



## WYOMING LEGISLATIVE SERVICE OFFICE

# Memorandum

**DATE** April 15, 2026

**TO** Members, Joint Appropriations Committee

**FROM** Polly Scott, Senior Fiscal Analyst

**SUBJECT** Interim Topic Priority #2, Wyoming Retirement System

This memorandum relates to the Joint Appropriations Committee (JAC) Interim Topic #2:

The JAC will undertake a comprehensive review of the Wyoming Retirement System (WRS), including an actuarial review on the funded status of each plan, historical COLA [cost of living adjustment] practices, and sustainable mechanisms for retiree benefit adjustments. The analysis will compare how peer states structure adjustments and consider options such as ad-hoc payments, investment-performance-based dividends, and funded-ratio triggers, with actuarial modeling to protect long-term sustainability. The Committee will receive testimony from stakeholders and retirees. The goal is to consider fiscally responsible statutory guardrails that enable periodic adjustments when the plan's financial health permits, without relying on General Fund dollars. This topic may result in draft legislation for the 2027 General Session.

**Summary:** Most retirees of Wyoming's public pensions received COLAs for eighteen years from 1991 through 2008. During that period, the statutory framework granted the WRS Board and its actuaries discretion in awarding COLAs. WRS's methodology used surplus funding for COLAs without maintaining a reserve to offset potential market downturns. Statutes established contribution rates, rather than actuarial requirements. Following the Great Recession of 2008, pension sustainability received heightened attention in Wyoming and nationwide. In response, the Legislature adopted pension reforms to protect the long-term sustainability of Wyoming's pension plans and strengthened statutory requirements governing COLAs. As a result, most retirees have not received COLAs in the eighteen-year period from 2009 to 2026. Inflation, as measured by the Wyoming Cost of Living Index (WCLI), has increased 67.5 percent since the WRS Board last awarded COLAs to most retirees.<sup>1</sup> Wyoming's current statutory requirements for COLAs are more stringent than most other states – requiring an actuarial opinion that the funded ratio will remain above 100 percent for the life of the increase.<sup>2</sup> The funding status of Wyoming's public pension plans is improving -- primarily due to liability controls implemented through pension reforms, increased contributions, and investment outperformance – but the funded ratio is not projected to reach 100 percent for about ten to twenty years for most plans. W.S. 9-3-454(a)(iii) sets forth required analysis for proposed benefit increases. As the JAC considers changes, an evaluation of the intergenerational equity of the pension reforms may be useful as well.

<sup>1</sup> Wyoming Cost of Living Index. <http://eadiv.state.wy.us/wcli/inflation.pdf> (Accessed March 31, 2026.) for the period 2Q2009 to 2Q2025.

<sup>2</sup> The actuarial funded ratio is the actuarial value of assets, specifically the market value of assets smoothed over five years, divided by the actuarial accrued liabilities (the present value of the pension benefits plan participants have earned to date).

**I. INTRODUCTION**

With statutory authorization, the Wyoming Retirement System (WRS) Board awarded COLAs to most retirees for eighteen years, between 1991 and 2008. In most cases, the COLAs were ongoing and compounded, meaning WRS calculated each increase on the base benefit plus all prior COLA adjustments. Table 1 provides specific awards by pension plan. Retirement plan trust funds supported the COLAs awarded. The previously awarded COLAs remain in effect and WRS pays them each month, albeit to a decreasing population of retirees. Except for retirees of Fire Plan A, employees who retired since July 1, 2006 have received no COLAs.

**Table 1. History of COLAs by Pension Plan, Sum of COLAs, Compounded Value of COLAs and Wyoming Cost of Living Index (WCLI).**

Year	Public Employee	<sup>(6)</sup> Vol Fire	Fire Plan A	Fire Plan B	Warden & Patrol	Judges	Law Enforcement	Guard Fire
1991	<sup>(1)</sup> 1.00%		<sup>(2)</sup>	<sup>(3)</sup> 4.00%				
1992	1.00%		<sup>(2)</sup>	4.00%				
1993	1.00%		<sup>(2)</sup>	3.75%				
1994	1.00%		<sup>(2)</sup>	3.33%	1.00%			
1995	1.00%		<sup>(2)</sup>	3.33%	1.00%			
1996	1.00%		<sup>(2)</sup>	4.00%	1.00%			
1997	1.50%		<sup>(2)</sup>	4.00%	1.00%			
1998	2.00%		<sup>(2)</sup>	2.80%	1.00%			
1999	2.50%		<sup>(2)</sup>	2.80%	1.50%			
2000	2.50%		<sup>(2)</sup>	2.80%	1.50%			
2001	3.00%	2.00%	<sup>(2)</sup>	4.30%	2.25%	3.00%		
2002	3.00%	2.00%	<sup>(2)</sup>	4.30%	2.25%	3.00%	2.00%	
2003	3.00%	2.00%	<sup>(2)</sup>	2.80%	2.25%	3.00%	2.00%	
2004	2.16%	2.00%	3.00%	2.90%	2.25%	3.00%	2.00%	
2005	1.40%	2.00%	3.00%	4.90%	2.00%	2.75%	2.00%	1.40%
2006	1.05%	2.00%	3.00%	4.50%	1.85%	2.58%	2.00%	1.05%
2007	1.00%	3.00%	3.00%	3.00%	1.38%	2.82%	2.00%	1.00%
2008	1.03%	3.00%	3.00%	3.00%	1.49%	2.79%	2.00%	1.03%
2009-2021	0.00%	0.00%	3.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2022- present	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Maximum COLA	3.00%	<sup>(5)</sup> 3.00%	<sup>(4)</sup> <sup>(7)</sup> 0.00%	3.00%	2.25%	3.00%	2.00%	2.00%
Sum of COLAs	30.14%	18.00%	54.00%	60.51%	23.72%	22.94%	14.00%	4.48%

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Year	Public Employee	<sup>(6)</sup> Vol Fire	Fire Plan A	Fire Plan B	Warden & Patrol	Judges	Law Enforcement	Guard Fire
Compounded Value of COLAs	34.77%	19.47%	70.24%	85.16%	26.51%	25.38%	14.87%	4.56%
*WCLI	96.20%	37.90%	67.40%	90.10%	76.10%	37.90%	34.60%	19.30%

Source: Wyoming Retirement System. Sum and Compounded Value calculated by Legislative Service Office.

\*Wyoming Cost of Living Index (WCLI) <http://eadiv.state.wy.us/wcli/inflation.pdf> (Accessed March 31, 2026.).

<sup>(1)</sup> Applied to retirees who retired on or after 7/1/89.

<sup>(2)</sup> Before 2004, COLA based on increases to fireman first class salary, by city.

<sup>(3)</sup> Fire Plan B retirees received a 4% un-compounded COLA from 7/1/81 through 1992.

<sup>(4)</sup> If market value of pension fund is greater than 115% of the actuarial value of liabilities, the board may increase the benefit by the amount affordable, but in no case greater than 5%.

<sup>(5)</sup> Maximum COLA for volunteer fire pension plan increased to 3% on July 1, 2007

<sup>(6)</sup> Volunteer fireman’s pension plan and the EMT plan were combined in 2015 with a new benefit schedule. Some existing retirees received a benefit increase by formula, although not a COLA per se.

<sup>(7)</sup> SF0039 removed the minimum 3% COLA from Fire A pension plan. Fire A benefits shall not be increased after April 1, 2022.

## II. WYOMING’S METHODOLOGIES FOR COLA AWARDS

**Initial COLA Methodology (1991):** In general, between 1986 and 1999, strong equity performance helped WRS meet or exceed actuarial expectations for investment return on average.<sup>3</sup> As such, WRS pension plans benefited from increasing funded ratios – a measure of liabilities and assets. In this environment, the Legislature established a one percent COLA provision in W.S. 9-3-419(b) effective July 1, 1991. Statute authorized a COLA for eligible individuals under the Wyoming Retirement Act who had been receiving a retirement benefit for at least two years.<sup>4</sup> Statute directed the WRS Board to make a comparison each July 1<sup>st</sup> of the WCLI and, if approved by the actuary, increase benefits for eligible retirees by the lesser of the WCLI or one percent.<sup>5</sup> The Legislature increased the maximum statutory COLA to 1.5 percent in 1997, 2.0 percent in 1998, 2.5 percent in 1999 and 3.0 percent in 2001.<sup>6</sup> Although not a COLA, the Legislature adopted an increase to the formula for employee benefits in the Public Employee Plan in 2001 adding to liabilities.<sup>7</sup>

Each year, the statute required the System’s actuary to provide a determination that the COLA award was “actuarially sound.” Statute did not define “actuarially sound.” In general, the actuary would determine the

<sup>3</sup> The annualized return for the S&P 500 was 18.501 percent between 1985 and 1999. <https://dqydj.com/sp-500-return-calculator/> (Accessed April 6, 2026.). In 1984, Wyoming voters approved a constitutional amendment authorizing the Legislature to permit WRS to invest in equities under conditions set by law. **1985 Wyoming Session Laws, Chapter 75** established the conditions for WRS to invest in equities. WRS averaged 11.2 percent investment return between 1986 and 1999, exceeding the assumed rate of return of either 7.5 percent or 8.0 percent during this timeframe. Buck Consultants, January 1, 2000 valuation report for the Public Employee Plan, page 14.

<sup>4</sup> The Wyoming Retirement Act includes the statutory provisions for the Public Employee Plan, Law Enforcement Plan, and Guard Fire Plan. The Law Enforcement Plan was a separate tier within the Public Employee Plan until July 1, 2002 and Air Guard firefighter retirement benefits went into effect on July 1, 2001. The Legislature authorized similar COLA awards for other pension plans in different pieces of legislation during this timeframe of 1991 – 2008 as reflected in Table 1.

<sup>5</sup> **1989 Wyoming Session Laws, Chapter 237.**

<sup>6</sup> **1997 Wyoming Session Laws, Chapter 52, 1998 Wyoming Session Laws, Chapter 72, 1999 Wyoming Session Laws, Chapter 76, and 2001 Wyoming Session Laws, Chapter 31.**

<sup>7</sup> **2001 Wyoming Session Laws, Chapter 31.** Effective July 1, 2001, this legislation increased the benefit multiplier from 2.0 percent of the highest average salary for all years of service to 2.125 percent for the first fifteen years and 2.25 percent for years in excess of fifteen. Tier 2 for new hires on or after September 1, 2012 returned the benefit multiplier to 2.0 percent for all years.

COLA actuarially sound if the cost could be absorbed within the existing contribution rate and actuarial assumptions. The Legislature fixed contribution rates in statute, rather than tying them to actuarially determined levels. The contribution rate for the Public Employee Plan remained 11.25 percent from 1978 through 2010.<sup>8</sup> The statutorily fixed contribution rate did not prefund the cost of COLAs through either a contribution-rate component or a separate lump-sum payment.

**Break-even COLA (2004):** The Legislature changed the statutory COLA provision in 2004.<sup>9</sup> WRS recognized that the three percent COLA in statute would not always be affordable. Because the law allowed only zero percent or three percent, it provided no flexibility. In response, the WRS Board sought legislative authority to grant an adjustable, or “break even,” COLA when the full three percent proved unaffordable based on the actuary’s determination of actuarial soundness. After the statutory change, the WRS Board applied the break-even COLA methodology from 2004 through 2008 and awarded declining COLAs during that period.

During this timeframe, the Legislature prompted two reviews. The Management Audit Committee released a program evaluation of the Public Employee Plan in 2007.<sup>10</sup> The Legislature adopted a requirement for the State Auditor’s Office (SAO) to contract for an independent review of WRS in 2008.<sup>11</sup> SAO contracted with Independent Fiduciary Services (IFS), which produced a report dated October 31, 2008. Both the LSO program evaluation and the IFS report raised concerns about the break-even COLA and the actuarial assumptions or methods used to quantify liabilities.

WRS’ current actuarial firm, Gabriel Roeder Smith and Company (GRS), highlighted Wyoming’s break-even COLA in a study. GRS described it as an ad hoc (not automatic) postemployment COLA determined each year by the actuary and Board:

Under the Break-Even COLA, the maximum COLA allowable each year is limited to an increase in benefits that the actuary determines to be actuarially sound (but not more than the lesser of 3% or the Wyoming Cost of Living Index). The maximum COLA is determined by taking the difference between the statutorily required contribution and the annually required contribution (ARC) and calculating a COLA that could be provided to current and future retirees in perpetuity.<sup>12</sup>

Further, GRS identified advantages and disadvantages of the ad hoc and break-even COLA methodologies as excerpted in Table 2. While Wyoming’s COLA was both ad hoc and break-even, the advantages and disadvantages align more with the break-even methodology.

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<sup>8</sup> **2010 Wyoming** Session Laws, Chapter 85 and WRS newsletter spring 2010.

<sup>9</sup> **2004 Wyoming** Session Laws, Chapter 55.

<sup>10</sup> **Wyoming Retirement System: Public Employee Plan, August 2007**, Management Audit Committee.

<sup>11</sup> **2008 Session Laws, Chapter 48, Section 314.**

<sup>12</sup> Gabriel Roeder Smith & Company, GRS Insight: Postemployment Cost-of-Living Adjustments: Concepts and Recent Trends, page 4, April 2011 by Paul Zorn, Mark Randall and Joe Newton.

<https://www.nasra.org/Files/Topical%20Reports/Cost-of-Living%20Adjustments/GRSCOLAbrief.pdf> (Accessed March 31, 2026.)

**Table 2. Advantages and Disadvantages of COLA Designs (excerpts).<sup>13</sup>**

Type of COLA	Key Feature	Advantages	Disadvantages
Ad Hoc	COLA is provided at the discretion of the sponsoring employer’s governing body (or the plan’s board)	*COLA is provided when judged affordable by the sponsoring entity	*COLA may be infrequent and not sufficient to protect retirees’ purchasing power *COLA may not be included in actuarially determined contributions and so not prefunded
Based on Break-Even Contributions	COLA is provided to the extent the Annual Required Contribution (including the COLA) does not exceed the current contribution policy (e.g., the statutorily required contributions)	*COLA is provided when judged affordable by the sponsoring entity *COLA is included in actuarially determined contributions and so is more likely to be funded	*COLA may be infrequent and not sufficient to protect retirees’ purchasing power *When given routinely, a Break-Even COLA may reduce plan surpluses that protect against future investment market downturns

Source: GRS.

The Great Recession of 2008 brought declines in the value of assets and declining funded ratios. The WRS actuary and Board determined break-even COLA awards were unaffordable, and in 2009 the WRS Board awarded zero percent COLAs.<sup>14</sup>

**COLA Suspension (2010) and Pension Reform (2012):** The Legislature placed a hold on COLAs between March 5, 2010 and June 30, 2012 through a footnote in the 2010 Budget Bill that also directed a JAC review of COLAs.<sup>15</sup> The dramatic market decline, or Great Recession of 2008, created a nationwide need for pension reforms in order to maintain the sustainability of public pension plans.<sup>16</sup> Most public pension plans recovered their pre-recession asset levels within six years, while continuing to pay benefits.<sup>17</sup>

Pension plans commonly included the reduction or elimination of COLAs in pension reforms. WRS’ current actuarial firm, GRS, stated in a 2012 report, “From January 2008 through June 2012, twenty-one (21) plans reduced or eliminated postretirement increases.”<sup>18</sup> Wyoming was among those plans. Legal challenges arose in some states.<sup>19</sup> In Wyoming, there were no legal challenges to these COLA awards or the subsequent lack of COLA awards.

With collaboration from WRS, the Legislature adopted pension reforms in 2012 affecting future employees, active employees and retirees. The reforms centered around the Public Employee Plan and included (1)

<sup>13</sup> Ibid. Excerpted from Table 1 on page 3.

<sup>14</sup> WRS Retirement Update, No COLAs for Most Retirees in 2009, Spring/Summer 2009, page 2. Note: At the time, W.S. 15-5-204(g) required members of the Paid Fire A Plan receive a 3.0 percent COLA. It was the only plan to receive a COLA after 2008.

<sup>15</sup> **2010 Session Laws Chapter 39 Section 072 Footnote 2.**

<sup>16</sup> “Since 2009, nearly every state has made meaningful changes to their pension plan benefit structures, financing arrangements, or both.” National Association of State Retirement Administrators, <https://www.nasra.org/pensionreform> (Accessed March 31, 2026.).

<sup>17</sup> National Institute for Retirement Security, Examining the Experiences of Public Pension Plans Since the Great Recession, October 2022. <https://www.nirsonline.org/research/greatrecession/> (Accessed April 6, 2026.)

<sup>18</sup> Gabriel, Roeder, Smith & Company, Wyoming COLA Study – Updated, July 23, 2012, page 1.

<sup>19</sup> Ibid.

increases to the contribution rate,<sup>20</sup> (2) the creation of a reduced tier of benefits, known as “Tier 2”, for new employees hired on or after July 1, 2012<sup>21</sup> and (3) the long-term suspension of new COLAs through the repeal of statutory COLA provisions for members of all plans.<sup>22</sup>

In addition to the reforms, the Legislature codified management requirements for the pension plans in 2012 Wyoming Session Laws, Chapter 107. This legislation repealed the WRS Board’s prior authority to implement COLAs (with the exception of the Fire A Plan) and, in summary:

- Recorded legislative findings indicating these plans were not intended and cannot support cost-of-living and other benefit increases;<sup>23</sup>
- Required the pension plans be managed to maintain a funded ratio at or above 100 percent with a margin for market fluctuations to be determined by the WRS Board;<sup>24</sup>
- Established that benefit changes including COLAs cannot be recommended (to the Legislature) unless there would be a 100 percent funded ratio after the COLA is awarded;<sup>25</sup>
- Established a decision matrix to guide future policy makers on plan benefit increases;<sup>26</sup> and
- Required the WRS Board have a mandatory education program for members emphasizing the need for supplemental savings for retirement, pension benefits should not be expected to provide all necessary retirement income, and no COLAS should be anticipated.<sup>27</sup>

For approximately the last fourteen years, 2012 to 2026, the funded ratios of the pension plans have not been sufficient to support a COLA award under the new requirements. Under current law, the actuary may not recommend a COLA unless they also project the funded ratio will remain above 100 percent for the duration of the COLA. Although two of the pension plans recently reached 100 percent funded ratio -- the Judicial Plan and Fire B Plan -- most are below that threshold.

### III. FUNDED STATUS

Although the funded ratio is a frequently used metric, it does not always show the complete financial picture of a pension plan.<sup>28</sup> However, in the case of WRS, the yearly funded ratios demonstrate relative stability or improvement in that metric and reflect regular attention to actuarial assumptions and contribution rates for most plans. WRS expects to release the annual valuation reports for January 1, 2026 in mid-May and has conveyed to LSO that all plans show stronger funding positions than last year.<sup>29</sup>

Largely due to the pension reform, a series of contribution increases and higher than forecast investment performance, the funded ratio for each WRS pension plan improved or remained stable since 2012. Since pension reform, the Legislature has been proactive with contribution rate adjustments, most of which

<sup>20</sup> The Legislature adopted a contribution increase for the Public Employee Plan increased from 11.25% to 14.12% starting September 2010 and five additional increases to the current 18.62%. The contribution rate will increase to 19.12 percent on July 1, 2026, under the Actuarial Determined Contribution (ADC) methodology.

<sup>21</sup> **2012 Wyoming Session Laws, Chapter 108, Wyoming Retirement Act.**

<sup>22</sup> **2012 Wyoming Session Laws, Chapter 107, Public employee retirement plans benefit increases.**

<sup>23</sup> W.S. 9-3-453.

<sup>24</sup> W.S. 9-3-454(a)(i).

<sup>25</sup> W.S. 9-3-454(a)(ii).

<sup>26</sup> W.S. 9-3-454(a)(iii).

<sup>27</sup> W.S. 9-3-405.

<sup>28</sup> The actuarial funded ratio is the actuarial value of assets, specifically the market value of assets smoothed over five years, divided by the actuarial accrued liabilities (the present value of the pension benefits plan participants have earned to date). The market funded ratio is the market value of assets divided by the actuarial accrued liabilities.

<sup>29</sup> Director David Swindell email to Polly Scott , March 27, 2026.

included a portion of the increased contribution directed toward the unfunded liability. More recently, the JAC sponsored successful legislation establishing an Actuarial Determined Contribution (ADC) methodology for the Public Employee Plan (the largest plan).<sup>30</sup> The ADC methodology will go into effect for the first time July 1, 2026 with a 0.25 percent increase to the employer contribution and a 0.25 percent increase to the employee contributions – the maximum allowed by statute. After this increase, WRS’ actuary estimated a remaining shortfall of 0.17%; however, under the ADC methodology, the contribution rate for the Public Employee Plan will adjust every two years to reach the level required for full funding over the amortization period, based on actuarial experience and assumptions. Additionally, the JAC sponsored and the Legislature adopted a series of increases to the Law Enforcement Plan contribution rate phased between July 1, 2024 and July 1, 2026; the increases will total 2.7 percent for the employer contribution and another 2.7 percent for the employee contribution.<sup>31</sup> At the time of the last JAC interim study (January 1, 2023), the State Highway Patrol, Game & Fish Warden and Criminal Investigator Retirement Fund “Warden Plan” had a contribution shortfall of 4.36 percent, which decreased to 1.78 percent as of January 1, 2025. The Legislature increased the contribution rate to 33.80 percent starting July 1, 2024.<sup>32</sup> The Guard Fire Plan is a small plan with 40 active members and 21 retirees. Although the funded ratio has declined, the small membership likely contributed to the fluctuation. The January 1, 2025 valuation reported a contribution rate surplus of 2.14 percent for the Guard Fire Plan. As of the January 1, 2025 valuation reports for the pension plans, there were two plans – the Judicial Plan and the Fire B Plan – that reflected more than 100 percent funding using both the actuarial value of assets and the market value of assets.

**Investment Performance:** For at least the last ten years, WRS’ investment performance has helped the funded ratios. Investment outperformance contributes to actuarial gains when calculating the actuarial value of assets used to determine the funded ratio; underperformance contributes to actuarial losses. Actuarial gains or losses are caused by differences between actual experience and the plan’s assumptions. WRS’ investment performance exceeded the actuarial assumption of 6.8 percent over a ten-year timeframe, specifically 14.01 percent over three years, 11.40 percent over five years and 9.96 percent over ten years.<sup>33</sup>

Table 3 shows a history of the actuarial funded ratio by plan since the pension reforms of 2012 to present and related metrics. Although the trend may appear stagnant in certain cases, revisions to actuarial assumptions -- including investment return, mortality, salary growth, payroll growth, etc. – may typically result in a decline in the funded ratio.<sup>34</sup>

**Table 3. Actuarial Funded Ratio by Plan 2013 – 2025; Current Contribution Rate and Portion for Unfunded Liability, Projected Years of Full Funding and Assumed Investment Rate of Return.**

	Public Employees	Law Enforcement	Warden, Patrol and DCI	Judicial	Fire Plan B	Guard Fire	*Volunteer Firefighter, EMT and Search & Rescue	Assumed Investment Rate of Return
1/1/2013	78.56%	92.33%	77.09%	103.69%	106.77%	91.70%	*	8.00%

<sup>30</sup> **Funded Status of Wyoming’s Public Pension Plans, June 22, 2023 and 2024 Wyoming Session Laws, Chapter 60, Public retirement -actuarially determined contributions.**

<sup>31</sup> **2024 Wyoming Session Laws, Chapter 96, Law enforcement retirement-contributions.**

<sup>32</sup> **2024 Wyoming Session Laws, Chapter 47.**

<sup>33</sup> WRS Investment Team Memorandum to the WRS Investment Committee, February 13, 2026.

<sup>34</sup> Since 2012, WRS updated its actuarial assumptions in 2014, 2018 and 2022. Maintaining current and rigorously evaluated assumptions is critical to reliably quantifying the liabilities of a pension plan. WRS also modified its amortization methodology to a thirty year closed, instead of a thirty year open, amortization period.

	Public Employees	Law Enforcement	Warden, Patrol and DCI	Judicial	Fire Plan B	Guard Fire	*Volunteer Firefighter, EMT and Search & Rescue	Assumed Investment Rate of Return
1/1/2014	77.62%	92.41%	77.44%	103.03%	99.11%	89.15%	*	7.75%
1/1/2015	78.96%	93.67%	79.18%	106.99%	100.15%	89.68%	*	7.75%
1/1/2016	78.21%	93.34%	78.16%	107.08%	98.85%	90.19%	74.40%	7.75%
1/1/2017	78.14%	94.01%	79.53%	109.46%	99.42%	87.21%	76.46%	7.75%
1/1/2018	76.28%	88.24%	77.91%	99.92%	95.92%	85.03%	74.40%	7.00%
1/1/2019	74.15%	85.57%	76.52%	97.66%	92.94%	85.55%	72.85%	7.00%
1/1/2020	73.16%	84.50%	75.86%	95.08%	93.81%	85.11%	72.47%	7.00%
1/1/2021	74.76%	85.91%	79.03%	97.56%	95.90%	86.26%	76.33%	7.00%
1/1/2022	77.04%	84.67%	81.33%	98.18%	97.06%	82.11%	81.30%	6.80%
1/1/2023	77.25%	84.27%	80.58%	99.12%	96.91%	82.41%	82.90%	6.80%
1/1/2024	78.52%	84.00%	80.43%	100.89%	99.16%	84.15%	93.06%	6.80%
1/1/2025	79.75%	84.39%	81.92%	101.24%	100.51%	83.92%	96.24%	6.80%
1/1/2025 Contribution Rate	18.62%	20.80%	33.80%	25.97%	27.25%	23.77%	\$18.75/\$37.50	n/a
1/1/2025 Portion of Contribution Rate for Unfunded Liability	7.84%	6.64%	10.22%	-0.20%	-0.24%	5.60%	\$256,933	n/a
Projected Year of Full Funding based on 1/1/2025 Valuation	2044	2046	2039	2025	2025	2035	2027	n/a

Source: Wyoming Retirement System Valuation Reports, Summary Reports and website. Projected Year of Full Funding from Gabriel Roeder Smith and Company, email from Paul Wood to Polly Scott, April 13, 2026.

\*Volunteer Plan in its current form was established July 1, 2015 and modified the prior plan. Contribution is \$18.75 per month for Fire and EMT members and \$37.50 per month for Search & Rescue members.

#### IV. OTHER STATES

States design their public pension plans to suit individual workforce recruitment and retention needs, preferences, and demographics. This has led to quite different pension plan designs from state to state, including COLAs. Although designed differently, most state and local government pension plans provide COLAs to give some inflation protection for retiree benefits.<sup>35</sup> The average COLA for public worker

<sup>35</sup> This point is supported by two sources: Equable, Public Pension COLAs in 2023, March 21, 2024, <https://equable.org/public-pension-colas/> (Accessed April 6, 2026.). National Association of State Retirement Administrators, NASRA Issue Brief, Cost-of-Living Adjustments, August 2025. Appendix A provides detail for 115 plans. <https://www.nasra.org/files/Issue%20Briefs/NASRACOLABrief.pdf> (Accessed March 31, 2026.).

retirees across 2023 was 2.02 percent, according to Equable.<sup>36</sup> Some public pensions have legal requirements to provide COLAs.<sup>37</sup>

The National Association of State Retirement Administrators (NASRA) identified the following COLA design features for public pension plans:<sup>38</sup>

- **Automatic vs. Ad Hoc** – The COLA is provided automatically if conditions are met vs. requiring a governing body to actively approve the increase.
- **Simple vs. Compound** – Simple COLA provides an increase only on the original benefit amount at retirement vs. having the increase apply to the original amount plus any prior increases.
- **Inflation-Based** – The COLA is based on some benchmark of inflation such as the Bureau of Labor Statistics Consumer Price Index (CPI) vs. a fixed percentage or dollar amount.
- **Performance-Based** – The COLA is conditioned on the plan meeting some preestablished level of actuarial funding or investment return target.
- **Delayed Onset or Minimum Age** – The eligibility for the COLA is delayed for a fixed period of time or attainment of a minimum age.
- **Limited Benefit Basis** – The COLA is applied to only a base portion of covered compensation, e.g., the first 50% of compensation or a flat dollar amount.
- **Self-Funded Annuity Option** – The COLA is based on the retiree taking a reduced annual benefit to purchase some form of COLA protection.
- **Reserve Account** – The retirement system funds the COLA through a separate reserve account established for that purpose, which determines the amount of any increase based on the funding level and/or performance of that fund.

The self-funded annuity option (self-funded COLA option) is Wyoming’s de facto COLA policy. With COLAs unlikely for decades, WRS introduced a self-funded COLA option in 2014. At retirement, members may elect a reduced monthly benefit in exchange for future COLAs of either 1 percent, 2 percent or 3 percent each July 1 following the second anniversary of retirement. The self-funded COLA provides a service for members, although members do not frequently use the option and it was not available for those already retired when COLAs were ceased.<sup>39</sup>

Wyoming’s requirements for COLAs are more stringent than most other states:

- Wyoming, along with South Dakota and Kentucky, are the only states that require at least 100 percent funding before COLAs can be considered.<sup>40</sup> More specifically, W.S. 9-3-545(a)(ii) requires an opinion from the actuary that the funded ratio will remain above 100 percent for the life of the benefit change.

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<sup>36</sup> Ibid. Equable.

<sup>37</sup> Ibid. NASRA.

<sup>38</sup> National Association of State Retirement Administrators, NASRA Issue Brief: Cost-of-Living Adjustments, June 2021.

<sup>39</sup> 2025 Valuation Report, page 36. Of the 1,225 new retirees in the Public Employee Plan in 2025, 47 elected a self-funded COLA.

<sup>40</sup> Pension & Investments, Kentucky pension COLA bill stalls in legislature as retirees face 15-year wait, Rob Kozloawski, March 23, 2026. <https://www.pionline.com/institutional-investors/pension-funds/pi-kentucky-funding-cola-retirees/> (Accessed April 1, 2026.)

- Wyoming is among eight state plans that currently have maintained an elimination or suspension of ad hoc COLAs.<sup>41</sup> Some states have awarded COLAs recently in response to higher inflation in recent years. According to NASRA, “Some states that do not provide an automatic COLA have responded to recent higher rates of inflation by granting an ad hoc COLA for most retirees. Prior to granting their most recent COLA, some of these states, which include Alabama, Georgia, New Hampshire, Oklahoma, Texas, and others, had not granted a COLA for several years, when inflation was lower.”<sup>42</sup>

## V. INTERGENERATIONAL EQUITY

Policymakers may benefit from considering intergenerational equity when developing sustainable mechanisms for COLAs. In this context, the term “intergenerational equity” references how pensions distribute risks, costs, and benefits between current and future taxpayers, employers and employees and retirees. Within WRS, pension reform affected several distinct subgroups differently including:

- Future public employees whose benefits and contribution requirements will be affected by the existing funding position;
- Employees in Public Employee Plan Tier 2 who have a lower benefit formula than Tier 1 employees but pay the same contribution rate;
- Employees in Public Employee Plan Tier 1 who have a higher benefit formula than Tier 2 employees but pay the same contribution rate;
- Retirees who left service on or after July 1, 2006 and have received no COLAs;
- Retirees who left service before July 1, 2006 and are still receiving COLAs awarded between 1991 and 2008;
- Current and future employers whose contribution requirements are affected by the existing funding position; and
- Current and future taxpayers.

Neither the Legislature nor WRS has evaluated the intergenerational equity of the pension reforms. Wyoming’s pension reform produced an intergenerational shift by eliminating funding for COLAs. The previous methodologies used surplus funding for COLAs, despite statute not providing for a contribution designed to support that expense.

Currently, only the Legislature can award COLAs by adopting new law. As plans eliminate unfunded liabilities, policymakers must decide how to reallocate those resources. Importantly, there is an interaction between W.S. 9-3-413.1 and W.S. 9-3-454 that affects these decisions:

- W.S. 9-3-413.1 established the ADC method for the Public Employee Plan. The contribution rate cannot be decreased until the plan has a funded ratio of at least 99 percent, and the rate cannot be less than the normal cost plus administrative expenses.<sup>43</sup> (In contrast, the remaining plans set contribution rates in statute, rather than using an ADC methodology.)

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<sup>41</sup> Iowa PERS, Kentucky County, Kentucky ERS, Michigan Public Schools, New Jersey PERS, New Jersey Police & Fire, New Jersey Teachers, and Wyoming Retirement System. Email from Alex Brown, NASRA to Polly Scott, April 1, 2026.

<sup>42</sup> National Association of State Retirement Administrators, NASRA Issue Brief, Cost-of-Living Adjustments, August 2025, page 5. <https://www.nasra.org/files/Issue%20Briefs/NASRACOLABrief.pdf> (Accessed March 31, 2026.)

<sup>43</sup> The normal cost of a pension plan quantifies the cost of a year of benefits earned as a percentage of salary.

- W.S. 9-3-454(a)(ii) established COLAs cannot be recommended to the Legislature without an actuarial opinion that the funded ratio is projected to remain above 100 percent over the life of the benefit change.

Based on WRS' January 1, 2025 projections, the Public Employee Plan is estimated to exceed a 99 percent funded ratio in approximately seventeen years.<sup>44</sup> Once this threshold is reached, the employer and employee contribution rate would be reduced by no more than a total of half a percent every two years until the rate equals the plan's normal cost plus administrative expenses. Given that the current portion of the contribution rate allocated to the unfunded actuarial accrued liability is nearly eight percent, it may take approximately sixteen years to fully ratchet down the contribution rate.

If the requirements of W.S. 9-3-454 were satisfied, the Legislature could potentially direct excess contributions toward funding future COLAs. However, current statute does not contemplate this type of reallocation. Accordingly, the Legislature would need to enact statutory changes to authorize the redirection of excess contributions for COLA purposes.

## VI. POLICY CONSIDERATIONS

If opportunities arise to redirect resources or award COLAs, policymakers will need to make decisions regarding the identified subgroups. In that context, the Reason Foundation identified nine best practices for public pension COLA benefit design.<sup>45</sup>

- **Best Practice #1 – Plan sponsors should create a formal COLA benefit policy that is an integral part of the overall retirement plan objectives.** This provides clarity for the retirees, sets expectations properly, and provides guardrails for future policymakers when faced with changing circumstances.
- **Best Practice #2 - The COLA benefit design should clearly identify 1) who is eligible for the COLA, 2) what benefit the COLA applies to, and 3) when it is payable.** This is necessary to force recognition of the reality that the plan cannot and should not provide unlimited inflation protection for all participants.
- **Best Practice #3 - The COLA amount should reflect an objective inflation benchmark.** This helps provide a more predictable amount of inflation protection and more equitable distribution of benefits for similarly situated retirees.
- **Best Practice #4 –The COLA Benefit amount should be consistent, predictable and clearly communicated to the retirees.** Retirees need to have a firm understanding of what COLA benefits will or will not be provided to set expectations and to allow them to manage their retirement assets and income more effectively.
- **Best Practice #5 - The COLA benefit amount should be limited.** This recognizes that inflation varies over time and that the COLA benefit design distinguishes between “normal” inflation and periods of high inflation that are more difficult to predict. Establishing limits or caps on the COLA benefit are needed to allow more sustainable funding approaches.
- **Best Practice #6 - COLA costs should be pre-funded as part of the overall normal cost of the retirement plan.** Pre-funding of COLA benefits is essential to ensure the consistent delivery of inflation protection to retirees and to avoid the creation of unfunded liabilities. It also avoids the creation of complicated and unpredictable COLA funding schemes, such as investment gain sharing or actuarial funding margin reserve allocations.

<sup>44</sup> Gabriel, Roeder, Smith & Company, January 1, 2025 Actuarial Projections for the Wyoming Retirement System, June 3, 2025.

<sup>45</sup> Reason Foundation, Best Practices for Cost-of-Living Adjustment (COLA) Designs in Public Pension Systems, Roderick B. Crane, August 2022. <https://reason.org/wp-content/uploads/best-practices-cost-of-living-adjustment-designs.pdf> (Accessed March 31, 2026.)

- **Best Practice #7 - COLA benefits should be subject to change for future accruals and new employees.** COLA benefits should be subject to adjustment for future accruals for current active employees and for new hires to create benefit design and funding flexibility under changing circumstances.
- **Best Practice #8 – Plan sponsors must stop making the same mistakes.** This recognizes that it is important to break the cycle of suboptimal COLA practices.
- **Best Practice #9 – New practices must refrain from trying to fix all past inflation** – Not all past inflation has to be fixed. This recognizes that there are limited public funding resources, and a prioritization among competing demands for the public treasury is necessary.

The WRS Plan Benefits Policy, attached as Appendix A, is inclusive of WRS’ COLA policy. WRS last updated it in 2016; the 2008 IFS Report recommends it be updated each year and provided to all members.<sup>46</sup> The policy does not directly address best practices. It expresses, among other things, a plan design goal to maintain a benefit plan structure which is “internally equitable and consistent with the goal of allowing Wyoming’s career public employees to maintain a reasonable standard of living *throughout the tenure of their retirement.*” (Emphasis added by LSO.)

The WRS policy also expresses the importance of preventing unfunded liabilities, acknowledges the statutory requirements around recommendations for benefit increases, and supports providing postretirement benefit enhancements from plan assets. It specifies an “eligibility criteria” for recommending COLAs, as summarized: a) the Actuarially Determined Contribution level being met, b) a projected surplus (amount not specified) for fifteen years following a COLA and c) whether the contribution level is covering the normal cost of benefits and amortizing any unfunded liability.

In consideration of postretirement benefit awards, current statute provides a decision matrix:

**W.S. 9-3-454(a)(iii)** Any analysis upon which a proposed benefit change is proposed shall include a decision matrix which shall include the following minimum elements:

- (A) Consideration of the current actuarial value in relation to current market value of assets;
- (B) A fully amortized cost over the full applicable term of the benefit increase;
- (C) Current and expected actuarial funded ratios with and without the increase;
- (D) A review of assumptions made in determining funded ratios and a review of anticipated funded ratios with differing investment return assumptions;
- (E) Recognition of potential effects of the increase on plan participants' working and retirement periods;
- (F) The potential isolation, by establishment of separate accounts, of the liability incurred as a result of the cost of living or other benefit increase;
- (G) The appropriate level of actuarial funding ratio above one hundred percent (100%) needed to buffer the plan from market fluctuations.

At the direction of the JAC, additional research could be provided if there are methodologies or states of particular interest.

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<sup>46</sup> Limited Scope Operational Review of the Wyoming Retirement System, October 31, 2008, Section I-D Recommendation 4-5, page 93.

**WRS GOVERNANCE POLICY**

**POLICY TYPE: OUTCOMES**

**POLICY TITLE: *MEMBER BENEFITS***

**Adopted February 19, 2010**

**Revised February 25, 2015**

**Revised May 26, 2016**

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The “outcomes” to be achieved through the benefits administered by WRS consist of:

**Plan Design**

1. To maintain a benefit plan structure which is internally equitable and consistent with the goal of allowing Wyoming’s career public employees to maintain a reasonable standard of living throughout the tenure of their retirement.
2. To encourage education regarding funding a successful retirement, including education on employer pensions, Social Security, the WRS Deferred Compensation Plan and personal savings. All members should be encouraged to participate in supplemental savings programs for retirement.
3. To be responsive to plan design changes and to the needs of employers, retirees, and active members. The Board will also be attentive to how plan design changes may impact the financial strength of that plan. Any benefit increases should be built into the funding mechanism of the plan or paid for in advance. Before any plan design changes are made, WRS should have the opportunity to thoroughly review and study proposed changes and make recommendations.
4. The Board recognizes increasing the employee contribution rate, as opposed to the employer rate, is not as strong a funding mechanism for either base benefits or COLAs, because members may elect to take refunds of their contributions.

**Preventing Unfunded Liabilities**

1. The WRS shall seek to provide for a fully funded system. The policy of WRS is to seek funding sufficient to offset any unfunded liability resulting from benefit increases not consistently funded through contributions or investment earnings.
2. Linking COLAs to adequate funding limits the growth of unfunded liabilities.
3. Review plan design and consider changes in benefits to address unfunded liabilities.

## Cost of Living Adjustments (COLA) Policy

1. The Board acknowledges that employees and retirees face an uncertain economic future due to the effects of inflation on their retirement income. In addition, employees and retirees must spend, save, and invest with a clear understanding that initial benefits will erode over time due to the effects of inflation and the employer sponsored defined benefit plan alone will not be sufficient to completely address the challenge of maintaining purchasing power into the member's retirement years.
2. The Board acknowledges only the legislature may approve benefit changes, including COLAs, and that no changes shall be recommended to the legislature by the Board unless the system's actuary provides an opinion that the actuarial funded ratio of the plan can reasonably be expected to remain at 100% plus an additional percentage the Board determines is reasonably necessary to withstand market fluctuations throughout the life of the benefit change.
3. The Board acknowledges that it is responsible for reviewing actuarial valuations, projection studies and other financial data and making recommendations to the legislature regarding benefit changes, including COLAs, for any of the plans administered by the Board provided statutory requirements are met. Pursuant to W.S. 9-3-454, the Board shall consider the following when analyzing potential benefit increases:
  - a. The relationship of the current actuarial value to current market value of assets;
  - b. The interest and principal payments toward the unfunded liability over the full applicable term of the benefit increase;
  - c. Current and expected actuarial funded ratios with and without the increase;
  - d. A review of assumptions made in determining funded ratios and a review of anticipated funded ratios with differing investment return assumptions and/or other assumptions deemed critical by the Board;
  - e. The appropriate level of actuarial funding ratio above 100% needed to buffer the plan from adverse experience;
  - f. Impact to the normal cost, accrued liability and the annual required contribution for the current year and for a projection period of the plan's amortization period;
  - g. Risk factors that could contribute to the funding status of the plan declining after any benefits have been changed.
4. The Board supports providing COLAs and other postretirement benefit enhancements from plan assets, in an amount not to exceed applicable statutory limitations and not more than that which would allow for the retention of the COLA Margin over the estimated life of the benefit change, provided system funding, contribution and margin requirements are met. The Board has adopted eligibility criteria for recommending a COLA in any plan administered by the Board:

- a. The Board will consider whether the plan's Actuarially Determined Contribution (ADC) level is currently being met and whether it is likely to continue to be met. If not, a COLA should not be granted.
  - b. In order for the Board to consider recommending a COLA for a particular plan, the plan must be projected to continue to be 100% funded, plus a margin for adverse experience (COLA Margin), for each of the next 15 years following implementation of the adjustment. (15 years is deemed to be the life of the COLA). The COLA Margin is the additional funded ratio (the ratio of the actuarial value of assets to the accrued liability) necessary to keep the plan's funded ratio above 100%. The COLA Margin for each separate plan shall be calculated annually.
  - c. The Board can consider whether the current contribution level is predicted to pay the plan's normal cost rate plus the amortization of the unfunded actuarial accrued liability (after the granting of the COLA) as a level percentage of pay over the number of years specified in the most recent actuarial valuation.
5. The Board supports the legislature providing ad hoc COLAs (which are not funded through the relative contribution rate of a particular plan) as individual appropriations allow. Any ad hoc COLA award funded by the legislature must be fully paid for and result in no increase in a particular plan's unfunded liability.

**Member Services:**

1. To ensure members receive high quality service, including accurate and timely information from WRS staff.
  - a. To enhance service to all members.
  - b. To provide training programs to address the needs of members of all ages.

**Communications:**

1. To provide members with access to information about benefits administered by WRS in a cost effective and timely manner.
2. To ensure that members receive appropriate and timely updates on plan changes.

**Administration:**

1. To ensure that benefit recipients receive their payments in timely manner.
2. To ensure the security and accuracy of member records.
3. To administer the various programs in as cost effective manner as feasible.