

# State of Wyoming

State Treasurer's Office



## Strategic Plan

July 1, 2010 – June 30, 2012  
(FY2011– FY2012)

Joseph B. Meyer  
State Treasurer

**WYOMING STATE TREASURER'S OFFICE  
STRATEGIC PLAN  
FY 2011/2012**

**Plan Period:** FY2011-2012 (July 1, 2010 through June 30, 2012)

**Agency:** State Treasurer (004)

**Quality of Life Results:**

Wyoming state government is a responsible steward of State assets and effectively responds to the needs of residents and guests.

Wyoming has a diverse economy that provides a livable income and ensures wage equality.

**Contribution to Wyoming Quality of Life:**

As responsible stewards of the state's assets, the State Treasurer's Office contributes to Wyoming's quality of life by investing state funds in a prudent manner to ensure safety of principal, adequate liquidity and maximization of the total rate of return on investments ultimately saving tax dollars for every working Wyoming citizen. Also as the steward of unclaimed property assets, the agency responds to the needs of Wyoming residents through diligent efforts to locate its citizens or heirs who rightfully own the property. In addition, the agency distributes various state and federal revenue to all governmental entities of Wyoming in a timely manner as prescribed by law.

The State Treasurer also contributes to Wyoming's quality of life by investing state funds in legislatively designated investments. These projects contribute to the diversification of Wyoming's economy. The placement of state funds with Wyoming banks encourages lending to Wyoming residents and businesses to stimulate the State's economy.

**Basic Facts:**

The State Treasurer's Office has 26 full time positions and one at-will employee contract positions authorized as of July 1, 2009. Agency personnel provide investment program management, financial management and processing, unclaimed property program management and computer technology functions. The success of the agency is due in a large part to the dedicated and talented staff, many of whom have been employed by the State Treasurer's Office or other state agencies for a number of years.

The projected biennial budget request for the 2011-2012 biennium is approximately \$59 million of which \$13 million is general funds and \$46 million is other agency funds (fees and investment income).

The five primary programs and/or functions include:

*#1 State Treasurer Activities and Agency Administration:* As one of the five statewide elected officials, the State Treasurer responds to the needs of the citizens through the various programs and activities required of the office as well as through the numerous boards and commissions he serves on. Agency administration includes all duties associated with a state elected official, accounting and fiscal activities, human resources services, and computer technology support.

*#2 Investment of State Funds:* The State Treasurer's Office invests \$11.6 billion as of July 1, 2009 and this figure continues to grow each year. Total state funds have grown substantially

over the last several years due primarily to the increased revenue generated from the state's mineral industry. This places greater demands on investment of these state funds. Investment income is currently the third largest source of income to the general fund.

**#3 Banking Activities and Cash Management:** Receipts from state agencies are received, reconciled and deposited daily. State warrants (checks) are validated and redeemed from the bank each day. The agency also has general responsibility for the management of the state's cash resources including the development of information to forecast the cash needs of the state.

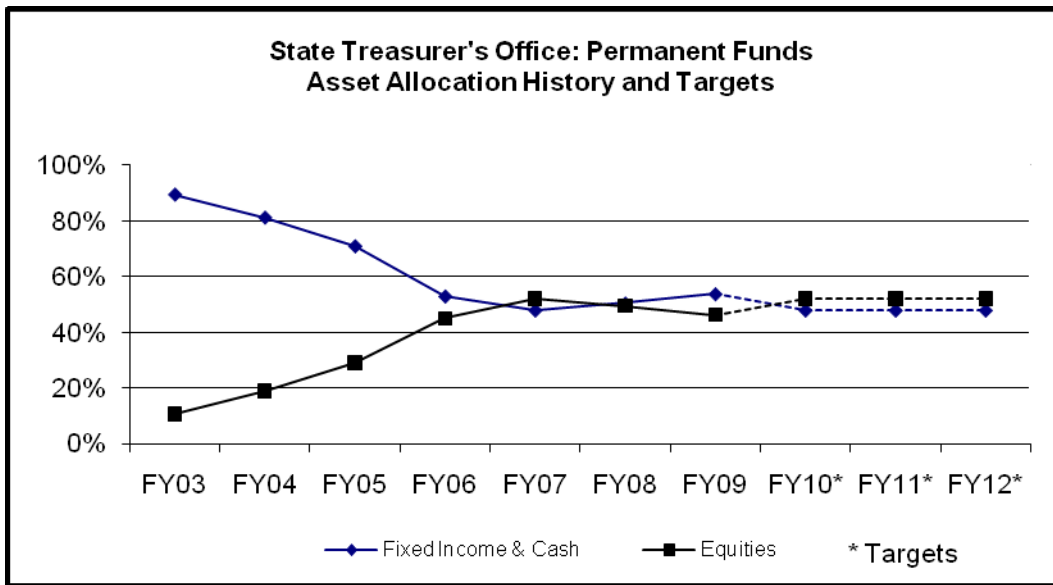
**#4 Special Legislative Projects and Revenue Distribution:** The Treasurer's Office administers various legislative programs which involve accounting and distributing state and federal funds as prescribed by law to cities, towns, counties, the University, community colleges, critical access & rural hospitals, county libraries and state agencies. Funds distributed include federal mineral royalties, severance tax, railroad car tax, Taylor grazing fees, livestock predatory animal control fees, veterans' tax exemptions, Indian tax exemptions, fines and penalties, challenge matching endowment funds, Hathaway scholarship & excellence in higher education funds and investment income.

**#5 Unclaimed Property Program:** The administration of this program involves collecting and holding unclaimed funds and returning it to the rightful owners or heirs.

Collectively, these activities and programs serve all state agencies and all citizens of the state.

**Performance Measure #1:**

**Asset Allocation** - Percentage of permanent funds invested in fixed income securities and equities.



**Story Behind the Performance:**

**#1 Asset Allocation:** The goal of asset allocation (apportioning of investment funds among categories of equities and fixed income/cash) has been to reach and maintain the 55 percent statutory limit for permanent fund and investments in equities. Wyoming permanent funds are invested pursuant to a long-term asset allocation plan that is designed to protect the corpus, inflation-proof the funds and generate positive returns within acceptable risk. Asset allocation is reviewed and set each year in the Master Investment Policy approved by the State Loan and Investment Board.

The State Treasurer's Office manages \$11.6 billion (as of 06-30-09) in non-pension investable funds across seven fund types. Five funds, the Permanent Wyoming Mineral Trust Fund (PWMTF), the Permanent Land Fund (the largest being the Common School account), the Worker's Compensation Fund, the Hathaway Student Scholarship Endowment Fund and the Excellence in Higher Education Endowment Fund may hold equities under current law. The other funds, the State Agency Pool and the Tobacco Settlement Fund cannot. The state's total investable funds have more than doubled over the last eight years from \$4.5 billion at the end of FY01 to \$11.6 billion at the end of FY09.

Voters amended Wyoming's Constitution in 1996 to allow state permanent funds to be invested in stocks. State law limits permanent fund equity investments to 55 percent. The agency's goal has been to slowly move the state's assets into equity investments in a diversified manner in order to reach and maintain this 55 percent target. As can be seen from the chart above, at the end of fiscal year 2003, about 90% of the state's portfolio was invested in fixed income and 10% was invested in equities. The two lines cross at the point where 50% of the state's investments are in fixed income securities while 50% are invested in equities. Before the cross over, the state was investing more funds in fixed income.

The State's portfolio is invested in accordance with modern portfolio theory, which translated means that having a well diversified portfolio of uncorrelated assets can achieve an investment goal with less risk than a portfolio concentrated in one investment class.

State funds that are invested in equities are in well-diversified portfolios consisting of US and international stocks and a smaller exposure to private equity, real estate and hedge funds. The bond side of the portfolio is diversified also, in a variety of fixed income securities.

When the 2009/2010 strategic plan was written, the target equity allocation for the 2009/2010 biennium was set at 55 percent equity / 45 percent fixed income and cash mix in the permanent funds. Each spring, however, the State Treasurer's Office and the State's investment consultant, R V Kuhns and Associates, review the underlying risk and return assumptions for current and potential state investments and make recommendations for changes to the asset allocation targets for the funds within the state investment portfolio to the State Loan and Investment Board for approval. In April, 2009 in light of the volatility of the market, a recommendation was made and the Board approved lowering the target asset allocation to 52 percent equity and 48 percent fixed income. The Treasurer's Office intends to keep the equity allocation at or slightly above this same level for the 2011-2012 biennium.

State funds managed by the Treasurer's Office are as follows:

Current market conditions predict a long-term total return of just under seven percent for Wyoming's permanent funds based on the above allocation strategy compared to a return of just over five percent for funds without an equity allocation.

The Permanent Wyoming Mineral Trust Fund (PWMTF) (\$4.262 billion as of June 30, 2009) is funded with constitutional and statutory mineral severance tax revenues and occasional direct legislative appropriations. Income from the PWMTF goes to the state general fund. Up to 55 percent of the PWMTF may be invested in equities.

The Permanent Land Fund (PLF) had a balance of \$1.906 billion as of June 30, 2009 and is funded with royalties, sub-surface leases, land sales, right of way fees and other revenue generated from state lands. Investment income from this fund goes to various designated state public institutions. The Common School account makes up the largest portion of the Permanent Land Fund and is funded with assets totaling \$1.795 billion as of 06-30-09 (unaudited); its investment income helps to fund Wyoming's K-12 schools. Up to 55 percent of the Permanent Land Fund may be invested in equities.

The Hathaway Student Scholarship Endowment Fund, funded by a portion of the federal mineral royalty revenue received by the State, had a balance of \$455.6 million on June 30, 2009. Investment income from this fund goes to support scholarship programs for Wyoming students for attendance at the University of Wyoming or one of the state's seven community colleges. Up to 55 percent of the Hathaway Scholarship Fund may be invested in equities.

The Excellence in Higher Education Endowment Fund is also funded with federal mineral royalty revenues. The fund had a balance of \$102.4 million on June 30, 2009. Two thirds of the investment income from this fund goes to the University of Wyoming to support the hiring of endowed faculty positions and the necessary resources of endowed faculty and one third is equally divided among the seven community colleges for recruitment or retention of faculty. Up to 55 percent of the Higher Education Endowment Fund may be invested in equities.

The Workers Compensation Fund (\$1.135 billion as of June 30, 2009) is funded with employer premiums. Investment income is used to assist in the payment of Workers Compensation costs including administrative and indemnity costs, and vendor payments. Up to 45 percent of the Workers Compensation Fund may be invested in equities.

The Tobacco Settlement Fund (\$59 million as of June 30, 2009) is funded with settlement proceeds received by Wyoming under the 1998 Master Settlement Agreement between states and tobacco companies. Income from the fund goes to health improvement programs.

The State Agency Pool is comprised of all other state funds, primarily from state agencies, pooled together for investment purposes. The State Agency Pool is invested in fixed income and cash as most of the funds in this pool need to be liquid to pay for government operations. This pool held \$3.6 billion June 30, 2009.

The target asset allocation for the FY 2009/2010 biennium was originally set at 55 percent equity / 45 percent fixed income and cash mix in the permanent funds. However, these percentages were changed to 52 percent in equities and 48 percent in fixed income following the annual review which was conducted in April 2009 by the State Treasurer's Office and the State's investment consultant of the underlying risk and return assumptions for current and potential state investments. The Treasurer's Office intends to keep this equity allocation at or below this level during the 2011-2012 biennium. The State's portfolio is invested in accordance with modern portfolio theory, which supports a diversified allocation of assets among non-correlated investment strategies to produce positive returns within an acceptable risk profile.

What do you propose to do to improve performance in the next two years?

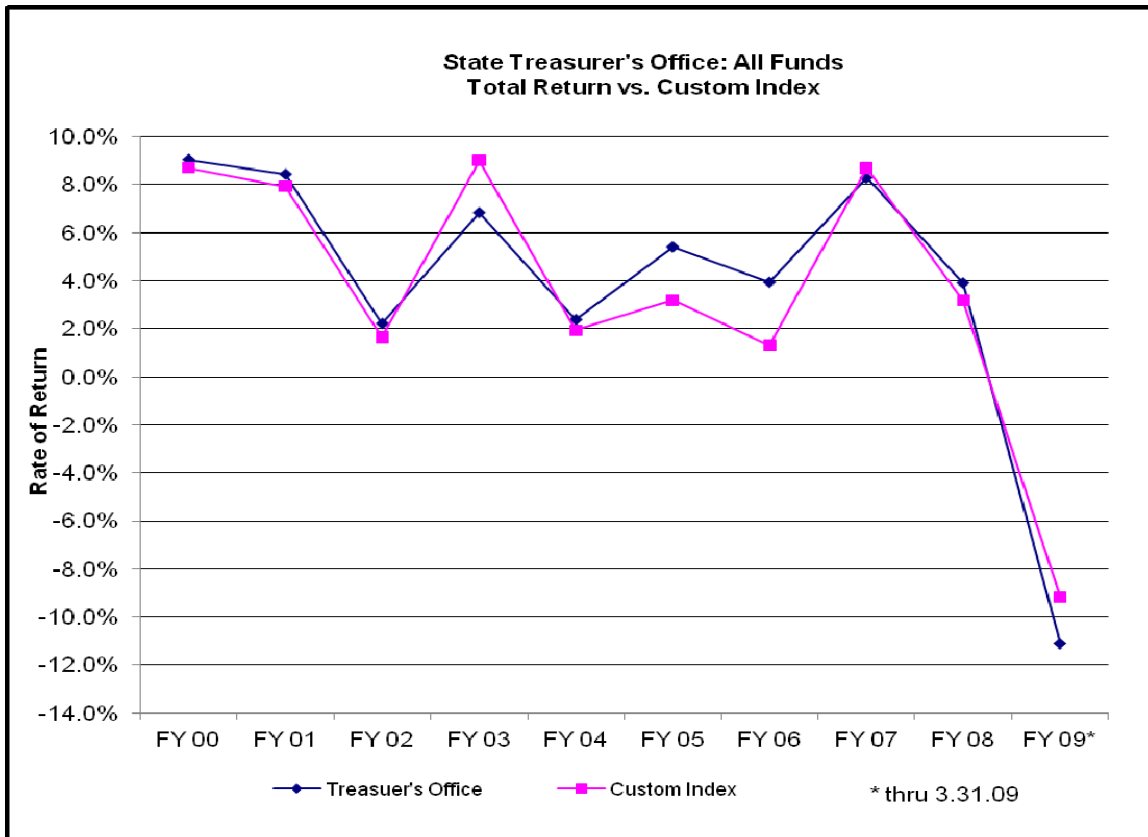
*#1 Asset Allocation:*

During the 2011-2012 biennium, the Treasurer's Office plans to continue to make monthly allocations to maintain the 52 percent equity / 48 percent fixed income asset mix. In addition, the Treasurer's Office will continue the annual asset allocation review of the underlying risk and return assumptions for current and potential state investments and make any recommendations for changes based on this review to the State Loan and Investment Board for approval.

Investment management fees are paid on a percentage basis of the market value of the investment assets they manage. At this time, it appears that the amount included in the standard budget request for payment of investment manager fees may be sufficient for the 2011-2012 biennium based on the decrease in asset market values due to the market crisis during fiscal year 2009 and based on the May 2009 CREG estimates for anticipated fund growth. However, if market conditions change such that market values increase sharply and/or growth of the funds increase more than is currently anticipated, investment manager fees will also increase which would require the agency to seek additional funding during the supplemental budget session.

**Performance Measure #2:**

**Performance of Wyoming Investments – Rate of Return** - Wyoming Total Fund compared to Custom Index as benchmark



**Story Behind the Performance:**

*#2: Performance of Wyoming Investments – Rate of Return:* The primary goal of the “Performance of Wyoming Investments” measure is for the Total Wyoming Fund (culmination of all state investment pools—shown in large square boxes on the graph) to outperform or have a higher percentage rate than the Total fund Custom Index shown in small square boxes). This index is a benchmark calculated using broad indices corresponding to each asset class the state invests in, weighted based on the current allocation to each asset class. This Custom Index provides a measure of the Wyoming Fund’s total performance relative to the performance of the market. The Custom Index is a tool to evaluate whether or not the Fund’s selected managers, as a whole, are outperforming broad market benchmarks.

The Total Wyoming Fund outperformed the Total Fund Custom Index seven of the past ten years. Fiscal year 2003 was difficult due to low interest rates and an over-weighting of the state’s portfolio in fixed income and cash, and in FY07, the Wyoming Fund performed just slightly below the Custom Index. Although the total return for the Wyoming Fund for FY09 was not available at the time of this writing, the total return as of March, 2009 was about two percent lower than the custom index. This is due to the market crisis and the extremely volatile markets during fiscal year 2009.

Investment performance is carefully monitored by State Treasurer staff. As the state's portfolio continues to be diversified and investments become more complex, monitoring efforts have expanded to include additional due diligence site visits which requires additional travel by State Treasurer's staff. In addition, there are regularly scheduled visits by managers to Cheyenne.

What do you propose to do to improve performance in the next two years?

*#2 Performance of Wyoming Investments – Rate of Return*

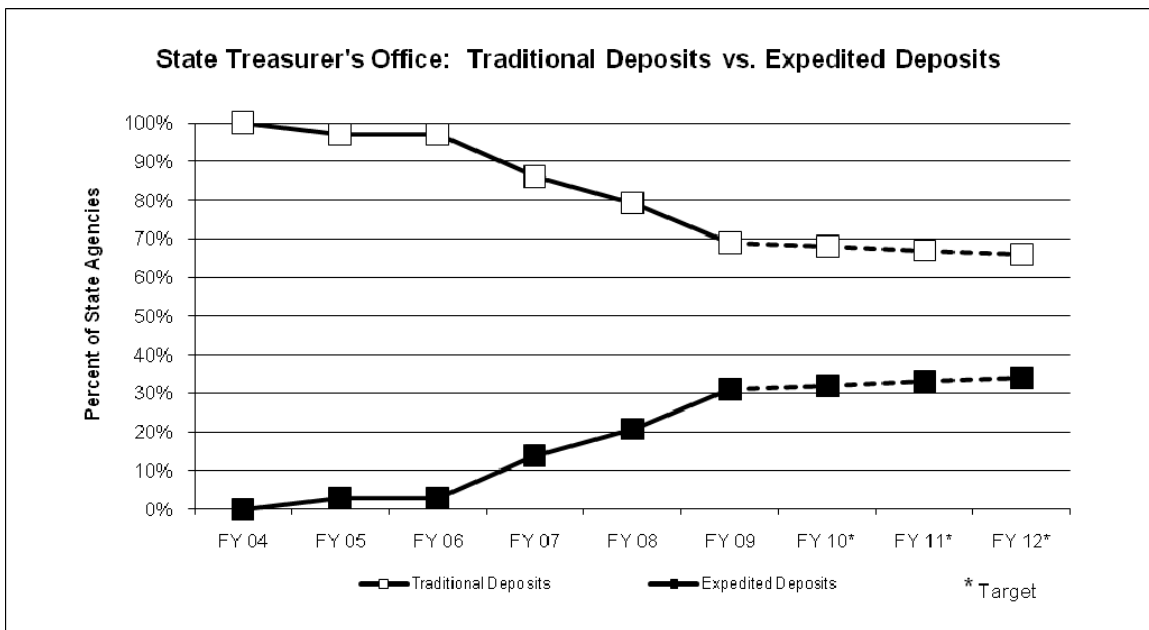
Great strides have been taken to further diversify the investment portfolio to improve the total return for the state permanent funds. The Treasurer's Office will continue to explore investment opportunities in consultation with the State Loan and Investment Board (SLIB) and with the SLIB's external investment consultant. The investment goals continue to be protection of corpus and enhancement of return. Diversification will continue to ensure greater returns on a more consistent basis, helping to smooth what can be unpredictable mineral income.

Investment performance is carefully monitored by the State's investment consultant as well as State Treasurer staff. The agency has increased monitoring efforts to ensure that investment performance is maintained or improved. These monitoring efforts will be continued and possibly increase during the 2009-2010 biennium as diversification of the state's portfolios continues and as investments in more complex asset classes are explored. This will demand additional due diligence and periodic site visits requiring additional travel by State Treasurer staff.

It is extremely important for the agency's computer system to be maintained and updated on a routine basis due to the primary function of investing, banking, accounting and distributing the billions of dollars this office manages each year. As such, a request for \$63,080 (\$47,300 in general funds in the Operation's unit and \$15,750 in investment income-Manager Payments unit) is included in the agency's total exception budget request for updating and enhancing the agency's computer hardware and software.

**Performance Measure #3:**

*#3 Banking deposits – Percentage of agencies participating in direct deposit of funds compared to those participating in traditional deposits*



### Story Behind the Performance:

#3: *Banking deposits:* The goal of the banking deposits measurement is to increase the number of agencies that process their deposits on-line rather than bringing them to the State Treasurer's Office for processing. The on-line processing enables funds to be invested sooner and in turn produce more income to the state.

The historic, critical function of the State Treasurer's Office is the daily reconciliation of the state's checkbook. This task coupled with the ever-increasing complexity of Wyoming's investment portfolio and more stringent GASB accounting practices; place a heavy burden on the majority of agency staff. Internally, staff time dedicated to implementation of complex banking procedures has greatly increased. This is expected to continue. The agency has implemented systematic cross training that should assure more in-depth staff knowledge, as well as allow for sharing of responsibilities across more of the existing personnel.

Receipts from state agencies are received, reconciled and deposited daily. Returned items are processed from the bank to the originating state agency. State warrants are validated and redeemed daily. The general account is reconciled daily. Treasurer's cash is reconciled to the State's accounting system (WOLFS) every time WOLFS updates.

Beginning in FY05 the State Treasurer's Office implemented the "direct deposit" program to expedite the deposit process. State agencies are able to make their deposits using a locked bag which is brought to the Treasurer's Office to be taken by courier to the bank. This speeds up the deposit process. In FY07, the "desktop deposit" program was implemented allowing state agencies to electronically send deposits directly to the bank. This process virtually eliminates deposit errors and allows funds to be invested sooner thus increasing investment income. Beginning in FY08, "direct deposit to the bank" was an alternative to mailing deposits to the State Treasurer's Office allowing outlying agencies to take their deposits directly to a Wells Fargo branch. As of 06/30/09, there are 102 state agencies that make deposits through the State Treasurer's Office. Of these 102 agencies, six agencies utilize the locked bag direct deposit, four agencies utilize the direct deposit to bank branches, and twenty-five agencies are currently using the desktop deposit program. The remaining agencies make their deposits directly to the State Treasurer's Office either in person or by mail.

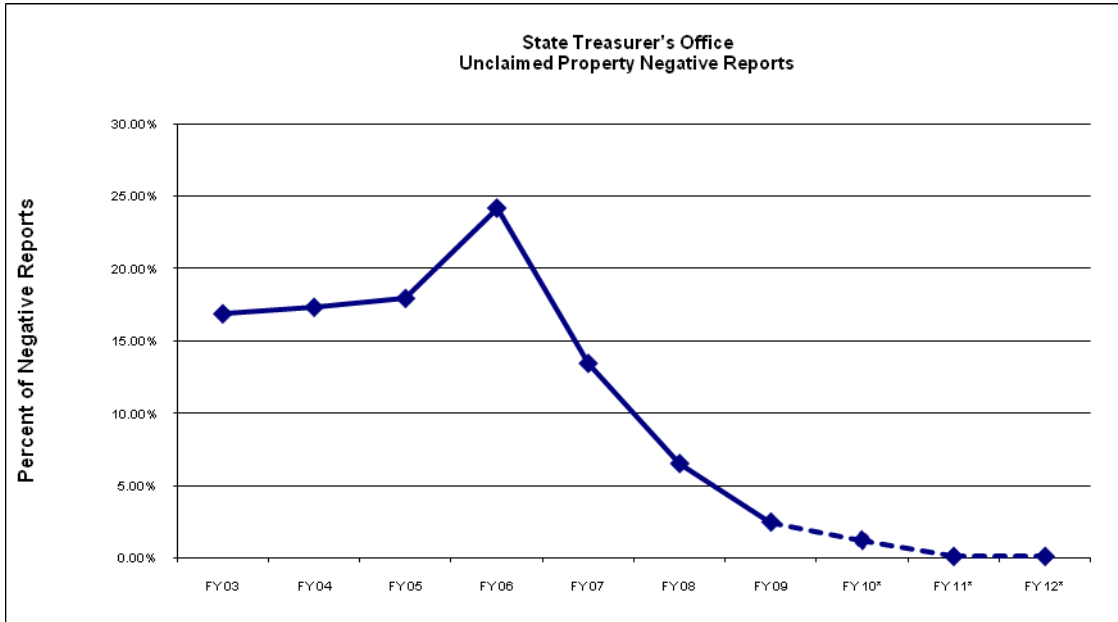
### What do you propose to do to improve performance in the next two years?

#### *#3 Banking Deposits*

During the next biennium, the Treasurer's Office will continue to offer training sessions and solicit additional agencies to participate in the "direct deposit" program, in particular, the "desktop deposit" program. Desktop deposits enable state agencies to process their deposits online rather than bringing their deposits to the Treasurer's Office for processing making funds available for investment in a shorter time frame, which produces increased investment income. During the FY07 pilot project several machines were made available by the bank. However, upon completion of the pilot project, additional machines must be purchased (at approx \$950 each) by agencies wishing to participate in the program. Due to the requirement to purchase the machines, some agencies have not participated because of budget constraints.

**Performance Measure #4:**

**Unclaimed Property Negative Reports** – Percentage of negative balance reports filed (zero dollar balance - \$0.00).



Story Behind the Performance:

**#4 Unclaimed Property Negative Reports:** The goal of this performance measure is to decrease the number of negative reports received by the Unclaimed Property Division so that over time no reports with a zero dollar balance (\$0.00) are being submitted by holders.

The purpose of the Unclaimed Property Division is to collect unclaimed property (generally cash and securities) from the companies and entities, also known as holders, that have unclaimed property in their possession, and reunite the rightful owner or heir with their property.

Unclaimed property reports and payments are due from nationwide holders on November 1 of each year. Property received by the agency during the calendar year is advertised the following February. The amount received from holders varies each year; the state has no control over the number of reports, cash and property received.

Prior to FY07, holders were required to file "Negative" (\$0.00 balance) Reports. These reports indicated that there was no unclaimed property asset value to turn over to the State; however, the reports provided a means to update pertinent data, i.e., address, applicable merge information, etc. Effective 07-01-06, these types of reports are no longer required; it is the holder's responsibility to provide data updates as they occur. Holders only file reports if they are turning over unclaimed property to the state. Due to this change, Negative Reports decreased significantly this year and the trend will continue to down-turn until very few, if any, Negative Reports are being filed.

Wyoming was the last state to pass an unclaimed property law (1993), and at that time, the Unclaimed Property Division was established. The key element to the success of this division is the Unclaimed Property staff. Staff longevity has played a vital role in achieving the division's accomplishments and goals.

The Unclaimed Property list is on the Internet – [www.wywindfall.gov](http://www.wywindfall.gov). There is no charge for citizens to check and see if their name appears on the list or when they file a claim. Unclaimed property is held in perpetuity. There also is no time-limit to claim the funds and/or property.

What do you propose to do to improve performance in the next two years?

*#4 Unclaimed Property Negative Reports:*

Holders will continue to be encouraged to not send negative reports. This will be done both by direct contact and by providing information on the State Treasurer's, Unclaimed Property website. Information on filing annual holder reports, holder report forms and a statement about negative reports no longer being required is contained on this website.

During the next three years, the number of Negative Reports should drop to virtually zero. This will enable staff additional time to process the increased number of claims due to enhanced owner outreach program and also allow staff to cross train with other staff on the various functions within the Division.