

# ALASKA STATE LEGISLATURE

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## Sponsor Statement

### Senate Bill 134: Prudent Management of Institutional Funds

Development of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was driven by the inadequacy of current laws and guidance to allow effective administration of funds during the market downturn of 2001 and 2002. Senate Bill 134 would allow the State of Alaska to adopt UPMIFA standards.

UPMIFA replaces obscure and obsolete rules and concepts with current industry best practices for the investment and management of endowments and charitable funds. It provides clear guidance on prudent practices and applicable standards for nonprofit administrators of endowments and charitable funds. Many of these administrators and trustees are volunteers and public spirited citizens who have much to offer, but little or no training in finance and fiduciary practices.

UPMIFA has already been adopted by 26 states and the District of Columbia during the last two years and is rapidly spreading across the country. It is expected to be adopted by the majority of the remaining states during 2009.

UPMIFA allows administrators to better determine what is expected of them and their institutions, and to determine which actions are prudent and which are not. The bill provides significant latitude for administrators in decision making so that funds can be effectively administered during widely varying conditions, but it identifies the factors to be considered in making prudent decisions regarding charitable funds held for the benefit of others. The bill also clarifies the order of precedence relative to other statutes and the application of the Act as it applies to the Board of Regents.

Senate Bill 134 would bring to Alaska and its nonprofit community updated guidelines, requirements and standards for the administration of charitable funds and endowments that are consistent with national standards and essential in this time of economic crisis.

It is important to note that UPMIFA is default legislation and applies only in the absence of other more specific requirements in law or governing instruments.

I urge your support of this legislation.