

To: Senator Elvi Gray-Jackson, Committee Chair
Representative Zack Fields, Committee Vice-Chair

Legislative Budget & Audit Committee
34th Alaska State Legislature

From: Deven Mitchell, Executive Director & CEO
Alaska Permanent Fund Corporation 

Date: March 12, 2025

Re: Follow Up on the LB&A Committee Meeting on March 4, 2025

Thank you for the opportunity to provide an overview of *Trustees' Paper Volume 10: A Rules-Based Permanent-Endowment Model for Alaska*. We appreciate the Committee's time, thoughtful consideration, and continued efforts to ensure the Alaska Permanent Fund benefits all generations of Alaskans.

In response to the questions from the Committee, the following information is provided:

Investment Management Fees

The Committee requested that APFC provide the cost of the management fees for the past two years.

Our fiduciary duties include monitoring the actual costs of investment management. These costs consist of management fees, which are paid based on assets under management, and performance fees, which increase with managers' outperformance relative to their benchmarks.

Quarterly Investment Management Fee Reports are available on apfc.org.

Total investment management fees for FY24 (as of June 30, 2024) were \$504.6 million (62 basis points or "bps") of the \$82.0 billion in assets under management, including funds for the Alaska Mental Health Trust Authority and the Power Cost Equalization Endowment Fund.

For FY25 year-to-date (as of Dec. 31, 2024), management fees totaled \$261.9 million or 32 bps. APFC has three methods for tracking and paying fees:

- **Fees Funded by Investments** (\$204.1 million or 25 bps as of Dec. 31, 2024) are based on the value of assets under management, these fees are netted against income and retained by the investment manager before the net profit is distributed back to the Fund.
- **Fees Funded by Investment Management Allocation** (\$46.4 million or 6 bps as of Dec. 31, 2024) Fees that reflect the value of assets under management, contractual fee terms for external management, and internal costs associated with effective portfolio management including investment systems, due diligence, and custody fees.
- **Fees Funded by APFC Operations Allocation** (\$11.4 million or 1 bps as of Dec. 31, 2024) represent the Corporation's operating expenses, including personal services, travel, contractual services, commodities, and equipment, are directly related to the management of all assets in the portfolio.

Performance Fees – also referred to as profit sharing reflect contracts with external managers that allow the sharing of profits if they outperform a set benchmark. Performance fees indicate that APFC assets have performed above expectations.

- Total performance fees for FY24 were \$287.5 million, (35 bps) of all assets under management as of June 30, 2024.
- For FY25 year-to-date (as of Dec. 31, 2024), performance fees total \$160.1 million (20 bps).

Historical Fund Earnings and Uses

The Committee inquired how large the Permanent Fund might have been if dividends had never been drawn from the Earnings Reserve Account.

While historical modeling can provide context, Fund growth is influenced by a range of factors. APFC provides the following information for consideration.

- Since inception through FY18, \$24.4 billion of realized earnings from the Fund were paid out to current generations for Permanent Fund Dividend appropriations.
- The annualized rate of return for the Permanent Fund since inception is 8.71%.
- A breakdown of how the Fund’s realized earnings have been used through December 31, 2024:

Paid out to Current Generations	\$47.5B
POMV Distributions Since FY19	\$22.6B
Dividend Appropriations Through FY18	\$24.4B
AK Capital Income Fund Amerada Hess Earnings	\$0.5B
Saved for Future Generations	\$43.5B
Inflation Proofing	\$27.6B
Special Appropriations	\$8.3B
Undistributed Realized Income	\$7.6B
Total Realized Income	\$91.0B

Long-Term Fund Growth Considerations – Alaska’s Primary Source of Revenue

The committee requested further information on growing the Fund to support Alaska’s long-term fiscal sustainability as a primary revenue source over the next several decades.

Attached is APFC’s History and Projections report as of January 31, 2025. The report summarizes the methodology used in forecasting the rate of return projections and is posted on apfc.org.

APFC uses the mid-range Callan numbers for projections, currently, the projected real return is 5.15% for 10-year annualized returns and 2.50% for inflation. As noted in the report, it can’t be emphasized enough that projections represent a wide range of potential outcomes. Attempts to project how markets will perform in the future involve a great degree of speculation, and past performance can provide no assurance as to future performance.

In Conclusion

APFC remains committed to providing transparency and expertise in managing and investing the Alaska Permanent Fund. We appreciate the opportunity to share information with the Legislative Budget & Audit Committee and value the Legislature’s role in ensuring the Fund continues to benefit all generations of Alaskans.

We welcome any further questions and look forward to continued engagement. Thank You.



ALASKA PERMANENT FUND FUND FINANCIAL HISTORY & PROJECTIONS as of January 31, 2025

Projections extend ten years, and are based on best available information (\$ in millions)

Nonspendable Fund Balance - Principal							Assigned Fund Balance - Earnings Reserve										TOTAL FUND		
FY	FY-Begin Contrib. Balance	Dedicated State Revenues	Inflation Proofing & Special Approp.	FY-End Balance Contributions	Unrealized Gain (Loss) FY-End Balance	FY-End Non-spendable Balance	Distributions				FY-End Balance Realized	Unrealized Gain (Loss) FY-End Balance	FY-End Assigned Balance	FY	FY-End Balance				
							Div/POMV Transfer	Inflation Prfg & Spec Approp.	ACIF	Committed									
77-15	0	15,889	23,275	39,164	6,473	45,637	49,714	23,003	19,977	537	6,147	1,016	7,163	77-15	52,800				
16	39,164	284	0 ⁽⁵⁾	39,448	4,750	44,198	2,198	696 ⁽⁴⁾	0 ⁽⁵⁾	18	7,649	921	8,571	16	52,769				
17	39,448	365	0 ⁽⁵⁾	39,813	7,155	46,968	3,214	0	0 ⁽⁵⁾	25	10,863	1,952	12,816	17	59,784				
18	39,813	353	0 ⁽⁵⁾	40,166	5,863	46,030	6,324	726	0 ⁽⁵⁾	43	2,723	13,739	2,403	18,864	18	64,894			
19	40,166	385	989	41,541	6,278	47,820	3,305	2,723	989	22	5,933	10,122	2,426	18,482	19	66,300			
20	41,541	319	4,758 ⁽⁷⁾	46,618	5,789	52,407	3,106	2,933	4,758 ⁽⁷⁾	21	3,091	8,379	1,424	12,894	20	65,302			
21	46,618	320	0 ⁽⁵⁾	46,938	13,810	60,748	7,962	3,091	0 ⁽⁵⁾	50	7,069	9,272	4,807	21,148	21	81,897			
22	46,938	549	4,000 ⁽⁵⁾⁽⁷⁾	51,487	8,700	60,187	4,544	3,069	4,000 ⁽⁵⁾⁽⁷⁾	24	3,361	10,455	2,334	16,150	22	76,337			
23	51,487	754	4,179	56,420	11,100	67,520	2,491	3,361	4,179	14	3,526	5,241	1,725	10,491	23	78,012			
24	56,420	533	1,413	58,366	12,373	70,739	4,195	3,526	1,413	24	3,657	5,240	1,701	9,724	24	80,463			
Lo	58,366	409	1,000	59,775	10,094	69,869	3,409	3,657	1,000	20	3,799	2,976	1,144	7,919	25	77,788			
Mid	58,366	409	1,000	59,775	14,071	73,845	4,193	3,657	1,000	24	3,799	3,760	1,779	9,338	25	83,184			
Hi	58,366	409	1,000	59,775	16,941	76,716	5,997	3,657	1,000	34	3,799	5,563	2,653	12,016	25	88,732			
26	59,775	401	1,504	61,680	15,242	76,922	4,822	3,799	1,504	27	3,978	3,100	1,749	8,827	26	85,749			
27	61,680	432	1,553	63,665	16,479	80,144	4,971	3,978	1,553	27	4,016	2,502	1,687	8,206	27	88,350			
28	63,665	463	1,603	65,731	17,751	83,482	5,126	4,016	1,603	27	4,136	1,889	1,627	7,653	28	91,135			
29	65,731	460	1,655	67,846	19,076	86,921	5,289	4,136	1,655	27	4,268	1,256	1,553	7,077	29	93,998			
30	67,846	478	1,708	70,032	20,456	90,488	5,457	4,268	1,708	27	4,403	601	1,462	6,466	30	96,954			
31	70,032	529	1,764	72,325	21,895	94,220	5,631	4,403	1,764	27	4,468	0	1,353	5,821	31	100,042			
32	72,325	577	1,823	74,725	23,394	98,119	5,813	4,541	1,823	27	3,918	0	1,227	5,145	32	103,264			
33	74,725	616	1,884	77,225	24,955	102,179	6,003	4,684	1,884	27	3,354	0	1,084	4,438	33	106,617			
34	77,225	639	1,947	79,810	26,578	106,388	6,200	4,833	1,947	27	2,774	0	924	3,698	34	110,086			
Cumulative Totals																			
Proj. for FY25-FY34							5,004	16,440					53,505	42,314	16,440	263			

Assumptions:	Total Return - Inflation = Total Real Return			Statutory Return		
Lo	FY25	1.05%	2.50%	-1.45%	Lo	4.65%
Mid	FY25 ⁽²⁾	7.90%	2.50%	5.40%	Mid	5.65%
Hi	FY25	14.95%	2.50%	12.45%	Hi	7.95%
FY25-FY34 ⁽³⁾		7.65%	2.50%	5.15%		6.25%

Notes related to financial history and projections:

- ⁽¹⁾ Dedicated State Revenues in current and future fiscal years are based on the Spring 2024 Department of Revenue forecast.
- ⁽²⁾ Current year returns are based on 2024 Callan capital market assumptions. The inflation amount is as appropriated.
- ⁽³⁾ Future returns are based on 2024 Callan capital market assumptions and median expected returns (the mid case). Actual results will vary.
- ⁽⁴⁾ The dividend transfer reported for FY16 was paid out in dividends during FY17.
- ⁽⁵⁾ There was no appropriation for inflation proofing in FY16, FY17, FY18, FY21, and FY22. An amount less than the statutory amount was appropriated in FY24 and FY25.
- ⁽⁶⁾ Per AS 37.13.140, beginning in FY19, transfers are based on a percent of market value (POMV) calculation and are to the General Fund. In previous years, transfers were based on an earnings calculation and were to the Dividend Fund.
- ⁽⁷⁾ In FY20 and FY22, an additional \$4 billion was appropriated from the ERA to principal.
- ⁽⁸⁾ All transfers out of the Earnings Reserve are subject to Legislative appropriation.

Income Year-to-Date as of January 31, 2025

FY25 YTD Statutory Net Income	
Interest, dividends, real estate & other income	\$ 1,079.0
Realized gains (losses) on the sale of assets	2,359.6
Less operating expenses	(92.9)
Less AK Capital Income Fund realized earnings	(17.8)
	\$ 3,327.9

FY25 YTD Accounting (GAAP) Net Income	
Statutory net income (loss)	\$ 3,327.9
Unrealized gains (losses) on invested assets	380.5
AK Capital Income Fund realized earnings	17.8
Accounting (GAAP) net income (loss)	\$ 3,726.2

FY25 POMV Distribution (actual) ⁽⁸⁾	FY25 Statutory Dividend Transfer (actual) ⁽⁸⁾
Ending Fund Value (ex Am Hess)	Statutory Net Income
FY23 \$ 77,587.5	FY24 \$ 4,195.0
FY22 75,912.8	FY23 2,491.0
FY21 81,472.8	FY22 4,544.0
FY20 64,877.8	FY21 7,962.0
FY19 65,876.1	FY20 3,106.0
Average \$ 73,145.4	Avail for
Statutory Distribution \$ 3,657.3	Dist (21%) \$ 4,682.6
	Statutory Trnsfr Amt \$ 2,341.3

FY26 POMV Distribution (actual) ⁽⁸⁾	FY26 Statutory Dividend Transfer (projected) ⁽⁸⁾
Ending Fund Value (ex Am Hess)	Statutory Net Income
FY24 \$ 80,038.5	FY25 \$ 4,193.4
FY23 77,587.5	FY24 4,195.0
FY22 75,912.8	FY23 2,491.0
FY21 81,472.8	FY22 4,544.0
FY20 64,877.8	FY21 7,962.0
Average \$ 75,977.9	Avail for
Statutory Distribution \$ 3,798.9	Dist (21%) \$ 4,910.9
	Statutory Trnsfr Amt \$ 2,455.5