

August 2011

INVESTMENT POLICY OF OTHER STATES' PERMANENT FUNDS

This memorandum provides information on investment policy statements of other states' permanent funds. The following chart is a summary of components of the Alaska permanent fund, New Mexico severance tax permanent fund, and Wyoming permanent mineral trust fund:

	Alaska Permanent Fund	New Mexico Severance Tax Permanent Fund	Wyoming Permanent Mineral Trust Fund
Year established	1976	1973	1974
Revenue	At least 25 percent of all mineral lease rentals, royalties, royalty sales proceeds, federal mineral revenue-sharing payments and bonuses received by the state must be placed in the permanent fund.	Severance tax revenues are used to first pay the required debt service on severance tax bonds issued by New Mexico, then the remaining severance tax receipts (approximately 12.5 percent of total severance tax receipts) are transferred to the severance tax permanent fund.	A severance tax of 2.5 percent on the value of the gross product extracted related to coal, petroleum, natural gas, oil shale, and other such minerals is deposited in the permanent Wyoming mineral trust fund.
Use of funds	The principal may only be used for income-producing investments. The Alaska Legislature may authorize the expenditure of realized fund investment earnings consisting of stock dividends, bond interest, real estate rent, and the income made by the sale of any investment assets. Most of the spending from the fund has been for dividends to qualified residents, in which a five-year average of the fund income is distributed to each man, woman, and child in the state in checks averaging \$1,000 to \$2,000.	New Mexico utilizes investment income for general fund expenditures, education, infrastructure projects, and economic development grants and loans, including funds targeted to mining communities.	The corpus of the permanent mineral trust fund must be held inviolate. All income from fund investments is deposited in the general fund annually. The fund defrays a portion of the operating costs of the state of Wyoming, and also serves as an endowment for the state by conserving its wealth for future generations.
State managing entity	Alaska Permanent Fund Corporation, a state-owned corporation	New Mexico State Investment Office is responsible for administering the investment management policies of the State Investment Council.	The State Treasurer's Office is responsible for administering the investment management policies of the State Loan and Investment Board, in combination with investing as prescribed by the Wyoming Legislature.
Investment goal	The Alaska Legislature stated the fund should provide a means of conserving a portion of the state's revenue from mineral resources to benefit all generations of Alaskans. The fund should be used as a savings device managed to allow the maximum use of disposable income from the fund for purposes designated by law. The investment goal of the board of trustees is to produce an average annual real rate of return of 5 percent over the long term.	The State Investment Council investment goals are to preserve the permanent endowment funds for future generations and to provide future benefits by growing the funds at a rate at least equal to inflation.	Wyoming permanent funds are invested pursuant to a long-term asset allocation plan that is designed to protect the corpus, inflation-proof the funds, and generate positive returns within acceptable risk. The goal of asset allocation is to reach and maintain a target of 50 percent investment in equities for permanent funds. There is a constitutional limit that no more than 55 percent of the fund can be invested in equities.

	Alaska Permanent Fund			New Mexico Severance Tax Permanent Fund			Wyoming Permanent Mineral Trust Fund		
Investment performance summary	Alaska's Constitution and state law set out certain requirements for the fund's investments: <ul style="list-style-type: none"> • The fund can only invest in income-producing investments. • The goal of the fund's investments should be to maintain the safety of principal while maximizing total return. • All investments must conform to the prudent investor rule. This fiduciary standard requires that investment decisions be made with the prudence, intelligence, and discretion expected of an institutional investor. 			New Mexico statute provides that the severance tax permanent fund be invested in separate differential rate and market rate investment classes. Differential rate investments are intended to stimulate the economy of New Mexico and to provide income to the severance tax permanent fund, including New Mexico business investments, educational loan notes, investments in obligations issued for corrections facilities and state capitol buildings and renovations. Market rate investments are investments that are not differential rate investments and are intended to provide income to the severance tax permanent fund.					
		March 31, 2011, Market Value (Amounts Shown in Millions)	Asset Allocation Percentage		March 31, 2011, Market Value (Amounts Shown in Millions)	Asset Allocation Percentage		March 31, 2011, Market Value (Amounts Shown in Millions)	Asset Allocation Percentage
	Domestic fixed income	\$8,128.1	20%	Fixed income	\$642.7	16%	Fixed income	\$1,952.2	38%
Nondomestic fixed income	836.0	2%	Domestic equities	1,523.1	38%	US large cap equity	859.9	16%	
Domestic equities	6,700.8	17%	Nondomestic equities	637.0	16%	US SMID cap equity	181.6	3%	
Nondomestic equities	8,203.6	20%	Real estate	180.7	5%	International equity	810.7	16%	
Global equities	4,829.0	12%	Private equity	468.7	12%	Convertibles	97.6	2%	
Real estate	3,541.8	9%	Absolute return	174.0	4%	Real estate	142.4	3%	
Private equity	1,297.7	3%	Cash	24.5	1%	Absolute return	401.6	8%	
Absolute return	2,874.3	7%	Economically targeted investments	120.0	3%	Private equity	135.8	3%	
Infrastructure	795.2	2%	Private equity - State	181.7	5%	Wyoming investments	122.7	2%	
External chief investment officers/real return mandate	3,121.0	8%	Total fund	\$3,952.4	100%	Cash (invested in state agency pool)	487.1	9%	
Total fund	\$40,327.5	100%	Returns			Total fund	\$5,191.6	100%	
Returns			Fiscal year to date	22.0%		Returns			
Fiscal year to date	18.8%		Last three years	1.9%		Fiscal year to date	15.2%		
Last three years	2.6%		Last five years	3.2%		Last three years	4.4%		
Last five years	4.0%					Last five years	5.3%		
Investment policy	Appendix A			Appendix B			Appendix C		