



# State of Alaska Department of Revenue Treasury Budget Overview

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**A Presentation to the Revenue Finance Subcommittee**

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# 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

- 41 Treasury Division staff
- At 12/31/16, manages \$41.2B in assets in 45 separate accounts in a pooled environment
  - 14 DB funds and 4 participant directed funds under the direction of ARMB (\$29.2B)
  - 25 funds under the direction of the Commissioner of Revenue (\$11.7B)
  - 3 funds under the direction of other state fiduciaries (\$250M)
- At 12/31/16, Internally manages \$14.2B in assets directly and oversees more than 100 external investment managers
- FY06-FY16 assets under management grew 80% from \$23.3B to \$42.2B (peaked July 2014 at \$52.4B)
- Total General Obligation Bonds (GOBs) outstanding at 6/30/16 was \$823.2M

# Treasury Facts & Figures

- FY2016 fees paid to external investment managers was \$90 million
- FY2016 fees saved by managing assets internally was \$32.7 million

| Internally Managed Assets | Annual Fee Savings |
|---------------------------|--------------------|
| Fixed Income              | \$23.2 million     |
| Absolute Return           | \$ 6.7 million     |
| Public Equity             | \$ 1.9 million     |
| Private Equity            | \$ .9 million      |

# Treasury Accomplishments in FY2016

- All 28 non-retirement funds managed by Treasury met or exceeded benchmark returns, including the GeFONSI, and Constitutional Budget Reserve Fund
- The Public Employee Retirement System (PERS) and Teachers Retirement System (TRS) defined benefit plans' 3-year and 5-year returns exceeded benchmark returns, despite missing 2016 benchmarks
- Treasury has strengthened its investment capabilities
  - Longevity of investment staff was 8.7 years; half the staff have been employed more than 10 years
  - Holders of the CFA designation increased from 5 in FY11 to 8 in FY16
- Funded 1 new investment mandate to be managed in-house in FY16 and developed 3 new internal mandates to be funded in FY17

# Treasury Accomplishments in FY2016 (cont.)

- Issued \$263.1 million of general obligation to fund \$314.1 million of projects authorized by the 2012 Transportation Bond Act
- \$175.9 million of State Revenue Bonds for the Alaska International Airport System were issued raising \$205.1 million to refinance \$258.3 million of bonds. The bond issues saved \$17.1 million and reduced annual debt service by \$16 to \$22 million per year for each of the next 11 years
- Engaged in refinancing \$59.3 million of general fund paid debt related to Goose Creek Correctional Center. Savings of \$6.7 million realized upon bonds being issued
- Provided 16 updates to rating agencies for State related credits
- Maintained high credit ratings from each of the 3 rating agencies. Moody's downgraded the State's credit rating from Aa1 to Aa2 July, 2016, S&P and Fitch both maintained the State's ratings at AA+
- 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 FY2016 (cont.)

- Implemented electronic reporting vehicle for unclaimed property holders to be used in future reporting, improving productivity and claims administration
- \$12 million was transferred into the general fund from unclaimed property. Since inception in 1986, a total of \$116 million has been transferred to the State general fund from the Unclaimed Property trust account

# Treasury Recent Challenges

- Maintenance of State credit ratings. Further downgrades will impact all State and affiliated state debt borrowing costs
- Volatile Markets
- Lower trending returns
- Staff Retention and Hiring
- Identifying appropriate new asset mandates

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# Treasury FY18 Budget

- FY18 Treasury Budget component is funded 59% from the ARMB component, versus 54% in FY17 and 45% in FY16 due to shift in assets under management between state and retirement funds
- FY18 Treasury Budget key requests:
  - \$526.8 interagency cost allocation plan adjustments
  - \$32.0 increases related to health benefits
  - (\$25.7) 1 full time position transferred to Shared Services



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## Treasury Links

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- Unclaimed Property
- Investments
- Debt Management
- Cash Management
- Announcements
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## Revenue Links

- Commissioner
- Treasury Division
- Alaska Retirement Management Board
- 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.

### 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.

### Announcements

Press Release:

[Treasury Division Acting CIO Named - 2/1/17](#)

Alaska Treasury Division Seeks to Hire a Business Analyst

- State Investment Officer - Business Analyst

Alaska Treasury Division Seeks to Hire 2 State Investment Officers

- State Investment Officer - Internal Public Equity

**For more information,  
please visit our website:  
[treasury.dor.alaska.gov](http://treasury.dor.alaska.gov)**

# THANK YOU

Please find our contact information below:

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