From:	Rodell, Angela
To:	Sen. Mike Dunleavy
Cc:	Swanson, Paulyn; Christa McDonald; Daniel George
Subject:	RE: Senate State Affairs Follow-Up Questions from 2/2/2017 - Inflation Proofing of the PF Corpus
Date:	Friday, February 03, 2017 8:47:39 AM

Good morning Senator.

In response to your questions below:

1. You are correct that when a Permanent Fund asset gains are realized the entirety of the gain is deposited into the ERA.

2. No, SB 21 repeals the inflation proofing statute.

3. Incorrect. Inflation proofing was zeroed out for FY16 and FY17.

4. If the legislature never appropriates additional money to the corpus, we do not believe the fund will inflation-proof itself. Given the ERA is legally available to be appropriated in its entirety and the fact that all gains move to the ERA, we believe appropriations to the corpus are necessary if the Legislature wants to retain the investment power of the Fund for future generations.

Regards,

Angela

From: Sen. Mike Dunleavy [mailto:Sen.Mike.Dunleavy@akleg.gov]
Sent: Thursday, February 02, 2017 6:01 PM
To: Rodell, Angela <arodell@apfc.org>
Cc: Swanson, Paulyn <pswanson@apfc.org>; Christa McDonald <Christa.McDonald@akleg.gov>; Daniel George <Daniel.George@akleg.gov>
Subject: Senate State Affairs Follow-Up Questions from 2/2/2017 - Inflation Proofing of the PF Corpus

Good afternoon,

During the presentation today in Senate State Affairs which you attended on behalf of the

APFC, Senator Steadman characterized the Permanent Fund as inflation-proofing itself due to its assets which grow in value beyond the rate of inflation. Please provide answers to the following four questions regarding this topic.

1) It is my understanding that when Permanent Fund asset gains are realized, that the entirety of this growth/gain is realized in the earnings reserve account (ERA), and NOT in the corpus. Please affirm this understanding, or correct if it is mistaken in any way.

2) Specifically, to Senator Steadman's bill, does this bill (SB 21) inflation-proof the fund?

3) Please correct if the following is not 100% accurate: Under the inflation-proofing mechanism in law at AS 37.13.145, the legislature and has appropriated and the governor has assented to provide the statutorily calculated inflation-adjustment amount every year since the fund began, except for last year, FY17.

4) If the legislature ***does not appropriate any money, ever again*** (aside from the constitutionally dedicated/directed amounts) to the principal of the fund to offset inflation as proscribed under AS 37.13.145, does the APFC believe that the fund will inflation-proof itself?

There have been a great variety of statements to this effect from members of the media, the public, as well as some legislators. It is imperative that the record on this point be crystal clear, and there is no source better suited to speak to this subject and remove any confusion than the APFC.

Sincerely,

Mike Dunleavy