



MEMORANDUM

TO: Joint Appropriations Committee
Select Committee on Capital Financing and Investments

FROM: Curt Meier, State Treasurer

DATE: June 27, 2019

SUBJECT: Report of Internal Investment Management

Pursuant to 2018 Wyoming Session Laws, Chapter 134, Section 2, Section 004, Footnote 3 as amended by 2019 Wyoming Session Laws, Chapter 80 (Figure 1), I am pleased to provide a report of Internal Investment Management in the State Treasurer's Office.

Figure 1.

2018 Wyoming Session Laws, Chapter 134, Section 2
Amended by
2019 Wyoming Session Laws, Chapter 80, Section 2

Section 004. STATE TREASURER

3. The state treasurer shall report on the documented savings resulting from increased use of internal investment personnel and reduced payments for external investment managers to the joint appropriations committee and the select committee on capital financing and investments not later than June 30, 2019 and June 30, 2020. Reported savings shall be limited to foregone expenditures from terminated or renegotiated contracts with external investment managers and funds. The state treasurer shall also include an explanation and accounting of all expenditures relating to the work performed by internal investment personnel. The report shall outline the standards, objectives and investment policies for all funds subject to internal management, and a performance report for the funds, including benchmark comparisons, overall return on the funds, as well as comparative performance from the externally managed funds for an identical timeframe.

I. SAVINGS

Since the 2017 inception of the investment team build-out, the Investment Division (Division) of the State Treasurer's Office (STO) has generated management fee savings of over \$24 million (Appendix A and B). The initial expectation of the Legislature was that STO would utilize one-half of documented savings up to \$3,000,000 per year to roll-out the program. As demonstrated, the Division has consistently generated significantly more savings than were anticipated or required.



II. EXPENDITURES

As expected, the bulk of the expenditures consist of employee salaries and benefits. This amount will grow but level off in coming fiscal years since all of the positions authorized for the internal investment function are filled, and a performance compensation plan will go into effect July 1, 2019. In addition, now that the Division is fully staffed and asset allocations approved by the Investment Funds Committee and the State Loan and Investment Board (SLIB) are being implemented, STO can begin the process of creating and executing the financial accounting systems anticipated when the budget was originally established. The biennial expenditures to date are outlined in Figure 2.

Figure 2.

State Treasurer's Office	
Internal Investment Budget, Unit 0901	
Fiscal Year 2019-2020 Expenditures as of 6-24-2019 (rounded)	
	Expenditures
Salary and Benefits	\$657,000 *
Dues	36,400
Travel	21,000
Computer Equipment and Software	6,600
Other Support Services	1,750
IT/Telecommunications (ETS)	3,160
Contracts (Legal, Technology)	74,400
	\$800,310
* Does not include June payroll.	

The bulk of the supportive services budget line item goes to dues and travel. For example, Bloomberg terminal fees support critical research by the Division and are paid from this line item. Staff is regularly invited to attend conferences as speakers and attendees, which strengthens each of them to be better contributors to the success of Wyoming's sovereign wealth funds.

STO has contracted with Clearwater Analytics to implement internal investment tracking and to develop supportive automated accounting processes to manage and track asset allocations, manager fees and income distributions. In the coming year, the Division will begin using a risk analytics program, as well as an electronic ticketing system.

Finally, the agency is in a position to realize what has been contemplated by the Legislature since it approved the internal investment strategy.



III. INTERNAL INVESTMENT STANDARDS, OBJECTIVES AND POLICIES

The internal investment program established its standards, objectives and investment policies in conjunction with the State's investment consultant RVK, the Investment Funds Committee and the SLIB. All agency investments are made in accordance with State of Wyoming SLIB Master Investment Policy and Sub-Policies (Appendix C).

IV. PERFORMANCE REPORT

Please see Appendix D.

V. CONCLUSION

As a result of demonstrated performance of the Investment Division and to reflect the actual operation of the agency, STO will submit an exception budget request for the FY 2021-2022 biennium to create a Financial Accounting Division and an Investment Division. Currently, all of our accounting and investment personnel are budgeted across two units. The resulting separation will not increase the amount budgeted; merely, it will create an accurate reflection of our organizational chart. (Appendix E)