



Alaska State Legislature House and Senate Democrats

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Permanent Fund Corp Says If POMV Adopted, Approximately 70% of Annual "Earnings" Should Go To Dividend To Match Current Dividend Formula

JUNEAU – At the request of Representative Les Gara, the Permanent Fund Corporation has released information assessing the impact on the Permanent Fund Dividend by current proposals to alter management of the Fund. The Corporation's POMV proposal states that 5% of the value of the Permanent Fund may be used for a combination of Dividend payouts and government services. Legislators have argued what portion of that 5% is needed to provide a fair Dividend, and/or one that reflects the Dividend paid under current law. The information and charts provided by the Permanent Fund Corporation's Chief Operating Officer, Bob Bartholomew, are attached below.

The Permanent Fund Corporation has issued a chart and e-mail that answers legislator questions in time for debate this week over varying POMV proposals. This information shows that if you disregard the short-term impact of current market fluctuations, roughly 70% - 72% of the annual 5% POMV payout would have to be paid in Dividends to match future dividends, projected over the long-term, under current law. Based on projected long term average market gains, the current formula would, starting in 2011, provide a Dividend that would be equal roughly 3.5% of an annual 5% POMV payout (or 70% of that 5%). Because of above average stock market conditions in the 1990s dividends during those years were paid in amounts that approximated between 80% - over 100% of an annual 5% POMV payout.

Rep. Gara will provide this information to his legislative colleagues to help with a fair debate over this issue in the coming weeks. Proposals under consideration include Senator Kim Elton's (D-Juneau) SJR 32, which seeks to mimic the current Dividend Formula by providing a Dividend of 80% of the annual POMV payout, to that stated by Representative Mike Hawker (R-Anchorage), which provides a Dividend of 50% of the POMV payout. Other proposals are also pending.

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Sen. Bettye Davis, Sen. Johnny Ellis, Sen. Kim Elton, Sen. Lyman Hoffman, Sen. Hollis French, Sen. Gretchen Guess, Sen. Georgianna Lincoln, Sen. Donny Olson, Rep. Ethan Berkowitz, Rep. Sharon Cissna, Rep. Harry Crawford, Rep. Eric Croft, Rep. Les Gara, Rep. Max Gruenberg, Rep. David Guttenberg, Rep. Reggie Joule, Rep. Mary Kapsner, Rep. Beth Kerttula, Rep. Albert Kookesh, Rep. Carl Moses

The Permanent Fund Corp. provided the following response and (attached) charts to Rep. Gara in response to his questions

Via E-mail: March 13, 2004. PFC COO, Bob Bartholomew wrote:

Rep. Gara,

My response is based on using the green line on the graph (which I support since the current statutes do not involve a "lag") and reviewing the supporting detailed numbers. Allowing for a slight annual variance the dividend percentage could be from 68 - 70%. I believe the chart and numbers support a 70/30 split looking out 10 - 20 years. If you use the blue line it appears the variance is from 70 - 72%. This still supports the 70/30.

Bob B.

March 10, 2004. "Representative Les Gara" wrote:

THanks Bob. So, 70/30 is where the line flattens out?

March 10, 2004. "Bartholomew, Bob" wrote:

Representative Gara,

Attached is a graph and a schedule that provides details of what percentage of the Fund the dividend has been under 3 different scenarios. In two of the scenarios the data looks back 18 years (FY85 data) and forward 11. This shows the current statutory payout over a 29 year period. The graph goes out until 2015 and the future portion is based on median case assumptions, you can see that the trend line has flattened out at the end. I believe if you ran this out 15 more years, using the same median case assumptions that the percentages for 2030 would not change. The schedule has a lot of numbers (to back up the graph) and I would be happy to walk you through these. It does provide year by year what percentage the dividend is of the entire Fund.

Please review these and let's discuss if this answers the 25 year scenario you requested.

Thanks
Bob B

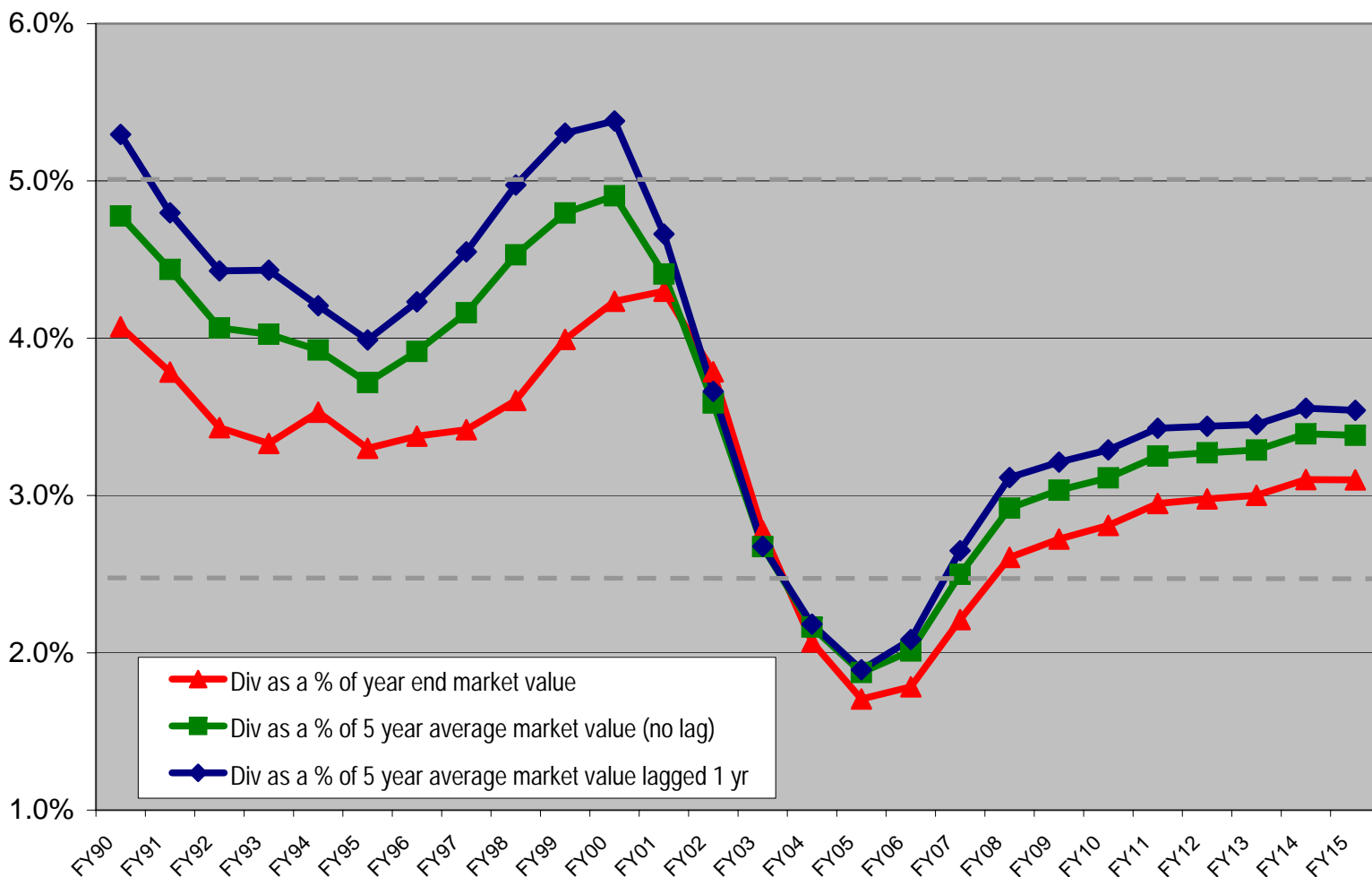
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Comparison of dividend payout methods

Historical and forecasted data



Note: all year end market values are pre-payout

	Fiscal Year	Ending market value (after payouts)	Actual dividend paid out (based on realized earnings)	Year end market value (before payouts)	5 year average market value (no lag)	Dividend as % of year end market value before payout	Dividend as % of the average five year end market values before payout	5 year average market value (lagged 1 year)	Dividend as % of the average five year end market values before payout (lagged 1 yr)
History	FY85	6,752	217	6,969				3,145	
	FY86	8,481	303	8,784				4,434	
	FY87	8,926	391	9,317				5,803	
	FY88	9,474	424	9,898				6,973	
	FY89	10,555	460	11,015				8,037	
	FY90	11,471	487	11,958	10,194	4.1%	4.8%	9,197	5.3%
	FY91	12,430	489	12,919	11,021	3.8%	4.4%	10,194	4.8%
	FY92	13,735	488	14,223	12,003	3.4%	4.1%	11,022	4.4%
	FY93	15,438	532	15,970	13,217	3.3%	4.0%	12,003	4.4%
	FY94	15,197	556	15,753	14,165	3.5%	3.9%	13,217	4.2%
	FY95	16,555	565	17,120	15,197	3.3%	3.7%	14,165	4.0%
	FY96	18,395	643	19,038	16,421	3.4%	3.9%	15,197	4.2%
	FY97	21,106	747	21,853	17,947	3.4%	4.2%	16,421	4.5%
	FY98	23,872	893	24,764	19,706	3.6%	4.5%	17,947	5.0%
	FY99	25,130	1,045	26,175	21,790	4.0%	4.8%	19,706	5.3%
	FY00	26,514	1,173	27,686	23,903	4.2%	4.9%	21,790	5.4%
	FY01	24,812	1,115	25,927	25,281	4.3%	4.4%	23,903	4.7%
	FY02	23,522	926	24,448	25,800	3.8%	3.6%	25,281	3.7%
	FY03	24,194	691	24,885	25,824	2.8%	2.7%	25,800	2.7%
Actual	FY04	26,672	563	27,236	26,036	2.1%	2.2%	25,824	2.2%
	FY05	28,380	493	28,873	26,273	1.7%	1.9%	26,036	1.9%
	FY06	30,160	548	30,708	27,230	1.8%	2.0%	26,273	2.1%
	FY07	31,899	721	32,621	28,864	2.2%	2.5%	27,230	2.6%
	FY08	33,593	899	34,492	30,786	2.6%	2.9%	28,864	3.1%
	FY09	35,325	989	36,314	32,601	2.7%	3.0%	30,786	3.2%
	FY10	37,094	1,073	38,166	34,460	2.8%	3.1%	32,601	3.3%
	FY11	38,873	1,181	40,054	36,329	2.9%	3.3%	34,460	3.4%
	FY12	40,708	1,250	41,958	38,197	3.0%	3.3%	36,329	3.4%
	FY13	42,601	1,318	43,919	40,082	3.0%	3.3%	38,197	3.5%
	FY14	44,518	1,425	45,943	42,008	3.1%	3.4%	40,082	3.6%
	FY15	46,509	1,488	47,997	43,974	3.1%	3.4%	42,008	3.5%
				average FY90 - FY03		3.7%	4.3%		4.6%
				average FY04 - FY15		2.6%	2.9%		3.0%
				average FY90 - FY15		3.2%	3.5%		3.8%

I verified that this data is based on 10/31/03 financial data and has not been updated with the 11/30/03 financials.