



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

COMMISSIONER'S OFFICE

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March 15, 2021

The Honorable Peter Micciche, Senate President
The Honorable Louise Stutes, Speaker of the House
House and Senate Finance Committee Members
Alaska State Capitol
Juneau, AK 99801-1182

Dear Honorable Legislators:

AS 37.10.430(b) requires that:

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

The required report is attached.

Page 1 provides comparative annual rates of return for the Constitutional Budget Reserve Fund (CBRF), GeFONSI (which includes the General Fund as a participant), GeFONSI II, and the Alaska Permanent Fund. The difference in performance results primarily from the differences in asset allocation among the funds, the relative performance between comparable asset classes, and the differences in cash flow requirements among the funds.

Page 2 provides the comparative target asset allocations of these funds at December 31, 2020 as well as the fund balances for the CBRF at January 1 and December 31, 2020. The CBRF has a low risk tolerance with a high liquidity requirement and is invested in cash equivalents. The GeFONSI has a moderate risk tolerance with a high liquidity requirement, and is invested in fixed income securities (e.g., bonds and other debt obligations) and cash equivalents. The GeFONSI II has a slightly higher risk tolerance, and in addition to its fixed income allocation, has a modest allocation to domestic and international equities. The Alaska Permanent Fund has the highest risk tolerance of these funds with a greater allocation to public, private and other equities.

I would be happy to answer any questions you have on the attached report or the investment of the CBRF.

Sincerely,

A handwritten signature in cursive script that reads "Lucinda Mahoney".

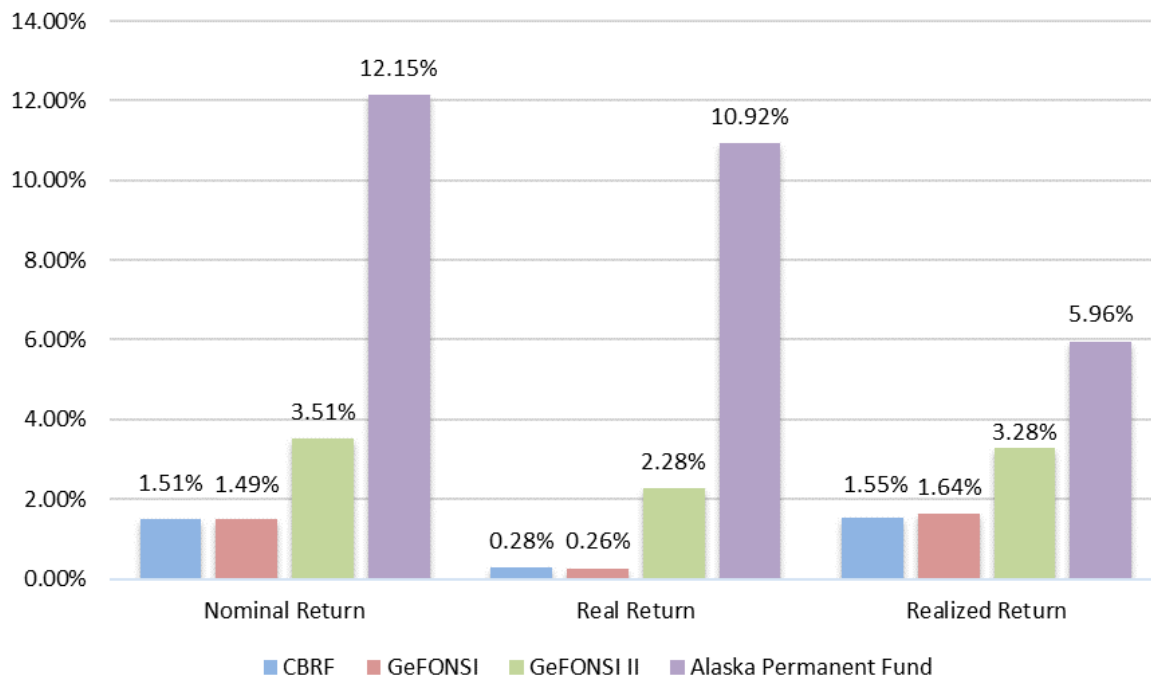
Lucinda Mahoney
Commissioner
Department of Revenue

Attachments

cc: House Finance Committee Members
Senate Finance Committee Members

Annual Report on the Constitutional Budget Reserve Fund

Comparative Returns for the Calendar Year 2020



	Nominal (Total) Return ¹	Real Return ²	Realized Return ³
CBRF	1.51%	0.28%	1.55%
GeFONSI ⁴	1.49%	0.26%	1.64%
GeFONSI II	3.51%	2.28%	3.28%
Alaska Permanent Fund	12.15%	10.92%	5.96%

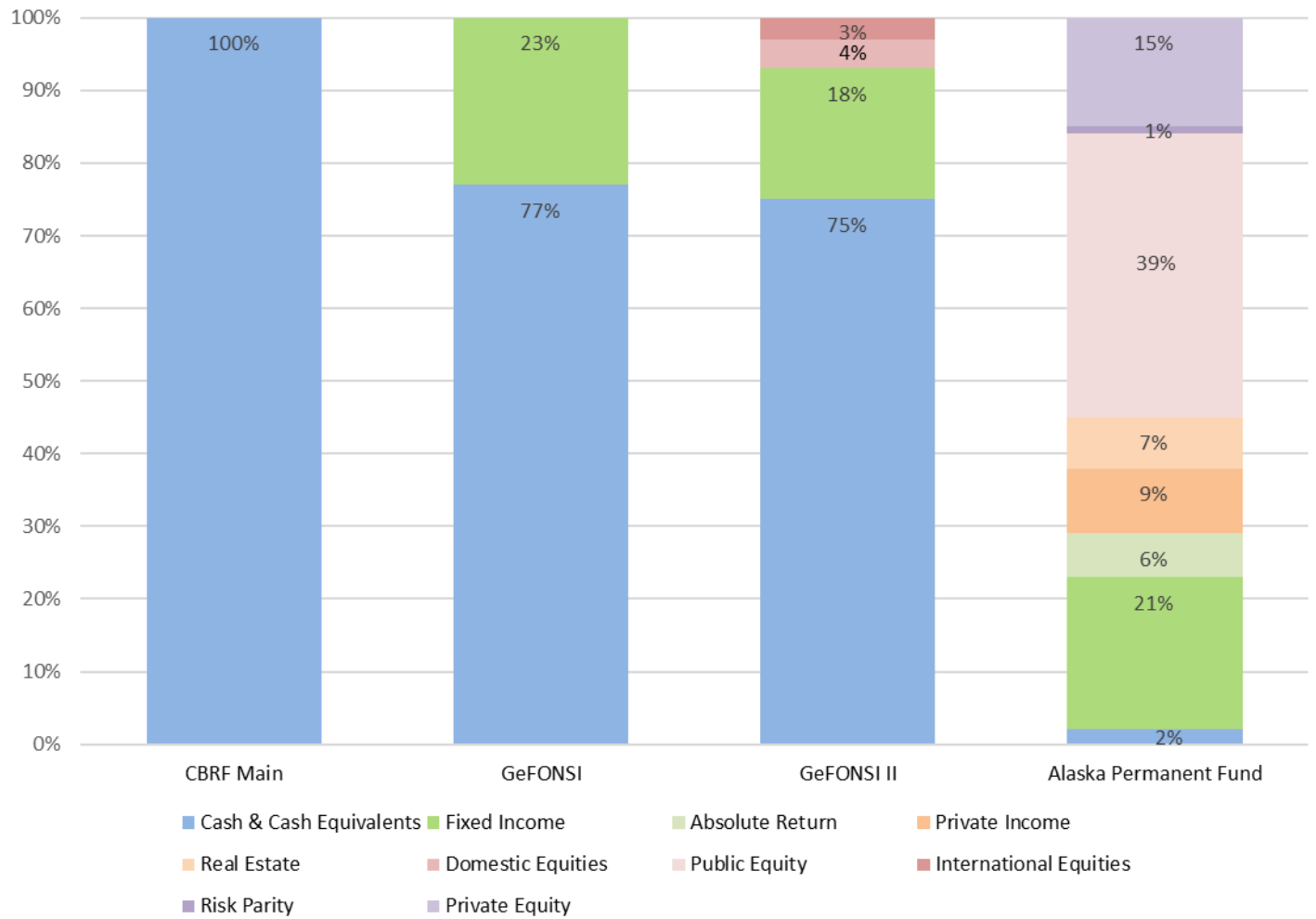
¹Total return includes all components of investment income, including interest, dividends and realized and unrealized gains and losses. Data for the CBRF, GeFONSI and GeFONSI II was calculated by the Treasury Division. Data for the Alaska Permanent Fund was calculated by the Alaska Permanent Corporation.

²Total return adjusted for the effect of inflation (1.23%) as calculated by the Alaska Permanent Fund Corporation per AS 37.13.145 (c)

³Realized returns *do not* include unrealized gains and losses in investment income; therefore, *comparisons cannot be made between total return and realized return data*. Data for the CBRF, GeFONSI and GeFONSI II was calculated by the Treasury Division. Data for the Alaska Permanent Fund was calculated by the Alaska Permanent Corporation.

⁴Does not include returns on the sale proceeds of Tobacco Settlement Revenue. Although part of the General Fund, these Investments are managed by the Alaska Housing Finance Corporation and had balances of \$11.00 million and \$10.48 million on January 1, 2020 and December 31, 2020 respectively

Asset Allocations at December 31, 2020



CBRF Balances at January 1 and December 31, 2020

