

**SB**

**359**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/30/94

FURTHER:

DATE TURNED INTO OFFICE: \_\_\_\_\_

The Finance Committee considered SENATE BILL NO. 359

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

**Died in SFC 1994  
See HB 450**

and recommends.

replace with \_\_\_\_\_ CS \_\_\_\_\_ (FINANCE)

or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_

attaches amendment(s)

same title  
 new title  
 technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

### NEW FISCAL NOTES

Department	Date	Zero	Fiscal

### PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

**DO PASS.**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1. \_\_\_\_\_  
Co-Chair: Signature/Recommendation

2. \_\_\_\_\_  
Co-Chair: Signature/Recommendation

SENATE COMMITTEE REPORT

*Frank*

DATE: 3/14/94

FURTHER: Finance

Date of 5-Day Notice: 3/24/94  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3-29-94

L&C Committee considered SB 359

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

*+ repts it to as plus*

and recommends:

- replace with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

*Final*

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
DOR	3/25/94	<input checked="" type="checkbox"/>	
DOR	3/24/94	<input checked="" type="checkbox"/>	

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

*Steve Rign*

*2 - Judith G. Sule (No Rec)*

*2 - [Signature]*

*1 - Tim Kelly - Do Pass*

Chair: Signature and Recommendation

HISTORY IN THE SENATE

1994  
3/14  
3/20

Read first time and referred to:  
LRC, FIN

1 RPT ( ) CS 2 DP 2 NR \_\_\_ DNP \_\_\_ AM  
 \_\_\_ New Title \_\_\_ Same Title \_\_\_ Previous FN  
 \_\_\_ FN 2 OFN To JW

\_\_\_ RPT ( ) CS \_\_\_ DP \_\_\_ NR \_\_\_ DNP \_\_\_ AM  
 \_\_\_ New Title \_\_\_ Same Title \_\_\_ Previous FN  
 \_\_\_ FN \_\_\_ OFN To \_\_\_

\_\_\_ RPT ( ) CS \_\_\_ DP \_\_\_ NR \_\_\_ DNP \_\_\_ AM  
 \_\_\_ New Title \_\_\_ Same Title \_\_\_ Previous FN  
 \_\_\_ FN \_\_\_ OFN To \_\_\_

\_\_\_ Rules Calendar ( ) CS \_\_\_ AM \_\_\_ Other  
 \_\_\_ New Title \_\_\_ Same Title \_\_\_ Previous FN  
 \_\_\_ FN \_\_\_ OFN

Read second time

\_\_\_ CS Adopted ( ) \_\_\_ New Title  
 \_\_\_ Amended \_\_\_ Advanced

Read third time

\_\_\_ Letter of Intent adopted  
 \_\_\_ Return to second for specific amendment

PASSED EFD Same \_\_\_ or  
 Yeas Yeas  
 Nays Nays  
 Excused Excused  
 Absent Absent

Reconsideration  
 Reconsideration not taken up

PASSED EFD Same \_\_\_ or  
 Yeas Yeas  
 Nays Nays  
 Excused Excused  
 Absent Absent

Reported correctly engrossed  
 Signed by President, to House

Secretary of the Senate

HISTORY IN THE HOUSE

19

Read first time and referred to:

\_\_\_ RPT CS ( ) \_\_\_ New Title  
 \_\_\_ DP \_\_\_ DNP \_\_\_ NR \_\_\_ AM  
 \_\_\_ FN \_\_\_ OFN \_\_\_ Previous FN

\_\_\_ RPT CS ( ) \_\_\_ New Title  
 \_\_\_ DP \_\_\_ DNP \_\_\_ NR \_\_\_ AM  
 \_\_\_ FN \_\_\_ OFN \_\_\_ Previous FN

\_\_\_ RPT CS ( ) \_\_\_ New Title  
 \_\_\_ DP \_\_\_ DNP \_\_\_ NR \_\_\_ AM  
 \_\_\_ FN \_\_\_ OFN \_\_\_ Previous FN

Read second time  
 CS ( ) Adopted

Amended

Advanced

Read third time

Return to second for specific amendment

PASSED EFD Same \_\_\_ or  
 Yeas Yeas  
 Nays Nays  
 Excused Excused  
 Absent Absent

\_\_\_ Intent adopted

Reconsideration  
 Reconsideration not taken up

PASSED ON RECON. EFD Same \_\_\_ or  
 Yeas Yeas  
 Nays Nays  
 Excused Excused  
 Absent Absent

\_\_\_ Intent adopted

Reported correctly engrossed, signed by the Speaker  
 and returned to the Senate

Chief Clerk of the House

**SENATE-HOUSE HISTORY Continued**

<b>19</b>	<p><b>Received from the House</b> Version: _____</p> <p><b>Concur in House amendment</b> Y ___ N ___ E ___ A ___ _____ Efd same or Y ___ N ___ E ___ A ___</p> <p><b>Failed to concur in House amendment, ask House recede</b> Y ___ N ___ E ___ A ___</p> <p><b>House failed to / receded from amendment</b> Y ___ N ___ E ___ A ___</p> <p><b>CC appointed by Senate</b> _____ <b>Chair</b></p> <p>_____</p> <p><b>CC appointed by House</b> _____ <b>Chair</b></p> <p>_____</p> <p><b>(S) Granted Limited Powers of Free Conference</b></p> <p><b>(H) Granted Limited Powers of Free Conference</b></p>
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<b>19</b>	<p><b>(S) Adopted CC Rpt</b> _____ Y ___ N ___ E ___ A ___ _____ Efd same or Y ___ N ___ E ___ A ___</p> <p><b>(H) Adopted CC Rpt</b> _____ Y ___ N ___ E ___ A ___ _____ Efd same or Y ___ N ___ E ___ A ___</p> <p><b>To enrolling</b> <b>Received from enrolling</b> <b>Sent to Governor</b></p> <p>_____ <b>By Governor</b></p> <p><b>Chapter Number</b> _____</p> <p><b>Filed with Lieutenant Governor</b></p>
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# FISCAL NOTE

No. 1  
 Bill Version: SB 359  
 (S) Publish Date: 3-30-94

**STATE OF ALASKA**  
**1994 LEGISLATIVE SESSION**

**BILL N**

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: An Act relating to investment pools... BRU: Revenue Operations  
 Component: Treasury Management  
 Sponsor: Senate Finance Committee  
 Requestor: Senate L&C COMPONENT SERIAL NO. 121

**Expenditures/Revenues:** (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
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>

<b>CAPITAL</b>						
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<b>REVENUE FUND SOURCE:</b>						
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**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						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0.0

**ANALYSIS:** (Attach a separate page if necessary.) This legislation does not directly impact the Department of Revenue.

Prepared by: Laraine L. Derr *Laraine L. Derr* Phone: 465-4880  
 Division: Treasury Date: March 25, 1994  
 Approved by Commissioner: Darrel J. Rexwinkel *Darrel J. Rexwinkel* Date: March 25, 1994  
 Agency: Department of Revenue

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# FISCAL NOTE

No. 2  
 Bill Version: SB 359  
 (S) Publish Date: 3-30-94

STATE OF ALASKA  
 1994 LEGISLATIVE SESSION

BILL #

Revision Date: \_\_\_\_\_ Dept. Affected: Administration  
 Title: "An Act relating to investment pools for public BRU: Finance  
entities..." Component: Finance  
 Sponsor: (S) Fin  
 Requestor: (S) L&C COMPONENT SERIAL NO. 59

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
<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>

<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
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<b>CHANGE IN REVENUES ( )</b>	0.0	0.0	0.0	0.0	0.0	0.0
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**FUND SOURCE** (Thousands of Dollars)

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

Estimate of current year (FY94) cost: none

**POSITIONS:**

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

**ANALYSIS:** (Attach a separate page if necessary)

Prepared by: Don Wanie, Director  
 Division: Finance  
 Approved by Commissioner: Nancy Bear Usura  
 Agency: Administration

Phone: 465-2240  
 Date: \_\_\_\_\_  
 Date: 3/24/94

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(Rev. 10/93) nt 3/25/94

803359

# Alaska Permanent Capital Management Company

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

Phone: (907) 272-7575

Fax: (907) 272-7574

March 25, 1994

Senator Tim Kelly  
Chairman, Senate Committee on Labor & Commerce  
State Capitol  
Juneau, Alaska

VIA FAX TO 465-3756

Dear Senator Kelly:

Thank you for scheduling Senate Bill 359 for consideration at 1:30 on March 29, 1994.

This Bill makes certain technical amendments to AS 37.23 which permits cities and boroughs to place funds into an investment pool in order to preserve principal, enhance yield, provide liquidity and secure professional funds management.

Currently one such pool exists--The Alaska Municipal League Investment Pool. At February 28, 1994 twenty-seven cities and boroughs had joined the Pool and it contained \$33,282,962.

**Section 1** of the Bill clarifies 37.23.020 to permit the purchase of floating rate securities, provided there is an annual rate reset. This section also clarifies language at 37.23.020(3)(A) to 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.)

**Section 2** is a new section 37.23.035 which explicitly authorizes the lending of securities provided collateral is received.

**Section 3** removes the restriction which limits the amount of bank paper held at the 30% level.

The adoption of this legislation will clarify actions now being taken and authorize actions which will permit the enhancement of yield to Pool participants. These changes comport with concepts embodied in prudent investor rules adhered to by similar entities.

No State of Alaska funds are involved, there is no fiscal note.

Department of Revenue has reviewed this legislation and concurs with it.

This Bill is identical to House Bill 450 which has passed House State Affairs and House Finance and resides in House Rules.

I will be pleased to testify on Tuesday via teleconference.

Please contact me if you have any questions.

Sincerely,



Dave Rose, Financial Adviser  
Alaska Municipal League Investment Pool

Attachments:

Latest report of the Pool.

Correspondence from Commissioner Rexwinkel concurring with the legislation.

Background correspondence of the Pool dated November 10, 1993.

# 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

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.

SOB 359

WALTER J. HICKEL, GOVERNOR

**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

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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

**THE FOLLOWING DOCUMENT HAS NOT  
BEEN FILMED BUT IS AVAILABLE IN THE  
ORIGINAL FILE.**

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**ALASKA MUNICIPAL  
LEAGUE INVESTMENT POOL  
FINANCIAL REPORT**

**APRIL 5, 1994**