

This is Section 21 of the Investment Policy dated December 10, 2015.

SECTION 21. SUB-POLICES ON FUNDS

21.1 Permanent Funds – Permanent Mineral Land Trust Fund, Common School Permanent Land Fund, Permanent Land Fund, University Permanent Land Fund, Hathaway Scholarship Fund and Higher Education Endowment Fund

- 1. Fund Descriptions.** This sub-policy applies to the Permanent Funds of the State Loan and Investment Board administered by the State Treasurer. These funds dispense income and capital gains.
- 2. Philosophy and Investment Strategy.** The corpus of the Permanent Funds must be held inviolate and cannot be spent but only invested for income and capital gains. The main objectives of the Funds are to produce maximized long-term investment income and capital gains while providing appropriate liquidity. The primary investment goals are capital appreciation, total return, and protection against inflation.
 - a) Permanent Mineral Trust Fund.** The Wyoming State Legislature has allocated, at times, a large portion of it to PPIs. Therefore, only the remaining portion is available for discretionary investments by the State Treasurer's Office. The fund must be managed to allow an extensive range of investment maturities that provide for funds availability for PPIs as they come into existence as mandated by the Legislature. These funds are to be invested for the long term to produce a higher return without the cash flow or PPIs.
 - b) Common School Permanent Land Fund.** The Common School Permanent Land Fund cannot be spent but only invested for income and capital gains. There is a requirement for liquidity in this pool.
- 3. Target Asset Allocation.** The asset allocation is restricted by State statutes to a common stock cap. The target asset allocations are as follows:

	Permanent Mineral Trust Fund	Common School Permanent Land Fund	Permanent Land Fund	University Permanent Land Fund	Hathaway Scholarship Fund	Higher Education Endowment Fund
All Cap U.S Equity	15.1%	15.1%	15.1%	15.1%	14.9%	14.9%
Passively Managed	11.5%	11.5%	11.5%	11.5%	11.3%	11.3%
Actively Managed	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Small Cap U.S. Equity	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Global Equity	3.1%	3.1%	3.1%	3.1%	3.0%	3.0%
International Equity	11.5%	11.5%	11.5%	11.5%	11.2%	11.2%
Private Equity	4.0%	4.0%	4.0%	4.0%	N/A	N/A
Real Estate	7.5%	7.5%	7.5%	7.5%	7.3%	7.3%
Absolute Return	7.5%	7.5%	7.5%	7.5%	7.3%	7.3%
Convertibles	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Fixed Income*	45.0%	45.0%	43.0%	43.0%	48.0%	48.0%
Core	31.4%	31.4%	30.1%	30.1%	33.7%	33.7%
Credit	4.5%	4.5%	4.3%	4.3%	4.8%	4.8%
Opportunistic	1.4%	1.4%	1.3%	1.3%	1.4%	1.4%
EMD-Local	2.3%	2.3%	2.2%	2.2%	2.4%	2.4%
TIPS	3.6%	3.6%	3.4%	3.4%	3.8%	3.8%
Internal Portfolio	1.8%	1.8%	1.7%	1.7%	1.9%	1.9%
Cash Equivalents	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%

*The total Fixed Income allocation is reduced by Public Purpose Investments.

The targets established above represent the long-term asset allocation objectives for the Funds. However, the State Treasurer's Office shall have the right to make periodic adjustments to the above-listed allocations as they see fit, commensurate with the economic environment, ongoing cash flow activity, and the liquidity needs of the funds. It is also understood that the strategic allocation to alternative assets may differ from the outlined targets for limited periods of time, due to the illiquid nature of these asset classes. Further, during the initial implementation of alternative asset classes, the allocation shall fall below the target until the program can be fully established.

4. **Liquidity Requirements.** Liquidity shall be maintained to facilitate trading, to move money between asset classes, and to meet cash needs as determined by the State Treasurer's Office. Liquidity must be maintained to move income and capital gains generated during the year out of the funds.
5. **Maturity.** The average duration of the portfolio should be +/- 20% of the duration of the Barclays U.S. Aggregate Bond Index or Custom Index, whichever is applicable.
6. **Diversification.** The State Treasurer shall diversify the securities held in this fund to avoid a concentration of any single security type.
7. **Risk.** The funds have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return. The common stock cap also prohibits exacerbated levels of risk in the funds.
8. **Return Expectations.** The long-term return expectations shall be 400 basis points above inflation, as measured by the CPI.

9. **Benchmark.** Custom Index weighting the U.S. equity allocation by the Russell 3000 Index, the global equity allocation by the MSCI ACW Index, the international equity allocation by the MSCI ACW Ex US Index, the private equity allocation (if applicable) by the State's actual private equity investment returns, the core real estate allocation by the NCREIF Fund Index – Open-End Diversified Core Equity, the non-core real estate allocation by the NCREIF Property Index, the absolute return allocation by the HFN Fund of Funds Multi-Strategy Index, the convertibles allocation by the BofA ML All Convertibles All Quality Index, the fixed income allocation by the Barclays U.S. Aggregate Bond Index, and the State Agency Pool allocation by the State Agency Pool Custom Index as defined in Section 21.4 Sub-Section 9.
10. **Spending Policy.** The spending policy for the Permanent Mineral Trust Fund and Common School Permanent Land Fund set by legislative determination is 5% of the trailing 5 year average market value of the fund, calculated on the first day of the fiscal year. Amounts spent must be sourced from investment income (interest and dividends) and realized capital gains. Earnings in excess of the spending policy are appropriated from the general fund to the reserve account. When the reserve account reaches a balance that exceeds percent 90% of the current fiscal year's spending policy, the excess funds shall be transferred from the reserve account to corpus.

21.2 Permanent Funds – Workers' Compensation Fund

1. **Fund Description.** This sub-policy applies to the Workers' Compensation Fund of the State Loan and Investment Board administered by the State Treasurer. This fund retains income and capital gains.
2. **Philosophy and Investment Strategy.** This is a specially managed fund of which the corpus is long-term Workers' Compensation funds. These funds are to be invested for the very long-term to produce a situation in which the Workers' Compensation fund is self-funding or nearly self-funding in order to substantially reduce or eliminate the need for employer contributions. These funds are managed for long-term return with cash flow necessary only in the case of a disaster. The primary investment goals are safety of capital, yield and capital appreciation.
3. **Target Allocation.** The asset allocation is restricted by State statutes to a common stock cap. The target asset allocation is as follows:

	Workers' Compensation Fund
All Cap U.S Equity	9.2%
Passively Managed	7.0%
Actively Managed	2.2%
Small Cap U.S. Equity	0.8%
Global Equity	1.9%
International Equity	7.1%
Real Estate	4.0%
Absolute Return	7.0%
Convertibles	3.0%
Fixed Income*	62.0%
Core	43.3%
Credit	6.2%
Opportunistic	1.9%
EMD-Local	3.1%
TIPS	5.0%
Internal Portfolio	2.5%
Cash Equivalents	5.0%

*The total Fixed Income allocation is reduced by Public Purpose Investments.

The target established above represents the long-term asset allocation objective for the Workers' Compensation Fund. However, the State Treasurer's Office shall have the right to make periodic adjustments to the above-listed allocations as they see fit, commensurate with the economic environment, ongoing cash flow activity, and the liquidity needs of the fund. It is also understood that the strategic allocation to alternative assets may differ from the outlined targets for limited periods of time, due to the illiquid nature of these asset classes. Further, during the initial implementation of alternative asset classes, the allocation shall fall below the target until the program can be fully established.

4. **Liquidity Requirements.** Liquidity shall be maintained to facilitate trading, to move money between asset classes and to meet cash needs. The exact cash level for the Workers' Compensation Fund shall be determined by the Workers' Compensation staff and dependent on the liquidity needs of the fund, and those cash estimates shall be presented to the State Treasurer's Office on an annual basis.
5. **Maturity.** This fund is designed to be a long-term investment pool with the main objective to grow the capital over time. The average duration of the portfolio should be +/- 20% of the duration of the Barclays U.S. Aggregate Bond Index or Custom Index, whichever is applicable.
6. **Diversification.** The State Treasurer shall diversify the securities held in this fund to avoid a concentration of any single security type.
7. **Risk.** The funds have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return.
8. **Return Expectations.** The long-term return expectations shall be 300 basis points above the CPI.

- 9. Benchmark.** Custom Index weighting the U.S. equity allocation by the Russell 3000 Index, the global equity allocation by the MSCI ACW Index, the international equity allocation by the MSCI ACW Ex US Index, the core real estate allocation by the NCREIF Fund Index – Open-End Diversified Core Equity, the non-core real estate allocation by the NCREIF Property Index, the absolute return allocation by the HFN Fund of Funds Multi-Strategy Index, the convertibles allocation by the BofA ML All Convertibles All Quality Index, the fixed income allocation by the Barclays U.S. Aggregate Bond Index, and the State Agency Pool allocation by the State Agency Pool Custom Index as defined in Section 21.4 Sub-Section 9.

21.3 Non-Permanent Funds – Tobacco Settlement Trust Fund

- 1. Fund Description.** This sub-policy applies to the Tobacco Settlement Trust Fund of the State Loan and Investment Board administered by the State Treasurer. This fund retains income and capital gains.
- 2. Philosophy and Investment Strategy.** This fund is to be managed for investment of payments received pursuant to the Master Settlement Agreement. The primary investment goals are safety of capital, yield and liquidity.
- 3. Target Allocation.** Please see Section 21.5 for the target asset allocation.
- 4. Liquidity Requirements.** Liquidity shall be maintained to facilitate trading, to move money between asset classes and to meet cash needs as determined by the State Treasurer's Office.
- 5. Maturity.** The average duration of the portfolio should be +/- 20% of the duration of the Barclays U.S. Aggregate Bond Index or Custom Index, whichever is applicable.
- 6. Diversification.** The State Treasurer shall diversify the securities held in this fund to avoid a concentration of any single security type. The fund is expected to contain a majority of longer-term U.S. Treasuries, government agencies and corporate bonds.
- 7. Risk.** The funds have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return.
- 8. Return Expectations.** The long-term return expectations shall be 225 basis points above inflation, as measured by the CPI.
- 9. Benchmark.** Custom Index weighting the convertibles allocation by the BofA ML All Convertibles All Quality Index, the fixed income allocation by the Barclays U.S. Aggregate Bond Index, and the State Agency Pool allocation by the State Agency Pool Custom Index as defined in Section 21.4 Sub-Section 9.

21.4 Non-Permanent Funds – State Agency Pool

- 1. Fund Description.** This sub-policy applies to the State Agency Pool administered by the State Treasurer. This fund dispenses income and capital gains.
- 2. Philosophy and Investment Strategy.** The State Agency Pool consists of a pooling of money from many different agencies which are not specifically invested for that agency. The monies are invested throughout the spectrum of investment maturities. There is a requirement for liquidity from this pool to meet the day-to-day cash flow needs of the

State. Cash is invested in a cash portfolio and an extended cash portfolio. The State Treasurer's Office handles the actual cash management, determining what amounts are available to invest. The primary investment goals are safety of capital, yield and liquidity.

3. **Target Allocation.** Please see Section 21.4 for the target asset allocation.
4. **Liquidity Requirements.** Liquidity shall be maintained to facilitate trading, to move money between asset classes and to meet cash needs as determined by the State Treasurer's Office.
5. **Maturity.** The average duration of the portfolio should be +/- 20% of the duration of the Barclays U.S. Aggregate Bond Index or Custom Index, whichever is applicable. Cash in this fund shall be invested in a cash portfolio and an extended cash portfolio. If an instrument is subject to an unconditional put or unconditional demand feature, its final maturity shall be the earlier of the date noted on the face of the instrument as the date on which the principal amount must be paid or the date on which the principal amount of the instrument can be recovered through demand. Sinking fund securities and asset backed issues with periodic principal repayment shall be measured by their anticipated weighted average cash flows for the purpose of calculating their duration.
 - a) **Cash Portfolio.** The portfolio's weighted average maturity shall not exceed 90 days. All securities shall have a maximum maturity of 365 days. The maximum average cash flow weighted duration of the portfolio shall not exceed 90 days. The market value of the portfolio shall remain within +/- 0.5% of 1.0% of amortized cost.
 - b) **Extended Cash Portfolio.** Maximum average cash flow weighted duration is not to exceed 3 years. Individual securities must not exceed a cash flow weighted duration of 5 years. The extended portion of the cash portion of the account may not exceed 35% of the market value of the portfolio at the time of purchase.
6. **Diversification.** The diversified bond portfolio part of the fund is expected to contain a majority of longer-term U.S. Treasuries, government agencies and corporate bonds.

The rest of this fund's diversification Section refers to the cash portfolio and extended cash portfolio in the State Agency Pool.

Currency must be in U.S. dollar denomination only. The cash portfolios shall seek to be invested fully in permissible investments as of the close of business on each day. The account may only purchase securities issued or guaranteed by a corporation or other entity organized under the laws of a State of the United States and only securities of this type referred to in the first clause of Section 3(a)(2) of the Securities Act of 1933 as amended.

The cash portfolio and extended cash portfolios' permissible investments are the following securities:

- a) Asset-Backed Securities: Limited to automobile receivables, credit receivables, collateralized mortgage obligations (CMO) or pass-throughs, the collateral for which is securities issued by GNMA, FNMA, FHLMC or notes fully guaranteed as to principal and interest by the Small Business Administration;
- b) Master Notes;
- c) Bank Notes;
- d) Medium Term Notes;

- e) Bankers' Acceptances;
- f) Municipal Bonds;
- g) Certificates of Deposit;
- h) Municipal Notes;
- i) Commercial Paper, including unregistered Promissory Notes;
- j) Called for Commercial Paper;
- k) Repurchase Agreements (including term repurchase agreements)-Permitted collateral: Government securities. The minimum collateral required is 102%;
- l) Corporate Bonds;
- m) Time Deposits - Restricted to obligations of financial institutions approved by Wyoming's Board of Deposits;
- n) Corporate Notes;
- o) U.S. Government Securities;
- p) Floating Rate Notes including Obligations of the U.S. Treasury and Obligations of U.S. Government Agencies;
- q) Floating rate Certificates of Deposit;
- r) Guaranteed Investment Contracts (GICs) or synthetic GICs; and
- s) Instruments bearing floating or fixed interest rates.

Commercial paper must be rated A1+ or P1 by at least one Nationally Registered Statistical Rating Organization (NRSRO) (split ratings being permitted). The minimum long-term rating for bonds and notes is BBB/Baa2. Such ratings, however, may decline thereafter without per se requiring the sale of the security. GICs must be rated AAA or equivalent by Moody's, Standard and Poor's or Fitch, or rated A+ by A.M. Best. A security without its own rating will be considered to be rated if its user's comparable securities are rated. In addition, long term ratings shall be used only if the security is not rated and no security of the same issuer that is comparable in priority with such security is rated.

- 7. **Risk.** The funds have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return.
- 8. **Return Expectations.** The long-term return expectations shall be 200 basis points above inflation, as measured by the CPI.
- 9. **Benchmark.** Custom Index weighting the fixed income allocation by the Barclays U.S. Aggregate Bond Index, the cash equivalents allocation by 90-Day U.S. T-Bills and the extended cash allocation by an equal-weighted blend of the BofA ML 1-3 Year Agency, 1-3 Year Treasury and 0-3 Year Mortgage Indices.

21.5 Non-Permanent Funds – Target Asset Allocation

- 1. The target asset allocations for the above two Non-Permanent Funds are as follows:

	Tobacco Settlement Fund	State Agency Pool
Convertibles	3.0%	3.0%
Fixed Income*	94.0%	88.0%
Core	65.8%	61.7%
Credit	9.4%	8.8%
Opportunistic	2.8%	2.6%
EMD-Local	4.7%	4.4%
TIPS	7.5%	7.0%
Internal Portfolio	3.8%	3.5%
Cash Equivalents	3.0%	9.0%

*The total Fixed Income allocation is reduced by Public Purpose Investments.

The targets established above represent the long-term asset allocation objectives for the Funds. However, the State Treasurer’s Office shall have the right to make periodic adjustments to the above-listed allocations as they see fit, commensurate with the economic environment, ongoing cash flow activity, and the liquidity needs of the funds.

21.6 Non-Permanent Funds – Wyoming State Treasurer’s Asset Reserve (WYO-STAR)

- 1. Fund Description.** This sub-policy applies to the funds of the WYO-STAR account, a local government investment pool administered by the State Treasurer’s Office.
- 2. Philosophy and Investment Strategy.** This fund administers the short-term cash deposits made with the State by local entities. The actual investments are administered to provide liquid cash reserves, placing the majority portion in a cash portfolio and the rest in an extended cash portfolio according to specified guidelines. The disbursement of interest income and return of principal to the participants is managed in the State Treasurer’s Office. The State of Wyoming WYO-STAR account (the “WYO-STAR Account”) shall pursue a short-term and extended-term, fixed income strategy designed to optimize the yield on cash by investing in eligible securities that satisfy these guidelines.
- 3. Target Allocation.** 100% of the fund is comprised of short-term bonds and cash as denoted in Section 21.6 entitled Diversification/Permissible Investments.
- 4. Liquidity Requirements.** Liquidity shall be maintained to facilitate trading, to move money between asset classes, and to meet cash needs as determined by the State Treasurer’s Office. The percent invested in the extended portion of the WYO-STAR Account shall be directed by the State Treasurer’s Office, consistent with Sub-Section 5 below entitled Maturity.
- 5. Maturity.** If an instrument is subject to an unconditional put or unconditional demand feature, its final maturity shall be the earlier of the date noted on the face of the instrument as the date on which the principal amount must be paid or the date on which the principal amount of the instrument can be recovered through demand. Sinking fund securities and asset backed issues with periodic principal repayment shall be measured by their anticipated weighted average cash flows for the purpose of calculating their

duration. The extended portion of the WYO-STAR Account may not exceed 35% of the market value of the portfolio at the time of purchase.

- a) **Cash Portfolio.** The portfolio's weighted average maturity is not to exceed 90 days. All securities must have a maximum maturity of 365 days. The maximum average cash flow weighted duration of the portfolio must not exceed 90 days. The market value of the portfolio must remain within +/- 0.5% of 1% of amortized cost.
 - b) **Extended Cash Portfolio.** Maximum average cash flow weighted duration is not to exceed 3 years. Individual securities must not exceed a cash flow weighted duration of 5 years. The extended portion of the WYO-STAR Account may not exceed 35% of the market value of the portfolio at the time of purchase.
6. **Diversification/Permissible Investments.** The WYO-STAR Account is permitted to purchase the following securities:
 - a) Asset-Backed Securities, limited to CMOs or pass-throughs; the collateral for which is securities issued by GNMA, FNMA, FHLMC or notes fully guaranteed as to principal and interest by the Small Business Administration. Automobile receivables and credit receivables shall also be considered permissible investments.
 - b) Repurchase Agreements
 - c) Government Securities, including obligations of the U.S. Treasury and Obligations of U.S. Government Agencies or Instruments, bearing floating or fixed interest rates.
 - d) Currency: U.S. dollar denomination only.
7. **Risk.** The funds have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return.
8. **Limitations on Amounts Invested Cash Reserve; Permitted Borrowing.** The WYO-STAR Account shall seek to be invested fully in permissible investments at the close of business on each day.
9. **Repurchase Agreements (including term repurchase agreements).** Permitted Collateral: Government securities. The minimum collateral required is 102%.
10. **Benchmarks.** For the cash portfolio, Monitored Repurchase Agreement Rate plus 15 basis points and the cash equivalents allocation by the 90-Day T-Bills. For the extended cash portfolio, an equal-weighted blend of the BofA Merrill Lynch 1-3 Year Agency, 1-3 Year Treasury, and 0-3 Year Mortgage Indices.