



Board of Trustees

Special Meeting

July 28, 2022

## **Table of Contents**

1. Agenda
2. Compensation Follow-up
  - Compensation Study
  - Base Compensation
  - Incentive Compensation Policy
  - Culture, Strategy, Communication

**SPECIAL MEETING OF THE BOARD OF TRUSTEES**

July 28, 2022  
9:00-11:00 a.m.

VIRTUAL

**Webinar Access (click link to join webinar)**

Join via WebEx and enjoy the ability to listen on your computer and follow presentations:

<https://apfc.org/bot-special-meeting>

Event Password: APFCBOT

**Teleconference Option**

*If you are unable to join via webinar, please contact us at  
(907) 796-1501 to receive a teleconference number*

**AGENDA**

THURSDAY, JULY 28, 2022

9:00 a.m. CALL TO ORDER

ROLL CALL (Action)

APPROVAL OF AGENDA (Action)

9:15 a.m. UPDATES FROM JULY 12<sup>th</sup> MEETING

- EMPLOYEE BASE COMPENSATION (Information)  
Val Mertz, Acting Chief Executive Officer  
Chad Brown, Director of Human Resources
- INCENTIVE COMPENSATION POLICY (Information)  
Val Mertz, Acting Chief Executive Officer  
Marcus Frampton, Chief Investment Officer
- REFRESH OF 2018 COMPENSATION SURVEY (Information)  
Val Mertz, Acting Chief Executive Officer  
Chad Brown, Director of Human Resources

10:45 a.m. TRUSTEE COMMENTS

11:00 a.m. ADJOURNMENT

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



APFC

ALASKA PERMANENT  
FUND CORPORATION

# Special Meeting of the Board Compensation Follow-Up

July 28, 2022

# Meeting the Challenge

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Talent recruitment and retention is a challenge known by entities throughout our state and nation.

The competitive landscape necessitates proactive and thoughtful leadership.

The Board's revitalized focus on this issue will lead the Corporation in developing effective solutions for today and into the future.

**Excellent  
Human  
Capital ...**

*Knowledge  
Skills  
Experience*

**a fundamental  
requisite for  
APFC's success.**

# Moving Forward

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## Tactical & Strategic



### Tactical

- Identify immediate stopgap solutions to partially close gaps
- Communicate intent and objectives to staff and all stakeholders

### Strategic

- Initiate comprehensive review of compensation structure, engaging independent consultant
- Institute a mechanism for periodic review of compensation
- Board and management to take steps to improve and strengthen culture

# Today's Review

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- Compensation Study update
  - Base Compensation bolster, review, reset
  - Incentive Compensation Policy reassess
  - Culture, Strategy, Communication commit
- In preparation for the Board's September meeting.

# Compensation Study Update

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## Base Compensation

- Peer Group Assessment
- Data Update
- Pay Band Determinations

## Incentive Compensation Policy

- 2022 Redraft Review

## Overall Compensation Structure

- Assessment

### August - November

Incentive Compensation Policy Review  
Peer Group / Pay Bands  
Data Update  
Structure Review

### December – February

Update to the Board  
Finalize Report

### February

Present the Report to the Board

# Base Compensation



FY 23  
Management Plan

## Effective - Oct 1

+ 5% Cola\* for all staff

*\*pending enactment of legislation*

+ % Merit & Performance  
*within budgeted aggregate 3% & 4%  
manager discretion performance based*

+ % across all staff  
*reduce gap until detailed review*

FY 24  
Proposed

## Review and Upgrade

*based on 2020 data, 75/25 peer*

+ Pay-Band

*(Experience, Tenure)*

+ % Merit & Performance

+ % Inflation Adjustment

FY 25  
Onwards

## Based on Consultant Data

Adopt Peer Group

Adopt Target Pay-bands

# Then and Now

## 2018

McLagan Compensation Program Review,  
May 24, 2018 - Slide 6, Pay Level Analysis

APFC's vs. Blended Peer Group (75% Public / 25% Private)						
Aggregate Pay Spend (\$000s)						
	APFC	25th Percentile	Median	75th Percentile	Variance to Median	Quartile Positioning
Base Salary	\$6,514	\$5,318	\$6,320	\$7,525	3%	2
Total Cash	6,514	6,897	9,447	13,285	-31%	4

## 2022

Compensation Comparison

APFC's vs. Blended Peer Group (75% Public / 25% Private)				
Aggregate Pay Spend (\$000s)				
	APFC	Median		Variance to Median
Base Salary	\$11,503	\$9,624		16%
Total Cash	13,103	14,385		-10%

# Incentive Compensation



Update Policy

Ensure Alignment

Periodic Review

August 2022, APFC staff to take the lead on re-draft based on peer public plans

- Remove criterion of positive return
- Revise overall and asset class hurdles
- Broaden to include all staff  
*(Not at the expense of funding for the current pay-out that investment staff receives)*

- Comprehensive review, comparing to select target peers
- Enhance policy, with the objective of it being simplified, yet effective

- Institute mechanism for periodic review and update
- Effective communication to existing and potential staff

# FY22 Incentive Compensation

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Preliminary indicators suggest that FY22 total Fund performance will be negative, although it will likely outperform benchmarks.

- Final Performance Data from Callan expected early August.

APFC's Current Incentive Policy Includes the following non-payment clause in down market year:

"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."



Board Consideration

# Flexible Work Policy

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Approval for and the success of the program lies with direct managers:

- Best understand the nuances of their team/work
- What performance indicators to monitor
- Alignment between remote work and benefit to APFC and the Fund

Manager Discretion:

- Potential as recruitment tool
- Proven to be a valuable retention tool



*To ensure the success of a remote work relationship, APFC recognizes that it is essential that the primary benefit is to the Alaska Permanent Fund.*

# Communications

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The Alaska Permanent Fund is one of the primary sources of revenue generation for the State of Alaska.

Human Capital plays a vital role in the efficient and effective management of the Fund.

To succeed in our essential mission and ensure ongoing success of the Fund, we look to the Alaska Legislature to work with us in securing budget resources based on -

- Accountability through the Executive Budget Act
- Data driven Peer Groups
- Long term vision for the Fund
- Value Add - Return on Investment
- Collaborative Partnership



# Environment

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Compensation is not enough.

Positive workplace culture - attracts talent, drives engagement, impacts happiness and satisfaction, and affects performance.

## APFC is a Mission - Vision Driven Organization

- In service to Alaska
- In stewardship of the Fund
- With accountability to Alaskans
- Through mutual respect and engagement



Leadership • Management • Workplace  
Practices • Policies • People  
*We are all part of the solution.*



*Control the things you can control.*  
~A wise person once said ...