



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Matt Mead
Governor

Ruth Ryerson
Executive Director

MINUTES OF THE May 22, 2015 BOARD MEETING

The Wyoming Retirement System Board met on May 22, 2015 at the Holiday Inn, 204 S 30th St, Laramie, WY.

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

Board Members absent: Mr. Carl Jensen, Ms. Colleen Anderson

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. Diana Walter from Wyoming State Treasurer's Office, Ms. Lisa Spillman from the Attorney General's Office, Ms. Carolyn Smith from NEPC, Mr. Chuck Custis from WREP, Ms. Betty Jo Beardsley from WPEA, Mr. Gary McDowell from WEA, and Mr. Brent Conger

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

Legislative Liaisons absent: Senator John Hastert

Ms. Ladd called the meeting to order at 7:59 a.m.

MOTION: Mr. Chapman moved to accept the minutes of the February 25, 2015 Board meeting with the following change: remove Mr. Bluemel and Mr. Jensen from end of meeting minutes and condense the executive director's report. **Seconded by Ms. Colgan.** Motion carries.

Conference Update

Mr. Chapman went to the three different conferences. First was the Institutional Investor conference with Ruth and Sam. Was nice to meet with other CIO's and ED's and see how they

run their plan. Of particular interest was the correlation between how many basis points they spend on their investment team and their investment returns. Next was the Alternative Investors forum in Texas. Many are increasing private equity, alternatives and hedge fund exposure. Lastly, Mr. Chapman attended the Pension Bridge conference where the takeaway was the fact that you have to bring a lot of sophistication to your investment portfolio to hit your 10 year goals.

Ms. Ladd went to Pension Bridge and a investment summit. Some of the funds had lower return objectives such as 7.5 or 7.25%. She also had an opportunity to meet with 5 of our managers at the conference.

Mr. Shanklin attended the Mountain States Investors Conference in Denver which had many of our staff in attendance as well. Ms. Ryerson and Mr. Masoudi sat on panels. Mr. Wolff echoed Mr. Shanklin's comments and thought it was an important conference since it was our neighboring states and had a focus on governance.

Ms. Ryerson talked about 'Big G' governance – whatever entity (state) controls the pension and 'little g' governance which is what the board controls, establishing procedures and setting policy.

Treasurer Gordon attending the Autumn Wealth Institute and also went to the White House and heard about their efforts to regulate municipal bonds. He also went to the Federal Reserve, Kansas City branch, for a discussion regarding if banks are a utility or not. Finally, the National Association of Treasurers was attended with a presentation from economists.

Ms. Ladd recognized Ms. Ryerson for winning the Institutional Investors Executive Director of the year.

Legislative & Benefits Committee Report

Ms. Thompson from GRS presented a summary of the actuarial valuations. Highlights included the funding shortfall for all plans, except Fire A, decreased which is a positive trajectory. All plans, except Fire A and Wardens, are set to be 100% funded within 30 years.

Ms. Ladd reviewed the committees' discussion yesterday regarding the judicial COLA since it is over 100% funded. That being said, if there was a 20% market decline the fund would not be at 100% so unfortunately no COLA will be granted at this time.

All legislation that passed this session is being implemented by staff including auto-enrollment and the combined Volunteer Fire & EMT plan. Legislation passed also included the Veteran's service purchase credit and enhanced benefit for park rangers.

457 Deferred Compensation Committee

Mr. Chapman highlighted auto-enrollment and that we have moved into the implementation phase. Part of this is updating the plan documents.

MOTION: Mr. Chapman moved to accept the plan document revisions. **Seconded by Ms. Colgan.** Motion carries.

Multi-manager fund review means exposure to an asset class rather than individual mutual funds. There has been some concern about mix your own and that our members may not be in the appropriate funds for their investment goals. The multi-manager fund line-up is meant to help our members but in the discussions the committee felt we need more information and data before we can make these decisions. \$540 million is the current total in the funds. Target date and pick your own funds continue to increase as a percentage of total assets. Auto-enrollment is predicted to increase enrollment from 79% to 90%.

Audit Committee Report

Mr. Sullivan reviewed the progress and updates from our IAD including the employer audit of school districts to make sure they are all in compliance. The internship program has been implemented and staff has created a plan comparison matrix to identify differences and challenges between the plans. One example is the interest rate we pay members for refunds and death benefits.

Governance Committee Report

Mr. Wolff reviewed the work that staff and Ms. Ryerson put into the strategic plan saying they were to be commended. Mr. Brandes gave us an update on the OAH matters including that the Jones matter has been appealed and the general contested case process. The Board evaluation was sent out and we will have an in-depth discussion at the August board meeting and also additional updates to the Board policy manual, specifically incorporating portions of the Governor's Board policy manual.

Investment Committee Report & NEPC 1st Qtr & April Performance Reviews

Mr. Chapman reviewed highlights from the Investment Committee. **The emerging markets search was complete: paloonum and harlin goldman and 90 million Acadian, 30 million to blackstone real estate fund, 80 million to centerbridge capital, 25 million to energy and gas.** We have transitioned to our new custodial bank, Northern Trust. The Investment team has hired two investment analyst AWEC positions and two investment interns focusing on hiring Wyoming talent and building our bench strength. Our new hedge fund consultant, Ms. Needle with Albourne, presented to the board about their company and hedge funds in general. Mr. Kreiter presented our fund of one presentation and that we have selected RAPM as our manager in this space. This commitment is \$140 million per year. Private Equity pacing is approximately \$210 million per year so our 15% target will be reached over 5 years. On the second day Carolyn from NEPC reviewed 1st quarter performance and we had a general markets discussion. Howard Marks from Oaktree presented on, “Dare to be Great” and Ms. Chapman recognized the investment team’s efforts this quarter as there was a great deal accomplished.

Ms. Smith reviewed 4th quarter performance that large cap was up 1%, small cap 4%, developed non-us 5%, emerging 2.5%. ACMI benchmark up 2.3% (benchmark). The US Dollar was so strong that it highlights the importance of currency hedging. Oil prices started to stabilize near the end of the quarter which has broad implications to our portfolio. Our fund was up 2.3% and that is the same as the benchmark. YTD WRS is up 5.2% vs. benchmark of 7.4%. Private debt and real estate has had the biggest impact on the portfolio. April was a very positive month up 2.6%. All of our numbers are running high and long term numbers exceed the benchmark of 7.75%.

Executive Director’s Report

Quarterly Report

- 1) Legislative session was busy and productive and lots of work with actuaries.
- 2) Reviewed all actuarial projections
- 3) GASB requirements will potentially delay the approval of the CAFR. The audit committee was schedule for June 19th but it may be pushed to later in June.
- 4) Spring newsletter went out
- 5) Town Hall was held in Evanston May 12th. Five legislators, three council members, Evanston Mayor and County Sheriff.
- 6) For the most part the custodial bank transition has gone smooth. One issue that came up was the class action lawsuits. We do have some concerns with JP Morgan in regards to foreign tax withholdings. Northern Trust wants the detail and JP Morgan has been unable or unwilling to provide the detail and this totals \$3.8 million.
- 7) Ms. Ryerson continues to be the disability administrator and most of the disability appeals are law enforcement.

- 8) The rehired retiree rule has mainly been an issue for sheriffs who retire and are elected
- 9) B-11 for interns and analysts. We will have to ask for them again in the new budget.
- 10) We worked to get transferred to a dedicated server with ETS.
- 11) Participant account statements were a challenge with mailing and printing issues but we are almost done (inactive and Vol Fire are last)
- 12) Ms. Ryerson continues to administer the Vol Fire and EMT and they meet quarterly in Lander at Svilar's.

Ms. Ladd recognized Ms. Ryerson and staff efforts, it has really paid off. Treasurer Gordon echoed that the relationship with WRS continues to grow and be a positive one.

Public Comment

Ms. Beardsley thanked Ms. Ryerson and staff for presenting at the town hall meetings with the coalition for a healthy retirement.

MOTION: Mr. Shanklin moved to go into executive session to discuss personnel matters.
Seconded by Mr. Wolff. Motion carries.

Executive Session

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

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