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EMPLOYEES' RETIREMENT SYSTEM  
HAWAII PUBLIC EMPLOYEES HEALTH FUND  
OFFICE OF THE PUBLIC DEFENDER  
PUBLIC UTILITIES COMMISSION

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION

January 22, 2001

DIRECTOR OF FINANCE MEMORANDUM

Memo No. 01-02

TO: All Department Heads

FROM: Neal Miyahira  
Director of Finance

SUBJECT: Distribution of Interest Earned on Investment Pool Earnings

For the past five months, the State Treasury has been paying agencies participating in the Investment Pool program interest on the investment pool earnings. The interest payment was due to the lapse in time when the investment pool earnings are payable (at the end of the month) and when the earnings are paid (during the following month).

Effective January 1, 2001, the State Treasury will no longer pay interest in a separate process from the investment pool earnings distribution. Rather, the interest payable on investment pool earnings will be paid the following month together with the investment pool earnings. For example, December 2000 investment pool earnings were paid by the Treasury on January 12, 2001. The interest payable on the investment pool earnings due to the late payment of 12 days will be paid together with January's investment pool earnings in February 2001. Please be assured that participating agencies will not lose the opportunity to earn interest on the interest because it was paid in the following month. The interest will be deposited together with the earnings from the investment pool securities in an investment pool interest trust account until it is distributed to the participants of the pool. While the interest remains in the trust account, it will continue to earn interest in the same manner as all the participating appropriation accounts.

Representatives of the Department of Transportation have reviewed this proposal to distribute interest on investment pool earnings and are in favor with the procedure. The elimination of a separate process to distribute interest on the investment pool earnings will save countless man hours and computer run-time. Should you have any questions concerning this matter, please contact Mr. Stanley K. Tanaka, Funds Custody Manager, Financial Administration Division, at 586-3119.

All Dept. Heads-Distribution of Interest