



APFC

ALASKA PERMANENT
FUND CORPORATION

Modernizing the Alaska Permanent Fund
A Single-Fund Endowment for Predictability & Sustainability
Trustees' Paper Volume 10

March 2025

A Legacy of Intergenerational Resource Contribution

In 1976 –

Alaskans chose to permanently forgo immediate use of at least 25% of oil and mineral revenues, saving instead to create a renewable financial resource for generations — the Alaska Permanent Fund.

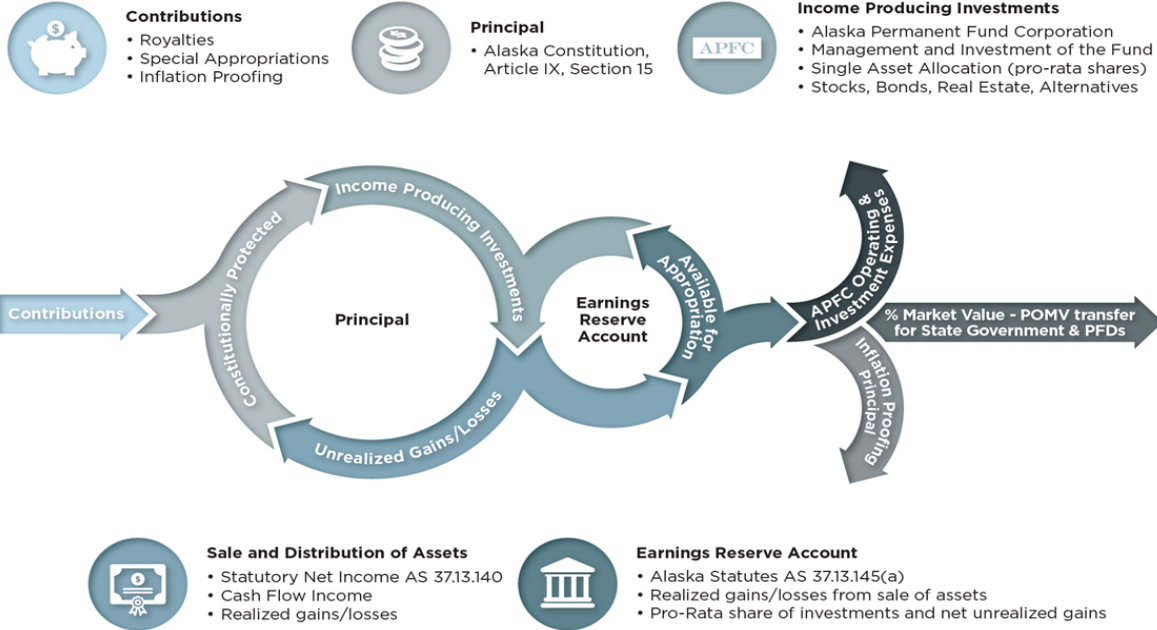
Today, the Fund –

- **Leads the Nation**
The largest U.S. sovereign wealth fund, globally recognized as a model for converting finite natural resources into lasting wealth.
- **Supports Alaska**
Provides over 50% of the state's unrestricted general fund revenue for dividends and essential services through the annual Percent of Market Value (POMV) draw.

Alaska Constitution Article IX, Section 15 Alaska Permanent Fund

At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

Current: Two-Account Structure

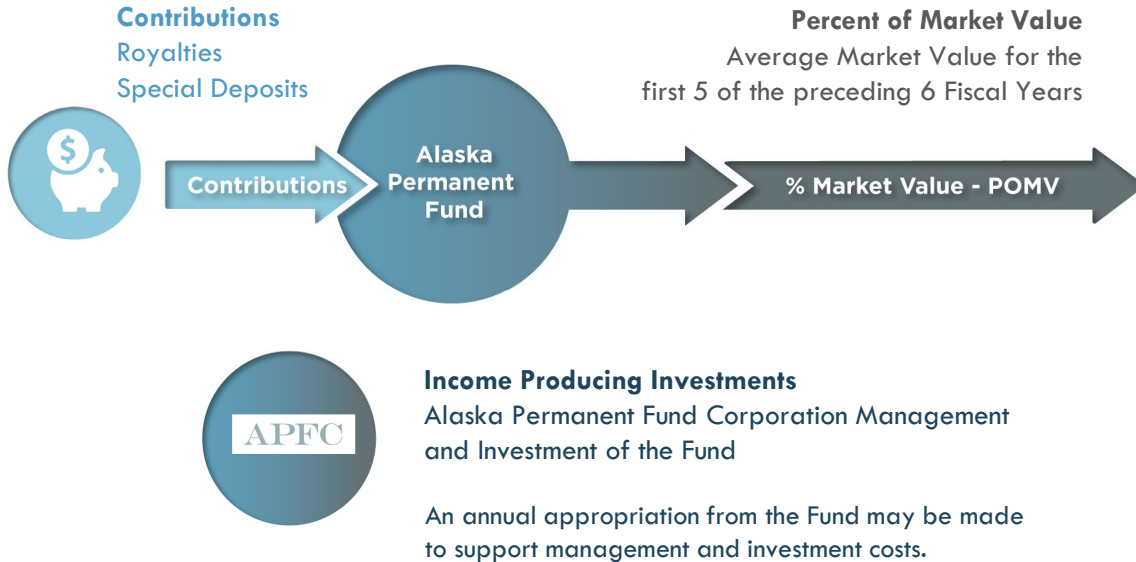


The Principal provides permanent savings to be used only for income-producing investments.

Realized earnings are deposited into the Earnings Reserve Account (ERA) for appropriation by the Legislature.

POMV draws to support the state's current revenue needs and transfers to inflation proof the Principal for an intergenerational benefit are limited to the balance of the ERA.

Proposed: Single-Fund Endowment



The Fund is invested in income-producing investments with a limited annual draw.

The transition to a Single-Fund would guarantee an annual POMV transfer while maintaining flexibility in how the money is utilized.

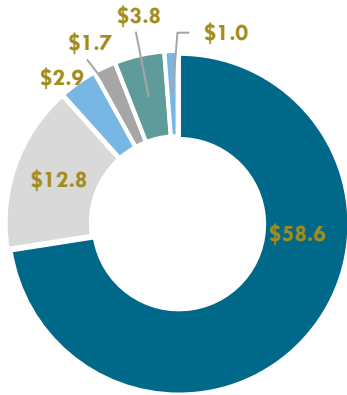
Annual draw certainty would ensure the ability to provide for a dividend and essential government services.

Comparing Fund Structures

The Single-Fund Endowment Model is not constrained in providing the set annual POMV draw, while the two-account structure is limited to the ERA's available balance.

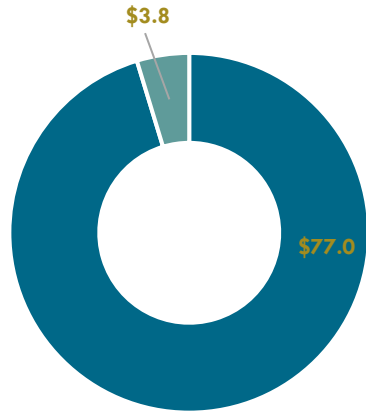
Current Two-Account Structure

Constitutionally Protected:
73% | \$58.6 billion



Proposed Endowment Model

Constitutionally Protected:
95% | \$77.0 billion



- Principal Deposits
- ERA Realized Earnings
- ERA 5% POMV Draw
- Principal Unrealized Gains
- ERA Unrealized Gains
- ERA Inflation Proofing to Principal

- The Fund
- 5% POMV Draw

Endowment Retains Earnings

- Under the Single-Fund Endowment Structure, income would be calculated according to generally accepted accounting principles, meaning all earnings (realized and unrealized) would be retained within the Fund.
- All earnings are retained and reinvested in the Single-Fund, thus eliminating the need for inflation proofing.

Alaska's Largest Revenue Source

	FY24	\$80,038.4
	FY23	\$77,587.5
	FY22	\$75,912.8
AS 37.13.140 (b)	FY21	\$81,472.4
Fund Value-Based	FY20	\$64,877.8

FY26 POMV	Avg.	\$75,977.8
Draw Calculation	5%	\$ 3,798.9

Percent of Market Value Draws

FY19-FY25

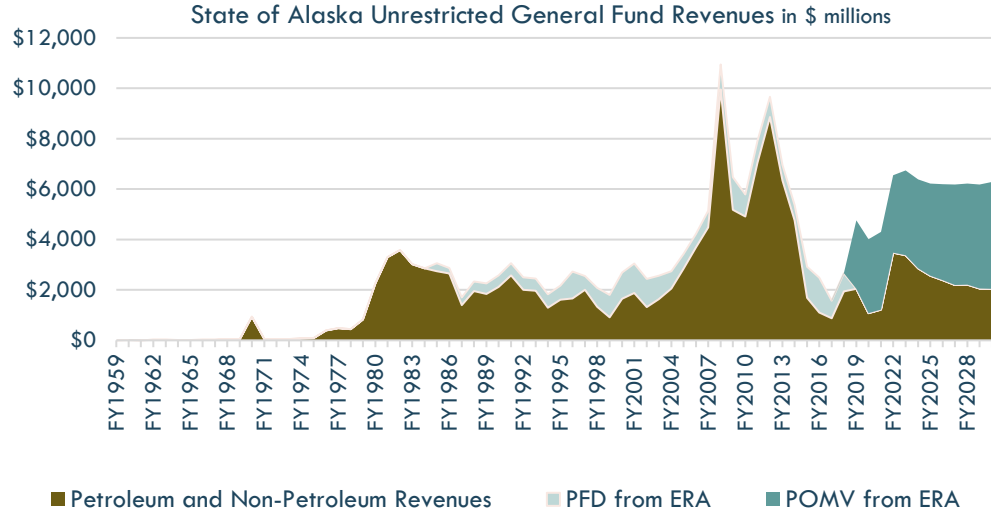
\$ 22.4 billion over 7 fiscal years.

FY26 is \$ 3.8 billion.

FY27 is \$ 4.0 billion estimated.

The Shift in Alaska's Revenue

Alaska's budget has transitioned from primarily relying on nonrenewable mineral royalty resources to depending on sustainable financial revenues generated by investments from the Fund.



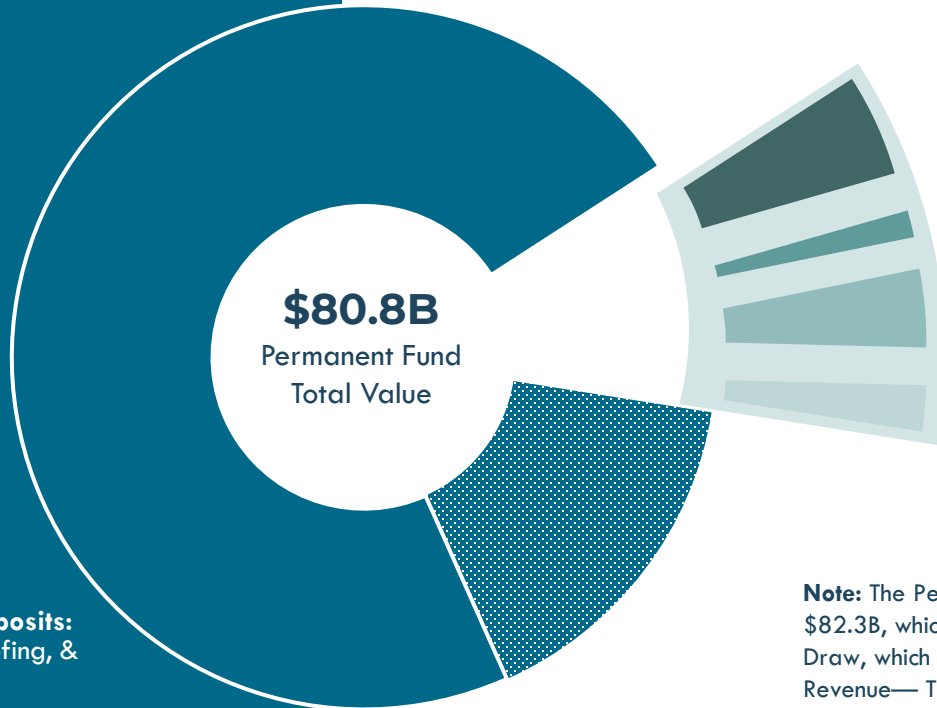
The POMV draw, enacted in 2018, has exceeded traditional revenue sources in providing unrestricted general fund revenues.

Understanding the Two-Account Structure

\$71.4B
in the
Principal

\$58.6B Permanent Deposits:
Royalties, Inflation Proofing, &
Special Appropriations

\$12.8B Unrealized Gains



Principal & Earnings Reserve Account (ERA)

Fund Values

as of January 31, 2025

\$9.4B in the ERA

\$3.8B Committed

FY26 POMV Draw for the General Fund

\$1.0B Committed

FY25 Inflation Proofing

\$2.9B Spendable Realized Earnings

Uncommitted and Available for Future

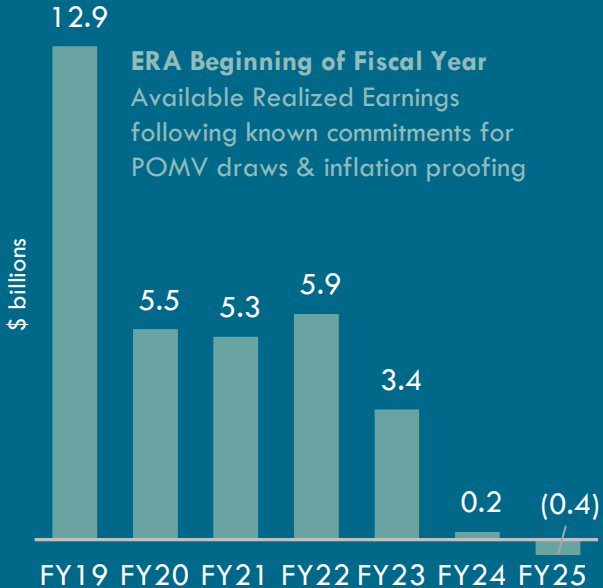
\$1.7B Unrealized Gains

Changes in asset values from the purchase date to the most current date - appreciation.

Note: The Permanent Fund's actual Assets Under Management total \$82.3B, which includes amounts set aside like the FY25 POMV Draw, which remains invested until it is sent to the Department of Revenue— Treasury Division.

Spending is Limited to the ERA

The ERA is at risk of depletion given the annual draws to support government services and the divided program, as well as inflation proofing the Principal for intergenerational Alaskan benefit.



The Need for Reform

Consolidation to a Single-Fund Endowment model would align the Permanent Fund with best practices for intergenerational wealth funds.

For the Present

- Ensure the option of an annual payout to support dividends and government services.
- Maintain stable payouts from year to year.
- Make the payout method compatible with the investment strategy.

For the Future

- Prevent overspending in the good years.
- Maintain purchasing power for the entire Fund.

Proposed: Single-Fund Endowment Model

Adopting this model, which would include a Constitutionally established spending limit, would strengthen the Fund's long-term stability and purchasing power for future generations.

- Merge the Principal and the ERA into a Single-Fund.
- Limit annual distributions through a Constitutional POMV Rule.
- Ensure automatic inflation proofing by adhering to a long-term sustainable withdrawal rate.

The change to a Single-Fund would ensure that an annual POMV transfer would be available each year but would not affect the discretion in deciding how to spend the money.

The power of appropriation remains with the Legislature, while the annual draw from the Fund would be limited.

Benefits of the Single-Fund Model

Aligned with global best practices, strengthening Alaska's financial position through sustainable withdrawals & limited to the Fund's long-term real return.

Alignment with Prudent Investor Standards

Follows best fiduciary and prudent practices for endowments and trusts.

Total-Return Investing

Maximizes long-term growth without liquidity constraints.

Predictable & Sustainable Spending

A maximum draw POMV rule prevents overspending.

Automatic Inflation Proofing

Eliminates the need for manual and ad hoc legislative adjustments.

A Single-Fund Endowment is permanently inflation-proofed and ensures the Fund's real value is maintained over time while supporting its intended beneficiaries.

The key principles behind this are:

- Growth in the Fund's value keeps pace with or exceeds inflation.
- A prudent spending rule/limited draw rate ensures sustainability.
- Returns above the draw rate are reinvested.

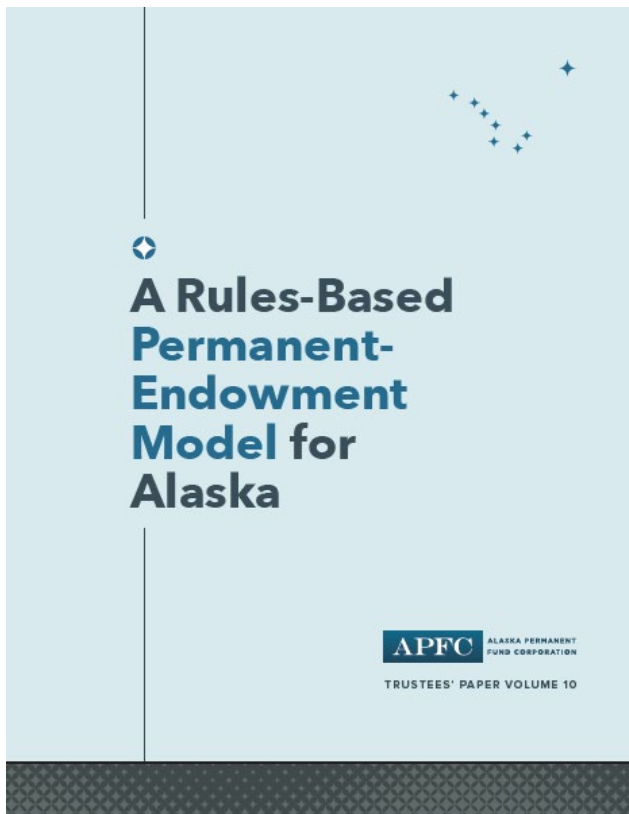
Constitutional Amendment

The Board of Trustees has been on record for more than twenty years supporting the transition to a Single-Fund endowment to protect its intergenerational sustainability and ensure that it provides for all generations.

Board Resolutions 2000-13, 2003-05, 2004-09

- Supporting a constitutional amendment to limit the annual Fund payout to not more than a 5% POMV averaged over a period of 5 years.
- Implementing a constitutional POMV spending limit has the accompanying benefit of assuring permanent inflation-proofing of the Fund.

Trustees' Paper Volume 10



A Rules-Based Permanent- Endowment Model for Alaska

APFC ALASKA PERMANENT
FUND CORPORATION

TRUSTEES' PAPER VOLUME 10

“Within the world of sovereign wealth funds, the Alaska Permanent Fund is admired and respected for its long tradition of rules-based policymaking, prudent investment management, and sound governance.

That said, the paper shows that the current two-account structure introduces significant risks to the ability to fund the annual POMV transfer that supports the state budget and the Permanent Fund Dividend.

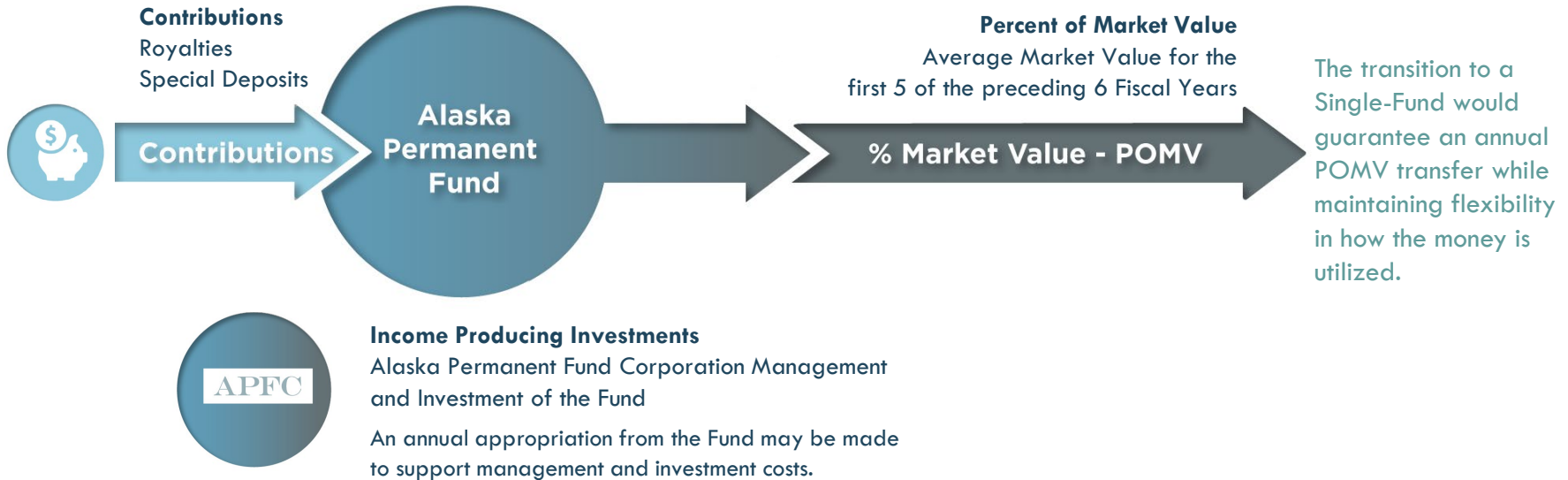
The paper outlines reforms that should be pursued with urgency to ensure that the Fund continues to underpin the sustainability of Alaska’s public finances for current and future generations.”

*Dr. Malan Rietveld
Sovereign Wealth Fund Expert*

Proposed: Single-Fund Endowment

The Fund is invested in income producing investments with a limited annual draw.

The annual draw certainty would *ensure the ability* to provide for a dividend and essential government services.



The logo for APFC (Alaska Permanent Fund Corporation) is displayed in white serif font on a dark teal rectangular background. The background of the entire image is a semi-transparent blue overlay of a financial trading interface, showing various data tables, charts, and navigation menus.

APFC

ALASKA PERMANENT
FUND CORPORATION

Honoring the vision and sacrifices of the Alaskans who created the Fund and leadership committed to ensuring that a portion of our mineral wealth is saved and invested to benefit all Alaskans, today and tomorrow.