



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Matt Mead
Governor

Ruth Ryerson
Executive Director

MINUTES OF THE November 16-17, 2016 BOARD MEETING

The Wyoming Retirement System Board met on November 16-17, 2016 at Little America, 2800 W Lincolnway, Cheyenne, WY.

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

Board Members absent:

Wyoming Retirement System Staff present: Ms. Ruth Ryerson, Mr. Sam Masoudi, Mr. David Swindell, Ms. Polly Scott, Mr. Ben Brandes, Mr. Mike Bleakley, Ms. Rachel Kelley, Mr. John Kreiter, Mr. Bill Ziomek, Mr. Andy Mayer, Ms. Erin Gorney, Ms. Samantha Jacobsen, and Mr. Seth Consoliver

Others in Attendance: Mr. Patrick Fleming from the Treasurer's Office, Ms. Lisa Spillman from the Attorney General's Office, Ms. Mika Malone and Mr. Jim Meketa from Meketa, Mr. Beau Burggraff from RVK, Mr. Leland Miller from Eide Bailly, Mr. Gary McDowell from WEA, Ms. Betty Jo Beardsley from WPEA, Mr. Chuck Custis from WREP, Mr. Chuck Winnegar, Mr. Sam Shumway, Mr. Matt Smagacz, and Mr. Tim Lockwood

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

Legislative Liaisons absent:

GOVERNANCE COMMITTEE

Strategic Planning

Ms. Ladd called the meeting to order at 12:35 p.m. Ms. Ladd turned it over to Mr. Shanklin who is chairing the Governance committee in Mr. Wolff's absence. Mr. Shanklin recognized Ms. Ryerson who reviewed the new structure of our strategic plan. Each staff member responsible for a specific goal on the strategic plan will provide an update in memo form. Six memos were presented and individual staff members presented including: Mr. Bleakley (Leadership Development), Mr. Masoudi (move to goal 3, enhance credibility with institutional investment community, i.e. staff and agency awards and recognition), Mr. Bleakley (Legislative Outreach and Education), Mr. Tonak (Website Development), Mr. Swindell (Ms. Kushnir – Enhance and upgrade RAIN), Ms. Ryerson (Building Committee).

Board Appointments

Ms. Ladd highlighted that four appointments are up for renewal/reappointment. Mr. Nelson, Mr. Ceballos and Mr. Shanklin would like to be reappointed. Mr. Wolff is not seeking reappointment as he would like another individual to have the opportunity and his work schedule conflicts with the Board meetings. The position is an active member, Republican or Democrat, who does not represent education. Ms. Ladd reiterated Governor Mead's support for our suggestion of candidates. Ms. Ladd encouraged Board members to come up with names of candidates. Once a list is compiled, Ms. Ladd and another Board member or two will vet the candidates and we will submit a list of possibilities to Governor Mead before the legislative session. Mr. Shanklin recognized that Governance will need a new chair.

AUDIT COMMITTEE

Ms. Colgan reviewed the agenda for today's audit committee. Ms. Gorney reviewed the highlights from the accounting desk manual audit, the records retention audit, and the risk assessment memo. The Board discussed records retention and employee access to data. Ms. Colgan thanked the audit staff for their efforts to accomplish so many of the 2016 audit plan goals. A full report of audit committee accomplishments is available with the Board materials. Ms. Gorney reviewed the 2017 audit plan and highlighted the primary audits, both internal and external.

MOTION: Mr. Shanklin moved approval of the 2017 Audit Committee Plan. Seconded by Mr. Hay. Discussion ensued. Motion carries.

Ms. Gorney recognized Mr. Leland Miller from Eide Bailly to review this past year's process as well as the upcoming year. Mr. Miller felt this year's audit was very successful as GASB 72 was new for the system. The good news for next year's audit is that they will have more time to dig deeper into additional areas.

Mr. Shanklin presented a video on Block Chain and securely accepting alternative forms of currency.

LEGISLATIVE & BENEFITS COMMITTEE

Mr. Ceballos called the meeting to order and recognized Ms. Ryerson to review our legislative outreach efforts. The committee is trying to have a legislative discussion each meeting. Additionally, the committee has developed a list of 10 questions for Board members and the ED to ask legislators when they meet with him. WRS is going to develop a piece for new legislators as well as quarterly updates for all legislators. Our original WRS legislator brief had links to the Board website, Governor Mead's message regarding the importance of DB and the Board's resolution in support of DB. Ms. Scott reviewed the history of surveying our members but the focus on legislative outreach is newer. Since our inception, we were assigned to the JAC and given four legislative liaisons. We have also started legislative breakfasts and luncheons. Mr. Bleakley conducted an audience segmentation which led to efforts to develop an e-mail from Ms.

Ryerson to all of our legislators. Discussion ensued about the best way to connect with the legislators. Ms. Scott highlighted the resolution of support for a DB plan previously signed by the Board. Mr. Bleakley stated that we connected with 57 of 90 legislators in the past two years and as part of our strategic plan we meet quarterly with the Governor and invite all 90 legislators to each of our Board meetings.

MOTION: Ms. Colgan made a motion to go into executive session for the purpose of receiving legal advice and getting an update on pending litigation. Seconded by Mr. Shanklin. Motion carries.

Meeting adjourned at 4:47 p.m.

THURSDAY, NOVEMBER 17TH

Ms. Ladd called the meeting to order at 8:02 a.m. Ms. Ladd discussed the format of the minutes and the length.

MOTION: Mr. Sullivan moved to accept the minutes of the August Board meeting. Seconded by Mr. Shanklin. Motion carries.

CONFERENCE UPDATES

Ms. Colgan and Mr. Shanklin attended the NAGDCA conference in Denver. They both recognized the excellence of the conference and the terrific job by Ms. Scott as President of NAGDCA. Ms. Colgan highly recommends this conference for any member of the DC Committee. Mr. Masoudi attended the Global Arc conference in Boston. Mr. Chapman attended the Blackstone real estate conference. Mr. Bleakley attended the HR Roundtable for Public Pension Professionals in New Orleans.

Ms. Ladd recognized Mr. Smagacz who is the new Senior Investment Officer for the Treasurer's Office.

INVESTMENT COMMITTEE

Mr. Chapman reviewed the day's agenda and recognized Mr. Meketa who is with us as a special guest today. The key today is the asset allocation discussion. Mr. Masoudi updated the group on the status of a number of current manager searches and explained the new investments the fund has made since the last meeting. Mr. Masoudi stated that Mr. Simpson left for the Treasurer's Office and Mr. Joe Briones will be joining the team. We are actively recruiting for summer interns in 2017 as well as our Analyst and SIO positions that will be joining the team at that time.

Meketa 3rd Qtr & July Performance Reviews

Ms. Malone reviewed overall third quarter performance including the huge rally in riskier assets such as small cap and emerging market stocks. Discussion ensued regarding the election and global trends. In addition to global trends, Ms. Malone reviewed our manager monitor,

compliance check that we are within ranges for our asset allocation, performance vs. our benchmark, and investment philosophy. Discussion ensued.

Ms. Malone reviewed our governance including IPS, reporting frequency, operating procedures, and transaction cost and process as well as asset allocation. Meketa looks at the portfolio from a capital allocation standpoint, our fee structure and other ways to improve performance of the fund.

Ms. Malone spoke to our asset allocation process. How our portfolio is currently structured and how could it perform in various market scenarios. Ms. Malone highlighted the economic regime management that Meketa performs for us. This includes taking our current asset allocation and running it through a prediction model for various scenarios such as a hard landing in China or dissolution of the euro. In turning to our specific asset allocation, there are different ways to report this. We can have a 30-foot level, where we have percentages for certain asset classes (i.e. global equity), or the 3-foot level, where we have percentages for specific asset classes within the broader asset class (i.e. US Large Cap Equity, Emerging Market Equity).

Mr. Meketa Presentation

Mr. Meketa introduced himself. He founded the firm in 1978. Mr. Meketa said our society is focused on instant gratification and as fiduciaries we need to try and keep as long-term a perspective as we can. The world moves slowly, and the focus should be long-term, even in a 'twitter society'. Three things we know for a fact: the demise of baby boomers, an emerging global middle class, and climate change. Baby Boomers represent approximately 30% of the population in most of the developed countries but have a majority of the wealth. Over the next 20-30 years this money will pass to future generations. Society will shift from an investment society to a consumption society. This means lower returns. Actuarial numbers are based on a society that no longer exists. Focus will be more on health care, less on 5 bedroom houses.

Mr. Meketa estimates 1-2 Billion middle class in the developing world. These people have houses, automobiles and discretionary income. These people are extremely optimistic because their lives are so much better than their parents. They also get to take advantage of the technology and health care that took years for the developed world to develop. Double digit returns are possible in the emerging world. This presents opportunities in private equities but it's about knowing how to select the right managers and partners to do this work on our behalf.

The third known is climate change. 2015 was the hottest year ever recorded and 2016 is on track to beat that. It's not about the politics or why this is happening; it's that it is happening. Shoreline property in Nova Scotia and Newfoundland is going to become very valuable. LED lighting and new technologies will become more valuable.

Mr. Meketa reviewed the four unknowns we should be most concerned about: a United Europe, China, deflation and global debt. The most important of the three is a United Europe. It has 500 million people and 28 nations. The GDP is \$19T and equal to us. Due to political volatility he favors active management in Europe. Will the EU hold together? There is a lot of volatility and uncertainty.

China is the world's second largest economy. It is impossible to maintain 10%+ GDP growth. Due to the slower economy, the Chinese know they need to invest in their retirement and future since the Government won't be able to. People in China are going to spend time investing rather than just consuming.

Asset Allocation Timeline

Mr. Chapman reviewed the time horizon and responsible parties for the upcoming asset allocation. Mr. Masoudi presented the Risk Survey results which included risk preferences of various and investment beliefs of the board's different constituencies. Constituent groups include Board members, Legislative liaisons, WRS Investment staff and others. Mr. Chapman stated that we will continue to do this in the future and asked Board members to provide feedback going forward.

The Investment Committee concluded the meeting with a general market discussion.

DEFERRED COMPENSATION COMMITTEE

Mr. Chapman recognized Ms. Scott who stated that there are no action items today but rather updates to information and the importance of being a good fiduciary. The white label funds transition has been under development for two years and this is a long-standing fund improvement for the betterment of our members.

Mr. Burggraff reviewed the 3rd quarter fund performance, manager summaries and due diligence for the 457 plan. He also highlighted the funds that make up the white label funds. Mr. Burggraff outlined the downward trend of the administrative costs and how any savings are returned to members.

Ms. Scott presented a deemed IRA memo and will submit that to Governance as well as its part of strategic goal 5D3. We are continuing to move forward with this initiative and as part of our RFI process we are requesting information on the costs.

National Retirement Security Week was October 16-21st and WRS hosted retirement planning activities for members. Additionally, 18 local house and senate members signed on as endorsers of the event.

Additional updates include RFI for recordkeeping services. Ms. Scott thanked the WRS for giving her the opportunity to serve as President of NAGDCA.

EXECUTIVE DIRECTOR'S QUARTERLY REPORT - MS. RYERSON

Ms. Ryerson gave a summary of the 6 page quarterly report that was included in the Board packet. The report provides highlights of her activities along with statistics regarding all of the work accomplished by staff over the past 3 months.

PUBLIC COMMENT

Mr. Chuck Winnegar from Cody asked about our educators and the goals for them. Ms. Scott stated that we have each educator reach each region of the year four times a year. We also have goals for attendance at outreach meetings.

Ms. Betty Jo Beardsley from the Wyoming Public Employees Association spoke to thank the staff and Board for all their efforts. Every year during the legislative session the WPEA and WEA host a legislative reception and they would like to invite us. It's January 29th at Little America.

Mr. Gary McDowell, from the Wyoming Education Association, said the presentation from Mr. Jim Meketa was amazing. He wishes more of our members would come to the WRS Board meetings. Discussion ensued about live streaming our Board meetings. Staff will look into this.

Meeting adjourned at 3:43 p.m.