



**Retired Public Employees of Alaska, APEA/AFT**  
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June 20, 2016

Governor Walker,

RPEA understands that HB 256, the budget bill, contains language which could impact our pension funds and affect the role that the ARM Board currently plays in managing the assets of those funds.

Section 1, at page 35 of this bill, asks for a report to be delivered by October 15, 2016 - less than 4 months from today - addressing whether “management responsibility” of the pension fund assets currently managed by this Board should be transferred to the Permanent Fund Corporation.

RPEA thinks that is a terrible idea and strenuously objects. For starters we don’t know what “management” means - other than it is clearly a change of responsibility concerning our pension funds that a previous legislature specifically assigned to the ARM Board.

Second, the members on the ARM Board are representative of the interests of pension funds dedicated to state retirees; the Permanent Fund Corp has a completely different perspective. The goals and assigned objectives of these two fund groups are distinctly different such that meaningful consolidated management could be highly problematic.

Third, if adding new tasks to the Permanent Fund Corp requires more staff, what’s the sense of any transfer if it doesn’t result in meaningful savings?

Fourth, this proposed transfer of assets to a single entity ignores the principles of diversification and not putting all your eggs in one basket, particularly when the investment objectives differ.

Finally, the Department of Revenue by law provides staff to the ARM Board. This long and very smooth working relationship would be lost as pension issues become intermingled with the different Permanent Fund concerns.

We urge you to veto any proposed study or transfer of management duties described in HB 256. Surely, the voice of all affected retirees, and the ARM Board itself, are of critical importance and should be considered in any decision whether a study should be conducted, as well as part of any possible report or recommendation that is issued.

Lastly, RPEA wants to publicly state that the use of any pension fund assets in preparing such a report constitutes a clear misuse of those funds and a violation of the state's fiduciary duties to protect these funds for the primary benefit of retirees and beneficiaries.

Respectfully,



Sharon Hoffbeck  
President  
Retired Public Employees of Alaska

Cc: Brad Owens  
Executive Vice President, RPEA