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## My thoughts as I retire

by Ruth Ryerson  
Executive Director

After nearly six years at the Wyoming Retirement System (WRS), I will be retiring in July. It has been the capstone to my career to lead WRS, which is of critical importance to thousands of public employees and volunteers in Wyoming. As I prepare to leave WRS later this summer, I can say with confidence that our investments, operations and future funding prospects are stronger than ever. The Board is conducting a search for an executive director, and we are well positioned for ongoing improvement.

WRS has advanced in its use of actuarial analysis and projections. At this time, the assumptions used to value pension obligations are in line with what is recommended by the actuarial consultants. The study we did of our actuarial outlook resulted in the legislature passing a four year planned contribution increase to the Public Employee Pension that puts the plan on track for full funding. This

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## Successes & Opportunities in Legislation

The Wyoming State Legislature concluded its 2019 session having passed several bills that impact WRS and its membership. The WRS Board and staff work diligently through the session to insure the legislature has accurate actuarial, benefit and investment information as bills move through the process.

Two bills resulted from actuarial information the Board provided to the legislature in response to a 2018 request for the Board to identify areas of cost savings that would offset the need for future contribution increases.

**Senate File 89** amended the death benefit pay-out for inactive, non-vested members in the Public Employee, Law Enforcement, Air Guard & Judicial Plans. For new hires beginning July 1, 2019, the death benefit payable to someone who is not vested and has terminated employment in the system will be the member's account balance, not double the account balance, as it is for all active and vested inactive members.

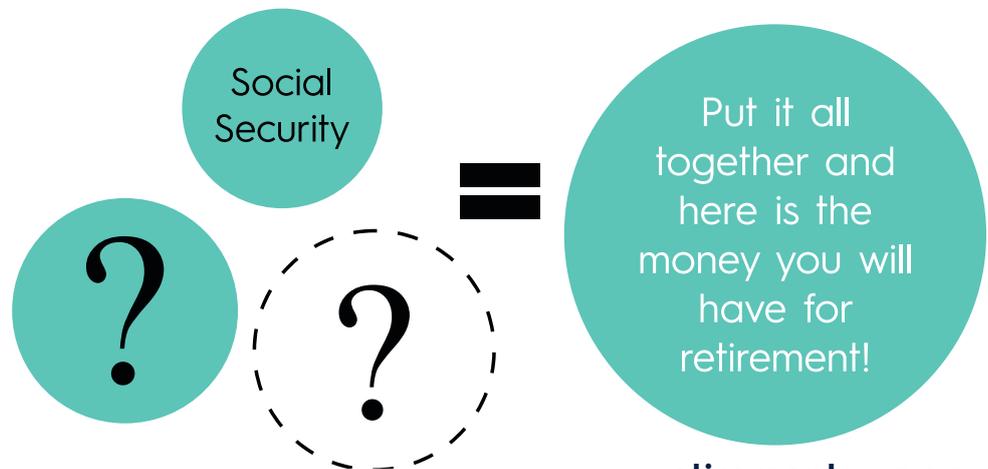
**Senate File 90** amended the manner interest accrues on member accounts. Beginning July 1, 2019, interest will no longer accrue on accounts of inactive, non-vested members. These plan changes only impact individuals who did not vest

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## Answer the WRS Retirement Quiz

Most public employees in Wyoming have access to three retirement vehicles - Social Security which is run by the federal government and two retirement vehicles run by WRS. Identify the two retirement vehicles run by WRS and the difference between them.

Visit our website to submit your answer and provide your email address to be entered into a raffle for a small prize. You can also email your answer to 457pln@wyo.gov. Answers are needed by June 1 to be included in the raffle.



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is a very proactive step that will benefit employers and employees for decades to come.

Our investment performance has dramatically improved from the 61st percentile in 2013 to 30th in 2018 when compared to peers. I am thankful to Wyoming's policymakers who supported WRS by allowing us to pay what is needed to attract top talent. The Board oversees the asset allocation strategy for investments, and the investment team makes the decisions about which external managers to use. This is the right way to handle the investment process.

The legislature and executive branch have been supportive in working with WRS to approve the resources necessary for an organization of such importance. One of the critical issues for WRS will be more budgetary and operational autonomy. I am confident that additional budgetary flexibility for the fund can be achieved while still meeting the oversight and reporting responsibilities

shouldered by the legislative and executive branches of State government.

The governance structure of WRS is strong; it was part of what attracted me here. The Board serves in a fiduciary capacity and is required to act in the best interest of WRS members. It is straight forward without too many layers. A strong non-partisan governance process has evolved with legislative liaisons and frequent reporting to the Governor and Joint Appropriations Committee.

This is the foundation of how we are governed, and it works incredibly well. Stay the course, there is a lot that is going right. If you think changes may be needed, first take the time to study them in a thorough and objective way.

*Ruth Ryerson*



## A Tribute from WRS Actuarial Consultant

Ruth has a rare and great comfort in working with actuaries. She has been able to rein them in on such matters as early retirement studies; volunteer plan mergers and even Search and Rescue studies. Ruth's long term perspective has helped to keep everyone's "eye on the ball", with a focus on long term impacts to the funded status of all plans. Ruth's ability to bring competing forces together has never been more evident than in her ability to bring the actuarial matters alongside legislators' concerns, and to have emerged from those forces the policies which have led to long term funding and benefit security for the Wyoming public employees. Ruth understands the plan is not a "short term" proposition subject to the knee jerk reactions so apparent in these crazy investment times but is a long term promise which requires a deep understanding, patience and communication that puts everyone in the same boat, rowing in the same direction.

*by Leslie Thompson  
Gabriel, Roeder, Smith and Company*

## Changes to Board of Trustees & Legislative Liaisons



Curt Meier



Tim Sullivan



Kay Watson



John Hastert



Bob Nicholas



Dave Kinskey



Jeff Wasserburger



Andy Swartz



Don Burkhart

Treasurer Curt Meier joined the WRS board as a trustee upon taking the oath of office in January. Having served as a legislative liaison to WRS for over ten years, Treasurer Meier is very familiar with the WRS board and staff. He has already delved into his new role.

Gov. Mark Gordon reappointed, and the Wyoming Senate confirmed, Tim Sullivan and Kay Watson, to serve on the WRS board each for an additional six-year term. Sullivan was

first appointed by Gov. Matt Mead in 2013 to represent public employees and employers. He serves on three committees -- Investment, Deferred Compensation, and Legislative & Benefits. Watson was appointed in 2016 to fill a partial term and represents school district employees and employers. She serves on two committees - Audit and Deferred Compensation. WRS is grateful for their continued service.

The legislature appoints two

representatives and two senators as legislative liaisons to WRS. The intent is for these legislators to attend board meetings and be a resource to WRS and other legislators. WRS thanks outgoing legislative liaisons, Sen. John Hastert and Rep. Bob Nicholas for their service. Legislative leadership recently appointed Sen. Dave Kinskey, Sen. Jeff Wasserburger, Rep. Andy Swartz and reappointed Rep. Don Burkhart to serve as legislative liaisons to WRS.

## 2018 was an Up and Down Year for Markets



by Sam Masoudi  
Chief Investment Officer

### Wyoming Retirement System Net Returns

	4Q 2018	2018	3-Year	5-Year	10-Year
WRS Net Return	-5.3%	-3.5%	5.8%	4.3%	8.2%
Benchmark Net Return	-6.6%	-4.0%	5.6%	4.4%	7.7%
Over/Under	+1.3%	+0.5%	+0.2%	-0.1%	+0.5%

Figure 1. WRS total portfolio net return as of 12/31/2018

The Wyoming Retirement Systems (WRS) portfolio outperformed both its benchmark and the average public pension peer; however, the absolute return was negative, at -3.5%. This compares to a “passive” return of -4.0% (which assumes index returns for each type of investment in which we invest). The 0.5% relative outperformance can be viewed as the portfolio producing \$40 million more in profit than if we had simply been invested in an index or passive exposures.

Years such as this reinforce the importance of discipline and portfolio diversification. The strong relative performance of the portfolio is a result of a disciplined view on security valuation and proper portfolio diversification. As noted in last year’s report to our members, we have been defensively positioned due to concerns about the valuation of a number of asset classes, most notably publicly traded stocks. This led us to reduce our exposure to publicly traded stocks early in the year in favor of more defensive investments such as US Treasuries and alternative investments with relatively low sensitivity to the

direction of stock market returns. This strategy paid off handsomely in 2018.

It is important to note that WRS is a long-term investor. So, while the markets’ poor performance during 2018 brought our returns for the past three- and five-year periods below our targeted return of 7.0%, our ten-year return remains above target, at 8.2%.

#### Markets in 2018

The year began on a strong note, growth was occurring within major developed markets causing global demand to improve. This growth momentum soon faded, however, as demand in China, the world’s second-largest economy, began to show signs of trouble. Compounding this were a strengthening dollar, making debt payments potentially problematic for developing countries with large dollar-denominated loans, worries about the impact of trade restrictions and increases to the federal funds rate. Stock market corrections began during the first quarter in emerging markets and by the fourth quarter, US stock markets were similarly impacted. From mid-September to Christmas

Eve, the S&P 500 had lost nearly 600 points, a 20% correction. During the entire year, of the roughly 90 market indices we track weekly, 80 finished the year in the red.

#### Portfolio Positioning

WRS believes it is important to maintain diversification in the portfolio by investing in assets other than stocks because they are beneficial to the portfolio during times of market stress, reducing volatility and losses, and improving the potential for positive long-term returns. While stock exposure drives long-term performance, we believed at the outset of 2018 that stock prices were somewhat overpriced relative to long-term earnings prospects. As a result of this, our stock exposure was tilted towards managers who focus on owning less expensive companies with more stable earnings models than average for the universe against which we measure them. Additionally, our fixed income holdings are weighted more towards US Treasuries, which have no credit risk, and thus were instrumental in minimizing our portfolio risk during 2018.

The team continues to manage the portfolio in a prudent, conservative manner for the benefit of its members. We are grateful for the support of our constituents and stakeholders and will continue to manage the portfolio with the aim of safeguarding our members’ retirement security.

### 2018 Market Returns

Equities		Fixed Income	
US S&P 500	-4.4%	Global Bonds	-1.2%
Emerging Markets	-14.6%	US Treasuries	0.9%
Non-US Developed Markets	-13.8%	US T-Bills	1.9%
		High Yield	-2.1%

Figure 2. WRS portfolio positioning as of 12/31/18

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—STATE OF WYOMING—  
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and are no longer employed in the system.

**Senate File 88** increased the employee contribution in the Paid Firemen's B Plan by ½ percent each year for the next 4 years. The increase in the employee contribution is in addition to an increase to the employer contribution the Board approved in 2018 and which will go into effect starting July 1, 2019. The Board will evaluate this summer whether further adjustments to the Plan's contribution rates are needed to maintain the health of the plan.

**House Bill 90** added Community College Police Officers to the Law Enforcement Plan. Applicable employees have until April 30, 2019, to make an election to participate in the Law

Enforcement Plan or continue in the Public Employee Plan.

**House Bill 246** added county Search and Rescue volunteers to the Volunteer Firefighter and EMT Pension Plan.

**Senate File 73** authorized employees of the Wyoming Lottery Corporation to participate in the WRS 457 Plan.

**House Bill 222** authorized the Board to create a Performance Compensation Plan for the investment professionals WRS hires to soundly invest the \$8 billion retirement fund. The Board believes this will be an important tool to recruit and retain the specific expertise required to maximize investment returns and ensure the System's viability over the long-term.

**House Bill 301** amended the make-up of the Board to require the Governor to appoint at least two Board members that have institutional finance and investment expertise. This will ensure that as the WRS investment function becomes more sophisticated, the Board will be positioned to maintain proper fiduciary oversight.

The Board supported **House Bill**

**314**, which would have authorized two additional one-time benefit payments to retirees based upon their retirement date and benefit amount. The bill failed on a close vote in the House. For more information about this and other COLA-related initiatives, contact the Coalition for a Healthy Retirement at [wyohealthyretirement@gmail.com](mailto:wyohealthyretirement@gmail.com) or 307-228-4163.

The Board and staff believe this year's legislation will reinforce the strength and value WRS delivers to its members.

### **New Enhancements for Refunds and Out of State Retirees**

We've been working on some improvements. WRS will soon be able to issue refund payments via Electronic Funds Transfer (EFT). EFT payments are quicker and more secure. If you are a retiree living in a state with state income tax, WRS will now be able to withhold funds from your pension payment starting in April. In most cases you will need to select the amount from the state's tax table.

Visit [retirement.wyo.gov](http://retirement.wyo.gov) for details about how to make this election. WRS is pleased to partner with Northern Trust to deliver these enhancements to our members.



Mike Bleakley visits with members of the 65 Legislature