



Partnering to Build Financial Security For Members and their Families

SUMMARY REPORT 2017



Overview

The Wyoming Retirement System (WRS) administers retirement plans for most public employees in Wyoming. Established in 1953 when the state employees' pension and the teachers' pension were combined, WRS encompasses almost all non-federal public employees in Wyoming.

By centralizing administration with WRS, employers can provide retirement benefits without specializing in this area of expertise.

WRS Board of Trustees

WRS is governed by a Board of trustees, whose duty is to manage WRS' assets and liabilities to keep the retirement plans financially sound. Trustees are fiduciaries and required by law to act in the best financial interest of WRS members.

The Board is comprised of the state treasurer and ten board members who are appointed by the governor and confirmed by the Wyoming Senate. Five trustees must be members of WRS' pension plans, representing different constituencies and five "at-large" trustees who are not.

The Board employs an executive director who oversees a staff of about 40 employees. WRS reports to the governor and legislatively reports to the Joint Appropriations Committee.



Members

WRS administers eight different pension plans. The majority of WRS' members are in the Public Employee Pension Plan. Smaller plans exist for judges or public safety professionals because those occupations necessitate a unique benefit structure. State law also establishes a pension plan for volunteer firefighters and volunteer emergency medical technicians.

Because so many employers in Wyoming participate in the pension plans, members have some pension portability. For example, a member could move from employment with a school district to a state agency without interrupting the accumulation of pension benefits.

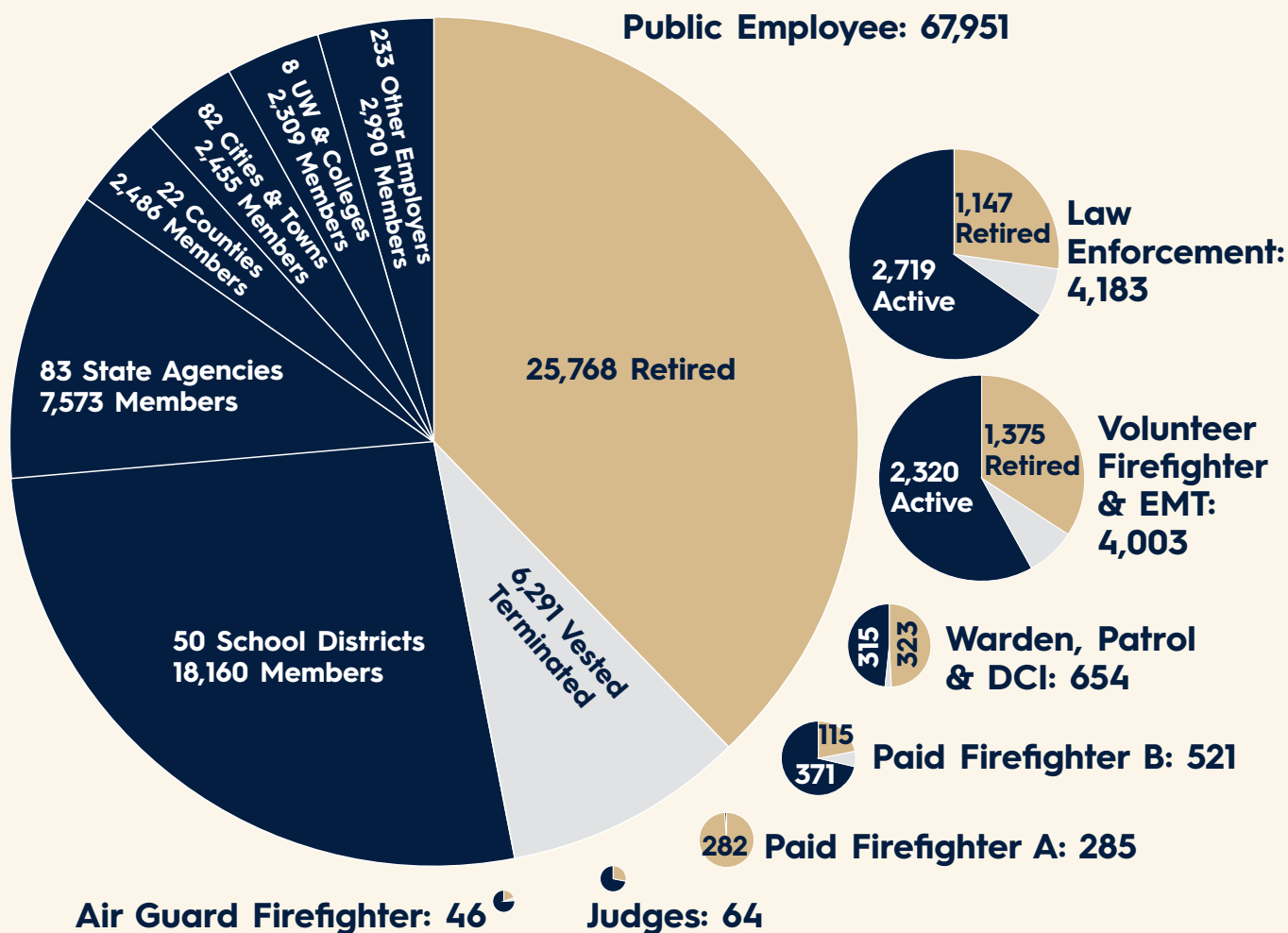
Employers

As of January 2017, WRS served about 42,000 current employees and their 700+ employers. The employers that participate in WRS range from small to large. Wyoming school districts are the largest category of employer, followed by state government agencies.

Retirement benefits are an important tool employers use to recruit and retain qualified workers. Research shows that a pension plan is a particular help to employers in this regard.¹ About 89 percent of actively employed WRS members surveyed in 2016 said the pension is "Mostly Important" or "Very Important" in keeping them in their current employment.

Retirement benefits are a part of total compensation determined by each employer. In addition to the required employer contribution, employers have the flexibility to pay for some of the contribution required for employees according to the employer's specific compensation arrangements. Disability and death benefits, also important for human resource management, are included within each pension plan.

¹ Do Public Pensions Help Recruit and Retain High-Quality Workers? Center for Retirement Research at Boston College



Public Employee Plan Total does not equal pie chart breakdown due to members who work for multiple employers.

Benefits

Retirement preparation is a shared responsibility. WRS members contribute to the WRS Pension throughout their careers. Most also contribute to Social Security and, in many cases, personal retirement savings such as the WRS 457 Deferred Compensation Plan.



- **Pension:** WRS Pension Plans provide a member a monthly payment for life once the member meets age, vesting and service qualifications. In general, the amount of this “defined benefit” is determined by a formula based on the member’s salary, length of service and age at retirement.
- **Personal Investments:** WRS administers a deferred compensation 457 Plan, which is an elective supplemental savings plan. The 457 Plan is a type of “defined contribution” plan, commonly understood as a 401(k) plan for the public sector. The 457 Plan is a tax-advantaged structure that allows each individual to decide how much to invest in working years to supplement other retirement benefits.
- **Social Security:** Most of WRS’ members also participate in Social Security with the exception of paid firefighters and some police.

WRS Pension Benefit Facts

One important aspect of a pension is that retirement payments are paid for life, ensuring the retiree will not run completely out of money, even in the event of a long life span.

- **WRS’ oldest retiree is 106 years old.**
- **There are 18 WRS retirees over 100 years old, and 605 retirees over age 90.**
- **The longest paid service retiree retired in 1971—46 years ago!**

A pension is designed to promote employee retention and career service.

- **WRS’ longest serving retiree worked for over 53 years before retiring.**
- **There are 92 members who have served 40 years or more and are still working. There are 582 members who have served 35 years or more and are still working.**

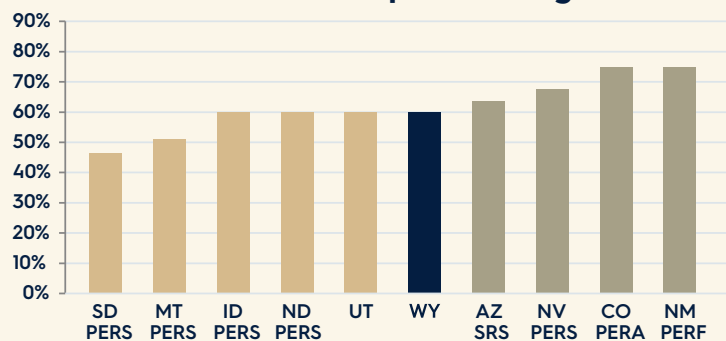
Facts as of December 2016.

Public Employee Pension Plan Retirement Benefits

The average WRS Public Employee Plan Pension benefit paid to retirees in 2016 was \$19,800 annually or \$1,650 a month. The average service at retirement is 19.9 years, and about 19 percent of all retirees are career employees with 30 or more years of service. When combined with Social Security, the benefits of the Public Employee Plan allow career members, assumed to be those with 30 years of service, to maintain their pre-retirement standard of living at the time of retirement.

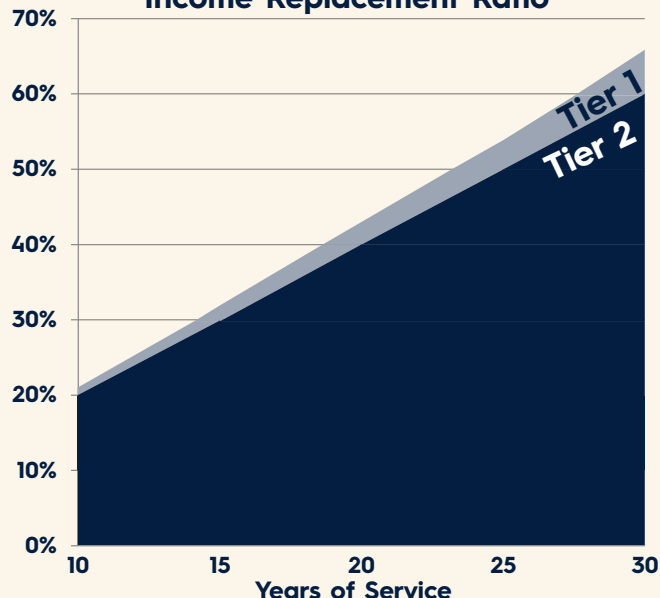
There is not a promised cost of living (COLA) provision in the Public Employee Pension Plan. State law has funding requirements that must be met before a COLA award could be granted from retirement trust funds. The WRS 457 Plan is an important supplement to the pension and Social Security that enables members to establish a livable retirement income for the long-term, as many members will need personal savings or other income in retirement.

PE Plan Tier 2 Benefits Compared to Regional Peers



Assumes 30 years of service. Not all plans compared participate in Social Security or have COLA provisions. Source: WRS Peer Survey & NASRA Significant Pension Reforms, 2015.

Public Employee Plan Income Replacement Ratio



Economic Impact

In 2013, contributions to WRS' pension plans were 2 percent of Wyoming's state and local government general budget spending. The national weighted average for state pension plan spending is 4.1 percent.ⁱ Contributions to WRS' pension plans are a relatively small part of state spending, and the benefits of this spending do not go to pension plan members and their employers alone.

ⁱ State and Local Government Spending on Public Employee Retirement Systems, National Association of State Retirement Administrators, March 2016

In 2016, WRS paid over \$569 million in benefits. About 78 percent of these payments remain in Wyoming. The ripple effect of these payments helps to stimulate and stabilize both the state and local economies. Pension payments also offer excellent retirement security and reduce economic hardship among the elderly.

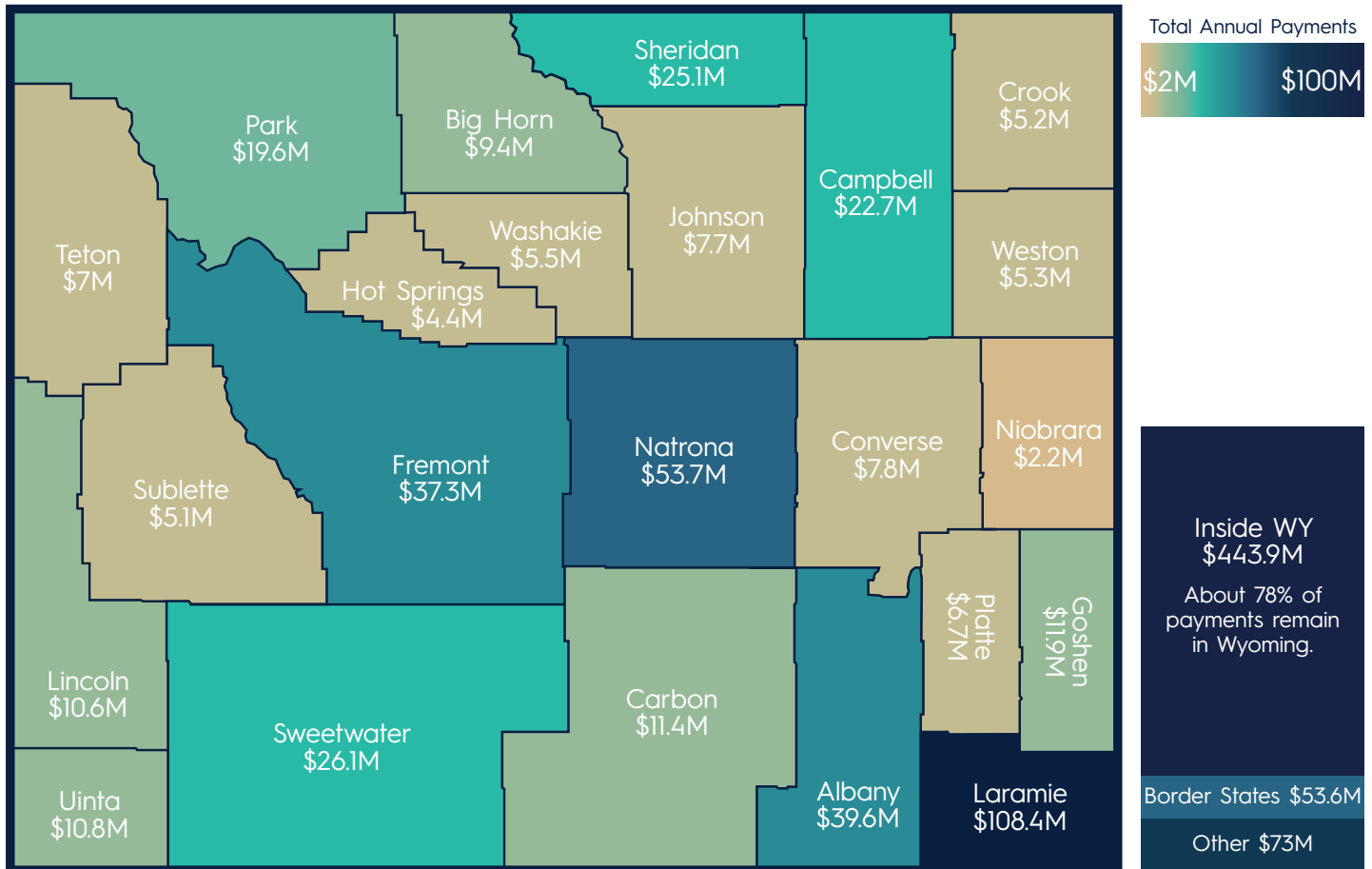


Chart includes refunds in addition to pension payments. County payments may not total to "Inside WY" payments due to rounding.

Policy Considerations

In general, a defined benefit pension plan can pay more retirement benefits than a defined contribution plan for the same amount of contribution. Defined benefit plans can achieve cost-savings and superior returns as a result of professionally managing a large pool of assets. Defined benefit plans can base their investment strategy on a continuously long investment time horizon, where individuals would need to adjust their investments according to a decreasing time horizon in order to protect against losses in retirement.

Because of the long time horizons involved, careful management of a pension plan necessitates ongoing monitoring of actuarial assumptions, funding status and contribution requirements, which could lead the Board to recommend incremental changes. Once changes are made, time is needed to determine the effect.

In contrast, members of a defined contribution plan make individual decisions about how much to contribute, how to invest, and how to withdraw. A defined contribution plan is usually more portable than a pension. However, short-term market conditions and uninformed investment decisions can have negative impacts on an individual's retirement income. When a defined contribution plan is the primary retirement plan, an individual could run out of money, particularly if he or she lives a long time after retirement.

The WRS Board believes, and passed a resolution affirming, that a defined benefit plan supplemented by the 457 Plan is the best way to provide retirement benefits for the public employees of Wyoming.

Funding Status

The WRS Board closely monitors funding status and has an actuarial study, or valuation report, done for each plan every year. The valuation report estimates the long-term liabilities of the plan based on assumptions about investment returns, inflation, future salary increases, member life spans and other factors. An experience study, which examines these assumptions, is done every five years.

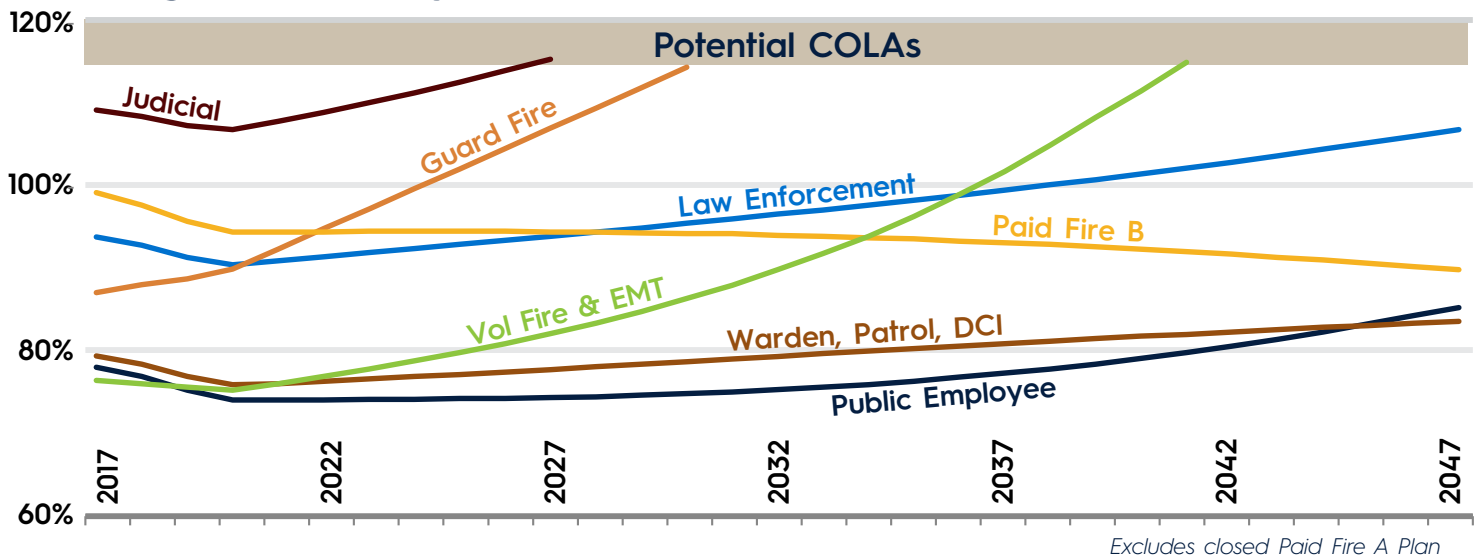
The funding ratio—assets of the plan divided by liabilities—is a key measure of a pension plan's health. The funding ratio is most meaningful when viewed in the context of additional factors such as the adequacy of incoming contributions, financial health of member employers, investment strategy, projected trend in funding status, and the realized accuracy of actuarial assumptions.

A current ratio below 100 percent does not necessarily indicate a funding problem as long as incoming contributions are adequate to meet projected future benefit payments. The Board is conducting an experience study in 2017 to assess plan assumptions, including contribution rates.

Over the past few years, changes were made to benefits and contributions to ensure the long-term health of several plans. The Paid Firefighter A Plan has been closed to new members and will require a legislative solution to address the long-term funding problem in that plan.

Careful management by the Board, as well as partnerships with the Legislature and other stakeholders has positioned all of WRS' open plans for sustainability.

Funding Ratio Projections



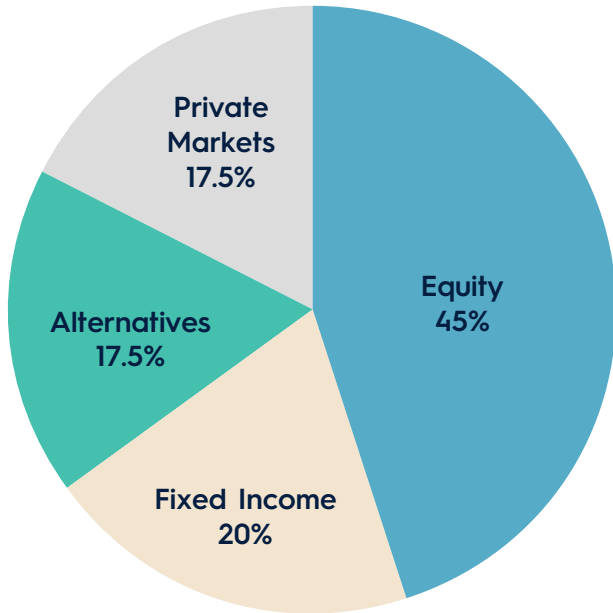
Contribution Rate and Funding Ratio by Plan

Plan	Current Contribution Rate	1/1/2016 Funding Ratio	1/1/2017 Funding Ratio	30 Year Funding Ratio Projection
Public Employee	16.62%	78.2%	78.1%	85.4%
Warden, Patrol, & DCI	29.44%	78.2%	79.5%	83.7%
Law Enforcement	17.20%	93.3%	94.0%	107.1%
Judicial	23.72%	107.1%	109.5%	158.8%
Guard Fire	23.77%	90.2%	87.2%	163.0%
Paid Fire B	21.245%	98.9%	99.4%	90.0%
Paid Fire A	\$0	63.9%	60.4%	NA (2027)
Volunteer Firefighter & EMT	\$15/mo	74.4%	76.5%	144.1%

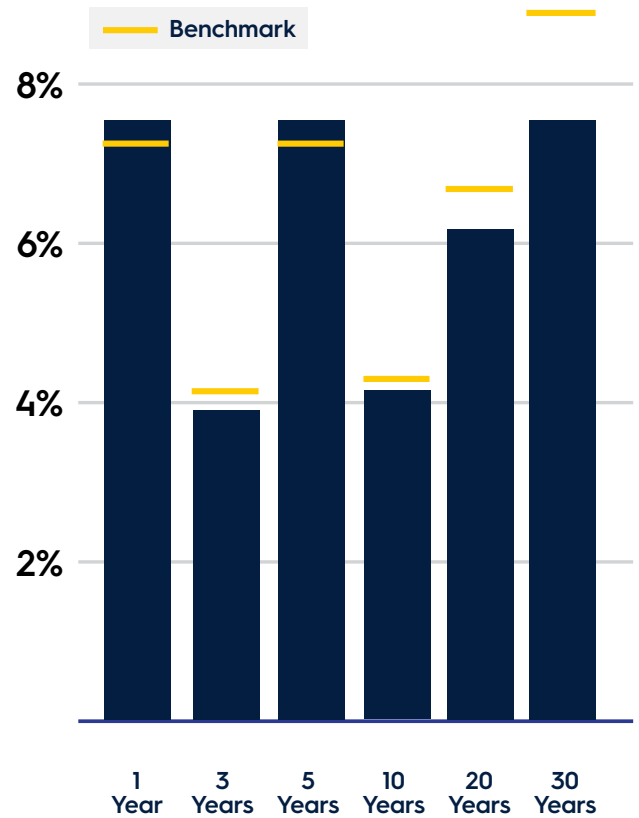
Investments

WRS invests about \$7.7 billion with a combined investment strategy for all plans. The Board establishes parameters for asset allocation and delegates investment manager and tactical allocation decisions to its chief investment officer with executive director approval. The asset allocation is designed to achieve the Board's assumed rate of return of 7.75% over long time periods. The Board also measures performance relative to shorter-term benchmarks in order to evaluate investment policy implementation decisions.

Strategic Target Asset Allocation as of February 2017



Annualized Net Returns as of 12/31/2016



Financial Summary

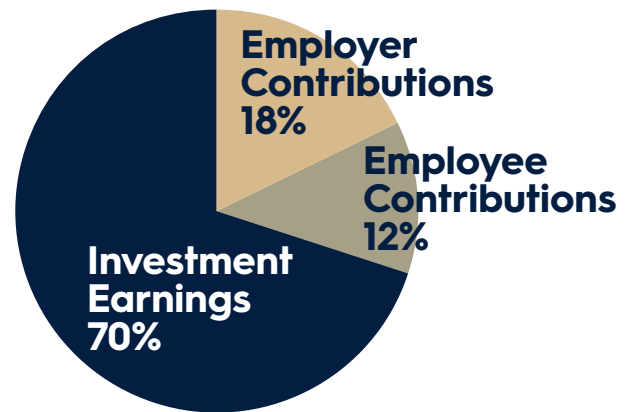
WRS receives statutorily required incoming contributions, from both employers and employees, to pre-fund future pension benefit payments. This allows WRS to invest the contributions and increase assets available to pay benefits over the long term. Each plan has a different contribution rate, generally based on what is needed to fund promised benefits.

In aggregate, the pension plans paid out more in benefits in 2016 than was received in contributions. This is normal for a mature pre-funded pension plan, as investment earnings represent a large portion of benefits paid.

2016 Financial Summary for All Plans Combined

Total 12/31/2016 Pension Fund Balance	\$7,715,392,350
2016 Contributions	\$351,251,781
2016 Investment Income	\$524,804,912
2016 Benefits Paid	\$569,412,074

Between 1993 and 2012, 70% of Wyoming retiree payments came from investment earnings on employer and employee contributions.



Pensionomics 2014, National Institute on Retirement Security

Wyoming Retirement System

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