



# Wyoming Retirement System

*Partnering to Build Financial Security for Members and their Families*

Matt Mead  
Governor

Ruth Ryerson  
Executive Director

## MINUTES OF THE August 21, 2015 BOARD MEETING

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

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

**Board Members absent:** Treasurer Mark Gordon

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

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

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

**Legislative Liaisons absent:** Senator Curt Meier

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

### Opening Remarks

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

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

## Conference Update

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

## Legislative & Benefits Committee Report

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

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

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

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

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

## 457 Deferred Compensation Committee

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

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

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

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

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

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

### **Audit Committee Report**

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

### **Governance Committee Report**

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

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

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

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

### **Investment Committee Report & NEPC 2<sup>nd</sup> Qtr & July Performance Reviews**

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

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

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

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

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

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

### **OAH Recommendations**

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

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

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

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

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

With no further questions Ms. Ladd reviewed the options.

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

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

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

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

Board reconvened at 10:12 a.m.

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

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

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

### **2016 Meeting Locations –**

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

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

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

### **Executive Director's Report**

Quarterly Report – some of the highlights included:

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

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

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

### **Public Comment**

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

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