

**SB**

**89**

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

FISCAL NOTE

BILL NO. SB 89

Revision Date: \_\_\_\_\_ Dept. Affected: \_\_\_\_\_ Revenue  
 Title: An Act relating to the members of the board BRU: \_\_\_\_\_ APFC \_\_\_\_\_  
 and staff of the Alaska Permanent Fund Corporation Component: APFC \_\_\_\_\_  
 Sponsor: Senator Flieger  
 Requester: Senate State Affairs COMPONENT SERIAL NO. \_\_\_\_\_ 109

Expenditures/Revenues

(Thousands of Dollars)

|                        | FY 96 | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 |
|------------------------|-------|-------|-------|-------|-------|-------|
| OPERATING EXPENDITURES |       |       |       |       |       |       |
| PERSONAL SERVICES      |       |       |       |       |       |       |
| TRAVEL                 | 28.4  | 29.9  | 20.3  | 29.7  | 30.2  | 30.6  |
| CONTRACTUAL            | 2.6   | 2.6   | 2.6   | 2.6   | 2.6   | 2.6   |
| SUPPLIES               |       |       |       |       |       |       |
| EQUIPMENT              |       |       |       |       |       |       |
| LAND & STRUCTURES      |       |       |       |       |       |       |
| GRANTS, CLAIMS         |       |       |       |       |       |       |
| MISCELLANEOUS          |       |       |       |       |       |       |
| TOTAL OPERATING        | 31.0  | 31.5  | 31.9  | 32.3  | 32.8  | 33.2  |
| CAPITAL EXPENDITURES   |       |       |       |       |       |       |

CHANGE IN REVENUES ( )

(Thousands of Dollars)

| FUND SOURCE              |      |      |      |      |      |      |
|--------------------------|------|------|------|------|------|------|
| 1002 Federal Receipts    |      |      |      |      |      |      |
| 1003 GF Match            |      |      |      |      |      |      |
| 1004 GF                  |      |      |      |      |      |      |
| 1005 GF Program Receipts |      |      |      |      |      |      |
| 1006 GF/M/T/A            |      |      |      |      |      |      |
| Other                    | 31.0 | 31.5 | 31.9 | 32.3 | 32.8 | 33.2 |
| TOTAL                    | 31.0 | 31.5 | 31.9 | 32.3 | 32.8 | 33.2 |

Estimate of any current year (FY99) cost: \$ \_\_\_\_\_

| POSITIONS |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

ANALYSIS: (Attach a separate page if necessary)

This fiscal note assumes implementation on July 1, 1995. It projects costs associated with increasing the number of trustees from six to seven, and replacing one commissioner with a public member.

Travel assumes 15 trips per year in-state and 2 trips per year out-of-state

Transportation costs are assumed to increase at a 4% rate of inflation each year. Per diem and honorarium remain constant in all years.

Contractual includes registration fees at two seminars

Other Fund Source Corporate Receipts

Prepared by: Priscilla Malison Executive Director Phone: 465-2047  
 Division: Alaska Permanent Fund Corporation Date: 3/15/95  
 Approved by: Debraan Vogt Date: 3/17/95  
 Commissioner: [Signature]  
 Agency: Revenue

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**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

DATE: 2/15/95

FURTHER: Finance

Date of 5-Day Notice: 3/2/95  
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: \_\_\_\_\_

State Affairs      Committee considered      SENATE BILL NO. 89

"An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 89 \_\_\_\_\_ ( STA )
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ ( \_\_\_\_\_ )
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:
- same title
  - new title
- House Bill:
- technical change
  - new: SCR# \_\_\_\_\_

| SIGNING DO PASS           | DP                                  | OTHER RECOMMENDATIONS    | NR                                  | DNP | AM |
|---------------------------|-------------------------------------|--------------------------|-------------------------------------|-----|----|
| <i>Form A Lewis</i>       | <input checked="" type="checkbox"/> | <i>Handwritten notes</i> | <input checked="" type="checkbox"/> |     |    |
|                           |                                     |                          |                                     |     |    |
|                           |                                     |                          |                                     |     |    |
|                           |                                     |                          |                                     |     |    |
|                           |                                     |                          |                                     |     |    |
| CHAIR: <i>[Signature]</i> | <input checked="" type="checkbox"/> |                          |                                     |     |    |

**NEW FISCAL NOTE(S):** FY96

| Department | Date       | Zero | Fiscal      |
|------------|------------|------|-------------|
| <i>REV</i> | <i>3/7</i> |      | <i>31.0</i> |
|            |            |      |             |
|            |            |      |             |
|            |            |      |             |
|            |            |      |             |

**PREVIOUS FISCAL NOTE(S):\***

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# Alaska State Senate

**SENATOR STEVE RIEGER**  
District 1


Senate Finance Committee  
Chair, Senate Transportation Committee

Legislative Budget and Audit Committee  
Administrative Regulation Review Committee  
Legislative Council

*During Session*  
State Capitol, Room 310  
Juneau, Alaska 99801  
(907) 465-3870

716 West 4th Avenue, Suite 310  
Anchorage, Alaska 99501  
(907) 258-8188

**TO:** Senator Bert Sharp  
Chair, Senate State Affairs Committee

**FROM:** Senator Steve Rieger 

**DATE:** March 1, 1995

**RE:** SB 89 - "An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation."

I respectfully request that you schedule the above referenced legislation at your earliest convenience. A sponsor statement and packet is forthcoming.

Thank you for your consideration of this matter.

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR RIEGER

TO: SB 89

1 Page 1, line 14, through page 2, line 1:

2 Delete "portfolio [OTHER BUSINESS]"

3 Insert "other business"

4 Page 2, line 1, after "fields":

5 Insert "and at least two of the public members must have recognized competence  
6 and wide experience in investment portfolio management"

7 Page 2, line 13, after "":

8 Insert "In this subsection, "cause" means

9 (1) incompetency, which is the inability or the unintentional or  
10 intentional failure to perform the duties of the trustee; or

11 (2) misfeasance or malfeasance in office, which includes the failure  
12 of the trustee to exercise prudent judgment in the affairs of the corporation or  
13 intentionally taking action for reasons other than the financial best interest of the  
14 corporation."

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State Capitol, Room 510  
Juneau, Alaska 99801  
(907) 465-3879

716 West 4th Avenue, Suite 530  
Anchorage, Alaska 99501  
(907) 258-8188

## - SENATE BILL 89 -

### "An Act Relating to the Members of the Board and Staff of the Alaska Permanent Fund Corporation" -

In the past six months there has been nearly a 100% turnover in the top management of the Alaska Permanent Fund Corporation--among them the executive director, the chief investment officer, and five of the six trustees. This level of turnover is not healthy.

The purpose of SB 89 is to provide greater continuity in the management of the fund, which should translate into more careful, deliberate financial decision-making. The bill makes it clear that removal of a trustee must be for cause, reduces the cabinet-member appointees from two members to one member, and increases the public members from four to six (with staggered terms.) The bill also clarifies that the investment policies of the fund and staffing decisions must be made solely in the best interest of the fund.

The management issue is significant because the Alaska Permanent Fund is significant. The Permanent Fund has grown to a size of approximately \$15 billion. This is an amount which is five to six times the amount of general funds used in the annual state operating and capital budget. Sound and stable management of this huge fund is essential.

With the exception of the accelerated removal of trustees which occurred in the last two governor transitions, this bill is not aimed at correcting any particular past practices. Passage of SB 89 should not be construed as an indication that any past Permanent Fund decisions were incorrect or improper. Instead, SB 89 is forward-looking -- designed to strengthen the protections for the corpus of the fund -- so that the fund will be of maximum value and long-lived.

March 6, 1995