SENATE FINANCE COMMITTEE
January 23, 2023
9:00 a.m.

9:00:55 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

Senator Click Bishop

ALSO PRESENT

Adam Crum, Commissioner, Department of Revenue; Pam Leary, Director, Treasury Division, Department of Revenue; Senator Cathy Giessel.

SUMMARY

^SAVINGS, RESERVES, and INVESTMENT FUNDS - DEPARTMENT OF REVENUE

9:02:42 AM

ADAM CRUM, COMMISSIONER, DEPARTMENT OF REVENUE, (DOR) introduced himself and Ms. Leary.

9:03:18 AM

PAM LEARY, DIRECTOR, TREASURY DIVISION, DEPARTMENT OF REVENUE, introduced herself, and discussed her professional background.

Ms. Leary discussed the presentation, "Update on the State's Cash Reserve Funds and Discussion of State Cash Flows" (copy on file). She highlighted slide 2, "Agenda":

Meet the Treasury
Update on Cash Reserve and Other Funds
State Cash Flows

Ms. Leary discussed slide 3, "Meet the Treasury":

Investment Management
Cash Management
Debt Management
Unclaimed Property

Ms. Leary addressed slide 4, "Treasury Statistics":

45 Treasury Division staff positions, most of whom touch investments in some capacity via portfolio management, accounting, operations, compliance, debt management, cash management and unclaimed property.

$46.8 billion in assets under management (AUM) as of 12/31/22

Combined operating budget of $15.3 million.

The Division is a resource to state fiduciaries, state agencies, the legislature and the general public.

9:05:00 AM

Co-Chair Stedman asked about the $46.8 billion, and whether it was included or excluded in the Permanent Fund's approximately $70 billion.

Ms. Leary replied that it was considered separate.

Ms. Leary pointed to slide 5, "Investment Management":

At 12/31/22, managed $46.8 billion in assets in 47 separate accounts.
-14 defined benefit funds under the direction of the Alaska Retirement Management Board (ARMB): $30.3B
-4 participant directed funds under the direction of ARMB: $8.0B

-25 funds under the direction of the Commissioner of Revenue: $8.2B
-4 funds under the direction of other state fiduciaries: $288M

Accounts are managed in a pooled environment which is an efficient way to invest multiple funds.
-State assets: 9 pools that state funds can invest in
-ARMB assets: 23 investment pools that roll up to 7 asset classes that the retirement funds invest in:
- Cash Equivalents
- Fixed Income
- Broad Domestic Equity
- Global Equity ex US
- Multi Assets
- Real Assets
- Private Equity

Ms. Leary highlighted slide 6, "Investment Management (cont.)":

The Chief Investment Officer and staff meet regularly with the Commissioner, ARMB or other fiduciary to discuss and determine asset allocations.

Consideration is given to:
-the type and use of the fund.
-how long the fund is expected to be invested.
-what type of risk the fund can take.

Callan's Capital Markets Assumptions and other industry data are used to build models to generate potential asset allocation targets.

Invest, Invest, Invest!

State Investment Review and ARMB meetings are held quarterly to review performance, investment policy, and asset allocations with an independent investment advisory committee. Summaries and materials for the meetings are publicly available on our website.

Ms. Leary displayed slide 7, "Cash Management":

Monitor all cash in and out of the state.

Manage procurement, administration, and implementation of all statewide banking service contracts including:

- -Warrant clearing contract
- -Primary and alternate depository services contract
- -Automated Clearing House (ACH) Origination contract
- -Credit card acceptance contract
- -Treasury Management System contract

Consult and coordinate with all departments on banking service needs.

Project and reconcile, on a daily basis, all incoming and outgoing cash flows to determine excess funds that can be invested by the investment staff.

State bank accounts are reviewed for accuracy daily.

Process and apply financial coding to all daily banking transactions from five financial institutions for interface to the Statewide accounting system for departments to record revenue and expenditures.

Ms. Leary pointed to slide 8, "Debt Management":

Implement directives from the Commissioner's office and the State Bond Committee ('SBC') on policy decisions related to debt issuances, rating strategies, and potential use of debt capacity.

Coordinate activity among various professionals for any authorized debt issuance (bond counsel, financial advisor, arbitrage, and underwriter).

Conduct meetings with Rating Agencies.

Prepare all statutorily required reporting:

- -Revenue Sources Book
- -Annual Comprehensive Financial Report
- -Alaska Public Debt Book
- -Alaska Debt Affordability Analysis

Perform all continuing disclosure undertakings for outstanding bonds.

Provide leadership and staff for the Alaska Municipal Bond Bank Authority (AMBBA).

Ms. Leary pointed to slide 9, "Unclaimed Property":

Receive and account for unclaimed property in the form of cash, securities, and safe deposit boxes from companies, organizations (profit and nonprofit) and government agencies throughout the United States in accordance with Alaska's Unclaimed Property Act.

Provide services to reunite owners, heirs, or legal representatives with their unclaimed property.

Determine entitlement by analyzing statutes, court orders, legal cases, and reviewing evidence.

Promote unclaimed property reporting.

Alaska currently has 1,847,763 claimable properties with a value of $258 million.

9:11:09 AM

Co-Chair Stedman queried the time limit on claiming the property.

Ms. Leary replied that there was no time limit.

Co-Chair Stedman wondered whether money that would be considered "unclaimed property" from territorial days would still be in the account.

Ms. Leary replied that a portion of the money from the unclaimed property was put into the general fund, because it was known that not all of the money would be claimed by a person or entity. She stated that there was more information on that subject in the upcoming slides.

Ms. Leary looked at slide 10, "Treasury Accomplishments":

Professional Certifications:

- -Increase in professional designations: CFAs, CPAs, CIPMs and CTPs

Delivered outstanding investment performance results:

- In FY22, PERS and TRS performance of 4.1 percent resulted in an average of 9.0 percent during the 38 year history of the retirement systems. Over the past decade, the systems have outperformed their benchmark by 126 basis points and the median peer plan by 98 bps. This performance places the systems well into the top quartile, outperforming over 85 percent of peer plans.
- State assets have grown by 9.0 percent in the last 12 months, largely outperforming fund benchmarks.

ARMB Savings:

-$35 million annual savings in management fees by reducing the amount of assets invested with external investment managers and investing those assets utilizing Treasury Investment Officers.

Co-Chair Stedman queried the basis point.

Ms. Leary replied that the basis point was one one-hundredth of a percent.

Co-Chair Stedman wondered asked what the number would be at 126 basis points above a number.

Ms. Leary replied that it would be 1.2 percent more than what would be in the public market sector, which was the benchmark.

Co-Chair Stedman queried the reason for the benchmark versus zero.

Ms. Leary replied that the benchmark represented what would be the number if the money was put into a public fund. She stated that showing that performance was above the benchmark reflected that the active performance was better than a public fund.

9:15:00 AM

Co-Chair Stedman surmised that the benchmark was a collection of target components.

Ms. Leary stated that each asset class had specific benchmarks.

Senator Wilson wondered whether the investment officers had the high certification level.

Ms. Leary replied that they were either at that level or working toward that designation.

Co-Chair Stedman remarked that it would be a question for the subcommittee.

Ms. Leary addressed slide 11, "Treasury Accomplishments":

> Increase in the State's credit rating outlook with Fitch and Standard and Poor's.
>
> In the past two fiscal years, the Alaska Municipal Bond Bank Authority has funded $408.1 million in loans resulting in an estimated $55.4 million in savings to Alaskans through lowered borrowing costs.
>
> Restructured outstanding debt of the airport system saving $81.8 million from future debt service payments.
>
> During FY22, Unclaimed Property returned approximately $13.5 million to current or former Alaska owners and businesses, transferred $12.0 million into the state general fund, had a 16 percent increase in reported holdings.
>
> Maintained a reduced claims backlog since transitioning to a new unclaimed property system in FY21, despite a 15 percent increase in claims being received.
>
> Since FY19, $90.9 million in cash and stock sale proceeds have been received as unclaimed property, $45.5M million was transferred into the state general fund and over $34.4 million dollars has been returned to current or former Alaska owners and businesses.

Co-Chair Stedman remarked that some of the communities were dealing with the issue of the reissuing of standing debt. He wondered whether the airport debt had stretched out the amortization in time, or whether it was the same timeframe of debt service payments or the decline in interest rates.

Ms. Leary agreed to provide that information, and remarked that the total savings was $81.8 million.

Co-Chair Stedman noted that there was a concern about not taking advantage of the lower interest rates.

Ms. Leary paused on slide 12, "Update of Cash Reserve and Other Funds." She summarized the upcoming slides.

9:21:33 AM

Ms. Leary displayed slide 13, "Constitutional Budget Reserve Fund (CBRF); Historical Invested Assets (in billions)":

> In 1990, voters of Alaska adopted an amendment to the constitution creating the CBRF.
>
> CBRF has been used to fund temporary cash flow expense/revenue mismatches.
>
> CBRF has been used to appropriate/cover budget revenue shortfalls.
>
> Appropriations from the CBRF must be repaid.

Co-Chair Olson queried the reason for the discrepancy in the information he had been given about the fund.

Ms. Leary replied stated that she would address that question in the presentation, but stated that the slide showed the actual cash balances that were not currently invested in the bank. She stated that the $2+ billion was the number that would be available for appropriation once the final transfer from the general fund went to the CBR.

Co-Chair Olson wondered how the public would be convinced that it was not a consideration of imaginary money.

Ms. Leary replied that the Division of Finance was using the number as a transfer target.

9:25:35 AM

Co-Chair Stedman surmised that the $1.37 billion total in cash was the balance on July 1, 2022.

Ms. Leary replied in the affirmative.

Co-Chair Stedman requested the financial statements, and understood that the exercise was not complete.

Ms. Leary agreed to provide that information. She stated that there would be estimates and footnotes.

Co-Chair Stedman stressed that sometimes people fixated on a specific number, so he wanted to be able to show the reasonings for the forecasts.

Ms. Leary understood.

Co-Chair Hoffman recalled that there had been a target to not go below $500 million, and queried a target for DOR in the CBR.

Ms. Leary replied that the number had shifted throughout the years, based on a variety of models and circumstances.

Co-Chair Stedman requested a range of a minimum number.

Ms. Leary agreed to provide that information.

9:30:03 AM

Ms. Leary looked at slide 14, "Constitutional Budget Reserve Fund (CBRF) Fiduciary oversight: Commissioner of Revenue." She remarked that the slide showed a low risk tolerance, because the fund needed to be fairly liquid. She remarked that the fund was 100 percent invested in capital cash equivalents. She remarked that the current cash balance before the transfers from the general fund for FY 22 was $1.065 billion as of December 2022.

Ms. Leary pointed to slide 15, "Power Cost Equalization (PCE) Historical Invested Assets (in millions)":

> The purpose of the PCE Endowment fund is to provide for a long term stable financing source that provides affordable levels of electric utility costs in otherwise high cost service areas of the state.

> 5 percent of the monthly average market value of the fund for the previous 3 fiscal years may be appropriated. If prior years earnings exceed this amount, 70 percent (not to exceed $55M) of the difference can be spent on related identified programs.

Co-Chair Hoffman requested the outline of how the fund was faring, specifically whether it was above or below the benchmarks.

Ms. Leary replied with slide 16, "Power Cost Equalization (PCE) Fiduciary oversight: Commissioner of Revenue." She remarked that the fund currently had a high risk tolerance. She noted that legislation was passed in the previous session that changed how the fund was invested, which directed the commissioner of DOR to uphold the prudent investment rule.

Co-Chair Stedman wondered whether the benchmark had not been met.

Ms. Leary replied in the affirmative.

9:34:37 AM

Co-Chair Hoffman recalled when the guideline was 7 percent, and then was changed to a new guideline. He looked at 2018 to 2021, with the 5 percent increasing without any reductions, but the prudent investment rule showed that the fund had lost $200 million. He wondered whether the committee should consider eliminating the prudent investment rule and returning to the 5 percent rule. He remarked that he did not want to request more funds.

Ms. Leary replied that the current year was a negative market. She stated that there had a been a switch, which indicated that overtime investing toward a higher rate of return showed a positive overall. She expected that management according to the prudent investment rule.

Co-Chair Hoffman stressed that the CBR was considered low risk, and the benchmarks were met in that fund. He felt that keeping the PCE in the low risk category would still provide a substantial amount in the bank. He questioned the comments about keeping the PCE in "high risk" and potentially halt the effort to come up with more fund.

Co-Chair Stedman requested a presentation on the PCE broken out by quarter.

9:42:24 AM

Senator Kiehl noted the significant difference between the PCE and other endowments. He wondered whether there could be a five-year lookback.

Commissioner Crum agreed to provide that information.

Senator Wilson queried the Callan inflation rate projection for 2023.

Commissioner Crum replied that it was around 2.25 percent, and agreed to provide further information.

Ms. Leary furthered that the target was 2.5 percent as the long-term forecast for inflation.

Co-Chair Stedman felt that those targeted inflation rates were slightly off.

Co-Chair Olson recalled that there was a loss of about 20 percent of the state's nest egg, and felt that the loss would cause great stress. He wondered what would happen if there was an elimination of the prudent investment rule.

Commissioner Crum remarked that it was a policy decision, and the department would respond to whatever policy was written by the legislature.

9:45:22 AM

Co-Chair Stedman felt that the prudent investment rule matches other investors' portfolios. He felt that the discussion might better be around the asset allocation.

Commissioner Crum remarked that PCE was one of the funds that immediately impacted rural Alaskans.

Co-Chair Stedman stressed that he would like to see when and how quickly there was a shift in the asset allocation.

Ms. Leary clarified that the funds were important to all people in Alaska, and stressed that she understood how important the numbers were to the people.

Ms. Leary pointed to slide 17, "Alaska Higher Education Investment Fund (AHEIF) Historical Invested Assets (in millions)":

> On September 1, 2012, the AHEIF was capitalized with a $400 million deposit from receipts of the Alaska Housing Capital Corporation for use in paying Alaska Performance Scholarship Awards and AlaskAdvantage Education Grants.
>
> On June 29, 2022, $394.6M was swept to the General Fund for FY21, of which $342.6M came directly from the AHEIF and $52M came from the CBRF due to FY22 investment losses in the AHEIF.

9:50:27 AM

Ms. Leary addressed slide 18, "Alaska Higher Education Investment Fund (AHEIF) Fiduciary oversight: Commissioner of Revenue." She displayed slide 19, "General Fund and Other Non Segregated Investments (GeFONSI) Historical Invested Assets (in billions)":

> GeFONSI includes the General Fund and Other Non segregated funds invested in a pooled environment (GF proper carries a minimum balance of $400 million to pay our bills).
>
> GeFONSI II was created in 2018 to target a higher risk return profile for a subset of funds.

Co-Chair Stedman wondered whether any of the funds were having difficulty within GeFONSI.

Ms. Leary replied that she could not speak to that, because it was the purview of the agencies that manage the funds.

Co-Chair Stedman requested an examination of any problem areas in the fund.

Ms. Leary pointed to slide 20, "General Fund and Other Non Segregated Investments (GeFONSI I and II), Fiduciary oversight: Commissioner of Revenue."

Co-Chair Stedman noted that there seemed to be similar asset allocation, and wondered whether there was a comingling within the same allocation.

Ms. Leary replied that each fund will invest some portion into an asset class. She stated that GeFONSI was invested 85 percent in cash equivalents, and 15 percent in short-term fixed income.

Co-Chair Stedman stressed that the public school fund pie chart looked like the same pie chart as the PCE and other funds.

Ms. Leary replied that they were the high risk long term asset allocations that were identified during the process.

9:56:15 AM

Co-Chair Stedman wondered whether there were other funds in the group.

Ms. Leary agreed to confirm the information.

Senator Kiehl noted that GeFONSI II may be the only one that did not beat the benchmark.

Ms. Leary replied that GeFONSI II was one of the performance returns that was just under the benchmarks.

Senator Kiehl requested a follow up on GeFONSI II.

Co-Chair Stedman noted that there would be benchmarks discussions in a future presentation.

Ms. Leary discussed slide 21, "Public School Trust Fund (PSTF) Historical Invested Assets (in millions)."

> The PSTF was established in 1978, replacing the territorial era public school land grant originally created by congress in 19 15, by a transfer of the balance from the permanent school trust.
>
> Following passage of HB 213 in 2018, the fund is now managed as one fund, under a percentage of market value method (5 percent of the average market value

for the 5 years preceding the last previous fiscal year).

Ms. Leary addressed slide 22, "Public School Trust Fund (PSTF) Fiduciary oversight: Commissioner of Revenue."

10:00:23 AM

Co-Chair Olson discussed Public Employees' Retirement System (PERS) and the Teacher Retirement System (TRS). He requested an expectation for the future of the funds.

Co-Chair Stedman felt that question might be better for the Alaska Retirement Management (ARM) Board, and the upcoming slide may also have some information.

Ms. Leary pointed to slide 23, "Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) Pension and Health Defined Benefit Plans Historical Invested Assets (in billions)":

> The Alaska Retirement Management Board (ARMB) is a 9 person board and fiduciary of the state's pension and health systems.
>
> The defined benefit plans currently experiences net outflows from the funds.
>
> The 38 year return Average for PRS/TRS was 9 percent.

10:04:49 AM

Co-Chair Stedman stressed that the liabilities exceeded the assets, so there needed to be caution when having conversations about the assets. He wondered why the PERS and TRS system was not similar to the other funds.

Ms. Leary replied with slide 24, "Public Employees Retirement System and Teachers Retirement System Fiduciary oversight: Alaska Retirement Management Board."

Co-Chair Stedman surmised that the estimation had an accounting process.

Ms. Leary agreed, and explained that the cash flows were apparent, but there was a lag in the included returns.

Co-Chair Stedman felt that there was a difference between mark to market, versus something that was not traded for many years.

Ms. Leary agreed.

Co-Chair Stedman stated that there should be caution when seeing liquid assets in “tough times” and ensuring that there was an accurate reflection of those assets.

Senator Kiehl requested the risk of missing a normal cost for retirement in a year.

Co-Chair Stedman felt that the question would be better addressed to the ARM Board.

10:11:29 AM

Ms. Leary pointed to slide 25, "State Cash Flows." She addressed slide 26, "Cash vs. Accrual Balances

> Cash balance is what you have in the bank at a given point in time.
>
> Accrual balance is what you have earned and what liabilities have been incurred at a particular point in time. It is what you should have at a particular point in time after all expected receipts and expenditures come in and out.
>
> Treasury fund balances are cash balances, not what is available to spend in the budget.

Ms. Leary pointed to slide 27, "SOA Treasury Cash Flow":

> Cash Inflows
>
> > Tax Revenues: Oil and Gas, Excise, Other
> > Federal Dollars: Grants, Medicaid, FHWA, Education, Other
> > Earnings Reserve Funds
> > Agency Receipts: Fees, Licenses, Permits, Fines, Other
>
> Cash Outflows
>
> > School Education Payments

Payroll and Pension Payments
Vendor Payments
Medicaid Payments
External Program Grant Payments
Debt Service Payments

Ms. Leary discussed slide 28, "Revenue":

Commodity Volatility

- Petroleum revenues are 47 percent of FY23 projected unrestricted general fund revenues.
- Uncertainty exists "in year" for FY23 and beyond.
- Will always have in year uncertainty because we base budget on in year oil collections.

Investment Return Volatility

- Investment earnings are 47 percent of FY23 projected unrestricted general fund revenues.
- Certainty exists today for FY24 (due to a lagging POMV formula; $3.5 billion in FY24).
- Uncertainty exists today for FY25 and beyond.

Ms. Leary addressed slide 29, "Expenditures":

Expenditures can occur prior to receipt of revenue, resulting in cash flow timing mismatches:

- Federal programs require expenditures before reimbursement.
    - i.e. Medicaid, Transportation, etc.
- Beginning of year appropriation transfers do not match incoming revenue.
    - i.e. State pension payments, transfers to subfunds for programs.
- Seasonal Cash Flow needs.
    - i.e. Summer is the peak season for construction projects and seasonal workers.

Ms. Leary pointed to slide 30, "Cash Flow Deficiencies":

Prior to 1985, most unrestricted revenues flowed into and stayed in the General Fund for expenditure.

Over time, the legislature established many subfunds of the general fund to segregate cash for budgeting purposes, resulting in less cash available to pay day to day operating costs.

> The legislature typically includes language in the budget bill allowing for a transfer from the Constitutional Budget Reserve Fund if unrestricted revenue is insufficient to cover the general fund appropriations in a given year.

10:15:32 AM

Co-Chair Stedman stressed that using the CBR required a three-quarter vote, and felt that the legislature may not need to use that fund.

Co-Chair Hoffman queried the plan to address the three-quarter vote, and whether the legislature might be called back into session in the upcoming summer.

Commissioner Crum replied that DOR would be in close contact with the committee about volatility of oil prices.

Co-Chair Hoffman queried a timeframe.

Commissioner Crum replied that there was an examination of funding based on the current circumstances, but stressed that there would be continued conversations if the oil price saw sudden volatility.

Co-Chair Stedman remarked that there had been a request of a review of negative appropriations to avoid a crisis.

Co-Chair Olson felt that Commissioner Crum was more optimistic than what was actually occurring, and stressed that a three-quarter vote would be nearly impossible.

Co-Chair Stedman remarked that there would be an examination of any negative appropriations.

10:20:28 AM

Ms. Leary addressed slide 31, "Cash Deficiency Memorandum of Understanding":

> Developed in 1994 between DOR, DOA, OMB and DOL.
>
> Updated as needed.

Targets $400 million minimum cash threshold in the General Fund proper.

Outlines procedures for addressing cash flow timing mismatches:

- -Develop monthly cash projections.
- -Monitor daily general fund cash balances. Update forecasts based on new cash flows.
- -Execute appropriated transfers from ERA, CBR, or others.
- -Perform temporary fund borrowing (CBR, ERA, subfunds) to be repaid by fiscal year end.
- -In the event of forecasted revenue shortfall:
    - •Seek legislative action through the Governor to access additional funds through appropriation from other Cash Reserve Funds discussed above.
    - •Prioritize disbursements, restrict expenditures.

Co-Chair Hoffman wanted to examine the provisions for borrowing from the CBR and the ERA.

Co-Chair Stedman asked that the provisions be provided to the committee.

Ms. Leary agreed to provide that information.

10:25:35 AM

Co-Chair Stedman remarked that there was smoothing for the agencies to protect the cash flow.

Ms. Leary agreed.

Senator Kiehl wondered whether the slide showed a fixed number and the number's origin.

Ms. Leary replied that it was approximately two days' worth of payout all the bills at once.

Co-Chair Stedman stressed that the state could barely make payroll, which he considered unacceptable.

Ms. Leary pointed to slide 32, "Cash Flow Deficiencies":

Use of budget reserve funds has been the solution of cash flow timing mismatches and revenue shortfalls.

Appropriations From Reserve funds

- –The Legislature includes language annually in the operating budget appropriating budget reserve funds for revenue shortfalls.
  - •Treasury has relied on this appropriation to authorize use of budget reserve funds to address timing cashflow mismatches as well.

The CBRF was fully repaid by FY10.

Borrowing from the CBRF recommenced in FY14.

Per FY21 ACFR $12.8 billion is owed to CBRF (FY22 is expected to reduce the amount owed to the CBRF due to sweep of unassigned balances and sub funds).

10:30:12 AM

Co-Chair Stedman wondered Co-Chair Hoffman had any comment about the CBR being repaid in 2010.

Co-Chair Hoffman replied that "it was good times."

Co-Chair Stedman recalled that it was nice to see the CBR paid off.

Ms. Leary addressed slide 33, "Volatility Management Techniques":

Access Cash Reserve and Other Funds (CBR and other fund balances).

Manage timing of Earnings Reserve Account transfers to the General Fund.

Manage timing of expenditures.

Modernize fiscal tools to include lines of credit in addition to revenue anticipation notes. (HB92)

Co-Chair Stedman recalled that there was not much interest in revenue accumulation, but there was interest in a cash position.

Ms. Leary pointed to slide 34, "Cash Flow Take Aways":

> Even with balanced budgets and if all revenue is received, cash flow timing mismatches will occur.
>
> Cash flow forecasting changes due to amount and timing of revenues and expenditures.
>
> Revenue shortfalls may occur if forecasted assumptions are wrong.
>
> Higher revenue volatility requires greater cash reserves until volatility decreases.
>
> Volatility management techniques are available.

10:35:18 AM

Co-Chair Stedman asked about the periodic staff meetings, and how decisions were made.

Commissioner Crum replied that there was a quarterly investment review to ensure that the risk profiles were the most prudent response, which was ongoing. He stated that there other divisions that met at a biweekly basis, because of the status on certain issues. He stated that the regular updates were made to ensure that the commissioner's office was always aware of the issues.

Co-Chair Stedman thanked Commissioner Crum for those efforts to obtain information. He stressed that the information and impacts were substantial to the state.

Commissioner Crum agreed to provide the process in future presentations, especially related to the risk profiles impacts on the asset allocations.

Co-Chair Stedman remarked that he felt that DOR was well-run, and wanted to ensure that the legislature created a good policy direction. He looked forward to working together on the cash flow, and addressing the issue of the risk profile of the PCE. He discussed the following day's agenda.

#
ADJOURNMENT

10:41:40 AM

The meeting was adjourned at 10:41 a.m.