From: Daniel George
To: Christa McDonald
Subject: FW: Questions for SSTA for SB 21, SB 26, & SJR 1
Date: Thursday, February 16, 2017 9:15:29 AM

From: Swanson, Paulyn [mailto:pswanson@apfc.org]
Sent: Wednesday, February 15, 2017 12:17 PM
To: Daniel George <Daniel.George@akleg.gov>
Cc: Sen. Mike Dunleavy <Sen.Mike.Dunleavy@akleg.gov>; Christa McDonald <Christa.McDonald@akleg.gov>; Rodell, Angela <arodell@apfc.org>; Mertz, Valerie <vmertz@apfc.org>
Subject: RE: Questions for SSTA for SB 21, SB 26, & SJR 1

Daniel George,

Many of the questions posed require a comparative analysis of the bills you have outlined. APFC is not in the position to be able to offer such analysis as it hasn't been done and requires considerable resources. This may fall more within the purview of the Legislative Finance Division and/or a third party consultant.

Following are answers to your questions that APFC can offer.

Do any of the bills provide for protection of the corpus of the fund, through mandatory inflation-proofing?

- SB 21 repeals AS 37.13.145 (c), which is the statutory inflation proofing provision for the Alaska Permanent Fund.

- SB 26 repeals AS 37.13.145 (c), which is the statutory inflation proofing provision for the Alaska Permanent Fund and replaces the annual CPI statutory inflation proofing with an inflation proofing transfer contingent upon the balance of the ERA having surplus funds that exceeds four years' worth of POMV draws in it.

- SJR 1 notes that the legislature shall provide for a transfer from the earnings reserve to offset the effect of inflation on the principal.

Is this inflation-proofing tied to a statutory, or any other recognized index of the value of inflation?

- No.

Are there any technical problems with how inflation-proofing is proposed, if included?

- Not that we have currently identified.

Follow-up: What would be the impact on the fund, of not providing for inflation-proofing of the corpus of the fund in statute/constitution in any legislation enacted?

· While the decision to appropriate investment earnings back to the corpus to inflation proof the principal of the Fund is a policy call that rests with the Legislature, if maintaining the purchasing power of the Fund for future generations is to be achieved, then inflation proofing the corpus must occur.

What are the long-term impacts on the value of the fund corpus under each bill? Please contrast.

· Comparative analysis – unable to provide.

Which bill draws more from the fund over time?

· Comparative analysis – unable to provide.

Which bill, under the APFC's projections, results in a larger fund value over time?

· Comparative analysis – unable to provide.

Best Regards,
~Paulyn

From: Daniel George [mailto:Daniel.George@akleg.gov]
Sent: Monday, February 13, 2017 2:35 PM
To: Rodell, Angela <arodell@apfc.org>
Cc: Swanson, Paulyn <pswanson@apfc.org>; Sen. Mike Dunleavy <Sen.Mike.Dunleavy@akleg.gov>; Christa McDonald <Christa.McDonald@akleg.gov>
Subject: Questions for SSTA for SB 21, SB 26, & SJR 1

Good afternoon Ms. Rodell,

As you know, SB 21, SB 26, and SJR 1 are currently before the Senate State Affairs Committee. Each of these bills would significantly impact aspects of the Alaska Permanent Fund. Would you, or perhaps APFC CFO Valerie Mertz, please provide the following information regarding these bills in their present form?

Do any of the bills provide for protection of the corpus of the fund, through mandatory inflation-proofing? Is this inflation-proofing tied to a statutory, or any other recognized index of the value of inflation? Are there any technical problems with how inflation-proofing is

proposed, if included?

Follow-up: What would be the impact on the fund, of not providing for inflation-proofing of the corpus of the fund in statute/constitution in any legislation enacted?

What are the long-term impacts on the value of the fund corpus under each bill? Please contrast.

Which bill draws more from the fund over time?

Which bill, under the APFC's projections, results in a larger fund value over time?

If these questions have failed to address any potential significant concerns which the APFC might have with these bills, please include any discussion of these concerns.

Thank you in advance for your assistance. Best regards,

Daniel George
Staff to Sen. Mike Dunleavy
907-465-5078
Daniel.George@akleg.gov