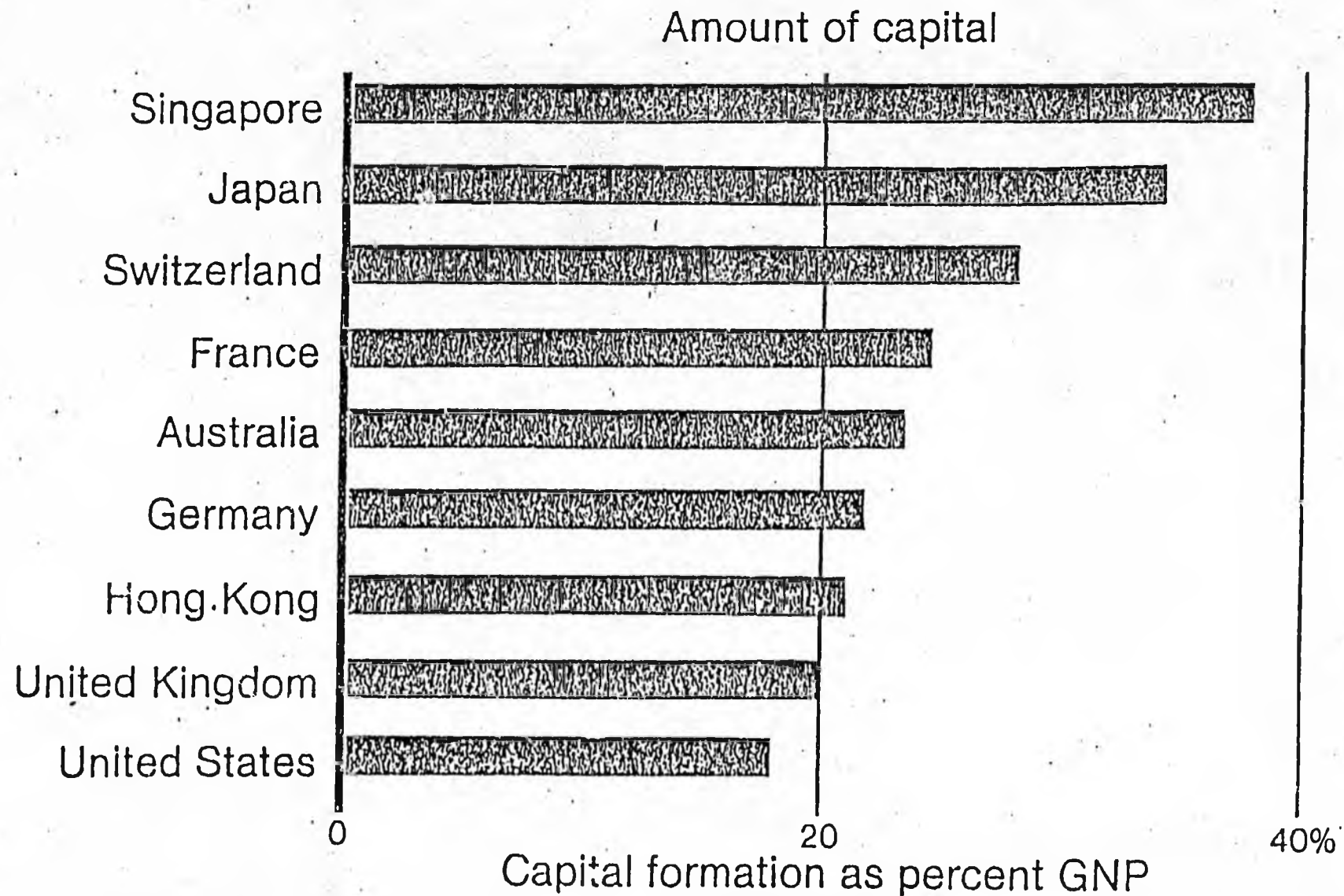


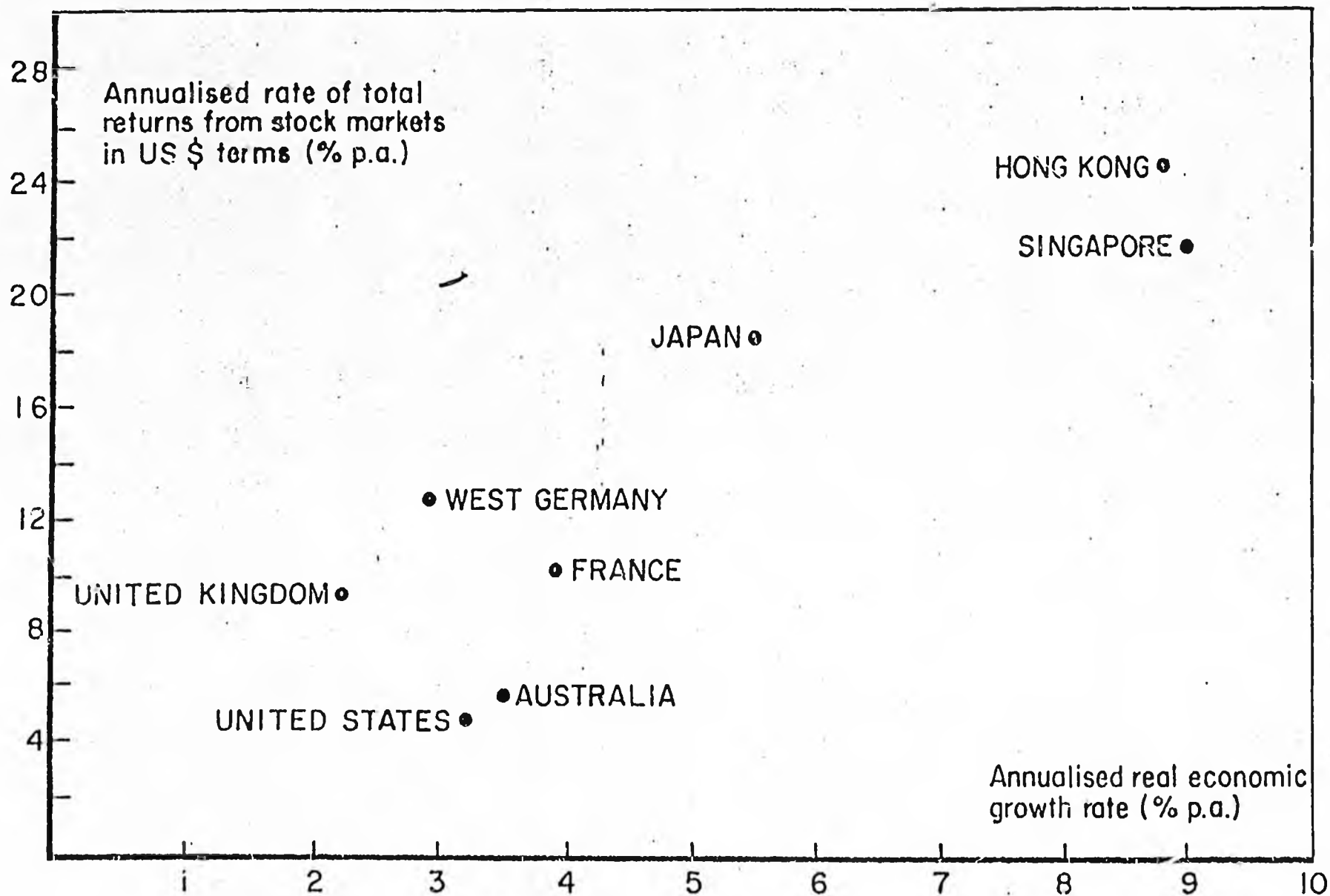
ALPHA FRONTIER CONTROL ZONE 7007

1801B SIC 684

Greater capital formation in foreign countries leads to greater economic growth.



# I. RELATION BETWEEN REAL ECONOMIC GROWTH AND STOCK MARKET RETURNS 1970-1979

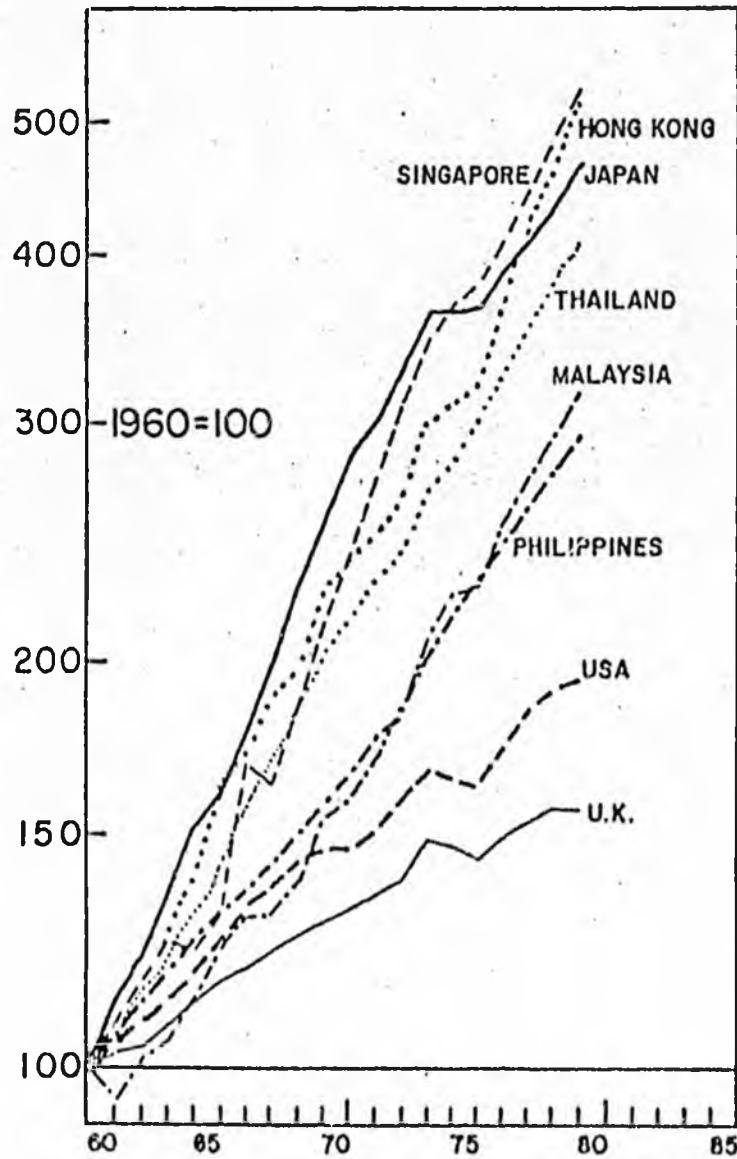


## V. PROSPECTS FOR PROSPERITY IN THE 1980's

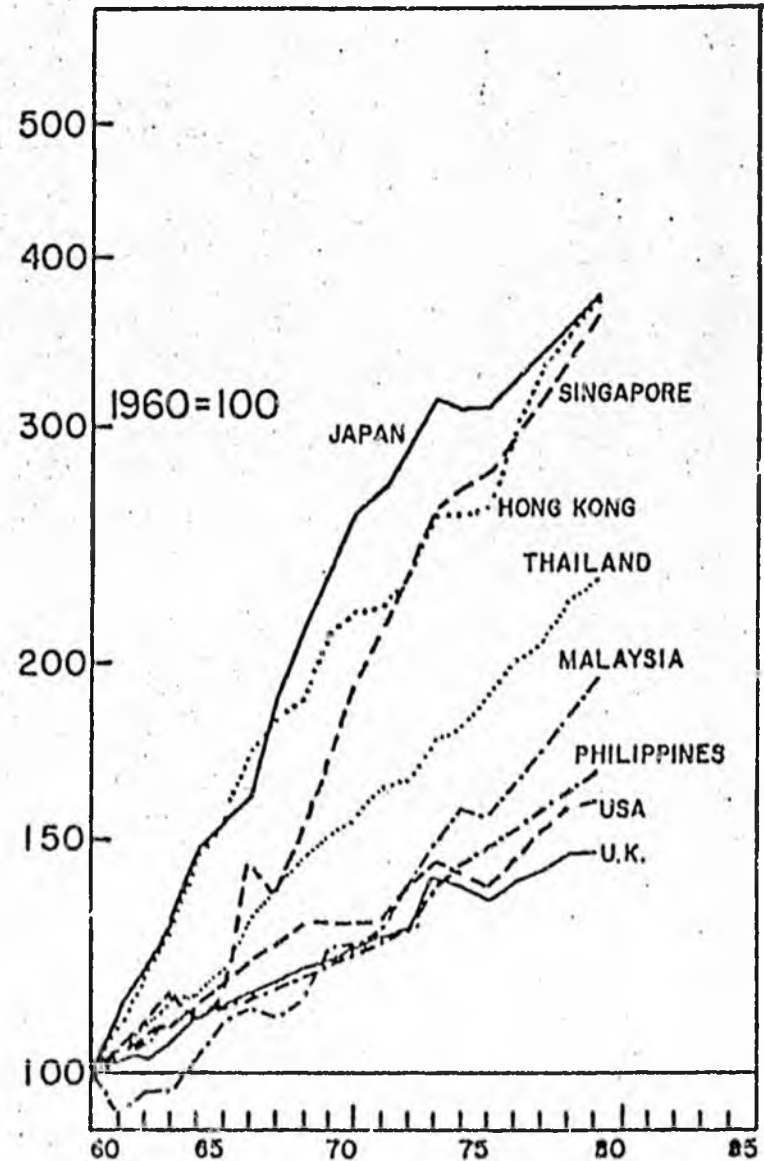
<u>GOVERNMENT CONSUMPTION AS % OF GNP IN 1978</u>	<u>SAVINGS RATE IN 1977</u>	<u>PRIVATE FIXED CAPITAL FORMATION AS % OF GNP IN 1978</u>
UNITED STATES 20.5	JAPAN 21.5	SINGAPORE 22.9
UNITED KINGDOM 20.2	FRANCE 16.1	WEST GERMANY 22.9
WEST GERMANY 20.0	WEST GERMANY 14.0	JAPAN 20.4
AUSTRALIA 16.9	UNITED KINGDOM 13.9	HONG KONG 18.2
FRANCE 15.3	UNITED STATES 5.1	UNITED STATES 15.5
SINGAPORE 11		AUSTRALIA 14.1
JAPAN 9.5		UNITED KINGDOM 9.7
HONG KONG 6.0	Not Available: Australia, Hong Kong, Singapore	Not Available: France

# IV ECONOMIC PROGRESS IN THE FAR EAST

## GROSS DOMESTIC PRODUCT GROWTH IN ASIA

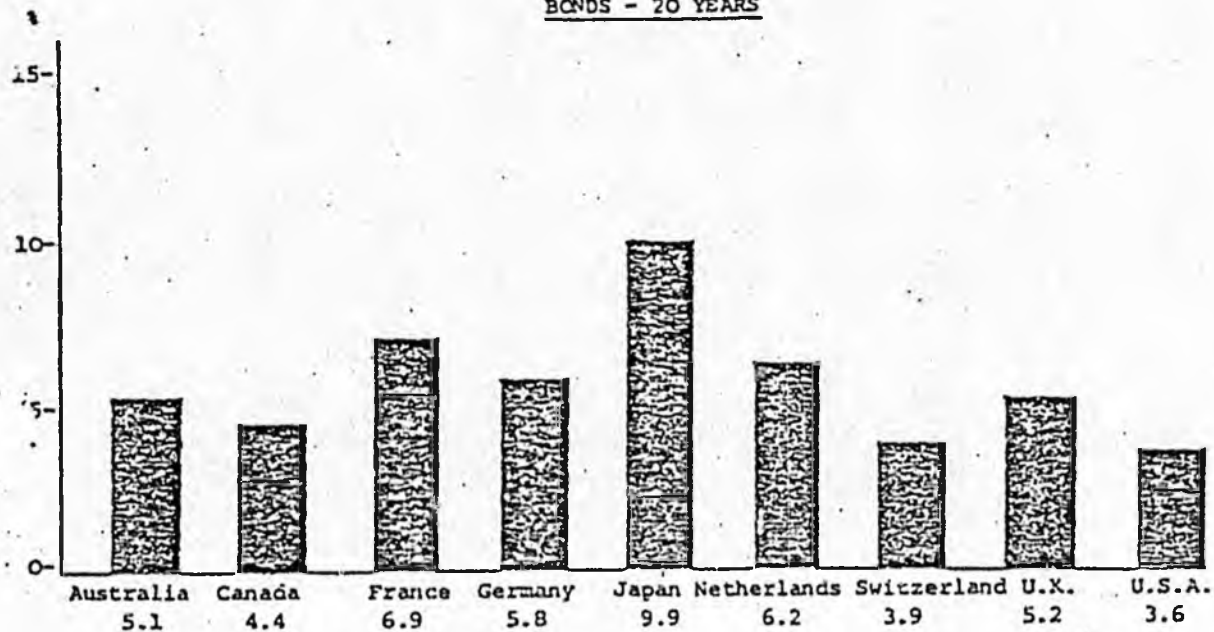


## REAL PER CAPITA GDP IN ASIA



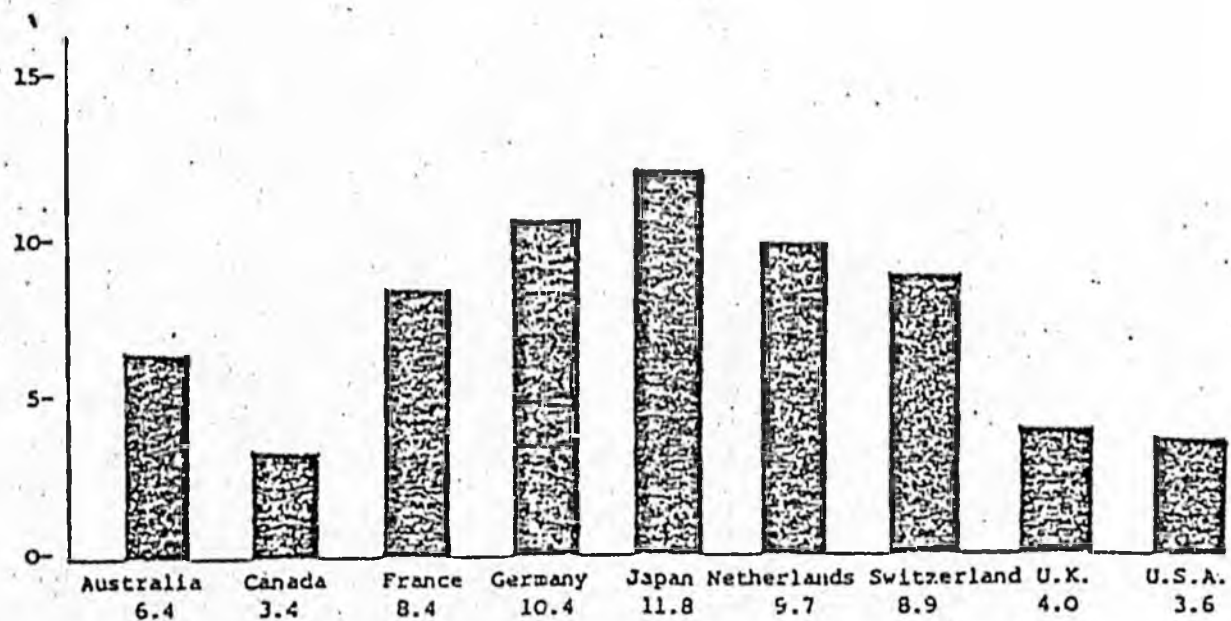
Average Annual Rates of Total Return  
Bond Markets - No Currency Adjustment

1960-1979

BCNDS - 20 YEARS

Average Annual Rates of Total Return  
Bond Markets - Adjusted for Currency Movements Relative to Dollar

1960-1979

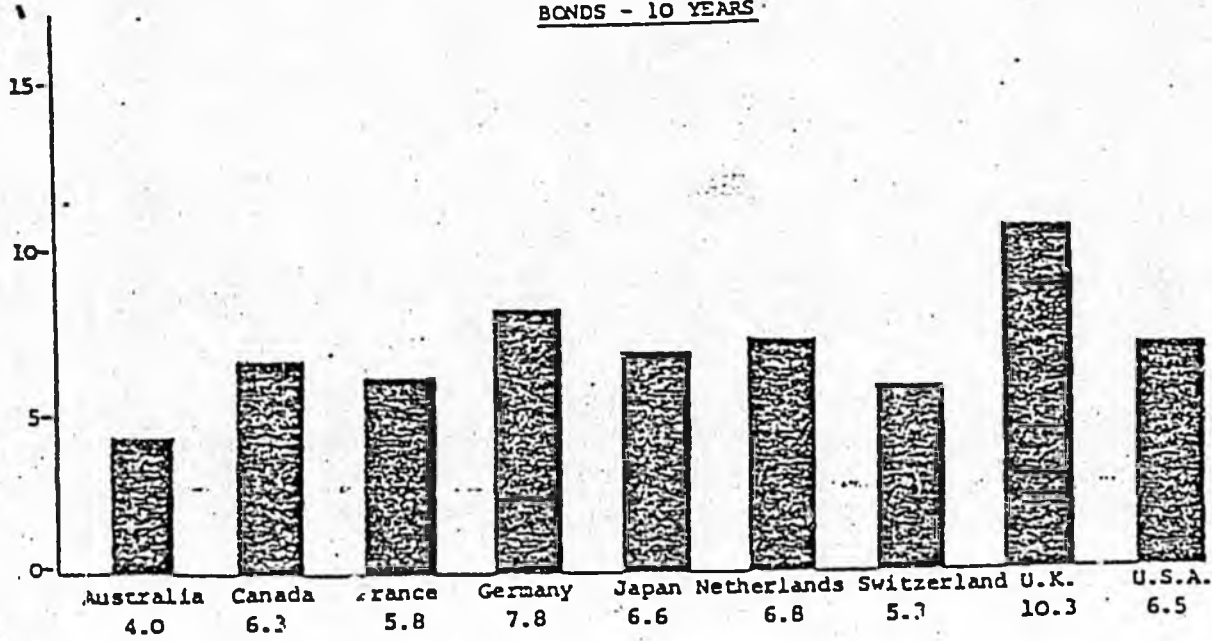


Source: Kleinwort, Benson Ltd., London

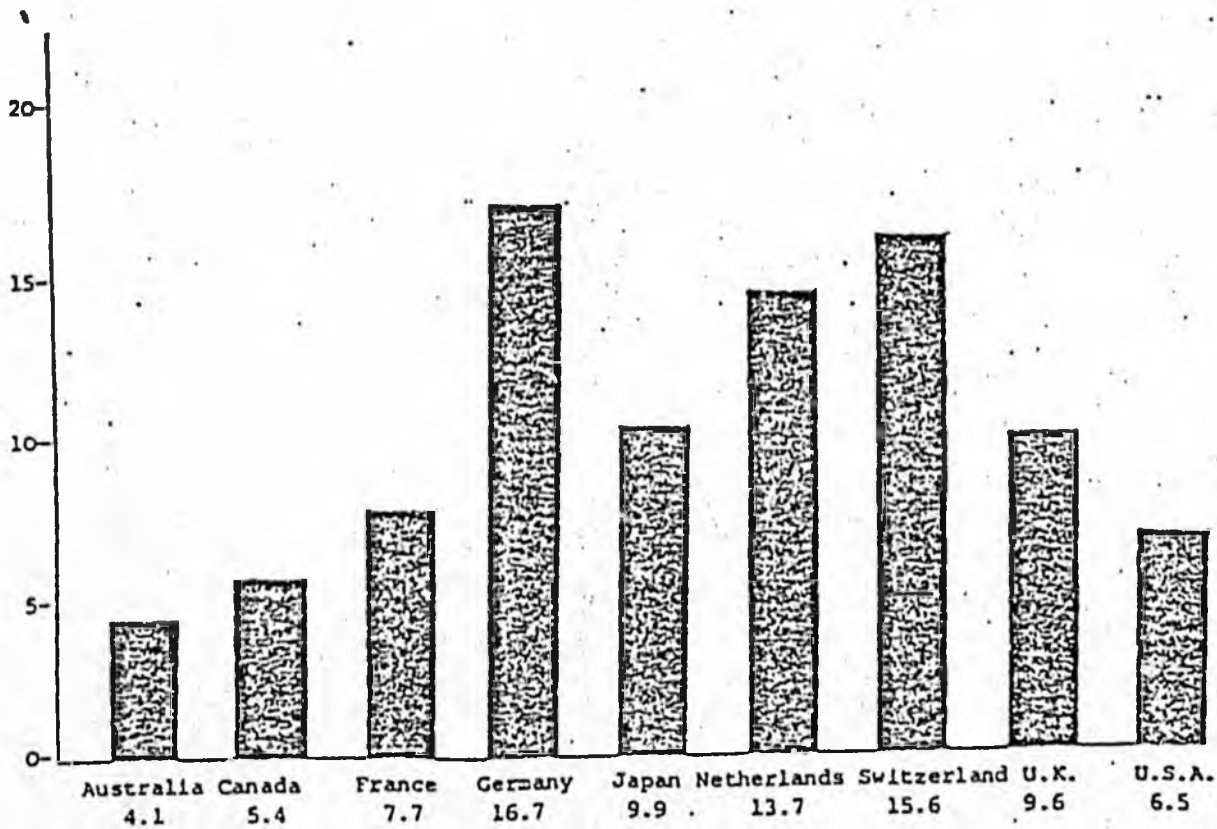
Average Annual Rates of Total Return  
Bond Markets - No Currency Adjustment

1970-1979

BONDS - 10 YEARS



Average Annual Rates of Total Return  
Bond Markets - Adjusted for Currency Movements relative to Dollar



Source: Kleinwort, Benson Ltd., London



# Alaska State Legislature

## Senate

Official Business

### Labor & Commerce Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### MEMORANDUM

15 February, 1982

TO: Senator Hohman, Vice Chairman  
Senator Fahrenkamp  
Senator Rodey  
Senator Ziegler

FROM: Senator Mulcahy, Chairman  
Senate Labor and Commerce Committee

The following Governor's appointees for legislative confirmation have been referred to the Senate Labor and Commerce Committee:

#### ALASKA PUBLIC UTILITIES COMMISSION

\* Carolyn Guess, Anchorage, term expiring 10/31/87

\* Susan Knowles, Anchorage, term expiring 10/31/87

Diana Snowden, Anchorage, term expiring 10/31/86

Resumes are attached for the above named individuals, and I would appreciate hearing from you by 1 March, 1982, if you have objections to their confirmations. Thank you.

\*Reappointments

CAROLYN S. GUESS

Commissioner Guess is currently the Chairman of the Alaska Public Utilities Commission.

EDUCATION

Bachelor of Arts Degree - College of Williams & Mary  
Williamsburg Va

The Annual Regulatory Studies Program  
National Association of Regulatory  
Utility Commissioners - 1976

Seminar for Retail Rate Consultants  
Rural Electrification Administration - 1977

Public Utility Seminar on Corporate Finance  
Kidder, Peabody & Co., Incorporated - 1978

Electric Utility Rate Design Study  
Electric Power Research Institute - 1980

RELEVANT EXPERIENCE

Alaska Public Utilities Commission

1975 - present - Commissioner  
March 1981 - present - Chairman  
March 1978 - November 1978 - Acting Executive Director  
July 1979 - October 1979 - Acting Executive Director

National Association of Regulatory Utility Commissioners

1975-present	Member
1978-present	Ad Hoc Committee on the National Energy Act

SIGNIFICANT LEGISLATIVE TESTIMONY

Sunset Review of AS 42.05 - 1980

Merger of Alaska Pipeline  
Commission and Alaska Public  
Utilities Commission - 1981

CONFERENCE PARTICIPATION

Energy Conference sponsored by the Alaska Native  
Foundation 1979

Governor's Committee - State Energy Policy - 1978-80

Reliability Council for Alaska (electric)  
sponsored by Alaska Power Administration 1980-present

SUSAN M. KNOWLES

1319 G Street  
Anchorage, Alaska 99501  
(907) 279-6336

EDUCATION:

University of Alaska  
Anchorage, Alaska  
MBA, Finance, 1979

Vassar College  
Poughkeepsie, New York  
AB, Political Science, 1968

EMPLOYMENT:

October, 1975 to Present:

Commissioner

State of Alaska  
Alaska Public Utilities Commission  
Anchorage, Alaska

June, 1973 to September, 1975:

Property Investment Finance Manager

David E. Alm and Joe L. Hayes  
Borough-City Development, Inc.  
Campbell Lake Development Co.  
Campbell Lake Inc.  
Anchorage, Alaska

November, 1970 to September, 1975:

Secretary-Treasurer

Grizzly Burger, Inc.  
Anchorage, Alaska

December, 1968 to November, 1970:

Administrative Assistant

Community Enterprise Development Corporation  
Anchorage, Alaska

R E S U M E

DIANA E. SNOWDEN

Trapline Drive  
SRA Box 1735-M  
Anchorage, Alaska 99507

Home: (907) 344-0000  
Work: (907) 263-2112

EXPERIENCE:

ALASCOM, INC., 949 EAST 36TH AVE., ANCHORAGE, AK 99502  
TELEPHONE UTILITIES, INC., 1221 S.W. YAMHILL ST., PORTLAND, OR 97205

Vice President, Industrial Relations - September 1980 to September 1981. Salary and Bonus \$75,000.

Holding dual Vice President office positions for Alascom and Telephone Utilities (both subsidiaries of Pacific Power & Light), was responsible for policy level decisions affecting the overall business performance of the two companies and their 2,500 employees. As a member of the senior executive staff, approved \$50 million in annual capital expenditure requests, participated in the budget review process of \$80 million in annual operating costs, reviewed financial and operating statements of the company's monthly progress against budget. Initiated written corporate policy statements, directed management efficiency studies as well as time-and-motion analyses designed to eliminate unnecessary staffing and inefficient spending in a regulated industry. Presented formal reports to the Board of Directors of Alascom, Telephone Utilities, and their parent company (Pacific Power & Light) on matters affecting administration, employee and labor relations.

Directed combined Industrial Relations and Corporate Administrative Services staff composed of over 60 professional and clerical personnel with a 1981 budget of \$7 million. Responsibility for direction and coordination of all functions of Industrial Relations included: corporate employment in over 80 geographic locations in five states, labor relations and contract negotiations with largest Teamster bargaining unit in Alaska as well as IBEW and CWA units in Pacific Northwest, wage and salary administration, employee benefits, management training and development, position classification, EEO and Affirmative Action Programs, employee communications, long-range organizational planning and development, Workers' Compensation, performance appraisals, College Honors Internship Program, Safety and DOD Military Security, and employee social and recreational events. Was further responsible for Corporate Administrative Services including: Word Processing Center, mail and courier services, Telex, corporate aircraft and travel, office supplies and equipment, company cafeteria and motor pool, records management, and office space planning and allocation.

Provided guidance and direction for establishment of corporate policies and long-range planning with regard to human resource management. Provided direct policy guidance on design and development of employee benefits and compensation programs. Personally served as chief negotiator and spokesperson in labor negotiations with seven (7) parent company unions, and determined grievance resolutions. Testified on behalf of Alascom before regulatory agencies on telecommunications issues; represented the Company by speaking to statewide community groups and organizations.

Director of Employee Relations (ALASCOM) - May 1979 to September 1980. Salary \$48,000.

Responsibilities essentially identical to those stated above, but were limited to Alascom only and did not include Telephone Utilities.

#### ANCHORAGE SCHOOL DISTRICT, 4600 DEBARR ROAD, ANCHORAGE, AK

Director of Employee Relations/EEO - August 1977 to May 1979. Salary \$39,000.

Served as Chief Negotiator on administration negotiating committees; reported directly to the School Board on labor and negotiation matters. Conducted administrative hearings on employee terminations, suspensions, and other serious disciplinary actions, and established District position on disputed union grievances before appointed Hearing Examiner or Arbitrator. Presented School District's case, examined witnesses, prepared briefs, etc. Represented School District before State Unemployment Compensation Office in appeal hearings and prepared cases and represented School District in student/employee discrimination suits (over 70) before various federal and state human rights enforcement agencies.

Organized and conducted School District's training seminars on grievances, EEO, and personnel management related subjects. Chaired Classified Evaluation pilot program committee. Chaired District's Planning and Development Committee and wrote substantial portion of District's five-year operating goals. Responsible for all CETA contracts with State and Municipality. Represented School District in speaking before organizations and groups on a variety of community interests/concerns.

Director, Equal Employment Opportunity Office - November 1973 to July 1977. Salary \$30,000

Responsible for development, implementation, and monitoring of comprehensive district-wide Affirmative Action Plan designed to assure fair and impartial programs relative to employment, pro-

motion, and training for nearly 4,000 employees of the School District. Substantially increased the percentage of minorities in every job classification level. Approved all employee selection and promotion decisions to increase consideration of minority applicants.

WESTWOOD MANAGEMENT CORPORATION, 5401 WESTBARD AVE., WASHINGTON, D.C.

Assistant Vice President/Treasurer - April 1970 to September 1973.  
Salary and Options \$22,000.

Directed real estate management affairs concerned with day-to-day operation of office staff, which managed commercial real estate investments of over \$110,000,000, and held overall operational responsibility for headquarters office in absence of Executive Vice President. Prepared profit and loss statements, net cash flow charts, and cost-effectiveness studies based upon comparable Washington, D.C. real estate market.

SYSTEMS RESEARCH CORPORATION, 1028 CONNECTICUT AVE., WASHINGTON, D.C.

Manager, Proposals and Solicitations - July 1969 to April 1970.  
Salary \$14,000.

General responsibilities centered on research and writing of proposals and government contract bids, including supervision and coordination of staff of nine; liaison with government officials; and marketing. Performed marketing research analyses, attended Congressional hearings, interviewed legislative aides, and researched expected appropriations. Also responsible for corporate news releases and design and writing of a company brochure.

Research Associate - January 1969 to July 1969.  
Salary \$8,900.

Researched and co-authored five technical reports on pre-design phase of the Navy's Amphibious Fire Support Ship (LFS):  
"Life-Cycle Cost Analysis," "Interface Requirements," "Fixed Annual Operating Costs," "Sensitivity and Trade-Off Analysis," and "Competing Systems."

Technical Assistant - September 1969 to January 1970.  
Salary \$6,000.

Researched and wrote classified manuscripts on governmental and economic systems of Jordan, Tunisia and Turkey for technical documents prepared under contract to the U.S. Department of Defense. Rewrote, copy-edited text, and prepared all research and bibliographical materials for entire project.

EDUCATION      (GRADUATE) PROFESSIONAL CERTIFICATE, LABOR/MANAGEMENT RELATIONS, UNIVERSITY OF ALASKA, ANCHORAGE, ALASKA, 1978.

M.P.A. CANDIDATE, UNIVERSITY OF ALASKA, ANCHORAGE, ALASKA. CONCENTRATION LABOR/MANAGEMENT RELATIONS (coursework completed; thesis remaining).

M.A. GEORGETOWN UNIVERSITY, WASHINGTON, D.C., 1969.  
MAJOR - POLITICAL SCIENCE (URBAN STUDIES).

B.A. TRINITY COLLEGE, WASHINGTON, D.C. 1967, MAJOR -  
GOVERNMENT

HONORS &  
ACTIVITIES

COLLEGE: Four-year scholarship to Trinity College; Dean's Lis ; V.P. Student Council; V.P. Russian Club; elected to Pi Gamma Mu Honor Society; graduated Summa Cum Laude; Nominated for Woodrow Wilson Fellowship.

HIGH SCHOOL: Valedictorian; National Merit Scholarship Finalist; Texas State Debating Champion; Second in U.S. Cross-Examination Debate; Texas Science Fair Winner in Biology.

PERSONAL

Date of Birth - October 29, 1947; Height - 5' 11";  
Weight - 120 lbs; Health - excellent.

REFERENCES

References from current and all past employees provided gladly upon request.

STATE OF ALASKA

OATH OF OFFICE

Office or Department of Commerce & Econ. Dev.  
I, Diana E. Snowden, do solemnly swear  
(or affirm) that I will support and defend the Constitution of  
the United States, and the Constitution of the State of Alaska,  
and that I will faithfully discharge my duties as a Commissioner  
of (board or commission) the Alaska Public Utilities Comm.  
to the best of my ability.

Diana E. Snowden

Subscribed and Sworn to before me this 23<sup>rd</sup> day of  
Sept., 19 81.

Rona J. McPherson  
Notary Public, State of Alaska  
My Commission expires: 3-20-85

(Seal)

A F F I D A V I T  
QUALIFICATIONS FOR APPOINTMENT  
TO AN ALASKA BOARD OR COMMISSION

FULL NAME DIANA E. SNOWDEN  
PLACE OF RESIDENCE ANCHORAGE, ALASKA  
BIRTHPLACE NEW YORK, NEW YORK  
MAILING ADDRESS SPA Box 1735-M, ANCHORAGE 99507  
I HAVE LIVED IN ALASKA FOR eight (8) YEARS.  
DATE/PLACE OF NATURALIZATION, IF A NATURALIZED CITIZEN  
n/a  
PLEASE GIVE EXACT NAME OR NUMBER OF THE ALASKA PRECINCT IN  
WHICH YOU LAST VOTED O'Malley Elementary, #130

I, DIANA E. SNOWDEN, DO  
SOLEMNLY SWEAR (OR AFFIRM) THAT THE ABOVE STATEMENTS ARE  
TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Diana E. Snowden

Subscribed and Sworn to before me this 23<sup>rd</sup> day of  
September 1981.

Lorna J. McPherson  
Notary Public, State of Alaska  
My Commission expires: 3-20-85



Official Business

# Alaska State Legislature

Senate

Labor & Commerce Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811

MEMORANDUM

15 February, 1982

TO: Senator Hohman, Vice Chairman  
Senator Fahrenkamp  
Senator Rodey  
Senator Ziegler

FROM: Senator Mulcahy, Chairman  
Senate Labor and Commerce Committee

The following Governor's appointees for legislative confirmation have been referred to the Senate Labor and Commerce Committee:

ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY

Mike Harper, Anchorage, term expiring 7/01/83

A resume is attached for the above named individual, and I would appreciate hearing from you by 1 March, 1982, if you have objections to the confirmation. Thank you.

RESUME

MICHAEL C. HARPER

Personal

5051 Mills Drive  
Anchorage, Alaska 99504  
(907) 333-0372

37 years old (DOB 11-30-44)  
Married: Jane E. Harper  
One Daughter: Kristine

Education

1968 graduate of University of Georgia, Bachelor of Business Administration;  
continuing professional development with courses in Commercial Banking and  
Lending

Military

1968 - 1971 U.S. Army

Employment History

September 1979 to Present

Loan Officer - United Bank Alaska  
Commercial Loan Department  
645 G Street  
Anchorage, Alaska 99501

January 1975 - August 1979

Deputy Commissioner - Department of  
Community & Regional Affairs;  
Administrative Assistant to the Governor  
Office of Lt. Governor  
State of Alaska  
Juneau, Alaska

July 1971 - December 1974

Planner Deputy Director  
Executive Director  
Rural Alaska Community Action Program  
Anchorage

Civic & Professional Organizations

Member - Tundra Times Board of Directors  
Member - Basic Industrial Development Steering Committee

Past Memberships

Member - Doyon, Ltd.  
Member - Governor's Task Force on Telecommunications  
Member - Bristol Bay Regional Development Council  
Member - State Manpower Planning Council  
Member - United Bank Alaska

Awards

Outstanding Young Man Award - 1976  
Community Leaders & Noteworthy Americans - 1976

STATE OF ALASKA

OATH OF OFFICE

Office or Department Alaska Industrial Development Authority

I, Michael C. Harper, do solemnly swear  
(or affirm) that I will support and defend the Constitution of  
the United States, and the Constitution of the State of Alaska,  
and that I will faithfully discharge my duties as a \_\_\_\_\_  
of (board or commission) board member  
to the best of my ability.

Michael C. Harper

Subscribed and Sworn to before me this 22nd day of  
September, 1981.

Janice D. Beam

Notary Public, State of ALASKA  
My Commission expires My Commission expires  
Dec. 10, 1984

(Seal)



A F F I D A V I T  
QUALIFICATIONS FOR APPOINTMENT  
TO AN ALASKA BOARD OR COMMISSIC.

FULL NAME Michael C. Harper  
PLACE OF RESIDENCE 5051 Mills Drive Anchorage, Alaska 99504  
BIRTHPLACE Fairbanks, Alaska  
MAILING ADDRESS 5051 Mills Dr. Anchorage, Ak 99504  
I HAVE LIVED IN ALASKA FOR 36 YEARS.  
DATE/PLACE OF NATURALIZATION, IF A NATURALIZED CITIZEN

PLEASE GIVE EXACT NAME OR NUMBER OF THE ALASKA PRECINCT IN  
WHICH YOU LAST VOTED Election District 10 Anchorage No. 22

I, Michael C. Harper, DO  
SOLEMNLY SWEAR (OR AFFIRM) THAT THE ABOVE STATEMENTS ARE  
TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Michael C. Harper

Subscribed and Sworn to before me this 22nd day of  
September, 1981.



Shirice D. Bean  
Notary Public, State of ALASKA  
My Commission expires: My Commission expires:  
Dec. 10, 1984



# Alaska State Legislature

## Senate

Official Business

### Labor & Commerce Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### MEMORANDUM

15 February, 1982

TO: Senator Hohman, Vice Chairman  
Senator Fahrenkamp  
Senator Ziegler  
Senator Rodey

FROM: Senator Mulcahy, Chairman  
Senate Labor and Commerce Committee

The following Governor's appointees for legislative confirmation have been referred to the Senate Labor and Commerce Committee:

#### BOARD OF ELECTRICAL EXAMINERS

Gordon J. Helem, Sitka, term expiring 7/10 1984

A resume is attached for the above named individual, and I would appreciate hearing from you by 1 March, 1982, if you have objections to this confirmation. Thank you.

A. List any professional licenses, certifications, or registrations and dates obtained that may be used as qualifying criteria:

Alaska Electrical Contractor License IW & OLW #176

Original license issued in 1969

Specialty Contractor License #AA 0810

Certificate of Commission to the Board of Electrical Examiners 1971-1975

B. List both formal and informal education and training experiences: (Use additional paper if necessary)

High School

6 quarters University of Washington Engineering School

C. List any community service positions, municipal government positions, state positions held, and list any awards received. These include both compensated and uncompensated positions (for example, president of a service organization or a mayor). Also include length of time served in the positions.

City of Sitka Public Utility Board approx. 4 years

D. Employment work history: paid, unpaid or voluntary: (Use additional paper if necessary)

Construction & maintenance electrician: 1949-1959

Electrical Superintendent, Alaska Lumber & Pulp Co.: 1959-1963

Maintenance Dept Supervisor, " " " " : 1963-1967

Electrical Contractor : 1968-Present

The Office of the Governor and the State of Alaska have an Affirmative Action Equal Employment Opportunity Program. To assist in the program, you are asked to voluntarily answer the following questions to provide the information necessary for reporting purposes. Under State and Federal law, the information you provide will not be used to illegally discriminate against you.

SEX  Male  Female

ETHNIC BACKGROUND  White  Black  Hispanic  Alaska Native  Asian or Pacific Islander  American Indian

Date of Birth  
7/12/22

Military Service (if applicable, give dates)  
U.S. Navy 1944-1946

CERTIFICATION: I swear that the information I have entered on this form is true to the best of my knowledge. I understand that if I deliberately conceal or enter false information on the form my application may be rejected, I may be removed from the list of eligible candidates or I may be removed from the position. I agree that the Office of the Governor may contact present or former employers or other persons who know me to obtain additional information about my skills and abilities. I understand that the information on this application is public information and may be released through a legal request for such information.

Signature of \_\_\_\_\_

*Arthur O. Nelson*

Date 9/11/81



# SITKA ELECTRIC, INC.

BOX 1609 - 815 HALIBUT POINT ROAD — SITKA, ALASKA — 99835

747-8887

GORDON J. HELEM  
ELECTRICAL CONTRACTOR

December 14, 1981

## VOCATIONAL RESUME

Gordon J. Helem  
P.O. Box 1609  
Sitka, Alaska 99835

Age: 59

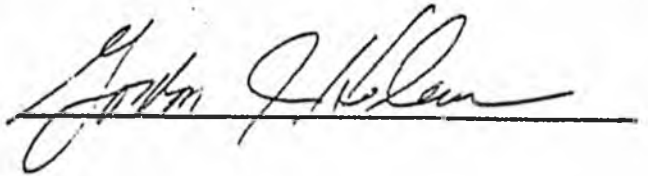
- 1949-1954 Maintenance Electrician, Bethlehem Steel, Seattle, Washington
- 1954-1958 Maintenance Electrician, Ketchikan Pulp Co., Ketchikan, Alaska
- 1958-1959 Construction Electrician, City Electric, Anchorage, Alaska
- 1959-1963 Electrical Supervisor, Alaska Lumber & Pulp Co., Sitka, Alaska
- 1963-1967 Maintenance Supervisor, Alaska Lumber & Pulp Co., Sitka, Alaska
- 1967-Present Manager & President, Sitka Electric, Inc., Sitka, Alaska

STATE OF ALASKA

OATH OF OFFICE

Office or Department DEPARTMENT OF COMMERCE

I, GORDON JAMES HELEM, do solemnly swear  
(or affirm) that I will support and defend the Constitution of  
the United States, and the Constitution of the State of Alaska,  
and that I will faithfully discharge my duties as a MEMBER  
of (board or commission) BOARD OF ELECTRICAL EXAMINERS  
to the best of my ability.



Subscribed and Sworn to before me this 12 day of  
Oct., 1981.

Delores M. Hansen  
Notary Public, State of Alaska  
My Commission expires: 11-25-84

(Seal)

A F F I D A V I T  
QUALIFICATIONS FOR APPOINTMENT  
TO AN ALASKA BOARD OR COMMISSION

FULL NAME GORDON JAMES HELEM

PLACE OF RESIDENCE 1106 HALIBUT POINT ROAD, SITKA, ALASKA

BIRTHPLACE CORONATION, ALBERTA, CANADA

MAILING ADDRESS P.O. BOX 1609, SITKA ALASKA 99835

I HAVE LIVED IN ALASKA FOR 27 YEARS.

DATE/PLACE OF NATURALIZATION, IF A NATURALIZED CITIZEN

1932, SEATTLE, WASHINGTON

PLEASE GIVE EXACT NAME OR NUMBER OF THE ALASKA PRECINCT IN

WHICH YOU LAST VOTED SITKA PRECINCT # 3

\_\_\_\_\_

I, GORDON JAMES HELEM, DO  
SOLEMNLY SWEAR (OR AFFIRM) THAT THE ABOVE STATEMENTS ARE  
TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

*Gordon J. Helem*

Subscribed and Sworn to before me this 12 day of  
Oct, 1981.

*Delores M. Hansen*  
Notary Public, State of Alaska  
My Commission expires: 11-25-84



# Alaska State Legislature

## Senate

Official Business

### Labor & Commerce Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### MEMORANDUM

15 February, 1982

TO: Senator Hohman, Vice Chairman  
Senator Fairenkamp  
Senator Rodey  
Senator Ziegler

FROM: Senator Mulcahy, Chairman  
Senate Labor and Commerce Committee

The following Governor's appointees for legislative confirmation have been referred to the Senate Labor and Commerce Committee:

#### ALASKA WORKER'S COMPENSATION BOARD

Peter P. Gerl, Anchorage, term expiring 7/1/85

\*Ann S. Pittenger, Anchorage, term expiring 7/1/84

William B. Woodland, Anchorage, term expiring 7/1/85

Resumes are attached for the above named individuals, and I would appreciate hearing from you by 1 March, 1982, if you have objections to their confirmation. Thank you.

\*Reappointment

R E S U M E

Name: Peter P. Gerl

Address: 1210 W. 47th Avenue, Apt. #4  
Anchorage, Alaska 99503  
(907) 276-5829

Born: January 31, 1920 - Hewitt, Wisconsin

Married: Wife - Frances  
Daughter - Clara

Education: High School Education with various seminar(s)  
to update skills and abilities for my involved  
profession(s) (i.e. International Foundation of  
Employee Benefit Plans, I.B.T. Labor Institutes).

Alaska: I have resided in the Territory and State of  
Alaska for approximately 30 years.

Military Service: I served in the United States Navy in  
Alaska from 1943 to 1946. Honorable Discharge.

Brief Work History: I have worked in the Construction  
Industry in Alaska both as a member of the Laborers  
and Teamsters. I worked out of the Laborers  
Union until 1958, at which time I joined and was  
employed through the Teamsters.

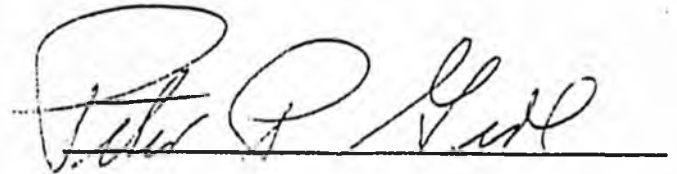
From 1960 - 1964 - I worked in the Communication  
Industry at Clear, Alaska. employed as a Teamster  
Craft Supervisor for the BMEWS site.

From 1964 - 1977 - I served as Business Represen-  
tative and Union President until my recent re-  
tirement. While serving as a Union Representative  
and Officer, I served on various Local Union  
Benefit Trust Funds and other Civic and State  
related Commissions (i.e. Economic Development  
Commission).

STATE OF ALASKA

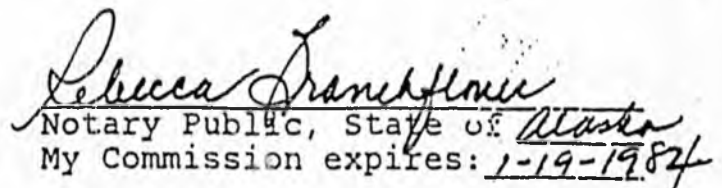
OATH OF OFFICE

Office or Department Department of Labor, Workers' Compensation Div.  
I, Peter P. Gerl, do solemnly swear  
(or affirm) that I will support and defend the Constitution of  
the United States, and the Constitution of the State of Alaska,  
and that I will faithfully discharge my duties as a Member  
of (board or commission) The Workers' Compensation Board  
to the best of my ability.



Subscribed and Sworn to before me this 25<sup>th</sup> day of

January, 1982.

  
Notary Public, State of Alaska  
My Commission expires: 1-19-1984

(Seal)

A F F I D A V I T

RECEIVED

QUALIFICATIONS FOR APPOINTMENT

JAN 27 1982

TO AN ALASKA BOARD OR COMMISSION

GOVERNORS OFFICE

FULL NAME PETER PAUL GERL

PLACE OF RESIDENCE 1210 W 47 APT #4 99503

BIRTHPLACE HEWITT WIS.

MAILING ADDRESS 1210 W 47 APT #4 ANCHORAGE 99503

I HAVE LIVED IN ALASKA FOR 36 YEARS YEARS.

DATE/PLACE OF NATURALIZATION, IF A NATURALIZED CITIZEN  
N/A

PLEASE GIVE EXACT NAME OR NUMBER OF THE ALASKA PRECINCT IN  
WHICH YOU LAST VOTED NO 17

I, *Peter Paul Gerl*, DO

SOLEMNLY SWEAR (OR AFFIRM) THAT THE ABOVE STATEMENTS ARE  
TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Subscribed and Sworn to before me this 25<sup>th</sup> day of  
January, 1982.

*Rebecca Marchlow*  
Notary Public, State of Alaska  
My Commission expires: 1-19-1984

ANN D. FILLINGER  
6602 Lakeway Drive  
Anchorage, Alaska 99502

Telephone: Office (907) 278-2525  
Residence (907) 243-7238

### PROFESSIONAL OBJECTIVE

To transfer my knowledge and experience in Personnel Management to the field of Real Estate, utilizing interviewing skills to determine the needs and wants of clients and customers, and negotiating techniques to obtain the best terms possible. Being selfemployed the financial returns proves capabilities, whereas when on salary there is always the question of one's professional worth.

### EXPERIENCE

April 1981 - Present  
Area, Inc. Realtors  
4794 Business Park Blvd  
Building F  
Anchorage, Alaska 99503

October 1974 - June 1980  
The Hotel Captain Cook  
P.O. Box 2280  
Anchorage, Alaska 99510  
Att: Walter J. Hickel, Jr.

Tax Season 1973 & 1974  
H & R Block  
2810 C Street  
Anchorage, Alaska 99502  
Att: Steve Audette

October 1968 - June 1971  
Mother Wright's Bakery  
P.O. Box 1345 Station 4  
Omaha, Nebraska 68110  
(Company Sold)

October 1964 - June 1968  
Fedway Department Stores  
East Central Avenue  
Albuquerque, New Mexico 87106  
Att: William F. Burnette

Prior 1964

### EDUCATION

1980 - Present  
1965 - 1980  
1946 - 1949  
University of New Mexico  
Albuquerque, New Mexico  
1945  
Albuquerque High School

### PRESENT AFFILIATIONS

REAL ESTATE ASSOCIATE  
Serve the public in their Real Estate needs.

DIRECTOR OF PERSONNEL  
Initiated and developed a viable Personnel Department and Program for all Nickel properties. Was responsible for monitoring same.

INCOME TAX CONSULTANT  
Prepared personal and small business taxes. Managed branch office in 1974.

EMPLOYEE RELATION MANAGER  
Handled all personnel functions including preparations for Union negotiations and grievances.

ASSISTANT PERSONNEL MANAGER  
In charge of recruiting, interviewing, and hiring sales, clerical, and maintenance personnel (2 1/2 years).

PERSONNEL ASSISTANT  
Responsible for establishing, conducting and evaluating a new Sales Training Program (1 year).

FLOATING SALES PERSON  
Sales in all Departments (3 months).

Talent for television commercials; Children's Radio Program; Airline Reservationist and Ticket Agent; Summer Stock Theatre.

Courses in Real Estate.  
Courses in Management and related seminars.

Major Fine Arts (Theatre)  
Minor English

Graduated

National Association of Realtors/Member-  
Alaska Workers Compensation Board/  
American Society for Personnel Administrators.

STATE OF ALASKA

OATH OF OFFICE

Office or Department Department of Labor

I, Ann S. Pittenger, do solemnly swear  
(or affirm) that I will support and defend the Constitution of  
the United States, and the Constitution of the State of Alaska,  
and that I will faithfully discharge my duties as a member  
of (board or commission) Alaska Workmen's Compensation Board  
to the best of my ability.

Ann S. Pittenger

Ann S. Pittenger

Subscribed and Sworn to before me this 30th day of

August, 1979.

John L. O'Berry  
Notary Public, State of Alaska  
My Commission expires: 4-4-82

(Seal)

A F F I D A V I T

QUALIFICATIONS FOR APPOINTMENT

TO AN ALASKA BOARD OR COMMISSION

FULL NAME Ann S. Pittenger

PLACE OF RESIDENCE Anchorage, Alaska

BIRTHPLACE Boston, Massachusetts

MAILING ADDRESS 6602 Lakeway Dr., Anchorage, Alaska 99502

I HAVE LIVED IN ALASKA FOR Eight (8) YEARS.

DATE/PLACE OF NATURALIZATION, IF A NATURALIZED CITIZEN

PLEASE GIVE EXACT NAME OR NUMBER OF THE ALASKA PRECINCT IN WHICH YOU LAST VOTED Anchorage No. 120 - Election District No 12

I, Ann S. Pittenger, DO

SOLEMNLY SWEAR (OR AFFIRM) THAT THE ABOVE STATEMENTS ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Ann S. Pittenger

Subscribed and Sworn to before me this 30th day of August, 19 79.

James L. Berry  
Notary Public, State of Alaska  
My Commission expires: 4-4-82

RECEIVED

DEC 1 1981

WILLIAM B. WOODLAND  
700 "I" Street  
Anchorage, Alaska 99501  
(907) 272-8501

OFFICE OF THE COMMISSIONER

General

Born April 22, 1949  
Alaska Resident Since 1953  
Married, Two Children

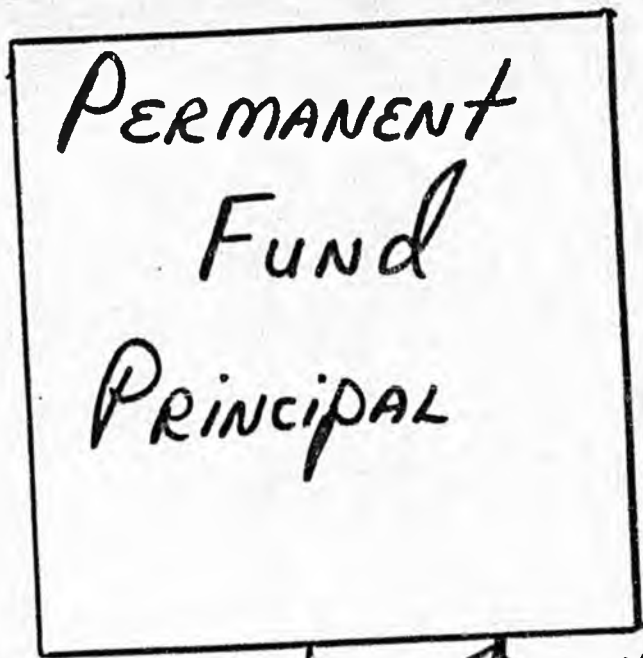
Education

Graduated from High School, Anchorage, Alaska 1967  
Graduated from Western Washington University 1971, Engineering  
Degree

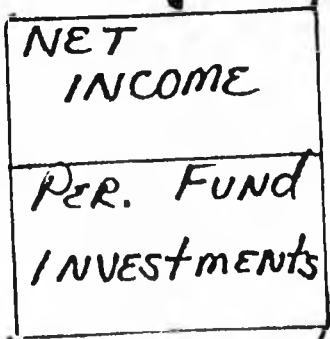
Work History

- 1971 - 1981: Self-employed as owner/operator of Snow White Laundry and Cleaners & Quality Linen Supply, Anchorage, Alaska; and Quality Cleaners and Laundry, Eagle River, Alaska.
- 1975 - 1977: Served as Management Member on the Alaska Workers' Compensation Board, Anchorage, Alaska

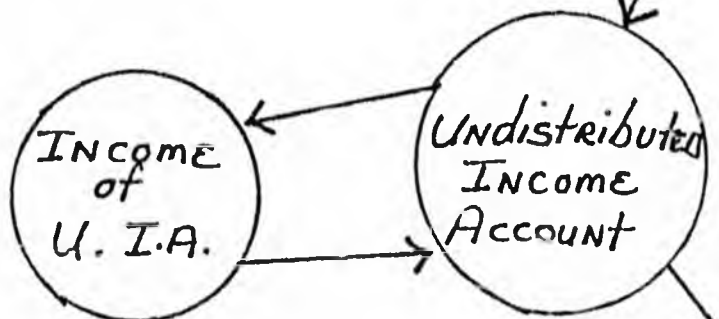
*Workers' Compensation*



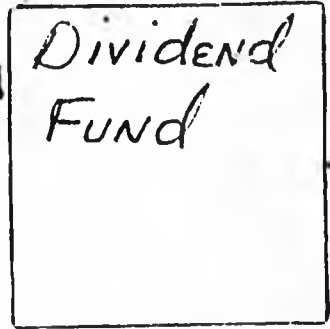
50% of NET INCOME RETURNED to PRINCIPAL for RE INVESTMENT;



50% of NET INCOME TRANSFERRED to UNdistributed INCOME ACCOUNT;



ANNUAL TRANSFER to dividend fund; or for LEGISLATIVE APPROPRIATION;



ALASKA  
RESIDENTS

INCOME of U I A REVERTS to U I A account;

mineral revenue sharing payments received by the state from mineral leases issued on or before December 1, 1979, and 25 percent of all bonuses received by the state from mineral leases issued on or before February 15, 1980;

(2) 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral revenue sharing payments received by the state from mineral leases issued after December 1, 1979, and 50 percent of all bonuses received by the state from mineral leases issued after February 15, 1980;

(3) any other money appropriated to or otherwise allocated by law to the Alaska permanent fund.

(b) Payments due the Alaska permanent fund under (a) of this section shall be made to the fund once each month.

(c) The Alaska permanent fund shall be managed by the Alaska Permanent Fund Corporation established in AS 37.13.010 — 37.13.210. (§ 5 ch 18 SLA 1980)

**Legislative history reports.** -- For the House Journal, Supplement No. 7, April 2, 1980.  
Free Conference Committee Report on ch. 18, SLA 1980 (FCCSSB 161), see 1980

**Sec. 37.13.020. Findings.** The people of the state, by constitutional amendment, have required the placement of at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses received by the state into a permanent fund. The legislature finds with respect to the Alaska Permanent Fund Corporation that

(1) the corporation should provide a means of conserving a portion of the state's revenues from mineral resources to benefit all generations of Alaskans;

(2) the corporation's goal should be to maintain safety of principal while maximizing total return;

(3) the corporation should be used as a savings device managed to allow the maximum use of disposable income from the corporation for purposes designated by law. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.030. Purpose.** It is the purpose of AS 37.13.010 — 37.13.210 to provide a mechanism for the management and investment of those permanent fund assets allocated to the Alaska Permanent Fund Corporation in a manner consistent with the findings in AS 37.13.020. (§ 5 ch 13 SLA 1980)

**Sec. 37.13.040. Alaska Permanent Fund Corporation.** There is established the Alaska Permanent Fund Corporation. The corporation is a public corporation and government instrumentalities in the Department of Revenue managed by the board of trustees. The purpose of the board is to manage and invest the assets of the corporation in accordance with AS 37.13.010 — 37.13.210. (§ 5 ch 18 SLA 1980)

commercial purchasers of the 1980 salmon harvest;

(3) participate with commercial banks in the making of loans to provide financial assistance to commercial purchasers of the 1980 salmon harvest;

(4) enter into agreements with the Department of Revenue to provide guarantees from the fish processing loan guarantee account for

(A) up to 60 percent of the portion of a loan described in (1) — (3) of this subsection held by a commercial bank; and

(B) up to 100 percent of the portion of a loan described in (1) — (3) of this subsection held by an institution of the federal farm credit system if that portion does not exceed 80 percent of the total amount of the loan.

(b) A loan may not be guaranteed under (a)(4) of this section unless 20 percent or more of the guaranteed portion of the loan is held by the Commercial Fishing and Agriculture Bank.

(c) There is created as a separate account in the general fund the fish processing loan guarantee account. The fish processing loan guarantee account consists of assets transferred to it from the general fund. The commissioner of revenue shall administer the fish processing loan guarantee account and may enter into agreements with the Commercial Fishing and Agriculture Bank to use the assets of the fish processing loan guarantee account to provide guarantees for loans under (a)(4) of this section. The total

amount of the guaranteed portion of loans guaranteed under (a)(4) of this section may not exceed \$40,000,000.

(d) The commissioner of revenue may, to the extent that appropriations are made available to him for the purpose, lend up to \$12,000,000 to the Commercial Fishing and Agriculture Bank to provide financial assistance to commercial purchasers of the 1980 salmon harvest. The portion of a loan made with money lent to the Commercial Fishing and Agriculture Bank under this subsection may not be guaranteed under (a)(4) of this section.

(e) In this section, "commercial bank" means a bank chartered by the United States or by a state of the United States."

Section 3, ch. 32, SLA 1980 provides: "The legislature finds that the Alaska Renewable Resources Corporation has complied with all requirements for an investment of \$3,500,000 in Ball Brothers, Inc., an Alaska corporation, except for the requirement in AS 37.12.080(b) that no financial assistance of more than \$1,500,000 may be provided to a single project or applicant unless the legislature has approved the investment by concurrent resolution. The legislature further finds that approval of the investment is in the public interest. Notwithstanding the provisions of AS 37.12.080(b) requiring approval by concurrent resolution, the investment in the amount of \$3,500,000 is approved and the corporation is authorized to make the proposed investment in Ball Brothers, Inc., an Alaska corporation."

### Chapter 13. Alaska Permanent Fund.

**Section**

- 10. Alaska permanent fund
- 20. Findings
- 30. Purpose
- 40. Alaska Permanent Fund Corporation
- 50. Composition and qualifications of board of trustees
- 60. Term of office
- 70. Removal and vacancies
- 80. Quorum
- 90. Compensation of board members
- 100. Corporation staff
- 110. Conflicts of interest

**Section**

- 120. Investment responsibilities of the board
- 130. Gains and losses
- 140. Income
- 150. Board budget
- 160. Audits
- 170. Reports and publications
- 180. Tax exemption
- 190. Political activities
- 200. Public access to information
- 210. Definitions

**Sec. 37.13.010. Alaska permanent fund.** (a) Under art. IX, § 15 of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal

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**Sec. 37.13.050. Composition and qualifications of board of trustees.** (a) The Board of Trustees of the Alaska Permanent Fund Corporation consists of six members appointed by the governor. Three of the members shall be heads of principal departments of state government, one of whom shall be the commissioner of revenue. Three members shall be appointed by the governor from the public and may not hold any other state or federal office, position or employment, either elective or appointive, except as a member of the armed forces of either the United States or of this state. Members other than the commissioner of revenue shall be separately confirmed by a majority of the members of the legislature in joint session.

(b) The three public members of the board shall have recognized competence and wide experience in finance, investments, or other business management-related fields.

(c) The board shall annually elect a chairman from among its members. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.060. Term of office.** The members of the board shall be appointed for terms of three years, and they may be reappointed subject to confirmation by a majority of the members of the legislature in joint session. Terms shall be staggered. Initial terms for members other than the commissioner of revenue shall be two members serving for one year, two members serving for two years, and one member serving for three years. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.070. Removal and vacancies.** (a) The governor may remove a member of the board from office. However, the removal of a member of the board is subject to disapproval by a vote of a majority of the members of the legislature at the first joint session held 10 or more days after the legislature receives notice of the removal from the governor. A removal by the governor shall be in writing and shall state the reason for the removal. A member who is removed by the governor may not participate in board business and may not be counted for purposes of establishing a quorum between the time he receives written notice of his removal from the governor and the time that the legislature's power to disapprove the removal under this subsection expires. If the legislature disapproves the removal of a board member, the board member shall be reinstated.

(b) A vacancy on the board shall be promptly filled by appointment by the governor and confirmation by a majority of the members of the legislature in joint session. An appointee to a vacancy shall hold office for the balance of the term for which his predecessor on the board was appointed. If a vacancy arises on the board while the legislature is not in session, the governor may appoint an interim board member who shall exercise the powers of a board member until the legislature fails to confirm the appointment of the interim board member.

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(c) A vacancy on the board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.080. Quorum.** Four members of the board constitute a quorum for the transaction of business and the exercise of the powers and duties of the board. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.090. Compensation of board members.** Public members of the board receive an honorarium of \$400 for each meeting day if they attend the meeting. All members of the board are entitled to per diem and travel allowances as provided by law for members of state boards and commissions. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.100. Corporation staff.** The board may employ and determine the salary of an executive director. The executive director may, with the approval of the board, select and employ additional staff as necessary. No employee of the corporation, including the executive director, may be a member of the board. The executive director and the other employees of the board are in the exempt service under AS 39.25.010 — 39.25.220. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.110. Conflicts of interest.** (a) Members of the board and the executive director are subject to the provisions of AS 39.50.010 — 39.50.200.

(b) If a member of the board or an employee of the corporation acquires, owns or controls an interest, direct or indirect, in an entity or project in which corporation assets are invested, he shall immediately disclose the interest to the board. The disclosure is a matter of public record and shall be included in the minutes of the board meeting next following the disclosure. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.120. Investment responsibilities of the board.** (a) The prudent-man rule shall be applied by the board in the management and investment of Alaska permanent fund assets. The prudent-man rule as applied to investments of the corporation means that in making investments the board shall exercise the judgment and care under the circumstances then prevailing which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

(b) The corporation assets shall only be used for income-producing investments.

(c) The board shall maintain a reasonable diversification among investments unless under the circumstances it is clearly prudent not to do so.

(d) The board shall submit long-range and quarterly investment reports to the Legislative Budget and Audit Committee.

(e) The corporation may not borrow funds or guarantee from principal of the Alaska permanent fund the obligations of others.

(f) The board may enter into and enforce all contracts necessary, convenient or desirable for purposes of the corporation.

(g) Subject to the limitations in (h) and (i) of this section, the board may invest corporation assets in

(1) obligations of, or obligations insured by or guaranteed by, the United States or agencies or instrumentalities of the United States;

(2) obligations secured by reserves paid in by the United States or agencies or instrumentalities of the United States or obligations of corporations in which the United States is a shareholder or member;

(3) certificates of deposit issued by United States domestic banks which are members of the Federal Deposit Insurance Corporation for which a generally recognized secondary market exists or which are fully secured at all times as to payment of principal and interest by investments described in (1), (2), (8) or (12) — (16) of this subsection; the security pledged under this paragraph shall be at least equal to the face value of the deposit and the board may require substitution of collateral;

(4) shares of federally chartered savings and loans associations in Alaska which are fully secured at all times as to payments of principal and interest by investments described in (1), (2) of this subsection;

(5) savings certificates issued by state chartered savings and loan associations in Alaska which are fully secured at all times as to payments of principal and interest by investments described in (1), (2) of this subsection;

(6) deposits with mutual savings banks in Alaska which are fully secured at all times as to payments of principal and interest by investments described in (1), (2) of this subsection;

(7) fixed-term certificates of indebtedness of federally insured credit unions which are fully secured at all times as to payments of principal and interest by investments described in (1), (2) of this subsection;

(8) corporate debt securities which are rated AA or better by a nationally recognized rating service;

(9) short-term corporate promissory notes of the highest ratings assigned by a nationally recognized rating service;

(10) bankers' acceptances drawn on and accepted by United States banks each of which have a combined capital and surplus aggregating at least \$200,000,000;

(11) repurchase agreements, the securities underlying the agreements being any of the items in (1) — (3) and (8) — (10) of this subsection;

(12) the guaranteed portion of Federal Small Business Administration loans;

(13) the portion of first lien real estate mortgages guaranteed by the Federal Veterans Association;

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(14) the portions of business and industrial loans made under the Rural Development Act of 1972 which are guaranteed by the Farmer's Home Administration;

(15) the guaranteed portion of Farmer's Home Administration loans;

(16) notes secured by mortgages of residential real estate if the mortgages are insured by a private mortgage insurance corporation which is authorized to do business in Alaska and has combined capital, surplus and reserves aggregating at least \$20,000,000; the minimum coverage shall be 10 percent for loans having a loan-to-value ratio of less than 90 percent, and the minimum coverage shall be 20 percent for loans having a loan-to-value ratio of 90 percent or more.

(h) The board may enter into future contracts for the sale of investments purchased under (g) of this section only for the purpose of hedging an existing equivalent ownership position in these securities.

(i) Investments under (g)(8) of this section may not exceed 25 percent of the total investments of the Alaska permanent fund. Investments under (g)(16) of this section may not exceed in the aggregate 15 percent of the total investments of the Alaska permanent fund.

(j) The assets of the Alaska permanent fund may not be used for the purchase of bonds of a corporation, upon which any regular interest payment has been defaulted within five years before purchase, except bonds never in default but which have been outstanding for less than five years.

(k) The board shall establish and from time to time as necessary modify guidelines for the investment of the assets of the corporation. Before adoption of any guidelines the guidelines shall be reported to the Legislative Budget and Audit Committee for review and comment.

(l) The board shall invest the assets of the corporation in in-state investments to the extent in-state investments are available if the in-state investments

(1) have a risk level and expected yield comparable to alternate investment opportunities; and

(2) are included in the list of permissible investments in (g) of this section. (§ 5 ch 18 SLA 1980)

Editor's notes. — Section 9, ch. 18, SLA 1980 provides: "TRANSITION. The commissioner of revenue shall transfer the Alaska permanent fund to the Alaska Permanent Fund Corporation established by this act after request for transfer is made by the board of trustees of the corpo-

ration. Notwithstanding AS 37.10.065(a), the commissioner of revenue may invest the money in the Alaska permanent fund in the investments described in AS 37.13.120(g) subject to the limitations of AS 37.13.120(h) and (i)."

Sec. 37.13.130. Gains and losses. At the end of each fiscal year, the total amount of losses on the sales of securities, not offset by gains on the sales of securities during that year, shall be computed, with a

*REPEALED  
REENACTED*

*REPEALED*

portion of these losses to be deducted each fiscal year from the income and the resulting amount of income added to the principal of the Alaska permanent fund. Losses taken on the sales of securities shall be accumulated over a period equal to the average remaining life of the securities sold, unless these losses are offset by gains on future sales of securities. In any fiscal year in which the gains on the sales of securities exceed the losses on the sales of securities, the excess shall be added to the principal of the Alaska permanent fund. (§ 5 ch 18 SLA 1980)

*Repealed  
Reenacted*

**Sec. 37.13.140. Income.** The interest received in a year is the income of the corporation for that year. The income available for disbursement shall be determined on an averaging basis. For the first five years, income will be the simple averaging of the annual current return at cost. Subsequently, there will be a moving average current return, in which the latest fiscal year will replace the oldest year. The income available for disbursement will be the lesser of the latest fiscal year's income, or the average annual current income for the past five fiscal years of the Alaska permanent fund at cost, and after adjustment for capital losses charged to that fiscal year. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.150. Board budget.** The operating budget of the board is from the general fund and is subject to the Executive Budget Act (AS 37.07.010 — 37.07.130). (§ 5 ch 18 SLA 1980)

**Sec. 37.13.160. Audits.** The Legislative Budget and Audit Committee shall provide for an annual post audit and annual operational and performance evaluations of the corporation's investments and investment programs. (§ 5 ch 18 SLA 1980)

**Cross references.** — For the responsibilities of the Legislative Budget and Audit Committee, see AS 24.20.206.

**Sec. 37.13.170. Reports and publications.** By September 30 of each year, the board shall publish a report of the corporation for distribution to the governor, legislature, and the public. The report shall be written in easily understandable language. The report must include financial statements audited by independent outside auditors, a statement of the amount of money received by the Alaska permanent fund from each investment during the period covered, a statement of investments of the corporation including an appraisal at market value, a description of corporation investment activity during the period covered by the report, a comparison of the corporation performance with the intended goals contained in AS 37.13.020, an examination of the impact of the investment criteria of AS 37.13.010 — 37.13.210 on the corporation portfolio with recommendations of any needed changes, and any other information the board believes would be of interest to the

governor, the legislature, and the public. The annual income statement and balance sheet of the corporation shall be published in at least one newspaper in each judicial district. The income statement and balance sheet for the two fiscal years preceding the publication of the election pamphlet under AS 15 58.010 — 15.58.090 shall be included in that pamphlet. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.180. Tax exemption.** The corporation is exempt from all taxes and assessments in the state. All security instruments issued by the corporation, their transfer, and their income are exempt from all taxes and assessments in the state. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.190. Political activities.** The resources of the corporation may not be used to finance or influence political activities. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.200. Public access to information.** Information in the possession of the corporation is a public record, except that information which discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is required in a court proceeding. These restrictions do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports, items, persons, or enterprises. (§ 5 ch 18 SLA 1980)

**Sec. 37.13.210. Definitions.** In AS 37.13.010 — 37.13.210,

(1) "board" means the Board of Trustees of the Alaska Permanent Fund Corporation;

(2) "corporation" means the Alaska Permanent Fund Corporation. (§ 5 ch 18 SLA 1980)

## Chapter 14. Trust Funds.

**Editor's notes.** — Section 4, ch. 182, SLA 1978, purported to add an article 2, entitled "University Fund" and consisting of AS 37.14.060 — 37.14.100. Section 27 of ch. 182, however, made article 2 effective on the date that the Board of Regents

voted to approve the matters under consideration as provided in § 24 of the act. The Board of Regents disapproved all matters on August 17, 1978. Consequently, article 2 was ineffective.

ALASKA PERMANENT FUND CORPORATION

POUCH 88 - JUNEAU, ALASKA 99811  
TELEPHONE 907-485-2351

BOARD OF TRUSTEES:

ELMER E. RASMUSON - CHAIRMAN  
THOMAS K. WILLIAMS - VICE-CHAIRMAN  
WILSON L. CONDON  
PETER B. MCDOWELL  
GEORGE W. ROGERS  
ROBERT W. WARD

RESPONDENT ADDRESS:

TO: Senator Mulcahy, Chairman  
Senate Labor and Commerce Committee

FROM: James B. Rhode, Special Assistant to the Trustees  
Alaska Permanent Fund

DATE: March 12, 1981

SUBJECT: Sectional Analysis of Sponsor Substitute for SB 684

PREFACE

Nearly one year ago, the Trustees of the Alaska Permanent Fund and the Special Liaison Committee of the Legislature, chaired by Senator Sturgulewski, began a series of seminars and work sessions on the future of the Fund.

From the first, it was agreed to explore the issues in the context of how all the oil revenues were, or might be, spent. This was to insure that any new role for the Fund would be consistent with its fundamental purposes and, too, would be more suitably lodged in the Fund than elsewhere.

Meeting at various points in the state, the group examining the ideas of economists, financial specialists, major Alaskan interests, and the general public. This is further described in the Annual Report of the Fund (pp. 3, 5-7). The analysis offered by various professionals is soon to be published under the heading of The Trustee Papers. A special edition, including formal statements from various groups and citizens, has been compiled for the committees of referral for this bill.

SUMMARY

SB 684 contains three key proposals: (1) having the public members comprise the majority of the Trustees to slow the effects of a change of administration or a change in political moods; (2) revising the list of permitted investments to be the same as for the pension funds (with some added restrictions and excepting gold, which does not produce direct income), as holding the best hope for long-term rates of return that exceed inflation without sacrificing of safety; and (3) reinvesting one-half the Fund's earnings to protect the buying power of the Fund's principal and income from inflation, and providing that the remaining earnings be paid over on the basis of a five-year average with, in effect, a reserve to keep those payments as stable as possible for state planning.

## ANALYSIS

Section 1. The replacement of a commissioner by a public member in the composition of the Trustees has the dual effect of giving the public members the working majority and requiring that majority to have special qualifications for their office. In the discussion of this provision, it was felt that the Commissioner of Revenue, as the State chief fiscal officer, must be formally accorded the role that he will always exercise in Administration decisions on the Fund. As well, this insures the Administration will be directly informed of the views of the Trustees. The provision to eliminate one commissioner was to recognize the growing demands placed upon the cabinet in recent years. While noting the advantage of having three commissioners during the organizational phase of the Fund, it was felt that it would be difficult to expect that many to be able to devote the necessary time indefinitely.

Sections 2 and 3 have the practical effect of staggering terms so that a governor will only be able to select all of the Trustees by the last year of his term. This gives a greater measure of independence to the board over existing law (where the next governor would have chosen a majority within six months of taking office), but also mitigates the deletion of existing language (p. 2, lines 2-3) which, on the basis of a decision of the Alaska Supreme Court, does not permit confirmation by the Legislature without constitutional amendment.

In like manner, section 4, requiring that a governor remove only for good cause, is designed to replace the check in the existing statute where the Legislature, by vote, can halt a removal.

Section 5. A majority of the Trustees felt that an annual fee for members of the board was justified on several grounds: The management of a fund of this size will involve working subcommittees and considerable travel to meet with outside fund managers, with financial advisors, and with senior officials in similar institutions. Assuming the likely stature of the public members, it was thought just to compensate them for the significant loss of income entailed by their work, and wise to prevent appointees from stating that personal circumstances limited the amount of time which they could devote. The annual fee, here tied with the salaries of legislators, is to be on the order of \$20,000 a year, which is the sum typically paid by leading corporations to outside directors. This figure was consciously set to be insufficient to draw potential appointees for the sake of the fee alone.

Section 6 adds to the list of permitted investments for the Fund with the dual aims of improving long-term, real earnings and giving needed diversity. At present, the Fund is essen-

tially a large "money market" account of the kind now open to many private individuals. However, a number of financial specialists have pointed out that, on average over the decades, these securities have only matched inflation or have been somewhat negative in terms of real earnings. The situation of the past two years, with as much as 6% return above inflation, happened but once before in this century: 1931. Interest rates were then at a bare 1% but price levels had fallen 5%, thus giving a real income of 6%. Based on this historical data, our existing investment list promises few years in which earnings can exceed inflation. In contrast, the investment areas proposed to be added (stocks, income property, and foreign assets) have brought yields in line with the long-term real growth of the United States, 2 to 4% beyond inflation and, in some years, particularly in Japan and the strongest economies of Europe, the gains have been more substantial. To be sure, not all of these investment areas have performed well in every period owing to economic cycles, political and other events, and changes of investor preference. Indeed, our advisors have stressed that no guarantees against fluctuations can be offered for any class of investments, not even the highest grade of U. S. Government securities. (Actually, in recent years, the latter have swung more sharply and more often than other instruments). Hence, the necessity of having, now, a wider selection of proven investment options so that adjustments can be timely and of enough size to win better returns while avoiding reverses - both in a manner consistent with safety of principal.

It would be well to note here that section 7 places limits on the extent to which investments, other than fixed income securities, can be made and the limits are more severe than for the pension funds. The lack of a limit on fixed income securities is not because they afford markedly greater safety; in certain markets, they do not. Rather, the projected growth of the Fund, even with declining revenues, is such that it could, absent restraints, cause these markets to rise and fall by the very fact that it was buying and selling. Further, the limits are proposed by the Trustees as part of their commitment to gain experience in these new areas on a gradual, deliberate basis.

Ironically, our present investment list is not truly "conservative," in the sense of protecting either the current dollars or real worth of the Fund's corpus and income. Our list, by the standards of comparable institutions and court rulings, is more accurately described as "traditional". Most participants in the drafting of this bill were stunned to learn that a \$10 billion fund, earning 15% a year, suffering 10% inflation, and paying over all of its returns, would shrink in 30 years to less than \$250 million in value. The goods and services that could be purchased with the income of this fund would collapse in the same ratio, from \$1.5 billion at today's prices to \$89 million in three decades. Or, more graphic still, a dividend

of \$1,500 would then buy what \$89 will buy today. Accordingly, whether one believes that the Fund's principal should be conveyed intact to the next generation or the Fund's income should be conveyed equally to present and future Alaskans, a portfolio that loses to inflation will serve us at the expense of those who follow. (Please see Appendix A for a more detailed analysis of the financial sections.)

Section 10, 11. Broadly, these sections provide that one-half the net earnings of the Permanent Fund shall be retained in principal and the balance is available for distribution on a five-year average, with any excess to be used to raise payments in a year they would fall below the average. The first is to sustain the real earnings power of the Fund; the second is to give the Legislature a stable income on which to plan.

More specifically, the Fund's earnings can be expected to rise steadily over the next decade as the result of regular contributions and competent management. During this period, more income will be made than is necessary to meet the five-year average, and the excess and the interest on it will build up in the "undistributed income account." In the first year, if that income were to fall below the average, the reserve would be drawn upon. In the event that it was judged that reserves were ample, a larger dividend could be declared or, perhaps, the extra sums could be applied to other purposes by the Legislature.

Section 12 simply provides that the Fund's expenses will be met from the Fund's earnings (as "program receipts"), however, no money may be spent except as provided by the budget. Although the control of the Legislature is not altered in any way, this approach plainly shows what it has cost to make our income, thus allowing the public and legislators to better assess the worth of these expenses. This practice is virtually universal in the accounting of similar private institutions.

Section 13 is to allow the Legislative Budget and Audit Committee to be selective as to which financial and operational reports it prepares, or has prepared, in the light of circumstances. For example, this language would permit the Fund and the Committee to reach mutual agreement on a firm to assess performance in different areas of investment and, further, to reach mutual agreement on definitions of terms, the proper sample of statistics, and the like. This "ground rules" approach will aid fuller disclosure of the Fund's activities while at the same time reduce temptations for either side to craft reports that are merely designed to attack or defend the Fund.

Section 14 brings the Permanent Fund into conformity with the law governing most other boards and commissions.

BUDGETARY NOTES

The Trustees ask that SB 684 be considered together with the Governor's budget request to achieve independent status for the Permanent Fund, and with the fiscal note which provides for outside, specialized firms to carry out the new investment authority under this bill.

Independence for the Permanent Fund has been the clear preference of public and legislative sentiment to date. (Please see the paper on the relevant legislative history prepared by Trustee Peter B. McDowell.) The case for independence, in brief, is that special interests pressing the Fund to win concessions will be more visible in their attempts and that your Trustees can be held to fuller account if they choose their own servants. The last point is not meant to reflect on the present Commissioner of Revenue or the staff of the Treasury. On the contrary, their ready cooperation has been frequently noted in the record of the Trustees. But, it has been the consistent advice of professional managers that "... those committed to investing must have their operations separate from those committed to spending ...", especially given the "... great, tempting size ..." of the Fund. In the wealthiest state in the nation, California, where state and local pension assets exceed \$30 billion, such a separation has always been maintained.

Still, after independence has been attained, the Fund will have less freedom than any independent board or commission in present law. For the Fund has the most definite charter in state government, is not permitted to spend, does not lend directly to any borrower, and is subject to all the oversight that is applied to a line agency.

As for the fiscal note, the Trustees have agreed that outside managers are best suited to execute the new investment authority in this bill. In addition to our remoteness from the markets involved, there are numbers of reputed firms that can do this work more efficiently, and for less cost, than it can be done internally.

APPENDIX A  
ANALYSIS OF FINANCIAL SECTIONS

SSS'3 684

Peter A. Bushre  
Deputy Commissioner of Treasury  
Department of Revenue

Current law provides the corporation with the authority to place funds in direct obligations of the United States Treasury, federal agency securities, certificates of deposit, high-grade corporate bonds, quality short-term investments, and federally guaranteed loans. Management is directed to give preference to Alaska investments as long as they meet the standards of quality set out in the bill. Specifically, deposits can be made in Alaska banks, mutual savings banks, savings and loan associations, and credit unions. Residential real estate (owner-occupied single family dwelling, duplexes, and condominiums) may also be purchased if the mortgage is privately insured by a company doing business in Alaska.

The permanent fund statute has a minimum of investment restrictions yet provides a very definite and certain framework. It does not authorize investments in stock or bullion, restricts the purchase of corporate bonds to 25% of the Fund's total investments, and limits the purchase of loans and mortgages to 25% of the total. Purchases of residential mortgages may be a further 15% of total assets. The statute allows the Fund to use the futures market to protect investments

from severe declines in value that are being suffered today. These futures contracts, however, may be used only to hedge and not to speculate. The statute also prohibits the Fund from either borrowing or guaranteeing the obligations of others.

Section 6 of the bill would amend the present investment list by adding five categories currently authorized for the State pension funds and by conforming other language to the retirement system law. The additional investments are:

1. Commercial mortgages - loans secured by a first lien on commercial properties such as shopping centers, office buildings, etc. The corporation may purchase uninsured loans if the originating financial institution retains at least 25%, or insured loans which meet requirements currently in effect for the pension funds.

2. The common stock of U. S. corporations which have paid dividends in each of the immediately preceding three years.

3. Stocks and bonds that are denominated in foreign currencies or Eurodollars, provided that they are of the same quality as their U. S. counterparts.

4. Bank deposits that are denominated in foreign currencies or Eurodollars, provided that they are readily negotiable or that the issuing bank has capital and surplus of at least \$500 million.

5. Equity interests in commingled pools of real estate.

Section 7 of the bill reduces the limit on loans and mortgages to 15% and restricts the investment in foreign securities and bank deposits to the levels which currently prevail in the retirement systems. Common stock and corporate debt are together limited to 50%; both are more restrictive than the pension funds. The bill further limits the permanent fund to no more than 5% of the voting stock of any one corporation, and domestic stocks, with the exception of insurance companies and banks, must be listed on an exchange registered with SEC. Both are identical to current limitations on pension fund investments.

Section 8 would standardize the collateral requirements for deposits with all types of financial institutions, and require them to pledge U. S. government securities, corporate bonds, or mortgages if their certificates of deposit are not freely negotiable.



# Alaska State Legislature

## Senate

### Labor & Commerce Committee

Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### SB 684: Sectional Analysis

Section 1) Changes the composition of the Board of Trustees of the Permanent Fund;

- a) Two (THREE) members shall be heads of principal departments of state government, one of whom shall be the commissioner of revenue.
- b) Four (THREE) members of the public appointed by the Governor
- b) Public members shall have recognized expertise in finance, investment, and business management related fields
- c) Board shall annually elect a chairman from among its members

Section 2) Public members shall be appointed for terms of four (THREE) years, with terms to be staggered so that no more than one public members terms expire in one year, and they may be reappointed.

Section 3) Transition to four year terms: at the expiration of a public members term, the governor shall replace or reappoint the present member for a term of four years. Within 90 days of the effective date, the governor shall appoint a public member to replace one of the two commissioners other than the commissioner of revenue, to serve for a term of four years or less, and whose term expires in a year when no other public members term expires. The commissioner who is to be replaced shall continue to serve until the appointment of a replacement.

Section 4) For good cause, the governor may remove a member of the board from office; A written statement of the reason for removal shall be given by the governor, and after a member receives written notice of his removal, he may not participate in board business and his presence will not establish a quorum.

A vacancy on the board shall be promptly filled by appointment of the governor, and the appointee shall hold office for the balance of the term of his predecessor. A vacancy on the board does not impair the authority of a quorum of the board to exercise its powers and duties.

Section 5) Members of the board shall be compensated at an annual fee equal to the salary of state legislators; if the chairman is a public member, he is entitled to

receive a salary equal to the president of the senate or the speaker of the house. All members of the board are entitled to per diem and travel allowances as provided by law for members of state boards or commissions.

Section 6) pertains to the investment authorities of the permanent fund; Items (1) thru items (16) refer to investments which the permanent fund is currently permitted to participate in. Items (1) thru (16) have been amended to include certificates of deposit, term deposits, or the equivalent..... which may be readily sold in a secondary market at prices reflecting fair value. Items (1) thru (16) allow the authority to place funds in direct obligations of the U.S. Treasury, federal agency securities, certificates of deposit, high grade corporate bonds, quality short term investments, and federally guaranteed loans. Specifically, deposits can be made in Alaskan banks, mutual savings banks, savings and loans associations, and credit unions. Residential real estate (owner occupied single family dwellings, duplexes, and condominiums) may also be purchased if the mortgage is privately insured by a company doing business in Alaska. Further, item (16) details the insurance requirements on notes secured by mortgages granting a first lien on commercial or residential real estate improved by completed buildings. Private mortgage insurance corporation must be authorized to do business in Alaska and have a combined capital, surplus and reserves aggregating at least \$20 million dollars. Mortgage insurance criteria is as follows:

- A. No mortgage insurance is necessary for commercial loans having a loan to value ratio of of less than 50%;  
Minimum coverage of other commercial loans shall be 10% for thos having a loan to value ratio of 50% to 60%;  
commercial loans having a loan to value ratio greater than 60% but less than 75% shall be 15%;
- B. No mortgage insurance is necessary for residential loans having a loan to value ratio of less than 70%;  
Minimum coverage of loans (residential) having a loan to value ratio greater than 70% but less than 90% shall be 10%;  
Minimum coverage for loans which have a loan to value ratio in excess of 90% shall be 20%;

(17) Relates to commercial mortgages- loans secured by a first lien on commercial properties such as shopping centers, office buildings, etc. The corporation may purchase uninsured loans if the originating financial institution retains at least 25%, or insured loans which meet the requirements currently in effect for pension funds.

(18) Relates to investments in common stock of U.S. corporations which have paid dividends in each of the immediately preceding<sup>3</sup>years;

Section 6 continued:

(19) Relates to investments in stocks and bonds that are denominated in foreign currencies or Eurodollars, provided that they are of the same quality as their U.S. counterparts;

(20) Relates to investments in bank deposits that are denominated in foreign currencies or Eurodollars, provided that they are readily negotiable or that the bank issuing them has capital and surplus of at least \$500 million dollars.

(21) Relates to the investment in equity interests in commingled pools of real estate;

These investments may be made in a corporation, partnership, trust, or other entity in which at least 60% of the beneficial ownership interests are held by other institutional investors at the conclusion of each investment transaction.

The corporation, partnership, trust or other entity must be organized and operated for the purpose of making real estate investments by a bank, insurance company, or other manager of institutional funds and have had at least five years experience in the management of real estate investment of institutional investors; or in conjunction with an entity which meets substantially the same criteria.

Section 7) AS 37.13.120 (i) is repealed and reenacted; (i) the aggregate investment of the Alaska Permanent Fund may not exceed the following percentages of the total investment of the fund:

Mortgages: 15%

Foreign Securities: 10%

Foreign certificates of deposit (or their equivalent): 20%

Corporate stocks and debt securities: 50%

The fund may not own more than 5% of the voting stock of any corporation. Domestic stocks, except for bank and insurance company stocks, must be listed at the date of purchase on an exchange registered with the Securities and Exchange Commission.

Section 8) standardizes the collateral requirements for deposits with all types of financial institutions, and requires them to pledge U.S. government securities, corporate bonds, or mortgages if their certificates of deposit are not freely negotiable.

Section 9) Repeals AS 37.13.130; See statutes beneath bill; highlighted area

Section 10) Net income of the fund must be computed annually on the last day of the

Section 10) continued fiscal year in accordance with generally accepted accounting principals, excluding any unrealized gains or losses.

Income available for distribution equals the average net income for the last five fiscal years (including fiscal year just ended) but may not exceed the net income for the fiscal year just ended, plus the balance of the undistributed income account described below. (section 11)

Section 11) At the end of the fiscal year, one-half of the net earnings (see section 10) of the permanent fund shall be retained in principal and the balance is available for distribution on a five year average, with any excess used to raise the payments in a year they would fall below the average. The other 50% of the net income, must be transferred to the undistributed income account, and any income in the undistributed income account of the permanent fund must be transferred to principal for reinvestment. Money in the undistributed income account must be invested in authorized investments and income from the investments of the undistributed income account must be treated as an addition to that account.

Section 12) Revenues generated by the investments of the corporation must be identified as the source of the corporations operating budget (program receipts) and the unexpended balance of the annual operating budget does not lapse at the end of the fiscal year but must be treated as income.

Section 13) Legislative Budget and Audit committee may provide for an annual post audit, and operational and performance evaluations of the investments and investment programs of the permanent fund.

Section 14) Board may adopt regulations under the Administrative Procedures Act to interpret and implement the chapter.

Section 15) Effective date of July 1, 1982.



# Alaska State Legislature

## Senate

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Investments by percentage limitations as currently authorized under AS 37.13.120 (i)

Corporate debt securities rated AA or better: G(8) 25% of the total investments of P.F.

Notes secured by mortgages of residential real estate G(16) may not exceed in the aggregate  
15% of the total investments of P.F.

Permanent Fund investments by percentage limitations and categories (SB 684 section 7)

The aggregate investment of the permanent fund may not exceed the following percentages  
of the total investments of the fund:

Mortgages under (g) (16); 15%

Real Estate Investments (g) (21); 15%

Foreign Securities (g) (19); 10 %

Foreign certificates of deposit (g) (20); 20%

Corporate stocks and debt securities (g) (8), (9), and (18); 50%



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 26, 1982

The Honorable Jalmar Kerttula  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Mr. President:

Under authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the investment and management of the Alaska Permanent Fund and to the calculation of income of the fund which will be available for distribution. The bill makes changes of three general types.

First, it will expand the investment authority of the fund to parallel that of the public employee and teacher's retirement funds (with the exception that investment in gold will not be permitted for the permanent fund, as it does not meet the constitutional requirement that all permanent fund investments be "income-producing"). It will add authority to invest in

(1) common and preferred stock of United States corporations on which dividends have consistently been paid;

(2) notes secured by mortgages on commercial real estate;

(3) real estate equity if the investment is made in an entity organized and operated for the purpose of managing real estate investments for institutional investors; and

(4) foreign securities and deposits which are of substantially equivalent quality as permitted domestic investments.

These changes will permit the fund's managers to diversify its investments against risks of large losses due to inflation and currency value fluctuation.

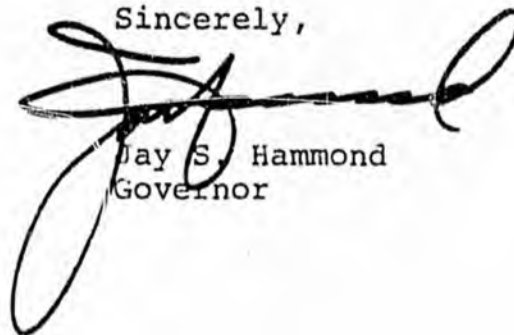
Second, the bill changes the composition of the board of trustees by adding a public member and removing a commissioner. It also provides for an annual fee for each public member equal to a legislator's salary. These changes will recognize the substantial time commitment required for active participation of the board in the management of the Alaska Permanent Fund Corporation.

Third, the bill provides for the corporation's budget to be appropriated from the income of the fund's investments, and for one-half of the net income to be reinvested in the fund. The other one-half will remain available for distribution. The appropriation of the corporation's budget in this manner will permit the application of standard accounting procedures to determine the actual performance of the fund. The reinvestment of one-half of the income will counter the effects of inflation on the real value of the fund, without disturbing the flow of income to the Dividend Fund established under AS 43.23.050.

The bill also makes several minor changes, including (1) revising collateral requirements for certificates of deposit to ensure consistency among the various types of institutions which issue such certificates, (2) eliminating the mortgage insurance requirement for loans with a loan-to-value ratio of less than 70 percent, and (3) authorizing the board to adopt regulations to implement and interpret the relevant statutes.

The Board of Trustees of the Alaska Permanent Fund Corporation has discussed drafts of this bill at public meetings attended by representatives of the Legislative Budget and Audit Committee. The consensus of the board is that this bill will make only those changes necessary to permit prudent investment and management of the fund in times of high inflation and volatile financial markets.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Jay S. Hammond', is written over the typed name and title.

Jay S. Hammond  
Governor

Meetings with Investment Firms  
Week of July 6-10

SUMMARY OF INVESTMENT DISCUSSIONS

People in attendance:

Permanent Fund Staff

James B. Rhode

Susi Gregg Fowler

Department of Revenue,

Treasury Division

Peter A. Bushre

William L. Means

Legislative Budget and Audit

Steven Rieger

Department of Law

Laura Davis

The question that rose most frequently in New York was "What is the objective of the Alaska Permanent Fund?" The near unanimous opinion was that this question must be addressed by the Trustees before meaningful discussion can occur on such questions as allocation of investments and investment strategy. Robert Salomon, of Salomon Brothers, asked whether the Board of Trustees realized that if the Permanent Fund paid out more than 3% to 5% of its earnings, a level of earnings above inflation which might be attainable, the Trustees would be operating a fund with diminishing real capital and real income. At such time that the Permanent Fund ceased to grow in real terms, either through inflation or a fall in contributions, it would become self-liquidating. The crucial decision is whether the Permanent Fund is going to pay out real earnings, all earnings or a portion thereof. This is a grave problem being faced today by a growing number of foundations and university endowments. The Rockefeller Foundation, a \$1 billion foundation, has grown substantially in nominal terms, but has experienced an actual 35% contraction in real earnings power while the Ford Foundation, a \$2.5 billion foundation, has contracted in real earnings power by 55%. If nothing is done to curb these foundations' spending programs, Robert Salomon stated that he could project for their trustees the dates on which they would be totally self-liquidated.

Once the objective of the Permanent Fund has been decided, much will be determined as to level of risk which will be required to meet that objective. Long term studies, for example, have indicated that it is unrealistic to expect to earn more than a 2% real rate of return on a high grade fixed income portfolio, whereas a 3% to 5% real rate of return has been attainable in common stock over an extended period of time. Questioning Salomon Brothers as to what percentage

of common stock that they thought might be appropriate to the Permanent Fund given an earnings objective of a 3% to 5% real rate of return, the response was 80%. U. S. Steel Pension Fund, a pension fund in a mature industry, has approximately 80% of its assets currently in common stock, 10-15% in real estate, and the balance in fixed income securities. As reported by the S. E. C., the typical large corporate pension plan is approximately 55% invested in common stock. The normal asset mix of a portfolio under management by the Prudential Insurance Company of America is 40% to 60% in common stock and 20% to 30% in real estate equity, with the balance in fixed income securities. Mr. William Field, Senior Vice President of Prudential's Asset Management Department, indicated that for reasons of political toleration a 20% commitment to common stock might be more advisable for the Alaska Permanent Fund.

Mr. William Field, Mr. Robert Salomon and Mr. Heath McLendon, President of the investment management firm of Bernstein-Macaulay, Inc. agreed that the Trustees should seek authority from the Legislature to invest in domestic common stock, foreign securities, and real estate equity. They also volunteered that in their respective opinions, the timing for purchases in foreign securities and real estate was not good. However, they all felt that there would be better opportunities in the next two or three years, and any program to make major commitments in foreign securities and real estate should be understood by all to be a three to five year program. However, in their judgment, it is highly desirable to obtain authority as soon as possible so as to maximize flexibility.

With the exception of the U. S. Steel Pension Fund, it was the opinion of those that we contacted that the Alaska Permanent Fund, as a consequence of its sheer size, should utilize an index fund approach for its core holdings of common stock. Mr. William Field suggested that otherwise the investment management fees would become prohibitively expensive. It was suggested that outside managers be utilized in such specialized areas as high technology stocks, energy development stocks, foreign securities, and real estate equity to provide the Permanent Fund an extra increment of yield above that which an index fund would provide. It was the unanimous opinion of those to whom we talked that the significant danger in hiring a number of investment managers to manage the common stock portfolio was that the Permanent Fund would end up de facto as an expensively managed index fund. The largest acceptable number of outside managers suggested by anyone was six, and these six would cover the full gamut of investments from domestic common stock, foreign securities, to real estate equity. If more are hired, the feeling was expressed that the Trustees and staff are apt to find increasingly large segments of their time devoted to monitoring the managers performance and trying to determine how new flows of investable funds are to be allocated among the various investment managers.

Typically most large corporate pension plans are handled by outside investment managers with a number of plans managing only fixed income assets in house. Among the people we visited, only the manager of the U. S. Steel Pension Fund unqualifiedly thought that the entirety of the Alaska Permanent Fund could be managed in house in Alaska. The U. S. Steel Pension Fund is managed entirely in house with a staff of eleven investment professionals. This staff consists

of nine Certified Financial Analysts, one trader, and one specialist in money market and fixed income securities. It is interesting to note, however, that although the headquarters for the U. S. Steel Corporation is in Pittsburgh, the Company chose to run its pension fund out of New York City. Also the manager of the Fund felt that they were not close enough to the European markets to run a portfolio of European securities out of their New York office. Mr. William Field of the Prudential Insurance Company of America, on the other hand, felt on the basis of his experience with governmental bodies that the Trustees would likely have great difficulty in obtaining funding from the Legislature to run an in house operation with first class talent. To attract a top administrator to the Permanent Fund would require, in his opinion, a salary of approximately \$250,000 per annum with other positions scaled down to \$70,000.

The consensus opinion was that, if the Trustees chose to run fixed income securities in house, an index fund for core domestic stock holdings, and to choose outside investment managers for other specialized investment areas, a staff of four investment professionals plus clerical help would be adequate to manage a \$6 billion or larger fund. Assuming a staff of four investment professionals, one should specialize in fixed income securities; one should manage the index fund; one should monitor the outside managers; and one should have expertise in the field of real estate investments.

In selecting investment managers, the general feeling was that enough information is published regarding the performance of investment managers that the Board of Trustees should utilize its staff to select the most promising managers to make investment presentations before the Trustees. It was also strongly urged by Mr. Heath McLendon and Mr. William Field that the Permanent Fund staff make visits

directly to potential managers' offices to meet their staffs and discuss with them their investment philosophies and how they visualize investing for the Permanent Fund. It was felt that only after the Permanent Fund staff has made its selection of potential managers should a consultant be hired for the specific purpose of reviewing this list to see if any managers of merit have been missed.

It was interesting to note the generally low regard held for performance measurement analysts by most people we visited. While agreeing that they are necessary for public bodies in order to provide an element of comfort to them, they felt that they are expensive and that undue heavy reliance on them may result in inappropriate comparisons. In measuring performance, Mr. William Field strongly urged that the Standard & Poor's 500 not be used as the measurement of performance. Rather, in his opinion, the measure should be the ability of a fund to earn a specific positive rate of return above inflation on a consistent basis. Consistency, in his view, is the most important element of measurement.

In conclusion, there are two basic questions which the Board of Trustees should address before deciding questions of organization and investment strategy. As Robert Salomon said these are questions which your Trustees cannot avoid for they will ultimately be held responsible for the answers whether or not they address the questions directly or leave them to members of their staff. The questions are as follows:

1. What is to be the objective of the Alaska Permanent Fund?
2. How is the corpus of the Alaska Permanent Fund to be allocated to different types of investments?

Once the first question is answered, much will have been determined about the level of liquidity which can be maintained and the parameters of risk that the Permanent Fund will have to assume in order to attain its objective. Quite obviously the level of risk toleration would have to be substantially higher should the Board seek to obtain a 5% real rate of return as opposed to a 2% real return, and the allocation of investments would have to be concentrated in those areas which have a higher element of inherent risk but also offer potentially greater investment rewards.

INVESTMENT MEETINGS  
New York City

Monday - July 6

9:30 A. M.      Bache Halsy Stuart Shields Inc.  
Bache Building  
100 Gold St.  
6th Floor  
New York City, N. Y.  
Sam Plia, Lou Auer, Executive Vice President  
212-791-2467

12:00 Noon      (To include lunch)  
Prudential Insurance Company  
Newark, N. J.  
William Field 201-877-7979

Tuesday - July 7

11:30 A. M.      (To include lunch)  
Shearson Loeb Rhoades Inc.  
2 World Trade Center  
106th Floor  
John McDougall 212-577-2718

Wednesday - July 8

10:00 A. M.      The First Boston Corporation  
20 Exchange Place  
8th Floor  
(To include lunch)  
Gene Boehringer 212-825-2096

3:30 P. M.      Discount Corporation of New York  
58 Pine Street  
Rodney Bird 212-248-8931

6:00 P. M.      (To include dinner)  
The Leash Club  
41 East 63rd St.

Thursday - July 9

11:00 A. M.      (To include lunch)  
U. S. Steel Pension Fund  
General Motors Building  
767 Fifth Avenue  
Graham Harrison, President & John Van Duesen, Vice President  
212-826-8472

3:00 p.m.      Buck Consulting Group

INVESTMENT MEETINGS - New York City Continued -

Friday - July 10

10:00 A. M. (To include lunch)  
Salomon Brothers  
One New York Plaza  
42nd Floor  
R. S. Salomon 212-747-7000

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

JAY S. HAMMOND, GOVERNOR

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

July 31, 1981

Mr. Elmer Rasmuson, Chairman  
Board of Trustees  
Alaska Permanent Fund Corp.  
Box 600  
Anchorage, AK 99510

Re: Legal assistance re  
investment practices

Dear Mr. Rasmuson:

I am writing to inform you of the current activities of the Department of Law relating to the investment of state funds. As background, the current status of the investment of state funds may be summarized as follows:

The monetary assets of the State of Alaska now consist of four funds: the general fund, the public employees' retirement system fund, the teachers' retirement system fund, and the permanent fund, all of which are managed and invested by the Treasury Division of the Department of Revenue, under the authority and supervision of the commissioner of revenue. The approximate aggregate balance of these funds at present is \$4.9 billion (approximately \$510 million in the PERS fund, \$385 million in the TRS fund, \$1.8 billion in the permanent fund, and \$2.2 billion in the general fund). These figures represent the amount of money for which the treasury has investment management responsibility (not the amount available for appropriation or expenditure), and they vary from day to day depending on the flow of income and the demand on state warrants.

The investment of each of the four funds is regulated by a separate statute (AS 14.25.180, TRS fund; AS 37.10.070, general fund; AS 37.13.120, permanent fund; and AS 39.35.110, PERS fund), and in the case of the permanent fund, by a constitutional provision requiring investment only in income-producing assets. Alaska Const., art. IX, § 15. These statutes vary in terms of the list of specific types of investments which are authorized, but each contains a general provision commonly known as the prudent-man or prudent-investor rule.

Mr. Elmer Rasmuson, Chairman  
Alaska Permanent Fund Corp.

July 31, 1981  
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There is a large body of law interpreting the prudent-investor rule in the context of both public and private funds. It is our opinion that prudence in the management of all of these state funds requires the development and implementation of consistent procedures and practices for the evaluation of investment opportunities, and the execution of investment agreements, which conform to the prudent-investor rule. The development of such routine practices and procedures is particularly important at present, because of the rapidly expanding variety of investment alternatives, the volatility of financial markets, and the rapid expansion of the state treasury.

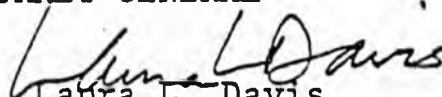
While in New York with the permanent fund and treasury staff, I met with members of two law firms (Shearman & Sterling, and Debevoise, Plimpton, Lyons, and Gates) to discuss their ability to provide legal assistance on matters related to state investment practices. I also met with the chief general counsel in the Investment Management Group of Citibank, N.A. to discuss matters related to the function of general counsel to an institution which manages large investment funds.

We have retained Shearman & Sterling to assist us in preparation of an agreement related to investment in gold by the retirement funds. We are now discussing with both firms their ideas for assisting us in the development of standard investment practices and procedures as discussed above, and hope to retain one of them for this purpose in the near future. We believe that the development of such investment practices with the assistance of a law firm which is actively involved in advising major public and private financial institutions will be important in helping our investment managers to carry out their fiduciary responsibilities for our rapidly increasing state funds over the next several decades. Our current work in this area is aimed primarily at investment management for the retirement funds and the general fund, but will be directly relevant to developing investment management guidelines for the permanent fund.

Sincerely yours,

WILSON L. CONDON  
ATTORNEY GENERAL

By:

  
Laura L. Davis  
Assistant Attorney General

LLD/pjg

cc: Thomas K. Williams  
Robert W. Ward  
George Rogers  
Peter McDowell  
Jim Rhode ✓  
Peter Bushre

A paper on the  
Organization and Management of the  
Alaska Permanent Fund Corporation

I. History and Objectives

Determination of the appropriate management structure of an organization follows from an understanding of the history and objectives of the organization.

History

On November 2, 1976 Alaska voters by a 2:1 margin approved Ballot Proposition .2, which added the following to Article 9 of the Alaska State Constitution:

"Alaska Permanent Fund. Section 15. At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law."

There is little or no background or elaboration on what was meant by the title "permanent" at that time (1976), but limited research indicates that the common understanding was as defined

by contemporary usage. Two dictionaries in use at the time included the following:

Permanent: "1. Fixed and changeless; lasting or meant to last indefinitely." (Source: The American Heritage Dictionary of the English Language, 1970). "1. Lasting or intended to last indefinitely without change; continuing in the same state or in the same place, stable, durable, abiding." (Source: Webster's New Universal Dictionary of the English Language, 1976).

#### Development of legislation

The Legislature and administration, in particular the House Special Committee on the Permanent Fund, then proceeded to evaluate a number of alternative ways of defining "income-producing investments." The major alternatives considered were:

- Activist development bank in the private and public sectors
- Savings account
- Passive trust fund of high-grade investments.

A number of bills were drafted for legislative consideration of these alternatives. This process of evaluation culminated in the drafting of House Committee Substitute for SB 161 and the accompanying Joint Committee Report, approved by the House in 1979. The final bill, which was approved by both houses and signed by the Governor in April 1980, was very similar to the 1979 House bill. The final Free Conference Committee Report

(Appendix I) was virtually unchanged from the 1979 House Joint Committee Report. As can be seen from Appendix II, the final bill also adhered closely to the concerns expressed by the Governor in April 1979.

### Corporation objectives

As indicated in the Committee Report, the Corporation, ". . . provides a framework for fiscally conservative and responsible management of the Fund's principal. It assures and emphasizes the safety of the assets . . . The Fund is designed to be a trust which focuses on the safety of principal first and the maximization of earnings second." Safety in this context is not explicitly defined, but at a minimum appears intended to provide that the face amount of fund principal never diminish and that at least some of the effects of inflation be mitigated.

#### 1. Safety of principal

Throughout the legislation and the Committee Report are threads which indicate the legislative view of "safety of principal" included a recognition that some erosion of purchasing power might take place. The risks associated with investments which might yield returns equal to or greater than inflation would be higher than acceptable under the fiscally conservative investment philosophy inherent in the legislation.

#### 2. Maximization of income

The legislation provides that the second major objective is to maximize income from the investments which are available to

the Corporation. Thus investment strategy, in practice, involves choosing among various maturities and issues while maintaining reasonable diversification among the allowable categories of investments.

### Scope of the Fund

The present and future scale of the Fund are important considerations for organization and management. The current balance is slightly in excess of \$1 billion. It is expected to exceed \$2 billion by June 30, 1981 and \$12 billion by 1990, without further appropriations to principal. There appear to be strong prospects for additional appropriations, so that \$12 billion should be considered the minimum 1990 balance.

### II. Management Structure

The legislation and Committee Report provide some guidance as to the intended management structure. The following is quoted from the Accountability section of the Committee Report:

"It was the aim of the Committee to establish a management system for the Alaska Permanent Fund which would be protected from political influences but, at the same time, responsive to changes in state policy and accountable to the people through their elected officials. In short, the aim was insulation without isolation. It was agreed that the best way of achieving these ends was not to place the management within the Department of Revenue, but to create

a public corporation distinct from state government. Although the Department of Revenue currently manages the pension funds as well as the general fund, it was agreed that the Permanent Fund, with its fundamentally different goals and large size, should not be in the hands of the same people whose primary duty is managing money for day-to-day use by the state. The Corporation is placed within the Department of Revenue for administrative matters such as payroll, but has a legal existence independent of and separate from the state."

#### Organizational objectives

The Permanent Fund is clearly important enough in its own right, due to its unique existence, purpose and size, to warrant special consideration from an organizational viewpoint. One purpose of a separate corporation is to provide high visibility for the Fund, its management and its investment activities. A second purpose is to provide the structure within which a separate staff, whose time is devoted wholly to the affairs of this Fund, may operate. As noted in the Committee Report, the objectives and the size of the Fund clearly justify the existence of a full-time professional staff to operate the Corporation, in a manner that will enable the Board of Trustees to carry out its responsibilities and achieve the objectives established for the Corporation.

### Corporation objectives

The Corporation's objectives might be restated from the statute as:

1. Conserve (i.e., render permanent) a portion of the state's revenues from mineral resources to benefit all generations of Alaskans,
2. Maintain safety of principal in face value terms at a minimum with at least some gains offset against erosion by inflation, and
3. Maximize total return from investments (the investments allowed by statute which were selected primarily to insure safety of principal), in order to allow the maximum use of disposable income for purposes designated by law.

### Trustees' responsibilities

The following list of responsibilities has been extracted from the statute and the Committee Report.

1. Manage and invest the assets of the Corporation, in accordance with the "prudent-man" rule, to achieve superior results, i.e. a sound rate of return on investments.
2. Maintain a reasonable diversification among the investment categories permitted by law.
3. Establish and as necessary modify guidelines for investment.

4. Relate to the Legislative Budget and Audit Committee by:
  - a) Reporting investment guidelines to the Committee for review and comment before adoption.
  - b) Reporting long-range and quarterly investment plans to the Committee.
  - c) Working with the Committee to help it carry out its duties with regard to the Permanent Fund, including:
    - Hearings on the confirmation of members of the Board of Trustees
    - Reviews of plans and reports
    - Annual post audits and operational and performance evaluations of Fund investments
    - Recommended changes in policy or legislation
5. Prepare and publish the annual report to the Governor, Legislature and the public. The report must include:
  - Audited financial statements
  - Income from investments
  - Investments at market value
  - Description of investment activity
  - A comparison of performance with statutory goals
  - An examination of the impact of the statutory investment criteria on the portfolio with recommendations of any needed changes in the investment list.
6. Prepare and submit annual operating budgets in accordance with the Executive Budget Act.

### III. Conclusion

It appears, from a review of the statute, intent and history, that the Legislature clearly intended the Corporation to be separate from ordinary state government operations in both fact and appearance. It seems that the Legislature felt the Corporation would be more accountable to state government and the public if it had a high profile and maximum organizational visibility.

The Governor and Legislature, through the dividend program, also gave the Alaskan public a personal financial stake in the management of Corporation investments. The level of dividends paid to Fund beneficiaries will rise or fall with the returns on investments.

Finally, there is the impact that the present interim arrangements have on the Department of Revenue, Division of Treasury. The Division is presently being asked to carry out all of its normal responsibilities and the additional burden of Permanent Fund activities without additional staff or budget. These arrangements would not seem to be in the best interest of either the Department or the Board of Trustees.

### IV. Recommendation

In view of the above, it is recommended that the Board of Trustees consider the creation of a separate corporate organization of a size and with the levels of full-time professional

investment management that are appropriate to a multi-billion dollar trust fund. The unique nature of the trust fund; i.e., its size, its permanent character and universal group of direct beneficiaries; make it essential that the Board of Trustees have full-time staff support and an organization dedicated to helping the Board meet its objectives and carry out its responsibilities.

#### V. Plan of Implementation

If the Board agrees with the recommendation of this paper, it could be implemented by carrying out (but not limited to) the following steps:

1. Engage professional consultants to design the organization and handle recruitment of an executive director and staff of say 6-8 persons.
2. Selection of independent professional advisers:
  - Auditors
  - Legal Counsel
  - Investment Performance Measurement consultants
3. Retain the office space and other facilities required.
4. Agree with the Department of Revenue regarding accounting and other administrative arrangements.

BBM

Peter B. McDowell

December 19, 1980

## (1) for residential mortgage loans:

- (A) under \$100,000: .375 percent;
- (B) \$100,00 – \$299,999: .25 percent;
- (C) \$300,000 and above: .125 percent;

## (2) for all other loans:

- (A) under \$300,000: .375 percent;
- (B) \$300,000 and above: .25 percent.

(e) Loans will be purchased no more often than once a month at a time set by the corporation.

(f) Each application to have the corporation purchase conventional mortgage loans must be accompanied by the following:

- (1) the original loan application;
- (2) original appraisal with photographs;
- (3) credit report;
- (4) deposit verifications;
- (5) employment verifications;
- (6) earnest money agreement;
- (7) credit verifications;
- (8) tax returns (three years), if self-employed;
- (9) financial statement, if self-employed;
- (10) a copy of any audited financial statement if one was required by the S.B.A. or any other public or private entity to make, insure, or guarantee the loan; and
- (11) other documents as requested by the corporation.

(g) Except for construction loan take-outs, no refinancing loans will be purchased by the corporation.

(h) No loans will be purchased from an institution which has a current, over-60-day delinquency status for more than .5 percent of all loans purchased from it by the corporation until that delinquency status is reduced to .5 percent or less. (Eff. 2/5/81, Reg. 77)

Authority: AS 37.13.120

**15 AAC 137.050. GENERAL TERMS AND CONDITIONS FOR CERTIFICATES OF DEPOSIT.** The following terms and conditions apply generally to certificates of deposit purchased by the corporation:

(1) interest on all certificates of deposit must be due annually from date of issue, or at maturity if the maturity date is less than one year;

(2) interest on all certificates of deposit will be calculated on a 360-day basis times actual days in the payment period;

(3) to avoid penalties, principal and interest payments must be received by the corporation in collected funds on or before the due date by wire transfer through the Federal Reserve Bank at a bank designated by the corporation;

(4) any payment for which the due date falls on a weekend or holiday is payable on the next state working day;

(5) all certificate of deposit issuers whose payments are not received by the corporation on or before the due date shall pay an additional day's interest on the principal amount due at the certificate of deposit rate for each day the payment is delinquent in addition to the regular interest accrual. (Eff. 2/5/81, Reg. 77)

Authority: AS 37.13.120

**15 AAC 137.060. ACCOUNTING PRACTICES.**

(a) Annual income equals the total interest actually received during a fiscal year on investments held by the corporation, minus the amount transferred to principal to amortize net losses as provided in (b) of this section.

(b) At the end of each fiscal year, losses to the fund will be treated as follows:

(1) All gains on the sale of investments during the fiscal year will be offset against losses in the following order:

(A) first, all losses on the sale of investments during the same fiscal year; then,

(B) the balance of net losses remaining from prior fiscal years, with priority to the oldest losses.

(2) If losses exceed gains during a fiscal year, the net losses will be divided by the average remaining life of investments sold at a loss during that year and that amount of interest will be transferred to principal. A similar transfer of interest to principal will be made for each prior year from which a net loss remains, until all losses are absorbed over the average remaining life for that fiscal year, or are offset as provided in (1) of this subsection.

(c) Income available for disbursement under AS 37.13.140 will include interest earned on that amount, at the actual average yield rate for the permanent fund, from the end of the latest fiscal year until the date of transfer of the money to the dividend fund. (Eff. 5/31/81, Reg. 78)

Authority: AS 37.13.120  
AS 37.13.130  
AS 37.13.140

15 AAC 137.200. DEFINITIONS. In 15 AAC 137.010 – 15 AAC 137.200

(1) "certificate of deposit" includes

(A) certificates of deposit;

(B) shares of federally-chartered savings and loan associations in the form of time certificates;

(C) savings certificates issued by state-chartered savings and loan associations;

(D) deposits with mutual savings banks in Alaska in the form of time certificates; and

(E) fixed-term certificates of indebtedness, as those terms are used in AS 37.13.120(g)(3)-(7);

(2) "corporation" means the Alaska Permanent Fund Corporation;

(3) "Fm.H.A." means the federal Farmers' Home Administration;

(4) "GNMA" means the federal Government National Mortgage Association;

(5) "loan" includes a mortgage loan;

(6) "mortgage loan" means a loan secured by a first-lien security interest in real property improved by one or more buildings;

(7) "S.B.A." means the federal Small Business Administration;

(8) "V.A." means the federal Veterans' Administration;

(9) "average remaining life" means the figure obtained as follows: for each investment sold at a loss during the fiscal year, the loss is multiplied by the remaining life; the sum of these products is divided by the total loss for that fiscal year;

(10) "gain" means the amount by which the principal proceeds of the sale of an investment exceed the cost of the investment;

(11) "investment" means any transfer or expenditure of money or other assets made for the purpose of obtaining an income or profit;

(12) "loss" means the amount by which the cost of an investment exceeds the principal proceeds of the sale of the investment; and

(13) "remaining life" means the number of years remaining until the maturity date of an investment. (Eff. 2/5/81, Reg. 77; am 5/31/81, Reg. 78)

Authority: AS 37.13.120  
AS 37.13.130  
AS 37.13.140

## THE CASE FOR COMMON STOCK

One investment paradox is that common stock can be used to reduce portfolio risk. For example, adding small amounts of common stock to bond portfolios will usually reduce the standard deviation of total portfolio returns. This is due to the "magic" of diversification. In many years, such as 1979-80, stock prices go up while bond prices go down and stocks thereby provide a cushion against bad bond markets. To make this point even more specific, Salomon Brothers reports that an average which they maintain of a variety of both short and long term debt, securities provided total returns of 1.2% in 1979 and .1% in the first nine months of 1980. By contrast, the Standard & Poor's Composite Index produced total returns of 18.2% and 20.6% for the respective periods. Listed below are the total returns for common stock management achieved by Alliance Capital Management Corporation for the Alaska Teachers' Retirement System for the past six calendar years.

### Performance Review

Yearly Summary	Rate of Return
1980 through Sept. 30	27.5%
1979	18.5%
1978	7.8%
1977	-3.4%
1976	23.4%
1975	28.8%
1974	-17.5%

Cumulative Return Since Inception - 106.5%

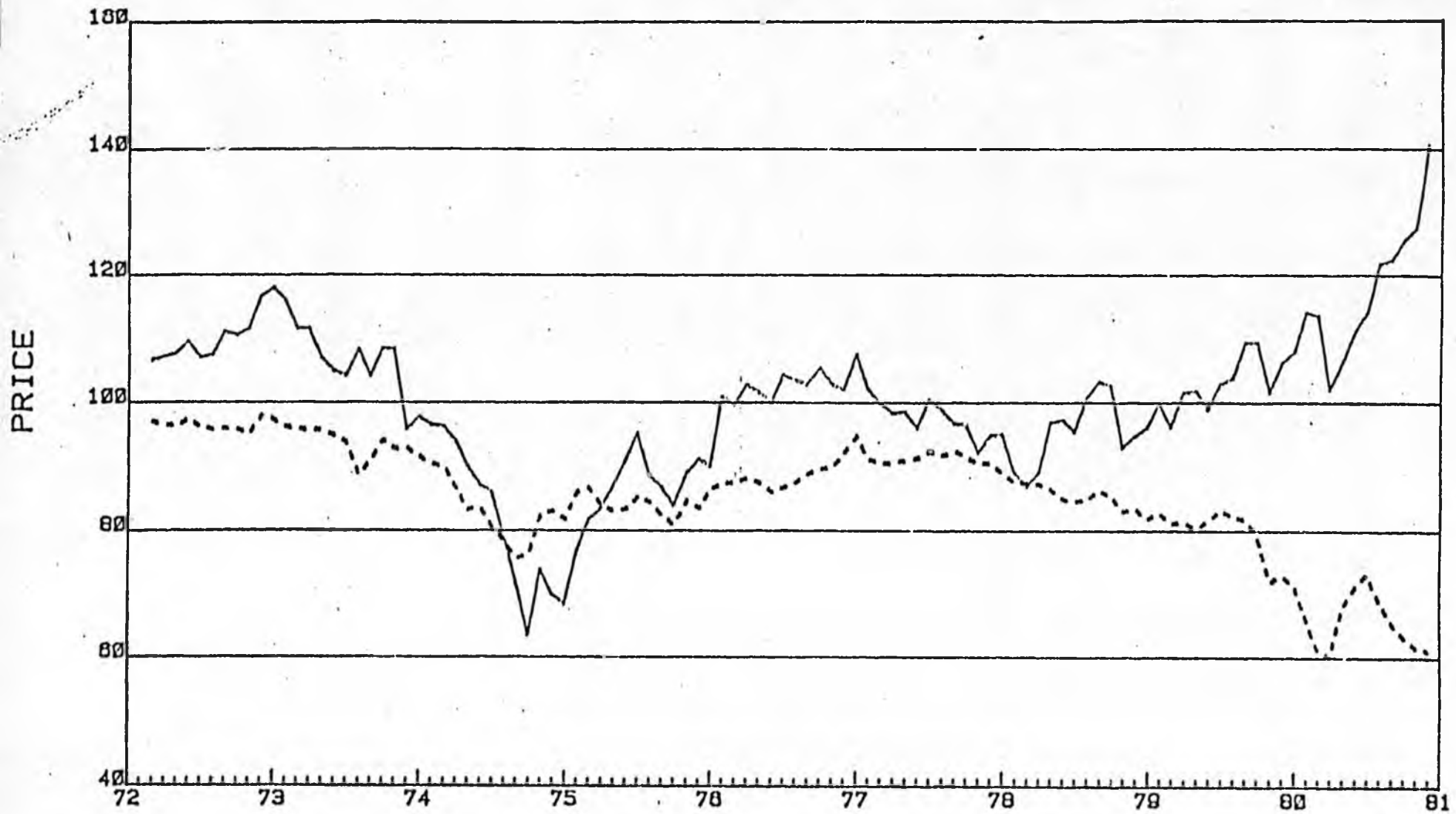
Even though there has been seemingly endless streams of negative news including ever-higher oil prices, the Iran crisis, continued double digit inflation, and rising interest rates, there are good reasons for viewing the common stock market as affording a good, long term investment opportunity.

The common stock of many companies is selling well below book value at a time when replacement costs are rising more rapidly than general price levels. At a time when diamonds, paintings, and condominiums in California have reached record levels, the assets of many American corporations are still selling at a fraction of their replacement value. From an earnings standpoint, the progress of American corporations, notwithstanding two recessions, has been dramatic. From 1969 to 1979, the Standard & Poor's 500 was flat. Corporate profits during the same period tripled.

Since 1969, private pension funds have substantially reduced their holdings in common stocks. Insurance companies have reduced their equity positions to extreme low points. For example, fire and casualty companies hold only 12% of their assets in equities. Foreigners likewise hold a

# PRICE PROFILE

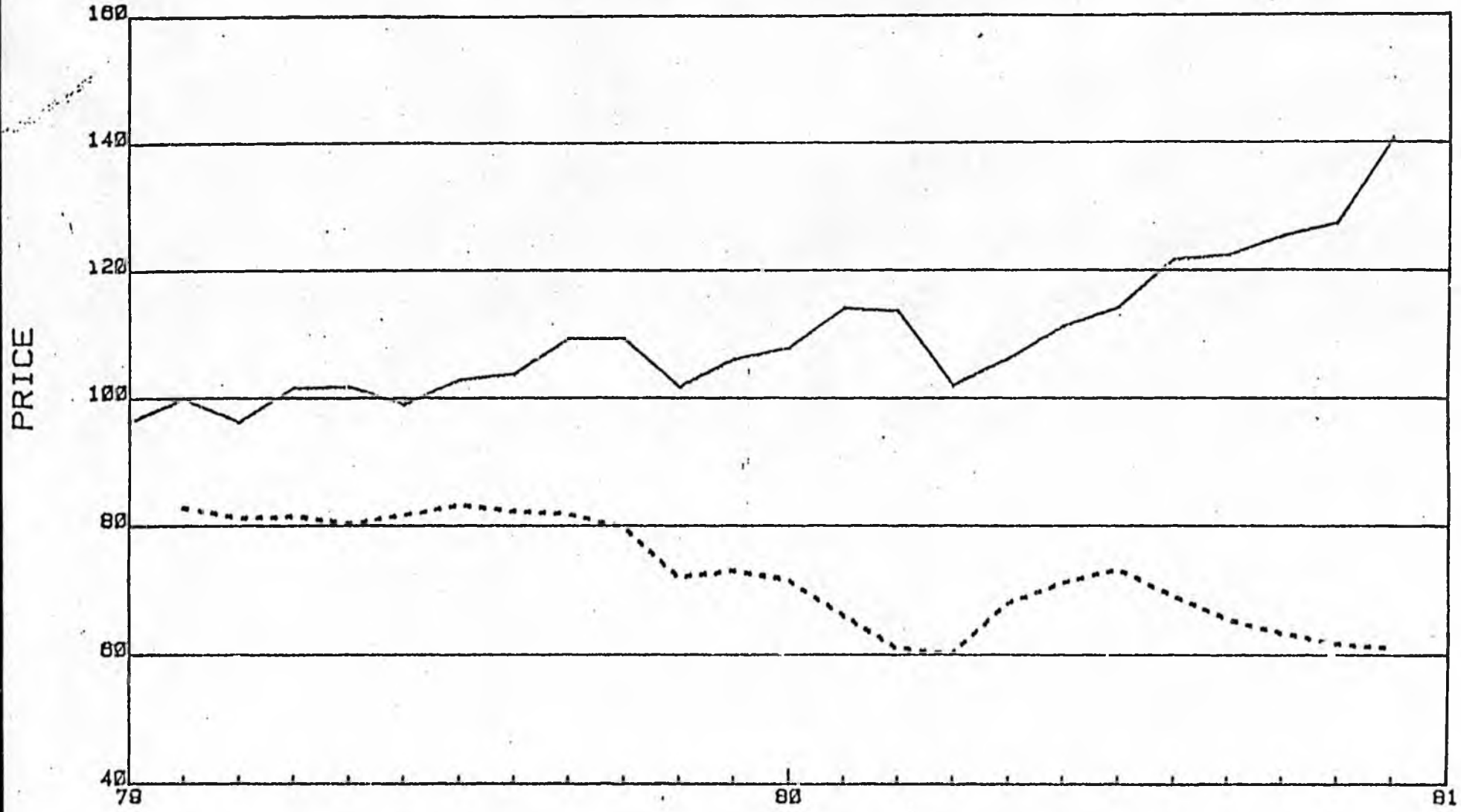
PREPARED FOR THE STATE OF ALASKA  
MONTHLY DATA



— S&P 500  
- - - SALOMON BOND INDEX

# PRICE PROFILE

MONTHLY DATA - 12/78 TO 12/80



—————	S&P 500
- - - - -	SALOMON BOND INDEX

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 684

Title Relating to Investment & Management of the Alaska Permanent Fund

Requested by \_\_\_\_\_ Date 1/22/82

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection and Management

BRU, Program, Or Subprogram(s) Affected Permanent Fund Corporation

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		94.4	103.8	114.2	125.6	138.2
200 TRAVEL		(28.8)				
300 CONTRACTUAL		6,119.7	6,989.6	8,775.4	9,914.5	11,159.7
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>		6,185.3	7,093.4	8,889.6	10,040.1	11,297.9

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						
Permanent Fund Income		6,185.3	7,093.4	8,889.6	10,040.1	11,297.9

POSITIONS

FULL TIME		-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

Personal Services is for four public members of Board of Trustees to be compensated at salary prescribed for state legislators. Reduction in Travel for deletion of \$100/meeting day honorarium budgeted for present public members.

Contractual Services is for associated costs of new allowable investments for outside management fees were applicable and related safekeeping. Assumes, of average Fund balance for a fiscal year, 25% in preferred and common stock, 5% real estate equity, 5% foreign securities, 10% foreign certificates of deposit or equivalent; all percentages used are one-half of maximum allowed. Fee rate level for FY 83 and FY 84; 10% fee increase assumed with FY 85 and after (not per year). Reduction in regular safekeeping cost accounted for as securities shift from present pool to other categories. Brokerage fee on preferred and common stock not included as that is part of base security cost.

*Anselm C. Staack*

IV. DATE January 22, 1982

PREPARED BY Anselm C. Staack, Treasury Comptroller

AGENCY Dept. of Revenue/Treasury Division

Original: Legislative Finance

PHONE 465-2350

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)