



Partnering to Build Financial Security for Members and their Families

WRS UPDATE

Spring/Summer 2017

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Is My Pension Plan Healthy?

WRS received annual valuation reports, which show the Jan. 1, 2017 funded status for each of the pension plans it oversees, along with long-term projections indicating directional trends. According to WRS' actuary, all plans are healthy and the funded status for each plan was similar to last year, with the exception of the Paid Firefighter A Plan. Common themes for the 2016 experience among all eight plans are lower than assumed investment return and lower than assumed salary increases.

Experience Study Planned:

The health of a pension plan depends on adequate contributions based on good assumptions. As such, WRS is planning a due diligence study on the assumptions used to quantify the liabilities for the pension plans. For example, WRS will be reviewing the assumed rate of return, inflation, and the life expectancy of WRS members. This is known as an "actuarial experience study" and it may result in findings that would indicate a need for adjustments. The trend of employer-sponsored retirement incentives will be studied, as those initiatives have the potential to impact the funding balance of a pension plan. The Board is committed to maintain-

ing healthy plans and will report the results of the study in the fall.

The assets for all plans are combined for investment purposes and the annual return for 2016 was 7.6%. The smoothed (averaged over five years) rate of return is used for the annual valuations because it evens out the market gains and losses and keeps the contribution rate stable. The smoothed rate of return for 2016 was 6.74%, which is less than WRS' goal of 7.75%. When investment return is less than assumed, it puts upward pressure on contribution rates and WRS is monitoring this.


The funded ratio for the **Public Employee Plan**, which is the largest plan, held steady at 78.14% compared to 78.21% last year. Along with funded status, adequate contribution rates are critical. There was a contribution shortfall of 1.00%; however, the shortfall was less than last year. The cost for the current year's benefits, as well as the long-term projected trend for this, was also lower. This confirms the reduced tier of benefits added in 2012 is working to control liabilities.

The funded ratio for the **Warden, Patrol & DCI Plan** was 79.53% compared to 78.16% last year. There was a

contribution shortfall of 1.53%, but it is less than last year. The cost for the current year's benefits went down slightly.

There is a known funding concern for the **Paid Firefighter A Plan** due to the ongoing lack of a dedicated revenue stream and WRS continues to inform the involved parties about it. The plan needed \$11.7 million in contributions for 2016 and received none. The funding ratio decreased to 60.42%. Assets are projected to last for 10 years, although market volatility could shorten that timeframe.

The remaining five plans—**Law Enforcement Plan, Judicial Plan, Paid Firefighter B Plan, Guard Fire Plan and Volunteer Firefighter & EMT Plan**—all had contribution surpluses and funded ratios that increased slightly. However, no plan is in a strong enough position to support a cost of living increase. Long-term projections indicate positive trends.

The valuation report for each plan and long-term projections will be available on the WRS website, and will be discussed during town hall meetings sponsored by the Coalition for a Healthy Retirement. Contact Phoebe Stoner at pstoner@equalitystate.org for details about future meetings. 

Legislative Update

WRS was not affected by new legislation resulting from the 2017 legislative session. There were several bills that could have impacted WRS. As such, Director Ruth Ryerson testified at hearings and fulfilled requests for related information. The bills pertained to a variety of different areas, such as early retirement incentives for state employees, the addition of volunteer search & rescue workers to the Volunteer Firefighter & EMT Plan, defining presumptive disabilities for public safety workers, restrictions for investing in Iran and Cuba, and preventing investments in companies that boycott Israel.

Equity Markets Drive Diversified Portfolio Returns in 2016


by Sam Masoudi, Chief Investment Officer

The Wyoming Retirement System's investment portfolio produced a total net return for 2016 of 7.6%, which was 0.3% ahead of the plan's benchmark and just below the actuarial required return. This result reflected strong performance given the portfolio's diversified asset allocation and the surging equity markets in the second half of 2016. Over longer periods, the portfolio has continued to perform in line with its benchmark as shown in the first table below. Despite a lower-3 year annualized return, the longer 5-year annualized return is roughly in line with our actuarial required return

of 7.75%. The 10-year return is below the actuarial required rate of return; however, this period includes the Global Financial Crisis, which drove the largest equity market decline since the Great Depression. The 10-year return was slightly below benchmark.

2016 Markets: A wave of euphoria gripped US equity investors post-election, likely due to the expectation that the new presidential administration would increase GDP through lower corporate and personal taxes, less regulation, and higher infrastructure spending. Because of this optimism in the fourth quarter and

the improving economy in the third quarter, the S&P increased 9.1% in the second half of 2016 and finished up 12.0% for the full year 2016. The second table shows 2016 returns for several broad domestic and global indices which help to explain returns for WRS's diversified portfolio.

The WRS investment team continues to focus on maximizing the value of the portfolio in a prudent manner. We are grateful for continued support from our many constituents and will continue to make improvements to safeguard our members' retirement security. 

Net Returns	2016 Return	3-Year Annualized Return	5-Year Annualized Return	10-Year Annualized Return
WRS Total Return	7.6%	3.9%	7.6%	4.1%
Benchmark Return	7.3%	4.1%	7.3%	4.2%
Outperformance/ Underperformance	+0.3%	-0.2%	+0.3%	-0.1%

Asset Class*	2016 Return	
Equity	US Equity (S&P)	12.0%
	Developed World ex. US	4.5%
	Emerging Markets Equity	11.2%
	Global Equity	7.9%
Fixed Income	US Fixed Income	2.6%
	Global Fixed Income	2.8%
Other	Hedge Funds	0.5%
	Real Estate	8.6%

*Indices used to proxy asset class performance: US Equity – S&P 500 TR, Developed World ex. US – MSCI ACWI (ex. US), Emerging Markets Equity – MSCI Emerging Markets, Global Equity – MSCI ACWI, US Fixed Income – Bloomberg Barclays US Aggregate, Global Fixed Income – Bloomberg Barclays Multiverse, Hedge funds – HFRI FoF, Real Estate – NAREIT Equity.

Congratulations to Sam Masoudi

who was recently granted membership in the 300 Club's North American Chapter. The 300 Club is an independent group of leading investment professionals from across the globe. The mission is to raise awareness about the potential impact of current market thinking and behaviors.



Board Membership Update

Brian Foster joined the WRS Board, after being appointed by Governor Mead and confirmed by the Wyoming State Senate. He replaces Steve Wolff who served diligently for the last six years. We thank Steve for his service, particularly as chair of the Governance & Strategic Planning Committee and as a member of the Deferred Compensation Committee.




Brian Foster was born in Kemmerer and raised in Rawlins and Byron. He graduated from Byron High School, received an Associates of Arts degree in Public Administration from Laramie County Community College and attended the University of Wyoming receiving a Bachelor's of Arts degree in Human Resources. He moved his family to Cheyenne in 1985 and started with the State of Wyoming in 1991. He has worked for five different agencies during his 26 years with the State of Wyoming. He has held various human resource positions during his career including five years as the Human Resource Administrator for the State of Wyoming. He is currently the Human Resource Manager for the Wyoming Department of Transportation.

His wife of 34 years, Maria, is a teacher in the Laramie County School District and has been teaching for 29 years. They have two grown children. Both of his children live in Cheyenne which gives him time to spend with his 3, soon to be 4, grandchildren.


Retiree Groups Help Keep Members Informed

Retirement groups offer retirees a way to stay informed about issues while meeting in a social environment. If your retiree group is not listed and you want WRS to publicize your information, please send your request to pension@wyo.gov.


- **Wyoming Retired Education Personnel (WREP)** is open to retired school district employees. Their annual meeting is in October. Executive committee meets four times a year. Contact: Wayne Schatz (307) 672-0224.
- **State Employees Retirement Group (SERG)** is open to any retired state employee. They meet the second Monday of each month at the Radisson Hotel at noon for lunch and a guest speaker. Contact: Corky Fanning at (307) 509-0675.
- **Retired Firefighter's Association** will contact members about upcoming events. All firefighters or their beneficiaries in Paid Fire A Pension are asked to update their address and phone number. Please send your information to P.O. Box 2791, Cheyenne, WY 82003.
- **UW/State Retirees of Albany County** has disbanded and is no longer meeting. 

State Employee Out-of-Pocket Contribution Rate Changes July 1


The amount state employees pay out-of-pocket for the **Public Employee Pension** will increase from 2.305 percent to 2.68 percent on July 1. This adjustment is the final step in the four-year plan for adjusting the employee contribution rate put in state law in 2013. The required employee (8.25 %) and employer (8.37%) contribution rates remain the same for a total of 16.62 percent.

The four-year plan reflects the Legislature's desire to phase-in the increase to state employees over a longer timeframe. Many participating non-state employers follow the same pattern for the "pick-up" of the employee contribution. However, you will need to check with your employer for specifics. 


457 Plan Document Amendments

The WRS Board will be considering revisions to the **Deferred Compensation 457 Plan** document at its regularly scheduled meeting in May. The Plan document authorizes the Deferred Compensation program and sets its terms. WRS works diligently to operate the Plan in compliance with all IRS requirements and protect the tax advantaged status of the Plan. The WRS Board amends the plan document from time to time to ensure compliance with all IRS requirements and to modernize the plan to reflect current programmatic initiatives. 

IRS Favorable Determination Letters

WRS recently received favorable determination letters from the IRS applicable to its two largest pension plans: the **Public Employee Plan** and the **Law Enforcement Plan**. Favorable determination letters serve as affirmation from the IRS that WRS operates its pension plans in compliance with federal requirements and can therefore maintain qualified tax advantaged status. The qualification applies to all of the defined benefit pension plans administered by WRS. WRS began the application process in January 2016. 

Misrepresentation Alert

WRS has been made aware that several of our members have been contacted both at home and by phone by individuals claiming to be affiliated with the “Wyoming Retirement System” and wanting to discuss WRS benefits in the context of trying to sell other investment and retirement products. WRS does not sell insurance or other investment products and does not visit members at their homes. WRS has taken steps to ensure that the individuals at fault identify themselves to our members and clearly indicate that they do not represent WRS. If you suspect individuals are misrepresenting themselves as employees of WRS, please contact us so we can take appropriate action. 

Rehired Retirees Must Meet Conditions & Complete WRS-9

With many public employees retiring, WRS-participating employers are using rehired retirees with greater frequency to meet their workforce needs. Wyoming law allows retired members of the Public Employee Plan, Law Enforcement Plan and Guard Fire Plan to return to work for WRS-participating employers, and under certain conditions, continue drawing their retirement benefit.

In order for a retired member to be eligible to continue their benefit during their new period of employment, there must be a true separation of employment with no pre-existing arrangement to return to work for the same or another participating employer in the same plan. Further, WRS must have received final retirement contributions and a termination notice from the previous employer. Although the minimum break in service for rehired retirees is 30 days, it often takes longer to get the termination and final contributions. It is incumbent upon both the employer and the member

to ensure that the member is eligible to elect “rehired retiree” status upon assuming new employment.

Retired members hired as rehired retirees must complete a WRS-9 form available on the WRS website under pension forms. Employers of rehired retirees electing to continue their monthly benefits are required to make a Rehired Retiree Payment to WRS equal to the required contributions for the plan. The Rehired Retiree Payment is owed anytime an employer hires a retired member to fill a vacant, full-time position of an otherwise contributing employee, even if the retired member is hired on a part-time or contract employee basis. The payment allows employers flexibility to meet their workforce needs while also ensuring the use of rehired retirees does not harm the funding of these pension plans.

WRS needs the cooperation of both employers and members to properly administer the rehired retiree provision. 