

HB 160 – REAL POMV

## WHAT DOES THIS BILL DO?

- Current:
  - 5% times average market value during first 5 of last 6 years
- Proposed:
  - Real rate of return times the current market value

# PROBLEMS WITH THE CURRENT LAW

1. Draw rate is less than stated

2. Not based on actual performance

3. Exposes state to risks in both directions

# I. CURRENT DRAW RATE IS LESS THAN STATED

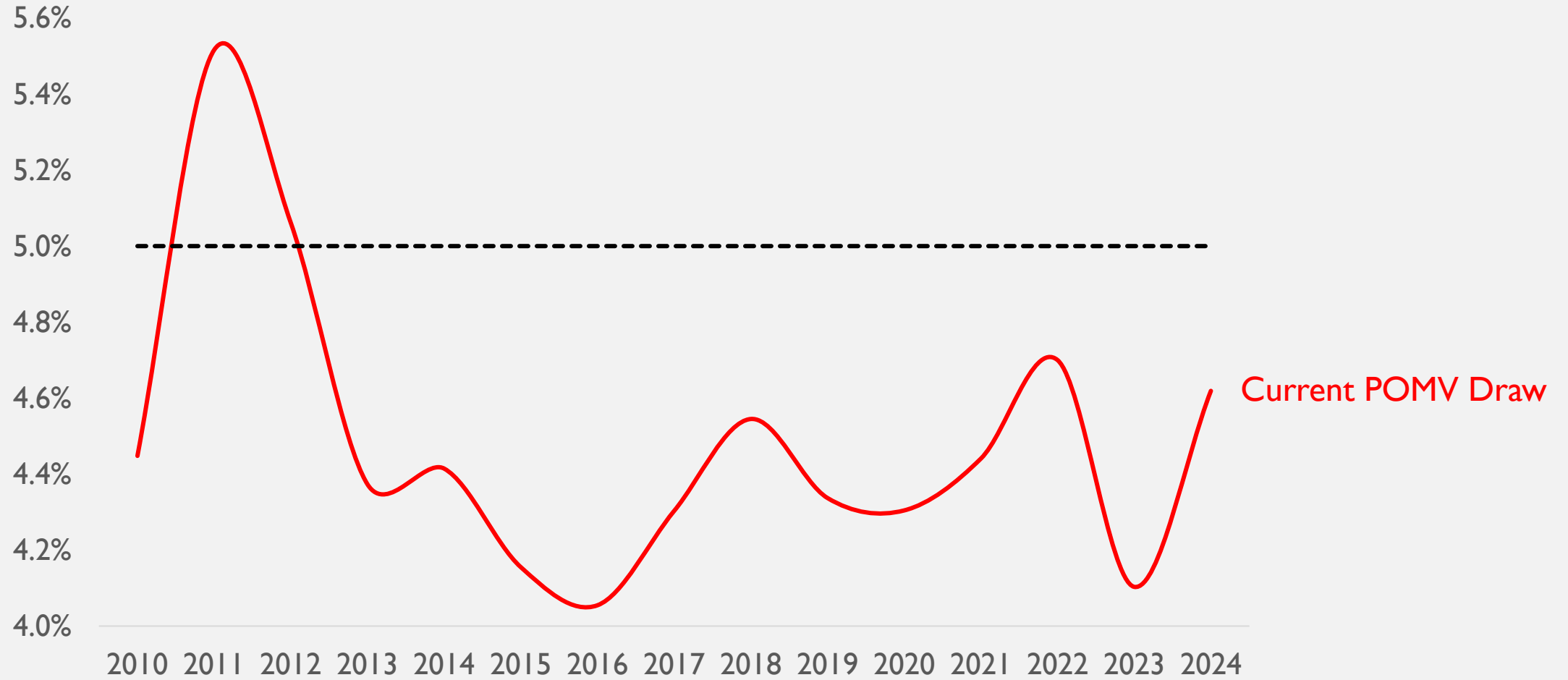
FY23 POMV Distribution (actual) <sup>(10)</sup>		FY23 Statutory Dividend Transfer (actual) <sup>(10)</sup>	
Ending Fund Value (ex Am Hess)		Statutory Net Income	
FY21	\$ 81,472.1	FY22	\$ 4,544.0
FY20	64,877.1	FY21	7,962.0
FY19	65,876.4	FY20	3,106.0
FY18	64,469.5	FY19	3,305.0
FY17	59,360.4	FY18	6,324.4
Average Value	\$ 67,211.1	Avail for Dist (21%)	\$ 5,300.7
Statutory Distribution	\$ 3,360.6	Statutory Trnsfr Amt	\$ 2,650.3

$$\frac{\$3,360.6}{\$81,472.1} = 4.1\%$$

FY24 POMV Distribution (actual) <sup>(10)</sup>		FY24 Statutory Dividend Transfer (projected)	
Ending Fund Value (ex Am Hess)		Statutory Net Income	
FY22	\$ 75,912.1	FY23	\$ 2,474.7
FY21	81,472.1	FY22	4,544.0
FY20	64,877.1	FY21	7,962.0
FY19	65,876.4	FY20	3,106.0
FY18	64,469.5	FY19	3,305.0
Average Value	\$ 70,521.5	Avail for Dist (21%)	\$ 4,492.3
Statutory Distribution	\$ 3,526.1	Statutory Trnsfr Amt	\$ 2,246.1

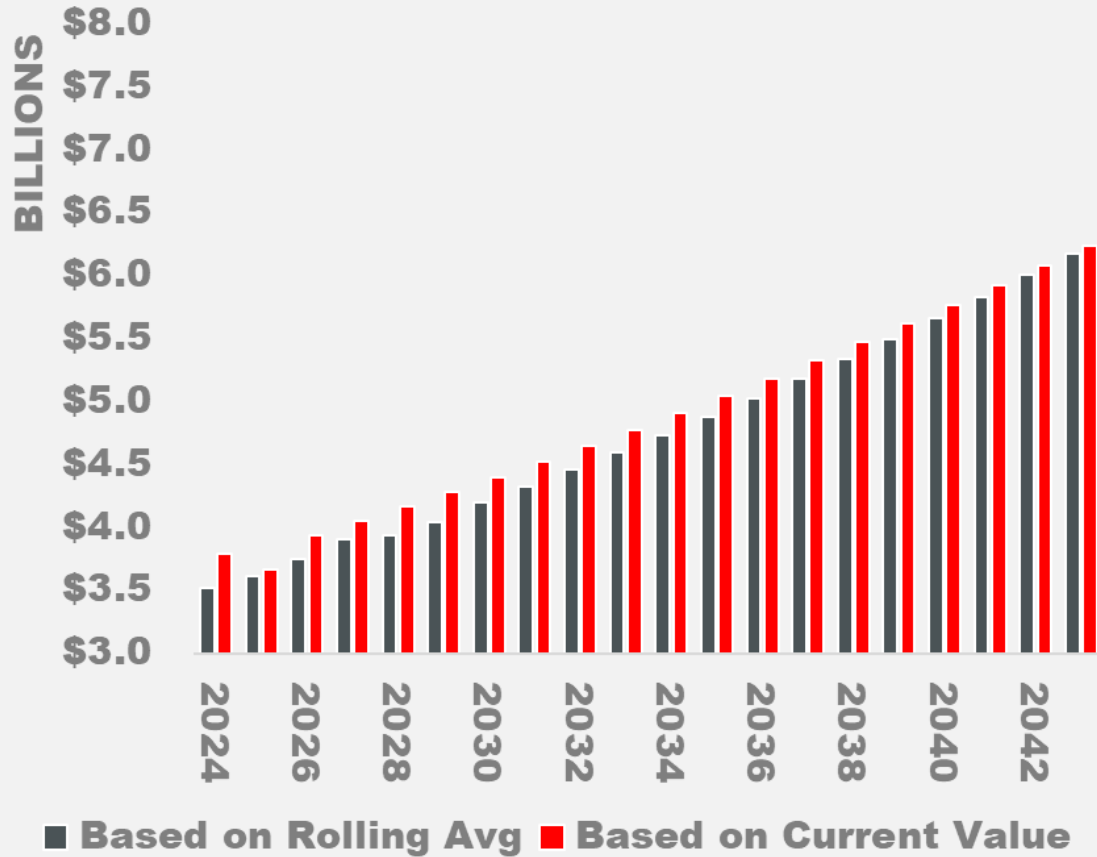
$$\frac{\$3,526.1}{\$75,912.1} = 4.6\%$$

# WHAT IS THE DIFFERENCE?

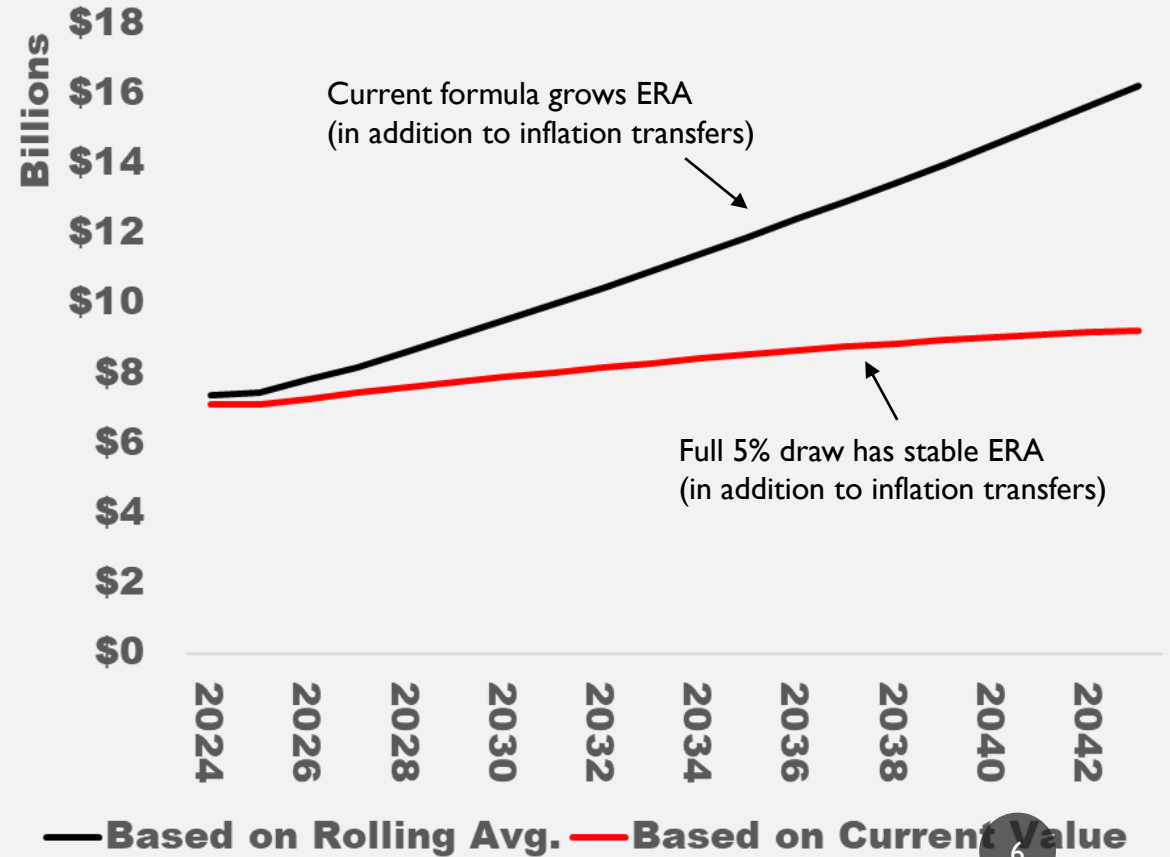


# COMPARISON OF ROLLING AVERAGE VERSUS CURRENT VALUE UNDER FORECAST RETURNS (7.05%)

## Calculated Draw

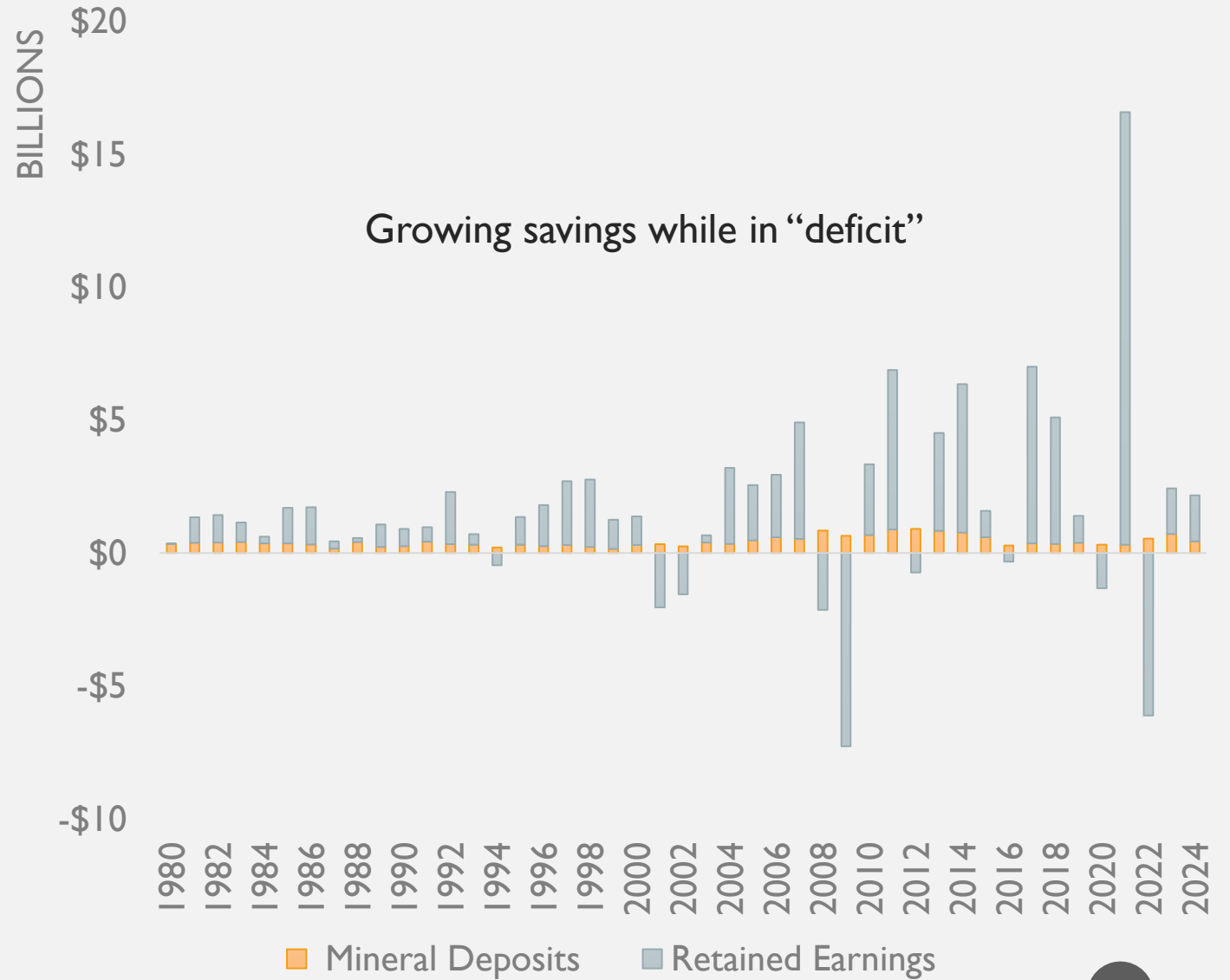


## ERA Balance

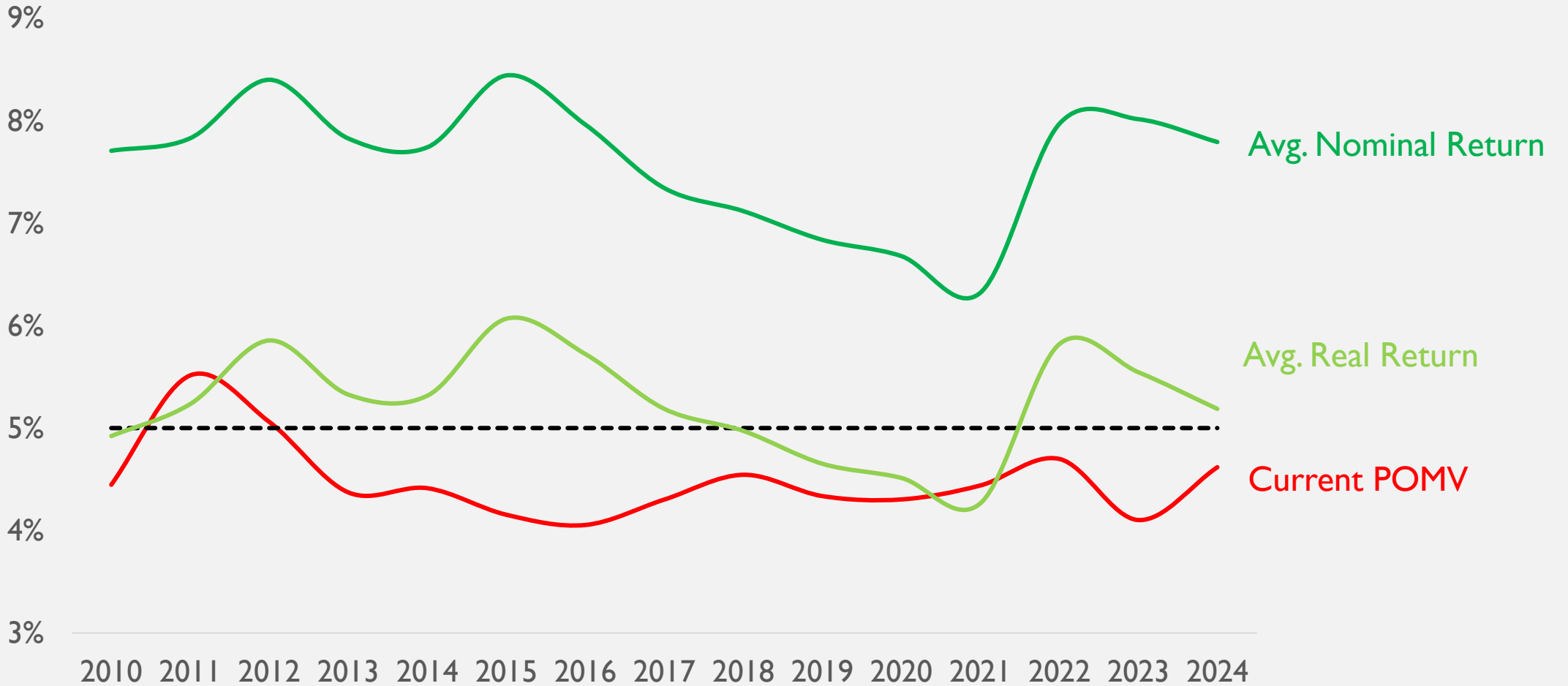


# WHAT'S THE PROBLEM WITH DRAWING LESS?

## Annual Permanent Fund Growth

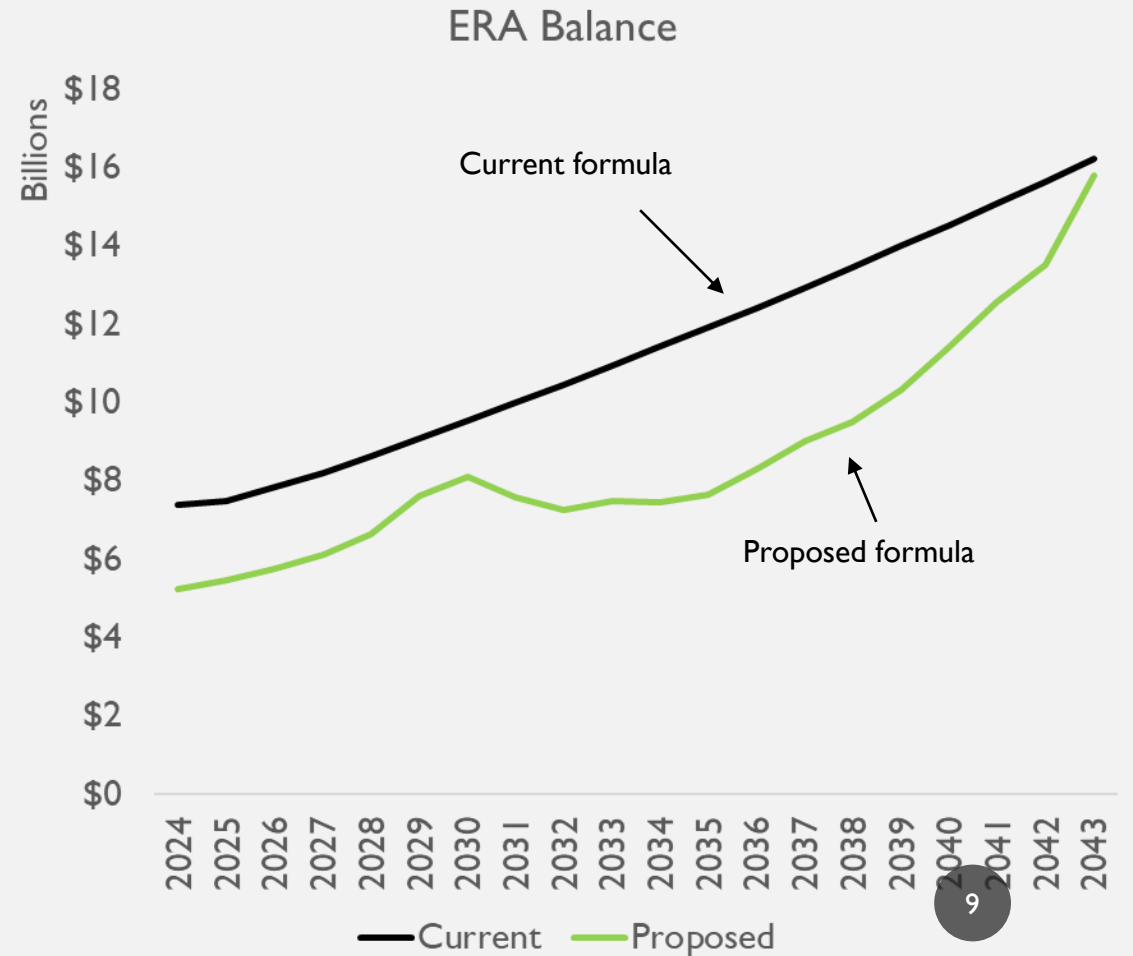
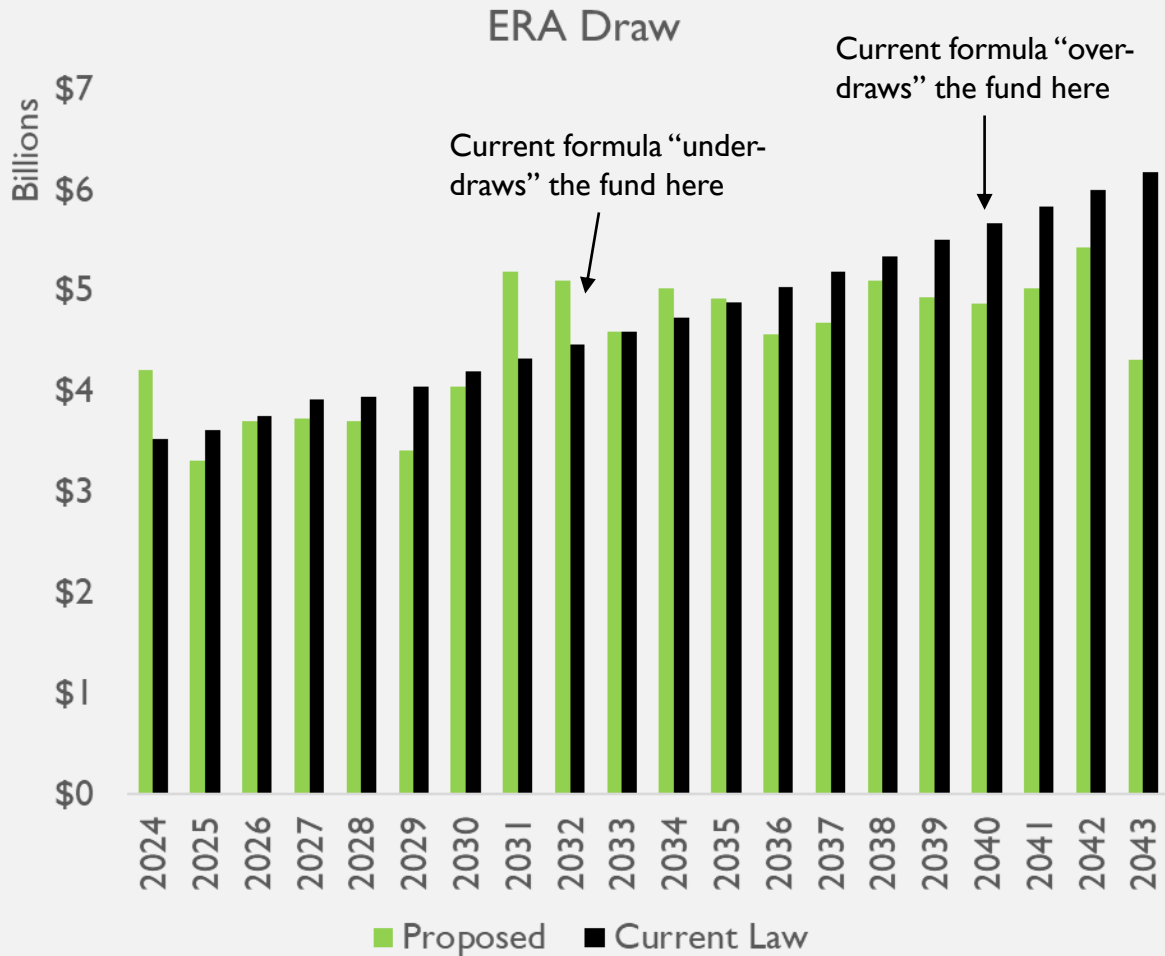


## 2. CURRENT LAW NOT BASED ON ACTUAL PERFORMANCE



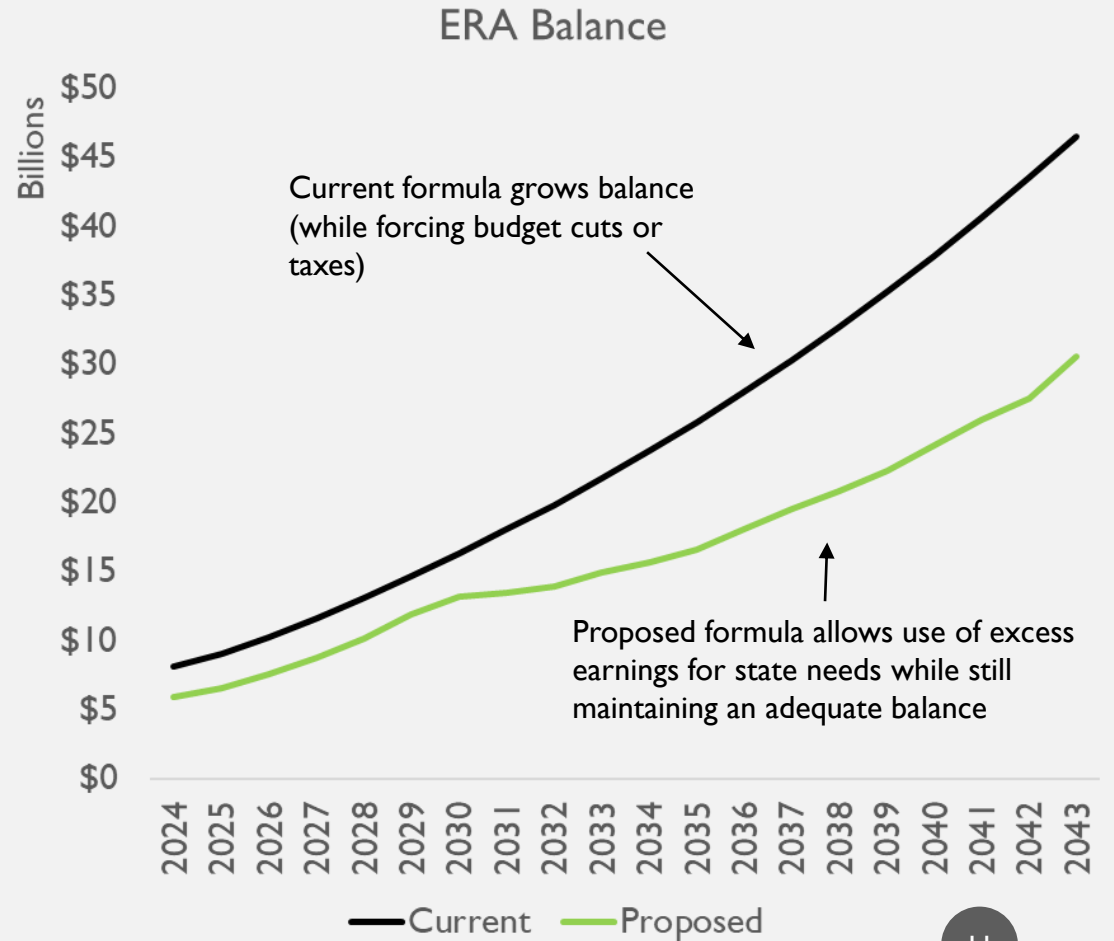
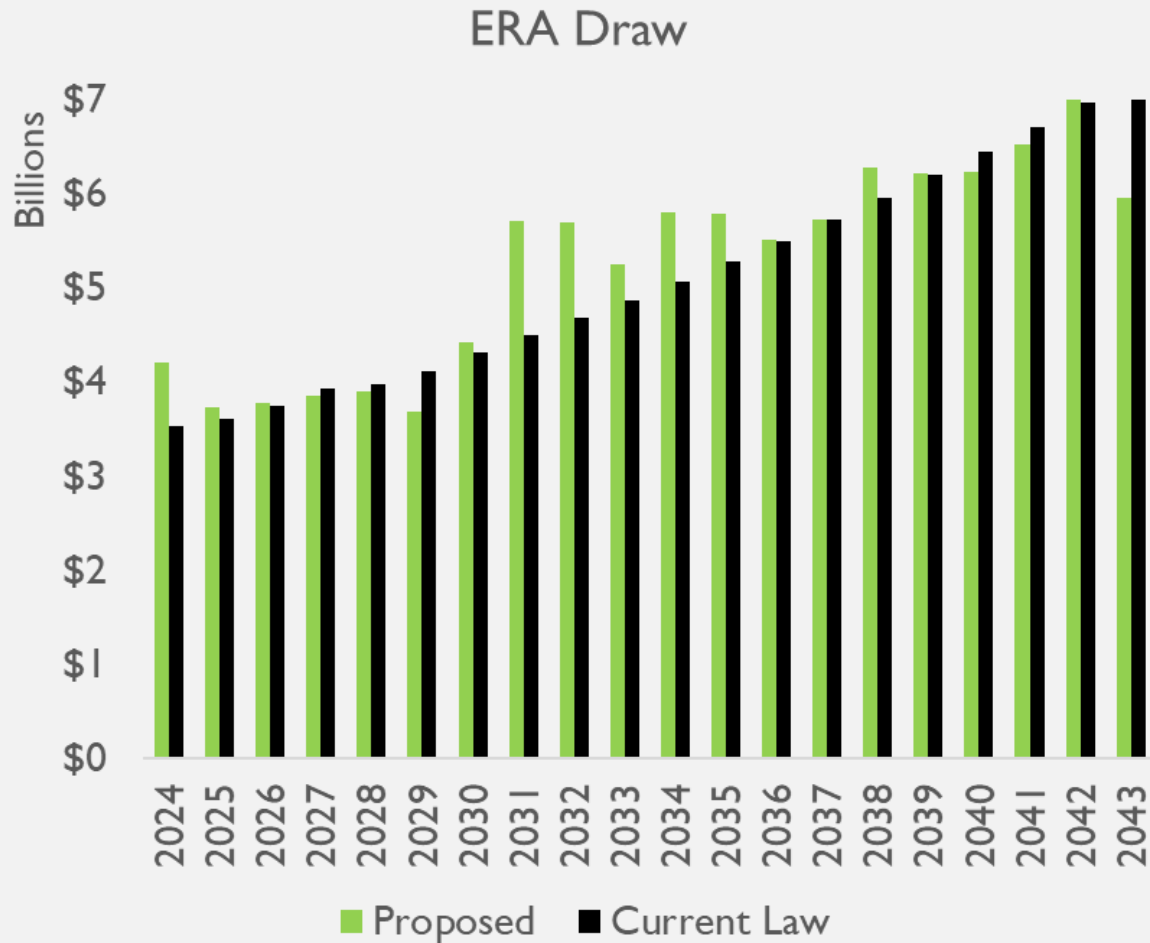


# COMPARISON OF CURRENT FORMULA VS. THIS BILL ASSUMING FORECAST RETURNS (7.05%)

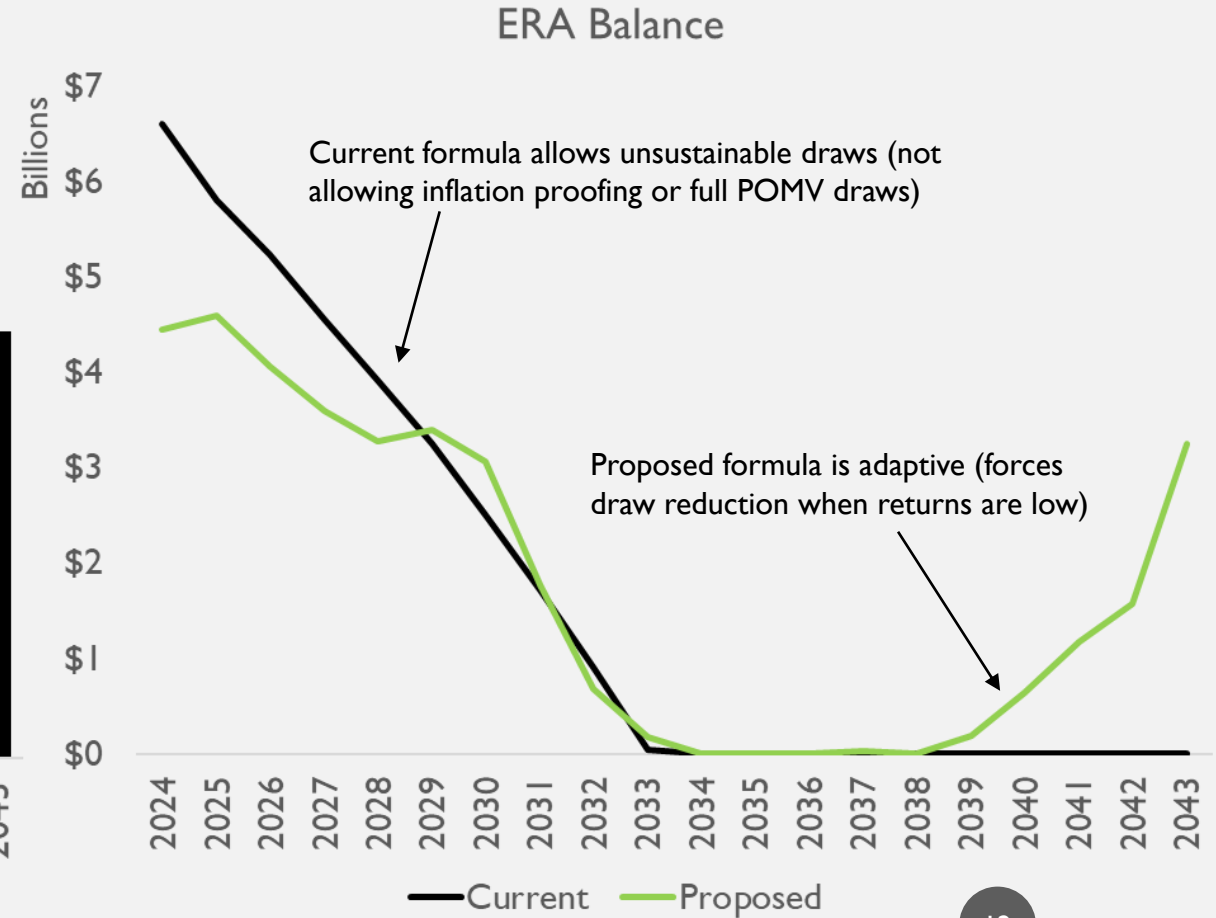
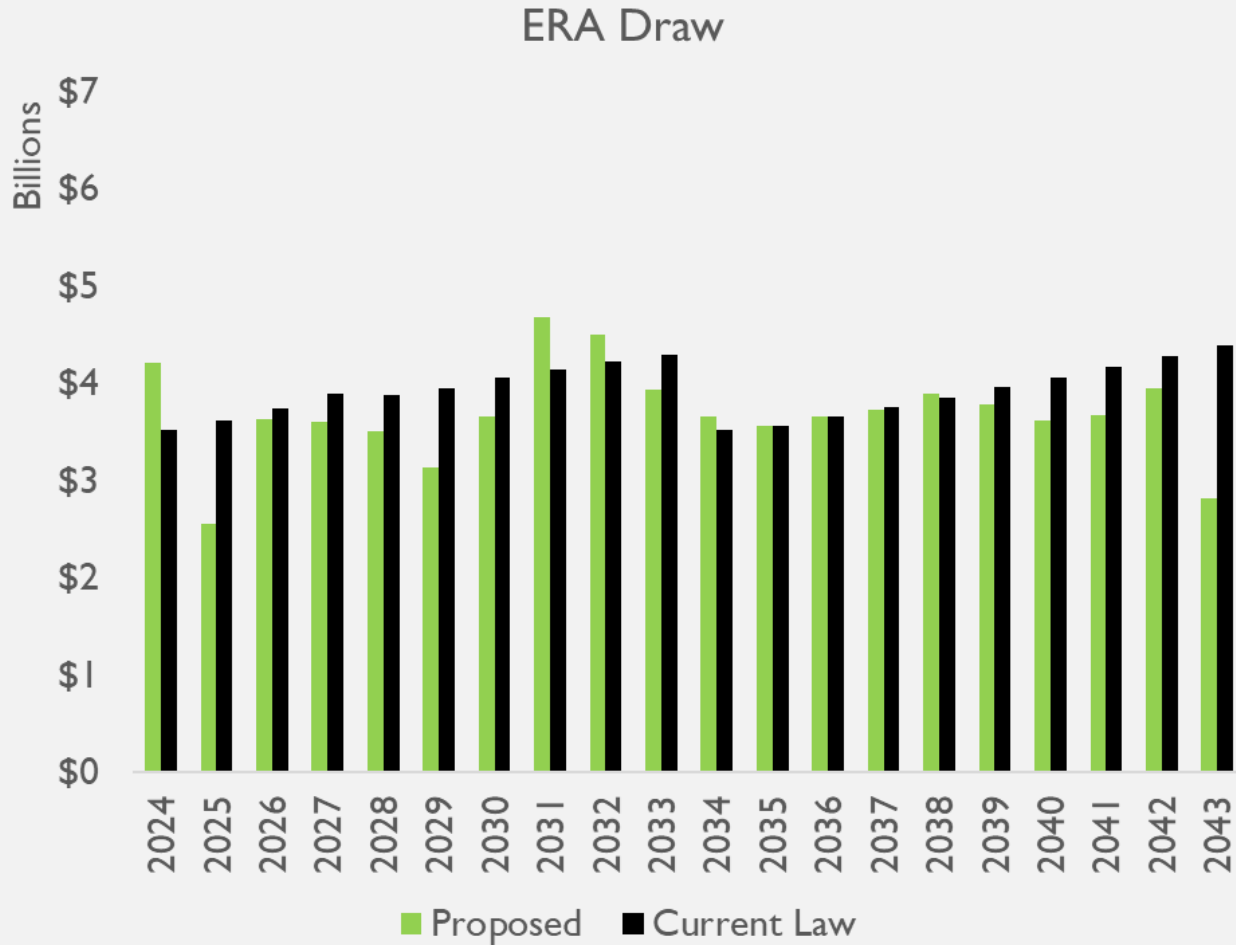


### 3. CURRENT LAW EXPOSES THE STATE TO RISKS

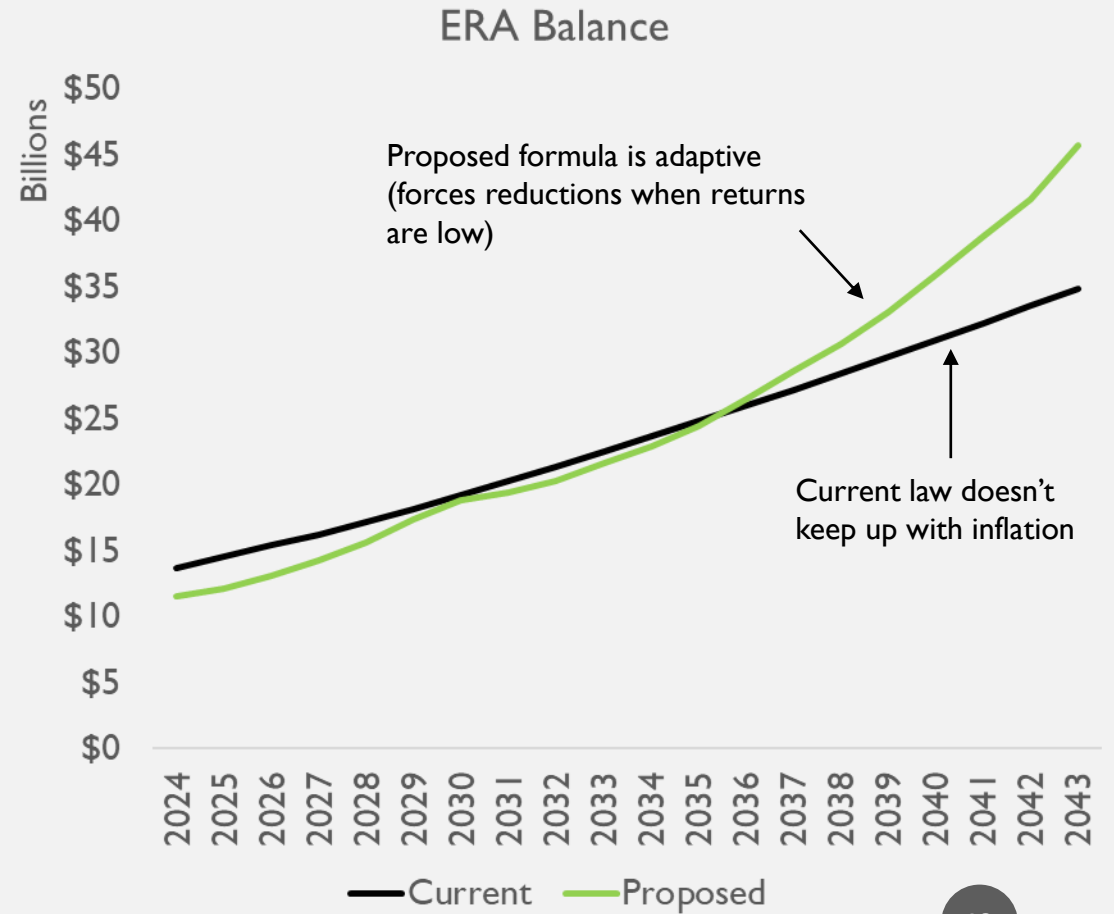
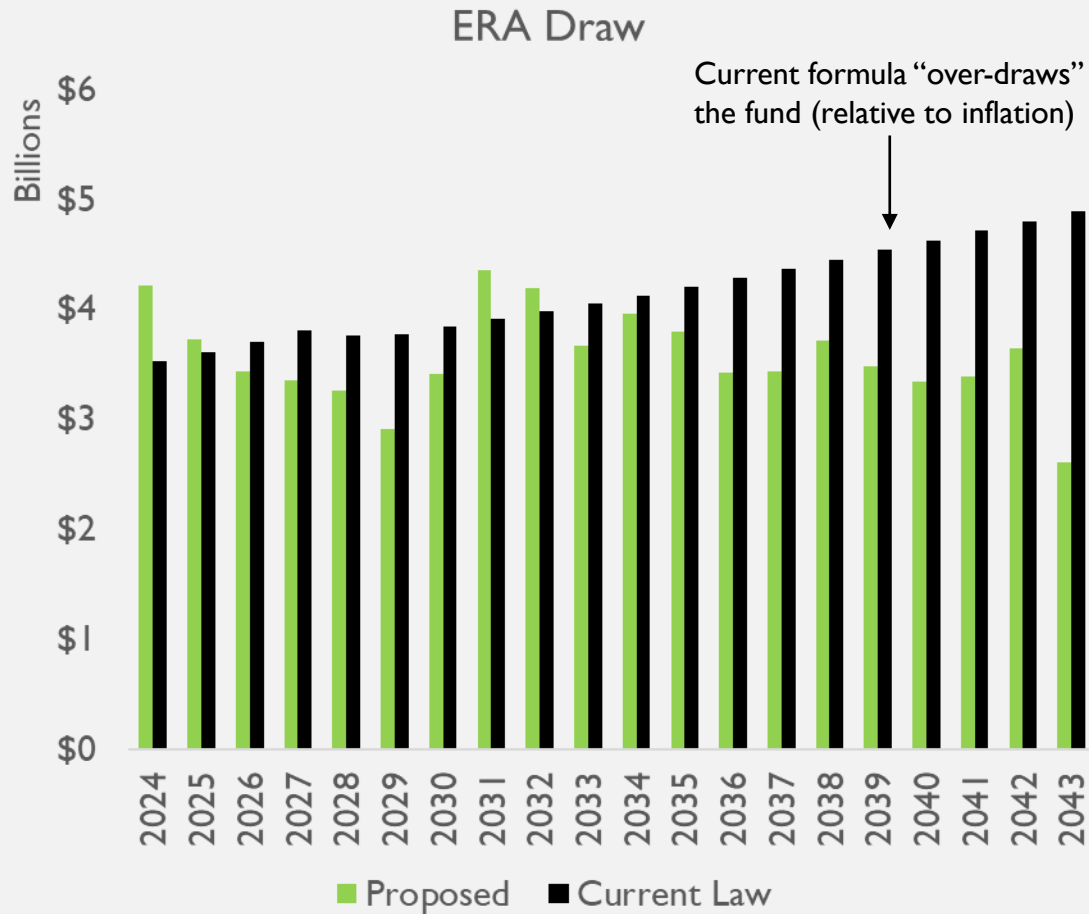
# COMPARISON OF CURRENT FORMULA VS. THIS BILL ASSUMING 8% RETURNS



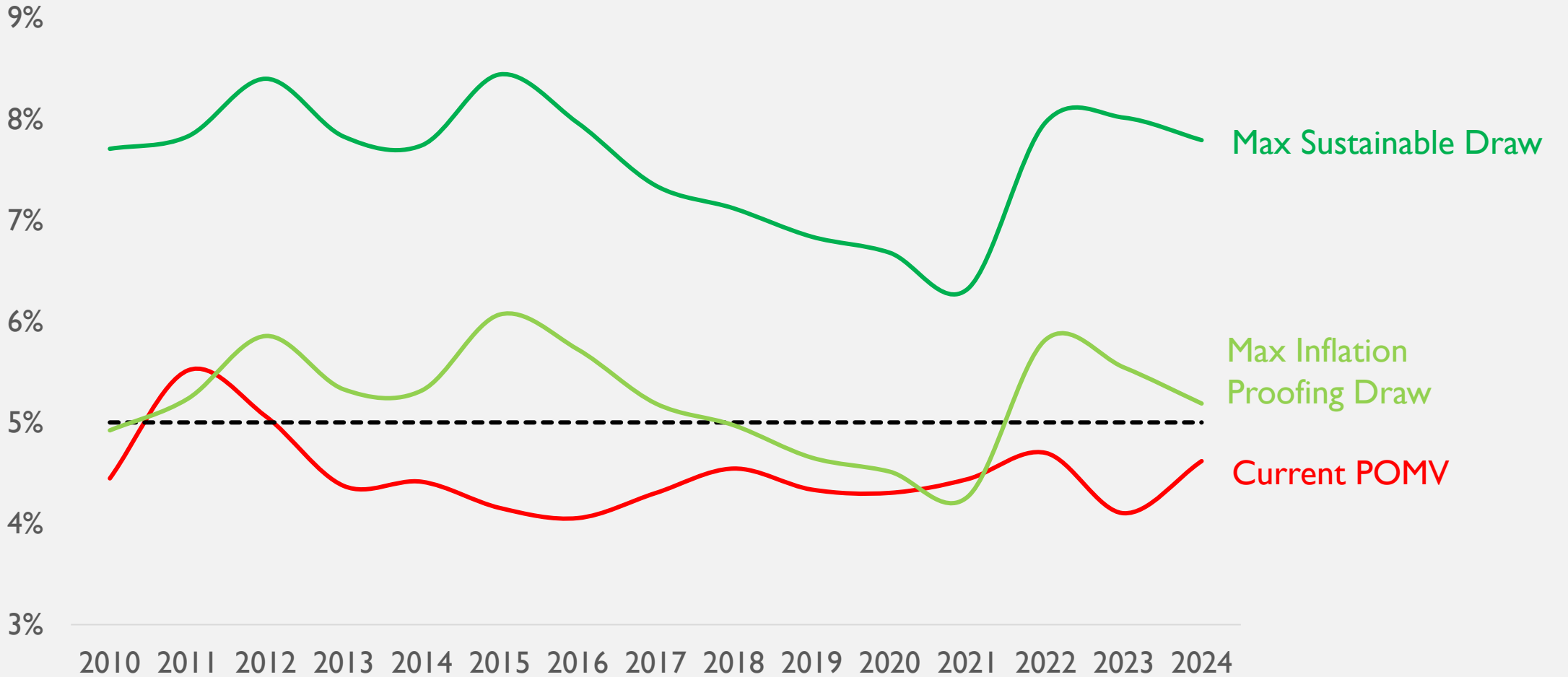
# COMPARISON OF CURRENT FORMULA VS. THIS BILL ASSUMING 6% RETURNS



# COMPARISON OF CURRENT FORMULA VS. THIS BILL ASSUMING 6% RETURNS (INFLATION PROOFING THROUGH ERA)



# WHAT IF WE STOP INFLATION PROOFING?



# COMPARISON OF CURRENT FORMULA VS. MAX SUSTAINABLE DRAW ASSUMING 7.05% RETURNS

