



**CURTIS E. MEIER, JR.**  
WYOMING STATE TREASURER

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DAWN A. WILLIAMS, DEPUTY STATE TREASURER

## **Legislative Stabilization Reserve Account Report to Legislature**

### MEMORANDUM

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

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

Due: October 29, 2021

Re: Legislative Stabilization Reserve Account

In accordance with Wyoming Statute 9-4-715(q)(iv), not later than November 1 of each year, the State Treasurer shall report to the Joint Appropriations Committee and the Select Committee on Capital Financing and Investments regarding the annual review of the investment policy statement for the Legislative Stabilization Reserve Account (LSRA) and the investment performance of the account.

The State Loan and Investment Board (SLIB) created the original investment policy for the disaggregation of the Legislative Stabilization Reserve Account during the June 2019 meeting of SLIB. Appendix J (sub-policy for the LSRA) of the Investment Policy Statement is attached for reference.

The total return for the LSRA in FY21 was \$57,417,585. The market value of the LSRA at the end of FY21 was \$1,597,799,789.

## **APPENDIX J. Legislative Stabilization Reserve Account**

- 1. Fund Description.** This sub-policy applies to the funds of the Legislative Stabilization Reserve Account (“LSRA”) administered by the State Treasurer’s Office. Funds in LSRA are expended only by legislative appropriation, are invested, and all investment earnings from LSRA are credited to the State’s general fund.
- 2. Philosophy and Investment Strategy.** The LSRA will be invested in a manner to obtain the highest net possible return while seeking to preserve the balance of the account necessary to address potential budget shortfalls or a structural budget deficit; published consensus revenue estimating group estimates of revenues that may be less than existing legislative appropriations for state government operations or support of public schools; or other emergencies and needs identified or authorized by the legislature under Wyoming statutes and session laws.

The LSRA will be divided into three underlying portfolios representing a range of liquidity, safety, and return objectives. There will be a short-term reserve, intermediate-term reserve, and long-term reserve. The amount of the LSRA that is allocation to each of the reserve portfolios shall be determined by the State Treasurer’s Office in compliance with any applicable statutory guidelines and consistent with anticipated liquidity needs.

- 3. History and Purpose.** In 2019 the Legislature removed LSRA from the State Agency Pool for the purpose of enhancing returns and providing target date liquidity for legislatively mandated purposes.
- 4. Liquidity Requirements.** To the extent funds are available and prior to making any other investments, five hundred million dollars (\$500,000,000.00) shall be invested in the short-term reserve.
- 5. Risk.** The short-term reserve will be invested 100% in low duration fixed income and should be managed with a goal of avoiding annual losses greater than 4% with a 99% confidence level utilizing appropriate statistical modeling. LSRA shall follow the risk profile as described in Section 12.1.

The intermediate-term reserve will be invested in 100% core fixed income and should be managed with a goal of avoiding annual losses greater than 12% with a 99% confidence level utilizing appropriate statistical modeling.

The long-term reserve has a diversified asset allocation and should be managed with a goal of avoiding annual losses greater than 32% with a 99% confidence level utilizing appropriate statistical modeling.

- 6. Return Expectations.** The short-term reserve will be expected to provide returns in excess of the benchmark for low duration fixed income detailed in this policy. The intermediate-term reserve will be expected to provide returns in excess of the benchmark for core fixed income detailed in this policy. Returns for the long-term reserve will be measured against a target allocation index that reflects the returns for each asset class benchmark, weighted by the target allocations detailed below. In periods of portfolio transition where the actual allocations may not be reasonably expected to be close to the targets, shorter-term transition targets may be recommended by the Investment Funds Committee and approved by the Board on an annual basis.

**7. Target Allocation.** The target asset allocation for the LSRA is as follows:

Short-term Reserve: 100% Low Duration Fixed Income

Intermediate Reserve: 100% Core Fixed Income

Long-Term Reserve:

	<b>Min</b>	<b>Long-Term Target</b>	<b>Max</b>
Broad US Equity	17.00	22.00	27.00
Small Cap US Equity	4.00	6.00	8.00
Broad International Equity	21.00	28.00	35.00
MLPs	10.00	12.50	15.00
Hedge Funds	15.00	19.00	23.00
Bank Loans	10.00	12.50	15.00