

**HB**

**450**

**HFIN**

**FILE**

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 14, 1994

FURTHER REFERRALS:

Date of Committee Action: 3/25/94 am

The FINANCE Committee considered:

HB 450

HOUSE BILL NO. 450

INVESTMENT POOLS FOR PUBLIC ENTITIES

"An Act relating to investment pools for public entities; and providing for an effective date."

- RECOMMENDATIONS: [ ] the same title  
 be replaced with \_\_\_\_\_ [ ] a new title  
 [ ] have attached amendments(s)  
 [✓] do pass  
 [ ] do not pass  
 [ ] no recommendations  
 [ ] individual recommendations  
 [ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

[ ] fiscal impact \_\_\_\_\_

[ ] fiscal note(s) \_\_\_\_\_

[✓] zero fiscal note DCRA

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Ronald J. Larson</i> Larson	X	<i>Sean A. Farrell</i> FARRELL		X	
<i>Mark P. Hanley</i> Hanley	X	<i>Jay Brown</i> BROWN		✓	
<i>Larry Martin</i> MARTIN	X	<i>Greg Therrick</i> Therrick		X	
<i>Bernard Grussendorf</i> Grussendorf	X				
<i>Tom Hoffman</i> Hoffman	✓				
<i>Richard T. Fosbitt</i> Fosbitt	X				

CO CHAIRMAN'S SIGNATURE

*Ronald J. Larson*  
Larson

Revision Date: \_\_\_\_\_ Dept. Affected: Community & Regional Affairs  
 Title: "An Act relating to investment pools for public BRU: \_\_\_\_\_  
entities; and providing for an effective date." Component: \_\_\_\_\_  
 Sponsor: House Finance Committee  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. \_\_\_\_\_

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

Estimate of current (FY94) Impact \$ none

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Remond Henderson *J. Henderson* Director Phone: 465-4708  
 Division: Administrative Services Date: 3/22/94  
 Approved for the Commissioner by: Bruce Geraghty Deputy Commissioner Date: \_\_\_\_\_  
 Agency: Community & Regional Affairs *E. Benoit*

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office

# Alaska Permanent Capital Management Company

900 West Fifth Avenue, Suite 701  
Anchorage, Alaska, 99501

Phone: (907) 272-7575

Fax: (907) 272-7574

November 10, 1993

TO: AMLIP Board

FROM: David A. Rose,  Financial Advisor

SUBJECT: Investment Policy

We have reviewed the Pool's Investment Policy as set forth by Pool Resolution and Alaska Statutes 37.23.

Our review of the above, in light of current market practices and conventions, indicates that Pool performance could be enhanced by several technical changes. These changes would put the Pool on a level playing field with competing money market funds.

The attached, marked up copy of the statute, sets forth the recommended changes. The proposed changes have been coordinated with the Commissioner of Revenue and language recommended by the Commissioner has been utilized. Thus, there is full agreement as to verbiage. A copy of the Commissioner's letter is attached to this memorandum.

Technical changes are as follows:

- 37.23.020 is clarified to permit the purchase of floating rate securities, provided there is an annual rate reset.
- 37.23.020 (3)(A) is clarified to explicitly permit the purchase of Yankee securities when the parent of a US branch bank is rated "A" or higher. The Pool currently invests in these securities.
- A new section 37.23.035 is added to explicitly authorize securities lending provided collateral is provided and income from securities lending benefits Pool participants.
- 37.23.040 (2) is deleted to permit the holding of larger quantities of bank issued securities.

The above four changes do not subject the Pool to extraordinary risk and they comport with concepts embodied in prudent investor rules adhered to by similar funds and

*Registered with the U.S. Securities and Exchange Commission*

AMLIP BOARD

institutions.

I urge the AMLIP Board to (1) authorize these changes (2) pursue their adoption by the state legislature and (3) amend Pool investment policy upon amendment of statute.

# Alaska Permanent Capital Management Company

900 West Fifth Avenue, Suite 701  
Anchorage, Alaska, 99501

Phone: (907) 272-7575

Fax: (907) 272-7574

January 4, 1995

Representative Ronald L. Larson  
House of Representatives  
Committee on Finance  
State Capitol  
Juneau, Alaska 99801-1182

Dear Ron:

Many thanks for sending me work draft 8-LS1413\A which makes amendments to AS 37.23. These changes will enhance the financial performance of the AML Investment Pool.

I have carefully reviewed the draft and find that it conforms, in every respect, to the needs of the Pool and to the suggestions offered by the Administration. The bill is technically correct and there are, to my knowledge, no conflicts of any kind.

We would appreciate sponsorship by the House Finance Committee and I will make myself available by telephone or teleconference if you have any questions or require oral testimony. Kent Swisher, Executive Director of the Alaska Municipal League is also available to assist.

I have not requested a member of the other body to introduce similar legislation. Kent Swisher can make such a request if you think it will be helpful or expeditious. Please advise him accordingly.

Fran and I send you and Emily warm wishes for a full year of happiness and accomplishment.

Sincerely,



David A. Rose, Financial Adviser  
Alaska Municipal League Investment Pool, Inc.

**DEPARTMENT OF REVENUE**

OFFICE OF THE COMMISSIONER

P.O. BOX 110400  
JUNEAU, ALASKA 99811-0400  
TELEPHONE: (907) 465-2300  
FACSIMILE: (907) 465-2389

October 7, 1993

David A. Rose  
Alaska Permanent Capital Management Company  
900 West 5th Avenue, Suite 791  
Anchorage, AK 99502

Dear Dave:

I applaud your efforts to seek legislative approval for the participants of the Alaska Municipal League Investment Pool to participate in securities lending. The Department of Revenue has a securities lending program. This fully collateralized vehicle has been very successful and added a considerable amount of income to the funds.

After reading your proposed language authorizing securities lending in the statutes, I have two observations. The language would allow for "adequate collateralization or indemnification, or both." While indemnification is important, being fully collateralized at all times is a critical component to a successful securities lending program; the proposed language makes collateralization optional. Also, you may find being indemnified may reduce your split of the lending proceeds and eliminate potential lending candidates that are prohibited from indemnification.

My other observation is a small one. Part of the last sentence in the proposed language states "and shall serve to increase investment pool net yield." I realize insuring that the participants in the pool receive the proceeds from a lending program is important, but adding to the yield may be inconsistent with AIMR standards for computing performance measurement.

With those observations in mind, the following language may be worth your consideration:

37.23.035.5 SECURITIES LENDING. Securities held by an investment pool may be loaned provided such securities are fully collateralized and collateral is safekept by a party independent of the borrowers. Collateral must meet institutional and prudent investor standards. All pool proceeds from securities lending shall inure to the benefit of investment pool participants.

I concur with the other proposed language changes to the statutes. Those changes should give the pool participants greater flexibility within very prudent standards.

David A. Rose  
October 6, 1993

Page 2

Please accept these observations as they are given, as a positive attempt to assist you in achieving your goal. I would encourage you to call on me or Bob Storer, Chief Investment Officer, should you require assistance.

Sincerely,



Darrel J. Rexwinkel  
Commissioner

DJR:pml

11 12 13 14 15 16 17



February 23, 1994

TO: Representative Al Vezey, Chair  
and Members  
House State Affairs Committee

FROM: Kent E. Swisher, Executive Director

RE: **HB 450 - Relating to Investment Pools for Public Entities**

The Alaska Municipal League strongly supports **HB 450**, which would allow public entity investment pools such as the AML Investment Pool a broader range of investment options to enhance their financial performance. The concepts embodied in **HB 450** were suggested by Dave Rose, Investment Adviser to the AML Investment Pool, and approved by the Pool's Board of Directors in November 1993.

As you may know, AML was instrumental in gaining passage, in 1992, of AS 37.23, the Public Entity Investment Pool Act. AML's Pool was organized under the Act and opened for business in early 1993. It is directed by a Board of Directors chaired by Jerome Selby, AML Past President and Mayor of the Kodiak Island Borough. Dave Rose of Alaska Permanent Capital Management Company serves as Investment Adviser.

The AML Investment Pool was organized to offer Alaska's local governments and school districts a secure investment opportunity with a high rate of return and same-day access. Its investment objectives are, in priority order, preservation of capital, liquidity, and a high rate of return. As of December 1993, 27 municipalities and school districts were members of the Pool, and total investments were nearly \$30 million. Pool yields have been competitive with alternate short-term investment options, but can be improved, according to advisers, if the amendments proposed in **HB 450** are adopted.

The proposed amendments to AS 37.23 have been coordinated with the Department of Revenue. They clarify the ability of the Pool to invest in certain types of securities and authorize the Pool to participate in securities lending, provided certain conditions are met.

AML urges your support of **HB 450**.

94legls:hb450.223

# HOUSE COMMITTEE REPORT

(7)  
 Date Referred: February 9, 1994 FURTHER REFERRALS: Finance

Date of Committee Action: 3-12-94

The STATE AFFAIRS Committee considered: HB 450

HOUSE BILL NO. 450 INVESTMENT POOLS FOR PUBLIC ENTITIES

"An Act relating to investment pools for public entities; and providing for an effective date."

RECOMMENDATIONS: [ ] the same title  
 be replaced with \_\_\_\_\_ [ ] a new title

[ ] have attached amendments(s)

[] do pass

[ ] do not pass

[ ] no recommendations

[ ] individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) APPROVES PREVIOUS: (Dept/Date)  
 [ ] fiscal impact \_\_\_\_\_ [ ] fiscal note(s) \_\_\_\_\_

[] zero fiscal note HSTA [ ] zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
[ <input checked="" type="checkbox"/> ] <u>zero</u> fiscal note <i>M. Vezy</i>	X	<i>[Signature]</i>		X	
<i>[Signature]</i>	X				
<i>[Signature]</i>	X				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				

*[Signature]*  
 \_\_\_\_\_  
 CHAIRMAN'S SIGNATURE