



Partnering to Build Financial Security For Members and their Families

SUMMARY REPORT 2019



Overview

The Wyoming Retirement System (WRS) administers retirement plans for a majority of public employees in Wyoming. Established in 1953 when the state employees' pension and the teachers' pension were combined WRS encompasses almost all non-federal public employees in Wyoming.

Employers leverage WRS' centralized administration and retirement expertise to provide retirement benefits at comparatively low cost. Because retirement benefits are highly valued, WRS enables public employers to attract and retain a skilled workforce, while simultaneously providing economic stability to Wyoming's communities and people.

Mission Statement

WRS's mission is to "provide expert administration and responsible investment of Wyoming's public retirement and supplemental savings program."

WRS Board of Trustees

WRS is governed by a Board of trustees, whose duty is to manage WRS' assets and liabilities to keep the retirement plans financially sound. Trustees are fiduciaries and required by law to act in the best financial interest of WRS members.

The Board is comprised of the state treasurer and ten board members who are appointed by the governor and confirmed by the Wyoming Senate. Five trustees must be members of WRS' pension plans, representing different constituencies and five "at-large" trustees who are not member of the system.

The Board employs an executive director who oversees a staff of about 40 employees. WRS reports to the governor and legislatively reports to the Joint Appropriations Committee.

Values

Integrity. Accountability. Commitment. Excellence.

Members

WRS administers eight different pension plans. The majority of WRS' members are in the Public Employee Pension Plan. Smaller plans exist for judges or public safety professionals because those occupations necessitate a unique benefit structure. State law also establishes a pension plan for volunteer firefighters, volunteer emergency medical technicians and was expanded in 2019 to include Search and Rescue volunteers.

Because so many employers in Wyoming participate in the pension plans, members have some pension portability. For example, a member could move from employment with a school

district to a state agency without interrupting the accumulation of pension benefits. Overall WRS services 104,000+ Accounts.



Wyoming educators participated at a WY-Test of Proficiency and Progress assessment.

Employers

As of January 2019, WRS serves 700+ employers and their 41,000 current employees. The employers that participate in WRS range from small to large agencies. Wyoming school districts are the largest category of employer, followed by state government agencies.

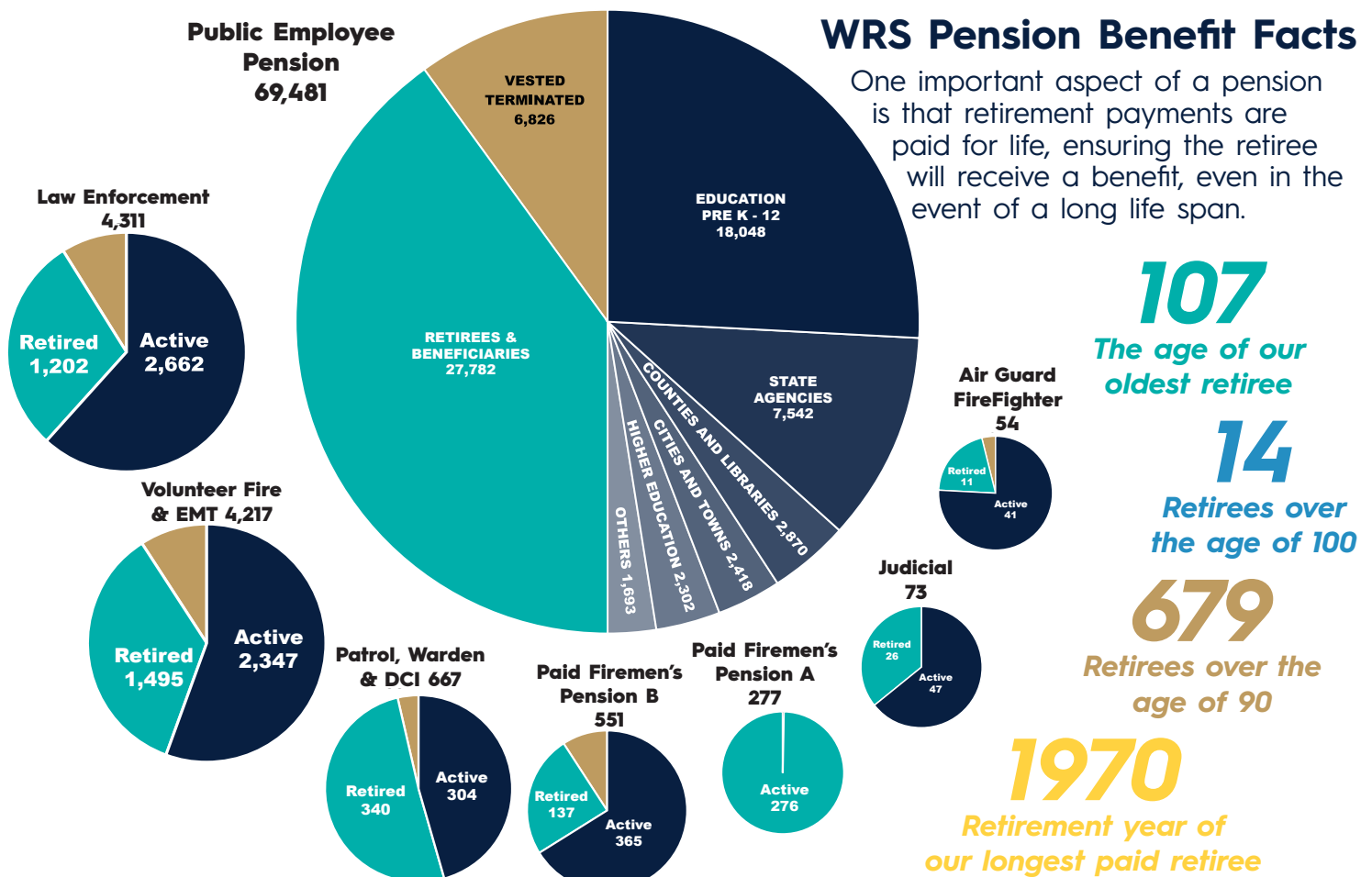
Retirement benefits are an important tool employers use to recruit and retain qualified workers. Research shows that a pension plan is a particular help to employers in this regard.¹ About 87 percent of actively employed WRS members surveyed in 2018 said the pension is "Mostly Important" or "Very Important" in keeping them in their current employment.

Retirement benefits are a part of total compensation determined by each employer. In addition to the required employer contribution, employers have the flexibility to pay for some of the contribution required for employees according to the employer's specific compensation arrangements. Disability and death benefits, also important for human resource management, are included within each pension plan.

¹ Do Public Pensions Help Recruit and Retain High-Quality Workers? Center for Retirement Research at Boston College

WRS Pension Benefit Facts

One important aspect of a pension is that retirement payments are paid for life, ensuring the retiree will receive a benefit, even in the event of a long life span.



Public Employee Plan Total does not equal pie chart breakdown due to members who work for multiple employers.

Funding Status

The WRS Board closely monitors funding status and has an actuarial study, or valuation report, done for each plan every year. The valuation report estimates the long-term liabilities of the plan based on assumptions about investment returns, inflation, future salary increases, member life spans and other factors. An experience study, which examines these assumptions, is done every three to five years with the most recent in 2017.

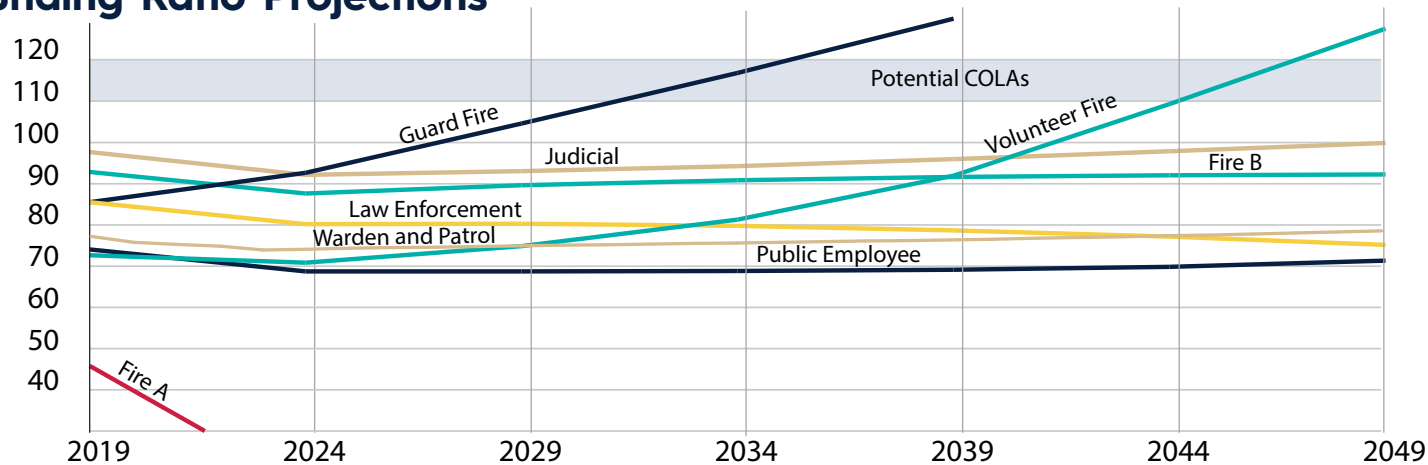
The funding ratio—assets of the plan divided by liabilities—is a key measure of a pension plan’s health. The funding ratio is most meaningful when viewed in the context of additional factors such as the adequacy of incoming contributions, financial health of member employers, investment strategy, projected trend in funding status, and the realized accuracy of actuarial assumptions.

A current ratio below 100 percent does not necessarily indicate a funding problem as long as incoming contributions are adequate to meet projected future benefit payments. Over the past few years, changes were made to assumptions, benefits and contributions to ensure the long-term health of several plans.

Careful management by the Board, as well as partnerships with the Legislature and other stakeholders has positioned all of WRS’ open plans for sustainability.

The Paid Firefighter A Plan has been closed to new members and will require a legislative solution to address the long-term funding problem in that plan.

Funding Ratio Projections



Fire A according to the 2019 actuarial report will go below 1.8% funding in 2026

Long-term projections of the funding ratio for each plan were impacted by the calendar year 2018 investment return being below the assumed 7.00 percent. In general, 30-year projections for 2019 indicate all open plans, except Law Enforcement, maintain about the same funding

status but full funding takes more than 30 years. This is in contrast to last year’s projections that indicated all open plans would achieve funding of above 100 percent over a 30 year period.

As demonstrated by the differences between projections for 2018 and 2019, long-term projections can change significantly from year to year. It will take time to determine the impact of the changes already made to contribution rates and benefit provisions. WRS believes a monitoring period is best suited for the present circumstances and will be evaluating the need for additional changes.

Contribution Rate and Funding Ratio

Plan	Current Contribution Rate	1/1/2019 Funding Ratio	1/1/2018 Funding Ratio	30 Year Funding Ratio Projection
Public Employee	16.62% (17.62% 19-20)	74.15%	76.28%	71.50%
Warden, Patrol, & DCI	29.44%	76.52%	77.91%	78.10%
Law Enforcement	17.20%	85.57%	88.24%	75.30%
Judicial	23.72%	97.66%	99.52%	99.90%
Guard Fire	23.77%	85.55%	85.0%	162.10%
Paid Fire A	0.00%	46.09%	51.03%	N/A
Paid Fire B	21.245% (22.245% 19-20)	92.94%	95.92%	92.30
Volunteer Firefighter & EMT	\$15/mo	72.85%	74.40%	127.50%

Benefits

Retirement preparation is a shared responsibility. WRS members contribute to the WRS Pension throughout their careers. Most also contribute to Social Security and, in many cases, personal retirement savings such as the WRS 457 Deferred Compensation Plan.

Pension


WRS Pension Plans provide a member a monthly payment for life once the member meets age, vesting and service qualifications. In general, the amount of this “defined benefit” is determined by a formula based on the member’s salary, length of service and age at retirement.

Personal Investment

WRS administers a deferred compensation 457 Plan, which is an elective supplemental savings plan. The 457 Plan is a type of “defined contribution” plan, commonly understood as a 401(k) plan for the public sector. The 457 Plan is a tax-advantaged structure that allows each individual to decide how much to invest in working years to supplement other retirement benefits.

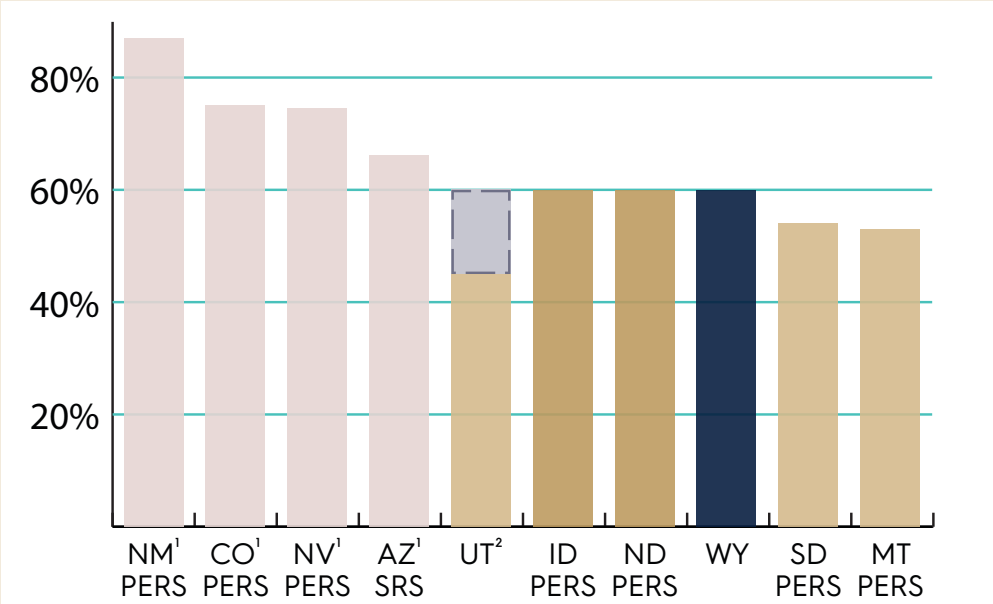
Social Security

Most of WRS’ members also participate in Social Security with the exception of paid firefighters and some police. Social Security provides a basic safety net for retirees and important death benefits to active workers. Learn More by visiting ssa.gov.



Public Employee Pension Plan Retirement Benefits

The average WRS Public Employee Plan Pension benefit paid to retirees in 2018 was \$20,652 annually or \$1,721 a month. The average service at retirement is 19.9 years, and about 19 percent of all retirees are career employees with 30 or more years of service. When combined with Social Security, the benefits of the Public Employee Plan allow career members, assumed to be those with 30 years of service, to maintain their pre-retirement standard of living at the time of retirement. When compared to a regional peer group WRS Public Employee pension benefits are within the norm. Contribution Rates are comparable to national averages.



Based on a 2019 WRS Comparison of Public Employee Pension Plan tier 2 to Regional Peers assuming 30 years of service

1 - These plans do not participate in Social Security.

2 - Since 2011 Utah offers a Hybrid Retirement shown here is the 45% provided by the DB component and a dashed boxed representing the uncertain amount provided by the DC component.

Source: NASRA June 2019 Retirement System Benefits & Eligibility for General Employees & Teachers.

Economic Impact

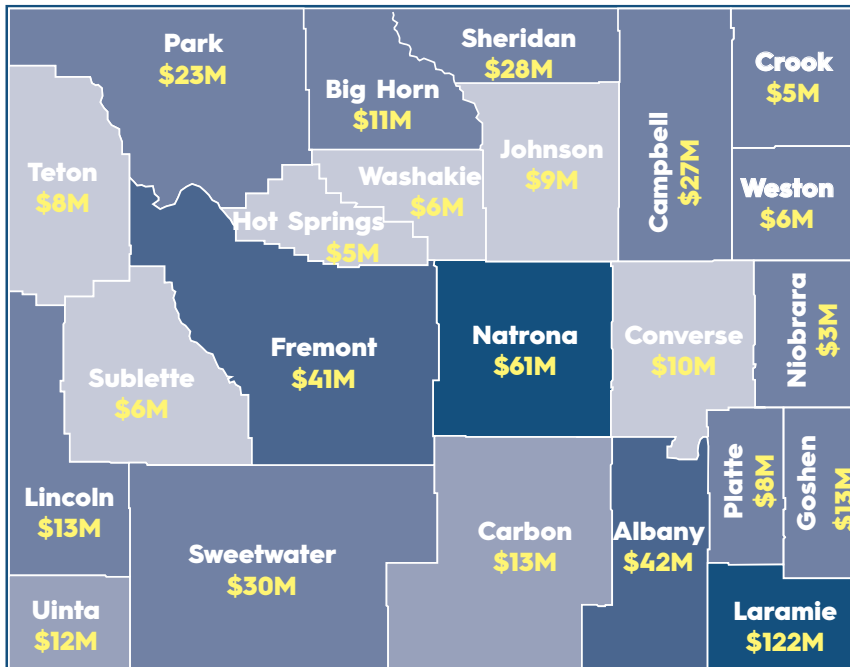
In 2018, WRS paid over \$642 million in benefits. About 78% of these payments remain in Wyoming.

The ripple effect of these payments helps to stimulate and stabilize both the state and local economies. Pension payments also offer excellent retirement security and reduce economic hardship among the elderly.

This is accomplished at comparatively low cost to taxpayers. In 2016 Contributions to WRS Pension Plans were 2 percent of Wyoming state and local budget spending. The national average is 4.7%.*

* Based on NASRA Issue Brief Updated March 2019

WRS Benefits make an Economic Impact



\$642 Million
in benefits paid
annually by WRS

\$500 Million
paid to retirees
living in Wyoming

Chart includes refunds in addition to pension payments. County payments may not total to "Inside WY" payments due to rounding.

Policy Considerations

The WRS Board Carefully manages its pension plans with the goal of keeping pension promises. This encompasses both sustainability and affordability. The Board is diligent in upholding its duty to act in the best interest of members. A Strong non-partisan governance process has evolved with legislative liaisons and frequent reporting to the Governor and Joint Appropriations committee. WRS believes retirement security is a shared responsibility between employers and employees and reaches thousands of members each year with education equipping them to play their part.

In general, a defined benefit pension plan can pay more retirement benefits than a defined contribution plan for the same amount of contribution. Defined benefit plans can achieve cost-savings and superior returns as a result of professionally managing a large pool of assets. Defined benefit plans can base their investment strategy on a continuously long investment time horizon, however, individuals would need to adjust their investments according to a decreasing time horizon in order to protect against losses in retirement.

Because of the long-time horizons involved, careful management of a pension plan necessitates ongoing monitoring of actuarial assumptions, funding status, and contribution requirements, which could lead the Board to recommend incremental changes. Once changes are made, time is needed to determine the effect.

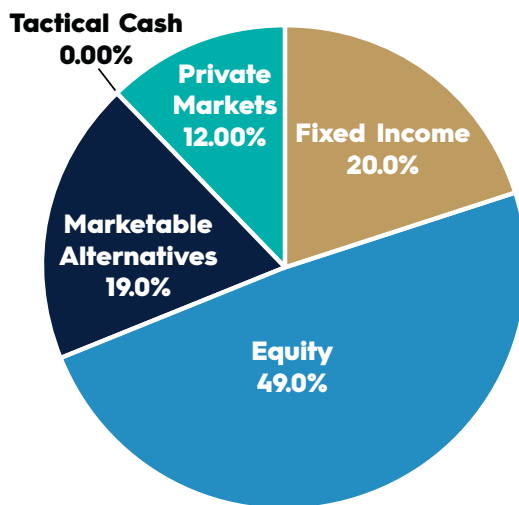
In contrast, members of a defined contribution plan make individual decisions about how much to contribute, how to invest, and how to withdraw. A defined contribution plan is usually more portable than a pension. However, short-term market conditions and uninformed investment decisions can have negative impacts on an individual's retirement income. When a defined contribution plan is the primary retirement plan, an individual could run out of money, particularly if he or she lives a long-time after retirement.

The WRS Board believes, and passed a resolution affirming, that a defined benefit plan supplemented by the 457 plan is the best way to provide retirement benefits for the public employees of Wyoming.

Investments

WRS invests about \$8.5 billion with a combined investment strategy for all plans. The Board establishes parameters for asset allocation and delegates investment manager and tactical allocation decisions to its chief investment officer with executive director approval. The asset allocation is designed to achieve the Board's assumed rate of return of 7.0% over long-time periods. The Board also measures performance relative to shorter-term benchmarks in order to evaluate investment policy implementation decisions.

Strategic Target Asset Allocation as of April 2019

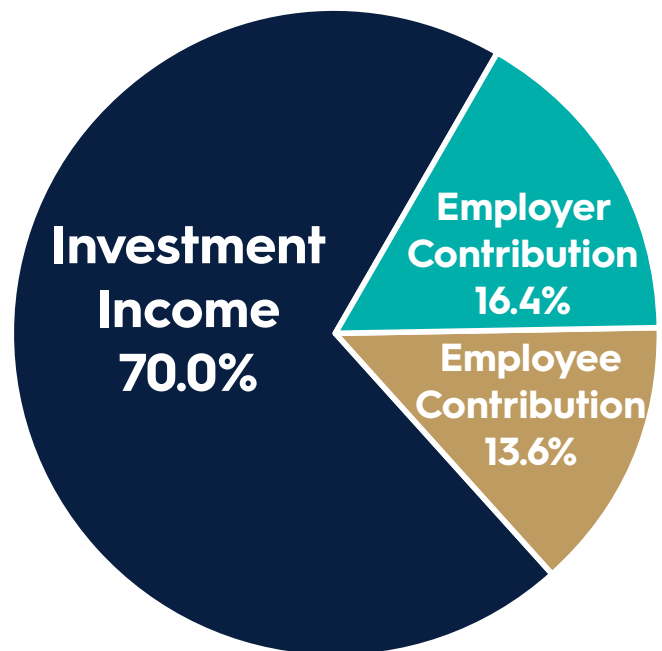


Financial Summary

WRS receives statutorily required incoming contributions, from both employers and employees, to pre-fund future pension benefit payments. This allows WRS to invest the contributions and increase assets available to pay benefits over the long term. Each plan has a different contribution rate, generally based on what is needed to fund promised benefits.

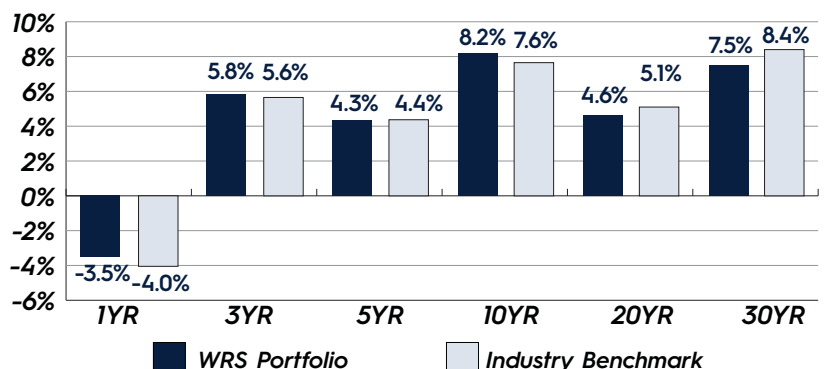
In aggregate, the pension plans paid out more in benefits in 2018 than was received in contributions. This is normal for a mature pre-funded pension plan, as investment earnings represent a large portion of benefits paid. A well funded plan will have a higher percentage of benefits paid from investments earnings, highlighting the importance of stable and conservative investment practices

Between 1993 and 2016, 70% of Wyoming retiree payments came from investment earnings on employer and employee contributions.



Pensionomics 2016, National Institute on Retirement Security between 1993 and 2016. nirsonline.org

Annualized Net Returns as of 12/31/2018



2018 Financial Summary for All Plans Combined

Total 12/31/2018 Pension Fund Balance	\$7,914,035,291
Employee Contributions	\$167,144,640
Employer Contributions	\$167,351,252
Other Contributions	\$10,969,421
Investment Gain/(Loss)	-\$292,501,894
Benefits Paid	\$642,150,005

Wyoming Retirement System

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