

October 6, 2005

WALK-IN BOARD MATTER NO. 1

ACTION: Spending Policy Change Recommendations

AUTHORITY: W.S. 9-4-713

ALTERNATIVE: Approve or establish alternative recommendation

ANALYSIS:

Wyoming State Statute 9-4-713 (e) and (j) requires the State Treasurer to annually provide recommendations to the Select Committee on Capital Financing and Investments regarding modifications to the spending policy for the earnings on the Permanent Wyoming Mineral Trust Fund (PWMTF) and the Common School Permanent Land Fund (CSPLF), in consultation with the State Loan and Investment Board.

Legislation passed during the 2004 legislative session which lowered the annual spending policy for both the PWMTF and the CSPLF to a five percent (5%) sustainable target rather than stepping down to a five percent level over a seven to eight year period.

It is the State Treasurer's belief and that of the Board's investment consultant, R.V. Kuhns and Associates, that this approach to a long term spending policy is important to continue for the purpose of maintaining the real value of the portfolio's assets, for supporting the spending needs of the state, and for growing the portfolios assets in real terms over time.

Therefore, Treasurer Lummis plans to forward a letter to the Chairman of the Select Committee on Capital Financing and Investments recommending that no changes be made to the spending policy this year.

DIRECTOR'S RECOMMENDATION: Information Only - No Board Action Required

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October 6, 2005

Representative Roy Cohee, Chairman
Select Committee on Capital Financing & Investments
State Capitol Building
Cheyenne, WY 82002

RE. Spending Policy Modification Recommendations

Dear Representative Cohee:

In accordance with State Statute 9-4-713(e) and (j), the State Treasurer, in consultation with the State Loan and Investment Board, is to annually provide recommendations to the Select Committee on Capital Financing and Investments regarding modifications to the spending policy for the earnings on the permanent Wyoming Mineral Trust Fund and the Common School Permanent Land Fund.

Legislation passed during the 2004 legislative session lowered the annual spending policy for both the PWMTF and the CSPLF to a five percent (5%) sustainable target rather than stepping down to a five percent level over a seven to eight year period.

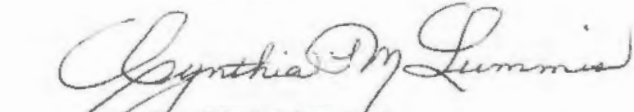
The purpose of adopting a five percent (5%) long-term spending policy was to allow a consistent, sustainable flow of earnings for expenditure over time; to protect the corpus of the permanent funds against inflation; and to the extent possible, increase earnings available for expenditure to offset the effects of inflation.

It is my belief, and that of the State's investment consultant, R.V. Kuhns & Associates, Inc., that this approach to a long term spending policy is important to continue for the purpose of maintaining the real value of the portfolio's assets, for supporting the spending needs of the state, and for growing the portfolio assets in real terms over time

I did consult with the State Loan and Investment Board at their regular meeting this morning, and the Board agreed with my recommendation that no changes be made to the current spending policy this year.

If any of the select committee members has a question concerning my recommendation, I would be more than happy to visit with them.

Sincerely,



Cynthia M. Lummis
State Treasurer