

**Wyoming State Treasurer
Annual Report
Fiscal Year 2008**

General Information

Joseph B. Meyer, State Treasurer

Agency Contact

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Wyoming State Treasurer
State Capitol – 200 West 24th Street
Cheyenne, WY 82002

Website: <http://treasurer.state.wy.us>

Other Locations

Unclaimed Property
Hansen Building – 2515 Warren Avenue, Suite 502
Cheyenne, WY 82002 (307) 777-5590

Statutory References

Wyoming Constitution - General Duties - W.S. 9-1-401; 9-1-409 through 9-1-417; 9-4-206
Investment of state funds -W.S.9-4-305; 9-4-714 through 9-4-719; 9-4-831; 9-4-1001 & 1002; 9-4-1203; 9-15-103; 21-16-113; 21-16-714; 21-16-1302; 27-3-202; 37-5-206; 37-5-406; 39-13-107
Board of Deposits – W.S. 9-4-801 through 9-4-829
Debt Issuance/Guarantees - W.S. 9-4-605; 9-4-901 through 9-4-904; 9-4-1001 & 1002; 9-4-1101 through 9-4-1105
Distribution of state & federal funds – W.S. 8-1-109; 9-4-401; 9-4-501 through 9-4-503; 9-4-601 through 9-4-607; 11-6-210; 21-16-902 through 21-16-904; 21-16-1001 through 21-16-1003; 21-16-1101 through 21-16-1104; 21-16-1201 through 21-16-1204; 21-16-1401 through 21-16-1403; 31-3-101(b)(xiv) & (h); 39-13-102 through 39-13-105; 39-14-109, 211, 311, 411; 39-14-509, 611, 711, 801; 39-17-111
Unclaimed Property – W.S. 34-24-101 through 34-24-140

Clients Served

Wyoming residents, state agencies, legislators, local governments, federal government, the university and community colleges.

Budget Information

General fund	\$ 5,437,837
Agency funds	<u>\$16,302,461</u>
Total	\$21,740,298

Wyoming State Treasurer

Report Period: FY2008 (July 1, 2007 through June 30, 2008)

Wyoming Quality of Life Result:

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.

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 stimulate the state's economy.

Basic Facts:

The State Treasurer's office had a total of 26 full time positions and two at-will employee contract positions authorized as of June 30, 2008. The total budget authorized for the 2007-2008 biennium was \$43,106,726 consisting of \$11,635,090 in general funds and \$31,531,636 in investment income funds. Agency personnel provide investment management program management, financial management and processing, and computer technology functions.

The five primary programs and/or functions include:

#1 State Treasurer Activities: 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, fiscal and human resource services, and computer technology support.

#2 Investment of State Funds: The State Treasurer's office was investing over \$10.8 billion as of June 30, 2008. 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 second 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.

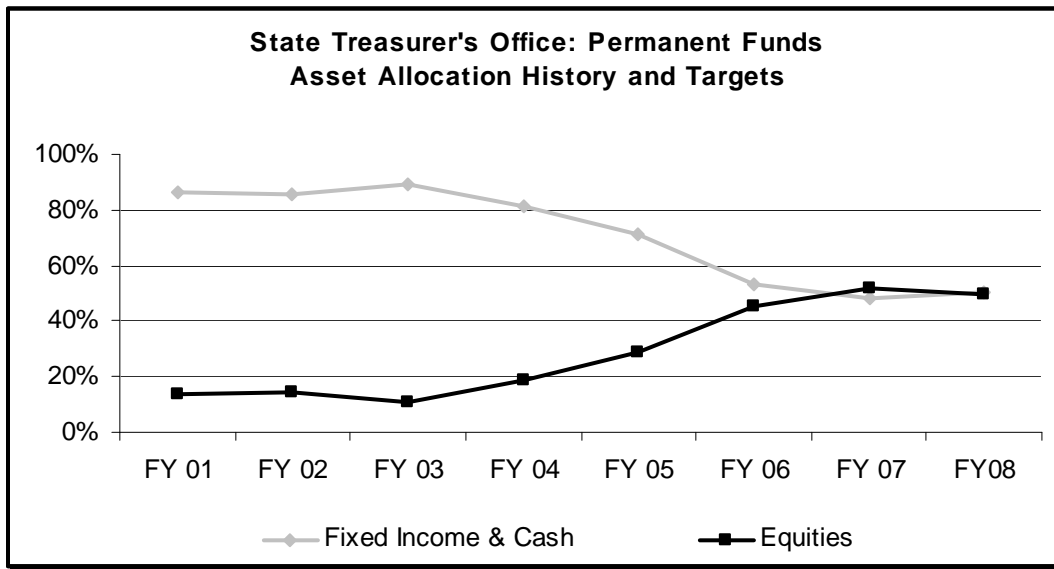
#4 *Special Legislative Projects:* The Treasurer's office administers various legislative programs which involves accounting for and distributing state and federal funds as prescribed by law to cities, towns, counties, the university, community colleges, critical access and rural hospitals and state agencies.

#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:

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



Story behind the last year of performance:

#1 *Asset Allocation:* Asset allocation is the process of dividing investments among different kinds of asset classes, such as stocks, bonds and cash, to try to meet specific financial goals. Asset allocation is used in an effort to reduce the overall investment risk while seeking to meet expected investment returns consistent with an investor's objectives.

Wyoming permanent funds are invested pursuant to a long-term asset allocation plan that is designed to protect the corpus of the funds, provide inflation proofing and support state spending. Interest, dividends and realized capital gains from the Permanent Wyoming Mineral Trust Fund (PWMTF) are deposited into the state's general fund while interest income, dividends and realized gains from the Permanent Land Funds (PLF) support public institutions; the largest recipients are the state's K-12 schools.

State law permits investment of up to 55 percent of the PWMTF and PLF in equities. The purpose of this diversification is to enhance total return. Current market conditions predict just under a seven percent (7%) long-term total return of a portfolio equally divided between equities and fixed income securities, compared to about a five percent (5%) long-term total return for a portfolio invested solely in cash and fixed income.

Legislatively Designated Investments (LDIs) are also a component of the state's investment portfolio. These mandated programs are a challenge. They represent a small share of the state's investment portfolio, but require vigilance throughout the life of the investment. The same holds true for any current and future investment in the other programs authorized by the Legislature: bonds issued by the Wyoming Pipeline Authority, Wyoming Infrastructure Authority and Industrial Development Bonds.

Energy prices have produced a rapid growth of revenue flowing to state permanent funds. This additional revenue has allowed for a more aggressive timeframe in which to reach the asset allocation target of 50 percent investment in equities and 50 percent in fixed income securities. This increase of revenue to the permanent funds and diversification between equities and fixed income investments has produced additional investment income to the state.

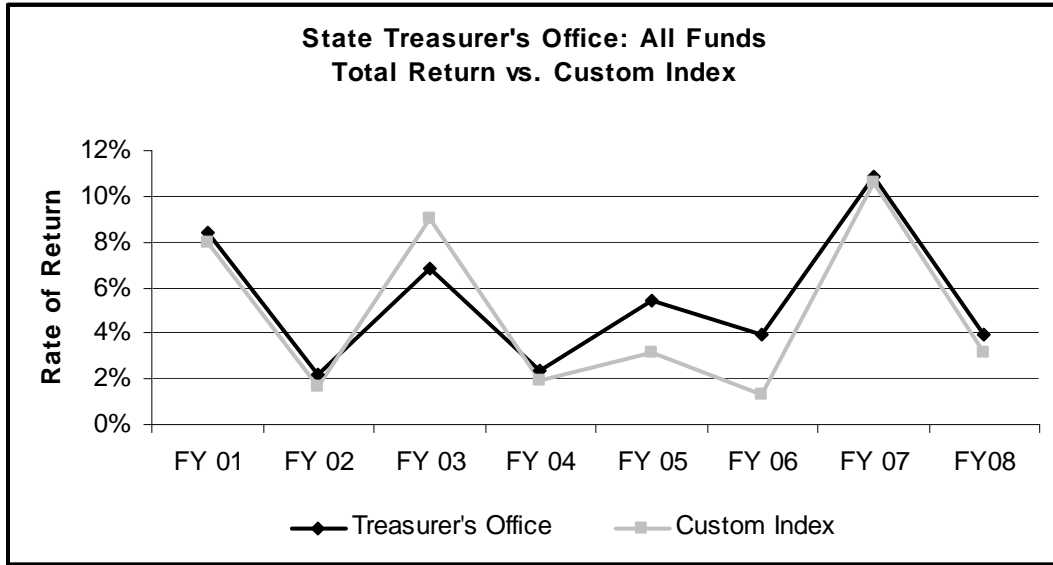
What has been accomplished?

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

The Treasurer's office has been slowly moving toward a long-term asset allocation target of 50 percent invested in equities and 50 percent invested in fixed income securities. In FY 05, the Treasurer's office implemented a plan to have the PWMTF and PLF portfolios invested in 30 percent equities by June 30, 2005. This goal was achieved through dollar cost averaging transfers from fixed income into equities. The agency continued to make monthly deposits throughout FY 06 striving to reach a goal of a 40 percent equity allocation for the PWMTF and PLF by fiscal year end. The agency surpassed this goal by 5 percent reaching a 45 percent equity allocation for the PWMTF and PLF as of June 30, 2006. This was possible due to increased revenue flows into the permanent funds and due to a more aggressive approach of placing additional revenue into equities with the goal of reaching the long term target asset allocation of 50 percent equities and 50 percent fixed income. The agency did reach this 50/50 long-term asset allocation target during FY 07. The asset allocation was 52% in equities and 48% in fixed income securities on June 30, 2007 and was 51% in equities and 49% in fixed income securities on June 30, 2008.

Performance:

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



Story behind the last year of performance:

#2: *Performance of Wyoming Investments – Rate of Return:* The primary investment performance objective is for the “Total Wyoming Fund” (culmination of all state investment pools) to outperform the “Total Fund Custom Index”. 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.

Investment performance is carefully monitored by the state’s investment consultant as well as State Treasurer staff. As the state’s portfolio continues to be diversified and investments become more complex, monitoring efforts have been expanded to include additional due diligence and periodic site visits by staff. This has required additional travel by State Treasurer staff.

What has been accomplished?

#2 Investment Performance – Rate of Return - Wyoming Total Fund compared to Custom Index as benchmark

Diversification into equities is essential to achieve long-term total return for permanent funds that exceed total return for funds invested only in cash and fixed income. Great strides have been taken over the last few years. During FY 08, the Treasurer's office continued to diversify the state's investment portfolio both in fixed income as well as equities. The diversification of the state's investment portfolio is necessary to continue to improve the total return for the PWMTF and PLF accounts. Continued diversification will provide protection of corpus as well as enhancement of return. Diversification will also ensure greater returns on a more consistent basis, helping to smooth what can be unpredictable mineral income.

During FY 08, the State Loan and Investment Board (SLIB) approved the major contract provisions in two absolute return limited partnerships and they also approved the investment and major contract provisions in a venture capital limited partnership. Funding was provided to all three of these firms during FY 08. The Treasurer's office will continue to explore additional investment opportunities in coordination with the SLIB's outside investment consultant.

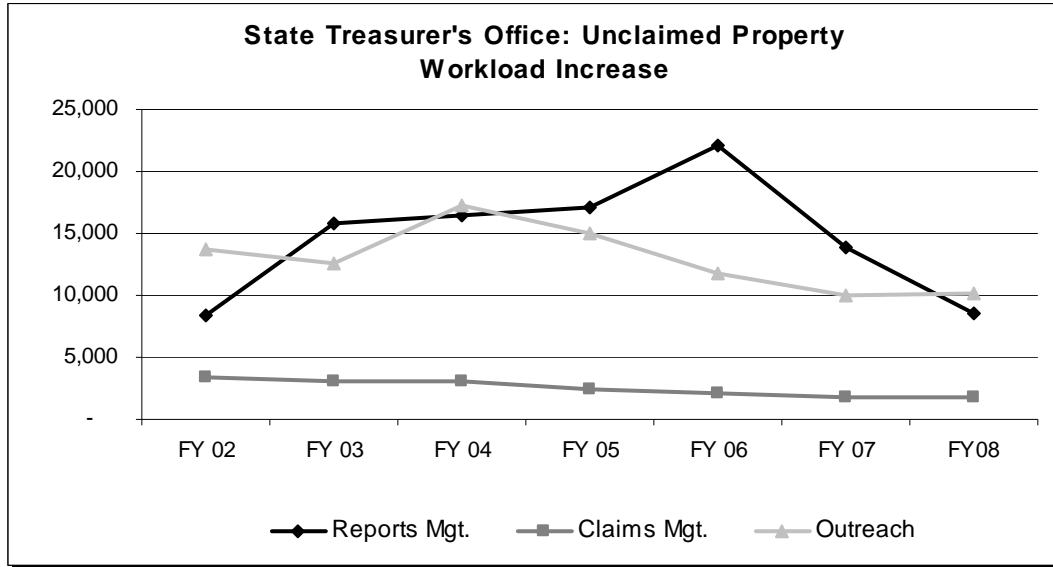
This continued diversification has required careful monitoring by the state's investment consultant as well as the State Treasurer's staff. During FY 08, the Treasurer's office continued increased monitoring efforts by working closely with the various investment managers and by performing on-site due diligence visits to ensure that investment performance is maintained or improved. As the state continues to diversify its portfolio and state funds are invested in more complex asset classes, the agency will increase monitoring efforts, due diligence and periodic site visits to ensure that investment performance is maintained or improved.

With the exception of FY 03, the Total Wyoming Fund has outperformed the Total Fund Custom Index since fiscal year 2000. Fiscal year 2003 was difficult due to low interest rates and an over-weighting of the state's portfolio in fixed income and cash. This trend continued in FY 07; the total return for the Total Wyoming Fund was 3.90 percent while the Total Fund Custom Index was 3.17 percent.

Continued monitoring of investment performance by the state's investment consultant as well as State Treasurer staff has been important to ensure that the rate of return continues to outperform the benchmark. As the state's portfolios are diversified and investments become more complex, however, monitoring efforts need to be expanded to include additional due diligence and periodic site visits by staff, which will require additional travel by State Treasurer staff.

Performance:

#3 – Unclaimed Property workload – Number of annual holder reports received, number of claims paid and number of outreach documents sent out



Story behind the last year of performance:

#3 *Unclaimed Property Workload:* The purpose of the Unclaimed Property Division is to collect unclaimed property (generally cash and securities) from 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 holders on November 1 of each year. The national unclaimed liability for Wyoming residents varies each year. As such, the state has no control over the number of reports and cash received during the reporting period. Reports are verified, balanced and entered onto the Unclaimed Property database. Various outreach programs provide owner notification so the funds may be claimed. Property received during the calendar year is advertised the following February. Claims are filed and paid upon receipt of documentation. Securities held (stocks and mutual funds) are balanced and tracked for mergers/acquisitions, etc.

The number of reports received, claims processed and outreach efforts conducted to locate rightful owners combined increased through FY 04. With these workload increases, limited staff and a limited revenue stream, performing and maintaining standards became challenging. Therefore, beginning in FY 05 and continuing through FY 08, it became necessary to decrease the number of outreach efforts conducted, i.e., unpaid claims notifications, which resulted in a lower number of claims received and processed.

However, the number of reports received from holders drastically increased due to federal requirements from 8,450 in FY 02 to 22,130 in FY 06. Reports received in FY 07 decreased by

37 percent over FY 06; reports received in FY 08 decreased 39 percent over FY 07. The majority of these decreases resulted from no longer requiring companies to file “negative reports.” Prior to FY 07, holders of unclaimed property were required to file negative reports (\$0.00 balances). 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. The new reports received trend is expected to increase as companies become compliant with the law. The negative reports trend is expected to continue to decrease as negative reports are no longer required.

The number of FY 08 claims processed increased by 2 percent over FY 07. There is no control over how many claims will be paid as it is unknown when owners will return the required documentation to pay the claims. Therefore, this trend will vacillate each year.

The FY 08 outreach efforts conducted to locate rightful owners slightly increased over FY 07. Part of the outreach statistics are based on the number of due diligence letters and claims packets mailed to owners as a result of accounts reported by the entities reporting the unclaimed property. This trend will also vacillate each year.

The number of shares of unclaimed securities reported/managed in FY 02 was 428,729. That number more than doubled in FY 06 to 842,622, increased again in FY 07 to 1,036,163, and increased in FY 08 to 1,113,186. Securities are constantly reviewed for mergers/acquisitions and posting of dividends to owners’ accounts. Processing securities-related claims are more complex than cash claims as additional research is required to review corporate history, account verification with the transfer agents, and detailed re-issuance processes must be completed in order to return the securities to the rightful owners/heirs.

Performing and maintaining standards has become challenging with increased workloads, limited staff and a limited revenue stream. The additional workload has resulted in delayed processing of several functions, and some statutorily-required functions have not commenced.

What has been accomplished?

#3 Unclaimed Property Workload:

To improve the Unclaimed Property program workload, several changes were implemented in FY 07 and refined in FY 08. Electronic processing of holder reports and automated claims processing was implemented and vendors were encouraged to use the electronic reporting program which alleviates time-consuming data entry functions and reduces claims preparation time. The goal to complete the holder annual report management period by one or two months was partially met. We anticipate processing time to continue to decrease this next year with additional companies reporting via the electronic reporting program. The automated dividend upload program was launched the first quarter of FY 08. This program provides dividend payments to be automatically calculated and entered into the unclaimed property database instead of manual calculation and data entry.

Outreach efforts conducted to locate rightful owners and outreach programs that provide owner notification were reinstated the month following the suspension. The main objective of this program is consumer protection and the outreach program is vital in order to reunite owners with their funds. Office functions are continually reviewed in order to cut costs.

WYOMING STATE TREASURER

Legal Council

Executive Assistant

Deputy State Treasurer

Chief Investment Officer

Management Services
Information Technology
Matching Endowment Program
Debt Management
Unclaimed Property

Investment/Cash Management
Banking Activities
Investment Accounting
Local Gov't Investment Pool
PILT Payments & Distributions