



APFC

ALASKA PERMANENT
FUND CORPORATION

Legislative Budget & Audit Committee

Trustees' Paper Volume 10

Modernizing the Alaska Permanent Fund:
A Single-Fund Endowment Model

March 2025

The Alaska Permanent Fund was established in 1976 through a Constitutional Amendment.

Designed to preserve a portion of the state's nonrenewable resource revenues.

**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.

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.

To Benefit All Generations ...

AS 37.13.020.

Legislative Findings for the purpose of the Permanent Fund

- *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's goal should be to maintain safety of principal while maximizing total return;*
- *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.*

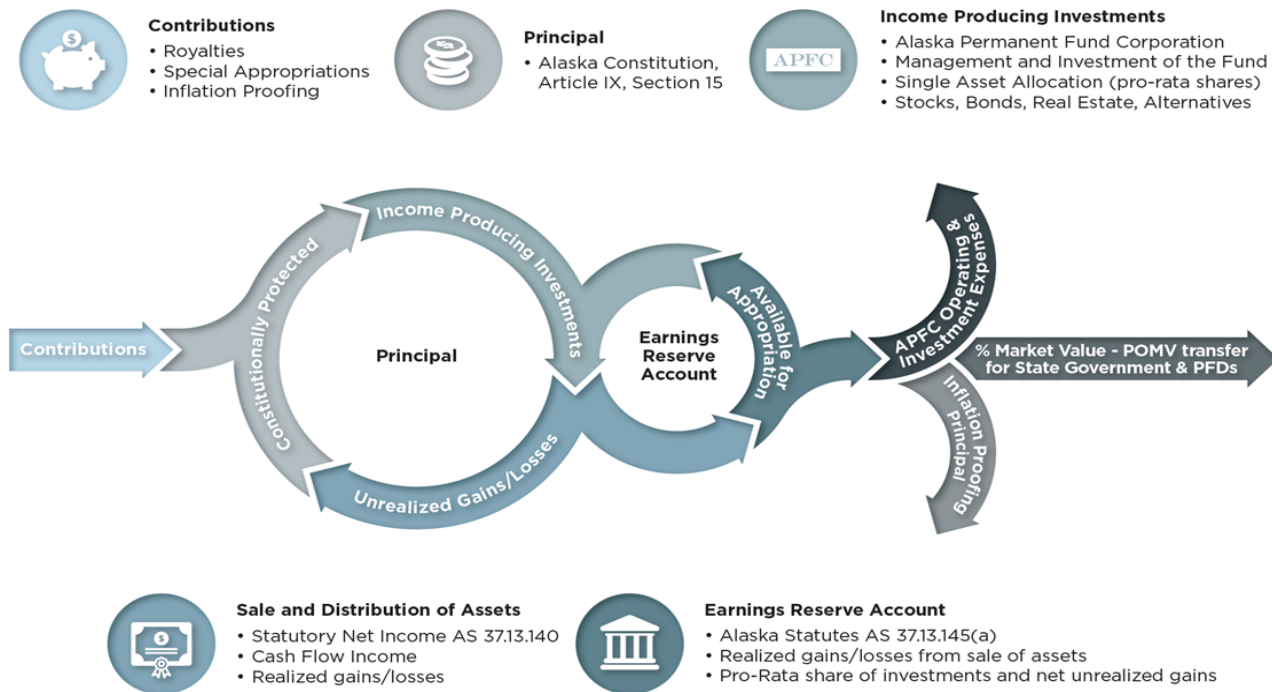
✓ **Permanent Savings**

✓ **Maximum
Risk-Adjusted Returns**

✓ **Use of Earnings:
Driven by Legislation**

Current: Two-Account Structure

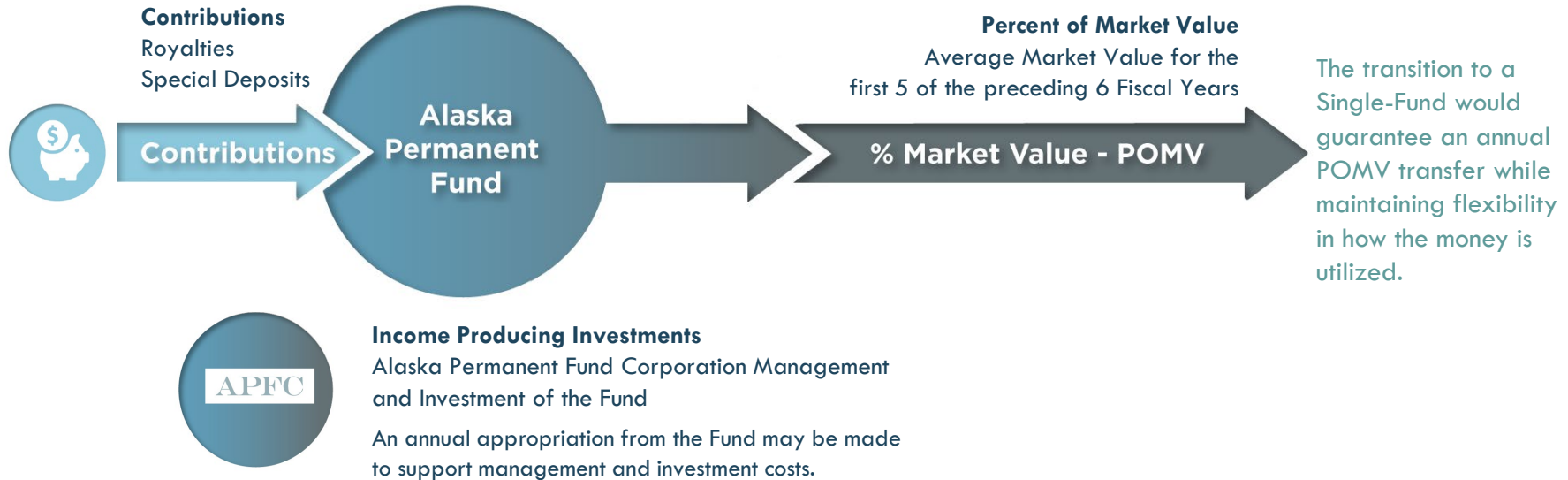
The Principal provides permanent savings to be used only for income-producing investments, with realized earnings deposited into the Earnings Reserve Account for appropriation by the Legislature.



Proposed: Classic 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.



A blue-tinted background image showing several workers in hard hats and safety gear working in a tunnel. They are positioned around a large, circular opening, possibly a pipe or a tunnel entrance, with one worker in the foreground looking down at something. The scene is dimly lit, emphasizing the industrial and underground nature of the work.

A Renewable Financial Resource

Transforming a portion of the state's royalty wealth into a financial resource to benefit all generations of Alaskans.

Global Investment - maximize a risk-adjusted return

Through prudent asset allocation and strategic decision-making, APFC has robust performance across asset classes, reinforcing our commitment to deliver sustainable value for our stakeholders—the people of Alaska.

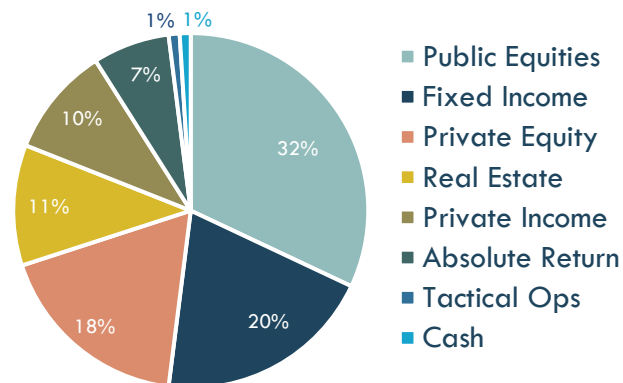
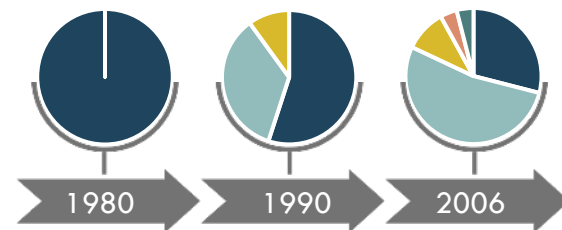
1980

Investments: Bonds – Fixed Income
Payout method: Based on realized income

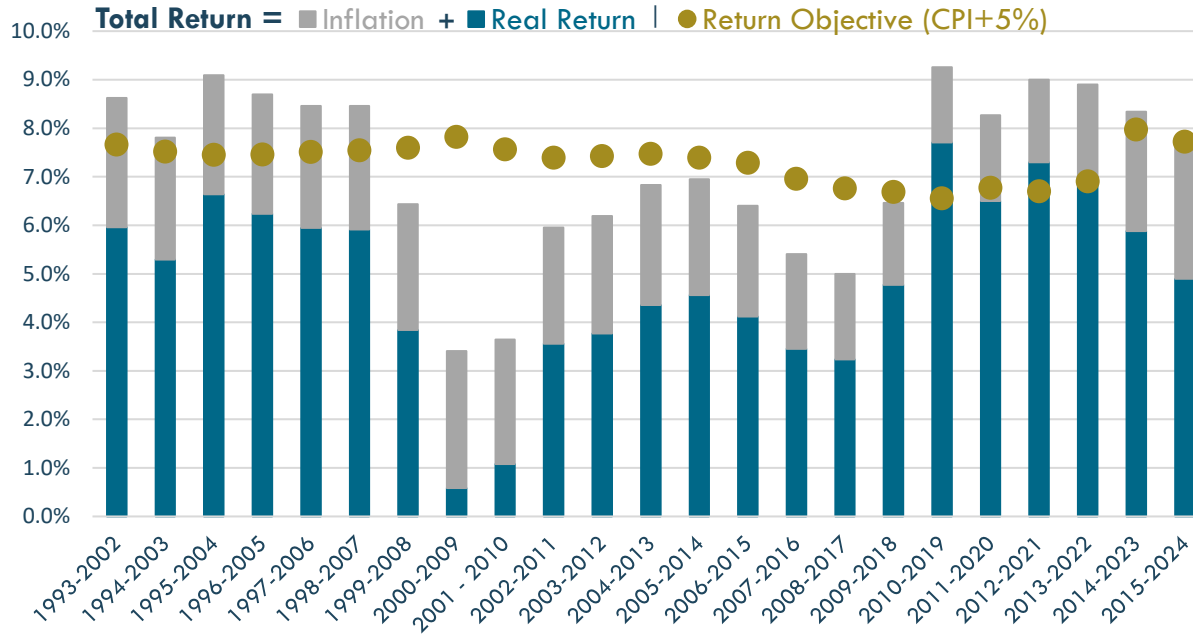
Today

Investments: Diversified - Public & Private Markets
Payout method: Based on % of the Fund's total value

Asset Allocation: 1980 to 2025 Target



Investing for the Long Term



Real Return

Annual investment performance adjusted for inflation indicates sustained value and purchasing power.

The Board's objective for the Fund:

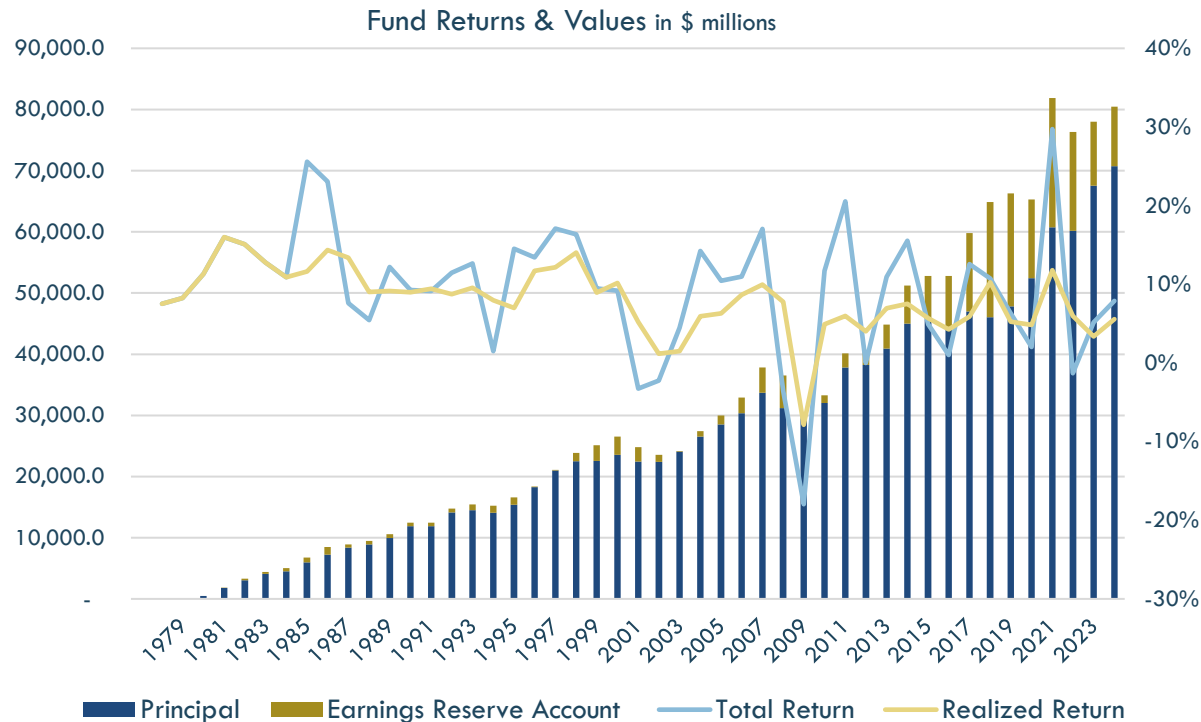
- **Investment Performance**
Ability to generate an annualized return of inflation (CPI) + 5% over a 10-year period.
- **Investment Risk**
Ability of the Fund to achieve the long-term target while conforming to the Board's approved risk appetite metric.

Saving Wealth, Investing, & Providing Income

From the first deposit of \$734,000 of Trans-Alaska pipeline royalties the Alaska Permanent Fund has –

- **Grown to over \$80.8 billion,** as of Jan. 31, 2025
- **An annualized total return of 8.71%,** as of Dec. 31, 2024
- **Generated more than \$91.0 billion in realized earnings** as of Dec. 31, 2024 that have supported –
the dividend, the General Fund,
and inflation-proofing for
intergenerational benefit.

To benefit all generations of Alaskans through the protection of Principal and maximizing a risk-adjusted return.



Alaska's Largest Revenue Source

AS 37.13.140 (b)
Fund Value-Based

FY26 POMV
Draw Calculation

FY24	\$80,038.4
FY23	\$77,587.5
FY22	\$75,912.8
FY21	\$81,472.4
FY20	\$64,877.8

Avg.	\$75,977.8
5%	\$ 3,798.9

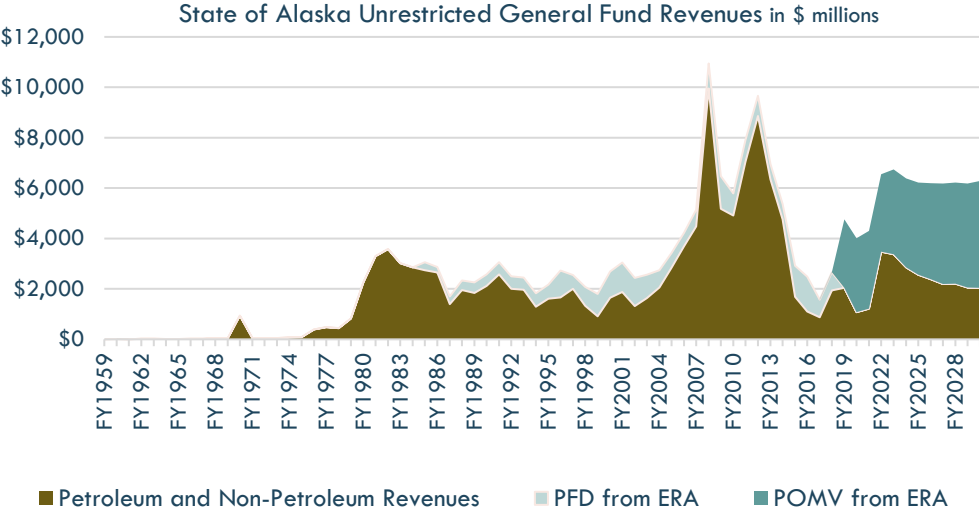
Percent of Market Value Draws

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 Percent of Market Value (POMV) draw, enacted in 2018, has exceeded traditional revenue sources in providing Unrestricted General Fund revenues.

Understanding the Two-Account Structure

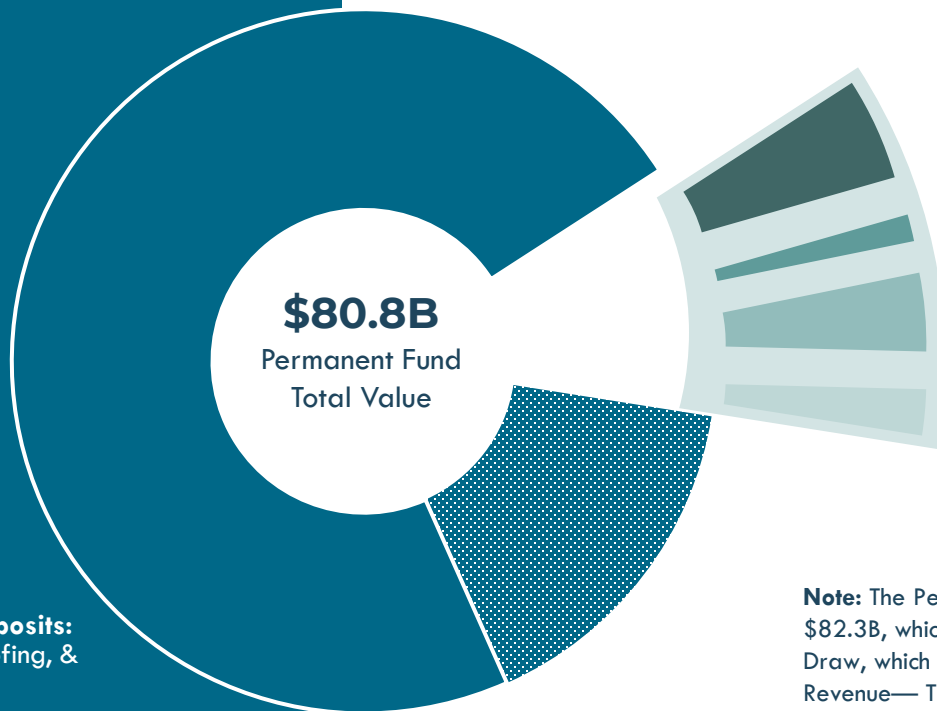
\$71.4B
in the
Principal

\$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.

ALASKA PERMANENT FUND CORPORATION

ERA's Decreasing Availability

The ERA AS 37.13.145 (a) is available for Legislative appropriation through a simple majority vote.

It grows through the realized investment income that is defined as **Statutory Net Income (SNI) AS 37.13.140 (a)**.

Looking Forward

FY27 POMV Draw = \$4.0B

(to be committed in FY26 financials)

Inflation Proofing for FY26 = \$1.5B est.

(to be committed based on appropriation, with final calculation at the close of FY26)

Total Commitments in FY26 = \$5.5B

ERA Realized Avail FYTD 25= \$2.9B as of Jan
Statutory Net Income FY25 = \$4.2B projected

Key Drivers in the ERA

SUBJECT TO COMMITMENTS – KNOWN APPROPRIATION OBLIGATIONS

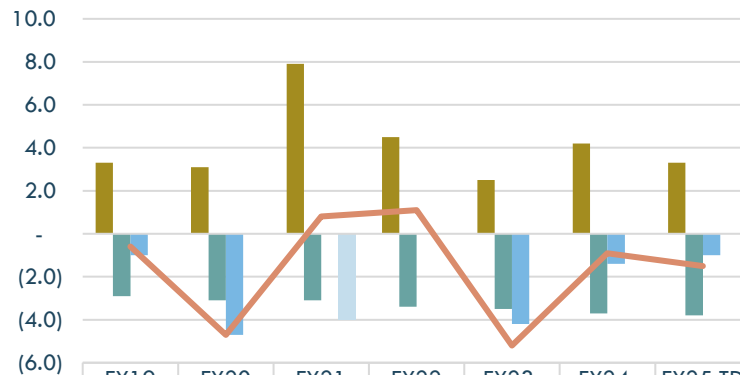
Annual draws to support state revenues and to protect the Principal's purchasing power

ERA: Deposits & Withdrawals in \$billions

POMV

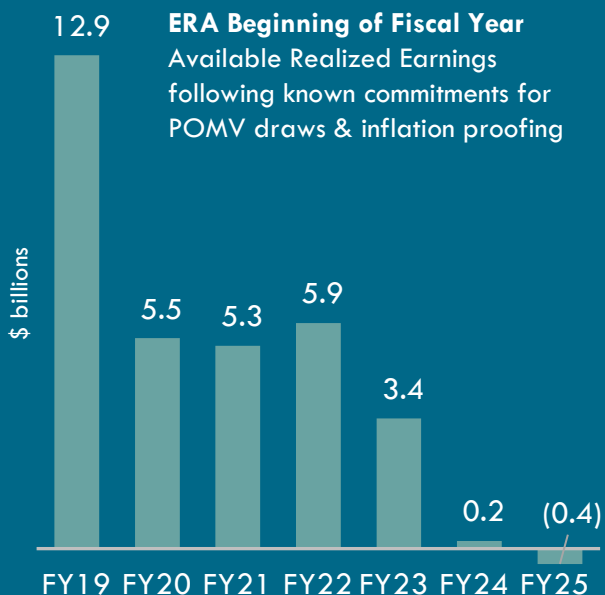
Commitments
show the upcoming fiscal year's draw.

\$3.8B committed in the current year's FY25 financials anticipate the FY26 POMV draw.



	FY19	FY20	FY21	FY22	FY23	FY24	FY25 TD
Statutory Net Income	3.3	3.1	7.9	4.5	2.5	4.2	3.3
POMV Commitment for GF	(2.9)	(3.1)	(3.1)	(3.4)	(3.5)	(3.7)	(3.8)
Inflation Proofing to Principal	(1.0)	(4.7)			(4.2)	(1.4)	(1.0)
Special Appropriations Commitment to Principal			(4.0)				
Net Impact on ERA	(0.6)	(4.7)	0.8	1.1	(5.2)	(0.9)	(1.5)

Spending is Limited to the ERA



The Earnings Reserve Account faces the risk of depletion due to annual withdrawals for state revenues and the need for inflation protection of the Principal for future benefits to Alaskans.

Long-Term Investment Focus

- Realized earnings generated through investment activity are prioritized by maximum long-term return mandates, not realized gains.
- The ERA grows through the realization of investment income, which is inherently volatile and unpredictable.

Limited Realized Earnings Availability

- Due to the two-account structure, spendable amounts are limited to what's available in the ERA, which is subject to commitments based on appropriations and known obligation at the beginning of each fiscal year.
- Inflation-proofing has been inconsistent, given the state's need for predictable revenue to provide for general fund services and programs.

Manual Inflation Proofing

FY16: Inflation proofing not funded for the first time.

FY20: Special \$4B appropriation with intent language for inflation proofing the Principal

Ch 1 FSSLA 2019 amended. ... It is the intent of the legislature that the amount appropriated in this subsection not include associated unrealized gains; and be used to satisfy the inflation proofing requirement under AS 37.13.145(c) for the next four fiscal years.

FY22: Special \$4B appropriation. Deposited to Principal

Ch 1 SSSLA 2021. ... (f) The sum of \$4,000,000,000 is appropriated from the earnings reserve account (AS 37.13.145) to the principal of the Alaska permanent fund.

The Principal's purchasing power is maintained through annual appropriations from earnings to combat inflation and provide an intergenerational benefit.

in \$ millions	AS 37.13.145 (c) Per Statute Calculation	Amount Appropriated	Surplus/ (Deficit)
FY16	\$47.3	-	(\$47.3)
FY17	\$501.6	-	(\$501.6)
FY18	\$855.6	-	(\$855.6)
FY19	\$989.5	\$989.5	-
FY20	\$757.7	\$4,757.7	\$4,000.0
FY21	\$577.3	-	(\$577.3)
FY22	\$2,419.5	-	(\$2,419.5)
FY23	\$4,179.3	\$4,179.3	-
FY24	\$2,346.6	\$1,413.0	(\$933.6)
FY25	Estimated \$1,729.4	\$1,000.0	(\$729.4)
TOTAL	14,403.8	\$12,339.5	(\$2,064.3)
FY26	Estimated \$1,504.00		



A Rules-Based Permanent Endowment

Ensuring the Permanent Fund will benefit all
Alaskans for decades and centuries to come.

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 payout method compatible with investment strategy.

For the Future

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

The two-account structure is outdated and conflicts with best practices in sovereign wealth fund management.

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.

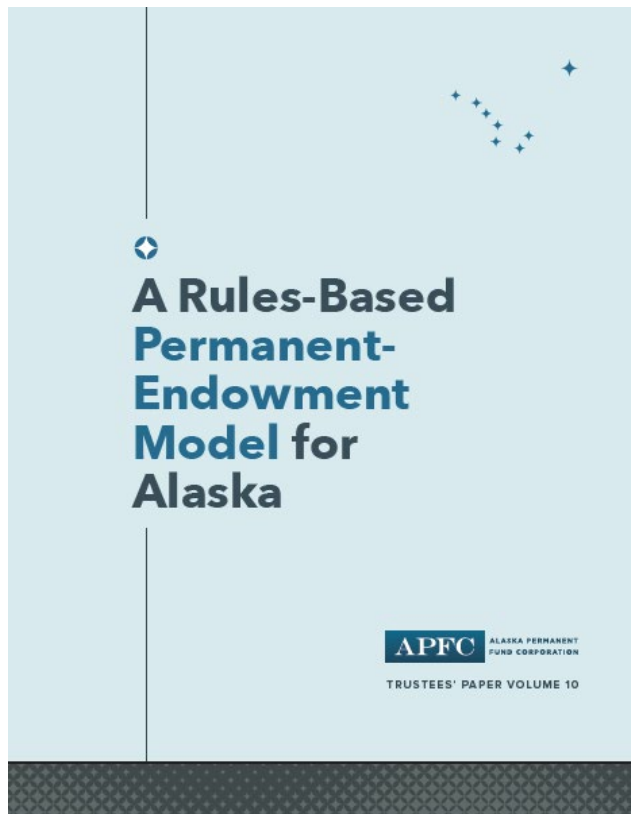
Constitutional Amendment

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



"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 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 Percent of Market Value 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

Total-Return Investing:

Maximizes long-term growth without liquidity constraints.

Predictable & Sustainable Spending:

A maximum draw POMV rule prevents overspending.

Automatic Inflation Proofing:

Eliminates need for manual and ad hoc legislative adjustments.

Alignment with Prudent Investor Standards:

Follows best practices for endowments and trusts.

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:

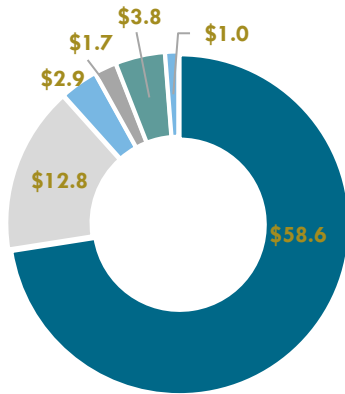
- Growth in the Fund's value keeps pace with or exceeds inflation.
- A prudent spending rule/limited draw rate ensures sustainability.
- Returns above the draw rate are reinvested.

Comparing Fund Structures

The 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.

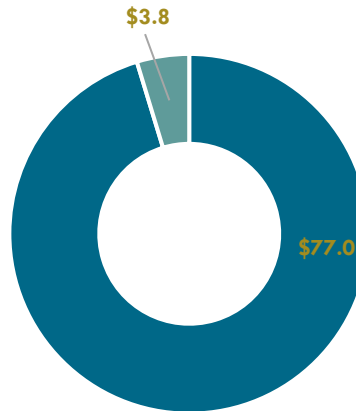
Current Two-Account Structure

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.

Policy Recommendations

The Board of Trustees recognizes that implementing policy reform requires legislative action and widespread public support.

Constitutional Amendment (Preferred Approach)

- **Enshrine a Single-Fund permanent endowment model with a limited POMV spending rule in the Alaska State Constitution**
 - Ensures long-term sustainability and intergenerational equity.

Statutory Reforms

- **Combine the two accounts and establish the permanent endowment model in statute**
 - Rules-based mechanisms require consistent discipline.
- **Suspend inflation proofing when the ERA balance approaches minimum levels**
 - Impacts intergenerational benefit.
- **Force realization of capital gains to stabilize ERA balances**
 - Impacts APFC's ability to manage the portfolio to a maximum risk-adjusted return over the long term and erodes intergenerational benefit.

A constitutional amendment to establish a Single-Fund endowment – **the ultimate solution**

“The combination of a single-account structure and a Constitutional limit on POMV draws linked to the Fund’s long-term real return...will complete the transition to a permanent-endowment model, with the following attractive features and characteristics:

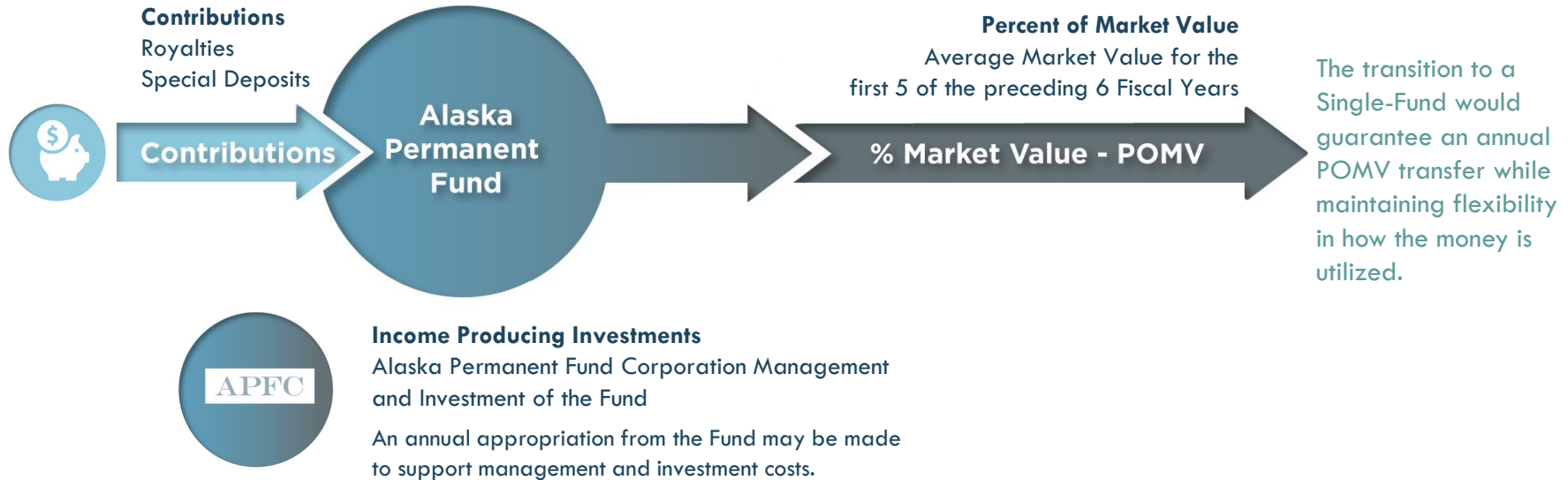
- **Total return investing**
- **POMV spending and automatic inflation proofing**
- **Alignment with the Prudent Investor Law and best practices.**
- **Fit for purpose”**

*Trustees’ Paper Volume 10
Dr. Malan Rietveld
Sovereign Wealth Fund Expert*

Proposed: Classic 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 the Alaska Permanent Fund Corporation (APFC) is displayed in white serif font on a dark blue rectangular background. The letters 'APFC' are large and bold, with the 'A' and 'P' being slightly taller than the 'F' and 'C'.

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.