



Board of Trustees

Budget Workshop

September 2, 2021

Table of Contents

1. Agenda
2. Strategic Plan & Compensation Policy
 - a. Memo
 - b. Strategic Plan Presentation
 - c. Strategic Plan
 - d. Proposed Compensation Comparison
3. FY23 Proposed Budget
 - a. Presentation: FY23 Proposed Budget
 - b. Budget Proposal Memo
 - c. Budget Proposal Appendix

Board of Trustees Budget Work Session

September 2, 2021
11:30 a.m. – 3:00 p.m.

Atwood Conference Center 102/104
Anchorage, AK

Webinar Access (click link to join webinar)

Join via WebEx and enjoy the ability to listen on your computer and follow presentations:
<https://apfc.webex.com/apfc/onstage/g.php?MTID=e94ee4ccb9c62240b37956200d7a68c42>

Event Password: APFCBudget

Teleconference Option

*If you are unable to join via webinar, please contact us at
(907) 796-1500 to receive a teleconference number*

AGENDA

THURSDAY, SEPTEMBER 2, 2021

- | | |
|------------|----------------------------------------------------------------------------------------------|
| 11:30 a.m. | CALL TO ORDER |
| | ROLL CALL (Action) |
| | APPROVAL OF AGENDA (Action) |
| | SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION |
| 11:45 a.m. | STRATEGIC PLAN & COMPENSATION POLICY (Information)
Angela Rodell, Chief Executive Officer |
| 12:30 p.m. | LUNCH |
| 1:00 p.m. | FY23 BUDGET OVERVIEW (Information)
Sara Race, Administrative Operations Manager |
| 2:30 p.m. | BREAK |
| 2:45 p.m. | OTHER MATTERS / FUTURE AGENDA ITEMS / TRUSTEE COMMENTS |
| 3:00 p.m. | ADJOURNMENT |

<p>NOTE: TIMES MAY VARY AND THE CHAIR MAY REORDER AGENDA ITEMS (Please telephone Jennifer Thorsteinson at 907.796.1519 with agenda questions.)</p>

SUBJECT: APFC Strategic Plan FY20-FY25 ACTION: _____
 & Compensation Plan

DATE: September 2, 2021

INFORMATION: ___X_____

BACKGROUND

Strategic Plan 2020-2025:

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. The current Strategic Plan was adopted at the September 25-26, 2019 Annual Board of Trustees Meeting.

Compensation Plan:

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. Subsequently McLagan was asked to update the study in 2020. The new data is included here but was not received in time to inform the budget request. We have requested position adjustments with the Trustees' stated compensation goal of paying median total cash of our adopted peer group.

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. At the September Board Meeting, the Board will be asked to adopt updated pay bands.



APFC

ALASKA PERMANENT
FUND CORPORATION

Strategic Plan

September 2, 2021

Strategic Priorities 2020-2025

- Position the organization and fund for implementation of the annual POMV draw
- Develop and implement comprehensive risk management for the organization
- Integrate best in-class investment management capabilities to maximize investment returns
- Enhance talent and staff across APFC

Goals Accomplished

- Comprehensive Communications Plan
- Implemented a Risk Management Plan
- Adoption and funding of Incentive Compensation

Work in Progress

- Developing best in class asset teams
- Developing best in class support teams



ALASKA PERMANENT FUND CORPORATION

FY20 - FY25 STRATEGIC PLAN

PURPOSE/MISSION

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

VISION

To deliver outstanding returns for the benefit of 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 for the benefit of current and future generations of Alaskans.*
- **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.*

CORPORATE STAKEHOLDERS

(ordered according to the degree to which APFC is obligated to serve and directly impact key APFC decisions and policies)

- All Alaskans
- Alaska Permanent Fund
- Executive and Legislative Branches
- Mental Health Trust Authority
- Investment Partners

EXPECTATIONS

- The inflation-adjusted principal of the Permanent Fund will always be protected
- The fund will outperform the CPI +5% long-term return objective with adequate liquidity
- We will professionally and prudently manage the assets and resources with which we are entrusted
- We are fully accountable for our decisions and strive to ensure appropriate information is readily available and shared
- We will fulfill all commitments and obligations
- We attract and retain top talent throughout APFC
- We will invest in attractive Alaskan opportunities

FUND STAKEHOLDERS

(ordered according to the degree to which fund stakeholders are impacted by or vested in APFC's success or failure)

- All Alaskans (including future generations)
- State Government
- Investment Managers

EXPECTATIONS

- The inflation-adjusted principal of the Permanent Fund will always be protected
- Net earnings of the Permanent Fund are available for appropriation
- We will fulfill all commitments and obligations
- We will do our jobs professionally

STRENGTHS

(ordered according to the degree to which each is projected to be a significant strength during the period covered by this plan)

- Passionate, talented, and diverse staff
- A long-term investment horizon
- Proclivity to be nimble and flexible
- Size of the fund
- Proven record of sustained success
- Trustees' confidence and trust in the organization
- Knowledgeable, engaged Trustees
- Public purpose
- Location (Alaska)

WEAKNESSES

(ordered according to the degree to which each is projected to be a significant weakness during the period covered by this plan)

- Uncertainty regarding the implementation of the ongoing POMV draw (potential shift to liability manager model?)
- Lack of trust, confidence, communication between stove-piped groups
- Vulnerabilities of being a government cost center
- Lack of an incentive compensation plan
- Lack of effective means to ensure continuity of proven strategies and practices to overcome gaps
- Impact of location (Alaska) on recruiting, accessing market opportunities
- Systems and integration lag behind the organization's needs

ALASKA PERMANENT FUND CORPORATION

FY20 - FY25 STRATEGIC PLAN

OPPORTUNITIES

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

- Potential to add greater value through increased internally managed investments
- Market demand for large scale and long-term investors
- Changing political directions, expectations, and requirements
- The value of established brand equity (of APFC)
- Increasing unique access to growing global investment opportunities and partnerships

THREATS

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

- Lack of political clarity regarding the purpose and structure of the fund (expectations for future performance; impact of the POMV)
- Uncertain, uneven support for resources and budget for operations
- Lower expected returns and higher risks (market cycles)
- Increased threat of digital disruption and cyberattacks
- Limited pool of qualified applicants and challenge of retaining experienced employees
- External consequences resulting from negative reactions to APFC decisions and actions

STRATEGIC PRIORITIES

1. Position the organization and fund for implementation of annual POMV draw
2. Develop and implement comprehensive risk management for the organization
3. Integrate best-in-class investment management capabilities to maximize investment returns
4. Enhance talent and staff across APFC

KEY ASSUMPTIONS

- Key staff will not turnover in the next 5 years

ALASKA PERMANENT FUND CORPORATION

FY20 - FY25 STRATEGIC PLAN

Goal	Objectives	Strategies
Goal	Objectives	Strategies
<p>1. (P1) Work with the legislative and executive branches to answer questions and give guidance regarding technical issues and best practices for a rules-based framework for APFC fund transfers.</p>	<p>(P1,G1) Obj 1: Create and execute on a comprehensive communication plan.</p>	<p>(P1,G1,O1) S1: Develop a publicly available financial model that can be used to analyze ERA durability and project future fund performance by the start of the 31st Legislature. (POC/Lead: CIO, CFO, Chief Risk & Compliance Officer)</p> <p>(P1,G1,O1) S2: Publish a trustee paper on approaches other sovereign wealth funds have used related to fund transfers by the start of the 31st Legislature. (POC/Lead: CEO, Board)</p> <p>(P1,G1,O1) S3: Develop a comprehensive plan to present and answer legislative and executive questions regarding fund transfer technical issues and best practices for Board approval before the start of the 31st Legislature. (POC/Lead: CEO, CIO, Communications Manager, Board)</p> <p>(P1,G1,O1) S4: Develop and release public focused information and materials to educate/inform the public on the APFC's position prior to and during the 31st Legislature. (POC/Lead: Communications Manager)</p>
	<p>(P1,G1) Obj 2: Provide clear recommendations on best practices for a rules-based framework for APFC fund transfers by the start of 31st Legislature and so long as topical.</p>	<p>(P1,G1,O2) S1: Develop and present recommendations regarding sustainable draw levels from the ERA and Corpus. (POC/Lead: CEO, CIO, CFO, Chief Risk & Compliance Officer, Communications Manager, Board)</p> <p>(P1,G1,O2) S2 Develop and present recommendations regarding ERA durability. (POC/Lead: CEO, CIO, CFO, Chief Risk & Compliance Officer, Communications Manager, Board)</p> <p>(P1,G1,O2) S3: Develop and present recommendations regarding real growth options for the ERA and Corpus. (POC/Lead: CEO, CIO, CFO, Chief Risk & Compliance Officer, Communications Manager, Board)</p>

ALASKA PERMANENT FUND CORPORATION
FY20 - FY25 STRATEGIC PLAN

Goal	Objectives	Strategies
2. (P1, P2) Develop and implement a comprehensive risk management plan by start of FY2024.	(P1-2,G2) Obj1: Develop and implement a risk management plan for operational risk by start of FY2021.	<p>(P1-2,G2,O1) S1: Develop a new business continuity plan to address organizational contingencies by the end of FY2020. (POC/Lead: Chief Risk & Compliance Officer, Director of IT)</p> <p>(P1-2,G2,O1) S2: Gain approval for plan and its implementation by the start of FY2021. (POC/Lead: Chief Risk & Compliance Officer)</p> <p>(P1-2,G2,O1) S3: Implement the continuity plan by start of FY2021 and assess its effectiveness (ongoing). (POC/Lead: Chief Risk & Compliance Officer, Director of IT)</p>
	(P1-2,G2) Obj2: Develop and implement a risk management plan for financial assets by July 2023.	<p>(P1-2,G2,O2) S1: Develop risk metrics for private assets, building on the results of an assessment of the risks in the current portfolio, by the end of CY2020. (POC/Lead: Chief Risk & Compliance Officer)</p> <p>(P1-2,G2,O2) S2: Implement, test, and refine developed risk metrics during Q1CY2021. (POC/Lead: Chief Risk & Compliance Officer)</p> <p>(P1-2,G2,O3) S3: Incorporate refined metrics into a comprehensive risk management plan for financial assets, including an assessment of additional budgetary and personnel resources required by the plan, for presentation to the Board in May 2022. (POC/Lead: Chief Risk & Compliance Officer)</p> <p>(P1-2,G2,O2) S4: Refine plan based on Board inputs and implement approved plan with ongoing monitoring and reassessments by July 2023. (POC/Lead: Chief Risk & Compliance Officer)</p>

ALASKA PERMANENT FUND CORPORATION

FY20 - FY25 STRATEGIC PLAN

Goal	Objectives	Strategies
3. (P3) Refine and integrate best-in-class asset allocation and asset class investment capabilities to produce target long-term returns of at least CPI+5% through the end of FY2025.	(P3,G3) Obj 1: Integrate best-in-class Asset Allocation strategies versus the benchmark with a total value added of 5bps annually, while managing liquidity through FY2025.	<p>(P3,G3,O1) S1: Create a separate allocation for cash with defined benchmark by May 2020. (POC/Lead: Director of Asset Allocations Investments)</p> <p>(P3,G3,O1) S2: Adjust and modify the Asset Allocation strategies benchmark by May 2020. (POC/Lead: Director of Asset Allocations Investments)</p> <p>(P3,G3,O1) S3: Assess if the asset class would benefit from additional internal management; identify additional resources requirements, by the start of FY2022. (POC/Lead: Director of Asset Allocations Investments)</p>
	(P3,G3) Obj 2: Integrate best-in-class Public Equities program with a total value-added versus the MSCI ACWI IMI benchmark of 50bps annually through FY2025, while remaining in green zone on tracking error.	<p>(P3,G3,O2) S1: Value-Added Manager Selection— Deliver an average of 30-50bps (net-of-fees) annually relative to the MSCI-ACWI-IMI benchmark through manager selection through 2025. (POC: Director of Public Equities)</p> <p>(P3,G3,O2) S2: Value-Added Portfolio Positioning— Deliver an average 10-25bps (net-of-fees) annually relative to the MSCI-ACWI-IMI benchmark through sector and country allocations through 2025. (POC: Director of Public Equities)</p> <p>(P3,G3,O2) S3: Value-Added Internal Management— Deliver an average 5-20bps (net-of-fees) annually relative to the MSCI-ACWI-IMI benchmark through internal management and security selection through 2025. (POC: Director of Public Equities)</p> <p>(P3,G3,O2) S4: Assess if the asset class would benefit from 5-20% internal management and identify additional resources requirements by the start of FY2022. (POC/Lead: Director of Public Equities)</p>
	(P3,G3) Obj 3: Integrate best-in-class Fixed Income with a target average value-added of 15bps annually compared with Fixed Income composite benchmark through FY2025, while remaining in green zone on tracking error.	<p>(P3,G3,O3) S1: Adjust and modify the Fixed Income benchmark by May 2020. (POC/Lead: Director of Fixed Income Investments)</p> <p>(P3,G3,O3) S2: Assess if the asset class would benefit from additional internal High Yield management and</p>

ALASKA PERMANENT FUND CORPORATION
FY20 - FY25 STRATEGIC PLAN

		identify additional resources requirements by the start of FY2022. (POC/Lead: Director of Fixed Income Investments)
	(P3,G3) Obj 4: Integrate best-in-class Private Equity & Special Opportunities program with an average value-added of 100bps annually greater than the applicable Cambridge benchmark through FY2025.	<p>(P3,G3,O4) S1: Assess if the asset class would benefit from additional internal management and identify additional resources requirements by the start of FY2022. (POC/Lead: Director of Alternative Investments)</p> <p>(P3,G3,O4) S2: Identify and implement robust portfolio management tools that integrate with APFC risk management systems by start of FY2022. (POC/Lead: Director of Alternative Investments)</p> <p>(P3,G3,O4) S3: Identify and implement robust private equity market tools by start of FY2022. (POC/Lead: Director of Alternative Investments)</p>
	(P3,G3) Obj 5: Integrate best-in-class Real Estate program with a target average value-added of 50bps annually greater than the NCREIF Property benchmark through 2025.	<p>(P3,G3,O5) S1: Target REOC's or other investment platforms for multi-family and industrial properties by the start of FY2025. (POC/Lead: Director of Real Estate)</p> <p>(P3,G3,O5) S2: Continue with "build-to-core" investments with two projects completed by end of 2025. (POC/Lead: Director of Real Estate)</p> <p>(P3,G3,O5) S3: Assess if the asset class would benefit from additional internal management and identify additional resources requirements by the start of FY2022. (POC/Lead: Director of Real Estate)</p>
	(P3,G3) Obj 6: Integrate best-in-class Hedge Funds program with a target long-term return of CPI+5% and a Sharpe Ratio of 0.5 through 2025.	<p>(P3,G3,O6) S1: Maintain and monitor portfolio of 15-25 funds delivering CPI+5% with a correlation to overall fund of less than 0.5 through 2025. (POC/Lead: Director of Alternative Investments)</p> <p>(P3,G3,O6) S2: Implement and maintain a rigorous evaluation process of direct manager relationships by June 2020. (POC/Lead: Director of Alternative Investments)</p>
	(P3,G3) Obj 7: Integrate best-in-class Infrastructure & Private Income program with a total average value-added of 50bps annually greater than the Infrastructure	(P3,G3,O7) S1: Evaluate alternative benchmarks for implementation subject to Board approval in May 2020. (POC/Lead: Director of Alternative Investments)

ALASKA PERMANENT FUND CORPORATION
FY20 - FY25 STRATEGIC PLAN

	and Private Income Composite benchmark through 2025.	(P3,G3,O7) S2: Assess if the asset class would benefit from additional internal management and identify additional resources requirements by the start of FY2022. (POC/Lead: Director of Alternative Investments)
	(P3,G3) Obj 8: Assess current budgeted resources, capabilities, and manpower and identify any support and staff shortfalls needed to accomplish Objectives 1-7 (above) for Goal 3.	<p>(P3,G3,O8) S1: Assess currently available, approved (budgeted) resources, capabilities, and manpower in light of projected and emerging resource and support requirements of planned strategies to accomplish Goal 3. (POC/Lead: Administrative Operations Manager)</p> <p>(P3,G3,O8) S2: Define and gain approval for acquisition of additional resources and support needed to address identified shortfalls associate with strategic plan's needs through 2025. (POC/Lead: Administrative Operations Manager)</p>

ALASKA PERMANENT FUND CORPORATION
FY20 - FY25 STRATEGIC PLAN

Goal	Objectives	Strategies
4. (P4) Enhance staff motivation and talent recruitment/retention across APFC through 2025.	(P4,G4) Obj 1: Gain approval for and implement incentive compensation plan by 1 Jan 2025.	<p>(P4,G4,O1) S1: Work with senior leaders to refine incentive compensation plan in order to be presented to the Board for approval before it is presented to the legislature. (POC/Lead: Human Resources Manager)</p> <p>(P4,G4,O1) S2: Identify additional resource requirements, including potential contract support, implementing approved incentive compensation plan by 1 Jan 2025. (POC/Lead: Human Resources Manager)</p>
	(P4,G4) Obj 2: Identify potential additional office location(s) for APFC that would add value to APFC mission and operations to Board.	<p>(P4,G4,O2) S1: Open an Anchorage office for the APFC by Sep 2020. (POC/Lead: Human Resources Manager)</p> <p>(P4,G4,O2) S2: Analyze and recommend whether additional office locations for the APFC should be opened at each Sep Board meeting starting in 2021. (POC/Lead: Human Resources Manager)</p> <p>(P4,G4,O2) S3: Timely define resourcing and staffing requirements for selected office locations. (POC/Lead: Human Resources Manager)</p>

Proposed Salary Comparison								Current Base Salary + Max Bonus	Proposed Salary + Max Bonus	Proposed Salary + 75% of Max Bonus	Proposed Salary + 50% of Max Bonus
Job Class Title	Current Base Salary	Current Salary + Max Bonus	Proposed Salary + Max Bonus	Proposed Salary + 75% of Max Bonus	Proposed Salary + 50% of Max Bonus	Median Total Cash - 2017 Analysis*	Median Total Cash - 2021 Analysis	Diff vs. Median Total Cash	Diff vs. Median Total Cash	Diff vs. Median Total Cash	Diff vs. Median Total Cash
Executive Director	\$ 389,000	\$ 389,000	\$ 415,000.00	\$ 415,000	\$ 415,000.00	\$704,000.00	\$ 1,275,000	-69%	-67%	-67%	-67%
HR Manager	\$ 124,630	\$ 124,630	\$ 142,000.00	\$ 142,000	\$ 142,000.00	\$212,000.00	\$ 202,610	-38%	-30%	-30%	-30%
Accountant	\$ 121,900	\$ 121,900	\$ 134,394.75	\$ 134,395	\$ 134,394.75	\$115,000.00	\$ 159,000	-23%	-15%	-15%	-15%
Director of RE	\$ 280,105	\$ 420,158	\$ 476,038.45	\$ 436,369	\$ 396,698.71	\$362,000.00	\$ 509,000	-17%	-6%	-14%	-22%
IT Specialist	\$ 56,445	\$ 56,445	\$ 64,000.00	\$ 64,000	\$ 64,000.00	\$	\$ 82,000	-31%	-22%	-22%	-22%
Investment Officer	\$ 197,600	\$ 266,760	\$ 303,750.00	\$ 284,063	\$ 264,375.00	\$257,000.00	\$ 354,000	-25%	-14%	-20%	-25%
Chief Investment Officer	\$ 375,000	\$ 562,500	\$ 600,000	\$ 550,000	\$ 500,000.00	\$767,000.00	\$ 894,000	-37%	-33%	-38%	-44%
Chief Risk Officer	\$ 245,000	\$ 245,000	\$ 264,968	\$ 264,968	\$ 264,967.50	\$	\$ 482,000	-49%	-45%	-45%	-45%
Chief Financial Officer	\$ 250,000	\$ 250,000	\$ 270,375	\$ 270,375	\$ 270,375.00	\$324,000.00	\$ 377,000	-34%	-28%	-28%	-28%
Investment Officer	\$ 295,550	\$ 443,325	\$ 502,287	\$ 460,430	\$ 418,572.69	\$345,000.00	\$ 470,000	-6%	7%	-2%	-11%
Administrative Specialist	\$ 60,255	\$ 60,255	\$ 76,500	\$ 76,500	\$ 76,500.00	\$56,000.00	\$ 62,000	-3%	23%	23%	23%
Administrative Specialist - Procurement	\$ 78,000	\$ 78,000	\$ 95,000	\$ 95,000	\$ 95,000.00	\$	\$ 93,000	-16%	2%	2%	2%
Investment Associate	\$ 149,434	\$ 186,793	\$ 211,636	\$ 201,054	\$ 190,472.63	\$119,000.00	\$ 146,000	28%	45%	38%	30%
Investment Ops Analyst	\$ 69,350	\$ 69,350	\$ 89,250	\$ 89,250	\$ 89,250.00	\$	\$ 102,000	-32%	-13%	-13%	-13%
Accountant	\$ 62,500	\$ 62,500	\$ 67,594	\$ 67,594	\$ 67,593.75	\$71,000.00	\$ 74,000	-16%	-9%	-9%	-9%
Communications Manager	\$ 144,027	\$ 144,027	\$ 158,790	\$ 158,790	\$ 158,789.77	\$188,000.00	\$ 205,000	-30%	-23%	-23%	-23%
Investment Officer	\$ 189,072	\$ 255,247	\$ 289,194	\$ 270,450	\$ 251,706.15	\$	\$ 290,000	-12%	0%	-7%	-13%
Investment Officer	\$ 344,866	\$ 517,299	\$ 586,100	\$ 537,258	\$ 488,416.47	\$482,000.00	\$ 505,000	2%	16%	6%	-3%
IT Specialist	\$ 125,138	\$ 125,138	\$ 147,381	\$ 147,381	\$ 147,381.00	\$	\$ 154,000	-19%	-4%	-4%	-4%
Admin Specialist	\$ 61,700	\$ 61,700	\$ 66,729	\$ 66,729	\$ 66,728.55	\$56,000.00	\$ 68,000	-9%	-2%	-2%	-2%
Investment Officer--FI	\$ 270,656	\$ 405,984	\$ 459,980	\$ 421,648	\$ 383,316.56	\$345,000.00	\$ 470,000	-14%	-2%	-10%	-18%
Chief Operating Officer	\$ 184,100	\$ 184,100	\$ 250,000	\$ 250,000	\$ 250,000.00	\$	\$ 408,000	-55%	-39%	-39%	-39%
Accountant	\$ 111,300	\$ 111,300	\$ 120,000	\$ 120,000	\$ 120,000.00	\$88,000.00	\$ 130,000	-14%	-8%	-8%	-8%
Investment Officer	\$ 176,252	\$ 264,378	\$ 299,540	\$ 274,579	\$ 249,616.90	\$	\$ 259,000	2%	16%	6%	-4%
Sr IT Specialist	\$ 172,500	\$ 172,500	\$ 215,000	\$ 215,000	\$ 215,000.00	\$	\$ 237,000	-27%	-9%	-9%	-9%
Controller/Accountant	\$ 106,500	\$ 106,500	\$ 109,695	\$ 109,695	\$ 109,695.00	\$115,000.00	\$ 205,000	-48%	-46%	-46%	-46%
Admin Officer/Exec	\$ 135,000	\$ 135,000	\$ 148,838	\$ 148,838	\$ 148,837.50	\$	\$ 133,000	2%	12%	12%	12%
Investment Officer	\$ 325,515	\$ 488,273	\$ 585,903	\$ 537,077	\$ 488,252.16	\$382,000.00	\$ 507,580	-4%	15%	6%	-4%
Accountant	\$ 65,500	\$ 65,500	\$ 71,400	\$ 71,400	\$ 71,400.00	\$	\$ 57,000	15%	25%	25%	25%
Public Equities Analyst	\$ 95,000	\$ 95,000	\$ 120,000	\$ 120,000	\$ 120,000.00	\$92,000.00	\$ 118,000	-19%	2%	2%	2%
Sr Accountant	\$ 126,891	\$ 126,891	\$ 138,565	\$ 138,565	\$ 138,564.97	\$115,000.00	\$ 159,000	-20%	-13%	-13%	-13%
Director of Public Equities	\$ 296,462	\$ 296,462	\$ 335,891	\$ 335,891	\$ 335,891.45	\$457,000.00	\$ 591,000	-50%	-43%	-43%	-43%
Accountant	\$ 63,750	\$ 63,750	\$ 70,284	\$ 70,284	\$ 70,284.38	\$63,000.00	\$ 73,000	-13%	-4%	-4%	-4%
General Counsel	\$ 245,000	\$ 245,000	\$ 264,968	\$ 264,968	\$ 264,967.50	\$378,000.00	\$ 383,000	-36%	-31%	-31%	-31%
Investment Officer	\$ 225,000	\$ 337,500	\$ 375,000	\$ 343,750	\$ 312,500.00	\$387,000.00	\$ 470,976	-28%	-20%	-27%	-34%
Communications Specialist	\$ 75,000	\$ 75,000	\$ 79,568	\$ 79,568	\$ 79,567.50	\$	\$ 43,000	74%	85%	85%	85%
Investment Officer	\$ 222,893	\$ 334,340	\$ 459,830	\$ 421,510	\$ 383,191.25	\$238,000.00	\$ 303,000	10%	52%	39%	26%
PM Investment Associate	\$ 75,000	\$ 86,250	\$ 115,000	\$ 111,250	\$ 107,500.00	\$95,000.00	\$ 98,000	-12%	17%	14%	10%
Senior PM RE	\$ 210,000	\$ 210,000	\$ 237,930	\$ 237,930	\$ 237,930.00	\$399,000.00	\$ 470,000	-55%	-49%	-49%	-49%
PM Real Estate	\$ 180,000	\$ 243,000	\$ 297,000	\$ 277,750	\$ 258,500.00	\$	\$ 298,000	-18%	0%	-7%	-13%
Accountant	\$ 60,650	\$ 60,650	\$ 65,593	\$ 65,593	\$ 65,592.98	\$	\$ 57,000	6%	15%	15%	15%
Investment Officer	\$ 169,878	\$ 229,335	\$ 337,500	\$ 315,625	\$ 293,750.00	\$	\$ 234,000	-2%	44%	35%	26%
Investment Officer	\$ 180,000	\$ 180,000	\$ 210,000	\$ 210,000	\$ 210,000.00	\$257,000.00	\$ 354,000	-49%	-41%	-41%	-41%
Investment Associate	\$ 127,188	\$ 146,266	\$ 169,382	\$ 163,859	\$ 158,335.57	\$119,000.00	\$ 149,000	-2%	14%	10%	6%
Special Opps Analyst	\$ 75,000	\$ 86,250	\$ 115,000	\$ 111,250	\$ 107,500.00	\$95,000.00	\$ 98,000	-12%	17%	14%	10%
Risk Analyst	\$ 90,480	\$ 90,480	\$ 97,854	\$ 97,854	\$ 97,854.12	\$	\$ 137,000	-34%	-29%	-29%	-29%
IT Specialist	\$ 100,000	\$ 100,000	\$ 112,767	\$ 112,767	\$ 112,767.00	\$110,000.00	\$ 115,000	-13%	-2%	-2%	-2%
PT Admin Specialist	\$ 31,330	\$ 31,330	\$ 32,270	\$ 32,270	\$ 32,269.90	\$	\$ 38,125	-18%	-15%	-15%	-15%
PT Admin Specialist	\$ 37,026	\$ 37,026	\$ 38,137	\$ 38,137	\$ 38,136.78	\$	\$ 38,125	-3%	0%	0%	0%
Administrative Specialist	\$ 50,700	\$ 50,700	\$ 63,000	\$ 63,000	\$ 63,000.00	\$46,000.00	\$ 62,000	-18%	2%	2%	2%
Compliance Officer	\$ 83,325	\$ 83,325	\$ 115,000	\$ 115,000	\$ 115,000.00	\$	\$ 111,480	-25%	3%	3%	3%
Accountant	\$ 82,329	\$ 82,329	\$ 95,500	\$ 95,500	\$ 95,500.00	\$	\$ 126,000	-35%	-24%	-24%	-24%
HR Generalist	\$ 66,950	\$ 66,950	\$ 78,394	\$ 78,394	\$ 78,394.00	\$	\$ 98,000	-32%	-20%	-20%	-20%
Investment Officer	\$ 162,180	\$ 218,943	\$ 270,000	\$ 252,500	\$ 235,000.00	\$	\$ 303,000	-28%	-17%	-22%	-22%
Investment Officer	\$ 187,425	\$ 253,024	\$ 286,200	\$ 267,650	\$ 249,100.00	\$	\$ 303,000	-16%	-6%	-12%	-18%
Investment Associate	\$ 140,000	\$ 175,000	\$ 212,500	\$ 201,875	\$ 191,250.00	\$115,000.00	\$ 146,000	20%	46%	38%	31%
Investment Associate	\$ 116,655	\$ 145,819	\$ 168,750	\$ 160,313	\$ 151,875.00	\$92,000.00	\$ 99,000	47%	70%	62%	53%
IT Specialist	\$ 80,172	\$ 80,172	\$ 107,102	\$ 107,102	\$ 107,102.00	\$	\$ 107,250	-25%	0%	0%	0%
Business/Data Analyst	\$ 124,200	\$ 124,200	\$ 134,322	\$ 134,322	\$ 134,322.30	\$	\$ 147,000	-16%	-9%	-9%	-9%
Investment Officer	\$ 162,800	\$ 203,500	\$ 230,565	\$ 219,037	\$ 207,508.50	\$	\$ 164,770	24%	40%	33%	26%
Investment Officer FI	\$ 130,000	\$ 162,500	\$ 180,131	\$ 171,124	\$ 162,117.45	\$	\$ 149,440	9%	21%	15%	8%
Senior PM II Private Credit	N/A	N/A	\$ 288,383	\$ 264,351	\$ 240,318.75	\$	\$ 234,220	N/A	23%	13%	3%
Data Analyst Private Markets	N/A	N/A	\$ 125,000	\$ 125,000	\$ 125,000.00	\$	\$ 149,440	N/A	-16%	-16%	-16%
Senior PM Private Markets	N/A	N/A	\$ 300,000	\$ 275,000	\$ 250,000.00	\$	\$ 234,220	N/A	28%	17%	7%
Senior PM Private Markets	N/A	N/A	\$ 300,000	\$ 275,000	\$ 250,000.00	\$	\$ 234,220	N/A	28%	17%	7%
Communications Officer	N/A	N/A	\$ 90,000	\$ 90,000	\$ 90,000.00	\$	\$ 82,858	N/A	9%	9%	9%
Payroll Specialist	N/A	N/A	\$ 75,000	\$ 75,000	\$ 75,000.00	\$	\$ 73,279	N/A	2%	2%	2%
IT Security Specialist	N/A	N/A	\$ 100,000	\$ 100,000	\$ 100,000.00	\$	\$ 106,052	N/A	-6%	-6%	-6%
IT Desktop Support	N/A	N/A	\$ 56,000	\$ 56,000	\$ 56,000.00	\$	\$ 61,218	N/A	-9%	-9%	-9%
Investment Analyst RE	N/A	N/A	\$ 150,000	\$ 150,000	\$ 150,000.00	\$	\$ 176,960	N/A	-15%	-15%	-15%
Risk Manager	N/A	N/A	\$ 150,000	\$ 150,000	\$ 150,000.00	\$	\$ 185,600	N/A	-19%	-19%	-19%
Administrative Specialist	N/A	N/A	\$ 67,000	\$ 67,000	\$ 67,000.00	\$	\$ 68,000	N/A	-1%	-1%	-1%
Project Manager	N/A	N/A	\$ 85,000	\$ 85,000	\$ 85,000.00	\$	\$ 98,000	N/A	-13%	-13%	-13%
Senior Investment Analyst Public Eq	N/A	N/A	\$ 187,500	\$ 178,125	\$ 168,750.00	\$	\$ 176,560	N/A	6%	1%	-5%
Data Analyst Public Equities	N/A	N/A	\$ 143,750	\$ 139,063	\$ 134,375.00	\$	\$ 149,440	N/A	-4%	-7%	-10%
Portfolio Accountant I	N/A	N/A	\$ 68,000	\$ 68,000	\$ 68,000.00	\$	\$ 73,000	N/A	-7%	-7%	-7%

* Not all positions were included in 2017 Survey



APFC

ALASKA PERMANENT
FUND CORPORATION

FY2023 Proposed Budget

September 2, 2021

Two Allocations -

- Corporate Operations
- Investment Management Fees

Total Corporate Operations

Corporate Operations	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2022	FY2023	From FY2022	FY2023	From FY2022
	\$ 19,536,000*	\$26,140,119	\$6,604,119	\$22,957,106	\$3,421,106

*Authorization includes funds, \$734,300, from HB55 to increase benefit contributions from 22 percent to 31 percent.

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

Personal Services

Personal Services	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2022	FY2023	From FY2022	FY2023	From FY2022
	\$ 14,771,300*	\$20,873,319	\$6,102,019	\$17,690,306	\$2,919,006

* Authorization includes funds, \$734,300, from HB55 to increase benefit contributions from 22 percent to 31 percent.

- Salaries and Benefits
- Trustee Honorarium
- New Position Requests
- Retention Adjustment
- Incentive Compensation

New Investment Positions

Department	Position Title	Salary	Benefits	Total
Alternatives	Senior Portfolio Manager II- Private Credit	\$192,225	\$97,045	\$289,270
	Senior Associate or Portfolio Manager	\$200,000	\$99,852	\$299,852
	Senior Associate or Portfolio Manager	\$200,000	\$99,852	\$299,852
	Data Analyst-Private Markets	\$125,000	\$71,604	\$196,604
Public Equities	Senior Investment Analyst	\$150,000	\$81,746	\$231,746
	Data Analyst - Internal Factor Strategies	\$125,000	\$71,604	\$196,604
Real Estate	Senior Investment Analyst	\$150,000	\$81,746	\$231,746

New Operational Positions

Department	Position Title	Salary	Benefits	Total
Operations	Communications Officer	\$90,000	\$56,783	\$146,783
	IT Security Specialist	\$100,000	\$61,016	\$161,016
	IT Desktop Support	\$56,000	\$42,389	\$98,389
	Administrative Specialist	\$67,000	\$47,043	\$114,043
	Project Manager	\$85,000	\$54,665	\$139,665
	Payroll Specialist	\$75,000	\$50,432	\$125,432
	Portfolio Accountant	\$68,000	\$47,470	\$115,470
	Risk Manager	\$150,000	\$81,746	\$231,746

Personal Services

- Incentive compensation at maximum distribution in accordance with the policy.
 - FY2022 Incentive compensation:
 - Maximum distribution was calculated at \$2,530,398
 - Actual earned equals \$1,600,000
 - Prorated payments will be \$890,000
- 15 New positions
 - 7 Investment
 - 8 Operational
- Retention adjustment for all staff to align with current McLagan pay bands.
- Board honorarium
- Mandatory vacancy rate at 3%

Personal Services	Authorized	Proposed
	FY2022	FY2023
TOTAL	\$14,771,300*	\$20,873,319
Incentive Compensation, including Benefits	\$890,000	\$3,183,013
New Positions – Salary & Benefits	\$195,803	\$2,878,247
All Staff Retention Adjustments – Salary & Benefits	\$181,406	\$988,442
Board Honorarium	\$21,000	\$25,600
Vacancy – between 3-4%	\$(484,046)	\$(546,331)

*Authorization includes funds, \$734,300, from HB55 to increase benefit contributions from 22 percent to 31 percent.

Travel

Travel	Authorized	Proposed	Variance
	FY2022	FY2023	From FY2022
	\$ 800,000	\$ 1,134,600	\$ 334,600

- Staff
- Trustee
- Moving/Non-employee

Contractual Services

Contractual Services	Authorized	Proposed	Variance
	FY2022	FY2023	From FY2022
TOTAL	\$ 3,213,600	\$ 3,486,300	\$ 272,700
Audit, Legal, Consulting	\$ 625,475	\$ 632,550	\$ 7,075
Public Communications	\$ 283,150	\$ 343,745	\$ 60,595
Board Support & Meetings	\$ 71,800	\$ 79,100	\$ 7,300
Information Technology	\$ 1,147,500	\$ 1,340,000	\$ 192,500
HR and Recruitment	\$ 63,710	\$ 63,000	\$ (710)
Training/Education	\$ 199,600	\$ 246,750	\$ 47,150
Office Support	\$ 822,365	\$ 781,155	\$ (41,210)

Commodities & Equipment

	Authorized	Proposed	Variance
	FY2022	FY2023	From FY2022
Commodities	\$ 201,100	\$ 195,900	\$ (5,200)
Equipment	\$ 550,000	\$ 450,000	\$ (100,000)

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

Investment Management Allocation

Investment Management	Authorized	Proposed	Variance
	FY2022	FY2023	From FY2022
TOTAL INVESTMENT MANAGEMENT FEES	\$ 177,221,500*	\$ 179,312,910	\$ 2,091,410
Public Equity	\$ 131,895,672	\$ 137,457,595	\$ 5,561,923
Fixed Income Plus	\$ 9,755,847	\$ 8,464,907	\$ (1,290,940)
Real Estate	\$ 3,114,387	\$ 3,594,200	\$ 479,813
Alternative Investments	\$ 32,455,594	\$ 29,796,208	\$ (2,659,386)
Investment Due Diligence	\$ 6,136,700	\$ 5,763,390	\$ (373,310)
Investment Systems	\$ 8,080,900	\$ 8,891,700	\$ 810,800
Custody Fees	\$ 1,600,000	\$ 1,900,000	\$ 300,000
TOTAL INVESTMENT MNGMNT ALLOCATION	\$ 193,039,100	\$ 195,868,000	\$ 2,828,900

* Investment Management Fees includes initial request, \$117,221,500, plus \$60 million from FY2022 Governor Amendment.

27 of 41

FY2023 Proposed Budget

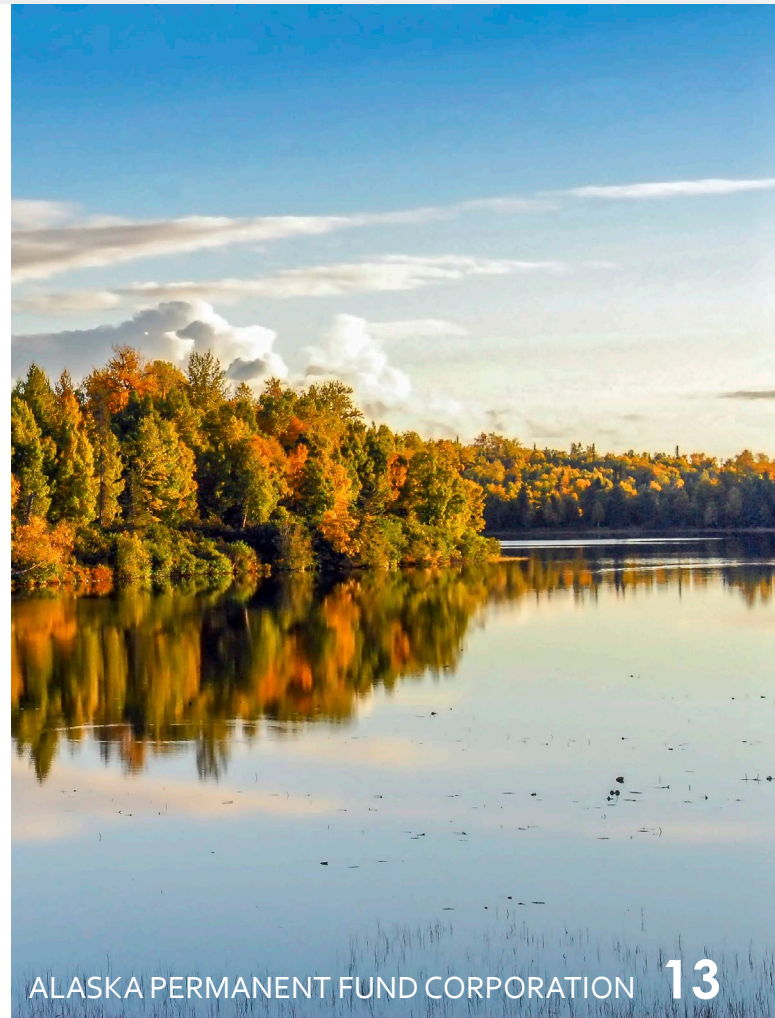
	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2022	FY2023	From FY2022	FY2023	From FY2022
Operating Allocation	\$19,536,000*	\$26,140,119	\$6,604,119	\$22,957,106	\$ 3,421,106
Investment Management Allocation	\$193,039,100**	\$195,868,000	\$ 2,828,900	\$195,868,000	\$2,828,900
Total Appropriation	\$212,575,100	\$ 222,008,119	\$ 9,433,019	\$ 218,825,106	\$ 6,250,006

* Authorization includes funds, \$734,300, from HB55 to increase benefit contributions from 22 percent to 31 percent.

** Investment Management Fees includes initial request, \$117,221,500, plus \$60 million from FY2022 Governor Amendment.

Additional Budgetary Considerations

- Extension of APFC
 - 1st Floor of Michael J. Burns
 - 2,221 total available sq. ft.
 - Leasing -\$2.50 per/ sq. ft.
 - Improvements \$40.00 per/ sq. ft.
 - Capital appropriation for design and furniture
- Request the Corporation's budget to be included in the language section of the Operating Budget bill.



A teal-colored background featuring a close-up, slightly out-of-focus image of a pine branch with needles and a small, textured pine cone or bud in the center. The word "Questions?" is written in white, sans-serif font, centered over the image.

Questions?



SUBJECT: FY2023 Proposed Budget

ACTION: _____

DATE: September 2, 2021

INFORMATION: _____ **X** _____

This budget was prepared to acknowledge the importance of continuing to operate in a lean manner following the State's overall need to reign in expenses. Directors and managers throughout the Corporation conducted thorough reviews of their workflows to capitalize on potential efficiencies.

The timeline for the budget approval process begins with this work session. With the Board's review of the proposed budget, any direction, additional analysis, or modifications requested will be incorporated. Staff will then bring a final proposal before the Board for approval at the Annual Meeting on September 28th and 29th. The Office of Management and Budget will proceed to review the Board's request for inclusion in the Governor's proposed budget for all public agencies. The proposed budget is transmitted to the Legislature by December 15th for consideration during the upcoming Legislative session. Traditionally, staff returns to the Board at the May Quarterly Meeting with the final budget approved by the Legislature to be implemented on July 1st. However, delays may occur due to extended Legislative sessions.

The Alaska Permanent Fund Corporation's operating budget appropriation is divided into two allocations: 1) Operations of the Corporation and 2) Investment Management. A detailed breakdown of these two allocations can be found in the appendix to this memo.

	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2022	FY2023	From FY2022	FY2023	From FY2022
Operating Allocation	\$19,536,000*	\$26,140,119	\$6,604,119	\$22,957,106	\$ 3,421,106
Investment Management Allocation	\$193,039,100**	\$195,868,000	\$ 2,828,900	\$195,868,000	\$2,828,900
Total Appropriation	\$212,575,100	\$ 222,008,119	\$ 9,433,019	\$ 218,825,106	\$ 6,250,006

* Authorization includes funds, \$734,300, from HB55 to increase benefit contributions from 22 percent to 31 percent.

** Investment Management Fees includes initial request, \$117,221,500, plus \$60 million from FY2022 Governor Amendment.

For Consideration- Not Included in Proposed Budget

On the first floor of the Michael J. Burns building, there is currently 2,221 square feet of space available. The boardroom accounts for 1,440 square feet, and the remaining 772 square feet is adjoining office space. There is presently an interested party in the office space, so there is no guarantee that it will be available upon completing the budgetary process. The asking price is \$2.50 per square foot, and landlord-provided improvements are estimated at \$40.00 per square foot. Improvements include carpet, paint, cove base, new lighting, and ceiling tiles. Any additional buildout will be negotiated upon contract. Adding the entire 2,221 square feet will increase the Operating Allocation by roughly \$67,000 per year with an upfront expense of \$89,000. If this is a desired option, capital appropriate for furniture and design will be necessary.

OPERATING ALLOCATION

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

Personal Services –

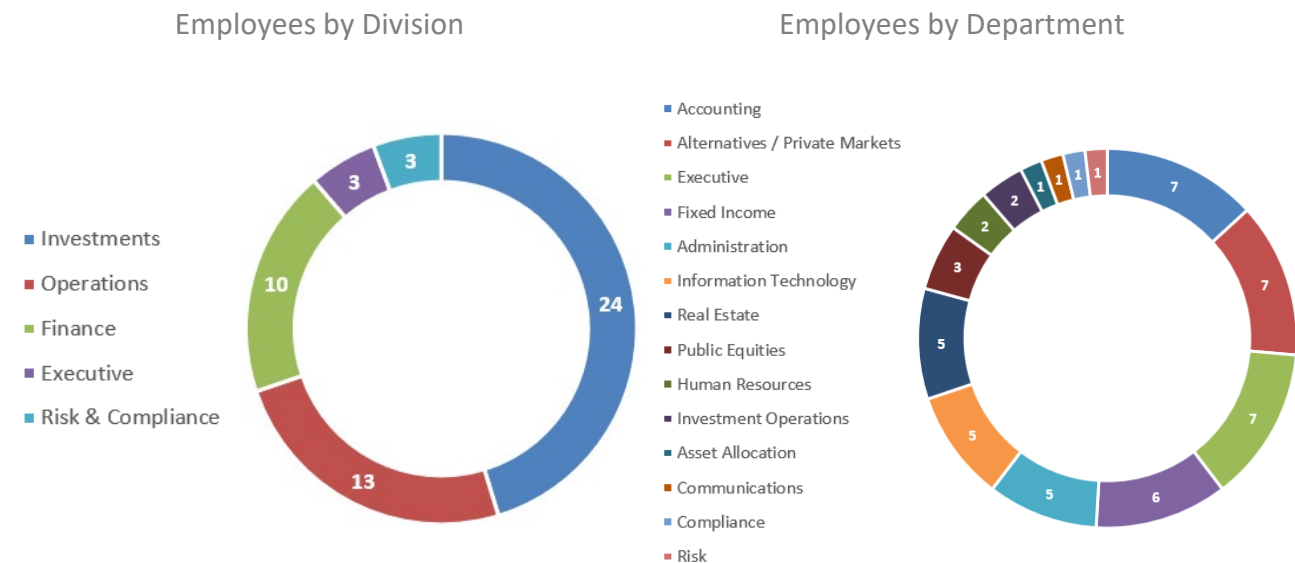
	Authorized	Proposed with Incentive Comp	Variance	Without Incentive Comp	Variance
	FY2022	FY2023	From FY2022	FY2023	From FY2022
Personal Services	\$ 14,771,300*	\$ 20,873,319	\$ 6,102,019	\$ 17,690,306	\$ 2,919,006

* Authorization includes funds, \$734,300, from HB55 to increase benefit contributions from 22 percent to 31 percent.

APFC has a total of 59 full-time, two part-time, year-round positions, plus two summer interns. There are currently six full-time positions that are vacant, including the Chief Operations Officer, three Investment Associates, a Business Analyst, and a Portfolio Accountant. To satisfy the mandatory vacancy requirement, a minimum of 3% and a maximum of 7%, positions will be periodically held vacant.

Over the past year, a tremendous effort was put forth to successfully fill 16 positions with new creative methods. Although, those efforts have not subsided, the applicant pools have weakened in the past three months. Filling these vacancies will continue to be a priority while maintaining the goal of recruiting and hiring individuals that are right for the organization, in line with our strategic priority to “enhance talent and staff.”

The breakdown of full-time filled FTEs, by division and department, can be found in the table below.



* Charts do not include part-time or intern positions.

New Position Requests

As stewards of the Permanent Fund, APFC continuously evaluates the need for every position within our organization and adjusts our staffing to maximize the positive impact on the Fund. We understand that every dollar used must add value to the organization and ultimately the Fund—that is never taken lightly. As we look forward to FY2023, department heads analyzed the future of their departments as the Fund has grown to over \$80 billion, and with such success comes the need to ensure we have adequate staffing to develop, analyze, implement, and maintain a more complex portfolio. Therefore, the FY23 budget proposal includes 15 new positions.

Summary

Department	Position Title	Salary	Benefits	Total
Investments: Alternatives	Senior Portfolio Manager II- Private Credit	\$192,225	\$97,045	\$289,270
	Senior Associate or Portfolio Manager	\$200,000	\$99,852	\$299,852
	Senior Associate or Portfolio Manager	\$200,000	\$99,852	\$299,852
	Data Analyst-Private Markets	\$125,000	\$71,604	\$196,604
Public Equities	Senior Investment Analyst	\$150,000	\$81,746	\$231,746
	Data Analyst - Internal Factor Strategies	\$125,000	\$71,604	\$196,604
Real Estate	Senior Investment Analyst	\$150,000	\$81,746	\$231,746
Operations:	Communications Officer	\$90,000	\$56,783	\$146,783
	IT Security Specialist	\$100,000	\$61,016	\$161,016
	IT Desktop Support	\$56,000	\$42,389	\$98,389
	Administrative Specialist	\$67,000	\$47,043	\$114,043
	Project Manager	\$85,000	\$54,665	\$139,665
	Payroll Specialist	\$75,000	\$50,432	\$125,432
	Portfolio Accountant	\$68,000	\$47,470	\$115,470
	Risk Manager	\$150,000	\$81,746	\$231,746
Total		\$1,833,255	\$1,044,993	\$2,878,248

Details**Investments- Alternatives**

Growth Vision: In four years, the Alternative Investment team has the potential to grow enough to responsibly manage a \$40+ billion portfolio. Implementing a team structure that is operationally efficient and organizationally stable will be a key aspect to success. Subsector specialization is an effective way to grow a fund portfolio while simultaneously increasing internal expertise. This could be achieved by creating deal teams of two, each dedicated to a key subsector. Although there will be some overlap among teams, having areas of expertise; will create operational efficiency, promote sustainability, and foster a knowledge-based competitive advantage. Equally as important, it will also provide; on-the-job training, a clear path for career development, and a mechanism to plan and govern personnel succession.

Title: Senior Portfolio Manager II Private Credit

Salary: \$192,225 (\$97,045 benefits)

Position Justification: APFC Private Credit portfolio has grown to \$1.6 billion, and it is currently managed by three individuals with significant competing responsibilities and minimal formal credit training. The proposed Portfolio Manager and Senior Portfolio Manager would assume primary responsibility for sourcing, assessing, selecting, and monitoring appropriate private credit fund commitments and co-investments. Key responsibilities for the incumbent will include market research and analytics, General Partner relationship development and management, due diligence, and execution.

Title: Two Senior Associate or Portfolio Managers – Private Equity and Special Opportunities

Salary: \$200,000 (\$99,852 benefits) / each

Position Justification: As the Private Equity and Special Opportunities portfolio scales, the hours and positions required to manage it will increase. Two new members on this team will allow a “sector expert” model to be implemented. Key responsibilities will be similar to those listed above.

Title: Data Analyst- Private Markets

Salary: \$125,000 (\$71,604 benefits)

Position Justification: Specialized software is required to manage the current portfolio- \$25 billion and growing, and to deliver world-class returns over time. Launching and managing new software will require significant resources, including a data analyst responsible for implementation and ongoing management and utilization. Key responsibilities will include software implementation, utilization, data input, and management. The data analyst will support the implementation and maintenance of software necessary to manage private market portfolios responsibly.

Public Equities

Growth Vision: The size and responsibilities of the Public Equities team will be heavily contingent on the scale and scope of the internal factor-based program. Ideally, APFC will increase factor-based management internally over the next three to five years to better manage and regulate the overall Public Equities. With all of the vacancies filled on the Public Equities team, FY2022 will be focused on team-building and assessing the capabilities of the new team. With a sturdy foundation of the existing program and adequate resources, the next step will be to expand the program to manage \$3-5 billion in assets internally.

Title: Senior Investment Analyst

Salary: \$150,000 (\$81,746 benefits)

Position Justification: This position will be a relatively senior supporting role for internally managed equities. They will work closely with the Director of Public Equities and the Portfolio Manager dedicated to managing factor-based strategies internally. Key responsibilities for the incumbent will include; assisting with research and development, running small test portfolio ideas, assisting with model enhancements for existing strategies, acting as backup for trading and rebalancing, and providing ancillary functions such as corporate actions and proxy voting.

Title: Data Analyst – Internal Factor Strategies

Salary: \$125,000 (\$71,604 benefits)

Position Justification: The quality, accuracy, and consistency of data are key for modeling and decision-making. This position will work with data providers to ensure data integrity and monitor data feeds used for modeling. Key responsibilities for the incumbent will include; providing analytical support to the Portfolio Managers on all existing strategies, supporting research and development related to test-run strategies, and acting as a backup trader when needed.

Real Estate

Growth Vision: In the next three to five years, the Real estate portfolio is expected to double in size and will include more emphasis on joint ventures, development projects, and internal management. The increased complexity and size of the portfolio will require a significant increase in internal analysis and investment oversight.

Title: Senior Investment Analyst

Salary: \$150,000 (\$81,746 benefits)

Position Justification: The addition of an Investment Analyst will provide a strong bench from which the team and portfolio can grow. This position is not intended to fill skill gaps but to supplement and support the team. The incumbent will participate in new initiatives, including exploring a data management/ware solution and expanding Real Estate's portfolio performance and investment reporting systems. Key responsibilities will include; conducting a detailed analysis of new real estate investment opportunities, completing market and economic research, performing due diligence, monitoring operating budgets and multi-year capital programs, analyzing hold/sell recommendations from managers, and working closely with accounting and compliance to

ensure confidence in the accuracy and quality of real estate books and adherence to policies and procedures.

Operations

Growth Vision: Operationally, we strive to provide the support necessary for investment staff to focus on investment-related activities solely. As the complexity of the Fund grows, both with internally and externally managed assets, having a balanced ratio of operational staff to investment staff is important to the success of the Corporation. The average ratio is 1.2 operational (back office) support for every 1 investment position. With the increasing emphasis on direct and illiquid investments, the investment strategy is becoming more complex, which supports the need to increase the ratio of operational support up to 2.5 to 1. APFC currently falls at a 1.21 ratio and has historically only grown operational support directly to the request for new investment positions. Our current ratio of 1.21 is on target for less complex investment organizations.

With the addition of six new investment staff and the increasing complexity of the organization's investments, the following operational positions will be needed to ensure all the work done by the front office Investment staff is executed timely and accurately.

<https://www.top1000funds.com/2017/06/your-guide-to-internal-staffing-levels/>

Communications

Title: Communications Officer I

Salary: \$90,000 (\$56,783 benefits)

Position Justification: The Communications program has many stakeholders that rely on its delivering clear and accurate information about APFC and the Permanent Fund – the investment team for deal flow, the legislature to inform policy, and Alaskans for knowledge about this financial resource and how it benefits them. Other essential aspects of the program include statutory disclosure and reporting requirements, media response, reputation management, crisis communication, and education outreach.

The addition of a Communications Officer position will allow us to strengthen our program's staffing level to continue to meet ongoing demands and focus on expanding the program to reach Alaska's Youth. Both the Fund and the youth are essential aspects of Alaska's future. With the addition of a position and resources, there is an opportunity for enhanced education outreach with modern delivery methods to meet the demands of today's classrooms and educate tomorrow's leaders.

Information Technology

Title: IT Security Specialist

Salary: \$100,000 (\$61,016 benefits)

Position Justification: As the Information Security Management System matures in the organization and threats continue to grow, it is imperative that APFC has a dedicated resource to monitor the compliance of the Corporation's security policies, tools, and logs. Additionally, the incumbent will be responsible for conducting security training, tests, and program audits.

With Malware threats up 485% and rising each year, it is in the organization's best interest to have an incumbent dedicated to monitoring all aspects of our security daily.

Title: IT Desktop Support

Salary: \$56,000 (\$42,389 benefits)

Position Justification: The APFC helpdesk utilizes key performance indicators (KPI) and service level agreements (SLA) to manage and track the helpdesk service on a monthly and yearly basis. KPI's related to "tickets closed per month" along with "ticket open time" are used to measure staffing adequacy and whether SLA's terms are being met. In the last year, "tickets per month" have risen from an average of 66 to 87, and an average "ticket open time" increase from 17 minutes to 24 minutes. The helpdesk strives to close tickets within 30 minutes, so, on average, the SLA limit is being approached. Organizational growth, both in headcount and technology, and a reasonable allocation of personal leave to be utilized from current IT staff made it apparent that APFC has grown to need one more help desk technician. This will allow the IT staff to grow proportionally with the overall

APFC staff growth and technology growth. It will also give the IT staff the buffer needed for leave taken while still maintaining SLA's to the APFC staff.

Administration

Title: Administrative Specialist

Salary: \$67,000 (\$47,043 benefits)

Position Justification: Over the past two years, the Administrative team moved from a centralized administrative strategy to directly supporting investment teams. This shift has promoted support beyond general requests and travel needs. The team assists with budgetary inquiries, day-to-day resources, and administrative projects related to the asset classes they support. An additional position to the team will allow Alternatives and Real Estate to have dedicated administrative support. Both of these teams travel frequently and are requesting new positions.

Title: Project Manager

Salary: \$85,000 (\$54,665 benefits)

Position Justification: In the next five years, operationally, APFC will be implementing a new accounting system and expanding our data capabilities for risk, private equities, and real estate. An in-house project manager will build continuity amongst projects and will help ensure adequate resource allocation during implementations. Although the immediate focus for this position is for the next five years, prioritizing projects long-term across functional areas will maximize resource allocation, better align our strategic five-year plans with operational consultants and implementations, and reduce workload volatility.

Finance

Title: Payroll Specialist

Salary: \$75,000 (\$50,432 benefits)

Position Justification: The implementation of new accounting software will provide APFC with a unique opportunity to bring a key operational component in-house, allowing for greater consistency and continuity in the payroll space. Currently, APFC is supported by the Department of Finance, and we are truly grateful for their work and service to the State of Alaska. As an exempt agency, each time we have a new person assigned to our work, we spend a significant amount of time helping educate them on the nuances of our organization. While handling payroll in-house is not a small task, it will align us with other exempt peer agencies like AHFC.

Title: Portfolio Accountant I

Salary: \$68,000 (\$47,470 benefits)

Position Justification: As the portfolio grows in size and complexity and investment staff is added to support this growth, having adequate back and middle office staff to keep pace is critically important. The plans proposed for FY2023 by the portfolio managers will place increasing and different demands on Finance and trade operations. An additional position will help to ensure that we have sufficient resources to support investment opportunities as they arise. This position could also be utilized to support the increased corporate focus on data management.

Risk

Title: Risk Manager

Salary: \$150,000 (\$81,746 benefits)

Position Justification: In line with the expansion in size and complexity of the fund, the Risk function continues to develop. Specifically, we would like to enhance capability in private asset, operational risk and compliance areas. In addition to the enhancing qualitative private asset risk review, the proposed Risk Manager will help leverage the new platform for private asset risk analytics. This person will also help focus on operational risk issues, including data integrity. Augmenting the regulatory compliance capability will also be a critically important aspect of this role, in terms of overall support to the Chief Risk and Compliance Officer.

Retention Adjustment

personal services budget, we took a different approach. With McLagan conducting an updated study compared to our peers, we felt it was necessary to realign current position salaries with our current McLagan pay bands.

Department heads assessed job responsibilities, experience, and team structure to align each team member accurately in their corresponding pay band. The increase to personal services for the retention adjustment, factoring in a three percent vacancy rate and benefits, is roughly \$959,000 or an average adjustment of seven percent.

Incentive Compensation

After years of trying to get an incentive compensation program in place, the FY2022 budget includes funds to support a prorated program for all eligible investment staff. When the budget is created, a maximum distribution is calculated by applying the authorized percentage to each investment staff's salary as outlined in the policy. For FY2022, the maximum distribution was calculated to be \$2,530,398. Now that fiscal year-end performance actuals are available a recent calculation produced a total of approximately \$1,600,000. However, as approved by the Board and enacted in law, actual payouts will be prorated not to exceed \$890,000.

In accordance with the incentive compensation policy passed by the Board, the maximum distribution for investment staff is estimated to be \$3,183,013.

The FY2023 personal services request represents the total cost of the new positions being requested, full staffing of existing positions, funding a retention adjustment for all staff based on current McLagan pay bands, fully funded incentive compensation program, and an anticipated vacancy factor of three percent.

Travel –

	Authorized	Proposed	Variance
	FY2022	FY2023	From FY2022
Travel	\$800,000	\$1,134,600	\$334,600

In years past, travel has been an essential part of conducting business nationally and internationally. With the expectation that the portfolio continues to grow in its global exposure, investment staff travels to investigate new investment opportunities, participate in due diligence meetings, and attend industry-standard conferences and trainings.

For over a year, COVID-19 has drastically changed how the world has conducted business. With a vaccine in place and travel restrictions lifted, travel has begun to increase significantly. Although many organizations still have not returned to the office, many plan to do so in the fall of 2021. In time, as we build a new "norm" for how we interact with our managers, partners, and vendors, we will have a better idea as to what the balance of in-person versus virtual interactions will be.

In the meantime, we are currently experiencing an increase in travel-related expenses. Airline tickets, rental cars, and ground transportation have, in some cases, doubled in price, and we only anticipate that trend to continue. In developing the FY23 travel budget, department heads took increased costs, asset growth, being fully staffed, and adding new employees into consideration.

Contractual Services –

	Authorized	Proposed	Variance
	FY2022	FY2023	From FY2022
Contractual Services	\$3,213,600	\$3,486,300	\$272,700

37 of 41

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, legal, and consultants not directly related to Fund investments. This line contains an increment for the annual audit in accordance with our KPMG contract and a minimal increase to general consultants. Combined, the total increase over FY2022 is \$7,075

Public Communications – This encompasses all of the layout, design, printing, and web hosting services, which support the communications program, including the Annual Report, newspaper insert, election guide, social media, website maintenance, educational outreach, photography, and brand enhancement.

APFC continues to enhance and develop our communications program, and the recent strategic planning effort brought forth interest in reaching out to Alaskan Youth. APFC's staff would collaborate with a third-party contractor to research and develop a curriculum for specific age groups and grade levels. Branding and promotion through a landing page on the website would allow teachers access. Other outreach efforts might include economic education classes in high schools, junior achievement, student government, or the school district process. The \$60,959 increment in the Communications Program budget includes: initial discovery and planning efforts, draft curriculum, infographic design, webpage development, and program outreach promotion, as well as the funds required for ongoing support for equipment to create multi-media products that best represent the corporation and convey our mission, vision, and values.

Board Meetings – Items related to board support and board meetings, including room and equipment rentals, refreshments, transcription services, and advisory fees, are included in this group. The FY2023 request contains a small increment for expenses related to catering general meeting expenses.

Information Technology – All of the IT contractual-based services related to the general support of the Corporation are in this group, including consulting services, software licensing and maintenance, and equipment repairs.

In FY2022, IT will be leading the Corporation on an exploration of the organization's data future. These efforts will be facilitated alongside an industry professional to conduct an analysis of our current data processes, sources, platforms, and analytic capabilities. It is anticipated that this will be the first phase of what will likely be a three-phased approach. Therefore, MIS Services was increased by \$100,000 to account for expenses related to completing phase one and embarking on phase two- creating a data strategy.

The remaining increase to Information Technology resides in software licensing. The Corporation now has two data centers, plans to increase security, and will be operating on a new collaborative platform with Office 365.

HR & Recruitment – *HR & Recruitment* – APFC continues to see normal levels of turnover. Although, concern amongst staff continues to loom around the fact that compensation lags the market standard, which has proven to be a challenge in recruiting efforts. HR partnered with the Communications Manager to better leverage our social media platforms, expanding our reach by encouraging staff with large professional followings to share our postings with their peers. We analyzed and leveraged the data provided by our recruiting system allowing us to ensure our recruitment notifications have a greater impact. We have also identified multiple additional free resources that allow us to reach a broader population of potential candidates at low or no cost. We continue to maximize our video meeting capabilities to keep costs associated with interview travel to a minimum. As stewards of the Fund, the HR Team will continue to look for opportunities to leverage low-cost but effective options for recruitment notices. Should the new positions be approved, we will leverage multiple jobs per posting to maximize our return on investment for each expense.

Training – Training, professional certifications, and industry-standard conferences for staff are essential to ensure that APFC can continue competing in global investment markets to effectively manage and grow the portfolio. With the addition of several new employees and internal advancements, ongoing educational opportunities will be crucial to their success and the value added to the Corporation. A \$47,150 increase was built into the training budget based for two specific reasons. First, we're projecting more in-person attendance to take advantage of the networking opportunities that have been lost over the past year and a half in a virtual environment. Second, in an ongoing effort to ensure APFC operates at the highest standards, the HR Team has identified the need for manager development and staff training to enhance our organization.

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 (DOR). The decrement of \$41,210 to this line of expenditure is directly related to a reduction in our Reimbursable Service Agreement (RSA) with (DOR) for Commissioner's Office support.

This line of expenditure could change depending on the decision as to whether or not APFC will increase its leasing footprint in the Michael J. Burns building in FY2023.

Commodities and Equipment –

	Authorized	Proposed	Variance
	FY2022	FY2023	From FY2022
Commodities	\$201,100	\$195,900	\$(5,200)
Equipment	\$550,000	\$450,000	\$(100,000)

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 the program in the appendix.

Information Technology Commodities- The budget for IT Supplies and Workstation Equipment is being held flat for FY2023. This will allow for general wear and tear replacements of existing equipment and the supplies for new employees. The next cycle for a complete workstation replacement cycle will occur in FY2024. At which point, this request will increase to at least \$300,000. The last refresh finished up in 2021, and IT is now removing the last of the HP models.

Office Support – The FY2023 request includes a small reduction in subscription cost, \$3,700. An annual industry-standard price increase is factored typically into the budget request. However, in reviewing expenditures, any subscriptions directly related to investments were more appropriately accounted for in Investment Due Diligence- Research and Memberships.

Information Technology Equipment- Annually, \$400,000 will adequately accommodate the Juneau data center through a fiscal year with replacements and upgrades to equipment. In FY2022, we will be replacing the core network switch for the building, for which we added \$150,000. The request for \$450,000 in FY2023 negates the \$150,000 for the new core switch but adds \$50,000 to maintain the Fairbanks Disaster Recovery (DR) site, which is a much smaller data center.

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.

	Authorized	Proposed	Variance
	FY2022	FY2023	From FY2022
Investment Manager Fees	\$177,221,500*	\$179,312,910	\$2,091,410

* Investment Management Fees includes initial request, \$117,221,500, plus \$60 million from FY2022 Governor Amendment.

Investment Manager Fees – This budget includes all costs paid directly to firms that manage the Fund's external portfolios but does not include fees paid through net-of-fee arrangements. Two types of fees are included in the forecast, base and incentive. Base fees are related to market performance and are paid in alignment with the fiscal year. These fee projections are developed using the management contract terms in conjunction with Callan's market assumptions. Incentive fees are contracted and paid based on managers outperforming their

Page

relative benchmark on a calendar year basis. They are not directly related to market performance, making them nearly impossible to forecast.

The methodology for forecasting the FY2023 fees was modified as a result of FY2021 performance. Base fees were calculated using similar assumptions as in years past. Whereas, incentive fees were based on basis points (BPS) paid by manager in FY2021 unless the historical average was still an accurate representation.

	Authorized	Proposed	Variance
	FY2022	FY2023	From FY2022
Investment Due Diligence	\$6,136,700	\$5,763,390	(\$373,310)

Investment Due Diligence – 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) are captured in this line of expenditure. An overall decrement of \$373,310 resulted from reducing the expenditure assumption of legal fees specific to investments. The decision to modify the assumption was based on prior year actuals.

	Authorized	Proposed	Variance
	FY2022	FY2023	From FY2022
Investment Systems	\$8,080,900	\$8,891,700	\$810,800

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 FY2023 request includes an increment of \$810,800. As the Corporation focuses on increasing data feeds and platforms to broaden our analytical capabilities for investment decisions and risk management, this area of the budget is anticipated to grow over the next few years.

Annually, we can expect an industry-standard growth in our existing research and subscription costs between roughly 3-10 percent. Additionally, we anticipate our contract renewal with BlackRock for our Risk and Performance Management system to increase as our assets under management (AUM) and the total funds have increased significantly since signing the initial contract in 2016.

In FY2022, we will be implementing a new BlackRock system that will ideally eliminate data gaps pertaining to private assets. This will improve the analytical capabilities for the overall portfolio and risk. With a single source of data in place, the focus in FY2023 will be directed to investment-specific platforms in conjunction with a corporatewide data strategy.

	FY2022	FY2023	From FY2022
Custody Fees	\$1,600,000	\$1,900,000	\$300,000

Custody Fees – Bank of New York Mellon is the custodian of the Fund's assets. Annually APFC is obligated to a \$1 million flat fee. Roughly \$600,00 was included for collateral management, tax advisory services, and fee increases due to unforeseen changes to the portfolio, consistent with FY2022's request. For FY2023, an additional \$300,000 is anticipated for the outsourcing of new collateral margining requirements. The custodial bank has not quantified the costs associated with these activities, so they are the best estimate at this time.

Appendix: FY2023 Budget Proposal

<u>Corporate Operations Allocation</u>	Actual	Authorized	Proposed With Incentive Comp	Variance From		Without Incentive Comp	Variance From	
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	FY2021	FY2022
Personal Services	\$10,852,236	\$14,771,300	\$20,873,319	\$10,021,083	\$6,102,019	\$17,690,306	\$6,838,070	\$2,919,006
Staff	10,828,999	14,750,300	20,847,719	10,018,720	6,097,419	17,664,706	\$6,835,707	\$2,914,406
Board: Honorarium	23,237	21,000	25,600	2,363	4,600	25,600	\$2,363	\$4,600
Travel	\$115,292	\$800,000	\$1,134,600	\$1,019,308	\$334,600	\$1,134,600	\$1,019,308	\$334,600
Staff	54,448	602,000	884,500	830,052	282,500	884,500	\$830,052	\$282,500
Trustees	10,997	18,000	34,100	23,103	16,100	34,100	\$23,103	\$16,100
Moving/Non-Employee	49,847	180,000	216,000	166,153	36,000	216,000	\$166,153	\$36,000
Contractual Services	\$3,327,690	\$3,213,600	\$3,486,300	\$158,610	\$272,700	\$3,486,300	\$158,610	\$272,700
Audit, Legal, Consulting	648,168	625,475	632,550	(15,618)	7,075	632,550	\$(15,618)	\$7,075
Public Communications	148,236	283,150	343,745	195,509	60,595	343,745	\$195,509	\$60,595
Board Support and Meetings	41,467	71,800	79,100	37,633	7,300	79,100	\$37,633	\$7,300
Information Technology	1,479,575	1,147,500	1,340,000	(139,575)	192,500	1,340,000	\$(139,575)	\$192,500
HR and Recruitment	42,956	63,710	63,000	20,044	(710)	63,000	\$20,044	\$(710)
Training/Education	50,865	199,600	246,750	195,885	47,150	246,750	\$195,885	\$47,150
Office Support	916,423	822,365	781,155	(135,268)	(41,210)	781,155	\$(135,268)	\$(41,210)
Commodities	\$271,790	\$201,100	\$195,900	\$(75,890)	\$(5,200)	\$195,900	\$(75,890)	\$(5,200)
Information Technology	220,109	126,500	125,000	(95,109)	(1,500)	125,000	(95,109)	(1,500)
Office Support	51,681	74,600	70,900	19,219	(3,700)	70,900	\$19,219	\$(3,700)
Equipment	\$364,548	\$550,000	\$450,000	\$85,452	\$(100,000)	\$450,000	\$85,452	\$(100,000)
Information Technology	364,548	550,000	450,000	85,452	(100,000)	450,000	\$85,452	\$(100,000)
Total	\$14,931,556	\$19,536,000	\$26,140,119	\$11,208,563	\$6,604,119	\$22,957,106	\$8,025,550	\$3,421,106

<u>Investment Management Allocation</u>	Actual	Authorized	Proposed With Incentive Comp	Variance From		Without Incentive Comp	Variance From	
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	FY2021	FY2022
Investment Systems	\$4,888,005	\$8,080,900	\$8,891,700	\$4,003,695	\$810,800	\$8,891,700	\$4,003,695	\$810,800
Investment Due Diligence	\$2,808,111	\$6,136,700	\$5,763,390	\$2,955,279	\$(373,310)	\$5,763,390	\$2,955,279	\$(373,310)
Custody Fees	\$1,179,293	\$1,600,000	\$1,900,000	\$720,707	\$300,000	\$1,900,000	\$720,707	\$300,000
Investment Manager Fees	\$143,996,869	\$177,221,500	\$179,312,910	\$35,316,041	\$2,091,410	\$179,312,910	\$35,316,041	\$2,091,410
Public Equities	109,979,420	131,895,672	137,457,595	27,478,175	5,561,923	137,457,595	\$27,478,175	\$5,561,923
Fixed Income	8,033,954	9,755,847	8,464,907	430,953	(1,290,940)	8,464,907	\$430,953	\$(1,290,940)
Real Estate	2,934,268	3,114,387	3,594,200	659,932	1,114,387	3,594,200	\$659,932	1,114,387
Alternative Assets	23,049,227	32,455,594	29,796,208	6,746,981	(2,659,386)	29,796,208	\$6,746,981	\$(2,659,386)
Total	\$ 152,872,278	\$ 193,039,100	\$ 195,868,000	\$ 42,995,722	\$ 2,828,900	\$ 195,868,000	\$42,995,722	\$2,828,900
Total Appropriation	\$ 167,803,833	\$ 212,575,100	\$ 222,008,119	\$ 54,204,286	\$ 9,433,019	\$ 218,825,106	\$ 51,021,273	\$ 6,250,006