

**Wyoming State Treasurer
Annual Report
Fiscal Year 2011**

General Information

Joseph B. Meyer, State Treasurer

Agency Contact

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Deputy State Treasurer

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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; 9-4-1203; 9-15-103; 10-3-403; 11-23-129; 11-34-301; 16-1-109; 21-16-1202; 21-22-101; 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; 21-15-108

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); 35-1-1001 through 35-1-1004; 39-13-102 through 39-13-105; 39-14-211, 311, 411; 39-14-509, 611, 711, 801; 39-17-111; 41-2-124

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 \$ 7,057,970

Agency funds \$14,648,462

Total \$21,706,432

Wyoming State Treasurer

Report Period: FY2011 (July 1, 2010 through June 30, 2011)

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. 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 was authorized 26 full time positions and one at-will employee contract positions for the 2011/2012 biennium. 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 total authorized for the 2011-2012 biennium was \$59,836,178 consisting of \$13,839,443 in general funds and \$45,996,735 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, accounting and fiscal activities, human resources services, and computer technology support.

#2 *Investment of State Funds*: The State Treasurer's Office invests a portfolio of approximately \$13.8 billion as of June 30, 2011 and this figure will continue to 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.

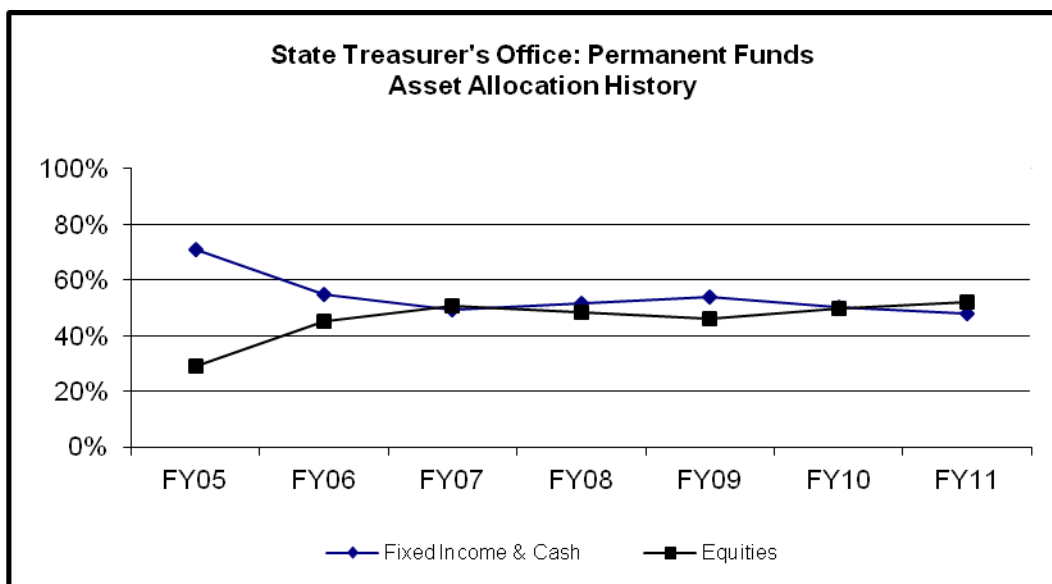
#4 *Special Legislative Projects and Revenue Distribution*: The Treasurer's Office administers various legislative programs which involve accounting and distributing state and federal funds as prescribed by law to cities, towns, counties, the University, community colleges, critical access & rural hospitals, 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 last year of performance:

#1 Asset Allocation: Asset allocation is the distribution of investments among asset classes. There are two parts to the asset allocation decision: first identifying asset allocation possibilities; and next choosing the best combination of assets to meet investment risk and return objectives. R.V. Kuhns, investment advisor to the State Loan and Investment Board, works with the State Treasurer's Office to establish and annually review asset allocation targets.

The State's portfolio includes U.S. and international stocks, private equity, absolute return strategies, real estate, bonds and cash. Each investment pool has a specific target allocation of each of these types of investments listed in the State's Investment Policy. The Treasurer's Office systematically invests money using monthly dollar cost averaging to achieve and maintain each pool's investment allocation.

The Treasurer's Office is mindful of the stated investment goal of the State's portfolio as set forth in the Investment Policy: that the portfolio is to be invested "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."

Voters amended Wyoming's Constitution in 1996 to allow state permanent funds to be invested in stocks. Permanent funds are defined in statutes to mean the Permanent Wyoming Mineral Trust Fund, the Wyoming Permanent Land Fund, the Excellence in Higher Education Endowment fund and the Hathaway student scholarship endowment fund. 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 a 50 percent target. As can be seen from the chart above, 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 Permanent Mineral Trust Fund and Permanent Land Funds may hold up to 55 percent in equities under current law. The State's Investment Policy sets out a long-term target allocation of 50 percent equities and 50 percent fixed income and cash.

The Hathaway Scholarship Endowment and Higher Education Endowment Funds also have an allowed long-term target of 50 percent equities, but the Treasurer set their FY 11 target slightly lower at 45 percent, given their need for more stable 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. R.V. Kuhns, investment advisor to the State Loan and Investment Board, works with the State Treasurer's Office to establish and annually review asset allocation targets.

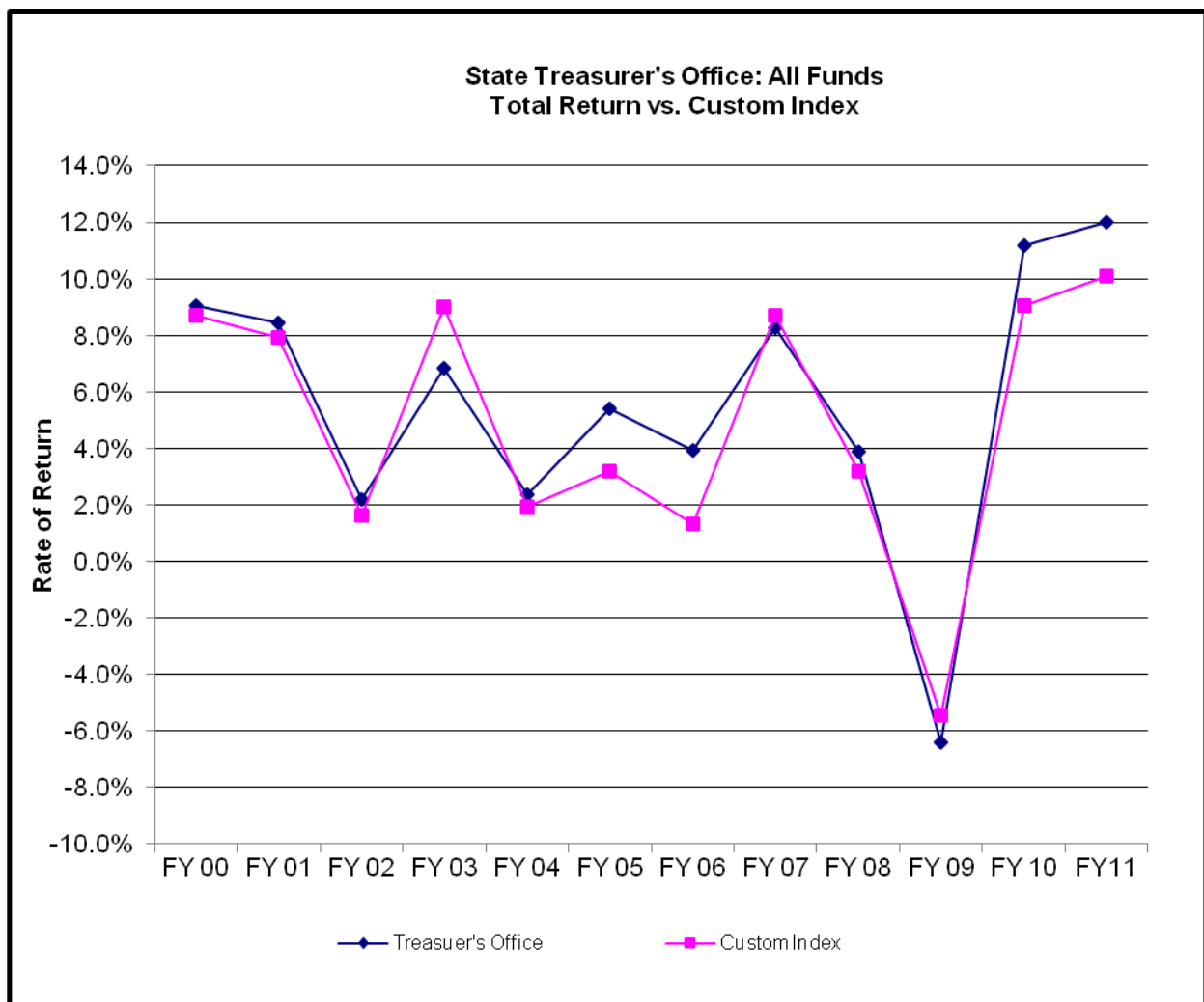
What has been accomplished?

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

The permanent fund allocation into equity investments was increased again in FY11 as new revenue was received into the permanent funds. This resulted in a 52 percent equity allocation and a 48 percent allocation in fixed income & cash at the end of fiscal year 2011.

Performance Measure #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.

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 seven years. During fiscal year 2011, 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 state’s permanent funds. 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.

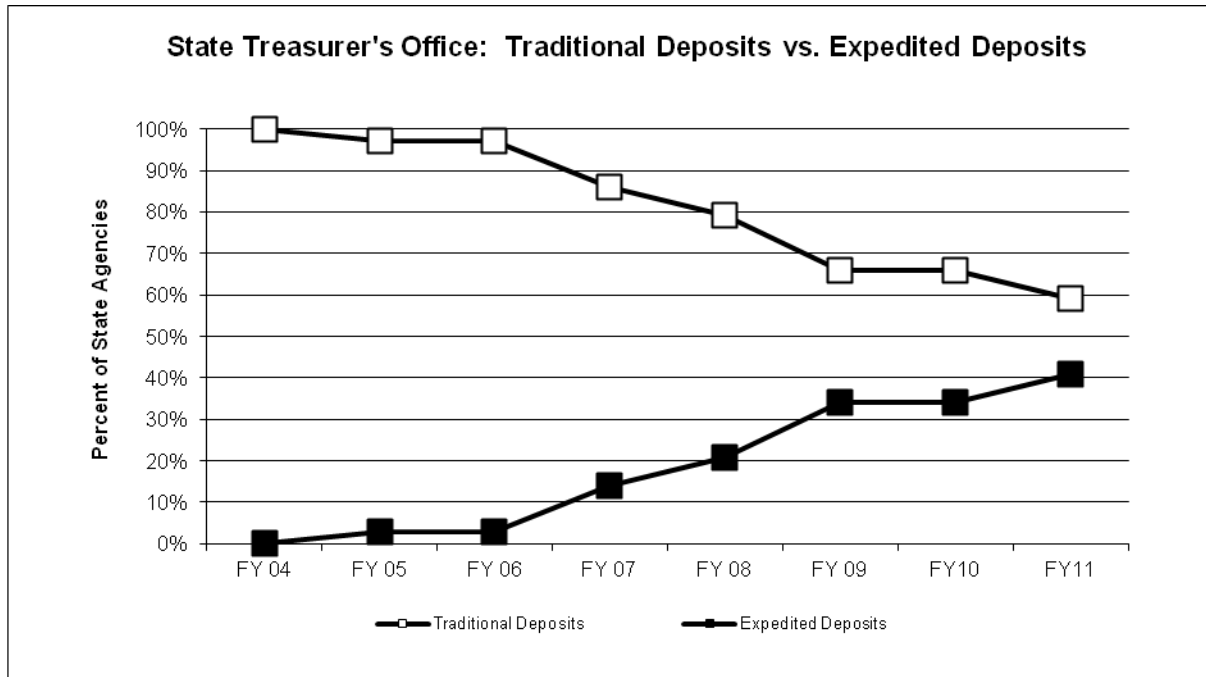
The Wyoming Total Fund had a total return of 12.02 percent for FY11 outperforming the Custom Index benchmark which had a total return of 10.10 percent. Fiscal year 2011 saw strong relative and absolute performance for all investment funds, despite significant uncertainty during the last quarter of the fiscal year. This performance was primarily driven by strong appreciation in equities and outperformance from the State’s fixed income managers.

R.V. Kuhns acts as investment advisor to the State Loan and Investment Board. Twice a year they survey public investment programs in the country, and they produce a report comparing performance. Wyoming ranked 5th in total return for the fiscal year ending June 30, 2009, and 2nd when measured over three years. Our conservative investment policies and portfolio construction, with relatively smaller exposure to equities and greater reliance on fixed income, protected us during the market crisis. As equity markets rebounded during FY 10, our performance compared to other large institutional investors is weaker because of our concentration of fixed income. However, the measurements relate to total return, which includes increases and decreases in value. Measured by cash yield, Wyoming ranks among the top in the nation. The contribution of investment income to State revenue during fiscal year 2011 was the second highest ever.

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 have continued to be diversified and investments have become more complex, monitoring efforts have been expanded to include additional due diligence and periodic site visits by staff.

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 last year of 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” method 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, the Treasurer’s Office began a “direct deposit to the bank” method. This alternative to mailing deposits to the State Treasurer’s Office allows outlying agencies to take their deposits directly to a Wells Fargo branch. As of 06/30/10, there are 101 state agencies that make deposits through the State Treasurer’s Office. Of these 101 agencies, seven agencies utilize the locked bag direct deposit method, four agencies utilize the direct deposit to bank branches method, and thirty agencies are currently using the desktop deposit method. The remaining agencies make their deposits directly to the State Treasurer’s Office either in person or by mail.

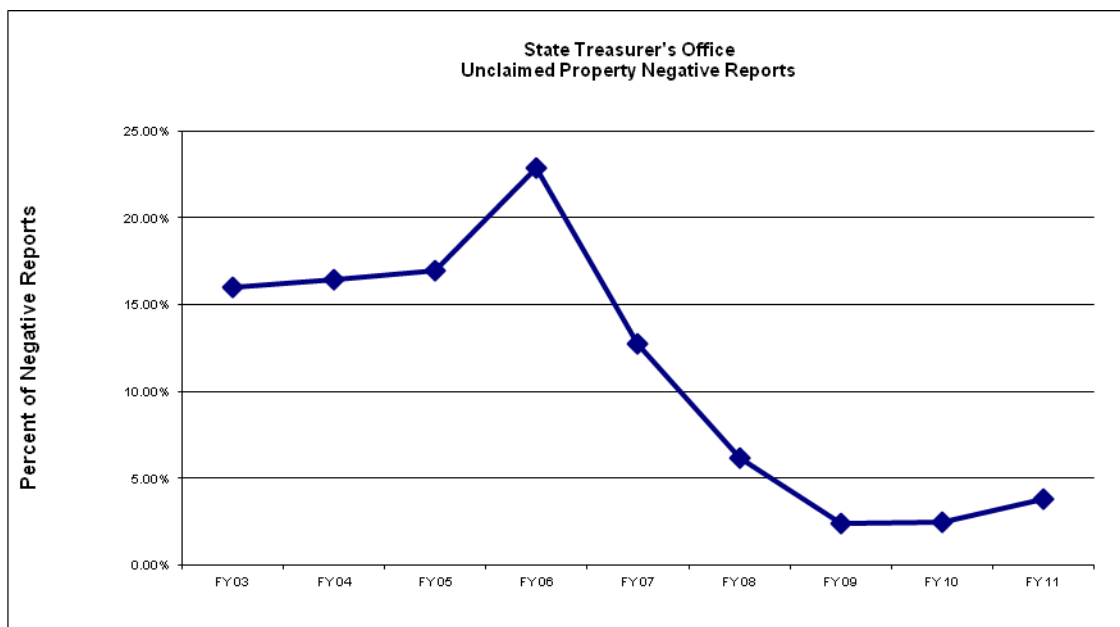
What has been accomplished?

#3 Banking Deposits

The Treasurer’s Office has offered training sessions and has solicited agencies to participate in the “direct deposit” program, in particular, the “desktop deposit” method. 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 year of 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.

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. There is no charge for citizens to check and see if their name appears on the list or for filing a claim. Unclaimed property is held in perpetuity. There also is no time-limit to claim the funds and/or property.

What has been accomplished?

#4 Unclaimed Property Negative Reports:

Effective FY07, negative reports (\$0.00 reports) were no longer required to be filed. Written information regarding such has been included each year with the annual holder mailing. In addition, negative report information is included on the reporting forms and instructions found on the Unclaimed Property website.

In FY11, there was a 53% increase in the number of negative reports filed over FY10. We believe this is due to new companies becoming compliant with the Unclaimed Property Law.

As expected, negative reports are still being filed by companies. This is due to the fact that it is not cost effective to update their computer system for a state that does not require negative reports when other states require negative reports.

Negative reports are held for a year and then sent to the State Records Center. In accordance with the document retention schedule, the reports are held for ten (1) years and then destroyed.

WYOMING STATE TREASURER

Legal Counsel

Executive Assistant

Deputy State Treasurer

Chief Investment Officer

Management Services
Information Technology
Matching Endowment Programs
Debt Management
Unclaimed Property
Revenue Distributions
PILT Payments & Distributions

Investment of State Funds
Cash Management
Banking Activities
Investment Accounting
Local Gov't Investment Pool