

MEMORANDUM

TO: Brian Hove

FROM: Eric E. Wohlforth

DATE: September 12, 2018

RE: Commonwealth North Fiscal Policy Group

I have given your August 9 memo the careful reading it deserves.

As to Forecasting, I agree with your comments. I would add since then that we have heard from the E.D. that forecasting assumptions are not available. This perhaps argues for a robust in-house capability to forecast or one undertaken by a reputable firm which will disclose assumptions.

As to Fund Mechanics, I am not clear on your second bullet. I think the inflation proofing issue is now confused and few realize the double counting. It certainly is thoroughly protective of principal.

On the third bullet, I think the Fund would say that asset sales and purchases are organic as you put it save only for having funds available for ERA payouts.

As to Board Expansion and Anchorage Office, the sole Juneau location is jealously guarded by the CEO who has received plaudits from the Juneau Chamber because of her adherence to it. Note all 2019 meetings are scheduled for Juneau.

Your comments on Board size are thoughtful and I appreciate your citations. Increased size, however, might make the Board more sensitive to public considerations and less subject to governance essentially by the CEO and Board Chair. This may be only the current problem. Certainly there is no real argument against an odd numbered Board. How about a governor appointed seven person Board with six year terms (or even eight like the Regents) chosen from the panel I suggest? I agree that we should look at other appointment models as well. The Regents are subject to legislative confirmation; Permanent Fund Board members are not. Is the Permanent Fund less important, I think not.

As to SRI.

Maybe surprisingly, most commentators, including some which are very recent, find that SRI returns are as good or better than non-SRI Fund returns. Many SRI investment considerations are similar or identical to Prudent Investment Rule considerations. Finally on the subject of dollar value lost to federal taxes, the legislature and the Fund have resisted funding any comprehensive study of the effect of the dividend. Currently, as well the Fund has suspended the program of publishing occasional but regular Trustee papers.