

ALASKA LEGISLATURE

2161

HOUSE and SENATE FINANCE COMMITTEE FILES,

2001 - 2002



STATE OF ALASKA
Division of General Services
550 West Seventh Ave., Suite 601
Anchorage, AK 99501

REQUEST FOR PROPOSAL # 1999-0200-1435
AMENDMENT #3

TITLE AND PURPOSE OF RFP: LEASE OF APPROXIMATELY 15,000 - 16,000 SQ. FT. OF NET USABLE OFFICE AND PUBLIC SERVICE SPACE AND APPROXIMATELY 2,800 SQ. FT. OF NET USABLE WAREHOUSE SPACE, LOCATED IN ANCHORAGE FOR THE DIVISION OF MOTOR VEHICLES.

AMENDMENT #3 ISSUE DATE: *October 10, 2000*

RFP CLOSING DATE & TIME: Wednesday, November 1, 2000, 3:00 p.m.

LOCATION: *550 West Seventh Avenue, Suite 601, Anchorage, Alaska*

OFFERS RECEIVED AFTER THE DATE AND TIME STATED ABOVE WILL NOT BE CONSIDERED.

ALL QUESTIONS AND CORRESPONDENCE REGARDING THIS REQUEST FOR PROPOSAL SHOULD BE DIRECTED TO LORETTA DELK, C.P.M., AT THE ADDRESS ABOVE OR BY CALLING 269-0301, FAX 269-0308 OR TDD 269-0312.

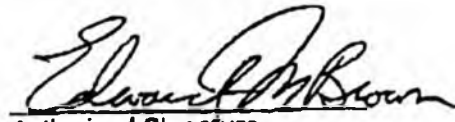
THIS AMENDMENT IS WRITTEN TO:

1. Change the RFP closing date and time to read as indicated above.
2. Change SECTION 1, paragraph 3 LEASE TERMINATION DATE to read: April 30, 2010.
3. Change SECTION 1, paragraph 4 INITIAL TERM OF LEASE to read: Approximately 9 years.
4. Change SECTION 1, paragraph 5 RENEWAL, first sentence to read: The State shall have the sole option to renew the lease for three (3) additional three (3) year periods.
5. Remove the PRICE OFFER PAGE and replace with the PRICE OFFER PAGE AMENDED, attached.

A signed copy of this amendment must accompany the Offer or be returned to the Issuing office prior to the time set for closing. This is a three (3) page amendment.


Loretta Deik, C.P.M., Contracting Mgr.

North Star Ventures
Company Submitting Offer


Authorized Signature
Edward M. Brown

PRICE OFFER PAGE
Amended

PRICE OFFER: Offerors must enter a number on the "MONTHLY PRICE" and "MONTHLY RENEWAL REDUCTION" below. Failure to indicate numbers below may be cause for the State to reject the offer.

"RENT PRICE" OFFER: For evaluation purposes the "Monthly Price" will be multiplied by 108 months.

$$\$ \underline{\hspace{2cm}} \text{ X } 108 \text{ months} = \$ \underline{\hspace{2cm}}$$

Monthly PriceRent Price Offer

MINUS (-) "MONTHLY RENEWAL REDUCTION" OFFER: Offerors may offer a monthly rent price reduction during any renewal of the lease. For evaluation purposes the "Monthly Renewal Reduction" price will be multiplied by the number of months in the renewal options (108 months). Offerors should enter zero if no reduction is offered in the renewal years.

$$\$ \underline{\hspace{2cm}} \text{ X } 108 \text{ months} = \$ (\underline{\hspace{2cm}})$$

Monthly Renewal ReductionTotal Renewal Reduction

GRAND TOTAL PRICE: \$

This is the total of the "Rent Price Offer" listed above minus (-) the "Total Renewal Reduction" listed above.

The "GRAND TOTAL PRICE" will be used for evaluation purposes.



STATE OF ALASKA
Division of General Services
550 West Seventh Ave., Suite 601
Anchorage, AK 99501

REQUEST FOR PROPOSAL #1999-0200-1435
AMENDMENT #2

TITLE AND PURPOSE OF RFP: LEASE OF APPROXIMATELY 15,000 - 16,000 SQ. FT. OF NET USABLE OFFICE AND PUBLIC SERVICE SPACE AND APPROXIMATELY 2,800 SQ. FT. OF NET USABLE WAREHOUSE SPACE, LOCATED IN ANCHORAGE FOR THE DIVISION OF MOTOR VEHICLES.

AMENDMENT #2 ISSUE DATE: *October 4, 2000*

RFP CLOSING DATE & TIME: *October 25, 2000, 3:00 p.m.*

LOCATION: *550 West Seventh Avenue, Suite 601, Anchorage, Alaska*

OFFERS RECEIVED AFTER THE DATE AND TIME STATED ABOVE WILL NOT BE CONSIDERED.

ALL QUESTIONS AND CORRESPONDENCE REGARDING THIS REQUEST FOR PROPOSAL SHOULD BE DIRECTED TO LORETTA DELK, C.P.M., AT THE ADDRESS ABOVE OR BY CALLING 269-0301, FAX 269-0308 OR TDD 269-0312.

THIS AMENDMENT IS WRITTEN TO:

1. Change the RFP closing date and time to read: **Wednesday, October 25, 2000, 3:00 p.m.**
2. Inform offerors that there is no requirement for an emergency standby generator.
3. Delete the tile size requirement for any ceramic tile offered, under the FLOOR COVERING paragraph in Amendment #1.
4. Delete linoleum as a resilient floor option, under the FLOOR COVERING paragraph.

**State of Alaska
Department of Administration
Division of General Services
550 W 7th Avenue Suite 601
Anchorage, Alaska 99501**

**FIRST
CLASS
MAIL**

IMPORTANT: AMENDMENT TO REQUEST FCR PROPOSAL

5. Add the following Daily Service requirements to SECTION 1 - LEASE PROVISIONS paragraph #43:

Clean and wet mop all hard surface flooring or resilient flooring in all parts of the PUBLIC SERVICE SECTION, all common areas, entryways, elevator lobbies and corridors.

Spot clean and remove all spots and stains on carpet throughout the leased space.

6. Inform offerors that any vinyl wall covering provided shall be a minimum of type II.
7. Inform offerors that colors, patterns and type of flooring should hide soiling and heavy traffic patterns.
8. Inform offerors that the Lessor must provide aggressive floor maintenance and close monitoring of all flooring in the PUBLIC SERVICE SECTION, including but not limited to daily spot cleaning, vacuuming and shampooing.
9. Inform offerors that there are no additional floor load requirements, besides those listed in the original RFP.
10. Inform offerors that separate public restrooms are not required for DMV customers.
11. Inform and clarify to offerors that the "public occupant load" listed in SECTION 2-BUILDING REQUIREMENTS paragraph #16, PUBLIC RESTROOMS, is the estimated walk-in customers using the DMV facility per hour. It is the Offerors' responsibility to assure adequate fixture counts to accommodate occupant load and meet all applicable codes for their facilities.
12. Inform offerors that the maximum number of customers queued in line at any given time should not exceed 75.
13. Inform offerors that the State will provide connection to the WAN. No special or additional cabling/conduit is required for the WAN.
14. Inform offerors that Kodak microfilm supplies are non-hazardous materials with no special storage, disposal or handling requirements. Current storage is 8-10 cases of film.
15. Inform offerors that the State has no preferred manufacturer for furniture in the PUBLIC SERVICE SECTION.
16. Inform offerors that as-built drawings may be in AutoCAD Release, 14 or Release 2000 or other format approved by the State.
17. Delete SECTION 1- LEASE PROVISIONS paragraph 38 INSURANCE REQUIREMENTS and replace it with the following paragraph 38:

38. INSURANCE REQUIREMENTS: Without limiting Lessor's indemnification, Lessor shall purchase insurance at its own expense and maintain it in force at all times during the performance of services under this lease the following policies of insurance. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the Lessor's policy contains higher limits, the State will be entitled to coverage to the extent of such higher limits.

38.1 Proof of insurance is required for worker's compensation insurance. The Lessor shall provide and maintain, for all employees of the Lessor engaged in work under this lease, Worker's Compensation Insurance as required by AS 23.30.045. The Lessor will be responsible for Worker's Compensation Insurance for any subcontractor who directly or indirectly provides services under this lease. This coverage must include a waiver of subrogation against the State of Alaska.

38.2 Proof of insurance is required for commercial general liability insurance with coverage limits not less than \$1,000,000 combined single limit per occurrence and annual aggregates where generally applicable. The State of Alaska shall be named as additional insured.

38.3 Proof of insurance is required for commercial automobile liability insurance with coverage for all owned, hired and non-owned vehicles with coverage limits not less than \$500,000 combined single limit per occurrence. The State of Alaska shall be named as additional insured.

38.4 Proof of insurance is required for property insurance, which covers the building in which the lease space is located, on a policy of all risk (including quake and flood) coverage insurance in an amount equal to the full replacement value of the building. Policy shall waive rights of subrogation against the State of Alaska.

38.5 All insurance required under this Lease shall: (1) be issued by insurance companies authorized to do business in the State of Alaska with a rating of A/X or better as rated in the most recent edition of Best's Insurance Reports; (2) be issued as a primary coverage to any insurance coverage or self insurance program carried by the State of Alaska; and (3) contain an endorsement and provide a Certificate(s) of Insurance requiring thirty (30) days' prior written notice from the insurance company to the State's Contracting Officer before cancellation, nonrenewal or material change in the coverage, scope, or amount of any policy.

18. Inform offerors that the State has no preference regarding location or type of HVAC units provided to meet the requirements of the Lease.

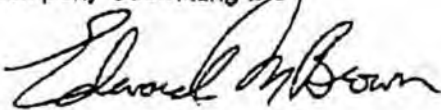
Add the following paragraph FORCE MAJEURE: (Impossibility to perform) The contractor is not liable for the consequences of any failure to perform, or default in performing, any of its obligations under this agreement, if that failure or default is caused by any unforeseeable Force Majeure, beyond the control of and without the fault or negligence of the contractor. For the purposes of this agreement, Force Majeure will mean war (whether declared or not); revolution; invasion; insurrection; riot; civil commotion; sabotage; military or usurped power; lightning; explosion; fire; storm; drought; flood; earthquake; epidemic; quarantine; strikes; acts or restraints of governmental authorities affecting the project or directly or indirectly prohibiting or restricting the furnishing or use of materials or labor required; inability to secure materials, machinery, equipment or labor because of priority, allocation or other regulations of any governmental authorities.

A signed copy of this amendment must accompany the Offer or be returned to the issuing office prior to the time set for closing. This is a three (3) page amendment.


Loretta Delk, C.P.M., Contracting Mgr.

North Star Ventures

Company Submitting Bid



Authorized Signature

Edward M. Brown

2/15/01

AK

PERM.

FUND

2001

HFIN

FILE



Capital Markets Outlook 2001

Alaska Permanent Fund Corporation

Presentation to the House Finance Committee

February 15, 2001

Agenda



“Capital Markets Outlook 2001” Alaska Permanent Fund Corporation Presentation to the House Finance Committee February 15, 2001

Topics

Introductions

Capital Market Assumptions –
Rate of return and risk expectations
for the next 5 years for all asset classes

Outlook for stocks, bonds and real estate

Outlook for Fund growth and income

Looking in at the Fund from Outside –
Observations from the APFC’s
new Investment Advisors

Legislators Q and A

Times

8:30 – 8:35

8:35 – 9:00

9:00 – 9:15

9:15 – 9:25

9:25 – 9:45

9:45 – 10:00

Presenters

Clark Gruening, Chair, APFC Board of Trustees
Robert D. Storer, Executive Director, APFC

Michael O’Leary, Executive Vice-President
Callan Associates

Allan Moore, Chief Investment Officer, APFC

Chris Phillips, Director of Finance, APFC

Allan Bufferd, Treasurer
Massachusetts Institute of Technology
Robert Maynard, Chief Investment Officer
Public Employee Retirement System of Idaho
Jerrold Mitchell, Retired Partner
Wellington Management Company

Michael J. O'Leary, Jr., CFA
Executive Vice President
Callan Associates

Michael J. O'Leary is an Executive Vice President and shareholder at Callan, Associates, where he is responsible for national oversight of Callan's plan sponsor consulting practice. Throughout his career, Mr. O'Leary has worked extensively with major corporate and public funds. He previously held a variety of management, research and analyst positions for major trust companies in Chicago and Hartford and headed the investment consulting practice at Mercer Asset Planning in Denver. Michael O'Leary received his Bachelor's degree from Fordham University and is a Chartered Financial Analyst. Mr. O'Leary has taught investments at the graduate level and is a frequent speaker before professional and industry groups.



Callan Associates is an employee-owned corporation focused solely on investment consulting. Callan advises the Permanent Fund in selection and ongoing evaluations of managers across all major asset classes. The firm also conducts asset/liability and asset allocation studies on the Fund's behalf. They advise the Fund on optimization of its management structure as well as on a wide variety of special projects, including securities lending, brokerage recapture programs, manager and custodial searches and alternative investments.

Alaska Permanent Fund Corporation Investment Advisors

The Alaska Permanent Fund Corporation (APFC) Investment Advisory Board was formed in February of 2001 with the purpose of providing APFC Trustees further insights into the increasingly complex and changing world of institutional investing. The three advisors impart special perspectives drawn from their professional knowledge in the areas of portfolio management, overall management of a large fund and experience with an endowment or a trust fund. Each seat has a term of three years and these terms are staggered to ensure that only one position expires annually.

Allan S. Bufferd, as Treasurer of the Massachusetts Institute of Technology, supervises asset management and investment policy for over \$7 billion in retirement and endowment fund assets. In 1972 he began his long professional tenure with MIT, where he also serves on the boards of the MIT Corporation and the MIT Retirement Plan. Prior professional experiences include engineering and corporate management. He is a trustee, director and advisor to numerous organizations, and holds a Doctorate of Science degree from MIT as well as a Doctorate of Jurisprudence from Suffolk University. Mr. Bufferd's APFC advisory term will expire in February of 2004

Robert M. Maynard, President and Chief Executive Officer of the Idaho Public Employee Retirement System, also lends his investment expertise as a board member to numerous institutes, foundations and endowments. Mr. Maynard's long association with Alaska began in 1976 when he clerked for the Alaska Supreme Court and later worked for over a decade as an assistant attorney general. For three years Mr. Maynard served as Deputy Executive Director of the Alaska Permanent Fund Corporation. He graduated magna cum laude from Claremont Men's College, and received his Doctorate of Jurisprudence from the University of California Davis Law School. Mr. Maynard's advisory term will expire in February of 2003.

Jerrold Mitchell is partner and founder of the Wellington Management Company of Boston, Massachusetts and serves as an investment advisor and trustee for a number of large funds. He previously worked as a special assistant to the director of the Office of Foreign Direct Investments in Washington, D.C. and as an analyst and lending officer for Citibank. Mr. Mitchell holds a Masters of Theological Studies from Harvard Divinity School, a Doctorate of Jurisprudence from Harvard Law School, and his bachelor degree is from Yale University, where he graduated magna cum laude. He is pursuing a doctorate of divinity at the Episcopal Divinity School. Mr. Mitchell was contributing editor of Financial World Magazine, and has authored numerous articles on investing. He belongs to Association for Investment Management and Research, the Boston Security Analysts Society and the District of Columbia Bar. Mr. Mitchell's advisory term will expire in February of 2002.

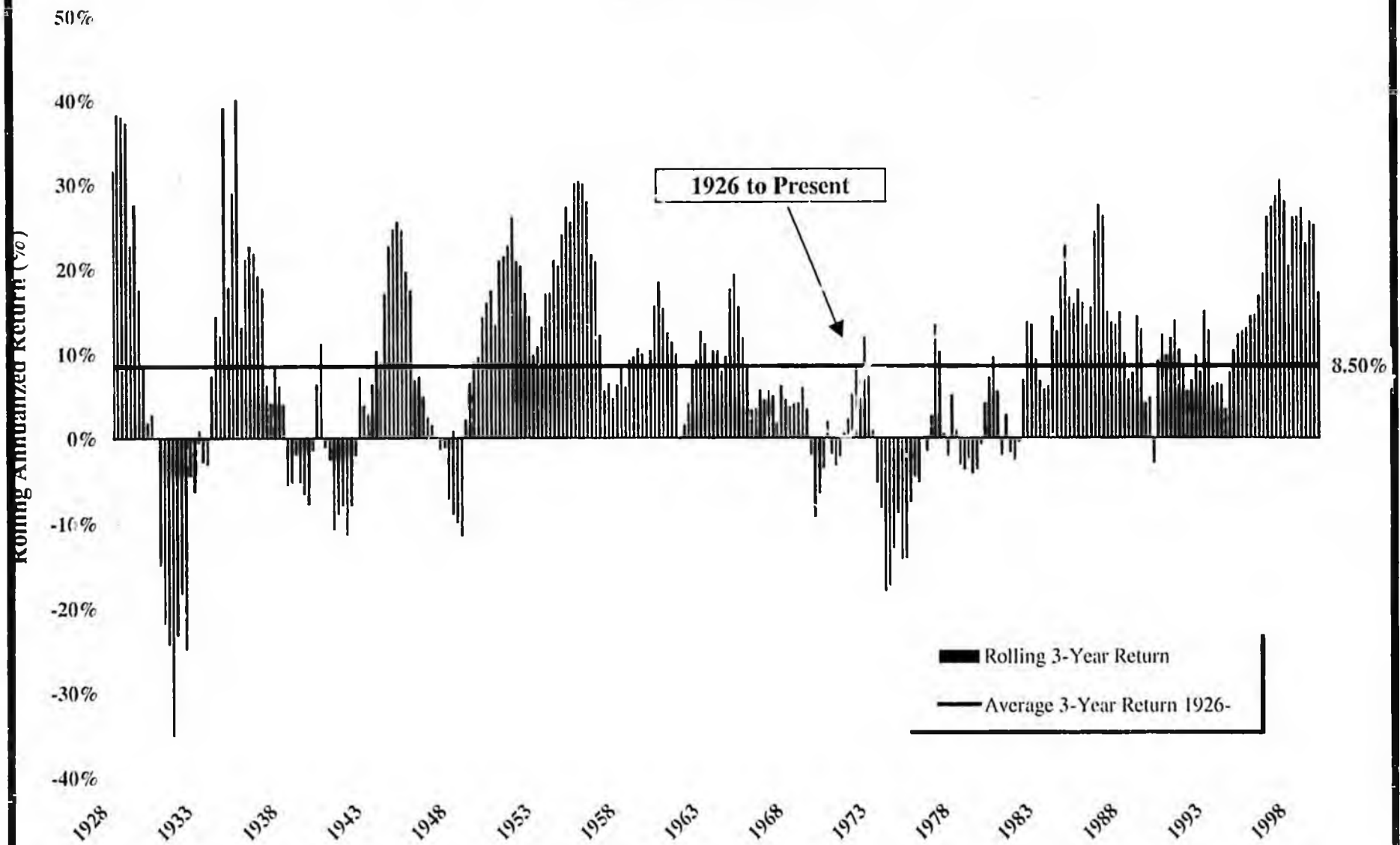
**2001 Capital Market
Outlook
Alaska Legislative Finance
Committees**

**Michael O'Leary, CFA
Executive Vice President
Callan Associates Inc.**

Agenda

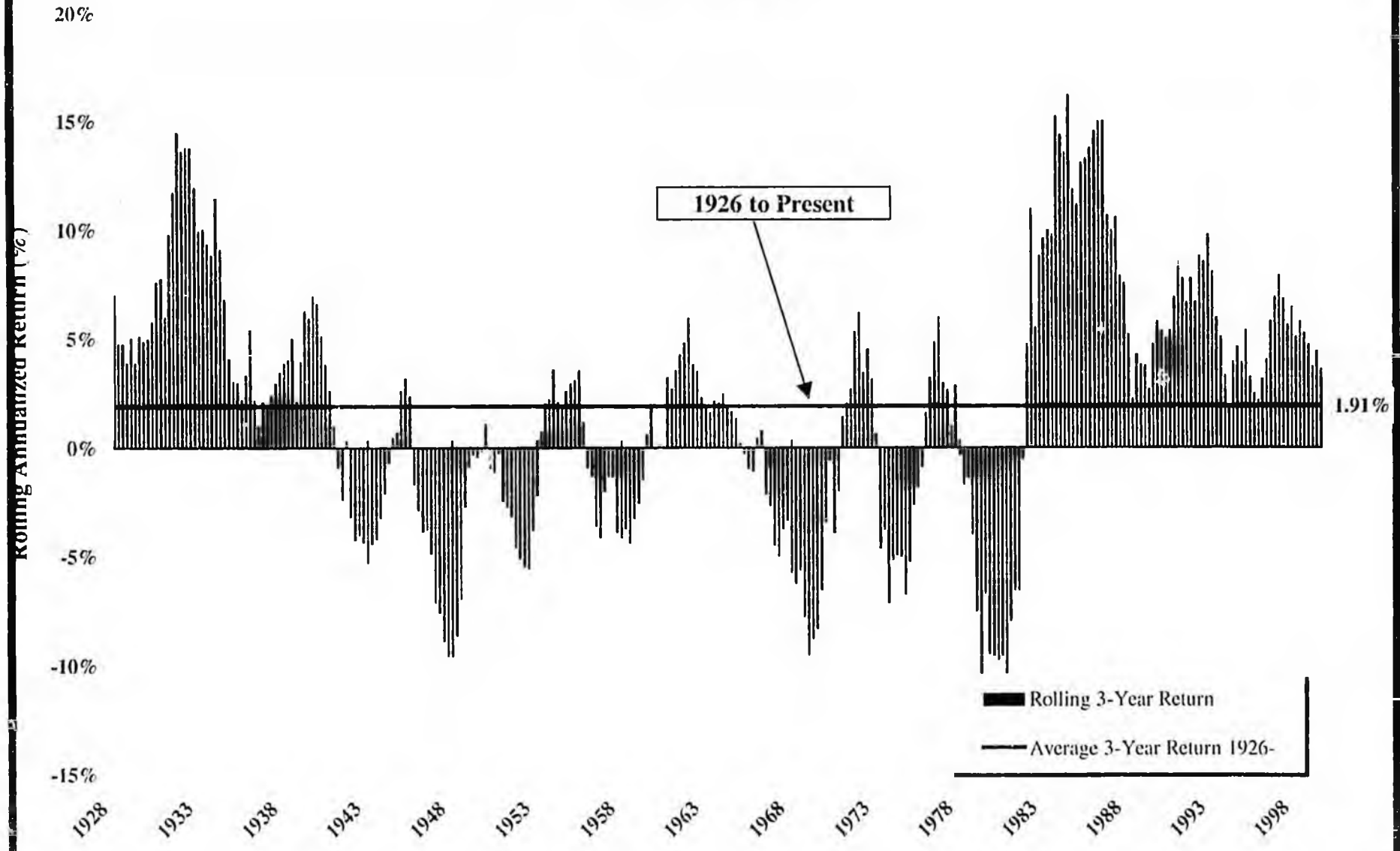
- Review long term capital market history
 - ✓ stocks
 - ✓ bonds
 - ✓ 60/40 combination with systematic spending
- Economic setting
- Recent market performance
- Callan's 5 year projections

Rolling 3 Year Real Return for S&P 500 (1926 - Present)



Data plotted thru 6/30/00

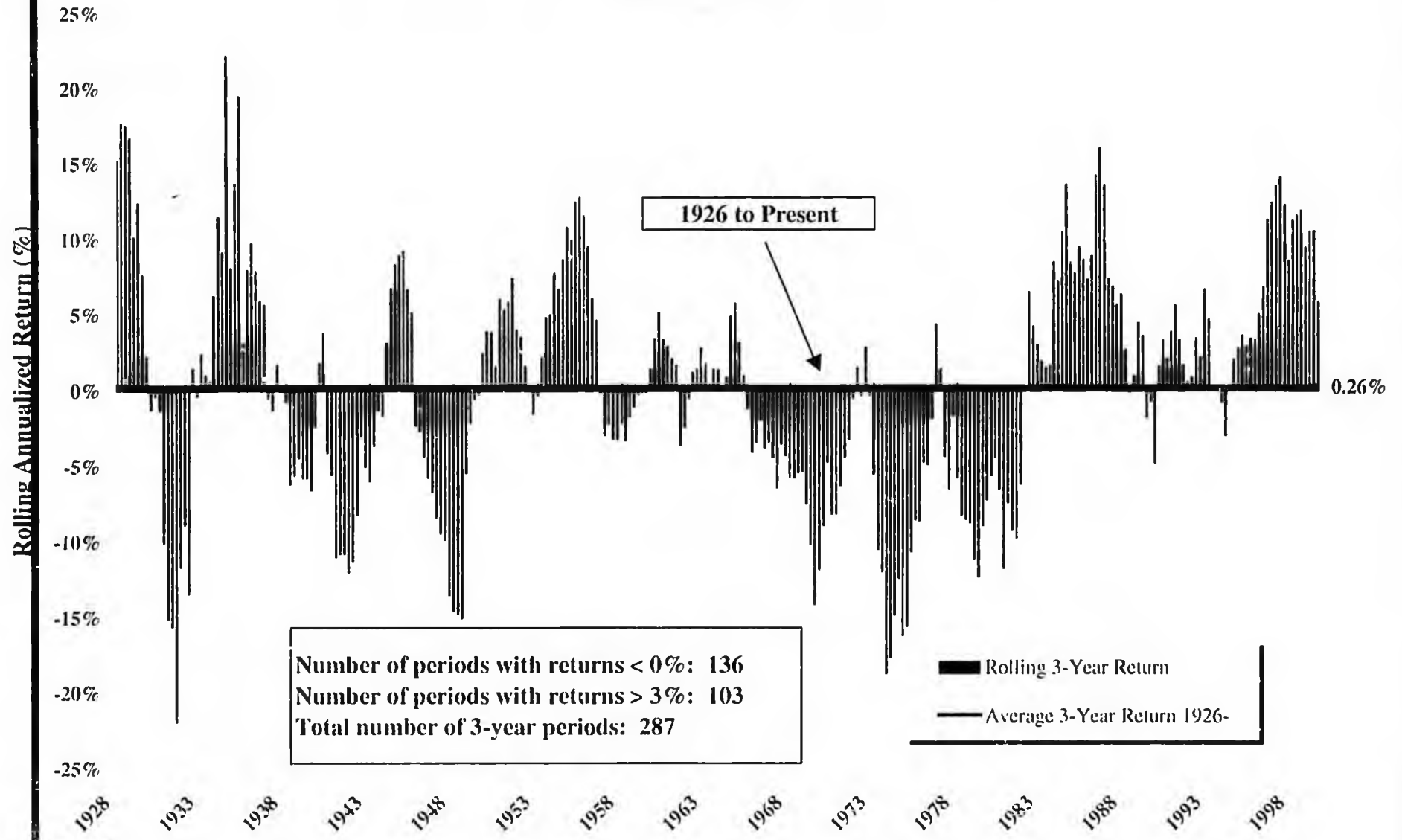
Rolling 3 Year Real Return for Domestic Fixed (1926 - Present)



Data plotted thru 6/30/00



Rolling 3 Year Real Return for 60/40 Mix Net of Spending & Cost (1926 - Present)



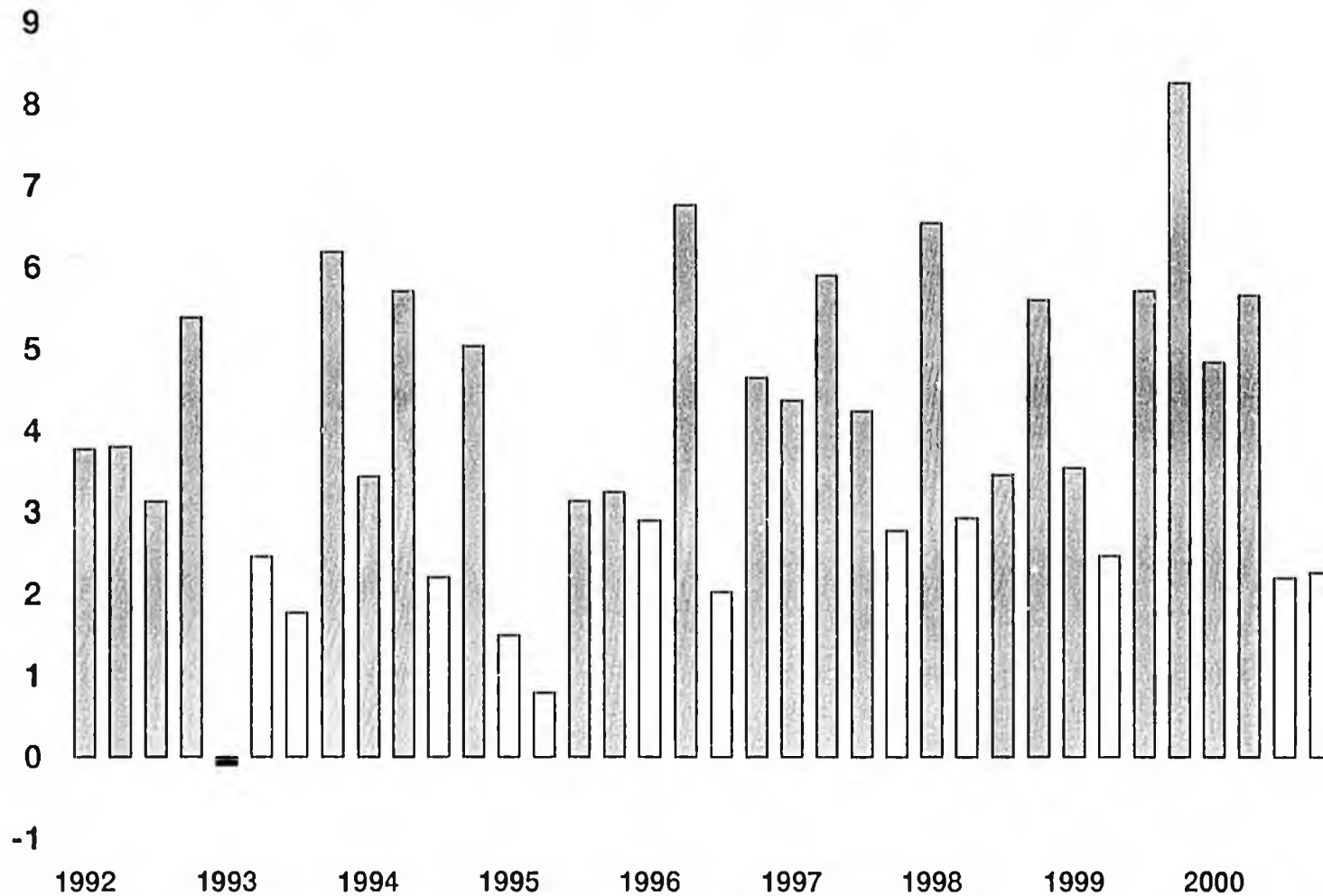
Spending presumed to be 5% & expenses .5%

The Current Economic Environment

- U.S. economy set a record in March 2000 for the longest expansion in US history, and GDP recorded its largest annual gain since 1984.
- Inflation and unemployment remain at 30-year lows.
- However:
 - ✓ Consumers are scared.
 - ✓ The stock market is down.
 - ✓ The savings rate has fallen from 8% to -1%.
 - ✓ Consumer debt has risen from 76% to 94% of disposable income.
 - ✓ Energy prices are up.
 - ✓ The trade gap is hitting records.
 - ✓ Investment is slipping.
 - ✓ Some manufacturing is already in recession.

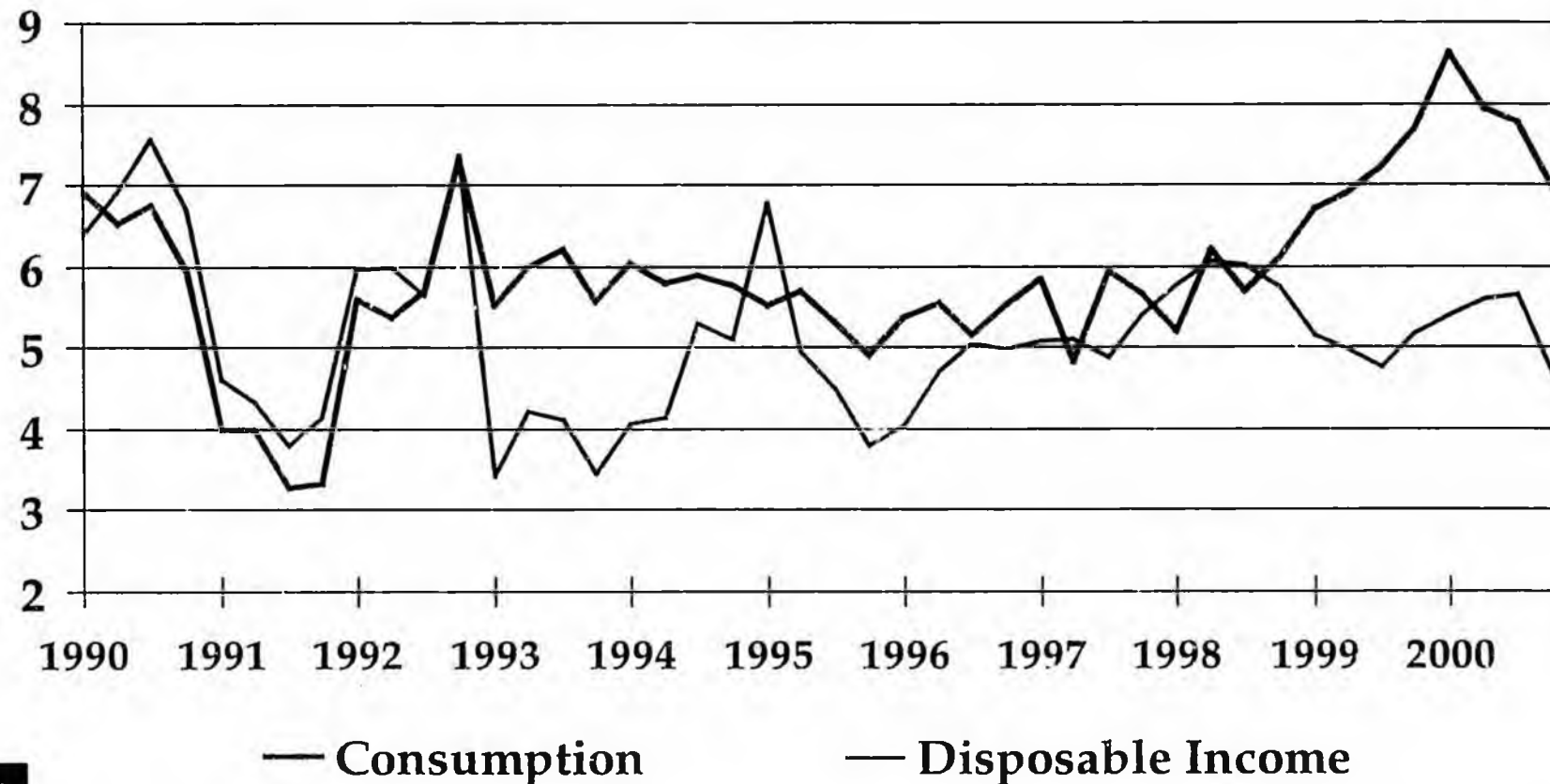
Growth Fell Off Quickly in the Second Half of 2000

(Real GDP Growth - annual percent change)

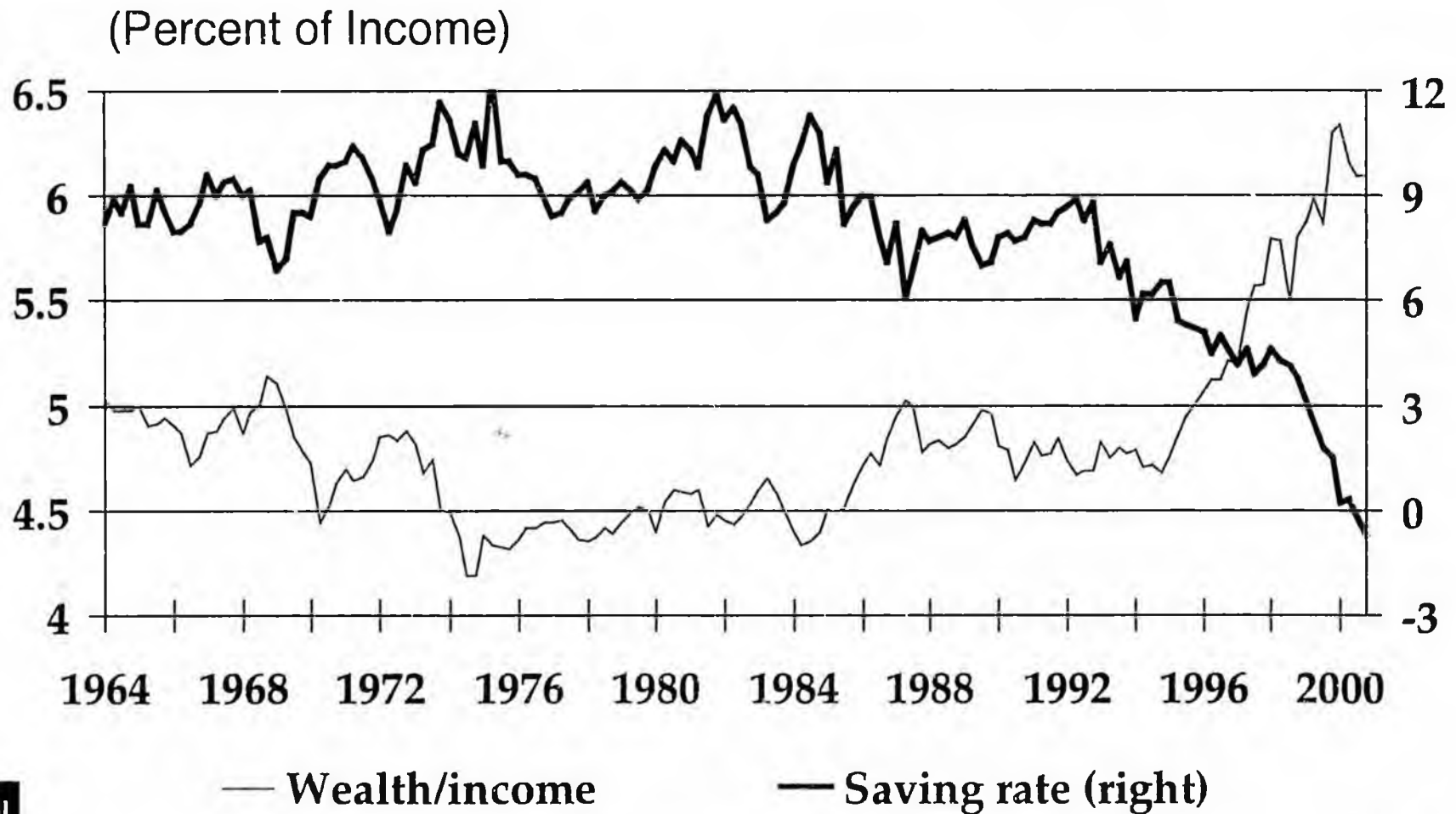


Consumers Have Been on a Spending Spree

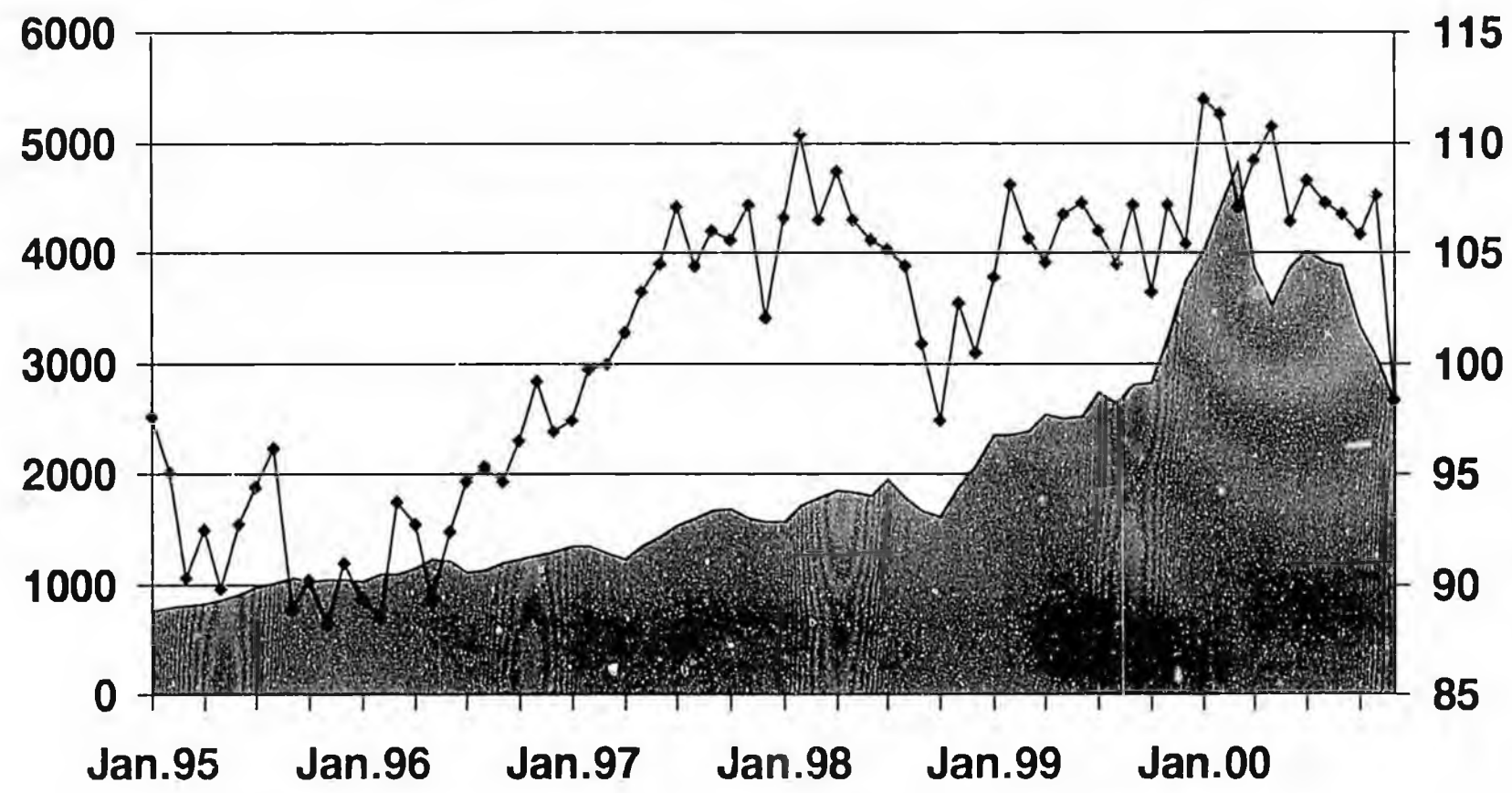
(Percentage Change, Annual Rate)



Saving Plunges as Wealth Hits a Record High



Consumers Have Certainly Been Watching the Market

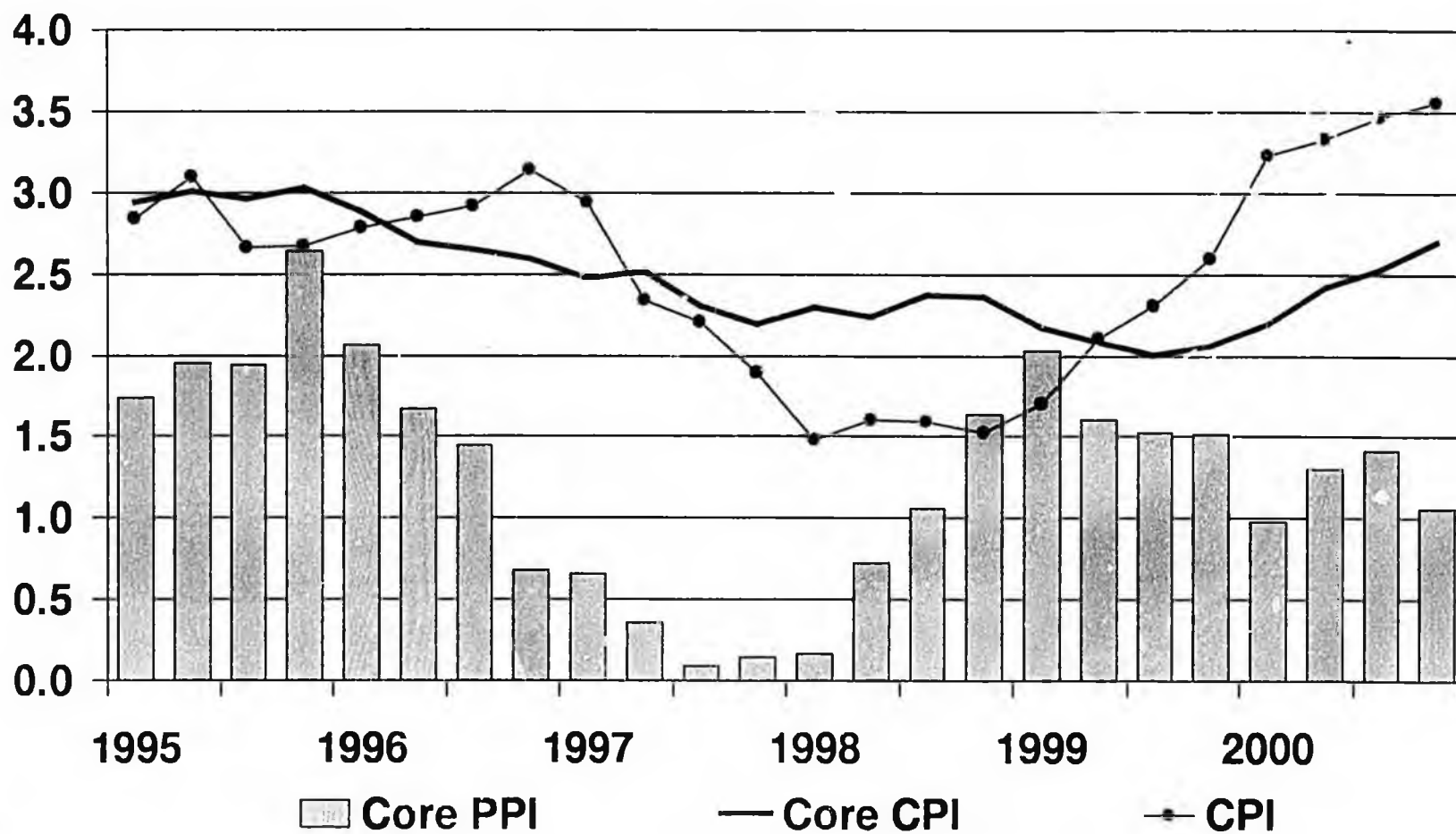


Nasdaq Composite Stock Index (Left scale)
 Consumer Sentiment (Right scale, U. of Mich.)



Inflation Will Decelerate As the Economy Softens

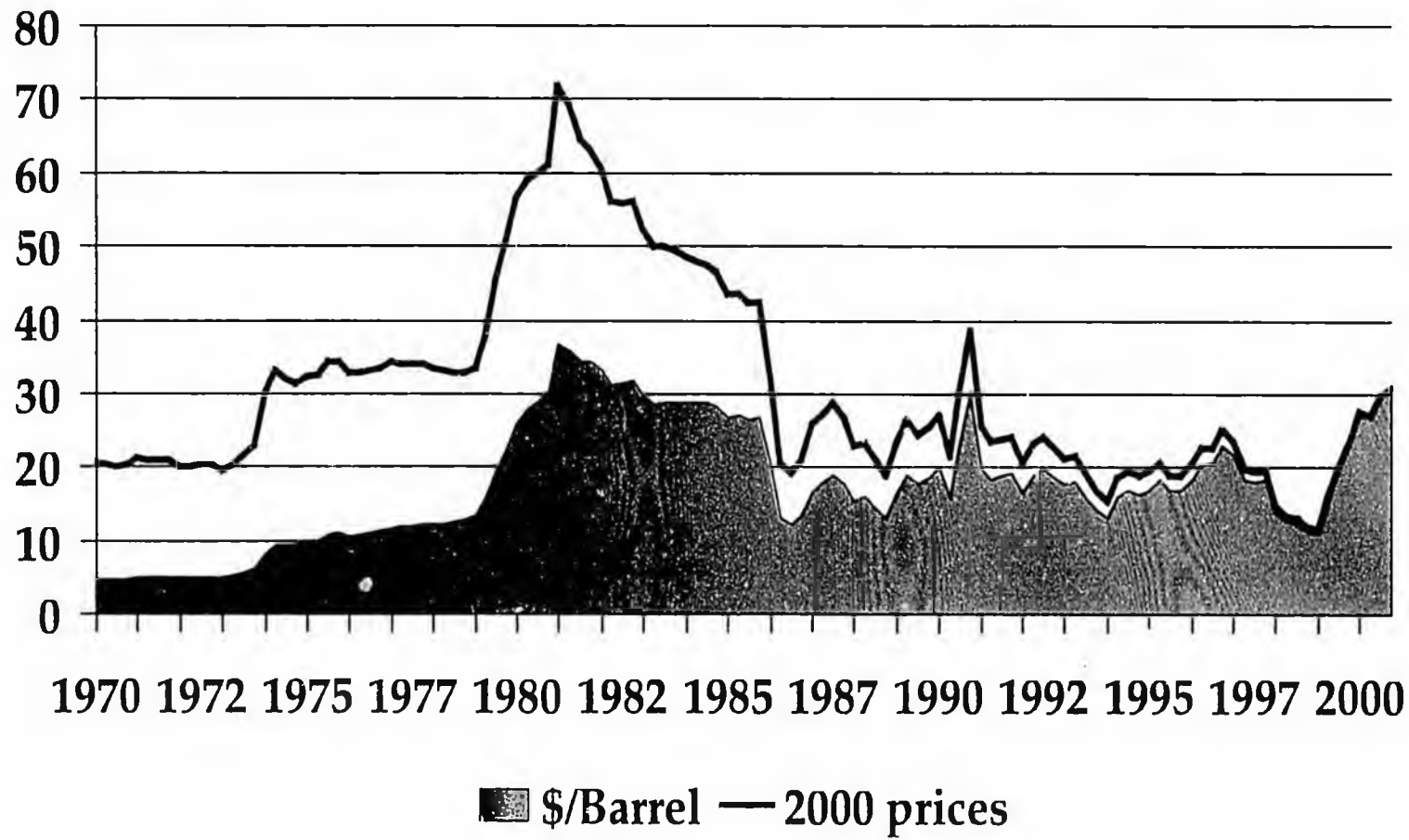
(Percent Change From a Year Earlier)



Oil Prices Are Still Low in Real Terms

The Price Peak May Already Be Behind Us

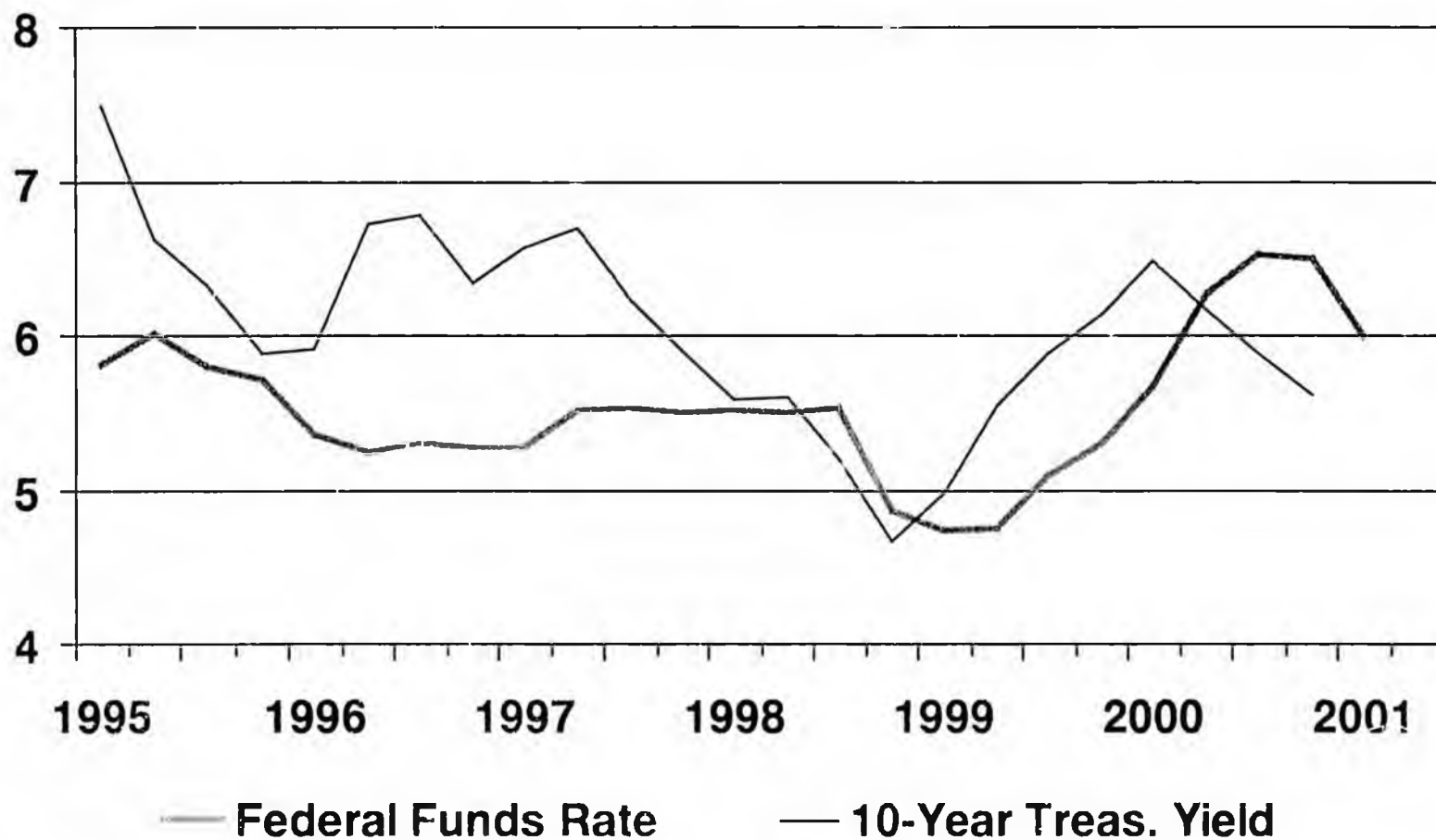
(\$/barrel, refiners acquisition price and deflated by CPI)



The Fed Will Loosen Quickly

No Longer A Question of "If" But "When"

(Percent)



Capital Markets Confront the Law of Gravity

	<u>1999 Returns</u>	<u>2000 Returns</u>
Callan Broad	22.74	-9.79
S&P 500	21.04	-9.10
Callan Small	33.87	0.23
Russell 2000	21.26	-3.02
EAFE	26.96	-14.17
NASDAQ	86.10	-39.18
LB Agg	-0.82	11.63
SB Non-US	-5.07	-2.63

Returns by P/E Decile

Group*	Ranking by P/E Ratio	1971-1997 Annualized %	1998-1999 Annualized %	2000 %
1	100 Lowest P/E Stocks	19.2	6.9	23.7
2		18.1	3.2	15.7
3		17.8	-4.3	19.5
4		15.9	-0.1	32.3
5		14.0	12.9	6.5
6		11.2	36.3	-9.0
7		10.6	38.9	-5.4
8		7.9	71.9	-11.7
9		7.1	93.3	5.8
10	100 Highest P/E Stocks	7.8	116.6	-26.6
1-10 Spread:		11.4	-109.7	50.3

* Top 1000 Largest Companies Sorted by Price/Earnings Ratio

Data Source: Ford Data Services and Boston Partners Asset Management

Capital Market Projection Process

- Evaluate the current environment and economic outlook for the U.S. and other major industrial countries.
- Examine the relationships between the economy and asset class performance patterns. Inflation, interest rates, consumer sentiment and key components of GDP growth such as productivity are of particular interest.
- Examine recent and long-run trends in asset class performance, and create risk, return and correlation projections by blending descriptive asset class characteristics with capital market insight and economic analyses.
- Test the projections for reasonable results using the optimizer and fine tune the estimates.

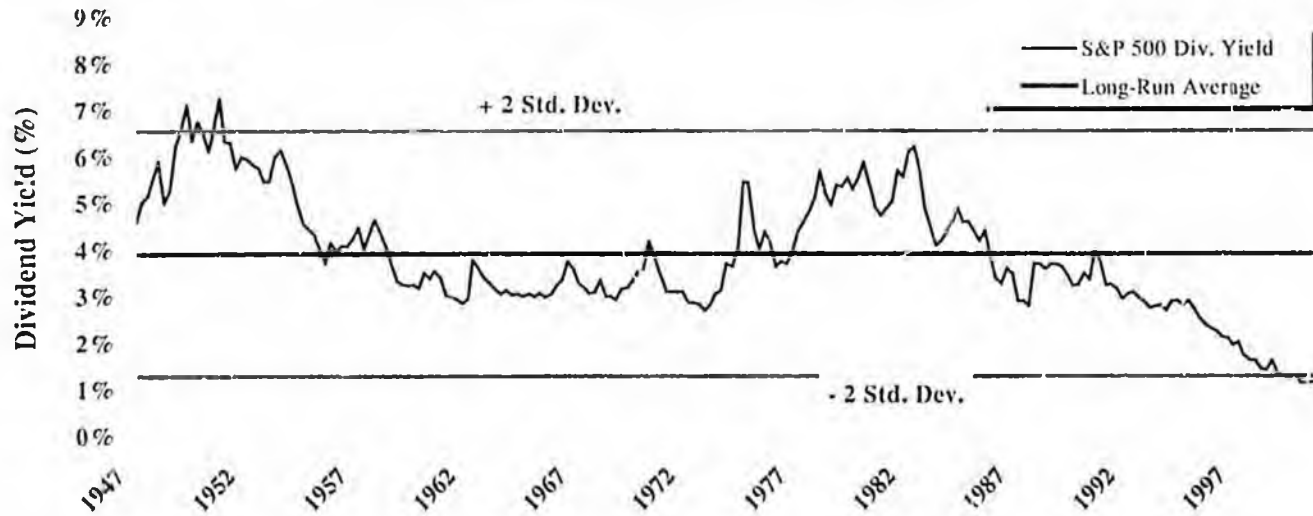
We Still Examine Stock Fundamentals

(...although we were starting to wonder)

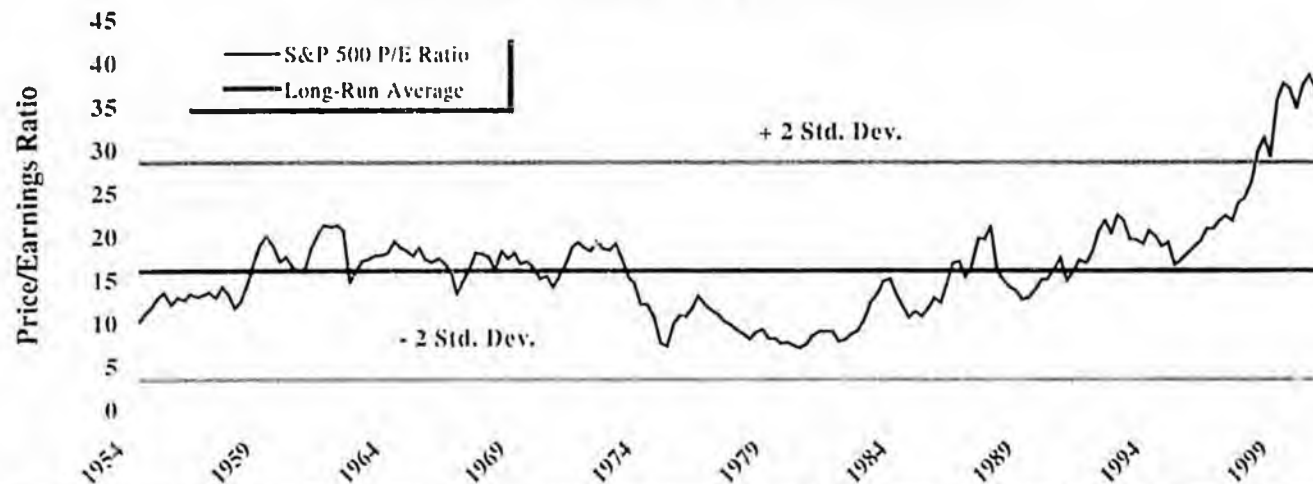
- P/E ratios hit astoundingly heights, and are inconsistent with long-term interest rates
 - markets may still be overvalued (but many stocks are becoming reasonably priced)
 - price depreciation during 2000 was hastened by weakening earnings (or even weakening expectations)
 - it is still difficult to make most quantitative models justify expected real returns in the near future
- We retain our bias towards long-run averages
- At the start of 2000, our projections were too conservative, yet by the end of the year we were too optimistic...

The Last Few Years Were More Than a Little Unusual

Dividend Yield of S&P 500 (1947 - 2000)

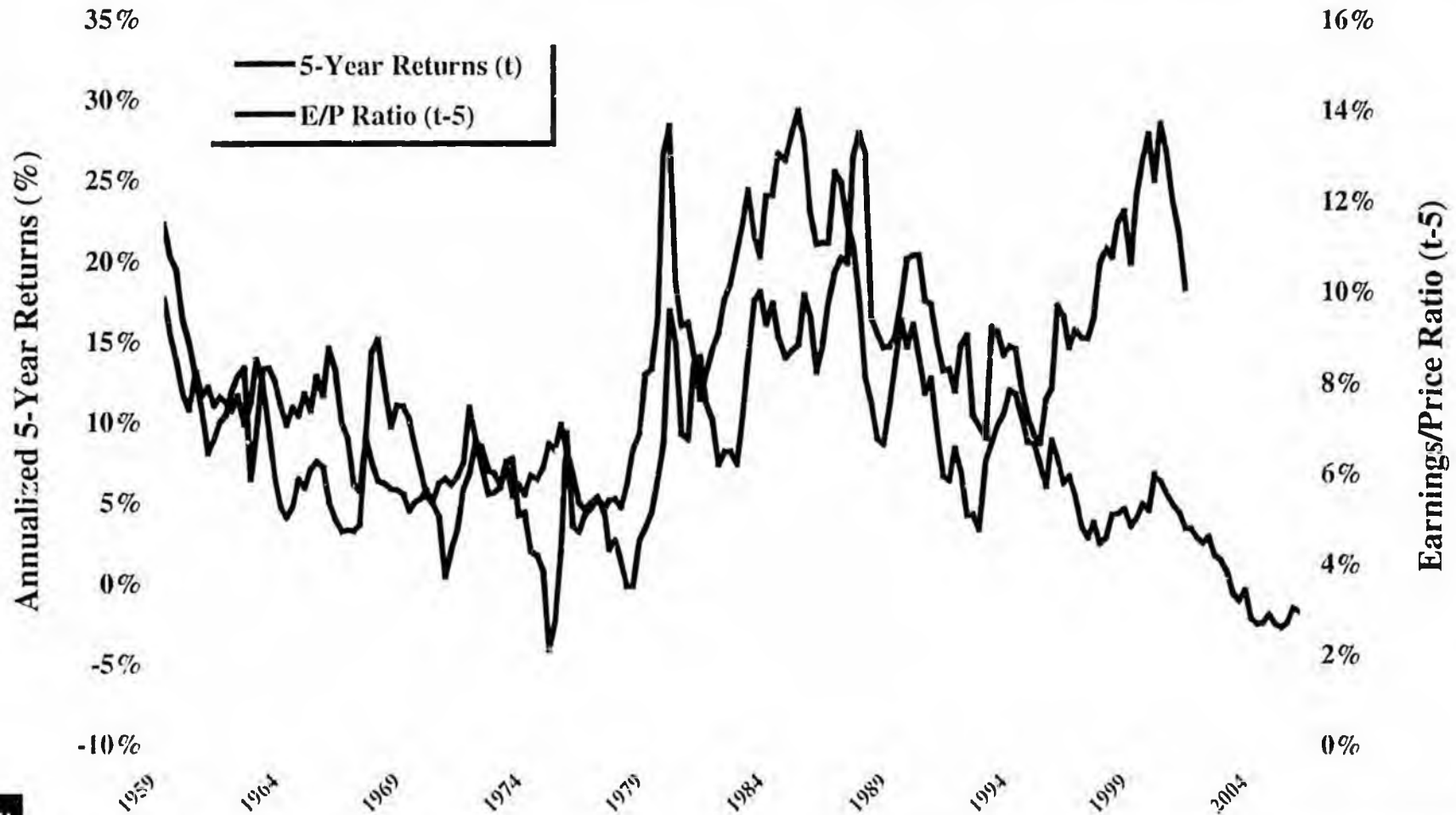


Price to Earnings Ratio for S&P 500 (1954 - 2000)



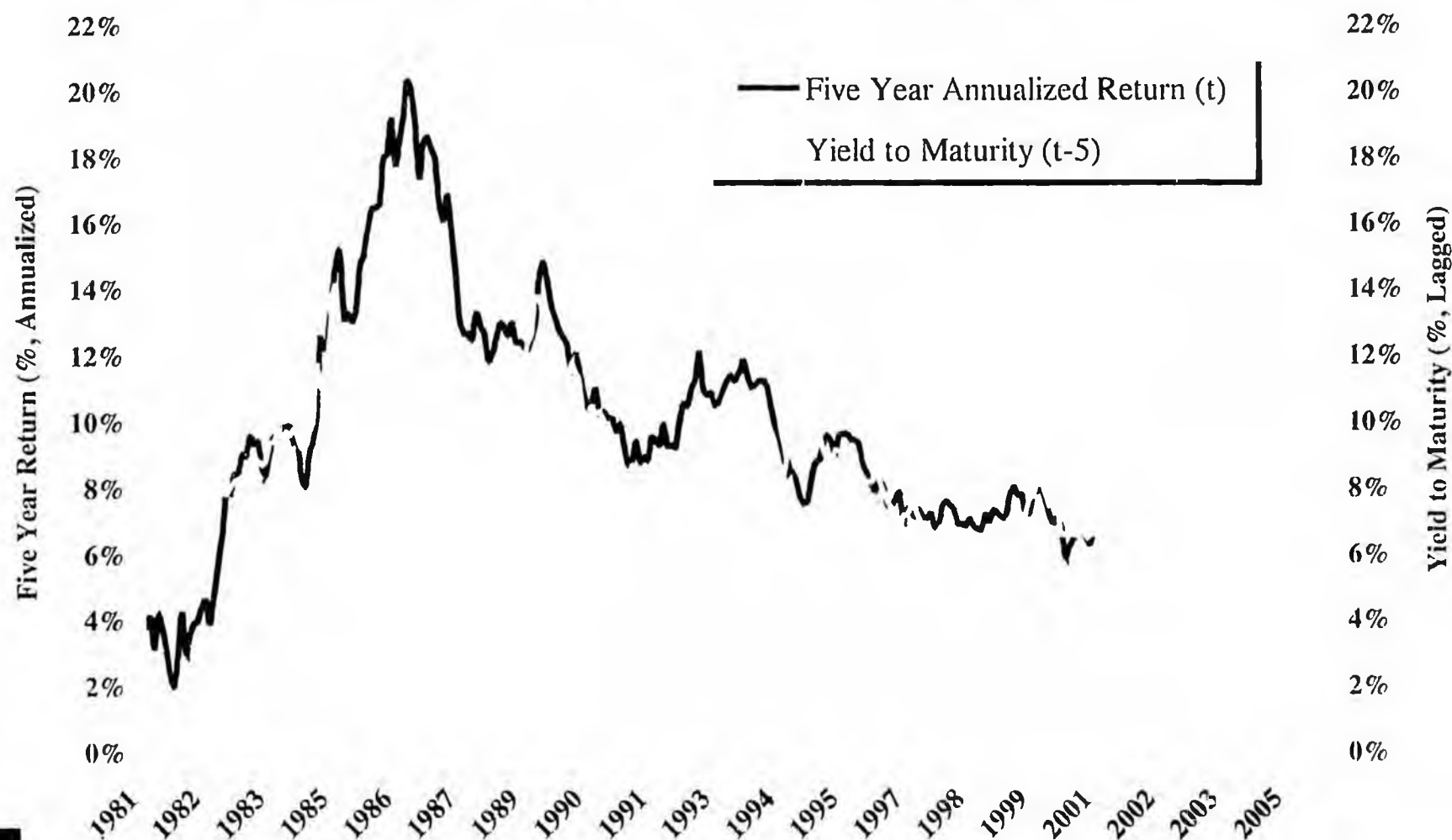
Are Equity Prices Becoming Re-connected to Their Underlying Value?

S&P 500 5-Year Returns vs. Lagged Earnings/Price (1954 - 2000)



Domestic Fixed Income

Lehman Aggregate Index 5 Year Returns vs. Lagged Yield to Maturity



2001 Capital Market Projections

Asset Class	Index	Projected Annual Return	Projected Standard Deviation (Risk)	2001 "Sharpe"	2000 Projections		2000 "Sharpe"
Equities							
Broad Domestic Equity	CAI Broad	9.20%	16.20	0.25926	9.20	16.20	0.25926
Large Cap	S&P 500	8.90%	15.00	0.26000	8.90	15.00	0.26000
Small Cap	CAI Small	10.40%	25.00	0.21600	10.40	25.00	0.21600
International Equity	EAFE	9.80%	21.50	0.22326	9.75	21.50	0.22093
Fixed Income							
Domestic Fixed	LB Agg	6.45%	5.30	0.27358	6.70	5.50	0.30909
Non USS Fixed	SB Non US	6.25%	9.80	0.12755	6.50	10.00	0.15000
Other							
Real Estate	CRES	8.30%	16.50	0.20000	8.30	16.50	0.20000
Alternative Investments	VECO PVC1	12.00%	36.00	0.19444	11.50	36.00	0.18056
Cash Equivalents	T-bill	5.00%	0.70		5.00	0.70	
Inflation	CPI-U	3.25%	1.90		3.25	1.90	

What Can Go Wrong? Risks on the Horizon

- Energy shortage worsens and forces large scale lay-offs.
- Consumers have difficulty paying for past extravagance.
- The dollar falls sharply as capital inflows shrink (and the trade deficit does its damage).
- Long term interest rates rise with the passage of large tax cuts.

Efficient Mixes

Equities Constrained To 60%

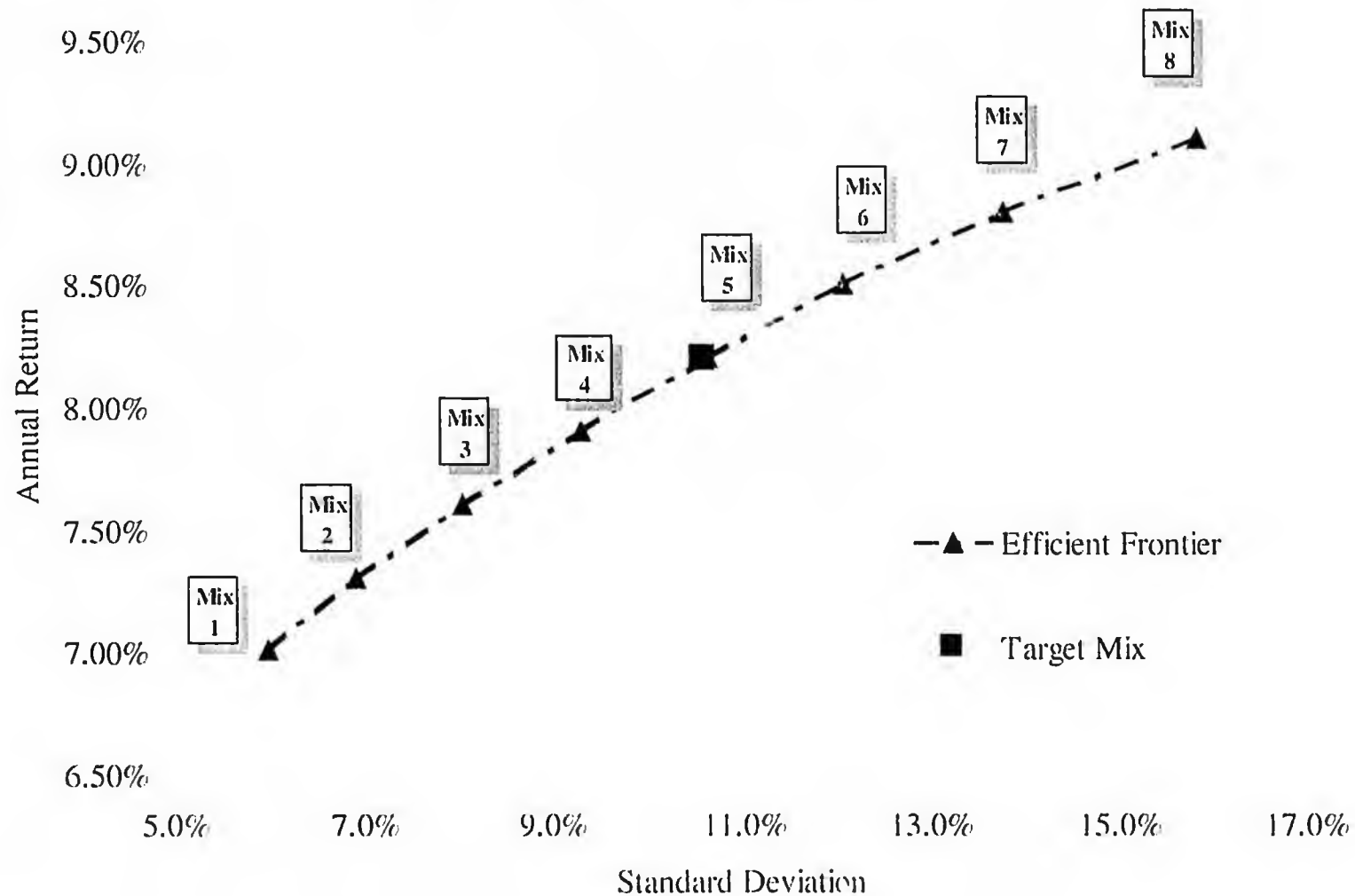
Current limit by statute is 55% & 5% basket clause

ASSET MIX ALTERNATIVES

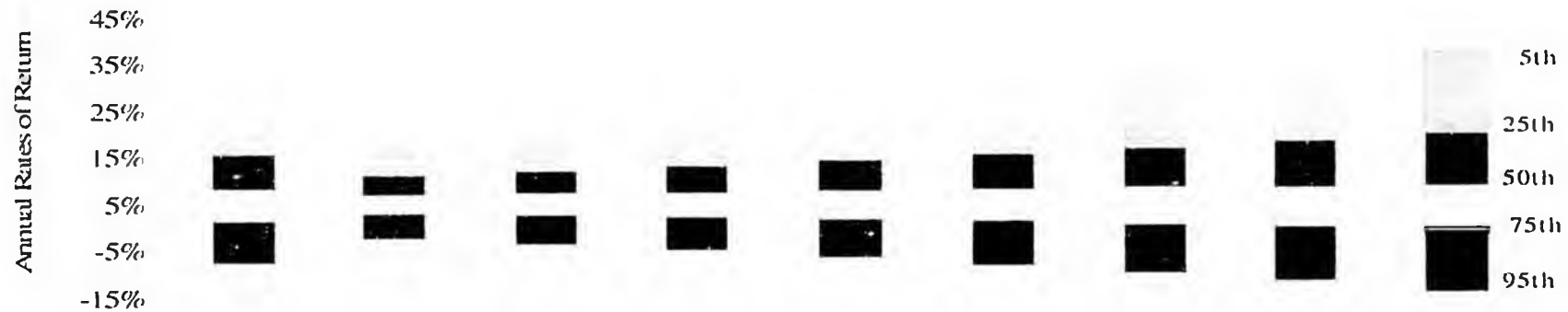
Portfolio Component	Target Mix	Minimum Allocation	Maximum Allocation	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8
Broad Domestic Equity	37%	0%	100%	16%	21%	27%	34%	40%	41%	37%	19%
International Equity	16%	0%	100%	4%	6%	9%	12%	15%	19%	23%	41%
Domestic Fixed Income	35%	0%	100%	64%	62%	53%	43%	33%	25%	10%	0%
Non-US Fixed Income	2%	0%	100%	7%	6%	6%	5%	4%	0%	0%	0%
Real Estate	10%	0%	100%	3%	4%	5%	6%	7%	15%	30%	40%
Cash Equivalents	0%	0%	100%	6%	0%	0%	0%	0%	0%	0%	0%
Total	100%			100%	100%	100%	99%	100%	100%	100%	100%
Annual Return	8.2%			7.0%	7.3%	7.6%	7.9%	8.2%	8.5%	8.8%	9.1%
Standard Deviation	10.6%			6.0%	6.9%	8.0%	9.3%	10.6%	12.1%	13.8%	15.8%
Total Equity				20%	27%	37%	46%	55%	60%	60%	60%

Mixes 7 & 8 are clearly not viable as the proportions allocated to international equities and real estate become excessive. The optimizer had to use these asset classes to achieve higher return alternatives. The target mix & mix 5 have essentially the same risk/return profile.

Efficient Frontier with a 60% Maximum Equity Constraint



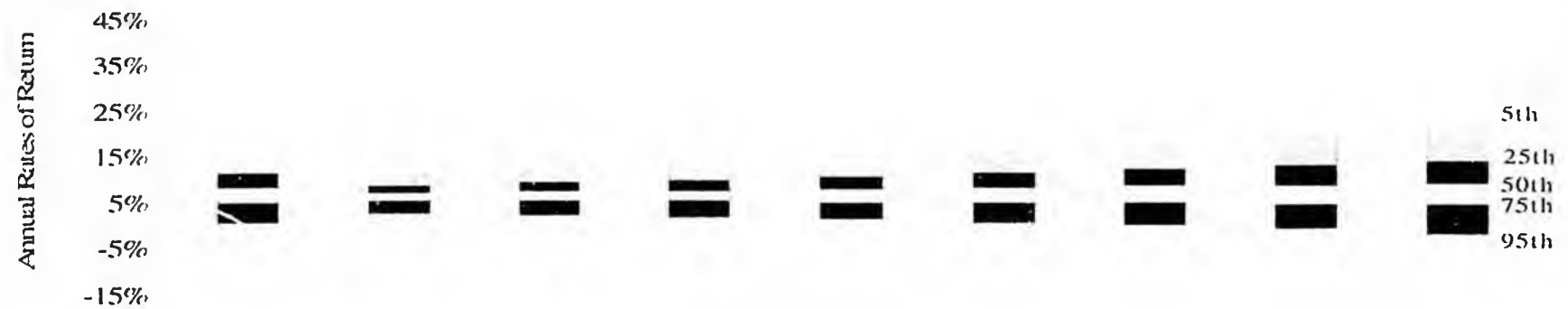
Range of Returns Over 1 Year Periods



Range of 1 Year Returns

Percentile	Target Mix	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8
5th	27.0%	17.3%	19.3%	21.6%	24.2%	27.1%	30.1%	33.7%	38.0%
25th	15.5%	11.1%	12.1%	13.1%	14.3%	15.6%	16.9%	18.4%	20.1%
50th	8.2%	7.0%	7.3%	7.6%	7.9%	8.2%	8.5%	8.8%	9.1%
75th	1.3%	3.0%	2.7%	2.3%	1.8%	1.3%	0.7%	0.0%	-0.9%
95th	-7.8%	-2.4%	-3.5%	-4.8%	-6.3%	-7.9%	-9.5%	-11.5%	-13.8%

Range of Returns Over 5 Year Periods



Range of 5 Year Returns

Percentile	Target Mix	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8
5th	16.2%	11.5%	12.5%	13.7%	14.9%	16.3%	17.7%	19.3%	21.2%
25th	11.4%	8.8%	9.4%	10.0%	10.7%	11.4%	12.2%	13.0%	13.9%
50th	8.2%	7.0%	7.3%	7.6%	7.9%	8.2%	8.5%	8.8%	9.1%
75th	5.1%	5.2%	5.2%	5.2%	5.1%	5.1%	4.9%	4.8%	4.5%
95th	0.7%	2.7%	2.3%	1.9%	1.3%	0.7%	0.0%	-0.8%	-1.8%

Alaska Permanent Fund

Outlook for stocks, bonds and real estate

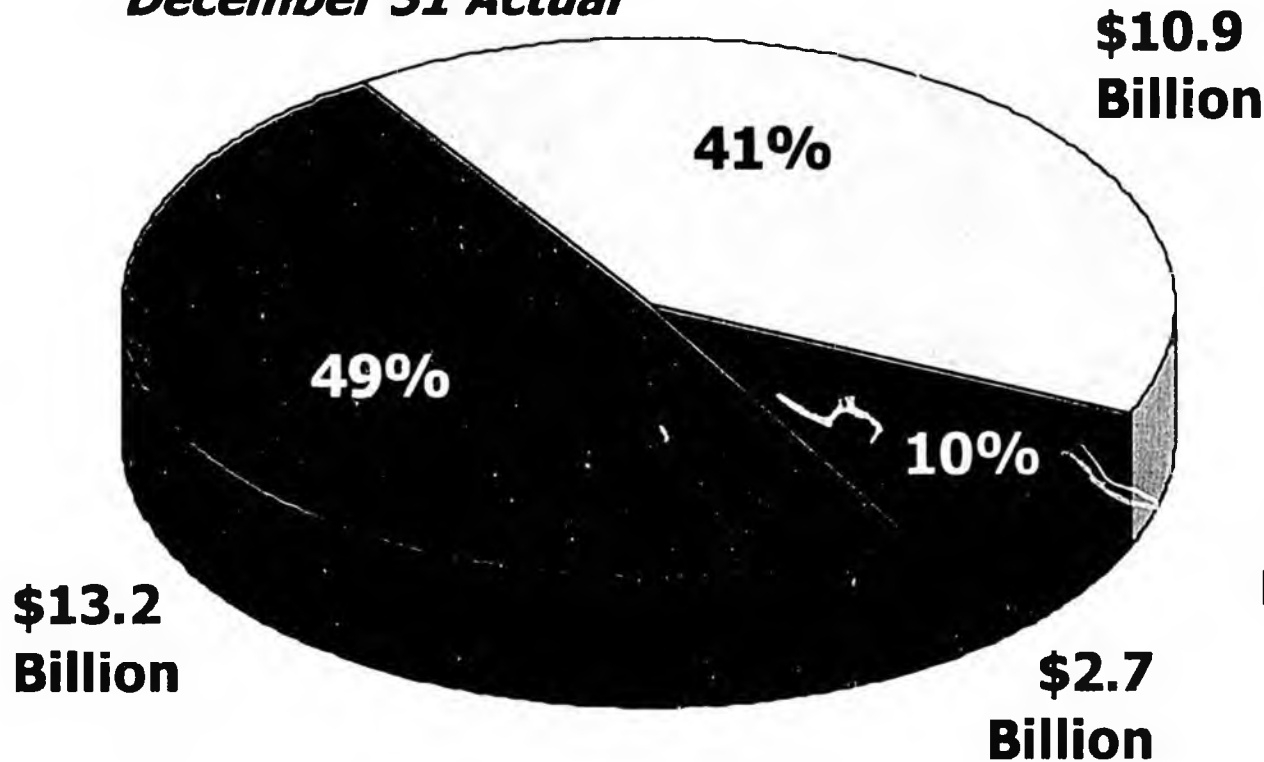
**Allan Moore, Chief Investment Officer
Alaska Permanent Fund Corporation**

**House Finance Committee
February 15, 2001**



Fund asset allocation

December 31 Actual



Asset Allocation

Equities: 53%, $\pm 5\%$

Fixed

Income: 37%, $\pm 5\%$

Real Estate: 10%, $\pm 2\%$

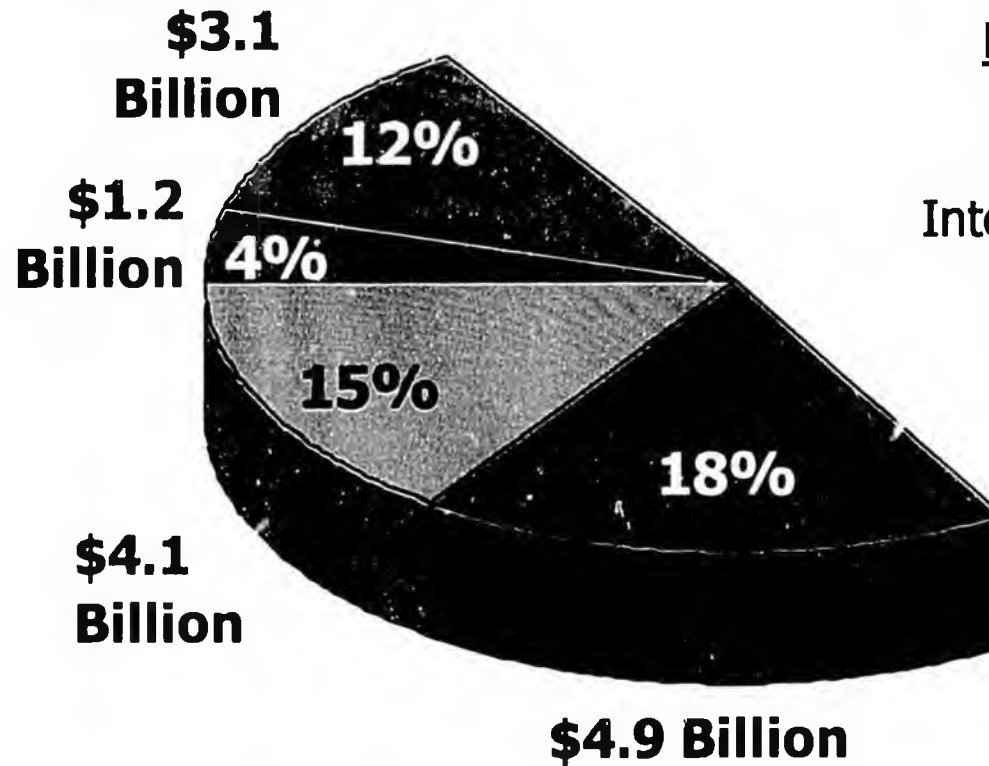
■ Equities

□ Fixed Income

■ Real Estate



Equity portfolio



Equities Allocation

Domestic: 37%, $\pm 7\%$

International: 16%, $\pm 5\%$

December 31 Actual

Domestic: 33%

International: 16%

■ Domestic Active

■ Domestic Passive

■ International Passive

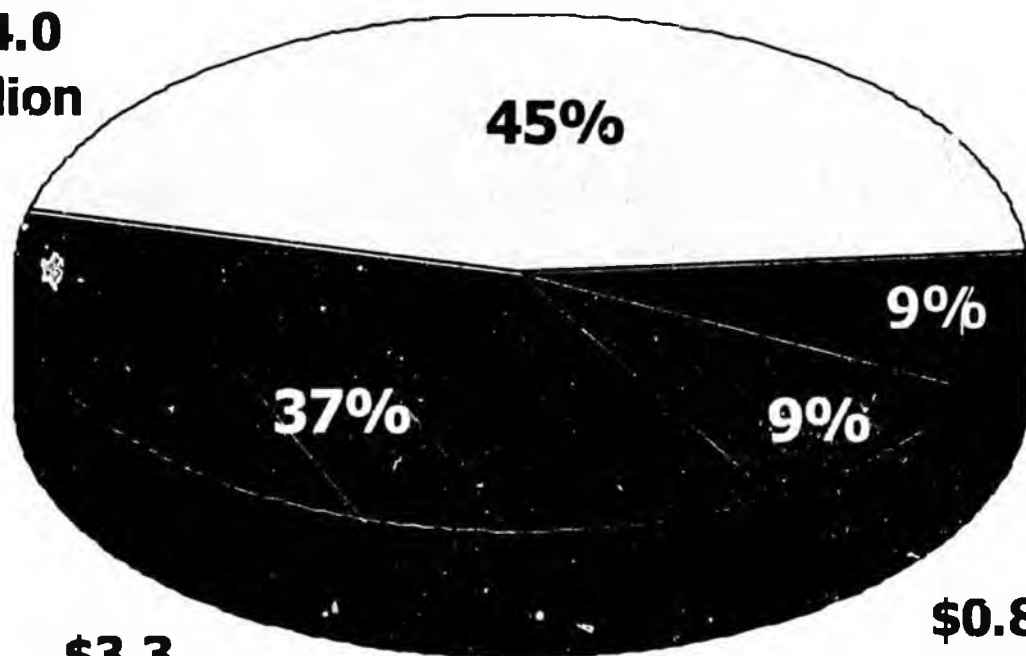
■ International Active



Capitalization size

December 31

**\$4.0
Billion**



Cap Size Allocation

Larger Cap: 80%, ±10%

Smaller Cap: 20%, ±10%

**\$0.8
Billion**

**\$3.3
Billion**

**\$0.8
Billion**

December 31 Actual

Larger Cap: 82%

Smaller Cap: 18%

■ LC Passive

□ LC Active

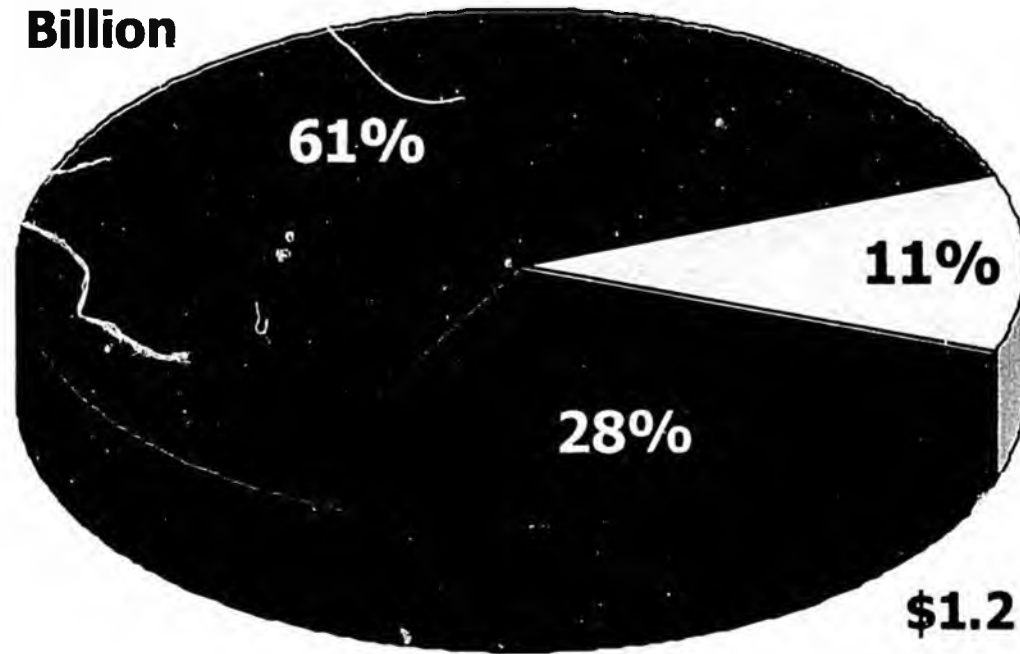
■ SC Passive

■ SC Active



International equities

**\$2.6
Billion**



**\$1.2
Billion**

International Allocation

Developed: 85%, 70-100%

Emg Mkts: 15%, ±10-15%

**\$0.5
Billion**

December 31 Actual

Developed: 89%

Emg Mkts: 11%*

**1.8% of Fund*

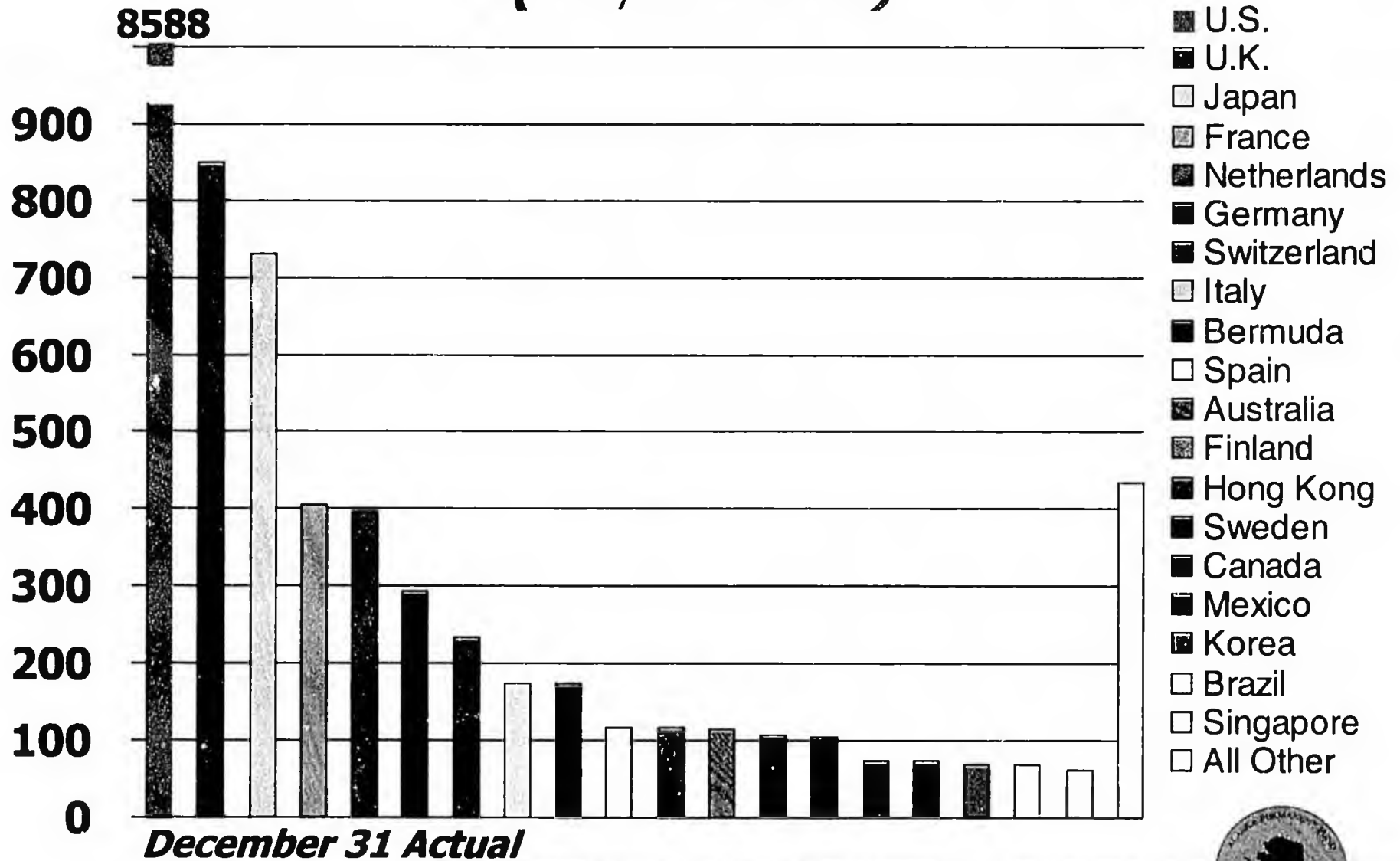
■ Dev Active Passive □ Emg Mkts

■ Dev Passive

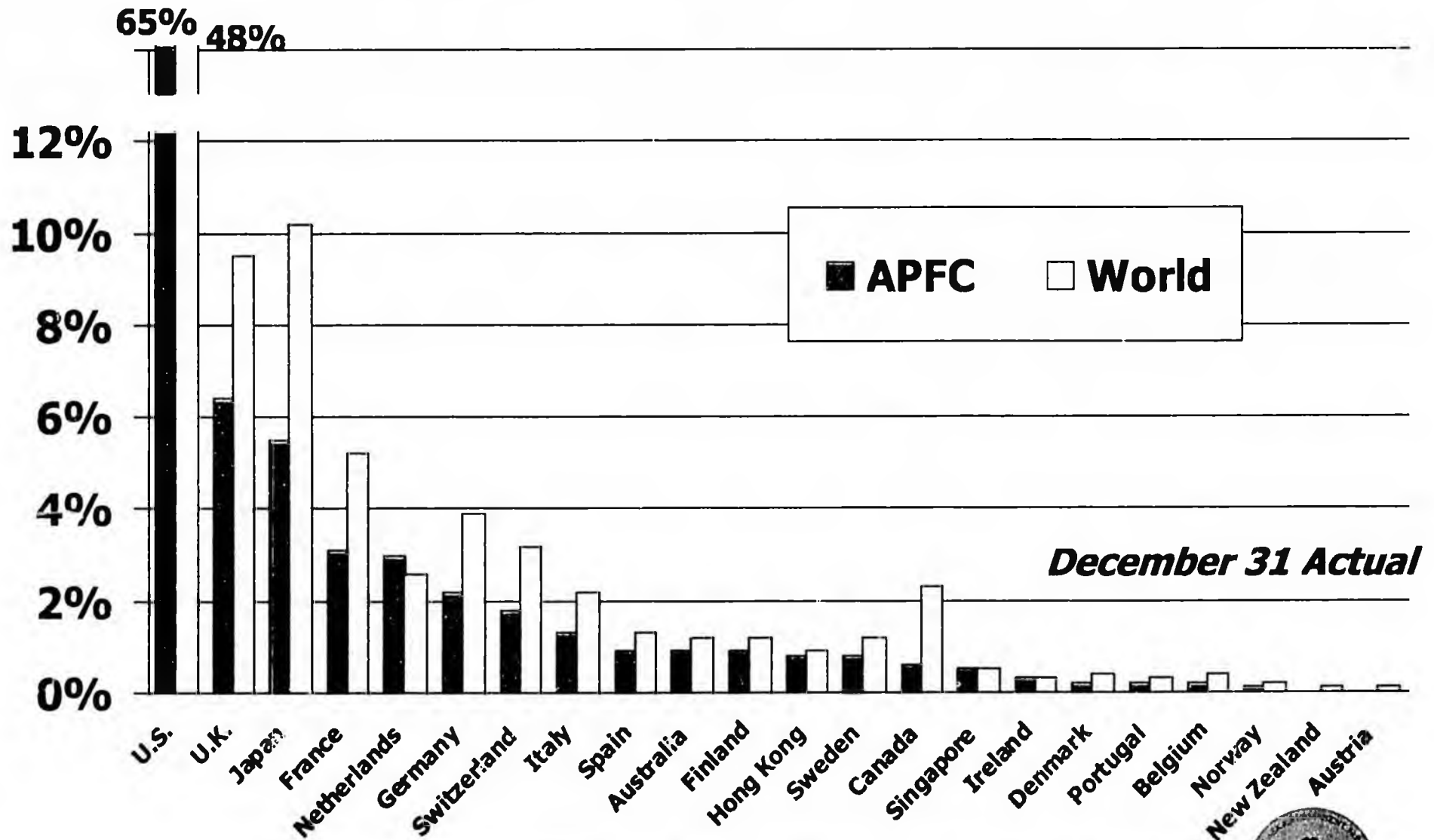


Equities by country

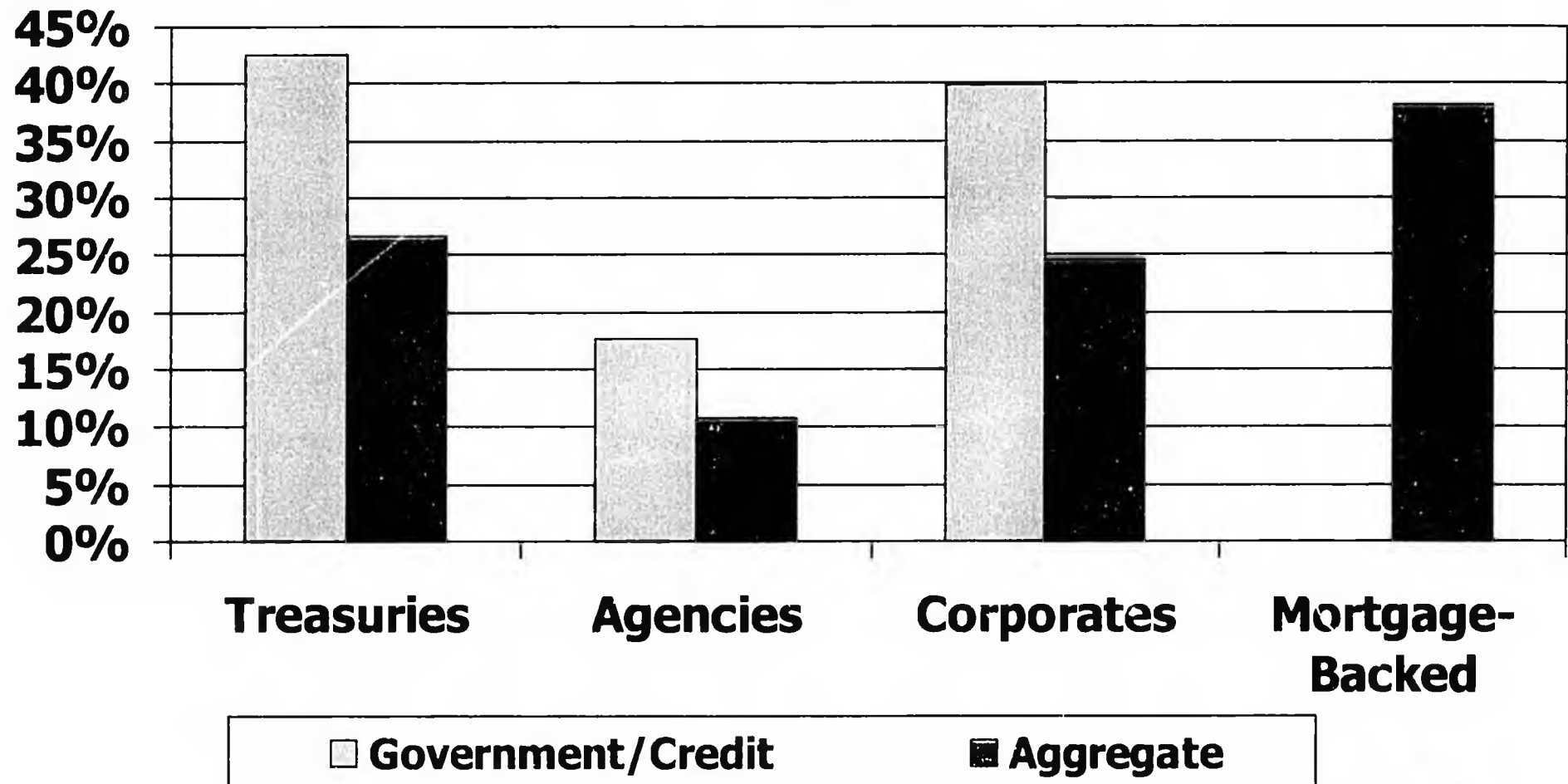
(in \$millions)



APFC vs MSCI World Index

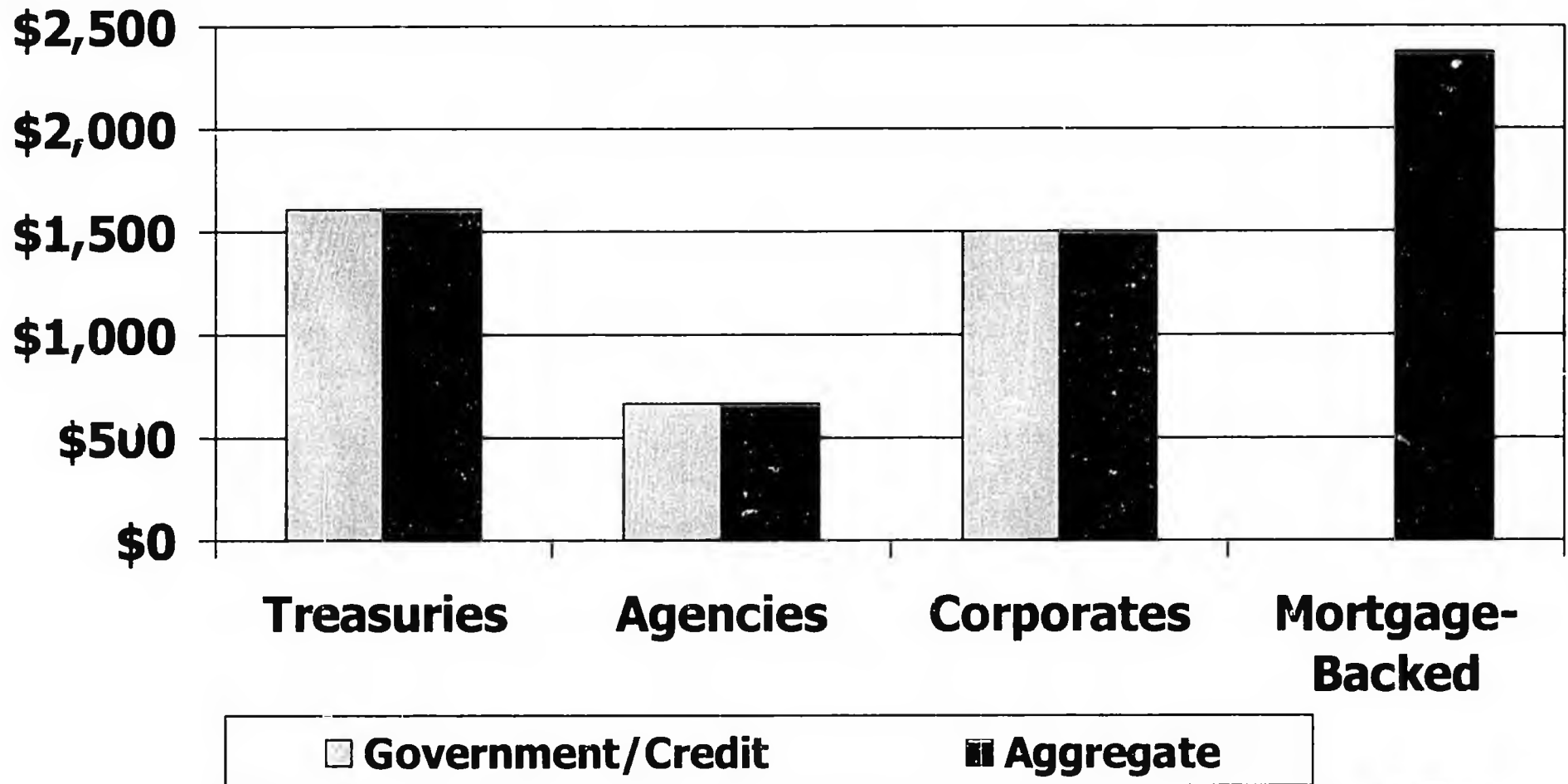


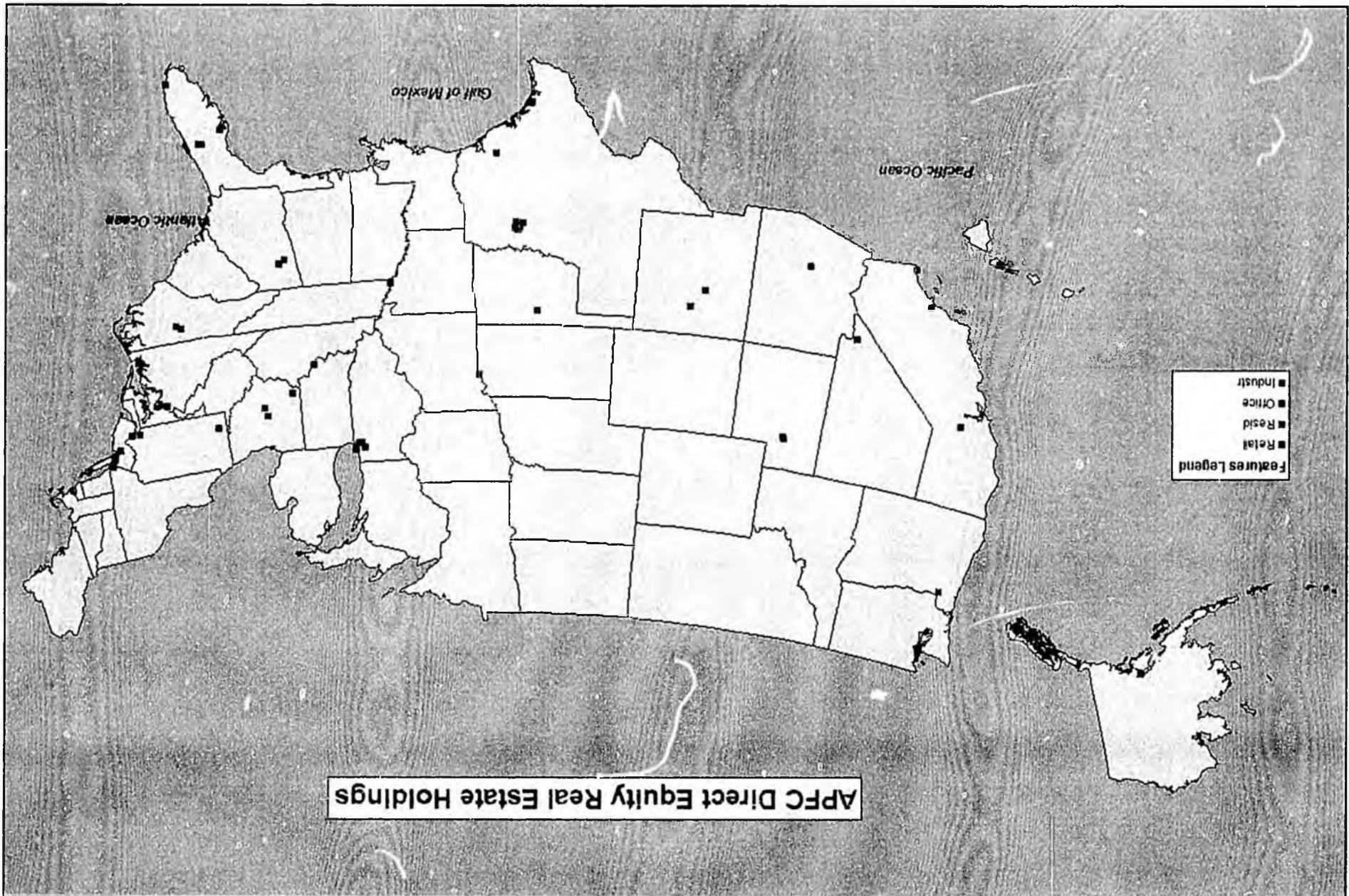
Moving to New Bond Benchmark



Moving to New Bond Benchmark

(\$ in millions)





APFC Direct Equity Real Estate Holdings

Features Legend
■ Retail
■ Resid
■ Office
■ Industr

Alaska Permanent Fund

Financial outlook for Fund growth and income

**Chris Phillips, Director of Finance
Alaska Permanent Fund Corporation**

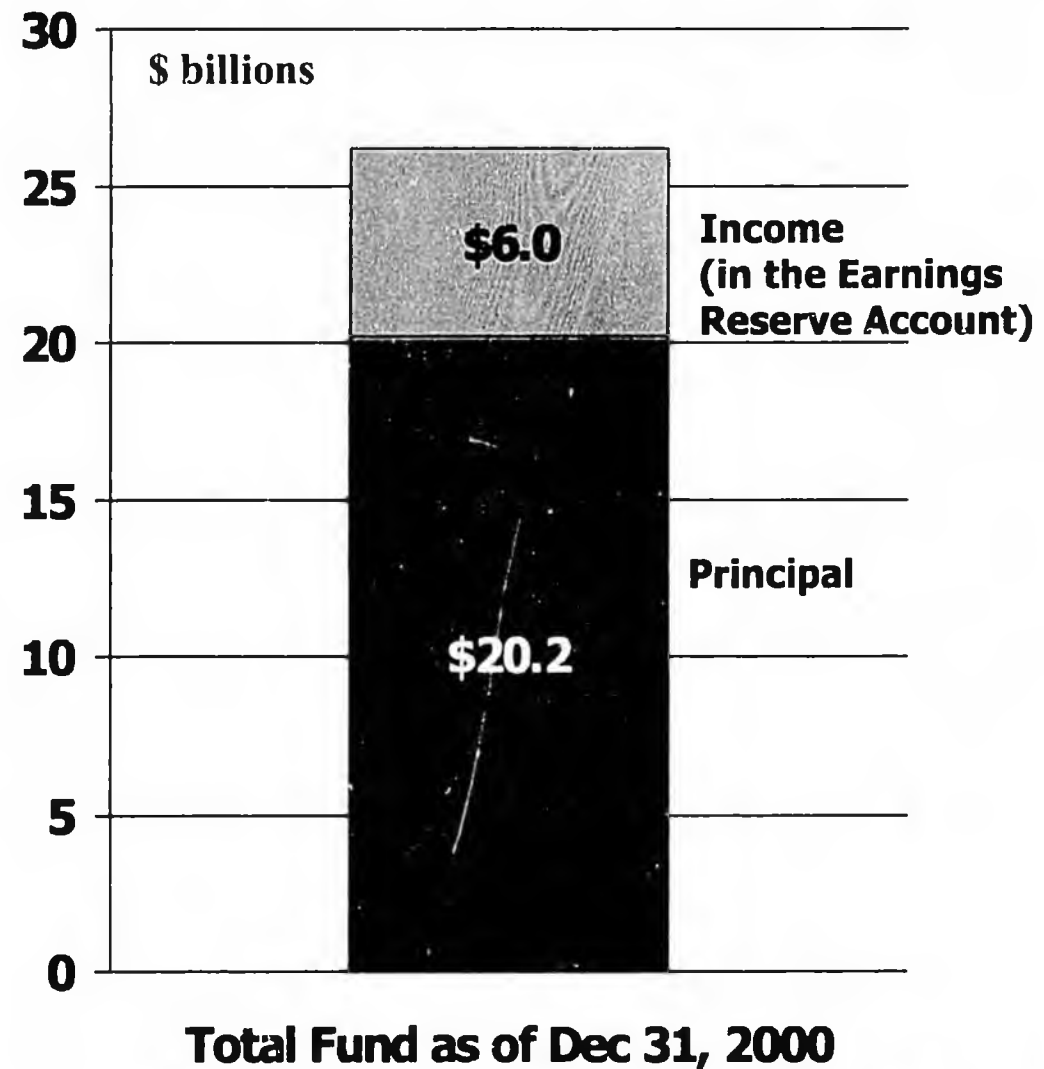
**House Finance Committee
February 15, 2001**



Permanent Fund market value

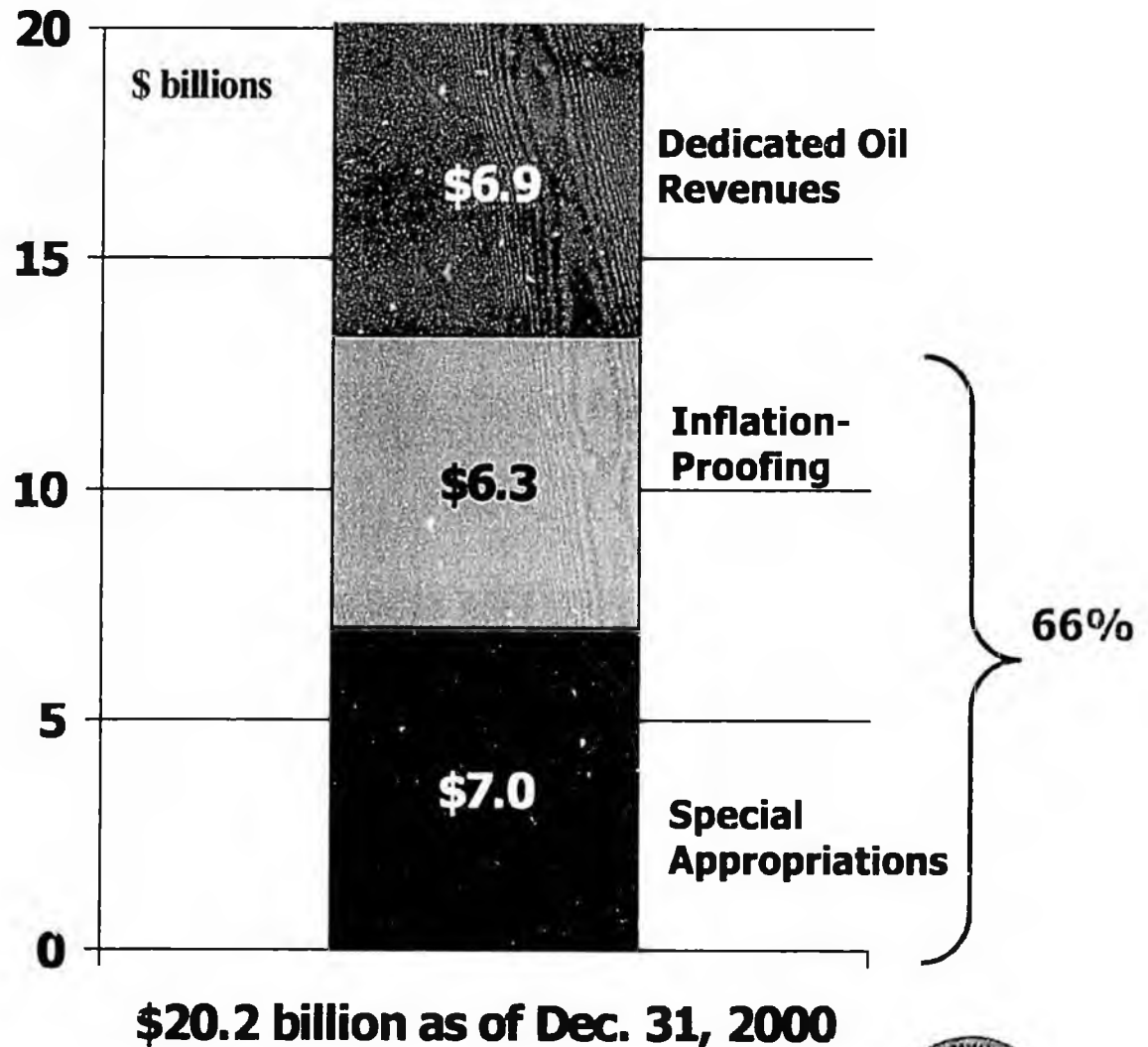
The market value of the Permanent Fund is currently \$26.2 billion

It consists of two parts: principal and income



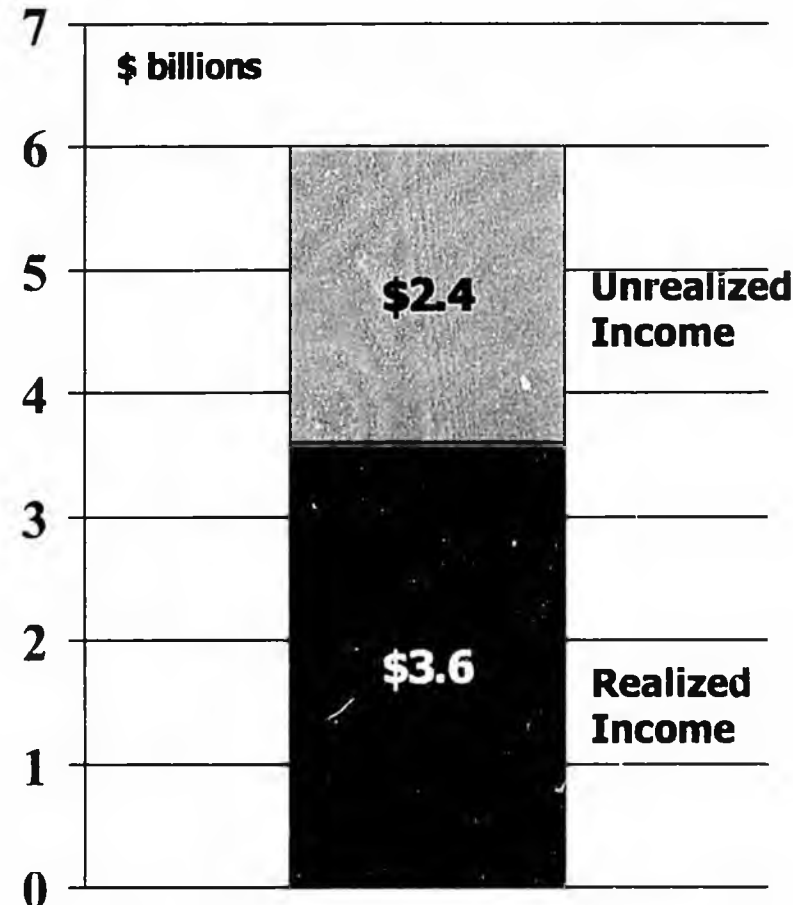
Permanent Fund principal

- The Alaska Permanent Fund principal is protected by the Alaska Constitution
- The Legislature may not spend it



Permanent Fund income

- As provided by law, all income from the Permanent Fund's investments is deposited into the Earnings Reserve Account in the Permanent Fund
- It is retained there until appropriated by the legislature



Earnings Reserve: \$6 Billion as of
Dec 31, 2000



Permanent Fund projections

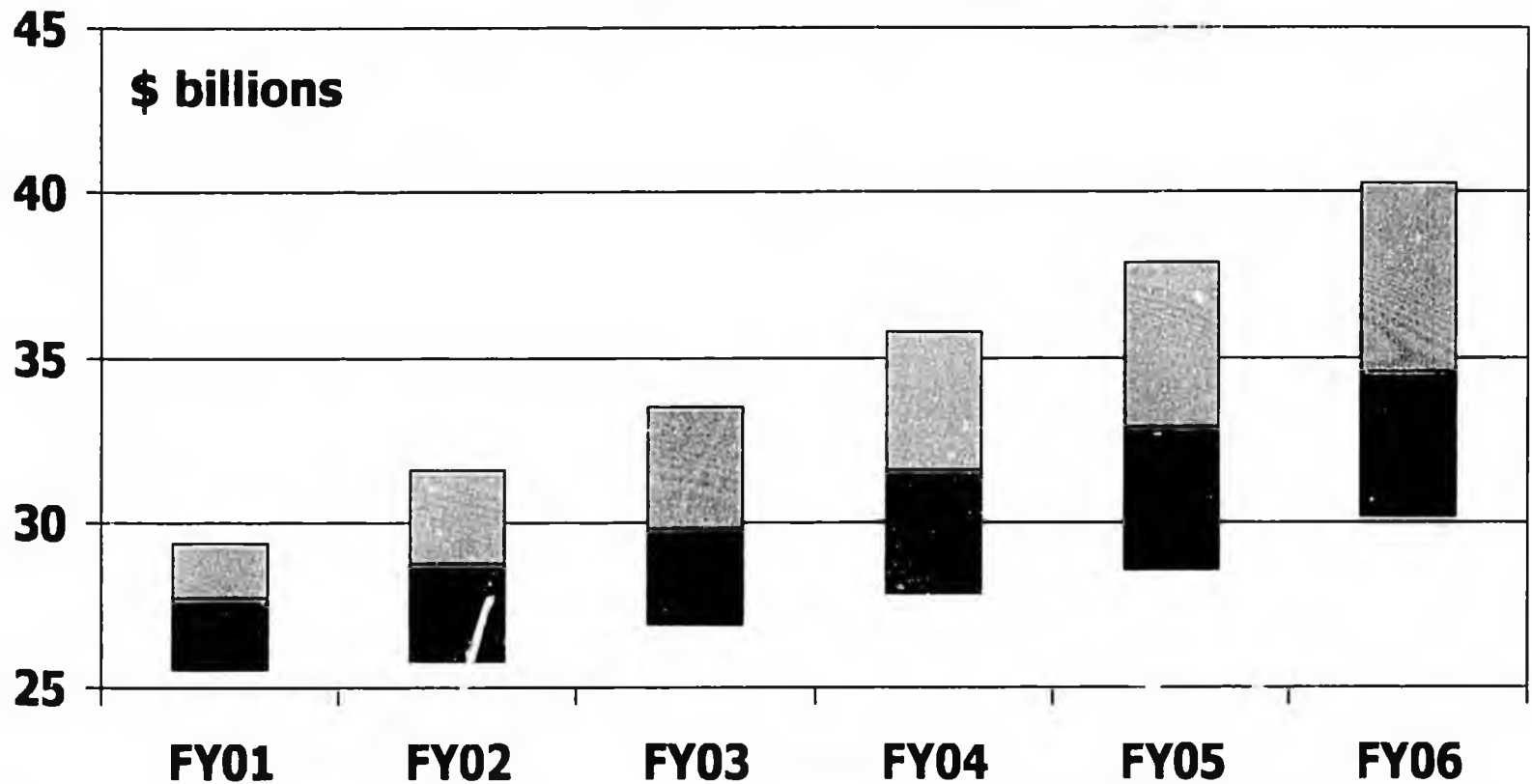
as of December 31, 2000

PRINCIPAL						INCOME										TOTAL FUND (5) FY End Balance
FY	FY Begin Balance	Dedicated			FY End Balance	Net Income (1)	Statutory Net Income	Distributions of Statutory Income			Realized		Unrealized		FY	
		Appropriations	State Revenues	Inflation-Proofing				Dividends	Inflation-Proofing	General Fund	Net Change	FY End Balance	Net Change	FY End Balance		
77-95	0	4,006	5,447	4,217	13,670	12,320	12,285	5,350	4,217	223	1,202	1,202	35	35	77-95	14,907
96	13,670	1,864 (2)	264	407	16,205	1,814	1,769	643	407		(1,098)	104	2,049	2,084	96	18,393
97	16,205	829 (2)	308	486	17,828	3,149	2,036	747	486	1	3	107	1,085	3,169	97	21,104
98	17,828	35 (3)	230	423	18,516	3,435	2,595	893	423	1	1,282	1,389	802	3,971	98	23,876
99	18,516	41	155	288	19,001	2,148	2,544	1,045	288	3	1,201	2,590	(430)	3,541	99	25,132
00	19,001	281 (2)	310	423	20,015	2,249	2,222	1,172	423	3	382	2,972	(12)	3,529	00	26,516
01	20,015	16	343	687	21,060	598	1,678	1,163	687		(172)	2,800	(1,096)	2,433	01	26,294
02	21,060	22	291	695	22,068	2,139	2,077	1,167	695		216	3,016	40	2,473	02	27,557
03	22,068	23	271	727	23,089	2,241	2,176	1,123	727		326	3,342	42	2,515	03	28,946
04	23,089	25	249	759	24,123	2,354	2,285	1,096	759		430	3,772	44	2,558	04	30,453
05	24,123	27	235	793	25,178	2,477	2,404	1,115	793		496	4,268	46	2,604	05	32,050
06	25,178	30	179	825	26,211	2,606	2,528	1,204	825		499	4,767	48	2,652	06	33,631
07	26,211	32	171	858	27,273	2,735	2,653	1,265	858		529	5,297	51	2,703	07	35,273
08	27,273	35	162	893	28,363	2,870	2,782	1,328	893		561	5,858	53	2,756	08	36,977
09	28,363	37	152	928	29,481	3,009	2,916	1,395	928		593	6,451	56	2,812	09	38,743
10	29,481	40	142	964	30,628	3,154	3,055	1,463	964		628	7,079	58	2,870	10	40,576
...
20	42,693	88	78	1,393	44,252	4,966	4,786	2,306	1,393		1,087	15,705	91	3,623	20	63,581
Cumulative Totals																
Projected for 2001-2020																
						65,092	64,073	31,318	20,021							

Current year



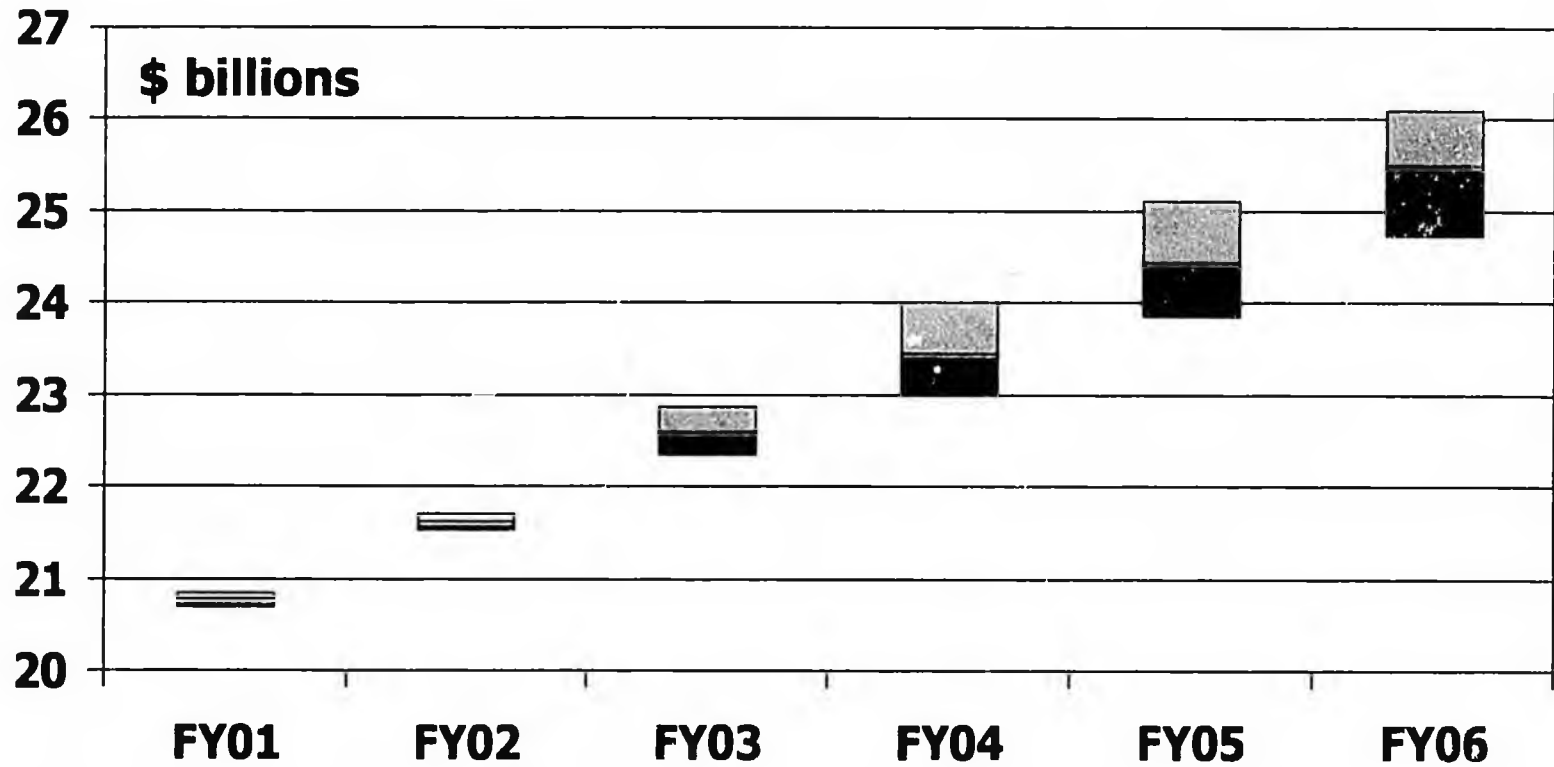
Range of market value FY01 – FY06



Top quartile	\$29.4	\$31.6	\$33.5	\$35.8	\$37.8	\$40.3
Median	\$27.7	\$28.7	\$29.8	\$31.6	\$32.9	\$34.5
Bottom quartile	\$25.6	\$25.8	\$26.9	\$27.9	\$28.6	\$30.2



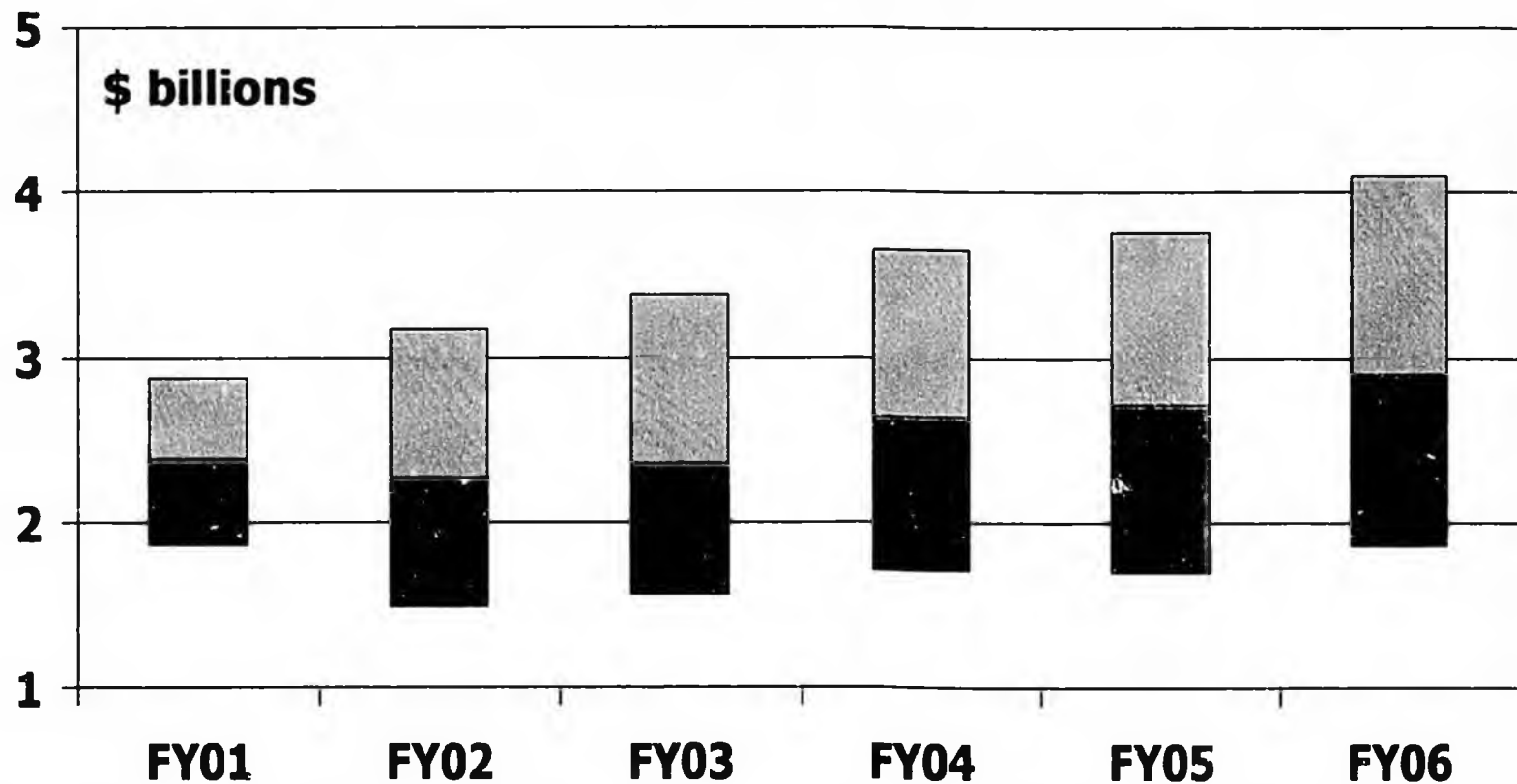
Range of principal balance FY01 – FY06



Top quartile	\$20.7	\$21.7	\$22.9	\$24.0	\$25.1	\$26.1
Median	\$20.7	\$21.6	\$22.6	\$23.4	\$24.4	\$25.5
Bottom quartile	\$20.7	\$21.5	\$22.4	\$23.0	\$23.8	\$24.7



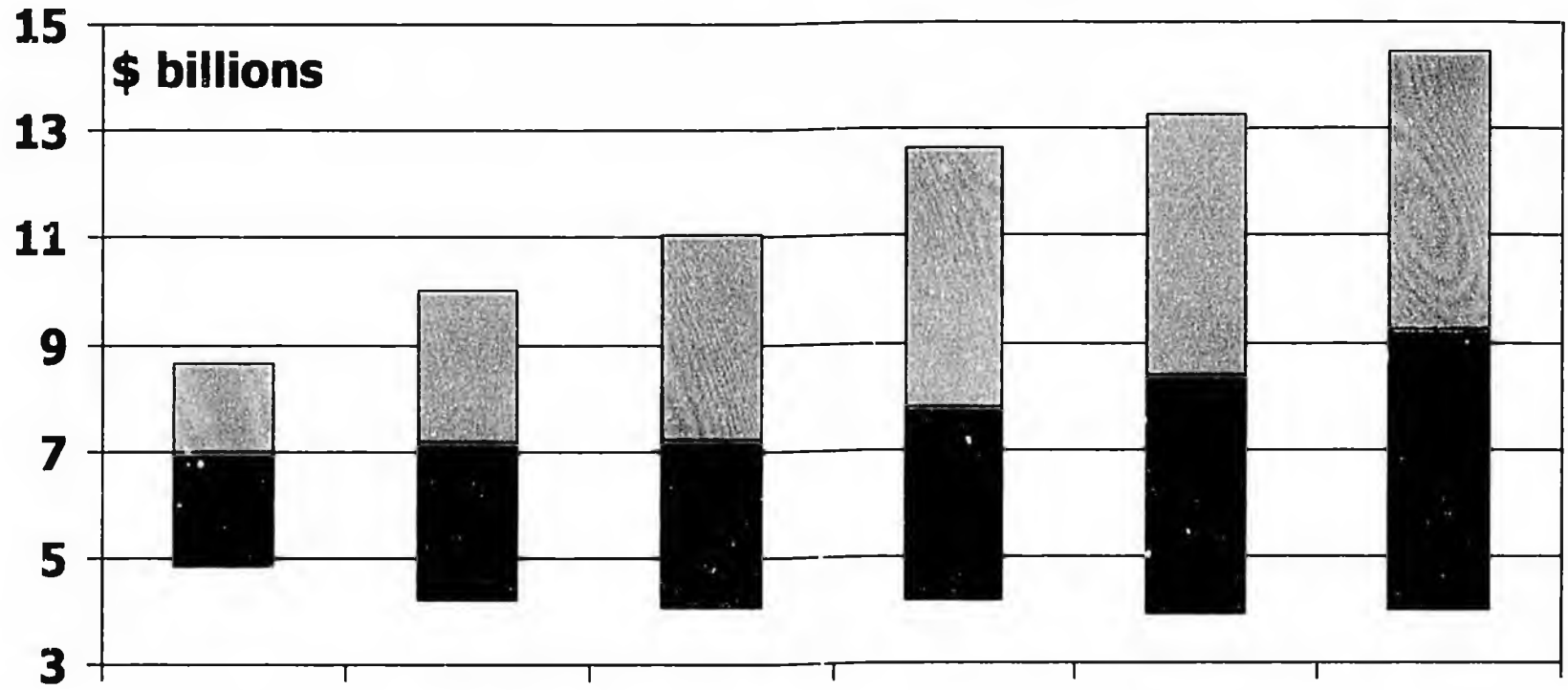
Range of statutory net income FY01 – FY06



	FY01	FY02	FY03	FY04	FY05	FY06
Top quartile	\$2.87	\$3.16	\$3.38	\$3.65	\$3.76	\$4.10
Median	\$2.38	\$2.27	\$2.36	\$2.63	\$2.71	\$2.89
Bottom quartile	\$1.87	\$1.50	\$1.57	\$1.72	\$1.71	\$1.86



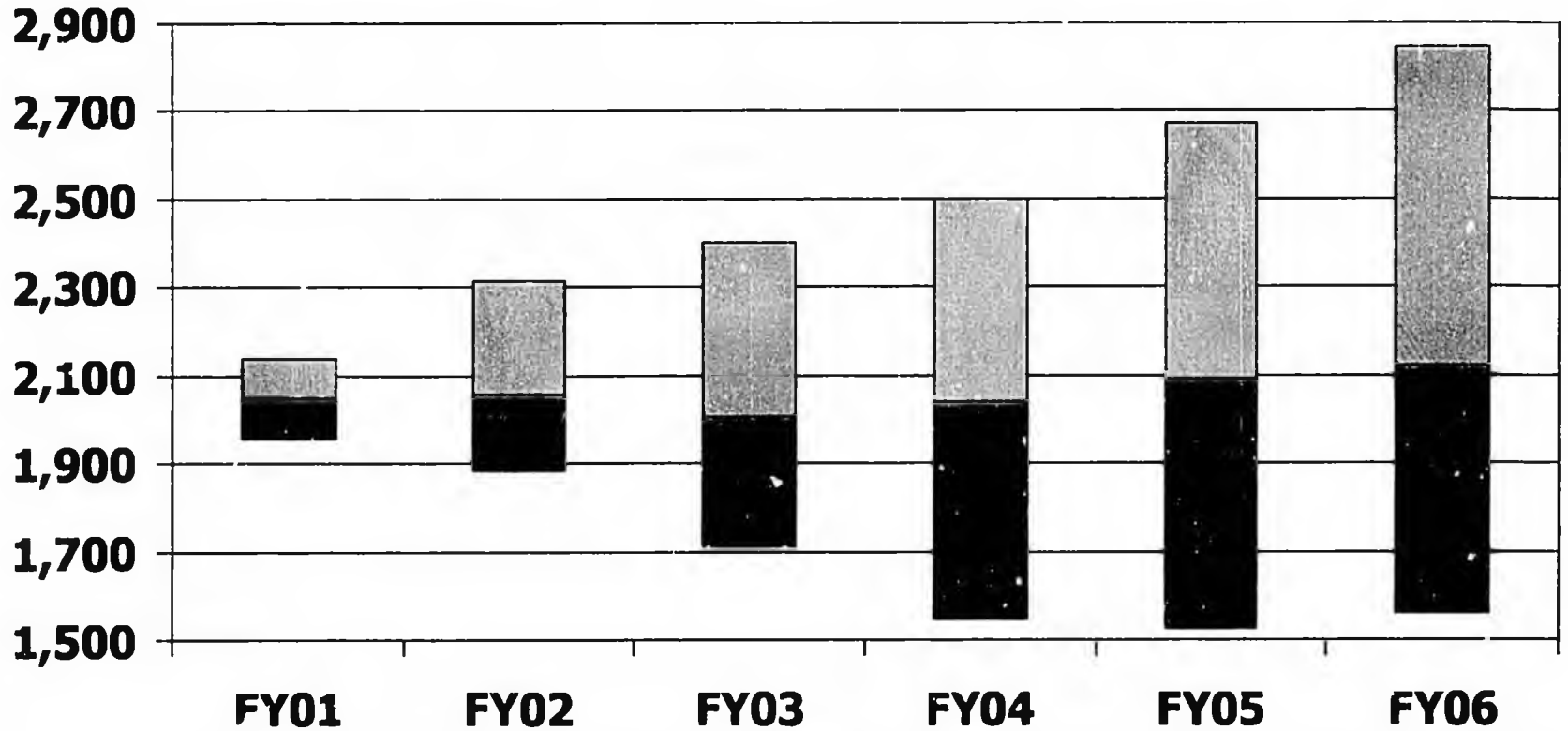
Range of total earnings reserve FY01 – FY06



	FY01	FY02	FY03	FY04	FY05	FY06
Top quartile	\$8.64	\$10.00	\$11.07	\$12.63	\$13.26	\$14.45
Median	\$7.00	\$7.18	\$7.21	\$7.80	\$8.38	\$9.25
Bottom quartile	\$4.85	\$4.23	\$4.06	\$4.18	\$3.94	\$3.98



Range of per capita dividend FY01 – FY06



	FY01	FY02	FY03	FY04	FY05	FY06
Top quartile	\$2,140	\$2,320	\$2,400	\$2,500	\$2,670	\$2,850
Median	\$2,050	\$2,060	\$2,000	\$2,040	\$2,090	\$2,120
Bottom quartile	\$1,960	\$1,880	\$1,710	\$1,550	\$1,530	\$1,560



Alaska Permanent Fund

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Top stories

March 02, 2000

■ March Board of Trustees Meeting

FEBRUARY 28 - The Alaska Permanent Fund Corporation Board of Trustees meeting is scheduled for two days in Wasilla on Wednesday, March 8th and Thursday, March 9th, beginning at 1 p.m. The public is invited to attend the Board meeting, and the agenda will provide an opportunity for public comment and participation. ([agenda](#))

■ APFC Seeks Director of Administration

FEBRUARY 18 - The Alaska Permanent Fund Corporation (APFC) seeks applicants for the position of Director of Administration. This regular, full-time, exempt position is located in Juneau, and receives all State of Alaska employee benefits. Initial salary \$68,280 - \$88,750 range depending on qualifications / experience.

[continue](#) >

■ Student Investment Fund Rep Visits APFC

FEBRUARY 17 - Jason Carroll, Vice President of Public Relations for the University of Alaska, Fairbanks Student Investment Fund visited the Alaska Permanent Fund Corporation on February 17. In addition to observing the Fund's early morning trading activity and meeting investment staff, Mr. Carroll gave a PowerPoint presentation in the APFC boardroom. To view Mr. Carroll's presentation click (PowerPoint slideshow).

For more information see: "[UAF Student Investment Fund](#)"

Daily unaudited position

as of March 01, 2000

Fixed Income	37%	\$10,151,600,000
U.S. Equities	35%	\$9,443,700,000
Non-U.S. Equities	19%	\$5,289,700,000
Real Estate	8%	\$2,320,400,000
Asian CDs	1%	\$145,000,000
TOTAL	100%	\$27,350,400,000

Non U.S. Equities

Other (1%)

Americas (2%)

United Kingdom (19%)

Europe ex UK (55%)

Japan (18%)

Asia ex Japan (5%)



APFC real estate



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2/28/01

GARVEE

BONDS

HFIN

FILE



***Accelerated
Transportation
Program***

**GARVEES:
Grant Anticipation Revenue Vehicles**

Governor Tony Knowles Department of Transportation and Public Facilities

February 2001



Summary

What is a GARVEE?

The National Highway System Designation Act of 1995 expanded the types of costs that could be financed with federal highway funds. In 1998, the federal Transportation Equity Act for the 21st Century (TEA-21) increased annual funding for states. States can now use a portion of those funds for debt-financing through a mechanism called Grant Anticipation Revenue Vehicles (GARVEEs).

How GARVEEs work?

Any project that is eligible for federal highway funds and contained in the State Transportation Improvement Program (STIP) is eligible for GARVEE financing. The Federal Highway Administration is very flexible in allowing states to tailor the finance structure to meet their unique needs. In fact, no two states are alike. Some states issue general obligation bonds. Others issue revenue bonds. In all cases, the debt is repaid primarily with future federal reimbursements for the specific projects.

Alaska's GARVEE program will pledge future federal funds as the revenue stream to repay the construction costs of specific projects. The state will also pledge the general fund to ensure the highest ratings possible. It is the state's intent that the revenue obligations issued under this program will be repaid from annual legislative appropriations of federal money derived from annual apportionments to the state by the Federal Highway Administration.

Impact of TEA-21 on GARVEEs

How a debt financing structure is received in the financial market depends in part on the predictability of future revenue streams. TEA-21 provides states with a minimum guarantee of federal funding. This reduces the risk of federal funds not materializing within the authorization period of the act. Federal transportation allocations should increase over time as motor fuel use increases.

Benefit of GARVEEs

Pay-as-you-go financing of costly projects can leave few additional revenues for other projects. Bond financing allows a project to be built sooner and it is more cost-effective by avoiding cost increases resulting from inflation. By delivering a project earlier than would otherwise be possible, bond financing also provides greater benefit to the public (for example, increased safety, less traffic congestion and delays, and increased economic output). **Perhaps the biggest possible benefit is eliminating the need for general funds by using investment earnings on bond proceeds to meet federal match requirements.**

Good market response to GARVEEs

To date several states, including Massachusetts, New Mexico, Mississippi, Arizona, Colorado, New Jersey, Arkansas and Ohio, have issued GARVEEs. The programs vary in complexity and range in size from \$116 million to \$1.7 billion. The financial market views GARVEEs favorably.



Benefits of GARVEE financing



Accelerated Transportation Program

- X Anticipate eliminating the need for State General Fund match support for projects. Using interest earnings will save State General Funds.
- X Future inflation costs can be avoided by building projects with “current” dollars.
- X Debt service payments will come from federal highway funds.
- X Frees up funds for other STIP projects.
- X Important projects can be built sooner than originally scheduled.
- X Large projects built without impact on remainder of highway construction program.
- X Early public use of completed projects.
- X Early implementation of Southeast Alaska Transportation Plan.
- X Increased percentage of private sector design contracts.
- X Improved safety, reduced congestion, increased economic output.
- X Provides a tool to spur economic activity.

Realistic Goals/ Achievable Objectives

Goal:

Accelerate transportation projects by leveraging future federal reimbursements

Objectives:

- X To receive A1, A, A bond ratings (Moody's, Standard & Poors, & Fitch) or better for Alaska's GARVEEs.
- X Lock-in today's construction cost and reduce exposure to inflation.
- X To accelerate the construction benefit.
- X To achieve increases in safety and economic development.
- X To reduce requirement for general funds.
- X To advance other projects in the STIP.
- X To maintain Alaska construction industry's capacity to design and build.
- X To structure a strong credit with federal reimbursements as the primary source of repayment.



**Accelerated
Transportation
Program**

Financing



Accelerated Transportation Program

- X Not a general obligation bond
- X Financing mechanism is similar to certificates of participation commonly used by the State.
- X Revenue Obligations to be repaid with pledged federal highway funds.
- X Alaska's GARVEEs subject to annual appropriation of federal funds by the legislature.
- X Relatively short maturity (15-18 years).
- X Annual payments approx. \$42 million (10-12 percent of annual federal highway program).
- X Good debt service coverage (8-10x).