

AARP IN THE STATES



SNAPSHOT: Wyoming Public Employees Pension Plan

The Wyoming Public Employees Pension Plan (WPEPP) is part of the Wyoming Retirement System (WRS) and provides benefits to substantially all employees of the state, school districts, and other political subdivisions that have elected to participate.

The WPEPP Pension Works for Wyoming Stakeholders



Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.



The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.

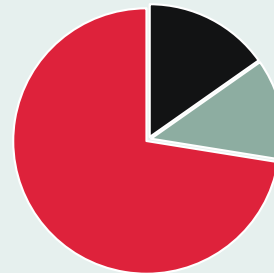


Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New WPEPP employees contribute 8.25% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers paid only 15.2% of the cost of benefits.

72.5%
Investment
Earnings



15.2%
Employer
Contributions

12.3%
Employee
Contributions

Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:

10%



cost savings from pooling longevity risk



11%



cost savings from optimal asset allocation



27%



cost savings due to higher returns and lower fees



48%



total cost savings

WPEPP Key Facts



WPEPP serves 35,892 active employees and 25,768 retired members and survivor beneficiaries.



New employees contribute 8.25% to WPEPP.



Employers contribute 8.37% to the fund for employees.



The average monthly retirement benefit for members is \$1,607.



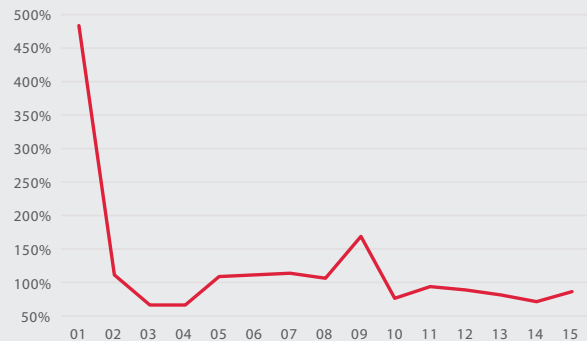
After a 30-year career, WPEPP will replace 60% of final average salary.

Historical WPEPP Funding Experience

Wyoming established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2016 year, WPEPP had \$7.1 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund becomes financially sound over time.

Wyoming Paid 98.7% of Weighted Average Percent of ADC from FY2001-FY2015 for WPEPP



Wyoming Made Plan Changes to WPEPP in Recent Years

Following the global stock market crash in 2008-2009, Wyoming policymakers proactively made changes to the WPEPP to ensure long-term sustainability. These included:

- Suspending the cost of living adjustment (COLA) after 2012 until plan is fully funded.
- Increasing the employee contribution rate to 8.25% of salary.
- Reducing benefits for employees hired after 7/1/12 by increasing normal and early retirement, lowering benefit multiplier and revising the calculation of final average salary.

The Economic Impact of Wyoming Pensions:



\$483.7 million

in economic output generated by retirees' spending from public pensions in Wyoming.



3,358 jobs

paying \$144.7 million in wages supported by retirees spending from public pensions in Wyoming.



\$82.3 million

in federal, state, and local tax revenues generated by retiree benefits and spending in Wyoming.

All data come from Wyoming, Public Plans Data, or the National Institute on Retirement Security.

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BY THE NUMBERS: Wyoming Public Employees Pension Plan

The Wyoming Retirement System provides a defined benefit (DB) pension for public employees, the **Wyoming Public Employees Pension Plan (WPEPP)**. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees to better serve taxpayers. DB pension payments also support the state's economy.

Key facts about the plan and its benefits:



35,892

Total active members of the Wyoming Public Employees Pension Plan.



60%

After a 30-year career, WPEPP will replace 60% of an employee's pre-retirement income.



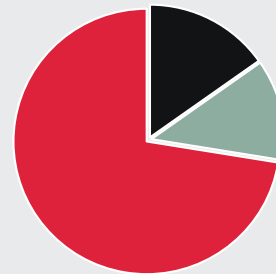
\$1,607

Typical pension benefit paid to retired WPEPP members each month.

Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New WPEPP employees contribute 8.25% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers (employer contributions) paid only 15.2% of the cost of pension benefits.

72.5%
Investment Earnings



15.2%
Employer Contributions

12.3%
Employee Contributions

The spending from the pension checks of the 25,768 retired public employees helps support:



\$483.7 million

in economic output in Wyoming.



3,358 jobs

paying those workers in Wyoming \$144.7 million in income.



\$82.3 million

in federal, state, and local tax revenues based on benefits and spending in Wyoming.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by Wyoming taxpayers (employers) in these plans supported **\$7.13** in total economic activity in the state.



\$1.00

\$7.13

All data come from Wyoming, Public Plans Data, or the National Institute on Retirement Security.



Pensions Help Deliver Quality Education in Wyoming

Defined benefit (DB) pensions play a fundamental role in retaining high-quality, experienced teachers in the classroom. These effective, experienced teachers are the most important school-based element that provides quality educational outcomes for our children.

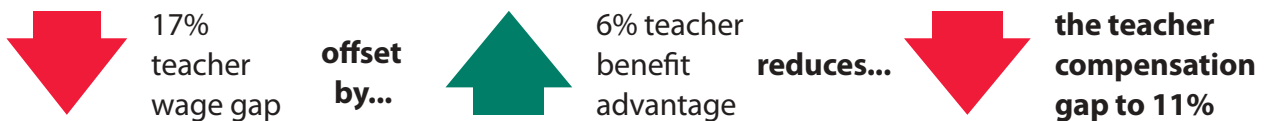
A wide body of academic research on teacher productivity finds that teachers become more effective with experience. These studies demonstrate that experienced teachers have students who achieve at higher levels. In contrast, when experienced, mid-career teachers are replaced by inexperienced teachers, other studies show productivity drops across the school.

DB pensions give schools an effective tool to retain experienced teachers. These benefits provide teachers an incentive to continue delivering quality education to K-12 students.¹ This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college educated workers, widens for more experienced teachers.

There are important policy reasons to continue offering teachers DB pensions. Because pensions help attract and retain workers, Wyoming can keep teachers in the classrooms and empower students to achieve their highest potential.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 17 percent pay gap relative to comparable private sector workers in 2015. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 11 percent. In Wyoming, teachers experience a 1% wage gap when compared to other college graduates in the workforce.²



Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.



92 percent of Americans say pensions are a good way to recruit and retain qualified teachers.



81 percent of Americans agree that teachers deserve pensions to compensate for lower pay.³

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.⁴

6.7%



Percentage of teachers who leave education.

69



The number of teachers retained each year due to the DB pension.

\$302K to \$658K



The DB system savings in teacher turnover costs in school districts across Wyoming.

WPEPP Key Facts



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The average monthly retirement benefit for members is \$1,607.



WPEPP has \$7.1 billion in actuarial value of assets and \$2 billion in unfunded actuarial accrued liability.⁵

The Economic Impact of Wyoming Pensions

\$483.7 million



in economic output generated by retirees' spending from public pensions in Wyoming.

3,358 jobs



paying \$144.7 million supported by retirees spending from public pensions in Wyoming.

\$82.3 million



in federal, state, and local tax revenues generated by retiree benefits and spending in Wyoming.⁶

¹ Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

² Allegretto, S. A. and Mishel, L. 2016. "The Teacher Pay Gap Is Wider than Ever." Washington, DC. Economic Policy Institute.

³ Oakley, D. and Kenneally, K. 2017, Pensions and Retirement Security 2017: A Roadmap for Policy Makers. Washington, DC. NIRS.

⁴ Boivie, I. 2017. "Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement."

⁵ All data, unless otherwise noted, as of fiscal year ended 2016.

⁶ Brown, J. 2016. "Pensionomics 2016: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.