

Good news about Wyo. Retirement System



Laura Ladd

Wyoming's pension plans are a treasure for our state. These pension plans help our school districts, state, cities, towns, counties and other employers recruit and retain the employees they need.

Nearly one in six Wyomingites have a direct financial stake in the Wyoming Retirement System. The entire state benefits from the \$600 million WRS pays to retirees each year, most of which stays in Wyoming, supporting local economies.

As the current chair of the WRS Board of Trustees, I couldn't be more pleased with this outcome. It is the result of the vision of past state policymakers, as well as the current partnership between WRS, policymakers, stakeholders and members.

WRS was formed 65 years ago by the Legislature to administer retirement benefits for all government employers. They planted a seed that has grown into a mature tree.

There are a few big factors when managing a pension plan – investment earnings, contribution rates and benefit levels. Running a pension plan well means balancing these factors. We work closely with the governor, legislators and stakeholder groups to make adjustments when necessary and share information broadly.

WRS is three years into its five-year investment plan, which encompasses building an eight-person investment team. The stock market was incredibly strong in 2017. We surpassed our benchmark of 7 percent return annually with a 14.3 percent return, meaning investment earnings added

"Wyoming's pensions are strong, well-managed and headed in the right direction."

\$1.1 billion to the pension fund. Market trends are ever changing, but no matter. We have an investment team, a clear investment strategy and the discipline to stay the course for the long term. This is key, since roughly 70 percent of benefit payments are funded by investment earnings.

The board has established a disciplined practice for review and oversight of the actuarial assumptions, funding status and contribution requirements for each of our eight pension plans. It is one of the board's most important fiduciary duties. In 2010, we proactively recommended significant pension reforms by increasing contributions and establishing a reduced tier of benefits. This was done to make sure we could keep our pension promises for the long term.

The board recently changed some of the assumptions used to quantify liabilities. We assumed future investment returns would be lower (7 percent instead of 7.75 percent). We recognized that payroll growth and contributions were apt to be more modest. Finally, we made further adjustments to our mortality estimates, recognizing that retirees are living longer. We knew this would put upward pressure on contribution rates, and worked proactively with the executive branch and Joint Appropriations Committee to develop solutions. The retirement-related bills passed during the recent legislative session are very positive.

We hear a lot from retirees about the need for a Cost of Living Allowance. The last COLA awarded was in 2008 because projections showed the retirement fund could not afford the associated cost. A few years later, the Legislature put a limitation on COLAs. While WRS is still paying previously awarded COLAs, our long-term retirees have experienced significant erosion of purchasing power and need some relief.

WRS has the ability to estimate the cost for a COLA for those most in need. If this is an issue of concern to you, please consider speaking with your local legislators. WRS also crafted a tool which allows future retirees to purchase a 1, 2 or 3 percent COLA to prepare to offset future inflation.

Wyoming's pensions are strong, well-managed and headed in the right direction. Wyoming's willingness to take on the challenge of running a pension plan properly and ensure its long-term viability is something all of us who live in this great state can be proud of.

Wyoming embraces this hard work and the hard choices it involves at times, knowing it must be done with the highest integrity and excellence because the people who live and work here are depending on it.

Laura Ladd has an MBA from the Wharton School and was appointed to the Wyoming Retirement System Board of Trustees by Gov. Dave Freudenthal in the midst of the Great Recession of 2008. She is an at-large member of the board representing all Wyoming residents. She lives in Wilson.