benefits Committee Board Member absent: Mr. Brian Foster

Non-Committee Board Members present remotely: Ms. Vicci Colgan, Mr. Tom Chapman, Treasurer Curt Meier, Mr. Keith Hay, Ms. Kay Watson and Mr. Mike Ceballos.

Ms. Ladd turned the meeting over to Legislative and Benefits Committee Chair Eric Nelson, to discuss the Committee's agenda. Mr. Paul Wood of GRS began the annual actuarial plan valuation presentation. According to Mr. Wood, the entire unfunded accrued liability is not due today. Payments towards it are made over a long period of time. There were large market value asset gains during fiscal year 2019. Actuarial determined contributions are increasing because of continued recognition of prior years' actuarial value of asset losses and liabilities which are growing faster than assumed. Mr. Swindell stated that investment returns were good enough last year to cover a full year of expenses in the Fire A Plan, which has not incoming contributions.

Mr. Thomas Lyle from GRS discussed the sources of change which include liabilities, gains, and losses experienced. Funded status in 2049 was compared for each plan. There is an expected increase in dollars to each plan over the next few years including growth in payroll. Mr. Ceballos asked how they determine payroll growth. Mr. Lyle stated that they always account for inflation and expected payroll growth. Ms. Ladd asked for the next experience study to compare whether payroll growth assumptions have been over or below actual growth in the past. Each year GRS analyzes if payroll grew as expected, which is generally 2% growth each year. Mr. Ceballos stated that he thought it would be unlikely to see employee growth in the immediate future with the current state. GRS relies on investment earnings without contribution increases and continues to be very sensitive to rates of returns. Mr. Wood projected several recovery scenarios that could play out over the next few years. Lack of payroll growth had a large impact on projected funded status and affects a couple of percentage points per year. The GRS presentation concluded with potential action items for Board discussion including- rate increases to Law Enforcement, Warden & Public Employee Plans, the next Experience Study, and Fire A funding. Rep. Burkhart believes that status quo will continue: with no raises for employees, less staff on hand, and health insurance rate increases. He stated that GRS and WRS as experts, should continue to bring options to the table and commended WRS as an agency on their approach to continued analysis. Rep. Schwartz agreed with Rep. Burkhart, and felt that bringing up WRS plan funding might need tabled for a period of time. Sen. Wasserburger stated it was important to bring a Fire A funding bill in the coming legislative session to continually make legislators aware of the impending unfunded liability. Ms. Ladd thanked the Legislative Liaisons for their advice and guidance.

Next item on the agenda was related to a recent Public Records request issued by a group including OpentheBooks.com. Mr. Brandes provided background on the request, which was for information about the amount of pension dollars paid out to retirees in 2019, those retirees' names, and the individual amounts paid to each. According to Mr. Brandes, WRS has a long standing administrative rule (Chapter 10) in place that prevents disclosure of confidential member information absent the member's authorization or a court order. Mr. Brandes has advised WRS that it is not authorized to disclose the specific information contained in the request pursuant to the rule. WRS offered to compile the general information relevant to the request even though such action was not required under the Public Records Act. The requestors denied the offer and will pursue full compliance with their request.

Treasurer Meier stated that he felt that those administrative rules were antiquated and that it may be appropriate to go through the rulemaking process again. Treasurer Meier hoped to get some public comment on the matter. Ms. Ladd requested for the administrative rules to be circulated with the Board for review. Mr. Nelson wondered if there was a legal necessity to revisit the rules due to their age and if Mr. Brandes should prepare an opinion. Ms. Ladd asked if the Wyoming Attorney General's position had been solicited, which it had, but it was more focused on the legality of presenting member information. Treasurer Meier believed the requestor was coming forward because of the new Public Records Act and that group believed the information should not be precluded due to the changes. Treasurer Meier felt that it is appropriate to evaluate whether the changes impact the request. Mr. Nelson stated that the questions really lend themselves to legal advice, and until there is clarity, then the Board should not be making a decision.

Legislative & Benefits Committee adjourned at 11:01 a.m.

AUDIT COMMITTEE

Audit Committee Members present: Ms. Kay Watson (Chair), Mr. Keith Hay, and Ms. Vicci Colgan

Audit Committee Members absent: Mr. Brian Foster

Non-Committee Board Member present remotely: Mr. Garth Shanklin

Non-Committee Board Members present: Mr. Tom Chapman, Ms. Lisa Jerde Spillman (representing Treasurer Curt Meier), Mr. Tim Sullivan, Mr. Eric Nelson, Ms. Laura Ladd and Mr. Mike Ceballos.

At 11:02 a.m. Ms. Ladd passed the meeting to Audit Committee Chair, Ms. Kay Watson. Ms. Watson thanked Mr. Waddell for his hard work over the past few months and extended a welcome to Ms. Rachel Meeker as the new WRS Audit Manager. Mr. Waddell turned the meeting over to Mr. Leland Miller from Eide Bailly to discuss the audit findings from the recent February 2020 Audit. Mr. Miller acknowledged Ms. Andrea Odell, Ms. Shuyeh Wang Liu and Mr. Bleakley for all their help during the recent audit. Eide Bailly found no material deficiencies that need to be reported to the Board. Eide Bailly will be assisting with the finalization of the 2019 WRS Comprehensive Annual Financial Report (CAFR). Mr. Miller asked for any questions from the Board. Ms. Ladd asked when the Board adoption of the CAFR occurs. The full Board will accept the report in either September or November.

Audit Committee agenda was paused to take public comment at 11:15 a.m.

PUBLIC COMMENT

Ms. Ladd called for public comment at 11:17 a.m. Ms. Kelley shared the Public Comment Form that had been created for the purpose of gathering comment submissions. There were no public comments at that time. Mr. Bleakley shared a comment posted in the Zoom chat by Ms. Anastasia Marchese from the Wyoming Coalition for a Healthy Retirement to let the Board know how much the Equality State Policy Center and Wyoming Coalition for a Healthy Retirement appreciate their support and thanked them for being a positive voice during negative times.

The Audit Committee agenda reconvened. Mr. Waddell reported on the Investment Fund Performance Audit and its results. One manager was selected from each of the following categories for audit testing purposes: Burgundy Equity was selected from the equity category, NAYA from marketable alternatives, Moran II from private markets, and Western Asset (WAMCO) from fixed

income. Mr. Waddell discussed the 457 Distribution Audit which was the first time the department had worked on that type of audit. There were no findings and 29 sampled distributions were utilized. The Distribution Audit utilized 40 different member distributions for analysis and there were no findings. Related to Audit, due to COVID-19, there may be shifts regarding how Volunteer Plan member meeting attendance is recorded.

A cyber security audit will be presented at the September 2020 Board Meeting. It had to be pushed back due to COVID. Mr. Waddell noted that the changes in staff access (teleworking from home) could yield interesting results. Mr. Swindell formerly introduced Ms. Rachel Meeker the new Audit Manager who comes to WRS from Laramie County Government where she was the Assistant Finance Director.

Audit Committee adjourned at 11:34 a.m.

After lunch, the WRS Board meeting reconvened at 2:03 p.m. Ms. Ladd discussed approval of the February 2020 Board Minutes.

MOTION: Ms. Watson motioned to approve February 2020 Board Meeting Minutes. Seconded by Mr. Hay. Motion carried.

CONFERENCE ATTENDANCE

Ms. Ladd asked for conference updates or if there was information that the Board wanted to share as a whole. Ms. Ladd has attended several Milken webinars that she felt were very useful. Rep. Schwartz discussed the special session that had recently occurred due to the COVID-19 pandemic. Information on pending legislation is available on the Wyoming Legislative Services=O website.

EXECUTIVE DIRECTOR'S QUARTERLY REPORT

Mr. Swindell gave a summary of the 10-page quarterly report that was included in the board packet. The report provided highlights of his activities including organizational changes that have occurred along with statistics regarding all of the work accomplished by staff over the past 3 months. Ms. Ladd thanked Mr. Swindell for his thoughtful communication over the last 10 weeks.

STRATEGIC PLANNING RETREAT

Ms. Ladd led the Board on a discussion about a potential strategic planning retreat. Several votes were taken. There appeared to be a desire to have a retreat in August in-person. Ms. Colgan would prefer to pick the top Funston recommendations and focus on them solely due to the length of the list of recommendations. Concerns were expressed related to scheduling an in-person retreat and the COVID-19 virus. Mr. Ceballos stated that he would like to have Zoom meeting as a back-up in the event an in-person retreat is not possible. Ms. Colgan stated she still wanted precautions to be taken (social distancing). Mr. Brandes reminded the Board that there are public meeting procedures that must be adhered to for future meetings.

MOTION: Mr. Garth Shanklin motioned to move into Executive Session to discuss personnel. Seconded by Ms. Colgan. Motion carried.

MOTION: Mr. Sullivan moved to adjourn Executive Session at 4:18 p.m. and reconvene the regular session. Mr. Hay seconded. Motion carried.

Board Meeting was adjourned at 4:20 p.m. Wednesday May 20th 2020.