

2004_6_16_ADN_Protecting fund should get priority

Protecting fund should get priority

By CARL BRADY

(Published: June 16, 2004)

Alaska's legislators will soon begin a special session to consider several items, including a constitutional amendment to move the Permanent Fund to a percent of market value payout method, or POMV. This issue received a lot of attention during the regular session, and I appreciate the effort and compromise that allowed POMV to get as far as it did. This was not the first time that the trustees of the Alaska Permanent Fund introduced this idea to the Legislature, but this was the first time that the Legislature moved it to the floor of either body.

Unfortunately, POMV became tangled up in a separate but related issue: how the earnings of the fund should be used. I was reminded of the old saying "the devil is in the details" as I listened to legislators debate whether earnings should be spent on government, how much should go to the dividend and whether receiving a dividend should be guaranteed in Alaska's Constitution.

I hope that this time around the Legislature will make the debate over use of earnings secondary to protecting the Permanent Fund. I believe that most legislators agree with the trustees that POMV is a better way to protect the fund and manage how much money is paid out each year. I hope that the Legislature will act to give Alaskans the opportunity to vote on this change, regardless of whether they finally agree on how to use the fund's earnings.

There are a number of reasons why the trustees believe that a POMV payout method is the best way to manage the fund, and I would like to briefly summarize two of the most important:

- POMV would prevent overspending in the good years. In some years as much as 25 percent of the fund has been available for the Legislature to withdraw. Several legislators said publicly that they expect in the near future to turn to the fund to pay for government, an option already granted to them under Alaska's Constitution. Placing a limit on annual withdrawals of 5 percent of the fund's value is the best way to protect it for the future.
- POMV would provide constitutional inflation-proofing for the entire fund. Each year legislators must make an inflation-proofing transfer from the earnings to the principal of the fund, but that doesn't protect the earnings from the erosion in purchasing power caused by inflation. Over time POMV would protect the entire fund (principal and earnings) from inflation without requiring any action from the Legislature.

Our legislators have some key decisions facing them when they return to Juneau for the special session. One of these decisions will be regarding POMV. I would hope that as statesmen and representatives of the people they would place protection of the fund as the top priority, above their concerns over the details of how earnings will be used. After all, if the fund isn't protected for the future, there won't be any earnings to spend.

Carl Brady is chairman of the board of trustees of the Alaska Permanent Fund Corp.

The board will have its June meeting from 8 a.m. to 4:30 p.m. today and Thursday at the Anchorage Marriott Downtown Marriott.