

ALASKA PERMANENT FUND



1990 Annual Report

A Public Trust

Investing For Alaska's Future

ORGANIZATION

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The Alaska Permanent Fund is a savings account, restricted as to use, which belongs to all the people of Alaska. It was created in 1976 by a voter-approved amendment to the state Constitution. The Fund is established as an inviolate trust. This means the principal of the Fund is to be invested in perpetuity. The beneficiaries of the trust are all present and future generations of Alaskans.

CHAIRMAN'S MESSAGE

Permanent Fund Began the Decade of the 1990s With New International Investments and Increased Investments in U.S. Equities.

In fiscal 1990, the Permanent Fund earned \$916 million in net income, a \$48 million increase over last year. For the first time, however, that was not enough to make full payments of both dividends and inflation-proofing as required by law. Nonetheless, thanks to an appropriation by the legislature of Fund income earned in previous years which was available in the Fund's earnings reserve account, both payments were completely satisfied.

As a result, \$487 million was appropriated to the dividend fund, and \$454 million was added to principal to completely offset the loss caused by inflation. In addition, dedicated oil revenues added \$267 million of real growth to Fund principal in fiscal 1990. Thus, after all deposits, appropriations and transfers, Permanent Fund principal on June 30, 1990 totaled \$9.9 billion, and the balance in the earnings reserve account totaled \$605 million.

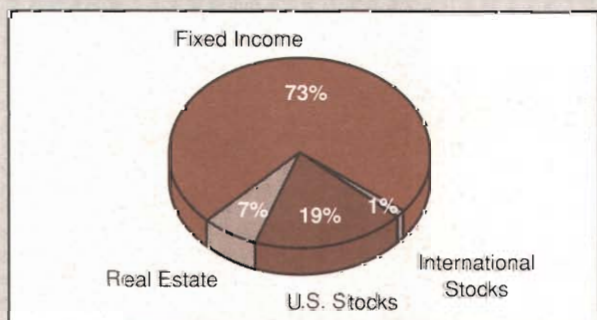
The Permanent Fund exists for the collective benefit of all generations of Alaskans as the distribution of this year's net income reflects: 53% distributed to current residents of Alaska, and 47% saved for the benefit of future Alaskans. But it has been difficult to have one leg anchored in the present and another in the future. Your Fund managers have tried to balance consideration of long-term results with concern for the impacts of the Fund's investment practices in the short term.

In the Fund's early years, the trustees have been cautious about investing too great a percentage of the Fund in assets such as stocks and real estate because of our concern that the higher short-term volatility inherent in equity investments could threaten the safety of principal and/or the production of current income. Increasingly, however, we have become convinced that in order to achieve our earnings goal for the Permanent Fund — a long-term average rate of return 3% higher than inflation — the Fund must have a greater percentage of investments in appreciating assets.

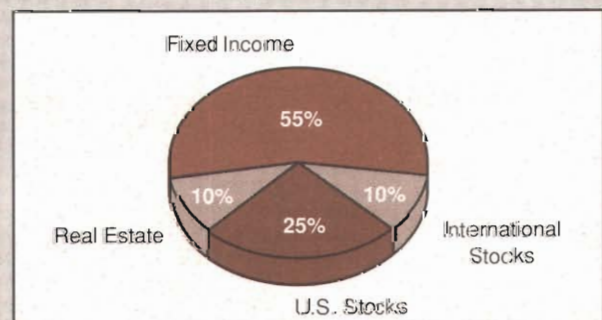
Consequently, the trustees have set a new asset allocation target which will increase the Fund's stock holdings from 20% to 35% and equity real estate holdings from 7% to 10% within the next three years. We recognize that this sizeable policy allocation to equities will likely produce more volatile portfolio returns than a more conservative, higher fixed-income allocation policy. It is

PERMANENT FUND'S ASSET ALLOCATION

Actual
(at June 30, 1990)



Projected
(at June 30, 1993)



understood that this policy may result in periods of disappointing results. Nevertheless, we believe that the higher returns which the Fund will earn over time will more than compensate for the additional volatility.

As part of the strategy of increasing the percentage of the Fund invested in stocks, the trustees this year added a new element of diversification to the Fund by allocating 10% of the assets of the Fund to international stocks and up to 5.5% to international marketable debt securities. In fiscal 1990, with deliberate caution, the Fund began to enter these international markets for the first time. For details on the specific international investments made in fiscal 1990, see the international investments section of this report on page 14.

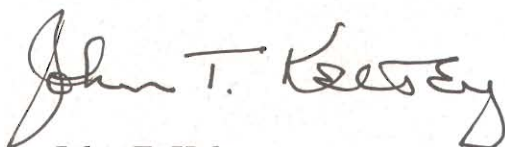
The goal of the Fund's international program is to diversify and reduce risk to the Fund's total portfolio while providing opportunities to enhance the Fund's overall rates of return. Primary emphasis is given to diversification and risk-reduction.

The following list comprises the most significant actions taken this year relating to international investing:

- * Brown Brothers Harriman & Co. was selected to become the Fund's international custodian.
- * Axe Core Investors of Tarrytown, NY was selected to manage the Fund's American Depository Receipts (ADRs) index fund. This account was funded with \$50 million in fiscal 1990.
- * Instructions were given to the domestic index fund manager, Bankers Trust Co. of New York City, to begin purchasing foreign securities (ADRs) included in the S&P 500, provided there is no major unrest in the countries involved.
- * Wells Fargo Nikko Investment Advisors of San Francisco was selected to manage the Fund's international equity index fund. This account was funded with \$100 million in August, 1990.
- * The Morgan Stanley Capital International Index: Europe, Australia and Far East (EAFE) was selected as the international equity benchmark index.
- * The Salomon Brothers Non-U.S. Dollar World Government Bond Index was selected as the benchmark index for non-U.S. dollar fixed-income investments. All such investments will be actively managed by Fund staff in-house.

It has been an exciting year for the Fund, and an extremely challenging one as well. It was necessary to devote a tremendous amount of staff and trustee time in fiscal 1990 to insure a successful entrance into the international capital markets for the Permanent Fund. We paid particular care to build significant safeguards into the system. Although there's still quite a bit more to be learned and done, the initial groundwork has been completed and a strong foundation has been put in place for operating effectively in the coming years.

Recent world events have made it clear that the 1990s will begin a new era of global interdependence. There are new risks, but there are also new opportunities. I believe the investment policies enacted this year will help protect the Alaska Permanent Fund against the risks and will allow the Fund to continue to grow and continue to produce income to benefit all generations of Alaskans.



John T. Kelsey
Chairman, Board of Trustees



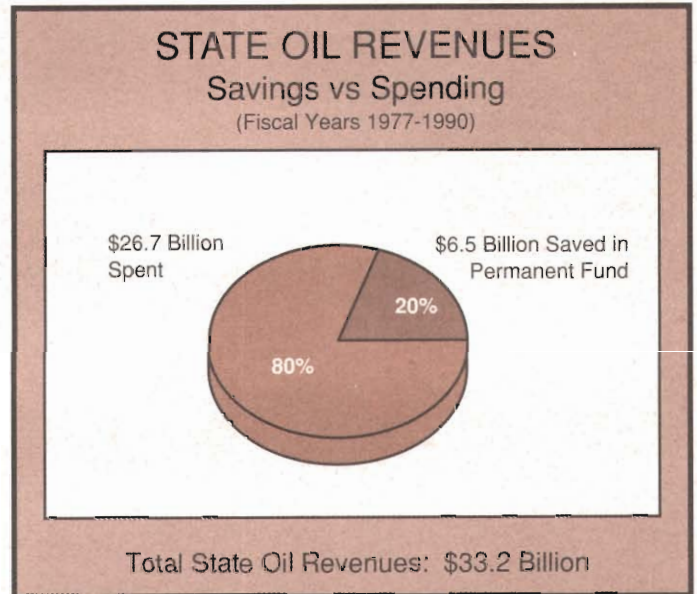
STATUTORY GOALS

Fund is Saved, Protected and Invested to Produce Income to Benefit All Generations of Alaskans

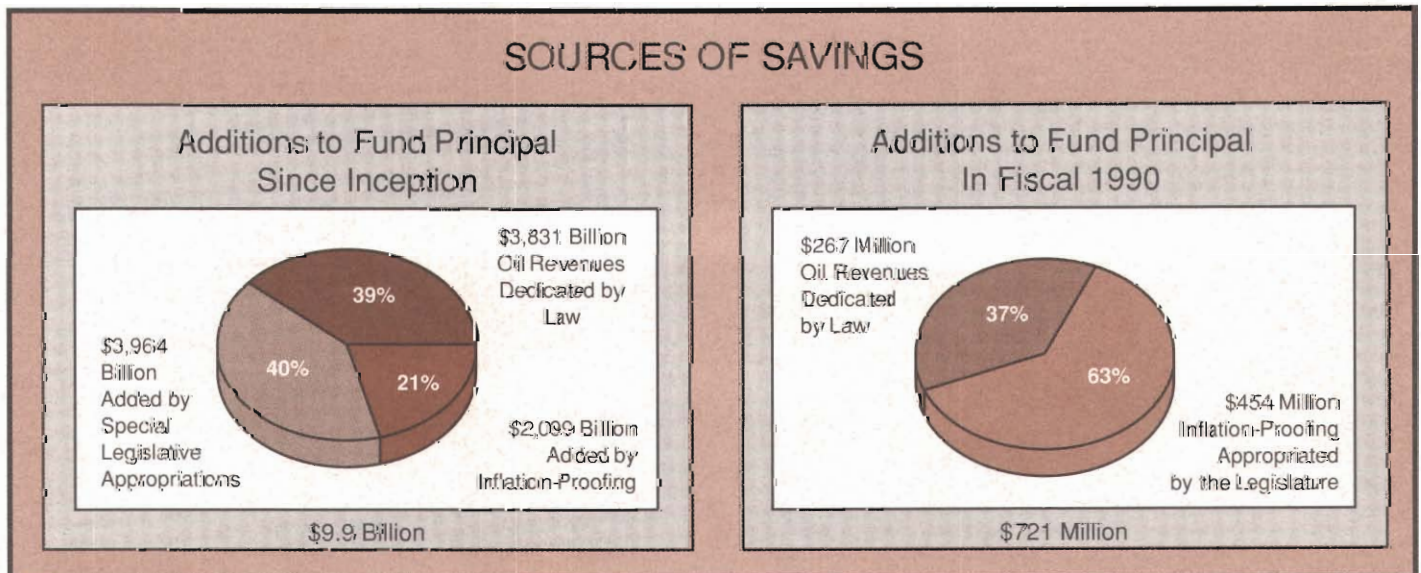
Alaska Statute 37.13.020 sets out three goals for the Alaska Permanent Fund Corporation:

- (1) **Save a portion of the wealth created by development of the state's non-renewable natural resources to benefit all generations of Alaskans.**
- (2) **Protect savings from loss of value.**
- (3) **Invest savings to produce income for purposes designated by law.**

Since the first deposit of oil revenues to the Permanent Fund in February of 1977, Fund principal has accumulated a total of \$3.8 billion from dedicated oil revenues, \$2.7 billion from two special appropriations of surplus oil revenues, \$1.3 billion from a special appropriation of Fund income from the earnings reserve account, and \$2.1 billion from eight years of inflation-proofing.



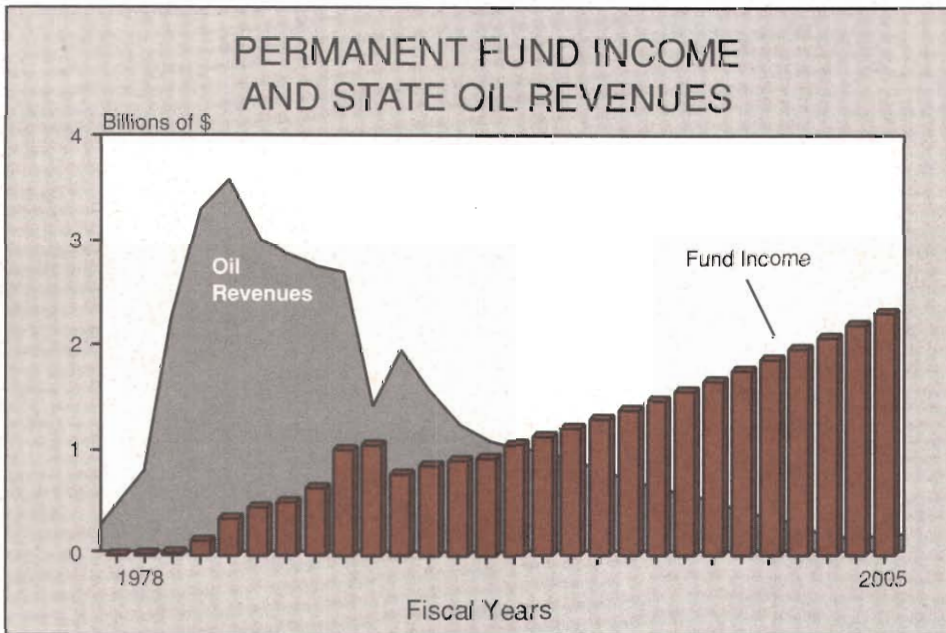
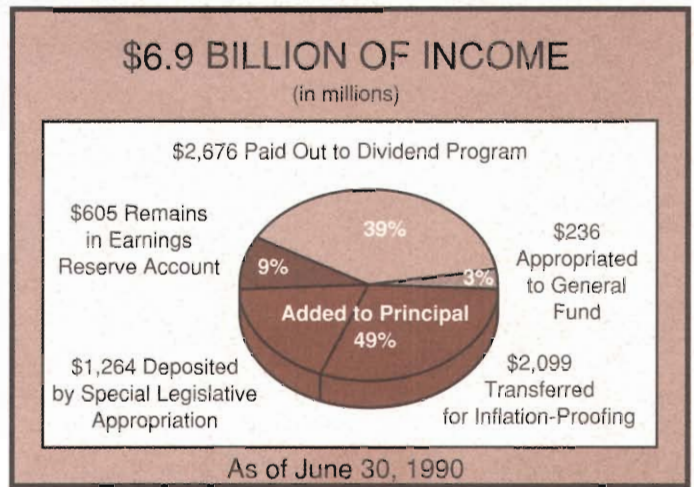
Alaskans have saved 20% of the \$33.2 billion in oil revenues received by the state since the start-up of production at Prudhoe Bay.



Oil has been the main source of growth for the Permanent Fund in the past. In the future, it is expected, as happened in fiscal 1989 and 1990, that inflation-proofing will make the greatest contribu-

tion. Inflation-proofing preserves the purchasing power of Permanent Fund principal. The real growth of the Fund in fiscal 1990 was provided by the addition of \$267 million in new oil revenues.

The Fund has earned \$6.9 billion of net income since inception. All net income has been distributed in accordance with law.



By saving a portion of Alaska's one-time oil wealth, by protecting its long-term value, and by investing it to earn income for uses designated by each year's legislature, Alaskans have successfully created in the Permanent Fund a new and renewable source of wealth and income whose benefits for all generations of Alaskans will eventually surpass those provided by oil.

Inflation-proofing was provided by the legislature in 1982 to assist the trustees in their efforts to protect the real value of the Fund over the long term. Inflation-proofing is accomplished on June 30

of each year when Fund income is transferred to principal in an amount sufficient to completely offset the effect of inflation on the principal of the Fund during that year.

INFLATION-PROOFING AMOUNTS

Fiscal Year	Inflation Rate	Income Added To Principal	As a % of Annual Net Income
83	6.1%	\$231,192,000	49%
84	3.2	150,935,000	29
85	4.3	234,570,000	36
86	3.6	216,861,000	21
87	1.9	148,142,000	14
88	3.7	302,861,000	38
89	4.1	360,242,000	41
90	4.8	453,999,000	50
Total:		\$2,099,802,000	

Fund Eased Gradually into International Markets in Fiscal 1990

JULY: John T. Kelsey and Marc Langland were elected by their colleagues to serve as chairman and vice-chairman of the Board of Trustees for fiscal 1990, and Charles H. Parr was appointed to a four-year term, replacing Oral Freeman. The Fund began its re-entry into the U.S. stock market with a \$100 million investment, the first new money into stocks since January, 1987. Seventeen million dollars of the \$487 million set aside for the 1989 Permanent Fund dividend distribution was disbursed to the state to pay the dividend program's administrative and associated costs.

AUGUST: At their annual planning worksession, trustees set a timetable for decisions involving entry into international investing.

SEPTEMBER: Trustees adopted a number of resolutions relating to international investing: (1) establishing the purpose and goals of international investing; (2) establishing an international equity performance benchmark index; (3) establishing an international passive equity index fund; (4) establishing an American Depository Receipt (ADR) index fund; and (5) authorizing in-house investment in U.S. dollar-denominated foreign fixed-income securities. The Institute of Social and Economic Research (ISER) presented a research paper to the trustees entitled *The Economic Impact of the Permanent Fund Dividend*. The remainder of the \$487 million appropriation to the dividend fund was disbursed to the state for the 1989 dividend distribution.

OCTOBER: The Fund made its first purchases of U.S. dollar-denominated foreign securities: \$20 million of British Telecom finance notes. The Fund also initiated a U.S. stock purchase program which, through March, allocated \$40 million per month to the domestic passive index account and \$5 million per month to each of the four active managers. In April, this monthly allocation was reduced to \$24 million passive and \$16 million active. In addition, the Fund sold its ownership interest in the Villa Marina Shopping Center located outside Los Angeles in Marina del Rey, CA for a profit of \$3.6 million — an annualized rate of return for the four and one-half year holding period of 11.6%.

NOVEMBER: The Fund began investing in the new ADR index fund with the first of five consecutive monthly investments of \$10 million.

DECEMBER: Trustees also authorized investments in non-U.S. dollar fixed-income investments.

JANUARY: The Commission on the Future of the Permanent Fund submitted its final report to the legislature.

FEBRUARY: Trustees expanded the Alaska Certificate of Deposit program to include CDs with nine-month terms. Trustees also adopted a new salary management plan for the Corporation's 18 employees.

MARCH: Trustees selected Brown Brothers Harriman & Co. as international custodian for the Fund; selected Wells Fargo Nikko Investment Advisors as international equity index fund manager; and adopted their annual one- and three-year asset allocation targets. The Fund introduced its new *Learning is Permanent* educational program to Alaska elementary and junior high school teachers.

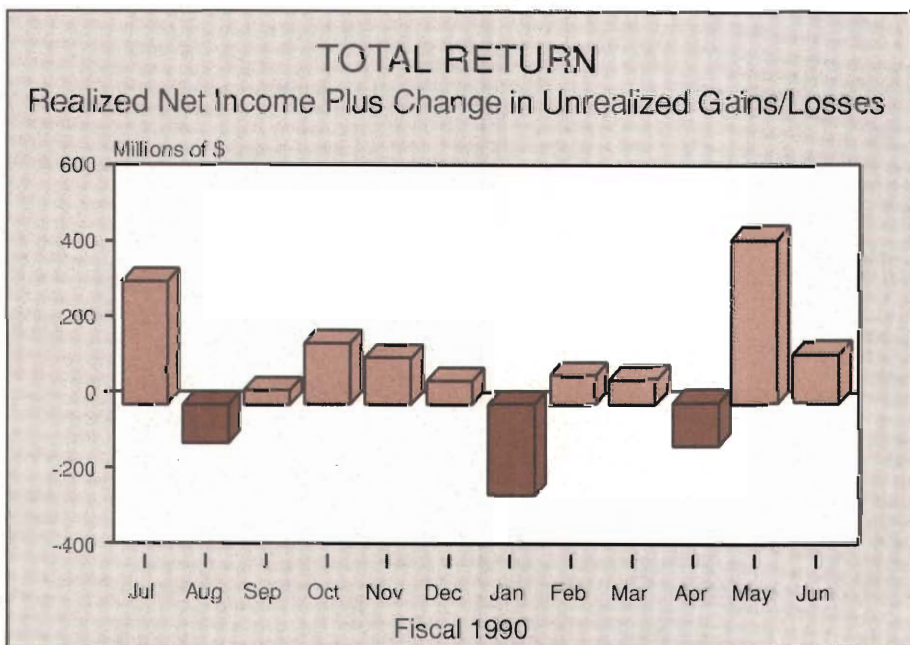
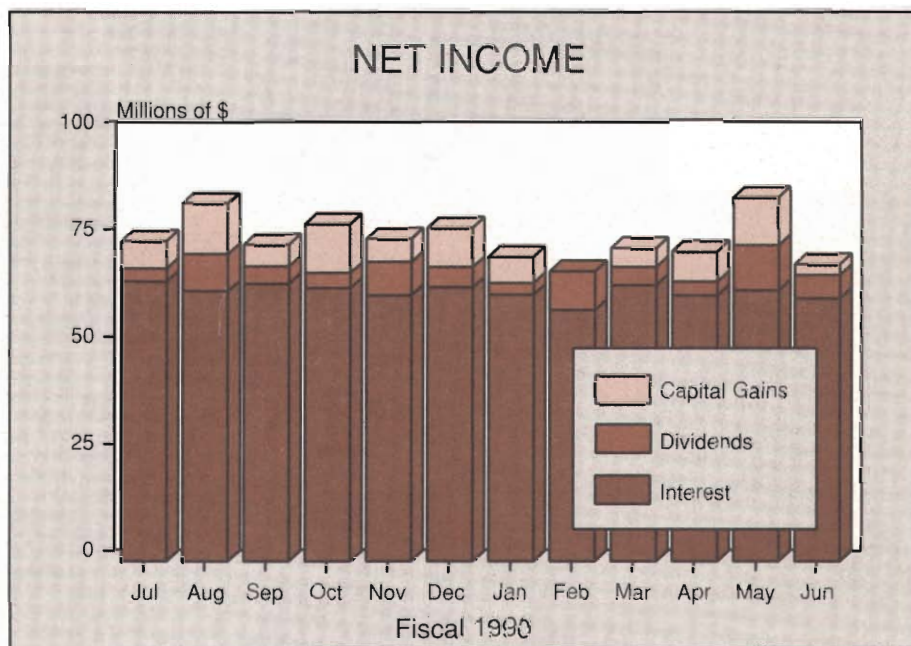
APRIL: The Fund made its first non-U.S. dollar-denominated international investment: CAN\$50 million Government of Canada Treasury bills. The Fund also sold 16% of its shares in an equity real estate pool, Corporate Property Investors, and earned a profit of \$7.3 million — an annualized rate of return for the five and one-half year holding period of 20.8%.

MAY: The U.S. stock and bond markets improved dramatically over this 30-day period, and the market value of Fund holdings increased \$346 million. Mr. Fouad Jaffar, General Manager of the Kuwait Investment Office, came to Alaska at the trustees' invitation and provided insights into the investment and management practices of the Kuwait Fund for Future Generations.

JUNE: The Fund reported fiscal 1990 net income of \$916 million. The principal grew during the year by \$721 million.

The Fund earned \$916 million in realized net income in fiscal 1990 — \$76.3 million on average per month. Realized net income is cash actually received by the Fund, such as dividends paid on stocks, interest paid on bonds, fees and other income earned on equity real estate, and realized capital gains. For the year, realized capital gains averaged \$6.8 million per month.

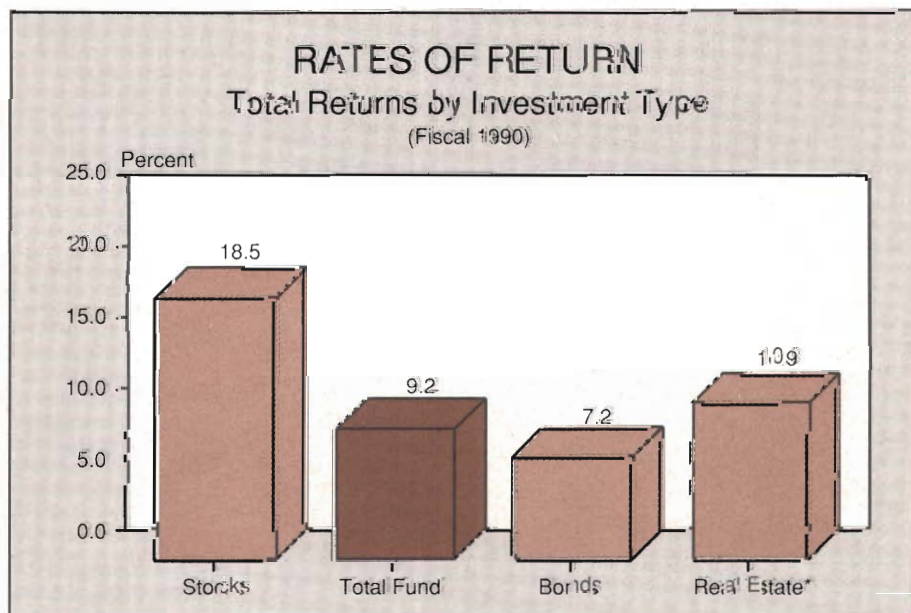
The realized rate of return for fiscal 1990 was 9.0%. The real return, after inflation, was 4.2%.



Total return measures realized net income plus the net change in unrealized gains/losses. On a total return basis, the Fund earned \$948 million in fiscal 1990, including both the \$916 million of realized income and a \$32 million net increase in unrealized gains.

Although the net change in unrealized gains from July 1, 1989 to June 30, 1990 was relatively modest, the monthly changes during that period were often quite dramatic and indicated a high degree of volatility.

The total rate of return for the Permanent Fund for fiscal 1990 was 9.2%. Of the Fund's three major investment portfolios, stocks earned the highest total rate of return, followed by real estate, and then bonds.



Fund's Investments in Marketable Debt Earned \$752 Million in Interest Income in Fiscal 1990

In fiscal 1990, the Fund was a net seller of \$92 million of marketable debt securities. Investments at cost as of June 30, 1990 totaled \$8.2 billion. The total rate of return was 7.2%

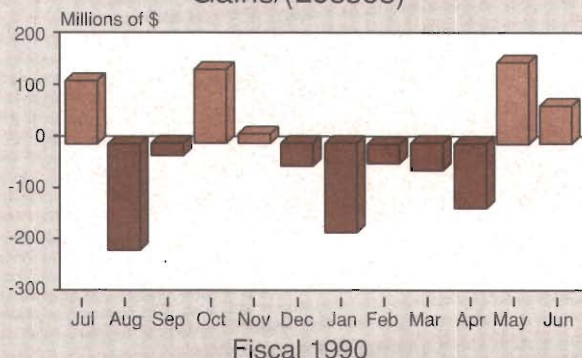
The Permanent Fund marketable debt portfolio is managed entirely in-house. Nearly three-quarters of the portfolio consists of U.S. Treasury bonds, bills and notes, and high-grade corporate debt securities. These fixed-income investments earn interest which represents the bulk of the cash required each year for the payment of dividends and inflation-proofing. Interest earned on marketable debt securities in fiscal 1990 totaled \$752 million.

Marketable debt ended the year with \$3.8 million in realized gains and \$13 million in unrealized gains. At the end of the fiscal year, the weighted average life of the portfolio was 9 years, 0 months, compared with 8 years, 4 months, a year earlier.

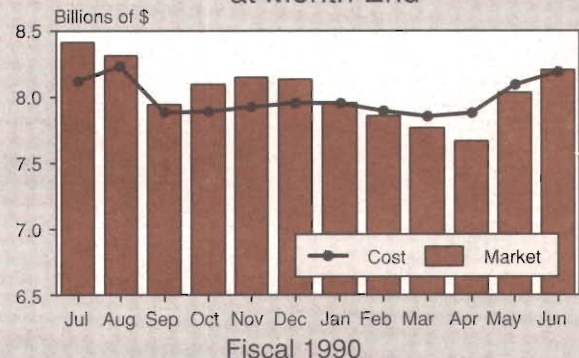
In response to extremely attractive Canadian short-term interest rates and strengthening Canadian currency, the Fund purchased Government of Canada Treasury bills in April. This was the Fund's initial entry into non-U.S. dollar-denominated international fixed-income investments.

MARKETABLE DEBT PORTFOLIO

Net Change in Unrealized Gains/(Losses)



Cost and Market Values at Month End



PERFORMANCE OF MARKETABLE DEBT PORTFOLIO

PERMANENT FUND

Periods Ending
June 30, 1990

Total
Return

1 Year	7.2%
3 Years	8.6
5 Years	10.0
6-1/2 Years	11.6

BENCHMARK INDICES

Treasury
Index

Intermediate
Treasury

Gov/Corp
Index

6.8%	7.7%	7.1%
8.7	8.4	9.0
10.1	9.3	10.3
11.6	10.8	11.9

Note: Total returns have been computed by Callan Associates and are based upon market value; period returns are annualized. This portfolio is measured against three Shearson-Lehman-Hutton indices commonly used as benchmarks by the industry: the Treasury Index, the Intermediate Treasury

Index, and the Government/Corporate Index. Three indices were chosen because no one index accurately reflects the particular risk characteristics of the Permanent Fund's marketable debt portfolio.

Stocks Were the Top Performer for the Fund in 1990, Equity Managers Earned a Total Return of 18.5%

The Fund made substantial additional investments in equities in fiscal 1990, adding \$767 million to the portfolio. That brought the cost value of the Fund's stock holdings to \$1.9 billion as of June 30, 1990. The market value of the Fund's stock holdings increased by \$950 million to total \$2.4 billion at year-end. Purchased primarily for their potential to appreciate over the long term, stocks earned a total return in fiscal 1990 of 18.5%.

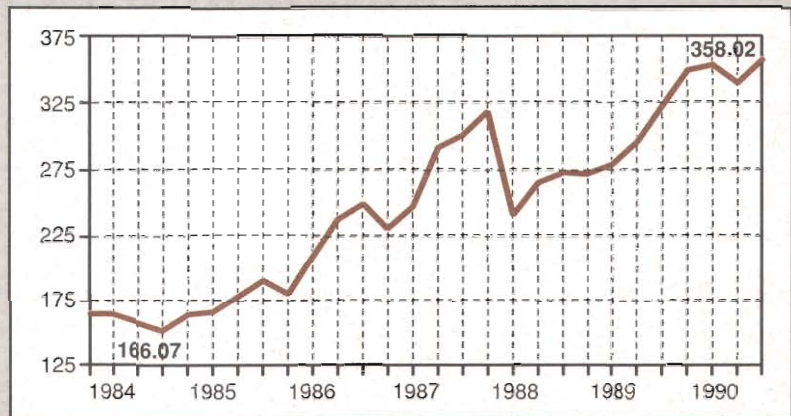
Management of the U.S. stock portfolio is split roughly 50/50 between one index fund manager and four active managers. The Fund's U.S. index fund manager is Bankers Trust Company of New York City.

Two active managers, Lehman Ark Management (formerly Lehman Management) of New York City, and Invesco Capital Management of Atlanta, emphasize the selection of value stocks. The other two active managers, Chancellor Capital Management of San Francisco and RCM Capital Management of San Francisco, emphasize the selection of demonstrated growth stocks.

Average realized gains from the sale of stocks increased this year to \$5.6 million per month compared to \$4.5 million per month last year. For fiscal 1990, realized gains on stocks totaled \$68 million. On June 30, 1990, unrealized gains in the U.S. stock portfolio amounted to \$509 million.

STOCK PORTFOLIO

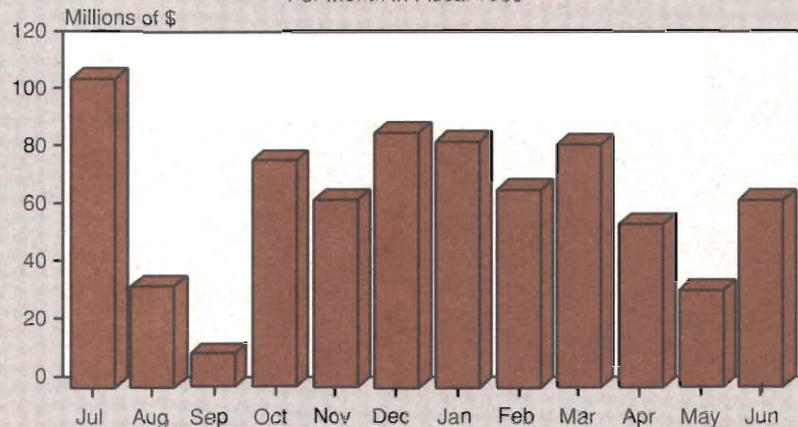
S & P 500 Since Inception
Since Fund Entered the Stock Market



At Quarter-End

Net New Investments in Stocks

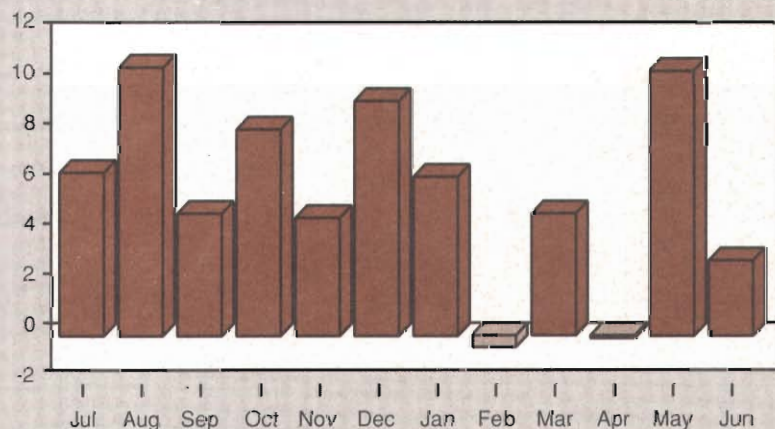
Per Month in Fiscal 1990



Fiscal 1990

Realized Capital Gains/(Losses)

Per Month in Fiscal 1990



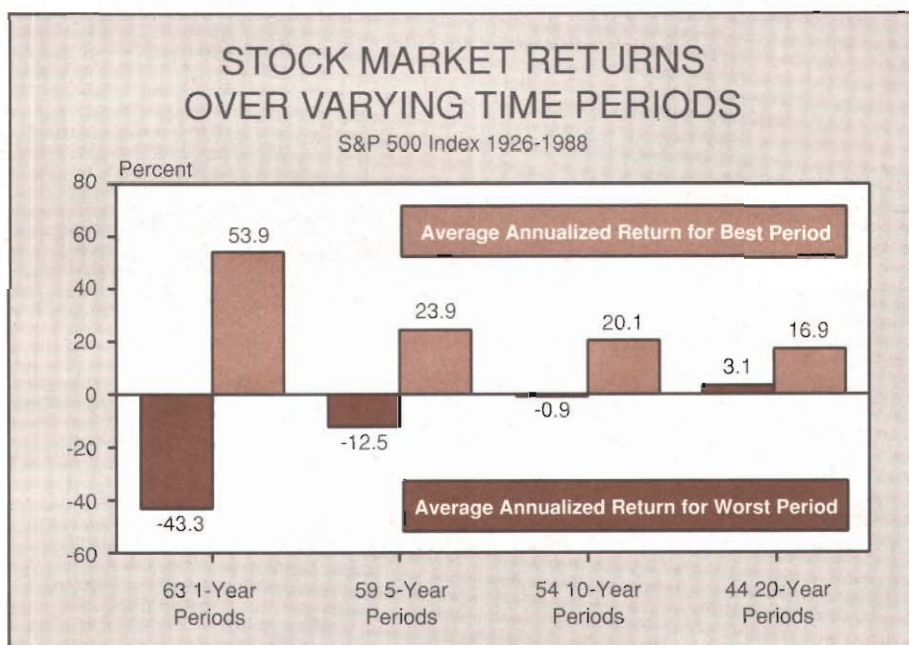
Investment Strategy: The Permanent Fund's investment strategy for stocks is based on the assumption, backed up with historical performance data, that stocks will significantly outperform fixed-income investments over the long term, although with much greater short-term volatility (risk). To take advantage of the higher returns, the trustees increased the stock portfolio as a percentage of

total Fund investments during the year from 13% to 20%. It is intended that stocks will comprise 35% of total Fund assets by June 30, 1993. To minimize the short-term volatility, staff has been given the flexibility to adjust the active/passive mix of the stock portfolio in a range from 40-60%, depending on market conditions, and a 5-15 year investment horizon has been assumed.

The accompanying chart shows the best and worst average annual returns of the stock market over various holding periods from 1926-1988.

Investors who remained in the market for only one year, for instance, could have achieved as much as a 54% gain or incurred a 43% loss — a spread of 97 percentage points between the best and worst returns. Also, there were 19 years out of the 63 in which the investor would have suffered a loss.

Yet, when the investment horizon is extended to 10 years, the volatility is significantly reduced. Over this span, there were 54 different 10-year investment periods. The difference between the average annual return for the best and worst 10-year periods was 21 percentage points. Also, there were only two such periods when the investor would have suffered a loss. The spread between the best and worst returns for the 20-year periods was much narrower. And positive gains were recorded in all of these periods.



The trustees have determined that the appropriate investment horizon for the Permanent Fund is 5-15 years. This intermediate-term strategy will allow the Permanent Fund to take some additional risk (and thus gain the opportunity for higher returns), but not so much as to cause a loss of Fund principal or jeopardize, in the short term, the consistent pattern of annual cash returns which the Fund has so far been able to accomplish.

INDUSTRY DIVERSIFICATION BY THE FUND'S ACTIVE MANAGERS at June 30, 1990

SECTOR	S&P 500	CHANCELLOR	INVESCO	LEHMAN ARK.	RCM
Consumer Staples	20%	31%	16%	16%	16%
Public Utility	15	4	5	14	8
Consumer Cyclical	13	18	25	10	13
Energy	12	5	5	5	8
Technology	9	9	19	15	13
Capital Goods	8	10	5	4	13
Financial	8	11	12	19	11
Raw Materials	7	4	0	6	5
Miscellaneous	6	5	8	10	11
Transportation	2	3	5	1	2

STATUS OF FUND'S U.S. STOCK MANAGERS' INVESTMENTS

At June 30, 1990

(in millions)

<u>Equity Managers</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain</u>
Bankers Trust	\$ 934	\$1,281	\$347
RCM	274	383	109
Lehman Ark	347	360	13
Invesco	127	143	16
Chancellor	135	165	30
Totals:	\$1,817	\$2,332	\$515

Note: This table does not reflect the impact on performance of gains realized by each manager during fiscal 1990 and preceding years.

PERFORMANCE OF FUND'S U.S. STOCK MANAGERS

<u>Equity Managers</u>	<u>Fiscal 1990 Return</u>	<u>Last 3 Years (Annualized)</u>	<u>Last 5 Years (Annualized)</u>	<u>Last 6.5 Years (Annualized)</u>
Bankers Trust	16.7%	9.5%	17.2%	16.7%
Lehman Ark	15.0	9.7	18.0	17.7
RCM	26.6	11.5	19.9	18.7
Chancellor	25.3	11.1	—	—
Invesco	12.9	8.7	—	—
S&P 500 Index:	16.4	9.3	17.3	16.9
Combined Active:	20.3	10.1	16.8	15.5
Combined Equity:	18.5	9.8	17.1	16.4

Note: These rates of return have been computed by Callan Associates and are time-weighted total returns for periods ended June 30. They include dividends and capital gains and losses, both realized and unrealized. The returns for the three-, five-, and six and one-half-year periods include the performance of terminated managers.

15 LARGEST HOLDINGS IN THE STOCK PORTFOLIO

At June 30, 1990

(in millions)

<u>Number of Shares</u>	<u>Company Name</u>	<u>Cost Value</u>	<u>Market Value</u>	<u>Unrealized Gains(Losses)</u>
545,800	IBM	\$ 65	\$ 64	\$ (1)
856,500	General Electric	39	59	20
823,100	Exxon Corporation	30	39	9
806,300	Philip Morris	22	37	15
523,900	Wal Mart Stores	13	33	20
727,100	Waste Management	13	30	17
661,300	General Motors	25	30	5
325,500	3M	19	28	9
330,100	Eli Lilly	14	27	13
674,717	AT&T	20	26	6
294,400	Proctor & Gamble	15	26	11
398,640	Bristol Myers	14	25	11
476,400	Amoco	18	24	6
630,400	E.I. DuPont	19	24	5
543,300	Coca Cola	11	24	13
Totals:		\$337	\$496	\$159

INTERNATIONAL INVESTING

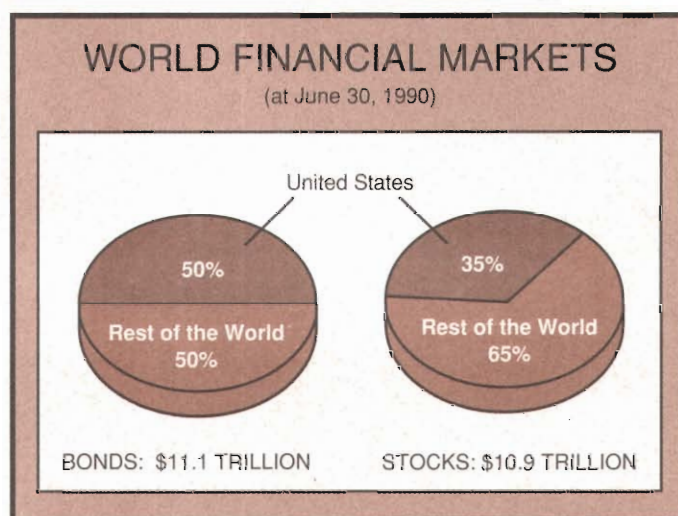
Trustees Set Goal for Fund's International Investments: Increase Diversification, Reduce Risk, and Enhance Returns

The goal of the Fund's international program is to diversify and reduce risk to the Fund's total portfolio while providing opportunities to enhance the Fund's overall rates of return. Primary emphasis is given to diversification and risk-reduction.

In October, the Alaska Permanent Fund made its first investment in companies located outside the United States, with the purchase of \$20 million of British Telecom Financial Notes. The purchase of these so-called "yankee notes" was the most conservative way for the Fund to ease into international markets. The bonds were bought in the U.S. and paid for with U.S. dollars.

In November, the Fund began averaging into the international equity markets with the purchase of \$10 million of American Depository Receipts (ADRs). The ADR index fund manager, Axe Core Investors of Tarrytown, NY, continued buying ADRs for the Fund at the rate of \$10 million per month until the \$50 million level was reached in March. ADRs are negotiable certificates issued by U.S. banks representing ownership in foreign companies. Like the yankee notes, they were bought in the U.S. and paid for with U.S. dollars.

The first actual purchase of a foreign security paid for in foreign currency occurred on April 3,



1990, when the Fund purchased CAN\$25,000,000 face value Government of Canada Treasury bills maturing February 22, 1991 to yield 13.25% to maturity. A second purchase of CAN\$25,000,000 Government of Canada Treasury bills maturing January 18, 1991 was made on April 4, 1990 to yield 13.38% to maturity. The Treasury bills maturing January 18, 1991 were sold on August 2, 1990. Profits on the Treasury bills and foreign exchange resulted in an annualized rate of return to the Fund for the period of the investment of 17.39%.

PROFILE OF THE AXE CORE INDEX FUND

COUNTRY	COUNTRY ALLOCATION	LARGEST HOLDING BY COUNTRY	COUNTRY	COUNTRY ALLOCATION	LARGEST HOLDING BY COUNTRY
Australia	2.67	Broken Hill Properties	Netherlands	2.72	Royal Dutch Petroleum
Austria	0.16	Veitscher Magnesit	New Zealand	0.66	Brierley Investments
Belgium	0.45	Gevaert	Norway	0.84	Norsk Hydro
Denmark	0.48	Danske Bank AF 1871	Singapore	1.65	Development BK Singapore
France	5.05	Aquitaine (ELF) SNEA	Spain	2.11	Telefonica de Espana
Germany	7.22	Deutsche Bank	Sweden	1.78	Ericsson (LM) B Fria
Hong Kong	1.98	China Light & Power	Switzerland	1.68	Nestle Namen
Italy	2.69	Rinascence ORD	United Kingdom	15.93	British Gas
Japan	51.93	Industrial Bank of Japan			

The Axe Core index fund consists of 175 American Depository Receipts (ADRs) and American Share Receipts (ASRs) representing ownership in foreign companies located in 17 countries around the world, excluding the United States. This index fund is designed to approximate the performance of the Morgan Stanley Capital International Index: Europe, Australia and the Far East (EAFE). The cost value of the Axe Core index fund at June 30, 1990 was \$50 million. The

Equity Real Estate Earned a Total Return of 10.9%

The total return for Permanent Fund equity real estate investments for the 12 months ended March 31, 1990 was 10.9%, consisting of 6.4% in cash income and 4.5% in appreciation.

According to the Fund's real estate consultant, Institutional Property Consultants of Atlanta, the Permanent Fund's performance ranked in the top 5% nationwide, with a total return 4.5 percentage points higher than the industry benchmark. The benchmark includes the performance and operating data on over 3,000 income-producing properties located across the country in which 119 tax-exempt institutions have invested.

In fiscal 1990, the Fund made a number of acquisitions in income-producing rental properties in order to enhance diversification in its real estate portfolio. Two new advisors were hired to assist the Fund in these acquisitions: Metric Institutional Realty Advisors of Foster City, CA and Sentinel Real Estate Corporation of New York City. Sentinel is the nation's largest owner and manager of apartment properties for tax-exempt institutions. The Fund's short-term goal is to make residential rental properties 10% of the real estate portfolio.

One of the primary reasons the Fund purchases equity real estate is to hedge against increases in inflation. Traditionally, there is a high correlation between increases in inflation and increases in real estate values. Indeed, the correlation with inflation is higher for real estate than for either stocks or bonds. In addition to protecting the Fund against inflation, real estate also enhances total portfolio diversification by its low correlation with stocks and bonds.

There were two sales from the equity real estate

portfolio this year; the Villa Marina Shopping Center at Marina del Rey, CA, and 16% of the Fund's shares in the Corporate Property Investors (CPI) real estate pool:

* Villa Marina was purchased in April, 1985 for \$9.9 million and sold in October, 1989 for \$13.5 million. Over the 4-1/2 year holding period, the investment returned an annualized 11.59% rate of return.

* In April, the Fund tendered 87,085 of its 544,730 shares in the CPI pool for \$14.6 million. Since the cost value of these shares was \$7.3 million, the profit totaled \$7.3 million. The annualized rate of return on this investment (originally purchased in August, 1984) was 20.8%. The CPI pool consists of 28 regional shopping centers, 6 office buildings, 2 office parks, 2 industrial parks, and 3 mixed-use properties throughout the U.S.

The Fund's largest single real estate investment, at a cost value of \$98.8 million, is the Tyson's Corner Regional Shopping Center. Located 11 miles west of Washington D.C., it includes five department stores, 237 specialty shops, 21 restaurants and two movie theaters. Last year's sales totaled \$774 million, putting it among the top 1% grossing malls in the nation. Sales equaled \$430 per square foot.

The Fund owns four properties in the Bay area. One of these, the Alameda Industrial Properties, suffered minor damage in last fall's San Francisco earthquake. The cost of repairing the damage amounted to \$11,800. As a 40% owner, the Fund's share of the damage totaled \$4,700. Although the property is protected by earthquake insurance, no claim was filed because the repairs were considerably less than the 15% deductible.

EQUITY REAL ESTATE PERFORMANCE

<u>Fiscal Year</u>	<u>Realized Return</u>	<u>Total Return</u>
1990	6.4%	10.9%
Last 3 Years	6.6	12.4
Last 5 Years	7.0	13.7
Since Inception	7.3	13.9

Note: Equity real estate returns have been computed by Institutional Property Consultants (IPC) for periods ended March 31. Period returns are annualized. The Fund's first purchase of equity real estate was made in October, 1983.

MAJOR 1990 INVESTMENTS

\$6.3 million for a 40% interest in the **Crystal Creek Apartments**, a 304-unit apartment complex located on the outskirts of Las Vegas, NV.

\$13.5 million for a 40% interest in the **Island Club Apartments**, a 23-story, 300-unit residential building on Claughton Island in Miami, FL.

\$5.0 million for a 33.3% interest in **Bridgewater Place Apartments**, a 260-unit apartment complex in St. Petersburg, FL.

\$8.1 million for a 33.3% interest in **Amador Oaks Apartments**, a 204-unit multi-family rental property located in Dublin, CA.

\$38.8 million for a 40% interest in **One O'Hare Center**, a 12-story Class A office building located one mile from Chicago's O'Hare International Airport.

\$28.9 million for a 40% interest in **919 North Michigan**, a 37-story office building in downtown Chicago.

\$37.6 million for a 23% interest in a participating mortgage in **135 East 57th Street**, a 33-story office building in New York City.

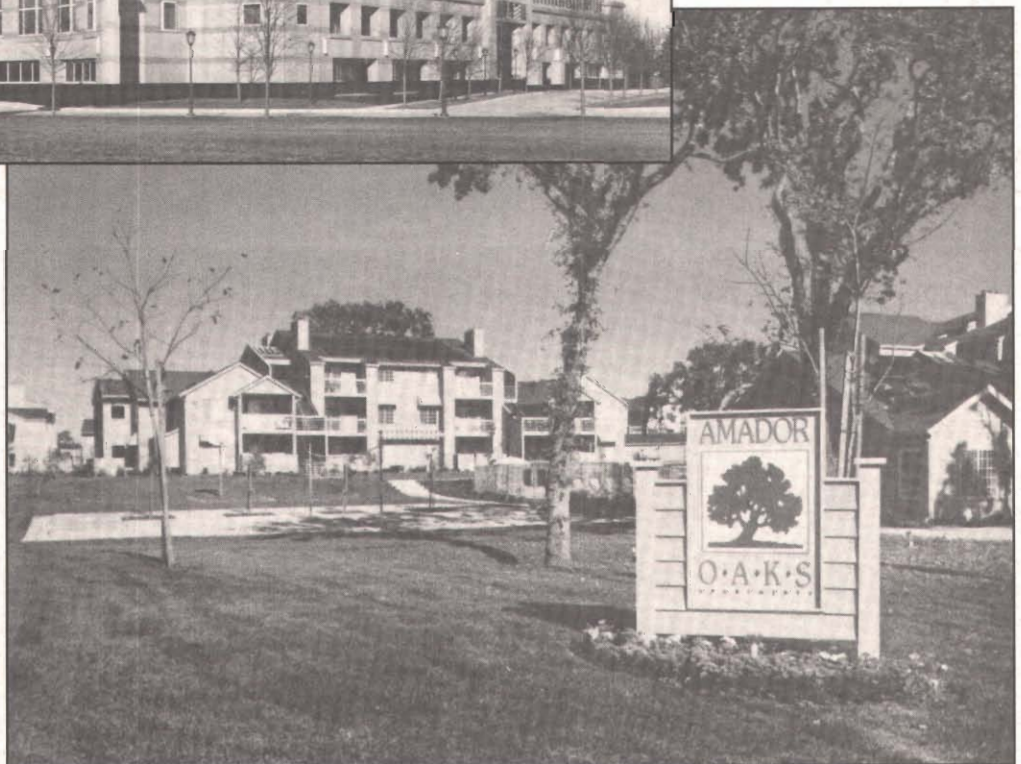
\$11.9 million for a 40% interest in **37 West 57th Street**, a 12-story office/retail building in New York City.



**Permanent Fund
Real Estate
Portfolio**

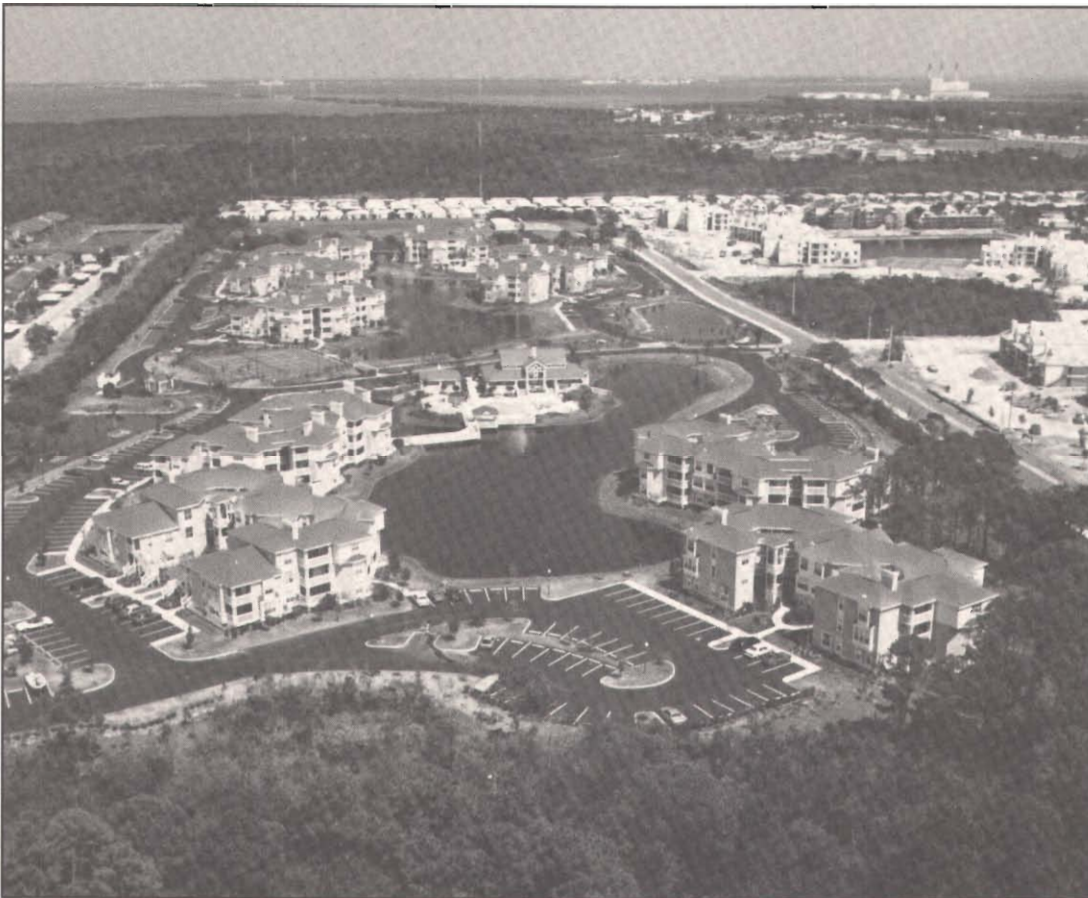
**One O'Hare Centre
Rosemont, Illinois**

**Amador Oaks
Apartments
Dublin, California**

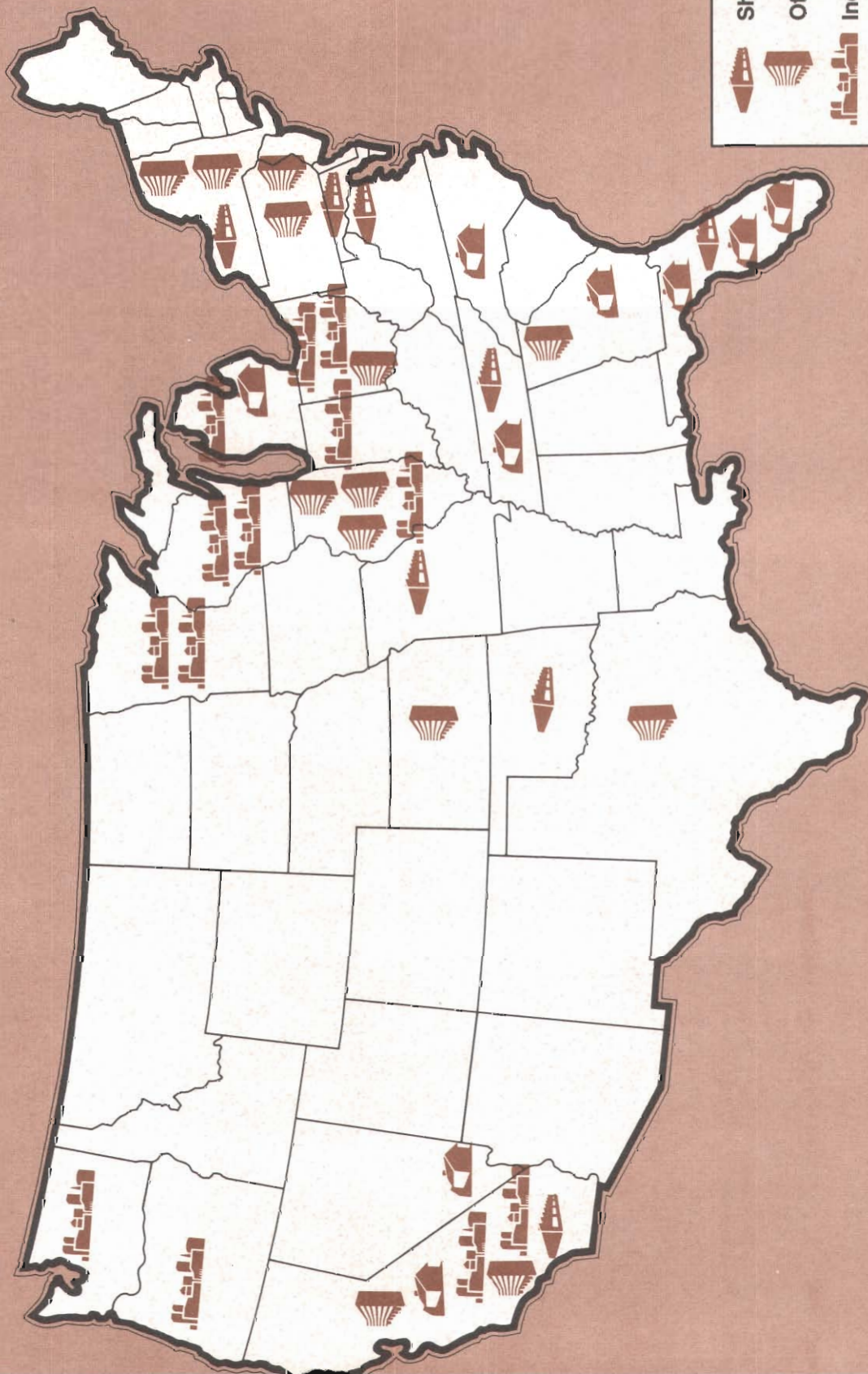




Island Club Apartments
Miami, Florida



Bridgewater Place Apartments
St. Petersburg, Florida



- Shopping Centers
- Office Buildings
- Industrial Parks
- Apartments

Alaska Permanent Fund Investments in Real Estate

As of June 30, 1990, the Fund had a combined 4.9% interest in five equity funds consisting of 78 separate properties, and a combined 28% interest in joint ventures consisting of 108 properties. While the portfolio as a whole is performing well, there are individual properties whose market

value is below cost (see table). All together, the Fund holds a combined 15% ownership interest in 186 properties in 33 states with a total market value of \$5.4 billion.

SUMMARY OF EQUITY REAL ESTATE INVESTMENTS

At June 30, 1990
(in millions)

Properties	Location	Cost	Market
Shopping Centers			
Owings Mills	Owings Mills, MD	\$ 25.5	\$ 25.5
McKinley Mall	Hamburg, NY	16.3	19.0
Oakwood Mall	Enid, OK	10.0	11.2
Paragon Partners	FL, NC, KY	16.7	16.7
St. Louis Centre	St. Louis, MO	19.8	19.8
Tyson's Corner	McLean, VA	98.8	142.6
Villa Marina	Marina del Rey, CA	.2	.3
	Totals:	\$187.3	\$235.1
Office Buildings			
135 East 57th St.	New York, NY	\$ 37.6	\$ 37.6
37 West 57th St.	New York, NY	11.9	12.7
919 N. Michigan	Chicago, IL	28.9	28.9
1000 Parkwood	Atlanta, GA	4.5	3.8
ARA Building	Philadelphia, PA	17.7	23.3
Arboretum Lakes	Lisle, IL	11.3	16.9
Epic Center	Wichita, KS	11.4	11.4
1818 Market St.	Philadelphia, PA	25.9	25.4
One City Center	Sacramento, CA	8.3	8.3
One O'Hare Center	Rosemont, IL	38.8	38.8
Paragon Building	Dallas, TX	7.9	5.1
Walnut Building	Cincinnati, OH	25.1	25.1
Westwood Place	Los Angeles, CA	14.2	14.2
	Totals:	\$243.5	\$251.5
Industrial Parks/Research & Development Facilities			
Alameda Industrial Park	Menlo Park, CA	\$ 15.4	\$ 15.3
Tech Properties	Beaverton, OR, Redmond, WA	20.5	22.8
Blue Ash Business Park	Blue Ash, OH	8.3	8.8
Harmon International	Van Nuys, CA	33.1	38.8
MIW Properties	MN, WI, MI, IL, IN	18.6	18.6
MN-TX Business Center	Eden Prairie, MN	7.3	6.6
Tri-County Center	Cincinnati, OH	3.4	4.1
	Totals	\$106.6	\$115.0
Residential			
Amador Oaks	Dublin, CA	\$ 8.1	\$ 8.1
Bridgewater Place	St. Petersburg, FL	5.0	5.0
Club Apartments	TN, GA	12.3	12.1
Crystal Creek Apartments	Henderson, NEV	6.3	6.3
Island Club Apartments	Miami, FL	13.5	13.5
Polo Club Apartments	Detroit, MI	1.5	1.3
Siesta Key/Cedar Key	FL	3.5	3.5
Village at Forest Ridge	Charlotte, NC	5.6	5.6
	Totals:	\$ 55.8	\$ 55.4
Equity Pools			
Corporate Property Investors	Nationwide	\$ 38.2	\$ 70.5
CIGNA Fund-S	Nationwide	24.4	23.0
JMB II	Nationwide	15.6	18.2
JMB III	Nationwide	20.4	22.8
Aetna Institutional Investors	Nationwide	18.0	18.0
	Totals:	\$116.6	\$152.5

Combined Totals:

\$700.0

\$800.5

16th Legislature Considered 59 Permanent Fund Bills

During the 16th Legislature, there were a total of 59 bills and resolutions introduced dealing with the Permanent Fund. In the Second Session, six of these bills and one resolution passed both the House of Representatives and the Senate and went to Governor Cowper for his signature.

HB 500 (Chapter 209, SLA 1990): This is the State's fiscal 1991 budget. It included:

\$487,000,000 appropriated from the income of the Permanent Fund to the dividend fund for the payment of 1991 dividends and administrative and associated costs.

\$429,000,000 appropriated from the fiscal 1990 income of the Permanent Fund to principal to offset the effect of inflation.

\$25,000,000 appropriated from the earnings reserve account of the Permanent Fund to principal to offset the effect of inflation. This was the first year in which current-year income — after the payment of dividends — was insufficient to fully offset the effect of inflation.

\$267,000,000 of dedicated oil revenues appropriated to the principal of the Permanent Fund.

Note that this year, for the first time, both inflation-proofing and dedicated oil revenues were appropriated in the budget bill; in prior years, they have been appropriated by simple force of statute.

Also appropriated to Permanent Fund principal, as a contingency, is any interest earned during fiscal year 1991 on revenue from the sources set out in AS 37.13.010 while the revenue is held in trust, escrow, or otherwise before receipt of the revenue by the state.

\$150,000,000 appropriated from the General Fund to the principal of the Permanent Fund (vetoed by the governor).

\$3,500,000 appropriated from the earnings reserve account of the Permanent Fund to the Corporation to pay to the Department of Law 25% of the Department's legal costs relating to the North Slope royalty case (State v. Amerada Hess, et al.) and the Dinkum Sands case (United States v. Alaska).

\$14,414,800 appropriated from Corporation receipts to the Alaska Permanent Fund Corporation for its fiscal 1991 expenses.

\$3,816,000 from the dividend fund to the Department of Revenue to administer the dividend program.

\$12,217,300 from the dividend fund to the Department of Health & Social Services for Permanent Fund dividend hold-harmless costs.

\$736,600 from the dividend fund to the Department of Public Safety for restitution for crime victims.

\$763,400 from the dividend fund to the Department of Corrections for gate money to incarcerated felons.

The legislature passed five other bills which addressed the Permanent Fund dividend program:

SB 102 (Chapter 1, SLA 1990): This bill removed the \$10 Winter Olympics check-off from the Permanent Fund dividend application.

HB 380 (Chapter 68, SLA 1990): This bill allows the parent, guardian, or other authorized representative of a disabled individual to apply for prior year permanent fund dividends not received by the disabled individual because no application was submitted on behalf of the individual.

HB 511 (Chapter 197, SLA 1990): This bill relates to the \$1.5 million appropriation from the dividend fund made in 1989 to the Departments of Corrections and Public Safety. It provides that if the felons win their lawsuit challenging the constitutionality of the 1988 law which denied them Permanent Fund dividends, then \$1.5 million is appropriated from the General Fund to reimburse the dividend fund. If the felons lose their lawsuit, the \$1.5 million currently set aside in the dividend fund pending settlement of the lawsuit will be added to next year's dividends.

HB 563 (Chapter 198, SLA 1990): This bill:

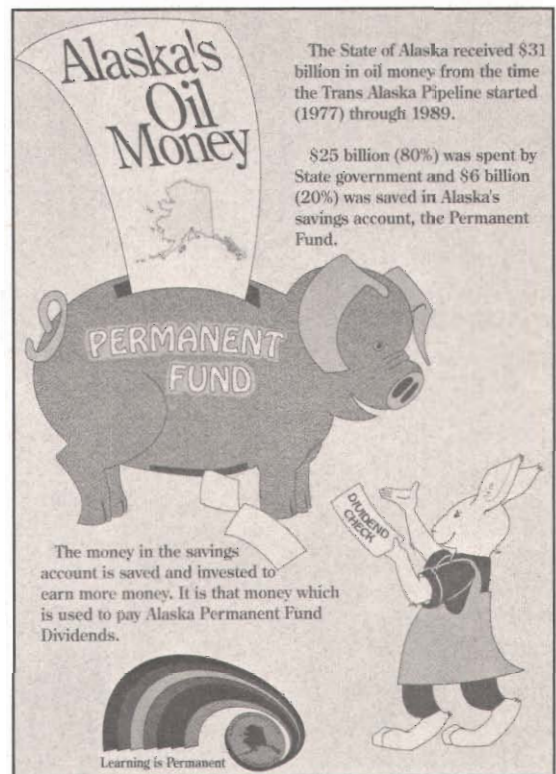
1) amends the dividend statutes to require that the PFD check stubs disclose not only the amount by which each dividend has been reduced due to each

appropriation from the dividend fund, but also the amount of each dividend attributable to income earned by the Permanent Fund from the following two sources: the constitutionally-required dedicated revenues, and the legislatively-approved special appropriations and inflation-proofing; and

2) reduces from 50 percent to 45 percent the amount of an individual's dividend which is exempt from remedies for the collection of debt. More than 34,000 garnishments were sent to the Department of Revenue last year, and 22,400 dividends were taken entirely or in part.

SB 136 (Chapter 90, SLA 1990): This bill provides that, beginning next year, a check-off box will appear on the Permanent Fund dividend application to allow individuals to use one-half of their dividends to pay in advance for tuition at the University of Alaska.

The legislature passed one other piece of legislation which addressed the Alaska Permanent Fund Corporation, **SCR 43 (Legislative Resolution 107)**. This resolution expressed the Legislature's support for the Alaska Permanent Fund Corporation's *Learning is Permanent* educational program for Alaska students (See page 23).



This is one of six 18" by 25" posters which were produced in fiscal 1990 by the Alaska Permanent Fund Corporation as part of the Learning is Permanent educational program.

Commission on the Future of the Permanent Fund Recommends Protection of Principal and Dividends

In fiscal 1990, the legislatively-established Commission on the Future of the Permanent Fund held 10 public hearings across the state, listened to testimony from over 200 members of the public and expert witnesses, and collected the opinions of 1,782 Alaskans via responses to a written questionnaire. Staff support was provided by the Alaska Permanent Fund Corporation.

The public clearly stated that it: (1) wants the principal of the Fund preserved; (2) wants the Permanent Fund dividend retained; (3) believes current levels of state spending are too high; and (4) does not want Fund earnings used to support state programs in the foreseeable future.

The Commission made six specific legislative recommendations in its final report, one of which was passed into law. Chapter 198, Session Laws of Alaska (SLA) 1990, requires that all uses of the earnings of the Fund be disclosed each year on the Permanent Fund dividend check stub.

The other five recommendations were addressed by the legislature, but no final action was taken:

- * The governor and the legislature should initiate a process of long-term fiscal planning and take the necessary action to implement it.

- * The legislature should reverse the priorities to give inflation-proofing the first call on Fund earnings.

- * The legislature should amend the dividend program to ensure that it does not appropriate more than the "real" earnings of the Fund.

- * The legislature and the governor should give timely consideration to the "payout rule" concept in order to better define the investment and earnings policies of the Fund.

- * The legislature should approve a number of technical amendments to existing Permanent Fund statutes to remove ambiguities and to improve

COMMITMENT TO ALASKA

Permanent Fund is a Significant Force for Economic Stabilization in Alaska

The Alaska Permanent Fund dividend program brings more money into the state's economy than the total payroll of any industry in Alaska except the U.S. military, petroleum, and the civilian federal government. Compared to the wages paid to Alaskans by basic industry, dividends make a greater contribution than the seafood industry, construction, tourism, timber, mining and agriculture.

This is one of the findings included in a research paper prepared for the Alaska Permanent Fund Corporation by the Institute of Social and Economic Research. Entitled *The Economic Impact of the Permanent Fund Dividend*, this study, presented to the Board of Trustees at their annual meeting on September 28, 1989, summarizes the contribution of the dividend to the Alaska economy in three fundamental ways.

First, it compares the amount of the annual dividends to the two major components of Alaska personal income: wage and non-wage payments. Second, it estimates the total amount of economic activity attributable to the dividends, including total income generated and jobs created. Third, it describes the impact of the dividend program on Alaska by community and by region.

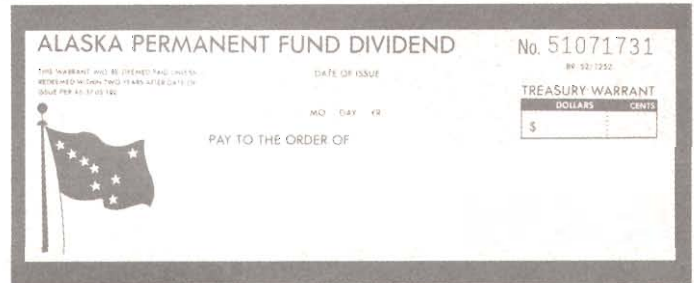
Since its inception in 1982, the Permanent Fund dividend has made a significant contribution to the Alaska economy. Including the 1989 distribution, dividends in the last eight years have added \$2.5 billion directly to the income of individual Alaskans. As a result, the Permanent Fund has been a significant force for economic stabilization in Alaska, particularly during the recent three-year recession.

Other findings:

* 16% of all Alaskans' non-wage income currently consists of the dividend payment.

* The dividend is equal to 6% of total earnings by Alaska residents.

* Although dividends do not directly create jobs in the economy, when individuals spend the income they have received as dividends, employment and income are created in the trade and service sectors of the economy through a process economists call the "multiplier effect." Using a multiplier of 1.5, the dividends created 5,600 jobs in Alaska in 1988.



* For every \$1 million distributed through the dividend program, 13 Alaska jobs are created.

* Permanent Fund dividends contributed, on average statewide in 1988, four cents of each dollar of Alaskans' personal income. This ranged from a high of 12 cents in the Wade-Hampton Census Area to a low of 4 cents in the City and Borough of Juneau.

* Including the effect of the multiplier, Permanent Fund dividends contributed five cents of each dollar of Alaskans' income in 1988.

* For a considerable percentage of Alaskans, the dividend added more than 10% to the income of their family. This was particularly true in rural Alaska. Using data from the 1982 distribution, among rural Alaskans, 48% of dividend recipients saw their family income increase by more than 10%. It was even higher among rural Alaska Natives, 77% of whom saw their family income increase by more than 10%.

* Alaskans who have received each of the dividends paid from 1982 through 1988 and who invested that money at an 8% rate of return, have now saved an asset worth \$5,400; that amounts to \$21,600 for a family of four.

* It is projected that a family of four which saves all Permanent Fund dividends paid between now and the year 2005 (again investing that money to earn an 8% rate of return) will have accumulated an asset which today would be worth \$67,752.

* 14% of the total 1988 dividend payment was paid to the federal government in federal taxes.

The Economic Impact of the Permanent Fund Dividend Program was written by Dr. Oliver Scott Goldsmith with Jeff Wanamaker, an Alaska Permanent Fund Corporation student research intern.

University of Alaska Fairbanks Study: Permanent Fund Dividends are Anti-Recessionary

"The Alaska Permanent Fund represents a unique experiment in the redistribution of wealth to future generations of Alaskans. By setting aside a portion of state revenues received from the exploitation of resources today in a constitutionally inviolate trust fund, the current generation of Alaskans has ensured that future generations will benefit from Alaska's mineral and petroleum wealth.

"Through the dividend distribution program, current Alaskans also benefit from the exploitation of resources directly by an increase in personal income and indirectly through higher employment brought about by the multiplier effect associated

with the infusion of dividend payments. Additionally, the dividend distribution program acts as an anti-recessionary policy tool, whereby the boom-bust cycles that are associated with resource development and which have historically plagued Alaskans are somewhat mitigated."

—Conclusions from the lead article appearing in the April 1990 issue of *Public Finance Quarterly*. The article was written by J. Patrick O'Brien, Associate Professor of Economics at the University of Alaska Fairbanks, and Dennis Olson, University of Louisville.

Other Permanent Fund Programs in Alaska

Alaska Certificates of Deposit: Under this program, funds are continuously made available to Alaskan financial institutions at market rates of return on a fully-collateralized basis. At year-end, \$94 million was outstanding, down from \$133 million a year ago. There have never been any losses in this program despite numerous bank failures and consolidations. In February, this program was expanded to include nine-month CDs, as well as the three-year CDs which have been offered since 1984.

Home Mortgages in Alaska: This year, only three new mortgage loans were made, eight old loans were paid off, eleven non-performing loans defaulted, and nine foreclosed properties were sold. On June 30, 1990, the Fund's Alaska home mortgage portfolio consisted of 182 loans outstanding, totaling \$28 million. Of these, 14 properties worth \$1.8 million were over 60 days delinquent (a delinquency rate of 6.5%). Real estate owned totaled another 24 properties worth an additional \$2.5 million.

Alaska Science and Technology Endowment Fund: This year, the Alaska Permanent Fund Corporation received a second \$34 million appropriation from the state's General Fund to be invested by the Corporation as a separate endowment for the benefit of the Alaska Science and Technology Foundation. Endowment income is not included in the computation of Fund dividends. Assets of the endowment have been commingled with the assets of the Fund for investment purposes.

"Learning Is Permanent" Educational Program: To help young Alaskans learn about economics — and about the Permanent Fund — this year, the trustees initiated an educational program

Developed in cooperation with the Alaska Council on Economic Education, it consists of a series of nine lesson plans and accompanying instructional materials.

The first three lesson plans were developed for students in Grades 1-3, the middle three for students in Grades 4-6, and the last three for students in Grades 7-8.

The curriculum was developed by a team of six elementary-grade educators from the Fairbanks area, each of whom has many years of actual experience teaching in Alaska. *Learning is Permanent* was designed by teachers for teachers to help young Alaskans gain a greater knowledge of the history, workings and importance of their Permanent Fund, and to learn basic economics.

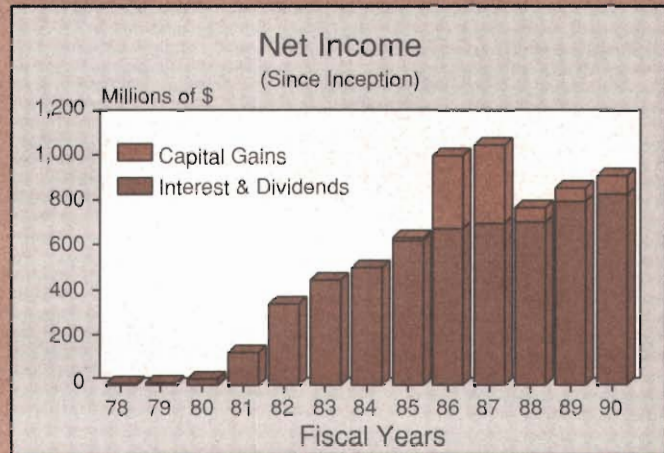
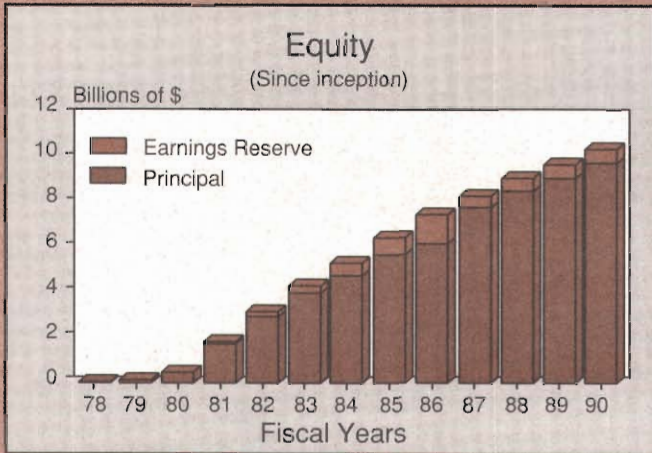
Graduating in complexity, the nine lesson plans illustrate the use of major economic concepts, provide opportunities for students to analyze economic issues, and encourage an evaluation of the consequences of economic policy decisions and actions.

Teachers interested in additional information about this program are encouraged to contact the Corporation.

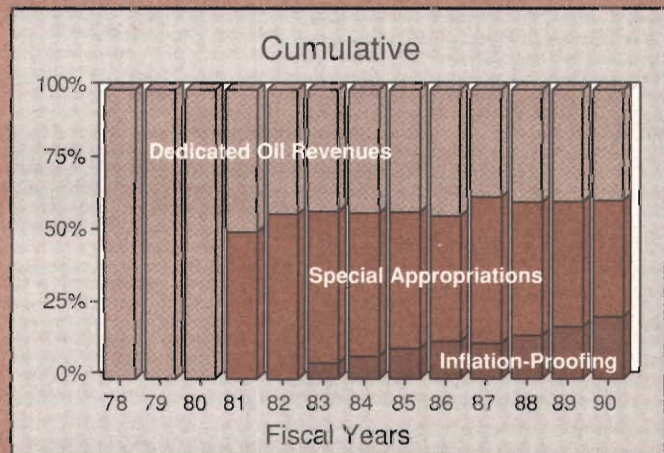
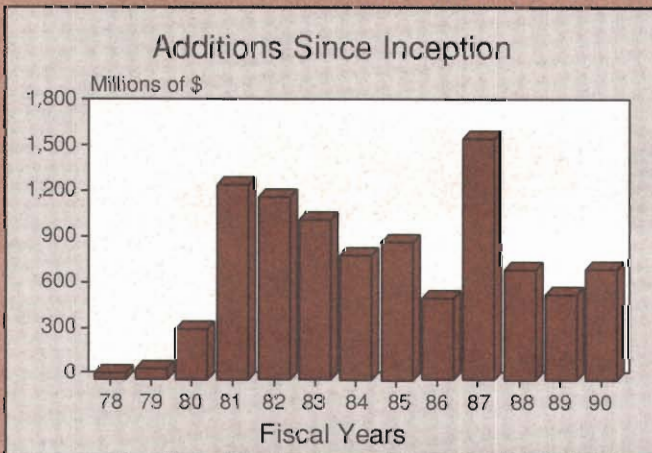
Permanent Fund College Internship Programs: In 1988, the trustees initiated two educational/employment programs designed to help Alaskans further their education or seek employment in the area of finance. Since then, 12 Alaska college students have worked as interns for the Alaska Permanent Fund Corporation, and another 12 Alaska college students have worked as interns or trainees in one of the companies with whom the

LONG TERM PERFORMANCE

GROWTH OF FUND



SOURCES OF PRINCIPAL GROWTH



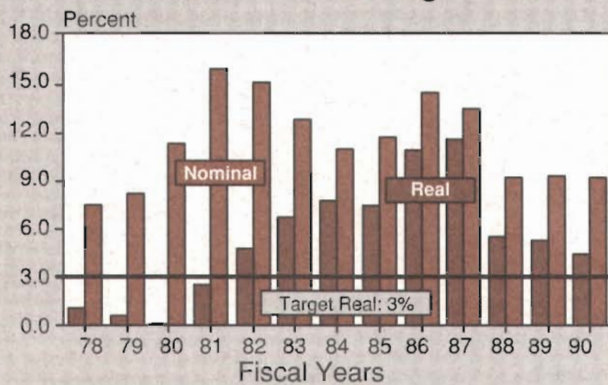
AVERAGE ANNUAL TOTAL RETURNS

Period	Total Fund	Bonds	Stocks	Real Estate
1985	25.6	25.8	29.3	18.6
1986	23.1	20.9	35.9	18.3
1987	7.6	4.0	22.2	13.0
1988	5.4	7.2	-5.7	14.9
1989	12.2	11.5	18.7	11.4
1990	9.2	7.2	18.5	10.9
3 Years	8.9	8.6	9.8	12.4
5 Years	11.3	10.0	17.1	13.7
6.5 Years	12.6	11.6	16.4	13.9

Equity real estate is measured for periods ending March 31; all other periods end June 30. Real estate returns have been computed by Institutional Property Consultants (IPC), the Fund's equity real estate consultant. All other total returns have been computed for the Permanent Fund by Callan Associates, the Fund's performance measurement consultant.

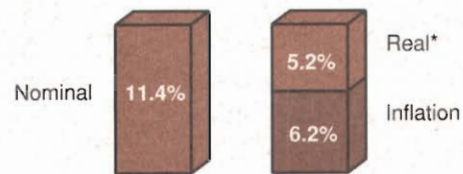
REALIZED RATES OF RETURN

Nominal, Real, and Target Real



Average Rates of Return

(Realized Since Inception)



*The trustees' investment goal is to earn, on average, over the long term, a realized, real rate of return of 3%.

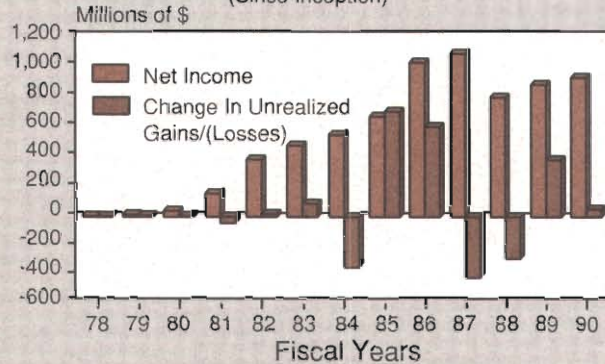
Realized rates of return measure realized income only. Realized income is cash actually received by the Fund such as dividends, interest, and realized

capital gains. Real returns are nominal returns from which the inflation rate has been subtracted.

TOTAL RETURN INCOME

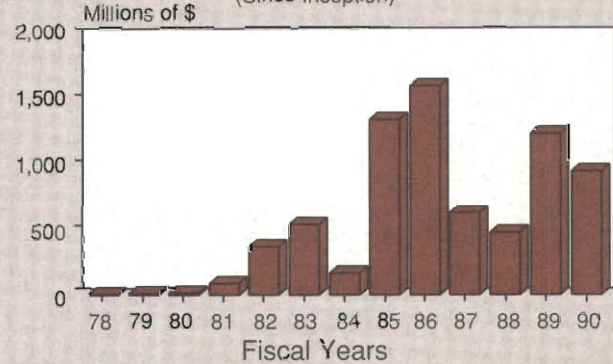
Components of Total Return

(Since Inception)



Total Income

(Since Inception)



Total returns measure realized income plus the net changes in unrealized gains/losses. For example, in fiscal 1990, the Fund earned \$916 million in realized income and earned another \$32 million in

unrealized income as indicated by the increase in unrealized gains from \$591 million on June 30, 1989 to \$623 million on June 30, 1990.

REALIZED RATES OF RETURN

Fiscal Year	Nominal	Real	Inflation Rates
78	7.53%	1.08%	6.45%
79	8.24	.58	7.66
80	11.29	.03	11.26
81	16.00	2.48	13.52
82	15.10	4.73	10.37
83	12.76	6.66	6.10
84	10.89	7.67	3.22
85	11.61	7.35	4.26
86	14.36	10.79	3.57
87	13.37	11.45	1.92
88	9.01	5.36	3.65
89	9.14	5.06	4.08
90	9.00	4.20	4.80
Averages:	11.40	5.20	6.20

TOTAL RETURN INCOME

Realized Income (in millions)	Net Changes in Unrealized Gains (in millions)	Total Return (in millions)
\$ 2	\$ 0	\$ 2
8	0	8
32	2	34
150	(52)	98
368	10	378
471	79	550
529	(353)	176
658	690	1,348
1,021	584	1,605
1,069	(430)	639
789	(302)	487
868	367	1,235
916	32	948

Expect Recession and Rising Inflation in 1991

Prior to the Iraqi invasion of Kuwait on August 2, 1990, the economy was probably as close as possible to recession without being formally in one. In fact second quarter economic data and revisions of past data indicated that half of the economy had been in a recession since the fourth quarter of 1989 and that the other half was probably headed in that direction.

Both consumer and business demand was weak. Consumer spending fell 0.3%, and capital spending by business fell 6.1% during the second quarter. The July employment report showed that job growth was disturbingly weak. Service company hiring was also seen joining the ranks of the economic slowdown. Little hope was being offered on the inflation front. The private sector employment cost index for the twelve months ending June came in with a 5.2% increase.

Real estate problems also continue to grow as a result of dwindling credit and a glut of troubled properties. Financing for any kind of housing construction has become extremely difficult to obtain. To make matters worse, it is estimated that there is some \$60 billion of foreclosed real estate and about \$68 billion of delinquent real estate held by banks, thrifts, and the Resolution Trust Corporation. There is real concern that in their eagerness to disgorge properties, these institutions could dump so much property on the market that prices collapse. There is also a growing fear that the combination of growing supply and reduced availability of financing credit could push the country decisively into a recession.

The Iraqi invasion has radically changed the world. To what extent will be known perhaps only over a period of months or even years. A 50% increase in the price of oil with the prospect that it will be sustained could well be the catalyst of a 1990-1991 recession. Energy accounts for about 7% of the CPI and will have an indirect upward effect on other parts of the CPI as well.

Prospects for defense expenditure cuts and tax increases on energy are delayed, eliminated, or greatly reduced. Higher oil prices combined with reduced budget cutting capabilities and ever growing savings and loan bailout problems suggest the potential for future severe budget and economic dislocation problems.

In the short term, declining consumer confidence is likely to be further depressed by suddenly increasing transportation costs and the potential for armed hostilities in the Middle East. At the same time, both business profits and spending are likely to weaken as businesses experience difficulty in passing along higher wage and energy costs in the form of higher prices at a time of weakening consumer and business demand.

Rising energy prices clearly worsen the outlook for inflation worldwide. Money growth of 13% in Japan is clearly excessive. With the potential for oil prices to rise above \$30 per barrel as the Middle East crisis unfolds, the possibility, if not the likelihood, for higher interest rates in Japan clearly exists. Rising petroleum prices would also exacerbate a unified Germany's efforts to raise capital to modernize East Germany and rebuild its infrastructure. Eastern Europe's problems will also be greatly magnified since beginning in January, 1991 it must pay for all its oil imports with hard currencies. Should both Europe and Japan decide to offset the inflationary impact upon their economies with higher interest rates, the Federal Reserve Bank would be left with little room to ease domestic interest rates. Any movement in that direction could quickly produce a currency crisis for the U.S. dollar.

The ultimate effect of the Middle East crisis on the U.S. and the world economies will be determined by both the nature and length of the confrontation and its ultimate resolution. An Iraqi withdrawal from Kuwait coming in the near future as the result of a political settlement or a coup in Iraq could minimize damage to the world's economies. On the other hand, a long protracted crisis could leave the United States in an exposed position in a very volatile area of the world with its military strength undermined by a weakened economic structure. Once again the dangers of over reliance on foreign sources of energy have been made abundantly apparent to the nation.

ALASKA PERMANENT FUND

Financial Statements
June 30, 1990 and 1989

REPORT OF INDEPENDENT AUDITORS

Ernst & Young

Suite 601
301 W. Northern Lights Boulevard
Anchorage, Alaska 99503
Telephone: (907) 279-1411

Board of Trustees
Alaska Permanent Fund Corporation
Juneau, Alaska

We have audited the accompanying statements of assets, liabilities, and fund equity of the Alaska Permanent Fund as of June 30, 1990 and 1989, and the related statements of revenues and expenses, changes in fund equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Alaska Permanent Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Permanent Fund at June 30, 1990 and 1989, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.

August 3, 1990

Ernst & Young

STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY

ASSETS	JUNE 30,	
	1990	1989
Cash and temporary investments - Note 3	\$ 97,353,000	\$ 30,768,000
Receivables and prepaid expenses - Note 4	207,044,000	202,949,000
Investments -		
Marketable debt securities - Note 5	8,180,677,000	8,273,258,000
Real estate - Note 6	709,779,000	567,291,000
Preferred and common stock - Note 7	1,859,456,000	1,092,660,000
Alaska residential mortgages - Note 8	30,823,000	34,536,000
Alaska certificates of deposit - Note 9	93,825,000	133,325,000
Total investments	10,874,560,000	10,101,070,000
Property and equipment at cost, less accumulated depreciation of \$415,000 in 1990 and \$679,000 in 1989	105,000	122,000
Total assets	\$11,179,062,000	\$10,334,909,000
LIABILITIES		
Accounts payable - Note 10	\$ 98,217,000	\$ 12,055,000
Science and Technology Endowment Fund - Note 11	72,838,000	34,253,000
Income distributable to the State of Alaska - Note 12	490,984,000	463,475,000
Total liabilities	662,039,000	509,783,000
FUND EQUITY		
Contributed equity - Note 13	9,894,366,000	9,173,245,000
Contributions held in escrow - Note 14	17,967,000	16,462,000
Earnings reserve - Note 15	604,690,000	635,419,000
Total fund equity	10,517,023,000	9,825,126,000
Total liabilities and fund equity	\$11,179,062,000	\$10,334,909,000

ALASKA PERMANENT FUND

STATEMENT OF REVENUES AND EXPENSES

REVENUES	Year Ended June 30,	
	1990	1989
Investment income - Note 16		
Interest	\$752,480,000	\$747,276,000
Dividends	66,814,000	49,095,000
Fees and other income	26,431,000	22,113,000
Total investment income	845,725,000	818,484,000
Realized gains (losses) on -		
Marketable debt securities	3,820,000	3,115,000
Preferred and common stock	67,811,000	53,488,000
Real estate	10,065,000	(653,000)
Total realized gains	81,696,000	55,950,000
Total revenues	927,421,000	874,434,000
Operating expenses - Note 17	6,977,000	5,688,000
Income before other items	920,444,000	868,746,000
Science and Technology Endowment Fund earnings - Note 11	(4,585,000)	(253,000)
NET INCOME	\$915,859,000	\$868,493,000

STATEMENT OF CHANGES IN FUND EQUITY

	<u>Total Fund Equity</u>	<u>Contributed Equity</u>	<u>8G Escrow Account</u>	<u>Earnings Reserve</u>
Balance, June 30, 1988	\$ 9,191,752,000	\$8,584,647,000	\$15,773,000	\$591,332,000
Escrow earnings			689,000	(689,000)
Provision for Department of Law appropriation	(3,500,000)			(3,500,000)
Dedicated state revenues	228,355,000	228,355,000		
Net income from operations	868,493,000			868,493,000
Citizen contributions	1,000	1,000		
Provision for 1989 dividends	(459,975,000)			(459,975,000)
Provision for 1989 inflation		360,242,000		(360,242,000)
Balance, June 30, 1989	9,825,126,000	9,173,245,000	16,462,000	635,419,000
Escrow earnings			1,505,000	(1,505,000)
Provision for Department of Law appropriation	(3,500,000)			(3,500,000)
Provision for Commission on the Future of the Permanent Fund	(100,000)			(100,000)
Dedicated state revenues	267,121,000	267,121,000		
Net income from operations	915,859,000			915,859,000
Citizen contributions	1,000	1,000		
Provision for 1990 dividends	(487,484,000)			(487,484,000)
Provision for 1990 inflation		453,999,000		(453,999,000)
Balance, June 30, 1990	\$10,517,023,000	\$9,894,366,000	\$17,967,000	\$604,690,000

ALASKA PERMANENT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

FUNDS WERE PROVIDED BY	Year Ended June 30,	
	1990	1989
Investment operations -		
Net income	\$ 915,859,000	\$ 868,493,000
Items not affecting funds -		
Amortization (accretion)	310,000	(1,138,000)
Depreciation	46,000	218,000
Undistributed real estate income	(4,647,000)	(2,071,000)
Total from operations	911,568,000	865,502,000
Net sales and maturities of investments -		
Marketable debt securities	92,271,000	
Alaska residential mortgage repayments	3,713,000	3,423,000
Alaska bank certificates of deposit redemptions	39,500,000	19,500,000
Total sales and maturities	135,484,000	22,923,000
Increase in receivables and prepaid expenses	(4,095,000)	(15,443,000)
Increase in accounts payable	86,162,000	437,000
Citizen contributions	1,000	1,000
Science and Technology Endowment Fund	38,585,000	34,253,000
Contributions from the State	267,121,000	228,355,000
Total funds provided	1,434,826,000	1,136,028,000
FUNDS WERE USED FOR		
Net purchases of investments -		
Marketable debt securities		528,883,000
Real estate	137,841,000	131,557,000
Preferred and common stock	766,796,000	118,383,000
Total purchases	904,637,000	778,823,000
Property and equipment purchases	29,000	85,000
Income distributions	463,575,000	424,376,000
Total funds used	1,368,241,000	1,203,284,000
Increase (decrease) in cash and temporary investments	\$ 66,585,000	\$ (67,256,000)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1990

1. ENTITY

The Constitution of the State of Alaska (the "State") was amended by public referendum in 1976 to dedicate a portion of certain natural resource revenues to the Alaska Permanent Fund (the "Fund"). The principal of the Fund is to be invested in perpetuity. The State legislature created the Alaska Permanent Fund Corporation (the "Corporation"), a government instrumentality of the State which is administered by a Board of Trustees (the "Trustees") to manage the investments of the Fund. By statute (i) a portion of the annual earnings is transferred to the State for the payment of dividends to eligible residents of Alaska, and (ii) a portion of the annual earnings that is sufficient to offset the impact of inflation is transferred to the principal of the Fund. The balance is held by the Fund in the earnings reserve account.

2. SIGNIFICANT ACCOUNTING POLICIES

Contributions: Contributions from dedicated State revenues are recorded when certain revenues defined by statute are received by the Alaska Department of Natural Resources. Contributions from State appropriations and other sources are recorded when they are received.

Depreciation: Furniture and equipment are depreciated on a straight-line basis over a three-year useful life. Other property is depreciated on a straight-line basis over a five-year useful life.

Dividend Appropriations: Current statutes require that one-half of twenty-one percent of the Fund's net income for the last five fiscal years, excluding unrealized gains and losses, be made available for the payment of dividends each year.

Investment Valuation: By resolution, the Trustees have adopted the following accounting policies for the valuation of investments:

Type	Basis
Marketable debt securities	Cost adjusted for amortization of premiums and accretion of discounts
Real estate -	
Commingled funds	Cost
Joint participations	Equity
Preferred and common stock	Lower of cost or market
Alaska residential mortgages	Cost
Alaska certificates of deposit	Cost

Inflation Impact: The impact of inflation is measured by the change in the prior calendar year average of the United States consumer price index for all urban consumers, applied against the balance of contributed equity at the end of the fiscal year.

Interest Income: Interest income is accrued monthly as earned, and is shown net of amortization of premiums and accretion of discounts on securities.

Real Estate: Investments in commingled real estate funds and pools are carried at cost, and income is recognized as distributions are declared. Investments in real estate partnerships and other joint participations are carried at cost plus undistributed equity in the results of operations. Income is recognized as earned by the investment.

Realized Gains and Losses: Realized gains or losses on the sale of investments are determined on the transaction date by average cost for investments in preferred and common stock, and by specific identification for all other investments.

Securities Transactions: Security transactions are recorded on the date that securities are purchased or sold.

Reclassification of Prior Year: Certain prior year balances have been reclassified to conform with a

3. CASH AND TEMPORARY INVESTMENTS

All cash and temporary investments bear interest at competitive rates, and are summarized as follows at June 30:

	<u>1990</u>	<u>1989</u>
Operating account (A)	\$ 40,000	\$ 157,000
Cash management accounts (A)	407,000	92,000
Common stock treasury accounts (B)	<u>96,906,000</u>	<u>30,519,000</u>
Total cash and temporary investments	<u>\$97,353,000</u>	<u>\$30,768,000</u>

(A) Insured by the Federal Deposit Insurance Corporation (FDIC) to \$100,000 per account. Remaining balance uninsured and uncollateralized.

(B) Share ownership in a money market fund designated by the custodian bank and payable on demand. Collateralized by underlying securities held by the Fund in the name of the custodian. Not considered an investment nor assigned a specific risk category.

4. RECEIVABLES AND PREPAID EXPENSES

Receivables and prepaid expenses at June 30 are as follows:

	<u>1990</u>	<u>1989</u>
Accrued interest receivable	\$158,408,000	\$153,768,000
State dedicated revenues receivable	10,346,000	42,197,000
Securities sold	31,193,000	2,619,000
Dividends receivable	7,012,000	4,274,000
Other receivables and prepaid expenses	<u>85,000</u>	<u>91,000</u>
Total receivables and prepaid expenses	<u>\$207,044,000</u>	<u>\$202,949,000</u>

5. MARKETABLE DEBT SECURITIES

The Corporation is authorized by statute to invest Fund assets in (i) commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's, or the foreign equivalent, (ii) bankers acceptances drawn on and accepted by United States or non-domestic banks, each of which has a combined capital, surplus, and retained earnings aggregating at least \$500,000,000, (iii) certificates of deposit of financial institutions which may be readily sold in a secondary market at prices reflecting fair value, (iv) corporate bonds rated AA or better by Standard & Poor's or Moody's, or the foreign equivalent, (v) obligations of the United States Treasury, its agencies and instrumentalities, and (vi) obligations of foreign governments. All marketable debt securities are held by custodian banks in the name of the Corporation on behalf of the Fund.

Marketable debt securities at June 30 are summarized as follows:

1990	<u>Amortized Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>	<u>Yield</u>
Marketable debt securities -				
Treasury bills	\$ 64,938,000	\$ 64,938,000		7.76%
Commercial paper	143,437,000	143,437,000		8.18%
Non-domestic sovereign debt	38,562,000	38,562,000		13.31%
Treasury notes/bonds	6,148,443,000	6,193,701,000	\$45,258,000	8.81%
GNMA pools	457,893,000	448,399,000	(9,494,000)	9.44%
Other federal agencies	99,657,000	92,844,000	(6,813,000)	8.16%
Corporate bonds	1,191,369,000	1,176,491,000	(14,878,000)	9.17%
Non-domestic corporate bonds	36,378,000	35,227,000	(1,151,000)	8.52%
Total marketable debt securities	<u>\$8,180,677,000</u>	<u>\$8,193,599,000</u>	<u>\$12,922,000</u>	<u>8.89%</u>

1989

Marketable debt securities -

Commercial paper	\$ 642,242,000	\$ 642,242,000		9.22%
Treasury notes/bonds	6,281,275,000	6,448,833,000	\$167,558,000	8.65%
GNMA pools	359,669,000	352,688,000	(6,981,000)	9.27%
Corporate bonds	990,072,000	999,758,000	9,686,000	9.10%
Total marketable debt securities	<u>\$8,273,258,000</u>	<u>\$8,443,521,000</u>	<u>\$170,263,000</u>	<u>8.78%</u>

6. REAL ESTATE

The Corporation is authorized by statute to invest Fund assets in real estate located in the United States and improved by substantially rented buildings. Investments may take the form of equity interests or debt obligations secured by first lien on the real estate. By statute, the Fund may hold up to forty percent of the beneficial ownership interest. All real estate investments are held by the Corporation in its own name on behalf of the Fund and are managed by professional real estate investment management firms.

Real estate investments of the Fund include (i) commingled funds and pools that are sponsored by professional real estate management firms, and (ii) direct property investments that are structured as partnerships and other joint participations.

Real estate investments at June 30 are summarized as follows:

1990	<u>Cost Basis</u>	<u>Market Value</u>	<u>Appreciation</u>
Commingled funds	\$116,598,000	\$152,515,000	\$35,917,000
Joint participations -			
Retail	187,249,000	235,091,000	47,842,000
Office	243,535,000	251,526,000	7,991,000
Industrial	106,581,000	114,992,000	8,411,000
Residential	55,816,000	55,416,000	(400,000)
Total real estate	<u>\$709,779,000</u>	<u>\$809,540,000</u>	<u>\$99,761,000</u>

1989	<u>Cost Basis</u>	<u>Market Value</u>	<u>Appreciation</u>
Commingled funds	\$111,872,000	\$147,948,000	\$36,076,000
Joint participations -			
Retail	190,085,000	235,803,000	45,718,000
Office	140,838,000	145,481,000	4,643,000
Industrial	103,197,000	110,401,000	7,204,000
Residential	21,299,000	20,900,000	(399,000)
Total real estate	<u>\$567,291,000</u>	<u>\$660,533,000</u>	<u>\$93,242,000</u>

Outstanding Commitments

At June 30, 1990, the Corporation had the following commitments outstanding for the purchase of additional real estate investments for the Fund:

Commingled funds	\$ 2,397,000
Joint participations -	
Retail	4,056,000
Office	22,317,000
Industrial	5,859,000
Residential	700,000
Total commitments	<u>\$35,329,000</u>

At June 30, 1990, the Fund was contingently liable in the aggregate amount of \$181,777,000 as a general partner in certain real estate properties. The Corporation expects that the debts of these properties will be paid from the cash flow of the properties.

7. PREFERRED AND COMMON STOCK

The Corporation is authorized by statute to invest Fund assets in the preferred and common stock of United States and non-domestic corporations. All preferred and common stock investments are held by custodial banks in the name of the Corporation on behalf of the Fund.

Preferred and common stock at June 30 is summarized as follows:

1990	<u>Total</u>	<u>Domestic</u>	<u>Non-Domestic</u>
Market	\$2,370,528,000	\$2,268,753,000	\$101,775,000
Cost	1,859,456,000	1,760,103,000	99,353,000
Unrealized gain	<u>\$ 511,072,000</u>	<u>\$ 508,650,000</u>	<u>\$ 2,422,000</u>
1989	<u>Total</u>	<u>Domestic</u>	
Market	\$ 1,420,496,000	\$ 1,420,496,000	
Cost	1,092,660,000	1,092,660,000	
Unrealized gain	<u>\$ 327,836,000</u>	<u>\$ 327,836,000</u>	

Preferred and common stock in the amount of \$225,018,000 at June 30, 1990, has been loaned to third-party borrowers. All loans are fully collateralized by cash or equivalent securities.

8. ALASKA RESIDENTIAL MORTGAGES

The Corporation is authorized by statute to invest Fund assets in notes secured by insured mortgages granting a first lien on residential real estate. No insurance is required for residential loans with loan-to-value ratios that are less than seventy percent. All mortgage notes are held by the Corporation in its name on behalf of the Fund. Included in the balance of Alaska residential mortgages is \$2,481,000 of real estate acquired by the Fund in foreclosure ("REO"), and which is valued at fair market. Gains (losses) on real estate include a net reduction in the value of such REOs amounting to \$544,000 and \$604,000 in 1990 and 1989, respectively.

9. ALASKA CERTIFICATES OF DEPOSIT

The Corporation is authorized by statute to invest Fund assets in certificates of deposit or the equivalent instruments of banks, savings and loan associations, mutual savings banks, and credit unions doing business in Alaska. These investments are fully collateralized by securities and mortgages which would qualify as investments of the Fund, with the exception of Alaska municipal debt. All certificates and collateral are held by a trustee bank in the name of the Corporation on behalf of the Fund.

10. ACCOUNTS PAYABLE

Accounts payable at June 30 are summarized as follows:

	<u>1990</u>	<u>1989</u>
Accrued liabilities	\$ 2,336,000	\$ 1,495,000
Securities purchased	<u>95,881,000</u>	<u>10,560,000</u>
Total accounts payable	<u>\$98,217,000</u>	<u>\$12,055,000</u>

11. SCIENCE AND TECHNOLOGY ENDOWMENT FUND

The Alaska Science and Technology Endowment Fund (the "Endowment") was created by an act of the 1989 State legislature to provide financial support for the Alaska Science and Technology Foundation (the "Foundation"). By statute, the Endowment is to be held and invested by the Corporation under the same investment authority as the Fund is managed. Net income from the Endowment is distributed to the Foundation after appropriation by the State legislature and is not included in the computation of Fund dividends.

The assets of the Endowment have been commingled with the assets of the Fund for investment purposes. Earnings are allocated to the Fund and the Endowment on the basis of unit shares and fractional shares. Each unit share or fractional unit share has an undivided beneficial interest in the commingled assets equal to the proportion which it bears to the total units outstanding. Unit shares are credited to the Fund and the Endowment on the basis of total funds contributed to the investment pool.

Principal and undistributed earnings of the Endowment at June 30 are summarized as follows:

	<u>1990</u>	<u>1989</u>
Principal	\$68,000,000	\$34,000,000
Undistributed earnings	<u>4,838,000</u>	<u>253,000</u>
Total liability	<u>\$72,838,000</u>	<u>\$34,253,000</u>

Distributions to the Foundation are made by liquidation of unit shares valued at cost. However, total liquidation of all Endowment unit shares would be made at the net asset value of those shares, which amounted to \$73,268,000 at June 30, 1990. The Fund has thereby incurred a contingent liability for the

Current earnings of the Endowment are reflected on the Statement of Revenues and Expenses as a reduction of Fund income to insure that Fund net income is not overstated.

12. INCOME DISTRIBUTABLE TO THE STATE OF ALASKA

Each year the Alaska State legislature appropriates a portion of the Fund's net income for various purposes, including the payment of dividends to qualified residents of the State of Alaska. In addition, the State legislature appropriated a portion of the Fund's earnings reserves during the fiscal years ended June 30, 1990 and 1989, respectively, for certain future costs of oil and gas revenue litigation.

Income distributable to the State of Alaska at June 30 is summarized as follows:

	<u>1990</u>	<u>1989</u>
Dividends	\$469,951,000	\$443,174,000
Department of -		
Corrections	763,000	763,000
Health and Social Services	12,217,000	11,764,000
Revenue	3,816,000	3,537,000
Public Safety	737,000	737,000
Total to dividend fund	487,484,000	459,975,000
Department of Law	3,500,000	3,500,000
Total income distributable	<u>\$490,984,000</u>	<u>\$463,475,000</u>

13. CONTRIBUTED EQUITY

The principal balance of the Fund at June 30 is as follows:

	<u>1990</u>	<u>1989</u>
Dedicated State revenues	\$3,831,174,000	\$3,564,053,000
Legislative appropriations	3,964,385,000	3,964,385,000
Provision for inflation	2,098,802,000	1,644,803,000
Citizen contributions	5,000	4,000
Total contributed equity	<u>\$9,894,366,000</u>	<u>\$9,173,245,000</u>

14. CONTRIBUTIONS HELD IN ESCROW

Certain bonus payments, rent and interest from the joint State-Federal Beaufort Sea lease sale of 1979 were deposited in a federally managed escrow account because ownership of the tracts is in dispute. In December 1987, Congress amended the law to provide for the distribution of twenty-seven percent (27%) of the balance in the account, plus accrued interest, to the State of Alaska. This distribution represents the minimum due as federal mineral revenue sharing in the event that the Supreme Court awards the ownership of all disputed tracts to the Federal government.

Under State law, the final allocation of this payment between the Fund and the State depends upon which party — the State or the Federal government — prevails in Court. If the Federal government wins the dispute, fifty percent of this payment would be allocated to the Fund. If the State wins the dispute, fifty percent of this payment would be allocated to the Fund except for the bonus and interest on the lease of four

An amount equal to the bonus and interest in dispute on these four tracts has been placed in escrow by the Corporation on behalf of the Fund under a memorandum of understanding between the Corporation and the State, pending final settlement of the litigation between the State and the Federal government. Interest is accrued thereon each year at the rate of return earned by the Fund.

15. EARNINGS RESERVE

By statute, the balance of Fund net income remaining after the payment of dividends and the provision for inflation is held in the earnings reserve account. Earnings on the investment of contributions held in escrow during the years ended June 30 have been obligated for payment to the escrow account on July 1.

	<u>1990</u>	<u>1989</u>
Unobligated reserves	\$603,074,000	\$633,914,000
Reserves obligated for earnings on contributions held in escrow	<u>1,616,000</u>	<u>1,505,000</u>
Total earnings reserve	<u><u>\$604,690,000</u></u>	<u><u>\$635,419,000</u></u>

16. INVESTMENT INCOME BY SOURCE

	<u>Year Ended June 30,</u>	
	<u>1990</u>	<u>1989</u>
Interest		
Repurchase agreements	\$ 4,685,000	\$ 5,189,000
Commercial paper	13,565,000	46,888,000
Bankers acceptances	95,000	916,000
Treasury bills	10,071,000	5,278,000
Non-domestic sovereign debt	1,233,000	
Treasury notes and bonds	540,539,000	569,151,000
GNMA pools	41,065,000	27,302,000
Other federal agencies	5,339,000	
Corporate bonds	103,824,000	64,106,000
Participating mortgages	8,294,000	7,069,000
Real estate partnerships	3,706,000	59,000
Alaska residential mortgages	2,768,000	2,753,000
Alaska certificates of deposit	8,765,000	12,464,000
Money market accounts and other interest	<u>8,531,000</u>	<u>6,101,000</u>
Total interest	<u><u>\$752,480,000</u></u>	<u><u>\$747,276,000</u></u>
Dividends		
Preferred and common stock	\$ 62,078,000	\$ 45,040,000
Equity real estate pools	<u>4,736,000</u>	<u>4,055,000</u>
Total dividends	<u><u>\$ 66,814,000</u></u>	<u><u>\$ 49,095,000</u></u>
Fees and Other Income		
Fees on loaned securities	\$ 466,000	\$ 658,000
Real estate income	<u>25,965,000</u>	<u>21,455,000</u>
Total fees and other income	<u><u>\$ 26,431,000</u></u>	<u><u>\$ 22,113,000</u></u>

17. OPERATING EXPENSES

Operating expenses of the Corporation for the years ended June 30 are summarized as follows:

	<u>1990</u>	<u>1989</u>
Salaries and benefits	\$1,244,000	\$1,035,000
Travel	210,000	161,000
Communications	261,000	210,000
Consulting fees	189,000	191,000
Custody and safekeeping fees	739,000	672,000
Investment management fees	3,482,000	2,467,000
Legal and audit	95,000	140,000
Public information and subscriptions	154,000	109,000
Rent	161,000	146,000
Depreciation	46,000	218,000
Other expenses	396,000	339,000
Total operating expenses	<u>\$6,977,000</u>	<u>\$5,688,000</u>

18. PENSION PLAN

All full-time employees of the Corporation participate in the State of Alaska Public Employees Retirement System ("PERS"), a multiple employer public employee retirement system. Total salaries and benefits for employees covered by PERS for the years ended June 30, 1990 and 1989 amounted to \$1,244,000 and \$1,035,000, respectively.

Corporation employees are required to contribute 6.75% of their annual salaries to PERS. The Corporation contributes the remaining amounts necessary to pay benefits when due. These contributions represented 9.65% of covered salary expenses in the fiscal years ended June 30, 1990 and 1989, respectively.



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