

Sub-Policies and Asset Allocation on Funds

APPENDICES. SUB-POLICES ON FUNDS

APPENDIX A. Permanent Mineral Trust Fund

1. **Fund Description.** This sub-policy applies to the Permanent Mineral Trust Fund (the "PMTF") administered by the State Treasurer. The corpus of the PMTF must be held inviolate and cannot be spent but only invested for income and capital gains. The fund dispenses income and capital gains.
2. **Philosophy and Investment Strategy.** The main objectives of the PMTF are to produce maximized long-term investment income and capital gains while providing an appropriate level of safety and liquidity. The primary investment goals are capital appreciation, total return, and protection against inflation. Capital preservation and liquidity are important secondary goals.
3. **History and Purpose.** The PMTF was established by a Constitutional amendment passed in 1974 and amended in 1996. It is funded by a constitutionally guaranteed 1.5% severance tax on minerals produced in Wyoming. It was intended to set aside a portion of the revenue derived from the production of the State's minerals to benefit future generations. All income from investments is deposited in the general fund on an annual basis. The Legislature has included capital gains in addition to interest and dividends in its definition of income. A PMTF reserve account was created in 2002 in order to provide for a more predictable return outlined in a specified spending policy.
4. **Other Considerations.** The Legislature has prescribed conditions and terms under which monies in the fund can be loaned to political subdivisions of the State and has allocated, at times, portions of the PMTF to fund PPIs. Therefore, only the remaining portion is available for discretionary investments by the State Treasurer's Office. The PMTF must be managed to allow for an extensive range of investment maturities that provide for funds availability for PPIs as they come into existence as mandated by the Legislature. The PMTF is to be invested for the long-term to produce a higher return.
5. **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 PMTF.
6. **Diversification.** The State Treasurer shall diversify the securities held in the PMTF to avoid a concentration of any single security type.
7. **Risk.** The PMTF should have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return; however, the asset allocation for the PMTF can reflect a more long-term oriented approach and a risk profile commensurate with its long-term orientation. Total portfolio risk should be managed with a goal of avoiding annual losses greater than 22% with a 99% confidence level utilizing appropriate statistical modeling.
8. **Return Expectations.** The long-term return expectations for the PMTF shall be 300 basis points above inflation, as measured by the Consumer Price Index (the "CPI").
9. **Spending Policy.** The spending policy for the PMTF set by the Legislature is 5% of the trailing 5-year average market value of the PMTF, calculated on the first day of the fiscal year. (Commencing fiscal year 2021, the Legislature reduced the spending policy to 4.75% of the trailing 5-year average market value of the PMTF and commencing fiscal

year 2022 and thereafter, the Legislature reduced the spending policy to 4.5% of the trailing 5-year average market value of the PMTF.) 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 PMTF reserve account. Through June 30, 2017, when the PMTF reserve account reaches a balance that exceeds 90% of the current fiscal year's spending policy, the excess funds shall be transferred from the PMTF reserve account to the PMTF corpus. Commencing July 1, 2017, the balance must exceed 150% before transferring any excess funds to the PMTF corpus. It is through this mechanism that the PMTF is partially insulated against inflation.

10. Target Asset Allocation and Benchmarks. The asset allocation is restricted by State statutes to an equities cap. The target asset allocation for the PMTF is as follows:

	Min	Long-Term Target	Max
Broad US Equity	5.00	10.00	15.00
Small Cap US Equity	1.50	3.00	4.50
Broad International Equity	6.50	13.00	19.50
MLPs	2.25	4.50	6.75
Private Equity	4.00	8.00	12.00
Core Real Estate	3.00	6.00	9.00
Non-Core Real Estate	2.00	4.00	6.00
Diversified Hedge Funds	3.75	7.50	11.25
Int. Duration Fixed Income	14.50	29.00	43.50
Bank Loans	2.50	5.00	7.50
Emerging Markets Debt (Local)	2.50	5.00	7.50
TIPS	2.50	5.00	7.50
Cash Equivalents	0.00	0.00	5.00

The asset allocation is implemented and applies to the remainder of the PMTF after accounting for PPIs.

The targets established above represent the long-term asset allocation objectives for the 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 PMTF. It is also understood that the strategic allocation to alternative investments 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 investments, the allocation shall fall below the target until the program can be fully established.

Opportunistic investments do not have a specified target allocation, as the availability of opportunities is episodic in nature, and the best opportunities tend to appear during periods of market stress. Although not specifically delineated in the target asset allocation, opportunistic investments are allowable in the PMTF up to a maximum of 5% measured at the time of commitment.

APPENDIX B. Common School Permanent Land Fund

- 1. Fund Description.** This sub-policy applies to the Common School Permanent Land Fund (the "CSPLF") administered by the State Treasurer. The corpus of the CSPLF is funded from mineral royalties, leases, fees, permits, and other revenue generated from state lands and must be held inviolate. The corpus of the CSPLF cannot be spent but only invested for income and capital gains. The CSPLF dispenses income and capital gains.
- 2. Philosophy and Investment Strategy.** The main objectives of the CSPLF are to produce maximized long-term investment income and capital gains while providing an appropriate level of safety and liquidity. The primary investment goals are income generation, capital appreciation, total return and protection against inflation. Capital preservation and liquidity are important secondary goals.
- 3. History and Purpose.** The CSPLF was established at Statehood and was memorialized in the Act of Admission. It was intended to "be used as a permanent fund, the interest of which only shall be expended for the support of the common schools." Act of July 10, 1890, ch. 664, 26 Stat. 222 (1890). Its income is deposited as prescribed by statute. A CSPLF reserve account was created in 2002 in order to provide for a more predictable return outlined in a specified spending policy.
- 4. Other Considerations.** The Legislature may prescribe conditions and terms under which monies from the CSPLF can be loaned to political subdivisions of the State and has allocated, at times, portions of the CSPLF for specific purposes. Therefore, only the remaining portions are available for discretionary investments by the State Treasurer's Office. The CSPLF must be managed to allow for an extensive range of investment maturities. The CSPLF is to be invested for the long-term to produce a higher return.
- 5. 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 CSPLF. Additional liquidity may be needed to meet certain conditions and borrowing authorities prescribed by the Legislature.
- 6. Diversification.** The State Treasurer shall diversify the securities held in the CSPLF to avoid a concentration of any single security type.
- 7. Risk.** The CSPLF should have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return; however, the asset allocation for the CSPLF can reflect a more long-term oriented approach and a risk profile commensurate with its long-term orientation. Total portfolio risk should be managed with a goal of avoiding annual losses greater than 22% with a 99% confidence level utilizing appropriate statistical modeling.
- 8. Return Expectations.** The long-term return expectations for the CSPLF shall be 300 basis points above inflation, as measured by the CPI.
- 9. Spending Policy.** The spending policy for the CSPLF set by the Legislature is 5% of the trailing 5-year average market value of the CSPLF, calculated on the first day of the fiscal year. (Commencing fiscal year 2021, the Legislature reduced the spending policy to 4.75% of the trailing 5-year average market value of the CSPLF and commencing fiscal year 2022 and thereafter, the Legislature reduced the spending policy to 4.5% of the

trailing 5-year average market value of the CSPLF.) 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 CSPLF reserve account. Through June 30, 2017, when the CSPLF reserve account reaches a balance that exceeds percent 90% of the current fiscal year's spending policy, the excess funds are transferred from the CSPLF reserve account to the CSPLF corpus. Commencing July 1, 2017, the balance must exceed 150% before transferring any excess funds to the CSPLF corpus. It is through this mechanism that the CSPLF is partially insulated against inflation.

10. Target Asset Allocation and Benchmarks. The asset allocation is restricted by State statutes to an equities cap. The target asset allocation for the CSPLF is as follows:

	Min	Long-Term Target	Max
Broad US Equity	4.00	8.00	12.00
Small Cap US Equity	1.00	2.00	3.00
Broad International Equity	4.50	9.00	13.50
Preferred Stock	1.00	2.00	3.00
MLPs	3.00	6.00	9.00
Core Real Estate	7.50	15.00	22.50
Non-Core Real Estate	1.00	2.00	3.00
Int. Duration Fixed Income	18.50	37.00	55.50
Bank Loans	6.00	12.00	18.00
Emerging Markets Debt (Local)	3.50	7.00	10.50
Cash Equivalents	0.00	0.00	5.00

The asset allocation is implemented and applies to the remainder of the CSPLF after accounting for PPIs.

The targets established above represent the long-term asset allocation objectives for the CSPLF. 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 CSPLF. It is also understood that the strategic allocation to alternative investments 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 investments, the allocation shall fall below the target until the program can be fully established.

Opportunistic investments do not have a specified target allocation, as the availability of opportunities is episodic in nature, and the best opportunities tend to appear during periods of market stress. Although not specifically delineated in the target asset allocation, opportunistic investments are allowable in the CSPLF up to a maximum of 5% measured at the time of commitment.

APPENDIX C. University Permanent Land Fund

- 1. Fund Description.** This sub-policy applies to the University Permanent Land Fund (the "UPLF") administered by the State Treasurer. The corpus of the UPLF is funded from mineral royalties, leases, fees, permits, and other revenue generated from state lands and must be held inviolate. The corpus of the UPLF cannot be spent but only invested for income and capital gains. This UPLF dispenses income and capital gains.
- 2. Philosophy and Investment Strategy.** The main objectives of the UPLF are to produce maximized long-term investment income and capital gains while providing an appropriate level of safety and liquidity. The primary investment goals are capital appreciation, total return, and protection against inflation. Capital preservation and liquidity are important secondary goals.
- 3. History and Purpose.** The UPLF was established at Statehood and was intended to provide income for the University of Wyoming in perpetuity. Its income is deposited as prescribed by the Act of Admission and statute. The Legislature has included capital gains in addition to interest and dividends in its definition of income.
- 4. Other Considerations.** The UPLF is to be invested for the long-term to produce a higher return.
- 5. 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 UPLF. Additional liquidity may be needed to meet certain conditions.
- 6. Diversification.** The State Treasurer shall diversify the securities held in the UPLF to avoid a concentration of any single security type.
- 7. Risk.** The UPLF should have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return; however, the asset allocation for the UPLF can reflect a more long-term oriented approach and a risk profile commensurate with income generation balanced against a longer-term orientation. Total portfolio risk should be managed with a goal of avoiding annual losses greater than 22% with a 99% confidence level utilizing appropriate statistical modeling.
- 8. Return Expectations.** The long-term return expectations for the UPLF shall be 300 basis points above inflation, as measured by the CPI.
- 9. Target Asset Allocation and Benchmarks.** The asset allocation is restricted by State statutes to an equities cap. The target asset allocation for the UPLF is as follows:

	Min	Long-Term Target	Max
Broad US Equity	5.00	10.00	15.00
Small Cap US Equity	1.50	3.00	4.50
Broad International Equity	6.50	13.00	19.50
MLPs	2.25	4.50	6.75
Private Equity	4.00	8.00	12.00
Core Real Estate	3.00	6.00	9.00
Non-Core Real Estate	2.00	4.00	6.00
Diversified Hedge Funds	3.75	7.50	11.25
Int. Duration Fixed Income	14.50	29.00	43.50
Bank Loans	2.50	5.00	7.50
Emerging Markets Debt (Local)	2.50	5.00	7.50
TIPS	2.50	5.00	7.50
Cash Equivalents	0.00	0.00	5.00

The asset allocation is implemented and applies to the remainder of the UPLF after accounting for PPIs.

The targets established above represent the long-term asset allocation objectives for the UPLF. 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 UPLF. 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 investments, the allocation shall fall below the target until the program can be fully established.

Opportunistic investments do not have a specified target allocation, as the availability of opportunities is episodic in nature, and the best opportunities tend to appear during periods of market stress. Although not specifically delineated in the target asset allocation, opportunistic investments are allowable in the UPLF up to a maximum of 5% measured at the time of commitment.

- 10. University of Wyoming Portfolio Management Program.** To provide University of Wyoming students an opportunity to gain actual portfolio management experience under appropriate supervision of personnel of the University of Wyoming, College of Business, the University of Wyoming's Portfolio Management Program shall manage an internal equity portfolio in the amount of \$1,000,000 exclusively from the UPLF (calculated on a cost basis) as a separate operating agency of the State of Wyoming. These funds shall be subject to all the requirements and conditions provided in Section 11.2(a) of this investment policy relating to public equity portfolios, as well as any restrictions stated in the Memorandum of Understanding with the University of Wyoming for the investment of these funds.

APPENDIX D. Permanent Land Funds Pool

- 1. Fund Description.** This sub-policy applies to the several Permanent Land Funds which are not identified elsewhere in this investment policy (the "PLFs") and which amalgamated together are designated as the Permanent Land Fund Pool (the "PLFP") administered by the State Treasurer. The corpuses of the PLFs are funded from mineral royalties, leases, fees, permits, and other revenue generated from state lands and must be held inviolate and in one instance, the Agricultural School Permanent Fund must remain "undiminished". The corpuses of the PLFs are not to be spent but only invested for income and capital gains. The PLFP dispenses income and capital gains.
- 2. Philosophy and Investment Strategy.** The main objectives of the PLFP are to produce maximized long-term investment income and capital gains while providing an appropriate level of safety and liquidity. The primary investment goals are capital appreciation, total return, and protection against inflation. Capital preservation and liquidity are important secondary goals.
- 3. History and Purpose.** The PLFs were established at Statehood and were intended to provide for a variety of purposes in perpetuity. Their income is deposited as prescribed by the Wyoming Act of Admission and statute. The Legislature has included capital gains in addition to interest and dividends in its definition of income.
- 4. Other Considerations.** The Legislature may prescribe conditions and terms under which monies in constituents of the PLFP can be loaned to political subdivisions of the State and has allocated, at times, portions of the PLFP for specific purposes. Therefore, only the remaining portions are available for discretionary investments by the State Treasurer's Office. The PLFP must be managed to allow for an extensive range of investment maturities. The PLFP is to be invested for the long-term to produce a higher return. The Agricultural School Permanent Fund must, by charter, remain "undiminished" in addition to being inviolate.
- 5. 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 PLFP. Additional liquidity may be needed to meet certain conditions and borrowing authorities prescribed by the Legislature.
- 6. Diversification.** The State Treasurer shall diversify the securities held in the PLFP to avoid a concentration of any single security type.
- 7. Risk.** The pool should have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return; however, the asset allocation for the PLFP can reflect a more long-term oriented approach and a risk profile commensurate with its long-term orientation. Total portfolio risk should be managed with a goal of avoiding annual losses greater than 22% with a 99% confidence level utilizing appropriate statistical modeling.
- 8. Return Expectations.** The long-term return expectations for the PLFP shall be 300 basis points above inflation, as measured by the CPI.
- 9. Target Asset Allocation and Benchmarks.** The asset allocation is restricted by State statutes to an equities cap. The target asset allocation for the PLFP is as follows:

	Min	Long-Term Target	Max
Broad US Equity	5.00	10.00	15.00
Small Cap US Equity	1.50	3.00	4.50
Broad International Equity	6.50	13.00	19.50
MLPs	2.25	4.50	6.75
Private Equity	4.00	8.00	12.00
Core Real Estate	3.00	6.00	9.00
Non-Core Real Estate	2.00	4.00	6.00
Diversified Hedge Funds	3.75	7.50	11.25
Int. Duration Fixed Income	14.50	29.00	43.50
Bank Loans	2.50	5.00	7.50
Emerging Markets Debt (Local)	2.50	5.00	7.50
TIPS	2.50	5.00	7.50
Cash Equivalents	0.00	0.00	5.00

The asset allocation is implemented and applies to the remainder of the PLFP after accounting for PPIs.

The targets established above represent the long-term asset allocation objectives for the PLFP. 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 PLFs. It is also understood that the strategic allocation to alternative investments 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 investments, the allocation shall fall below the target until the program can be fully established.

Opportunistic investments do not have a specified target allocation, as the availability of opportunities is episodic in nature, and the best opportunities tend to appear during periods of market stress. Although not specifically delineated in the target asset allocation, opportunistic investments are allowable in the PLFP up to a maximum of 5% measured at the time of commitment.

APPENDIX E. Hathaway Scholarship Fund

1. **Fund Description.** This sub-policy applies to the Hathaway Scholarship Fund (the "Hathaway Fund") administered by the State Treasurer. The corpus of the fund is funded from mineral royalties and must be held inviolate. The corpus of the Hathaway Fund cannot be spent but only invested for income and capital gains. The Hathaway Fund dispenses income and capital gains.
2. **Philosophy and Investment Strategy.** The main objectives of the Hathaway Fund are to produce endowment like long-term investment income while providing an appropriate level of safety and liquidity to meet scholarship expectations over time. The primary investment goals are total return, income generation, and protection against inflation. Capital preservation and liquidity are important secondary goals.
3. **History and Purpose.** The Hathaway Fund was established by the Legislature in conformance with Article 15, Section 20 of the Wyoming Constitution. It is intended to provide scholarships for qualified students to the University of Wyoming. Its income is deposited as prescribed by statute. The Legislature has included capital gains in addition to interest and dividends in its definition of income.
4. **Other Considerations.** The Hathaway Fund is subject to varying demands according to the number of qualifying students, statutory eligibility and scholarship amount, and other considerations attended to periodically by the Legislature.
5. **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 Hathaway Fund. Additional liquidity may be needed to meet certain conditions of the scholarship.
6. **Diversification.** The State Treasurer shall diversify the securities held in the Hathaway Fund to avoid a concentration of any single security type.
7. **Risk.** The Hathaway Fund should have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return, however, the asset allocation for the Hathaway Fund should reflect the need for income generation balanced against a more long-term endowment and growth oriented approach. The risk profile should be commensurate with the income generation and longer-term growth orientation. Total portfolio risk should be managed with a goal of avoiding annual losses greater than 22% with a 99% confidence level utilizing appropriate statistical modeling.
8. **Return Expectations.** The long-term return expectations for the Hathaway Fund shall be 300 basis points above inflation, as measured by the CPI.
9. **Spending Policy.** The spending policy for the Hathaway Fund set by the Legislature is the amount necessary to fully fund scholarships awarded under W.S. 21-16-1301 *et seq.* 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 Hathaway expenditure account to the Hathaway Fund reserve account. The State Treasurer must transfer monies from the Hathaway Fund reserve account to the corpus of the Hathaway Fund to the extent monies within the Hathaway Fund reserve account are in excess of the greater of twelve million dollars (\$12,000,000.00) or an amount equal to 4.5% of the previous 5-year average market value of the Hathaway Fund, calculated from the first day of the fiscal year.

10. Target Asset Allocation and Benchmarks. The asset allocation is restricted by State statutes to an equities cap. The target asset allocation for the Hathaway Fund is as follows:

	Min	Long-Term Target	Max
Broad US Equity	5.00	10.00	15.00
Small Cap US Equity	1.50	3.00	4.50
Broad International Equity	6.50	13.00	19.50
MLPs	2.25	4.50	6.75
Private Equity	4.00	8.00	12.00
Core Real Estate	3.00	6.00	9.00
Non-Core Real Estate	2.00	4.00	6.00
Diversified Hedge Funds	3.75	7.50	11.25
Int. Duration Fixed Income	14.50	29.00	43.50
Bank Loans	2.50	5.00	7.50
Emerging Markets Debt (Local)	2.50	5.00	7.50
TIPS	2.50	5.00	7.50
Cash Equivalents	0.00	0.00	5.00

The targets established above represent the long-term asset allocation objectives for the Hathaway 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 Hathaway Fund. It is also understood that the strategic allocation to alternative investments 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 investments, the allocation shall fall below the target until the program can be fully established.

Opportunistic investments do not have a specified target allocation, as the availability of opportunities is episodic in nature, and the best opportunities tend to appear during periods of market stress. Although not specifically delineated in the target asset allocation, opportunistic investments are allowable in the Hathaway Fund up to a maximum of 5% measured at the time of commitment.

APPENDIX F. Excellence in Higher Education Endowment Fund

- 1. Fund Description.** This sub-policy applies to the Excellence in Higher Education Endowment Fund (the "Higher Ed Fund") administered by the State Treasurer. The corpus of the Higher Ed Fund is funded from mineral royalties and must be held inviolate. The corpus of this Higher Ed Fund cannot be spent but only invested for income and capital gains. The Higher Ed Fund dispenses income and capital gains.
- 2. Philosophy and Investment Strategy.** The main objectives of the Higher Ed Fund are to produce endowment like long-term investment income while providing an appropriate level of safety and liquidity. The primary investment goals are income generation, capital appreciation, total return, and protection against inflation. Capital preservation and liquidity are important secondary goals.
- 3. History and Purpose.** The Higher Ed Fund was established by the Legislature in conformance with Article 15, Section 20 of the Wyoming Constitution. It is intended to aid in recruiting and retaining faculty at the University of Wyoming and Wyoming's community colleges. Its income is deposited as prescribed by statute. The Legislature has included capital gains in addition to interest and dividends in its definition of income.
- 4. Other Considerations.** The Higher Ed Fund is subject to varying demands according to the number of faculty position, the demands to recruit and retain faculty, supported research and other considerations attended to periodically by the Legislature.
- 5. 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 Higher Ed Fund.
- 6. Diversification.** The State Treasurer shall diversify the securities held in the Higher Ed Fund to avoid a concentration of any single security type.
- 7. Risk.** The Higher Ed Fund should have a diversified asset allocation to limit the degree of uncertainty in the pursuit of return, however, the asset allocation for the Higher Ed Fund should reflect the need for income generation balanced against a more long-term endowment and growth oriented approach. The risk profile should be commensurate with the income generation and longer-term growth orientation. Total portfolio risk should be managed with a goal of avoiding annual losses greater than 22% with a 99% confidence level utilizing appropriate statistical modeling.
- 8. Return Expectations.** The long-term return expectations for the Higher Ed Fund shall be 300 basis points above inflation, as measured by the CPI.
- 9. Spending Policy.** The spending policy for the Higher Ed Fund set by the Legislature is 5% of the trailing 5-year average market value of the Higher Ed Fund, calculated on the first day of the fiscal year. (Commencing fiscal year 2019 and thereafter, the Legislature reduced the spending policy to 4.75% of the trailing 5-year average market value of the Higher Ed Fund.) 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 Higher Ed Fund reserve account. Through June 30, 2017, when the Higher Ed Fund reserve account reaches a balance that exceeds 75% of the current fiscal year's spending policy, the excess funds shall be transferred from the Higher Ed Fund reserve account to the corpus of the Higher Ed Fund.

Commencing July 1, 2017, the balance must exceed 150% before transferring any excess funds to the Higher Ed Fund corpus.

- 10. Target Asset Allocation and Benchmarks.** The asset allocation is restricted by State statutes to an equities cap. The target asset allocation for the Higher Ed Fund is as follows:

	Min	Long-Term Target	Max
Broad US Equity	4.00	8.00	12.00
Small Cap US Equity	1.00	2.00	3.00
Broad International Equity	4.50	9.00	13.50
Preferred Stock	1.00	2.00	3.00
MLPs	3.00	6.00	9.00
Core Real Estate	7.50	15.00	22.50
Non-Core Real Estate	1.00	2.00	3.00
Int. Duration Fixed Income	18.50	37.00	55.50
Bank Loans	6.00	12.00	18.00
Emerging Markets Debt (Local)	3.50	7.00	10.50
Cash Equivalents	0.00	0.00	5.00

The targets established above represent the long-term asset allocation objectives for the Higher Ed 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 Higher Ed Fund. It is also understood that the strategic allocation to alternative investments 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 investments, the allocation shall fall below the target until the program can be fully established.

Opportunistic investments do not have a specified target allocation, as the availability of opportunities is episodic in nature, and the best opportunities tend to appear during periods of market stress. Although not specifically delineated in the target asset allocation, opportunistic investments are allowable in the Higher Ed Fund up to a maximum of 5% measured at the time of commitment.

APPENDIX G. Workers' Compensation Fund

- 1. Fund Description.** This sub-policy applies to the Workers' Compensation Fund (the "Workers' Comp Fund") administered by the State Treasurer. The Workers' Comp Fund retains income and capital gains.
- 2. Philosophy and Investment Strategy.** This is a specially managed fund of which the corpus is made up of employers' contributions to the Workers' Comp Fund. These funds are to be invested for the long-term to provide for a return that assures the Workers' Comp Fund will be self-funding or nearly self-funding in order to substantially reduce or eliminate the need for employer contributions. The Workers' Comp Fund is managed to match liability projections and for long-term return with cash flow necessary only in the case of a disaster. The primary investment goals are long-term return, safety of capital, yield and capital appreciation.
- 3. History and Purpose.** The Workers' Comp Fund was established by constitutional amendment in 1914. Its corpus is intended to provide compensation to employees who suffer job related injuries.
- 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' Comp Fund shall be determined by the staff of the Wyoming Department of Workforce Services and dependent on the liquidity needs of the Workers' Comp Fund, and those cash estimates shall be presented to the State Treasurer's Office on an annual basis.
- 5. Diversification.** The State Treasurer shall diversify the securities held in the Workers' Comp Fund to avoid a concentration of any single security type.
- 6. Risk.** The Workers' Comp Fund has a diversified asset allocation to limit the degree of uncertainty in the pursuit of return. In addition to standard measures of risk which are typically focused on asset volatility, the Workers' Comp Fund should also be managed to mitigate surplus volatility (being the degree to which asset values change relative to liability values). Total portfolio risk should be managed with a goal of avoiding annual losses greater than 16% with a 99% confidence level utilizing appropriate statistical modeling.
- 7. Return Expectations.** The long-term return expectations for the Workers' Comp Fund shall be 300 basis points above inflation, as measured by the CPI.
- 8. Target Allocation and Benchmarks.** The asset allocation is restricted by State statutes to a common stock cap. The target asset allocation for the Workers' Comp Fund is as follows:

	Min	Long-Term Target	Max
Broad US Equity	4.50	9.00	13.50
Small Cap US Equity	0.50	1.00	1.50
Broad International Equity	5.00	10.00	15.00
MLPs	1.50	3.00	4.50
Core Real Estate	1.50	3.00	4.50
Non-Core Real Estate	0.50	1.00	1.50
Long Duration Fixed Income	13.50	27.00	40.50
Int. Duration Fixed Income	16.50	33.00	49.50
Bank Loans	1.50	3.00	4.50
Emerging Markets Debt (Local)	2.50	5.00	7.50
TIPS	2.50	5.00	7.50
Cash Equivalents	0.00	0.00	5.00

The target established above represents the long-term asset allocation objective for the Workers' Comp 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 Workers' Comp Fund. It is also understood that the strategic allocation to alternative investments 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 investments, the allocation shall fall below the target until the program can be fully established.

Opportunistic investments do not have a specified target allocation, as the availability of opportunities is episodic in nature, and the best opportunities tend to appear during periods of market stress. Although not specifically delineated in the target asset allocation, opportunistic investments are allowable in the Workers' Comp Fund up to a maximum of 5% measured at the time of commitment.

APPENDIX H. Pool A Investment Account

1. **Fund Description.** This sub-policy applies to the Pool A Investment Account ("Pool A") administered by the State Treasurer. Pool A dispenses income and capital gains. Pool A is one of two pools holding a diverse array of individual funds ranging from agency budgets to reserve accounts. Pool A may hold equities as prescribed by law.
2. **Philosophy and Investment Strategy.** Pool A 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 and may hold equities as prescribed by law. While Pool A is intended to provide a more diverse array of securities including equities, it is nonetheless noted that because most of the monies invested represent appropriated funds, in addition to maintaining adequate liquidity from Pool A to meet the day-to-day cash flow needs of the State, Pool A should be managed for stability and return on investment. Cash is invested in a cash portfolio and an extended cash portfolio.
3. **History and Purpose.** Pool A 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 income securities. It is one of two pools that hold a variety of funds ranging from agency budgets to reserve and savings accounts and special purpose trusts. Pool A is intended to be moderately liquid and safely invested but also be invested for return and growth. Its income is deposited as prescribed by statute.
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. **Risk.** Pool A has a diversified asset allocation to limit the degree of uncertainty in the pursuit of return. Total portfolio risk should be managed with a goal of avoiding annual losses greater than 15% with a 99% confidence level utilizing appropriate statistical modeling.
6. **Return Expectations.** The long-term return expectations for Pool A shall be 200 basis points above inflation, as measured by the CPI.
7. **Target Allocation and Benchmarks.** The asset allocation is restricted by State statutes to an equities cap. The target asset allocation for Pool A is as follows

	Min	Long-Term Target	Max
Broad US Equity	3.75	7.50	11.25
Small Cap US Equity	0.50	1.00	1.50
Broad International Equity	3.75	7.50	11.25
Preferred Stock	1.00	2.00	3.00
MLPs	2.50	5.00	7.50
Int. Duration Fixed Income	24.50	49.00	73.50
Bank Loans	5.00	10.00	15.00
Emerging Markets Debt (Local)	2.50	5.00	7.50
TIPS	4.00	8.00	12.00
Cash Equivalents	2.50	5.00	7.50

The targets established above represent the long-term asset allocation objectives for Pool A. 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 and accounts in Pool A.

Opportunistic investments do not have a specified target allocation, as the availability of opportunities is episodic in nature, and the best opportunities tend to appear during periods of market stress. Although not specifically delineated in the target asset allocation, opportunistic investments are allowable in Pool A up to a maximum of 5% measured at the time of commitment.

APPENDIX I. State Agency Pool

1. **Fund Description.** This sub-policy applies to the State Agency Pool (the "SAP") administered by the State Treasurer. The SAP dispenses income and capital gains. The SAP is one of two pools holding a diverse array of individual funds ranging from agency budgets to reserve accounts.
2. **Philosophy and Investment Strategy.** The SAP 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; however, because most of the monies represent appropriated funds in addition to a requirement for liquidity from the SAP to meet the day-to-day cash flow needs of the State, the SAP should be managed for stability assuring that appropriated funds remain to the greatest extent possible intact for their intended purposes. Cash is invested in a cash portfolio and an extended cash portfolio.
3. **History and Purpose.** The SAP is one of two pools that hold a variety of funds ranging from agency budgets to reserve and savings accounts and special purpose trusts. This pool is intended to be moderately liquid. Its income is deposited as prescribed by statute. The Legislature has included capital gains in addition to interest and dividends in its definition of income.
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. **Risk.** The SAP has a diversified asset allocation to limit the degree of uncertainty in the pursuit of return. Total portfolio risk should be managed with a goal of avoiding annual losses greater than 10% with a 99% confidence level utilizing appropriate statistical modeling.
6. **Return Expectations.** The long-term return expectations for the SAP shall be 200 basis points above inflation, as measured by the CPI.
7. **Target Allocation and Benchmarks.** The target asset allocation for the SAP is as follows:

	Min	Long-Term Target	Max
Convertibles	2.50	5.00	7.50
Int. Duration Fixed Income	5.00	10.00	15.00
Internal Fixed Income	10.00	20.00	30.00
Low Duration Fixed Income	15.00	30.00	45.00
Bank Loans	7.50	15.00	22.50
Emerging Markets Debt (Local)	2.50	5.00	7.50
TIPS	2.50	5.00	7.50
Cash Equivalents	5.00	10.00	15.00

The asset allocation is implemented and applies to the remainder of the SAP after accounting for PPIs.

The targets established above represent the long-term asset allocation objectives for the SAP. 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 and accounts in the SAP.

APPENDIX J. Wyoming State Treasurer's Asset Reserve ("WYO-STAR")

1. **Fund Description.** This sub-policy applies to the funds of WYO-STAR, a local government investment pool administered by the State Treasurer's Office.
2. **Philosophy and Investment Strategy.** WYO-STAR 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. WYO-STAR 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.** One hundred percent (100%) of WYO-STAR is comprised of short-term bonds and cash as denoted in Section 6 below 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 WYO-STAR shall be directed by the State Treasurer's Office, consistent with 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.
 - 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 WYO-STAR may not exceed 35% of the market value of the portfolio at the time of purchase.
6. **Diversification/Permissible Investments.** WYO-STAR 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, bearing floating or fixed interest rates.
 - d) **Currency:** U.S. dollar denomination only.

7. **Risk.** WYO-STAR has a diversified asset allocation to limit the degree of uncertainty in the pursuit of return.
8. **Fully Invested.** WYO-STAR shall seek to be invested fully at the close of business on each day.
9. **Repurchase Agreements (including term repurchase agreements).** The permitted collateral for repurchase agreements (including term repurchase agreements) shall be government securities. The minimum collateral required is 102%.
10. **Benchmarks.** For the cash portfolio, the benchmark shall be the Monitored Repurchase Agreement Rate and for the cash equivalents allocation, the benchmark shall be the BofA ML 3 Mo U.S. T-Bills index. For the extended cash portfolio, the benchmark shall be an equal-weighted blend of the BofA Merrill Lynch 1-3 Year Agency, 1-3 Year Treasury, and 0-3 Year Mortgage Indices.