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# Agenda

**BUDGET PLANNING SESSION**  
**Thursday, September 6, 2018****Atwood Building – Room 106**  
**550 West 7<sup>th</sup> Avenue, Anchorage, AK 99501****Teleconference Access****Call-in toll-free number: 1-844-740-1264 / Access Code (Meeting Number): 805 660 128***Please call in from a hard line telephone (not speaker phone or cell) to prevent audio feedback.***AGENDA****THURSDAY, SEPTEMBER 6, 2018**

- 10:15 a.m. CALL TO ORDER
- ROLL CALL (Action)
- APPROVAL OF AGENDA (Action)
- 10:20 a.m. STRATEGIC PLAN REVIEW (Information)  
Angela Rodell, Chief Executive Officer
- 10:45 a.m. INCENTIVE COMPENSATION POLICY REVIEW (Information)  
Angela Rodell, Chief Executive Officer
- 12:00 p.m. LUNCH
- 12:30 p.m. FY20 BUDGET OVERVIEW (Information)  
Valerie Mertz, Chief Financial Officer
- 1:45 p.m. ALASKA INVESTMENT POLICY (Information)  
Angela Rodell, Chief Executive Officer  
Marcus Frampton, Acting Chief Investment Officer
- 2:30 p.m. LEGISLATIVE INITIATIVES (Information)
- 2:45 p.m. OTHER MATTERS / FUTURE AGENDA ITEMS / TRUSTEE COMMENTS
- 3:00 p.m. ADJOURNMENT

**NOTE: TIMES MAY VARY AND THE CHAIR MAY REORDER AGENDA ITEMS**  
**(Please telephone Danielle Graham at 907.796.1519 with agenda questions.)**

# Strategic Plan Review Memo

SUBJECT: APFC Strategic Plan FY17-FY21      ACTION:  
DATE: September 6, 2018      INFORMATION: X

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## BACKGROUND

In order to fulfill the guidelines set forth in our Governance Manual and to better serve the people of Alaska, APFC undertakes a comprehensive review of our Strategic Plan every three to five years. APFC's 5 Year Strategic Plan for FY17-FY21 was reviewed and approved by the Board of Trustees during the Annual Meeting in 2016.

The plan identifies four strategic priorities:

- (i) gain greater control over resource allocations;
- (ii) optimize APFC's operational processes and use of financial networks and resources;
- (iii) develop best-in-class investment management capabilities and partnerships; and
- (iv) enhance talent and staff across APFC.

Each priority is accompanied by measurable goals, objectives and strategies. Timeframes and lead responsibility are assigned for each. This provides a structure with clear measures of success and accountability.

## STATUS

During the course of FY2018, APFC achieved many of the goals that had been set on each of the strategic priorities. A summary of the benchmarks met are in the attached chart.

# Strategic Plan Review

# ALASKA PERMANENT FUND CORPORATION FY17 - FY21 STRATEGIC PLAN WORKSHEET

## PURPOSE/MISSION

**To manage and invest the assets of the permanent fund and other funds designated by law**

## VISION

**To deliver sustained, compelling investment returns as the United States' leading sovereign endowment manager, benefitting all current and future generations of Alaskans.**

## VALUES

- **Integrity:** *We act in an honorable, respectful, professional manner that continually earns and justifies the trust and confidence of each other and those we serve.*
- **Stewardship:** *We are committed to wisely investing and protecting the assets, resources, and information with which we have been entrusted.*
- **Passion:** *We are driven to excellence through self-improvement, innovative solutions, and an open, creative culture. We are energized by the challenges and rewards of serving Alaskans.*

## CLIENTS/CUSTOMERS

*(ordered according to the degree to which each directly depend upon APFC's activities and support)*

- Governor and Legislature
- Investment Partners
- Mental Health Trust Authority

### Expectations

- The principal of the Permanent Fund will always be protected
- The fund will achieve CPI +5% long-term returns with adequate liquidity
- We are on the leading edge of investments and investment strategies
- We will perform in accordance with established statutes and regulations
- We will fulfill all commitments and obligations
- We attract and retain top talent at APFC
- Proprietary information is always confidential and well protected
- We will invest in attractive Alaskan opportunities

## STAKEHOLDERS

*(ordered according to the degree to which stakeholders, other than direct clients/customers, are impacted by or vested in APFC's success or failure)*

- State Government (general)
- All Alaskans
- Investment Managers

### Expectations

- Earnings of the Permanent Fund goes to the Dividend
- We are on the leading edge of investments and investment strategies
- We will fulfill all commitments and obligations
- We will do our jobs professionally

## STRENGTHS

*(ordered according to the degree of each significant strength's importance and impact on actions projected during this plan)*

- Trustees' confidence and trust in the organization
- Dedicated, talented, and passionate staff
- Proclivity to be nimble and flexible
- The work environment and culture within APFC
- Propensity to act with a long-term investment horizon
- Proven record of sustained success despite limited resources
- Knowledgeable, expert trustees
- Compelling public purpose
- Location (AK)

# ALASKA PERMANENT FUND CORPORATION

## FY17 - FY21 STRATEGIC PLAN WORKSHEET

### WEAKNESSES

*(ordered according to the degree of each significant weakness' impact on actions projected during this plan)*

- Lack of trust, confidence, and communication between stovepiped groups
- Vulnerabilities of being a government cost center
- A fear of deviating significantly from entrenched institutional practices (inertia)
- A fear of external consequences and negative reactions to decisions and actions
- Impact of location (AK) on recruiting and accessing market opportunities
- Lack of an incentive compensation plan

### OPPORTUNITIES

*(ordered according to their potential emergence and impact on APFC goals during the period covered by this plan)*

- Changing political directions, expectations, and requirements
- Increasing unique access to growing global investment opportunities and partnerships
- Potential to add greater value through increased internally managed investments
- Market demand for large scale and long-term investors
- Shifting Alaskan economy

### THREATS

*(ordered according to their potential emergence and impact on APFC goals during the period covered by this plan)*

- Changing political directions, expectations, and requirements
- Decreased support for resources and budget for operations
- Increased cyberattacks and threats to digital networks
- Lower expected returns and higher risks for public markets
- Increased competition for alternative investments
- Shrinking pool of qualified applicants and challenge of retaining experienced employees
- Shifting Alaskan economy

### STRATEGIC PRIORITIES

1. Gain greater control of resource allocations
2. Optimize APFC's operational processes and use of financial networks and resources
3. Develop best-in-class investment management capabilities, partnerships, and geographic reach to maximize investment returns
4. Enhance talent and staff across APFC

### KEY ASSUMPTIONS

- There will be no changes to the executive team
- We are an independent entity

## ALASKA PERMANENT FUND CORPORATION FY17 - FY21 STRATEGIC PLAN WORKSHEET

Goal	Objectives	Strategies
<b>Goal</b>	<b>Objectives</b>	<b>Strategies</b>
1. (P1) Gain legislative approval for direct internal control of resource allocations by FY21.	(G1,P1) Obj 1: By FY19, the budget appropriation is moved under the language section.	(O1,G1,P1) S1: Secure trustees' support for moving budget to language section by Sep 2016. (POC: CEO)  (O1,G1,P1) S2: Secure OMB support and approval for moving budget to language section by Dec 2016 (contingent on success of S1). (POC: CEO)  (O1,G1,P1) S3: Secure LB&A support and approval for moving budget to language section by Jan 2017 (contingent on success of S1). (POC: LL)
	(G1,P1) Obj 2: By FY19, the budget is a single appropriation without allocation in basis points on assets under management.	(O2,G1,P1) S1: Secure trustees' support for budget being made a single appropriation without allocation in basis points by Sep 2017. (POC: CEO)  (O2,G1,P1) S2: Secure OMB support and approval for budget being made a single appropriation without allocation in basis points by Dec 2017. (POC: CEO)  (O2,G1,P1) S3: Secure LB&A support and approval for budget being made a single appropriation without allocation in basis points by Jan 2018. (POC: LL)
	(G1,P1) Obj 3: By FY20, identify and propose a solution enabling APFC to receive its budget directly.	(O3,G1,P1) S1: Identify and propose a solution enabling APFC to receive its budget directly by Aug 2018. (POC: Legal Dept)

Goal	Objectives	Strategies
2. (P2) Implement a trade order management system by Dec 2017.	(G2,P2) Obj 1: Secure a consultant to assist in the selection and implementation process of the trade order management system by Sep 2016.	(O1,G2,P2) S1: Identify and hire a consultant to assist in the selection and implementation of the trade order management system or upgrade by Sep 2016. (POC: DoO)
	(G2,P2) Obj 2: Select a trade order management system by Mar 2017.	(O2,G2,P2) S1: Select and purchase a trade order management system or upgrade for APFC by Mar 2017 (POC: DoO)
	(G2,P2) Obj 3: Implement new trade order system by Dec 2017.	(O3,G2,P2) S1: Install and implement the new trade order system or upgrade by Dec 2017. (POC: DoO)

## ALASKA PERMANENT FUND CORPORATION FY17 - FY21 STRATEGIC PLAN WORKSHEET

Goal	Objectives	Strategies
3. (P2) Implement a central, networked data management solution by Jul 2018.	(G3,P2) Obj 1: Secure a consultant to assist in the selection and implementation of a central, networked data management solution by Dec 2016.	(O1,G3,P2) S1: Identify and hire a consultant to assist in the selection and implementation of a central, networked data management solution by Dec 2016. (POC: DoO)
	(G3,P2) Obj 2: Select a central, networked data management solution by Sep 2017.	(O2,G3,P2) S1: Select and purchase, if required, a central, networked data management solution for APFC by Sep 2017 (POC: DoO)
	(G3,P2) Obj 3: Implement the selected central, networked data management solution by Jul 2018.	(O3,G3,P2) S1: Install and implement the central, networked data management solution by Jul 2018. (POC: DoO)

Goal	Objectives	Strategies
4. (P3) Develop and fully implement best-in-class asset allocation and asset class investment capabilities able to produce target long-term returns of at least CPI+5% by the end of FY2020.	(G4,P3) Obj 1: Implement best-in-class Asset Allocation & Risk Management by end of FY2020.	(O1,G4,P3) S1: Design and receive Board approval for strategic allocation which targets CPI+5% over 5-10 years at the September 2016 Board meeting (POC: CIO)
		(O1,G4,P3) S2: Develop and implement a tool for measuring investment risk efficiency (Sharpe Ratios) for the Fund and asset classes against targets to identify areas for adjustment within asset class strategies by calendar year-end 2016 (POC: Director of Risk & Asset Allocation)
		(O1,G4,P3) S3: Design and implement APFC's tactical asset allocation framework and capabilities, including currency risk management, by June 2017 (POC: Director of Risk & Asset Allocation)
	(G4,P3) Obj 2: Implement best-in-class Global Equities program with a total value-added versus the MSCI ACWI IMI benchmark of 50bps annually (equating to a long-term Sharpe Ratio of at least 0.33 and CPI+5%) by the end of FY2020	(O2,G4,P3) S1: Value-Added Manager Selection—Deliver an average 10-20bps (net-of-fees) annually relative to the MSCI-ACWI-IMI benchmark through manager selection by the end of FY 2020 (POC: Director of Global Equities)
		(O2,G4,P3) S2: Value-Added Sector and Country Selection—Deliver an average 10-25bps (net-of-fees) annually relative to the MSCI-ACWI-IMI benchmark through sector and country allocations by the end of FY2020 (POC: Director of Global Equities)
	(O2,G4,P3) S3: Value-Added Internal Management—Deliver an average 5-20 bps (net-of-fees) annually relative to the MSCI-ACWI-IMI benchmark through	

**ALASKA PERMANENT FUND CORPORATION  
FY17 - FY21 STRATEGIC PLAN WORKSHEET**

		internal management and security selection by the end of FY2020 (POC: Director of Global Equities)
	(G4,P3) Obj 3: Implement best-in-class Tradable Income program with a target average value-added of 25bps annually compared with the new Tradable Income composite benchmark (equating to a long-term Sharpe Ratio of 0.33 and CPI+2%) by the end of FY2020.	(O3,G4,P3) S1: Secure approval for new Tradable Income team name and benchmark at the September 2016 Board Meeting (POC: CIO)
(O3,G4,P3) S2: Establish a "Liquidity Facility" of between \$500 million - \$1 billion able to provide two months of normal investment funding in order to allow the Fund to operate on a fully-invested basis by December 2016 (POC: Director of Tradable Income)		
(O3,G4,P3) S3: Develop a value-added strategy across and within tradable income sectors by the end of FY2017 (POC: Director of Tradable Income)		
	(G4,P3) Obj 4: Implement best-in-class Private Equity & Special Growth program with a target long-term return of CPI+7% and a Sharpe Ratio of 1.0 by the end of FY2020.	(O4,G4,P3) S1: Complete actionable business plan by January 2017 which details the most effective means to access international opportunities (POC: Director of PE & Special Growth)
(O4,G4,P3) S2: Outline and implement plan for increasing potential PE & Special Growth "pacing rate" by 10-25% by the December 2016 Board Meeting (POC: Director of PE & Special Growth)		
(O4,G4,P3) S3: Secure formal investment coordination arrangement with the PE team of one or more major endowment, sovereign wealth or public investment funds in order to capture enhanced deal flow and sector opportunities by the end of FY2020 (POC: Director of PE & Special Growth)		
	(G4,P3) Obj 5: Implement best-in-class Real Estate program with a target long-term return of CPI+4.5% and a Sharpe Ratio of 1.0 by the end of FY2020.	(O5,G4,P3) S1: Expand the scope of investible real estate assets and increase Fund exposure to non-US real estate by gaining access to/securing two or more project opportunities annually (on average) beginning with FY2017 (POC: Director of Real Estate)
(O5,G4,P3) S2: Update policies and procedures with adjustments to debt levels, property types, geographies, and life cycles by the September 2016 Board Meeting (POC: Director of Real Estate)		
(O5,G4,P3) S3: Evaluate and consider expanding the use of operating companies for targeted property types and form a recommendation by the end of FY 2017 (POC: Director of Real Estate)		

**ALASKA PERMANENT FUND CORPORATION  
FY17 - FY21 STRATEGIC PLAN WORKSHEET**

	<p>(G4,P3) Obj 6: Implement best-in-class Hedge Funds program with a target long-term return of CPI+5% and a Sharpe Ratio of 0.5 by the end of FY2020.</p>	<p>(O6,G4,P3) S1: Secure Board approval at the September 2016 Board meeting for a Hedge Fund allocation of 0-10% of the Fund which delivers CPI+5% and a correlation to the overall Fund of 0.5 or less within 3-5 years (POC: Director of Infrastructure &amp; Special Income)</p>
		<p>(O6,G4,P3) S2: Identify and invest in 15-20 high conviction direct funds delivering CPI+5% with a correlation to the overall Fund of 0.5 or less and a Sharpe Ratio of at least 0.5 by December 2018 (POC: Director of Infrastructure &amp; Special Income)</p>
		<p>(O6,G4,P3) S3: Create and implement a rigorous evaluation process of direct manager relationships which requires a methodical addition and removal of direct funds where appropriate by December 2016 (POC: Director of Infrastructure &amp; Special Income)</p>
	<p>(G4,P3) Obj 7: Implement best-in-class Infrastructure &amp; Special Income program with a target long-term return of CPI+4.5% and a Sharpe Ratio of 1.0 by the end of FY2020.</p>	<p>(O7,G4,P3) S1: Secure Board approval for long-term benchmark change to CPI+4.5% by the September 2016 Board Meeting (POC: Director of Infrastructure &amp; Special Income)</p>
		<p>(O7,G4,P2) S2: Outline and secure approval for a plan which increases potential Infrastructure &amp; Special Income “pacing rate” by 10-25% by the December 2016 Board Meeting (POC: Director of Infrastructure &amp; Special Income)</p>
		<p>(O7,G4,P2) S3: Secure formal investment coordination arrangement with the Infrastructure team of one or more major endowment, sovereign wealth or public investment funds in order to capture enhanced deal flow and sector opportunities by the end of FY2020 (POC: Director of Infrastructure &amp; Special Income)</p>

**ALASKA PERMANENT FUND CORPORATION  
FY17 - FY21 STRATEGIC PLAN WORKSHEET**

Goal	Objectives	Strategies
5. (P4) Implement a competitive incentive compensation program for FY19 by Oct 2019.	(G5,P4) Obj 1: Gain Trustee approval for incentive compensation plan for staff by Dec 2016.	(O1,G5,P4) S1: Formulate a competitive incentive compensation plan for staff by Sep 2016. (POC: HR) (O1,G5,P4) S2: Present competitive incentive compensation plan to Trustees by Dec 2016. (POC: CEO)
	(G5,P4) Obj 2: Gain administration's support for appropriation supporting the incentive compensation plan's inclusion in the FY19 budget by Sep 2017.	(O2,G5,P4) S1: Secure OMB support and approval for the incentive compensation plan by Sep 2017 (POC: CEO)
	(G5,P4) Obj 3: Gain legislative support for appropriation implementing incentive compensation plan by May 2018.	(O3,G5,P4) S1: Secure LB&A support and approval for the incentive compensation plan by Jan 2018 (POC: LL)
	(G5,P4) Obj 4: Implement approved competitive incentive compensation program for FY19 by Oct 2019.	(O4,G5,P4) S1: Implement and administer performance assessment for incentive awards by Oct 2019. (POC: HR)

# Incentive Compensation Policy Review Memo

SUBJECT: Incentive Compensation Structure    ACTION:

DATE: September 6, 2018

INFORMATION: X

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BACKGROUND:

Since 2011, the Board, through the adoption of its Personnel Management Program, has had a compensation philosophy as follows:

“APFC strives for a compensation program that competes well in the market and motivates all employees to bring their best efforts to the scope of their job responsibilities. The program provides a systematic means of tracking, measuring, and compensating employees and allows flexibility for APFC to act quickly.”

This is a compensation philosophy that recognizes all employees are valued and that individually and collectively that value needs to be compensated for fairly. Compensation should reflect our mission, vision and values and incentivize the behaviors we want to see as an organization.

**APFC Mission**

To manage and invest the assets of the Permanent Fund and other funds designated by law.

**APFC Vision**

Our vision is to deliver sustained compelling investment returns as the United States' *leading sovereign endowment manager*, benefitting all current and future generations of Alaskans.

**Strategic Priorities – From 2017-2021 Strategic Plan**

Priority #3: Develop best-in-class investment management capabilities, partnerships, and geographic reach to maximize investment returns

Priority #4: Enhance talent and staff across APFC

**Goals – From 2017-2021 Strategic Plan**

Designed to help fulfill above Strategic Priorities

Goal #5: Implement a competitive incentive compensation program by October 2019

STATUS:

In March of 2017, APFC, at the request of the Board of Trustees, hired McLagan to undertake a compensation review and develop an incentive compensation plan for APFC. At the December 2017 Board meeting, the Board of Trustees adopted updated base salary pay bands for each position as a result of that review. The adjustments warranted by the new base salary bands have been made and were incorporated into the FY19 budget request for APFC. In May of

2018, the Board adopted the basic parameters of an incentive compensation policy including the definition of Plan Participants.

The purpose of this agenda item is to take the next step and present an incentive compensation plan. This is a plan designed to attract and retain talent, recognize our value of being good stewards of resources, recognize our passion for investing for Alaskans, encourage teamwork and collaboration and ultimately deliver best in class results across all operational areas of APFC. The amounts contemplated by the Plan have been included for discussion of the FY20 budget submission.

# Incentive Compensation Policy

Alaska Permanent Fund Corporation (“APFC”)  
Incentive Compensation Plan - Investment Staff

## AUTHORITY

On May 24, 2018, the Board of Trustees of the Alaska Permanent Fund Corporation (the “Board”) adopted Resolution 18-02, which modified the compensation for the Investment Staff and Chief Investment Officer (“CIO”) to provide for a base salary plus an annual incentive compensation targeted at the median total cash compensation provided to the APFC peer equivalent. This document specifies the policies and procedures related to the administration of this modified compensation plan (“Plan”) for the Investment Staff and CIO (“Participants”).

## OBJECTIVES

As outlined by the Board in Resolution 18-02, the modified compensation plan is designed to:

1. Help attract and retain world class investment professionals;
2. Help APFC earn the highest possible investment returns at a reasonable cost and at controlled levels of risk;
3. Reward long-term investment performance that reflects the Alaska Permanent Fund’s aspiration to achieve above-benchmark, net of fees performance (as measured in basis points and the corresponding dollars of excess value added);
4. Motivate Participants to make sound decisions for the Fund, including implementation decisions related to asset allocation;
5. Foster a collaborative approach to investing APFC’s assets under management; and
6. Reward measurable and achievable performance.

## ADMINISTRATION AND MANAGEMENT

Because the funds needed to implement this annual compensation plan are contingent upon an annual appropriation by the Legislature, the policies and procedures described in this document are not a contract, guarantee of payment, guarantee of participation in the incentive plan in subsequent years, or guarantee employment among APFC and the Participants. Notwithstanding any other provision in this Plan and regardless of any incentive compensation award calculations hereunder, no incentive compensation award shall be made unless amounts have been included in a Board approved budget, appropriated by the Alaska Legislature and signed into law by the Governor of Alaska.

The Executive Director will implement and administer this Plan and may delegate certain administrative responsibilities to other senior managers at APFC, including the Director of Human Resources.

Participants may present questions related to the Plan to the Director of Human Resources. Under the Executive Director’s direction, the Director of Human Resources will work with the appropriate persons to answer such

questions. The Executive Director will have full discretion to conclusively decide all questions or matters relating to the interpretation of the provisions and administration of this Plan.

Amendments or changes to the Plan may be proposed by the Executive Director but must be approved by the Board.

As provided in Resolution 18-02, positions at APFC eligible to participate in the Plan are regular, full-time positions classified by the State of Alaska as Chief Investment Officer, Investment Officer or Investment Associate.

By December of each year, the Executive Director will consult with the Board to confirm any new APFC investment positions that will be eligible to participate in the Plan during the next fiscal year.

For all Participants, an incentive compensation award is contingent on a Participant be in good standing on the day of payment. "Employment in good standing" means the Participant is not being disciplined and/or the Participant is not on a performance improvement plan.

#### INCENTIVE COMPENSATION POOL

For budgeting purposes, the annual total Plan Participants' incentive compensation pool is equal to 50% of the prior fiscal year's total base salaries of the Plan Participants.

#### AVAILABILITY OF QUANTITATIVE INCENTIVE POOL FOR DISTRIBUTION

The annual award of incentive compensation to Plan Participants is contingent on the Fund exceeding its short term and long term policy benchmarks, net of fees, as defined by the Investment Policy adopted by the Board and associated Investment Guidelines.

#### AWARDS TO INDIVIDUALS

Contingent upon funding and the Fund achieving its short term and long term policy benchmarks, the award of incentive compensation to individual Plan Participants, with weights varying by responsibilities, is provided in the chart below:

Title	Total Fund Weight	Asset Class Weight	Percent of Salary Eligible
Chief Investment Officer	100%	0%	50%
Director – Asset Class	50%	50%	50%
Senior Portfolio Manager	45%	55%	50%
Portfolio Manager	40%	60%	35%
Senior Portfolio Analyst	35%	65%	25%
Analyst	25%	75%	15%

The following performance bands, weighted 80% to five-year performance and 20% weighted to one-year performance, will be applied to determine the percentages of "Total Fund Weight" and "Asset Class Weight" that each Plain Participant will be awarded:

	Outperformance	Credit
Total Fund	100 bp or more 50 bp 0 bp	100% 50% 0%
Public Equities	100 bp or more 50 bp 0 bp	100% 50% 0%
Fixed Income Plus	50 bp or more 25 bp 0 bp	100% 50% 0%
Private Equity & Special Opportunities	200 bp or more 100 bp 0 bp	100% 50% 0%
Real Estate, Infrastructure & Private Income	100 bp or more 50 bp 0 bp	100% 50% 0%
Absolute Return	50 bp or more 25 bp 0 bp	100% 50% 0%
Asset Allocation	50 bp or more 25 bp 0 bp	100% 50% 0%

- Intermediate points will be interpolated

If with respect to any performance year the absolute investment return, gross of fees, for the Fund for which a Participant is eligible is negative no payment of incentive compensation will be paid.

The following examples are for Illustrative Purposes:

Example A

Director – Private Equity

Base Salary = \$200,000

Max Bonus Award = \$100,000 (50% of \$200,000)

Assume the following performance:

	Short Term	Long Term
Total Fund Performance	75 bp	150 bp
PESO Asset Class Performance	300 bp	100 bp

Calculation:

	Short Term	Long Term
Total Fund Performance	$(0.75 \times 20 \times .50) = 7.5$	$(1.00 \times 80 \times .50) = 40$
Asset Class Performance	$(1.00 \times 20 \times .50) = 10$	$(0.50 \times 80 \times .50) = 20$
Total Points	17.5	60

Total Points = 77.5 out of possible 100

Total Bonus = 77.5% \* \$100,000 = \$77,500

Total Cash Compensation = \$277,500

Example B:

Analyst – Private Equity

Base Salary = \$80,000

Max Bonus Award = \$12,000 (15% of \$80,000)

Assume the following performance:

	Short Term	Long Term
Total Fund Performance	75 bp	150 bp
PESO Asset Class Performance	300 bp	100 bp

Calculation:

	Short Term	Long Term
Total Fund Performance	$(0.75 * 20 * .25) = 3.75$	$(1.00 * 80 * .25) = 20$
Asset Class Performance	$(1.00 * 20 * .75) = 15$	$(0.50 * 80 * .75) = 30$
Total Points	18.75	50

Total Points = 68.75 out of possible 100

Total Bonus = 68.75% \* \$12,000 = \$8,250

Total Cash Compensation = \$88,250

**PROCESS FOR THE DIRECTOR OF HUMAN RESOURCES**

The Director of Human Resources, in consultation with the Executive Director and each Participant's manager, will determine the amount of each of Participant's incentive compensation award pursuant to the Plan.

**AWARD LIMITS**

The maximum incentive award that may be awarded to an individual employee shall not exceed 1.50 times an individual's previous year's total compensation.

**AWARD AND PAYMENT DATES**

Incentive compensation awards will be determined and authorized as soon as practical following the close of each fiscal year. Contingent upon having access to the Fund performance information needed to complete the calculation, annual incentive awards for the prior year should be completed during the first six months of each fiscal year.

APFC and the State of Alaska shall be entitled to withhold or deduct, as applicable, from the amount of any payment under this Plan or any other compensation due to the Participant, all federal, state, city and other taxes and all other amounts, as applicable.

**PRO-RATA PERFORMANCE AWARDS**

Individuals who begin employment or who are appointed or transferred to positions eligible under this Plan, after the start of the fiscal year, may still receive a portion of the total potential incentive compensation amount, to be determined by the Executive Director, based upon the percentage of the fiscal year that they were employed in the position eligible for incentive compensation under the Plan. Individuals must be in an eligible position for at least one calendar quarter to participate in the Plan.

## ELIGIBILITY UPON TERMINATION

Employment at APFC, in good standing on the day of payment, is a pre-requisite for receiving any approved incentive compensation payment. In the case of retirement, disability or death of a Participant occurring during the fiscal year, the potential incentive amount may be paid to the Participant, the amount to be determined by the Executive Director, based on the time worked during the fiscal year (using exact office dates, not payroll dates). These payments will be made at the same time as any other incentive compensation award.

## GOVERNING LAW

The Policy shall be construed and interpreted according to the laws of the State of Alaska to the extent such laws are not preempted by federal law.

# Compensation Resolution 18-02

**ALASKA PERMANENT FUND CORPORATION**

**RESOLUTION OF THE BOARD OF TRUSTEES RELATING TO APFC STAFF COMPENSATION**

**RESOLUTION 18-02**

All employees of the Alaska Permanent Fund Corporation (“APFC”) are valued and essential to fulfilling APFC’s mission to deliver sustained compelling investment returns as the United States’ leading sovereign endowment manager, benefiting all current and future generations of Alaskans. In fulfillment of this mission it is imperative that APFC is in a position to attract, incent, and retain staff at all levels and in all positions.

The APFC Board of Trustees Charters and Governance Policies, therefore, obligate the Board to establish human resources policies and procedures necessary for the effective management of the Permanent Fund, including a compensation and benefits policy. Because the level and complexity of internal investment management at APFC and the value-added and savings achieved by this internal management has grown significantly in the last five years, the Board feels strongly that fair and competitive compensation for APFC staff needs to evolve and grow to acknowledge and foster this successful result.

**NOW THEREFORE BE IT RESOLVED THAT:**

1. Compensation for APFC staff should be commensurate with its peer equivalent, which the Board has determined shall be comprised of a weighting that reflects 75% US and Canadian public fund asset managers with internal/direct asset management capability and 25% of the private sector investment organizations with assets under management of less than \$100 billion, including endowments, foundations, advisory firms, banks, insurance companies and corporate plan sponsors;

2. APFC staff responsible for the Administration and Operations, including the Director of IT, Administrative Services Director and the Human Resources Manager should be compensated at competitive regional salaries, eligible for annual merit increases, targeted at median total cash compensation in comparison to the APFC peer equivalent;

3. APFC staff responsible for the Investment, including the Chief Investment Officer should be compensated through a base salary plus annual incentive compensation targeted at median total cash compensation in comparison to the APFC peer equivalent;

4. Annual incentive compensation will be measured net-of-fees on a three year basis versus the relative performance benchmark and no incentive compensation will exceed 50% of an individual’s base salary;

5. APFC Executive Management, including the Executive Director, Chief Financial Officer, Chief Operating Officer and General Counsel may be subject to incentive compensation at the discretion of the Board;

6. The Board of Trustees will include an incentive compensation request with each annual budget request beginning with its Fiscal Year 2020 request, which will be based on incentive compensation earned for Fiscal Year 2019 performance benchmarks; and

7. Upon the appropriation of funds to award annual incentive compensation and amendment to the APFC Personnel Management Program, the Executive Director will be responsible for determining and distributing individual incentive awards.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation this 24<sup>th</sup> day of May, 2018.

*/s/*

Bill Moran  
Chairman, Board of Trustees  
Alaska Permanent Fund Corporation

ATTEST:

*/s/*

Angela M. Rodell, Corporate Secretary

# Personnel Management Plan



**PMP - EMPLOYEE HANDBOOK**

2018

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## MISSION, VISION & VALUES

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### Mission

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To manage and invest the assets of the permanent fund and other funds as designated by law

### Vision

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To deliver sustained, compelling investment returns as the United States' leading sovereign wealth endowment manager, benefitting all current and future generations of Alaskans

### Values

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**Integrity:** We act in an honorable, respectful, professional manner that continually earns and justifies the trust and confidence of each other and those we serve.

**Stewardship:** We are committed to wisely investing and protecting the assets, resources and information with which we have been entrusted.

**Passion:** We are driven to excellence through personal improvement, innovative solutions and an open creative culture; and are energized by the challenges and rewards of serving Alaskans

## INTRODUCTION

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The PMP formalizes in policy important corporate employment practices, initially developed with input from Alaska Permanent Fund Corporation (APFC) employees, Trustees, and a consultant. The Executive Director is responsible for PMP implementation.

This Employee Handbook (Handbook) outlines those elements of the PMP with which all employees must be knowledgeable to effectively carry out their job responsibilities and contribute appropriately to the APFC mission. As support for employees, the PMP establishes an obligation for APFC to provide each employee the most appropriate opportunity to perform effectively.

Open and timely communication and understanding at all levels of APFC employment is vitally important to PMP implementation. The value of teamwork is critical to the success of the PMP and each employee; teamwork extends employees' understanding of job responsibilities, supervisory roles, and other work-related relationships. Each employee's individual contribution adds to the success of the entire APFC organization.

No employee manual can anticipate every circumstance or question about policy. As APFC continues to grow, the need to change policies may arise. Therefore, APFC reserves the rights to revise, supplement, or rescind any policies or portion of this manual. The HR Officer will notify employees as soon as is practicable of changes to the Handbook.

In order to retain necessary flexibility in the administration of policies and procedures, APFC reserves the rights to revise any of the policies and/or benefits described in this handbook.

### Employment-at-will Status

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APFC is an at-will employer and neither the employee nor APFC is obligated to continue the employment relationship if either chooses, at will, to end the relationship at any time for any or no reason. The protection of general employment laws applies to APFC employees.

## EMPLOYMENT OVERVIEW

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### Organizational Chart

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APFC Organizational charts are updated periodically as needed and available through the HRIS system or by request.

### Disclosure Requirements

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APFC employees are required to disclose financial investments in writing on an annual basis and within 30 days of a transaction for holdings they control an interest in whether or not they are a beneficiary of those investments. They must also disclose investments for household members and others they exercise a role as power of attorney or trustee. These disclosures are public documents.

Investment officers, Trustees and the Executive Director must additionally submit – online – conflict of interest statements to the Alaska Public Offices Commission (APOC) through the APOC website. Also as condition of employment, both APFC and the State of Alaska require employees to disclose conflicts of interest.

For more information on disclosure requirements please see the APFC Administrative Policy relating to Personal Investments Conduct and Reporting Conflict of Interest Law Alaska Executive Branch Ethics Act.

## Equal Employment Opportunity

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APFC provides equal employment and advancement opportunities to all. APFC follows all applicable laws and does not discriminate in employment opportunities or practices on the basis of race, color, religion, sex, national origin, age, disability, or any other class protected by law.

Employees with questions or concerns about discrimination in the workplace are encouraged to bring these issues to the attention of their immediate supervisor, any department head, or the HR Manager. Employees can raise employment-related concerns and make reports without fear of reprisal. APFC prohibits employment decisions based on whether or not an employee files or does not file a discrimination complaint regarding himself/herself or a coworker. Anyone found engaging in unlawful discrimination will be subject to disciplinary action, up to and including termination of employment.

## Disability Accommodation

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APFC is committed to complying with the Americans with Disabilities Act (ADA) and ensuring equal opportunity in employment for qualified persons under this Act. All employment practices and activities are conducted on a nondiscriminatory basis. APFC also prohibits discrimination against qualified employees or applicants because they are related to or associated with a person with a disability.

## Nepotism and Hiring of Immediate Family Members

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The Executive Director must preauthorize all APFC hires. Immediate family members of APFC employees may be hired only if: (1) Executive Director approval is obtained, (2) they will not work directly for or supervise a relative, and (3) they will not work in the same department within APFC.

For the purposes of this policy, a relative or immediate family member includes the spouse of the employee, another person cohabiting with the employee in a conjugal relationship that is not a legal marriage, a child, including a stepchild and an adoptive child of the employee; a parent, sibling, grandparent, aunt, or uncle of the employee, and a parent or sibling of the employee's spouse.

APFC prohibits hiring APFC Board of Trustee members (per AS 37.13.100). Additionally, APFC prohibits hiring immediate family members of current APFC Trustees. If a Trustee is appointed to the APFC Board and is also related to a current employee, the Boards and Commissions Office within the Office of the Governor is notified. APFC will then follow appropriate recommendations made by the Boards and Commissions Office.

Before finalizing a decision to hire an employee's immediate family member, APFC may require both family members to sign a nepotism waiver, stating that both members understand the policy and limitations for potential future career advancement due to the position held by the other family member. APFC does not accommodate organizational movement of an immediate family member for the sole purpose of allowing career advancement for the other family member.

In other cases where a conflict or the potential for conflict arises, even if there is no supervisory relationship involved, the parties may be separated by reassignment or terminated from employment.

## Outside Employment

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Employees may hold employment outside of APFC as long as they meet the performance standards of their APFC job and that such outside employment does not conflict with APFC job duties and responsibilities, corporate values, or the Alaska Executive Branch Ethics Act. All employees are encouraged to read the Alaska Executive Branch Ethics Act, as they will be responsible for abiding by it. Employees are judged by the performance standards and measurements detailed in their

individual position descriptions and/or their individual employee performance appraisals without consideration for the outside work requirements and are subject to APFC's scheduling demands, regardless of existing outside work requirements.

Employees are required to notify the APFC ethics supervisor in writing about outside employment immediately upon accepting outside employment in accordance with the Alaska Executive Branch Ethics Act (AS 39.52.170). The ethics supervisor determines if a conflict of interest exists. If a conflict exists, the employee must rectify the conflict immediately.

If APFC determines at any time, even after granting initial approval, that an employee's outside work interferes with his/her ability to meet APFC work requirements, APFC's needs supersede the other employer considerations.

Employees are prohibited from receiving any income or material gain from individuals outside APFC for materials produced or services rendered from performing their job responsibilities or duties with APFC. The Alaska Executive Branch Ethics Act restricts certain employment for two years after leaving state service. All former employees are required to notify the ethics supervisor of employment with outside agencies for up to two years after leaving APFC service.

### Nondisclosure of Confidential Information

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APFC sometimes presents at public forums featuring employee panelists that provide information regarding APFC and staff opinions on economic and market trends and other topics. APFC employees are sometimes guest speakers for public and community organizations. As a public corporation, APFC is also subject to the state public records act and federal Freedom of Information Act, whereby citizens may rightfully request information from the Corporation.

However, the protection of APFC confidential business information and trade secrets is vital to its interests and success. Such confidential information may include, but is not limited to, the following examples:

- investment information
- financial information
- personnel information
- computer processes
- computer programs and codes
- pending projects and proposals
- building or equipment security information

Employees who improperly use or disclose trade secrets or confidential business, security, or personnel-related information will be subject to disciplinary action, up to and including termination of employment, even if they do not benefit from the disclosed information.

## COMPENSATION CLASSIFICATION

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### APFC Market Guided Classification Method

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Elements of the APFC Market Guided Classification (MGC) method are:

- Authority, scope and responsibility for making decisions
- Level of risk and ability to add value to the Corporation
- Supervisory and/or expert knowledge as well as decision-making complexity and difficulty as defined by mental and physical effort and required job skills

The Executive Director may consider corporate equity within the classification process. Under MGC, positions performing similar work are grouped under one broad classification where possible to provide classification flexibility while maintaining objectivity and discipline.

### Class Specifications

- Captures the body of work that belongs to the Corporation
- Serves as the framework of employment

### Job Description

- Reflects what the person in the position does
- Determines where the person fits in the class specification
- Changes with the person
- Serves as the basis of evaluation

Supervisors and employees are encouraged to annually review class specs and job descriptions to ensure they continue to fit the actual duties. The HR Officer and the supervisor review any revisions to ensure the job description fits the class specs and is consistent with the corporate structure. Both parties periodically review the class specs to ensure current relevance.

## COMPENSATION PHILOSOPHY & STRUCTURE

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APFC strives for a compensation program that competes well in the market and motivates all employees to bring their best efforts to the workplace. The program provides a systematic means of tracking, measuring, and compensating employee performance and allows flexibility for APFC to act quickly.

### Salary Structure

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APFC's salary structure identifies the position hierarchy and the resulting salary ranges for each classification. The basis for calculating competitive pay is achieved through:

- Market compensation surveys conducted periodically
- An effort to place APFC's salary range midpoint based on the 50<sup>th</sup> percentile of market where feasible and consistent with the classification plan

### Market Surveys

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APFC tries to achieve external parity in compensation through the use of periodic market surveys and other appropriate techniques. As a general rule, the HR Officer oversees scheduling market surveys every other year. Circumstances may dictate a departure from this schedule.

### Structure Calculation

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Midpoint	50 <sup>th</sup> percentile of market data
Minimum and Maximum	Calculation of range spread from midpoint
Range Spread	50% to 100%, depending on the classification level
25 <sup>th</sup> and 75 <sup>th</sup> percentiles	Calculated from minimum, midpoint and maximum

*Classification & Compensation Authority*

AS 37.13.100

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Provides that the Executive Director may, with board approval, select and employ additional staff as necessary.

APFC Bylaws, Article II, Section 4

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Provides that the Executive Director shall provide for execution of all corporate operational and administrative functions.

APFC Bylaws, Article II, Section 8

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Provides that the Executive Director shall employ personnel he/she deems necessary to exercise his/her powers, duties, and functions under AS 37.13; determine employee compensation; and makes these decisions within APFC budget limitations as approved by the Board in compliance with policies established by the Board.

Positions	Department	Classification	Salary Level	Min	25th	Mid	75th	Max
Intern	Admin	O-01	1	\$ 31,660	\$ 35,618	\$ 39,576	\$ 43,533	\$ 47,491
Administrative Assistant	Admin	O-02	2	\$ 37,802	\$ 42,528	\$ 47,253	\$ 51,978	\$ 56,703
Administrative Assistant II	Admin	O-03	3	\$ 42,906	\$ 48,269	\$ 53,632	\$ 58,996	\$ 64,359
Administrative Specialist - General	Admin	O-03	3	\$ 42,906	\$ 48,269	\$ 53,632	\$ 58,996	\$ 64,359
Administrative Assistant III	Admin	O-04	4	\$ 48,702	\$ 54,789	\$ 60,877	\$ 66,965	\$ 73,053
Administrative Specialist - Procurement	Admin	O-04	4	\$ 48,702	\$ 54,789	\$ 60,877	\$ 66,965	\$ 73,053
Accountant	Finance	O-04	4	\$ 48,702	\$ 54,789	\$ 60,877	\$ 66,965	\$ 73,053
IT Desktop Support	IT	O-05	5	\$ 55,276	\$ 62,186	\$ 69,095	\$ 76,005	\$ 82,914
Administrative Assistant IV	Admin	O-05	5	\$ 55,276	\$ 62,186	\$ 69,095	\$ 76,005	\$ 82,914
Administrative Specialist II	Admin	O-05	5	\$ 55,276	\$ 62,186	\$ 69,095	\$ 76,005	\$ 82,914
Accountant II	Finance	O-05	5	\$ 55,276	\$ 62,186	\$ 69,095	\$ 76,005	\$ 82,914
Operations Analyst	Finance	O-05	5	\$ 55,276	\$ 62,186	\$ 69,095	\$ 76,005	\$ 82,914
IT Desktop Support II	IT	O-06	6	\$ 60,303	\$ 69,349	\$ 78,394	\$ 87,440	\$ 96,485
Administrative Specialist III	Admin	O-06	6	\$ 60,303	\$ 69,349	\$ 78,394	\$ 87,440	\$ 96,485
Executive Assistant	Admin	O-06	6	\$ 60,303	\$ 69,349	\$ 78,394	\$ 87,440	\$ 96,485
HR Generalist I	Admin	O-06	6	\$ 60,303	\$ 69,349	\$ 78,394	\$ 87,440	\$ 96,485
Portfolio Accountant I	Finance	O-06	6	\$ 60,303	\$ 69,349	\$ 78,394	\$ 87,440	\$ 96,485
Investment Analyst	Investments	I-06	6	\$ 60,303	\$ 69,349	\$ 78,394	\$ 87,440	\$ 96,485
IT Specialist	IT	O-06	6	\$ 60,303	\$ 69,349	\$ 78,394	\$ 87,440	\$ 96,485
Operations Analyst II	Finance	O-06	6	\$ 60,303	\$ 69,349	\$ 78,394	\$ 87,440	\$ 96,485
Performance & Compliance Analyst	Finance	O-06	6	\$ 60,303	\$ 69,349	\$ 78,394	\$ 87,440	\$ 96,485
Sr Operations Analyst	Finance	O-06	6	\$ 60,303	\$ 69,349	\$ 78,394	\$ 87,440	\$ 96,485
Compliance Officer	Finance	O-07	7	\$ 68,455	\$ 78,723	\$ 88,991	\$ 99,259	\$109,527
Portfolio Accountant II	Finance	O-07	7	\$ 68,455	\$ 78,723	\$ 88,991	\$ 99,259	\$109,527
HR Generalist II	Admin	O-07	7	\$ 68,455	\$ 78,723	\$ 88,991	\$ 99,259	\$109,527
Investment Analyst II	Investments	I-07	7	\$ 68,455	\$ 78,723	\$ 88,991	\$ 99,259	\$109,527
IT Specialist II	IT	O-07	7	\$ 68,455	\$ 78,723	\$ 88,991	\$ 99,259	\$109,527
Sr Operations Analyst II	Finance	O-07	7	\$ 68,455	\$ 78,723	\$ 88,991	\$ 99,259	\$109,527
Sr Compliance Officer	Finance	O-08	8	\$ 77,770	\$ 89,436	\$101,102	\$112,767	\$124,433
Administrative Services Officer / Manager	Admin	O-08	8	\$ 77,770	\$ 89,436	\$101,102	\$112,767	\$124,433
Investment Analyst III	Investments	I-08	8	\$ 77,770	\$ 89,436	\$101,102	\$112,767	\$124,433
Sr Accountant	Finance	O-08	8	\$ 77,770	\$ 89,436	\$101,102	\$112,767	\$124,433
Sr IT Specialist	IT	O-08	8	\$ 77,770	\$ 89,436	\$101,102	\$112,767	\$124,433
Administrative Services Officer / Manager II	Admin	O-09	9	\$ 88,251	\$101,488	\$114,726	\$127,964	\$141,201
RE Investment Analyst	Investments	I-09	9	\$ 88,251	\$101,488	\$114,726	\$127,964	\$141,201
Sr Accountant II	Finance	O-09	9	\$ 88,251	\$101,488	\$114,726	\$127,964	\$141,201
Sr Investment Analyst	Investments	I-09	9	\$ 88,251	\$101,488	\$114,726	\$127,964	\$141,201
HR Officer / Manager	Admin	O-10	10	\$ 95,555	\$112,277	\$128,999	\$145,721	\$162,443
RE Investment Analyst II	Investments	I-10	10	\$ 95,555	\$112,277	\$128,999	\$145,721	\$162,443
Sr Accountant III	Finance	O-10	10	\$ 95,555	\$112,277	\$128,999	\$145,721	\$162,443
Sr Investment Analyst II	Investments	I-10	10	\$ 95,555	\$112,277	\$128,999	\$145,721	\$162,443
Sr IT Specialist II	IT	O-11	11	\$109,171	\$128,276	\$147,381	\$166,486	\$185,591
Controller	Finance	O-11	11	\$109,171	\$128,276	\$147,381	\$166,486	\$185,591
Director of Admin/Operations	Admin	O-11	11	\$109,171	\$128,276	\$147,381	\$166,486	\$185,591
Portfolio Manager	Investments	I-11	11	\$109,171	\$128,276	\$147,381	\$166,486	\$185,591
Communications Manager	Admin	O-11	11	\$109,171	\$128,276	\$147,381	\$166,486	\$185,591
Sr Investment Analyst III	Investments	I-11	11	\$109,171	\$128,276	\$147,381	\$166,486	\$185,591
Risk Manager	Investments	I-11	11	\$109,171	\$128,276	\$147,381	\$166,486	\$185,591
HR Officer / Manager II	Admin	O-12	12	\$124,630	\$146,440	\$168,250	\$190,061	\$211,871
Portfolio Manager II	Investments	I-12	12	\$124,630	\$146,440	\$168,250	\$190,061	\$211,871
Sr Investment Analyst IV	Investments	I-12	12	\$124,630	\$146,440	\$168,250	\$190,061	\$211,871
Risk Manager	Investments	I-12	12	\$124,630	\$146,440	\$168,250	\$190,061	\$211,871
Director of Human Resources	Admin	I-13	13	\$142,411	\$167,333	\$192,255	\$217,177	\$242,099
Sr Portfolio Manager	Investments	I-13	13	\$142,411	\$167,333	\$192,255	\$217,177	\$242,099
Sr Portfolio Manager	Investments - Pri	I-13	13	\$142,411	\$167,333	\$192,255	\$217,177	\$242,099
Director of Risk Management	Investments	I-13	13	\$142,411	\$167,333	\$192,255	\$217,177	\$242,099
Sr Portfolio Manager	Investments - FI	I-13	13	\$142,411	\$167,333	\$192,255	\$217,177	\$242,099
Director of IT	Executive	O-14	14	\$162,676	\$191,144	\$219,612	\$248,080	\$276,548
Sr Portfolio Manager II	Investments - RE	I-14	14	\$162,676	\$191,144	\$219,612	\$248,080	\$276,548
Sr Portfolio Manager II	Investments - FI	I-14	14	\$162,676	\$191,144	\$219,612	\$248,080	\$276,548
Chief Financial Officer	Executive	O-15	15	\$185,743	\$218,248	\$250,753	\$283,259	\$315,764
General Counsel	Executive	O-15	15	\$185,743	\$218,248	\$250,753	\$283,259	\$315,764
Director of Investments	Investments - FI	I-15	15	\$185,743	\$218,248	\$250,753	\$283,259	\$315,764
Director of Investments	Investments - RE	I-15	15	\$185,743	\$218,248	\$250,753	\$283,259	\$315,764
Director of Investments	Investments	I-15	15	\$185,743	\$218,248	\$250,753	\$283,259	\$315,764
Sr / Managing Director of Investments	Investments	I-16	16	\$212,175	\$249,306	\$286,436	\$323,567	\$360,698
Deputy CIO	Investments	I-17	17	\$218,134	\$272,668	\$327,201	\$381,735	\$436,269
Chief Investments Officer	Executive	I-18	18	\$249,175	\$311,468	\$373,762	\$436,056	\$498,350
Executive Director / CEO	Executive	O-18	18	\$249,175	\$311,468	\$373,762	\$436,056	\$498,350
Pay Grade Future Growth		O-19/I-19	19	\$284,632	\$355,790	\$426,948	\$498,107	\$569,265
Pay Grade Future Growth		O-20/I-20	20	\$325,136	\$406,419	\$487,703	\$568,987	\$650,271

Classification / Compensation Action	Approval Authority
<ul style="list-style-type: none"> <li>• Hiring Executive Director</li> <li>• Establishing and adjusting Executive Directory compensation</li> <li>• Amending the compensation structure</li> </ul>	Board of Trustees
<ul style="list-style-type: none"> <li>• Amending position classification structure</li> <li>• Hiring employees (within Board approved budgeted appropriation)</li> <li>• Establish pay rates for new hires</li> <li>• Promoting staff</li> <li>• Adjusting staff compensation for performance based increases (excluding ED)</li> <li>• Adjusting staff compensation outside the evaluation cycle and merit increase provisions but within existing classification and compensation structure</li> <li>• Reclassifying positions within existing classification structure</li> </ul>	Executive Director

Administrative Guidelines for Classification & Compensation

The administrative guidelines provide definitions and directions for implementing and maintaining the classification and compensation structures. Any substantive change to the compensation structure requires Board review and approval.

Review of Classification and Compensation Structures

APFC will periodically review class specifications to update the type and level of work described in the class specification for each position, or to reclassify the position.

- One of the purposes of the review is to check the internal balance of the compensation scheme
- The supervisor and the HR Officer conduct class specification reviews
- The HR Officer periodically obtains a professional market compensation survey
- The Executive Director has final approval of all changes to class specs within the existing classification and compensation structures

Compensation Considerations at Hire

APFC salary administration strives to balance the need to attract strong talent while maintaining a fiscally responsible approach to the hiring process. Each hire will be extensively evaluated and offers will be made with a commitment to ensure we provide compelling compensation commensurate with positional responsibilities and candidate experience.

Appointment below the minimum may be allowed as an under-fill option. This option allows APFC to hire individuals who lack the minimum qualifications for the position. There are many reasons this may occur, including but not limited to lack of candidates fully qualified for a position. Individuals hired below the minimum qualifications must meet the minimum qualifications within that position’s introductory period. (Refer to the “Introductory Period” section of this Guide.)

Post-Survey Salary Adjustments

Employee compensation shall not be less than the minimum or exceed the classification’s salary range maximum. After a market survey (normally scheduled every other year) is completed and the compensation structure is adjusted, an employee’s salary may fall outside the new range. If (a) the salary is below the minimum, it shall be adjusted upward to fall within the range; if (b) the salary is above the maximum, the salary will be frozen and not reduced to fall within the range.

APFC offers incentive compensation to positions identified in the Incentive Compensation Policy (ICP). All employees who are eligible receive and sign for the ICP annually. The ICP is subject to change and are kept in their employees file.

### Length of Introductory Period

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The new hire orientation and introductory period is designed to provide a sufficient length of time that allows the employee to perform the full range of essential duties of the job. Administrative support positions require six months; all others require 12 months. In allowing for an orientation and introductory period, APFC as an “at will” employer makes no guarantee of employment for a particular period of time up to, through, or beyond the orientation and introductory period.

### Promotion and Reclassification

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#### Promotion

*Employee promotion* is defined as when an employee accepts the offer extended from APFC to move into an existing position within the same occupational area at a higher-level class specification. The higher position may have a different “personnel classification number” (PCN), however, the PCN is not a criterion defining a promotion. Among other considerations, promotion offers are based on an employee’s current performance. At the time of offer, or by the end of the introductory period, an employee must meet the minimum qualifications of the position offered. A promoted employee’s salary must be at least the minimum of the higher position’s salary range. Other general Guidelines are that the salary may remain the same if it is at or above the new position’s minimum, or may be increased to typically 10% over the promoted employee’s current salary; but if over 10% it usually does not exceed the midpoint of the higher position’s range.

#### Reclassification

*Reclassification* occurs when a significant change in the responsibilities of a position warrants moving the position to another classification. This change can be to a higher, lateral or lower class level. Reclassification may or may not be to an already existing job class spec. Reclassification of a position may or may not warrant a change in the reclassified position’s salary grade.

#### Merit Salary Increases (not incl. promotions and reclassifications)

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Decisions to extend a performance-based salary increase are based on merit and positive work contribution; not longevity. The granting of merit increases is not a guarantee of continued employment and does not alter the “at will” status of APFC employees.

The appropriate times to offer performance-based salary increases are:

1. **Upon January 1 for performance during the prior year**, in accordance with the performance appraisal process and merit scale (see following section). An employee who has worked an incomplete year in a position may receive a pro-rated performance-based salary increase on January 1 based upon the amount of time worked between their new position starting date and December 31, the end of the performance review period.
2. **One-time allowance** (*with controls in place to ensure that it is not awarded a second time during the fiscal year annual review*). A one-time allowance is a percentage increase to the base salary for a specific period:

- For an employee who assumes full authority, for at least a month, to execute all job responsibilities for a supervisor or coworker whose class specification is at a higher classification level, while the supervisor or coworker is absent from work (e.g., family leave), or while the position is vacant. The employee’s salary may be temporarily increased to the minimum of the higher position’s salary grade or 10% over the employee’s current salary but typically does not exceed the midpoint of the higher-level position’s salary grade. If the employee assumes a major portion (at least 50% but not 100%) of the authority level and job responsibilities of the higher position, the salary may be temporarily increased in proportion to the additional higher-level job functions but cannot exceed the increase paid for assuming 100% authority level.
  - For an employee whose work performance results in a work product that adds value to the ongoing operations of the APFC. The work product belongs to the corporation when the employee leaves. APFC allows for one-time recognition of performance that would not otherwise be compensated, except as part of the employee’s base pay.
3. **Other:** The Executive Director has the authority to make adjustments to assure internal equity

## PERFORMANCE MANAGEMENT

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*Performance Management provides opportunities for official recognition of an employee’s achievements, provide suggestions for performance improvement, and provide the opportunity for employee career counseling. Performance appraisals relay APFC work expectations, develop performance objectives, and evaluate work performance.*

APFC supervisors are encouraged to regularly review employee work performance on an informal basis. Annually, supervisors conduct a formal Employee Work Performance Appraisal/Evaluation. This is the official documentation of an employee/ supervisor discussion of employee work performance for the annual review period. The performance appraisal process or rating does not alter the “at will” status of APFC employees.

### Performance Appraisal system elements

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<b>Class Specification</b>	Captures the body of the work that belongs to the Corporation and is the legal framework of employment.
<b>Job Description</b>	Reflects what the person in the position does, determines where the person fits in the class specification, changes with the person, and provides criteria against which the employee is evaluated.
<b>Periodic Interim Reviews</b>	As needed – provides an informal and interactive process during the year to identify changes in the position or goals and promotes open communications.
<b>Annual Performance Appraisal</b>	Documents the formal process using a performance measurement system that focuses on competencies and goals. (See “Performance Appraisal Process” for details.)

It is upon the completion of the performance appraisal, and based on work performance, that pay adjustment or position movement is based. The appraisal is also a planning tool that details the next year’s work performance objectives, the employee development plan, and measurable goals.

### Annual Performance Appraisal/Evaluation Process

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The annual performance appraisal/evaluation process begins in the 4<sup>th</sup> Quarter of the Calendar Year during performance period year end. The process may involve an employee self-review and may include peer reviews. Self-reviews will not technically factor into the quantitative rating but rather be used as information for the supervisor, who is the only person in the process whose rating technically factors into the evaluation score. Following the supervisor’s review is a review and approval hierarchy, which varies depending on the position under review. Upon completion of each step in the process, the

next individual in the queue is prompted to complete their task until the review is final. Salary adjustments may occur when all parties involved in the process for an employee have completed their tasks. The performance appraisal discussion between supervisor and employee and any resulting pay adjustment or position movement discussion may occur at different times and are processed separately.

#### The Performance Appraisal includes

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##### *Looking back by:*

- Conducting a position review, documenting changes since hire or since the last position review
- Conducting a comprehensive review of the employee's performance during the performance review period to compare expectations to actual performance

##### *Looking forward by:*

- Determining measurable goals and/or projects for the next year
- Identifying tools and creating a training program to meet those new goals
- Identifying specific performance areas needing concentrated effort during the next year

#### *Recommendation for pay action*

If the supervisor's rating of an employee's performance warrants a pay increase after all levels of review and approval are completed, HR initiates a pay action. A copy of the pay action is placed in the employee's personnel file. HR notifies employees of upcoming changes to their compensation.

#### *Change of supervisor*

Outgoing supervisors should conduct change of supervisor performance appraisals for employees under supervision who have not received an appraisal within the past six (6) months.

#### Merit Scale

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The merit scale is calculated each year, based upon criteria determined by management; e.g., anticipated percentage of money available for salary adjustments. The scale has five performance levels. Employees receive merit increases to their base salaries each year based upon the results of their annual fiscal year performance evaluations.

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#### *Detailed definitions of the Ratings Used in Employee Work Performance Appraisals*

*Far exceeded the expectations; this year's contribution clearly moved the business forward.* Employees with this overall rating consistently far exceed the requirements in all areas of their position. Or, the employee worked at length on a project, the results of which far exceeded requirements and expectations of this single, extraordinary event that clearly moved the business forward. Their supervisor and other staff easily recognize the employee's high achievements for success of the project, and can clearly attribute the success to the employee's contribution. Employees with this overall rating consistently and constructively review the processes of their work to look for efficiencies and quality. They propose or implement revisions. Employees with this overall rating work with co-workers/supervisors and offer assistance to others that contributes to the success of others. Rating any competency or goal at this level means that the employee clearly exceeded the requirements - much more than fulfilling the requirements at an outstanding level - of that competency, or goal.

#### *Exceeded expectations; this year's contribution is clearly identifiable.*

Employees with this overall rating correctly complete and exceed the requirements in the majority of areas of their position. Their supervisor and other staff easily recognize the employee's consistent high achievements. Employees with this overall rating work with

co-workers/supervisor to assist the high achievements of others, and may seek or take on work from other employees, or perform the tasks of their position, but at a higher level. Rating any competency or goal at this level means that the employee exceeded the requirements of that competency or goal.

*Fully met expectations in all key areas; minimal errors of execution or strategy.*

Employees with an overall rating correctly complete the requirements of their position. Rating any competency or goal means that the employee completed the requirements of that competency or goal.

*Partially met expectations; some substantial errors of execution or strategy.*

Employees with this overall rating only partially complete some of the requirements of their position. Others may have to complete a portion of the required work, or portions of the work may go uncompleted or may be incorrect. Rating any single competency or goal at this level means that the employee is expected to perform substantially better in this area. This rating means that when performance was discussed with the employee, he/she took responsibility and initiative and/or shows potential to improve either overall or in a competency or goal.

*Did not meet expectations in the majority of areas; repeated errors of execution or strategy.* Employees with an overall rating in this area are not completing the requirements of their position and likely others must complete the work or the work is going undone, or is incorrect. This rating also means that the employee lacks the skill-set, ability, or initiative for improvement. Rating any competency or goal at this level means that when performance was repeatedly discussed with the employee, the employee did not take steps to improve or did not improve.

## RECRUITMENT OVERVIEW

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APFC's recruitment program offers an uncomplicated course of action for filling vacant positions; encourages internal applicants; promotes APFC values; reflects a sense of urgency to reduce impact on other employees.

APFC is a State of Alaska entity exempt from the Personnel Act, with no requirement to follow a set recruitment procedure. A vacancy provides a unique opportunity to review the organization's needs outside of the normal budget cycle organizational review process APFC recruitment generally follows the process outlined below. However, the Governor may re-direct the recruitment and hire process of exempt positions at her/his discretion. The Executive Director retains the authority to change the following process.

- |   |                             |
|---|-----------------------------|
| 1. Determine Organization's Need for Position | 5. Interview Process        |
| 2. Develop Recruitment Plan                   | 6. Final Selection          |
| 3. Create Recruitment Notices                 | 7. Personnel Action         |
| 4. Implement Recruitment Plan                 | 8. Orientation and training |

## EMPLOYMENT CATEGORIES

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Employment categorizations provide a framework for staff appointments consistent with APFC mission, vision, values and goals. They establish a framework for necessary position types requisite to APFC mission; they create standards for planning and budgeting for APFC position appointments.

APFC is exempt from the State Personnel Act and associated regulation per AS 39.25.110s. APFC must conform to the Executive Budget Act (AS 37.07) which likely means that legislative approval is required for new positions of more than one-year duration.

A position must be established prior to an appointment. Full time, regular appointment categories require prior approval by the Alaska Legislature. APFC may directly establish others. Except for short-term temporary appointments, the Board of Trustees must approve the establishment of all positions (AS 37.13.100).

A position established in one of APFC’s categories of appointment refers to the position in APFC organizational structure and to the budget. These terms categorizing position appointments do not alter the APFC “employment-at-will” status. Either the employee or APFC may terminate the employment relationship at any time, for any or no reason.

### Categories of Appointment List

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- Regular Full-Time
- Regular Part-Time
- Regular Seasonal
- Temporary Long-Term
- Temporary Short-Term
- Emergency
- Intern
- Job Sharing

### Categories of Appointment Descriptions

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#### Regular Full-Time Appointments

A regular full-time position must be approved by the legislature through the executive budget process. An employee working in a full-time position is scheduled to work 30 or more hours per week.

#### Characteristics

- Compensation at salaried rate either hourly or annualized
- May be overtime eligible or ineligible as defined by exempt criteria under FLSA
- SBS eligible (annuities & select benefits)
- Full PERS accrual
- May participate in Deferred Compensation
- Full health insurance
- Full basic life insurance
- Full leave accrual
- All paid holidays

#### Regular Part-Time Appointments

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A regular part-time position must be approved by the legislature through the executive budget process. An employee working in a part-time position is scheduled to work at least 15 hours but less than 30 hours per week.

#### Characteristics

- Compensation based on an annualized hourly rate
- May be overtime eligible or ineligible as defined by exempt criteria under FLSA
- SBS eligible (annuities & select benefits)
- PERS accruals are prorated (based on a 1560 hour year) by hours worked
- May participate in Deferred Compensation
- Employee may elect health insurance by paying half of premium rate or may opt out of coverage
- Employee may elect basic life insurance by paying half of premium rate (if electing health insurance) or may opt out of coverage
- Leave and holiday accruals are prorated based on a 37.5 hour workweek

#### In-House Intern Appointments

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APFC established an intern classification to provide substantive training experience in varied occupations designed to enhance and complement a student’s course of study. An internship of 120-calendar days’ duration or less shall be treated as a temporary short-term appointment as defined previously. APFC does not provide for internships lasting more than 120 calendar days. Interns are distinguished from other temporary employees because their work is part of an applied academic program. The Executive Director must approve the decision for an internship to exceed one semester.

## Special Considerations for Intern Appointments

- To be eligible for participation in the internship program, the candidate must meet the APFC Intern Program qualifications.
- All APFC interns are compensated on an Hourly basis
- Intern positions are Temporary Short Term Appointments and as such are FLSA overtime eligible

## Regular Seasonal Appointments

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A regular seasonal position must be approved by the legislature through the executive budget process. An employee working in a seasonal position is scheduled to full-time for an assigned period of weeks during the work year. Outside of the assigned period, the employee is placed on “seasonal leave without pay” (SLWOP) status.

## Temporary Long-Term Appointments

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A temporary long-term position is established by APFC. A temporary long-term employment period exceeds 120 calendar days but cannot exceed 12 months. If 12 months is exceeded, APFC must request a regular position through the executive budget process. The same set of duties cannot be performed by a second long-term temporary appointment after the first expires within a 60 day period.

## Temporary Short-Term Appointments

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A temporary short-term position is established by APFC. A short-term temporary employment period shall be for 90 calendar days or less but can be extended once for 30 calendar days by APFC. If 120 calendar days are exceeded, the appointment shall be treated as a temporary long-term appointment for specific benefit purposes (health/life insurance, personal leave, and holidays), and such benefits shall be awarded retroactively to the date of appointment unless waived by the employee. Internships are included in this category. The same set of duties cannot be performed by a second temporary short-term appointment after the first expires within a 60-day period. This appointment category provides no paid leave, no paid holidays, or other employee benefits other than hourly compensation and SBS eligibility.

## Emergency Appointments

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APFC may occasionally appoint emergency/substitute personnel to fill critical and unanticipated vacancies. Such appointments can be made for an employment period of no more than 30 calendar days. If 30 calendar days are exceeded, the appointment shall be treated as a short-term temporary appointment. The same set of duties cannot be performed by a second emergency appointment after the first appointment expires.

## INTRODUCTORY PERIOD

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APFC provides an introductory time period for new employees to familiarize them to the Corporation and to provide focused orientation on APFC expectations for performing essential duties of the position and to help management determine the capabilities of the employee new to that position. This period stresses open communications, periodic position and performance reviews and an APFC orientation.

## Purpose of Introductory Period

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The purpose of the “introductory period” is to determine if the new or recently promoted employee is capable of performing all essential duties of the position. This is an opportunity for the supervisor to orient and train the new employee and to focus the employee’s efforts toward fulfilling the job responsibilities. In addition to learning job responsibilities and gaining an understanding of APFC mission, goals, and values, the introductory period also emphasizes incorporating new employees into the APFC team environment. In this way, the APFC standard is set, and new employees are prepared to offer support to the next new employee. Disciplinary actions taken during the introductory period follow the Guidelines outlined in the appropriate section of this Guide.

All APFC employees are “at will” employees. This means that employment at APFC is not for a fixed period and does not guarantee any length of employment. Either an employee or APFC may terminate the employment relationship at any time, with or without reason, and with or without notice. Completion of the introductory period is not a guarantee of continued employment.

## Length of Introductory Period

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In regard to the scope and complexity of positions in the APFC classification system, the lengths of the introductory periods are six months for FLSA Non Exempt positions and one year for FLSA Exempt.

## WORK HOURS, OVERTIME AND LEAVE

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This guidance is intended to maintain consistent office hours and employee scheduled attendance. APFC recognizes that we are an organization of professionals whose body of work does not always adhere to standard work times and days.

### Work Hours and Office Hours

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- Official APFC office hours are 8:00 a.m. through 4:30 p.m., Monday through Friday
- The APFC employee standard work week is Monday through Friday
- Most APFC employees work 7.5 hours per day, with an additional one-hour lunch break
- Each employee observes a consistent work and lunch schedule, which may vary from those of other employees and from official office hours
- Supervisors may approve employee requests to temporarily flex from their regular work schedule
- The schedules of employees involved in trading are tied to the capital markets, and breaks including lunch are generally taken on site

### Attendance and Absence

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- APFC requires daily on-time employee attendance
- Employees must notify their supervisors as soon as possible if they have an unexpected absence or are going to be late for work
- Planned employee absences (leave) require advance supervisory approval
- Paid work conducted at home is allowable under extraordinary circumstances. (See “Work at Home”)

### Flexible Workday Schedule

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- APFC may require or APFC employees may use the option of “flexing” their workday outside the standard APFC office hours with the approval of their supervisor and department head
- The official lunch break is from noon to 1:00 p.m. upon supervisor and department head approval, employees may take a lunch break at other scheduled times and may take a lunch break from .5 to 1.5 hours in duration. APFC management considers lunchtime a necessary break and discourages regularly working through lunchtime
- “Flexing” within a workday or for short-term periods is allowed with supervisory approval
- In extraordinary circumstances, paid work conducted at home, is allowable (See “Work at Home”)

## Overtime

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### *Compensatory (Comp) Time for FLSA Overtime Eligible Employees who are Leave Earning*

For APFC employees who are FLSA overtime eligible and leave earning, Compensatory (Comp) Time accrual and usage is the standard compensation for overtime work. Such employees are advised prior to hire of the APFC comp time in lieu of overtime pay understanding.

For these employees:

- Comp time is accrued for any work over 37.5 hours per week
- Comp time is accrued hour for hour for work between 37.5 hours and 40 hours per week, and 1.5 hours for hours worked beyond 40 hours per week
- Overtime requires supervisory pre-authorization. Overtime worked and compensatory time used is reported on the employee’s time sheet
- Overtime eligible employees must claim overtime worked, in accordance with the FLSA
- Comp time must be used prior to personal leave
- At separation, an employee’s accrued comp time is converted to a cash value

### *Other employee categories as regards overtime*

- Employees in position categories that do not earn leave are not eligible to earn comp time. These employees are paid at the overtime rate only when they work over 40 hours per week
- Comp time is not available for FLSA overtime-exempt employees.

## Holidays

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APFC recognizes the following 11 State Holidays per AAM 270.020. APFC also recognizes days publicly proclaimed by the US President as a national holiday or by the Alaska governor as a legal holiday. On occasion the SIFA and NYSE Market holidays do not line up with State Holidays. Based on business need, managers of employees work on those days are expected to plan on having appropriate staff in the office to ensure safe and effective operations.

### *Holiday*

New Year’s Day	Jan	1 <sup>st</sup>
MLK Jr.’s Birthday	Jan	3 <sup>rd</sup> Monday
President’s Day	Feb	3 <sup>rd</sup> Monday
Seward’s Day	Mar	Last Monday
Memorial Day	May	Last Monday
Independence Day	July	4 <sup>th</sup>
Labor Day	Sept	1 <sup>st</sup> Monday
Alaska Day	Oct	18 <sup>th</sup>
Veteran’s Day	Nov	11 <sup>th</sup>

Thanksgiving Day	Nov	4 <sup>th</sup> Thursday
Christmas Day	Dec	25 <sup>th</sup>

### Work Status on APFC Holidays

APFC is required to follow State of Alaska employee leave and holiday rules. However, some State holidays occur when the financial markets are open and therefore, APFC operations must continue. Because certain employees are directly responsible for these mission-critical operations, they are required to be at work on some State holidays.

Typically, only certain employees in the Investments, Finance and IT Departments are required to work on a State holiday. The head of these departments will determine which staff members must work.

**FLSA Overtime Exempt:** FLSA Overtime Exempt employees required to work on a State holiday may take another supervisor-approved day off in lieu of their holiday, but within 30 calendar days after having worked the holiday. The holiday must accrue to the employee before taking off a day from work.

**FLSA Overtime Eligible:** Typically, Fair Labor Standards Act (FLSA) overtime eligible employees will not be required to work on State holidays. However, if an employee is FLSA overtime eligible, and is required to work on a holiday, that employee will be paid for their time worked and will accrue comp time at 1.5 hours per hour worked.

### Work at Home

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The purpose of this policy is to allow employees to work from their homes if their work can be transferred from the workplace.

Employees may conduct paid work out of their homes for only specific and approved reasons. Work at home is at the discretion of an employee’s supervisor and the department head with approval by the Executive Director.

## LEAVE

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APFC is governed by AS 39.20.200 – 39.20.350 regarding leaves of absence. These statutes outline leave and leave usage requirements. In addition, APFC has the following policies regarding leave:

### Administrative Absence from Work

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Administrative absence from work allows the Executive Director the option to grant employees absence from work on an individual or corporate level that does not affect the employee’s leave balance.

An Administrative Absence is not typically a leave-type that may be requested, but may be offered to an employee by the Executive Director who recognizes a reason to provide them time off from work that does not affect the employee’s leave balance. Administrative absences typically do not require a time sheet report.

### Short-Term Leave of Absence

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APFC recognizes that allowing a short-term absence strengthens employee morale and increases productivity. The goals of this leave type are to provide employees an opportunity for an extended leave/sabbatical of up to three months without loss of position and/or to allow short-term leave to assist employees seeking professional or personal endeavors

- Short-term leave is not granted automatically; APFC needs must be the first priority
- Short term leave is approved by the Executive Director for a period of not more than three months
- Examples of uses for short-term leaves are to finish an academic degree or certification, to complete a professional licensing requirement, mission work, or travel. This list is meant merely as an example; other reasons may be approved
- If the employee terminates during short-term leave, the termination date is retroactive to the first day of leave
- All employee benefits are frozen and accrual ceases while on leave. In accordance with state policy and regulations medical benefits coverage may continue if the employee pays for coverage
- Use of this leave option is without pay. However, with Executive Director approval, accrued personal leave may be used for all or as part of the short-term leave period

## PROFESSIONAL PRACTICES

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APFC encourages staff to conduct themselves in a professional manner at all times, reflecting APFC values in their interactions with others, ever cognizant of their responsibilities to the public as managers of Fund assets.

### Professional Codes of Conduct

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APFC business operations and its reputation are built upon the principles of fair and ethical conduct of its employees. APFC complies with all applicable laws and regulations and expects employees in all positions to conduct business in accordance with all relevant laws and to refrain from illegal, dishonest, and unethical conduct or practices.

APFC success depends upon Alaskans' trust; we are dedicated to preserving it. Employees have an obligation to APFC and Alaskans to act in a manner that merits continued public trust and confidence in APFC.

APFC expects employees to use their best judgment, based on high ethical principles, as a guide to acceptable conduct. In a situation that is difficult to determine the proper course of action, openly discuss the matter with your immediate supervisor and, if necessary, with the HR Officer for advice and consultation.

Compliance with this policy of business ethics and conduct is the responsibility of every APFC employee. Disregard of or failure to comply with this standard of business ethics and conduct could lead to disciplinary action, including immediate termination of employment.

### Gifts

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Business associates, contractors, vendors, or others doing business, or wishing to do business with APFC, occasionally offer APFC employees gifts, services, or other items. APFC employees are strictly prohibited from accepting gifts that benefit the employee's personal or financial interest if it can be reasonably inferred the gift is intended to influence the employee's action or judgment. APFC employees are strictly prohibited from soliciting gifts. APFC employees must follow AS 39.52.130, and are encouraged to read this statute.

### Interpersonal Communications

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APFC strives for open, two-way communications among all authority levels. Communications must be professional and respectful so that each employee feels free to express divergent thoughts and concerns. Active communication involves taking responsibility for contributing your ideas respectfully and clearly, and listening carefully to the ideas of others.

APFC expects professional relationships within and outside the Corporation through the use of professional communication. Hurtful communications, such as malicious gossip, name-calling, slurs, spoken, circulated in hard copy or via an electronic device, are unacceptable and will not be tolerated. An employee using hurtful communication may be disciplined up to and including termination of employment.

## Public Communications

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APFC employees are sometimes called upon to make public presentations on APFC or other topics. APFC strives for open public communications and has responsibility as a public trust. This responsibility requires us to clearly communicate APFC goals, mission, values, and corporate activities. APFC recognizes the Board Chair, the Executive Director, and Communications Director as the official spokespersons for the organization. Questions about the Corporation from outside sources that require an official response should be directed to these official spokespersons.

### Disputes

APFC encourages employees to bring disputes or conflicts with other employees to the attention of their supervisors, the Executive Director, the HR Officer, or to follow the Employee Grievance Procedure included in this Guide, if appropriate. APFC is eager to assist in the resolution of employee disputes.

## Dress Code

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APFC expects a high degree of professionalism in all aspects of work including dress and grooming that recognizes a diverse workforce.

When representing APFC, employees are required to present a clean and neat appearance. Everyday wear should project a professional image and should be chosen to fit the occasion. The Executive Director or designee reserves the right to define the dress code. Each employee is responsible for following the dress code. Department heads are responsible to ensure the employees they supervise follow the dress code.

## Political Activities

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APFC employees are in the Exempt Service of the Executive Branch of state government and as such, are exempt from the State Personnel Act (AS 39.25). While APFC encourages employees to exercise their constitutional rights and civic responsibilities in the political process by voting, supporting candidates and issues, and expressing personal views, some basic guidelines and restrictions apply. In addition, a clear separation must be established between state-related functions performed with state resources and private political activities, which cannot be supported with public funds.

APFC employees must follow AS 39.25.160 regarding political activities and AS 39.52, the Alaska Executive Branch Ethics Act. We summarize these legal requirements as follows. However, APFC employees should read the provisions of AS 39.25.160 (see the State of Alaska Division of Personnel Employee Orientation web page) and review the Executive Branch Ethics section (in the State of Alaska Department of Law web site).

- APFC resources – including but not limited to employee time, equipment, information, or supplies – may not be used to finance or influence, directly or indirectly, candidates for political office, ballot propositions, or public issues of a municipal, statewide or national character, or any other political activities, either partisan or nonpartisan, unless specifically appropriated by the Alaska Legislature and signed by the Governor.
- In the performance of official duties, employees responding to politicians, candidates, or the general public about public policy, political issues, or general information concerning APFC or the Fund shall treat all requests equally and impartially.
- Unless authorized by the Executive Director to represent APFC to outside parties, employees shall not purport to the public that they are representing APFC. To prevent misconceptions when making public statements about a political issue or when

representing personal opinions, employees must issue a disclaimer stating they are not representing APFC; failure to do so will result in disciplinary action, up to and including termination.

- No APFC employee may display or distribute partisan political material on APFC work premises or while conducting official business.
- No APFC employee may solicit, require, or coerce funds or support for any political activity in the office or while on official business. In the course of performing official duties, an individual may speak in favor of APFC policy issues reflective of APFC values and goals.
- No APFC employee may solicit, require or coerce any employee or subordinate to submit to any interrogation or examination or psychological test which is designed to elicit information concerning political affiliation or philosophy except as directly related to the performance of the employee's official duties.

## PROFESSIONAL EDUCATION AND TRAINING

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This policy is intended to increase the value and retention of APFC employees

The APFC recognizes that skilled employees bring added value to the workplace, and encourages employee participation in higher and continuing educational pursuits, and education relating to some professional designations. The APFC Employee Training Policy (not included in this Guide) covers details about employee eligibility, types of training eligible for employer-covered costs, and training types that are employee cost reimbursable.

## EMPLOYEE DISCIPLINE

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This policy is to provide uniform guidelines for employee discipline when that is the chosen option of the supervisor. Employee discipline actions may be used typically for work performance issues when an employee is out of compliance with APFC standards and is not meeting position requirements. Termination of the employment relationship may be the outcome of the employee disciplinary action.

### At-Will Employment Status

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All APFC employees are "at will" employees. Employment at APFC is not for a fixed period. Either an employee or APFC may terminate the employment relationship at any time, with or without cause or notice. Thus, the following disciplinary measures do not guarantee continued employment or entitlement of the discipline process by the employee. There is no requirement that any or all of the described disciplinary procedures be followed in any order, or at all, before termination. Depending on the circumstances, any or all of the disciplinary actions or steps noted below may be omitted at any time. Employees in management positions are all excluded from the disciplinary and the grievance processes.

### Employee Discipline

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An open disciplinary process is one way in which APFC strives to attain its goal of enhancing the best work performance of employees and supervisors. Supervisors should immediately (or as soon as practicable) address employee problems in order to minimize misunderstandings. APFC encourages employees to inform their supervisors of challenges or obstacles that impede deadlines, expectations, or other work-related concerns. APFC encourages supervisors to maintain ongoing contact with employees under their supervision to better assist them in allocating time, energy and resources towards the highest priority projects, and to help minimize the need for disciplinary action. APFC expects employees to be responsible for their own actions and to maintain standards of performance and behavior that reflect APFC's status as a premier organization.

There are many standards upon which an employee's performance and behavior are guided. APFC mission and value statements, PMP policies, job descriptions, class specs, performance objectives and measures, and ethics and disclosure policies are some of the standards to which supervisors determine desired conduct. These standards aid supervisors in determining misconduct that warrants disciplinary actions. When an employee's work performance or behavior on the job becomes inconsistent with APFC standards, APFC reserves the right to take action necessary to resolve the problem.

#### *Disciplinary Procedure*

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#### *Supervisor Assesses When to Use Disciplinary Action*

Ongoing, two-way communication between supervisors and employees often mitigates the need for disciplinary actions. Under certain circumstances, formal corrective disciplinary action may be appropriate. An incomplete list of possible disciplinary actions follows, to serve as examples. Dependent upon the severity of the offense, these actions may occur at any time and in any order. Depending on the circumstances, any or all of the disciplinary measures may be omitted at any time, and termination of employment may be the first option. Employment at APFC is "at will," and there is neither a requirement nor a prescribed order to follow any or all of the described disciplinary procedures prior to termination.

#### *Possible Disciplinary Options*

The actions that follow are examples of disciplinary actions. Additional disciplinary actions or immediate termination may be taken as APFC determines.

#### *Verbal Warning*

The supervisor informs the employee of the work-related problem, poor performance, offense, breach of policy, breach of standards of conduct, etc. The two discuss the problem, and the supervisor advises the employee of the necessary corrective measures and provides a timeline for completion of the corrections. The reasons for the verbal warning and any required follow-up are documented in a memo, signed by the employee and supervisor both sign and retained in the supervisor's working file. Verbal warning documents are not placed in an employee's permanent personnel file unless a related offense is committed or the problem recurs and warrants further disciplinary action.

#### *Written Warning*

At the supervisor's discretion, an initial offense may warrant a written warning to the employee. The written warning summarizes previous warnings of a similar nature, the nature of the current problem, the method and actions necessary to correct the problem, a reasonable time period within which the problem must be corrected, and the outcome (termination, demotion, etc.) should the employee prove unable or unwilling to correct the problem. The written warning requires a review by the HR Officer, the department head, and the Executive Director before its delivery to the employee. After management review, the supervisor (and the HR Officer, if desired) meets with the employee to discuss the written warning. The warning memo must be dated and signed by both supervisor and employee to verify that the supervisor informed the employee of the work-related problem and that the employee understands the issues and recommendations for correction. The employee is provided a copy, and HR retains the original for the employee's permanent personnel file.

#### *Recommendation for Suspension/Termination*

If the problem has not been corrected within the period specified in the written warning or if within 60 days after completion of the specified period, the employee commits a similar offense, further disciplinary action up to and including termination of employment may be recommended. At the supervisor's discretion, immediate termination without verbal or written warning may be recommended. The termination recommendation must be in writing that includes a supervisory summary outlining the reasons for dismissal and an outline of actions, if any, already taken to correct the problem. The

department head must review the recommendation before it is forwarded to both the HR Officer and the Executive Director for approval.

### *Suspension*

Department heads and the Executive Director have the authority to suspend employees. Other supervisors may suspend employees under their supervision, but typically suspension results from consultation with a department head or the Executive Director. However, if immediate action is necessary, at their discretion, supervisors may suspend an employee.

### *Termination*

Only the Executive Director has the authority to terminate an employee. In accordance with the “exempt” and the “employment at will” status of all APFC employees, the Executive Director has the right to discharge an employee at any time, with or without reason or notice regardless of whether or not disciplinary (corrective) action has been taken.

### *Supervisor Authority to Impose Disciplinary Action*

For purposes of disciplinary action, the employee’s direct supervisor per the organizational chart is the individual who supervises the day-to-day work of the employee and provides direction regarding work projects. The employee may occasionally work on projects or perform regularly assigned duties for a coworker who is not the employee’s supervisor. However, no one other than the supervisor, the department head, or the Executive Director is authorized to impose disciplinary action on employees.

### *Disciplinary Actions and Performance Appraisals*

If an employee’s regularly scheduled annual performance appraisal date falls within the period for complying with corrective measures specified in a disciplinary action, the appraisal proceeds as scheduled. In such an instance, the supervisor judges the severity of the problem, while also considering the employee’s yearlong conduct and performance, including the problem’s effect on job performance. The supervisor may recommend a salary adjustment commensurate with performance, regardless of the employee’s current disciplinary action status. The fact that an employee is under disciplinary action must be noted in the performance evaluation.

### *First-time Discharge Offenses*

Certain types of employee behavior are serious enough to warrant immediate termination of employment without benefit of the corrective disciplinary steps. It is not possible to list all the forms of behavior that are considered unacceptable in the workplace and warrant immediate termination, however, this list provides broad examples:

- Theft
- Violence
- Dishonesty; i.e., falsification of a major record
- Possession, distribution, sale, transfer of illegal drugs, or substance abuse in the workplace, while on duty, or while operating employer-owned vehicles or equipment
- Sexual or other unlawful harassment or discrimination
- Possession of dangerous or unauthorized materials, such as explosives or firearms in the workplace
- Unauthorized disclosure of confidential business information
- Gross negligence in the performance of duties

Employment with APFC is “at will,” and either party may terminate the work relationship at any time, with or without reason or advance notice.

## **GRIEVANCE PROCEDURE**

The goals of this policy are to resolve employment complaints at lowest possible level within APFC before more serious problems develop; to provide a channel for APFC employees to voice employment concerns or complaints in an appropriate manner; and to provide a grievance procedure that employees may use without fear of reprisal.

## Grievance Defined

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In this Guide, grievance means an employee's expressed feeling of dissatisfaction with aspects of working conditions, environment, relationships with supervisors and other employees, a disciplinary action, and the official manner of execution of the personnel policies established or interpreted by the Executive Director.

## Employee Complaints and the Formal Grievance Process

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The existence of the Employee Complaint and Grievance Process does not alter APFC's "at will" status. Successful completion of the process does not guarantee continued employment. Employees in management positions and other positions which the Executive Director may designate from time to time are all excluded from the disciplinary and the grievance processes.

## Employee Complaints

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Misunderstandings and conflicts are often best addressed directly between the parties involved before more serious problems develop. APFC encourages ongoing, two-way communication between coworkers, employees, and supervisors to alleviate misunderstandings and conflict. APFC provides employees the opportunity for training in respectful workplace, interpersonal skills and related topics as one of several ways it demonstrates commitment to employees and value for communication.

When direct communication with the involved party does not resolve an employee's employment-related concern, or if direct communication is not appropriate, the next step involves taking the complaint to the next authority level within the department. APFC strongly advocates personal responsibility in all aspects of work roles and at all authority levels. Therefore, in most instances the supervisor or department head may provide guidance for complaint resolution rather than directly managing the process, unless he/she determines that direct involvement is the most appropriate method for resolution. If necessary, the supervisor, department head, or HR Officer may mediate a discussion between the involved parties. If the employee is unable to resolve the complaint after a mediated discussion, the mediator may recommend a peer review. However, the supervisor or department head may recommend a peer review without a mediated discussion.

## Peer Review Committee

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If appropriate, a peer review committee may be used to assist in employee complaint resolution. The authority of the peer review committee is advisory. The purpose of the committee is to help resolve employee complaints at the lowest level possible.

Each department solicits volunteers for a primary and an alternate committee member. However, only three employees from other departments serve on the active peer review committee, which typically comprises only the committee members from the uninvolved department(s).

## Grievance Filing Procedures

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Eligible employees who have a grievance related to their position, working conditions, or employment over which the Executive Director may lawfully exercise discretion, may file a grievance as follows:

1. The employee discusses the grievance with his/her supervisor.
2. If the employee is dissatisfied with the outcome of the discussion, the employee may file a written complaint to his/her supervisor (and a copy to the HR Officer) as soon as possible to retain accuracy of detail, but no later than ten (10) days from the incident causing concern. If the grievance involves the employee's supervisor, an alternate channel is the department head. If the grievance involves the department head, an alternate channel is the HR Officer. The written grievance must include:
  - Name, title, signature of the author, and date
  - Full description of the complaint, including full names and direct quotes, if applicable, date(s) and time(s) of incident(s), names of witnesses, if any, location(s) of incident(s)
  - Desired outcome to relieve the grievance
  - Attachment of related documents
3. The supervisor receiving the grievance must respond in writing within five working days of receipt of the grievance. A complete investigation within a five-day period may not be possible due to many factors such as witness travel, records search etc. Therefore, within the five-day period, the responding management staff provides a status report on the investigation phase and provides an expected completion date. The response includes:
  - Name, title, signature of the author, and date
  - Summary of the grievance
  - Steps taken to investigate the grievance
  - Findings of the investigation
  - Recommended resolution

## Appeal Process

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1. If the aggrieving employee is dissatisfied with the written response, the decision may be appealed in writing to the next level of authority.
  - i. The written appeal must be made within five workdays of receipt of the response and must be attached to the original grievance and the APFC management response, and must include the reasons for the employee's appeal.
2. If the grievance:
  - i. first went to the employee's supervisor, the appeal is to the department head
  - ii. was filed with the department head, the appeal is to the HR Officer
  - iii. was filed with the HR Officer, the appeal is to the Executive Director
3. The final appeal may be filed with the Executive Director who has the authority to offer final determination for resolution.
4. Each level of appeal has five days to respond in writing to the aggrieved party. If no written appeal is made within this time frame, APFC considers the matter resolved to the employee's satisfaction.

## Filing a Complaint of Sexual Harassment or Unlawful Harassment or Discrimination

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APFC follows Alaska Administrative Order No. 81 regarding the State's policy on discriminatory harassment. Employees believing they have been subjected to sexual harassment or other forms of discriminatory harassment should contact either their supervisor, department head, the HR Officer for immediate assistance in the grievance process.

#### Unlawful Harassment Prevention

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APFC commits to providing a work environment free from unlawful discrimination and harassment. Therefore, APFC observes a "Zero Tolerance" policy of unlawful discrimination and harassment.

#### Employee Protection

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Employees covered by these procedures may seek resolution to their grievances without fear of constraint, interference, or reprisal.

### **EMPLOYEE SEPARATION FROM APFC EMPLOYMENT**

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The goal of this policy is to aid in developing an individual separation plan that helps ensure uninterrupted workflow, work product integrity, and completion of all necessary employee separation documentation.

APFC employees are "at will" employees. APFC employment is not for a fixed period. Either an employee or APFC may terminate the employment relationship at any time, with or without cause or notice.

#### Types of Separation

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##### *Layoff due to Reduction in Force*

Separation initiated by APFC for management reasons outside an employee's control and not relating to an employee's service or performance; e.g., abolition of position, shortage of work, budgetary constraints, etc.

##### *Dismissal or Discharge*

Involuntary employment termination initiated by APFC

##### *Resignation*

Voluntary employment termination initiated by the employee

##### *Presumed Resignation*

Unauthorized absence from work for a period of five consecutive working days may be considered an abandonment of duties and a presumed resignation

##### *Retirement*

Voluntary employment termination for eligible staff that meet the specific provisions for retirement eligibility as governed by the State of Alaska Public Employees Retirement System and as administered by the Division of Retirement and Benefits.

Many APFC employees have access to sensitive information, resources, systems, or have significant decision-making authority affecting the Fund. In order to safeguard APFC and the employee, the employee's supervisor is responsible for completing a checklist of items upon receipt of the employee's notice of intent to separate. The exact events and their timing are determined on a case by case basis by circumstances of the departure. In all cases however, both the HR Manager and Executive Director require immediate notification of an employee's intent to separate.

### Steps of the Separation Process:

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- Remove the employee from normal job duties and access to sensitive areas
- Review the employee's job duties and specifically authorize level of access the employee is to retain, up to and including normal working access
- Review possibility of immediate departure
- Executive Director may authorize severance pay
- Review whether to grant severance pay as determined by the Executive Director
- Provide the employee a copy of the written exit interview questionnaire
- Conduct a face-to-face exit interview with the supervisor, department head, Executive Director and/or HR Officer
- Conduct an employee performance appraisal if the last appraisal was effective six or more months prior. The appraisal period covers the date of the last appraisal to the present
- Provide the employee with a copy of the Reference Authorization Form for his/her signature to keep in the employee's file. Signing the form is optional
- Provide the employee with the link to the State of Alaska "PX/EX Separating" website

### Resignation Notice

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All APFC employees are "at will" and may resign their employment at any time for any or no reason. As a courtesy from the employee, APFC will ordinarily expect at least two weeks advance notice from employees resigning from a position designated from support positions and least four weeks advance notice from employees resigning from all other positions. To the extent permitted by circumstances and available funding, APFC will provide notice of layoffs due to reorganization or budgetary reasons with at least four weeks advance notice or with as much advance notice as feasible.

### Immediate Acceptance of Resignation

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If an employee provides APFC with notice of resignation and requests, or states, a future effective date, the Executive Director may determine that an immediate departure is appropriate and elect to accept the resignation effective immediately.

### Salary and benefits

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Regardless of when an employee's salary terminates, the employee's benefits (medical, retirement, paid leave accrual, etc.) are based on the last day actually worked.

### Severance Pay

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The Executive Director may recommend severance pay to employees involuntarily separated from APFC. All APFC employees are "at will" and may be discharged at any time, for any reason, without notice. APFC has no obligation to provide severance pay to any employee or group of employees. APFC guarantees no length of employment.

### Exit Interviews

APFC requests all departing employees to participate in an exit interview, or when that is not possible, to complete an exit interview form. The exit interview is designed to provide employees an opportunity to relay their job-related experiences. APFC strives to elicit honest and candid responses and may use the interview data as suggestions for improvements. Whenever possible, supervisors provide the form to the employee at least two weeks before his/her exit date. The exit interview form may be completed during regular office hours. If departure occurs without warning, the employee may be requested to complete and return the exit interview form on his/her own time. The exit interview form is used as a Guideline for the departure interview with the supervisor, department head, HR Officer or the Executive Director. Ideally, it should be completed before the departing employee's final day on the job.

#### Separation Performance Appraisal

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If/when a departing employee provides separation notice, the supervisor will ordinarily complete a Separation Performance Appraisal if the last performance appraisal occurred longer than six months before their last day of employment. If the exiting employee's supervisor decides a Separation Performance Appraisal is unnecessary, the Executive Director must approve that decision.

The written appraisal requires review by the Executive Director or, in his/her absence, by the HR Officer before the supervisor meets with the departing employee. When signed, the original is retained in the employee's personnel file. The Separation Performance Appraisal is the basis upon which APFC makes future re-hire decisions and employment references.

#### Reference Authorization Form

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At departure, APFC provides a Reference Authorization Form to the employee that authorizes release of his/her personnel record information. Except for information ordinarily available to the public, the APFC will not release any information about the employee's work performance unless APFC has a signed employee release authorization form. It is advisable that ex-employees make a separate written request for release of reference information every time they require information to be released.

#### Letters of Recommendation

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Occasionally, departing employees request letters of recommendation from their supervisors or the Corporation. All letters of recommendation require review from the HR Officer. At the employee's specific written authorization, additional documents may be attached to a recommendation letter from APFC including copies of performance appraisals and job description(s) and/or class specification(s).

#### Employment References

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All requests for employment references for ex-employees are routed to the HR Officer. Through a signed Reference Authorization Form the separating employee authorizes a release of information, and either the supervisor or HR Officer provides the requested employment information. The primary source of information for reference checks comes from the Separation Performance Appraisal.

#### Use of Personal Leave during Notice Period

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APFC limits the use of leave time during the notice period. Leave approval must follow the normal leave request process. The Executive Director must approve any exception to this policy.

## PERSONNEL RECORDS

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The goals of this policy are to prescribe procedures that help ensure the maintenance of accurate, timely, secure and complete personnel records and; to inform employees and applicants which records are maintained and where they are stored.

### RECORDS MAINTENANCE

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#### *Personnel Records*

Personnel records are documents relating to an individual's employment, the purpose of which is to accurately record employment histories for every APFC employee. APFC is required to follow the State of Alaska Records Retention Schedule and Guidelines regarding personnel records.

#### *File Locations*

##### *Central Personnel File/s*

Official hard copy personnel record usually includes employment application/resume and salary & benefit records, normally located in three central files, at: 1) the Department of Revenue, Division of Personnel, 2) Department of Administration, Division of Retirement and Benefits, and 3) APFC HR Offices. Only the APFC personnel file and online secure software contains performance appraisal documents. APFC also keep files on site of personal investment and other disclosure reporting documents.

##### *Departmental Personnel File/s*

APFC employees involved in an employee's hire/termination (immediate supervisor, oversight department head, or the Executive Director) may establish/maintain a department personnel file for that individual.

#### *Confidentiality and Access to Personnel Files*

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The APFC HR Officer maintains hard copy APFC personnel records. These records are confidential to the extent they include an analysis, evaluation, or critique of an employee's performance. Access to these records is ordinarily limited to the employee, the supervisor, the department head, and the Executive Director. With advance notice, employees may review their own personnel files in the presence of the HR Officer (or the custodian of the department personnel file). Employees may receive copies of any documents in their personnel files with a written request. Employees have the opportunity to include their written comments about each document in their personnel files if the written comments are provided within two weeks of the originating document's completion or within two weeks of reading the file. Employees may not change or remove documents in their file. Employees may access their performance evaluations at any time through logging into APFC's secure online performance evaluation software system.

#### *Employee Complaint Procedure re: Personnel Files*

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If an employee disagrees with anything in his/her personnel file, in addition to speaking with the HR Officer and writing a note for the file, the employee may also appeal to that employee's supervisor. If necessary, the employee may appeal to the head of his/her department. The final appeal authority is the Executive Director.

#### *Release of Information from Personnel File*

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Ordinarily, personal information will not be released from a personnel file over the objection of the employee. An employee may provide a written authorization that allows APFC to release information from the file.

#### Recruitment Files

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Position Recruitment Documents (typically resumes, applications and interview records) are maintained separately in a position search file. APFC follows protocol for maintaining the search file in accordance with the state records retention schedule.

### MISCELLANEOUS POLICIES

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APFC has additional miscellaneous policies intended to: provide a safe, secure, healthful work environment for employees, customers, vendors, and visitors. Ensure critical operational functions are maintained during an emergency. Ensure the professional appearance of APFC public and shared areas. Assign appropriate accountability and a sense of ownership in all staff. Encourage recycling and waste management in everyday business practices. Enhance the spirit of community, both inside and outside of APFC

#### General Office Safety

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The APFC safety program addresses what to do in the event of a fire, bomb threat, earthquake, medical emergency, and other types of emergency situations. Certain employees are designated as safety officers. (See APFC Emergency Procedures Handbook)

#### Medical Emergencies

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When a medical emergency occurs, direct another employee or individual to call 9-911, for the Juneau Fire Department paramedics. The caller advises the paramedics of the nature and location of the emergency while assisting as necessary with the emergency. APFC schedules CPR certification training periodically for all interested staff. First Aid Kits are kept in the mailroom and break room.

#### Fire, Fire Drills and Evacuation

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In case of a fire, call 9-911 and pull the fire alarm. Alert the Safety Officers and direct others to assist in the effort. If feasible, use a fire extinguisher to put the fire out only if others are calling 9-911 and helping to sound the fire alarm to evacuate the building.

All individuals within the office are required to immediately evacuate the building when the alarm sounds or when there is evidence of fire in the building according to the APFC Emergency Procedures Handbook.

Staff should always inform the receptionist when leaving the office to ensure at least one person at APFC is informed about employees' whereabouts. In case of fire, the receptionist (or Administration staff member) informs authorities of the estimated employee headcount. If you are not in the parking lot and the receptionist is uninformed of your whereabouts, we presume that you are still in the building.

#### Workplace Safety Hazards

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The Administrative Specialist is the building liaison for ongoing maintenance issues and coordinates an internal safety evaluation to identify and correct potential safety hazards. The HR Officer ensures work areas meet ADA accessibility codes.

## Bomb Threat Response Plan

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In general, APFC will telephone the Juneau Police Department to report the threat and will follow safety recommendations including assisting with searching the building, securing IT operations, and evacuating the building.

## Personal Safety while in Travel Status

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- The APFC Travel Officer recommends, schedules or provides periodic personal safety training
- Consult with the Travel Officer and/or supervisor regarding questions about personal safety while on travel status
- Your hotel front desk or security personnel may address hotel safety concerns

## Visitors in the Workplace

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The APFC reception area is the designated entrance for all visitors. The receptionist will alert employees that a visitor has arrived and will request the employee to escort the authorized visitor, or the receptionist will escort the visitor to the appropriate location. Visitors authorized by staff must be escorted on site to provide for the safety and security of employees and facilities. Employees are responsible for the conduct and safety of their visitors here by invitation. Employees may request assistance from management if their visitor becomes unruly, disruptive, or violent. If an employee observes an unauthorized individual in the office, the employee should inquire whether the individual needs assistance and to escort them to the reception area.

## Workplace Violence Prevention

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APFC has “Zero Tolerance” for violence in the workplace. A safe and secure work environment is of utmost importance. All employees, visitors, vendors, contractors, and business associates are always to be treated with courtesy and respect. Employees are expected to refrain from fighting, “horseplay,” or other misconduct that may be dangerous to others.

In the case of threats or actual violence committed at the APFC work site, or against an APFC employee offsite, outside authorities may be called to intervene and investigate. This policy applies to employees and non-employees. Any APFC employee threatened with violence or who has a violent act committed against him/her while at the APFC office, or while representing APFC offsite, must report the incident to the supervisor or any APFC department head as soon as possible. Your report of violence, threats of violence, or suspicions of violence is the first step in halting further occurrences. Retaliation against an employee for making a good faith report is forbidden.

## Weapons

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APFC prohibits weapons of any kind at the workplace. APFC employees who bring weapons to the workplace – even if they have permits to carry a concealed weapon – are subject to employee discipline, up to and including immediate employment termination.

## Building Security

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- The Michael J. Burns Building management contracts with a local firm for building security. Contact APFC Administration or management staff to report security or safety-related problems or concerns regarding the building or APFC offices

- Inform your supervisor, the receptionist and others whom you trust if you will be working after normal office hours so that others know you are in the building
- Use the elevator to enter or exit the APFC floor if you are working beyond posted work hours
- Your key fob opens doors to both the building and APFC office suites during non-business hours
- Do not prop the office suite door open, even if you are in the office
- Shut the main office suite door behind you to ensure security of the office in your absence when exiting the office suites for any length of time
- Park your car in the well-lit areas of the parking lot
- Be aware of individuals near the building entrance when entering or exiting after hours
- Do not enter or exit the building if you are concerned for your safety
- Do not prop the building exterior doors open for any reason
- If you are concerned for your safety after hours and are in the office alone, call the Juneau Police to check building security or to escort you to your car. If two or more employees are working after hours, ask your coworker to escort you to your car or leave together
- Locks to all APFC doors are monitored by Administration
- At hire and when necessary, key fobs are issued to employees and are collected at separation
- Immediately report a lost key fob to Administration to guard against unauthorized access

### Emergency Office Closing

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At times, emergencies such as severe weather, fires, power failures, or earthquakes can disrupt company operations. Extreme circumstances may require APFC to close the office.

In the event of an emergency that affects all State of Alaska employees in Juneau or statewide during work or nonworking hours, APFC follows the Executive Branch's announcement. Upon hearing the broadcast, APFC employees require no further verification from APFC management about office closure.

A separate emergency closing process is required for investment-related responsibilities in conjunction with management and appropriate IT staff. Investment staff may be required to work in another location at the direction of the Executive Director or the Chief Investment Officer or a designee. If appropriate, employees may need to follow the Business Continuity Plan.

If an emergency occurs and affects only APFC employees or Michael J. Burns Building workers and the APFC office must be closed, APFC will observe the following procedures:

- The Executive Director, HR Officer, or any other department head in the absence of these two, announces the APFC office closure
- APFC follows procedures required by the Executive Branch emergency closure announcement

If an emergency closure is called either through an order of the Executive Branch or through APFC management, employees are compensated in accordance with State rules and regulations regarding such events. In cases where an emergency office closure is not authorized, employees who fail to report for work will be required to submit a leave slip.

### APFC Technology

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#### Workplace Monitoring

To ensure quality control, employee safety and security, APFC management may conduct workplace monitoring. APFC is responsible for all employee workstations. Your use of the station and the equipment is as an employee and not owner. All resources furnished to employees are APFC property. APFC is obliged to ensure that equipment and employee time

are used for business purposes. Therefore, computer use and files may be monitored or accessed and other equipment use justified to APFC satisfaction. APFC makes every effort to conduct workplace monitoring ethically and respectfully. Through the practice of this policy, APFC disallows any expectation of employee privacy of workstations, email, electronic and hard copy files.

### *Computer Rooms/Access to Network*

- IT Staff ensure computer rooms are secured at all times
- IT Staff update the electronic systems security periodically and review security to ensure only authorized staff members have access. IT staff immediately relay systems security concerns to APFC management. IT staff remain current in security technology to apply necessary upgrades
- All employees are required to follow IT staff recommendations regarding systems security

### *Employee Responsibilities for APFC Technology*

- Follow IT staff instructions for the safe use of computer networks
- Follow all applicable laws regarding use of digital devices while driving. The same policy applies for avoiding other driving distractions
- Keep technology devices that are under your care within your control
- Safeguard data integrity through the use of strong passwords
- Follow IT staff recommendations regarding care in opening email attachments and Internet downloads to keep computer systems secure and virus-free
- Learn to correctly use the technology in your care to safeguard against damage and privacy breaches
- Bring questions about the use of APFC technology resources to APFC IT staff

### *Employee Personal Use of APFC Resources*

APFC'S mission is accomplished through efficient use of time and resources. To that end, APFC provides employees with the technology and resources necessary to perform their jobs and requests employees to make the best use of the resources provided. APFC requires legitimate business use of employee time and resources. APFC is governed by the Alaska Executive Branch Ethics Act, AS 39.52 and by the State Policy on Employee Use of State Technology. Employees must acknowledge the Employee Use Policy in writing.

### *Office Resources*

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#### *Lobby, Conference rooms, Break room, Mailroom*

- All staff share responsibility for the upkeep of APFC shared areas. A tidy and presentable appearance is necessary to represent APFC as a professional organization. All areas should be left in the same or better condition than you found it.
- Administration will periodically coordinate team-cleaning efforts
- Coffee and food service items from individual staff, meetings or guests are the responsibility of the individual or departmental staff hosting the meeting

#### *Coffee/Tea Fund*

The employee break room and coffee equipment and supplies are 100% APFC employee-funded. Administration collects user fees and maintains a staff coffee fund.

### *Break Room*

The break room is for employees needing a break from job duties and a place to prepare and eat food. Break room upkeep operates on the honor system: If you mess it up, clean it; if you empty it, replenish it; if you take it out, put it back. Employee donations operate this room since no APFC funds may be used.

### *Storage Room Supplies*

The storage room contains bulk office supplies or occasional-use items. Access to this room is limited and is not suitable for storing records, even temporarily. Administration oversees layout, content, security, and quarterly cleanups by staff using the room

### *Board Room and Conference Rooms*

Users are responsible to ensure the room is returned to the same order in which it was found.

### *Community Volunteer Involvement*

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APFC supports employee involvement in the community through volunteer efforts and encourages employee time contributions to community service organizations

### *Waste Reduction and Recycling*

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APFC complies with state statutes requiring and encourages recycling.

### *Smoking*

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APFC abides by AS 18.35.300-18.35.365 and CBJ laws regarding smoking. Smoking, which includes E-Cigarettes, is prohibited in the Michael J. Burns Building complex and within 10 feet of the building exterior except in a designated covered smoking shed. This policy applies to all employees, customers, and visitors.

### *Solicitation*

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Employees may not solicit business, interest, recognition, or distribute literature or promotional items concerning non-work activities during working time. Working time does not include lunch periods or other periods in which employees are not on duty. For more information see the State Employees Ethics Handbook.

## AUTHORIZATIONS AND REFERENCES RELATING TO APFC PERSONNEL MANAGEMENT

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**18.35.100 - 18.33.365** Regulation of Smoking in Public Facilities

**AS 37.07** Executive Budget Act

It may be construed from AS 37.07 that the legislature must approve all new positions of more than one-year duration.

**AS 37.13.100** Alaska Permanent Fund Corporation / Staff

Provides that the Executive Director may, with board approval, select and employ additional staff as necessary.

**AS 39.20.110-350** Compensation, Allowances and Leave

Provides that State travel and leave rules apply to APFC

**AS 39.25.110(11)(B)** State Personnel Act / Exempt Service

Exempts APFC from the State Personnel Act AS 39.25, thereby authorizing APFC to design and implement rules and a salary program that provides a framework for salary, hiring and related personnel decisions.

**AS 39.25.160** State Personnel Act

Prohibitions Generally: Includes exempt service in subsection regarding political activities and other topics

**AS 39.52** Executive Branch Ethics Act

Addresses: Outside Employment Restrictions, Gifts, and other topics

**APFC Bylaws** Article II, Section 4

Provides that the Executive Director shall provide for execution of all corporate operational and administrative functions.

Article II, Section 8

Provides that the Executive Director shall employ personnel s/he deems necessary to exercise her/his powers, duties and functions under AS 37.13; determine employee compensation; and that those decisions shall be made within APFC budget limitations as approved by the Board and in compliance with policies established by the Board.

**Administrative Order 81** Regarding unlawful harassment

**PMP EMPLOYEE HANDBOOK RECEIPT AND “EMPLOYMENT-AT-WILL” STATUS ACKNOWLEDGMENT**

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*Employees are required to acknowledge receipt of the Employee Guide and the “at will” status of employment, through signing this page.*

The Personnel Management Program (PMP) Employee Guide describes important information about APFC, employment policies, employee benefits, and employee and employer obligations. I understand that I should contact and request clarification from my supervisor, the HR Officer or the Executive Director regarding any questions not answered in the Guide.

I have entered into my employment relationship with APFC voluntarily and acknowledge there is no specified length of employment. Employment is considered “Employment-At-Will.” Accordingly, either APFC or I can terminate the employment relationship “at will,” with or without reason, at any time.

Since the information, policies, and benefits described here are necessarily subject to change, I understand there may be revisions to the Guide. If changes are made, they will be communicated through official notices, and I understand that revised information may supersede, modify, or eliminate existing policies. Only the APFC Executive Director has the ability to authorize revisions to the policies in this Guide.

*Employee Acknowledgment*

Through my signature below, I acknowledge that I have received the APFC PMP Employee Guide, and I accept responsibility to read, understand, and comply with the policies and revisions of the Guide.

Employee Name \_\_\_\_\_ Title: \_\_\_\_\_

Employee Signature: \_\_\_\_\_ Date: \_\_\_\_\_

# FY20 Budget Overview Memo



**SUBJECT:** FY2020 Proposed Budget

**ACTION:** \_\_\_\_\_

**DATE:** September 6, 2018

**INFORMATION:**  X

The expected timeline for budget approval begins with this work session, when the Board reviews the proposed budget request, providing direction that may result in additional analysis and/or modifications. Staff will then bring the final proposal before the Board for approval at the annual meeting on September 26th and 27th. The Office of Management and Budget will review the Board’s request and the Governor’s proposed budget for all public agencies, including the APFC, will be presented to the Legislature by December 15th for consideration during the upcoming Legislative session. Traditionally, staff returns to the Board at the May meeting with the final budget approved by the Legislature to be implemented on July 1, though on occasion this has been delayed by extended Legislative sessions.

The Alaska Permanent Fund Corporation’s operating budget appropriation is divided into two allocations: one for operations of the corporation and one for costs related to investment management. A detailed breakdown of these two allocations can be found in the appendix to this memo. Two scenarios are presented below: one that includes the incentive compensation program for Investment staff that was approved by the Board in May and one that includes a 3 percent retention adjustment for all staff and no funding for incentive compensation.

	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2019	FY2020	From FY2019	FY2020	From FY2019
Operating Allocation	\$ 18,074,600	\$ 20,889,000	\$ 2,814,400	\$ 19,085,000	\$ 1,010,400
Investment Management Allocation	\$ 150,498,700	\$ 155,795,000	\$ 5,296,300	\$ 155,795,000	\$ 5,296,300
<b>Total Appropriation</b>	<b>\$ 168,573,300</b>	<b>\$ 176,684,000</b>	<b>\$ 8,110,700</b>	<b>\$ 174,880,000</b>	<b>\$ 6,306,700</b>

**OPERATING ALLOCATION**

The Operating Allocation is separated into five objects of expenditure, each of which is discussed below.

**Personal Services –**

	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2019	FY2020	From FY2019	FY2020	From FY2019
<b>Personal Services</b>	\$ 11,861,201	\$ 14,796,000	\$ 2,934,799	\$ 12,992,000	\$ 1,130,799

**New position requests**

APFC has a total of 57 full-time and 2 part-time, year-round positions plus 2 summer interns. Ten full-time positions were added in FY2019. There are currently 13 full-time vacancies, including the Chief Investment Officer position, and 2 part-time vacancies. The breakdown of filled and vacant FTEs by department be found in the table below. Filling these vacancies continues to be a priority.

CURRENT COUNT BY DEPARTMENT	FILLED FTEs	VACANT FTEs
Executive	6	0
Investments	21	7
Finance	11	3
Information Technology	4	2
Administration	2	2**

\*\* Includes 1 full-time and 2 part-time positions

The FY2020 budget proposal includes three new positions: one investment officer, one investment associate and one attorney. As the portfolio grows and the focus on internal investing in private markets continues, it is necessary to add staff to monitor and manage these investments. It is difficult to anticipate at this point, exactly where the staffing needs will exist, so the new investment positions have not been assigned to a particular asset class. Staffing requirements will continue to be evaluated to determine the most effective use of these positions within Investments.

With the asset allocation shifting towards a greater participation in private markets, the legal work required to vet and onboard these investments has compounded. Currently, APFC has a memorandum of understanding with the Alaska Department of Law allowing APFC to retain general counsel to provide legal counsel on matters related to investment transactions of the Fund as well as other matters legal matters as they may relate to the Fund or APFC. In consultation with the Attorney General and Department Law, we concluded that pursuing an additional in-house legal position at this time was warranted. The new position being requested will assist General Counsel on all Fund and APFC legal matters.

The FY2020 personal services request represents the total cost of the three requested new positions being requested, full staffing of existing positions, funding of retention adjustments for all staff as well as incentive compensation for Investments staff. For comparison purposes, total cost without the funding of incentive compensation is shown as well. Amounts requested reflect an anticipated vacancy rate of 3%.

**Travel –**

	<b>Authorized</b>	<b>Proposed</b>	<b>Variance</b>
	<b>FY2019</b>	<b>FY2020</b>	<b>From FY2019</b>
<b>Travel</b>	<b>\$ 1,203,200</b>	<b>\$ 1,203,200</b>	<b>\$ -</b>

The FY2019 authorization for Travel contained a significant increment over FY2018. Staff anticipates that this level of funding will be adequate to allow for increased international travel as the portfolio continues to grow in its global exposure, as well as additional travel for the three new positions. No increment is being requested for FY2020.

**Contractual Services –**

	<b>Authorized</b>	<b>Proposed</b>	<b>Variance</b>
	<b>FY2019</b>	<b>FY2020</b>	<b>From FY2019</b>
<b>Contractual Services</b>	<b>\$ 4,174,899</b>	<b>\$ 4,084,800</b>	<b>\$ (90,099)</b>

Detailed comparisons for the areas discussed below are found in the appendix to this memo.

*Audit, Legal, Consulting* – Professional services which support the broader needs of the Corporation are contained within this group, such as audit, and legal and consultants not directly related to Fund investments. This line contains an increment for the annual audit in anticipation of possible increased cost as this contract will go out to bid for the FY2020 audit. The requests for legal fees and corporate consulting were reduced based upon actual experience of the last several years. This results in a decrement over FY2019 of approximately \$40,000 for this line.

*Public Communications* – This group encompasses all of the layout and design, printing, and web hosting services which support the communications program. Costs are not expected to increase over FY2019.

*Board Meetings* – Items related to board support and board meetings, including room and equipment rentals, refreshments, transcription services, and board packet software are included in this group. The FY2020 request contains a small decrement, which is reflective of most board meetings being held at the corporate offices in Juneau.

*Information Technology* – All of the IT contractual services related to the general support of the corporation are in this group. This includes software licenses, support, equipment repairs, and telecommunications costs. There is a decrement included in this line of approximately \$100,000. Anticipated expenses in this area for FY2020 include continuing work on the business continuity project started in FY2018, security audits, as well as ongoing maintenance and support of existing technology.

*HR and Recruitment* – Due to the reduction in requested positions from ten in FY2019 to three in FY2020, the budget request for HR and recruitment includes a decrement for expenses such as notices, recruitment travel, and moving expenses. There is an increment included for software to enhance the capabilities of our Bamboo human resource system.

*Training* – Training and professional certifications for staff are important to ensure that APFC can continue to compete in global investment markets in order to effectively manage and grow the portfolio. The FY2020 request includes a small increment over FY2019 to cover training expenses of the new positions requested.

*Office Support* – All of the contractual services necessary to support the shared administrative needs of the corporation are contained within this group, including office lease costs, copier rentals, and pass-through costs from the Department of Revenue. The FY2020 budget proposal includes natural growth in these support costs due to a growing staff and general inflationary increases.

**Commodities and Equipment –**

	<b>Authorized</b>	<b>Proposed</b>	<b>Variance</b>
	<b>FY2019</b>	<b>FY2020</b>	<b>From FY2019</b>
<b>Commodities</b>	<b>\$ 435,300</b>	<b>\$ 355,000</b>	<b>\$ (80,300)</b>
<b>Equipment</b>	<b>\$ 400,000</b>	<b>\$ 450,000</b>	<b>\$ 50,000</b>

Commodities and Equipment are the final two objects of expenditure within the operating allocation, and due to their similarity are presented together. These budgets include goods that are purchased to support the needs of the Corporation, such as workstations, servers, furniture, and office supplies. The two lines are differentiated by cost – items that are less than \$5,000 fall under the Commodities line, while those greater than \$5,000 fall in the Equipment line. As with Contractual Services, these two lines are presented by program in the appendix.

*Information Technology* – With the project to enable staff to work remotely through VPN and VDI largely complete in FY2019, we anticipate a lesser need for workstation and other commodities purchases for IT. Therefore, the FY2020 proposal includes a \$110,000 decrement in this area. The amount included will be used for equipment for the new positions as well as other standard maintenance and replacements. There is a \$50,000

increase in the Equipment line for IT to cover replacement of end-of-life equipment in the data center.

*Office Support* – The Commodities budget includes subscriptions to industry publications, office supplies and paper. The increase in the request for FY2020 is due to anticipated cost increases for commodities at the current usage level. It also includes an amount to cover potential purchases related to the office reconfiguration which were not anticipated in the FY2019 request.

**INVESTMENT MANAGEMENT ALLOCATION**

The Investment Management Allocation falls within a single object of expenditure that is divided into four types of service. Each is discussed below.

	<b>Authorized</b>	<b>Proposed</b>	<b>Variance</b>
	<b>FY2019</b>	<b>FY2020</b>	<b>From FY2019</b>
<b>Investment Manager Fees</b>	<b>\$ 136,520,085</b>	<b>\$ 140,591,800</b>	<b>\$ 4,071,524</b>

*Investment Manager Fees* – This budget includes all of the costs that are paid directly to firms that manage the Fund’s external portfolios, but does not include fees paid through net-of-fee arrangements. Projected growth of the Fund means an increase in externally managed assets, resulting in requested increments over the FY2019 budget. All asset classes except for real estate have requested increments due to growing assets under management. The real estate assets are now managed exclusively under net-of-fee arrangements so the request for that line goes to zero.

	<b>Authorized</b>	<b>Proposed</b>	<b>Variance</b>
	<b>FY2019</b>	<b>FY2020</b>	<b>From FY2019</b>
<b>Investment Due Diligence</b>	<b>\$ 7,178,200</b>	<b>\$ 7,178,200</b>	<b>\$ -</b>

*Investment Due Diligence* – This program includes the funding for fiduciary advisors, Callan’s general consulting contract, manager searches, and APFC’s membership in peer groups such as the International Forum of Sovereign Wealth Funds (IFSWF). The FY2019 funding level is expected to be sufficient to cover the anticipated need in this area for FY2020 so this request is being held flat. As in FY2019, this proposal includes funding for APFC to host the annual IFSWF meeting in Juneau in the Fall of 2019.

<b>Authorized</b>	<b>Proposed</b>	<b>Variance</b>
<b>FY2019</b>	<b>FY2020</b>	<b>From FY2019</b>

<b>Investment Systems</b>	<b>\$ 5,300,415</b>	<b>\$ 6,425,000</b>	<b>\$ 1,124,585</b>
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*Investment systems* – All of the financial network systems, data feeds and research portals used by APFC staff to make investment decisions; trade, confirm and account for investments; manage external accounts; and manage investment risk at various levels of the portfolio are included in this group. Examples of these vendors are Bloomberg, BlackRock, Tradeweb, Moody’s, S&P and Fitch. The FY2020 request includes natural growth in existing subscription costs, as well as a provision for potential new systems and feeds. As the portfolio evolves into new types of investments, additional supporting analytics is required. The FY2020 proposal also includes increases in the user licenses for systems that new employees in the Investments department will need to manage investments.

	<b>Authorized</b>	<b>Proposed</b>	<b>Variance</b>
	<b>FY2019</b>	<b>FY2020</b>	<b>From FY2019</b>
<b>Custody Fees</b>	<b>\$ 1,500,000</b>	<b>\$ 1,600,000</b>	<b>\$ 100,000</b>

*Custody Fees* – Bank of New York Mellon is the custodian of the Fund’s assets. Custody fees are increasing as exposure to emerging markets increases, some of which require additional support services.

# Presentation: FY20 Proposed Budget



APFC

ALASKA PERMANENT  
FUND CORPORATION

# FY2020 Proposed Budget

September 6, 2018

## Two Allocations -

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- Corporate Operations
- Investment Management Fees

## Capital Budget



# Corporate Operations

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- Personal Services
- Travel
- Contractual Services
- Commodities
- Equipment

# Total Corporate Operations

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Corporate Operations	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2019	FY2020	From FY2019	FY2020	From FY2019
	\$ 18,074,600	\$ 20,889,000	\$ 2,814,400	\$ 19,085,000	\$ 1,010,400

# Personal Services

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Personal Services	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2019	FY2020	From FY2019	FY2020	From FY2019
	\$ 11,861,201	\$ 14,796,000	\$ 2,934,799	\$ 12,992,000	\$ 1,130,799

- Salaries
- Benefits
- Trustee Honorarium

# Travel

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Travel	Authorized	Proposed	Variance
	FY2019	FY2020	From FY2019
	\$ 1,203,200	\$ 1,203,200	\$ -

- Staff
- Trustee
- Moving/Non-employee

# Contractual Services

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Contractual Services	Authorized	Proposed	Variance
	FY2019	FY2020	From FY2019
<b>TOTAL</b>	\$ 4,174,899	\$ 4,084,800	\$ (90,099)
Audit, Legal, Consulting	\$ 434,270	\$ 392,300	\$ (41,970)
Public Communications	\$ 146,500	\$ 146,500	\$ -
Board Support & Meetings	\$ 56,350	\$ 54,850	\$ (1,500)
Information Technology	\$ 2,581,564	\$ 2,475,000	\$ (106,564)
HR and Recruitment	\$ 62,824	\$ 68,000	\$ 5,176
Training/Education	\$ 186,620	\$ 190,000	\$ 3,380
Office Support	\$ 706,771	\$ 758,150	\$ 51,379

# Commodities & Equipment

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	Authorized	Proposed	Variance
	FY2019	FY2020	From FY2019
Commodities	\$ 435,300	\$ 355,000	\$ (80,300)
Equipment	\$ 400,000	\$ 450,000	\$ 50,000

- Office/IT Supplies
- Subscriptions
- Equipment < \$5,000
- Equipment > \$5,000

# Investment Management Allocation

Investment Management	Authorized	Proposed	Variance
	FY2019	FY2020	From FY2019
<b>TOTAL INVESTMENT MANAGEMENT FEES</b>	\$ 136,520,085	\$ 140,591,800	\$ 4,071,715
Public Equity	\$ 82,493,617	\$ 88,473,871	\$ 5,980,254
Fixed Income Plus	\$ 13,116,245	\$ 12,270,507	\$ (845,738)
Real Estate	\$ 780,000	\$ -	\$ (780,000)
Alternative Investments	\$ 40,130,223	\$ 39,847,422	\$ (282,801)
Investment Due Diligence	\$ 7,178,200	\$ 7,178,200	\$ -
Investment Systems	\$ 5,300,415	\$ 6,425,000	\$ 1,124,585
Custody Fees	\$ 1,500,000	\$ 1,600,000	\$ 100,000
<b>TOTAL INVESTMENT MNGMNT ALLOCATION</b>	\$ 150,498,700	\$ 155,795,000	\$ 5,296,300



Questions?

# FY20 Report



Appendix  
Alaska Permanent Fund Corporation  
FY2020 Budget Proposal

Budget Line	Actual	Authorized	Proposed with	Variance		Without	Variance
	FY2018	FY2019	Incentive Comp FY2020	From FY2018	From FY2019	Incentive Comp FY2020	From FY2019
Personal Services	\$ 9,378,315	\$ 11,861,201	\$ 14,796,000	\$ 5,417,685	\$ 2,934,799	\$ 12,992,000	\$ 1,130,799
Staff	9,361,102	11,833,661	14,760,200	5,399,098	2,926,539	12,956,200	1,122,539
Trustees: Honoraria	17,213	27,540	35,800	18,587	8,260	35,800	8,260
Travel	550,889	1,203,200	1,203,200	652,311	-	1,203,200	-
Staff	498,068	946,077	982,100	484,032	36,023	982,100	36,023
Trustees	20,509	45,623	71,600	51,091	25,977	71,600	25,977
Recruitment Travel	32,312	211,500	149,500	117,188	(62,000)	149,500	(62,000)
Contractual Services	1,566,185	4,174,899	4,084,800	2,518,615	(90,099)	4,074,800	(100,099)
Audit, Legal, Consulting	254,095	434,270	392,300	138,205	(41,970)	392,300	(41,970)
Public Communications	127,360	146,500	146,500	19,140	-	146,500	-
Board Support and Meetings	25,952	56,350	54,850	28,898	(1,500)	54,850	(1,500)
Information Technology	434,570	2,581,564	2,475,000	2,040,430	(106,564)	2,475,000	(106,564)
HR and Recruitment	47,698	62,824	68,000	20,302	5,176	68,000	5,176
Training/Education	44,169	186,620	190,000	145,831	3,380	190,000	3,380
Office Support	632,341	706,771	758,150	125,809	51,379	748,150	41,379
Commodities	160,361	435,300	355,000	194,639	(80,300)	355,000	(80,300)
Information Technology	121,875	385,000	275,000	153,125	(110,000)	275,000	(110,000)
Office Support	38,486	50,300	80,000	41,514	29,700	80,000	29,700
Equipment	73,708	400,000	450,000	376,292	50,000	450,000	50,000
Information Technology	73,708	400,000	450,000	376,292	50,000	450,000	50,000
<b>Operating Allocation Total</b>	<b>\$ 11,729,458</b>	<b>\$ 18,074,600</b>	<b>\$ 20,889,000</b>	<b>\$ 9,159,542</b>	<b>\$ 2,814,400</b>	<b>\$ 19,075,000</b>	<b>\$ 1,000,400</b>

Budget Line	Actual	Authorized	Proposed with	Variance		Without	Variance
	FY2018	FY2019	Incentive Comp FY2020	From FY2018	From FY2019	Incentive Comp FY2020	From FY2019
Investment Management Fees	\$ 118,947,372	\$ 136,520,085	\$ 140,591,800	\$ 21,644,428	\$ 4,071,715	\$ 140,591,800	\$ 4,071,715
Equity	73,052,540	82,493,617	88,473,871	15,421,331	5,980,254	88,473,871	5,980,254
Fixed Income Plus	10,619,695	13,116,245	12,270,507	1,650,812	(845,738)	12,270,507	(845,738)
Real Estate	472,341	780,000	-	(472,341)	(780,000)	-	(780,000)
Alternative Investments	34,802,796	40,130,223	39,847,422	5,044,626	(282,801)	39,847,422	(282,801)
Investment Due Diligence	3,143,720	7,178,200	7,178,200	4,034,480	-	7,178,200	-
Investment Systems	4,152,345	5,300,415	6,425,000	2,272,655	1,124,585	6,425,000	1,124,585
Custody Fees	1,351,260	1,500,000	1,600,000	248,740	100,000	1,600,000	100,000
<b>Investment Management Allocation Total</b>	<b>\$ 127,594,697</b>	<b>\$ 150,498,700</b>	<b>\$ 155,795,000</b>	<b>\$ 28,200,303</b>	<b>\$ 5,296,300</b>	<b>\$ 155,795,000</b>	<b>\$ 5,296,300</b>

Column1	Column2	Column50	Column49	Column48
FY20 Budget without Incentive Comp				Total
Object	Description	18 Actual	19 Apprvd	FY20
50000	Salaries	6453723.8	8067694	8940091
50010	Benefits	2894234.64	3729990	4016117
50500	Salary - Intern	12156.46	32277	0
50510	Benefits - Intern	986.32	3700	0
50600	Salary - Board	16000	25000	32000
50610	Benefits - Board	1212.8	2540	3800
	Total Personal Services	9378314.02	11861201	12992008
51000	Staff: Alaska Travel	40455.05	46610	31100
51010	Staff: US/Canada Travel	347437.92	716767	695900
51020	Staff: International Travel	108943.57	182700	255100
51210	Board: Alaska Travel	16165.71	21683	36800
51220	Board: US/Canada Travel	4005.21	23940	34800
51300	Moving - Trans/Per Diem	18616.78	60000	23500
51320	Shipment of Personal Property	6122.32	106500	102000
51400	Trans/Per Diem Non Employees	8380.23	45000	24000
	Total Travel	550126.79	1203200	1203200
52723	Commissioner's Office	57169	56926	60000
52724	Inter-agency Safety (Parking)	97.71	130	150
52726	Admin Services	33500.59	30288	50000
52721	Inter-agency Human Resources	32946.65	32824	50000
52100	Annual Audit	145500	152000	200000
52110	Auditor Consulting	0	10000	10000
52490	Consulting Other	54530	167270	154800
52510	Legal Fees Corp Matters	0	75000	20000
52520	DOL Legal	5147.03	30000	7500
52600	Communications Program	88654.06	102000	102000
52700	IT Consulting Services	74739.34	1007283	800000
52704	MIS System Services	21041.96	500000	230000
53810	Netwk/Server Software Lic/Mnt.	257096.89	779281	960000
53100	Phone/Fax Lines/Toll/Cell	37313.78	100000	200000
53110	State EPR Charge	4000	50000	75000
53120	Tele/Videoconferencing	7872.35	50000	100000
53140	Remote App Software	19756.66	20000	50000
53300	Inter-agency Mail	3340.9	4000	6000
53320	Postage & Delivery Services	1827.61	2550	3000
53440	Recruitment Notices	14751	30000	18000
53500	Communications Advert/Print	38705.52	44500	44500
53600	Office Furniture/Other Repair	291.06	5000	10000
53610	Copier/FAX Maintenance	11499.63	13500	21000
53650	IT Equipment Repair	12749.03	75000	60000

53700	Office Rent/Lease	505399.08	523300	523300
53710	Records Retention Storage	4389.33	3000	8000
53720	Copier Lease	2383.56	10000	12000
53790	Other Rent/Leases	1020	2000	5000
53900	Training & Conferences	44167.49	186620	190000
53920	Meeting Room/Equipment Rental	102.65	4000	2000
53930	Catering/Food/Coffee Fund	7543.09	18350	18350
53940	Meeting Transcription	17499.84	33000	33000
53990	Other Meeting Expenses	956.8	1000	1500
52722	Inter-agency Insurance	2607.33	4964	8000
53995	Other Misc Expenses	7450	49700	49700
55120	PCard Holding	0	0	0
52720	Inter-agency Financial	803	1413	2000
	Total Contractual Services	1516852.94	4174899	4084800
53400	Subscriptions	26397.09	32300	40000
55100	Office Supplies	8026.87	17000	20000
55400	IT Supplies (FKA commodities)	1628.74	75000	55000
55450	Workstation Equipment	120140.18	310000	220000
55600	Office Furniture/Equipment	3631	1000	20000
	Total Commodities	159823.88	435300	355000
55475	Network/Server Equip. > \$5 K	73708.79	400000	450000
	Total Equipment	73708.79	400000	450000
	TOTAL OPERATING ALLOCATION	11678826.42	18074600	19085008
52480	Consulting & Modeling	520765.2	1500000	1600000
53280	Shared Services/Analytics/Data	3611159.67	3775415	4775000
53281	Invest/Fin Network Access Fees	20400	25000	50000
	Total Investment Systems	4152324.87	5300415	6425000
52405	Fiduciary Advice	1507625.2	2060000	2060000
52415	Subject Matter Experts	0	2620000	2620000
52435	Performance Measurement	492935	506800	506800
52440	Research & Memberships	93309.88	255000	255000
52455	Manager Searches	76500	236400	236400
52502	Legal Fees-Investment Specific	971510.65	1500000	1500000
	Total Investment Due Diligence	3141880.73	7178200	7178200
52200	Custody Fees	1351260.06	1500000	1600000
	Total Custody Fees	1351260.06	1500000	1600000
52300	Public Equities Manager Fees	73052539.67	82493617	88473680.05
52310	Fixed Income Manager Fees	10619694.68	13116245	12270507.15
52320	Real Estate Manager Fees	472341	780000	0
52330	Alternative Markets Mgr Fees	34802796.37	40130223	39847421.92

	Total Investment Manager Fees	118947371.7	136520085	140591609.1
	TOTAL MNGMNT FEE ALLOCATION	127592837.4	150498700	155794809.1
59100	Law Legislative Appropriation	1116500	2617000	2617000
59200	DNR Legislative Appropriation	5959400	5969600	5969600
59300	DOR Legislative Appropriation	94100	94500	94500
	Total Other Appropriations	7170000	8681100	8681100

Column1	Column2	Column50	Column49	Column48
FY20 Budget with Incentive Comp			Total	
Object	Description	18 Actual	19 Apprvd	FY20
50000	Salaries	6453723.8	8067694	10340089
50010	Benefits	2894234.64	3729990	4420001
50500	Salary - Intern	12156.46	32277	0
50510	Benefits - Intern	986.32	3700	0
50600	Salary - Board	16000	25000	32000
50610	Benefits - Board	1212.8	2540	3800
	Total Personal Services	9378314.02	11861201	14795890
51000	Staff: Alaska Travel	40455.05	46610	31100
51010	Staff: US/Canada Travel	347437.92	716767	695900
51020	Staff: International Travel	108943.57	182700	255100
51210	Board: Alaska Travel	16165.71	21683	36800
51220	Board: US/Canada Travel	4005.21	23940	34800
51300	Moving - Trans/Per Diem	18616.78	60000	23500
51320	Shipment of Personal Property	6122.32	106500	102000
51400	Trans/Per Diem Non Employees	8380.23	45000	24000
	Total Travel	550126.79	1203200	1203200
52723	Commissioner's Office	57169	56926	60000
52724	Inter-agency Safety (Parking)	97.71	130	150
52726	Admin Services	33500.59	30288	50000
52721	Inter-agency Human Resources	32946.65	32824	50000
52100	Annual Audit	145500	152000	200000
52110	Auditor Consulting	0	10000	10000
52490	Consulting Other	54530	167270	154800
52510	Legal Fees Corp Matters	0	75000	20000
52520	DOL Legal	5147.03	30000	7500
52600	Communications Program	88654.06	102000	102000
52700	IT Consulting Services	74739.34	1007283	800000
52704	MIS System Services	21041.96	500000	230000
53810	Netwk/Server Software Lic/Mnt.	257096.89	779281	960000
53100	Phone/Fax Lines/Toll/Cell	37313.78	100000	200000
53110	State EPR Charge	4000	50000	75000
53120	Tele/Videoconferencing	7872.35	50000	100000
53140	Remote App Software	19756.66	20000	50000
53300	Inter-agency Mail	3340.9	4000	6000
53320	Postage & Delivery Services	1827.61	2550	3000
53440	Recruitment Notices	14751	30000	18000
53500	Communications Advert/Print	38705.52	44500	44500
53600	Office Furniture/Other Repair	291.06	5000	10000
53610	Copier/FAX Maintenance	11499.63	13500	21000
53650	IT Equipment Repair	12749.03	75000	60000

53700	Office Rent/Lease	505399.08	523300	523300
53710	Records Retention Storage	4389.33	3000	8000
53720	Copier Lease	2383.56	10000	12000
53790	Other Rent/Leases	1020	2000	5000
53900	Training & Conferences	44167.49	186620	190000
53920	Meeting Room/Equipment Rental	102.65	4000	2000
53930	Catering/Food/Coffee Fund	7543.09	18350	18350
53940	Meeting Transcription	17499.84	33000	33000
53990	Other Meeting Expenses	956.8	1000	1500
52722	Inter-agency Insurance	2607.33	4964	8000
53995	Other Misc Expenses	7450	49700	49700
55120	PCard Holding	0	0	0
52720	Inter-agency Financial	803	1413	2000
	Total Contractual Services	1516852.94	4174899	4084800
53400	Subscriptions	26397.09	32300	40000
55100	Office Supplies	8026.87	17000	20000
55400	IT Supplies (FKA commodities)	1628.74	75000	55000
55450	Workstation Equipment	120140.18	310000	220000
55600	Office Furniture/Equipment	3631	1000	20000
	Total Commodities	159823.88	435300	355000
55475	Network/Server Equip. > \$5 K	73708.79	400000	450000
	Total Equipment	73708.79	400000	450000
	TOTAL OPERATING ALLOCATION	11678826.42	18074600	20888890
52480	Consulting & Modeling	520765.2	1500000	1600000
53280	Shared Services/Analytics/Data	3611159.67	3775415	4775000
53281	Invest/Fin Network Access Fees	20400	25000	50000
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59300	DOR Legislative Appropriation	94100	94500	94500
	Total Other Appropriations	7170000	8681100	8681100

# Alaska Investment Policy Memo

SUBJECT: Alaska Investment Policy

ACTION: \_\_\_\_\_

DATE: 9/06/2018

INFORMATION: \_\_\_X\_\_\_\_\_

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**BACKGROUND:**

APFC's current Investment Policy & Procedures were reviewed and approved in May 2018 with an effective date of July 1, 2018. As a result of the discussion and review, the Board requested staff provide ideas for implementing the policy and any needed amendments to the policy. We have included the language of the existing policy for reference below:

**V ALASKA INVESTMENT POLICY**

To implement the requirements of Alaska Statute 37.13.120(c), the Board believes the Fund should have an in-state investment policy that maintains the investment integrity of the Fund and is both proactive and impartial. As such, any in-state investment should be considered by APFC under the following considerations:

**Honor Alaska Statute 37.13.120(c):** Prescribes that if an Alaskan investment has equivalent risk and expected return comparable to or better than a similar non-Alaskan investment, the Alaskan investment should be preferred.

**Require Compelling Risk-Adjusted Returns:** To honor the prudent investor rule provided in Alaska Statute 37.13.120(a), any Alaskan investment contemplated by APFC must be attractive on a stand-alone basis.

**Ensure Fund Diversification:** In order to provide sufficient risk diversification as required under Alaska Statute 37.13.120(c), the total of all in-state investments shall generally not exceed 1% of the Fund without Board approval (measured at the time of purchase)—includes public and private market investments.

**Seek Participation by Non-Alaskan Institutional Investors:** In order to ensure that an Alaskan investment opportunity is attractive on a stand-alone basis and satisfies the institutional quality requirements of 15 AAC 137.420, APFC should generally seek to invest into an Alaskan investment alongside of at least one of its peers (i.e., a large institutional investor, which may include endowments, foundations, sovereign wealth funds, or public or private pension funds).

**STATUS:**

Attached is the memo dated July 18, 2018 to the Board outlining three possible alternative strategies for investment in Alaska. Any changes needed to the policy as a result of the work session will be brought before the Board at the Annual Meeting for discussion and adoption.

# Investing in Alaska Memorandum

## MEMORANDUM

**TO:** Board of Trustees  
**FROM:** Trustee Richards  
**DATE:** September 6, 2018  
**RE:** Investing in Alaska

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At the last Board meeting the Trustees discussed the Alaska Permanent Fund Corporation's ("APFC") Alaska investment policy in connection with the review and adoption of an updated investment policy. Part of that discussion was what, if anything, the Board and staff could do to better engage Alaska and comply with both the letter and spirit of AS 37.13.120(c).<sup>1</sup> I offered to look into this matter and present to the Board any thoughts that came from that effort. After having a number of discussions with Alaskans and non-Alaskans including Alaska based investors, staff, APFC consultants, outside managers, etc., and reviewing what literature was available on what other jurisdictions have done as related to domestic investments, the following is a summary of some of the ideas. Please note these are not my recommendations, but instead a description of different concepts for the Board's consideration.

I have begun to think in terms of a three-part framework as to the different ideas: (1) Alaska Based Asset Management; (2) Direct Investments in Alaska; and (3) Non-Investment Opportunities. I will address each in turn.

### **Alaska Based Asset Management**

It was stated by the CIO at the last Board meeting that approximately 1.4 percent of the Fund's assets are managed in Alaska. Those managers have performed well for over 20 years. There are several ideas on how to continue and increase that success.

1. **Prescribe Percentage Targets for APFC Staff:** This idea was discussed in the CEO's July 18, 2018 Memorandum. Unless the Board wants to combine percentage targets for assets managed in-state and APFC investments made in-state, then targets in this area will be measured against the amount of Fund assets managed by Alaska based managers. Whether in-house management of assets by staff is inclusive or exclusive of a target is also an issue. An example would be a target to increase externally managed funds by Alaska based managers to 2% by 2020, and .5% or 1% each year thereafter for a set number of years.

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<sup>1</sup> "The board shall invest the assets of the fund in in-state investments to the extent that in-state investments are available and if the in-state investments (1) have a risk level and expected return comparable to alternate investment opportunities; and (2) are eligible for investment of fund assets under (a) of this section." AS 37.13.120(c).

2. **Emerging Manager Program:** A number of American pension funds have created emerging manager programs. Often the programs focus on private equity/alternative asset class investment funds. An “emerging manager” could be one that manages less than \$2 billion, or is on the first, second or third round of funding. The National Association of Investment Companies put out a 2011 paper discussing best practices and the goals and experiences of different programs that is worth reviewing.<sup>2</sup> The APFC could have an emerging manager fund focused on Alaska based managers that is run either by staff or by an outside manager.
3. **Alaska Based:** What qualifies as Alaska based is a question. For instance, Alaska based could be investment firms owned in majority or whole by Alaskan residents, firms with an office in Alaska, or firms where the asset manager managing the funds resides in Alaska.
4. **Rewards for Alaska Presence:** I was told by one manager that the Government Pension Fund of Norway requires its managers to have a presence in Norway, which could be as simple as the equivalent of a post office box (I did not verify this). The APFC could require some type of presence or, alternatively, establish a reward for it such as bid preferences or slight allocation increases.

### **Direct Investments in Alaska**

AS 37.130.120(c) creates the investment criteria that the Fund should invest in Alaska if available investments have comparable risk and return profiles. Currently the only investment in Alaska, as opposed to assets managed by Alaska based asset managers, is APFC’s headquarters building, the Michael J Burns Building, located in Juneau. My discussions with staff identified two specific drivers: (1) Alaska deals tend to be smaller and thus not a size that warrants limited staff resources and time; and (2) a concern that Alaska based deals will become political. Both of those are excellent points, and should be considered in designing Alaska based investment goals or programs. Different ideas for direct investing in Alaska are:

1. **Develop an Alaska Investment Program at APFC:** The APFC would appoint an internal or external manager to design and manage an Alaska-related private market investment portfolio with a target allocation set by the Board (e.g., \$200 million with a goal of 2% assets under management by 2022). The CEO’s July 18, 2018 memo covers this idea well, including pointing out that several public pension funds in various states have undertaken different iterations and approaches to encourage domestic investing. It is worth the staff and Board exploring those experiences.
2. **Establish an Alaska Investment Corporation:** Also discussed in the CEO’s July 18, 2018 memorandum, Alaska would follow the lead of other sovereign wealth funds and either launch or acquire a company to profitably invest in Alaska centered investments.

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<sup>2</sup> National Association of Investment Companies, *Emerging Manager Programs: A Best Practices Overview* (June 2011)

The former CIO discussed a particular idea that I thought interesting. Essentially, as I understand it, the APFC would partner with one or two other large investors (e.g., pensions or sovereign wealth funds) and acquire an existing investment firm which would then be given a target Alaska investment mandate such as 25% of funds under management. Having a partial interest in a corporation, with peer partners, which then would have a partial investment mandate, could serve to help insulate investments from political considerations by isolating staff from day-to-day decision making and provide helpful checks in balances in the form of peer partner oversight. Peer partners also leverage the APFC's direct investment into the corporation and Alaska, because those partners would also be contributing.

3. **Alaska Deal Expectation:** APFC could set a goal for all or some of its private equity/venture capital/other alternative asset classes to do 1% or 2% of deals in Alaska. Success to that goal would be periodically reported, but there would be no hard consequence for not meeting the goal.

### **Non-Investment Opportunities**

These are ideas in addition to strategies around how the APFC invests its assets, and tend to be more qualitative.

1. **Partner with the University of Alaska:** The CEO and I have both spoken to University of Alaska President Johnsen about working together to help foster a thriving finance community in Alaska. President Johnsen offered to send a letter to the CEO to suggest some different ideas and to get the right University personnel working the issue. Several ideas have emerged as to how the APFC and University could work together.
  - a. *Internship Program:* Reestablish the APFC internship program for students at UA or Alaskans attending university outside. The CEO has expressed concern about the staff time that was previously involved in the program before she eliminated it, so President Johnsen discussed the possibility of shifting some of the administration burden to the University.
  - b. *APFC Engagement:* The APFC encourage its staff, managers, consultants, investment partners, etc. to engage the University's finance community, such as giving lectures when in town or mentoring the student run investment program.
  - c. *Work with Academics:* The APFC could identify areas of academic research that could be helpful to the Fund or Alaska, and work with the University academic staff on research projects.
  - d. *Quantitative Management Program:* APFC, potentially in conjunction with other managers, sponsor a quantitative management degree program.
  - e. *Capital Campaign:* APFC could help support the University's capital campaign in some manner.
2. **Shared Services Model:** It was suggested anecdotally that China, in some instances, requires foreign managers to hire a number of Chinese. That obviously results in professional education and training for the Chinese workforce. There could be a

requirement or reward for managers that hire Alaskans or, more likely, those that use Alaska based business for co-investing and/or back office support.

3. **APFC Sponsorship of Networking Events:** The APFC could sponsor speakers and/or lecture series where Alaska based investors have the opportunity to interact with larger global players to make connections – e.g., a global investment conference in Girdwood. Several managers thought it would be helpful for APFC to bring its peers, investment partners, and managers to the State to interact with Alaska managers.
4. **Managers Report on Alaska Efforts:** The APFC could make clear to its managers that it views favorably engagement in Alaska, and ask each firm to report, say once a year, on any efforts undertaken as relates to working with Alaska based managers, investments in Alaska, travel to Alaska for events, and presence or plans to have staff or offices in Alaska. There would be no requirement to do any of those activities, but having a mechanism for them to be reported would hopefully encourage managers to at least consider them.
5. **Staff Work Flexibility:** The APFC could allow staff to work in other parts of Alaska to enable recruitment and retention. That will also increase the staff's interaction with the investment community statewide. This could be in the form of flexible work schedules or through more than one office.

# **Policy Options Relating to Alaska Based Investments**

## **July 18, 2018**

TO: APFC Board of Trustees

FROM: Angela Rodell, Executive Director

SUBJECT: Policy Options Related to Increasing APFC's Alaska-based Investments

DATE: July 18, 2018

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**BACKGROUND:** At the most recent APFC Board meeting in May 2018, the trustees requested that staff prepare a list of potential options for increasing APFC's Alaska-related investments to the extent that such investments can also provide compelling, complementary prospective investment risks and returns with the rest of the Permanent Fund's portfolio. Such investments would thus be consistent with the spirit and letter of Alaska Statute 37.13.120(c) which prescribes that APFC should prefer an Alaska investment to a non-Alaska investment with equivalent or better risk and return prospects.

Based upon the prevailing practices of other public plans which have successfully and profitably invested into their region's opportunities, three principal models have emerged:

- (1) **Prescribe Percentage Targets**—this model entails prescribing future minimum percentage targets of the overall Permanent Fund to be invested into Alaska-related opportunities. Such opportunities may relate either to Alaska-domiciled investments (such as infrastructure or private equity) or to mandates managed by Alaska-based investment managers. In the case of the Alberta Heritage Fund, a 2% minimum target was prescribed by their board. Once their investment staff began to evaluate and prioritize potential opportunities based on their board's directive, however, Alberta-related investments rose to nearly 7% of their investment portfolio based purely upon the attractiveness of those opportunities. Note that certain types of opportunities (e.g., existing real estate or infrastructure) may typically be excluded to the extent that the Fund does not seek to crowd out private sector-led investments. The principal advantage of such an approach is to leave open to APFC investment staff which Alaska-based investment opportunities are most attractive and complementary with the rest of the portfolio. The minimum percentage targets also help to focus staff attention on the Board's expectations.
- (2) **Develop an Alaska Investment Program at APFC**—Under a well-defined Alaska Investment Program, APFC would either appoint an external money manager or assign one or more investment professionals to focus on the design and management of an Alaska-related investment portfolio. Typically, this portfolio would be restricted to private market investments in infrastructure, private equity, venture capital, or real estate. State investment programs utilizing one or more externally appointed

investment managers has been successfully implemented by several US states including CalPERS in their California Investment Initiative. The advantage of this approach is that by dedicating either an external firm or internal investment professionals to Alaska-related investments, they will focus on both the deploying meaningful capital and measuring (and hopefully) delivering compelling returns. The success of this program can then be compared with the income and growth counterparts outside of Alaska. The scale of such a program can evolve over time but could typically represent 2-5% of the Fund not including stock and bond mandates managed by Alaska-based investment managers.

- (3) **Establish an Alaska Investment Corporation (AIC)**—Several of the largest sovereign wealth funds have launched new SWF-owned investment companies which are dedicated to profitably investing into regional opportunities which also help to develop those economies. Examples include the formation of SANABIL from the Saudi Public Investment Fund (PIF), Mubadala (including ADIC) from the Abu Dhabi Investment Authority (ADIA), Temasek from the Singapore Government Investment Corporation (GIC), and Gulf Investment Corporation (also referred to as GIC) from the GCC countries' wealth funds. In order to make the formation of a SWF-owned investment corporation worthwhile, generally a critical mass of at least 5% of the Fund should be targeted. The allocated amount may then evolve over time to reflect the overall success of the new company's portfolio.

STATUS: Staff noted at the May Board meeting that approximately \$900 million or 1.4% of the total Permanent Fund portfolio is currently invested in Alaska-related opportunities, primarily through allocating mandates to Alaska-based investment managers, as well as through its ownership of APFC's headquarters building. Other sovereign wealth entities around the world have also faced similar challenges to APFC regarding productive investing into their regional opportunities, which have been accomplished with varying degrees of success. Those SWFs which have been successful at such regional investments have generally developed one of the three programs outlined above.

RECOMMENDATION: Staff views each of the policy options discussed above as viable. Once the Board arrives on its recommended policy, staff will develop the specific action and implementation plan to make the target policy as effective as possible. That plan will then be presented to the Board for approval at an upcoming Board Meeting later this year or as directed.

# Legislative Initiatives Memo

SUBJECT: Legislative Initiatives

ACTION: \_\_\_\_\_

DATE: September 6, 2018

INFORMATION:  X

Outlined below are three issues the Corporation has identified that would require legislation to address. The goal of this agenda item is to generally discuss each of these issues and solicit feedback from the Board on which issues, if any along with any others not listed below, you would support advancing to the Legislature for consideration in the upcoming legislative session:

1. Procurement

- a. **Issue**-When APFC staff is making an investment using permanent fund (Fund) assets (i.e. exercising its investment powers) the state procurement code does not apply to such investments. That said, to complete the investment due diligence process and then monitor investments, APFC typically contracts with vendors to assist them in this process and the state procurement does apply to these contracts. Because these investments opportunities must often be completed within a relatively short time frame and often involve proprietary information, application of the state procurement code (with built in timelines and the public process/transparency process) hinders APFC’s ability to quickly and efficiently contract with vendors needed to assist APFC staff when directly investing Fund assets.
- b. **Proposed Solution**-request an exemption from the state procurement code for APFC contracts where the work to be performed is related to the investment and monitoring of assets managed by APFC.
- c. **Proposed sample language**-

“AS 36.30.850(b) is proposed to be amended by adding a new subsection to read:  
(49) a contract of the Alaska Permanent Fund Corporation to provide investment related services for assets managed by the Alaska Permanent Fund Corporation.”

2. Inflation Proofing

- a. **Issue**-The passage of SB 26 preserved in laws the existing language for inflation proofing the Fund and the FY19 Operating Budget included an estimated amount for inflation proofing the current year. Inflation proofing was not appropriated for FY16, FY17 or FY18. Any amount for FY20 and beyond is subject to appropriation and continues to be a risk for the Fund. Given the Trustees’ stated goal to preserve the purchasing power of the Fund for future generations, a more permanent, long-term solution may be in order.
- b. **Proposed Solution**-While there are numerous ways to achieve this goal, a simple solution would be to modify the current method of calculating annual net income of the

fund to hold the corpus of the Fund harmless from the effects of inflation just like we currently use realized gains to offset realized losses.

c. **Proposed sample language-**

“AS 37.13.140 is proposed to be amended to read:

Net income of the fund shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding: (1) any unrealized gains and losses; and (2) an amount to be transferred annually to the principal of the fund to offset the impacts of inflation.”

3. Corporation Budget (AS 37.13.150)

a. **Issue-**Under existing law APFC must seek an annual appropriation of Fund earnings to cover both the costs of operating the corporation and the costs associated with external managers that are not paid out of the investment proceeds that we have hired them to manage (i.e. public equity managers). APFC continues to believe it is time to find a new budget paradigm that will allow the Fund and its managers to continue operating. Two proposed solutions are outlined below:

b. **Preferred Proposed Solution-**The most effective solution would be to request a change to APFC’s investment authority so that *all* investment related costs could be financed with Fund assets (i.e. be a direct cost of the investment) rather than being funded with Fund earnings through an annual appropriation. To be clear, this is already how our private market investments are structured. This proposed change would include both costs associated with external managers (i.e. public equity managers), as well as the costs of operating the corporation (i.e. APFC operating budget). All of these investment costs would be tracked and reported to ensure transparency on how much was spent while investing the assets of the Fund.

c. **Proposed Sample Language-**

“AS 37.13.120(a) is proposed to be amended to read:

(a)The board shall adopt regulations specifically designating the types of income producing investments eligible for investment of fund assets, including the internal and external costs associated with making and managing these investments.

AS 37.13.150 is proposed to be repealed.”

d. **Alternate Proposed Solution-**If the Board, Administration, or Legislature prefers the status quo (i.e. Fund earnings and annual appropriation used to cover APFC’s internal and external budget (except private market investments)), we could request the Legislature approve APFC’s budget two fiscal years in advance. For example, while the Legislature is working on the FY20 budget for state government APFC would request an appropriation for FY21. So, if come June 30, 2019 the Legislature has not yet approved a budget for FY20, APFC will avoid being swept up in a potential government shutdown because APFC’s FY21 budget will have been approved in the FY20 budget.

e. **Proposed Sample Language-**

“AS 37.13.150 is proposed to be amended to read:

The revenue generated by the fund’s investments must be identified as the source of the operating budget of the corporation **and should be included in the state’s operating budget two fiscal years in advance of the fiscal year in which the operating budget is being considered** [in the state’s operating budget under AS 37.07 (Executive Budget Act)]. **The operating budget of the corporation shall be developed and approved by the board and is exempt from the Executive Budget Act under AS 37.07.** The unexpended balance of the corporation’s annual operating budget does not lapse at the end of the fiscal year but shall be treated as income under AS 37.13.140.