



March 2026

**Senate Finance Committee
Alaska State Legislature**

Permanent Fund Draw Analysis
and Senate Bill 274A

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Outline

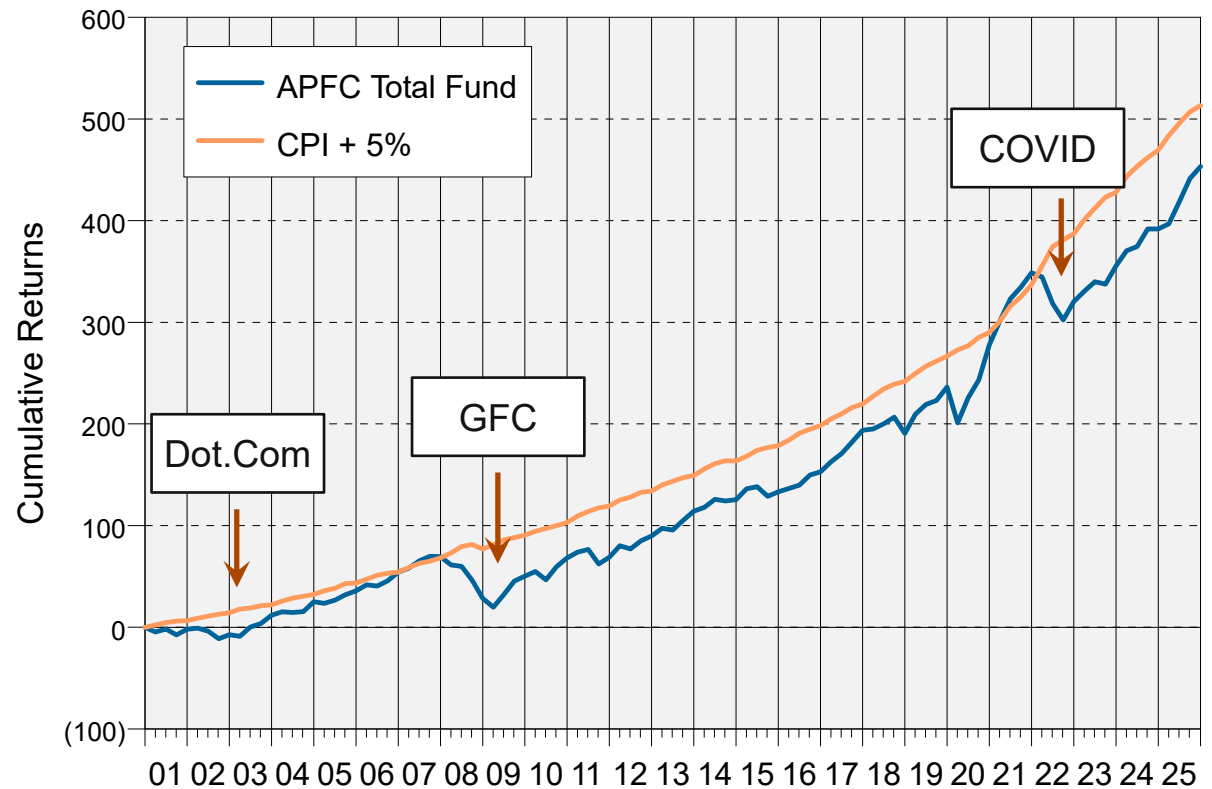
- Historical performance perspective on 5% vs 4.5% draw rate
 - Last 25 years.
 - Last 100 years.
- Senate Bill 274A mechanics.
- 20-year projections of SB274A and status quo 5% draw.
 - Annual draw in dollars.
 - Annual market value.
 - Change in draw and EMV.

APFC Total Fund Cumulative Return vs CPI + 5%

The Impact of Changing Time Periods

- Looking at the 25-year time period, the Fund has spent most of its history behind the CPI+5% target.
- This stems from the starting point, the Dot.Com bubble burst happening right at the beginning of the period.
- A 25-year period with three major market dislocations, one right at the beginning, makes the CPI+5% target challenging.
- This also illustrates the power of “cherry picking” time periods when using performance to make your point.

**Net of Fee Cumulative Returns
for 25 Years Ended December 31, 2025**

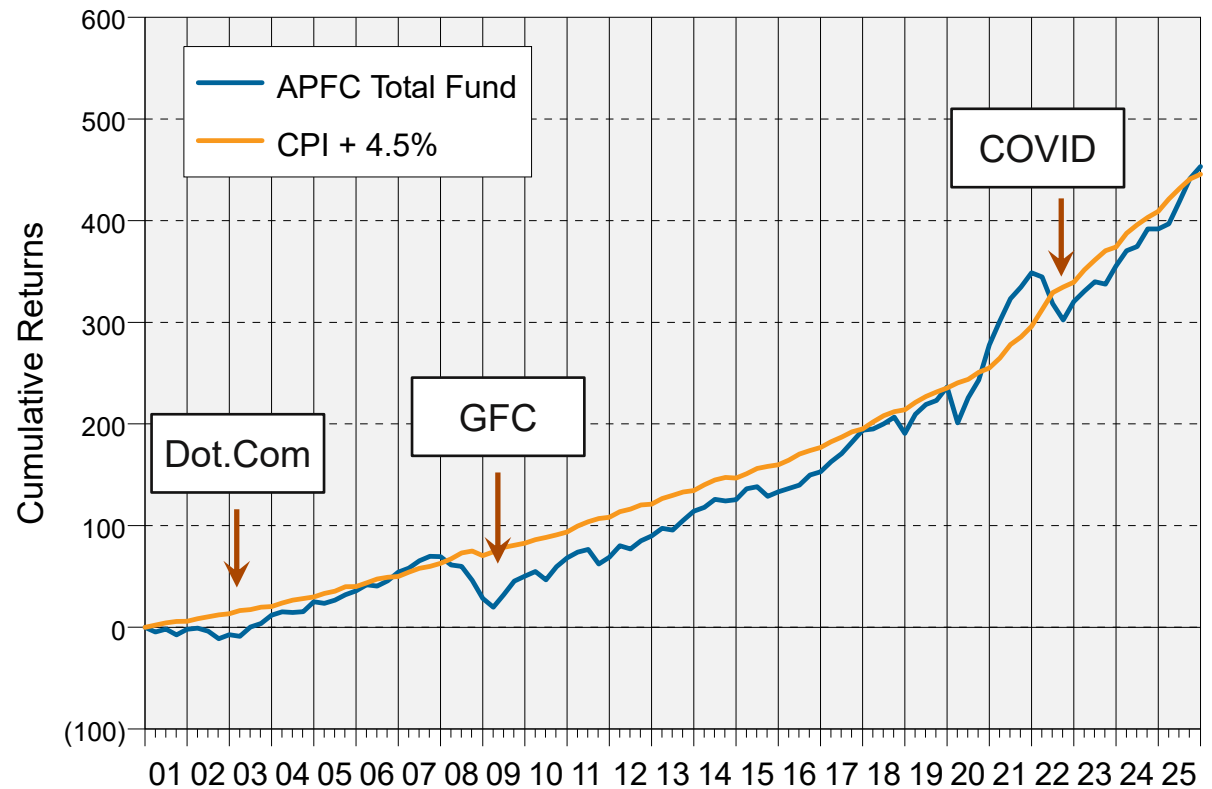


APFC Total Fund Cumulative Return vs CPI + 4.5%

The Impact of a 0.5% Reduction in the Target

- Over the 25-year period the Fund has ultimately caught up to a 4.5% target.
- Admittedly, due to the slow start, the Fund was behind even this lower target for most of this period.

**Net of Fee Cumulative Returns
for 25 Years Ended December 31, 2025**

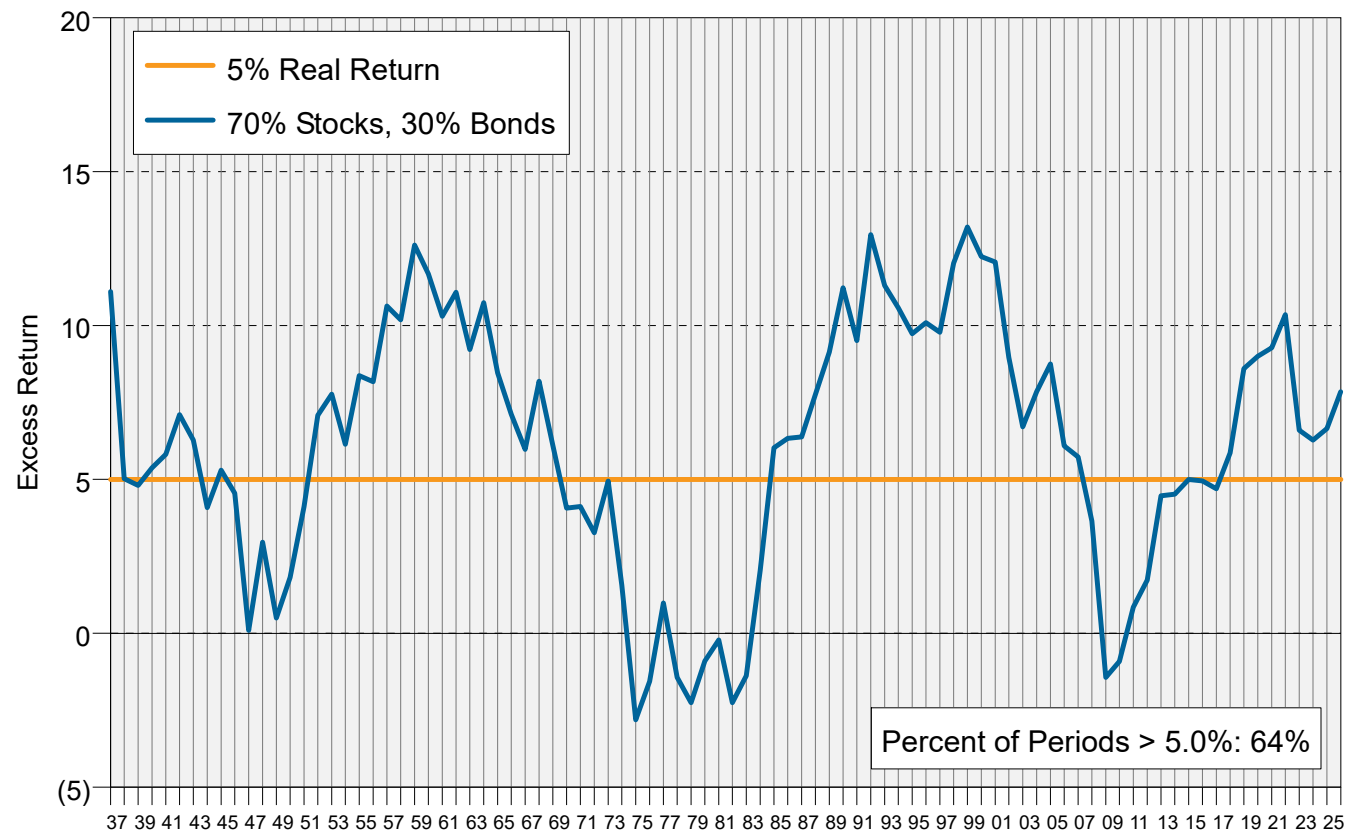


Rolling 10-Year Real Returns vs 5%

70% US Stocks (S&P 500), 30% US Bonds (Aggregate)

- Over the last 100 years, a 70/30 mix generated a 10-year annualized Real Return above **5.0%** in **64%** of periods.

Rolling 10-Year Real Return
for 89 Years Ended December 31, 2025

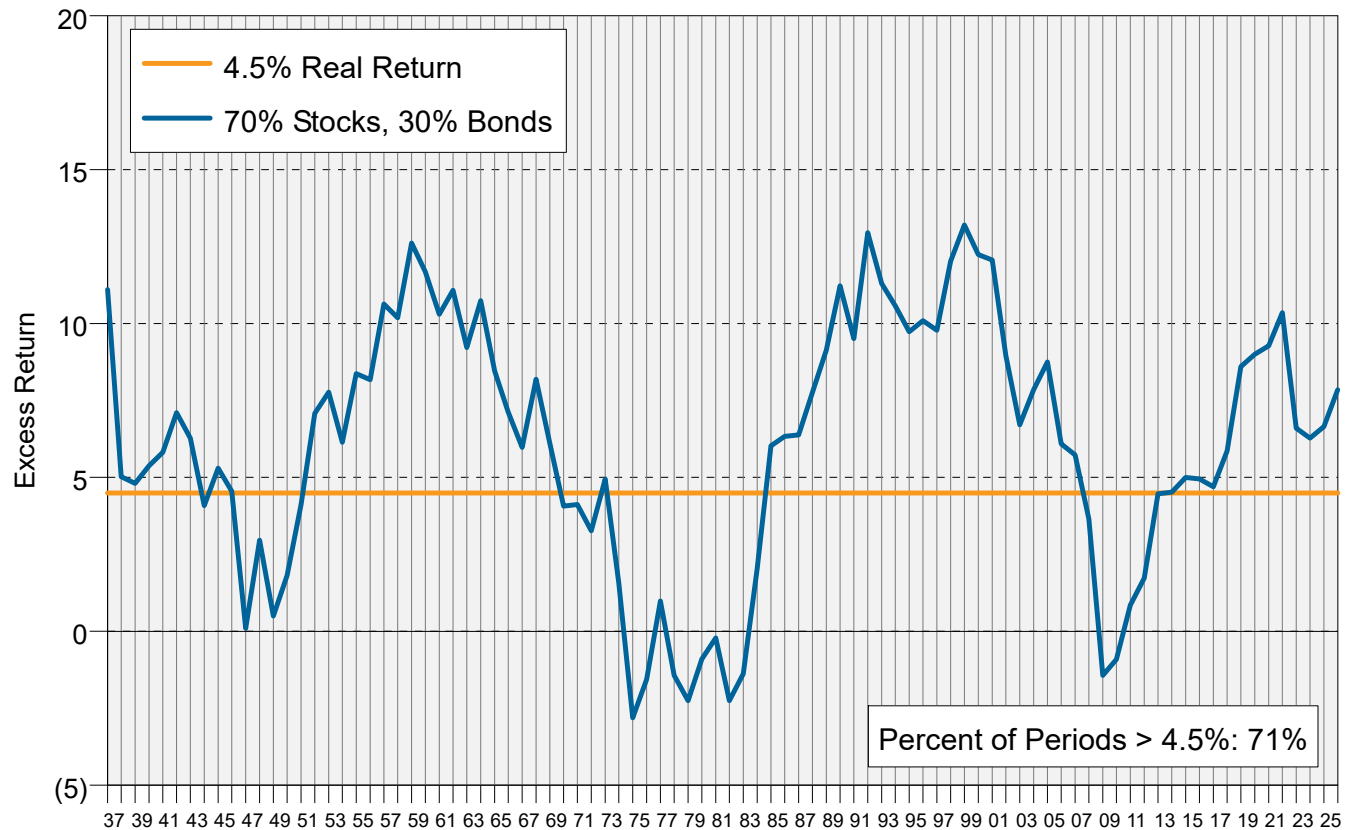


Rolling 10-Year Real Returns vs 4.5%

70% US Stocks (S&P 500), 30% US Bonds (Aggregate)

- Over the last 100 years a 70/30 mix generated a 10-year annualized Real Return above **4.5%** in **71%** of periods.

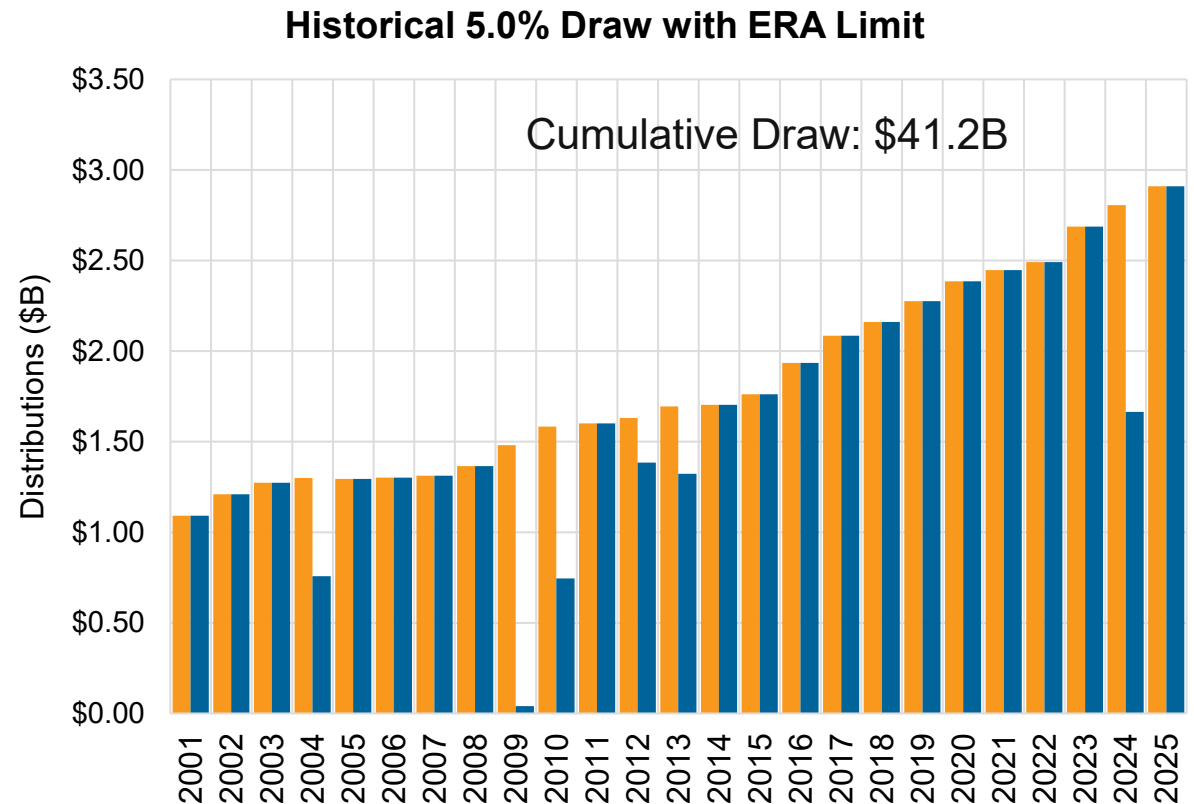
Rolling 10-Year Real Return
for 89 Years Ended December 31, 2025



Historical Simulation – 5.0% Draw Rule with ERA Limits

History versus 5.0% Rule

- Orange bars show what the historical draw would have been using a 5.0% draw formula without the ERA limit.
- Blue bars show draws under the 5.0% rule with the ERA limit.
- ERA would have limited draw in multiple years ('04, '09, '10, '12, '13, '14, and '24).
- In 2009, the ERA limit would have wiped out almost the entire draw.
- This was due to a low starting ERA and realized losses resulting in negative SNI.
- Inflation proofing is zero in years where draw is limited.



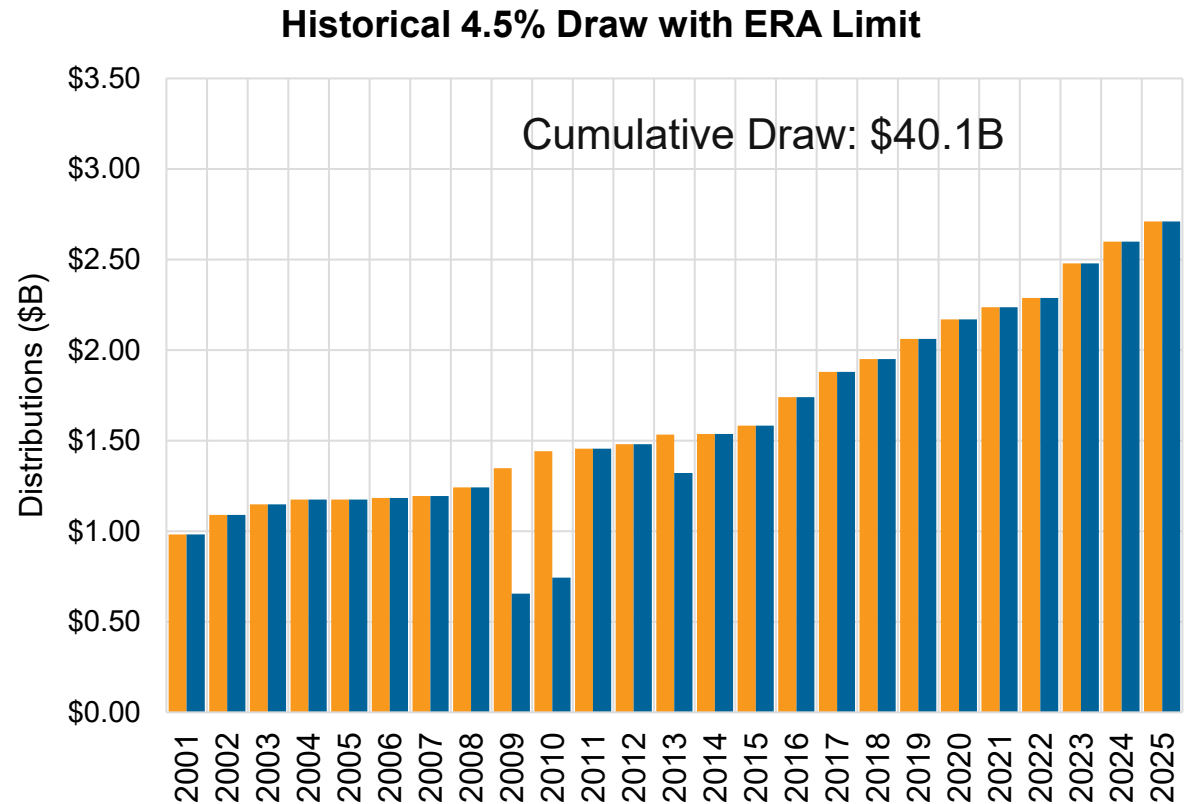
What happened in 2009?

- A) Beginning ERA balance was low.
- B) Statutory Net Income was negative due to the realization of losses from 2008.

Historical Simulation – 4.5% Draw Rule with ERA Limits

History versus 4.5% Rule

- Orange bars show what the historical draw would have been using a 4.5% draw formula without the ERA limit.
- Blue bars show draws under a 4.5% rule with the ERA limit.
- The ERA would have reduced the draw in '09, '10, and '13.
- The draw target would have been met in all other years.
- Cumulative draw was \$1.1B less than 5% rule.
- Draw was less volatile relative to 5% rule.



Draw Mechanics

SB274A Draw Mechanics with Lookback

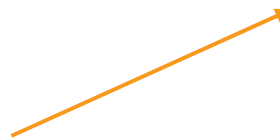
- In 2033 the draw reaches 4.5%.
- At this point the market values used in the 5-year average have largely not been impacted by the draw reduction.
- In 2039 the formula finally absorbs the full effect of the 4.5% draw into the market value average.

Fiscal Year	SB274A Rate
2026	5.0%
2027	5.0%
2028	5.0%
2029	4.9%
2030	4.8%
2031	4.7%
2032	4.6%
2033	4.5%
2034	4.5%
2035	4.5%
2036	4.5%
2037	4.5%
2038	4.5%
2039	4.5%
2040	4.5%
2041	4.5%
2042	4.5%
2043	4.5%
2044	4.5%
2045	4.5%

5-Year Average

5-Year Average

2039 is first year when 4.5% Draw is fully absorbed into five-year market value average.



Draw Comparison

Deterministic Projection

- This table compares the projected annual draw under each formula assuming median investment results.
- The draws are the same through 2028 and then begin to gradually diverge.
- The SB274A draw grows modestly through 2035, then grows faster than the 5% draw thereafter.
- The projected crossover point in dollar terms is 2055, outside the projection period shown on the chart.

Annual Draw		
Fiscal Year	5% Draw	SB274A
2026	\$3,798,888	\$3,798,888
2027	\$3,996,865	\$3,996,865
2028	\$4,075,582	\$4,075,582
2029	\$4,214,219	\$4,129,935
2030	\$4,363,003	\$4,188,483
2031	\$4,514,842	\$4,244,801
2032	\$4,648,479	\$4,280,049
2033	\$4,785,784	\$4,315,931
2034	\$4,927,862	\$4,453,103
2035	\$5,074,510	\$4,599,603
2036	\$5,225,960	\$4,755,254
2037	\$5,382,412	\$4,919,720
2038	\$5,543,974	\$5,092,449
2039	\$5,710,226	\$5,272,301
2040	\$5,881,015	\$5,458,266
2041	\$6,056,465	\$5,650,423
2042	\$6,236,820	\$5,848,989
2043	\$6,422,093	\$6,054,003
2044	\$6,612,637	\$6,265,828
2045	\$6,808,605	\$6,484,672

Change in Draw Comparison

Deterministic Projection

- This table compares the projected annual change in the draw under each formula assuming median investment results.
- The orange cells show the years when the annual increase in the SB274A draw exceeds the increase in the 5% draw in dollar terms.

Change in Draw		
Fiscal Year	5% Draw	SB274A
2026	NA	NA
2027	\$197,977	\$197,977
2028	\$78,717	\$78,717
2029	\$138,637	\$54,352
2030	\$148,784	\$58,549
2031	\$151,838	\$56,318
2032	\$133,638	\$35,247
2033	\$137,304	\$35,882
2034	\$142,079	\$137,172
2035	\$146,648	\$146,500
2036	\$151,449	\$155,651
2037	\$156,452	\$164,466
2038	\$161,562	\$172,729
2039	\$166,251	\$179,852
2040	\$170,789	\$185,965
2041	\$175,450	\$192,157
2042	\$180,355	\$198,566
2043	\$185,274	\$205,013
2044	\$190,544	\$211,826
2045	\$195,968	\$218,844

EMV Comparison

Deterministic Projection

- This table compares the projected annual ending market value under each formula assuming median investment results.
- The orange cells show the years when the EMV under the SB274A draw exceeds the EMV under the 5% draw.
- The SB274A EMV starts to exceed the 5% draw EMV in 2029.
- By 2045 the difference is projected to be roughly \$12.2 billion.

Ending Market Value		
Fiscal Year	5% Draw	SB274A
2026	\$87,646,506	\$87,646,506
2027	\$90,200,846	\$90,200,846
2028	\$92,890,341	\$92,890,341
2029	\$95,646,613	\$95,737,046
2030	\$98,463,643	\$98,747,927
2031	\$101,376,924	\$101,971,689
2032	\$104,408,714	\$105,442,180
2033	\$107,555,140	\$109,168,135
2034	\$110,791,548	\$113,031,616
2035	\$114,108,868	\$117,021,917
2036	\$117,533,165	\$121,163,782
2037	\$121,033,837	\$125,425,776
2038	\$124,634,080	\$129,830,903
2039	\$128,336,565	\$134,382,399
2040	\$132,144,331	\$139,084,834
2041	\$136,060,520	\$143,943,036
2042	\$140,088,249	\$148,961,965
2043	\$144,230,864	\$154,146,911
2044	\$148,491,585	\$159,503,174
2045	\$152,873,718	\$165,036,231

Change in EMV Comparison

Deterministic Projection

- This table compares the projected annual change in the ending market value under each formula assuming median investment results.
- The orange cells show the years when the change in EMV under the SB274A draw exceeds the change in EMV under the 5% draw.

Change in EMV		
Fiscal Year	5% Draw	SB274A
2026	NA	NA
2027	\$2,554,340	\$2,554,340
2028	\$2,689,495	\$2,689,495
2029	\$2,756,271	\$2,846,705
2030	\$2,817,031	\$3,010,881
2031	\$2,913,281	\$3,223,762
2032	\$3,031,790	\$3,470,491
2033	\$3,146,427	\$3,725,955
2034	\$3,236,407	\$3,863,480
2035	\$3,317,321	\$3,990,301
2036	\$3,424,296	\$4,141,866
2037	\$3,500,672	\$4,261,994
2038	\$3,600,243	\$4,405,127
2039	\$3,702,485	\$4,551,496
2040	\$3,807,767	\$4,702,435
2041	\$3,916,188	\$4,858,202
2042	\$4,027,730	\$5,018,928
2043	\$4,142,614	\$5,184,947
2044	\$4,260,721	\$5,356,263
2045	\$4,382,133	\$5,533,056

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