

SCOMM

#9:135

Alaska State Legislature

PF
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House Permanent Fund
Committee
528 W. 5th Ave.
Anchorage, Alaska 99501



(907) 276-3433

House of Representatives

June 10, 1977

Mr. James Edenso
Deputy Commissioner of Treasury
Department of Revenue
Pouch SB
Juneau, Alaska 99811

Dear Jim:

After considerable discussion of the Arthur D. Little proposal for a sectoral analysis of Alaska's economy, I do not believe the analysis would be valuable at this time. The proposal assumes a development bank approach to the permanent fund, which may or may not be the approach finally selected by the Legislature. If that approach is not chosen, the analysis will have been superfluous. If the Legislature does choose the development bank approach, it would be more appropriate for the permanent fund policy board itself to decide what analyses should be undertaken.

In the meantime, I believe there is a substantial amount of work which needs to be done prior to the next legislative session. It would be valuable to assess the impact on Alaska's economy of various permanent fund proposals. In particular, I would like to see an analysis of the effects on Alaska's economy of 1) a development bank approach as suggested by the State Investment Advisory Committee, 2) an individual loan approach similar to that proposed by Dr. Milton Friedman, and 3) out-of-state investment for the highest return to capital, with the income distributed to Alaskan residents. If Arthur D. Little or anyone else would be able to do such an analysis, I think it would be a much better use of the money. Please let me know if such a revised proposal is agreeable.

The House Permanent Fund Committee will be meeting in Anchorage July 15 and 16. I hope you will be able to attend. We would appreciate receiving a detailed list of the investments in the Permanent Fund up to the last day of fiscal year 1977.

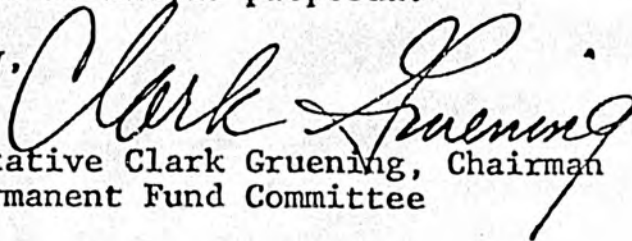
I will be out of town next week, but will return to Anchor-

Mr. James Edenso
June 10, 1977

-2-

age June 20. I will call you then to discuss the progress of the Arthur D. Little proposal.

Sincerely,

A handwritten signature in cursive script, reading "Clark Gruening". The signature is written in dark ink and is positioned above the typed name and title.

Representative Clark Gruening, Chairman
House Permanent Fund Committee

CG:kb

cc: Senator George Hohman
Commissioner Sterling Gallagher

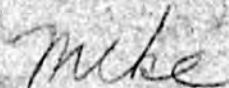
October 3, 1977

Sterling Gallagher
Commissioner
Department of Revenue
Pouch S
Juneau, AK 99811

Dear Sterling:

Pursuant to the contracts between Legislative Finance
and Price Waterhouse and White Weld, I am notifying
you that the enclosed assignments have been made.

Sincerely,



Mike Doogan
Administrative Assistant

MD:LAD

Enclosures

September 19, 1977

Jim Edenso
Deputy Commissioner
Department of Revenue
Pouch S
Juneau, AK 99811

Dear Jim:

Here's a copy of Belden Daniel's report to the Committee, delivered in Kotzebue Saturday. If you want more copies, we are sending the original to the printer and hope to have some by next week. We also will have transcripts of the meeting held last week as soon as they can be prepared, before Christmas, I hope.

Sincerely,

Mike

Mike Doogan
Administrative Assistant

MD:LAD

Enclosure

MEMORANDUM

TO: [Jim Edenso
Deputy Commissioner
Department of Revenue

DATE : July 14, 1977

FROM: William L. Means
State Investment Officer
Department of Revenue

SUBJECT: Alaska Permanent Fund

Savings Account
Interest

\$ 928,259.21
1,828.60

*57% compounded
annuity*

Investments at cost and accrued
interest at time of purchase

\$3,051,440.22 —

*US treasury
note
6 3/4%*

Earned interest on investments
but not paid

16,548.91

Total value of Alaska Permanent
Fund as of close of business
July 14, 1977

\$3,998,076.94

Interest transferred on June 30, 1977 from the
Alaska Permanent Fund to the Investment Account

\$27,019.00

WLM:ge

Feb 22, 1977

*Month
Invest
Report*

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
Pouch SB
Juneau, Alaska 99811
(907) 465-2350

PUBLIC EMPLOYEES' RETIREMENT FUND

MONTHLY INVESTMENT REPORT
February 28, 1977

CONTENTS

	<u>Page</u>
Flow of Funds Summary	1
Investment Portfolio Summary	2
Composition of Investment Holdings	3

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT FUND

FLOW OF FUNDS SUMMARY
February 28, 1977

At the end of February 1977, cash and investments of the Public Employees' Retirement Fund totaled \$171,851,130.87. This total represents a net increase of \$3,981,817.00 from the previous month. During February \$803,357.68 income from interest and dividends was earned on investments. There was a loss on the sale of securities in the amount of \$504,725.78 and a net contribution to the Fund of \$3,683,185.10.

Beginning Month Cash and Invested Funds	<u>\$167,869,313.87</u>
Income from Interest and Dividends	803,357.68
Gain/Loss on Sale of Securities	
Fixed Income (\$354,000.81)	
Common Stock <u>(150,724.97)</u>	<u>\$ (504,725.78)</u>
Net Investment Return	<u>\$ 298,631.90</u>
Net Contribution to the Fund	<u>\$ 3,683,185.10</u>
End of Month Cash and Invested Funds	<u><u>\$171,851,130.87</u></u>

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT FUND

INVESTMENT ACTIVITY

February 28, 1977

The Public Employees' Retirement Fund holdings of short term debt issues including cash and savings increased by \$2,034,161.12 in February and its holdings of Long Term Debt Issues increased by \$769,363.27. The portfolio increased its position in mortgages by \$2,979,256.89.

The capital markets in the beginning of calendar year 1977 experienced a significant adjustment in value. Increased fears of a higher inflation rate due to excessive fiscal stimulation caused long term interest rates to increase by over 1/2 per cent. The Treasury Division responded to this decline in the market by extending a portion of the portfolio from intermediate term securities into long term Treasuries and corporate securities.

Book losses were recorded on the sale of the intermediate securities. It is the policy of the Treasury Division when selling within a maturity range, to sell those securities with the highest booked cost and reflect the greatest booked loss. This is done in an effort to reflect the most conservative portfolio management and accounting practices.

The Fund will continue to commit new cash flow to the Loan and Mortgage program in an effort to increase its percentage of the portfolio.

MAJOR INVESTMENT CLASSIFICATION

	<u>Current Month</u>		<u>Prior Month</u>	
	<u>Dollar Value</u>	<u>Percent</u>	<u>Dollar Value</u>	<u>Percent</u>
Cash/Savings	\$ 13,481,526.03	8	\$ 11,102,064.91	7
Short Term Debt Issues	1,760,383.33	1	2,105,683.33	1
Long Term Debt Issues	86,574,068.03	50	85,804,704.76	51
Loans and Mortgages	51,972,257.78	30	48,993,000.89	29
Common Stock	<u>18,062,895.70</u>	<u>11</u>	<u>19,863,859.98</u>	<u>12</u>
Total	<u>\$171,851,130.87</u>	<u>100</u>	<u>\$167,869,313.87</u>	<u>100</u>

STATE OF ALASKA
PUBLIC EMPLOYEES RETIREMENT FUND
COMPOSITION OF INVESTMENT HOLDINGS
February 28, 1977

Asset Type	CURRENT MONTH			PRIOR MONTH
	% of Total Cost Value	Cost	Yield	Cost
<u>CASH</u>				
Savings Deposits	4.62	\$ 7,938,499.68	5.00	\$ 6,562,534.59
<u>SHORT TERM DEBT ISSUES</u>				
Savings Certificates	.44	\$ 764,000.00	7.50	\$ 764,000.00
<u>LONG TERM DEBT ISSUES</u>				
U. S. Treasury Notes & Bonds:				
2 - 5 Years	3.25	\$ 5,590,859.38	6.86	\$ 3,078,750.00
5 - 10 Years	4.11	7,061,810.00	7.84	5,296,670.19
Over 10 Years	7.66	13,152,675.00	7.81	3,059,589.29
Sub-Total	15.02	\$ 25,805,344.38		\$ 11,435,009.48
Federal Agency Securities:				
2 - 5 Years	1.47	\$ 2,527,343.75	8.66	\$ 2,527,343.75
5 - 10 Years	6.32	10,861,796.88	8.51	11,324,921.88
Over 10 Years	.87	1,492,995.00	8.41	4,478,985.00
Sub-Total	8.66	\$ 14,882,135.63		\$ 18,331,250.63
Government National Mtg. Assn.	13.89	\$ 23,878,581.08	8.11	\$ 37,112,123.96
Corporate Notes & Bonds:				
5 - 10 Years	.72	\$ 1,243,750.00	9.55	\$ 1,243,750.00
Over 10 Years	10.27	17,649,870.00	8.63	15,564,963.75
Sub-Total	10.99	\$ 18,893,620.00		\$ 16,808,713.75
Private Placements	.99	\$ 1,700,000.00	8.88	\$ 1,700,000.00
Total	49.55	\$ 85,159,681.09		\$ 85,387,097.82
<u>LOANS AND MORTGAGES</u>				
FHA	6.64	\$ 11,401,347.52	7.32	\$ 11,630,181.86
Small Business	4.01	6,897,184.71	8.90	7,118,920.27
Conventional	19.60	33,673,725.55	10.00	30,243,898.76
Total	30.25	\$ 51,972,257.78		\$ 48,993,000.89
<u>COMMON STOCK ACCOUNT</u>				
Cash Deposits:				
Demand				\$ 1,334.00
Savings	3.23	\$ 5,543,026.35	5.00	\$ 4,538,196.32
Sub-Total	3.23	\$ 5,543,026.35		\$ 4,539,530.32
Short Term Debt Issues:				
Commercial Paper	.58	\$ 996,383.33	4.65	\$ 1,341,683.33
Long Term Debt Issues:				
U. S. Treasury Notes & Bonds	.58	\$ 996,780.00	6.52	
Corporate Notes	.24	417,606.94	4.60	\$ 417,606.94
Sub-Total	.82	\$ 1,414,386.94		\$ 417,606.94
Common Stock	10.51	\$ 18,062,895.70	3.15	\$ 19,863,859.98
Total	15.14	\$ 26,016,692.32		\$ 26,162,680.57
TOTAL INVESTMENT HOLDINGS	100.00	\$171,851,130.87		\$167,869,313.87

Month Inv. Report

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

Pouch SB

Juneau, Alaska 99811

(907) 465-2350

TEACHERS' RETIREMENT FUND

MONTHLY INVESTMENT REPORT

February 28, 1977

CONTENTS

	<u>Page</u>
Flow of Funds Summary	1
Investment Portfolio Summary	2
Composition of Investment Holdings	3

STATE OF ALASKA

TEACHERS' RETIREMENT FUND

FLOW OF FUNDS SUMMARY
February 28, 1977

At the end of February 1977, cash and investments of the Teachers' Retirement Fund totaled \$155,672,006.04. This total represents a net increase of \$2,310,861.96 from the previous month. During February \$810,244.85 income from interest and dividends was earned on investments. There was a loss on the sale of securities in the amount of \$229,912.16 and a net contribution to the Fund of \$1,730,529.27.

Beginning Month Cash and Invested Funds	<u>\$153,361,144.08</u>
Income from Interest and Dividends	\$ 810,244.85
Gain/Loss on Sale of Securities	
Fixed Income	\$(160,277.61)
Common Stock	<u>(69,634.55)</u>
	<u>(229,912.16)</u>
Net Investment Return	<u>\$ 580,332.69</u>
Net Contribution to the Fund	<u>\$ 1,730,529.27</u>
End of Month Cash and Invested Funds	<u>\$155,672,006.04</u>

STATE OF ALASKA

TEACHERS' RETIREMENT FUND

INVESTMENT ACTIVITY February 28, 1977

The Teachers' Retirement Fund holdings of long term debt issues increased during February by \$1,934,199.06 and short term debt issues including cash and savings decreased by \$1,459,307.50. The portfolio increased its position in mortgages by \$2,217,267.29.

The capital markets in the beginning of calendar year 1977 experienced a significant adjustment in value. Increased fears of a higher inflation rate due to excessive fiscal stimulation caused long term interest rates to increase by over 1/2 per cent. The Treasury Division responded to this decline in the market by extending a portion of the portfolio from intermediate term securities into long term Treasuries and corporate securities.

Book losses were recorded on the sale of the intermediate securities. It is the policy of the Treasury Division when selling within a maturity range, to sell those securities with the highest booked cost and reflect the greatest booked loss. This is done in an effort to reflect the most conservative portfolio management and accounting practices.

The Fund will continue to commit new cash flow to the Loan and Mortgage program in an effort to increase its percentage of the portfolio.

MAJOR INVESTMENT CLASSIFICATION

	<u>Current Month</u>		<u>Prior Month</u>	
	<u>Dollar Value</u>	<u>Percent</u>	<u>Dollar Value</u>	<u>Percent</u>
Cash/Savings	\$ 5,364,205.73	3	\$ 6,523,513.23	4
Short Term Debt Issues	1,262,000.00	1	1,562,000.00	1
Long Term Debt Issues	81,831,240.07	53	79,897,041.01	52
Loans and Mortgages	47,525,942.51	30	45,308,675.22	30
Common Stock	<u>19,688,617.73</u>	<u>13</u>	<u>20,069,914.62</u>	<u>13</u>
Total	<u>\$155,672,006.04</u>	<u>100</u>	<u>\$153,361,144.08</u>	<u>100</u>

STATE OF ALASKA

TEACHERS' RETIREMENT FUND

COMPOSITION OF INVESTMENT HOLDINGS
February 28, 1977

Asset Type	CURRENT MONTH			Prior Month at Cost
	% of Total Cost Value	Cost	Yield	
<u>CASH</u>				
Savings Deposits	3.02	\$ 4,703,501.72	5.00	\$ 6,213,624.06
<u>SHORT TERM DEBT ISSUES</u>				
Savings Certificates	.81	\$ 1,262,000.00	7.44	\$ 1,562,000.00
<u>LONG TERM DEBT ISSUES</u>				
U. S. Treasury Notes & Bonds:				
2 - 5 Years	2.45	\$ 3,808,538.38	6.93	\$
5 - 10 Years	1.33	2,070,000.00	7.73	1,296,429.00
Over 10 Years	8.15	12,690,622.05	7.78	5,622,929.69
Sub-Total	11.93	\$ 18,569,160.43		\$ 6,926,358.69
Federal Agency Securities:				
2 - 5 Years	1.63	\$ 2,528,906.25	8.65	\$ 2,528,906.25
5 - 10 Years	5.67	8,827,734.38	8.72	8,827,734.38
Over 10 Years	1.28	1,990,660.00	8.41	4,976,650.00
Sub-Total	8.58	\$ 13,347,300.63		\$ 16,333,290.63
Government National Mtg. Assn.	17.33	\$ 26,981,417.01	8.05	\$ 35,231,935.94
Corporate Notes & Bonds:				
5 - 10 Years	.80	\$ 1,243,750.00	9.55	\$ 1,243,750.00
Over 10 Years	9.06	14,102,250.00	9.74	12,574,343.75
Sub-Total	9.86	\$ 15,346,000.00		\$ 13,818,093.75
Private Placements	.64	\$ 1,000,000.00	7.75	\$ 1,000,000.00
Total	48.34	\$ 75,243,878.07		\$ 73,309,679.01
<u>LOANS AND MORTGAGES</u>				
FHA	6.18	\$ 9,617,264.06	7.45	\$ 9,715,062.57
Small Business	4.29	6,680,802.27	8.52	6,730,765.71
Conventional	20.06	31,227,876.18	9.88	28,862,846.94
Total	30.53	\$ 47,525,942.51		\$ 45,308,675.22
<u>COMMON STOCK ACCOUNT</u>				
Savings Deposits	.42	\$ 660,704.01	5.00	\$ 309,889.17
Long Term Debt Issues:				
U. S. Treasury Notes & Bonds	3.86	\$ 6,010,049.50	6.70	\$ 6,010,049.50
Corporate Notes	.37	577,312.50	6.99	577,312.50
Sub-Total	4.23	\$ 6,587,362.00		\$ 6,587,362.00
Common Stock	12.65	\$ 19,688,617.73	3.73	\$ 20,069,914.62
Total	17.30	\$ 26,936,683.74		\$ 26,967,165.79
TOTAL INVESTMENT HOLDINGS	100.00	\$155,672,006.04		\$153,361,144.08

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
POUCH SB
Juneau, Alaska 99811
(907) 465-2350

PF new file
Monthly
Investment
Reports

GENERAL AND STATE PROGRAM FUNDS

MONTHLY INVESTMENT REPORT

February 28, 1977

CONTENTS

	<u>Page</u>
Flow of Funds Summary	1
Investment Portfolio Summary	2
Statement of Condition	3 - 4
Summary of Deposits in Alaska Financial Institutions	5

STATE OF ALASKA

GENERAL AND STATE PROGRAM FUNDS

FLOW OF FUNDS SUMMARY
February 28, 1977

At the end of February 1977, the General and Segregated State Program Funds totaled \$581,364,535.72 up from \$537,114,263.55 at the close of the previous month. Operating cash and the level of the General Investment Account totaled \$499,179,742.76 at the end of February. This total represents an increase of \$39,049,116.95 from the previous month. During the month, \$3,540,833.12 was received from the Federal Highway Administration, \$3,794,180.97 from royalty and oil production tax payments, and \$39,679,770.83 from the sale of State general obligation bonds.

Beginning of Month Cash and Invested Funds	<u>\$537,114,263.55</u>
Net Investment Revenue	<u>2,241,426.70</u>
Net Contribution of Funds	<u>42,008,845.47</u>
End of Month Cash and Invested Funds	<u><u>\$581,364,535.72</u></u>

INVESTED RETURN

The total realized cash investment return of \$2.2 million for February raises the amount collected over the first eight months of this fiscal year to \$22.0 million.

STATE OF ALASKA

GENERAL AND STATE PROGRAM FUNDS

TOTAL INVESTMENT PORTFOLIO AT COST February 28, 1977

<u>General and Segregated State Program Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Cash	\$ 14,284,639.95	\$ 14,307,344.49
Repurchase Agreements	38,900,000.00	38,300,000.00
U. S. Treasury Bills	20,515,824.17	784,672.33
Certificates of Deposit	179,385,854.96	185,048,976.57
U. S. Notes and Bonds	75,789,679.42	45,370,230.65
U. S. Agencies	64,056,312.18	68,076,675.68
Alaska Loans	<u>188,432,225.04</u>	<u>185,226.363.83</u>
Total	<u>\$581,364,535.72</u>	<u>\$537,114,263.55</u>

INVESTMENT ACTIVITY

During the month of February, the Treasury Division was a net buyer of short term investments (\$9.4 million). Total short term investments (less than one year) in the General Investment Account increased by \$9.4 million after netting out purchases, sales, and maturities. The Treasury Division purchased \$63.4 million, sold \$54.0 million, and experienced no maturities.

In February, we committed a total of \$315.0 million to 20 repurchase agreements in order to invest overnight cash balances. These one day investments were at interest rates ranging from 4.45% to 4.70%.

During the month of February, the Treasury Division was a net buyer of intermediate term securities in the Investment Account in the amount of \$25.9 million. This moderate increase in intermediate term securities was in response to several factors. Among these factors was the indication that after the precipitous market decline in January, the market was stabilizing. At this time, monetary authorities were obliquely hinting that this stability could continue for several months. This factor, combined with the substantial positive cash flow which the Investment Account was experiencing, suggested that the Treasury Division should take advantage of the attractive yields available in the three year maturity range.

STATE OF ALASKA

GENERAL AND STATE PROGRAM FUNDS

STATEMENT OF CONDITION AT COST
February 28, 1977

<u>General and State Program Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Operating Cash:		
Cash in Clearing Accounts	\$ 11,500,172.13	\$ 12,011,668.82
Compensating Balances	2,025,000.00	2,025,000.00
Sub-Total	<u>\$ 13,525,172.13</u>	<u>\$ 14,036,668.82</u>
Investment Accounts:		
Cash	\$ 17,653.72	\$ 59,271.06
Repurchase Agreements	38,900,000.00	38,300,000.00
Certificates of Deposit	79,178,961.56	89,302,305.17
U. S. Treasury Bills	19,520,628.11	
U. S. Notes and Bonds	74,684,483.77	44,265,035.00
U. S. Agencies	55,130,618.43	59,150,981.93
Alaska Deposits	26,990,000.00	26,990,000.00
Sub-Total	<u>\$294,422,345.59</u>	<u>\$258,067,593.16</u>
Loan and Mortgage Programs:		
Agricultural Loans	\$ 556,920.21	\$ 563,776.92
AHFC Pledged Mortgages and Deposits	19,923,376.77	20,048,324.73
Alaska Housing Finance Corp. Notes	7,512,850.14	7,516,360.59
Alaska Native Corporations	100,000.00	100,000.00
Alaska State Housing Authority Notes	4,953,594.00	4,718,101.00
Bank Loan Incentive	2,057,806.29	2,062,387.22
Commercial Fishing Loans	6,165,669.82	5,754,752.10
Medical Malpractice Revenue Loans	1,000,000.00	1,000,000.00
Municipal Loans	4,520,567.00	4,528,337.00
Small Business Loans	6,906,916.72	6,863,698.96
Tourism Loans	8,533,879.36	8,552,144.62
Veterans Loans	129,000,644.73	126,318,480.69
Sub-Total	<u>\$191,232,225.04</u>	<u>\$188,026,363.83</u>
Total - Operating Cash, Investment Accounts, and Loan and Mortgage Programs	<u>\$499,179,742.76</u>	<u>\$460,130,625.81</u>

STATE OF ALASKA

GENERAL AND STATE PROGRAM FUNDS

STATEMENT OF CONDITION AT COST
February 28, 1977

<u>General and State Program Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Separately Invested Segregated Funds:		
Alaska Housing Finance Corporation		
Mortgage Insurance Fund:		
U. S. Treasury Bills	\$ 995,196.06	\$ 784,672.33
Cash Demand	7,154.03	207,198.78
NBA Savings	858.40	4,205.83
Sub-Total	<u>\$ 1,003,208.49</u>	<u>\$ 996,076.94</u>
Alaska Permanent Fund		
Cash/Savings	<u>\$ 733,801.67</u>	
Bond Construction Fund		
Certificates of Deposit	<u>\$ 47,000,000.00</u>	<u>\$ 43,500,000.00</u>
International Airport Funds		
Operating and Trust Accounts		
Certificates of Deposit/Various	<u>\$ 23,416,893.40</u>	<u>\$ 22,456,671.40</u>
Public School Permanent Fund		
U. S. Government Agencies	\$ 6,743,318.75	\$ 6,743,318.75
U. S. Treasury Notes/Bonds	547,394.53	547,394.53
Sub-Total	<u>\$ 7,290,713.28</u>	<u>\$ 7,290,713.28</u>
University of Alaska Permanent Fund		
U. S. Government Agencies	\$ 2,182,375.00	\$ 2,182,375.00
U. S. Treasury Notes/Bonds	557,801.12	557,801.12
Sub-Total	<u>\$ 2,740,176.12</u>	<u>\$ 2,740,176.12</u>
Total - Separately Invested Segregated Funds	<u>\$ 82,184,792.96</u>	<u>\$ 76,983,637.74</u>
Total - General and State Program Funds	<u>\$581,364,535.72</u>	<u>\$537,114,263.55</u>

STATE OF ALASKA

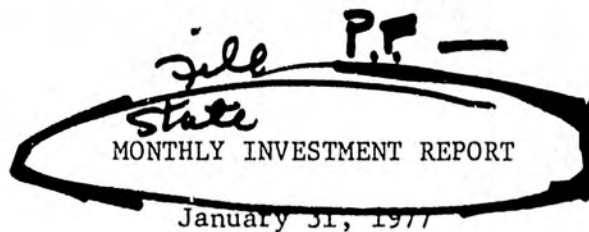
GENERAL AND STATE PROGRAM FUNDS

SUMMARY OF DEPOSITS IN FINANCIAL INSTITUTIONS
February 28, 1977

<u>Institution</u>	<u>General Account Deposits</u>	<u>State Program Account Deposits</u>
Alaska Bank of Commerce	\$ 3,470,000	\$ 3,650,000
Alaska Federal Savings & Loan, Juneau		1,000,000
Alaska Mutual Savings Bank, Anchorage	1,680,000	200,000
Alaska National Bank, Fairbanks	1,965,000	1,900,000
Alaska Pacific Bank, Anchorage		3,500,000
Alaska State Bank, Anchorage	3,650,000	2,200,000
Arctic First Federal Savings & Loan, Fairbanks		1,500,000
B. M. Behrends, Juneau		2,100,000
First Federal Savings & Loan, Anchorage		
First National Bank of Anchorage	6,980,000	3,300,000
First National Bank of Ketchikan	695,000	7,500,000
Home Federal Savings & Loan, Anchorage		500,000
Mt. McKinley Mutual Savings Bank, Fairbanks		200,000
National Bank of Alaska, Anchorage	8,350,000	23,850,000
Peoples Bank & Trust, Anchorage	200,000	100,000
Security National Bank, Anchorage		500,000
United Bank Alaska, Anchorage		6,000,000
Sub-Total	<u>\$26,990,000</u>	<u>\$58,000,000</u>
	<u>Clearing Account</u>	<u>Compensating Balances</u>
Alaska National Bank, Fairbanks	\$	\$ 300,000.00
American Security & Trust Co., Wn., D. C.		25,000.00
B. M. Behrends Bank, Juneau	1,016,632.20	350,000.00
First National Bank of Anchorage, Juneau	8,403,599.98	610,000.00
National Bank of Alaska, Juneau	2,079,939.95	710,000.00
Pacific National Bank, Seattle		30,000.00
Sub-Total	<u>\$11,500,172.13</u>	<u>\$2,025,000.00</u>
Total - Time Certificates and Cash on Deposit in Alaska Financial Institutions and Compensatory Balances on Deposit in Out-of- State Financial Institutions		<u>\$98,515,172.13</u>

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
POUCH SB
Juneau, Alaska 99811
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GENERAL AND STATE PROGRAM FUNDS



CONTENTS

	<u>Page</u>
Flow of Funds Summary	1
Investment Portfolio Summary	2
Statement of Condition	3 - 4
Summary of Deposits in Alaska Financial Institutions	5
Index to Financial Institutions	6
Asset Listing - General Investment Account Deposits and State Program Accounts Deposits	7 - 9

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

FLOW OF FUNDS SUMMARY
January 31, 1977

At the end of January 1977, the General and Segregated State Program Funds totaled \$537,114,263.55 down from \$556,813,523.77 at the close of the previous month. Operating cash and the level of the General Investment Account totaled \$460,130,625.81 at the end of January. This total represents a decrease of \$5,185,798.47 from the previous month. During the month, \$3,226,400.17 was received from the Federal Highway Administration, \$4,661,699.69 from royalty oil production payments, \$1,028,118.00 from Federal Revenue Sharing, and \$400,000.00 from good faith deposit on State of Alaska bond sale.

Beginning of Month Cash and Invested Funds	\$556,813,523.77
Net Investment Revenue	1,744,322.26
Net Drawdown of Funds for State Expenditures	(21,443,582.48)
End of Month Cash and Invested Funds	\$537,114,263.55

INVESTMENT RETURN

The total realized cash investment return of \$1.7 million for January raises the amount collected over the first seven months of this fiscal year to \$19.8 million.

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

TOTAL INVESTMENT PORTFOLIO AT COST
January 31, 1976

<u>General and Segregated State Program Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Cash	\$ 14,307,344.49	\$ 9,655,223.24
Repurchase Agreements	38,300,000.00	5,800,000.00
U. S. Treasury Bills	784,672.33	784,672.33
Certificates of Deposit	185,048,976.57	197,056,532.07
U. S. Notes and Bonds	45,370,230.65	55,018,364.50
U. S. Agencies	68,076,675.68	105,559,736.23
Alaska Loans	<u>185,226,363.83</u>	<u>182,938,995.40</u>
Total	<u>\$537,114,263.55</u>	<u>\$556,813,523.77</u>

INVESTMENT ACTIVITY

During the month of January, the Treasury Division was a net seller of short term investments (\$4.8 million). Total short term investments (less than one year) in the General Investment Account decreased by \$4.8 million after netting out purchases, sales, and maturities. The Treasury Division purchased \$9.5 million, sold \$14.3 million, and experienced no maturities.

In January, we committed a total of \$248.9 million to 26 repurchase agreements in order to invest overnight cash balances. These one day investments were at interest rates ranging from 4.50% to 4.81%.

During the month of January, the Treasury Division was a net seller of intermediate term securities in the Investment Account in the amount of \$42.4 million. This moderate reduction in intermediate term securities holdings was in response to both new and revised economic statistics indicating that the economic pause had not been either as long or deep as had been indicated earlier. In fact newer economic statistics showed that the economy was exhibiting considerable renewed strength which held promise of continuing for some time.

STATE OF ALASKA

DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

STATEMENT OF CONDITION AT COST
January 31, 1977

<u>General and State Program Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Operating Cash:		
Cash in Clearing Accounts	\$ 12,011,668.82	\$ 7,348,603.48
Compensating Balances	2,025,000.00	2,025,000.00
Sub-Total	<u>\$ 14,036,668.82</u>	<u>\$ 9,373,603.48</u>
Investment Accounts:		
Cash	\$ 59,271.06	\$ 70,215.15
Repurchase Agreements	38,300,000.00	5,800,000.00
Certificates of Deposit	89,302,305.17	89,302,305.17
U. S. Notes and Bonds	44,265,035.00	54,207,262.60
U. S. Agencies	59,150,981.93	96,634,042.48
Alaska Deposits	26,990,000.00	26,990,000.00
Sub-Total	<u>\$258,067,593.16</u>	<u>\$273,003,825.40</u>
Loan and Mortgage Programs:		
Agricultural Loans	\$ 563,776.92	\$ 573,987.88
AHFC Pledged Mortgages and Deposits	20,048,324.73	17,331,817.92
Alaska Housing Finance Corp. Notes	7,516,360.59	9,167,624.94
Alaska Native Corporations	100,000.00	125,000.00
Alaska State Housing Authority Notes	4,718,101.00	4,718,101.00
Bank Loan Incentive	2,062,387.22	2,068,920.54
Commercial Fishing Loans	5,754,752.10	5,569,803.63
Medical Malpractice Revenue Loans	1,000,000.00	1,000,000.00
Municipal Loans	4,528,337.00	4,534,337.00
Small Business Loans	6,863,698.96	6,642,939.34
Tourism Loans	8,552,144.62	8,468,309.98
Veterans Loans	126,318,480.69	122,738,153.17
Sub-Total	<u>\$188,026,363.83</u>	<u>\$182,938,995.40</u>
Total - Operating Cash, Investment Accounts, and Loan and Mortgage Programs		
	<u>\$460,130,625.81</u>	<u>\$465,316,424.28</u>

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

STATEMENT OF CONDITION AT COST
January 31, 1977

<u>General and State Programs Funds</u>	<u>Current Month</u>	<u>Prior Month</u>
Separately Invested Segregated Funds:		
Alaska Housing Finance Corporation		
*Mortgage Insurance Fund:		
U. S. Treasury Bills	\$ 784,672.33	\$ 784,672.33
Cash Demand	207,198.78	207,198.78
NBA Savings	4,205.83	4,205.83
Sub-Total	<u>\$ 996,076.94</u>	<u>\$ 996,076.94</u>
Bond Construction Fund		
Certificates of Deposit	\$ 43,500,000.00	\$ 58,500,000.00
International Airport Funds		
Operating and Trust Accounts		
Certificates of Deposit/Various	\$ 22,456,671.40	\$ 22,264,226.90
Public School Permanent Fund		
U. S. Government Agencies	\$ 6,743,318.75	\$ 6,743,318.75
U. S. Treasury Notes/Bonds	547,394.53	253,300.78
Sub-Total	<u>\$ 7,290,713.28</u>	<u>\$ 6,996,619.53</u>
University of Alaska Permanent Fund		
U. S. Government Agencies	\$ 2,182,375.00	\$ 2,182,375.00
U. S. Treasury Notes/Bonds	557,801.12	557,801.12
Sub-Total	<u>\$ 2,740,176.12</u>	<u>\$ 2,740,176.12</u>
Total - Separately Invested Segregated Funds	<u>\$ 76,983,637.74</u>	<u>\$ 91,497,099.49</u>
Total - General and State Program Funds	<u>\$537,114,263.55</u>	<u>\$556,813,523.77</u>

*Fund activity reported quarterly as of November 30, 1976

STATE OF ALASKA

DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS

SUMMARY OF DEPOSITS IN FINANCIAL INSTITUTIONS
January 31, 1977

<u>Institution</u>	<u>General Account Deposits</u>	<u>State Program Accounts Deposits</u>
Alaska Bank of Commerce	\$ 3,470,000	\$ 3,650,000
Alaska Federal Savings & Loan, Juneau		2,000,000
Alaska Mutual Savings Bank, Anchorage	1,680,000	2,200,000
Alaska National Bank, Fairbanks	1,965,000	3,900,000
Alaska Pacific Bank, Anchorage		2,500,000
Alaska State Bank, Anchorage	3,650,000	5,200,000
Arctic First Federal Savings & Loan, Fairbanks		2,000,000
B. M. Behrends, Juneau		2,100,000
First Federal Savings & Loan, Anchorage		3,000,000
First National Bank of Anchorage	6,980,000	3,300,000
First National Bank of Ketchikan	695,000	1,000,000
Home Federal Savings & Loan, Anchorage		1,000,000
Mt. McKinley Mutual Savings Bank, Fairbanks		200,000
National Bank of Alaska, Anchorage	8,350,000	13,850,000
Peoples Bank & Trust, Anchorage	200,000	2,100,000
Security National Bank, Anchorage		500,000
United Bank Alaska, Anchorage		4,000,000
Sub-Total	<u>\$26,990,000</u>	<u>\$52,500,000</u>
	<u>Clearing Account</u>	<u>Compensating Balances</u>
Alaska National Bank, Fairbanks	\$	\$ 300,000.00
American Security & Trust Co., Wn., D. C.		25,000.00
B. M. Behrends Bank, Juneau	768,431.51	350,000.00
First National Bank of Anchorage, Juneau	8,775,634.46	610,000.00
National Bank of Alaska, Juneau	2,467,602.85	710,000.00
Pacific National Bank, Seattle		30,000.00
Sub-Total	<u>\$12,011,668.82</u>	<u>\$2,025,000.00</u>
Total - Time Certificates and Cash on Deposit in Alaska Financial Institutions and Compensatory Balances on Deposit in Out-of- State Financial Institutions		<u>\$91,526,668.82</u>

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

INDEX TO FINANCIAL INSTITUTIONS

<u>Reference Symbol</u>	<u>Institution</u>	<u>Location</u>
<u>ALASKA COMMERCIAL BANKS</u>		
ABC	Alaska Bank of Commerce	Anchorage
ANB	Alaska National Bank	Fairbanks
APB	Alaska Pacific Bank	Anchorage
ASB	Alaska State Bank	Anchorage & Fairbanks
BMB	B. M. Behrends Bank	Juneau
FNBA	First National Bank of Anchorage	Anchorage
FNBF	First National Bank of Fairbanks	Fairbanks
FNBK	First National Bank of Ketchikan	Ketchikan
NBA	National Bank of Alaska	Anchorage & Cordova
PBT	Peoples Bank & Trust	Anchorage
SNB	Security National Bank	Anchorage
UBA	United Bank Alaska	Anchorage
<u>ALASKA SAVINGS BANKS AND SAVINGS & LOAN ASSOCIATIONS</u>		
AFSL	Alaska Federal Savings & Loan	Juneau
AMS	Alaska Mutual Savings Bank	Anchorage
AFFSL	Arctic First Federal Savings & Loan	Fairbanks
FFSL	First Federal Savings & Loan	Anchorage
HFSL	Home Federal Savings & Loan	Anchorage
MMS	Mt. McKinley Mutual Savings Bank	Fairbanks
<u>OTHER BANKS</u>		
BA	Bank of America	San Francisco
BT	Bankers Trust	New York
CM	Chase Manhattan	New York
RNB	Rainier National Bank	Seattle
SP	Security Pacific	Los Angeles

STATE OF ALASKA

DEPARTMENT OF REVENUE
TREASURY DIVISIONGENERAL AND STATE PROGRAM FUNDS
January 31, 1977GENERAL INVESTMENT ACCOUNT DEPOSITS
LONG TERM

<u>Due Date</u>	<u>Purchase Date</u>	<u>Held By</u>	<u>Amount</u>	<u>Yield</u>
Various	Various	Alaska Banks	<u>\$26,990,000</u>	Various

STATE PROGRAM ACCOUNTS DEPOSITS
BOND CONSTRUCTION FUND
CERTIFICATES OF DEPOSIT

<u>Due Date</u>	<u>Purchase Date</u>	<u>Held By</u>	<u>Amount</u>	<u>Yield</u>
03/11/77	01/10/77	ABC	\$ 1,000,000	4.43
09/22/77	08/22/74	ABC	1,100,000	6.00
08/22/78	08/22/75	ABC	300,000	6.00
08/22/79	08/22/74	ABC	1,250,000	6.00
02/28/77	03/04/76	AFSL	2,000,000	6.50
02/28/77	03/04/76	AFFSL	2,000,000	6.50
02/28/77	03/04/76	AMS	2,000,000	6.51
08/22/78	08/22/75	AMS	200,000	6.00
02/28/77	03/04/76	ANB	2,000,000	6.60
08/22/77	08/22/74	ANB	800,000	6.00
08/22/78	08/22/75	ANB	200,000	6.00
08/22/79	08/22/74	ANB	900,000	6.00
08/22/78	07/13/76	APB	750,000	6.00
08/22/79	07/13/76	APB	750,000	6.00
08/22/78	08/22/75	ASB	200,000	6.00
08/22/77	08/22/74	BMB	500,000	6.00
08/22/78	08/22/75	BMB	100,000	6.00
08/22/79	08/22/74	BMB	500,000	6.00

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

GENERAL AND STATE PROGRAM FUNDS
January 31, 1977

STATE PROGRAM ACCOUNTS DEPOSITS
BOND CONSTRUCTION FUND
CERTIFICATES OF DEPOSIT - Continued

<u>Due Date</u>	<u>Purchase Date</u>	<u>Held By</u>	<u>Amount</u>	<u>Yield</u>
02/28/77	03/04/76	FFSL	\$ 500,000	6.75
02/28/77	03/04/76	FFSL	500,000	6.75
02/28/77	03/04/76	FFSL	500,000	6.75
02/28/77	03/04/76	FFSL	500,000	6.75
02/28/77	03/04/76	FFSL	500,000	8.25
02/28/77	03/04/76	FFSL	500,000	8.25
04/07/77	04/12/76	FNBA	2,500,000	6.00
08/22/78	08/22/75	FNBA	800,000	6.00
08/22/77	06/22/74	FNBK	400,000	6.60
08/22/78	08/22/75	FNBK	100,000	6.00
08/22/79	06/22/74	FNBK	500,000	6.00
02/01/77	03/04/76	HFSL	500,000	6.50
03/01/77	03/04/76	HFSL	500,000	6.50
08/22/78	08/22/75	MMS	200,000	6.00
03/11/77	01/10/77	NBA	4,000,000	4.50
08/22/77	08/22/74	NBA	4,400,000	6.00
08/22/78	08/22/75	NBA	800,000	6.00
08/22/78	08/22/75	NBA	100,000	6.00
08/22/79	08/22/74	NBA	4,550,000	6.00
08/22/79	08/22/74	PBT	100,000	6.00
08/22/79	03/24/76	SNB	500,000	6.00
03/11/77	01/10/77	UBA	3,000,000	4.85
08/22/78	03/22/76	UBA	500,000	6.00
08/22/79	03/22/76	UBA	500,000	6.00
		Total	\$43,500,000	

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
GENERAL AND STATE PROGRAM FUNDS
STATE PROGRAM ACCOUNTS
January 31, 1977

<u>Due Date</u>	<u>Purchase Date</u>	<u>Description</u>	<u>Amount</u>	<u>Yield</u>
<u>INTERNATIONAL AIRPORT REVENUE FUND</u>				
Various	Various	Certificates of Deposit/Various	<u>\$22,456,671.40</u>	Various
<u>ALASKA HOUSING FINANCE CORPORATION FUND</u>				
Various	Various	Cash and U. S. Treasury Bills	<u>\$ 996,076.94</u>	Various
<u>PUBLIC SCHOOL PERMANENT FUND</u>				
<u>U. S. Government Agencies</u>				
10/20/83	10/23/73	Federal Land Bank Bonds	\$ 750,000.00	7.30
05/01/97	09/25/74	Tennessee Valley Authority Bonds	1,820,500.00	8.52
10/01/97	10/27/72	Federal National Mortgage Cap. Debrntures	2,511,443.75	7.30
12/10/97	03/06/74	Federal National Mortgage Association	269,625.00	8.07
12/15/02	12/21/72	General Services Administration	592,500.00	7.22
07/01/12	11/10/72	Washington Metropolitan Bonds	799,250.00	7.32
		Sub-Total	<u>\$ 6,743,318.75</u>	
<u>U. S. Government Notes & Bonds</u>				
02/15/82	01/13/77	U. S. Treasury Notes	\$ 294,093.75	6.59
08/15/86	08/16/76	U. S. Treasury Bonds	253,300.78	7.80
		Sub-Total	<u>\$ 547,394.53</u>	
		Total	<u>\$ 7,290,713.28</u>	
<u>UNIVERSITY OF ALASKA PERMANENT FUND</u>				
<u>U. S. Government Agencies</u>				
10/20/83	10/23/73	Federal Land Bank Bonds	\$ 250,000.00	7.30
05/01/97	09/25/74	Tennessee Valley Authority Bonds	526,625.00	8.60
12/10/97	03/06/74	Federal National Mortgage Association	269,625.00	8.07
12/15/02	12/21/72	General Services Administration	434,500.00	7.22
07/01/12	11/08/72	Washington Metropolitan Baonds	701,625.00	7.29
		Sub-Total	<u>\$ 2,182,375.00</u>	
<u>U. S. Government Notes & Bonds</u>				
02/15/82	03/01/72	U. S. Treasury Notes	\$ 456,480.75	6.35
08/15/86	08/16/76	U. S. Treasury Bonds	101,320.37	7.80
		Sub-Total	<u>\$ 557,801.12</u>	
		Total	<u>\$ 2,740,176.12</u>	

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

Pouch SB

Juneau, Alaska 99811

(907) 465-2350

PUBLIC EMPLOYEES' RETIREMENT FUND

MONTHLY INVESTMENT REPORT

January 31, 1977

CONTENTS

	<u>Page</u>
Flow of Funds Summary	1
Investment Portfolio Summary	2
Composition of Investment Holdings	3

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

PUBLIC EMPLOYEES' RETIREMENT FUND

FLOW OF FUNDS SUMMARY
January 31, 1977

At the end of January 1977, cash and investments of the Public Employees' Retirement Fund totaled \$167,869,313.87. This total represents a net increase of \$3,460,689.39 from the previous month. During January \$827,122.53 income from interest and dividends was earned on investments. There was a loss on the sale of securities in the amount of \$388,204.11 and a net contribution to the Fund of \$3,021,770.97.

Beginning Month Cash and Invested Funds	\$164,408,624.48
Income from Interest and Dividends	827,122.53
Gain/Loss on Sale of Securities	(388,204.11)
Fixed Income (\$ 5,166.52)	
Common Stock (383,037.59)	
Net Investment Return	438,918.42
Net Contribution to the Fund	3,021,770.97
End of Month Cash and Invested Funds	\$167,869,313.87

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

PUBLIC EMPLOYEES' RETIREMENT FUND

INVESTMENT ACTIVITY
January 31, 1977

The Public Employees' Retirement Fund holdings of short term debt issues including cash and savings increased by \$7,184,795.80 in January and its holdings of fixed income marketable securities decreased by \$2,271,837.14. The portfolio increased its position in mortgages by \$475,042.81.

The Fund during January 1977, has continued to maintain a defensive investment strategy. This is reflected in an increased emphasis in the short term market. In the latter part of calendar 1977, the Treasury Division anticipates that an improving economy and heavy Treasury financing will combine to exert upward pressure on interest rates.

The Fund will continue to commit new cash flow to the Loan and Mortgage program in an effort to increase its percentage of the portfolio.

MAJOR INVESTMENT CLASSIFICATION

	<u>Current Month</u>		<u>Prior Month</u>	
	<u>Dollar Value</u>	<u>Percent</u>	<u>Dollar Value</u>	<u>Percent</u>
Cash/Savings	\$ 11,102,064.91	7	\$ 3,922,164.94	2
Short Term Debt Issues	2,105,683.33	1	2,100,787.50	1
Fixed Income Marketable	85,804,704.76	51	88,076,541.90	54
Loans and Mortgages	48,993,000.89	29	48,517,958.08	30
Common Stock	<u>19,863,859.98</u>	<u>12</u>	<u>21,791,172.06</u>	<u>13</u>
Total	<u>\$167,869,313.87</u>	<u>100</u>	<u>\$164,408,624.48</u>	<u>100</u>

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
PUBLIC EMPLOYEES RETIREMENT HOLDINGS
COMPOSITION OF INVESTMENT HOLDINGS
January 31, 1977

Asset Type	CURRENT MONTH			Prior Month at Cost
	% of Total Cost Value	Cost	Yield	
<u>CASH</u>				
Savings Deposits	3.91	\$ 6,562,534.59	5.00	\$ 551,677.64
<u>SHORT TERM DEBT ISSUES</u>				
Savings Certificates	.45	\$ 764,000.00	7.50	\$ 764,000.00
<u>LONG TERM DEBT ISSUES</u>				
U. S. Treasury Notes & Bonds:				
2 - 5 Years	1.83	\$ 3,078,750.00	7.19	\$ 3,155,937.50
5 - 10 Years	3.16	5,296,670.19	7.89	5,296,670.19
Over 10 Years	1.82	3,059,589.29	7.84	5,121,678.57
Sub-Total	6.81	\$ 11,435,009.48		\$ 13,574,286.26
Federal Agency Securities:				
2 - 5 Years	1.50	\$ 2,527,343.75	8.66	\$ 2,527,343.75
5 - 10 Years	6.75	11,324,921.88	8.48	11,324,921.88
Over 10 Years	2.67	4,478,985.00	8.41	6,982,515.11
Sub-Total	10.92	\$ 18,331,250.63		\$ 20,834,780.74
Government National Mtg. Assn.	22.11	\$ 37,112,123.96	8.02	\$ 35,158,761.15
Corporate Notes & Bonds:				
5 - 10 Years	.74	\$ 1,243,750.00	9.55	\$ 1,243,750.00
Over 10 Years	9.28	15,564,963.75	8.82	15,564,963.75
Sub-Total	10.02	\$ 16,808,713.75		\$ 16,808,713.75
Private Placements	1.01	\$ 1,700,000.00	8.88	\$ 1,700,000.00
Total	50.87	\$ 85,387,097.82		\$ 88,076,541.90
<u>LOANS AND MORTGAGES</u>				
FHA	6.93	\$ 11,630,181.86	7.32	\$ 11,751,435.98
Small Business	4.24	7,118,920.27	8.90	7,306,464.80
Conventional	18.02	30,243,898.76	10.12	29,460,057.30
Total	29.19	\$ 48,993,000.89		\$ 48,517,958.08
<u>COMMON STOCK ACCOUNT</u>				
Cash Deposits:				
Demand		\$ 1,334.00		
Savings	2.70	4,538,196.32	5.00	\$ 3,370,487.30
Sub-Total	2.70	\$ 4,539,530.32		\$ 3,370,487.30
Short Term Debt Issues:				
Commercial Paper	.80	\$ 1,341,683.33	4.75	\$ 1,336,787.50
Long Term Debt Issues:				
Corporate Notes	.25	\$ 417,606.94	4.61	
Common Stock	11.83	\$ 19,863,859.98	3.08	\$ 21,791,172.06
Total	15.58	\$ 26,162,680.57		\$ 26,498,446.86
TOTAL INVESTMENT HOLDINGS	100.00	\$167,869,313.87		\$164,408,614.48

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
Pouch SB
Juneau, Alaska 99811
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TEACHERS' RETIREMENT FUND

MONTHLY INVESTMENT REPORT
January 31, 1977

CONTENTS

	<u>Page</u>
Flow of Funds Summary	1
Investment Portfolio Summary	2
Composition of Investment Holdings	3

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

TEACHERS' RETIREMENT FUND

FLOW OF FUNDS SUMMARY
January 31, 1977

At the end of January 1977, cash and investments of the Teachers' Retirement Fund totaled \$153,361,144.08. This total represents a net increase of \$5,547,791.17 from the previous month. During January \$814,967.25 income from interest and dividends was earned on investments. There was a gain on the sale of securities in the amount of \$270,177.76 and a net contribution to the Fund of \$4,462,646.16.

Beginning Month Cash and Invested Funds	\$147,813,352.91
Income from Interest and Dividends	814,967.25
Gain/Loss on Sale of Securities	270,177.76
Fixed Income	\$195,536.43
Common Stock	74,641.33
Net Investment Return	1,085,145.01
Net Contribution to the Fund	4,462,646.16
End of Month Cash and Invested Funds	\$153,361,144.08

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION

TEACHERS' RETIREMENT FUND

INVESTMENT ACTIVITY
January 31, 1977

The Teachers' Retirement Fund holdings of Fixed Income Securities decreased during January by \$1,735,243.92 and short term debt issued including cash and savings increased by \$5,315,271.62. The portfolio increased its position in mortgages by \$1,170,700.73.

The Fund during January 1977, has continued to maintain a defensive investment strategy. This is reflected in an increased emphasis in the short term market. In the latter part of calendar 1977, the Treasury Division anticipates that an improving economy and heavy Treasury financing will combine to exert upward pressure on interest rates.

The Fund will continue to commit new cash flow to the Loan and Mortgage program in an effort to increase its percentage of the portfolio.

MAJOR INVESTMENT CLASSIFICATION

	<u>Current Month</u>		<u>Prior Month</u>	
	<u>Dollar Value</u>	<u>Percent</u>	<u>Dollar Value</u>	<u>Percent</u>
Cash/Savings	\$ 6,523,513.23	4	\$ 1,008,241.61	1
Short Term Debt Issues	1,562,000.00	1	1,762,000.00	1
Fixed Income Marketable	79,897,041.01	52	81,632,284.93	55
Loans and Mortgages	45,308,675.22	30	44,137,974.49	30
Common Stock	20,069,914.62	13	19,272,851.88	13
Total	<u>\$153,361,144.08</u>	<u>100</u>	<u>\$147,813,352.91</u>	<u>100</u>

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
TEACHERS' RETIREMENT FUND
COMPOSITION OF INVESTMENT HOLDINGS
January 31, 1977

<u>Asset Type</u>	<u>CURRENT MONTH</u>			<u>Prior Month at Cost</u>
	<u>% of Total Cost Value</u>	<u>Cost</u>	<u>Yield</u>	
<u>CASH</u>				
Savings Deposits	<u>4.05</u>	<u>\$ 6,213,624.06</u>	5.00	<u>\$ 410,099.37</u>
<u>SHORT TERM DEBT ISSUES</u>				
Savings Certificates	<u>1.02</u>	<u>\$ 1,562,000.00</u>	7.42	<u>\$ 1,762,770.00</u>
<u>LONG TERM DEBT ISSUES</u>				
U. S. Treasury Notes & Bonds:				
5 - 10 Years	.85	\$ 1,296,429.00	7.90	\$ 1,296,429.00
Over 10 Years	<u>3.67</u>	<u>5,629,929.69</u>	7.76	<u>5,629,929.69</u>
Sub-Total	<u>4.52</u>	<u>\$ 6,926,358.69</u>		<u>\$ 6,926,358.69</u>
Federal Agency Securities:				
2 - 5 Years	1.65	\$ 2,528,906.25	8.65	\$ 2,528,906.25
5 - 10 Years	5.76	8,827,734.38	8.72	8,827,734.38
Over 10 Years	<u>3.24</u>	<u>4,976,650.00</u>	8.14	<u>7,484,983.35</u>
Sub-Total	<u>10.65</u>	<u>\$ 16,333,290.63</u>		<u>\$ 18,841,623.98</u>
Government National Mtg. Assn.	<u>22.97</u>	<u>\$ 35,231,935.94</u>	8.00	<u>\$ 31,163,001.01</u>
Corporate Notes & Bonds:				
5 - 10 Years	.81	\$ 1,243,750.00	9.55	\$ 1,243,750.00
Over 10 Years	<u>8.20</u>	<u>12,574,343.75</u>	8.94	<u>15,498,093.75</u>
Sub-Total	<u>9.01</u>	<u>\$ 13,818,093.75</u>		<u>\$ 16,741,843.75</u>
Private Placements	.65	\$ 1,000,000.00	7.75	\$ 1,000,000.00
Total	<u>47.80</u>	<u>\$ 73,309,679.01</u>		<u>\$ 74,672,827.43</u>
<u>LOANS AND MORTGAGES</u>				
FHA	6.33	\$ 9,715,062.57	7.45	\$ 9,855,045.26
Small Business	4.39	6,730,765.71	8.52	6,785,254.17
Conventional	<u>18.82</u>	<u>28,862,846.94</u>	10.00	<u>27,497,675.06</u>
Total	<u>29.54</u>	<u>\$ 45,308,675.22</u>		<u>\$ 44,137,974.49</u>
<u>COMMON STOCK ACCOUNT</u>				
Savings Deposits	<u>.20</u>	<u>\$ 309,889.17</u>	5.00	<u>\$ 598,142.24</u>
Long Term Debt Issues:				
U. S. Treasury Notes & Bonds	3.92	\$ 6,010,049.50	6.70	\$ 6,509,457.50
Corporate Notes	.38	577,312.50	6.99	450,000.00
Sub-Total	<u>4.30</u>	<u>\$ 6,587,362.00</u>		<u>\$ 6,959,457.50</u>
Common Stock	13.09	\$ 20,069,914.62	3.61	\$ 19,272,851.88
Total	<u>17.39</u>	<u>\$ 26,967,165.79</u>		<u>\$ 26,830,451.62</u>
<u>TOTAL INVESTMENT HOLDINGS</u>	<u>100.00</u>	<u>\$153,361,144.08</u>		<u>\$147,813,352.91</u>

Send copies of this to:

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
Pouch SB
Juneau, Alaska 99811
(907) 465-2350

Robert Blix
(address in file)

and to

Terry McGrath
FMR Investment
Management Service
Inc.

TEACHERS RETIREMENT FUND

MONTHLY INVESTMENT REPORT
August 31, 1977

~~HEB~~
Number One Boston Place
Boston

CONTENTS

	Page
Investment Activity	1
Statement of Portfolio Assets	2
Statement of Operations/Change in Total Assets	2
Statement of Change in Portfolio Condition	3
Composition of Investment Holdings	4 - 5
Change in Portfolio Composition	6 - 7

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

JAY S. HAMMOND, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH SB
JUNEAU, ALASKA 99811

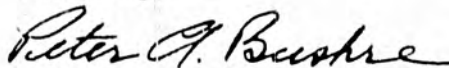
To the Reader:

We present herein the financial report of the Teachers' Retirement System investments for the month of August 1977. Accounting procedures used in preparation include:

1. All transactions are recorded on the cash basis, i.e., when cash is received or disbursed.
2. Accrued interest purchased is charged against income at the time of acquisition.
3. Other holdings will be held until maturity or prior repayment.
4. The cost of investments represents the amount paid for securities and other holdings: par adjusted for premiums and discounts.

Amounts identified as net contributions from the General Fund correspond to the excess of Retirement Fund contributions over payments as adjusted for investment activity in loans and mortgages. For purposes of source and use of funds analysis we have defined the term "funds" to include cash on demand, cash in savings, and repurchase agreements. Funds provided by the redemption of savings certificates and reductions in the marketable securities and common stock accounts are assumed to satisfy the purchase of loans and mortgages before a return to cash with the Treasury unless specifically identified otherwise.

Sincerely,



Peter A. Bushre
Treasury Comptroller

STATE OF ALASKA
TEACHERS' RETIREMENT FUND
INVESTMENT ACTIVITY
August 31, 1977

At the end of August 1977, cash and investments of the Teachers' Retirement Fund totaled \$179,667,388.71, up from \$177,878,816.50 at the close of the previous month. Holdings of intermediate/long term issues decreased by \$3,576,699.58 and common stock holdings decreased by \$1,242,332.36. The Teachers' Retirement Fund expanded its position in short term issues by \$7,575,193.61. Purchases of loans and mortgages exceeded repayments by \$145,857.51. Cash and repurchase agreements were reduced by \$1,113,446.97.

INVESTMENT COMMENTS

The Bond Markets modestly appreciated in value during the month of August. This was due primarily to the stability in short term interest rates. Since the Treasury Division expects this to be a temporary pause in an upward trend in short term interest rates, it has continued to maintain its basically conservative investment strategy. Investment activity consisted of a modest shortening of the maturity structure of the portfolio.

STATE OF ALASKA
TEACHERS' RETIREMENT FUND
STATEMENT OF PORTFOLIO ASSETS
August 31, 1977

	<u>Current Month</u>		<u>Prior Month</u>	
	<u>%</u>	<u>Cost</u>	<u>%</u>	<u>Cost</u>
Cash	1	\$ 250,885.75	1	\$ 2,592,332.72
Marketable Securities, at Cost:				
Repurchase Agreements	2	\$ 2,718,000.00	1	\$ 1,490,000.00
Short Term Issues	4	7,828,193.61		253,000.00
Intermediate and Long Term Issues	46	82,957,101.88	49	86,533,801.46
Common Stock	10	18,707,579.54	11	19,949,911.90
Total Marketable Securities	62	\$112,210,875.03	61	\$108,226,713.36
Other Holdings, at Cost:				
Alaskan Savings Certificates	1	\$ 962,000.00	1	\$ 962,000.00
Loans and Mortgages	36	66,243,627.93	37	66,097,770.42
Total Other Holdings	37	\$ 67,205,627.93	38	\$ 67,059,770.42
Total Assets	100%	\$179,667,388.71	100%	\$177,878,816.50

STATEMENT OF OPERATIONS/CHANGE IN TOTAL ASSETS

	<u>Current Month</u>	<u>Prior Month</u>
Portfolio Operations:		
Interest and Dividend Income	\$ 1,514,932.51	\$ 829,597.82
Net Gain (Loss) on Sale of Securities	180,412.59	154,462.50
Total Operating Income	\$ 1,695,345.10	\$ 984,060.32
Beginning of Month Cash and Invested Funds	\$177,878,816.50	\$173,465,294.52
Net Contribution from the General Fund	93,227.11	3,429,461.66
End of Month Cash and Invested Funds	\$179,667,388.71	\$177,878,816.50

STATE OF ALASKA

TEACHERS' RETIREMENT FUND

STATEMENT OF CHANGES IN PORTFOLIO CONDITION
August 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest and Dividend Income	\$ 1,514,932.51	\$ 829,597.82
Net Gain (Loss) on Sale of Securities	180,412.59	154,462.50
Total Provided by Operations	<u>\$ 1,695,345.10</u>	<u>\$ 984,060.32</u>
Sale/Maturity of Marketable Securities:		
Short Term Issues	\$ 5,336,000.00	\$ 3,144,000.00
Intermediate/Long Term Issues	27,240,450.51	12,809,817.03
Common Stock	1,581,782.36	-0-
Total Provided by Sales/Maturities	<u>\$ 34,158,232.87</u>	<u>\$ 15,953,817.03</u>
Collections on Loans and Mortgages	\$ 1,691,463.53	\$ 430,591.96
Redemption of Alaskan Savings Certificates	-0-	200,000.00
Net Contribution from the General Fund	<u>93,227.11</u>	<u>3,429,461.66</u>
TOTAL Funds Provided During the Month	<u>\$ 37,638,268.61</u>	<u>\$ 20,997,930.97</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities:		
Short Term Issues	\$ 12,911,193.61	\$ 2,113,000.00
Intermediate/Long Term Issues	23,663,750.93	13,999,501.99
Common Stock	339,450.00	622,199.00
Total Securities Purchased	<u>\$ 36,914,394.54</u>	<u>\$ 16,734,700.99</u>
Purchase of Loans and Mortgages	<u>\$ 1,837,321.04</u>	<u>\$ 4,586,693.28</u>
TOTAL Funds Used During the Month	<u>\$ 38,751,715.58</u>	<u>\$ 21,321,394.27</u>
NET CHANGE IN FUNDS	<u>\$ (1,113,446.97)</u>	<u>\$ (323,463.30)</u>
<u>Summary of Changes:</u>		
Increase (Decrease) in Demand Deposits	\$ 22,648.71	\$ 4,033.19
Increase (Decrease) in Savings Deposits	(2,364,095.68)	(1,694,496.49)
Increase (Decrease) in Repurchase Agreements	1,228,000.00	1,467,000.00
Increase (Decrease) in amounts due from Banks	-0-	100,000.00
NET CHANGE IN FUNDS	<u>\$ (1,113,446.97)</u>	<u>\$ (323,463.30)</u>

STATE OF ALASKA
TEACHERS' RETIREMENT FUND
COMPOSITION OF INVESTMENT HOLDINGS
August 31, 1977

	% of Total Cost Value	Current Month		Prior Month
		Cost	Yield	Cost
<u>MARKETABLE SECURITIES ACCOUNT</u>				
<u>Cash Deposits</u>				
Savings	.2	\$ 175,128.88	5.00	\$ 2,560,416.48
<u>Repurchase Agreements</u>	2.3	\$ 1,900,000.00	5.88	\$ -0-
<u>Short Term Issues</u>				
Bankers Acceptances	6.4	\$ 5,437,193.61	5.88	\$ -0-
<u>Intermediate/Long Term Issues</u>				
U. S. Treasury Notes & Bonds:				
2 - 5 Years	1.3	\$ 1,000,000.00	6.75	\$
5 - 10 Years	2.5	2,001,000.00	7.25	2,519,531.25
Over 10 Years	13.3	11,257,137.50	7.23	5,615,262.50
Sub-Total	17.1	\$ 14,258,137.50		\$ 8,134,793.75
Federal Agency Securities:				
5 - 10 Years	10.5	\$ 8,827,734.38	8.72	\$ 8,827,734.38
Over 10 Years	3.8	3,117,656.25	8.40	4,113,593.75
Sub-Total	14.3	\$ 11,945,390.63		\$ 12,941,328.13
Government National Mortgage Assn.	48.1	\$ 40,090,852.37	8.10	\$ 44,328,933.20
Corporate Notes & Bonds:				
5 - 10 Years	.4	\$ 1,243,750.00	9.55	\$ 1,243,750.00
Over 10 Years	9.9	8,321,875.00	8.73	12,787,900.00
Sub-Total	10.3	\$ 9,565,625.00		\$ 14,031,650.00
Private Placements	1.3	\$ 1,000,000.00	7.75	\$ 1,000,000.00
Total Issues	91.1	\$ 76,860,005.50		\$ 80,436,705.08
TOTAL	100.0	\$ 84,372,327.99		\$ 82,997,121.56

Schedule continued on following page

COMPOSITION OF INVESTMENT HOLDINGS - Continued

	Current Month			Prior Month
	% of Total Cost Value	Cost	Yield	Cost
<u>COMMON STOCK ACCOUNT</u>				
<u>Cash Deposits</u>				
Demand	.1	\$ 27,485.80	N/A	\$ 4,837.09
Savings	.2	48,271.07	5.00	27,079.15
Total Deposits	.3	\$ 75,756.87		\$ 31,916.24
<u>Repurchase Agreements</u>	2.9	\$ 818,000.00	5.75	\$ 1,490,000.00
<u>Short Term Debt Issues</u>				
Commercial Paper	8.5	\$ 2,391,000.00	5.76	\$ 253,000.00
<u>Intermediate/Long Term Issues</u>				
U. S. Treasury Notes & Bonds	20.1	\$ 5,649,346.38	6.92	\$ 5,649,346.38
Corporate Notes & Bonds	1.6	447,750.00	7.65	447,750.00
Total Issues	21.7	\$ 6,097,096.38		\$ 6,097,096.38
<u>Common Stock</u>	66.6	\$ 18,707,579.54	4.09	\$ 19,949,911.90
TOTAL	100.0	\$ 28,089,432.79		\$ 27,821,924.52
<u>LOAN AND MORTGAGE PROGRAMS</u>				
FHA Mortgages	13.2	\$ 8,759,961.09	7.43	\$ 8,901,463.91
Small Business Loans	8.8	5,813,310.76	8.47	5,979,703.96
Conventional Mortgages	78.0	51,670,356.08	9.86	51,216,602.55
TOTAL	100.0	\$ 66,243,627.93		\$ 66,097,770.42
<u>ALASKAN SAVINGS CERTIFICATES</u>				
Alaska Federal Savings & Loan Assn.	28.6	\$ 275,000.00	7.75	\$ 275,000.00
Arctic First Federal Savings & Loan	57.2	550,000.00	7.50	550,000.00
First Federal Savings & Loan Assn.	14.2	137,000.00	7.50	137,000.00
TOTAL	100.0	\$ 962,000.00		\$ 962,000.00
<u>SUMMARY OF COMPOSITION</u>				
Marketable Securities Account	47.0	\$ 84,372,327.99		\$ 82,997,121.56
Common Stock Account	15.6	28,089,432.79		27,821,924.52
Loan and Mortgage Programs	36.9	66,243,627.93		66,097,770.42
Alaskan Savings Certificates	.5	962,000.00		962,000.00
TOTAL INVESTMENT HOLDINGS	100.0	\$179,667,388.71		\$177,878,816.50

STATE OF ALASKA
TEACHERS' RETIREMENT FUND
CHANGE IN PORTFOLIO COMPOSITION
August 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>MARKETABLE SECURITIES ACCOUNT</u>		
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest Income	\$ 956,625.90	\$ 336,209.91
Net Gain (Loss) on Sale of Securities	18,590.53	154,462.50
Total Provided by Operations	<u>\$ 975,206.43</u>	<u>\$ 490,672.41</u>
Sale of Marketable Securities	\$ 26,876,531.06	\$ 12,558,487.50
Maturity of Marketable Securities	\$ 363,919.45	\$ 251,329.53
Net Contribution from:		
Loan and Mortgage Programs	\$ 306,772.89	\$ -0-
General Fund	93,227.11	-0-
Total Provided by Contributions	<u>\$ 400,000.00</u>	<u>\$ -0-</u>
TOTAL Funds Provided During the Month	<u>\$ 28,615,656.94</u>	<u>\$ 13,300,489.44</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities	\$ 29,100,944.54	\$ 13,481,220.74
Net Contribution to Loan and Mortgage Programs	<u>-0-</u>	<u>100,000.00</u>
TOTAL Funds Used During the Month	<u>\$ 29,100,944.54</u>	<u>\$ 13,581,220.74</u>
NET CHANGE IN FUNDS	<u>\$ (485,287.60)</u>	<u>\$ (280,731.30)</u>
<u>COMMON STOCK ACCOUNT</u>		
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest and Dividend Income	\$ 105,676.21	\$ 66,748.25
Net Gain (Loss) on Sale of Securities	161,832.06	-0-
Total Provided by Operations	<u>\$ 267,508.27</u>	<u>\$ 66,748.25</u>
Sale of Marketable Securities	\$ 1,581,782.36	\$ -0-
Maturity of Marketable Securities	<u>5,336,000.00</u>	<u>3,144,000.00</u>
TOTAL Funds Provided During the Month	<u>\$ 7,185,290.63</u>	<u>\$ 3,210,748.25</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities	<u>\$ 7,813,450.00</u>	<u>\$ 3,253,480.25</u>
NET CHANGE IN FUNDS	<u>\$ (628,159.37)</u>	<u>\$ (42,732.00)</u>

Schedule continued on following page

CHANGE IN PORTFOLIO COMPOSITION - Continued

	<u>Current Month</u>	<u>Prior Month</u>
<u>LOAN AND MORTGAGE PROGRAMS</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ 452,630.40	\$ 402,992.00
Principal Repayments	1,691,463.53	430,591.96
Net Contribution from:		
General Fund	\$ -0-	\$ 3,429,461.66
Marketable Securities Account	-0-	100,000.00
Alaskan Deposits	-0-	223,647.66
Total Provided by Contributions	<u>\$ -0-</u>	<u>\$ 3,753,109.32</u>
TOTAL Funds Provided During the Month	<u>\$ 2,144,093.93</u>	<u>\$ 4,586,693.28</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Loans and Mortgages	\$ 1,837,321.04	\$ 4,586,693.28
Net Contribution to Marketable Securities Account	<u>306,772.89</u>	<u>-0-</u>
TOTAL Funds Used During the Month	<u>\$ 2,144,093.93</u>	<u>\$ 4,586,693.28</u>
NET CHANGE IN FUNDS	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>
<u>ALASKAN SAVINGS CERTIFICATES</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ -0-	\$ 23,647.66
Redemption of Savings Certificates	<u>-0-</u>	<u>200,000.00</u>
TOTAL Funds Provided During the Month	<u>\$ -0-</u>	<u>\$ 223,647.66</u>
<u>During the Month Funds were Used for:</u>		
Net Contribution to Loan and Mortgage Programs	<u>\$ -0-</u>	<u>\$ 223,647.66</u>
NET CHANGE IN FUNDS	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>
<u>SUMMARY OF CHANGES</u>		
Marketable Securities Account	\$ (485,287.60)	\$ (280,731.30)
Common Stock Account	<u>(628,159.37)</u>	<u>(42,732.00)</u>
NET CHANGE IN FUNDS	<u><u>\$ (1,113,446.97)</u></u>	<u><u>\$ (323,463.30)</u></u>

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
Pouch SB
Juneau, Alaska 99811
(907) 465-2350

GENERAL AND STATE PROGRAM FUNDS

MONTHLY INVESTMENT REPORT
August 31, 1977

CONTENTS

	<u>Page</u>
Investment Activity	1
Statement of Portfolio Assets	2
Statement of Operations/Change in Total Assets	2
Statement of Change in Portfolio Condition	3
Composition of Investment Holdings	4-5
Summary of Alaska Deposits	6
Change in Portfolio Composition	7-8

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

JAY S. HAMMOND, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH 58
JUNEAU, ALASKA 99811

To the Reader:

We present herein the investment report of the General and Segregated State Program Funds for August 1977 with comparative figures for the preceding month. Accounting procedures used in preparation include:

1. All transactions are recorded on the cash basis, i.e., when cash is received or disbursed.
2. Accrued interest purchased with marketable securities is recorded as an asset that is subsequently charged to income on the first coupon date. Accrued interest purchased with other holdings has not been material and is charged against income at the time of acquisition.
3. Other holdings will be held until maturity or prior repayment.
4. The cost of investments represents the amount paid for securities and other holdings: par adjusted for premiums or discounts.

Amounts identified as net contributions to the Retirement Funds correspond to the excess of Retirement Fund contributions over payments as adjusted for investment activity in loans and mortgages. Cash revenues of the State and warrants redeemed are indicated by State contributions from Taxes and Other Receipts and State Expenditures, respectively.

For purposes of source and use of funds analysis (Statement of Changes in Portfolio Condition and Change in Portfolio Composition) we have defined the term "funds" to include demand deposits, clearing cash, savings deposits, repurchase agreements, and purchased interest receivable. Funds provided by the redemption of Alaskan deposits and/or a net reduction in separately invested funds are assumed to increase the operating account prior to investment unless specifically identified otherwise.

Sincerely,



Peter A. Bushre
Treasury Comptroller

STATE OF ALASKA
GENERAL AND STATE PROGRAM FUNDS
INVESTMENT ACTIVITY
August 31, 1977

At the end of August 1977, the General and Segregated State Program Funds totaled \$800,613,687.17, down from \$837,783,105.40 at the close of the previous month. The operating and marketable securities accounts were reduced by \$50,695,757.30 during August. In this period \$81,907,565.58 was received from taxes and other State revenues, while \$120,435,381.56 was used for the payment of State expenditures. Cash and repurchase agreements were expanded by \$4,361,231.40.

Holdings of short term issues (securities of less than one year maturity) decreased by \$33,325,124.68 during August and holdings of intermediate/long term issues (securities of one year or more maturities) decreased by \$9,988,372.00 after netting purchases, sales, and maturities. Activity included the marketable securities account and separately invested funds.

During August, \$9,200,000.00 of Alaskan deposit certificates were redeemed which yielded 5.5% to 6.0%. The commitment to loans and mortgages amounted to \$235,990,124.94 at month end, of which State loan programs accounted for \$182,882,957.29. The commitment to State loan programs increased \$7,016,442.29 during August.

STATE OF ALASKA
GENERAL AND STATE PROGRAM FUNDS
STATEMENT OF PORTFOLIO ASSETS
August 31, 1977

	Current Month		Prior Month	
	%	Cost	%	Cost
Cash	2	\$ 17,143,889.28	1	\$ 7,263,588.81
Purchased Interest Receivable		\$ 1,323,572.66		\$ 1,742,606.73
Marketable Securities, at Cost:				
Repurchase Agreements	1	\$ 8,400,000.00	2	13,500,035.00
Short Term Issues	29	226,019,489.95	31	259,344,614.63
Intermediate and Long Term Issues	30	241,196,610.34	30	251,184,982.34
Total Marketable Securities	60	\$475,616,100.29	63	\$524,029,631.97
Other Holdings, at Cost:				
Alaskan Certificates of Deposit	9	\$ 75,340,000.00	10	\$ 84,540,000.00
Bank Loans and Mortgages	2	18,108,599.35	2	18,097,042.57
Obligations of State Corporations	4	29,800,568.30	3	25,845,720.32
Loans to Alaska Native Corporations		50,000.00		50,000.00
State of Alaska Loan Programs	23	182,882,957.29	21	175,866,515.00
Loans to Alaska Municipalities		348,000.00		348,000.00
Total Other Holdings	38	\$306,530,124.94	36	\$304,747,277.89
Total Assets	100%	\$800,613,687.17	100%	\$837,783,105.40

STATEMENT OF OPERATIONS/CHANGE IN TOTAL ASSETS

	Current Month	Prior Month
Portfolio Operations:		
Interest Income	\$ 3,236,838.60	\$ 1,675,490.43
Net Gain (Loss) on Sale/Maturity of Securities	(44,708.92)	(68,482.32)
Total Operating Income	\$ 3,192,129.68	\$ 1,607,008.11
Beginning of Month Cash and Invested Funds	\$837,783,105.40	\$890,417,678.59
State Contributions from Taxes and Other Receipts	81,907,565.58	65,775,171.45
State Expenditures	(120,435,381.56)	(112,620,193.77)
Net Contribution to Retirement Funds	(1,833,731.93)	(7,396,558.98)
End of Month Cash and Invested Funds	\$800,613,687.17	\$837,783,105.40

STATE OF ALASKA

GENERAL AND STATE PROGRAM FUNDS

STATEMENT OF CHANGES IN PORTFOLIO CONDITION
August 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest Income	\$ 3,236,838.60	\$ 1,675,490.43
Net Gain (Loss) on Sale/Maturity of Securities	(44,708.92)	(68,482.32)
Total Provided by Operations	<u>\$ 3,192,129.68</u>	<u>\$ 1,607,008.11</u>
Sale/Maturity of Marketable Securities:		
Short Term Issues	\$ 50,463,492.68	\$ 90,292,394.20
Intermediate/Long Term Issues	34,974,522.00	14,993,767.00
Total Provided by Sales/Maturities	<u>\$ 85,438,014.68</u>	<u>\$105,286,161.20</u>
Collections of Loans and Mortgages:		
State Loan Programs	\$ 1,907,898.79	\$ 2,849,457.21
Other Loans and Mortgages	293,071.62	360,151.11
Total Provided by Collections	<u>\$ 2,200,970.41</u>	<u>\$ 3,209,608.32</u>
Redemption of Alaskan Deposit/Savings Certificates	\$ 9,200,000.00	\$ -0-
Taxes and Other State Receipts	<u>\$ 81,907,565.58</u>	<u>\$ 65,775,171.45</u>
TOTAL Funds Provided During the Month	<u>\$181,938,680.35</u>	<u>\$175,877,949.08</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities:		
Short Term Issues	\$ 17,138,368.00	\$ 9,989,535.00
Intermediate/Long Term Issues	24,986,150.00	35,025,136.00
Total Securities Purchased	<u>\$ 42,124,518.00</u>	<u>\$ 45,014,671.00</u>
Purchase of Loans and Mortgages:		
State Loan Programs	\$ 8,924,341.08	\$ 7,388,149.05
Other Loans and Mortgages	4,259,476.38	5,197,932.51
Total Loans and Mortgages Purchased	<u>\$ 13,183,817.46</u>	<u>\$ 12,586,081.56</u>
Purchase of Alaskan Deposit/Savings Certificates	\$ -0-	\$ 24,950,000.00
State Operating Expenditures	<u>\$120,435,381.56</u>	<u>\$112,620,193.77</u>
Net Contribution to Retirement Funds	<u>\$ 1,833,731.93</u>	<u>\$ 7,396,558.98</u>
TOTAL Funds Used During the Month	<u>\$177,577,448.95</u>	<u>\$202,567,505.31</u>
NET CHANGE IN FUNDS	<u>\$ 4,361,231.40</u>	<u>\$(26,689,556.23)</u>
<u>Summary of Changes:</u>		
Increase (Decrease) in Clearing Accounts	\$ 10,729,120.99	\$ (2,224,200.68)
Increase (Decrease) in Savings Deposits	(848,820.52)	826,986.11
Increase (Decrease) in Repurchase Agreements	(5,100,035.00)	(25,050,122.00)
Increase (Decrease) in Purchased Interest Receivable	(419,034.07)	(242,219.66)
NET CHANGE IN FUNDS	<u>\$ 4,361,231.40</u>	<u>\$(26,689,556.23)</u>

STATE OF ALASKA
GENERAL AND STATE PROGRAM FUNDS
COMPOSITION OF INVESTMENT HOLDINGS
August 31, 1977

Asset Type	Current Month			Prior Month
	% of Total Cost Value	Cost	Yield	Cost
<u>OPERATING ACCOUNT</u>				
Clearing Accounts	88.1	\$ 14,967,600.37	N/A	\$ 4,238,479.38
Compensating Balances	11.9	2,025,000.00	N/A	2,025,000.00
TOTAL	100.0%	\$ 16,992,600.37		\$ 6,263,479.38
<u>MARKETABLE SECURITIES ACCOUNT</u>				
<u>Cash Deposits</u>				
Savings		\$ 80,512.79	5.13	\$ 49,902.98
<u>Purchased Interest Receivable</u>	.1	\$ 1,323,572.66	N/A	\$ 1,742,606.73
<u>Repurchase Agreements</u>	1.8	\$ 8,400,000.00	5.83	\$ 13,500,035.00
<u>Short Term Issues</u>				
U. S. Treasury Bills	6.4	\$ 29,301,004.41	5.33	\$ 29,301,004.41
Bankers Acceptances	4.5	20,645,569.73	5.51	20,645,569.73
Commercial Paper	3.2	14,621,146.39	6.27	29,852,598.33
Certificates of Deposit	33.5	153,966,203.09	5.52	173,953,677.19
Total Issues	47.6	\$218,533,923.62		\$253,752,849.66
<u>Intermediate/Long Term Issues</u>				
U. S. Treasury Notes & Bonds:				
2 - 5 Years	39.1	\$179,634,400.44	6.58	\$189,622,772.44
Federal Agency Securities:				
1 - 2 Years	1.1	\$ 5,025,008.50	8.38	\$ 5,025,008.50
2 - 5 Years	8.3	38,028,187.00	7.27	38,028,187.00
Over 5 Years	1.8	8,077,500.00	7.16	8,077,500.00
Sub-Total	11.2	\$ 51,130,695.50		\$ 51,130,695.50
Total Issues	50.3	\$230,765,095.94		\$240,753,467.94
TOTAL	100.0	\$459,103,105.01		\$509,798,862.31
<u>LOAN AND MORTGAGE PROGRAMS</u>				
<u>State of Alaska Loan Programs</u>				
Agriculture	.2	\$ 451,592.50	5.13	\$ 451,592.50
Commercial Fishing	3.9	9,120,004.14	6.50	8,858,980.82
Fisheries Enhancement	.6	1,400,000.00	7.50	1,400,000.00
Small Business	3.5	8,362,838.15	7.50	8,260,409.54
Tourism	3.7	8,626,572.31	7.50	8,658,107.35
Veterans	65.6	154,921,950.19	6.85	148,237,424.79
Total Loans	77.5	\$182,882,957.29		\$175,866,515.00

Schedule continued on following page

COMPOSITION OF INVESTMENT HOLDINGS - Continued

Asset Type	% of Total Cost Value	Current Month		Prior Month
		Cost	Yield	Cost
LOAN AND MORTGAGE PROGRAMS - Continued				
Bank Loan Incentive Program	.9	\$ 2,122,702.07	7.99	\$ 1,911,224.34
Obligations of State Corporations				
AHFC Notes	6.6	\$ 15,631,241.97	4.50	\$ 15,674,374.32
ASHA Notes	4.0	9,297,980.33	7.00	5,300,000.00
ASDC Bonds	.2	553,346.00	4.74	553,346.00
MICA Notes	.4	1,000,000.00	9.50	1,000,000.00
U of A Notes	1.4	3,318,000.00	5.00	3,318,000.00
Total Obligations	12.6	\$ 29,800,568.30		\$ 25,845,720.32
Obligations Pledged to AHFC				
FHA/VA Mortgages	6.8	\$ 15,985,897.28	7.12	\$ 16,185,818.23
Certificates of Deposit	2.0	4,800,000.00	5.76	3,800,000.00
Total Pledged	8.8	\$ 20,785,897.28		\$ 19,985,818.23
Loans to Native Corporations		\$ 50,000.00	5.90	\$ 50,000.00
Loans to Alaska Municipalities	.2	\$ 348,000.00	6.07	\$ 348,000.00
TOTAL	100.0	\$235,990,124.94		\$224,007,277.89
SEPARATELY INVESTED FUNDS				
AHFC Mortgage Insurance Fund				
Savings Deposits	.5	\$ 70,776.12	5.00	\$ 950,206.45
U. S. Treasury Bills	20.4	2,685,566.33	5.70	1,791,764.97
Total	20.9	\$ 2,756,342.45		\$ 2,741,971.42
Public School Permanent Fund				
U. S. Treasury Notes & Bonds	6.5	\$ 847,863.28	7.14	\$ 847,863.28
Federal Agency Securities	51.1	6,743,318.75	7.65	6,743,318.75
Total	57.6	\$ 7,591,182.03		\$ 7,591,182.03
U of A Permanent Fund				
U. S. Treasury Notes & Bonds	5.0	\$ 657,957.37	6.69	\$ 657,957.37
Federal Agency Securities	16.5	2,182,375.00	7.68	2,182,375.00
Total	21.5	\$ 2,840,332.37		\$ 2,840,332.37
TOTAL	100.0	\$ 13,187,856.85		\$ 13,173,485.82
ALASKAN DEPOSITS	100.0	\$ 75,340,000.00	6.21	\$ 84,540,000.00
SUMMARY OF COMPOSITION				
Operating Account	2.1	\$ 16,992,600.37		\$ 6,263,479.38
Marketable Securities Account	57.3	459,103,105.01		509,798,862.31
Loan and Mortgage Programs	29.5	235,990,124.94		224,007,277.89
Separately Invested Funds	1.7	13,187,856.85		13,173,485.82
Alaskan Deposits	9.4	75,340,000.00		84,540,000.00
TOTAL INVESTMENT HOLDINGS	100.0	\$800,613,687.17		\$837,783,105.40

STATE OF ALASKA
GENERAL AND STATE PROGRAM FUNDS

SUMMARY OF ALASKA DEPOSITS
August 31, 1977

<u>Institution</u>	<u>Total</u>	<u>General Fund</u>	<u>Bond Construction</u>	<u>International Airports</u>
<u>Commercial Banks</u>				
Alaska Bank of Commerce	\$ 7,620,000	\$ 6,070,000	\$ 1,550,000	\$ --
Alaska National Bank	7,065,000	5,965,000	1,100,000	--
Alaska Pacific Bank	4,700,000	2,200,000	1,500,000	1,000,000
Alaska State Bank	7,550,000	7,350,000	200,000	--
B. M. Behrends Bank	1,600,000	1,000,000	600,000	--
First National Bank of Anchorage	7,780,000	6,980,000	800,000	--
First National Bank of Fairbanks	--	--	--	--
First National Bank of Ketchikan	5,795,000	695,000	600,000	4,500,000
National Bank of Alaska	13,800,000	8,350,000	5,450,000	--
Peoples Bank & Trust	2,500,000	2,400,000	100,000	--
Security National Bank	1,500,000	1,000,000	500,000	--
United Bank Alaska	2,750,000	750,000	1,000,000	1,000,000
Total	<u>\$62,660,000</u>	<u>\$42,760,000</u>	<u>\$13,400,000</u>	<u>\$ 6,500,000</u>
<u>Mutual Savings Banks</u>				
Alaska Mutual Savings Bank	\$ 3,680,000	\$ 3,480,000	\$ 200,000	\$ --
Mt. McKinley Mutual Savings Bank	1,300,000	1,100,000	200,000	--
Total	<u>\$ 4,980,000</u>	<u>\$ 4,580,000</u>	<u>\$ 400,000</u>	<u>\$ --</u>
<u>Savings & Loan Institutions</u>				
Alaska Federal Savings & Loan	\$ 2,900,000	\$ 1,900,000	\$ --	\$ 1,000,000
Arctic First Federal Savings & Loan	1,500,000	--	--	1,500,000
First Federal Savings & Loan	3,200,000	3,200,000	--	--
Home Federal Savings & Loan	100,000	100,000	--	--
Total	<u>\$ 7,700,000</u>	<u>\$ 5,200,000</u>	<u>\$ --</u>	<u>\$ 2,500,000</u>
TOTAL ALASKA DEPOSITS	<u>\$75,340,000</u>	<u>\$52,540,000</u>	<u>\$13,800,000</u>	<u>\$ 9,000,000</u>

SUMMARY OF OPERATING ACCOUNT
August 31, 1977

<u>Institution</u>	<u>Location</u>	<u>Clearing Accounts</u>	<u>Compensating Balances</u>
Alaska National Bank	Fairbanks	\$ --	\$ 300,000.00
American Security & Trust Co.	Washington, D. C.	--	25,000.00
B. M. Behrends Bank	Juneau	635,277.78	350,000.00
First National Bank of Anchorage	Juneau	11,307,318.13	610,000.00
National Bank of Alaska	Juneau	3,025,004.46	710,000.00
Pacific National Bank	Seattle	--	30,000.00
TOTAL		<u>\$14,967,600.37</u>	<u>\$2,025,000.00</u>

STATE OF ALASKA
GENERAL AND STATE PROGRAM FUNDS
CHANGE IN PORTFOLIO COMPOSITION
August 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>OPERATING ACCOUNT</u>		
Net Contribution (to) from:		
Taxes and Other Receipts	\$ 52,674,517.46	\$ 47,706,369.29
Loan and Mortgage Programs	(10,646,067.33)	(8,323,712.43)
Separately Invested Funds	54,027.75	(864,226.25)
Alaskan Deposits	9,615,756.60	(24,925,878.54)
State Operating Expenditures	(39,135,381.56)	(8,420,193.77)
Retirement Funds	(1,833,731.93)	(7,396,558.98)
NET CHANGE IN FUNDS	<u>\$ 10,729,120.99</u>	<u>\$ (2,224,200.68)</u>
<u>MARKETABLE SECURITIES ACCOUNT</u>		
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest Income	\$ 1,415,903.50	\$ 572,152.85
Net Gain (Loss) on Sale/Maturity of Securities	(44,708.92)	(68,482.32)
Total Provided by Operations	<u>\$ 1,371,194.58</u>	<u>\$ 458,670.53</u>
Sale of Marketable Securities	\$ 44,962,740.55	\$ 85,329,876.20
Maturity of Marketable Securities	\$ 39,851,853.88	\$ 19,956,285.00
Taxes and Other Receipts	\$ 29,233,048.12	\$ 18,068,802.16
TOTAL Funds Provided During the Month	<u>\$115,418,837.13</u>	<u>\$123,813,633.89</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities	\$ 39,607,296.39	\$ 45,014,671.00
State Operating Expenditures	<u>\$ 81,300,000.00</u>	<u>\$104,200,000.00</u>
TOTAL Funds Used During the Month	<u>\$120,907,296.39</u>	<u>\$149,214,671.00</u>
NET CHANGE IN FUNDS	<u>\$ (5,488,459.26)</u>	<u>\$ (25,401,037.11)</u>
<u>LOAN AND MORTGAGE PROGRAMS</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ 1,336,779.72	\$ 1,052,760.81
Principal Repayments	2,200,970.41	3,209,608.32
Net Contribution from:		
Operating Account	<u>10,646,067.33</u>	<u>8,323,712.43</u>
TOTAL Funds Provided During the Month	<u>\$ 14,183,817.46</u>	<u>\$ 12,586,081.56</u>

Schedule continued on following page

CHANGE IN PORTFOLIO COMPOSITION - Continued

	Current Month	Prior Month
<u>LOAN AND MORTGAGE PROGRAMS - Continued</u>		
<u>During the Month Funds were Used for:</u>		
Purchase of Loans and Mortgages	\$ 13,183,817.46	\$ 12,586,081.56
Purchase of Deposit Certificates	1,000,000.00	-0-
TOTAL Funds Provided During the Month	\$ 14,183,817.46	\$ 12,586,081.56
NET CHANGE IN FUNDS	\$ -0-	\$ -0-
<u>SEPARATELY INVESTED FUNDS</u>		
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest Income	\$ 68,398.78	\$ 71,455.31
Sale/Maturity of Marketable Securities	623,420.25	-0-
Net Contribution from Operating Account	-0-	864,226.25
TOTAL Funds Provided During the Month	\$ 691,819.03	\$ 935,681.56
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities	\$ 1,517,221.61	\$ -0-
Net Contribution to Operating Account	54,027.75	-0-
TOTAL Funds Used During the Month	\$ 1,571,249.36	\$ -0-
NET CHANGE IN FUNDS	\$ (879,430.33)	\$ 935,681.56
<u>ALASKAN DEPOSITS</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ 415,756.60	\$ 24,121.46
Redemption of Certificates	9,200,000.00	-0-
Net Contribution from Operating Account	-0-	24,925,878.54
TOTAL Funds Provided During the Month	\$ 9,615,756.60	\$ 24,950,000.00
<u>During the Month Funds were Used for:</u>		
Purchase of Deposit Certificates	\$ -0-	\$ 24,950,000.00
Net Contribution to Operating Account	9,615,756.60	-0-
TOTAL Funds Used During the Month	\$ 9,615,756.60	\$ 24,950,000.00
NET CHANGE IN FUNDS	\$ -0-	\$ -0-
<u>SUMMARY OF CHANGES</u>		
Operating Account	\$ 10,729,120.99	\$ (2,224,200.68)
Marketable Securities Account	(5,488,459.26)	(25,401,037.11)
Separately Invested Funds	(879,430.33)	935,681.56
NET CHANGE IN FUNDS	\$ 4,361,231.40	\$ (26,689,556.23)

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
Pouch SB
Juneau, Alaska 99811
(907) 465-2350

ALASKA PERMANENT FUND

MONTHLY INVESTMENT REPORT
August 31, 1977

CONTENTS

	<u>Page</u>
Investment Activity	1
Statement of Portfolio Assets	2
Statement of Operations/Change in Total Assets	3
Statement of Change in Portfolio Condition	3
Composition of Investment Holdings	4

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

JAY S. HAMMOND, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH SB
JUNEAU, ALASKA 99811

To the Reader:

We present herein the second monthly financial report of the Alaska Permanent Fund. Please note that we now show purchased interest receivable as a line item separate from the cost of investments, and have restated July 1977 accordingly. The change is in accordance with generally accepted standards of reporting.

The accompanying statements are prepared on the cash basis: income is recorded when realized, purchases when cash is disbursed, and sales/maturities when cash is received. State contributions only reflect those amounts actually transferred. For purposes of the Statement of Changes in Financial Position we have defined the term "funds" to include all forms of cash, repurchase agreements, and purchased interest receivable.

Sincerely,



Peter A. Bushre
Treasury Comptroller

STATE OF ALASKA

ALASKA PERMANENT FUND

INVESTMENT ACTIVITY
August 31, 1977

At the end of August 1977, cash and investments of the Alaska Permanent Fund totaled \$6,597,804.51, up from \$4,751,705.53 at the end of last month. United States Treasury notes in the 5 - 10 year maturity range were purchased at a cost of \$2,000,000 to yield 7.25%. No funds were provided by the sale or maturity of investments during August. The Alaska Permanent Fund share of royalties and other payments amounted to \$1,846,098.98, up from \$794,995.01 during July.

Marketable securities held by the Alaska Permanent Fund at the end of August yielded a total of 6.97%. Uninvested cash is deposited in a savings account on which interest is compounded daily at an effective rate of 5.13%.

STATE OF ALAKA
ALASKA PERMANENT FUND

STATEMENT OF PORTFOLIO ASSETS
August 31, 1977

	<u>Current Month</u>		<u>Prior Month</u>	
	<u>%</u>	<u>Cost</u>	<u>%</u>	<u>Cost</u>
Cash	23	\$1,546,364.29	36	\$1,700,265.31
Purchased Interest Receivable	1	17,690.22	1	17,690.22
Marketable Securities, at Cost:				
Intermediate and Long Term Issues	76	5,033,750.00	63	3,033,750.00
Total Assets	100%	<u>\$6,597,804.51</u>	100%	<u>\$4,751,705.53</u>

STATEMENT OF OPERATIONS/CHANGE IN TOTAL ASSETS

	<u>Current Month</u>	<u>Prior Month</u>
Beginning of Month Cash and Invested Funds	\$4,751,705.53	\$3,956,710.52
State Contributions from Royalties and Other Receipts	<u>1,846,098.98</u>	<u>794,995.01</u>
End of Month Cash and Invested Funds	<u>\$6,597,804.51</u>	<u>\$4,751,705.53</u>

STATE OF ALASKA
ALASKA PERMANENT FUND

STATEMENT OF CHANGES IN PORTFOLIO CONDITION
August 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>During the Month Funds were Provided by:</u>		
Royalties and Other State Receipts	<u>\$1,846,098.98</u>	<u>\$ 794,995.01</u>
TOTAL Funds Provided During the Month	<u>\$1,846,098.98</u>	<u>\$ 794,995.01</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities:		
Intermediate/Long Term Issues	<u>\$2,000,000.00</u>	<u>\$ -0-</u>
TOTAL Funds Used During the Month	<u>\$2,000,000.00</u>	<u>\$ -0-</u>
NET CHANGE IN FUNDS	<u>\$ (153,901.02)</u>	<u>\$ 794,995.01</u>
 <u>Summary of Change:</u>		
Increase (Decrease) in Savings Deposits	<u>\$ (153,901.02)</u>	<u>\$ 794,995.01</u>
NET CHANGE IN FUNDS	<u>\$ (153,901.02)</u>	<u>\$ 794,995.01</u>

STATE OF ALASKA
ALASKA PERMANENT FUND

COMPOSITION OF INVESTMENT HOLDINGS
August 31, 1977

<u>Asset Type</u>	<u>CURRENT MONTH</u>			<u>PRIOR MONTH</u>
	<u>% of Total Cost Value</u>	<u>Cost</u>	<u>Yield</u>	<u>Cost</u>
<u>MARKETABLE SECURITIES ACCOUNT</u>				
<u>Cash Deposits</u>				
Savings	23.4	\$1,546,364.29	5.13	\$1,700,265.31
<u>Purchased Interest Receivable</u>	.3	17,690.22	N/A	17,690.22
<u>Intermediate/Long Term Issues</u>				
U. S. Treasury Notes & Bonds:				
5 - 10 Years	<u>76.3</u>	<u>5,033,750.00</u>	6.97	<u>3,033,750.00</u>
TOTAL INVESTMENT HOLDINGS	<u>100.0</u>	<u>\$6,597,804.51</u>		<u>\$4,751,705.53</u>

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
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PUBLIC EMPLOYEES' RETIREMENT FUND

MONTHLY INVESTMENT REPORT
August 31, 1977

CONTENTS

	<u>Page</u>
Investment Activity	1
Statement of Portfolio Assets	2
Statement of Operations/Change in Total Assets	2
Statement of Change in Portfolio Condition	3
Composition of Investment Holdings	4 - 5
Change in Portfolio Composition	6 - 7

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

JAY S. HAMMOND, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
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JUNEAU, ALASKA 99811

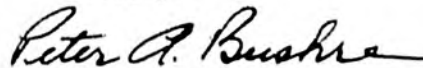
To the Reader:

We present herein the financial report of the Public Employees' Retirement System investments for the month of August 1977. Accounting procedures used in preparation include:

1. All transactions are recorded on the cash basis, i.e., when cash is received or disbursed.
2. Accrued interest purchased is charged against income at the time of acquisition.
3. Other holdings will be held until maturity or prior repayment.
4. The cost of investments represents the amount paid for securities and other holdings: par adjusted for premiums and discounts.

Amounts identified as net contributions from the General Fund correspond to the excess of Retirement Fund contributions over payments as adjusted for investment activity in loans and mortgages. For purposes of source and use of funds analysis we have defined the term "funds" to include cash on demand, cash in savings, and repurchase agreements. Funds provided by the redemption of savings certificates and reductions in the marketable securities and common stock accounts are assumed to satisfy the purchase of loans and mortgages before a return to cash with the Treasury unless specifically identified otherwise.

Sincerely,



Peter A. Bushre
Treasury Comptroller

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
INVESTMENT ACTIVITY
August 31, 1977

At the end of August 1977, cash and investments of the Public Employees' Retirement Fund totaled \$198,409,782.71, up from \$195,482,562.87 at the close of the previous month. Holdings of intermediate/long term issues decreased by \$4,143,113.88 and common stock holdings decreased by \$812,265.33. The Public Employees' Retirement Fund expanded its position in short term issues by \$6,269,607.50. Purchases of loans and mortgages exceeded repayments by \$2,255,687.48. Cash and repurchase agreements were reduced by \$642,695.93.

INVESTMENT COMMENTS

The Bond Markets modestly appreciated in value during the month of August. This was due primarily to the stability in short term interest rates. Since the Treasury Division expects this to be a temporary pause in an upward trend in short term interest rates, it has continued to maintain its basically conservative investment strategy. Investment activity consisted of a modest shortening of the maturity structure of the portfolio.

New cash was used to purchase conventional mortgages for the loan and mortgage program.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
STATEMENT OF PORTFOLIO ASSETS
August 31, 1977

	<u>Current Month</u>		<u>Prior Month</u>	
	<u>%</u>	<u>Cost</u>	<u>%</u>	<u>Cost</u>
Cash		\$ 274,278.12	1	\$ 2,171,974.05
Marketable Securities, at Cost:				
Repurchase Agreements	1	\$ 1,700,000.00		\$ 445,000.00
Short Term Issues	5	9,943,961.95	2	3,674,354.45
Intermediate and Long Term Issues	45	90,034,918.06	48	94,178,031.94
Common Stock	9	16,629,239.42	9	17,441,504.75
Total Marketable Securities	60	\$118,308,119.43	59	\$115,738,891.14
Other Holdings, at Cost:				
Alaskan Savings Certificates		\$ 650,000.00		\$ 650,000.00
Loans and Mortgages	40	79,177,385.16	40	76,921,697.68
Total Other Holdings	40	\$ 79,827,385.16	40	\$ 77,571,697.68
Total Assets	100%	\$198,409,782.71	100%	\$195,482,562.87

STATEMENT OF OPERATIONS/CHANGE IN TOTAL ASSETS

	<u>Current Month</u>	<u>Prior Month</u>
Portfolio Operations:		
Interest and Dividend Income	\$ 1,556,092.26	\$ 932,038.44
Net Gain (Loss) on Sale of Securities	(369,377.24)	162,773.68
Total Operating Income	\$ 1,186,715.02	\$ 1,094,812.12
Beginning of Month Cash and Invested Funds	\$195,482,562.87	\$190,420,653.43
Net Contribution from the General Fund	1,740,504.82	3,967,097.32
End of Month Cash and Invested Funds	\$198,409,782.71	\$195,482,562.87

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
STATEMENT OF CHANGES IN PORTFOLIO CONDITION
August 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest and Dividend Income	\$ 1,556,092.26	\$ 932,038.44
Net Gain (Loss) on Sale of Securities	(369,377.24)	162,773.68
Total Provided by Operations	<u>\$ 1,186,715.02</u>	<u>\$ 1,094,812.12</u>
Sale/Maturity of Marketable Securities:		
Short Term Issues	\$ 8,899,295.83	\$ 7,651,251.86
Intermediate/Long Term Issues	30,856,600.13	11,690,510.42
Common Stock	1,459,602.83	82,538.16
Total Provided by Sales/Maturities	<u>\$ 41,215,498.79</u>	<u>\$ 19,424,300.44</u>
Collections on Loans and Mortgages	\$ 390,129.56	\$ 733,093.16
Redemption of Alaskan Savings Certificates	-0-	114,000.00
Net Contribution from General Fund	<u>1,740,504.82</u>	<u>3,967,097.32</u>
TOTAL Funds Provided During the Month	<u>\$ 44,532,848.19</u>	<u>\$ 25,333,303.04</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities:		
Short Term Issues	\$ 15,168,903.33	\$ 4,668,149.81
Intermediate/Long Term Issues	26,713,486.25	17,863,744.32
Common Stock	647,337.50	773,452.50
Total Securities Purchased	<u>\$ 42,529,727.08</u>	<u>\$ 23,305,346.63</u>
Purchase of Loans and Mortgages	<u>\$ 2,645,817.04</u>	<u>\$ 2,925,109.12</u>
TOTAL Funds Used During the Month	<u>\$ 45,175,544.12</u>	<u>\$ 26,230,455.75</u>
NET CHANGE IN FUNDS	<u>\$ (642,695.93)</u>	<u>\$ (897,152.71)</u>
<u>Summary of Changes:</u>		
Increase (Decrease) in Demand Deposits	\$ (77.78)	\$ (44,480.02)
Increase (Decrease) in Savings Deposits	(1,897,618.15)	(1,297,672.69)
Increase (Decrease) in Repurchase Agreements	<u>1,255,000.00</u>	<u>445,000.00</u>
NET CHANGE IN FUNDS	<u>\$ (642,695.93)</u>	<u>\$ (897,152.71)</u>

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
COMPOSITION OF INVESTMENT HOLDINGS
August 31, 1977

	Current Month			Prior Month
	% of Total Cost Value	Cost	Yield	Cost
<u>MARKETABLE SECURITIES ACCOUNT</u>				
<u>Cash Deposits</u>				
Savings		\$ 89,647.53	5.00	\$ 2,170,328.96
<u>Repurchase Agreements</u>	2.0	1,700,000.00	5.86	-0-
<u>Short Term Issues</u>				
Bankers Acceptances	6.0	5,438,628.62	5.88	-0-
<u>Intermediate/Long Term Issues</u>				
U. S. Treasury Notes & Bonds:				
2 - 5 Years		\$ -0-		\$ 2,015,625.00
5 - 10 Years	7.7	6,976,411.50	7.45	1,996,724.00
Over 10 Years	11.3	10,233,481.25	7.73	4,078,012.50
Sub-Total	19.0	\$ 17,209,892.75		\$ 8,090,361.50
Federal Agency Securities:				
5 - 10 Years	12.0	\$ 10,872,421.88	8.49	\$ 8,829,921.88
Over 10 Years	3.7	3,388,281.25	8.42	4,384,218.75
Sub-Total	15.7	\$ 14,260,703.13		\$ 13,214,140.63
Government National Mortgage Assn.	42.6	\$ 38,658,389.68	8.12	\$ 47,465,782.31
Corporate Notes & Bonds:				
5 - 10 Years	1.3	\$ 1,243,750.00	9.55	\$ 1,243,750.00
Over 10 Years	11.5	10,425,715.00	8.63	15,927,530.00
Sub-Total	12.8	\$ 11,669,465.00		\$ 17,171,280.00
Private Placements	1.9	\$ 1,700,000.00	9.12	\$ 1,700,000.00
Total Issues	92.0	\$ 83,498,450.56		\$ 87,641,564.44
TOTAL	100.0	\$ 90,726,726.71		\$ 89,811,893.40

Schedule continued on following page

COMPOSITION OF INVESTMENT HOLDINGS - Continued

		Current Month		Prior Month
	<u>% of Total</u>	<u>Cost</u>	<u>Yield</u>	<u>Cost</u>
<u>COMMON STOCK ACCOUNT</u>				
<u>Cash Deposits</u>				
Demand		\$ -0-		\$ 77.78
Savings	.6	184,630.59	5.00	1,567.31
Total Deposits	.6	\$ 184,630.59		\$ 1,645.09
<u>Repurchase Agreements</u>		\$ -0-		\$ 445,000.00
<u>Short Term Debt Issues</u>				
Commercial Paper	16.2	\$ 4,505,333.33	5.70	\$ 3,674,354.45
<u>Intermediate/Long Term Issues</u>				
U. S. Treasury Notes & Bonds	21.7	\$ 6,039,905.00	6.97	\$ 6,039,905.00
Corporate Notes & Bonds	1.8	496,562.50	7.30	496,562.50
Total Issues	23.5	\$ 6,536,467.50		\$ 6,536,467.50
<u>Common Stock</u>	59.7	\$ 16,629,239.42	3.54	\$ 17,441,504.75
TOTAL	100.0	\$ 27,855,670.84		\$ 28,098,971.79
<u>LOAN AND MORTGAGE PROGRAMS</u>				
FHA Mortgages	13.5	\$ 10,688,195.18	7.32	\$ 10,826,572.69
Small Business Loans	7.3	5,766,549.88	8.83	5,825,754.33
Conventional Mortgages	79.2	62,722,640.10	9.91	60,269,370.66
TOTAL	100.0	\$ 79,177,385.16		\$ 76,921,697.68
<u>ALASKAN SAVINGS CERTIFICATES</u>				
Arctic First Federal Savings & Loan	84.6	\$ 550,000.00	7.50	\$ 550,000.00
First Federal Savings & Loan Assn.	15.4	100,000.00	7.50	100,000.00
TOTAL	100.0	\$ 650,000.00		\$ 650,000.00
<u>SUMMARY OF COMPOSITION</u>				
Marketable Securities Account	45.7	\$ 90,726,726.71		\$ 89,811,893.40
Common Stock Account	14.0	27,855,670.84		28,098,971.79
Loan and Mortgage Programs	39.9	79,177,385.16		76,921,697.68
Alaskan Savings Certificates	.4	650,000.00		650,000.00
TOTAL INVESTMENT HOLDINGS	100.0	\$198,409,782.71		\$195,482,562.87

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
CHANGE IN PORTFOLIO COMPOSITION
August 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>MARKETABLE SECURITIES ACCOUNT</u>		
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest Income	\$ 768,869.12	\$ 512,260.73
Net Gain (Loss) on Sale of Securities	45,964.19	146,090.17
Total Provided by Operations	<u>\$ 814,833.31</u>	<u>\$ 663,350.90</u>
Sale of Marketable Securities	\$ 30,568,204.77	\$ 12,829,740.84
Maturity of Marketable Securities	288,395.36	349,197.92
Net Contribution from General Fund	<u>100,000.00</u>	<u>2,300,000.00</u>
TOTAL Funds Provided During the Month	<u>\$ 31,771,433.44</u>	<u>\$ 16,142,289.66</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities	\$ 32,152,114.87	\$ 15,303,900.57
Net Contribution to Common Stock Account	<u>-0-</u>	<u>2,000,000.00</u>
TOTAL Funds Used During the Month	<u>\$ 32,152,114.87</u>	<u>\$ 17,303,900.57</u>
NET CHANGE IN FUNDS	<u>\$ (380,681.43)</u>	<u>\$ (1,161,610.91)</u>
<u>COMMON STOCK ACCOUNT</u>		
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest and Dividend Income	\$ 172,040.48	\$ 3,859.07
Net Gain (Loss) on Sale of Securities	(415,341.43)	16,683.51
Total Provided by Operations	<u>\$ (243,300.95)</u>	<u>\$ 20,542.58</u>
Sale of Marketable Securities	\$ 1,459,602.83	\$ 217,211.44
Maturity of Marketable Securities	8,899,295.83	6,028,150.24
Net Contribution from Marketable Securities Account	<u>-0-</u>	<u>2,000,000.00</u>
TOTAL Funds Provided During the Month	<u>\$ 10,115,597.71</u>	<u>\$ 8,265,904.26</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities	\$ 10,377,612.21	\$ 8,001,446.06
NET CHANGE IN FUNDS	<u>\$ (262,014.50)</u>	<u>\$ 264,458.20</u>

Schedule continued on following page

CHANGE IN PORTFOLIO COMPOSITION - Continued

	<u>Current Month</u>	<u>Prior Month</u>
<u>LOAN AND MORTGAGE PROGRAMS</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ 615,182.66	\$ 396,120.11
Principal Repayments	390,129.56	733,093.16
Net Contribution from:		
General Fund	1,640,504.82	1,667,097.32
Alaskan Deposits	-0-	128,798.53
Total Provided by Contributions	<u>\$ 1,640,504.82</u>	<u>\$ 1,795,895.85</u>
TOTAL Funds Provided During the Month	<u>\$ 2,645,817.04</u>	<u>\$ 2,925,109.12</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Loans and Mortgages	<u>\$ 2,645,817.04</u>	<u>\$ 2,925,109.12</u>
NET CHANGE IN FUNDS	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>ALASKAN SAVINGS CERTIFICATES</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ -0-	\$ 14,798.53
Redemption of Savings Certificates	-0-	114,000.00
TOTAL Funds Provided During the Month	<u>\$ -0-</u>	<u>\$ 128,798.53</u>
<u>During the Month Funds were Used for:</u>		
Net Contribution to Loan and Mortgage Programs	<u>\$ -0-</u>	<u>\$ 128,798.53</u>
NET CHANGE IN FUNDS	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>SUMMARY OF CHANGES</u>		
Marketable Securities Account	\$ (380,681.43)	\$ (1,161,610.91)
Common Stock Account	(262,014.50)	264,458.20
Loan and Mortgage Programs	-0-	-0-
Alaskan Savings Certificates	-0-	-0-
NET CHANGE IN FUNDS	<u>\$ (642,695.93)</u>	<u>\$ 897,152.71</u>

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
Pouch SB
Juneau, Alaska 99811
(907) 465-2350

GENERAL AND STATE PROGRAM FUNDS

MONTHLY INVESTMENT REPORT
July 31, 1977

CONTENTS

	<u>Page</u>
Investment Activity	1
Statement of Portfolio Assets	2
Statement of Operations/Change in Total Assets	2
Statement of Change in Portfolio Condition	3
Composition of Investment Holdings	4-5
Summary of Alaska Deposits	6
Change in Portfolio Composition	7-8

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

JAY S. HAMMOND, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH SB
JUNEAU, ALASKA 99811

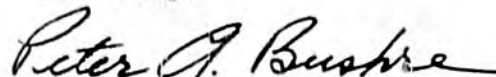
To the Reader:

The monthly investment report of the General and Segregated State Program Funds has been substantially revised in an attempt to provide more meaningful information and information more in accordance with current standards of financial reporting. In addition to a narrative discussion of major events we are now including reports of the following nature:

1. Statement of Portfolio Assets - a summary of portfolio assets by type which includes the percentage relationship of each to the total of assets held.
2. Statement of Operations/Change in Total Assets - investment income (including gains and losses on the sale/maturity of investments) and cash flows affecting the change in total cash and invested funds from one month to the next.
3. Statement of Changes in Portfolio Assets - the source and use of funds during the month which includes a summary of changes in cash and repurchase agreements.
4. Composition of Investment Holdings - a detailed schedule of portfolio assets by functional area of asset management. This schedule details intermediate/long term debt issues by maturity range, indicates an average yield at cost for each item, and includes the percentage relationship of each to the total of assets held in that functional area. Total assets are summarized by functional area.
5. Change in Portfolio Composition - the source and use of funds during the month by functional area of asset management: operating account, marketable securities account, loan and mortgage programs, separately invested funds, and Alaskan deposits details the cash flow relationships between one functional area and another.

Each of the above reports are comparative with the prior month, and we have restated June 1977 for comparison with the current period. A separate report for the Alaska Permanent Fund is now published by this Division and assets held by that fund are no longer included in this report.

Sincerely,



Peter A. Bushre
Treasury Comptroller

STATE OF ALASKA
GENERAL AND STATE PROGRAM FUNDS
INVESTMENT ACTIVITY
JULY 31, 1977

At the end of July 1977, the General and Segregated State Program Funds totaled \$837,783,105.40, down from \$890,417,678.59 at the close of the previous month. The operating and marketable securities accounts were reduced by \$87,896,727.99 during July. In this period \$65,775,171.45 was received from taxes and other State revenues, while \$112,620,193.77 was used for the payment of State expenditures. Cash and repurchase agreements were reduced by \$26,447,336.57.

Holdings of short term debt issues (securities of less than one year maturity) decreased by \$80,659,356.42 during July, while holdings of intermediate term debt issues (securities of one to ten year maturities) increased by \$20,145,646.56 after netting purchases, sales and maturities. Activity was limited to the marketable securities account.

During July \$24,950,000 was deposited with Alaskan financial institutions in one year certificates which yield 6-1/4% to 6-1/2%. The commitment to loans and mortgages amount to \$224,007,277.89 at month end, of which State loan programs accounted for \$175,866,515. The commitment to State loan programs increased \$4,538,691.84 during July.

STATE OF ALASKA
GENERAL AND STATE PROGRAM FUNDS
STATEMENT OF PORTFOLIO ASSETS
JULY 31, 1977

	Current Month		Prior Month	
	<u>%</u>	<u>Cost</u>	<u>%</u>	<u>Cost</u>
Cash	1	\$ 7,263,588.81	1	\$ 8,660,803.38
Marketable Securities, at Cost:				
Repurchase Agreements	2	\$ 13,500,035.00	4	\$ 38,550,157.00
Short Term Issues	31	260,461,185.46	39	341,120,541.88
Intermediate and Long Term Issues	30	251,811,018.24	26	231,665,371.68
Total Marketable Securities	63	\$525,772,238.70	60	\$611,336,070.56
Other Holdings, at Cost:				
Alaskan Certificates of Deposit	10	\$ 84,540,000.00	7	\$ 59,590,000.00
Commercial Loans and Mortgages	2	18,097,042.57	2	18,327,783.37
Obligations of State Corporations	3	25,845,720.32	2	20,752,198.12
Loans to Alaska Native Corporations		50,000.00		75,000.00
State of Alaska Loan Programs	21	175,866,515.00	19	171,327,823.16
Loans to Alaska Municipalities		348,000.00		348,000.00
Total Other Holdings	36	\$304,747,277.89	30	\$270,420,804.65
Total Assets	100%	\$837,783,105.40	100%	\$890,417,678.59

STATEMENT OF OPERATIONS/CHANGE IN TOTAL ASSETS

	Current Month	Prior Month
Portfolio Operations:		
Interest Income	\$ 1,675,490.43	\$ 3,902,416.17
Net Loss on Sale/Maturity of Securities	(68,482.32)	(61,651.24)
Total Operating Income	\$ 1,607,008.11	\$ 3,840,764.93
Beginning of Month Cash and Invested Funds	\$890,417,678.59	\$499,623,868.06
State Contributions from Taxes and Other Receipts	65,775,171.45	494,732,965.21
Net Contribution from Permanent Fund	-0-	27,019.00
State Expenditures	(112,620,193.77)	(101,075,700.25)
Net Contribution to Retirement Funds	(7,396,558.98)	(6,542,017.36)
Municipal Loans Forgiven	-0-	(189,221.00)
End of Month Cash and Invested Funds	\$837,783,105.40	\$890,417,678.59

STATE OF ALASKA

GENERAL AND STATE PROGRAM FUNDS

STATEMENT OF CHANGES IN PORTFOLIO CONDITION
JULY 31, 1977

	Current Month	Prior Month
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest Income	\$ 1,675,490.43	\$ 3,902,416.17
Net Loss on Sale/Maturity of Securities	(68,482.32)	(61,651.24)
Total Provided by Operations	<u>\$ 1,607,008.11</u>	<u>\$ 3,840,764.93</u>
Sale/Maturity of Marketable Securities:		
Short Term Issues	\$ 90,648,891.42	\$ 24,213,521.36
Intermediate/Long Term Issues	15,071,892.00	5,001,178.97
Total Provided by Sales/Maturities	<u>\$105,720,783.42</u>	<u>\$ 29,214,700.33</u>
Collections on Loans and Mortgages:		
State Loan Programs	\$ 2,849,457.21	\$ 1,701,069.14
Other Loans and Mortgages	360,151.11	367,393.44
Total Provided by Collections	<u>\$ 3,209,608.32</u>	<u>\$ 2,068,462.58</u>
Redemption of Alaskan Deposits	\$ -0-	\$ 15,000,000.00
Taxes and Other State Receipts	65,775,171.45	494,732,965.21
Permanent Fund Income	<u>-0-</u>	<u>27,019.00</u>
TOTAL Funds Provided During the Month	<u>\$176,312,571.30</u>	<u>\$544,883,912.05</u>
<u>During the Month Funds Were Used For:</u>		
Purchase of Marketable Securities:		
Short Term Issues	\$ 9,989,535.00	\$339,935,583.99
Intermediate/Long Term Issues	35,217,538.56	60,502,230.47
Total Securities Purchased	<u>\$ 45,207,073.56</u>	<u>\$400,437,814.46</u>
Purchase of Loans and Mortgages:		
State Loan Programs	\$ 7,388,149.05	\$ 4,780,248.00
Other Loans and Mortgages	5,197,932.51	-0-
Total Loans and Mortgages Purchased	<u>\$ 12,586,081.56</u>	<u>\$ 4,780,248.00</u>
Purchase of Deposit Certificates	\$ 24,950,000.00	\$ -0-
State Operating Expenditures	112,620,193.77	101,075,700.25
Net Contribution to Retirement Funds	<u>7,396,558.98</u>	<u>6,542,017.36</u>
TOTAL Funds Used During the Month	<u>\$202,759,907.87</u>	<u>\$512,835,780.07</u>
NET CHANGE IN FUNDS	<u><u>\$(26,447,336.57)</u></u>	<u><u>\$ 32,048,131.98</u></u>
<u>Summary of Changes:</u>		
Increase (Decrease) in Clearing Accounts	\$ (2,224,200.68)	\$ (1,952,112.66)
Increase (Decrease) in Demand Deposits	-0-	(100,004.00)
Increase (Decrease) in Savings Deposits	826,986.11	(49,908.36)
Increase (Decrease) in Repurchase Agreements	<u>(25,050,122.00)</u>	<u>34,150,157.00</u>
NET CHANGE IN FUNDS	<u><u>\$(26,447,336.57)</u></u>	<u><u>\$ 32,048,131.98</u></u>

STATE OF ALASKA
GENERAL AND STATE PROGRAM FUNDS
COMPOSITION OF INVESTMENT HOLDINGS
JULY 31, 1977

	CURRENT MONTH			PRIOR MONTH
	% of Total Cost Value	Cost	Yield	Cost
<u>OPERATING ACCOUNT</u>				
Clearing Accounts	67.7	\$ 4,238,479.38	N/A	\$ 6,462,680.06
Compensating Balances	32.3	2,025,000.00	N/A	2,025,000.00
TOTAL	100.0	\$ 6,263,479.38		\$ 8,487,680.06
<u>MARKETABLE SECURITIES ACCOUNT</u>				
<u>Cash Deposits</u>				
Savings		\$ 49,902.98	5.13	\$ 158,598.43
Repurchase Agreements	2.7	\$ 13,500,035.00	5.39	\$ 38,550,157.00
<u>Short Term Issues</u>				
U. S. Treasury Bills	5.7	\$ 29,301,004.41	5.33	\$ 54,671,794.76
Bankers Acceptances	4.1	20,645,569.73	5.51	20,645,569.73
Commercial Paper	5.9	29,852,598.33	5.39	39,819,348.33
Certificates of Deposit	34.3	175,070,248.02	5.51	220,392,064.09
Total	50.0	\$254,869,420.49		\$335,528,776.91
<u>Intermediate/Long Term Issues</u>				
<u>U. S. Treasury Notes & Bonds:</u>				
2 - 5 Years	37.3	\$190,248,808.34	6.60	\$180,103,246.78
<u>Federal Agency Securities:</u>				
1 - 2 Years	1.0	5,025,008.50	8.38	5,025,008.50
2 - 5 Years	7.4	38,028,187.00	7.27	28,028,102.00
Over 5 Years	1.6	8,077,500.00	7.16	8,077,500.00
Sub-Total	10.0	\$ 51,130,695.50		\$ 41,130,610.50
Total	47.3	\$241,379,503.84		\$221,233,857.28
TOTAL	100.0	\$509,798,862.31		\$595,471,389.62
<u>LOAN AND MORTGAGE PROGRAMS</u>				
<u>State of Alaska Loans:</u>				
Agriculture	.2	\$ 451,592.50	5.13	\$ 453,779.92
Commercial Fishing	4.0	8,858,980.82	6.50	8,249,899.00
Fisheries Enhancement	.6	1,400,000.00	7.50	1,400,000.00
Small Business	3.7	8,260,409.54	7.50	7,791,496.15
Tourism	3.9	8,658,107.35	7.50	8,457,765.98
Veterans	66.1	148,237,424.79	6.84	144,974,882.11
Sub-Total	78.5	\$175,866,515.00		\$171,327,823.16
Bank Loan Incentive Program	.9	\$ 1,911,224.34	7.99	\$ 1,922,663.90
<u>Obligations of State Corporations:</u>				
AHFC Notes	7.0	\$ 15,674,374.32	4.50	\$ 10,927,258.12
ASHA Notes	2.4	5,300,000.00	7.50	4,953,594.00
ASDC Bonds	.2	553,346.00	4.74	553,346.00
MICA Notes	.4	1,000,000.00	9.50	1,000,000.00
U of A Note	1.5	3,318,000.00	5.00	3,318,000.00
Sub-Total	11.5	\$ 25,845,720.32		\$ 20,752,198.12

Schedule continued on following page

STATE OF ALASKA

GENERAL AND STATE PROGRAM FUNDS

COMPOSITION OF INVESTMENT HOLDINGS - Continued
JULY 31, 1977

	CURRENT MONTH			PRIOR MONTH
	% of Total Cost Value	Cost	Yield	Cost
<u>LOAN AND MORTGAGE PROGRAMS - Continued</u>				
Obligations Pledged to AHFC:				
Commercial Mortgages	7.2	\$ 16,185,818.23	7.12	\$ 16,405,119.47
Certificates of Deposit	1.7	3,800,000.00	5.69	3,800,000.00
Sub-Total	<u>8.9</u>	<u>\$ 19,985,818.23</u>		<u>\$ 20,205,119.47</u>
Loans to Native Corporation		\$ 50,000.00	5.90	\$ 75,000.00
Loans to Alaska Municipalities	<u>.2</u>	<u>348,000.00</u>	6.07	<u>348,000.00</u>
TOTAL	<u>100.0</u>	<u>\$224,007,277.89</u>		<u>\$214,630,804.65</u>
<u>SEPARATELY INVESTED FUNDS</u>				
AHFC Mortgage Insurance Fund:				
Savings Deposits	7.2	\$ 950,206.45	5.00	\$ 14,524.89
U. S. Treasury Bills	13.6	1,791,764.97	4.99	1,791,764.97
Sub-Total	<u>20.8</u>	<u>\$ 2,741,971.42</u>		<u>\$ 1,806,289.86</u>
Public School Permanent Fund:				
U. S. Treasury Notes & Bonds	6.4	\$ 847,863.28	7.14	\$ 847,863.28
Federal Agency Securities	51.2	6,743,318.75	7.65	6,743,318.75
Sub-Total	<u>57.6</u>	<u>\$ 7,591,182.03</u>		<u>\$ 7,591,182.03</u>
U. of A. Permanent Fund:				
U. S. Treasury Notes & Bonds	5.0	\$ 657,957.37	6.69	\$ 657,957.37
Federal Agency Securities	16.6	2,182,375.00	7.68	2,182,375.00
Sub-Total	<u>21.6</u>	<u>\$ 2,840,332.37</u>		<u>\$ 2,840,332.37</u>
TOTAL	<u>100.0</u>	<u>\$ 13,173,485.82</u>		<u>\$ 12,237,804.26</u>
<u>ALASKAN DEPOSITS</u>	<u>100.0</u>	<u>\$ 84,540,000.00</u>	6.17	<u>\$ 59,590,000.00</u>
<u>SUMMARY OF COMPOSITION</u>				
Operating Account	1.0	\$ 6,263,479.38		\$ 8,487,680.06
Marketable Securities Account	60.9	509,798,862.31		595,471,389.62
Loan and Mortgage Programs	26.7	224,007,277.89		214,630,804.65
Separately Invested Funds	1.2	13,173,485.82		12,237,804.26
Alaskan Deposits	<u>10.2</u>	<u>84,540,000.00</u>		<u>59,590,000.00</u>
TOTAL INVESTMENT HOLDINGS	<u>100.0</u>	<u>\$837,783,105.40</u>		<u>\$890,417,678.59</u>

STATE OF ALASKA
GENERAL AND STATE PROGRAM FUNDS

SUMMARY OF ALASKA DEPOSITS
JULY 31, 1977

<u>Institution</u>	<u>Total</u>	<u>General Fund</u>	<u>Bond Construction</u>	<u>International Airports</u>
<u>Commercial Banks:</u>				
Alaska Bank of Commerce	\$ 8,720,000	\$ 6,070,000	\$ 2,650,000	\$ --
Alaska National Bank	7,865,000	5,965,000	1,900,000	--
Alaska Pacific Bank	4,700,000	2,200,000	1,500,000	1,000,000
Alaska State Bank	7,550,000	7,350,000	200,000	--
B. M. Behrends Bank	2,100,000	1,000,000	1,100,000	--
First National Bank of Anchorage	7,780,000	6,980,000	800,000	--
First National Bank of Fairbanks	--	--	--	--
First National Bank of Ketchikan	8,195,000	695,000	1,000,000	6,500,000
National Bank of Alaska	18,200,000	8,350,000	9,850,000	--
Peoples Bank & Trust	2,500,000	2,400,000	100,000	--
Security National Bank	1,500,000	1,000,000	500,000	--
United Bank Alaska	2,750,000	750,000	1,000,000	1,000,000
Sub-Total	<u>\$71,860,000</u>	<u>\$42,760,000</u>	<u>\$20,600,000</u>	<u>\$ 8,500,000</u>
<u>Mutual Savings Banks:</u>				
Alaska Mutual Savings Bank	\$ 3,680,000	\$ 3,480,000	\$ 200,000	\$ --
Mt. McKinley Mutual Savings Bank	1,300,000	1,100,000	200,000	--
Sub-Total	<u>\$ 4,980,000</u>	<u>\$ 4,580,000</u>	<u>\$ 400,000</u>	<u>\$ --</u>
<u>Savings & Loan Associations:</u>				
Alaska Federal Savings & Loan	\$ 2,900,000	\$ 1,900,000	\$ --	\$ 1,000,000
Arctic First Federal Savings & Loan	1,500,000	--	--	1,500,000
First Federal Savings & Loan	3,200,000	3,200,000	--	--
Home Federal Savings & Loan	100,000	100,000	--	--
Sub-Total	<u>\$ 7,700,000</u>	<u>\$ 5,200,000</u>	<u>\$ --</u>	<u>\$ 2,500,000</u>
 TOTAL ALASKAN DEPOSITS	 <u>\$84,540,000</u>	 <u>\$52,540,000</u>	 <u>\$21,000,000</u>	 <u>\$11,000,000</u>

SUMMARY OF OPERATING ACCOUNT
JULY 31, 1977

<u>Institution</u>	<u>Location</u>	<u>Clearing Accounts</u>	<u>Compensating Balances</u>
Alaska National Bank	Fairbanks	\$ --	\$ 300,000.00
American Security & Trust Co.	Washington, D. C.	--	25,000.00
B. M. Behrends Bank	Juneau	584,324.03	350,000.00
First National Bank of Anchorage	Juneau	2,652,813.00	610,000.00
National Bank of Alaska	Juneau	1,001,342.35	710,000.00
Pacific National Bank	Seattle	--	30,000.00
 TOTAL		 <u>\$4,238,479.38</u>	 <u>\$2,025,000.00</u>

STATE OF ALASKA
GENERAL AND STATE PROGRAM FUNDS
CHANGE IN PORTFOLIO COMPOSITION
JULY 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>OPERATING ACCOUNT</u>		
Net Contribution (to) from:		
Taxes and Other Receipts	\$ 47,706,369.29	\$ 63,076,047.10
Loan and Mortgage Programs	(8,323,712.43)	(1,686,503.03)
Separately Invested Funds	(864,226.25)	(169,032.28)
Alaska Deposits	(24,925,878.54)	15,645,093.16
State Operating Expenditures	(8,420,193.77)	(72,275,700.25)
Retirement Funds	(7,396,558.98)	(6,542,017.36)
NET CHANGE IN FUNDS	<u>\$ (2,224,200.68)</u>	<u>\$ (1,952,112.66)</u>
<u>MARKETABLE SECURITIES ACCOUNT</u>		
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest Income	\$ 527,152.85	\$ 2,179,740.40
Net Loss on Sale/Maturity of Securities	(68,482.32)	(61,651.24)
Total Provided by Operations	<u>\$ 458,670.53</u>	<u>\$ 2,118,089.16</u>
Sale of Marketable Securities	\$ 85,764,498.42	\$ 18,927,807.48
Maturity of Marketable Securities	19,956,285.00	10,091,463.08
Taxes and Other Receipts	18,068,802.16	431,656,918.11
Permanent Fund Income	<u>-0-</u>	<u>27,019.00</u>
TOTAL Funds Provided During the Month	<u>\$124,248,256.11</u>	<u>\$462,821,296.83</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities	\$ 45,207,073.56	\$399,928,944.18
State Operating Expenditures	<u>104,200,000.00</u>	<u>28,800,000.00</u>
TOTAL Funds Used During the Month	<u>\$149,407,073.56</u>	<u>\$428,728,944.18</u>
NET CHANGE IN FUNDS	<u>\$ (25,158,817.45)</u>	<u>\$ 34,092,352.64</u>
<u>LOAN AND MORTGAGE PROGRAMS</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ 1,052,760.81	\$ 1,025,252.39
Principal Repayments	3,209,608.32	2,068,462.58
Net Contribution from Operating Account	<u>8,323,712.43</u>	<u>1,686,503.03</u>
TOTAL Funds Provided During the Month	<u>\$ 12,586,081.56</u>	<u>\$ 4,780,248.00</u>

Schedule continued on following page

STATE OF ALASKA
GENERAL AND STATE PROGRAM FUNDS
CHANGE IN PORTFOLIO COMPOSITION - Continued
JULY 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>LOAN AND MORTGAGE PROGRAMS - Continued</u>		
<u>During the Month Funds were Used for:</u>		
Purchase of Loans and Mortgages	\$ 12,586,081.56	\$ 4,780,248.00
NET CHANGE IN FUNDS	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>SEPARATELY INVESTED FUNDS</u>		
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest Income	\$ 71,455.31	\$ 52,300.22
Net Gain (loss) on Sale of Securities	-0-	-0-
Total Provided by Operations	<u>\$ 71,455.31</u>	<u>\$ 52,300.22</u>
Maturity of Marketable Securities	\$ -0-	\$ 195,429.78
Net Contribution from Operating Account	864,226.25	169,032.28
TOTAL Funds Provided During the Month	<u>\$ 935,681.56</u>	<u>\$ 416,762.28</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities	\$ -0-	\$ 508,870.28
NET CHANGE IN FUNDS	<u>\$ 935,681.56</u>	<u>\$ (92,108.00)</u>
<u>ALASKAN DEPOSITS</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ 24,121.46	\$ 645,093.16
Redemption of Certificates	-0-	15,000,000.00
Net Contribution from Operating Account	24,925,878.54	-0-
TOTAL Funds Provided During the Month	<u>\$ 24,950,000.00</u>	<u>\$ 15,645,093.16</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Deposit Certificates	\$ 24,950,000.00	\$ -0-
Net Contribution to Operating Account	-0-	15,645,093.16
TOTAL Funds Used During the Month	<u>\$ 24,950,000.00</u>	<u>\$ 15,645,093.16</u>
NET CHANGE IN FUNDS	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>SUMMARY OF CHANGES</u>		
Operating Account	\$ (2,224,200.68)	\$ (1,952,112.66)
Marketable Securities Account	(25,158,817.45)	34,092,352.64
Separately Invested Funds	935,681.56	(92,108.00)
NET CHANGE IN FUNDS	<u>\$ (26,447,336.57)</u>	<u>\$ 32,048,131.98</u>

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
Pouch SB
Juneau, Alaska 99811
(907) 465-2350

TEACHERS RETIREMENT FUND

MONTHLY INVESTMENT REPORT
July 31, 1977

CONTENTS

	Page
Investment Activity	1
Statement of Portfolio Assets	2
Statement of Operations/Change in Total Assets	2
Statement of Change in Portfolio Condition	3
Composition of Investment Holdings	4 - 5
Change in Portfolio Composition	6 - 7

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

JAY S. HAMMOND, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH SB
JUNEAU, ALASKA 99811

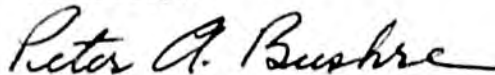
To the Reader:

The monthly investment report of Teachers' Retirement Fund has been substantially revised in an attempt to provide more meaningful information and information more in accordance with current standards of financial reporting. In addition to a narrative discussion of major events, we are now including reports of the following nature:

1. Statement of Portfolio Assets - a summary of portfolio assets by type which includes the percentage relationship of each to the total of assets held.
2. Statement of Operations/Change in Total Assets - investment income (including gains and losses on the sale/maturity of investments) and cash flows affecting the change in total cash and invested funds from one month to the next.
3. Statement of Changes in Portfolio Condition - the source and use of funds during the month which includes a summary of changes in cash and repurchase agreements.
4. Composition of Investment Holdings - a detailed schedule of portfolio assets by functional area of management. This schedule details intermediate/long term debt issues by maturity range, indicates an average yield at cost for each item, and includes the percentage relationship of each to the total of assets held in that functional area. Total assets are summarized by functional area.
5. Change in Portfolio Composition - the source and use of funds during the month by functional area of asset management: marketable securities account, common stock account, loan and mortgage programs, and Alaskan deposits. This schedule details the cash flow relationships between one sector of portfolio management and another.

Each of the above reports are comparative with the prior month, and we have restated June 1977 for comparison with the current period. Alaskan deposits, previously shown as short term debt issues, are now detailed as a separate line item.

Sincerely,



Peter A. Bushre
Treasury Comptroller

STATE OF ALASKA
TEACHERS' RETIREMENT FUND
INVESTMENT ACTIVITY
July 31, 1977

At the end of July 1977, cash and investments of the Teachers' Retirement Fund totaled \$177,878,816.50, up from \$173,465,294.52 at the close of the previous month. Holdings of intermediate/long term debt issues increased by \$1,189,684.96 while common stock holdings increased by \$622,199.00. The Teachers' Retirement Fund reduced its position in short term debt issues by \$1,031,000.00, and redeemed Alaska savings certificates of \$200,000.00. At the close of July, it held commercial loans and mortgages of \$66,097,770.42, an increase of \$4,156,101.32 over June. Cash and repurchase agreements were reduced by \$323,463.30.

INVESTMENT ACTIVITY

The Capital Markets remained relatively stable during the monthly of July. In light of this stability, the Fund has continued to maintain its basically conservative investment strategy. The investment activity consisted mainly of swapping out of high grade corporate bonds into long-term U. S. Government bonds. This reflects a continuing upgrading of the portfolio as the yield spreads narrow.

STATE OF ALASKA

TEACHERS' RETIREMENT FUND

STATEMENT OF PORTFOLIO ASSETS
JULY 31, 1977

	Current Month		Prior Month	
	<u>%</u>	<u>Cost</u>	<u>%</u>	<u>Cost</u>
Cash	<u>1</u>	\$ 2,592,332.72	<u>3</u>	\$ 4,382,796.02
Marketable Securities, at Cost:				
Repurchase Agreements	1	\$ 1,490,000.00		\$ 23,000.00
Short Term Issues		253,000.00	1	1,284,000.00
Intermediate and Long Term Issues	49	86,533,801.46	49	85,344,116.50
Common Stock	<u>11</u>	<u>19,949,911.90</u>	<u>11</u>	<u>19,327,712.90</u>
Total Marketable Securities	<u>61</u>	<u>\$108,226,713.36</u>	<u>61</u>	<u>\$105,978,829.40</u>
Other Holdings, at Cost				
Alaskan Certificates of Deposit	1	\$ 962,000.00	1	\$ 1,162,000.00
Commercial Loans and Mortgages	<u>37</u>	<u>66,097,770.42</u>	<u>35</u>	<u>61,941,669.10</u>
Total Other Holdings	<u>38</u>	<u>\$ 67,059,770.42</u>	<u>36</u>	<u>\$ 63,103,669.10</u>
Total Assets	<u>100%</u>	<u>\$177,878,816.50</u>	<u>100%</u>	<u>\$173,465,294.52</u>

STATEMENT OF OPERATIONS/CHANGE IN TOTAL ASSETS

	Current Month	Prior Month
Portfolio Operations:		
Interest and Dividend Income	\$ 829,597.82	\$ 1,136,634.28
Net Gain on Sale of Securities	<u>154,462.50</u>	<u>145,813.75</u>
Total Operating Income	\$ 984,060.32	\$ 1,282,448.03
Beginning of Month Cash and Invested Funds	\$173,465,294.52	\$169,038,831.39
Net Contribution from the General Fund	<u>3,429,461.66</u>	<u>3,144,015.10</u>
End of Month Cash and Invested Funds	<u>\$177,878,816.50</u>	<u>\$173,465,294.52</u>

STATE OF ALASKA

TEACHERS' RETIREMENT FUND

STATEMENT OF CHANGES IN PORTFOLIO CONDITION
JULY 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest and Dividend Income	\$ 829,597.82	\$ 1,136,634.28
Net Gain on Sale of Securities	154,462.50	145,813.75
Total Provided by Operations	<u>\$ 984,060.32</u>	<u>\$ 1,282,448.03</u>
Sale/Maturity of Marketable Securities:		
Short Term Issues	\$ 3,144,000.00	\$ 9,122,935.00
Intermediate/Long Term Issues	12,809,817.03	5,735,551.88
Common Stock	-0-	300,761.72
Total Provided by Sales/Maturities:	<u>\$15,953,817.03</u>	<u>\$15,159,248.60</u>
Collections on Loans and Mortgages	\$ 430,591.96	\$ 988,946.07
Redemption of Alaskan Deposits	200,000.00	100,000.00
Net Contribution from General Fund	<u>3,429,461.66</u>	<u>3,144,015.10</u>
TOTAL Funds Provided During the Month	<u>\$20,997,930.97</u>	<u>\$20,674,657.80</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities:		
Short Term Issues	\$ 2,113,000.00	\$ 2,169,000.00
Intermediate/Long term Issues	13,999,501.99	18,165,801.31
Common Stock	622,199.00	183,941.00
Total Securities Purchased	<u>\$16,734,700.99</u>	<u>\$20,518,742.31</u>
Purchase of Loans and Mortgages	<u>\$ 4,586,693.28</u>	<u>\$ 6,145,752.38</u>
TOTAL Funds Used During the Month	<u>\$21,321,394.27</u>	<u>\$26,664,494.69</u>
NET CHANGE IN FUNDS	<u>\$ (323,463.30)</u>	<u>\$(5,989,836.89)</u>
<u>Summary of Changes:</u>		
Increase (Decrease) in Demand Deposits	\$ 4,033.19	\$ (1,074.04)
Increase (Decrease) in Savings Deposits	(1,694,496.49)	268,237.15
Increase (Decrease) in Repurchase Agreements	1,467,000.00	(6,357,000.00)
Increase (Decrease) in amounts due from Banks	<u>(100,000.00)</u>	<u>100,000.00</u>
NET CHANGE IN FUNDS	<u>\$ (323,463.30)</u>	<u>\$(5,989,836.89)</u>

STATE OF ALASKA

TEACHERS' RETIREMENT FUND

COMPOSITION OF INVESTMENT HOLDINGS
JULY 31, 1977

	CURRENT MONTH			PRIOR MONTH
	% of Total Cost Value	Cost	Yield	Cost
<u>MARKETABLE SECURITIES ACCOUNT</u>				
<u>Cash Deposits</u>				
Savings	3.1	\$ 2,560,416.48	5.00	\$ 2,741,147.78
Due from Banks		-0-	N/A	100,000.00
Total Deposits		\$ 2,560,416.48		\$ 2,841,147.78
<u>Intermediate/Long Term Issues</u>				
U. S. Treasury Notes & Bonds:				
2 - 5 Years	3.0	\$ 2,519,531.25	6.87	\$ 2,506,250.00
Over 10 Years	6.8	5,615,262.50	7.78	997,500.00
Sub-Total	9.8	\$ 8,134,793.75		\$ 3,503,750.00
Federal Agency Securities:				
5 - 10 Years	10.6	\$ 8,827,734.38	8.72	\$ 8,827,734.38
Over 10 Years	5.0	4,113,593.75	8.35	2,489,843.75
Sub-Total	15.6	\$ 12,941,328.13		\$ 11,317,578.13
Government National Mortgage Assn.	53.4	\$ 44,328,933.20	8.09	\$ 42,927,010.74
Corporate Notes & Bonds:				
5 - 10 Years	1.5	\$ 1,243,750.00	9.55	\$ 1,243,750.00
Over 10 Years	15.4	12,787,900.00	8.53	19,773,212.50
Sub-Total	16.9	\$ 14,031,650.00		\$ 21,016,962.50
Private Placements	1.2	\$ 1,000,000.00	7.75	\$ 1,000,000.00
Total Issues	96.9	\$ 80,436,705.08		\$ 79,765,301.37
TOTAL	100.0	\$ 82,997,121.56		\$ 82,606,449.15
<u>COMMON STOCK ACCOUNT</u>				
<u>Cash Deposits</u>				
Demand	.1	\$ 4,837.09	N/A	\$ 803.90
Savings	.1	27,079.15	5.00	1,540,844.34
Sub-Total	.1	\$ 31,916.24		\$ 1,541,648.24
<u>Repurchase Agreements</u>	5.4	\$ 1,490,000.00	5.12	\$ 23,000.00
<u>Short Term Issues</u>				
Commercial Paper	.9	253,000.00	5.37	1,284,000.00
<u>Intermediate/Long Term Issues</u>				
U. S. Treasury Notes & Bonds	20.3	\$ 5,649,346.38	6.92	\$ 5,578,815.13
U. S. Agencies	1.6	447,750.00	7.65	-0-
Sub-Total	21.9	\$ 6,097,096.38		\$ 5,578,815.13
<u>Common Stock</u>	71.7	\$ 19,949,911.90	3.98	\$ 19,327,712.90
TOTAL	100.0	\$ 27,821,924.52		\$ 27,755,176.27

Schedule continued on following page

STATE OF ALASKA
TEACHERS' RETIREMENT FUND
COMPOSITION OF INVESTMENT HOLDINGS
JULY 31, 1977

	CURRENT MONTH			PRIOR MONTH
	% of Total Cost Value	Cost	Yield	Cost
<u>LOAN AND MORTGAGE PROGRAMS</u>				
FHA Mortgages	13.5	\$ 8,901,463.91	7.43	\$ 9,039,517.52
Small Business Loans	9.0	5,979,703.96	8.47	6,040,563.52
Conventional/Residential Mortgages	77.5	51,216,602.55	9.86	46,861,588.06
TOTAL	100.0	\$ 66,097,770.42		\$ 61,941,669.10
<u>ALASKA DEPOSITS</u>				
Alaska Federal Savings & Loan Assn.	28.6	\$ 275,000.00	7.75	\$ 475,000.00
Arctic First Federal Savings & Loan Assn.	57.2	550,000.00	7.50	550,000.00
First Federal Savings & Loan Assn.	14.2	137,000.00	7.50	137,000.00
TOTAL	100.0	\$ 962,000.00		\$ 1,162,000.00
<u>SUMMARY OF COMPOSITION</u>				
Marketable Securities	46.7	\$ 82,997,121.56		\$ 82,606,449.15
Common Stock Account	15.6	27,821,924.52		27,755,176.27
Loan and Mortgage Programs	37.2	66,097,770.42		61,941,669.10
Alaskan Deposits	.5	962,000.00		1,162,000.00
TOTAL INVESTMENT HOLDINGS	100.0	\$177,878,816.50		\$173,465,294.52

STATE OF ALASKA
TEACHERS' RETIREMENT FUND
CHANGE IN PORTFOLIO COMPOSITION
July 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>MARKETABLE SECURITIES ACCOUNT</u>		
During the Month Funds were Provided by:		
Portfolio Operations:		
Interest Income	\$ 336,209.91	\$ 403,789.21
Net Gain on Sale of Securities	154,462.50	94,012.37
Total Provided by Operations	<u>\$ 490,672.41</u>	<u>\$ 497,801.58</u>
Sale of Marketable Securities	\$12,558,487.50	\$12,430,470.00
Maturity of Marketable Securities	251,329.53	211,673.13
Net Contribution from Alaskan Deposits	<u>-0-</u>	<u>100,000.00</u>
TOTAL Funds Provided During the Month	<u>\$13,300,489.44</u>	<u>\$13,239,944.71</u>
During the Month Funds were Used for:		
Purchase of Marketable Securities	\$13,481,220.74	\$17,271,707.56
Net Contribution to Loan and Mortgage Programs	<u>100,000.00</u>	<u>1,400,000.00</u>
TOTAL Funds Used During the Month	<u>\$13,581,220.74</u>	<u>\$18,671,707.56</u>
NET CHANGE IN FUNDS	<u>\$ (280,731.30)</u>	<u>\$ (5,431,762.85)</u>
<u>COMMON STOCK ACCOUNT</u>		
During the Month Funds were Provided by:		
Portfolio Operations:		
Interest and Dividend Income	\$ 66,748.25	\$ 120,053.86
Net Gain (Loss) on Sale of Securities	-0-	51,801.38
Total Provided by Operations	<u>\$ 66,748.25</u>	<u>\$ 171,855.24</u>
Sale of Marketable Securities	\$ -0-	\$ 1,317,105.47
Maturity of Marketable Securities	<u>3,144,000.00</u>	<u>1,200,000.00</u>
TOTAL Funds Provided During the Month	<u>\$ 3,210,748.25</u>	<u>\$ 2,688,960.71</u>
During the Month Funds were Used for:		
Purchase of Marketable Securities	\$ 3,253,480.25	\$ 3,247,034.75
NET CHANGE IN FUNDS	<u>\$ (42,732.00)</u>	<u>\$ (558,074.04)</u>

Schedule continued on following page

STATE OF ALASKA
TEACHERS' RETIREMENT FUND
CHANGE IN PORTFOLIO COMPOSITION
July 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>LOAN AND MORTGAGE PROGRAMS</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ 402,992.00	\$ 612,791.21
Principal Repayments	430,591.96	988,946.07
Net Contribution from:		
General Fund	3,429,461.66	3,144,015.10
Marketable Securities Account	100,000.00	1,400,000.00
Alaskan Deposits	223,647.66	-0-
Total Provided by Contributions	<u>\$ 3,753,109.32</u>	<u>\$ 4,544,015.10</u>
TOTAL Funds Provided During the Month	<u>\$ 4,586,693.28</u>	<u>\$ 6,145,752.38</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Loans and Mortgages	<u>\$ 4,586,693.28</u>	<u>\$ 6,145,752.38</u>
NET CHANGE IN FUNDS	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>ALASKAN DEPOSITS</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ 23,647.66	\$ -0-
Redemption of Certificates	<u>200,000.00</u>	<u>100,000.00</u>
TOTAL Funds Provided During the Month	<u>\$ 223,647.66</u>	<u>\$ 100,000.00</u>
<u>During the Month Funds were Used for:</u>		
Net Contribution to Marketable Securities Account	\$ -0-	\$ 100,000.00
Net Contribution to Loan and Mortgage Programs	<u>223,647.66</u>	<u>-0-</u>
NET CHANGE IN FUNDS	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>SUMMARY OF CHANGES</u>		
Marketable Securities Account	\$ (280,731.30)	\$(5,431,762.85)
Common Stock Account	<u>(42,732.00)</u>	<u>(558,074.04)</u>
NET CHANGE IN FUNDS	<u>\$ (323,463.30)</u>	<u>\$(5,989,836.89)</u>

STATE OF ALASKA
DEPARTMENT OF REVENUE
TREASURY DIVISION
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ALASKA PERMANENT FUND

MONTHLY INVESTMENT REPORT
July 31, 1977

CONTENTS

	<u>Page</u>
Investment Activity	1
Statement of Portfolio Assets	2
Statement of Operations/Change in Total Assets	2
Statement of Change in Portfolio Condition	3
Composition of Investment Holdings	4

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

JAY S. HAMMOND, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH SB
JUNEAU, ALASKA 99811

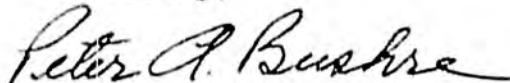
To the Reader:

Beginning with July 1977, the Division of Treasury will produce a monthly investment report of the Alaska Permanent Fund separate and distinct from the General and Segregated State Program Funds' report. This report (attached herein) contains in addition to a narrative discussion of major events, reports of the following nature:

1. Statement of Portfolio Assets - a summary of portfolio assets by type which includes the percentage relationship of each to the total of assets held.
2. Statement of Operations/Change in Total Assets - investment income (including gains and losses on the sale/maturity of investments) and cash flows affecting the change in total cash and invested funds from one month to the next.
3. Statement of Changes in Portfolio Condition - the source and use of funds during the month which includes a summary of changes in cash and repurchase agreements.
4. Composition of Investment Holdings - a detailed schedule of assets held in the marketable securities account which details intermediate/long term debt issues by maturity range, indicates an average yield at cost for each item, and includes a more precise percentage relationship of each to the total of assets held.

Each of the above reports are comparative with the prior month, and we have restated June 1977 for comparison with the current period.

Sincerely,



Peter A. Bushre
Treasury Comptroller

STATE OF ALASKA

ALASKA PERMANENT FUND

INVESTMENT ACTIVITY
JULY 31, 1977

At the end of July 1977, cash and investments of the Alaska Permanent Fund totaled \$4,751,705.53, up from \$3,956,710.52 at the end of last month. No investments were purchased and no funds were provided by the sale/maturity of marketable securities during July. Income was not payable during that month. The Permanent Fund share of royalties and other payments amounted to \$794,995.01, down from \$822,403.54 during June.

Marketable securities held by the Alaska Permanent Fund at the end of July yielded a total of 6.78%. Uninvested cash is deposited in a savings account on which interest is compounded daily at an effective rate of 5.13%.

STATE OF ALASKA
ALASKA PERMANENT FUND

STATEMENT OF PORTFOLIO ASSETS
JULY 31, 1977

	<u>%</u>	<u>Current Month Cost</u>	<u>%</u>	<u>Prior Month Cost</u>
Cash	36	\$1,700,265.31	23	\$ 905,270.30
Marketable Securities, at Cost:				
Intermediate and Long Term Issues	<u>64</u>	<u>3,051,440.22</u>	<u>77</u>	<u>3,051,440.22</u>
Total Assets	<u>100%</u>	<u>\$4,751,705.53</u>	<u>100%</u>	<u>\$3,956,710.52</u>

STATEMENT OF OPERATIONS/CHANGE IN TOTAL ASSETS

	<u>Current Month</u>	<u>Prior Month</u>
Portfolio Operation:		
Interest Income	\$ -0-	\$ 27,019.00
Beginning of Month Cash and Invested Funds	\$3,956,710.52	3,134,306.98
State Contributions from Taxes and Other Receipts	794,995.01	822,403.54
Net Contribution to General Fund	<u>-0-</u>	<u>(27,019.00)</u>
End of Month Cash and Invested Funds	<u>\$4,751,705.53</u>	<u>\$3,956,710.52</u>

STATE OF ALASKA
ALASKA PERMANENT FUND

STATEMENT OF CHANGES IN PORTFOLIO CONDITION
JULY 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest Income	\$ -0-	\$ 27,019.00
Royalties and Other State Receipts	<u>794,995.01</u>	<u>822,403.54</u>
TOTAL Funds Provided During the Month	<u>\$794,995.01</u>	<u>\$ 849,422.54</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Intermediate/Long Term Issues	\$ -0-	\$ 3,051,440.22
Net Contribution to General Fund	<u>-0-</u>	<u>27,019.00</u>
TOTAL Funds Used During the Month	<u>\$ -0-</u>	<u>\$ 3,078,459.22</u>
NET CHANGE IN FUNDS	<u><u>\$794,995.01</u></u>	<u><u>\$(2,229,036.68)</u></u>
<u>Summary of Change:</u>		
Increase (Decrease) in Savings Deposits	<u>\$794,995.01</u>	<u>\$(2,229,036.68)</u>
NET CHANGE IN FUNDS	<u><u>\$794,995.01</u></u>	<u><u>\$(2,229,036.68)</u></u>

STATE OF ALASKA
ALASKA PERMANENT FUND

COMPOSITION OF INVESTMENT HOLDINGS
JULY 31, 1977

<u>Asset Type</u>	<u>% of Total Cost Value</u>	<u>CURRENT MONTH</u>		<u>PRIOR MONTH</u>	
		<u>Cost</u>	<u>Yield</u>	<u>Cost</u>	
<u>MARKETABLE SECURITIES ACCOUNT</u>					
<u>Cash Deposits</u>					
Savings	36.2	\$1,700,265.31	5.13	\$ 905,270.30	
<u>Intermediate/Long Term Issues</u>					
<u>U. S. Treasury Notes & Bonds:</u>					
5 - 10 Years	63.8	\$3,051,440.22	6.78	\$3,051,440.22	
TOTAL INVESTMENT HOLDINGS	100%	\$4,751,705.53		\$3,956,710.52	

STATE OF ALASKA
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PUBLIC EMPLOYEES' RETIREMENT FUND

MONTHLY INVESTMENT REPORT
July 31, 1977

CONTENTS

	<u>Page</u>
Investment Activity	1
Statement of Portfolio Assets	2
Statement of Operations/Change in Total Assets	2
Statement of Change in Portfolio Condition	3
Composition of Investment Holdings	4 - 5
Change in Portfolio Composition	6 - 7

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

JAY S. HAMMOND, GOVERNOR

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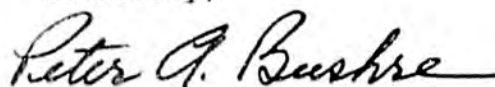
To the Reader:

The monthly investment report of Public Employees' Retirement Fund has been substantially revised in an attempt to provide more meaningful information and information more in accordance with current standards of financial reporting. In addition to a narrative discussion of major events, we are now including reports of the following nature:

1. Statement of Portfolio Assets - a summary of portfolio assets by type which includes the percentage relationship of each to the total of assets held.
2. Statement of Operations/Change in Total Assets - investment income (including gains and losses on the sale/maturity of investments) and cash flows affecting the change in total cash and invested funds from one month to the next.
3. Statement of Changes in Portfolio Condition - the source and use of funds during the month which includes a summary of changes in cash and repurchase agreements.
4. Composition of Investment Holdings - a detailed schedule of portfolio assets by functional area of management. This schedule details intermediate/long term debt issues by maturity range, indicates an average yield at cost for each item, and includes the percentage relationship of each to the total of assets held in that functional area. Total assets are summarized by functional area.
5. Change in Portfolio Composition - the source and use of funds during the month by functional area of asset management: marketable securities account, common stock account, loan and mortgage programs, and Alaskan deposits. This schedule details the cash flow relationships between one sector of portfolio management and another.

Each of the above reports are comparative with the prior month, and we have restated June 1977 for comparison with the current period. Alaskan deposits, previously shown as short term debt issues, are now detailed as a separate line item.

Sincerely,



Peter A. Bushre
Treasury Comptroller

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND

INVESTMENT ACTIVITY
July 31, 1977

At the end of July 1977, cash and investments of the Public Employees' Retirement Fund totaled \$195,482,562.87, up from \$190,420,653.43 at the close of the previous month. Holdings of intermediate/long term debt issues increased by \$6,173,233.90 while common stock holdings increased by \$690,914.34. The Public Employees' Retirement Fund reduced its position in short term debt issues by \$2,983,102.05, and in Alaskan certificates of deposit by \$114,000. Purchases of commercial loans and mortgages exceeded repayments by \$2,192,015.96. Cash and repurchase agreements were reduced by \$897,152.71.

INVESTMENT COMMENTS

The Capital Markets remained relatively stable during the month of July. In light of this stability, the Fund has continued to maintain its basically conservative investment strategy. The investment activity consisted mainly of swapping out of high grade corporate bonds into long-term U. S. Government bonds. This reflects a continuing upgrading of the portfolio as the yield spreads narrow.

The Fund has allocated two million dollars in new cash flow to the Common Stock Account for the month of July.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
STATEMENT OF PORTFOLIO ASSETS
JULY 31, 1977

	<u>Current Month</u>		<u>Prior Month</u>	
	<u>%</u>	<u>Cost</u>	<u>%</u>	<u>Cost</u>
Cash	<u>1</u>	\$ 2,171,974.05	<u>2</u>	\$ 3,514,126.76
Marketable Securities, at Cost:				
Repurchase Agreements		\$ 445,000.00		\$ -0-
Short Term Issues	2	3,674,354.45	4	6,657,456.50
Intermediate and Long Term Issues	48	94,178,031.94	46	88,004,798.04
Common Stock	9	17,441,504.75	8	16,750,590.41
Total Marketable Securities	<u>59</u>	<u>\$115,738,891.14</u>	<u>58</u>	<u>\$111,412,844.95</u>
Other Holdings, at Cost:				
Alaskan Certificates of Deposit		\$ 650,000.00		\$ 764,000.00
Commercial Loans and Mortgages	40	76,921,697.68	40	74,729,681.72
Total Other Holdings	<u>40</u>	<u>\$ 77,571,697.68</u>	<u>40</u>	<u>\$ 75,493,681.72</u>
Total Assets	<u>100%</u>	<u>\$195,482,562.87</u>	<u>100%</u>	<u>\$190,420,653.43</u>

outside

Alaska

STATEMENT OF OPERATIONS/CHANGE IN TOTAL ASSETS

	<u>Current Month</u>	<u>Prior Month</u>
Portfolio Operations:		
Interest and Dividend Income	\$ 932,038.44	\$ 1,259,132.28
Net Gain on Sale of Securities	162,773.68	6,021.52
Total Operating Income	<u>\$ 1,094,812.12</u>	<u>\$ 1,265,153.80</u>
Beginning of Month Cash and Invested Funds	\$190,420,653.43	\$185,757,497.37
State Contributions from Taxes and Other Receipts	-0-	-0-
Net Contribution from the General Fund	<u>3,967,097.32</u>	<u>3,398,002.26</u>
End of Month Cash and Invested Funds	<u>\$195,482,562.87</u>	<u>\$190,420,653.43</u>

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT FUND

STATEMENT OF CHANGES IN PORTFOLIO CONDITION
JULY 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest and Dividend Income	\$ 932,038.44	\$ 1,259,132.28
Net Gain on Sale of securities	162,773.68	6,021.52
Total Provided by Operations	<u>\$ 1,094,812.12</u>	<u>\$ 1,265,153.80</u>
Sale/Maturity of Marketable Securities:		
Short Term Issues	\$ 7,651,251.86	\$13,759,819.59
Intermediate/Long Term Issues	11,690,510.42	11,094,138.80
Common Stock	82,538.16	378,455.37
Total Provided by Sales/Maturities	<u>\$19,424,300.44</u>	<u>\$25,232,413.76</u>
Collections on Loans and Mortgages	\$ 733,093.16	\$ 798,609.35
Redemption of Alaskan Deposits	114,000.00	-0-
Net Contribution from General Fund	<u>3,967,097.32</u>	<u>3,398,002.26</u>
TOTAL Funds Provided During the Month	<u>\$25,333,303.04</u>	<u>\$30,694,179.17</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities:		
Short Term Issues	\$ 4,668,149.81	\$ 8,163,319.96
Intermediate/Long Term Issues	17,863,744.32	22,178,176.05
Common Stock	773,452.50	372,586.00
Total Securities Purchased	<u>\$23,305,346.63</u>	<u>\$30,714,082.01</u>
Purchase of Loans and Mortgages	<u>\$ 2,925,109.12</u>	<u>\$ 8,857,609.97</u>
TOTAL Funds Used During the Month	<u>\$26,230,455.75</u>	<u>\$39,571,691.98</u>
NET CHANGE IN FUNDS	<u>\$ (897,152.71)</u>	<u>\$ (8,877,512.81)</u>
<u>Summary of Changes:</u>		
Increase (Decrease) in Demand Deposits	\$ (44,480.02)	\$ 44,557.80
Increase (Decrease) in Savings Deposits	(1,297,672.69)	(1,122,070.61)
Increase (Decrease) in Repurchase Agreements	<u>445,000.00</u>	<u>(7,800,000.00)</u>
NET CHANGE IN FUNDS	<u>\$ (897,152.71)</u>	<u>\$ (8,877,512.81)</u>

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
COMPOSITION OF INVESTMENT HOLDINGS
JULY 31, 1977

	CURRENT MONTH			PRIOR MONTH
	% of Total Cost Value	Cost	Yield	Cost
<u>MARKETABLE SECURITIES ACCOUNT</u>				
<u>Cash Deposits</u>				
Savings	2.4	\$ 2,170,328.96	5.00	\$ 3,331,939.87
<u>Short Term Issues</u>				
Bankers Acceptances		\$ -0-		\$ 1,488,428.34
<u>Intermediate/Long Term Issues</u>				
U. S. Treasury Notes & Bonds:				
2 - 5 Years	4.5	\$ 4,012,349.00	7.35	\$ 2,005,000.00
5 - 10 Years		-0-		1,996,724.00
Over 10 Years	4.5	4,078,012.50	7.81	997,500.00
Sub-Total	9.0	\$ 8,090,361.50		\$ 4,999,224.00
Federal Agency Securities:				
5 - 10 Years	9.8	\$ 8,829,921.88	8.67	\$ 8,829,921.88
Over 10 Years	4.9	4,384,218.75	8.36	-0-
Sub-Total	14.7	\$ 13,214,140.63		\$ 8,829,921.88
Government National Mortgage Assn.	52.9	\$ 47,465,782.31	8.10	\$ 46,049,985.91
Corporate Notes & Bonds:				
5 - 10 Years	1.4	\$ 1,243,750.00	9.55	\$ 1,243,750.00
Over 10 Years	17.7	15,927,530.00	8.48	21,205,292.50
Sub-Total	19.1	\$ 17,171,280.00		\$ 22,449,042.50
Private Placements	1.9	\$ 1,700,000.00	9.125	\$ 1,700,000.00
Total Issues	97.6	\$ 87,641,564.44		\$ 84,028,174.29
TOTAL	100.0	\$ 89,811,893.40		\$ 88,848,542.50
<u>COMMON STOCK ACCOUNT</u>				
<u>Cash Deposits</u>				
Demand		\$ 77.78	N/A	\$ 44,557.80
Savings		1,567.31	5.00	137,629.09
Sub-Total		\$ 1,645.09		\$ 182,186.89
<u>Repurchase Agreements</u>	1.6	\$ 445,000.00	4.50	-0-
<u>Short Term Issues</u>				
Commercial Paper	13.1	3,674,354.45	4.94	5,169,028.16
<u>Intermediate/Long Term Issues</u>				
U. S. Treasury Notes & Bonds	21.5	\$ 6,039,905.00	6.97	\$ 3,976,623.75
Corporate Notes & Bonds	1.8	496,562.50	7.30	-0-
Sub-Total	23.3	\$ 6,536,467.50		\$ 3,976,623.75
<u>Common Stock</u>	62.0	\$ 17,441,504.75	3.40	\$ 16,750,590.41
TOTAL	100.0	\$ 28,098,971.79		\$ 26,078,429.21

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT FUND

COMPOSITION OF INVESTMENT HOLDINGS
JULY 31, 1977

	CURRENT MONTH			PRIOR MONTH
	% of Total Cost Value	Cost	Yield	Cost
<u>LOAN AND MORTGAGE PROGRAMS</u>				
FHA Mortgages	14.1	\$ 10,826,572.69	7.32	\$ 10,984,573.57
Small Business Loans	7.6	5,825,754.33	8.83	5,893,997.20
Conventional/Residential Mortgages	78.3	60,269,370.66	9.85	57,851,110.95
TOTAL	100.0	\$ 76,921,697.68		\$ 74,729,681.72
<u>ALASKAN DEPOSITS</u>				
Arctic First Federal Savings & Loan Association	84.6	\$ 550,000.00	7.50	\$ 550,000.00
First Federal Savings & Loan Assn.	15.4	100,000.00	7.50	214,000.00
TOTAL	100.0	\$ 650,000.00		\$ 764,000.00
<u>SUMMARY OF COMPOSITION</u>				
Marketable Securities Account	45.9	\$ 89,811,893.40		\$ 88,848,542.50
Common Stock Account	14.4	28,098,971.79		26,078,429.21
Loan and Mortgage Programs	39.4	76,921,697.68		74,729,681.72
Alaskan Deposits	.3	650,000.00		764,000.00
TOTAL INVESTMENT HOLDINGS	100.0	\$195,482,562.87		\$190,420,653.43

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
CHANGE IN PORTFOLIO COMPOSITION
July 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>MARKETABLE SECURITIES ACCOUNT</u>		
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations		
Interest Income	\$ 517,260.73	\$ 475,133.24
Net Gain on Sale of Securities	146,090.17	122,872.87
Total Provided by Operations	<u>\$ 663,350.90</u>	<u>\$ 598,006.11</u>
Sale of Marketable Securities	\$12,829,740.84	\$17,446,006.68
Maturity of Marketable Securities	349,197.92	165,776.86
Net Contribution from General Fund	<u>2,300,000.00</u>	<u>-0-</u>
TOTAL Funds Provided During the Month	<u>\$16,142,289.66</u>	<u>\$18,209,789.65</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities	\$15,303,900.57	\$22,178,176.05
Net Contribution to Loan and Mortgage Programs	-0-	4,000,000.00
Common Stock Account	<u>2,000,000.00</u>	<u>-0-</u>
TOTAL Funds Used During the Month	<u>\$17,303,900.57</u>	<u>\$26,178,176.05</u>
NET CHANGE IN FUNDS	<u>\$ (1,161,610.91)</u>	<u>\$ (7,968,386.40)</u>
<u>COMMON STOCK ACCOUNT</u>		
<u>During the Month Funds were Provided by:</u>		
Portfolio Operations:		
Interest and Dividend Income	\$ 3,859.07	\$ 123,000.68
Net Gain (Loss) on Sale of Securities	16,683.51	(116,851.35)
Total Provided by Operations	<u>\$ 20,542.58</u>	<u>\$ 6,149.33</u>
Sale of Marketable Securities	\$ 217,211.44	\$ 796,062.31
Maturity of Marketable Securities	6,028,150.24	6,224,567.91
Net Contribution from Marketable Securities Account	<u>2,000,000.00</u>	<u>-0-</u>
TOTAL Funds Provided During the Month	<u>\$ 8,265,904.26</u>	<u>\$ 7,626,779.55</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Marketable Securities	<u>\$ 8,001,446.06</u>	<u>\$ 8,535,905.86</u>
NET CHANGE IN FUNDS	<u>\$ 264,458.20</u>	<u>\$ (909,126.41)</u>

Schedule continued on following page

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT FUND

CHANGE IN PORTFOLIO COMPOSITION - Continued
July 31, 1977

	<u>Current Month</u>	<u>Prior Month</u>
<u>LOAN AND MORTGAGE PROGRAMS</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ 396,120.11	660,998.36
Principal Repayments	733,093.16	798,609.35
Net Contribution from:		
General Fund	1,667,097.32	3,398,002.26
Alaska Deposits	128,798.53	-0-
Marketable Securities Account	-0-	4,000,000.00
Total Provided by Contributions	<u>\$ 1,795,895.85</u>	<u>\$7,398,002.26</u>
TOTAL Funds Provided During the Month	<u>\$ 2,925,109.12</u>	<u>\$8,857,609.97</u>
<u>During the Month Funds were Used for:</u>		
Purchase of Loans and Mortgages	<u>\$ 2,925,109.12</u>	<u>\$8,857,609.97</u>
NET CHANGE IN FUNDS	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>ALASKAN DEPOSITS</u>		
<u>During the Month Funds were Provided by:</u>		
Interest Income	\$ 14,798.53	\$ -0-
Redemption of Certificates	<u>114,000.00</u>	<u>-0-</u>
TOTAL Funds Provided During the Month	<u>\$ 128,798.53</u>	<u>\$ -0-</u>
<u>During the Month Funds were Used for:</u>		
Net Contribution to Loan and Mortgage Programs	<u>\$ 128,798.53</u>	<u>\$ -0-</u>
NET CHANGE IN FUNDS	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>SUMMARY OF CHANGES</u>		
Marketable Securities Account	<u>\$(1,161,610.91)</u>	<u>\$(7,968,386.40)</u>
Common Stock Account	<u>264,458.20</u>	<u>(909,126.41)</u>
NET CHANGE IN FUNDS	<u>\$ (897,152.71)</u>	<u>\$(8,877,512.81)</u>

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

September 17, 1977

MEMORANDUM

SUBJECT: Interim Fisheries Investigations

TO: , The Honorable Alvin Osterback, Chairman
Interim Resources Subcommittee

FROM: John Williams, Research Analyst
(with Gregg Erickson, Director of Research)

You have requested that the Research Division supply information relative to some specific aspects of the Interim Natural Resources Committee's investigations into the development of the Alaska bottomfish industry.

Our report is organized in seven parts: (1) a summary of information we have received from interviews with the seafood processing industry about their development activities; (2) bottomfish supply considerations; (3) bottomfish marketing considerations; (4) foreign industry responses; (5) the state role as perceived by the processing sector; (6) floating vs. shore-based processing, and (7) incentive programs in other jurisdictions. In addition to this specifically requested information, we are currently preparing some information sheets which will discuss other material which we have obtained.

I Current Development Activities

To our knowledge at least nine companies have expressed enough interest in the bottomfish industry to at least initiate some small scale purchases of groundfish species or are in the development planning stage. Seven of these are shore-based; two involve floating processors (one is a combined catcher/processor). Some of these companies are hoping to institute initial processing of at least cod species on board fishing boats. Others in the industry suggest that any on board processing is unreasonable for reasons of space, weather, fishermen distaste for such an operation, and economics. At least two processors are experimenting with pot fishing (as opposed to dragging).

We learned of four companies (three in Kodiak, one in Dutch Harbor) which are now buying small quantities of bottomfish for experimental processing and marketing, including occasional purchases of pot caught cod species with deliveries made in live tanks. Two of these companies are also purchasing or have purchased gutting machinery which they

intend to place on board fishing boats. Two extra men (total of 6) would then be carried on board to do the initial processing of cod species. Pot fishing and on-board gutting are techniques being looked at in order to guarantee product quality, a factor to which price is highly sensitive.

These four companies are presently offering prices for small quantities of unprocessed fish (some less than 10,000 pounds) which are significantly above those that would be expected to prevail assuming some minimum level of enterprise profitability and current prices in final product markets. In our view this reflects an effort by the processors to encourage some prospecting by the fishing captains who may be interested. For example, the Dutch Harbor operation has guaranteed a specific fisherman a minimum income to encourage him to pot fish for cod and sablefish. Thus far, he has had a difficult time in locating the target species in any concentration. In fact, all the companies we spoke with stated that they were receiving disappointing quantities of product.

New England Fish Company (NEFCO) and Icicle Seafoods, Inc. (dba PFI, Petersburg) have both signed contracts with the Alaska Department of Commerce and Economic Development for groundfish processing activities. The contracts guarantee against loss for up to 3¢/pound, with a \$145,000 ceiling on the total potential payment. In return, the companies are to supply the state with access to the information generated by the pilot projects. NEFCO has yet to initiate processing activities; PFI did some exploratory work this spring. NEFCO hopes to begin full scale processing activities in Kodiak in October or November of this year. PFI will again begin groundfish processing in Petersburg in October.

NEFCO has announced nationally their intent to enter groundfish processing in a big way. NEFCO has had some financially difficult years recently, and it is undoubtedly their hope to recover some financial footing in groundfish - a decision which could be interpreted as an extraordinary effort to regain a profit margin.

NEFCO's development plans call for targeting on pollock, cod, and sole. They need three vessels, each committed to making 200,000 pound deliveries, to make possible a minimum of 220 processing days per year. They have invested \$580,000 in machinery, with total investment in their Kodiak bottomfish operation expected to be about \$1 million. Pollock will be processed into 18.5 pound finished blocks. Cod is to be filleted, individually quick frozen, and marketed domestically. Minced flesh from both species would be reprocessed in Seattle into fish cake products. Flatfish (sole) would be bulk frozen and processed in Seattle.

Another company with which we talked is in the process of completing its development plans for a \$6 million operation in the westward region, to be targeted on cod species and pollock. They initially hope to process 150,000 pounds of product per day, and anticipate a labor need for 35 people. The company hopes to be in operation in 1978.

We additionally learned of a Seattle consortium of fishermen, lead by Mr. Maggie Ness, which has obtained financing and has begun the reconstruction of a vessel to serve as a catcher/processor for several species, including bottomfish. Their investment is \$2.5 million, which includes \$600,000 in machinery (including bottomfish processing machinery). They hope to process (for all target species) ten months each year.

Although we have not talked with them directly, it is also known that All Alaska Seafoods, Inc., a corporation started in 1975 by a group of Kodiak fishermen, intended to enter the bottomfishery when they equipped the floating processor All Alaska. This vessel has been processing crab and herring during the past year, and it is not known what the firm's future plans call for.

In general, our conversations with processors and potential processors have revealed widely ranging intentions with respect to the degree of processing which will occur at Alaskan locations. One company has a market for a large quantity of headed and gutted pollock which would be further processed by the buyer. Several of the firms which are "testing the winds" are freezing either whole or gutted cod and sending the product to Seattle plants for further processing. Still others intend to do the bulk of processing in Alaska with by-product reprocessing and breaching and battering operations to occur in Seattle. One company is specifically looking to internationally market their pack via Anchorage International Airport. It is also known that Flying Tiger Airlines, which presently flies fish from Alaska to the Orient during the summer months, has been actively investigating the potential marketing of bottomfish from Alaska in the Orient.

Most industry and banking sources seem to agree that the ability to substitute capital for "high cost" domestic labor (along with an assured raw product supply - discussed below) will be the key to deciding the competitiveness of domestically processed bottomfish products in the international and national market.¹

The ability to finance, acquire and install modern, automated or semi-automated processing machinery, the majority of which is manufactured in Europe, will clearly be critical to full scale, profitable operations, in an industry where the major foreign competitors pay wage rates in the neighborhood of 30¢ per hour.

In fact, the fisheries loan officer of the bank which is by far the most active in the fisheries loan area told us that his decision to finance the Maggie Ness operation hinged upon his being convinced that the processing machinery technology was well enough advanced to supplant a major portion of the labor requirement.

¹ We are seeking more information about the labor component of existing bottomfish processing operations on the West Coast.

II Bottomfish Supply

Supply of product to the processing sector is viewed as the major bottleneck at this time by the processing industry. This is not to say that other important unknowns exist with respect to pricing and marketing, but simply reflects the response thus far by the fishing vessel owners to opportunities to begin either prospecting or full scale bottomfish activity. NEFCO has stated they will be ready to begin full scale operations before the end of this calendar year - yet they had not, at the time of our interview, been successful at contracting for even one of the 3 vessels their development plan calls for. Even the higher-than-market price offered by processors has, at least in the case of one Kodiak firm, not brought forth any supplies, this despite their willingness to accept relatively small quantities.

An added indicator of the currently low level of fishermen interest is the inability of Mr. Robert Devanney (who has a contract with a Korean company) to entice American fishermen to supply product to foreign processing ships; and the refusal of the North Pacific Fishing Vessel Owners Association, a Seattle based group of mostly Alaskan crab fishing vessels, to be in favor of joint venture operations with any of the numerous foreign interests which have approached them to supply groundfish species to offshore processing operations.

The Alaska shellfish fleet is looked to most often as the source of vessels to enter the new fishery because of vessel size, horsepower, and seaworthiness which this fleet represents and which will also be required for vessels entering a groundfish fishery. The reasons for this fleet's apparent lack of immediate interest are straightforward: the average boat in the Alaska shellfish fleet is realizing a very good return on investment in the shellfish fisheries. From 1970 to 1975, the harvested quantity of king crab increased 87%, while the ex-vessel value for the same time frame increased 190%. Using the same 1970-75 time frame, the harvested tanner crab increased by 223%, while the value increased by 400%. For shrimp, the harvested quantity increased by 33%, while the value of the catch increased by 163%.² These figures would necessarily have to be discounted for inflation, but stand to represent the trend that is occurring in the Alaska shellfish industry.

In addition to the trends as demonstrated by past landings and values, recent events would seem to guarantee that the resource base will continue to expand for the near future, and the value of the product shows no signs of declining. It can be expected that the foreign harvest of shellfish resources in the Bering Sea will be halted, making that total resource available to domestic harvest.

Another consideration is the amount of investment that has occurred in shellfish fishing vessels. With new vessel costs well above \$1 million, the fixed costs for operation and debt servicing mandate a minimum of hundreds of thousands of dollars of cash flow for each of the \$1 million

² Alaska Department of Fish and Game, Statistical Leaflet No. 28, "Alaska 1975 Catch and Production".

plus vessels. Many of the newer vessels participating in the crab fisheries did include some plan modifications to make the boats convertible to dragger operations. Stern ramps and excess horsepower are present on many of the vessels. Hence, some investment has occurred in anticipation of expanding into groundfish. However, the gear costs alone to equip a suitable hull for dragging are 50-100% higher than equipping the same hull for crab fishing. Considering the risk involved in interrupting cash flows on top of the lucrative status of the shellfish fisheries, we will not likely see many of the new vessels in the shellfish fleet abandon a relatively low risk, high return on investment fishery to enter a completely new, highly risky fishery.

The final aspect which leads many industry observers to discount the possibility of drawing upon the fleet is the time available for shellfish vessels to fill in between seasons by groundfishing. If such fill in activity could be initiated, the fishermen would have a better opportunity to weigh the economic opportunities and risks of their existing operations against the new fishery.

Realistically, considering the gear up time required to prepare for a season and the down time that is necessary to allow for annual maintenance to the vessel and gear, most of the vessels are fully committed in their present activities. Many boats were going to Seattle only once each two years for the annual maintenance, but this practice has significantly diminished as of late, as a result of an improved perception of the costs incurred by a fishing captain in lost fishing opportunities in the event of a break down. Hence, at least one month will be spent in Seattle each year by most shellfish vessels.

The question then becomes what kinds of vessels and fishermen will enter the bottomfish industry and under what conditions. Some industry personnel have suggested that because of the sea conditions and the distance from shore that the vessels must operate during the winter months, vessels of the 110-130 foot class will be required for a year-round bottomfish industry. This would imply deliveries in the range of 250,000 pounds and vessel costs of \$2 million.

Others in the industry have suggested that the overhead costs of the large vessels and the keeping qualities of the target species will mandate much smaller, cheaper vessels making smaller deliveries more frequently. A Gulf of Mexico constructed 80 foot class of vessel (considered the "Model T" of the fishing industry) would cost in the neighborhood of \$350-400,000. Thus the overhead costs would be greatly decreased, as would the hold capacity.

In our opinion, the most likely scenario (absent of vertical integration by the processing companies or guarantees to fishermen - which will be discussed later) is one of older, smaller vessels conducting necessary modifications to enter the groundfishery. The value of this class of vessels has been significantly amortized in past use, thus diminishing the cash flow requirements. This class of vessel also would typically have a technology disadvantage in existing fisheries which have realized

a large amount of new capital investment. Thus, older vessels which have low overheads and an economic disadvantage in existing fisheries would realize the least risk and have the lowest opportunity cost of venturing into a new fishery. This scenario would allow a number of fishermen to participate in the new fishery for a while, test the economics of that fishery, and test the techniques and operation setup to determine what the ideal configuration would be in a new vessel constructed explicitly for that fishery. This potentially means vessels new to the Alaska fishery entering from fisheries Outside.

Regardless of how the fleet structure develops, two alternatives appear to be available to processors who, such as NEFCO, have made business commitments to invest in bottomfish development. The first is vertical integration, which would involve a processor purchasing vessels to serve as suppliers. The processor would then hire a crew on a salary or a pay system which ties crew income to catch. Vertical integration does exist to a very small degree at present in Alaska, although it is considered to be less preferable than the current Alaska pattern of vessels being owned by their captains.

The second option available to processors is to hire a vessel and captain to supply groundfish. The vessel, captain, and crew would be guaranteed a minimum wage, most likely based upon their earning power in alternate fisheries. As an incentive, the processor could offer a bonus for supply in excess of mutually agreed upon minimum supply or in response to a favorable change in the value of the product at the wholesale level. Bonuses could also be structured to respond to the quality of the supplied product, as determined by the value of the processed final product.

III Bottomfish Markets

Although there appears to be an immediate problem with respect to supply, the longer range concerns about the development of the Alaska bottomfish industry center on market uncertainties. The U.S. and Canadian East Coast supports a large bottomfish industry, but produces almost exclusively for "fresh" markets.³ Since Alaska products will typically be marketed in frozen packs, the applicability of the East Coast experience to Alaska is very limited.

Since World War II, the U.S. has become a major importer of fishery products, with 1976 net imports exceeding \$1.5 billion. U.S. imports of frozen fish blocks (mostly bottomfish) last year totaled 379 million pounds, while U.S. production of these products was approximately 2 million pounds. The average wholesale value of the U.S. production

³ The smaller West Coast bottomfishery also produces mainly for "fresh" markets, mostly in California. Although some industry sources indicate that the West Coast fresh market would be key to the development of the Alaska industry, it will not be the major buyer of Alaskan products.

was 69.6¢ per pound.⁴ Of the major species available in Alaska for block production, the U.S. imported 180 million pounds of cod blocks and 96 million pounds of pollock blocks, at values ranging from 31¢ to 47¢ per pound for pollock and 65¢ to 81¢ per pound for cod.⁵

It is more difficult to determine the values of frozen groundfish fillets and steaks, (both domestic production and imports) since the National Marine Fishery Service (NMFS) market reports do not separate fresh from frozen. Thus, trying to analyze what part of that market form is frozen and thus more likely to be open to entry for Alaskan products is speculative at best. One might assume that U.S. imports of fresh or frozen fillets and steaks of groundfish would typically be in the frozen form. This does not hold true, however, since Canada supplies substantial quantities of groundfish products to the East Coast "fresh" market. The U.S. imported \$725.2 million worth of fish products from Canada in 1976 - much of it from the Canadian East Coast groundfishery.⁴

There has been little scientific investigation into the size and structure of the West Coast "fresh" market. Researchers on the West Coast tend to discount its importance, although a few sources do suggest that it is vitally important. The other major consideration, of course, is the cost of air freighting fresh products from Alaska. Historically, transportation costs have been declining as a percentage of final product value. The East Coast groundfishery is supplying markets all along the East Coast, Gulf Coast, and as far inland as Denver. The largest category of air freight shipped from Boston is fresh fish.

We have very little information about perspective markets which have been identified by the seafood industry. We do know of one company which has an order for 20 million pounds of pollock. Other companies have told us that the market size for domestic consumption of pollock blocks is 40-45 thousand metric tons, and that the world market for frozen cod would appear to be in the 250,000 metric ton range.

In order to assist the industry in the relatively high risk task of market development a few industry observers have suggested to us that direct state involvement might be appropriate. At present, the only marketing activity involving the state is the King Crab Marketing and Quality Control Board, established under AS 18.90. The Board, which consists predominately of members of the Alaska king crab processing sector, presently assesses producers of king crab 0.4 percent of the value, resulting in a projected budget of \$336,000 for FY 78. The largest part of the proceeds are utilized to promote king crab consumption in the Lower 48.

⁴ National Marine Fisheries Service, Current Fishery Statistics No. 7200, April 1977, "Fisheries of the United States, 1976".

⁵ N.M.F.S. Northwest Market News Service, undated, "U.S. Landings & Values of Selected Species".

The Committee may wish to consider an equivalent marketing service for bottomfish or for all Alaska seafood, and investigate industry attitudes toward such a development.

One company that we spoke with was orienting much of its present international marketing to label identification. They believe that Alaskan products should be identified as to source in international markets and are guaranteeing the identification of their products in Japan by requiring those Japanese companies who purchase their pack for the Japanese market to label the product under the U.S. company brand. As far as we know the firm is the only one pursuing this particular marketing tactic. The importance of label identification to individual processors will vary depending upon their developed markets. Certainly those companies which have developed a label identification at the retail level would benefit from such label penetration. It is also likely that the Alaska bottomfish industry would benefit as a whole if the production could be identified throughout the world as to source.

Much more information needs to be developed before we can understand the marketplace implications of the development of the Alaska groundfishery. There is very little known about the consumer of bottomfish products, the relationship of these products to replacement products such as chicken and red meat, and the price elasticity of groundfish. In one of the information sheets which will follow at a later date, we identify the research activities which are being conducted at this time by various university and government agencies.

IV Foreign Industry Actions

Our sources had mixed responses when asked about their opinion of the status of foreign fishing interests, especially Japan and Korea. There seem to be two themes which can be developed - one demonstrating that these interests may attempt to prevent the expansion of the U.S. industry into bottomfish by blocking penetration of world markets; the other indicating that foreign companies will be actively seeking trading arrangements with domestic operations.

Among our sources, the bankers seemed to be most concerned about the potential impact that foreign interests may have in blocking the U.S. domestic industry's penetration of those species markets historically controlled by foreign interests. This concern seems to hinge on the control of the international markets. One could assume that these two countries could, for a period of time, sell at less than cost internationally in order to gain continued hegemony in their historical market.

Concern has been generated within the U.S. fishing community by reports of greatly expanded Japanese government fishery agency budgets for the current fiscal year. As reported by the NMFS Language Services Branch,⁶

⁶ NMFS Language Services Branch, February 11, 1977, "Bi-Weekly Report".

approximately 8.5% of the \$589.7 million budget (\$50 million) is earmarked under a broad category of "Promotion of the 200 Mile Zone Countermeasures". This year's budget also triples the appropriation to the Japanese Foreign Ministry.

The major portion of the industry that we talked with seem to feel that those Asian countries which had historically fished off Alaska will be excellent markets for domestically produced products. Japan, for example, has not only lost some fishing rights off Alaska but also received a 62% reduction in their pollock quota off the Pacific Coast of the U.S.S.R. (400,000 MT). Of the major fish exporting countries, Korea and Japan will be among those that are most adversely affected by the expansion of exclusive fishing zones to 200 miles.⁷ Industry in both countries had depended very heavily upon the catch of their distant water fleets. Their apparent initial response to the new events is to attempt to supply their domestic markets first. We have not yet verified a statement which was made to us that the Korean government had prohibited further export of pollock from that country until the government is satisfied that their domestic demand can be met. The Japanese response thus far appears to be one of hoarding. Their warehoused surpluses are reported to be extremely high at this time, which is consistent with their very aggressive buying in the international market during this year.

On the other side of the coin, Iceland, Norway, and Canada will all gain significant advantage from the expansion of fishing zones. These three countries are also major sources of groundfish blocks imported by the U.S. There have been a number of instances when, especially Icelandic companies, have practiced what is known as "dumping"--an action resulting in the flooding of a market with product in such quantity and at such a price to severely impact the sale of similar domestic products. The practice has apparently been substantiated by Federal Trade Commission investigations, but no tariff or other policy response has resulted. Considering the added economic advantage realized by most North Atlantic fish exporting countries, and the importance of available markets to the development of Alaska's groundfishery, any future repetition of such practices must be considered as severely detrimental to Alaska's infant bottomfishery.

V The State Role

The last category of questions we presented to the banking industry and processing executives dealt with their perception of the State role in the development of the bottomfishery. The industry, as a rule, did not perceive any real capital shortages, except in the instance where there would be a need to construct new floating processors (as opposed to reworking an existing hull). The costs for such a venture were projected at initially \$6 million. The largest and most active banks in fishing loans seem to feel that none of the companies which had ex-

⁷ The major exporters of frozen blocks to the U.S., in rank order, are Iceland, Korea, Canada, Denmark, Norway and Japan. See reference 4.

pressed interest in entering the new fishery were sufficiently financed to assume the risk of making the investment necessary in a full scale, new operation.

Pan Alaska, a subsidiary of Castle and Cooke and a major force in the Alaska industry, indicated an interest in pursuing the possibility of joint venturing with other processors and the state and federal government in the construction and operation of a bottomfish processing facility. When the prospect of such a venture was presented to other processors, the responses ranged from lukewarm to absolutely no interest. One company felt that "socialism" had no place in the Alaska fishing industry. Others expressed concern that the state would be regulating an industry that it also had a vested interest in. We anticipate hearing more from those companies which expressed some interest.

With respect to State loan policy, the processors again did not give a single category recommendation. One company expressed great interest in having the State design a subsidized loan program specifically to service fishing boat owners in reworking their vessels for the groundfishery. Another did not want the State involved in any way in boat loans. A consideration here may be the maintenance of raw product supply by financing fishing vessel construction (and fishermen) on a demand note or similar basis.

It was suggested by Dr. Fred Smith of Oregon State University that as between loans or tax incentives, loans had two inherent advantages: (1) they supplied money at the front end of the operation, thus assisting cash flow considerations, and (2) the State could gather more information about the structure of the industry and financial transactions if they offered loans as opposed to tax incentives.

When queried about State fisheries tax policy, one company specifically suggested incentives based on an infant industry status for bottomfish development. Most of the other firms suggested that it was a decision that the State had to make based upon all criteria and not just industry attitude. They did advocate, of course, a structure that would not discourage entry into the new fishery.

The only other suggestion we received about the State role concerned State financing of various demonstration-type projects. Suggestions included the financing of trips abroad for Alaska fishermen to view groundfish operations in the major world groundfisheries, or financing the expense of bringing industrial expertise from other parts of the world to consult to members of the Alaska industry.

VI Floating Vs. Shore-Based Processing

The historic industrial organization used by the foreign industry in harvesting Alaska groundfish has involved fleets of catcher boats supplying floating mothership processors. Gear technology has been developed to the point where the crew of a catcher boat can detach the cod

end of a trawl without bringing it on board, tie it off and either buoy mark it or tow it to the mothership. A new cod end is then attached onto the trawl and the next drag begins. The whole procedure maximizes the available fishing time for the catcher boat.

Within the established Alaska industry, this organization is not common (the roe herring fishery works in a similar fashion). Even for "floating" processors, the catcher vessels typically carry their catch to a shore side location, where the processor is secured. Floating processors locate at shore-side moorages so that, under Alaska law, they are considered as shore plants (and are thus subject to a one percent rather than a four percent raw fish tax). For the shellfish fleet, this requires one or two days running time both to and from the fishing grounds, one to two days to unload the catch, and, in the case of bottomfish, will require additional lost fishing time to bring the catch on board for sorting and icing (icing could be supplanted with refrigerated sea water systems at an expense of approximately \$60,000).

Mr. Sig Jaeger, Manager of the North Pacific Fishing Vessel Owners Association, has prepared an analysis conducted by several members of his association with the assistance of outside experts.⁸ He has projected the earning capacity of a given vessel which in "case one" is delivering bottomfish to a shore-based plant, and in "case two" to a high seas floating processor. His calculation found that a vessel making deliveries to an on-shore or shore-side plant could fish 108 days per year - compared to 180 days for the same vessel making deliveries to a high seas processor. The gross annual earnings were projected to be \$288,097 for "case one", and \$480,161 for "case two". The individual crew share (7% of gross) was \$12,084, and \$27,636, respectively; the net boat share \$70,119 and \$222,511; the balance for profit, depreciation, taxes, etc., was -\$7,380 and \$148,011.

Even with the advantage of high seas versus shore-side delivery, it is nevertheless more profitable for a vessel of the type used in the above comparison to deliver shellfish to shore than bottomfish on the high seas. Mr. Jaeger states: "The example vessels used in the comparison have an earning potential from crab fishing of nearly double the pollock earnings potential of delivering to the floating [high seas] processor, and in a 7 to 8 month period rather than 10 months trawling for pollock. Moreover, that crab earning potential is 'now', without another \$250,000 invested in trawl gear and winches."

In a separate report Mr. Jaeger suggests that if a fishing vessel could save 15 minutes on each tow by not bringing the load on board but rather deliver it directly to a high seas processor, the potential increased gross earnings from additional fishing time could amount to \$80,000 annually.⁹

⁸ Jaeger, Sig, August 5-6, 1977, "Presentation to the North Pacific Fisheries Management Council on the Subject of Foreign Joint Ventures".

⁹ Fifteen minutes saved per tow (6 tows per day) for 180 fishing days equals 270 towing hours. This represents an additional catch potential of 660 metric tons at a catch rate of 22 metric tons per day (9 towing hours per day).

Though the use of high seas processors would obviously be advantageous to the fishing fleet operators, they present some inherent problems for the processor. These would include: (1) the crew accommodations, which would be far more expensive under American labor regulations than experienced by foreign operations, (2) operating conditions, which would be necessarily much less pleasant because of weather, seas, and confinement, (3) Food and Drug Administration regulations, which require more sanitary operations than generally experienced on foreign vessels, which means more expense in line operations, water quality, sewage treatment, etc., and (4) general supply problems of provisions, packaging, and parts and equipment in case of breakdowns. Additionally, the capital investment in all presently established fisheries is mostly in shore-based operations. For those floating processors which are in service today, few have been designed with bottomfish in mind, and the space restrictions and overhaul costs would generally discourage reworking the vessels. Conversely, many shore-side plants have enough existing space to accommodate bottomfish processing lines. Several new plants, especially a number in Kodiak and westward, were built with floor space available for future bottomfish operations.

There is reason to speculate that as the American bottomfish industry develops, it will do so within a scenario which could be considered a hybrid of the typical domestic shore-side operations and foreign high seas fleet operations. Considering (1) the diseconomies presented by Sig Jaeger's paper, (2) the adamant feeling of many members of the industry that initial processing on board of fishing vessels is unrealistic for Alaskan fishing vessel operations, and (3) the capital investment required to supply a number of new floating processors, we believe an alternative development path is likely.

Bottomfish operations could conceivably develop in a manner very similar to those of the Alaska salmon fishery in which shore-based processors supply a tender or tenders which directly receive detachable cod ends from catcher vessels, sort and initially process the catch (icing and evisceration to maintain quality),¹⁰ and deliver the supply to a shore-side plant for further processing. We have been informed by one processor that they have already ordered the construction of a vessel which could serve such a purpose.

This scenario is also consistent with our expectation of smaller, lower overhead vessels increasingly acting as catcher vessels. The hold capacity of a smaller vessel would not be considered a limiting factor if the fishing vessels are not required to handle the catch on board.

As an added note, we were reminded during our interviews that the future value of high seas motherships now owned by countries who have developed distant water fleets is uncertain. It was suggested to us that these floating processors could be sold to American companies and

¹⁰ High seas evisceration will mitigate the onshore waste treatment requirements presently being instituted by the Environmental Protection Agency.

utilized as domestic floating processors, so long as they were not classified as vessels (it was suggested to us that removal of the screw would likely alleviate any statutory problems about their utilization).

As noted above present State fisheries taxation policy discriminates between high seas and shore-side processors. The historical aspects of this policy relate to the initial development of floating processors. They were considered to be "Outside" interests who offered fewer benefits to the State and its citizens. The State thus implemented a 4% raw fish tax for floating processors, as opposed to a 1% raw fish tax for land-based cold storage operations.

A shore-based plant is described as one which does not change location for one calendar year. As a consequence, most processors which might be considered "floaters", are, under the law, shore-based operations.¹¹ Recently constructed "floating" processors have been brought to Alaska and typically stationed in one location for an extended period of time. All Alaska Seafoods, Inc. a wholly owned Alaska corporation, operates a mobile floating processor. The catcher/processor operation headed by Maggie Ness is a wholly outside owned interest. Other "floaters" are typically processing plants owned by larger companies who have plants in several locations in Alaska.

Most floating processors (both high seas and shore-side) would appear to employ predominately Outside labor, both with respect to processing line crews and vessel crews. Since the vessels are typically equipped in a Northwest location (Seattle) and return to the Northwest for periodic overhaul, and the usual location of these vessels is in sparsely populated areas of the State, the labor source drawn upon for manning the vessels is usually the Seattle area. We do not know the actual employment data for onshore vs. floating processors. We will attempt to answer that question with an investigation of Department of Revenue and/or Department of Labor data.

A floating processor operating on the high seas presents two additional problems to the State. The first relates to the State's taxation jurisdiction; the second to the management of the resource.

The State Supreme Court has found that the state's interest in the management of fish stocks over their entire range (inside and outside of the three mile limit) is sufficiently strong to warrant the application of fisheries management regulations over the entire area covered by a stock of fish in the absence of other jurisdiction. With the enactment of the Fisheries Conservation and Management Act, there is now "other jurisdiction" present to regulate those stocks which are predominately outside of three miles.

¹¹ AS 43.75.060(3).

However, the taxation jurisdiction of the State is not similarly expanded to areas more distant than three miles. The general application of tax law, as implied from Alaska v. Arctic Maid et al,¹² is that fish caught within three miles of mean high water are always taxable under State law, whether delivered to shore-side processings plants or floating processors anchored outside of three miles. Any fish delivered to a plant within three miles of shore, whether caught inside or outside of three miles is subject to the raw fish tax.

The question of the application of Alaska's income tax to operation within and outside of three miles is being litigated at this time under Sjong v. State of Alaska. The case is presently before the Superior Court and is expected (because it is a test case) to go to the State Supreme Court. The administrative ruling which has been delivered on the case (by the Department of Revenue) has suggested that a fisherman is liable for income tax on all income earned from catching fish within three miles. For catches outside of three miles, a fisherman is liable for the percentage of time spent in port in Alaska divided by the time spent in all ports while engaged in business relative to the particular catch in question. Thus, the administrative ruling suggests an apportionment of taxable income on a basis similar to that used to assess taxes from interstate transportation business. We will be happy to report to you the results of the Superior Court ruling. The trial is set for approximately two weeks from the date of this memorandum.

The utilization of floating processors would also exacerbate the biological management of fisheries stocks. Enforcement of fishing regulations and monitoring of catch levels for those fishermen who make deliveries to processors operating on the high seas will be much more difficult than the performance of those same functions at fishing ports. It would appear to be reasonable to expect a processor operating in such a fashion to mandatorily accept the additional cost of maintaining a regulatory agent on-board his processor, since that is the only obvious means to secure adequate management control.

VII Incentive Programs

Our investigation into incentive programs has only been of a preliminary nature. The Department of Resource Economics at the University of Rhode Island (URI) has probably looked at this issue on an international basis more so than any other agency. We talked with Dr. Andreus Holmsen at URI for the better part of one day. He suggested that an international review of fisheries incentive offerings in other countries is not readily available and would be very difficult to obtain because of the difficult task of construing what are incentives within the fisheries policies of the various fishing nations.

¹² Alaska v. Arctic Maid, 366 U.S. 199 (199-206) United States Court of Appeals for the Ninth Circuit.

URI has specifically investigated the structure of subsidy programs in some nations, most recently Canada. We are attaching as an appendix the paper prepared by Dr. Virgil Norton on this subject. In addition, Dr. Holmsen has published an article relating to the economic activities of trawlers in the North Atlantic, which includes specific references to subsidies and transfer payments made by the respective governments.

We did inquire as to the subsidies which are offered by east and west coast states to the resident fishing industry. Although we talked with people who were familiar with Washington, Oregon, California, Massachusetts, and Virginia, the only state which makes special consideration for their resident fishing industry appears to be Rhode Island. Rhode Island exempts fishing activity from property and sales tax liability. Additionally, that state owns and maintains most wharfs on a subsidized basis. We found no evidence of subsidized loan programs, tax incentives, or any other means which is an established subsidy in any of the other states.

Attachments

JW:dh

Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
(907) 276-3433

528 W. 5TH, SUITE 270
ANCHORAGE, AK. 99501
(POUCH V, JUNEAU, AK. 99811)
(907) 465-3873



MEMBERS

REP. CLARK GRUENING, CHMN.
REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
REP. RICK URION

House of Representatives

September 19, 1977

Jim Edenso
Deputy Commissioner
Department of Revenue
Pouch S
Juneau, AK 99811

Dear Jim:

Here's a copy of Belden Daniel's report to the Committee, delivered in Kotzebue Saturday. If you want more copies, we are sending the original to the printer and hope to have some by next week. We also will have transcripts of the meeting held last week as soon as they can be prepared, before Christmas, I hope.

Sincerely,

A handwritten signature in cursive script that reads "Mike".

Mike Doogan
Administrative Assistant

MD:LAD

Enclosure

STATE OF ALASKA

DEPARTMENT OF REVENUE

#135
JAY S. HAMMOND, Governor

POUCH SB-JUNEAU 99801

February 16, 1977

The Honorable Hugh Malone
Alaska State Representative
State Capitol
Juneau, Alaska 99811

*Sent note of thanks
to Jim Edwards*

Dear Representative Malone:

The proposed legislation prepared by the State Investment Advisory Committee for consideration by the Governor on the Alaska Permanent Fund has not been submitted to the legislators at this date. The Commissioner of Revenue and the Governor have held a series of meetings with members of the Cabinet and members of the Alaska Legislature concerning the bill as prepared by the Investment Advisory Committee. The outcome of these meetings has resulted in some amendments to the bill as initially prepared.

The bill has not been changed substantially in any respect from the initial preparation by the State Investment Advisory Committee. For your information I am enclosing a copy of the current bill as revised by the Commissioner and the Governor's office. The following changes should be noted:

1. Sec. 37.13.020. Composition of the Permanent Fund. The Permanent Fund contribution factor has been increased to 50 per cent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and 100 per cent of all bonuses received by the State. The Commissioner, after reviewing the tax revenues and royalty revenues to be received by the State, was able to demonstrate that a 50 per cent contribution factor and a 100 per cent contribution factor from bonuses would not impair the State's general fund nor put a constraint on the ability of the State to pay operating expenditures.

2. Sec. 37.13.030(a). The Permanent Fund Policy Board is appointed by the Governor and "confirmed by the Legislature in joint session assembled." The Governor has agreed to this amendment to the bill and does support it.

3. Sec. 37.13.030(d). "Members of the Permanent Fund Policy Board shall receive \$250 per meeting day and are entitled to per diem and travel allowances as provided by law for members of State boards and commissions." It was felt that the Policy Board members should receive some compensation for the time and effort that would be required of the membership.

4. Sec. 37.13.050. Permanent Fund Investment Committee. In paragraph (a) membership requirements have been changed to read: "All members must have been residents of Alaska for at least three years, may not be State employees, and shall be persons of recognized competence and wide experience in investments, finance, and other business management related fields." The legislators felt that this would more clearly spell out the definition of residents.

February 16, 1977

5. ^xSec. 37.13.100. Operational Principles. Paragraph (8) has been changed substantially and now reads: "The Permanent Fund shall analyze the economic and other effects of an investment decision, including the effects on employment, income distribution, environment, health, social and other factors. The Permanent Fund shall be sensitive to the views of affected local communities and shall include an analysis of those views in proposals for large investments." There was considerable discussion between the members of the Governor's office and the Department of Revenue and legislators concerning this paragraph. It was felt that the paragraph was too generally written and that the proposed amendment was more desirable.

6. Sec. 37.13.120. Reports and Publications. The following sentence was added to the last section of the first paragraph: "The Policy Board of the Permanent Fund is prohibited from any campaign or general advertising expenditures to either promote or defend its policies and operations." This amendment was suggested by legislators concerned that the Permanent Fund may use its resources in inhibiting passage of legislation affecting the Permanent Fund.

7. Sec. 37.13.160. Political Activity. This is a new paragraph you should note. The members of the Policy Board, members of the Investment Committee, and officers and staff of the Permanent Fund shall not engage in partisan political activities which involve the Permanent Fund, and resources of the Permanent Fund shall not be used to finance any partisan political activities." It was felt that this amendment was necessary in order to disallow the Permanent Fund from engaging in any political activities.

8. Sec. 37.13.170. Public Access Information. This section was rewritten in order to more clearly and positively state the fact that the information in the Permanent Fund is public information.

There may be other amendments which I have missed in my initial review of the bill as it now stands. Any comments you may have concerning the amendments on the proposed bill should be brought to my attention.

Sincerely,



Jim Edenso
Deputy Commissioner

JE:ge
Enclosure

MEMORANDUM

State of Alaska

TO: State Investment Advisory Committee

DATE : December 27, 1976

FROM: Sterling Gallagher

SUBJECT: Attached Article

Enclosed is an article on sources and uses of capital in the overall national economy. As far as I know, there has never been any work done on the total size and proportion of the capital market in Alaska.

SG/lc
enc.

Greater Than Expected Expansion in '77; Credit Demand Up 12%

By HENRY KAUFMAN,
JAMES J. McKEON and
JEFFREY L. COHN

The volume of credit demands satisfied in 1977 will reach an annual record of \$243 billion, almost 12% more than the year now ending.

The U.S. Economy will rise somewhat faster in 1977 than is now commonly expected. We anticipate year-to-year growth of 5%-5½% in real terms and as much as 10%-11% in nominal terms. We base this upon the likelihood of moderate fiscal stimulus, recent gains in financial soundness on the part of key sectors of the economy and relatively conducive market conditions at the start of the new year.

The kind of business expansion we foresee is unlikely to produce severe financial strains or conflict with the objectives of the central cyclical manifestations in terms of costs of funds such as we have not yet seen in the current recovery.

Business Firms will remain reasonably prudent, but will nevertheless have to finance an increasing volume of operating expenditures and investments.

Internally generated corporate funds will rise from \$129 billion in 1976 to \$140 billion, based upon a growth of before tax profits of 16% (as compared to 32% in 1976). Nevertheless, since

Next year's business expansion is likely to produce cyclical manifestations in terms of costs of funds such as we have not yet seen in the current recovery.

business physical investment expenditures will reach \$122.5 billion in the

million units in 1976 to 1.78 million, and completions should rise almost as much.

Net new mortgage formation will increase from \$76.3 billion to \$86.5 billion and most of the increase will be privately financed. The rise will be heavily concentrated in home mortgages. Households will continue to pour a large proportion of their savings into financial intermediaries, but the volume of direct credit market investment, now at a very low level, will gradually rise as the year progresses.

The U.S. Government will pursue fiscal stimulus in 1977. We expect a tax rebate of about \$8 billion and an acceleration in expenditures. We calculate that this will produce a calendar year budget deficit of about \$57 billion and demands upon private investors including foreigners of

tions will remain very large in 1977, but mortgage commitments and take-downs are gradually rising to meet them. While mutual savings banks and savings and loan associations will add to their holdings of U.S. Governments, Federal agencies and corporate bonds for the year as a whole, sometime, later in the year probably, liquidity building will end.

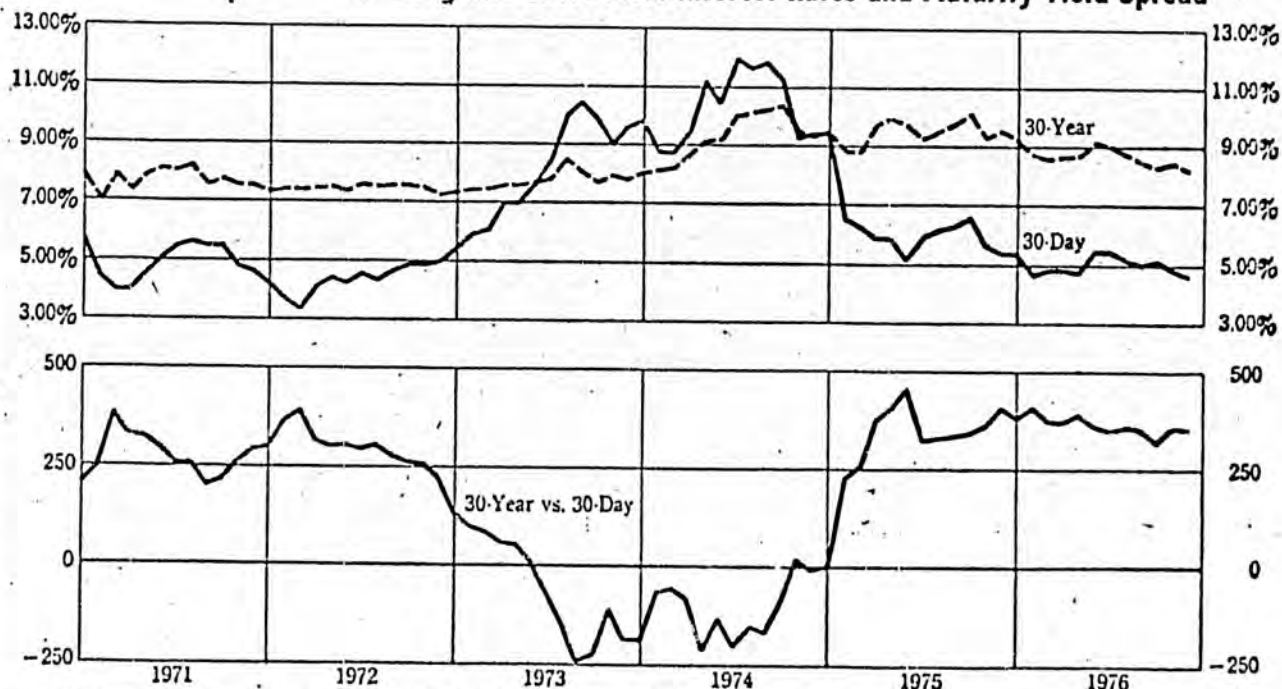
Contractual Institutions, such as life insurance companies and retirement funds, public and private, will be favored by rising premiums and contributions, producing record net inflows of investment funds again this coming year.

While they will acquire fairly large amounts of fixed income securities such as corporate and foreign bonds, they will be more receptive to equities than in either of the two most recent years, especially since opportunities

This is dramatically evident in the chart at the bottom of this page. After backing up in the second quarter, they resumed their decline and have fallen substantially since, reaching in most cases new cyclical lows just recently.

The developments outlined in the preceding pages lead us to the belief that the decline in rates will end very early in the coming year, at the latest. They suggest that, in 1977, rates will

Trends in Representative Long and Short-Term Interest Rates and Maturity Yield Spread*



*Longs are represented by 30-year new deferred call Aa utility bonds (yield to maturity), shorts by 30-day commercial paper rates (discount basis) and the maturity yield spread by the former over the latter.

Net Changes in the Volume of Selected Privately Held Money Market Instruments Outstanding

(\$ Billions)

	1974	1975	1976	1977
Treasury Bills	11.9	27.1	24.4	10.0

in the current recovery.

business physical investment expenditures will reach \$172.5 billion in the year ahead and liquidity building will remain fairly large, total external financing requirements for non-financial business corporations will rise to \$50 billion.

The huge refunding programs of the past two and one-half years appear to be drawing to a close. We expect a moderate cyclical increase in business loans and commercial paper financing (\$21 billion as compared with only \$1.5 billion in 1976 and an actual run-off of \$15.8 billion in 1975).

The net volume of corporate bond issuance will fall about 13% to \$24.1 billion in the coming year. Gross new straight public offerings of domestic corporate bonds will fall from around \$24 billion this year to \$21 billion in 1977. This will be partly offset by an increasing volume of foreign bond financing, especially new "Yankee bonds."

Households will both spend and borrow at higher levels than over the past several years. Consumer installment debt will rise \$21 billion, a new annual record. Housing activity will increase by virtually all significant measures. Starts will rise from 1.5

Dr. Kaufman is general partner and member of the executive committee of Salomon Brothers. Messrs. McKeon and Cohn are senior capital market analysts and research assistant, respectively. These are the summary and conclusions from their study, just published, "Prospects For The Credit Markets in 1977." In it, they say the demand for credit market funds in the U.S. will reach a new high of \$213 billion in 1977 as the economy expands faster than is now commonly expected. It is unlikely that real growth of 5% to 5½% will produce financial problems, although interest rates will probably bottom out in the first few months of 1977.

a tax rebate of about \$8 billion and an acceleration in expenditures. We calculate that this will produce a calendar year budget deficit of about \$57 billion and demands upon private investors including foreigners of about \$50 billion (compared with \$62 billion in 1976).

A much higher proportion of the marketable debt issuance in 1977 will take the form of new bills than has been the case this year.

Federal Credit Agency Issuance will rise from this year's \$13 billion to \$18.5 billion in 1977. The rise will reflect Federal Home Loan Banks' advances to savings and loan associations and the GNMA guaranteed mortgage "pass-thru" program.

State and Local Governments will issue more bonds and retire less notes than in 1976. Improving market reception, the growth of new open-end municipal bond funds and pre-refundings combine to suggest bond issuance will rise from \$13.7 billion to \$17 billion.

Savings Inflows at Thrift Institu-

While they will acquire fairly large amounts of fixed income securities such as corporate and foreign bonds, they will be more receptive to equities than in either of the two most recent years, especially since opportunities to invest in commercial mortgages will remain limited.

Commercial Bank Credit Expansion will reach \$58 billion next year, mostly loans because of increased business demand. We also expect a moderate net issuance of negotiable certificates of deposit for the first time since 1974.

These points are summarized in the accompanying table. The residual, which largely reflects households' direct market purchases, will decline by a small margin. (The residual is now "cleaner" than in years past, since we have now broken out bank managed personal and common trust funds as well as foundations and endowments.)

Interest rates, both long and short, have declined with but a few significant interruptions since mid-1974.

Money Market Instruments Outstanding

	1974	1975	1976	1977p
Treasury Bills	11.9	37.1	2.4	18.8
Agency Disc. Notes ..	1.6	1.1	-0.1	1.1
Commercial Paper ...	7.0	-1.5	2.6	4.3
Bankers' Acceptances ..	9.6	0.2	3.0	2.7
Certificates of Deposit ..	28.5	-10.1	-20.8	6.0
Total	58.6	26.8	-12.9	32.9

tend to betray cyclical influences for the first time since the current economic recovery began.

Markets for goods and services will begin to reflect rising expenditures for housing and business fixed investment, and markets will see growing demand for mortgages, consumer loans and commercial loans at banks. Governmental financing will remain substantial and in some cases rise somewhat. Liquidity building at financial institutions will be pared down at first and then end.

Such considerations, however, will put greater pressure upon short-term rates than upon long. It is our expectation that money market rates will rise gradually but not continuously throughout 1977. Sometime in the year, they should reach their 1976 highs. Possibly the most telling evidence for the reversal in the trend in short-term interest rates in prospect is in the accompanying table, which projects a fairly substantial \$33 billion increase in privately held money market instruments. This is in sharp contrast to the nearly \$13 billion net runoff that has occurred in the year just ending.

The table also suggests why yield spreads of privately-issued money market instruments over Treasury bills have narrowed to extremely small margins in 1976. When the outlets for (short-term) investments decline, pressure on spreads is exerted by (short-term) investors trying to maintain earnings as high as possible.

In the coming year, despite the reversal in the supply of short-term investment instruments, we anticipate

Summary of Supply and Demand in U.S. Credit Markets

(Annual Net Increases in Amounts Outstanding \$ Billions)

Realized Net Demands	1971	1972	1973	1974	1975	1976e	1977p
Privately Held Mortgages	44.3	68.8	68.7	42.8	38.5	61.3	69.5
Corporate and Foreign Bonds	25.6	19.9	14.5	29.7	39.0	36.9	34.5
Business Loans & Open Market Paper ..	7.6	26.4	46.7	50.9	-15.8	4.5	21.0
Consumer & Other Loans	17.0	26.6	27.1	12.2	9.7	26.0	33.0
Privately Held Treasury & Agency Debt ..	21.7	24.2	19.2	28.1	83.5	74.9	68.0
State & Local Debt	21.7	12.8	14.1	14.5	15.7	13.7	17.0
Total Demand for Credit	137.9	178.7	190.3	178.2	170.6	217.3	243.0
Invested Net Supply:							
Thrift Institutions	41.2	48.8	36.3	28.1	57.5	69.8	72.9
Insurance & Pension Funds	12.8	15.0	18.9	27.7	35.5	38.3	39.7
Investment Companies	0.5	1.6	1.6	1.9	3.4	3.5	4.6
Other Investing Institutions	12.1	14.2	19.1	5.5	0.6	8.7	14.1
Commercial Banks	50.9	73.3	77.6	59.8	31.0	44.5	58.0
Various Other (Primarily Money Market)							
Investors*	25.3	15.5	8.8	20.1	17.6	28.0	31.5
Residual: Households Direct	-4.9	10.3	28.0	34.1	25.0	24.5	22.2
Total Supply for Credit	137.9	178.7	190.3	178.2	170.6	217.3	243.0

* Consists of business corporations, state and local governments and foreign investors.
e estimated.
p projected.

Continued on page 39

Bigger '77 Boom Seen; Credit Demand Up 12%

Continued from page 17

these spreads to remain relatively narrow, inasmuch as the volume of Treasury bills will expand significantly more than that of other money market instruments.

The spread of CDs over bills could prove, from time to time, more volatile than the rest of these spreads, however. Issuance of CDs, and thus their rate competitiveness, will vary with commercial banker's expectations of loan demand.

Expectations will also affect the relative steepness of money market yield curves. Now relatively flat, maturity yield curves will become steeper on balance in the coming year when rate levels start to rise, producing expectations of further rises.

We also believe that the spread of the prime loan rate over open market borrowing rates, now wide, will gradually decline as competition for loans increases, modifying the current emphasis upon maintaining profit margins.

The upward pressure we foresee acting up interest rates in 1977 are not likely to become so manifest in long-term rates as in short, nor are they likely to take effect upon the former quite so soon as upon the latter. There are a number of factors suggesting that bond rates will remain more resistant to these pressures for a while yet.

Institutions are now quite liquid with no signs of any flagging in the rate new investable funds are pouring in. Furthermore, at least in the taxable bond market, investment opportunities, especially higher quality offerings, are likely to be somewhat less ample in 1977. Finally, inflation rates have been falling recently.

On the whole, however, the lows in, say, high grade corporate bond yields are likely to be experienced within the first few months of the year. Periods of divergent trends between long and

already narrowed appreciably from their very high levels of 1974-5.

When yield levels rise towards the second half of the year, however, the increasing volume of medium quality issues might widen spreads between, say, A and Baa rated issues.

As a consequence of the recent sharp rally in corporates, mortgages now yield more relative to the former than is typical. These spreads could narrow for a while early in the year, especially for mortgages on multi-family and commercial properties.

The spreads of conventional home mortgages over high grade corpo-

Annual Net Purchases of Corporate (and Foreign) Securities for Selected Types of Financial Institutions

(\$ Billions)

	1974	1975	1976e	1977p
Life Insurance Companies:				
Bonds	4.0	9.1	13.9	14.1
Stocks	2.1	2.1	2.8	3.2
Private Non-Insured Pension Funds:				
Bonds	4.7	2.8	1.9	2.6
Stocks	2.3	5.7	7.6	8.7
State and Local Retirement Funds:				
Bonds	7.8	3.8	4.2	5.4
Stocks	3.5	2.5	3.0	3.1
Personal & Common Bank Trust Funds:				
Bonds	1.0	1.0	1.3	1.1
Stocks	3.1	5.5	7.3	8.0
Foundations and Endowments:				
Bonds	0.7	0.8	0.7	0.7
Stocks	0.8	-0.9	2.0	2.4

rates, on the other hand, may not decline so much as those for income properties, and, as commitments are rising, these spreads should level out sooner.

Annual Percentage Growth in Financial Assets of Selected Financial Institutions

(Annual Percentage Increases in Amounts Outstanding)

	1971	1972	1973	1974	1975	1976e	1977p
Commercial Banks*	12.3	14.4	14.2	9.1	4.5	5.8	7.6
Mutual Savings Banks	13.4	12.2	6.0	3.5	10.5	10.7	9.3
Savings & Loan Associations	17.1	18.1	11.9	8.7	14.5	15.2	13.6
Life Insurance Companies	6.5	6.8	7.2	6.7	8.3	8.2	7.9
Private Non-Insured Pension Funds	7.4	6.4	6.8	8.6	9.6	10.0	8.4
State & Local Retirement Funds	11.4	13.8	12.5	13.0	11.5	11.0	9.6

* Assets include reserves.

invest substantially in U. S. Governments.

In the coming year, as in 1976, banks will be able to finance a large part of such purchases through negotiating repurchase agreements with large business corporations awash with liquidity.

The improving operating positions of state and local treasuries and circumstances favorable to arbitraging the proceeds of advance refunding issues makes another large input of these funds reasonably certain.

Foreign purchases will also remain large, probably larger than the expected \$10 billion total for 1976. Another substantial trade deficit and increasingly reduced alternative outlets for OPEC surpluses are the major reasons these purchases will remain heavy.

The balance of Treasury needs will have to be met by direct market purchases by individuals. We believe that these acquisitions will be smaller in 1977 especially after netting out U. S. Savings Bond purchases. The Treasury, consequently, may not have to schedule as many of the subscription offerings which proved so popular this past year.

Quite apart from the Treasury, the Federal Government will project a somewhat larger presence in the credit markets in 1977, as a result of Federal agency and agency guaranteed financing. In addition to the continued growth of the GNMA guaranteed "pass-thru" program, more traditional agency borrowers will be returning to the market in the year ahead.

Private mortgage lenders continue to take advantage of the GNMA program by pooling holdings of seasoned mortgages. These issues dominated

The increase of funds available for investment in this market, at first in response to favorable spreads and now as a consequence of the perceived improvement in credit quality, is another beneficial development.

The casualty insurance industry with improved earnings is sharply increasing its activity in this market once more. A profusion of new municipal bond funds are being organized. Thrift institutions have also expanded their net purchases with marginally higher effective tax rates.

The commercial banks, which in past periods of monetary ease and slack loan demand were major investors in tax-exempts, have been only moderate buyers of these obligations during the past two years. They purchased net an estimated 29% of the new municipal offerings in 1976 and 15% in 1975 compared with more than 50% in 1971 and 1972.

Demand factors also suggest an increase in tax-exempt bond offerings. Many governmental units will fund, rather than roll over, maturing notes, and the volume of pre-refundings of high coupon bond debt should increase over 1976 levels. The decline in recent months of municipal bond yields should also encourage a larger volume of pollution control issuance in 1977.

Three major points emerge from our projections of institutional activity in the coming year. First the rising demand for residential mortgage credit will increasingly absorb new deposits flowing into thrift institutions; the huge buildup of liquidity that occurred at thrifts over the past few years, consequently, is likely to come to an end sometime later in the year.

terings, are likely to be somewhat less ample in 1977. Finally, inflation rates have been falling recently.

On the whole, however, the lows in, say, high grade corporate bond yields are likely to be experienced within the first few months of the year. Periods of divergent trends between longs and shorts are hardly abundant and never last for more than a few consecutive months.

Whether long-term interest rates decline a bit initially or not, we expect them to fluctuate within a trading range, without establishing a trend for most of the first half or so of calendar 1977. There after, the advance in short rates and rising business expectations should carry long-term rates moderately higher.

They would end 1977 at higher levels than those at which they started, certainly, but we consider it unlikely that they will, in 1977, reach their

Net Purchases of Municipal Obligations by Commercial Banks

	Bank Purchases (\$ Billions)	Total Issuance	Banks as % of Total
1971.....	12.8	21.7	59
1972.....	7.1	12.8	55
1973.....	3.9	14.1	28
1974.....	5.7	14.5	39
1975.....	2.4	15.7	15
1976e.....	4.0	13.7	29
1977p.....	3.0	17.0	18

highs for the year now ending (late May, for the most part).

It is important to recognize, however, the extent to which expectations play into the behavior of long-term rates as opposed to shorts. However accurate they may chance to be, credit flow projections as such, therefore, are at best fallible guides to long-term rate movements.

The smaller volume of bond offerings in the coming year, especially high quality issues, and large inflows of investable funds at investing institutions should exert continuing pressure upon quality spreads for much of the year. These spreads have

rates, on the other hand, may not decline so much as those for income properties, and, as commitments are rising, these spreads should level out sooner.

Assuming that the Federal tax rebate will take effect in the second quarter of next year and the growth in expenditures will be more or less evenly distributed through the year, more than 55% of the net issuance of Treasury marketable debt will fall into the first half. Typically, the preponderance of Treasury financing, tends to fall into the second half.

A material change in the composition of new Treasury issues will take place in 1977, with important implications for the market. Offerings of coupon issues will remain large by comparison with any period save the past few years. The routinization of such financing was an important element in debt management policy, and is likely to remain so even with a new team at the Treasury.

Nevertheless, greater emphasis is likely to be placed on the issuance of bills. The volume of Treasury marketable debt outstanding has risen \$60.4 billion in calendar 1976; bills have accounted for only \$6.7 billion, or 11.1%, of this increase. With the change in Administration, the net issuance of bills may well account for 30% to 40% of total net issuance of marketables.

A number of supply factors, however, suggest that the Treasury's task in the coming year will not prove overly burdensome. Thrift institutions and a number of other primarily long-term investing institutions will continue to provide a significant volume of funds to this market — although not quite so much as in the year just ending.

The Treasury market will also benefit from continued heavy investment by commercial banks, state and local governments and foreign central banks. Even with more typical loan demand developing, banks will still

guaranteed "pass-through" program, more traditional agency borrowers will be returning to the market in the year ahead.

Private mortgage lenders continue to take advantage of the GNMA program by pooling holdings of seasoned mortgages. These issues dominated the agency borrowing programs in the year now coming to a close.

While we expect the dollar volume of such issues to continue growing next year, most of the year-to-year increase in total agency financing will be due to the reversal of the role of the Federal Home Loan Banks.

Over the past two years, the FHLB system acted as a conduit from savings rich savings and loan associations back to the market. In 1977, by way of contrast, they will be absorbing market funds once more.

As to state and local government offerings, improved market conditions favor a moderate, continuing surge in tax-exempt bond financing in the coming year.

The trauma under which New York City has staggered since mid-1975 continues, but the effects upon the issuance of other state and local issuers are increasingly marginal. One sign of the improved reception for tax-exempt securities is the return of spreads versus taxable obligations of comparable maturity and quality to more normal dimensions.

rising demand for residential mortgage credit will increasingly absorb new deposits flowing into thrift institutions: the huge buildup of liquidity that occurred at thrifts over the past few years, consequently, is likely to come to an end sometime later in the year.

Second, such institutions as life insurance companies, private pension funds, public retirement funds and bank trust managed personal assets are likely to continue channeling very large amounts of money into corporate securities, especially stocks, in the absence of heavy commercial mortgage financing.

Third, commercial banks will experience, for the first time in the current recovery, business loan demands of normal cyclical dimension, and, in turn, are likely to issue a moderate volume of negotiable CDs.

Non-bank institutions other than the thrifts, will continue to show rising net inflows of new funds in 1977, as a consequence of large intakes of premiums and contributions and improved investment earnings. We expect life insurance companies' assets to rise by a record \$25 billion in 1977, a shade over what we have estimated for 1976.

Improved earnings and mandatory higher contributions will increase the net new investable funds of both private non-insured and public retire-

Continued on next page

Supply and Demand of Corporate Bonds Summary of Supply and Demand in U.S. Credit Markets

	1971	1972	1973	1974	1975	1976e
Bills	9.6	6.4	3.9	12.0	37.7	6.7
Coupons	4.7	1.1	-3.2	0.7	42.6	53.7
Total Marketable	14.3	7.5	0.7	12.7	80.3	60.4
Savings Bonds	2.4	3.3	2.8	3.0	4.1	4.4
Foreign Issues	11.1	3.9	5.4	-3.2	-1.2	1.1
State and Local Series	0.1	0.1	0.2	0.2	0.6	2.4
All Other	7.1	5.9	11.5	10.9	-0.5	11.6
Total Non-Marketable	20.7	13.2	19.9	10.9	3.0	19.5
Grand Total	35.0	20.7	20.6	23.6	83.3	79.9

†Includes Federal Reserve holdings.

Credit Demand

Continued from preceding page

ment plans to \$16 billion and \$12.5 billion, respectively. We would also anticipate higher inflows into bank managed personal trusts and common trusts as well as foundations and endowments.

All of these institutions continue to have somewhat restricted investment alternatives (commercial mortgage demands are expected to remain moderate). They will be investing heavily, consequently, in corporate securities, both bonds and stocks. However, we believe that investing institutions will continue their gradual return to equities as opposed to bonds.

The sharpest turn-arounds, since 1974, in portfolio preferences be-

tween stocks and bonds have occurred in (largely bank managed) private non-insured pension funds and also bank managed personal and common trust funds. In 1977, we expect that equity purchases will constitute 54% and 59%, respectively, of the net new investable funds of these two types of institutions.

Investment companies will experience rather diverse responses from investors in 1977. These institutions rise, and then fall out of favor, as investment opportunities shift. Closed-end corporate bond funds were popular in the early 1970's but have not been visible in the markets since.

Open-end stock funds have, in recent years, and will continue in 1977, to suffer net redemptions which will be matched by net sales of stock holdings back into the market. In 1977,

the investment companies that are likely to attract new money are money market mutual funds and the new open-end municipal bond funds.

The former should experience slightly increased net inflows with rising short-term interest rates. With increases in the number of the latter now being organized, we expect that the assets of all municipal bond funds, closed-end and open-end alike, will rise roughly 50% in the coming year.

Commercial bank credit will expand sufficiently in 1977 to accommodate a cyclical rise in loans and some net additions to security portfolios. The volume of net new loans put on the books, however, will account for a much greater proportion of total credit expansion, \$42.5 billion out of \$58.0 billion (or 73%) than was the case in either 1975 or 1976.

It is worth noting that the anticipated increase in lending next year will not compare with that which occurred in the same part of the previous expansion.

The main reason for the increased lending is that business loans will increase, rather than decline, for the first time in the past two years. The reversal in the trend of these loans reflects the end of massive bond funding and greater working capital needs, on the part of business, as well as the increasing willingness, on the part of banks, to lend at narrower profit margins.

As these demands make themselves felt, the substantial liquidations of CDs of the past two years will also come to an end and be replaced by a moderate volume of net issuance. ■

Under the provisions of the Acts of Congress now in force, the bonds offered hereby and the interest thereon are, in the opinion of Bond Counsel, exempt from Federal, State, Commonwealth of Puerto Rico and local taxation.

NEW ISSUE

RATINGS:

Moody's: A
Standard & Poor's: A

\$35,000,000

Puerto Rico Aqueduct and Sewer Authority

Revenue Bonds, Series 1976

Dated December 1, 1976

Due July 1, as shown below

Principal and semi-annual interest (January 1 and July 1, first payment July 1, 1977 representing seven months' interest) payable at the Corporate Trust Office of The Chase Manhattan Bank (National Association), in New York, New York, or at The Chase Manhattan Bank (National Association), in San Juan, Puerto Rico, at the option of the holder. Coupon bonds in the denomination of \$5,000, registrable as to principal alone or as to both principal and interest. Bonds registered as to both principal and interest are convertible into coupon bonds at The Chase Manhattan Bank (National Association), New York, New York, Trustee. The Series 1976 Bonds are subject to redemption on and after July 1, 1986 as more fully described in the Official Statement.

The Series 1976 Bonds are being issued pursuant to a Trust Agreement dated July 1, 1949, as amended, and a Supplemental Agreement dated October 1, 1973, between the Authority and The Chase Manhattan Bank (National Association), Trustee, and, together with \$125,127,000 Revenue Bonds outstanding as of October 31, 1976 and such additional Revenue Bonds as may be issued, are payable solely from the Net Revenues of the water and sewer systems of the Authority. Neither the credit of the Commonwealth of Puerto Rico nor that of any of its political subdivisions is pledged for the payment of the Revenue Bonds of the Authority.

STATE OF ALASKA

DEPARTMENT OF REVENUE

Dept Revenue

JAY S. HAMMOND, Governor

POUCH SB-JUNEAU 99801

June 14, 1977

The Honorable Clark Gruening
Chairman, House Permanent Fund Committee
940 Tyonek
Anchorage, Alaska 99501

Dear Clark:

Thank you for your letter of June 10 concerning the proposed sectoral analysis of Alaska's economy. I was disappointed to read that rather than proceed with the sectoral analysis even on a limited basis you choose to recommend an entirely different route which would encompass a study for evaluation of the effect on Alaska's economy of the proposed State Investment Advisory Committee approach, the proposed approach of non-recourse loans to individuals, and an approach which would consider investing all of the Alaska Permanent Fund monies out of state.

It was my understanding subsequent to our meeting in Anchorage on June 10 the Department of Revenue and the State Investment Advisory Committee would undertake a limited sectoral analysis of Alaska's economy which would include an evaluation of at least all of the identified non-renewable resource sectors of the economy and would also evaluate the two proposals which encompass the non-recourse loan approach and the proposal to invest all of the Alaska Permanent Fund monies out of state. I believe that the use of the funds in question for evaluation purposes would be better spent to undertake the proposal as I have just suggested. Restating, it is my recommendation that the State Investment Advisory Committee and the Department of Revenue immediately undertake a limited sectoral analysis of Alaska's economy to include the non-renewable sectors of the economy and an evaluation of the proposals for the non-recourse loan approach, and the investment of all the Permanent Fund monies out of state.

I would like to discuss this with you further at your earliest convenience. My schedule calls for me to be out of Juneau on June 20, 21 and return on June 22. It will be possible for me to come to Anchorage on June 22 to meet with you on June 23 on this matter. Please let me know if this is at all possible.

Sincerely,



Jim Edenso
Deputy Commissioner

JE:ge

cc: Senator George Hohman
Commissioner Sterling Gallagher

STATE OF ALASKA

DEPARTMENT OF REVENUE

PF correspondence

JAY S. HAMMOND, Governor

POUCH SB-JUNEAU 99801

February 16, 1977

The Honorable Clark Gruening
Alaska State Representative
State Capitol
Juneau, Alaska 99811

Dear Representative Gruening:

The proposed legislation prepared by the State Investment Advisory Committee for consideration by the Governor on the Alaska Permanent Fund has not been submitted to the legislators at this date. The Commissioner of Revenue and the Governor have held a series of meetings with members of the Cabinet and members of the Alaska Legislature concerning the bill as prepared by the Investment Advisory Committee. The outcome of these meetings has resulted in some amendments to the bill as initially prepared.

The bill has not been changed substantially in any respect from the initial preparation by the State Investment Advisory Committee. For your information I am enclosing a copy of the current bill as revised by the Commissioner and the Governor's office. The following changes should be noted:

1. Sec. 37.13.020. Composition of the Permanent Fund. The Permanent Fund contribution factor has been increased to 50 per cent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and 100 per cent of all bonuses received by the State. The Commissioner, after reviewing the tax revenues and royalty revenues to be received by the State, was able to demonstrate that a 50 per cent contribution factor and a 100 per cent contribution factor from bonuses would not impair the State's general fund nor put a constraint on the ability of the State to pay operating expenditures.

2. Sec. 37.13.030(a). The Permanent Fund Policy Board is appointed by the Governor and "confirmed by the Legislature in joint session assembled." The Governor has agreed to this amendment to the bill and does support it.

3. Sec. 37.13.030(d). "Members of the Permanent Fund Policy Board shall receive \$250 per meeting day and are entitled to per diem and travel allowances as provided by law for members of State boards and commissions." It was felt that the Policy Board members should receive some compensation for the time and effort that would be required of the membership.

4. Sec. 37.13.050. Permanent Fund Investment Committee. In paragraph (a) membership requirements have been changed to read: "All members must have been residents of Alaska for at least three years, may not be State employees, and shall be persons of recognized competence and wide experience in investments, finance, and other business management related fields." The legislators felt that this would more clearly spell out the definition of residents.

February 16, 1977

5. Sec. 37.13.100. Operational Principles. Paragraph (8) has been changed substantially and now reads: "The Permanent Fund shall analyze the economic and other effects of an investment decision, including the effects on employment, income distribution, environment, health, social and other factors. The Permanent Fund shall be sensitive to the views of affected local communities and shall include an analysis of those views in proposals for large investments." There was considerable discussion between the members of the Governor's office and the Department of Revenue and legislators concerning this paragraph. It was felt that the paragraph was too generally written and that the proposed amendment was more desirable.

6. Sec. 37.13.120. Reports and Publications. The following sentence was added to the last section of the first paragraph: "The Policy Board of the Permanent Fund is prohibited from any campaign or general advertising expenditures to either promote or defend its policies and operations." This amendment was suggested by legislators concerned that the Permanent Fund may use its resources in inhibiting passage of legislation affecting the Permanent Fund.

7. Sec. 37.13.160. Political Activity. This is a new paragraph you should note. The members of the Policy Board, members of the Investment Committee, and officers and staff of the Permanent Fund shall not engage in partisan political activities which involve the Permanent Fund, and resources of the Permanent Fund shall not be used to finance any partisan political activities." It was felt that this amendment was necessary in order to disallow the Permanent Fund from engaging in any political activities.

8. Sec. 37.13.170. Public Access Information. This section was rewritten in order to more clearly and positively state the fact that the information in the Permanent Fund is public information.

There may be other amendments which I have missed in my initial review of the bill as it now stands. Any comments you may have concerning the amendments on the proposed bill should be brought to my attention.

Sincerely,



Jim Edenso
Deputy Commissioner

JE:ge
Enclosure

MEMORANDUM

TO: ☐

Jim Edenso
Deputy Commissioner
Department of Revenue

DATE : June 14, 1977

FROM:

Bill
William L. Means
State Investment Officer
Department of Revenue

SUBJECT: Alaska Permanent Fund

Today the Treasury Division purchased the following securities for the account of the Alaska Permanent Fund for settlement June 15, 1977:

				Price	Yield
\$3,000,000	7%	UST Notes	11/15/83	101-4/32	6.78%

WLM:ba