



APFC

ALASKA PERMANENT  
FUND CORPORATION

# The Alaska Permanent Fund

A Renewable Financial Resource

February 23, 2023



Establishing the  
Alaska Permanent Fund



Duty to manage and  
invest for the benefit  
of generations



An enduring financial  
resource for Alaska

## Alaska's Renewable Financial Resource



## CREATING A RENEWABLE RESOURCE

### A Decade of Action

**1969**

The Prudhoe Bay lease sale brings more than \$900 million to the State for drilling rights

**1971**

President Nixon signs Alaska Native Claims Settlement Act (ANCSA)

**1973**

Congress passes Trans Alaska Pipeline Authorization Act

**1974**

Pipeline Construction Begins

**1976**

Alaska voters approve Constitutional Amendment establishing the Permanent Fund  
2/3<sup>rd</sup>s margin 75,588 to 38,518

**1977**

The Permanent Fund receives its first deposit of dedicated oil royalties

**1980**

The Alaska Permanent Fund Corporation was established to manage and invest the Fund



# The Permanent Fund

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## **Alaska Constitution Article IX, Section 15**

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.



## Intergenerational Contributions & Benefits

Since its establishment, every Alaskan has forgone some present-day support to benefit generations.

This intergenerational contribution ensures that a portion of our mineral wealth is saved and invested to benefit all Alaskans, today and tomorrow.



The Alaska Permanent Fund is recognized globally as a model for converting a non-renewable natural resource into a renewable financial resource.

**Mission Driven:** To manage and invest the assets of the permanent fund and other funds designated by law in accordance with Alaska Statutes 37.13.010-37.13.190.

**Fiduciaries:** The Board of Trustees has a duty to assure that the Fund is managed and invested in a manner consistent with constitutional and statutory mandates in achieving maximum risk-adjusted returns.

\$734,000 was deposited in the Permanent Fund in February 1977, after the first oil passed through the newly completed Trans Alaska Pipeline System.

APFC's Stewardship fulfills dual roles –

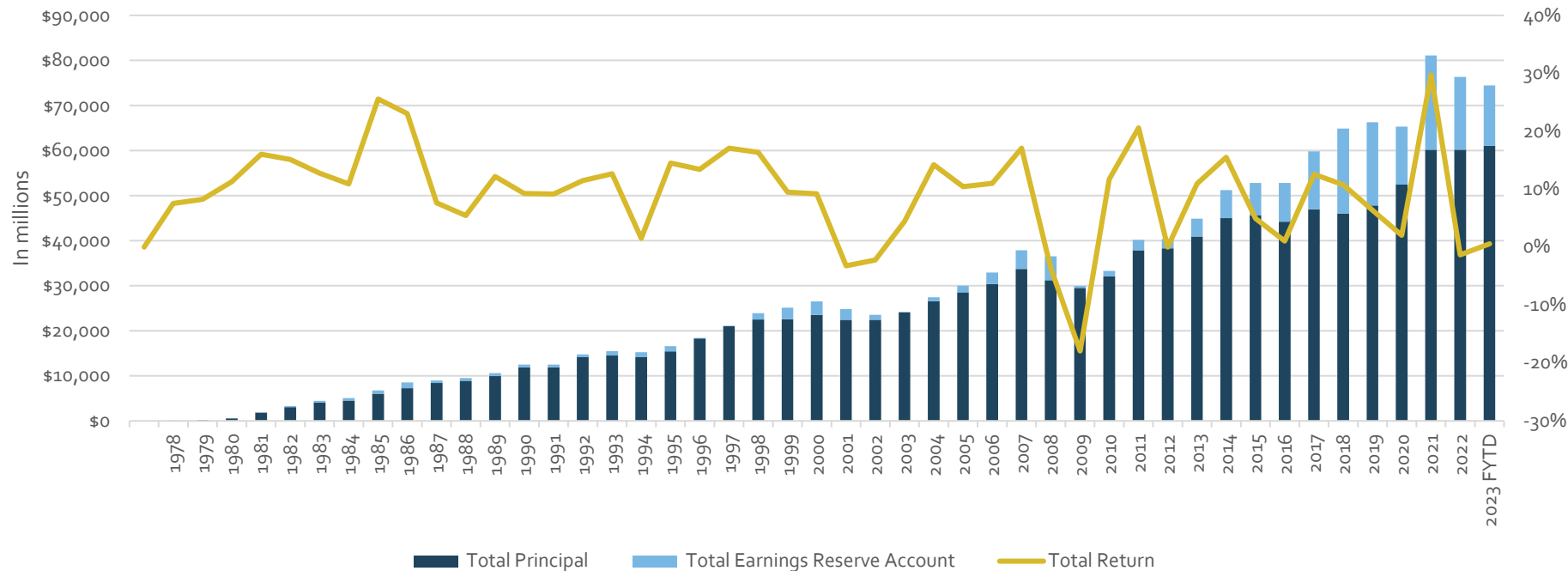
- Protecting the Principal and maximizing investment returns for the benefit of current and future generations of Alaskans.
- Providing a predictable revenue stream to help balance the State's budget now and into the future.

\$76,990,000,000 was the Fund's value as January 31, 2023.



# Fund Values and Total Return

through December 31, 2022



# Renewable Financial Resource

inception through December 2022

## Savings

The Principal has grown to \$52 billion of permanent savings - through royalties, inflation proofing and special appropriations.

## Income-Producing

The Earnings Reserve Account has received more than \$82.1 billion of realized net earnings.



## Earnings Use

- Inflation Proofing Principal \$18.0 B
- Special Appropriations to Principal \$12.3 B
- Alaska Capital Income – Amerada Hess ~\$0.4 B
- Dividend Fund through FY18 \$24.4 B
- Percent of Market Value FY19-FY23 \$15.1 B



A photograph of an office interior, likely a reception area, with a blue overlay. In the background, there is a reception desk with a person behind it. To the right, a sign on the wall reads "APFC ALASKA PERMANENT FUND CORPORATION". In the foreground, there is a light-colored sectional sofa and a small round coffee table with some papers on it. Two flags are visible in the background.

# To Manage and Invest for Generations

# Investing for the Long-Term

Legislature's findings for the purpose of the Permanent Fund in AS 37.13.020,

- 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.

The Board's objective for the Fund, as set forth in the Investment Policy, is to achieve the highest level of performance within the investment responsibilities of AS 37.13.120 and prudent investment practices.

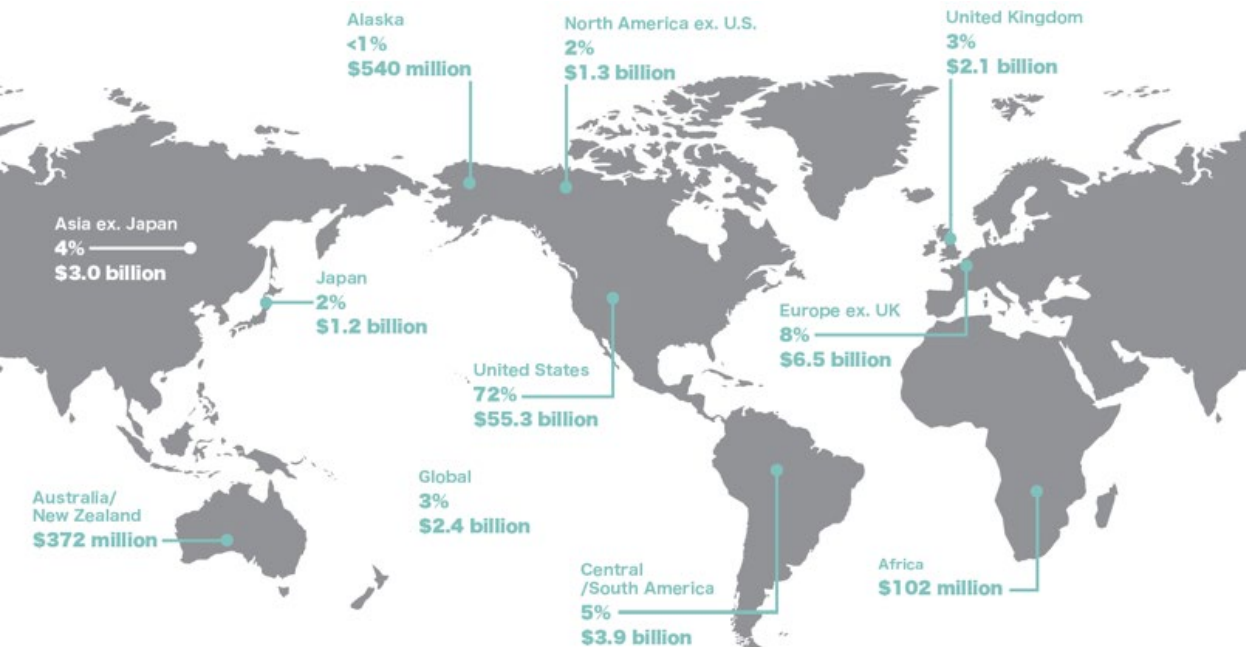
## **Investment Performance**

Ability to generate an annualized return of inflation (CPI) + 5% over a 10-year period (long-term target).

## **Investment Risk**

Ability of the Fund to achieve the long-term target while conforming to the Board's approved risk appetite metric.

# Diversified Portfolio



## Risk

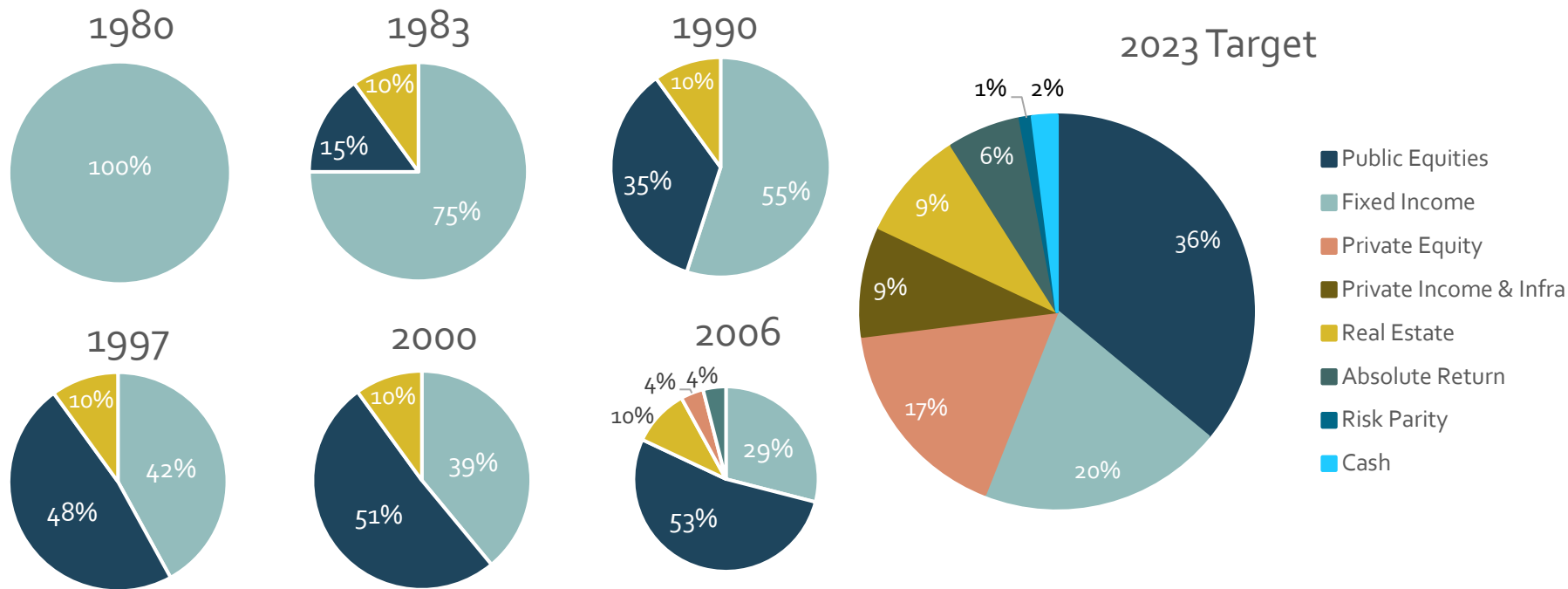
APFC is in the business of taking risk.

The goal of risk management is not to avoid risk but to identify, understand and manage it to acceptable levels.

APFC seeks to balance the goals of maximizing returns and minimizing risks.

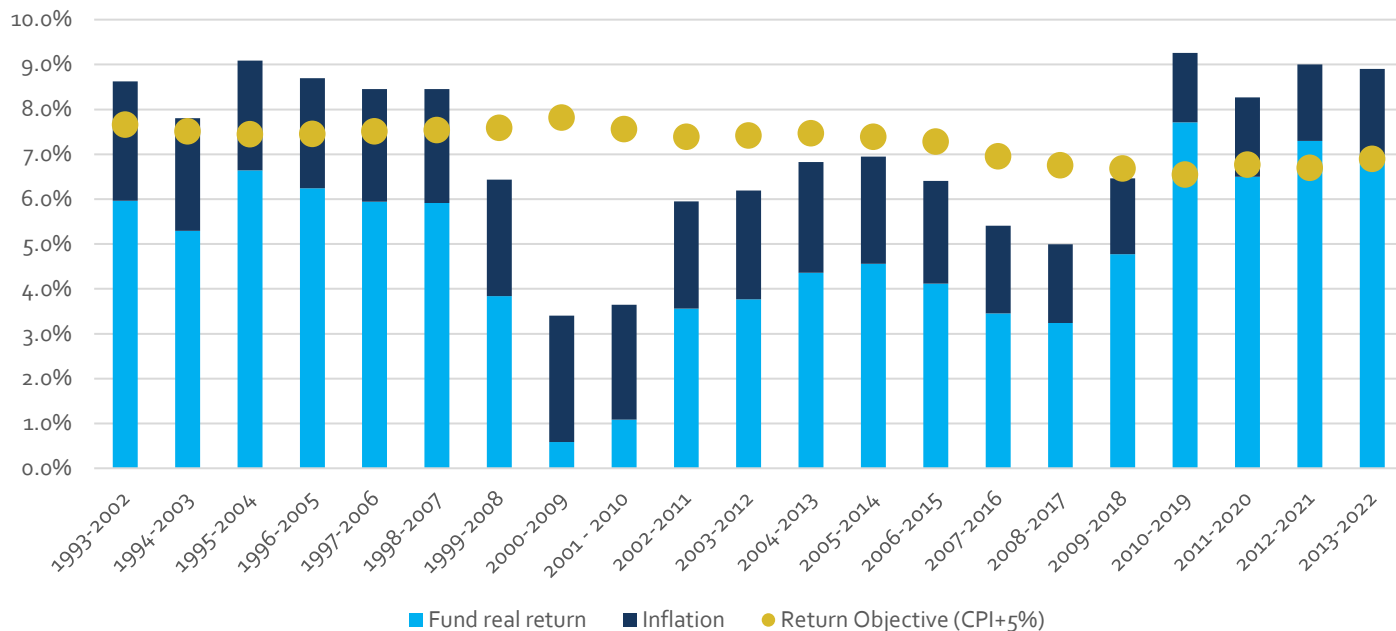


# Asset Allocation APFC's Investment Policy



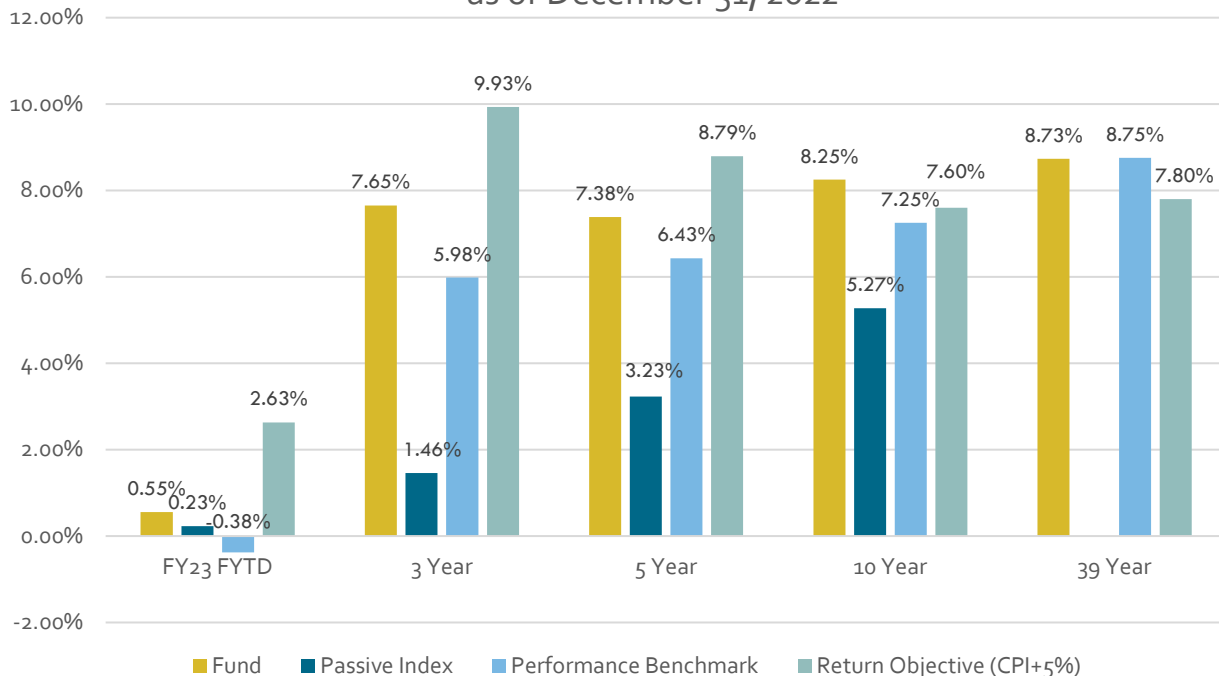
# Real Return

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

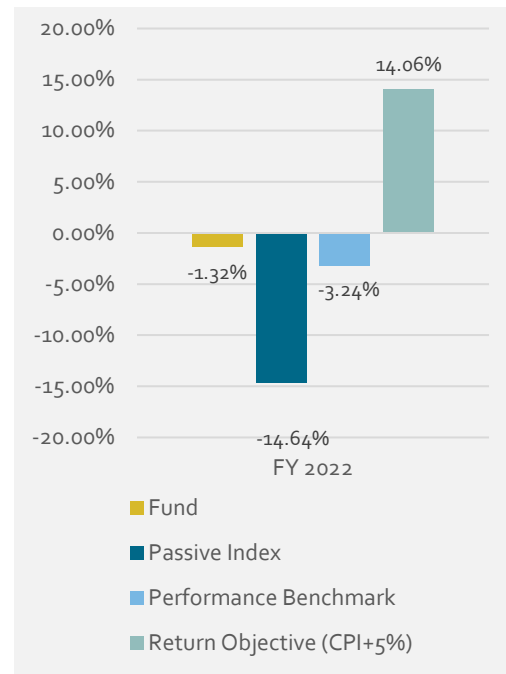


# Fund Performance vs Benchmarks

as of December 31, 2022



FY22 Year End







# Enduring Financial Resource

# Two Account Structure

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## Principal

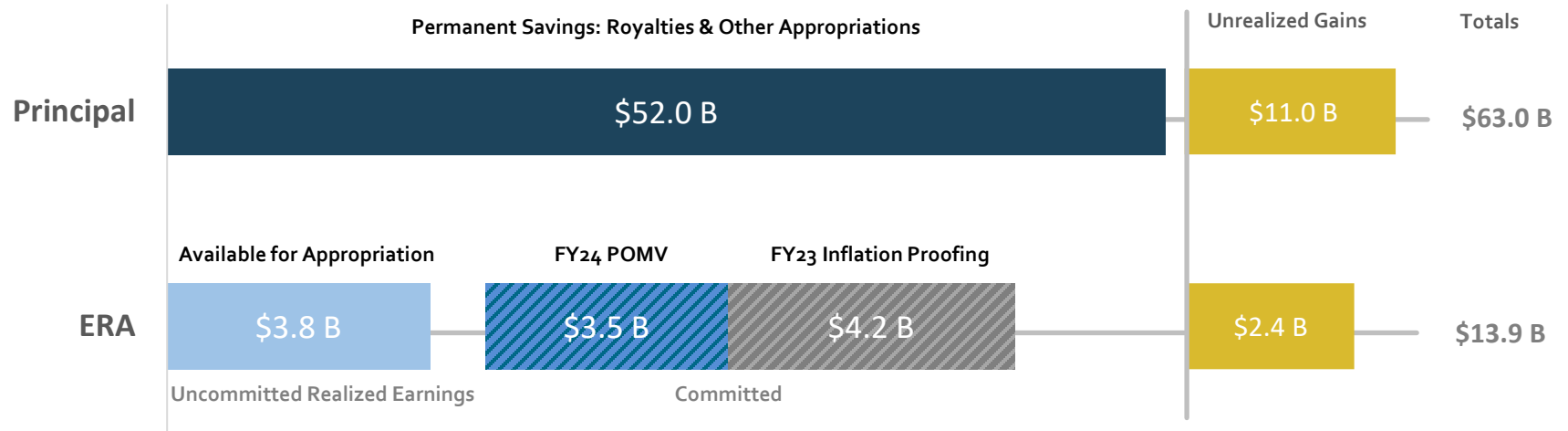
- is constitutionally established as the permanent part of the Fund
- grows through royalty contributions, special appropriations, and inflation proofing
- is to be used only for income-producing investments

## Earnings Reserve Account

- is statutorily established to hold the net income from the Fund's investment portfolio
- grows through the receipt of statutory net income
- is available for Legislative appropriation

TOTAL FUND VALUE **\$76,990,000,000**

Unaudited as of January 31, 2023



# Principal Contributions

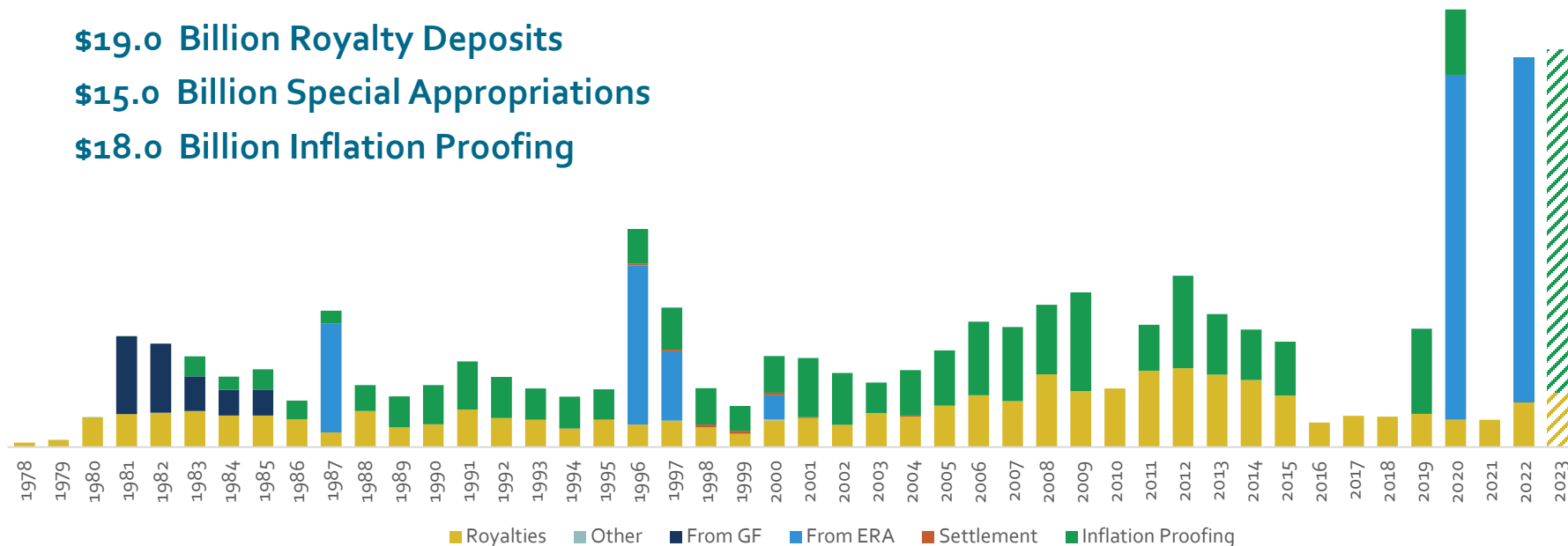
## Intergenerational Benefit

The Constitution directs at least 25% of mineral royalties.  
Statute directs 50% of royalties post-1979 and provides  
for special appropriations and inflation proofing.

**\$19.0 Billion Royalty Deposits**

**\$15.0 Billion Special Appropriations**

**\$18.0 Billion Inflation Proofing**

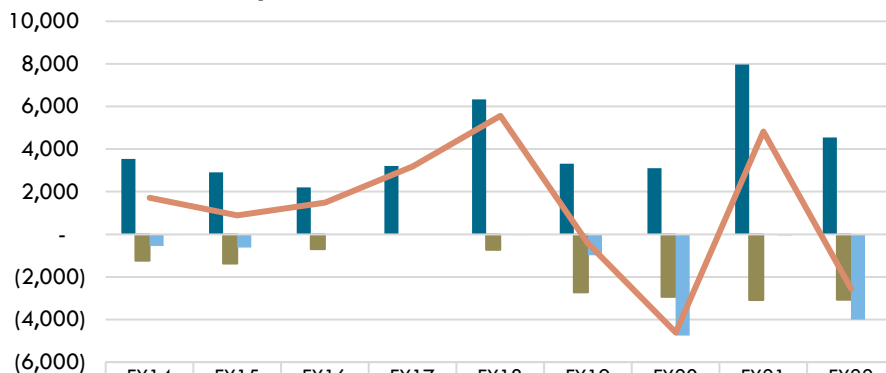


# Earnings Reserve Account (ERA)

Fiscal Year 2014-2022

AS 37.13.140 (a) directs the net investment earnings to the Earnings Reserve Account excluding unrealized gains & losses.

## Deposits & Withdrawals in \$millions



	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Statutory Net Income	3,531	2,907	2,198	3,214	6,324	3,305	3,106	7,962	4,544
Dividend/POMV Transfer	(1,235)	(1,373)	(696)	-	(726)	(2,723)	(2,933)	(3,091)	(3,069)
Inflation Proofing & Special Approp.	(546)	(624)	-	-	-	(989)	(4,758)	-	(4,000)
Alaska Capital Income	(32)	(24)	(18)	(25)	(43)	(22)	(21)	(50)	(24)
Net Impact	1,718	886	1,484	3,189	5,555	(429)	(4,606)	4,821	(2,549)
Effective POMV Rate						4.13%	4.52%	3.79%	4.04%

## Statutory Net Income Realized Investment Earnings

### Monthly cash inflows:

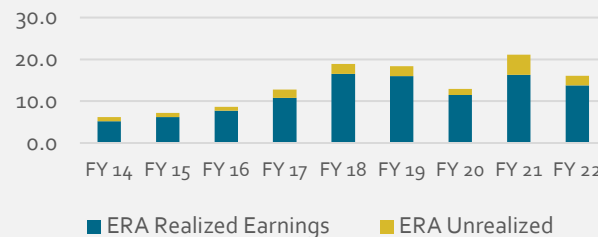
stock dividends, bond interest, real estate leases

### Realized Capital Gains/Losses:

net income generated by the sale of investments

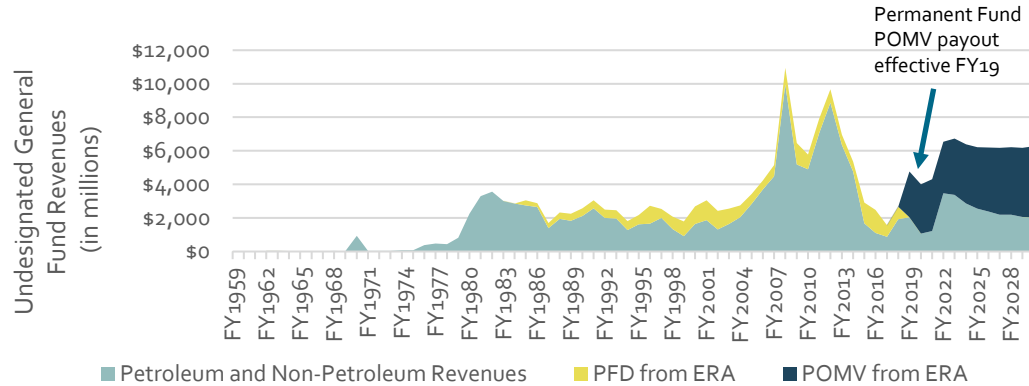
Statutory Net Income = \$1,057,600,000  
FYTD 23 as of January 31, 2023

## ERA in \$ billions



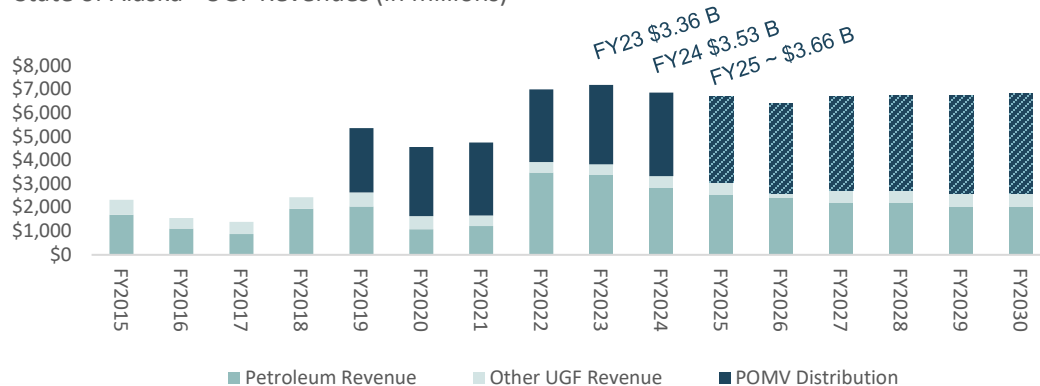


## State Revenues & Earnings Reserve Account Distribution



\*Projections based on DOR fall 2022 revenue forecast and Callan projections.

### State of Alaska - UGF Revenues (in millions)



AS 37.13.140(b)

5% Percent of Market Value (POMV)

The average market value of the Fund for the first five of the preceding six fiscal years.

### FY24 POMV Calculation

Fiscal Year \$ millions

FY 22 \$75,912.1

FY 21 \$81,472.6

FY 20 \$64,877.1

FY 19 \$65,876.4

FY 18 \$64,469.5

5 yr AVG \$70,521.5

5% Draw \$3,526.1



### Contributions

- Royalties
- Special Appropriations
- Inflation Proofing



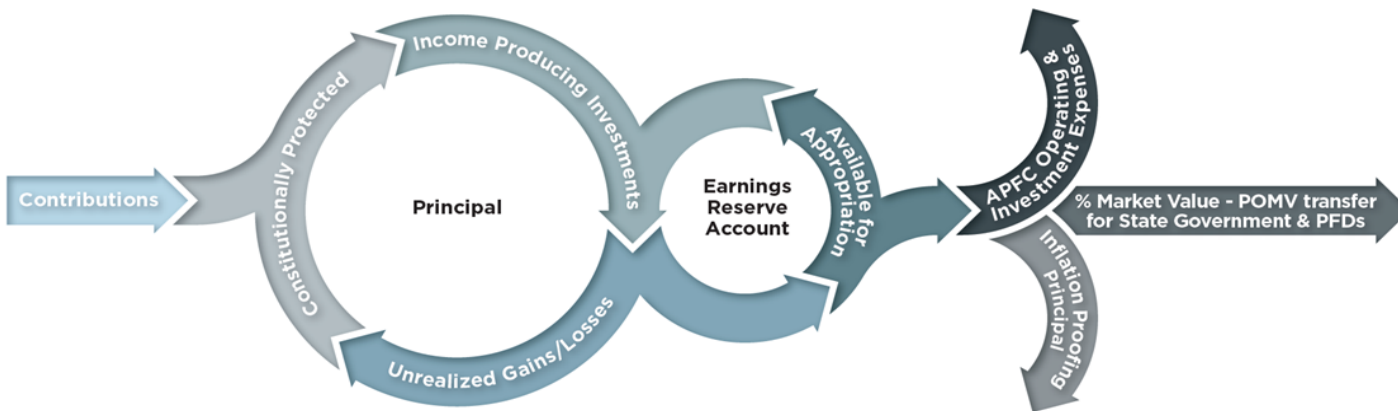
### Principal

- Alaska Constitution, Article IX, Section 15



### Income Producing Investments

- Alaska Permanent Fund Corporation
- Management and Investment of the Fund
- Single Asset Allocation (pro-rata shares)
- Stocks, Bonds, Real Estate, Alternatives



### Sale and Distribution of Assets

- Statutory Net Income AS 37.13.140
- Cash Flow Income
- Realized gains/losses



### Earnings Reserve Account

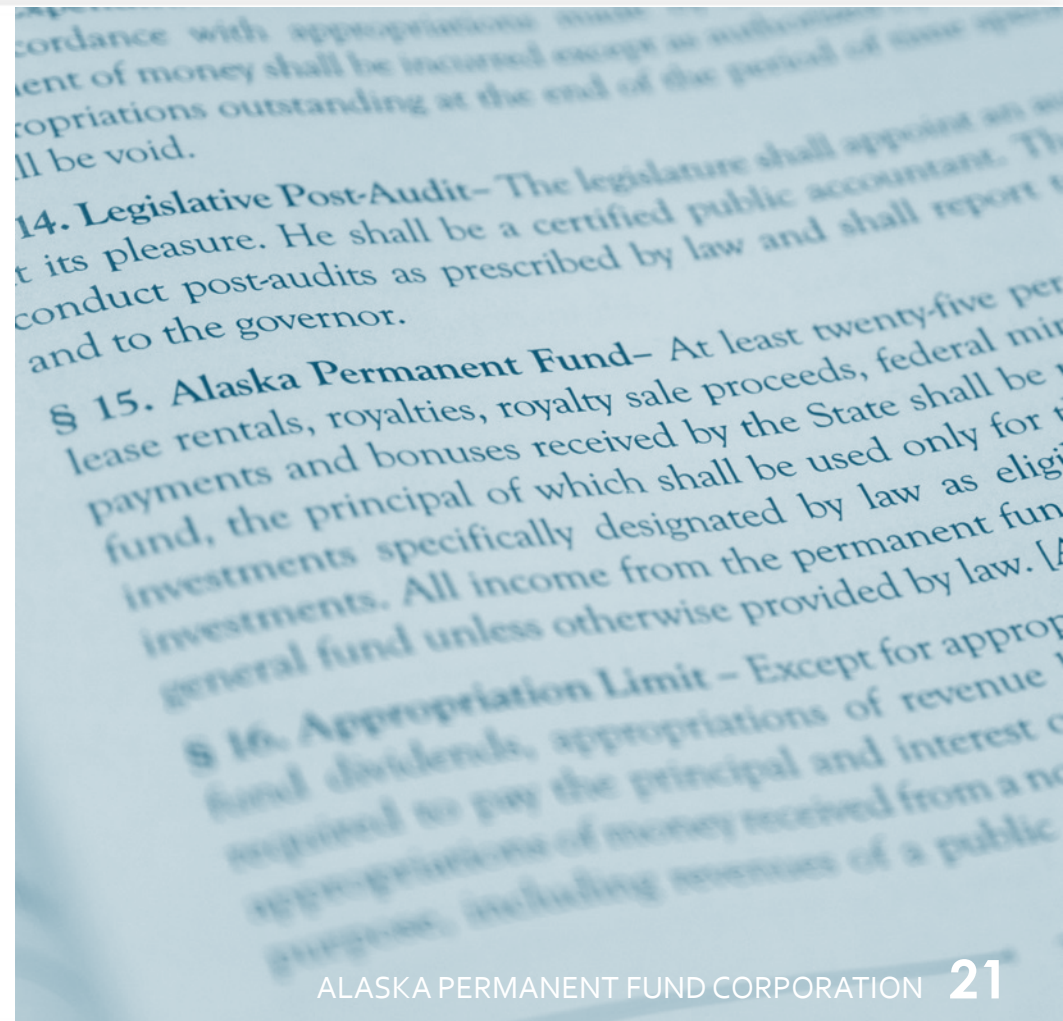
- Alaska Statutes AS 37.13.145(a)
- Realized gains/losses from sale of assets
- Pro-Rata share of investments and net unrealized gains

# Constitutionalize Annual Fund Draw

Board Resolutions 03-05 , 04-09

## Percent of Market Value (POMV)

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

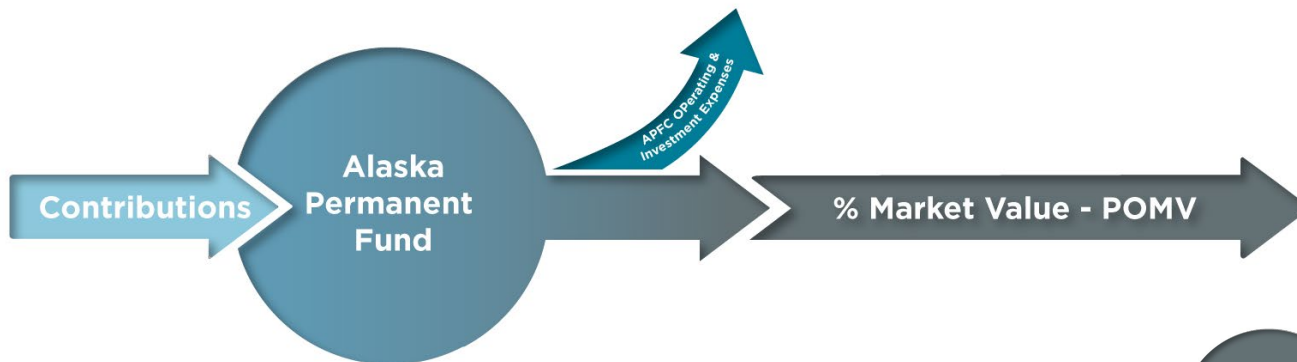




Contributions  
Royalties  
Special Deposits



Income Producing Investments  
Alaska Permanent Fund Corporation  
Management and Investment of the Fund



Percent of Market Value  
Average Market Value for the  
First 5 of the preceding 6 Fiscal Years



# Board Resolutions

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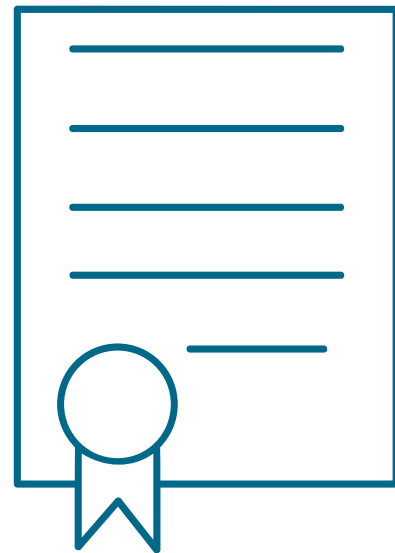
**00-13, 03-05, 04-09:** Constitutionalize Annual Fund Draw. Limit the annual Fund payout to not more than a 5% POMV averaged over a period of 5 years. Assures permanent inflation proofing.

**17-01:** Identify and pursue legislation or legislative support for some form of inflation-proofing that will preserve the purchasing power of the principal of the permanent fund for all generations.

**18-01:** Supporting a Rules Based Legal Framework to govern Fund inflows, outflows, and internal transfers. A holistic framework rationalized by policymakers regarding the rules for savings, withdrawals, and growing the real value of the Fund results in a consistent approach to transfers and sustainability of the Fund over the long-term.

**18-04:** Affirming the importance of formulaic management of transfers into and out of the ERA to ensure sustainability and long-term growth of the Fund, by identifying four key principles: Adherence to Rules, Ensuring Sustainability, Automatic Inflation Proofing, Promoting Real Growth.

**20-01:** Additional measures to enhance the sustainable use of the Fund include restructuring the Fund from its current two-account system into a single Fund as well as periodic review of Fund Return Assumption and ERA Balance Buffer (4X Buffer).

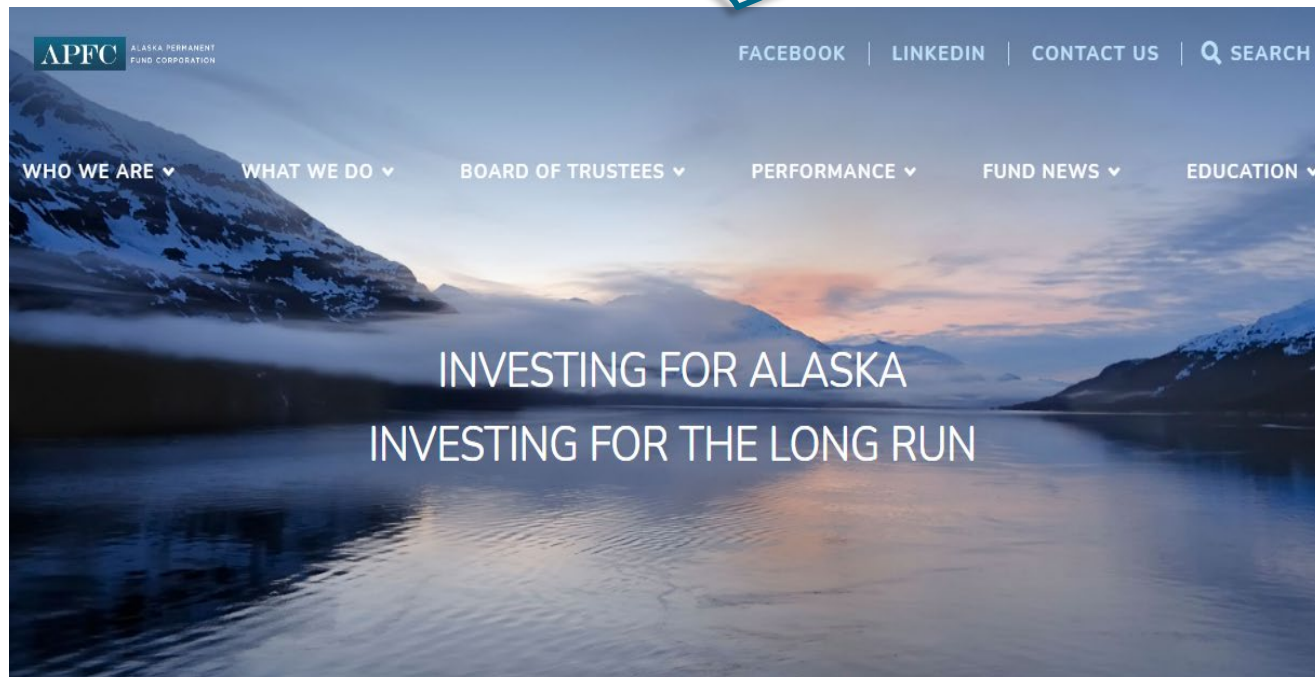




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In our commitment to Alaskans, APFC publishes accurate and timely information on the work we do investing the Fund.



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