

SCOMM

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Alaska Permanent Fund Corporation

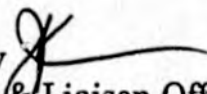
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MEMORANDUM

DATE: March 19, 1991

TO: Senate Special Committee on the Exxon Settlement

FROM: Jim Kelly 
Research & Liaison Officer

SUBJECT: **Present Value of the Proposed Exxon Settlement**

Per your request, attached is a table which provides a rough approximation of the present value to the State of Alaska of the proposed Exxon settlement. These numbers are not exact because this analysis assumes the payments are received on December 31 of each year, not September 1. Notwithstanding this difference, the numbers as attached are in the ball park — if the assumptions made here about future inflation rates and the future value of money turn out to be correct.

This analysis assumes a 6 percent per year rate of inflation for each of the next 10 years, and the opportunity during that same period of time to earn a compound rate of return on dollars invested of 9 percent. For the long term, the Alaska Permanent Fund Corporation makes the same inflation and rate of return assumptions.

There are undoubtedly a number of other issues involved in analyzing the financial aspects of the settlement, such as whether or not the State will actually control disbursement or investment of all of the settlement monies, etc. I would suggest that you contact Tom Chester of the Legislative Research Agency for a more detailed analysis.

cc: Tom Chester, Legislative Research Agency

Amts of Exxon Payments		Real 1991 \$ (Inflation @ 6%)	Present Value (Return @ 9%)	FV of Payments In 2001 @ 9% Return
1991	140,000,000	140,000,000	140,000,000	331,380,000
1992	150,000,000	141,510,000	137,610,000	325,650,000
1993	100,000,000	89,000,000	84,170,000	199,200,000
1994	70,000,000	58,772,000	54,054,000	127,960,000
1995	70,000,000	55,447,000	49,588,000	117,390,000
1996	70,000,000	52,311,000	45,493,000	107,660,000
1997	70,000,000	49,350,000	41,741,000	98,770,000
1998	70,000,000	46,557,000	38,290,000	90,650,000
1999	70,000,000	43,918,000	35,133,000	83,160,000
2000	70,000,000	41,433,000	32,228,000	76,300,000
2001	70,000,000	39,088,000	29,568,000	70,000,000
\$950,000,000		\$757,386,000	\$687,875,000	\$1,628,120,000