

Wyoming



Retirement System

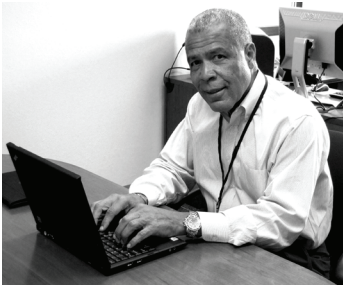
Spring Update

The Wyoming Retirement System public employee and retiree newsletter

2010 Legislative Changes Historic Moment for WRS

by Thom Williams, Executive Director

The WRS Public Employee Pension Plan's existing contribution rate has been



deemed insufficient to meet the plan's long-term obligations. The Joint Appropria-

tions Committee (JAC), having oversight of retirement-related issues, sponsored two bills pertaining to WRS in the recent legislative session: a contribution increase for the WRS Public Employee Plan and a much needed clean-up of outdated and problematic state laws in terms of compliance with IRS regulations. Both bills were successful and the changes they make represent an important moment in WRS' history.

We've not had a contribution increase to this Plan since 1978 and it was well below regional and national averages. The contribution increase that will go into effect for the WRS Public Employee Plan on the first of September puts this Plan on a sustainable fiscal course for the future. By making the increase now, we minimize the level of increase needed. The members of the WRS Board and I are acutely sensitive to the sacrifice involved when requiring our actively employed members and their employers to pay higher contributions, especially in this tough economic environment.

Although this increase means our members and employers will pay more toward future pension benefits and some members will begin paying part of the required contribution for the first time in many years, it also means we can reasonably expect to have the assets needed to pay promised pension benefits to all generations of our members. While this Plan was not going to run out of money for several decades, our best

projections told us this was in store. The 2.87% contribution increase is projected to reverse the trend of a decreasing funding status to a more level and increasing funding status over time. The Public Employee Plan is the biggest pension plan WRS administers with roughly 36,000 actively employed members and 19,000 retirees.

In addition to the contribution increase, the Governor and Legislature approved a bill updating provisions in Wyoming state law pertaining to public pension plans in an effort to meet IRS requirements. The changes bring WRS into better compliance with IRS provisions and will be important as WRS begins the process for official IRS qualification in 2010. The IRS has recently begun requiring governmental retirement plans to obtain an official letter of qualification. Although WRS has been operating in compliance with IRS provisions, this requirement was the impetus for WRS to do a comprehensive analysis of state laws as compared to IRS requirements.

While there were many differing viewpoints as these bills developed, all involved wanted to secure the fiscal integrity of WRS. I am especially appreciative of the role the Governor, the JAC, the Legislature, the WRS Board, and so many other stakeholders played in making these accomplishments possible. ~

COLAs on Hold Awaiting Legislative Study

The Legislature's Joint Appropriations Committee (JAC) will be studying the status of the WRS Public Employee Pension Plan and the potential for cost-of-living adjustments (COLAs) prior to the 2011 legislative session. The budget bill passed in the 2010 session put a hold on COLA awards for retirees of the WRS Public Employee Plan through June of 2012.

We look forward to working with the JAC to explore alternatives for COLA funding and urge currently employed

WRS Staff

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Harry Wales- *Deputy Director*
Trent May- *Chief Investment Officer*
Brandi Monger- *Chief Legal Counsel*
Cathy Balser- *Executive Assistant*
Meleny Cox- *Board Administrator & HR Mgr.*
Roxane Hudson- *Business Integration Mgr.*
Polly Scott- *Communication & 457 Plan Mgr.*
Rose Todd- *Operations Manager*

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Craig Kautzman- *Internal Auditor*

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Susan Kantan- *457 Specialist*

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Jack Riley- *Accounting Manager*
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Cynthia Fernandez- *Benefits Specialist*
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Retiree Payments

Pam Pendleton- *Supervisor*
Margie Lopez- *Disability & Payroll Specialist*

members of WRS to build personal assets for the purpose of maintaining purchasing power in retirement.

Although the most recent actuarial valuation showed three plans (Law Enforcement, Judicial, and Paid

Continued on page 2

COLAs, continued

Fire Plan B) could afford some level of COLA, the WRS Board voted at its April meeting not to award discretionary increases while this legislative study is pending. While the Board understands retirees are affected by inflation, COLA increases deplete any potential surplus in a plan and therefore weaken its ability to pay future benefits.

State law requires a 3% yearly increase for eligible retirees of the Paid Fire Plan A Pension. The Volunteer Fire Board will decide on COLAs at its June meeting. The results will be reported on the WRS Web site at <http://retirement.state.wy.us>. ~

Annual Funding Status for Individual Pension Plans

The annual valuation reports for each of the eight pension plans WRS administers are now available on the WRS Web site. All plans experienced increased funding ratios from last year, although three plans – the Public Employee Plan, Paid Fire Plan A, and Warden, Patrol, & DCI Plan -- had contribution shortfalls. The reason for the increased funding ratios was primarily improved asset levels resulting from strong investment performance in 2009. ~

How the Contribution Increase Will Work

Beginning in September 2010, there will be a 2.87% increase in required contributions to the WRS Public Employee Plan, bringing the total required contribution to 14.12% from 11.25%. The increase is split 1.44% to employers and 1.43% to employees; the total contribution for employers will go from 5.68% to 7.12% and for employees will go from 5.57% to 7.00%. State employee members of this Plan (including Air Guard Firefighters) will begin paying 1.43% of retirement-eligible salary on a pre-tax basis in September. When state employees begin to pay pre-tax contributions to the pension plan from wages, that amount will be separated on W-2 reports and not be included in what is reported as federal taxable wages.

The new law allows non-state employers to pay the employee increase. Therefore, arrangements will vary for members employed by non-state entities depending on the decisions of individual governing bodies. Non-state employers also vary according to whether employee contributions are paid pre-tax or post-tax.

All contributions representing the

employee contribution, whether paid by the employer or employee, are credited to individual member accounts and any terminated employee may elect a refund of his or her full account balance (employee contributions and interest) in lieu of a future lifetime benefit.

If you have questions pertaining to the upcoming changes, please email them to pension@state.wy.us. ~



Update Personal Information

Please be sure to update your account information, such as address or beneficiary designation, by using the forms on the WRS

Web site at <http://retirement.state.wy.us> and click FORMS.

Deferred Compensation participants that have a username and PIN may change personal account information on-line at <http://wrsdcp.com>. Please contact 1-800-701-8255 to obtain a PIN. The account change forms are also available at the top of the page under the "Forms" tab. ~

Chief Investment Officer's Report by Trent May, CFA

Understanding the importance of the Wyoming Retirement System (WRS) and intrigued by the challenge inherent in navigating today's investment landscape, I joined WRS in the midst of economic and financial market conditions not seen since the Great Depression. The last two calendar years have witnessed the transition from optimism, to angst, to disbelief and finally arriving at the spot I believe we stand today – tenuous hope. Hope that our economy has seen the worst; hope that our financial markets will not revisit the dark days of early 2009.

WRS' combined assets experienced a deep decline from \$6.7 billion to \$4.6 billion in 2008 and then a dramatic, although incomplete, rebound in 2009 ending the year with \$5.7 billion. This was the case for virtually all investors. Volatility is an often used word when discussing financial markets; it means the ups and downs in how the market values investments. But make

no mistake the past two years have witnessed truly extraordinary volatility along the lines of other notorious periods such as the 1930s (Great Depression), 1940s (WWII), and the 1970s (Stagflation).

INVESTMENT PERFORMANCE

Our investment return for the year ended December 31, 2009 was 23.8% compared to our target of 8%. (Although WRS administers eight distinct pension plans, they all share the same investment strategy and the same investment returns.) While 2009 was a strong year of absolute returns for WRS, performance compared to our peers was also strong.

In comparison to other public pension funds with over \$1 billion WRS placed in the 18th percentile, meaning we outperformed 82% of comparable plans in 2009. Our above average investment returns added an additional \$260

million for WRS than would have been the case had our performance been merely average. Across longer time periods WRS investment performance has typically lagged that of comparable plans.

NEW INVESTMENT POLICY ESTABLISHES THE ROLES OF BOARD AND STAFF

The extreme volatility of the last two calendar years highlights the need for a well thought out, long-term approach to asset allocation, which is how you split your assets among different types of investments. Asset allocation is simply an attempt to estimate what the future returns and risks of a range of acceptable investments are and to choose a course of action based upon these alternatives.

The Board adopted a new Investment Policy Statement that allows them to dedicate their attention to the larger asset allocation decisions. This is

Investments, Continued from Page 2

significant because asset allocation, more than any other investment decisions we might have to make, dictates the level of risk taken in the portfolio and the potential for return over the long-term. As we would expect, asset allocation contributed by far the most -- 15.2% to the fund's total return in 2009. The Board carefully deliberates the reasons to invest in certain asset classes, as well as the basis for not investing in others. These decisions are long-term in nature and this long-term focus gives us the ability to establish the risk vs. return profile of our investments. Holding long-term risk bearing assets is what creates the potential for long-term returns above what could be expected if our focus was strictly short-term capital preservation. Generating a higher long-term return enables WRS to reduce the contributions needed from members and employers to properly fund the system.

The next steps in the investment process are selecting the specific managers and investments to meet the asset allocation. In response to WRS now having investment staff, the Investment Policy Statement delegates this responsibility to a focused team of in-house investment professionals. These decisions determine the most efficient way to place our investments within the boundaries established by the Board. The chart illustrates the asset allocation ranges approved by the Board, as well as the current allocations.

Staff has been delegated the role of making moderate adjustments

WRS Investment Asset Allocation 12/31/2009

Stock Allocation (Range 40%-60%; Target 50%)

Domestic Stocks, 41%

International Stocks, 17%

Stock Subtotal, 58%

Bond Allocation (Range 20%-30%; Target 30%)

Interest Rate Bonds, 5%

Investment Grade Credit, 7%

High Yield Credit, 7%

Distressed Credit, 2%

Mortgage Backed/Asset Backed Securities, 7%

Bond Subtotal, 28%

Global All Assets (Range 0% - 20%; Target 10%)

Global All Assets, 3%

Global Subtotal, 3%

Alternatives (Range 0% - 20%; Target 10%)

Real Estate, 4%

Infrastructure, 1%

Alternatives Subtotal, 5%

Cash (Range 0% - 5%; Target 0%)

Cash Available for Investment, 5%

Cash Subtotal, 5%

Total, 99%

Note: Does not total to 100% due to rounding.

to the portfolio to take advantage of opportunities as they emerge. This involves strategic decisions, basically fulfilling the specific asset allocation within pre-approved ranges. Strategic decisions added 6.1%, or approximately \$283 million to the fund. Staff also makes decisions on the specific managers to hire. Manager

selection decisions added 2.5%, or approximately \$116 million, to the fund in 2009.

LOOKING FORWARD

Though the last several years have been a difficult and challenging stretch, WRS has the foundation of a solid long-term investment program in place. As WRS' first Chief Investment Officer I am humbled by the trust given to this

What contributed to 2009 returns?

15.2% -- Asset Allocation

6.1% -- Portfolio Adjustments

2.5% -- Manager Selection

23.8% -- TOTAL

WRS Updates

Election of Officers

Dick Cuthbertson was elected to serve his second one-year term as chairman of the WRS Board. Mr. Cuthbertson has served on the Board since 2003 as an at-large member. Tracy Gover was elected to serve her second one-year term as vice chairman. Ms. Gover has served on the Board since 2007 representing public employees.

Technology Update

The Legislature and Governor approved funding for WRS' Information Technology Modernization project. The first phase of the project is now underway. WRS is in the process of selecting a vendor to replace the current pension administration system. This is being done through the state's Request for Proposal (RFP) process. It is anticipated the RFP process will be concluded by early summer and WRS will begin working with the selected vendor to develop and transition WRS to its new system. Running parallel to the vendor selection process are data assessment activities, which validate the accuracy of WRS data in advance of a transition.

Important Email Change!

In the upcoming months, WRS will be changing email systems. As a result, all email address suffixes will change from "@state.wy.us" to "@wyo.gov".

office and excited by the challenges and opportunity to contribute to the future success of our plan. We will continue to take steps to bolster our internal investment resources and I can assure you the WRS investment team is focused on generating strong risk-adjusted returns over the long-term. It is our objective to ensure that the retirement benefits promised are secure and will be paid at the lowest practical cost to members and employers.

For more detailed information about WRS investments, you can view the WRS Comprehensive Annual Financial Report and the Investment Policy Statement on the WRS Web site at <http://retirement.state.wy.us>. ~

We value your feedback!

Please let us know your thoughts on this publication and what information is most valuable to your retirement future.

Email your thoughts to mbox@state.wy.us

Don't Base your Investment Decisions on Emotions

Jeff Straayer, Investment Analyst,
Wyoming Retirement System

Investing and saving for retirement are fraught with emotions that do not always align with solid investing discipline, grounded on fundamental principles. Markets are notorious for volatility -- big ups and downs. No two years illustrated this phenomenon better than 2008 and 2009. In 2008 most asset classes ended the year with big declines, leaving only what would be considered the most conservative types of investments -- government bonds and cash equivalents -- as positive performers in 2008. In contrast, in 2009 most areas of investment experienced large gains, leaving only government bonds and cash with more modest returns for the year.

So what can we learn from 2008 and 2009? Detailed research into the 2008 transactions of the WRS Deferred Compensation Plan (457 Plan), where participants direct their own investments, reveals a story of participants reacting to the monthly declines in the market in 2008 by increasing the amount of money invested in cash equivalents. Over \$19 million flowed into the two cash equivalent investment options (the money market fund and stable value fund) in the 457 Plan in 2008, which was dramatically more than 2007 or 2009. Although other factors may have been at play, I believe the most significant factor in this flight to cash equivalents was individuals reacting to a declining stock market.

Generally, cash equivalent investments are investments that

protect from market declines but won't provide a lot of growth potential. They are also appropriate if liquidity, in other words a short-term need for cash, is needed. A partial allocation to cash can reduce overall portfolio volatility, while partial allocations to bonds and stocks offer long-term potential growth to your portfolio.

Although my analysis brings forth overall trends, your investment decisions should be based on your circumstances. That being said, a general observation I can offer is moving money into cash equivalents after experiencing a declining account balance is common among individual investors. In contrast, professional investors realize such a trade may prevent exposure to the up-side of market volatility and strive to stay true to their asset allocation decisions for the long haul.

Solid investing fundamentals include establishing a diversified asset allocation to cash equivalent, bond, and stock investments suitable for your risk tolerance and time horizon. Once you have this in place, you need the discipline to stick with your plan in times of stress. When you have established an appropriate asset allocation, you prepare yourself to resist the urge to make changes purely as a reaction to market conditions. Readers are encouraged to attend a WRS seminar to learn more about how to establish or fine tune your asset allocation.

Go to <http://retirement.state.wy.us> and click SEMINAR SCHEDULE for dates and locations of WRS seminars. ~

WRS Board

Representing the Community at Large:

Jim Applegate	Dick Cuthbertson
Carl Jensen	Laura Ladd
Rex Arney	

Representing Public Employees

Danny Romero	Tracy Gover
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Representing Community Colleges

Garth Shanklin

Representing School Employees

Carrie F. Johnson

Representing Retirees

Stephen Sommers

Wyoming State Treasurer

Joseph B. Meyer

Next Board Meeting

The Board's bi-monthly meeting is usually held on the third Friday of the month. The next Board meeting will be held June 17th and 18th at Little America in Cheyenne. The Board meetings are open to the public.

Volunteer Firemen's Pension Board

Lanny Applegate	Kim Lee
Gene Diedrich	Jerry Munger
Alan Sessions	Tracy Brown

Volunteer EMT Board

Kristine Bacheller	Roy Barber
Arlo Niederer	RaDawn Ruud
Gard Ferguson	Sally Waugh

Next Volunteer Fire Pension Board Meeting

The next meeting is scheduled for 2:00pm, Wednesday, June 16, at the Lander Fire Hall. This event is open to the public.

Retiree Payroll Dates

April 30, 2010
May 28, 2010
June 30, 2010
July 30, 2010
August 31, 2010
September 30, 2010
October 29, 2010
November 30, 2010
December 30, 2010