

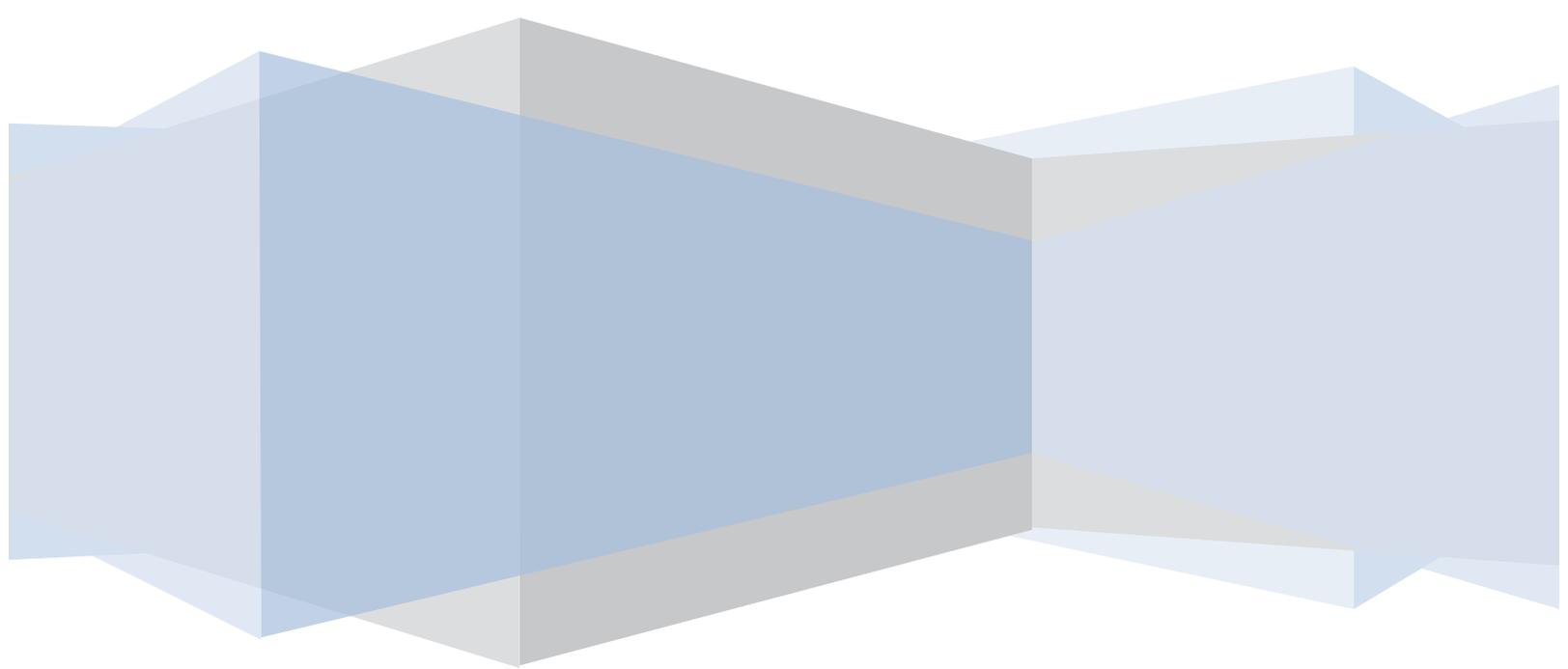
State of Wyoming



Report to the JAC

Wyoming Retirement System

November 17, 2014





Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

Matt Mead
Governor

Ruth Ryerson
Executive Director

October 31, 2014

Senator Eli Bebout, Co-Chairman JAC
Representative Steve Harshman, Co-Chairman JAC
VIA EMAIL
c/o Legislative Service Office
213 Capitol Building
Cheyenne, WY 82002

Dear Senator Bebout and Representative Harshman:

I am pleased to continue the discussion started at the July meeting by providing the attached report. This report follows-up on questions asked at the July meeting. With regard to the legislative initiatives discussed in July -- automatic enrollment for the deferred compensation plan, on-duty death and disability benefits for park rangers, and a partial clean-up of the Wyoming Retirement Act -- WRS is collaborating with your staff to develop draft bills and these will be available at the November meeting.

Thank you for your partnership in making improvements and achieving excellence.

Sincerely,

A handwritten signature in blue ink that reads "Ruth Ryerson".

Ruth Ryerson
Executive Director

Cc: Joint Appropriations Committee Members and Staff

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Purpose of Report

This report is intended to provide detailed information to address questions asked by Committee members at the meeting held on July 28, 2014 in Riverton.

Follow-Up Items

1. RAIN Costs

a. Total cost of the RAIN program?

ANSWER: **\$7.3 Million**. WRS started development of the Retirement Administration and Investment Network (RAIN) in the fall of 2010 and launched it in May of 2014. WRS considers expenses through September 2014 part of the initial cost of the RAIN project and expenses in October 2014 (when licensing and maintenance agreements started) and beyond as part of the on-going costs. The project came in at 91.22% of the nearly \$8 million budgeted (and 50% of the original \$14.5M business case proposed in 2009). Together with the ongoing costs of the 2015-2016 biennium, WRS estimates the total costs of both development and implementation will not exceed \$9 million, as briefed in our 2015-2016 budget narrative.

RAIN Development Cost vs Budget

<i>WRS - RAIN IT Modernization Project</i>	Authorized Budget	Project to Date Expenditures	% of Budget Expended	% of Budget Remaining
As of September, 2014				
Support Services 0200 Series	\$177,771	\$161,430	90.81%	9.19%
Data & Phone Services- 0400 Series	\$1,175,936	\$587,316	49.94%	50.06%
Space Rental - 0500 Series	\$81,230	\$81,230	100.00%	0.00%
Temporary Services - 0901 Series	\$30,000	\$29,539	98.46%	1.54%
Consulting Services - 0903 Series	\$6,511,212	\$6,416,564	98.55%	1.45%
Total	\$7,976,149	\$7,276,080	91.22%	8.78%

b. Ongoing contract consultant (annual or biennial) cost?

ANSWER: **\$617,911 for the biennium** (with some support extending 6 months more to 12/13/2016), **approximately \$29,000 per month**.

The RAIN system incurs three major ongoing costs:

- 1) Hyland On-Base Licenses: These software licenses are for the On-Base software that captures document images and incorporates them into a paperless work-flow environment which interfaces with RAIN. We own RAIN (it was custom-built for the State of Wyoming) but we rent the On-Base software that is integral to the total system.
- 2) Enhanced On-Base Support: This is for maintenance and enhanced support of the On-Base system.
- 3) RAIN programmer for maintenance and enhancements: This is to ensure fluid support after the warranty period ends and provides ability to modify the RAIN product to accommodate changes in plan provisions as well as both state and federal law and rule changes.

The on-going contract and consulting costs vary slightly by contract and period covered. They total **approximately \$29,000 per month** in the second half of the biennium. Details are as follows:

Breakdown of Ongoing RAIN Costs

Item	Period 1	Period 2	Biennium Total
Hyland On-Base Licenses	10/01/2014 - 12/31/2015	01/01/2016 - 12/31/2016	
Months	15	12	
Cost	\$42,125	\$37,070	\$79,195
Monthly cost	\$2,808.33	\$3,089.17	
Hyland On-Base Enhanced Support	01/01/2015 - 12/31/2015	01/01/2016 - 12/31/2016	
Months	12	12	
Cost	\$24,750	\$24,750	\$49,500
Monthly cost	\$2,062.50	\$2,062.50	
RAIN programmer	10/01/2014 - 06/30/2015	07/01/2015 - 06/30/2016	
Months	9	12	
Cost	\$201,600	\$287,616	\$489,216
Monthly cost	\$22,400	\$23,968	
Total on-going consultant cost:	\$268,475	\$349,436	\$617,911
Monthly cost:	\$27,270.83	\$29,119.67	

c. Additional in-house IT expenses, if any, for the operation of RAIN?

ANSWER: **\$139,300**. WRS is budgeted to pay for an in-house project manager from ETS in the amount of \$139,300 for the period 07/01/2014 thru 06/30/2016. ETS requires a project manager for any IT project over \$250,000 to ensure success of the project. Given the size and complexity of the RAIN project, there was a continuing need for an ETS project manager to oversee the maintenance, warranty and implementation period. Most of the expense was planned for the initial 6 months with a reduced amount for the remaining 18 months of the biennium.

07/01/2014 – 12/31/2014 (6 months): While a full-time project manager was budgeted for 6 months at \$104,000, ETS reassigned half of the project manager's time to the Department of Workforce Services starting August 1, 2014. This reduced the planned expenditure to \$61,000.

01/01/2015 – 06/30/2016 (18 months): 43.5 hours per month for 18 months: \$78,300. While this is the amount budgeted, ETS has conveyed the project manager will not be allowed to continue with WRS beyond December 2014. If that is the case, these expenditures would be zero. However, WRS believes the project manager is needed for a longer period of time and has requested ETS change its decision.

Total biennial cost: \$61,000 – 139,300

2. Volunteer Plans

There was discussion at the last meeting about the need of a permanent funding source for the Volunteer Emergency Medical Technician (EMT) Pension Plan. Since the last JAC meeting in July, the separate boards which oversee the Volunteer Firefighter Pension Plan and the Volunteer EMT Pension Plan expressed an interest in combining those plans in terms of membership, assets and liabilities.

WRS had projections, based on membership, asset and liability data as of 1/1/2014, done reflecting combining the membership, assets and liabilities of these plans, increasing member contributions to \$15.00 per month, increasing the fire insurance premium tax to 60 percent and ad hoc 3 percent COLAs when the funded ratio would remain 107 percent or more after the COLA. This study was based on a request from the volunteer boards, with the hope that COLAs may eventually be affordable to enhance a benefit that has remained flat for decades. COLAs are a way of improving benefits and are only recommended when funding of a plan after the COLA has been made is adequate to do so.

The full study showing projection results for combining the volunteer plans and adjusting the funding sources is provided on the following pages. Projections show this scenario would provide a permanent funding source for the Volunteer EMT Plan and improves the near-term funding status of a new combined volunteer plan to 93.2 percent initially.

For purposes of these projections, the benefit provisions of the plans were kept distinct and as they currently are; however, benefit provisions of these two plans are similar, but not exactly the same. If the membership is combined WRS recommends the benefit provisions be aligned toward the provisions in the Volunteer Firefighter Pension Plan. Additionally, no increase in membership was contemplated in these studies.

Funded Ratio for Combined Volunteer Plan

	Funded Ratio		
	Vol EMT	Vol Fire	New Scenario Combined
1/1/2014 Valuation	131.70%	92.24%	93.2%

**Wyoming Retirement System - Combined Vol Fire and EMT
Projection Results Based on January 1, 2014**

**Employee Contribution: \$15 per month, Amortization Period: 30 years, Addition of Set-aside Fund, Adhoc 3% COLA: When funded ratio to remain above 107%
Employer Contribution: 60% of the gross fire insurance premium taxes paid on fire insurance policies in Wyoming**

Discount Rate: 7.75%

Valuation as of January 1, (1)	Market Return for FY Beginning on Valuation Date (2)	Contribution Rate for Fiscal Year Following Valuation Date		COLA (Only granted when Funded Ratio would remain above 107%) (6)	Actuarial Accrued Liability (AAL, in Thousands) (7)	Actuarial Value of Assets (AVA, in Thousands) (8)	Unfunded Actuarial Accrued Liability (UAAAL, in Thousands) (9)	Funded Ratio (7)/(6) (10)	30-Year Amortization Payment (in Thousands) (11)	Assumed Expenses (in Thousands) (12)	Employer Normal Cost (NC, in Thousands) (13)	Employer ARC with 30-year amortization (in Thousands) (10) + (11) + (12) (14)	Funding Shortfall/ (Surplus) (in Thousands) (13) - (4) (15)
		Employee (3)	Employer (4)										
2014	7.75%	\$419,220	\$2,280,000	0.0%	\$74,705	\$69,602	\$5,104	93.2%	\$426.4	\$213.0	\$626.4	\$1,265.8	(\$1,014)
2015	7.75%	419,220	2,280,000	0.0%	76,846	74,097	2,750	96.4%	229.7	213.0	637.5	1,080.3	(1,200)
2016	7.75%	419,220	2,280,000	0.0%	78,841	78,009	832	98.9%	69.5	213.0	656.3	938.9	(1,341)
2017	7.75%	419,220	2,280,000	0.0%	80,679	82,970	(2,291)	102.8%	(191.4)	213.0	669.3	690.8	(1,589)
2018	7.75%	419,220	2,280,000	0.0%	82,326	87,201	(4,875)	105.9%	(407.3)	213.0	687.4	493.2	(1,787)
2019	7.75%	419,220	2,280,000	3.0%	83,805	90,714	(6,908)	108.2%	(577.2)	213.0	701.0	336.8	(1,943)
2020	7.75%	419,220	2,280,000	3.0%	86,989	94,222	(7,232)	108.3%	(604.2)	213.0	716.5	325.3	(1,955)
2021	7.75%	419,220	2,280,000	3.0%	90,092	97,540	(7,448)	108.3%	(622.3)	213.0	735.7	326.4	(1,954)
2022	7.75%	419,220	2,280,000	3.0%	93,146	100,678	(7,532)	108.1%	(629.2)	213.0	746.4	330.2	(1,940)
2023	7.75%	419,220	2,280,000	3.0%	96,134	103,645	(7,511)	107.8%	(627.5)	213.0	754.7	340.2	(1,940)
2024	7.75%	419,220	2,280,000	3.0%	99,035	106,404	(7,369)	107.4%	(615.6)	213.0	763.1	360.4	(1,920)
2025	7.75%	419,220	2,280,000	0.0%	101,857	108,955	(7,098)	107.0%	(593.0)	213.0	769.4	389.3	(1,891)
2026	7.75%	419,220	2,280,000	3.0%	102,255	111,283	(9,028)	108.8%	(754.3)	213.0	780.7	239.4	(2,041)
2027	7.75%	419,220	2,280,000	3.0%	104,916	113,653	(8,736)	108.3%	(729.9)	213.0	784.9	268.0	(2,012)
2028	7.75%	419,220	2,280,000	3.0%	107,540	115,890	(8,350)	107.8%	(697.6)	213.0	786.0	301.4	(1,979)
2029	7.75%	419,220	2,280,000	0.0%	110,115	117,980	(7,865)	107.1%	(657.1)	213.0	785.4	341.3	(1,939)
2030	7.75%	419,220	2,280,000	3.0%	110,052	119,889	(9,837)	108.9%	(821.8)	213.0	790.3	181.4	(2,099)
2031	7.75%	419,220	2,280,000	3.0%	112,482	121,873	(9,392)	108.3%	(784.6)	213.0	789.8	218.2	(2,062)
2032	7.75%	419,220	2,280,000	3.0%	114,837	123,685	(8,848)	107.7%	(739.2)	213.0	792.6	266.4	(2,014)
2033	7.75%	419,220	2,280,000	0.0%	117,131	125,316	(8,185)	107.0%	(683.8)	213.0	791.6	320.9	(1,959)
2034	7.75%	419,220	2,280,000	3.0%	116,591	126,764	(10,173)	108.7%	(849.8)	213.0	792.6	155.7	(2,124)
2035	7.75%	419,220	2,280,000	3.0%	118,732	128,300	(9,568)	108.1%	(799.4)	213.0	791.5	205.2	(2,075)
2036	7.75%	419,220	2,280,000	0.0%	120,808	129,670	(8,862)	107.3%	(740.3)	213.0	791.2	263.9	(2,016)
2037	7.75%	419,220	2,280,000	3.0%	119,972	130,872	(10,900)	109.1%	(910.7)	213.0	789.3	91.6	(2,188)
2038	7.75%	419,220	2,280,000	3.0%	121,895	132,170	(10,275)	108.4%	(858.4)	213.0	790.8	145.3	(2,135)
2039	7.75%	419,220	2,280,000	0.0%	123,744	133,278	(9,534)	107.7%	(796.5)	213.0	790.8	207.3	(2,073)
2040	7.75%	419,220	2,280,000	3.0%	122,577	134,196	(11,619)	109.5%	(970.7)	213.0	791.9	34.1	(2,246)
2041	7.75%	419,220	2,280,000	3.0%	124,267	135,225	(10,958)	108.8%	(915.5)	213.0	791.2	88.8	(2,191)
2042	7.75%	419,220	2,280,000	3.0%	125,892	136,087	(10,195)	108.1%	(851.8)	213.0	792.2	153.5	(2,127)
2043	7.75%	419,220	2,280,000	0.0%	127,454	136,775	(9,321)	107.3%	(778.7)	213.0	791.9	226.2	(2,054)
2044	7.75%	419,220	2,280,000	3.0%	125,897	137,280	(11,383)	109.0%	(951.0)	213.0	793.4	55.4	(2,225)

Also regarding the Volunteer EMT Plan, the Committee requested a variety of statistics pertaining to emergency medical services, specifically:

- EMT entities benefiting from volunteers
- EMT entities that do not bill for services
- Number of calls for each EMT
- Summary of the rules for volunteer EMTs entering and exiting the plan

WRS does not have access to most of the data requested and was not able to obtain it from the Department of Health Office of Emergency Medical Services.

WRS provide 1) the handbook summarizing plan provisions for the Volunteer EMT Plan members available on WRS' website at <http://retirement.state.wy.us/Media.aspx?mediaId=1043> and 2) rules adopted by the Volunteer EMT Board on general provisions, member account records and contested cases available on the Secretary of State's website. WRS can also provide a list of the EMT entities participating in the Plan.

Volunteer Emergency Medical Services Participating

- 1 Centennial Valley Volunteer
- 2 Eden-Farson Fire Control District
- 3 Fremont County
- 4 Glendo Volunteer Ambulance
- 5 Guernsey Ambulance Service
- 6 Hulett Emergency Medical Services
- 7 Jackson Hole EMT
- 8 Johnson County Ambulance
- 9 Little Snake River
- 10 Newcastle Ambulance Service Inc.
- 11 Pine Haven Ambulance
- 12 Powell Valley Healthcare
- 13 Salt Creek Emergency Services
- 14 South Central EMS
- 15 South Lincoln County
- 16 Star Valley Medical Center
- 17 Sublette County Rural Health
- 18 Ten Sleep Ambulance Service
- 19 Thayne Ambulance Service
- 20 Torrington Ambulance Service
- 21 Town of Pine Bluffs EMS
- 22 Uinta County
- 23 Washakie County EMT
- 24 West Park Hospital
- 25 Yoder Fire Protection District 5A

3. Ad Hoc Cost of Living Adjustment

In response to a request by a member of the JAC for WRS to provide the cost of a one-time COLA, WRS had the spreadsheet tool (first provided in the fall of 2011) updated for the Public Employee Pension Plan only. This tool has 2013 data securely embedded in it and the user may input different COLA scenarios, which will result in a cost. By targeting COLA to specific populations and income limits, the cost can be aligned with available legislative funds. One scenario is detailed below, but LSO has the spreadsheet and can run cost estimates for any scenarios the JAC would like to review while considering an externally funded COLA. WRS will provide LSO with assistance or obtain COLA calculators for the other plans upon request.

The following tables show retirees of the Public Employee Plan who are older or those retired the longest have lower average benefits than those who are younger or more recently retired.

Average 2013 Retirement Benefits by Age of Retirees for Public Employee Plan

<u>Age Range</u>	<u>Count</u>	<u>Average Benefit</u>
0 - 55	245	\$16,521
55 - 60	1,165	26,581
60 - 65	4,100	23,144
65 - 70	5,469	19,512
70 - 75	4,299	15,915
75 - 80	3,141	13,981
80+	4,312	11,617
Total	22,731	\$17,555

Average 2013 Retirement Benefits by Years Since Retirement for Public Employee Plan

<u>Years Since Retirement</u>	<u>Count</u>	<u>Average Benefit</u>
0 - 5	6,308	\$24,034
5 - 10	4,795	18,997
10 - 15	3,653	15,513
15 - 20	3,287	14,587
20 - 25	2,252	12,665
25 - 30	1,629	11,237
30+	807	6,070
Total	22,731	\$17,555

One scenario would be to provide a COLA according to years since retirement, with more being allocated for 20 or 30 years of service. Specifically, 0.050 percent per year for the first 1 to 5 years since being retired, 0.1 percent for each year 6 to 20 since retirement and 0.15 percent for each year for 21 or more years since retirement. For example, a member retired for 5 years would receive an increase of 0.25 percent, 1.25 percent if retired 15 years and 2.75 percent if retired 25 years. The one-time increase would be continued for the life of each member receiving the award.

For retirees of the Public Employee Plan only, this is estimated to have a one-time cost of \$26 million and would increase benefits for those with 30 or more years since retirement 3.80 percent on average; those members with fewer years since retirement would receive less. The following charts show the cost detail and increase in benefits as generated by the spreadsheet tool. Please note the calculator includes those in the Public Employee Plan retired prior to 1/1/2014.

Wyoming Retirement System - State
 Ad hoc COLA Scenarios - Based on Results at January 1, 2014
 Input Parameters

Increase in AL (\$)	\$26,000,414
Increase as % of AL	0.7%
Increase as % of Payroll	1.5%

Direct Studies (All can be used together)			
Percentage Studies			
Limit on Annual Benefit Applicable to COLA (\$0 for NA)	\$0		
COLA Applies Only to Retirees Retired On or Before	2013		
Flat Percentage Across all Benefits	0.000%		
Flat % Based on Years of Service	0.000%		
Flat % Based on Years Since Retirement	0.000%		
Stair Percentages per Benefit Level		On Annual Benefits up to:	
Step 1	0.000%	\$12,000	
Step 2	0.000%	\$24,000	
Step 3	0.000%	\$36,000	
Stair Flat Percentage Studies - Years of Service		For Service Years:	
Step 1 Per Year	0.000%	5	
Step 2 Per Year	0.000%	20	
Step 3 Per Year	0.000%	30	
Stair Percentage Studies - Years Since Retirement		For Years:	
Step 1 Per Year	0.050%	5	
Step 2 Per Year	0.100%	20	
Step 3 Per Year	0.150%	99	
Flat Dollar Studies (Monthly)			
COLA Applies Only to Retirees Retired On or Before	2013		
Flat \$ Across all Benefits	\$0.00		
Flat \$ Based on Years of Service	\$0.00		
Flat \$ Based on Years Since Retirement	\$0.00		
Stair Flat Dollar Studies - Flat Amount		If Annual Benefit is Less than:	
Step 1	\$0.00	\$5,000	
Step 2	\$0.00	\$10,000	
Step 3	\$0.00	\$20,000	
Stair Flat Dollar Studies - Years of Service		For Service Years:	
Step 1 Per Year	\$0.00	10	
Step 2 Per Year	\$0.00	20	
Step 3 Per Year	\$0.00	30	
Stair Flat Dollar Studies - Years Since Retirement		For Years:	
Step 1 Per Year	\$0.00	10	
Step 2 Per Year	\$0.00	20	
Step 3 Per Year	\$0.00	30	

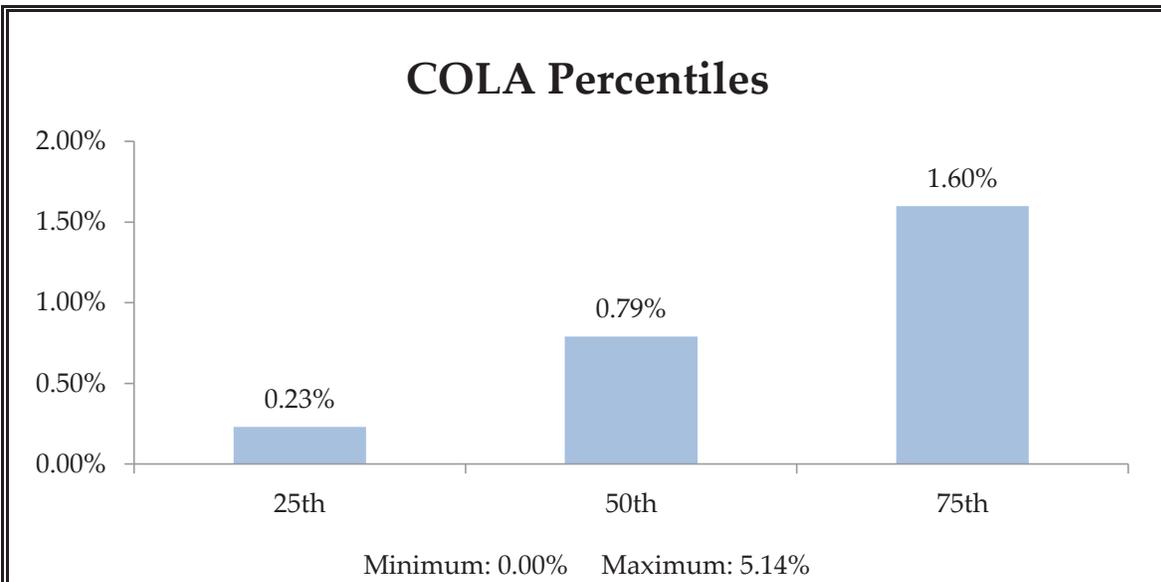
Wyoming Retirement System - State
Ad hoc COLA Scenarios - Based on Results at January 1, 2014
Cost Results

	Retiree Annual Benefit		Retiree Liabilities	
	Amount			
Baseline	\$	399,042,043	\$	3,927,605,266
Following COLA	\$	402,218,922	\$	3,953,605,679
Increase \$	\$	3,176,879	\$	26,000,414
Increase %		0.8%		0.7%

Cost Based on Payment Schedule:			% of Pay
One-Time Payment	\$	26,000,414	1.5%
Amortize Over			
2 Years		13,485,172	0.8%
3 Years		9,321,162	0.5%
4 Years		7,244,944	0.4%
5 Years		6,003,824	0.3%
10 Years		3,555,683	0.2%
15 Years		2,776,247	0.2%

Wyoming Retirement System - State
Ad hoc COLA Scenarios - Based on Results at January 1, 2014
Demographic Exhibits

Increases on each table below, for a given participant, represent the total COLA applied for all entries on the Input tab.



Wyoming Retirement System - State
 Ad hoc COLA Scenarios - Based on Results at January 1, 2014
 Demographic Exhibits

<u>Benefit Range</u>	<u>Count</u>	<u>Average Benefit</u>	<u>Average (after COLA)</u>	<u>Increase</u>
\$0 - \$5,000	4,711	\$2,953	\$2,994	1.38%
\$5,000 - \$10,000	4,727	7,334	7,428	1.29%
\$10,000 - \$15,000	3,109	12,364	12,501	1.11%
\$15,000 - \$20,000	2,329	17,405	17,577	0.99%
\$20,000+	7,855	34,562	34,780	0.63%
Total	22,731	\$17,555	\$17,695	0.80%

<u>Age Range</u>	<u>Count</u>	<u>Average Benefit</u>	<u>Average (after COLA)</u>	<u>Increase</u>
0 - 55	245	\$16,521	\$16,557	0.22%
55 - 60	1,165	26,581	26,621	0.15%
60 - 65	4,100	23,144	23,198	0.23%
65 - 70	5,469	19,512	19,600	0.45%
70 - 75	4,299	15,915	16,062	0.93%
75 - 80	3,141	13,981	14,186	1.47%
80+	4,312	11,617	11,882	2.28%
Total	22,731	\$17,555	\$17,695	0.80%

Wyoming Retirement System - State
 Ad hoc COLA Scenarios - Based on Results at January 1, 2014
 Demographic Exhibits

<u>Years Since Retirement</u>	<u>Count</u>	<u>Average Benefit</u>	<u>Average (after COLA)</u>	<u>Increase</u>
0 - 5	6,308	\$24,034	\$24,062	0.12%
5 - 10	4,795	18,997	19,088	0.48%
10 - 15	3,653	15,513	15,666	0.98%
15 - 20	3,287	14,587	14,806	1.50%
20 - 25	2,252	12,665	12,926	2.06%
25 - 30	1,629	11,237	11,552	2.80%
30+	807	6,070	6,300	3.80%
Total	22,731	\$17,555	\$17,695	0.80%

<u>Years of Service at Retirement</u>	<u>Count</u>	<u>Average Benefit</u>	<u>Average (after COLA)</u>	<u>Increase</u>
0 - 5	771	\$2,500	\$2,531	1.22%
5 - 10	3,739	4,284	4,328	1.03%
10 - 15	3,660	7,714	7,795	1.05%
15 - 20	3,551	11,979	12,101	1.02%
20 - 25	3,324	17,939	18,094	0.86%
25 - 30	3,342	25,932	26,123	0.74%
30+	4,344	37,760	38,015	0.67%
Total	22,731	\$17,555	\$17,695	0.80%

4. Redeposit Trends

At the last meeting there was discussion about the redeposit provision and the JAC asked for additional information about how much this provision is used. This provision allows a limited timeframe for a member who previously terminated and took a refund of his or her account balance to repay the funds in a lump sum and regain the associated service.

WRS examined the population of terminating refunded members from the Public Employee Plan for the period of just over four years (2010 through April 2014) and found the redeposit provision was rarely used. Specifically, 9,778 individuals in this group terminated and refunded during this time; 2,034 were vested and 7,744 were not vested prior to taking a refund. Of this entire population, there were 990 individuals who returned to employment and 4 individuals who made redeposits. However, there are still individuals who are eligible to make a redeposit and could still do so. Additionally, there could be more individuals from this population that could return to employment with a participating employer.

Summary of Terminating Members from the Public Employee Plan 1/1/10 thru 4/30/2014

	Total	% Total Members Terminating
Total Members Terminating	16,426	100%
Members Electing Refunds	9,778	60%
	Total	% Members Electing Refunds
Vested Members Electing Refund	2,034	21%
Non-Vested Members Electing Refund	7,744	79%
Refunded Members Returning to Employment (eligible for redeposit)	990	10%
	Total	% Refunded Members Returning
Members Redepositing	4	0.4%

Source: WRS Analysis of Member Data

5. Late Employer Payments

WRS is seeking to update this statutory provision to align with the Board's assumed rate of return (currently 7.75 percent) and also to specify compounded interest. In response to related discussion, the JAC requested follow-up information about employer practices with timeliness of payments. While statutes allowed WRS to charge employers 8 percent interest for late payroll contributions or late individual payments, WRS only began using this provision in 2010. Subsequent experience shows the practice of charging interest has greatly improved employer compliance and is a better way to administer the System.

Late employer payments are minimal and WRS does not believe there is a pattern of lateness with particular employers. WRS looked at employer payments from March 2011 through March 2013 and found sixty of the 713 participating employers had late payrolls in that period; the interest billed amounted to approximately \$8,700. During the same three-year period, 119 employers did not timely submit information for individual members (e.g., an employee had not been registered as a WRS member in a timely fashion). The interest billed to employers as a result of late payments for individuals amounted to approximately \$121,000 during this period. This analysis confirmed to WRS that it is rare for employers to be late with an entire payroll; however, it is more common for the payroll submitted to have errors or omissions (pertaining to individual members) that require adjustments involving interest.