

**FISCAL NOTE**

	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>NON-ADMINISTRATIVE IMPACT</b>			
Anticipated Revenue (decrease)			
RETIREMENT FUND	(\$16,000,000)	(\$17,100,000)	(\$18,300,000)

Source of revenue (decrease):

The bill directs the Wyoming Retirement System (WRS) to invest 10% of the RETIREMENT FUND in "specie" which is gold or silver coin or bullion. Physical commodities such as gold do not pay ongoing income such as a dividend. The fund will lose the opportunity to invest the \$800 million in stocks, bonds, real estate and other assets that do produce ongoing income in addition to the prospect of capital gains or losses.

Assumptions:

Gold and silver value changes strictly upon the price that others are willing to pay for the commodity, producing a capital gain or capital loss. Based on the current portfolio size, 10% of the RETIREMENT FUND equals approximately \$800 million. The WRS states that a reasonable estimate for ongoing dividend yield is approximately 2%. If the fund is unable to obtain this yield on \$800 million, the fund would forgo approximately \$16 million in dividend income for FY2020. If this amount is unable to be reinvested in the fund at the actuarially assumed 7% investment rate of return, the fund would forgo approximately \$17.1 million and \$18.3 million in FY2021 and FY2022, respectively.

The WRS notes that the dividend yield experienced by the portfolio could be higher or lower than 2% each year, but an important consideration for any investment, aside from capital gains and losses, is the ability for the investment to produce ongoing earned income, such as dividends, interest, and rental payments, depending on the asset class. Capital gains achieved from gold and silver investment, which could potentially help offset some earned income decreases, are uncertain as with other investment asset class, and cannot be accurately predicted. The WRS states that it has taken invested positions in gold from time to time and currently has some exposure to the gold market. However, the WRS states it does not currently take possession of physical gold as a long-term investment.

	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>NON-ADMINISTRATIVE IMPACT</b>			
Anticipated Expenditure increase			
RETIREMENT FUND	\$4,000,000	\$4,000,000	\$4,000,000

Source of expenditure increase:

The WRS would be required to hold physical custody of gold or silver commodities in the state or in a state contiguous to Wyoming.

Assumptions:

The WRS states that private depositories for gold exist but is unfamiliar with any facility large enough to meet requirements for gold commodity storage, security and insurance within Wyoming or in a state contiguous to Wyoming. At current prices for gold (1oz gold = \$1,280 as of December 31, 2018), an \$800

million investment (10% of the portfolio) would equal approximately 39,000 pounds or over 19 tons. Due to the size of such holdings, the WRS used publicly available pricing information from the Texas Bullion Depository (a 10-acre facility north of Austin, TX; a secure UL class III facility) to assess rates based on a percentage of value deposited (valued daily based on spot gold and silver prices). The annual rates range from 25 basis points to 50 basis points (bps). If the cost approaches 50 bps (0.5%) for an \$800 million investment, total annual storage and servicing costs amount to \$4 million.

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