

Wyoming Retirement System (WRS) Annual Report 2006

Quality of Life Result

The Wyoming Retirement System is a responsible and supportive steward of State assets and effectively responds to the needs of its participants by providing the means to live in a stable environment.

Contribution to Wyoming Quality of Life

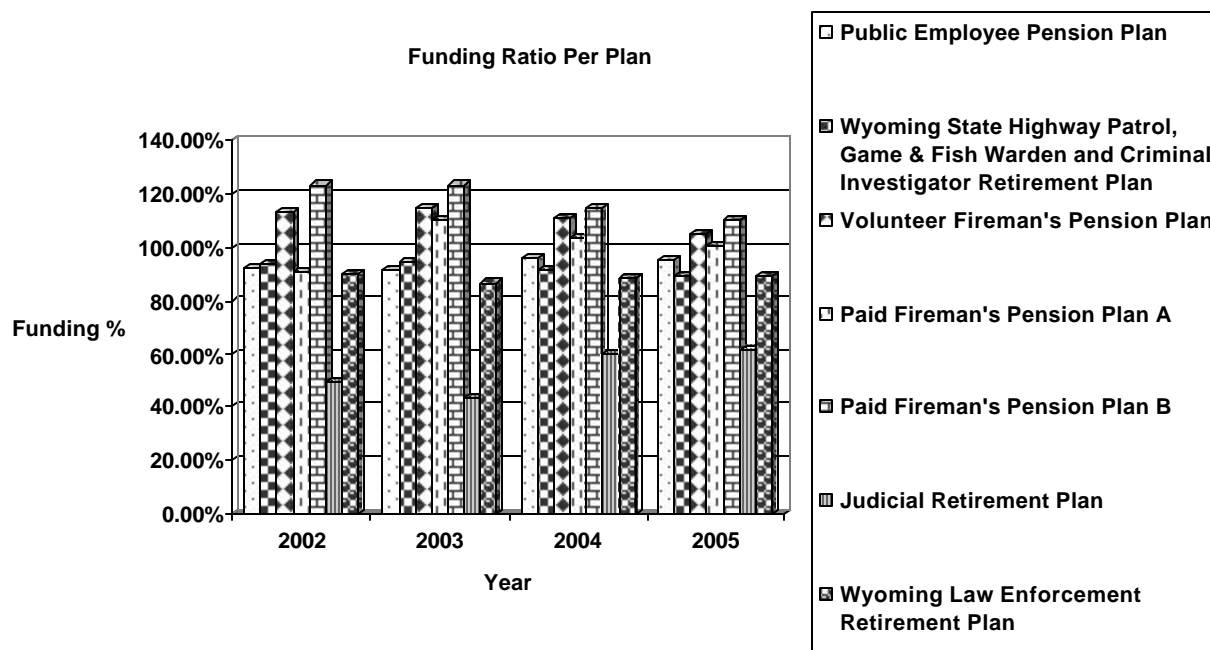
The agency contributes to the quality of life by providing a stable financial base and stability for career public employees through retirement and disability benefits.

Basic Facts

WRS has a staff of 27 and a budget for 2006-2007 of \$6,646,750. The primary function of the agency is to administer the retirement programs in a manner that assures the financial health of each of the seven legislatively defined benefit plans under the System and provides members of each plan with a livable income during their retirement years. These seven benefit plans consist of Public Employees; Wyoming State Highway Patrol, Game & Fish Warden and Criminal Investigators; 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. Together, these seven programs cover 38,200 non-federal public employees and 18,100 retirees in the State of Wyoming. The agency also administers the deferred compensation program which is a supplemental defined contribution plan with over 11,600 participants.

Performance Measures

The financial health of the System is measured by the funding ratio. This is a ratio of the pension liabilities as measured against the assets for each System. The financial health of each participant's deferred compensation account is dependent on the amount they invest and their choice of investments and is not conducive to the funding ratio analysis.



Retirement System

Story behind performance :

The funding ratio measures accumulated pension liabilities as they relate to the pension asset levels. A pension fund is considered to be well funded if its funding security ratio is in excess of 90%, so all plans excluding the Judicial plan are well funded.

Funding levels are affected by a number of factors. On the liability side an increase in benefit levels will increase the total liabilities. On the asset side a poor investment year will reduce the asset levels. The Board's goal is to manage the system in a manner that provides the most affordable benefit package inside of the statutorily set contribution levels while investing assets targeting the assumed investment rate.

The two newest plans, the Judicial and Wyoming Law Enforcement, were created with preexisting liabilities. The legislature provided for biennial payments to retire the preexisting liabilities over a period of time. The contribution rates and the payments promised by the legislature are designed to retire those liabilities in future years. The 2006 Legislature paid the unfunded liabilities on both plans in July 2006.

The continued decrease in the funding ratios of the remaining plans are a reflection of both increases in benefit levels in the early 2000s and the very poor investment environment of 2000, 2001 and 2002. The investment environment in the last three years, along with legislative changes allowing flexibility in the administration of the cost of living adjustments, has strengthened all of the plans in 2004 and 2005.

What has been accomplished?

The efforts to improve funding ratios involve the two variables that determine the ratio; assets and liabilities.

Assets: In order to assure the long term assumed rate of return on the investment portfolio the Board is taking several steps to improve the investment returns. Through continual work with the System's investment consultant the Board is expanding the portfolio to include asset classes expected to provide increased investment returns while reducing portfolio volatility. In the past year, the Board has increased the real estate exposure and added a cash management strategy. Further funding for these asset classes will continue through the next two years. The Board also intends to continue its educational process to develop and fund an efficient portfolio that will produce, over the long term, the assumed rate of return at an acceptable level of risk.

Liabilities: The liabilities created through the benefit programs are mandated by statute. The Board continually reviews those areas where there is potential abuse by the employers or members of the plans to assure the plan is managed in a fair and equitable manner. WRS staff is working with various employers and organizations to develop legislation that would allow retirees to return to work after a 30-day break in service but require the employer to continue to pay contributions on those individuals. This proposed legislation would decrease the liabilities to the System.

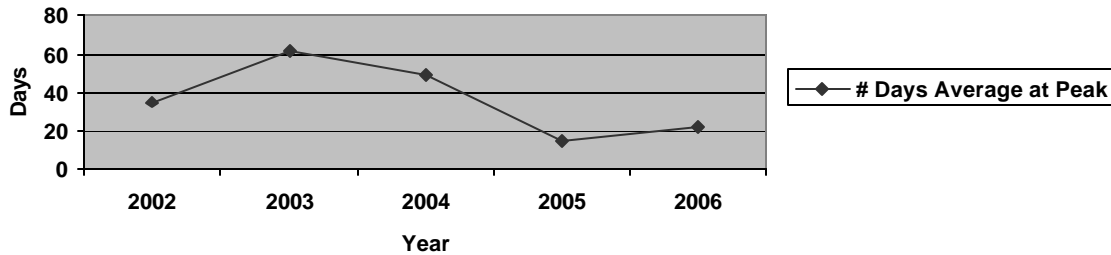
The Board acknowledges the financial health of retirees must come from more than only the defined benefit program. It needs to be supplemented by the defined contribution program. The deferred compensation program is being promoted to encourage and educate participants of the value of enhancing their retirement through the tax deferred investment. With this in mind, the education for both the defined benefit plan and the defined contribution plan are being administered by the agency.

Retirement System

Performance Measures

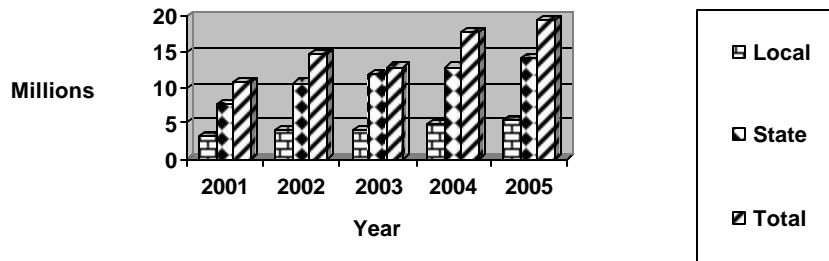
A measure of service effectiveness is the number of days taken to respond to a member inquiry on estimated retirement benefits. It is the goal of the system to respond to all requests within fourteen days of the member's initial inquiry.

Benefit Estimate Response Time



A measure of service effectiveness in the deferred compensation program 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.

Contributions in Millions



Story behind performance:

Since the legislature saw fit to increase the number of staff at the System in 2005, the response time to members has decreased dramatically. Our goal is to provide the members of the plans timely information on their retirement benefits. The slight increase in 2006 is primarily due to a large volume of phone calls related to an upcoming change in the law allowing members to purchase additional time in the System.

The legislature also saw fit to provide the Retirement System the personnel to provide 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 contribution program increased from \$17.7 million in 2004 to \$19.4 million in 2005, showing the effectiveness of WRS's educational efforts.

What has been accomplished?

WRS will continue to emphasize the importance of the deferred compensation program as a key supplement to the defined benefit program of the WRS and equip members to be proactive about retirement planning.

Retirement System

In 2005, WRS traveled to every region in the state to provide in-person education about basic retirement planning and investment concepts to nearly 2,400 active employees. WRS developed four different educational seminars for our members:

- Understanding Retirement Benefits - Taking Charge of Your Retirement
- Retirement Strategies: Reaching Your Destination with Pre-Retirement Planning
- Building an Investment Foundation: Investing Concepts and Definitions
- Building Investment Strategies: Charting Your Investment Path with Asset Allocation

WRS also sponsored the first annual Wyoming Retirement Planning Week in 2005. WRS will continue to develop and deliver new educational materials to our members. WRS will continue to seek out cost effective ways to reach our members with this educational information.

The WRS Board made the decision to reduce administrative fees to Deferred Compensation Plan participants from 0.55% to 0.50% of assets annually. This represents a savings to members of approximately \$116,000.