



**Alaska Permanent Fund Corporation**

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**MEMORANDUM**

**TO:** Legislative Budget and Audit Committee

**THROUGH:** Michael Burns  
Chief Executive Officer

**FROM:** Julie Hamilton  
Chief Financial Officer  
Alaska Permanent Fund

**DATE:** September 16, 2009

**SUBJECT:** Performance Calculations – Mineral Revenue Receipts

At the meeting of the Legislative Budget and Audit Committee on August 14, a question was raised by Representative Doogan regarding whether the mineral deposits received by the Permanent Fund are included in the Fund's investment performance measurements.

Per the Global Investment Performance Standards (GIPS), external cash flows to a fund should not be counted toward performance measurement. The Alaska Permanent Fund Corporation (APFC) carefully tracks daily cash flows, which includes mineral rents and royalties as well as numerous other external cash flow sources, in order to exclude those amounts from performance calculations.

When calculating performance, the APFC, the custodian bank, and the APFC's investment consultant all exclude the mineral deposits by subtracting those amounts from the market value of the Fund. Therefore, Fund performance is not falsely increased for mineral revenues in the daily, monthly, quarterly or annual performance reports. Similarly, the dividend distribution does not negatively affect performance.

Although the State of Alaska Comprehensive Annual Financial Report shows mineral rents and royalties deposited to the Alaska Permanent Fund (Fund) in the revenues section of the income statement, the Fund's audited statements do not show mineral deposits as income, but show those amounts as a transfer in (cash flows) to principal.