



Partnering to Build Financial Security for Members and their Families

# WRS UPDATE

Spring/Summer 2016

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## Wyoming Has It Right

by Ruth Ryerson, Executive Director

Wyoming does well in providing the opportunity for retirement security to its public employees. Retirement security is a broad term that refers to the resources you have to support yourself through retirement and provide a lifestyle similar to what you had before retirement. Wyoming has the best approach with Social Security, a pension and a supplemental savings plan (such as the WRS 457 Plan).

WRS' pension plans are important because they provide lifetime income for Wyoming's public employees throughout retirement. Our members understand this; in a recent survey 87 percent of WRS' actively employed members said their pension is either "very important" or "mostly important" to keeping them in their current job.

The private sector has moved almost entirely to a self-directed retirement saving approach and is providing employees with only 401(k) plans. Most workers struggle with contributing enough and making investment decisions that will support adequate lifetime retirement income.

The increasing lack of retirement security in the private sector is becoming an issue that will eventually rise to the state or national level. I am watching with interest as some states are taking steps to provide retirement vehicles to private sector workers.

WRS carefully manages its pension plans. The Board is diligent to act in the best interest of its members and report to state policymakers. The Governor and Legislature have supported WRS by granting most of the budget permission requested for the next budget cycle. We are fortunate to have such a good partnership. 

## Welcome New Board Members

Kay Watson and Mike Ceballos joined the WRS Board, having recently been appointed by Governor Mead and confirmed by the Wyoming State Senate.

Ms. Watson represents school district employees and employers. Mr. Ceballos is an at-large member representing all Wyoming residents.

Full biographies are available at <http://retirement.wyo.gov/home/board.html>.



### Legislative Update

Other than approval of WRS' biennial budget, there was no significant legislation affecting WRS in the 2016 legislative session.

## 2015 Pension Statements Available Online

Non-retired members can now get annual pension statements for 2015 online at [retirement.wyo.gov](http://retirement.wyo.gov) by logging into your online pension account. New online pension account users can set up access by going to [pension.wyo.gov/Account/Register](http://pension.wyo.gov/Account/Register) and entering SSN, date of birth and RAIN ID.

Your annual statement is for you to use in verifying your records, and it gives you an opportunity to address any questions or corrections you may have regarding your pension account. If you would prefer to receive a statement in the mail, contact WRS at [wrschange@wyo.gov](mailto:wrschange@wyo.gov) or opt-out in your online pension account. 

# Timing Your First Retirement Payment

Many of WRS' members retire in the summer and fall. You should expect your first payment from WRS the month following the month WRS receives final contributions and a termination notice from your employer. Your first payment will be retroactive back to your retirement date.

Find out when your employer will be submitting the final contributions and termination notice pertaining to you. If you work for a school district, find out if they are paying all summer contributions in advance or paying throughout the summer. You can estimate that your first check will likely be on the retiree payroll date for the month after WRS received your information.

## In addition to timing your first check, here are a few retirement tips to consider:

- In anticipation of retirement, practice living on the amount of income you will have in retirement for about six months prior to retiring.
- Consider making a final deferral of accrued leave to your 457 Plan account. Paperwork must be submitted before your final working day.
- WRS offers a *Retirement Income Management* seminar for those close to retirement or in retirement. Dates and locations for the seminar are posted at <http://retirement.wyo.gov/education/index.html>. 

# Enhancements Coming to 457 Plan Investments

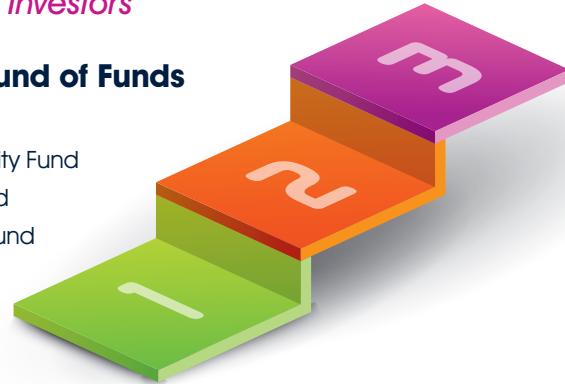
In the fall of 2016, WRS will be enhancing the mix-your-own menu of investments by moving to custom "fund-of-funds" and adding a self-directed brokerage account option. A fund-of funds is a sole investment made up of multiple funds. These changes are designed to help participants achieve diversified investment portfolios.

WRS will be offering a three-level investment menu, which is in line with industry best practices. The WRS Board realizes many individual investors are challenged when it comes to making investment decisions. This new menu will offer a simpler mix-your-own investment menu, and for those that want it, the flexibility to choose from thousands of mutual funds through a self-directed brokerage window.

## Level 3: Self-Directed Brokerage Account *Highly Knowledgeable Investors*

## Level 2: Mix-Your-Own Fund of Funds *Do-It-Myself Investors*

WRS Small/Mid Cap U.S. Equity Fund  
WRS International Equity Fund  
WRS Large Cap U.S. Equity Fund  
WRS Real Assets Fund  
WRS Fixed Income Fund  
WRS Capital Preservation Fund (Stable Value Fund)



## Level 1: Pre-Mixed Target Date Funds *Do-It-For-Me Investors*

**Level 1** with pre-mixed target date funds is not changing; however WRS has recently been able to reduce the cost of these funds. The cost reduction will be implemented in the summer of 2016.

**Level 2** will consist of new custom fund-of-funds created by WRS only available to participants in the 457 Plan. The custom funds will be developed by WRS and may combine several managers and investment styles. This allows participants to concentrate on the bigger decision of their desired investment mix, i.e., how much to put in each area to achieve the risk and return potential you want.

The Stable Value Fund will remain an available option but will be renamed.

Along with simplicity, another advantage of the new WRS funds is a single, broadly diversified, investment option with a combination of underlying managers has the potential to achieve a better risk-adjusted return than any one of its underlying components. WRS anticipates there will be opportunities for lower investment fees too.

**Level 3** is new and it will consist of a self-directed brokerage account to give flexibility to very savvy investors.

WRS will be providing more information in quarterly statements and on the website. There is nothing you need to do right now, except be excited about these improvements! 

# 2015 Was a Challenging Year for Financial Markets

by Sam Masoudi, Chief Investment Officer



**Congratulations to Sam Masoudi** for being listed as one of Trusted Insight's Top 30 Pension Fund CIO's and also for being nominated for an Institutional Investor's Intelligence Award. Winners will be announced later in the spring.

## Valuation Results

Pension plan valuation results for 2015 will be available on the WRS website in late May. The valuation results provide information on the financial status of WRS' pension plans.

## Member Survey Results

Each fall, WRS surveys its membership to assess a variety of topics. Results of the 2015 Active Employee and Retiree surveys are now available on our website at [retirement.wyo.gov/home/members.html](http://retirement.wyo.gov/home/members.html).

The Wyoming Retirement System's total plan net performance for 2015 was -0.3%, which was 0.2% ahead of the benchmark. This result reflected solid performance given the portfolio's diversified asset allocation and the difficult market environment. Over longer periods, the portfolio has continued to perform in line with its benchmark as shown in the following table but below its long term actuarial expected return of 7.75%.

	2015 Return	3-Year Annualized Return	5-Year Annualized Return	10-Year Annualized Return
<b>WRS Total Return</b>	-0.3%	5.8%	5.9%	4.5%
<b>Benchmark Return</b>	-0.5%	5.8%	5.7%	4.9%
<b>Outperformance/Underperformance</b>	+0.2%	-	+0.2%	-0.4%

It was difficult to produce strong returns last year because most of the equity and fixed income markets, in which the plan invests, produced negative returns as noted in the chart below. The market returns we saw in 2015 should not be thought of as unusual given historically low interest rates and the numerous challenges to economic growth worldwide. For the next three to five years, we expect investment returns to continue to be muted until interest rates and economic growth recover to more normal levels.

Asset Class*	2015 Return*	
<b>Equity</b>	U.S. Equity	1.4%
	Developed World ex. US	-0.8%
	Emerging Market Equity	-14.9%
	<b>Global Equity</b>	-2.4%
<b>Fixed Income</b>	US Corporate High Yield	-4.5%
	Emerging Market Debt	-14.9%
	World Government Bonds	-3.6%
	<b>Global Bonds</b>	0.9%
<b>Other</b>	Hedge Funds	-0.7%
	Commodities	-24.7%
	Public Real Estate	3.2%

Despite the challenging market environment, the WRS investment team continues to focus on maximizing the value of the portfolio in a prudent manner. Over the past several years, we have substantially improved the investment organization thanks to the backing of Governor Mead, the State legislature, and the WRS board. We are grateful for this support and will continue to make improvements to safeguard our members' retirement security. 

\*Indices used to proxy asset class performance: US equity- S&P 500 TR, Developed World Ex. US- MSCI Developed ex. US, Emerging Market Equity- MSCI EM, Global Equity- MSCI ACWI, US Corporate High Yield- Barclays US Corp HY, Emerging Market Debt- JPM GBI-EM Global Diversified, Government Bonds- Citi World Government Bond Index, Global Bonds- Barclays Multiverse, Hedge Funds- Credit Suisse HF index, Commodities- Bloomberg Commodity Index, Public Real Estate- FTSE NAREIT.

## Albany County Sets the Pace

WRS congratulates Albany County for being the first non-state employer providing automatic enrollment into the WRS 457 Plan. Albany County Clerk Jackie Gonzalez, together with the Albany County Commissioners, embraced the concept of auto enrollment for newly hired employees.

The leaders of Albany County understand the earlier employees start supplemental retirement savings, the better financial outcomes for their employees in retirement. County Clerk Gonzalez knows employees want and need to put aside savings for longer term goals like retirement, however “in the hiring process, the employee has so many things to tend to, often times they don’t get back to setting up a savings plan and inertia sets in. By offering automatic enrollment, the work is done for the employee but does not take the employee out of the driver’s seat. Employees are in control of their accounts.”

WRS anticipates working with other employers currently providing the 457 Plan as a benefit to their employees to offer auto enrollment. 

## Auto Enrollment Update

In 2015, the Legislature established auto enrollment in the WRS 457 Plan for State of Wyoming employees and allowed other participating employers to elect auto enrollment on an individual basis. Successfully, 97% of state employees hired after July 1, 2015 are paying themselves first by contributing a portion of their salary to the WRS 457 Plan in order to have retirement income later. Congratulations to those savers who are on the road to successful retirement outcomes!

## State Employee Out-of-Pocket Contribution Rate Changes July 1

The amount state employees pay out-of-pocket for the **Public Employee Pension** will increase from 2.055 percent to 2.305 percent on July 1, 2016. This adjustment is in keeping with a four-year plan for adjusting the employee contribution rate put in state law in 2013. The required employee (8.25%) and employer (8.37%) contribution rates remain the same for a total of 16.62 percent.

The four-year plan reflects the Legislature’s desire to phase-in the increase to state employees over a longer timeframe. Many participating non-state employers follow the same pattern for the “pick-up” of the employee contribution. However, you will need to check with your employer for specifics.

The four-year plan will be fully phased-in by July 1, 2017 when state employees in the **Public Employee Pension** will pay 2.68 percent of their required contribution.

The out-of-pocket contribution for members of the **Warden, Patrol & DCI Pension** will also increase this July 1 to 2.30 percent and to 2.64 percent on July 1, 2017. The complete detail is online at <http://retirement.wyo.gov/home/ActiveMembers.html>. 