

## **General Information**

Wyoming Retirement System  
Tom Mann, Director – July 2007 to April 2008  
Harry Wales, Interim Director

Agency Contact person  
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Web address  
<http://retirement.state.wy.us>

Other locations  
Does not apply

Plans Administered and Statutory References  
Public Employees Pension Plan - W.S. 9-3-401  
Wyoming State Highway Patrol, Game and Fish Warden and Criminal Investigator Pension Plan - W.S. 9-3-601  
Volunteer Firemen's Pension Plan - W.S. 35-9-601  
Paid Firemen's Pension Plan A - W.S. 15-5-201  
Paid Firemen's Pension Plan B - W.S. 15-5-401  
Wyoming Judicial Pension Plan - W.S. 9-3-701  
Wyoming Law Enforcement Pension Plan - W.S. 9-3-401  
Wyoming Deferred Compensation Plan - W.S. 9-3-501

Clients Served  
General public employees, school district employees, university and community college employees, volunteer firemen, paid firemen, highway patrolmen, game and fish wardens, law enforcement officers, judges.

Budget Information – Fiscal Year 2008  
Wyoming Retirement System \$2,722,031  
Wyoming Deferred Compensation Program \$704,413  
Total \$3,426,444

## Wyoming Retirement System (WRS)

Report Period: FY 2008 (July 1, 2007 through June 30, 2008)

### Wyoming Quality of Life Result:

Wyoming families and individuals live in a stable, safe, supportive, nurturing, healthy environment. Wyoming state government is a responsible steward of state assets and effectively responds to the needs of residents and guests.

### Contribution to Wyoming Quality of Life:

The Wyoming Retirement System contributes to the quality of life by providing career public employees a means to achieve financial stability in retirement through pension and disability benefits, and is a responsible steward of the assets of the Wyoming Retirement fund used to finance these benefits.

### Basic Facts:

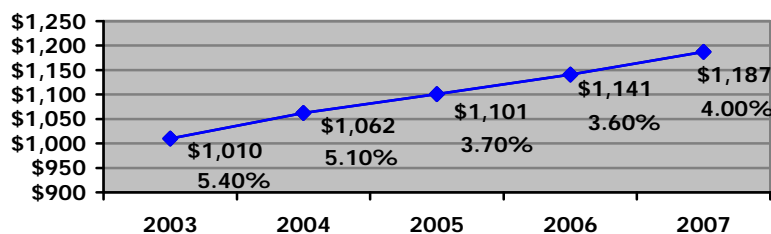
WRS has a staff of 27 and a biennium budget for 2006-2008 of \$6,852,886

The primary function of the agency is to administer the retirement programs in a manner that provides a basis for each individual of the seven legislatively defined benefit plans under the System to retain financial independence in retirement leaving members of each plan with the knowledge and tools to achieve a livable income during their retirement years. These seven benefit plans consist of Public Employees Pension Plan; Wyoming State Highway Patrol, Game & Fish Warden, and Criminal Investigators Pension Plan; Volunteer Fireman's Pension Plan; Fireman's Pension (Plan A) and Account Reform Act of 1981 (Plan B); Judicial Retirement Plan and Wyoming Law Enforcement Pension Plan. Together, these seven programs cover 45,417 non-federal public employees and 19,527 retirees in the State of Wyoming. The agency also administers the deferred compensation program which is a supplemental defined contribution plan with over 13,824 participants. The Wyoming Retirement Board is charged with the administration of all plans except for the Volunteer Firemen's plan which is controlled by the Volunteer Firemen's Pension Board.

### Performance Measure 1:

The System has two types of benefit programs. The defined benefit pension program provides a guaranteed monthly income in each of the plans listed above as a base benefit for each member of these systems. The defined contribution plan, "deferred compensation plan," provides a tax deferred methodology for personal savings for retirement. This plan supplements the defined benefit program and social security to establish a livable retirement income. Of the seven plans available, the "public employees plan" is the general pension plan of most employees and pays 17,595 of the 19,527 current retirees. One measure of the progress of improving the base benefit is evaluating the average benefit of all retirees. These benefits are increased two ways, through higher initial retirements and also cost of living adjustments.

Average Monthly Benefit by Calendar Year with Percentage Increase



**Story behind the last year of performance:**

Other than the Volunteer Firemen’s pension plan, the average pension benefit reflects the progress in raw form of the general increase in the benefits of all retirees. Each plan has a base benefit derived from a formula using age, service time, and salary. The Volunteer Firemen’s pension plan benefits are based on a table using entry age and retirement age.

The base benefit formula is designed to provide an easy planning tool for retirement by using service time to provide a percentage figure which is multiplied by a member’s salary at the end of his career. That formula determines the percentage of the member’s income covered by the pension at retirement. Social Security and personal savings are then taken into account to fill in any gap in the retirement needs of the individual. A COLA may be provided in the years after retirement in an attempt to increase the retiree’s benefit in response to inflationary pressure. A COLA that is deemed affordable is calculated by the System’s actuary each year.

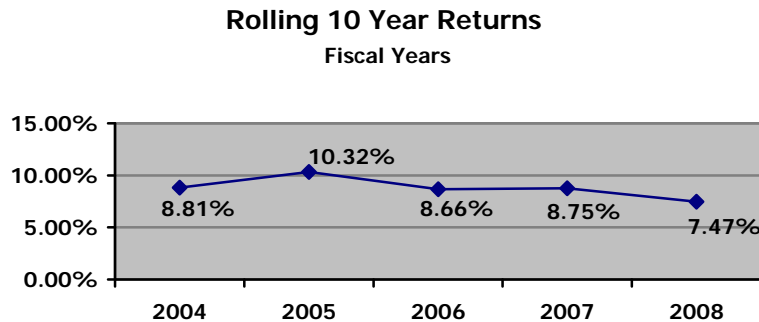
The annual increase in the average benefit in the public employees plan over the last five years of approximately 4 percent can be attributed mostly to the initial retirement benefits during that period being higher than previous retirements. This reflects the successful design of the program providing a percentage of the member’s salary at retirement needed to successfully deal with planning and inflationary pressures and also indicates a general increase in public employee salaries over the period.

Over the same period for a person who retired prior to 2002 the average annual increase was only 1.4 percent. The cost of living adjustments for retirees in the Public Employees Pension plan over this same period have been considerably less than the average increase for the other pension plans. So, although the news is good for initial Public Employees Pension Plan retirees, it is not as good for those who retired prior to 2002.

**Performance Measure 2:**

The board is charged with the prudent investment of the assets of the Wyoming Retirement Fund. This is a \$6.1 billion fund to pay for the benefits promised in the seven defined benefit plans. The liabilities created by these plans are long term. It is expected the liabilities and benefits of individual beneficiaries of these plans will be accumulated and paid for over a period of up to fifty years. The long term return on assets necessary to cover the plan’s obligations is eight percent per year on average.

A ten year rolling average, of the portfolio returns, is a proxy for the long term investment needs of the pension plans and is compared to the 8 percent actuarial assumptions for investment returns.



### **Story behind last year of performance:**

The board has structured the portfolio to provide a consistent return over the long term in excess of the 8 percent assumption used by the actuary. As expectations for ongoing investment returns from traditional asset classes (stocks and bonds) are diminishing, the board is researching new asset classes and expanding exposure to those classes that provide diversification and therefore less risk to the total portfolio. Among those asset classes with expanded exposure are real estate and a tactical asset allocation strategy. In 2006 the board implemented a cash overlay strategy to equitize any transactional cash in an effort to keep fully invested. Ongoing reviews of various strategies including private equity opportunities continue, and the board has begun the process to add other alternatives appropriate for investment by a public pension plan. During the spring of 2008, the board issued RFP's to hire Infrastructure and Distressed Debt managers that will be funded in the third quarter of 2008.

### **What has been accomplished?**

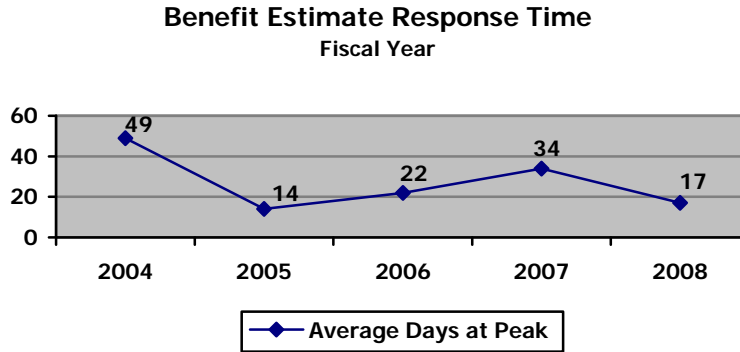
The board recognizes in Performance Measure One the significance to retirees of the cost of living adjustment (COLA). Increases to the COLA for retirees can only be affected by the amount of contributions received or the investment income on the portfolio.

The board continues to review and alter the portfolio asset allocation mix in an attempt to provide the highest return possible inside a risk profile appropriate for a public pension plan. Accomplishments for FY 2008 include:

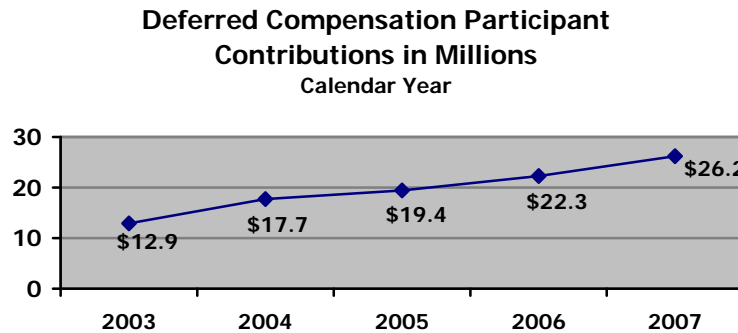
- \* In fiscal year 2008, the portfolio returned 1.2 percent above the benchmark return.
- \* Periodically rebalanced portfolio transferring assets to appropriate under funded mandates.
- \* Successfully proposed legislation expanding service purchase capabilities for active members to enhance their individual retirements and developed upcoming legislative proposal for increased contributions in an attempt to increase COLAs.
- \* Continued to improve the deferred compensation investment offerings by replacing risk based funds with target date funds and replacing underperforming managers with high quality funds.
- \* Continued enhancements to the deferred compensation plan by decreasing the participant fees from 50 basis points to 45 basis points.
- \* Successful legislation in 2008 enhanced the benefit provisions for both Plan B Firemen plan and the members of the Judicial plan.
- \* The Statement of Investment Policy and Objectives continues to be changed to establish duties of the staff including reporting to the board concerning monitoring of the portfolio. New asset classes have been added to allow investment in alternatives such as infrastructure and distressed debt mandates.
- \* A new position was created and approved by the State Legislature to hire a Chief Investment Officer. This person will be reporting to the Board on investment issues and will make investment recommendations.

**Performance Measure 3:**

A measure of service effectiveness is the number of days taken to respond to a member inquiry on estimated retirement benefits. It is the goal of the system to respond to all requests in a timely manner. The response time decreased in 2008 due to having a complete and well trained staff. The quality control process implemented in 2006 was fully functional during this period. This result is slower responses to members but, after analysis of error reductions, the time taken for the quality assurance process is justified.



A measure of service effectiveness in the deferred compensation plan is the total annual contribution made by our members. If our educational programs, which encourage members to save for retirement, are effective the total annual contributions should increase substantially.



**Story behind the last year of performance:**

Service levels over the last several years at the Retirement System have been very good due to an increase in staffing authorized by the legislature in 2004. We strive to maintain current service levels in spite of turnover and training challenges, as well as increased demand due to a spurred interest in retirement from an aging workforce. Management has a goal to be able to respond to a member’s request in a timely manner and we have also been able to improve the quality and therefore the value of our service to our members.

An analysis of peak period response times under full staffing has shown a dramatic decrease in the response times to estimate requests from 2004. Increased accuracy was implemented in late 2006 with the implementation of a quality assurance process.

In 2004, the legislature provided the Retirement System the personnel to establish an in-house education program combining the efforts of the defined benefit program and the deferred compensation program. The intent is to make all members aware of the need for supplemental retirement savings in combination with the defined benefit pension

program. Total contributions to the deferred compensation plan should increase if the educational efforts are effective.

**What has been accomplished?**

As expected, a complete and well trained staff reduced the number of days needed to respond to member requests for benefit information to 17 days. This is one-half the time it took last year when WRS had staff vacancies.

The in house education program continues to be very effective as total contributions for the calendar year 2007 increased by 17.5 percent from \$22.3 million to \$26.2 million. Total assets in the plan increased from \$259.4 million to \$284.8 million for the same time period.

In 2007, WRS traveled to every region in the state to provide in-person education about basic retirement planning and investment concepts to over 3,000 active employees. WRS provides four different education seminars for active employees and in the fall of 2007 rolled out a workshop specifically designed for retirees and pre-retirees.

WRS hosted activities for National Save for Retirement Week including a retirement fair that had a total of 301 attendees and a daily email campaign that generated over 2,000 web site hits.

