



**FORTY-SIXTH ANNUAL REPORT**

**FISCAL YEAR 2001-2002**

## **POOLED MONEY**

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## **INVESTMENT**

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## **BOARD**

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**PHIL ANGELIDES**  
State Treasurer and Chairman

# Preface

## *Pooled Money*

## *Investment Board*

The Pooled Money Investment Board, created by the Legislature in 1955, is comprised of Phil Angelides, State Treasurer, as chairman; Steve Westly, State Controller; and Steve Peace, Director of Finance. The purpose of the Board is to design an effective cash management and investment program, using all monies flowing through the Treasurer's bank accounts and keeping all available funds invested consistent with the goals of safety, liquidity and yield.

The law restricts the Treasurer to investments in the following categories: U.S. government securities, securities of federally-sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks and savings and loan associations, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit and loans to various bond funds. Subsequent sections of this report deal individually with the demand account and investment programs for which the Board has oversight responsibilities, and which the Treasurer directly administers.

During the 2001-02 fiscal year, program earnings totaled \$1.717 billion. Approximately \$652 million of this amount was credited to units of local government as a result of their deposits in our investment pool. This level of voluntary participation, which averaged \$19.122 billion, reflects the confidence they have in our investment management capabilities. The magnitude of these investment earnings provide a significant reduction in the tax burden that otherwise would have been imposed on the citizens of California.

***Pooled Money Investment Board  
Forty-sixth Annual Report  
Fiscal Year 2001-2002  
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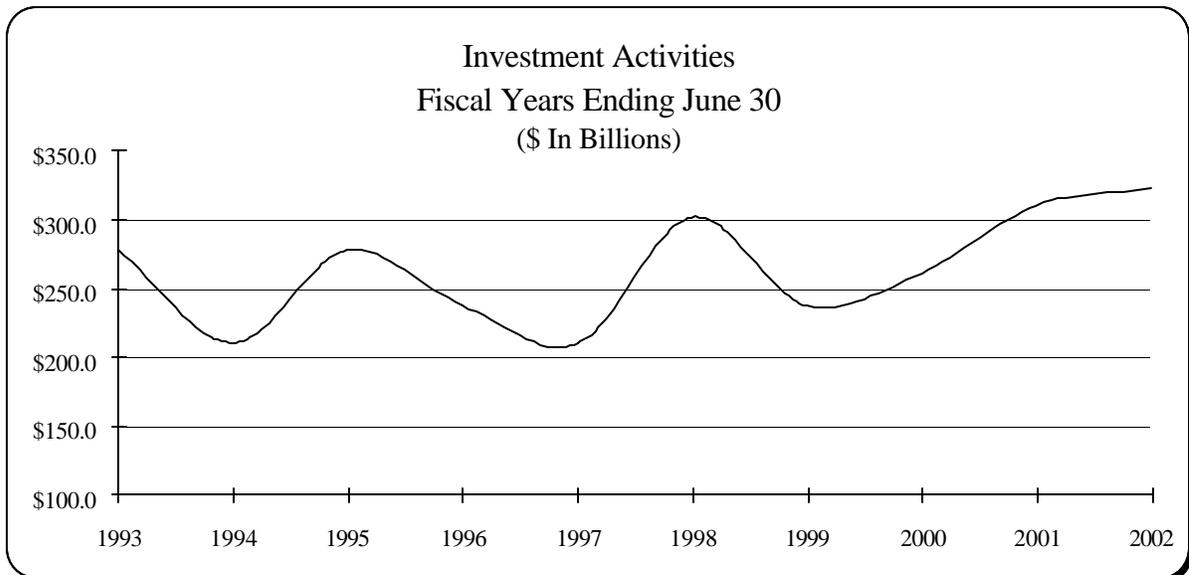
# Overview

## The Year in Review

Average Daily Portfolio .....	\$49,827,076,771
Earnings .....	\$1,716,544,929
Effective Yield .....	3.45%

## Investment Activity for the Fiscal Years Ending June 30 (\$ In Billions)

Fiscal Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Amount</b>	\$278.5	\$210.1	\$277.4	\$237.4	\$209.3	\$301.6	\$237.3	\$260.6	\$310.2	\$322.3
<b>Transactions</b>	6,898	5,169	6,351	5,721	5,120	7,108	5,804	6,447	7,889	8,025



## 2001-02 Investment Market Conditions

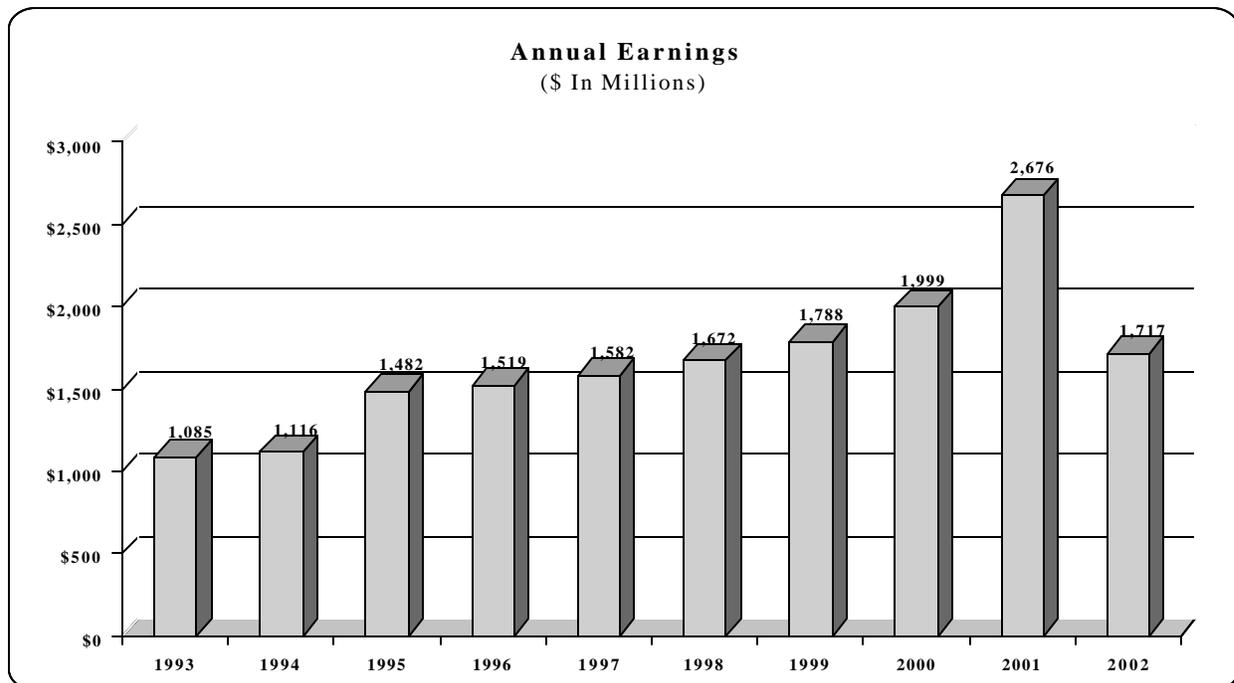
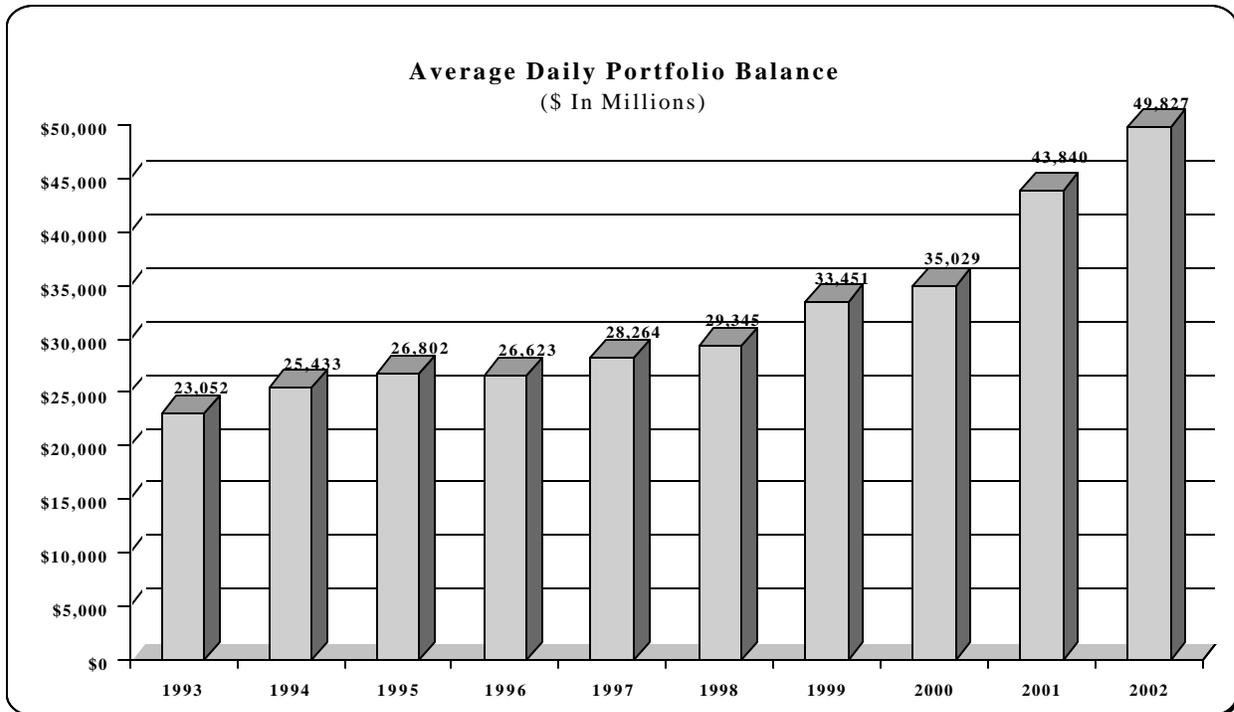
To indicate prevailing market conditions during the 2001-02 fiscal year, the following table shows monthly money market rates, as computed from daily closing bid prices. The information was obtained from Federal Reserve Bulletins published by the Board of Governors, Federal Reserve System, and the Bureau of Public Debt.

### Monthly Yield on Money Market Securities (Yield in Percent Per Annum)

Month	Federal Funds	3-Month Treasury Bills	90-Day Finance	90-Day Certificate of Deposits	6-Month Treasury Bills	1-Year Treasury Bills	3-Year Treasury Issues
			Company Commercial Paper				
July 2001	3.77	3.54	3.62	3.66	3.48	3.62	4.31
August	3.65	3.37	3.44	3.48	3.30	3.47	4.04
September	3.07	2.87	2.84	2.87	2.84	2.82	3.45
October	2.49	2.22	2.29	2.31	2.19	2.33	3.14
November	2.09	1.90	2.00	2.03	1.92	2.18	3.22
December	1.82	1.72	1.81	1.83	1.81	2.22	3.62
January 2002	1.73	1.64	1.72	1.74	1.73	2.16	3.56
February	1.74	1.73	1.80	1.82	1.83	2.23	3.55
March	1.73	1.81	1.87	1.91	2.02	2.57	4.14
April	1.75	1.72	1.83	1.87	1.97	2.48	4.01
May	1.75	1.74	1.80	1.82	1.88	2.35	3.80
June	1.75	1.71	1.78	1.81	1.82	2.20	3.49
2001-2002 Average	2.28	2.16	2.23	2.26	2.23	2.55	3.69
2000-2001 Average	5.73	5.14	5.54	5.64	5.07	5.16	5.21
Increase-(Decrease)	-3.45	-2.98	-3.31	-3.38	-2.84	-2.61	-1.52

Note: 3- 6-month Treasury Issues and 90-day Commercial Paper are quoted on a discount basis, 1-year Treasury Issues are quoted on a constant maturity basis.

# Comparison of Portfolio Balance and Earnings for Fiscal Years Ending June 30, 1993 through 2002



# Pooled Money Investment Account (PMIA)

## Summary Statistics

Resources .....	\$ 50,494.4	million per day on the average
Demand Accounts.....	\$ 667.3	million per day on the average
Portfolio.....	\$ 49,827.1	million per day on the average
Earnings .....	\$ 1,563.5	million from security investments
	143.9	million from bank time deposits
	9.1	million from General Fund loans
Earning Rate .....	3.45	percent average for all investments
Dollar Value of Investment Transactions .....	\$ 322.3	billion
Number of Investment Transactions .....	8,025	transactions
Time Deposits .....	125	banks, credit unions and savings banks held PMIA money at year-end

Source: State Treasurer's Office, Division of Investment

Resources of the Pooled Money Investment Account averaged \$50,494,405,771 per day during the fiscal year although the daily figures fluctuated widely with receipts and disbursements. The high point for the year occurred on June 25, 2002, when the total reached \$59,831,868,087. Resources for the account were lowest on September 11, 2001, when balances totaled \$46,314,130,860.

A breakdown of an average day's resources during the fiscal year shows the following: \$667.3 million in non-interest-bearing bank accounts; \$44.795 billion in securities and General Fund Loans; and \$5.032 billion in interest-bearing time deposits.

On the closing day of the fiscal year, the following resources were on hand in the Pooled Money Investment Account:

Demand bank account	\$ 949,635,095
Time bank account	5,177,695,000
Securities	<u>42,541,857,487</u>
<b>Total Resources</b>	<b>\$48,669,187,582</b>

## *Demand Account Program*

Investments of the PMIA are made from monies flowing through the Treasurer's demand (non-interest-bearing) bank accounts maintained in the seven banks that serve as State depositories. Currently, the seven depository banks are: Bank of America, California Bank & Trust, Union Bank of California, Bank of the West (acquired United California Bank in March 2002), U.S. Bank, Wells Fargo Bank and Westamerica Bank. A small portion of these funds must remain in the accounts as compensating balances which consist of (1) a balance for uncollected funds and (2) a balance for banking services. Uncollected funds represent the total dollar amount of checks deposited by the State for which the banks give immediate credit, but for which they do not receive good funds until these checks are presented to the banks on which they are drawn. The Pooled Money Investment Board allows the banks an average balance for uncollected funds equivalent to 1.3 calendar days on all checks deposited other than cashier's checks and checks under the presort of deposit system.

Under the presort of deposit system, the major revenue collecting agencies sort their checks by the seven State depository banks and then deposit them directly in the banks on which they are drawn, thus avoiding the need for providing bank balances for uncollected funds. The remaining checks are deposited under a contract whereby the depository bank receives bank balances equivalent to 1.345 calendar days for the amount of such deposits.

The balances allowed for banking services represent compensation for handling 394 thousand deposits, 54.2 million checks deposited, 325 thousand dishonored checks, \$659.1 million in currency deposited, \$10.5 million in coin deposited, 119.1 million warrants and 22.6 thousand checks paid.

All amounts in excess of these compensating balances are promptly invested by the Treasurer. Intensive and expert analysis of receipts and disbursement data is used daily to estimate the State's rapidly shifting cash position in order to determine exactly how much money is available for investment. This results in maximum earnings consistent with prudent management.

Compensating balances are determined by a formula, which accounts for the estimated volume of each service item as well as its unit cost. The rate schedule for the compensating balance formula is determined through annual negotiations with the State's depository banks and the cost for any particular service may be raised or lowered as conditions warrant. Adjustments for the difference between actual and estimated work-

load for any fiscal year are made in the following fiscal year. The PMIB made no changes in the rate schedule for banking services for the 2001-02 fiscal year. In addition to the rates shown below, the Board agreed to include the costs of account reconciliation and electronic funds transfer services within the compensating balance formula starting in the 1991-92 fiscal year. The costs for these two services are paid (with balances) on a lagged, actual basis when billed by each bank. The Board approved the following rate schedule for the 2001-02 fiscal year:

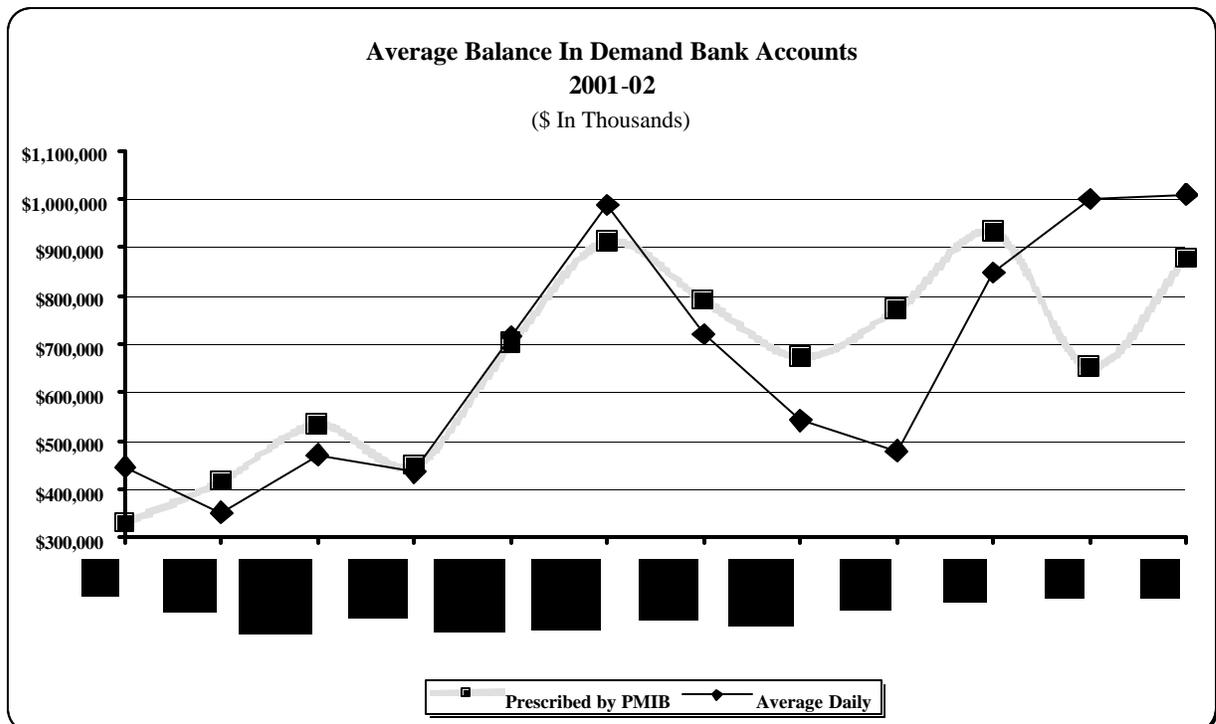
## Rate Schedule For Banking Services 2001-02 Fiscal Year

Encoded Checks Deposited	
"On Us".....	\$ 0.040
"Other".....	0.053
Non-Encoded Checks Deposited.....	0.090
Warrants Paid.....	0.010
Checks Paid.....	0.120
Dishonored Checks.....	2.750
Deposits.....	1.400
Split Bags Deposits.....	0.550
Coin Deposited.....	11.00 per thousand
Currency Deposited.....	1.05 per thousand
Account Maintenance.....	15.00 per month
Daily Statements.....	6.00 per statement

Source: State Treasurer's Office, Division of Cash Management

## Average Daily Balance in Demand Bank Accounts 2001-02 (\$ In Thousands)

Month	Bank Balance Required for Banking Services	Bank Balance Required for Uncollected Funds	Less Net Delayed Deposit Credit	Bank Balance Prescribed by PMIB	Actual Average Daily Bank Balance
July 2001	\$208,286	\$122,287	\$0	\$330,573	\$446,083
August	277,342	145,433	5,880	416,895	351,928
September	327,851	210,563	5,502	532,912	471,359
October	349,065	105,209	4,874	449,400	435,456
November	554,994	151,163	5,152	701,005	716,829
December	702,858	215,195	7,785	910,268	987,733
January 2002	573,084	225,628	8,561	790,151	720,041
February	607,025	76,967	10,568	673,424	542,320
March	643,788	136,097	7,809	772,076	479,612
April	537,851	411,639	19,084	930,406	847,863
May	584,867	82,969	14,228	653,608	999,695
June	714,662	171,935	10,255	876,342	1,009,048
Weighted Average	<b>\$505.686</b>	<b>\$171.319</b>	<b>\$8.271</b>	<b>\$668.734</b>	<b>\$667.329</b>



## *Investment Program*

Although the Pooled Money Investment Board designates how much shall be invested in interest-bearing time accounts in California banks and savings and loan associations, and in securities, it is the responsibility of the State Treasurer to administer the investment program on a day-to-day basis in line with overall Board policy. This entails a daily determination of amounts available for investment, or the need for liquidating securities to meet estimated warrant redemption requirements, while maintaining the approved compensating balance position. This means that the State Treasurer must continually adjust the estimates for receipts and disbursements to reflect current available information.

For the 2001-02 fiscal year, investments in time deposits ranged from \$4,834,045,000 to \$5,229,295,000 and averaged \$5,031,746,918. There were 1,538 transactions totaling \$22,689,840,000 during the year. Commercial banks, savings banks and credit unions receiving these State deposits must secure them with approved securities having a market value of at least 110 percent of the deposits or with approved promissory notes secured by mortgages or deeds of trust having a market value of at least 150 percent of the deposits. The same collateral requirements also apply to the State's demand accounts. At the end of fiscal year 2001-02, interest-bearing time deposits were held by 94 commercial banks, 15 credit unions and 16 savings banks throughout California. For the fiscal year, PMIA holdings in time deposits had an average yield of 2.86 percent.

The amount of money designated by the Board for investment in securities varies dramatically throughout the year. Such designations are made at least monthly, and again, the State Treasurer handles the actual investments, determining the issue and maturity of authorized securities to be bought or sold in accordance with cash needs and both current and projected market conditions. During fiscal year 2001-02, there were 3,181 security purchase transactions and 3,306 security sales or redemption transactions, with a total investment activity of \$299.6 billion.

Total earnings for the Pooled Money Investment Account in fiscal year 2001-02 were \$1,716,544,929. These earnings were credited as follows:

General Fund	\$356,114,673
Fish and Game Preservation Fund	\$ 1,120,857
Surplus Money Investment Fund	\$703,678,577
Local Agency Investment Fund	\$652,097,666
Public Employee's Retirement Fund	\$ 1,921,633
State Teacher's Retirement Fund	\$ 1,611,523

Earnings consisted of \$1,563,522,056 from security investments at an average 3.52 percent yield, \$143,920,487 from time deposits at an average 2.86 percent yield and \$9,102,386 from General Fund loans at an average 2.77 percent yield. The overall return on investment was 3.45 percent.

The portfolio holdings of the Pooled Money Investment Account for the 2001-02 fiscal year are illustrated in the following tables:

**Schedule of Security Purchases by Term**  
**2001-02 Fiscal Year**  
(At Cost - \$ In Thousands)

<b>Month</b>	<b>Under 10 Days</b>	<b>10-29 Days</b>	<b>30-89 Days</b>	<b>90 Days- 1 Year</b>	<b>1 - 3 Years</b>	<b>Over 3 Years</b>	<b>TOTALS</b>
July 2001	\$5,980,678	\$2,401,491	\$3,344,516	\$1,991,716	\$37,441	\$0	\$ 13,755,842
August	2,842,667	1,118,405	3,763,740	2,758,717	149,670	18,118	10,651,317
September	1,556,949	1,338,416	2,471,393	5,368,395	53,881	0	10,789,034
October	1,034,756	324,341	815,635	11,647,876	515,417	539,913	14,877,938
November	3,524,112	1,309,160	673,441	3,081,522	227,254	32,058	8,847,547
December	2,376,537	3,203,556	1,968,026	2,865,897	909,912	23,930	11,347,858
January 2002	2,164,601	2,947,330	1,940,724	4,324,202	1,246,435	45,056	12,668,348
February	2,062,332	3,127,847	2,280,066	2,062,332	735,415	70,052	10,338,044
March	3,834,260	1,948,764	1,010,269	2,731,719	424,558	99,523	10,049,093
April	6,903,454	1,526,096	2,304,263	5,414,990	608,122	100,512	16,857,437
May	1,715,066	2,125,557	651,995	1,680,018	59,423	331,028	6,563,087
June	2,099,667	1,048,920	2,741,037	8,814,453	1,680,310	167,020	16,551,407
<b>Total</b>	<b>\$36,095,079</b>	<b>\$22,419,883</b>	<b>\$23,965,105</b>	<b>\$52,741,837</b>	<b>\$6,647,838</b>	<b>\$1,427,210</b>	<b>\$143,296,952</b>
<b>Percent</b>	<b>25.19%</b>	<b>15.65%</b>	<b>16.72%</b>	<b>36.80%</b>	<b>4.64%</b>	<b>1.00%</b>	<b>100.00%</b>

Source: State Treasurer's Office, Division of Investments

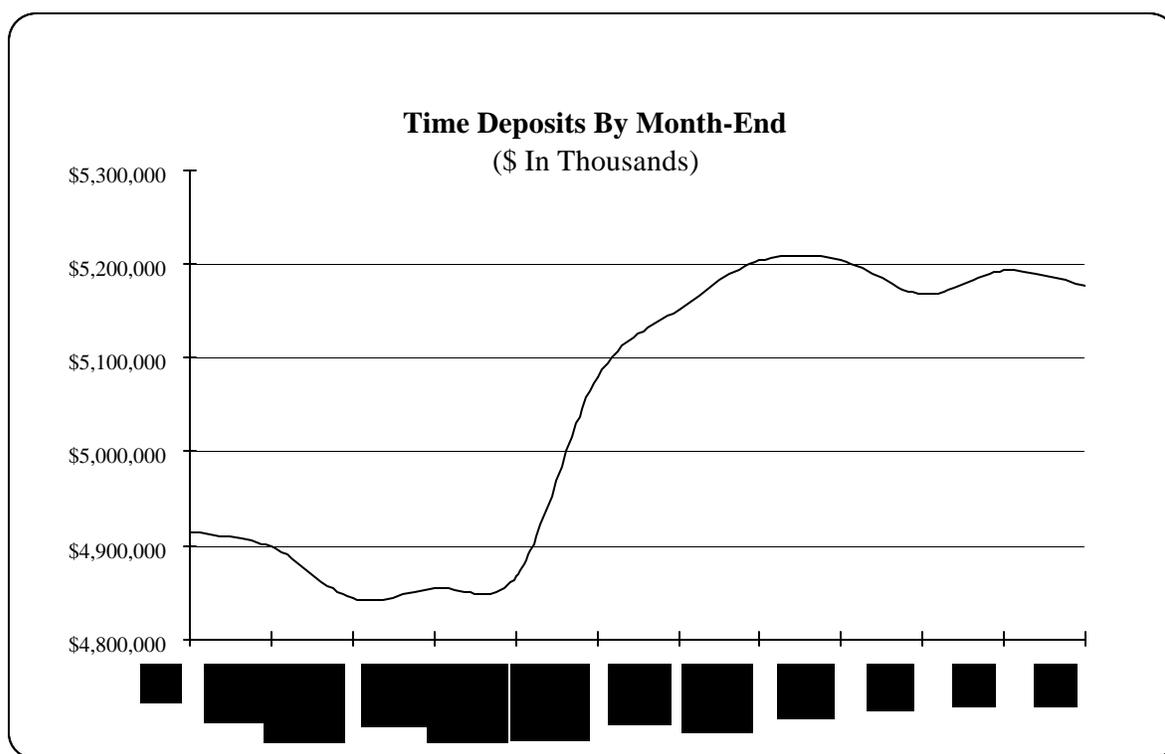
**Analysis of Portfolio**  
**2001-02 Fiscal Year**

<b>Type Of Security</b>	<b>Average Daily Portfolio</b>	<b>Percent Of Portfolio</b>	<b>Earnings For Year</b>	<b>Effective Percentage Yield For Year</b>	<b>Average Portfolio Life on 6/30/02 (In Days)</b>	<b>Percent Of Portfolio On 6/30/02</b>
U.S. Treasury Bills/Strips	\$1,355,272,871	2.72	\$48,653,109	3.59	139	2.91
U.S. Treasury Bonds & Notes	4,709,440,928	9.45	224,190,296	4.76	514	14.42
Federal Agency Cpn Securities	4,780,029,269	9.59	220,169,119	4.61	524	10.95
Federal Agency Discount Notes	10,552,162,814	21.18	346,989,985	3.29	127	10.55
GNMA	860,326	0.00	102,174	11.88	4,381	0.00
FHLMC	8,585,735	0.02	827,873	9.64	4,381	0.02
Negotiable CDs	8,564,155,942	17.19	245,256,808	2.86	130	14.78
Time Deposits	5,031,746,918	10.10	143,920,487	2.86	81	10.86
Bankers Acceptances	8,473,313	0.02	164,732	1.94	173	0.00
Commercial Paper	10,312,154,515	20.70	277,534,065	2.69	54	25.50
Corporate Bonds	1,846,073,528	3.70	85,636,838	4.64	526	5.21
Repurchase Agreements	19,361,644	0.04	360,677	1.86	35	0.00
Reverse Repurchase Agreements	(424,825,385)	-0.85	(6,987,384)	1.64	247	0.00
AB 55 Loans	2,735,413,668	5.49	120,623,764	4.41	189	4.80
General Fund Loans	328,170,685	0.66	9,102,386	2.77	89	0.00
<b>Total Portfolio</b>	<b>\$49,827,076,771</b>	<b>100%</b>	<b>\$1,716,544,929</b>	<b>3.45%</b>	<b>223</b>	<b>100%</b>

Source: State Treasurer's Office, Division of Investments

## Time Deposits by Month-End 2001-02 Fiscal Year

Month	Total
July 2001.....	\$ 4,915,045,000
August.....	4,898,545,000
September.....	4,844,045,000
October.....	4,854,545,000
November.....	4,866,545,000
December.....	5,078,795,000
January 2002.....	5,151,795,000
February.....	5,203,795,000
March.....	5,204,195,000
April.....	5,167,995,000
May.....	5,193,195,000
June.....	5,177,695,000



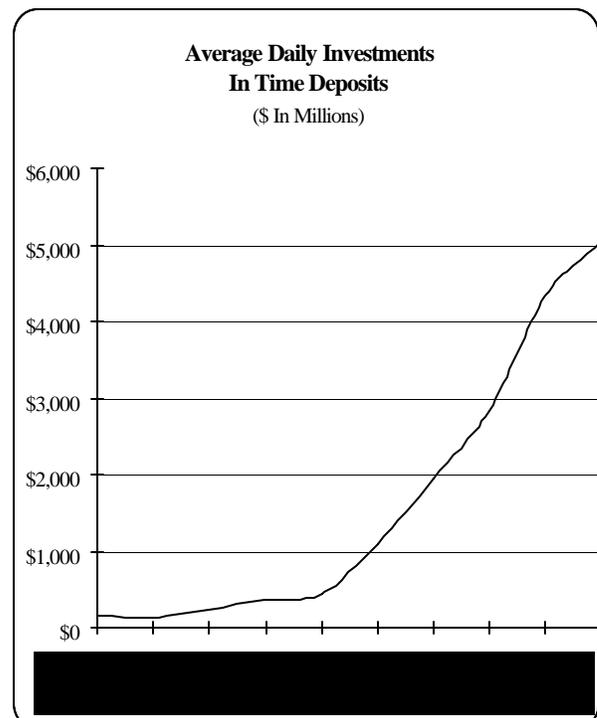
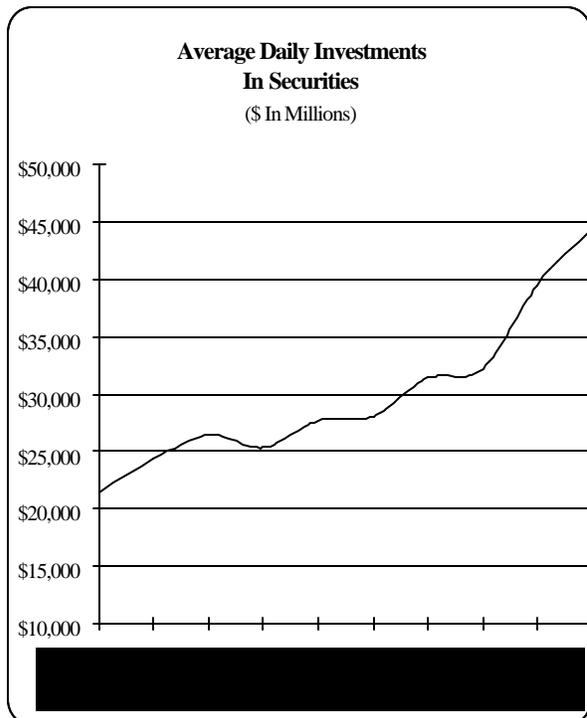
## Summary of Investments and Earnings

### Fiscal Years Ending

### June 30, 1993 through 2002

(\$ In Thousands)

Investment in Securities				Investment in Time Deposits			
Fiscal Year	Average Daily		Earnings	Fiscal Year	Average Daily		Earnings
	Investment	Earnings	Rate (%)		Investment	Earnings	Rate (%)
1992-93	21,499,605	1,013,606	4.71	1992-93	139,146	4,977	3.58
1993-94	24,322,849	1,068,915	4.39	1993-94	107,647	3,700	3.44
1994-95	26,468,520	1,465,018	5.54	1994-95	217,522	12,218	5.62
1995-96	25,362,783	1,448,002	5.71	1995-96	351,060	19,416	5.53
1996-97	27,674,553	1,550,599	5.60	1996-97	419,648	22,376	5.33
1997-98	28,034,192	1,601,603	5.71	1997-98	1,076,268	57,452	5.34
1998-99	31,409,593	1,688,570	5.38	1998-99	1,928,600	93,095	4.83
1999-00	32,177,870	1,845,503	5.74	1999-00	2,820,736	152,310	5.40
2000-01	39,522,485	2,424,943	6.14	2000-01	4,317,936	251,215	5.82
2001-02	44,467,159	1,563,523	3.52	2001-02	5,031,747	143,920	2.86



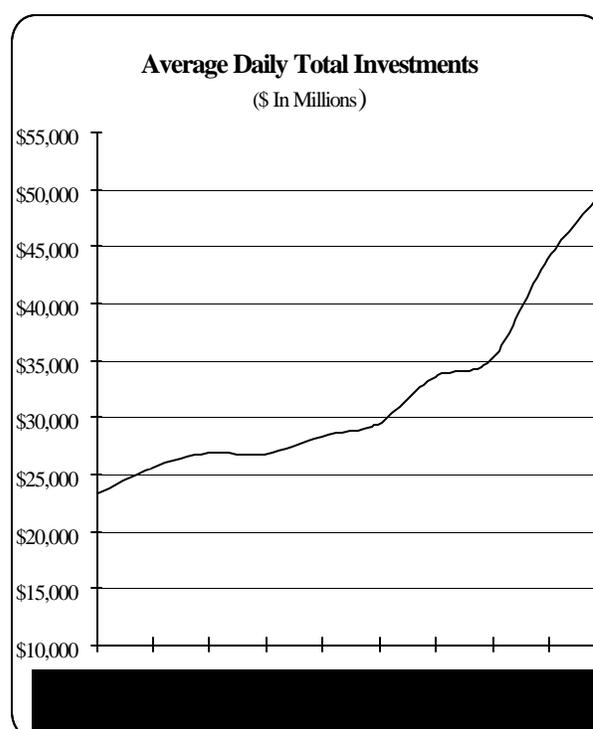
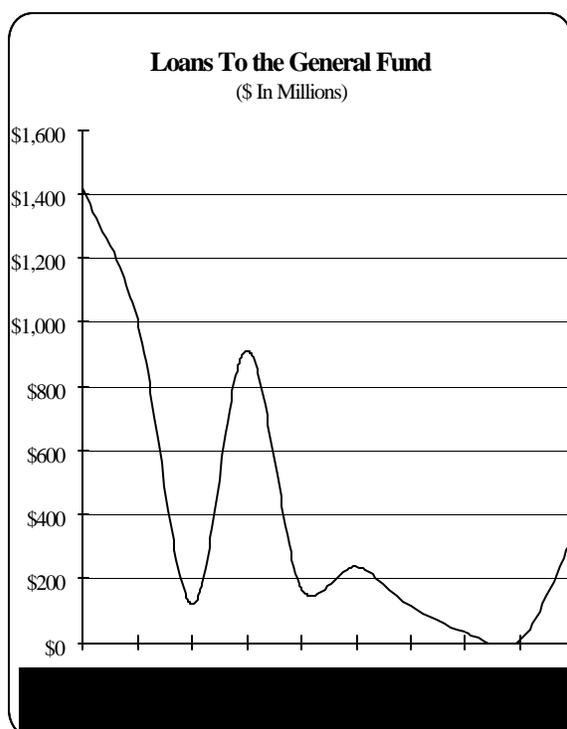
## Summary of Investments and Earnings

### Fiscal Years Ending

### June 30, 1993 through 2002

(\$ In Thousands)

Loans to General Fund				Total Investments			
Fiscal Year	Average Daily		Earnings	Fiscal Year	Average Daily		Earnings
	Investment	Earnings	Rate (%)		Investment	Earnings	Rate (%)
1992-93	1,412,792	66,543	4.71	1992-93	23,051,543	1,085,126	4.71
1993-94	1,002,582	43,045	4.29	1993-94	25,433,078	1,115,660	4.39
1994-95	116,081	5,338	4.60	1994-95	26,802,123	1,482,574	5.53
1995-96	909,353	51,602	5.67	1995-96	26,623,196	1,519,020	5.71
1996-97	169,868	9,468	5.57	1996-97	28,264,069	1,582,443	5.60
1997-98	234,052	13,327	5.69	1997-98	29,344,512	1,672,382	5.70
1998-99	112,895	6,099	5.40	1998-99	33,451,088	1,787,764	5.34
1999-00	30,428	1,670	5.49	1999-00	35,029,034	1,999,483	5.71
2000-01	-	-	-	2000-01	43,840,421	2,676,158	6.10
2001-02	328,171	9,102	2.77	2001-02	49,827,077	1,716,545	3.45



# Financial Community Coverage

The following firms conducted investment transactions with the State Treasurer's Office  
During the 2001-02 Fiscal Year.

A.G.Edwards and Sons, Inc.	First California Bank	Oak Valley Community Bank
America California Bank	First Fidelity Investment and Loan	Oceanic Bank
American Express Credit Corp.	First Future Credit Union	Omni Bank, NA
American River Bank	First Liberty Investment Group	Operating Engineers Local #3 Federal Credit Union
Asiana Bank	First National Bank of Central California	Pacific Capital Bank, NA
Banc of America Securities LLC	First State Bank of California	Pacific State Bank
Banc One Capital Markets, Inc.	First United Bank	Pacific Union Bank
Bank of Canton of California	Five Star Bank	Pacific Western National Bank
Bank of Granada Hills	Ford Motor Financial Services, Inc.	Peninsula Bank of Commerce
Bank of Montreal	Fuji /Mizuho Securities, USA Inc.	PFF Bank and Trust
Bank of Nova Scotia	Fullerton Community Bank, FSB	Preferred Bank
Bank of Petaluma	Garban Capital Markets	Provident Central Credit Union
Bank of Sacramento	General Bank	Pryor, Counts and Company
Bank of Santa Clara	General Electric Capital Corporation	Quaker City Bank
Bank of the Sierra	General Motors Acceptance Corp.	Redwood Credit Union
Bank of the West	Golden 1 Credit Union	Redwood Securities Group, Inc.
Bank of Visalia	Golden Gate Bank	River City Bank
Bay Area Bank	Goldman Sachs & Company	Robert Van Securities
Bay Bank of Commerce	Grand National Bank	Sae Han Bank
Bear Stearns and Company, Inc.	Hacienda Bank	SAFE Credit Union
Broadway Federal Bank, FSB	Hanmi Bank	Salomon Smith Barney
Business Bank of California	Hawthorne Savings, FSB	San Jose National Bank
Cal State 9 Credit Union	Helaba Bank	San Luis Trust Bank
California Center Bank	Heller Financial Corp.	Sandler O'Neill and Partners, L.P.
California Chohung Bank	Heritage Bank of Commerce	Santa Barbara Bank and Trust
California Credit Union	Household Finance Corp.	Santa Clara County Federal Credit Union
California Federal Bank	HSBC Securities, Inc.	Sears Roebuck Acceptance Corp.
California Pacific Bank	HypoVereinsBank	Service 1st Bank
Camarillo Community Bank	Imperial Bank	Signature Securities
Cantor Fitzgerald and Company	J.P.Morgan Securities, Inc.	Silvergate Bank
Cathay Bank	Jackson Federal Bank	Societe Generale
Cedars Bank	Kaplan and Company Securities, Inc.	South Bay Bank, NA
Central California Bank	La Jolla Bank, FSB	State Bank of India (California)
Chapman Company	Lake Community Bank	Sunwest Bank
China Trust Bank (USA)	Lehman Brothers Holdings, Inc.	Tehama Bank
CIBC/CIBC Oppenheimer	Loop Capital Markets, LLC	Trans Pacific National Bank
CitiGroup Securities	Magna Securities	Travis Credit Union
Citizens Business Bank	Malaga Bank, SSB	Tri Counties Bank
City National Bank	Manufacturers Bank	Trust Bank
Coast Commercial Bank	Marathon National Bank	U.S. Bank, NA
Comerica Bank California	Mechanics Bank	U.S.Bancorp Piper Jaffray
Commercial Capital Bank	Mellon 1st Business Bank	UBS Warburg, LLC
Community Bank	Mercantile National Bank	Union Bank of California
Community Bank of Central California	Merchants National Bank of Sacramento	Union Safe Deposit Bank
Constitution Capital Corporation	Meriwest Credit Union	United California Bank
County Bank	Merrill Lynch Capital Markets	United Commercial Bank
Credit Agricole Indosuez	Mesirow Financial Inc.	United Security Bank
Credit Suisse First Boston Corp.	Metro Commerce Bank	Valencia Bank and Trust
Cupertino National Bank and Trust	Metropolitan Bank	Valley Community Bank
D.A.Davidson and Company	MFR Securities, Inc.	Valley Independent Bank
Delta National Bank	Mid Peninsula Bank	Verdugo Banking Company
Deutsche Bank Securities, Inc.	Mid State Bank	Vining Sparks
East West Bank	Mission Community Bank	Washington Mutual Bank, FA
Eastern International Bank	Mission Federal Credit Union	Wells Fargo Institutional Securities LLC
EBTEL Federal Credit Union	Monterey Bay Bank	Wescom Credit Union
El Dorado Savings Bank	Morgan Stanley and Company	WestAmerica Bank
EuroBrokers, Inc.	Mount Diablo National Bank	Western Sierra National Bank
EverTrust Bank	Nara Bank, NA	Western Federal Credit Union
Farmers and Merchants Bank of Central California	National Bank of the Redwoods	Western State Bank
FHLMC	Neighborhood National Bank	Williams Capital Group, L.P.
First Bank and Trust	North Island Federal Credit Union	Wilshire State Bank
First Bank of Beverly Hills, FSB	North State National Bank	Xerox Federal Credit Union
First Bank San Luis Obispo	North Valley Bank	

# Surplus Money Investment Fund (SMIF)

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## Program Summary

The Surplus Money Investment Fund consists of the available cash of all special funds which do not have investment authority of their own, and all or a portion of the available cash of special funds having investment authority of their own, but which have elected to be included in the program. Cash balances in excess of needs in any of these participating funds are invested by the State Treasurer.

The Pooled Money Investment Board is responsible for determining whether any cash balances of the participating funds are in excess of current needs and available for investment, or whether it is necessary to liquidate previous investments to meet current requirements. This determination is performed operationally by the State Controller's Office by means of a continuing review of the cash balances of the participating funds.

As a result of these determinations, the State Controller prepares a document for the Pooled Money Investment Board's approval which authorizes the State Controller to increase or decrease the invested balances of the applicable funds.

All of the resources of the Surplus Money Investment Fund are invested through the Pooled Money Investment Account. Prior to the 1967-68 fiscal year, the Surplus Money Investment Fund was a separate investment program. In 1967, legislation was enacted (Chapter 505, Statutes 1967) which provided that money in the Surplus Money Investment Fund shall be invested through the Pooled Money Investment Account. This legislation further provided that the Surplus Money Investment Fund would share in the interest earnings of the Pooled Money Investment Account based on the ratio that the dollar-day contributions of the Surplus Money Investment Fund bear to the dollar-day investments of the Pooled Money Investment Account.

This legislation increased the potential investment earnings for both programs, since their high and low resource periods tend to complement each other. Consequently, under normal market conditions, more long-term, higher yielding securities may be purchased.

### **Earnings for 2001-02**

Gross earnings totaled \$703,678,577 for the 2001-02 fiscal year. This represents an earning rate of 3.46 percent for this investment program.

SMIF earnings are computed on a dollar-day basis to guarantee equitable distribution among all member funds. An apportionment of the earnings is made by the Controller twice yearly as of December 31 and June 30.

## Participation

There were over one thousand special funds and accounts participating in the Surplus Money Investment Fund as of the last day of the fiscal year, June 30, 2002. Their combined deposits totaled \$19,454,273,000.

Large contributors as of June 30, 2002 were the: Department of Water Resources Electric Power Fund, \$2,115,885,000; Public Buildings Construction Fund, \$919,907,000; California Housing Finance Fund, \$752,361,000; Unemployment Compensation Disability Fund, \$740,045,000; State Highway Account Fund, \$687,983,000; Special Deposit Fund, \$560,703,000; Public Employees' Retirement Fund, \$557,412,000; Vets Farm/Home Building-1943 Fund, \$507,454,000; Transportation Revolving Account Fund, \$484,823,000.

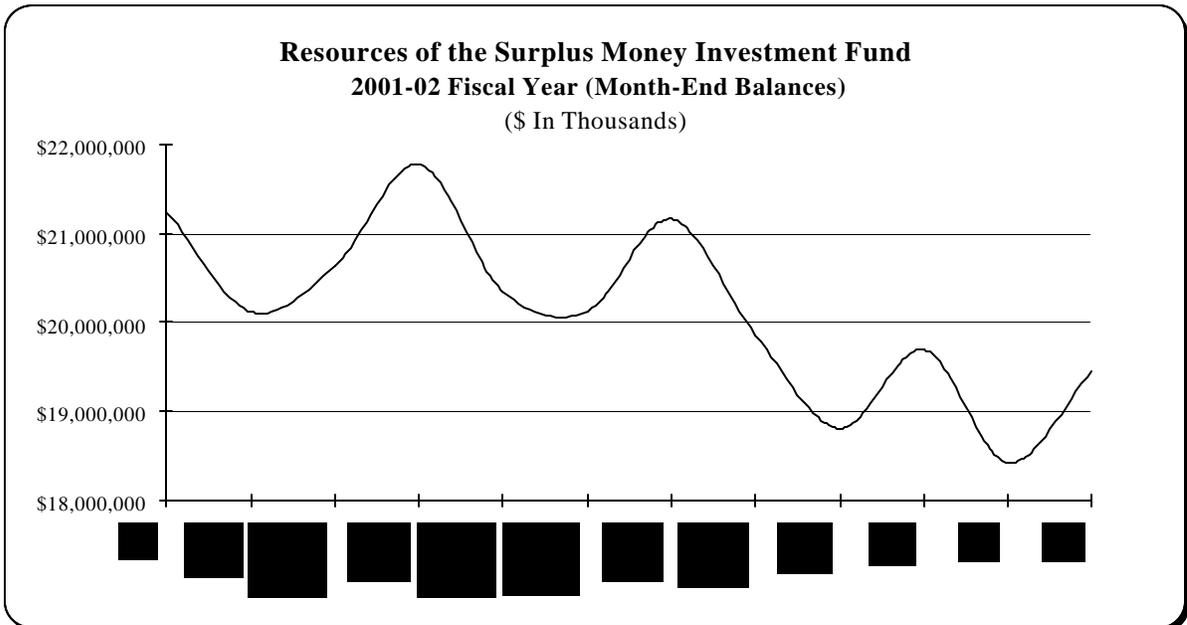
## The Year in Review

Resources.....	\$ 20.355 billion per day on average
Earnings.....	\$ 703.7 million
Earning Rate.....	3.46 percent

Source: State Treasurer's Office, Division of Cash Management

Monthly deposit balances are shown in the following table:

<b>Resources of The Surplus Money Investment Fund 2001-02 Fiscal Year (Month-End Balances)</b>	
<b>Month</b>	<b>Total</b>
July 2001.....	\$21,244,502,000
August.....	20,115,712,000
September.....	20,625,982,588
October.....	21,770,149,000
November.....	20,340,798,000
December.....	20,121,652,000
January 2002.....	21,157,898,000
February.....	19,849,789,000
March.....	18,804,122,000
April.....	19,691,014,000
May.....	18,417,877,000
June.....	19,454,273,000



# Local Agency Investment Fund (LAIF)

## Program Summary

The Local Agency Investment Fund was established by Chapter 730, Statutes of 1976. This fund enables local governmental agencies or trustees to remit money not required for immediate needs to the State Treasurer for the purpose of investment. In order to derive the maximum rate of return possible, the State Treasurer has elected to invest these monies with State monies as a part of the Pooled Money Investment Account.

Each participating agency determines the length of time its money will be on deposit with the State Treasurer with the exception of bond proceeds, which must remain for a minimum of 30 days. At the end of each calendar quarter, all earnings derived from investments are distributed by the State Controller to the participating government agencies in proportion to each agency's respective amounts deposited in the Fund and the length of time such amounts remained therein. Prior to the distribution, the State's reasonable costs of administering this program are deducted from the earnings.

### Earnings for 2001-02

Gross earnings for fiscal year 2001/02 totaled \$652,097,666. This represented a 3.41 percent yield for this investment program.

### Participation

As of June 30, 2002, there were 3,039 participants in the Local Agency Investment Fund consisting of 54 counties, 470 cities, 1,916 special districts, 340 trustees and 259 bond accounts. Deposits in the fund averaged \$19.122 billion for the year.

## The Year in Review

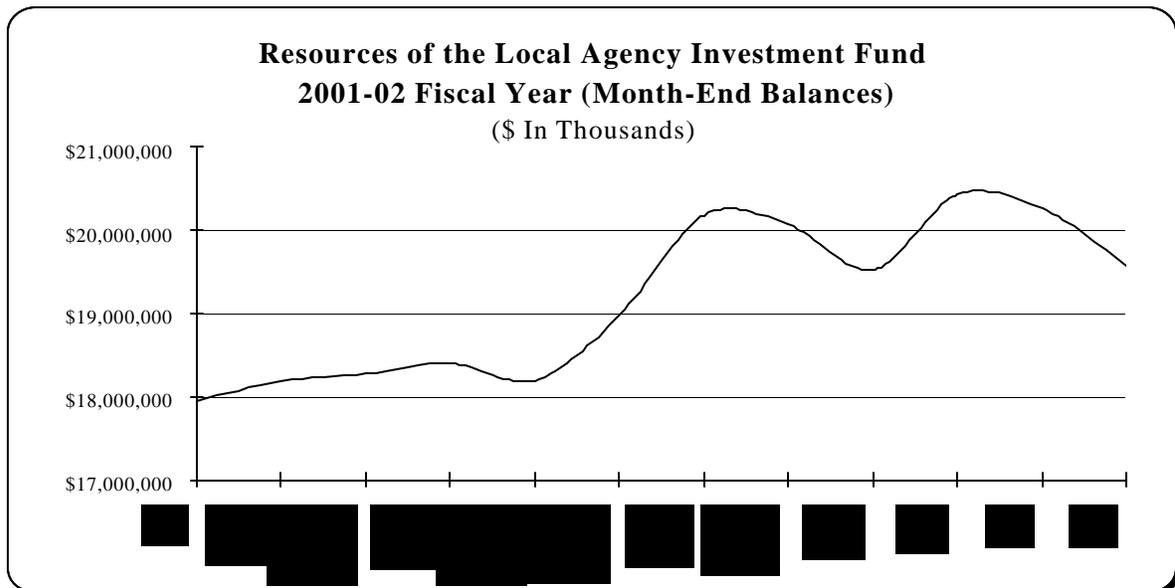
Resources.....	\$	19.122	million per day on average
Earnings.....	\$	652.1	million
Earning Rate.....		3.41	percent
Participation.....		3,039	Agencies or accounts at year-end.

Source: State Treasurer's Office, Division of Investments (LAIF)

The following table shows monthly resources of the Local Agency Investment Fund during the 2001-02 fiscal year.

**Resources of  
The Local Agency Investment Fund  
2001-02 Fiscal Year (Month-End Balances)**

<b>Month</b>	<b>Total</b>
July 2001.....	\$17,958,523,877
August.....	18,188,260,709
September.....	18,277,994,576
October.....	18,409,090,188
November.....	18,200,894,053
December.....	18,970,450,163
January 2002.....	20,180,035,260
February.....	20,067,175,358
March.....	19,519,881,179
April.....	20,425,888,205
May.....	20,260,475,318
June.....	19,582,414,267



# Appendices

## Appendix A

**Pooled Money Investment Account**  
**Summary of Investments and Earnings**  
(\$In Thousands)

Fiscal Year	Average Investment Portfolio	Annual Earnings	Average Earning Rate (Percent)			
			Earnings (Percent)	5 Years	10 Years	15 years
1957-58	\$ 594,306	\$ 16,421	2.76			
1958-59	544,868	15,762	2.89			
1959-60	614,835	21,045	3.42			
1960-61	736,204	28,139	3.82	3.23		
1961-62	867,144	26,521	3.06	3.19		
1962-63	910,863	30,548	3.35	3.31		
1963-64	896,535	32,519	3.63	3.46		
1964-65	966,592	38,004	3.93	3.56		
1965-66	1,083,347	47,761	4.41	3.68	3.48	
1966-67	1,057,800	52,540	4.97	4.06	3.62	
1967-68	1,117,717	56,566	5.06	4.40	3.85	
1968-69	1,301,302	78,174	6.01	4.88	4.17	
1969-70	1,216,414	84,781	6.97	5.48	4.52	
1970-71	1,264,894	77,527	6.13	5.83	4.75	4.32
1971-72	1,397,464	68,350	4.89	5.81	4.93	4.35
1972-73	2,254,401	125,116	5.55	5.91	5.15	4.54
1973-74	2,594,629	232,780	8.97	6.50	5.69	4.94
1974-75	2,749,431	238,298	8.67	6.84	6.16	5.29
1975-76	3,209,143	204,303	6.37	6.89	6.36	5.46
1976-77	4,460,487	261,657	5.87	7.08	6.45	5.65
1977-78	6,843,940	458,625	6.70	7.31	6.61	5.87
1978-79	8,123,266	692,417	8.52	7.22	6.86	6.20
1979-80	8,285,941	873,469	10.54	7.60	7.22	6.64
1980-81	7,298,693	786,877	10.78	8.48	7.69	7.07
1981-82	5,234,524	631,968	12.07	9.72	8.40	7.54
1982-83	5,254,589	549,229	10.45	10.47	8.89	7.90
1983-84	7,094,849	738,462	10.41	10.85	9.04	8.19
1984-85	11,903,660	1,275,503	10.72	10.89	9.24	8.44
1985-86	15,438,406	1,401,990	9.08	10.55	9.51	8.64
1986-87	19,167,196	1,425,047	7.43	9.62	9.67	8.81
1987-88	17,628,558	1,388,074	7.87	9.10	9.79	8.96
1988-89	17,496,405	1,516,767	8.67	8.75	9.80	8.94
1989-90	19,558,775	1,692,905	8.66	8.34	9.61	8.94
1990-91	20,754,895	1,663,140	8.01	8.13	9.34	9.05
1991-92	21,456,433	1,329,476	6.20	7.88	8.75	9.07
1992-93	23,051,543	1,085,126	4.71	7.25	8.18	8.94
1993-94	25,433,078	1,115,660	4.39	6.39	7.57	8.67
1994-95	26,802,123	1,482,574	5.53	5.77	7.05	8.33
1995-96	26,623,196	1,519,020	5.71	5.31	6.72	7.99
1996-97	28,264,069	1,582,443	5.60	5.19	6.53	7.56
1997-98	29,344,512	1,672,382	5.70	5.38	6.32	7.25
1998-99	33,451,088	1,787,765	5.34	5.58	5.98	6.91
1999-00	35,029,034	1,999,483	5.71	5.61	5.69	6.57
2000-01	43,840,421	2,676,158	6.10	5.69	5.50	6.37
2001-02	49,827,077	1,716,545	3.45	5.26	5.22	6.11

Source: The average investment portfolio, earnings and annual earnings rate were taken from the published Annual Report of the Pooled Money Investment Board.

## **NOTE TO PMIA SUMMARY OF INVESTMENTS AND EARNINGS TABLE**

The Pooled Money Investment Board was established as an agency of State government by Chapter 1703, Statutes of 1955, and became operational in April 1956. The 1956-57 fiscal year was the first full year for the Pooled Money Investment Account (PMIA). In 1957-58, the Surplus Money Investment Fund (SMIF) and the Condemnation Deposits Fund (CDF) were placed under the administration of the PMIB. Separate investment portfolios were managed for these two funds for a number of years. SMIF operated this way until the 1967-68 fiscal year, when legislation allowed this fund to be invested as a part of the PMIA. The CDF continued as a separate investment portfolio until 1975, when it also was combined with the PMIA. In order to make data for the early years in the table comparable to the later years (1975-76 and after), the average daily investment and the annual earnings for both SMIF and CDF were combined with those for the PMIA. The earning rates for these early years were computed using these combined figures.

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**Appendix B**

## HISTORICAL PMIA YIELDS

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-77	5.77			
Feb-77	5.66			
Mar-77	5.66		5.68	
Apr-77	5.65			
May-77	5.76			
Jun-77	5.85	5.87	5.78	5.79
Jul-77	5.93			
Aug-77	6.05			
Sep-77	6.09		5.84	
Oct-77	6.39			
Nov-77	6.61			
Dec-77	6.73		6.45	6.18
Jan-78	6.92			
Feb-78	7.05			
Mar-78	7.14		6.97	
Apr-78	7.27			
May-78	7.39			
Jun-78	7.57	6.70	7.35	7.17
Jul-78	7.65			
Aug-78	7.82			
Sep-78	7.87		7.86	
Oct-78	8.11			
Nov-78	8.29			
Dec-78	8.77		8.32	8.09
Jan-79	8.78			
Feb-79	8.90			
Mar-79	8.82		8.81	
Apr-79	9.08			
May-79	9.05			
Jun-79	9.22	8.52	9.10	8.98
Jul-79	9.20			
Aug-79	9.53			
Sep-79	9.26		9.26	
Oct-79	9.81			
Nov-79	10.22			
Dec-79	10.22		10.06	9.66

## HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-80	10.98			
Feb-80	11.25			
Mar-80	11.49		11.11	
Apr-80	11.48			
May-80	12.02			
Jun-80	11.80	10.54	11.54	11.38
Jul-80	10.21			
Aug-80	9.87			
Sep-80	9.95		10.01	
Oct-80	10.06			
Nov-80	10.43			
Dec-80	10.96		10.47	10.21
Jan-81	10.99			
Feb-81	11.69			
Mar-81	11.13		11.23	
Apr-81	11.48			
May-81	12.18			
Jun-81	11.44	10.78	11.68	11.69
Jul-81	12.35			
Aug-81	12.84			
Sep-81	12.06		12.40	
Oct-81	12.40			
Nov-81	11.89			
Dec-81	11.48		11.91	12.19
Jan-82	11.68			
Feb-82	12.04			
Mar-82	11.84		11.82	
Apr-82	11.77			
May-82	12.27			
Jun-82	11.99	12.07	11.99	11.93
Jul-82	12.24			
Aug-82	11.91			
Sep-82	11.15		11.74	
Oct-82	11.11			
Nov-82	10.70			
Dec-82	10.40		10.71	11.26

## HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-83	10.25			
Feb-83	9.89			
Mar-83	9.69		9.87	
Apr-83	9.87			
May-83	9.53			
Jun-83	9.60	10.45	9.64	9.98
Jul-83	9.88			
Aug-83	10.08			
Sep-83	10.20		10.04	
Oct-83	10.18			
Nov-83	10.16			
Dec-83	10.23		10.18	10.15
Jan-84	10.31			
Feb-84	10.28			
Mar-84	10.38		10.32	
Apr-84	10.59			
May-84	10.84			
Jun-84	11.12	10.41	10.88	10.63
Jul-84	11.36			
Aug-84	11.56			
Sep-84	11.60		11.53	
Oct-84	11.68			
Nov-84	11.47			
Dec-84	11.02		11.41	11.44
Jan-85	10.58			
Feb-85	10.29			
Mar-85	10.12		10.32	
Apr-85	10.03			
May-85	10.18			
Jun-85	9.74	10.72	9.98	10.19
Jul-85	9.66			
Aug-85	9.42			
Sep-85	9.57		9.54	
Oct-85	9.48			
Nov-85	9.49			
Dec-85	9.37		9.43	9.50

## HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-86	9.25			
Feb-86	9.09			
Mar-86	8.96		9.09	
Apr-86	8.62			
May-86	8.37			
Jun-86	8.23	9.08	8.39	8.70
Jul-86	8.14			
Aug-86	7.84			
Sep-86	7.51		7.81	
Oct-86	7.59			
Nov-86	7.43			
Dec-86	7.44		7.48	7.65
Jan-87	7.37			
Feb-87	7.16			
Mar-87	7.21		7.24	
Apr-87	7.04			
May-87	7.29			
Jun-87	7.29	7.44	7.21	7.23
Jul-87	7.46			
Aug-87	7.56			
Sep-87	7.71		7.54	
Oct-87	7.83			
Nov-87	8.12			
Dec-87	8.07		7.97	7.80
Jan-88	8.08			
Feb-88	8.05			
Mar-88	7.95		8.01	
Apr-88	7.94			
May-88	7.82			
Jun-88	7.93	7.87	7.87	7.95
Jul-88	8.09			
Aug-88	8.25			
Sep-88	8.34		8.20	
Oct-88	8.40			
Nov-88	8.47			
Dec-88	8.56		8.45	8.34

## HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-89	8.70			
Feb-89	8.77			
Mar-89	8.87		8.76	
Apr-89	8.99			
May-89	9.23			
Jun-89	9.20	8.67	9.13	8.97
Jul-89	9.06			
Aug-89	8.83			
Sep-89	8.80		8.87	
Oct-89	8.77			
Nov-89	8.69			
Dec-89	8.65		8.68	8.78
Jan-90	8.57			
Feb-90	8.54			
Mar-90	8.51		8.52	
Apr-90	8.50			
May-90	8.53			
Jun-90	8.54	8.66	8.50	8.52
Jul-90	8.52			
Aug-90	8.38			
Sep-90	8.33		8.39	
Oct-90	8.32			
Nov-90	8.27			
Dec-90	8.28		8.27	8.34
Jan-91	8.16			
Feb-91	8.00			
Mar-91	7.78		7.97	
Apr-91	7.67			
May-91	7.37			
Jun-91	7.17	8.01	7.38	7.67
Jul-91	7.10			
Aug-91	7.07			
Sep-91	6.86		7.00	
Oct-91	6.72			
Nov-91	6.59			
Dec-91	6.32		6.52	6.74

## HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-92	6.12			
Feb-92	5.86			
Mar-92	5.68		5.87	
Apr-92	5.69			
May-92	5.38			
Jun-92	5.32	6.20	5.45	5.65
Jul-92	5.24			
Aug-92	4.96			
Sep-92	4.76		4.97	
Oct-92	4.73			
Nov-92	4.66			
Dec-92	4.65		4.67	4.82
Jan-93	4.68			
Feb-93	4.65			
Mar-93	4.62		4.64	
Apr-93	4.61			
May-93	4.43			
Jun-93	4.55	4.71	4.51	4.61
Jul-93	4.44			
Aug-93	4.47			
Sep-93	4.43		4.44	
Oct-93	4.38			
Nov-93	4.37			
Dec-93	4.38		4.36	4.39
Jan-94	4.36			
Feb-94	4.18			
Mar-94	4.25		4.25	
Apr-94	4.33			
May-94	4.43			
Jun-94	4.62	4.39	4.45	4.36
Jul-94	4.82			
Aug-94	4.99			
Sep-94	5.11		4.96	
Oct-94	5.24			
Nov-94	5.38			
Dec-94	5.53		5.37	5.15

## HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-95	5.61			
Feb-95	5.78			
Mar-95	5.93		5.76	
Apr-95	5.96			
May-95	6.01			
Jun-95	6.00	5.53	5.98	5.87
Jul-95	5.97			
Aug-95	5.91			
Sep-95	5.83		5.89	
Oct-95	5.78			
Nov-95	5.81			
Dec-95	5.75		5.76	5.83
Jan-96	5.70			
Feb-96	5.64			
Mar-96	5.56		5.62	
Apr-96	5.54			
May-96	5.50			
Jun-96	5.55	5.71	5.52	5.56
Jul-96	5.59			
Aug-96	5.57			
Sep-96	5.60		5.57	
Oct-96	5.60			
Nov-96	5.60			
Dec-96	5.57		5.58	5.57
Jan-97	5.58			
Feb-97	5.58			
Mar-97	5.58		5.56	
Apr-97	5.61			
May-97	5.63			
Jun-97	5.67	5.59	5.63	5.59
Jul-97	5.68			
Aug-97	5.69			
Sep-97	5.71		5.68	
Oct-97	5.71			
Nov-97	5.72			
Dec-97	5.74		5.71	5.69

## HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
Jan-98	5.74			
Feb-98	5.72			
Mar-98	5.68		5.70	
Apr-98	5.67			
May-98	5.67			
Jun-98	5.67	5.70	5.66	5.67
Jul-98	5.65			
Aug-98	5.65			
Sep-98	5.64		5.64	
Oct-98	5.56			
Nov-98	5.49			
Dec-98	5.37		5.46	5.55
Jan-99	5.26			
Feb-99	5.21			
Mar-99	5.14		5.19	
Apr-99	5.12			
May-99	5.09			
Jun-99	5.09	5.34	5.08	5.13
Jul-99	5.18			
Aug-99	5.22			
Sep-99	5.27		5.21	
Oct-99	5.39			
Nov-99	5.48			
Dec-99	5.64		5.49	5.34
Jan-00	5.76			
Feb-00	5.82			
Mar-00	5.85		5.80	
Apr-00	6.01			
May-00	6.19			
Jun-00	6.35	5.71	6.18	5.99

## HISTORICAL PMIA YIELDS (Continued)

(Yield In Percent Per Annum)

DATE	MONTHLY AVERAGE	ANNUAL AVERAGE	ALLOCATION RATE	
			LAIF QUARTERLY	SMIF SEMI-ANNUAL
<b>Jul-00</b>	6.44			
<b>Aug-00</b>	6.50			
<b>Sep-00</b>	6.50		6.47	
<b>Oct-00</b>	6.52			
<b>Nov-00</b>	6.54			
<b>Dec-00</b>	6.53		6.52	6.49
<b>Jan-01</b>	6.37			
<b>Feb-01</b>	6.17			
<b>Mar-01</b>	5.98		6.16	
<b>Apr-01</b>	5.76			
<b>May-01</b>	5.33			
<b>Jun-01</b>	4.96	6.10	5.32	5.73
<b>Jul-01</b>	4.63			
<b>Aug-01</b>	4.50			
<b>Sep-01</b>	4.29		4.47	
<b>Oct-01</b>	3.78			
<b>Nov-01</b>	3.53			
<b>Dec-01</b>	3.26		3.52	3.99
<b>Jan-02</b>	3.07			
<b>Feb-02</b>	2.97			
<b>Mar-02</b>	2.86		2.96	
<b>Apr-02</b>	2.84			
<b>May-02</b>	2.74			
<b>Jun-02</b>	2.69	3.45	2.75	2.85

The State Treasurer's Office complies with the Americans With Disabilities Act (ADA). If you need additional information or assistance, please contact the State Treasurer's Pooled Money Investment Board at (916) 653-2917.

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