

**2/18/09
CONSTITU-
TIONAL
BUDGET
RESERVE
PERFORMANCE
REVIEW**

<target><bill></bill><subject>2-18-09 CONSTITUTIONAL BUDGET
RESERVE PERFORMANCE
REVIEW</subject><comm>SF26</comm></target>

2/18/09

Constitutional Budget Reserve Fund

January 31, 2009 results

Account	Balance	Combined YTD Income Stmt	Performance Forecast	3yr Prfrmnc Act (as of 1.31.09)
Corpus	\$ 3,232,290,988	\$ 5,601,231,159	7.1.08 Balance	4.53%
Sub	3,391,967,086	2,019,188,597	Net Cont(draw)*	7.61%
		(996,161,683)	Income (Loss)	-7.76%
Total	\$ 6,624,258,074	\$ 6,624,258,074	Balance	

Account	Balance	Asset Allocation	Actual Alloc	YTD Income Statement
Corpus (AKSAS FU 33040)				
Broad Market Fixed Income	\$ 642,727,790	20% ± 8%	19.88%	\$ 1,134,052,535 7.1.08 Balance
Intermediate-Term Fixed Income	2,413,666,582	75% ± 8%	74.67%	2,019,188,597 Net Cont(draw)*
Short-Term Fixed Income	175,896,616	5% ± 5%	5.44%	79,049,856 Income (Loss)
Total	\$ 3,232,290,988		100.00%	\$ 3,232,290,988 Balance

Account	Balance	Asset Allocation	Actual Alloc	YTD Income Statement
Sub (AKSAS FU 33042)				
Domestic Equity	\$ 1,431,484,171	44% ± 7%	42.20%	
International Equity	629,202,479	19% ± 5%	18.55%	
Conservative Aggregate	1,256,622,519	36% ± 7%	37.05%	\$ 4,467,178,624 7.1.08 Balance
Emerging Income Plus Fund	74,656,363	1% -1%/+3%	2.20%	- Net Cont(draw)*
Short-Term Fixed Income	1,553	0% + 2%	0.00%	(1,075,211,538) Income (Loss)
Total	\$ 3,391,967,086		100.00%	\$ 3,391,967,086 Balance

* Net Contributions and withdrawals are calculated on a cash basis. Some activity in FY09 is due to FY08 appropriations.

Total Fixed Income Investments	\$ 4,563,571,424	68.89%
Total Equity Investments	2,060,686,650	72.34%
Total Equity and Fixed Income Investments	\$ 6,624,258,074	100.00%

Contributions (Withdrawals) >\$10M FY08 thru Present

Date	Amount	Account
07.12.07	50,000,000	Corpus
10.11.07	11,702,122	Corpus
12.31.07	379,000,000	Corpus
01.03.08	28,372,692	Corpus
02.05.08	19,815,031	Corpus
04.16.08	1,000,000,000	Sub
04.30.08	(1,499,801,052)	Corp to sub
04.30.08	3,100,000,000	Sub-includes ↑
08.20.08	400,000,000	Corpus
09.02.08	1,000,000,000	Corpus
12.30.08	582,158,713	Corpus

Sub funds of the General Fund and Public Employees'/Teachers' Retirement Funds

January 31, 2009 results

Account	Balance	Performance Forecast	3yr Prfrmnc Act (as of 1.31.09)
AHFC Capital Fund (Type 1)	\$ 345,544,073	4.07%	5.20%
Alaska Capital Income Fund (Type 2)	\$ 353,988,098	4.07%	5.20%
Public Education Fund (Type 2)	\$ 1,562,651,833	4.07%	5.20%
Statutory Budget Reserve (Type 2)	\$ 1,000,000,000	4.07%	5.20%
DB Retirement Plans			
PERS	\$ 7,988,919,326	8.25%	-2.73%
TRS	3,528,765,007	8.25%	-2.79%
JRS	89,922,810	8.25%	-3.16%
MRS	24,257,659		0.16%
Total	\$ 11,631,864,802		

Note: Sub fund performance rates are for the GeFonsi, which includes the Sub funds.

2/18/09

1 Yupiit School District

42,442

2 * **Sec. 33. CONSTITUTIONAL BUDGET RESERVE FUND.** (a) The sum of
3 \$2,600,000,000 is appropriated from the general fund to the constitutional budget reserve fund
4 (art. IX, sec. 17, Constitution of the State of Alaska) for repayment of amounts owed the
5 constitutional budget reserve fund.

6 (b) It is the intent of the legislature that the Department of Revenue invest the assets
7 of the constitutional budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska)
8 in a manner maximizing the long-term earnings of the fund while meeting the minimum
9 liquidity requirements of the state.

10 * **Sec. 34. LAPSE.** (a) The appropriations made by secs. 10, 13, 19(h), 22(b), 22(c), 26(b),
11 and 26(c) of this Act are for capital projects and lapse under AS 37.25.020.

12 (b) The appropriations made by sec. 21 of this Act are for the capitalization of funds
13 and do not lapse.

14 * **Sec. 35. CONTINGENCY.** (a) The appropriation made in sec. 21(d) of this Act is
15 contingent on passage by the Twenty-Fifth Alaska State Legislature and enactment into law of
16 a measure creating the community revenue sharing fund.

17 (b) The appropriations made in sec. 32 of this Act are contingent on passage by the
18 Twenty-Fifth Alaska State Legislature and enactment into law of a version of SB 125.

19 * **Sec. 36.** Sections 1, 16 - 20, 21(a), 21(b), 21(d), and 34 of this Act take effect March 10,
20 2008.

21 * **Sec. 37.** Section 21(c) of this Act takes effect June 30, 2008.

22 * **Sec. 38.** Except as provided in secs. 36 and 37 of this Act, this Act takes effect April 13,
23 2008.

2/18/07

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CBR Main (AY19)

**AY19: FY 2009 Proposed CBRF Investment Guidelines
Main Account**

Investment Topic	Current Policy	Proposed Policy
Risk Tolerance	Moderate - Fixed Income	No change
Investment Objective	Moderate exposure of principal loss in return for higher expected longer-term returns. Limited current income requirement. Moderate inflation protection needed. Increasing liquidity requirement.	No change
Time Horizon	Intermediate	No change
Asset Allocation	20% ± 8% Broad Market Fixed Income Pool 76% ± 8% Intermediate-term Fixed Income Pool 4% ± 4% Short-term Fixed Income Pool	20% ± 8% Broad Market Fixed Income Pool 75% ± 8% Intermediate-term Fixed Income Pool 5% ± 5% Short-term Fixed Income Pool
Benchmark	20% Lehman Brothers Aggregate 76% Merrill Lynch 1-5 year Govt. Bond Index 4% Three-month U.S. Treasury Bill	20% Lehman Brothers Aggregate 75% Merrill Lynch 1-5 year Govt. Bond Index 5% Three-month U.S. Treasury Bill

The approved policy for the Constitutional Budget Reserve Fund main account is effective July 1, 2008.



Approved


CBR Subs (AY10)

2/19/09

**AY10: FY 2009 Proposed CBRF Investment Guidelines
Subaccount**

Investment Topic	Current Policy	Proposed Policy
Risk Tolerance	High (Required by statute)	No change
Investment Objective	High exposure of principal to loss in return for higher expected longer-term returns. Limited current income requirement. Limited inflation protection needed. Moderate liquidity requirement.	No change
Time Horizon	Moderately Long	No change
Asset Allocation	36% ± 7% Broad Market Fixed Income Pool 45% ± 7% Domestic Equity Pool 19% ± 5% International Equity Pool	36% ± 7% Conservative Aggregate Pool 45% ± 7% Domestic Equity Pool 19% ± 5% International Equity Pool 0% + 2% Short Term Fixed Income Pool
Benchmark	36% Lehman Brothers Aggregate 45% Russell 3000 Stock Index 19% Morgan Stanley Capital International (EAFE)	36% Lehman Aggregate / Lehman Treasury (90%/10%) 45% Russell 3000 Stock Index 19% Morgan Stanley Capital International (EAFE)

The approved policy for the Constitutional Budget Reserve Fund subaccount is effective July 1, 2008.


Approved

2/18/06

**Alaska Statutes
AS 37.10.430**

Sec. 37.10.430. Management of the budget reserve fund.

(a) The Department of Revenue may transfer management responsibility over all or a portion of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Alaska Permanent Fund Corporation.

(b) By March 15 of each year, the Department of Revenue shall, after consulting with the Alaska Permanent Fund Corporation, prepare a report setting out the balance in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) on January 1 and on December 31 of the previous calendar year. The report shall state the nominal, real, and realized return on the budget reserve fund compared to the nominal, real, and realized return on the permanent fund and the general fund during the previous calendar year.

(c) A special subaccount is established in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska). Money in the subaccount shall be invested to yield higher returns than might be feasible to obtain with other money in the budget reserve fund. In establishing or modifying the investment policy for the subaccount in the constitutional budget reserve fund, the commissioner of revenue shall assume that those funds will not be needed for at least five years. Income earned on money in the subaccount shall be retained in the subaccount by the department.