



State of Alaska Department of Revenue Treasury Budget Overview

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Treasury Division

The Treasury provides debt management, cash management, unclaimed property management services in addition to investment and portfolio management for the state's general fund, constitutional budget reserve fund, public school trust fund, the power cost equalization fund, retirement funds, and numerous other funds and trusts. The Division also provides staff to the Alaska Retirement Management Board and Alaska Municipal Bond Bank Authority and oversees the Alaska ABLE plan.

Treasury Facts & Figures

- 45 current Treasury Division staff.

- At 12/31/18, managed \$38.8B in assets in 45 separate accounts in a pooled environment:
 - 14 defined benefit funds under the direction of ARMB (\$24.8B).
 - 4 participant directed funds under the direction of ARMB (\$6B).
 - 25 funds under the direction of the Commissioner of Revenue (\$7.7B).
 - 2 funds under the direction of other state fiduciaries (\$225M).

- Debt Management issues state debt and lease/purchase financings for the State.

- Cash Management collects all revenues, pays all expenditures and determines the amount of cash available for investment daily. Cash flows are forecasted to determine future cash needs.

Accomplishments in FY2018

- The State's credit rating stabilized in FY 2018 with the adjustment of the outlook from negative to stable by all three rating agencies (Standard & Poor's, Moody's Investor's Service & Fitch Ratings).

- Rating actions and progression during FY 2018:
 - Moody's downgrade from Aa2 to Aa3 on July 13, 2017, Negative Outlook.
 - S&P's downgrade from AA+ to AA on July 18, 2017, Negative Outlook.
 - Fitch Ratings downgrade from AA+ to AA on November 1, 2017, Negative Outlook.
 - Fitch Ratings adjusted Outlook from Negative to Stable on November 2, 2017.
 - Moody's adjusted Outlook from Negative to Stable on December 1, 2017.
 - S&P adjusted Outlook from Negative to Stable on June 8, 2018.

- Adjustments reflect ongoing outreach and reflect recognition of the financial options that the State has available.

Accomplishments in FY2018 (cont.)

- The Alaska Municipal Bond Bank completed another year of providing lower cost financing options during FY 2018:
 - Issued \$29 million in bonds resulting in loans to communities.
 - More than \$3.4 million saved by Alaskans as a result of the reduction in bond interest rates.
- \$16.5 million was transferred into the general fund from Unclaimed Property. Since inception in 1986, a total of \$152.6 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.
 - At 12/31/2018, there were 240 funded accounts (up from 94 at 12/31/2017) with total assets of \$1,124,837 (up from \$395,771 at 12/31/17). Withdrawals totaled \$312,150 for the year.

Accomplishments in FY2018 (cont.)

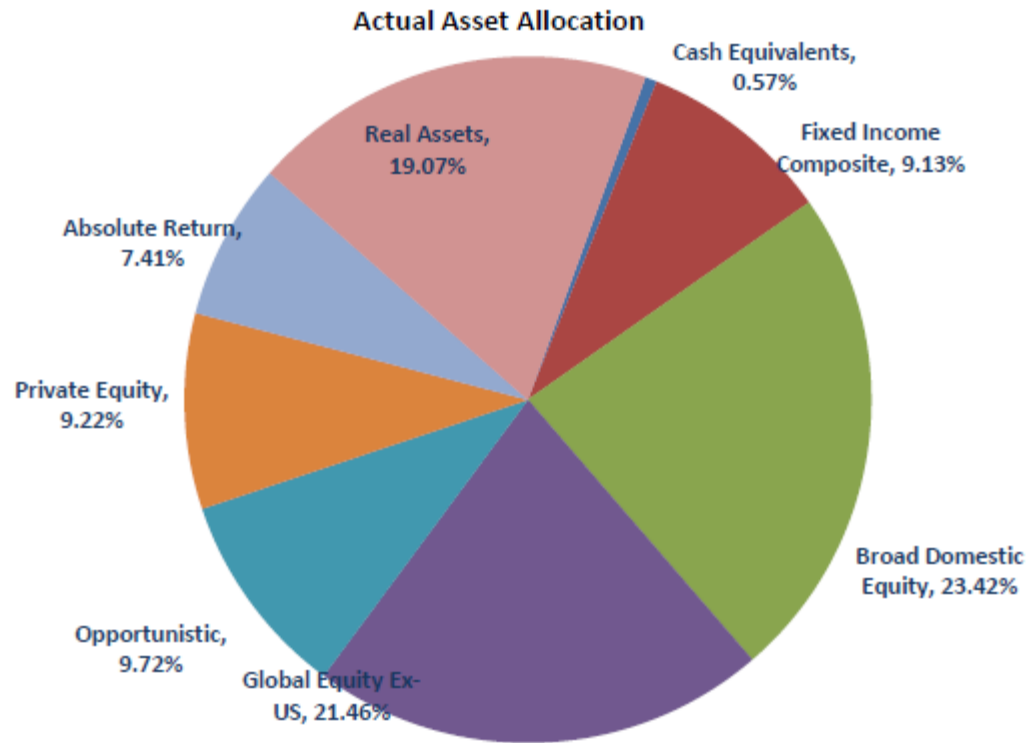
- 26 of the 28 non-retirement funds managed by Treasury met or exceeded benchmark returns on a net of fee basis, including the GeFONSI, and Constitutional Budget Reserve Fund. All funds were over the benchmarks over the 3- and 5- year periods.
- Created the GeFONSI II to target a higher return rate.
- The Public Employee Retirement System (PERS) and Teachers Retirement System (TRS) defined benefit plans exceeded the FY18 benchmark of 8.25% with net of fee returns of 9.05%, 3-year net of fee returns were 7.00%, lower than the 7.05% benchmark and 5-year net of fee returns of 8.38% exceeded the 8.10% benchmark.
- Increased internal management of assets. Benefits of adding in house management capacity include:
 - Offsets external management fees, resulting in better returns on assets.
 - Increased staff experience and knowledge.
 - Keeps value in Alaska.
 - Additional capacity for internal management exists.
 - Increased the amount of private equity and equity managed in house over last fiscal year by 14% and 44%, respectively.

Accomplishments in FY2018 (cont.)

- Reorganized investment staff roles to align with vision:
 - Existing staff receive more challenging roles and responsibilities as internal mandates grow.
 - Operations streamlined to achieve efficiencies to manage increase in internal investment management.
 - Cross functional investment teams created to improve net-of-fee risk adjusted performance through the analysis of risk, asset allocation, manager selection, and information flows.
- Developed databases to provide data analysis, resulting in greater efficiency, effectiveness and reduced costs.
- Continued to diversify assets to reduce risk:
 - Identify investments that can add value with reduced costs and risks.

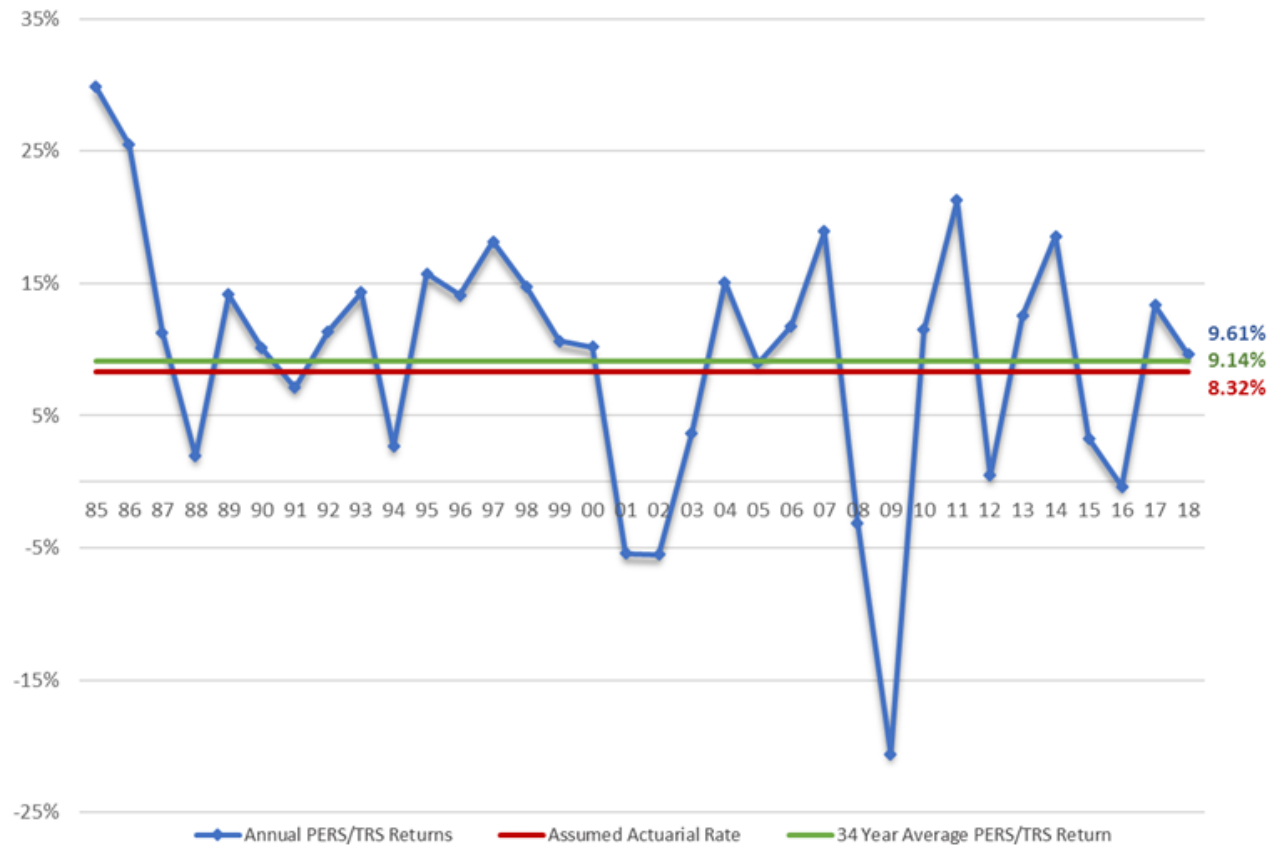
Facts & Figures

➤ June 30, 2018 Defined Benefit Asset Allocation



Facts & Figures

- Although returns have been volatile, the 34 year average PERS/TRS return of 9.14% surpassed the assumed 34 year average actuarial rate of return of 8.32%.



Facts & Figures

- FY2018 fees saved by managing assets internally was \$30 million.
- At 12/31/2018, 50% (\$16.6B) of assets are managed in-house.

Internally Managed Assets	Annual Fee Savings
Fixed Income	\$ 17.0 million
Absolute Return	\$ 8.7 million
Public Equity	\$ 3.4 million
Private Equity	\$ 1.4 million
Real Assets	\$ 0.3 million

Facts & Figures

➤ Historic ARMB Fees Paid to External Managers:

	Historic Manager Fees Paid, FY 11 to FY 18							
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Broad Domestic Equity	\$7,548,569	\$10,043,289	\$11,559,501	\$13,243,266	\$12,654,891	\$11,730,056	\$14,459,724	\$12,319,726
Global Equity Ex-US	\$15,888,702	\$15,814,643	\$14,688,634	\$17,142,130	\$21,381,074	\$20,815,819	\$22,460,312	\$23,094,420
Alternative Equity/Oppportunistic	\$4,002,936	\$3,796,483	\$3,454,480	\$1,512,333	\$3,012,605	\$2,055,605	\$2,162,504	\$9,094,818
Private Equity	\$5,864,047	\$7,666,847	\$6,653,443	\$7,453,571	\$7,793,757	\$9,328,973	\$11,765,183	\$12,260,133
Real Assets	\$19,493,765	\$19,100,864	\$23,608,330	\$24,670,853	\$25,175,085	\$27,820,023	\$28,648,117	\$29,761,682
Absolute Return	\$5,896,206	\$6,056,485	\$5,176,521	\$5,985,676	\$11,487,059	\$23,558,243	\$21,731,258	\$18,287,912
Fixed Income	\$2,493,906	\$3,335,470	\$3,685,272	\$4,143,522	\$5,010,475	\$5,928,825	\$7,390,994	\$0
Total Fees	\$61,188,130	\$65,814,081	\$68,826,182	\$74,151,352	\$86,514,945	\$101,237,544	\$108,618,092	\$104,818,690
Year End Total Assets	\$16,394,848,162	\$16,242,119,030	\$18,075,627,711	\$21,171,071,086	\$23,989,926,930	\$23,068,284,972	\$25,122,989,358	\$26,162,960,813
Total Fees as a % of Assets	0.37%	0.41%	0.38%	0.35%	0.36%	0.44%	0.43%	0.40%

FY19 Budget components

- Treasury component : \$9,986.3.
 - 66% funded from the ARMB component (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.
- ARMB component : stable at \$10,032.9.
- ARMB Custody and Management component : stable at \$50,000.
- AMBBA component : stable at \$1,006.
 - .3 increases related to health benefits.
- Unclaimed Property component : \$ 515.
 - (\$69.5) reduction in one full time staff.

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



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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

The Alaska Retirement Management Board (ARMB) is soliciting proposals for a general consultant. Please click the link below to review the Request For Proposals and it is also posted on the Alaska Online Public Notice system.

[RFP 19-006 ARMB General Consultant Services](#)

[RFP 19-006 - Amendment 1](#)

[RFP 19-006 - Amendment 2](#)

[RFP 19-006 - Question Responses](#)

The Alaska Retirement Management Board (ARMB) is soliciting proposals for a real assets consulting services. Please click the link below to review the Request For Proposals and it is also posted on the Alaska Online Public Notice system.

[RFP 19-007 ARMB Real Assets Consultant Services - Amended 1.22.19](#)

[RFP 19-007 - Amendment 1](#)

[RFP 19-007 - Amendment 2](#)

[RFP 19-007 - Question Responses](#)

THANK YOU

Please find our contact information below:

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