



Wyoming Retirement System

Partnering to Build Financial Security for Members and their Families

July 29, 2022

Senator Drew Perkins, Co-Chairman JAC
Representative Bob Nicholas, Co-Chairman JAC
VIA EMAIL
c/o Legislative Service Office

Dear Senator Perkins and Representative Nicholas:

As the Executive Director of the Wyoming Retirement System (WRS), I submit this letter to inform the Legislature of the funding status of each of the pension plans WRS administers and provide the WRS Annual Comprehensive Financial Report (ACFR). Most importantly, I want to ensure legislators have all the information needed to partner with WRS on our important mission to provide expert administration and responsible investment of Wyoming's public retirement and supplemental savings programs.

The [valuation report and a one page summary for each pension plan](#) is available in PDF format on the WRS website: www.retirement.wyo.gov. WRS' 2021 Annual Comprehensive Financial Report [ACFR](#) is also available. These documents have also been filed electronically with the Wyoming Legislative Services Office, as required by W.S. 9-3-405(a)(i).

Investments: The realized annual return for the WRS Retirement Account during 2021 was 17.19%. The Board's Assumed Rate of Return during that time period was 7.0%. Below are the realized annual returns for the past ten years:

Year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Return	17.19%	11.03%	18.72%	-3.52%	14.20%	7.53%	-0.44%	4.74%	13.30%	13.73%

Average Returns:

	Market Value	Actuarial Value (5 year smoothing)
Last five years	11.22%	7.51%
Last ten years	9.49%	7.24%

Actual returns in any given year over the past ten years were close to our assumed rate of return only once (in 2016). Two years in the past ten exhibited losses. But over time, the volatility evens out and WRS has achieved investment results roughly in line with the actuarial assumptions.

With the legislature’s support, the WRS investment program has yielded good results. In 2014, our peer ranking for 5 year trailing returns placed WRS in the 82nd percentile (a bottom 1/5 result). At the end of 2021, WRS ranks in the 14th percentile (a top 1/5 result).

Assumptions: The Board updated the assumptions used to quantify the liabilities of each pension plan after an experience study in 2021. The changes took effect January 1, 2022. There were modest changes to mortality and other experience factors. The most significant change was to lower the assumed rate of future investment returns to 6.8% from the previous 7.0%. Although 7.0% was still considered reasonable, the Board found it prudent to lower the assumed rate. Thank you for your support in approving the 2021 budget exception for the experience study. Such analysis helps inform the Board in this important area.

Funding Ratios: Funding ratios in most plans improved slightly, despite the adoption of more conservative investment and mortality assumptions.

The actuarial funding ratios may be of primary interest to the Board and policymakers. These are the traditional funding ratios calculated by the System actuaries and these incorporate 5 year actuarial smoothing – meaning we’ve only considered 1/5 of last year’s good investment result. Smoothing assists one from becoming overly optimistic or pessimistic about a one year result.

The following table is a summary of the information in the annual valuation reports on the funded status of each pension plan.

Summary Table: Funding status as of 1 Jan 2022

Plan	Actuarial Funding Ratio
Public Employee Plan	77.0%
State Patrol, Game & Fish Warden Plan	81.3%
Volunteer Firefighter, EMT and SAR Plan	81.3%
Paid Fireman’s Pension B Plan	97.16%
Judicial Pension Plan	98.2%
Law Enforcement Pension Plan	84.7%
Air Guard Firefighters Pension Plan	82.1%
Paid Fireman’s Pension A Plan	43.4%

Projections: Long-term projections of the funding ratio for each plan are displayed below. This year, the long-term projections were assisted by strong investment returns, but mitigated by the adoption of more conservative assumptions (updated mortality and 6.8% vs 7.0% investment return).

Year	Public Employee	Warden /Patrol	Volunteer Fire/EMT/ SAR	Paid Fire B	Judicial	Law Enforcement	Air Guard Firefighter	Paid Fire A (closed plan)
2022	77.0%	81.3%	81.3%	97.1%	98.2%	84.7%	82.1%	43.4%
2027	89.5%	93.9%	98.0%	110.6%	108.8%	94.3%	98.1%	85.0%
2032	93.9%	97.7%	107.9%	113.7%	109.7%	94.0%	105.6%	86.0%
2037	99.8%	102.3%	109.5%	117.5%	111.2%	93.5%	113.5%	92.6%
2042	107.6%	107.9%	111.8%	122.3%	113.1%	92.8%	121.6%	111.4%
2047	117.7%	114.8%	115.2%	128.3%	115.4%	92.5%	130.3%	127.0%
2052	130.3%	123.1%	120.3%	135.9%	118.0%	90.9%	140.3%	174.6%

Funding ratios for all plans are projected to increase, but progress will be slow. All the open plans achieve 100% or better funding within 20 years (2042), except for the Law Enforcement Plan. That plan is projected to increase to the low 90% range, but then holds there before slowly backsliding.

Given the inherent uncertainties of projections, WRS expresses more confidence in the overall direction than any particular position prediction. None of the plans are projected to achieve strength in the next 10 years sufficient for the Board to be able to recommend a Cost of Living Allowance (COLA), which requires a plan to be funded above 100% after the COLA is applied with a margin for market volatility. The projections for both the Volunteer Firefighter/EMT/SAR Plan and the Fire A Plan reflect the predicted impact of the Fire A legislation (SF0039) passed in March, 2022.

Law Enforcement Plan: In 2019, WRS’s actuaries recommended contribution rate increases in the Law Enforcement Plan to bolster the plan finances. They noted that the Law Enforcement Plan has not had a rate increase since 2002 despite two recessions and several adverse assumption changes. The present total contribution rate is 17.20%. The Legislature declined to revise the rates during the 2020 session. For now, the trend is modestly positive. However, the Law Enforcement Plan does not achieve a projected 100% funding ratio within 30 years. The Law Enforcement Plan is projected to be the weakest of all plans at the 30 year mark (2052) with a projected ratio of 90.9%. The Board intends to work with our actuaries and employer stakeholders to review the benefit structure to see if a benefit reduction package makes sense in addition to a rate increase. The goal is to bring a recommendation to the legislature for the 2024 budget session. The previous 2020 session proposal contained a three percent rate increase over three years that would have concluded this summer:

	Current	Proposed 7/1/2020	Proposed 7/1/2021	Proposed 7/1/2022
Employer Contribution Rate:	8.60%	9.10%	9.60%	10.10%
Employee Contribution Rate:	8.60%	9.10%	9.60%	10.10%
Total Contribution Rate:	17.20%	18.20%	19.20%	20.20%

As a reminder, this plan is chiefly a local government plan. 76% of the membership in local government, generally in city police departments and county sheriff offices. 24% of the membership is with State of Wyoming employees, mostly in the Department of Corrections and highway patrol dispatchers.

Fire A Plan (closed plan): The Board greatly appreciates the work during the 2022 session to address the issues with the Fire A paid firefighter plan. The plan is now stabilized. The Board returned the investments to the diversified portfolio shared by all the other funds. Actions directed in the legislation have been implemented. An associated lawsuit was withdrawn. The plan is now on track to achieve and maintain 100% funding for the remaining life of the fund. There are presently 255 pensioners.

Board Membership and Governance: Trustee Kay Watson needed to step down from the Board. We greatly appreciate her service to the Board, representing K-12 education. Governor Gordon appointed Mr. Jeremy Smith to the Board as her replacement. Mr. Smith is the school business official for Sheridan County School District #1 in Ranchester. We look forward to his service and thank all the Board members for their contributions to the governance of the System.

Thank you for your public service and involvement in keeping the Wyoming Retirement System strong and Wyoming a great place to live and work. Please contact me or Board Chair Tom Chapman for anything you may need.

Very Respectfully,



David Swindell
Executive Director

Cc: JAC Members
Don Richards, JAC Staff