Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

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<u>Highlights for Senate File 89 – Change to Death Benefits</u>

Affected Parties: Members of the Public Employee Plan, Law Enforcement Plan, Judicial Plan and Guard Firefighter Plan who have a hire date of July 1, 2019 or later.

Position: The WRS Board supports this proposal in concept, although as drafted, no cost saving impacts will be realized by the System in the foreseeable future.

Currently, if a member of these plans is not vested and dies before retirement, the beneficiary is entitled to receive a lump sum payment equal to twice the account balance at the time of the member's death. If a member is vested and dies before retirement, the beneficiary is entitled to receive either the lump sum death benefit or an actuarially adjusted lifetime benefit.

This bill would reduce death benefits by removing the doubling of the account balance from the death benefit for non-vested members hired on or after July 1, 2019 who are also not actively employed with a WRS-participating employer.

The WRS Board recommended a version of this reduction in death benefits that would apply to all inactive, non-vested members regardless of hire date. The basis of this recommendation is that the account doubling death benefit should apply to those members that are actively contributing to the system or that have vested in the other benefits of the plan. The assumption is that members not actively employed with a WRS-participating employer would be employed elsewhere and have death benefits through the current employer or through a life insurer.

The WRS Board identified this potential change as one that would better align interests between members and the system and which would result in modest cost savings that would mitigate the need for future contribution increases. While the long term impact of this benefit reduction is not huge, it helps to manage liabilities and that is desirable to WRS. Because the bill applies only to new hires, the cost saving impacts of the change would not be realized until much later than the Board's actuary has identified.

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