



Board of Trustees

Governance Committee Meeting

November 29, 2023

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## Governance Committee Meeting

**November 29, 2023**

**Time: 11:00 am – 12:00 pm**

### Virtual

**Day 1 Webinar Access:**

<https://apfc.org/bot-governance-committee>

**Event Password:** GovCom

**Teleconference Option**

**Phone:** 415-655-0003

**Access Code:** 2630 576 8885

**Numeric Password:** 468266

**\*If giving public testimony by phone, please sign-up for public testimony by emailing [jloesch@apfc.org](mailto:jloesch@apfc.org) by 9 am on November 29\***

**Written comments can be sent to Trustees anytime at [boardpubliccomment@apfc.org](mailto:boardpubliccomment@apfc.org)**

### AGENDA

Wednesday, November 29, 2023

- 11:00 a.m. CALL TO ORDER
- ROLL CALL (Action)
- APPROVAL OF AGENDA (Action)
- APPROVAL OF MINUTES (Action)
- May 9, 2023
- OPPORTUNITY FOR PUBLIC PARTICIPATION
- 11:15 a.m. DISCUSSION OF PROPOSED CHANGES TO GOVERNANCE CHARTERS THAT RELATE TO THE EXECUTIVE DIRECTOR EVALUATION PROCESS (Action)  
Governance Committee Chair Ellie Rubenstein
- 11:45 a.m. OTHER MATTERS / FUTURE AGENDA ITEMS / TRUSTEE COMMENTS
- 12:00 p.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: November 29, 2023

INFORMATION:

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**BACKGROUND:**

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

- May 9, 2023 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 9, 2023 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 9, 2023

1:00 p.m.

**Virtual Meeting**

**Trustees Present:**

Steve Rieger, Committee Chair	Jason Brune	Craig Richards
Ellie Rubenstein	Ethan Schutt	Adam Crum

**APFC Staff Present:**

Deven Mitchell, CEO	Val Mertz, CFO	Jennifer Loesch
Mike Barnhill, COO	Sebastian Vadakumcherry	Paulyn Swanson
Chris Poag, General Counsel	Marcus Frampton, CIO	Chad Brown
Alexander Smith	Jacki Mallinger	Adam Kane
Lara Pollock	Jordyn Elie	Joe Shinn
Luke Kirkham	Larissa Murray	Michael Prebeg
Rachel Zepp	Norix Mangual	Scott Balovich
Stephen Adams	Terek Rutherford	Tim Andreyka
Valeria Buschfort	Valeria Martinez	Jim Parise

**Other Participants:**

Edward Martin	John Skjervem, IAG	Keith Johnson
Larry Smith	Rick Funston	Wayne Coogan
Randy Miller	Sarah Rundell	

**PROCEEDINGS**

**CALL TO ORDER**

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

MS. LOESCH called the roll and stated that Trustees Rubenstein, Richards, Brune, Crum and Committee Chair Rieger were present in person as well as Trustee Schutt was present online.

COMMITTEE CHAIR REIGER stated there was a quorum and moved to approval of the agenda.

**APPROVAL OF AGENDA**

COMMITTEE CHAIR REIGER asked if there were any objections to the agenda as presented.

*There being no objections, the AGENDA was APPROVED.*

## **APPROVAL OF MINUTES**

CHAIR REIGER moved to the Minutes of December 5, 2022, and asked for a motion.

**MOTION:** A motion to approve the minutes from December 5, 2022, was made by [not spoken]; seconded by [not spoken].

*There being no objections, the MINUTES were APPROVED.*

COMMITTEE CHAIR REIGER stated that he had one person on his list for public comment, but they were not present yet.

MS. LOESCH confirmed that they indeed were not present online.

COMMITTEE CHAIR REIGER gave the floor to Funston Advisory Services and allowed them to have the first part of the meeting given their lengthy list of items and asked the rest of the members to ask questions during the presentation if needed for clarification otherwise they were asked to hold any discussion on the items until the end of their presentation. He stated also that he will ask for public comment again in case that person on his list has joined by then.

RICK FUNSTON gave an overview of the purpose and scope of the project looking at the by-laws, charters, governance policies and related practices and compared those to what they consider “best in class” governance practices. They have made a number of recommendations that will need to be prioritized. The purpose of today is to get their feedback on the recommendations.

RICK FUNSTON described the approach to governance that they take. In this framework the Board of Trustees is responsible for enterprise governance and it is enabled by system specific legislation as well as by their by-laws and policies to fulfill a specific purpose and perform vital functions. In this case it would be an investment. In performing that function there is a number of fiduciary duties with loyalty, care and prudence being the main duties. To fulfill those duties the board is typically granted five towers. First is to conduct the business of the board and its committees which includes things such as its charters, its committee structures, the election of officers, the roles and responsibilities of chairs, the evaluation of the board, the evaluation of the executive director and so on. The second tower then is to set direction and prudently delegate its execution. That includes strategy setting and policy setting. Third is to approve key decisions that exceed a threshold that is established by the board. Fourth is to oversee the execution of that direction within policy and to make sure that the direction is consistent with policy. Lastly, is to verify and trust that the information that they receive and the information and the reports that the board issues are reliable. All of the “heavy lifting” is done by the executives and staff who make recommendations to

the board to advise them on various policy options and so on and then execute those directions within the policy. This presentation, however, will be done in priority order to help focus on the things that they feel are most important to consider.

TRUSTEE RICHARDS clarified the process of how things were to go. Should questions be asked during the presentation or held until the end.

TRUSTEE BRUNE is wondering if hearing this presentation came recommended from the board or it came from somewhere else.

RICK FUNSTON stated it is hard to go back and “deconstruct that” at this point though they did speak to all of the senior executives and to all of the trustees, to his recollection. What they try to do is give priority to those things the board has identified the need for improvement as well as areas they see, in their opinion, that it was something that they need to do that they may not be aware of or identified. That is a benefit to having a third party. The first item was something that was identified in the RFP and was a concern that was raised by every trustee and executive they spoke to. Each point could be taken one by one if the origin of the recommendation is needed.

KEITH JOHNSON started out with saying it is important to recognize that they have in place already a fairly comprehensive, reasonable and appropriate set of governance policies. The focus will be on recommendations and improvements that is from the perspective of them asking to give best in class information and recommendations. They did not identify any particular issues that they felt needed to be brought to their attention but they are going to give ideas as to how to improve the policies and board practices. He is going to go through everything on the slide and then will stop for questions and feedback. One of the most difficult issues that they are currently facing is the executive director evaluation policy. A policy is in place that is prevailing and similar to what their peers have but it is also fairly complex. There is a legal issue that they have run into that creates some difficulties around preserving the ability to engage in an evaluation process with candor. One thing that he could say is that they are waiting for some clarification and direction in terms of what direction they would like to go to. With the way things are right now [unintelligible] by their peers and they would have to develop a customized policy that fits their particular circumstances. The typical policy is something where the board share the process. Sometimes [unintelligible] will decide to hire an external facilitator to help with the process. The process typically involves developing goals for the executive director at the beginning of the year and then when you go to do the evaluation at the end of the period you can look back at the goals that were set and focus on that as part of the evaluation. There is usually a component where the executive director provides their own self-evaluation to the board to give them a feel from their perspective as to how things have been going. There is also usually a component of evaluating how the executive director and the agency did in terms of compliance with policies, charters and various governing documents. Usually there is a component in the executive director evaluation that relates to leadership and management skill. The “guts” of the process is there should be a way to collect trustee

input and identify areas where the executive director is currently doing well and areas where there is need for improvement. Usually, funds will use a questionnaire to get the input however there is the possibility of doing it in an oral version where either the facilitator or chair takes comments from people and puts it together. There is usually a meeting with the executive director as well as some feedback and discussion of the preliminary findings and then development of a final report which is often given to the public. That is the typical process that they would see. The current policy provides for a lot of back and forth between the governance committee and the board and it is a little unclear as to who is in charge at various points of the process. Some simplification and dealing with confidentiality issues, however that plays out, is something that has to be dealt with in a simplified policy.

There were some HR type recommendations that were flagged relating to the executive director and chief investment officer succession plans. They have an emergency succession plan in place which is good but the recommendation is that there is a long-term strategy and a short-term emergency strategy for how you would deal with a succession in both positions. Also, because the chief investment officer is such an important position although it reports directly to and is supervised directly by the executive director, they recommend that the executive director provides some time to confer with the board before doing the evaluation of the chief investment officer. That does not mean that the board takes the responsibility. The CIO is still evaluated and reports to the executive director but because it is such an important position it provides for some trustee input.

There are several aspects of the legislative make up that are not really leading practices. One that has already been talked about is the confidentiality of the executive director evaluation papers. Board size is another area where they are on the small end of size for institutional investor boards. The average in boards is typically around nine. By expanding the size of the board, it gives the opportunity to add some different perspectives and skills as well as it lessens the workload on individual trustees and hopefully increasing the ability to use committees effectively to do more of the work.

In regard to term limits, they usually see two or three consecutive terms as a limit to provide for some turnover and strengthening the independence of the board. That is not in place here. With board and committee self-evaluations that is a prevailing practice among the peers. There is an audit committee evaluation and self-evaluation process that is provided for currently. They are making suggestions that there are ways to improve the process, in particular to sort of connect the self-evaluation process to the education plans for individual trustees and for the board as a whole so that areas that are identified as needing training and skills development can be incorporated into the continuing education program.

Last thing on this slide was, in his opinion, the most difficult priority issue is the process for trustee contact with staff members outside of board and committee meetings. A policy is in place currently but there are a number of areas where it could



be improved. It is important to allow for management of the work load that is generated by board members coming to staff members and requesting additional information. Typically requests go through the executive director. It does not prohibit other avenues but it does require that the executive director be made aware of any contacts or requests for information outside of the regular proforma types of things where somebody may be asking for documents for travel reimbursement forms and that type of thing. They have not identified problems but one of the reasons why this is a difficult and important issue is that they have seen, at other funds, this result in potential for undue influence or ethics violations in terms of behind the scene trustee contacts with staff members that other board members are not aware of or information that is being requested which does not make it back to the board. We recommend that in the policy it is clearly advised that any information request that goes back to the board that there is a log that is kept of contacts with staff by trustees. Also, that it deals with referrals service providers or investment opportunities to the staff and confirms that your regular standards for due diligence and regular processes apply to those kinds of referrals. The log is available to either the committee or the board on a regular basis so that everyone is aware and there is some transparency to the board about what is going on. That keeps everyone on a level playing field. At this point he stopped to see if there were any questions or comments and deferred to the chair to see how he would like to proceed prior to moving on to the next group of recommendations.

COMMITTEE CHAIR REIGER stated it was a great spot to take any clarifying questions from the trustees.

TRUSTEE RICHARDS stated that he did not internalize the board self-evaluation process. He read it and heard the summary but still did not understand it. He asked for clarification on what that would look like.

KEITH JOHNSON stated that it looks different from one place to another. Typically, the prevailing practice that they see is that either the governance committee chair or the board chair or an external facilitator would develop some type of questionnaire that identified areas where you are trying to elicit input reactions from the board and distributes that, collects the information, puts it together and feeds it back in a meeting to the board members and then produces some kind of public summary report so the public can be aware of the gist of the process.

RICK FUNSTON jumped in and stated that with public companies even with the New York Stock Exchange requirement is that the board conduct a self-evaluation. It is just generally good practice and common among their peers for the board to ask itself how they are doing. What they are doing well. What they can improve. That is a way looking at policy and process improvement. That way you can continue to improve on the job. That is the background for that.

RANDY MILLER then stated that the systems that have a well-functioning board self-evaluation process not only do the full board but also each individual committee to get

that feedback as well and for leadership of each committee to have some feedback. The common complaint that they hear is that they go through a process and it kind of feels [unintelligible] because nothing really changes but what they have seen is that what is really important for it to be effective is that to the extent that there are identified areas to improve you develop action plans from it and you actually follow up on it. That is what seems to differentiate a practice that is really working and one that is getting done but not doing much with it.

TRUSTEE RUBENSTEIN had a follow up question and stated she felt it was really important to differentiate between the difference of the self-evaluations and what would normally be thought of as a strategic plan. What they are trying to figure out is, is itself evaluation, is it strategic planning. The second thing she would like to know is she thinks the succession plan that there is a difference between evaluation and succession. She understands where they are coming from on the ED annual evaluation but succession to her is more about key man risks versus annual evaluation. She wanted to make sure that they were aligned on that as she felt they were two different issues.

KEITH JOHNSON replied that they agree to them being two different issues though they related to the ED and CIO that is why they were combined on the bullet point but in the report they are separate. They also agree that the board self-evaluation is distinct from the strategic planning process which they will talk about next. As an example of what they consider to be appropriate for the board or the committees to self-evaluate going back to that first slide no the governance framework you could ask how well are we exercising our powers. How well do we conduct the business of the board and its committee? How well do we set clear policy and direction? How well do we actually oversee the approval of due diligence processes and oversee performance and verify? You could look at using those powers reserved for the board as a way for the board to ask itself if things are working well and where they could be improved as distinct from this strategic planning process which looks at organizational performance.

TRUSTEE CRUM had a question next. He wondered if there were other areas or boards that fall out in the open record act like that.

TRUSTEE RICHARDS stated that his understanding is that most of the agencies do though there are a few exemptions for the railroad and a few others but for the most part they are dealing with the same thing as everyone else except they had a recent incident that stretched the boundaries of the system.

TRUSTEES CRUM and RICHARDS discussed if self-evaluations were considered public record and forwarding a recommendation to the Governor and making it a multi-agency approach.

RICK FUNSTON replied back that they certainly support that because while it may be consisting within Alaska it is definitely an outlier with respect to every other jurisdiction that they are familiar with and asked Keith to expand on that.

KEITH JOHNSON stated that he feels Rick is right. One of the vehicles that is used in some of the other states is that there is a legal self-evaluation privilege where engaging in self-evaluation practices is considered to be a privilege process. Under some open records and open meetings, they kind of piggy back on that and also piggy back on the fact that if you do not provide for confidentiality in a self-evaluation or an evaluation process you are going to gut the integrity of the process and make it meaningless.

TRUSTEE RICHARDS had a follow up question. It seems that there could be some room for delivered processed privilege to apply in some of the self-evaluation things. He does not think they have the equivalent of an executive privilege but it was something he thought they should think about. If they are collecting evaluation data to do an internal analysis to come out with a recommendation that could be something that is applicable.

TRUSTEE BRUNE followed up by saying if that is the case it was mentioned that some of the organizations use outside firms could we do it like a 365 evaluation where all the submissions are anonymous with an outside firm that calculates it or would that be discoverable?

TRUSTEE RICHARDS stated that his understanding is that you do not get any cover from using third party vendors other than the practical reality that most people do not know to request the data from the third-party vendor.

TRUSTEE RUBENSTEIN felt that they could listen to a board meeting and know that [unintelligible].

COMMITTEE CHAIR RIEGER stated he anticipated that you would have to schedule another work session just on this issue alone since it is so big. This could easily consume all of today's time. Would like to hear from the Funston group on what other things would be helpful.

CHRIS POAG had a quick follow up stating that though they were talking about public records law but applying the different types of documents. Personnel files or exempt employees is one fix that needs to happen legislatively. That has already been identified and fixes have been proposed. Fixes are for just this agency or the entire state. Trying to make things easier. The board evaluating itself the public records apply to that as well. Though it is interesting it is pre-decisional protection. Once the decision has been made it goes away.

TRUSTEE CRUM added this is worthwhile on the executive branch side and would benefit APFC.

CHRIS POAG stated the board evaluation would have to be unique from that because what he was mentioning was modifying things.

COMMITTEE CHAIR RIEGER had a clarifying question and stated that they are distinguishing between work papers and the summary report. He was going back to the

executive director evaluation. Sounded to him as though they were saying that in a lot of the other firms that they studied the final summary report is public. What is the status there? Is the final report public or is generally everything confidential?

KEITH JOHNSON replied that generally the work papers are confidential but because entities like the APFC are so highly visible and important to the finances of the company and to the citizens of the state it is hard to support a complete blanket exemption. There is usually a final word product, like any type of report or final document is usually available publicly. It is just the work papers and individual notes and that sort of thing that go into it that is privileged.

COMMITTEE CHAIR RIEGER was thankful for the clarification.

RANDY FUNSTON did not feel there was data stating how many but a number of states do not require it and they are kept confidential. It varies by state.

TRUSTEE BRUNE stated he feels that if it is mixed then they should not trust it. He wants to make sure that it is rock solid that they are protected in anything that they say. Then he switched topics to say that in regards to the size of the board and term limits they indicated that none of the peers have term limits but they are recommending it and is wondering why. Secondly, they recommended nine instead of six for the company is he is wanting to understand from their peers as there has been talk about having a house member or senate member but are there other political types? He understands that they are all political in the sense that each one of them is appointed by the governor. He is just intrigued by the recommendation from their peers.

RANDY MILLER replied that to some extent it depends upon what are the most relevant peers. Investment boards or there are not that many other sovereign wealth funds. He feels it does have a bearing on what you would typically see. There are more governmental officials that would tend to be on the type of board as this is as opposed to one that are maybe retirement system oriented. He thinks they would need to understand what they really want to look at and target in to get the data that would support any proposal they want to make.

RICK FUNSTON replied as well stating that he thinks that there is a point about the number of the composition in looking at the average size of a board of a public retirement system which is nine when looking across the country. Having more board members can be a good thing though it can also not be such a good thing though nine seems to strike the balance. The main consideration would be in terms of work load and the ability to have some succession planning on the board itself. He then asked Keith to speak around the issue of term limits.

KEITH JOHNSON stated that in regards to term limits him and Randy looked at the information and found that it is common to have term limits but it is not universal. From the database that they have maybe a large minority has term limits.

TRUSTEE CRUM had a question and said that in regards to the member types, he also sits on the Alaska Retirement Management Board and it is an exceptionally prescribed program. The peer groups they are looking at he is wondering if they are open prescribed seats or is it closer to the four public spots on APFC which just simply says investment or business management background.

RANDY MILLER answered stating it would be applied to the appointed ones as opposed to the [unintelligible].

RICK FUNSTON stated that generally speaking with public retirement systems it is prescribed in the way that he described.

KEITH JOHNSON stated that they would view it as best practice would be a requirement that is given that you were an investment organization that a majority of the board be investment experts and have some skill set.

TRUSTEE RUBENSTEIN replied that to that point she feels they look more like a smaller endowment board than a public retirement board but again their asset allocation looks much more like an endowment.

TRUSTEE BRUNE had a follow up to that question. He raised the issue about declaring conflicts. He is frustrated by the statement of getting people with financial expertise and is fully supportive of it but then having to have them recuse themselves when it comes to voting and so that is an issue that he wants to make sure gets discussed.

KEITH JOHNSON replied stating they did not flag that because it is fairly common to have that happen at investment organizations where you have people on boards that are investment experts. You will invariably run across decisions where there is a personal financial interest in the decision that is being made. It is appropriate to have someone recuse themselves from that decision. He thinks that there already is a relatively reasonable conflict of interest policy that is in place.

TRUSTEE RUBENSTEIN wanted to comment since it applies to her. She stated that they do not make investment decisions. She has strong views that as long as the board is not making an investment decision, they cannot influence investment decisions and how much of it that is really being influenced even appearance of gain is something for her personally because she feels it affects her more than in the way that the CEO ... a lot of this ... that is the most awkward one for her because on a day to day being on ten to twenty calls at least two out of twenty wants Marcus's information. She feels like the staff has done an unbelievable job creating a process where ... that is the one that she is going to gear on because it directly falls on her more than anybody. She states she knew what would happen when she took the seat. She feels that everyone has been very accommodating. What she has learned on comment groups is that the only reason you get [interposing] and then eventually they are going to get conflict of interest out because if she was diversifying out of her firm, she would be doing that in [interposing] and that is where it would get awkward but right now, she only has one investment

vehicle that has been declared and she is not investing in any managers that the firm [unintelligible]. The next part she would comment on is that she does not feel it is fair to discriminate if she can sit on the board and she understands the information in front of her where someone else may get a long list that means nothing to them but for her, she is on the phone all the time with Chris doing disclosures.

TRUSTEE BRUNE had one more question regarding slide one. On the last bullet point it was indicated requests of trustees for information from staff and that outside of regular proforma [unintelligible]. Is there a definition of what regular proforma is? What is regular proforma to one may not be regular proforma to another. He felt it is imperative that that is understood. They do not go to Ethan, or Mark, or Deven to ask for travel but if it is something else ... he is looking for a defined list on the regular proforma items they are talking about.

KEITH JOHNSON replied stating that a suggestive list was included though it was not exclusive.

RICK FUNSTON added that the emphasis is on substantive requests for information to try and regulate the work load and prevent undo influence which they have seen in other cases. Their intention is to try and protect the board and the staff by having an agreed upon procedure. Better language and definition do need to be put in place. Another thing he said was that in determining what is substantive would determine ... for example a board member said I want every email that has ever been sent on this subject. That would be considered a substantial request. You need to take that into account. When there is a legitimate, when determined by the chair or by the executive director, that it is a legitimate request and can then be prioritized. At the same time every board member should be copied with the response to that particular board member rather than having communication back to a single board member.

RANDY MILLER also added that the best practice they have seen on that where the requests are logged, prioritized and followed up on the additional value for the board member and the individual trustee is that they can be assured that things do not get dropped and fall in the cracks because they are on a list that gets worked. They get responded to in a disciplined manner.

RICK FUNSTON then stated this is not to imply that there should not be any informal communication or questions and answers about agenda items or things like that. It is not intended to address that. It is more for substantive requests for information as well as to the issue around clarification about what the procedure would be for a referral of investments or vendors or people that you come in contact with that would be interested in working with the APAC that there should be an agreed upon process for that that doesn't involve the trustee and going through that.

TRUSTEE BRUNE stated that he appreciates that and the recommendation of the log as well as getting substantive information to all the board members. He feels that is a great suggestion that will help alleviate a lot of the concerns when there are requests

that are made that certain things may have gone to certain trustees and others didn't get them. He feels if they are all getting them that is a good recommendation.

TRUSTEE RICHARDS commented that in the Alaska Corporation code every director has the right to open every file, every email with no exceptions. That is something that doesn't get exercised unless they need it but should not be given up.

KEITH JOHNSON stated that they agree with that as well.

COMMITTEE CHAIR REIGER asked to go next to slide 2.

KEITH JOHNSON again reiterated that he will try to run through everything on the slide and then stop for questions and comments. What they are recommending on the strategic planning process is they recognize that they have a strategic plan and they do have a strategic planning process which is a reasonable process that he feels is in line with prevailing practices. One of the things that he thinks may be a little different is that in the legislative intent in creating the fund there is a reference to one of the purposes being to preserve assets across generations of Alaskans. They think it is appropriate to expand the horizon for the strategic plan to at least five years and perhaps beyond. There may be some opportunities looking at what some of their peers have done and what their strategic planning practices are looking at best in class as opposed to prevailing practices around emphasizing both development of long-term goals and short-term annual plans that include metrics for evaluating how successful you are being in pursuing the goals and strategic plan. There is also the possibility of coordinating with the Enterprise Performance Risk Management function at the agency and assigning responsibility and accountability for the items that are included in the annual plans for pursuing strategic goals both on a staff level and maybe making a committee or board responsible on the higher level for assuring accountability and pursuing the strategic plan goals. In that regard there may be potential for them to look at increasing the role of the governance committee and the investment advisory group to participate in the strategic planning process.

TRUSTEE RICHARDS had a comment. He stated that they moved to a four-year strategic plan in 2020. He understands this may not be best practice but the logic of adopting the four-year strategic plan they are going to do this summer is that it allows every four-year public term trustee to be involved in one of the strategic planning exercises.

TRUSTEE RUBENSTEIN commented on that as well stating that she would not be in favor of five years because there are only six board members and she would be nervous that they would be in a situation where they may only have one or two board members that have been part of that process. The second comment to that is that she feels they are getting to the heart of what she has picked up several times which is structural issues. She feels like a lot of times when they say their peers [unintelligible] she starts to see that they are trying to flirt with are they more in the corporate governance model or the public pension model because really in a corporate

governance model you are going to go to a three-year strategic plan in many regards. She thinks they are starting to see when they are talking about bringing on the IAG as a part of the strategic plan. That is more of a corporate governance and not how they are functioning today. She was not looking for an answer but more so just stating that going forward as a board they will have to decide how they want to go ahead with this and which model because her coming from a private equity industry some of the recommendations are more on corporate governance.

COMMITTEE CHAIR RIEGER replied that he would expect that when they get through with their presentation that there is going to be some that were much more enthusiastic about taking it up than others and they will prioritize.

TRUSTEE RICHARDS felt that on the strategic plan he did not feel that they need changes but he definitely like the idea of people putting some thought around a structure. The first time he was involved with four years ago and it was more like everyone just kind of showed up in a room and raised their hands and created a strategic plan. It was a good plan but it could have been processed a little better.

KEITH JOHNSON wanted to clarify one thing and stated that by talking about adopting a longer planning time horizon they are not saying that it should only be done every five years. In fact, he stated that they may want to have a process where you would review the strategic plan every two or three years. What they are saying is that given the intent of the permanent fund that you really do have obligations and legislative intent that they are serving quite a long time into the future across generations. Whether or not that impact their strategic plans that is something for them to decide. That is what is driving their recommendation.

RICK FUNSTON backed that up by saying that the point here is that they would definitely recommend that you be involved in a strategic planning process. The cycle they have right now is consistent with their terms and so on. They feel that is appropriate. As they look out further, they need to look at what the capabilities of the organization is going to require in order to deal with uncertainties in the future in regards to people, processes and systems as well as facilities and equipment. That way the horizon of how far forward they are looking is distinct from the number of times that they go through the exercise of looking at it. The key here too is also by having these long-term goals and metrics and annual implementation plans that those should be feeding in to the executive directors' evaluation process in terms of the progress that is being made as one component of that evaluation.

TRUSTEE RUBENSTEIN had another comment. She stated that when they went through the executive director evaluation this year for Val the only way to do it was to hold them accountable to the strategic plan which is why to her so much of the ED evaluation process and the strategic plan has to automatically, under a governance committee, get reviewed annually because right now as they head into Deven's executive director, they are benchmarking him on an outdated strategic plan that he had



nothing to do with. It is going to still be a lot of work even though like [unintelligible] there is today nothing in terms of issues in front of them but they are still coming out of outdated policies, in her view, because they are going to have to do both the strategic plan and the executive director evaluation at the same time. So, there is still a lot of leg work to be done where it is not fair to Deven.

TRUSTEE RICHARDS commented on that stating that the challenge that he has observed is that you need a long-time horizon for the strategic plan but you need a regular board input to update it and reflect the change. You cannot redo it every year but if you have a five-year plan that nobody touches for five years then it becomes an iceberg floating out in the ocean that is not connected to anything.

TRUSTEE RUBENSTEIN replied that is why she would say it is ... do you go to more of a three-year plan where it forces the governance committee to hold the executive director who, in our bylaws, has very broad authority. It is very well documented that that is your only way to benchmark them is if we give you the broad authority then you have to be able to execute against a strategic plan.

RICK FUNSTON stated that the important point here is that there is a difference between the planning horizon and the actual planning cycle. They agree entirely that those metrics need to be updated and refreshed. Imagine if you had a radar system on a ship and it only worked once a year or once every five years. You would be in a lot of trouble and the system would not be very useful at all. They agree on the frequency of review and with the planning cycle versus the planning horizon which should be longer.

KEITH JOHNSON went back to one of the recommendations in the executive director process which is to begin the year with developing goals that are specific to the executive director which may reflect some of the goals that are in the strategic plan and maybe completely different from the strategic plan. There is a distinction between the executive directors' goals and the strategic plan goals which may or may not be the same. He then continued on with the presentation stating that stakeholder and communications have a stakeholder communications plan and policy which is appropriate and consistent with prevailing practices. What they are recommending is given the public scrutiny that the permanent fund is being exposed to which is likely to increase in the future that there is potential to make the stakeholder communications plan more effective by being more proactive in it and emphasizing two way communication with stakeholders including the ability to monitor trends and getting feedback from the public and legislators as well as other stakeholder groups and assign responsibility among the staff and the board or governance committee to stay on top of what is coming in in terms of information from your stakeholders so that you can proactively develop how you want to message and respond to those kinds of concerns. More of a discipline process.

He then discussed risk management and compliance stating that you have those programs in place. They suggest that the Enterprise Performance Risk Management

Program be developed to expand beyond just the investment area to include operations, personnel issues, ethics compliance, education, plan compliance and that you kind of formalize the process for Enterprise Risk Management and compliance reporting including a process of ranking risks and assigning staff and a committee to be on top of overseeing the programs. There is the potential to also consider improving how reports are being submitted and structured and coming back to the board. He will touch on that more later. He then opened to questions or comments on the topics he just talked about.

TRUSTEE CRUM talked about the communications and [unintelligible] have become much more of an issue. He stated that this year they were slightly higher in gross receipts on oil and gas revenue versus POV drawn. Next year will be vastly in favor of the POV draw. He stated it will be that way for the foreseeable future. More attention will be on this and he thinks there have been a lot of recent incidents that have made the news that were completely misrepresented about what actually occurred publicly and the boards intent that continuing to push on this will really [unintelligible] about what the corporation does. The importance that it has to the state and how they fund the government has to continue to be pushed with a lot more things.

COMMITTEE CHAIR REIGER asked if there were any other clarifying questions on the second slide. Hearing none he asked them to continue on to the next slide.

KEITH JOHNSON continued on to the next slide. Going down a step in how they prioritize the recommendations. The meeting priority are more about situations where you have processes in place that you just need to formalize. As a result of having ... you are doing the work you just don't have it reflected in your policies and charters. There is less apparent harm or upside involved in business as usual. Investment beliefs and policies there is a section on investment philosophy which is good. They recommend that they look at expanding that to provide additional guideposts that can be helpful in the strategic planning and in looking at what type of changes you may want to make in the investment policy in providing consistency across the different [unintelligible] and overtime in decisions that are being made. It might be that they want to have official views on the role of passive investing versus active investments or how important cost management is to the investment approach.

TRUSTEE RICHARDS had a comment that for the permanent fund historically the investment philosophy is massively driven by the CIO. When the CIO changes the investment philosophy morphs to match the new CIO. To him having the board approve the investment philosophies of the current CIO just means you are going to redo it when you get a new CIO unless there is a different way to think about it.

TRUSTEE RUBENSTEIN commented and stated that this is what she cares most about. She thinks there is something structurally off which is that they, right now, under the charters the executive director will implement all investment policies and strategies as approved by the board. She thinks that is too broad of a mandate when the CIO

should have some sort of authority but the problem with that is that if the board ... if you believe in the fundamentals of asset allocation which means that 70 percent of investing comes from asset allocation and 30 percent comes from managers they do not have enough visibility in terms of if the CIO was to leave and they voted on an allocation and a new CIO comes in and they cannot implement the previous ones they are not evaluating a CIO and she feels they have tasked an executive director with too broad of authority that may not even match it. She does not know how to fix it and she does not think it will get solved today but she feels there has to be some sort of a peer compensation look at how it is structured with this relationship between the CEO and the CIO. She wanted to be clear that she does not think there is an issue in the room today but there was clearly an issue before of a power imbalance and she thinks they need to look into this because there should be some sort of a peer report on does the CIO get authority and then report into the IAG and the board with the CEO who remains point of contact? She thinks there is still something off because if they are still getting requests to go into the CIO she does not have the peers so for her this is the one where ... when you talk about the peer compensation ... so, when Jason and her walked in 10 months ago and they had this peer group that was off and they spent the entire summer and it took 10 months to resolve it ... she would love the core slides of Utempco and CalPERS [phonetic] and here is how it is in the power balance and broad authority of what the CIO can do and what the CEO does. The reason she said that is because the salary matches an executive director, the CIO today makes more but he has no ground authority and everything still goes through the CEO and she is not sure that is how the other peers are structured.

TRUSTEE RICHARDS replied to that comment stating that if they find a solution to this he would like to know. He stated that in February 2021 a peer study review was done and it was how the ED versus CIO in a bunch of different institutions was pretty [unintelligible]. He stated they tried really hard not to make any recommendations. Then the board voted to create the current structure they have based on that. They have been through the process though they may not have gotten the answer exactly right.

TRUSTEE RUBENSTEIN feels that they should look at it again because she thinks they have a new executive director and a portfolio. She feels that as a board they have done a really good job strengthening the ops and making sure that the people understand that they are one team. She thinks there is something structurally off or they may be in a similar situation where unfortunately someone took the heat from the corporation in terms of what happened. She does not have enough knowledge to even comment on that but she can tell you that if you go into the policies today that does not match what they are trying to say on this slide. It is very clear that there is an imbalance from that to slide 16 in terms of IAG, new tasks, internal CIO, investment committee structure that does not work. Those two do not go hand in hand.

RICK FUNSTON then spoke and stated that he feels that there is a couple of issues here from what he has heard. The first being are the investment beliefs simply to be a

function of the CIOs perspective or are the investment beliefs the boards perspective on the investment strategy of the organization over time and that the CIO is then selected to kind of execute something consistent with that. The second thing is what is the delegation? What powers are reserved for the board? What is delegated to the executive director? It sounds like that is not clear and that is something that should be addressed. It is something that they have worked with other organizations on to make sure that there is clarity on that because if there is confusion it will lead to problems down the road.

TRUSTEE RUBENSTEIN stated that she feels it is unclear. The reason she said that is because traditionally, as they just talked about, in a corporate governance model you would have a CIO chaired investment committee and a CEO is usually not chairing that. They would chair an LPAC and ...

TRUSTEE RICHARDS interrupted and said that the CIO has the committee and the executive director acts as an administrative oversight in execution function and then they have a very limited veto authority. The executive director is not in charge of investments. It is like an administrative function. That is what they adopted ...

TRUSTEE RUBENSTEIN stated that she feels that if you look at what they are trying to suggest that may have to be relooked at. That is what she was trying to point out.

COMMITTEE CHAIR RIEGER asked that they continue with the presentation.

KEITH JOHNSON continued stating that he was going to skip to the last bullet point given the conversation that just took place. This discussed the formal internal CIO investment officer committee structure, duties and reporting practices because he felt it speaks to the ... they are not suggesting that they make any changes in terms of the chief investment officer having the main responsibility and authority regarding investment decisions. One of the things that they heard in the interviews was there seemed to be a lot of confusion around just how this internal CIO committee works and what it does as well as who is on it. They are not recommending any changes so much as recommending that there be some formalization to the process for the trustees. They feel that may improve transparency of what is an incredibly critical assumption which is central to the corporation. Some clarity would help improve both trust and understanding and confidence in the process.

TRUSTEE RICHARDS was wondering if they covered the fourth bullet point.

KEITH JOHNSON replied with no and that he would go back up. He reiterated that these are all recommendations and that it does not suggest any discontent with the due diligence processes. It is a suggestion that they provide more formality and clarity to the due diligence process which is essential to demonstrating fiduciary duty compliance and reassuring stakeholders and trustees what the due diligence activities are that are undertaken when an investment is being considered. They also think it would help to have more formalization to potentially reduce errors and lack of understanding of what

their requirements are as well as assist in any personnel and trustee transitions when they have new people coming in. It gives them something to look at that describes what the due diligence processes are with some clarity.

COMMITTEE CHAIR RIEGER asked what does a formalized process look like? He has seen due diligence checklists that are tens of pages long. What is in those policies in a fund that has a formalized due diligence presence?

KEITH JOHNSON stated that usually there are several different layers of a high-level description of the process which would include description of how the internal CIO investment committee operates, who the players are that perform the due diligence tasks, what the main take aways or things on their checklists are, the areas that they are going to be looking into and who has oversight of that. Below that is often more internal procedures and policies or guidelines for the due diligence process. They have not looked at that as that is way outside the scope of what they are doing. They are just suggesting that from a governance standpoint there should be a high-level document that provides greater clarity and understanding of what is happening behind the curtain.

Continuing on he went on to say that the multiyear calendar with key action and education topics is something that the staff has responded to somewhat favorably and that it may be helpful for planning purposes and scheduling educational events as well as for new trustees when they are coming on and even older trustees just to know what is coming up, when the asset allocation process is, when they will be looking at actuarial issues, when they will be getting a deeper dive into some of the market portfolios, et cetera and trying to use the calendar to coordinate educational topics and programs with any key actions that the board is going to be taking so that there is a connection. In regards to the investment advisory group and the governance committee they are suggesting that there be a more intentional effort to have an annual consultation between the governance committee, executive director, chief investment officer and the investment advisory group on how the group could be used better. You may want to, as part of that, take a look at the retirement management use of their AEG and there may be opportunities that you may decide that the IEP could play more of a role in strategic planning or development investment beliefs or the enterprise performance management program or you may decide that there are particular areas of expertise that are essential given what is in the strategic plan to have represented on the IAG. Just more of an intentional approach to how you can make better use of that [interposing] organization. Standardizing [interposing] formats may require some coordination between the governance committee, executive director, chief investment officer, maybe the investment advisory group to try to improve the insight for trustee oversight by streamlining formats so it is easier for trustees to find the information that is important through use of summaries at the beginning of reports, identification of trends in the data that is being reported, using exception reporting to the extent that you can [unintelligible] things are within established acceptable ranges that you do not have to spend much time talking about those things and you do not have to talk about them at all as the

exceptions that you want to focus on. Basically, trying to structure around what is important, what has changed and why it matters. They feel that could make the trustees jobs a lot easier and help to focus things instead of having to search for data that is hidden in different places throughout a 50 or 100 page report. He stopped there for any questions.

COMMITTEE CHAIR RIEGER saw no questions and asked them to continue.

There was some back and forth discussion among the board members regarding the regarding the Investment Advisor Group (IAG) and how they are selected by the Board and work for the Board. Callan was mentioned but the conversation turned back to the IAG and how engaged they are with the Board.

TRUSTEE RUBENSTEIN stated she feels they need to come up with open formats that do not allow for silos that may not be the direction of the board but also make sure that they can address the key risks. That, to her, is a much longer session than just sitting there.

KEITH JOHNSON then went on to make an observation. In listening to the exchange, it sounded to him like there is some need for clarification around what the legal standards are for what can be done in an executive session versus what cannot be done in an executive session. Unfortunately, public entity has to live within whatever legal framework there is for public records and public meetings. Often there will be exemptions to public meetings if you are discussion investment strategy or a particular investment that may involve confidential information.

TRUSTEE RUBENSTEIN replied that she does not have the answer to that and would like to hear from Adam where the IAG and the [unintelligible] board function very differently as does the board. They are reviewing managers with the IAG. They do not function that way. She feels Adam can speak on it.

TRUSTEE CRUM spoke stating they have the state investment review committee that Devin participated in with the IAG. It is a three-person group. The IAG for ARMBBoard sits through and CIO and team will put forward the current strategy that they are on. They would notice if it is a closed meeting. It is presented to the IAG and they discuss the pros and cons of that approach. They just listen to it. They do that every two months. They also use that to where the investment staff, when authorized by the board, to look towards different strategy types that can bring forward and then the board will just have a conversation and interview on the record with the selected managers and then vote to actually hire them or not. It is a different process but you do get certain questions on the record. You get a good exposure to the public who knows that as well. It is different strategies.

TRUSTEE RUBENSTEIN stated that she tends to agree. She thinks it is very hard for the board to go down asset allocation other than what is presented from a CIO. She does think that they are setting themselves up from a manager perspective of they have

to know that they are going through that granted that is what they get for taking on a LP is that they saw what the in-state program of APFC. She was looking more from a governance risk of she thinks it is dangerous that they are voting on asset allocation and all they are seeing is even if they strip the names of the managers, you do not see enough theme by theme to be able to really vote on it. The only way you can be an informed person on asset allocation and to see more data coming through to say yes or no or to be in an executive session as the board's advisor to meet with the CIO and Devin and say here is what we are seeing. She does not know structurally around it. To her it is as big of a concern as Craig feels on the ED thing because with the pressure coming their way if they are voting on asset allocation and there is somewhat of a swing in it this year, they have to be able to hold themselves accountable for it and the board, at the end of the day, takes the heat. They have to make more decisions.

CEO MITCHELL stated he felt it was more of a process issue to him. The process is that there is a recommendation of the [unintelligible] they do not tend to have a significant position. They tend to have either hand available is his perception. Their investment advisory group is really there for counter commentary. It is something from a procedural perspective that if you would like the opportunity to pull apart the recommendation of the CIO a little bit more that he feels that sounds like what she thinks would be advisable and that would be a different process.

TRUSTEE RUBENSTEIN returned comment stating that if you look at the IAG charter and bylaws the only requirement is attending three out of four meetings, meet with the CIO before. To her that is not how she hears that is how it functions under Adam and she would like to hear [unintelligible]. She thinks they are in this weird structural thing where she is not sure the process is meeting the governance risks that are being implied.

CEO MITCHELL stated he would challenge the board when the last time they overrode the CIO. Never. Also stated that you have to say what is the value of that process at the same time you are challenging the value of this process.

TRUSTEE CRUM felt there is value in the closed-door aspect. He thinks right now at this point in time there are three advisors and they each get 15 minutes at the end of the day. What are we paying them for? How are they advising the board? How are we actually doing this from a fiduciary standpoint? What is their advice to us? It is not necessarily taking apart the CIO it is actually getting a third-party objective viewpoint about is this play going forward so we can open eyes, clear our ... sprint forward. This is a good plan. We sit behind it as opposed to we really like our CIO. I think there is a separate risk there from a fiduciary standpoint that would help.

TRUSTEE RUBENSTEIN stated she did not when them to go the onboard group because then they become an investment board and she does not think that is good. She does think there is much more value in hearing what was not funded which does need to be done behind closed doors because you are going to learn a lot about what is

not funded. She is far less interested in what is funded because that is going to be disclosed in a normal CIO session. It is what is not funded that is going to allow them to learn is that asset allocation being put forth correct.

CEO MITCHELL felt they need to explore what they are able to do in an executive session for purposes to allow additional discussion [interposing].

CHRIS POAG spoke up stating the board can absolutely meet in executive session to consider proprietary confidential information. That is not the problem. This board has not typically evaluated the investment decisions that are delegated to the executive director and then administer delegations to the chief investment officer. That does not mean you cannot [unintelligible] authority and you have delegated it. If you want to know what decisions [unintelligible] have or have not invested in we can do that. It does have to be done the executive session because it is confidential proprietary information. This board just has not done that traditionally. He does not know that setting an asset allocation on a going forward basis has anything to do with what Marcus has put in the portfolio today. It is about whether or not the asset allocation that is proposed is going to meet the objective of the board. It is not so much what is in the pipeline it is what you want in the pipeline going forward. They can certainly accompany that but if your investment advisor groups ... they are your consultants. You should use them how you see fit. If you read the comments throughout this, they are yours. They are there for you. If you want to change how you use them, we can do it. However, you want to use them is how you should use them and they will accommodate that.

TRUSTEE RUBENSTEIN feels that the problem is that they cannot sit in an angry boardroom with all six board members and three IAGs.

CHRIS POAG felt that you can if you are talking about strategy and asset allocation going forward, they cannot. If they are talking about which hedge funds to invest in or those sorts of things. If you are going to consider confidential information you do not do that in an open meeting. If you want to talk about big picture strategy of course you can. That is what we are doing today. We are talking about big picture strategy in governance. You do that when you talk about big picture strategy for asset allocation. You will do that when you talk about the investment policy statement in Maine. Those are all your documents that delegate the authority to them that tell them how to operate with that delegation.

TRUSTEE RICHARDS stated it felt there was also a bit of a distinction between what they talk about and what gets reported. Reports can be prepared as confidential reports for the board. They do not normally do it but if you wanted confidential data produced to you on [unintelligible] they can put together reports and they can send them to the board and they can be confidential.

CHRIS POAG interrupted and stated that is why they suggested if you want reports with proprietary information, you do it [unintelligible] you log off to and see rather than risk



sharing information by emails that get picked up or cyber security hacks. They can accommodate those who would rather do this in a secure fashion.

COMMITTEE CHAIR REIGER spoke up and said it is pretty clear what they want to do but they have to figure it out. What is doable? What is not? There is a constellation of things that are taking shape from this discussion and what they want to pick up. He asked Keith to go forward.

RICK FUNSTON stepped in first and stated that he wanted to encapsulate the last discussion. Clearly the board should be in the position of determining what it wants to have and the information it wants from its advisors and the nature and the structure of the reports to make it most insightful for purposes of oversight. He thinks it sounds like a very good beginning or continuation of a dialog to try to continuously refine that understanding of what is most useful and insightful to the board to make sure that they then have that line of sight to the portfolio performance.

KEITH JOHNSON continued to the next slide. He first spoke on clarifying trustee duties. They are recommending that there be a provision added to the board charter that would focus on helping new trustees when they come in to provide them with a bit more clarity about role expectations of what you do as a trustee. Things like what you do to prepare for a meeting. How much of a time commitment serving as a trustee involves. How they go about getting their questions answered. It is important that every trustee come to an independent decision and opinion but the board acts together as a unit. If there are any expectations about meeting decorum. Those are the kinds of things that could be put into a trustee duties section in the board charter. Trustee discipline was noted that there is a provision of the boards standards policy which requires that violations of corporation policies or ethical standards be referred to the chair of the board but it says nothing about what happens after that. They are recommending that the loop be closed by specifying a process and options for how the board would handle those kinds of violations. Whether you have an opportunity for the accused to respond to the accusations. Whether you want to apply options like issuing a potential reprimand or referring of the situation to the ethics commission or notifying the appointing authority of misconduct or requiring some sort of remedial training. They think that since they do have something that gives the chair or board the responsibility of dealing with discipline issues that there should be something that clarifies what happens and how they go about doing that.

On the trustee education policy, they have a series of recommendations for improving the policy. They do have a good set of educational programs that are already in place but they think there would be a benefit to creating such standards that are written for what should be in the curriculum of continuing education and what kinds of education attendance requirements you expect of trustees. Individualized trustee continuing education plans are something they are starting to see more of in other peer funds. Online education is also something that peers are taking more advantage of so that they do not have to travel to go to something and incur additional travel costs but

still get the training. Most peers will have a trustee go to an external education conference or something like that and when they come back, they will provide reporting provisions and ratings so that it will help to inform other trustees that may, in the future, consider going to the same program. Whether it is worth doing it or not.

The other thing they heard from trustees is that the orientation training is like drinking from a fire hose. It is pretty intensive and that it would be helpful if it were spread over several months with a couple separate training sessions at either board meetings or separately. That was it for those topics and he opened it up for questions.

COMMITTEE CHAIR RIEGER asked a question in regards to the trustee education. What does that policy look like, typically, at another fund? What is typically spelled out and required?

KEITH JOHNSON replied stating the list on the slide is a pretty good indication of what is in a best-in-class policy now.

COMMITTEE CHAIR RIEGER wondered if the expectation is that a trustee spends a week of the year on training or is it three hours?

KEITH JOHNSON stated it varies from two hours to seven or eight hours.

RICK FUNSTON replied some are sixteen hours or a couple days a year.

KEITH JOHNSON informed them that they are not suggesting that would be appropriate for them but it is something they feel they should think about. Just so that there are set expectations for all trustees.

RANDY MILLER came in stating that often there are topics that are listed as well in the policy that are driven towards the trustee's role.

TRUSTEE RICHARDS gave his observation on education. He does not feel like the fund offers education opportunities at a level that are meaningful. He feels that if they are going to go down the road of educational things that they have to actually be educational and not just random conferences.

TRUSTEE RUBENSTEIN stated that she just went to AIF and it was very helpful to sit in a group and hear from people on what they are doing and how they are benchmarking special opportunities. She personally found [unintelligible] to be the same way and that it was fun. She did not consider it to be education. AIF was to the level of private equity conversation that they do not even have on their board which is continuation funds not financing. She feels there are conferences but then there is the question of if Adam and her met pathway at [unintelligible] how can they look at something that she does not think is just a permanent fun board where if he mentioned alternatives that maybe pathway comes in and does a half day session with this board and with the [unintelligible] board and they combined it. Adam and her were going to go to a private equity trustee course and it got cancelled. She does not see any value in pressing buttons either. It has to be something that is meaningful. She does not want to read a

book. There is no travel budget. There has to be something if they are already having York Consultants come up it would be really helpful to go more in depth with some of them because the drinking from a higher hose ... that is something to take on and look at. Private equities being presented in May it would have been great to have Pathway come up and say let us also have training at the same time.

CEO MITCHELL also agreed that they could set aside time during meetings to have training at the meeting itself.

TRUSTEE RICHARDS complimented the presentation about Private Credit from Ross. That's the kind of thing that's valuable to him.

CEO MITCHELL said they should talk about it and try to do a better job on it.

RICK FUNSTON said that this is kind of a triangulation of a number of different pieces. If they look at their board calendar in terms of the decisions, they are going to be expected to make over the period of time then they would say what education should they have. The fact of having it individualized is that each of them will come to the table with different sets of experience and priorities and things that they would like to learn more about. That is why it should be tailored to their specific circumstances. This is consistent with the philosophy of one size fits one to make sure that it is immediately relevant to their particular requirements and that it is timely. That is what this is all about. To make sure that it is relevant. No one wants to sit through death by education Webinars. You have to look at your needs. This is part of the self-evaluation process to say what would you like to learn more about and how can it be built into the way you run the business and then you act as a board so that it does not become an extra demand but becomes a compliment to you actually fulfilling your duties and performing your functions. That is the idea behind all of this.

COMMITTEE CHAIR REIGER stated that if there are no other questions they can move to the next slide.

KEITH JOHNSON started off by saying they are getting close to being done. This slide is all audit related recommendations. The main one is that they do not currently have an internal audit function which is compared to peers their size a lagging practice. They recommend that they consider development of an internal audit program whether they hire an external auditor to provide some internal audit services or they hire staff to do it is another question. The audit committee charter could be updated in a couple of respects. One is to make sure that it has gotten responsibility for monitoring compliance with any recommendations and changes that are made in audit reports and also that included in the audit plan are functions to make sure that they are getting confirmation that the reports the board is seeing are accurate and reliable. The statutory Alaska Whistleblower Law does not apply to the permanent fund that staff is already committed to incorporating it into the HR policy and the personnel practices. That one seems to be dealt with. At this point he opened up to questions.

TRUSTEE RUBENSTEIN had a question. One thought she had was ... have they ever suggested that a board like theirs have a board seat with a CPA on it? Right now, the entire board does not have a CPA. She knows that prior some of the revenue commissioners have been CPAs. She is all for strengthening but is wondering if that would be a helpful recommendation to be able to have a CPA just like the board currently has two lawyers on it.

RICK FUNSTON replied stating that is very consistent with what they see in a number of other jurisdictions. That would be appropriate particularly for the audit committee and it is of course consistent with a typical public company requirement. He would be happy to make that recommendation.

TRUSTEE RUBENSTEIN followed up with that she feels having just gone through audit season herself it is getting harder and she thinks it would only be fair to Val and her team to have a board member that really understands it. They do not have anybody with a CPA or a true finance background on the board. She feels it is a risk going forward to now have somebody with a CPA background.

RICK FUNSTON said something else to consider would be to hire an independent advisor specifically for that purpose because they may have difficulty attracting them to the board or whatever process they go through. They could also have an independent CPA to simply advise the board on the audit committee function.

TRUSTEE RICHARDS had a question. He stated he always resists the push to want to get technical on the board. He does not feel it fits for public entities very well. They should have investment experience.

TRUSTEE RICHARDS does not see the board as a practical solution for being the oversight of auditing. He feels there are other systems in place that do it better and will always do it better.

TRUSTEE RUBENSTEIN replied stating she hears him but that today they are the fiduciaries so that is a little scary.

CHRIS POAG stated you cannot jump ahead. The statute prescribes the requirements for a board member. It is the governor's appointment authority. It is not within their purview to dictate who the governor appoints. The qualifications are there. The auditing team does have the authority to hire experts if they need them which would include a CPA.

COMMITTEE CHAIR RIEGER had a question. He wondered what other funds look like in terms of their internal auditing capabilities.

RANDY MILLER replied to his question stating that often it is difficult to find a lot of the specific expertise required for investment related audits. Increasingly they are seeing that either it is an outsourced function or with a larger firm they pull in the experts as needed. They also see a small core of one or two people that are doing a lot of the

basic audit work. When they have specific audits that they are undertaking that require expertise they pull in the partners from the external organization. It is usually either all outsourced or some kind of a hybrid. It would be very difficult to try and stack it all internally.

JOHN SKJERVEM interjected based upon his experience. He stated that he is used to like Randy described with one dedicated internal auditor and that person rotates through the asset classes. One year they will work on public equities, the next year hedge funds and the next year private equity. They are usually pretty skilled individuals with a lot of experience and then as Randy described they would have a budget that enables them to pull in consulting resources for those asset classes or those strategies. He would say this is a got to have. He is a little surprised it was not on the front page. He would strongly endorse acquiring this capability.

TRUSTEE BRUNE made note that he agrees with Craig on this. He thinks that if they want to do anything it would be to limit the number of lawyers. If they did want to make that recommendation it would have to go to the governor as it is their appointee. It would then have to go through the legislation that they may be opposing. The governor should realize certain skill sets that are there or that are not there. Having been an executive director of a 78-person board you look for capacities and bring that in. For a six-person board appointed by the governor if they want to make recommendations they need to go to the governor and say they want someone with a particular expertise. It should not be mandated or legislated.

RICK FUNSTON reinforced that the board can retain whichever advisors it chooses. They suggest that might be the easiest route and if they feel they need additional expertise simply to advise the board then that is something they should consider. Also, for example, just to aid them in the exercise of their duties in the interim there are typically all kinds of questions that audit committees should be asking and they should be able to familiarize themselves with the questions. Some of them are pretty self-evident and do not require a specific expertise but nonetheless get to the heart of the matter. They would be happy to share some examples that would aid the audit committee in exercising its charter.

TRUSTEE RUBENSTEIN said that what Rick just said was interesting because their IAG today is all CIOs. He suggested they could use an IAG instead. She is wondering if he is saying they should look for a CFO and wanted clarification on that.

RICK FUNSTON replied back that yes, they can choose ... they have the right to choose whoever they wish to advise them.

TRUSTEE RUBENSTEIN thanked him and said that was helpful. She does not think she ever thought of the IAG that way. She thought of them as advising the board but having a call with the CIO. If they can help advise a CEO or CFO that is a very different way of looking at an IAG.

RICK FUNSTON stated it would not have to take the form of an IAG. It could just simply be independent and separate and reporting directly to the audit committee. That is up to them.

TRUSTEE RUBENSTEIN was thankful.

COMMITTEE CHAIR REIGER suggested taking a public testimony and then going on break. Mr. Martin was allotted three minutes.

EDWARD MARTIN JR was thankful. He has been listening to a lot. He took a moment and introduced himself. He is a second generation prior to statehood. His father homesteaded before statehood. A lot of their investment money likely came from his family getting cheated out of the mineral rights. He will be in person at the next meeting. Back in 1998-1999 his dad wrote something when the permanent fund was under attack and there was a loss of investment in 1999-2000 when they lost about two billion dollars in the stock market. Then up to 2005 they had all kinds of problems in which they changed the investments and did different things. His dad was a one mission man. He was behind that whole request. He feels Rick and Keith have done a great job brining the current board up to speed with what they are having to deal with. He has been around for 58 years and would like to see the dividends being issued out forever. Some people do not. He wanted to read something his dad wrote. He stated "We should not get arguing amongst ourselves, sales tax versus income tax versus permanent fund when we are really beating each other up and losing sight of what really is being said. What pocket do we take our money out of, they are saying". He said he could go on and on. Would like to speak a lot when they come to [unintelligible]. He really cares about Alaska. They have been doing a great job today. He put in a request, a public records request, about accountability. He thinks they are now at a point that they are dealing with that. He is a bit surprised in regards that this should have been dealt with 20 some years ago when his dad had a concern. He encouraged them to do their best prudent investment. He prays that they do a great job for the state of Alaska and its citizens and thanked them for their time.

COMMITTEE CHAIR REIGER asked if there were any questions. Given none they took a 10-minute recess. The committee was called back to order and asked if there was anything that anyone felt was important to discuss prior to continuing with the Funston report.

RICK FUNSTON stated he feels they covered the major issues that were of concern to them. He feels they could spend a few minutes discussing what they feel are the technical issues then open it up for a broader discussion and get their feedback with how they would like to prioritize the recommendations. He would also like some direction in a couple of areas. He continued on with the next slide stating that there should be one place that they can go that has all of the governance bylaws, charters and policies that are organized. This could be done electronically. They recommend that they consider using the Enterprise Governance Framework as a one-page framework

for understanding how all policies are organized. He understands that they had issues in the past with commercial, off the shelf, portals as a number of them are known for their rigidity and lack of user friendliness. He feels there is a way to post the information on the internet that would have security but still allow more access. There are inconsistencies in a number of places and they feel that they would benefit from having a consolidation and an update of the policies and resolutions for consistency. One of the other things is that they recommend that they provide secure laptops or tablets to trustees and dedicated emails. This can sometimes be a burden but if you have communications on your personal devices that relate to APFC than they could be discoverable so they recommend that all APFC communications be using an APFC email and on a dedicated device. You could then use platforms such as Microsoft SharePoint to share documents. It may require a bit of a learning curve but if they think about onboarding new trustees one of the key things would be an orientation as to how to navigate what is there. It is impossible for any individual to absorb all the information in one sitting but understanding how to navigate and know where to find things could be very helpful. The last recommendation would be to explore potential joint education opportunities with other state entities. None of these are things that they consider critical but they are more enabling.

TRUSTEE RUBENSTEIN had a question regarding the education. How do you make it less of a burden on staff with some of the orientation stuff? It really does fall on the staff to do the orientation.

RICK FUNSTON replied stating that it speaks to what they said before. A lot of the material could be made online. They could create an onboarding program for trustees that could be self-directed and self-paced online so it is accessible anywhere anytime. That would be one way to take it off the staff and then they could be available to answer any questions. It could trigger questions on your own part on what further educational opportunities you might like. It would significantly reduce the burden on staff by having it available online and tailored to your specific needs.

TRUSTEE BRUNE wanted to speak personally and made it clear it was not about anyone in the room. If he did not have two days, he would have never gotten it. Stated his job is insane as a commissioner that he is back-to-back and if he had to do something online ... what the staff provided him was invaluable. He was able to ask questions. If he has to read something or do it online it is not going to have the same benefit to him. That is his type of learning. Everyone is different. Craig reads 30 books a week but he cannot do that as he does not have the time.

TRUSTEE RUBENSTEIN is just not sure how to solve for that.

RICK FUNSTON said he does not feel it is an either or but a question of what is the appropriate blend. They agree that in person discussion and being able to answer questions is highly desirable but has time implications. They suggest some type of combination of an initial onboarding to walk you through and show you where things are

and answer some of the fundamental questions. That could be done in an initial four-hour session. They may decide that two days is necessary. Again, it is one size fits one. Different trustees have different learning styles and it should be available to you in the style that is most conducive to your own learning. It would be a combination of them as a hybrid as opposed to just one or the other.

COMMITTEE CHAIR REIGER stated since he was not hearing any other questions they could go on to the next page.

RICK FUNSTON continued with the question of how he would like to proceed in terms of feedback and discussion on the report.

COMMITTEE CHAIR REIGER felt that at this point it is back to committee member discussion. He stated he envisioned that they would need to get a presentation from Funston and hear what they had to say and get the detail behind it and then digest it and take these topics up in a more digestible way such as taking up a priority topic or two, getting them resolved and then taking up other priorities once they handled that. That is not cast in concrete but it is what seemed more manageable to him. The executive director confidentiality issue is what he felt extended to the board and committee self-evaluation. Confidentiality is one topic that he senses there is a lot of interest in. The issue of communication between board and staff was another topic that there was interest in. Process of development of asset allocation had a lot of discussion. He asked what people would like to see discussed.

TRUSTEE BRUNE stated he wanted to discuss the executive director evaluation. He feels it was sad and inappropriate and should be number one priority.

TRUSTEE RUBENSTEIN stated that it is a number one priority but it is something they need to fix from the past and she is focused on what they are not looking at now that may hit them in the face if they do not take it on due to the ever-changing world. She does not know if that means they take on two to three or do they just summarize here is the top ten out of the 40 or 50 that are there. She is looking for more of a process and an understanding that is there another governance committee or does this get incorporated into these strategic planning sessions.

COMMITTEE CHAIR REIGER felt that was a good question for the board chair to weigh in on. Feels they needed to discuss them among themselves and make sure they really understand them. There were probably six that they could look at.

TRUSTEE RICHARDS feels that is logical but feels the other side is there is probably 12 or 15 of them that are not controversial, and they can all say whether it is enough to implement it. He feels there needs to be a summary list generated that they can identify 12 or 15 of them that are not controversial.

TRUSTEE RUBENSTEIN stated that she was not expecting them to redline every single one. She does not want people to feel like they have to come out of the meeting



and implement something by July or a specific date. There is a board meeting next week and everyone has a lot on their plates.

TRUSTEE BRUNE wondered if there were any issues that were raised by staff that they did not incorporate. Are there things that were seen as issues that were not addressed in what was presented today?

RICK FUNSTON stated they tried to fairly represent what they felt and heard were the issues and that ought to be their governance priorities as they were reflected in their ranking. Some of those can change. He gave an example that a comment was made that the internal audit capabilities are something that ought to be a higher priority. He feels that when you think about what they have presented is a list of the work that needs to be done. They would not expect that they would do it all at once but there should be a logical progression. He thinks that certain issues require more precedence such as policy issues should take precedence of procedural issues because you need to know what your policy is before you develop a procedure. The challenge or question for the governance committee now is what are the things that you agree with that just need to get done and go ahead and get them done. The things that do not really require further input from the board on direction. The other part though is that they have identified that there are some that have significant policy changes. One, for example, is the investment beliefs. It is their perspective that in the investment beliefs and investment policy statements they should transcend the tenure of any CIO. That is something that, with respect to the asset allocations, those are the kinds of things that the board should be setting the direction and then it comes to also, for example, getting the additional expertise with respect to audit and so on where they may just go outside and get an advisor to help in that regard. It may be helpful to think what are the things the board needs to deliberate further versus those things that they can proceed with or should be simply done without having to encumber the board but instead bring back recommendations. He thinks this is the list of the work that needs to get done. Now they need to do the work. The question is who should do it and by when. That is something that they can work with the staff and come back with a recommendation of an implementation plan based on what they have heard so far.

TRUSTEE BRUNE wondered if there were issues that were raised by staff that were not addressed today.

CEO MITCHELL said there were not.

TRUSTEE RUBENSTEIN admitted that the first time she read the bylaws was not during orientation, she read them somewhat during orientation but not to this level. She just learned that under the governance committee an external audit of governance policies is supposed to be happening. She did not know that. This review now counts as their external governance audit.

TRUSTEE RICHARDS stated that he does not feel that the mission statement investment belief system is practical for this particular organization. He feels the CIO

sets the tone for the pace. There is already a strong culture around it. You can always have the cultural mission exercise [unintelligible] planning about what are the integrity, stewardship, whatever they came up with last time but at the end of the day he doubts that is a meaningful exercise. That being said he said if somebody brought forward a working document that was actually meaningful, he would consider it but it is not how he would spend the time or resources.

TRUSTEE RUBENSTEIN counter argued that he was onboard when the CIO and CEO did not get along. They are sitting there when they do get along. She is worried when they do not get along. She thinks the great time to tackle policies is when they get along so that when they do not get along, they are not sitting there having to go through what he did. That is her main concern.

TRUSTEE RICHARDS brought up that is more policies. He is talking about investment beliefs which he took to mean they believe the private equity provides [interposing].

TRUSTEE RUBENSTEIN feels it is if you look at the last page it shows the internal CIO investment committee membership structure and looking at it to make sure that [unintelligible] and making sure that the authority and the CEO and CIO [interposing]. She is looking at it from a structural issue to make sure that the authorities ... if the board has given the CEO the authority and the CIO reports in to the CEO ... today they get along. What happens if they don't and what happens when one of them [unintelligible].

TRUSTEE RICHARDS feels they have a clear structure. There is one investment committee instead of two. The investment committee is made up of Marcus. It was made up of three people, now it is only two so that is something that needs to be addressed. Administrative execution of the investment decisions made by Marcus and his committee then go for execution of the executive director. He has a veto authority but if he exercises it then it is a big deal and it is going to draw down a lot of attention. That is just a check and balance in the system. That is how he understands the process works and if it is not working that way it would be interesting information to him.

CEO MITCHELL confirmed that is how it is currently structured.

TRUSTEE RUBENSTEIN feels that if there are policies that they have already heavily debated as a board she does not want to sit here and create more work. If they have been heavily looked at then just send them their way so they are not wasting more time on it.

MALE SPEAKER stated he feels everything has been discussed by the board at one point or another.

TRUSTEE RUBENSTEIN was rereading historical memos from a March 2020 board meeting. If it has been heavily studied by the board and it is still relevant in a relevant time period then just point them that way. They do not need to sit and create more work.

COMMITTEE CHAIR RIEGER stated his understanding was very similar to Craigs on this in that they hashed it out and the way they designed it is that it is just another checkmark on the list of checks and balances in the system. It would only be used judiciously. Some side issues came up during discussion prior to the break. He states there was an asset allocation recommended by their own staff that was flagged as likely going to be different from the asset allocation that was going to be brought forward by the facility. He feels that everything that was presented makes sense and he would like to go that way but needs to understand it more deeply without asking people to give away strategic information. It would be good to flush out what would be permissible. What can they discuss in executive session and what can they not regarding an asset allocation strategy for the next year.

CHRIS POAG replied stating that [unintelligible] has five or six areas that allow for executive session and one of those is to consider information that is confidential under state law. Any information under [unintelligible] Statute 37.13.200 is confidential if it discloses the private affairs of the business or of an investor. So, for them when they are looking at a private equity fund and its returns and strategy and those sorts of things that are proprietary, they treat the information internally as proprietary and they mark it as confidential and do not expose it. If the board would like prevue to see that information, they need to have an executive session to discuss that because they cannot publicly disclose that. He is not entirely sure how that related to the asset allocation discussion but the asset allocation discussion team [unintelligible] they want to look at and investments that Marcus's team has taken a pass on would need to be done in executive session to learn why he took a pass on a particular thing. He still is not sure how that goes in the asset allocation discussion but certain that any proprietary confidential information can and should be discussed in an executive session because that statute creates an obligation for them to maintain the confidentiality of that information.

COMMITTEE CHAIR RIEGER came back stating what if the staff wanted to cut something. He is just making up a scenario. What if they wanted to cut private income by three or four percentage points for the next year because they have done the analysis and they think that is going to be a real dog and the risk will outweigh the return. They do not want to say that on the record but they want them to know. Is that something that is permissible to go into executive session?

CHRIS POAG replied with no. He does not know why Marcus would hesitate to say to them, on the record, if they had a loss of faith in private credit. He would not tell them which managers he would take it from.

CIO FRAMPTON stated it is a fair point because he did not intend to be this person that was quoted in every (laughter) [unintelligible]. I mean, but that just comes with a public fund.

CHRIS POAG stated that you can talk about limited things in an executive session. Asset allocation is about telling Alaska what you are thinking about. That is a public dialog. When you make a decision that is a public asset allocation. It sends messages on what they will invest in, what the opportunities are, what the benchmark is. That conversation cannot be held in executive session.

TRUSTEE RUBENSTEIN brought up not wanting to put Marcus in an unfair light. It would be far more helpful to see specific examples of what he is evaluating. That is one to two billion dollars that was given to the CIO that if the CIO leaves and it cannot get implemented and you inherit whatever the CIO has. She is nervous about that more so than in state where a small amount of money got a large amount of exposure. She does not want to put him in an awkward situation but the board should be able to access the information when they find they are suddenly increasing to four percent. She doesn't feel this for every asset class but for certain things. What happens if it is not Marcus and they get a CIO in that wants to be a CalPERS CIO that is going to recommend they sell off things in a secondary at a steep discount. They do not have enough knowledge to ask if that is the right approach or not. Today there is a CIO that does not do big swings but what happens when they do.

TRUSTEE RICHARDS brought up that once you have the information you need, whatever that is, then Chris can say okay if you want to talk about this half in the executive session and if you want to talk about this half it has to be in public session.

TRUSTEE RUBENSTEIN feels things are not being used to the full potential. The IAG is labeled as necessary but they are underutilized right now. She would like to utilize them to their full potential.

COMMITTEE CHAIR RIEGER stated that it seems like they financially disadvantage themselves. If they say they are going to get into a certain area more or get out of a certain area than the market has reasonably anticipated and just by telegraph you lose that advantage. It seems financially disadvantageous for the corporation to say these things on the record.

TRUSTEE BRUNE spoke up stating that he fundamentally disagrees with having to have all of this dialogue in front of all of Alaska. He feels they should make the decision in front of them but there are things that should be deliberated behind closed doors. If that requires legislative changes for the entity that is providing 70 percent of the funding for the state operations, they may want to make a legislative change to that.

CIO FRAMPTON stated the smaller the market the more dangerous it is. It is important to keep the confidentiality of the private equity investments. He believes they have been able to do that.

TRUSTEE RUBENSTEIN stated she thinks there are things that they can make [unintelligible] but scrub the names.

TRUSTEE BRUNE replied that he is now playing devil's advocate and asked why is it any less of interest to the Alaskans they represent to not know who they are investing in. He feels they should hurt some feelings. If they do not want to bring future opportunities people should know who that is. From a public disclosure perspective if they are willing to have the conversations and if they are going to put on the transparent hat then why do they have to talk about it in closed session other than they may not get opportunities in the future because they may be "pissing off" [interposing]. What is the difference?

CHRIS POAG spoke up and stated that he does not think Marcus wants to telegraph things to the public until he has made a decision. It is all about if people need information that is confidential under state law it can be given at board meetings and executive sessions or it can be provided on an internet site. If you want access to the information, it can be provided all day long but when you are talking about asset allocation you are talking about more stocks or bonds or more fixed income. He does not know that they are telegraphing anything there and he does not know they are harming anything. If the fund is going to be harmed than they need to go into executive session. If it is just going to end up in an article and hurt some feelings that is not an executive session unless they go to the Alaska Legislature and say open meeting acts do not apply to them because they are a board who talks about investments and they need to deliberate in private but as it stands it is just not one of the qualifications for them to go into executive session.

CEO MITCHELL said the conversation morphed from investment policy development and asset allocation discussion where folks had specific investments being reported on a regular basis ... if it is just asset allocation, he does not know how they are getting into specific investment discussions.

TRUSTEE RUBENSTEIN said it goes back to Adam's viewpoint which is they are now providing the money to the legislature so they are going to be under a microscope. If they do vote in an asset allocation ... they are lucky as the fund is outperforming but not everybody is like that right now. That is the way she sees it. There are other people right now that you look at their portfolios and it is way over allocated. They are paying for it.

RICK FUNSTON interjected and brought up the committee is very interested in this topic and he is attempting to resolve the issue now but he respectfully suggested that is an item that they might want to agenda and have a more thoughtful discussion about it. Their concern right now is which areas would they like them to focus on to come back to them with a set of priority recommendations as opposed to try to solve a particular policy issue at the moment.

TRUSTEE RICHARDS feels they are just round table discussing right now.

TRUSTEE RUBENSTEIN suggested going to the implementation roadmap. If they are done in an order then they'll never get through all of them.

TRUSTEE RICHARDS stated that the ED process has been identified a half dozen times. He thinks the recommendation here is “literally” the only option they have that is practical and that is something that Chris got an opinion from the Department of Law that the audio recordings in executive session could or could not be confidential. They are going to look into that. They have the ability to give feedback to the executive director from the executive session. They have the ability to do that orally. That is their only tool. They are still looking at a recording piece for the executive sessions. Even if they do not get that something that would be helpful and possibly the only path forward is that they are going to have to find a way to do the review with an oral executive session. That means they need to simplify the ten or twelve step process that no one ever followed on the executive director thing and get it down to there is an opportunity at the beginning of an executive session for the executive director to give their own self report verbally and then there is an opportunity for the trustees to discuss among themselves how it is going and to do some kind of review of what expectations were last year and then the executive director comes in and they do a verbal here are our expectations, a summary of what the expectations were last year and then they do a verbal here is what the expectations are for next year and then they give the verbal benchmark. This could be at the annual meeting. He does not feel it is practical any longer to have a robust process like they have done in the past.

TRUSTEE CRUM was in agreement with that.

COMMITTEE CHAIR RIEGER brought up that hypothetically if the committee or board decided to do an oral only review if something goes south six months later there is no way of ascertaining what really was said and people say they said one thing and the other says they said another thing. The record exists for a purpose to keep those types of things for going on.

TRUSTEE CRUM suggested they could do that process they could implement at the September annual meeting prior to a legislative fix.

COMMITTEE CHAIR RIEGER pointed out there are some real risks to doing that.

TRUSTEE RUBENSTEIN said it is both the CEO evaluation and the evaluation process. They are two different items.

CHRIS POAG said they will not find out the legislative process until next year and until then Trustee Richards has outlined a process that is simple, identify the goals and objectives to the executive director at an executive session where you discuss with him whether he did well or bad and to Chair Reiger’s point he is right. There are some downsides to this and everyone is witness to discussion. It is less than perfect but until they get the legislative fix it is where they are at.

TRUSTEE BRUNE suggested they could do a one paragraph narrative that does not state any individual names.

COMMITTEE CHAIR RIEGER brought up the talk on a third party to help. He does not think that could be done without documentation. That would then become impossible to use a third party.

TRUSTEE RICHARDS suggested they could write up a policy that allows the board to make a decision at the time of the executive session. He feels the most strongly against is expanding the size of the board and term limits. The best board members they have ever had are the ones that have been around a long time so he feels term limits are not even something to discuss. Expanding the size of the board is not something he agrees with either. He has had four or five conversations with commissioners going back into the 90s and he has been left with the impression that they like the smaller board over the larger board.

TRUSTEE CRUM did suggest going to seven just for the odd number aspect. That also allows a little bit easier committee work. That way there would not be as many duplicate duties. He does not want to go to nine as he feels the smaller the board the better. The larger boards are harder to keep a handle on. Seven would make a single subject bill though causing some other troubles. It is something he would be wary of.

TRUSTEE RICHARDS agreed with him. It is not worth opening the permanence funds governance structure for a marginal improvement.

TRUSTEE BRUNE brought up that the legislature was going to have a senate member and a house member on the board. Just because they do not want it to occur doesn't mean that it won't.

TRUSTEES BRUNE, CRUM, and RICHARDS discussed the legislative investigation and getting the governance review. All agreed that this is one of the highest functioning boards in the state.

TRUSTEE RUBENSTEIN stated she highlighted six recommendations. The CEO evaluation, the evaluation process just so they know. The IAG tasks which she would add that the board should be involved in interviewing their IAG members because they serve the board. However, a structure could be created similar to the CEO search. They would like to be involved in selecting their own advisors. The board self-evaluation. The stakeholder fund and strategic planning. Those are her top six.

TRUSTEE RICHARDS said he would add how the board communicates on there as well.

TRUSTEE RUBENSTEIN admitted she did not highlight that but she would agree.

CEO MITCHELL brought up that he has heard strategic planning a couple times and he is not sure he is on that schedule. Said October seems realistic.

TRUSTEE RUBENSTEIN questioned that July was [unintelligible].

CEO MITCHELL stated it depends on how they are going to go about it. Are they going to have an external facilitator, or will it just be managed with internal staff? Do they have to go through a hiring process?

TRUSTEE RICHARDS feels it is an appropriate time to do it as the board is relatively changed though he understands it needs to be done right.

TRUSTEE RUBENSTEIN is in favor of, in July, even if it is in a work session instead of going through this they go through the strategic plan. The last time anyone looked at it is when Val was being evaluated.

CEO MITCHELL feels that could be helpful to find items of interest.

TRUSTEE RICHARDS stated the last time around everyone went to Juneau. The board did the first day. Staff did the second day without the board. It was a third-party facilitator. A document was produced. It went to the board. The board evaluated and edited the document. The board adopted the document. It was not a bad process but there are different ways you could do it.

CEO MITCHELL brought up letting the staff do more work before the board gets involved.

TRUSTEE RUBENSTEIN is asking if you need a third-party facilitator for a plan. Should it not be facilitated between the board and the staff?

CEO MITCHELL stated they may start there but may not end there. It is just knowing how the process works. It helps at times to have people from outside the organization.

TRUSTEE RUBENSTEIN would like to have an updated strategic plan before they have to go through the evaluation process.

COMMITTEE CHAIR RIEGER is wondering about the requirement if they have to present the strategic plan as a document along with the performance review. There is nothing wrong with it but he thinks that when he looks at an evaluation, generally, 80 percent of it is how well is the person performing in terms of leadership generally and doing all of the things that are in the job description and doing them well. It seems to be an overemphasis on how much you get done on the strategic plan. If that is true it is at the expense of looking at how much someone is being a really good manager. He feels they are overemphasizing strategic planning.

TRUSTEE CRUM asked if there is an understanding of the strategic plan and the context around it. He agrees with Steve above. He feels there is a benefit to it but it should not be the dictating document. There are a lot of members that are new. The first cut in July could likely be virtual to just go over it.

TRUSTEE RUBENSTEIN spoke up stating that she has gone through four CEO transitions in her day job this year and it was very clear that the CEO executes a strategic plan or they do not. That is the benchmark. They are giving them broad



authority and they either execute the goals of the corporation set forth by the board in a strategic plan. Leadership by nature will come out. She brought up when they had to evaluate Val. They never asked her to take on anything other than keep the lights on and be the interim.

TRUSTEE CRUM brought up that the CEO and ED is a little different set up here.

TRUSTEE RUBENSTEIN said that will come out in the CEO evaluation process.

TRUSTEE RICHARDS agreed with Steve in that they have been a bit sporadic about whether they focus on the strategic plan and the executive director. It got some attention for a couple years and then it didn't. He thinks had it been a more rigorous part of creating and holding people's expectations it would have been much more [unintelligible]. They had an executive director, previously, that did not agree with items in the strategic plan and they did not get done. To him that was always problematic. If they adopt a strategic plan the executive director should know how they are going to be measured.

TRUSTEE BRUNE stated that is with any position he has been in you meet with the staff in December and you as your metrics for the year are X, Y and Z. You need to clear six [unintelligible], you need to give however many public presentations and then December the following year you evaluate how they did and you set the metrics for the following year. You put a development plan in place to make sure anything they screwed up on this past year they will help them. He does not feel they did that for the current executive director.

TRUSTEE RUBENSTEIN said they have not and that is why it is not fair. Just a basic July read through such as today so he has some sentence.

TRUSTEE BRUNE feels they owe it to themselves to make sure that they can document the efficacy of their executive director.

TRUSTEE CRUM is wondering when they will get an update on the communications plan for the overall outreach. It is 55 percent of UGF starting next year.

CEO MITCHELL said they did ask for more money in the FY 2024 budget. Feels the board could be involved in that and that could be beneficial to not just say it consistently through the various techniques of communication that exist today, electronic or otherwise, that this operation is critical to the state of Alaska's continuing to be viable. Not just a permanent fund dividend but the lights being on.

TRUSTEE CRUM agreed and stated that also the added benefit to that is most of the general public do not appreciate the sophisticated organization that it is. They need to let them know that they have world class investment staff and processes in compliance behind the door and that any fund that they put in ... it is worth that level when it comes to funds. It is something he feels they can hang their hat on and be proud of that they have a robust corporation with a very transparent public process that is continuing to

move through the generations for them. There is a big win there to get people on board with the overall process.

TRUSTEE RICHARDS wanted to give one example of a time in the past that he has been very dissatisfied with the process. In the last strategic plan after they had the meeting it was that they were either going to have a meeting of long-term plan for each asset class and the strategic plan goes in and it lists what the five-year plan is for fixed income, the five-year plan for private equity and each of them are supposed to have a five-year plan that included budget and goals and staffing goals and the entire thing. It never got done. It is just something that staff did not want to do. He never understood it. It is just an example, to him, where they developed a strategic plan, had clear guidance and five years later they never worked on it again. He feels if they had performance for the executive director tied to the expectations of the plan it would have either gotten done or it would have gotten removed from the plan.

TRUSTEE BRUNE agreed with him in saying, "Amen, to what Craig just said. You gotta do it all the way down to the individual performer who is the admin at the front desk". Literally that is what he does at DEC. They set the departmental goals and the division sets their goals based on those and the programs and then the individuals. They have to make sure evaluations that are done on every single staff member which hopefully are tied to their increases or not and their potential even though they are doing it just on performance for the bonuses but that is the way you run an organization. You make sure they understand how they are contributing and that they are contributing to the overall goals of the organization that they set, that they work with the leadership to set and then they trickle down to the rest of the staff. They are not doing it right, in his opinion. They need to be held accountable for what they put forward.

TRUSTEE RUBENSTEIN stated that CEO evaluation currently is done by the board and it sounds like they are asking him to do a self-evaluation.

TRUSTEE RICHARDS brought up that the tradition was that the feedback the board provided to the executive director and the executive [unintelligible] had a chance to respond to it in a statement but now he thinks what they are referring is that the executive director will respond to [unintelligible] strategic planner whatever goals they did or did not achieve and why. Likes that because if the strategic plan becomes stale then the executive director has an incentive to [interposing]. Stated that in terms of self-evaluations he is not sure that he totally gets it. He would be curious to get an example policy and see how it is done.

RICK FUNSTON stated they could get some examples of the criteria used by a few best-in-class organizations.

COMMITTEE CHAIR RIEGER brought up that the audit committee does self-evaluations as part of their September meeting. There are some internal examples already. It is only for the audit committee.

CHRIS POAG stated the last time they had a governance meeting they were tasked to remove things that were not being done and at that time they removed the boards self-evaluation because it was not being done. It was there in the original 2010 proposal but it was removed because it was not being done.

TRUSTEE RUBENSTEIN asked if it was a heavy lift because it did not sound like it.

CHRIS POAG replied that it did not say that they should do it and it had not been done so they removed it. Having things in the policy you are not doing is not a good thing.

COMMITTEE CHAIR RIEGER stated he will be interested to see what Funston Associates gives them for a draft best in class example. He did not feel they got that much out of the audit committee self-evaluations. They did them and reported them but for some reason it just did not seem to be that meaningful. There is probably more presumptive questioning that can be done.

TRUSTEE RICHARDS brought up that you probably have to have total buy in from everybody in order to make it worth their time. People that really want to do it adopt a robust process in the beginning and it becomes part of the corporate culture which may be more trouble than it is worth.

TRUSTEE RUBENSTEIN wondered the internal audit capability.

COMMITTEE CHAIR RIEGER would still like to know what it looks like and then get the staffs input to see if it is going to work. He feels John's comment was emphatic that they need it.

COO BARNHILL stated that traditionally the way an internal audit is implemented is it is a separate function that reports not to the executive director but to the audit committee as a whole. Then the internal auditor develops a work plan for the year that is approved by the audit committee. In an organization such as this an internal audit would have more of [unintelligible] and spectrum of duties. It would not just be investment. It would be operations. The one organization in the state of Alaska that has internal sourced internal audit is Alaska Housing and that is a very well-developed plan with multiple staff. He feels, in his opinion, that works really well.

TRUSTEE RICHARDS stated that internal auditing is probably something he is going to follow staff to lead on because he is never going to be deep enough in it to understand what needs to get done.

TRUSTEE CRUM stated they can address that at the meeting next week.

COMMITTEE CHAIR REIGER asked if any other committee members have anything on the top of their wish list.

TRUSTEE CRUM stated he would like the board to be part of the hiring process for the IAG.

TRUSTEE BRUNE is wondering what type of timeline they were authorized the last go around. Was it an annual thing or five-year contract.

TRUSTEE RICHARDS replied with it being three years.

TRUSTEE BRUNE is wondering when they will have to do this again.

TRUSTEE RUBENSTEIN stated they have one expiring.

TRUSTEE BRUNE said someone made the statement earlier that he concurs it is somewhat colored commentary that they give. Marcus does not have to listen to them. They nod and smile and they say fantastic things. He has learned a lot from listening to them but they are literally colored commentary.

TRUSTEE RUBENSTEIN stated that right now that is how it functions. She feels they are underutilized.

TRUSTEE BRUNE reiterated that his point is that if they have to go up for an RFP soon, they better get their stuff together on that real soon.

TRUSTEE RUBENSTEIN would like to see it not be colored commentary which would change the type of person that would be attracted.

TRUSTEE BRUNE stated that is another thing to remember. If he is from the public and he is hearing all he has to do is wow four board meetings and he can give colored commentary and that is all he is held accountable for he would apply in a heartbeat.

TRUSTEE RICHARDS said the more you ask the different types of candidates you will get. They were paying \$1,000 dollars a month. It may be a little more now. People are not doing it for money. It is similar to the trustee position. They are doing it because they want to so if it goes from going to an orderly meeting and giving a presentation once a year and maybe have a quarterly [unintelligible] with Marcus and you start defining more duties that could be very helpful and could add value but it is also going to change who you get and who is willing to do it and whether or not they need to pay more. He thinks they should be utilized better as well but you have to have a plan and a vision for what you want.

TRUSTEE BRUNE brought up that they brought a lot of stuff in house so they may have more money to be able to pay them.

TRUSTEE RUBENSTEIN said they are more asking if there are times to meet with the IAG around the quarterly meetings they already have. She would like to see them get people that are at the level of their CIO.

TRUSTEE RICHARDS said people are going to respond with the expectations they create. You could get the smartest best guy that makes Marcus look like a chimp and if the board just looks to him for 15 minutes of comment that is what he is going to do. They have to articulate what they want.

TRUSTEE RUBENSTEIN said they have someone up now that when they circulate it in May at the board meeting [unintelligible].

TRUSTEE RICHARDS feels it would be very easy to circulate the current list of here is what they expect. If they expect more, they need to put it in writing.

TRUSTEE RUBENSTEIN would love an IAG to help update the IAG charter.

TRUSTEE RICHARDS feels that is a really good idea. Someone should do an exit interview with Ken. He will be at the next meeting.

TRUSTEE RICHARDS feels it would be a good idea to have one board member that talks to Ken with Devin and Marcus and do an exit interview. He has done similar things like that. He asked if there was a board member that would like to do that.

TRUSTEE BRUNE stated he would be happy to do it.

TRUSTEE RUBENSTEIN volunteered to do it. She feels they should have a good construct for it.

TRUSTEE CRUM asked if they can do the interview in an executive session or does it have to be at a board meeting.

TRUSTEE RICHARDS did the interview at a board meeting but the deliberation was done in an executive session.

CHRIS POAG said they will not be holding a board meeting to do an exit interview with Ken. It will be Marcus, Devin and one other board member.

COMMITTEE CHAIR RIEGER brought up that they are getting close to when they said they would adjourn and that he feels it would be best to convene at another meeting after they have all had a change to think things through and get a consensus on what to take up first, second, third and fourth.

TRUSTEE RICHARDS requested that Chair Reiger check his consent calendar that he has for yes absolutely for defer to staff or yes if staff thinks it is a good idea or no. He thinks some are a good idea and he supports them wholeheartedly but about half on the list he feels if the staff thinks it is a good idea than he will support it. He would like to have the box to check.

COMMITTEE CHAIR REIGER feels the staffs input and opinion would be very valuable.

TRUSTEE RICHARDS encouraged a scope meeting like this on the front end but he prefers that they do as much of the business as they can through document exchange because it is a much more efficient use of time. He feels a lot could get resolved through drafts.

COMMITTEE CHAIR RIEGER asked if there was anything else. He clarified one thing before closing. Is it the committee's recommendation that they ask the agenda in Kenai

to include a discussion of what they are looking for in the IAG selection process or is that not there.

CEO MITCHELL stated it is posted. They have the governance committee report which will be allocated because the audit committee is also in that section.

JENNIFER LOESCH asked if he was asking for an additional agenda item to the Kenai meeting next week.

COMMITTEE CHAIR RIEGER stated there was discussion about how at that meeting, two weeks from now, would be their one chance to articulate what they are looking for in their IAG candidates.

TRUSTEE RUBENSTEIN suggested circulating a document so that after the May meeting it could get posted.

CEO MITCHELL said they can supplement the agenda. They can circulate the scope of services and try to make some amendments prior to that based on discussion. He suggested that is how they use their 45 minutes for the governance committee report to discuss that they would like to amend the IAG.

TRUSTEE BRUNE would like staff to reach out to their three-color commentators and give them a copy of that and ask if they have suggestions of ways to improve this for the future. Get the input for next week. He would like five minutes of color from each one.

TRUSTEE RICHARDS felt it would be helpful for him, at the next board meeting, when they are doing the investment guidelines as part of the policy if \* and Marcus both articulate how the investment committee process is working and how the investment functions process is working and that lets everyone know they are all on the same page and that it is going down differently or the way that people think. He feels that would be helpful. Secondly, he requests that the draft resolution for the peer review stuff and operation staff gets circulated in advance so they have the opportunity to think about the wording a bit and submit the ideas.

CHRIS POAG asked if the Funston Committee will be presenting in Kenai and if so, what are they presenting on.

COMMITTEE CHAIR REIGER feels they got everything they needed today. To try and compress everything today into 45 minutes would be difficult.

RICK FUNSTON thanked everyone for their time and appreciated the thoughtful discussions from the day. It reflects the commitment to doing things the right way. From their perspective now ... their scope was to identify the work that needs to be done and to work with them to complete the implementation roadmap. Now the lifting has to be done and the work needs to be done. That is something for them to decide in terms of the order of priority. Essentially Funston's work with them for this phase is complete. Based on their feedback they will make some further refinements to the document.

COMMITTEE CHAIR REIGER stated that sounds good. He asked if there was anything else.

Motion was made to adjourn

SUBJECT: Executive Director Evaluation  
Process

ACTION: X

DATE: November 29, 2023

INFORMATION:

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The Department of Law has advised the Alaska Permanent Fund Corporation that the personnel file of the Executive Director, including the Board's evaluation records, is not confidential under state law and is subject to disclosure in a public records request. The long-term fix to this problem is to amend state law to render confidential the personnel records of the Executive Director. However until that time, to allow the Board to provide the Executive Director with candid feedback that can help improve the Executive Director's performance, which is clearly in the best interest of the permanent fund, the Board could consider a modification of the evaluation process that will eliminate the use of publicly available records that could be harmful to the reputation or character of the Executive Director if released publicly. This would require changes to the current Governance Charters and the Governance Committee is the body charged with recommending such changes to the full Board for consideration.

So, the purpose of this Governance Committee meeting is to consider whether to propose such changes to the full board at the December 13-14<sup>th</sup>, 2023 meeting. Attached for the Governance Committee's consideration are proposed changes that would transition the evaluation process to an oral evaluation. It bears noting that simplifying the evaluation process was also recommended to the Governance Committee last April by Funston Advisory Services.



ALASKA PERMANENT FUND  
CORPORATION

BOARD OF TRUSTEES CHARTERS  
AND GOVERNANCE POLICIES

| DECEMBER ~~SEPTEMBER 24TH~~, 20230

## **BOARD CHARTERS AND GOVERNANCE POLICIES**

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# **ALASKA PERMANENT FUND CORPORATION**

## **Charter of the Board of Trustees**

### **INTRODUCTION**

1. The State of Alaska has established the Alaska Permanent Fund Corporation (APFC) to manage and invest the assets of the Alaska Permanent Fund and other funds designated by law (Fund). [AS 37.13.040]
2. The Board of Trustees of the APFC (Board) consists of six members appointed by the Governor. Two of the members are required by law to be heads of principal departments of state government, one of whom shall be the commissioner of revenue. Four members shall be appointed by the Governor from the public with recognized competence and wide experience in finance, investments, or other business management-related fields. [AS 37.13.050]

### **DUTIES AND RESPONSIBILITIES**

#### **Governance**

3. The Board will establish a committee structure that it considers necessary and appropriate.
4. The Board will establish charters setting out the duties and responsibilities of:
  - (a) The Board of Trustees;
  - (b) The Chair and Vice Chair of the Board;
  - (c) The Committees of the Board;
  - (d) The Investment Advisory Group; and
  - (e) The Executive Director.
5. The Board will establish governance policies as necessary, including bylaws and other Board standards, to ensure effective operation of the affairs of the Board.
6. The Board will establish a process for the evaluation of the performance of the Executive Director and will conduct such performance evaluation annually.

#### **Investments**

7. In managing and investing the assets of the Fund, the Board is required to exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the Fund over time while

**Alaska Permanent Fund Corporation  
Charter of the Board of Trustees**

maximizing the expected total return from both income and the appreciation of capital. [AS 37.13.120]

8. The Board will establish an investment policy which shall include the Board's overall investment philosophy, as well as other related policies as necessary for the effective management and investment of the assets of the Fund.
9. The Board will establish a framework and process for the management of the investment risk of the Fund, which shall be set out in the investment policy.
10. At least every five years the Board will review the investment policy and approve the long-term or strategic asset allocation of the Fund in terms of the proportion of total assets to be invested within a minimum-maximum range at any point in time.

**Finance, Accounting and Audit**

11. The Board will ensure that appropriate financial and operational controls and procedures are in place to safeguard the assets of the Fund.
12. The Board will ensure that audits of these controls and procedures are conducted from time to time by an independent external auditor in order to ensure that the assets are properly accounted for, and that the investments of the Fund are in accordance with applicable laws and regulations.
13. The Board will ensure that annual financial statements of the Fund are prepared and that these statements are audited by an independent external auditor. It will approve the annual financial statements, and include them as part of an annual report for distribution to the Governor, the Legislature and the public. [AS 37.13.170]

**Operations and Human Resources**

14. The Board will appoint an Executive Director and review the performance of the Executive Director annually.
15. The Board will establish a four-year strategic plan for the APFC and review the strategic plan annually.
16. The Board will approve an annual operating budget for the APFC.
17. The Board will establish human resources policies and procedures necessary for the effective management of the APFC, including a compensation and benefit policy and a succession plan for the senior management of the organization.

### **Communications**

18. The Board will establish a communications policy which sets out guidelines with respect to how the Board and individual trustees should communicate with:
  - (a) The staff of the APFC;
  - (b) Service providers;
  - (c) The media, including social media such as Facebook, LinkedIn, and Twitter and
  - (d) Other external parties.

### **Appointments**

19. The Board will approve the appointment of the following key service providers and advisors:
  - (a) The External Auditor;
  - (b) The Custodian;
  - (c) The Investment Consultant;
  - (d) The members of the Investment Advisory Group; and
  - (e) At the Board's election, any other service providers.

### **Monitoring and Reporting**

20. The Board will establish a policy which sets out its requirements regarding the reports the Board will receive on a regular basis in order to meet its responsibility for the oversight of the management of the APFC.
21. The Board will review on a regular basis, without limitation, the following:
  - (a) The investment performance of the Fund and each asset class, including the costs of managing the Fund;
  - (b) The asset allocation and investment risk of the Fund; and
  - (c) The compliance program of the Fund and the APFC in relation to applicable laws and regulations, as well as all policies, procedures and bylaws established by the Board.
22. The Board will review the compliance of the Board, its committees, the Chair and Vice Chair of the Board, and the Executive Director with the duties and responsibilities set out in their respective charters.
23. The Board will review all policies established by the Board as frequently as required under the terms of the individual policy.

### **REVIEW AND AMENDMENT OF THE CHARTER**

**Alaska Permanent Fund Corporation  
Charter of the Board of Trustees**

24. 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.
25. The Board of Trustees adopted this Charter on September 24<sup>th</sup>, 24<sup>th</sup> 2020.

## **ALASKA PERMANENT FUND CORPORATION**

### **Charter of the Audit Committee of the Board**

#### **INTRODUCTION**

1. The Board has established an Audit Committee (“the Committee”) to assist the Board in the financial oversight of the APFC.
2. The Board has established this Charter which sets out the duties and responsibilities of the Committee.

#### **ROLE**

3. The role of the Audit Committee will be to:
  - (a) Monitor the integrity of the financial reporting process and the system of internal controls and procedures regarding finance, accounting, and legal compliance;
  - (b) Review the performance and independence of the APFC's external auditors; and
  - (c) Provide an avenue of communication among the external auditors, management, the Chief Financial Officer, and the Board.

#### **AUTHORITIES**

4. The Committee will have the authority to conduct any investigation appropriate to fulfill its responsibilities.
5. The Committee will have direct access to the external auditors, as well as all APFC management and staff, legal counsel, as well as all advisors, consultants and investment managers of the Fund.
6. The Committee may retain, at the expense of the APFC and consistent with applicable procurement requirements, consultants or experts it considers necessary in the performance of its duties.

#### **OPERATING PROCEDURES**

7. The Committee will consist of at least three Trustees, each of whom must have a basic understanding of finance and accounting and be able to read and understand financial statements.

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

8. The Committee will meet at least two times annually, or more frequently as circumstances dictate. The Committee Chair will approve an agenda in advance of each meeting.
9. The Committee will invite members of management, auditors, or other professionals as deemed necessary, to attend meetings and provide pertinent information. The Committee may meet in executive sessions as necessary within the requirements of the Alaska Open Meetings Act [AS 44.62.310].
10. The Committee will maintain minutes or digital recordings of Committee meetings and periodically report to the board of Trustees on significant results of the Committee's activities.
11. The Committee will annually perform a self-assessment of the Committee's performance.

**DUTIES AND RESPONSIBILITIES**

**Financial Reporting and Internal Controls**

12. The Committee will carry out the following responsibilities with respect to financial reporting and internal controls:
  - (a) Review the annual audited financial statements prior to filing or distribution of the final report. This review should include discussion with management and external auditors of significant issues regarding accounting principles, practices, and judgments;
  - (b) In consultation with management, the external auditors, and the Chief Financial Officer, consider the integrity of the financial reporting processes and controls; discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures; and review significant findings prepared by the external auditors and the Chief Financial Officer together with management's responses;
  - (c) Discuss any significant changes to applicable accounting principles and any items required to be communicated by the independent auditors;
  - (d) At least annually, review with the APFC's counsel any legal matters that could have a material impact on the Fund's financial statements, the APFC's compliance with applicable laws and regulations, and any inquiries received from regulators or governmental agencies; and

**External Audit**

13. The Committee will have the following responsibilities with respect to the APFC's external auditors:



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

- (a) Review the external auditors' audit plan - discuss scope, staffing, locations, reliance upon management, and general audit approach;
- (b) Consider the external auditors' judgments about the quality and appropriateness of the APFC's accounting principles as applied in its financial reporting;
- (c) Discuss with management and the external auditors the quality of the accounting principles and underlying estimates used in the preparation of the Fund's financial statements;
- (d) Discuss with the external auditors the clarity of the financial disclosure practices used or proposed by the APFC;
- (e) Review the performance and independence of the auditors and periodically recommend to the Board the appointment of the external auditors or approve any discharge of auditors when circumstances warrant; and
- (f) On an annual basis, review and discuss with the external auditors all significant relationships the auditors have with the APFC that could impair the auditors' independence.

**REVIEW AND AMENDMENT OF THE CHARTER**

- 14. The Governance Committee, in consultation with the Audit Committee, and staff 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.
- 15. The Board of Trustees adopted this Charter on September 24th, 2020.

# 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.~~
- 6.5. 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

- ~~7.6.~~ 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**

~~8.7.~~ 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**

~~9.8.~~ 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.

~~10.9.~~ The Board of Trustees ~~amended~~~~adopted~~ this Charter on ~~December~~ ~~September~~ ~~24th~~, 20203.

## **ALASKA PERMANENT FUND CORPORATION**

### **Charter of the Chair of the Board**

#### **INTRODUCTION**

1. Alaska Statute 37.13.050 requires the Board to elect a Chair annually from among its members.

#### **DUTIES AND RESPONSIBILITIES**

2. The Chair will perform the duties and responsibilities and exercise the powers as specified below:
  - (a) Appoint the members of the committees of the Board and the committee chairs (other than the chair of the Governance Committee);
  - (b) Coordinate Board meetings, agendas, schedules and presentations, in consultation with the Executive Director;
  - (c) Preside at the meetings of the Board and ensure that such meetings are conducted in an efficient manner and in accordance with Alaska's Open Meetings Act and agreed-upon rules of order;
  - (d) Facilitate effective and open communications between the Board and the Executive Director;
  - (e) Act as one of the official spokespersons for the APFC, together with the Executive Director;
  - (f) Review and approve travel and other expenses of the members of the Board of Trustees;
  - (g) Review and approve travel outside of the United States and other expenses of the Executive Director; and
  - (h) Carry out any other duties and responsibilities as assigned by the Board.

#### **REVIEW AND AMENDMENT OF THE CHARTER**

3. 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.
4. The Board of Trustees adopted this Charter on September 24th, 2020.

**ALASKA PERMANENT FUND CORPORATION**  
**Charter of the Vice Chair of the Board**

**INTRODUCTION**

1. The Bylaws of the APFC establish the Vice Chair as an officer of the Board. The Vice Chair is elected annually.

**DUTIES AND RESPONSIBILITIES**

2. The Vice-Chair will perform the duties and responsibilities and exercise the powers as specified below:
  - (a) Assume the duties of the Chair when the Chair is absent, or when the Chair designates the Vice-Chair to act in that capacity;
  - (b) Temporarily act as the Chair in the event of death, resignation, removal from office, or permanent disability of the Chair, until the election of a new Chair;
  - (c) Serve as the Chair of the Governance Committee; and
  - (d) Carry out any other duties and responsibilities as assigned by the Board.

**REVIEW AND AMENDMENT OF THE CHARTER**

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

## **ALASKA PERMANENT FUND CORPORATION**

### **Charter of the Investment Advisory Group**

#### **INTRODUCTION**

1. The Board of Trustees has established an Investment Advisory Group consisting of at least one but not more than three individuals who have considerable knowledge and experience in the management and investment of large endowment or trust funds to serve as independent advisors to the Board of Trustees.
2. This Charter sets out the duties and responsibilities of the Investment Advisory Group, which includes evaluating Fund performance, asset allocation, the merits of specific investment proposals, and other investment topics identified by the Board.
3. The Board will have full authority over the selection and appointment of the members of the Investment Advisory Group who will serve at the pleasure of the Board.

#### **DUTIES AND RESPONSIBILITIES**

4. The Investment Advisory Group (or "IAG") members are expected to attend in-person at least three of the quarterly Board meetings and present at least one topic annually for the Board's consideration on best practices in the management of large institutional funds, with input from the Board on the specific topic for presentation.
5. The IAG will provide comments to the Board on the following issues:
  - (a) The long-term or strategic asset allocation of the Fund;
  - (b) The risk management framework of the Fund;
  - (c) Any changes to the investment policy;
  - (d) Any proposed investment in new asset classes;
  - (e) Any proposed investment in new or innovative investment products or strategies, particularly those involving alternative or non-traditional asset classes;
  - (f) Any significant changes to the investment management structure of the Fund, including the following:

**Alaska Permanent Fund Corporation  
Charter of the Investment Advisory Group**

- i) The relative proportion of assets in an asset class managed by external investment managers versus internal staff;
    - ii) The relative proportion of assets in an asset class managed using active versus passive investment strategies;
    - iii) The total number of active investment managers or portfolios in an asset class; and
  - (g) Any other issue at the discretion of the Investment Advisory Group or as requested by the Board.
6. The IAG shall make contact with the Chief Investment Officer prior to each quarterly Board meeting to discuss topics on the agenda for the upcoming meeting, including:
- (a) Fund performance for the quarter;
  - (b) Changes being considered or implemented to the asset allocation or investment policy; and
7. Each Quarter, the Staff shall provide documentation included as a regular Board report, demonstration that the IAG had met with the CIO as required in Section 6.
8. Any special topics that are to be discussed at the upcoming Board meeting.
9. Each member of the Investment Advisory Group will annually visit the Juneau office of the APFC and attend in-person an investment committee meeting of the APFC Staff.

**REVIEW AND AMENDMENT OF THE CHARTER**

- 10. 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.
- 11. The Board of Trustees adopted this Charter on September 24th, 2020.

# **ALASKA PERMANENT FUND CORPORATION**

## **Charter of the Executive Director**

### **INTRODUCTION**

1. Alaska Statute 37.13.100 states that the Board of the APFC may employ and determine the salary of an Executive Director.
2. The Bylaws of the APFC state that the Executive Director will be the chief executive officer of the Corporation and serve at the pleasure of the Board. The Bylaws, set out, in general terms, the duties of the Executive Director.
3. The Board has, for greater clarity, established this Charter which sets out, in more specific terms, the duties and responsibilities of the Executive Director.
4. The Executive Director may delegate certain of these duties to staff. The Executive Director will, however, remain responsible for ensuring that these duties are carried out.

### **DUTIES AND RESPONSIBILITIES**

#### **Leadership**

5. The Executive Director will provide executive leadership to the APFC in setting and achieving its mission, goals and objectives and will manage the APFC in accordance with guidelines and parameters established by the Board. In doing so, the Executive Director may solicit advice and counsel from the Board as necessary.

#### **Policy Development**

6. The Executive Director will provide support to the Board in establishing the policies of the Board. This will involve working with the Board and the Governance Committee to identify issues requiring Board policy, conducting the necessary analysis of such issues and providing clear and well-supported policy recommendations for Board approval.

#### **Investments**

7. The Executive Director will develop and recommend to the Board:
  - (a) An investment policy, including the Board's overall investment philosophy, and mechanism for monitoring and managing investment risk;
  - (b) The long-term or strategic asset allocation of the Fund in terms of the proportion of total assets to be invested within a minimum-maximum range at any point in time; and



8. The Executive Director will implement all investment policies and strategies as approved by the Board.

### **Finance, Accounting and Audit**

9. The Executive Director will direct that appropriate financial and operational controls and procedures are put in place to safeguard the assets of the Fund.
10. The Executive Director will direct and supervise a review of the Corporation's internal controls and procedures to ensure that the operations of the Corporation are performed in a secure and appropriate manner.
11. The Executive Director will direct and supervise the preparation of annual financial statements of the APFC and cooperate in the audit of these statements by an independent external auditor prior to their submission to the Audit Committee for its review.
12. The Executive Director will prepare and coordinate management's response to any issues of significant concern on the part of the external auditor, and will meet and discuss with the Audit Committee the findings of the audit.

### **Operations and Human Resources**

13. The Executive Director will develop and recommend to the Board the overall organizational structure of the APFC.
14. The Executive Director will be responsible for managing the day-to-day operations of the APFC.
15. The Executive Director will have the authority to make all necessary operational expenditures, consistent with budgets, policies, and internal controls established by the Board.
16. The Executive Director will have the authority to execute all formal documents and contracts on behalf of the APFC.
17. The Executive Director will develop and recommend to the Board:
  - (a) A strategic plan; and
  - (b) An annual operating budget for the APFC.
18. The Executive Director will select and employ the staff necessary to manage the APFC and develop appropriate staff training and development programs.
19. The Executive Director will develop and recommend to the Board human resources policies and procedures necessary for the effective management of the APFC,

**Alaska Permanent Fund Corporation  
Charter of the Executive Director**

including a compensation and benefit policy and a succession plan for the senior management of the organization.

20. The Executive Director will determine the appropriate level of compensation for staff within the benefits and compensation policy approved by the Board.

**Communications**

21. The Executive Director will develop and recommend to the Board a communications policy which sets out guidelines with respect to how the Board and individual trustees will communicate with:
  - (a) The staff of the APFC;
  - (b) Service providers;
  - (c) The media, including social media such as Facebook, LinkedIn, and Twitter; and
  - (d) Other external parties.
22. The Executive Director will serve as one of the official spokespersons for the APFC, together with the Chair of the Board.

**Appointments**

23. The Executive Director will direct and supervise the conduct of all necessary due diligence that is appropriate in the search and selection of all service providers of the Fund.
24. The Executive Director will develop and recommend to the Board the appointment of the following key service providers and advisors:
  - (a) The External Auditor;
  - (b) The Custodian;
  - (c) The members of the Investment Advisory Group;
  - (d) The Investment Consultant; and
  - (e) Other service providers as the Board may direct.
25. The Executive Director will be responsible for the selection and appointment of all other service providers not appointed by the Board.
26. The Executive Director will negotiate and execute the terms and provisions of all agreements and contracts with the service providers of the Fund, including those appointed by the Board.

**Monitoring and Reporting**

27. The Executive Director will develop and recommend to the Board a monitoring and reporting policy which sets out the Board's requirements regarding the reports it will receive on a regular basis in order to meet its responsibility for the oversight of the management of the APFC.

**Alaska Permanent Fund Corporation  
Charter of the Executive Director**

28. The Executive Director will provide the Board with all relevant and appropriate information in a timely manner so as to enable the Board to meet its responsibilities.
29. The Executive Director will monitor on an ongoing basis, without limitation, the following:
  - (a) The investment performance of the Fund, asset classes, and investment managers and portfolios, including the costs of managing the Fund;
  - (b) The asset allocation and investment risk of the Fund; and
  - (c) The compliance of the Fund and the APFC with all applicable laws and regulations, as well as all policies, procedures and bylaws established by the Board, including those set forth in the Board standards.
30. The Executive Director will periodically review the performance, level of service and fees of the service providers appointed by the Executive Director.
31. The Executive Director will direct and supervise the preparation of an annual report of the APFC for distribution as required by Alaska Statute 37.13.170.

**REVIEW AND AMENDMENT OF THE CHARTER**

32. 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.
33. The Board of Trustees adopted this Charter on September 24th, 2020.

## **ALASKA PERMANENT FUND CORPORATION**

### **Board Policy Development Process**

#### **OBJECTIVES OF THE POLICY**

1. The Board of Trustees of the APFC has established this *Board Policy Development Process* in order to meet the following objectives:
  - (a) To set out the process by which the Board will develop and establish the policies of the Board; and
  - (b) To ensure that the process is sound and reasonable and provides the Board with effective policies that achieves the goals and objectives of the APFC.

#### **POLICY GUIDELINES**

##### **Roles and Responsibilities**

2. The role of the Executive Director in the policy development process will be to:
  - (a) Assist the Board in identifying appropriate areas or subject matters in which a board policy may be required;
  - (b) Provide the Board with sound and comprehensive analysis of the underlying issues;
  - (c) Undertake any research and analysis required in the development of the proposed policy, with the assistance of external advisors and consultants if necessary; and
  - (d) Prepare a draft of the proposed policy for the Board's consideration.
3. The role of the Board is to review the proposed policy, including the research and analysis undertaken, and approve it if the Board determines that the policy will achieve the goals and objectives of the APFC.

##### **Development and Approval**

4. Any member of the Board, a Board committee, or the Executive Director may propose to the Board that it consider the development of a new Board policy.
5. In determining whether a particular matter warrants a Board policy, the Board should consider whether it meets the following criteria:
  - (a) The matter may have a significant impact on the APFC's ability to achieve its goals and objectives;

**Alaska Permanent Fund Corporation  
Board Policy Development Process**

- (b) It is an ongoing concern which is expected to come up again or remain indefinitely; and
  - (c) It is not an operational matter that would otherwise fall within the responsibility of the Executive Director.
6. If the Board determines that the matter warrants a Board policy, it will pass a motion directing the Executive Director to prepare and submit a draft policy to the Board for its consideration.
  7. A Board policy should contain, at a minimum, the following sections:
    - (a) Objectives of the policy – what the policy is intended to achieve;
    - (b) Policy guidelines – the actual terms and provisions of the policy; and
    - (c) Review and amendment of the policy – how often the policy will be reviewed, and the date(s) on which the policy was adopted and/or amended.
  8. The Board will approve the final language of a policy by a roll call vote.

**Maintenance and Review**

9. All Board policies will be maintained in up-to-date form in a single volume or a series of volumes within the APFC's offices, and will be accessible to trustees, staff and the public. Trustees will be provided with a copy of the Board policies which will be updated as necessary.
10. The Board will formally review a Board policy within the time period specified in the policy, but no less frequently than once every three years. Any Trustee, Board committee, or the Executive Director may propose to the Governance Committee that a particular policy be reviewed earlier than required.

**REVIEW AND AMENDMENT OF THE POLICY**

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

## ALASKA PERMANENT FUND CORPORATION

### Strategic Planning and Budgeting Policy

#### OBJECTIVES OF THE POLICY

1. The Board of the APFC has established this *Strategic Planning and Budgeting Policy* in order to meet the following objectives:
  - (a) To ensure that the APFC plans, in a deliberate and systematic way, for the future needs of the organization; and
  - (b) To achieve a consensus among the Board and staff on how those needs and priorities are going to be met.

#### POLICY GUIDELINES

##### The Strategic Plan

2. The APFC will establish a Strategic Plan, extending over a period of four years into the future, to be reviewed and updated annually, which will address, without limitation, the following:
  - (a) The mission of the APFC;
  - (b) The philosophy and core values of the organization;
  - (c) The goals and objectives of the APFC over the four-year period;
  - (d) An evaluation of the external environment in which the APFC operates;
  - (e) An assessment of the organization's internal resources and capabilities; and
  - (f) The strategies for achieving the APFC's goals and objectives.
3. The Strategic Plan will include a list of the specific projects and initiatives to be started and/or implemented over the next fiscal year, including for each project or initiative:
  - (a) Its potential benefit or impact;
  - (b) Responsibility for implementation;
  - (c) Timeline for completion; and
  - (d) Budgetary implications.
4. The Board, with the assistance of the Executive Director, will undertake a comprehensive review of the Strategic Plan at least every four years.

### **The Planning and Budgeting Process**

5. The Executive Director will review and update the Strategic Plan annually and present a report to the Governance Committee that includes:
  - (a) A review of the implementation of the Strategic Plan for the current fiscal year; and
  - (b) The updated Strategic Plan, including the current projects and initiatives in progress to be carried forward and new initiatives to be undertaken in the next fiscal year.
6. The Executive Director will present to the Board semi-annually a variance report on the current year's Budget that provides:
  - (a) A comparison of actual expenditures versus the budget; and
  - (b) An explanation for significant differences in actual and budgeted amounts for any budget item.
7. The Executive Director will prepare and present to the Board annually a proposed Budget for the next fiscal year which provides:
  - (a) A breakdown of the Budget by line item, and within each line item by major expense category;
  - (b) A comparison of each budget item to the current year's budget and actual expenditure (projected to year-end);
  - (c) An explanation of significant changes from the previous year for any budget item; and
  - (d) The identification of budgetary amounts tied to any project or initiatives in the Strategic Plan for the next fiscal year.
8. Any significant revisions to the Strategic Plan or Budget must be reviewed and approved by the Board.
9. The Executive Director shall inform the Board Chair in a timely manner, if for any reason, a particular project or initiative cannot be implemented or completed as planned.

### **REVIEW AND AMENDMENT OF THE POLICY**

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

## ALASKA PERMANENT FUND CORPORATION

### Monitoring and Reporting Policy

#### OBJECTIVES OF THE POLICY

1. The Board of the APFC has established this *Monitoring and Reporting Policy* in order to set out its minimum requirements with respect to the reports it expects to receive on a regular basis.

#### POLICY GUIDELINES

2. The Board will receive the reports specified in the Appendix to this Policy. The reports will be provided on a regular basis at the frequency indicated in the Appendix.
3. The Board may receive additional reports on an ad hoc basis as necessary.
4. Any request by Trustees for additional reports to be provided on a regular basis will require approval by the Board and an amendment to the Appendix of this Policy.

#### REVIEW AND AMENDMENT OF THE POLICY

5. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.
6. The Board of Trustees ~~amended~~adopted this Policy on ~~December~~September 24<sup>th</sup>, 20203.



## Monitoring and Reporting Policy

### APPENDIX

#### Governance Reports

Name of Report	Frequency	Prepared By	Description of Report
1. Review of Governance Policies and Charters	Every 3 years	Staff	Report on the findings and recommendations of the Board's review of its governance policies and charters. There could be separate reports, for policies one year and charters another year.
2. Governance Report	Every 3 years	Third Party or staff	Report on compliance with governance policies and charters. This report should be part of the Board's review of its policies and charters, and produced with the same frequency, i.e. every 3 years, with separate reports for policies and charters.
3. <del>Executive Director Performance Evaluation Report</del>	<del>Annual</del>	<del>Vice Chair, or Third Party</del>	<del>Report on the results of the Executive Officer's performance evaluation.</del>
4. Board Education Report	Annual	Staff	Report on the activities of the Board and its members with respect to education.
5. IAG Report	Quarterly	Staff	Report on compliance with IAG requirements

#### Investment Reports

Name of Report	Frequency	Prepared By	Description of Report
6. Investment Performance Report	Monthly and Quarterly	Staff and/or Investment Consultant	Report on the asset allocation and investment performance of the Fund, including the performance of asset classes
7. Risk Management Report	Quarterly	Staff and/or Investment Consultant	Report on the investment risk of the Fund, its asset classes and investment portfolios.
8. Asset Allocation Study	At least every 5 years	Staff and/or Investment Consultant	Report on the findings and recommendations of a review of the long-term or target asset allocation policy of the Fund.
9. Review of the Fund's Investment Policies	At least every 5 years	Staff and/or Investment Consultant	Report on the findings and recommendations of a review of the investment policy statement and related policies and procedures of the Fund.
10. Review of the Fund's Investment Managers	Quarterly	Staff and/or Investment Consultant	Report on the performance and strategies of the investment managers of the Fund.

**Alaska Permanent Fund Corporation  
Monitoring and Reporting Policy**

**Financial, Audit and Operational Reports**

<b>Name of Report</b>	<b>Frequency</b>	<b>Prepared By</b>	<b>Description of Report</b>
11. Annual Financial Report, including: <ul style="list-style-type: none"> <li>▪ Audited Financial Statements</li> <li>▪ Management's Discussion and Analysis</li> <li>▪ Auditor's Opinion</li> </ul>	Annual	Staff and External Auditor	Report on the financial position and activities of the Fund.
12. Cybersecurity/IT Audit	Every 3 years	Staff and/or Third Party	Report on the safety and security controls of the Fund.

**Planning and Budgeting Reports**

<b>Name of Report</b>	<b>Frequency</b>	<b>Prepared By</b>	<b>Description of Report</b>
13. Budget Variance Report	Semi-Annual	Staff	Report on the implementation of the current year's budget, showing the variance between actual and budgeted expenditures.
14. Operating Budget	Annual	Staff	Report on the proposed budget for the next fiscal year.

## ALASKA PERMANENT FUND CORPORATION

### Trustee Education Policy

#### OBJECTIVES OF THE POLICY

1. The Board of the APFC has established this *Trustee Education Policy* with the following objectives:
  - (a) To ensure that the members of the Board have access to the knowledge and information necessary for them to fulfill their fiduciary duties as trustees of the Alaska Permanent Fund; and
  - (b) To assist them in becoming well informed in all matters pertaining generally to the management of a large institutional fund, both public and private, and more specifically to the management and investments of the Fund.

#### POLICY GUIDELINES

2. The education program for Trustees will be based on the following principles:
  - (a) The program should include both in-house education, so that Trustees can share in a common base of knowledge and information relevant to their tasks, as well as external conferences and seminars, so that Trustees can benefit from exposure to alternative perspectives and interaction with trustees of other organizations;
  - (b) There should be diverse sources for education, beyond APFC staff and current service providers, including other external consultants, advisors and experts, so that Trustees may benefit from a wide range of views and opinions; and
  - (c) Trustees are expected to participate in any in-house education sessions that may be organized for their benefit, including an orientation session for new Trustees. They are also encouraged to attend external conferences and seminars.
3. The education program will consist of the following:
  - (a) A formal orientation for new Trustees;
  - (b) A Trustee Reference Manual containing key information about the APFC;
  - (c) In-house education, including:
    - i) At the request of the Board, an annual education session
    - ii) Seminars and briefings from time to time;
    - iii) Selected reading material provided by staff; and
  - (d) External conferences and seminars.

## **Orientation Program**

4. The Executive Director will develop an orientation program designed to introduce new trustees to all relevant operations of the APFC, and to the duties and responsibilities of the Trustee. The aim of the orientation program will be to ensure that a new Trustee is in a position to contribute fully to the deliberations of the Board, and effectively carry out their duties and responsibilities as soon as possible after joining the Board.
5. The orientation program should include the following:
  - (a) A briefing by the Executive Director on the history, mission, organization and operations of the APFC;
  - (b) A briefing by the Chief Investment Officer on the investment philosophy, asset allocation, investment managers, and the major investment portfolios of the Fund;
  - (c) A briefing on the laws and regulations governing the APFC, the fiduciary duties and responsibilities of the Trustees, the Board Charter, Committee structure, Bylaws and other Board standards including disclosure requirements;
  - (d) A briefing on administrative policies and procedures relating to Board members;
  - (e) An introduction to the APFC's website and the educational resources available there for Trustees; and
  - (f) A briefing by the Chair of the Board and the Executive Director on the major issues currently before the Board.
6. The new Trustee will also, as part of the orientation program, be provided with the following:
  - (a) The Trustee Reference Manual;
  - (b) Selected articles and papers on the APFC and institutional fund management;
  - (c) A list of upcoming conferences and seminars; and
  - (d) The most recent Annual Report, including the audited financial statements.

## **Trustee Reference Manual**

7. The Trustee Reference Manual will include the following:
  - (a) The laws and regulations governing the Alaska Permanent Fund;
  - (b) The Bylaws of the APFC;
  - (c) The Charters and Governance Policies established by the Board;
  - (d) A list of Board committees and committee members;
  - (e) Names and contact information for Trustees, members of the Investment Advisory Group and the Executive Director;

- (f) Organization chart of the APFC;
- (g) List of the APFC's major service providers; and
- (h) The Investment Policy for the Fund.

### **In-house Education**

- 8. The Board will periodically conduct assessments of its educational requirements to ensure it will be provided with the knowledge and information necessary to discharge its functions.
- 9. Trustees are encouraged to attend, if scheduled, an annual educational session which may be organized either by the Executive Director or in conjunction with other Alaska public funds such as the Alaska Retirement Management Board.
- 10. The Executive Director will, from time to time, organize short seminars or presentations on various topics by APFC staff and service providers, as well as other external consultants, advisors and experts. The Executive Director will consult with Trustees to identify topics of special interest or relevance to the Board, taking into account the results of the educational needs assessment. These sessions may be organized either as part of regular Board meetings or as stand-alone events.
- 11. The Executive Director will also provide Trustees with relevant and appropriate reading material (e.g., journal articles, research studies, news clippings, etc.).

### **External Conferences and Seminars**

- 12. The Executive Director will maintain a list of conferences and seminars that Trustees may wish to attend, with expenses to be paid for by the APFC upon approval of the Chair. The Executive Director will update the list from time to time taking into account new information and feedback from previous conference attendees.
- 13. The Executive Director will notify the Board of upcoming conferences on a regular basis at Board meetings.
- 14. Trustees are free to attend any other conferences, seminars, or workshops, other than those recommended by the Executive Director. The potential reimbursement of expenses incurred by Trustees will be subject to prior approval by the Chair.

### **Trustee Education Report**

- 15. The Executive Director will present to the Board annually a report on the various educational activities undertaken by the Board and individual Trustees during the year.

**REVIEW AND AMENDMENT OF THE POLICY**

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

## **ALASKA PERMANENT FUND CORPORATION**

### **Board Communications Policy**

#### **OBJECTIVES OF THE POLICY**

1. The Board has established this *Board Communications Policy* in order to facilitate effective communication by the Trustees with each other, and with APFC staff and service providers, the media and other external parties.

#### **POLICY GUIDELINES**

##### **Communication among Trustees**

2. Trustees are free to communicate with each other on matters concerning the APFC, subject to the requirements of Alaska's Open Meetings Act.

##### **Communication with Staff**

3. While Trustees have the right to communicate with any member of the APFC staff, they should direct questions and requests for information regarding the APFC's management and operations to the Executive Director or senior management staff.
4. Any question or request for information which can reasonably be expected to take up a significant amount of time, effort or resources on the part of APFC staff or service providers should be made through a formal request at a Board or committee meeting or with the consent of the Chair of the Board.
5. Trustees may directly contact the Executive Director or members of the senior management staff or APFC legal counsel, with any other question or request for which an answer or response is readily available or can be quickly and easily obtained.

##### **Communication with Service Providers**

6. Trustees should communicate with the APFC's investment managers and other service providers on matters concerning the APFC generally at Board or committee meetings, or through staff. If Trustees have any questions or wish to request any information from service providers, they should contact the Executive Director or a member of the senior management staff.
7. If Trustees do communicate directly with a service provider, they should be careful not to disclose any privileged information, make any commitments on behalf of the Board, or provide any special treatment or favoritism to the service provider. Trustees should disclose the nature of any communication with the service provider that is important or material to the APFC to the Board at their earliest convenience.

8. Trustees should refer any investment opportunities or proposals they receive from a service provider which may be of relevance to the APFC directly to the Executive Director.
9. The provisions of Section 6 through 8 above will not apply to Trustees' communication with the Investment Consultant, the Investment Advisory Group, the Auditor and APFC legal counsel.

### **Communication with the Media and Other External Parties**

10. The Chair and the Executive Director will both serve as the official spokespersons for the APFC.
11. In their role as spokespersons, they should communicate in a manner consistent with the established policies and decisions of the Board and should not make comments which represent their personal views.
12. The Executive Director will be responsible for all "press releases" or written communications with the media. Such communications should clearly and accurately represent the actions and decisions of the Board.
13. All Trustees, including the Chair, are free to communicate with the media on matters concerning the Board or the APFC in their capacity as individual Trustees. If approached by the media for interviews or information on the APFC, they may refer the matter to one of the official spokespersons. If Trustees do communicate with the media, they should observe the following guidelines:
  - (a) Trustees, other than the Chair, should not speak on behalf of the Board unless specifically authorized to do so by the Board;
  - (b) If authorized to speak on behalf of the Board, Trustees should follow the provisions of Section 11 above; and
  - (c) If Trustees, including the Chair, are speaking as individual Trustees, they should indicate that they are doing so, and not speaking on behalf of the Board.
14. Any written material on the APFC prepared by Trustees for publication or general distribution should be submitted to the Executive Director for review prior to its publication or distribution. The review will be only for the purpose of verifying the accuracy of the material to ensure that the APFC is not being inadvertently misrepresented.

### **REVIEW AND AMENDMENT OF THE POLICY**

15. The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.



16. The Board of Trustees adopted this Policy on September 24th, 2020.

## ALASKA PERMANENT FUND CORPORATION

### Executive Director Performance Evaluation Policy

#### OBJECTIVES OF THE POLICY

1. The Board of Trustees of the APFC has established this *Executive Director Performance Evaluation Policy* with the following objectives:
  - (a) To ensure that the Executive Director receives appropriate and useful feedback on their performance from the Board on an annual basis; and
  - (b) To help develop clear and meaningful performance objectives for the Executive Director.

#### POLICY GUIDELINES

##### Roles and Responsibilities

2. The Board will be responsible for evaluating the performance of the Executive Director on an annual basis.
- ~~3. The Governance Committee will be responsible for initiating and coordinating the performance evaluation process.~~
- 4.3. The Board may retain the services of an independent third party to facilitate and administer the performance evaluation in order to ensure the integrity and confidentiality of the process.

##### Evaluation Survey and Criteria

- ~~5.4.~~ The Board will ~~establish a survey to provide Trustees with a tool for evaluating~~ the performance of the Executive Director based on a number of criteria, including the following:
  - (a) Achievement of the goals and objectives of the APFC;
  - (b) Completion of the specific projects and initiatives set out in the strategic plan for that fiscal year;
  - (c) Implementation of Board policies and reporting requirements;
  - (d) General leadership and management skills; and
  - (e) Compliance with the Executive Director's charter.
- ~~6. The Governance Committee, with the assistance of the Executive Director, will develop and recommend to the Board the design of the survey.~~

**Alaska Permanent Fund Corporation  
Executive Director Performance Evaluation Policy**

**The Evaluation Process**

~~7. — The Vice Chair, acting as Chair of the Governance Committee, will meet with the Executive Director to review the evaluation survey and criteria and agree on any changes.~~

~~8.5.~~ Towards the end of the calendar year and before the fourth quarter meeting of the Board, the ~~Vice~~ Chair will distribute a package of materials to each Trustee which may include the following:

- (a) A report prepared by the Executive Director ~~on that lists~~ their achievements for the previous year, ~~including the Executive Director's own assessment of the extent to which the evaluation criteria were met;~~
- (b) The strategic plan and budget for the fiscal year or a summary thereof; and
- (c) ~~Any other materials that might be relevant to Board's performance~~ The evaluation of the Executive Director survey, containing the evaluation criteria, to be filled out by the Trustee.

~~9.6.~~ Trustees should review the materials provided prior to the meeting during which the Executive Director will be evaluated~~complete the survey and return it to the facilitator within a specified period of time. The facilitator will tabulate the results of the survey, present a report summarizing the results to the Governance Committee, together with the completed evaluation surveys. The Committee will review the report and submit it to the Board.~~

~~10.7.~~ The Board, consistent with Alaska's Open Meetings Act, will meet in executive session to review and discuss ~~the results of~~ the Executive Director's performance for the prior year evaluation. ~~The Governance Committee will prepare a draft Evaluation Report, with the Executive Director's assessment and the summary of the evaluation results attached as appendices.~~

~~11.8.~~ The Board, consistent with Alaska's Open Meetings Act, will then meet with the Executive Director in executive session to discuss ~~their results of the~~ performance for the prior year evaluation and any opportunities for improvement.

~~12.~~ — The Board, after coming out of executive session, will then take any action on the record that may be required to complete the evaluation~~approve the final Evaluation Report, following which the Chair, Vice Chair and the Executive Director will each sign the Evaluation Report.~~

~~13.9.~~ The Vice Chair will cause the signed Evaluation Report to be placed in the Executive Director's personnel file.

**REVIEW AND AMENDMENT OF THE POLICY**

~~14.10.~~ The Governance Committee will review this Policy at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Policy remains relevant and appropriate.

**Alaska Permanent Fund Corporation  
Executive Director Performance Evaluation Policy**

15.11. The Board of Trustees ~~amended~~adopted this Policy on ~~December~~ September 24th,  
20230.

## ALASKA PERMANENT FUND CORPORATION

### Board Standards

#### OBJECTIVES OF THE STANDARDS

1. The Permanent Fund was established by Article IX, Section 15 of the Alaska Constitution. The statutory purpose of the APFC is to manage and invest the assets of the Permanent Fund. The Trustees' conduct is subject to Alaska Constitution and Statutes, regulations under the Alaska Administrative Code, and various other rules and policies. The Board of Trustees has established the *Board Standards* to identify applicable rules and policies and provide further guidance to Trustees in conducting their affairs and activities as Board members.

#### POLICY GUIDELINES

2. Trustees will conduct themselves with honesty, integrity, decorum, and professionalism in all aspects of their duties, and in their interaction with fellow trustees, APFC staff, service providers, and other external parties.

#### With Respect to Compliance with Laws, Regulations and Policies

3. Trustees will abide by all applicable laws and regulations, including, in particular, the following:
  - (a) Alaska Statutes at Title 37, Chapter 13;
  - (b) Alaska Administrative Code at Title 15, Chapter 137;
  - (c) APFC Bylaws;
  - (d) The Alaska Open Meetings Act and regulations thereunder;
  - (e) The Alaska Executive Branch Ethics Act and regulations thereunder, administered by the Department of Law; and
  - (f) The Alaska Conflict of Interest Act and regulations thereunder, administered by the Alaska Public Offices Commission (APOC).
4. Trustees will abide by all policies of the APFC.

#### With Respect to Confidentiality and Use of Information

5. Trustees will respect the confidentiality of all information pertaining to the APFC to which they become privy to by virtue of their position. They will not disclose any confidential information to any external party unless required to do so by law.
6. Any information on the APFC that Trustees request in their capacity as Trustees will only be to fulfill their responsibilities as Trustees of the APFC and not for use in their own personal or business affairs.

**With Respect to Enforcement of the Board Standards**

7. The Chair of the Board will enforce and attempt to rectify any breach of the Board Standards.
8. If a Trustee has reason to believe that a material violation of the Board Standards has taken place, they will notify the Chair (or the Vice Chair if the allegation is against the Chair) and the Executive Director.

**REVIEW AND AMENDMENT OF THE POLICY**

9. This Policy will be reviewed periodically and amended by the Board as necessary or appropriate.
10. The Board of Trustees adopted this Policy on September 24th, 2020.