



State of Alaska Department of Revenue Treasury Budget Overview

A Presentation to the Revenue Finance Subcommittee
January 25, 2018

Pamela Leary
Director, Treasury Division
Alaska Department of Revenue



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

- 40 current Treasury Division staff. 3 staff to start next month.
- At 12/31/17, managed \$42.2B in assets in 45 separate accounts in a pooled environment:
 - 14 DB funds and 4 participant directed funds under the direction of ARMB (\$32.6B).
 - 25 funds under the direction of the Commissioner of Revenue (\$9.4B).
 - 2 funds under the direction of other state fiduciaries (\$255M).
- At 12/31/17, internally managed \$16.6B in assets directly (46%) and oversaw more than 100 external investment managers.
- FY07-FY17 assets under management grew 50% from \$27.9B to \$42.0B (peaked July 2014 at \$52.4B).
- Total General Obligation Bonds (GOBs) outstanding at 6/30/17 was \$776.8 M.

Treasury Facts & Figures

- FY2017 fees paid to external investment managers was \$102 million.
- FY2017 fees saved by managing assets internally was \$33.7 million.

Internally Managed Assets	Annual Fee Savings
Fixed Income	\$ 20.0 million
Absolute Return	\$ 9.2 million
Public Equity	\$ 2.7 million
Private Equity	\$ 1.2 million
Real Assets	\$ 0.6 million

Treasury Accomplishments in FY2017

- 24 of the 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' annual, 3-year and 5-year returns exceeded benchmark returns.
- Treasury has strengthened its investment capabilities:
 - Longevity of current investment staff is over 10 years.
 - Holders of the CFA designation continued to be 8 in FY17.
- Funded 3 new internally invested mandates in FY17.
- Increased the amount of private equity and absolute return managed in house by 50% since last year.

Treasury Accomplishments in FY2017 (cont.)

- Engaged in refinancing approximately \$58.0 million of general fund paid debt related to Goose Creek Correctional Center. Gross savings of \$6.7 million realized upon bonds being issued.
- Provided 7 updates to rating agencies for State related credits.
- Managed credit ratings from each of the 3 nationally recognized rating agencies:

Rating actions during FY2017:

- Moody's Investor's Service downgrade Aa1 to Aa2 July 25, 2016.

Rating actions during FY 2018:

- Moody's Investor's Service downgrade Aa2 to Aa3 July 13, 2017.
 - Standard & Poor's downgrade AA+ to AA July 18, 2017.
 - Fitch Ratings downgrade AA+ to AA November 2, 2017.
 - Fitch Outlook Change upgrade Negative to Stable November 2, 2017.
 - Moody's Investor's Service Outlook change upgrade Negative to Stable December 1, 2017.
- Issued \$3,263,800 of Revenue Bond Anticipation Notes in October 2016 for the Alaska Clean Water and Alaska Drinking Water Fund's annual match requirement.

Treasury Accomplishments in FY2017 (cont.)


- \$20 million was transferred into the general fund from unclaimed property. Since inception in 1986, a total of \$136 million has been transferred to the State general fund from the Unclaimed Property trust account.
- Implemented the Alaska ABLE Plan in December 2016:
 - Allows people with disabilities to save money for future expenses in a tax deferred 529A account without having to give up benefits.
 - 5,000 potential Alaskans to be served.
 - 94 funded accounts with total assets of \$395,771 at 12/31/17.

Treasury Challenges

- Maintenance of State credit ratings. Further downgrades will impact all state and affiliated state debt borrowing costs.
- Lower trending returns.
- Staff retention and hiring.
- Identifying appropriate new asset mandates.
- Unclaimed Property System is aging and no longer efficient.

Treasury Component FY19 Budget

- FY19 Treasury Budget component is funded 66% from the ARMB component, versus 59% in FY18 and 54% in FY17 due to shift in assets under management between state and retirement funds.
- FY19 Budget vs. FY18 Management Plan:
 - (\$526.8) reduction in services cost.
 - \$5.1 increases related to health benefits.



State of Alaska > Revenue > Treasury > Home

Treasury Links

- Home
- Unclaimed Property
- Investments
- Debt Management
- Cash Management
- Announcements
- Contact Treasury

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

ARMB Nomination Process:
Two Member Seats Up for Appointment on March 1, 2018

The Treasury Division is seeking a Non-Permanent State Investment Officer for the summer of 2018 to join their team:

Non-Permanent State Investment Officer - Summer 2018

**For more information,
please visit our website:
treasury.dor.alaska.gov**

THANK YOU

Please find our contact information below:

Pamela Leary
Director, Treasury Division
Department of Revenue
pam.leary@alaska.gov
(907) 465-3751



dor.alaska.gov