

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

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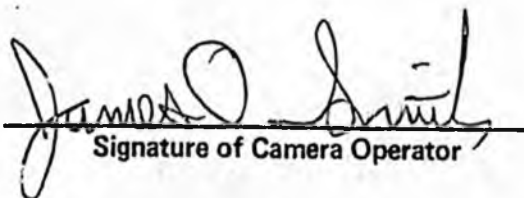
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ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

April 1, 1985

MEMORANDUM

TO: Representative Steve Rieger

ATTN: Bill Lovell  
*ESL*

FROM: Eric Laschever  
Legislative Analyst

RE: Performance of International Investments on State  
Retirement Funds  
Research Request 85-252

At your request, I have prepared the following comparison of the performance of the international portfolio of the Public Employees' Retirement (PERS) Fund and the Teachers' Retirement System (TRS) with the overall performance of these funds. I also examine the effect of the strength of the dollar on the performance of the international funds.

INTERNATIONAL EQUITY INVESTMENTS

The Department of Revenue, Treasury Division, manages the PERS and TRS retirement funds. According to Brian Andrews, the division's comptroller, the State began investing in international equities in October 1983. As of December 31, 1984, these investments accounted for 2.7 percent and 2.6 percent of the total net invested assets respectively of the PERS and TRS funds. Attachment A contains the investment statement for each of these accounts as of the above date. This statement also presents the original cost, market value and annual income from the investments in international equities.

Performance

Investments in the retirement funds may be divided into investments managed directly by the Treasury Division (internally managed investments) and investments managed by other portfolio managers (externally managed equities). The externally managed equities may be further divided into three categories: Real Estate Equity Managers, Domestic Equity Managers and International Equity Managers. Table 1 compares the performance of the International Equity Managers to the performance

of the other externally managed accounts and to the internally managed accounts for the second half of FY 84 and since the inception of the externally managed accounts.

Table 1

Annual Rates of Return of Internally  
and Externally Managed Investments

<u>Type of Investment</u>	<u>06/30/84 to 12/31/84</u>	<u>Inception to 12/31/84</u>
Internally Managed Investments	11.29%	NA
Externally Managed Investments	14.82	12.15%
International Equity Managers	1.77	-2.55
Domestic Equity Managers	18.93	17.71
Real Estate Equity Managers	12.04	11.82

Source: Treasury Division, Department of Revenue.

\* \* \* \*

Attachment B provides a more detailed comparison of the above information. The above figures are for the combined performance of the PERS and TRS international investments; Mr. Andrews notes that the performance of the two retirement funds has been similar. According to Mr. Andrews, the strength of the U.S. dollar accounts for much of the poor performance of the foreign equities. For example, Morgan Guaranty, which manages approximately one-half of the international equities, shows an unrealized market gain of \$556,812 or six percent of the \$9 million investment for the TRS fund and \$744,577 or five percent of the principal invested for the PERS fund. When these gains are adjusted for the devaluation of foreign currencies, the two accounts show gains of \$109,457 and \$55,439, respectively. Table 2 compares the current value of selected foreign currencies to their values in the fall of 1983, when the Division of Treasury initiated its foreign investments.

Table 2

Value of Selected Currencies  
09/30/83 and 03/27/85

	U.S. Dollar Equivalents		<u>Percent Decrease</u>
	<u>09-30-83</u>	<u>03-27-85</u>	
British Pound	1.4950	1.2400	17%
Canadian Dollar	.8116	.7331	10
Danish Krone	.1053	.0894	15
French Franc	.1251	.1050	16
Japanese Yen	.0042	.0039	6
West German Mark	.3802	.3205	16

Source: Wall Street Journal

\* \* \* \*

The strength of the dollar, however, is not the only factor which has influenced performance. This is demonstrated by the fact that the two managers of the foreign investments, Citicorp and Morgan Guaranty, have had different rates of return since the program's inception. The two accounts have achieved a .31 percent and -5.28 percent rate of return respectively.<sup>1</sup> This difference in performance may be explained by the percentages of each account which are invested in countries with weaker currencies. For example, Citicorp may have a larger percentage of their funds invested in Japan, where the currency has not weakened as much. The two companies' choice of equities within the same country also differ, resulting in different rates of returns.

The poor performance of the international equities raise the question of whether or not the division should continue this investment strategy. According to Milt Barker, Deputy Commissioner of the Department of Revenue, there are no plans to divest the holdings in international equities. He notes that the Division is pursuing a long-term strategy and tries to avoid moving in and out of the market in response to short-term phenomena. He adds that foreign investment is a form of diversification which is intended to protect the investor from fluctuations in

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<sup>1</sup>Portfolio Management, Treasury Division, March 7, 1985.

Representative Rieger  
April 1, 1985  
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the domestic economy. According to Mr. Barker, the division may invest no more than 10 percent of their assets in foreign stocks by statute, and there is a departmental policy which further limits foreign investments to under five percent. Mr. Barker believes that it is too soon to evaluate the performance of the account managers, but notes that the State has recently changed their domestic account managers as the result of their performance.

EL

Attachments

ATTACHMENT A

Net Invested Asset Statement  
PERS and TRS

Public Employees' Retirement Fund  
NET INVESTED ASSET STATEMENT  
As of December 31, 1984

	MKT TOTAL (% of)	FACE VALUE OR SHARES (\$ or #)	MATUR AVER. (Yrs.)	UNIT COST (\$ or %)	UNIT MARKET (\$ or %)	ORIG. COST (\$)	MARKET VALUE (\$)	INCOME* ANNUAL Est. (\$)	COST YIELD* (%)	MARKET YIELD (%)
PRIVATE MARKET INVESTMENTS										
REAL ESTATE MORTGAGES	25.4	287,991,162		100.00	96.65	287,991,162	278,350,092	36,258,087	12.39	13.03
TOTAL PRIVATE MARKET	25.4	287,991,162		100.00	96.65	287,991,162	278,350,092	36,258,087	12.59	13.03
PUBLIC MARKET SECURITIES										
EXTERNAL MANAGED										
REAL ESTATE EQUITIES	7.9			100.00	107.18	79,364,323	86,894,116	9,174,515	11.56	10.56
COMMON EQUITIES - FUND A	4.7	1,301,625		37.22b	38.70b	50,012,593	51,933,615	1,554,222	3.11	2.99
- FUND I	4.7	1,090,500		40.75b	41.66b	50,162,903	51,153,008	2,503,319	4.99	4.89
- FUND L	5.0	985,410		39.63b	42.06b	51,776,635	54,298,766	2,942,097	5.68	5.42
TOTAL COMMON	14.4	3,377,535		39.06b	40.63b	151,952,131	157,385,389	6,999,638	4.61	4.45
INTL EQUITIES - FUND C	1.4					14,795,566	14,997,234	384,374	2.60	2.56
- FUND M	1.3					14,397,552	14,482,646	308,268	2.14	2.13
TOTAL INTL	2.7					29,193,118	29,479,880	692,642	2.37	2.35
TOTAL EXTERNALLY MNGD EQUITIES	25.0					260,509,572	273,759,385	16,866,795	6.48	6.16
CORPORATE DEBT	2.5	33,500,000	20.3	101.75	82.68	34,085,495	27,699,390	3,408,549	10.00a	12.62a
FEDL AGENCY DEBT	2.2	28,541,904	12.4	100.24	85.03	28,608,989	24,267,830	2,669,218	9.33a	11.64a
U S TREASURY DEBT	37.5	421,500,000	12.1	100.58	97.52	423,944,235	411,054,685	46,506,682	10.97a	11.20a
MONEY MARKET ISSUES	7.4	80,697,471	.5	100.85	101.13	81,386,034	81,607,451	0,431,593	10.36a	9.02a
TOTAL FIXED RATE SECURITIES (1)	49.6	564,239,375	10.9	100.67	96.52	568,024,753	544,629,356	61,016,042	10.72a	10.97a
TOTAL PUBLIC MARKET	74.6					828,534,325	818,388,741	77,882,837	9.40	9.40
CASH						900	900			
TOTAL NET INVESTED ASSETS (2)	100.0					1,116,526,387	1,096,739,733	114,140,924	10.22	10.41

\*Net of premium and discount amortizations.

(1) Holdings as of trade date; see Pending for adjustment to settlements basis.

(2) Excluding unrealized and contingent net commitments on futures transactions of \$ 0.

a - Yield to maturity (other entries at current yield).

b - Per share values excluding fixed income reserves.

Public Employees Retirement Fund  
Maturity Schedule and Yields\*  
As of December 31, 1984

BY FINAL MATURITIES (\$Mns)

		MONEY MKT		TREASURIES		AGENCIES		CORPORATES		MORTGAGES <sup>a</sup>		TOTAL		% OF TOTL	
		\$	Yld	\$	Yld	\$	Yld	\$	Yld	\$	Yld	\$	Yld		
SHORT (0-2 yrs)	1985	78.0	10.40							8.6	12.59	86.6	10.61	10.2	
	1986			30.0	9.59					8.6	12.59	38.6	10.25	4.5	
	TOTAL	78.0	10.40	30.0	9.59					17.2	12.59	125.2	10.50	14.7	
MEDIUM (2-10 yrs)	1987			55.0	11.33					8.6	12.59	63.6	11.50	7.5	
	1988			35.0	11.93					8.6	12.59	43.6	12.06	5.1	
	1989			25.0	11.69					8.6	12.59	33.6	11.92	4.0	
	1990			30.0	11.94					8.6	12.59	38.6	12.10	4.4	
	1991			10.0	13.62					8.6	12.59	18.6	13.15	2.2	
	1992			10.0	10.71	10.0	11.1			8.6	12.59	28.6	11.42	3.4	
	1993			70.0	10.43					8.6	12.59	78.6	10.66	9.3	
	1994									8.6	12.59	8.6	12.59	1.0	
	TOTAL			235.0	11.34	10.0	11.1			68.8	12.59	313.8	11.61	36.9	
	LONG (10+ yrs)	1995							1.0	9.00	8.6	12.59	9.6	12.22	1.1
1996										8.6	12.59	8.6	12.59	1.0	
1997										8.6	12.59	8.6	12.59	1.0	
1998										8.6	12.59	8.6	12.59	1.0	
1999								.5	9.12	8.6	12.59	9.1	12.41	1.1	
2000				9.5	7.98			2.0	8.43	8.6	12.59	20.1	9.98	2.4	
2001				15.0	13.30			2.5	8.23	8.6	12.59	26.1	12.57	3.1	
2002										8.6	12.59	8.6	12.59	1.0	
2003				30.0	11.76					8.6	12.59	38.6	11.94	4.6	
2004 or longer				102.0	10.21	18.5	8.37	27.5	10.32	124.6	12.59	272.6	11.18	32.1	
TOTAL			156.5	10.67	18.5	8.37	33.5	10.00	202.0	12.59	410.5	11.45	48.4		
GRAND TOTAL			78.0	10.40	421.5	10.97	28.5	9.33	33.5	10.00	288.0	12.59	849.5	11.37	100.0

\*Maturities at face value and yields to maturity at amortized cost.  
<sup>a</sup> - Retirements estimated at 3% of face value per annum.

Public Employees Retirement Fund  
 DIVERSIFICATION OF COMMON STOCK PORTFOLIOS\*  
 As of December 31, 1984

INDUSTRIES	\$ COST VALUES		\$ MARKET VALUES		\$ GAIN OR LOSS (Hkt. less Cost)	MKT YIELD (Current)
	(thous.)	% of Total	(thous.)	% of Total		
Aerospace & Aircraft	6,036	4.0	6,471	4.1	435	3.2
Automotive	3,120	2.1	3,683	2.3	563	5.7
Banking	3,067	2.0	2,695	2.3	628	5.7
Chemical	5,002	3.3	4,931	3.1	-71	5.6
Communication	4,623	3.0	4,901	3.1	278	6.3
Computer Equip & Services	12,941	8.5	13,509	8.6	568	3.1
Conglomerates	3,519	2.3	3,412	2.2	-107	4.0
Construction	3,017	2.0	3,019	1.9	2	2.8
Cosmetics & Toiletries	1,844	1.2	1,926	1.2	82	4.6
Drugs & Sundries	12,851	8.5	13,767	8.7	916	3.9
Electrical Equip	12,234	8.1	12,390	7.9	156	2.6
Food Processing	3,997	2.6	4,109	2.6	112	4.7
Forest Products	691	.5	834	.5	143	1.8
General Equip	2,927	1.9	3,219	2.0	292	3.4
Insurance	6,002	3.9	6,560	4.2	558	3.8
Machinery	2,346	1.5	2,352	1.5	6	3.6
Merchandising	5,695	3.7	5,611	3.6	-84	2.9
Metals	849	.6	880	.6	31	4.2
Office Equip	1,756	1.2	1,746	1.1	-10	4.3
Oil & Services	11,442	7.5	10,599	6.7	-843	4.7
Paper	2,123	1.4	2,255	1.4	132	3.4
Photographic	2,616	1.7	2,695	1.7	79	5.2
Publishing	2,641	1.7	2,781	1.8	140	1.7
Railroads	960	.6	1,019	.6	59	4.1
Saving & Loan	101	.1	142	.1	41	3.5
Service	7,095	4.7	7,078	4.5	-17	1.8
Textiles & Apparel	2,093	1.4	2,242	1.4	149	3.3
Tobacco	2,265	1.5	2,607	1.7	342	4.4
Transportation	4,493	3.0	5,390	3.4	897	3.1
Utilities	4,905	3.2	4,859	3.1	-46	6.7
<b>TOTAL COMMON STOCKS</b>	<b>133,251</b>	<b>87.7</b>	<b>138,682</b>	<b>88.1</b>	<b>5,431</b>	<b>3.9</b>
<b>RESERVES (MM)</b>	<b>18,700</b>	<b>12.3</b>	<b>18,700</b>	<b>11.9</b>		<b>8.0</b>
<b>TOTAL COMMON PORTFOLIOS</b>	<b>151,951</b>	<b>100.0</b>	<b>157,382</b>	<b>100.0</b>	<b>5,431</b>	<b>4.4</b>

\*Sum of three domestic equity portfolios.

Portfolio Management, Treasury Division

Public Employees Retirement Fund  
 INVESTMENT TRANSACTIONS\*  
 From September 30, 1984  
 Through December 30, 1984

	PURCHASES		MATURITIES		SALES		GAIN OR LOSS ON SALES(4)
	At Cost (1)	Income Yield	At Face (2)	Income Yield	Proceeds (3)	Income Yield	
PRIVATE MARKET INVESTMENTS							
REAL ESTATE MORTGAGES	<u>15,128,911</u>	14.03a	<u>5,035,835</u>	12.76a			
TOTAL PRIVATE MARKET	<u>15,128,911</u>	14.03a	<u>5,035,835</u>	12.76a			
PUBLIC MARKET SECURITIES							
EXTERNALLY MANAGED							
REAL ESTATE EQUITIES	3,452,882				---	---	
COMMON EQUITIES - FUND A	31,413,955				6,112,990		-71,860
- FUND I	14,534,540				2,916,384		78,827
- FUND L	20,776,131				7,054,406		787,108
TOTAL COMMON	<u>66,724,626</u>				<u>16,083,780</u>		<u>794,074</u>
INTL EQUITIES - FUND C	8,762,113				1,765,595		-184,607
- FUND H	10,528,223				4,277,101		-101,199
TOTAL INTL	<u>19,290,336</u>				<u>6,042,696</u>		<u>-286,106</u>
TOTAL EXTERNALLY MNGD EQUITIES	<u>89,467,344</u>				<u>22,126,476</u>		<u>507,968</u>
CORPORATE DEBT	5,290,000	13.54			---		---
FEDL AGENCY DEBT	---		---		---		---
U S TREASURY DEBT	20,006,250	11.82	---		---		---
MONEY MARKET ISSUES	<u>31,938,058</u>	9.52	<u>35,877,934</u>	10.99	<u>24,802,194</u>	7.99	---
TOTAL FIXED RATE SECURITIES	<u>57,234,308</u>	10.71	<u>35,877,934</u>	10.99	<u>24,802,194</u>	7.99	---
TOTAL PUBLIC MARKET	<u>146,702,152</u>		<u>35,877,934</u>		<u>46,928,670</u>		<u>507,968</u>
TOTAL TRANSACTIONS	<u>161,831,063</u>		<u>40,913,769</u>		<u>46,928,670</u>		<u>507,968</u>

- \* - Excluding overnight repurchase agreements and similar temporary investments.
- a - Current yield, not yield-to-maturity.
- b - Also includes reinvested income in equity accounts.

Teachers Retirement Fund  
NET INVESTED ASSET STATEMENT  
As of December 31, 1984

	MKT TOTL (% of)	FACE VALUE OR SHARES (\$ or #)	MATUR AVER. (Yrs.)	UNIT COST (\$ or %)	UNIT MARKET (\$ or %)	ORIG. COST (\$)	MARKET VALUE (\$)	INCOME* ANNUAL Est. (\$)	COST YIELD* (%)	MARKET YIELD (%)
PRIVATE MARKET INVESTMENTS										
REAL ESTATE MORTGAGES	26.2	197,193,194		100.00	95.66	197,193,194	188,632,263	24,392,798	12.37	12.93
<b>TOTAL PRIVATE MARKET</b>	<b>26.2</b>	<b>197,193,194</b>		<b>100.00</b>	<b>95.66</b>	<b>197,193,194</b>	<b>188,632,263</b>	<b>24,392,798</b>	<b>12.37</b>	<b>12.93</b>
PUBLIC MARKET SECURITIES										
EXTERNAL MANAGED										
REAL ESTATE EQUITIES	8.2			100.00	108.70	52,714,861	58,695,682	5,524,517	10.48	9.41
COMMON EQUITIES - FUND A	4.7	833,975		37.45b	39.29b	32,433,548	33,962,198	1,028,140	3.17	3.03
- FUND I	4.6	718,115		40.66b	41.75b	32,544,811	33,402,428	1,630,224	5.01	4.88
- FUND L	5.0	674,135		39.47b	42.07b	33,797,737	35,638,582	1,802,082	5.57	5.28
<b>TOTAL COMMON</b>	<b>14.3</b>	<b>2,226,225</b>		<b>39.07b</b>	<b>40.92b</b>	<b>98,776,096</b>	<b>103,003,208</b>	<b>4,540,446</b>	<b>4.60</b>	<b>4.41</b>
INTL EQUITIES - FUND C	1.3					9,349,526	9,550,378	229,494	2.45	2.40
- FUND H	1.3					9,076,230	9,205,265	191,931	2.11	2.09
<b>TOTAL INTL</b>	<b>2.6</b>					<b>18,425,756</b>	<b>18,755,643</b>	<b>421,425</b>	<b>2.29</b>	<b>2.25</b>
<b>TOTAL EXTERNALLY MNGD EQUITIES</b>	<b>25.1</b>					<b>169,916,713</b>	<b>180,454,533</b>	<b>10,486,388</b>	<b>6.17</b>	<b>5.81</b>
CORPORATE DEBT	2.9	26,000,000	20.53	101.45	80.12	26,376,855	20,832,205	2,545,366	9.65a	12.54a
FEDL AGENCY DEBT	3.1	26,394,226	12.73	100.94	84.28	26,641,791	22,246,273	2,461,701	9.24a	11.65a
U S TREASURY DEBT	37.6	275,500,000	11.67	100.57	98.15	277,062,895	270,390,655	31,114,163	11.23a	11.27a
MONEY MARKET ISSUES	5.1	35,903,496	.48	101.46	101.46	36,429,177	36,428,956	3,693,918	10.14a	8.94a
<b>TOTAL FIXED RATE SECURITIES (1)</b>	<b>48.7</b>	<b>363,797,722</b>	<b>11.27</b>	<b>100.75</b>	<b>96.18</b>	<b>366,510,718</b>	<b>349,898,089</b>	<b>39,815,148</b>	<b>10.86a</b>	<b>11.13a</b>
<b>TOTAL PUBLIC MARKET</b>	<b>73.8</b>					<b>536,427,431</b>	<b>530,352,622</b>	<b>50,301,536</b>	<b>9.38</b>	<b>9.40</b>
CASH						4,658	4,658			
<b>TOTAL NET INVESTED ASSETS (2)</b>	<b>100.0</b>					<b>733,625,283</b>	<b>718,989,543</b>	<b>74,694,334</b>	<b>10.18</b>	<b>10.39</b>

\*Net of premium and discount amortizations.

(1) Holdings as of trade date; see Pending for adjustment to settlements basis.

(2) Excluding unrealized and contingent net commitments on futures transactions of \$ 0.

a - Yield to maturity (other entries at current yield).

b - Per share values excluding fixed income reserves.

Teachers Retirement Fund  
 MATURITY SCHEDULE AND YIELDS\*  
 As of December 31, 1984

BY FINAL MATURITIES (\$Mlns)

		MONEY MKT		TREASURIES		AGENCIES		CORPORATES		MORTGAGES <sup>a</sup>		TOTAL		% OF TOTL	
		\$	Yld	\$	Yld	\$	Yld	\$	Yld	\$	Yld	\$	Yld		
SHORT (0-2 yrs)	1985	34.3	10.22							5.9	12.37	40.2	10.53	7.2	
	1986			5.0	13.02					5.9	12.37	10.9	12.67	1.9	
	TOTAL	34.3	10.22	5.0	13.02					11.8	12.37	51.5	10.98	9.1	
MEDIUM (2-10 yrs)	1987			30.0	11.93					5.9	12.37	35.9	12.00	6.4	
	1988			40.0	11.15					5.9	12.37	45.9	11.30	8.2	
	1989			20.0	12.29					5.9	12.37	25.9	12.31	4.6	
	1990			20.0	12.13					5.9	12.37	25.9	12.18	4.6	
	1991			10.0	13.62					5.9	12.37	15.9	13.16	2.8	
	1992					8.0	11.10			5.9	12.37	13.9	11.64	2.5	
	1993			50.0	10.53					5.9	12.37	55.9	10.72	10.0	
	1994									5.9	12.37	5.9	12.37	1.1	
	TOTAL			170.0	11.50	8.0	11.10			47.2	12.37	225.2	11.67	40.2	
	LONG (10+ yrs)	1995									5.9	12.37	5.9	12.37	1.1
1996										5.9	12.37	5.9	12.37	1.1	
1997										5.9	12.37	5.9	12.37	1.1	
1998										5.9	12.37	5.9	12.37	1.1	
1999								1.5	8.90	5.9	12.37	7.4	11.67	1.3	
2000				10.5	7.94			2.5	8.58	5.9	12.37	18.9	9.40	3.3	
2001				10.0	13.30			2.0	8.19	5.9	12.37	17.9	12.41	3.2	
2002										5.9	12.37	5.9	12.37	1.1	
2003				25.0	11.76					5.9	12.37	30.9	11.88	5.5	
2004 or longer				55.0	10.21	18.4	8.44	20.0	9.99	05.1	12.37	178.5	11.03	31.9	
TOTAL			100.5	10.67	18.4	8.44	26.0	9.65	138.2	12.37	283.1	11.26	50.7		
GRAND TOTAL			34.3	10.22	275.5	11.23	26.4	9.24	26.0	9.65	197.2	12.37	559.8	11.40	100.0

\*Maturities at face value and yields to maturity at amortized cost.  
 a - Retirements estimated at 3% of face value per annum.

Teachers Retirement Fund  
 DIVERSIFICATION OF COMMON STOCK PORTFOLIOS\*  
 As of December 31, 1984

INDUSTRIES	<u>\$ COST VALUES</u>		<u>\$ MARKET VALUES</u>		<u>\$ GAIN OR LOSS</u> (Mkt. less Cost)	<u>MKT YIELD</u> (Current)
	(thous.)	% of Total	(thous.)	% of Total		
Aerospace & Aircraft	3,987	4.0	4,272	4.1	285	3.2
Automotive	2,042	2.1	2,439	2.4	397	5.7
Banking	2,157	2.2	2,605	2.5	448	5.7
Chemical	3,313	3.4	3,270	3.2	-43	5.6
Communication	3,367	3.4	3,588	3.5	221	6.2
Computer Equip & Services	8,748	8.6	9,228	9.0	480	3.2
Conglomerates	2,260	2.3	2,175	2.1	-85	4.1
Construction	1,922	1.9	1,927	1.9	5	2.8
Cosmetics & Toiletries	1,206	1.2	1,272	1.2	66	4.6
Drugs & Sundries	8,686	8.8	9,328	9.1	642	3.8
Electrical Equip	8,056	8.2	8,187	7.9	131	2.6
Food Processing	2,579	2.6	2,674	2.6	95	4.7
Forest Products	459	.5	556	.5	97	1.8
General Equip	2,030	2.1	2,277	2.2	247	3.3
Insurance	3,994	4.0	4,394	4.3	400	3.7
Machinery	1,648	1.7	1,658	1.6	10	3.5
Merchandising	3,969	4.0	3,937	3.8	-32	2.9
Metals	643	.7	667	.6	24	4.2
Office Equip	754	.8	723	.7	-31	4.4
Oil & Services	7,577	7.7	7,040	6.8	-537	4.7
Paper	1,482	1.5	1,584	1.5	102	3.4
Photographic	1,768	1.0	1,826	1.8	58	5.2
Publishing	1,414	1.4	1,531	1.5	117	2.1
Railroads	656	.6	698	.7	42	4.1
Saving & Loan	75	.1	107	.1	32	3.5
Service	4,101	4.2	4,170	4.0	69	1.8
Textiles & Apparel	1,437	1.5	1,562	1.5	125	3.3
Tobacco	1,341	1.4	1,603	1.6	262	4.4
Transportation	2,912	2.9	3,538	3.4	626	3.0
Utilities	3,323	3.4	3,301	3.2	-22	6.7
<u>TOTAL COMMON STOCKS</u>	<u>87,906</u>	<u>89.0</u>	<u>92,137</u>	<u>89.4</u>	<u>4,231</u>	<u>3.9</u>
<u>RESERVES (MM)</u>	<u>10,870</u>	<u>11.0</u>	<u>10,870</u>	<u>10.6</u>		<u>8.0</u>
<u>TOTAL COMMON PORTFOLIOS</u>	<u>98,776</u>	<u>100.0</u>	<u>103,007</u>	<u>100.0</u>	<u>4,231</u>	<u>4.3</u>

\*Sum of three domestic equity portfolios.

Portfolio Management, Treasury Division  
 March 15, 1985

Teachers Retirement System  
 INVESTMENT TRANSACTIONS\*  
 From September 30, 1984  
 Through December 31, 1984

	PURCHASES		MATURITIES		SALES		GAIN OR LOSS ON SALES(4)
	At Cost (1)	Income Yield	At Face (2)	Income Yield	Proceeds (3)	Income Yield	
PRIVATE MARKET INVESTMENTS							
REAL ESTATE MORTGAGES	10,148,060	14.38a	3,951,155	13.46a			
TOTAL PRIVATE MARKET	10,148,060	14.38a	3,951,155	13.46a			
PUBLIC MARKET SECURITIES							
EXTERNALLY MANAGED							
REAL ESTATE EQUITIES	1,866,700						
COMMON EQUITIES - FUND A	15,670,963				4,781,115		-54,341
- FUND I	6,291,284				2,800,283		67,611
- FUND L	13,032,739				5,468,216		640,022
TOTAL COMMON	34,894,986				13,049,614		653,292
INTL EQUITIES - FUND C	4,892,319				1,656,890		-104,070
- FUND M	5,832,357				3,742,193		-43,217
TOTAL INTL	10,724,676				5,399,083		-147,287
TOTAL EXTERNALLY MNGD EQUITIES	47,486,362				18,448,697		506,005
CORPORATE DEBT	3,174,000	13.54					
FEDL AGENCY DEBT							
U S TREASURY DEBT	25,037,500	11.82					
HONEY MARKET ISSUES	18,054,121	9.19	40,961,650	10.51	19,900,516	7.63	
TOTAL FIXED RATE SECURITIES	46,265,621	10.93	40,961,650	10.51	19,900,516	7.63	
TOTAL PUBLIC MARKET	93,751,983		40,961,650		38,357,213		506,005
TOTAL TRANSACTIONS	103,900,043		44,912,805		38,357,213		506,005

- \* - Excluding overnight repurchase agreements and similar temporary investments.
- a - Current yield, not yield-to-maturity.
- b - Also includes reinvested income in equity accounts.

ATTACHMENT B

Annual Rates of Return on Internally and  
Externally Managed Investments

ANNUAL RATES OF RETURN (a)  
ON INTERNALLY MANAGED FIXED INCOME INVESTMENTS  
OF ALASKA RETIREMENT SYSTEMS  
First Half of Fiscal Year and 1984

	<u>12-31-83 to 6-30-84</u>		<u>6-30-84 to 12-31-84</u>		<u>12-31-83 to 12-31-84</u>	
	Amount(b) (\$ mil.)	Income Yield	Amount(b) (\$ mil.)	Income Yield	Amount(b) (\$ mil.)	Income Yield
R.E. Mortgages (c)	\$ 442.5	12.40%	\$ 469.6	12.77%	\$ 456.0	12.59%
Bonds and Reserves	<u>877.4</u>	10.30%(d)	<u>921.2</u>	10.94%(e)	<u>899.3</u>	10.63%
<b>Total Fixed Income</b>	<b><u>\$1,319.9</u></b>	<b>11.00%</b>	<b><u>\$1,390.8</u></b>	<b>11.56%</b>	<b><u>\$1,355.3</u></b>	<b>11.29%</b>

- a - Average on changing levels of monthly investments at cost values.  
b - Average cost level over period.  
c - Nominal yields without gains or losses or costs of any liquidations.  
d - Includes gains or losses, but not amortizations of premiums and discounts.  
e - Net of gains, losses and amortizations.

Portfolio Management, Treasury Division  
March 7, 1985

ANNUAL RATES OF RETURN (a)  
ON EXTERNALLY MANAGED EQUITIES  
OF ALASKA RETIREMENT SYSTEMS  
First Half of Fiscal Year and Since Inception

	<u>6-30-84 to 12-31-84</u>		<u>Inception to 12-31-84</u>	
	<u>Manager R of R</u>	<u>5-Year Bond Std(b)</u>	<u>Manager R of R</u>	<u>5-Year Bond Std(b)</u>
<b>MANAGER AND INCEPTION DATA</b>				
<b><u>R.E. Equity Managers:</u></b>				
Aetna ( 9-30-80)	8.86%	14.11%	11.69%	13.31%
Hancock ( 9-30-80)	8.95	14.11	10.93	13.17
Prudential ( 9-30-80)	11.71	14.11	10.44	13.62
Equitable (12-31-80)	14.09	14.11	12.95	13.69
Smith Barney ( 3-5-84)	13.64	14.11	13.64	12.11
JMB ( 4-12-84)	11.67	14.11	10.98	12.58
Morgan ( 6-1-84)	16.53	14.11	16.24	14.09
<u>Group Average</u>	<u>12.74%</u>	<u>14.11%</u>	<u>11.82%</u>	<u>13.31%</u>
<b><u>Domestic Equity Managers:</u></b>				
Alger ( 6-14-84)	16.85	13.75	15.81	13.72
Invesco ( 6-14-84)	11.87	13.75	11.00	13.72
Lehman ( 6-14-84)	28.38	13.75	26.57	13.72
<u>Group Average</u>	<u>18.93%*</u>	<u>13.75%</u>	<u>17.71%</u>	<u>13.72%</u>
<b><u>International Equity Managers:</u></b>				
Citicorp (11-1-83)	4.81	12.08	.31	11.95
Morgan Guaranty (11-1-83)	-1.28	12.08	-5.28	11.95
<u>Group Average</u>	<u>1.77%</u>	<u>12.08%</u>	<u>-2.55%</u>	<u>11.95%</u>
<b><u>ALL EQUITY MANAGER AVERAGE</u></b>	<b><u>14.82%</u></b>	<b><u>13.66%</u></b>	<b><u>12.15%</u></b>	<b><u>13.32%</u></b>

\* - Not net of fees of approximately .53%.

a - Pure internal rate of return weighted by amount and date of deposits.

b - Same as a. above, except monies assumed to be alternatively invested in 5-year maturity U.S. Treasury obligations.

FEB 20 RECD

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

REQUEST

Bill/Resolution No: HB 207

Title: Investments of PERS and TRS

Sponsor: Rieger

Requestor: House State Affairs

Date of Request: February 16, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue

Program Category Affected: \_\_\_\_\_

BRU, Program of Subprogram(s) Affected:

Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB

Division: Treasury

Approved by Commissioner: Shirley G. Sturdahl

Agency: Department of Revenue

Phone: 465-2350

Date: February 19, 1985

Date: 2/20/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

MORGAN GUARANTY TRUST CO OF NEW YORK  
INTERNATIONAL INVESTMENT DEPARTMENT

PORTFOLIO APPRAISAL : SUMMARY

AS OF : 31DEC84  
PAGE NO : 1

STATE OF ALASKA-PUBLIC EMPLOYEES FUND  
ACCOUNT A 2800  
BASE CURRENCY : US\$

DESCRIPTION	TOTAL BOOK PRINCIPAL/ PREPAID INT.	UNREALISED GAIN/LOSS MARKET	CURRENCY	INCOME EARNED	TOTAL MARKET PRINCIPAL/ ACCRUED INT.	% OF TOTAL FUND
BASE CURRENCY CASH ACCOUNT ACCRUED INTEREST	-340,511.55			0	-340,512 0	-2.4 0.0
NON-BASE CURRENCY CASH ACCOUNT ACCRUED INTEREST	1,196,790.86		-25,762 0	0	1,171,029 0	8.1 0.0
FIXED COUPON INSTRUMENTS						
CONTINENTAL & EUROPEAN	719,551.79 21,970.70	25,804	-67,266 -2,666	18,435	678,090 37,740	4.7 0.3
TOTAL FIXED COUPON INSTRUMENTS	719,551.79 21,970.70	25,804	-67,266 -2,666	18,435	678,090 37,740	4.7 0.3
CONVERTIBLE BONDS						
FINANCE	185,951.13 0.00	3,288	-3,082 0	271	186,157 271	1.3 0.0
TOTAL CONVERTIBLE BONDS	185,951.13 0.00	3,288	-3,082 0	271	186,157 271	1.3 0.0
EQUITIES						
MATERIALS	1,376,554.02 0.00	-32,644	-56,327 -10	428	1,287,583 417	8.9 0.0
CAPITAL EQUIPMENT	4,905,465.11 0.00	169,900	-224,071 -88	3,912	4,851,295 3,824	33.5 0.0

MORGAN GUARANTY TRUST CO OF NEW YORK  
INTERNATIONAL INVESTMENT DEPARTMENT

PORTFOLIO APPRAISAL : SUMMARY

STATE OF ALASKA-PUBLIC EMPLOYEES FUND  
ACCOUNT A 2800  
BASE CURRENCY : U\$

AS OF : 31DEC84  
PAGE NO : 2

DESCRIPTION	TOTAL BOOK PRINCIPAL/ PREPAID INT.	UNREALISED GAIN/LOSS		INCOME EARNED	TOTAL MARKET PRINCIPAL/ ACCRUED INT.	% OF TOTAL FUND
		MARKET	CURRENCY			
CONSUMER GOODS	2,678,013.45 0.00	172,409	-141,031 -63	3,100	2,709,392 3,036	18.7 0.0
SERVICES & UTILITIES	2,252,995.14 0.00	273,209	-120,503 -133	3,071	2,405,701 2,938	16.6 0.0
ENERGY	28,550.00 0.00	-10,350	0 0	0	16,200 0	0.1 0.0
FINANCE	1,179,190.35 0.00	104,271	-59,773 -9	439	1,223,688 429	8.4 0.0
MULTI-INDUSTRY	306,709.83 0.00	38,690	264 0	0	345,663 0	2.4 0.0
<b>TOTAL EQUITIES</b>	<b>12,725,477.91 0.00</b>	<b>715,485</b>	<b>-601,441 -304</b>	<b>10,948</b>	<b>12,839,522 10,645</b>	<b>88.7 0.1</b>
TOTAL FORWARD FOREIGN EXCHANGE CONTRACTS	0.00		8,710		8,710	0.1
TOTAL NET PAYABLES/RECEIVABLES	-111,678.50		2,674		-109,005	-0.8
<b>TOTAL FUND VALUE</b>	<b>U\$ 14,397,552.34</b>	<b>744,577</b>	<b>-689,138</b>	<b>29,655</b>	<b>14,482,646</b>	<b>100.0</b>



MORGAN GUARANTY TRUST CO OF NEW YORK  
INTERNATIONAL INVESTMENT DEPARTMENT

PORTFOLIO APPRAISAL : SUMMARY

STATE OF ALASKA-TEACHERS RETIREMENT FUND  
ACCOUNT A 2810  
BASE CURRENCY : US\$

AS OF : 31DEC84  
PAGE NO : 1

DESCRIPTION	TOTAL BOOK PRINCIPAL/ PREPAID INT.	UNREALISED GAIN/LOSS MARKET	CURRENCY	INCOME EARNED	TOTAL MARKET PRINCIPAL/ ACCRUED INT.	% OF TOTAL FUND
BASE CURRENCY CASH ACCOUNT ACCRUED INTEREST	175,682.30			0	175,682 0	1.9 0.0
NON-BASE CURRENCY CASH ACCOUNT ACCRUED INTEREST	580,855.14		-9,525 0	0	571,330 0	6.2 0.0
FIXED COUPON INSTRUMENTS						
CONTINENTAL & EUROPEAN	418,663.36 7,324.48	13,070	-24,498 -663	9,918	407,235 16,579	4.4 0.2
TOTAL FIXED COUPON INSTRUMENTS	418,663.36 7,324.48	13,070	-24,498 -663	9,918	407,235 16,579	4.4 0.2
CONVERTIBLE BONDS						
FINANCE	177,193.52 0.00	2,538	-3,821 -1	255	175,910 254	1.9 0.0
TOTAL CONVERTIBLE BONDS	177,193.52 0.00	2,538	-3,821 -1	255	175,910 254	1.9 0.0
EQUITIES						
MATERIALS	1,040,900.83 0.00	-36,979	-44,344 -6	244	959,578 239	10.4 0.0
CAPITAL EQUIPMENT	3,002,365.05 0.00	163,685	-150,121 -79	3,517	3,015,929 3,437	32.8 0.0

STATE OF ALASKA TEACHERS RETIREMENT SYSTEM  
INTERNATIONAL PORTFOLIO

DECEMBER 1984

VALUATION AND PERFORMANCE

At 31st December 1984 the international portfolio of the State of Alaska Teachers Retirement System was valued at \$9,544,927. During the fourth quarter alone the portfolio showed a return of 0%; since the beginning of 1984 the total return has been -5.2%; since 31st October 1983 (inception) the portfolio has appreciated by 1.2%. These returns compare with the total returns on the Capital International EAFE Index including 100% of Income of +5.1% over the past quarter, +8.0% during calendar 1984, and +15.1% since the fund's inception date.

The disappointing performance in the final quarter of 1984 can be ascribed to three sources; the impact of new money contributed to the fund, the influence of currencies, and the behaviour of the Japanese market. The new contribution to the portfolio came in mid-November and increased the size of the fund by 33%. It was decided to commit the majority of these funds to equity markets within a relatively short time span, half being done in late November and the other half being done in early December, on the basis that the outlook for equity markets required a near fully invested portfolio. The process of committing funds during rising markets itself led to some loss of performance relative to indices. In addition, although currencies showed relatively modest moves against the US Dollar over the quarter as a whole (generally in the band of 2-3% with the exception of Sterling), the Dollar weakened significantly between end-September and early November but rallied strongly from mid-November lows till year-end. From mid-November onwards the Dollar appreciated by 6-7% against the Deutschmark Bloc, 9% against Sterling and 4% against the Yen. The timing of the inflow and of the commitment of new funds to equity markets without currency hedging therefore had an unfortunate negative impact, concentrated in November.

Almost all the total return in the EAFE index over the fourth quarter was derived from the Japanese market alone; other Pacific markets, and European markets, taken as aggregates made no positive contribution on balance. Due to the difficulty of obtaining exposure in the stocks that counted for the outperformance of Japan we continued to underweight Japan in the portfolio. This was partly due to the leadership of speculative issues, promoted by technical factors chief of which was the advent of new "specified money trusts" (Tokkin), which are not appropriate for the portfolio under review. It was largely also attributable to the

continued strength of bank shares in particular. These have been "a problem" all year. We reproduce below extracts from a telex recently sent out to their clients by WM Computer Services, the leading UK-based performance measurement consultant.

"In the quarter ended December 31, 1984, the market indices were again heavily impacted by large movements in Japanese financial shares, and bank shares in particular.

As in the first quarter of 1984, the moves were upward, leaving most International Investors trailing.

Few International Investors hold shares in these companies, for despite their gigantic market capitalisations, the average "float" is very small - thought to be in the region of 10-15 percent of shares outstanding. (Precise figures are not made readily available.)

Below are the results for (the relevant) indices as published, and as adjusted by us to exclude the impact of Japanese banks.

We believe the adjusted indices more accurately reflect the opportunity available to the International investor.

#### RATES OF RETURN IN US DOLLARS

<u>Index</u>	<u>Fourth Quarter 1984</u>		<u>Full Year 1984</u>	
	<u>Published Index</u>	<u>Adjusted*</u> <u>Index</u>	<u>Published Index</u>	<u>Adjusted*</u> <u>Index</u>
C.I. Japan	9.9	3.3	17.1	1.5
C.I. EAFE	5.1	1.8	8.1	0.7

\* Adjusted to exclude the Japanese Banking Sector

## INVESTMENT BACKGROUND

During the last quarter of 1984 stock markets showed considerable regional diversity. A number of markets managed to show a remarkable independence from the poor environment in New York, and in some cases derived positive support from currency weakness. In the main these were the markets where domestic institutional 'weight of money' proved the dominant influence (UK, Japan, Italy and to a certain extent Hong Kong). North American equities continued to mark time; the US index was up by 0.9%; Canada was adversely affected by uncertainties over commodity prices and fell by 0.8%. By contrast Far Eastern markets were strong - Japan rose by 11.8% and Hong Kong by 19.5%, although elsewhere in the Pacific, post-election disappointment and weak commodity prices led to a fall in Australia (-2.9%), and Singapore continued very weak (-10.5%). In Europe UK and Italy were both strong (+9.2% and +9.3%); Germany and Switzerland made some progress (+4.5% and +3.0%); Netherlands and France made no significant moves; and Sweden fell again, largely on domestic technical considerations (-7.6%).

The common feature of the quarter was again behaviour of the US currency. After rising by just short of 10% against most European currencies and by 3% against the Yen in the third quarter, - despite the late intervention of the Bundesbank - it weakened during October. But from mid November onwards it rallied very rapidly to close the quarter close to its September high against the DM bloc, and at new highs against the Yen and against Sterling, which encountered specific problems in the decline in free market oil prices. Over the fourth quarter as a whole the dollar rose by just short of 3% against the DM bloc, 6.2% against Sterling, 2.0% against Yen. Only the Hong Kong and Singapore dollars remained relatively firm, due to the exchange rate mechanism linking them to the US unit. Currency weakness therefore reduced dollar returns in all markets. Among major international centres only Tokyo and Hong Kong showed significant rises in dollar terms, +9.3% and +18.2% respectively; Italy managed +7.0%. The Netherlands (impacted by the performance of Royal Dutch) and Sweden both fell significantly, by 4.0% and 11.3%.

A recurrent theme behind market strength during the fourth quarter was the trend to lower interest rates in all centres. This was in part in sympathy with the decline in rates in the US as the Federal Reserve accepted the need for a less restrictive stance in the face of slower growth. It was also a product of the realisation by central banks that dollar strength was not yet having a major adverse impact on domestic inflation rates. This led to progressive acceptance of policies of 'benign neglect' of currency rates in interests of supporting national economic activity, given the political unwillingness to reverse the continued trend towards fiscal orthodoxy. Bond markets were at least well

supported and in some cases moved significantly higher.

Total returns on bonds in European currencies ranged from 4.2% (Netherlands) to 5.9% (France); in Japan the return was 3.9% and in Switzerland 1.7%. But expressed in dollars, returns in the UK and Switzerland were negative and were significantly reduced elsewhere. Only Canada (10.6%) gave a higher return than the US (8.9%).

The combination of the general realisation of the scope for monetary policy to be accommodative, together with diminishing inflationary anxieties, were supported in many cases by abundant domestic liquidity available for equity markets. In Japan, despite the absence of foreign investors, the impact of domestic liquidity was very evident. This was partly a function of deregulations, and other technical developments; the balance of domestic rather than international institutions in the market led to further concentration on financials and special situations at the expense of investment grade issues. In the UK high liquidity has been a factor of lower funding demands by central government, cash injections from corporations making cash acquisitions in the market, and excess liquidity raised to finance the British Telecom issue. In most European markets similar trends could be observed, with domestic institutions devoting a higher proportion of their funds to equities after a period of strong performance in bond markets. International investors also moved into lower rated markets where a period of underperformance had introduced the potential for a significant catchup. The strong rise in Hong Kong, following the signature of the Sino British Agreement which had blighted expectations throughout most of last year, was a major case in point.

RATES OF RETURN

(% Change in full year 1984 and in fourth quarter (Q4) 1984, not annualized. Income and dividends reinvested monthly)

		MONEY MARKET		BOND MARKET		EQUITY MARKET		CURRENCY
		Local Currency	U.S. \$	Local Currency	U.S. \$	Local Currency	U.S. \$	Gain(+)/Loss(-) Against U.S. \$
USA	1984	11.4	11.4	14.3	14.3	6.2	6.0	-
	Q4 84	2.5	2.5	8.2	8.2	1.9	2.1	-
JAPAN	1984	6.5	- 1.8	11.5	2.7	27.1	17.1	- 7.8
	Q4 84	1.6	- 0.4	4.7	2.6	12.1	9.9	- 2.0
UK	1984	10.5	-11.3	8.9	-13.1	31.8	5.2	-20.2
	Q4 84	2.7	- 3.7	2.9	- 3.5	10.5	3.7	- 6.2
GERMANY	1984	6.0	- 8.5	14.7	- 1.0	11.2	- 4.0	-13.6
	Q4 84	1.5	- 1.2	4.6	1.8	5.6	2.8	- 2.7
SWITZERLAND	1984	4.5	-12.5	2.4	-14.6	5.9	-11.3	-16.2
	Q4 84	1.3	- 1.9	1.5	- 2.0	3.7	0.4	- 3.2
HOLLAND	1984	6.7	- 8.2	13.2	- 2.6	29.5	11.5	-13.9
	Q4 84	1.6	- 1.2	4.8	1.1	1.1	- 1.6	- 2.7
CANADA	1984	11.8	5.2	15.2	8.8	- 1.4	- 7.2	- 5.9
	Q4 84	2.9	2.6	9.9	9.8	0.2	- 0.1	- 0.2
AUSTRALIA	1984	12.5	.5	4.8	- 2.8	- 4.8	-12.4	- 8.0
	Q4 84	2.9	2.0	1.4	1.1	- 1.8	- 2.6	- 0.8
SINGAPORE	1984					-24.9	-26.9	- 2.6
	Q4 84					- 9.9	- 9.7	0.2
FRANCE	1984	13.4	- 2.3	18.0	1.5	23.2	6.1	-13.0
	Q4 84	2.9	0.3	3.2	0.9	1.9	- 0.7	- 2.1
HONG KONG	1984					47.7	46.9	- 0.8
	Q4 84					21.0	21.3	0.2

MONEY MARKET: Three Month Eurodeposit. BONDS: Long Governments. (Source: Salomons)

EQUITIES: Capital International except U.S. (S. & P.) and U.K. (FT All Share). (Source: Wood Mackenzie)

## INVESTMENT ACTIVITY

At the end of the third quarter the Teachers Retirement equity portfolio held liquid reserves of \$886,005 equivalent to 13.0% of total assets. During the fourth quarter two contributions were received, \$300,000 in October and \$2,400,000 in November. Investment activity during this quarter aimed at the reduction of the resultant high liquidity level in the portfolio. Over the quarter as a whole some \$3.4 million were invested using cash flow as well as the proceeds of sales which took place in October. The bulk of the net investment, 70%, occurred in November, when \$2.4 million were committed to the markets. Liquidity reserves which had risen to 17.7% of total assets by end October, were reduced to 13.8% by the end of November, and 3.3% by the year end.

37% of net purchases were concentrated in Continental Europe during the quarter, a smaller commitment of cash resources than that made in the previous quarter (55%), but sufficient to ensure at least full weightings in each of the principal markets with the exception of Switzerland. The bulk of this commitment was made in France, the Netherlands and Germany respectively, where new holdings were bought, principally in interest rate sensitive and non cyclical businesses, and existing holdings built up to reflect increased unit sizes. We also added to positions in the smaller markets (Italy, Norway and Sweden) in November taking advantage of a lull in these markets. Having taken profits in the UK in October, we reinvested a total of 12% of net purchases mainly in November, completing the buying programme in December. We added to positions as well as establishing new holdings among a broad group of market leaders. European purchases as a whole therefore amounted to 49% of total net purchases during the quarter, bringing Europe to 48% of the total portfolio at year-end.

The bulk of our activity elsewhere was concentrated in the Japanese market, where 41% of net new purchases were invested. We bought steadily in all three months of the final quarter, focussing on domestic-oriented sectors, including financials, utilities ('de-regulation' plays) and pharmaceuticals, while limiting exposure in blue chips and reducing commitment to high technology and consumer electronics. In addition current holdings were built up to reflect the increased unit size of the portfolio.

As a result the portfolio's Japanese weighting of 38% - 40% of total assets was maintained throughout the quarter.

We made no fresh move back into Australian equities during the period. In December we invested a total of 9% of net purchases in the Hong Kong market following the settlement of the colony's visible future by the Chinese and UK Governments, together with a steady decline in local prime rate and increased confidence in the local property market. We reduced the portfolio's exposure to Canadian equities from 5.7% to 4.3% of total assets over the quarter, making no net purchases, on the view that the Canadian market's performance would be hampered by uncertainty over commodity prices, while it seemed unlikely that Wall Street would provide much positive impetus.

## CURRENT POLICY

The recent direction of investment policy has been to reduce liquidity to a minimum in expectation of renewed strength in equity markets late in 1984 and in the early part of the current year.

The basis for this policy has been (i) the increasing evidence of the weight of domestic and international investable funds attracted towards equities worldwide; and (ii) the accommodating stance of monetary authorities, which has contributed both to lower bond yields and to greater visibility for growth and corporate profits in 1985, and even 1986. The increasing independence of markets from the influence of Wall Street is evidence of this domestic monetary and technical support. In most centres higher market levels are also well supported by valuations, with the possible exception of Japan. In Europe corporate earnings expectations 1985 have mostly converged in the range of 12 - 15%, while the scope for good dividend increases is accentuated by the improving financial condition of many companies. This latter consideration is also a feature of market strength in itself, as corporations are increasingly present in markets employing their excess liquidity; they are in the position to make major acquisitions for cash, injecting funds back into the market, and are less likely to come for new equity funds themselves. In most countries outside the US fiscal policies are also still set at reducing or controlling budget deficits. This has reduced the supply of new debt relative to institutional cash flows and has placed the burden of adjusting policy to sustain economic activity onto the monetary area. Political acceptance of high unemployment is still not fundamentally questioned in so far as industrial policy is concerned, allowing corporate managements to continue to raise productivity and rationalise activities, although there has been some indication that tolerance to rising unemployment is nearing its threshold in the UK.

The main dilemma for equity markets in the first half of 1985 is whether the trend to monetary accommodation could be reversed at an early stage through the impact of foreign currency pressures on interest rate policy, or lead rather quickly to a resumption of inflation. Policy responses in the last quarter of 1984 and the early weeks of 1985 indicate that, in the main, governments are still highly reluctant to interrupt the trend to lower interest rates in order to stabilise exchange rates. The rising dollar has not yet noticeably impacted domestic inflation or wage rates, partly due to weak dollar commodity prices during a period of slowing US activity and partly to continued high productivity growth. The risk of a policy change across a broad front would be accentuated if growth in monetary aggregates is perceived as excessive, or if import prices began to rise at

a rate likely to impact output prices and eventually wage rates. Excessive monetary growth is tolerable up to a point in current circumstances, but imported inflation may cause more problems if it cannot be absorbed in continuing productivity improvements without impacting wages. At present wage push does not appear to be a significant problem in any of the major economies, and some acceleration in real wages is probably electorally desirable in Continental Europe and Japan where consumer expenditure is sluggish.

On these grounds we continue to advise a policy of full commitment to non-US equities. Current valuations favour over-exposure to the Continent of Europe, where a number of markets including Italy and Sweden have under performed and where the weight of domestic investable liquidity is a major support to prices. The UK is more problematical; the economy is further down the road of productivity improvement and cyclical recovery than others in Europe, and inflationary pressure derived from wage push and deteriorating terms of trade are nearer the surface. However corporate earnings are growing faster than elsewhere in Europe and investor psychologicality is more highly attuned to equities.

In Japan, although index movements have been impressive, stock selection has been particularly difficult. Valuation levels are also undeniably high and expectations for corporate profit growth has slowed more significantly than elsewhere. For the time being we are content to run below average weightings in Japan, but expect to be able to benefit from emerging sector preferences, including opto-electronics, companies trading with Mainland China, and domestic orientated sectors which will benefit themselves from the strong move towards deregulation in the Japanese economy. This covers most financial areas, including banks brokers and non-life insurers, as well as utilities. There are also signs that the leading international blue chips will return to favour, perhaps by the end of the current quarter, as 1995 earnings prospects become more visible, and as their relatively low valuations begin to attract support. This would encourage us to raise our Japanese commitment at a later stage.

Other markets in the Pacific area have also recently under-performed. We have already moved back into Hong Kong, concentrating on higher quality companies that have maintained profitability throughout the difficult period. We currently have no exposure either to Singapore/Malaysia or Australia. We are still cautious on commodity related markets worldwide, including oils, but regard it possible that both these markets return to favour at some period during the first half of the current year.

Our market views are predicated on a continuing high valuation for the US dollar. The strong move in the dollar

since early December, has taken it to a level that we currently regard as close to a likely short-to-medium-term ceiling. While monetary and fiscal policies in the US compared to the rest of the world are at variance, however, it is hard to envisage a lasting deterioration in the US currency. Any tightening in monetary policy outside the US still looks to us unlikely, and the scope for fiscal relaxation rather limited, even in the UK. Similarly policies appear fixed in the inverse stalemate in the US. Although we have recently hedged 20% of the portfolio against a further rise in the US dollar, we regard this as more of an insurance policy against uncertainty, rather than a specific profit opportunity at this stage.

STATE OF ALASKA TEACHERS RETIREMENT SYSTEM

PERFORMANCE

	<u>FUND</u> <u>US\$</u>	<u>CAPITAL INTERNATIONAL</u> <u>EAFE *</u>
<u>1983</u>		
31 November	+1.8%	+2.4%
31 December	<u>+4.8%</u>	<u>+4.2%</u>
Q4 from Inception	+6.7%	+6.7%
<u>1984</u>		
31 January	+ 0.6%	+ 4.5%
25 February	- 0.8%	+ 0.9%
31 March	<u>+ 5.1%</u>	<u>+ 9.4%</u>
Q1	+ 4.9%	+15.4%
30 April	- 3.0%	- 1.6%
31 May	-10.2%	-10.1%
30 June	<u>+ 0.3%</u>	<u>- 0.1%</u>
Q2	-12.6%	-11.6%
31 July	- 3.3%	- 6.4%
31 August	+ 7.4%	+ 8.5%
30 September	<u>- 0.4%</u>	<u>- 0.8%</u>
Q3	+ 3.4%	+ 0.7%
31 October	+ 0.6%	+ 2.5%
30 November	- 1.5%	+ 0.4%
31 December	<u>+0.9%</u>	<u>+2.1%</u>
Q4	0.0%	+5.1%
Year End 1984	-5.2%	+8.0%
Since Inception	+ 1.2%	+15.1%

\* Including 100% of income

International Equity Portfolio

31ST DECEMBER 1984

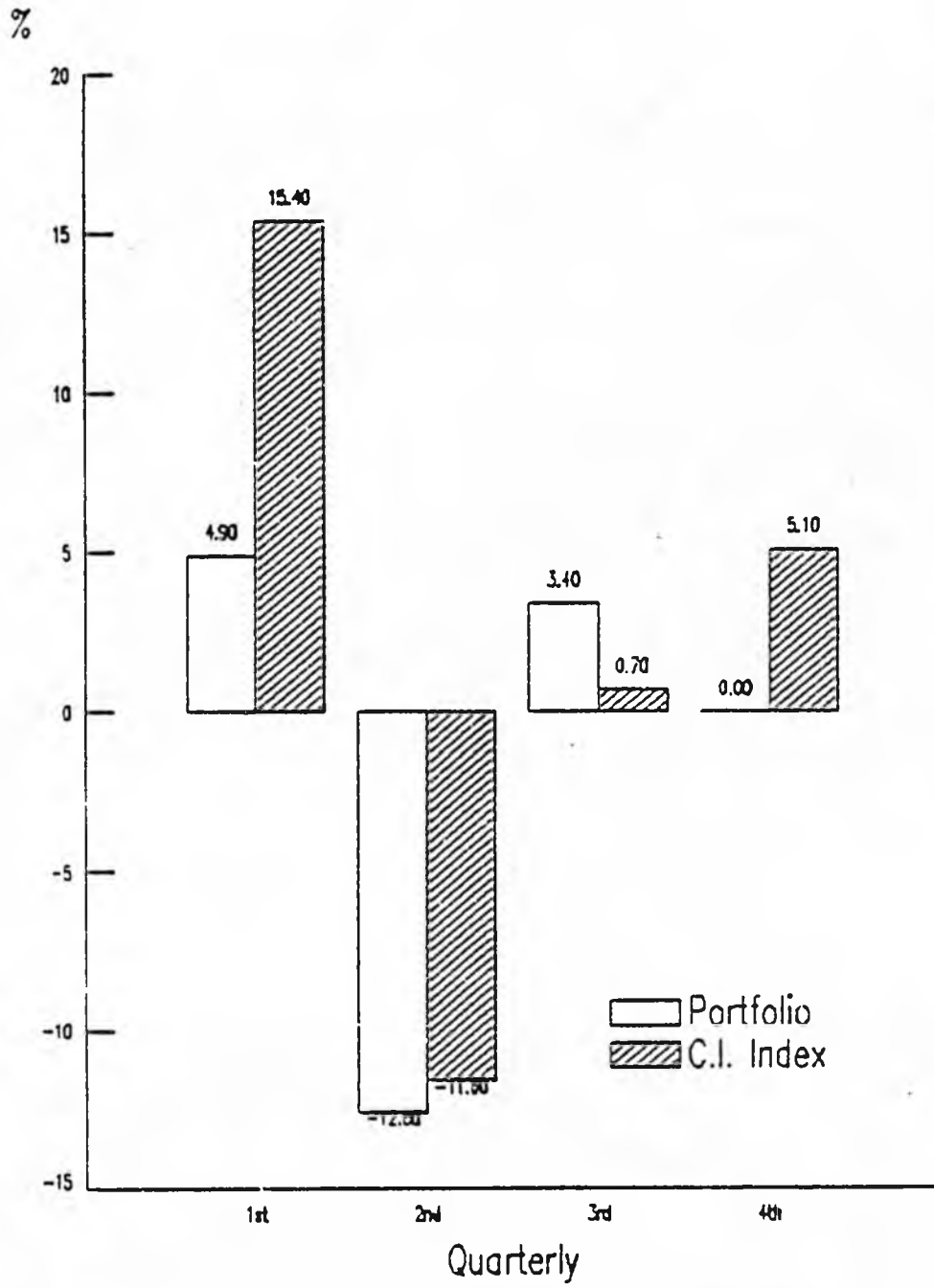
	US\$	US\$
Total Portfolio Value 30th November 1984		9,455,334
<u>CHANGES</u>		
Interest Accrued	9,222	
Dividends Received	7,084	
Realised Capital Depreciation	(3,090)	
Unrealised Capital Appreciation	81,437	
Management Fee Accrued	(5,060)	
		89,593
<u>Portfolio Valuation at 31st December 1984</u>		
Total of Portfolio	9,550,378	
Interest Due	36,296	
Management Fees Payable	(41,747)	
Total Portfolio Value 31st December 1984		\$ 9,544,927

STATE OF ALASKA TEACHERS RETIREMENT SYSTEM  
International Equity Portfolio  
31st December 1984

Sources And Uses of Funds Statement for December 1984

	<u>Historical Cost Basis</u>	
	<u>US\$</u>	<u>US\$</u>
<u>SOURCES OF FUNDS</u>		
Interest and Dividends Received	7,095	
Proceeds of Equity and Convertible Assets	235,337	
Proceeds of Fixed Income Assets	-	
Contributions	-	
Unrealized Gains/(Losses)	(3,090)	
Other Sources	-	
	-----	239,342
<u>USES OF FUNDS</u>		
Payments	-	
Payments of Equity & Convertible Assets	1,208,405	
Payments of Fixed Income Assets	-	
Withdrawals	-	
	-----	(1,208,405)
		-----
Change in Funds		(969,063)
		=====
	US\$	
Balance 30th November 1984	1,279,246	
Balance 31st December 1984	310,183	
	-----	
Change during December	\$ 969,063	
	-----	

# Alaska Teachers Performance



The State of Alaska Teachers  
Valuation of Assets at 31 December 1984

	Classification by Asset Type				
	<u>Book Value</u>	<u>Market Value</u>	<u>Annual Income</u>	<u>Yield</u>	<u>% of Fund</u>
<u>Fixed Income Assets</u>					
Bonds	149,094	152,569	12,048	7.90%	1.60%
Total Fixed Income Assets	<u>\$149,094</u>	<u>\$152,569</u>	<u>\$12,048</u>	<u>7.90%</u>	<u>1.60%</u>
Total Accrued Interest		\$0			
<u>Equity &amp; Convertible Assets</u>					
Convertible Bonds	199,074	206,431	10,433	5.05%	2.16%
Equities	8,542,012	8,736,642	178,791	2.05%	91.48%
Preferred Stock	100,345	102,504	1,283	1.34%	1.07%
Warrants	48,817	38,352	0	0.00%	0.40%
Total Equity & Convertible Assets	<u>\$8,890,249</u>	<u>\$9,083,929</u>	<u>\$191,108</u>	<u>2.10%</u>	<u>95.12%</u>
Total Accrued Interest		\$4,092			
<u>Cash &amp; Equivalent Assets</u>					
Cash net of settlements	310,183	313,880	26,338	8.39%	3.29%
Total Cash & Equivalent Assets	<u>\$310,183</u>	<u>\$313,880</u>	<u>\$26,338</u>	<u>8.39%</u>	<u>3.29%</u>
<b>GRAND TOTAL OF ASSETS</b>	<u><u>\$9,349,526</u></u>	<u><u>\$9,550,378</u></u>	<u><u>\$229,494</u></u>	<u><u>2.40%</u></u>	<u><u>100.00%</u></u>

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STATE OF ALASKA  
DEPARTMENT OF REVENUE  
TREASURY DIVISION

TEACHERS RETIREMENT SYSTEM  
Monthly Financial Reports

DECEMBER 31, 1984

## STATEMENT NO. 1

STATE OF ALASKA  
Teachers Retirement System  
STATEMENT OF INVESTMENT PORTFOLIO ASSETS  
December 31, 1984

<u>ASSETS</u>	<u>Amount</u>	<u>%</u>
Investments		
Marketable Securities:		
Debt Issues	\$364,338,293.01	49 %
Domestic Equities	98,779,855.31	13
Foreign Equities	18,527,062.61	3
Repurchase Agreements	700,000.00	-
Other Marketable Securities	-	-
Total Marketable Securities	<u>482,345,210.93</u>	<u>65</u>
Mortgages	197,193,194.19	27
Real Estate Equities	<u>52,714,861.10</u>	<u>7</u>
Total Investments	732,253,266.22	99
Cash (Interest Bearing)	954,396.61	-
Receivables		
Dividends/Interest on Marketable Securities	7,808,968.83	1
Investments sold	-	-
Total Receivables	<u>7,808,968.83</u>	<u>1</u>
Total Assets	<u>741,016,631.66</u>	<u>100</u>
<u>LIABILITIES</u>		
Payables	-	-
Investment Securities Purchased	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
<u>NET ASSETS</u>	<u>\$741,016,631.66</u>	<u>100 %</u>

See notes to financial statements

STATE OF ALASKA  
 Teachers Retirement System  
 INVESTMENT PORTFOLIO  
 STATEMENT OF REVENUES AND CHANGES IN NET ASSETS  
 December 31, 1984

<u>REVENUES</u>	<u>Current Month</u>	<u>Year to Date</u>
<b>Income</b>		
Interest Income:		
Marketable Securities	\$2,674,197.54	\$19,149,362.68
Mortgages	2,124,913.34	11,427,960.83
Real Estate Equities	140,438.53	1,563,512.12
Loaned Securities	-	-
Total Interest	<u>4,939,549.41</u>	<u>32,140,835.63</u>
Dividends	428,426.06	2,479,727.63
Net Gain (Loss) on the Sale of:		
Debt Issues	140,946.89	(251,951.22)
Domestic Equities	219,567.10	1,438,187.16
Real Estate Equities	-	-
Foreign Equities	(57,906.27)	(491,346.77)
Other Marketable Securities	-	-
Total Gain (Loss)	<u>302,607.72</u>	<u>694,889.17</u>
Total Income	5,670,583.19	35,315,452.43
<u>BEGINNING NET ASSETS</u>	732,273,689.51	689,677,907.19
<u>NET CONTRIBUTIONS</u>	<u>3,072,358.96</u>	<u>16,023,272.04</u>
<u>ENDING NET ASSETS</u>	<u>\$741,016,631.66</u>	<u>\$741,016,631.66</u>

See notes to financial statements

STATE OF ALASKA  
Teachers Retirement System  
COMPOSITION OF INVESTMENT HOLDINGS  
December 31, 1984

INVESTMENTS

	<u>Amount</u>	<u>Yield</u>
<b>Marketable Securities:</b>		
Debt Issues - (49%)		
U.S. Government Obligations		
Treasury Bills	\$ -	-%
Treasury Notes & Bonds	<u>308,334,436.90</u>	<u>11.46</u>
Total U.S. Government Obligations	308,334,436.90	11.46
Federal Agency	8,702,291.92	10.86
Government National Mortgage Assoc.	<u>17,689,221.21</u>	<u>8.31</u>
Total Agency Obligations	26,391,513.13	9.15
Corporate Notes & Bonds	29,612,342.98	9.74
Repurchase Agreements	<u>700,000.00</u>	<u>9.13</u>
Total Debt Issues	265,038,293.01	11.15
Domestic Equities - (13%)		
Equities	86,970,177.31	3.98
Corporate Convertible Bonds	935,812.50	7.48
Funds Reserved for Equity Purchases	<u>10,873,865.50</u>	<u>8.00</u>
Total Domestic Equities	98,779,855.31	4.46
Foreign Equities - (3%)		
Equities	16,976,222.69	3.06
Funds Reserved for Equity Purchases	<u>1,550,839.92</u>	<u>8.00</u>
Total Foreign	18,527,062.61	3.47
Other Marketable Securities -		
Total Marketable Securities	482,345,210.93	9.49
Mortgages - (27%)		
Federally Insured Mortgages	4,937,608.68	7.76
Conventional Mortgages	<u>192,255,585.51</u>	<u>12.49</u>
Total Mortgages	197,193,194.19	12.37
Real Estate Equities - (7%)		
Total Real Estate Equities	<u>52,714,861.10</u>	<u>10.48</u>
Total Investments	<u>\$732,253,266.22</u>	<u>10.34%</u>

COMPOSITION OF INVESTMENT HOLDINGS - Continued

	<u>Amount</u>	<u>Yield</u>
<u>CASH (Interest Bearing)</u>	954,396.61	8.00
<u>RECEIVABLES - (1%)</u>		
Dividends Receivable -	480,245.31	-
Accrued Interest Receivable -	7,328,723.52	-
Investments Sold	-	-
Total Receivables	<u>7,808,968.83</u>	<u>N/A</u>
Total ASSETS	<u>\$741,016,631.66</u>	<u>10.23</u>

See notes to financial statements

STATE OF ALASKA  
Teachers Retirement System  
INVESTMENT PORTFOLIO  
STATEMENT OF CHANGES IN ASSETS  
December 31, 1984

<u>FUNDS WERE PROVIDED BY</u>	<u>Current Month</u>	<u>Year to Date</u>
Investment Operations:		
Income	\$5,670,583.19	\$35,315,452.43
Amortization	214,636.62	1,487,443.52
Decrease (Increase) in Receivables	(2,182,249.75)	(1,668,727.71)
Increase (Decrease) in Payables	-	-
Total Provided by Operation	<u>3,702,970.06</u>	<u>35,134,168.24</u>
Sale/Maturity of Marketable Securities:		
Debt Issues	1,032,070.29	82,728,107.37
Domestic Equities	2,550,981.94	17,677,776.30
Foreign Equities	1,189,494.81	8,963,465.00
Other Marketable Securities	-	-
Total Sales/Maturities	<u>4,772,547.04</u>	<u>109,369,348.67</u>
Mortgage Payments	1,433,975.98	9,216,745.98
Real Estate Equities	-	-
Net Contributions	<u>3,072,358.96</u>	<u>16,023,272.04</u>
Total Funds Provided	<u>12,981,852.04</u>	<u>169,743,534.93</u>
<u>FUNDS WERE USED FOR PURCHASES OF:</u>		
Marketable Securities:		
Debt Issues	4,102,500.00	103,253,387.50
Domestic Equities	2,398,082.26	71,017,475.80
Foreign Equities	5,566,948.01	16,279,583.13
Other Marketable Securities	-	-
Total Securities Purchased	<u>12,067,530.27</u>	<u>190,550,446.43</u>
Mortgages	2,661,248.28	21,010,478.55
Real Estate Equities	<u>907,667.53</u>	<u>2,330,741.12</u>
Total Funds Used	<u>15,636,446.08</u>	<u>213,891,666.10</u>
<u>NET CHANGE IN FUNDS</u>	<u>(2,654,594.04)</u>	<u>(44,148,131.17)</u>
<u>SUMMARY OF CHANGES</u>		
Increase(Decrease) in Cash	(3,354,594.04)	(36,848,131.17)
Increase(Decrease) in Repurchase Agreements	700,000.00	(7,300,000.00)
Net Change in Funds	<u>\$(2,654,594.04)</u>	<u>\$(44,148,131.17)</u>

See notes to financial statements

Teachers Retirement System  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1984

THE ACCOUNTING ENTITY

The Teachers Retirement System is a defined benefit, joint contributory system established by the State of Alaska for the payment of retirement, disability and death benefits to or on behalf of qualified employees of the state or a political subdivision of the state.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the State of Alaska, Department of Revenue, Division of Treasury, Teachers' Retirement System's Investment Portfolio conform to generally accepted accounting principles. The more significant accounting policies are as follows:

1. Year-to-Date figures are for the State's fiscal year ending June 30th.
2. Contributions from employers and employees are recorded when received then netted with investment mortgage loan activity during the monthly accounting period.
3. The term "Funds" has been defined for the Statement of Changes in Assets as cash and repurchase agreements.
4. Interest income and dividend income on Marketable Securities is accrued monthly as earned. Interest income is shown net of amortization of premiums and accretion of discounts. Accrued interest purchased is charged against income at the time of acquisition.
5. Investments are carried at cost, and in the case of marketable debt issues adjusted for amortization of premiums and accretion of discounts. Gains or losses on the sales of securities are determined by specific identification.
6. All safekeeping costs, as well as transaction charges, are billed to the Teachers' Retirement System and not deducted from operating income at the time securities mature or are sold.

MARKET VALUE

The market value of Marketable Securities is determined by the custodial agent on the last business day of the monthly accounting period. Real estate equities are valued by the companies managing those funds. The market value of the mortgage investments is estimated by adjusting purchased yields to the current secondary mortgage market conditions established by the MGIC Investment Corporation. This estimate is limited in scope due to the limited liquidity of these investments.

The estimated market value of marketable securities at statement date and their corresponding market yields were as follows:

	MARKET VALUE	YIELD ON MKT.
Debt Issues	348,244,593.	11.68
Domestic Equities	103,006,969.	4.28
Foreign Equities	18,695,684.	3.44
Repurchase Agreement	700,000.	9.13
Other Marketable Securities	-	-
Mortgages	188,632,263.	12.93
Real Estate Equities	<u>57,299,766.</u>	9.64
Total Investments at Market	716,579,275.	

#### EXTERNAL INVESTMENT MANAGEMENT

Domestic Equities are assets of the portfolio currently under external management by managers who have been directed to emphasize domestic corporate common stock investments. Foreign Equities are assets of the portfolio currently under external management by managers who have been directed to emphasize foreign corporate common stock investments. Real Estate Equities are assets of the portfolio consisting of units or shares of real estate equity funds which are under external management of various companies.

#### YIELD ON COST

Yields on Real Estate Equity investments are determined at the end of each fiscal year quarter. The yield is figured on a realized quarterly income basis, annualized against that quarter's average historical cost. This yield calculation doesn't account for the annual capital appreciation aspects of these type of investments.

The financial report and statement presented herein were prepared from the books of account without audit, and no independent opinion on the fairness of these statements has been rendered.



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Brian C. Andrews  
Treasury Comptroller

ELECT - QUERY  
0001 ALL SECTION=14.25.180

14.25.180 DOCUMENT= 1 OF 1

CHAPTER = 14.25  
SECTION = 14.25.180  
TITLE = 14  
HEADINGS TITLE 14.  
EDUCATION.  
CHAPTER 25.  
TEACHERS' RETIREMENT.  
CITATION SEC. 14.25.180.

ATCH LINE

CUSTODY AND INVESTMENT.

EXT (A) THE COMMISSIONER OF REVENUE IS THE TREASURER OF THE SYSTEM AND HAS POWERS AND DUTIES FOR THIS PURPOSE INCLUDING BUT NOT LIMITED TO THE FOLLOWING:

(1) TO ACT AS OFFICIAL CUSTODIAN OF THE CASH AND SECURITIES BELONGING TO THE SYSTEM AND PROVIDE ADEQUATE SAFE DEPOSIT FACILITIES FOR THEM;

(2) TO RECEIVE ALL ITEMS OF CASH BELONGING TO THE SYSTEM;

(3) TO COLLECT THE INTEREST AND PRINCIPAL ON SECURITIES ACQUIRED BY THE SYSTEM AND DEPOSIT THE INTEREST AND PRINCIPAL IN THE RETIREMENT FUND;

(4) TO INVEST AND REINVEST THE ASSETS OF THE RETIREMENT FUND IN ACCORDANCE WITH THIS SECTION.

(B) WHEN, IN THE OPINION OF THE COMMISSIONER OF ADMINISTRATION, THERE IS ON HAND IN THE RETIREMENT FUND A SURPLUS OVER AND ABOVE A REASONABLY SAFE AMOUNT TO TAKE CARE OF CURRENT DEMANDS UPON THE FUND, THE SURPLUS OR SO MUCH OF ITS AS IN THE JUDGMENT OF THE COMMISSIONER OF ADMINISTRATION IS CONSIDERED PROPER MAY BE INVESTED AT COMPETITIVE NATIONAL MARKET RATES BY THE COMMISSIONER OF REVENUE IN

(1) ~~REPEALED~~, SEC. 1 CH 122 SLA 1980.E

(2) ~~REPEALED~~, SEC. 1 CH 122 SLA 1980.E

(3) ~~REPEALED~~, SEC. 1 CH 122 SLA 1980.E

(4) SHARES OF FEDERALLY CHARTERED SAVINGS AND LOAN ASSOCIATIONS IN ALASKA, TO THE EXTENT THAT THE INVESTMENT IS INSURED BY THE FEDERAL GOVERNMENT OR BY AN AGENCY OF THE FEDERAL GOVERNMENT;

(5) DEPOSITS WITH MUTUAL SAVINGS BANKS IN ALASKA, TO THE EXTENT THAT THE INVESTMENT IS INSURED BY THE FEDERAL GOVERNMENT OR AN AGENCY OF THE FEDERAL GOVERNMENT;

(6) DEPOSITS WITH STATE AND NATIONAL BANKS IN ALASKA TO THE EXTENT THAT THE INVESTMENTS IS INSURED BY THE FEDERAL GOVERNMENT OR AN AGENCY OF THE FEDERAL GOVERNMENT;

(7) ~~REPEALED~~, SEC. 1 CH 122 SLA 1980.E

(8) ~~REPEALED~~, SEC. 1 CH 25 SLA 1974.E

(9) THE GUARANTEED PORTION OF SMALL BUSINESS ADMINISTRATION LOANS;

(10) FIRST LIEN REAL ESTATE MORTGAGES GUARANTEED BY THE FEDERAL VETERANS ADMINISTRATION;

(11) NOTES SECURED BY MORTGAGES OF COMMERCIAL OR RESIDENTIAL BUILDINGS IF THE MORTGAGES ARE INSURED BY A

PRIVATE MORTGAGE INSURANCE CORPORATION WHICH IS AUTHORIZED TO DO BUSINESS IN ALASKA AND HAS COMBINED CAPITAL, SURPLUS AND RESERVES AGGREGATING AT LEAST \$20,000,000; HOWEVER,

(A) NO MORTGAGE INSURANCE IS NECESSARY FOR COMMERCIAL LOANS HAVING LOAN-TO-VALUE RATIOS OF LESS THAN 50 PERCENT AND THE MINIMUM COVERAGE OF OTHER COMMERCIAL LOANS SHALL BE 10 PERCENT FOR THOSE HAVING LOAN-TO-VALUE RATIO OF 50-60 PERCENT AND 15 PERCENT FOR THOSE HAVING A LOAN-TO-VALUE RATIO GREATER THAN 60 PERCENT BUT NO MORE THAN 75 PERCENT, AND

(B) NO MORTGAGE INSURANCE IS NECESSARY FOR RESIDENTIAL LOANS HAVING A LOAN-TO-VALUE RATIO OF LESS THAN 70 PERCENT AND THE MINIMUM COVERAGE OF OTHER RESIDENTIAL LOANS SHALL BE 10 PERCENT FOR THOSE HAVING A LOAN-TO-VALUE RATIO GREATER THAN 70 PERCENT BUT LESS THAN 90 PERCENT AND 20 PERCENT FOR THOSE HAVING A LOAN-TO-VALUE RATIO OF 90 PERCENT;

(12) CONVENTIONAL RESIDENTIAL MORTGAGES IF THE ORIGINATING FINANCIAL INSTITUTION RETAINS AT LEAST 25 PERCENT OF THE MORTGAGE FOR A MINIMUM OF TWO YEARS;

(13) NOTES SECURED BY MORTGAGES OF COMMERCIAL BUILDINGS IF THE ORIGINATING FINANCIAL INSTITUTION RETAINS AT LEAST 25 PERCENT OF THE MORTGAGE UNTIL MATURITY;

(14) FHA GUARANTEED PORTION OF BUSINESS AND INDUSTRIAL LOANS MADE UNDER THE RURAL DEVELOPMENT ACT OF 1972;

(15) ~~REPEALED, SEC. 1 CH 122 SLA 1980.E~~

(16) ~~REPEALED, SEC. 1 CH 122 SLA 1980.E~~

(17) BANKERS' ACCEPTANCES WHICH ARE ELIGIBLE FOR DISCOUNT AT THE FEDERAL RESERVE BANK AND CERTIFICATES OF DEPOSIT ISSUED BY UNITED STATES DOMESTIC BANKS WHICH ARE MEMBERS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION IF A GENERALLY RECOGNIZED SECONDARY MARKET EXISTS FOR THE CERTIFICATES OF DEPOSIT;

(18) OBLIGATIONS OF, OR OBLIGATIONS INSURED BY OR GUARANTEED BY, THE UNITED STATES OR AGENCIES OR INSTRUMENTALITIES OF THE UNITED STATES;

(19) OBLIGATIONS SECURED BY RESERVES PAID IN BY THE UNITED STATES OR AGENCIES OR INSTRUMENTALITIES OF THE UNITED STATES OR OBLIGATIONS OF CORPORATIONS IN WHICH THE UNITED STATES IS A SHAREHOLDER OR MEMBER;

(20) CORPORATE DEBT SECURITIES WITH A MINIMUM RATING OF "A" OR AN EQUIVALENT RATING BY A NATIONALLY RECOGNIZED RATING ORGANIZATION;

(21) PREFERRED AND COMMON STOCK OF COMPANIES WHICH HAVE PAID DIVIDENDS IN EACH OF THE THREE YEARS IMMEDIATELY PRECEDING THE INVESTMENT;

(22) COMMERCIAL PAPER BEARING THE HIGHEST RATING OF A NATIONALLY RECOGNIZED RATING ORGANIZATION;

(23) SECURITIES OF FOREIGN GOVERNMENTS, FOREIGN GOVERNMENTAL AGENCIES, AND FOREIGN CORPORATIONS THE PRINCIPAL, INTEREST OR DIVIDENDS ON WHICH ARE PAYABLE IN EITHER UNITED STATES DOLLARS OR FOREIGN CURRENCIES; HOWEVER, INVESTMENTS UNDER THIS PARAGRAPH MAY NOT EXCEED 10 PERCENT OF THE TOTAL INVESTMENTS OF THE RETIREMENT FUND;

(24) FOREIGN TIME DEPOSITS OF BOTH UNITED STATES-OWNED AND FOREIGN-OWNED BANKS AND TRUST COMPANIES DENOMINATED IN

EITHER UNITED STATES DOLLARS OR FOREIGN CURRENCIES; HOWEVER, INVESTMENTS UNDER THIS PARAGRAPH MAY NOT EXCEED 20 PERCENT OF THE TOTAL INVESTMENTS OF THE RETIREMENT FUND; (25) GOLD BULLION CERTIFIED AS TO FINENESS OF AT LEAST 99-1/2 PERCENT; HOWEVER, INVESTMENTS UNDER THIS PARAGRAPH MAY NOT EXCEED 10 PERCENT OF THE TOTAL INVESTMENTS OF THE RETIREMENT FUND; THE COMMISSIONER OF REVENUE SHALL PURCHASE GOLD BULLION PRODUCED IN ALASKA TO THE EXTENT THAT ALASKA GOLD BULLION IS AVAILABLE IF IT CAN BE OBTAINED AT A PRICE COMPARABLE TO OUT-OF-STATE SOURCES.

(C) IN MAKING INVESTMENTS THE COMMISSIONER OF REVENUE SHALL EXERCISE THE JUDGMENT AND CARE UNDER THE CIRCUMSTANCES THEN PREVAILING WHICH AN INSTITUTIONAL INVESTOR OF ORDINARY PRUDENCE, DISCRETION, AND INTELLIGENCE EXERCISES IN THE MANAGEMENT OF LARGE INVESTMENTS ENTRUSTED TO IT NOT IN REGARD TO SPECULATION BUT IN REGARD TO THE PERMANENT DISPOSITION OF FUNDS, CONSIDERING PROBABLE SAFETY OF CAPITAL AS WELL AS PROBABLE INCOME. HOWEVER, NO MORE THAN 50 PERCENT OF THE RETIREMENT FUND MAY BE INVESTED AT ANY GIVEN TIME IN CORPORATE STOCKS AND DEBT SECURITIES, NOR MAY MORE THAN FIVE PERCENT OF THE VOTING STOCK OF A CORPORATION BE OWNED. STOCKS ELIGIBLE FOR PURCHASE ARE RESTRICTED TO STOCKS WHICH, EXCEPT FOR BANK STOCKS AND INSURANCE STOCKS, ARE LISTED UPON AN EXCHANGE REGISTERED WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION.

(D) EXCEPT AS PROVIDED ABOVE, THE COMMISSIONER OF REVENUE MAY:

(1) INVEST AND REINVEST THE PRINCIPAL AND INCOME OF THE RETIREMENT FUND WITHOUT DISTINCTION BETWEEN PRINCIPAL AND INCOME;

(2) SELL, EXCHANGE, CONVEY, TRANSFER OR OTHERWISE DISPOSE OF ANY INVESTMENT OF THE RETIREMENT FUND HELD IN THE NAME OF THE SYSTEM BY PRIVATE CONTRACT OR AT PUBLIC AUCTION;

(3) VOTE STOCKS, BONDS OR OTHER SECURITIES; GIVE GENERAL OR SPECIAL PROXIES OR POWERS OF ATTORNEY WITH OR WITHOUT POWER OF SUBSTITUTION; EXERCISE CONVERSION PRIVILEGES, SUBSCRIPTION RIGHTS OR OTHER OPTIONS AND MAKE PAYMENTS INCIDENTAL THERETO; CONSENT TO OR OTHERWISE PARTICIPATE IN CORPORATE REORGANIZATIONS OR OTHER CHANGES AFFECTING CORPORATE SECURITIES AND DELEGATE DISCRETIONARY POWERS AND PAY ASSESSMENTS OR CHARGES IN CONNECTION THEREWITH; AND GENERALLY EXERCISE THE POWERS OF AN OWNER WITH RESPECT TO STOCKS, BONDS, SECURITIES OR OTHER INVESTMENTS HELD IN THE RETIREMENT FUND;

(4) MAKE, EXECUTE, ACKNOWLEDGE AND DELIVER DOCUMENTS OF TRANSFER AND CONVEYANCE AND OTHER INSTRUMENTS NECESSARY OR APPROPRIATE TO CARRY OUT THE POWERS GRANTED BY THIS SUBSECTION;

(5) REGISTER INVESTMENTS HELD IN THE RETIREMENT FUND IN THE NAME OF THE SYSTEM;

(6) DO ALL ACTS WHETHER OR NOT EXPRESSLY AUTHORIZED WHICH THE COMMISSIONER OF REVENUE CONSIDERS NECESSARY OR PROPER FOR THE PROTECTION OF THE INVESTMENTS HELD IN THE RETIREMENT FUND.

(E) TO QUALIFY AS A MORTGAGE WHICH MAY BE PURCHASED UNDER (B)(11), (12) OR (13) OF THIS SECTION,

(1) THE ORIGINATING FINANCIAL INSTITUTION MUST CERTIFY

THAT THE MORTGAGE HAS BEEN MADE IN COMPLIANCE WITH LAW AND THAT LIENS SUPPORTING THE MORTGAGE HAVE BEEN PERFECTED;

(2) THE MORTGAGE MAY NOT HAVE BEEN HELD BY THE ORIGINATING FINANCIAL INSTITUTION FOR A PERIOD GREATER THAN 90 DAYS.

(F) WHEN MORE THAN ONE-HALF OF ONE PER CENT OF THE AGGREGATE OF ALL LOANS PURCHASED FROM A FINANCIAL INSTITUTION BECOMES DELINQUENT FOR 60 DAYS, THE PENSION FUND SHALL DISCONTINUE PURCHASING LOANS FROM THAT FINANCIAL INSTITUTION UNTIL THE DELINQUENCY IS REDUCED TO LESS THAN ONE-HALF OF ONE PER CENT.

(G) THE COMMISSIONER OF REVENUE MAY ENTER INTO FUTURES CONTRACTS FOR THE SALE OF INVESTMENTS PURCHASED UNDER (B) OF THIS SECTION ONLY FOR THE PURPOSE OF HEDGING AN EXISTING EQUIVALENT OWNERSHIP POSITION IN THE INVESTMENTS.

(H) THE COMMISSIONER OF REVENUE MAY TRANSFER AT ANY TIME A PORTION OF THE ASSETS OF THE RETIREMENT FUND TO A TRUST WHICH IS QUALIFIED UNDER SEC. 401(A) OF THE INTERNAL REVENUE CODE (26 U.S.C. SEC. 401(A)) AND EXEMPT FROM TAXATION UNDER SEC. 501(A) OF THE INTERNAL REVENUE CODE (26 U.S.C. SEC. 501(A)) AND WHICH IS MAINTAINED AS A MEDIUM FOR POOLING A PORTION OF THE FUNDS OF PENSION AND PROFIT-SHARING TRUSTS FOR DIVERSIFYING INVESTMENTS IN REAL ESTATE AND INTERESTS IN REAL ESTATE.

(I) THE COMMISSIONER OF REVENUE MAY ENTER INTO A CONTRACT OR TRUST AGREEMENT NECESSARY TO EFFECTUATE THE TRANSFER OF ASSETS OF THE RETIREMENT FUND OR TO MAINTAIN THE ASSETS OF THE RETIREMENT FUND TO BE TRANSFERRED TO A TRUST UNDER (H) OF THIS SECTION.

ISTORY

(SEC. 19 CH 145 SLA 1955; AM SEC. 15 CH 89 SLA 1960; AM SEC. 1 CH 128 SLA 1961; AM SEC. 1 CH 90 SLA 1962; AM SEC. 3 CH 4 SLA 1964; AM SECS. 1, 2 CH 66 SLA 1964; AM SEC. 1 CH 110 SLA 1964; AM SEC. 1 CH 55 SLA 1967; AM SEC. 3 CH 73 SLA 1969; AM SECS. 1, 2 CH 17 SLA 1970; AM SEC. 1 CH 112 SLA 1972; AM SEC. 26 CH 53 SLA 1973; AM SECS. 1, 2 CH 25 SLA 1974; AM SECS. 1, 2 CH 59 SLA 1977; AM SECS. 1-5 CH 122 SLA 1980)

0601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.

ELECT - QUERY  
0002 ALL SECTION=39.35.110

39.35.110 DOCUMENT= 1 OF 1

CHAPTER = 39.35  
SECTION = 39.35.110  
TITLE = 39  
HEADINGS TITLE 39.  
PUBLIC OFFICERS AND EMPLOYEES.  
CHAPTER 35.  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF ALASKA.  
ARTICLE 1.  
ADMINISTRATION.  
CITATION SEC. 39.35.110.

ATCH LINE

INVESTMENTS.

EXT (A) WHEN, IN THE OPINION OF THE COMMISSIONER OF ADMINISTRATION, THERE IS ON HAND IN THE PENSION FUND A SURPLUS OVER AND ABOVE A REASONABLY SAFE AMOUNT TO TAKE CARE OF CURRENT DEMANDS UPON THE FUND, THE SURPLUS, OR SO MUCH OF IT AS IN THE JUDGMENT OF THE COMMISSIONER OF ADMINISTRATION IS CONSIDERED PROPER, MAY BE INVESTED AT COMPETITIVE NATIONAL MARKET RATES BY THE COMMISSIONER OF REVENUE IN

(1) ~~REPEALED, SEC. 15 CH 122 SLA 1980.E~~

(2) ~~REPEALED, SEC. 15 CH 122 SLA 1980.E~~

(3) ~~REPEALED, SEC. 15 CH 122 SLA 1980.E~~

(4) ~~REPEALED, SEC. 15 CH 122 SLA 1980.E~~

(5) SHARES OF FEDERALLY CHARTERED SAVINGS AND LOAN ASSOCIATIONS IN ALASKA, TO THE EXTENT THAT THE INVESTMENT IS INSURED BY THE FEDERAL GOVERNMENT OR AN AGENCY OF THE FEDERAL GOVERNMENT;

(6) DEPOSITS WITH MUTUAL SAVINGS BANKS IN ALASKA, TO THE EXTENT THAT THE INVESTMENT IS INSURED BY THE FEDERAL GOVERNMENT OR AN AGENCY OF THE FEDERAL GOVERNMENT;

(7) DEPOSITS WITH STATE AND NATIONAL BANKS IN ALASKA TO THE EXTENT THAT THE INVESTMENT IS INSURED BY THE FEDERAL GOVERNMENT OR AN AGENCY OF THE FEDERAL GOVERNMENT;

(8) ~~REPEALED, SEC. 15 CH 122 SLA 1980.E~~

(9) THE GUARANTEED PORTION OF SMALL BUSINESS ADMINISTRATION LOANS;

(10) FIRST LIEN REAL ESTATE MORTGAGES GUARANTEED BY THE FEDERAL VETERANS ADMINISTRATION;

(11) NOTES SECURED BY MORTGAGES OF COMMERCIAL OR RESIDENTIAL BUILDINGS IF THE MORTGAGES ARE INSURED BY A PRIVATE MORTGAGE INSURANCE CORPORATION THAT IS AUTHORIZED TO DO BUSINESS IN ALASKA AND HAS COMBINED CAPITAL, SURPLUS AND RESERVES AGGREGATING AT LEAST \$20,000,000; HOWEVER,

(A) NO MORTGAGE INSURANCE IS NECESSARY FOR COMMERCIAL LOANS HAVING LOAN-TO-VALUE RATIOS OF LESS THAN 50 PERCENT AND THE MINIMUM COVERAGE OF OTHER COMMERCIAL LOANS SHALL BE 10 PERCENT FOR THOSE HAVING A LOAN-TO-VALUE RATIO OF 50-60 PERCENT AND 15 PERCENT FOR THOSE HAVING A LOAN-TO-VALUE RATIO GREATER THAN 60 PERCENT BUT NO MORE THAN 75 PERCENT, AND

(B) NO MORTGAGE INSURANCE IS NECESSARY FOR

RESIDENTIAL LOANS HAVING A LOAN-TO-VALUE RATIO OF LESS THAN 70 PERCENT AND THE MINIMUM COVERAGE OF OTHER RESIDENTIAL LOANS SHALL BE 10 PERCENT FOR THOSE HAVING A LOAN-TO-VALUE RATIO GREATER THAN 70 PERCENT BUT LESS THAN 90 PERCENT AND 20 PERCENT FOR THOSE HAVING A LOAN-TO-VALUE RATIO OF 90 PERCENT;

(12) CONVENTIONAL RESIDENTIAL MORTGAGES IF THE ORIGINATING FINANCIAL INSTITUTION RETAINS AT LEAST 25 PERCENT OF THE MORTGAGE FOR A MINIMUM OF TWO YEARS;

(13) NOTES SECURED BY MORTGAGES OF COMMERCIAL BUILDINGS IF THE ORIGINATING FINANCIAL INSTITUTION RETAINS AT LEAST 25 PERCENT OF THE MORTGAGE UNTIL MATURITY;

(14) FHA GUARANTEED PORTION OF BUSINESS AND INDUSTRIAL LOANS MADE UNDER THE RURAL DEVELOPMENT ACT OF 1972;

(15) ~~REPEALED, SEC. 15 CH 122 SLA 1980.E~~

(16) ~~REPEALED, SEC. 15 CH 122 SLA 1980.E~~

(17) BANKERS' ACCEPTANCES THAT ARE ELIGIBLE FOR DISCOUNT AT THE FEDERAL RESERVE BANK AND CERTIFICATES OF DEPOSIT ISSUED BY UNITED STATES DOMESTIC BANKS WHICH ARE MEMBERS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION IF A GENERALLY RECOGNIZED SECONDARY MARKET EXISTS FOR THE CERTIFICATES OF DEPOSIT;

(18) OBLIGATIONS OF, OR OBLIGATIONS INSURED BY OR GUARANTEED BY, THE UNITED STATES OR AGENCIES OR INSTRUMENTALITIES OF THE UNITED STATES;

(19) OBLIGATIONS SECURED BY RESERVES PAID IN BY THE UNITED STATES OR AGENCIES OR INSTRUMENTALITIES OF THE UNITED STATES OR OBLIGATIONS OF CORPORATIONS IN WHICH THE UNITED STATES IS A SHAREHOLDER OR MEMBER;

(20) CORPORATE DEBT SECURITIES WITH A MINIMUM RATING OF "A" OR AN EQUIVALENT RATING BY A NATIONALLY RECOGNIZED RATING ORGANIZATION;

(21) PREFERRED AND COMMON STOCK OF COMPANIES THAT HAVE PAID DIVIDENDS IN EACH OF THE THREE YEARS IMMEDIATELY PRECEDING THE INVESTMENT;

(22) COMMERCIAL PAPER BEARING THE HIGHEST RATING OF A NATIONALLY RECOGNIZED RATING ORGANIZATION;

(23) SECURITIES OF FOREIGN GOVERNMENTS, FOREIGN GOVERNMENTAL AGENCIES, AND FOREIGN CORPORATIONS THE PRINCIPAL, INTEREST OR DIVIDENDS ON WHICH ARE PAYABLE IN EITHER UNITED STATES DOLLARS OR FOREIGN CURRENCIES; HOWEVER, INVESTMENTS UNDER THIS PARAGRAPH MAY NOT EXCEED 10 PERCENT OF THE TOTAL INVESTMENTS OF THE PENSION FUND;

(24) FOREIGN TIME DEPOSITS OF BOTH UNITED STATES-OWNED AND FOREIGN-OWNED BANKS AND TRUST COMPANIES DENOMINATED IN EITHER UNITED STATES DOLLARS OR FOREIGN CURRENCIES; HOWEVER, INVESTMENTS UNDER THIS PARAGRAPH MAY NOT EXCEED 20 PERCENT OF THE TOTAL INVESTMENTS OF THE PENSION FUND;

(25) GOLD BULLION CERTIFIED AS TO FINENESS OF AT LEAST 99 1/2 PERCENT; HOWEVER, INVESTMENTS UNDER THIS PARAGRAPH MAY NOT EXCEED 10 PERCENT OF THE TOTAL INVESTMENTS OF THE PENSION FUND; THE COMMISSIONER OF REVENUE SHALL PURCHASE GOLD BULLION PRODUCED IN ALASKA TO THE EXTENT THAT ALASKA GOLD BULLION IS AVAILABLE IF IT CAN BE OBTAINED AT A PRICE COMPARABLE TO OUT-OF-STATE SOURCES.

(B) ~~REPEALED, SEC. 15 CH 122 SLA 1980.E~~

(C) IN MAKING INVESTMENTS THE COMMISSIONER OF REVENUE SHALL EXERCISE THE JUDGMENT AND CARE UNDER THE CIRCUMSTANCES THEN PREVAILING WHICH AN INSTITUTIONAL INVESTOR OF ORDINARY PRUDENCE, DISCRETION, AND INTELLIGENCE EXERCISES IN THE MANAGEMENT OF LARGE INVESTMENTS ENTRUSTED TO IT NOT IN REGARD TO SPECULATION BUT IN REGARD TO THE PERMANENT DISPOSITION OF FUNDS, CONSIDERING PROBABLE SAFETY OF CAPITAL AS WELL AS PROBABLE INCOME. HOWEVER, NO MORE THAN 50 PERCENT OF THE PENSION FUND MAY BE INVESTED AT A GIVEN TIME IN CORPORATE STOCKS AND DEBT SECURITIES, NOR MAY MORE THAN FIVE PERCENT OF THE VOTING STOCK OF ONE CORPORATION BE OWNED. STOCKS ELIGIBLE FOR PURCHASE ARE RESTRICTED TO STOCKS WHICH, EXCEPT FOR BANK STOCKS AND INSURANCE STOCKS, ARE LISTED UPON AN EXCHANGE REGISTERED WITH THE FEDERAL SECURITIES AND EXCHANGE COMMISSION.

(D) EXCEPT AS PROVIDED IN THIS SECTION, THE COMMISSIONER OF REVENUE MAY

(1) INVEST AND REINVEST THE PRINCIPAL AND INCOME OF THE PENSION FUND WITHOUT DISTINCTION BETWEEN PRINCIPAL AND INCOME;

(2) SELL, EXCHANGE, CONVEY, TRANSFER, OR OTHERWISE DISPOSE OF AN INVESTMENT OF THE PENSION FUND HELD IN THE NAME OF THE SYSTEM BY PRIVATE CONTRACT OR AT PUBLIC AUCTION;

(3) VOTE UPON A STOCK, BOND, OR OTHER SECURITY; GIVE A GENERAL OR SPECIAL PROXY OR POWER OF ATTORNEY WITH OR WITHOUT POWER OF SUBSTITUTION; EXERCISE A CONVERSION PRIVILEGE, SUBSCRIPTION RIGHT, OR OTHER OPTION AND MAKE PAYMENTS INCIDENTAL TO IT; CONSENT TO OR PARTICIPATE IN A CORPORATE REORGANIZATION OR OTHER CHANGE AFFECTING CORPORATE SECURITIES, DELEGATE DISCRETIONARY POWER, PAY AN ASSESSMENT OR CHARGE IN CONNECTION WITH THE DELEGATION; AND GENERALLY EXERCISE ANY OF THE POWERS OF AN OWNER WITH RESPECT TO STOCKS, BONDS, SECURITIES, OR OTHER INVESTMENTS HELD IN THE PENSION FUND;

(4) MAKE, EXECUTE, ACKNOWLEDGE, AND DELIVER DOCUMENTS OF TRANSFER AND CONVEYANCE AND INSTRUMENTS NECESSARY OR APPROPRIATE TO CARRY OUT THE POWERS GRANTED;

(5) REGISTER INVESTMENTS HELD IN THE PENSION FUND IN THE NAME OF THE SYSTEM;

(6) DO ALL ACTS WHETHER OR NOT EXPRESSLY AUTHORIZED WHICH ARE CONSIDERED NECESSARY OR PROPER FOR THE PROTECTION OF THE INVESTMENTS HELD IN THE PENSION FUND.

(E) TO QUALIFY AS A MORTGAGE WHICH MAY BE PURCHASED UNDER (A)(11), (12), OR (13) OF THIS SECTION,

(1) THE ORIGINATING FINANCIAL INSTITUTION MUST CERTIFY THAT THE MORTGAGE BEING SOLD HAS BEEN MADE IN COMPLIANCE WITH LAW AND THAT LIENS SUPPORTING THE MORTGAGE HAVE BEEN PERFECTED;

(2) THE MORTGAGE MAY NOT HAVE BEEN HELD BY THE ORIGINATING FINANCIAL INSTITUTION FOR A PERIOD GREATER THAN 90 DAYS.

(F) WHEN MORE THAN ONE-HALF OF ONE PER CENT OF THE AGGREGATE OF ALL LOANS PURCHASED FROM A FINANCIAL INSTITUTION BECOMES DELINQUENT FOR 60 DAYS, THE PENSION FUND SHALL DISCONTINUE PURCHASING LOANS FROM THAT FINANCIAL INSTITUTION UNTIL THE DELINQUENCY IS REDUCED TO LESS THAN ONE-HALF OF ONE PER CENT.

(G) REPEALED, SEC. 15 CH 122 SLA 1980.E

(H) THE COMMISSIONER OF REVENUE MAY ENTER INTO FUTURES CONTRACTS FOR THE SALE OF INVESTMENTS PURCHASED UNDER (A) OF THIS SECTION ONLY FOR THE PURPOSE OF HEDGING AN EXISTING EQUIVALENT OWNERSHIP POSITION IN THE INVESTMENTS.

(I) THE COMMISSIONER OF REVENUE MAY TRANSFER AT ANY TIME A PORTION OF THE ASSETS OF THE PENSION FUND TO A TRUST THAT IS QUALIFIED UNDER 26 U.S.C. SEC. 401(A) (INTERNAL REVENUE CODE) AND EXEMPT FROM TAXATION UNDER 26 U.S.C. SEC. 501(A) (INTERNAL REVENUE CODE) AND THAT IS MAINTAINED AS A MEDIUM FOR POOLING A PORTION OF THE FUNDS OF PENSION AND PROFIT-SHARING TRUSTS FOR DIVERSIFYING INVESTMENTS IN REAL ESTATE AND INTERESTS IN REAL ESTATE.

(J) THE COMMISSIONER OF REVENUE MAY ENTER INTO A CONTRACT OR TRUST AGREEMENT NECESSARY TO EFFECTUATE THE TRANSFER OF ASSETS OF THE PENSION FUND OR TO MAINTAIN THE ASSETS OF THE PENSION FUND TO BE TRANSFERRED TO A TRUST UNDER (I) OF THIS SECTION.

ISTORY

(SEC. 37 CH 143 SLA 1960; AM SEC. 1 CH 129 SLA 1961; AM SEC. 1 CH 150 SLA 1962; AM SEC. 2 CH 4 SLA 1964; AM SECS. 1 - 3 CH 80 SLA 1964; AM SEC. 1 CH 111 SLA 1964; AM SEC. 1 CH 56 SLA 1967; AM SEC. 4 CH 73 SLA 1969; AM SECS. 3, 4 CH 17 SLA 1970; AM SEC. 2 CH 112 SLA 1972; AM SECS. 3, 4 CH 25 SLA 1974; AM SECS. 3, 4 CH 59 SLA 1977; AM SECS. 7 - 10, 15 CH 122 SLA 1980)

0601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.

ELECT - QUERY

0001 ALL SECTION=18.56.084

18.56.084 DOCUMENT= 1 OF 1

CHAPTER = 18.56

SECTION = 18.56.084

TITLE = 18

HEADINGS TITLE 18.

HEALTH AND SAFETY.

CHAPTER 56.

ALASKA HOUSING FINANCE CORPORATION.

SECTION SEC. 18.56.084.

ATTACH LINE

INTERNATIONAL BORROWING.

EXT

FOR THE PURPOSE OF OBTAINING ACCESS TO INTERNATIONAL CAPITAL MARKETS TO BORROW MONEY FOR THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM (AS 18.56.098), AS AN ADDITION TO THE POWERS OF THE CORPORATION UNDER AS 18.56.090, THE CORPORATION MAY (1) ESTABLISH OR CAUSE TO BE ESTABLISHED, SUBSIDIARY CORPORATIONS INCORPORATED IN THE STATE OR IN ANOTHER STATE, OR UNDER THE LAWS OF A FOREIGN JURISDICTION; (2) INVEST IN CORPORATIONS ESTABLISHED UNDER THIS SECTION; (3) ISSUE BONDS AND BORROW MONEY FOR INVESTMENTS IN CORPORATIONS ESTABLISHED UNDER THIS SECTION; (4) BORROW FROM CORPORATIONS ESTABLISHED UNDER THIS SECTION; (5) GUARANTEE THE OBLIGATIONS OF CORPORATIONS ESTABLISHED UNDER THIS SECTION; OR (6) ENTER INTO AGREEMENTS WITH CORPORATIONS ESTABLISHED UNDER THIS SECTION OR WITH OTHER PERSONS. [ IN EXERCISING A POWER UNDER THIS SECTION, THE CORPORATION MAY NOT SUBJECT ITS ASSETS TO RISK OF LOSS THROUGH FOREIGN CURRENCY EXCHANGE. ] A GUARANTEE UNDER THIS SECTION CONSTITUTES A BOND OF THE CORPORATION AS DEFINED IN AS 18.56.210(13).

HISTORY (SEC. 16 CH 113 SLA 1982)

0601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y. State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

March 14, 1985

MAR 14 RECD

MEMORANDUM

TO: Representative Steve Rieger

ATTN: Bill Lovell

FROM: Jay Livey *JL*  
Legislative Analyst

RE: History of Gold Prices: 1978 - 1984  
Research Request 85-237

Your office requested information on the monthly price of gold for the past five years. Attached to this memorandum is a table showing the monthly price of an ounce of gold from January 1978 through December 1984.

I have also attached, for your information, a table showing the yields of various types of investments from 1970-1984 as well as a chart taken from the March 11, 1985 issue of Forbes entitled "Wake Up, Folks", showing the yield from a \$100,000 investment made on January 1, 1975 and held through 1984.

I hope this information is helpful to you. If you have any questions, please contact me.

JL

Attachments

MONTHLY GOLD PRICES 1978-1984\*  
(Per ounce)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
January	\$164.95	\$226.00	\$559.50	\$589.75	\$395.00	\$452.00	\$381.50
February	176.40	233.70	676.50	506.50	379.50	499.50	373.75
March	182.50	251.30	637.00	489.00	361.25	408.50	394.25
April	181.60	240.10	509.50	513.17	372.00	414.75	388.50
May	169.55	245.30	490.00	482.75	361.25	429.25	375.80
June	183.00	274.60	435.50	479.25	318.75	437.50	384.25
July	183.05	277.50	660.00	426.00	310.25	416.00	373.05
August	200.25	296.45	622.00	406.00	342.90	422.00	342.35
September	208.00	315.10	425.00	427.00	405.25	414.00	348.25
October	217.10	397.25	682.00	428.75	402.00	405.00	343.75
November	277.50	382.00	629.00	427.00	427.25	382.00	333.50
December	194.65	415.65	635.00	415.50	440.25	405.00	329.00

Source: Wall Street Journal

Note: Price given is the London price for the first business day of each month.

Prepared by the House Research Agency, March 1985.

YIELDS OF VARIOUS TYPES OF INVESTMENTS 1970 and 1973-1984

	<u>Corporate Bonds<sup>1</sup></u>	<u>Corporate Stocks<sup>2</sup></u>	<u>U.S Treasury Bills (3 yr)<sup>3</sup></u>	<u>Cetificates of Deposit<sup>4</sup></u>
1970	8.04	3.83	7.29	7.56
1973	7.44	3.06	6.95	NA
1974	8.57	4.47	7.82	10.24
1975	8.83	4.31	7.49	6.44
1976	8.43	3.77	6.77	5.27
1977	8.02	4.62	6.69	5.64
1978	8.73	5.28	8.29	8.22
1979	9.63	5.47	9.72	11.22
1980	11.94	5.26	11.55	13.07
1981	14.17	5.20	14.44	15.91
1982	13.79	5.87	12.92	14.19
1983	NA	NA	NA	9.35
1984	NA	NA	NA	10.96

Source: Statistical Abstract of the United States 1982-1983, page 516  
 Statistical Abstract of the United States 1984, page 522  
 Wall Street Journal.

Prepared by the House Research Agency, March 1985.

<sup>1</sup> Annual average of monthly yields for Aaa rated corporate bonds.

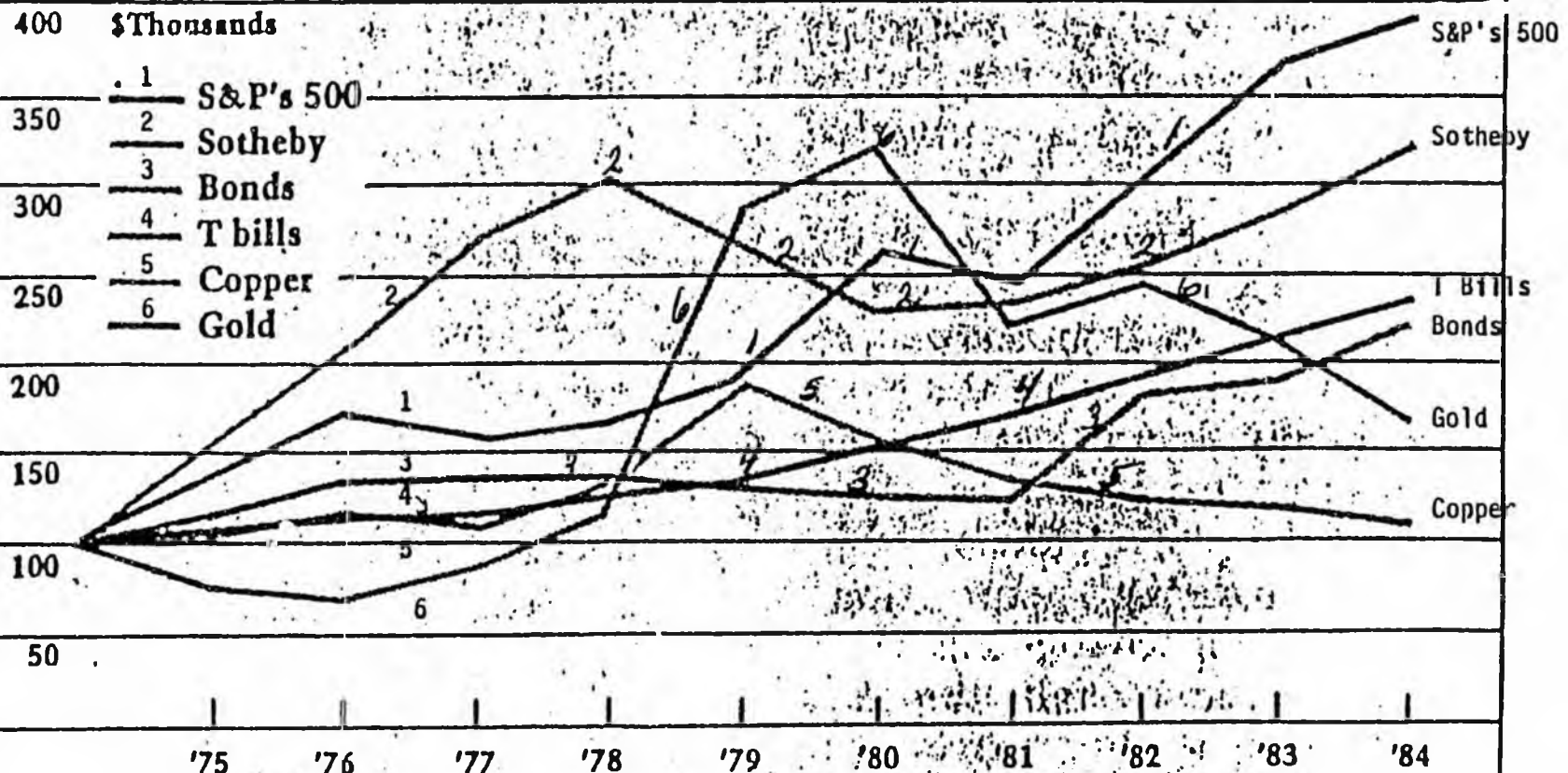
<sup>2</sup> Annual average of monthly yields for composite of 500 common stocks.

<sup>3</sup> Annual average of monthly yield on 3 year constant maturity U.S. Treasury Bills.

<sup>4</sup> 1970- 1980 is average annual interest rate for 3 month certificate of deposit. 1983 and 1984 data is average of interest rate on one year certificate of deposits on the first day of the month.

## Neither bonds, nor gold, nor copper, nor . . .

Here's how a \$100,000 investment made on Jan. 1, 1975 and held through 1984 would have rewarded you in each of six types of investments. The S&P's 500 (that is to say, stocks) would have outstripped by far any of the other five.



Sources: Bonds—Salomon Brothers Corporate Bond Index; Sotheby's Composite Art Index.

Source: Dreman, David, "Wake Up, Folks", *Forbes*, March 11, 1985, page 222.



# Alaska State Legislature

## House

Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811

M E M O R A N D U M

March 8, 1985

TO: Representative Steve Rieger  
FROM: Bill Lovell, Professional Assistant *BL*  
RE: Analysis of House Bill 207

You have requested an analysis of House Bill 207, "An Act limiting investment of PERS and TRS funds."

The overall substantive effects of HB 207 are: (1) investment of assets from the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) in foreign securities and foreign time deposits is limited to investments in which fund assets are not exposed to loss through foreign currency exchange; and (2) authorization to invest PERS and TRS funds in gold bullion is repealed. Other technical and stylistic changes are also made.

A more detailed analysis of substantive amendments to existing law follows. An analysis of technical and stylistic amendments can be found beginning on page 2 of this report.

Section 1 of the bill amends AS 14.25.180(b), which identifies specific types of investments authorized for assets of the Teachers' Retirement System (TRS).

(Page 3, lines 27 - 29.) This amendment restricts the investment of TRS fund assets in foreign securities. In such investments the commissioner of revenue is prohibited from subjecting TRS fund assets to risk of loss through foreign currency exchange. However, the amendment leaves open the option of investing TRS fund assets in foreign securities if no risk of loss through foreign exchange exists, as in a fully-hedged exchange contract.

(Page 4, lines 5 - 7.) This amendment similarly restricts the investments of TRS fund assets in foreign time deposits. Investments of TRS fund assets by the commissioner of revenue in foreign time deposits must not subject the fund assets to loss through foreign exchange, but are permitted if no such exposure exists.

(Page 4, lines 8 - 13.) This amendment repeals the paragraph authorizing investment of TRS fund assets in gold bullion.

Section 2 of the bill amends AS 39.35.110(a), which identifies specific types of investments authorized for assets of the Public Employees' Retirement System (PERS).

(Page 7, lines 4 - 7.) This amendment restricts the investment of PERS fund assets in foreign securities. In such investments the commissioner of revenue is prohibited from subjecting PERS fund assets to risk of loss through foreign currency exchange. However, the amendment leaves open the option of investing PERS fund assets in foreign securities if no risk of loss through foreign exchange exists, as in a fully-hedged exchange contract.

(Page 7, lines 11 - 14.) This amendment similarly restricts the investments of PERS fund assets in foreign time deposits. Investments of TRS fund assets by the commissioner of revenue in foreign time deposits must not subject the fund assets to loss through foreign exchange, but are permitted if no such exposure exists.

(Page 7, lines 14 - 19.) This amendment repeals the paragraph authorizing investment of PERS fund assets in gold bullion.

Section 3 states that the Act does not apply to investments in the PERS or TRS portfolio on the day before the effective date of the Act. This statement makes clear that the Act's provisions are only to be applied to investments of PERS or TRS fund assets after the Act's effective date, thereby reducing the likelihood of any misunderstanding from fund administrators or the market.

In the absence of an expressed effective date, the Act would become effective 90 days after signature by the governor.

Technical and Stylistic Amendments. In addition to the substantive amendments described in the preceding pages, various technical and stylistic changes are also made. These amendments, described below, effect no substantive changes in the present law.

(Page 1, lines 15 - 18; Page 1, lines 7 - 9; Page 3, line 1; Page 4, lines 21 - 25; Page 5, line 5; Page 6, lines 6 - 7). These amendments are technical and serve only to delete citations of paragraphs repealed in legislation from earlier sessions. The division of legal services automatically deletes such repealed citations whenever amending a section of the law.

(Various locations throughout bill). Because of the deletions of previously repealed citations, as described above, all succeeding paragraphs are renumbered.

Analysis of House Bill 207  
March 8, 1985  
Page 3

(Page 2, line 6; Page 3, line 2; Page 3, line 4; Page 6, line 10). These amendments replace the word "which" with the word "that". These amendments reflect current drafting style at the division of legal services.

/wtl  
Attachment