

SENATE FINANCE COMMITTEE  
February 22, 2022  
9:01 a.m.

[9:01:37 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:01 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

MEMBERS ABSENT

Senator David Wilson

PRESENT VIA TELECONFERENCE

Dr. Malan Rietveld, Advisor, International Sovereign Wealth Fund, South Africa.

SUMMARY

^SOVEREIGN WEALTH FUNDS - GLOBAL TRENDS and PRACTICES

[9:04:08 AM](#)

DR. MALAN RIETVELD, ADVISOR, INTERNATIONAL SOVEREIGN WEALTH FUND, SOUTH AFRICA (via teleconference), discussed the presentation, "The Fiscal Rules of Sovereign Wealth Funds; Global Trends and Practices" (copy on file).

Co-Chair Stedman stated that Dr. Rietveld was calling from South Africa.

Dr. Rietveld provided his professional history, and looked at slide 1, "Background":

Public sector, fiscal reform & sovereign wealth funds

- Senior Expert Consultant to Asian Development Bank
- Advisor and testimony on fiscal reforms in Alaska (2016-17)
- Researcher for Board of Trustees of The Alaska Permanent Fund Corporation (2019)
- Mongolian Ministry of Finance on the establishment of a SWF
- Pula Fund fiscal reforms in Botswana
- The establishment of a new SWF framework in Namibia (fiscal and operational)
- Mongolian Ministry of Mining on establishment of a Sovereign Development Fund

Pension funds

- Australian Superannuation (US\$100bn AUM)
- FirstState Super (US\$70bn AUM)
- Construction and Building Unions Superannuation (US\$25bn AUM)
- OPSEU Pension Trust (US\$15bn)

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Dr. Rietveld addressed slide 2. He stated that his work was supported by academic research. He listed the various schools he had worked with.

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Dr. Rietveld addressed slide 4, "The Growth of SWFS":

- A number of established, large funds
- Proliferation of new funds since 2000, with new funds in the works in at least 15 countries
- Non-commodity funds growing; as are "sovereign development funds"
- Assets-under-Management of c.\$10 trillion
- Alaska Permanent Fund is a major player and a highly regarded capital allocator

Dr. Rietveld relayed that that the Alaska Permanent Fund Corporation (APFC) was part of a larger international community of sovereign wealth funds. The slide showed a map of sovereign wealth funds that were funded by revenues from natural resources. He noted that the APFC was regarded as a major sovereign wealth fund with an exemplary record of operation independence from political influence when making

investment decisions. He added that the corporation had a good track record for making good investments and being a good steward of public capital.

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Dr. Rietveld pointed to slide 5, "Policy Levers in Rule-Based SWF Framework":

Transfer (saving) rule: how much to transfer to SWF, and when?

- Transfer to SWF; and between stabilization fund (liquid assets) and savings/investment fund (risk assets)

Spending rule: how much to transfer from SWF, and when?

- Depends on fund's purpose:
  1. Short-term stabilization ("stabilization" or "buffer funds")
  2. Long-term/permanent endowment ("investment-income fund")
  3. Locked-up savings for the future ("savings fund")
- Move towards POMV rules (total portfolio value) vs realized income for investment-income funds

Investment policy: policy and execution choices

- Active vs passive
- In-house vs outsourced
- Public vs private markets
- Asset allocation: risk-bearing capacity, investment beliefs, cost-aware implementation strategy
- Developmental or purely financial investment objectives

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Dr. Rietveld looked at slide 6, "Adjusting to New Fiscal Realities":

"Cyclically robust" savings and spending rules

- The post-2014 commodities slump and staggered recovery has underlined the need for
- "Rules of thumb" work okay when running surpluses (accumulating assets)
- But how can SWF help management volatility - in up and down cycles?

Focus for resource-based SWFs

- After 2014: avoiding the depletion of assets
- Managing (or limiting) domestic-investment mandates
- Now: decoupling saving/spending from commodity cycle (maintaining reform momentum)

Ebbing tide after 2014 revealed who had been swimming naked

- Group A: never saved enough (Venezuela, Nigeria)
- Group B: depleted savings (Russia, Saudi Arabia, Kuwait)
- Group C: reforming saving and spending rules (Abu Dhabi, Norway => Alaska)

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Dr. Rietveld pointed to slide 7, "Spending Policy and Stabilizing Income: Illustrative Examples":

Abu Dhabi Investment Authority

- Multi-year effort to establish a comprehensive, integrated fiscal framework
- Preparing for unexpected disruptions along an anticipated post-oil future
- ADIA is (a dominant) part of large "sovereign balance sheet" of assets and liabilities

Kuwait Investment Authority

- Very large drawdowns on Kuwait Investment Authority assets - unscheduled
- Breakdown of governance arrangement
- Standoffs between Board, Minister and Legislature

Botswana

- Rules are too informal
- Insufficient distinction between foreign exchange reserves and fiscal surplus funds
- Buffer has been dramatically reduced - work under way to formalize spending policy

Norway

- Not highly dependent on oil revenue or investment income
- However, draws on fund have been increasing (2009; 2016; and 2020-21)
- Rules are still too informal - something is going to give (see below)

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Co-Chair Stedman wondered whether there was a large majority of large drawdowns or informal rule-based systems within other funds, and where Alaska fit into the structure.

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Dr. Rietveld replied that, broadly, many Middle Eastern funds did not have rule-based systems, with the exception being Abu Dhabi. He stated that Saudi Arabia, Kuwait, Bahrain, Qatar all had significant drawdowns due to the drop in oil price in 2014, and during the first few months of Covid-19. He said that some of that was being offset now that oil prices were on the upswing. He relayed those permanent funds in New Mexico and Wyoming had some unhappy history surrounding spending out of permanent funds, which had led to improvement in the rules and the avoidance of unscheduled withdrawals. He related that some of the Middle Eastern funds were intended, however informally, to be available for drawdowns and understood that part of those portfolios would be available as a stabilization mechanism.

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Senator Olson requested examples of rules that were too "informal."

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Dr. Rietveld looked at Botswana, which showed that the amount of savings was linked to multi-year public investment plans approved by the legislature and if there was a surplus it would be deposited into the SWF. He said that the process was open to manipulation by changing the 5-year spending profile, which would make saving a last priority. He said that the typical permanent fund in the United States had the opposite of informal rules where the minimum amount of savings was typically constitutionally mandated. He thought that spending policies were typically based on statutory language, not constitutional language, or on custom and tradition and agreement between the legislative branch, executive branch, and voters.

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Dr. Rietveld discussed slide 9, "U.S. Permanent Funds":

- American permanent funds are the oldest existing SWFs (Texas and New Mexico)
- Most US permanent funds collect Constitutionally-mandated fixed percent shares of resource revenues from public lands
  - And then provide a fixed (or range-bound) POMV source of income
  - To General Fund or specific owners/earmarked purposes
- Most US permanent funds operate in a sub-optimal framework
- The model, particularly at the bigger funds, gets the basics right (no small thing)
- But there are weaknesses and shortcomings
- Prime example: the Wyoming permanent funds

Dr. Rietveld said that SWF in the United States predated those in the Middle East. He noted that some permanent fund monies in Wyoming had earmarked purposes.

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Dr. Rietveld pointed to slide 10, "Wyoming's Multiple Funds." The largest fund in Wyoming was the Wyoming Mineral Trust Fund. He said that the fund got severance tax revenues on coal and gas production in the state and was the largest of several state funds.

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Dr. Rietveld looked at slide 11, "Wyoming Spending Policy." He noted that the picture was the result of what it would look like to start off the wrong way and retrofit the system overtime. He shared that half of the POMV went to the general fund and the other half was split between several other accounts. He relayed that the main problem with the Wyoming system was that the investment policy and profile of the permanent fund did not fit the expectation of how much could be spent out of the fund on a POMV basis. He thought that the asset allocation and risk bearing capacity tolerance was smaller than for the Alaska permanent fund, but the spending policy amount was similar. He said that it was difficult to guarantee that the fund could generate the amount of average return to be commensurate with the spending amount, which meant that money had to be kept in a

reserve account and a mechanism to replenish that account had to be established. He asserted that the Wyoming system was not terrible but did have weaknesses. He predicted problems for the fund in the future and discussed options related to avoiding possible problems. He concluded that the final problem with the fund was that it had no official mechanism for inflation proofing. He said that Alaska had a good history of inflation proofing but needed to do it with greater consistency.

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Co-Chair Stedman assumed an annual inflation proofing structure was most desirable.

Dr. Rietveld thought at least inflation proofing should be done regularly. An annual inflation proofing mechanism was the most simplistic way to ensure the health of the fund. He thought that accounting for the impact of inflation, particularly as we enter a high inflation period, a rule based and formulaic inflation proofing mechanism would be beneficial.

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Dr. Rietveld discussed slide 12, "New Mexico":

Land Grant Permanent Fund

- POMV spending rate of 5 percent of 5-year market value
- Majority of beneficiaries are educational institutions
- Following the adoption of a POMV rule in the late-1990s, the spending rate changed many times.
- Following a narrow public vote in 2003 to amend the Constitution, the established 4.7 percent POMV draw was amended to 5.8 percent (2005-12), then to 5.5 percent (2013-16), and 5 percent thereafter

Severance Tax Permanent Fund

- POMV spending rate of 4.7 percent of its 5-year market value
- The fund has a slightly lower return expectation/POMV than the Land Grant Permanent Fund
- This is due to the inclusion of in-state investments (to a maximum of 8 percent of the

portfolio), which lowers the overall expected return performance

Dr. Rietveld discussed the bullet points pertaining to the funds in New Mexico.

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Dr. Rietveld looked at slide 13, "New Mexico." The slide showed the election results for the constitutional amendment in 2003. He returned to slide 12 pointing out that the POMV rate had increased and decreased over the years since that vote.

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Dr. Rietveld pointed to slide 14, "Alaska in Context":

SWF functions: savings, income and stabilization

- The savings function is firmly established (constitutional certainty); although large share in ERA is a risk
  - The income-producing function of the SWF has come into sharper focus with the POMV
  - However, it currently rests on less solid institutional foundations than savings
  - Can be undermined fairly easily
- The POMV rule also promotes the stabilization function
  - Could be enhanced through a rule to transfer surplus revenues to APF (spending cap; oil price ceiling, etc.).
  - Increases the size of the APF and revenue it generates, over the long run

Dr. Rietveld wanted to provide context for Alaska. He indicated that SWFs had three functions in commodity producing economies: savings, income, and stabilization. He highlighted that the earning reserve account (ERA) savings for Alaska, because it was not in the constitution, was vulnerable. He thought that in 2016 the income producing function of the fund had come into sharper focus with the adoption of the POMV rule. He suggested that the function rested on less solid institutional and legislative foundations than the savings function because that function was enshrined in the constitution. He thought it was possible to undo the good work of creating a predictable

and well understood POMV spending rule. He thought there was value in thinking about how elements of the income producing spending part of the Alaska permanent fund could be better supported and protected. He spoke of stabilization function and stated that the POMV rule promoted stabilization. He relayed that the stabilization function could be further enhanced by having a process of insuring that when oil prices were high, a larger share than the constitutionally require minimum of revenue was deposited into the fund. He offered several ways in which that could be done and the benefits of the exercise.

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Senator Wielechowski appreciated the presentation. He asked whether the state should roll the ERA into the corpus of the fund and enshrine the POMV draw percentage in the constitution.

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Dr. Rietveld replied that those were potential policy calls that could be made by the legislature. He lamented that the ERA could pose more problems than it solved in relation to how the state accounted for realized and unrealized gains and losses. He said that sometimes very large amounts of money sat in the funds without any constitutional protections. He thought that there was merit in having one pool of capital under the same constitutional set of rules. He said that cash to fund the POMV should be considered so that the corporation never feels the need to sell equities or assets. He thought that there was merit in a system that reduced the size of the ERA or rolled it into the corpus. He added that some sort of form constitutional formalization of the POMV percentage spending policy could be beneficial. He asserted that he would never hard wire the spending amount in the constitution and added that although the amount should not be regularly changed, forward-looking and backward-looking assessments would be realistic. He concluded that a spending policy that followed a POMV principal, and the ability to adjust the spending amount, when necessary, could be written into the constitution.

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Senator Wielechowski asked for clarification about "never hard wire the amount of spending".

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Dr. Rietveld replied that a spending policy that stated that a share of the fund earnings would support the general state budget could be constitutionalized. He said that the POMV based formula and additional language that spoke to the necessary flexibility POMV percentage amount could also be included.

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Senator von Imhof thought that having language that said "up to 5 percent" would give the legislature the ability to appropriate less if necessary. She thought that a percentage would be a better choice than a specific amount. She understood that if the ERA were rolled into the corpus, and the APFC knew that there was up to a 5 percent draw, the fund's investment team would work to provide the cash to the general fund up to the 5 percent. She added that the legislature would not tell the fund how to manage its cash - that was up to the APFC board.

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Dr. Rietveld agreed and stated that the constitutional language should not have a specific dollar amount. He said something like "up to 5 percent" would be workable language. He agreed that the APFC board needed to manage cash flows.

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Senator Wielechowski wondered how the independence of the APFC compared with other SWFs in the world.

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Dr. Rietveld replied that the state compared favorably. He stressed that the most important function of the board was to manage the assets it received in an appropriate manner relative to its investment policy. He stated that the independence of the APFC had been historically strong. He compared it to the SWF in New Zealand. He noted that in New Zealand the board candidates were chosen by the legislature

from a pool of candidates put for the by the executive branch. He said that the independence of the APFC was important.

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Senator von Imhof agreed that the separate board of trustees and corporation, with well defined roles, was important. She spoke of how the board was selected in New Zealand and mentioned that the issue of the selection of board members was a growing concern for the legislature. She wondered whether Dr. Rietveld had studied the different ways that boards were selected for the various SWFs in his presentation.

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Dr. Rietveld replied that he had studied governance and board appointment practices. He thought that the APFC had a standard procedure in comparison to other SWFs. He added that for many Middle Eastern funds the board of trustees was the members of the executive.

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Senator von Imhof noted that legislative confirmation was the standard. She noted the two current member of the APFC board were part of the governor's cabinet and the other 4 had not been confirmed by the legislature. She asked whether legislative confirmation was the common practice when selecting SWF board members.

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Dr. Rietveld replied that the more common practice was for the executive to directly appoint trustees.

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Dr. Rietveld added a few comments to slide 14, "Alaska in Context":

- SWF functions: savings, income and stabilization
- The savings function is firmly established (constitutional certainty); although large share in ERA is a risk
- The income-producing function of the SWF has come into sharper focus with the POMV

- However, it currently rests on less solid institutional foundations than savings
- Can be undermined fairly easily
- The POMV rule also promotes the stabilization function
- Could be enhanced through a rule to transfer surplus revenues to APF (spending cap; oil price ceiling, etc.).
- Increases the size of the APF and revenue it generates, over the long run

Dr. Rietveld shared that the horizontal axis illustrated the oil revenue as a percentage of overall revenue. He noted that any economy over 80 percent was an extremely oil dependent economy; the oil dependent economies included Saudi Arabia, UAE, Qatar, Bahrain, Kuwait, and Alaska. He pointed to the vertical axis, which showed the break-even price of oil, or the per barrel price of oil needed to balance the budget. He stated that without the POMV the state had been in the green group, but using POMV, Alaska had shifted to a group that could run a balanced budget a lower oil prices.

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Dr. Rietveld addressed slide 15, "Alaska in Context":

Alaska has considerable advantages over peers

- Constitutional clarity and history of savings
- Very large asset pool
- World-class investment capacity and asset allocation

But also weaknesses and vulnerabilities

- High oil revenue dependence and uncertain long-term production outlook
- Spending rule lacks constitutional certainty: ERA balances are really exposed (in downturn and a boom)
- More can be done to save windfalls and break boombust link between oil revenues/prices and spending

Dr. Rietveld said that the summary chart on the right-hand side of the slide showed how Alaska compared to other places on several metrics. He said that said that the size of assets and the size of historical savings was an

advantage for the state. He discussed the state's weaknesses as detailed on the slide.

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Senator von Imhof noted the resource investment management entity and the two "x" on the table. She thought that external managers would be more expensive and would offer less control.

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Dr. Rietveld thought that the APFC did an excellent job at tracking external managers and holding them to account, while negotiating good fee structures. He agreed that it could be a false economy to think that the fund was doing well with a small staff while paying external manager fees. He said that challenges had been debated for SWF management staff pay scales. He thought that in the long-term the plan should be for the team to grow commensurate to the size of the asset.

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Co-Chair Stedman asked about the size of the APFC portfolio compared to the size of the state budget and whether Alaska was an outlier in comparison to other SWFs.

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Dr. Rietveld replied that, in both cases, relative to the size of government spending, and relative to the size of the population and economy, the state's pool of savings through the fund was very high.

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Co-Chair Stedman thought the scale difference would be a surprise to most Alaskans.

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Dr. Rietveld replied in the affirmative. He said that the fund was the biggest SWF relative to annual spending that he had encountered.

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Co-Chair Stedman felt that the state had "apparently done something right" in setting up the fund in this manner.

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Senator Hoffman asked about the comparison chart on slide 15. He noted that under "SWFs Contribution to Fiscal Stability" and "Provisions for Sustainable Income Generation" Norway had three check marks while Alaska had only one. He wondered whether Norway scored higher in those areas because they had an income tax.

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Dr. Rietveld replied that that the advantage of other sources of revenue had been beneficial to Norway. He said that Norway had been able to take their oil revenue and put it directly into their SFW and then formed their budget from revenue from other sources. He furthered that if there was a budget deficit, they could draw from the SWF on a POMV basis, but they did not base their budget on oil revenue.

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Senator Olson asked about tax structures in other countries with permanent funds. He wondered whether there was a correlation between a healthy permanent fund and whether the countries had a wealth tax versus an income tax.

Dr. Rietveld replied that the question was outside of his wheelhouse. He offered that there was no real pattern; there were countries with SFWs that had no other source of revenue and there were countries that had multitudes of other revenue sources in addition to their SFWs.

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Co-Chair Stedman asked that the pace be picked up.

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Dr. Rietveld looked at slide 18, "Norway in Detail: An Historic Break is Underway":

The context

- Norway collects significant revenues from taxes on personal income, corporates, and consumption
- Oil revenue accounts from roughly one-third of budget revenue
- However: all oil revenue flows directly into the SWF

The fiscal rule

- Minister of Finance formulates a non-oil budget
- The structural non-oil fiscal deficit can then equal the POMV (3 percent) draw on the SWF
- In theory means that income from the SWF can fund the non-oil deficit in perpetuity

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Dr. Rietveld discussed slide 19, "Norway in Detail: An Historic Break is Underway":

In practice

- The POMV/real-return expectation was previously set at 4 percent, reduced to 3 percent in 2017
- The draw has typically been less than the POMV amount
- However, in 2009 (4.2 percent) and 2010 (4 percent), the draw exceeded the rule
- For, 2020 the 3 percent draw was increased to 4.2 percent in the revised budget (in retrospect, that came to 3.6 percent)
- 2021 budget sees a 2.6 percent draw (subject to revision)

This is not really a rule-based system

- The "rule" is not binding; it merely serves as a customary anchor
- System relies on consensus, which is being challenged
- In recent years, net outflows have exceeded inflows (masked by market-value gains)
- Headlines: "Raiding the fund" or "tapping fund for the first time" => misleading

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Dr. Rietveld jumped to slide 17, which had headlines.

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Dr. Rietveld looked at slide 20, "A Comparison with Endowments":

- Many of the trends we see amongst SWFs, are also at play amongst university endowments, foundations and trusts
- Most endowments are have POMV spending policies (large equity and private market allocations)
- Many large endowments have "rules" that are not binding - operate more as principles and retrospective sense checks
- Like Norway, endowment income is not typically dominant
  - Universities also have gifts, grants, Federal and State funding, fund raising, intellectual property, student fees, etc

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Dr. Rietveld addressed slide 21, "A Comparison With Endowments." He said that 73 percent of the surveyed university endowments used a POMV structure, which he felt was becoming increasingly popular.

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Senator von Imhof remarked that the average pre specified percentage spent was in the mid-4s. She understood that the prevailing amount was 5 percent or less.

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Dr. Rietveld thought that the 4.6 number reflected the number of endowment funds that made use of an average pre-specified percentage spend.

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Co-Chair Stedman stressed that the question was on the average pre-specified percentage spend.

Mr. Rietveld thought that the average spending amount on a POMV basis was 4.6 percent.

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Senator Hoffman looked at slide 20 and asked about endowments that had rules that were non-binding. He asked about the rules in Norway versus the rules in Alaska. He asked whether the statute in Alaska was binding.

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Dr. Rietveld replied that it was more binding than the current Norwegian custom. He remarked that there was an imbalance in Alaska with the savings percentage tightly bound in the constitution, while the spending was only in statute.

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Senator Hoffman surmised that Alaska's statute was binding but not as binding as it would be if it were written into the constitution.

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Dr. Rietveld highlighted slide 22, "What Happened at Harvard":

- Most famous and largest endowment
- Spending "rule" leaves some wiggle room
  - Balance of "spending stability" (highly influenced by non-endowment revenue) and endowment's capital growth and preservation
  - "Generally targets" 5.0 percent to 5.5 percent POMV - but not binding, and not how the Harvard Corp decides
  - Low of 4.2 percent in 2006 and pre-Covid high of 6.1 percent in 2010
- In 2020: highly unusual draw on restricted funds inside the Endowment
- In 2021: growth of dollar value of draw on Endowment originally capped at 1 percent; but later increased to 2.5 percent (note: dollar-value spend, not POMV)
- POMV calculation is tricky at Harvard, given timing of financial-planning process and no 5-year averaging
- Harvard has a diversified pool of revenue sources (and access to CARES and PPP funds); with none subject to expectations of structural decline

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Senator von Imhof understood that if Harvard wanted to take more, or less, from the endowment they simply raised tuition.

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Dr. Rietveld looked at slide 23, "What Happened at Harvard?" He shared that the slide showed that the endowment enjoyed flexibility in increase in some areas when other areas were slumping.

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Dr. Rietveld pointed to slide 25, "Trustee Paper Vol. 9: Building on Reforms":

- APFC Trustee Paper 2020 Vol. 09
  - The Role of Sovereign Wealth Funds in Saving, Stabilization and Generating Income
- Considered what has worked and what has failed in past amongst comparable peers
- SWFs and Permanent Funds in accountable, commodity-based democracies
  - Alberta, Wyoming, New Mexico, Texas, Norway and Chile

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Dr. Rietveld addressed slide 26, "Trustee Paper Vol. 9: Building on Reforms":

- Lesson #1: Mission clarity
  - There has been a shift in the APF's mission: income generation and fiscal stability increasingly important
  - This is now well understood, and should be supported by constitutional language
- Lesson #2: Rules matter
  - Very clear that reliance on custom, discretion and negotiation leads to inferior long-term outcomes
  - Rules de-escalate tough decisions and promote consistency
  - Clarity and predictability also helps the APFC invest with a suitable risk and liquidity appetite
- Lesson #3: Enforcing rules

- Alaska and other US Permanent Funds have saved because it is Constitutionally mandated
- Note: inflation proofing; supplementary savings and the POMV are not Constitutionally guaranteed (in the past, the "right thing" was eventually done - but no guarantee)
- Empirically, adherence to rules is lower where it is not Constitutionally mandated (many examples: Alberta, Middle Eastern funds, US permanent funds)

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Dr. Rietveld pointed to slide 27, "Trustee Paper Vol. 9: Building on Reforms":

- Lesson #4: Getting a POMV rule right
- Focus on total returns rather than realized earnings: mindset shift; long overdue
- Moving averaging is essential for smoothing
- Long-term POMV rate must match long-term portfolio returns, minus inflation and costs
- Lesson #5: Mechanics of the draw and the ERA problem
- The ERA/Principal split creates unnecessary risks: political and financial
- Having the POMV and the appropriate risk allocation is more important than the Fund's mechanics
- Trustee Paper 2020-09 considered reform options
- But no compelling reasons for ERA, if move away from earnings-based spending rule is perm

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Co-Chair Stedman looked at slide 26, and noted the bullet point:

- Very clear that reliance on custom, discretion and negotiation leads to inferior long-term outcomes

Co-Chair Stedman assumed that there were examples of ad hoc draws leading to inferior long-term outcomes.

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Dr. Rietveld replied that in the paper the New Mexico permanent fund was used as an example. He added the Alberta Heritage Fund had also been cited.

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Dr. Rietveld addressed slide 28, "Main Messages":

- Alaska enjoys a number of critical structural advantages
- Big reforms have been made: budgetary-income function has been established
- Critical to invest in infrastructure, mechanisms and institutions that ensure this transition
  - which will be permanent - enjoys Constitutional certainty
- The ERA creates unnecessary political and financial risks under POMV
  - No compelling reasons to have the ERA, if one moves towards a POMV model
- A worthy cause: promoting the transfer of (a share of) unanticipated future revenue windfalls to APF or replenish other fiscal buffers
  - For example, spending caps, oil-price trigger, supplementary windfall savings rule
  - This will enhance the stabilization function
- A bridge period is needed as Alaska transitions to a system with Constitutionally protected savings and spending
  - The bridge should be comprehensive, with all available options on the table
  - One-time higher draws have happened elsewhere - could be made conditional on lasting reforms and rules
  - Key is having a credible commitment mechanism to sustainability and rule-based constraint

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Co-Chair Stedman thanked the presenter. He canceled the afternoon meeting. He discussed the following day's agenda.

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ADJOURNMENT

[10:52:05 AM](#)

The meeting was adjourned at 10:52 a.m.