

# State of Wyoming

## State Treasurer's Office



# Strategic Plan

July 1, 2008 – June 30, 2010  
(FY2009 – FY2010)

Joseph B. Meyer  
State Treasurer

**WYOMING STATE TREASURER'S OFFICE  
STRATEGIC PLAN  
FY 2009/2010**

**Plan Period:** FY2009-2010 (July 1, 2008 through June 30, 2010)

**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 is currently authorized 26 full time positions and two at-will employee contract positions. However, the agency plans to surrender one full time position during the FY 2009/2010 biennium. The success of the agency is due in a large part to the dedicated and talented staff, many of whom have been employed by Treasurer's office or other state agencies for a number of years. The agency has requested a total of \$55,380,978 as part of the FY2009-2010 Biennium Budget consisting of \$9,730,188 in general funds and \$45,650,790 in agency and special revenue funds.

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, fiscal and human resources services, and computer technology support.

*#2 Investment of State Funds:* The State Treasurer's Office invests \$9.4 billion as of July 1, 2007 and this figure continues to rapidly grow. 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.

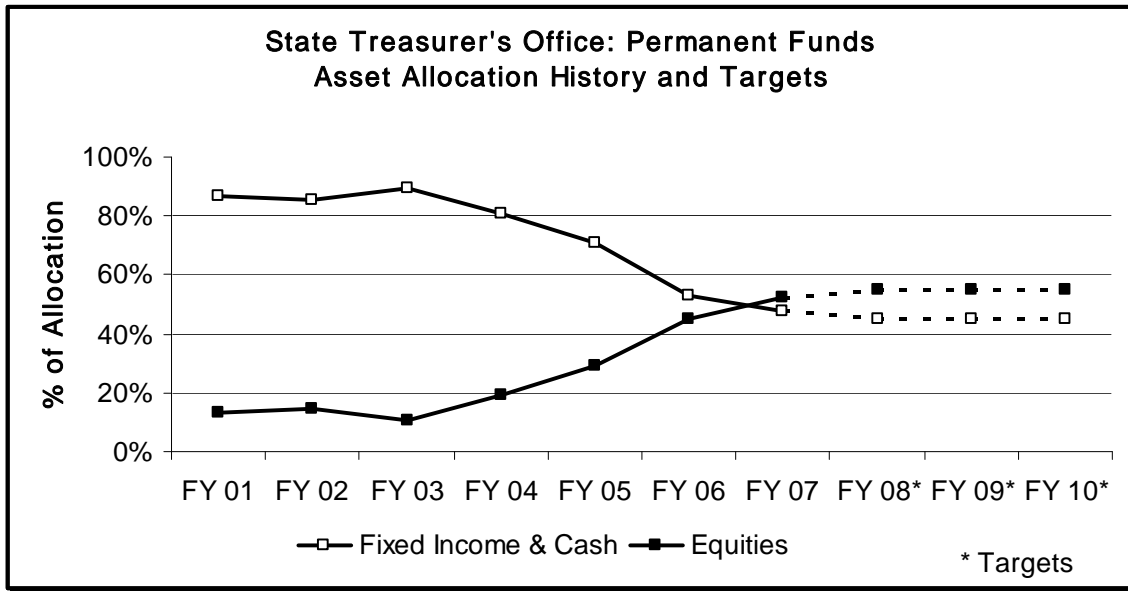
**#4 Special Legislative Projects and Revenue Distribution:** The Treasurer's office administers various legislative programs which involve accounting and distributing state and federal funds as prescribed by law to cities, towns, counties, the University, community colleges and state agencies. Funds 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, Hathaway scholarship & Higher Education funds and investment income. In addition, the agency also accounts for and distributes the Hathaway scholarship and excellence in higher education funds and endowment challenge matching program funds to the University of Wyoming foundation, the community college foundations and distributes matching funds for the Wildlife Trust 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 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 is to reach and maintain the 55 percent statutory limit for permanent fund 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.

The State Treasurer's office manages \$9.4 billion (as of 06-30-07) in non-pension investable funds across seven fund types. Five funds, the Permanent Wyoming Mineral Trust Fund, the Permanent Land Funds, 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 doubled over the last six years from \$4.5 billion at the end of FY01 to \$9.4 billion at the end of FY07.

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 target equity allocation for FY 07 was 52 percent equity / 48 percent fixed income and cash mix in the permanent funds. The Treasurer's office intends to keep the equity allocation at or slightly above this level during the 2009-2010 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.

Current market conditions predict a seven percent (7%) long-term total return for Wyoming's permanent funds based on the above allocation strategy compared to a return below five percent (5%) of funds without an equity allocation.

The Permanent Wyoming Mineral Trust Fund (PWMTF) (\$3.3 billion as of June 30, 2007) 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 FY 07 target of 52 percent was achieved.

The Permanent Land Fund (\$1.5 billion as of June 30, 2007) 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 \$1.4 billion as of 06-30-07; 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 FY 07 target of 52 percent was met.

The Hathaway Student Scholarship Endowment Fund, funded by a portion of the federal mineral royalty revenue received by the State, had a balance of \$298.3 million on June 30, 2007. The Fund is expected to be fully funded with \$400 million by June 30, 2008. 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. However, this is a fairly new fund and authorization for investment in equities was only recently approved. Therefore, this fund was not invested in equities during FY07.

The Excellence in Higher Education Endowment Fund is also funded with federal mineral royalty revenues. The fund had a balance of \$76.4 million on June 30, 2007 and is expected to be fully funded at \$105 million by the end of FY2008. 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. Authorization for investment in equities was approved at the same time as the Hathaway Scholarship Endowment Fund. Thus, there were no equities invested in this fund during FY07.

The Workers Compensation Fund (\$848.7 million as of June 30, 2007) 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 FY 07 target was 5 percent.

The Tobacco Settlement Fund (\$56.35 million as of June 30, 2007) 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, 2007.

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

*#1 Asset Allocation:*

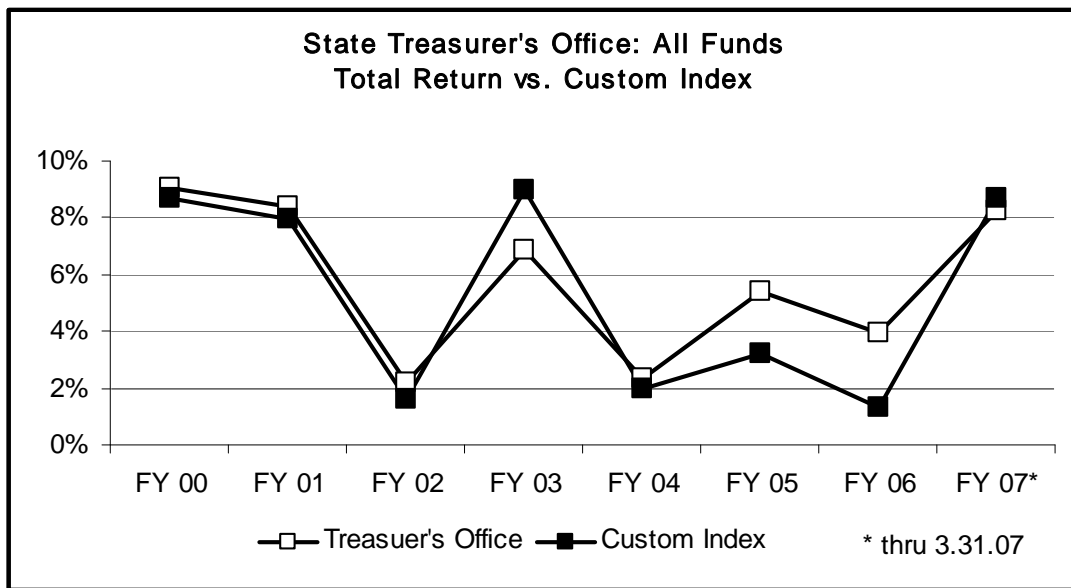
The Treasurer's Office implemented a plan in FY05 to have the Permanent Wyoming Mineral Trust Fund (PWMTF) and the Common School Permanent Land Fund (CSPLF) portfolios invested in 50 percent equities by the end of FY07. This goal was achieved through dollar cost averaging transfers from fixed income into equities and by placing incoming revenue into equities. During the FY 2009-2010 biennium, the agency will continue to make monthly deposits into equities to reach and maintain a 55 percent equity allocation (the statutory limitation) for the PWMTF and CSPLF.

To ensure the continued implementation of the asset allocation plan, the agency is requesting an increase of \$14,700,000 in the 2009-2010 biennium budget request from investment income for payment of external investment management fees. Investment management firms are paid on a percentage basis of the market value of the investment assets they manage. As additional revenue flows into the state's coffer, it is placed with these investment managers and as market value of assets under their management grow, so do the fees they charge.

In addition, the 2009/2010 biennium budget request includes an exception budget for \$400,000 to cover the anticipated increase in the custodial banking fees associated with the state's asset allocation plan, with the continued growth of the state's investment portfolio, with the addition of new managers, and with the complexity of the asset types.

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 white square boxes on the graph) to outperform or have a higher percentage rate than the Total Fund Custom Index (shown in black 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 has outperformed the Total Fund Custom Index since fiscal year 2000, except in FY 03 when low interest rates and an over-weighting of the state’s portfolio in fixed income and cash contributed to lagging performance.

Investment performance is carefully monitored by State Treasurer staff. Monitoring efforts have expanded to include additional due diligence site visits by staff, as well as 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*

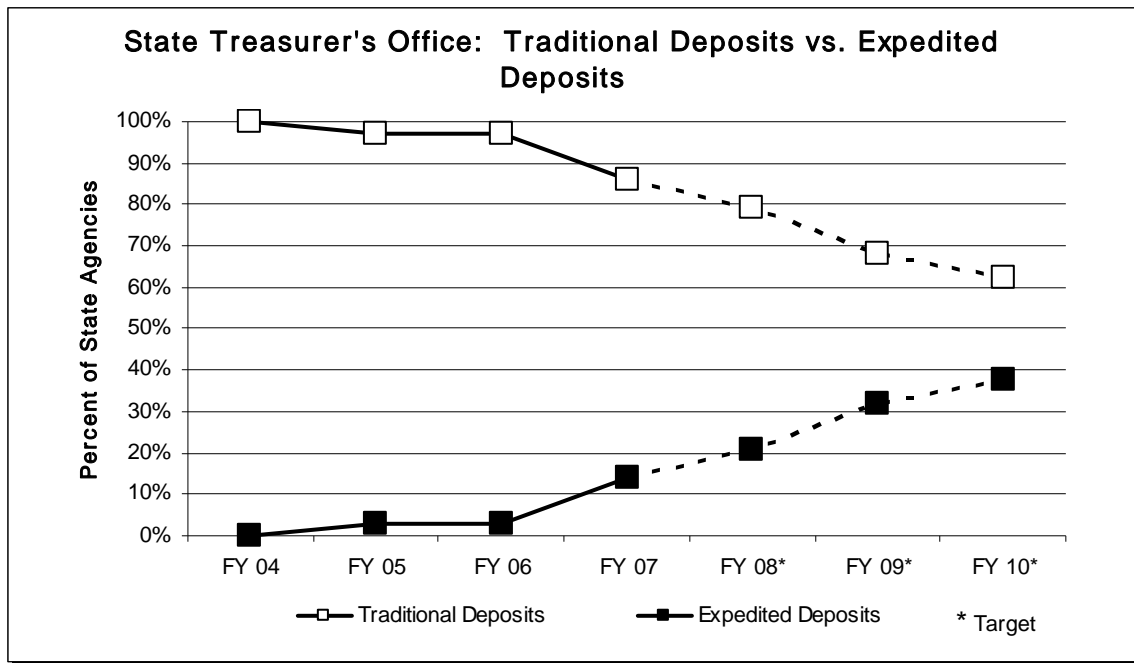
Great strides have been taken to further diversify the investment portfolio to improve the total return for the PWMTF and CSPLF accounts. The Treasurer’s office will continue to explore investment possibilities in consultation with the State Loan and Investment Board (SLIB) and with the SLIB’s external investment consultant. The investment goals are: protection of corpus and enhancement of return. Diversification will 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 deposit using a locked bag. This speeds up the deposit process. In FY07 the "desktop deposit" program was implemented allowing state agencies to send electronic deposits directly to the bank. This process virtually eliminates deposit errors and allows funds to be invested sooner thus increasing investment income. There are 101 state agencies that make deposits through the State Treasurer's office. Of those, 101 agencies, approximately 25%, do not make daily deposits. These state agencies would probably not use either of these programs, however, the Treasurer's office is constantly

researching new technology to get funds deposited and invested sooner.

The Time Deposit Open Account program (TDOA-a discretionary program that places state funds into approved financial institutions across the State of Wyoming) provides interaction with the state's financial community. The State Treasurer's office places state dollars in financial institutions for a specified period of time at a specified rate of interest. This program encourages lending to Wyoming residents and businesses to stimulate the State's economy.

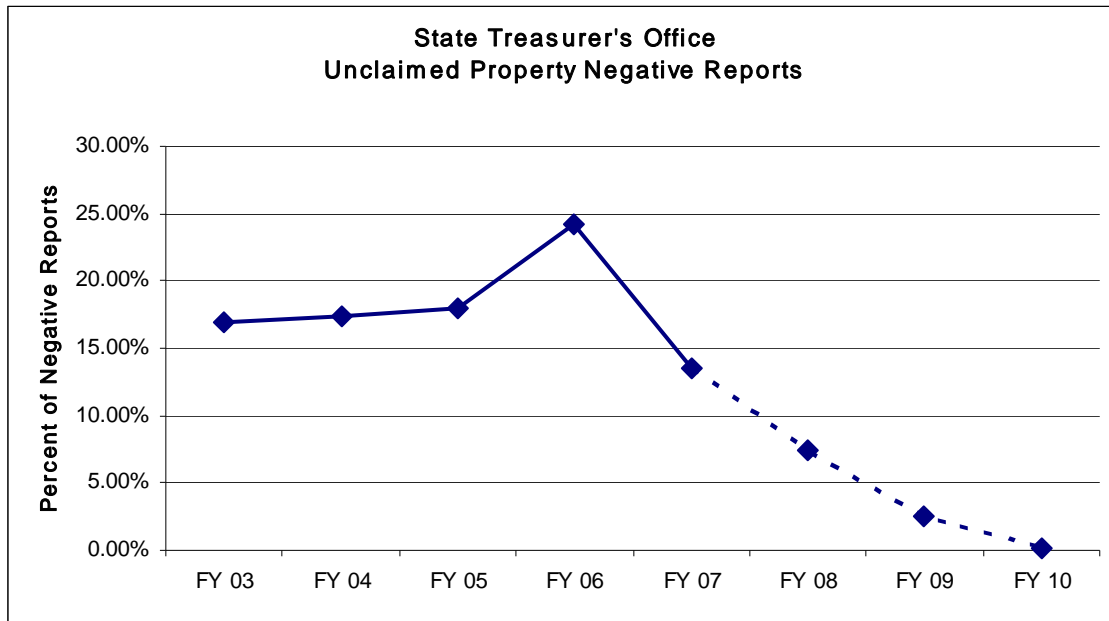
What do you propose to do to improve performance in the next two years?

### #3 Banking Deposits

During the next biennium, the Treasurer's office will 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. Additional machines have been purchased (at \$1,000 each) by agencies wishing to participate in the program. Some agencies have not participated for this reason due to the requirement to purchase the machine.

### 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 substantially. 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.

A total of \$13,200 is being requested in the Unclaimed Property Division exception budget request for updating IT equipment. This will ensure that all Unclaimed Property processes can be met, both claims and reports processing are not delayed.