

Permanent Fund Integrated Investment Accounting and Reporting Software Analysis

FY2012 Request: \$150,000
Reference No: 51504

AP/AL: Appropriation

Project Type: Information Technology / Systems / Communication

Category: General Government

Location: Statewide

Contact: Laura Achee

House District: Statewide (HD 1-40)

Contact Phone: (907)796-1500

Estimated Project Dates: 07/01/2011 - 06/30/2012

Brief Summary and Statement of Need:

This funding will be used to analyze the Alaska Permanent Fund Corporation's portfolio accounting and reporting system needs and to assist in developing a scope of work and preliminary budget plan aimed at implementing an integrated system. The goal is to have an integrated portfolio accounting system that will allow the APFC to better track our internally traded Fixed Income investment assets and perhaps any other asset type APFC may hold, such as Real Estate, Equities, and Alternative assets. Prudent monitoring and reconciling of our investment accounts is a critical portion of the fiduciary duty of the APFC.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
PFund Rcpt	\$150,000	\$1,000,000					\$1,150,000
Total:	\$150,000	\$1,000,000	\$0	\$0	\$0	\$0	\$1,150,000

<input type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input checked="" type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
<u>One-Time Startup:</u>	0	
Totals:	0	0

Additional Information / Prior Funding History:

\$250,000, 1105 PF Receipts, Chapter 42 SLA 2010, SB230 Pg 33 Line25.

Project Description/Justification:

The purpose of this project is to determine the requirements for and the design of a system to replace the disparate mix of data systems currently in use. The goal is to have an integrated portfolio accounting system that will allow the APFC to better track our internally traded Fixed Income investment assets and perhaps any other asset type APFC may hold, such as Real Estate, Equities, and Alternative assets.

Portfolio accounting (distinct from the more common General Ledger accounting) is a critical piece of the fiduciary duty of the APFC. Portfolio accounting is part of the process of maintaining and monitoring our investment portfolio. Our portfolio accounting systems have interfaces with our Fixed Income trading system, our custodial bank and our General Ledger accounting system.

Prudent monitoring and reconciling of our investment accounts is a critical portion of the fiduciary duty of the APFC. Monitoring, reconciliation and compliance are important components of prudent investing and help to minimize the operational risk exposure of the Fund. Operational risk, as defined

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by the International Standards body the Basel Committee on Banking and Supervision, is the “risk of monetary losses resulting from inadequate or failed internal processes, people and systems.”

The system design proposed here is critical to monitoring and minimizing our overall operational risk posture. AS 37.13.120(a) requires the Permanent Fund to apply the Prudent Investor rule to the selection of investments. The accounting system design requested here represents a component of the prudent management of the Fund once those investments have been selected.

We believe that it is important to begin the work on this project due to the age and inefficiencies of our current disparate systems. As the Fund continues to grow and diversify assets, it is important that we continue to develop more efficient methods for accounting for and monitoring of these assets.

The project scope includes:

1. On-site review of systems and practices in place at the APFC	\$20,000
2. Report to the APFC on best practices at other comparable financial institutions including comparison to how the APFC performs those functions now	\$20,000
3. Needs Analysis	\$35,000
4. Requirements Definition to meet the APFC needs	\$35,000
5. Scope of work to meet APFC requirements	\$15,000
6. Project plan and assistance with drafting an RFP	\$15,000
7. Direct Expenses - four 1 week trips to Juneau	\$10,000
Total	\$150,000