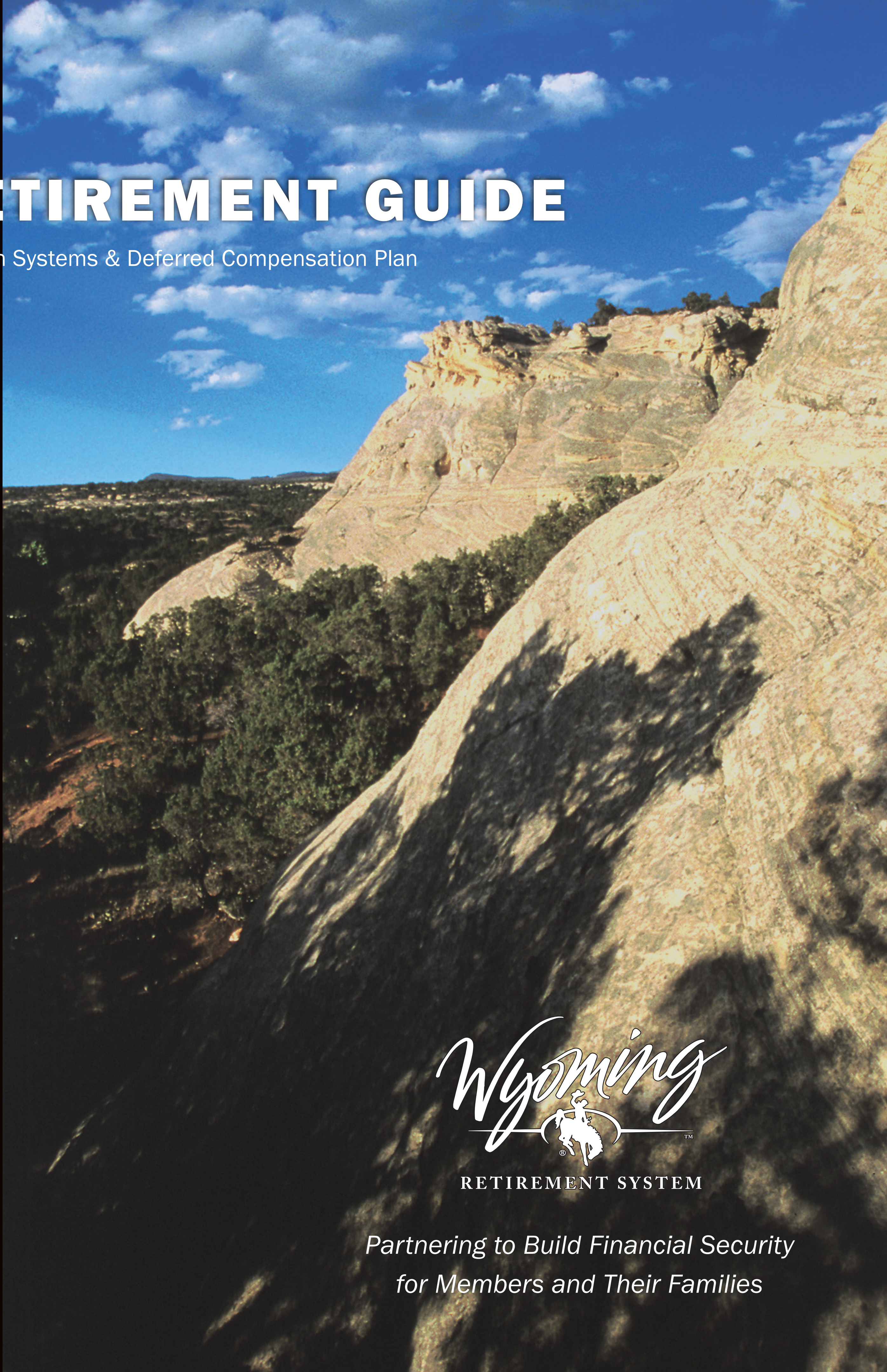
RETIREMENT GUIDE

Pension Systems & Deferred Compensation Plan



Wyoming

RETIREMENT SYSTEM

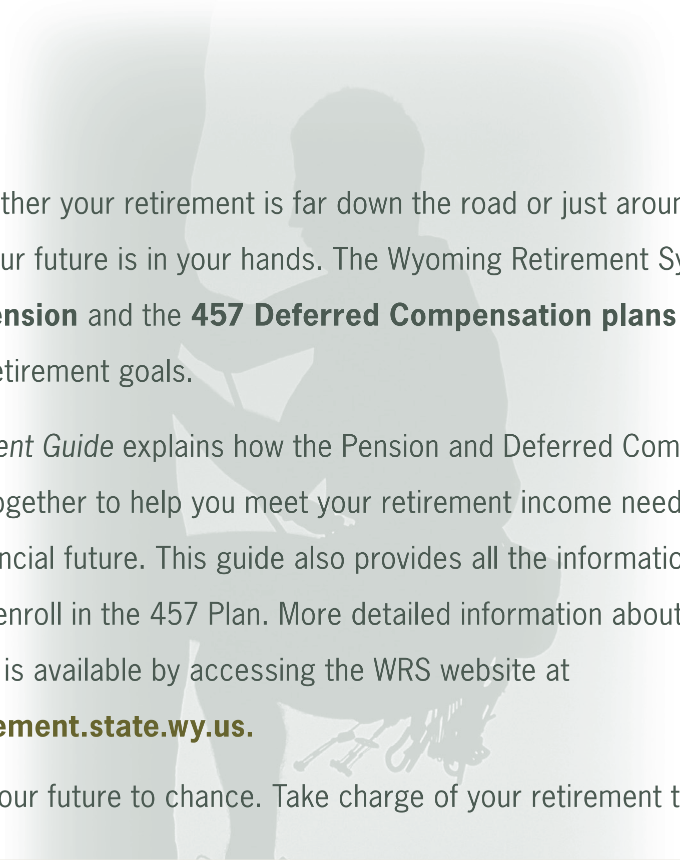
Partnering to Build Financial Security for Members and Their Families

TABLE OF CONTENTS

This guide is intended only to provide information about the main features of the Wyoming Retirement System Pension and 457 Plan. State statutes, administrative rules and the Deferred Compensation Plan Document will govern in the event of differences with this guide.

This guide is for information purposes only and should not be construed or taken as advice. You should consult the appropriate tax, legal or investment professional for specific advice.

Take Charge of Your Retirement



Whether your retirement is far down the road or just around the bend, your future is in your hands. The Wyoming Retirement System (WRS) offers the **Pension** and the **457 Deferred Compensation plans** to help you reach your retirement goals.

This *Retirement Guide* explains how the Pension and Deferred Compensation plans work together to help you meet your retirement income needs and build a secure financial future. This guide also provides all the information and forms you need to enroll in the 457 Plan. More detailed information about each WRS Pension Plan is available by accessing the WRS website at **http://retirement.state.wy.us.**

Don't leave your future to chance. Take charge of your retirement today.

CONTACTS

	Pension	Deferred Compensation Plan
Phone	(307) 777-7691	(307) 777-7691
Fax	(307) 777-5995	(307) 777-3621
Email	pension@wyo.gov	457pln@wyo.gov
Web Site	http://retirement.state.wy.us	http://www.wrsdcp.com

Visit us on Facebook at http://www.facebook.com/WYRetirement

The address for the plan administrator and service of process:

Ruth Ryerson, executive director
6101 Yellowstone Road, Suite 500
Cheyenne, WY 82002

Two Benefits – Working Together for Your Financial Security

Retirement means different things to different people: time to travel, an opportunity to spend more time with children and grandchildren, the chance to start a new career, or maybe time to just sit back, relax and enjoy the things you never had enough time for when you were working.

No matter what you hope to do in retirement — or how far away it is — now is the time to start planning, and the Wyoming Retirement System (WRS) is here to help.

WRS offers two types of retirement benefits, which work together to help you build a secure financial future:

- ***Pension —*** This benefit provides a monthly income for life. WRS administers several different Pension plans for different groups of public employees as outlined on page 8. Most public employees are members of the Public Employees Pension Plan and are in either Tier 1 or Tier 2.
- ***457 Deferred Compensation Plan*[1] —** This plan helps you build your own retirement nest egg while providing a tax advantage. In this guide, we refer to this plan as the "457 Plan." Your contributions to the 457 Plan are voluntary and do not affect your Pension benefit or your contributions to the Pension.

HOW YOU PARTICIPATE

Pension — Nearly all public employers in Wyoming may elect to offer their employees the Pension benefits administered by WRS.[2] If an employer participates in one or more of the WRS Pension plans, all eligible employees are required to join WRS.

457 Plan — All employees and elected or appointed officials of the state of Wyoming and any of its political subdivisions are eligible to participate in the 457 Plan if their employer offers the plan. However, contract employees of the state of Wyoming (AWECs) are not eligible at this time.

You can contribute to the 457 Plan either pre-tax or after-tax. The addition of an after-tax choice is technically known as Roth 457 contributions, and it became available for governmental 457 plans on Jan. 1, 2011 via the Small Business Jobs Act of 2010. We will refer to Roth 457 contributions as "after-tax" contributions. The choice of contributing either pre-tax or after-tax allows you to make the best of the tax advantages given by the IRS. In short, if you contribute pre-tax, you pay taxes when you withdraw the money. If you contribute after-tax dollars, withdrawals are tax-free if you meet certain conditions.

---

[1] The number "457" refers to the section of the Internal Revenue Code that authorizes this type of plan, and the terms "457" and "deferred compensation" can be used interchangeably.

[2] Federal employees are not eligible to participate in the WRS Pension plans.

Your employer-sponsored Pension(s), your personal investments (through the 457 Plan and other investments), and Social Security form what many financial planners call the "three-legged stool" of retirement income.

When Your Participation Begins	
Pension Plan	**If your employer participates, your participation is automatic and required.**
457 Plan	**If your employer participates, your participation is voluntary and you must complete an enrollment form. You are eligible to participate on your date of hire, but you can elect to participate at any time during your employment.**

WHO PAYS FOR YOUR RETIREMENT BENEFITS?

- Your ***Pension*** is funded by both you and your employer. Rules governing contribution rates and retirement eligibility are set by statute.
- You contribute to the ***457 Plan;*** your employer may also contribute. Your contributions may be deducted from your pay on a pre-tax or after-tax basis. Employer contributions must be pre-tax. Your contributions are always subject to Social Security taxes. For details on the advantages of pre-tax or after-tax investing, see pages 10 through 13.
- You and your employer both fund ***Social Security*** through payroll taxes. For more information about your Social Security benefits, visit the Social Security Administration's website at http://www.ssa.gov or call (800) 772-1213.

HOW THE PLANS WORK TOGETHER

If you are like most people, one of your goals in preparing for retirement is to build up your personal savings and investments so you have income to live on in the future. WRS provides the 457 Plan to help you supplement the retirement income you receive from the Pension and Social Security. How much income you have at retirement (from all sources) depends on a number of factors, including:

- Your age at retirement,
- Your salary over your years of participation in the Pension,
- The number of years of service you earn before retiring or leaving employment,
- The amount you save through the 457 Plan and other personal savings accounts, such as IRAs, and
- Your Social Security benefits.

To see how these factors determine your retirement benefits, take a look at John, a fictitious (but typical) public employee.

Through his employment with the state of Wyoming, John is a member of the Public Employee Pension Plan, Tier 1. He plans to continue working for the state until he retires at age 60. Assuming his pay increases 3 percent each year, his annual salary will be about $46,700 at retirement.

When he was hired at age 30, John enrolled in the 457 Plan and began contributing $96 a month. He increases his contributions by 3 percent each year, so at age 45 he is contributing $150 a month and by age 60 he will be contributing $233 a month. John's contributions earn an average return of 7 percent each year. When John retires at age 60, the Pension and 457 plans will provide the benefits shown in the following table.

JOHN

Age: 45

Service: 15 years

Current salary: $30,000

Projected salary increases: 3 percent a year

PLANNING TOOLS

WRS provides great tools to help you plan for retirement:

- **For a personalized estimate of your future Pension benefit, go to http://retirement.state.wy.us and select Pension Plans/Pension Plan Information from the left menu. Because the Pension plans are administered differently, there is a calculator for each of them.**
- **To estimate how much you need to invest in the 457 Plan each month to meet your retirement income goals, please complete the Retirement Goal Setting Worksheet on pages 17–18 of this guide.**

John's Retirement Benefits from WRS

	Pension Benefit	Deferred Compensation Plan Benefit
Lump sum value	N/A*	$160,097
Monthly benefit	$2,410**	$1,110***

* Based on his employee contribution to his pension of 7.5 percent of pay and a 5.5 percent interest rate, John's contribution balance is $171,552. He can take that balance as a lump sum instead of a monthly pension, but he would forfeit the employer contributions made on his behalf. It is important to note that the value of John's monthly benefit payments over his lifetime typically would be larger than the lump sum value of $171,552.

** Benefit payable for John's lifetime.

***Lump sum converted to a monthly benefit payable for 20 years. This calculation assumes the account earns an annual return of 6.25 percent over the 20-year period.

John's partnership with WRS provides total retirement benefits of over 90 percent of John's pre-retirement income — $3,520 a month, or $42,240 annually. More than half comes from the Public Employee Pension Plan, Tier 1, with the remainder coming from the 457 Plan.

Of course, this is only an example — every employee's situation is unique, and your benefit may be calculated differently depending on the plan or the tier, if applicable to you. WRS' new Retirement Administration & Investment Network (RAIN) has an online calculator you can use to get an estimate of your retirement benefits. The estimate, which can help you with planning, is not a final figure and may be different from your actual retirement benefit.

Coming fall/winter 2013

Wyoming Retirement System's
RAIN
Retirement Administration & Investment Network

Pension Benefits

Each of the pension plans offer several great retirement benefits:

- Once you qualify, you may receive monthly income when you retire, payable for life.
- In most cases, your pension benefit is based on your age, salary and years of service while participating in WRS. So, as your salary or years of service increases, so does your future benefit.
- Your benefit is not generally affected by investment gains or losses (unlike personal savings) — the WRS Board assumes the investment risk.
- If you die before you retire, the pension provides a lump sum or monthly payout to your beneficiary.

ELIGIBILITY AND PARTICIPATION

The following pages provide an overview of the pension plans. Although you do not have to take any action to participate in your employer's pension plan, this information may be helpful as you develop your personal path to retirement.

More detailed information is available on the website at http://retirement.state.wy.us.

Please note the following information applies specifically to the Public Employee Pension Plan, Tier 1 and Tier 2; however, the rules for the other pension plans administered by WRS are similar (see page 8).

Public Employee Pension Plan Tier 1 and Tier 2 benefits	
Tier 1	**For employees hired before Sept. 1, 2012** **Multiplier 2.125 percent for first 15 years and 2.25 percent for years above 15** **Highest Average Salary: Average of your highest 36 consecutive months** **Retirement eligibility age 60 or Rule of 85**
Tier 2	**For employees hired on or after Sept. 1, 2012** **Multiplier 2 percent for all years** **Highest Average Salary: Average of your highest 60 consecutive months** **Retirement eligibility age 65 or Rule of 85**

SERVICE CREDIT PURCHASE

A currently employed and vested member of WRS (except for members of the Volunteer Fire and Paid Fire Plan A plans) may make a one-time purchase of up to five years of service in the plan. If you make such a purchase, it will count as service years and could move you closer to being eligible for full retirement benefits with the Rule of 85. The purchase must be made in a lump sum, which may be made with after-tax dollars. You are allowed to transfer funds from other retirement savings vehicles, such as a 457 Plan, to make this purchase. For more information, contact a benefits specialist at pension@wyo.gov or (307) 777-7691.

VESTING

“Vesting” refers to your right to a monthly benefit at retirement age. You become vested in the Public Employee Pension Plan after you have 48 months of service.

If you are vested and your employment with an employer covered by WRS ends, your funds in the Pension may be:

- Left on deposit and paid to you in a monthly benefit at retirement age,
- Refunded, or
- Rolled over into another qualified retirement plan, such as a 457 plan or individual retirement account (IRA).

If you are *not* vested and your contributions plus interest total less than $1,000, you must take a refund of your account or roll over your account balance to another qualified plan.

FUNDING

Your employer and you fund your pension benefit. **Effective Sept. 1, 2013 members of the Public Employee Pension Plan will contribute 7.5 percent of total salary to the plan and employers will contribute an amount equal to 7.12 percent. On Sept. 1, 2014, the employers contributing will increase to 7.62 percent of total salary.** (“Total salary” is your salary before any pre-tax contributions, including contributions you make for medical coverage or to the flexible spending accounts or 457 Plan.) Employers may fund some or all of the cost of employee contributions to the plan. Most contributions are deducted from your pay on a pre-tax basis — you don’t pay federal or local taxes on your contributions, although they remain subject to Social Security taxes. Your contributions are credited with interest, and the benefit payable to you or your beneficiary will not be less than your contributions and interest.

CALCULATING YOUR BENEFIT — A PUBLIC EMPLOYEE PENSION PLAN EXAMPLE

The Public Employee Pension Plan bases your retirement benefit on your:

- Years of service,
- Highest average salary,[3, 4] and
- Age at retirement.

The “full retirement” pension benefit is based on the assumption that you meet the requirements of the Rule of 85 (see the box on page 7) or you retire at full retirement age or later. If you retire earlier, your pension benefit will be permanently reduced to account for the fact it must be paid out over a longer period of time. See page 7 for additional information.

The formulas for the benefit calculation for the Public Employee Pension, Tier 1 and Tier 2 follow.

“Full Retirement” Benefit Calculation Under the Public Employees Pension System, Tier 1

First 15 Years of Service		Service in Excess of 15 Years
2.125 percent Multiplier x Years of Service up to 15 Years x Highest Average Salary	+	2.25 percent Multiplier x Years of Service in Excess of 15 Years x Highest Average Salary

---

[3] The highest average salary under Tier 1 of the Public Employee Pension Plan is calculated by averaging the 36 highest continuous months of salary (three years).

[4] The highest average salary under Tier 2 of the Public Employee Pension Plan is calculated by averaging the 60 highest continuous months of salary (five years).

"Full Retirement" Benefit Calculation Under the Public Employees Pension System, Tier 2

2 percent Multiplier

x

Years of Service

x

Highest Average Salary

To get a simple estimate of your pension benefit, use these calculations or WRS' online calculators. Consider using your current salary for your highest average salary. Keep in mind future changes to your salary may affect your pension benefit.

HOW AND WHEN BENEFITS ARE PAID

Under the Public Employee Pension Plan, you can choose full or reduced retirement.

You are eligible for **full retirement** benefits when you:

- Reach age 60 under Tier 1 or 65 under Tier 2 and have completed 48 months of service, or
- Meet the requirements of the "Rule of 85," which means your age plus your years of service equal 85 or more. (See the box below.)

You are eligible for **reduced retirement** benefits when you:

- Reach age 50 under Tier 1 or 55 under Tier 2 and have completed 48 months of service, or
- Complete 25 years of service at any age.

If you take reduced retirement, your pension benefit is reduced by 5 percent for each year you are under full retirement age. This accounts for the fact you will likely receive your pension benefit for a longer period of time.

Under both full and reduced retirement, your benefits are paid monthly and may begin after your last day of employment. Because financial situations vary, the pension offers different distribution (payment) options.[5] When you select an option, you determine the manner in which your survivor will be paid upon your death. These distribution options are described on the website at http://retirement.state.wy.us.

Generally, you will not be denied any benefits accrued with WRS, however there are some circumstances (such as divorce) in which a benefit may be reduced. Contact WRS for specifics.

THE RULE OF 85

Under the Rule of 85, you are eligible for full retirement if your age plus your years of service equal 85 or more. The Rule of 85 is valuable because it enables you to receive an unreduced retirement benefit even if you retire before full retirement age. Once you reach age 60, the Rule of 85 no longer applies.

---

[5] These options vary according to the pension plan of which you are a member.

CHARACTERISTICS OF PENSION PLANS ADMINISTERED BY WRS

WRS administers pension plans for public employees. Key characteristics of each plan are listed in the table below.

Pension Plan	Contributions (as a % of salary)	Vesting Service	Eligibility for Full Retirement	Multiplier[6]
Public Employees Tier 1 (Contribution before Sept. 1, 2012)	**14.62% of salary (Sept. 1, 2013)** **15.12% of salary (Sept. 1, 2014)** Employee = 7.5% (Sept. 1, 2013) Employer = 7.12% (Sept. 1, 2013) 7.62% (Sept. 1, 2014)	**48 months**	■ **Age 60 with 4 yrs service, or** ■ **Upon meeting requirements of the "Rule of 85" (see page 7)**	**2.125% for first 15 yrs of service, *plus* 2.25% for remaining yrs**
Public Employees Tier 2 (Contribution on or after Sept. 1, 2012)	**14.62% of salary (Sept. 1, 2013)** **15.12% of salary (Sept. 1, 2014)** Employee = 7.5% (Sept. 1, 2013) Employer = 7.12% (Sept. 2013) 7.62% (Sept. 1, 2014)	**48 months**	■ **Age 65 with 4 yrs service, or** ■ **Upon meeting requirements of the "Rule of 85" (see page 7)**	**2% for all yrs of service**
Warden, Patrol, and DCI	**26.5% of salary (Sept. 1, 2013)** **27.4% of salary (Sept. 1, 2014)** Employee = 13.54% (Sept. 1, 2013) Employer = 12.96% (Sept. 1, 2013) 13.85% (Sept. 1, 2014)	**72 months**	■ **Age 50 with 6 yrs service**	**2.5% for all yrs of service** **75% *ceiling***
Law Enforcement	**17.20% of salary:** Employee = 8.60% Employer = 8.60%	**48 months**	■ **Age 60 with 4 yrs service, or** ■ **Any age with 20 yrs service**	**2.5% for all yrs of service** **75% *ceiling***
Judicial	**23.72% of salary:** Employee = 9.22% Employer = 14.5%	**48 months**	■ **Age 60 with at least 20 yrs service, or** ■ **Age 65 with 4 yrs service, or** ■ **Age 70 with continuous service**	**4% for first 5 yrs of service** **3% for 6 to 15 yrs** **2% for 16 to 20 yrs** **1% for 21 or more yrs**
Paid Fire A	**None**	**120 months**	**20th anniversary of date of employment**	**75% of Firemen 1st Class's salary for first 20 yrs; 1.5% of salary for 21 yrs or more**
Paid Fire B	**20.725% of salary:** Employee = 8.725% Employer = 12%	**48 months**	**Age 50 with 4 yrs service**	**2.8% for first 25 yrs of service** **70% *ceiling***
Volunteer Fire	**Volunteer contributes $12.50 per month**	**Upon retirement**	**Based on table of benefits**	**Based on table of benefits**
Volunteer EMT	**Volunteer contributes $12.50 per month**	**Upon retirement**	**Based on table of benefits**	**Based on table of benefits**
Air Guard Firefighter	**23.77% of salary:** Employee = 16.65% Employer = 7.12%	**48 months**	■ **Age 60 with 4 yrs service, or** ■ **Age 50 with 25 yrs service, or** ■ **At least age 55 & meeting requirements of "Rule of 75" (Age + Yrs of Service = 75)**	**2.5% for all yrs of service**

DEATH BENEFITS

If you die *before* you are vested in the Public Employee Pension Plan, your beneficiary receives a lump sum payment equal to two times the amount of your contributions plus interest. If you die *after* you are vested in the pension plan, your beneficiary can choose either a lump sum payment of two times your contributions plus interest or a monthly benefit based on his or her age.

For more information about the WRS pension plans, visit the website at http://retirement.state.wy.us or call (307) 777-7691 to ask for a handbook for the pension plan relevant to you.

---

[6] The multiplier is used in your Pension benefit calculation. See page 6 and the sample calculation on page 7.

Deferred Compensation Plan

In the remainder of this guide, you'll find an overview of the 457 Plan as well as information about investing. More detailed information is available at http://www.wrsdcp.com.

The Plan Document is available on WRS' website and is on file with the secretary of state. Modifications or changes to the Plan Document will be made available to the public. The statutory provisions for the 457 Plan can be found at W.S. 9-3-501 through W.S. 9-3-508.

The plan provides a convenient way for you to invest for your future. You can use the 457 Plan as the "personal investments" leg of the "three-legged stool" described on page 3.

Through the 457 Plan…

- You can invest money for your retirement by setting aside a portion of your pay each pay period *before* federal income taxes are withheld or invest after federal tax withholding.[7] However, all paycheck contributions are subject to Social Security taxes.
- Your paycheck contributions are invested according to your direction, and any potential taxable monies are not taxed until you take them out of the Plan.

ELIGIBILITY AND PARTICIPATION

If you are receiving wage compensation from a participating employer, you may enroll in the 457 Plan as soon as you begin work. The back pocket of this guide contains the forms to enroll. The forms can also be downloaded from the Plan website at http://www.wrsdcp.com. If you are a state employee, you can also enroll or change your paycheck contribution online. If you have questions, call (307) 777-7691 to speak with a retirement educator.

VESTING

"Vesting" refers to ownership of your account. You are always fully vested in your Deferred Compensation Plan account.

IS THE PLAN RIGHT FOR YOU?

For most employees, participating in the plan is a great way to invest for future retirement needs. The plan offers a convenient way to "pay yourself first" by taking contributions out of your paycheck before you're tempted to spend that money elsewhere. You decide if you want your contribution to be taken out of your paycheck before or after federal income tax withholding.[7]

However, if you are experiencing financial difficulties, have significant debt, or do not have enough emergency reserves, you may want to contribute only the minimum of $20 per month.

If you hire a tax adviser to help you with your annual tax filing, he or she may be able to help you determine if participating in the plan is right for you and whether pre-tax or after-tax contributions would be to your best advantage.

---

[7] Pre-tax contributions and growth are taxable upon distribution and after-tax contributions and growth are tax-free if it is a qualified distribution. A qualified distribution for after-tax accounts means the participant has severed from employment, and in addition, has held the account for at least five calendar years and is at least age 59½. If the participant has severed employment, but does not meet the other two requirements, distributions of investment earnings will be taxable and the contribution will be tax-free.

COST

You pay an annual administrative fee equal to 0.35 percent of the money you have in your account. This fee pays for recordkeeping and internal administration of the plan, and it is deducted from your account each quarter and reported on your statement. High-balance accounts (more than $182,000) receive a partial rebate of administrative fees.

In addition, each investment option offered under the plan has a set investment management fee (called a fund operating expense). This fee is not shown on your statement but is deducted from your investments before your returns are calculated. All fees are described in each fund prospectus and summarized in the *Investment Options At a Glance*, which you receive with your quarterly statement.

The 457 Plan is included in WRS' Comprehensive Annual Financial Report (CAFR), which is available on the website six months after the fiscal year, which ends Dec. 31.

PLAN CONTRIBUTIONS

When you enroll in the 457 Plan, you decide how much of your salary to contribute. You must contribute at least $20 per month, but you can contribute any dollar amount up to the IRS annual plan contribution limit. You also decide whether to contribute to the 457 Plan pre-tax or after-tax, or a combination of both.[8] In 2013, the IRS set the limit to $17,500 for participants under age 50, and $23,000 for participants who will be age 50 or older as of Dec. 31, 2013. In future years, the IRS may adjust annual contribution limits for inflation.

You may increase, decrease, stop or restart your contributions at any time. However, the Plan must receive your change request the month *before* the month you want the change to take effect.

The 457 Plan is different from a regular savings account. While you can stop contributing any time, you can only withdraw funds if you end employment or are approved for an unforeseeable financial emergency as defined by the IRS (see page 15). In the event of your death, your beneficiary(ies) are eligible to withdraw the funds.

---

[8] Pre-tax and after-tax contributions are treated differently in terms of taxes when you take a distribution. After-tax contributions allowed as of Jan. 1, 2012.

Comparison of Pre-Tax and After-Tax Contributions		**Pre-Tax Contributions**	**After-Tax Contributions**
 ***Maria earns $2,500 a month and is in a 28 percent tax bracket. She is considering contributing $150 of her pay to the 457 Plan pre-tax or $108 after-tax. Either contribution will result in the same spendable income for Maria.*** ***Because distributions of pre-tax and after-tax contributions are taxed differently, Maria's decision about whether to invest pre-tax or after-tax may depend on what her tax bracket is now and what she expects it to be at retirement. It may also depend on whether she thinks taxes will go up or down over time. WRS cannot provide tax advice, so this is something you may want to discuss with your tax advisor.***	**Maria's monthly adjusted gross income**	**$ 2,500**	**$ 2,500**
	Contributions to 457 Plan	**– $150**	**– $108**
	Taxable income	**$2,350**	**$2,500**
	Taxes (assumes 28 percent rate)	**– $658**	**– $700**
	"Spendable" income	**$ 1,692**	**$ 1,692**

THE PRE-TAX OR AFTER-TAX CHOICE

You can elect to contribute to the 457 Plan pre-tax or after-tax. This choice provides tax diversification and is an additional advantage to enrolling in the 457 Plan. If you elect to contribute to the Plan pre-tax, payroll deductions taken each pay period will be taken before federal income taxes are calculated. Your actual reduction in take-home pay is less than your contribution. For example, if you make $2,500 a month, are in the 28 percent tax bracket, and contribute $150 a month to the plan, your contribution reduces your take-home pay by $108.

If you elect to contribute after-tax, federal income taxes are calculated before payroll deductions are taken each pay period. In other words, your contribution amount does not reduce the federal income taxes withheld from your pay.

Distributions for pre-tax and after-tax amounts are treated differently for tax purposes. Pre-tax contributions and growth are not taxed, but upon distribution are subject to ordinary income taxes. After-tax contributions and growth with qualified distributions are tax-free. A qualified distribution for after-tax accounts means the participant has severed from employment and in addition, has held the account for at least five calendar years and is at least age 59½. If the participant has severed employment, but does not meet the other two requirements, distributions of investment earnings will be taxable and the contribution will be tax-free.

Although similar in some ways, after-tax contributions to the 457 Plan are not subject to the same IRS rules as Roth IRAs. With after-tax contributions to the 457 Plan, you can take advantage of the full contribution limit of $17,500 if you are under age 50 or $23,000 if you are 50 or over in 2013 and there is no income limit. The contribution limit for Roth IRAs is lower ($5,500 if you are under 50 and $6,500 if your are over 50 as of 2013). Additionally, there are income limits for Roth IRAs. As of 2013, you cannot contribute to a Roth IRA if your income is $125,000 or more and you are single or if your income is $183,000 or more and you are married.

If your employer contributes to the 457 Plan, these contributions must always be pre-tax and will be taxed upon distribution. Should you have a severance of employment, you have the option of leaving your money in the Plan until distributions are required at age 70 ½, taking distribution or rolling your money over to an eligible plan.

IMPORTANT CONSIDERATIONS AND RESTRICTIONS

You can defer lump sum payouts for sick and vacation leave into the plan, although the IRS annual plan contribution limit still applies. Because procedures for final payouts vary from employer to employer, please check with your payroll specialist at least two months in advance.

THE ADVANTAGES OF REGULAR INVESTING AND DOLLAR COST AVERAGING

Investing regularly through automatic payroll deduction offers the added benefit of enabling you to purchase investments in many different market cycles — a concept often referred to as "dollar cost averaging." It is possible to achieve a better long-term investment return in a generally rising market than you might achieve if you try to "time" the market and invest less frequently. That's because dollar cost averaging takes the "guesswork" out of investing and, in some cases, your average purchase price may be lower than your average share price over the same period of time.

Some restrictions may affect contributions to your account…

- The dollar amount you contribute in a calendar year cannot exceed the maximum contribution allowed by the IRS. As of 2013, the IRS annual plan contribution limit is $17,500. In future years, the IRS may increase annual plan limits for inflation. If you are age 50 or older, you can make additional "catch-up" contributions.
- You may only contribute to the plan through payroll deduction.
- If you are no longer employed by a participating employer, you cannot make additional contributions to your 457 Plan account. However, you may leave your money in the plan until April 1 of the year following the year you reach age 70½ (the age IRS rules state you must begin taking required minimum distributions). You also may be able to consolidate other retirement accounts into the plan after your employment ends. See Rollover Contributions and Transfers on page 13 for details.

EMPLOYER MATCHING CONTRIBUTIONS

At this time, executive, legislative and judicial branch employees of the state of Wyoming receive a monthly matching contribution of $20. You must be contributing to receive the matching contribution. WRS encourages anyone eligible for a match to contribute at least the minimum amount required to take advantage of this employer benefit. Many local government employers also offer a matching contribution for the benefit of their employees. Check with your employer for the latest information regarding a match. Employer contributions count toward the IRS annual plan contribution limit.

Matching contributions are not subject to income taxes at the time they are contributed, but are subject to Social Security taxes.

CATCH-UP CONTRIBUTIONS

The IRS has two provisions which allow people closer to retirement to "catch up" on retirement contributions. These are known as ***Age 50+ Catch-Up*** and ***Regular Catch-Up Contributions***. Age 50+ Catch-Up and Regular Catch-Up Contributions cannot both be used in the same calendar year.

- ***Age 50+ Catch-Up Contributions —*** If you are or will be at least 50 years old by the end of the calendar year, you may make a catch-up contribution for that calendar year. As of 2013, the maximum Age 50+ Catch-Up Contribution is $5,500, so the maximum plan contribution for anyone age 50 or older is $23,000. In future years, the IRS may increase the annual catch-up contribution for inflation.
- ***Regular Catch-Up Contributions —*** Regular Catch-up allows you to contribute up to twice the normal annual maximum contribution for a three-year period before retirement. If you are within four years of being eligible for full pension benefits, you may apply to use the regular catch-up provision. (For example, if you would qualify for full pension benefits at age 60, the soonest you could use Regular Catch-Up Contributions is age 57, 58 and 59. If you would qualify for full pension benefits at age 65, the soonest you could use Regular Catch-Up Contributions is age 62, 63 and 64. Regular Catch-Up cannot be used in the year you retire.) You may make a Regular Catch-Up Contribution equal to one of the following, whichever is less:
    - ◆ Twice the normal annual contribution amount, or
    - ◆ The amount in prior years by which you contributed less than the annual contribution limit.

Depending on the amount you contributed in prior years, the law as of 2013 allows you to contribute up to $35,000 per year. To determine your eligibility and personal limit, please contact WRS at (307) 777-7691.

ROLLOVER CONTRIBUTIONS AND TRANSFERS

If you made either pre-tax or after-tax contributions to a 401(k) plan, 403(b) plan or qualified 401(a) plan you may roll this money into the 457 Plan. Money contributed pre-tax to a traditional IRA may be directly rolled into the WRS 457 Plan. Money in a Roth IRA may not be rolled into the WRS 457 Plan.

For distributions on rollover funds to be properly taxed, our program recordkeeper separately tracks those balances. You may take distributions from rollover accounts while in-service.

If you have money in another 457 plan, you may transfer money to the WRS 457 Plan. However, in-service distributions from transfer accounts are not allowed.

If you are no longer employed by a participating employer, you may transfer or roll over your account balance in this plan to another retirement account willing to accept it. If you are considering a rollover or transfer, the WRS Rollover Comparison Checklist may help you make that decision. You'll find the checklist on the website at http://www.wrsdcp.com.

IN-PLAN ROTH CONVERSION

If you are eligible for distribution, you may elect to have any portion of your pre-tax qualified rollover balance converted to your designated 457 Roth Account Balance. Any conversion of pre-tax contribution balances to an In-Plan Roth Account balance will result in reportable taxable income of the converted pre-tax balance amount.

In-Plan Roth Rollover conversions while still employed by a participating employer may become available at a later date. Contact the Plan for current information.

HOW YOUR CONTRIBUTIONS ARE INVESTED

You choose how your 457 Plan contributions are invested. WRS developed a "menu" of investments to enable you to create an investment strategy right for you. Some funds, such as the stock funds, have the potential for higher returns but also have higher potential risk. Other funds, such as the cash equivalent funds and bond funds, offer lower potential returns but with less risk.

WRS provides significant oversight of the investments offered under the 457 Plan, but *it cannot guarantee the performance of any fund*. WRS rigorously evaluates each fund offered under the plan and may replace a fund if it is not performing up to established benchmarks. However, you assume the investment risk for the money you have in the 457 Plan. Because you control the investment of your 457 Plan account, neither your employer, WRS, nor any other party is liable for the results of your investment decisions.

Earnings from your 457 Plan investments are not taxed while they remain in the plan. Whether you have contributed pre-tax or after-tax will determine if you pay taxes when you withdraw funds from the Plan.

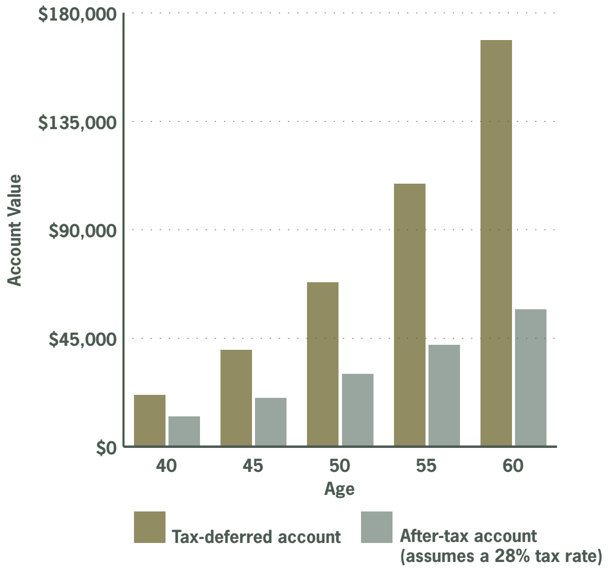
Each calendar quarter, you will receive a statement summarizing your account balance, including investment results. Your statement will include a summary of performance results, called *Investment Options At a Glance*, for the investments offered under the plan. In addition, you can visit our website for the prospectus or a fact sheet on all funds.

PRE-TAX COMPARED TO AFTER-TAX 457 PLAN CONTRIBUTIONS

You elect to contribute to the 457 Plan pre-tax, after-tax or a combination of both. The earnings on pre-tax 457 Plan investments are automatically reinvested and grow on a tax-deferred basis until distribution, at which time ordinary income taxes apply. After-tax investments are made after taxes are paid, but earnings are generally tax-free at distribution if it is a qualified distribution.[9]

The graph below generally illustrates the difference between pre-tax and after-tax contributions. As before, let's look at John, who is age 30, as he considers this decision:

- Begin contributing $96 per month pre-tax or $69.12 after-tax,
- Increase contributions by 3 percent each year until he retires at age 60, and
- Assume an average annual return of 7 percent on his investments.



NOTE: The actual rate of return on investments can vary widely over time, especially for long-term investments. There is a potential for loss of principal on your investment.

The chart demonstrates the account balance John would have with pre-tax or after-tax contributions. However, it is important to realize pre-tax contributions and after-tax contributions are taxed differently when you take your money out.

HOW AND WHEN YOU MAY TAKE DISTRIBUTIONS

As stated before, the 457 Plan is not a savings account. In return for the advantages of the plan, the IRS puts certain restrictions on plan assets. For example, it requires a qualifying event before you can take out your money. Qualifying events include:

- End of employment,[9]
- Unforeseeable financial emergency (as defined by IRS regulations),
- Military Deployment of 30 days or more, or
- Death.

IF YOU END EMPLOYMENT

If you retire or permanently separate from a participating employer, you have three options:

- Leave your money in the plan,
- Take distributions from your account, or
- Roll over your account balance to a 401(a), 401(k), 403(b), or 457(b) plan, a traditional IRA, or a Roth IRA.

Please note you are not required to take distributions until April 1 of the year following the year in which you reach age 70½. If you choose to delay distributions, your money remains in the plan, you continue to manage the investment of your account, and your money remains invested.

---

[9] A qualified distribution for after-tax accounts means the participant has severed from employment and in addition, has held the account for at least five calendar years and is at least age 59½. If the participant has severed employment, but does not meet the other two requirements, distributions of investment earnings will be taxable and the contribution will be tax-free.

DISTRIBUTIONS OF AFTER-TAX AMOUNTS

While you are eligible, upon severance of employment to take distribution of after-tax balances, investment earnings would be taxed unless you have participated in after-tax contributions for at least five calendar years and are at least age 59½. The amount you contributed after-tax is always tax-free.

IF YOU EXPERIENCE AN UNFORESEEABLE EMERGENCY

You may be able to take a withdrawal from the plan while you are working if you experience an emergency due to extraordinary and unforeseeable circumstances resulting from events beyond your control. The IRS specifies the types of events considered an unforeseeable emergency. **An unforeseeable emergency is defined in the Internal Revenue Code as a "severe financial hardship resulting from illness, disability, or accidental property loss." Examples include imminent foreclosure on or eviction from your primary residence or the need to pay uninsured medical expenses. However, distributions cannot be made if the emergency may be relieved through other means, such as insurance or the liquidation of other assets.**

Unforeseeable emergencies do ***not*** include circumstances that could be planned for, such as repayment of debt, payment for education, purchase of a home or automobile, or payment of taxes. Unforeseeable emergency distributions must be approved by the WRS Unforeseeable Emergency Committee and meet IRS regulations. For more information, or to apply for a distribution under the unforeseeable emergency provision, contact WRS.

IF YOU DIE

If you die, your designated beneficiary(ies) will be able to control your account and take distributions. The distribution option your beneficiary(ies) will have depends on whether you were taking distributions at the time of your death and the relationship of your beneficiary(ies) to you. More detailed information is available in the Plan Document or by contacting a retirement educator.

DISTRIBUTION OPTIONS

Once you qualify to take money out of your account, you have a great deal of flexibility. You can set up recurring periodic payments or request a distribution only when you want one. You initiate distributions by completing a distribution form. Allow a maximum of 30 days from receipt of your completed distribution form for processing of any distribution type, providing the Plan has received all contributions.

Retired or permanently disabled public safety officers have the option of excluding up to $3,000 from gross income, if direct payment of premiums to a qualified insurer is elected as the distribution option.

TAXES ON DISTRIBUTIONS

Withdrawals on pre-tax contributions are taxable as ordinary income at the tax rate in effect during the years you or your beneficiary(ies) receive distributions.

Withdrawals of after-tax contributions are not taxable distributions if you have contributed after-tax for a period of at least five calendar years and are at least age 59½. If you are eligible for distribution and do not meet these requirements, earnings on the distribution will be reported as taxable income.

Considering Your Retirement Needs

The best investment strategy is one based on your own individual needs and objectives. Whatever your retirement goals are, though, you need to plan how you'll achieve them. To do so, you should consider these factors:

- ***How much money will I need for a comfortable retirement?***
- ***How do I want to build an investment strategy: Pre-Mixed or Mix-Your-Own funds?***
- ***What are my investment risk and time horizon?***

HOW MUCH WILL I NEED?

Generally, financial experts estimate most people will need at least 70 to 90 percent of their pre-retirement income to maintain the lifestyle they had before they stopped working. However, because each individual has unique needs, you should consider your own personal retirement goals. The American Savings Education Council says you may want to plan to replace 100 percent or more of your pre-retirement income if you have not reached your prime earning years, want an enhanced retirement lifestyle, or expect high medical expenses in retirement.

Depending on your retirement lifestyle and spending patterns, you may need more or less money than the experts estimate. And, don't forget to account for expenses that may change when you retire. For example, your mortgage may finally be paid off, but you may have to pay more for health insurance once you quit working. Or, you may decide to move to a location where the cost of living is lower or higher than it is where you lived during your working years.

To develop a retirement strategy, you should consider all your sources of retirement income, including your WRS pension benefit, Social Security benefits, and your own personal savings and investments. This will help you determine what role your investments in the 457 Plan need to fill in helping you achieve financial security during retirement.

The worksheet on the following pages is designed to help you estimate how much retirement income Social Security and your employer-sponsored pension benefit(s) will provide, and how much you need to provide through the 457 Plan and other investments.

WHAT DOES IT TAKE?

Strive to have 100 percent of your pre-retirement income to ensure you live comfortably in retirement. Your pension and Social Security benefit most likely won't be enough. You may also want to consider as part of your retirement strategy your own personal savings and investments to help you weather inflation, offset medical expenses or have an enhanced lifestyle in retirement.

WHERE WILL I RETIRE?

"Location" is an important consideration when determining how much you need in retirement. The cost of living where you currently reside may be lower or higher than it will be if you retire to a resort or golf course community.

RETIREMENT GOAL-SETTING WORKSHEET

Step 1: How much retirement income will you need?

	You	Example
A. What is your current annual income before taxes?		$30,000
B. What percentage of your current income will you need during retirement? Many financial advisers suggest you will need at least 70% to 90% of your current income, depending on family medical history, how active you plan to be during retirement, etc. You may want to replace 100% or more if you are young or have not reached your prime earning years as this worksheet is based only on current salary.		90%
C. Multiply row A by row B. Example: $30,000 x .90 = $27,000		$27,000

Step 2: How much retirement income could Social Security provide?

	You	Example
D. Many financial advisers say Social Security may replace only 20% to 40% of your current income. The Social Security Administration provides the following guidelines: ** Based on a birth date of 9/3/1959. Source: Social Security Administration benefit calculator, Feb. 2011.* For a more accurate estimate, call the Social Security Administration at 1-800-772-1213 or visit http://www.ssa.gov. As you know, Social Security may undergo changes in the future. It is up to you to decide how much you want to rely on it when considering how much income you may need during retirement.		30%

Current Annual Income	Percentage Social Security may replace at age 62*
$20,000	34%
$50,000	27%
$70,000	21%
$100,000	17%

	You	Example
E. Multiply row A by row D. Example: $30,000 x .30 = $9,000		$9,000

Step 3: How much retirement income could your employer(s) provide?

	You	Example
F. Many pension plans base benefits on a person's age, years of service, and final average pay. Typically, the longer your service record and the more you earn, the higher your pension benefit will be. WRS Pension Plan members can obtain a pension benefit estimate online at http://retirement.state.wy.us. Enter the percentage of your current income that your pension benefit will replace here.		30%
G. Multiply row A by row F. Example: $30,000 x .30 = $9,000		$9,000

Step 4: How much retirement income do you need to provide?

	You	Example
H. Do you have a retirement income gap? Begin with the amount in row C and subtract the amounts in rows E and G. Example: $27,000 – $9,000 – $9,000 = $9,000. If the result of this calculation is a positive number (as shown in the example), this is the annual amount your personal investments must provide. Continue to row I on the next page to estimate the size your personal nest egg must be to make up this gap. If the result of the calculation is a negative number, your estimated Social Security and pension benefits will meet or perhaps even exceed your estimated retirement income needs. You are finished with this worksheet.		$9,000

	You	Example
I. Estimate the size your personal nest egg must be in today's dollars to fill your retirement income gap. The more years you will be retired, the more money you'll need to provide. Multiply row H by the appropriate factor shown below. **Example: $9,000 x 22.8 = $205,200.**		$205,200

Number of Years You Expect To Be Retired	Multiplication Factor
20	16.7
25	19.9
30	22.8

Note: These factors assume your money will grow at a tax-deferred rate of 5% during retirement, and inflation will be 3%. At the end of those years, your balance is $0.

J. Estimate the size your personal nest egg must be after you account for inflation. Inflation decreases spending power. To ensure your nest egg has the same spending power it would have today, it must be converted into "future" dollars. ***The amount in this box is how much you must provide through your personal savings and investments, such as the Deferred Compensation Plan.*** Multiply row I by the appropriate factor shown in the table to the right. **Example: $205,200 x 1.8 = $369,360.**

Number of Years Until You Retire	Multiplication Factor
5	1.2
10	1.3
15	1.6
20	1.8
25	2.1
30	2.4

Note: These factors assume a 3% inflation rate.

Example: $369,360

Step 5: How much do you need to contribute each month to reach the personal nest egg in Row J?

K. First, enter the value of your current retirement savings and investments. Example: $20,000

L. Estimate the potential value of your current retirement savings and investments at retirement. First, assume a rate of return (5%, 7%, or 10%) your investments might earn between today and the day you retire. Multiply row K by the appropriate factor in the table to the right. **Example: $20,000 x 3.9 = $78,000**

Number of Years Until You Retire	5%	7%	10%
5	1.3	1.4	1.6
10	1.6	2.0	2.6
15	2.1	2.8	4.2
20	2.7	3.9	6.7
25	3.4	5.4	10.8
30	4.3	7.6	17.4

Example: $78,000

M. Subtract row L from row J **Example: $369,360 - $78,000 = $291,360** Example: $291,360

N. Estimate the amount you must contribute each month to reach the remaining nest egg goal in Row M. Divide Row M by the appropriate factor in the table below. **Example: $291,360 ÷ 510.4 = $570.85** Example: $570.85

Number of Years Until You Retire:		5	10	15	20	25	30
Assume a rate of return (5%, 7%, or 10%) your investments might earn between today and the day you retire.	5%	68.1	155.0	265.9	407.5	588.1	818.7
	7%	71.6	172.0	312.9	510.4	787.5	1,176.1
	10%	77.2	201.5	401.6	724	1,243.2	2,079.3

The Goal Setting Worksheet is intended for estimating purposes only and should not be construed as advice.

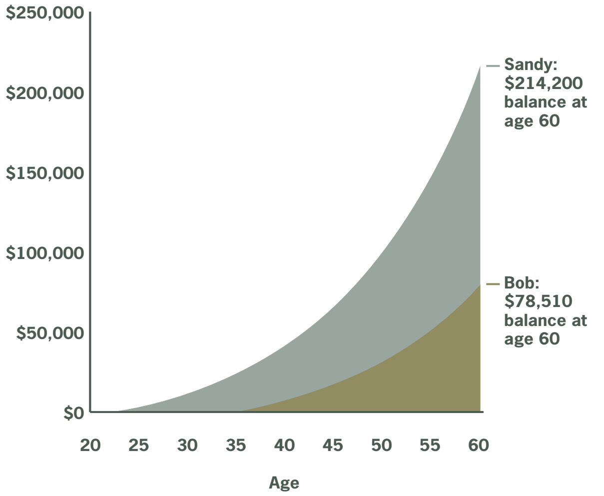
THE POWER OF COMPOUNDING

Now that you have estimated the amount you must contribute each month to reach your retirement goals, you can also consider how the power of compounding can potentially increase the value of your investment.

“Compounding” refers to the growth of an investment due to the continual reinvestment of earnings and income.

Your 457 Plan account is adjusted for investment gains and losses on a daily basis. Investment gains and income such as dividends or interest are not paid out to you, but are reinvested to purchase more shares of the funds that generated the income or return. That reinvested income, in turn, can earn additional income and earnings. In a generally rising market, this causes your original investment to increase not only due to earnings and income, but also due to *reinvestment* of earnings and income. Keep in mind stock, real asset, bond and cash equivalent funds can decrease in value and there are no guarantees your account will always experience a gain. See the *Investment Options At a Glance* in the back of this guide for information about the performance history of the plan’s investment options.

Making Compunding Work for You - Start Early



Technical note: Contributions were treated as a lump sum paid in the middle of each year.

Here is an example of how compounding works. Sandy and Bob both contribute $100 each month to the plan until retirement at age 60. Sandy starts contributing at age 22 while Bob begins at age 35. For illustration purposes, we assume their investments earn an average annual return of 7 percent, compounded monthly on each account. Of course, your experience will differ as investing involves both gains and losses.

In this example, Sandy’s account balance is more than two times larger than Bob’s by the time both reach age 60. Because of the power of compounding over a greater number of years, Sandy retires with a larger nest egg. Bob also benefits from the power of compounding even though he invests for a shorter period.

The lesson is clear: the sooner you start investing in the 457 Plan, the larger your retirement account may be when you retire because of the power of compounding.

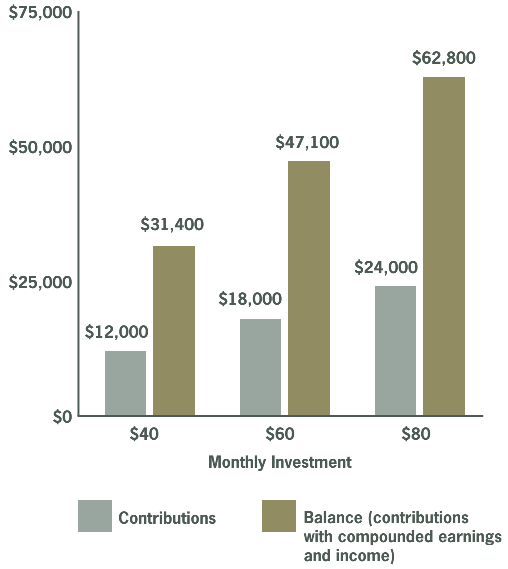
A LITTLE GOES A LONG WAY

You can make your retirement nest egg grow faster by increasing the amount you invest — even by just a few dollars. Consider Paul, for example. The light green bars in the chart on the next page show the amount of Paul’s actual contributions. The dark green bars show his account balance — the value of his contributions with compounded interest.

Here we assume Paul earns $30,000 annually and is contributing $480 per year ($40 a month) through the plan. Also, let’s assume Paul’s Deferred Compensation Plan investments earn 7 percent a year, compounded monthly. As the chart illustrates, in 25 years Paul’s contributions are only $12,000, while his combined contributions and earnings equal $31,400.

If Paul increases his contributions by just $20 to $60 a month (an extra $240 per year), his account balance in 25 years would grow to $47,100 with

Account Balance in 25 Years with 7% Average Return



Technical note: Contributions were treated as a lump sum paid in the middle of each year.

contributions of only $18,000. That's an increase of $15,700 in his retirement nest egg!

Better yet, if Paul increases his contribution by another $20, to $80 a month (an extra $480 per year), in 25 years his account balance increases to $62,800.

Remember, your actual investment results will depend on the returns on your investment choices and the overall volatility of the stock and bond markets. There are no guarantees against losses.

Although it isn't easy to find money to set aside, doing so is critical to reaching your retirement goals. Consider contributing as much as you can to your retirement nest egg during your working years, when you have access to plans such as the 457 Plan. In addition, if you are like most people, your income is highest while you are employed, so your ability to save is greatest during this time.

DON'T FORGET ABOUT INFLATION

When you invest over time, an important factor to remember is inflation, which reduces your spending power. What you can buy for $10 today will probably cost more in several years. Your retirement account must grow at a rate that equals or outpaces inflation if you want your spending power to remain the same.

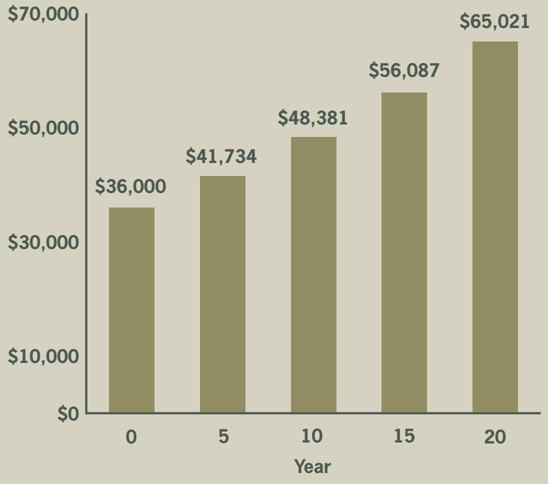
Here's an example of how inflation can affect your income needs over time.

The importance of Keeping Pace with Inflation

When Susan retires at age 65, her salary is $45,000. Let's assume she needs 80 percent of her final pay — or $36,000 — to live comfortably during her first year of retirement. Here's how a 3 percent inflation rate could affect Susan's retirement income needs over time.

To maintain her spending power, Susan needs to withdraw larger and larger sums from her retirement account. In her 20th year of retirement, she needs to withdraw $65,021 to buy the same things she used to purchase for $36,000. That's why it's so important to invest as much as you can, as early as you can, and to ensure your retirement account grows at a rate that equals or outpaces inflation.

Estimated Annual Post-Retirement Income Needs



Decide on a Strategy

Deciding on your approach to investing for retirement and how to invest your contributions is critical to successfully preparing for retirement, How you invest your money is referred to as asset allocation. Building an investment strategy that meets your risk tolerance and investment objectives is critical to successfully preparing for retirement.

SELECT AN INVESTMENT PATH TO FULFILL YOUR ASSET ALLOCATION OBJECTIVE

Under the 457 Plan, there are two ways to fulfill your asset allocation objective:

- You can invest in a diversified "pre-mixed" portfolio, or
- You can control the allocation yourself by selecting from the "mix-your-own" fund choices.

THE PRE-MIXED PATH

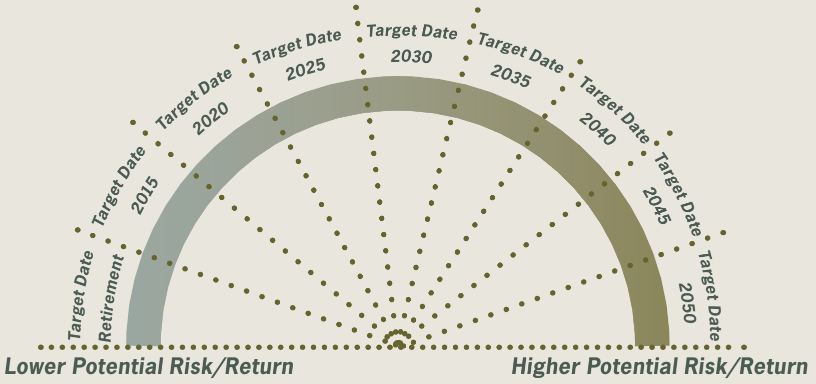
The "pre-mixed" path allows you to be less involved in the details of managing your retirement assets because a professional investment manager is making most of your investment decisions for you. Pre-mixed funds contain more than one asset class — meaning they are a pre-mix of stock, real asset, bond and/or cash equivalent funds. Investing in a pre-mixed fund can be a convenient way to achieve diversification. A professional investment manager selects a variety of funds from different asset classes and regularly "rebalances" your portfolio, making all asset allocation and fund decisions for you. The pre-mixed funds offered in the 457 Plan are known as "target date portfolios."

Target date portfolios are designed to provide you with a comprehensive investment solution in one fund with an investment mix that will change throughout each stage of your life. The year in the name of the target date portfolio represents the approximate year when you plan to retire. Each target date portfolio is broadly diversified and

The Deferred Compensation Plan Pre-Mixed Fund Options

This relative risk/return meter offers one way to gauge the risk and return potential of the pre-mixed fund options in the Deferred Compensation Plan.

Relative Risk/Return Meter



This relative risk/return meter is illustrative only. It is not comparable to the risk/return meter for the mix-your-own funds or any other risk/return meter.

designed for the time horizon indicated by the year in the fund's name. You select a target date portfolio based on the year you expect to retire, and it will gradually and automatically become more conservative as you move toward your retirement year. As time passes, the managers of the target date portfolios gradually shift the investment mix from a greater concentration of higher-risk investments (namely stock funds) to a greater concentration of lower-risk investments (bond funds and money market instruments).

With these types of investment options, your asset allocation has already been determined by the underlying funds in the target date fund you choose and is constructed to provide diversification so you typically need only one fund. Having more than one target date fund, or additional funds along with your target date fund, actually weakens the strategy of your target date fund.

You can obtain information about the target date portfolios offered in the Plan on the website, and performance information can be found in the back pocket of this guide.

THE MIX-YOUR-OWN PATH

Mix-Your-Own Path allows you to select your investments, and manage your portfolio on an ongoing basis. The 457 Plan offers you the opportunity to create a custom asset allocation from a menu of available mix-your-own fund options. The funds represent a range of asset classes and investment management styles. You can obtain prospectus information for these funds on the website, and performance information can be found in the back pocket of this guide. In general, there are four steps to building a customized investment strategy:

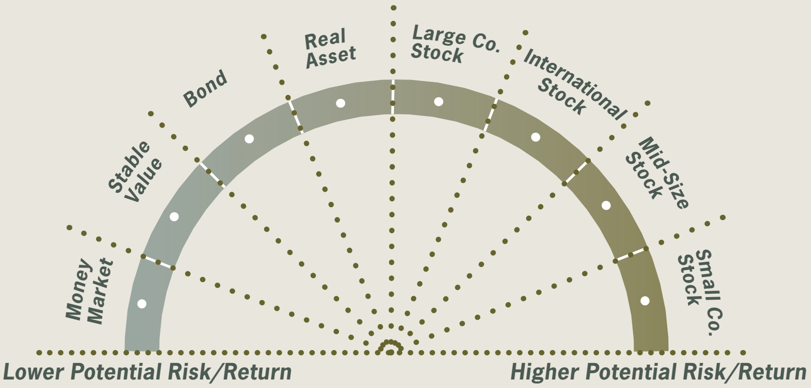
1. Understanding your time horizon (How Much Time Do I Have?)
2. Understanding your risk tolerance and investor profile
3. Establishing an investment strategy or asset allocation that meets your investment objective
4. Selecting specific funds.

The risk tolerance quiz on page 24 is designed to help you understand your time horizon and risk tolerance and then determine your likely investor

The Deferred Compensation Plan Mix-Your-Own Approach

This relative risk/return meter offers one way to gauge the risk and return potential of the mix-your-own fund options in the 457 Plan.

Relative Risk/Return Meter



This relative risk/return meter is illustrative only. It is not comparable to the risk/return meter for the pre-mixed funds or any other risk/return meter.

profile on page 25.

The sample portfolios on pages 28 and 29 show how the Mix-Your-Own funds can be combined to create a diversified portfolio. As you review them, you may want to have the results of your risk tolerance quiz at hand.

The Mix-Your-Own approach is appropriate if you want to create a custom asset allocation from a menu of available fund options in the plan. You review and select your investments and manage your accounts on an ongoing basis.

HOW MUCH TIME DO I HAVE?

The age at which you plan to withdraw funds from your retirement account can have a big impact on your investment strategy. If you have a long investment horizon and are many years from retirement — for example, you are in your 20s or 30s — you can afford to take more risk with your investments because you have time to ride out any significant market declines. It may be appropriate to invest a significant portion of your retirement account in investments that provide the potential for a higher long-term return, such as stocks.

As you approach retirement and your investment horizon shortens, it becomes more important to protect your retirement nest egg. It may be appropriate to invest a portion of your retirement account in investments that offer less risk, such as bond and cash equivalent funds. At any age, however, "balance" is the key. Your retirement account may need to last for many years, depending on how long you plan to be retired. It's important to continue to invest a portion of your money in investments that provide the potential for long-term growth, so your retirement account can outpace inflation.

HOW MUCH RISK AM I WILLING TO TAKE?

When you invest, the goal is to get back more money than you originally put in — to achieve a "return" on your investment. However, while investments offer the potential for return, they also carry certain risks.

WHAT IS RISK?

While there are many types of risk, there are two key types of investment risk to consider:

- ***Inflation risk*** is the risk your money will purchase less in the future than it does today.
- ***Market risk*** is the risk that the value of your investments will decrease — or will not increase at the expected rate.

Your investment options offer different potential for outpacing inflation and a different degree of market risk. Generally, investments that offer high potential long-term returns are the most volatile — meaning they also offer the potential for greater losses. Likewise, investments that offer less volatility have lower potential for loss, and therefore tend to offer lower returns.

HOW DO YOU HANDLE RISK?

Everyone has a different tolerance for risk. Many financial experts create sophisticated questionnaires to gauge what investment mix is right for an individual investor. The risk tolerance quiz on the following page takes into account not only your comfort with risk but also how long you have to invest (referred to as your "investment horizon").

RISK TOLERANCE QUIZ

For each question, circle the number next to the answer that best suits you.

IDENTIFY YOUR INVESTMENT HORIZON

1. When do you plan to retire and begin withdrawing your money?

0 Fewer than 3 years
10 3 to 10 years
20 More than 10 years

2. Based on your life expectancy and projected retirement age, how long does your money have to last after you start making withdrawals?

0 1 to 5 years
5 6 to 15 years
10 16 to 25 years
15 26 to 35 years
20 36 years or more

IDENTIFY YOUR RISK TOLERANCE

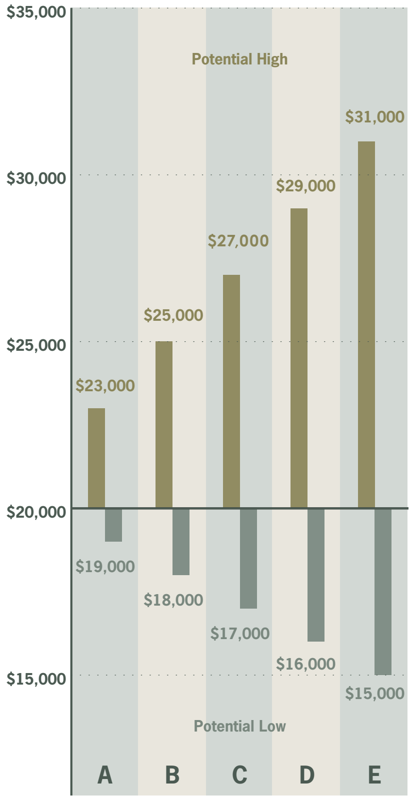
3. Inflation risk is the risk that your money will buy less in the future. Market (or volatility) risk is the risk that your account will go down in value. Which of the following statements do you most agree with?

0 I'm more concerned about market risk. I don't want to lose money.

10 I am equally concerned about market risk and inflation risk. I want to minimize both.

20 I'm more concerned about inflation risk. I want my money to outpace inflation so I can maintain or increase my spending power.

4. Assume you invest in the Deferred Compensation Plan, and your account is valued at $20,000. The graph below shows the potential high and potential low of five different hypothetical portfolios at the end of one year. Which portfolio are you most comfortable with?



0 Portfolio A
5 Portfolio B
10 Portfolio C
15 Portfolio D
20 Portfolio E

5. Assume you have money invested in the Deferred Compensation Plan. Which of the following statements do you most agree with?

0 I do not want my account to fall in value, and am willing to accept low long-term returns.

5 I want to minimize the chance my account will fall in value, but I am willing to accept small short-term losses in return for low to moderate long-term return potential.

10 I want to balance my risk and my return, and am willing to accept moderate losses in return for moderate long-term return potential.

15 I am willing to accept substantial losses in return for high long-term return potential.

20 I am willing to accept significant and dramatic losses in return for high long-term return potential.

6. Assume you invest a portion of your Deferred Compensation Plan account in stock funds, and those funds experience a 10% decline over a three-month period. What would you do?

0 I would immediately transfer money out of my stock funds into safer investment options.

10 I wouldn't do anything. I'd stick to my investment strategy and would keep my money invested in the stock funds.

20 I would take advantage of the decline in stock fund prices and would invest even more money in the funds.

Total Your Investment Horizon Score

Question 1	
Question 2	
Total	

Total Your Risk Tolerance Score

Question 3	
Question 4	
Question 5	
Question 6	
Total	

IDENTIFY YOUR INVESTOR PROFILE

Use your investment horizon and risk tolerance scores from the prior page to find your personal investor profile.

1. Look across the top row to find your investment horizon score.
2. Look down the left column to locate your risk tolerance score.
3. Match the two to find the code that represents your investor profile.

		Investment Horizon Score			
		35–40	**25–30**	**15–20**	**10 or less**
Risk Tolerance Score	**65–80**	A	MA	M	C
	40–60	MA	MA	M	C
	15–35	M	M	M	C
	0–10	C	C	C	C

Profile Key

		Sample Allocations			
		Cash	**Bonds**	**Real Assets**	**Stocks**
C	**Conservative**	**10%**	**55%**	**10%**	**25%**
M	**Moderate**	**5%**	**40%**	**12%**	**43%**
MA	**Moderately Aggressive**	**0%**	**32%**	**14%**	**54%**
A	**Aggressive**	**0%**	**15%**	**15%**	**70%**

Note: An independent investment consultant designed these Sample Allocations using generally accepted modern portfolio theory and principles designed to generate portfolios that offer an efficient trade-off between expected returns and expected volatility. Please consider the investment objectives, risks, fees and expenses of each fund carefully before investing. *You can look over the Sample Portfolios on pages 28 and 29 for further information.*

This risk tolerance quiz was developed by an independent consulting firm and was designed to take into account the model portfolios used in this guide. It is not to be construed as investment advice in any way. You should consult a financial adviser for more detailed information about your specific risk tolerance level and for investment advice.

Remember this quiz only provides a general idea of your risk tolerance at this point in time. Because your financial circumstances change at different stages of life, you will want to review your tolerance for risk and your investment decisions every one to three years.

You may want to consult a professional financial adviser for more in-depth information before you invest. Remember, you are responsible for deciding how to invest your 457 Plan account. Your investment decisions will determine the risk and return potential of your 457 Plan account.

UNDERSTAND YOUR MIX-YOUR-OWN INVESTMENT OPTIONS

The 457 Plan includes investment options that fall within four broad asset classes:

- Cash equivalents (stable value and money market funds),
- Bond funds,
- Real Asset funds, and
- Stock funds.

These asset classes have different risk and return characteristics, as shown in the chart below.

DETERMINE THE ASSET ALLOCATION THAT WILL BEST HELP YOU ACHIEVE YOUR GOALS

How you allocate your money among the asset classes in the 457 Plan is one of the most important investment decisions you will make. This is called “asset allocation.” Studies show *more than 90 percent* of a long-term investor’s returns are driven by asset allocation rather than by specific fund selections or “market timing” (trying to time the purchase or sale of investments on the basis of market conditions).[11]

The amount of risk and expected return in your 457 Plan account are determined by the percentage of your account you invest in each broad asset category. For example, if you invest all of your account in bond funds, your account can be described as conservative, with low risk and low potential return.

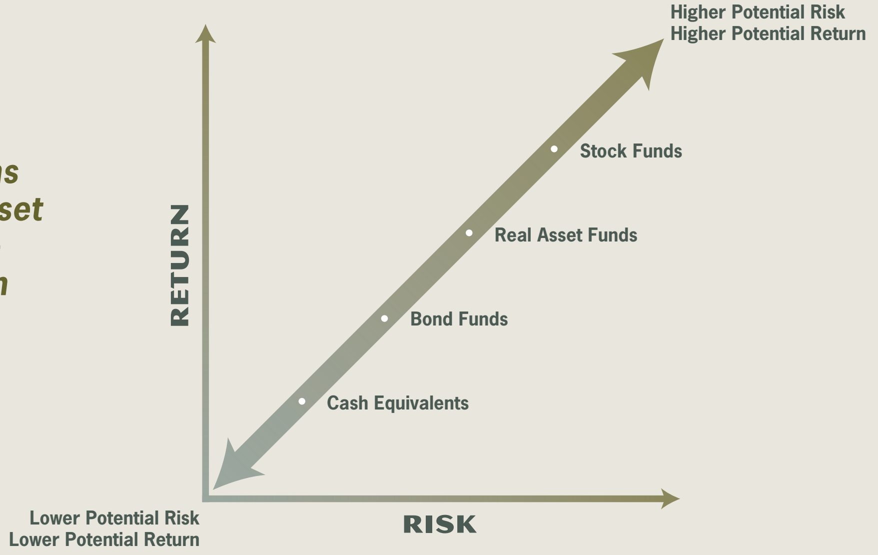
By diversifying your 457 Plan account among the four main asset classes — as opposed to investing your account in only one asset class — you can take advantage of the fact that different asset classes do not always react in the same way to market conditions. When one asset class is doing poorly, it is possible a different asset class may be doing well. Combining asset classes can be a good way to manage the risk of your total portfolio.

---

[11] Scott J. Donaldson, CFA, CFP; Maria Bruno, CFP; David J. Walker, CFA; Todd Schlanger; and Francis M. Kinniry Jr., CFA, “Vanguard’s framework for constructing diversified portfolios,” April 2013.

Risk and Return Characteristics of the Four Main Asset Classes

Descriptions of these asset classes are provided on page 27



ASSET CLASSES AVAILABLE UNDER THE WRS DEFERRED COMPENSATION PLAN

CASH EQUIVALENTS: MONEY MARKET FUND AND STABLE VALUE FUND

Cash equivalents typically invest with the objective of providing stable income with very little capital risk.

Money market funds invest in commercial paper, notes, and other instruments with short durations.

Stable value funds may invest in a variety of investment contracts issued by major financial institutions and typically have longer durations than investments in money market funds.

BOND (FIXED INCOME) FUNDS

Bond funds typically invest with the objective of providing stable income with lower capital risk. Bond funds can consist of debt obligations of the federal government, agencies, or corporations, pools of mortgages, and various other debt-related instruments.

REAL ASSET FUNDS

A multi-asset class strategy that is designed to protect investors against rising inflation. It may invest in Treasury Inflation Protection Securities (TIPS), fixed income, commodities, stocks, real estate investment trusts and cash.

STOCK (EQUITY) FUNDS: LARGE-CAP, INTERNATIONAL/GLOBAL, MID-CAP, AND SMALL-CAP[10]

Large-Cap Stock Funds

Large-capitalization funds generally invest in the stock of companies with market values of greater than $10 billion. Stock investors receive dividends if they are paid and share in the gain or loss if the price of the stock goes up or down.

International Stock Funds/Global Stock Funds

International stock funds generally invest in the stock of companies located outside the United States. Global stock funds generally invest in the stock of companies both inside and outside the United States.

Mid-Cap Stock Funds

Mid-capitalization funds generally invest in the stock of companies with market values in the $2 billion to $10 billion range.

Small-Cap Stock Funds

Small-capitalization funds generally invest in companies with a market value below $2 billion.

You can obtain more detailed information about the available investments by reviewing *Investment Options At a Glance*, the fund fact sheets, and/or the fund prospectus. In addition, WRS regularly holds seminars that cover a variety of pre-retirement planning topics, including investment information.

---

[10] Source: Lipper, a Reuters company.

Examples of different ways to build an investment portfolio using the four broad asset classes offered in the plan can be found on page 28 and 29.

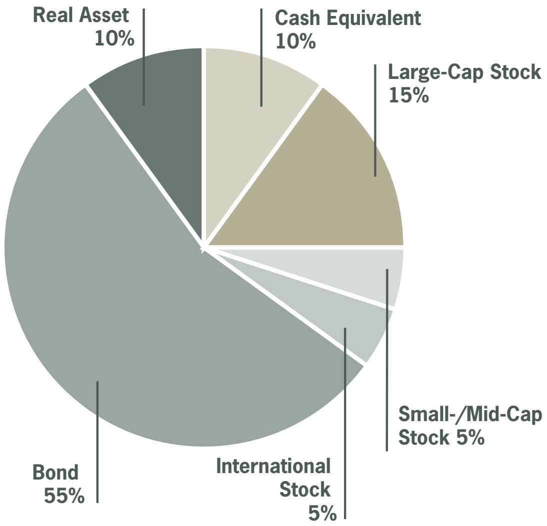
SAMPLE PORTFOLIOS

The following sample portfolios are intended to show you different ways to build a portfolio. Keep in mind the investment mixes shown here are only to give you an idea of possible asset allocations and are not intended as advice for your specific situation.

These sample portfolios range from conservative (lower potential risk/return) to aggressive (higher potential risk/return). However, you might be more conservative or aggressive than any of these sample portfolios.

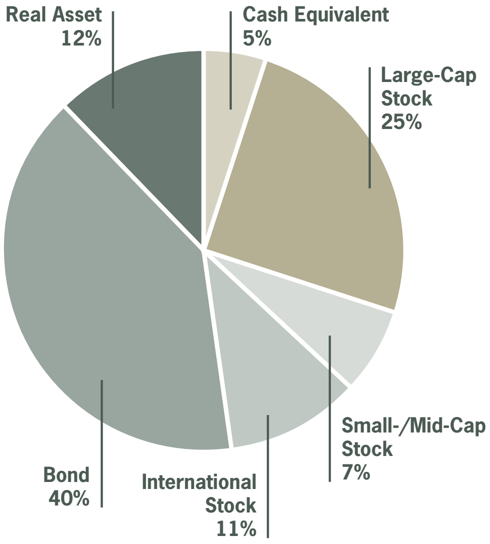
In addition, note small- and mid-cap stock funds are combined as a single investment in the sample portfolios. These investments have similar risk and return profiles. You could invest in either one or both of these funds to achieve roughly the same diversification opportunities shown in the sample portfolios.

Conservative Risk/Return Sample Portfolio



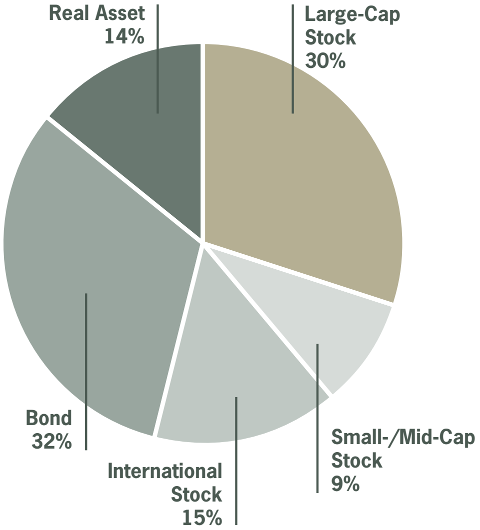
The Conservative Risk/Return Sample Portfolio invests 25 percent in stock funds (both domestic and international) 65 percent in core bonds and cash equivalent funds, and 10 percent in real asset funds (a multi-asset class investment consisting of real assets such as TIPS, commodities, REITS, as well as stocks and bonds). This portfolio is designed for investors who seek a total return with emphasis on income and low risk.

Moderate Risk/Return Sample Portfolio



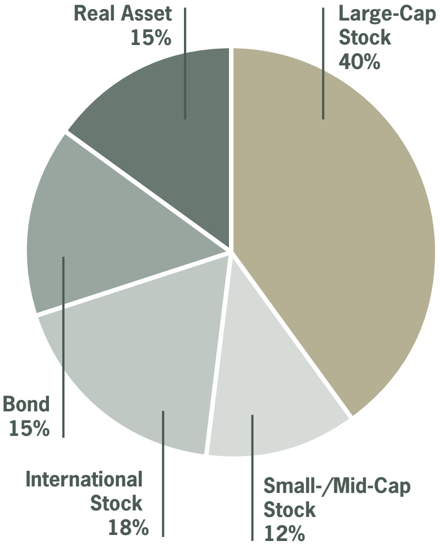
The Moderate Risk/Return Sample Portfolio invests 43 percent in stock funds (both domestic and international), 45 percent in core bonds and cash equivalent funds, and 12 percent in real asset funds (a multi-asset class investment consisting of real assets such as TIPS, commodities, REITS, as well as stocks and bonds). This portfolio is designed for investors whose primary goal is investment stability including income and long-term return potential and who are willing to tolerate moderate levels of volatility.

Moderately Aggressive Risk/Return Sample Portfolio



The Moderately Aggressive Risk/Return Sample Portfolio invests 54 percent in stock funds (both domestic and international), 32 percent in core bond funds and 14 percent in real asset funds (a multi-asset class investment consisting of real assets such as TIPS, commodities, REITS, as well as stocks and bonds). This portfolio is designed for long-term investors whose primary goal is moderate investment growth potential through capital appreciation and income and who are willing to tolerate moderately higher levels of volatility.

Aggressive Risk/Return Sample Portfolio



The Aggressive Risk/Return Sample Portfolio invests 70 percent in stock funds (both domestic and international), 15 percent in core bond funds and 15 percent in real asset funds (a multi-asset class investment consisting of real assets such as TIPS, commodities, REITS, as well as stocks and bonds). This portfolio is designed for investors who are primarily seeking growth and higher return potential and are willing to tolerate higher levels of volatility.

Note: An independent investment consultant designed these sample asset allocations using generally accepted modern portfolio theory and principles designed to generate portfolios that offer an efficient trade-off between expected returns and expected volatility. Please consider the investment objectives, risks, fees, and expenses of each fund carefully before investing.

SELECTION OF SPECIFIC FUNDS

You can further diversify your portfolio within each broad asset class on the basis of the particular funds you select. For the 457 Plan, this step deals primarily with the stock portion of your portfolio. As you select specific funds, you may want to consider the following:

- ***Manager Style —*** Manager style can provide another basis for diversification of the stock portion of your portfolio. A *value manager* typically purchases stock in companies believed to be underpriced relative to their underlying value. A *growth manager* typically purchases stock in companies believed to have earnings growth prospects that are better than the market as a whole. A *core* or *blend manager* typically uses both value and growth investing characteristics.
- ***Capitalization —*** Capitalization is a major factor in certain funds' investment selection process. A company's capitalization is equal to

its share price times the total number of shares outstanding. (See the box at the top of page 25 for more information.) Large-capitalization (“large-cap”) stock funds typically invest in large, established companies with a history of paying dividends. Mid-cap stock funds typically invest in medium-sized companies that have survived their start-up stage but are not as established as large-cap companies. Small-cap stock funds typically invest in new or recently formed companies that don’t have a long track record. Small-cap and mid-cap stocks have historically provided higher returns than large-cap stocks, but typically do not pay dividends and are characterized by a higher level of volatility.

- ***Actively Managed Funds vs. Index Funds —*** *Active managers* try to beat market indices (like the S&P 500) through their selection of specific investments. *Index managers* copy a market index and make no attempt to beat the market. This is also referred to as indexing or passive management. Index funds usually have lower fund operating expenses than similar funds with active management.

Remember, the information in this guide is not intended as investment advice. Its purpose is to help you understand the investment options available through the WRS 457 Plan. Your financial strategy and investment choices are entirely your own and should reflect your personal needs and circumstances.

WRS and its staff cannot provide investment advice. For more information about how to effectively invest given your particular situation, you may wish to consult a professional financial adviser.

INVEST WITH A LONG-TERM PERSPECTIVE

Whether you choose the “mix your own” or the “pre-mixed” portfolio path, it’s a good idea to keep your long-term investment goals in mind. Stock, real asset and bond funds frequently rise and fall in value. You may be tempted to move your money out of such funds if the value of your portfolio declines, but keep your investment horizon in mind. If you are in your 20s, 30s or 40s, you have many years of investing ahead of you, and you can afford to take some risk in exchange for the possibility of higher long-term returns. Even if you are in your late 50s or early 60s, the majority of your 457 Plan account will probably be invested for another 10 or even 20 years, which is usually plenty of time to ride out market declines. Keep your long-term goals in mind when the stock and bond markets experience volatility.

ADVISORY SERVICES

Because some employees and retirees are interested in investment advice, the Wyoming Retirement System is making fee-based investment advisory services available to its Deferred Compensation 457 Plan participants through Reality Investing® Advisory Services. Of course, WRS already offers low-cost “pre-mixed portfolios” based on your target retirement date, which reduce the need for investment advice. However, you may want to use the free online investment guidance and spend-down calculator, obtain a fund-specific recommendation for an annual fee of $25 or full account management for an annual fee that costs between 0.30 and 0.60 percent of your account balance. WRS is providing this service as a convenience to participants and does not receive payment or commissions for it. Visit www.wrsdcp.com for more information.

BE WARY OF BEING TOO CAUTIOUS

Although it may make sense to invest a portion of your money in cash equivalents, having all of your money there simply because you perceive those investments as "safe" may shortchange you in the long run. Consider this: If you invest everything in a money market account that returns 3 percent and inflation is 4 percent, your money will actually lose 1 percent of its spending power over that period.

REVIEW YOUR ASSET ALLOCATION REGULARLY

You might need to change your asset allocation when your long-term goals change or switch target date portfolios if your retirement date changes. Your life and your financial situation change as time passes, so be sure to review your investment mix and your long-term goals on a regular basis. You may want to consult a financial adviser before you make changes to your allocation.

Managing Your Deferred Compensation Plan Account

As a participant in the 457 Plan, you receive a quarterly account statement at your address of record within 20 business days of the end of the calendar quarter. You may also elect to receive electronic statements. The statement shows your account balance and any investment activity during the quarter. You can also check your account balance by calling the 457 Plan at (307) 777-7691 or by visiting the plan website at http://www.wrsdcp.com. You must enter your username and personal identification number (PIN) to access your account online.

TRANSFER INVESTMENTS

You may transfer funds between investment options online or over the phone, with one exception (noted under "Equity 'Wash' Provision"). Transfer requests received before 2 p.m. Mountain time on business days, either online at http://www.wrsdcp.com or through the record-keeper's toll-free number at (800) 701-8255, are initiated at close of business, although some restrictions may apply.[12] You will receive a confirmation letter after you transfer funds.

It is a good idea to evaluate your investment strategy at least once a year to determine if you are on track to reaching your goal, and to assess if changes in your personal situation require changes in your asset allocation or contribution rate. On the other hand, it's important to resist the urge to move your money too often in search of an exceptional return. Remember, retirement-focused investors are usually investing for the long term and understand the stock market goes up and down.

Keep in mind a fund may impose certain trading restrictions. A fund also may charge redemption fees for certain transfers, redemptions or exchanges if they are made within a certain period of time. For more information, refer to the fund's prospectus.

---

[12] Access to the website or phone lines may be limited or unavailable during certain periods. Transfer requests received before 2 p.m. Mountain time on business days are initiated at the close of that business day. The actual effective date of your transaction depends on the investment option you select.

"EQUITY WASH" PROVISION

The Plan prohibits the direct transfer of money from the Stable Value Fund (SVF) to the money market fund. This is known as an equity "wash" provision and it allows WRS to offer both funds through the 457 Plan. You may transfer money from the SVF directly to any fund in the plan except the money market fund. However, if you transfer money out of the SVF, you will be restricted from transferring money from any fund into the money market fund for 90 calendar days. You may transfer money directly from the money market fund to the SVF or any other fund at any time.

DOLLAR-COST-AVERAGING FEATURE

You may elect to automatically have a fixed amount of your account balance transferred to select funds on a regular basis. Simply indicate on the website how much you want to transfer and how often you want transfers to be made (monthly, quarterly, semi-annually or annually).

If your investment mix is no longer appropriate for your personal risk tolerance and retirement goal, you may want to redirect your current contributions to new investment options in the plan, and then use the plan's dollar-cost-averaging feature to make changes to your existing balances. If you decide to transfer money out of some of your investment funds, keep in mind financial experts suggest moving your money gradually, rather than all at once.

REBALANCING FEATURE

Rebalancing is another way to manage risk. When you rebalance your investment mix, you adjust your asset allocation back to your original target.

Consider the example of Jane, a hypothetical investor. Jane's target investment mix is 25 percent in a bond fund, 50 percent in a large-cap stock fund, and 25 percent in an international stock fund. Over time, as the funds experience different rates of return, Jane's investment mix changes to 18 percent in the bond fund, 62 percent in the large-cap stock fund, and 20 percent in the international stock fund. However, the plan's rebalancing feature enables Jane to automatically adjust her investment mix back to her original target.

If you would like to automatically rebalance your investment mix, visit the 457 Plan website at http://www.wrsdcp.com. You can designate allocation percentages for your account and elect to have your account rebalanced as often as you want — once, quarterly, semi-annually or annually — to reflect your preferences.

If you are in a target date portfolio, the rebalancing is included in the professional account management provided by the fund manager.

CHANGING INFORMATION

You can also log in to your individual account on http://www.wrsdcp.com to change personal information, such as address or beneficiary.

WORKING TOGETHER TO HELP YOU REACH YOUR RETIREMENT GOALS

WRS offers the Pension and 457 Plans to help you reach your retirement goals. Social Security supplements these benefits by providing an additional source of retirement income — helping you to enjoy a more secure financial future.

Your employer helps pay the cost of your Pension Plan benefits, but investing in the Deferred Compensation Plan is up to you. If you don't participate in the plan yet, there's probably no better time to begin. If you already participate, consider increasing your contribution rate whenever you can. Your future is in your hands. Take charge of your retirement today.

Pre-Retirement Checklist

Are you approaching retirement? Use the checklist below to determine what steps you should take now to make your transition a smooth one, and attend a WRS pre-retirement planning seminar to learn more about your employer's Pension and 457 Plan benefits. A seminar schedule can be found on our website.

☑	Step	Pension Plan	Deferred Compensation Plan	Social Security
☐	Estimate your benefits:	Use the RAIN participant portal at wrsrain.wyo.gov to get an estimate using your current salary. You can also use the calculator at http://retirement.state.wy.us to get an estimate using your current or a projected salary. If you have any questions, contact WRS at (307) 777-7691. After you receive your benefit estimate, you can discuss your benefit options with the benefit specialist who prepared it by calling WRS at the number above.	Using your most current statement(s), determine the value of your deferred compensation account and any other retirement savings from sources outside of WRS. If you have questions, call WRS at (307) 777-7691, and a WRS Retirement Educator will assist you.	Contact the Social Security Administration at (800) 772-1213 or visit http://www.ssa.gov.
☐	Use the goal-setting worksheet on pages 17 and 18 of this guide to estimate your retirement income needs.			
☐	If your estimated benefits aren't enough to meet your retirement income needs:	Keep in mind the more years of service you have, the higher your pension benefit will be. Consider delaying your retirement to increase your future Pension benefit or purchasing service credit.	Increase your contributions annually, especially when you get a raise. Consider taking advantage of the plan's Catch-Up Contributions or consider delaying your retirement to allow yourself more time to build your retirement nest egg. Before your last working day, decide if you want to make a final contribution from accrued leave pay.	Remember the longer you delay your Social Security benefits, the higher your monthly payment will be.
☐	At least one year before retirement, practice living on your estimated retirement income to determine if it will meet your needs. Give your nest egg a boost by contributing the difference to your deferred compensation account.			
☐	Attend a WRS pre-retirement planning seminar to learn more about benefit options, preparing for retirement and when you may be eligible for retirement.			
☐	Apply for your retirement benefits:	Submit a retirement request through the RAIN participant portal at wrsrain.wyo.gov or go to retirement.state.wy.us and download an application packet. Complete your application at least 90 days before your last working day. Contact WRS at (307) 777-7691 if you have any questions.	Contact WRS at (307) 777-7691 to request a deferred compensation plan distribution form. Your distribution payments will begin within 30 days after your completed distribution form is received by WRS.	Contact the Social Security Administration at (800) 772-1213 at least three months before your expected retirement date to request payment of your benefits.

Glossary of Investment Terms

After-tax contributions – Contributions to the 457 Plan that you elect to have withheld from your paycheck after taxes are withheld. When you permanently separate service and qualify for distribution, qualified distributions are tax-free. A qualified distribution for after-tax accounts means the participant has severed from employment and in addition, has held the account for at least five calendar years and is at least age 59 ½. If the participant has severed employment, but does not meet the other two requirements, distributions of investment earnings will be taxable and the contribution will be tax-free.

Age 50+ Catch-Up Contributions — Tax-deferred contributions in excess of the IRS annual tax-deferred contribution limit, made by eligible participants age 50 and older.

Annuity — A form of distribution under the 457 Plan that makes a series of payments of a fixed amount and at regular intervals over a specified period.

Beneficiary — A person who you designate to receive your Pension Plan benefit or 457 Plan account balance when you die.

Bond — An obligation to repay a debt, which can be issued by governments or corporations. Bond funds purchase bonds, meaning they lend money to the bond issuer who, in return, typically promises to make regular interest payments, with full repayment of the original debt on a specific date in the future.

Capital appreciation/depreciation — A gain/loss in the market price of an investment from the time you purchase it to the time you sell it.

Cash equivalents — High-quality, very liquid securities that mature in less than three months and can be easily converted to cash.

Debt instrument/obligation — Another term for “bond.”

Deferred Compensation 457 Plan — A retirement investment vehicle offered to eligible employees and elected officials of the state of Wyoming and any of its political subdivisions through the Wyoming Retirement System. The number “457” refers to the section of the Internal Revenue Code that authorizes this type of plan, and the terms “457” and “deferred compensation” can be used interchangeably. Contract employees of the state of Wyoming (AWECs) are not eligible at this time.

Defined benefit plan — A type of plan, including a pension plan, that provides a benefit that is determined on the basis of a formula rather than investment performance.

Defined contribution plan — A type of plan, like the 457 Plan, in which the amount invested is “defined” or determined by the participant, but the value at retirement is determined by the performance of the participant’s investments.

Diversification — The spreading or lowering of risk by investing in many different types of investments.

Dividend — A cash payment from profits announced by a company’s board of directors and distributed to its shareholders.

Employer matching contributions — Contributions from your employer to the 457 Plan.

Equity — Ownership in a company, usually in the form of stock.

Fiduciary — An individual or group of individuals responsible for operating the Pension and 457 Plan using sound judgment in the interest of all plan participants and beneficiaries. Fiduciaries may include employees who administer the plan, members of the WRS Board of Directors, investment advisers, trustees, and certain others.

Fixed income securities — See “Bond.”

Growth — An increase in the value of an investment.

Income — The flow of money to an investor, typically in the form of dividend or interest payments.

Index — A collection of investments that are tracked for purposes of comparison. For example, the Standard & Poor’s 500 Index (S&P 500) tracks the performance of 500 companies representing a broad range of industries in the U.S. economy. The S&P 500 Index is often used as a “benchmark” or point of comparison when evaluating the performance of large-cap stock funds.

Inflation — An increase in consumer prices that results in a decrease in your “spending power,” or the amount you can purchase with your dollars. Any return above inflation is called the “real return” of your investment.

Interest — The amount a borrower pays to a lender for the use of the lender’s money.

Investment horizon — The period during which you plan to keep your money invested. A short investment horizon is considered to be less than three years, a moderate investment horizon is considered to be three to ten years, and a long investment horizon is considered to be ten years or more.

IRS annual plan contribution limit — The limit on the amount you can contribute to the 457 Plan in a given calendar year, as determined by the IRS. In 2012, the IRS set the limit to $17,000 for participants under age 50, and $22,500 for participants who will be age 50 or older as of Dec. 31, 2012.

Large-cap stock — The stock of companies with market values of greater than $10 billion.

***Managed portfolio* —** A fund holding investments that are selected and overseen by professional investors.

***Market capitalization* —** The total value of a company's stock held by shareholders; determined by multiplying the current market price per share by the total number of shares outstanding.

***Market risk* —** The risk that fluctuations in the stock or bond markets will cause an investor to lose money.

***Mid-cap stock* —** The stock of companies with market values in the $2 billion to $10 billion range.

***Money market instruments* —** Short-term debt instruments, such as certificates of deposit (CDs), Treasury bills, commercial paper, and other very liquid, low-risk investments.

***Mutual fund* —** A pool of stocks, bonds, and/or other securities purchased and managed by professional investment managers.

***Pension Plan* —** A defined benefit plan that provides a monthly income when you retire, payable for life. WRS administers several different pension plans for different groups of public employees. Most public employees are members of the Public Employees Pension Plan.

***Portfolio* —** A collection of two or more investments combined to achieve a financial goal.

***Pre-tax contributions* –** Contributions to the 457 Plan that you elect to have withheld from your paycheck before taxes are withheld. Payment of taxes on your contributions and earnings is deferred until you withdraw the money from the plan.

***Principal investment* —** The original amount of money invested.

***Prospectus* —** A document that describes a mutual fund offering, including the terms, issuer, objective and historical financial statements.

***Real return* —** The "inflation-adjusted" return, or the return an investment provides above the prevailing inflation rate. For example, an investment earning 7 percent during a period of 3 percent inflation has a real return of 4 percent (i.e., 7 percent minus 3 percent). (Non-inflation-adjusted return is called "nominal" return.)

***Real Asset Fund*—** This investment option is a multi-asset class strategy designed to protect investors against rising inflation. The fund may invest in Treasury Inflation Protection Securities (TIPS), bonds, commodities, stocks, real estate investment trusts and cash.

***Return* —** The gains or losses on your investments. Return is expressed as a percentage or "rate of return." Return may include income from interest or dividends as well as appreciation or depreciation of the value of the investment.

***Risk* —** A measure of the likelihood of experiencing a loss.

***Rollover* —** A transaction in which part or all of your contributions and earnings are transferred to an eligible retirement plan, including an individual retirement account (IRA) or another employer's plan qualified under IRC Section 401(a), 401(k), 403(b), or 457(b).

***Roth 457* –** A 457 Plan that allows after-tax contributions as permitted by the Small Business Jobs Act of 2010.

***Small-cap stock* —** The stock of companies with a market value below $2 billion.

***Stability* —** The degree to which the price of an investment does not fluctuate.

***Stock* —** A share of ownership in a company (also called "equity"). When you buy stock, you become an owner of that company.

***Stock exchange* —** A place where stocks and other securities are traded.

***Tax Diversification* –** Tax diversification in retirement means having retirement assets in a variety of vehicles (taxable accounts, tax-deferred accounts and tax-free accounts) that are treated differently for purposes of taxation.

***Trustee* —** The person(s) or company(ies) responsible for maintaining a trust and its assets.

***Treasury bills, notes, and bonds* —** Treasury bills (or "T-bills") are short-term bonds issued by the U.S. government, typically with a maturity of three months to one year. Treasury notes (or "T-notes") typically mature in two to 10 years. Treasury bonds (or "T-bonds") are long-term bonds issued by the U.S. government that typically mature after 10 years. These all are considered to be low-risk investments.

***U.S. Treasury and federal agency obligations* —** Obligations that include "Treasury bills," "Treasury notes" and "Treasury bonds" issued by the U.S. Department of the Treasury, as well as bonds issued by federal agencies such as the Federal National Mortgage Agency and the Federal Farm Credit Bureau.

***Vesting* —** The process of acquiring ownership of your plan account. You are always fully vested in your own contributions to your account and any related earnings.

***Volatility* —** The degree to which investment returns vary for a particular investment. It is commonly measured statistically as the annual standard deviation or variance of an investment's returns.

***WRS* —** The Wyoming Retirement System. WRS is administered by a board that oversees the administration and investment direction of the Pension plans, and for selecting the investment options offered under the 457 Plan. The WRS Board is not responsible for the investment results you achieve under the 457 Plan.

***Yield* —** The interest earned from holding a bond to maturity, expressed as a percentage of the bond's current price. Investors generally determine bond values by comparing yields.

This publication was created by and is provided to you by the Wyoming Retirement System. It serves as a summary plan document for the 457 Plan and is meant to provide information about the main features of the plan.

State statutes, administrative rules, and the 457 Plan Document will govern in the event of any discrepancies with information in this book.

You are entitled to a hearing with the WRS Board regarding any dispute and the Wyoming Administrative Procedures Act will be followed. Chapter 3 of the board's administrative rules (available from the secretary of state's office) gives detailed information about the process.

No information in this publication should be construed as advice. You should consult an appropriate professional for specific tax, financial, legal or investment advice.

October 2013