



ALASKA PERMANENT
FUND CORPORATION

Understanding Our Fund Education

July 2024



Top Message and Key Points

The Alaska Permanent Fund Corporation generates investment revenue to support Alaska today and tomorrow.

- Under APFC's stewardship, the Permanent Fund has become a key renewable financial resource for Alaskans.
- Based on the two-account structure, spendable amounts are limited to what is available in the ERA to fund the dividend and government services.
- As we look toward the future, an inherent risk we face, given the two-account structure, is the availability of spendable funds in the ERA to fully meet the obligations of POMV for the General Fund to support the dividend and government services and inflation proofing to maintain the purchasing power of the Principal.
 - Currently, deposits into the ERA, the Fund's realized earnings generated through investment activity, aren't keeping pace with the amount of money drawn/transferred from the ERA.



UNDERSTANDING OUR FUND

The current financial status of the Alaska Permanent Fund's two accounts,

- Affirming the availability of earnings to support,
 - Percent of Market Value (POMV) draws for the current FY25 and the upcoming FY26 state budget,
 - Inflation proofing transfer to Principal for FY25
- Recognizing the drawdown of the available realized earnings buffer.

Generating Revenue for Today & Tomorrow



Stable Revenue



Benefit Future Generations

APFC's investment of the Alaska Permanent Fund generates income that is deposited into the ERA and available for appropriation.

Providing Stable State Revenues

- The Earning Reserves Account (ERA) is a critical source of revenue for Alaska. The earnings of the Permanent Fund has become a key renewable financial resource for Alaskans with the 5% Percent of Market Value (POMV) draw providing more than 55% of Alaska's general fund revenue stream.

Investing to Benefit Generations

- APFC's stewardship of the Fund benefits all generations of Alaskans. Under the two-account structure, the Principal's intergenerational purchasing power is maintained through inflation-proofing appropriations from the ERA.

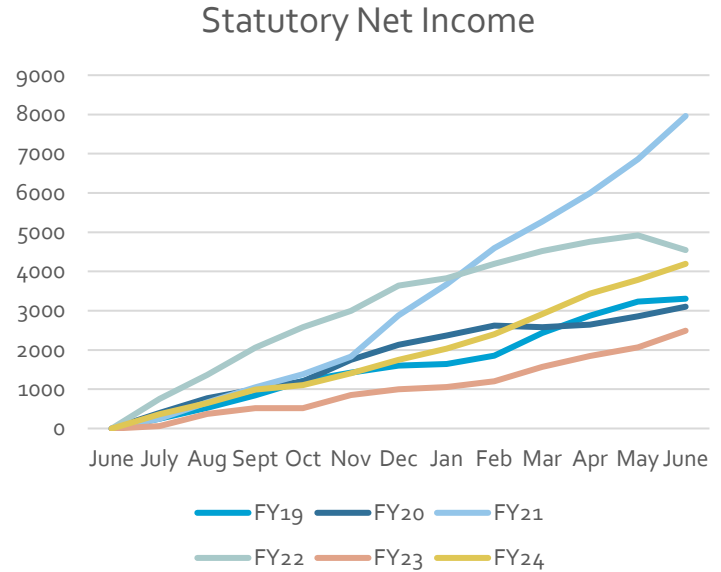
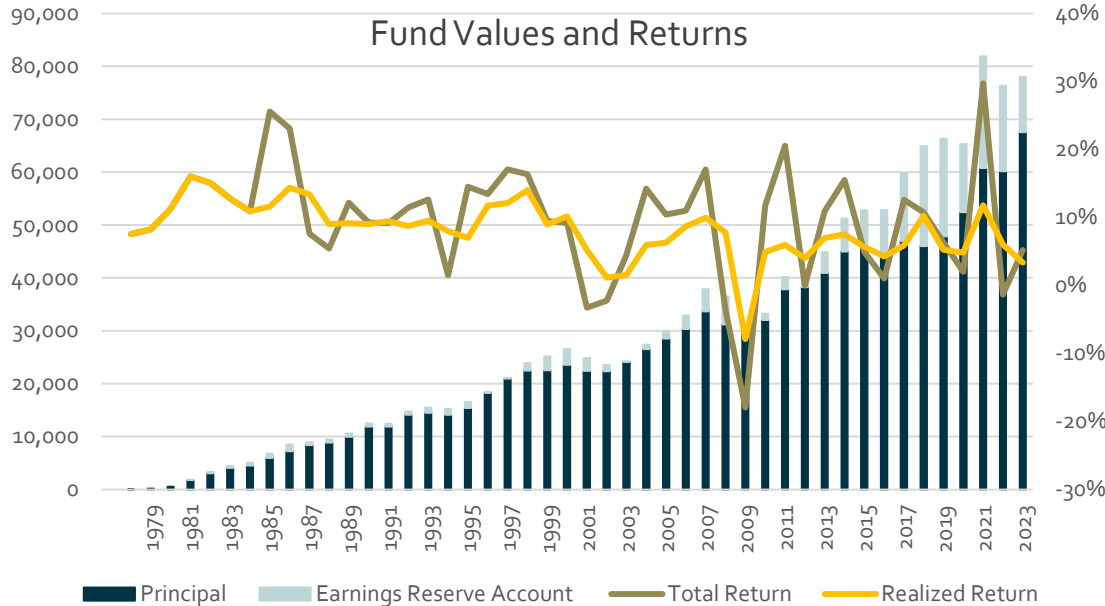
Producing Income

Two-Account Fund Structure

in millions

The Principal is Constitutionally established for permanent savings to be used only for income-producing investments.

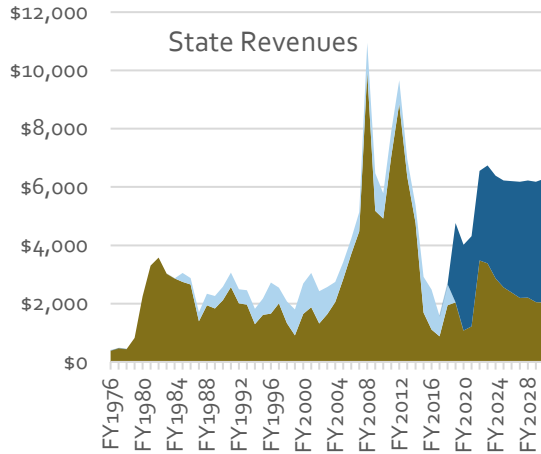
The Earnings Reserve Account is statutorily established to hold investment net income and be available for appropriation.



Revenue Stability

Supporting the State's General Fund Revenue

in millions



■ POMV from ERA

■ PFD from ERA

■ Petroleum and Non-Petroleum Revenues

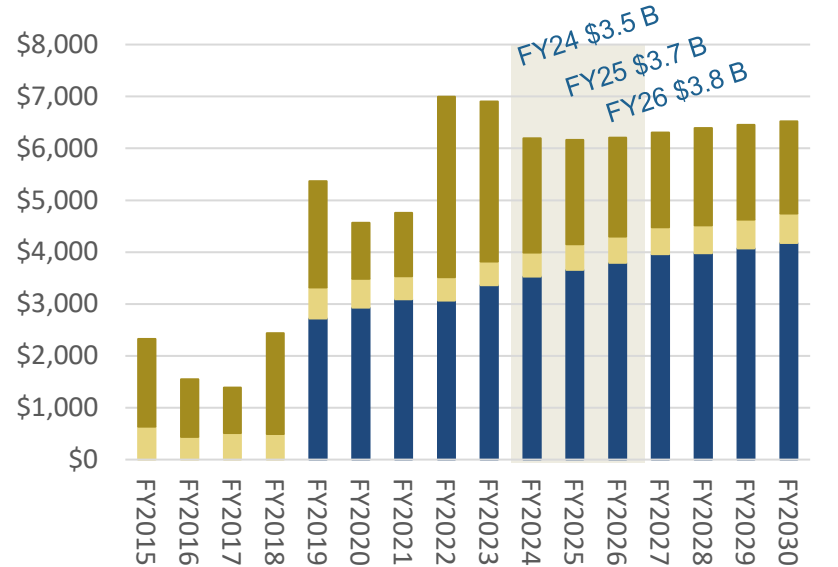
Percent of Market Value (POMV)

Calculation
AS 37.13.140 (b)
Fund Value-Based


FY 25 POMV

FY23	\$77,586.8
FY22	\$75,911.5
FY21	\$81,471.5
FY20	\$64,876.5
FY19	\$65,876.0

Avg. \$73,144.5
5% \$ 3,657.2



■ POMV Distribution ■ Other UGF Revenue ■ Petroleum Revenue



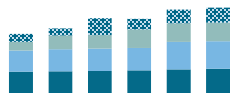
Key points on movement between the end of FY24 financial statements and the beginning of FY25 fund balance report

- **FY25 POMV Draw** – \$3.7 billion is available to support FY 25 Budget – under liabilities as of July 1, 2024, the beginning of FY25.
- **FY26 POMV Draw** – \$3.8 billion of realized earnings in the ERA was committed on July 1, 2024, the beginning of FY25, to support the FY26 Budget.
- **FY25 Inflation Proofing** – \$1.0 billion has been appropriated and will be transferred to the Principal on June 30, 2025, the end of FY25. Currently, at the beginning of the fiscal year, \$571.7 million of available earnings have been committed to fulfill a portion of this obligation and the additional \$428.3 million will need to be earned in the coming months.

Alaska Permanent Fund Growth

The Principal is Constitutionally established for permanent savings to be used only for income-producing investments.

What Grows the Principal?



Mineral Revenue

At least 25% of Alaska's mineral royalties from oil, gas and mining are directed into the Principal by the State Constitution.

Inflation Proofing

Transfers from the Earnings Reserve Account to the Principal, based on statutory calculations and legislative appropriations.

Special Appropriations

Additional funds allocated by the Alaska Legislature.

Unrealized Gains/Losses (Appreciation)

Changes in asset values from the purchase date to the most current date.

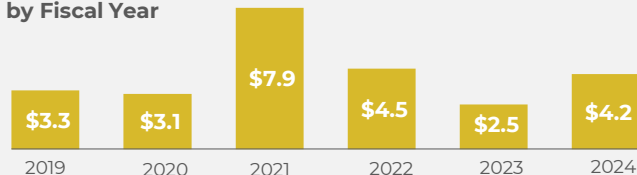
The Earnings Reserve Account (ERA) is statutorily established to hold net realized investment income and be available for appropriation.

\$21.3B
Total Statutory Net Income to the ERA over the past five years (FY19 – 23)

What Grows the ERA?

The ERA grows through the receipt of Statutory Net Income (SNI). SNI is generated based on the portfolio's investment activity and is deposited into the ERA as realized earnings that are available for appropriation.

SNI by Fiscal Year



ERA Components

The ERA includes the following components



Uncommitted Realized Earnings - Assigned for future use, available for appropriation

Unrealized Gains/Losses (Appreciation)

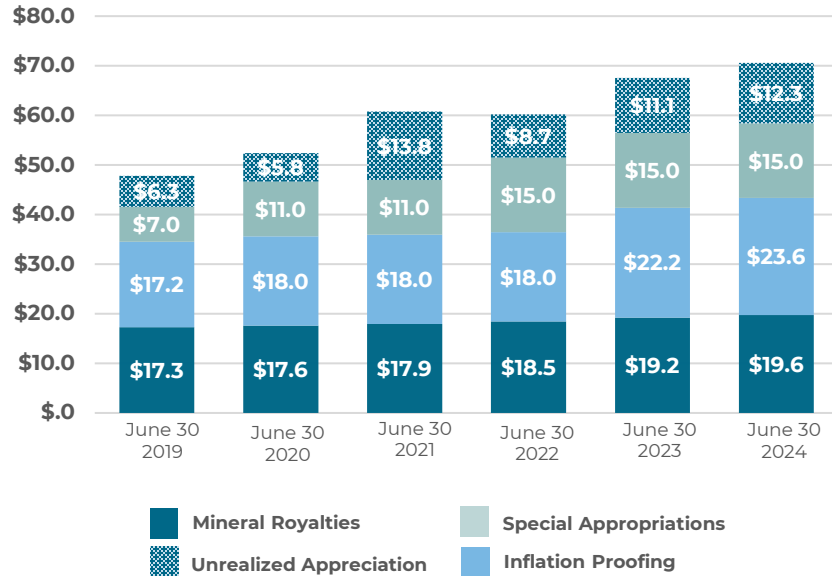
Commitments for Known Obligations Including:

- POMV Draw for the General Fund
- Special Appropriations
- Inflation Proofing

Alaska Permanent Fund

FY19-FY24 (IN BILLIONS)

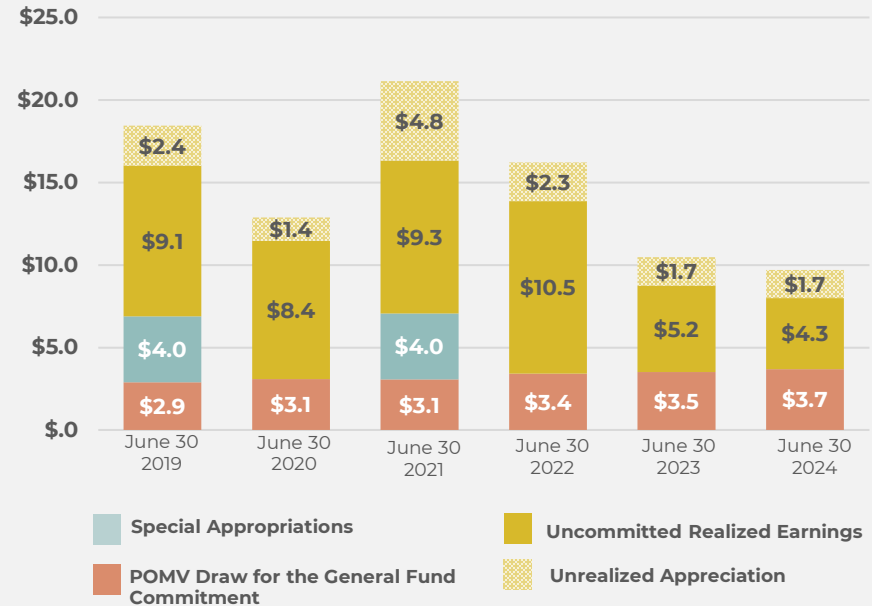
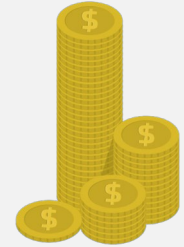
PRINCIPAL



Inflation Proofing is transferred at the end of the fiscal year.

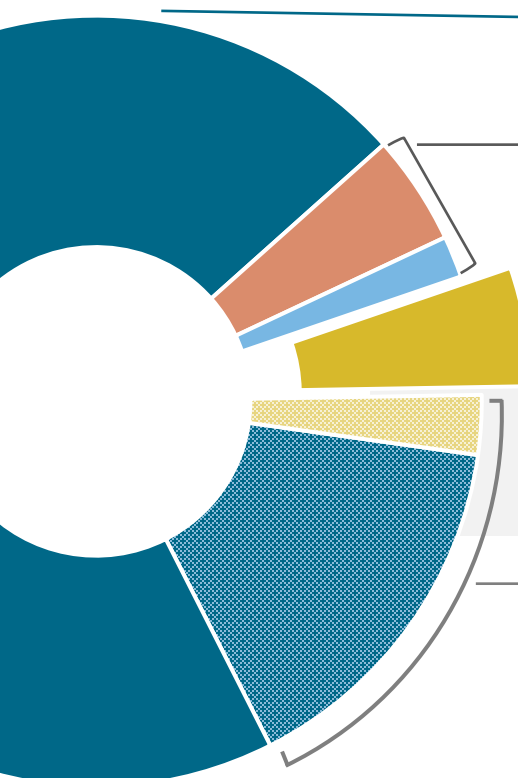
The \$989.5M, \$757.7M, \$4.2B, and \$1.4B Inflation Proofing transfers as appropriated for FY19, FY20, FY23, and FY24 are included in the Principal.

EARNINGS RESERVE ACCOUNT (ERA)



Components of the Fund & What is Available to Spend?

As of June 30, 2024 *preliminary unaudited*



PRINCIPAL, NONSPENDABLE

Per the Constitution, the Principal only be used for income-producing investments.

COMMITMENTS OF REALIZED EARNINGS – SPENDABLE SET ASIDE

Within the ERA, there are \$5.1 billion of committed realized earnings assigned or budgeted based on known appropriations. These earnings are set aside for the:

- **FY25 POMV draw of \$3.7 billion for the General Fund moves to liabilities July 1**
- **FY24 Inflation Proofing of \$1.4 billion for the Principal moved to Principal June 30**

UNCOMMITTED REALIZED EARNINGS - SPENDABLE

\$4.3B

as of June 30, 2024

Within the ERA, \$4.3 billion of uncommitted, realized earnings are available for future use. These earnings can support the FY26 POMV draw of \$3.8 billion and the FY25 inflation proofing appropriation of \$1 billion.

UNREALIZED GAINS - NOT SPENDABLE

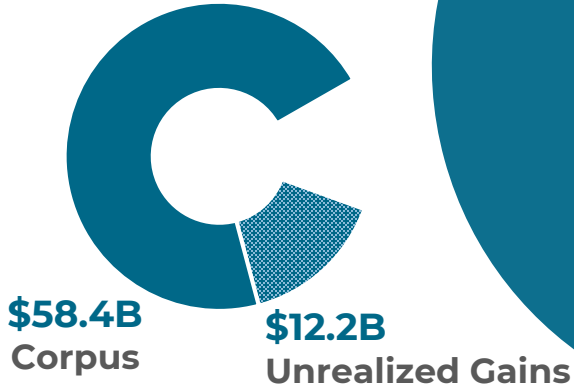
Unrealized gains are held in the ERA and Principal; they reflect the current market value of an asset not yet sold minus its original cost. Pro-rata shares: the Principal has \$12.2 billion of unrealized gains, and the ERA has \$1.7 billion of unrealized gains as of June 30, 2024.

Alaska Permanent Fund Values as of June 30, 2024 – End of FY *Preliminary unaudited*

Total Value of the Fund \$80.3B

\$70.6B Principal:

\$1.4B FY24 Inflation Proofing transferred to Principal



\$9.7B Earnings Reserve Account (ERA):

\$3.7B Committed
FY25 POMV Draw for the General Fund
To move to Liabilities on July 1

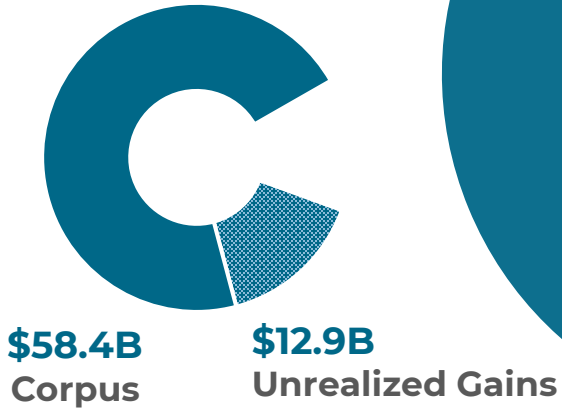
\$4.3B Realized Earnings
Uncommitted and Available for Future

\$1.7B Unrealized Gains
Changes in asset values from the purchase date to the most current date - appreciation.

Alaska Permanent Fund Values
as of July 1, 2024 – Beginning of FY25 *Preliminary unaudited*

Total Value of the Fund **\$76.6B**

\$71.3B Principal:



\$5.3B Earnings Reserve Account (ERA):

\$3.8B Committed
FY26 POMV Draw for the General Fund

\$571.7M Committed
FY25 Inflation Proofing, \$428.3 remains to be earned in the coming months

\$970.2M Unrealized Gains
Changes in asset values from the purchase date to the most current date - appreciation.

\$0 Realized Earnings
Uncommitted and Available for Future – Statutory Net Income will continue to be earned based on investment activity and deposited into the ERA.



Key points on revenue generation

Mandate: APFC's task is to maximize returns and generate income through its investment activity while the legislature and executive branches establish policies for its use.

Statutory Net Income (SNI): The ERA balance continues to grow through net income generated from the portfolio's investment activity.

- SNI is deposited into the ERA as realized earnings that are available for appropriation.
- In FY24, the realized earnings generated from investment activity amounted to \$4.2 billion.
- SNI can vary significantly from one fiscal year to the next based on investment activity.
- APFC manages the portfolio to provide a maximum risk-adjusted return, not towards annual gain realization – like SNI as a key metric.



Potential Long-Term Stability Approaches

Each approach addresses specific challenges and offers potential solutions.

- A constitutional amendment to establish a single-account endowment
- Combining the two accounts and establishing the permanent endowment model in statute
- Suspending inflation-proofing when the ERA balance approaches minimum levels
- Establishing a policy of forced realizations

Trustees' Paper Volume 10



The risk of depleting the Earnings Reserve Account (ERA) has increased in recent years.

This paper discusses various reforms to mitigate the risk of depleting the ERA.

The logo for the Alaska Permanent Fund Corporation (APFC) is displayed in a white rectangular box. The letters 'APFC' are rendered in a large, bold, serif typeface.

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FUND CORPORATION