



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Mark Gordon
Governor

David Swindell
Executive Director

MINUTES OF THE NOVEMBER 21st & 22nd 2019 BOARD MEETING

The Wyoming Retirement System Board met on November 21st & 22nd 2019 at Laramie County Community College, Pathfinder Building, 1400 E College Drive, Cheyenne, WY 82007.

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

Volunteer Board Members Present: Mr. Clint Becker.

Board Members absent: None

Wyoming Retirement System Staff present: Mr. David Swindell, Mr. Sam Masoudi, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley, Ms. Rachel Kelley, Ms. Kate Mumford, Mr. John Kreiter, Mr. Andy Mayer, Mr. Ben Bowman, Ms. Samantha Jacobsen, Mr. Adam Waddell, Mr. Michael Vuyk, Mr. Dale Meyer, Mr. George Eason, Mr. Joe Briones, Mr. Dan Paradis, Mr. Casey Rogstad and Ms. Shuyeh Wang Liu.

Others in Attendance: Ms. Mika Malone, Mr. Nick Erickson and Ms. Paola Nealon from Meketa, Ms. Rebecca Zisch from the Attorney General's Office, Ms. Alison Adams and Ms. Mikaylee O'Connor from RVK, Mr. Paul Wood from GRS, Dr. Annamaria Lusardi from George Washington University, Mr. Jonathon Roth, Mr. Tim Maloney and Mr. Leonard Pangburn from Abbott.

From the public: Mr. Pat Crank, Mr. Robbie Doty, Mr. Kevin Ready, Ms. Marina Malatesla, Ms. Jess Tomar, Mr. Bobby Baker, Ms. Erin Williams, Ms. Cindy Lindsay, Ms. Carolyn Cuestas, Ms. Luzette Miller, Ms. Mary Martin, Ms. Trista Wood, Ms. Dana McCammon, Ms. Betty Jo Beardsley, Ms. Ana Marchese and Mr. Stan Christensen.

Legislative Liaisons in Attendance: Representative Andy Schwartz and Senator Jeff Wasserburger.

Legislative Liaisons in attendance online: Senator Dave Kinskey.

Legislative Liaisons absent: Representative Don Burkhart

Ms. Ladd called the meeting to order at 12:01 p.m. The meeting began with a lunch and presentation to the public and WRS Board on financial security on behalf of the 457 Committee.

DEFERRED COMPENSATION COMMITTEE

Deferred Comp Committee Members Present: Ms. Vicci Colgan (Chair), Mr. Keith Hay, Ms. Kay Watson, Mr. Brian Foster and Mr. Garth Shanklin.

Deferred Comp Committee Members Absent: Mr. Eric Nelson.

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

Non-Committee Board Members Absent: Mr. Michael Ceballos.

Ms. Scott introduced Dr. Annamaria Lusardi who was presenting remotely from George Washington University to discuss financial literacy, retirement security and financial wellness. Dr. Lusardi is the Endowed Chair of Economics and Accountancy at the George Washington University School of Business (GWSB). Dr. Lusardi spoke on financial knowledge and wellness of the average American, including different population demographics. The data she utilizes is gathered by the Personal Finance Index and measures the knowledge and understanding that enables sound financial decision making and effective management of personal finances. Ms. Colgan thanked Dr. Lusardi for her presentation and opened it up for questions. Ms. Ladd, Treasurer Meier & Ms. Colgan had several questions for Dr. Lusardi. After the conclusion of Dr. Lusardi's presentation, Ms. Mikaylee O'Connor of RVK spoke as part of an expert panel on financial wellness. Ms. O'Connor discussed a recent survey Ms. Scott had gathered data from, that included three specific questions on financial wellness. It was sent to 900 non-state employer staff members and returned with 192 responses. One of the results was that 80% of employers had concerns about the financial wellness of their employees, with 41% indicating they did not have future plans in place to change that. Challenges were determined to be in 3 categories: access and defining financial wellness, the cost, and no interest from employees. Several members of the public were present for the presentation and it was very well received.

Upon completion of Ms. O'Connor's comments, Ms. Colgan then handed the floor over to Ms. Alison Adams of RVK to discuss the Administrative Cost Analysis. The analysis revealed a recommendation of a move from 26 basis points to 23 basis points. Reasons for the reduction include: plan assets are growing faster than plan costs and staff negotiations with Empower's annual fee. Ms. Adams then turned the meeting back to Ms. Colgan. Discussion ensued about lowering of the rate. Mr. Swindell took a moment to recognize Mr. George Eason, WRS' Education Supervisor who was in attendance. Mr. Swindell then introduced Sheriff Clinton Becker, who recently joined the Volunteer Board as representative of Search & Rescue.

MOTION: Ms. Watson motioned to approve lowering administrative cost from 26 to 23 basis points effective January 1, 2020. Seconded by Mr. Ceballos. Motion carries.

Ms. Colgan then directed the Board to the agenda and the packet content including an update on the proposed deemed IRA but in the interest of time, Ms. Colgan adjourned the Deferred Comp Committee.

Deferred Comp was adjourned at 1:34 p.m.

INVESTMENT COMMITTEE

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

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

Ms. Ladd turned the meeting over to Investment Committee Chair, Mr. Chapman. Recognition was made of the Investment team's recent outstanding returns. Ms. Ladd took a moment to recognize Mr. Chapman for his contributions to the investment strategy and positive returns. Mr. Masoudi thanked the board for their support on portfolio decisions.

Mr. Masoudi reviewed recent investment activities. He noted an increased exposure in marketable equities and an \$80 million commitment to Janchor Opportunities Fund II. In private markets, investments were made in Leonard Green Partners Fund VIII and Grove Street was retained with a reduction in management fee. According to Mr. Masoudi, TCI has performed extremely well and will be trimmed over the next few quarters to take some of the gains. Additional commitments were made to Hamilton Lane. Mr. Masoudi discussed pending investment decisions and general projects; including reports submitted to CAPFIN and JAC. Mr. Masoudi then turned the meeting over to the group from Meketa.

Meketa 3rd Qtr Review

Ms. Malone from Meketa started by highlighting the market trends of the quarter. In September 2019, value outperformed growth for the first time in a while. Since the end of the 3rd quarter the markets have continued to grow and have been very interesting to watch, although there are indications that the economy is slowing a bit. There are no predictions of a recession in the 4th quarter. Mr. Erickson spoke on the performance of WRS in relation to peers. Most of these strong positive results are due to a strong manager selection.

Mr. Erickson then highlighted several managers who performed well. Domestic equity was a very positive contributor. In international equity, Burgundy, WRS's largest manager, had positive absolute and relative returns related to the benchmark. Emerging Markets altogether had overall positive returns related to the benchmark. Polunin was a manager that Mr. Erickson identified as underperforming slightly. Opportunistic credit yielded lower returns compared to the rest of the portfolio. A lot of the strong relative performance came from Marketable Alternatives which is ~20% of the portfolio. Mr. Erickson highlighted TCI, who performed extremely well and had risen to a value of \$274.6 million as of September 2019. TCI is a fairly concentrated fund with 15 to 16 holdings. Overall these types of managers have done particularly well for WRS lately. Mr. Masoudi made note that the outperformance in the asset class is based on manager selection, not just due to its directional bias. He mentioned that the Marketable Alternative asset class was up 8.8% for the last year and global equity was only up 1.5% over that last year. Mr. Swindell commended Mr. Masoudi on the number one ranking out of 75 portfolios with 6.85% return over the trailing year. Mr. Chapman discussed asset allocation and the teams' tactical decision to increase allocation of core plus over opportunistic as core plus had outperformed opportunistic.

Ms. Malone mentioned to the Board that Meketa is now including statistics about the portfolio within the document at the Board's request. WRS had a better risk adjusted return than 92% of peers over the past 12 months, therefore not taking on undo risk to obtain a better returning portfolio. Mr. Chapman commended the Board on allocation decisions over the years and the strong investment yields.

Risk Survey

Mr. Chapman began the risk survey discussion. The board has been performing the risk survey for the past three years. The risk appetite of the board seemed to be the same as prior years based on the results of the survey. To Mr. Chapman, the biggest takeaway was the board and other constituents felt that the current level of risk matched the desired level of risk in the portfolio looking forward. Mr. Masoudi took a moment to mention the recent investment analyst search and the hiring of Casey Rogstad. Mr. Masoudi introduced Mr. Rogstad and commended him on his work on the risk survey. Mr. Masoudi highlighted the risk survey question "which risk are you most concerned about over the next three years," the results showed "not achieving actuarial rate" shifting down from 44% in 2018 to 21% in 2019; with double digit decline being the greatest concern. The other response of note was "Generally, which do you believe is more important for assessing the WRS portfolio, comparisons with peers or comparisons with the benchmark?" The responses indicated a greater shift towards benchmark comparison as most important. The majority of respondents expect private markets to be the best performers moving forward. Mr. Masoudi also highlighted that the respondent's average feels that the portfolio's maximum potential draw down (decline in market value) would be no worse than -17.3% which is more optimistic than Meketa's worst case drawdown assumption of -23.7%. Mr. Chapman commented on the good historical value of the surveys and thanked the participants and the team that put the survey together. Ms. Colgan asked how the group of peers are determined that are utilized for the results. Ms. Malone stated that they collect data from similar types of funds as a base and then narrow down the size to be better in line with WRS which results in 71 constituents in the \$5-10 billion range. Discussion then ensued on the drawdown assumption results, the potential risks in the portfolio and assets allocation appetite; and how they relate. Mr. Masoudi stated the importance of considering risk and opportunity cost. It is important for risk appetite to increase or respective returns rates to decline.

Mr. Swindell took a moment to acknowledge Sen. Wasserburger's presence at the Board meeting. He then turned it over to Mr. Brandes to introduce the new Legal & Executive Support Specialist, Ms. Kate Mumford. Ms. Mumford came from the US Attorney's Office in Lander.

Abbott Presentation

Next Mr. Masoudi began by introducing the Abbott Capital presenters, Mr. Jonathon Roth, Mr. Tim Maloney, and Mr. Leonard Pangburn; and give a background on their relationship with WRS. WRS started investing with Abbott in 2014 and it has been a very positive relationship with a high level of customization. Discussion moved to the creation of WRS Opportunities Portfolio I, Commitment Years 2015-2017. 14 of the 16 funds in WRS Opportunities Fund I are tracking on plan, the bulk of the capital is in '15, '16, '17, '18 vintage funds, and some can now start being assessed.

Ms. Ladd asked Abbott about their process for evaluating firm's diversity. The response was that they do work with clients that have specific mandates on the diversity level of the funds they invest in and that overall Abbott is continually working to invest in funds that advocate diversity and have strong performance levels. Abbott also maintains core values that strive towards diversity on their own management staff.

Progress of WRS Opportunities Fund II, Commitment Years of 2019-2020, was discussed. The fund is tracking 15-20% above plan. The Abbott team highlighted the 2019 commitments to the fund as well as the 2020 pipeline. Abbott is relying on diverse portfolio construction for strong offensive and defensive results. 5-6 managers are invested in each year that can navigate the coming financial cycles. Ms. Ladd noted that WRS would be hard pressed to find another manager like Abbott with such a high level of expertise for the cost. Ms. Ladd then requested that in the future, the manager fees be included in the materials when a manager is presenting for the Board's reference.

Investment staff made up of Mr. Kreiter, Mr. Mayer, Mr. Bowman & Mr. Masoudi then moved to market discussion. Following the brief comments from each investment staff member, the Investment Committee discussion was then concluded.

Ms. Kelley reminded the board about the Board Staff Mixer occurring that evening at the Cheyenne Country Club. Mr. Brandes then provided the Board with an informational one pager on the status of the Fire A Plan, as the Board would be hearing from representatives from that plan the following day. The WRS Board Meeting was concluded for the day at 5:04 p.m. to be reconvened the next day.

GOVERNANCE COMMITTEE

Governance Committee Members Present: Mr. Brian Foster (Chair), Ms. Laura Ladd, Mr. Michael Ceballos, Ms. Vicci Colgan and Mr. Tom Chapman.

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

Ms. Ladd reconvened the Board Meeting on Friday November 22, 2019 at 8:01 a.m. and passed the meeting to Governance Committee Chair, Mr. Brian Foster. First item of business was a Board discussion on the Funston Report and recommendations. Mr. Foster requested that the Board collectively take some time to work through the first few pages of recommendations and assign them to respective committees. Ms. Kelley brought up the Funston recommendations with Mr. Foster's notes on the screen and discussion ensued on the assignment of the recommendations. Several recommendations were moved from critical to important and then assigned to specific committees for future follow-up.

The next agenda item was trustee education and training. Mr. Ceballos talked his recent positive experience with the Wharton School of Business program. It was discussed if perhaps sending trustees or bringing a program to Wyoming for trustees and staff to attend as a group could be a possibility. Mr. Ceballos felt that the training was extremely valuable to him especially in relation to investment terminology. Mr. Shanklin mentioned that the NCPERS Fiduciary training he recently attended in the fall, was also extremely beneficial to him and would be good to

consider as well. Ms. Ladd queried the board to get their interest in attending that type of training. The board was in agreement that this type of training would be beneficial. Ms. Ladd posed the question of whether a larger group training would be within the education budget for WRS Board Members. Mr. Swindell responded that it would require more funds, but he felt that there was budget authority to utilize those funds for further trustee training and that it would be good governance to do so. Mr. Swindell mentioned that Funston also offers trustee training that could be considered. Rep. Schwartz brought up the possibility of working with the LSO office to offer joint training to legislators, the Treasurer's Office and WRS trustees that could offset the overall cost. Mr. Sullivan would like guidance on what type of conferences would be most beneficial and why. Mr. Bleakley discussed the possibility of WRS putting on a similar conference to the Annual Treasurer's Conference. Treasurer Meier mentioned that he thought it was beneficial when staff attend conferences, that they then come back and reiterate what they learned to other staff and possibly board members. Mr. Foster stated that the Governance Committee would take a look at different trainings and come back to the board with potential options.

Mr. Foster then moved on to discuss the Board Policy Manual. Mr. Bleakley stated that the Board Policy Manual is due for review and potential updates. More specifically, Governance, Deferred Comp and Investment Committee Charters have not been updated since 2010. Audit Charter was updated in February of 2019 and the Legislative & Benefits Committee Charter was updated in 2016. Ms. Ladd asked each Committee to look at their charters for updates. Mr. Foster stated that the Board Policy Manual updates could go hand in hand with Funston recommendations.

Governance Adjourned at 9:30 a.m.

LEGISLATIVE & BENEFITS COMMITTEE

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

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

Ms. Ladd called the meeting back to order and transitioned to Legislative & Benefits Committee Chair, Mr. Nelson. Mr. Swindell gave a legislative update. Mr. Swindell, Mr. Nelson, and Mr. Masoudi traveled to Casper for the November 12th CAPFIN meeting regarding a bill that revolves around the role of the IFC, which is of importance to the WRS board due to Mr. Masoudi and Mr. Chapman's roles on that committee. It was noted that the bill was on its eighth revision. Treasurer Meier shed some light on the implications of the bill to the Office of the Treasury. Rep. Schwartz, as member of CAPFIN, stated that the original intent of the bill was to clarify the role and responsibility of the IFC. According to Rep. Schwartz, the two questions posed were, what does the IFC do, and what can be done to fix the ability of the SLIB to speed up processes on behalf of the Treasurer's Office. Mr. Nelson commented that the WRS group presented on the progress of the investment incentive compensation program to CAPFIN on November 12th as well.

Mr. Swindell mentioned that WRS has received a fiscal note tasking on LSO 108. The bill would increase distribution of the shared fire insurance premium tax from 80% to 100% to the Volunteer Plan. It would improve the funding of the Volunteer Plan. Mr. Swindell made note that Governor Gordon had recommended approval of all of WRS' exception requests with the release of his budget. Budget hearing in front of the JAC is scheduled for December 11, 2019.

Mr. Swindell then discussed the proposed contribution increase to the Warden/Patrol & Law Plans. Mr. Brandes has completed the workup of the legal language required. Ms. Ladd had provided all of the informational documents in a packet to Rep. Nicholas so that it could be considered as a JAC Committee bill. Mr. Nelson asked if there are any action items regarding the proposed increase. Ms. Ladd mentioned how beneficial it is for board members to attend the JAC hearing if schedules allow.

Mr. Nelson then moved to the next agenda item, discussion of the amendment to Auditor language on distribution. Mr. Swindell explained the operational situation and how the current process ultimately costs WRS' interest earnings and the potential risks involved with large movements of money. The State Auditor's Office is aware of the situation and working with WRS on temporary solutions. Ultimately, statute language needs to be amended to account for the new process.

Ms. Ladd asked if a COLA bill had been put forward yet. Mr. Swindell stated that the Coalition for a Healthy Retirement is considering putting forward a 13th check bill similar to what had previously been put forth. Ms. Ladd stated that several legislators had mentioned to her that the state's fiscal outlook looks worse in the future and there is support for asking for a contribution increase in the Public Employee Plan in the near future because it will not get easier to fund down the road. Ms. Ladd said that it would be good to consider proposing a bill to add a potential 2% increase over 4 years to the Public Employee Plan during the 2021 session. Sen. Wasserburger stated that he was in support of that type of proposal due to the financial forecast for the state. Ms. Ladd queried the Board if there was any traction to pursue this type of proposal for the 2020 session. Rep. Schwartz stated that he did not feel that it was an immediate concern for the upcoming session. Mr. Nelson said he would be supportive of looking at a potential contribution increase to the Public Employee Plan for the next general session.

GRS Presentation

Mr. Paul Wood from GRS began his presentation by going over the difference between fixed rate and Actuarial Determined Contribution (ADC) funding. Mr. Wood stated the Public Employee Plan is not anticipated to reach 100% funded status for 30 more years. He presented three potential funding scenarios for consideration. Mr. Wood reminded the Board that December 2018 was a very rough period for investments and affected the actuarial rates of all of the WRS plans. Ms. Ladd asked how WRS compares to other similar systems from a contribution rate standpoint. Mr. Wood mentioned Arizona as a very similar profile; and Rhode Island which is not doing quite as well at WRS and requires higher contributions. Mr. Wood outlined three proposed scenarios for funding for the Law Enforcement Plan. Ms. Ladd asked what the dollar amount of the ADC versus the fixed rate funding for the public employee plan would be. Mr. Wood stated that GRS could provide that information. Mr. Nelson mentioned that he wonders if the 100% funded status is a good marker of a healthy funded system and that WRS appears to be

on a healthy trajectory. Ms. Ladd personally feels that the ADC funding could potentially be a non-starter because of its volatility. Ms. Ladd asked JAC member, Rep. Schwartz, for his opinion on funding status and adding contributions. He felt that dollar amounts are more important than percentages. Rep. Schwartz's concerns lie in continually meeting the 7% return goal and how that changes the dollar amounts. Rep. Schwartz would be interested in seeing charts showing a bad year and how it would affect funding status. Ms. Colgan stated that she felt that the 100% funding is too high a goal and is unrealistic. She asked Rep. Schwartz if there were any feelings within the JAC that it was too high a goal. Rep. Schwartz stated that many legislators felt comfortable with 100% and were also looking to South Dakota as a marker of success. Ms. Ladd mentioned that 100% continued to be the goal, but that 80% funded is still generally regarded as a well-funded plan. Treasurer Meier pointed out that in the 1990s WRS was 116% funded but that the actuaries did not take into account the future changes in mortality rate and that greatly affected the funding status of the plan. Ms. Ladd mentioned that it may be interesting to see a chart with major events and funding status changes over the last few decades. Ms. Ladd did not feel that there were any actions the Board needed to take at that time. Mr. Nelson thanked Mr. Wood for his presentation.

Legislative & Benefits was adjourned to be reconvened later for a Fire A presentation from the public.

Ms. Ladd addressed approval of the September Board Meeting minutes, conference updates & Executive Director's Report. She asked for comments on the minutes from the Board. Ms. Ladd requested several clarification changes to the Board minutes.

MOTION: Mr. Shanklin motioned to approve September 2019 Board meeting minutes. Seconded by Ms. Watson. Motion carries.

CONFERENCE ATTENDANCE

Next item was discussion of conference updates. Mr. Shanklin, Mr. Swindell and Mr. Paul Woods attended NCTR in Nashville in October. Mr. Shanklin recommended the conference, especially for those with an interest in education. Mr. Shanklin also attended the NCPERS conference in October in New Orleans and felt that it was extremely valuable as a fiduciary. Mr. Chapman traveled for the Treasury IFC and went to Alaska with Governor Gordon, Treasurer Meier, and Treasurer's CIO Mr. Patrick Flemming for a conference on world sovereign wealth funds. Mr. Chapman & Mr. Bowman also attended the Blackstone Real Estate Conference in November.

EXECUTIVE DIRECTOR'S QUARTERLY REPORT

Mr. Swindell gave a summary of the 11-page quarterly report that was included in the Board packet and available upon request. The report provides highlights of his activities along with statistics regarding all of the work accomplished by staff over the past 3 months.

MOTION: Mr. Shanklin moved to go into executive session for the purpose of receiving legal advice at 11:30 a.m. Seconded by Mr. Hay. Motion carries.

MOTION: Board moved to adjourn executive session at 12:00 p.m. and reconvene regular session. Motion carries.

Fire A Presentation

Mr. Brandes introduced Mr. Pat Crank and Mr. Robby Doty who were present to represent members of the Paid Fire A Plan. Mr. Crank expressed his concerns about the long term funding of the plan, but also stated that he felt that cutting the existing COLA was not the correct solution. Mr. Crank referenced materials presented by GRS to the Board at its September meeting that depicted the actuarial impact of different adjustments to the Fire A retirement benefit structure and indicated his concern about how that type of information may be interpreted or acted upon by the legislature. Mr. Crank is in support of re-proposing legislative bills that have previously failed. He also recounted his recollection of how those prior proposals failed in the Senate despite general support. Mr. Hay asked whether members of the Fire A contributed themselves. Mr. Doty responded that yes in Cheyenne, the firefighters did contribute to the plan, originally 6%, and that city did not contribute to the plan. He also stated he was unaware if other cities picked up the employee's contribution. Treasurer Meier shed some light on the historical legislative efforts to improve the funding of the plan. Mr. Crank urged the Board to not pursue any actions during the coming budget session. Ms. Ladd stated that the Board is very concerned about the number of years of funding remaining and feel that it is their duty and obligation to raise the issue. Ms. Ladd stated that the Board is not interested in pursuing any action during the upcoming session. Sen. Wasserburger asked why firefighters were not required to pay social security. Mr. Swindell stated that the eligibility for many public safety groups goes back to changes in the social security law in 1953, section 218 agreement, which is specific to each individual state. Public safety members could opt out of social security if they had a viable pension plan. Once the decision was made it was final and Wyoming decided to opt out of social security for firefighters. Sen. Wasserburger asked for clarification on why Fire A had received a COLA when other plans had not. Mr. Crank stated that the COLA was statutorily authorized for the Fire A Plan. Sen. Wasserburger asked for numbers on the recipients of Fire A of the pension. The current number of recipients is 278 with an average age of 72. Mr. Crank stated that the Fire A group also wants to ensure an actuarially sound fund as well. Ms. Ladd mentioned that a 3 party solution is what continues to be discussed. Mr. Crank asked about a previous AG opinion regarding what happens to the Fire A funds after all members of the fund are deceased. According to Mr. Crank, the opinion stated that there is only one fund (Fire A & Fire B); if Fire A runs out of funds, does Fire B have an obligation to take over financially? Mr. Crank stated that would be a potential legal question for the Board to address. Ms. Ladd thanked Mr. Crank & Mr. Doty for being in attendance.

PUBLIC COMMENT

Ms. Ladd moved to open for Public Comment at 1:30 p.m. Mr. Kevin Ready, President of the Federated Firefighters of Wyoming and representative of members of Fire B spoke on the Fire A funding issue. Mr. Ready stated that the benefits that members of Fire B are receiving or going to be receiving are far less than the benefits Fire A members are receiving. Mr. Ready stated that

Fire B is under completely separate rules. Ms. Ladd thanked Mr. Ready for his comments. With no further comments, public comment was closed.

AUDIT COMMITTEE

Audit Committee Members Present: Mr. Eric Nelson (Chair), Mr. Brian Foster, Mr. Tim Sullivan, Ms. Laura Ladd and Mr. Garth Shanklin.

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

Non-Committee Board Members Absent: Mr. Michael Ceballos

Audit Committee Chair, Ms. Watson began Audit at 1:32 p.m. by giving a brief overview of the Audit agenda. Ms. Watson also mentions that Ms. Friedlan was also recently elected to the APFFA Board of Directors, which is the first time anyone from Wyoming has been represented on that Board. Ms. Friedlan mentioned that she spoke at the APFFA conference this past fall about a stop based audit approach; a type of system that has one specific objective rather than looking at multiple areas at once, that is useful for a small audit team like WRS. If something comes up during the initial audit then the audit can expand if needed. Last year's WRS Audit plan had 10 items but that produced 18 reports to the Board. There were 19 Investment management audits, 3 internal audits, 18 volunteer fire districts were audited for attendance, and 4 school districts for cash remuneration. Employer census dating testing was completed in 2019.

Ms. Friedlan then walked through the risk assessment process and stated how it will measure inherent risk and residual risk. The Audit team will go through each department and determine what their functions are, and send out a Risk Assessment Questionnaire to the supervisor to have them individually rank and evaluate the risk. The results should show where the high and low risk areas are. Based on the results of the Risk Assessment Worksheet, a risk based Audit Plan will be developed. Ms. Friedlan then discussed where the team is with their 3 year Audit Plan and highlighted some key planned audits like the Cyber Security & IT Evaluation, continued cash remuneration follow-up audits, and the addition of Search and Rescue to the attendance audits. Mr. Waddell stated that 10 volunteer fire members lost months of service based on the results of the volunteer attendance audit. In 2021 there will be a planned audit of the WRS accounting department. Ms. Ladd then followed up with a question on why salary spiking is considered a medium rating. Ms. Friedlan responded that salary spiking can impact many different areas and that is what the audit team will be looking into. Mr. Chapman posed the question of what is WRS doing to provide solid cybersecurity. Mr. Swindell noted the budget requests for additional IT line items are part of continuing to efforts to combat hackers and provide cyber security. Mr. Swindell also mentioned options like purchasing cyber security insurance and 2 factor authentication. Mr. Nelson discussed steps that Natrona County has taken to protect itself against a cyber-breach. Ms. Friedlan said she could reach out to the APFFA board to find out which peers already have cyber security insurance. Ms. Ladd asked about the Funston recommendation regarding commissioning an external quality assessment of the internal audit activity by the institute of internal auditors, which is peer review audit by another internal audit department. It would be 5 years scope and Ms. Friedlan stated that she had purposely waited until enough years had lapsed in order for the audit to be comprehensive, but anticipates doing one in the next three years.

Mr. Shanklin asked for clarification about the timeline to accept and receive the CAFR. Due to the Audit Chair transition, the CAFR will be presented for acceptance at the February 2020 Board Meeting.

Ms. Ladd asked for clarification on what the repercussions are for volunteer fire members who do not meet the required attendance rules. Mr. Waddell stated that they would lose that years' service credit if they were not in attendance.

Audit was adjourned at 2:12 p.m.

MOTION: Mr. Shanklin moved to adjourn the November 2019 Board Meeting. Seconded by Ms. Watson. Motion carries. Board adjourned at 2:13 p.m., Friday November 22, 2019.