Partnering to Build Financial Security for Members and their Families

Wyoming Retirement System

WRS UPDATE

Spring/Summer 2015

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2015 Legislative Session Brings Positive Results

The Wyoming Retirement System was involved with several bills during the 2015 legislative session. Most legislative matters relating to retirement are assigned to WRS' "home" committee, the Joint Appropriations Committee (JAC). The JAC studies the matters at hand, hears testimony, and in some cases becomes the sponsor for resulting legislation. WRS appreciates the partnership with the JAC and executive branch, as well as the attention the Legislature and stakeholders devoted to retirement-related topics. This session, five retirement-related bills were passed by the Legislature and signed by the Governor.

HB 67/HEA 7 updates and improves the Wyoming Retirement Act. Generally, the legislation improves archaic language, clarifies interest charged for late payments is always compound interest and ensures the System does not take a loss when an individual member reinstates or "redeposits" service. The current method for the cost of redeposits did not charge the true cost of reinstating service. The cost of redeposits will generally increase starting July 1, 2015. Eligible members—re-employed with a participating employer and within the eligibility window—received a letter from WRS about this change.

HB 72/HEA 13 combines two separate plans for volunteer firefighters and volunteer emergency medical technicians into one plan named the Volunteer Firefighter and EMT Pension Account. The benefit structure of the new plan will be different than the old plans. Current retirees will see the same or higher benefit payments and active members will see their potential future benefit impacted for the better. WRS will be working with the new board and the volunteer agencies to further specify the details of the transition to the new plan. This legislation provides a long-term funding solution for the benefits provided to members of the current plan for volunteer EMTs.

HB 77/HEA 61 was sponsored by a number of individual legislators and allows members who are honorably discharged from the military to purchase up to 8 years of service. One year of service credit may be purchased for each year of military service. Non-veteran members are limited to a one-time purchase of up to five years of service. This legislation gives veterans the ability to make an additional service purchase for their qualified military service.

SF 58/SEA 55 provides duty-connected disability and pre-retirement death benefits, similar to other law enforcement officers, to the state park rangers. WRS partnered with this effort to determine the cost of the additional coverage, which was included in the legislation as a higher contribution of 1 percent to be paid by the employer.

SF 60/SEA 8 was sponsored by the JAC in response to the WRS Board's request and establishes automatic enrollment into the Deferred Compensation 457 Plan for employees hired on or after July 1, 2015 by the executive, legislative and judicial branch and allows other employers to elect automatic enrollment for their employees. New hires will receive notification of automatic enrollment along with related information, and have a minimum of 30 days to opt-out before contributions start. The 30 day notification period will be followed by a 90 day window, during which employees can withdraw contributions if they had not opted out. Unless employees make different choices, they will be enrolled at three percent of pre-tax pay invested in the stable value fund for the first 90 days, and then the investment would be shifted to the target date fund that aligns with an anticipated retirement age of 65. An employee may change his or her investment or future contribution at any time. The WRS Board will be considering changes to the 457 Plan Document at its May meeting in Laramie to align with automatic enrollment.

Legislation that didn't pass: HB 130 was brought by individual sponsors and pertained to the Paid Firefighter B Plan. It would have removed the 25 year cap on the benefit structure. HJ 5 was brought by a group of individual legislators. This legislation proposed to amend the Wyoming Constitution to remove any mandatory retirement age for Supreme Court justices and judges of other courts in Wyoming.

Further details on these bills are available at retirement.wyo.gov, and complete text of the bills is available on the Legislature's website under the given bill numbers.

Ruth Ryerson Named Institutional Investor's Executive Director of the Year

WRS Executive Director Ruth Ryerson was recently named Executive Director of the Year by *Institutional Investor*. For more than 30 years, *Institutional Investor* has recognized people and firms in the financial services industry for excellence.

"An award like this wouldn't be possible without the work of the WRS Board and staff," says Ryerson. "It would be impossible for an executive director to succeed without the hard work and support of many individuals that make WRS one of the best public pension systems in the country."

The integrity of *Institutional Investor's* editorial and research-supported rankings and awards have earned the highest regard in the industry and continue to set the standards by which excellence is measured.

RAIN Participant Portal Provides Online Account Access to Pension Members

If you are a WRS member, you can now access your account online through WRS' Retirement Administration and Investment Network (RAIN). RAIN was launched in May of 2014, and WRS worked throughout the past year to improve the system's performance and usability for members.

You will need your RAIN ID to set up your account. Your RAIN ID can be found on any statement you received from WRS after May 2014 or you can obtain it from your payroll administrator at work. RAIN user accounts require a unique email address for each member, so if you and your spouse are both WRS members, you can't share a single email address in RAIN.

Keep Contact Info Up-To-Date

We encourage you to use the RAIN Portal to keep your mailing address, phone number, and email address up to date, so that we can reliably deliver your pension statements & keep you informed about issues related to the Wyoming Retirement System. You may want to consider using a non-work email address that will outlast your tenure with your current employer.

Keep Beneficiaries Up-to-Date

It is important that you keep your beneficiary information up-to-date with WRS. A detailed explanation of death benefits is available in the handbook for your plan on our website, or by request. You must make separate beneficiary designations for your:

- WRS pension account by logging into the RAIN Portal or submitting a form available on our website or by request.
- 457 Plan account by logging into your 457 account online or submitting a form available on our website or by request.
- Prudential life insurance by calling Health Smart at (800) 525-8056 or online at mybensite.com/wy/

New Employees

New employees receive a RAIN account activation email after the employer registers them with WRS. It is important that new employees access RAIN to to **verify account information and add beneficiaries**.

Access Annual Statements

Annual account statements for actively employed and inactive members are available in the RAIN Portal. Account statements have been enhanced with a new format and more customized information. This year, statements were delivered to state agencies and UW employees via email, with other members receiving physical statements. In the future, WRS plans to electronically deliver statements to most of its membership, with print statements available by request.

Estimate Your Pension Benefit

The estimate tool in the portal allows vested members to get a pension benefit estimate based on their current salary history on file with WRS. For members nearing retirement, this is valuable information for planning. Members who are further from retirement may instead want to use the pension benefit calculator on WRS' website so that they can estimate additional scenarios regarding expected future salary increases.

RAIN
RETIREMENT ADMINISTRATION & INVESTMENT NETWORK

Access the RAIN Participant Portal at

retirement.wyo.gov

Apply for Retirement

Employees who are retiring can use RAIN to apply for benefits unless an account audit is needed. Obtain benefit counseling and get all your questions answered well in advance of submitting your retirement application. Apply for retirement ***no sooner*** than 30 days before your last working day. You can also apply after your last working day. If you apply too soon, changes in your circumstances may necessitate that you cancel your application and complete it again, as WRS cannot modify your application for you.

Submit a Refund Request

If you stop working for a participating employer, you may use the RAIN portal to apply take a taxable "refund" of your account balance or a non-taxable rollover to an eligible retirement account. If you are vested, you may leave your account with WRS and later apply for a retirement benefit when age-eligible. A refund does not include the employer share of contributions which remain in the plan to reduce future employer costs. A refund decision should be made carefully, as it is irreversible unless you become eligible for a redeposit.

Retirees: Direct Deposit, W-4 Tax Withholding, and Retirement Pay Statements

Retirees can change their direct deposit information on the RAIN Participant Portal. If you're a retiree and have not signed up for direct deposit, we encourage you to sign up today so you can get your payment faster, and without any interruption if you can't get your mail or get to the bank. Retirees can also use the portal to update their W-4 tax withholding and access monthly retirement pay statements.

Access IRS 1099-R Forms

Beginning with the 2014 tax year, 1099-R documents are available in the portal to retirees and members who refunded during a given tax year. New 1099-R forms will be uploaded to the portal by January 31 each year.

Member Survey Results

Each fall, WRS surveys its membership to assess a variety of topics. Results of the 2014 Active Employee and Retiree surveys are now available on our website at retirement.wyo.gov/home/members.html

Valuation Results

Pension Plan valuation results for 2014 will be available on the WRS website in late May. The valuation results provide information on the financial status of WRS' pension plans.

457 Plan Mix-Your-Own Investors Have Homework To Do

How much money will you need in retirement and where will it come from? While these questions are best answered on an individual basis, part of what needs to be factored in is how much potential growth to expect from your supplemental 457 Plan investments.

One simplified investment strategy is a pre-diversified target date fund. WRS has seen an increase in the number of participants using the target date funds since being offered nine years ago and now about 42 percent of all participants use them as their sole investment option.

The growth in the use of pre-diversified target date funds is understandable. While our members are experts in their own fields, it stands to reason that most do not have the time, interest or skills necessary to appropriately diversify across asset classes to get the same investment outcomes as professional investors.

WRS found signs that many "mix-your-own" investors, those who build their own portfolio through the core investment options offered in the Plan, were not properly allocated based on their age and expected date of retirement. The findings hinted at what industry research has shown; individual investors typically achieve a lower rate of return than professional investors.

Two key considerations in building a properly diversified portfolio are your time horizon and risk tolerance. When WRS looked at individual 457 Plan participant investments according to age, we expected to find younger investors with higher allocations to stocks and investors closer to retirement with higher allocations to bonds—something along the lines of the sample portfolios shown below. Since younger investors have a longer time horizon until retirement, they are able to take on more risk for the potential of higher long-term returns. On the other hand, as investors near retirement, it is important to reduce portfolio risk and invest in more conservative asset classes like bonds. What we found among WRS' mix-your-own investors were indications showing many allocated too conservatively (i.e. not enough stocks) for their age, therefore losing potential investment growth over the long-term until retirement is reached.

Another concern was that 33 percent of the mix-your-own investors are solely invested in one fund. This is a clear example of "putting all your eggs in one basket." By investing in one fund, you may experience extreme swings in your account balance through different market cycles or, in other cases, invest too conservatively and not achieve the returns for optimal growth that could lead to a more comfortable retirement.

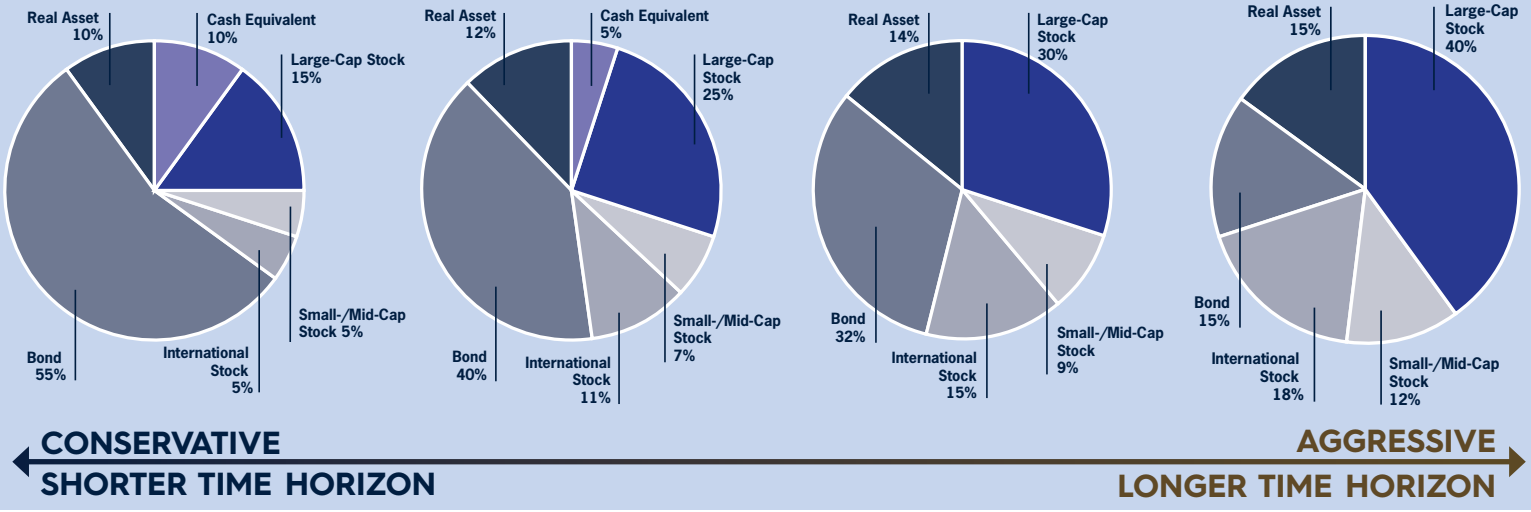
If you are a mix-your-own investor, do your homework and evaluate your investment strategy at least once a year to determine if you are on track for reaching your retirement objectives, and to assess if changes in your personal situation require changes to your savings rate and/or investments.

WRS has a short checklist of six questions mix-your-own investors should address on a regular basis. You can find the investor checklist, along with information about target date funds and a variety of resources at retirement.wyo.gov/dc/resources.html. We hope you will go to WRS' Facebook page and let us know what you think.

Note: This article should not be construed as investment advice.

Fees Reduced for 457 Plan Participants

The WRS Board reduced administrative fees participants pay in the Deferred Compensation 457 Plan effective January 1, 2015. The annual fee of 0.35% of total assets was reduced to 0.30%, or 30 cents on every $100 of your account balance. The partial rebate of administrative fees to those with account balances above $182,000 will continue.



WRS Administrative Rules Updates

Re-employment of a Retiree – Last fall, WRS initiated revisions to chapter 12 of its administrative rules pertaining to rehired retirees. The new rule is now in effect and available at http://soswy.state.wy.us/Rules. The rule clarifies WRS' definition of bona-fide break in service and other requirements that must be met in order for a retired member of the system to be eligible for the rehired retiree provisions of the Wyoming Retirement Act.

Uniform Rules for Contested Case Practice and Procedure – Proposed changes to WRS' administrative rules for contested case practices and procedures are open for public comment. This is in response to state law requiring each state agency to align to the related uniform rules under the Office of Administrative Hearings. The changes would not substantively impact WRS' current practice and procedure. The public may comment on the rule revisions through June 8, 2015 and the information is available at retirement.wyo.gov under news releases.

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WRS Board & Legislative Liaisons

WRS is pleased to announce the WRS Board re-elected Laura Ladd to continue her leadership as Board Chair, and elected Garth Shanklin as the new Vice-Chair.

WRS thanks Rep. Mike Madden for his many years of service as a legislative liaison to the WRS Board. His leadership was instrumental in passage of legislation to strengthen the financial position of the fund and his intellect and thoughtful contributions will be missed. Madden is replaced by Cheyenne area attorney and businessman, Rep. Bob Nicholas, a member of the Joint Appropriations Committee. Rep. Nicholas joins continuing legislative liaisons: Sen. John Hastert, Sen. Curt Meier, and Rep. John Burkhart.

WRS would like to thank outgoing Trustees Joe Bluemel and Steve Sommers for their years of service to the Wyoming Retirement System. During his tenure Sommers served as Chairman of the Board and Chairman of the Legislative and Benefits Committee, and was instrumental in passing legislation vital to the long-term sustainability of the system's pension plans. Bluemel was recently selected by Governor Mead as the new District Court Judge for the Third Judicial District for Lincoln and Uinta Counties. Sommers and Bluemel are replaced on the board by Vicci Colgan and Eric Nelson.

Vicci Colgan

Vicci Colgan graduated with a degree in English in 1970 and taught eighth grade students for seven years before attending the University of Wyoming College of Law, where she obtained her J.D. in 1981. She worked in various capacities for 34 years for the State of Wyoming, including as a law clerk on the Wyoming Supreme Court, 24 years in the Civil Division and as Chief Deputy of the Wyoming Attorney General's Office, and eight years as the Deputy State Auditor. She has extensive experience in administrative law, and in defending audits conducted by the Department of Revenue and Department of Audit. She also worked with the Legislature in selecting a firm to conduct a review of the governance of the Wyoming Retirement System. As Deputy Auditor, she participated with the State Treasurer's Office in its interview processes for investment managers and in review of results obtained by those managers.

Vicci and her husband have been married for over forty years, and have two children. Her husband runs a family business with his brothers. Vicci retired in November 2014, and is very honored to be able to serve as the retiree representative on the Wyoming Retirement Board.

Eric Nelson

Eric Nelson is an attorney with more than 17 years of legal experience. After nearly four years of private practice in Indianapolis, he relocated in 2001 and began his Wyoming legal career as a Deputy City Attorney with the City of Casper. He has also worked for the Wyoming Attorney General's Office and served two years as the Natrona County Attorney. For the last seven years he has been in private practice, handling all aspects of civil law, including oil and gas, bankruptcy and various business matters.

Mr. Nelson received his undergraduate degree in German and Political Science from Wabash College and his law degree from Indiana University, Bloomington. He is currently pursuing a master's degree in public administration at the University of Wyoming.

Nelson serves as a member of the Casper-Natrona County International Airport Board, a board member and past president of the Casper Area Chamber of Commerce and is the vice-chair of the Casper chapter of the National Alliance on Mental Illness. Mr. Nelson is an at-large member of the WRS Board and resides in Casper with his wife and four children.