

Fact or Myth: Understanding the Alaska Permanent Fund

The Alaska Permanent Fund is one of the state's most important financial assets, a resource managed for the benefit of all Alaskans, today and in the future.

As the Fund has grown, so have questions and misconceptions about how it works. Below, we address several common misunderstandings about the Alaska Permanent Fund Corporation, the responsibilities of its Board of Trustees, how the Fund supports the state's finances, and what it means to invest this resource effectively for generations to come.

THE FACTS AND MYTHS

FACT 1: The Board of Trustees sets the investment policy, asset allocation, and strategy; it does not make investment decisions.

It is a *myth* that the APFC Board directly oversees and selects the Fund's individual investments.

The Board serves as a fiduciary for the Alaska Permanent Fund, benefiting all Alaskans, ensuring the Fund's assets are managed responsibly and in accordance with its investment policy. Trustees establish the Fund's risk tolerance, asset allocation, and long-term objectives. Professional investment teams, both within APFC and through external managers, implement those strategies under strict oversight.

Why it matters:

This governance model ensures investment decisions are made with expertise, discipline, and independence. It prevents conflicts of interest and keeps the Fund aligned with fiduciary principles, rather than succumbing to short-term pressures.

FACT 2: The Permanent Fund is intentionally diversified. Its mission and long-term focus require a broader approach than tracking a single stock market index.

It is a *myth* that the Fund would benefit from investing only in the S&P 500.

While the S&P 500 has performed well in recent years, that has not always been the case. It represents a narrow segment of the market; mostly large U.S. companies concentrated in a few key industries. Relying solely on one index would leave the Fund vulnerable to market swings and sector downturns.

APFC invests across global equities, bonds, real estate, private equity, infrastructure, and alternative assets. This diversified mix helps stabilize returns and strengthen long-term performance for a maximum risk adjusted return.

Why it matters:

Diversification protects the Fund's value across generations. It allows APFC to manage risk, pursue global growth opportunities, and remain resilient through changing market conditions.

FACT 3: The Percent of Market Value (POMV) draw is limited by state law to 5% of the 5-year average of the Fund's total value. This mechanism serves as a guardrail that promotes sustainability.

It is a *myth* that the statutory POMV is the only amount that can be drawn from the Fund.

The Legislature decides how much to draw and how to distribute the money, while APFC manages investments and reports performance. The FY27 POMV draw is \$4.0B, which is 5% of the 5-year average Fund value calculation.

The POMV framework is a rules-based method intended to meet current needs, such as paying dividends and funding public services, while also preserving the Fund's long-term viability. The key factor in a value-based distribution, like the POMV method, is to ensure that the draw rate is aligned with the long-term rate of return.

Why it matters:

The POMV provides a methodology for distributions from the Fund that smooths draw calculations based on the five-year average Fund value, mitigating market volatility and ensuring a predictable revenue stream.

FACT 4: Under the current two-account structure, inflation proofing is *not* automatic; it requires legislative action each year.

It is a *myth* that the Fund automatically adjusts for inflation, given its two-account structure.

Since the Principal does not keep any of its earnings under the current structure, realized earnings must be appropriated each year from the Earnings Reserve Account to the Principal to preserve its purchasing power. The Legislature may do this by allocating earnings through its power of appropriation to preserve the Fund's real value.

In recent years, regular inflation proofing measures have lapsed. Without it, the Fund's real value erodes.

Why it matters:

Inflation proofing allows the Fund to maintain its real value over time. Understanding this helps Alaskans ensure the Fund can continue to benefit not only today's Alaskans but also generations to come. And, in recognizing that inflation proofing is a policy decision, and not an inherent characteristic of the Fund's current structure, it emphasizes the necessity of consistent, long-term discipline.

FACT 5: The Fund is a primary source of revenue for the State of Alaska, supporting both dividends and essential state services; its benefits extend beyond the PFD.

It is a *myth* that the Fund exists solely to pay dividends.

While dividends are a tangible benefit, the Fund plays a broader role in Alaska's fiscal stability. Earnings also help support public services and offset reliance on oil revenue. Today, the POMV draw provides more than half of the state's unrestricted general fund revenue.

The Fund's growth and prudent management benefit the entire state economy by providing general fund revenue while maintaining flexibility in its use through the Legislature's power of appropriation.

Why it matters:

Viewing the Fund only through the lens of the dividend overlooks its broader impact on Alaska's economy and future. The dual-use nature of the POMV draw, supporting both the PFD and state services, reflects the vision of those who established the Fund and the recognition that oil resources are finite.

The Alaska Permanent Fund was established as a savings device and, through its investments, serves as a model for converting nonrenewable resource wealth into a renewable financial resource to benefit generations of Alaskans. APFC's mission is to deliver long-term value for all Alaskans.

FACT 6: Diversification reduces risk and protects the Fund over the long term.

It is a *myth* that diversification adds unnecessary risk.

APFC invests across various asset classes and markets to strike a balance between performance and resilience. The Fund is designed to perform over time, rather than chasing short-term gains. Investing in non-correlated assets helps offset downturns in one area with gains in another, improving long-term consistency and offering steadier returns through market cycles.

Why it matters:

Diversification is a cornerstone of prudent, long-term investing. It keeps the Fund on course as it navigates changing market conditions and supports steady, reliable growth for generations.

WHY MYTHS PERSIST AND WHAT THEY TELL US

Misunderstandings remind us that transparency and communication are key to maintaining public trust in how the Fund is managed. Many misunderstandings stem from confusion about the Fund's purpose and the distinct roles of the Board, APFC staff, and the Legislature. The Board sets investment policy and asset allocation, professional teams execute it, and lawmakers determine spending. As a result of APFC's work to maximize a risk-adjusted return, realized earnings from investments are made available in the ERA, and the Legislature maintains the power of appropriation with the annual POMV draw.

Clarifying how the Fund works strengthens public trust and helps ensure that this shared resource continues to be managed with transparency, foresight, and accountability.

The Alaska Permanent Fund stands as a foundation of the state's finances and will continue to do so in the future.