



LEGISLATIVE UPDATE

2018 Legislative Changes Contribute to Stronger Pension Plans

As a result of the 2018 legislative session, two bills will become law that will contribute to better funded pension plans. Wyoming's lawmakers established a forward-looking full funding plan for the Public Employee Plan, with a gradual contribution increase. The other piece of successful legislation will keep more employer contributions in the pension plans by limiting the refund benefit for newly hired, non-vested members.

What does full funding mean?

Full funding means a pension plan has sufficient assets to provide for all accrued benefits. To make this determination, accrued liabilities (also known as benefit obligations) and assets are quantified.

The funded ratio is calculated as liabilities divided by assets. A pension plan with a funded ratio of 100% is fully funded; one that is projected to reach 100% over a 30 year amortization period is considered actuarially sound.

Legislative House Bill 109/House Enrolled Act 65

Contributions

This legislation will increase contributions to the Public Employee Pension by a total of 2 percent, split equally between employees and employers in 0.25 percent increments over four years. The increase is gradual, making it easier for employees and employers to adjust.



Public Employee Pension Plan Phase-In of Contribution Increases

	Current	9/1/18	7/1/19	7/1/20	7/1/21
Employee Contribution as % of Salary	8.25	8.50	8.75	9.00	9.25
Employer Contribution as % of Salary	8.37	8.62	8.87	9.12	9.37
Total	16.62	17.12	17.62	18.12	18.62

The Board received an in-depth review of its assumptions as compared to actual experience last summer. In response, the WRS Board improved the assumptions used to quantify pension liabilities, putting upward pressure on contribution rates for all the pension plans. WRS wanted to increase contributions for the Public Employee Pension, the plan for most employees, as soon as possible to minimize the amount of the necessary increase. WRS will be conducting a study of all its pension plans during the summer of 2018 to more closely determine the specific contribution increase needed for each, and to consider other changes that could contribute to stronger funding. WRS will bring results and any recommendations for change to the Joint Appropriations Committee (JAC) in the fall.

Legislative House Bill 110/House Enrolled Act 10

Account Refunds

The WRS Board brought the idea of modifying refund benefits for newly hired, non-vested members to the JAC because it keeps more employer dollars in the plan, resulting in lower contribution requirements. At present account refunds consist of the employee contribution, regardless of whether the employer picked it up, plus interest. A member who has separated from service may refund, and in doing so forfeits any future benefit from the pension.

Anyone who is vested and chooses to stay in the system will not be affected by this change. The recently passed legislation changes the account refund provision for non-vested members hired on or after July 1, 2018 so an individual will be refunded only contributions paid out-of-pocket and interest. When employers “pick-up” some or all of employee contributions, it is fitting those dollars remain in the plan to help keep the employer contribution rate as low as possible.

This legislation applies to all pension plans except Paid Firefighter A and the Volunteer Firefighter & EMT Pension.

Additional Legislation

Other retirement bills put forth by lawmakers included WRS’ \$17 million biennial budget, which passed in its entirety. SF 116/SEA 62 passed and establishes a task force on retirement security in Wyoming and includes a WRS designee on the task force. This bill does not directly impact WRS as the task force will be evaluating retirement security for private citizens only, not public employees.

Retirement-related bills that did not pass:

- HB 60 - called for including community college police officers to the Law Enforcement Pension
- HB 74 - task force to study and make recommendations concerning Wyoming’s structure for state investments
- HB 102 - an alternative contribution increase bill
- HB 139 – required participating employers to pay for increased unfunded liabilities to retirement plans resulting from retirement incentive programs

WRS appreciates its partnerships with the JAC, executive branch, as well as the attention the Legislature and stakeholders devoted to retirement topics this session. Further details on the bills described in this article are available on the Legislature’s website under the given bill number. (<http://lso.wyoleg.gov/Legislation/2018>)