

ALASKA PERMANENT FUND CORPORATION

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA
PERMANENT FUND CORPORATION RELATING TO A
CONSTITUTIONAL AMENDMENT TO INFLATION-PROOF
THE ALASKA PERMANENT FUND**

RESOLUTION 00-13

Protecting the Alaska Permanent Fund ("Fund") against inflation has been the highest public policy priority of the Board of Trustees ("Board") since the original Board was appointed 20 years ago. At that time, the Board testified to the legislature that the greatest threat to the permanence of the Fund is inflation. In response, the legislature adopted statutory inflation-proofing in 1982.

In more recent years, the Board has examined the use by various large endowment and public funds of a formula approach to determining the size of payouts from those funds. This formula approach, generally referred to as a "percent of market value" ("POMV") payout, is applied by those funds in a manner that protects them against inflation, thereby assuring the funds' long-term viability. Because a POMV payout provides for consistent and on-going inflation-proofing, the Board believes that its use is in the best interest of the Fund and of the people of the State of Alaska, who are the beneficiaries of the Fund.

The Board further believes that the best way to assure continuing inflation-proofing of the Fund in the years ahead is to provide for use of a POMV payout by amending the constitutional provision that established the Fund (Article IX, section 15 of the Alaska Constitution). Providing for inflation-proofing in this manner would strengthen and extend the existing statutory provision for inflation-proofing the principal of the Fund by putting inflation-proofing into the Constitution and applying it to total Fund assets, including principal.

At the Board's request, counsel for the Board has prepared a draft constitutional amendment for further discussion by the Board which, if adopted by the people of the State of Alaska, would provide for an annual payout from the Fund of no more than five percent of the average fiscal year-end market value of the Fund over the immediately preceding five fiscal years. The Board believes that this formula effectively balances the goal of maximizing the availability of income from the Fund with the long-term goal of protecting the value of the Fund by inflation-proofing.

Finally, the Board believes strongly that implementing inflation-proofing of the Fund by constitutional amendment is such an important public policy goal that proposals for incorporating any other amendments to Article IX, section 15 which might in any way either lessen the chances of approval of such an amendment by the voters or undermine the legal status of the Fund should be rejected by the legislature.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees that the legislature of the State of Alaska, in consultation with the governor and the Board, are urged to consider and approve a proposal for a constitutional amendment that would provide for permanent inflation-proofing of the Fund by application of a POMV payout mechanism.

BE IT FURTHER RESOLVED by the Board of Trustees that the proposal for such an amendment be limited solely to implementation of the foregoing goal.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation this 8th day of December 2000.

Clark S. Gruening

Chair, Board of Trustees

Attest:

Robert D. Storer, Corporate Secretary