

ALASKA PERMANENT FUND CORPORATION

**AUDIT COMMITTEE MEETING
WEBEX/TELECONFERENCE**

September 2, 2021

8:30 a.m.

**Originating at:
Atwood Building
550 West 7th
Anchorage, Alaska 99501**

SUMMARY MINUTES

Trustees Present:
Corri Feige, Chair
Steve Rieger
Ethan Schutt
William Moran
Craig Richards
Lucinda Mahoney

APFC Staff Present:
Angela Rodell, CEO
Val Mertz, CFO
Chris Poag, General Counsel
Jennifer Thorsteinson
Jacki Mallinger
Paulyn Swanson
Nellie Metcalfe
Sarah Race
Scott Balovich
Larissa M. Goecker

Other Participants:
Mike Hayhurst, KPMG
Melissa Beedle, KPMG

PROCEEDINGS

CALL TO ORDER

CHAIR FEIGE called the Audit Committee meeting to order and asked for a roll call.

MS. THORSTEINSON stated there was a quorum. She added that Trustees Richards and Rieger were also present.

APPROVAL OF AGENDA

CHAIR FEIGE moved to the approval of the agenda and asked for a motion.

MOTION: A motion to approve the agenda was made by TRUSTEE SCHUTT; seconded by TRUSTEE MORAN.

There being no objection, the MOTION was APPROVED.

APPROVAL OF MINUTES

CHAIR FEIGE moved to approval of the minutes of May 18, 2021.

MOTION: A motion to approve the minutes of May 18, 2021, was made by TRUSTEE MORAN; seconded by TRUSTEE SCHUTT.

There being no objection, the MOTION was APPROVED.

SCHEDULED APPEARANCES.

CHAIR FEIGE moved to scheduled appearances.

MS. THORSTEINSON did not see anyone online.

CHAIR FEIGE then moved to the Audit Report.

AUDIT REPORT

CHAIR FEIGE stated that Mike Hayhurst and Melissa Beedle were online.

MR. HAYHURST began his presentation and stated that, as it related to the status of the audit outstanding matters, the audit is substantially complete. He continued that KPMG was in a position and expected to issue the opinion for the financial statement tomorrow. He noted that no corrected misstatements were identified during the audit, and no matters to communicate as far as financial statement presentation. The disclosures continue to be robust, in accordance with GAAP, and are transparent. There were no matters to communicate on the non-GAAP policies and practices. As reported last year and carried forward into the current year, there is a non-GAAP policy around recording the private equities on a lag basis, which is very consistent year over year. In the current year, it is a clean opinion, indicating the belief that the financials are materially correct, in accordance with GAAP. He added that in discussion with management, no matters of significant findings or issues were identified. The management representation letter, including the summary of uncorrected misstatements, will be distributed under a separate cover for significant written communication. He explained the uncorrected audit misstatement related to the non-GAAP policy for recording the private equity funds on a lag analysis. He noted significant accounting policies and practices and the guidance on the classification of the Fund balance.

CHAIR FEIGE asked about the frequency of receiving capital statements from the external fund managers.

MR. HAYHURST replied that they come in quarterly.

CHAIR FEIGE asked for any questions. There being none, she called a break.

(Break.)

CHAIR FEIGE called the meeting back to order and moved to the first of the executive sessions.

TRUSTEE RICHARDS stated that he reviewed the materials and did not see what was confidential. He asked for clarity.

MS. MERTZ replied that one of the requirements in the charter for the Audit Committee was to monitor the integrity of the financial reporting process and the internal controls that surround the framework that goes into the financial reporting process. She added that the committee is tasked with selecting the auditor, and maintaining an open communication relationship with them. The executive session is intended to give the committee an opportunity to speak with KPMG without staff in the room for the opportunity to speak freely.

CHAIR FEIGE asked for a motion.

MOTION: In accordance with the Alaska Open Meetings Act, for the Audit Committee of the Board of Trustees to convene in executive session for the purpose of meeting with APFC's external auditors, KPMG, to discuss the integrity of financial reporting and control procedures, which may include discussion of APFC's staff. This topic is appropriate for executive session because the immediate knowledge of details discussed may negatively impact the value of the Permanent Fund and may be harmful to the reputation or character of the APFC's staff was made by TRUSTEE SCHUTT; seconded by TRUSTEE MORAN.

After the roll-call vote, the MOTION was APPROVED. (Trustee Schutt, yes; Trustee Moran, yes; Chair Feige, yes.)

(Executive session from 8:24 a.m. until 8:51 a.m.)

CHAIR FEIGE called the meeting back on the record in regular session. While in executive session, the trustees considered only the matters mentioned in the motion and took no action. She moved to the detailed review of the fiscal year '21 year-end financial statements, and recognized Valerie Mertz.

MS. MERTZ began with some high-level highlights for FY21 and then went through the financial statements. She stated that the numbers seen would be unprecedented in recent history. The new high set was 29.73 percent. Reflective of that return there was an accounting net income of \$19.4 billion, also a record high for the Fund. She wrapped up FY21 and stated that it was a super strong year for financial results. She thanked her finance team for the work they did in preparing this presentation over a short period of time.

CHAIR FEIGE called a break.

(Break.)

CHAIR FEIGE called the meeting back to order and moved to the scheduled second executive session on business continuity and disaster recovery. She recognized CEO Rodell.

CEO RODELL stated that one of the questions at the last Audit Committee meeting was a briefing for trustees on both security and business continuity. Staff had worked incredibly hard to get a comprehensive BCDR plan, and because a lot of the information could affect the Fund and the value of the Fund, this information had to be provided in executive session.

CHAIR FEIGE asked for a motion.

MOTION: In accordance with Alaska's Open Meetings Act, that the Audit Committee of the Board of Trustees convene in executive session to receive an update on APFC's Business Continuity Disaster Recovery Plan. The topic is appropriate for an executive session because the immediate knowledge of this information could thwart the efficacy of this plan, and, in turn, negatively impact the value of the Permanent Fund was made by TRUSTEE MORAN; seconded by TRUSTEE SCHUTT.

After the roll-call vote, the MOTION was APPROVED. (Trustee Schutt, yes; Trustee Moran, yes; Chair Feige, yes.)

CEO RODELL stated that staff can stay in to the extent they are all familiar with this information.

(Executive Session from 9:40 a.m. until 10:43 a.m.)

CHAIR FEIGE called the meeting back into regular session. She noted for the record, that while in executive session the trustees considered only the matters mentioned in the motion and took no action. She stated that next on the agenda is another executive session on regulatory compliance.

CEO RODELL stated, for the record, that there are a lot of things being done internally to make sure we are in compliance with various federal, state, board requirements, and she wanted to walk through what it looks like internally. She continued that this is confidential information, which is why the executive session was requested.

MOTION: In accordance with Alaska's Open Meetings Act, it is moved that the Audit Committee of the Board of Trustees convene in executive session for the purpose of reviewing APFC's investment policy compliance reports. This topic is appropriate for executive session because the immediate knowledge of details discussed could negatively impact the value of the Permanent Fund was made by TRUSTEE SCHUTT; seconded by TRUSTEE MORAN.

After the roll-call vote, the MOTION was APPROVED. (Trustee Schutt, yes; Trustee Moran, yes; Chair Feige, yes.)

(Executive session from 10:45 a.m. until 11:16 a.m.)

CHAIR FEIGE called the meeting back into regular session. She noted that while in the Executive Session, the trustees considered only the matters mentioned in the motion and took no action. She continued to other matters.

OTHER MATTERS

CEO RODELL stated she did not have anything for the committee, but reminded the committee that this will be taken up at the general meeting for action, like adopting the annual report and the audited financials.

CHAIR FEIGE asked for any future agenda items to be put forward, and then moved to Trustee Comments.

TRUSTEE COMMENTS

TRUSTEE RICHARDS stated, as was discussed in executive session, some of the report is public and probably could be provided in a public manner. Second, the regulatory compliance report, even the confidential version, can be shared with the trustees. He added that it was a great report, but he was not clear as to why it was an Audit Committee function.

TRUSTEE SCHUTT stated no comments.

TRUSTEE MORAN stated no comments.

TRUSTEE RIEGER stated no comments.

CHAIR FEIGE stated that Trustee Mahoney had joined the meeting.

TRUSTEE MAHONEY apologized for being late.

CHAIR FEIGE thanked Ms. Rodell and staff for the preparation of all the reports and being in Anchorage and dealing with everything in preparation for the meeting. She asked for a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE MORAN; seconded by TRUSTEE SCHUTT.

There being no objection, the MOTION was APPROVED.

(Audit & Risk Committee meeting adjourned at 11:19 a.m.)