



APFC

ALASKA PERMANENT
FUND CORPORATION

The Alaska Permanent Fund

Advancement to a Single-Fund Endowment

RESPECT – PROTECT – PROVIDE

Trustees' Paper Volume 10

House Judiciary Committee, May 2025

RESPECT

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.

PROTECT

Proposed: Single-Fund Endowment Model

- 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.

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:

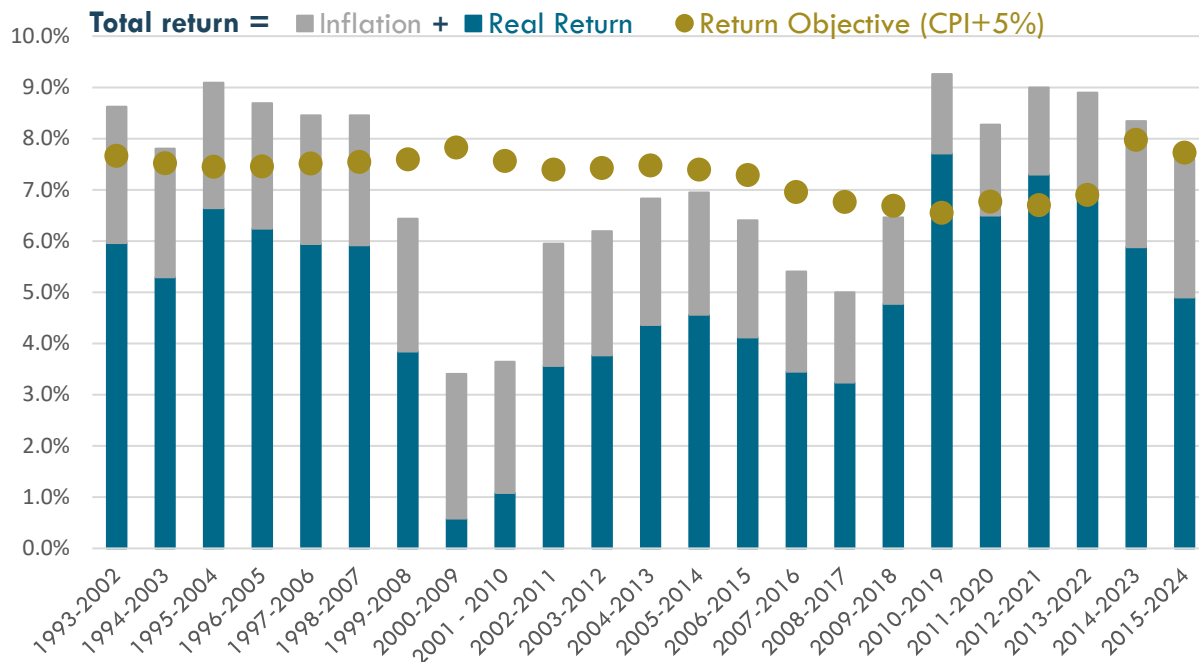
Growth in the Fund's value keeps pace with or exceeds inflation.

A prudent spending rule/limited draw rate ensures sustainability.

Returns above the draw rate are reinvested.

A maximum risk-adjusted return

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:

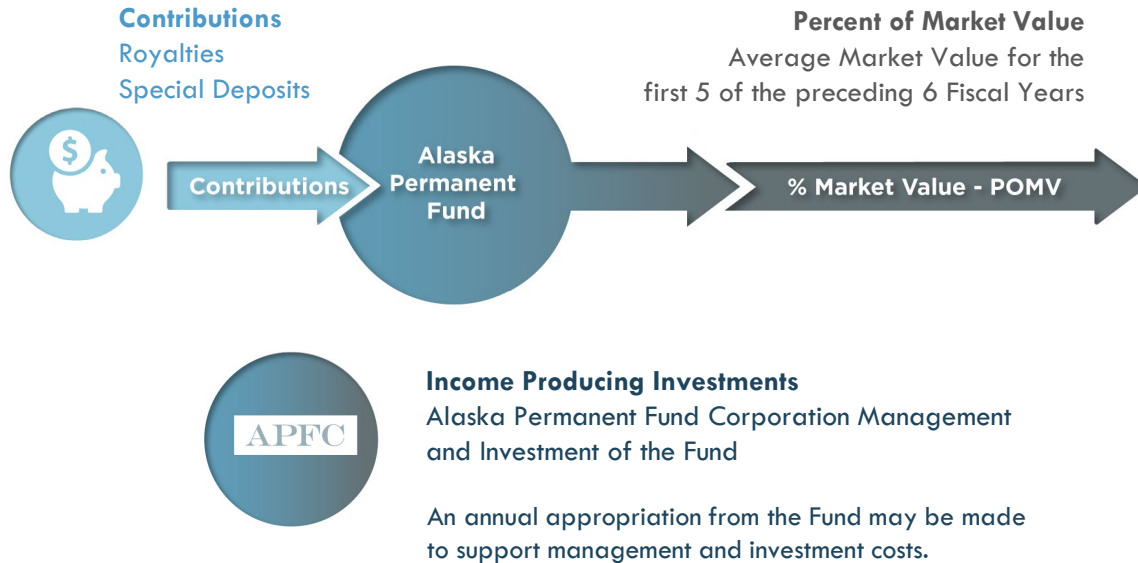
- **Investment Performance**

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.

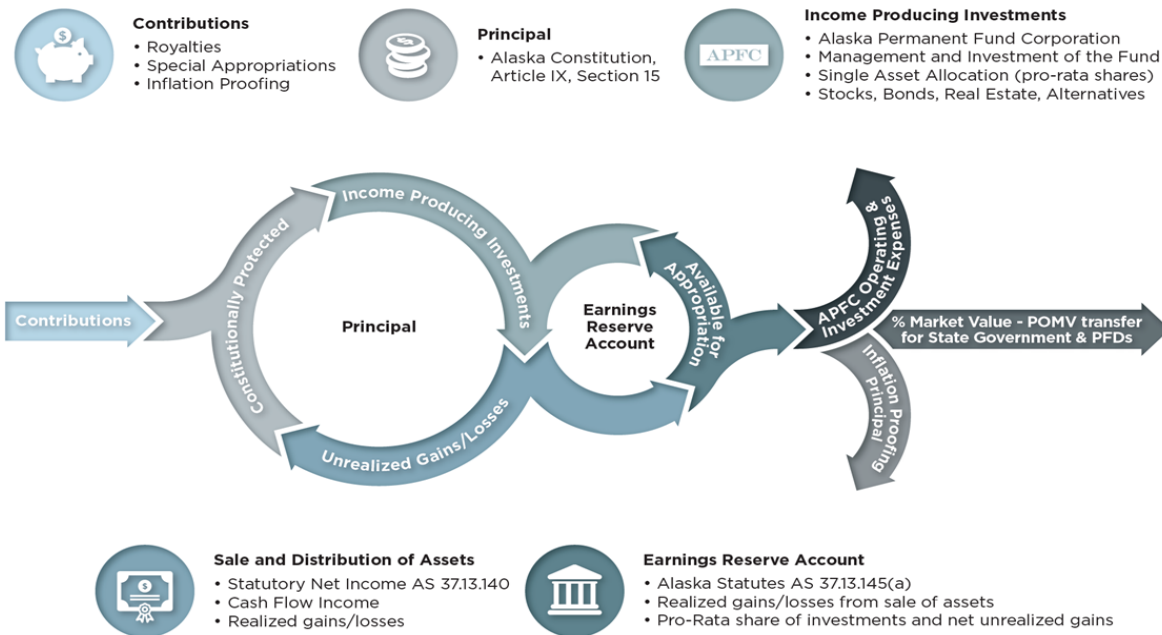
Proposed: Single-Fund Endowment



The transition to a Single-Fund would guarantee availability for 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.

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 are limited to the balance of the ERA.

The Permanent Fund

Total Value \$80.8B

As of March 31, 2025



\$70.6B Principal:

\$58.7 Permanent Deposits

\$11.9 Unrealized Gains

\$10.2B Earnings Reserve Account (ERA):

\$3.8B for the FY26 POMV - Committed for the Percent of Market Value "POMV" Draw to the state's general fund for dividends and government services

\$1.0B for Inflation Proofing - Committed for the FY25 transfer to the Principal for intergenerational purchasing power given the two-account structure

\$3.7B "Spendable" Earnings
Available as realized income for the FY27 POMV draw and FY26 Inflation Proofing

\$1.7B Unrealized Gains
Represents changes in asset values from the purchase date to the most current date

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APFC publishes the monthly Financial Statement Reports at apfc.org

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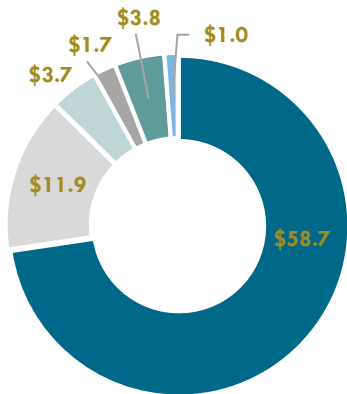
Comparing Fund Structures

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.

\$80.8 Billion Total Fund Value, FYTD as of March 31, 2025

Current Two-Account Structure

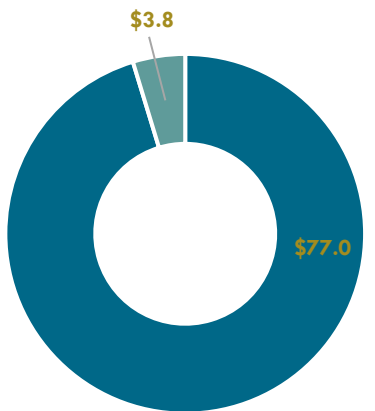
Constitutionally Protected:
73% | \$58.7 billion



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

Proposed Endowment Model

Constitutionally Protected:
95% | \$77.0 billion



- The Fund
- 5% POMV Draw

The Single-Fund 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

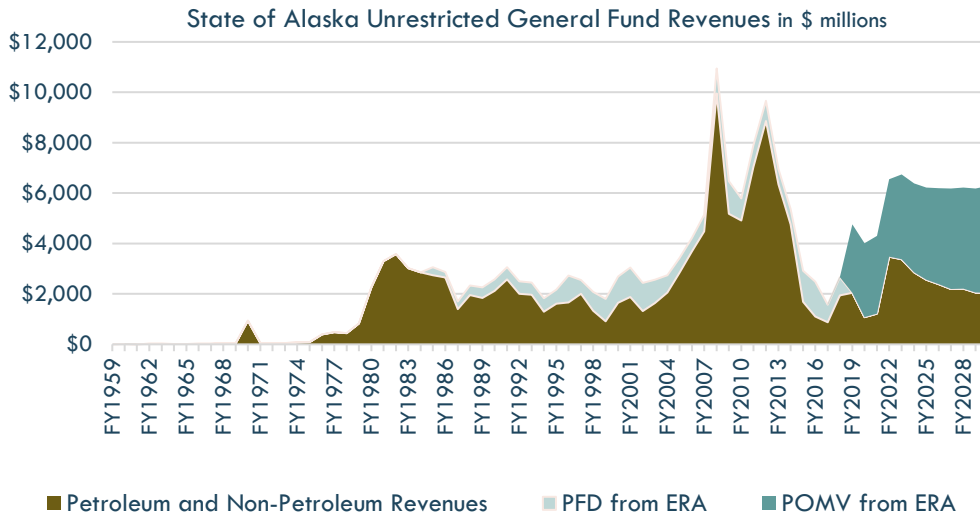
\$ 22.4 billion over 7 fiscal years.

FY26 is \$ 3.8 billion.

FY27 is \$ 4.0 billion estimated.

The Shift in Alaska's Revenue

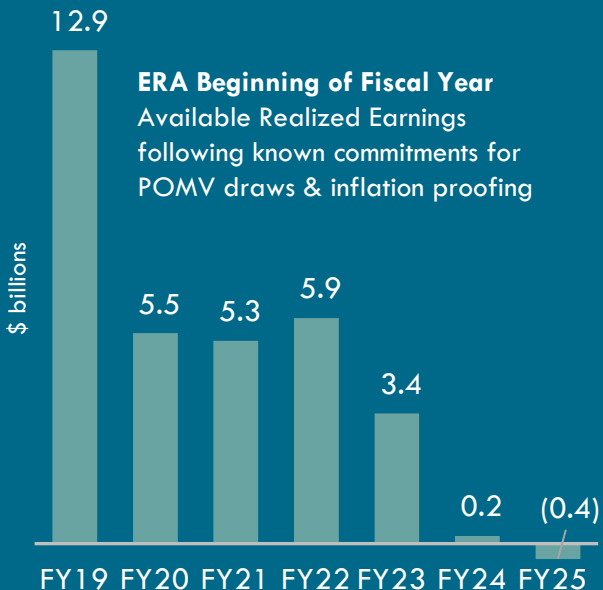
Alaska's budget has transitioned from primarily relying on nonrenewable mineral royalty resources to depending on sustainable financial revenues generated by investments from the Fund.



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

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 benefit.



PROVIDE Reform for Today and Tomorrow

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.

RESPECT – PROTECT – PROVIDE

Benefits of the Single-Fund Model

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 while providing stable annual revenue to support essential services and dividends.

Automatic Inflation Proofing

Eliminates the need for manual and ad hoc legislative adjustments.

Adopting this model, with a Constitutionally established spending limit, would strengthen the Fund's long-term stability and purchasing power to provide for all generations of Alaskans.

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*



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

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