

STATE TREASURER

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April 29, 2009

Dave Freudenthal
Governor
Capitol Building
Cheyenne, WY 82002

Max Maxfield
Secretary of State
Capitol Building
Cheyenne, WY 82002

Rita Meyer
State Auditor
Capitol Building
Cheyenne, WY 82002

Jim McBride
Superintendent of Public Instruction
Hathaway Building
Cheyenne, WY 82002

Dear Governor, Rita, Max and Jim:

R.V. Kuhns & Associates has completed and presented a review and performance report of Wyoming Permanent Fund investments as compared to 88 other public funds across the nation. The report indicates what variances exist in investments between Wyoming and other public funds and how those variances have affected investment performances for the several funds.

Today I have adopted the attached interpretative rule or policy as permitted by the Wyoming Administrative Procedures Act. This fiscal year, for the first time to my knowledge, the operation of state investment policies and accounting for income for all Wyoming funds has resulted in net capital losses due primarily to current market conditions and investment strategies of a few state investment managers in selling investments at a loss in order to reposition their portion of the investment portfolio.

As a normal practice in the past, this office has simply summed up income for all funds from interest, dividends and capital gains and losses from equities and fixed income investments in making distributions and annual accounting. However, based on my statutory and investment policy research it is reasonably clear that there is, or can be drawn, a distinction between interest and dividend income and capital gain or loss income. In fact, at least one state, Idaho, provides that capital gains and losses will be reconciled within a four year period and not be offset by other income during the interim.

April 29, 2009
Page Two

Also attached is the most recent projections of what this change will mean for this fiscal year. This change in procedure has been vetted with the State's private auditor, McGee Hearn, & Piaz, and a representative of the State Auditor's Office. At this stage the proposed change in accounting for and treating capital gains and losses seems to be acceptable to both. As I noted to you earlier this month, based on a former Attorney General's opinion, there appears to be no constitutional or statutory requirement that investment losses be replaced immediately under the nature of permanent funds as being "inviolable". Losses will be offset and the corpus restored over time from future capital gains.

To the extent that the Governor or Legislature may wish to revisit this issue or change this internal policy of accounting for and distributing income, that can be easily accomplished prior to and during the upcoming budget session for future fiscal years.

Best regards,

A handwritten signature in blue ink, appearing to read "Joe Meyer", with a large, stylized flourish extending downwards and to the left.

Joe Meyer
State Treasurer

cc: Members, Select Committee on Capital Investments
Members, Management Council
Members, Joint Appropriations Committee
Advisory Committee
Dave Gruver, Senior Staff Attorney – Legislative Service Office
Thom Williams, Director – Wyoming Retirement System
Lynne Boomgaarden, Director – Office of State Lands & Investments