

Good afternoon Chairman Kreiss-Tompkins and members of the House State Affairs Committee. My name is Mike Tobin. I live in Juneau. I am a retired emergency doctor. As an emergency doctor one is constantly in the position of making complex decisions with limited information. Knowledge is golden. It is in that spirit that I testify in favor of HB 251.

I will focus my remarks on adding a trustee to the board of the Alaska Permanent Fund Corporation who has “wide experience in socially responsible investing “. A trustee has a fiduciary duty, defined under the Alaska statutes, to invest so as to obtain the largest return possible while maintaining the safety of the principal.

Socially responsible investing is sometimes called sustainable investing and sometimes also called Environmental, Social, and Governance (ESG) investing. The Permanent Fund is a sovereign wealth fund, an investment fund owned by a political entity and as such has been a leader in its field.

The Permanent Fund is one of the forty members of the International Forum of Sovereign Wealth Funds (IFSWF). Some other members include Australia, China, Turkey, Russia, the United Arab Emirates, Ireland, Palestine, and Nigeria, France, and Italy. At the organization’s virtual London meeting in November, 2021, Angela Rodell of the Alaska Permanent Fund, was elected chairperson of the organization. She said “As we turn the page from the global pandemic and look forward, the membership of IFSWF is uniquely positioned to provide leadership on the global issues of the day, whether they are climate change impacts, inequality divides, or governance challenges.” A press release from that meeting noted that “Front and center of all the discussions was the integration of climate change and wider environmental, social, and governance issues into their investment strategies.”

Not only sovereign wealth funds like the Permanent Fund but also banks and asset managers like Vanguard and BlackRock are developing policies and metrics regarding socially responsible investing. The largest asset manager in the world is BlackRock, with \$9.5 Trillion under management. That is the equivalent of 115 Permanent Funds. CEO Larry Fink in his yearly letter to CEOs of companies in which BlackRock invests, had this to say about sustainable investing, “We focus on sustainability not because we are environmentalists but because we are capitalists and fiduciaries to our clients. Every company and every industry will be transformed by the transition to a net zero world. The question is will you lead or will you be led?”

In the same vein, two years ago Mark Carney, Governor of the Bank of England, noted that “changes in climate policies, new technologies, and growing physical risks will prompt reassessments of the values of virtually every financial asset.”

So what is fiduciary responsibility in this world with a growing impetus toward decarbonization, with a changing regulatory environment and increasing legal challenges?

Leaders of the financial industry have concluded that the old concept that quantitative assessments of past performance, with various extrapolations into the future, is not sufficient to

evaluate potential risks and benefits of particular companies, industries, or portfolios going forward. Investors are increasingly articulating an investment time horizon and defining which risks warrant consideration beyond standard measures such as market volatility. The time horizon for young Alaskans is decades. The fiduciary duty of trustees of the Fund to these younger beneficiaries should include risk assessment of social and environmental processes that will be evident in 2050 and beyond.

That is why HB 251 is timely and appropriate to the financial world in which the Permanent Fund must operate. Adding one member to the Permanent Fund Board of Trustees who is experienced in the increasingly complex world of socially responsible investing with its evolving concepts and metrics will add to the fiduciary capability of our fund's managers. Thank you.

Submitted by Mike Tobin,
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