

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 Accts
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. 10-3-403	Wyoming Investment in Airport Loans-Aeronautics Commission
W.S. 11-6-210	Distribution of Livestock Predatory Animal Control Fees
W.S. 11-34-129	Wyoming Investment in Farm Loans
W.S. 11-34-201	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. 16-1-109	Wyoming Investment in Joint Powers Board Loans

W.S. 18-7-201 through 18-7-205	County Libraries Endowment Challenge Acct/Invest & Distribute Match
W.S. 21-13-303	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. 21-15-122	Transfer from School Capital Construction Fund to Common School Permanent Land Fund
W.S. 21-16-113	Invest in Insured, Guaranteed or Higher Education Loans
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 Acct/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. 24-8-103	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
WS. 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. 39-14-109, 111, 211, 311, 411, 511, 611, 711 and 801	Distribution of Severance Tax
W.S. 39-17-111	Distribution of Gas Tax Refund
W.S. 41-2-124	Distribution of Water Development Funds
1987, ch 117	Wyoming Investment-Shoshone Municipal Water Treatment Project Loan
1989, ch 230	Wyoming Investment-Sheridan Area Water Treatment Facility Loan
1989, ch 131 and 285	Wyoming Investment-Laramie Territorial Park Loan
2009, ch 103; 2010, ch 115	Investment in Gillette Madison Pipeline
2014, ch 46; 2016, ch 41	Large Project Loan Program
2017, ch 78	Spending Policy-LSRA redirection
2017, ch 150	Economic and Fiscal Analysis for Economic Development Projects

Clients Served (type of clients):

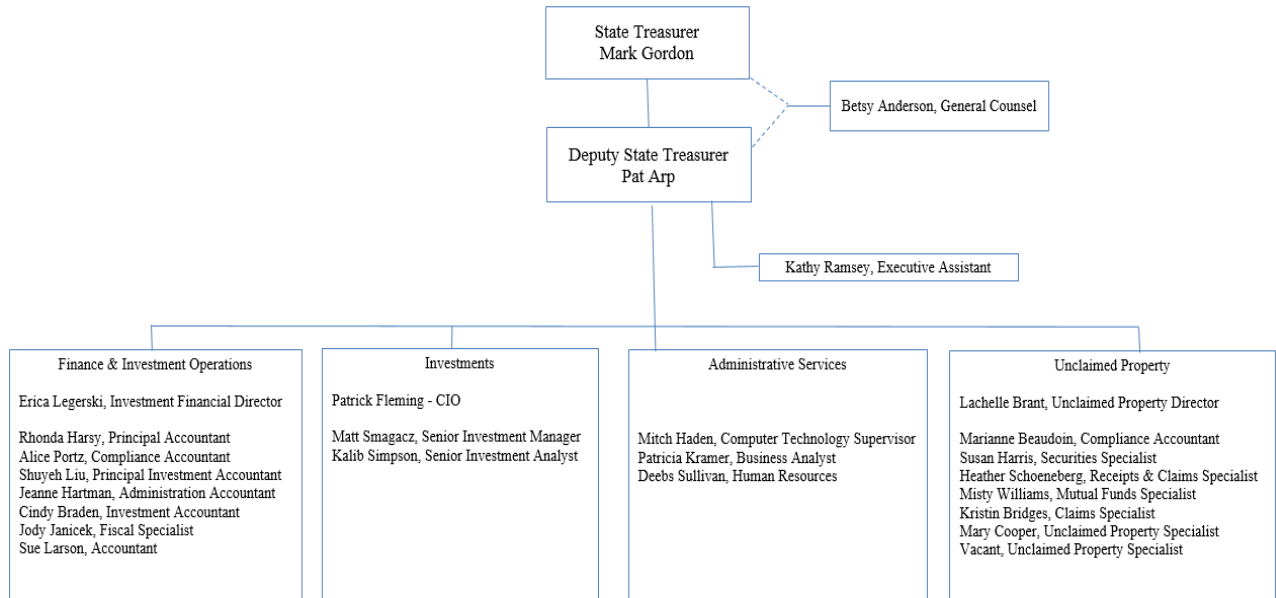
- Wyoming residents, state agencies, legislators, local governments, federal government, the university and community colleges.

Budget Information/Expenditures for FY17:

General fund	\$ 7.0 million
Agency funds	<u>\$ 24.7 million</u>
Total	\$ 31.7 million

Organizational Chart:

Wyoming State Treasurer's Office



*Office structure during FY16

Agency Overview:

- Number of Employees: 26

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, 2017. 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 2017

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 protects 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 and the Tobacco Settlement Fund may only hold fixed income and cash.

Wyoming’s investment portfolio, on a cost basis, was \$19.8 billion as of June 30, 2017.

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 year 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

More refined targeting of the purpose and opportunities for the individual components of the Wyoming Total Fund; as well as expanding overall equity holdings within better defined risk parameters; along with continued efforts to further diversify the overall portfolio; while simultaneously improving efficiency by instituting improved systems and processes that are up to the task of managing a large institutional portfolio; are essential elements of improving the long-term total return for Wyoming’s permanent and non-permanent funds. In fiscal year 2017, 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, but importantly in 2016 we stepped up the work the office has also undertaken beginning with 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 or could materially reduce overhead. 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 targeting, and better risk metrics will provide protection of corpus as well as enhancement of return. Being able to execute efficiently is critical. Taken

together these measures will also ensure greater returns on a more consistent basis, helping to smooth the volatility of Wyoming's sometimes unpredictable mineral income.

Audited performance figures were not available when this report was due, however, preliminary unaudited reports indicate that the total return for fiscal year 2017 for the Wyoming Total Fund was 5.75 percent, 0.72 percent above the Wyoming State Actual Allocation Index (Custom Index) benchmark which had a total return of 5.03 percent. (Note that these preliminary numbers do not include alternatives such as private equity and real estate.)

Last year the State Treasurer reported: "Continued monitoring of investment performance by the State Treasurer's staff has been important in the volatile markets of this past year. As the State's portfolios have continued to be diversified and investments have become more complex, monitoring efforts have likewise become more complex. Further expansion will likely be necessary to help ensure the best risk adjusted returns."

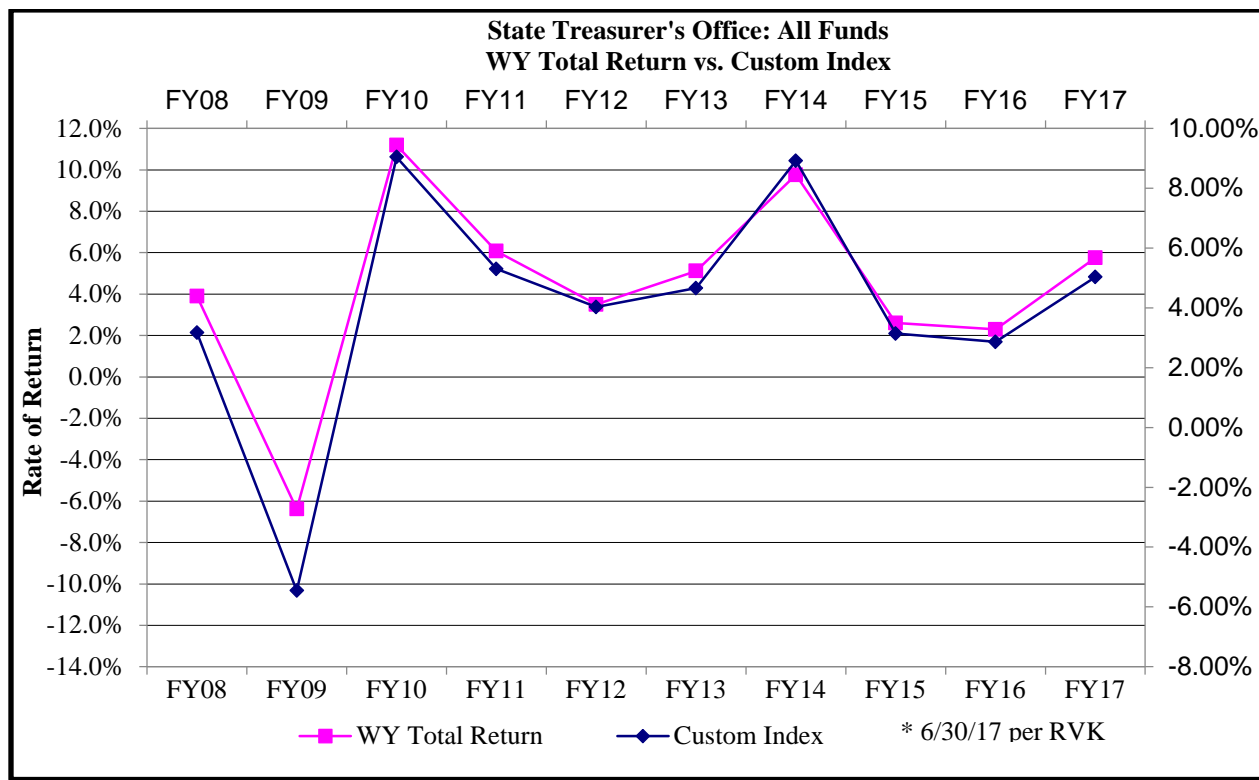
During the FY17 interim and legislative session, the State Treasurer worked with the legislature to consider and enact two significant bills:

1. 2017 Enrolled Act 88, established the Investment Funds Committee which will provide additional financial knowledge, expertise, transparency and external insight to the state as it considers financial matters;
2. A budget footnote provided additional resources (human, technological and operational) to invest using different models of investing and oversight.

These new tools are just being established but will be reported on in depth in FY18.

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 2017

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. (See Diagram #2 below)

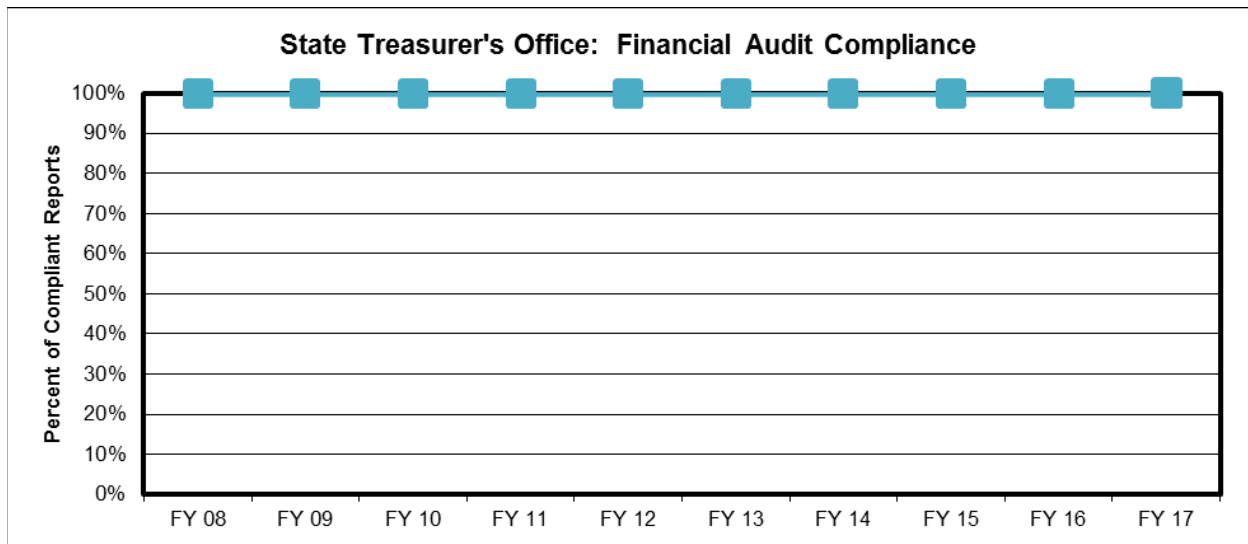
Accomplishments:

#2 *Financial Audit Compliance*

Each year the Treasurer's Office works with the external auditors to review accounting processes and accounting records to ensure compliance with GASB. There have been no reportable findings in the Treasurer's accounting processes for the past 10 years. The State Treasurer's Office continues to keep apprised of new GASB reporting requirements and is proud of achieving a 100% compliance record. For the past year the State Treasurer's Office has been preparing for the implementation of GASB 72 and the Treasurer's Office has now implemented GASB Statement No. 72, "Fair Value Measurement and Application".

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 2017

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 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, utility security deposits 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. In essence, the State acts as the custodian and/or fiduciary of the funds and stands in the shoes of the owner. The State makes an effort to locate and refund all property at no cost.

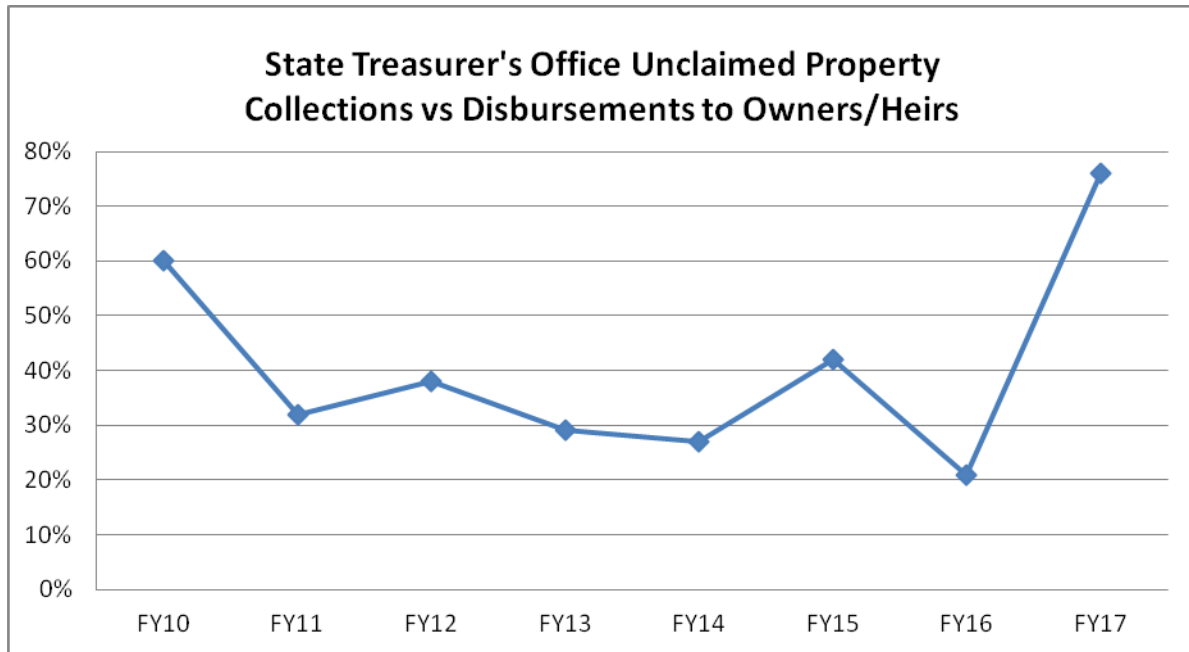
Accomplishments:

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

Since 1993, more than \$105 million has been received and approximately \$42 million has been disbursed. The State currently has a total of approximately \$63 million in property that has not yet been claimed by owners. Also during that time, the Unclaimed Property Program operated under the same rules and processes. This brought consistency to the program but left it far behind in technology. Almost all other states have more advanced technology and swifter, more effective processes already in place. For example, most states have systems for filing claims on-line, while Wyoming was still mailing out applications to people who contact the Division and then required the completed application and supporting documents to be returned as a hard copy. Making improvements in notifying the public that unclaimed property might await them is the "easy part" of the unclaimed property directive. With websites and social media, it is progressively easier to "get the word out". So, the focus on improvement is not on notifying the public, but rather on being able to swiftly and accurately assess and process a claim once it is submitted. Over the course of FY2017, many improvements have been implemented. The Treasurer's Office deployed a new website with modern programming, including a foundation which will allow it to be wed to an on-line unclaimed property filing system. The Office has researched and tested systems by other states to see what options are available and the cost of each. We have requested proposals from the two main vendors. In the meantime, while waiting for sufficient funding, we implemented an intermediary step of instituting a data interface directly from Lexis-Nexis which did not result in a fully automated system but expedited the processing of the claims. The result was a dramatic increase in paid claims as depicted in the chart below. Additionally, we have begun tracking the number and size of claims differently and as the months proceed we will, in accordance with our new strategic plan, have hard data to know to what degree our changes are effective.

Diagram # 3 Performance Measure #3:

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



While basic performance measures are provided here as required by law, a much more thorough analysis 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 and its investments is available at: <https://statetreasurer.wyo.gov/Investments.aspx>