



MEMORANDUM

To: Joint Appropriations Committee
Select Committee on Capital Financing & Investments

From: Curtis E. Meier, Jr., State Treasurer

Date: November 1, 2019

Re: Investment Funds Committee Report

Pursuant to Section 3 of 2017 SEA 88 (2017 Senate File 49) the State Treasurer is to report to the Joint Appropriations Committee and the Select Committee on Capital Financing & Investments by November 1, 2019 any recommendations on:

- (i) The functions and impact of the Investment Funds Committee created in section 1 of this act;
- (ii) Whether the Investment Funds Committee should continue to carry out the duties imposed on it by this act;
- (iii) Whether the duty to establish and implement State investment policy under W.S. 9-4-716 should be transferred from the State Loan and Investment Board to the Investment Funds Committee;
- (iv) Modifications to the state investment policy;
- (v) Improvements to the management of investments or other relevant information;
- (vi) Those provisions in sections 1 and 2 of this act which should be changed; and
- (vii) Those provisions in Wyoming law which should be created, amended or repealed to achieve the recommendations contained in the report.

Response:

- (i) The Investment Funds Committee (IFC) has been an extremely valuable group with a wealth of knowledge relating to investment management. The members' insight has been instrumental in not only manager selection, but also asset allocation and performance analysis.
- (ii) The State Treasurer's Office (Office) believes the IFC should continue to carry out the duties imposed by 2017 SEA 88 (2017 Senate File 49).
- (iii) The State Treasurer's Office believes the establishment of the State investment policy described under W.S. 9-4-716 should continue to reside with the State Loan and Investment Board (SLIB). As the ultimate policy makers, the Office believes it is still the overarching responsibility of the SLIB to define the direction of the State's investment program. In addition, the Office believes that SLIB should be the ultimate decision maker in terms of investment asset allocation.
- (iv) The State Treasurer's Office annually reviews the State investment policy for presentation and approval by the SLIB. Recommended areas for discussion and change will be presented in spring 2020.
- (v) The State Treasurer's Office does believe a number of improvements could be made with regard to the management of investments.
 - a. First, investment manager selection is onerous and delayed by the requirement of SLIB approval before a manager can be approved, funded, and invested with on



the State's behalf. This delay prevents the State's money from being timely invested in some potential assets which can, and has, resulted in investment gain opportunities being forgone. A number of potential changes could be implemented to expedite the on-boarding of potential investment managers.

- i. Shift manager selection from the SLIB to the IFC. This option would delegate authority for manager approval to the IFC, which would speed up the process and allow the State Treasurer's Office to work in conjunction with the IFC on investment manager selection and for managers to be selected in a more expedient manner. Reports to the SLIB and Legislature could be made periodically to ensure oversight. In addition, SLIB would retain the ability to terminate any manager providing another check and balance.
 - ii. If SLIB is not comfortable delegating manager selection, there may be some mechanism to waive the public meeting requirement for SLIB for manager selection only. This could involve conducting an executive session prior to Board meetings and approval by the Board during the public meeting.
 - iii. Give SLIB a designated time to review manager approvals and after that time has elapsed if there is no negative vote then the manager is approved. This could operate almost like a consent list. There would be a number of potential issues related to this but is offered for discussion.
- b. Second, the State Treasurer's Office believes the ability to conduct financial and criminal background checks on staff is critical. No other sovereign wealth fund employs people without undergoing rigorous background checks. The office manages over \$21 billion dollars in State funds and having background checks on the staff managing that money is critical for the safekeeping and well-being of Wyoming's financial future.
- (vi) 2017 HEA 88 Section 1 and 2 changes:
- a. Section 1: The State Treasurer's Office believes that adding a voting member to the IFC would be beneficial as it would make the IFC an odd number committee.
 - b. Section 1: Language may be added to allow SLIB members to consult with the State Treasurer's Office for recommendations of their selection panel appointment.
 - c. Section 2: The implementation of expediting investment manager selection could be accomplished here with one of the mechanisms described above in (v)(a).
- (vii) See section (v) and (vi) for potential changes to Wyoming law. A number of bills have already been drafted that may provide an avenue to implement any changes to statute.

The State Treasurer's Office looks forward to continued discussion of any potential improvements or ideas the Joint Appropriations Committee and the Select Committee on Capital Financing & Investments may have with regard to the Investment Funds Committee.