

SENATE FINANCE COMMITTEE
January 26, 2022
9:02 a.m.

[9:02:51 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Natasha von Imhof
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Valerie Mertz, Acting Executive Director and Chief Financial Officer, Alaska Permanent Fund Corporation.

PRESENT VIA TELECONFERENCE

Marcus Frampton, Chief Investment Officer, Alaska Permanent Fund Corporation.

SUMMARY

PRESENTATION: ALASKA PERMANENT FUND CORPORATION

[9:03:21 AM](#)

Co-Chair Stedman reminded that the Permanent Fund was one of the state's number one assets.

^PRESENTATION: ALASKA PERMANENT FUND CORPORATION

[9:04:19 AM](#)

VALERIE MERTZ, ACTING EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER, ALASKA PERMANENT FUND CORPORATION, introduced herself and discussed her background. She shared she was certified in the mid-1990s as a Certified Public Accountant.

Ms. Mertz assured the committee that there was good work going on at APFC.

[9:06:13 AM](#)

Ms. Mertz discussed a presentation, "APFC - Alaska Permanent Fund Corporation, Senate Finance Committee, January 26, 2022" (copy on file). She looked at slide 2, "APFC Alaska Permanent Fund Corporation, Established 1980":

Fiduciary Duty

APFC operates as a separate state entity under the oversight of an independent Board of Trustees who serve as fiduciaries of the Alaska Permanent Fund

Mission

To manage and invest the assets of the permanent fund and other funds designated by law in accordance with AS 37.13.010-37.13.190.

Vision

To deliver outstanding returns for the benefit of all current and future generations of Alaskans.

Alaska Permanent Fund
Principal
Constitution and AS 37.13.010
Earnings Reserve Account
AS 37.13.145 (a)

Amerada Hess Settlement
AS 37.13.145 (d)
AK Capital Income Fund AS 37.05.565

Alaska Mental Health Trust Fund
AS 37.13.300
Alaska Mental Health Trust Authority

[9:07:07 AM](#)

Ms. Mertz spoke to slide 3, " Fund Value: \$80,984,300,000 - Unaudited as of November 30, 2021," which showed two bars depicting the funds in the principal and the Earnings Reserve Account (ERA). She noted that APFC put the presentation together at the same time as December 2021 numbers were being finalized. She pointed out that at the end of November the fund principal held \$51.1 billion in royalty deposits and other appropriations and \$14.2 billion in unrealized gains. The Earnings Reserve Account (ERA) held \$8.9 billion in uncommitted realized earnings, \$3.4 billion in POMV commitment for FY23, and \$3.4 billion in unrealized gains. Unrealized gains and losses on invested assets were held until an investment was sold, then the net realized earnings flowed to the ERA.

[9:08:32 AM](#)

Ms. Mertz referenced slide 4, "Sources of Change in Value - FY 21 End to FY 22 as of November 30, 2021," which showed a table depicting how the fund had changed in value since the end of the fiscal year. She said that at the end of FY21 the fund had a value of \$81.9 billion and just under \$2 billion in net investment revenue had been added since.

Co-Chair Stedman suggested that the pace of the presentation increase.

[9:09:20 AM](#)

Ms. Mertz turned to slide 5, "APFC Return on Investment," which showed a table with graphics showing a comparison of metrics from FY 20 to FY 21.

[9:09:51 AM](#)

Ms. Mertz considered slide 6, " A Renewable Resource", which showed a graphical representation of the fund structure that made up the Permanent Fund:

Historically, the Permanent Fund was used as a savings device to generate revenues and pay dividends.

Today, the Fund is used as a savings device to generate revenues for the General Fund through the POMV Draw to support statewide services and programs, including the dividend.

[9:10:21 AM](#)

Ms. Mertz displayed slide 7, " Principal."

Ms. Mertz highlighted slide 8, "Principal":

Grows through-

Royalty Deposits - AS 37.13.010 (a) (1) and (a) (2) The constitutionally minimum required 25% of royalty proceeds and the statutorily mandated deposits of 50% for leases after 1979.

Inflation Proofing - AS 37.13.145 (c) The inflation proofing calculation is based on deposits into the Principal and the inflation rate calculated per statute. An appropriation is needed to fulfill this statutory obligation.

Special Appropriations - AS 37.13.010 (a) (3) Legislative Deposits from both the General Fund and the ERA.

Constitutionally Established

- Permanent Savings
- Used only for income-producing investments
- Not available for appropriation

Ms. Mertz pointed out the table on the right-hand side that showed the history of inflation transfer and royalty deposits by fiscal year 2009 through 2022.

[9:11:02 AM](#)

Senator Wilson asked why Ms. Mertz expected a large increase in royalties in FY22

Ms. Mertz stated that the number on the table was provided by DOR as part of the revenue forecast.

Co-Chair Stedman interjected that the number was contingent on the price of oil.

[9:11:38 AM](#)

Senator Wielechowski clarified that the money that the state transferred in the previous years was designated as

inflation proofing and wondered why it was not reflected on the slide.

Ms. Mertz relayed that for reporting purposes the transfers were classified as special appropriations.

Senator Wielechowski emphasized that the legislature had specifically designated \$9 billion over the last two years for inflation proofing.

Co-Chair Stedman thought there was some confusion. He noted two appropriations, one for \$4.9 billion that was specified toward inflation proofing, and another for \$4 billion that had not had the specific language attached. He said the fund should be inflation proofed first and then contributions should be made to the principal to protect and grow the fund. He stressed clarity in appropriation language.

[9:13:55 AM](#)

Ms. Mertz looked at slide 9, " Principal Contributions," which showed a bar graph that illustrated contributions to the principal of the fund since inception. She said that the gold bars represented mineral royalties, the bring blue bars were inflation proofing, and the royal blue bars were transfers from the ERA to the principal. She said that since inception \$18.4 billion of royalty deposits, \$18.0 billion in inflation proofing, and \$15.0 billion in special appropriations had been deposited into the fund.

Co-Chair Stedman noted that FY10 showed negative inflation. He queried the numeric relative to the \$8 billion added in 2022 for FY16, FY17, FY18 and FY21.

Ms. Mertz relayed that the total of the five years that there had not been an appropriation specifically for inflation proofing, estimating for FY22, was \$4.4 billion.

Co-Chair Stedman thought it would be nice if there was a footnote to indicate the legislative intent of the nearly \$9 billion appropriated for inflation proofing.

[9:16:29 AM](#)

Ms. Mertz showed slide 10, " Earnings Reserve Account."

Ms. Mertz advanced to slide 11, " Earnings Reserve Account":

- Established in AS 37.13.145 (a) as a separate account to hold the realized earnings from the Fund's investment portfolio
- Invested under the same asset allocation as the Principal
- Is available for appropriation
- Grows through the receipt of statutory net income

[9:16:47 AM](#)

Ms. Mertz looked at slide 12, "Statutory Net Income":

AS 37.13.140 (a) directs the net investment earnings of the Fund to the ERA excluding unrealized gains & losses.

Statutory Net Income is the direct result of investment activity:

Monthly cash inflows from stock dividends, bond interest, and real estate

Realized Capital Gains/Losses: The net income generated by the sale of investments. (i.e., realized gains minus realized losses)

FY21 as of June 30, 2021

SNI = \$7,962,400,000

FY 22 as of November 30, 2021

SNI = \$2,993,600,000

Ms. Mertz noted that the bars on the chart represented the statutory net income, and the gold line was the total return for the fund. She noted there was not necessarily a correlation between the total return to the fund and the statutory net income flowing into the ERA. She reiterated that FY21 was an extraordinary earning year.

Co-Chair Stedman asked whether the FY21 numbers could be attributed to real estate liquidation or portfolio rebalancing.

Ms. Mertz stated that the FY21 SNI was largely related to gains realized in the public equity portfolio.

Co-Chair Stedman asked about real estate.

Ms. Mertz noted that gains in FY 18 was related to real estate and realization in the private equity portfolio.

Co-Chair Stedman recognized that Senator von Imhof had joined the meeting.

[9:19:06 AM](#)

Ms. Mertz showed slide 13, "Use of Fund Earnings - as of November 30, 2021":

Paid out of ERA = \$36.9 B
□ Dividend Appropriations \$24.4 B l 30.7 percent
□ POMV Distributions to General Fund \$12.6 B l 15.8 percent
□ Alaska Capital Income - Amerada Hess \$0.4 B l 1.0 percent

Savings from ERA to Principal = \$30.3 B
□ Inflation Proofing \$18.0 l 22.6 percent
□ Special Appropriations \$12.3 l 15.5 percent

Current Realized Earnings Balance = \$12.3 B
□ FY23 POMV commitment \$3.4 B l 4.2 percent
□ Uncommitted Earnings \$8.9 B l 11.2 percent

Total Realized Earning = \$79,561,200,000
Paid out of ERA \$36.9 billion
Savings to Principal \$30.3 billion
Current Balance \$12.3 billion

[9:19:42 AM](#)

Senator von Imhof recalled that the statute was set up so that in any given year money could be paid to the dividend and to the ERA, to be spent by the legislature. She noted that the legislature had chosen not to spend out of the ERA until the POMV legislation in 2019.

Ms. Mertz asked Senator von Imhof to restate the question.

Senator von Imhof noted that SNI had been available for expending by the legislature since the inception of the fund. She asked whether the legislature had ever chosen to spend out of the ERA, before POMV in 2019.

Ms. Mertz replied in the negative.

Senator von Imhof asked whether there would be nearly \$80 billion in total realized earnings if the legislature had chosen to spend from the ERA prior to POMV in 2019.

Ms. Mertz acknowledged that the fund would have been smaller and would have generated less realized earnings.

Senator von Imhof asked whether Ms. Mertz had ever done a thought experiment on what the fund would look like if the legislature had chosen to spend from the ERA pre-2019.

Ms. Mertz stated that APFC had not done the analysis and was reluctant to do a backward-looking analysis.

Senator von Imhof noted that Callan had mentioned compound interest. She wanted to make the point that there was a tremendous amount of realized earnings in large part due to the legislature not exercising its right to take any funds from the account. She thought Callan had conveyed that keeping as much money in the fund as possible, for as long as possible, would grow the fund in the largest way.

[9:23:05 AM](#)

Co-Chair Stedman remarked that historically the state never took their portion of the fund earnings, but rather reinvested it into the fund.

[9:24:53 AM](#)

Co-Chair Bishop referenced an earlier slide that alluded to the fund as a renewable resource. He asserted that it was the legislature's goal to ensure that the fund remained a renewable resource.

[9:25:54 AM](#)

MARCUS FRAMPTON, CHIEF INVESTMENT OFFICER, ALASKA PERMANENT FUND CORPORATION (via teleconference), introduced himself and

Mr. Frampton displayed slide 14, "Investment Management."

Mr. Frampton turned to slide 15, "Investment Oversight":

Board of Trustees

As Fiduciaries of the Fund, Full Authority to Make Investment and Management Decisions.

- Provide Authority to Invest Within Set Bands
- Approve Target Asset Allocation
- Adopt Investment Policy

Executive Director

Assures Strategies Adopted by the Board are Successfully Implemented.

Chief Investment Officer

Makes Strategic and Tactical Allocations to Allow the Fund to Grow in Value.

Portfolio Managers

Responsible for the Investment and Performance of Each Asset Class

[9:28:35 AM](#)

Mr. Frampton considered slide 16, "Investment Department":

Current Topics

- Performance
- Current Portfolio Positioning
- Personnel, open positions, and recruiting
- Assessment of Internal vs External Management
- Asset Allocation
- Market Environment

Mr. Frampton noted that the most recent performance numbers were for December 2021. He shared that January had seen a decline in the market that would be addressed in a future slide. He stated that there were currently 3 open positions. He relayed that the labor market was tight but was no need for concern.

[9:32:25 AM](#)

Senator Wielechowski asked whether there were full-time APFC employees that lived outside the state.

Mr. Frampton replied that 3 investment department employees worked remotely from different areas of the country. He

said that there could be 1 or 2 others in other departments.

Senator Wielechowski asked whether employing out of state was a new policy. He asked whether the state paid for the employees to travel to Alaska.

Mr. Frampton affirmed that the policy was new. The employees were required to return every quarter, which was paid for by APCF.

[9:34:04 AM](#)

Co-Chair Stedman asked Ms. Mertz to get back to the committee with detailed information on the out of state employees.

[9:34:36 AM](#)

Co-Chair Bishop asked whether APFC was competitive with wages amongst its peers.

Mr. Frampton explained that there was a wide range of compensation for similar corporations. He discussed pension plans for other organizations. He believed that compensation was below average of competitors.

[9:36:17 AM](#)

Senator von Imhof built on Senator Wielechowski's question about remote working and paying for employees to travel for work. She discussed the various circumstances where investment managers would travel. She thought that having an investment manager in New York was beneficial to the corporation.

Co-Chair Stedman reiterated his desire for further detail on the work and cost of out of state employees.

[9:37:56 AM](#)

Senator Wilson asked whether the increase in funding for staff and benefits in the FY23 budget would help to increase staff retention.

Mr. Frampton thought such increases were usually helpful and appreciated.

[9:38:52 AM](#)

Mr. Frampton skipped over slide 17, "A Portfolio of 8 Asset Classes."

Mr. Frampton highlighted slide 18, "Asset Allocation," which showed a series of pie charts depicting asset allocation in different years, including the target allocation for 2022. He noted that the slide was a graphical depiction of the asset classes that were listed on slide 17.

Mr. Frampton continued to address the asset allocations listed on slide 18. He noted that the investment climate had changed significantly since 1980. He noted that private equity was the one asset class that was a key return driver. The asset allocations included bonus, sticks, real estate, private equity, absolute return, private income, risk parity, and cash.

[9:41:30 AM](#)

Senator Hoffman asked whether Mr. Frampton had a similar chart where showing asset allocations were invested globally. He asked when the authority had been granted by the legislature.

Co-Chair Stedman asked Mr. Frampton to include information in his answer to address large international companies and U.S. companies with international exposure.

Mr. Frampton recalled that during his tenure, APFC's equity benchmark had been the All-Country World Index, which included half U.S. stocks, 40 percent internationally developed, and 10 percent emerging markets. He recalled that APFC had added international stocks at least 20 years previously, and perhaps longer. He believed that the stocks list was expanded to include alternative stocks. He thought the list of available investments had been expanded in the early 2000s.

[9:44:19 AM](#)

Co-Chair Stedman asked how Mr. Frampton accounted for U.S. stocks that were diversified across the world.

Mr. Frampton agreed that globalization of U.S. companies had been an expanding trend. He summarized that the big U.S. stocks were global companies.

[9:45:11 AM](#)

Co-Chair Bishop asked whether any of APFC's asset allocations include exchange-traded gold funds.

Mr. Frampton answered in the affirmative.

[9:46:31 AM](#)

Mr. Frampton looked at slide 19, "Total Fund Positioning and Performance," which showed three bar graphs depicting recent fund performance. He made note of the success of private equity in 2021. He discussed the numbers as defensive positioning and the desire to offset the overweight private equity with an underweight public equity. He spoke of the day-to-day fluctuation of the market. He said public equities were performing well at the moment.

Co-Chair Stedman commented that the committee paid more attention to the longer term than what was happening any given day of the week. He did not want to get bogged down in the day to day of the federal reserve.

[9:49:59 AM](#)

Mr. Frampton advanced to slide 22, "Current Market Environment," which showed a bar graph and a line graph. The bar graph on the left showed the U.S. 60/40 portfolio 10-year annualized returns over cash. The line graph on the right illustrated the U.S.A subsequent 10-year equity return, and the U.S.A. expected equity return. According to Bridgewater Associates, using a valuation-based expected return approach, the 10-year outlook for nominal returns on U.S. equities was 5 percent.

Co-Chair Stedman thought it was clear that the returns would be in the 5 to 6 percent range moving forward.

[9:52:01 AM](#)

Senator von Imhof asked about volatility and whether there was any prediction of any big highs or big lows or was the outlook steady - give or take a percentage point.

Mr. Frampton expected volatility. He said that markets did not typically move in a straight line.

Senator von Imhof thought that the expected volatility indicated that the ERA would fluctuate. She commented that the five-year lookback of the value of the fund provided more stability for the POMV.

Co-Chair Stedman considered that the idea should be discussed further.

[9:54:19 AM](#)

Mr. Frampton spoke to slide 23, "Current Market Environment," which showed Callen's projections of the equity markets going forward.

[9:54:56 AM](#)

Mr. Frampton referenced slide 24, "Risk Management":

APFC is in the business of taking risks. APFC has to take risks in order to achieve its return objectives.

The goal of risk management is not to avoid risks, it is to:

- know and understand the risks taken,
- measure, monitor and report these risks, and
- Manage risks to acceptable levels, and review whether returns are commensurate

Risk appetite is a broad based articulation of the Corporation's thresholds, in terms of risks it is willing to take, in pursuit of its objectives. Risk Appetite is defined in terms of a reference portfolio - 'Risk Tolerance Portfolio' (RTP).

The key measures of risk include: Value at Risk (VaR), Tracking Error (TE), Liquidity, Concentrations, Tail Risk & Stress Analysis

Mr. Frampton thought the committee was probably aware of the inverse relationship between risk and time horizon. He stressed that risk was important to earn returns.

[9:56:42 AM](#)

Senator Wielechowski asked whether Mr. Frampton could discuss the chain of command at APFC. He understood that Callan made recommendations, after which the board set the general asset allocation, and then the investment officers handled the day-to-day investments, which could be overturned by the chief executive officer.

Mr. Frampton stated Senator Wielechowski was "broadly correct." He said that he reported to the executive director and that Senator Wielechowski's characterization of the asset allocation and how policies were set was correct. He thought before his tenure there had been a lack of clarity between the chief executive officer and the executive director concerning investment decision making. He said that what changed when he came into his position was the formalization of the investment committee, which made all the investment decisions. He shared that any disagreements on investment decision between the committee and the executive director were brought before the board.

[9:59:05 AM](#)

Senator Wielechowski asked whether board members ever came to people in the investment committee with investment proposals.

Mr. Frampton stated that the scenario described by Senator Wielechowski had never occurred.

Senator Wielechowski understood that the prior CEO never overturned decisions made on a day-to-day basis.

Mr. Frampton agreed.

[10:00:03 AM](#)

Senator von Imhof commended the establishing of the investment committee. She thought that the system provided for meaningful checks and balances. She asked whose idea it had been to create the Alaska Investment Program with McKinley Capital Management LLC and Barings LLC.

Mr. Frampton explained that the program was created with direction from the board. He furthered that the execution of the program, the hiring of the two LLCs, was done at the staff level.

Senator von Imhof confirmed that the policy for investments were at the board level, and the decisions were as granular as which state, or which fund, or sector oriented.

Mr. Frampton replied that in the regular private equity program there was an asset allocation target and once a year the staff reviewed with the board how much would be invested in private equity, without discussion of specific types of managers or geography. He explained that the Alaska Investment Program was unique because there had been a board resolution directing staff to form a new investment program.

[10:02:55 AM](#)

Senator Wilson added to Senator von Imhof's question. He asked whether the committee could get an update on the \$200 million that had been invested by the Alaska Investment Program through McKinley Capital Management LLC.

Co-Chair Stedman had previously asked Ms. Mertz to prepare a response document pertaining to the question.

Ms. Mertz relayed that APFC disclosed certain information about the in-state program in the monthly performance report, such as performance information and current market values for the program. She specified that the confidentiality requirements in the agreements precluded disclosing more detailed information, as well as statutory restraints meant to protect confidentiality. She emphasized that APFC was aware of the sensitivity surrounding the issue and the need for information by the legislature and other parties.

Co-Chair Stedman encouraged the two firms to disclose as much information as possible.

[10:06:02 AM](#)

Senator Wielechowski asked whether Ms. Mertz thought the in-state investment program was a good idea, or whether the drawbacks outweighed the benefits.

Ms. Mertz was not comfortable giving her opinion on the matter. She thought the program was created in a way that allowed staff to be independent of investment decisions. She believed that the board resolution directing the program was designed to support the statute in place that encouraged the corporation to invest in Alaska.

Co-Chair Stedman asked Ms. Mertz to follow up with additional information.

[10:08:01 AM](#)

Senator Wielechowski understood that the board had recommended up to 5 percent allocation to in-state investments, to \$4 billion. He queried the thinking on that practice from an investment perspective.

Co-Chair Stedman asked Mr. Frampton to address the question and asked for the question to be added to the list of formal written responses to the committee.

Mr. Frampton stated that one of the goals of the investment policy was to prioritize Alaskan investments. He noted that there were many qualitative things that went into investments. He thought there were good investment opportunities in the state but that they were limited. He addressed the target of 5 percent mentioned by Senator Wielechowski and stated that it had no "compliant teeth to it," and he considered the target to be aspirational.

[10:10:57 AM](#)

Co-Chair Stedman reiterated that he wanted more information provided in written response. He referenced committee discussion a few years previously that Alaska was so small that the absorption rate could be high. He noted that a presentation was forthcoming on the matter and the fact that the Permanent Fund was the largest in the world when considering the state's population.

[10:12:04 AM](#)

Senator Hoffman asked how management fees for the Alaska portion of the portfolio compare to other fund managers outside Alaska.

Mr. Frampton stated that the in-state fees were industry standard.

Co-Chair Stedman requested more detail.

Mr. Frampton stated there was a management fee, as well as an incentive fee over a hurdle; an equity-like rate of return needed to be earned before incentive fees were provided. There was a base fee on the assets that were committed.

[10:13:11 AM](#)

Senator Wielechowski asked whether Callan had an opinion on the Alaska Investment Program. He asked whether the Alaska investment program complied with the Prudent Investor Rule.

Mr. Frampton shared that he had spoken with Callen about the in-state program. He said that from an asset allocation standpoint the program was within the private equity allocation. He thought that Callan would consider that the program was well designed.

Senator Wielechowski reiterated the question relating to the program's compliance to the Prudent Investor Rule.

Mr. Frampton replied in the affirmative.

Ms. Mertz answered in the affirmative.

Co-Chair Stedman asked for Ms. Mertz to include any information pertaining to discussions on the matter between Callan and the board.

Senator Wielechowski asked whether APFC was subject to the Federal Trade Commission (FTC) oversight for insider trading activity.

Mr. Frampton answered in the affirmative. He said that APFC did not get annual exams for FTC or have a regulatory relationship with FTC.

Co-Chair Stedman asked Ms. Mertz to address front-running and insider trading in her written response to the committee.

[10:17:59 AM](#)

Senator von Imhof asked for APFC to provide the resolution from 2018 that established the Alaska Investment Program. She asked for any meeting minutes on the ensuing discussion.

Co-Chair Stedman asked Mr. Frampton to summarize the remaining slides.

10:19:07 AM

Ms. Mertz advanced to slide 31, "Distribution Calculations -subject to appropriation," which showed two tables and a bar graph. She discussed the Statutory Dividend Fund Transfer Calculation and POMV Calculation reflected on the slide.

10:20:07 AM

Ms. Mertz showed slide 32, "Return & POMV Draw":

- POMV Draw AS 37.13.140 (b) Average market value of the Fund for the first five of the preceding six fiscal years
- 5.25% FY19-FY21/ 5.0% FY22
- Based on market value, rather than realized income
- Subject to annual appropriation
- Predictable - Stable

Ms. Mertz highlighted that because of the timing lag in the calculation, the effective rate of the POMV draw could be calculated well in advance of the budget process. She noted that the blue and green lines on the chart showed the total return of the fund.

10:21:20 AM

Ms. Mertz turned to slide 33, "Resolutions":

00-13, 03-05, 04-09: Constitutionalize Annual Fund Draw. Limit the annual Fund payout to not more than a 5% POMV averaged over a period of 5 years. Assures permanent inflation proofing.

17-01: Identify and pursue legislation or legislative support for some form of inflation-proofing that will

preserve the purchasing power of the principal of the permanent fund for all generations.

18-01: Supporting a Rules Based Legal Framework to govern Fund inflows, outflows, and internal transfers. A holistic framework rationalized by policymakers regarding the rules for savings, withdrawals, and growing the real value of the Fund results in a consistent approach to transfers and sustainability of the Fund over the long-term.

18-04: Affirming the importance of formulaic management of transfers into and out of the ERA to ensure sustainability and long-term growth of the Fund, by identifying four key principles: Adherence to Rules, Ensuring Sustainability, Automatic Inflation Proofing, Promoting Real Growth.

20-01: Additional measures to enhance the sustainable use of the Fund include restructuring the Fund from its' current two account system into a single Fund as well as periodic review of Fund Return Assumption and ERA Balance Buffer (4X Buffer).

[10:22:13 AM](#)

Ms. Mertz showed slide 34, "Trustees' Paper Volume 9":

Successful SWFs operate within a rules-based system that allows them to perform a combination of saving, stabilization, and income-generation functions.

This paper proposes a number of reforms that will strengthen the stability and sustainability of Alaska's Permanent Fund:

LESSON #1: MISSION CLARITY

LESSON #2: THE IMPORTANCE OF RULES

LESSON #3: SUCCESSFUL ENFORCEMENT OF SAVING RULES

LESSON #4: DESIGNING A POMV SPENDING RULE

LESSON #5: REFORMING THE ERA

<https://apfc.org/report-archive/#14-33-trustees-papers>

Ms. Mertz explained that the paper compared the structure of the Permanent Fund to other sovereign wealth funds around the world. She relayed that that the paper covered successes and failures, the importance of mission clarity and a rules-based framework, and an effective construct for the POMV draw.

Ms. Mertz showed slide 36, "www.apfc.org," which showed a graphic of APFC's website. She commented that she would provide all the information requested by the committee.

Co-Chair Stedman discussed housekeeping.

#

ADJOURNMENT

10:24:50 AM

The meeting was adjourned at 10:24 a.m.