SB 26 and Percent of Market Value Methodology

Since 2003, the Board of Trustees has been on record backing the POMV methodology to provide for limited annual distributions from the Alaska Permanent Fund. The Board's support for this can be found in Resolutions 03-05 and 04-09, which both support a constitutional amendment that would deliver a limited annual draw from the real return of the Fund. Further Board support for a rules-based approach to Fund distributions (constitutional or statutory) was recently provided in Resolutions 18-01, 18-04, and 20-01.

As enacted by the passage of SB 26, the Percent of Market Value methodology provides a statutory framework for a limited annual appropriation from the earnings reserve account based on the average value of the Fund over the last five fiscal years. Adherence to this structure provides a predictable and stable payout from the earnings reserve account, as long as there is a sufficient balance from which to appropriate.

Under the SB 26 statutory POMV methodology, inflation proofing the Principal remains essential to preserve the purchasing power of the Fund to protect the intergenerational equity goal established in AS 37.13.020(1). Given the Fund's two account structure (i.e. principal and earnings reserve), with all of the net earnings from the investment of the Fund flowing to the ERA, the Principal only shares in those net realized gains through an appropriation back to the Principal.