



State of Alaska Department of Revenue Treasury Budget Overview

A Presentation to the Revenue Finance Subcommittee

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Treasury Division



Treasury Division

The Treasury provides cash management, investment and portfolio management, debt management, unclaimed property management and accounting services for the state's general fund, constitutional budget reserve fund, retirement funds, and numerous other funds and trusts. The Division provides staff to the Alaska Retirement Management Board and Alaska Municipal Bond Bank Authority.

Treasury Facts & Figures

- 42 Treasury Division staff
- At 12/31/15, manages \$43.2B in assets in 47 separate accounts
 - 14 DB funds and 4 participant directed funds under the direction of ARMB (\$28.0B)
 - 27 funds under the direction of the Commissioner of Revenue (\$15.0B)
 - 2 funds under the direction of other state fiduciaries (\$250M)
- Internally manages \$15.5B in assets directly and oversees 100 external investment managers
- FY05-FY15 assets under management grew 131% from \$20.7B to \$47.8B
- Total General Obligation Bonds (GOBs) outstanding at 6/30/15 was \$744.2M

Treasury Accomplishments in 2015

- All 31 non-retirement funds managed by Treasury met or exceeded benchmark returns, including the GeFONSI, and CBRF
- The Public Employee Retirement System (PERS) and Teachers Retirement System (TRS) defined benefit retirement plans earned annual returns of 3.29% in 2015, placing their earnings above the median of all public funds in the Callan Database. Both plans exceeded benchmark returns.
- Although the 1-year 3.29% return for PRS/TRS was below the actuarial target of 8%, the 3-year and 5-year returns were above it at 11.27% and 10.89%, respectively.
- Treasury has strengthened its investment capabilities
 - Longevity of investment staff increased to 8.7 years;
 - Holders of the CFA designation increased from 5 in FY10 to 9 in FY15.
- Developed new investment mandates to be managed in-house

Treasury Accomplishments in 2015 (cont.)

- Issued \$386.3 million of general obligation and state supported, subject to appropriation bonds through four bond issues, to refinance existing obligations and provide direct project funding. Saved \$16 million in current dollar savings.
- March 10, 2015 – Competitively priced \$155,215,000 in GO Bond Anticipation Notes to fund projects authorized in the 2012 Transportation Act. The one year note achieved an interest rate of 0.15%
- March 25, 2015 – Priced \$94,425,000 in GO Refunding Bonds for present value savings of approximately 7.50%. Interest Cost was 2.383%, generating over \$116 million in proceeds
- April 2, 2015 – Priced \$105,720,000 in Lease Revenue Refunding Bonds (Goose Creek), for present value savings of approximately 8.56%. Interest Cost was 3.455%, generating over \$123 million in proceeds
- August 26, 2014 - Priced \$30,895,000 million in State COPs to fund the Alaska Native Tribal Health Consortium Housing facility project. Interest cost was 2.758%

Treasury Accomplishments in 2015 (cont.)

- Provided 8 updates to rating agencies for State related credits, and 3 updates for AMBBA
- Maintained the three triple-A ratings of the State during the year; however, in 2016, S&P downgraded the its underlying rating on the State of Alaska's outstanding GO Bonds from AAA to AA+
- Coordinated with state agencies for expenditure of bond proceeds, P&I payments, and payment of arbitrage rebate to the IRS. Worked with OMB and Admin/Finance to generate budget and to implement.
- Facilitated three master lease financings for \$8.5 million of state agency equipment acquisitions
- Coordinated with the Alaska International Airport System for in long range effort to restructure the System's debt portfolio for greater operational viability
- Issued \$3,559,200 of Revenue Bond Anticipation Notes for the Alaska Clean Water and Alaska Drinking Water Fund's annual match requirement.

Treasury Accomplishments in 2015 (cont.)

- Identified electronic reporting vehicle for unclaimed property holders to be used in future reporting, improving productivity and claims administration. Since inception in 1986, a total of \$104 million has been transferred to the State general fund from the Unclaimed Property trust account.
- Developed, tested and implemented new Treasury systems that successfully interfaced with the new statewide accounting system.

Treasury Recent Challenges

- Downgrade of State credit ratings will impact all State and affiliated state debt borrowing costs.
- Declining and Volatile Markets
- Increasing Interest Rates
- Staff Retention and Hiring
- Identifying appropriate new asset mandates

Treasury FY17 Budget

- FY17 Treasury Budget component is funded 55% from ARMB component, versus 40% in FY16 due to shift in assets under management between state and retirement funds
- FY17 Treasury Budget increment request \$915.2
 - \$711.5 for 2 Investment Officers and 1 Accountant to support in-house management (98% ARMB funded)
 - \$857.8 to move salaries closer to market: (98% ARMB funded)
 - (\$330) to transfer fiscal note to AMBBA originally charged to Treasury
 - (\$246.5) Elimination of 3 Positions and reallocated GF to ARMB:
 - (\$19.6) for expected exempt and partially exempt furloughs
 - (\$58.0) for reduction in authorization to other agencies

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Alaska Department of Revenue
Treasury Division

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- Alaska Municipal Bond Bank Authority
- Alaska Permanent Fund Corporation
- Permanent Fund Dividend Division
- Tax Division
- Child Support Services Division
- Criminal Investigations Unit
- Alaska Housing Finance Corporation
- Alaska Mental Health Trust Authority

Welcome to the Treasury Division

The Treasury Division is the bank and trust center for the State of Alaska. Under the direction of Pamela Leary, the Treasury Division provides cash management, investment and portfolio management, debt management and accounting services for the State's General Fund, the Constitutional Budget Reserve Fund, various retirement funds and numerous other funds and trusts.

Announcements

- Notice to Bargaining Units - Open ARMB Trustee Seats [More Information](#)

Our Sections

Unclaimed Property

Provides a search for owners of unclaimed property and holders of abandoned property.

Investments

Provides oversight for all state and retirement investments, establishes and implements policies, and provides administrative and information technology support.

Cash Management

Functions as the cash control center for the State. Collects all revenues, pays all expenditures, and determines the amount of cash available for investment each day for the general and custodial funds.

Debt Management

Together with the State Bond Committee, is responsible for issuing State debt and lease/purchase financing for the State of Alaska.

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