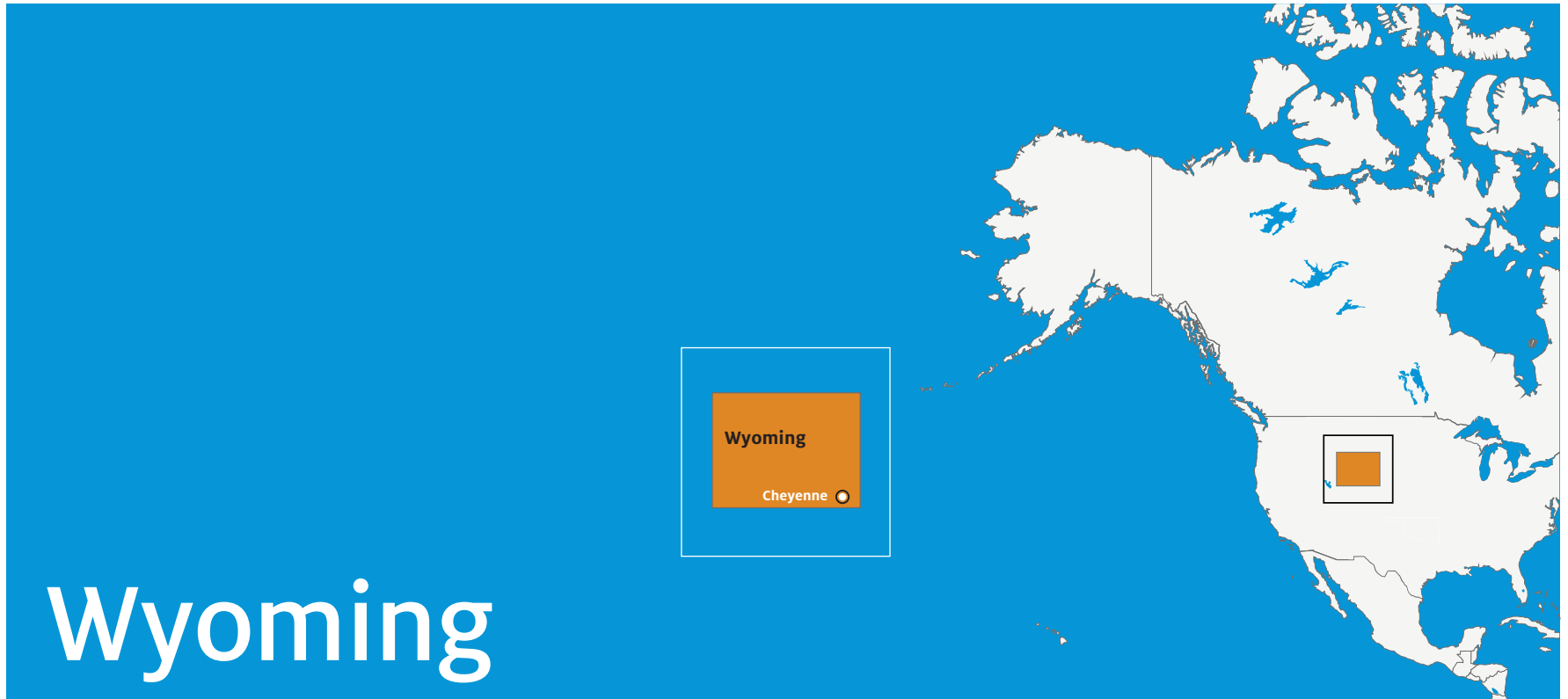


## Natural Resource Funds



# Wyoming

## Permanent Wyoming Mineral Trust Fund



**Market Value**

**Permanent Wyoming Mineral Trust Fund**  
\$6.3 billion

Santiago  
Compliance  
Index

Not rated

Resource  
Governance Index  
Natural Resource  
Fund Score

Not yet rated

Truman Sovereign  
Wealth Fund  
Scoreboard

89 / 100

**Good Governance Fundamentals**

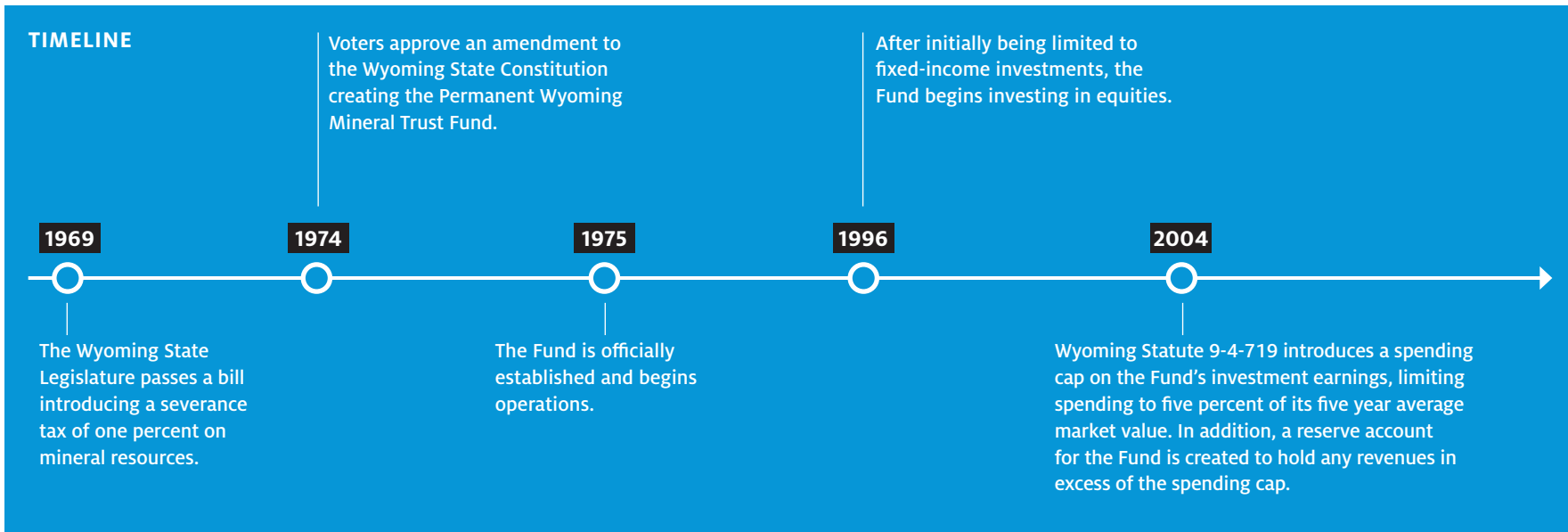
Clear Deposit Rules	yes
Clear Withdrawal Rules	yes
Clear Investment Rules	yes
Transparent	yes
Publicly Available Audits	yes
Effective Oversight	yes

**Fund Highlights**

- The Permanent Wyoming Mineral Trust Fund was established in 1975 thanks to a constitutional amendment passed in 1974.
- Only a 1.5 to 2.5 percent severance tax—essentially a royalty—is deposited into the Fund each year, mainly from oil, gas and coal. Less than half of severance taxes are distributed to the Fund.
- Five percent of the Permanent Wyoming Mineral Trust Fund’s average annual market value over the preceding five years, called the Spending Policy Amount, can be spent in any given year.

- To control risk, equity investments cannot constitute more than 55 percent of total investments.
- The Governor, State Auditor and other high ranking officials sit on the State Loan and Investment Board, which is the Fund’s ultimate authority. The State Treasurer manages day-to-day operations.
- The Fund is overseen by a volunteer multistakeholder advisory committee, as well as by an external auditor, the media, civil society and the legislature.
- While generally transparent, the Fund does not publish information on specific assets it owns.

# Timeline and Fund Objectives



## Fund Inception

- The Permanent Wyoming Mineral Trust Fund was established in 1975 under Article 15, Section 19 of the Wyoming State Constitution, an amendment that was approved at the ballot by Wyoming's voters the previous year.<sup>1</sup>

## Fund Objectives

- The Permanent Wyoming Mineral Trust Fund is a savings fund created to maximize long-term investment returns.
- It also acts as a stabilization fund, smoothing volatile mineral revenues that can be used in the state budget.<sup>2</sup>

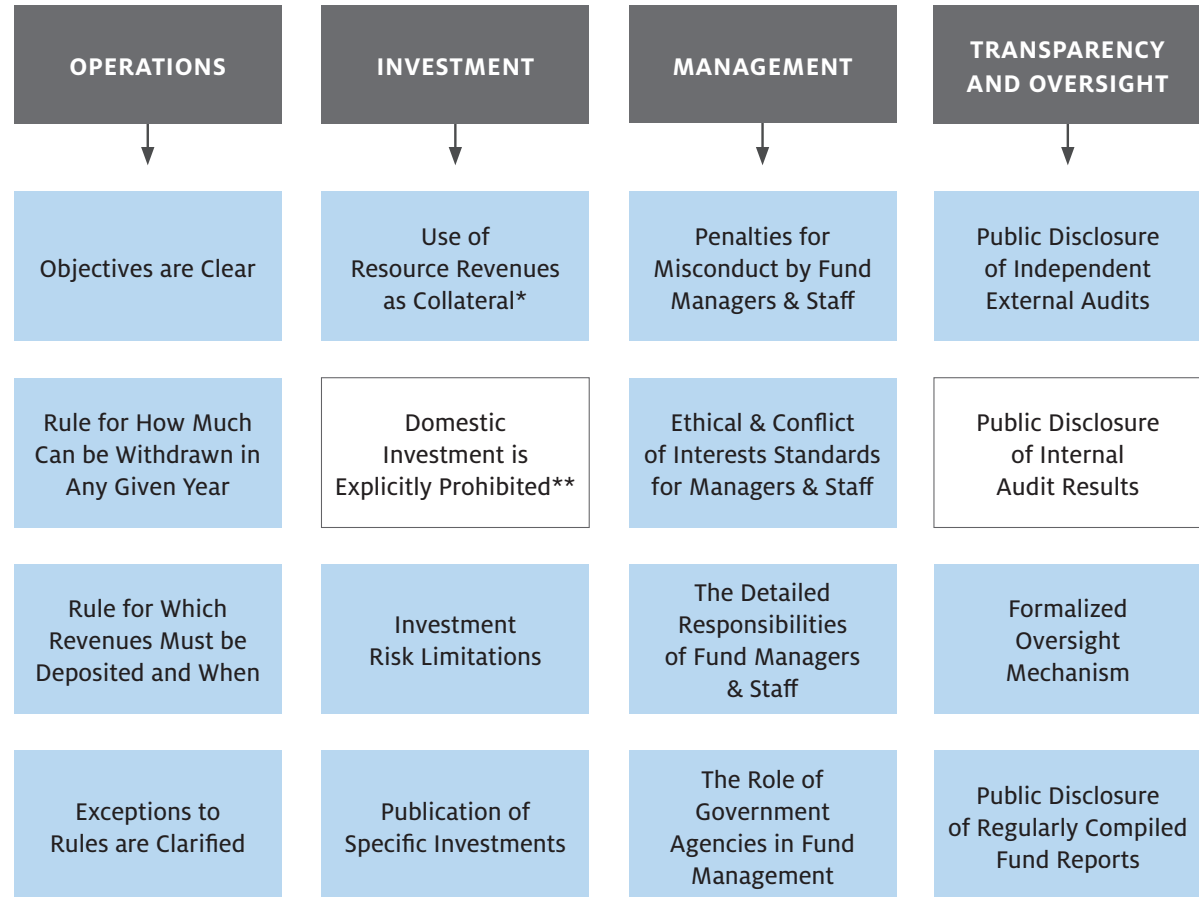
# WYOMING


Each box represents a regulatory standard essential for promoting consistent use of and safeguarding resource revenues. White boxes highlight regulatory gaps in fund governance.


## 14/16

Good Governance Standards Met

## Good Governance Standards and Gaps in Regulation



 Presence of Regulation

 Absence of Regulation

\* Wyoming Statute 9-4-715 allows a maximum of \$100 million from the Fund to be used to guarantee the bonds of local governments.<sup>3</sup>

\*\* Investments in Wyoming are permitted according to the Fund's investment policy.

*A fiscal rule, the Spending Policy Amount, limits withdrawals from the Fund.*

## Operational Laws, Rules and Policies

### Fund Structure

- The Permanent Wyoming Mineral Trust Fund consists of the main Fund and the Permanent Wyoming Mineral Trust Fund's Reserve Account, which was established to channel funds back into the Permanent Wyoming Mineral Trust Fund that are in excess of what Wyoming's fiscal rule allows the state to spend, known as a Spending Policy Amount.

### Fund Deposit Rules

#### Permanent Wyoming Mineral Trust Fund

- According to the State Constitution, a 1.5 percent severance tax levied on all oil, gas, and mineral extraction is deposited into the Permanent Wyoming Mineral Trust Fund.<sup>4</sup>
- Wyoming Statute 39-14-801 increased the revenues allocated to the Fund by adding one percent to the severance tax on top of the 1.5 percent previously mandated.<sup>5</sup>
- Other funds may be directly appropriated for the Permanent Wyoming Mineral Trust Fund when authorized by the Legislative Assembly.

#### Permanent Wyoming Mineral Trust Fund Reserve Account

- Wyoming follows a fiscal rule that sets a cap on the amount of income from the Permanent Wyoming Mineral Trust Fund that can be spent each year, called the Spending Policy Amount. The Spending Policy Amount is set at five percent of the Permanent Wyoming Mineral Trust Fund's

average annual market value over the preceding five years. While all of the Fund's interest income is transferred to the General Fund each year, the amount that is actually spent cannot exceed the Spending Policy Amount. Anything in excess is transferred to the Permanent Wyoming Mineral Trust Fund Reserve Account.<sup>6</sup>

### Fund Withdrawal Rules

#### Permanent Wyoming Mineral Trust Fund<sup>7</sup>

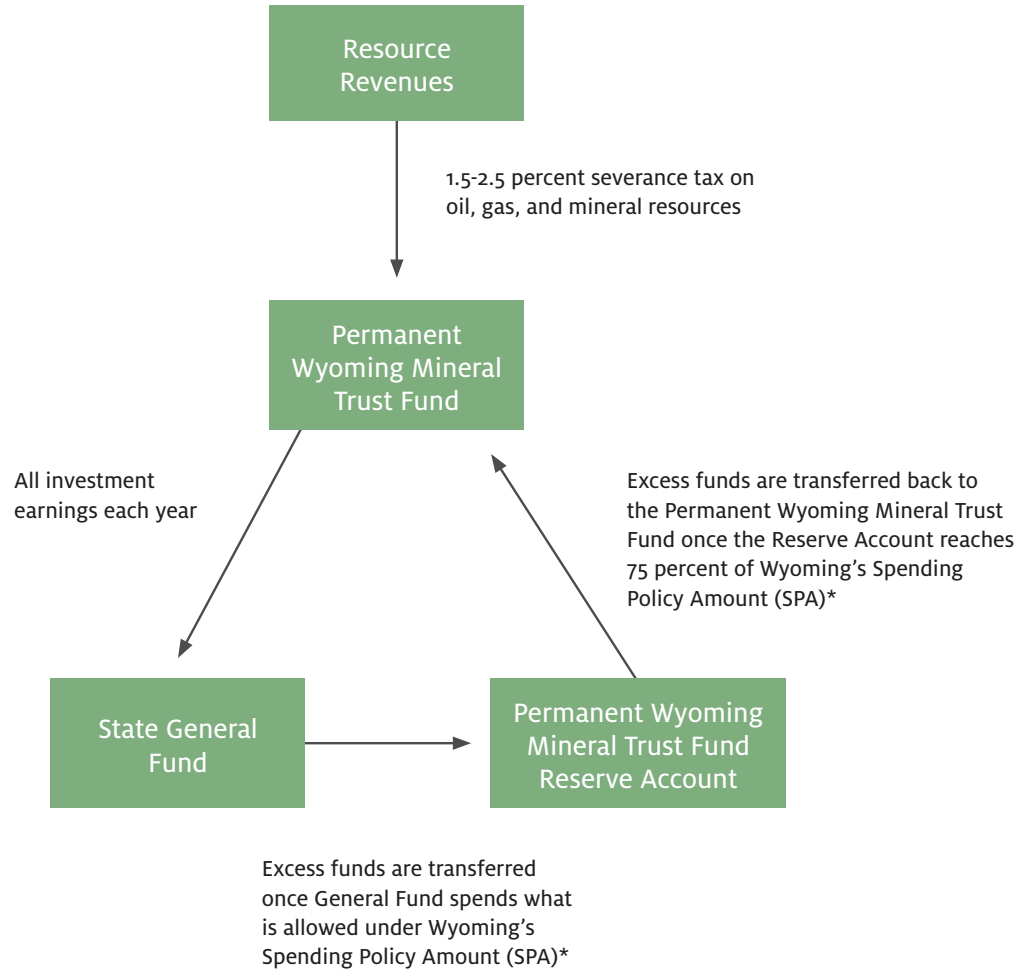
- Each year, any investment income from the Fund is transferred to the State's General Fund where it can be used to finance budget expenditures.
- Under the Wyoming State Constitution, the principal of the Permanent Wyoming Mineral Trust Fund cannot be withdrawn unless authorized through a constitutional amendment.

#### Permanent Wyoming Mineral Trust Fund Reserve Account

- Revenues transferred from the General Fund to the Reserve Account accrue until the Reserve Account reaches 75 percent of the Spending Policy Amount. Any revenue above this is transferred back to the Permanent Wyoming Mineral Trust Fund.<sup>8</sup>

# Operational Laws, Rules and Policies

## Flow of Funds



\*5% of the Permanent Wyoming Mineral Trust Fund's average market value for the preceding five years

## Investment Laws, Rules and Policies

### Investment Authority

The Wyoming State Loan and Investment Board, consisting of the Governor and other senior government officials, has ultimate responsibility for the Fund’s management and sets investment policy. Responsibility for day-to-day operational management of the Fund lies with the Wyoming State Treasurer.<sup>9</sup>

### Investment Objectives

According to its investment policy, the Wyoming State Treasurer’s objectives include preservation of the Fund’s principal against inflation, maintaining adequate liquidity and maximizing returns.<sup>10</sup>

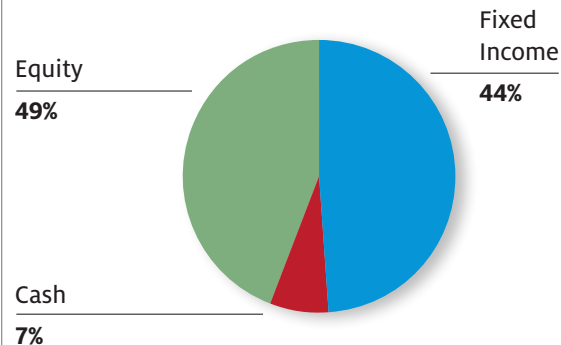
### Investment Strategy

- Equity investments cannot constitute more than 55 percent of total investments. The Fund’s current target asset allocation as of December 2012 is:<sup>11</sup>
  - 50 percent equities
  - 47 percent fixed income securities
  - 3 percent cash
- The Fund controls risk through asset class diversification and by placing a cap on equities as a share of total investments.<sup>12</sup>
- The Fund’s investment policy places the following restrictions on investments:<sup>13</sup>
  - Wyoming’s various wealth funds, including the Permanent Wyoming Mineral Trust Fund, may not combined own more than one percent of any single corporation’s outstanding shares.

- No more than 1.5 percent of the Permanent Wyoming Mineral Trust Fund’s book value may be invested in any one corporation’s stock.
- The Fund may invest in assets that are not otherwise authorized by law as long as the value of such assets does not exceed one percent of the Fund’s total book value.
- Although the Fund does not invest based on any social or political objectives, the Fund does avoid making investments that could support terrorism or human rights violations.

### Allocation by Asset Class<sup>14</sup>

As of June 2012



### Policy on In-State Investments

Fund assets may be invested in Wyoming.<sup>15</sup>

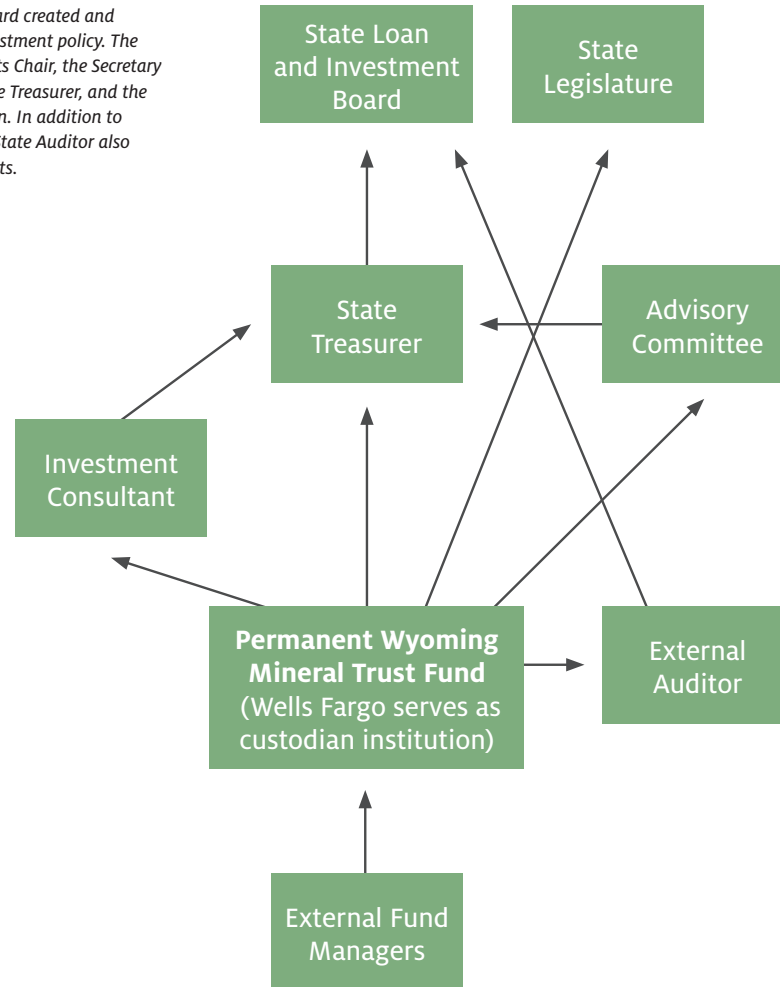
# Management and Accountability

## Management and internal accountability

The State Loan and Investment Board created and periodically reviews the Fund's investment policy. The Board consists of the Governor as its Chair, the Secretary of State, the State Auditor, the State Treasurer, and the Superintendent of Public Instruction. In addition to being a member of the Board, the State Auditor also oversees internal and external audits.

The Office of the State Treasurer oversees day-to-day management of the Fund.

An investment consultant assists in preparing the State Treasurer's reports to the State Loan and Investment Board and monitors the performance of the Fund's investment managers.



## External accountability

One percent of severance taxes can be diverted by the legislature from the Fund for other purposes. As well, significant changes to the Fund's governance require a constitutional amendment drafted by the legislature.

The State Treasurer appoints a voluntary advisory committee consisting of members from the Wyoming legislature, the State Retirement Board, the Office of State Lands and Investment, local governments, public schools, and the banking and investment communities to periodically monitor Fund performance and comment on investment policies.

The State Auditor appoints an independent external auditor whose reports are included in the State Auditor's annual financial reports.



*A multistakeholder advisory committee, the legislature, the media and civil society all monitor Fund activities with the help of external audits.*

## Oversight and Safeguards

### Oversight Mechanisms

- **Arbitrary withdrawals from the Fund's principal are prohibited** and would require an amendment to the State Constitution.
- The State Treasurer's **Advisory Committee periodically monitors Fund performance and holds public meetings** to consult with the State Treasurer on Fund operations and investment policy.
- A **periodic review process of investment methodology** by the State Loan and Investment Board exists to improve management of investments.
- Finances are subject to **regular and comprehensive internal audits**.
- Fund finances are subject to a **regular and independent external audit** that meets international standards.
- **The media and civil society**, like the Wyoming Taxpayers Association, regularly monitor Fund activities.

## Transparency Laws, Rules and Policies

**There is public disclosure of the following:**

When or how often Fund reports are published and made publicly available	yes	
Which individuals or organizations are responsible for publishing Fund reports	yes	
Size of the Fund(s)	yes	
Deposit and withdrawal amounts	yes	
Returns on investments	yes	
Detailed asset allocation – geographic location		no
Detailed asset allocation – asset class	yes	
Detailed asset allocation – specific assets		no
Natural resource prices and other fiscal assumptions used to calculate deposit and withdrawal amounts allowed under fiscal rules		no

## Annex: List of Applicable Laws

### **Wyoming State Constitution: Article 15 Section 19**

<http://legisweb.state.wy.us/statutes/constitution.aspx>

### **Wyoming Statute: Title 9 Chapter 4 Article 7**

<http://legisweb.state.wy.us/statutes/statutes.aspx?file=titles/Title9/T9CH4AR7.htm>

### **Wyoming Statute: Title 39 Chapter 14 Article 8**

<http://legisweb.state.wy.us/statutes/statutes.aspx?file=titles/Title39/T39CH14AR8.htm>

1. Wyoming State Constitution: Article 15 Section 19. Available at: <http://legisweb.state.wy.us/statutes/constitution.aspx>
2. State of Wyoming. State Loan and Investment Board: Master Investment Policy and Sub-Policies p. 29. Available at: <http://treasurer.state.wy.us/pdf/investmentpolicy120612.pdf>
3. Wyoming Statute: Title 9 Chapter 4 Article 7 (15). Available at: <http://legisweb.state.wy.us/statutes/statutes.aspx?file=titles/Title9/T9CH4AR7.htm>
4. Wyoming State Constitution: Article 15 Section 19. Available at: <http://legisweb.state.wy.us/statutes/constitution.aspx>
5. Wyoming Statute: Title 39 Chapter 14 Article 8 (1). Available at: <http://legisweb.state.wy.us/statutes/statutes.aspx?file=titles/Title39/T39CH11AR8.htm>
6. Wyoming Statute: Title 9 Chapter 4 Article 7 (19). Available at: <http://legisweb.state.wy.us/statutes/statutes.aspx?file=titles/Title9/T9CH4AR7.htm>
7. Wyoming State Constitution: Article 15 Section 19. Available at: <http://legisweb.state.wy.us/statutes/constitution.aspx>
8. Wyoming Statute: Title 9 Chapter 4 Article 7 (19). Available at: <http://legisweb.state.wy.us/statutes/statutes.aspx?file=titles/Title9/T9CH4AR7.htm>
9. Wyoming Statute: Title 9 Chapter 4 Article 7 (15) (16). Available at: <http://legisweb.state.wy.us/statutes/statutes.aspx?file=titles/Title9/T9CH4AR7.htm>
10. State of Wyoming. State Loan and Investment Board: Master Investment Policy and Sub-Policies p. 23. Available at: <http://treasurer.state.wy.us/pdf/investmentpolicy120612.pdf>
11. State of Wyoming. State Loan and Investment Board: Master Investment Policy and Sub-Policies p. 23. Available at: <http://treasurer.state.wy.us/pdf/investmentpolicy120612.pdf>
12. State of Wyoming. State Loan and Investment Board: Master Investment Policy and Sub-Policies p. 24. Available at: <http://treasurer.state.wy.us/pdf/investmentpolicy120612.pdf>
13. State of Wyoming. State Loan and Investment Board: Master Investment Policy and Sub-Policies p. 10. Available at: <http://treasurer.state.wy.us/pdf/investmentpolicy120612.pdf>
14. Wyoming State Treasurer's Investment Report 2012 p. 17. Available at: <http://treasurer.state.wy.us/pdf/investmentreportsept2012.pdf>
15. State of Wyoming. State Loan and Investment Board: Master Investment Policy and Sub-Policies p. 23. Available at: <http://treasurer.state.wy.us/pdf/investmentpolicy120612.pdf>