RVK

Memorandum

To	Wyoming State Loan and Investment Board ("SLIB")
From	RVK, Inc. ("RVK")
Subject	Investment Policy Review – Board Summary
Date	April 24, 2025

This memorandum outlines the proposed policy revisions pertaining to content along with a brief description of the rationale for each recommended change.

Proposed policy edits this year primarily relate to updated language around environmental, social, and governance, "ESG", portfolio guidelines, proxy voting requirements, refinements to asset class benchmarking, restructuring the policy organization for the liquid reserves and other funds such as Pool A, and the establishment of Wyoming State Treasurer's Asset Reserve III ("WYO-STAR III"). Small grammar edits are also present in the redline version but not listed below.

Proposed policy edits have been a collaborative effort with the State Treasurer's Office, and RVK is supportive of all recommended changes.

Section 2 – Investment Objectives And Priorities, Description Of Portfolio, And General Principles For Achieving Return Objectives

- Within the "non-permanent funds" grouping, Pool A is renamed "Long Term Liquid Funds" ("LTLFs")
    - Pool A is one of several funds that will be targeting the allocation policy described for the Long-Term Liquid Funds in Appendix C.
    - These changes have also been reflected in **Appendix C**.
- Within the "non-permanent funds" grouping, Wyoming State Treasurer's Asset Reserve III ("WYO-STAR III") is established
    - WYO-STAR III administers cash deposits made with the State by local entities. The actual investments are placed in an S&P 500 equity index fund ("ETF") portfolio according to specified guidelines.
    - WYO-STAR III will be benchmarked to the S&P 500 Index.
    - These changes have also been reflected in the newly established **Appendix H**.

Section 3.2 – Ethics and Professionalism

- Under the guidelines related to conflicts of interest, Treasurer's Office Staff are instructed to avoid conflicts of interest with respect to owning, or having a personal interest in, a security purchased by the State Treasurer's Office or the Board.
    - The IPS clarifies that an exception to these guidelines would be that which is allowed as per the State Treasurer's Office Policy Manual

Section 3.5 – Environmental, Social, and Governance, "ESG" or subsequent non-pecuniary based investment criteria.

- Specific language in the IPS is removed in favor of referencing the requirements as set forth by legislation.
    - These requirements are set forth in W.S. 9-4-722(a) and (b) which can be found at https://wyoleg.gov/Legislation/2025/SF0191.

Section 10 – Derivatives Policy

- Section 10.1 lists out permissible derivative exposures—including futures, forwards, options, and swaps.
    - The prior language said that warrants were only permitted when attached to securities authorized for investment.
    - The updated language clarifies that warrants are permitted when acquired as the result of a corporate action, which can and does happen without specific action taken by Wyoming or its investment managers.

Section 11 – Portfolio Guidelines

- Credit Ratings
    - The IPS lays out certain credit rating guidelines that managers must adhere to. The rating agencies allowed for the purposes of measuring against these guidelines are Moody's, S&P, and Fitch.
    - The update clarifies that if only one agency provides a rating, that agency's rating will be used. In the absence of a rating from one of the three above, any Nationally Recognized Statistical Rating Organization ("NRSRO") may be used.
    - Any violation of a limit expressed as a percentage or ratio occurring due to market movements, shall be brought back into compliance on, or before, the next rebalancing date.
- Public Equity
    - Section 11 also clarifies that the minimum allowable number of securities (20) for a public equity manager does not apply if the manager is in the process of liquidation.
- Fixed Income

- Clarification provided that newly issued securities may not yet have a credit rating at time of purchase.
- Unrated new issue securities, including "when and if issued" and TBA securities, may be purchased if, in the judgment of the investment manager, they are expected to receive a credit rating that meets the standards detailed above.

- Bank Loans
  - Language updated to reflect new name of the index: S&P UBS Leveraged Loan Index
- Infrastructure
  - Language broadened to reflect the investment universe of institutional "assets" rather than simply "properties".

Section 14 – Voting of Proxies

- While the IPS previously laid out policies related to the voting of proxies, proposed edits remove this language in favor of explicitly calling out the requirements as set forth by legislation.
  - These requirements are set forth in W.S. 9-4-722(a) and (c)-(g) which can be found at https://wyoleg.gov/Legislation/2025/SF0191.

Section 20 – Nominal Return Benchmarks

- Following a review conducted by the Legislative Service Office ("LSO") last year, and subsequent review by RVK, we are recommending one asset class level benchmark change.
  - We propose that Non-Core Real Estate be benchmarked to NCREIF – Open-End Diversified Core Equity Index plus 150 basis points—with the 150 basis points added to reflect the risks of the asset class above and beyond those of Core Real Estate.
- Credit Suisse Leveraged Loan Index renamed to S&P UBS Leveraged Loan Index

Section 21 – Local Government Investing

- This section enumerated the existing legislation that already approves local investments Legislature in W.S. 9-4- 831 (a)(i)-(xxvi) were named before, and sections (xxvii) and (xxix) have been added as well.
- Additional safeguards have been added to minimize the potential for local governments to unknowingly engage in disadvantageous financial relationships. Specifically, limits on separate account management fees and a requirement for best execution transactions have been added.

Appendix A. Long-Term Permanent Funds

- Under "Return Expectations" the sentence referencing the goal of exceeding inflation and preserving real purchasing power of assets after spending has been removed as it is duplicative with similar language under "Philosophy and Investment Strategy."