



Alaska Permanent Fund Corporation

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February 16, 2016

Senator Bill Wielechowski
VIA EMAIL

Dear Senator Wielechowski –

In a letter dated February 12, 2016 to Department of Revenue Commissioner Hoffbeck, you asked four questions regarding inflation proofing transfers. You asked for the same information during the Senate State Affairs Committee hearing on February 16, 2016. This letter serves to answer both your written questions and those asked in committee.

1) History of all appropriations to the Alaska Permanent Fund from the Earnings Reserve Account.

Fiscal Year	Transfer	Fiscal Year	Transfer	Fiscal Year	Transfer	Fiscal Year	Transfer
1980	\$0.3	1990	\$454.0	2000	\$422.9	2010	\$0.0
1981	\$0.2	1991	\$558.8	2001	\$685.9	2011	\$533.2
1982	\$0.0	1992	\$476.9	2002	\$602.3	2012	\$1,073.1
1983	\$231.2	1993	\$362.5	2003	\$352.1	2013	\$703.0
1984	\$150.9	1994	\$372.3	2004	\$524.1	2014	\$585.6
1985	\$234.6	1995	\$347.6	2005	\$641.0	2015	\$624.4
1986	\$216.4	1996	\$407.1	2006	\$855.9		
1987	\$148.1	1997	\$485.6	2007	\$860.4		
1988	\$302.9	1998	\$422.7	2008	\$807.7		
1989	\$360.2	1999	\$288.2	2009	\$1,144.3		
1980	\$0.3	1990	\$454.0	2000	\$422.9		

Notes:

1980: Realized gains retained in Fund principal, per note page 7 of FY80 annual report.

1981: Note page 9 in FY81's annual report. "Net realized gain on transactions retained in the Fund's principal is \$219,388".

2003: FY03 inflation proofing = \$352,052 and the special FY03 appropriation of \$354.2 will be reclassified as pre funding inflation proofing for FY04.

2010: The statutory inflation proofing transfer calculation produced a negative number.

2) Forecasted calculation of the 2015 Permanent Fund Dividend and balance of the Permanent Fund Corpus if the State of Alaska had not inflation-proofed the Fund.

The statutory dividend calculation is based on the statutory net income from both the principal and the earnings reserve account. If the inflation proofing transfers had not been made over the years, the transfer amount would have remained in the earnings reserve and as a result the dividend amount for FY2015 would be the same as what was paid out.

At the close of fiscal year 2015, the principal of the Permanent Fund was valued at \$45.6 billion and the earnings reserve was valued at \$7.2 billion. If the inflation proofing transfers had not been made, the value of principal would have been \$26.7 billion and the value of the earnings reserve would have been \$26.1 billion. In either scenario, the total value of assets under management would be the same: \$52.8 billion.

3) Projected impact over the next 20 years on both the Permanent Fund and the Permanent Fund Dividend if the State of Alaska does not appropriate funds for inflation proofing in FY17.

APFC's projections for the Permanent Fund extend out ten years, so we are unable to model the impact of the proposed action over 20 years.

Current projections show the ending balance of the principal of the Fund in fiscal year 2026 as \$68.5 billion and of the earnings reserve as \$15.4 billion. If the projected inflation proofing transfer of \$896 million was not made in fiscal year 2017, the principal balance for the close of fiscal year 2026 is projected to be \$67.3 billion and the earnings reserve would be \$16.5 billion. In either scenario, the total value of assets under management would be the same: \$83.8 billion.

The statutory dividend calculation is based on the statutory net income from both the principal and the earnings reserve account. If the inflation proofing transfers for fiscal year 2017 is not made, the transfer amount will remain in the earnings reserve and as a result future dividend projections remain the same.

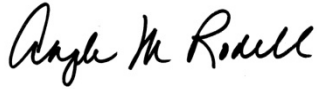
4) Projected impact on both the Permanent Fund and the Permanent Fund Dividend over the next 20 years if the State of Alaska does not appropriate funds for inflation proofing for the next 10 years.

APFC's projections for the Permanent Fund extend out ten years, so we are unable to model the impact of the proposed action over 20 years.

Current projections show the ending balance of the principal of the Fund in fiscal year 2026 as \$68.5 billion and of the earnings reserve as \$15.4 billion. If the inflation proofing transfers, projected to total \$10.3 billion, are not made over the next ten years, the

earnings reserve is projected to be \$55.2 billion and the earnings reserve would be \$28.6 billion. Total assets under management would remain the same, and the projected dividend would not change as explained above.

Sincerely,

A handwritten signature in black ink, appearing to read "Angela M. Rodell". The signature is fluid and cursive, with the first name "Angela" being more prominent.

Angela Rodell
Executive Director

cc: Randall Hoffbeck, Commissioner, Department of Revenue
Senator Bill Stoltze, Chair, State Affairs Committee