

Agency Name: Wyoming State Treasurer's Office**General Information:**

- Elected Official's Name and Official Title: Mark Gordon, State Treasurer
- Agency Contact Person: Patricia O'Brien Arp, Deputy State Treasurer
- Agency Contact Phone: (307) 777-7408
- Mailing Address: 200 West 24th Street, Cheyenne, WY 82002
- Physical Location: 2020 Carey Avenue, Cheyenne
- Website URL: <https://statetreasurer.wyo.gov>

Statutory References:

W.S. 8-1-109	Distribution of Fines and Penalties
W.S. 9-1-401; 9-1-409 through 9-1-418	State Treasurer - Duties Generally
W.S. 9-1-507	Distributions Held for Cities, Towns and Counties Not Complying with Required Reporting
W.S. 9-3-303	Agreements with Federal Security Administrator to Extend Benefits to Employees
W.S. 9-3-306	Promulgation of Rules and Regulation for Administration of the State Treasurer's Duties
W.S. 9-4-206	Disposition of Revenue-Petty Cash Accounts
W.S. 9-4-217	Assist State Auditor with Internal Control Procedures for Assets and Accounting Entries
W.S. 9-4-219	Legislative Stabilization Reserve Account
W.S. 9-4-220.1	Wyoming State Penitentiary Capital Construction Account
W.S. 9-4-305	Distribution-Inflation Proofing-Permanent Land Fund Accounts
W.S. 9-4-401	Distribution of Taylor Grazing Funds
W.S. 9-4-501 through 9-4-503	Distribution of U.S. Forest Reserve Funds
W.S. 9-4-601 through 9-4-607	Distribution of Federal Mineral Royalties
W.S. 9-4-605	Bond Issues - Capital Facilities
W.S. 9-4-714 through 9-4-719 & 9-4-831	Investment of State Funds
W.S. 9-4-720 through 9-4-721	Investment Funds Committee
W.S. 9-4-801 through 9-4-829	Deposits in Wyoming Banks & S&L
W.S. 9-4-831	Second Local Government Investment Pool; Education for Political Subdivision Treasurers
W.S. 9-4-901 through 9-4-904	Refunding Bonds
W.S. 9-4-1001	Guarantee Program for School District Bonds
W.S. 9-4-1003	Supplemental Coverage Program for University of Wyoming Revenue Bonds
W.S. 9-4-1101 through 9-4-1105	Tax & Revenue Anticipation Notes
W.S. 9-4-1203	Investment of Tobacco Settlement Fund
W.S. 9-5-111 through 9-5-112	State Capitol Building Rehabilitation and Restoration Project Oversight Group
W.S. 9-15-103	Investment of Wildlife/ Natural Resource Trust Account
W.S. 9-17-111	Disposition of Lottery Proceeds
W.S. 11-6-210	Distribution of Livestock Predatory Animal Control Fees
W.S. 11-10-118	State Fair Endowment Account
W.S. 11-34-103, 105 and 129	Wyoming Investment in Farm Loans
W.S. 11-34-201 through 203	Authority to Issue Nonnegotiable Debentures; Acceptance by Treasurer
W.S. 11-34-301	Wyoming Investment in Small Water Development Project Loans
W.S. 13-4-703	Unclaimed Dividends and Deposits
W.S. 16-1-107 through 111	Wyoming Investment in Joint Powers Board Loans
W.S. 18-7-201 through 18-7-205	County Libraries Endowment Challenge Account/Invest & Distribute Match

W.S. 21-13-301 and 303	Levy of State Tax; Disposition of Funds; Reduction of Mill Levy
W.S. 21-13-304	State Treasurer to Keep Separate Account for School Purposes
W.S. 21-13-316	Interfund Borrowing for Common School Account
W.S. 21-16-703	Wyoming Higher Education Assistance Authority
W.S. 21-16-714	Student Loan Standby Commitment
W.S. 21-16-809 through 21-16-818	Family College Savings Program
W.S. 21-16-901 through 21-16-904	UW Endowment Challenge Account/Invest & Distribute Matching Funds
W.S. 21-16-1001 through 21-16-1003	UW Athletic/Academic Challenge Account/Invest & Distribute Matching Funds
W.S. 21-16-1101 through 21-16-1104	Community College Endowment Challenge Account/Invest & Distribute Match
W.S. 21-16-1201 through 21-16-1204	Investment & Distribution of Higher Education Endowment Fund
W.S. 21-16-1301 through 1311	Investment & Distribution of Hathaway Student Scholarship Fund
W.S. 21-16-1401 through 21-16-1403	UW Academic Facilities Challenge Account/Invest & Distribute Match
W.S. 21-22-101 and 102	Investment of Wyoming Education Trust Fund
W.S. 21-23-201 and 202	Wyoming Public Television Endowment/Distribute Match
W.S. 24-8-101 through 105	Notice of Intention to Issue Bonds; Acceptance/Rejection of Bids
W.S. 27-3-201 through 211	Unemployment Compensation Fund Administration
W.S. 27-14-701	Investment of Worker's Compensation Funds
W.S. 31-3-101	Distribution of Reimbursement for Indian Motor Vehicle Tax Exemptions
W.S. 34-24-101 through 140	Unclaimed Property
W.S. 36-8-319	Wyoming Investment in Hot Springs State Park Loans
W.S. 37-5-206	Investment in Natural Gas Pipeline Authority Bonds
W.S. 37-5-406	Investment in Wyoming Infrastructure Authority Bonds
W.S. 39-13-104	Distribution of Railroad Car Tax
W.S. 39-13-102 and 105	Distribution of Reimbursements for Veteran Tax Exemptions
W.S. 39-13-107	Deferred Tax Loans to Counties
W.S. 39-13-109	Taxpayer Remedies
W.S. 39-14-108, 111, 208, 211, 308, 311, 408, 411, 508, 511, 608, 611, 708, 711 and 801	Distribution of Severance Tax
W.S. 39-17-111	Distribution of Gas Tax Refund
W.S. 39-17-211	Diesel Fuel Taxes; Distributions
W.S. 39-17-311	Alternative Fuel Taxes; Distributions
W.S. 41-2-124	Distribution of Water Development Funds
2009, ch 103; 2010, ch 115	Investment in Gillette Madison Pipeline
2014, ch 46; 2016, ch 41	Large Project Loan Program
2017, ch 78	Health Facility Funding
2017, ch 150	Economic and Fiscal Analysis for Economic Development Projects
2018, ch 136	State Funded Capital Construction
2018, ch 132	Retirement Income Security Task Force

Clients Served (type of clients):

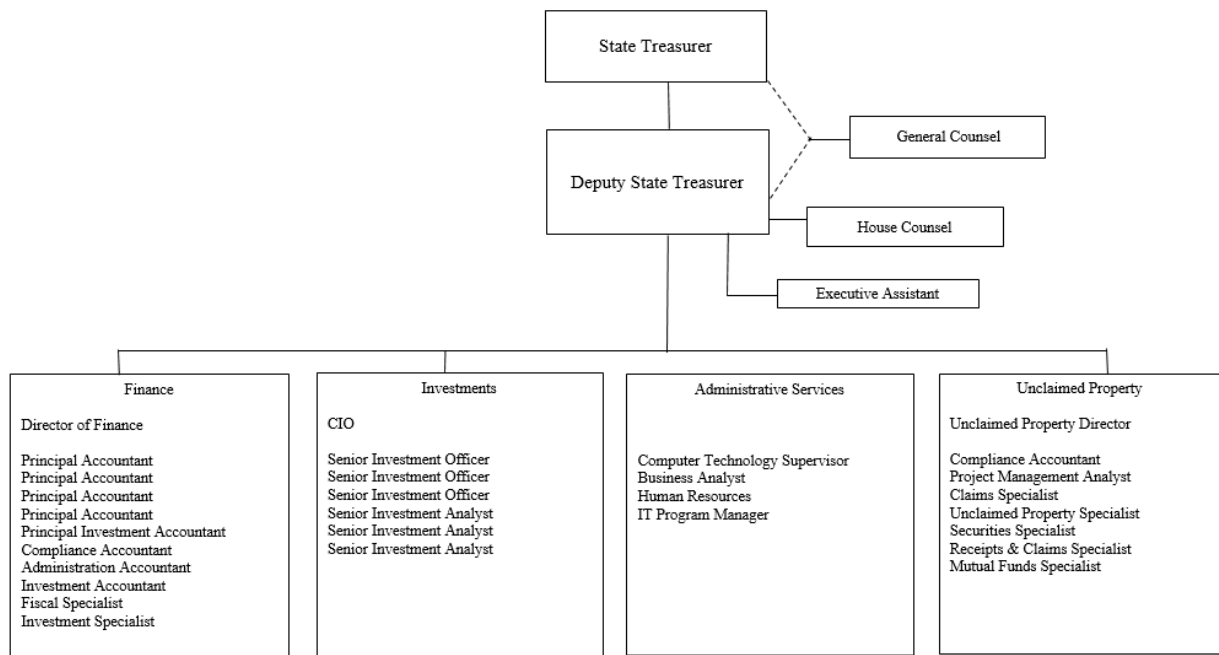
- Wyoming residents, state agencies, legislators, local governments, federal government, the university and community colleges.

Budget Information/Expenditures for FY18:

General fund	\$ 7.2 million
Agency funds	<u>\$ 22.6 million</u>
Total	\$ 29.8 million

Organizational Chart:

Wyoming State Treasurer's Office



*Office structure during FY18

Agency Overview:

- Number of Employees: 29 (35 authorized)

Core Business Functions:

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 of Wyoming through the various programs and activities required of the office as well as through the numerous boards and commissions on which he serves. Agency administration includes all duties associated with a state elected official, administrative, accounting and fiscal administration, and computer technology support.

#2 *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.

#3 *Accounting and Distributions:* The Treasurer's Office administers various statutory programs which involve accounting for and distributing state and federal funds as prescribed by law to cities, towns, counties, the University, community colleges, county libraries, public television, the lottery, and state agencies. Funds distributed include Federal Mineral Royalties, Severance Tax, Railroad Car Tax, Veteran Tax Exemptions, Indian Motor Vehicle Tax Exemptions, Taylor Grazing Fees, U.S. Forest Reserve, Livestock Predatory Animal Control Fees, Water Development funds, Hathaway Student Scholarship Endowment & Excellence in Higher Education Endowment funds, fines and penalties, endowment matching funds, investment income.

#4 *Investment of State Funds:* The State Treasurer's Office invested \$19.8 billion on a cost basis as of June 30, 2018. Investment income is a large source of income to the general fund.

#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 Highlights/Major Accomplishments of FY 2018

Investment of state funds in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible return consistent with the primary objectives of safety and liquidity.

The primary investment performance objective is to invest public funds of the State of Wyoming in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The goal of the performance measurement for “Wyoming Investments-Total Rate of Return” is for the Total Wyoming Fund (culmination of all State investment pools) to outperform or have a higher percentage rate than 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 measurement 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 State portfolio is in a diversified asset allocation. Modern portfolio theory, creating a diversified portfolio of asset classes, allows the investor to achieve a high rate of return while minimizing the volatility of the portfolio. This helps to protect the corpus of the funds and allows maximum returns within acceptable risk.

The State portfolio consists of nine investment pools in seven fund types. Nine pools — the Permanent Wyoming Mineral Trust Fund, — the three Permanent Land Funds, the Hathaway Scholarship Endowment Fund, the Excellence in Higher Education Endowment Fund and the Workers Compensation Fund — may hold equities, fixed income and cash. The State Agency Pool may only hold fixed income and cash.

Wyoming’s investment portfolio was \$19.8 billion (cost basis) as of June 30, 2018 (based on end of year preliminary figures).

Investment performance is carefully monitored by the State Treasurer’s staff. Monitoring efforts are increasing and progressively relied upon to provide both income for the state and financial foundation for the future. Monitoring efforts include due diligence site visits by State Treasurer’s staff as well as regularly scheduled visits by investment managers to Cheyenne for portfolio reviews. Additionally, there has been exerted effort this past 2 years to review investments seeking ways to reduce management cost and maximize returns, yet reduce risk in a down market.

Accomplishments:

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

Last year the State Treasurer reported: “The way Wyoming’s Investment Portfolio is managed has undergone extensive changes as well. Here too the office has been working to upgrade quarter-century old technology and the processes to modern state-of-the-art standards. We began with a thorough review of all that we do and why. We measured ourselves against peer funds, and learned from them. What we discovered was that while Wyoming was cheap keeping our staff to a minimum, our approach was not inexpensive. The fees the state paid to outside managers were considerable and, in some cases, managers were unable to return more than we paid them. Consequently, we realized sizable savings by bringing some of our more routine investments in-house and tying them to well-established indexes. Thus we reduced our overall office budget and improved our returns.” We estimated that we saved approximately \$7 million in fees over the past 2 years while our internal funds beat their respective benchmarks by a combined 2.59 percent. This performance resulted in a return to the state of approximately \$51 million more than the benchmark return. This alpha performance was better than our other nine core bond managers combined.

In fiscal year 2018, we continued the work the Treasurer’s Office has taken since 2002 to further diversify the State’s investment portfolio both in fixed income as well as equities. Importantly, we stepped up the work the office has also undertaken. This includes the comprehensive review of the whole investment process from assessing whether fees incurred are justified by performance to answering whether the systems we have in place are adequate. All of these are necessary to continue to improve the total return for the State’s permanent funds while concomitantly assuring

adequate cash and stability for those portions of the portfolio that require better liquidity. Continued diversification, improved asset allocation, and better risk metrics will provide protection of corpus as well as enhancement of returns. Being able to execute efficiently is critical. Taken together these measures will also ensure greater risk adjusted returns. This will help to smooth the volatility of Wyoming's sometimes unpredictable mineral income.

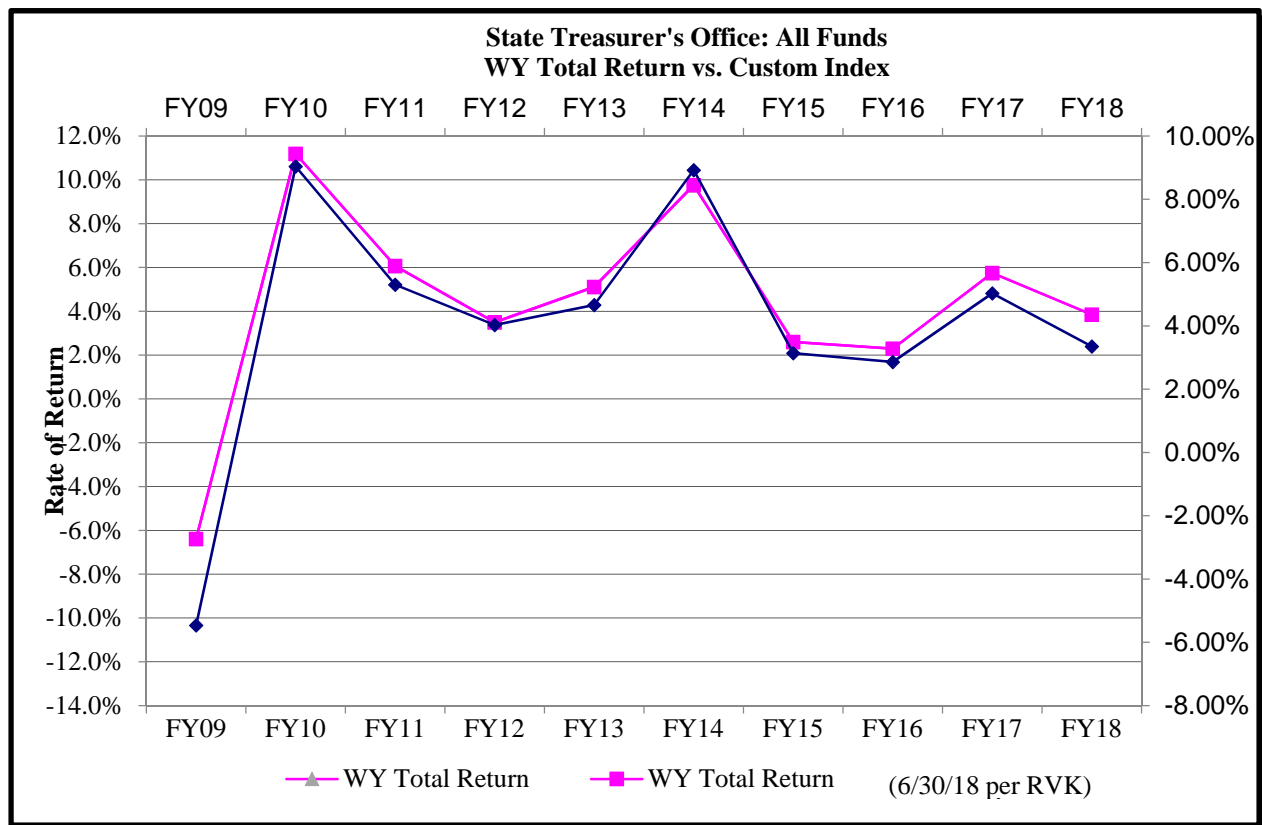
Final performance figures were not available when this report was due, however, preliminary unaudited reports indicate that the total return for fiscal year 2018 for the Wyoming Total Fund was 3.85% percent, 0.50 percent above the Wyoming State Actual Allocation Index (Custom Index) benchmark which had a total return of 3.35 percent. The total return of the fund is comprised of Permanent and Non-Permanent Funds. The Permanent Funds returned 4.61 percent while the Non-Permanent funds returned 1.36 percent. The Non-Permanent Funds are primarily invested in short duration bond funds similar to a mutual fund or bank account. (Note that these preliminary numbers do not include alternatives such as private equity and real estate.)

The State Treasurer's Office worked on two significant bills during the 2018 Legislative Session:

1. SF0063 - Interfund loan accounts and interest rates (2018 Wyoming Session Laws, Ch. 62) - This bill provides that, except as otherwise provided by statute, all interfund loans will come from the LSRA at an interest rate equal to the interest earned on the SAP in the prior fiscal year (except for the School Foundation Program which borrows from the Common School Permanent Land Fund at 0%);
2. SF0015 - Large project account modifications (2018 Wyoming Session Laws, Ch. 98) - This bill modifies the large project loan program to allow for loan participation by banks to fund the large project loans and provides more detail on the interest rate to be charged for loans under the program.

Diagram #1 Performance Measure #1:

1. Wyoming Investments-Total Rate of Return – Wyoming Total Fund compared to Custom Index as benchmark



Performance Highlights/Major Accomplishments of FY 2018

2. *Percentage of times the agency has been in compliance with generally accepted governmental accounting standards.*

The primary goal of this measurement is for the Treasurer's Office to be 100% compliant with all generally accepted accounting principles (GAAP) and all of the Governmental Accounting Standard Board's (GASB) requirements and have no reportable findings in the audit of the State's Comprehensive Annual Financial Report (CAFR).

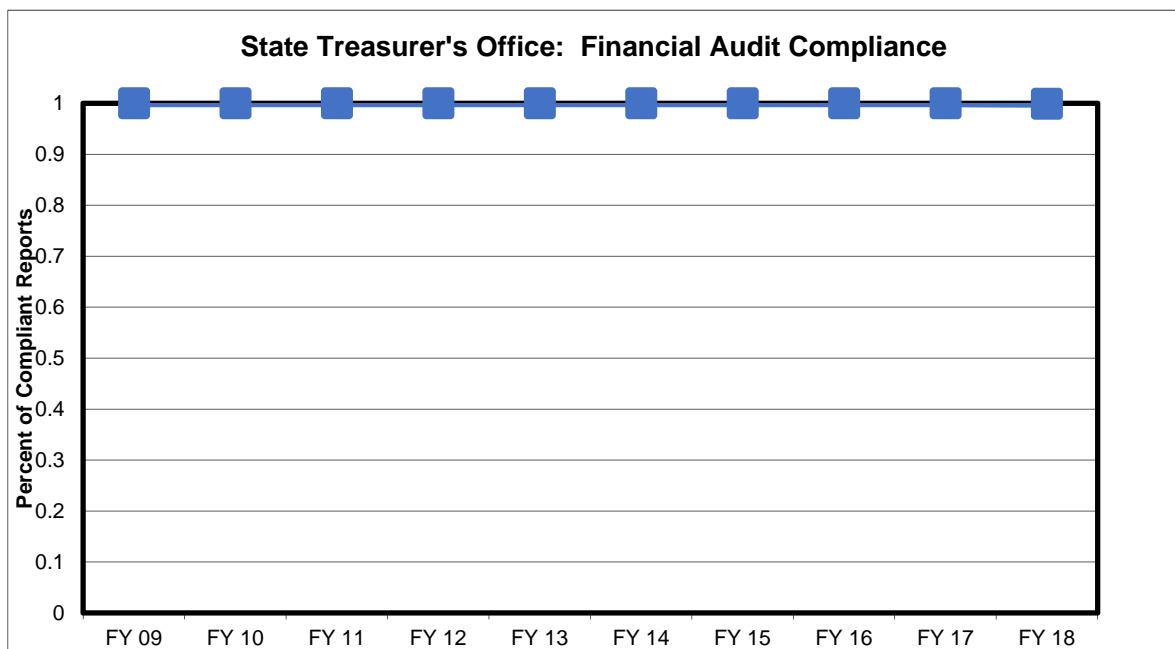
Each year the State Treasurer's Office supplies accounting records and financial reporting data on revenue receipts, banking and cash management activities, revenue distributions in accordance with state statutes and investment of state funds. Since this involves billions of dollars each year, financial compliance is an extremely important aspect of the day to day activities within the Treasurer's Office and the office continues to perform at an exceedingly high level. (See Diagram #2 below)

Accomplishments: Key accomplishments this year included the following:

1. Pool A, which includes Tobacco Settlement, was created by the Legislature in 2017 in response to the passage of a Constitutional amendment in 2016 which allowed the Legislature to specify certain non-permanent funds that can hold investments in equities as well as fixed in securities. This fund was structured and implemented this past year and is fully operational. Future addition of funds to the pool are anticipated.
2. This year we worked toward the development of new technology, of note a new Deposits system. This new system is allowing State Agencies to manage cash receipt deposits more electronically.

Diagram #2 Performance Measure #2:

Financial Audit Compliance – Percentage of times the agency has been in compliance with governmental accounting standards



Performance Highlights/Major Accomplishments of FY 2018

3. *Percentage of Unclaimed Property returned to owners or heirs compared to the amount collected and held in trust until the rightful owners can be located.*

Wyoming law requires banks, insurance companies, and many other types of entities (known as holders) to transfer to the Wyoming State Treasurer's Office personal property considered abandoned by owners. These "unclaimed" properties include utility security deposits, savings or checking accounts, stocks, uncashed dividends or payroll checks, refunds, traveler's checks, trust distributions, unredeemed money orders, insurance payments or refunds, life insurance policies, annuities, certificates of deposit, customer overpayments, and mineral royalty payments. The State takes custody of unclaimed property and maintains an indefinite obligation to reunite the property with owners or heirs, should they come forth and make a claim. The State makes a concerted effort to locate and refund all property.

Accomplishments:

#3 Percentage of Unclaimed Property returned to owners/heirs compared to the total amount received.

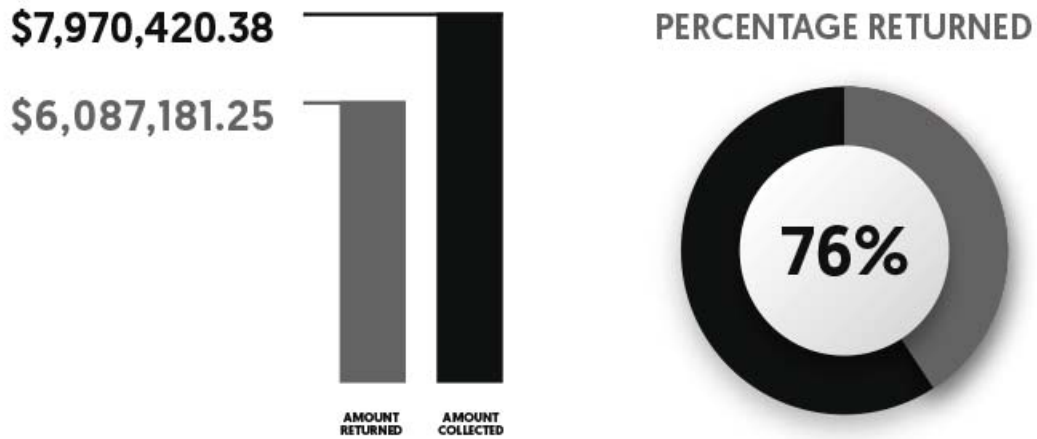
In FY2018, the Unclaimed Property Division received approximately 7.9 million dollars in new property and returned over 6 million dollars to Wyoming Citizens which resulted in a 76 percentage rate returned (see graph below).

The Unclaimed Property Program's greatest accomplishment was the completion of a monumental securities liquidation project, which resulted in another banner year in the number of properties returned to owners/heirs. For the past 25 years, the State has routinely received securities and physical stock certificates. Without a broker, the Unclaimed Property Program lacked the ability to liquidate shares and a stockpile of physical certificates and accounts grew. This year, the Treasurer's Office obtained a broker and staff worked diligently with transfer agents to convert physical stock certificates to direct registration and liquidate all securities. This increased the cash in the Unclaimed Property Fund by over \$19 million. After all the shares were liquidated, Unclaimed Property staff used data analytic software to locate owners and successfully returned 6 million dollars to over 4,000 Wyoming citizens.

Many improvements in technology have been implemented over the past two years and more improvements are underway. In FY2018, the Legislature approved a funding request by the State Treasurer's Office for a new, improved and far more advanced software management program. This new program will allow for paperless, online filing of claims and holder reporting. With the ability to file claims online, new marketing and outreach efforts are on the horizon. Once the new technology is fully completed and deployed in November 2018, new processes will be adopted and the Unclaimed Property Program will continue to track and assess all efforts in accordance with the strategic plan.

Diagram # 3 Performance Measure #3:

Unclaimed Property Disbursements – Percentage of Unclaimed Property returned to owners/heirs compared to total amount received during FY2018.



While basic performance measures are provided here as required by law, a much more thorough analysis of the work of the Wyoming State Treasurer's Office is provided annually by November 1st in the State Treasurer's Annual Report to the legislature. The entire report, providing detail of all aspects of the agency including its investments is available at: <https://statetreasurer.wyo.gov/Investments.aspx>