



Board of Trustees

Special Meeting

November 9, 2021

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Trustees' Paper Vol. 9

**Board of Trustees****Special Board Meeting – Active Resolutions/Trustees' Paper Vol. 9**

November 9, 2021

11:00 am – 5:00 pm

Atwood Conference Center 102/104

550 W 7<sup>th</sup> Ave

Anchorage, AK 99501

**Webinar Access (click link to join webinar)***Join via WebEx and enjoy the ability to listen on your computer and follow presentations:*<https://apfc.webex.com/apfc/onstage/g.php?MTID=e77873627e1db0adbf3032b5ee071aef2>

Event Password: APFC

*Teleconference Option**If you are unable to join in-person or via webinar, please contact us at  
(907) 796-1500 to receive a teleconference number***AGENDA****TUESDAY, NOVEMBER 9, 2021**

- |            |   |
|------------|---|
| 11:00 a.m. | CALL TO ORDER   |
|            | ROLL CALL (Action)  |
|            | APPROVAL OF AGENDA (Action)   |
|            | SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION  |
| 11:10 a.m. | REVIEW & CONSIDERATION OF ACTIVE RESOLUTIONS 1983-2000 (Action)<br>Angela Rodell, Chief Executive Officer<br>Chris Poag, General Counsel                                    |
| 12:00 p.m. | <i>Break / Lunch</i>  |
| 12:30 p.m. | REVIEW & CONSIDERATION OF ACTIVE RESOLUTIONS 2001-PRESENT (Action)<br>Angela Rodell, Chief Executive Officer<br>Chris Poag, General Counsel                                 |
| 2:00 p.m.  | <i>Break</i>  |
| 2:15 p.m.  | REVIEW & CONSIDERATION OF ACTIVE RESOLUTIONS RELATED TO PERCENT OF MARKET<br>VALUE (POMV) (Action)<br>Angela Rodell, Chief Executive Officer<br>Chris Poag, General Counsel |
| 3:30 p.m.  | PRESENTATION: THE FISCAL RULES OF SOVEREIGN WEALTH FUNDS &<br>BUILDING ON REFORMS: TRUSTEES' PAPER Vol. 9 (Information)<br>Dr. Malan Rietveld, SWF Advisor                  |
| 4:45 a.m.  | OTHER MATTERS / FUTURE AGENDA ITEMS / TRUSTEE COMMENTS  |
| 5:00 p.m.  | ADJOURNMENT   |

**NOTE: TIMES MAY VARY AND THE CHAIR MAY REORDER AGENDA ITEMS**  
*(Please telephone Jennifer Thorsteinson at 907.796.1519 with agenda questions.)*

SUBJECT: Resolutions 1983-2000

ACTION:   X  

DATE: November 9, 2021

INFORMATION:                   

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APFC was created in 1980 with the passage of AS 37.13, creating a Board of Trustees that is directed to hire an executive director, invest the Fund and other funds as provided, adopt necessary regulations and make required reports. In the beginning, the Board would use resolutions as the governance mechanism to direct staff to undertake certain actions or set specific policies. As the Corporation evolved, so too did the method of developing policies and positions. The Board adopted By-Laws and Charters that effectively codified many of the ideas within the resolutions. Currently, the Board has in place one resolution relating to inflation proofing that will be discussed under a separate agenda item and 12 resolutions that date from 1983 to 2000 as noted below:

**1. Administrative**

There are currently 8 active administrative resolutions that were adopted between 1983 and 2000. These resolutions range in topics and include important items such as defining Principal to create the point in time for calculating inflation proofing deposits to giving the Executive Director the ability to delegate investment responsibilities to staff.

**2. Investment**

There are currently 4 active investment resolutions that were adopted between 1983 and 2000. These resolutions set out the Board's definition of income-producing investments, recognize their responsibility to the Principal of the Fund, consider the opportunities as a result of international relationships and create a memorandum of understanding with the Department of Revenue with regard to managing specific escrow funds.

**ACTION:**

Staff have identified and recommends that the Board of Trustees repeal the following resolutions:

- A. Resolution 1984-14 Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Regarding Delegation of Authority to Sign Contracts



This resolution delegated to the Executive Director the authority to sign contracts. This authority has since been clearly assigned to the Executive Director within the By-Laws and is no longer needed.

B. Resolution 1986-01 Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Regarding the Disposition of Certain Real Estate Sales Proceeds

This resolution directed that staff deposit proceeds into a closed-end fund with CIGNA. This investment has since been liquidated, and the resolution is no longer in effect.

C. Resolution 1988-04 Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Pertaining to Execution of a Memorandum of Understanding Between the Corporation and the Department of Revenue Regarding Establishment of an Escrow Account for Federal 8(g) Escrow Payments

This resolution provided the mechanism to allow the Department of Revenue to manage monies that were in dispute. The dispute has been resolved, and this escrow account has been liquidated. Hence the resolution is no longer in effect.

## Active Resolutions 1983-2000

Resolution Number	Title
1983-02 (Investment Policies)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Regarding the Purpose of the Permanent Fund
1983-08 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Defining the Terms "Principal Balance" as Utilized Both in the Computation for Inflation Proofing and for Computation of Earned Income of the Undistributed Income Account
1984-14 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Regarding Delegation of Authority to Sign Contracts
1986-01 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Regarding the Disposition of Certain Real Estate Sales Proceeds
1987-05 (Investment Policies)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Pertaining to the Definition of "Income-Producing"
1988-04 (Investment Policies)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Pertaining to Execution of a Memorandum of Understanding Between the Corporation and the Department of Revenue Regarding Establishment of an Escrow Account for Federal 8(g) Escrow Payments
1990-14 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Regarding the Delegation of Investment Authority
1990-24 (Investment Policies)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Relating to the Use of the Fund's International Investment Program to Further Relationships Between Alaska and the International Business and Financial Community
1993-02 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Regarding Updating Safe Deposit Box Signature Cards

1998-04 (Administrative)	Resolution of the Board of Trustees Pertaining to the Operating and Capital Budget of the Corporation, Adoption of the Annual Budget, Authorization to Expend Approved Funds
1998-06 (Administrative)	Resolution of the Board of Trustees Pertaining to the Operating Budget of the Corporation
1999-01 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Pertaining to the Signing and Endorsing of Checks
*2000-13 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Relating to a Constitutional Amendment to Inflation-Proof the Alaska Permanent Fund

\*Please find this Resolution in the POMV Section of this Packet (Pg. 76 of 125)

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
REGARDING THE PURPOSE OF THE PERMANENT FUND**

**RESOLUTION NO. 83-2**

WHEREAS, the people of the state created the Alaska Permanent Fund by constitutional amendment in 1976, requiring that “. . . at least . . .” 25 percent of mineral royalties and related income be set aside for “. . . income-producing investments . . .” to benefit all generations of Alaskans, and

WHEREAS, the enabling law for the management and investment of the Permanent Fund directs the Trustees “. . . to maintain safety of principal while maximizing . . . disposable income . . .” AS 37.13.020(2) and (3),

NOW THEREFORE BE IT RESOLVED that the Trustees acknowledge the Permanent Fund to be an inviolate trust and recognize their prime obligation to be the protection of principal, not only against inordinate risk to current worth but also against the impact of inflation on future worth. They will honor this obligation by observing the Prudent Investor Rule in judging the quality and reasonable diversification of the Fund's investments (AS 37.13.120(a) and (c)) and in defending the rule of retaining sufficient income to offset the effects of inflation on principal, and

BE IT FURTHER RESOLVED, the Trustees recognize their obligation to provide maximum disposable income for the uses of the people of Alaska, as such uses may be designated by law. They will honor this obligation by pursuing an investment policy which offers the highest possible investment yield commensurate with minimal risk.

PASSED AND APPROVED by the board of trustees of the Alaska Permanent Fund Corporation, this 30th day of March, 1983.

George Rogers  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

David A. Rose  
Executive Director

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
DEFINING THE TERMS “PRINCIPAL BALANCE” AS UTILIZED BOTH  
IN THE COMPUTATION FOR INFLATION PROOFING AND FOR  
COMPUTATION OF EARNED INCOME OF THE UNDISTRIBUTED  
INCOME ACCOUNT**

**RESOLUTION 83-8**

WHEREAS, an end-of-year calculation must be made to determine the amount of money to be retained for inflation proofing; and

WHEREAS, another end-of-year calculation must be made to determine the amount of money represented by income earned on the Undistributed Income Account which will be placed in a restricted sub-account; and

WHEREAS, both calculations must be based on a single-point-in-time valuation of the corpus of each account identified as a “principal balance”; and

WHEREAS, the Trustees desire to establish the definition of each “principal balance” for the above stated calculations;

NOW THEREFORE BE IT RESOLVED that the Trustees direct the Executive Director to utilize the following definition of “principal balance” for the purpose of inflation proofing calculations:

**THE PRINCIPAL BALANCE OF THE PERMANENT FUND**

That balance of the Fund at the end of each fiscal year that is to be protected from the ravages of future inflation. This sum is comprised of all:

1. Constitutional and statutory contributions to the Fund since its inception;
2. Special appropriations paid to the Fund since its inception;
3. All prior "inflation proofing" funds retained.

AND BE IT FURTHER RESOLVED that the Trustees direct the Executive Director to utilize the following definition of "principal balance" for the purpose of computing income earned on the Undistributed Income Account so that the appropriate amount of funds can be removed from the income of commingled investments, segregated for reporting purposes and placed into the Undistributed Income Account:

THE PRINCIPAL BALANCE OF THE UNDISTRIBUTED INCOME ACCOUNT

That balance of the Undistributed Income Account which has been invested, along with Permanent Fund revenues on a commingled basis, during the entire fiscal year just ended. This is the sum reported in the prior-year audited financial statements of the Alaska Permanent Fund Corporation for the Undistributed Income Account. This balance will include, as of the end of the prior year, all accrued interest payable regardless of when paid and all transfers due from the Permanent Fund regardless of when transfer has actually taken place.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 22nd day of July, 1983.

Dr. George Rogers  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

David A. Rose

Executive Director



*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
REGARDING DELEGATION OF AUTHORITY TO SIGN CONTRACTS**

**RESOLUTION 84-14**

WHEREAS, Article II, Section 2 of the Corporate By-Laws provide that the Chairman shall sign all contracts unless that function is delegated by resolution; and

WHEREAS, certain operational and almost all investment agreements are made on a time-critical basis; and

WHEREAS, the Corporation is vested with a professional staff capable of examining contractual arrangements in depth and executing the policy directives of the Trustees;

NOW THEREFORE BE IT RESOLVED by the Board of Trustees that the Executive Director is hereby authorized to execute contracts, deeds, sales and servicing agreements, securities transactions, mortgage commitments, and other instruments made by the Corporation which are executed pursuant to policies approved by the Trustees. The Executive Director may delegate this activity to employees upon the approval by the Board; and

BE IT FURTHER RESOLVED that the Board of Trustees direct that the Executive Director report, at each regular meeting, those contracts signed on behalf of the Corporation during the period of time elapsed between each regular meeting; and

BE IT FURTHER RESOLVED that the Board of Trustees ratify, confirm, and otherwise validate all contracts entered into on behalf of the Corporation by the Executive Director and his designees, prior to the adoption of this Resolution.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent

Resolution 84-14  
Page 1

Fund Corporation, this 21st day of September, 1984.

A.G. Espe  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

David A. Rose  
Executive Director

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
REGARDING THE DISPOSITION OF CERTAIN  
REAL ESTATE SALES PROCEEDS**

**RESOLUTION 86-1**

WHEREAS, the Trustees have determined that the Fund shall invest a portion of its assets in equity real estate, and

WHEREAS, the Trustees determined that \$25 million should be invested in a closed-end pool sponsored by CIGNA and designated the “CIGNA-S Fund”, and

WHEREAS, the pool is fully subscribed and is closed to new contributions, and

WHEREAS, under existing agreements with pool participants, proceeds from sales of holdings are to be distributed to participants, and

WHEREAS, the pool is designed for long-term holdings and it was not anticipated that a portion of the portfolio would be liquidated for short--term profit; such occurrence having taken place, and

WHEREAS, CIGNA has inquired of participants as to their desire to re-open the pool and re-invest principal in the pool,

NOW THEREFORE BE IT RESOLVED that the Trustees express to CIGNA their desire that the pool be re-opened for the sole purpose of contributing the Permanent Fund portion

of principal realized from sale of the Duke Street Square property, and

FURTHER, that such re-investment occur only if all participants of the CIGNA-S Fund assent to contribution of their pro-rata portion of the principal realized from sale of the Duke Street Square property.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 13th day of January, 1986.

Byron I. Mallott, Chairman  
Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

David A. Rose  
Executive Director

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
PERTAINING TO THE DEFINITION OF “INCOME-PRODUCING”**

**RESOLUTION 87-5A**

WHEREAS, AS 37.13.120(b) states that the corporation assets shall only be used for income-producing investments; and

WHEREAS, permitted investment in corporate equities are set forth in AS 37.13.120(g) (18) and AS 37.13.120(i); and

WHEREAS, the Trustees have reviewed the meaning of “ income-producing investments” in the context of investing in corporate equities; and

WHEREAS, they have solicited and received assistance from legal counsel in this review; and

WHEREAS, they wish to establish a consistent policy involving the application of “income-producing investments” to corporate equities,

NOW THEREFORE BE IT RESOLVED that the Trustees find that:

1. The Fund may invest in common stocks that do not pay dividends.
2. The term “income-producing” allows the Fund to look to the overall return on the equity investments as a whole.
3. Since investment in corporate equities are specifically authorized by statute, such investment need not necessarily produce a cash return each and every year if the equity portfolio as a whole is invested both to appreciate in value and to provide a reasonable yearly income.

Passed and approved by the Board of Trustees of the Alaska Permanent Fund Corporation this 20th day of April, 1987.

Byron I. Mallott  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

David A. Rose  
Corporate Secretary

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
PERTAINING TO EXECUTION OF A MEMORANDUM OF UNDERSTANDING  
BETWEEN THE CORPORATION AND THE DEPARTMENT OF REVENUE  
REGARDING ESTABLISHMENT OF AN ESCROW ACCOUNT  
FOR FEDERAL 8(g) ESCROW PAYMENTS**

**RESOLUTION NO. 88-4**

WHEREAS, bonus bids and interest from four tracts of Federal/State land were deposited in an escrow account because ownership of the tracts is in dispute, and

WHEREAS, the escrow account is managed by the United States Department of the Interior, and

WHEREAS, the U.S. Congress amended a section of the Outer Continental Shelf Lands Act to provide for the distribution of twenty-seven percent (27%) of the balance in the account, plus accrued interest, to the State of Alaska, and such distribution to the State was made, and

WHEREAS, further distribution of \$161,521,384.46 was made by the State to the Fund, and

WHEREAS, \$145,748,490.67 was placed in Fund Principal, and

WHEREAS, \$15,772,893.79 was placed in an escrow account managed by the Fund pending determination as to whether the State or the Fund is entitled to these funds along with accrued interest earned while under management of the Fund.

NOW THEREFORE BE IT RESOLVED that the Trustees agree to enter into a Memorandum of Understanding between the Department of Revenue and the Alaska Permanent Fund Corporation which sets forth the background, terms of agreement, effects of change of law and effective date substantially as set forth below. EXHIBIT A attached to the Memorandum includes an opinion of the Attorney General of the State of Alaska, dated June 7, 1988, subject:

Allocation of 8-G Escrow Payment, and EXHIBIT B thereto includes a spreadsheet depicting derivation and distribution of funds.

**MEMORANDUM OF UNDERSTANDING BETWEEN THE  
ALASKA PERMANENT FUND CORPORATION AND THE  
ALASKA DEPARTMENT OF REVENUE**

This memorandum of understanding, effective January 1, 1988, is between the Alaska Permanent Fund Corporation, acting through its executive director pursuant to a resolution of approval by its board of trustees, and the Alaska Department of Revenue, acting through the commissioner of revenue. Its purpose is to provide for the escrow and investment of \$15,772,893.79 paid to the State of Alaska by the United States of America pursuant to section 8(g)(5)(A) of the Outer Continental Shelf Lands Act ("OCSLA"), 43 U.S.C. § 1347(g)(5)(A), pending a final determination by the United States Supreme Court in United States v. Alaska, No. 84 Original.

**I. BACKGROUND**

1. United States v. Alaska, No. 84 Original in the United States Supreme Court, was filed in May, 1979 to determine ownership of certain submerged lands offshore Alaska's North Slope ("the disputed lands").

2. Following the filing of the action, the United States and Alaska entered into an interim agreement under section 7 of the OCSLA, 43 U.S.C. § 1336, and AS 38.05.137, which permitted the disputed lands to be leased prior to final determination of ownership.

3. Pursuant to the interim agreement, the state issued leases to four tracts of disputed lands in January, 1980, for bonus bids totaling \$110,896,503.71.

4. Under the interim agreement, the bonus bids received by the state for the four leases were deposited in an interest-bearing account in the United States Treasury, pending final resolution of the ownership question.

5. Because of the geographic location of the four tracts, Alaska subsequently became entitled to a minimum of 27 percent of the escrowed funds attributable to the four leases, and the associated interest, under section 8(g)(5)(A), 43 U.S.C. § 1337(g)-(5)(A). This entitlement does not depend on the outcome of the ownership dispute.

6. On December 31, 1987, the United States wire-transferred to Alaska its 27 percent share of the escrowed funds attributable to the four tracts, together with the associated interest, a total of \$15,772,893.79.

7. If the state ultimately is adjudicated to own all or part of the four tracts of disputed lands, the bonus payments from those lands ultimately adjudicated to belong to the state (and associated interest) should be distributed as follows: (1) 25 percent to the Alaska Permanent Fund under AS <sup>37.13</sup>.010(a)(1) because the bonuses (and associated interest) will be attributable to state "mineral leases issued on or before February 15, 1982;" (2) one-half of one percent to the Public School Fund under AS 37.14.150; and (3) the remaining 74 2 percent to the state's general fund. If the federal government ultimately is adjudicated to own all or part of the four tracts of



disputed lands, however, the bonus payments from those lands adjudicated to belong to the federal government (and associated interest) should be distributed as follows: (1) 50 percent to the Alaska Permanent Fund under AS <sup>37</sup>.13.010(a)(2) because the bonuses (and associated interest) will constitute “federal mineral revenue sharing payments received by the state from mineral leases issued after December 15, 1979;” (2) one-half of one percent to the Public School fund under AS 37.14.150; and (3) the remaining 49 2 percent to the state's general fund.

8. Because the ownership question has not been finally resolved and final distribution of 25 percent of the bonus payments from the four tracts of disputed lands (and associated interest) between the Alaska Permanent Fund and the state's general fund cannot be determined until that occurs, the state must make some interim arrangement to preserve and invest those funds until the ownership dispute is resolved and the appropriate distribution of those funds can be finally determined.

9. Under AS 37.13.120(f), the board of trustees of the Alaska Permanent Fund Corporation “may enter into and enforce all contracts necessary, convenient or desirable for purposes of the corporation.” Under AS 44.25.020(2), the Department of Revenue has the authority to “collect, account for, have custody of, invest, and manage all state funds and all revenues of the state (with certain limited exceptions not relevant here);” under AS 43.05.010(1), the commissioner of revenue is to “direct the activities of the Department of Revenue.

10. Past investment experience reveals that the Alaska Permanent Fund produces a greater return on investment than does the state's general fund.

11. It is in the interest of both the Alaska Permanent Fund and the state's general fund to escrow 25 percent of the bonus payments attributable to the four tracts of disputed lands (and associated interest) in an escrow account, under the custody and investment authority of the Alaska Permanent Fund Corporation, to: (1) provide for ease of administration; (2) maximize the interim earnings on those funds pending final resolution of the ownership question and the resultant determination of the proper distribution of the funds; and (3) facilitate proper distribution of the funds upon a final resolution of the ownership question.

## II. AGREEMENT

1. The principal amount of \$15,772,893.79, representing 25 percent of the portion of the recent federal payment to the state under section 8(g)(5)(A) of the OCSLA, 43 U.S.C. § 1337(g)(5)(A), of the bonuses (and associated interest) paid for the four leases of disputed lands issued by the state in January, 1980, will be held in escrow by the Alaska Permanent Fund Corporation under the terms of this memorandum of understanding until there is a final resolution of the ownership question in United States v. Alaska, No. 84 Original.

2. The principal amount will be commingled and invested with the principal of the Alaska Permanent Fund. It will be carried on the financial statements of the Alaska Permanent Fund Corporation as a stratification of Permanent Fund Equity designated the “8(g) escrow account.”

3. The Alaska Permanent Fund Corporation will establish a sub-account in its monthly financial statements identified as "provision for (fiscal year) escrow earnings." This sub-account will reflect the estimated pro-rata share of each month's net income attributable to the 8(g) escrow account.

4. The Alaska Permanent Fund's earnings attributable to the 8(g) escrow account will be calculated by the following formula: the weighted average balance of the account times the Alaska Permanent Fund's realized rate of return for the fiscal year 5/ times the actual number of days the Alaska Permanent Fund Corporation held the 8(g) funds divided by the total number of days in the fiscal year.

5. At the end of each fiscal year, in connection with the closing of books, posting of all adjustments and recording all accruals, a final allocation amount of escrow income will be calculated and identified in the financial statements.

6. There will be a separate annual auditor's opinion for the 8(g) escrow account stating that the computations and calculations contained in the annual financial statement conform to this agreement.

7. At the beginning of each succeeding fiscal year, the escrow earnings for the preceding year will be transferred to the principal of the 8(g) escrow account to form a new base for future computation of the succeeding fiscal year's allocable amount of escrow income.

8. This process will continue until there is a final determination in United States v. Alaska, No. 84 Original, sufficient to determine what portions of the initial principal amount are attributable to state leases issued before February 15, 1980 and to federal mineral revenue sharing payments from leases issued after December 1, 1979. All funds within the escrow account will then be paid over, as appropriate, to the state's general fund or to the Alaska Permanent Fund. If the payover occurs during a fiscal year rather than at the end, the escrow balances recorded on the most recent audited financial statements will be transferred. Final determination of amounts payable to the general fund and the Alaska Permanent Fund for any fiscal year in which initial payment is made to the general fund and the Alaska Permanent Fund will be accomplished in conjunction with the year-end audit for that year, and a final transfer of funds, as appropriate, will be made on the first calendar day of the month following the month in which the audit is completed.

### III. EFFECT OF CHANGE IN LAW

1. It is expressly agreed that the funds contained in the 8(g) escrow account will be subject to any changes in state law which, consistent with the provisions of article IX, section 15, of the the Alaska Constitution, specifically address the distribution of funds, and the associated interest, held in an escrow account pending resolution of a legal dispute.

### IV. EFFECTIVE DATE

1. This memorandum of understanding is effective, retroactive to January 1, 1988,

upon signature by the commissioner of revenue and the executive director of the Alaska Permanent Fund acting pursuant to a resolution approving it by the Alaska Permanent Fund Corporation board of trustees.

Dated: 6/288

/s/ Hugh Malone  
Commissioner, Department of Revenue

David A. Rose  
Executive Director, Alaska Permanent Fund  
Corporation

As executive director of the Alaska Permanent Fund Corporation, I hereby certify that the Alaska Permanent Trustees approved this agreement by resolution at their meeting on June 15, 1988 in Valdez, Alaska.

Dated: 6/288

David A. Rose  
Executive Director Alaska Permanent Fund

Corporation

**MEMORANDUM****State of Alaska**

Department of Law

**TO:** David A. Rose  
Executive Director  
Alaska Permanent Fund Corp.

**DATE:** June 7, 1988

**FILE NO.:** 663-88-0271

Hon. Hugh Malone  
Commissioner  
Department of Revenue

**TEL.NO.:** 465-3600

**SUBJECT** Allocation of 8-G  
escrow payment

**FROM:**

G. Thomas Koester  
Assistant Attorney General  
Natural Resources Section  
Department of Law

Robert M. Maynard  
Assistant Attorney General  
Oil, Gas and Mining Section  
Department of Law

In a December 29, 1987, memorandum, you asked a number of questions regarding the appropriate distribution between the general fund and the Alaska Permanent Fund of the recent \$322,900,000 payment by the federal government to the state, as authorized by the 1987 amendments to section 8(g)(5)(A) of the Outer Continental Shelf Lands Act, 43 U.S.C. § 1337(g)(5)(A). Because similar considerations also apply to the Public School Fund, we address it as well.

**I. BACKGROUND**

To put your request in perspective, it may be helpful to review the historical developments leading up to the recent payment to the state. Beginning in about 1976, both the state and the federal government indicated an interest in leasing, for oil and gas exploration and development purposes, submerged lands offshore Alaska's North Slope in the vicinity of Prudhoe Bay. See the attached map of the area. In that area, there is a chain of barrier islands which is less than six miles offshore at each end but about eight miles offshore in the middle.

It was agreed that the state owned the submerged lands within three miles of the mainland and each island under the Submerged Lands Act, 43 U.S.C. 1301 et seq. The federal government claimed that the intervening submerged lands, however, constituted federal outer continental shelf (OCS) under the Outer Continental Shelf Lands Act (OCSLA), 43 U.S.C. §§ 1341 et seq. The state disagreed on a number of different legal grounds, which need not be detailed here. Suffice it to say that there was a dispute over the ownership of the cross-hatched areas on the attached map.

In addition, there is a feature in the middle of the chain of islands known as Dinkum Sands. The federal government claimed that Dinkum Sands was not an island and, therefore, that the United States owned the submerged lands within three miles of the feature. After hearing the federal government's claim in the summer of 1979, state officials conducted a field investigation of the area and planted the Alaska flag on the feature which, although small, nonetheless was above water at that time. The state accordingly claimed the submerged lands within three miles of the feature on the separate additional ground that they are within three miles of an island. These disputed lands are heavily cross-hatched on the attached map.

Notwithstanding the disputes as to ownership of the lands, both the state and the federal government concluded that it was in the public interest to lease the lands at that time. To facilitate such leasing, in May 1979 a lawsuit was filed under the United States Supreme Court's original jurisdiction to determine title to the disputed lands. United States v. Alaska, No. 84 Original. Following the filing of the action, an interim agreement was entered into under section 7 of the OCSLA, 43 U.S.C. § 1336, and AS 38.05.137. This "section 7 agreement" permitted the lands to be leased pending final determination of ownership. The state was authorized to lease the lands within three miles of Dinkum Sands (four tracts); the federal government was authorized to lease all remaining disputed tracts. The section 7 agreement provided that all bonuses, rents, and production royalties would be deposited in two interest-earning escrow accounts (one for the four "state" leases and one for the remaining "federal" leases) pending final determination of the ownership issues.

The lease sale was held in December of 1979. Industry interest was substantial. The four tracts of disputed lands offered by the state were leased for bonus bids totaling \$110,896,503.71. All, four of these leases were issued by the state in January of 1980. The federal government leased 16 of the remaining disputed tracts for total bonus bids of \$477,064,586.80. The sixteen federal leases were issued in July and August of 1980.

Since that time, there have been two additional federal OCS lease sales (71A and 87) which have generated bonus bids and rentals from disputed lands. These funds also have been deposited in section 7 escrow accounts. In addition, all four of the accounts have had rents and interest added, pursuant to the terms of the leases and the respective section 7 agreements. As of November 30, 1987, the four section 7 escrow accounts contained a total of \$1,188,960,700.24.

At the time of the various lease sales of tracts of disputed lands, section 8(g)(2) of the OCSLA, 43 U.S.C. § 1337(g)(2), provided that the Secretary of Interior was to offer to a coastal state the opportunity to enter into an agreement concerning the disposition of federal revenues from the oil and gas leasing of all federal outer continental shelf lands within three miles of state-owned submerged lands -- i.e., the belt of lands between three and six miles from the state's coast line. Congress intended these section 8(g) agreements to effect a "fair and equitable division (of such revenues) between the State and Federal Government."

What Congress intended, however, was not what occurred. Disputes over what constituted a "fair and equitable division" quickly arose between the federal government and Alaska, Louisiana, and Texas.

Those disputes were resolved in 1985 when Congress amended section 8(g)(2) in the Outer Continental Shelf Lands Act Amendments of 1985 (“the 1985 Amendments”), P.L. 99-272, 100 Stat. 148. The 1985 Amendments deleted the “fair and equitable division” language from section 8(g)(2) and provided that a fixed 27-percent share of the federal revenues from the “8(g) zone” is to be paid to the states.

Congress also added a new provision, section 8(g)(5)(A), 43 U.S.C. § 1337(g)(5)(A), which provided that, upon resolution of a boundary dispute between a state and the federal government, the state would receive 27 percent of the revenues from the federal tracts within three miles of the boundary established. Where funds had been deposited in a section 7 escrow account (as in our case), the state would be entitled to up to 27 percent of the escrowed funds from disputed lands ultimately adjudicated to belong to the federal government. All of the disputed lands in the 1979 Beaufort Sea joint sale area would be within three miles of state-owned lands, as can be seen from the attached map, as would all disputed lands in the sale 71A and sale 87 areas. All of the disputed lands accordingly would be submerged within the 8(g) zone even if the federal government prevails on all of its boundary claims. As a result of the 1985 Amendments to section 8(g), therefore, Alaska became entitled to 27 percent of all the funds in the four section 7 escrow accounts.

We drafted a letter which former Governor Sheffield sent to Secretary of the Interior Hodel requesting that, in light of Congress's action in 1985, the Department of the Interior release 27 percent of the escrowed funds to the state. The Department of the Interior responded that, while it agreed Alaska was entitled to the 27 percent, the specific language of the 1985 Amendments would not permit distribution of the 27 percent until the boundary case was finally resolved by the Supreme Court.

Finally, through the efforts of the governor's Washington, D.C. office and the Congressional delegation, Congress in December 1987 adopted, and President Reagan signed, an amendment to section 8(g)(5)(A). That amendment directed the Department of the Interior to transmit to the various states their 27 percent shares of any section 7 escrow account funds that the states would be entitled to receive even if the federal government prevailed on all of its boundary claims. It is the recent payment to the state under this provision which prompted your request.

## II. LAWS GOVERNING DISTRIBUTION OF RECEIPTS

Nothing in federal law specifies the uses to which the state must put these revenues, nor does federal law dictate the character of the revenues or the appropriate distribution of those revenues between the general fund, the Alaska Permanent Fund and the Public School Fund. Those matters, accordingly, are all governed by provisions of state law.

AS 37.13.010(a) governs distributions to the Permanent Fund:

Sec. 37.13.010. Alaska Permanent Fund. (a) Under art. IX, § 15 of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980;

(3) any other money appropriated to or otherwise allocated by law to the Alaska permanent fund.

Payments to the Public School Fund are governed by AS 37.14.150:

Sec. 37.14.150. Contributions. During each fiscal year the commissioner of the Department of Revenue shall transfer to the fund created in AS 37.14.110 a sum equal to one-half of one per cent of the total receipts derived from the management of state land, including amounts paid to the state as proceeds of sale or annual rent of surface rights, mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue-sharing payments or bonuses.

Any funds remaining after the statutorily mandated distributions to the Permanent Fund and the Public School Fund should be deposited in the general fund. The following chart summarizes the general statutory scheme for distribution of state leasing revenues and federal mineral revenue sharing payments:

	Permanent Fund	Public School Fund	General Fund
	(AS 37.13.010(a))	(AS 37.14.150)	
I. State leasing activity			
A. Bonuses			
1. Pre-15/80 leases*	25%	0.5%	74.5%
2. Post-15/80 leases	50%	0.5%	49.5%
B. Rentals, royalties, royalty sale proceeds, net profit shares *			0.5%
1. Pre-179 leases	25%	0.5%	74.5%
2. Post-179 leases	50%	0.5%	49.5%
II. Federal mineral revenue sharing			
	*		
A. Pre-179 leases*	25%	0.5%	74.5%

B. Post-179 leases	50%	0.5%	49.5%
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\* “Pre-” means on or before

### □III. DISTRIBUTION OF THE RECENT SECTION 8(g)(5)(A) PAYMENT

While the statutes are relatively easy to apply to most state receipts, they are not as easy to apply to the recent payment under section 8(g)(5)(A). First, that payment included a substantial amount of interest earned by the bonuses and rentals between the time of their deposit in the section 7 escrow accounts and the date of transmittal to the state. The question of the proper handling of this interest affects the distribution of funds to both the Permanent Fund and the Public School Fund. Second, because of the issue dates of the leases, the statutory scheme provides for different distributions to the Permanent Fund for receipts from the four “state” leases, depending on whether the lands ultimately are determined to be state lands or federal OCS. That determination, however, will not affect the distribution to the Public School fund.

#### A. The Interest Question

There are two separate questions concerning the appropriate treatment of the interest earned on the original amounts deposited in the escrow accounts that are due the Permanent Fund and the Public School Fund. AS 37.13.010 and AS 37.14.150 provide that the Permanent Fund and the Public School Fund receive their appropriate shares of “lease rentals,” “royalties,” “royalty sale proceeds,” “net profit shares,” “federal mineral revenue sharing payments,” and “bonuses.” The first question is whether the interest earned on amounts held in escrow is to be considered part of the included “bonuses” and “rentals” or “federal mineral revenue sharing payments,” “and thus allocated to and the Permanent Fund and the Public School Fund, or as something else, and thus deposited in the general fund.

We have previously opined in similar circumstances that interest earned on amounts dedicated to a particular fund while those amounts are held in trust or escrow prior to payment “follow” the principal to the particular fund. (1988 Inf. op. Att’y Gen. (Jan. 1; 223-78-0155); 1988 Inf. Op. Att’y Gen. (Jan 1; 663-86-0378). This conclusion is supported by the prevailing case law from other jurisdictions. See, e.g., State Highway Commission v. Spainhower, 504 S.W.2d 121 (MEo. 1973); State ex rel. Sprague V. Straub, 400 P.2d 229 (Or. 1965); Lawson v. Baker, 220 S.W. 260 (Tex. Civ. App. 1920). Consequently, we believe that it is appropriate to allocate the interest associated with the original amounts earmarked for the Permanent Fund and the Public School Fund to those funds upon its delayed payment from the escrow account.

A second, more troublesome question arises concerning the treatment of the associated interest when it reaches the Permanent Fund and the Public School Fund. In the abstract, there are good arguments in favor of treating the interest earned while in the escrow account as if it were interest earned while in the Permanent Fund and the Public School Fund, and thus not to be considered “principal.” This approach probably comports to many persons’ view of “common sense.” Also, this result appears closest to the general trust law rule that interest earned by the principal of a trust fund is considered income and not an addition to principal. See generally Restatement (Second) of Trusts § 233 and comment a 9).



On the other hand, there is a very particular statutory scheme set out for the treatment of amounts in the Permanent Fund - one that does not depend on more general notions of what should be considered "principal" and "income." " See, e.g., AS 37.13.140, 37.13.145 and 43.23.045. The key determination under the present Permanent Fund statutory scheme is whether amounts received by the fund should be considered "net income" by the fund in a particular year. " Net income" is defined as being "computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses." AS 37.13.140. Therefore, the statutory scheme does not depend on common sense, or on traditional definitions of "income" or "principal," but rather whether a particular inflow of money to the fund is to be considered "net income" under the generally accepted accounting principles used to monitor and report on the performance of the Permanent Fund.

You have informed us that you have booked all of the amounts received, including the escrow interest, to the principal account and not as "net income." You have provided us with the opinion of Ernst & Whinney, the fund's accountants, that such treatment is in accordance with generally accepted accounting principles, and that the escrow interest should not be considered "net income" of the Permanent Fund because it is not the result of the fund's investment activities. Relying on that opinion, we believe that your treatment of the interest earned while in the escrow account can be defended as being in conformity with the provision of AS 37.13.140 that "[n]et income of the corporation shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles."

There is no similar specific statutory scheme governing this issue as it affects the Public School Fund. AS 37.14.-130(2), however, requires the Public School Fund Advisory Board to have prepared an annual accounting of the principal and income of the fund. We believe that the initial determination of the appropriate treatment of the escrow interest should be made under the normal accounting principles of the Public School Fund. If further guidance is required, we will be pleased to respond to a subsequent request.

The foregoing conclusions are solely due to the particular statutory schemes and definitions set out by the legislature. We would note that the schemes can be changed by the legislature if it so desires. The interest earned on the amounts remaining, in the Dinkum Sands escrow account is substantially larger than the amounts at issue here, as is the interest accruing on amounts owed the state due to the royalties at issue in the North Slope royalty case. If the legislature wishes a different treatment of the interest components of those amounts, it may readily accomplish that result by amending the existing statutes .

#### B. Distribution to the Public School Fund

Allocation of the funds recently received under section 8(g)(5)(A) to the Public School Fund is relatively straightforward. AS 37.14.150 provides that both receipts from state lands and federal. mineral revenue sharing payments are to be treated identically. One-half of one percent, whether bonus payments and rentals from lands ultimately adjudicated to be state-owned or federal mineral revenue sharing payments from lands ultimately adjudicated to be federally owned, is to be deposited in the Public School Fund.

Under the two memoranda of advice discussed earlier, one-half of one per cent of the amount of interest received by the state under the section 8(g)(5)(A) distribution also should go to the Public School Fund. As noted above, whether the interest should be credited to principal or income should be determined, in the first instance, under the accounting principles normally employed for the Public School Fund.

C. Results of the Boundary Litigation and Distribution to the Permanent Fund

Further complicating distribution to the Permanent Fund of the recent payment under section 8(g)(5)(A) is the fact that the boundary litigation is not yet resolved. That litigation will determine whether the state or the federal government owns the disputed lands. Until the ownership question is resolved, we cannot determine whether or to what extent the funds recently received from the federal government are “bonuses” and “rentals” from state leases or are “federal mineral revenue sharing payments” received under section 8(g) of the OCSLA.

The distinction is significant only with respect to distribution of the 8(g)(5)(A) payment between the Permanent Fund and the general fund, because AS 37.13.010(a) provides for different distributions of receipts from state and federal leases, depending on the dates the leases were issued. The complication results from the interplay between the different dates of issue of the state and federal leases which generated the receipts in the escrow accounts and the variety of possible outcomes of the litigation.

If the federal government wins on all of the issues - -i.e., it ultimately is determined that all of the disputed lands belong to the federal government - - then all of the money received by the state from the escrow accounts would be federal mineral revenue sharing payments (and associated interest) from leases issued after December 1, 1979. Accordingly, under AS 37.13.010(a)(2), 50 percent of all the money the state received should go to the Alaska Permanent Fund.

A different distribution may result if the state ultimately is adjudicated to own some or all of the disputed lands.

Whether a different distribution is required will depend on which tracts the state ultimately is adjudicated to own.

All 16 of the federal leases of disputed lands were issued after February 15, 1980. Accordingly, whether those lands ultimately are adjudicated to belong to the state or are adjudicated to belong to the federal government is irrelevant for revenue distribution purposes. In either event, 50 percent of all the funds attributable to those leases should go to the Permanent Fund under AS 37.13.010(a) (2).

The four state-issued leases of the tracts surrounding Dinkum Sands, however, were all issued before February 15, 1980. As a result, under AS 37.13.010(a)(1), if the state ultimately is adjudicated to own any of these lands, only 25 percent of the bonus payments from those state lands (and associated interest) should be deposited in the Permanent Fund. Under AS 37.13.-

010(a)(2), on the other hand, 50 percent of the rentals from those lands (and associated interest) should be deposited in the Permanent Fund.

#### IV. ANSWERS TO YOUR SPECIFIC QUESTIONS

With the foregoing principles in mind, we proceed to the specific questions you asked. Your first question was:

1. Is the allocation of distributions from the 8-G Escrow Account [sic: all of the payments are from section 7 escrow accounts but have been distributed to the state pursuant to the provisions of section 8(g)(5)(A)(i)] to the State of Alaska governed by the nature of the distribution, i.e, whether the distribution is a mineral lease rental, royalty, royalty sale proceed, net profit share, or a federal mineral revenue sharing payment?

Yes. At this time, we are only dealing with bonuses, rentals, and interest. For both the Public School Fund and the Alaska Permanent Fund, interest associated with the portion of bonuses and rentals credited to the principal of the two funds should be considered principal or income of the two funds in accordance with the applicable generally accepted accounting principles. One-half of one per cent of both bonuses and rentals received by the state should be deposited in the Public School Fund. Fifty percent of the bonuses and rentals from the 16 leases issued by the federal government should be deposited in the Alaska Permanent Fund. Distribution to the Alaska Permanent Fund of bonuses and rentals from the four state-issued leases will depend on whether the state or the federal government ultimately is adjudicated to own the lands subject to those leases. If the state is adjudicated to own the lands, 25 percent of the bonuses and 50 percent of the rentals should be deposited in the Alaska Permanent Fund; if the federal government is adjudicated to own the lands, 50 percent of the bonuses and of the rentals should be deposited in the fund. Once the deposits to the two funds are made, and the associated interest credited as appropriate, any remaining funds should be deposited in the general fund.

Your second question is:

2. Is the distribution under section 8(g)5A (sic: 8(g)(5)(A)) of the Outer Continental Shelf Lands Act a federal mineral revenue-sharing payment to the State of Alaska or something else?

It depends. If the lands ultimately are adjudicated to belong to the federal government, then the payments are federal mineral revenue sharing payments. If they are adjudicated to belong to the state, they are not federal mineral revenue sharing payments but, instead, are the proceeds of leasing of state-owned lands. In other words, until the Supreme Court ultimately rules on the case, it is impossible to characterize them as either federal mineral revenue sharing payments or something else.

Your third question is:

3. Without regard to the outcome of pending litigation, is the allocation of distributions from the 8-g [sic: section 71 Escrow Account to the State of Alaska affected, changed, or in any way influenced at this time by the issue dates of the leases in dispute?

Yes. The final appropriate distribution of the funds cannot be determined at this time because there has been no final adjudication. Under the various possible outcomes of the case, different distributions will be required by the applicable state laws. This presents a policy question as to how to handle the funds now to preserve the variety of options necessary to ultimately make the appropriate distributions. With respect to the 16 leases issued by the federal government, the same distribution should be made whether the state or the federal government prevails with respect to ownership of the lands subject to those leases. With respect to the four leases issued by the state, however, a different distribution will be required depending on whether the state or the federal government prevails.

Accordingly, we understand that general agreement has been reached to treat the receipts attributable to the 16 federal leases differently from those attributable to the four state leases. As to the receipts attributable to the 16 federal leases, they should be distributed as follows: one-half of one percent to the Public School Fund; 50 percent to the Alaska Permanent Fund; and the remainder to the general fund. As to receipts attributable to the four state leases, the distribution should be: one-half of one percent to the Public School Fund; 25 percent of the monies attributable to the bonuses for those leases to the Permanent Fund; an additional 25 percent of the funds attributable to bonuses placed in escrow pending final resolution of the court action; 50 percent of the monies attributable to rentals to the Permanent Fund; and the remainder to the general fund. (We are currently in the process of drafting a memorandum of understanding to reflect the escrow of 25 percent of the funds attributable to bonuses from the four state leases, pending resolution of the title litigation.)

For convenience, the following chart illustrates what we believe to be the appropriate distribution:

		Public School Fund		Permanent Fund		Escrow		General Fund	
16 Federal Leases									
Bonuses	0.5%			50%					49.5%
Interest		0.5%			50%				49.5%
Rents	0.5%			50%					49.5%
Interest		0.5%			50%				49.5%
4 State Leases									
Bonuses	0.5%			25%		25%			49.5%
Interest		0.5%			25%		25%		49.5%
Rents	0.5%			50%					49.5%
Interest		0.5%			50%				49.5%

Your fourth question is:

4. In the event that the State of Alaska prevails in court, would the allocation of distributions from the 8-G [sic: section 7] Escrow Account to the State of Alaska be affected, changed, or in any way influenced at that time by the issue dates of the leases in dispute?

Yes. Because the four state leases were issued prior to February 15, 1980, under AS 37.13.010(1) only 25 percent of the bonuses attributable to the lands under those four leases would be deposited in the Permanent Fund if the state prevails with respect to those lands. If the federal government prevails with respect to those lands, 50 percent of those bonuses must be deposited into the Alaska Permanent Fund under AS 37.13.010(a)(2) because the state receipts would in fact be considered federal mineral revenue sharing payments from leases issued after December 1, 1979.

Your fifth question is:

5. In the event that the federal government prevails in court, would the allocation of distributions from the 8-G [sic: section 7] Escrow Account to the State of Alaska be affected, changed, or in any way influenced at that time by the issue dates of the leases in dispute?

No. All the receipts would be federal mineral revenue sharing payments from leases issued after December 1, 1979, and 50 percent would go to the Permanent Fund under AS 37.13.010(a)(2).

Your sixth question is:

6. In the event that the court upholds the current state/federal split of all disputed leases, would the allocation of distributions from the 8-G [sic: section 7] Escrow Account to the State of Alaska be affected, changed, or in any way influenced at that time by the issue dates of the leases in dispute?

Yes. See the answer to your fourth question above.

You also asked three additional questions relating to possible difficulties that might be encountered if the funds were distributed among the Permanent Fund, the Public School Fund and the general fund in a way which did not correctly anticipate the outcome of the litigation. We understand that the escrow of the only funds for which distribution is not yet clear makes it unnecessary for us to answer those questions at this time.

We hope this answers your questions. If we can be of further assistance, please contact us at your convenience.

GTK:RMM:dlm Attachment  
cc w/attachment:

Jay Hogan, Associate Director  
Office of Management and Budget  
Office of the Governor

Mary Halloran, Associate Director  
Office of Management and Budget  
Office of the Governor

FURTHER, authorize the Executive Director to execute the escrow agreement on behalf of the Alaska Permanent Fund.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 15<sup>th</sup> day of June, 1988.

Byron I. Mallott  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

David A. Rose  
Secretary-Treasurer

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
REGARDING THE DELEGATION OF INVESTMENT AUTHORITY**

**RESOLUTION NO. 90-14**

WHEREAS, Article II, Section 4(a) of the bylaws of the Alaska Permanent Fund Corporation provides that the Executive Director shall execute the investment functions of the Corporation on a daily basis;

WHEREAS, Section 37.13.100 of the Alaska Statutes provides that the Executive Director may select and employ staff of the Alaska Permanent Fund Corporation as necessary;

WHEREAS, the Executive Director has selected and employed certain professional investment officers as members of the staff of the Alaska Permanent Fund Corporation to assist the Executive Director and fulfill his duties under Article II, Section 4(a) of the Corporation bylaws;

NOW THEREFORE BE IT RESOLVED by the Board of Trustees that the Executive Director is hereby authorized to delegate all investment duties under Article II, Section 4(a) of the bylaws of the Alaska Permanent Fund Corporation, with the exception of the acquisition and sale of real estate investments, to members of the staff who are employed as professional investment officers;

BE IT FURTHER RESOLVED that any authorization to delegate such investment duties of the Executive Director under Article II, Section 4(a) of the bylaws of the Alaska Permanent Fund Corporation to members of the staff who are employed as professional investment officers does not hereby abrogate or relieve the Executive Director of any responsibility for the execution of those duties;

B BE IT FURTHER RESOLVED that designee investment officers of the Alaska Permanent Fund Corporation are hereby authorized to execute investment transactions on behalf of the Corporation;

BE IT FURTHER RESOLVED that designee investment officers of the Alaska Permanent Fund Corporation are hereby authorized to give instructions to custodians of the Corporation for the receipt and delivery of cash and securities;

BE IT FURTHER RESOLVED that the Board of Trustees hereby ratifies and confirms all delegations of the authority to execute investment transactions made by designee investment officers of the Alaska Permanent Fund Corporation prior to the adoption of this resolution.

BE IT FURTHER RESOLVED that the Board of Trustees hereby direct the



Executive Director to advise the Board of Trustees in writing of all delegations of authority when they are made or on an annual basis.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 17th day of April, 1990.

John T. Kelsey  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

David A. Rose  
Corporate Secretary

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
RELATING TO THE USE OF THE FUND'S INTERNATIONAL  
INVESTMENT PROGRAM TO FURTHER RELATIONSHIPS  
BETWEEN ALASKA AND THE INTERNATIONAL  
BUSINESS AND FINANCIAL COMMUNITY**

**RESOLUTION NO. 90-24**

WHEREAS, the Alaska Permanent Fund and the Corporation are public institutions serving the needs of the state of Alaska and its citizens; and

WHEREAS, the Fund through its international activities will invest in and have access to both the international financial markets and the international business community; and

WHEREAS, the government of the state of Alaska, the Alaskan business community, and the Alaska public generally have a significant economic and cultural interest in developing relationships with the international business and financial community; and

WHEREAS, one benefit of the Fund's international investment activities could be to serve as a liaison between the international business and financial community and Alaska generally;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES,  
THAT

As long as the investment returns and risks to the Fund of international investments are not adversely affected, one of the purposes of the Fund's international activities shall be to use its international investment contacts to further interaction and relationships between the international business and investment community and the government of the state of Alaska and the Alaskan business community.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 17th day of November, 1990.

Marc Langland  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

David A. Rose  
Corporate Secretary

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
REGARDING UPDATING SAFE DEPOSIT BOX SIGNATURE CARDS**

**RESOLUTION NO. 93-2**

WHEREAS, the Alaska Permanent Fund Corporation currently leases three safe deposit boxes in Juneau banks to store Alaska Permanent Fund board meeting executive session tapes; computer back-up tapes and disks; and real estate securities share certificates; and

WHEREAS, to deposit and retrieve contents of the safe deposit boxes, certain Alaska Permanent Fund Corporation employees are designated access agents to the boxes; and

WHEREAS, the banks require that safe deposit box access cards reflect signatures of the current corporate president and/or corporate secretary (executive director) as any new access agents are appointed due to employee turnover; and

WHEREAS, Resolution 91-9 (1) authorizes the corporate secretary to appoint new agents without review and approval from the board; (2) specifies the name of a former corporate secretary who is no longer employed at the Alaska Permanent Fund Corporation; and (3) does not speak to the corporate president's participation in this process;

NOW THEREFORE, BE IT RESOLVED by the Board of Trustees of the Alaska Permanent Fund Corporation that authorization is given to the corporate president and/or the corporate secretary to designate access agents as necessary at any bank at which the Alaska Permanent Fund Corporation leases a safe deposit box; this authority supersedes authority granted in Resolution 91-9;

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 28th day of January, 1993.

Carl F. Brady, Jr.  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

Resolution 93-2  
Page 1

William H. Scott  
Corporate Secretary

Resolution 93-2  
Page 2

*Alaska Permanent Fund Corporation*

**Resolution of the Board of Trustees  
of the Alaska Permanent Fund Corporation  
Pertaining to the Operating Budget of the Corporation**

**Resolution 98-4**

The Alaska Permanent Fund Corporation (APFC) is subject to the provisions of the Executive Budget Act, Alaska Statute 37.07, and is therefore required by law to submit an annual operating budget to the Alaska State Legislature for appropriation and authorization to expend funds. Under the Executive Budget Act, Alaska Statute 37.07.080(e), transfers or changes between objects of expenditures or between allocations may be made by the APFC with the approval of the Governor's Office of Management & Budget. Such approval authority has been delegated to the APFC Board of Trustees through the Commissioner of Revenue.

The APFC operating budget is customarily proposed, reviewed and, following discussion and due consideration, adopted by the Board of Trustees at the annual meeting which is nine months prior to the effective date of the budget and twenty-one months prior to the fiscal year end. APFC programs and funding requirements, however, often change during this lengthy interval and create the need to transfer funds between the five primary objects of expenditures (Personal Services, Travel, Contractual Services, Supplies, Equipment) to cover unanticipated shortfalls therein. Authorization for such budget transfers is recommended prior to the end of the fiscal year.

Pursuant to the Executive Budget Act, any such budget transfers between the objects of expenditures set out herein must be authorized by the Board of Trustees prior to any such budget transfers being made.

BE IT RESOLVED THAT the APFC staff shall, prior to the last meeting of the Board of Trustees of each fiscal year, prepare an analysis of expenditures to date and the status of programs, identify projected shortfalls and surpluses by the objects of expenditures set out herein, and recommend transfers to the Board of Trustees.

BE IT FURTHER RESOLVED THAT the Board of Trustees may, following discussion and due consideration of staff recommendations, authorize the transfer of budgeted funds between the objects of expenditures set out herein pursuant to such recommendations as may be amended by the Board of Trustees.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation this twenty-third day of April, 1998.

Eric E. Wohlforth

Resolution 98-4  
Page 1

Chair, Board of Trustees  
Alaska Permanent Fund Corporation

Attest:

Byron I. Mallott  
Corporate Secretary

# **ALASKA PERMANENT FUND CORPORATION**

## **RESOLUTION OF THE BOARD OF TRUSTEES PERTAINING TO THE OPERATING AND CAPITAL BUDGETS OF THE CORPORATION ADOPTION OF THE ANNUAL BUDGET AND AUTHORIZATION TO EXPEND APPROVED FUNDS**

### **RESOLUTION 98-6**

The Alaska Permanent Fund Corporation (APFC) is subject to the provisions of the Executive Budget Act, Alaska Statute 37.07, and is therefore required by law to submit an annual operating budget through the Governor to the Alaska State Legislature for authorization to expend funds under appropriations enacted by law. Capital expenditures made outside of the investment powers of the APFC must also be authorized by the Legislature. The APFC has complied with these requirements annually through the State budgeting process.

The APFC is governed and managed by its Board of Trustees, in which is vested by law complete authority for adoption of its operating and capital budget.

During the first quarter of a fiscal year, staff submits a proposed operating and capital budget to the Board of Trustees. The Board of Trustees reviews the budget proposal and, following discussion and due consideration, acknowledges that the budget programs and appropriation request levels, as amended by the Trustees, generally meet the fiduciary and due diligence requirements of the APFC and provide an adequate standard of internal control over the assets of the Permanent Fund.

The budget is submitted by the Governor to the Alaska State Legislature for appropriation and authorization to expend funds.

#### **BE IT RESOLVED:**

THAT, prior to October 1, APFC staff shall annually prepare an analysis of corporate and program needs for the following fiscal year and recommend a comprehensive budget to the Board of Trustees.

FURTHER THAT the Board of Trustees, after discussion and consideration of staff recommendations, shall formally authorize the proposed annual budget for the next fiscal year, pursuant to any amendments made by the Board of Trustees, to be submitted to the Governor for further consideration and submission to the Legislature, as provided in the Executive Budget Act (AS 37.07).



FURTHER THAT, before the end of the current fiscal year, APFC staff shall present to the Board of Trustees the final operating and capital budgets authorized by the Legislature for the succeeding fiscal year, and identify budget reductions by the Legislature, if any, along with an analysis of resulting corporate or program impact.

FURTHER THAT the Board of Trustees authorizes the Executive Director, following proper notification to the Trustees in accordance with the requirements of this Resolution 98-6, to expend from appropriations as authorized by Trustee policy and the Legislature beginning July 1 of the fiscal year.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this eighth day of October 1998.

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*Chair, Board of Trustees  
Alaska Permanent Fund Corporation*

**ATTEST:**

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*Byron I. Mallott, Corporate Secretary*

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
PERTAINING TO THE SIGNING AND ENDORSING OF CHECKS**

**RESOLUTION NO. 99-1**

*(This resolution supersedes Resolution No. 95-5)*

The Alaska Permanent Fund Corporation (APFC) maintains a checking account at First National Bank of Anchorage (FNBA), Channel Branch, Juneau, to pay operating expenses and clear check deposits. FNBA requires that the Board of Trustees adopt the resolutions set forth on the attached FNBA form, "Certified Copy of Corporate Resolution for Signing and Endorsing Checks" and designate which APFC positions may serve as signatories for checks drawn on the corporate checking account.

BE IT RESOLVED THAT the Board of Trustees hereby designates the Board Chair, Board Vice Chair, and Secretary-Treasurer/Executive Director as check signatories.

BE IT FURTHER RESOLVED THAT the Board of Trustees authorizes these check signatories to designate in writing those staff positions who would also serve as check signatories, and inform the Board of those designees.

BE IT FURTHER RESOLVED THAT the Board of Trustees hereby adopts the resolution as set forth on the attached FNBA "Certified Copy of Corporate Resolution for Signing and Endorsing Checks."

BE IT FURTHER RESOLVED THAT the Board of Trustees hereby appoints the Board Chair together with the Secretary-Treasurer/Executive Director as authorized APFC representatives to complete and file with the bank the FNBA "Certified Copy of Corporate Resolution for Signing and Endorsing Checks" forms and signature cards as necessary when *individuals filling* the designated check-signing positions change.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation this 18<sup>th</sup> day of November 1998.

Eric E. Wohlforth  
Chair, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

Byron I. Mallott  
Corporate Secretary

SUBJECT: Resolutions 2001-Present

ACTION:     X    

DATE: November 9, 2021

INFORMATION:                     

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2000 saw the advent of the Board of Trustees raise new concerns with protecting the Fund from inflation and managing withdrawals. Seven current resolutions deal with saving and spending guidance and will be discussed under a separate agenda item. This agenda item is to review and discuss the 14 resolutions that date from 2001 to the present that are currently in place:

**1. Administrative**

There are currently 10 active administrative resolutions that were adopted between 2001 and 2018. These resolutions range in topics and include important items such as outlining staff compensation and honorarium rules, pursuing securities litigation and setting a succession plan in the event the Executive Director is unable to fulfill her duties.

**2. Investment**

There are currently 3 active investment resolutions that were adopted between 2001 and 2018. These resolutions called for the divestment from Sudan, the adoption of APFC's Investment Policy as a comprehensive working document, and the establishment of the In-State Emerging Manager Program.

**3. Ethics & Disclosure**

There is currently 1 active ethics and disclosure resolution that was adopted in 2009 that clarified the disclosure requirements for mutual funds and ETFs. It should be noted that the Board is currently considering an updated Financial Disclosure Policy, introduced at the September 2021 Board meeting, scheduled for action at the December meeting, which will supersede this resolution and therefore repeal this resolution should the Board adopt the amended policy.

**ACTION:**

Staff have identified and recommends that the Board of Trustees repeal the following resolutions:

A. Resolution 2003-02 Resolution of the Board of Trustees Relating to Oil and Gas Issues

This resolution called on the AOGCC to conduct an investigation of all practices on TAPS and report to the Board any steps AOGCC is prepared to take to increase production and, therefore, royalty payments to the Fund.

B. Resolution 2009-05 Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Relating to Divestment in Darfur

This resolution supported passage of two pieces of state legislation that, if enacted, would have directed that staff divest of any investments that potentially supported benefited activities in Darfur. Although the Sudan Accountability and Divestment Act of 2007 remains in effect, The Alaska Legislature never enacted this type of divestment legislation. As a result, we believe the Board and the staff would be better served to have either no statements on divestment or a broader statement on the conditions for which they would amend the investment policy and support divestment of any kind.

## Active Resolutions 2001-Present

Resolution Number	Title
2001-06 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Pertaining to Board Honorarium Policy
2003-01 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Relating to Securities Litigation
2003-02 (Administrative)	Resolution of the Board of Trustees Relating to Oil and Gas Issues
*2003-05 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Relating to a Constitutional Amendment Limiting Appropriations From and Inflation-Proofing the Alaska Permanent Fund By Establishing a Percent of Market Value Spending Limit
*2004-09 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Re-Affirming the Board's Commitment to a Constitutional Amendment Establishing A Percent of Market Value ("POMV") Spending Limit Methodology for the Alaska Permanent Fund
2004-10 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Pertaining to Travel
2007-08 (Administrative)	Resolution of the Board of Trustees PMP Management Program, Authority for Changes to Position Classification Structure
2008-03 (Administrative)	Resolution of the Board of Trustees, PMP Management Program
2009-05 (Investment Policies)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Relating to Divestment in Darfur
2009-09 (Ethics & Disclosure)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Amending Administrative Policies Relating to Personal Investments Conduct & Reporting
2010-05 (Investment Policies)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Adopting the APFC Investment Policy
2009-10 (Administrative)	Resolution of the Board of Trustees Relating to the Exercise of Executive Authority in the Absence of the Executive Director

2010-04 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Adopting Corporate Governance Policies and Charters
2016-01 (Administrative)	Resolution of the Board of Trustees to Establish Procedures for the Release of Public Records
*2017-01 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Pertaining to Inflation-Proofing the Principal of the Permanent Fund
*2018-01 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Supporting Adherence to a Rules Based Legal Framework for Fund Transfers
2018-02 (Administrative)	Resolution of the Board of Trustees Relating to APFC Staff Compensation
2018-03 (Investment Policies)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Supporting an In-State Emerging Manager Program
*2018-04 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Relating to a Sustainable Rules Based Legal Framework for Fund Transfers
*2020-01 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Offering Alternate Proposals to Support an Annual Percent of Market Value Draw From the Permanent Fund

\*Please find this Resolution in the POMV Section of this Packet (Pg. 76 of 125)

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
PERTAINING TO BOARD HONORARIUM POLICY**

**RESOLUTION 01-06**

*(This resolution supersedes Resolution 97-5)*

Alaska Statute 37.13.090 provides that public members of the Alaska Permanent Fund Corporation (APFC) Board of Trustees “receive an honorarium of \$400 for each day spent at a meeting of the board or at a meeting of a subcommittee of the board or at a public meeting as a representative of the board.”

The APFC herein establishes a policy relating to board honorarium to meet the following purposes: 1) provide a fair and reasonable reimbursement to Trustees for time served in the course of Fund business as authorized by the Board of Trustees and Alaska statute; 2) be fiscally responsible and publicly accountable in the expenditure of public funds; and 3) maximize the value of funds budgeted for honoraria due to ♦ the number of board committee meetings; ♦ the extension of regular board meetings to two days; and ♦ the increasing number of functions requiring Trustee representation.

This policy sets forth criteria for board honoraria and rates up to \$400 per day, the maximum allowed by statute. The rates are based on the amount of time spent conducting Fund business as authorized by the Board of Trustees.

**Criteria for Board Honoraria**

*General: Only one honorarium per day may be paid. For example, a public member attending a committee meeting and a regular board meeting on the same day would receive only the honorarium for the committee meeting or the regular board meeting.*

Type of Business	Honorarium Amount
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<p><b><u>I. Sitting as a Board of Trustees</u></b></p> <p>A. Regular and special meetings of the board:</p> <p>(1) A \$400/day honorarium is paid for a regular or special board meeting.</p> <p>(2) However, if the meeting is less than one hour in length and is conducted by video- or tele-conference and therefore does not require Trustee travel to a destination outside of a 25-mile radius of their residence, an honorarium of \$100 will be paid.</p> <p>B. Meetings of board-appointed committees:</p> <p>(1) For meetings not requiring travel (within 25-mile radius of Trustee's residence), the honorarium is calculated by the meeting's convening and adjournment times.</p> <p>(2) For meetings requiring travel (outside 25-mile radius of Trustee's residence), the Trustee receives \$400/day for the meeting day.</p>	<p>\$ 400/day</p> <p>\$ 100/day</p> <p>0 - 2 hours: \$100/day 2 - 4 hours: \$200/day 4+ hours: \$400/day</p> <p>\$400/day</p>
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## II. Other authorized functions:

An honorarium is provided for authorized functions that relate to policy and program purposes of the board and at which a Trustee officially represents the board. The Trustee shall initiate requests for honorarium and shall be provided forms by the APFC for this purpose.

*"Authorized"* means (1) pre-authorized during a meeting of the full board; or (2) pre-approved by the board Chair or

Vice Chair. Examples of such board-authorized functions could include a Trustee's meeting with staff, external Fund managers, and government officials; as well as attendance at public hearings, conferences, conventions, and seminars and a Trustee's participation in special projects as assigned by the Chair.

Honorarium rates for authorized functions:

A. For those functions not requiring travel (within a 25-mile radius of Trustee's residence), the honorarium is calculated by the amount of time participating at the function.

0 - 2 hours: \$100/day  
2 - 4 hours: \$200/day  
4+ hours: \$400/day

B. For those functions requiring travel, the Trustee receives \$400/day for each function day; not to exceed a total of \$800.

\$400/day; not to exceed \$800 for the trip.

C. Speaking Engagements:

(1) For speaking engagements not requiring travel (within a 25-mile radius of the Trustee's residence), an honorarium of \$100 will be provided for 0 - 2 hours; \$200 for 2 - 4 hours; and \$400 for 4+ hours.

0 - 2 hours: \$100/day  
2 - 4 hours: \$200/day  
4+ hours: \$400/day

(2) For speaking engagements requiring travel outside a 25-mile radius of the Trustee's residence, the Trustee receives \$400/day for the function day.

\$400/day

<p><b>III. <u>Honorarium is not provided for:</u></b></p> <p>Days spent in travel status only.</p>	<p>\$ -0-</p>
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This policy supersedes honorarium policy in Resolution 97-5 (*"Pertaining to-Board Honorarium Policy"*). Through the adoption of this resolution, Resolution-97-5 is repealed.

BE IT RESOLVED:

THAT the Board of Trustees repeals Resolution-97-5 (*"Pertaining to Board Honorarium Policy"*); and

THAT the Board of Trustees approves the honorarium policy herein; and

THAT the policy be implemented immediately for functions occurring after adoption of this resolution.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation this 15th day of November, 2001

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*James A. Sampson*  
*Chair, Board of Trustees*  
*Alaska Permanent Fund Corporation*

Attest:

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*Robert D. Storer, Corporate Secretary*

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE  
ALASKA PERMANENT FUND CORPORATION  
RELATING TO SECURITIES LITIGATION**

**RESOLUTION 03-01**

*(Rescinds Resolution 02-05)*

The Board of Trustees (“Board”) of the Alaska Permanent Fund Corporation (“APFC”), having determined that it was in the best interest of the Alaska Permanent Fund (“Fund”) to establish procedures and guidelines for monitoring and participating in securities class actions and other litigation when appropriate to protect the interests of the Fund, adopted Resolution 02-05 in June of 2002.

Since adoption of Resolution 02-05, the Board has revisited the role of the Attorney General in this process and has determined that it is appropriate to acknowledge the principal role of the Attorney General in managing securities litigation on behalf of the state.

Accordingly, the Board has considered whether it should rescind the decision-making and reporting processes established by Resolution 02-05 and replace it with a memorandum of understanding with the Department of Law that will ensure that the Fund’s interests are protected and to permit the Department of Law to timely and effectively initiate litigation on securities-related claims and to keep the Board informed about these claims.

**THEREFORE, BE IT RESOLVED THAT** the Board of Trustees has determined that:

- (1) the staff of the APFC should assist with the Department of Law in seeking recovery of investment losses that occur as the result of securities laws violations;
  - (2) the Executive Director shall negotiate an appropriate memorandum of understanding between the APFC and the Department of Law with the Attorney General; and
  - (4) as part of his consultive process of the Memorandum of Understanding, the Executive Director will consult with the Board of Trustees prior to committing the Fund to an active role in litigation.
- (3) Resolution 02-05 is rescinded.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 27th day of March, 2003.

/s/ Eric Wohlforth

*Chair, Board of Trustees*

Attest:

/s/ Robert D. Storer, Corporate Secretary

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES RELATING TO OIL AND GAS  
ISSUES**

**RESOLUTION 03-02**

Concerns have been raised recently about the North Slope Operators in respect to the costs associated with transporting oil developed from state leases to the TransAlaska Pipeline.

The Alaska Permanent Fund Corporation Board of Trustees requests that the Alaska Oil and Gas Conservation Commission (AOGCC) conducts an investigation of all maintenance and operational practices, including tariff and facility pricing that may have an impact (limiting) the amount of oil developed from state leases, and reports to the Alaska Permanent Fund Corporation Board of Trustees the results of the investigation and any steps that the AOGCC is prepared to take to increase production from state leases.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 12<sup>th</sup> day of February, 2003.

Eric Wohlforth

*Chair, Board of Trustees*

Attest:

*Robert D. Storer, Corporate Secretary*

**ALASKA PERMANENT FUND CORPORATION**  
**RESOLUTION OF THE BOARD OF TRUSTEES**  
**OF THE ALASKA PERMANENT FUND CORPORATION**  
**PERTAINING TO TRAVEL**

**RESOLUTION 04-10**  
*(This resolution supersedes Resolution 04-05)*

The Board of Trustees ("Trustees"), Executive Director, and designated staff of the Alaska Permanent Fund Corporation ("APFC") are required to travel on behalf of the APFC to Board of Trustee meetings, committee meetings, educational seminars, public meetings, and other fiduciary, oversight, and public outreach responsibilities.

The APFC herein establishes a policy relating to APFC travel to meet the following purposes: (1) to ensure travel expenses are properly administered; (2) to provide appropriate notice for public meetings in accordance with statute; (3) to ensure all travel and meetings are both content and cost efficient; and (4) to allow flexibility in travel procedures that are in the best interest of the APFC while complying with applicable state and federal requirements.

This resolution:

- Adopts the travel policy elements under the Board's purview – preapproval of Trustee and Executive Director in-state travel, approval requirements for Trustee or staff travel outside Alaska and the United States, advance scheduling of meetings, and required reporting to the Board of all travel done on behalf of the APFC.
- Authorizes the Executive Director to implement and manage a corporate travel policy that is based on the state's travel guidelines.
- Supersedes Resolution 04-05, pertaining to travel.

BE IT RESOLVED THAT in-state travel by Trustees and the Executive Director that directly relates to the management, public communications, and fiduciary oversight of the APFC is hereby pre-approved without further authorization; and

FURTHER THAT travel by Trustees or the Executive Director to domestic or international destinations outside Alaska must be approved in advance by the Board Chair and travel by staff to domestic destinations outside Alaska and to Canada must be approved in advance by the Executive Director; and

FURTHER THAT travel by staff to destinations outside of the United States (except for Canada) must be approved in advance by the Board Chair; and

FURTHER THAT all APFC travel outside the United States is subject to the approval requirements of the state's Alaska Administrative Manual; and

FURTHER THAT the meetings of Board committees or sub-committees shall be scheduled in advance with staff in order to permit: (1) arrangement for adequate meeting facilities to include

accommodation of the public, recording, transcriptions, etc.; (2) proper published public notice of the time, place, and subject of the meeting; (3) provision of appropriate staff support such as background research and extracts from minutes; and (4) arrangement for cost efficient travel; and

FURTHER THAT (1) the Board authorizes the Executive Director to implement and manage a corporate travel policy that is based on the state's administrative manual for travel; (2) if a variation from the state's travel manual appears to the Executive Director to be in the best interest of the APFC, the Executive Director must obtain written approval from the Commissioner of Administration for that change before implementing it as part of the corporate travel policy; and (3) all travel by Trustees or staff on APFC business shall be paid in accordance with the corporate travel policy; and

FURTHER THAT, unless the Board Chair, in advance, approves payment by another entity as being in the best interest of the APFC, all travel by Trustees or staff on APFC business shall be paid for by the APFC; and

FURTHER THAT all travel by Trustees and staff that is conducted on behalf of the APFC must be reported to the Board no later than the regular Board meeting immediately following such travel; and

FURTHER THAT this resolution supersedes Resolution 04-05, pertaining to travel.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 22nd day of November, 2004.

*/s/ Carl Brady*  
*Chair, Board of Trustees*

ATTEST:  
*/s/ Michael Burns*  
*Corporate Secretary*

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES  
PMP MANAGEMENT PROGRAM**

**AUTHORITY FOR CHANGES TO POSITION CLASSIFICATION STRUCTURE**

**RESOLUTION 07-08**

*(Supersedes Resolution 06-01)*

Alaska Statute 39.25.110(11)(B) exempts the Alaska Permanent Fund Corporation (APFC) from the State Personnel Act, thereby authorizing APFC to design and implement a salary and classification program.

In 1997, APFC adopted a resolution which introduced a comprehensive personnel system called the "Personnel Management Program" (PMP). The PMP resolution documents corporate practices that establish a systematic approach to implementing fair and competitive compensation practices that attract and retain highly competent staff. APFC periodically reviews and revises the PMP resolution and the accompanying PMP Employee Guide.

**This resolution** amends PMP Exhibit III (Delegation of Authority for Classification and Compensation Actions), and IV (Executive Director Compensation Management Program) regarding authority over changes to the personnel classification structure. This resolution transfers that authority from the Board to the Executive Director. This amendment enables the Executive Director to implement staffing decisions more efficiently. It also reflects the evolution of the Board's responsibilities toward more complex investment decisions and away from its earlier role overseeing the development of corporate administration.

**BE IT RESOLVED:**

THAT the Board of Trustees amends PMP Resolutions Exhibit III and IV, thereby transferring authority over changes to the classification structure to the Executive Director.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 12<sup>th</sup> day of December, 2007 and effective upon passage.

*/s/ Steve Frank, Chair, Board of Trustees  
Alaska Permanent Fund Corporation*

**ATTEST:**

*/s/ Michael J. Burns, Corporate Secretary*



**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES  
PMP MANAGEMENT PROGRAM**

**RESOLUTION 08-03**

Alaska Statute 39.25.110(11)(B) exempts the Alaska Permanent Fund Corporation (APFC) from the State Personnel Act, thereby authorizing APFC to design and implement a salary and classification program. In 1997, APFC adopted a resolution which introduced a comprehensive personnel system called the "Personnel Management Program" (PMP). The resolution documented corporate practices that establish a systematic approach to implementing fair and competitive compensation practices that attract and retain highly competent staff. APFC periodically reviews and revises the PMP and the accompanying PMP Employee Guide. The Board of Trustees reserves PMP authority over hiring the Executive Director, establishing and adjusting Executive Director compensation, and amending the APFC Compensation Structure.

**This resolution** amends PMP Exhibit II (Compensation Structure) by permitting the Executive Director to pay the Chief Investment Officer position a salary that exceeds the range set out in the APFC Compensation Structure. The resolution also amends Exhibit IV by removing from the Executive Director Compensation Plan the provision stating, "The Executive Director is established as the highest paid position within the organization." This resolution otherwise leaves unchanged all other provisions.

**BE IT RESOLVED:**

THAT the Board of Trustees amends PMP Resolutions Exhibit II and IV, thereby enabling the Executive Director to exceed the Compensation Structure range when setting the salary for the Chief Investment Officer position, and thereby omitting the provision that the Executive Director must be the highest paid position within the organization.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 3<sup>rd</sup> day of July, 2008 and effective upon passage.

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*Steve Frank, Chair, Board of Trustees  
Alaska Permanent Fund Corporation*

**ATTEST:** \_\_\_\_\_  
*Michael J. Burns, Corporate Secretary*

### Attachments

- Exhibit I (a-c): Position Classification Structure with DBM Hierarchy
- Exhibit II: Compensation Structure
- Exhibit III: Delegation of Authority for Position Classification and Compensation Actions
- Exhibit IV: Executive Director Compensation Management Program

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
RELATING TO DIVESTMENT IN DARFUR**

**RESOLUTION 09-05**

Whereas since 1997, the federal government has imposed fiscal sanctions against the Government of Sudan for acts of terrorism and atrocities directed against civilians in the Darfur region of Sudan;

Whereas in 2004 the federal government identified past and ongoing actions taken by the Government of Sudan directed against civilians in the Darfur region as genocide;

Whereas it is a fundamental responsibility of the State of Alaska to decide where, how, and by whom financial resources in its control are invested, taking into account numerous pertinent factors;

Whereas the Alaska Permanent Fund Corporation controls significant financial assets of the State of Alaska;

Whereas the Alaska Permanent Fund Corporation is not authorized to include moral or political considerations in its investment decisions;

Whereas the inclusion of moral or political considerations in investment decisions is only appropriate in circumstances where the moral or political imperative is not subject to debate;

Whereas genocide is inconsistent with the moral values of the people of Alaska;

Whereas the investment of financial resources in business firms and financial institutions with ties to the genocidal regime in the Sudan is clearly inconsistent with the moral values of the people of Alaska;

Whereas the Congress of the United States passed the Sudan Accountability and Divestment Act of 2008, which allows the Board of Trustees to divest of investments as described in the Sudan Accountability and Divestment Act, and does not allow any person to bring any civil, criminal or administrative action against the Board of Trustees for making investment decisions as allowed in the Sudan Accountability and Divestment Act; and

Whereas House Bill 92 and Senate Bill 81 have been drafted to minimize the costs and impacts to the management of financial assets while ensuring that these assets are not invested in business firms and financial institutions with ties to the genocidal regime in the Sudan.

Therefore be it resolved that the Alaska Permanent Fund Corporation supports House Bill 92 and Senate Bill 81 “An Act relating to certain investments of the Alaska Permanent Fund, the state's retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred compensation program for state employees in companies that do business in Sudan, and restricting those investments; and providing for an effective date” as these bills are currently drafted, and would support other substantially similar legislation.

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*Steve Frank*  
*Chair, Board of Trustees*  
*Alaska Permanent Fund Corporation*

*ATTEST:*

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*Michael J. Burns, Corporate Secretary*

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE  
ALASKA PERMANENT FUND CORPORATION  
AMENDING ADMINISTRATIVE POLICIES RELATING TO  
PERSONAL INVESTMENTS CONDUCT & REPORTING**

**RESOLUTION 09-09**

*(This Resolution supersedes Resolution 07-06.)*

The Board of Trustees (“Board”) of the Alaska Permanent Fund Corporation (“APFC”) has adopted a comprehensive disclosure policy (*Administrative Policies & Procedures Relating to Personal Investments Conduct & Reporting*) setting out Board and staff responsibilities to implement the requirements of AS 37.13.110(b) and the APFC’s corporate bylaws. This policy document establishes internal policies and procedures in the areas of conflict of interest, ethics, personal investments, and disclosure.

Staff has recommended that the Board amend the *Reporting Exception* and related portions of *Exhibit I* of the policy primarily regarding disclosures for investments in mutual funds and exchange traded funds, disclosing names of owners of investments, and clarifying the identity of the compliance officer.

BE IT RESOLVED:

THAT the Board of Trustees hereby adopts the amended *Administrative Policies & Procedures Relating to Personal Investments Conduct & Reporting*, effective September 1, 2009; and

FURTHER THAT the effective date of the amendment is immediate.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 23<sup>rd</sup> day of September 2009.

*/s/ Steve Frank, Chair, APFC Board of Trustees*

ATTEST:

*/s/ Michael J. Burns, Corporate Secretary*

Resolution 09-09

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA  
PERMANENT FUND CORPORATION ADOPTING  
THE APFC INVESTMENT POLICY**

**RESOLUTION 10-05**

*(This Resolution supersedes Resolutions 97-03, 99-03, 02-07,  
06-07, 07-05, 09-04, 09-06, 09-07, 10-01, 10-02, and 10-03.)*

Under AS 37.13.040 and 37.13.120, the APFC Board of Trustees (“Board”) is given the responsibility to manage and invest the assets of the Alaska Permanent Fund (“Fund”). The Board believes that it is in the best interest of the Fund to set out APFC’s investment-related policies in one comprehensive document. The Board intends to keep this policy current as it modifies or amends investment-related policies.

THEREFORE, BE IT RESOLVED that the *Alaska Permanent Fund Corporation Investment Policy*, dated May 27, 2010, is approved and adopted by the Board. APFC staff, under the direction of the Executive Director, shall implement the provisions of the policy and assure that they are observed and kept current.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 27<sup>th</sup> day of May 2010.

\_\_\_\_\_  
*/s/ Steve Frank Chair, Board of Trustees*

ATTEST:

\_\_\_\_\_  
*/s/ Michael J. Burns, Corporate Secretary*

**ALASKA PERMANENT FUND CORPORATION**  
**RESOLUTION OF THE BOARD OF TRUSTEES**  
**RELATING TO THE EXERCISE OF EXECUTIVE AUTHORITY**  
**IN THE ABSENCE OF THE EXECUTIVE DIRECTOR**

**RESOLUTION 09-10**

*(This resolution supersedes Resolution 07-01)*

It is necessary for the Alaska Permanent Fund Corporation's ("APFC") daily operations to be led by a chief executive officer who can direct and be accountable for the overall mission, investment programs, administrative policies, and daily activities of the organization. Pursuant to the Bylaws of the APFC, the Executive Director is designated as that chief executive officer.

The Executive Director may be incapacitated or temporarily absent from office under circumstances which render the Executive Director unavailable to perform assigned duties. It is necessary to implement a line of executive authority to ensure that the accountability for the APFC's mission and daily operations is not interrupted during the incapacity or temporary absence of the Executive Director from office.

**BE IT RESOLVED:**

THAT the Executive Director or the Chief Financial Officer of the APFC shall notify the Chair of the Board of Trustees immediately at any time the Executive Director, due to incapacity or a temporary absence from office, is unable to perform his or her duties; and

FURTHER THAT "incapacity" means the occurrence of a mental or physical disability rendering the Executive Director incapable of performing duties assigned to the office of the Executive Director of the APFC; and

FURTHER THAT during an incapacity of the Executive Director, the Chief Financial Officer is hereby designated Acting Executive Director; and

FURTHER THAT the Executive Director may delegate his or her executive authority to the Chief Financial Officer to serve as Acting Executive Director during periods of official travel or authorized leave away from the APFC's headquarters not exceeding 30 days, if in the judgment of the Executive Director, the delegation would be in the best interests of the APFC; and

FURTHER THAT, during any period that the Chief Financial Officer is not available to assume the role of Acting Executive Director pursuant to the provisions of this Resolution, the Chief Investment Officer shall serve as Acting Executive Director; and

FURTHER THAT the Acting Executive Director shall operate only within existing Board of Trustees or Executive Director policies and procedures, except as otherwise specifically authorized by the Board of Trustees; and

FINALLY THAT Resolution 07-01, relating to delegation of executive authority, is hereby superseded.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 24th day of September, 2009.

/s/

Steve Frank, Chair

*Alaska Permanent Fund Corporation*

**ATTEST:**

/s/

*Michael J. Burns, Corporate Secretary*



**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA  
PERMANENT FUND CORPORATION ADOPTING  
CORPORATE GOVERNANCE POLICIES AND CHARTERS**

**RESOLUTION 10-04**

The Board believes that it is in the best interest of the Fund to clearly identify the Corporate Governance responsibilities of the Board. The Board intends for these Policies and Charters to be kept current and updated as necessary.

THEREFORE, BE IT RESOLVED by the Board of Trustees that the *Board of Trustees Charters and Governance Policies*, dated May 2010, is approved and adopted by the Board. The Board will comply with the policies and duties as defined in the adopted policies and charters. APFC staff shall, under the direction of the Executive Director, take action to support the Board in complying with the adopted policies and charters.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 27<sup>th</sup> day of May, 2010.

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*/s/ Steve Frank Chair, Board of Trustees*

ATTEST:

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*/s/ Michael J. Burns, Corporate Secretary*

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES TO ESTABLISH  
PROCEDURES FOR THE RELEASE OF PUBLIC RECORDS**

**RESOLUTION 16-01**

*(This Resolution supersedes Resolution 05-04)*

The Alaska Public Records Act establishes the requirements and procedures for the release of state agencies' public records. Other statutes and regulations regarding the release of information may also apply to some Alaska Permanent Fund Corporation (APFC) documents.

Alaska state law provides the APFC with additional and specific guidelines regarding disclosure of records:

**Sec. 37.13.200. Public access to information.** Information in the possession of the corporation is a public record, except that information that discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is required in a court proceeding. These restrictions do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports, items, persons, or enterprises.

As a public corporation, the APFC strives to make corporate operations transparent. The APFC regularly publishes financial statements, individual and total portfolio performance, asset holdings, and other pertinent information. These records are readily available on the APFC's web site.

However, it is necessary to set a process in place to respond to requests for records that are not regularly published by the APFC. This will ensure that requestors receive responses in a timely manner while protecting against the release of confidential records.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees that the following guidelines shall apply to requests for APFC records:

Requests for records that are not regularly published by the APFC shall be directed to the Director of Communications, who shall then forward the requests to the appropriate staff person for response. The Director of Communications shall ensure that the process and timelines described in 2 AAC 96 are followed and shall maintain a log of written requests.

Financial disclosures by Trustees and staff, and information contained in board meeting packets are not considered confidential and requests for these items shall be forwarded directly to the appropriate staff person for response.

For purposes of 2 AAC 96.335 – 2 AAC 96.350, the Executive Director is the agency head with final authority on behalf of the APFC to deny or partially deny a public records request under the Alaska Public Records Act. The Executive Director may delegate denial authority to another APFC employee in writing in accordance with 6 AAC 96.335. The Executive Director or other person with denial authority shall determine whether requested information is considered confidential under AS 37.13.200 or other applicable law. If the information contained in the requested public record is found to be confidential, the basis for this determination shall be stated in the denial of the request and the relevant statutory reference shall be cited.

The Executive Director shall decide all requests under 2 AAC 96.340 for reconsideration/appeal from the initial decision of the Executive Director or of an APFC employee with denial authority under 2 AAC 96. This decision of the Executive Director is a final decision of the APFC.

The Director of Communications may release records that the Executive Director has previously determined not to be confidential.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 6th day of December, 2016.

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William Moran, Chair  
Board of Trustees

ATTEST:

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*Angela M. Rodell, Corporate Secretary*

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES RELATING TO APFC STAFF COMPENSATION**

**RESOLUTION 18-02**

All employees of the Alaska Permanent Fund Corporation (“APFC”) are valued and essential to fulfilling APFC’s mission to deliver sustained compelling investment returns as the United States’ leading sovereign endowment manager, benefiting all current and future generations of Alaskans. In fulfillment of this mission it is imperative that APFC is in a position to attract, incent, and retain staff at all levels and in all positions.

The APFC Board of Trustees Charters and Governance Policies, therefore, obligate the Board to establish human resources policies and procedures necessary for the effective management of the Permanent Fund, including a compensation and benefits policy. Because the level and complexity of internal investment management at APFC and the value-added and savings achieved by this internal management has grown significantly in the last five years, the Board feels strongly that fair and competitive compensation for APFC staff needs to evolve and grow to acknowledge and foster this successful result.

**NOW THEREFORE BE IT RESOLVED THAT:**

1. Compensation for APFC staff should be commensurate with its peer equivalent, which the Board has determined shall be comprised of a weighting that reflects 75% US and Canadian public fund asset managers with internal/direct asset management capability and 25% of the private sector investment organizations with assets under management of less than \$100 billion, including endowments, foundations, advisory firms, banks, insurance companies and corporate plan sponsors;

2. APFC staff responsible for the Administration and Operations, including the Director of IT, Administrative Services Director and the Human Resources Manager should be compensated at competitive regional salaries, eligible for annual merit increases, targeted at median total cash compensation in comparison to the APFC peer equivalent;

3. APFC staff responsible for the Investment, including the Chief Investment Officer should be compensated through a base salary plus annual incentive compensation targeted at median total cash compensation in comparison to the APFC peer equivalent;

4. Annual incentive compensation will be measured net-of-fees on a three year basis versus the relative performance benchmark and no incentive compensation will exceed 50% of an individual’s base salary;

5. APFC Executive Management, including the Executive Director, Chief Financial Officer, Chief Operating Officer and General Counsel may be subject to incentive compensation at the discretion of the Board;

6. The Board of Trustees will include an incentive compensation request with each annual budget request beginning with its Fiscal Year 2020 request, which will be based on incentive compensation earned for Fiscal Year 2019 performance benchmarks; and

7. Upon the appropriation of funds to award annual incentive compensation and amendment to the APFC Personnel Management Program, the Executive Director will be responsible for determining and distributing individual incentive awards.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation this 24<sup>th</sup> day of May, 2018.

/s/

Bill Moran  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

/s/

Angela M. Rodell, Corporate Secretary

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA PERMANENT FUND  
CORPORATION SUPPORTING AN IN-STATE EMERGING MANAGER PROGRAM**

**RESOLUTION 18-03**

Private equity and venture capital investors combine investment capital with the application of operational expertise and other resources designed to support growth of the underlying operating companies and drive returns on invested capital. Because private equity and venture capital investments typically catalyze investment from other sources and require legal, advisory, accounting and other support services, prudent investment activity in Alaska should have a positive multiplier effect.

To encourage the growth of this positive impact within Alaska, consistent with the requirements of Alaska Statute 37.13.120(c), the Alaska Permanent Fund Corporation should target a portion of its private equity and venture capital investments at opportunities within Alaska that provide a rate of return on investment consistent with the expected risk/return profile of similar investments outside of Alaska.

Because the sourcing, selection, and ongoing active support of emerging private equity and venture capital fund managers is time and resource-intensive, APFC staff should outsource day-to-day management of this program while retaining oversight responsibility.

NOW THEREFORE BE IT RESOLVED that the Trustees direct the Executive Director to create an In-State Emerging Manager Program consistent with the following guidance:

- 1) APFC staff should conduct a targeted request for information (“RFI”) in order to identify and select a discretionary fund-of-funds manager with demonstrable expertise in:
  - identifying capable and promising private investment firms;
  - supporting the growth and development of emerging investment firms; and
  - monitoring and reporting on the activity of underlying managers and investments.
- 2) The RFI should establish expected standards and targeted characteristics of underlying fund managers. Such characteristics are expected to include:
  - an in-State investment strategy designed to deliver returns consistent with similar investments outside of the state;
  - a business presence in Alaska; and
  - an ability to raise additional capital from other institutional sources.
- 3) Following the RFI, APFC staff is directed to design and negotiate an investment management agreement with the selected fund-of-funds manager. The agreement will establish the rights and responsibilities of the parties and govern the manager’s relationship with the APFC.
- 4) The initial capital commitments and investments made through this program will be up to \$200 million and will be a part of the Fund’s allocation to Private Equity and Special Opportunities, which includes tracking the performance of this program against the benchmarks used to evaluate the performance of this asset class. It is anticipated that APFC will renew its investment commitments to investment partners that demonstrate success during the initial phase of this investment program.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 27<sup>th</sup> day of September, 2018.

/s/  
Bill Moran  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

/s/  
Angela M. Rodell, Corporate Secretary



SUBJECT: Resolutions POMV

ACTION:

  X  

DATE: November 9, 2021

INFORMATION:

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2000 saw the advent of the Board of Trustees raise new concerns with protecting the Fund from inflation and managing withdrawals.

Seven of the current resolutions deal with saving and spending guidance and are the subject of this agenda item. All of these resolutions have in common the theme of protecting the Principal of the Fund – from inflation, from inadvertent loss – and encouraging real growth of the Fund.

Staff have no recommendations with regard to this group of resolutions.

**Active Resolutions Relating to POMV**

<b>Resolution Number</b>	<b>Title</b>
2000-13 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Relating to a Constitutional Amendment to Inflation-Proof the Alaska Permanent Fund
2003-05 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Relating to a Constitutional Amendment Limiting Appropriations From and Inflation-Proofing the Alaska Permanent Fund By Establishing a Percent of Market Value Spending Limit
2004-09 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Re-Affirming the Board's Commitment to a Constitutional Amendment Establishing A Percent of Market Value ("POMV") Spending Limit Methodology for the Alaska Permanent Fund
2017-01 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Pertaining to Inflation-Proofing the Principal of the Permanent Fund
2018-01 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Supporting Adherence to a Rules Based Legal Framework for Fund Transfers
2018-04 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Relating to a Sustainable Rules Based Legal Framework for Fund Transfers
2020-01 (Administrative)	Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Offering Alternate Proposals to Support an Annual Percent of Market Value Draw from the Permanent Fund

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA  
PERMANENT FUND CORPORATION RELATING TO A  
CONSTITUTIONAL AMENDMENT TO INFLATION-PROOF  
THE ALASKA PERMANENT FUND**

**RESOLUTION 00-13**

Protecting the Alaska Permanent Fund ("Fund") against inflation has been the highest public policy priority of the Board of Trustees ("Board") since the original Board was appointed 20 years ago. At that time, the Board testified to the legislature that the greatest threat to the permanence of the Fund is inflation. In response, the legislature adopted statutory inflation-proofing in 1982.

In more recent years, the Board has examined the use by various large endowment and public funds of a formula approach to determining the size of payouts from those funds. This formula approach, generally referred to as a "percent of market value" ("POMV") payout, is applied by those funds in a manner that protects them against inflation, thereby assuring the funds' long-term viability. Because a POMV payout provides for consistent and on-going inflation-proofing, the Board believes that its use is in the best interest of the Fund and of the people of the State of Alaska, who are the beneficiaries of the Fund.

The Board further believes that the best way to assure continuing inflation-proofing of the Fund in the years ahead is to provide for use of a POMV payout by amending the constitutional provision that established the Fund (Article IX, section 15 of the Alaska Constitution). Providing for inflation-proofing in this manner would strengthen and extend the existing statutory provision for inflation-proofing the principal of the Fund by putting inflation-proofing into the Constitution and applying it to total Fund assets, including principal.

At the Board's request, counsel for the Board has prepared a draft constitutional amendment for further discussion by the Board which, if adopted by the people of the State of Alaska, would provide for an annual payout from the Fund of no more than five percent of the average fiscal year-end market value of the Fund over the immediately preceding five fiscal years. The Board believes that this formula effectively balances the goal of maximizing the availability of income from the Fund with the long-term goal of protecting the value of the Fund by inflation-proofing.

Finally, the Board believes strongly that implementing inflation-proofing of the Fund by constitutional amendment is such an important public policy goal that proposals for incorporating any other amendments to Article IX, section 15 which might in any way either lessen the chances of approval of such an amendment by the voters or undermine the legal status of the Fund should be rejected by the legislature.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees that the legislature of the State of Alaska, in consultation with the governor and the Board, are urged to consider and approve a proposal for a constitutional amendment that would provide for permanent inflation-proofing of the Fund by application of a POMV payout mechanism.

BE IT FURTHER RESOLVED by the Board of Trustees that the proposal for such an amendment be limited solely to implementation of the foregoing goal.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 8th day of December 2000.

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Clark S. Gruening

*Chair, Board of Trustees*

Attest:

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*Robert D. Storer, Corporate Secretary*

## **ALASKA PERMANENT FUND CORPORATION**

### **RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA PERMANENT FUND CORPORATION RELATING TO A CONSTITUTIONAL AMENDMENT LIMITING APPROPRIATIONS FROM AND INFLATION-PROOFING THE ALASKA PERMANENT FUND BY ESTABLISHING A PERCENT OF MARKET VALUE SPENDING LIMIT**

#### **RESOLUTION 03-05**

Preserving the real value of the money deposited into the Alaska Permanent Fund ("Fund") over the long term has been a public policy priority of the Board of Trustees ("Board") since the original Board was appointed over 20 years ago. In response to the Board's concerns in 1982 about the effects of inflation on the value of the Fund, the legislature adopted statutory inflation-proofing that same year. That change has successfully protected (by statute) the principal of the Fund for the past 20 years. After several years of review, the Board believes it is now time for the People of Alaska to make another decision that would: 1) constitutionally protect the current purchasing power of the whole Fund (both principal and income) against inflation; and 2) improve the rules governing distributions from the Fund.

To accomplish these goals, the Board has examined the use by various large endowment and public funds of a formula approach to establish appropriate limits on the size of payouts from those funds. This formula approach, generally referred to as a "percent of market value" ("POMV") spending limit, is applied by those funds in a manner that assures that, on average, only *real* income of a fund (i.e. income *net of inflation*) can be spent, thereby assuring that the real value of the contributions paid into the fund will not be touched. Because a POMV spending limit would provide for distributions from the Fund that are

predictable and limited, the Board believes that its use is in the best interest of the Fund and of the people of the State of Alaska.

The Board further believes that the best way to implement a POMV spending limit methodology for determining a level of distributions from the Fund that is predictable and limited is to amend the constitutional provision that established the Fund (Article IX, section 15 of the Alaska Constitution). Providing for a POMV spending limit in this manner would assure all Alaskans that the real value of the contributions to the Fund will be preserved for all time.

At the Board's request, APFC staff has presented a draft constitutional amendment for further discussion by the Board which, if adopted by the people of the State of Alaska, would provide for the following:

1. an annual limit on appropriations from the Fund of up to five percent of the total market value of the Fund, averaged over a period of five years;
2. using a five year period that allows the legislature and the governor to know before a fiscal year begins the exact amount that will be available for distribution from the Fund;
3. Fund income is part of the Fund, rather than being subject to appropriation by the legislature, as currently provided;
4. assures that the current statutory earnings reserve account established by AS 37.13.145 becomes part of the Fund when the constitutional amendment takes effect; and
5. the current references to "principal" and "income" are removed, as POMV ensures protection of the principal over the long-term through a constitutional spending limit.

The Board believes that this approach effectively balances the goal of providing for an annual distribution from the Fund that is predictable and limited with the long-term goal of protecting the real value of contributions to the Fund.

In addition, the Board believes strongly that implementing a POMV spending limit approach by constitutional amendment is such an important public policy goal that proposals for incorporating any other amendments to Article IX, section 15 which might in any way either lessen the chances of approval of such an amendment by the voters or undermine the legal status of the Fund should be rejected by the legislature.

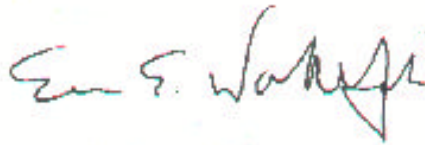
Finally, the Board recognizes that implementation of a POMV spending limit methodology by constitutional amendment may necessitate changes to existing statutes that deal with the formula for determining and distributing the amount of the Fund that may be spent each year, including, but not necessarily limited to, payment of Permanent Fund Dividends and inflation-proofing the Fund. In anticipation of voter approval of a constitutional amendment providing for a POMV spending limit, the Board is hopeful that the legislature and the governor will work together to develop appropriate legislation to harmonize existing statutory provisions with the operation of the amendment and/or to adopt such new statutes as they may consider desirable. In this regard, the Board and APFC staff stand ready to provide any information or other assistance that may be helpful.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees that the legislature of the State of Alaska, in consultation with the governor and the Board, are urged to consider and approve the proposal (dated 4/14/03) for a constitutional amendment that would implement a POMV spending limit mechanism that would provide an annual distribution from the Fund that is predictable and limited.



BE IT FURTHER RESOLVED by the Board of Trustees that the proposal for such an amendment be limited solely to implementation of the foregoing goal.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 14th day of April 2003.

A handwritten signature in black ink, appearing to read "Eric E. Wohlforth".

Eric E. Wohlforth

*Chair, Board of Trustees*

ATTEST:

A handwritten signature in black ink, appearing to read "Robert D. Storer".

*Robert D. Storer, Corporate Secretary*

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA  
PERMANENT FUND CORPORATION RE-AFFIRMING THE BOARD'S  
COMMITMENT TO A CONSTITUTIONAL AMENDMENT ESTABLISHING A  
PERCENT OF MARKET VALUE ("POMV") SPENDING LIMIT  
METHODOLOGY FOR THE ALASKA PERMANENT FUND**

**RESOLUTION 04-09**

In December 2000 and again in April 2003, the Board of Trustees ("Board") expressed by resolution its view, as the body with fiduciary responsibility for the management of the Alaska Permanent Fund ("Fund"), that adoption of a constitutional amendment to limit spending from the Fund by use of a "percent of market value" ("POMV") formula was in the long-term best interest of both the Fund and the people of the State of Alaska. In both resolutions (Resolutions 00-13 and 03-05), the Board encouraged the Legislature to consider and approve a POMV amendment that would permit an annual payout from the Fund of no more than five percent of the average market value of the Fund over a prior five year period.

Such a proposal was introduced during the now-concluded 23<sup>rd</sup> Legislature, but was not approved for presentation to the voters at the upcoming general election. The Board appreciates the support given this POMV proposal by Governor Murkowski and the support by the Legislature.

Despite the failure of the Board's POMV proposal to be placed on the 2004 general election ballot, implementation of a constitutional POMV spending limit for the Fund, with the accompanying benefit of assuring permanent inflation proofing of the Fund, continues to be a high priority policy goal for the Board.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees that the Board reaffirms its commitment to a constitutional amendment that provides for protection of the Fund by application of a POMV payout mechanism.

BE IT FURTHER RESOLVED that the 24<sup>th</sup> Legislature of the State of Alaska, in consultation with the governor and the Board, is again urged to consider and approve a proposal for a POMV spending limit.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation this 21<sup>st</sup> day of September, 2004.

*/s/ Carl Brady, Chair  
Board of Trustees*

ATTEST:

*/s/ Michael J. Burns  
Corporate Secretary*

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES  
OF THE ALASKA PERMANENT FUND CORPORATION  
PERTAINING TO INFLATION-PROOFING THE PRINCIPAL OF THE PERMANENT  
FUND**

**RESOLUTION 17-01**

WHEREAS, Alaska Statute 37.13.020 provides, in part:

- “ . . . The legislature finds with respect to the fund that
- (1) The fund should provide a means of conserving a portion of the state’s revenue from mineral resources to benefit all generations of Alaskans . . .”; and

WHEREAS, Alaska Statute 37.13.145 provides for an annual transfer of, via appropriation from the earnings reserve account, an amount sufficient to offset the effect of inflation on the principal of the fund during the year, but such appropriations have not been enacted during the last two fiscal years; and

WHEREAS, the Trustees believe that the permanent fund principal must be inflation-proofed to maintain its value over time for the benefit of present and future generations of Alaskans;

NOW THEREFORE BE IT RESOLVED that the Trustees direct the Executive Director to identify and pursue legislation or legislative support for some form of inflation-proofing that will preserve the purchasing power of the principal of the permanent fund for all generations as specified in AS 37.13.020.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 28th day of September, 2017.

/s/  
Bill Moran  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

/s/  
Angela M. Rodell, Corporate Secretary

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA PERMANENT  
FUND CORPORATION SUPPORTING ADHERENCE TO A RULES BASED LEGAL  
FRAMEWORK FOR FUND TRANSFERS**

**RESOLUTION 18-01**

Alaska has a long tradition of following a rules-based system for Permanent Fund withdrawals and savings. Since the Fund’s inception, with the exception of certain one time deposits into the corpus, the State has adhered to a combination of constitutional and statutory law to manage cash flows into and out of the Fund, as well as those between the corpus and earnings reserve. The Board of Trustees acknowledges the fiscal challenges facing the State have resulted in multiple stakeholders proposing and analyzing new rules-based frameworks to change how Fund transfers occur, and that this process of examination and evaluation takes time. Nonetheless, the Board of Trustees believes that consistently adhering to a rules-based framework established in law to govern Fund inflows, outflows, and internal transfers is critical to the success of the Fund.

Adherence to a rules-based system for Fund transfers is a basic element of best practices for management of sovereign wealth funds. The International Forum of Sovereign Wealth Funds, of which the Permanent Fund is a member, has adopted a set of Generally Accepted Principles and Practices, including that, “There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the fund’s general approach to funding, withdrawal and spending operations on behalf of the government.”<sup>1</sup> “Such a system helps provide a clear basis for deriving the expected time horizon and efficient investment policy for the savings, and promotes macroeconomic stability and accountability.”<sup>2</sup>

A rules-based system improves the likelihood that the Permanent Fund will be sustainable over time. Having a holistic framework rationalized by policymakers regarding the rules for savings, withdrawals, and growing the real value of the Fund results in a consistent approach to transfers over the long-term. This is a core element to ensuring sustainability. Conversely, the reliance on *ad hoc* draws to support government spending would substantially increase the chance of a non-sustainable withdrawal in any one year and the risk of nonformulaic draws compounding in an unsustainable manner over multiple years.

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<sup>1</sup> International Working Group of Sovereign Wealth Funds, *Sovereign Wealth Funds Generally Accepted Principles and Practices* (“*Santiago Principles*”) at 13 (October 2008) <available at [http://www.ifswf.org/sites/default/files/santiagoprinciples\\_0\\_0.pdf](http://www.ifswf.org/sites/default/files/santiagoprinciples_0_0.pdf)>.

<sup>2</sup> *Id.* at 14.

This holds true as to maintaining the real value of the Fund over time, as well as the durability of the earnings reserve to meet each annual draw.

The Board of Trustees also believes a rules-based system for Fund transfers will provide it with certainty as to the annual liquidity demands on the Fund, thereby allowing the APFC Investment Team to prudently invest all of the Fund's assets while simultaneously having a plan in place to meet distributions for dividends and government spending. Absent the adoption of a replacement rules-based system that results in known annual draws, the Board may be obligated to use a separate, more liquid and risk averse asset allocation for the earnings reserve account to meet the State's unknown annual revenue demands. This allocation would likely generate lower returns for this portion of the Fund.

The Board of Trustees has publicly supported, through legislative proposals and the adoption of board resolutions (*e.g.*, Resolution Nos. 03-05 and 04-09), a percent of market value amendment that would provide for predictable payouts from the Fund. The Board could support other meritorious proposals to redefine how withdrawals from and savings into the Fund occur. However, the hallmark of any plan must be that it is sustainable, occurs through a legally adopted rules-based framework, and not be *ad hoc*.

#### NOW THEREFORE BE IT RESOLVED

- (1) The Board of Trustees believes that adherence to a legally established rules-based framework governing Fund transfers is warranted and necessary, and such transfers should not occur *ad hoc*;
- (2) The Board of Trustees acknowledges and supports that with the fiscal challenges facing the State a new rules-based framework established in law for the Fund is likely necessary;
- (3) The Board of Trustees expresses appreciation to all stakeholders involved in the difficult and time-consuming task of proposing, evaluating, and deliberating a new rules-based framework to govern Fund transfers;
- (4) The Board of Trustees and staff of the Permanent Fund will continue to provide support to stakeholders to develop a new rules-based framework established in law to govern Fund transfers; and
- (5) That the Board of Trustees directs the Executive Director to distribute this Resolution and Resolution 2017-1 (regarding inflation-proofing) to the Members of the 30th

Alaska State Legislature and offer to testify in support of the need to follow a rules-based framework.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 15th day of March, 2018.

/s/  
Bill Moran  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

/s/  
Angela M. Rodell, Corporate Secretary

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA PERMANENT FUND CORPORATION RELATING TO A SUSTAINABLE RULES BASED LEGAL FRAMEWORK FOR FUND TRANSFERS**

**RESOLUTION 18-04**

In 2018 the Alaska Legislature passed and the Governor signed into law SB 26, Chapter 16 SLA 18, an important first step in codifying a set of rules to establish a sustainable annual draw from the earnings of the Permanent Fund. As the people of Alaska begin a new chapter in the role the Permanent Fund will take in our state, the Alaska Permanent Fund Corporation Board of Trustees (Board) offers the following guidance on a rules based framework around fund transfers to help ensure the long-term success and sustainability of using Permanent Fund earnings for the benefit of all generations of Alaskans:

1. **Adherence to a Rules Based System for Fund Transfers:** Resolution 18-01 of the Board states the importance of following a rules-based legal framework for withdrawals and savings into the principal and Earnings Reserve Account of the Permanent Fund. That rules-based framework includes adhering to the formulaic calculations provided for in statute for transfers into and out of the Permanent Fund, such as dividends, royalty deposits, and inflation proofing. As explained in the Resolution 18-01, adherence to the rules increases the likelihood that systematic draws from the Permanent Fund will be sustainable over time and will allow for more prudent investment of the Permanent Fund due to the predictability of liquidity needs.
2. **Ensure Sustainability:** Any rules-based system for drawing from the Permanent Fund (to support government spending and for dividends) should be sustainable, meaning the formulaic system for withdrawals should be projected to result in the Permanent Fund growing annually by at least the rate of inflation. Sustainability also requires annual formulaic withdrawals from the Earnings Reserve Account at an amount that the long-term balance of the account is able to fund. The Board has long supported the percent of market value (POMV) concept, including a constitutional amendment that would ensure no more than a sustainable amount was taken from the annual earnings of the Permanent Fund (Resolutions 00-13, 03-05 and 04-09). SB 26 institutes an annual POMV draw from the Earnings Reserve Account to the general fund that is based on 5.25 percent (going to 5.0 percent in fiscal year 2022) of the average market value of the Permanent Fund for the first five of the preceding six fiscal years. Current market projections applied to the asset allocation of the Permanent Fund suggest annual draws as set forth in SB 26 are sustainable over the long-term. To ensure long-term sustainability, the Board recommends instituting a process that would require periodic review of these assumptions as market conditions change so that a timely reduction to the annual draw could be effectuated if necessary to maintain the long-term sustainability of the Earnings Reserve Account.
3. **Automatic Inflation Proofing:** To ensure that the purchasing power of the principal is maintained as set forth in Alaska Statutes 37.13.020 and 37.13.120(a), an annual transfer of realized income from the Earnings Reserve Account to the non-spendable principal of the fund must occur. The Board has expressed its support for ensuring that this annual inflation proofing transfer take place (Resolution 17-01). Traditionally inflation proofing happened through an annual appropriation by the Legislature consistent with the provisions of Alaska Statute 37.13.145(c), but for fiscal years 2016, 2017 and 2018 the transfers were not made. The Board believes that the inflation-proofing transfer should become a guaranteed annual event rather than a discretionary transfer that is subject to appropriation. To achieve this goal, the Board supports passage of legislation that would define net income to require realized gains that are accumulated throughout the fiscal year be used to offset the impact of inflation on the principal of the fund with the remainder of net realized gains being accounted for in the Earnings Reserve Account.



4. **Promote Real Growth When Possible:** While providing for a sustainable draw by preserving the purchasing power of the fund and ensuring a durable Earnings Reserve Account is a primary goal of the Board, recognizing and executing on opportunities to grow the real value of the fund is also important. Real growth will not only result in more income and thus higher sustainable draws in the future, it is necessary to preserve intergenerational wealth as Alaska continues extraction of its finite natural resources. Thus the Board supports thoughtful strategies to grow the fund on a real, and not just nominal, basis. Examples might include instituting a mechanism to reduce the annual draw on the fund during years when other state general fund revenues are sufficient to fund government services or increasing the amount of royalties that are annually deposited into the principal of the fund during years where oil and gas revenues are high. Setting up the rules for when and how Permanent Fund earnings and oil and gas revenues could be used to promote real growth would need to occur in the near term while oil and gas revenues are still substantial enough to provide meaningful options for real growth of the fund.

NOW THEREFORE BE IT RESOLVED that the Trustees direct the Executive Director to distribute this Resolution to the Members of the 31st Alaska State Legislature and offer to have the Board testify in support of the Legislative initiatives set forth in this Resolution.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 17<sup>th</sup> day of October, 2018.

/s/  
Craig Richards  
Chairman, Board of Trustees

Alaska Permanent Fund Corporation

ATTEST:

/s/  
Angela M. Rodell, Corporate Secretary

*Alaska Permanent Fund Corporation*

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA PERMANENT FUND CORPORATION  
OFFERING ALTERNATE PROPOSALS TO SUPPORT AN ANNUAL PERCENT OF MARKET VALUE  
DRAW FROM THE PERMANENT FUND  
RESOLUTION 20-01**

With the enactment of SB 26, Chapter 16 SLA 18 on July 1, 2018, an essential step was taken to codify a set of rules to establish a sustainable annual draw from the realized earnings of the Alaska Permanent Fund (Fund). The Board of Trustees believes additional measures would enhance the sustainable use of Fund earnings for the benefit of all generations of Alaskans that warrant consideration by the Alaska Legislature and the Administration, including:

**1. Transform, by constitutional or statutory amendment, the Alaska Permanent Fund and Earnings Reserve Account into a single fund and limit the annual draw to the fund's long-term real return:**

- a. Constitutional Amendment:** On three prior occasions the Board has adopted a resolution (Resolutions 00-13, 03-05, and 04-09) to collapse the Earnings Reserve Account into the Principal of the Fund and limit the annual draw from the combined Fund to no more than five percent of the average fiscal year-end market value of the fund over the immediately preceding five years. These resolutions explained that limiting the Fund's annual draw to the average real return of the Fund was both: (1) a common practice among large endowment funds, and (2) an effective way to balance the goal of maximizing the availability of income with the long-term goal of protecting the purchasing power of the Fund. Constitutional amendments to advance this change were considered by the Alaska Legislature during the Twenty-Second and Twenty-Third Alaska Legislatures, and are currently being considered by the Thirty-First session of the Alaska Legislature. To date, none of these resolutions have received sufficient Legislative support to advance to a general election for consideration by Alaska voters. The Board, through this Resolution, expresses its continued support of a constitutional amendment along the parameters outlined in its three prior resolutions on this topic.
- b. Statutory Amendment:** The Board has also discussed and supports the development of a legislative proposal that would amend existing law to transform the current two-fund structure (i.e. Principal and ERA) into a single fund with an annual appropriation to the General Fund based on the average long-term real return of the Fund. Because the constitutionally dedicated royalty deposits and appropriations to the Principal of the Fund are not subject to appropriation (i.e., permanent dedications), an annual appropriation would be prohibited if it would cause the value of the Fund to drop below the historic dollar value of these dedicated deposits. By collapsing the ERA and Principal into a single fund and limiting the annual draw to the Fund's real return, inflation-

proofing the Fund on an annual basis via annual appropriation would no longer be necessary. Importantly, this single fund transformation, based on the words contained in article IX, section 15 of the Alaska Constitution, appears supported by the rules of construction in section 4 of the Uniform Prudent Management of Institutional Funds Act, which Alaska enacted in 2010. The Board, through this Resolution, expresses its support for and directs APFC Staff to draft a legislative proposal and seek input from the Department of Law before submitting this proposal to the Administration and Legislature for their consideration.

2. **Adjustments to the existing rules-based system governing fund transfers into and out of the Principal and ERA, if the ERA and Principal are not combined:** If sufficient support for a constitutional or statutory amendment cannot be garnered to transform the Principal and ERA into a single fund with a limited annual draw, the Board supports the following additions to the existing rules-based system to ensure the ERA balance is sufficient to meet the annual POMV draw enacted by the Legislature in SB 26:
  - a. **Periodic Review of Fund Return Assumption:** Because the POMV draw from the ERA established in SB 26 is based on the assumption that the Fund expects to generate an average real return of 5%, if the Fund's real return falls below 5% for an extended period of time, the ERA will run dry (i.e. ERA Shortfall). The Board recommends having a mechanism built into state law that would require APFC to revisit this return assumption every few years and provide the Legislature with a report as to whether a 5% POMV is projected to be sustainable, both in terms of the expectation of the Fund to generate a 5% real return and the ERA's ability to support the POMV draw based upon its current and projected balance.
  - b. **ERA Balance Buffer:** In modeling and analyzing the long-term durability of the ERA to support the POMV draw, it is clear that during market environments when realized gains from the Principal remain low for a prolonged period of time, without a buffer of funds in the ERA, the risk of ERA Shortfalls become meaningful. To hedge this risk, the Board supports a change to the existing rules-based system to maintain a balance in the ERA of at least four times the expected annual POMV draw ("4X Buffer"). This would include a rules-based approach that suspends inflation proofing when the ERA balance is below the 4X Buffer, and to make up missed inflation proofing payments when the ERA balance exceeds the 4X Buffer. This set of rules is projected to result in similar inflation proofing outcomes as the current annual rule, but significantly decrease the chance the POMV draw cannot be made in any given year.

To be clear, the Board continues to support the consistent inflation-proofing of the Principal of the Fund as set forth in Board Resolutions 17-01 and 18-04. However, if the Legislature can both maintain the long-term durability of the ERA to support the SB 26 annual POMV draw and honor its commitment to inflation-proof the Principal of the Fund over the long-term, the harm

to the Principal of the Fund will be mitigated. The Board is also evaluating and discussing with the Department of Law a legislative proposal to re-define “net income” so that the annual inflation-proofing transfer would happen every year automatically. Should this legislative proposal receive support, it could be designed to trigger the suspension of inflation-proofing when the ERA balance is too low and trigger inflation-proofing catch-up payments when the balance of the ERA recovers; all without the need for annual appropriation to support these events.

Based on analysis completed by APFC Staff and the General Consultant at the request of the Board, the combination of these two protective measures will enhance the ability of the ERA to weather most foreseeable market environments and sustainably generate the 5% POMV draw set forth in SB 26.

**NOW THEREFORE BE IT RESOLVED** that the Trustees direct the Executive Director to distribute this Resolution to the Members of the 31st Alaska State Legislature and offer to have the Board, Staff, and the General Consultant testify in support of the Legislative initiatives set forth in this Resolution.

**PASSED AND APPROVED** by the Board of Trustees of the Alaska Permanent Fund Corporation, this 5th day of March, 2020.

/s/  
Craig Richards  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

/s/  
Angela M. Rodell, Corporate Secretary

SUBJECT: The Fiscal Rules of Sovereign  
Wealth Funds & Building on Reforms:  
Trustees' Paper Vo. 9

ACTION:

DATE: November 9, 2021

INFORMATION: X

---

**BACKGROUND:** With the State relying on the Alaska Permanent Fund's realized earnings for more than 70 percent of its unrestricted general funds, the Board of Trustees focuses on the Fund's ability to provide both enduring, intergenerational equity and reliable income generation. To that end, the Board of Trustees asked Dr. Malan Rietveld, a leading expert in sovereign wealth funds, to analyze peer funds in the U.S. and worldwide to determine why some flourish and some flounder. Based on this work, Trustees Paper Vol. 9 was prepared and published in December 2019.

Dr. Rietveld will be providing an update on the research he did for the Trustees and, in particular, a review of the fiscal rules of sovereign wealth funds.

# **THE FISCAL RULES OF SOVEREIGN WEALTH FUNDS**

GLOBAL TRENDS AND PRACTICES

**Malan Rietveld, PhD**

Presentation to the  
Board of Trustees of the Alaska Permanent Fund

November 9, 2021

# BACKGROUND

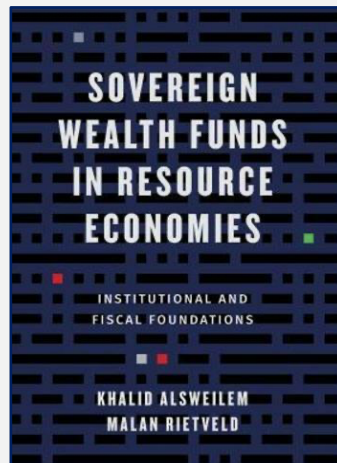
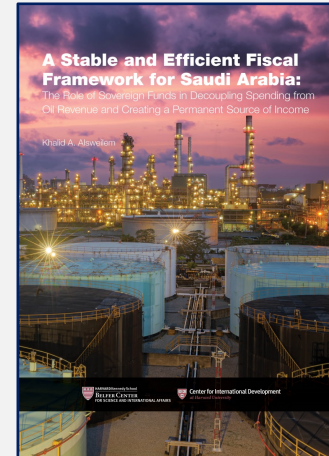
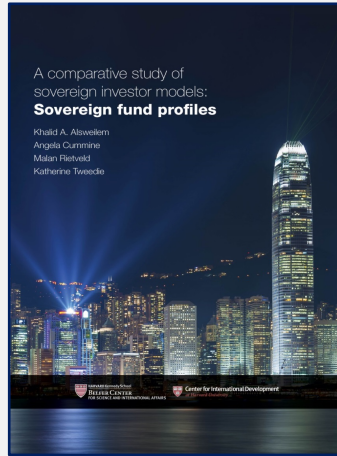
## Public sector, fiscal reform & sovereign wealth funds

- Senior Expert Consultant to Asian Development Bank
- Advisor and testimony on fiscal reforms in Alaska (2016-17)
- Researcher for Board of Trustees of The Alaska Permanent Fund Corporation (2019)
- Mongolian Ministry of Finance on the establishment of a SWF
- Pula Fund fiscal reforms in Botswana
- The establishment of a new SWF framework in Namibia (fiscal and operational)
- Mongolian Ministry of Mining on establishment of a Sovereign Development Fund

## Pension funds

- Australian Superannuation (US\$100bn AUM)
- FirstState Super (US\$70bn AUM)
- Construction and Building Unions Superannuation (US\$25bn AUM)
- OPSEU Pension Trust (US\$15bn)

# BACKGROUND

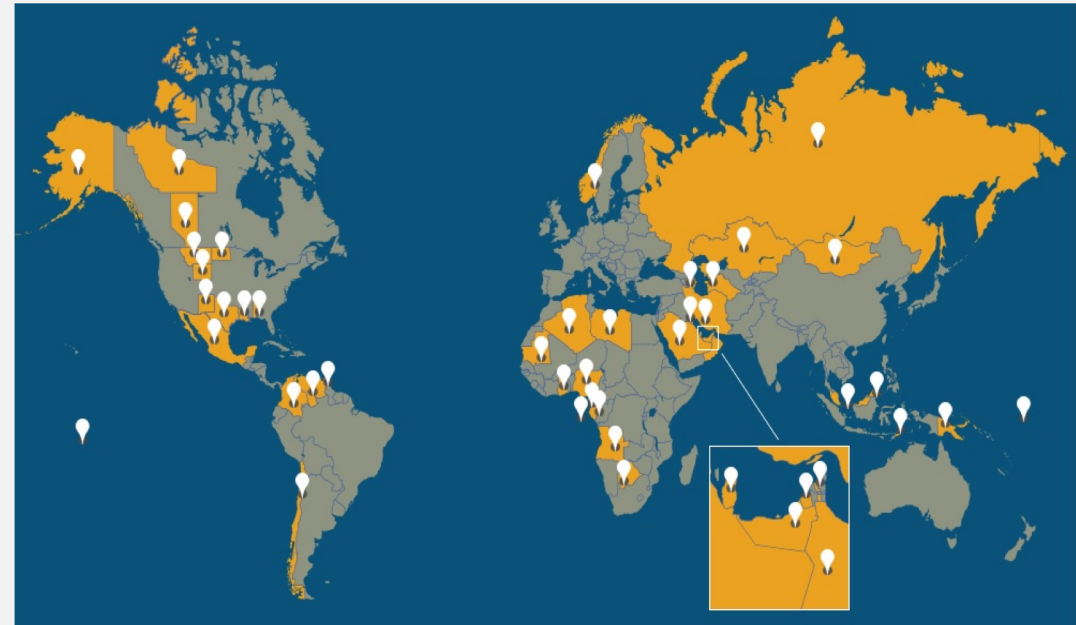




# THE BIG PICTURE

# THE GROWTH OF SWFS

- A number of established, large funds
- Proliferation of new funds since 2000, with new funds in the works in at least 15 countries
- Non-commodity funds growing; as are “sovereign development funds”
- Assets-under-Management of c.\$10 trillion
- Alaska Permanent Fund is a major player and a highly regarded capital allocator



# POLICY LEVERS IN A RULE-BASED SWF FRAMEWORK

**Transfer (saving) rule:** how much to transfer to SWF, and when?

- Transfer to SWF; and *between* stabilization fund (liquid assets) and savings/investment fund (risk assets)

**Spending rule:** how much to transfer from SWF, and when?

- Depends on fund's purpose:
  1. Short-term stabilization ("stabilization-" or "buffer funds")
  2. Long-term/permanent endowment ("investment-income fund")
  3. Locked-up savings for the future ("savings fund")
- Move towards POMV rules (total portfolio value) vs realized income for investment-income funds

**Investment policy:** policy and execution choices

- Active vs passive
- In-house vs outsourced
- Public vs private markets
- Asset allocation: risk-bearing capacity, investment beliefs, cost-aware implementation strategy
- Developmental or purely financial investment objectives

# ADJUSTING TO NEW FISCAL REALITIES

## “Cyclically robust” savings and spending rules

- The post-2014 commodities slump and staggered recovery has underlined the need for
- “Rules of thumb” work okay when running surpluses (accumulating assets)
- But how can SWF help management volatility – in up and down cycles?

## Focus for resource-based SWFs

- After 2014: avoiding the depletion of assets
- Managing (or limiting) domestic-investment mandates
- Now: decoupling saving/spending from commodity cycle (maintaining reform momentum)

## Ebbing tide after 2014 revealed who had been swimming naked

- Group A: never saved enough (Venezuela, Nigeria)
- Group B: depleted savings (Russia, Saudi Arabia, Kuwait)
- Group C: reforming saving and spending rules (Abu Dhabi, Norway => Alaska)

# SPENDING POLICY & STABILIZING INCOME: ILLUSTRATIVE EXAMPLES

## Abu Dhabi Investment Authority

- Multi-year effort to establish a comprehensive, integrated fiscal framework
- Preparing for unexpected disruptions along an anticipated post-oil future
- ADIA is (a dominant) part of large “sovereign balance sheet” of assets and liabilities

## Kuwait Investment Authority

- Very large drawdowns on Kuwait Investment Authority assets – unscheduled
- Breakdown of governance arrangement
- Standoffs between Board, Minister and Legislature

## Botswana

- Rules are too informal
- Insufficient distinction between foreign exchange reserves and fiscal surplus funds
- Buffer has been dramatically reduced – work under way to formalize spending policy

## Norway

- Not highly dependent on oil revenue or investment income
- However, draws on fund have been increasing (2009; 2016; and 2020-21)
- Rules are still too informal – something is going to give (see below)

## PERMANENT FUND PEERS

# US PERMANENT FUNDS

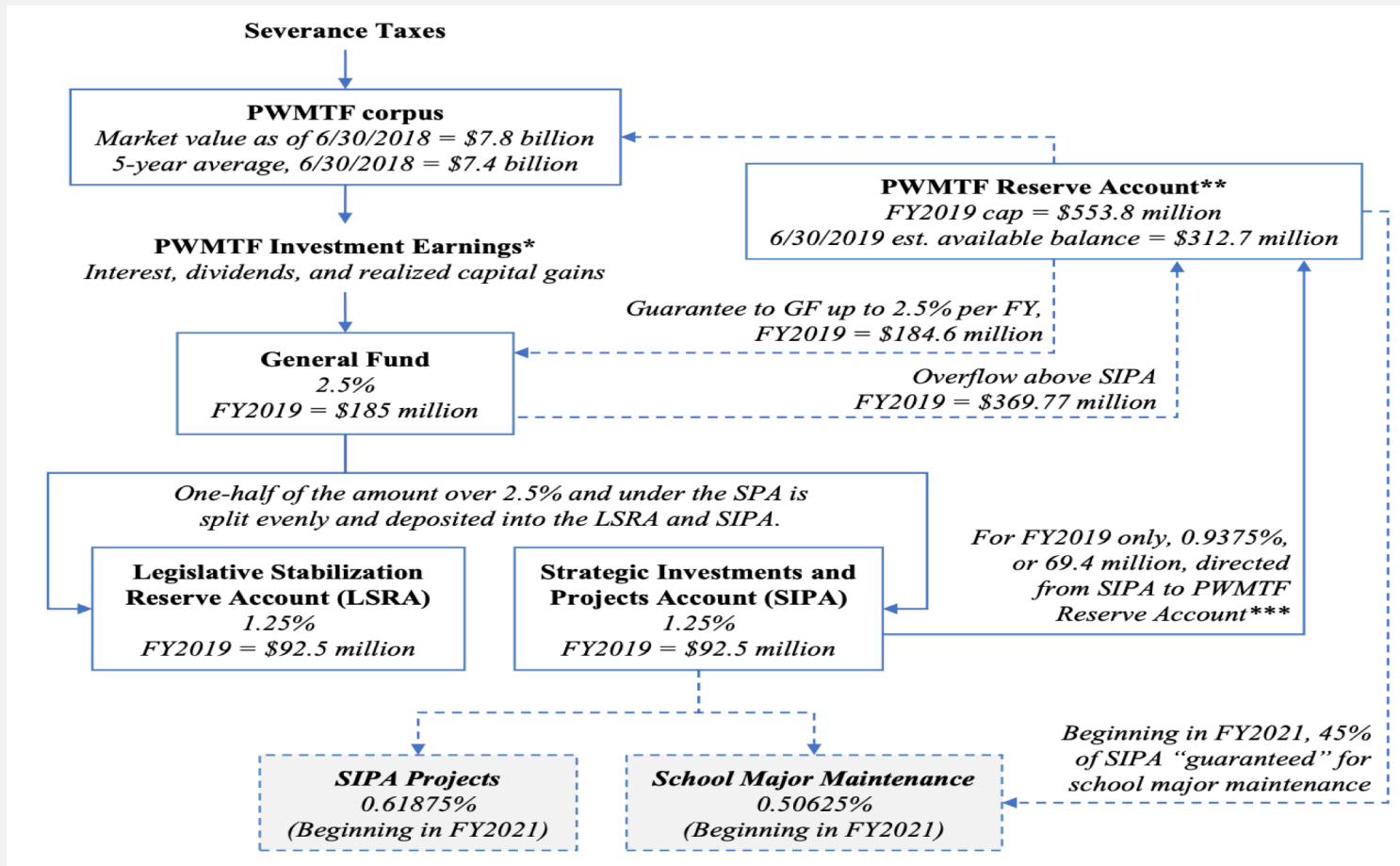
- American permanent funds are the oldest existing SWFs (Texas and New Mexico)
- Most US permanent funds collect Constitutionally-mandated fixed % shares of resource revenues from public lands
  - And then provide a fixed (or range-bound) POMV source of income
  - To General Fund or specific owners/earmarked purposes
- Most US permanent funds operate in a sub-optimal framework
  - The model, particularly at the bigger funds, gets the basics right (no small thing)
  - But there are weaknesses and shortcomings
- Prime example: the Wyoming permanent funds

# WYOMING'S MULTIPLE FUNDS

	<u>Cost Basis</u>	<u>Market Value</u>	<u>Percent of Total MV</u>
<b>Permanent Wyoming Mineral Trust Fund</b>	<b>7,711,188,357</b>	<b>\$9,216,188,951</b>	<b>37.2%</b>
<i>Funded with constitutional and intermittent statutory mineral severance tax revenues, and occasional direct legislative appropriations. Income from the PWMTF goes to the state general fund. Up to 70 percent of the PWMTF may be invested in equities.</i>			
<b>Permanent Land Funds</b>	<b>4,289,127,658</b>	<b>4,817,402,750</b>	<b>19.5%</b>
<i>Funded with royalties, leases, fees and permits, and other revenue generated from state lands. Investment income from these funds go to state public institutions. The Common School Permanent Land Fund is the largest of the land funds: \$4.06 billion book/cost, \$4.55 billion market; its investment income helps to fund Wyoming's K-12 schools. Up to 70 percent of the Permanent Land Funds may be invested in equities.</i>			
<b>Hathaway Scholarship Endowment Fund</b>	<b>565,429,568</b>	<b>670,454,358</b>	<b>2.7%</b>
<i>Funded with federal mineral royalties. Investment income is used to pay higher education tuition for qualifying Wyoming high school graduates at the University of Wyoming and Wyoming's community colleges. Up to 70 percent of the Hathaway Scholarship Fund may be invested in equities.</i>			
<b>Excellence in Higher Education Endowment Fund</b>	<b>124,742,115</b>	<b>139,991,106</b>	<b>0.6%</b>
<i>Funded with federal mineral royalties. Investment income is used to pay for recruitment and retention of faculty, to establish endowed faculty positions and to support the work of endowed faculty at the University of Wyoming and Wyoming's community colleges. Up to 70 percent of the Higher Ed. Endowment Fund may be invested in equities.</i>			
<b>Workers Compensation Fund</b>	<b>2,402,237,523</b>	<b>2,662,425,565</b>	<b>10.8%</b>
<i>Funded with employer premiums. Investment income is used to assist in the payment of Workers Compensation costs including administrative and indemnity costs, and vendor payments. Up to 45 percent of the Workers Compensation Fund may be invested in equities.</i>			
<b>LSRA</b>	<b>1,524,709,977</b>	<b>1,597,799,789</b>	<b>6.5%</b>
<i>LSRA is funded by the legislative stabilization reserve account.</i>			
<b>Pool A</b>	<b>255,878,944</b>	<b>265,165,334</b>	<b>1.1%</b>
<i>Pool A is an aggregation of trusts and funds for Culture, Wildlife Trust, Game and Fish, Wyoming Public Television and the Tobacco Settlement Fund.</i>			
<b>State Agency Pool</b>	<b><u>5,328,033,305</u></b>	<b><u>5,381,435,071</u></b>	<b><u>21.7%</u></b>
<i>Monies from all other state funds pooled for investment. Income is distributed back to a specific state agency or to the state general fund. *Includes COVID-19 relief funds.</i>			
<b>GRAND TOTAL ALL FUNDS</b>	<b>\$22,201,347,447</b>	<b>\$24,750,862,924</b>	<b>100.0%</b>



# WYOMING SPENDING POLICY



# NEW MEXICO

## Land Grant Permanent Fund

- POMV spending rate of 5% of 5-year market value
- Majority of beneficiaries are educational institutions
- Following the adoption of a POMV rule in the late-1990s, the spending rate changed many times.
- Following a narrow public vote in 2003 to amend the Constitution, the established 4.7% POMV draw was amended to 5.8% (2005-12), then to 5.5% (2013-16), and 5% thereafter

## Severance Tax Permanent Fund

- POMV spending rate of 4.7% of its 5-year market value
- The fund has a slightly lower return expectation/POMV than the Land Grant Permanent Fund
- This is due to the inclusion of in-state investments (to a maximum of 8% of the portfolio), which lowers the overall expected return performance.

# NEW MEXICO

## New Mexico Amendment 2, Public Education Funding Act (September 2003)

**New Mexico Amendment 2**, also known as the **Public Education Funding Act**, was on the [September 23, 2003 special](#) election ballot in [New Mexico](#) as a [legislatively referred constitutional amendment](#). It passed in a squeaker, with a margin of just 195 votes.

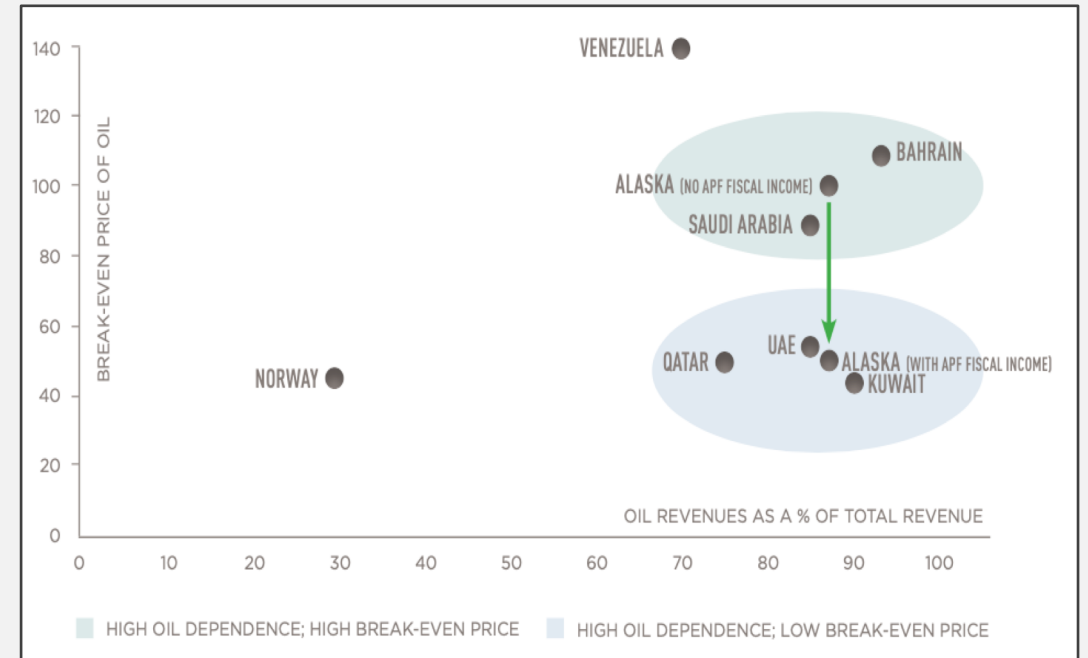
Question 2 allowed for a limited additional distribution from the state's permanent funds to bolster funding for the state's public school districts.

### Election results

Amendment 2		
Result	Votes	Percentage
✔ Yes	92,198	50.05%
No	92,003	49.95%

# ALASKA IN CONTEXT

- SWF functions: savings, income and stabilization
- The savings function is firmly established (constitutional certainty); although large share in ERA is a risk
- The income-producing function of the SWF has come into sharper focus with the POMV
  - However, it currently rests on less solid institutional foundations than savings
  - Can be undermined fairly easily
- The POMV rule also promotes the stabilization function
  - Could be enhanced through a rule to transfer surplus revenues to APF (spending cap; oil price ceiling, etc.).
  - Increases the size of the APF and revenue it generates, over the long run



Source: APFC Trustee Paper 2020-09; data from Fitch, Goldman Sachs and IMF

# ALASKA IN CONTEXT

- Alaska has considerable advantages over peers
  - Constitutional clarity and history of savings
  - Very large asset pool
  - World-class investment capacity and asset allocation
- But also weaknesses and vulnerabilities
  - High oil revenue dependence & uncertain long-term production outlook
  - Spending rule lacks constitutional certainty: ERA balances are really exposed (in downturn and a boom)
  - More can be done to save windfalls and break boom-bust link between oil revenues/prices and spending

FUND SIZE, STRUCTURE, AND PURPOSE	ALASKA	WYOMING	NORWAY	ALBERTA	SAUDI ARABIA
RELATIVE SIZE OF SAVINGS	✓✓✓	✓	✓✓✓	XX	✓
SWF'S CONTRIBUTION TO FISCAL STABILITY	✓	✓	✓✓✓	X	XX
PROVISIONS FOR SUSTAINABLE INCOME GENERATION	✓	✓✓✓	✓✓✓	✓✓	XX
RULES					
SAVING RULE	✓✓	✓✓	✓✓✓	✓	XX
SPENDING RULE	✓	✓✓✓	✓✓✓	✓✓	XXX
FISCAL DEPENDENCE AND RESOURCE PRODUCTION					
SHORT-TERM SCOPE FOR NON-RESOURCE TAXES	XXX	XX	✓✓	X	XXX
LONG-TERM RESOURCE PRODUCTION OUTLOOK	XX	X	X	XXX	✓
FUND MANAGEMENT					
FUND GOVERNANCE STRUCTURE & INDEPENDENCE	✓✓✓	✓	✓✓✓	✓✓	XX
ASSET ALLOCATION (RELATIVE TO PEERS)	✓✓✓	✓	✓	✓✓✓	XX
RE sourcing OF INVESTMENT MANAGEMENT ENTITY	XX	XXX	✓✓✓	✓✓✓	✓✓
LEGEND: ✓✓✓ SIGNIFICANT STRENGTH    ✓✓ STRENGTH    ✓ MODERATE STRENGTH XXX SIGNIFICANT WEAKNESS    XX WEAKNESS    X MODERATE WEAKNESS					

Source: APFC Trustee Paper 2020-09; data from Fitch, Goldman Sachs and IMF

## OTHER GLOBAL EXAMPLES

# SWF head says Norway now ‘an oil fund nation’

Yngve Slyngstad's comments follow 20 per cent return for \$1.1tn oil fund



Yngve Slyngstad has ridden a more than decade-long bull market in equities

Richard Milne in Oslo FEBRUARY 27 2020



# Norway dips in to wealth fund for relief during pandemic

The level of government withdrawals from the fund forced it to start liquidating assets last year, but the fund has seen near-record returns as markets rebound

11 MAY 2021 - 12:45 by OTT UMMELAS



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NEWS

# Norway takes record withdrawal from SWF in revised budget

BY [RACHEL FIXSEN](#) | 11 MAY 2021

NEWS

# Norway ramps up SWF withdrawal to plug 2020 budget hole

BY [RACHEL FIXSEN](#) | 14 MAY 2020



Huge extra costs from the recent pandemic combined with drastic falls in oil revenue have forced Norway's government to take a hitherto unseen amount out of the Government Pension Fund Global (GPF) this year to balance the budget.

According to the draft revised 2020 budget of Prime Minister Erna Solberg's government published on Tuesday, NOK382bn (€34.6bn) will flow out of the now NOK10.1trn sovereign wealth fund this year, instead of the NOK3.9bn inflow it was set to receive when the budget was outlined in October.

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THE WALL STREET JOURNAL

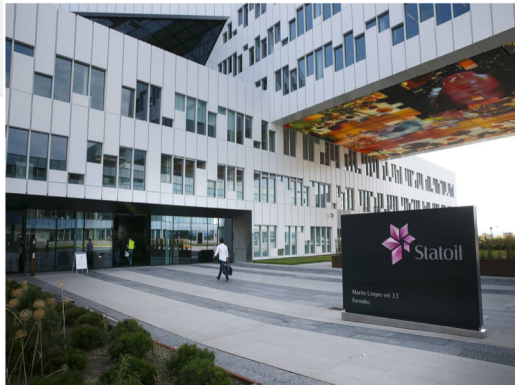
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MARKETS

# Norway Taps Oil Fund for First Time as Falling Oil Price Takes Its Toll

Fund will continue to grow, at least as long as its returns outpace government spending, says official



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UPCOMING EVENTS

Sep 12:30 PM - 2:00 PM EDT

# NORWAY IN DETAIL: AN HISTORIC BREAK IS UNDERWAY

## The context

- Norway collects significant revenues from taxes on personal income, corporates, and consumption
- Oil revenue accounts from roughly one-third of budget revenue
- However: all oil revenue flows directly into the SWF

## The fiscal rule

- Minister of Finance formulates a non-oil budget
- The structural non-oil fiscal deficit can then equal the POMV (3%) draw on the SWF
- In theory means that income from the SWF can fund the non-oil deficit in perpetuity



## NORWAY IN DETAIL: AN HISTORIC BREAK IS UNDERWAY

### In practice

- The POMV/real-return expectation was previously set at 4%, reduced to 3% in 2017
- The draw has typically been less than the POMV amount
- However, in 2009 (4.2%) and 2010 (4%), the draw exceeded the rule
- For, 2020 the 3% draw was increased to 4.2% in the revised budget (in retrospect, that came to 3.6%)
- 2021 budget sees a 2.6% draw (subject to revision)

### This is not really a rule-based system

- The “rule” is not binding; it merely serves as a customary anchor
- System relies on consensus, which is being challenged
- In recent years, net outflows have exceeded inflows (masked by market-value gains)
- Headlines: “Raiding the fund” or “tapping fund for the first time” => misleading

# A COMPARISON WITH ENDOWMENTS

- Many of the trends we see amongst SWFs, are also at play amongst university endowments, foundations and trusts
- Most endowments are have POMV spending policies (large equity and private market allocations)
- Many large endowments have “rules” that are not binding – operate more as principles and retrospective sense checks
- Like Norway, endowment income is not typically dominant
  - Universities also have gifts, grants, Federal and State funding, fund raising, intellectual property, student fees, etc

# A COMPARISON WITH ENDOWMENTS

<i>numbers in percent (%)</i>	<b>Total Institutions</b>	<b>Over \$1 Billion</b>	<b>\$501 Million– \$1 Billion</b>	<b>\$101–\$500 Million</b>	<b>\$51–\$100 Million</b>	<b>\$25–\$50 Million</b>	<b>Under \$25 Million</b>
	<b>809</b>	<b>97</b>	<b>82</b>	<b>275</b>	<b>157</b>	<b>113</b>	<b>85</b>
Spend all current income	3	2	2	2	4	3	6
Percentage of moving average	73	48	63	77	82	80	73
<i>Average percentage</i>	4.7	4.6	4.8	4.7	4.8	4.6	4.6
Decide on appropriate rate each year	9	6	2	9	10	12	11
Grow distribution at predetermined inflation rate	1	0	4	++	0	1	0
Spend pre-specified percentage of beginning market value	2	0	1	1	3	6	1
<i>Average pre-specified percentage spent</i>	4.6	N/A	4.8	4.7	4.6	4.5	5.0
Last year's spending plus inflation with upper and lower bands	5	12	15	3	2	0	4
Weighted average or hybrid method (Yale/Stanford rule)	9	21	13	9	4	5	4
Meet IRS minimum of 5 percent	++	0	0	0	1	0	0
Other	9	19	12	7	9	4	9

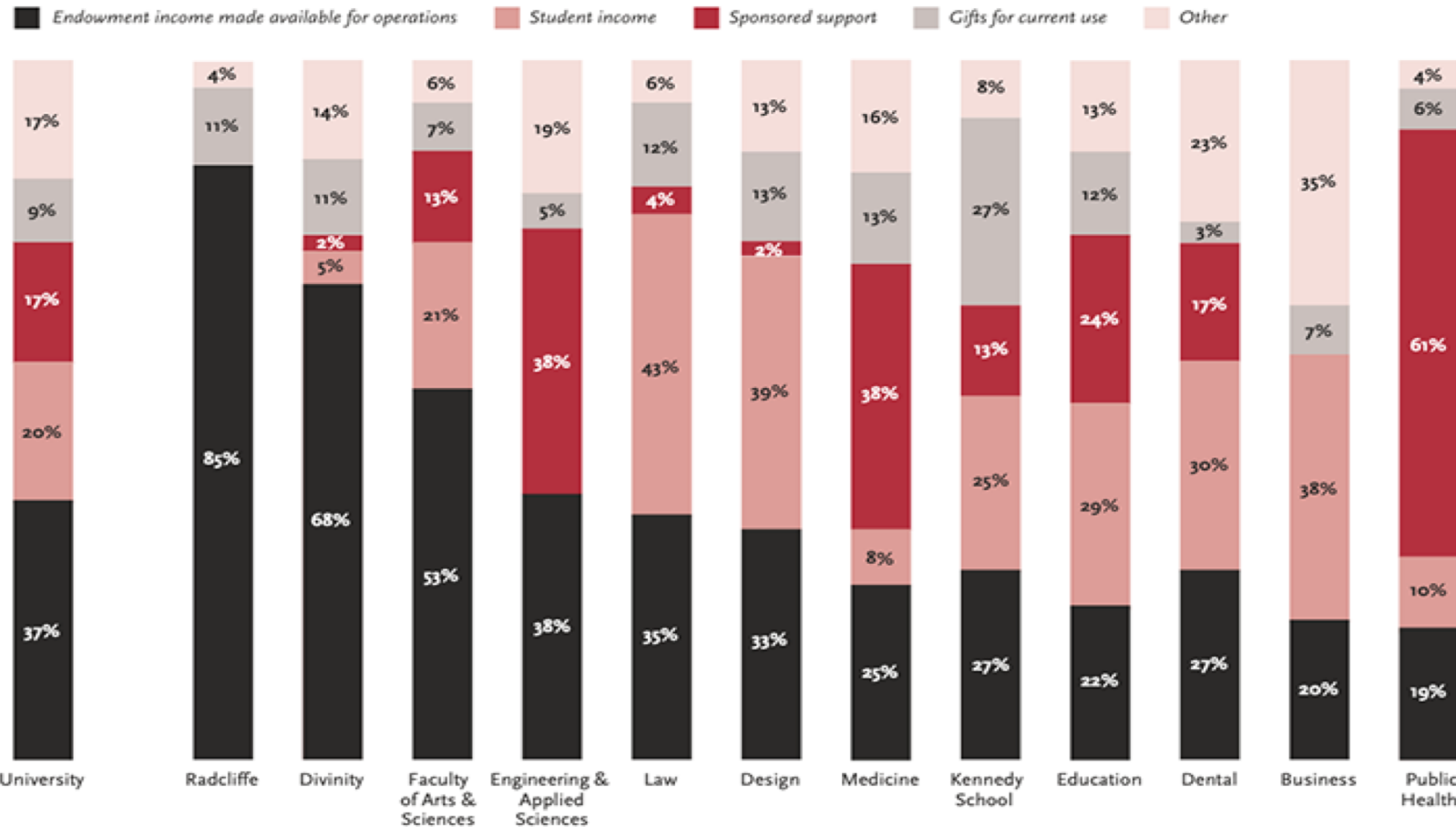
Source: National Association of College and University Business Officers' NACUBO-Commonfund Study of Endowments® (NCSE)

# WHAT HAPPENED AT HARVARD?

- Most famous and largest endowment
- Spending “rule” leaves some wiggle room
  - Balance of “spending stability” (highly influenced by non-endowment revenue) and endowment's capital growth and preservation
  - “Generally targets” 5.0% to 5.5% POMV – but not binding, and not how the Harvard Corp decides
  - Low of 4.2% in 2006 and pre-Covid high of 6.1% in 2010
- In 2020: highly unusual draw on restricted funds inside the Endowment
- In 2021: growth of dollar value of draw on Endowment originally capped at 1%; but later increased to 2.5% (note: dollar-value spend, not POMV)
- POMV calculation is tricky at Harvard, given timing of financial-planning process and no 5-year averaging
- Harvard has a diversified pool of revenue sources (and access to CARES and PPP funds); with none subject to expectations of structural decline

# WHAT HAPPENED AT HARVARD?

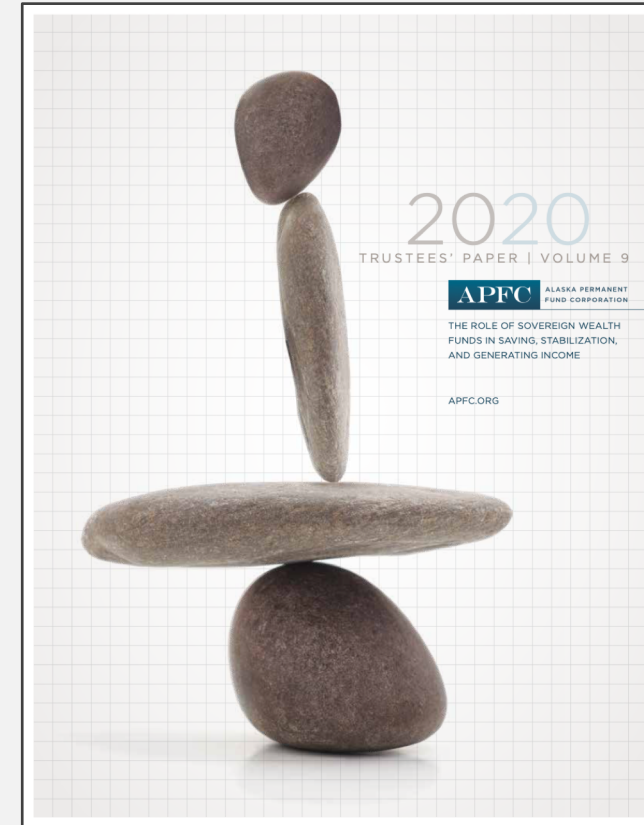
FISCAL YEAR 2020 SOURCES OF OPERATING REVENUE



# BUILDING ON REFORMS

# TRUSTEE PAPER VOL. 9: BUILDING ON REFORMS

- APFC Trustee Paper 2020 Vol. 09
  - *The Role of Sovereign Wealth Funds in Saving, Stabilization and Generating Income*
- Considered what has worked and what has failed in past amongst comparable peers
- SWFs and Permanent Funds in accountable, commodity-based democracies
  - Alberta, Wyoming, New Mexico, Texas, Norway and Chile



## TRUSTEE PAPER VOL. 9: BUILDING ON REFORMS

- Lesson #1: Mission clarity
  - There has been a shift in the APF's mission: income generation and fiscal stability increasingly important
  - This is now well understood, and should be supported by constitutional language
- Lesson #2: Rules matter
  - Very clear that reliance on custom, discretion and negotiation leads to inferior long-term outcomes
  - Rules de-escalate tough decisions and promote consistency
  - Clarity and predictability also helps the APFC invest with a suitable risk and liquidity appetite
- Lesson #3: Enforcing rules
  - Alaska and other US Permanent Funds have saved because it is Constitutionally mandated
  - Note: inflation proofing; supplementary savings and the POMV are not Constitutionally guaranteed (in the past, the “right thing” was eventually done – but no guarantee)
  - Empirically, adherence to rules is lower where it is not Constitutionally mandated (many examples: Alberta, Middle Eastern funds, US permanent funds)



## TRUSTEE PAPER VOL. 9: BUILDING ON REFORMS

- Lesson #4: Getting a POMV rule right
  - Focus on total returns rather than realized earnings: mindset shift; long overdue
  - Moving averaging is essential for smoothing
  - Long-term POMV rate must match long-term portfolio returns, minus inflation and costs
- Lesson #5: Mechanics of the draw and the ERA problem
  - The ERA/Principal split creates unnecessary risks: political and financial
  - Having the POMV and the appropriate risk allocation is more important than the Fund's mechanics
  - Trustee Paper 2020-09 considered reform options
  - But no compelling reasons for ERA, if move away from earnings-based spending rule is permanent

# MAIN MESSAGES

- Alaska enjoys a number of critical structural advantages
- Big reforms have been made: budgetary-income function has been established
- Critical to invest in infrastructure, mechanisms and institutions that ensure this transition – which will be permanent – enjoys Constitutional certainty
- The ERA creates unnecessary political and financial risks under POMV
  - No compelling reasons to have the ERA, if one moves towards a POMV model
- A worthy cause: promoting the transfer of (a share of) unanticipated future revenue windfalls to APF or replenish other fiscal buffers
  - For example, spending caps, oil-price trigger, supplementary windfall savings rule
  - This will enhance the stabilization function
- A bridge period is needed as Alaska transitions to a system with Constitutionally protected savings and spending
  - The bridge should be comprehensive, with all available options on the table
  - One-time higher draws have happened elsewhere – could be made conditional on lasting reforms and rules
  - Key is having a credible commitment mechanism to sustainability and rule-based constraint