



Board of Trustees

Governance Committee Meeting

December 05, 2022

## **Table of Contents**

1. Agenda
2. Governance Committee Meeting Minutes - May 2, 2022
3. Governance Review
4. Acting Executive Director Review

## Governance Committee Meeting

**December 5, 2022**

**Time: 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-governance-committee>

Event Password: GovCom

**\*Please sign-up for public testimony by emailing [jloesch@apfc.org](mailto:jloesch@apfc.org) by noon on Friday, December 2\***

If you are unable to join via webinar, the teleconference information is:

Phone: 1-844-740-1264\*

Access Code: 2457 941 6593

**\*Please note, you cannot provide public testimony via phone unless you've signed up per the instructions above**

### AGENDA

Monday, December 5, 2022

- 9:00 a.m. CALL TO ORDER
- ROLL CALL (Action)
- APPROVAL OF AGENDA (Action)
- APPROVAL OF MINUTES (Action)
- May 2, 2022
- SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION
- 9:15 a.m. DISCUSSION OF GOVERNANCE REVIEW (Action)  
Governance Committee Chair Trustee Steve Rieger
- 9:45 a.m. ACTING EXECUTIVE DIRECTOR REVIEW (Information)  
POSSIBLE EXECUTIVE SESSION  
Governance Committee Chair Trustee Steve Rieger
- 10:45 a.m. OTHER MATTERS / FUTURE AGENDA ITEMS / 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.)**

SUBJECT: Approval of Minutes

ACTION:   X  

DATE: December 5, 2022

INFORMATION:

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**BACKGROUND:**

Staff & Trustees reviewed the following Governance Committee meeting summary minutes. Draft copies are attached for your approval.

- May 2, 2022 Governance Committee Meeting

**RECOMMENDATION:**

The Chair of Governance Committee should ask whether any member has any questions or corrections regarding the minutes from the May 2, 2022 Governance Committee Meeting. If there are not corrections, The Board Chair should announce, “that there being no corrections the minutes are hereby approved”. A formal motion to approve the minutes is not required under §41 of Robert’s Rules of Order.

**ALASKA PERMANENT FUND CORPORATION  
GOVERNANCE COMMITTEE MEETING  
WEBEX/TELECONFERENCE**

May 2, 2022  
1:30 p.m.

Originating at:  
Alaska Permanent Fund Corporation  
801 West 10<sup>th</sup> Street  
Juneau, Alaska 99801

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

APFC Staff Present:  
Val Mertz, Acting CEO/CFO  
Chris Poag, General Counsel  
Marcus Frampton, CIO  
Jennifer Thorsteinson  
Jacki Mallinger  
Pauly Swanson  
Nellie Metcalfe  
Norix Mangual  
Steve Moseley  
Adam Kane  
Alex Smith  
Larissa Murray  
Sara Race  
Chad Brown

## PROCEEDINGS

### CALL TO ORDER

CHAIR MAHONEY called the Governance Committee to order and asked for a roll call.

MS. THORSTEINSON stated that the committee members, Trustees Schutt and Richards, were present. Also present were Trustees Moran and Rieger.

CHAIR MAHONEY asked for a motion approve the agenda, which was to discuss possible changes to the governance manual.

### APPROVAL OF AGENDA

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

CHAIR MAHONEY stated that the agenda was approved. She asked if there were any scheduled appearances or public participation.

MS. THORSTEINSON replied that there was no one online.

CHAIR MAHONEY thanked the members of the committee for attending this meeting to discuss some potential changes to the governance charters and policies. She stated that, in an effort to be responsive to the Legislature and the public, potential changes that would reinforce the fiduciary duties as trustees were discussed. Also discussed was the addition of a code of conduct for trustees, as well as a requirement for annual training for the trustees. She continued that the trustees were provided the suggested changes as part of the package. She added that they worked with Mr. Poag to develop the changes and a code of conduct for trustees, and asked Mr. Poag to go through those changes.

MR. POAG stated that one of the chores of the Governance Committee was to review and consider any proposed changes to the governance charter. If they are proposed for adoption, then they will be referred to the full board for consideration. He moved to the two changes that were drafted for consideration. He continued that the first change was to the trustee education policy. He explained that the standing trustee education policy provides a trustee education program when newly appointed as a member. That is the only instance where State law fiduciary training is received. It is always an available resource, but it is not an annual or semi-annual training. He stated that the proposal, in addition to the introduction of the fiduciary training in State law, was to make a requirement that the Board receive some level of fiduciary training annually. He moved to the second proposed change, another standing policy of the Board, the Board standards. He explained that the Board standards policy already identified all of the applicable laws that the trustees are supposed to follow. It also sets forth a framework that the board of trustees conduct themselves with honesty, integrity, decorum, and professionalism in all aspects of their duties. Although the laws are recited, and an education on them is received, the responsibilities are not further explained or clarified. He stated that a code of conduct was put together that goes into more depth as to some of the responsibilities that the Board has in its fiduciary responsibilities, as well as the fact that it is a State agency with

interaction with governmental agencies, including the Legislature and the public. The proposal is an addition of a code of conduct that board members would be obligated to review, execute at orientation, and comply with. He continued that the code is modeled after the CFA Institute's code of conduct recommended for pension trustees. It identified five responsibilities and provided more information on them, and did not seek to add new responsibilities to the board of trustees. The final thing included was an enforcement provision which was similar to the enforcement provision in the Board standards presently. He continued that it would require, if there was an allegation of an abuse of the code of conduct, the Board Chair and the Fund's counsel to evaluate the facts and determine if a violation had occurred. If a violation was determined, the information would be shared with the Governor's Office, which has authority to take action against board members.

TRUSTEE RICHARDS asked about going through and checking on whether this was a complete list of the articulated fiduciary duties expected.

MR. POAG replied that the Alaska Statute 37.13.120 codifies the investment standards and responsibilities for the Board. It uses the adoption of the prudent investor standard, which includes the duty of care and the duty of loyalty. The code of conduct that was not included was the duty to diversity, which is a statutory obligation and could be added.

TRUSTEE RIEGER commented on two areas and stated that his impression was regarding the focus on the conflict that centers on self-dealing, that there is a concern that their vote could be compromised on something that would benefit themselves or their interests. He stated that he could not see that happening, but there had been public discussion about whether trustees are acting independently rather than self-interestedly. He continued that it was most important to have in this code ethics language referring specifically to the Board's independence from outside pressures. He suggested having language that expressly speaks to outside pressures, and what to do if that pressure comes and calls for a public disclosure. He stated that his vision was that the Permanent Fund needs to be perceived as serving the public, first and foremost, and also is totally impartial between the Executive and Legislative branches. He continued that the second observation was a general sense of discomfort in how the language on code of conduct enforcement read because the language tended to not sound impartial between the Legislative and Executive branches.

TRUSTEE RICHARDS asked Mr. Poag to address that.

MR. POAG stated that there was already an enforcement mechanism in the Board's standards that addresses any breach of the Board standards. He continued that the Board did not have authority to remove board members for breaches of standards. The Governor may remove a public member of the Board, but only for cause.

CHAIR MAHONEY asked Trustee Rieger to submit an amendment, and circulate it prior to a vote at the Board meeting.

TRUSTEE RIEGER replied that he would submit an amendment.

CHAIR MAHONEY asked him to think about it and submit some amendments which will be

discussed at the Full Board meeting. She stated that this code should be long-term and sustainable. She asked for any other comments or observations about the proposed code of conduct.

TRUSTEE RICHARDS stated that he would want to be sure that this captured the major fiduciary duties that are owed under the statutes and under common law.

MR. POAG stated that there are additional duties that he could include that were enmeshed in the Uniform Prudent Investor Advisor Act. They were not in the State statute, but are good policies to follow.

CHAIR MAHONEY asked to put those in for review, and they should be as strong as possible. She asked for any other comments. There being no other comments on the documents, she looked forward to a revised version from Mr. Poag.

MR. POAG stated that he just perused the Uniform Prudent Investor Act and there are nine core provisions that are good standard prudent practices, not obligated of this Board.

TRUSTEE RICHARDS asked that the document be circulated after the meeting for everyone to look over.

CHAIR MAHONEY asked for any other matters, future agenda items that anyone would like to bring forward and discuss in the Governance Committee.

TRUSTEE RIEGER stated that he came up with six ideas or things that may be beneficial for the corporation, and he would like them brought forward. He added that this was in response to problems he had seen either in fact or perception that have carried along with the Fund recently. He stated that the first was not new, and was to increase the size of the Board from six to seven members. Second, to increase the term of every noncommissioner's appointment term from four to six years. Third would be to consider asking for legislative change that would allow recruiting nationally for two of the Board members, and to recruit nationally for a set of professional board member standards. Then he would like to see the entire direct operating budgets, the contractual budgets, expressed in terms of basis points. There should be as much flexibility as possible to maximize that budget allotted, with the most cost-effective way to run the corporation in the best interest of the Fund. Adding a budget expressed in basis points would eliminate a lot of the things that tend to bog down the budget discussion. He moved to the next item, which would be asking the Legislature for a constitutional amendment, and also to incorporate an expressed reference to the prudent investor standard so that the backing would be a much stronger constitutional backing rather than a statutory backing. Last, the Board could gain a lot by adding transparency to the Board-appointment process. He would like an independent professional panel that could vet and recommend board candidates. That kind of vetting would happen to enhance the confidence that the people that were put on the Board were vetted and are there because they are the best candidates. He stated that every one of the six items require a legislative action. They would all have to be a separate resolution, or one resolution encompassing all of them.

CHAIR MAHONEY stated that it was super important to look at all of the options to improve

the transparency, independence, and the overall quality of the management of the Fund. She thanked Trustee Rieger for bringing those forward. She suggested scheduling another meeting, unless Board members wanted to discuss some of these ideas. She asked for any comments on the six items.

TRUSTEE RICHARDS stated that he was not sure a lot of them were not governance issues and was not sure of how to handle them.

CHAIR MAHONEY stated the need to have all of the Board members involved in the discussion of these issues. She suggested that all of the trustees think about the topics and submit ideas to Executive Director Val Mertz. Ms. Mertz could consolidate them and circulate them so that a plan to address them could be developed. She noted that everyone agreed.

MS. MERTZ stated that there was an hour set aside to address governance issues at the May meeting. She continued that she would assist and compile ideas from trustees. She added that she would send out a solicitation to the Board members not in attendance at this meeting.

CHAIR MAHONEY agreed, and asked that the ideas suggested by Trustee Rieger be included. She thanked Trustee Rieger.

TRUSTEE RICHARDS thanked Chair Mahoney for taking the initiative to do what was timely and appropriate to put together more synthesized and maybe more recognizable amendments to the governance documents to incorporate the duties to be cognizant of the consequences.

CHAIR MAHONEY stated that this initiative is really important. She asked for any other agenda items or trustee comments. There being none, she asked for a motion for adjournment.

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

(Governance Committee adjourned at 2:27 p.m.)

SUBJECT: Governance Review

ACTION: X

DATE: December 5, 2022

INFORMATION:

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### BACKGROUND

As outlined in the Governance Manual under the Charter of the Board of Trustees, the Charter of the Governance Committee of the Board, and other charters of the Board (the Charters) one of the duties and responsibilities is to review the Charters at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charters remains relevant and appropriate. The Charters were last reviewed in 2020 and prior to that in 2017 by staff and the Committee.

### STATUS

The Charters are due for review by the Governance Committee.

### RECOMMENDATION

The Committee direct a review of the Charters which may include the procurement of an external consultant to ensure best governance practices are incorporated into the Charters.

### ACTION

If the Committee determines advisable approve the following motion:

Move that staff proceed with the review and update of the Governance Manual including the procurement of a consultant to incorporate best governance practices into the Charters.

## **ALASKA PERMANENT FUND CORPORATION**

### **Charter of the Governance Committee of the Board**

#### **INTRODUCTION**

1. The Board has established a Governance Committee ("the Committee") to assist the Board in the governance of the APFC.
2. The Vice Chair of the Board will serve as the Chair of the Governance Committee. The Vice Chair may act on behalf of the Governance Committee in performing the duties set forth in this Charter with the approval of the full Board.

#### **DUTIES AND RESPONSIBILITIES**

##### **Governance**

3. The Governance Committee will review the charters of the Board, its committees, the Chair, the Vice Chair, the Investment Advisory Group, and the Executive Director, as well as the governance policies of the Board as frequently as required under the terms of the individual charter or policy. The Committee will recommend any proposed changes in the charters and policies to the Board for approval as necessary.
4. The Committee will review compliance by the Board, its committees, the Chair, the Vice Chair and the Executive Director with the duties and responsibilities set forth in their respective charters.
5. The Committee will ensure that the Board undertakes an evaluation of the performance of the Executive Director annually. It will supervise and coordinate the process by which the evaluation is conducted, including developing and recommending to the Board an evaluation survey, meeting with the Executive Director to discuss the evaluation results, and preparing an evaluation report.
6. Every three years, the Committee will review and update the senior management personnel (including Executive Director, Chief Investment Officer, Chief Risk Officer and Chief Financial Officer) succession plan.

##### **Strategic Planning and Budgeting**

7. The Committee will assist the Board in establishing a Strategic Plan. It will undertake a comprehensive review of the Plan every three to four years, and supervise the preparation of a new Strategic Plan.

##### **Monitoring and Reporting**

**Alaska Permanent Fund Corporation  
Charter of the Governance Committee of the Board**

8. The Committee will review and approve any changes to the list of reports that the Board will receive on a regular basis as set out in the *Monitoring and Reporting Policy*.

**REVIEW AND AMENDMENT OF THE CHARTER**

9. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
10. The Board of Trustees adopted this Charter on September 24th, 2020.

SUBJECT: Acting Executive Director Review    ACTION:

DATE: December 5, 2022

INFORMATION: X

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### BACKGROUND

As outlined in the Governance Manual under the Charter of the Board of Trustees one of the duties and responsibilities under Governance is to “establish a process for the evaluation of the performance of the Executive Director and will conduct such performance evaluation annually.”

### STATUS

The Board evaluates the Executive Director based on a calendar year. The following form was sent to the Board of Trustees to rate Valerie Mertz’ performance from December 9, 2021, to November 8, 2022. This survey was sent to Trustees via email on November 22 responses were sent to and aggregated by APFC’s Director Human Resources on behalf of Committee Chair Steve Rieger. All comments were included without edit along with the aggregated scores and sent to Valerie Mertz and the Committee on December 2<sup>nd</sup> for review prior to the December 5, 2022, meeting.

## ANNUAL EXECUTIVE DIRECTOR EVALUATION FORM 2021-2022

**Trustees:** The Board evaluates the Executive Director based on a calendar year. Please use this form to rate Valerie Mertz' performance from December 9, 2021 to November 8, 2022. Please note that although staff performs the work in some areas covered in this evaluation, the Executive Director is ultimately responsible. Feel free to add additional pages for your comments, if needed.

### Rating scale

- 5 = Outstanding:** excellent quality; consistently exceeds expectations
- 4 = Good:** better than average most of the time
- 3 = Adequate:** meets minimum requirements; performs the job adequately
- 2 = Below average:** inconsistent performance; sometimes does not meet minimum requirements
- 1 = Unsatisfactory:** performs tasks poorly or not at all, seldom meets minimum standards
- NA = No comment:** no opportunity to observe performance in this area or not enough information

A. IMPLEMENTATION OF CORPORATE OBJECTIVES/POLICIES (PLEASE SCORE EACH SUBSECTION)		1	2	3	4	5	N/A
I.	Establishes an effective communication system with the board, staff, and legislature.						
II.	Implements board policies, directives, and operational goals as intended by the board as set out in the FY20-25 Strategic Plan.						
III.	Distinguishes between primary problems and trivialities.						
IV.	Prioritizes the important issues of the corporation when budgeting time.						

Comments:

B. STAFF MANAGEMENT AND LEADERSHIP (PLEASE SCORE EACH SUBSECTION)		1	2	3	4	5	N/A
i.	Develops and executes sound personnel procedures and practices.						
ii.	Communicates effectively and respectfully with staff.						
iii.	Delegates authority to appropriate staff according to position and ability.						
iv.	Holds staff accountable for consistent quality performance.						
v.	Inspires staff to do their best and to consistently strive to improve professionally.						

Comments:

<b>C. BOARD RELATIONS (PLEASE SCORE EACH SUBSECTION)</b>		1	2	3	4	5	N/A
i.	Keeps the board informed about corporate issues, needs, interests and operations.						
ii.	Maintains a professional working relationship with the board.						
iii.	Freely expresses any opposition to matters under board discussion until an official decision has been reached, after which time the ED subordinates personal views and supports the Board's position.						
iv.	Plans for effective board meetings						

Comments:

**D. SHORT ANSWER SECTION:**

1. Please describe the Executive Director's most significant achievements or successes in the review period, including strengths and opportunities for future development.

<b>OVERALL PERFORMANCE</b>	1	2	3	4	5	N/A
Please rate the overall performance of the Executive Director						

Comments:

PLEASE RETURN THIS COMPLETED EVALUATION TO BY THURSDAY 11/29/2022

CONFIDENTIAL: [cbrown@apfc.org](mailto:cbrown@apfc.org)