



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

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June 21, 2016

Ms. Sharon Hoffbeck
Retired Public Employees of Alaska President
3310 Arctic Blvd., Suite 200
Anchorage, AK 99503
rpea@alaska.net

RE: HB256--Letter to Governor

Dear Ms. Hoffbeck:

Thank you for your letter. The intent language you refer to in HB 256 directs the Department of Revenue, in consultation with the Alaska Permanent Fund Corporation (APFC), to evaluate whether management responsibility of State and Alaska Retirement Management Board (ARMB) assets should be transferred to the Alaska Permanent Fund Corporation.

As the Commissioner of the Department of Revenue, I am the fiduciary of many state funds and sit as a member of the ARMB and the APFC boards. The staff at the Department of Revenue's Treasury Division manage the state funds for which I am fiduciary in addition to the assets under the fiduciary responsibility of the ARMB. Treasury staff manages all of these funds differently, based on the needs and goals of each fund, in an efficient, cost effective manner.

Legislative intent is clearly something that may be contemplated although it is not a requirement of law. That being said, in light of the current fiscal situation, the Administration believes it makes sense to take this opportunity to see if potential synergies and savings exist between the Treasury and APFC. This may or may not result in transfer of day to day investment management to either organization. A third party is being engaged, at no cost to the retirement funds, to review both organizations and evaluate potential synergies and savings. Due to the specific requirements and legal structures of the investment funds, it is my understanding that the intent language does not contemplate replacing the fiduciaries of the funds or consolidating their respective boards of directors. Rather, it contemplates consolidating only the day to day investment management responsibilities. Thus, the separate oversight of the ARMB assets would continue at the fiduciary level.

If at the conclusion of the evaluation, it is determined that meaningful savings are achievable, I expect the findings of the study will be presented to the fiduciaries of the funds, including the ARMB, for additional input. The fiduciaries will provide input to the Administration based on their judgment of the best interests of the funds. Should the decision be made to consolidate investment management for most or all of the funds under one of the organizations, I am confident that staff at the Treasury or the APFC will be able to manage funds in an appropriate

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manner based on the risk profile and needs of the funds under which they are directed to manage.

If you have additional questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Randall J. Hoffbeck". The signature is fluid and cursive, with a large initial "R" and "H".

Randall Hoffbeck
Commissioner

Cc: Brad Owens, Executive Vice President, RPEA