APFC ALASKA PERMANENT FUND CORPORATION
801 W 10TH SUITE 302 | JUNEAU, AK 99801
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QUARTERLY MEETING OF THE BOARD OF TRUSTEES
February 15-16, 2024

Michael J. Burns Building
David Rose Board Room (3rd Floor)
801 W 10th Street
Juneau, AK 99801

Thursday, February 15, 2024
Time: 10:30 am – 4:45 pm
Day 1 Webinar Access:
https://apfc.org/bot-meeting-day1
Event Password: APFCDay1
Teleconference Option
Phone: 415-655-0003
Access Code: 2630 672 3155
Numeric Password: 27323291

Friday, February 16, 2024
Time: 8:30 am – 4:15 pm
Day 2 Webinar Access:
https://apfc.org/bot-meeting-day2
Event Password: APFCDay2
Teleconference Option
Phone: 415-655-0003
Access Code: 2631 424 7882
Numeric Password: 27323292

If giving public testimony by phone please sign-up by emailing jloesch@apfc.org by 4 pm on Wednesday, February 14

Written comments can be sent to Trustees anytime at
boardpubliccomment@apfc.org

AGENDA

THURSDAY, FEBRUARY 15, 2024

10:30 a.m.	CALL TO ORDER
	ROLL CALL (Action)
	APPROVAL OF AGENDA (Action)
	APPROVAL OF MINUTES (Action) • September 27-28, 2023 – Annual Meeting • October 30, 2023 – Special Meeting • December 13-14, 2023 – Quarterly Meeting
	OPPORTUNITY FOR PUBLIC PARTICIPATION
10:45 a.m.	CHIEF EXECUTIVE OFFICER'S REPORTS (Information/Standard Reports) Pending Board Matters, Trustee Education Report, Disclosure Report, Staff Summary Report, Staff Education & Training Report, Human Resources Summary, Communications Report, Legislative Update, IT Update, Financial Update, Financial Report, APFC Transfers, History & Projections, Investment Management Fee Report, FY24 Budget Update
11:15 a.m.	CHIEF INVESTMENT OFFICER'S REPORT (Information) Marcus Frampton, Chief Investment Officer

12:00 p.m.	RISK OVERVIEW (Information) Sebastian Vadakumcherry, Chief Risk Officer
12:45 p.m.	*LUNCH*
1:15 p.m.	INVESTMENT ADVISOR COMMENTS (Information) Britt Harris
1:30 p.m.	ASSET CLASS OVERVIEW: PRIVATE INCOME (Board Education & Information) Ross Alexander, Senior Portfolio Manager Logan Rahn, Portfolio Manager
2:15 p.m.	PRIVATE INCOME PRESENTATION – LS POWER (Board Education & Information) Darpan Kapadia, Chief Operating Officer Emily Simonis, Head of Investor Relations
3:00 p.m.	*BREAK*
3:15 p.m.	PRIVATE INCOME PRESENTATION – H.I.G. WHITEHORSE (Board Education & Information) Pankaj Gupta, President of Whitehorse, U.S. & Global Head of Originations
4:00 p.m.	TRUSTEE PAPER #10 Deven Mitchell, CEO Trustees & Staff
4:45 p.m.	*RECESS FOR THE DAY*
5:00 p.m.	***Community Reception – Please join us! (Location is here on the Third Floor)***

FRIDAY, FEBRUARY 16, 2024

8:30 a.m.	*MEETING RECONVENES*
8:35 a.m.	FUND PERFORMANCE OVERVIEW (Information) Greg Allen, CEO & Chief Research Officer Steve Center, CFA, Senior Vice President
10:00 a.m.	*BREAK*
10:15 a.m.	ANNUAL ASSET ALLOCATION STUDY (Information) Greg Allen, CEO & Chief Research Officer Steve Center, CFA, Senior Vice President
10:45 a.m.	STRATEGIC PLAN (Action) Deven Mitchell, CEO Trustees & Staff
11:15 a.m.	FIDUCIARY TRAINING (Board Education & Information) Chris Poag, General Counsel Rich Ashley III, Partner at DLA Piper
12:00 p.m.	LEGISLATIVE UPDATE (Board Education & Information) Paulyn Swanson, Director of Communications
12:30 p.m.	*LUNCH*

1:00 p.m.	INVESTMENT ADVISOR CANDIDATE INTERVIEWS & SELECTION (Action) (Possible Executive Session) 1:00-1:20 p.m. Brock Williamson 1:20-1:40 p.m. Cyndi Walsh 1:40-2:00 p.m. George Zinn
2:30 p.m.	*BREAK*
2:45 p.m.	PMP UPDATE (Information) Deven Mitchell, CEO Shannon McCain, Director of Human Resources
3:30 p.m.	ADVISOR COMMENTS (Information) Britt Harris John Skjervem
3:50 p.m.	OTHER BUSINESS
	TRUSTEE COMMENTS
	FUTURE AGENDA ITEMS
4:15 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.)

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SUBJECT: Approval of Minutes ACTION: X

DATE: February 15, 2024 INFORMATION:

BACKGROUND:

Staff reviewed the following Board of Trustees meeting summary minutes, draft copies are attached for your approval.

- September 27-28, 2023 Annual Meeting
- October 30, 2023 Special Meeting
- December 13-14, 2023 Quarterly Meeting

RECOMMENDATION:

Approval of the summary minutes of the Board of Trustees meetings listed above.

ALASKA PERMANENT FUND CORPORATION
ANNUAL FULL BOARD OF TRUSTEES MEETING
WEBEX/TELECONFERENCE

September 27 and 28, 2023
8:30 a.m.

Originating at:
Hilton Anchorage
Dillingham/Katmai Meeting Room
Second Floor, West Tower
500 West 3rd Avenue
Anchorage, Alaska 99501

Trustees Present:

Ethan Schutt, Chair	Ellie Rubenstein
Jason Brune	Craig Richards
Adam Crum	Ryan Anderson

APFC Staff Present:

Deven Mitchell, CEO	Val Mertz, CFO
Marcus Frampton, CIO	Chris Poag, General Counsel
Tim Andreyka	Alexander Smith
Masha Skuratovskaya	Edward Rime
Jennifer Loesch	Paulyn Swanson
Allen Waldrop	Catherine Hatch
Sebastian Vadakumcherry	Juliette Alldredge
James Wilkey	Luke Kirkham
Jacki Mallinger	Steven Gagliardo
Jessica Thornsburry	Joe Shinn
Jordyn Elie	Cody Graves
Larissa Murray	Michael Prebeg
Julia Mesdag	Mike Gumz
Rachel Zepp	Norix Mangual
Rachel Price	Eric Ritchie
Jim Parise	Lara Pollock
Sarah Clark	Sang Won Song
Chris LaVallee	Steve Adams
TJ Hegedus	Tara Mendoza
Tom O'Day	Scott Balovich
Shawn Calhoon	Chirag Shah
Terek Rutherford	Youlian Ninkov
Valeria Martinez	Sarah Struble
Marisa McComas	Ross Alexander

Callan:

Greg Allen	Steve Center

Investment Advisors:

John Skjervem

Britt Harris

KPMG:

Beth Stuart

Melissa Beedle

Others Present:

Kevin Dee
Albert Hicks
Iris Samuels
Jack Peterson
John Springsteen
Jusdi Warner
Ken Alper
Laurie Berg
Luther Pahl
Matt Buxton
Michael Bloom
Nick Thigpen
Payton Martin
Steve Moseley
Sydney McGinnis
Tristan Walsh
Zeinab Thiam
Molly Starr
Anne Rittgers
Jon Haghayeghi
Matthew Benson
MF
Austin Graham
Brian Velky
David MacDonald
James Brooks
Llewellyn Smyth
Melisa Gil Estiz
Rachel Gelfman
Samuel DePoy
Teresa Richards
Tristan Walsh
Tina Nunno
Shane Taylor
Kristina Schutt

Kay Ullirich
Cathy Schlingheyde
Gina Romero
John Coss
Jordan Shilling
Karol Raszkiewicz
Lauren Albanese
Leighan Gonzales
Mark Sabbatini
James Simard
Miranda Worl
Noah Conlon
Robert Gerschultz
Henry Portal Meat
Tom Gemmell
Walker Phillips
Kevin Balaod
Amory Lelake
Ben Hofmeister
Jeff Stepp
Walker Phillips
Andrew Sabatini
Bill Bailey
Charles Gohr
Debbie Carter
Laib Allensworth
Maggie O’Gorman
Michael McHargue
Ralph Exeter
Snehal Shah
Tom McGonagle
Julee Farley
Sara Race
Mary Long

PROCEEDINGS

CALL TO ORDER

CHAIR SCHUTT called the annual meeting to order and asked for a roll call.

MS. LOESCH called the roll and stated that there was a quorum.

APPROVAL OF AGENDA

CHAIR SCHUTT stated that the agenda was available and asked for approval.

> **MOTION:** A motion to approve the agenda was made by TRUSTEE RICHARDS; seconded by TRUSTEE CRUM.
>
> *There being no objection, the MOTION was APPROVED.*

APPROVAL OF MINUTES

CHAIR SCHUTT stated that there were two set of minutes: one from May 17-18, 2023, quarterly; and July 12, 2023, and asked for a motion.

> **MOTION:** A motion to approved the minutes from May 17-18, 2023, and the minutes of July 12, 2023, was made by TRUSTEE BRUNE; seconded by TRUSTEE CRUM.
>
> *There being no objection, the MOTION was APPROVED.*

SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION

CHAIR SCHUTT moved to Scheduled Appearances and Public Participation, and recognized Mike Tobin.

TRUSTEE BRUNE stated that the Alaska State Chamber meeting was across the hall and suggested letting them know about the public participation.

MR. TOBIN stated that he is a board member of 350Juneau Climate Action for Alaska. He continued that there were two major meetings currently that cast a light on uncertainties facing fossil-fuel investors relating to the speed of transition from fossil fuels to renewable energy. He shared some quotes from the World Petroleum Congress in Calgary, Alberta, and from other oil CEOs that say the transition from fossil to renewable energy is too fast, and climate scientists in the U.N. say too slow. Considering the rapidly escalating climate crisis, the financial uncertainty, and their fiduciary duty to the youngest Alaskans, a prudent course would be to rapidly cut back and ultimately divest from the fund's fossil-fuel holdings.

CHAIR SCHUTT thanked Mr. Tobin and asked for any questions or comment. There being none, he stated appreciation for the testimony. He apologized to Mr. Simard for the technical difficulties, and asked him to submit his comments in writing. He concluded the public participation, and continued to the Committee Reports.

TRUSTEE BRUNE stated, as a follow-up to his previous comment, that he had sent a text message to the executive director of the Chamber and would let the board know if he received any responses.

COMMITTEE REPORTS
AUDIT COMMITTEE

TRUSTEE CRUM stated that the Audit Committee came together on September 7th. We had presentations from KPMG and the Oregon Office of the State Treasurer. Byron Williams, the chief audit executive, explained about what internal audit was done in other capacities within state government. He continued that the presentation from KPMG was very illustrative and really demonstrated how certain items were identified within both corporations and other venues. He added that they looked at making sure to continue identifying the work that was really being done and talked about the importance of an internal audit. He stated that there was not a lot of action that was necessary from the Audit Committee other than to continue to work with staff going forward to make sure that ways were found to put out to the public the work that was being done.

CHAIR SCHUTT asked if the Audit Committee reviewed the final approval of the annual audited financials.

TRUSTEE CRUM replied that they were good and nothing material was found. He stated that the staff, Val and the team, did a fantastic job, which was made very clear from the external auditors.

CHAIR SCHUTT moved to the CEO's report.

CHIEF EXECUTIVE OFFICER'S REPORTS

CEO MITCHELL stated that there were a number of reports from staff. The first pending board matter was the number of items that had been on the list for quite a while, peer group definition and update compensation structure. Those had been kicked around and the target is to be determined. He continued that they had implemented a system of utilizing board volunteers, and that could be beneficial. He recommended to have some targets or strategy built into the strategic plan process for purposes of moving forward.

CHAIR SCHUTT suggested that it be put on the February agenda.

CEO MITCHELL stated that that would be an easier target. He asked for a couple of board members to be involved in the process because it needs the buy-in at the board level to be able to have any probability of success.

CHAIR SCHUTT stated that a compensation working group will be created and put on the agenda for the February meeting to refresh what is needed at that point.

TRUSTEE BRUNE stated that as far as flexibility and timeliness, nothing would be implemented until July of 2025. He suggested contemplating at least conversations with the Legislature that may give the ability to be more flexible in trying to implement this in this upcoming budget.

CIO FRAMPTON stated that he is in the flexible camp, but liked the studies because he did think they were under-compensated against some of the peers they are up against.

MR. HARRIS stated that the topic gets discussed everywhere and that people make a big difference. They are needed to get; then they need to be retained; and they have to be developed.

It is important to realize that this is not a cost center, but it is a money-making machine. This is something that probably earns, on average, $7 billion a year; $28 million a day. This is in a spectrum between pensions and endowments, and the word "permanent" refers more toward the endowment side which has additional fees: the payments that need to be made to the citizens. He added that he has all the information they are looking for except for those sovereign wealth funds, and he can have it here tomorrow.

CEO MITCHELL stated that moving forward and coming up with a very methodical, thoughtful plan and approach as to why it could make sense to make adjustments to staff that are not probably reflected in other staffs has to be part of the process.

TRUSTEE BRUNE recommended that part of the narrative be given to the Legislature that this overview would be in a discussion slated for the February meeting, and there may be subsequent amendments proposed which would be forthcoming.

CHAIR SCHUTT replied that he does not think that they would have gone through enough of the work to have a credible proposal in February.

TRUSTEE BRUNE agreed, but he wants the Legislature to be aware that something is actively being worked on.

CEO MITCHELL continued through a couple of reports related to travel and training, and he touched on the human resources report. He added that there were still some open positions from staff turnover that are being actively recruited. He added that the positions are open to either Juneau or Anchorage.

CHAIR SCHUTT commented on letting the Anchorage office run for a little bit and see how it develops under the leadership so that things are not forced.

CHIEF INVESTMENT OFFICER REPORT

CIO FRAMPTON normally reviews performance for the last fiscal year at this board meeting. He stated that the numbers were starting to come in from different organizations, and we are at the front end of releasing numbers at the Permanent Fund. Because they do lag private equity, we use March marks for June 30 performance. He continued that the university endowments are particularly slow. He stated that he reviewed the longer-term performance against the first in the McLagan peer group and also against some of the firms that had a bit higher compensation than the McLagan peer group. He noted that that was a response to a board question. He then gave some preview of how they did. The benchmark was 5.7, and we underperformed the benchmark by half a percent. The average peer reported benchmark was 7 percent. On average, it was a bad year for performance, with 80 basis points of underperformance. He compared the ARM to the Permanent Fund, and the ARM had a better absolute number. They did 7, and their benchmark was 7.5. They both underperformed their benchmarks by 50 basis points. They report their returns gross of fee; and we report ours net of fees. He shared a few more remarks on peers, and stated that the top performing plan was Nevada, which is passive 60 percent public equities. He noted the advertisement for Vanguard Group, and then reviewed longer-term data on them versus the McLagan peers, and then CalPERS, CalSTRS, and UTIMCO. He added that there were dozens of plans, but those were the plans he picked up on bigger funds that had really stepped up on the comp side. He then moved to the longer-term peer comparison. The most notable asset allocation difference is that the Fund has more hedge funds and less public equity.

He was surprised that we had really similar allocations, but less equities.

CEO MITCHELL reiterated that the issue is not income; it is statutory net income. He continued that private markets had been relatively illiquid, and they were relatively illiquid over the course of FY2023, which is one of the drivers for less statutory net income. The more it gets into illiquid private markets, the problem exacerbates if it has not been fixed.

CHAIR SCHUTT stated that they had to be really careful not to restructure the risk tolerance in order to address the two-account structure because the fiduciary duty runs to the overall performance of the fund and the defense of the principal of the fund. That is how the CIO has the portfolio structured, and it is a follow-on discussion to have an awareness of the two-account consequences and the reality of it.

CIO FRAMPTON moved to the review of the investment actions taken in the prior quarter. This excluded individual bond purchases and were actual, discrete actions other than individual securities purchases.

TRUSTEE CRUM stated that the energy transition is a much longer time frame than people had hoped because it is just not possible. There are not enough mines, enough materials, no access to raw materials, and they do not have distribution networks in order to power the electric vehicles. He added that he was not for or against, but the reality is that there is a lot more work to do.

TRUSTEE RUBENSTEIN shared that every sovereign is being pushed politically to have an in-state mandate for funding economic development. The Permanent Fund was saying that was not their focus, and were investing outside of the region. She thought people really respected that the Permanent Fund was taking such a risk. There was a huge amount of respect. She added that it was very interesting to see that their peers were struggling to fund economic development and trying to figure out how to structure that, as well as the ESG or political mandates.

CIO FRAMPTON went through all the rest of the investment actions for the end-of-June quarter and completed his presentation. He added that tactical opportunities were set up on July 1 with a 2 percent target allocation. They did get exposure, and some of it was gold. But it was in tactical opportunities, and is no longer in cash.

CHAIR SCHUTT moved to the next agenda item, the Risk Overview with Sebastian Vadakumcherry.

RISK OVERVIEW

MR. VADAKUMCHERRY began with the risk overview. The second part looked like the standard quarterly risk metrics, and it was as of the June quarter. In the first part he looked at four broad sort of risk themes, some of which had already been discussed. The first risk theme highlighted was equity risk, and he noted there was nothing new there. He did three sort of comparisons and that meant that they were slightly higher than the benchmark in terms of riskiness, but lower than the 80/20 risk appetite. He highlighted that almost 83 percent of the risk profile was driven by equity risk, and the remaining 9 percent within real estate and about 7 percent within interest rate. The bulk of the risk was derived from equity risk. He continued through his presentation and reflected on some structural instability. They, again, were lower than the risk appetite that was put within that limit that the Board had approved. The other part was about public equities, and he added that interest rates were going to pay a very key role in terms of how the valuations get impacted. He then highlighted on liquidity and noted that equity and liquidity risks were the two key risk themes highlighted. The other theme was geopolitical, and he talked about how this may play out and how the China exposure could be detrimental. BlackRock Geopolitical Risk highlighted China risk as the No. 1 risk in terms of geopolitics. The final theme he talked about was in terms of technology and generative AI. He stated that there was a bunch of news on this, with a lot of uncertainty around it. There are some risks and also a definite opportunity for the Fund. He then moved to the standard risk metrics for the quarter ending June, and we were within thresholds and limits across the board. He continued through his report and presentation and finished with currency and country exposure which did not have much change. He concluded the risk overview section. He then talked about the 37 China-based companies that had been sanctioned which were part of the Chinese index. He added that it was a federal regulation, and it has to be complied with.

TRUSTEE BRUNE asked for some input from the advisors.

MR. SKJERVEM stated that he had members of his staff just returning from Mainland China, which was their first due-diligence trip since the pandemic. He continued that the observations were pretty stark in the distressed debt strategy they have. There is lots of opportunity, and the equity GPs are not investing any money. He stated that his takeaway was biased by a belief that patriotism comes before fiduciary responsibility, and he put that on the table. He continued that the equity side is increasingly un-investable because it is at odds with the parties' policy, whereas these debt strategies are now lining up with government policy. He added that he would be very reluctant to look at it from the same contrarian lens as oil and gas.

MR. HARRIS added that China had been the worst market in the world for the last five years. He continued that what was sanctioned was defense-related enterprises; that is where the 37 companies come from. The whole country had not been sanctioned. Russia was sanctioned. China is the second biggest market in the world, and is our biggest trading partners both ways. It would be an act of war to go that far. He stated that he had been working with the military, and they are preparing, for sure. They think it will come somewhere around 2030. China in their five-year plan says that they would be prepared to defend Taiwan in 2027. They tell you what they will do, and the amazing thing is that they actually do it. He continued that this was the first time in the history of mankind that there have been two enterprises of this size that could potentially go against each other. China has a 100-year plan, and the United States is in the third phase of that 100-year plan. It is to become the dominant country in the world by 2049. They have a very specific plan. He continued sharing information on the concern of getting money out of China. There is never a problem with getting money in. He stated that we are not adding either corporations or institutions to China. A lot of people are changing their benchmarks, so it has a lower weight in China than it did otherwise. He added that as long as China is on this path to becoming the No. 1 country, there will be an increase in conflict. It would be very strange at some point to be funding someone that you are at war with. That is where we are.

CHAIR SCHUTT stated that wrapped up risk, and called for a break.

(Break.)

CHAIR SCHUTT called the meeting back on the record. He moved to the investor advisor comments.

INVESTMENT ADVISOR COMMENTS

MR. SKJERVEM stated that he had China on his list and it just amplifies the one anecdotal observation from his team was the reluctance of China-based GPs to deploy capital. Many have very large cash balances from previous fundraising that they have not deployed given the uncertainty on their own turf. He also mentioned his question to Sebastian. He had forgotten about the 80/20, but just the 83 percent exposure risk assets is relatively low. That was obviously a high number in absolute terms. He stated that the peer-group average was higher than that and it was very hard to diversify equity risk even below 90 percent. He gave kudos to the team for getting it to 83 percent.

CHAIR SCHUTT asked for any questions for Mr. Skjervem. There being none, he recognized Mr. Harris, and welcomed him to his first meeting as one of the investment advisors.

MR. HARRIS thanked Chair Schutt. He stated that he had been doing this for 40 years, and had never seen a morning with that good of a discussion. He continued that he was really impressed with the openness, and he liked the energy. He shared some of his observations, beginning with proper compensation. Here, we are operating in a paradigm where, mentally, we are operating according to government regulations, and everything in the government is an expense. You get taxes, it is an expense, and that tax money needs to be expended very judiciously. This is not that structure. He stated that the Fund is the biggest company in Alaska. Marcus did a great job of describing the value add on top of the benchmark. It is the benchmark that matters most. He continued that there are all of these risks, but there are only three that are bullet to the brain: Leverage, liquidity, and concentration. He also talked about China, and then the climate situation. He added that at some point, because of their size, the Fund will have a $20 billion loss. The Board has to prepare for whenever it comes. He does not know when, but it will come.

TRUSTEE BRUNE talked about AI. When he was a commissioner, Governor Dunleavy encouraged the use of AI. There are risks, but there are also huge benefits. Commissioner Anderson said that it is not going to be that you will be replaced by AI; you will be replaced by people that know how to use AI. He is intrigued as to a policy put in place which seems to be discouraging its use. It said to be aware of the risks. He added that he is intrigued as to how it is being used in the sector, and the opportunities that are out there.

MR. ALLEN stated that they just did a survey of some of the largest investment management firms in the industry asking about AI and what they are doing. He continued that there are a couple of areas where it is being used, and most of the people were registered investment advisors. They are concerned about SEC regulations, and are being very cautious from a compliance standpoint. About 25 percent of the firms are not allowing their employees to use AI on their systems at all because they want to explore it first. About a third of the firms, mostly public equities managers, are using it as part of the investment process. Generally, it is to augment their portfolio managers. They are not using AI to make decisions, but to help process documents; mundane work that is tedious. His takeaway and what they are doing internally at Callan is encouraging people to get ChatGPT accounts. We write a lot of stuff as a consulting firm, and we have to summarize large presentations into concise memos. It works for that.

CHAIR SCHUTT moved to the annual audited financial report, and welcomed Beth Stuart.

REPORT OF ANNUAL AUDIT
MS. STUART stated that she is the lead audit engagement partner for the Alaska Permanent Fund Corporation audit this year. She is also the managing partner of KPMG's Anchorage office. She continued that the presentation was the same presentation presented to the Audit Committee in early September. She was not planning to go through the presentation in detail, but wanted to include it for the trustees who do not serve on the Audit Committee so they can see the level of information that was provided to the Audit Committee. She stated that the FY23 audit is complete, and we issued an unmodified or unqualified, clean opinion on the financial statements at the Permanent Fund Corporation. We also issued a report stating that we had not identified any material weaknesses in internal controls. She continued that the audit took place from approximately May through August, and the opinion was issued on September 7th. They met with the Audit Committee prior to issuing the report and talked at length through the presentation. There was also an executive session with the Audit Committee. She highlighted a couple of items and began with a list of required communications. The items with X's were items that no matters relating to were identified. Items with checks were discussed further in the presentation. They did not identify any actual or suspected fraud involving management, employees, or others within the organization. The written communications directly with management were provided to the Audit Committee, and we confirmed that we are independent of the Alaska Permanent Fund Corporation at the time of the audit and are qualified to serve as independent auditors. She reviewed the annual report prior to its publication, and they did not have any disagreements with the corporation on how matters were presented. They felt that the annual report was consistent with the audited financial statements.

CHAIR SCHUTT stated, for the trustees not on the Audit Committee, that there was an executive session with just trustees and KPMG without management present to address the common questions as fiduciaries about any experience with any issues, any suspicions, any difficulty dealing with management. All of those answers came back, and I confirmed that management and the financial and accounting staff did a great job and participated and collaborated fully with the auditors. There were no lingering suspicions revealed in executive session. They went through the annual drill and he was happy to report that that aspect was clean, as expected.

TRUSTEE RICHARDS had asked about bringing on an internal auditor on an FTE basis, but had to leave before he got the answer.

TRUSTEE CRUM replied that they determined that they did not think it was needed.

CHAIR SCHUTT asked for any further questions or comments on audit, audit matters, or internal audit matters. He asked for a motion.

> **MOTION:** <u>A motion to approve and accept the annual audited financial statements and report was made by TRUSTEE BRUNE; seconded by TRUSTEE RICHARDS.</u>
>
> *After the roll-call vote, the MOTION was APPROVED. (Trustee Brune, yes; Trustee Rubenstein, yes; Trustee Richards, yes; Trustee Anderson, yes; Trustee Crum, yes; Chair Schutt, yes.)*

CHAIR SCHUTT thanked all and stated appreciation for the work and the presentation. He called a lunch break.

(Lunch break.)

CHAIR SCHUTT called the meeting back on record and stated that the next agenda item was Fund Performance. He recognized Callan.

FUND PERFORMANCE

MR. ALLEN thanked all and stated that it was nice to be there. He wanted to do this intro and stated that he did a presentation on AI recently and used AI on his intro slide to come up with an organizational description of Callan in the voice of Cormac McCarthy. It is just Biblical, big and loud. He then used Speechify, an AI-generated voice to read it and put it up next to a star scene, and had the words going back like in the beginning of Star Wars. It was really awesome, but it cannot be shown on Zoom. He added that Mr. Center would do the presentation.

MR. CENTER began with the broad capital market performance and stated that the last three quarters of the U.S. equity market performance had been very strong. He continued that this focused solely on the equity markets looking at the U.S. equity market represented by the Russell 3000, the MSCI EAFE, which is the developed market non-U.S. equity market and the emerging market stocks represented by the MSCI emerging market index. It was a phenomenal snapback within large caps and all U.S. stocks and developed market stocks during the last 12 months. There was a significant lag from the emerging markets out over the last year. There were very high teens returns for developed markets, and the U.S. stock market, but emerging market was up only 1.7 percent over that last 12-month period. It really has lagged both the U.S. and developed markets over all developed time periods. He moved through the Callan periodic table of investment returns that Callan shows each quarter. There was a very strong performance from stocks on the first two quarters of 2023. He continued to inflation and stated that headline inflation includes all expenses, including energy. Core inflation excludes energy and food, and was not quite as volatile. He continued that core and headline inflation had dipped from their peaks near the end of 2022. Energy dragged headline inflation down to 3 percent because energy prices moved downward. He then talked about the contributors to overall inflation. The key driver of inflation was transportation, and he looked at this historically looking back 12 months ago. The chart looked at the year-over-year change of the various components of CIP; transportation was positive 16.4 percent. During this period, it was very difficult to buy cars and trucks. Used car prices went through the roof, and that was the key driver of overall inflation, both transportation and food and beverages. Now transportation was the lowest contributor to overall inflation; it is negative. Transportation inflation was actually deflation, negative 5.1 percent. Now, unfortunately, housing is the biggest area of inflation, along with food and beverages. He then moved to the break-even rate and explained it fully, along with the bond market. He continued to the total fund asset allocation as of the end of the fiscal year. The Permanent Fund ended the fiscal year with over 78 billion in assets, well diversified across all major asset classes. He continued to long-term performance, which remains pretty strong. Over the last three years, the Permanent Fund outperformed its target benchmark and that passive benchmark, lagging only the CPI+5. The same is true over the last five years. Getting over to ten years, the Permanent Fund remains ahead of those indices over both of those time periods. He then moved on to comparing the Permanent Fund's performance relative to peers. He also talked about attribution, the key drivers of performance. He stated that the asset allocation effect measured impacts of being over and underweight asset classes relative to the asset allocation. The long-term asset allocation targets were close to long-term targets, slightly underweight to public equities, and given how strong public equities were, created that negative asset allocation effect. The key drivers of underperformance for the quarter were lagging performance relative to the index for the public equity portfolio and for the private equity and special opportunities portfolio. The Sharpe ratio for the Permanent Fund was relative to large public funds, particularly given that lower realized standard deviation was in the top quartile and the top decile over most time periods when getting out to 20 years. It does fall to the 10^{th} percentile, but very strong relative Sharpe ratios. Given that the implementation looked more like an endowment or foundation, the Sharpe ratio is right around that median similar to most large endowments and foundations.

MR. ALLEN shared a couple of comments about the public equity market portfolio before moving on. He thought that the structural bets that were in this portfolio sort of explain the underperformance. It has been a consistent thing in Fawad's structure of his equity portfolio. If growth stocks were killing, underperforming the benchmark in public equities should be expected.

MR. CENTER moved to fixed income and talked about the overall fixed-income market; the Bloomberg Aggregate was negative for the quarter. As rates rose, the Fed moved again in May, raising the rate to 5.25%. They paused this month, but the overall market prediction is that they may move one more time before year end. He talked about the U.S. Treasury yield curve and then moved to inversion of the yield curve. That inversion showed that, ultimately, there was anticipation that there would be some changes or movements by the Fed that could create a lowering of the short end of the curve, particularly in the near term. The bond market still believes that the Fed will likely lower interest rates sometime in the near future, which was surprising to him, but we will see what happens there.

CHAIR SCHUTT thanked Callan for their overview, and called a break.

(Break.)

CHAIR SCHUTT called the meeting back to order, and moved to the next agenda item, the current use of consultants versus internal management of private equity. As noted, there was the possibility of an executive session because staff may be asked about proprietary compensation or payments to existing outside consultants, which would bring them within the bounds of a proper executive session if they want to hear that information as this topic is discussed.

CEO MITCHELL stated that was borne out of the discussions around strategic planning and the potential evolution of the use of third-party consultants for work related to investing the various asset allocations of the fund. Staff is prepared to have a discussion about that, but it did involve detail that is not appropriate for the public forum.

> **MOTION:** In accordance with the Open Meetings Act, TRUSTEE RICHARDS made a motion that the Board of Trustees convene in Executive Session to receive an update on and discuss APFC's current use of consultants versus internal management of private equity. Per Alaska Statute 44.62.310(c)(3), this topic is appropriate for Executive Session because this discussion will involve the consideration of proprietary information that is confidential under State law. The motion was seconded by TRUSTEE CRUM.
>
> *After the roll-call vote, the MOTION was APPROVED. (Trustee Crum, yes; Trustee Brune, yes; Trustee Richards, yes; Trustee Anderson, yes;*

Trustee Rubenstein, yes; Chair Schutt, yes.)

(Executive Session from 2:42 p.m. until 3:51 p.m.)

CHAIR SCHUTT stated that they were back on the record. While in Executive Session, the trustees considered only the matters mentioned in the motion and took no action in conformance with the statutory requirement of Executive Session. He asked for any further questions or comments from trustees around the current use of consultants versus internal management topic. Hearing none, he moved to the final agenda item for the day, which was the FY25 budget, which is an action item.

CEO MITCHELL stated that it was in the packet and there was a presentation. He continued that Julia Mesdag was with him in the event there were questions. She was instrumental in building the budget with Val; a great resource. He added that this presentation was identical to the presentation at the last board meeting, with some supplements. The APFC operations allocation increase ’25 proposed to ’24 authorized was $2.7 million, primarily personal services. There were some increments to contractual, travel, and then the investment management fee allocation going up by about $2.8 million. There was a fairly wide discrepancy in the investment management fee allocation, $54 million; the variance from the FY23 actual and FY25 proposed. That was based on having that need to hit peak demand in the event there was a lot of activity within the portfolio. It showed the summary of $2.7 million of variance. He continued through the numbers. The Anchorage office was a component of some of the increases, and he went through them.

CHAIR SCHUTT asked if there were any trustees who would advocate for the budget line to include the $700,000 extra to evaluate to move into a more permanent space. The choice was asking for more, or to drop it down to a full fiscal year in the DEC space. He continued that he was not hearing any call to have that full amount. He asked staff to revert that back to the best-guess estimate for an annual appropriation consistent with the 555 Cordova first-floor space, and it will be left at that, recognizing that it was more than just the base rent.

CEO MITCHELL suggested that Trustee Richards said $100,000, with the additional explanation. Then whether it was for equipment or commodities, however the balance of that number was characterized to support what may be needed for that facility.

CHAIR SCHUTT asked if there was sufficient information to proceed on this particular subject.

CEO MITCHELL stated yes. He also noted that there was not a budget for Board international travel which the Board may be interested in. He continued through the budget. The discussion continued on travel and then moved to commodities and equipment. He stated, after all the discussions, that a motion to approve the budget, as amended by the Board, was needed.

> **MOTION:** <u>TRUSTEE BRUNE made a motion to approve the budget as presented with the decrease of the travel line item down to the $900,000 and the decrease of the Anchorage office down to $100,000, and everything else is the same. The motion was seconded by TRUSTEE CRUM.</u>

CHAIR SCHUTT stated appreciation to the staff for all the good work. He thought that the questions and pushback of some of those were done in the good faith of supporting the staff and doing the best thing for the organization.

TRUSTEE CRUM stated that he was amazed that the conversation on the merit increases and the incentive comp was “let’s go ahead and do it.” That was many, many years of work to get to the point of where we know this is the normal progress on this. He hoped as they looked to recruiting more staff that they let them know about this overall level of support received from the trustees, and the Administration, as well.

CHAIR SCHUTT asked for a roll-call vote.

> *After the roll-call vote, the MOTION was APPROVED. (Trustee Anderson, yes; Trustee Crum, yes; Trustee Brune, yes; Trustee Rubenstein, yes; Trustee Richards, yes; Chair Schutt, yes.)*

CHAIR SCHUTT stated appreciation for everyone’s participation and attention. He recessed the meeting.

(Alaska Permanent Fund Corporation Annual Board of Trustees meeting recessed at 4:55 p.m.)

September 28, 2023

CALL TO ORDER

CHAIR SCHUTT called the meeting back on record. He continued that the first topic was an asset update for real estate.

ASSET CLASS UPDATE – REAL ESTATE

MR. ANDREYKA went through the role of real estate in the portfolio and then gave a historical perspective and illustrated how the program had evolved in the past few years. He stated that real estate plays a unique role in the portfolio, by providing income of the fixed type in collecting rent or interest rates. It also offers an element of equity with the appreciation on the assets. He added that it has historically been in the 6, 7 percent range. There were down years, but over the long term, that has been the goal, and it has been achieved. He added that it also provides inflation resistance. Historically, the Fund has owned mostly core assets in the early years, and someone mentioned office and retail, which performed well up until 2013-2014, but lagged the benchmark in 2018 by a significant amount for the next four years. We came up with a new strategy to deploy capital to some of the sectors that were underweight. He talked about where they were today.

CIO FRAMPTON stated that during Q4 ’17 to Q1 ’18, a dramatic, very poor decision was made. There was a very strong multi-family portfolio, and a decision was made to sell almost the entire multi-family portfolio. It was a bad decision, and it was not sold at a good price. He added that it has taken five years to get back to the sector weights.

MR. ANDREYKA continued that, in the aftermath of being out of sync in the sector, there were a number of conversations from the Board on real estate, resulting in a strategic plan to get to the sector weighting and improving performance. He went through that plan and then talked about the two additional open-ended funds, noting that, since inception, the return had been 24 percent. Realterm Logistics is a unique strategy called high-flow-through supply chain real estate. It focuses more on moving goods, moving freight; not storing freight. It is a little different than big warehouses, without the need for high ceilings. He explained that, typically, freight comes in one side in a truck and goes out the other side in a van or car, for a less-mile delivery type of arrangement. The sites are very in-fill, with very high barriers to entry. Most important is that these are mission-critical locations for these tenants, with very little turnover. When there is turnover, there is an opportunity to typically mark up the rent. A $200 million co-investment was done with Realterm Logistics this past year with a motivated seller. It included all truck terminals and outdoor storage, which are two of the areas that all investors are trying to get into. Outdoor storage is very scarce, and this portfolio has 900 acres of outdoor storage and 61 truck terminals. It is a very good investment. He continued through his presentation and talked about Mesa West that did opportunistic investing and has probably the best risk-adjusted returns right now. He described the typical construction loan, and noted that in 2020 we realized that we were having trouble replacing the multi-family assets we had. We did a lot of work studying, meeting developers on build-to-core instead of buying core assets that were very expensive, and they could be built at a discount. The benefit was the creation of really high-quality, state-of-the-art assets at a discount. The other point is that rents increased on all of these projects, and we are seeing rent increases where the original underwriting did not factor that in. He briefly went through the multi-family projects that were under development beginning with the Gables Multifamily in Washington, D.C. Then, 25 North Lex, a project built on property that the Permanent Fund has owned for probably over 20 years. It is a great location across from the White Plains Train Station, which has an express train to Manhattan. This project is part of a pilot program where there are discounted real estate taxes for 20 years, and the present value is around $25 million. We are also getting a Brownfield tax credit of about $30 million, which will be paid once the project is completed. Another project is The Row on Redhill in Orange County, California. There was a shortage of close to 6,000 units being projected in this part of Orange County. Riverwalk Residences is another project with Gables located in Fort Lauderdale. Stella at Star Metals is a new project with the Allen Morris Company, a new partner this past year, and is in the West Midtown area near Georgia Tech. 10th and Cherokee is another project with Greystar located in the fastest growing area of Denver. He continued that, going forward, we will continue to expand the build-to-core program and look at more industrial developments, and also at a life science development in South San Francisco.

CHAIR SCHUTT thanked Mr. Andreyka, and stated that next on the agenda was a real estate investment outlook presented by CBRE Investment Management.

REAL ESTATE INVESTMENT OUTLOOK PRESENTATION

MR. TAYLOR stated that he leads America's research for CBRE IM, the investment fiduciary wing within CBRE. He has been with CBRE IM for 17 years, always in research; initially in global research. He was posted to Hong Kong to cover the APAC research for 12 years, and returned at the start of last year to lead American research. He started off with their macro view, capital markets and then got into the real estate. He then looked at all of the major sectors that they cover. He stated that they were in a very heightened period of uncertainty with regard to the macro view. They ascribe only a 60 percent probability of the base-case macro playing out over the coming five-year period. He continued that there still exists a lot of downside risk in the markets, and one of the key conclusions he wanted to leave the Board with was that in such a heightened risk environment they were sticking very closely to their structural investment thematics, which involve longer-term demographic technological changes and trends. Coincidentally, they feed very well into their preferred overweight sectors, which are logistics and residential. He added that even in a downside scenario, where inflation stays higher for longer, and in an environment where there is a recession in the outlook, these still will be the major strategic recommendations that will be made on a sectoral basis. In looking at the GDP gross forecast for the U.S., they are expecting just under a 2 percent average annual real GDP growth rate for the five-year period, which is below the long-term average, which is the case for most major economies around the world. This is a period of economic slowdown to be certain, and also a period of heightened inflation. They are expecting about 2.75 percent inflation for the U.S. on average for this five-year period. It still needs to come down a bit more from where it currently is. He stated that one thing that had shocked a lot of macro economists in the last couple of years is just how resilient the U.S. labor market has been. He stated that there will be higher and longer inflation relative to history, which is defined as the period post GFC. He continued that the basic case with ascribing a 60 percent probability of this playing out, is that the U.S. is at close to peak interest rates. There will be a plateau for several more months, and we may be in a position to see the Fed start to cut interest rates around May of next year. A key takeaway from the last FOMC is that they do not know what the next course of action will be. So, confusion reigns within the Fed, and certainly in the macro-economic community, in general, about exactly how quickly inflation will continue to come down, how resilient the labor market will continue to be. From his point of view, what this means for real estate is really important: too high inflation is very damaging. But in the sectors he mentioned, they would prefer to be overweight. A study of U.S. rent growth going back to 1990 by sector and inflation showed that the best sectors to hedge inflation were multi-family residential, logistics, and self-storage. He went through their view for the 10-year government bond yields that also figured through to their cap rate forecast, which he shared.

TRUSTEE BRUNE asked how they anticipated what would lead to increased rent.

MS. LANG stated that she leads the logistics practice for CBRE Investment Management. She has spent over 25 years in the commercial real estate industry; all of it in logistics. The three main drivers of the logistics demand today are the growth in e-commerce, the shifting in inventory models, and the need for greater modernity because of the obsolescence that is about to trend really heavily in the United States logistics market. She tackled each one of those and what it meant in terms of new construction requirements. There was only a 21 percent penetration rate in terms of the number of retail sales that occur online relating to e-commerce. Other modern economies like South Korea, Mainland China, the U.K. are already hitting penetration rates in excess of 35 percent. They estimate, and have a very high level of conviction, that by 2032 the e-commerce penetration rate as a percentage of all retail sales will get to about 33 percent in the United States. She continued, that is important in terms of new construction in how they estimate they need another 330 million square feet of new modern logistics product just to cover the e-commerce need. On the inventory model shift, the occupiers realize that their No. 1 driver of revenue is customer loyalty and customer satisfaction. There is a need to have what is demanded when it is demanded. Estimated is the need for another 1.1 billion square feet of modern logistics product to meet that expansion and demand. She noted that the demand will be extraordinary.

MR. TAYLOR stated that around the time of the GFC, the vacancy rate for U.S. logistics was double-digit and in the mid-teens in many cities. In spite of the additional supply that had been delivered in the last few years, vacancy rate today is 3.7 percent. It is definitely being absorbed by the market. Those variables just discussed are very real; a very palpable absorption of space. He continued that two of the big demand drivers for logistics, supply-chain resilience and reconfiguration, as well as that e-commerce penetration ratio, do not historically exist. This is a brand-new era/age for logistics, and specifically modern logistics. He continued that there were troubled assets coming to the market, and the data does lag. He looked at the accumulation of troubled assets and real estate-owned assets. He then looked at their preferred sectors, and talked about what all that means for the future. He noted that modern logistics leads the pack.

MS. LANG continued with the case for modern and stated that the top three logistics demand drivers have been covered: e-commerce, the shifting in inventory model, and the need to both build and occupy new modern spaces. She was really interested in how all of the individual decisions scale up into an impact on direct real estate. She pointed out that if something was bought in a brick-and-mortar retail store, there is a 6 percent chance likely to return it. When something is bought online, there is a 20 percent chance of returning it. One key focus for this e-commerce growth is in that returns model. It takes three times the physical space in the logistics sector to deal with returns than it does in a brick-and-mortar retail facility. She stated that, ultimately, there would be an extraordinary amount of growth in terms of the footprint required for e-commerce. When a return label is printed out and stuck on that Amazon box, it is actually going to a different facility than where it came from. That is what she meant in terms of this ever-expanding footprint. She explained that true e-commerce only makes up 6.4 percent of the total market share in the United States. The biggest market share is going to third-party logistics providers, the Nippon Expresses. The reason they are growing in terms of market share is that they started this, and they are taking on the reverse logistics model for other companies. She talked about a technology called DUCTILCRETE, explaining what it is, and she shared a video about what it exactly looks like.

(Video played.)

She walked through the video explaining what was shown. In looking at all of the technologies being deployed within the warehouse sector, the single-greatest amenity going forward in the U.S. logistics environment will be the availability of power. She noted that there is not the availability of power in legacy logistics stock. She noted that the average age of an industrial facility in the United States is about 40 years. The average age of an asset within U.S. Logistics Partnership is just four years old. That is important because of some of those design specifications. It is also important to align with this younger, more modern stock to take advantage of those outside returns against the legacy stock. She added that it has been a fantastic partnership between CBRE Investment Management and APFC. She stated that modernity matters, and she went through a few bullet points on obsolescence within the U.S. She stated that U.S. Logistics Partners is the No 1 performing fund in Morgan Stanley's open-ended fund index. This encapsulates 37 different open-ended funds, and it is No. 1 in terms of direct real estate performance for the year ending in the second quarter. In the third quarter of 2022, U.S. Logistics Partners took the opportunity to take the extraordinary rent growth that was seen within the market and counterbalanced that by expanding terminal cap rates and discount rates within the portfolio. The reason for that overweight allocation to West Coast markets was because those markets have seen the highest rate of capital appreciation over the past decade and are poised to achieve the highest rate of rental rate growth going forward. That is a very strategic play in terms of overweight. She pointed out the importance of the Northeast corridor. They are looking to grow the portfolio a bit in the South, given some of the demographic shifts to Texas and Florida. She moved to the Speedway Commerce Center product and explained this development project. She stated that this is 428 acres of land currently occupied by NASCAR's two-mile Speedway in the City of Fontana in the Inland Empire West; the most important distribution market in the world. She explained the project fully and closed with remarks around

Park Aldea Phase II in the City of Phoenix. She stated appreciation for the opportunity to speak, and added that she is deeply passionate about this industry.

CHAIR SCHUTT thanked Ms. Lang and stated appreciation for her side of the partnership helping to achieve good returns for Alaskans. He thanked her for coming to Anchorage, and called a break.

(Break.)

CHAIR SCHUTT called the meeting back on record, and continued to the next presentation from Gartner with Tina Nunno.

GARTNER PRESENTATION

MR. BALOVICH stated that they were fortunate to have an executive VP and fellow of Gartner here to talk about Generative AI. He introduced Tina Nunno.

MS. NUNNO stated that she is with Gartner Research, and this topic is of tremendous interest to their clients globally. One of her key focuses in research is both executive dynamics and board communications. She spends a lot of time working with clients on their board presentations, and what most folks wanted to talk about, at the board level, is Generative AI. She shared her research by illustrating both the strengths and limitations of Generative AI. A publicly known example is Ikea, which had been working with a startup company that scanned all of their catalogs for all of the different images of their furniture over the past decades. Then they asked Generative AI to generate ideas for furniture, and she shared some of the bizarre examples of what Generative AI came up with. One of the strengths of Generative AI is not having to start with a blank page, but human beings do have to interact with the technology in order for it to work effectively. When an organization looks into Generative AI, it is important to understand about how it learns, thinks, and its limitations. The data and how it is used and where it goes is one of the biggest risks and challenges of Generative AI. She explained how it worked, the pros and cons, and the biggest development in the technology. She continued through with her presentation, talking about the challenges and progress and the interesting opportunities in providing healthcare. She continued that one of the priorities was Step One, to create a policy relative to the use of it in organizations. A lot of organizations went with the immediate reaction, which banned it initially, and there have been all ranges of options. It was banned or radically contained because the industries cannot afford extremely sensitive data to be at risk. It is understandable, and every organization has a different risk profile. She added that there is litigation in progress from a variety of different companies, and the law is formed both from regulation and from litigation.

CHAIR SCHUTT asked if one of the overall risks was the malignant user who takes this technology as a weapon and uses it to their advantage.

MS. NUNNO replied that was one of the things that is probably most frightening. She continued that the tools are powerful, so the risks are not insignificant. She included some data relative to concerns by industry that might be useful to have on record. Privacy concerns tend to be at the top of a wide variety. The other risks that frequently come up are if this will replace staff. This will augment staff, and make them more productive. A new skill requirement, the ability to actually use artificial intelligence, will become a new employee requirement. She added that they are closely tracking the regulations on Generative AI. She noted that computer power does consume a lot of energy. Any major vendors state that the capabilities would be embedded in their software.

CHAIR SCHUTT thanked Ms. Nunno for a very informative presentation. He called a lunch break.

(Lunch break.)

CHAIR SCHUTT called the meeting back on record, and continued to the next item on the agenda, the real estate evaluation process presentation, by SITUS.

REAL ESTATE VALUATION PROCESS PRESENTATION

MR. VELKY stated that he serves as managing director and global head of their real estate valuation services team at SitusAMC. He has been with the firm for a little over 20 years. He earned his CFA, CRE, MAI designations and is an active member in a number of industry organizations, including NCREIF and DCRC, where he held several leadership positions, including recently completing a three-year leadership role in serving as the chair of the NCREIF Valuation Committee. A reoccurring theme throughout SitusAMC is an experienced facility and commitment to professional development and training. It is reflected well within the experts joining him. He introduced Andrew Sabatini who has his MAI, is a managing director and head of the equity valuation management business. He has 20 years of experience; six of which are with SitusAMC. He moved to Charles Gohr who has his MAI and EIGRS designation. He is a director with the firm and is the lead responsible for overseeing the day-to-day execution of the Alaska Permanent Fund account. Mr. Gohr has about 20 years of experience, with 16 at SitusAMC. He provided a brief overview of the firm, the firm's depth and expertise in providing valuation services and, specifically, how it is relevant in the day-to-day execution for the Alaska Permanent Fund. SitusAMC is a leading independent provider of technology, data analytics, and advisory services serving both the commercial and residential space. There are 30 offices across the world, including the U.S., Europe, and Asia, encompassing over 5,000 professionals and serving over 1500 different companies. Specific to their real estate valuation services group, today the Board will hear about the depth and experience of the team they have executing the work, and the typical continuity of execution of the dedicated team approach taken in serving their clients. They will also talk about the access to realtime data as a result of their platform, serving in a similar role for over $500 billion in quarterly financial reporting in private commercial real estate. He provided an understanding of the team construct. It is similar to how they approach all of their large, dedicated client service offerings, and sets them apart in terms of their execution model. They are highly active in providing guidance to their teams, providing insight to what is being seen in realtime across the market, and connectivity across clients to ensure that continuity of execution. He stated appreciation for the confidence provided to them in executing their quarterly fair value reporting process on behalf of the Alaska Permanent Fund. He recognized Charles Gohr.

MR. GOHR gave an overview of the services provided and the technology used to provide those services. They are ultimately responsible for managing the entire quarterly valuation process from beginning to end. He continued that that starts well before the quarter begins. They identify the appraisers believed to be up to the job, and they send out bids. After making their recommendations as to who is the most qualified, they engage those appraisers and begin the process of giving them all of the information needed by gathering property information from your assets and property managers. Upon receipt of those appraisals, they review them in conjunction with the APFC mangers for accuracy, and to ensure they are mirroring the market at that point in time. All questions, comments, and files presented to the appraiser are stored online, and there is always an audit trail of what occurred. He added that they also own that process and have the final say as to what questions and comments could be sent to the appraiser. He stated that they are also tasked with providing fair values for all assets in the development stage. Once those valuations are complete, SitusAMC prepares a presentation that summarizes the value drivers and compares the portfolio with the broader commercial real estate population to provide an understanding of your performance.

MR. SABATINI took a few minutes to provide a market update, and the outlook as it relates to value. He shared some information on the trending of commercial real estate values through this most recent cycle. He showed reported capitalization rates, which are simply a calculation of a property’s net operating income divided by the property asset value; all else equal, as the market cap rate goes up, the property values were expected to decline. There had been upward pressure on these capitalization rates with the spike in the 10-year Treasury, which is now north of 4.5. He talked about multi-family and how that is working in its favor. In the long-term the supply-constrained nature of housing, in general, and the rising mortgage rates are impacting the single-family sector. He moved to office, which is the most challenged property type, with the full extent of value decline. It is about halfway realized due to the very limited transaction volume, which grays the gap between the transaction and the appraisal cap rates he mentioned. The last property type he talked about was retail. Most of the value erosion in retail came earlier in the initial quarters of the pandemic. Price discovery has been more transparent, and there is more cap rate conversion converging whereby the best assets are in the low 5 percent range. He then shared their total return forecast, which was developed in collaboration with the SitusAMC Insights Group. He noted that office will continue to be one of the drivers of downward performance in the coming quarter.

MR. GOHR explained that the slide highlighted the year-over-year value change by property type as of September 15, 2023. The overall same-store change during this period of time was about negative 12 percent. He continued that there was nothing alarming, based on all that was heard today; but across all of their client portfolios they had seen values decline, and the Fund is no different in that respect.

CHAIR SCHUTT thanked them for the overview and presentation. He stated that the next item on the agenda was investor advisor presentation, and recognized John Skjervem to talk about climate change and activism.

INVESTMENT ADVISOR COMMENTS

MR. SKJERVEM stated last year he had talked about divestment and the folly of divestment. He summarized that and extended the comments into net zero, which is the more recent phenomenon that is being dealt with. He called it Enterprise Alaska, and is something for the trustees to think about as Alaska confronts a unique challenge on the fiscal side should the decarbonization efforts of the world prove successful. He continued that the challenge now is on the other side of the spectrum with pretty extreme reactions, proposals that are worse than a waste of time, but taking us down completely fruitless paths. That is where he has been focusing his energy, and he is trying to cull that stuff out. He has been involved with SASB, Sustainability Accounting Standards Boards, for going on his tenth year. He has seen and lived through the transition from the denying to the extremism on the other side. The recap on divestment is a complete fool’s errand, and will not work. It is harmful in terms of the damage it does to pension funds, and the obligations to its beneficiaries. It precludes engagement opportunities. When executed, it transfers shares to less responsible shareholders. He added that, ultimately, if it does work, it will just be a transfer of the costs to those members of society that can least afford to bear them. He continued to net zero because as the folly of divestment is revealed, many organizations and activists are pivoting to what he called net zero initiatives. That while well-intended, and in many cases using sustainability frameworks, which is a good thing, we are losing sight of the fact that these initiatives are a waste of time relative to the objective of decarbonizing the economy. SASB has developed an accounting framework to get after externalities. He is very proud of the evolution of that important effort, and he even had the SASB founder, Dr. Jean Rogers, present to the Utah Retirement System Board Retreat last week to try to establish his bonafides in the area; but he is very concerned that all of the attention on net zero is disguising the fact that it will not help solve the problem. What frustrated him is that it does not matter what we do because 5.2 billion people are doing everything they can to climb the ladder. He added that he strongly supports sustainability frameworks, and he thinks they can evolve and develop simultaneously, but it cannot happen overnight. It continues to be frustrating. He encourages people to spend a little more time and get their heads around the enormity and complexity of this problem, and that it defies any type of simple soundbite or solution. He stated that he does not think that anyone will change or compromise their lifestyle. He does not think that any country will compromise their ascension to economic development. He continued that this is a technology problem, and the only way out of it is to innovate. He is hopeful that the United States will take a leadership role, because it will clearly not happen anywhere else.

TRUSTEE CRUM thanked Mr. Skjervem for the presentation. It is important to keep this in the public discourse. It is an honest look and an honest conversation about where the world is, what it means for the United States. It is one thing for developed countries, and it is another thing for all the other emerging markets, the population scale, and their striving to actually climb into the middle class. He is glad that our primary focus is maximizing risk-adjusted returns.

CHAIR SCHUTT called a break so the Board of Trustees could take their annual group photo.

(Break.)

CHAIR SCHUTT stated that they were back on the record and that the next item on the agenda was the Strategic Plan Discussion and Update.

STRATEGIC PLAN DISCUSSION/UPDATE

MR. DEE stated that he is their Strategic Plan facilitator. He continued that there is a longstanding working group that has been working very diligently, and endeavors to present a series of recommendations of themes and so forth. He added that the goal is to have the Board hear these themes, give feedback, and see how far they can be finalized so the next steps could be taken. He stated that CEO Mitchell will present the themes, and then we will look at some levers, especially towards increasing the growth of the Permanent Fund.

CEO MITCHELL stated that the presentation related to the past $200 billion, and some of the levers were not necessary as incorporated, because it was in the prior version. It was still an underlying theme, and it is important to talk about. He continued that his main goal is to get the Board's pulse as a group on the direction of the thought process that the volunteer group has been going through. He added that everything has been refined to this increased real growth of the Permanent Fund as the primary goal of the organization moving forward. Beneath that is a series of potential alternatives. The first was a strategy to achieve increased return above the 5 percent plus CPI current target. That involves the consideration of some organizational needs that may include offices outside the state or internationally. This process is working towards an October 30th final product target date. The B idea is to adjust the inflow/outflow, which is not currently something that is necessarily within the confines of the mandate of the Board. The next thing on the list is reducing reliance on third-party advisors.

MR. WALDROP was asked to discuss the plan that he developed for making incremental change within the asset class. He continued that the biggest backdrop was having very good performance. They thought through understanding the mechanics of the contracts and the way different advisors are used. He continued that a lot of this is figured out and started with private equity. We will also look at other asset classes. He added that his team was doing it, leveraging any external expertise that might be needed because of the industry or the structure. It will be done by our team. Those are typically done on a no-fee/no-carry basis.

CEO MITCHELL stated that the next item on the list was D: Pursue legislative change to improve corporate functionality. This is prioritized or needs prioritization from the Board because there has been discussion that there are only so many levers that may be pulled at any given time. He noted that it warranted discussion.

TRUSTEE RICHARDS suggested not pursing an exception from the Open Meetings Act, which serves a laudable purpose and is how the State Government functions.

CHAIR SCHUTT tended to agree with that. He noted that it would come with trades that would be equally burdensome.

TRUSTEE BRUNE disagreed. He thought that for final decisions public engagement and input is important. But four of the trustees could not have a discussion at any given time on something that was not part of a public meeting. He is not proposing that decisions be made behind closed doors. He is asking for the opportunity to have off-the-record discussions, not to make decisions, but to discuss things that are in the best interest of the future of the state and the funding of the state and the impact of this on their ability to have candid discussions. This is significant.

MR. DEE asked if working “to create a vehicle for more informal discussions” would be more amenable.

TRUSTEE BRUNE agreed if they were able to actually do that.

CEO MITCHELL moved to Trustee Paper No. 10 and identifying ways of communicating the need to consider change with the current structure they had. He continued that was the list, and if there are other things trustees are interested in adding to the list, to let him know and he will bring it forward with the volunteer group.

CIO FRAMPTON summarized and shared Kevin’s slides. He answered questions as he went through the presentation.

MR. VADAKUMCHERRY continued and focused on the leverage aspect. He stated that it is important to resume Fund leverage, meaning close to the corporation, and the reason that is assumed is that there is a cost of leverage impact. If it is at the Fund level, it will be lower than it is if it is at the real estate level. He continued that it is super important that there is a long-term plan because it should be getting to a leverage situation when rates are at this level.

CEO MITCHELL stated, based on the comments, that they would be adding a shared folder for all of the board members to talk about what the working group is doing so it could be seen on an ongoing basis. He continued that there will be a revision of the particular theme sheet that will be taking it further all the way to October 30th to present a finalized plan for approval.

CHAIR SCHUTT asked for any questions or comments on the subject. There being none, he moved to investment advisor comments.

INVESTMENT ADVISOR COMMENTS

MR. SKJERVEM talked about the private equity model and would endorse what was referred to as the hybrid approach that had been presented because it achieved the objectives: one for the staff in that it allows Marcus and Allen to optimize sourcing due diligence, underwriting, as the capabilities of that group evolved and the hope that it evolves in a positive way. The challenge is that hybrid model, especially if someone were to ask or press for additional detail. He added that it accomplished two objectives, and that is why he is adamant in his support for it.

MR. HARRIS stated that since it was his first time here, he thanked all for the warm welcome. He continued that Alaska is the most sensitive state in the country to the things that are being discussed. There is no other fund where it is the largest enterprise in their state; no other fund that gives money directly to its citizens. And so, we are dealing with an important issue that is very complex. He praised their dedication. He stated that what he did not see on the priorities is total alignment between the Board, yourselves, and the Legislature. He continued that until they have total alignment, they will just continue struggling with this over and over again. Spending time on reaching total alignment, you will find that, in the years to come, it will just smooth out things for everybody.

CHAIR SCHUTT thanked him and stated appreciation for the insights, and some comfort that you-all see some of the things that we have going are working, and that some of the Board discussions are leading to decisions. We will carry on and lean on you for insight along the way. He also thanked them both for coming to Anchorage this time, and he looked forward to seeing them next time. He stated that the next item was election of corporate officers, which is done at this meeting every year.

ELECTION OF CORPORATE OFFICERS AND APPOINTMENT OF COMMITTEE ASSIGNMENTS

> **MOTION:** <u>TRUSTEE CRUM made a motion that Trustee Schutt be named as Chair and that Trustee Rubenstein be named as Vice Chair; seconded by TRUSTEE BRUNE.</u>

CHAIR SCHUTT asked for any other nominations for the officers.

> **MOTION:** <u>TRUSTEE BRUNE made a motion to close the nominations</u>.

CHAIR SCHUTT asked for any objections to closing the nominations. There being none, he asked for a roll-call vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Rubenstein, yes; Trustee Anderson, yes; Trustee Crum, yes; Trustee Brune, yes; Trustee Richards, yes; Chair Schutt, yes.)

CHAIR SCHUTT stated that he would confer with fellow trustees about appointments to standing committees and would announce those in the interim or at the next meeting. Trustee Rubenstein is the vice chair and also the chair of governance. That part is set. He continued that he would poll the others about interest in the remaining positions. He added that the calendar needed to be adopted. Being considered are changing the '24 calendar to accommodate a couple of conflicts, and we need to have the '25 calendar that needs to be acted upon.

A discussion ensued on the calendar and the meeting in a Village.

CHAIR SCHUTT stated that the meeting dates for 2024 were set. He asked for a motion.

MOTION: <u>A motion to approve the '24-'25 calendars, as adjusted, was made by TRUSTEE BRUNE; seconded by TRUSTEE ANDERSON.</u>

After the roll-call vote, the MOTION was APPROVED. (Trustee Anderson, yes; Trustee Rubenstein, yes; Trustee Crum, yes; Trustee Brune, yes; Trustee Richards, absent; Chair Schutt, yes.)

TRUSTEE COMMENTS

TRUSTEE CRUM stated appreciation for all the Board engagement and discussion. He actually enjoyed the engagement and time with the investment advisors, as well as the staff. It was a very productive meeting, and we are able to discuss big, important items throughout. A healthy discussion is always good, and the overall mood and tenor is very good. He thanked all for the participation.

TRUSTEE ANDERSON agreed and really appreciated everyone's help and patience. He also appreciated the orientation and everything from the staff over the past few weeks. It was very helpful. He stated that it is really impressive the way the corporation works, and how it is set up, and everyone on it. He was really grateful to be here, and thanked all for the work that everyone is doing.

TRUSTEE BRUNE congratulated Trustee Schutt for his subsequent chairmanship and thanked him for his previous service. He congratulated Trustee Rubenstein on becoming vice chair. He also thanked Steve Rieger for his service as previous vice chair. He was his mentor in this role, and he did a great job. Alaskans owe him a debt of gratitude. He thanked the staff for all the preparations. He thanked John and Britt, and welcomed Britt aboard. And to the advisors that spoke to us, a very informative and impressive discussion, thank you. Kudos to all the staff. He thanked Jennifer for all the work she put in.

TRUSTEE RUBENSTEIN thanked her fellow trustees and stated that it was truly an honor to work with all of them. She learned a lot from each and every one of them. She gave a shoutout to Deven and stated that he has really risen to the occasion. It is really cool to watch him in this role. It is not an easy Board to navigate, and he has done a really good job of figuring out the different personalities. She thanked the advisors and thanked the trustees for allowing her to step into the vice chair role; a position that she does not take lightly. She thanked Chair Schutt and stated that it is an honor to serve under him, and onward into another working group that would translate with ChatGPT.

CHAIR SCHUTT personally reiterated the thanks he has to his fellow trustees for their confidence in him to spend another year as chair. He takes the job seriously, and he really wants to foster and maintain a good relationship with everybody. He has the utmost respect for the intentions in the efforts for the Board. Staff did a wonderful job, and we can get to the point where they could be taken for granted. He wanted them to know that he did not. They do it with the utmost professionalism, and the results show. For his fellow Alaskans at this annual meeting, we all sit here and do our work on behalf of all Alaskans; not just Alaskans today, but Alaskans 10 years or 30 years from now. We take it as both a burden and a privilege to sit here and do that. Again, thank you all. He noted that they had come to the end of the agenda.

> **MOTION:** <u>TRUSTEE BRUNE made a motion to adjourn the meeting; seconded by TRUSTEE CRUM.</u>
>
> *There being no objection, the MOTION was APPROVED.*

(Alaska Permanent Fund Corporation Annual Board of Trustees meeting adjourned at 4:11 p.m.)

ALASKA PERMANENT FUND CORPORATION
BOARD OF TRUSTEES MEETING
WEBEX/TELECONFERENCE

October 30, 2023
8:30 a.m.

Originating at:
Michael J. Burns Building
David Rose Board Room (3rd Floor)
801 West 10th Street
Juneau, Alaska 99801

Trustees Present:

Ethan Schutt, Chair	Ellie Rubenstein	Ryan Anderson
Craig Richards	Jason Brune	Adam Crum

APFC Staff Present:

Deven Mitchell, CEO	Marcus Frampton, CIO	Chris LaVallee
Val Mertz, CFO	Sebastian Vadakumcherry	Colton Scrudder
Ross Alexander	Lara Pollock	Eric Ritchie
Tim Andreyka	Paulyn Swanson	Jacki Mallinger
Juliette Alldredge	Chris Poag	Joe Shinn
Allen Waldrop	Lara Pollock	Julia Mesdag
Jennifer Loesch	Andrew Gallagher	Logan Rahn
Brittney Ortega	Catherine Hatch	Mike Gumz
Chirag Shah	Jedediah Smith	Rachel Price
Cody Graves	Masha Skuratovskaya	Tom O'Day
Edward Rime	Sang Won Song	Sarah Struble
Fawad Razzaque	Shawn Calhoon	Tara Mendoza
James Wilkey	Alexander Smith	Jim Parise
Jessica Thornsburry	Jordyn Elie	Larissa Murray
Luke Kirkham	Michael Prebeg	Norix Mangual
Rafa Ramirez	Sarah Clark	Scott Balovich
Steve Adams	Terek Rutherford	Valeria Martinez
Youlian Ninkov		

Callan:

Greg Allen	Steve Center	

Investment Advisors:

John Skjervem	Britt Harris	George Zinn

Others Present:

Laurie Berg	Alexei Painter	Kevin Dee
Mark Sabbatini	James Brooks	AE
Adam Ct	Akin Greville	Alex D’Agostino
Alex Meyer	Amory Lelake	Asher Joseph

Barbara Haney	Ben Hofmeister	Bill Milks
Cathy Schlingheyde	Conor Bell	Cynthia Cartledge
Debbie Carter	Deborah Brollini	Donna Arduin
Edra Morledge	Evan Anderson	Gina Romero
Gregg Gethard	Hannah Zhang	Hunter Meachum
Jonathan Jenkins	James Sexton	Jeff Stepp
John Springsteen	John Walsh	Jordan Shilling
Julie Coulombe	Justin Horner	Justin Mitchell
Justin Ruffridge	Kathryn Kindt	Ken Alper
Kim Mazzolini	Laib Allensworth	Louie Flora
Lillie Haggard	Matthew Benson	Michael Bloom
Michael McHargue	Michel Hanigan	Miranda Worl
Cerwynne Sajorda	Pete Ecklund	Rob Carpenter
Rollan Trowbridge	Ryan Binder	Sara Race
Sean Mills	Steve Moseley	Tristan Walsh
William Theuer	John Kevin Balaod	Alicia McElhaney
Shelia Cassidy	Bruce Botelho	Cody Rice
Ed Marin Jr	Hugh Short	Jesse Sumner
Kayc Ullrich		

PROCEEDINGS

CALL TO ORDER
CHAIR SCHUTT called the meeting to order and asked for a roll call.

MS. LOESCH called the roll and stated that there was a quorum.

APPROVAL OF AGENDA
CHAIR SCHUTT asked for any additions or objections to the agenda. Hearing none, he adopted the agenda.

SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION
CHAIR SCHUTT continued to the scheduled appearances and public participation. He recognized Rolland Trowbridge.

MR. TROWBRIDGE expressed gratitude for being included and conveyed disappointment in the board's reluctance to entertain public comments after meetings. He argued that as a public fund, it was essential to be open to public input regardless of the time it takes. The speaker noted the frustration with participants at borough meetings being ill-informed due to lack of information. He acknowledged the board's engagement with financial firms for fund management but emphasized the firms' inability to gauge public sentiment. As a trustee, the board was urged to consider the public's desires, even if it meant limitations in fund growth. He believed that striving for more than a 5% increase above the Consumer Price Index could lead to increased volatility, expressing a preference for stability over rapid growth. Despite understanding the board's desire to maximize funds, the speaker underscored the importance of accountability to the public. He questioned the current fund performance and whether the chosen direction was prudent. Despite acknowledging the board's potential ability to employ strategies like hedging and market timing, he emphasized the public's preference for a rock-solid and reliable fund, which, in the speaker's view, had not been achieved. The speaker concluded by expressing anticipation for future discussions and the hope for more transparency in the board's deliberations.

CHAIR SCHUTT thanked Mr. Trowbridge.

CHAIR SCHUTT recognized William Theuer.

MR. THEUER greeted the board, introducing himself as a longtime resident of Alaska living in Anchorage. He mentioned sending an email to Ms. Loesch the previous day, requesting its circulation as a relevant suggestion concerning outside facilities and a communications plan. He expressed a desire for feedback on the email, either through comments or a call. Despite not specifying whether the email had been reviewed, he thanked the participants for permitting his involvement and expressed anticipation for the ongoing dialogue.

CHAIR SCHUTT thanked Mr. Theuer, and confirmed that the mentioned email was circulated and recalled reading it the previous night. He assured that the email was duly noted and would be included in the collection of suggestions for consideration as they deliberated on various policy issues. He then inquired about additional comments from fellow trustees, noting the absence of anyone else online.

Before delving into the meeting's agenda, CHAIR SCHUTT took a moment to set the tone. Acknowledging the heightened public interest and feedback generated by recent agenda items, the trustee highlighted the significance of the Permanent Fund and its role in preserving wealth for future generations. He emphasized the trustees' commitment to ensuring the fund's health and the constitutional duty to safeguard its corpus and principle. Despite anticipating vigorous debate and acknowledging suggestions that had stirred public sentiment, he expressed confidence in the trustees' good faith efforts. He encouraged fellow trustees to express their opinions with decorum and politeness, emphasizing their collective mission to advocate for the fund's well-being.

TRUSTEE RICHARDS contributed to the discussion, adding that, in response to articles read, it was important to contextualize the ongoing process as a strategic planning exercise. Emphasizing the nature of the exercise as a brainstorming session, the trustee clarified that the ideas presented had not been pre-vetted or universally agreed upon. Drawing on past experience as the only trustee present for the last strategic planning exercise, he highlighted the informality of the process while noting the weightiness of the ideas considered in that context. Acknowledging the constraints of being a public fund, the trustee explained the necessity of conducting such dialogues openly rather than in private settings. he underscored that the public dialogue was a practical way to address significant ideas and determine their viability. He concluded by expressing hope that listeners understood the brainstorming nature of the exercise and its place in the ongoing process of creating a strategic plan.

TRUSTEE RUBENSTEIN contributed to the discussion, noting that it was their first experience with a strategic planning exercise. Addressing the public comments and media attention, the trustee expressed gratitude for the engagement but also emphasized that all proceedings had adhered to the Open Meetings Act. She highlighted the unusual practice of publishing brainstorming sessions, acknowledging the attention it garnered and requesting respect during the public deliberation phase. She explained the constraints imposed by the Open Meetings Act, noting that some board members had only recently seen the presented ideas due to the act's limitations on working group meetings. She appreciated the diverse engagement from people across various backgrounds, comparing it to a previous level of engagement observed in a state program, deeming the current situation arguably more important. Addressing concerns about the timing of the strategic plan, she clarified that it was not rushed. The decision to revisit the plan was influenced by the hiring of a new CEO, and the board felt it was unfair for the CEO to be held accountable for an old strategic plan. Additionally, adjustments needed to align with the current budget cycle, prompting the need for completion before a December board meeting. She clarified that the intention was not to rush but to address these practical considerations.

TRUSTEE BRUNE expressed gratitude and echoed previous comments. He found it disappointing that, despite media and blogger attention, only two people testified that day. While appreciating the comments from Mr. Trowbridge and Mr. Theuer, he expressed a desire to hear more from the public, having actively reached out on social media, email, and phone to facilitate communication. The trustee acknowledged the statement from former AG and Trustee Botelho, emphasizing the board's encouragement of public dialogue and engagement. Despite the limited public turnout, he affirmed the board's responsibility to act if necessary. However, the trustee reiterated the board's genuine desire to hear public input on the presented concepts and expressed thanks to everyone involved.

CHAIR SCHUTT thanked everyone and he moved on to the introduction of the strategic plan, and recognized Kevin Dee of KMD Services and Consulting.

INTRODUCTION TO STRATEGIC PLAN

MR. DEE mentioned a working group dedicated to refining the strategic plan goals and objectives of the Permanent Fund Corporation, a Sovereign Wealth Fund approaching its 25th anniversary. He emphasized the success of the fund in recent years and the need to plan for the next 50 years. The planning process, led by trustees, involved setting goals that were specific, measurable, achievable, results-oriented, and time-bound (SMART). Trustees were urged to assess goals in terms of costs, risks, and opportunities. The focus was on evaluating the rate of return and managing asset classes, with a collaborative approach involving input from various stakeholders. He looked forward to the debate and discussion on the proposed goals in the meeting.

CEO MITCHELL acknowledged Mr. Dee's comprehensive description of the process, stating he had no additional inputs. He highlighted the collaboration with four of the six trustees in the Strategic Planning Working Group. The group worked to align their efforts based on feedback from trustees unable to attend all sessions. He noted that the packet included various items related to the goal of becoming a world-class, endowment-style sovereign wealth investor or investment firm. Additionally, there was a recent discussion about reaching a $100 billion valuation for the Permanent Fund. He found the interaction with the board's subsector interesting and looked forward to the broader discussions with the entire board.

CHAIR SCHUTT invited comments from senior staff, trustees, and advisors online. Emphasized that Trustees are looking for feedback.

TRUSTEE RICHARDS asked about adopting a mission statement or determining the title for it, seeking clarification on whether this idea was still in consideration.

CEO MITCHELL responded, noting that the concept was still incorporated into the version of the strategic plan found later in the packet with overarching statements. He acknowledged that there may have been a lapse in emphasizing historical concepts related to mission, vision, and values. He suggested that the concept could easily be reintroduced into the document, emphasizing that the plan was a work in progress.

TRUSTEE RICHARDS expressed approval, stating that he liked the idea.

ACHIEVE INCREASED RETURN ABOVE CPI +5%

CIO FRAMPTON discussed the goal of reaching a $100 billion fund value, which had been a major focus of strategic plan working group meetings. This goal implied a specific rate of return over a certain time period, which was quantified in the following pages. The rate of return was determined by a board decision and was implemented through the Investment Policy Statement. In the past, the rate had shifted from CPI plus three to CPI plus five. To achieve the $100 billion value goal, the board might have needed to adjust the return objective. The current portfolio's forecasted return was 7.2%, and based on this, the goal could have been reached in nine years. Alternatively, if the fund had continued to grow at the recent rate of 7.9%, it could have been achieved in seven years, and at 9.3% growth, it could have been reached in five years.

TRUSTEE BRUNE expressed a desire for clarification regarding a statement in a memo related to private equity strategy. The memo stated that staff believes certain improvements could be made in private equity returns. He asserted the importance of hearing recommendations from the staff and expressed the significance of the statement "staff believes" in influencing decision-making. He further clarified that the question applied to both the broader rate of return for fund AUM and private equity, with a focus on understanding the recommendations of the experts.

TRUSTEE RUBENSTEIN suggested that it would have been more helpful to hear the opinions of specific staff members, such as the CIO, the head of private equity, and the head of risk, as they might have had differing views.

TRUSTEE RICHARDS voiced frustration with the formal strategic planning process, expressing a preference for a more open and informal discussion like the previous session. They voiced the importance of staff members feeling free to express their opinions and that their input was solicited and welcomed.

CIO FRAMPTON explained that the $100 billion goal was introduced early on and that his role was to analyze and provide strategies to achieve it within a certain timeframe, although the exact timeline hadn't been decided. He pointed out that to reach a 9.3% return for this goal, strategies involving an aggressive shift in asset allocation and the use of leverage would have been necessary. He mentioned that he didn't personally set the return objective but had expressed his opinions on various asset classes and their attractiveness in previous board meetings. He drew a distinction between his analysis of how to achieve the goal if given that target and the board's decision on what return to target.

TRUSTEE RICHARDS conveyed his view on how market performance over the years could significantly impact the fund's growth, making it difficult to precisely control the timeline to reach a target like $100 billion, to which CIO FRAMPTON agreed. SEBASTIAN VADKUMCHERRY first clarified that the point.

TRUSTEE BRUNE highlighted in the memo pertained specifically to private equity, not the overall goal of reaching $100 billion. Then, he highlighted the importance of conducting numerical analyses and risk assessments, even though it might have seemed futile at times. He further explained that these exercises provided insights into past market behavior and helped inform decisions for the fund's future. He added that the role of trustees was to reduce the reliance on luck by implementing diversification strategies to weather market ups and downs effectively. He emphasized the importance of intelligence and forward-thinking to anticipate market movements and make informed decisions to achieve the fund's goals, with which Mr. Vadakumcherry concurred.

CONSIDERATION OF LEVERAGE

ASSET ALLOCATION ADJUSTMENTS

EXECUTION WITHIN PRIVATE MARKETS

CIO FRAMPTON discussed the three key strategies to achieve the fund's goals. First, they considered asset allocation, using Callan's capital market forecast, which suggested a potential shift from 20% fixed income to 10% fixed income and a corresponding increase in private equity. This shift could have added around 40 basis points to the return. Second, they explored leveraging the fund, estimating that introducing 25% leverage could have increased forecasted returns by about 75%. They referenced the Canada Public Pension Fund Investment Board, which already employed a similar level of leverage.

TRUSTEE RICHARDS raised concerns about the significant level of leverage and its costs. Additionally, they discussed the potential for issuing leverage, with CIO FRAMPTON suggesting they could have done so at around 100 basis points over treasuries, citing the need to investigate this avenue further.

TRUSTEE RUBENSTEIN raised a question about the approach taken by corporations, especially Canadian funds, in issuing leverage. She inquired whether these corporations instantly reached 25% leverage or if it was a gradual process.

MR. VADAKUMCHERRY responded, mentioning that most peers, including Canadian funds, began leveraging their funds post the Global Financial Crisis (GFC), which occurred around ten years ago. He added, they typically used short-term financing when starting with low leverage, usually under 10%; and that CPPIB (Canada Pension Plan Investment Board) in particular, used a more complex structure, employing medium-term financing and a variety of tools like repos and commercial paper issuance. He clarified that these organizations likely didn't reach a full 25% leverage all at once, and the extent of leverage depended on factors like the cost of funds and asset valuations.

TRUSTEE CRUM emphasized the importance of leveraging as a potential tool for the fund's management. He highlighted that this tool should be used strategically when the markets and financial conditions are right. He underscored that gaining permission to use leverage didn't imply immediate action and that it was a valuable tool to have in the investment toolkit.

MR. VADAKUMCHERRY responded, acknowledging the need for various tools but also explaining the distinction between internal capacity and fund-level requests for leverage. He pointed out that, while they may have had some tools readily available for short-term leverage, they would have required specific permission for fund-level leveraging.

CIO FRAMPTON added that they might not have always agreed on the specifics, with Mr. Vadakumcherry preferring shorter-term lending arrangements while he was more inclined towards longer-term leverage. He mentioned the preference for leverage that did not lead to recourse to the fund, although current state law prohibited such an approach.

TRUSTEE SCHUTT expressed discomfort with the idea of 25% leverage, noting the substantial amount of debt that it represented, which would have required legislative permission. He stressed the need for credibility when requesting such authority. He also suggested that the timing of discussing balance sheet leverage was unfavorable, given the current financial climate.

TRUSTEE RUBENSTEIN responded to these points by clarifying that they weren't requesting a full 25% leverage, and that their primary goal was to equip the staff with necessary tools, especially if market conditions changed. She emphasized that predicting interest rate movements was highly uncertain, and the fund should have these tools available for the future.

TRUSTEE BRUNE acknowledged the importance of viewing leverage as a tool that could be made available to the staff without mandating its immediate use. He expressed the need for clarification on what could be achieved through a rate change versus a statute change. He wanted to differentiate between actions that required rate adjustments, allowing for public comments, and actions that necessitated legislative changes.

MR. VADAKUMCHERRY responded and noted that the discussion went through some of the risks associated with leverage, including those raised by the trustees. They also provided details on what was currently permitted under the existing investment policy and what would have required further approvals.

TRUSTEE RICHARDS expressed his agreement.

TRUSTEE ANDERSON emphasized the importance of addressing the distinction between risks within the board's control and those that required legislative or constitutional changes. He believed that this distinction was crucial and hoped for more clarity on these aspects as they progressed through the discussion.

TRUSTEE RICHARDS expressed concern about the strategic plan draft proposal, particularly in the area of excellence and execution. He believed that the plan lacked a clear focus on how to improve alpha and execution. He also reflected on the previous strategic plan, which had individual asset classes developing their own plans, but it wasn't effectively implemented.

TRUSTEE RUBENSTEIN acknowledged the hard work put into the plan, especially in non-asset allocation areas. She mentioned that it didn't need to be voted on immediately but should receive feedback for further refinement.

TRUSTEE RICHARDS emphasized the importance of having a long-term vision for each asset class, which could help with decision-making and resource allocation. He believed that the previous plan lacked such a vision.

The conversation shifted to discussions about risk analysis and the three levers: asset allocation, leverage, and derivatives. Various risks associated with these levers were highlighted, including operational risk, liquidity risk, and culture alignment when there were dispersed offices in different locations.

MR. VADAKUMCHERRY provided detailed insights into the risks associated with leverage, emphasizing that while it could amplify returns, it also magnified the downside and came with liquidity and operational risks. He distinguished between leverage at the fund level and leverage at the sub-asset class level. The discussion underscored the importance of considering these risks and the need for a clear long-term vision for asset classes when developing the strategic plan.

TRUSTEE RICHARDS challenged the staff to explore leverage options more comprehensively, beyond statutory changes and large bond issuances. He encouraged the team to continuously evaluate when leverage might be suitable and to make use of the tools they already possessed.

MR. VADAKUMCHERRY clarified that they had existing agreements in place but hadn't actively used them for collateral reporting.

TRUSTEE RUBENSTEIN sought clarification on whether legislative changes were required for this.

TRUSTEE RICHARDS emphasized the importance of being prepared to seize opportunities, particularly when interest rates or other conditions made leveraging more appealing.

MR. VADAKUMCHERRY discussed risks, focusing on liquidity risk and the complexity of liability management.

TRUSTEE BRUNE asked for clarification regarding the "legal risk" mentioned in operational risk. MR. VADAKUMCHERRY explained that the legal risk pertained to complex agreements, such as those during the 2008 financial crisis, where disputes over contract interpretations and unanticipated events led to legal challenges.

TRUSTEE BRUNE expressed his preference for the term "unanticipated events" over "legal risk."

The conversation continued with further clarification about legal risks related to leverage and the importance of legal documents in such cases.

MR. VADAKUMCHERRY highlighted the role of margining processes and unanticipated events in legal risks, emphasizing that the unknown aspects were typically the legal ones that could lead to complications. He presented the numerical analysis of the impact of leverage on a hypothetical 80-20 equity-bond portfolio using real returns from the last 40 years. The analysis was conducted both on an unlevered and levered basis, with a 20% level of leverage. He then discussed the results for different time horizons. During a 23-year period from 2000 to 2022, the unlevered portfolio outperformed the levered portfolio, with annualized returns of 4.5% for the unlevered portfolio and 4.4% for the levered portfolio. In a snapshot of the 2006-2010 period (including the Global Financial Crisis), the difference between the unlevered and levered portfolios was more pronounced, with a cumulative return of 9% for the unlevered portfolio and 4% for the levered portfolio. However, in a 43-year period from 1980 to 2022, the levered portfolio outperformed the unlevered one. He emphasized that leveraging might not always provide superior returns and that the long-term commitment to leverage is essential.

TRUSTEE RUBENSTEIN applauded the idea of using leverage as a long-term tool to maximize returns and manage an illiquid asset class.

TRUSTEE RICHARDS noted that having the discipline to deploy leverage at the right time was crucial.

CEO MITCHELL provided insights based on his experience with pension obligation bonds, where the authorization amount was driven by the unfunded liability, aligning the use of leverage with performance expectations.

GREG ALLEN and BRITT HARRIS added their thoughts to the discussion.

MR. VADAKUMCHERRY also presented a comparison of the CalPERS performance with six other large funds that had used leverage. CalPERS had consistently ranked 2nd or 3rd in the one-year, three-year, five-year, and ten-year performance, outperforming many leveraged funds. While CPPIB (Canada Pension Plan Investment Board) had the best drawdown during the 2008-2009 crisis, their asset allocation differed significantly from today. He concluded that asset allocation played a crucial role in returns, whether leverage was involved or not.

TRUSTEE BRUNE highlighted that the Canadian plan (CPPIB) achieved higher returns despite being the most leveraged, indicating that leveraging could be beneficial. He acknowledged that the unique market environment may have contributed to this, but the results spoke for themselves. Other trustees commented on the factors influencing CPPIB's performance, such as their sophisticated approach, stable cash flow, and massive internal private equity group.

MR. VADAKUMCHERRY emphasized the importance of considering different time periods when assessing the impact of leverage. The choice of assets to be leveraged, the consistency of annual returns, and the suitability of the leverage strategy were crucial factors to consider. In conclusion, the discussion reflected the complexity of leveraging and the need for careful consideration, sophistication, and alignment with the fund's unique circumstances and long-term goals.

TRUSTEE BRUNE posed a direct question regarding the staff's recommendation on whether to pursue leverage as a tool for the fund. He emphasized the idea that having the tool didn't mean they had to use it, but it was valuable to have it available, especially in the context of achieving a significant growth goal for the fund. He mentioned a prior discussion about leverage as a potential means to achieve that goal and sought clarification on whether it was worth pursuing this option with the legislature. This question put the staff on the spot to provide a recommendation based on the information and discussion presented.

CIO FRAMPTON emphasized that leverage should be considered a must-have tool if the fund targeted a return higher than CPI +5%, and it was a nice-to-have tool if the return target was at CPI +5%.

MR. VADAKUMCHERRY expressed that they had some tools already, and whether to add more leverage should be a deliberate decision.

CEO MITCHELL discussed the importance of using the most effective and efficient type of debt and mentioned the need for clarity and definition in the statutory framework. He also suggested considering a conservative approach and defining a limit on acceptable leverage levels. This part of the discussion highlighted the considerations and nuances involved in making a decision about leverage as a tool for the fund.

TRUSTEE RICHARDS emphasizes the importance of addressing this question before delving deeper into asset allocation and leverage discussions, as the decision will significantly impact the direction the fund takes. Other trustees also express their views, with some suggesting they are not comfortable with the idea of moving to CPI +7% in the context of seeking a $100 billion fund. The consensus and opinions of the trustees will play a crucial role in determining the fund's future path.

MR. HARRIS, an external advisor, expressed his thoughts on the proposed CPI +7% target return. He highlighted that the assumed return was significantly higher than historical data and current market forecasts. He emphasized that the current era represented a shift from the past 40 years and entered a period of higher inflation expectations. Additionally, he noted that leveraging a portfolio at the required level for a CPI +7% return would be challenging and risky. Instead, he suggested having some flexibility for leverage at a lower level.

TRUSTEE RUBENSTEIN raised concerns about the proposal to increase the return target. She questioned the need for this change and highlighted that it had initially begun as a discussion about revisiting the return target, rather than immediately setting it to CPI +7. She, along with Trustee Richards, wanted to ensure that the right amount of risk was taken, as opposed to establishing a specific target, indicating a desire to deviate from the status quo of CPI +5.

CIO FRAMPTON stressed the need to quantify the desired level of risk. He conveyed that there was a growing desire among the trustees to take more risk but emphasized the importance of defining what that level of risk should be. He suggested exploring potential targets, such as 5.25 or 5.5, rather than making a significant leap to CPI +7. The conversation also delved into the performance of the private equity portfolio. He provided data on recent performance, and S. Schutt discussed the dynamics of different funds, including those written down and now in recovery.

MR. HARRIS, in response to Trustee Rubenstein's concerns, framed the discussion as an exploration of how much risk the fund should take and what the optimal level of risk might be. He pointed out that the $100 billion target should not dictate the risk level but rather the desired risk level should determine the path to achieving that target.

CIO FRAMPTON concurred with Mr. Harris, acknowledging that the trustees wanted to understand the appropriate level of risk to take and called for quantifying that level. He highlighted the need for a specific target, which might not necessarily be CPI +7, suggesting alternative targets like 5.25 or 5.5.

TRUSTEE RICHARDS expressed a desire to hear recommendations from advisors and staff, urging them to provide input on the optimal return target.

MR. ZINN offered his perspective that CPI +5 was too aggressive. He emphasized that the discussion should also consider the practical implementation of changes, such as the funding and staffing needed to manage increased risk. He expressed concerns about the ability to execute a strategy akin to a 25% leveraged fund.

CIO FRAMPTON expressed his support for leverage as a useful tool, particularly when aiming for returns higher than CPI +5.

In contrast, MR. ZINN emphasized the importance of considering how the staff could effectively implement leverage, suggesting that additional resources and training would be necessary for success.

MR. ALLEN provided data indicating that a CPI +7 return target would make the fund an outlier among institutional investors, with most median return targets being around CPI +4.6.

MR. HARRIS highlighted that the idea of targeting returns beyond CPI +5 had emerged due to the $100 billion target and stressed the significance of determining the optimal level of risk rather than focusing solely on a specific numerical goal.

TRUSTEE RICHARDS sought recommendations from advisors and staff regarding the return target, indicating that CPI +7 was a starting point, and other potential targets should be considered.

TRUSTEE RUBENSTEIN questioned the need to discuss an increase in the return target from the existing CPI + 5% and expressed the idea of considering more risk without necessarily setting the return target to CPI + 7%. She highlighted the importance of being able to adjust the target while emphasizing that it hadn't been a common practice during asset allocation discussions.

TRUSTEE RICHARDS echoed her sentiment, suggesting an alternative like CPI + 5.25%. The emphasis was on evaluating whether CPI + 5% was the right number and considering the optimal level of risk. The discussion revolved around how to take more risk effectively.

CIO FRAMPTON proposed the need to quantify the level of risk and questioned whether the portfolio should be built for CPI + 5 or 5.25.

MR. ZINN expressed concern about the practical implementation and the necessary resources and infrastructure needed for handling more risk. He suggested that it was essential to consider the resources available to the staff, given the potential need for more budgeting and resources to execute strategies effectively. NASRA and NACUBO studies were cited as reference points for return targets, with a median of around CPI + 4.6%, suggesting that going above CPI + 5% might be an outlier.

TRUSTEE RICHARDS expressed concerns about the potential impact on the ERA (Earnings Reserve Account) if the Permanent Fund decided to take on additional expenses associated with leveraging the portfolio. He sought clarification regarding whether this was an official ruling and its practical implications.

CIO FRAMPTON responded, mentioning that these expenses would indeed affect the ERA, given the shift toward a more aggressive allocation with fewer bond coupons.

CEO MITCHELL elaborated on the interest expenses that would be incurred due to leveraging, which would be deducted from the income, ultimately reducing the income and, consequently, the ERA balance. They discussed the financial impact of these decisions.

TRUSTEE BRUNE emphasized that fixed income investments were most valuable looking forward, considering their potential for future returns rather than dwelling on past performance.

CIO FRAMPTON concurred, highlighting the changed investment landscape due to a shift away from a decades-long equity bull market.

CFO MERTZ confirmed that any financing expenses would negatively impact statutory net income and the ERA balance, further emphasizing the financial consequences of leveraging.

MR. SKJERVEM showed support for having various tools available as a CIO. However, he distinguished between leveraging the portfolio and setting the return target, considering the latter as the primary concern. He voiced his discomfort with a return target higher than the existing CPI + 5%. He highlighted the changing market dynamics, pointing out the recent shift from a bond bull market to a different investment landscape with diminished equity risk premiums. He considered it tactically unfavorable to raise the return target under such conditions.

TRUSTEE RUBENSTEIN inquired about the staff's perspective regarding return objectives and whether there was an area or boundary they would recommend pushing to take on more risk.

CIO FRAMPTON expressed that he would likely leave the return objective at CPI +5 if he were in a trustee's position.

CEO MITCHELL echoed CIO Frampton's sentiment, asserting that maintaining CPI +5 would be his preference to avoid risk reduction in asset allocation.

MR. VADAKUMCHERRY noted that the process had been productive, pushing the staff to think outside the box. While he mentioned that he disagreed with CIO Frampton on some points, they were aligned in considering CPI +5 a relatively aggressive target in the current market context.

TRUSTEE RICHARDS established that risk is inherent in their role and that taking prudent risks was the objective, emphasizing the need for improvement in alpha without chasing risk. He advocated for maintaining the return target at CPI +5% and suggested that they could consider increasing leverage without chasing it, implying a more measured approach.

TRUSTEE RUBENSTEIN agreed with the idea of prudently taking on risk and highlighted the importance of alpha improvement. She commended Mr. Allen for the thorough examination of the private equity asset class and recommended applying a similar approach to other asset classes. She particularly reinforced the need to explore the use of leverage and suggested extending the approach seen in slide 28 to other asset classes. She concluded by stating her support for leverage.

CHAIR SCHUTT acknowledged the need to conclude the preliminary discussion on target returns and leverage before proceeding with the remaining content of the presentation.

TRUSTEE RUBENSTEIN clarified her stance, emphasizing her support for leverage and her opposition to raising the return target beyond CPI +5%. The discussion conveyed a consensus in favor of exploring leverage further.

TRUSTEE RICHARDS added another point to the discussion by highlighting the importance of the Permanent Fund Dividend (PMOD) draw in relation to expected returns and the need to secure the fund's growth for future generations. He presented a scenario where the PMOD draw was very close to expected returns, which limited the fund's long-term growth. He suggested that a potential solution was for the state to adopt a policy where it reduced the PMOD when oil prices were high, allowing the fund to grow more effectively over time. He asserted the importance of communicating this concept to policymakers and urged them to consider this approach to enhance long-term returns without taking on excessive risk. He continued to discuss the importance of the Permanent Fund Dividend (PMOD) draw and how it related to the fund's expected returns and long-term growth. He emphasized the need for a policy that allowed the state to retain more PMOD during times of surplus, which would contribute to the fund's growth. Other trustees shared their thoughts and concerns regarding this approach, with varying opinions on whether to recommend such a policy to the legislature. He and others acknowledged that the board's role was to provide input and recommendations to the legislature regarding the fund's management and growth. The trustees discussed the delicate balance between making recommendations and respecting the legislature's role in decision-making. The discussion concluded with a recognition that the board's recommendations had historically played a role in shaping policy decisions regarding the Permanent Fund.

MR. WALDROP, Director of Private Equity, discussed the then-current state of the private equity portfolio. Mr. Waldrop provided an overview of the portfolio's performance, liquidity, and recent activities, emphasizing the focus on managing investments more efficiently and in alignment with the budget. The presentation included details on the cash flow in private equity, recent investments, and the execution plan moving forward.

TRUSTEE BRUNE raised a question regarding the size of the commitments made by the Permanent Fund Corporation (APFC) and the private equity investment team.

MR. WALDROP explained that the size of commitments was related to the strategic diversification of the portfolio by year. APFC was responsible for making commitments, and their discretionary commitments were typically around $200 million. They sized the commitments in a way that allowed for a diversified portfolio over the years and balanced re-ups and new commitments.

TRUSTEE BRUNE found this approach reasonable.

TRUSTEE RICHARDS inquired about the hiring of new personnel and whether the location of the Anchorage office influenced their decision.

MR. WALDROP mentioned that the location had not been a factor in the hiring decision since the recruiting process was well underway before the Anchorage office was established. However, APFC offered candidates the option to choose between Juneau or Anchorage, and both candidates selected Anchorage.

TRUSTEE RUBENSTEIN asked if there had been an increase in applications now that incentives were introduced in the Anchorage office.

MR. WALDROP couldn't provide a definitive answer as the changes were implemented after he joined the team. However, he claimed that the recruitment process had initially been challenging, but they found two excellent candidates for the positions.

TRUSTEE RICHARDS inquired about the addition of an administrative support person mentioned in the presentation, which was previously labeled "zero admin."

MR. WALDROP clarified that the term "zero admin" was used to highlight that there was no dedicated administrative support at the time. However, in the future, as the team expanded to around ten people, it might make sense to have a dedicated administrative person to handle the increasing workload, representing a fraction of a full-time equivalent (FTE), rather than zero administrative support. The trustees discussed the details and plans for expanding the private equity team and acknowledged the need for additional administrative support as the team grew.

MR. WALDROP provided an overview of the APFC's use of third-party resources, which included both investment management agreements and consulting services. These third-party resources helped the APFC gain expertise, conduct market research, and assist with various aspects of managing the fund. However, as the in-house team grew and became more experienced, the APFC looked to reduce its reliance on third-party opinions for certain types of investments, particularly those involving repeat engagements with existing managers.

TRUSTEE RUBENSTEIN inquired about the "activity decline, no investments executed" bucket mentioned in the presentation.

MR. WALDROP clarified that this category represented situations where no investments were executed, possibly due to a manager not fitting into one of the predefined categories or not being in alignment with the APFC's objectives. The team focused on prioritizing its best relationships and evaluating new opportunities as a part of their commitment to managing the portfolio with increased attention and strategic selection.

MR. WALDROP discussed the approach to direct investments and co-investments in the private equity portfolio. He emphasized that these types of investments required additional expertise and resources. While they could provide cost savings compared to fund investments, they also came with increased risks. He noted that direct investments should be approached prudently, as they introduced more risk. The team aimed to do 1 to 2 direct deals a year, and adding more expertise would increase their capacity. The potential savings on the investment line item significantly outweighed any savings on the operating budget. The presentation also covered complementary tactics, such as outsourcing third-party support, joint ventures, investments in asset managers, and acquisitions. These tactics were considered as tools in the toolkit and were evaluated based on their alignment with the APFC's objectives. The execution plan included increasing the use of project-based consultants, focusing on fund commitments, ramping up targeted co-investments, and building out direct investment capabilities. The team aimed to expand the direct investment team with three additional members, and the total cost for this expansion was estimated to be around $1.5 million. This strategy aimed to enhance the APFC's private equity investments and improve the efficiency and returns of the portfolio.

TRUSTEE RUBENSTEIN raised a question about the expansion of the private equity team and whether it required changing the current asset allocation.

MR. WALDROP and CIO FRAMPTON explained that the goal was to increase the focus on direct investments and co-investments within the existing private equity allocation. They discussed the idea of building a team that could handle these types of investments effectively and also mentioned the possibility of acquiring stakes in external managers to gain specific sector expertise.

TRUSTEE RUBENSTEIN inquired about the possibility of hiring individuals with specific industry knowledge to join the team.

MR. WALDROP explained that the expansion could occur gradually and would depend on the capacity and the opportunities available. The aim was to have a more flexible approach to private equity investments that involved both generalists and specialists as needed. He expressed concern about putting additional strain on the private equity team by adding new positions while they had existing vacancies. He inquired about the board's intentions for FY-25, as the upcoming budget discussions pertained to the budget starting on July 1.

CIO FRAMPTON suggested that if there was a significant shift in private equity allocation, they might consider adding positions to the budget currently under discussion. However, if there were no major allocation changes, they could wait for the next fiscal year.

CEO MITCHELL raised the issue of refilling a senior position in addition to the new hires and noted the time required for recruitment. The lengthy lead time for budget allocation was acknowledged, highlighting the importance of making decisions promptly to accommodate the team's growth.

CHAIR SCHUTT suggested addressing the matter later in the meeting.

TRUSTEE RICHARDS sought clarification on a recurring statement regarding employees potentially investing in the same private equity deals as the firms they partnered with. He was concerned about this practice, given the differences between public and private entities, and wondered whether it was a recommendation from the staff.

CIO FRAMPTON responded, explaining that they had examined the idea but found that the legal complexities and potential conflicts outweighed the benefits. He further highlighted the limited number of employees who would meet the accredited investor threshold and that the legal costs and complexity would be too high.

TRUSTEE RUBENSTEIN questioned whether an individual could invest even if the manager allowed it, and CIO Frampton confirmed that the legal advice was against it.

TRUSTEE RICHARDS expressed concern about this limitation affecting retention and mentioned the need to assess whether the legal advice aligned with the law or was more of a public relations issue.

MR. WALDROP explained that the core concern was using one's position for personal gain when possessing non-public information.

CEO MITCHELL suggested that the private equity funds the Permanent Fund invested in likely wouldn't invite staff to invest as limited partners independently.

CIO FRAMPTON clarified an instance where an employee was allowed to invest in a fund before working for the Permanent Fund but couldn't do so afterward.

MR. WALDROP believed that the absence of this feature wouldn't significantly impact recruitment since few similar entities offered it.

CHAIR SCHUTT concluded the discussion.

CHAIR SCHUTT moved on to policies improving corporate functionality and recognized CIO Mitchell, Mr. Poag, and Ms. Swanson.

IMPROVE CORPORATE FUNCTIONALITY

OPEN MEETINGS ACT

TRUSTEE SCHUTT introduced the discussion about improving corporate functionality through a series of potential policy changes.

CEO MITCHELL noted that there had been advocacy from some board members for additional flexibility in this area. The proposed solution was to change the statute to grant the board more flexibility by obtaining an exemption from the Public Meeting Act through an amendment to 44.62.310.

TRUSTEE RICHARDS agreed with the need for greater flexibility in the Open Meetings Act and clarified that there was never any intention to limit public dialogue. He emphasized her commitment to transparency and encouraged public input and dialogue. He also pointed out that the media misconstrued the previous discussions on this topic and stated that her intention was not to limit public input.

PROCUREMENT

CEO MITCHELL discussed the issue of procurement and the challenges associated with Alaska's Procurement Code. He highlighted the complexity and inefficiency of the code, particularly in the context of larger procurement activities. He also mentioned the bidders' preference provisions and the potential for companies to exploit these preferences. While it was suggested that addressing the procurement issue made sense, he questioned whether it should be a top priority compared to other pressing issues under consideration.

TRUSTEE SCHUTT and the board discussed the momentum and support for addressing the procurement issue. They acknowledged that the issue had faced challenges in the past, particularly related to strong opposition and the turnover of legislative members.

TRUSTEE BRUNE expressed concern about losing momentum, but the Director of Communications, Paulyn Swanson, indicated that starting from scratch may be necessary.

CIO FRAMPTON raised questions about the reasons for opposition, given that the changes appeared to be common sense.

MS. SWANSON mentioned that procurement is a complex and contentious issue with various stakeholders holding strong opinions, which made it challenging to pass reforms.

TRUSTEE ANDERSON raised concerns about APFC's procurement regulations and whether they would ensure fairness and integrity in the process.

MS. SWANSON indicated that APFC would have to establish its own regulations and guidelines to guide a fair and competitive process.

TRUSTEE ANDERSON inquired if the time required for procurement was the main issue, and CEO MITCHELL acknowledged that the lengthy process was indeed a significant frustration. The conversation also touched on local hiring preferences and the challenges of finding local firms with expertise in the global scope of APFC's work.

TRUSTEE RUBENSTEIN emphasized the importance of selecting firms with the necessary expertise.

TRUSTEE ANDERSON suggested exploring alternative procurement methods, such as CMGC, which could provide new approaches to procurement without pursuing an exemption.

TRUSTEE RICHARDS inquired whether the bill considered in 2019 was specific to APFC and suggested that issues related to preferences for companies creating fake offices in the state should be addressed across the board.

CEO MITCHELL clarified that the bill in 2019 was exclusively for APFC. Ms. Swanson mentioned that she would need to review whether other organizations had statutory exemptions.

TRUSTEE RICHARDS brought up independent boards like the Alaska Department of Administration (ADA).

CHAIR SCHUTT suggested that it might be necessary to assess APFC's position within the realm of state procurement before considering further action.

TRUSTEE ANDERSON emphasized that this was primarily an operational issue and should be staff-driven. The trustees expressed their agreement with this approach.

MR. SKJERVEM raised a crucial question regarding the constraints on executive recruiting, focusing on the practice of public interviews for roles like the CIO and Executive Director.

CEO MITCHELL discussed the process and the need for public interviews. The conversation revolved around the challenges associated with this process, which could potentially deter top candidates from applying.

TRUSTEE RICHARDS expressed his perplexity, mentioning his experience with other boards such as the Alaska Gasline Development Corporation (AGDC), where public interviews weren't conducted. However, it became clear that the Alaska Permanent Fund Corporation (APFC) had its specific constraints related to public interviews, making it a complex matter.

CEO MITCHELL acknowledged the issue's complexity and emphasized the need to find a solution for more effective executive recruitment, requiring further consideration.

MR. HARRIS provided an example from another board with a similar recruitment process. He mentioned that they had 72 applicants for the CIO position, but if candidates knew the final interviews would be public, they might not have applied. They formed a committee of board members who worked with a consultant and selected four finalists. The full board privately interviewed these finalists, and the final decision was made collectively. He suggested that APFC could consider a similar process.

CEO MITCHELL raised the idea of adjusting the Open Meetings Act for employee selection, focusing on recruitment for senior positions like the CIO and the Executive Director.

TRUSTEE RICHARDS emphasized that the adjustment should be implemented before filling the Executive Director position.

CHAIR SCHUTT noted that the time to fix this issue was then, as it was challenging to make changes once the positions were vacant.

TRUSTEE CRUM highlighted the need for a specific approach to change the Open Meetings Act. He also expressed interest in understanding the proposed procurement bill and whether APFC had drafted any alternative procurement regulations.

MS. SWANSON mentioned HB 139, a bill proposed in 2019, which aimed to exempt investment and management-related activities from procurement rules but had different language than the current proposal.

TRUSTEE ANDERSON raised the idea of consulting the Chief Contracts Officer at the Department of Administration regarding potential exemptions or waivers related to investment contracts. Chris Poag, the General Counsel, shared his insights into previous attempts to secure exemptions or modifications to the Procurement Code. He explained the challenges in convincing the legislature to grant such exemptions, highlighting the legislature's strong commitment to the procurement process and fair competition.

CHAIR SCHUTT underlined the necessity of ensuring confidentiality for future job applicants, particularly for the positions of CIO and Executive Director. He believed it was imperative for the board to address this issue promptly. TRUSTEE RICHARDS stressed that APFC should act swiftly as a new process should ideally be established before filling the position of Executive Director.

TRUSTEE CRUM recommended conducting an executive session, providing the board with an opportunity to discuss these matters collectively before making decisions public.

TRUSTEE BRUNE emphasized the importance of a well-planned approach to the Procurement Code, suggesting it might be more effective than seeking a broad exemption.

TRUSTEE RUBENSTEIN proposed building a new procurement process as a potentially optimal path for APFC.

MR. SKJERVEM highlighted the fortunate situation where CEO Mitchell was available to step in as CIO, emphasizing the importance of considering a future recruitment process without a suitable candidate.

The discussion concluded with a decision to return in December, armed with detailed proposals on the topics discussed during the meeting.

FUND LEVEL LEVERAGE

TRUSTEE RICHARDS shared his perspective on the use of leverage and statutory authority. He indicated that while the concept of leverage being used as a tool in the toolbox was appealing, it should be approached with caution. He recommended a gradual approach, following the crawl, walk, run concept. He proposed starting with a very modest request for balance sheet leverage authority from the legislature, possibly in the range of $3 billion to $4 billion. This initial authority would provide a foundation to launch programs and credit facilities, and if proven successful, further requests for increased authority could be made in the future. Additionally, he suggested that the statute should include a requirement for a finding by the CIO to determine the appropriate timing for using leverage. This finding would help ensure that leverage is used prudently and under the right conditions.

TRUSTEE RUBENSTEIN expressed her viewpoint that the decision regarding leverage shouldn't rest with the board but rather should be the responsibility of the CIO. She believed it was necessary to approach the legislature with a clear and strict framework for leverage usage, similar to the regulations for allowed leverages, and that the CIO should make a prudency finding before employing leverage.

TRUSTEE RICHARDS agreed with this approach and elaborated on the method for making prudency findings. TRUSTEE RUBENSTEIN confirmed that the proposal aimed to establish leverage as a tool used by the CIO rather than as board authority. The board agreed on these suggestions to provide clarity for staff's proposal in December.

PERSONNEL RECORDS

CEO MITCHELL introduced the topic of records and emphasized its connection to the previous discussion about recruitment and related matters.

TRUSTEE RICHARDS discussed the issue of personnel records being made public, particularly in the case of exempt positions, and highlighted the difference in legal advice given about their disclosure. He suggested that there was an argument that all personnel records could be considered public, but the implementation may vary.

TRUSTEE BRUNE expressed his concerns about personnel files being disclosed to which Chair Schutt agreed.

TRUSTEE RICHARDS suggested asking for an advisory opinion from the Attorney General on the matter of personnel records for all exempt employees.

CEO MITCHELL mentioned discussing this further in an executive session.

TRUSTEE RUBENSTEIN raised the issue of the Executive Director's review and the need to formulate a process for it, highlighting the importance of a strategic plan for accountability.

TRUSTEE ANDERSON brought up the need for the Governance Committee to address this issue.

TRUSTEE RUBENSTEIN mentioned concerns about public records requests, but all agreed that a solution was needed.

CEO MITCHELL confirmed they had a path forward and planned to have an executive session to get legal advice and discuss a legislative fix.

BUDGET FLEXIBILITY

CEO MITCHELL discussed the need for budget flexibility and the idea of obtaining additional flexibility by having one appropriation in the language section to give the board greater flexibility without the need to ask OMB for adjustments. This would allow the board to direct how money is spent within the corporation.

TRUSTEE BRUNE questioned the need for additional budget flexibility, suggesting that there was already some flexibility in place and the proposed changes might not be necessary. He pointed out that while there was a level of flexibility, the process ensured that the board didn't risk frustrating the legislature and maintained a good working relationship. The discussion then turned to other trustees' perspectives on the matter.

TRUSTEE ANDERSON raised concerns about the proposed budget flexibility, explaining that he thought there was already some level of flexibility within the operating budget to move money around, subject to board approval. He expressed uncertainty about whether they could move money between the operating budget and the fees budget, which might require OMB approval. He also mentioned that while he previously considered the proposal unrealistic, he changed his stance to support it because it seemed important to the staff. However, he questioned whether the staff still viewed it as a high priority.

CEO MITCHELL shared his perspective, suggesting that he didn't feel strongly about it and that the proposed flexibility might be reserved for significant events or emergencies rather than regular budget adjustments. He emphasized the importance of being transparent and accurate with the legislature when requesting funds.

MR. HARRIS shared an example from his experience at Texas Teachers, emphasizing the importance of framing proposals in a way that makes them palatable to decision-makers. Trustee Rubenstein initially expressed concerns about budget flexibility and raised a point about long-term incentive compensation, specifically how to align staff incentives with the board's long-term goals.

CEO MITCHELL explained the budget process, including annual appropriations and encumbrances, and how it might apply to funding long-term incentives for staff members.

MR. POAG explained the process of modifying an incentive compensation program to include long-term incentives. The approach involved gaining legislative approval for the changes and the encumbrance of funds, which were then paid out to employees upon meeting specified requirements.

TRUSTEE RUBENSTEIN expressed support for this approach.

There was also discourse on budget flexibility, with TRUSTEE CRUM mentioning his experience with transfer authority during his time at the Department of Health. The discussion highlighted the potential benefits of having such transfer authority to provide more flexibility for managing budgets and responding to unexpected situations. It was noted that clear messaging to the legislature about the intended use of such flexibility could help gain support for this approach.

CHAIR SCHUTT asked CEO Mitchell for a summary of the staff's recommendation regarding budget flexibility.

CEO MITCHELL explained that the staff's view was that budget flexibility was not a high priority because they had been managing within the existing constraints effectively.

TRUSTEE RUBENSTEIN pointed out that long-term incentive compensation had been listed under key man risk rather than budget flexibility.

CEO MITCHELL clarified that they saw budget flexibility as a way to use their existing budget more flexibly, not necessarily about getting an additional budget. The discussion then concluded, and the meeting went on a break.

CHAIR SCHUTT moved on to the next agenda on the additional structural things, key person risk, additional incentive compensation, and outside office ideas.

ESTABLISH LONG TERM ORGANIZATIONAL STRUCTURE PLAN TO ACCOMMODATE GROWTH

KEY PERSON RISK / ADDITIONAL INCENTIVE COMPENSATION STRUCTURES
CIO FRAMPTON addressed key person risk and the current approaches to mitigate it within the organization. He explained that there were different approaches for different asset classes, and the reactions might vary when someone announced their departure. In illiquid asset classes, a transition process was discussed, and databases of contacts and legal agreements were available to ensure continuity. In liquid asset classes, the focus was on reducing tracking error when the

director of the asset class left. He also mentioned the possibility of introducing a longer-term incentive plan, which would be different from the existing plan that paid out year-to-year. Research was being conducted on what other peers did in terms of long-term incentives.

TRUSTEE RUBENSTEIN expressed concern about the potential impact of losing key personnel and highlighted the importance of developing a robust plan to address such situations. She specifically emphasized the risk associated with the departure of high-level executives.

TRUSTEE ANDERSON echoed the need for a plan and emphasized the risks posed by the potential departure of the CIO or heads of asset classes, as well as the risk of institutional memory loss in the organization.

CIO FRAMPTON acknowledged the need for a more detailed plan and mentioned that he would provide an updated presentation on this topic in the near future. The discussion also acknowledged the significance of succession planning for other key positions within the organization, such as legal counsel. The participants concurred on the necessity of having comprehensive plans in place for various key roles.

The conversation then revolved around the role of legal counsel and succession planning for the position.

MR. POAG mentioned that there were six years left on his "golden handcuffs," indicating that he had some time before his departure.

TRUSTEE RICHARDS inquired if there was an arrangement with an outside firm to provide support, and MR. POAG explained that they had specific outside counsel for different asset classes, but there wasn't a single firm functioning as General Counsel Light. He mentioned that Ben Hofmeister would be his potential replacement and that there was a contract in place to cover his salary if he needed to work full-time.

CEO MITCHELL suggested that bringing another attorney on board for mentoring and overlap could be beneficial. The discourse touched upon the need for authorization from the Department of Law and the complexity of such a transition. The idea of hiring an attorney one level below Mr. Poag was discussed, considering the importance of maintaining continuity and knowledge transfer.

MR. POAG mentioned the distinction between transactional lawyers and state law lawyers, highlighting the specialized nature of each role.

TRUSTEE BRUNE suggested that if the organization planned to split the position in two, they should consider recruiting either a transactional lawyer or a state law lawyer based on their needs. He emphasized that finding a professional with expertise in both areas was rare.

CHAIR SCHUTT and TRUSTEE RUBENSTEIN concurred that having separate legal counsels for the board and transactional work would be more feasible.

TRUSTEE BRUNE talked about his past role as a liaison to the board, indicating that the Department of Law traditionally provides legal advice to the board. However, there was a discussion about the possibility of the board having its independent counsel.

CEO MITCHELL clarified that the "key man" discussion in the packet primarily addressed investment staff but acknowledged that key person risk existed in other areas of the organization as well, albeit with different mitigations. He mentioned the challenges the organization would face if certain individuals in non-investment roles were to leave.

TRUSTEE RUBENSTEIN inquired about other key individuals within the organization whose departure could be problematic.

CEO MITCHELL responded by mentioning staff who had potential successors within the organization. He mentioned Mr. Vadakumcherry’s team and the head of IT as examples.

TRUSTEE BRUNE emphasized the importance of investing in every individual within the organization and developing succession plans for all positions. He further expressed the belief that all employees should be appreciated and provided with development plans, with the expectation that they aspire to move up in the organization. He emphasized the need for accountability, stating that individuals who do not meet performance standards should be informed and, if necessary, replaced.

CEO MITCHELL agreed with this perspective and stated that he conveyed a similar message to the staff.

TRUSTEE BRUNE shared his perspective on the effectiveness of such incentives in retaining talented employees. M. Frampton added that the merit system already provided an incentive for employees to stay, especially for those who had been with the Permanent Fund for a longer duration, which led to further consideration of the effectiveness of existing compensation structures in retaining staff.

TRUSTEE BRUNE argued that the Permanent Fund competed with private sector firms and not just other state agencies for talent and that the existing compensation structures might not be sufficient to keep employees from leaving for better opportunities in the private sector.

CIO FRAMPTON countered by highlighting that employees who had been with the Permanent Fund for ten years or more tended to stay, suggesting that it was the shorter-term employees who were more likely to leave. He suggested exploring whether the existing merit system adequately incentivized the right behaviors.

MR. HARRIS offered some insights and suggestions to the group. He emphasized the importance of taking compensation off the table for employees and suggested paying enough to do so, even if it didn't have to be the highest compensation. He shared his organization's approach, which allowed employees to earn up to the median of their competitive universe in base pay and make up the shortfall through direct performance. He also highlighted the importance of having a succession plan for every major position within the organization and recommended creating a "command notebook" for each role to facilitate smooth transitions. He suggested having a clear career path for employees, emphasizing that many investment management companies lacked this structure. He encouraged the implementation of a code of conduct, an empowerment formula to define the steps needed for promotion, and a 360 feedback system to foster teamwork and provide valuable feedback.

CIO FRAMPTON expressed his thanks for the suggestions and insights provided.

OUTSIDE OFFICES

CEO MITCHELL discussed the consideration of establishing offices in locations outside of Alaska, including both locations within the continental United States and international locations. The purpose of exploring these options was to enhance accessibility to investment opportunities and to facilitate the recruitment and retention of staff who might have been hesitant to relocate to Alaska. He clarified that the specific locations mentioned (e.g., Sacramento, Miami, New York) were not chosen based on staff preferences but were included in the discussion as examples.

He provided an overview of the potential office locations that were considered, both in the continental United States and internationally. The objective was to explore options for establishing offices in these locations to facilitate recruitment and accessibility to investment opportunities. He explained that the selection of these locations was not based on staff preferences but rather as examples. The cost estimates for these offices were also presented. However, he emphasized the importance of ensuring that opening such offices aligned with the preferences and lifestyles of staff, rather than forcing them to relocate. The discussion highlighted the need for further exploration and planning regarding the potential office locations.

TRUSTEE RICHARDS suggested taking an 18-month period to evaluate the effectiveness of the Anchorage office for recruitment and retention. He felt that it was essential to wait and assess the progress before making further decisions about opening offices outside of Alaska.

TRUSTEE RUBENSTEIN concurred, noting the importance of senior leadership for such offices. He was interested in the idea of eventually establishing an office outside of Alaska, potentially in New York City, but emphasized that they needed a clear plan and purpose for the office beyond just the location. The discussion centered around the need to define the office's functions and purpose and to ensure they aligned with the strategic plan.

TRUSTEE BRUNE expressed the need to explore the possibility of cost savings, similar to what other locations have achieved with their offices.

However, TRUSTEE RICHARDS suggested taking time to assess the effectiveness of the Anchorage office for recruitment and retention before considering an office outside of Alaska.

TRUSTEE RUBENSTEIN emphasized the importance of a clear strategic plan and asked for information on who else in the investment world has offices out of their home state, both domestically and internationally.

The board members discussed the time frame for including the potential out-of-state office in the strategic plan.

TRUSTEE BRUNE emphasized the need for specific direction to CEO Mitchell, acknowledging that this was not a top-priority issue.

TRUSTEE RUBENSTEIN highlighted the importance of understanding what other peer institutions, including sovereigns, are doing in terms of out-of-state offices
.

CHAIR SCHUTT asserted that there would be no immediate action on this issue.

TRUSTEE RUBENSTEIN expressed caution about choosing a location solely based on one person's presence, emphasizing the need to make decisions that are best for the corporation.

TRUSTEE RICHARDS mentioned concerns about investing in a state that opposed resource development projects in Alaska.

CHAIR SCHUTT highlighted the importance of involving the staff in the decision-making process and noted that it would be beneficial to explore reasons for having an office in a specific location. The conversation concluded with an agreement to revisit the topic in the future.

CHAIR SCHUTT moved on to the Comprehensive Communications Plan and recognized Ms. Swanson.

COMPREHENSIVE COMMUNICATIONS PLAN

MS. SWANSON, the Director of Communications for the Alaska Permanent Fund Corporation, presented this item. She began the presentation by introducing Juliette Alldredge, a recent addition to the communications team. She reaffirmed the corporation's brand truth established in 2016, emphasizing integrity and innovation as key values.

As MS. SWANSON discussed the communications framework for the Board of Trustees Strategic Plan, she outlined strategic initiatives identified by the working group. These initiatives included growing the fund, maintaining brand recognition, focusing on education, and addressing legislative agendas. The framework integrated these initiatives into two primary objectives: in-state mission of education and awareness and a nationwide/global focus on investment performance and strategy. She highlighted the importance of conveying corporate values, excellence, performance, and stewardship in messaging. The presentation emphasized the diverse audiences, including Alaskans, government branches, financial stakeholders, sovereign wealth funds, endowments, and media outlets. MS. SWANSON underscored the goal of aligning messages with the corporation's mission and engaging various stakeholders.

The focus on growing the fund to ensure long-term benefits for Alaskans was highlighted, emphasizing sustainability, resource mitigation, and financial benefits. She discussed the significance of a clear brand and the need to enhance communication materials to strengthen recognition among key audiences. Education and awareness remained foundational, aiming to keep Alaskans well-informed about the fund's role and benefits. Transparent communication was crucial for building stakeholders' trust in the decision-making processes and conveying the commitment to long-term sustainability.

The legislative agenda was discussed, with plans to bring forth legislation during the upcoming session. Budget considerations, talent recognition, and statutory framework amendments were part of the preparation for the legislative agenda.

MS. SWANSON acknowledged the importance of staff in the communications program, emphasizing their enthusiasm, talent, and innovation. The plan included enhancing owned and earned media, aligning messages with staff engagement, and focusing on global financial coverage. To support the global media consultant procurement, MS. SWANSON requested an increment of $150,000, proposing it be considered as part of the FY '25 budget. The presentation concluded with this request for the board's consideration.

The discussion revolved around the logistics of hiring a media consultant.

TRUSTEE BRUNE, not familiar with how media consultants get paid, inquired about the compensation structure. It was clarified that a monthly retainer would be the preferred payment method, ranging from $16,000 to $20,000 per month. He expressed concern about the fixed monthly fee and the need to ensure clear and measurable outcomes.

TRUSTEE RUBENSTEIN discussed the value of retaining a firm with expertise in media relations, as they could provide better results due to their established relationships with reporters and knowledge of the industry.

TRUSTEE ANDERSON suggested that the messaging strategy could also include recruitment and deal sourcing, highlighting the potential for building APFC's brand and attracting talent or investment opportunities. The role of media consultants in enhancing brand awareness and assisting in recruitment was acknowledged.

MS. SWANSON mentioned that increasing the team's capacity might be necessary to support the expanded program, either through internal sourcing or a request to the legislature for an additional position.

Finally, TRUSTEE RUBENSTEIN suggested sharing the RFP (Request for Proposals) with the entire board for review due to its thorough scope.

TRUSTEE RICHARDS asked what was needed for the current fiscal year, and MS. SWANSON explained that they had sufficient resources to get through the remainder of FY 24, but they needed the FY 25 budget to cover the costs moving forward.

TRUSTEE RICHARDS then moved to increase the FY 25 budget for communication services by an increment of $150,000, totaling $250,000.

TRUSTEE BRUNE expressed his support for the budget increase. The motion was seconded and put to a vote, and the motion carried with unanimous support from the present board members.

> **MOTION:** <u>A motion to increase the FY 2025 budget for Communication Services was made by TRUSTEE RICHARDS; seconded by TRUSTEE BRUNE.</u>
>
> *After the roll-call vote, the MOTION was APPROVED. (Trustee Brune, yes; Trustee Richards, yes; Trustee Anderson, yes; Trustee Rubenstein, yes; Chair Schutt, yes.)*

REVIEW AND ASSESS OPTIMAL STRUCTURE OF FUND
TRUSTEE RICHARDS provided an overview of Trustee Paper #10's content and its relation to ERA durability and inflation-proofing. The paper addressed the problem of ERA durability and modeling, considering the tension between maintaining a strong ERA and intergenerational

needs. The potential solutions discussed in the paper included a constitutional amendment, a statutory solution, a rule-based approach, and giving staff the authority to intentionally realize gains to meet ERA durability shortfalls. The paper aimed to provide a comprehensive analysis and possible solutions to the ERA's durability and inflation-proofing dilemmas.

TRUSTEE RUBENSTEIN clarified some misconceptions in the media, emphasizing that the paper did not intend to change the dividend or lower the POMV.

CHAIR SCHUTT mentioned that there was no action required at that time.

TRUSTEE BRUNE expressed his concerns about potential public records requests and the deliberative nature of the draft, especially in terms of email communications.

MR. POAG, the legal counsel, explained that there was a deliberative process privilege attached to the document, and once it was finalized and ready for public consumption, it would be brought to the board and made public.

TRUSTEE ANDERSON added that this was a standard process used in state government for drafting documents.

TRUSTEE BRUNE acknowledged the point and noted that the paper was not particularly controversial, primarily an academic paper. They also discussed the potential narratives perpetuated by bloggers.

The discussion concluded with CHAIR SCHUTT thanking Mr. Poag for the clarification.

ADOPT STRATEGIC PLAN

CHAIR SCHUTT provided an overview of the strategic plan's progress, highlighting various topics that were under consideration. Some key points included the goal of growing the fund, setting a target such as CPI +5, fund level leverage with tactical rules, putting the Open Meetings Act on pause, improving procurement rules, working on personnel records, enhancing budget flexibility, addressing key person issues, and considering the possibility of an outside office in the long term. The adoption of the strategic plan was planned for a later meeting.

TRUSTEE ANDERSON mentioned that feedback from Allen, Deven, and Marcus was needed regarding the inclusion of one or more full-time employees (FTEs) on the direct investment team.

CHAIR SCHUTT discussed the need to address long-term incentive compensation and budgetary requests for FY 25.

TRUSTEE RUBENSTEIN raised a concern about the four-year strategic plan and mentioned the need to align the document with external governance review recommendations.

CHAIR SCHUTT led the discussion, focusing on the importance of the strategic plan and accountability measures.

CEO MITCHELL shared his perspective, emphasizing the need for specific goals, timelines, and accountability.

TRUSTEE RICHARDS raised concerns about the document format and the importance of an accountable and detailed plan.

MR. DEE added to the discussion by highlighting the significance of accountability in planning.

TRUSTEE RUBENSTEIN inquired about the current job openings within the direct co-investment team.

MR. WALDROP presented his proposal to fill a mid-level position in the team and discussed the budgetary range, suggesting a base salary between $175,000 to $225,000, with additional considerations for bonuses and benefits.

TRUSTEE ANDERSON made a motion to advance a proxy motion through Allen for the addition of a mid-level position for the FY 25 budget.

TRUSTEE RICHARDS suggested simplifying the motion by adding an FTE to the budget and letting staff calculate the exact amount.

MR. WALDROP confirmed the adjustment was friendly and that the dollar amount was an approximation.

CEO MITCHELL agreed that the board had acknowledged the cost approximation.

TRUSTEE RUBENSTEIN clarified that the motion would increase the team from 7 to 8 positions, pending the replacement of the vacant position.

CHAIR SCHUTT called for a second to the motion, and Trustee Rubenstein seconded it. The motion was put to a vote, and it was passed unanimously.

> **MOTION:** A motion to add FTE to the budget was made by TRUSTEE ANDERSON; seconded by TRUSTEE RUBENSTEIN.
>
> *After the roll-call vote, the MOTION was APPROVED. (Trustee Richards, yes; Trustee Brune, yes; Trustee Anderson, yes; Trustee Rubenstein, yes; Chair Schutt, yes.)*

OTHER MATTERS

2024 AND 2025 CALENDAR - SELECT MEETING LOCATIONS

TRUSTEE COMMITTEE ASSIGNMENTS
CHAIR SCHUTT mentioned the 2024 and 2025 calendar items, primarily addressing meeting locations and preliminary dates.

CHAIR SCHUTT brought up the topic of changing the meeting location for the 2024 calendar. Initially, the location was set to be in Homer, but there were suggestions to change it to Nome. The idea behind the change was to visit more rural parts of Alaska.

TRUSTEE RUBENSTEIN expressed his preference for Nome, and other trustees also supported the idea.

CHAIR SCHUTT called for a motion to amend the 2024 calendar, changing the location.

TRUSTEE RICHARDS emphasized that he had not taken a position on this matter.

TRUSTEE ANDERSON mentioned that May is a less busy time in Nome than the initially proposed July.

After some discussion, a motion was made and seconded to amend the 2024 calendar by changing the location to [inaudible]. The board was then set to vote on this amendment, and it was suggested that all calendar and location changes would be voted on together. The motion to change the meeting location for May 24th to [inaudible 5:27:21] passed unanimously, with all trustees voting in favor.

TRUSTEE RICHARDS raised concerns about the May 28th-29th meeting in Sitka due to potential issues with accommodations during the cruise season. He highlighted a previous successful meeting in Ketchikan and noted that he and Trustee Crum had positive experiences in Sitka during the Southeast Conference, suggesting that accommodations may be manageable.

CHAIR SCHUTT mentioned the possibility of modifying the location later if it becomes problematic.

TRUSTEE BRUNE shared the positive experience of holding a meeting in Ketchikan.

The discussion centered on scheduling a governance committee meeting before the December board meeting.

TRUSTEE BRUNE suggested holding it a little earlier to allow for processing the executive director evaluation.

TRUSTEE RUBENSTEIN agreed but mentioned that they needed to comply with the timeline of the executive review schedule. The decision was to schedule the meeting earlier, possibly a week before the board meeting.

> **MOTION:** A motion to adopt the 2024 and 2025 calendars was made and seconded.
>
> *There being no objection, the MOTION was APPROVED.*

CLOSING COMMENTS

The trustees mentioned that the discussion was very insightful, and they were available for any follow-up questions or clarifications. They expressed their willingness to assist and support the board's efforts. The trustees extended their appreciation to the staff, advisors, and media for their valuable contributions during the meeting. They acknowledged the staff's dedication, hard work, and professionalism, emphasizing the exceptional role they played in the organization. The advisors were commended for their expertise, which greatly aided the decision-making process of the trustees. The media's continuous presence during the meeting was also acknowledged and valued as part of the working relationship.

Furthermore, the trustees reflected on the significance of the strategic plan, emphasizing its primary purpose of benefiting Alaskans. They appreciated the public engagement and feedback generated by setting a target of $100 billion, highlighting the strategic plan's broader relevance and impact. The trustees expressed their satisfaction with the outcome of the meeting, noting the absence of contentious issues and commending the collaborative and professional conduct of all participants. They extended their thanks to their fellow trustees for their contributions to a successful working meeting.

CHAIR SCHUTT asked for a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE RICHARDS.

CHAIR SCHUTT adjourned the meeting.

(APFC Board of Trustees meeting adjourned at 5:07 p.m.)

ALASKA PERMANENT FUND CORPORATION
BOARD OF TRUSTEES MEETING
WEBEX/TELECONFERENCE

December 13 & 14, 2023
8:30 a.m.

Originating at:
Michael J. Burns Building
David Rose Board Room (3rd Floor)
801 West 10th Street
Juneau, Alaska 99801

Trustees Present:

Ethan Schutt, Chair	Ellie Rubenstein	Adam Crum
Craig Richards	Jason Brune	Ryan Anderson

APFC Staff Present:

Deven Mitchell, CEO	Marcus Frampton, CIO	Val Mertz, CFO
Sebastian Vadakumcherry	Christopher Poag	Alexander Smith
Logan Rahn	Allen Waldrop	Alysha Guthrie
Marisa McComas	Masha Skuratovskaya	Sang Won Song
Brittney Ortega	Chirag Shah	Mike Gumz
Catherine Hatch	Michael Prebeg	Chris LaVallee
Norix Mangual	Paulyn Swanson	Rachel Price
Christopher T Cummins	Sarah Clark	Cody Graves
Rachel Zepp	Colton Scrudder	Ross Alexander
Damien Miller	Edward Rime	Sarah Struble
Eric Ritchie	Youlian Ninkov	Larissa Murray
Fawad Razzaque	Scott Balovich	Joseph Jeralds
Jacki Mallinger	Shannon McCain	Jennifer Loesch
James Wilkey	Steve Adams	Jim Parise
Steven Gagliardo	TJ Hegedus	Jessica Thornsburry
Tanya Boozer	Joe Shinn	Tara Mendoza
Jordyn Elie	Terek Rutherford	Tom O'Day
Tim Andreyka	Julia Mesdag	Lara Pollock
Juliette Alldredge	Valeria Martinez	Lillie Haggard

Investment Advisor Group:

Britt Harris	John Skjervem	George Zinn

Callan:

Gregg Allen	Steve Center

Others Present:

Andrew Mikolasy	Steve Secundo	Caroline Cooley
Neilson Arbour	Alice Rogoff	Lorilyn Swanson

Amory Lelake	Matt Buxton	Anne Rittgers
Matthew Benson	Alex Baker	Michael McHargue
Ben Hofmeister	Miranda Worl	Bob Schroeder
Molly Starr	Bryce Edgmon	Gina Romero
Dakota Martin	Grant Ficek	David Scott
Suzanne Cunningham	Donn Reinelt	Hunter Romberg
Eric Demoulin	Hunter Meachum	Fadil Limani
Llewellyn Smyth	Fran Ulmer	Robert Snigaroff
Vince O'Shea	Sabiq Shahidullah	James Simard
Sean Maguire	Jay Duddles	Steve Moseley
Jeff Stepp	Thor Ryan	John Springsteen
Tim Clark	Jordan Shilling	Tom Gemmell
Julee Farley	Zeinab Thiam	Julia O'Connor
Kevin Balaod	Karol Raszkiewicz	Christopher Bell
Kassie Andrews	Hugh Short	Kekama Tuiofu
Jesse Sumner	Larry Smith	Kayc Carlson
Lee Cruise	Scott Jones	Laurie Berg
Doug Wooby	James Simard	Vince O'Shea

PROCEEDINGS

CALL TO ORDER
CHAIR SCHUTT called the meeting to order and asked for a roll call.

MS. LOESCH called the roll and stated that there was a quorum.

APPROVAL OF AGENDA
CHAIR SCHUTT asked for any additions or objections to the agenda. Hearing none, he adopted the agenda.

APPROVAL OF MINUTES
CHAIR SCHUTT moved to the September 7, 2023, minutes and asked for a motion to approve.

> **MOTION:** A motion to approve the minutes from the September 7, 2023, special meeting was made by TRUSTEE ANDERSON; seconded by TRUSTEE BRUNE.
>
> *There being no objection, the MOTION was APPROVED.*

SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION
CHAIR SCHUTT continued to the scheduled appearances and public participation. He recognized Doug Woodby.

MR. WOODBY expressed gratitude and addressed the Chairman and Trustees, acknowledging the ongoing opportunity for public participation. He identified himself as Doug Wooby, a resident of Juneau and a member of 350 Juneau. He proceeded to summarize a report published in July, titled "Loading the Dice Against Pension Funds," which evaluated how pension funds assess climate risk. He had sent a PDF copy of the report to Jennifer Loesch and submitted relevant documents for their consideration.

The report, published by the UK's Carbon Tracker, examined the flawed economic modeling used by consultants advising financial firms, such as Mercer. The modeling, dating back to Nord House in 1991, was criticized for not incorporating advancements in scientific understanding, especially regarding global warming and tipping points. The lack of scientific peer review for economic models was highlighted as a significant issue. Despite peer-reviewed science warning of existential threats from a 2 to 4.3-degree Celsius global warming, financial advice suggested minimal impact on portfolios. He emphasized the disconnect between scientific expectations and financial preparedness, raising concerns about a potentially inevitable wealth-damaging correction, referred to as a "Minsky moment." He urged the Trustees to request a thorough examination of the report's claims by consultants, including Callan. He argued that the Permanent Fund had a fiduciary duty to investigate and take appropriate action if the report's claims were likely true.

CHAIR SCHUTT thanked Mr. Woodby.

TRUSTEE BRUNE expressed gratitude to Mr. Woodby for his presentation and inquired about the recommendations for acting accordingly. He sought clarification on his or the organization's suggested course of action in response to the information presented.

MR. WOODBY discussed the organization's past advocacy efforts for years, emphasizing the need to consider climate risk in financial decisions. He highlighted a disconnect between their perception of climate risk and that of the financial industry, as addressed in the report. If the report was true, and they believed it spoke the truth, considering climate risk would entail giving significant importance to divesting from fossil fuel investments. The real threat of stranded assets was acknowledged, especially in light of the COP 28 negotiations and the disconnect between scientific communities and nations at risk. He pointed out the urgency to transition away from a global fossil fuel economy, citing recent findings in the Arctic report on serious warming. The organization believed that divesting was financially prudent as a fiduciary duty, not solely an environmental concern. He underscored the broader impact, including health effects from fossil fuel pollution, contributing to 1/5th of global deaths. Recent revelations highlighted at COP28 further supported their stance. Despite the length of the answer, he expressed appreciation for the question, acknowledging the importance of delving into these issues.

TRUSTEE BRUNE acknowledged the consistency of Mr. Woodby's message and expressed appreciation. He questioned the source of the information regarding 1/5th of deaths being attributable to fossil fuels, expressing interest in seeing the report. He also pointed out the life expectancy increases associated with fossil fuel use and pondered the balance between the reported negative impact and the positive enhancements brought about by fossil fuels. He followed up with a query about whether the organization's recommendation to divest from fossil fuels included investing in mining for renewables, specifically for copper needed in photovoltaics and wind turbines.

MR. WOODBY affirmed the organization's stance, starting with divesting from coal corporations.

TRUSTEE BRUNE inquired about the organization's recommendation regarding other mining, specifically copper mining, crucial for renewable energy.

MR. WOODBY responded that, concerning renewable energy in general, not just copper or lithium mining, there were significant environmental and social impacts associated with the current mining practices for rare earth elements. He indicated that there were serious responsibilities involved, considering the impact on indigenous communities and addressing safety and health concerns.

TRUSTEE BRUNE expressed agreement with Mr. Woodby's sentiments regarding fossil fuels, appreciating Doug's response and passion on the issue.

MR. WOODBY thanked Trustee Brune for asking a question that demonstrated concern for their issues, expressing gratitude for the acknowledgment.

CHAIR SCHUTT recognized James Simard.

MR. SIMARD, a retired librarian and member of 350 Juneau, addressed the board, expressing concern for the vulnerability of children to the destructive impacts of climate disruption. Despite the recent news from COP 28 about global agreement to transition away from fossil fuels, governments had done little to protect the climate stability essential for human economies and future generations. Some young people, like Kelsey Cascadia Rose Juliana and Summer Sagoonick, had taken the climate issue to the courts.

Kelsey Juliana, lead plaintiff in Juliana vs. the United States, filed in 2015, argued that the government's promotion of fossil fuels violated their rights. Summer Sagoonick, lead plaintiff in Sagoonick vs. the State of Alaska, contended that the state's promotion of fossil fuels contributed to Alaska's climate crisis, impacting the environment and cultural resources. While the case was dismissed last year, it was being refiled in light of a historic victory in Hells Canyon vs. Montana.

MR. SIMARD emphasized the responsibility to care for all children and future generations, urging the board to divest from fossil fuel interests and increase investments in renewable energy sources. He thanked them for their time and service to the Permanent Fund.

TRUSTEE BRUNE acknowledged Mr. Simard's comments, revealing that he was a named defendant in the mentioned case as DEC Commissioner, expressing a special interest in the concerns about children. He indicated a different perspective, as mentioned in his comments to Doug. He inquired about Mr. Simard's statement linking climate change to the collapse of salmon, suggesting his perspective on overfishing or bycatch as potential contributors. He sought clarification on whether Mr. Simard's comments represented 350 Juneau or were personal opinions.

MR. SIMARD clarified that his statements were personal perspectives.

TRUSTEE BRUNE then asked if Mr. Simard endorsed the recommendation to divest from all fossil fuel-related stocks, and Mr. Simard affirmed that he did.

TRUSTEE BRUNE inquired about Jim's perspective on mining plays in the context of decarbonization efforts, noting the need for energy sources in the absence of hydrocarbons. He referenced the impact of hydro on salmon populations in the State of Washington. He sought insights into the investments the Permanent Fund should focus on in the absence of hydrocarbons.

MR. SIMARD acknowledged the complexity of the issue, recognizing that the transition to renewables would necessitate responsible mining for minerals. He emphasized the importance of responsible mining due to its potential dangers.

TRUSTEE BRUNE thanked Mr. Simard for his response.

MR. SIMARD further discussed the complexity of the fish stocks issue, mentioning the role of bottom trawling and the impact of warm streams on salmon production.

TRUSTEE BRUNE expressed appreciation for Mr. Simard's interest and comments.

CHAIR SCHUTT recognized Bob Schroeder.

MR. SCHROEDER, a Juneau resident and Board Member of 350 Juneau, reported on COP 28, the recent Global Climate Meeting. While recognizing the historical focus on reducing greenhouse gas emissions, COP 28 marked a significant shift, acknowledging the need to move away from fossil fuels for the first time. The Global Stocktake Report called for a 43% reduction in greenhouse gas emissions by 2030 and substantial increases in renewable energy and energy efficiency to control climate change.

Despite the lack of specific binding actions from COP Meetings, he emphasized that the fossil fuel era is approaching its end, especially with the increasing awareness of the need to transition to a non-carbon world economy. The uncertainties surrounding this transition, combined with the financial risks associated with the fossil fuel industry's resistance to change, were highlighted. He expressed the inevitability of transitioning from fossil fuels, anticipating conflicts between industry players and the growing financial risks of fossil fuel investments. He acknowledged the science supporting the notion that many proven reserves may never be developed, and the pursuit of further oil and gas exploration is unnecessary. He echoed Mr. Woodby's earlier testimony on the topic of risk. He concluded by expressing gratitude for the board's service and openness to questions.

TRUSTEE BRUNE, addressing Mr. Schroeder, appreciated his comments, particularly on COP 28. He expressed a sentiment of finding it naive that rich countries dictate the standard of living for developing countries, citing the benefits seen in places like Barrow due to oil development. Despite this, he emphasized the fiduciary duty to grow the Permanent Fund and highlighted the positive returns from investments in oil plays. He asked for Mr. Schroeder's recommendations outside the fossil fuel arena.

MR. SCHROEDER responded by supporting a focus on renewables and sustainable investments for the long term. Considering the volatility in oil and gas, he suggested that stability should be a key consideration. He expressed discomfort with the Permanent Fund engaging in high-stakes financial activities, citing the unpredictability of oil prices and returns to fossil fuel companies in recent years. He added that many poor countries, excluding China and India, are not advocating for the preservation of fossil fuel production. He noted that the primary influence in this regard lies with national oil corporations, which hold 56% of the proven reserves. He concluded his statement, expressing gratitude.

TRUSTEE BRUNE informed the public about the implementation of a tool called Smart Comment by the State of Alaska, which allows for transparent public commentary on various matters. He mentioned its use during his time at DEC and highlighted Deven Mitchell's commitment to exploring its potential for collecting public comments on issues such as Trustee Paper #10. He encouraged public engagement, emphasized the board's interest in hearing from the community, and expressed appreciation for the comments received from Mr. Woodby, Mr. Simrad, and Mr. Schroeder. He looked forward to continued public engagement through tools like Smart Comment.

CHAIR SCHUTT stated that was the end of the list of individuals for public participation and testimony. Next on the agenda was the Chief Executive Officer’s Report.

CHIEF EXECUTIVE OFFICER’S REPORT

CEO MITCHELL addressed an issue with public comments, explaining a misunderstanding that led to the use of email comments rather than the Smart Comment tool.

TRUSTEE BRUNE expressed dissatisfaction with the email-based system, emphasizing the importance of transparency.

CEO MITCHELL acknowledged the difference in platforms and indicated ongoing efforts to gain access to the Smart Comment tool for more effective public engagement.

Later in the discussion, CEO MITCHELL provided updates on various board matters. Regarding discussions on peer groups and compensation structures, he suggested simplifying the approach by identifying a smaller, more closely aligned group of peers. He also mentioned the hiring of a new HR Director, Shannon McCain, and proposed engaging in conversations with leadership for future strategies.

Regarding the PMP overhaul, CEO MITCHELL anticipated providing an update in the near future, targeting the upcoming meeting in February. He presented a burden for the board's consideration related to the Strategic Plan and a 4th draft of Trustee Paper #10. Due to the complexity and significance of Trustee Paper #10, he proposed either discussing the process or introducing it as a working document for future adoption.

CEO MITCHELL highlighted the embedded education in board meetings, emphasizing the importance of providing information for informed decision-making. He encouraged suggestions for future educational opportunities. Additionally, he discussed positive developments in reducing the corporation's vacancy rate and provided updates on recruitment efforts for various positions within the Investment Team, Operation Team, and real estate.

MR. ANDREYKA briefly mentioned ongoing interviews for a real estate position.

CEO MITCHELL provided an update on the hiring process, mentioning strong contenders for various positions, including a positive response to the investment operations analyst role. He shared insights into the sources of candidates, noting that LinkedIn and Indeed have been effective platforms. Entity did not yield applicants.

Shannon, the new HR Director, made a positive impact, and CEO Mitchell highlighted the geographic origin of candidates, emphasizing proactive advertising efforts. He reported five total hires since the last board meeting, introducing new team members Joseph and Damien on the IT team, Shannon as HR Director, Tanya on the Admin Team, and Alysha as the new Director of Admin Operations. He mentioned receiving the Best Places to Work Award for the third consecutive year, expressing hope that it contributes to the organization's positive reputation, attracting strong responses to job vacancies.

TRUSTEE BRUNE commended the efforts to fill vacant positions and expressed satisfaction with the progress, emphasizing the importance of having positions filled before requesting new ones from the legislature. He acknowledged the 5% turnover rate discussed in the meeting and requested a comparison of the turnover rate at the next meeting. Additionally, he inquired about the interest level of candidates in the Anchorage Office.

CEO MITCHELL provided insights, mentioning recent hires in the Private Equity Team who chose to work in the Anchorage Office and highlighted the positive aspect of offering flexibility in location options for potential and current employees.

TRUSTEE BRUNE appreciated the flexibility of offering positions in both Anchorage and Juneau, emphasizing that Juneau remains the headquarters. He suggested including the number of people in the Anchorage Office in future HR memos to assess the investment's impact. He also highlighted internship opportunities for young Alaskans at the Permanent Fund, encouraging them to consider joining.

CEO MITCHELL provided a quick report on the Anchorage Office, mentioning slow progress in setting up and plans for a total of six employees in the office by midwinter or spring. He acknowledged ongoing efforts in communication, particularly mentioning Paulyn and Juliette's work in responding to increased communication demands. The team is reviewing proposals from national financial media firms to enhance the organization's presence. He praised the Communications Team for their work, including outreach efforts and an Ambassadors Program, ensuring transparency about the organization's workings.

TRUSTEE BRUNE expressed enthusiasm for the Alaska Youth Education Program's curriculum and suggested a future presentation to highlight its development. He emphasized the importance of rural Alaska's access to the curriculum and commended the team's efforts, suggesting a formal presentation in a future meeting, possibly in February.

CEO MITCHELL discussed that the quarterly financial statements indicated a challenging first quarter with a negative total return of 0.53%. Despite negative accounting income, statutory net income remained positive, addressing concerns about the sufficiency of the earnings reserve account for transfers to the State of Alaska. The discrepancy between accounting performance and realized return was attributed to antiquated structuring in the portfolio. A billion-dollar transfer to the State's General Fund occurred, with an additional anticipated 1.9 billion throughout the fiscal year. The committed earnings reserve balance for FY25 is 5.1 billion, covering the next year's percent of market value transfer and appropriated inflation proofing.

While concerns about a long-term impending failure have been discussed, recent positive market returns have improved the fiscal year-to-date performance to approximately 1 to 2%.

CHAIR SCHUTT moved on to the Chief Investment Officer Report and recognized CIO Marcus Frampton.

CHIEF INVESTMENT OFFICER REPORT

CIO FRAMPTON provided an update on current investment focus areas. The report emphasized efforts in executing the strategic plan, particularly on individual asset classes and achieving alpha targets. The presentation included insights on staffing, potential hires, and their impact on returns and strategy. He mentioned the exciting developments in the Anchorage Office, with team members relocating and highlighted the positive impact on recruitment and retention. He expressed gratitude to the Admin and IT Teams and the board for their support in establishing the Anchorage presence, emphasizing its importance as a significant asset.

TRUSTEE CRUM expressed gratitude for the update, stating that they tried to present an additional option for versatility, and it's pleasing to know that it worked. He thanked the Chair or CEO for encouraging them to visit the office in the vicinity, emphasizing the importance of having such flexibility and benefits, as some find it accessible.

CIO FRAMPTON provided a quick overview of past performance. He noted that the year had a decent start concerning benchmark relative performance. In the quarter, the benchmark was down one and a quarter, and their performance was down about 50 basis points. He detailed the performance of various asset classes, including public equity, fixed income, absolute return, private equity, private income, and real estate. Notably, private income was the only asset class that underperformed due to idiosyncratic factors. Overall, he expressed satisfaction with the performance, particularly in relation to benchmarks, during the past quarter.

TRUSTEE CRUM expressed curiosity and satisfaction about the real estate aspect, especially considering discussions during the September annual meeting. He inquired about the potential changes in the overall real estate strategy.

CIO FRAMPTON responded affirmatively, stating that they intend to maintain the current strategy. He highlighted the positive performance of the debt portion, constituting about 10% of the portfolio, generating strong returns due to favorable interest rates and some banks exiting the business. He mentioned that Tim would provide more details during the upcoming presentation.

TRUSTEE CRUM expressed gratitude.

CIO FRAMPTON proceeded to discuss the investment decisions made in the quarter. On the real estate front, a new joint venture focused on opportunistic lending was closed, targeting a market segment where banks have reduced involvement. This venture involves making loans in the 50 to 65 percent loan-to-value range, providing higher returns than equity on properties that may be acquired if necessary. The investment in this joint venture amounted to $112 million. Additionally, a $60 million loan on an industrial property in Florida was paid off. In the private equity realm, three commitments to funds totaling $80 million and two co-investments amounting to $85 million were made. He mentioned that this quarter was relatively light, with a target deployment of a billion dollars for the year. Private income saw an investment in a credit fund making loans to middle-market companies, with a $75 million commitment and a co-investment in a loan to an aerospace defense company. He highlighted the attractiveness of private credit loans, offering returns of around 12-13%, and expressed satisfaction with the current investment portfolio.

TRUSTEE CRUM asked for details on the co-investment in the aerospace company.

CIO FRAMPTON explained that the company, with executives from a major military contractor, specializes in high-end electronics and radar. Initially funded with venture money, the company is now profitable, and a buyout fund is acquiring it from the original owners, who are staying on as executives. The additional 25, facilitated through the fund, supports the company's growth as a profitable and newer entity on an expansion trajectory.

TRUSTEE CRUM expressed thanks for the clarification.

CIO FRAMPTON provided updates in three areas. Firstly, 500 million was withdrawn from public equity in the quarter, driven by normal rebalancing and funds needed for treasury transfers, including dividends. While the decisions were not influenced by statutory net income, it contributed to the billions of statutory net income through October.

CIO FRAMPTON then listed external managers impacted by the withdrawal.

TRUSTEE BRUNE inquired about the investments and divestments related to fossil fuels.

CIO FRAMPTON mentioned several investments made in the last six months, particularly in Ross' private income portfolio, highlighting one significant royalty investment of 100 million.

MR. ALEXANDER added a comment about the nature of the royalty investment.

CIO FRAMPTON reported on recent income investments in producing wells and a royalty strategy, totaling 160 million. He highlighted the attractiveness of the oil and gas sector due to limited capital inflow and the potential for high returns, with cash yields over 20% and short payback periods. He mentioned ongoing efforts in a fund investment for oil and gas exploration and a past co-investment in an oil and gas private equity situation, considering them among the most attractive opportunities.

TRUSTEE BRUNE commended CIO Frampton for prioritizing fiduciary responsibility by maximizing returns for the people of Alaska and thanked him for pursuing opportunities with impressive internal rates of return (IRRs).

CIO FRAMPTON expressed gratitude, concluding his presentation.

MR. ALLEN, addressing CIO Frampton and the board, acknowledged the tactical opportunities in the investment strategy, noting that despite the S&P 500 being down 3.27%, the fund showed positive returns, adding approximately seven basis points or 50 million dollars to the total fund return. He congratulated them on this performance and sought clarification on whether avoiding the S&P 500 was intentional, driven by a negative outlook on its performance for the quarter, or if it was part of a plan to remain in cash, accepting the tracking error versus the S&P 500.

CIO FRAMPTON responded to Mr. Allen's question about the tactical opportunities, explaining that the positive performance during the quarter was not a result of predicting the S&P 500's movement but rather a long-term perspective. He mentioned deploying around 500 million into individual stocks, sector ETFs, and S&P 500 ETF, emphasizing that he does not predict short-term market movements. G. Allen thanked him for the clarification.

TRUSTEE CRUM expressed curiosity about the performance post the November rally, and CIO FRAMPTON acknowledged the rally's impact, stating that he would need to review the numbers to provide more details.

CIO FRAMPTON mentioned that the outcome of their investments might be clearer in February, implying that the situation is evolving. T

TRUSTEE CRUM indicated that they were withholding comments until then, and CIO FRAMPTON agreed.

TRUSTEE RUBENSTEIN asked for comments on the performance of private income and if it might lead to the creation of a new asset category for private credit versus infrastructure.

CIO FRAMPTON acknowledged the underperformance of private income in the quarter but cautioned against over interpreting one quarter's results. He expressed that the current performance wouldn't prompt him to change the asset allocation. However, he noted better opportunities in pricing for private credit deals and infrastructure acquisitions compared to a year ago. He highlighted a substantial existing portfolio, approximately 7 billion, created in the last five years, and suggested there might be some pressure on older investments due to the changing market dynamics. Despite potential mixed performance, he downplayed the likelihood of any dramatic shifts.

TRUSTEE RUBENSTEIN indicated satisfaction with the response.

CIO FRAMPTON stated that the recent performance of private income doesn't prompt any conclusions or ideas on asset allocation.

TRUSTEE RUBENSTEIN referred to Callan’s slides, specifically slide 48, expressing surprise at the significant increase in infrastructure and decrease in private credit.

CIO FRAMPTON clarified that, as of September 30th, the infrastructure portfolio was actually up, returning 31 basis points against a benchmark of 1.54, though it underperformed the benchmark due to idiosyncratic factors.

TRUSTEE CRUM inquired about confidence in the held positions, especially considering potential challenges like external events affecting performing assets.

CIO FRAMPTON acknowledged the example of the movie studio and explained that some write-downs in infrastructure might be related to interest rate risk, particularly with renewable assets, where long-term bonds are sensitive to changes in interest rates.

TRUSTEE CRUM acknowledged the information.
CIO FRAMPTON provided further details, noting that within the infrastructure portfolio, there may be some element of write-downs due to interest rate risk, particularly in renewable assets. He speculated on this without a detailed review. Regarding private credit, he mentioned a positive return of 2.05 against the benchmark of 2.81, clarifying that it was a positive return but underperformed the benchmark. He expressed confidence in future performance, stating that the current underperformance is specific to the quarter and not indicative of a long-term flaw in the portfolio.

TRUSTEE RUBENSTEIN thanked CIO Frampton for clarifying and expressing the challenges of interpreting performance under the broad category of private income, encompassing multiple elements.

CIO FRAMPTON thanked them for the question.

CHAIR SCHUTT inquired about CIO Frampton's concerns and exciting aspects in the current market.

CIO FRAMPTON expressed surprise at the rapid control of inflation, contrary to expectations. He highlighted the fragility of the recovery, particularly influenced by geopolitical factors, such as OPEC's decisions on energy. He mentioned cautious optimism due to the encouraging reduction in inflation, benefiting risk assets in the portfolio. He cautioned about the expensive nature of U.S. stocks compared to international stocks and historical values. He emphasized caution, pointing out that despite the positive developments in inflation, the recovery is fragile. He referenced economic analyses that presented balanced views on the risk of recession. There is concern about the potential for stagflation, as super core inflation remains around 4%, and the uncertainty lies in how quickly it can be brought down to 2%. He expressed a cautious stance, highlighting the attractiveness of cash with a 5.5% yield. The portfolio maintains a gold position, and while cautious overall, the rapid decline in inflation is prompting reassessment. If CPI reaches 2%, it could signify a soft landing and positive market trends, which would benefit the fund due to its substantial equity risk exposure.

CHAIR SCHUTT asked CIO Frampton if the tools provided were sufficient to address the identified concerns.

CIO FRAMPTON responded affirmatively, stating that all necessary tools were in place.

TRUSTEE CRUM expressed interest in the 2% CPI comment and mentioned the absence of Greg and Steve, anticipating their input in upcoming presentations.

CHAIR SCHUTT opened the floor for more questions.

TRUSTEE RUBENSTEIN sought additional clarification on private equity, particularly regarding the drivers of its performance and the nature of write-downs in the venture sector. She questioned whether the positive performance would lead to an increase in private equity allocation.

CIO FRAMPTON explained that the write-downs in venture are sporadic and often tied to specific situations, with a significant write-down expected in the next quarter due to one large direct investment not performing well. He emphasized the idiosyncratic and case-by-case nature of these situations, contrasting them with the more diversified venture funds. Regarding private equity performance, he mentioned a slight increase (1.75 compared to the benchmark's 1.6), noting movements under the surface, such as significant exits or write-downs on specific positions, particularly in energy or buyouts. He cautioned against drawing significant conclusions, highlighting the uncertainty in the market, especially given the high multiples on buyouts compared to historical levels. Despite this, he expressed satisfaction with the current portfolio, emphasizing stability and ongoing investments in the private equity sector.

MR. ALLEN reminded participants that the private equity returns provided by CIO Frampton were up to June and did not reflect the events of the last quarter. He also pointed out the same situation for private income and real estate, emphasizing the lag in reporting.

CHAIR SCHUTT moved to the Investment Advisor Comments, and recognized Britt Harris.

INVESTMENT ADVISOR COMMENTS

MR. HARRIS discussed two main points during his comments. Firstly, he highlighted the unpredictability and inaccuracy of economic forecasts, citing a significant discrepancy between the projected and actual GDP growth in the US. He expressed concern about the current economic regime, emphasizing the need for a better understanding of the ongoing economic changes. He addressed the energy transition, emphasizing the challenges associated with rapidly transitioning to renewable energy sources. He argued that the current pace of the transition is impractical, expensive, and not compassionate, particularly for the 80% of the world's population that cannot afford such rapid changes. He underscored the need for a balanced approach to the energy transition that considers economic implications and does not lead to a global economic downturn.

TRUSTEE SCHUTT thanked Mr. Harris for his presentation and opened the floor for questions.

TRUSTEE BRUNE expressed appreciation for Mr. Harris's comments and was intrigued by the significant number mentioned. He pondered whether the renewable energy transition presented an opportunity for making money, wasting money, or a combination of both, emphasizing the importance of correct execution.

MR. HARRIS provided additional context, sharing numbers over the last three years. He highlighted that the $275 trillion represented power for governments and markets for the financial services sector. He explained that there was both potential for profit and loss in the clean energy space. He cited performance figures, noting a decline in the clean energy portfolio, particularly due to a massive over allocation to the renewable space a few years ago. He clarified that the increased opportunity in the sector didn't necessarily translate to higher returns. Instead, it meant more deal options. He used the example of having 1,000 deals, where 200 are bad, 200 are good, and 600 are in the middle, compared to a scenario with 100 deals. He underscored that clean energy remained a challenging asset class, requiring skillful selection despite the greater number of opportunities.

TRUSTEE BRUNE found the rates of returns on renewable investments fascinating, especially in comparison to fossil fuel projects. He noted a significant delta of 35%, indicating that the investments in renewables were performing 35% better. He emphasized the importance of maximizing returns in line with fiduciary responsibility and clarified that the focus should not be on serving as a social investment platform.

TRUSTEE CRUM appreciated Mr. Harris's perspective. He highlighted the global perspective, emphasizing that most of the world is seeking energy security to alleviate poverty. He stressed the need for responsible energy transition, considering all technologies, being energy agnostic, and acknowledging the necessary development and mining for raw materials required for this transition.

CHAIR SCHUTT recognized John Skjervem.

MR. SKJERVEM acknowledged the comprehensive coverage by others and shared an observation about the effectiveness of APFC's job postings. Despite not actively seeking a job and considering himself a social media "Neanderthal," he noted that he consistently saw APFC job postings shortly after they were posted. He praised the team for their efficient communication. He mentioned his inability to attend the next day's session due to his day job and board meeting. He affirmed the fund's impressive performance and emphasized his outspoken position on transition. He highlighted the attractive investment opportunities in the oil and gas space due to the exodus of investors, supporting the success in that market. He shared his strategy in Utah, focusing on the success in oil and gas and transitioning to emerging energy technologies like fusion and hydrogen. He recommended a similar approach for APFC, acknowledging the challenges of venture capital but expressing confidence in the team's skills. He reiterated the importance of balancing current oil and gas investments with future technology investments.

CHAIR SCHUTT thanked Skjervem and opened the floor for questions.

TRUSTEE RUBENSTEIN inquired if the advisors had reviewed the updated Strategic Plan or Trustee Paper, considering their absence the next day, to which Mr. Skjervem responded that he had not reviewed them.

TRUSTEE RUBENSTEIN acknowledged that not all board members, including herself, had seen the document mentioned. She suggested holding off on discussing it until the advisors had the chance to review it. She expressed her opinion that the document appeared to be political, and considering the public uproar about the Strategic Plan, she advocated for taking the time to avoid rushing the discussion.

CEO MITCHELL agreed with this sentiment.

MS. LOESCH mentioned the presence of George Zinn in person.

TRUSTEE BRUNE inquired if Mr. Harris wanted to share thoughts, presumably regarding Trustee Paper #10 or the updated Strategic Plan.

CHAIR SCHUTT then asked Mr. Harris directly if he had any comments on the mentioned documents.

MR. HARRIS responded that he had not had a chance to review them yet.

CHAIR SCHUTT recognized George Zinn.

MR. ZINN raised concerns about the impact of Western sanctions on Russia following the invasion of Ukraine. He highlighted the consequences of removing Russia from the SWIFT Banking System, leading to a shift in global trade dynamics. He emphasized that globalization was evolving, with implications for future asset allocation. He pointed out that India's imports from Russia had increased significantly, and China had experienced a notable rise from five to 11.2 billion in imports from Russia. Global trade, he noted, was no longer solely dependent on US dollars, as transactions were increasingly denominated in Renminbi and other currencies. He discussed the impact of the US encouraging domestic producers to withdraw from China, noting that China's trade surplus had tripled due to new market openings, with 2023 marking the first time China's exports to ASEAN countries surpassed those to the US. He observed that despite significant Fed tightening, no emerging market had gone bankrupt, challenging the notion that sanctions and efforts to remove China from the global supply chain led to de-globalization. He described this as a new type of globalization, with countries like Saudi Arabia, India, and Brazil conducting trade in their own currencies. He highlighted a nuclear power collaboration between Saudi Arabia and China, involving a 50 billion equivalent swap line denominated in Renminbi. He concluded by suggesting that this emerging market pull was in its early stages, signaling a new wave of globalization that didn't rely on Western financing, currencies, or technology. He emphasized the potential implications for asset allocation in this evolving global landscape.

TRUSTEE BRUNE found Mr. Zinn's insights fascinating, especially given the perceived slowdown in the Chinese economy. He pondered the possibility of exploring opportunities in Asian markets for the international portfolio, considering the tripled Chinese surplus.

MR. ZINN clarified that his discussion pertained broadly to emerging markets, not just Asia, and expressed caution regarding China.

TRUSTEE BRUNE sought further clarification on whether they would be competing with Russia and China in emerging markets, as these nations might shift their capital away from Western nations.

MR. VADAKUMCHERRY explained this phenomenon as de-dollarization, meaning a decreased need for US dollars in transactions denominated in other currencies.

MR. HARRIS added that China, as the world's second-largest market, provided an alternative for investors globally, leading to a more diverse distribution of assets. He also highlighted China's significant trade partnerships worldwide. He raised a potential concern about the risk of going to war with China in the next decade, emphasizing the need for awareness and preparation. He mentioned that the U.S. is reportedly preparing for such a scenario around 2030, acknowledging the uncertainties in the evolving global landscape and the impact on capital flows.

CHAIR SCHUTT called for other comments or discussions. Hearing none, he called a break.

(Break.)

CHAIR SCHUTT called the meeting back to order, and continued to the Risk Overview. He recognized Sebastian Vadakumcherry.

RISK OVERVIEW

MR. VADAKUMCHERRY provided an overview of the fund's risk appetite on page 55. He highlighted three parameters: value at risk (volatility), drawdown, and liquidity. The volatility of the fund, represented by the blue line, was within the 80/20 risk appetite, with no breaches on all three parameters. He emphasized a slight decrease in risk levels, attributed to the fund's positioning, particularly a higher level of cash and absolute return. The drawdown analysis, based on the 2007-2009 Global Financial Crisis (GFC) valuation, showed a potential 45% drawdown impact if a similar event occurred. He mentioned the liquidity profile, noting that while the fund was within the 40% liquidity threshold, the trend had been downward over the past 24 months due to increased allocation to private assets.

MR. ZINN interjected, providing perspective on the GFC drawdown scenario. He emphasized that the historical GFC drawdown occurred over time, whereas the current analysis assumed a single shock over six quarters. He suggested considering this perspective, as in reality, they wouldn't have stood still for such an extended period.

MR. VADAKUMCHERRY presented an overview of various aspects of the fund's risk and performance. On page 55, he discussed risk appetite, highlighting that the fund was within the 80/20 risk appetite, with no breaches in parameters like value at risk, drawdown, and liquidity.

MR. ZINN interjected, pointing out that the GFC drawdown scenario assumed a static portfolio over six quarters.

MR. VADAKUMCHERRY provided a historical look at realized fund volatility and Sharpe ratio, emphasizing that these were based on historical returns, not expected risks. Private equity and private income showed higher Sharpe ratios due to smoother returns. Page 58 compared tracking error and relative VaR, indicating stability. Page 59 broke down private assets, showing about 40% in private equity, private income, and real estate, slightly exceeding targets. Unfunded commitments were highlighted at $7.5 billion on page 59. On page 60, scenario analysis was discussed, with a focus on the GFC scenario projecting a 45% drawdown compared to the benchmark. The presentation concluded on the last page, which covered country and currency exposure. He noted potential inaccuracies in country breakdowns due to benchmark limitations. The presentation was as of September 29th, and he concluded by acknowledging the less exciting nature of the material.

TRUSTEE CRUM humorously suggested that the concise presentation might be a reaction to not allowing enough time for slides in previous meetings.

MR. VADAKUMCHERRY clarified that the brevity was intentional for the February meeting.

TRUSTEE BRUNE asked if there were any insights to glean from the country and currency breakdown, considering Mr. Zinn's earlier comments.

MR. VADAKUMCHERRY explained the intentional overweight exposure to China, acknowledging it as a conscious decision within established risk parameters.

TRUSTEE BRUNE expressed satisfaction with the response.

CHAIR SCHUTT moved to the APFC Technology and AI Roadmap & Investment Advisor presentation, and recognized Scott Balovich.

APFC TECHNOLOGY AND AI ROADMAP & INVESTMENT ADVISOR PRESENTATION

MS. LOESCH mentioned she would let the participants proceed with their introductions and video presentation.

MR. BALOVICH confirmed this, and Mr. Zinn began discussing the emergence of AI, particularly in connection with OpenAI and its CEO, Sam Altman. The meeting had been planned earlier in Anchorage, specifically in July, where they acknowledged the reality and significance of AI. They expressed a desire to collaborate on a presentation, with Mr. Balovich having a plan and Mr. Zinn handling the educational aspect at a high level.

MR. ZINN introduced an unauthorized David Attenborough AI clone, and proceeded to show a video presentation. He then discussed a slide that addresses the perceived novelty of a viral video involving AI. He explained that the video combines various elements, such as using a webcam to capture an image, processing it through an API, and applying OpenAI's language model to generate text in the style of David Attenborough's narrations. He emphasized that while the technology is advanced, it falls short of general cognition and is not human-like. He delved into the OpenAI board's past debate on legal and ethical issues, particularly concerning content creators like David Attenborough, whose work could be easily copied. He touched upon concerns about the potential for robots and computers to deviate from human intentions and defined machine learning and deep learning as subsets of AI, explaining their use of algorithms trained on data to perform complex tasks.

The discussion shifted to AI complementing humans in tasks like translation, robotics, and data analysis. Zinn introduced the concept of AGI (Artificial General Intelligence) and mentioned the term "singularity" coined by Von Neuman, describing a point where machines no longer require human intervention, becoming self-repairing and self-generating. Regarding the inflection point, he highlighted the ongoing debate on when computers will surpass human brains, with varying predictions from different experts. He emphasized historical instances where fears about technology's impact on employment did not materialize, and instead, technology complemented and enhanced human productivity. He encouraged embracing AI as a tool that can improve job performance, increase productivity, and allow individuals more time for valuable insights rather than mundane tasks. He then handed over to Mr. Balovich to discuss the plan further.

MR. BALOVICH outlined the rationale and plan for implementing AI in their organization. He began by expressing the need for new tools, citing the impressive efforts of the accounting teams in handling large amounts of data manually. He highlighted the labor-intensive nature of tasks such as managing emails, stock distribution notices, and financial statements. He acknowledged the inefficiencies and challenges faced by the teams in wrangling data, leading to the decision to implement a centralized data store. The plan evolved over three years, culminating in the incorporation of AI, specifically ChatGPT, to address operational inefficiencies. He emphasized the goal of achieving operational alpha, or operational efficiencies, within a five-year plan. He discussed the importance of a centralized data store in the cloud, simplifying data onboarding through APIs, and implementing organization-wide data governance. The steps to success included transitioning to a centralized data store, simplifying data onboarding, introducing data governance, implementing AI tools and technologies, and ultimately pivoting from data wrangling to delivering insights. He stressed the need for an open, flexible data management ecosystem and managed services, highlighting the importance of data stewarding without planning to establish a separate data team. He addressed concerns about the scarcity of data scientists and engineers, noting the inclusion of support mechanisms in the RFP. The data ecosystem was expected to be extensible, compatible with third-party consumers and existing tools. He discussed the emergence of narrow AI tools for nuanced decision-making, specifying that the foundational component of the plan was the centralized data store. Funding was allocated to the initial focus on the data store, with the goal of unlocking quantitative capabilities, forecasting, analytics, portfolio optimization, and potentially algorithmic trading in the future. The growth of AI and machine learning was scoped to the MVP project, initially focusing on the private accounting team's procedures in areas such as trade processing, reconciliations, event processing, financial reporting, and security master and data validation.

TRUSTEE BRUNE raised concerns about the delay in receiving data from the organizations they invest with, emphasizing the need for timely and efficient information. He expressed frustration that it sometimes takes three to six months to obtain data on how their investments performed six months prior. He highlighted the technological capabilities available today, expecting real-time or at least more up-to-date information. He questioned whether the speed at which they can receive data from investment partners should influence future investment decisions. He acknowledged the potential trade-off between prioritizing efficient data access and potentially missing out on lucrative investment opportunities. He suggested that the efficiency of data management by investment partners could be a factor in determining future investment choices.

CIO FRAMPTON discussed the impact of AI on private equity, specifically noting the advancement in handling PDF Capital account statements. He highlighted the evolution in computer capabilities over the past two years, enabling them to read and enter data from such statements into systems. He acknowledged that their investment partners possess state-of-the-art technology, which will likely continue to develop alongside AI. He emphasized that initial AI applications are often mundane tasks within the accounting department, such as processing Capital account statements. While hedge fund managers engage in advanced activities like algorithmic trading, he recognized that their focus is not on competing in those areas. Instead, he suggested that their accountants could benefit from improved data and reporting. He provided an example in compliance where data from different systems is compiled manually into a spreadsheet, highlighting the potential for more seamless processes if the systems were integrated. He clarified that, in their context, AI is not used for investment decisions like choosing real estate properties. Their real estate team does not rely on computers to make such choices, and their partners already have advanced technology. He concluded by emphasizing the difference between systems communicating and true investment applications in their current use of AI.

MR. BALOVICH discussed the strategic integration of AI technologies, emphasizing their plan to implement a cloud-native foundational ecosystem and incorporate AI to enhance operational efficiencies. He addressed Trustee Brune's concerns about data lag, expressing confidence that a centralized data store and timely queries could significantly improve access to information. He highlighted the transition from data wrangling to data analysis as a key goal. He delved into the use of cognitive services, including matching and reconciliation systems, integrated accounting platforms with machine learning, and intelligent process automation for tasks like break remediation and cash forecasting. Natural language processing was also discussed, with the ability to read and parse emails and trade tickets, leading to potential operational efficiencies. He outlined the plan to go out for an RFP for a cloud-native foundational ecosystem, aiming to leverage AI as it matures. He explained the focus on a small portion of the Operations Team initially and discussed the importance of having substantial use cases before implementing AI. The presentation touched on ChatGPT's perspective, acknowledging the benefits of AI as a strategic imperative for thriving in the digital age. He explored the use of generative AI, specifically BloombergGPT, highlighting its impressive 50 billion parameter model built for finance and its applications in sentiment analysis, news classification, and named entity recognition. Microsoft Copilot 365 was introduced as an AI assistant integrated into Microsoft applications, designed to boost creativity and streamline work. He emphasized its integration within APFC's security boundaries and the importance of responsible AI principles, allowing users to inquire about the sources and reasoning behind Copilot's responses.

TRUSTEE BRUNE raised a concern about the limited universe of information within APFC's system and whether it might lead to less informed decisions if the AI is confined to the data fed into it.

MR. BALOVICH affirmed that the AI's responses are indeed based only on the information within the organization, and while it may seem counterintuitive, there are situations where users want to verify the documents used to generate AI responses.

CHAIR SCHUTT added to the discussion, highlighting the trade-off between limiting data access for security reasons and the potential risk of exposing all data if fed into an external Open AI engine.

MR. BALOVICH clarified that the AI system under consideration does not involve sharing all data externally. He emphasized the significance of data as the foundational element of AI and discussed the implementation of Microsoft Copilot at APFC. He addressed Trustee Brune's concerns about the limited data universe, clarifying that Copilot works within the organization's domain, respecting role-based access controls and permissions. He then highlighted Copilot's capabilities in Outlook, Word, OneNote, PowerPoint, and Excel, showcasing its ability to summarize emails, generate insights from notes, and enhance productivity in various Microsoft applications. He underscored Copilot's efficiency in handling complex tasks and drudgery, all within the confines of APFC's security measures.

MR. BALOVICH concluded his presentation by outlining the plan to establish a centralized data store and gradually incorporate AI tools for operational efficiencies, laying the groundwork for future advancements in AI applications, including large language models for specific use cases such as fraud detection.

MR. ZINN AND MR. BALOVICH talked about the significance of Microsoft Copilot and its role, emphasizing that while Copilot provides assistance, the user remains in control, likening it to being the pilot.

MR. BALOVICH acknowledged Microsoft's historical challenges in product naming.

TRUSTEE BRUNE asked about the budget, requesting Mr. Balovich to provide his recommended implementation budget and timelines assuming no constraints on resources and time.

MR. BALOVICH discussed his one, three, and five-year strategic plan, emphasizing that the foundational data component is in place, and he intends to utilize it through an RFP. He highlighted the need for leadership and directorate involvement, stating that the initiative cannot be solely an IT project. Resources and use cases are identified as barriers to entry, and he mentioned the need to hire external data teams, as he currently cannot hire a Chief Data Officer due to high demand. Regarding large language models, he estimated a cost of 2 to $3 million, with a timeline of around three years.

TRUSTEE BRUNE raised concerns about the budget cycle, indicating that the next budget to accommodate these plans would be in effect from July 1, 2025, nearly two years away. He expressed concern about the timeline and budget for implementing Mr. Balovich's ideas, stating that the Alaska Permanent Fund is already behind schedule. He emphasized the need for resources to give the fund a competitive edge and questioned what proposal he had in mind, suggesting the possibility of a supplemental budget or alternative funding approach.

MR. BALOVICH reassured Trustee Brune about the current funding of 2.1 million for the data project, emphasizing that the chosen vendors for the RFP have the necessary data science teams and built-in AI tools. While the legislative appropriation did not explicitly mention AI, he stated that the AI components would be included in the project.

TRUSTEE BRUNE expressed concerns about potential apprehension towards AI and emphasized the need for legal confirmation and coordination with the previous interim executive director regarding the use of appropriations beyond June 30th.

MR. BALOVICH mentioned having a conversation with Val, and from his understanding, if the allocated money for the data project was not fully utilized in the current year, there was confidence that it could be appropriated in the following year. He acknowledged that he had not specifically discussed the scenario of spending only half of the funds and needing the rest.

TRUSTEE BRUNE thanked him for the clarification and raised appreciative points.

TRUSTEE CRUM mentioned that Mr. Balovich had asked for $15 million, and CEO Mitchell expressed surprise at the request. He then shared that Governor Dunleavy prioritizes state agencies actively exploring the best use of funds. He appreciated the prudent approach to finding the best use case and acknowledged that the topic might be deliberated further in government conversations and budget discussions. He emphasized the importance of staying ahead in the budget cycle regarding AI and data initiatives.

MR. BALOVICH expressed agreement, highlighting the evolving nature of data and the eventual role of AI in analytics and insights.

TRUSTEE CRUM added that this evolution could change the staffing requirements, potentially reducing the need for more staff.

MR. BALOVICH clarified that the goal is not necessarily needing less staff but not needing more, emphasizing efficiency. He discussed the careful framing of questions for artificial general intelligence (AGI) and the importance of considering the goals of the machine.

TRUSTEE BRUNE and TRUSTEE CRUM emphasized the potential benefits of AI, indicating that it doesn't necessarily mean reducing staff but reallocating tasks. They highlighted the opportunity for staff to focus on more meaningful and analytical work, allowing the organization to grow.

TRUSTEE BRUNE mentioned Governor Dunleavy's interest in using technology to handle routine tasks, ultimately contributing to fund growth.

MR. BALOVICH expressed agreement and a readiness to leverage technology for improved efficiency and growth.

MR. ZINN pointed out that Trustee Crum had made two statements. He mentioned that Trustee Crum initially mentioned that the implementation of technology would make the system more efficient and productive, leading to overall improvement for people. Later in the discussion, Trustee Crum stated that eventually, machines would handle everything. Mr. Zinn addressed this particular point by presenting a slide on unemployment trends. The data suggested that despite significant technological advancements over time, humans did not seem to be replaced, challenging the idea that machines would take over completely.

TRUSTEE CRUM clarified that the statement about machines taking over was made by Scott, not by himself.

MR. BALOVICH affirmed that he did make a particular statement.

TRUSTEE CRUM agreed and emphasized the ongoing need for a human copilot, expressing approval for the use of Microsoft Copilot behind the scenes.

TRUSTEE ANDERSON raised a question about accessibility to Microsoft Copilot within the corporation.

MR. BALOVICH confirmed that everyone at the corporation would eventually have access to it. However, he pointed out the requirement for certain infrastructure, explaining that the data needed for AI, currently stored in internal file servers, must be moved to the cloud's SharePoint backend. He also highlighted the need to address data backup challenges in the cloud before fully implementing the technology across the organization.

CEO MITCHELL proposed a process where individuals working on projects could create their own mini GPT (Generative Pre-trained Transformer) and collaborate with AI to enhance their work.

MR. BALOVICH affirmed this possibility.

TRUSTEE ANDERSON inquired about the inclusion of various intelligent minds in the corporation to contribute ideas, to which Mr. Balovich agreed, mentioning the potential purchase of internal tools related to language models from platforms like OpenAI.

MR. BALOVICH expressed the need to tap the brakes initially, identifying use cases and funding them gradually.

MR. HARRIS then shared a personal example of teaching college courses, revealing that students were using ChatGPT to write papers with impeccable grammar. This raised concerns about the increasing reliance on AI for information retrieval, potentially impacting people's ability to evaluate information thoroughly. He emphasized that this shift is already significant and has implications for long-term evaluation and hard work in the short term.

TRUSTEE ANDERSON acknowledged the rapid pace of technological advancements and emphasized the importance of staying competitive by fully embracing and utilizing emerging technologies.

MR. BALOVICH noted the emergence of a new industry, referring to prompt engineers who excel in framing questions for AI systems like ChatGPT. He expressed agreement with the challenges of controlling and managing the accelerating technological progress, questioning whether and how it could be done.

In response to concerns about the ethical aspects of AI, TRUSTEE BRUNE mentioned the existence of agencies working on ethical standards and policies for AI usage.

MR. BALOVICH acknowledged the importance of ethical considerations in moving forward.

MR. ZINN added insights into efforts, such as AI alignment, to ensure ethical methods and alignment of AI systems with human values. The discussion concluded with an agreement on the significance of regulation and the need to explore how regulation can keep pace with the exponential growth of AI.

CHAIR SCHUTT raised a concern in the investment context about the potential for insider trading if investors provide public AI data that includes non-public information.

MR. ZINN sought clarification, and Chair Schutt confirmed the scenario involved firms sharing non-public information that becomes available to AI engines.

MR. ZINN acknowledged that this is a legal issue that needs to be addressed and noted that such situations do occur.

MR. BALOVICH concurred with the acknowledgment that insider trading does happen. He expressed concern about intellectual property being unintentionally disclosed when users ask questions about their own intellectual property in platforms like ChatGPT. He highlighted the risk of such information being available indefinitely and potentially misused for activities like insider trading. He emphasized the need for regulation in addressing these issues and mentioned that Europe is already working on guidelines, anticipating more stringent regulations in the future. He stressed the delicate balance between not stifling innovation and addressing security concerns, citing the challenges posed by the potential misuse of AI technologies by malicious actors. He indicated a willingness to share more details in executive sessions regarding the daily security challenges observed by his IT security analyst. Overall, he advocated for regulatory measures to mitigate risks associated with the unintended disclosure of sensitive information and potential misuse of AI technologies.

CHAIR SCHUTT apologized for a false start and proposed a change in the agenda to accommodate the limited time of the two Commissioner Trustees. They decided to move the Governance Committee recommendations, initially slated as an action item, to the next agenda item. This adjustment aimed to ensure that the two Commissioner Trustees could participate in the discussion without concern about missing a crucial action item while breaking for lunch. He acknowledged the Governance Committee's involvement, specifically mentioning CEO Mitchell and the Committee Chair Trustee Rubenstein.

GOVERNANCE COMMITTEE RECOMMENDATIONS

TRUSTEE RUBENSTEIN provided an overview of the Governance Committee's recent meeting, focusing on the evaluation process for the CEO and concerns related to public records requests. She discussed the Funston governance review conducted a year ago, which highlighted specific Alaska State Law provisions requiring disclosure of records for fully exempt employees. During the Governance Committee meeting, a detailed ruling from the Department of Law, signed by the Attorney General, explained why the CEO's records could be disclosed in response to public record requests. The committee aimed to address these challenges and considered potential statutory changes. She informed the board that the Governor's Office is exploring the matter and deciding whether the changes should be specific to the Permanent Fund or apply statewide. To navigate this issue while following governance protocols, the committee proposed amending policies to protect the CEO, Deven Mitchell, and maintain transparency.

TRUSTEE RUBENSTEIN requested an action or vote to amend the policy, pointing to the redlined section on page 184 of the Governance Charters, specifically addressing CEO evaluation. The proposed approach involves conducting discussions within the Executive Committee and seeking CEO Mitchell's input on his achievements. She invited input from other board members and advisors, emphasizing the careful consideration given to the issue over two Governance Committee meetings, the Funston Advisory Review, and ongoing discussions with legal and administrative personnel.

MR. HARRIS shared his experience with setting goals, distinguishing between perpetual goals agreed upon by the board each year and annual goals representing the top priorities of the fund. He suggested providing an example of the perpetual goals.

TRUSTEE RUBENSTEIN sought clarification from Mr. Harris about the public accessibility of his employment file in Texas via public records requests, and Mr. Harris confirmed that it was accessible to the public.

TRUSTEE RUBENSTEIN inquired if Mr. Harris had ever experienced public records requests for his employment file, to which Mr. Harris responded negatively, mentioning that he had encountered challenging situations but not in that specific context.

TRUSTEE RUBENSTEIN then asked if Mr. Harris favored making the proposed change, considering it sounded like a middle ground.

MR. HARRIS affirmed his support for the change.

TRUSTEE RUBENSTEIN addressed Mr. Skjervem, seeking his opinion on amending the Governance Policy to eliminate the current executive director review in writing due to potential public records requests.

MR. SKJERVEM acknowledged the flaw in the structure, expressing his agreement with the proposed change.

TRUSTEE RUBENSTEIN noted a concern raised in the Governance Committee meeting regarding potential retribution against managers providing feedback. She mentioned that, in addition to the CEO, other executives, including the Chief Investment Officer and the remaining C-suite members, could also have their files subject to public records requests. She invited Mr. Zinn, an advisor, to share his thoughts.

MR. ZINN recommended expanding the change as widely as possible to protect all employees.

TRUSTEE RUBENSTEIN highlighted the realization from the Governance Committee meeting that there is currently no barrier preventing a reporter from submitting a public records request for personnel files beyond the CEO. Due to this concern, the board is proposing changes to the Governance Policy. She clarified that although the board will meet in executive session to provide feedback to CEO Mitchell, it will not be done in writing, and this approach has received approval from the Department of Law.

MR. SKJERVEM commented on the unusual access to personnel records at any level, expressing that it is not a common practice elsewhere.

TRUSTEE RUBENSTEIN mentioned that when the issue was raised with the Governor's Office, they were surprised and may have considered it specific to the APFC. She invited Chris Poag to summarize a case mentioned during the Governance Committee meeting involving a librarian that helped illustrate the challenges leading to the proposed changes.

MR. POAG explained that Ben Hofmeister, the author of the legal advice provided to LB&M, was present and could provide more information. He summarized Hofmeister's analysis, stating that the State Personnel Act does not provide statutory protection for personnel files of exempt employees, and the Alaska Supreme Court has interpreted that these files are not confidential under the existing statutory provisions applicable to all state employees. The only remaining protection is the Alaska Constitutional Privacy Clause. He cited a case involving a head librarian for the city of Anchorage, similar to the Executive Director of the Permanent Fund Corporation, where the court determined that the public's interest in knowing about the details of a performance evaluation outweighed the privacy interest. The court required the disclosure of the performance evaluation, with redactions limited to personal or intimate information like addresses, phone numbers, or Social Security Numbers. He emphasized that, under current State Law, personnel files for exempt employees are subject to public records requests. The Department of Law expressed a willingness to help balance privacy and public interest on a case-by-case basis, considering factors such as the requested information and the individual involved, until the statutory problem is addressed.

TRUSTEE BRUNE sought clarification on how the analysis could ever justify withholding information for any of the 68 exempt employees of the Permanent Fund, given that they are not covered by the relevant statute.

MR. POAG explained that the court's analysis involves weighing the public's need for disclosure against the privacy interest of the individual. The Department of Law has advised that the public's need for disclosure at the Executive Director level is high, but it may not be the same for individuals at lower levels, like Chris Poag himself or other employees at APFC. The Department of Law will assist in evaluating future requests, considering whether the public interest in disclosure outweighs the privacy interest involved, depending on the specific circumstances of each case.

CHAIR SCHUTT intervened, redirecting the discussion back to the specific topic at hand—the Executive Director evaluation and policy changes related to it. He expressed the need to stick to this particular agenda item, stating that the current line of discussion was not helpful.

TRUSTEE RUBENSTEIN agreed.

TRUSTEE BRUNE expressed disagreement, noting that he interpreted statements made by John and Chris as advising caution regarding all employees.

CHAIR SCHUTT suggested discussing this matter in a different setting, emphasizing the importance of focusing on the current agenda item.

TRUSTEE CRUM proposed moving forward with addressing the first issue at hand, likely referring to the Executive Director's evaluation.

CHAIR SCHUTT agreed, emphasizing the need to focus on the current agenda item and deal with other matters related to employees in a separate manner.

> **MOTION:** A motion to adopt the proposed changes. The motion was made by TRUSTEE RUBENSTEIN; seconded by TRUSTEE BRUNE.

CEO MITCHELL described three documents with proposed changes. The first change was highlighted in the Charter of the Governance Committee on page 184. The second set of amendments applied to the monitoring and reporting policy on pages 198 and 199. The final changes were to the Executive Director Performance Evaluation Policy on pages 208 and 209.

These amendments aimed to eliminate the requirement for written evaluations of the Executive Director, shifting to a verbal evaluation process. The Executive Director is still expected to prepare a report for the board to consider the achievements accomplished during the previous year.

CHAIR SCHUTT invited questions or comments regarding the red line changes and the proposed policy modification.

CHAIR SCHUTT responded to concerns about the limitations of the board's authority, noting that the board's primary responsibility is to evaluate and oversee the CEO. He acknowledged that the statutory change being recommended specifically relates to the CEO.

TRUSTEE BRUNE expressed disagreement, emphasizing the board's authority to oversee the entire organization beyond just the CEO. Despite advice from others, he stressed that the proposed changes were not about secrecy but rather about protecting individuals' right to privacy in their personnel records. He wanted to provide honest feedback to the CEO without subjecting it to media scrutiny.

MR. SKJERVEM offered his perspective, suggesting that the need for this change goes beyond individual privacy rights. He argued that the change is crucial for the board's fiduciary responsibilities and the overall success of the organization. He highlighted the difficulty of recruiting in Alaska and expressed concern that making personnel records subject to public records requests could further hinder recruitment efforts. He emphasized the importance of looking at the issue from a high enterprise level to avoid making recruitment even more challenging for the organization.

TRUSTEE RUBENSTEIN acknowledged Mr. Skjervem's point about the issue being statewide, not specific to the Permanent Fund. She encouraged advisors to speak up and emphasized the need for collective action beyond the board's efforts.

TRUSTEE CRUM expressed anticipation for further debate and called for the question, indicating a desire to expand the discussion in the future.

CHAIR SCHUTT acknowledged the conclusion of the debate and called for a roll call vote on the question.

> *After the roll-call vote, the MOTION was APPROVED. (Trustee Brune, yes; Trustee Rubenstein, yes; Trustee Richards, yes; Trustee Anderson, yes; Trustee Crum, yes; Chair Schutt, yes.)*

CHAIR SCHUTT called for a lunch break.

(Lunch)

CHAIR SCHUTT moved to the agenda item on Fund Performance, and recognized Greg Allen.

FUND PERFORMANCE

MR. ALLEN began by discussing the overall fund performance for the Permanent Fund over the last quarter, the trailing year, and trailing time periods compared to peers and benchmarks. He also touched on recent market developments. The information was as of September 30th, and by December 13th, the market had undergone significant changes. He acknowledged the transformative nature of the year, mentioning a spy balloon incident that occurred in 2023. He invited questions throughout the presentation, especially for online participants. He then proceeded to discuss market performance, noting that as of the end of September, both the US bond and equity markets had experienced a 3% decline. Small cap stocks and non-US stocks were also down, with cash being the only area with a positive return. Despite the recent quarter's performance, over the last 12 months, the S&P 500 and non-US stocks had increased by over 20%. He highlighted the flat performance of the US bond market over the last five years and emphasized the impressive returns of the S&P 500 over seven and 10 years. He moved on to discuss trailing returns, noting negative performances for all equity markets last quarter but highlighting the strong performance of developed market non-US stocks over the last year, up 25.6%. The presentation included a periodic table of returns, emphasizing the importance of a diversified portfolio. The eye-test chart indicated that large-cap US and developed market non-US stocks had been the best performers year-to-date, with investment-grade bonds at the bottom. High-yield bonds had performed relatively well.

MR. CENTER discussed the performance of small and emerging markets compared to large cap and developed markets. He highlighted the leadership of the US market, especially the S&P 500, even with small cap lagging. Emerging market equity, represented by a light blue box, showed modest gains of 2% over the last 10 years, raising questions about potential future growth. Moving to the performance of various capital markets, the speaker noted a 3% decline in both US stocks and bonds. Despite a pullback in the third quarter, the S&P 500 remained down about 4% from its peak in January 2022. The discussion touched on the recovery and subsequent pullback in fixed income markets during 2023. Inflation was addressed, with the CPI-U at 3.7% year over year for the third quarter, down from its peak but still up 5.8% since the start of 2022. Recent data showed a further improvement, with a 3.1% year-over-year increase as of December 12th, nearing the Fed's long-term target. Positive economic data included a GDP growth of 4.9% in Q3, later revised to 5.2%. The US market exhibited strong overall GDP growth. Looking at the year-to-date column, negative performances were observed in the fixed income market, real estate (especially on the valuation side), and commodities, indicating a pullback in these areas.

TRUSTEE BRUNE inquired about the reported GDP growth of 5.2%, seeking clarification on whether the economy had fully recovered to pre-fall levels.

MR. CENTER explained that the 5.2% figure was a revision from the initial 4.9% reported in the preliminary Q3 GDP.

TRUSTEE BRUNE expressed concern about the apparent growth, wanting to ensure it reflected a complete recovery rather than just a numerical improvement.

MR. CENTER mentioned looking for a cumulative GDP chart and flipped ahead to page seven for further information. He explained that the top-left chart displayed a quarterly GDP overview, with the scale affected by COVID GDP numbers. A nearly 30% decline occurred during the initial impact of COVID, followed by a snapback in the subsequent quarter. Despite a minor recession at the beginning of 2022, consecutive positive quarters indicated a potential recovery.

TRUSTEE BRUNE questioned the recovery, suggesting that a 30% fall followed by a 30% increase didn't necessarily signify recovery.

MR. CENTER agreed, emphasizing the cumulative effect of smaller fluctuations. The discussion shifted to other charts, including inflation, which had improved post-COVID, and yields, particularly the 10-year Treasury yield and break-even inflation rate. The break-even inflation rate, at 2.4% as of September 30, aligned with Callan's 2.5% long-term inflation projection. The presentation also highlighted the distinction between the stock market and the economy, emphasizing job market resilience. Job growth remained robust despite some layoffs in the technology sector, which constituted a small portion of the overall job market. The subsequent slide illustrated changes in payroll since the end of 2019, with notable upticks in professional business services, transportation, health, and social services. However, sectors like leisure and hospitality, state and local government, and retail trade, constituting a third of the US job market, had not fully recovered to pre-COVID levels. Despite this, total employment had increased by 5 million jobs since the COVID peak, signaling overall positive progress.

TRUSTEE BRUNE sought clarification on whether oil and gas were included in the mining and logging category.

MR. CENTER expressed uncertainty but indicated that it relied on Department of Labor classifications.

CEO MITCHELL suggested that the classification might depend on the nature of the work, potentially involving construction.

TRUSTEE BRUNE found this information fascinating.

MR. CENTER emphasized the reliance on available data. The conversation then shifted to the correlation between the stock market and bond market. He presented a chart showing an increased correlation over the last 12 months, attributing it to higher interest rates impacting forward-looking return expectations for fixed income. The discussion touched on the inverted Treasury yield curve as a possible recession signal, with recent Fed statements suggesting a softer stance on rate changes. The presentation also covered inflation contributors, highlighting rent as a significant driver, and ended with an overview of the Permanent Fund's asset allocation and performance metrics. The Fund's recent performance slightly exceeded its benchmark despite challenges, with a focus on manager and asset allocation effects in the attribution analysis.

TRUSTEE BRUNE raised a concern about the timing of real estate performance and its impact on bonuses, given that bonuses are paid as of June 30th. He sought clarification on when the outperformance in real estate occurred, expressing support for staff bonuses but highlighting the lagging effect in real estate changes affecting financial outcomes.

MR. CENTER acknowledged the impact on staff wallets and explained that the real estate portfolio's returns, as well as the benchmark it's measured against, are lagged by one quarter. This means that the June 30th published real estate numbers actually reflect the March to March period. He also pointed out that the benchmarks similarly lag.

TRUSTEE BRUNE thanked him for the clarification.

MR. CENTER added that asset allocation was a net negative, with the underweight to public equity and slight overweight to private equity both contributing to the challenges, as private equity was among the lower-performing asset classes during the relevant time period.

CIO FRAMPTON expressed skepticism about the negative asset allocation effect, given the underweight position in public equity, which had performed well in the last year.

MR. CENTER clarified that the asset allocation effect considered the one-year period, where the underweight to public equity, the highest-performing asset class during that time, resulted in a negative impact. He further explained that the slight overweight to private equity, although not the worst performer, also contributed to the challenges in the overall asset allocation effect. The discussion then transitioned to peer group comparisons, starting with the Permanent Fund's performance against Callan's Large Public Fund Peer Group. The Fund ranked well in various time periods, outperforming many peers and positioning itself more like an endowment fund. The presentation included risk-return comparisons, showcasing the Permanent Fund's lower risk and higher return relative to peers over the last 10 years. Trailing standard deviation analyses demonstrated the Fund's lower volatility compared to both large public funds and endowments and foundations. The Sharpe ratio, a risk-adjusted return measure, reflected the well-implemented risks within the portfolio, particularly against other large public funds. The presentation concluded with a brief pause for questions and acknowledgment from Mr. Allen.

MR. ALLEN expressed that he had nothing to add and praised Steve for doing a great job.

MR. HARRIS wanted to highlight a point and requested to go back one slide. He emphasized the significance of a Nobel Prize-winning formula called the Sharpe ratio, indicating that all asset classes have the same risk-adjusted expected return. The median Sharpe ratio was discussed in relation to diversified portfolios.

MR. CENTER proceeded to discuss the domestic equity performance of the Permanent Fund. He provided a snapshot of the public equity markets, mentioning the S&P's 3% decline during the quarter and the negative performance of all US equity markets. Details were given about the performance of small cap, large cap, growth, and value stocks. The Russell 2000 value index was highlighted as the best performer during the quarter. The discussion delved into the quarterly performance of individual sectors, with only communication services and energy showing positive results. The concentration within the US equity market, specifically the dominance of the "Magnificent 7" stocks (Apple, Microsoft, Amazon, NVIDIA, Alphabet, Tesla, and Meta), was emphasized. He noted that 96% of the S&P 500's return year-to-date came from the top 10 stocks, making it a challenging period for active managers. The historical trend of top 10 stocks driving S&P 500 performance was discussed, with the current year standing out as having the highest concentration. Small cap stocks were addressed, with concerns about potential negative impacts if the Fed raises rates again. Despite concerns, small cap valuations were considered attractive, and it was suggested that small cap could be a good place to invest at that point. Inflation's impact on small cap stocks was mentioned, and the discussion concluded with a focus on small cap price-to-earnings ratios, which had come down substantially below long-term averages.

MR. ALLEN informed Mr. Center that the Russell 2000 had gone up 3.5%, and the S&P 500 was up by 1.3%. S. CENTER acknowledged the information, expressing satisfaction as the new money invested in his kids' college funds had been directed towards small caps for the past few months.

Analyzing global equity markets, MR. CENTER noted that growth concerns had affected non-US stocks more than US stocks. There were positive highlights for Japan and China, although China faced challenges such as increasing federal debt, political risks, and an aging population. Moving on to the Permanent Fund's public equity portfolio, he reported that it exceeded its benchmark by 90 basis points last quarter but trailed by 60 basis points over the trailing 12 months. The global equity portfolio outperformed, while the US portfolios lagged over the last year. Long-term performance showed strength over three, five, and 11 years. In terms of the US equity portfolio, it outperformed the Russell 3000 for the quarter, lagged for the last year, and stood ahead of its benchmark over the last three years. The risk-adjusted standpoint indicated a below-median alpha but a top-quartile excess return ratio. The portfolio had a blend of 73% active and 27% passive, with an overweight to small caps. Analyzing the large cap and small cap portfolios, the large cap portfolio outperformed its benchmark for the quarter, lagged for the last year, and outperformed over the last three years. The small cap portfolio performed exceptionally well, outperforming the Russell 2000 for all trailing periods. Examining non-US and global portfolios, the global equity portfolio excelled, outperforming its benchmark over various time periods. In fixed income markets, the Fed's dot plot showed a wide dispersion in interest rate projections. The bond market experienced positive returns, particularly in high yield, bank loans, and investment-grade credit. The Permanent Fund's fixed income portfolio performed well, outperforming its benchmark over three, five, and seven years. In real estate, appreciation was negative across regions and property types. Transaction volumes and pricing dipped to COVID-era lows due to rising interest rates and uncertainty in certain sectors like office and retail.

TRUSTEE BRUNE expressed understanding and appreciation for the term "negative appreciation" mentioned by Mr. Center, who clarified it as depreciation. He inquired about positive depreciation in the multifamily sector due to people working from home.

MR. CENTER confirmed that there was positive depreciation in multifamily and apartments. However, the presence of new construction and increased rentable units entering the market had pushed down rents and, subsequently, valuations on property transactions. He also highlighted a trend of converting office spaces to residential, potentially adding more inventory to the multifamily sector.

TRUSTEE BRUNE thanked Mr. Center for the information.

MR. CENTER presented information on the real estate market and its impact on the debt side. The cumulative increase in commercial real estate loans between the largest 25 domestic banks and all other domestic banks was discussed. The dark blue represented major lenders like Wells Fargo and Chase, while teal represented smaller regional banks. There was a concern that smaller regional banks might need to slow down lending due to higher interest rates, and larger institutional real estate investors were turning properties over to banks instead of refinancing.

CHAIR SCHUTT inquired about the concentration of debt in regional banks versus larger ones.

MR. CENTER indicated that regional banks played a significant role in driving the growth of real estate lending. Despite potential challenges, real estate debt had been a positive contributor to overall investment performance, with 85% of the Permanent Fund's real estate portfolio in real estate equity. The performance of the real estate portfolio was positive for the last quarter, outperforming its policy benchmark. Over the longer term, the portfolio lagged behind its target due to write-downs in the 2019-2020 period. However, the short-term performance was strong, with the real estate equity and REIT portfolios outperforming their benchmarks. In the private credit marketplace, fundraising remained positive, with interest from institutional investors. The private credit space saw changes in market offerings, particularly in direct lending portfolios with higher exposure to recoverable assets. The private income portfolio of the Permanent Fund, consisting of infrastructure, private credit, and income opportunities, showed positive performance over the three and five-year periods, contributing to the overall performance of the fund. Despite short-term benchmark underperformance, the private income portfolio had been a net positive for the Permanent Fund's performance over the longer term.

CIO FRAMPTON posed a question to Mr. Center regarding changes in the benchmark for private credit over the last five years. The benchmarks were initially high yield, then changed to Cambridge Private Credit, and finally to Cliffwater Direct Lending. He sought clarification on whether the five-year return reflected only Cliffwater Direct Lending or a combination of the three benchmarks.

MR. CENTER indicated uncertainty and mentioned that it would require further examination.

CIO FRAMPTON acknowledged the need to verify and expressed curiosity about whether it would affect the answer.

MR. CENTER leaned towards the belief that the Cliffwater number was the relevant one, not a blended benchmark.

The conversation shifted to the private income portfolio, specifically the income opportunities labeled as a blended benchmark that had changed over time.

CIO FRAMPTON discussed a decision made in the past year that negatively impacted the numbers on income opportunities. They moved a portfolio of high-yield bonds from income opportunities to Jim's high-yield portfolio in July 2022, coinciding with a downturn in the high-yield market.

MR. CENTER acknowledged the situation.

CIO FRAMPTON explained that the private stuff never got remarked, contributing to the poor three-year number on income opportunities. This decision, made in the last year, was distinct from the random markdowns discussed in the last quarter, involving a billion-dollar high-yield portfolio in income opportunities.

MR. CENTER provided an overview of hedge fund performance, emphasizing that hedge funds are fulfilling their intended purpose after a decade of uncertainty. In the past 12 months, while

US stocks surged by 20% and bonds showed a negative return, hedge funds demonstrated an 8% to 9% increase, aligning with their expected role. Regarding the absolute return portfolio discussed on page 162, he highlighted its strong performance relative to peers and its benchmark. Over the last year, it outperformed its index by 2.7%, over the last three years by 2.3%, and over the last five years by 1.7%, consistently ranking in the top quartile over five and seven years. Shifting to private equity trends on page 163, he noted steady fundraising but observed a decline in 2023 compared to 2021 and 2022. The amount raised and the number of funds being raised were notably lower. The concept of "dry powder," representing uninvested commitments, saw a decrease in 2023, possibly signaling a shift towards a healthier investment environment.

TRUSTEE BRUNE inquired about the timeline for "dry powder" during a discussion. Specifically, he asked at what point a fund decides to close and not invest unallocated commitments.

MR. CENTER responded that the timeline varies by the fund but is typically in the range of three to five years.

TRUSTEE BRUNE inquired about the factors influencing the decision to refund uninvested commitments or "dry powder." He asked whether the pressure typically comes from investors or if it's a commitment made by the fund based on the perspective that if the right opportunity doesn't arise after a certain period, they refund the money.

CIO FRAMPTON responded affirmatively, indicating that such decisions are usually made upfront. However, he noted that it is uncommon to see funds not deploying the committed money, as fund managers tend to be disciplined and seize market opportunities.

MR. CENTER concurred, emphasizing that while it has happened, it is the exception rather than the rule.

CIO FRAMPTON expressed confidence that most dry powder would eventually be deployed.

TRUSTEE BRUNE sought more insight into the growth of the asset class, asking about the percentage-wise increase in new capital compared to the doubling of values since 2013.

CIO FRAMPTON explained that, on average, 300 to 400 billion dollars are deployed and committed annually. During the period when values were increasing, deployment and commitments were both around 300 billion, but recently, with some investors being over-allocated to private equity, deployment has decreased by approximately a third. Despite this decline, ongoing deals contribute to a continuous churning of capital within the asset class on a year-to-year basis.

TRUSTEE RUBENSTEIN raised a query regarding the use of the term "special situations" within the private equity portfolio. She questioned whether the term still applied, considering that it was previously associated mainly with biotech deals.

MR. CENTER clarified that the discussion focused on "special situations" and not "special opportunities," emphasizing that the former term was within the broader private equity portfolio.

TRUSTEE RUBENSTEIN acknowledged this but mentioned the previous renaming of the category, expressing uncertainty about whether the segmentation had reverted. She suggested directing the question to CIO Frampton for further clarification.

MR. ALLEN pointed out that the industry categories mentioned were standard categories, and they might not align precisely with the way the Permanent Fund refers to these things.

TRUSTEE RUBENSTEIN sought clarification, mentioning the previous terminology of "private equity and special opportunities" and expressing gratitude for the clarification provided.

MR. CENTER then presented performance metrics for the private equity and special opportunities asset class, noting outperformance against the Cambridge Private Equity benchmark over various time periods. The last quarter saw private equity up 1.5%, and the special opportunities portfolio up 2.4%. The discussion concluded with information on the Total Fund cash portfolio, highlighting volatility relative to its benchmark (the three-month T-bill). He explained that the cash portfolio, which included a gold allocation, had shown a 13.8% increase over the last year. The gold allocation was subsequently liquidated, resulting in a return similar to the three-month T-bill index in the last quarter. He briefly mentioned a comprehensive summary on slide 169 but refrained from reading it due to time constraints. Finally, he reminded the Trustees about Callan's National Conference scheduled for April in San Francisco, noting the contractual obligation to hold it there for at least one more year.

MR. ALLEN and MR. CENTER discussed the location of Callan's National Conference, expressing a humorous exchange about the preference for Arizona.

MR. CENTER mentioned the absence of negative feedback about Arizona and highlighted the windy conditions being a minor concern. The upcoming conference in San Francisco was announced for April 8th to 10th, and Trustees were encouraged to attend.

TRUSTEE RUBENSTEIN sought clarification on the conference duration, referencing a discrepancy in the CEO report.

MR. CENTER confirmed that the conference spanned three days, including a welcome reception on the 8th and the main conference on the 8th, 9th, and 10th.

MR. ALLEN made two observations. Firstly, he commended the Permanent Fund for achieving significant venture exposure in its private equity portfolios, a feat that larger funds might envy. Secondly, he shared information on the capitalization of the Russell 2000, noting its historic low as a percentage of the Russell 3000 and highlighting that both Microsoft and Apple individually surpassed the total capitalization of the entire Russell 2000. This led to a comment on the concentration within the U.S. equity market.

TRUSTEE BRUNE expressed gratitude for the presentation given by Mr. Center and Mr. Allen, acknowledging the desire to schedule a board meeting for April 8th through the 10th for Trustees. He mentioned the potential exemption from the Alaska Open Meetings Act due to the location not falling under Alaska Law. He sought to understand the benefits of Trustees attending the event and encouraged those who had attended before to share their experiences.

MR. CENTER highlighted the opportunity to interact with other institutional investor clients, informative presentations by Callan, expert presentations, and an enjoyable party during the National Conference.

TRUSTEE RUBENSTEIN shared their experience attending the conference the previous year, along with Deven, Adam, and advisor John. They highlighted the opportunity for networking and mentioned the presence of custodians and Pathway, which was relevant to the APFC universe. She found the conference less focused on education but enjoyed the networking aspect, especially interacting with the advisor and CEO in a non-Permanent Fund context. She emphasized the intangibles of the experience and echoed the advice that every Trustee should attend at least once, as suggested by Trustee Richards.

MR. ALLEN added to the discussion, emphasizing the conference's educational focus, free from investment providers promoting their products. He mentioned the prohibition of marketing in the conference and the inclusion of outside speakers with no bias. He noted the expected attendance of around 600 people, including asset management firms, providing an opportunity for interaction. He announced a new session format, splitting attendees into two groups based on their roles, allowing for targeted content and networking opportunities. He also mentioned a client using the conference for a board meeting but acknowledged uncertainty about its legality under Alaska Law.

TRUSTEE RUBENSTEIN and CEO MITCHELL noted that a significant portion of the ARM Board, including Zach Hanna, the CIO from Alaska Retirement, attended the conference.

TRUSTEE BRUNE expressed gratitude for the information provided, emphasizing his fiscal conservatism and the need for value in spending Alaskan dollars. He found the feedback from Trustee Rubenstein and Trustee Richards compelling and indicated that the conference seemed worthwhile.

TRUSTEE RICHARDS shared his perspective, highlighting the valuable aspect of gaining insights into Callan's operations and business. He appreciated understanding their culture and the services they could offer as advisors.

TRUSTEE BRUNE thanked Trustee Richards for his input.

CHAIR SCHUTT opened the floor for questions or comments regarding Callan's Annual Conference.

MR. SKJERVEM raised a concern about a potential conflict with the April meeting date, given the conference's schedule.

CHAIR SCHUTT acknowledged the issue and expressed the intention to consider changing the April meeting date. The exact date mentioned in the conversation was either April 9th or 10th. There was a suggestion to hold the meeting in San Francisco, and the idea of pulling in Idaho was also mentioned, indicating a discussion about alternative locations.

CHAIR SCHUTT called for a break.

(Break)

CHAIR SCHUTT moved to the agenda item on APFC Org Chart and Alpha Targets.

APFC ORG CHART & ALPHA TARGETS

CIO FRAMPTON outlined the plan to discuss the strategic plans for individual asset classes in reverse order. He mentioned focusing on the overall investment philosophy, organizational structure, key person risk mitigation, and then allowing each Asset Class Director to discuss resources, team structure, alpha targets, and strategies for achieving those targets. He started with an overview of the investment philosophy, emphasizing the importance of setting a return objective and creating an asset allocation to achieve that objective over a five to ten-year period. The team's goal is to outperform benchmarks through outstanding execution within asset classes. He highlighted the importance of grinding out performance, fighting for basis points, and being a relative value investor. The emphasis is on avoiding overvalued assets, seeking attractively priced assets, and selecting top quartile, best-in-class managers. He also stressed the focus on being a preferred partner for co-investments with top talent managers. The presentation aimed to provide insight into how the team manages the portfolio prudently and adds value given its resources and strengths.

TRUSTEE RUBENSTEIN raised a concern about recent SEC movement on side letters and its potential impact on the Permanent Fund's negotiating advantages in terms. She asked CIO Frampton whether he was concerned about this development.

CIO FRAMPTON acknowledged the concern and stated that it was too early to determine the full impact. He mentioned new private fund rules regarding preferred terms, including disclosure requirements. He explained that historically, the fund had been a preferred co-investment partner, and the terms were not always disclosed to all investors. However, with the new rule, there is a requirement for more transparency and disclosure. He acknowledged the uncertainty around how these changes would affect the fund's negotiating advantages and noted that it's a risk they will need to work through.

TRUSTEE RUBENSTEIN sought clarification on whether Marcus Frampton and Chris Poag were monitoring the SEC movement on side letters. She expressed concern about the potential risk to the fund's ability to negotiate better terms, especially if those terms would now be disclosed to all investors.

CIO FRAMPTON confirmed that both he and Chris Poag were closely following the developments and acknowledged the risk of achieving better terms. Despite the potential challenges, he emphasized that the fund's overall philosophies and strategies, such as backing top-quartile managers and co-investing with them when available, would remain the same.

TRUSTEE RUBENSTEIN clarified that she wasn't suggesting a change in strategy but recognized that it might become more challenging to negotiate favorable terms.

CIO FRAMPTON agreed with this assessment, acknowledging that the changes could indeed make the process more difficult. He continued his presentation by outlining two key principles of the investment philosophy. The first principle emphasized avoiding big mistakes and not making significant errors. He clarified that while taking investment risks and making bets relative to benchmarks is necessary, it becomes a mistake when the size of the bet is so substantial that recovering from potential underperformance becomes challenging. He discussed the importance of considering position sizing and tracking errors to prevent such mistakes. The second key principle emphasized knowing the portfolio's positioning compared to benchmarks and having a rationale for all investment decisions. He highlighted the expectation that the Investment Committee would regularly review the portfolio's positioning for each manager, along with benchmark reviews, and discuss any differences based on well-defined investment theses.

He briefly touched on key person risk, stating that plans were in place for each position on the Investment Team in the event of a departure. He mentioned Jim Parise as the Deputy Chief Investment Officer who would step in temporarily if he were to leave. He outlined the short-term and long-term plans for his position, which would involve a process including internal and external candidates. For asset class heads, he explained that there were varying circumstances in each of the six asset classes. In some cases, there might be a previously identified candidate for succession, while in others, he would serve as the acting asset class head until a recruitment process, including both internal and external candidates, is completed.

TRUSTEE RUBENSTEIN reiterated her interest in hearing from the advisors about succession planning, emphasizing its significance in the Strategic Plan. She expressed concerns about the potential challenges of attracting top-level talent, especially in Alaska.

MR. SKJERVEM shared his perspective, stating that APFC would face difficulties attracting top talent if public interviews remained a requirement. He described the requirement as anomalous and absurd, suggesting that it compromised the organization's efforts to bring in the best candidates. John emphasized that addressing this issue should be a top priority for the board.

TRUSTEE RUBENSTEIN thanked Mr. Skjervem for his helpful and timely comments.

MR. HARRIS emphasized the critical importance of succession planning for the long-term success of any organization. He shared a personal view that effective succession planning involves having individuals internally prepared to take on larger roles within three to five years. These individuals would undergo special training, work closely with the board, and be groomed for leadership positions. The goal is to ensure a smooth transition when the time comes and to avoid bringing in external candidates, which could risk the organizational culture.

He highlighted the idea that bringing in external candidates often occurs when there are internal problems, and fostering internal talent helps maintain a consistent long-term plan and organizational culture. He recounted a personal experience from his last company where the transition was seamless, emphasizing the importance of developing and promoting internal talent.

MR. ZINN echoed Mr. Harris's sentiments, noting that the ideal situation involves a three to five-year timeframe for internal development. He indicated that this approach had been successful at Microsoft.

CHAIR SCHUTT acknowledged the comments, indicating agreement with the perspectives shared by Mr. Harris and Mr. Allen.

TRUSTEE RICHARDS, through the Chair, shared an observation regarding the hiring process, particularly for the Executive Director and CIO positions. He noted that the Executive Director interviews are conducted publicly because they report directly to the board. However, he highlighted that the board doesn't directly oversee the CIO hire employee, and the board's approval for the CIO hiring is not mandatory. He suggested that there could be alternative options for the CIO hiring process, and he encouraged consideration of different approaches, especially if a full board process could potentially limit the pool of qualified candidates.

CHAIR SCHUTT acknowledged Trustee Richards' input and mentioned that Trustee Brune had something to add to the discussion.

TRUSTEE BRUNE inquired about the possibility of conducting executive sessions for the interviews of positions like CEO or CIO and whether all applications are subjected to records discovery.

MR. POAG responded that a legislative proposal, to be presented by Paulyn Swanson, was in progress. This proposed legislation aimed to create an exemption from the Alaska Public Records Act and the Alaska Open Meetings Act. The exemption would allow the board to conduct executive sessions for the selection of an Executive Director without public disclosure. Chris explained that the proposed legislation would address the challenge of maintaining candidate confidentiality during the hiring process. He also mentioned that Trustee Richards' point about solving a similar challenge for the CIO position without open meetings was valid. Chris expressed confidence that the proposed legislative fix, to be discussed in the upcoming presentation, would provide a solution to the current constraints.

TRUSTEE BRUNE sought clarification from Mr. Poag, pointing out that Mr. Skjervem had mentioned potential harm to an individual's reputation if the hiring process were made public.

MR. POAG confirmed that the hiring process could indeed be held in Executive Session, preventing public disclosure of the discussions.

MR. HARRIS added that the only situation where it wouldn't be held in Executive Session is if the individual in question didn't have a job to begin with.

MR. SKJERVEM reiterated that potential candidates might not even apply due to concerns about harm to their reputation.

TRUSTEE BRUNE thanked Mr. Skjervem for his input.

MR. POAG explained to Trustee Brune that the challenge arises from the intersection of the Open Meetings Act and the Public Records Act. While interviews could potentially be held in Executive Session, the list of candidates considered by the board at that time might still be deemed a public record and could be disclosed if requested. He emphasized that the proposed legislative fix, which he sought legal advice on from Ben Hofmeister, is the most appropriate solution. He assured the board that a legislative buy-in would be needed to address both the Open Meetings Act and the Public Records Act aspects of the issue. He acknowledged that the board's efforts were contributing to a strong case for legislative action.

TRUSTEE BRUNE and CIO FRAMPTON thanked Mr. Poag for his input.

MR. SKJERVEM emphasized the need for a broad legislative fix to preclude public records requests for expense reports, citing an example where a FOIA request for expenses revealed the list of candidates in a search.

TRUSTEE BRUNE thanked Mr. Skjervem for his insightful comment, acknowledging the limitations on attracting quality talent due to the current process, as noted by the advisors.

CIO FRAMPTON expressed appreciation for Mr. Skjervem's input.

MR. POAG clarified that the proposed legislation is not limited to the list of applicants; it aims to keep information regarding the applicants confidential and not a public record.

CEO MITCHELL then brought attention to the fact that the discussion was primarily focused on the CEO hire, and TRUSTEE RICHARDS had suggested a potential alternative process for the CIO hire, indicating the need for further consideration by the board.

CEO MITCHELL suggested that the board might want to explore different processes for the CIO hire or consider the legislative proposal that Paulyn Swanson would present the next day, discussing whether it should cover other positions within the corporation as well.

TRUSTEE BRUNE requested a recommendation from CEO Mitchell for the upcoming discussion, emphasizing the need to consider the potential impact on any position, not just the CIO. He expressed concern about the discoverability of job searches impacting individuals at various levels and reiterated the importance of addressing the issue for positions where the board is involved in the selection process.

CEO MITCHELL confirmed that he would provide a recommendation, taking into account the specific positions that rise to the level of board involvement and the potential for public disclosure issues in the hiring process.

CIO FRAMPTON responded to Trustee Brune, explaining that the situation regarding public disclosure for positions below the Executive Director level is uncertain. He mentioned the Anchorage Daily News case, which established the precedent for the Executive Director's position. Below that level, the issue has not been thoroughly tested, and there is ambiguity about whether requests for information about lower-level positions would be subject to public disclosure. He used the example of a random request for information about Jen Loesch, emphasizing that it would be arguable that there is no need for such disclosure given her position within the agency.

CIO FRAMPTON acknowledged Trustee Brune's concerns, particularly regarding fund managers who oversee significant amounts of money but might be considered several layers down within the organization. He emphasized the uncertainty surrounding public disclosure for positions below the Executive Director level and the lack of clear precedent or testing in such cases.

TRUSTEE BRUNE expressed worries about lawyers potentially choosing public disclosure to err on the side of transparency due to the State of Alaska entity status.

CIO FRAMPTON highlighted the statutory requirement in Section 312, which influences the disclosure approach.

TRUSTEE BRUNE reiterated his concerns about the potential discoverability of information based on broad interpretations of the statute.

MR. POAG provided additional information, explaining that the proposed legislation, in addition to addressing personnel records, also includes a change to state law that would make the personnel records of all employees at APFC confidential. This comprehensive solution aims to address concerns related to both recruitment and employee evaluations, ensuring confidentiality throughout the process. He emphasized the need for a legislative fix to provide certainty and avoid potential court challenges that could arise from existing statutes and case law.

TRUSTEE BRUNE expressed his gratitude for the clarification, and MR. POAG highlighted the ongoing support from legal counsel, acknowledging the potential for future challenges and the importance of legislative action.

CIO FRAMPTON provided a detailed explanation of how the organization would handle the departure of key employees on the Investment Team, differentiating between liquid and illiquid asset classes. In the case of key employees leaving the public equity or fixed income teams, he mentioned the option to reduce tracking error and align more closely with benchmarks, although it would mean sacrificing alpha. He also emphasized the possibility of closing out trades or investment positions directed by the departing team head. For illiquid asset classes, he highlighted the lack of a quick exit strategy, with a focus on in-process investments. Transition periods, if provided by departing employees, would be utilized to transfer knowledge, and decisions involving in-process investments would be reassessed to avoid following strategies initiated by the departing individual. Absolute return and tactical opportunities, falling between liquid and illiquid categories, were discussed separately. He mentioned that in the absence of Youlian Collin, who focuses on absolute return, he would take over that portfolio. Additionally, Rachel Price, an analyst on his team, is being cross-trained to handle absolute return and tactical opportunities. This approach aims to mitigate the impact of key personnel departures and ensure continuity in managing different asset classes.

TRUSTEE BRUNE inquired about the possibility of having an external firm on retainer in case key personnel left the organization.

CIO FRAMPTON responded by explaining that historically, they had such arrangements, but with the development of their business continuity plan, they moved away from it. He noted that in the event of key personnel departure, especially in the case of liquid asset classes like fixed income, there are numerous external firms available to manage the portfolio. He mentioned that they could easily reach out to approximately 50 firms if needed, and while it would be a significant effort, the organization is well-prepared for such scenarios, unless faced with a catastrophic event.

TRUSTEE BRUNE acknowledged the response, recognizing that having 50 firms available makes the idea of retaining one on standby less necessary.

CIO FRAMPTON presented the organization's senior investment team, which includes the asset class heads and himself. The team consists of the three voting members of the Investment Committee: Marcus Frampton, Allen Kim, and Jim Parise. The Investment Committee meets weekly and is open to all members of the Investment Department, with significant attendance. Jim Parise serves as the Deputy Chief Investment Officer, and in the event of his departure, Mr. Parise would likely assume the interim role. Similarly, if Mr. Parise were to leave, Allen Kim might take on the role of Deputy CIO. He concluded his presentation, preparing to move to the next agenda item.

MR. ZINN mentioned that there was a separate but related question, recalling a while back that the Investment Committee and the voting member had some crisscross with the CIO and former CEO. He mentioned that there was a process, and he didn't know if the CEO was a voting member on the Committee these days or if there were changes to that whole process.

CIO FRAMPTON explained that CEO Mitchell has delegated investment authority, but certain investment decisions are reviewed by the Investment Committee. The Investment Committee meets to discuss investment decisions. Deven Mitchell, with delegated authority from the board, reviews the decisions made by the Investment Committee. The governance structure ensures that key investment decisions are thoroughly examined and aligned with the board's oversight.

MR. ZINN rephrased the question, asking if the process was working better than it was before when it became a topic.

CIO FRAMPTON confirmed that it was, stating that it was now working at a 10 out of 10, whereas before it was at a one out of 10.

TRUSTEE BRUNE asked if there had ever been any dissension within the committee, expressing concern about individuals voting while working directly for their boss.

CIO FRAMPTON acknowledged the issue and clarified that while Deven Mitchell, as the CEO, had the final say, he sought recommendations from the committee. He explained that, before July 1, he was the sole voting member of the Investment Committee, but now it comprised three people. He emphasized the importance of unanimous decisions and hoped for future diverse opinions to ensure accountability for investment outcomes. He mentioned that he would have Allen Waldrop provide a 10-minute strategy summary on private equity.

MR. WALDROP, the Director of Private Equity, introduced himself and assured that he had no hesitation in asking questions or raising objections during discussions in the Investment Committee (IC). He briefly discussed the team structure, highlighted two new hires, and mentioned the ongoing recruitment for a portfolio manager position. He also addressed Trustee Brune's question about the location preference of applicants, noting a split between Juneau and Anchorage, with reasons related to accessibility and the size of the cities.

TRUSTEE BRUNE expressed gratitude for the information.

MR. WALDROP addressed the board, discussing topics previously covered in recent meetings, such as adding three full-time equivalents (FTEs) and repositioning the team. He mentioned ongoing recruitment for a portfolio manager position and the positive cash flow of the portfolio. He highlighted the strategy of focusing on fund commitments, increasing co-investment and direct activity, and aiming for a 200-basis point target for outperformance. He emphasized the importance of backing high-performing groups, even if it means facing challenges in accessing the best funds. He provided insights into the performance of buyouts and venture investments, mentioning potential divergence from benchmarks due to venture overweight and the portfolio's exposure to energy. He also discussed dry powder and explained the focus on the burn rate rather than the absolute amount. Lastly, he touched on the energy theme, highlighting opportunities with less competition and mentioning recent commitments to funds and a co-investment in the oil and gas sector. He concluded by opening the floor for questions.

CHAIR SCHUTT inquired about dealing with "zombie funds," referring to funds with lingering assets that the managers are hesitant to dispose of due to market timing concerns.

MR. WALDROP acknowledged the challenge, mentioning that while zombies persist, each fund has a term, and extensions require approval from limited partners (LPs). To address the risk of managers holding onto assets for fee collection, strategies include shutting down fees to make it non-economical for them to retain the assets. He also discussed the use of continuation vehicles, where managers sell assets to third-party buyers, creating a new vehicle with a fresh start. LPs can then choose to liquidate or roll their interests. Despite potential complexities, such tools contribute to liquidity and align economics. He emphasized the need for a careful understanding of the details and the importance of being strict in approving amendments for extensions to ensure alignment of economics.

CHAIR SCHUTT thanked Mr. Waldrop and recognized Trustee Rubenstein.

TRUSTEE RUBENSTEIN asked two questions to Mr. Waldrop. The first question was about implementing a policy regarding realizations coming from NAV Financing and whether managers have used this tactic.

MR. WALDROP explained that NAV loans involve borrowing money using future LP commitments or fund assets as collateral and highlighted the challenges and risks associated with using NAV loans, particularly for financing troubled portfolio companies or sending distributions back to LPs. He emphasized discouraging the latter practice, noting that it adds unnecessary risks.

The second question addressed the increased interest and inflow since the announcement of building out the private equity team.

MR. WALDROP acknowledged the heightened attention and interest in private equity due to discussions in board meetings about future plans, increased co-investing, and direct investing. He mentioned that the Anchorage Office, remote work policies, and other factors have contributed to the surge in interest. He noted a broader range of candidates and a significant increase in applications, reflecting the appeal of the team's initiatives and the positive environment.

CIO FRAMPTON introduced Ross Alexander, who is responsible for the private income strategy. Ross provided an overview of the private income portfolio, which constitutes 9% of the total fund and aligns with the target allocation. The team approaches the market through funds and co-investments, focusing on a mix of infrastructure, private credit, and income opportunities. The team comprises three members, with a remote private credit portfolio manager and an associate moving to the Anchorage Office.

MR. ALEXANDER discussed the benchmarking strategy, which includes a mix of 60% infrastructure and 40% private credit. He acknowledged the challenge of comparing to non-investable private indices but emphasized the target of achieving 40 basis points above the benchmarks. The team primarily deploys capital into funds (80-90%) and co-investments, with a disproportionate focus on co-investments due to their historical alpha generation. In terms of fund selection, the team positions itself as an LP of choice, able to invest with larger funds while also exploring opportunities with specialist managers. He highlighted the team's flexibility to pursue opportunities that others may overlook, exemplified by recent investments in an oil and gas fund. The team continues to focus on co-investments, with potential future staffing needs based on increased deal flow.

MR. ALEXANDER discussed the growth-oriented nature of infrastructure co-investments and the challenge of high valuations, as well as the considerations regarding private credit exposure given changes in base rates and increased credit risk. The team is selective in its investments while recognizing the supply and demand dynamics in the market. Direct investments are not currently part of the strategy, but he mentioned a potential exploration of this opportunity in the future, depending on the success of the private equity team. The team utilizes consultants similarly to the private equity team, and there is a potential shift toward project-based consulting to reduce operational costs. While not requesting additional staff at the moment, he discussed the possibility of bringing admin support into the asset class to enhance collaboration and decentralize administrative functions. He mentioned ongoing efforts to improve systems and technology, with budget requests for additional tools. He concluded by offering to answer questions or transitioning to the next asset class presentation.

CIO FRAMPTON called Tim Andreyka, Director of Real Estate.

MR. ANDREYKA provided an overview of the real estate portfolio and his team during the meeting. The current team consists of a Director, Senior Portfolio Manager, another Portfolio Manager, a Senior Associate, and a vacant position. They are in the process of filling the vacant Analyst spot with a candidate coming in for an interview. The primary focus of the real estate team is on direct investments, including joint ventures, build-to-core, the debt program, and the REIT portfolio. The benchmark consists of 85% NCREIF index and 15% MSCI, with a goal to outperform by 70 basis points. To achieve their goals, the real estate team has implemented various strategies in the last two or three years. They emphasize selecting the best-in-class operators for fund investments and seeking co-investment opportunities from these managers. The team aims to expand the debt program, particularly in construction lending, to fill the void left by banks exiting the market. In terms of the build-to-core program, the team has focused on multifamily but is exploring opportunities in office buildings, such as a build-to-core office project with a pre-leased tenant. Additionally, they are finalizing documentation for a life science project in South San Francisco, partnering with a large institution and a prominent developer.

MR. ANDREYKA highlighted the success of in-house asset management, where they have taken over two industrial properties, saving approximately $3.5 million in fees. The team plans to expand this approach to save additional fees and generate alpha in the portfolio. The REIT portfolio will continue to be rebalanced based on market conditions. The team successfully brought the retail allocation down from close to 50% to 19%, aligning with their targets. He discussed the initiative in the real estate operating company (REOC) area, leveraging companies like Simpson Housing for management, acquisitions, and development. The team is exploring opportunities in distressed markets and has already capitalized on some opportunities, including co-investments and acquiring assets from opportunistic funds. He expressed optimism about the alpha-generating potential in the real estate market.

MR. ANDREYKA presented a chart illustrating the historical performance of the real estate portfolio. From 2014 to 2018, the portfolio alternated between outperforming and meeting the benchmark. However, from 2019 to 2021, there was a significant underperformance, ranging between 600 and 800 basis points. Tim highlighted that these were challenging years, particularly after the sale of the Simpson Housing portfolio in 2018. In 2021, a new strategy was implemented, as discussed in the previous presentation. Tim Andreyka became the Director of Real Estate at the beginning of 2021. The context was provided to emphasize that Tim inherited the challenges faced by the portfolio and has been working on the turnaround strategy. In the fiscal year 2021, the real estate portfolio beat the benchmark by 65 basis points, and in fiscal year 2023, it outperformed by 160 basis points. The recent quarter and the past year saw outperformance by 180 and 366 basis points, respectively. He discussed the positive trend, and he mentioned that the strategy is expected to surpass the three-year benchmark in the next quarter or two.

Addressing Trustee Brune's comment on bonuses, MR. ANDREYKA noted that the past year was the first to earn a bonus, which was 20% of the potential amount due to the five-year look-back period. He expressed optimism about surpassing the three-year benchmark soon. He highlighted various successes in different areas of the real estate portfolio, including fund investments achieving over 17% returns, outperformance in the REIT portfolio (focused on industrial and multifamily), strong returns from build-to-core projects (almost 25% against a benchmark of close to -7%), and a successful construction lending program with 24% returns. Directly managed assets achieved an impressive IRR of 57% over the past two years. He mentioned specific successes, such as taking over management of an asset that achieved marked-up lease rates and had successful rent negotiations, contributing to the overall success story. Additionally, investments in a CBRE Fund led to a 9.5% return in the past year, and there are considerations for further collaboration and co-investments with CBRE.

TRUSTEE BRUNE raised the possibility of hiring an in-house real estate lawyer, referencing a previous meeting where it was mentioned that the volume of legal work in real estate might justify having dedicated legal expertise within the team. The idea is that having an in-house lawyer could potentially save costs and bring specialized expertise to deal with the increasing number of real estate transactions.

MR. ANDREYKA acknowledged the consideration and suggested deferring to Chris, indicating that the procurement process is ongoing, providing an opportunity to assess the efficiency of the current legal arrangements and potentially add another firm or two. The matter is open for further discussion and consideration.

TRUSTEE BRUNE inquired about the possibility of hiring an in-house real estate lawyer, considering the extensive legal work involved.

MR. ANDREYKA expressed the view that expertise is often specialized, with different attorneys focusing on specific areas such as multifamily, joint ventures, or debt investments. He suggested that it might be challenging for a single attorney to cover all these areas comprehensively.

CEO MITCHELL mentioned a structural impediment related to having only one lawyer with specific arrangements.

TRUSTEE BRUNE acknowledged the complexity of the situation and recognized the need for further discussion.

CIO Frampton called Youlian Ninkov, the Absolute Return Manager.

MR. NINKOV explained the strategy, emphasizing its construction and objectives. He highlighted the circular shape of the strategy diagram, attributing it to the interconnectedness of various points related to manager due diligence and the focus on alpha-generating strategies. The main objective was identified as outperforming through manager selection, considered the team's expertise. The strategy involved avoiding undesirable data and systematic risk, concentrating on deep dives into manager strategies, and maintaining a balance between a concentrated yet well-diversified portfolio. The aim was to achieve outperformance of about 20 basis points over the selected benchmark, reflecting the strategy's low volatility nature. The selected benchmark comprised the HFRI equity market neutral and HFRI macro indices, aligning with the team's beta-neutral focus. He also stressed the importance of resources and continuity in strategy execution. Continuous communication and collaboration with CIO Frampton, who was actively involved in meetings and calls with managers, ensured a seamless transition in case of his absence. The strategy was designed to withstand changes and challenges, with a focus on sustained performance.

CIO FRAMPTON discussed performance details on the page, deferring a deeper discussion to the next day. He highlighted the key takeaway of zero beta, emphasizing the portfolio's resilience in the face of market downturns.

MR. NINKOV supported this by pointing out the portfolio's diversification, citing examples from the previous year and the current year's Q3 performance. Despite a challenging market, the portfolio demonstrated positive returns, showcasing its ability to navigate difficult market conditions. He emphasized the low correlation (0.2) and beta (0.04) to US equities, indicating the effectiveness of their risk management process in avoiding systematic risks.

CIO FRAMPTON thanked Mr. Ninkov for the insights. He then called Jim Parise, Director of Fixed Income.

MR. PARISE presented an overview of the fixed income team's structure and strategy. The team emphasizes a deep bench, promoting internal management and cross-training to ensure continuity and skill development. On June 30, 2022, the team brought high yield, TIPS, and global rates in-house, terminating underperforming EM managers and saving $8 million in fees.

The shift aimed at enhancing control and performance. The team plans to hire more analysts to focus on in-depth credit analysis, especially for high yield and global rates. Examples of successful internal progression were highlighted, with Tom O'Day transitioning from an analyst to managing portfolios. The team follows a customized benchmark and sets a 15 basis point alpha target for incentive compensation, aligning individual incentives with specific portfolio performance. The fixed income strategy revolves around relative value and mean reversion for nearly two decades. The team avoids duration bets, staying duration neutral and focusing on security and sector selection. The disciplined and repeatable process has led to consistent outperformance, contributing over $700 million in excess returns since 2004. Notably, the team has beaten benchmarks every fiscal year since 2013 and achieved success in the internal US investment grade corporate portfolio for 12 out of the last 14 fiscal years.

CIO FRAMPTON called Fawad Razzaque, Head of Public Equities.

MR. RAZZAQUE outlined the objectives and evolution of the Public Equities team at APFC over the past 11-plus years. The primary goal is to outperform the benchmark on a net-of-fee basis consistently across market cycles. The team relies on two sources of excess returns: active selection (bottom-up stock selection) and active allocation (top-down market decisions). The execution of active selection involves careful manager selection and structuring the external manager program to ensure a consistent stream of excess returns. Active allocation decisions, managed internally, require a long-term view, market analysis, and disciplined execution. The team has evolved from being 100% externally managed in 2012 to a balanced 80-20 ratio, with 80% externally managed and 20% internally managed. The team structure, now a three-person team since mid-2021, has expanded to include Sang, who manages internal systematic strategies. The addition of Sang has led to the development of three factor-based internal strategies, including a low-volatility strategy. The team's plans involve potential expansion over the next three to five years, contingent on the success of internal management expansion. This could include hiring another portfolio manager and a data analyst to enhance the team's capabilities in executing systematic strategies. The team's approach is to focus on one aspect at a time, execute it well, and scale up before considering additional internal strategies.

MR. RAZZAQUE elaborated on the active allocation strategy in the Public Equities team at APFC. The allocation in public equity is broadly diversified with a valuation tilt, particularly when significant discontinuities in valuation occur across different market segments. For example, the team is underweighting the expensive "Magnificent 7" and overweight other segments. The US equity, constituting 62% of the global benchmark, is approached with caution due to its increased risk and concentration, leading to an underweight position. The team aims to mitigate risks from overvaluation and invest in areas with greater expected long-term returns. In terms of active selection, the external manager program has been restructured to add more active players with superior stock selection skills. The team emphasizes ongoing awareness of the macroeconomic environment and valuation to ensure the program's effectiveness. Over the last 11 years, the team achieved eight positive and three negative years, with an annualized outperformance of 49 basis points net of fees. Looking ahead to 2024 and 2025, the team focuses on ensuring the robustness of the current structure for sustained performance over the next three to five years. The optimal mix between the two sources of returns involves relatively consistent active selection, representing about 65% of public equities. In contrast, active allocation, while having performed well over the last five years, exhibits a more lumpy and less consistent return profile, depending on market opportunities and valuation discounts. The team's evolutionary progress in the public equity portfolio aims to expand internal management where it makes sense without compromising the overall objective of achieving excess return targets and maximizing long-term returns.

CIO FRAMPTON mentioned that Mr. Razzaque would be presenting in the upcoming April board meeting, delving into each area in more depth. He emphasized its importance in addressing key aspects of the asset classes. The plan is to deep dive into one asset class at each board meeting, providing an opportunity for iteration and feedback from the Trustees.

CEO MITCHELL presented a slide outlining his direct reports and acknowledged the broader leadership team within the organization.

TRUSTEE RUBENSTEIN questioned the imbalance in representation, noting that all direct reports are from investor ops, with only CIO Frampton representing investments. She suggested including portfolio managers in the management team for a more balanced input.

CEO MITCHELL acknowledged the valid point and explained that portfolio managers have different strengths, with some preferring to focus solely on their portfolios.

TRUSTEE RUBENSTEIN expressed concern, emphasizing the importance of leadership understanding how the organization runs and suggesting broader exposure and leadership training opportunities for portfolio managers.

CEO MITCHELL responded to Trustee Rubenstein's questions, explaining that the organizational chart and the focus of different roles contribute to the current structure. He highlighted that individuals like Allen have a broader role, providing suggestions on HR issues and other important aspects. While Mr. Razzaque occasionally raises concerns about his team, it's not his primary focus as he concentrates on his asset class.

TRUSTEE RUBENSTEIN asked why members of the Investment Committee, such as Mr. Parise and Mr. Allen, are not part of the leadership team.

CEO MITCHELL clarified that the slide only shows his direct reports and APFC leadership extends beyond his direct reports. He emphasized efforts to involve individuals like Mr. Parise and Mr. Allen in various initiatives based on their interests, such as participation in Selection Committees or Procurement Selection Committees. However, he emphasized the need to strike a balance, avoiding distractions for investment staff unless they are interested in participating in broader organizational aspects.

TRUSTEE RUBENSTEIN expressed the importance of professional development and suggested ways for portfolio managers to explore management or leadership roles. She inquired about the possibility of portfolio managers or members of the Investment Committee joining the weekly leadership committee meetings, particularly to ensure diverse representation geographically.

CEO MITCHELL responded that efforts have been made to include individuals like Mr. Parise, Mr. Allen, and others in such meetings to avoid any sense of isolation. He emphasized the importance of allowing individuals to participate in various aspects of the organization while ensuring that their primary focus remains on investing without unnecessary distractions.

TRUSTEE RUBENSTEIN acknowledged the concern and thanked CEO Mitchell for clarifying the situation, expressing relief that his reaction wasn't unique.

CEO MITCHELL discussed the organizational structure and roles within the organization. He highlighted the critical role of the Chief Risk and Compliance Officer, Mr. Vadakumcherry, who oversees a Risk Officer and a risk analyst. He emphasized the need for staff growth and succession planning, acknowledging the challenges of maintaining a streamlined organization. He touched upon the General Counsel, Chris Poag, and the difficulty in attracting legal talent due to salary constraints. HE expressed the desire for a successor to avoid a challenging transition in the future. The discussion hinted at the need for potential adjustments in salaries or collaboration with the Department of Law to address staffing challenges.

TRUSTEE BRUNE emphasized the importance of laying the foundation for potential leadership changes, particularly in legal counsel.

CEO MITCHELL agreed and expressed a commitment to exploring possibilities for succession planning. The discussion shifted to various leadership roles within the organization. He highlighted the critical role of Val, the Chief Financial Officer, who serves as the first delegate in the absence of the CEO. He discussed challenges related to staffing, potential opportunities for internal growth, and the need for a robust team. The presentation covered the Director of IT, Scott, and the efforts to ensure a competent team with internal growth potential. Additionally, He outlined the construct of Administrative Services, mentioning recent promotions and plans for training in procurement to facilitate potential advancements within the organization. He discussed cross-training initiatives within the administrative team, particularly with Tanya, who is preparing to assume responsibilities from Jennifer if needed. He emphasized the importance of internal growth opportunities and highlighted similar efforts in Communications, where Paulyn is supporting Juliette's development. The HR team, led by Rachel Zepp, demonstrated resilience during staff changes, and Mitchell expressed confidence in their capabilities. This summarized the non-investment side of the organizational chart.

TRUSTEE BRUNE expressed his appreciation for CEO Mitchell's presentation on succession planning, emphasizing the importance of viewing all APFC employees as long-term investments. He commended the focus on career development and pledged to advocate for budgets supporting such initiatives.

TRUSTEE RICHARDS then raised a question about the longevity and updates of the presented analysis, specifically regarding succession planning and asset planning by class.

CEO MITCHELL acknowledged the importance of ongoing attention and suggested regular group discussions to ensure continuous improvement. He highlighted the need to consolidate various components for effective implementation over a multi-year period, emphasizing the significance of revisiting and updating the strategy on an annual basis.

TRUSTEE RICHARDS proposed discussing the documentation and implementation of ideas presented, suggesting the possibility of periodic updates.

CEO MITCHELL favored the idea of an annual review, emphasizing its applicability to both the strategic plan and the discussion on asset classes and organizational structure.

TRUSTEE RICHARDS suggested a regular recurring cadence, highlighting the need for consistency to address complex issues. He further proposed conducting reviews in the June-July timeframe to align with asset classes' growth and resource requests.

TRUSTEE BRUNE noted the recent completion of a review, while TRUSTEE RICHARDS acknowledged that six months might be too soon for another review, suggesting an 18-month timeframe for the next evaluation.

MR. SKJERVEM expressed gratitude as he addressed the Chair, highlighting the exceptional quality of the reviews during the past two and a half hours. He remarked that the reviews of both the investment division and the enterprise level were thorough and informative, making it one of the best sessions in his almost four years as an advisor. However, acknowledging a potential departure from his expertise, he pointed out that during the enterprise-level presentation, he observed nine direct reports for the CEO, which exceeded the commonly recommended span of control of three to five. He suggested that the wide span might be suboptimal and encouraged further consideration of this aspect.

CEO MITCHELL explained that the organization had experimented with a different structure, which proved unsuccessful, leading to a return to a larger number of direct reports to the CEO. He expressed hopes for future staff growth, allowing a reconsideration of a more optimal structure. He emphasized the need for a thoughtful approach, recalling past instances where too much pressure was placed on individuals. The idea of a Chief Operating Officer (COO) role was discussed as a potential progression, but he envisioned it happening a year or two down the road after recovering from recent challenges.

TRUSTEE RUBENSTEIN suggested including the presented information in the onboarding binder, emphasizing its value in understanding the organization's operations. She also proposed a natural progression for leadership development, possibly involving individuals from different roles working on their skills, breaking down divides within the organization.

CEO MITCHELL acknowledged the possibility of exploring other opportunities to involve leadership from the investment team in organizational processes, emphasizing the importance of their inclusion.

TRUSTEE RUBENSTEIN commended CEO Mitchell for displaying vulnerability and authenticity in leadership, noting the positive strides made throughout the year. She raised the question of the next steps and whether the information presented would be integrated into a strategic plan.

CEO MITCHELL suggested the possibility of attaching the presented information to the existing strategic plan and updating it regularly for ongoing consideration.

The discussion concluded with Trustee Rubenstein expressing appreciation for the work done.

CLOSING COMMENTS

CHAIR SCHUTT acknowledged the conclusion of the day's discussions and thanked Mr. Skjervem and Mr. Harris, noting Mr. Skjervem's potential absence the next day.

MR. SKJERVEM expressed gratitude and regret for missing the following day's session.

CHAIR SCHUTT announced the recess until 8:30 the next morning.

(APFC Board of Trustees meeting recessed at 4:56 p.m.)

December 14, 2023

CALL TO ORDER
CHAIR SCHUTT called the 2nd day of the regular quarterly meeting to order. First item on the agenda is the Asset Class Overview for Absolute Return.

ASSET CLASS OVERVIEW: ABSOLUTE RETURN
Youlian Ninkov, the Portfolio Manager who oversaw the Absolute Return Program at APFC, discussed the program during a presentation. The program, a portfolio of externally managed hedge funds selected by ARPA, had been in its current format since July 2016. The Absolute Return Portfolio aimed for a 7% allocation in the overall fund, amounting to approximately $5.8 billion across 19 different managers. The net contributed capital was $4.1 billion, with around $1.7 billion in gains. He highlighted that most managers were net dollar positively contributing, with only one case of divestment at a loss. He touched on the fees, mentioning simple average statutory fees of 1.8 and 20.3 for management and incentive fees, respectively. Moving on to the strategy, he emphasized the goal of outperforming through manager selection rather than relying on dynamic asset allocation. He provided examples of successful managers, highlighting the challenges of predicting strategy performance. He discussed the focus on building an all-weather portfolio with carefully selected strategies, aiming to outperform through this approach. He mentioned using resources like Albourne, the consultant, and the recent addition of Venn, an online-based analytics application, to aid in the investment process.

CIO FRAMPTON and MR. NINKOV, discussed the incorporation of a data tool developed by the hedge fund Two Sigma into their portfolio management and analytics. Two Sigma initially created the tool for internal use but later extended its access to external entities, like the speakers' organization. The tool, integrated into their systems without requiring a formal request for proposal (RFP), proved cost-effective and powerful. They emphasized the tool's capabilities surpassing those achievable even with skilled Excel users.

MR. NINKOV explained that their investment strategy was continuously evaluated, highlighting the importance of maintaining partnerships with managers possessing identifiable competitive advantages. They focused on building an all-weather portfolio by investing in strategies targeting persistent low beta and correlation to traditional asset classes. He detailed their approach to diversification, risk management, and the avoidance of strategies dependent on specific economic conditions. He also touched on their portfolio construction, aiming for maximum diversification within a concentrated portfolio. They employed a diversified core and satellite approach, with approximately 30% allocated to core strategies and the remaining 70% evenly distributed across other strategies. The strategy aimed to balance responses to market volatility and was described as an all-weather portfolio. He mentioned recent adjustments to the portfolio, including hiring three new managers and redeeming from two. The presentation concluded with a discussion of their evolving asset allocation across various strategies and the periodic returns of their portfolio compared to equities, fixed income, and the hedge fund composite. The focus was on demonstrating the lack of correlation, positive returns, and lower volatility relative to industry benchmarks.

CIO FRAMPTON and MR. NINKOV discussed the challenges faced by macro managers in the current market conditions. The macro managers, who were initially bearish on equities and expected sticky inflation, struggled due to wild swings in fixed income and short equity assets. The discussion touched on the diversification benefits within the portfolio and the varying views among different managers. They highlighted the unique approaches and differences in talent acquisition, risk management, and performance across the managers. The conversation also referenced the use of a software system for data analytics, presenting outputs related to the portfolio's historical performance, factor contribution to risk and return, and beta to US equities. The data suggested the portfolio's ability to capture downside during equity market declines and emphasizes its low correlation to market factors. The presentation concluded with a time series of the portfolio's beta to US equities, showcasing its historical variation.

CEO MITCHELL acknowledged the excellent explanation provided by Mr. Ninkov regarding the asset class, and CIO Frampton emphasized its significance to the portfolio.

MR. NINKOV had earlier highlighted the challenge of establishing relationships within the asset class and mentioned an unrealized gain of 1.7 billion.

CEO MITCHELL pointed out the inconsistency in the portfolio's current structure, where significant value was added by the asset class, but the returns were not realized.

CIO FRAMPTON added that the lack of realized gains in this asset class affected accounting conventions and statutory net income, making it challenging to reflect the true value of the gains.

MR. NINKOV suggested that the managers might return capital or the fund could trim investments, but CIO Frampton noted that these methods were minor compared to the underlying realizations made by the managers.

MR. ALLEN mentioned that the Permanent Fund for its history with hedge funds, noting a significant improvement in the hedge fund portfolio in recent years. He appreciated the focus on absolute return, acknowledging that it sacrifices some upside potential associated with equity beta. Despite the challenges of underperformance compared to equities, he praised the fund for maintaining its commitment to diversification, emphasizing its value when equity markets perform well. He highlighted the rarity of finding a pure approach to diversification across client bases. He acknowledged the fund's access to top-quality fund managers and the patience required to secure allocations, emphasizing the difficulty of re-entering oversubscribed funds if capital were pulled. He raised a question about the fund's accounting treatment, suggesting a potential change to realize gains when they occur rather than waiting for cash, citing the tax implications for individual investors in hedge funds.

CEO MITCHELL expressed openness to discussing the concept further, acknowledging that it could address concerns related to the fund's current construct in state statute.

CHAIR SCHUTT thanked Mr. Ninkov for his presentation. He acknowledged Mr. Ninkov to introduce the next presenter.

CRESTLINE SUMMIT

MR. NINKOV introduced Crestline, a strategy in the portfolio since 2015, and handed over to Caroline Cooley, Chief Investment Officer and Managing Partner for Crestline Summit, and Nielson Arbour, Deputy Chief Investment Officer, to present their approach. They highlighted the competitive nature of their space, particularly in talent acquisition, and emphasized their thoughtful approach to control factors.

MS. COOLEY expressed gratitude for the opportunity to present, outlined the agenda, and encouraged questions throughout the presentation for transparency. She presented the evolution of Crestline and the Crestline Summit business, emphasizing their longstanding partnership with the Alaska Permanent Fund. Crestline Summit, launched in 2015, focuses on absolute returns through a multi-strategy, open architecture model. She highlighted their success in delivering returns driven by stock selection, low beta, and low correlation. The platform model, with a decentralized decision-making structure, has proven beneficial for investors and portfolio managers, providing access to top talent, dynamic capital allocation, and effective risk management. Crestline Summit Equity Alpha serves as a core allocation for investors seeking stable value, absolute return, low beta, and an alternative to bonds. The strategy has delivered strong risk-adjusted returns, outperforming indices and demonstrating resilience in both up and down markets. She discussed the portfolio positioning and attribution and paused for questions.

TRUSTEE BRUNE expressed confusion about the concept presented and sought clarification. He pointed out that while Ms. Cooley mentioned looking for value and growth, the strategy involves betting on companies to fail by shorting them.

MS. COOLEY explained that they aim to balance risks by having corresponding positions on the long and short sides of the portfolio, ensuring a focus on stock-specific returns rather than persistent style factors.

MR. ARBOUR emphasized that the strategy is fundamentally a relative value game. The purpose of short positions is to establish a relative value construct, essentially betting or taking a position against corresponding long positions. He noted that the number of short positions with significant downward potential is limited.

TRUSTEE BRUNE acknowledged his lack of familiarity with the topic and appreciated the clarification provided by Ms. Cooley and Mr. Arbour. He sought clarification on the percentage of returns derived from short positions compared to the hedge on long-term value generation.

MS. COOLEY explained that the percentage of returns from long versus short positions varies each year based on market conditions. In 2022, with the market up, they made more on the long side, while in the previous year, with the market down, they made more on the short side. The presentation then delved into the allocation of the portfolio, emphasizing fundamental sector specialists as the primary allocation. They have 16 portfolio managers, each specializing in a specific sector. Other components include tactical managers, quantitative managers, capital markets portfolio managers, and the Office of CIO, which manages overlay strategies and hedges. The portfolio currently has a North American focus, with plans to add more international exposure over time. She handed over the presentation to Mr. Arbour who was set to discuss their current portfolio positioning and activities.

MR. ARBOUR expressed gratitude and presented information during a discussion. He referred to a pie chart, highlighting that 85 percent of their overall exposure was represented by fundamentals, such as merger arbitrage and index events. In the short term, tactical opportunities were limited due to a depressed regulatory environment, but improvements were noted in the approval of high-profile, large-dollar merger deals. Quantitative strategies remained small, reflecting the deliberate and patient approach to growth. Equity capital markets (ECM) activities were currently limited, but it was anticipated that as the market reached new highs, ECM would become more attractive. The Office of the CIO played a role in managing the hedge portfolio, which had recently grown in response to market rallies. The sector distribution in the portfolio was influenced by a combination of long-term top-down views and short-term tactical decisions. For instance, they had reduced exposure to energy in the short term due to difficulties in predicting price action and excessive reliance on beta and commodity prices. In contrast, they viewed healthcare as a fantastic long-term opportunity due to high quality, consistent performance from sector specialists, and significant innovation. Regarding future expansion, the focus was likely to be on geographical diversification, with Asia being a more probable target than Europe due to secular growth opportunities and deeper markets. He emphasized a deliberate and patient approach to growth, especially when hiring talent, to avoid selection bias and potential problems associated with rapid expansion.

MS. COOLEY provided a quick recap of the year's performance, noting a substantial gain of nearly 12% through November. The portfolio's returns were diverse, with the industrial sector leading, followed by technology and financials.

CIO FRAMPTON expressed skepticism about market efficiency, highlighting the statistically improbable nature of trading stocks market neutral over time.

MS. COOLEY acknowledged the remarkable track record, and questions were invited from trustees. The discussion touched on the implementation, with Ms. Cooley explaining the occasional use of index hedges and ETFs in the portfolio.

MR. ZINN inquired about index-driven strategies.

MR. ARBOUR explained the systematic tracking of short portfolio percentages in diversified ETFs, with a commitment to diversify if the threshold is exceeded.

TRUSTEE BRUNE inquired about the integration of AI into the investment process, following a recent presentation on AI.

MS. COOLEY confirmed that AI is a significant factor in their strategies, particularly in the technology sector, which has contributed positively to returns.

CIO FRAMPTON sought clarification on the use of AI in stock picking, specifically referencing technology portfolio managers.

MS. COOLEY acknowledged the use of AI and mentioned ongoing testing to improve processes.

MR. ARBOUR elaborated on the various ways AI tools are utilized by portfolio managers to enhance efficiency, such as natural language processing for quickly analyzing company filings. He emphasized the evolving nature of AI as a resource and its potential to improve over time. The discussion highlighted the nuanced nature of AI implementation, with considerations for compliance and the need to balance information sharing.

TRUSTEE BRUNE expressed gratitude.

MS. COOLEY concluded the discussion by thanking for their partnership.

CHAIR SCHUTT called for a break.

(Break)

CHAIR SCHUTT moved on to the next item on Bridgewater and recognized CIO Marcus Frampton.

BRIDGEWATER

CIO Frampton introduced Andrew Mikolasy and Steve Secundo from Bridgewater, highlighting their day-to-day contact and Mr. Secundo's role as a Portfolio Strategist. He provided context about the pure alpha strategy, managing around 500 million, with approximately 150 million in unrealized gains. The profitable relationship was emphasized.

MR. MIKOLASY acknowledged the success and introduced himself as responsible for Bridgewater's business in North America.

CIO FRAMPTON suggested a brief overview of Bridgewater before delving into the macro environment review.

MR. MIKOLASY provided an overview of Bridgewater, highlighting its 50 years of market research and commitment to a deep understanding of market and economic drivers. The organization manages approximately 120 billion for 260 clients, fostering long-term relationships. The investment team is stable, with co-CIOs working together for an average of 26 years. The investment approach focuses on three components: cash return, beta from holding assets, and alpha from active management. The Pure Alpha strategy, in which the APFC is invested, trades around 200 markets with equal ability to go long or short. The goal is to deliver an 18% annualized return with an 18% volatility, remaining uncorrelated to other portfolio components. The strategy has been managed since December 1991, achieving a 10% net return over the period. It demonstrated consistent performance in both up and down equity markets, adding value in eight of the nine down markets. The strategy's correlation to active management and large markets is designed to be zero. He invited questions on Bridgewater, the strategy, or insights into the current macro environment.

MR. SECUNDO expressed gratitude for the relationship with CIO Frampton and Mr. Ninkov. He addressed a common question among investors, asking if the favorable market conditions of the past decade will continue. He outlined his agenda to review why the last decade was prosperous, discuss current cyclical conditions, and highlight investment considerations. He presented a chart illustrating the 10-year return of stocks above cash for each decade from 1960 to 2010. The last decade was the best for U.S. stocks, driven by secular and cyclical factors. Secularly, the favorable environment for earnings included globalization, low labor costs, reduced corporate taxes, decreased regulation, and lower debt servicing costs. However, signs indicate a shift in these secular forces. He then delved into cyclical conditions, describing the exceptional growth, stable profit margins, and accommodative monetary policy that characterized the 2010s. He contrasted this with the current situation, where growth is at potential, inflation is a concern, and central banks have shifted to a tightening stance. Despite these shifts, he noted that market expectations continue to be optimistic, anticipating the good times to persist. He emphasized the need to assess whether these expectations will be met. The presentation set the stage for further discussion on the macroeconomic outlook and future expectations.

MR. ZINN asked about a debt column developed a week prior and inquired about any changes in opinion following the recent Fed meeting.

MR. SECUNDO responded, discussing cyclical conditions and the impact on the economy, emphasizing the lesser connection to the credit cycle due to lower debt levels. He highlighted the unusual trend of spending surpassing income over the past 18 months, attributing it to significant government checks distributed during the COVID period. He explained the positive effects on household balance sheets but noted potential headwinds in the form of rising debt service and the depletion of excess cash. He predicted a slowdown in economic growth and discussed potential challenges in the labor market affecting Fed policy. The presentation also delved into fiscal deficits, bond issuance, and the potential consequences of the government's plan to issue more bonds while the Fed continues quantitative tightening. Concerns were raised about the bond market's ability to clear with increased issuance and reduced buying by the Fed. The discussion extended to the risk premium in both bond and equity markets, with a focus on the challenges of clearing the bond market and its potential impact on equities. He concluded with investment considerations, emphasizing the need for a diversified portfolio and the possibility of utilizing alpha strategies to navigate the changing market dynamics. He expressed a cautious outlook, noting the shift from a favorable period in the 2010s to a more challenging environment with higher starting valuations, potential headwinds in growth and inflation, and changing secular drivers. The presentation concluded with a discussion of levers available for portfolio management, including passive asset allocation, global diversification, and alpha-seeking strategies to address potential shortfalls in returns.

CIO FRAMPTON raised concerns about the Treasury's 6% deficits, questioning whether the Treasury bond market could absorb such high issuance.

MR. SECUNDO expressed skepticism, especially at current yields and economic conditions. He suggested that in order to clear the bond market, higher yields might be necessary to attract real investors, particularly given the current growth rates and potential economic challenges.

When asked about the macro fund's positions, MR. SECUNDO mentioned being significantly short bonds in the summer but reducing the position by the end of October. However, with current yields, the fund has increased its short position in US bonds. Regarding stocks, the fund is neutral overall but has a substantial short position in US stocks. Outside the US, the fund is less short, citing concerns about high valuations in the US market compared to more favorable conditions in Europe, the UK, Japan, and even some parts of China.

MR. ZINN inquired about institutional portfolios' positioning regarding China exposure, mentioning considerations such as underweighting, benchmark alignment, or complete divestment from China.

MR. SECUNDO responded that, in general, there's an extreme underweight trend compared to China's global importance. He highlighted China's potential as a diversifying asset class but acknowledged significant risks, suggesting a cautious allocation of 10% to 15% at most.

MR. ZINN clarified that he misunderstood the previous statement.

MR. SECUNDO confirmed that their clients are more underweight on a relative basis compared to their own perspective regarding the global situation.

MR. MIKOLASY expanded on the diversification benefits of China but acknowledged practical and political concerns that deter some investors. He suggested exploring Asia-focused strategies excluding China to achieve similar benefits with lower political risk.

CIO FRAMPTON questioned the low allocation to China (4% in the benchmark) despite its status as the second-largest economy with a cheap stock market.

MR. SECUNDO and MR. MIKOLASY emphasized cautiousness and the need to balance diversification benefits with the perceived risks, indicating that even reduced allocations may still be relatively overweight compared to some clients.

MR. SECUNDO mentioned reallocating some of the cut from China exposure to other Asian economies with diversifying properties, as suggested by Mr. Mikolasy. When asked about their position in Pure Alpha, he disclosed that they are currently long on Chinese stocks and bonds. However, he emphasized the presence of risk controls, particularly regarding geopolitical risks, which impose a cap on their exposure length.

CIO FRAMPTON noted that their benchmark is slightly overweight on China (4% to 5%), and despite China's stock market being down 20% while the S&P 500 is up 20%, they share a similar long position perspective.

MR. SECUNDO explained the nuanced approach, highlighting the possibility of being bearish on the Chinese economy but bullish on its assets due to pessimistic asset discounts, driven by concerns about debt burdens and structural issues impacting China's potential growth.
CHAIR SCHUTT moved to the next item on the Strategic Plan, and recognized Deven Mitchell.

CEO MITCHELL presented the updated objectives and strategic goals as discussed during the October 30th meeting. The objectives, found on page 330, remained unchanged, reflecting the mission, vision, and values of the corporation. On page 331, the strategic goals were adjusted based on prior input. Notable changes included a more measured approach to achieving a $100 billion fund, considering the additional use of leverage, focusing on outperformance through alpha generation, and developing asset class-level strategic plans. Improvements to corporate functionality were refined, emphasizing confidentiality in the Executive Director selection process, key person risk identification, and exploring incentive structures for employee retention. The exploration of office locations, enhanced data management capabilities, a Comprehensive Communications Plan, and a mission of education and awareness were also discussed. Finally, the optimal structure of the fund was slated for review and assessment, with Trustee Paper #10 scheduled for later discussion.

TRUSTEE RICHARDS raised a concern about the change from "be the best endowment-style sovereign wealth fund" to "achieve the highest standard." He questioned the difference between "best" and "highest standard" and expressed uncertainty about what "highest standard" means in the context of a goal.

CEO MITCHELL explained that the change was made to avoid the difficulty of quantifying what "best" entails and suggested that both phrases convey a similar idea of operating with the highest standards across various aspects.

TRUSTEE RICHARDS expressed his association of "being the best" with determination and training, while "highest standard" seemed more aligned with ethical lectures.

CEO MITCHELL acknowledged the vagueness of both phrases and welcomed suggestions for alternative descriptors.

CIO FRAMPTON added that different wordings resonate differently with individuals.

TRUSTEE RICHARDS mentioned considering alternatives and doing further research on the matter.

CHAIR SCHUTT expressed concerns about prioritizing legislative changes, given the finite bandwidth available and the critical nature of other legislative matters. Specifically, he discussed the concept of leveraging, which had received a negative public reaction, and emphasized the need to prioritize and time legislative efforts. He pointed out the importance of focusing on key priorities, such as the annual budget ask and issues related to employee records confidentiality.

CEO MITCHELL clarified that the proposed timeline for leveraging did not imply an immediate legislative push in the current session but rather a discussion to explore possibilities, receive feedback, and determine if there was middle ground or if the concept was a non-starter. He stressed that the goal was to assess the potential for additional flexibility and better execution opportunities without making it a legislative priority for the current session. The tasks outlined in the plan were not organized in a specific prioritization sequence.

TRUSTEE RICHARDS expressed his reconsideration of the concept of leveraging. He highlighted the potential benefits of having balance sheet leverage as a credit facility, especially for handling cash calls. He suggested emphasizing this aspect when discussing leveraging, as it seems like a logical and beneficial option.

CEO MITCHELL proceeded to run through various tasks associated with strategic goals, starting with the goal of outperforming through alpha generation. The task involved reviewing asset class strategies and the investment philosophy at the corporation. The timeline included executing this over the next four cycles of the Strategic Plan, with periodic reviews, possibly annual, to be incorporated. Another goal involved developing asset class-level strategic plans aligned with the overarching goal. The discussion continued with the examination of additional tasks on page 333.

TRUSTEE RUBENSTEIN raised a couple of points. Firstly, regarding the goal to grow the fund to $100 billion, it was clarified that the time period aspect would be removed, and the target would be reviewed annually, allowing flexibility without compromising asset allocation and risk tolerances. Secondly, in relation to the consideration of leverage, Trustee Rubenstein suggested including a specific percentage, such as 5% to 10%, to mitigate public concerns and provide clarity on the magnitude of the proposed leverage.

This suggestion was well-received, and CEO MITCHELL agreed to incorporate it. Additionally, there was a discussion about adjusting the wording to avoid potential confusion in the media or public perception, especially regarding the timeframe for achieving the goals outlined in the plan.

TRUSTEE RUBENSTEIN proposed rephrasing "grow the fund to $100 billion" to something like "the path to 100 billion" to better reflect the ongoing nature of the initiative.

CEO MITCHELL acknowledged the concern and agreed to consider modifications to address it.

TRUSTEE BRUNE expressed support for the simplicity of the goal to grow the fund to $100 billion and cautioned against adding unnecessary words that might dilute its impact.

TRUSTEE RUBENSTEIN agreed, emphasizing the clarity and readability of the current wording. The discussion touched on the idea of adding a percentage for leverage, but Trustee Brune and Trustee Rubenstein both expressed satisfaction with the simplicity of the existing language.

CHAIR SCHUTT emphasized that, despite being part of a shorter-term plan, achieving the $100 billion goal might extend beyond the current plan cycle.

CEO MITCHELL suggested the term "grow fund" as a compromise, and Trustee Rubenstein agreed with the proposed wording. The discussion concluded with Trustee Rubenstein deferring to the board's judgment on the matter.

CHAIR SCHUTT expressed discomfort with the idea of exceeding a 5% cap on balance sheet leverage due to potential negative reactions from stakeholders and the associated risks to the portfolio.

TRUSTEE BRUNE raised concerns about the consideration of leverage and sought clarification from CIO Frampton regarding its origin and necessity.

CIO FRAMPTON explained that the idea of leverage originated during strategic planning discussions, addressing the need for liquidity management and the potential benefits of more permanent finance leverage for return enhancement. He highlighted the two primary use cases:

short-term liquidity management and more permanent leverage for higher return objectives. He emphasized that the recommendation emerged as part of the strategic planning process, exploring various ideas to align the fund's objectives with stakeholder expectations.

TRUSTEE BRUNE expressed that the matter both had and didn't have significance. He mentioned during the discussion that, as there was only one advisor present, he would value Mr. Zinn’s input on the consideration.

MR. ZINN responded by stating his uncertainty. He recalled that the leverage discussion occurred when there was contemplation of associating a timeframe with the target. In that context, the focus was on altering behavior to achieve the goal sooner. Additionally, he expressed the opinion that a Strategic Plan does not necessarily require specific details like that and suggested allowing the flexibility to consider ideas without committing to a particular approach. He proposed a more general approach, suggesting that the plan could state an intention to explore ideas contributing to the target without specifying a rigid timeframe. This, he believed, would prevent unnecessary fixation on numerical values and allow the focus to remain on the overall positive aspects of the plan.

TRUSTEE ANDERSON raised a question about whether the presented framework was the plan itself.

CEO MITCHELL clarified that it indeed represented the plan.

TRUSTEE ANDERSON expressed concern about the potential ambiguity in the plan's language and the need to capture the discussions' context.

CEO MITCHELL acknowledged the challenge, explaining that despite detailed documentation, interpretations might vary. Regarding a specific item, he anticipated no active movement in the next six months, emphasizing that it was about gathering information for later refinement. He reassured that the wording was for consideration, not immediate action. He also mentioned the possibility of adjusting the approach based on feedback from legislators and the press, highlighting the importance of having tools in the toolbox for future market conditions. The mention of high leverage levels had caused concern, but he emphasized the intention to address such worries through ongoing refinement.

TRUSTEE ANDERSON expressed concern about the lack of context in the four-year plan, particularly regarding the growth of the fund to over $100 billion and the consideration of additional leverage.

CEO MITCHELL acknowledged the two paths available—continuing to refine the plan based on constructive comments or finalizing it that day.

TRUSTEE RUBENSTEIN suggested considering public input and delaying the finalization to February to gather comments during a board meeting open house. She mentioned concerns about rushing due to budget constraints. She also questioned the inclusion of Trustee Paper #10 in the Strategic Plan, suggesting that it might be more appropriate to address it separately.

TRUSTEE RICHARDS suggested that the current version of the plan might be good enough to adopt. However, he acknowledged that delaying the adoption wouldn't be a significant issue. He emphasized the importance of including Trustee Paper #10 in the plan, considering it a complete document that addresses key issues such as the durability of the RA and inflation-proofing.

CEO MITCHELL echoed Trustee Richards' perspective, explaining that the inclusion of Trustee Paper #10 is to highlight the ongoing focus on addressing the durability of the RA.

CHAIR SCHUTT emphasized the need to include the structure of the fund in the plan, stating that Trustee Paper #10 marks the start of a process, and restructuring the fund could be a lengthy and ongoing effort requiring commitment.

TRUSTEE BRUNE and TRUSTEE RICHARDS discussed the historical timeline of similar efforts, emphasizing the potential long-term commitment needed for achieving structural changes in the fund.

CHAIR SCHUTT supported the idea of having the fund's structure in the Strategic Plan for guidance and assistance in navigating the complex process.

MR. ALLEN raised concerns about the expectation of reaching $100 billion within four years, considering the current spending rule and capital market assumptions. He mentioned that, based on their projections, there's about a 20% chance of reaching $100 billion in four years and a more than 50% chance within 10 years.

TRUSTEE RUBENSTEIN clarified the distinction between "grow fund to 100 billion" and "a path to 100 billion."

MR. ALLEN advised against setting the expectation of reaching $100 billion in four years, suggesting it might be more realistic to consider a longer time frame or a lower target amount. He emphasized the challenge of achieving significant growth when spending a substantial percentage of the fund each year.

TRUSTEE RUBENSTEIN acknowledged the confusion and sought Mr. Allen’s preference between "grow fund to 85 billion" or "a path to 100 billion."

MR. ALLEN recommended either lowering the amount or removing the time frame, cautioning against setting a standard based on a 20% outcome.

TRUSTEE RICHARDS expressed support for removing the time frame from the goal of growing the fund to $100 billion, stating that the board's decision in the last meeting suggested it was not a goal to be achieved within a specific timeframe, but rather an event to celebrate.

CEO MITCHELL acknowledged the importance of clarity in language, emphasizing that the intent was to continue down the path of growing the fund to $100 billion, not necessarily reaching that amount within four years.

TRUSTEE ANDERSON raised concerns about including Trustee Papers in the plan, noting that they read more like foundations of ideas rather than plans.

CEO MITCHELL addressed the distinction, stating that if the goal of Trustee Papers was to review and assess an optimal structure for the fund, then they could be included in a separate document. He suggested clarifying the language around growing the fund to $100 billion to make it clear that it is not limited to the four-year Strategic Plan period.

TRUSTEE BRUNE suggested removing the phrase "four year" from the cover page of the Strategic Plan, emphasizing that the bylaws only require a Strategic Plan every four years, not specifically a plan for a four-year period.

CEO MITCHELL agreed with this solution.

TRUSTEE BRUNE expressed support for Trustee Rubenstein’s idea of seeking public comment on the plan, acknowledging concerns about the perception of rushing decisions. Regarding Trustee Paper #10, he expressed being torn on its inclusion in the plan, leaning towards removing it to maintain unity among board members.

TRUSTEE RICHARDS supported the idea of public input and disagreed with Trustee Brune's suggestion to exclude the discussion of restructuring the fund from the Strategic Plan.

TRUSTEE RUBENSTEIN expressed discomfort with including Trustee Paper #10 in the plan, suggesting a thorough vetting process and public understanding of its contents before adoption.

TRUSTEE RICHARDS proposed discussing the Trustee Paper and the Strategic Plan in tandem at the next meeting.

TRUSTEE RUBENSTEIN expressed skepticism about adopting the plan quickly.

CHAIR SCHUTT highlighted the significant role legislative approval plays in about half of the bullets on the page, emphasizing the uncertainty of legislative actions in the upcoming session. He expressed the importance of addressing the review and assessment of the optimal structure of the fund, stating that ignoring it could lead to a crisis when the ERA is depleted. He acknowledged the need for further debate and review of Trustee Paper #10, emphasizing its role in public education and advocacy. He stressed that the paper provides valuable insights into the risks associated with the current two-account structure, especially in challenging market conditions. He argued that public understanding of these risks is crucial for future boards, even if only a few individuals read and comprehend the paper. He asserted that omitting this educational piece from the plan would be an unacceptable outcome, emphasizing the urgency of addressing the optimal structure of the fund as a key strategic imperative.

TRUSTEE ANDERSON sought clarification on whether Chair Schutt preferred having the review and assess the optimal structure of the fund as a standalone item in the plan rather than as a Trustee Paper.

CHAIR SCHUTT explained that including it in the plan signals the importance of the task, similar to other aspirational tasks listed.

TRUSTEE ANDERSON expressed alignment with Trustee Rubenstein, stating that he needed more time to become comfortable with Trustee Paper #10, recognizing its importance but emphasizing the need for further review.

CHAIR SCHUTT agreed with Trustee Anderson, acknowledging the resistance and timing challenges surrounding Trustee Paper #10. He mentioned that although he doesn't currently see the extra benefits of an out-of-state or international office, he is open to exploring potential benefits and being convinced later. He expressed a similar stance on Trustee Paper #10, emphasizing the need for exploration and consideration rather than an immediate decision.

TRUSTEE CRUM apologized for jumping in and out of the discussion but highlighted the need for more time to review and work on Trustee Paper #10. He acknowledged Trustee Rubenstein's point and expressed the importance of updating and ensuring the paper aligns with the goal of educating Alaskans. He suggested leaving Trustee Paper #10 in the strategic goal list for the time being, with the understanding that it will undergo a thorough review separately to address structural aspects and ensure it aligns with the board's long-term strategy.

CEO MITCHELL echoed Trustee Crum's sentiments, emphasizing that Trustee Paper #10 is still in draft form, and comments from trustees are essential to refine it. He noted the dense and academic nature of the document and the need to address concerns and strong beliefs about certain topics to avoid misleading stakeholders. He stressed the importance of obtaining board support for any potential actions or recommendations in the paper.

CHAIR SCHUTT proposed a plan to move forward with the Strategic Plan. He mentioned that two Trustees have explicitly called for pushing the plan approval to February, allowing time for public comment. He asked if any Trustee objected to this timeline, emphasizing that there is no particular urgency to finalize it on the current date.

TRUSTEES BRUNE and TRUSTEE ANDERSON expressed their agreement with the proposed plan.

CHAIR SCHUTT then asked if anyone online objected to the process, and there was no indication of objection. The plan includes approving the plan in February, seeking public comment in the interim, and holding a Governance Committee meeting before the February session to review any received public comments.

TRUSTEE RICHARDS raised the issue of CEO Mitchell’s executive review, suggesting that if they plan to handle the strategic plan and public comments in the same meeting, they might need to schedule a meeting between Christmas and New Year's.

TRUSTEE RUBENSTEIN expressed the view that formally adopting the plan may not necessarily hold up the executive director review.

CHAIR SCHUTT suggested that a special meeting may be needed before the end of the year to comply with the policy regarding the executive director review. He suggested that a second meeting for the strategic plan might not be necessary, and it could be reviewed and approved at the February meeting.

TRUSTEE CRUM offered to be available later in the afternoon for the executive director review.

CHAIR SCHUTT suggested the possibility of handling the executive director review as a standalone late afternoon meeting and completing it. They discussed the timeline for public comments and Governance Committee review of the strategic plan.

TRUSTEE RUBENSTEIN mentioned the need for a lag time to review public comments.

CHAIR SCHUTT acknowledged the plan and suggested continuing with the discussion on the remaining points to ensure alignment.

CEO MITCHELL discussed making changes to the cover page, eliminating "four years" from the strategic plan description. He also considered adding clarity about establishing legality limits, timing, and policies related to additional leverage.

MR. ZINN suggested including the action of setting up a credit facility to provide liquidity in case of overdrawing.

CEO MITCHELL agreed, and they discussed the possibility of describing two scenarios mentioned by CIO Frampton earlier.

CHAIR SCHUTT expressed a preference for alluding to the scenarios and seeking permission for both.

TRUSTEE RICHARDS raised a question about achieving the highest standard for sovereign wealth funds and suggested reevaluating the terminology.

TRUSTEE RUBENSTEIN proposed using the term "institutional standard."

TRUSTEE RICHARDS considered setting the standard for the institutional investment or sovereign wealth community.

MR. ALLEN suggested setting the standard for the institutional investment community.

TRUSTEE RICHARDS and TRUSTEE RUBENSTEIN expressed approval of that idea.

TRUSTEE RUBENSTEIN asked CIO Frampton, the Vice Chair of the Sovereign Wealth Board, for his thoughts on being an outstanding institutional investor.

CIO FRAMPTON admitted his difficulty articulating it and deferred to Paulyn Swanson.

CHAIR SCHUTT suggested CIO Frampton write a paper on the topic, but CIO Frampton declined.

The discussion turned to involving Ms. Swanson, who was in the audience and known for her skills as a wordsmith. They agreed to put more thought into expressing the desire to be the most outstanding organization and joked about inserting a unicorn or rainbow emoji for emphasis.

CEO MITCHELL reviewed tasks outlined on pages 332 to 334 related to various aspects of the organization's goals and future plans. He discussed the addition of a review or reporting requirement for tasks centered around the end of the fiscal year. Topics included the allowance to interview Executive Director candidates without disclosure, key person risk, additional incentive compensation, US and international offices, enhanced data management capabilities, communications plan, and fund structure.

CEO MITCHELL provided timelines for each task, ranging from two to four years and beyond, and reported on progress and plans. The board considered the importance of educational outreach and awareness, with Ms. Swanson playing a significant role. He also discussed the focus on investment performance and strategy, including proposals from consulting firms. Funding considerations for the fiscal years were highlighted, with the need to secure funding for FY 2025. The review and assessment of the optimal structure of the fund were discussed, referencing Trustee Paper #10 and potential delays in timelines. He suggested incorporating slides from the asset class leads' presentation for review and updates as they progressed through the strategic plan.

CHAIR SCHUTT suggested adding the organizational and asset class slides from the previous day as an appendix or additional material to the strategic plan.

TRUSTEE RICHARDS expressed support for the idea.

CHAIR SCHUTT called for objections.

TRUSTEE BRUNE raised a wordsmithing concern related to the term "generation of alpha" on page 4, proposing alternatives like "outperformance compared to peers."

The discussion explored different suggestions, including TRUSTEE RICHARDS suggestion of adding a parenthetical definition for alpha or stating "returns higher than beta."

TRUSTEE RUBENSTEIN commented on Trustee Richard's suggestion and the complexity of hedge fund discussions.

TRUSTEE RUBENSTEIN emphasized the importance of making the plan readable and understandable for the public.

CEO MITCHELL assured they would make it more accessible.

MR. ZINN mentioned providing a suggestion using AI for reference. There was a lighthearted suggestion about stating that the strategic plan header was written by AI.
CHAIR SCHUTT concluded the discussion on the strategic plan, mentioning the plan for final approval in the February meeting. The plan would be put out for public comment by mid-January for at least two weeks, with the goal of having it ready for the February meeting. Trustees were encouraged to review and provide input during this time, as any changes would need to be voted on during the next meeting.

TRUSTEE RUBENSTEIN inquired about potential changes due to the absence of two Commissioners.

CHAIR SCHUTT clarified that the agenda would remain mostly unchanged, and they might discuss Trustee Paper #10, even though it wouldn't be an action item. He then announced a lunch break, and the meeting was scheduled to resume at 1:00.

(Lunch)

CHAIR SCHUTT moved to the Legislative Initiatives, and recognized Paulyn Swanson.

LEGISLATIVE INITIATIVES

MS. SWANSON, the Director of Communications for the Alaska Permanent Fund Corporation, she discussed the upcoming second session of the 33rd legislature, starting on January 16th. The presentation aimed to provide an overview of legislative initiatives and ensure alignment with the board's priorities. Swanson outlined four primary areas of focus: pursuing board initiatives, stakeholder education and awareness, securing resources, and monitoring/responding to legislation. She emphasized taking cues from the Board of Trustees, aligning with active resolutions, the recommended FY 25 operating budget, and the board's strategic initiatives. Past education efforts focused on fund structure, but Swanson proposed a shift toward highlighting investment management work, fund performance, and returns to the state. She mentioned an invitation from the Senate Finance Committee for an overview of the fund, with the Chair, CEO, and CIO scheduled to represent the corporation in January. She also addressed the board's expressed interest in a legislative and public open house in February. She sought clarification on whether the term "open house" referred to welcoming the public and the legislature to the corporation's offices, receiving positive nods indicating agreement.

TRUSTEE BRUNE expressed support for the idea of having the legislative and public open house at the headquarters rather than another location.

MS. SWANSON mentioned that in past legislative sessions, Senate Finance Co-Chairs and House Finance Co-Chairs have come down to present to the committee, and they will explore if there's interest in that again. She highlighted the process of monitoring and responding to legislation, explaining that the team reviews introduced bills to ensure they align with the fund's management and functionality. She committed to providing weekly updates to the board on the status of relevant bills during the legislative session.

The discussion led to the consideration of a slide focusing on board initiatives for legislative understanding.

MS. SWANSON emphasized the importance of making the Strategic Plan available for public comment and review by the legislature. She discussed leveraging the opportunity to educate stakeholders and legislators on concepts like outperformance and the generation of alpha, ensuring clear definitions. She also mentioned upcoming efforts to secure budget resources, including support for an additional position in the Private Equity Team and funding for a global financial media consultant, topics that had been discussed in the previous conversation about Trustees Paper.

TRUSTEE RUBENSTEIN inquired about the Communications Financial Plan and whether it would include information about the three applicants for the global financial media consultant position. She also suggested educating stakeholders about the role of the communications division, emphasizing its functions in marketing, media, communications, and legislation.

MS. SWANSON expressed excitement about the responses received and the ongoing procurement process. She mentioned a Proposal Evaluation Committee evaluating the submissions and expected to have a contract in place by January.

TRUSTEE RUBENSTEIN further discussed the need for education about the global financial media consultant's role, especially considering the missed budget deadline for additional funding. Swanson acknowledged the importance of educating the legislature and the public on the significance of the role and the evolution of the Communications Program to cater to a global audience. She emphasized the diverse audiences, both local and global, and how the consultant would help elevate messaging in the global market.

MS. SWANSON expressed gratitude for the support and acknowledged the efforts that went into the process involving two RFPs.

TRUSTEE RUBENSTEIN acknowledged the additional legwork and thanked Swanson for her efforts.

TRUSTEE RICHARDS inquired about discussing draft legislation, specifically addressing concerns related to open meetings and public records in the review of the Executive Director.

MS. SWANSON presented the legislation, outlining its purpose to ensure confidentiality of candidates for the Executive Director position, grant the board authority to interview finalists in executive sessions, and provide confidentiality for personnel records of all APFC staff.

TRUSTEE RICHARDS suggested adding "Chief Investment Officer" to the first sentence of the legislation, a proposal that received agreement from Chair Schutt.

TRUSTEE RUBENSTEIN sought clarification if the addition should include the entire C-suite, but TRUSTEE RICHARDS emphasized that only the CIO and Executive Director attract interest.

TRUSTEE RICHARDS also suggested a drafting adjustment for the second sentence, proposing to remove "of the Executive Director" and make it "of employees of the corporation," a change supported by Chair Schutt.

TRUSTEE RICHARDS suggested extending the confidentiality measures outlined in the draft legislation to cover applicants for any position, not just the Executive Director and Chief Investment Officer.

TRUSTEE BRUNE supported this idea, proposing to include all employees in the first bullet point.

TRUSTEE RICHARDS expressed support for the extension but highlighted that the practical need might be limited to the Executive Director and CIO positions.

TRUSTEE RUBENSTEIN sought clarification on whether the media could request the personnel file of a C-suite level person who resigned.

TRUSTEE RICHARDS explained that the proposed legislation aims to keep all personnel files confidential, but the focus of the first bullet point is on maintaining the privacy of the list of applicants and interview details for specific positions.

TRUSTEE RICHARDS and CHAIR SCHUTT agreed that the extension of confidentiality measures to all employees might not be necessary, as the primary concern is the interview process for positions like the Executive Director and CIO.

TRUSTEE RUBENSTEIN acknowledged the distinction and clarified that the unique circumstances of certain positions, like those requiring a national search, might warrant additional confidentiality measures.

MS. SWANSON suggested adding "CIO" to the first line alongside the "Executive Director" and adjusting the wording for the bottom part regarding personnel records. She recommended making it apply to all employees without singling out the Executive Director.

TRUSTEE BRUNE raised a question about the coverage of financial information related to applicants. He referred to a comment made by one of the advisors about an expense report.

CEO MITCHELL clarified that the concern was related to expense reports.

MS. SWANSON acknowledged the need to ensure that the legislation captures associated documents related to financial information. She discussed the direction the board would like to take regarding legislation. She mentioned two approaches: seeking sponsorship for the proposed legislation or having it drafted and potentially adding it as an amendment to bills moving through the legislative process.

TRUSTEE RUBENSTEIN sought clarification on whether the legislation related to confidentiality was the only initiative being put forward in the current strategic plan.

MS. SWANSON explained that while there are other elements requiring legislation in the plan, they were currently focusing on education efforts for those aspects. The proposed legislation on confidentiality was identified as a key initiative for the upcoming legislative session. The discussion also touched on the limited political capital available and the importance of budget priorities.

TRUSTEE BRUNE inquired about the date of the Finance Committee meeting.

MS. SWANSON mentioned that she believes the meeting is scheduled for January 26th.

CEO MITCHELL confirmed the date.

TRUSTEE BRUNE expressed gratitude.

CHAIR SCHUTT moved to the item Trustee Paper #10.

TRUSTEE PAPER #10

CEO MITCHELL mentioned that the board had been in a process, having four drafts of Trustee Paper #10. There was a working group led by Trustee Crum and Trustee Richards, with Trustee Richards being particularly active in shepherding the process forward. An external consultant was selected to work on the document, who had previously worked on Trustee Paper #9. Drafts 2 through 4 were circulated to the entire board, though he acknowledged that it might not have been read by everyone due to its density and repetitiveness. He expressed the board's readiness to focus on the paper and expected substantive board comments within the next two to three weeks. The goal was to refine the document to the point where it had the support of board members for public comment.

TRUSTEE RICHARDS emphasized the need to provide comments sooner to honor the consultant's fixed payment contract, and Mitchell suggested the possibility of an interim payment.

TRUSTEE BRUNE inquired about sharing the document with advisors.

CEO MITCHELL confirmed that it had already been shared. He informed the group that he had forwarded the document to the Investment Advisory Group, Steve, and Greg at Callan following discussions the previous day.

MR. CENTER made minor edits, and CEO MITCHELL anticipated additional comments from that group. He emphasized the importance of distinguishing between edits and potential policy-level disagreements within the paper.

CEO MITCHELL suggested that the focus should be on addressing philosophy or policy issues perceived by some Trustees.

Other members, such as Mr. Zinn and Mr. Allen, mentioned their involvement since the early versions of the document, with Mr. Zinn submitting comments via email.

CEO MITCHELL acknowledged this and expressed readiness to review the comments.

CHAIR SCHUTT opened the floor for discussion on Trustee Paper #10, stating that the board would work on it for the next two months and vote on it in the February meeting. With no further discussion, the focus shifted to agenda items that could proceed without the two Commissioner Trustees present.

CHAIR SCHUTT moved to agenda item Advisor Comments and recognized George Zinn to provide a summary.

ADVISOR COMMENTS

MR. ZINN briefly commented on the organization session, expressing satisfaction with the overview of asset classes. He mentioned coordinating with Tim and introducing him to the Washington State Investment Board. He also highlighted positive feedback on AI talks and suggested exploring the possibility of securing a credit facility.

CHAIR SCHUTT thanked Mr. Zinn and inquired if there were any questions.

TRUSTEE RICHARDS praised Mr. Zinn's observation on the potential use of a credit facility as a short-term backstop for durability issues.

TRUSTEE RUBENSTEIN expressed appreciation for Mr. Zinn's contributions, highlighting the board's reliance on the expertise of the Investment Advisory Group.

CHAIR SCHUTT then shifted the discussion to the schedule, proposing to combine the April and February meetings into a two-day quarterly meeting in February.

TRUSTEE RUBENSTEIN supported this idea but suggested a one-hour virtual legislative update for April, considering its original intent.

TRUSTEE RICHARDS expressed neutrality on the matter, emphasizing flexibility for what is best for the order.

CHAIR SCHUTT sought agreement on reworking the February two-day meeting in April, potentially incorporating a legislative update, with Trustees expressing willingness to try the proposed approach.

TRUSTEE BRUNE expressed excitement about the potential educational opportunities arising from eliminating the April meeting. Emphasizing the permissibility of all trustees gathering from an educational perspective, he suggested considering a meeting in Barrow in lieu of Nome due to a conflicting birding convention.

CHAIR SCHUTT agreed and highlighted the overlap with Callan's National Annual Conference in April. The decision was made to plan a two-day meeting in February and consider a contingent legislative update for April. The discussion also touched on the design of a capturing-opinions box and the possibility of moving the May meeting to Barrow.

TRUSTEE BRUNE outlined the availability of rooms in Barrow and the Mayor's interest in hosting. The proposal received positive responses from Trustee Rubenstein and others, emphasizing the importance of community events and the economic impact of longer stays in different locations.

TRUSTEE RICHARDS expressed flexibility, and CHAIR SCHUTT sought input from others, with TRUSTEE BRUNE stressing the respectful and community-focused approach.

TRUSTEE RICHARDS indicated his agreement with any decision.

CHAIR SCHUTT proposed switching the location to Barrow on the same dates, resolving that matter. After mentioning an upcoming executive session, he suggested going around for Trustee comments and future agenda items.

TRUSTEE RICHARDS stated that he didn't have any comments.

TRUSTEE RUBENSTEIN expressed gratitude for the collaborative efforts during the holiday season, highlighting the positive developments in the board's teamwork and the ability to tackle substantial initiatives. She acknowledged the importance of thorough discussions, emphasizing the value of public opinion and media in decision-making.

CHAIR SCHUTT prompted Trustee Brune for comments.

TRUSTEE BRUNE shared his appreciation for the staff's hard work and efficiency in handling travel arrangements. He mentioned the fullness of the Anchorage Office and the focus on improving staff retention. He welcomed the new HR Director and expressed excitement about exploring the Smart Comment process for public engagement. He mentioned conversations with Juneau 350 and conveyed well wishes for Mr. Harris' surgery, extending thoughts and prayers to him.

CHAIR SCHUTT expressed sincere appreciation for the professionalism and friendliness of the staff despite occasional challenges from the board. He conveyed happiness about being in Juneau and announced a break until approximately 2:30, with a plan to check in before resuming for the Executive Director Evaluation. He mentioned the intention to provide a heads-up to Ellie and Craig, or have staff do so, before reconvening for the evaluation.

TRUSTEE BRUNE suggested making the motion for Executive Session immediately instead of waiting to reconvene later. There were considerations about the legality of such a move.

CHAIR SCHUTT and TRUSTEE BRUNE discussed logistics.

TRUSTEE RUBENSTEIN questioned the legality.

CHAIR SCHUTT clarified that they would reconvene after the Executive Session. Eventually, it was decided to come back later, making it easier for staff. He then called for a break.

(Break)

CHAIR SCHUTT called the meeting back to order, and continued to the Executive Director Annual Review.

EXECUTIVE DIRECTOR REVIEW

CHAIR SCHUTT stated that they would transition to another connection without all the participants once they entered Executive Session.

> **MOTION:** <u>In accordance with Alaska's Open Meetings Act, a motion that the Board of Trustees convene an Executive Session for the purpose of discussing the annual performance evaluation of the Executive Director.</u> <u>The motion was made by CHAIR SCHUTT; seconded by TRUSTEE ANDERSON.</u>

CHAIR SCHUTT stated that due to the potential harm to the Executive Director's reputation or character, the discussion is deemed suitable for an Executive Session under applicable Alaska Law, unless the Executive Director specifically requests a public discussion. He then called for a roll call vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Crum, yes; Trustee Brune, yes; Trustee Richards, yes; Trustee Anderson, yes; Trustee Rubenstein, yes; Chair Schutt, yes.)

Before going off the record, CHAIR SCHUTT checked with CEO Mitchell about the preference for discussing the matter in a public session or Executive Session.

CEO MITCHELL expressed a preference for the Executive Session.

CHAIR SCHUTT confirmed the decision, noting the transition to Executive Session at 2:41.

(Executive Session)

After the Executive Session, TRUSTEE BRUNE made a motion.

MOTION: A motion to move out of the Executive Session was made by TRUSTEE BRUNE; seconded by TRUSTEE CRUM.

CHAIR SCHUTT sought objections to ending the Executive Session, receiving none. The meeting resumed at 4:20, with confirmation that during the Executive Session, the Trustees discussed only the specified matters in the motion and took no action.

TRUSTEE BRUNE made a motion.

MOTION: A motion to have a 10% raise for the Executive Director was made by TRUSTEE BRUNE; seconded by TRUSTEE CRUM.

CHAIR SCHUTT called for a roll call vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Crum, yes; Trustee Brune, yes; Trustee Richards, yes; Trustee Anderson, yes; Trustee Rubenstein, yes; Chair Schutt, yes.)

CLOSING COMMENTS

CHAIR SCHUTT concluded the agenda and announced that he would provide oral feedback to the Executive Director after the meeting.

TRUSTEE CRUM requested to make a comment, expressing appreciation for the staff's flexibility during budget week. He commended the energy and demand for the Anchorage Office, highlighting the success in recruitment and the organization's overall health.

TRUSTEE ANDERSON also expressed gratitude for the materials and outreach.

CHAIR SCHUTT acknowledged the Trustee Comments that had been done earlier.

TRUSTEE CRUM commended the Executive Director for a good job in his first year.

CHAIR SCHUTT called for a motion to adjourn the meeting.

TRUSTEE CRUM moved for the adjournment of the meeting seconded by TRUSTEE ANDERSON.

(APFC Board of Trustees meeting adjourned at 4:23 p.m.)

APFC ALASKA PERMANENT FUND CORPORATION

801 W 10TH SUITE 302 | JUNEAU, AK 99801
907.796.1500 | apfc.org

SUBJECT: Chief Executive Officer Report | ACTION: ____________

DATE: February 15, 2024 | INFORMATION: ____X____

BACKGROUND:

The CEO's report provides reports detailing Board matters, disclosures, staffing and budget updates, and financial reports.

STATUS:

Executive Director, Deven Mitchell, will present highlights from the following reports:

- Pending Board Matters
- Trustee Education Report
- Disclosure Report
- Staff Summary Report
- APFC Staff Education Training Report
- HR Summary Report
- Communications Report
- Legislative Update
- IT Update
- Financial Update
- Financial Report
- APFC Transfers
- APFC History and Projections
- Investment Management Fee Report
- FY24 Budget Update

APFC ALASKA PERMANENT FUND CORPORATION

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907.796.1500 | apfc.org

SUBJECT: Pending Board Matters

ACTION:

DATE: February 15, 2024

INFORMATION: __X__

BY	TASK	CAPTURED	TARGET	COMPLETED
Mitchell	Peer Group Definition	7/22	TBD	
Mitchell	Update Compensation Structure	12/22 4/23	TBD	
Mitchell/McCain	PMP Overhaul	7/23	5/24	
Mitchell	Strategic Plan	7/23	2/24	
Mitchell	Trustee Paper #10	7/23	2/24	

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907.796.1500 | apfc.org

SUBJECT: Trustee Education ACTION: ____________

DATE: February 15, 2024 INFORMATION: ____X_____

BACKGROUND:

The Board of Trustees of the APFC has established a Trustee Education Policy with the following objectives:

- 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
- 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 APFC.

In accordance with the Trustee Education Policy, the following is a list of conferences and seminars that Trustees may wish to attend.

TRAINING OPPORTUNITY	TOPIC	LOCATION	DATES
Callan	Research Café: ESG Interview Series 2024 National Conference	Virtual (30-minute Session) San Francisco	March 12, 2024 April 8, 2024
ILPA	Varies – please see website	https://ilpa.org/master-calendar/	See ILPA Website

APFC ALASKA PERMANENT FUND CORPORATION

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Memo

To: Governance Committee

From: Shannon Ely McCain, Director of Human Resources

Date: February 5, 2024

Re: APFC Financial Disclosures – Quarter 4

As required by AS 37.13.110(b) and Alaska Permanent Fund Corporation policy relating to personal investments conduct and reporting, trustees and staff must disclose certain financial interests. Below is a list of disclosures for transactions made by trustees and staff, covering initial, quarterly, and annual disclosures for reportable holdings as of December 31, 2023.

Disclosures			
Name	Position Title	Disclosure Type	Received
Sebastian Vadakumcherry	Chief Risk & Compliance Officer	Quarterly	1/29/2024
Micheal Gumz	Credit Analyst – Fixed Income	Quarterly	1/22/2024
Shannon Ely McCain	Director of Human Resources	Initial	12/6/2023
Fawad Razzaque	Director of Investments Public Equities	Quarterly	2/5/2024

As a reminder, Quarterly - Only subsequent new Reportable Investments made during the quarter must be disclosed by the thirtieth (30) day following the end of each quarter. For the purpose of clarity, acquiring additional shares or selling shares of an already disclosed Reportable Investment does not need to be disclosed again as a quarterly investment.

All disclosures have been reviewed by me in my capacity as APFC's Designated Ethics Supervisor. All disclosures follow policy requirements. Disclosures will be filed in the appropriate personnel file.

If you have any questions, please call me at 907-796-1541.

APFC ALASKA PERMANENT FUND CORPORATION
801 W 10TH SUITE 302 | JUNEAU, AK 99801
907.796.1500 | apfc.org

Memo

To: Board of Trustees

From: Deven Mitchell
Chief Executive Officer

Date: February 15, 2024

Re: Travel, Training, and Diligence Summary Report

Background:
This report includes APFC staff completed travel and due diligence numbers for the period October 1 – December 31, 2023. The travel report is presented to the Board of Trustees for review at each board meeting as required by APFC Resolution 04-10.

Due Diligence Summary:

Department	Number of Meetings Held	
	In Person	Telephonic/Virtual
Executives	9	26
Fixed Income	13	16
Public Equity	14	32
Private Income	24	118
Absolute Return	5	43
Real Estate	52	150
Private Equity	83	183
Total Fund Cash	0	4

Travel Summary:
Budget-to-Actual Report: July 1, 2023 through December 31, 2023
The following can be found in full in the FY24 Budget Update

CORPORATE OPERATIONS	BOARD-AUTHORIZED BUDGET	EXPENDITURES	BUDGET REMAINING
Travel	$800,000	$90,636	$709,364
Staff	$602,000	$251,940	$350,060
Trustees	$18,000	$7,996	$10,004
Moving/Non-Employee	$180,000	$71,034	$108,966

Trip Summary – 2nd Quarter – October 1 through December 31, 2023

TRAVELER	PURPOSE	DATES OF TRAVEL		LOCATION
Rutherford	Due Diligence	October 1	October 3	Miami
Rahn	Manager Meetings	October 3	October 6	New York
Andreyka	Conference	October 3	October 6	Los Angeles
Razzaque	Due Diligence	October 8	October 28	London
Andreyka	Manager Meetings	October 8	October 21	Washington DC/Boston

Mangual	Juneau Office Visit	October 8	October 21	Juneau
Alexander	Manager Meetings	October 9	October 13	Dubai
Ramirez	Manager Meetings	October 10	October 11	Virginia
Balovich	Conference	October 14	October 20	Orlando
Calhoon	Conference	October 14	October 19	Orlando
Rutherford	Due Diligence	October 16	October 17	Cleveland
Waldrop	Manager Meetings	October 16	October 18	Phoenix
Shah	Manager Meetings	October 16	October 20	New York
Alexander	Due Diligence	October 16	October 17	Cleveland
Skuratovskaya	Manager Meetings	October 17	October 21	London
Rime	Manager Meetings	October 17	October 20	Santa Ana
Swanson	Communications Meetings	October 18	October 20	Anchorage
Alldredge	Communications Meetings	October 19	October 20	Anchorage
Mitchell	Speaking Engagement	October 20	October 20	Anchorage
Zepp	Conference	October 20	October 26	Orlando
Vadakumcherry	Conference	October 21	October 28	Boston
Prebeg	Conference	October 22	October 26	Las Vegas
Calhoon	Conference	October 22	October 26	Las Vegas
Alexander	Manager Meetings	October 22	October 27	Boston/Toronto, Canada
Andreyka	Manager Meetings	October 23	October 29	New York/Cincinnati, Ohio
Rahn	Manager Meetings	October 24	October 26	San Francisco
Shah	Manager Meetings	October 24	October 26	Toronto, Canada
Rutherford	Due Diligence	October 15	November 5	Dallas
Anderson	Board of Trustees Meeting	October 29	October 31	Juneau
Waldrop	Board of Trustees Meeting/Staff Onboarding	October 29	November 2	Juneau
Mitchell	Conference	October 30	November 3	New York
Rubenstein	Board of Trustees Meeting	October 30	October 30	Juneau
Schutt	Board of Trustees Meeting	October 30	October 30	Juneau
Alexander	Manager Meetings	October 30	November 3	New York
Richards	Board of Trustees Meeting	October 30	October 30	Juneau
Brune	Board of Trustees Meeting	October 30	October 30	Juneau
Balovich	Conference	October 31	November 4	Cabo San Lucas
Andreyka	Manager Meeting	November 1	November 10	New York/London
Hatch	Manager Meetings	November 5	November 10	New York
Gagliardo	Manager Meetings	November 5	November 10	New York
Alexander	Manager Meetings	November 6	November 10	Houston/New York
Rahn	Manager Meetings	November 6	November 17	Miami
Shah	Manager Meetings	November 6	November 7	Houston
Balovich	Administrative Travel	November 7	November 7	Anchorage
Waldrop	Manager Meetings	November 7	November 9	Los Angeles
Calhoon	Administrative Travel	November 7	November 7	Anchorage
Hatch	Manager Meetings	November 11	November 17	London

Andreyka	Property Inspections	November 11	November 18	London
Shah	Manager Meetings	November 12	November 17	Boston/New York
Ritchie	Conference	November 12	November 17	Orlando
Wilkey	Juneau Office Visit	November 12	November 18	Juneau
Rime	Conference	November 13	November 19	Orlando
Alexander	Due Diligence	November 14	November 16	Houston
Rutherford	Due Diligence	November 14	November 16	Houston
Waldrop	Manager Meetings/Conference	November 14	November 16	San Francisco/Anchorage
Smith	Manager Meetings	November 14	November 19	New York/Boston
Gallagher	Manager Meetings	November 14	November 16	New York
Andreyka	Annual General Meeting/Property Visits	November 18	December 1	Austin/Seattle
Calhoon	Administrative Travel	November 20	November 21	Fairbanks
Rime	Conference	November 28	December 1	Virginia
Frampton	Manager Meeting	December 3	December 8	New Jersey
Gumz	Investment Opportunity	December 3	December 10	New York City
Rahn	Juneau Office Visit	December 4	December 14	Juneau
Mitchell	Conference	December 5	December 7	Juneau
Pollock	Due Diligence	December 4	December 8	Madison, WI/Boston
Murray	Juneau Office Visit	December 10	December 15	Juneau
Shah	Juneau Office Visit	December 10	December 15	Juneau
Waldrop	Juneau Office Visit	December 10	December 15	Juneau
Crum	Board of Trustees Meeting	December 12	December 15	Juneau
Schutt	Board of Trustees Meeting	December 12	December 14	Juneau
Anderson	Board of Trustees Meeting	December 12	December 15	Juneau
Brune	Board of Trustees Meeting	December 12	December 14	Juneau
Razzaque	Due Diligence	December 14	December 31	Seattle/Fort Lauderdale, FL
Frampton	Administrative Travel	December 18	December 22	Anchorage
Mitchell	Administrative Travel	December 19	December 20	Anchorage
O'Day	Manager Meetings	December 21	January 6	New York City

APFC ALASKA PERMANENT FUND CORPORATION

	EMPLOYEE	DEPT	TRAINING TYPE*	VENDOR	COURSE TITLE	CLASS HOURS	CITY	ST
1	Steven Gagliardo	Inv	CS	ILPA	ILPA LP/GP Summit	6.0	New York	NY
2	Catherine Hatch	Inv	CS	ILPA	ILPA LP/GP Summit	6.0	New York	NY
3	Rachel Zepp	Ops	CS	Gartner	Reimagine HR	22.3	Orlando	FL
4	Alex Smith	Ops	OL	HBS Online	Management Essentials	40.0	n/a	n/a
5	Eric Ritchie	Inv	OL	Altus Group	ARGUS Enterprise Certification	45.0	N/A	N/A
6	Jacki Mallinger	FIN	OL	Sequoia CPE	Financial Planning	20.0	N/A	N/A
7	Valerie Mertz	FIN	OL	KPMG	Audit Committee Blueprint	1.0	N/A	N/A
8	Norix Mangual	FIN	OL	Pryor Learning	Dealing with Difficult People	6.0	N/A	N/A
9	Eric Ritchie	Inv	CS	NCREIF	NCREIF FAll Conference	24.0	Orlando	FL
10	Eric Ritchie	Inv	CS	NCREIF	Space Market Analysis	8.0	Orlando	FL
11	Norix Mangual	FIN	OL	NCREIF	Introduction to Reporting Standards	4.0	N/A	N/A
11	Sarah Struble	FIN	OL	MISS EXCEL	The Excelerator Course	1.0	N/A	N/A
12	Jacki Mallinger	FIN	OL	Sequoia CPE	Maximize Your Productivity	12.0	N/A	N/A
13	Sarah Struble	FIN	LT/OT	UAS	Principles of Financial Accounting	3.0	N/A	N/A
14	Jacki Mallinger	FIN	OL	NCREIF	Introduction to Reporting Standards	4.0	N/A	N/A
15	Sarah Struble	FIN	OL	UAS	Elementary Algebra	4.0	N/A	N/A
16	Valerie Mertz	FIN	OL	Master CPE	Effective Business Communications	14.0	N/A	N/A
17	Valerie Mertz	FIN	OL	Master CPE	Modern Supervision	10.0	N/A	N/A
18	Valerie Mertz	FIN	OL	Master CPE	Project Management: A Financial Perspective	9.0	N/A	N/A
19	Valerie Mertz	FIN	OL	Master CPE	Understanding & Managing Organizational Behavior	14.0	N/A	N/A
20	Valerie Mertz	FIN	OL	Master CPE	Cybersecurity: A Guide for Accountants	10.0	N/A	N/A
21	Valerie Mertz	FIN	OL	Sequoia CPE	Ethics for Alaska CPAs	4.0	N/A	N/A

CS	- Conferences & Seminars
LT	- Local Training
OTT	- Out of Town Training
OL	- Online

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Memo

To: Board of Trustees

From: Shannon Ely McCain,
Director of Human Resources

Date: February 5, 2024

RE: Human Resources Summary

Human Resources

No new staff members were hired since our last board meeting. However, all the new staff members completed immersion meetings with each division to learn more about each asset class or operational area. The informational immersion meetings were well received by incoming staff.

All four staff members have made their move to Anchorage and are getting settled in the new office. There are currently five staff in the Anchorage office.

Opportunities: Board involvement in building a culture that is equitable and fosters cohesive approach to moving our organization into the future.

Recruiting Report – Turnover Rates

Total Turnover FY23 July 1, 2022-June 30, 2023
19%
1.6% Average Monthly Turnover
10 employees in Operations
2 employees in Investments
Turnover YTD for FY24 - July 1, 2023 - Jan 30, 2024
10.5%
1.5% Average Monthly Turnover
5 employees in Operations
1 employee in Investments

Current Recruitment Status

VACANT POSITIONS (6)				
APFC Title	**Division**	**Department**	**Incumbent**	**Status**
Portfolio Manager / Senior PM	Investments	Private Equity	Separation	Actively Recruiting
Investment Analyst	Investments	Real Estate	Separation	Actively Recruiting
Credit Analyst	Investments	Fixed Income	New FY23	Actively Recruiting
Portfolio Manager	Investments	Real Estate	Separation	Not Actively Recruiting

Human Resource Generalist	Operations	HR	Separation	Actively Recruiting
Administrative Specialist	Operations	Admin	Separation/ Internal Promotion	Actively Recruiting
Investment Operations Analyst	Operations	Middle Office	Separation	Actively Recruiting
Project Manager	Operations	Admin	New FY23	Not Actively Recruiting

HEADCOUNT & VACANCIES AS OF 2/5/2024			
Division	Filled FTE	Vacant FTE	Vacancies at Previous Meeting
Investments (32)	28	4	4
Operations (35)	31	4	2
	59	8	6
Total	67		

Candidate Declined Offers & Withdrew from Process	
Offer Made – Declined	0
Withdrew – Salary to Low	1
Withdrew – Relocation / Location	2
Withdrew – Other Job	6
Withdrew – No Details	1
Total	10

Hiring Sources	
BambooHR	4
Other	0
LinkedIn	1
ZipRecruiter	0
APFC Referral	0
Workplace Alaska	2
Total	5

Intern Program Update

In November every year, APFC begins recruitment for internal internships and external partner internships. APFC partners with Acadian Asset Management, Crestline Investors Inc., and McKinley Capital Management LLC annually to recruit for a space in their internship programs, giving preference to students with Alaska ties.

Internships are advertised on BambooHR, ZipRecruiter, Indeed, LinkedIn, Glassdoor and Handshake. This year, we were unable to connect with one firm, however, Crestline did offer two different internships this year that we promoted. In future years we see room for growth of this program with additional outreach. All external partners closed their internships on Thursday, February 1st and APFC had all eligible applications sent to the companies on Monday, February 5th.

APFC will continue recruiting for internal internships throughout February to gain candidates through the UA Spring College Fairs.

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SUBJECT: Communications Update ACTION:

DATE: 2/15/2024 INFORMATION: X

APFC Communications
As the investment manager of the Alaska Permanent Fund, we aim to establish the Alaska Permanent Fund Corporation as a dependable and trustworthy source of information. Our primary goal is to raise stakeholder awareness, increase outreach, and enhance education and understanding.

We are accountable to various audiences, including stakeholders within Alaska, nationwide partners and peers, and global investment relationships. We always strive to meet the distinct needs of each audience.

APFC STRATEGIC INITIATIVES

In-State Mission of Education & Awareness
The goal is to improve the understanding of the Fund, the investment management function of APFC, and the staff who safeguard and increase the State's most vital renewable financial asset. This involves obtaining and retaining the required support and resources to safeguard and grow the Fund.

Nationwide and Global Focus on Investment Performance and Strategy
APFC is a trusted and reliable investment manager, recognized globally for its best-in-class services. Ensuring high regard among peers and potential partners is vital for continued success.

Presentations, Interviews, Outreach
- **December 2023 – February 2024**
  - Internal New Employee Immersion Presentation, Juneau
  - Alaska Municipal League Presentation, Anchorage
  - KINY Interview on Action Line with Jordan Lewis, Juneau
  - Commonwealth North Presentation, Anchorage
  - KTOO Interview with Tim Bradner, Juneau
  - HFIN & SFIN Committee Presentations, Juneau
  - Dzantik'I Heeni 8th Grade Class Presentation, Juneau
  - PEI's Interview with Allen Waldrop
  - P&I's Interview with Marcus Frampton

Outreach and Education

APFC Open House
APFC is eager to welcome Alaska State Legislators, Staff, and the Community of Juneau to headquarters. The Open House event has been promoted on KINY, KTOO, Juneau Empire, with the Juneau Arts and Humanities Council, and in the Capitol.

APFC Ambassadors
We encourage our ambassadors to represent APFC, their stories, and the work of investing and managing the Fund to benefit Alaskans.

AK Youth Education Program Delivery: Launch coordination is in progress, with a soft launch in Juneau scheduled during the February open house and a statewide launch campaign scheduled beginning March 2024. To incentivize and draw attention to teacher training, 50 classroom kits have been developed by our communications partner, Yuit, and will be available to classrooms and teachers across the state. We are working with our curriculum partner, Alaska Resource Education (ARE), to set up a virtual training, with dates coming soon. The content and curriculum are available on ARE's and APFC's websites.

Publications - FY23 Mid-Year Review

To inform the public and legislators on the performance and management of the Permanent Fund's assets, APFC has published a mid-year review in print and digital forms. The 4-page document shares unaudited Fund values and performance for the fiscal year through December 2023.

APFC's Social Media Presence

In the fourth quarter, APFC produced 106 social media posts to advance APFC's goals and objectives to ensure that Alaskans and interested stakeholders understand APFC's role as investment manager of the State's most valuable renewable financial asset.

Between October and December:

- LinkedIn gained 314 new followers with a total of 2,030 unique visitors (up by 44%).
- The LinkedIn post with the most reactions was a recruitment post for Private Equity: "We're Hiring: Portfolio Manager / Senior Portfolio Manager."
- Facebook reached 3.5 thousand users and gained 19 new followers
- The Facebook post with the highest reach (1.6 thousand users) was "The 30-foot-tall totem pole outside the Michael J. Burns building..." on Nov. 16.

Financial Communications Consultant

We understand the significance of effective communication and audience-specific strategies. That's why we are delighted to announce that we have chosen BackBay Communications as our global financial communications agency partner after a competitive procurement process. Their experienced and focused team is engaged and working in collaboration with our in-house team and our trusted partner in Alaska.

Looking Forward

Youth Education Program

Statewide launch initiatives are scheduled for early March. Virtual teacher trainings and the production of classroom videos are in development. The videos will serve for both media engagement and teacher support by showing its practical application.

Crisis Communications Planning

We continue to work on updating APFC's crisis communications plan into a workbook for practical application. Crisis communications include managing the strategy, messages, timing, and information distribution channels to communicate effectively with the media, employees, core constituencies, and stakeholders.

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SUBJECT: Legislative Update ACTION:

DATE: 2/15/2024 INFORMATION: X

The 33rd Alaska State Legislature's 2nd regular session: January 16 - May 15, 2024.
The legislative session focuses on the Fund's revenue generation function, the performance of the portfolio, budget resources, intergenerational benefit, and consideration of policy proposals related to the Fund's structure, distribution of earnings, investment responsibilities, and corporate governance.

In presenting and responding to the Legislature, we set forth to be a trusted source of reliable, accurate, timely, and objective information.

Legislative Objectives

- Pursue Board Initiatives for Corporate Functionality
- Educate stakeholders to set the foundation for informed policy decisions
- Secure resources to maintain and optimize APFC's investment management capacity
- Monitor and respond to legislation that impacts the Fund and the Corporation

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January – February 2024 Legislative Presentations & Availability

- Alaska Permanent Fund Overview – Chair Schutt, Deven, Marcus
  - House and Senate Finance Committees

- Capital Markets Forecast - Callan
  - House and Senate Finance Committees – *scheduled for February 14*

- Availability for ?s in HJUD – HJR 7, Const. Am Dividend - Deven
- Availability for ?s in HRES – HB 222, Investment in Natural Gas Pipeline – Deven

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Board Initiatives for Corporate Functionality

During the December 14, 2023 Board meeting, Trustees identified measures to bring forth protections to guarantee the privacy and security of personnel records across the Corporation and ensure a fulsome recruitment process is available for the CEO and CIO positions.

Staff continues to pursue sponsorship and introduction of legislation to amend AS 37.13.100 Corporation Staff to:

- Protect from public records disclosure the identity of all candidates who would like to be considered for the positions of Executive Director and Chief Investment Officer;
- Provide the Board with the authority to interview the finalists for the positions of Executive Director and Chief Investment Officer in an executive session; and
- Provide for the confidentiality of personnel records of all APFC staff.

Education

Presentations have focused on the Board's strategic plan initiatives, the performance of the Fund, target return objectives, and bringing awareness to the limitations of the two-account structure when income flowing into the spendable account is not keeping pace with distributions from it. Forthcoming are presentations on the capital markets forecast, statutory net income, and later into the session, an update on Principal and Earnings Reserve Account values, inflation proofing estimates, and a walk-through of end-of-fiscal-year projections for Fund values.

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Budget Resources and Appropriations – APFC and the Permanent Fund

APFC's increments in the Governor's proposed budget will be reviewed during the House and Senate Finance Budget Subcommittee process (pending scheduling), and recommendations will be forwarded to the full Finance Committees. Should these Committees approve different budget items, a Conference Committee will address any differences in the House and Senate versions of the budget at the end of the session. The appropriations bill passed by the Legislature will go to the Governor for review and signature.

HB 268/ SB 186 FY25 Operating Budget
APFC and Fund: Increments & Decrements

+	funding in the Governor's Proposed Budget	
sA	seeking a Governor's Budget Amendment	
	tbd - H/S: House/Senate Recommendations	
	tbd – CC: Conference Committee Recommendations	
	tbd – E: Enacted through Governor Signature	
	Operating Allocation	
+	Incentive Compensation – All Staff	$ 915,000
+	Merit & Targeted Adjustments (salary & benefits)	$ 920,000
+	Travel: Nationwide/Statewide	$ 100,000
+	Contractual: Facilities, Training, Advisory Support	$ 56,100
+	Equipment: Data Center Relocation	$ 150,000
+	Commodities: Furniture, Supplies	$ 50,000
sA	Strategic Plan: Financial Communications Support	$ 150,000
sA	Strategic Plan: Private Equity Position Build In House	$ 382,000
+	OMB: Rate Adjustment – correct funding source	$ 43,800
+	OMB: Rate Adjustment – OIT core rate	$ (23,600)
	Investment Management Fees Allocation – Fund Source: PF	
+	Investment Management Fees	$ 2,600,000
+	Custody Fees	$ 200,000
	Appropriations <u>To</u> the Permanent Fund	
+	Constitutional Royalties to Principal, *estimated*	*$ 407,300,000*
+	Statutory Royalties to Principal, *estimated*	*$ 82,000,000*
+	FY25 Inflation Proofing to Principal, *estimated*	*$1,468,000,000*
	Appropriations <u>From</u> the Permanent Fund	
+	FY25 POMV 5% Draw from the ERA	$ 3,657,263,378
+	AmeradaHess Earnings to Capital Income Fund, est	*$ 28,222,531*

A note on Inflation Proofing

The commitment to the intergenerational benefit of the Fund and the importance of inflation proofing under the current two-account structure was recognized by the Senate Finance Co-Chair during our presentation. It has also been acknowledged that they will likely 'need to sharpen their pencils' towards the end of the fiscal year.

In recognition of the tensions under the two-account structure with draws going to both support the intergenerational mandate (inflation proofing) and current revenue needs (POMV), the Trustees have set forth the need for make-up appropriations should there be an inability to inflation-proof in times of diminished ERA values – Board Resolution 20-01.

Monitor and Respond to Legislation

An important aspect of our Legislative program includes monitoring and responding to proposed legislation. As the Fund has grown in significance, both in investment sophistication and annual revenue for the state, there is heightened interest in the structure and use of the Fund and the investment management responsibility of the Corporation.

Bills on the Move -

HB 222 Permanent Fund Appropriations/Investments
In H Resources 1st Committee of Referral – Hearings to date on Feb 2 & 9

- Directs the investment of fund assets toward achieving a 25 percent ownership share of a natural gas pipeline originating on the North Slope.
- In doing so, the Prudent Investor Rule and diversification requirements of AS 37.13.120 are carved out and would not apply to this investment mandate.
- APFC staff is currently reviewing the bill; to better understand the possible implications of this legislation, additional details are needed regarding the scope, amount, and duration of the investment mandate.

HJR 7 – Constitutional Amendment – Permanent Fund Dividend
In H Rules thru HWM & HJUD – pending H Floor scheduling

- Constitutionalizes the dedication of funds for the payment of a Permanent Fund Dividend.
- Constitutionalizes the Earnings Reserve Account.
- Requires the state to pay the annual Permanent Fund dividend according to a formula in statute rather than pursuant to the annual appropriations process. The statutory formula is to be addressed in accompanying legislation.

Bills in Monitoring-Reviewing-Responding Status –

HB 303 Retirement Plan and Perm Fund Investment Policy
In H Finance 1st Committee of Referral – has not been scheduled at this time

- Proposed as the Investment Protection Act, there are provisions that apply to ARMB and APFC.
- Requires the Board to act only on pecuniary factors when engaging with an investment advisor and voting shares or proxies.
- Requires Board meetings to be broadcast live and make the recording publicly available.
- Modifies the current prudent investor rule to adopt language very similar to the Employment Retirement Income Security Act (ERISA) prudent investor standard. Also modifies the current diversification requirements to align to ERISA standards more closely.
- Adds a new section to the investment responsibilities AS 37.13.120 to require all proxy shares are voted based upon pecuniary interest and states that the Board may not rely on nor promote the benefit of nonpecuniary factors for investments.
- Amends the APFC publications statute AS 37.13.170 to require the Board to submit an annual report describing all investment relationships, including limited partner commitments, costs, annualized rate of return, and detailed information related to investment managers and consulting firms.
- APFC staff are reviewing the bill provisions and assessing the potential impacts on our investment management partnerships and, in turn, the Fund.

Bills in Monitoring-Reviewing-Responding Status, continued –

SB 107 Permanent Fund Dividend POMV Split
Passed the Senate 12Y 7N 1E – passed H W&M, now in HFIN – no hearings to date in 2024

- This bill maintains the 5% POMV annual draw from the ERA to the General Fund and provides that the Legislature may appropriate 25% from the General Fund to the Dividend Fund.
- Provides a conditional effect to a 50/50 split should new revenue measures generate an additional amount of at least $1.3 billion annually and the CBR exceeds an inflation-adjusted $3.5 billion.
- Effective Date: July 1, 2024

HB 110 Transfer PFD Division to APFC
Remains in H Ways & Means – 1st Committee of Referral – no hearings to date in 2024

- Adopted CS keeps administration, eligibility, and management functions within the PFD Division/DOR and transfers the payment portion to APFC – the remittance of funds/checks to all eligible Alaskans.

Bills in Monitoring Status –

- 1 Constitutional Amendment that brings forth a classic single fund endowment with a 5% POMV. HJR 9
- 1Constitutional Amendments that include a 5% POMV and guaranteed dividends. SJR 1
- 2 Constitutional Amendments guaranteed dividends w/Fund income. HJR 8, SJR 9
- 3 Constitutional Amendments calling for appropriations limits SJR 3, SJR 4, HJR 2
- 2 bills that maintain the statutory 5% annual POMV draw and provide for a further statutory distribution split to the general fund and dividend fund. HB 72, HB 90
- 1 bill that allows individuals to direct a portion of their dividend to the state general fund or the Principal of the Permanent Fund. HB 45
- 1 bill that changes the statutory POMV formula - an annual distribution from the Permanent Fund of 5% of the lagging five-year average market value to a static 5% distribution factor with a formula that calculates the distribution factor based on the lagging 20-year average real rate of return. HB 160
- 1 bill that adds a subsection to AS 37.13.120 to prohibit investment from furthering social, political, or ideological interests with the sponsor's intent to ensure investment decisions are focused on maximizing returns. HB 174
- 1 bill that repeals the Percent of Market Value distribution. HB 208
- 1 bill that eliminates the income distribution calculation in AS 37.13.140(a). HB 266

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SUBJECT: APFC IT UPDATE ACTION: ____________

DATE: Feb 2, 2024 INFORMATION: ______X_____

<u>APFC IT Update</u>

- APFC is in the process of finalizing vendor selection for a foundational cloud-based data storage system.

- APFC IT is in the process of finalizing contractual negotiations for an Anchorage based Data Center space acting as both an Active and DR Data center.

- Teams Voice Calling has been rolled out and the APFC IT team is actively working to convert the WebEx conference boards and technologies to native MS Teams based systems.

- The APFC Data Center fire suppression system update and building code improvement project is being developed and negotiated.

- The JNU Data Center Power upgrades are nearly completed (new backup Battery Systems).

- The final push to move APFC to the M365 cloud including Data Protection and Ransomware mitigation capabilities is moving forward. These are prerequisites to Microsoft Co-Pilot.

- APFC IT is fully staffed.

- There have been no security events up to date of any material consequence.

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SUBJECT: FY24 Year-to-Date Financial Update ACTION: ____________

DATE: February 15, 2024 INFORMATION: X

KEY TAKEAWAYS:

- Total return for the second quarter of FY24 of 4.08%. Total fund underperformed the performance benchmark by 123 basis points and the passive benchmark by 634 basis points.
- Accounting net income year-to-date of $2,628.5 million, a gain of $3.4 billion for the second quarter
- Realized (statutory) net income year-to-date of $1.7 billion, slightly lower than Callan's mid-point projection of $3.8 billion for the year
- Total net asset value as of December 31st of $77.4 billion, an increase of $2.9 billion from the same time last year
- One transfer of $300 million to the General Fund during the quarter, leaving $1.6 billion to be transferred throughout the second half of the fiscal year
- $267 million of mineral deposits transferred in during the fiscal year to date, slightly ahead of the Fall Revenue Forecast
- Committed Earnings Reserve balance of $5.1 billion, including $3.7 billion for FY25 General Fund transfers and $1.4 billion for FY24 inflation-proofing
- $1.9 billion in uncommitted realized earnings at the end of December
- Inflation rate for FY24 is final at 4.1%, which results in an estimated statutory inflation proofing calculation of $2.3 billion

Financial results for the second quarter of FY24 reflected significant recovery in the public equity market, posting a total of $3.4 billion in unrealized gains during November and December. Overall, the portfolio gained $3.4 billion in value between the end of September and the end of December with gains and losses offsetting in other asset classes. Fixed income gained $900 million during this time and private equity lost $347 million.

Net assets decreased by $631 million year-to-date through December. This is a result of net income of $2.6 billion and $267 million received in mineral royalty deposits offset by the FY24 POMV transfer to the General Fund in the amount of $3.5 billion. Corporate operating expenses and other appropriations for the quarter totaled $27 million.

There was one transfer to the General Fund during the second quarter of FY24 in the amount of $300 million. The remaining $1.6 billion is scheduled to transfer throughout the remainder of the fiscal year. Staff is in communication with the cash managers at the Department of Revenue to ensure that amounts designated for the General Fund remain invested in the Fund as long as possible, while being available to meet the liquidity needs of the State.

APFC ALASKA PERMANENT FUND CORPORATION

Financial Report
December 31, 2023

Fiscal Year 2024 Net Assets

Balances through December 31, 2023 *(in millions)*

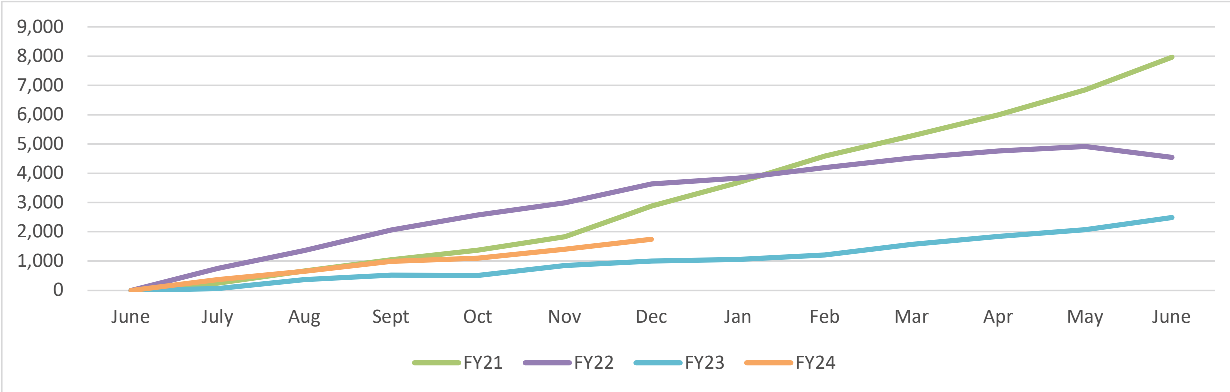
Total assets	$	79,919.4
Less liabilities		(2,538.4)
Net assets	$	77,381.0
Fund Balances:		
Non-spendable		
Permanent Fund corpus—contributions and appropriations	$	56,687.0
Not in spendable form—unrealized appreciation on invested assets		12,193.9
Total non-spendable fund balance		68,880.9
Committed		
General Fund Commitment		3,657.3
Current FY inflation proofing		1,413.0
Current FY AK Capital Income Fund		9.9
Committed fund balance		5,080.2
Assigned for future appropriations		
Realized earnings		1,915.1
Unrealized appreciation on invested assets		1,504.8
Total assigned fund balance		3,419.9
Total fund balances	$	77,381.0

Fiscal Year 2024 Income

For the six months ending December 31, 2023 *(in millions)*

Statutory (Realized) Net Income		
Interest, dividends, real estate, and other income	$	816.7
Realized gains on the sale of invested assets		1,005.0
Less operating expenses/legislative appropriations		(66.7)
Less Alaska Capital Income Fund committed realized earnings		(9.9)
Statutory net income		1,745.1
GAAP (Accounting) Net Income		
Statutory net income	$	1,745.1
Unrealized gain on invested assets		873.5
Alaska Capital Income Fund committed realized earnings		9.9
Accounting net income	$	2,628.5

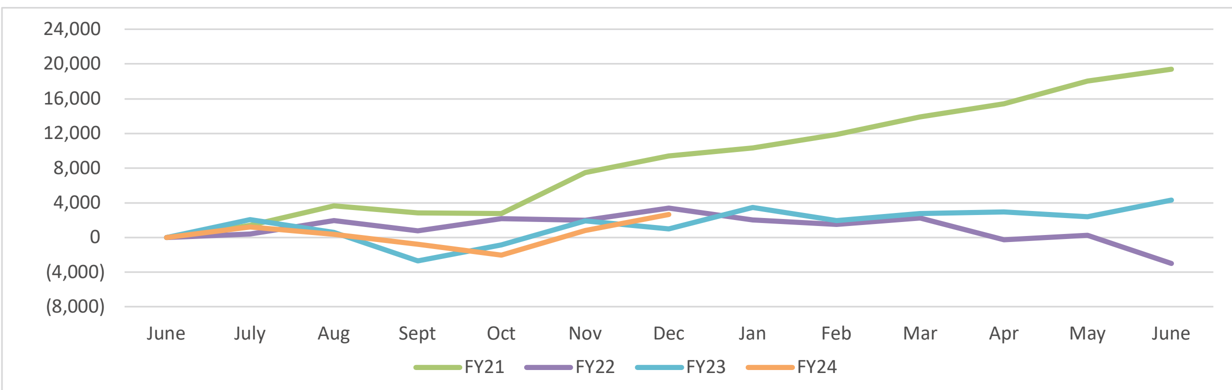
Statutory Net Income, Fiscal Years 2021 - 2024



• Comprised of receipts from interest on fixed income, real estate rentals, stock dividends, and all realized gains and losses on the sales of invested assets, less AK Capital Income Fund committed amounts and operating expenses.

• FY21 statutory net income was $7,962.4 million.
• FY22 statutory net income was $4,543.6 million.
• FY23 statutory net income was $2,491.1 million.
• FY24 statutory net income is $1,745.1 million to date.

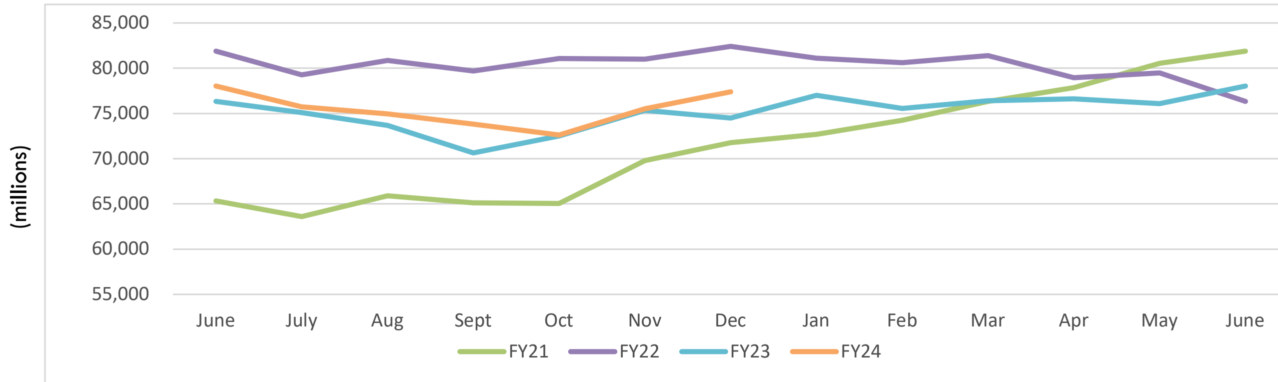
GAAP Accounting Net Income, Fiscal Years 2021 - 2024



• Accounting net income is the same as statutory net income, except it includes unrealized gains and losses.

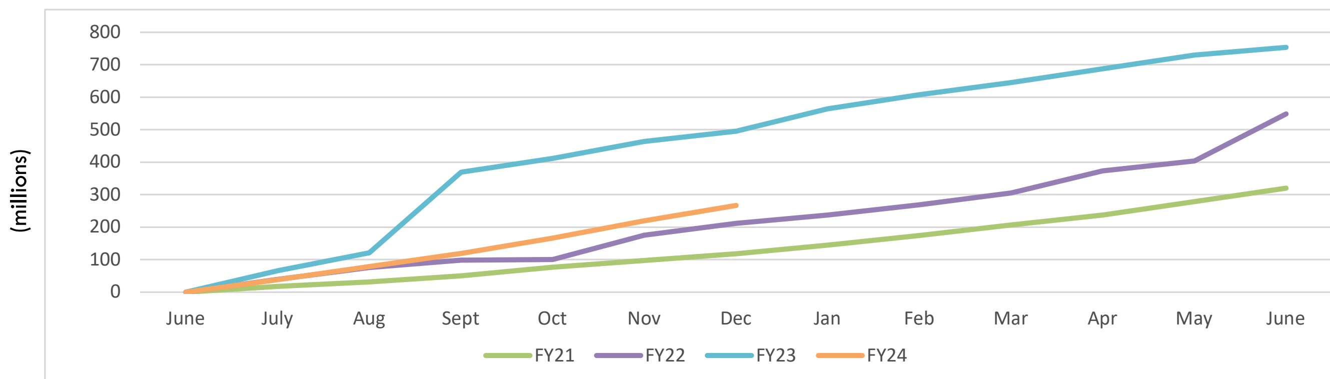
• Accounting net income for FY21 was $19,416.6 million.
• Accounting net loss for FY22 was $3,015.2 million.
• Accounting net income for FY23 was $4,295.9 million.
• Accounting net gain for FY24 is $2,628.5 million to date.

Market Value of Fund Net Assets, Fiscal Years 2021 - 2024



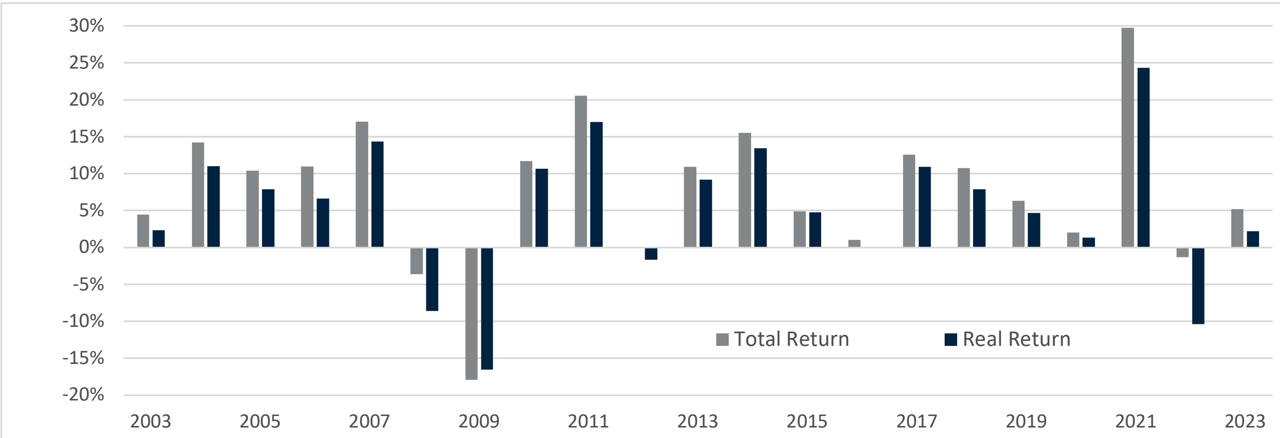
- FY21 net assets as of June 2021 were $81.9 billion, a decrease of $16.6 billion over the FY20 ending balance.
- FY22 net assets as of June 2022 were $76.3 billion, an increase of $5.6 billion over the FY21 ending balance.
- FY23 net assets as of June 2023 were $78 billion, a decrease of $1.7 billion from the FY22 ending balance.
- FY24 net assets as of December 2023 were $77.4 billion, a decrease of $.6 billion from the FY23 ending balance.

Dedicated Mineral Revenues, Fiscal Years 2021 - 2024



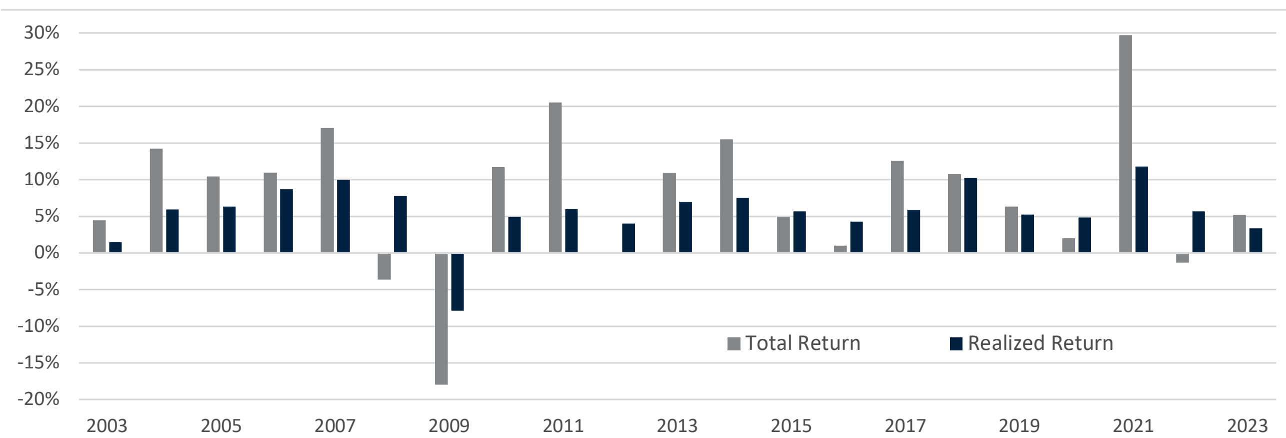
- FY21 mineral revenue was $319.6 million.
- FY22 mineral revenue was $548.9 million.
- FY23 mineral revenue was $753.6 million.
- FY24 mineral revenue is $266.7 million to date.

Alaska Permanent Fund Historical Returns, Fiscal Years 2003 - 2023
Total return minus inflation equals real return



- Total return annualized over 39 years is 8.81%
- Real return annualized over 39 years is 6.01%

Alaska Permanent Fund Historical Returns, Fiscal Years 2003 - 2023
Total return minus unrealized gains/losses equals realized return



- Total return annualized over 39 years is 8.81%
- Realized return annualized over 39 years is 7.39%

ALASKA PERMANENT FUND CORPORATION

Board of Trustees - APFC Transfers - October 1, 2023 through December 31, 2023

Type of Transfer	October	November	December	Total
Public Equities	(783,680)	(600,742,278)	(759,870)	(602,285,828)
Fixed Income	(6,846,974)	(7,080,731)	26,051	(13,901,654)
Private Equity & Special Opportunities	18,428,398	(100,136,840)	(80,447,482)	(162,155,924)
Real Estate	697,787	56,014,630	75,788,854	132,501,271
Private Income	(2,274,104)	(72,287,343)	47,018,098	(27,543,349)
Absolute Return	(3,245,812)	-	27,186,050.00	23,940,238
Tactical Opportunities	72,931,559	-	98,392,043	171,323,601
Total Fund Cash	(61,796,469)	465,866,466	(119,280,083)	284,789,914
Net Transfers	**17,110,704**	**(258,366,096)**	**47,923,661**	**(193,331,731)**

APFC ALASKA PERMANENT FUND CORPORATION

Board of Trustees - APFC Transfers - October 2023

Description	Total Fund Cash	Public Equities	Fixed Income	Pvt. Equity & Spec. Opps.	Real Estate	Private Income	Absolute Return	Tactical Opportunities	Net
State of Alaska & Administrative									
Mineral revenue	41,076,091								**41,076,091**
AIM STIF interest	1,754,241								**1,754,241**
Commission recapture proceeds	8,038								**8,038**
Securities Lending income	6,757								**6,757**
Class action proceeds	20,222								**20,222**
PCE Draw	(12,000,000)								**(12,000,000)**
Corporate expenses	(13,754,644)								**(13,754,644)**
Public Equities									
APF Public Equities Holding	372	(372)							**-**
Public EQ Sec Lending	783,309	(783,309)							**-**
Fixed Income									
APF Fixed Income Plus Holding	9,769		(9,769)						**-**
Cap Guardian High Yield FI	20,297		(20,297)						**-**
Oaktree High Yield FI	433,018		(433,018)						**-**
APF US AGG	(100,000,000)		100,000,000						**-**
APF Dom Struc Prod	(37,000,000)		37,000,000						**-**
APF FI Overlay	(272,084)		272,084						**-**
APF TBA Collateral	6,363,403		(6,363,403)						**-**
Ninety One EMD BL	20,326		(20,326)						**-**
PGIM EMD BL	162		(162)						**-**
APF FI Cash	137,272,084		(137,272,084)						**-**
Private Equity & Special Opportunities									
Private Equity distributions	69,154,174			(69,154,174)					**-**
Private Equity capital calls	(61,400,880)			61,400,880					**-**
Special Opportunities distributions	6,122,750			(6,122,750)					**-**
Special Opportunities capital calls	(32,304,442)			32,304,442					**-**
Real Estate									
Direct Real Estate distributions	5,392,666				(5,392,666)				**-**
Direct Real Estate capital calls	(7,037,293)				7,037,293				**-**
Real Estate Funds distributions	946,839				(946,839)				**-**
Private Income									
Infrastructure distributions	27,994,843					(27,994,843)			**-**
Infrastructure capital calls	(13,686,858)					13,686,858			**-**
Private Credit distributions	14,132,975					(14,132,975)			**-**
Private Credit capital calls	(27,277,790)					27,277,790			**-**
Private Income distributions	1,360,935					(1,360,935)			**-**
Private Income capital calls	(250,000)					250,000			**-**
Absolute Return									
Absolute Return distributions	3,245,812						(3,245,812)		**-**
Tactical Opportunities									
APF Tactical Opps Public	(72,931,559)							72,931,559	**-**
Net Transfers	**(61,796,469)**	**(783,680)**	**(6,846,974)**	**18,428,398**	**697,787**	**(2,274,104)**	**(3,245,812)**	**72,931,559**	**17,110,704**

APFC ALASKA PERMANENT FUND CORPORATION

Board of Trustees - APFC Transfers - November 2023

Description	Total Fund Cash	Public Equities	Fixed Income	Pvt. Equity & Spec. Opps.	Real Estate	Private Income	Net
State of Alaska & Administrative							
Mineral revenue	47,347,134						**47,347,134**
AIM STIF interest	1,638,239						**1,638,239**
Commission recapture proceeds	23,988						**23,988**
Securities Lending income	7,498						**7,498**
Class action proceeds	296						**296**
General Fund Transfer	(300,000,000)						**(300,000,000)**
Corporate expenses	(7,383,252)						**(7,383,252)**
Public Equities							
DSM Growth LG Cap	35,000,000	(35,000,000)					-
CastleArk Growth LG Cap	35,000,000	(35,000,000)					-
Voya LG Cap	35,000,000	(35,000,000)					-
SSGA LG Cap	35,000,000	(35,000,000)					-
APF Domestic EQ	1,796,367	(1,796,367)					-
AQR Capital Management Global	60,000,000	(60,000,000)					-
State Street LG Cap	50,000,000	(50,000,000)					-
Lazard Global EQ	75,000,000	(75,000,000)					-
Longview Global EQ	50,000,000	(50,000,000)					-
Arrowstreet Global EQ	50,000,000	(50,000,000)					-
APF Tactical Tilts	(4,006,686)	4,006,686					-
APF Tactical Tilts Cash	2,210,319	(2,210,319)					-
William Blair EM	25,000,000	(25,000,000)					-
DFA Int'l LG Cap	25,000,000	(25,000,000)					-
LSV Int'l EQ	25,000,000	(25,000,000)					-
JP Morgan Int'l EQ	25,000,000	(25,000,000)					-
DFA Value EM	25,000,000	(25,000,000)					-
DFA Int'l SM Cap Value	25,000,000	(25,000,000)					-
SSGA World SM Cap Index	25,000,000	(25,000,000)					-
Public EQ Sec Lending	742,278	(742,278)					-
Fixed Income							
APF Fixed Income Plus Holding	3,411		(3,411)				-
Oaktree High Yield FI	555		(555)				-
APF FI Overlay	551,910		(551,910)				-
APF TBA Collateral	7,076,765		(7,076,765)				-
APF FI Cash	(551,910)		551,910				-
Private Equity & Special Opportunities							
Private Equity distributions	94,705,676			(94,705,676)			-
Private Equity capital calls	(44,682,783)			44,682,783			-
Special Opportunities distributions	52,932,459			(52,932,459)			-
Special Opportunities capital calls	(2,818,512)			2,818,512			-
Real Estate							
Direct Real Estate distributions	6,678,628				(6,678,628)		-
Direct Real Estate capital calls	(68,670,714)				68,670,714		-
Real Estate Funds distributions	5,977,456				(5,977,456)		-
Private Income							
Infrastructure distributions	18,359,167					(18,359,167)	-
Infrastructure capital calls	(17,089,293)					17,089,293	-
Private Credit distributions	65,827,534					(65,827,534)	-
Private Credit capital calls	(25,392,395)					25,392,395	-
Private Income distributions	34,643,472					(34,643,472)	-
Private Income capital calls	(4,061,141)					4,061,141	-
Net Transfers	**465,866,466**	**(600,742,278)**	**(7,080,731)**	**(100,136,840)**	**56,014,630**	**(72,287,343)**	**(258,366,096)**

Board of Trustees - APFC Transfers - December 2023

Description	Total Fund Cash	Public Equities	Fixed Income	Pvt. Equity & Spec. Opps.	Real Estate	Private Income	Absolute Return	Tactical Opportunities	Net
State of Alaska & Administrative									
Mineral revenue	53,278,204								**53,278,204**
AIM STIF interest	3,147,672								**3,147,672**
Commission recapture proceeds	16,244								**16,244**
Securities Lending income	9,755								**9,755**
PCE Contributions	832,380								**832,380**
Corporate expenses	(9,360,595)								**(9,360,595)**
Public Equities									
APF SPDR Yield	53,102	(53,102)							**-**
APF SPDR Momentum	(11,955)	11,955							**-**
APF SPDR Low Vol	(41,147)	41,147							**-**
Public EQ Sec Lending	759,870	(759,870)							**-**
Fixed Income									
APF US AGG	2,287,000		(2,287,000)						**-**
APF FI Overlay	432,548		(432,548)						**-**
APF Global Rates	(2,682,257)		2,682,257						**-**
APF China Bond Market	395,257		(395,257)						**-**
APF TBA Collateral	(26,051)		26,051						**-**
APF FI Cash	(432,548)		432,548						**-**
Private Equity & Special Opportunities									
Private Equity distributions	129,645,018			(129,645,018)					**-**
Private Equity capital calls	(89,788,864)			89,788,864					**-**
Special Opportunities distributions	46,927,739			(46,927,739)					**-**
Special Opportunities capital calls	(6,336,412)			6,336,412					**-**
Real Estate									
Direct Real Estate distributions	11,540,830				(11,540,830)				**-**
Direct Real Estate capital calls	(84,766,468)				84,766,468				**-**
Real Estate Funds distributions	2,311,817				(2,311,817)				**-**
Real Estate Funds capital calls	(4,875,033)				4,875,033				**-**
Private Income									
Infrastructure distributions	26,774,242					(26,774,242)			**-**
Infrastructure capital calls	(23,795,795)					23,795,795			**-**
Private Credit distributions	28,466,410					(28,466,410)			**-**
Private Credit capital calls	(61,906,495)					61,906,495			**-**
Private Income distributions	5,568,458					(5,568,458)			**-**
Private Income capital calls	(22,124,918)					22,124,918			**-**
Absolute Return									
Absolute Return capital calls	(27,186,050)						27,186,050		**-**
Tactical Opportunities									
APF Tactical Opps Public	(98,392,043)							98,392,043	**-**
Net Transfers	**(119,280,083)**	**(759,870)**	**26,051**	**(80,447,482)**	**75,788,854**	**47,018,098**	**27,186,050**	**98,392,043**	**47,923,661**

APFC ALASKA PERMANENT FUND CORPORATION

ALASKA PERMANENT FUND
FUND FINANCIAL HISTORY & PROJECTIONS
as of December 31, 2023

Projections extend ten years, and are based on best available information ($ in millions)

	Nonspendable Fund Balance - Principal							Assigned Fund Balance - Earnings Reserve									TOTAL FUND
									Distributions								
	FY	FY-Begin Contrib. Balance	Dedicated [1] State Revenues	Inflation Proofing & Special Approp.	FY-End Balance Contributions	Unrealized Gain (Loss) FY-End Balance	FY-End Non-spendable Balance	Statutory Net Income	Div/POMV [6] Transfer [8]	Inflation [8] Prfg & Spec Approp.	ACIF [8]	Committed	FY-End Balance Realized	Unrealized Gain (Loss) FY-End Balance	FY-End Assigned Balance	FY	FY-End Balance
	77-14	0	15,289	22,651	37,940	7,062	45,002	46,807	21,630	19,353	513		5,236	975	6,212	77-14	51,214
	15	37,940	600	624	39,164	6,473	45,637	2,907	1,373	624	24		6,147	1,016	7,163	15	52,800
	16	39,164	284	0 [5]	39,448	4,750	44,198	2,198	696 [4]	0 [5]	18		7,649	921	8,571	16	52,769
	17	39,448	365	0 [5]	39,813	7,155	46,969	3,214	0	0 [5]	25		10,863	1,952	12,816	17	59,784
	18	39,813	353	0 [5]	40,166	5,863	46,030	6,324	726	0 [5]	43	2,723	13,738	2,403	18,864	18	64,893
	19	40,166	385	989	41,541	6,278	47,820	3,305	2,723	989	22	5,933	10,121	2,427	18,481	19	66,300
	20	41,541	319	4,758 [7]	46,618	5,789	52,407	3,106	2,933	4,758 [7]	21	3,091	8,378	1,424	12,894	20	65,301
	21	46,618	320	0 [5]	46,938	13,810	60,748	7,962	3,091	0 [5]	50	7,069	9,271	4,807	21,148	21	81,896
	22	46,938	549	4,000 [5][7]	51,487	8,700	60,187	4,544	3,069	4,000 [5][7]	24	3,361	10,454	2,334	16,150	22	76,336
	23	51,487	754	4,179	56,420	11,100	67,520	2,491	3,361	4,179 [9]	14	3,526	5,240	1,725	10,491	23	78,011
Lo	24	56,420	488	1,413	58,322	10,869	69,191	3,170	3,526	1,413	17	3,657	3,340	1,304	8,301	24	77,492
Mid	**24**	**56,420**	**488**	**1,413**	**58,322**	**12,853**	**71,174**	**3,664**	**3,526**	**1,413**	**23**	**3,657**	**3,834**	**1,651**	**9,142**	**24**	**80,316**
Hi	24	56,420	488	1,413	58,322	14,621	72,942	4,311	3,526	1,413	30	3,657	4,481	2,040	10,178	24	83,120
	25	58,322	437	1,469	60,227	13,315	73,543	4,968	3,657	1,469	28	3,797	3,536	1,621	8,955	25	82,497
	26	60,227	428	1,516	62,171	13,800	75,972	5,101	3,797	1,516	28	3,969	3,152	1,581	8,702	26	84,673
	27	62,171	483	1,566	64,221	14,317	78,537	5,235	3,969	1,566	28	3,997	2,823	1,520	8,341	27	86,878
	28	64,221	524	1,619	66,363	14,835	81,198	5,375	3,997	1,619	28	4,103	2,477	1,471	8,050	28	89,248
	29	66,363	524	1,672	68,560	15,368	83,928	5,522	4,103	1,672	28	4,215	2,112	1,418	7,744	29	91,673
	30	68,560	517	1,727	70,804	15,919	86,723	5,671	4,215	1,727	28	4,328	1,727	1,362	7,417	30	94,140
	31	70,804	523	1,783	73,110	16,487	89,597	5,824	4,328	1,783	28	4,445	1,323	1,301	7,068	31	96,666
	32	73,110	566	1,842	75,519	17,074	92,592	5,981	4,445	1,842	28	4,565	897	1,235	6,697	32	99,289
	33	75,519	601	1,903	78,023	17,680	95,702	6,144	4,565	1,903	28	4,689	450	1,164	6,303	33	102,005
	Cumulative Totals Proj. for FY24-FY33		5,092	16,511				53,486	40,603	16,511	277						

Assumptions:		Total Return	- Inflation	= Total Real Return		Statutory Return
Lo	FY24	0.05%	2.50%	-2.45%	Lo	4.05%
Mid	FY24 [2]	7.45%	2.50%	4.95%	Mid	5.35%
Hi	FY24	14.80%	2.50%	12.30%	Hi	7.05%
	FY24-FY33 [3]	7.20%	2.50%	4.70%		6.65%

Notes related to financial history and projections:

[1] Dedicated State Revenues in current and future fiscal years are based on the Fall 2023 Department of Revenue forecast.

[2] Current year returns and inflation are based on 2023 Callan capital market assumptions. Actual results will vary.

[3] Future returns are based on 2023 Callan capital market assumptions and median expected returns (the mid case). Actual results will vary.

[4] The dividend transfer reported for FY16 was paid out in dividends during FY17.

[5] There was no appropriation for inflation proofing in FY16, FY17, FY18, FY21, and FY22.

[6] Per AS 37.13.140, beginning in FY19, transfers are based on a percent of market value (POMV) calculation and are to the General Fund. In previous years, transfers were based on an earnings calculation and were to the Dividend Fund.

[7] In FY20 and FY22, an additional $4 billion was appropriated from the ERA to principal.

[8] All transfers out of the Earnings Reserve are subject to Legislative appropriation.

FY24 POMV Distribution (actual) [8]		
Ending Fund Value (ex Am Hess)		
FY22	$	75,911.5
FY21		81,471.5
FY20		64,876.5
FY19		65,876.0
FY18		64,469.1
Average Value	$	70,520.9
Statutory Distribution	$	3,526.0

FY24 Statutory Dividend Transfer (actual) [8]		
Statutory Net Income		
FY23	$	2,491.0
FY22		4,544.0
FY21		7,962.0
FY20		3,106.0
FY19		3,305.0
Avail for Dist (21%)	$	4,495.7
Statutory Trnsfr Amt	$	2,247.8

FY25 POMV Distribution (actual) [8]		
Ending Fund Value (ex Am Hess)		
FY23	$	77,586.8
FY22		75,911.5
FY21		81,471.5
FY20		64,876.5
FY19		65,876.0
Average Value	$	73,144.5
Statutory Distribution	$	3,657.2

FY25 Statutory Dividend Transfer (projected) [8]		
Statutory Net Income		
FY24	$	3,664.4
FY23		2,491.0
FY22		4,544.0
FY21		7,962.0
FY20		3,106.0
Avail for Dist (21%)	$	4,571.2
Statutory Trnsfr Amt	$	2,285.6

Income Year-to-Date as of December 31, 2023

FY24 YTD Statutory Net Income		
Interest, dividends, real estate & other income	$	816.7
Realized gains (losses) on the sale of assets		1,005.0
Less operating expenses		(66.7)
Less AK Capital Income Fund realized earnings		(9.9)
	$	1,745.1

FY24 YTD Accounting (GAAP) Net Income		
Statutory net income (loss)	$	1,745.1
Unrealized gains (losses) on invested assets		873.5
AK Capital Income Fund realized earnings		9.9
Accounting (GAAP) net income (loss)	$	2,628.5

ALASKA PERMANENT FUND CORPORATION

FYTD 2024 Fees & Expenses by Funding Source*

Report Date	**December 31, 2023**
Total Fund Balance	**79,065,475,000**
FYTD Change in Total Fund Balance (Net of Transfers)	**1,040,195,000**

Investment Management Fees

	Paid from Investments	Paid from Investment Management Allocation	Paid from Operations Allocation	Total
Public Equity	964,000	27,480,000	1,277,000	29,721,000
Fixed Income	0	1,612,000	3,759,000	5,371,000
Absolute Return	48,679,000	281,000	469,000	49,429,000
Total Fund Cash	0	47,000	353,000	400,000
Private Equity & Special Opps	77,555,000	14,042,000	2,415,000	94,012,000
Infrastructure & Private Income	44,548,000	1,212,000	1,141,000	46,901,000
Real Estate	21,955,000	2,034,000	1,999,000	25,988,000
Total Investment Management Fees	**193,701,000**	**46,708,000**	**11,413,000**	**251,822,000**
Basis Points	**24**	**6**	**1**	**31**

Profit Sharing/Performance

	Paid from Investments	Paid from Investment Management Allocation	Paid from Operations Allocation	Total
Absolute Return	17,103,000	0	0	17,103,000
Private Equity & Special Opps	69,554,000	0	0	69,554,000
Infrastructure & Private Income	15,216,000	0	0	15,216,000
Real Estate	1,610,000	0	0	1,610,000
Total Profit Sharing/Performance	**103,483,000**	**0**	**0**	**103,483,000**

* All amounts presented, including fund balances and change net of transfers, are in USD and consist of APF, AMHT, and PCE combined.

ALASKA PERMANENT FUND CORPORATION

Budget-to-Actuals and Projected Expenditures: July 1, 2023 through December 31, 2023

Corporate Operations		Authorized Budget		Actuals and Projected Expenditures		Projected Remaining Budget	% Expended
Personal Services	$	20,547,397	$	9,277,776	$	11,269,621	45%
Staff		17,716,097		7,268,956		10,447,141	41%
Incentive Compensation		2,800,000		2,004,070		795,930	72%
Board: Honoraria		31,300		4,749		26,551	15%
Travel	$	800,000	$	330,969	$	469,031	41%
Staff		602,000		251,940		350,060	42%
Trustees		18,000		7,996		10,004	44%
Moving and Non-Employee		180,000		71,034		108,966	39%
Contractual Services	$	3,700,830	$	1,474,257	$	2,226,573	40%
Audit, Legal, Consulting		713,200		92,241		620,959	13%
Public Communications		395,300		139,099		256,201	35%
Board Support and Meetings		111,400		56,099		55,301	50%
Information Technology		1,490,000		550,521		939,479	37%
HR and Recruitment		65,100		31,031		34,069	48%
Training and Education		159,680		6,792		152,889	4%
Office Support		766,150		598,475		167,675	78%
Commodities	$	435,570	$	313,370	$	122,200	72%
Equipment	$	450,000	$	305,891	$	144,109	68%
Corporate Operations Total	**$**	**25,933,797**	**$**	**11,702,263**	**$**	**14,231,534**	**45%**

Investment Management							
Investment Systems	$	11,649,200	$	6,333,074	$	5,316,126	54%
Investment Due Diligence	$	5,763,400	$	2,064,415	$	3,698,985	36%
Custody Fees	$	2,300,000	$	538,052	$	1,761,948	23%
Investment Manager Fees	$	175,651,000	$	42,763,623	$	132,887,377	24%
Public Equities		139,157,000		27,073,955		112,083,045	19%
Real Estate		3,594,000		1,304,854		2,289,146	36%
Alternative Markets		32,900,000		14,384,814		18,515,186	44%
Investment Management Total	**$**	**195,363,600**	**$**	**51,699,164**	**$**	**143,664,436**	**26%**

Legislative Appropriation	**$**	**9,834,500**	**$**	**9,834,500**	**$**	**-**	**100%**
Total Appropriation	**$**	**231,131,897**	**$**	**73,235,926**	**$**	**157,895,971**	**32%**

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SUBJECT:	Chief Investment Officer's Report	ACTION:	______
DATE:	February 15, 2024	INFORMATION:	X

BACKGROUND:

The Chief Investment Officer's report provides an overview of Fund positioning, performance, investment actions taken during the quarter, and other current topics in the Investment Department.

STATUS:

Marcus Frampton, CIO, will present Fund positioning, asset class performance, and investment actions taken during the quarter from October 1 to December 31, 2023.

APFC ALASKA PERMANENT FUND CORPORATION

CIO Report

Marcus Frampton, Chief Investment Officer

February 15, 2023

Investment Department Current Topics

- Performance and positioning
- Reflections on 5 years as CIO and future goals
- Statutory net income updated metrics
- Investment actions taken in FY '24 Q2

Reflections on 5 Years as CIO and Future Goals

Reflections on Past Five Years as CIO

- Fund has grown from \$65.7 b to \$80.6b[(1)]
- Headcount in Investments has grown from 22 to 33 (34 including new Private Equity position)[(2)]
- Developed internal management programs including bringing Fixed Income entirely in-house, further internal Public Equities, and initiating direct management of several Real Estate properties.
- Successfully navigated COVID and entered March 2020 with \$2.4 billion in cash.[(3)]
- Developed detailed ERA model.
- Articulated 5-year asset class plans and APFC investment philosophy.
- Coming into October 2018, APFC had two asset classes that were significantly underperforming (>100 bps less than benchmarks) on a 5-yr basis.
  - Asset Allocation (Risk Parity) was underperforming by 3.30% on a 5-yr basis, equating to over \$108 m of underperformance per year (\$540 m cumulative).
    - CIO solution: Discontinued the program
  - Absolute Return was underperforming by 2.22% on a 5-yr basis, equating to \$68 m (\$340 m cumulative) of underperformance per year.
    - CIO solution: Restructured the program.
    - The Absolute Return portfolio is now outperforming the benchmark by 0.61% on a 5-yr basis, equating to over \$35 m of value added per year (\$175 m cumulative).

As of December 31, 2023, APFC delivered a 5-yr performance of 9.39% versus a benchmark of 8.96%, implying \$347 m of outperformance on an annual basis (\$1,735 m cumulative).

(1) All performance references 5-year time frame between September 30,2018 and December 31, 2023 .
(2) Investment staff headcount includes CIO and four open positions
(3) Source: BONY Daily Detailed Report – February 28, 2020

Organizational and People

Management and Personnel

- Relationship between Executive Director and Chief Investment Officer and related functionality greatly improved.
- Departing Director of Private Equity successfully replaced within 6 months.
- Formalized regular meetings and review of related portfolios with all direct reports.
- Weekly Investment Committee meetings – open door to all of Investment Department.
- Written performance reviews every 6 months.

Engagement with Board of Trustees

- Based on constructive dialogue with Board of Trustees, formalized APFC's Investment Committee and expanded to three voting members.
- Continued support from Board resulted in incentive compensation becoming a reality.
  - Policy amended based on a study of peer plans.
- Along with investment department senior leadership, presented investment philosophy and detailed asset class strategic plans at December Board meeting.
  - Currently part of overall 2024 Strategic Plan pending any input from Trustees or other stakeholders.
- Anchorage Office

Goals and Priorities for Next Five Years

- Work with HR on an enhanced performance management structure and philosophy.

- Study optimal number of direct reports.
  - CIO currently manages 9 direct reports which represent approximately one third of the Investment Department.

- Day to day execution and continued outperformance of benchmark.

- Fulfill Board of Trustees priorities on media.

- Other priorities as identified by Executive Director and Board.

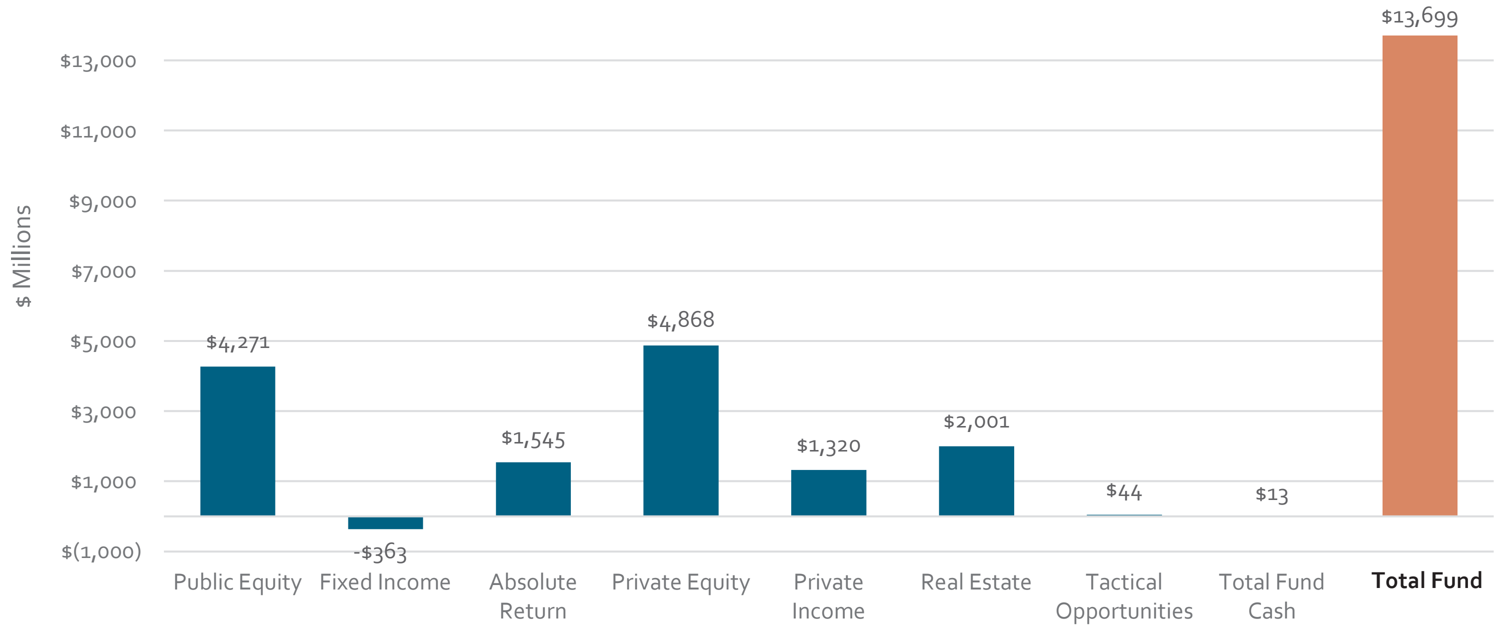
Statutory Net Income
Updated Metrics

Summary

- There are high unrealized balances in the portfolio, but an unusually high percent are in less liquid private markets.
- Private distributions were down 53% year over year at the end of FY 2023, introducing statutory net income uncertainty.
- Baseline statutory net income (SNI) is the only amount one can "take to the bank" on short-term horizon (or long-term, assuming a flat market with limited private exits).
- Callan's forecast of ~$5 billion per year of SNI is predicated on a return to a world where equities return at least 6 – 7% per annum.
- **APFC does not manage towards SNI as a key metric, nor do unrealized gains factor into any investment decisions; therefore, we share these purely as observations.**

Current Unrealized Gains by Asset Class

Cumulative unrealized gains as of December 31, 2023

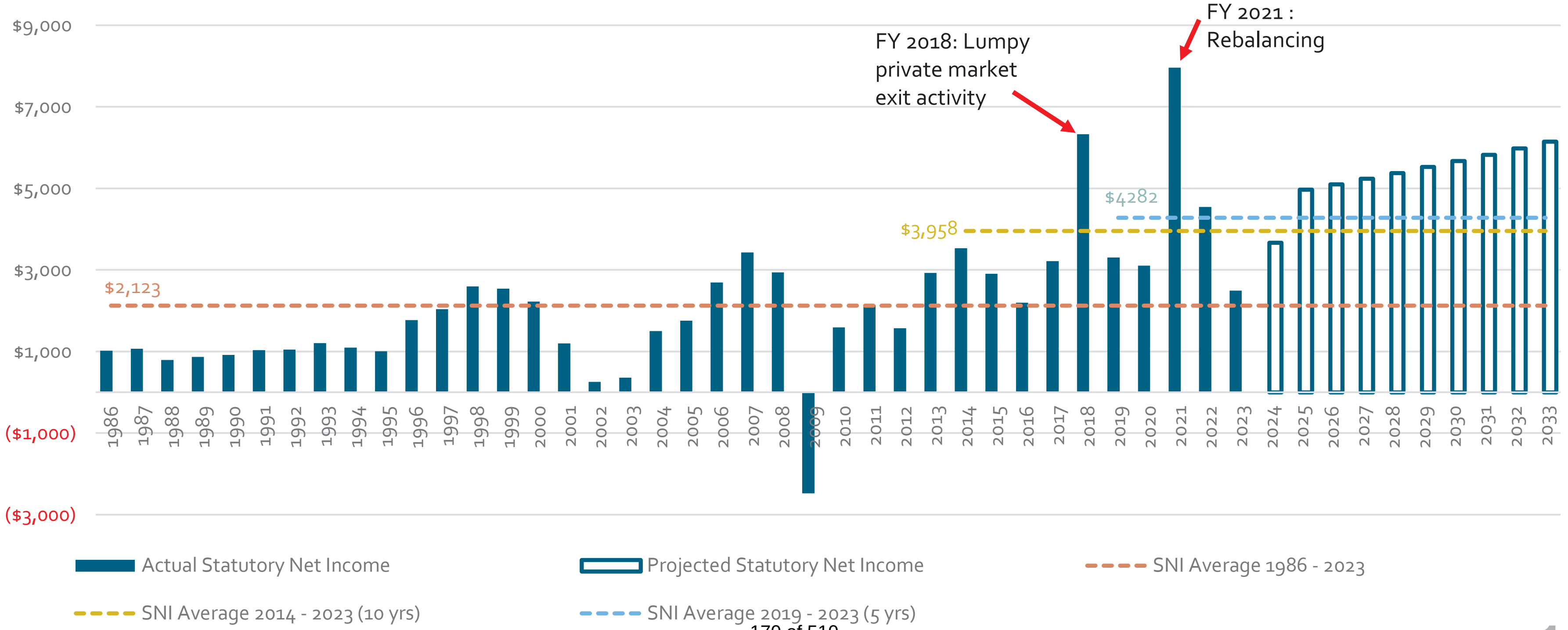


Source: Internal APFC Monthly Asset Allocation Report

Realized Gains: Drivers by Asset Class

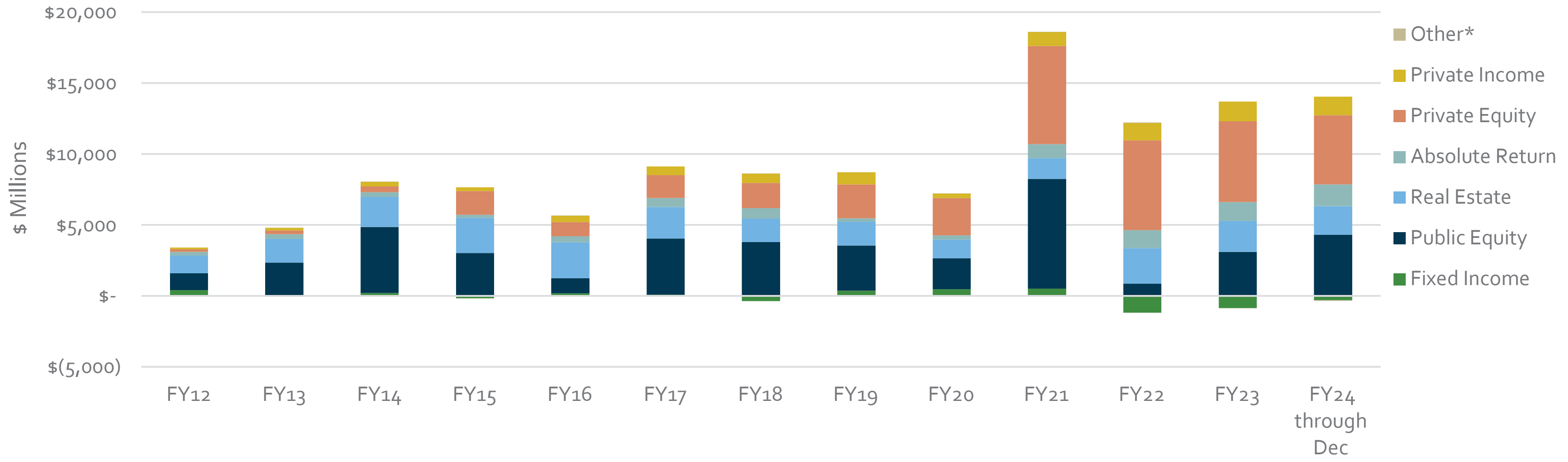
- Public Equity → Trading activities
- Fixed Income → Trading activities
- Real Estate → Property dispositions (irregular)
- Private Equity → Manager exit activity
- Private Income → Manager exit activity
- Absolute Return → Redemptions from managers

Statutory Net Income by Fiscal Year – History and Projections



Source: APFC History and Projections

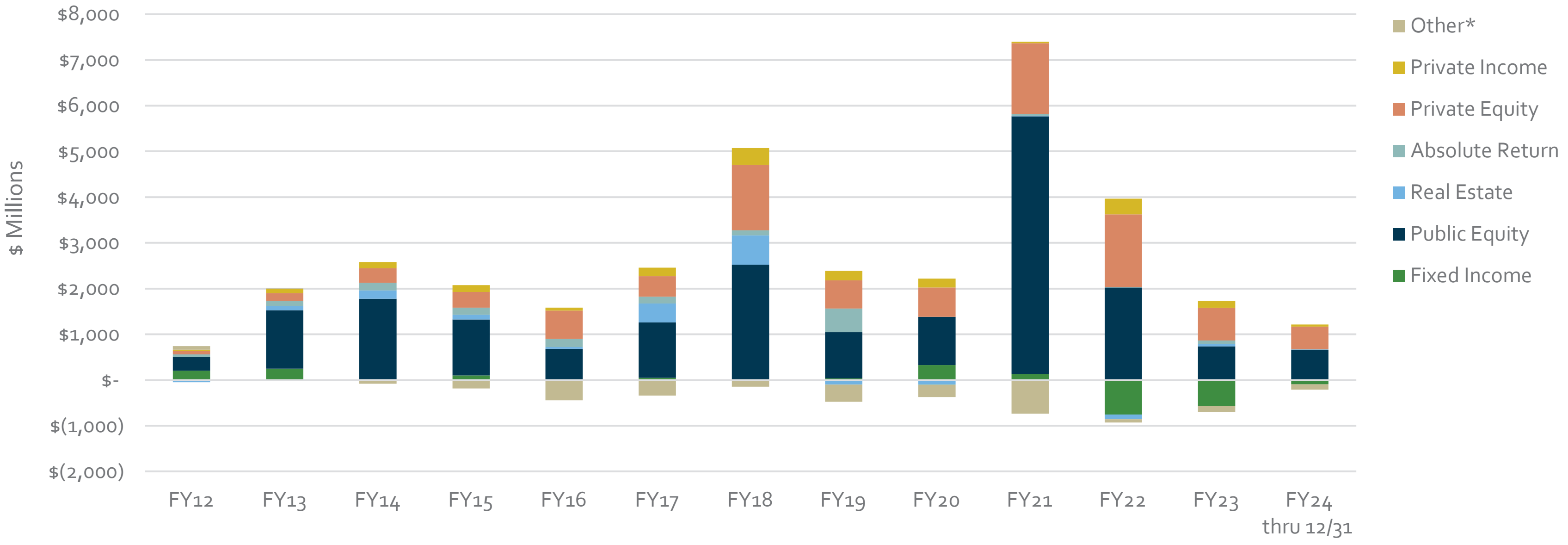
Unrealized Gains by Asset Class (2012 – Present)



	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24 through Dec
Percent from private markets(1)	53.1%	51.7%	39.6%	61.8%	77.8%	55.7%	58.1%	59.4%	63.2%	55.5%	102.6%	82.5%	71.1%
Total $ from public markets(2) (in $ millions)	$1,591	$2,296	$4,856	$2,860	$1,258	$4,036	$3,462	$3,533	$2,654	$8,282	-$288	$2,247	$3,965

* Other includes balances from currency and forwards
(1) Private markets include Private Income, Private Equity, Absolute Return, and Real Estate
(2) Public markets include Public Equity, Fixed Income, and Other

Realized Gains by Asset Class (2012 – Present)

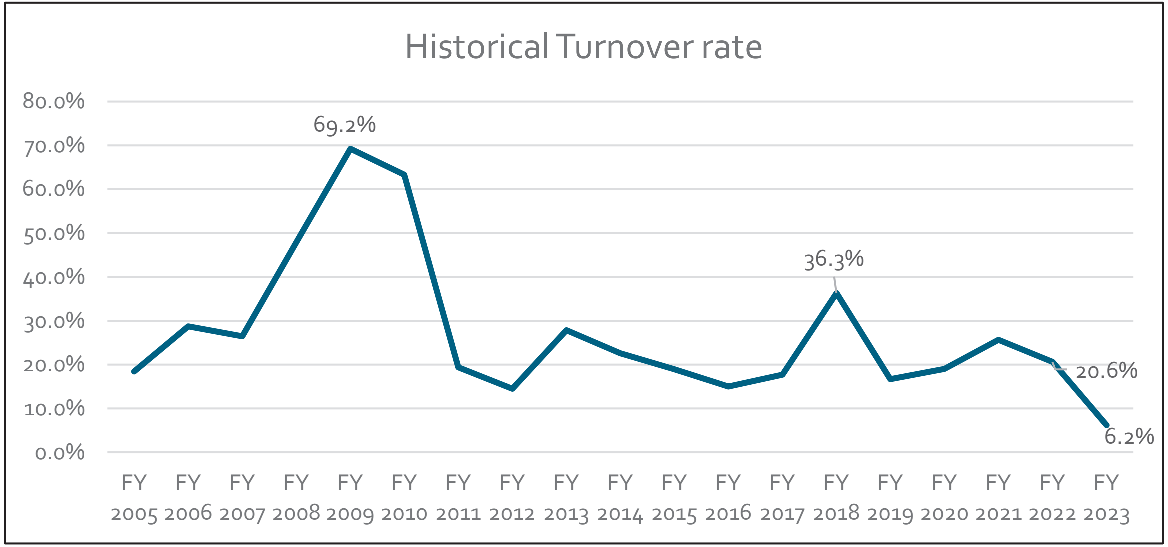


* Other includes balances from currency and forwards

How Available Unrealized Gains Were Realized

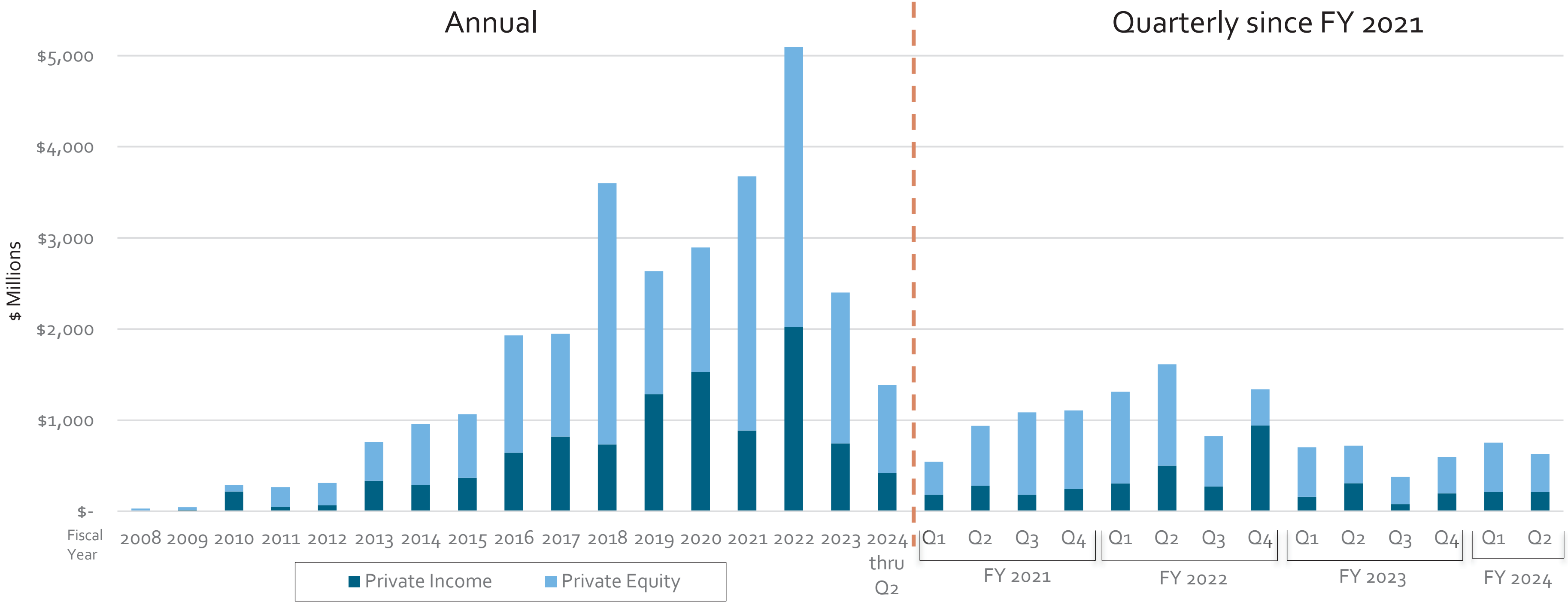
Portfolio Turnover Rate

- Portfolio Turnover Rate = Statutory Net Income from Trading / Unrealized Gains Available for Statutory Net Income



- Historical average when cumulative unrealized gains are **less** than 7% of the Fund is 60% (only occurred in Fiscal Years '08,'09, and '10)
- Historical average when cumulative unrealized gains are **greater** than 7% of the Fund is 21%

Private Markets Realized Gains Have Slowed

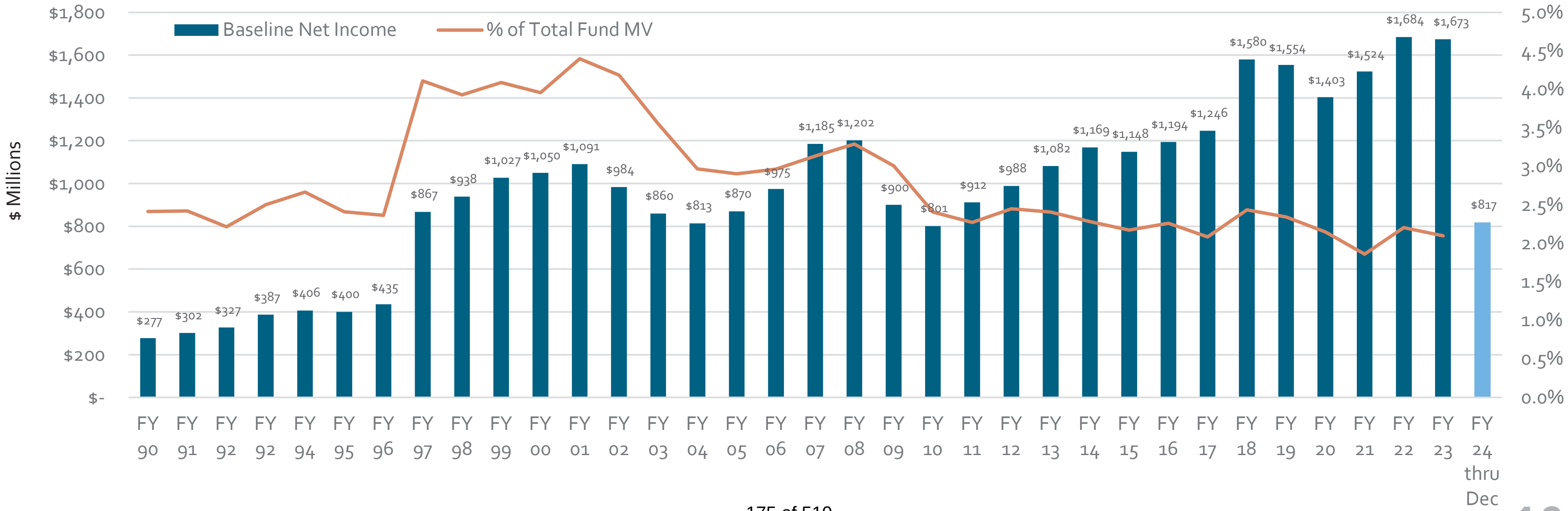


174 of 510

Baseline Statutory Net Income

Total interest, dividends, real estate and other income (not including realized gains)

- 10-year average (FY 2014 – 2023) baseline SNI is $1,418 billion and 2.2% of Fund MV
- 5-year average (FY 2019 – 2023) baseline SNI is $1,568 billion and 2.1% of Fund MV



Conclusions

- Baseline SNI ($816 million for FY 2024 to date through December or $1,632 million annualized) is recurring in nature and reliable.
- The realized gains portion of SNI is less reliable, not entirely under APFC's control, and subject to market vagaries.
- SNI further is exposed to additional declines in equity markets.
- 71% of current unrealized gains sit in illiquid asset classes – these gains are either difficult to harvest or outside our control.

Investment Actions Taken during Q2 FY 2024

Investment Actions
Quarter Ending December 31, 2023

Private Equity

Fund commitments closed in Q2 FY24:
- $65 million to diversified US energy fund and associated co-investment fund
- $15 million to European small-cap buyout fund
- $50 million to mid- to large-cap control buyout fund
- $15 million to small-cap buyout fund
- $50 million to small- to mid-cap value-oriented buyout fund
- $10 million to late-stage VC fund
- $5 million to early-stage VC fund

$210 million

Private Income & Infrastructure

Fund commitments closed in Q2 FY24:
- $100 million to mid-market private credit fund
- $100 million to US focused energy infrastructure fund
- $75 million to communication infrastructure fund
- $75 million to mortgage serving rights income fund

$350 million

Investment Actions (continued)
Quarter December 31, 2023

Public Equity

During the quarter, Staff redeemed **$600 million** from external Public Equities accounts and moved the amount to Total Fund Cash. Details are below:

- **November 6th**

Redemption from	Amount
AQR Global	-$60 million
SSGA Russell Fundamental	-$50 million
Lazard Global	-$75 million
Arrowstreet Global	-$50 million
Longview Global	-$50 million
DSM US Large Cap Growth	-$35 million
CastleArk US Large Cap Growth	-$35 million
Voya US Large Cap Growth	-$35 million
SSGA US Large Cap Growth	-$35 million
DFA International Large Cap Value	-$25 million
LSV International Value	-$25 million
JPMorgan International Growth	-$25 million
DFA International Small Cap Value	-$25 million
SSGA World ex US Small Cap	-$25 million
William Blair EM	-$25 million
DFA EM Value	-$25 million
	-$600 million

Investment Actions (continued)
Quarter December 31, 2023

Real Estate

During the quarter, Staff took the following investment actions in the Real Estate portfolio:

- Approved a $141.5 million equity investment in a JV build-to-core life sciences development in San Francisco, CA
- Approved $75 million equity commitment to JV office building development in Houston, TX
- Paid off $76 million in maturing loans on various properties
- Paid down $59 million on portfolio line of credit to be recycled into construction lending program

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SUBJECT:	Risk Overview	ACTION:	____
DATE:	February 15, 2024	INFORMATION:	___X_

BACKGROUND:

The Risk Report provides an overview of historical and forward-looking measures of risk for the Total Fund and its underlying asset classes.

STATUS:
The risk overview contains the following parts:

- **Part-1 [Information]:** summarizes an analysis done to determine the impact that different risk profiles (asset allocations) have on total value-add for funds like APFC that have formulaic capital outflows (POMV).

  A key inference from the analysis was that targeting a higher expected return by increasing risk via asset allocation may not be optimal – in the back tests, an allocation with a lower expected return (lower risk) added more value in the long term.

  In the context of the upcoming asset allocation discussions in May, it is prudent to consider the analysis and its findings.

- **Part-2 [Information]:** covers the main measures of risk for the Fund. Aggregate fund risk compared to approved risk appetite is a key strategic metric. Others include Value at Risk (VaR) on a standalone and relative-to-benchmark basis, tracking error, statistics that measure realized volatility and Sharpe ratios, asset class and factor contributions to risk and risk scenarios. It also covers Geographic, Currency, and Liquidity risks for the Total Fund.

APFC ALASKA PERMANENT FUND CORPORATION

Risk Overview

February 15, 2024

Part 1:

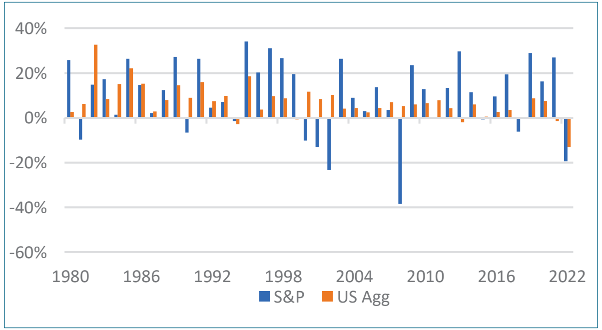
Asset Allocation: impact of capital flows & drawdowns on value-add

Premise: return or volatility…or both?

- Historically, over the long term (say, 50 years), equity returns have been higher than that of bonds. Equities have also been riskier (higher volatility) than bonds. A comment often made is "we don't mind the interim volatility; we just care about the long-term return". The argument being that, if one is agnostic to gyrations in asset values *during* a time-period, all available capital should be invested in equities which has the higher expected return, in this equity and bond example.

- While there are multiple reasons for this argument being invalid in the portfolio optimization context, this analysis focuses on the impact of capital flows.

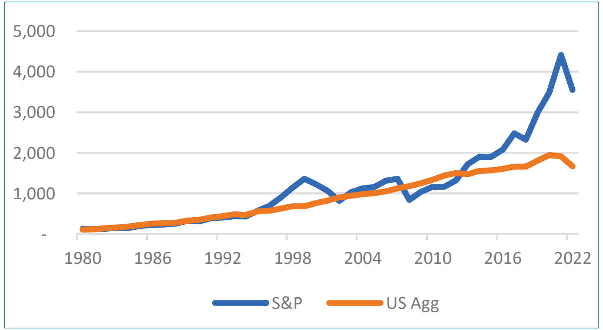
Annual returns:1980-2022
Equities (S&P) and Bonds (US Agg)



Volatility (Standard Deviation)	
Equities (S&P)	16.3%
Bonds (US Agg)	7.4%

Annualized Return	
Equities (S&P)	8.7%
Bonds (US Agg)	6.8%

Cumulative returns:1980-2022
Value of $100 invested in 1980



Introduction: scope of analysis and key inference

- This presentation summarizes an analysis performed to determine the impact of different risk profiles (asset allocations) on total value-add for funds like APFC that have formulaic distributions.

- APFC considers such distributions a key stakeholder requirement and strives to execute with efficiency.

- This analysis is **not** about the relevance of these distributions (POMV), its methodology or its magnitude.

Key inference: targeting a higher expected return by increasing risk via asset allocation may not be optimal – a lower risk allocation may add more value in the long term, despite having a lower expected return.

- In the context of the upcoming asset allocation discussions in May, the analysis and its findings seem relevant.

Analysis: goal, methodology and data used

Goal

To establish the importance of considering value-add, expressed as internal rate of return (IRR), as an additional performance measure given that the typical measure (annualized compounded return) does not consider capital flows.

- *Specifically, to arithmetically demonstrate that value-add may be adversely impacted by return variability, due to the combined effect that market drawdowns and withdrawals (POMV) have on the compounding factor.*

Concept and methodology

- Typically, annualized return is the primary measure of fund performance. The annualized return over a particular time-period (say, 10 years) is computed by annualizing the compounded or chain-linked annual return for each of the 10 years.
- This return measure, however, does not consider the impact of capital flows to/from the fund (and such consideration is not intended or contemplated).
- The concept this analysis aims to illuminate is that the combined impacts of market drawdowns and distributions will dampen compounding effects, thereby adversely affecting value-add. The larger the drawdown, the greater the adverse impact (drawdown timing also has an impact).

Data & Assumptions

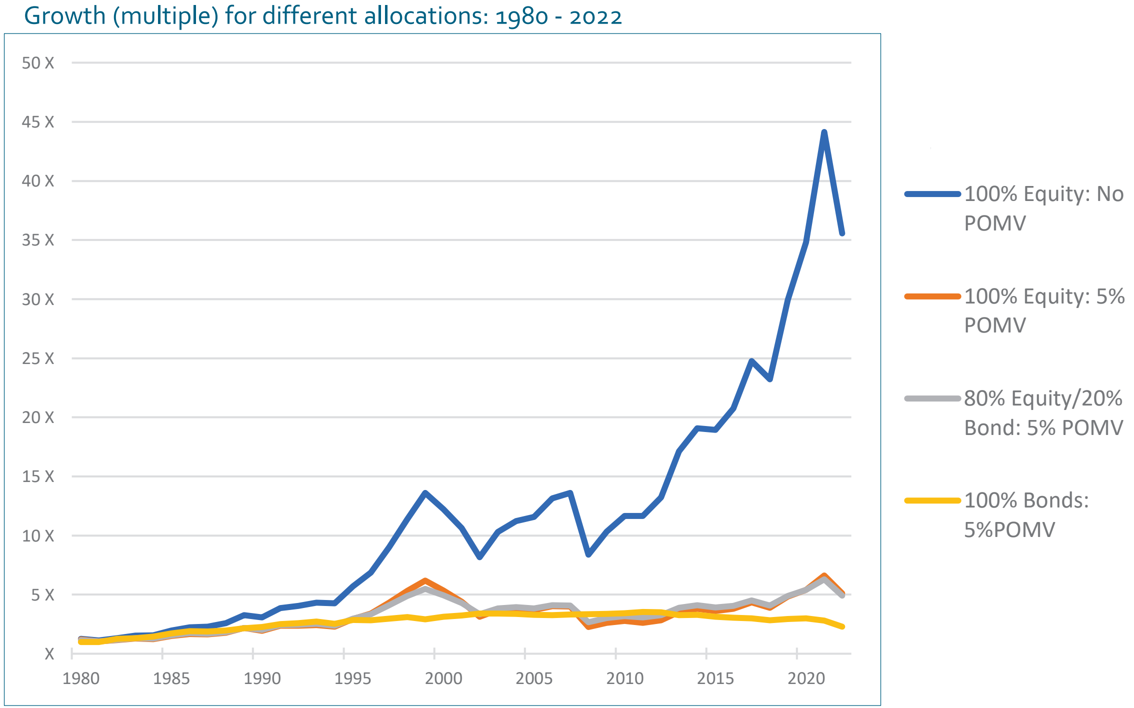
- Mainly used equity (S&P500) and bond (USAgg) index annual return data over a 43-year period from 1980 to 2022.
- Assumed an annual POMV draw of 5%, based on the current formula
- Assumed annual rebalancing

Compounding: is dampened by the combination of drawdowns & capital flows

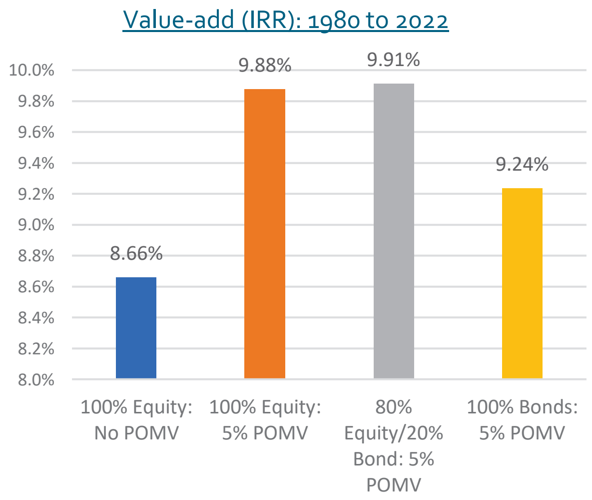
- The graph plots the cumulative returns for:
  - ✓ an all-equity portfolio with no POMV
  - ✓ an all-equity portfolio with 5% POMV
  - ✓ an 80% equity/20% bond portfolio with 5% POMV
  - ✓ an all-bond portfolio with 5% POMV

- The combination of market drawdowns and capital outflows significantly reduces the compounding effect

- In the context of such distributions, volatile return (higher risk) allocations have a detrimental impact on value-add, despite having a higher expected return

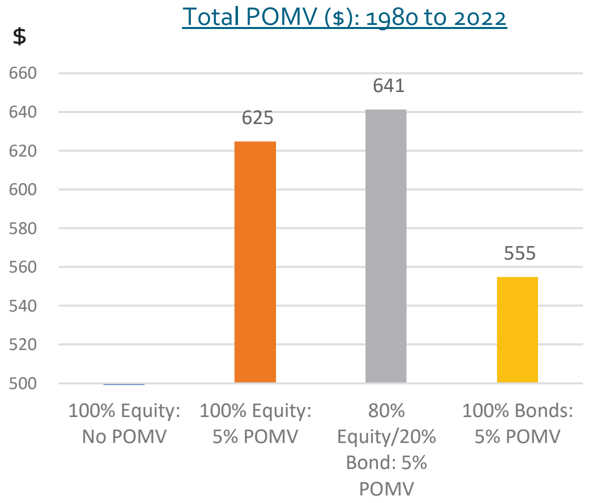


Value-add & POMV: may not be higher for allocations with higher expected return



Return	8.7%	8.7%	8.5%	6.8%
Risk (SD)	16.3%	16.3%	13.4%	7.4%

- The 80/20 bond /equity portfolio outperformed, in terms of IRR, the all-equity portfolio, despite having a lower expected return



- The 80/20 bond /equity portfolio also had the largest total POMV distribution
- Assuming $100 initial/starting capital in 1980

Numerical Exercise: two phases

The numerical analysis included two phases:

i. A conceptual (theoretical) analysis

ii. Back-testing using actual market data

Phase-1: reported returns

- In phase-1, a theoretical exercise, the following two asset allocations are utilized:
  - ✓ (A) Higher Risk and
  - ✓ (B) Lower Risk

  Here volatility is considered the measure of risk. The return profiles and related statistics, over a 5-year period, are provided in Table-1. The yearly return assumptions are arbitrary.

- **Reported Returns**: Typically, the 5-year annualized return reported in the financial statements would be 5.4% for allocation A and 5.0% for allocation B. This is accurate, reflecting compounded yearly returns. Allocation A performed better than B, in this one-dimensional perspective, albeit having a higher volatility (standard deviation of annual returns).

Table-1

	Asset Allocation Returns	
	(A): Higher Risk	**(B): Lower Risk**
Year-1	10.0%	8.0%
Year-2	-20.0%	-1.0%
Year-3	15.0%	7.0%
Year-4	3.0%	6.0%
Year-5	25.0%	5.0%
Cumulative Return	30.3%	27.3%
Annualized Return	5.4%	5.0%
Volatility (SD)	16.9%	3.5%

- The reported returns mentioned above do not consider the impact of capital flows. It is not intended to. Capital flows to/from the fund introduces a new dynamic.

- For the following analysis on the next page, the assumption is that there were net outflows

Phase-1: value-add – proof of concept

Value addition: it is considered prudent to have a separate computation reflecting value addition or IRR as another dimension of performance. IRR considers the starting capital, capital flows and ending NAV.

- To do the arithmetic, it was assumed that a starting capital of $100 was invested, each in allocations A and B, at the start of Year-1. It was also assumed that a 5% withdrawal (capital outflow) was made at the end of each year, the 5% being applied on the starting capital of that year.
- Table-2 provides the computational comparison for allocations A and B.
- While the annualized return for riskier allocation A is higher than that of B, the IRR for B is higher than that of A. The cumulative total capital outflow (POMV) is also higher for B.

Table-2

	Allocation - A					Allocation - B				
	Beg Capital	Yearly Return	NAV	POMV @ 5%	End NAV	Beg Capital	Yearly Return	NAV	POMV @ 5%	End NAV
Year-1	$ 100.00	10.0%	$ 110.00	$ 5.00	$ 105.00	$ 100.00	8.0%	$ 108.00	$ 5.00	$ 103.00
Year-2	$ 105.00	-20.0%	$ 84.00	$ 5.25	$ 78.75	$ 103.00	-1.0%	$ 101.97	$ 5.15	$ 96.82
Year-3	$ 78.75	15.0%	$ 90.56	$ 3.94	$ 86.63	$ 96.82	7.0%	$ 103.60	$ 4.84	$ 98.76
Year-4	$ 86.63	3.0%	$ 89.22	$ 4.33	$ 84.89	$ 98.76	6.0%	$ 104.68	$ 4.94	$ 99.74
Year-5	$ 84.89	25.0%	$ 106.12	$ 4.24	**$ 101.87**	$ 99.74	5.0%	$ 104.73	$ 4.99	**$ 99.74**
Cumulative Return		30.3%					27.3%			
Annualized Return		5.4%					5.0%			
Volatility (SD)		16.9%					3.5%			
Total POMV				**$ 22.76**					**$ 24.92**	
End NAV + Tot POMV				$ 124.63					$ 124.66	
Beginning Capital				$ (100.00)					$ (100.00)	
Year-1 outflow				$ 5.00					$ 5.00	
Year-2 outflow				$ 5.25					$ 5.15	
Year-3 outflow				$ 3.94					$ 4.84	
Year-4 outflow				$ 4.33					$ 4.94	
Year-5 outflow + end NAV				$ 106.12					$ 104.73	
Internal rate of Return (IRR)				**4.92%**					**4.94%**	

Phase-1 (extension) – timing of drawdowns also has an impact

- Another aspect worth highlighting is the impact of drawdown timing.

- To illuminate this aspect, the computations for allocation A were reworked by changing the timing of the largest annual drawdown: specifically, the -20% drawdown was moved from Year-2 to Year-1. The results of this modification are provided in Table-3.

- While the annualized return remains the same, the IRR, total POMV and aggregate capital proceeds (end NAV + total POMV) are all lower compared to allocation A in Table-2. Negative return years are more detrimental when they occur earlier versus later.

- This effect further highlights the combined impact of drawdowns and capital flows on value-add, as well as the potential shortcomings of using annualized return as the sole performance indicator.

Table-3

	Allocation - A					Allocation - A (re-worked)				
	Beg Capital	Yearly Return	NAV	POMV @ 5%	End NAV	Beg Capital	Yearly Return	NAV	POMV @ 5%	End NAV
Year-1	$ 100.00	10.0%	$ 110.00	$ 5.00	$ 105.00	$ 100.00	-20.0%	$ 80.00	$ 5.00	$ 75.00
Year-2	$ 105.00	-20.0%	$ 84.00	$ 5.25	$ 78.75	$ 75.00	10.0%	$ 82.50	$ 3.75	$ 78.75
Year-3	$ 78.75	15.0%	$ 90.56	$ 3.94	$ 86.63	$ 78.75	15.0%	$ 90.56	$ 3.94	$ 86.63
Year-4	$ 86.63	3.0%	$ 89.22	$ 4.33	$ 84.89	$ 86.63	3.0%	$ 89.22	$ 4.33	$ 84.89
Year-5	$ 84.89	25.0%	$ 106.12	$ 4.24	**$ 101.87**	$ 84.89	25.0%	$ 106.12	$ 4.24	**$ 101.87**
Cumulative Return		30.3%					30.3%			
Annualized Return		5.4%					5.4%			
Volatility (SD)		16.9%					16.9%			
Total POMV				**$ 22.76**					**$ 21.26**	
End NAV + Tot POMV				$ 124.63					$ 123.13	
Beginning Capital				$ (100.00)					$ (100.00)	
Year-1 outflow				$ 5.00					$ 5.00	
Year-2 outflow				$ 5.25					$ 3.75	
Year-3 outflow				$ 3.94					$ 3.94	
Year-4 outflow				$ 4.33					$ 4.33	
Year-5 outflow + end NAV				$ 106.12					$ 106.12	
Internal rate of Return (IRR)				**4.92%**					**4.60%**	

Phase-2: back-test based on actual market data

- In the previous analysis-1, returns assumed were somewhat arbitrary (actually, they were chosen to highlight the point). It helped prove arithmetically that volatility, impacts value-add particularly if there are capital flows.

- As a next step, a similar exercise was conducted by back-testing with actual historical return series.

- For the back test, the following three portfolios each with different proportions of two asset classes, equities and bonds, were examined:

  - Portfolio X had a 70/30 equity/bond mix
  - Portfolio Y had an 80/20 equity/bond mix and
  - Portfolio Z was all equity (100/0).

- Annual rebalancing was assumed. Actual historical index returns (S&P for equities and USAgg for bonds) for the period from 1980 to 2022 were used. Three investment horizons, covering 43 years, 23 years and 13 years were separately analyzed.

- The results are tabulated in Table-4 on the next page

Phase-2: results and inferences

- For the shortest horizon, 13 years from 2010 to 2022, Portfolio-Z with 100% allocation to equities and representing the highest risk (volatility of 14.5%) not only had the highest annualized return but also did best in terms of value-add (IRR). During this period of just over a decade when equity markets were exceptionally buoyant, a higher allocation to equities (riskier) was better overall.
- However, during longer investment horizons the story was different.
- For the 23-year period (2000 to 2022), the lowest risk portfolio (Portfolio-X) did the best on both parameters: value-add (IRR) and annualized return.
- For the 43-year period (1980 to 2022), the best performer in terms of value-add was the middle portfolio (Portfolio-Y with 80/20 split). Despite not having the highest annualized return, it had the highest value-add. This was the optimal portfolio in terms of value-add.

Table-4

	13 years: 2010 to 2022			23 years: 2000 to 2022			43 years: 1980 to 2022		
	Portfolio-X	Portfolio-Y	Portfolio-Z	Portfolio-X	Portfolio-Y	Portfolio-Z	Portfolio-X	Portfolio-Y	Portfolio-Z
% of equities	70.0%	80.0%	100.0%	70.0%	80.0%	100.0%	70.0%	80.0%	100.0%
% of bonds	30.0%	20.0%	0.0%	30.0%	20.0%	0.0%	30.0%	20.0%	0.0%
Annualized return: Equities	10.0%	10.0%	10.0%	4.3%	4.3%	4.3%	8.7%	8.7%	8.7%
Annualized return: Bonds	2.2%	2.2%	2.2%	4.0%	4.0%	4.0%	6.8%	6.8%	6.8%
Annualized return: Portfolio	**7.8%**	**8.5%**	**10.0%**	**4.6%**	**4.5%**	**4.3%**	**8.4%**	**8.5%**	**8.7%**
Volatility (SD annual returns)	11.1%	12.2%	14.5%	12.6%	14.4%	18.0%	12.1%	13.4%	16.3%
Starting Capital	100	100	100	100	100	100	100	100	100
POMV %	5%	5%	5%	5%	5%	5%	5%	5%	5%
Total cumul POMV	**78.9**	**81.6**	**87.3**	**89.4**	**83.6**	**72.0**	**642.9**	**641.0**	**624.7**
Ending NAV	149.5	165.3	200.3	88.9	86.5	78.4	469.6	490.6	509.0
Ending NAV + POMV	228.4	246.9	287.6	178.3	170.1	150.4	1,112.4	1,131.6	1,133.7
IRR	**8.11%**	**8.83%**	**10.24%**	**3.62%**	**3.30%**	**2.50%**	**9.89%**	**9.91%**	**9.88%**

Key takeaways: more than one measure of performance

- While the results may be intuitive and common sense for many, the simplicity of the arithmetic is hopefully compelling. The objective is not to downplay the relevance of annualized return as a performance measure, rather it is to bring an additional perspective to the asset allocation exercise.

- Annualized return is a good and widely-accepted indicator of performance. However, focusing solely on this number can be misleading in terms long term value-add (another dimension of performance). Higher annualized return may not equate to higher value-add and may not be optimal, even if there is an appetite for interim volatility.

- The combined impacts of capital outflows and market drawdowns on value-add are material, as are their magnitudes and timings. Typical return and volatility estimates do not capture the timing of drawdowns, which are impactful in the context of capital flows to and from the fund.

- It would be prudent to consider the above during the strategic asset allocation and portfolio optimization planning process.

The board-approved of 80/20 equity/bond risk appetite level seems optimal in terms of risk tolerance, expected annualized return, and long-term value-add.

Part 2:
Key Risk Metrics

As of December 29, 2023

Fund Risk: level relative to appetite

Risk Appetite reflects the 80/20:equity/bond Risk Tolerance Portfolio (RTP)

Value at Risk (VaR): Max
1 year, 1SD, 10-year monthly historical data equally weighted

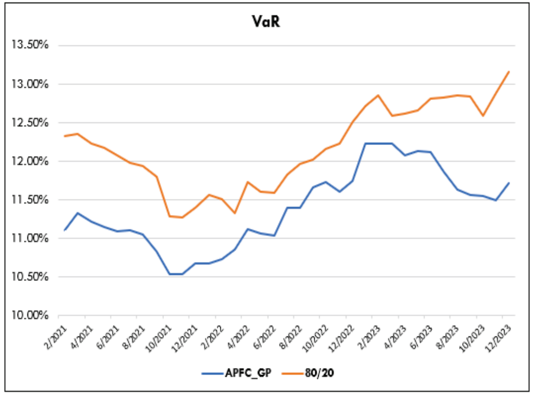
As of Date	Total Fund	Risk Appetite	
12/29/2023	11.72%	13.15%	✓

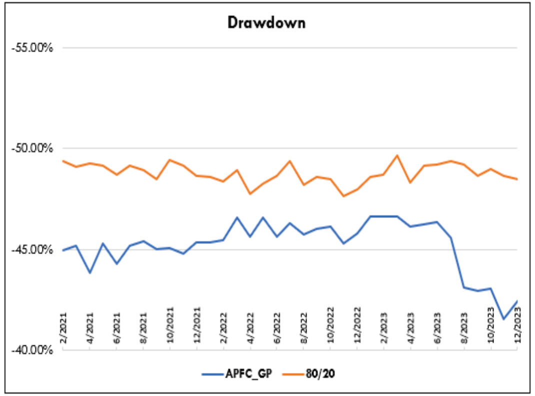
Drawdown Stress PnL: Max
Stress scenario simulating the GFC – Dec 2007 to Mar 2009

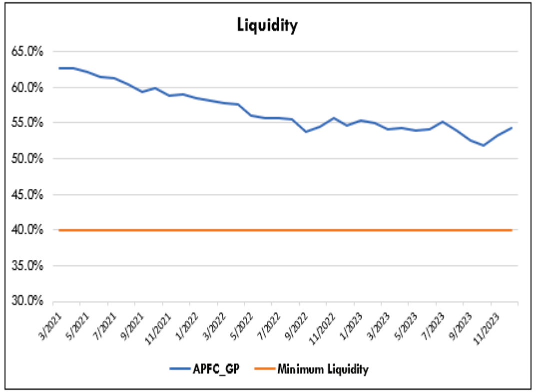
As of Date	Total Fund	Risk Appetite	
12/29/2023	(42.43%)	(48.48%)	✓

Liquidity Level: Min
Public Equities, Fixed Income and Cash, as a % of total fund

As of Date	Total Fund	Risk Appetite	
12/29/2023	54.2%	40%	✓

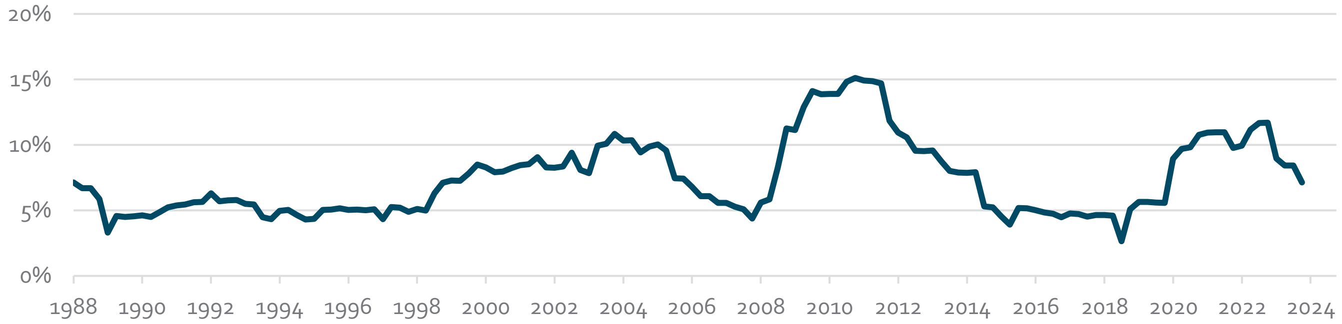




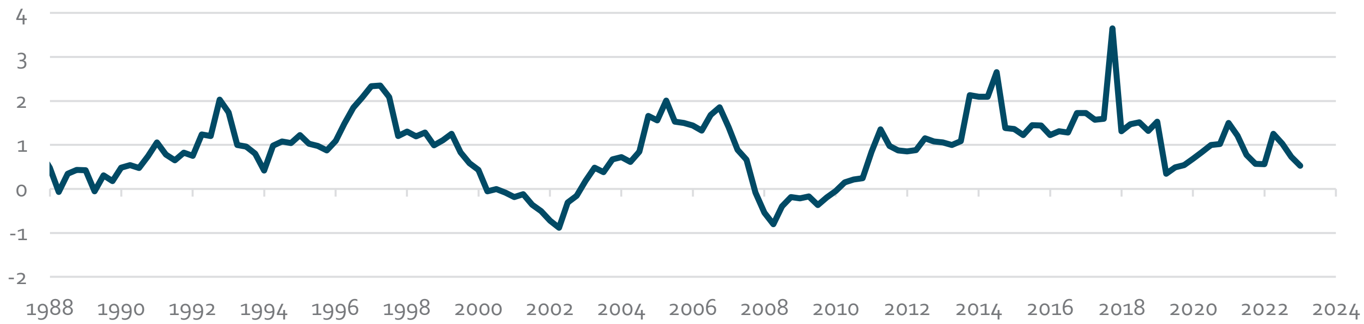


Total Fund: Realized Volatility & Sharpe Ratio

Realized Fund Volatility



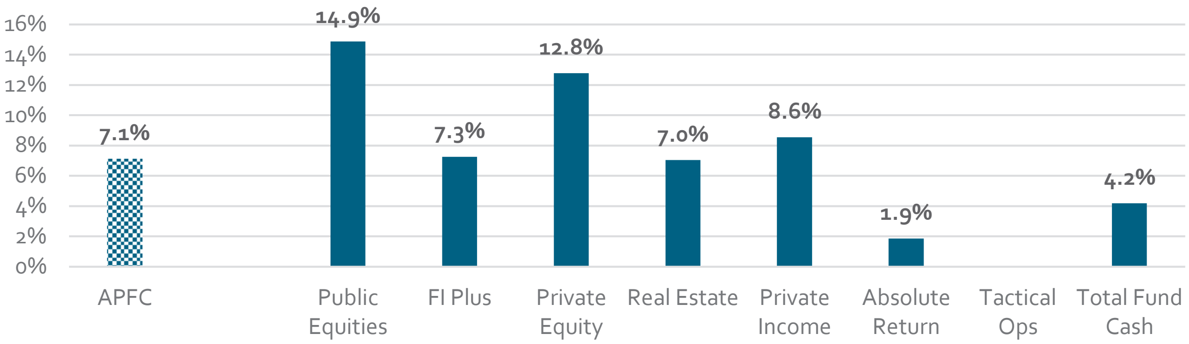
Realized Fund Sharpe Ratio



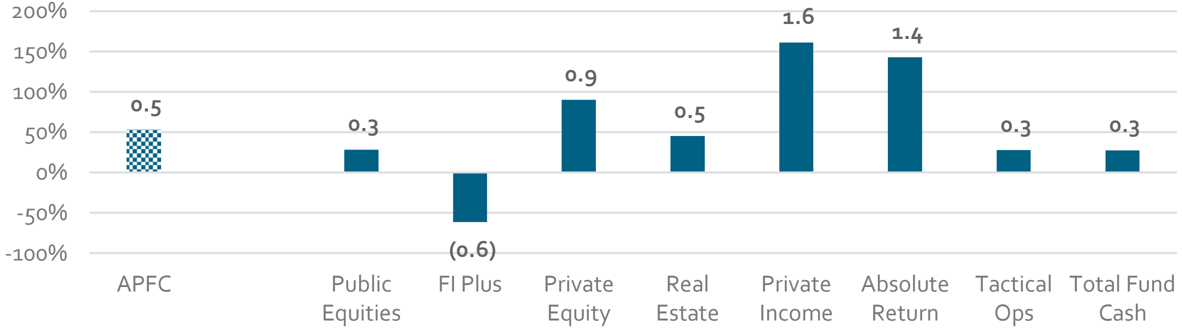
Volatility (standard deviation) and Sharpe ratio have been computed based on rolling 3 year quarterly returns for the Total Fund

Fund & Constituents: Volatility and Sharpe Ratio as of December 29, 2023

Volatility

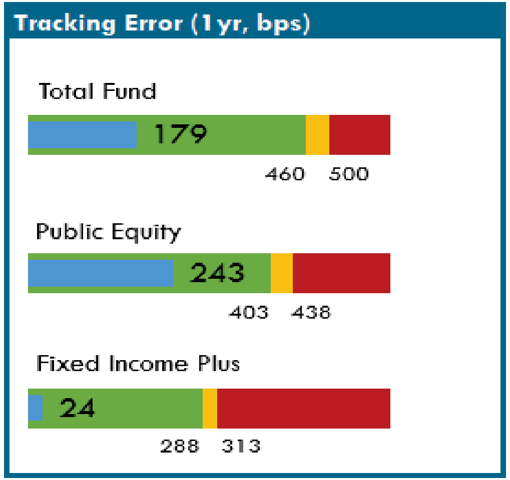


Sharpe Ratio

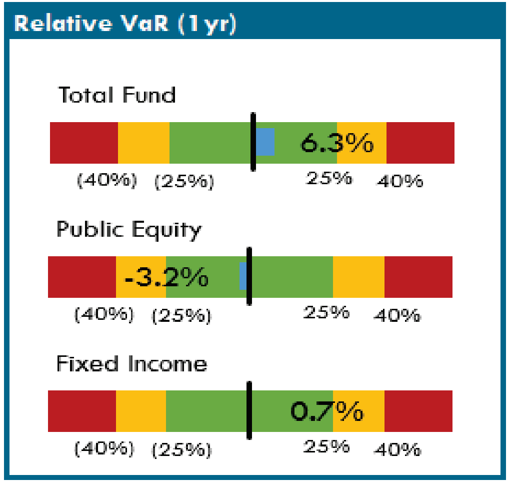


Volatility (standard deviation) and Sharpe ratio have been computed based on historical 3 year quarterly returns, as of December 29, 2023

Tracking Error and VaR: (Vs) Limits



- Tracking error is an indicator of performance relative to benchmark
- It represents the deviation of portfolio returns from benchmark returns
- It is directionally agnostic and does not indicate over or underperformance



- VaR is an estimate of value decline, based on a 97.5% confidence level and 1 year holding period
- The above chart reflects the Relative VaR of the portfolio versus respective benchmark

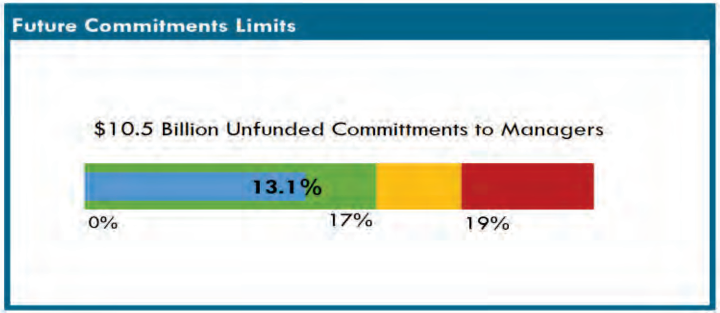
Liquidity Limits: Private Assets

Private Assets: Investments Vs Targets

	$ Billion	% of Total Fund		
		Actual	Target	Actual (Vs) Target
Private Equity	15.1	18.6%	16.0%	2.6%
Private Income	7.0	8.6%	9.0%	-0.4%
Real Estate	8.5	10.5%	10.0%	0.5%
Total	**30.6**	**37.8%**	**35.0%**	

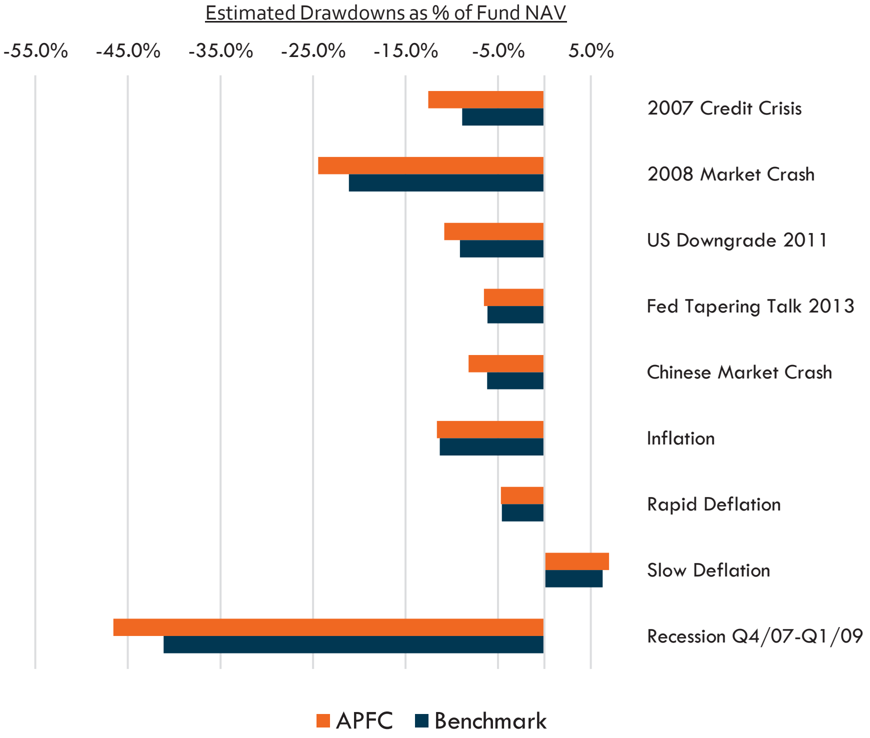
Private Assets: Future Commitments Vs Targets

	$ Billion	% of Total Fund		
		Actual	Target	Actual (Vs) Target
Private Equity	4.2	5.3%	7.0%	-1.7%
Private Income	5.8	7.2%	5.0%	2.2%
Real Estate	0.5	0.6%	3.0%	-2.4%
Total	**10.5**	**13.1%**	**15.0%**	



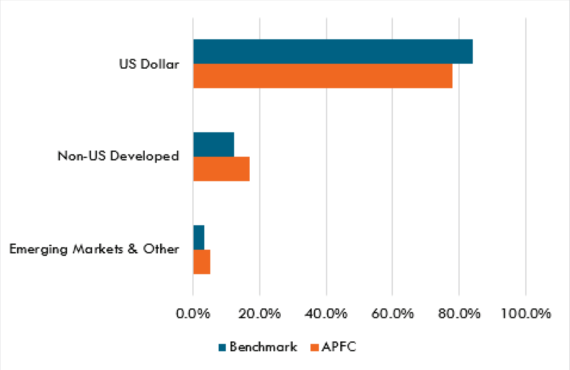
Tail Risk: Current portfolio during extreme events

Scenario	Definition
2007 Credit Crisis	Credit & liquidity crisis stemming from a severe slowdown in the housing market causing significant widening of credit spreads, higher implied volatility.
2008 Market Crash	S&P 500 down 20% (2000 bps).
US Downgrade 2011	The period starts with 50% chance US downgrade indication from S&P standards and ends with Operational Twist announcement from the Fed
Fed Tapering Talk 2013	Equity & bond markets sold off. EM suffered badly due to hot money flight back to U.S.
Chinese Market Crash	Chinese stock market crash beginning with the popping of the stock market bubble on June 12, 2015.
Inflation Overshoot	Economic recovery, pent-up demand, supply chain bottlenecks, and fiscal stimulus cause a surge in inflation, prompting higher interest rates in a taper tantrum-style sell-off.
Rapid Deflation	Oil down 60% (6000 bps); ST Inflation down 350 bps; Mortgage spreads tighten 25 bps.
Slow Deflation	LT deflation down 200 bps; LT Treasury Rates down 100 bps; Mortgage spreads tighten 25 bps.
Recession Q4/07-Q1/09	Recent recessionary period starting Dec 3, 2007 and ending March 9, 2009.



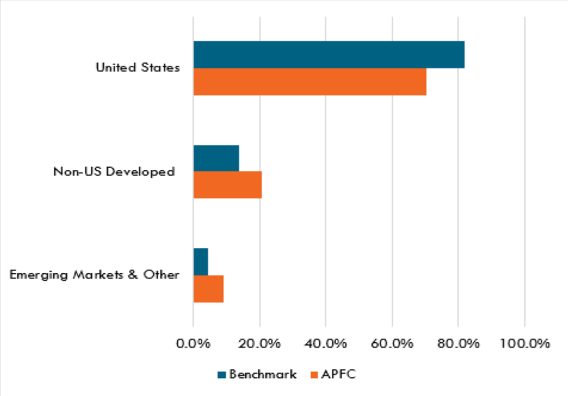
Currency & Geography: breakdowns

Currency breakdown



Currency Name	Exposure ($ millions)
Euro	$5,574,851
British Pound	$2,207,434
Japanese Yen	$1,943,398
Hong Kong Dollar	$980,113
Canadian Dollar	$877,017
Austrailian Dollar	$653,958
Sub-Total	**12,236,769 (15.2% of NAV)**
Total Non-US DM Exposure	**13,560,976 (16.8% of NAV)**

Country breakdown



Country Name	Exposure ($ millions)
China	1,944,837
India	831,726
Taiwan	618,320
Korea (South)	592,330
Brazil	427,207
Mexico	227,885
Sub-Total	**4,642,306 (5.8% of NAV)**
Total EM Exposure	**5,588,655 (6.9% of NAV)**

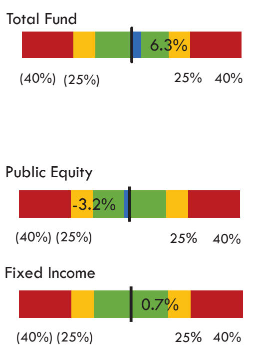
APFC ALASKA PERMANENT FUND CORPORATION

Daily Dashboard - December 29, 2023

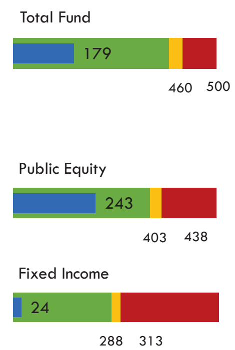
NAV : $ 80,640,472,993

Risk				Performance (%)				Asset Allocation				
Asset Class	1 SD	Rel VaR	TE	MTD	FYTD	CYTD	1 Year	NAV ($mill)	NAV	Target	Compliance	Under/Over
Total Fund	**12.2%**	**6.3%**	**1.8%**	**2.4**	**3.7**	**8.2**	**8.0**	**80,640**				
Public Equity	15%	-3.2%	2.4%	5.6	7.9	18.4	18.0	26,932	33.4%	34%		-0.6%
Fixed Income	6%	0.7%	0.2%	3.6	4.6	7.8	7.6	14,994	18.6%	20%		-1.4%
Private Equity	22%	5.7%	7.5%	-1.5	-0.8	0.0	0.0	15,005	18.6%	16%		2.6%
Real Estate	12%	-12.2%	4.0%	1.2	-1.1	-3.9	-4.1	8,481	10.5%	10%		0.5%
Inf. & Private Income	19%	49.0%	9.6%	0.3	1.8	5.9	5.8	6,891	8.5%	9%		-0.5%
Absolute Return	3%	-19.1%	3.6%	0.1	4.3	8.4	8.4	5,875	7.3%	7%		0.3%
Tactical Opps	17%	-1.1%	0.4%	4.8	10.8			652	0.8%	2%		-1.2%
Total Fund Cash	0%	-27.1%	0.1%	0.5	2.7	6.7	6.9	1,806	2.2%	2%		0.2%

Relative VaR (1yr)

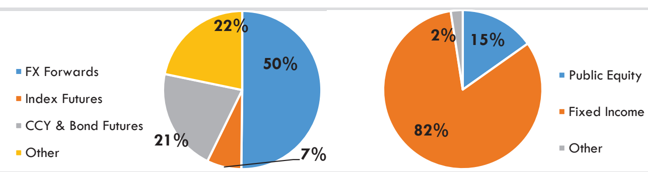


Tracking Error (1yr, bps)

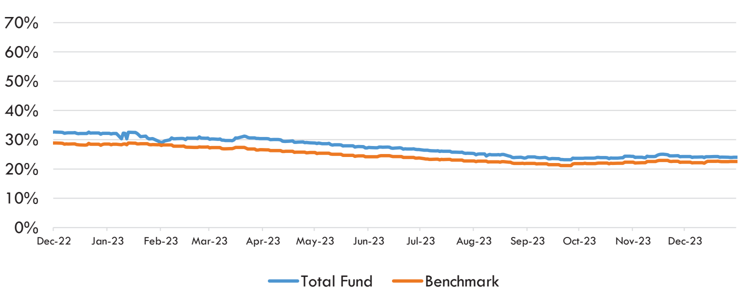


Derivative Exposures ($mill)

	Total Fund	Public Equity	Fixed Income	Other
Total Derivative	**8,662**	**1,316**	**7,135**	**211**
FX Forwards	**4,347**	67	4,071	209
Index Futures	**612**	610	-	1
CCY & Bond Futures	**1,819**	639	1,181	-
Other	**1,883**	-	1,883	-

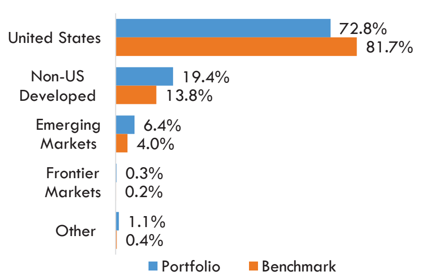


VaR (1yr, 97.5%) as a % of Total Fund NAV



Economic Indicators	12/29/23	12/28/23	% Change
VIX	12.45	12.47	-0.2%
U.S. Dollar/Euro	1.10	1.11	-0.2%
Credit Index OAS	0.93	0.92	1.1%
Crude Oil (WTI) ($)	71.65	71.77	-0.2%
10-Year Treasury Yield	3.88	3.84	0.9%
30-Year Treasury Yield	4.03	3.99	0.8%
S&P 500	4,769.83	4,783.35	-0.3%
MSCI ACWI	2,530.95	2,538.32	-0.3%

Country Exposures

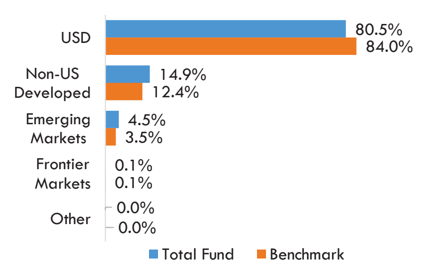


Specific Country Exposures

	Benchmark	APFC
Russia	0.00%	0.09%
Ukraine	0.00%	0.00%
China	1.16%	2.07%
Taiwan	0.62%	0.77%
Israel	0.10%	0.46%
Middle East & Africa	0.38%	0.45%

*Note: Limited granularity is available for the country exopures of private asset benchmarks.

Currency Exposures



APFC ALASKA PERMANENT FUND CORPORATION
801 W 10TH SUITE 302 | JUNEAU, AK 99801
907.796.1500 | apfc.org

SUBJECT:	APFC Private Income Asset Class Update	ACTION:	____________
DATE:	February 15, 2024	INFORMATION:	X

BACKGROUND:

The APFC Private Income asset class update provides information on the APFC Private Income Portfolio and the infrastructure and private credit markets.

Status:

Ross Alexander, Senior Portfolio Manager, will provide an update on the APFC Private Income portfolio as well as an overview of the infrastructure asset class and how APFC approaches infrastructure investing.

Logan Rahn, Portfolio Manager, will provide an update on the APFC Private Credit portfolio as well as an overview of the private debt market and how APFC approaches private credit investing.

APFC ALASKA PERMANENT FUND CORPORATION

Private Income

Asset Class Update

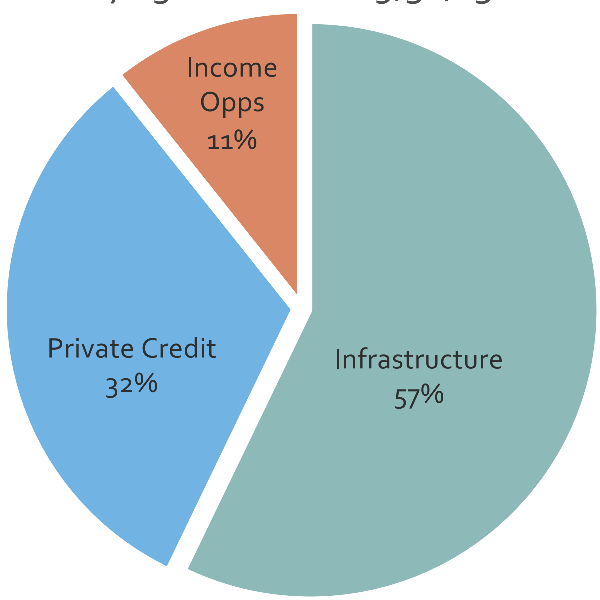
February 15, 2024

Private Income

Overview

NAV

$7.13 billion as of 9/30/23



Strategy

- Outperform benchmark through manager, fund, and asset selection
- Thoughtfully adjust annual allocation to Infrastructure or Private Credit, as opportunity set varies
- Leverage APFC's reputation and flexibility to selectively co-invest alongside top-tier managers in best opportunities

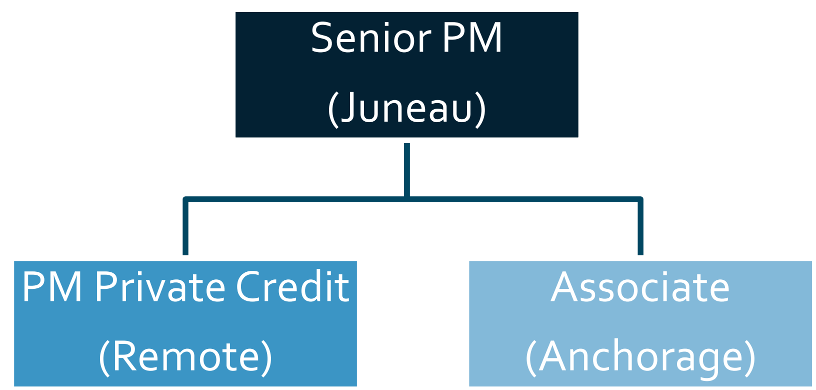
Alpha Target

+40 bps above blend of 60% Cambridge Global Private Infrastructure (Lagged) / 40% Cliffwater Direct Lending Index

Private Income

3 FTEs Today

- Infrastructure (1.5 FTEs – 1 SPM, 0.5 Associate)
  - 20 external managers
  - 36 funds
  - 12 co-investments
  - 1 listed portfolio
- Private Credit (1.5 FTEs – 1 PM, 0.5 Associate)
  - 17 external managers
  - 46 funds
  - 19 co-investments
- Income Opps (covered by Infra and PC FTEs)
  - 13 external managers
  - 15 funds
  - 1 co-investment



Private Income
Strategic Plan Priorities

- Funds
  - Continue leveraging APFC's reputation as an LP of choice to retain access to and focus on top-tier managers
  - No change to current strategy
  - No upgrades/enhancements necessary
- Co-Investments
  - Increase activity to add value from higher returns and reduced fee burden (typically no fee/no carry)
  - May need to enhance current team to handle additional workload in coming years; no need to add staff at this time
- Directs
  - Currently not an area of focus, will re-evaluate periodically based on outcomes of Private Equity experience
- Consultants
  - Reduce reliance on current full-service consultant (non-discretionary)by shifting a portion of new commitments annually to project-based consultants
- Systems
  - Increase budget to add investment research/analytics tools (estimated cost of $500k/year)
- People
  - Propose dedicated admin support within each asset class team to provide closer collaboration and enhanced support

Infrastructure

Overview

Objectives

- Attractive risk-adjusted returns
- Inflation-protection characteristics
- Low correlations with other major asset classes

Benchmarks

- Absolute: CPI + 5.0%
- Relative: Cambridge Global Private Infrastructure Index (Lagged)

Through-the- Cycle Expectations

10-Year Projections	*r*	*σ*	*yield*
Callan	6.10%	15.45%	4.60%
CPI	2.50%	1.50%	n/a
APFC Objective	7.25%	n/a	n/a

Private Credit

Overview

Objectives

- Attractive risk-adjusted returns
- Generate high current income
- Downside protection through structure

Benchmarks

- Absolute: CPI + 5.0%
- Relative: Cliffwater Direct Lending Index (CDLI)

Through-the- Cycle Expectations

10-Year Projections	*r*	*σ*	*yield*
Callan	7.00%	15.50%	7.00%
CPI	2.50%	1.50%	n/a
APFC Objective	7.25%	n/a	n/a

Income Opportunities

Overview

Objectives

- Attractive risk-adjusted returns
- Inflation-protection characteristics
- Low correlations with other major asset classes

Benchmarks

- Absolute: CPI + 5.0%
- Relative: 60% Cambridge Gbl. Pvt. Infrastructure Index / 40% CDLI

Through-the- Cycle Expectations

10-Year Projections	*r*	*σ*	*yield*
Callan	6.90%	12.45%	5.55%
CPI	2.50%	1.50%	n/a
APFC Objective	7.25%	n/a	n/a

Infrastructure

Basics

Asset Types

- Energy infrastructure
- Transportation
- Utilities
- Telecommunications infrastructure
- Social Infrastructure

Characteristics

- High barriers to entry
- Essential Services
- Hard-asset base
- Stable, predictable cash flows
- Inflation-linked cash flows or inflation protection

Structures

- Public or Private
- Commingled Funds
  - Open-end vs closed-end
- Funds-of-Funds or Staff Direct
- Co-Investments
- Direct Investments

Infrastructure

Expected Risk/Return Spectrum

APFC focus area

Core

- Fully operational
- Contracted cash flows
- Mature, top-tier assets
- Long-term hold
- Single-digit IRRs
- Return mostly from yield

Core-Plus

- Contracted assets with some development risk
- Assets with greater GDP sensitivity
- Some volumetric risk
- Low-teens IRRs
- Mix of yield and appreciation

Value-Add / Opportunistic

- Construction or development
- Meaningful expansion or repositioning
- Short-term contracts
- Likely revenue volatility
- Mid-teen or higher IRRs
- Mostly capital appreciation

Infrastructure

Co-Investments

- Provide opportunity to tactically allocate to industries and companies
  - Ability to exercise more control over investment selection
  - Allows us to back high conviction ideas and managers
  - Lower cost provides better chance at higher returns
  - Enhance relationship with GP

- Underwriting focuses on valuation, capital structure, governance and management, revenue visibility, market position, pricing power, sponsor experience and expertise, etc.

- Infrastructure co-investments have generated *realized* returns of 16.3% IRR and 1.87x MOIC

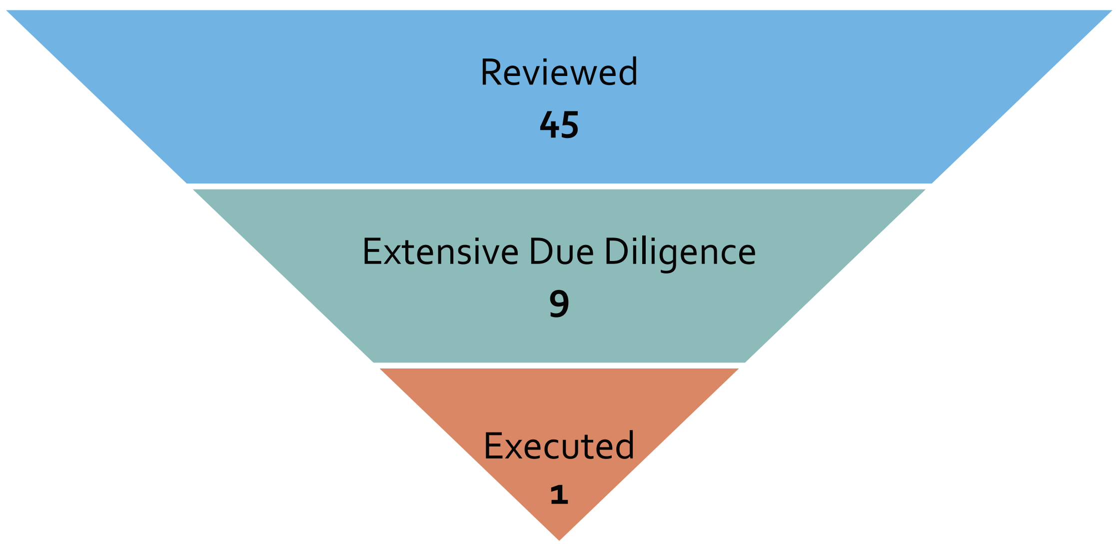
- Total infrastructure co-investment returns (realized and unrealized) are outperforming fund investments by 180bps and 0.2x MOIC

($ in millions)	Capital Committed	Capital Called	Capital Dist.	Current Value	Net IRR	MOIC
Fund Investments	$5,993	$4,929	$4,034	$3,189	10.5%	1.47x
Co-Investments	$635	$604	$389	$604	12.3%	1.64x
Listed Infrastructure	$541	$541	$411	$283	9.4%	1.28x
Total Infrastructure	**$7,169**	**$6,075**	**$4,834**	**$4,076**	**10.6%**	**1.47x**

Infrastructure

Co-Investment Funnel

Co-investment funnel last 18 months



Infrastructure

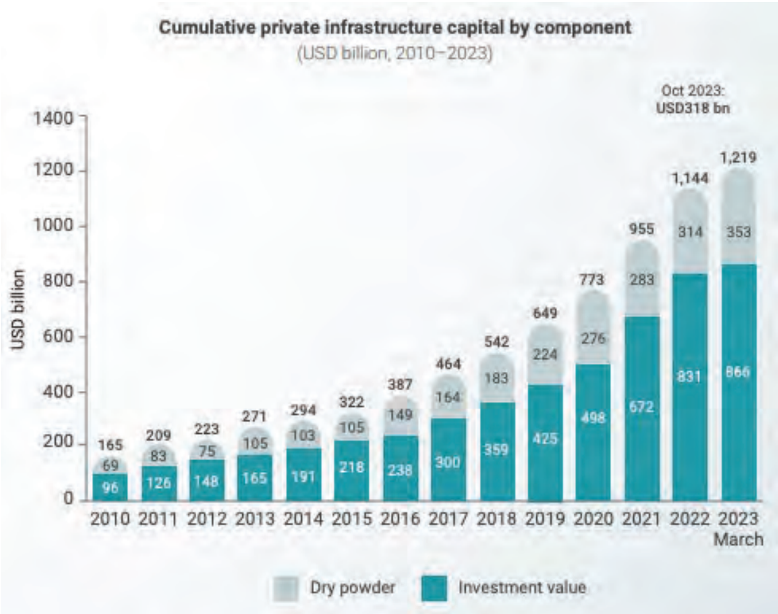
Co-Investment Example

Recent example

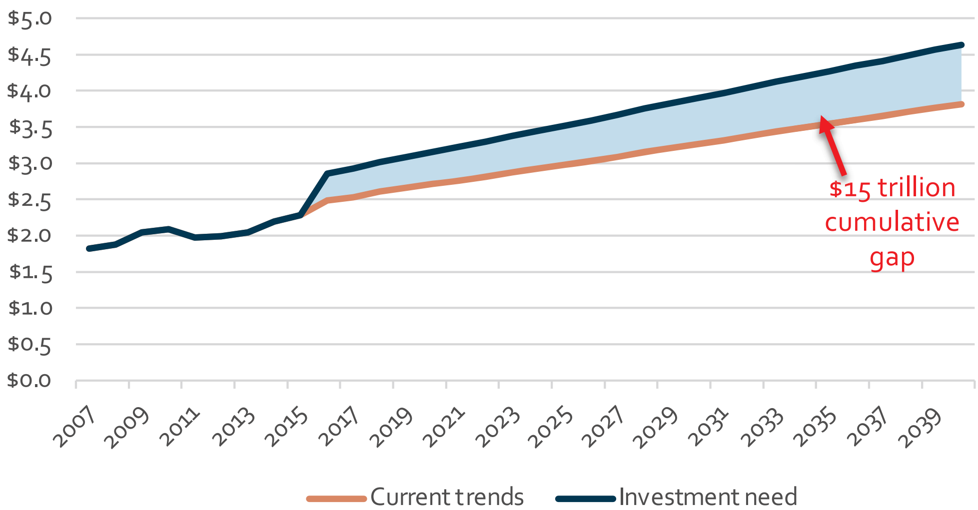
- Committed at FID in high quality, fully permitted LNG export project
  - Pre-FID work significantly more advanced compared to a typical project at a similar stage
- De-risked, turnkey, lump-sum contract in place with global EPC leader
- High visibility into cash flows backed by high-quality, long-term offtakes signed for vast majority of project volumes
  - Fixed fee contracts insulate from commodity price volatility
- Location provides access to multiple end markets
- Conservative view of production volume expectations vs design
- Favorable global supply/demand dynamics for LNG
- Partnered with leading North American infrastructure company and one of the world's largest producers of energy
- Invested alongside GP who has proven track record investing in LNG and midstream assets as well as greenfield projects
  - GP is an existing APFC relationship

Infrastructure

Growing asset class to go along with growing need for investment



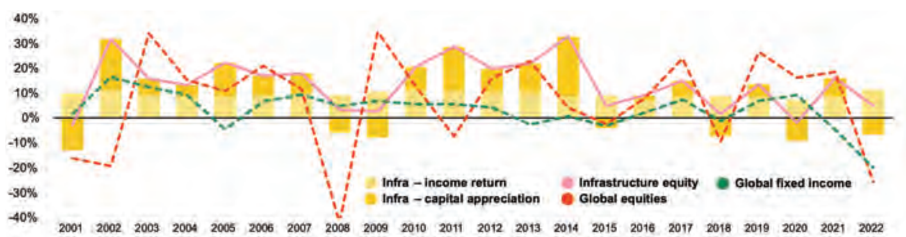
Source: Preqin 2023



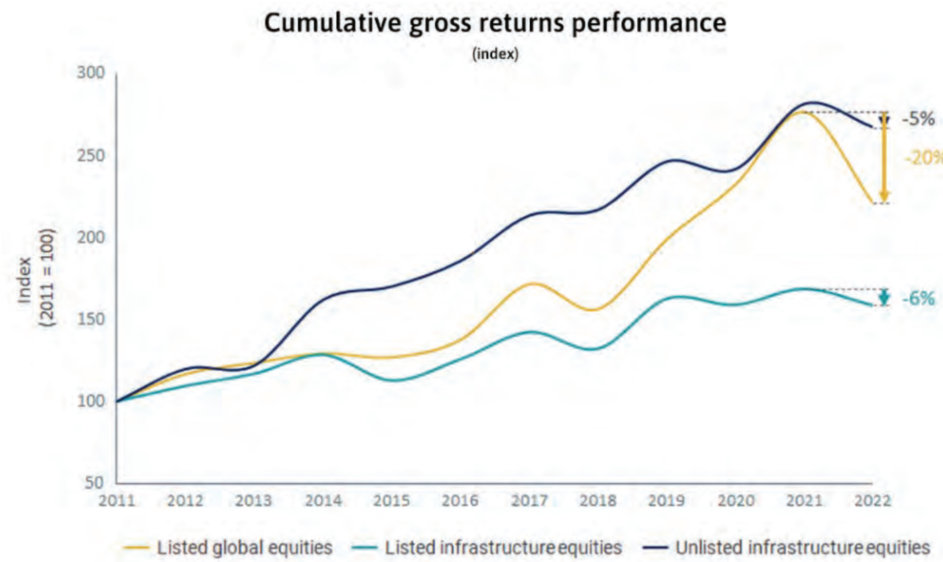
Source: Global Infrastructure Hub, 2015

Infrastructure

Durable Returns Due to Strong Fundamentals



Source: BlackRock, Bloomberg, EDHECInfra (2023)



Source: EDHECInfra (2023)

Infrastructure

Themes

- Energy Security
- Supply Chain Reshoring and Nearshoring
- Energy Transition
- AI / Data Centers
- Demographics

Infrastructure

Challenges

- High labor and material costs
- Higher-for-longer(?) interest rates
- Valuations and wide bid-ask spreads
- Economic uncertainty
- Operational complexity
- Geopolitical risks
- Inefficiencies of fund investing
- Capital supply/demand challenges

Infrastructure

Current Portfolio

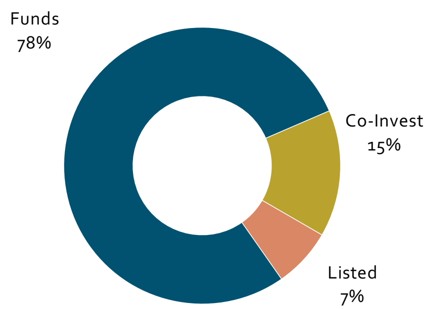
Portfolio Snapshot

- Portfolio Value (at 9/30/23): $4.1 billion
- 38 funds, 12 co-investments, 1 listed portfolio
- Two fund commitments in FY2024

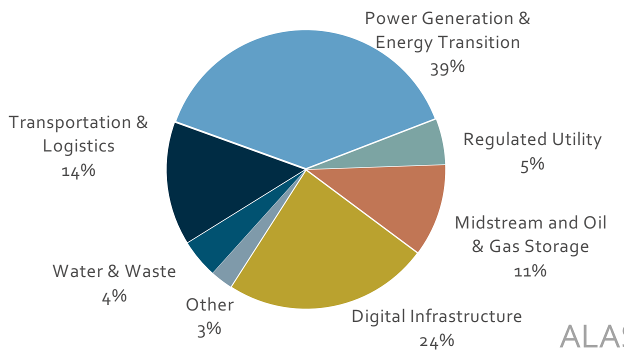
Return Objectives

- Absolute: CPI + 5.00%
- Relative: Cambridge Global Pvt. Infrastructure Index (Lagged)

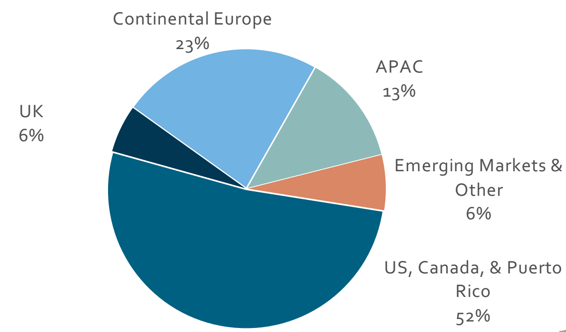
Structure Mix



Sector Mix



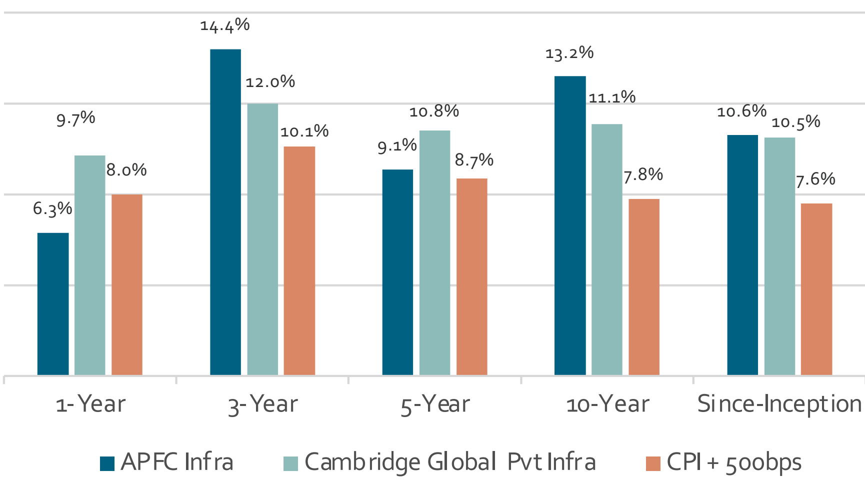
Geographic Mix



Infrastructure

Performance

Horizon IRR's @ September 30 Marks



Note: Returns are as of September 30, 2023.
Source: Pathway Capital Management

Since Inception Portfolio Performance

($ in millions)	Capital Committed	Capital Called	Capital Dist.	Current Value	Net IRR	MOIC
Fund Investments	$5,993	$4,929	$4,034	$3,189	10.5%	1.47x
Co-Investments	$635	$604	$389	$604	12.3%	1.64x
Listed Infrastructure	$541	$541	$411	$283	9.4%	1.28x
Total Infrastructure	**$7,169**	**$6,075**	**$4,834**	**$4,076**	**10.6%**	**1.47x**

*Note: Listed infrastructure was included in this portfolio from September 2013 to September 2016 and from July 2020 to present.
Source: Pathway Capital Management

Private Credit

Basics

Collateral Types

- Corporate
- Real Estate
- Real Assets
- Consumer

Seniority

- First Lien
- Second Lien (mezzanine)
- Preferred Equity
- Equity

Investment Approach

- Performing vs non-performing
- Cash vs PIK
- Fixed vs Floating
- Levered vs unlevered

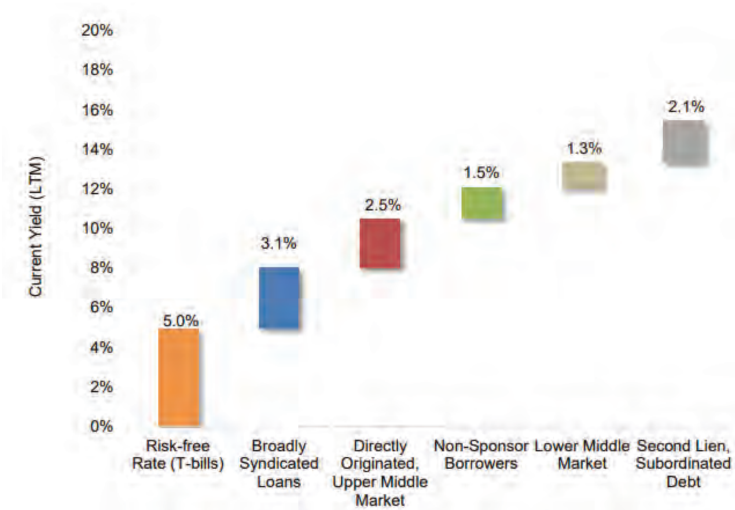
Structures

- Public or Private
- Commingled Funds
  - Open-end vs closed-end
- Funds-of-Funds or Staff Direct
- Co-Investments
- Direct Investments

Private Credit

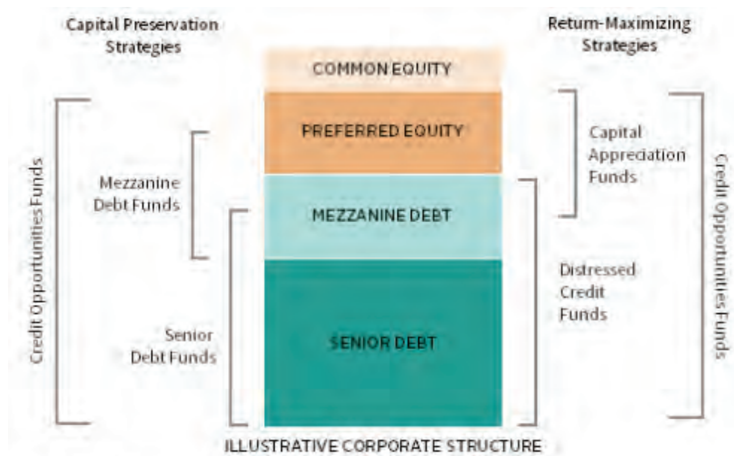
Approaches

- Expected risk premium by risk factor



Source: Cliffwater

- Private credit investments have different positions in capital stack



Source: Cambridge Associates LLC.

Private Credit

Performance vs Benchmark

As of September 30, 2023	3Q23	1-Year	3-Year	5-Year	10-Year	Since-Inception
The APFC Private Credit Portfolio	**2.6%**	**9.4%**	**9.9%**	**7.4%**	**7.0%**	**7.1%**
The APFC Staff Directed Portfolio	**2.9%**	**10.6%**	**10.6%**	**8.8%**	**8.8%**	**9.2%**
U.S. Barclays High Yield Index	0.5%	10.3%	1.8%	2.9%	4.2%	6.0%
Cliffwater Direct Lending Index[a]	3.2%	11.2%	10.6%	8.6%	8.9%	9.0%
Cliffwater Direct Lending Index; 2009-2023[b]	3.2%	11.2%	10.6%	8.6%	8.9%	10.0%
Consumer Price Index + 500 bps[c]	2.0%	8.0%	10.3%	8.6%	7.4%	7.3%

Source: Pathway Capital Management

APFC Private Credit Portfolio captures all private credit exposure while the staff directed portfolio removes the AK Credit Opps exposure (FoF,$880mm committed,+5.1% SI IRR) within private credit.

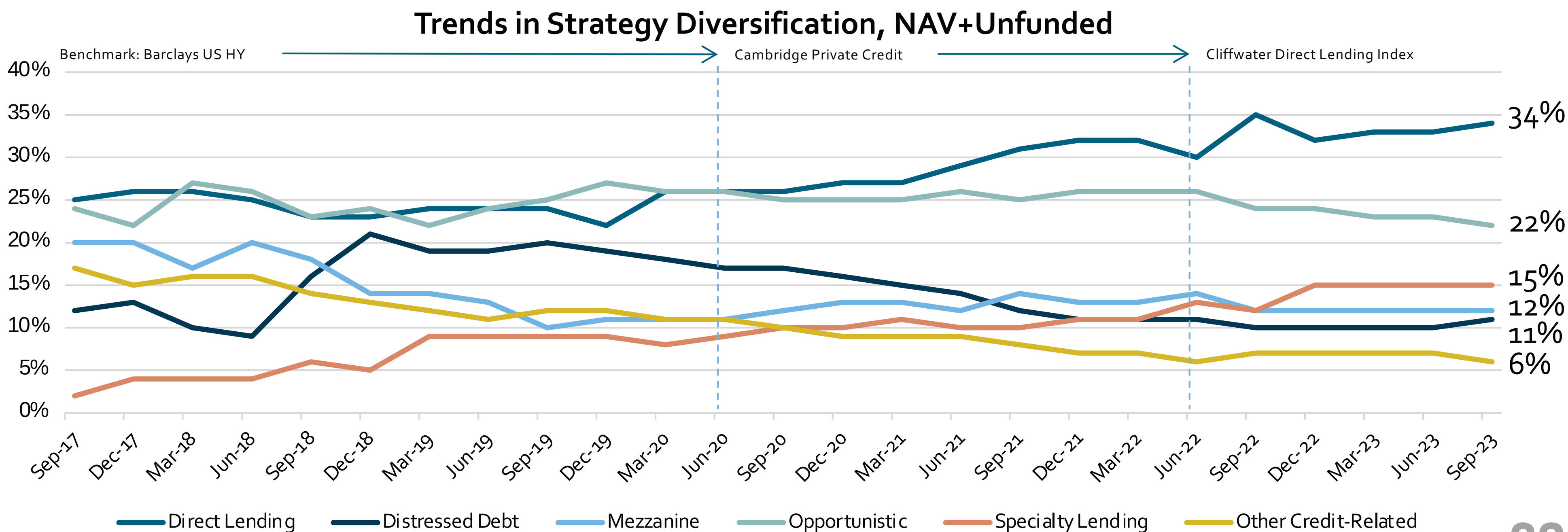
Private Credit

Risk/Return of Credit

Source: Cliffwater and APFC staff, return and volatility data as of September 30, 2023

Private Credit

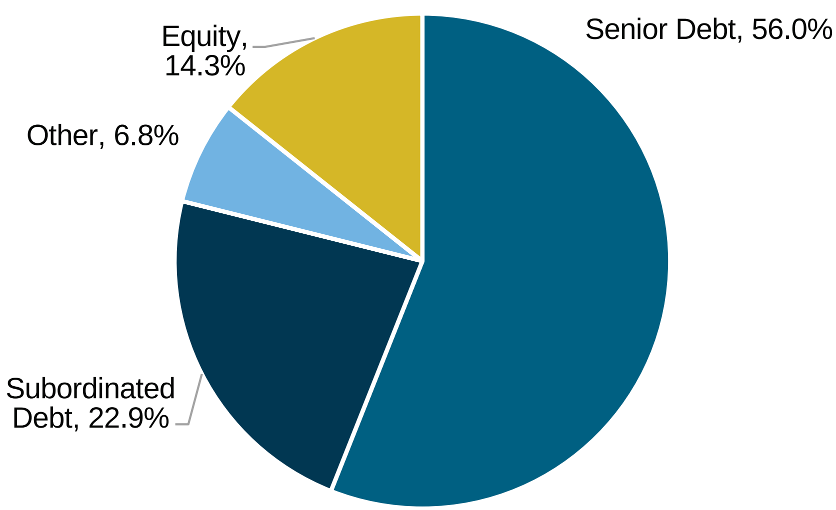
Where we invest



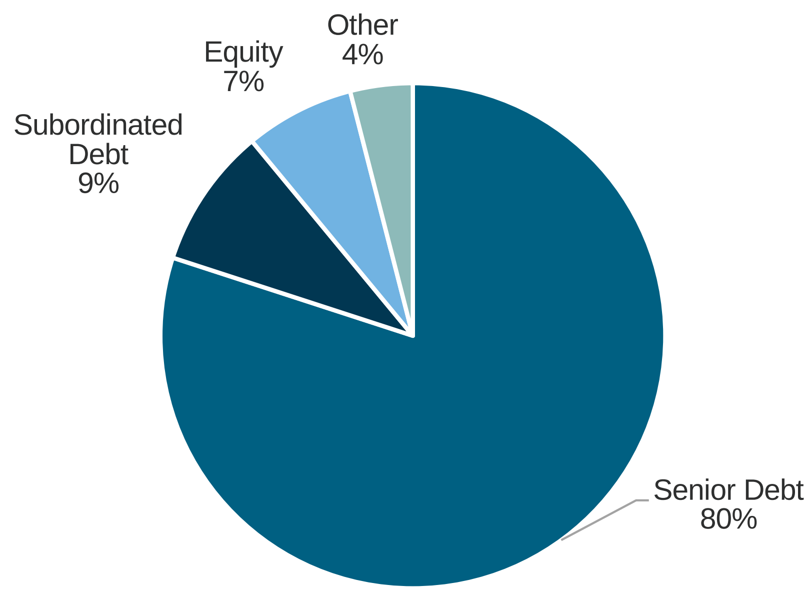
Private Credit

AFPC vs Cliffwater Direct Lending Index

APFC, Exposure adjusted to fit CDLI



CDLI



Source: Cliffwater

4

Private Credit

Co-investments

- Provide opportunity to tactically allocate to industries, companies, and structures with superior risk adjusted returns.
  - Ability to exercise more control over investment selection
  - Allows us to back high conviction ideas and managers
  - Lack of fees improves expected return vs fund commitments
  - Enhance relationship with GP
- Underwriting focuses on capital structure, facility pricing and terms, industry/business cyclicality, customer/vendor concentration, market position, pricing power, sponsor experience and expertise, etc.
- Private Credit co-investments have generated unlevered *realized* returns of 10.3% IRR and 1.2x MOIC
- Total Private Credit co-investment returns (realized and unrealized) are outperforming fund investments by 220bps

Private Credit Co-investment Performance	TVPI	DPI	SI-IRR	IRR 3 Month	IRR 6 Month	IRR 1 Year
Unrealized Total:	1.2x	0.2x	8.8%	1.2%	3.3%	7.7%
Realized Total:	1.2x	1.2x	10.3%	-0.4%	-0.1%	9.9%
Grand Total:	1.2x	0.5x	9.3%	1.2%	3.3%	7.8%

Example:

- Invested in a 1L unitranche facility supporting the acquisition of a specialized manufacturer by a leading sponsor alongside an existing private credit general partner.
- Facility: S+650 (~12.5% YT3), 23%LTV, 2.3x ICR.
- Thesis: The critical nature of the underlying technology combined with growing government demand are likely to support the continued growth of the business. Pricing and leverage levels present an attractive risk return given the non-cyclical nature of the underlying business and proprietary IP.

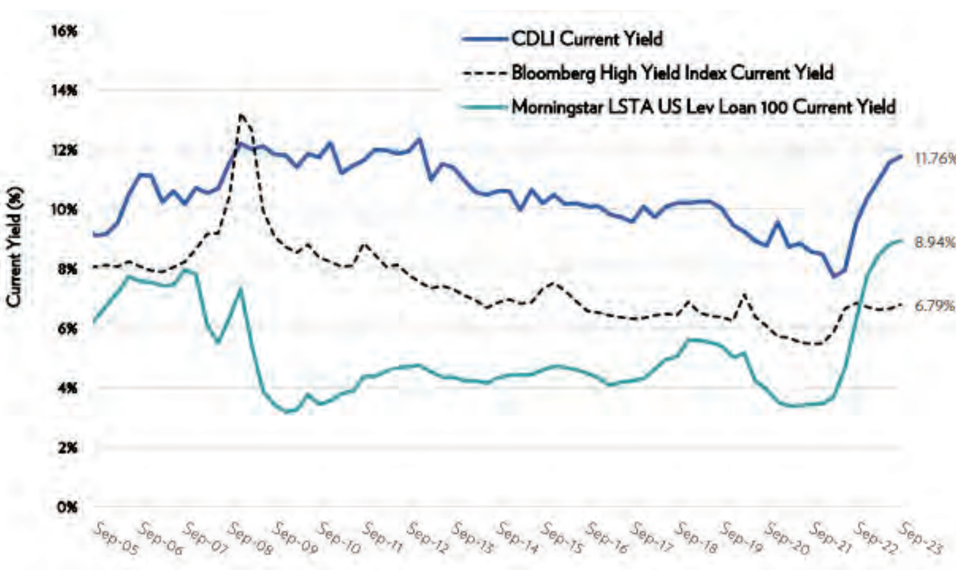
Private Credit

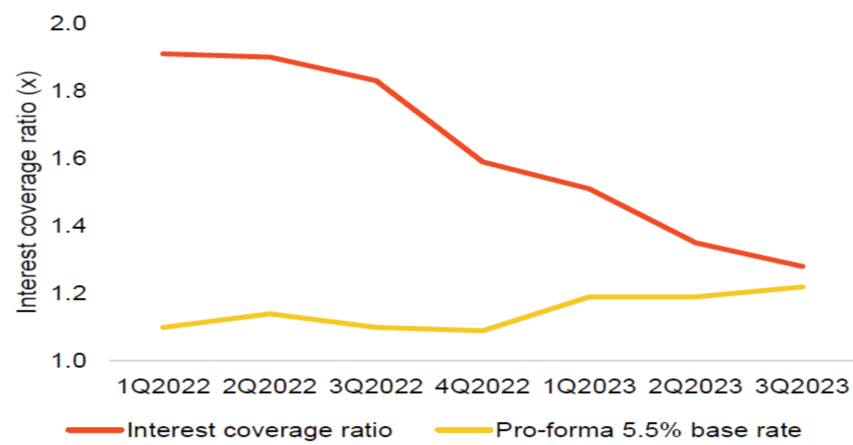
Challenges

- Higher base rates
- Declining coverage ratios
- Elevated defaults
- Borrower friendly documents (cov lite)
- Slow M&A market
- Economic uncertainty
- Continued AUM growth

Private Credit

Give and take of base rates





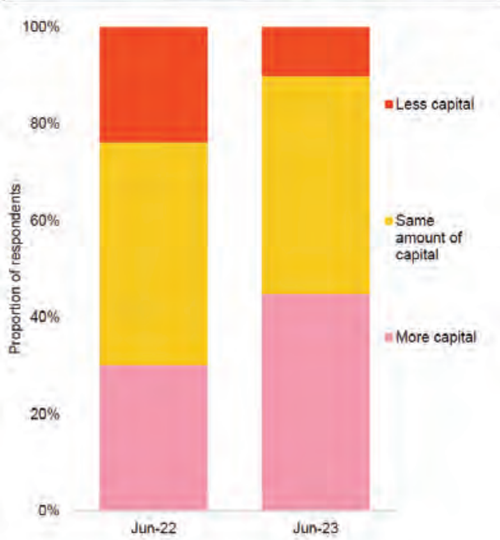
Source: BlackRock, Lincoln Valuations & Opinions Group Proprietary Private Market Database. As of 3Q2023. Interest Coverage Ratio = (Last twelve months (LTM) EBITDA – Capex) / Actual LTM Interest. Capital Expenditures ("Capex") utilizes LTM Capex by default. If LTM Capex is not available, NFY Capex is utilized, and LFY Capex if both LTM Capex and NFY Capex are unavailable.

Private Credit

AUM Growth

Exhibit 9: Room for growth in allocations

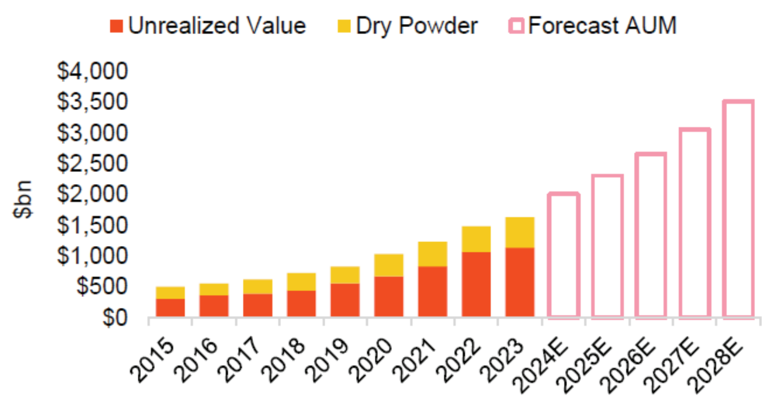
Preqin June 2023 investor survey responses to: "How much capital will you commit to private debt in the next 12 months?"



Source: BlackRock, Preqin June 2023 Investor Survey (and June 2022 Survey, for comparison).

Exhibit 5: We forecast continued growth

Private debt global AUM ($bn)



Source: BlackRock, Preqin. Historical (actual) data from Preqin, as of each calendar year-end, through March 31, 2023. 2024E to 2028E are BlackRock estimates.

Private Credit

Current Portfolio

Portfolio Snapshot

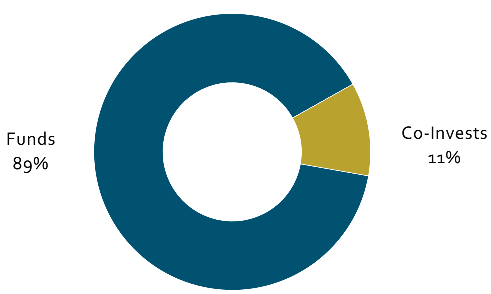
- Portfolio Value (at 9/30/23): $2.07 billion
- 46 funds, 14 co-investments
- 1 new fund commitment and 1 new co-investment made last quarter

Return Objectives

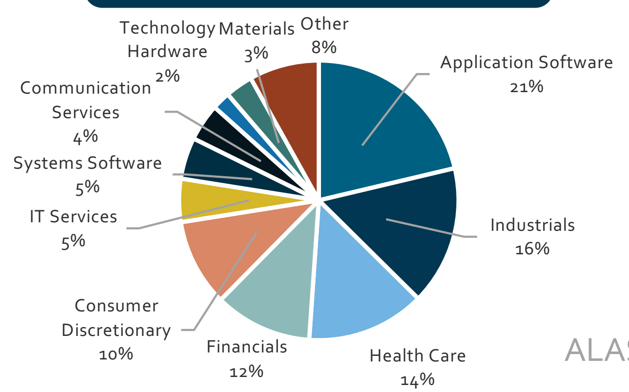
Returns are measured against two benchmarks

- Absolute: CPI + 5.00%
- Relative: Cliffwater Direct Lending Index (Lagged)

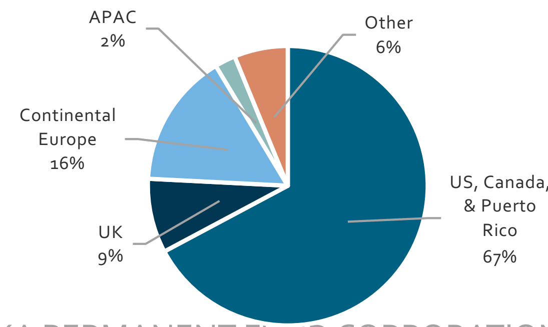
Structure Mix



Sector Mix



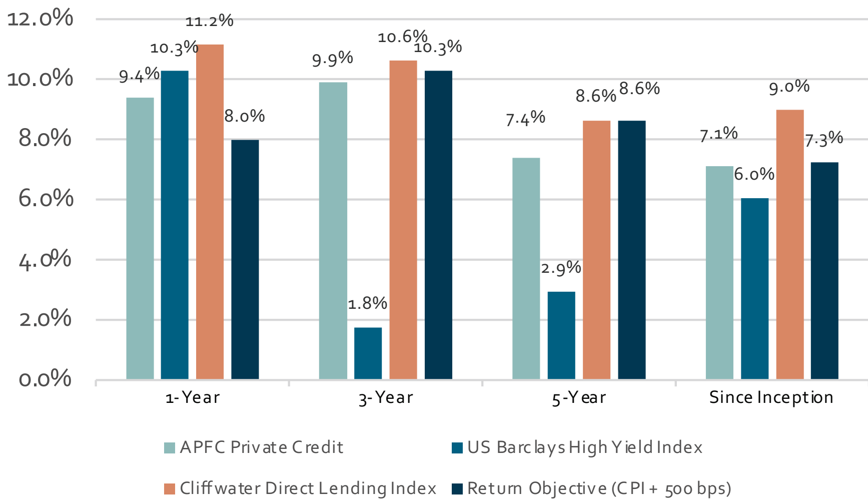
Geographic Mix



Private Credit

Performance

Horizon IRR's @ September 30 Marks



Note: Returns are as of September 30, 2023.
Source: Pathway Capital Management

Since Inception Performance

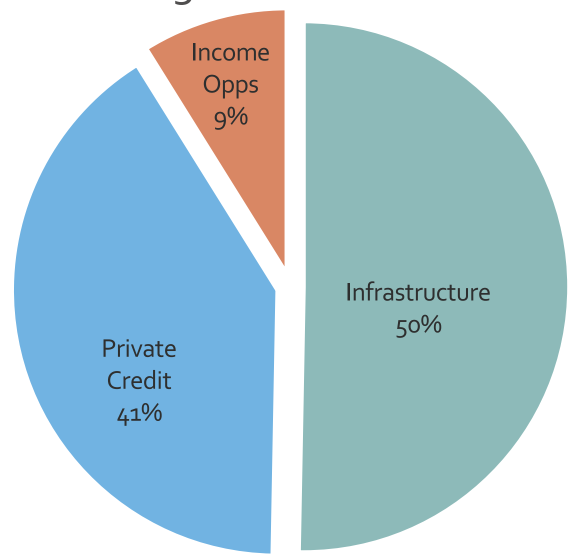
($ in millions)	Capital Called	Capital Dist.	Current Value	Net IRR	MOIC
Legacy Fund-of-Funds	$1,303	$1,565	$106	5.1%	1.3x
Direct Lending	$825	$432	$548	8.9%	1.2x
Distressed	$677	$693	$195	7.6%	1.3x
Opportunistic	$590	$306	$398	9.8%	1.2x
Specialty Finance	$440	$242	$273	9.9%	1.2x
Subordinated	$712	$737	$217	10.5%	1.3x
Other Credit-Related	$296	$279	$103	8.8%	1.3x
Co-Investments	$341	$186	$225	9.3%	1.2x
Total Private Credit	**$5,184**	**$4,439**	**$2,065**	**7.1%**	**1.3x**

Private Income

Commitments in Calendar Year 2023

Infrastructure	
• Peppertree X	$75 million
• Kayne Anderson Private Energy Income Fund III	$100 million
• KKR Infra IV Co-investment	$50 million
• EnCap Flatrock V	$50 million
• EQT Infra VI	$50 million
• LS Power V	$100 million
	$425 million
Private Credit	
• Crestline DLUL	$50 million
• Crestline SLF IV	$50 million
• Ares ACE V Co-Investment	$20 million
• Alchemy SOF V	$75 million
• LBC V Co-Investment	$25 million
• LBC VI	$75 million
	$345 million
Income Opportunities	
• Bayview MSR Opportunity Fund	$75 million
	$75 million

2023 Commitments



Private Income

Focus in 2024

- **Infrastructure**
  - Increase co-investment deal flow
  - Continue to back top-tier managers
  - Maintain flexibility to capture upside as market conditions improve

- **Private Credit**
  - Increase co-investment deal flow
  - Continue to back top-tier managers, particularly those with workout experience
  - Maintain flexibility to capture some upside

- **Income Opportunities**
  - Look for esoteric opportunities with low correlation to major markets

APFC ALASKA PERMANENT FUND CORPORATION
801 W 10TH SUITE 302 | JUNEAU, AK 99801
907.796.1500 | apfc.org

SUBJECT:	Private Income Presentation LS Power	ACTION:	________
DATE:	February 15, 2024	INFORMATION:	X

BACKGROUND:

LS Power, founded in 1990, is a development, investment, and operating company focused on the North American power and energy infrastructure sector. LS Power has raised more than $54 billion in debt and equity capital to develop or acquire more than 47,000 MW of power generation. APFC has previously committed to four of LS Power's investment vehicles.

As part of the Board meeting discussion of the Private Income asset class, Darpan Kapadia and Emily Simonis from LS Power will be reviewing the US power and energy infrastructure markets broadly as well as their firm's strategies within the markets.

Biography of Presenters:

Darpan Kapadia, Chief Operating Officer

Darpan Kapadia joined LS Power in 2004 and serves as the Chief Operating Officer of LS Power and is a member of the Management Committee and Investment Committee. Prior to being named COO in 2017, Mr. Kapadia served as Head of Strategy. Prior to LS Power, Mr. Kapadia was a Vice President at Goldman Sachs & Co. where he managed assets for institutional and private clients. Previously, Mr. Kapadia was a Senior Consultant with PricewaterhouseCoopers LLP where he provided strategic and financial advisory services to corporations. Mr. Kapadia received a B.A. in Economics with Phi Beta Kappa honors from the College of William and Mary and an M.B.A. with highest distinction from the Kellogg Graduate School of Management at Northwestern University. Mr. Kapadia currently serves on the Board of Directors for electric vehicle charging company EVgo Inc., renewables and battery storage platform REV Renewables LLC, and global risk management advisory firm K2 Integrity Inc. He is also a member of the William and Mary Foundation Board of Trustees, the William and Mary Public Policy Advisory Board, the Kellogg Alumni Council, the Kellogg Private Equity Advisory Council, and the Executive Council of the Institute for Sustainability and Energy at Northwestern (ISEN).

Emily Simonis, Head of Investor Relations

Ms. Simonis joined LS Power in 2011 and serves as Head of Investor Relations and Business Development, as well as a member of the Investment Committee. Prior to LS Power, Ms. Simonis was Head of Investor Relations and Business Development at Hutchin Hill Capital. Previously, Ms. Simonis was an Executive Director at Morgan Stanley in Prime Brokerage and Institutional Equity, focused on business development and client consulting. Ms. Simonis began her career at Merrill Lynch Tokyo, where she marketed equity derivatives to Japanese and U.S. institutions, and last served as Director for Merrill Lynch New York, advising U.S.-based asset managers and pension funds. Ms. Simonis received a B.A. in Political Science from Willamette University and attended the Tokyo International University Bekka Program.

Presentation for Alaska Permanent Fund Corporation

February 15, 2024

Contact: IRNY@lspower.com

LS Power Overview

At the leading edge of making the nation's energy system cleaner, more affordable, and more reliable

- LS Power is a development, investment and operating company focused on the North American power and energy infrastructure sector
- Founded in 1990, LS Power has ~**370 employees** across New York, New Jersey, Missouri, Texas, California, and remotely
- In total, LS Power has **raised more than $54 billion** in debt and equity capital to develop or acquire more than **47,000 MW of power generation**

LS Power Group				
Investment Partnerships		Development		
Flagship Infrastructure Funds	Other Partnerships	Transmission	Generation	Renewables & Energy Storage

- **In-house functional expertise** and platform resources provide direct due diligence and **actively drive value for all project investments and portfolio companies**
- **$12.9 billion in equity capital**[1] commitments raised
- **Currently own and operate 19,000+ MW of power generation** (conventional and renewable); 34,000+ MW acquired since inception
- **Portfolio of nation-leading Energy Transition Platforms** across electric vehicle charging, demand response, microgrids, renewable fuels (waste-to-RNG, green hydrogen, etc.)

- **15 transmission projects representing over $5 billion** in capital costs[2] across 5 ISO/RTOs and 7 states; **780+ miles** completed with an additional 350+ miles and multiple substations under development or in construction
- **Developed over 13,000 MW** of renewable and conventional power generation and battery energy storage projects

1. Total equity capital commitments raised represents LS Power Equity Advisor Funds I-V, Luminus Credit Opportunities Funds I and II, West Deptford Energy, Gridiron Energy and Bolt Energy.
2. Total capital costs for transmission includes invested capital and estimated costs for projects in development or under construction. Certain projects include external partners.

Pioneer in Power & Energy Infrastructure

Established track record of being among the first to commercialize and invest in new markets, asset classes, technologies, financing structures, and contractual frameworks

Natural Gas Generation

1990

One of the first utility-scale private developers of efficient cogeneration facilities following US power market deregulation

Development of gas generation projects continued until 2011

LS Power's subsequent focus narrowed to the optimization of existing operating projects through its infrastructure funds

Today, LS Power is one of the largest private investors and operators of natural gas facilities, which remain critical for grid reliability and affordability

Transmission

2006

Multiple selections to date with 15 projects across 5 ISO/RTOs and 7 states:

- CAISO, 7 awards
- PJM, 2 awards
- MISO, 2 awards
- ERCOT, 2 awards
- NYISO, 1 award
- ISO-NE, 1 award
- Nevada, 1 project

Leading national private transmission owner with 780+ miles of operating high-voltage transmission, and 350+ miles and multiple substations under development or construction

Utility-Scale Renewables

2008

Pioneered private investment in utility-scale renewables

Began with solar projects (438 MWdc) developed, financed, constructed, and operated:

- AVSE II
- Centinela
- Dover SUNPark

Effort continues today with utility-scale solar, wind, and hydro development and/or investment

Utility-Scale Battery Storage

2016

Among the first to privately develop and invest in standalone battery storage at utility-scale:

- Vista (2018)
- Gateway (2020)
- Diablo (2022)
- LeConte (2022)

These projects include some of the largest facilities of their kind in the world

Extensive grid-scale storage development continues through portfolio company REV Renewables

Distributed Energy Resources / Energy Efficiency

2018

Significant investments in distributed energy and energy efficiency businesses:

- CPower Energy Management (2018, Demand Response)
- Endurant (2021, Microgrids)
- Craft Work Capital Investments (2022, Energy Efficiency upgrades for mechanical & electrical systems)

Electrification Infrastructure

2020

Significant investment in the electrification of transportation:

- EVgo (2020, Electric Vehicle Charging Infrastructure)

EVgo operates one of the largest public fast charging platform in the U.S., with 900+ fast charging stations in 60+ metropolitan areas

Additionally, EVgo has a robust development pipeline to expand its network to 75 metro markets in 40+ states by 2025

Renewable Fuels

2020

Significant investments in waste-to-renewable natural gas (utilizing feedstocks such as landfill, food, farm) as well as green hydrogen:

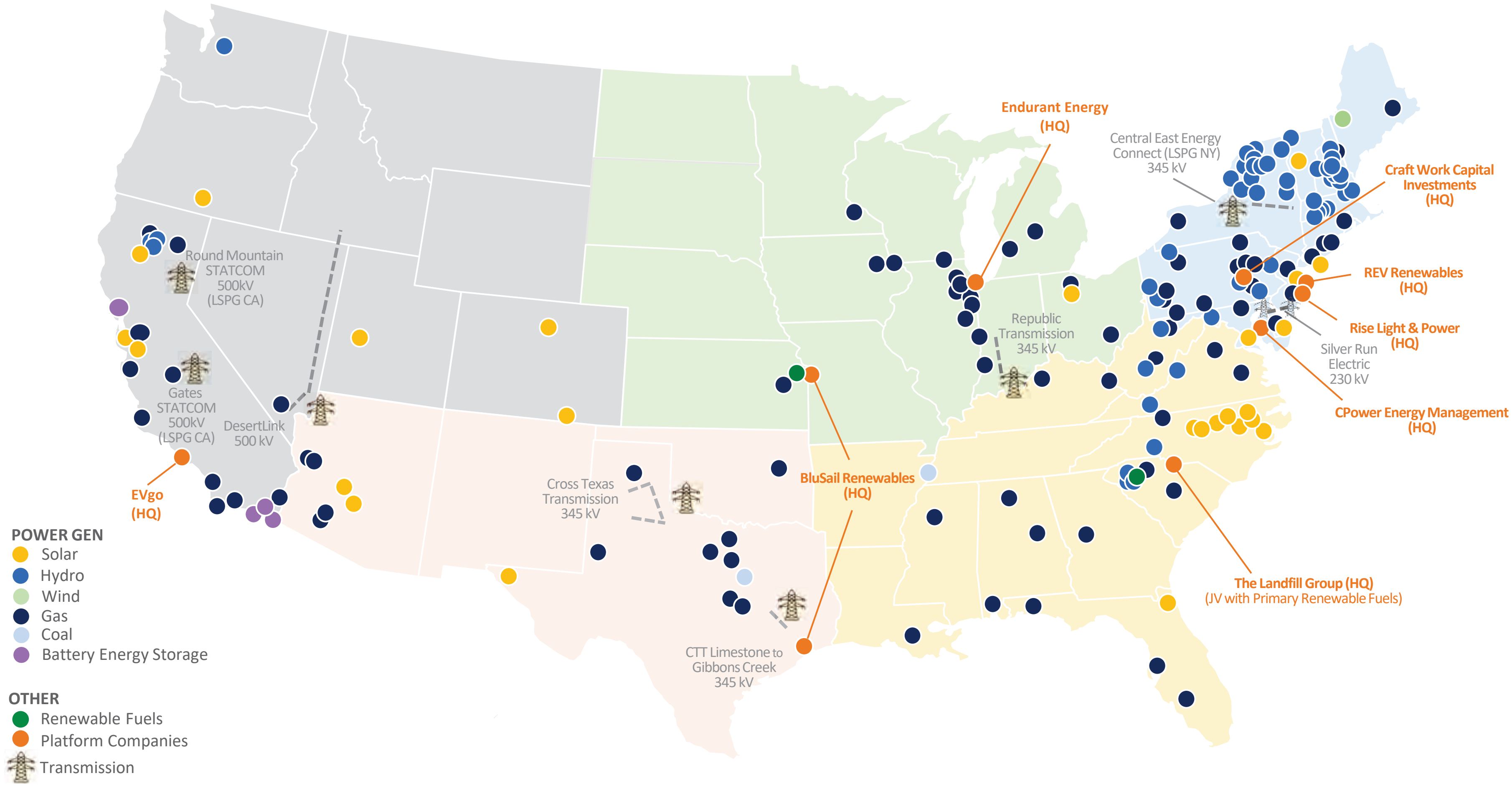
- Primary Renewable Fuels (2020, waste-to-renewable energy JVs with The Landfill Group and BluSail Renewables)
- Clean Hydrogen Fuels (2023, JV with Monarch Energy)

Investments and projects listed are generally representative of LS Power throughout its history and are not complete nor available to all investors. Investments or projects that represent less than 1% of LS Power's total portfolio since inception such as coal or strategic corporate investments are excluded. Please see Investment Performance Summary for all investments held in LS Power's flagship investment funds.

Extensive Development and Operating Experience

A reduction of carbon intensity of the system is a secular long-term trend – one which we anticipated in constructing our project portfolio and informs our ongoing views of the opportunity set

- More than $54 billion in equity and debt raised since inception
- Developed or acquired 160+ Power Generation projects, 15 Transmission projects, and a portfolio of nation-leading Energy Transition Platforms



LS POWER

Energy Transition Platforms

REV RENEWABLES
Funds III-IV

Leader in the development, acquisition and operation of renewables and energy storage with a ~2.8 GW operating portfolio across solar and wind generation, pumped storage hydro and battery storage projects

EVgo FAST CHARGING
Fund IV

One of the nation's largest public fast charging network for electric vehicles, powered 100% by renewable energy, with over 900 locations and 500,000+ customers across 35+ states

CPower
Fund IV

Leading U.S. demand-side energy management solutions provider, helping 2,400+ organizations across 24,000+ sites save on energy costs, enhance sustainability efforts, and support the decarbonization and reliability of the electric grid

Primary Renewable Fuels
LandfillGroup blusail RENEWABLES
Fund IV

Waste-to-renewable energy platform for JVs with The Landfill Group (landfill waste) and BluSail Renewables (anaerobic digestion from food and farm waste) that provides a complete solution to deliver renewable energy while reducing emissions from landfill, food, and farm waste

endurant
Fund IV

Leading provider of on-site energy and microgrid solutions in North America that develops, builds, and owns a variety of technologies including combined heat and power, ground source heat pumps, batteries, fuel cells, and solar

CRAFT WORK CAPITAL
Fund IV

Strategic investor in electrical and mechanical contracting firms that benefit from macro trends in Energy Efficiency and increasing options in distributed generation such as Energy Service Companies (ESCOs)

RISE LIGHT & POWER
Fund III

Largest energy manager and developer in New York City providing more than 20% of the city's generating capacity; Evolving to meet the city and state's clean energy goals through modernization of facilities and investments in large-scale renewable projects, such as offshore wind interconnection, battery storage, and zero carbon thermal energy

Clean Hydrogen Fuels
MONARCH ENERGY
Fund V

Utility-scale green hydrogen development through JV with Monarch Energy. Development of U.S. hydrogen projects can be instrumental to decarbonizing critical segments of the economy, such as chemical and industrial manufacturing processes that are traditionally reliant on fossil fuels

LS POWER GENERATION

16 GW fleet of fast-starting natural gas-fired power projects complementing the intermittency of wind and solar to improve overall grid reliability

LS POWER GRID

15 projects across 7 states with 780+ miles of high voltage transmission currently in operation and an additional 350+ miles and multiple substations in development or under construction, delivering energy resources to millions of homes and businesses

Conventional Generation	Transmission	Renewable Generation	Utility-Scale Battery Storage	Distributed Energy Resources / Energy Efficiency	Electrification Infrastructure	Renewable Fuels

Leadership

Seasoned team leverages multiple perspectives and extensive experience through economic and commodity cycles

INVESTMENT COMMITTEE | 20 years average tenure with LS Power | 32 years industry experience

Mike Segal
Chairman
34 51

Paul Segal
Chief Executive Officer
26 27

Darpan Kapadia
Chief Operating Officer
20 24

David Nanus
President, LSP Equity Advisors
19 27

Joseph Esteves
Chief Financial Officer
19 37

Ron Fischer
General Counsel
18 35

James Bartlett
Vice Chairman
19 35

Nate Hanson
President, LSP Generation
13 37

Paul Thessen
President, LSP Development
32 32

John King
Executive Vice President, Renewables
18 29

Jeff Wade
Chief Compliance Officer
13 22

Jennifer Neill
Chief Financial Officer, Private Funds
17 33

John Staikos
Managing Director & General Counsel, Funds
18 25

Emily Simonis
Head of Investor Relations
11 29

PLATFORM RESOURCE LEADERS | 13 years average tenure with LS Power | 25 years average industry experience

Kathy French
Head of Environmental, Health & Safety

Tony Hammond
Head of Operations Management

Marc Kline
Head of Energy Management

Scott Carver
SVP, Government & Regulatory Policy

Marjorie Philips
SVP, Wholesale Market Policy

Sharon Segner
SVP, Transmission Policy

Ray Soto
Chief Technology Officer

Anna Cavaco
SVP, Head of Human Resources

Shimon Edelstein
EVP, Head of Tax

Joe Myers
Chief Accounting Officer, Company & Portfolio-level

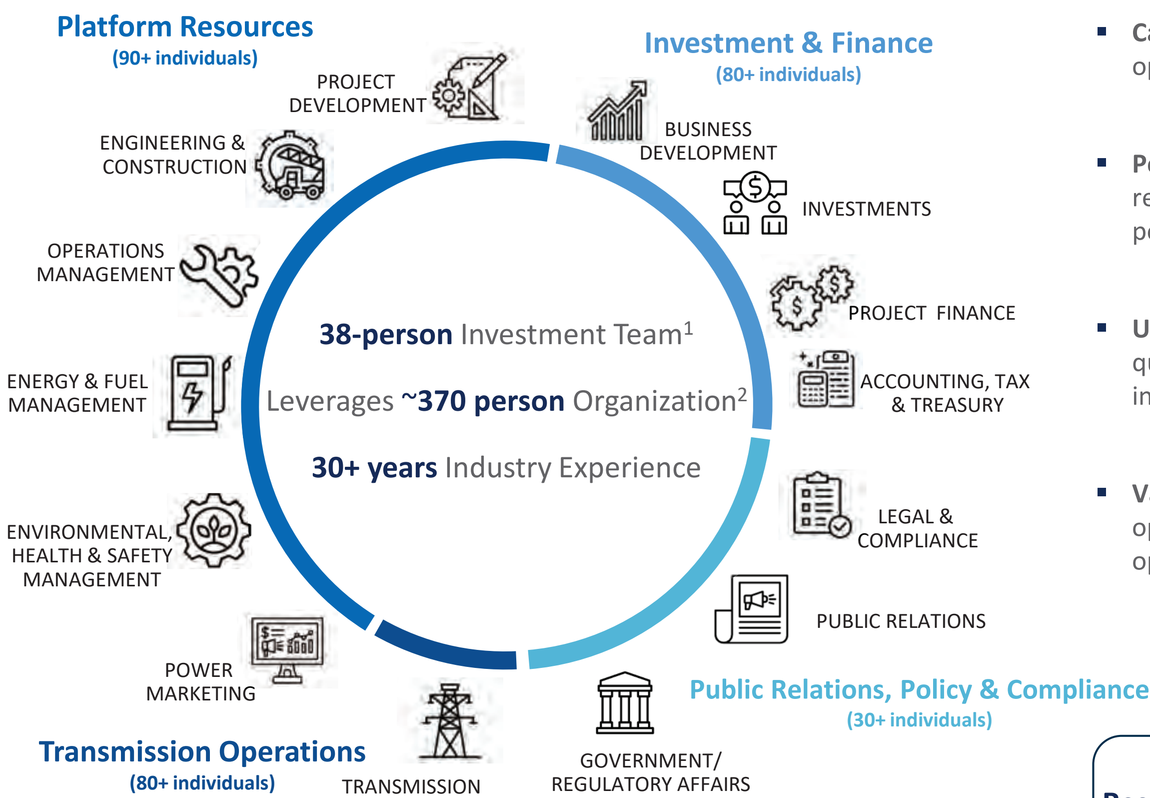
Keith Warren
Senior Strategic Talent Advisor

As of January 2024

LS POWER

In-House Functional Expertise

Value-added core competencies embedded within LS Power support execution with greater speed, conviction and efficiency at every stage of the investment life cycle



- **Capital markets insight** – visibility into financial & operating performance of power & energy companies
- **Peer-to-peer network** – long standing relationships with regulators, lenders, suppliers, power purchasers, fuel & power marketers, developers, and contractors
- **Underwriting & risk reduction** – extensive capabilities to quickly and quietly diligence and value risks, assets, and investment structures
- **Value capture and enhancement** – establishing / optimizing commercial arrangements, physical operations, and financial structures

Resident expertise adds meaningful strategic value beyond a purely financial sponsor

1. Investment Team is inclusive of the Investment Committee and individuals from functional expertise areas for Investments, Project Finance, Legal & Compliance, Energy Management, Operations Management, Environmental Health & Safety, and Tax
2. Organizational headcount is inclusive of 50+ individuals across IT, HR, Administration, and other support teams. As of Nov 2023.

Model for Value Creation

Robust platform designed to improve operating, commercial and financial performance and build market leaders

Revenue Enhancement & Commercialization

- Increase quantity and predictability of cash flow by establishing or restructuring sales arrangements and forward energy hedges
- Leverage core development and M&A capabilities to realize expansion opportunities
- Utilize LS Power network to drive commercialization, diversification and revenue channels

Operations Management & Optimization

- Efficiency enhancements and modernizations
- Restructuring contracts with suppliers, customers, maintenance and service providers
- Facilitate lateral and vertical synergies through strategic acquisitions and partnerships

Policy & Advocacy Levers

- Tactical policy efforts to adeptly navigate complex and fragmented systems
- Strategic positioning in regulatory and legislative forums
- Proactively address legal, regulatory and environmental issues

Strategic Financing Solutions

- Implement flexible cost-effective leverage for operations (e.g. project finance markets) and/or access growth capital (e.g. private partnerships and/or public markets)
- Monetize value created through optimization efforts

Investment Opportunity / Experience To Date

Our platform expertise adds meaningful strategic value to opportunities across Power and Energy Infrastructure while supporting grid reliability, efficiency, affordability and sustainability

Renewable Generation / Energy Storage	■ **Solar, wind, and hydro generation** ■ **Battery, pumped storage hydro, and other energy storage projects and businesses**	Battery Storage (4) Hydro (55) Solar (33) Wind (4) REV Renewables
Conventional Generation	■ **Gas-fired Generation** including combined cycles and peakers, are valuable as low-cost flexible resources ■ **Structured Equity and Debt** can offer attractive entry points with robust collateral coverage during market dislocations to either (i) gain control positions of the underlying assets at a low entry basis or (ii) hold securities to maturity with takeout at or near par	Gas Projects (58) Granite Energy Gridiron Rise Light & Power ——— Energy Credit (4) Entegra (2) Mach Gen (4)
Distributed Energy Resources / Energy Efficiency	■ **Distributed Generation and Microgrids** provide power onsite while reducing cost, complexity, interdependencies, and inefficiencies often associated with centralized energy transmission and distribution ■ **Demand Response and Energy Efficiency** enable organizations to monetize their ability to reduce energy load during times of grid stress or high energy prices, or permanently reduce load through energy efficiency projects	CPower Energy Mgmt. Craft Work Capital Endurant Energy
Electrification Infrastructure	■ **Electrification of Transportation and Building Infrastructure** provides growth opportunities related to electric vehicles (which may evolve to vehicle-to-grid battery systems) and building infrastructure (e.g. gas-to-electricity shift for cooling and heating)	EVgo
Renewable Fuels	■ **Waste-to-Renewable Electricity and Renewable Natural Gas** captured from farms and dairies, waste treatment plants and landfills, animal feeds and food waste; supports reduction of greenhouse gas emissions ■ **Alternative energy and fuel sources** (e.g. hydrogen, etc.)	Primary Renewable Fuels Clean Energy Fuels

LS Power Fund Evolution

Fund Performance Overview

Summary as of September 30, 2023 ($ millions)

							Gross		Net		
Fund (Vintage)	**Portfolio Investments**	**Portfolio Projects**	**Fund Size**	**Invested**	**Realized Value**	**Total Value**	**MOIC**	**IRR**	**MOIC**	**DPI**	**IRR**
Fund I (2005)	10	31	$1,200	$1,523	$2,800	$2,800	1.8x	21%	1.4x	1.4x	13%
Fund II (2007)	9	35	$3,085	$2,496	$4,939	$4,939	2.0x	20%	1.4x	1.4x	11%
Fund III (2014)	7	22	$2,075	$1,885	$2,115	$5,055	2.7x	25%	2.0x	0.9x	**18%**
Fund IV (2018)	11	58	$2,254	$1,841*	$224	$3,181	1.7x	32%	1.4x	0.1x	**20%**

*Fund IV deployment will increase to $2.1 billion including budgeted capital for follow-on transactions

Top Quartile[1]

Fund V was activated in Q4 2023 and is currently completing its fundraise, with $2.3 billion in commitments raised through January 2024

1. First Quartile Net IRR for Funds III and IV for each respective vintage relative to the Preqin North America Energy benchmark as of Q3 2023. Vintage denoted for LS Funds and reference used for benchmark comparison is defined as year of first capital call. Metrics not highlighted did not rank in Preqin's First Quartile for the referenced period.

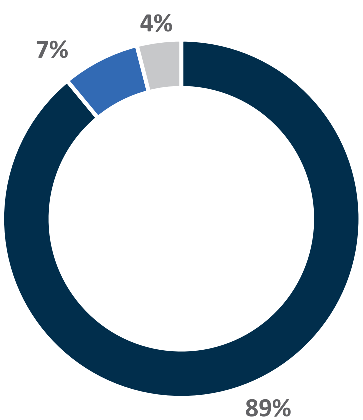
Please see disclaimers and endnotes at the back of this presentation for additional important information, including with respect to Net and Gross IRR, Net and Gross Multiples and valuations of unrealized investments. The historical returns achieved by any prior funds/vehicles or individual investments are not a prediction of future performance or a guaranty of future results.

Fund Evolution

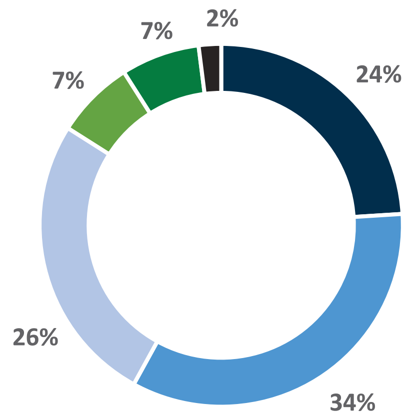
LS Power has been an established power and energy infrastructure investment manager since 2005

- **$12.7 billion in equity commitments raised**[1] ($9.7 billion across five flagship infrastructure funds and $2 billion through other investment partnerships)

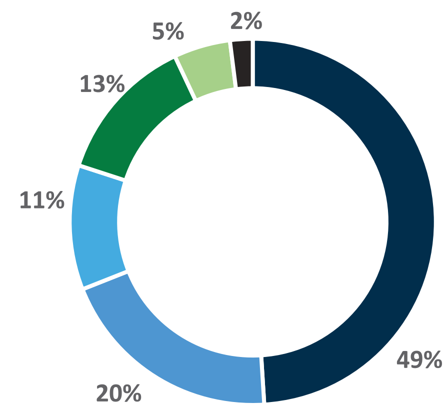
Fund I (2005 vintage)



Fund II (2007 vintage)



Fund III (2014 vintage)



Conventional Generation

Gas Combined Cycle | Gas Combustion Turbine | Coal | Steam Turbine

Renewable Generation

Hydro Run-of-River | Hydro Pumped Storage | Wind

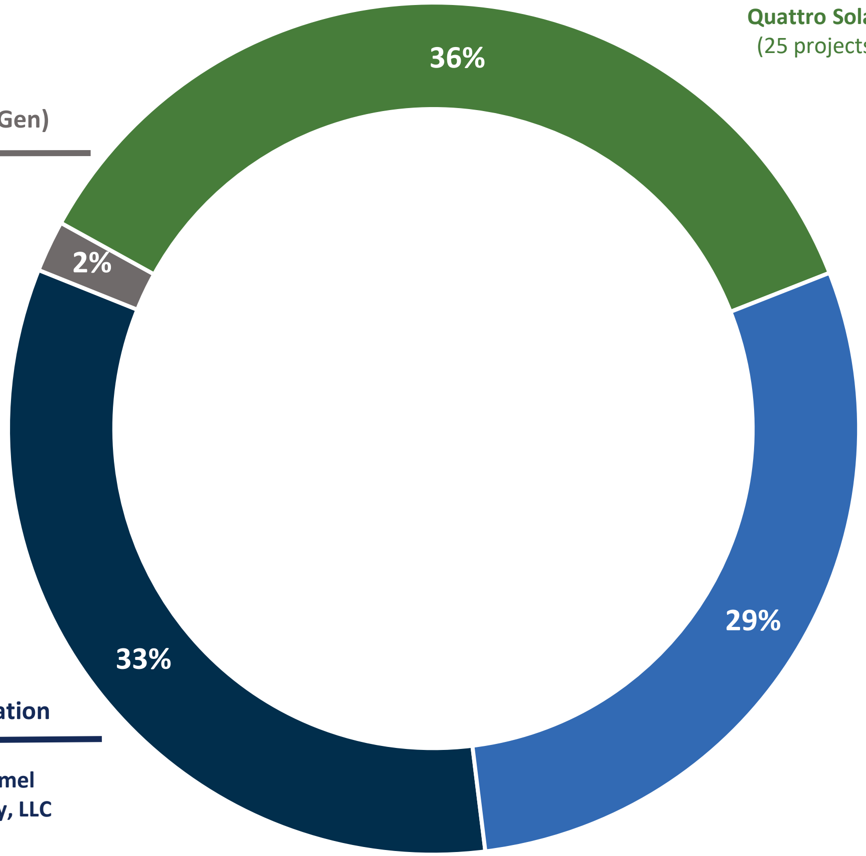
Other

Distributed Energy Resources | Distressed Securities

1. Total equity capital commitments raised represents LS Power Equity Advisor Funds I-V, Luminus Credit Opportunities Funds I and II, West Deptford Energy, Gridiron Energy and Bolt Energy.

Fund IV Exposure (2018 Vintage)

By Invested and Budgeted Capital



Renewable Generation, Energy Storage & Renewable Fuels

Quattro Solar (25 projects)

Patriot Hydro (41 projects)

Primary Renewable Fuels, LLC

Distressed Debt (Power Gen)

Energy Credit, LLC

Distributed Energy Resources, Energy Efficiency & Electrification Infrastructure

Conventional (Gas) Generation

Rolling Hills Station

Hummel Energy, LLC

Linebacker Power, LLC (3 projects)

Note: Quattro Solar was contributed to REV Renewables in July 2021. Please refer to the Fund IV Investment Performance for more information.

As of Sept 30, 2023. Please see the important information and related endnotes. Past performance is not necessarily indicative or a guarantee of future results.

Fund V Target Investments and Approach

Focus on core areas and their related value chains to support a transition to cleaner, reliable, and affordable energy

CONVENTIONAL GENERATION	RENEWABLE ENERGY	DISTRIBUTED ENERGY RESOURCES
Gas-Fired Generation	Renewable Generation & Fuels Battery Storage	Distributed Generation, Onsite Energy, Electrification & Energy Efficiency

Acquisition ⟷ **Development**

Conventional Generation

- **Reliability value** – essential underpinning to intermittent grid resources and affordability
- **Flexible assets** – quick ramp up or down
- **Investment approach** – Acquisition only, low-cost platforms or expansion

Renewable Energy

- **Value add approach** – utilize LS Power's 30+ years of development, operating and commercialization expertise
- **Scale opportunities –** Diversified set of projects lower concentration risk
- **Investment approach** – Combination of acquisition and development

Distributed Energy Resources

- **Critical piece supporting decarbonization** and electrification movement
- **Support lower-cost energy** with a focus on improving grid resilience and efficiency
- **Investment approach** – More development in nature, with potential acquisition play as sector matures

Representative Portfolio Construction

15-35%
Conventional Generation

30-50%
Generation & Storage, Renewable Fuels

30-50%
Electrification Infrastructure, DER & Energy Efficiency

Power Market Characteristics

Power Sector Characteristics

LS Power believes that the U.S. power sector will continue to provide a significant number of attractive investment opportunities due to its Fragmentation, Complexity, Capital Intensive Nature, and Inflation Protection Properties

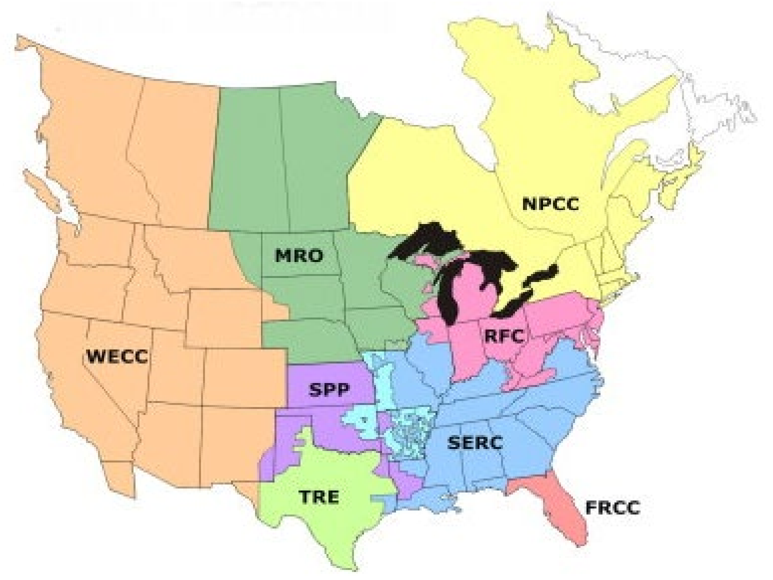
Market Fragmentation	▪ US power industry is a large component of the U.S. economy that includes 25,378 utility-scale electric generators, representing 1,253,743 MW of installed generation capacity[1] ▪ Value chain segmented across generation, transmission and distribution ▪ Varying fuel types: gas, coal, nuclear, solar, wind, hydro, geothermal, other
Regulatory / Operational Complexity	▪ Disparate regulatory regimes (state, regional, federal) ▪ Eight regional power markets, with each individual power plant's reachable load defined by its particular transmission access ▪ Distinct local utility dynamics ▪ Technical / operational differences
Capital Intensive Nature	▪ Total enterprise value of U.S. electric utilities is approximately $1.7 trillion[2] ▪ On average, $17 billion of U.S. electric and gas/power assets have changed hands annually over the last five years[3]
Inflation Protection / Resiliency / Diversification	▪ Natural inflation protection that comes from investing in hard assets ▪ Regulatory inflation protection (as capacity market prices embed operating costs, and power purchase contracts can incorporate pass-through cost protections) ▪ Resilience as essential infrastructure (necessary throughout COVID-19, etc.) ▪ Diversification benefit (little correlation to stocks, bonds, or real estate)

Source: (1) Energy Information Administration, October 2023; (2) Barclays/Factset, January 2024; (3) Barclays/S&P Global, January 2024

North American Power Market Fragmented and Complex

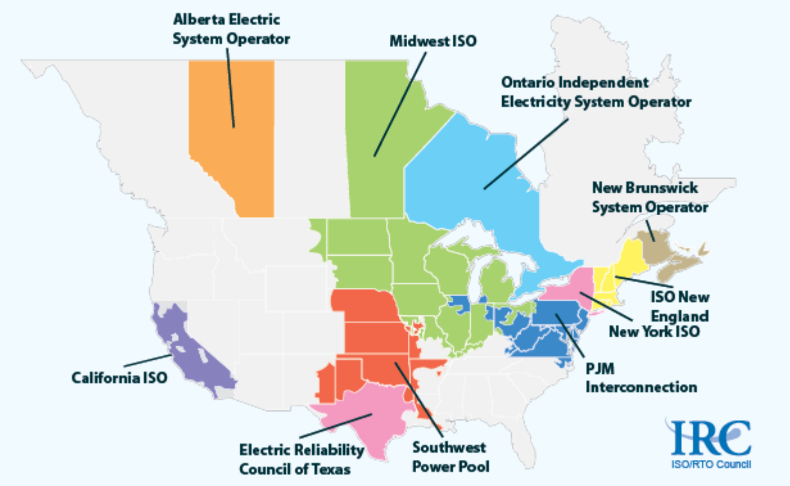
Power market complexity provides opportunities for sophisticated manager with sector-specific expertise

North American Electric Reliability Council Jurisdictions

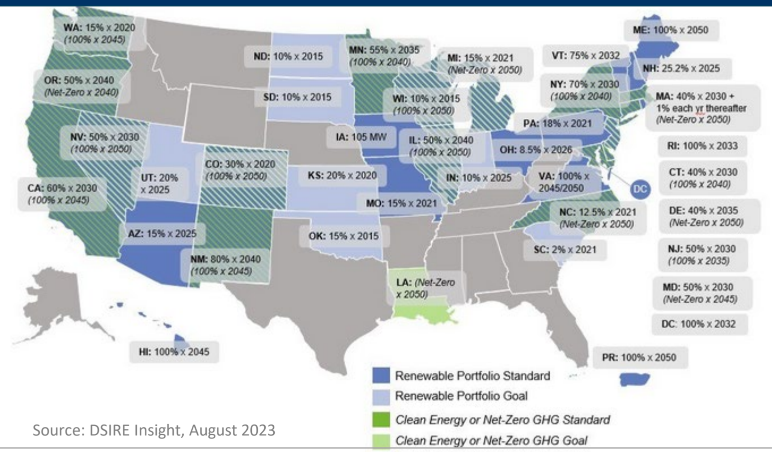


- Florida Reliability Coordinating Council (FRCC)
- Midwest Reliability Organization (MRO)
- Northeast Power Coordinating Council (NPCC)
- Reliability First Corporation (RFC)
- SERC Reliability Corporation (SERC)
- Southwest Power Pool, RE (SPP)
- Texas Reliability Entity (TRE)
- Western Electricity Coordinating Council (WECC)

Independent System Operators



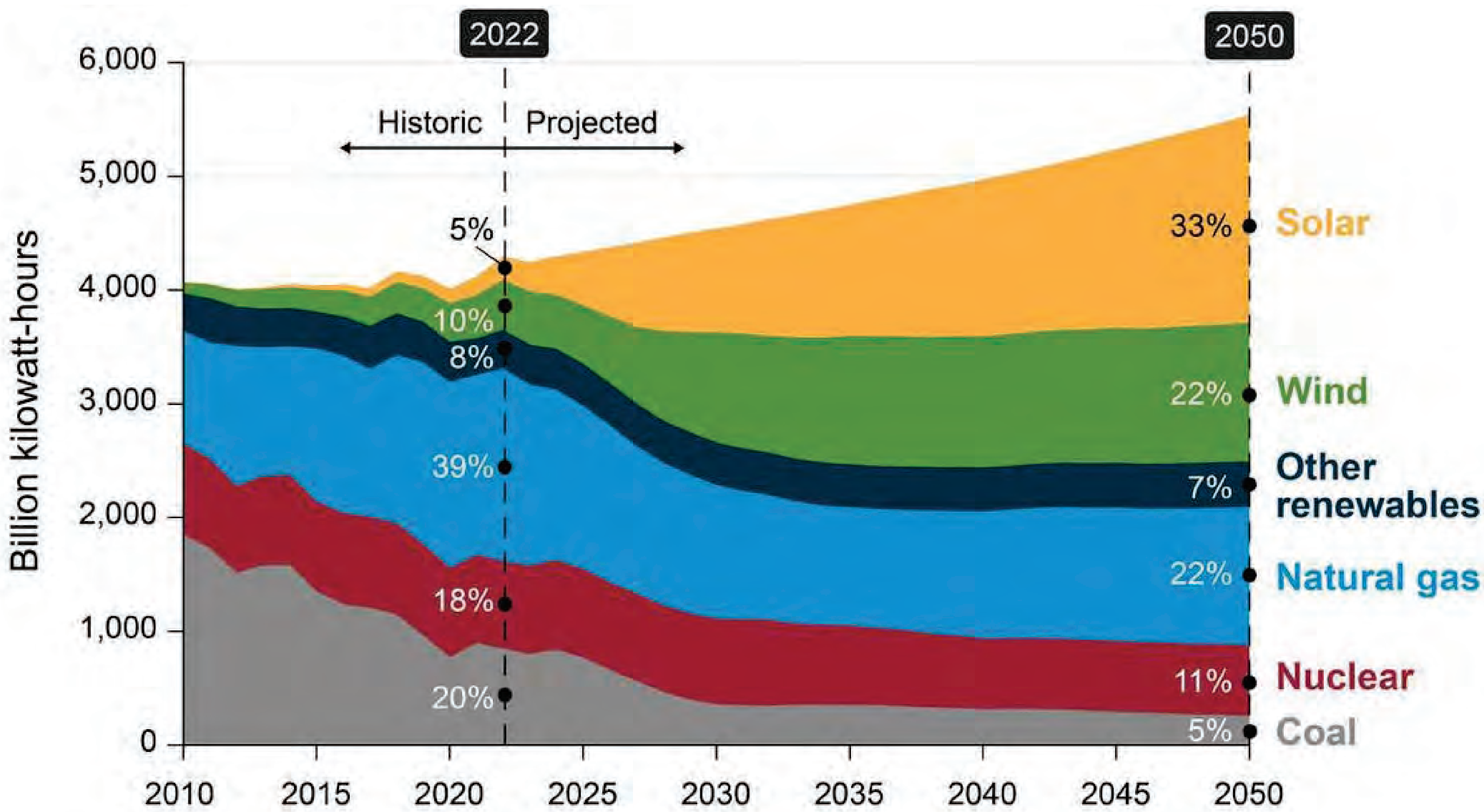
Variety of State Rules, including Renewable Portfolio Standards



Source: DSIRE Insight, August 2023

Constantly in Transition (More Evolution than Revolution)

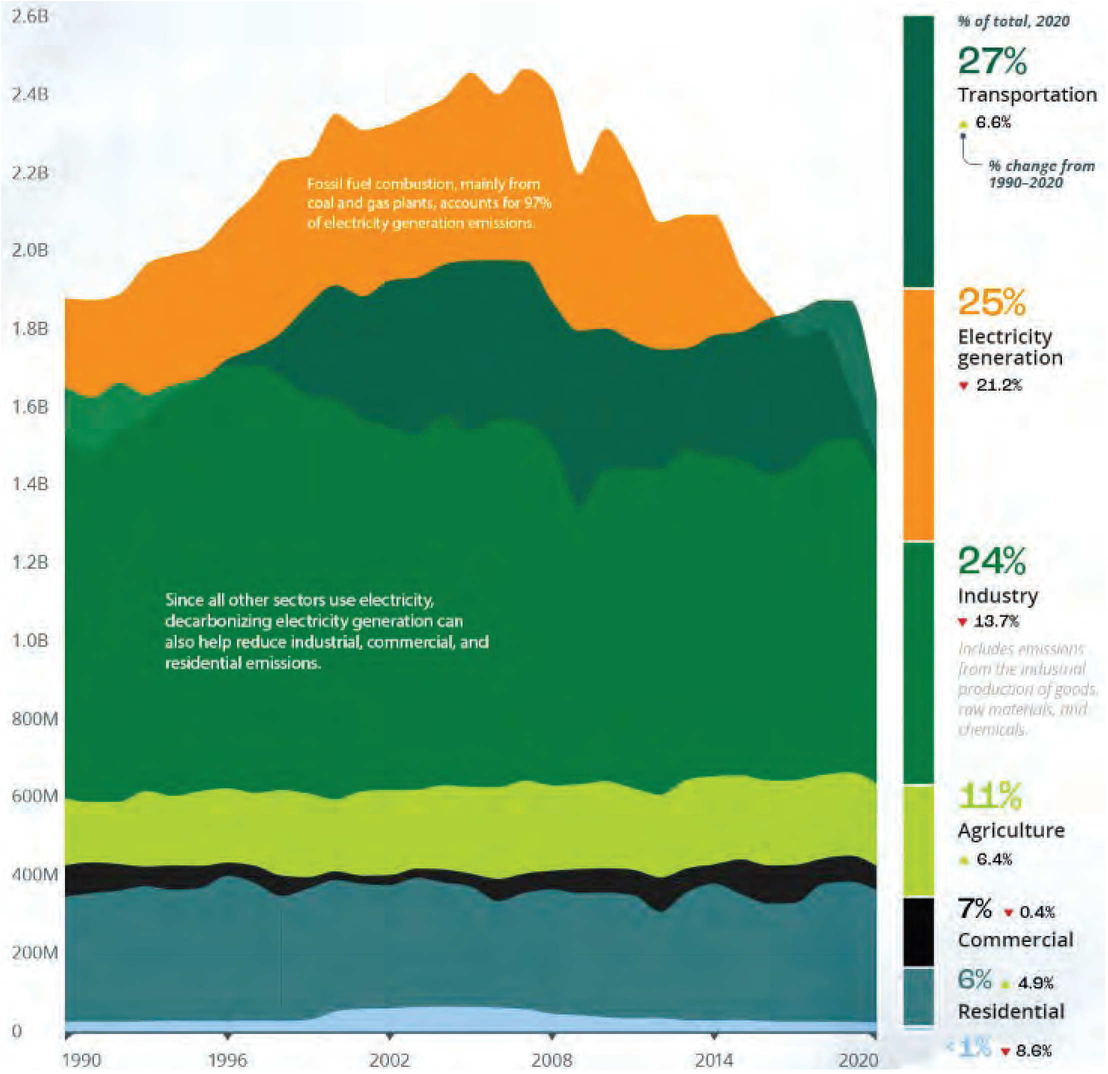
U.S. Historic and Projected Electricity Generation Sources (2010-2050)



Source: Energy Information Administration 2023

Focused on Reduction of Emissions by Source

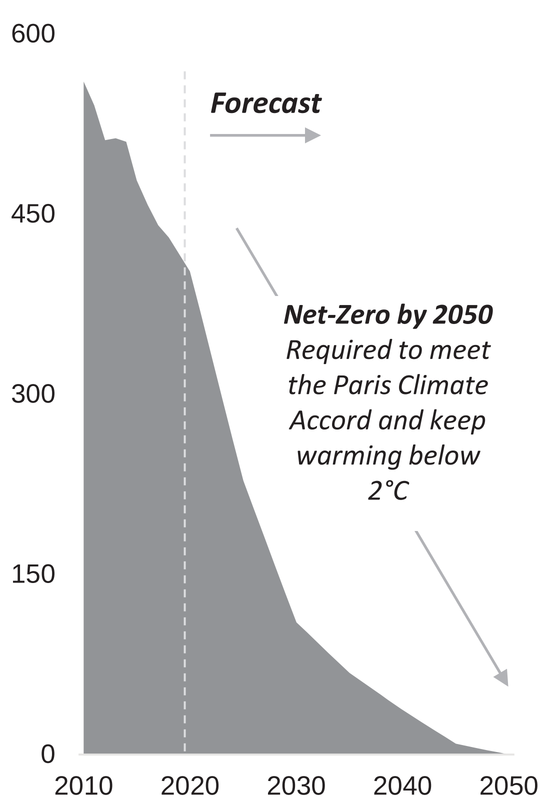
U.S. Greenhouse Gas Emissions By Sector, 1990-2020 (Metric tons of CO_2 equivalent)



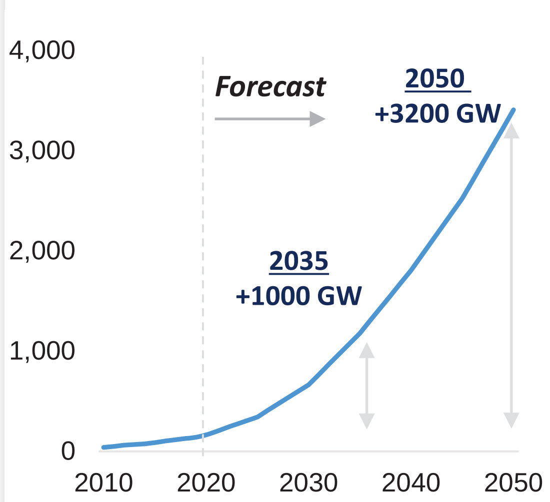
Source: U.S. EPA, Image from https://www.visualcapitalist.com/sp/visualizing-u-s-greenhouse-gas-emissions-by-sector/

Through Transformation of Electric Grid

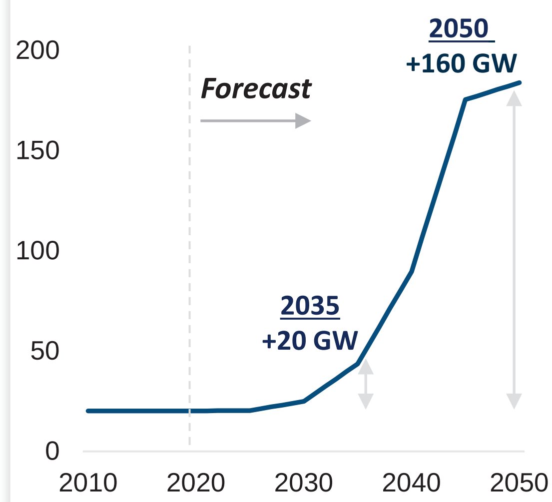
CO_2 Intensity (kg CO_2 / MWh)



Renewables Capacity (GW)



Storage Capacity (GW)



Other Infrastructure Needed

Distributed Generation	Demand Response & Energy Efficiency	Transmission Expansion	Electrification & EVs

A Decarbonizing Grid Requires Rapid Expansion of Infrastructure

Source: Carbon-Neutral Pathways for the United States, AGU Advances (January 2021), EIA AEO 2021

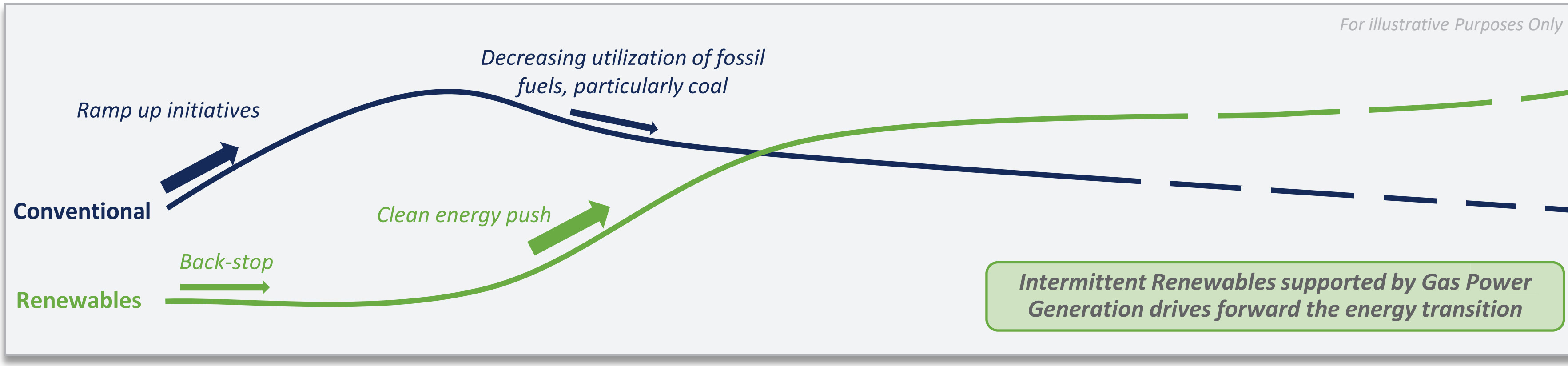
Driving >$3.5 Trillion in Capex for Clean Energy Infrastructure

Historical Capital Expenditure		Forecast Capital Expenditure
Renewable Energy $829 Billion Cumulative Spend from 2008 - 2022	+2.2x →	Renewable Energy **$1,846 Billion Cumulative Spend** from 2023 - 2037
Transmission & Distribution $790 Billion Cumulative Spend from 2008 - 2022	+2.2x →	Transmission & Distribution **$1,703 Billion Cumulative Spend** from 2023 - 2037

Note: Capital expenditures are shown on a nominal basis (2022).
Renewable Energy: includes solar (57% in 2022), wind (24%), biofuels (5%) and battery storage/other (14%). Source: Goldman Sachs Carbonomics (Q1 2023), SP Global (Q1 2023), BNEF (Q3 2023).
Transmission & Distribution: reflects investments of investor-owned electric companies and standalone transmission companies. Source: IEA (Q2 2023), EEI (Q2 2023 , Q4 2021), BNEF (Q1 2023).

Supported by Government Policies

Decarbonizing the electric grid while maintaining reliability and affordability requires efficient and flexible gas-fired power generation, renewables, energy storage and distributed energy resources



Early U.S. energy policies focused on **increasing domestic production** to **reduce reliance on imported oil**. This led to growth in the U.S. coal, oil, and gas utility markets.

The first energy crises in the 1970s and 80s also led to the propagation of energy conservation policies.

1970 U.S. Power Crisis
In response to shortages and inflated energy prices, the U.S. Congress funded the Alaskan pipeline and created the strategic petroleum reserve.

Renewable energy policies were first adopted with the goal of establishing secondary domestic fuel reserves for emergencies when imported / regional fuel supplies were interrupted.

Energy Transition

Energy Policy Act (EPAct) of 2005
Created new tax credits and standardized renewable fuels to make renewable production more competitive with fossil fuel generation.

The Paris Climate Accords (2015)
The international treaty adopted in 2015 mandated signatories reduce GHG emissions by 2030 to decelerate global warming.

Inflation Reduction Act (2022)
$500 billion in new spending and tax breaks that aim to boost clean energy, reduce healthcare costs, and increase tax revenues.

Several energy crises in 2021 and 2022, most notably in California, Louisiana, and Texas, highlighted the power grid's inability to support peak levels of demand and underscored the importance of reliable gas generation to complement renewable generation.

EU Taxonomy & SFDR
In 2022, the EU classified natural gas and nuclear energy as fuels necessary for sustainable transition activities under its new taxonomy.

U.S. Energy Information Administration (EIA)
In 2022, EIA projected gas-fired generation to be 34% of the capacity mix in 2050 (vs. 37% now) as its flexibility provides grid resiliency.

UC Berkeley 2035 Report (published 2020)
Advocates for '90% clean energy by 2035' as a practical and cost-effective path, supported by tools including renewables, battery storage, and gas generation.

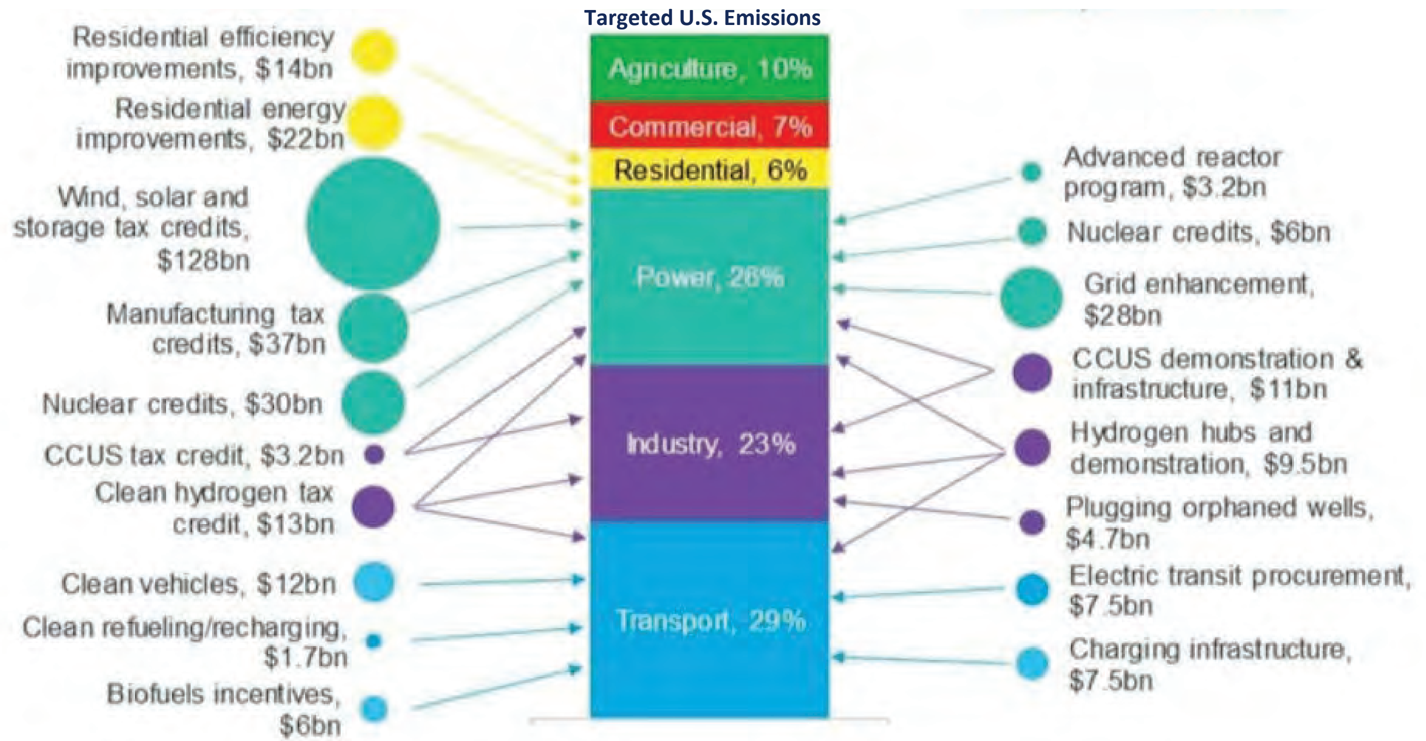
The North American Electric Reliability Corp (NERC) May 2023 Reliability Assessment put the U.S. West, Midwest, Texas, Southeast, and New England, along with Ontario in Canada, at elevated risk of "insufficient operating reserves in above-normal conditions."

Such as IRA and IIJA

Landmark Federal Support for Energy Transition from combination of 2022's Inflation Reduction Act (IRA) and 2021's Infrastructure Investment and Jobs Act (IIJA)

Inflation Reduction Act
($260B in Tax Credits & Incentives for Energy Transition)

Infrastructure Investment and Jobs Act
($80B in Tax Credits & Incentives for Energy Transition)



$340 Billion in Tax Credits & Incentives Grows to $369 Billion including Grant Programs/Loans

Source: EIA, EPA, Joint Committee on Taxation, Bloomberg NEF, November 2022

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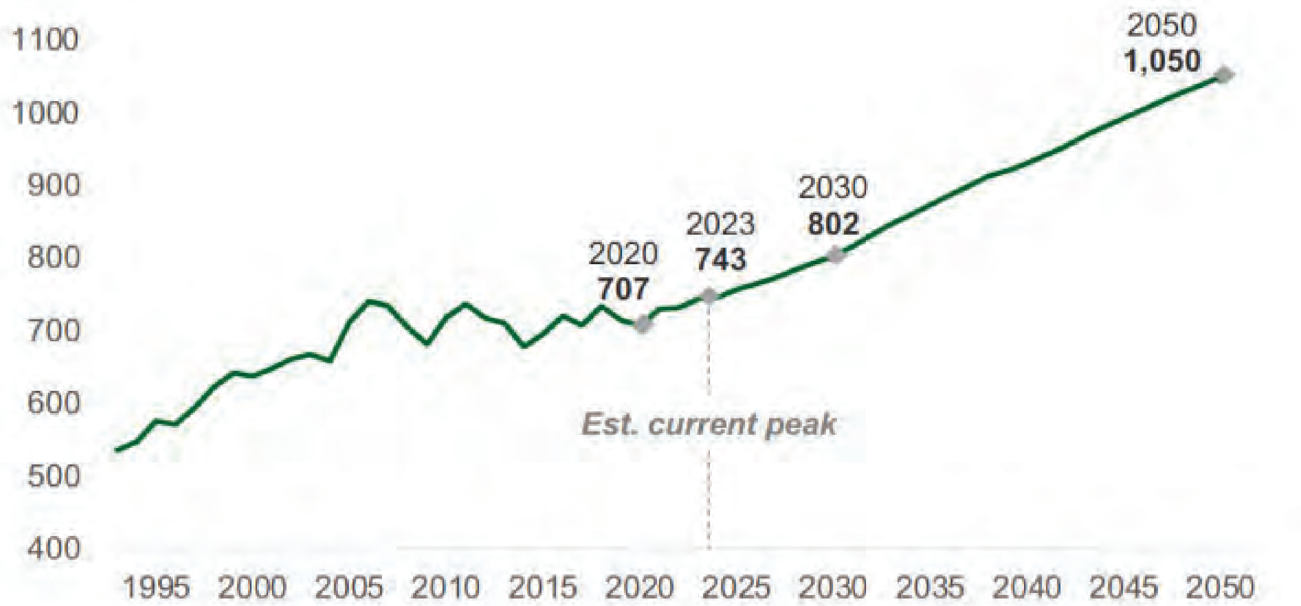
Amid Rapid Increase in U.S. Peak Electrical Demand

U.S. System Peak Demand, Historical and Projected, GW (1995-2050E)

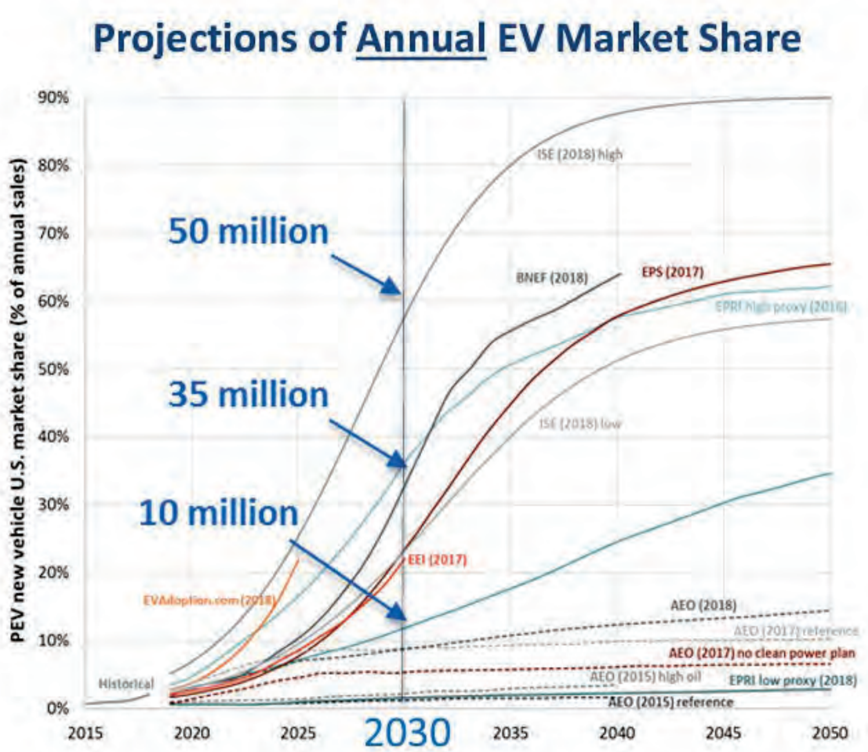


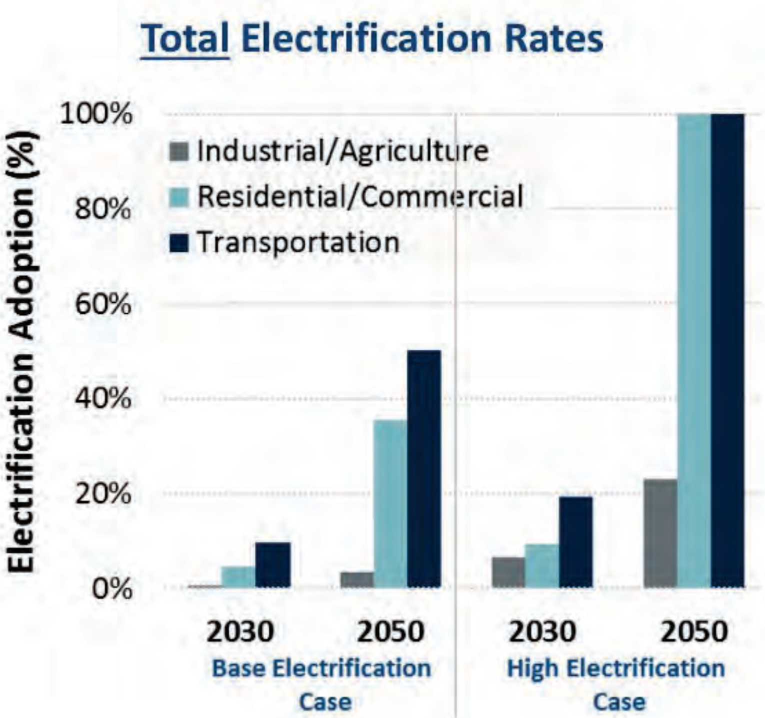
Note: National coincident peak demand is based on sum of peaks across FERC regions.
Source: Historical energy demand sourced from AEO. Coincident peak demand (point-in-time peak, not total energy consumption) estimated by The Brattle Group (2023) based on forecasted total energy consumption sourced from OP-NEMS mid-case scenario. This mid-case scenario includes increasing consumption from industrial electrification and electrification of HVAC; however, the EVs contribute the most demand to coincident peak according to estimated hourly consumption patterns that will vary by region.

Projected peak demand increase of >40% from 2023->50

Source: DOE Sep 2023 Virtual Power Plant Report (https://liftoff.energy.gov/wp-content/uploads/2023/09/20230911-Pathways-to-Commercial-Liftoff-Virtual-Power-Plants_update.pdf)

Fueled by Power Needs of Electrification





Rapidly increasing power demands from electrification of transportation, industry and homes

Source: Brattle Report, Feb 2022: https://www.brattle.com/insights-events/publications/the-electricity-grids-role-in-achieving-carbon-neutrality-in-the-us-and-new-england/

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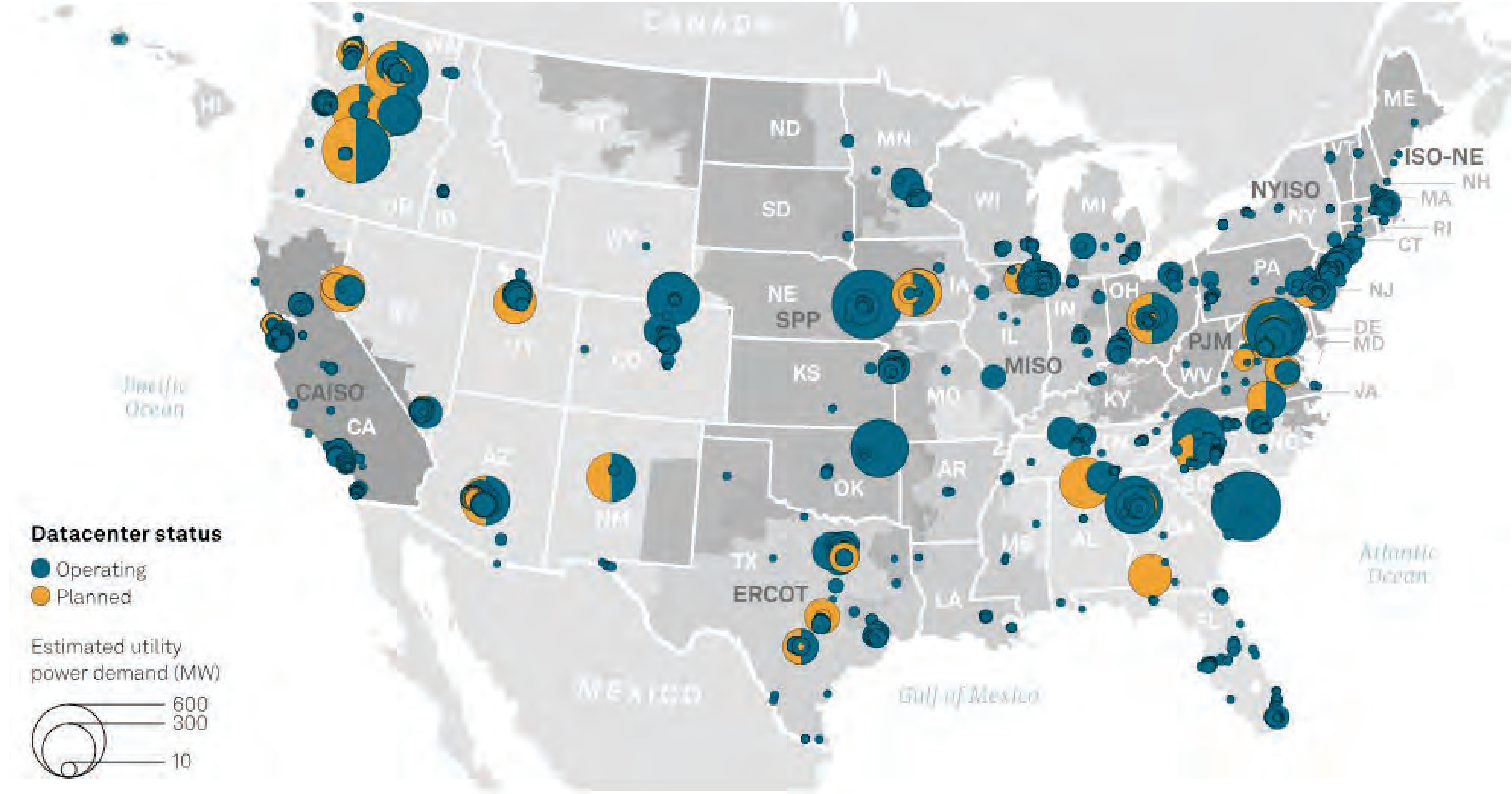
As well as Data Center Proliferation

Estimated utility power demand of data centers in the U.S.



Source: S&P Global Market Intelligence; 451 Research; S&P Global Commodity Insights, Oct. 2023 (https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/electric-power/101623-power-of-ai-wild-predictions-of-power-demand-from-ai-put-industry-on-edge)

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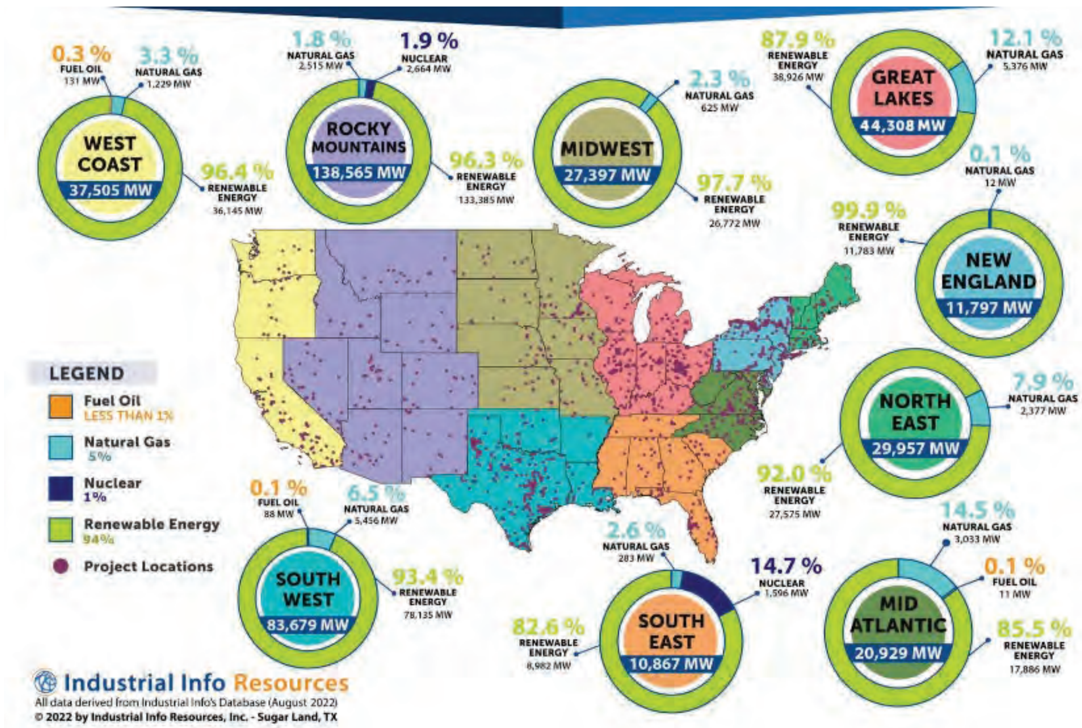
Renewable Development Represents 94% of 405 GW Forward Build

U.S. Power Generation Capacity Under Development With Construction During 2023-2027

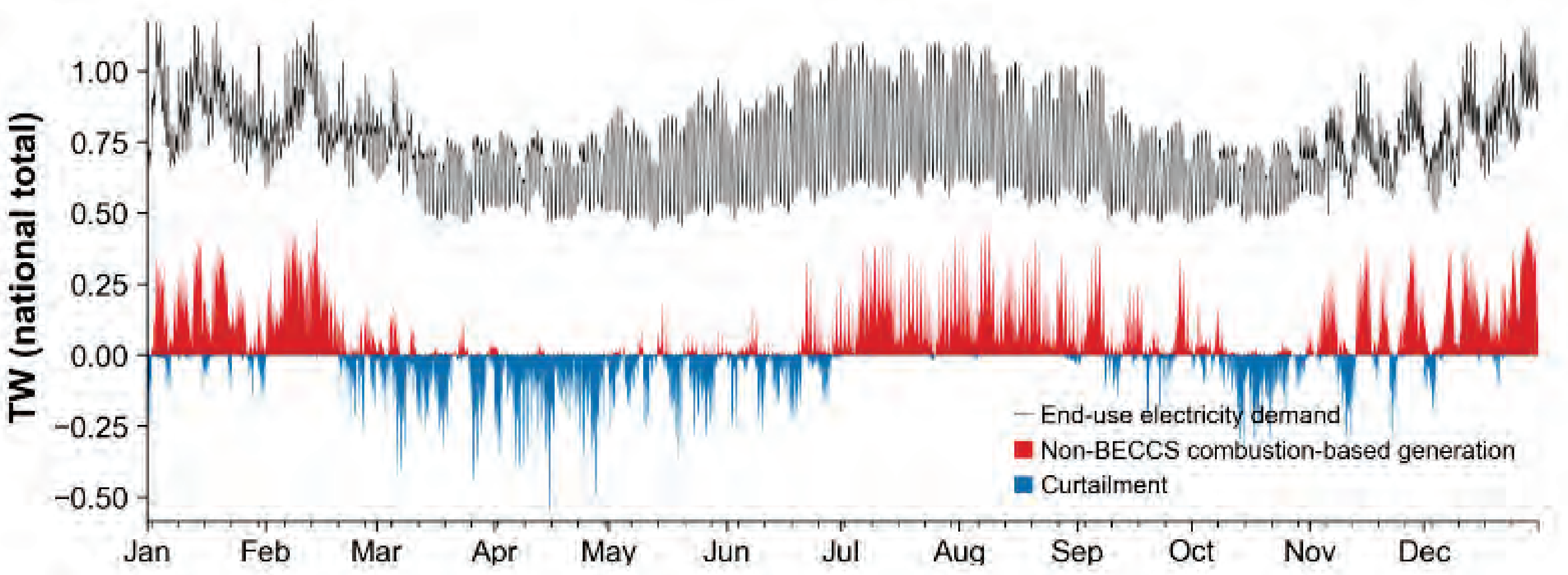


Compares to 56% Renewables in 2018-2022 Period; Construction +88% Y/Y

Source: Industrial Info Resources, August 2022 (https://www.turbomachinerymag.com/view/us-pi-outlook-23)

Highlighting Role for Gas Generation to Meet High Demand Periods

NREL 2035 All Options Scenario for U.S. Seasonal Supply/Demand Balance



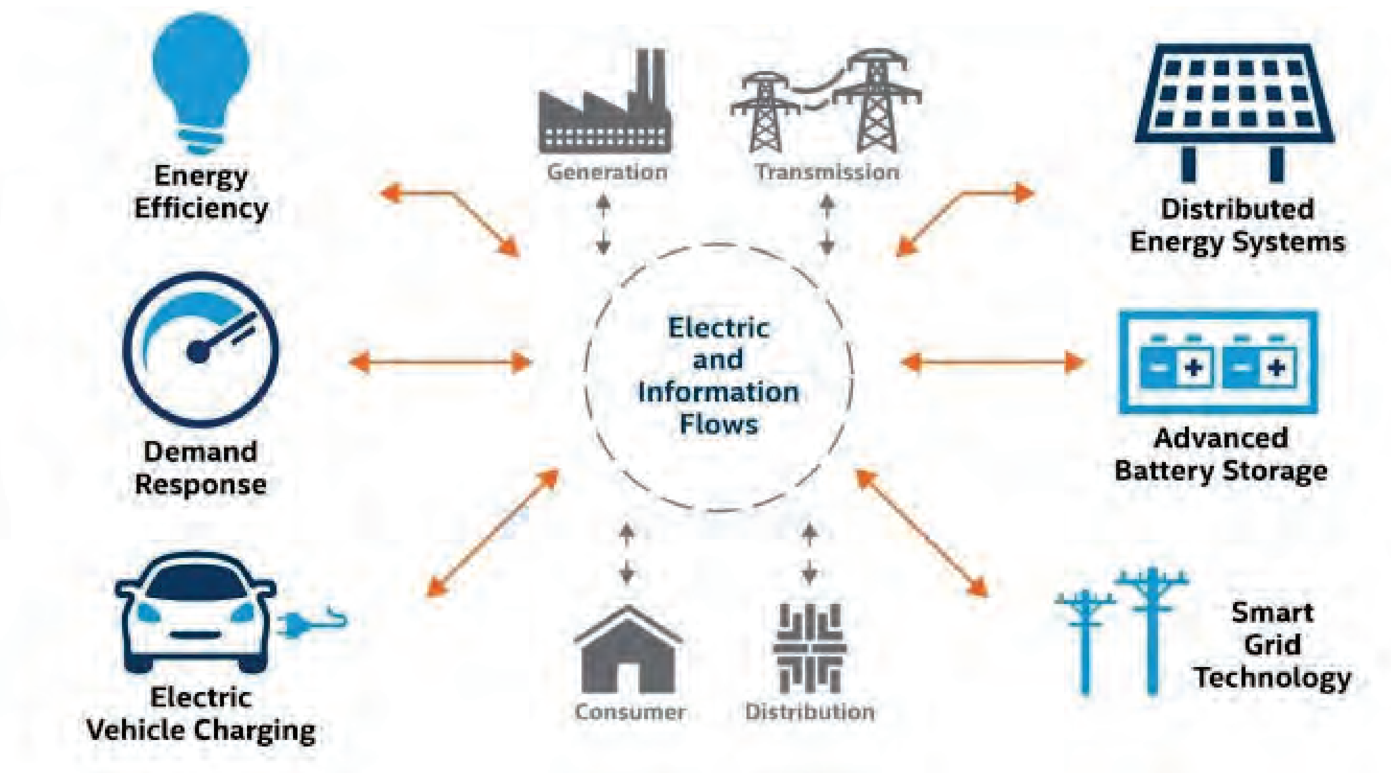
- Gas and other on-demand resources needed in Summer, Winter & Weather Events
- Renewable Generation Supply Often Exceeds Demand and is Curtailed in Spring & Fall

Source: NREL Examining Supply Side Options to Achieve 100 Percent Clean Electricity By 2035 as of 2022 08

BECCS = Bioenergy with Carbon Capture and Storage

Coupled with Distributed Energy Resources to Support Grid Reliability

21st Century Energy Infrastructure



Demand Side Management, Energy Efficiency, Batteries, and Electric Vehicles* Increasing in Importance

*Beyond reducing carbon emissions, Electric Vehicles have potential Vehicle-to-Grid applications
Graphic Source: https://blog.atomation.net/motivators-for-iot-adoption-in-utilities

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APFC ALASKA PERMANENT FUND CORPORATION

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907.796.1500 | apfc.org

SUBJECT:	Private Income Presentation H.I.G. Whitehorse	ACTION:	____________
DATE:	February 15, 2024	INFORMATION:	X

BACKGROUND:

H.I.G. Capital is a leading global alternatives asset firm focused on the middle market. The manger was founded in 1993 and has since raised $60B in AUM across three strategies: private equity, private credit, and real assets. H.I.G. Whitehorse focuses on direct lending to performing companies within the US middle market. APFC has a successful history of investing with H.I.G. Capital across all three strategies. Within private credit APFC has invested in the non-sponsored focused direct lending strategy since 2016 and completed its first co-investment with the manager in 2023.

As part of the Board meeting discussion of the Private Income asset class, Pankaj Gupta will discuss the private credit market broadly and his firm’s strategies within it.

Biography of Presenter:

Pankaj Gupta, President of Whitehorse U.S. & Global Head of Origination

Mr. Gupta is the President of WhiteHorse U.S. and Global Head of Originations. In this capacity, he oversees the U.S. Direct Lending business, as well as origination and deployment efforts for WhiteHorse globally. Mr. Gupta serves on the management and investment committees of both WhiteHorse U.S. and WhiteHorse Europe. He has over twenty-three years of experience in private debt and equity investing across a broad range of industries, including business services, manufacturing, distribution, telecom, healthcare, consumer products and consumer services. Prior to joining WhiteHorse, Mr. Gupta was a Managing Director with American Capital (NASDAQ:ACAS), a middle-market investment firm and spent six years at Audax Group, where he was responsible for the origination, structuring, execution and monitoring of mezzanine investments. Mr. Gupta received a Bachelor of Arts in Economics from Dartmouth College.

H.I.G. CAPITAL

H.I.G. CAPITAL
H.I.G. WHITEHORSE
DIRECT LENDING FUND 2020

PREPARED FOR ALASKA PERMANENT FUND CORPORATION

FEBRUARY 2024

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See Endnotes for important information.

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H.I.G. Capital – A Leader in the Middle Market

A leading global alternative asset firm focused on the middle market segment

30 YEAR TRACK RECORD

- $60 billion in AUM[1]
- Consistently strong returns over multiple cycles
- Differentiated value-added strategy
- Completed 350+ PE control transactions

$60bn[1] AUM FOUNDED IN 1993

- Diverse and synergistic platform
- Deep experience in:
  - Leveraged Buyouts / Growth Equity
  - Infrastructure
  - Real Estate
  - Special Situations / Distressed Credit
  - Direct Lending

MIDDLE MARKET FOCUS

- One of the largest and most active asset managers in the middle market
- Broad investment capabilities across industry sectors, capital structures, and investment styles
- 3,300+ equity and credit transactions, globally
- 28 business development professionals with a large “informal” deal flow network of 20,000 contacts

INSTITUTIONALIZED MANAGEMENT STRUCTURE

Strong financial staff and controls, legal and compliance, IT support, and risk management

19 Offices in North America, Europe, and Latin America

~1,020 Employees
~550 Investment Professionals

As of September 30, 2023, unless otherwise noted. Past performance is not indicative of future results. Please see relevant Endnotes for important information. H.I.G. Capital firm level and headcount information are the most recent available.

Synergies Across H.I.G.'s Global and Diverse Platform

H.I.G. WhiteHorse benefits from H.I.G.'s highly synergistic platform across U.S., Europe, and Latin America alternative small to mid-cap markets

PRIVATE EQUITY
~$31BN AUM[1]

H.I.G. CAPITAL

CREDIT
~$22BN AUM[1]

H.I.G. WHITEHORSE

BAYSIDE CAPITAL

REAL ASSETS
~$5BN AUM[1]

H.I.G. REALTY PARTNERS

H.I.G. INFRASTRUCTURE

144 Managing Directors

~3,200 total transactions

~550 investment professionals across **19** key global cities

$22bn[2] Credit Platform

Longstanding sponsor and advisor relationships

Knowledge from **over 350** H.I.G. portfolio companies

Over 2,700 total credit transactions

28 business development professionals

Executive Summary

Investment Strategy	▪ Differentiated strategy focused on middle market lending ▪ Originate senior secured loans primarily to non-sponsor borrowers ▪ Targeting companies with $10-$100mm EBITDA ▪ Highly selective credit process capitalizing on investment team experience through multiple cycles ▪ Proprietary deal flow generated through H.I.G.'s multi-channel sourcing network
Significant Downside Protection	▪ Capital preservation through rigorous credit selection ▪ Committed ownership with vast majority of troubled credits receiving equity support
Experienced Team	▪ Investment Committee averages 31 years of experience ▪ 71 investment professionals including 24 WhiteHorse originators in 11 local offices in North America ▪ 28 business development professionals ▪ ~550 investment professionals across H.I.G.'s global platform

Differentiated, Non-Sponsor Direct Lending

- Senior Secured 1st Lien Portfolio
- Downside Protected with Robust Covenants and Low Leverage
- Large, seasoned investment team consisting of 71 dedicated professionals
- Private equity-style due diligence resulting in minimal realized losses
- Returns driven primarily by predictable and stable high cash yields

12.1%	99.4%	3.6x
Current Cash Yield	First Lien	Net debt/EBITDA[2]

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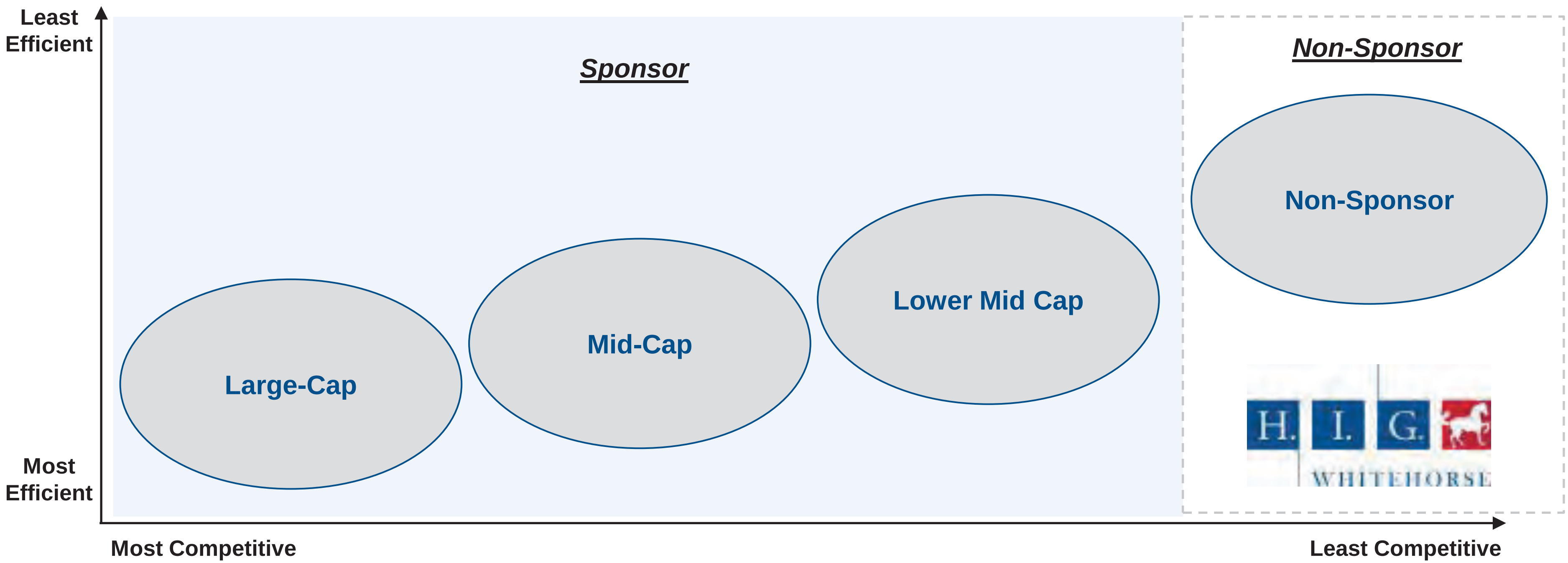
Private Credit – Market Segmentation



Large Cap	Mid Cap	Lower Mid Cap	Non-Sponsor
▪ EBITDA $100mm or greater ▪ No covenants ▪ Weak documents ▪ Highly liquid / competitive ▪ LTV typically 60%+ ▪ $2.5bn+ PE Fund Size	▪ EBITDA $40mm-$100mm ▪ Covenants with fewer stepdown ▪ Moderate documents with more borrower flexibility ▪ LTV typically 50%+ ▪ PE Fund Size > $1.0bn	▪ EBITDA $10-$40mm ▪ Covenants with stepdowns for borrowers with < $40mm of EBITDA ▪ Moderate documents ▪ LTV ~50%	▪ EBITDA $10-$100mm ▪ True financial covenants ▪ “Old fashioned” / tight documents ▪ Significant diligence access to management and owners ▪ LTV 25%-50%

Key Characteristics of the Non-Sponsor Market

H. I. G. WHITEHORSE

Many of the aspects of the non-sponsor market serve as significant barriers to entry for direct lenders

Process	Characteristics
Originations	▪ Non-sponsor market generally lacks long-term counterparty relationships for repeat deal flow, which is common when working with private equity firms in the sponsor market ▪ Nationwide origination network with local presence required to cover large universe of over 30,000 U.S. lower-to-middle market companies ▪ Originators must cover fragmented set of advisors and intermediaries in addition to direct contact with potential borrowers ▪ Majority of non-sponsor companies operate with minimal leverage, further limiting the opportunity set
Underwriting	▪ Underwriting team must conduct primary diligence, as opposed to receiving support from sponsor's initial diligence ▪ Many non-sponsor companies lack the information and data capabilities of institutionally-backed borrowers, and credit teams must organize and evaluate limited-quality data ▪ Due to the deal team working directly with company management, underwriters have a better opportunity to evaluate the borrower without filtering by intermediaries ▪ In most cases, underwriters commission third-party advisors for quality of earnings reports and market studies, as needed ▪ Underwriting process is 2-10 months, vs. 1-2 months for sponsored transactions
Workouts / Restructurings	▪ Non-sponsor deals typically lack institutional backers that would be able to financially support the company in a downturn ▪ Lenders must be prepared to influence company behavior at an earlier stage in the workout process as compared with workout processes for sponsored deals ▪ Given many non-sponsor companies lack best practices instituted by private equity sponsors, lenders require enhanced restructuring and private equity resources beyond the scope of typical direct lending firms

H.I.G. WhiteHorse Segmentation

Indicative Transaction Characteristics

	Non-Sponsor	Sponsor
Leverage Profile	▪ 2.0x – 4.5x	▪ 3.5x – 6.5x
LTV	▪ 25% – 50%	▪ 40% – 60%
Pricing (Spread to SOFR)	▪ 650 bps – 950 bps	▪ 550 bps – 700 bps
Covenant Cushion	▪ 20% – 25%	▪ 30% – 50%
Typical EBITDA	▪ \$10mm – \$100mm	▪ \$10mm – \$100mm

By focusing on non-sponsor transactions, the Fund anticipates achieving tighter documents, larger equity checks, and higher spreads

Illustrative Covenant Levels – Non-sponsor vs. Sponsor

Tighter covenant level leads to stronger monitoring, better downside protection and incremental fees

Non-sponsor Borrower*

- Initial leverage of 3.5x

	LTM	Year 1	Year 2	Year 3	Year 4
Management Projections (EBITDA)	$15	$18	$22	$25	$30
Covenant Case EBITDA	NA	NA	NA	NA	NA
Covenant Cushion		20%	20%	20%	20%
Covenant Breach Leverage		3.8x	3.5x	3.1x	2.7x

Sponsor Owned Borrower *

- Initial leverage of 5.5x

	LTM	Year 1	Year 2	Year 3	Year 4
Management Projections (EBITDA)	$15	$18	$22	$25	$30
Covenant Case EBITDA	$15	$16	$17	$19	$21
Covenant Cushion		30%	30%	30%	30%
Covenant Breach Leverage		7.0x	6.9x	6.2x	5.6x

- Non-sponsor deals typically have lower leverage and tighter covenants
  - Covenants are structured according to management projections vs. covenant case projections (typically discounted)
- This results in stronger, more detailed portfolio monitoring and a higher level of engagement with the borrower
  - Non-sponsor covenant breaches are "early looks" at a borrower's performance, and may also result in incremental revenue opportunities for the lender

*Illustrative metrics based on H.I.G. and industry data.

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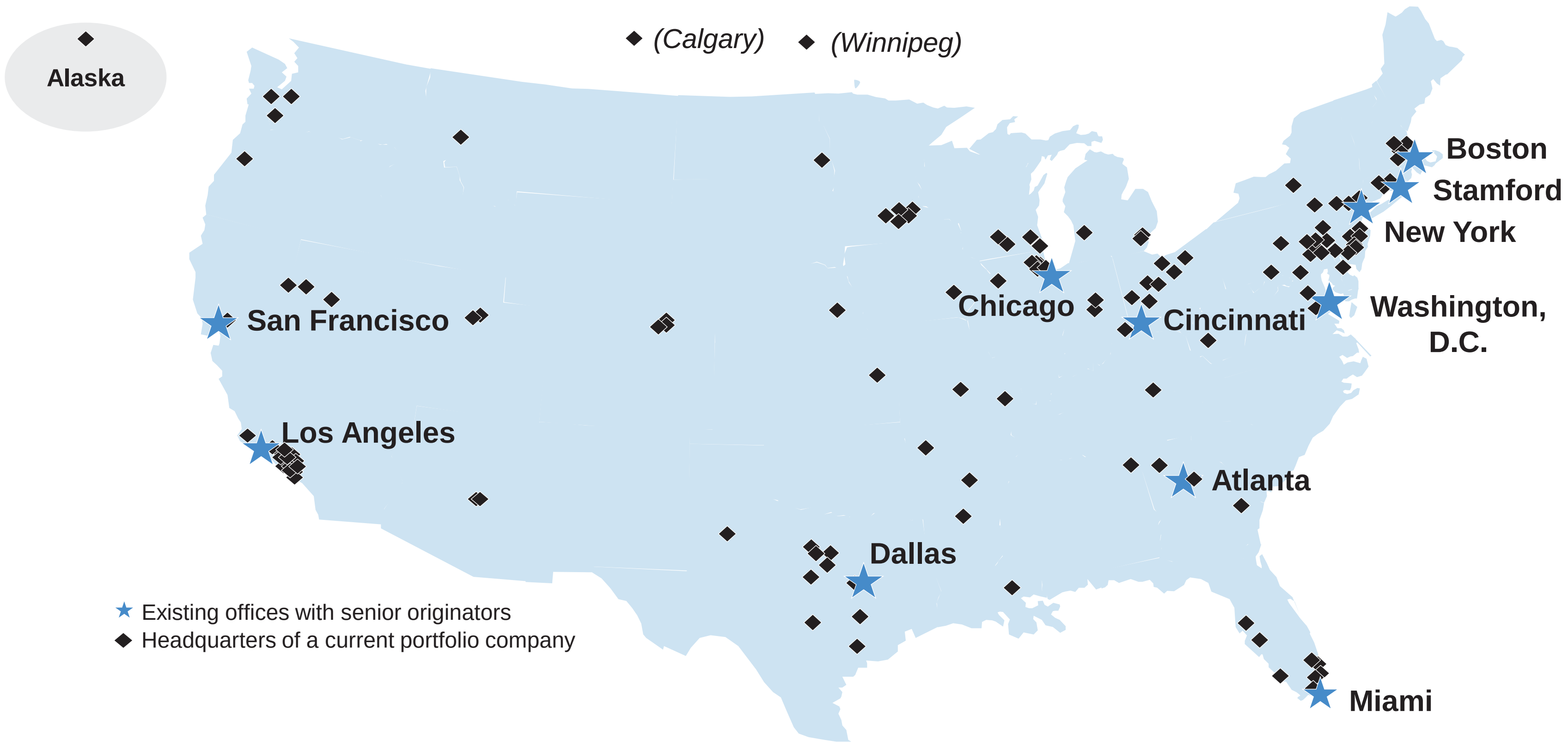
Power of the H.I.G. Direct Lending Model

1 Origination Infrastructure	▪ 3-tiered origination infrastructure: i. 71-person H.I.G. WhiteHorse U.S. Direct Lending Team in 11 local offices, 24 of which are dedicated to origination ii. ~550 person global investment team, including the firm's other strategies (private equity, distressed debt, real estate, etc.) iii. 28 person H.I.G. Business Development team
2 Private Equity Style Due Diligence and Platform Insights	▪ Private Equity-style due diligence process capitalizing on expertise gained from >350 control investments ▪ H.I.G. WhiteHorse can tap into the collective knowledge of the broader H.I.G. team, which encompasses virtually every deal in its 30-year investment history
3 Extensive Portfolio Management Capabilities, Including Restructuring	▪ In the event H.I.G. WhiteHorse has to assume control of a borrower, H.I.G. Private Equity and Bayside professionals assist in the management and staffing of the turnaround situation, providing support
4 Nonfinancial Support from H.I.G. Capital	▪ H.I.G. WhiteHorse refers potential acquisition targets sourced by its private equity business development team to its borrowers when such acquisitions are good opportunities that are not a strategic fit for H.I.G.'s PE portfolio companies ▪ H.I.G. Capital makes introductions among its vast network of 500+ current portfolio companies, when appropriate, to help identify new customer and supplier relationships

Regional Direct Origination Footprint

253 H.I.G. WhiteHorse investments since 2010
71 seasoned investment and origination professionals
24 dedicated direct lending originators in 11 local offices
~550 investment professionals across 18 offices in 9 countries and 3 continents
28 business development professionals dedicated to sourcing proprietary opportunities in the lower-to-middle market



Scope of H.I.G. WhiteHorse market coverage positions H.I.G. for consistent investment activity levels regardless of market conditions

H.I.G. WHITEHORSE

General Underwriting Principles

Conservative LTVs (Total WhiteHorse Avg. of 47%)	**Avoid cyclical borrowers** (Withstand a repeat of 2008-2010 downturn)	**Focus on high cash flow conversion companies**
Avoid binary outcomes	**Strong documentation**	**Focus on Quality / Sustainability of EBITDA**

Principles for Non-Sponsor Loans

- 50-70% initial equity cushion
- Covenants set to trigger with a 20%-25% EBITDA cushion
- Focus on owners who have the ability to inject equity to reduce or pay off debt
- Leverage-based pricing, which adjusts return to match risk during underperformance, including warrants as appropriate

Principles for Sponsor Loans

- Full enterprise value coverage of debt through a cyclical downturn
- Bottom-of-cycle fixed charge coverage not less than 1.0x
- Focus on sponsors who support companies through cycles
- Sponsor support to maintain liquidity and provide cash support as needed

H.I.G. WhiteHorse believes that these underwriting principles can create a significant margin of safety, and reduce volatility of returns

Private Equity Style Underwriting and Investment Committee Approval Process

H.I.G. WHITEHORSE

Fundamental and Technical Analysis

- Analyze industry, company, management, and macro factors with an emphasis on cash flow and downside protection
- Deal team conducts diligence calls, in person / virtual meetings, data analysis, site visits, and expert calls
- Determine required rate of return based on risk factors including credit quality, capitalization, and market conditions
- Focus on structural protections including covenants, call protection, security, priority, and inter-creditor rights
- Investment committee meetings include entire credit team and are structured to provide iterative feedback to prospective borrowers separate from a buy/pass decision

Broader Portfolio Fit

- Top-down assessment of portfolio diversification and risk exposure (industry, issuer, geography, and credit type)
- Broad market experience investing and managing credit with experience across cycles
- Conservative view on credit risk driven by prior workout and bankruptcy experience

Investment Committee

- H.I.G. WhiteHorse's Investment Committee is comprised of 10 individuals, including 5 members of the firm's Executive Committee
- After rigorous vetting of deals, including meeting with management teams, performing extensive industry and company focused due diligence, and conducting fundamental financial analysis, deal teams will prepare a highly-detailed initial presentation memo for the Investment Committee
- Following an initial presentation to the Investment Committee, deal teams will undertake further review
- Upon completion of diligence, deal team requests final approval with a final Deal Review & Investment Committee presentation
- Deal teams will ultimately present to the Investment Committee two-to-three times on average before receiving final approval; importantly, all deals require unanimous Investment Committee approval

Investment Committee Recommendations Driven By:

Business Model Deep Dive	**Analysis of Financial Performance**	**Forecast / Modelling of Sensitivities**
Portfolio Fit	**H.I.G. Vertical Expertise**	**Third Party Findings (Industry Experts, Background Checks, etc.)**

H.I.G. WhiteHorse Direct Lending Team

Investment Committee

- **Sami Mnaymneh** — *Founder, Executive Chairman & CEO*
- **Tony Tamer** — *Founder & Executive Chairman*
- **Brian Schwartz** — *Co-President*
- **John Bolduc** — *Executive Managing Director*
- **Stuart Aronson** — *Executive Managing Director, CEO of U.S. Direct Lending*
- **Pankaj Gupta** — *President of U.S. Direct Lending and Global Head of Originations*
- **Javier Casillas** — *Global Chief Credit Officer of H.I.G. WhiteHorse*
- **Mark Bernier** — *Managing Director*
- **David Indelicato** — *Head of Restructuring*
- **John Yeager** — *Managing Director*

Origination Team

- **Stuart Aronson** — *CEO of WhiteHorse U.S. Direct Lending*
- **Pankaj Gupta** — *President*
- **Matthew Brown** — *Managing Director*
- **Daniel Dubé** — *Managing Director*
- **Sam Goldworm** — *Managing Director*
- **Jason Hicks** — *Managing Director*
- **Peter McLaughlin** — *Managing Director*
- **Jay Moore** — *Managing Director*
- **Gina Provenzale** — *Managing Director*
- **James Favero** — *Principal*
- **Jared Grigg** — *Principal*
- **Eric Nadzo** — *Principal*
- **Craig Palmer** — *Principal*
- **Mario Shaffer** — *Principal*
- **Morgana Davids** — *Senior Vice President*
- **Scott Dolsey** — *Senior Vice President*
- **Jason Motz** — *Senior Vice President*
- **Michelle Rogers** — *Senior Vice President*
- **David Lorenc** — *Vice President*
- **Kenneth Wong** — *Vice President*
- **Loren Trotta** — *Marketing Leader*

3 Assistant Vice Presidents & Associates

Underwriting Team

- **Stuart Aronson** — *CEO of WhiteHorse U.S. Direct Lending*
- **Javier Casillas** — *Global Chief Credit Officer H.I.G. WhiteHorse*
- **Mark Bernier** — *Managing Director*
- **David Indelicato** — *Head of Restructuring*
- **Sobia Khaliq** — *Managing Director*
- **John Yeager** — *Managing Director*
- **Matthew Burke** — *Principal*
- **Peter Gallagher** — *Principal*
- **Sachin Garg** — *Principal*
- **Vivek Jain** — *Principal*
- **Stephen Migdal** — *Principal*
- **Ash Shrestha** — *Principal*
- **Andryk Guerrero** — *Senior Vice President*
- **Corey Mason** — *Senior Vice President*
- **Jonathan Pritcher** — *Senior Vice President*
- **Joshua Abueva** — *Vice President*
- **Elizabeth DeLuise** — *Vice President*
- **Shang Gao** — *Vice President*
- **Samuel Gillotti** — *Vice President*
- **Chris Hatfield** — *Vice President*
- **Jack Kelleher** — *Vice President*
- **Kyle Kong** — *Vice President*
- **Adam Laszewski** — *Vice President*
- **Jason Luu** — *Vice President*
- **Jason Wang** — *Vice President*

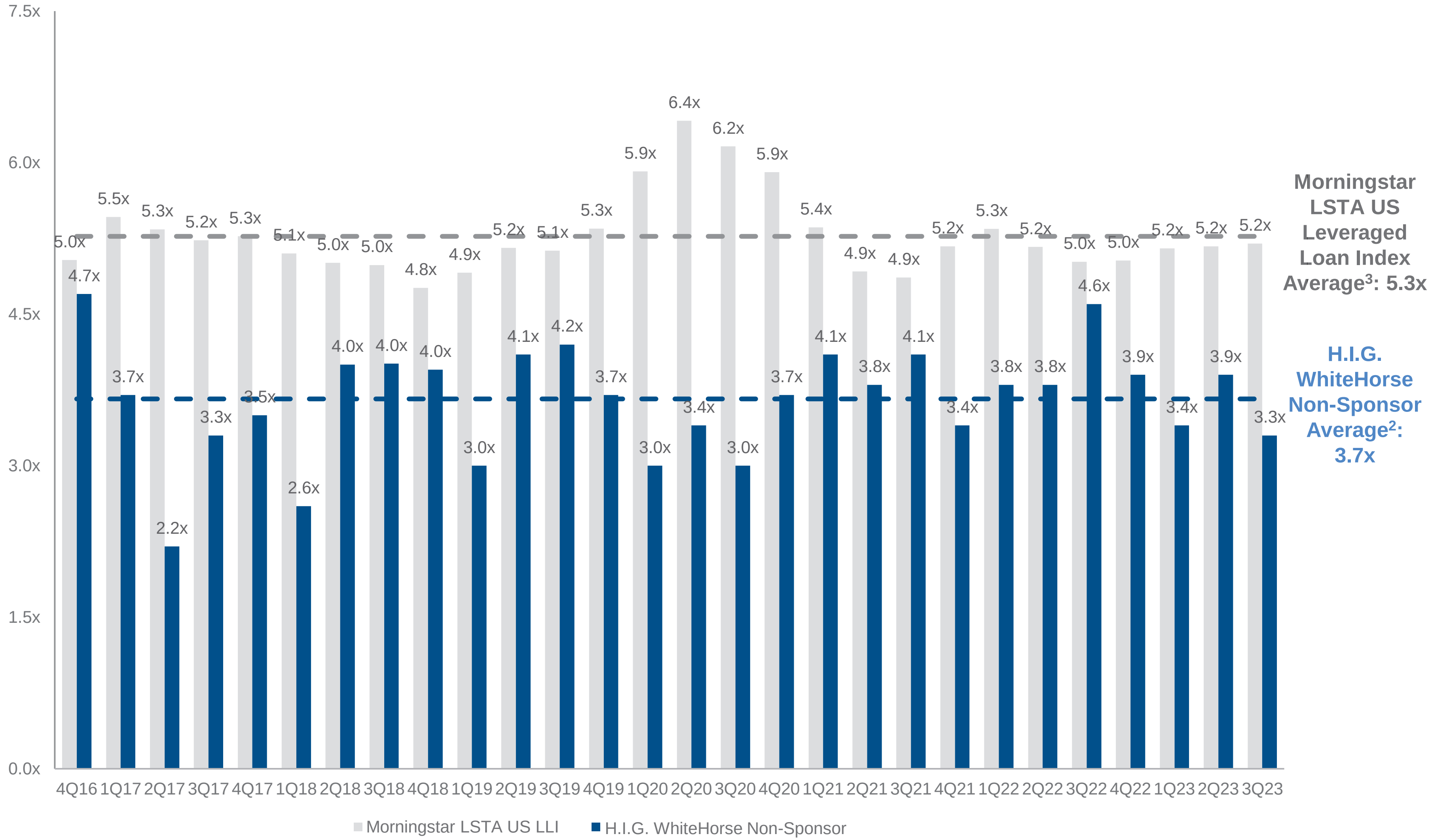
22 Assistant Vice Presidents & Associates

H.I.G. Corporate Senior Leadership

- **Chad Buresh** — *Chief Financial Officer*
- **Jordan Peer Griffin** — *Executive Managing Director, Global Head, H.I.G. Capital Formation Group*
- **Richard Siegel** — *General Counsel & Chief Compliance Officer*

H.I.G. WhiteHorse Non-Sponsor Leverage Multiples

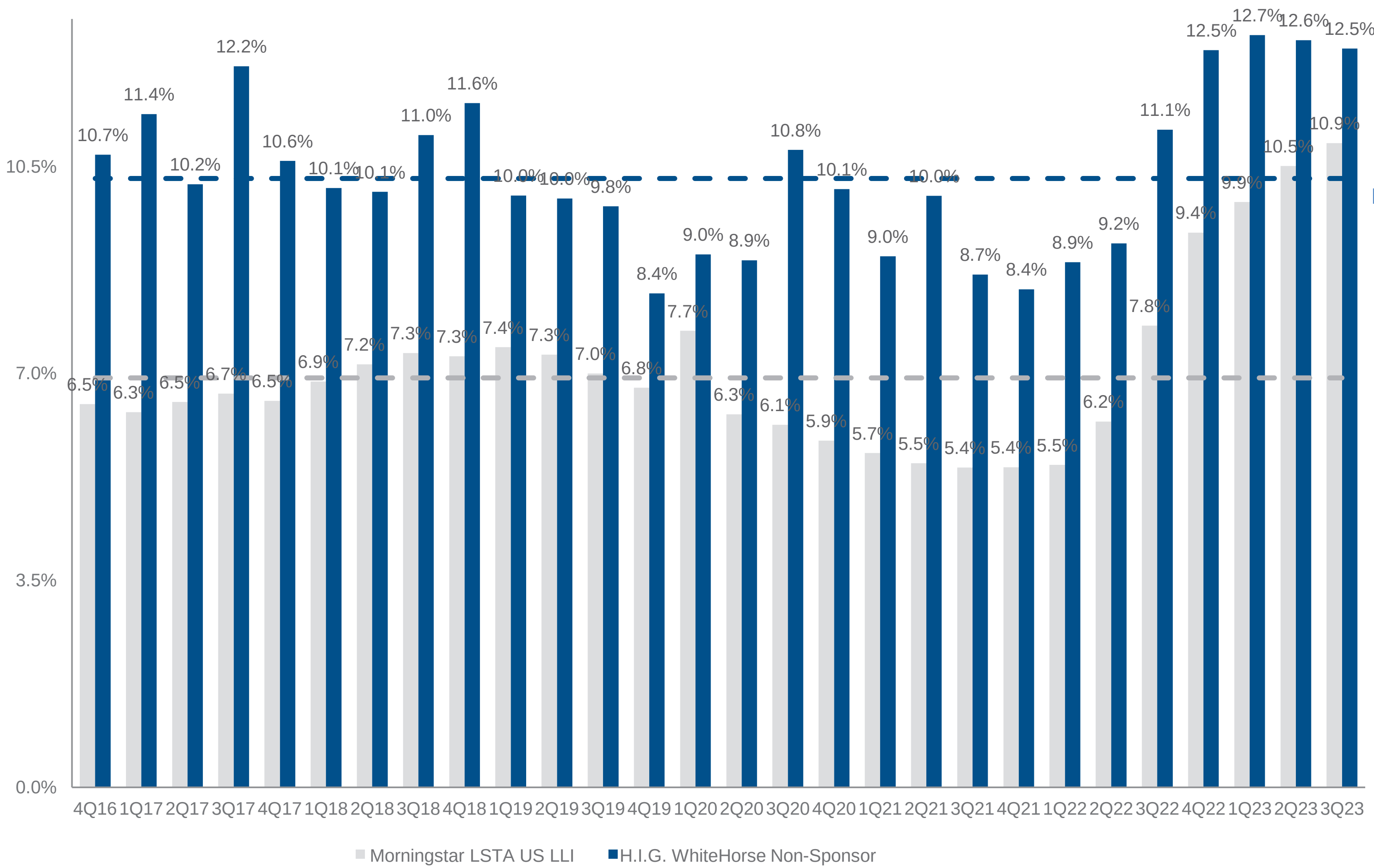
Average Leverage Multiple Comparison[2]



Note: As of September 30, 2023

H.I.G. WhiteHorse Non-Sponsor All-in Yields

Average All-in Yield Comparison[4]



H.I.G. WhiteHorse Non-Sponsor Average[4]: 10.4%

Morningstar LSTA US Leveraged Loan Index Average[3]: 6.9%

Note: As of September 30, 2023

Table of Contents

Pankaj Gupta
President of WhiteHorse U.S. and Global Head of Originations

Mr. Gupta is the President of WhiteHorse U.S. and Global Head of Originations. In this capacity, he oversees the U.S. Direct Lending business, as well as origination and deployment efforts for WhiteHorse globally. Mr. Gupta serves on the management and investment committees of both WhiteHorse U.S. and WhiteHorse Europe. He has over twenty three years of experience in private debt and equity investing across a broad range of industries, including business services, manufacturing, distribution, telecom, healthcare, consumer products and consumer services.

Before joining WhiteHorse, Mr. Gupta was a Managing Director with American Capital (NASDAQ:ACAS), a middle-market investment firm. While at ACAS, he was a co-head of the debt investment business. Mr. Gupta also sat on the Board of Directors of several ACAS portfolio companies. Prior to ACAS, Mr. Gupta spent six years at Audax Group, a Boston and New York-based private equity and mezzanine firm with $5 billion under management. As a Senior Vice President with Audax, Mr. Gupta was responsible for the origination, structuring, execution and monitoring of mezzanine investments.

Mr. Gupta received a Bachelor of Arts in Economics from Dartmouth College.

Endnotes

1. Based on total capital raised by H.I.G. Capital and affiliates. Capital by strategy reflects total commitments, as allocated to the relevant investment strategy.
2. Calculation based on net debt outstanding through the tranche held by H.I.G. WhiteHorse at time of initial investment.

3. Source: Morningstar LSTA US Leveraged Loan Index, Q3'2023. Companies included in the Morningstar LSTA US Leveraged Loan Index are compiled by LCD according to their specific parameters, including defining "middle market" as issuers with EBITDA of $50mm or less (EBITDA adjusted for prospective cost savings or synergies). Index returns shown cover the same investment period and are for illustrative purposes only. Benchmarks shown herein are provided for illustrative and informational purposes only. Benchmarks have inherent limitations and, therefore, should not be relied upon as an accurate measure of comparison. Any comparisons of investment performance presented herein to a benchmark are index are qualified as follows: (i) the volatility and/or degree of risk of such benchmark or index may be materially different from that of the referenced strategy; (ii) such benchmark or index may deploy different investment guidelines and criteria than the referenced strategy and, therefore, holdings of funds deploying such strategy may differ significantly from holdings of the securities that comprise such benchmark or index; (iii) leverage may be employed by the referenced strategy and is not employed by such benchmark or index; (iv) liquidity of investments made by funds deploying the referenced strategy may differ significantly from the liquidity of securities comprising such benchmark or index; and (v) such index or benchmark is not subject to any management fees, performance compensation or expenses, while the funds deploying the referenced strategies are subject thereto. Further information about the benchmarks indices referenced herein is available upon request. In addition, while data used in the benchmarks are obtained from sources considered to be reliable, H.I.G. makes no representations or guarantees with regard to the accuracy, completeness, reliability, fairness or fitness of such data. Accordingly, the utility of such benchmarking comparisons is limited by the foregoing and other reasons. Such benchmarking analysis provides only one approach to comparison of returns, and prospective investors should consider other comparisons as well as independently verify this analysis.

4. All-in yield calculation includes interest and other credit related fees, as applicable.

APFC ALASKA PERMANENT FUND CORPORATION

801 W 10TH SUITE 302 | JUNEAU, AK 99801
907.796.1500 | apfc.org

SUBJECT: Trustee Paper #10 ACTION: X________

DATE: February 15, 2024 INFORMATION:______

BACKGROUND:

In July staff issued a solicitation for proposals to function as author of the proposed Trustee Paper. Dr. Malan Rietveld was the successful candidate of this procurement. Dr. Rietveld wrote the last Trustee Paper and is exceptionally qualified for the task. A working group of the Board has been meeting with staff and Dr. Rietveld to generate the Trustee Paper. Dr. Rietveld has distributed drafts in which he included three major sections comprised of history, models/showing the problem, and solutions.

STATUS:

After months of review and consideration the Trustees continue to consider Trustee Paper #10, currently in its fifth draft. The Trustees will be asked to provide direction for the project.

CEO Mitchell will provide a brief overview of the process to date and lead the discussion with the Board on considering the latest version.

APFC ALASKA PERMANENT FUND CORPORATION
801 W 10TH SUITE 302 | JUNEAU, AK 99801
907.796.1500 | apfc.org

SUBJECT: Callan Fund Performance Overview
Greg Allen, CEO & Chief Research Officer
Steve Center, CFA, Senior Vice President

ACTION: ____________

DATE: February 16, 2024

INFORMATION: X

BACKGROUND:

Callan Associates, Inc. is currently under contract to perform APFC's core general consulting services of 1) Investment policies and procedures review; 2) annual preparation of an asset allocation plan; 3) performance reporting and analysis; 4) risk analysis; 5) statistical modeling, manager searches, selection, and oversight; and 6) other special consulting services as needed.

STATUS:

At every quarterly board meeting or as requested, Callan Associated, Inc. provides an extensive review of the Fund's performance as well as updates on market conditions. Chief Executive Officer and Chief Research Officer, Greg Allen, and Senior Vice President, Steven Center, CFA, will be the presenters at this meeting.

Callan

February 15, 2023

Alaska Permanent Fund Corporation

4th Quarter 2023
Capital Markets and Performance Review

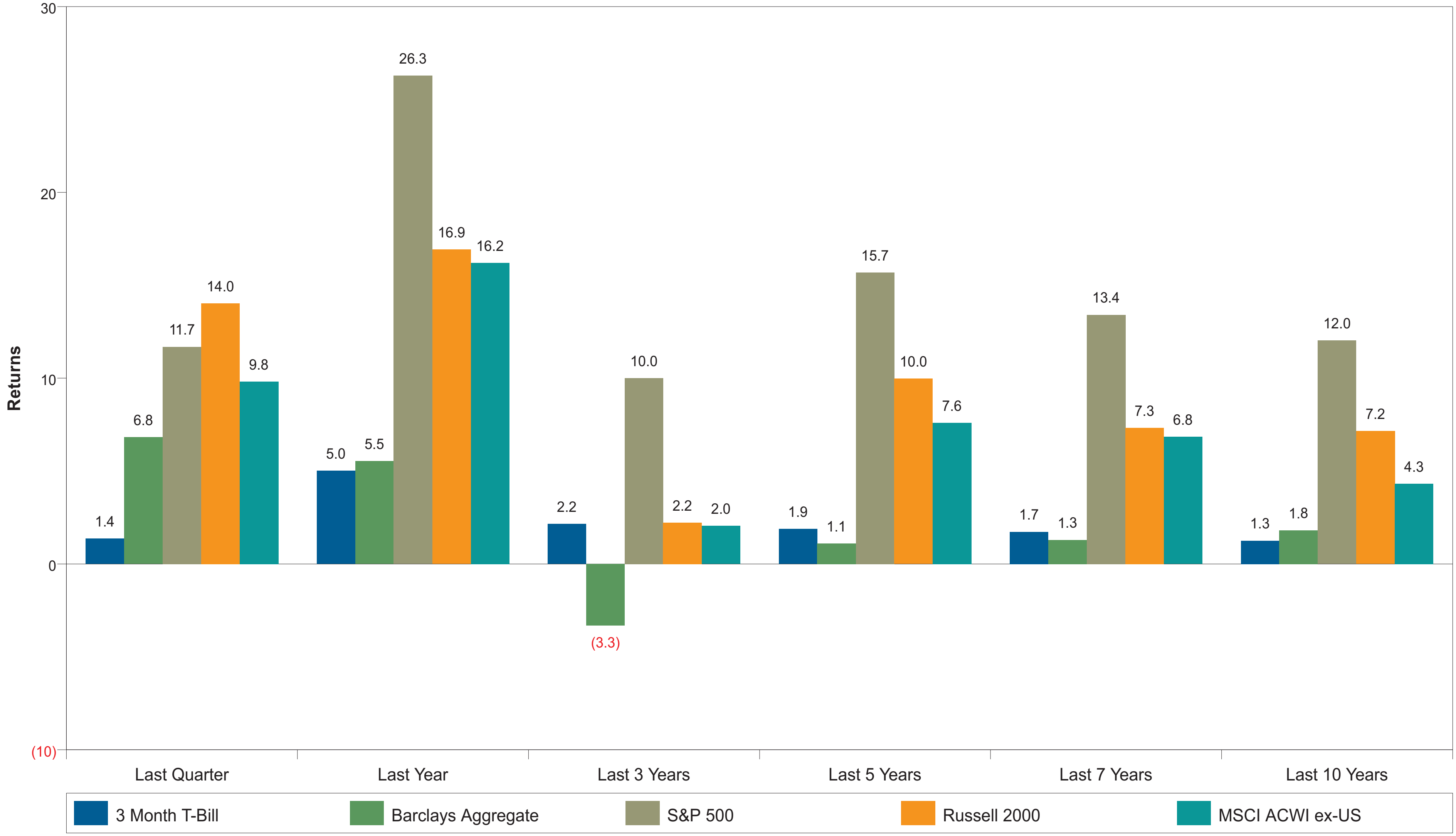
Greg Allen
CEO and Chief Research Officer

Steven Center, CFA
Senior Vice President

Evan Williams, CFA, CAIA
Vice President

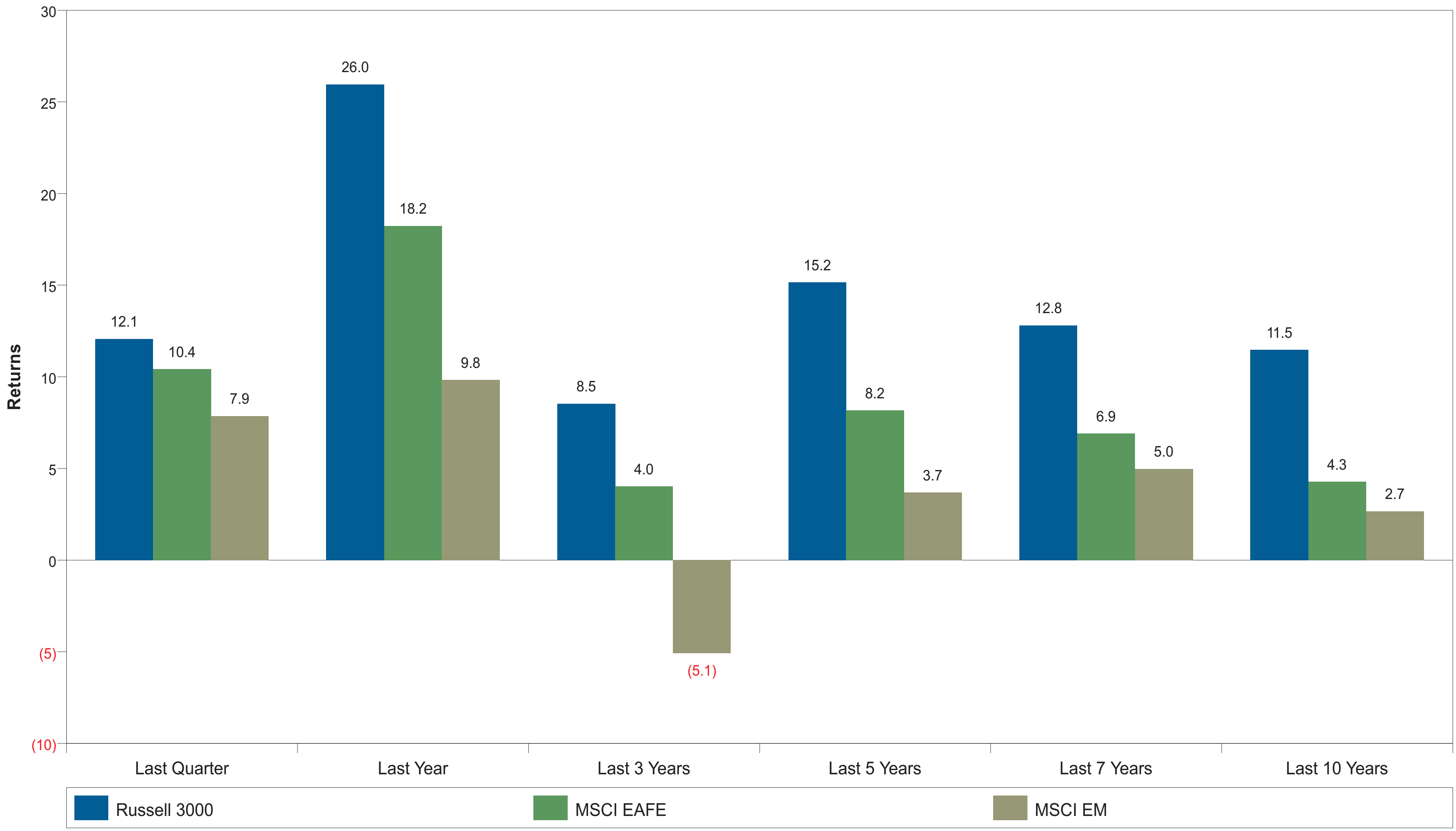
Broad Capital Market Performance

Periods Ended December 31, 2023



Public Equity Capital Market Performance

Periods Ended December 31, 2023



Callan Periodic Table of Investment Returns

Returns for Key Indices

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
S&P 500 13.69%	MSCI ACWI ex USA SC 2.60%	Russell 2000 21.31%	MSCI Emerging Markets 37.28%	Bloomberg Barclays Aggregate 0.01%	S&P 500 31.49%	Russell 2000 19.96%	S&P 500 28.71%	Bloomberg Barclays Corp High Yield -11.19%	S&P 500 26.29%
Bloomberg Barclays Aggregate 5.97%	S&P 500 1.38%	Bloomberg Barclays Corp High Yield 17.13%	MSCI ACWI ex USA SC 31.65%	Bloomberg Barclays Corp High Yield -2.08%	Russell 2000 25.52%	S&P 500 18.40%	Russell 2000 14.82%	Bloomberg Barclays Aggregate -13.01%	MSCI World ex USA 17.94%
Russell 2000 4.89%	Bloomberg Barclays Aggregate 0.55%	S&P 500 11.96%	MSCI World ex USA 24.21%	Bloomberg Barclays Global Agg ex US -2.15%	MSCI World ex USA 22.49%	MSCI Emerging Markets 18.31%	MSCI ACWI ex USA SC 12.93%	MSCI World ex USA -14.29%	Russell 2000 16.93%
Bloomberg Barclays Corp High Yield 2.45%	MSCI World ex USA -3.04%	MSCI Emerging Markets 11.19%	S&P 500 21.83%	S&P 500 -4.38%	MSCI ACWI ex USA SC 22.42%	MSCI ACWI ex USA SC 14.24%	MSCI World ex USA 12.62%	S&P 500 -18.11%	MSCI ACWI ex USA SC 15.66%
MSCI Emerging Markets -2.19%	Russell 2000 -4.41%	MSCI ACWI ex USA SC 3.91%	Russell 2000 14.65%	Russell 2000 -11.01%	MSCI Emerging Markets 18.44%	Bloomberg Barclays Global Agg ex US 10.11%	Bloomberg Barclays Corp High Yield 5.28%	Bloomberg Barclays Global Agg ex US -18.70%	Bloomberg Barclays Corp High Yield 13.44%
Bloomberg Barclays Global Agg ex US -3.09%	Bloomberg Barclays Corp High Yield -4.47%	MSCI World ex USA 2.75%	Bloomberg Barclays Global Agg ex US 10.51%	MSCI World ex USA -14.09%	Bloomberg Barclays Corp High Yield 14.32%	MSCI World ex USA 7.59%	Bloomberg Barclays Aggregate -1.54%	MSCI ACWI ex USA SC -19.97%	MSCI Emerging Markets 9.83%
MSCI ACWI ex USA SC -4.03%	Bloomberg Barclays Global Agg ex US -6.02%	Bloomberg Barclays Aggregate 2.65%	Bloomberg Barclays Corp High Yield 7.50%	MSCI Emerging Markets -14.57%	Bloomberg Barclays Aggregate 8.72%	Bloomberg Barclays Aggregate 7.51%	MSCI Emerging Markets -2.54%	MSCI Emerging Markets -20.09%	Bloomberg Barclays Global Agg ex US 5.72%
MSCI World ex USA -4.32%	MSCI Emerging Markets -14.92%	Bloomberg Barclays Global Agg ex US 1.49%	Bloomberg Barclays Aggregate 3.54%	MSCI ACWI ex USA SC -18.20%	Bloomberg Barclays Global Agg ex US 5.09%	Bloomberg Barclays Corp High Yield 7.11%	Bloomberg Barclays Global Agg ex US -7.05%	Russell 2000 -20.44%	Bloomberg Barclays Aggregate 5.53%

Source: Bloomberg, FTSE Russell, MSCI, Standard & Poor's

Callan Periodic Table of Investment Returns

Returns for Key Indices

Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
Russell 2000 **14.03%**	S&P 500 **26.29%**	S&P 500 **10.00%**	S&P 500 **15.69%**	S&P 500 **13.42%**	S&P 500 **12.03%**	S&P 500 **9.69%**
S&P 500 **11.69%**	MSCI World ex USA **17.94%**	MSCI World ex USA **4.42%**	Russell 2000 **9.97%**	Russell 2000 **7.33%**	Russell 2000 **7.16%**	Russell 2000 **8.11%**
MSCI World ex USA **10.51%**	Russell 2000 **16.93%**	Russell 2000 **2.22%**	MSCI World ex USA **8.45%**	MSCI World ex USA **6.95%**	MSCI ACWI ex USA SC **4.88%**	MSCI ACWI ex USA SC **7.45%**
MSCI ACWI ex USA SC **10.12%**	MSCI ACWI ex USA SC **15.66%**	Bloomberg Barclays Corp High Yield **1.98%**	MSCI ACWI ex USA SC **7.89%**	MSCI ACWI ex USA SC **6.70%**	Bloomberg Barclays Corp High Yield **4.60%**	MSCI Emerging Markets **6.83%**
Bloomberg Barclays Global Agg ex US **9.21%**	Bloomberg Barclays Corp High Yield **13.44%**	MSCI ACWI ex USA SC **1.49%**	Bloomberg Barclays Corp High Yield **5.37%**	MSCI Emerging Markets **4.98%**	MSCI World ex USA **4.32%**	Bloomberg Barclays Corp High Yield **6.59%**
MSCI Emerging Markets **7.86%**	MSCI Emerging Markets **9.83%**	Bloomberg Barclays Aggregate **-3.31%**	MSCI Emerging Markets **3.69%**	Bloomberg Barclays Corp High Yield **4.57%**	MSCI Emerging Markets **2.66%**	MSCI World ex USA **5.69%**
Bloomberg Barclays Corp High Yield **7.16%**	Bloomberg Barclays Global Agg ex US **5.72%**	MSCI Emerging Markets **-5.08%**	Bloomberg Barclays Aggregate **1.10%**	Bloomberg Barclays Aggregate **1.29%**	Bloomberg Barclays Aggregate **1.81%**	Bloomberg Barclays Aggregate **3.17%**
Bloomberg Barclays Aggregate **6.82%**	Bloomberg Barclays Aggregate **5.53%**	Bloomberg Barclays Global Agg ex US **-7.21%**	Bloomberg Barclays Global Agg ex US **-1.56%**	Bloomberg Barclays Global Agg ex US **0.00%**	Bloomberg Barclays Global Agg ex US **-0.79%**	Bloomberg Barclays Global Agg ex US **1.75%**

Source: Bloomberg, FTSE Russell, MSCI, Standard & Poor's

Public Markets Surge in 4Q, Following Decline in 3Q

Stocks have recovered losses of 2022, bonds still have ground to make up

S&P 500 soared 11.7% in 4Q23

- Loss through first three quarters of 2022 was 23.9%; the rebound in the following five quarters brought the index back to a positive return of 1.7% over the past two years.

Fixed income recovered in 4Q, up 6.8% after a sharp loss of 3.2% in 3Q

- The Bloomberg Aggregate was on track for another negative year through 3Q; softening Fed language on rates and a dot plot that showed cuts on the horizon in 4Q turned the market around.
- CPI-U declined in 4Q compared to 3Q, though up 3.4% year-over-year; the index is still 10% higher than it was at the start of 2022.

Economic data defied expectations of recession in 2023

- GDP growth came in at 2.1% in 1Q, 2.2% in 2Q, and jumped to a stunning 4.9% in 3Q. Preliminary 4Q forecasts have GDP over 2%.
- Job market remains solid, providing support to Fed efforts to fight inflation.

Returns for Periods ended 12/31/23

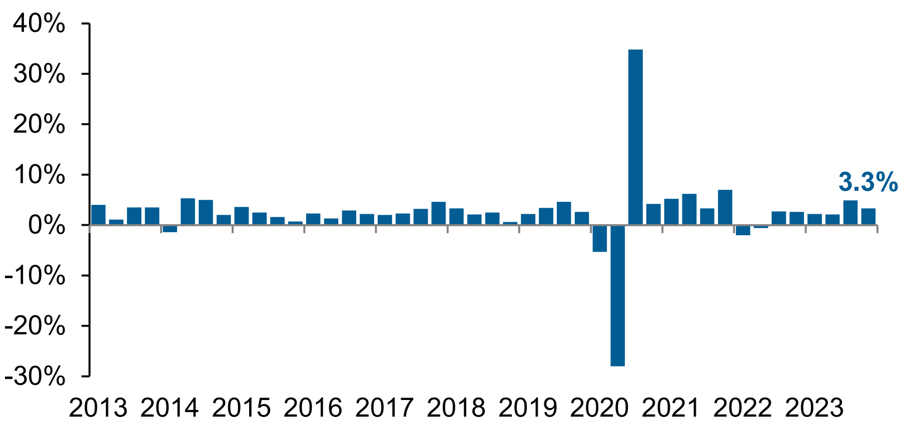
	Quarter	1 Year	2 Years	5 Years	10 Years	25 Years
U.S. Equity						
Russell 3000	12.07	25.96	0.88	15.16	11.48	7.74
S&P 500	11.69	26.29	1.69	15.69	12.03	7.56
Russell 2000	14.03	16.93	-3.55	9.97	7.16	7.91
Global ex-U.S. Equity						
MSCI World ex USA	10.51	17.94	0.54	8.45	4.32	4.62
MSCI Emerging Markets	7.86	9.83	-6.32	3.69	2.66	--
MSCI ACWI ex USA Small Cap	10.12	15.66	-3.79	7.89	4.88	7.28
Fixed Income						
Bloomberg Aggregate	6.82	5.53	-4.19	1.10	1.81	3.85
90-day T-Bill	1.37	5.01	3.22	1.88	1.25	1.90
Bloomberg Long Gov/Credit	13.24	7.13	-11.62	1.12	3.22	5.21
Bloomberg Global Agg ex-US	9.21	5.72	-7.29	-1.56	-0.79	2.25
Real Estate						
NCREIF Property*	-1.37	-8.39	3.12	5.26	7.40	8.31
FTSE Nareit Equity	16.22	13.73	-7.25	7.39	7.65	9.27
Alternatives						
HFRI Fund Weighted	3.59	7.52	1.52	7.00	4.53	6.30
Cambridge Private Equity*	1.60	2.78	3.19	15.18	14.78	13.61
Bloomberg Commodity	-4.63	-7.91	3.40	7.23	-1.11	2.83
Gold Spot Price	11.02	13.45	6.44	10.09	5.59	8.19
Inflation - CPI-U	-0.34	3.35	4.89	4.07	2.79	2.54

*Cambridge PE data as of 6/30/23; NCREIF Property data as of 9/30/23
Sources: Bloomberg, Callan, Cambridge, FTSE Russell, HFRI, MSCI, NCREIF, S&P Dow Jones Indices

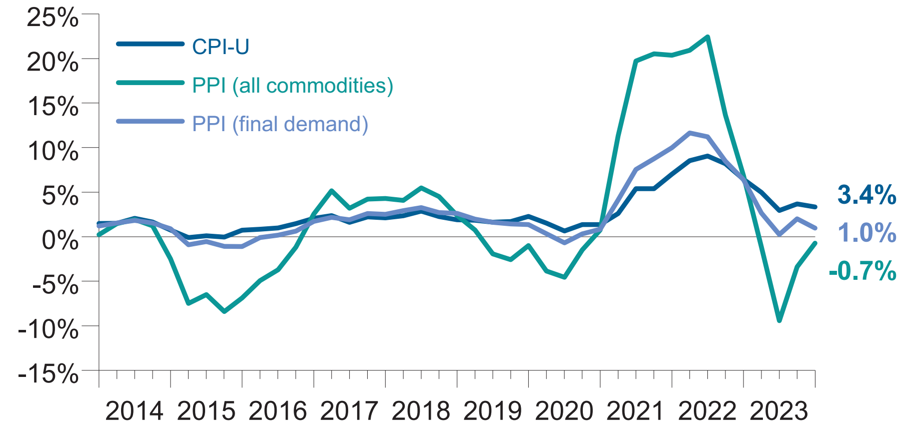
U.S. Economy—Summary

For periods ended 12/31/23

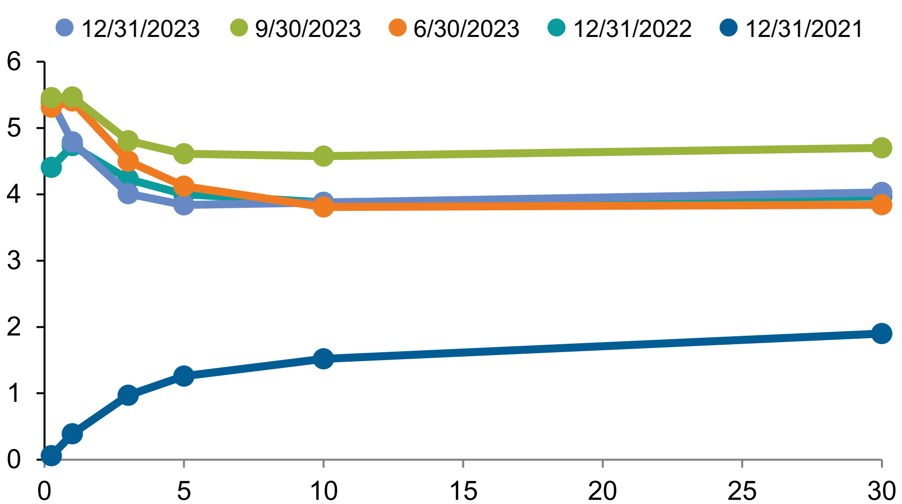
Quarterly Real GDP Growth



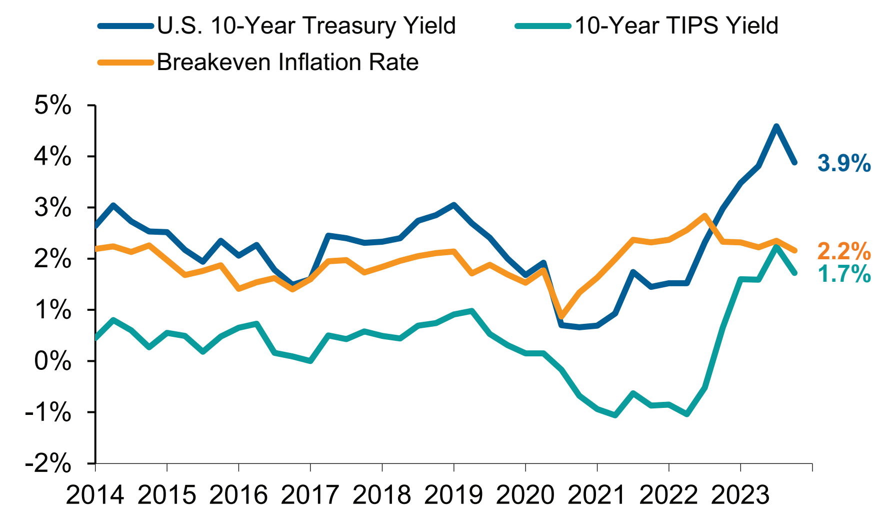
Inflation Year-Over-Year



U.S. Treasury Yield Curves



Historical 10-Year Yields Through 12/31/23



Sources: Bloomberg, Bureau of Labor Statistics, Callan

The Stock Market Is Not the Economy

The job market lost over 22 million jobs in the pandemic but regained the pre-pandemic high-water mark in the spring of 2022.

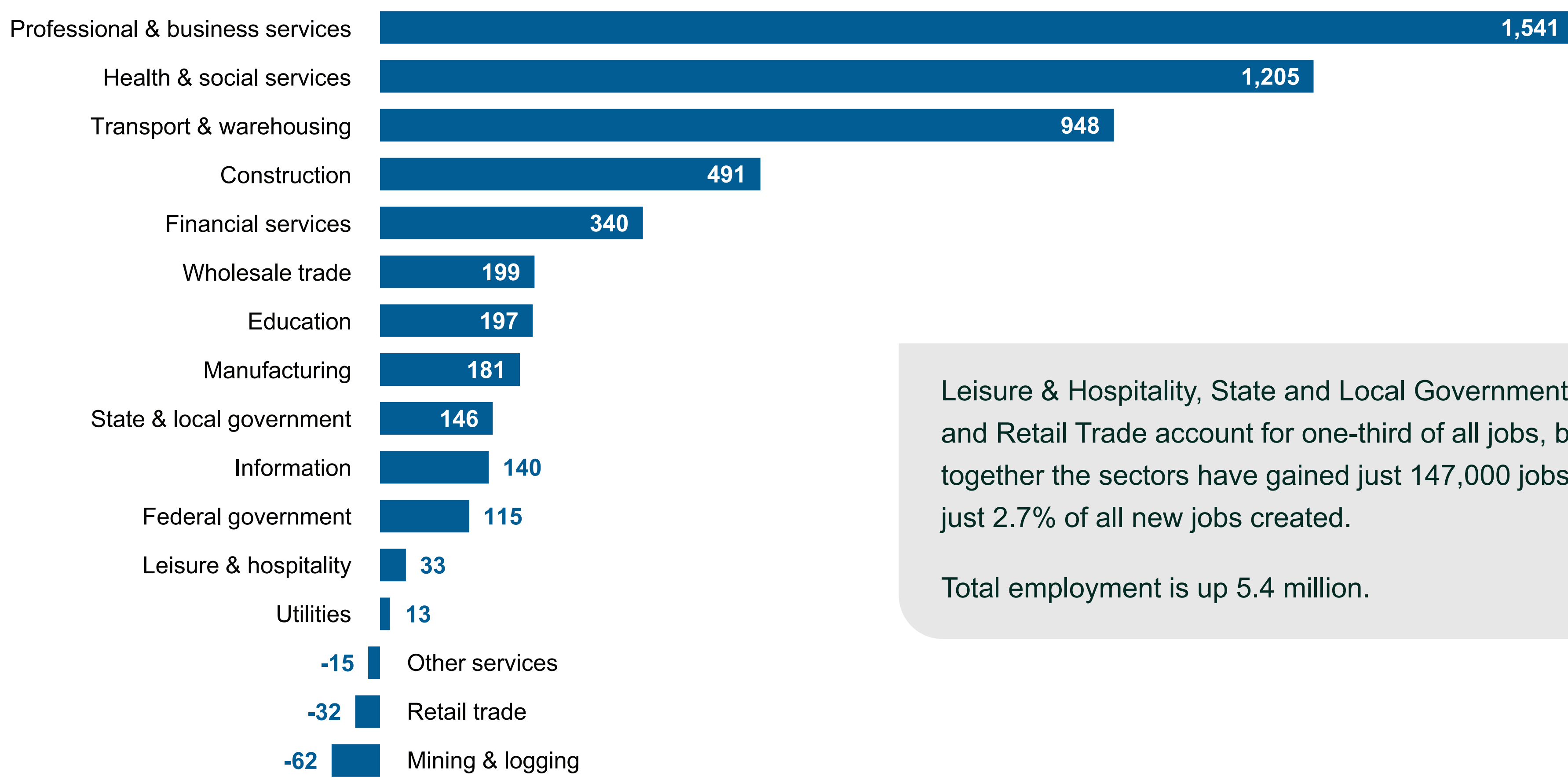
Job growth remained robust through the market upheaval in 2022 and has held up through 2023. Headline reports of sizeable layoffs in technology are ultimately small relative to the size of the broad job market.

Sources: Federal Reserve Bank of St. Louis, S&P Dow Jones Indices

While the Recovery Continues, Employment Landscape Remains Uneven

Leisure/hospitality and state and local government remain below pre-pandemic levels

Change in Payroll Employment Since 12/31/19, through 12/31/23 (thousands)



Leisure & Hospitality, State and Local Government, and Retail Trade account for one-third of all jobs, but together the sectors have gained just 147,000 jobs, or just 2.7% of all new jobs created.

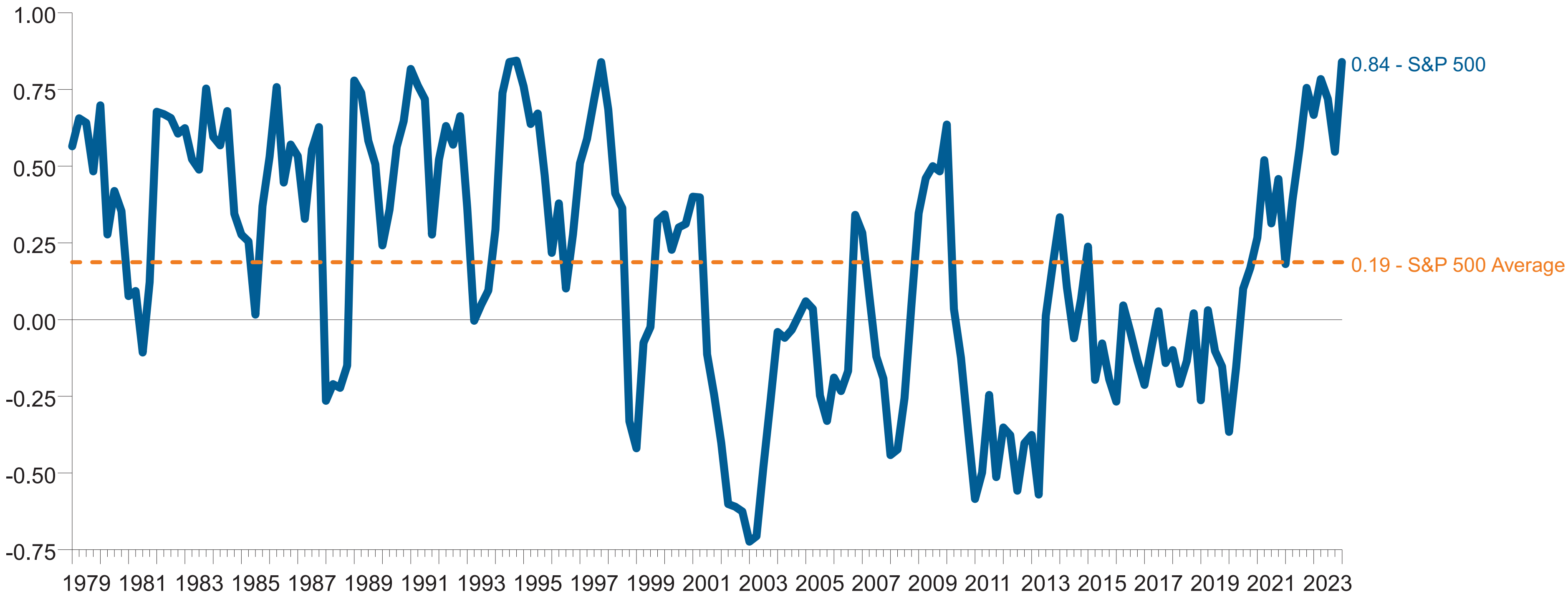
Total employment is up 5.4 million.

Sources: IHS Markit, Department of Labor

Is the Stock-bond Correlation Shifting to a Higher Level?

Stocks and bonds rebound strongly together in 4Q23

Rolling 1 Year Correlation of S&P 500 to Bloomberg Aggregate for 45 Years Ended 12/31/23



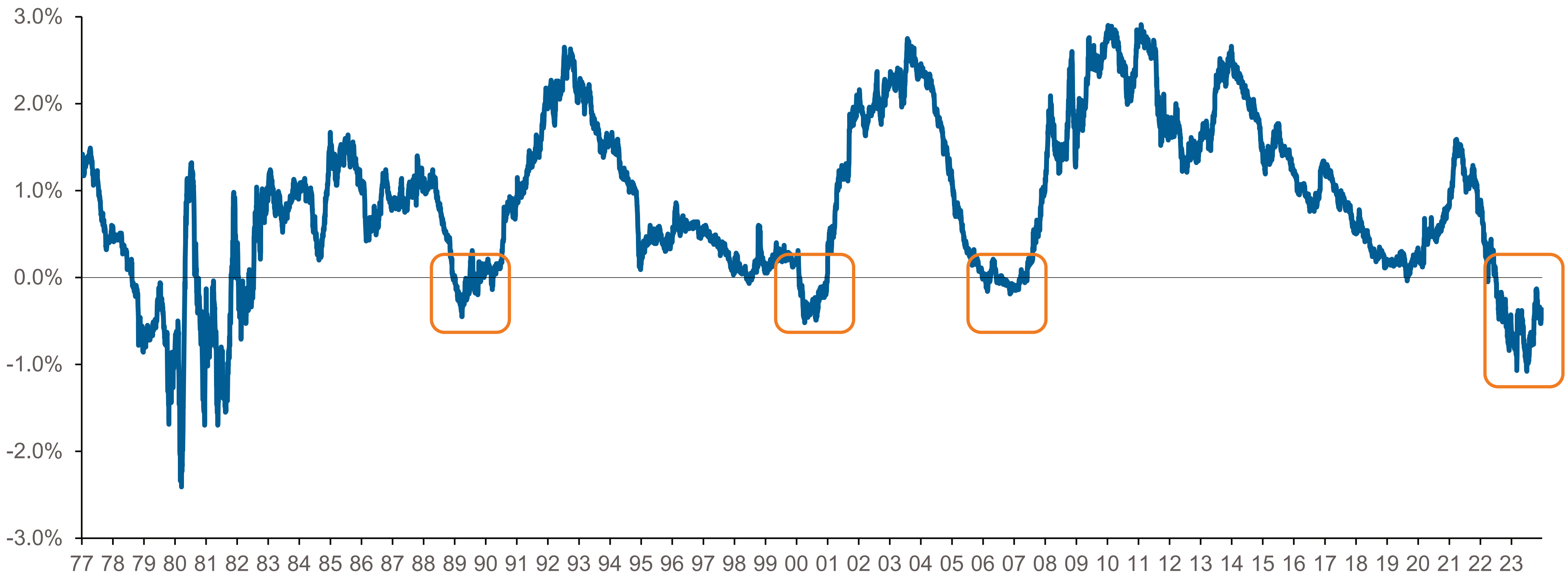
Forward-looking bond returns are now much higher thanks to the rise in interest rates and the resulting higher yields.

However, the equity risk premium has likely narrowed, and we may be seeing a return to a regime of higher correlation between stocks and bonds, potentially lessening the diversification benefit of bonds to stocks.

Sources: Bloomberg, Callan, S&P Dow Jones Indices

Bond Market Has Been Expecting a Recession Since July 2022

10-Year Treasury vs. 2-Year Treasury Spread



Inversion in the 10-year to 2-year Treasury yields does not always forecast a recession, but most recessions are preceded by a yield curve inversion.

– Yield curve inversion means investors expect a recession will occur and interest rates will be cut, and therefore increase their demand for securities with longer duration with higher potential for capital gain when rates fall.

Bond investors beginning to anticipate “higher for longer” rate regime?

– Inversion started in July 2022, bottomed at -1.08% in July 2023, and ended December 2023 at -0.35%.

Source: Federal Reserve Bank of St. Louis

Contributors to Recent Inflation: Primary Categories

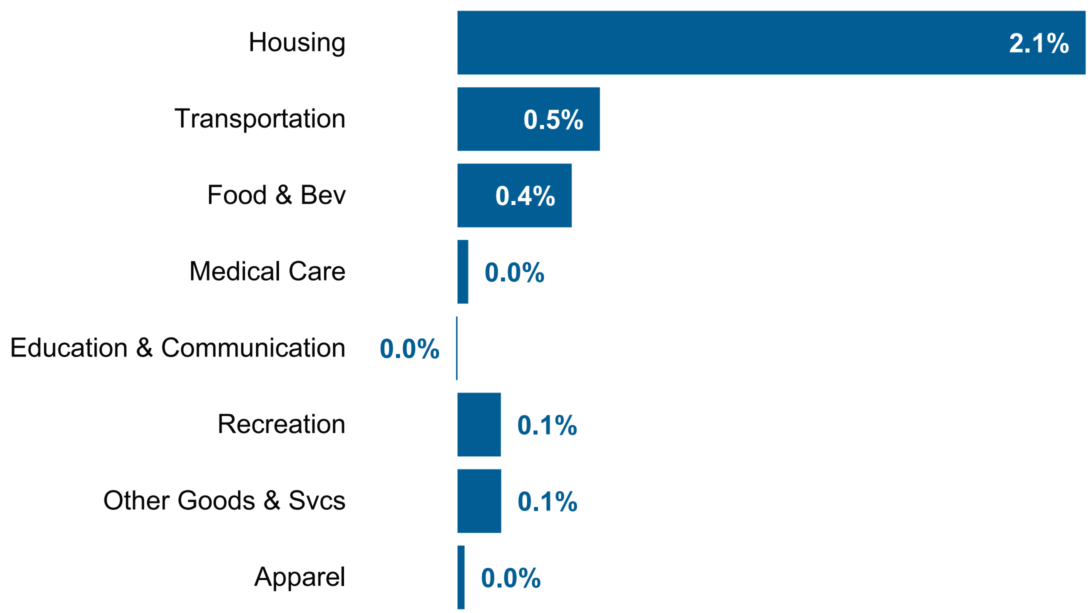
Housing is a broad category that includes Shelter, Fuels and Utilities, and Household Furnishings and Operations as sub-components.

– Shelter makes up 34.4% of the overall index and accounted for over half of September's increase in year-over-year headline CPI.

Energy is not shown in this view of CPI because it is a sub-component of other categories.

– Energy makes up 6.9% of the index and is split evenly between Housing (fuel for powering homes) and Transportation (motor fuel).

Contribution to December 2023 Year-Over-Year Inflation



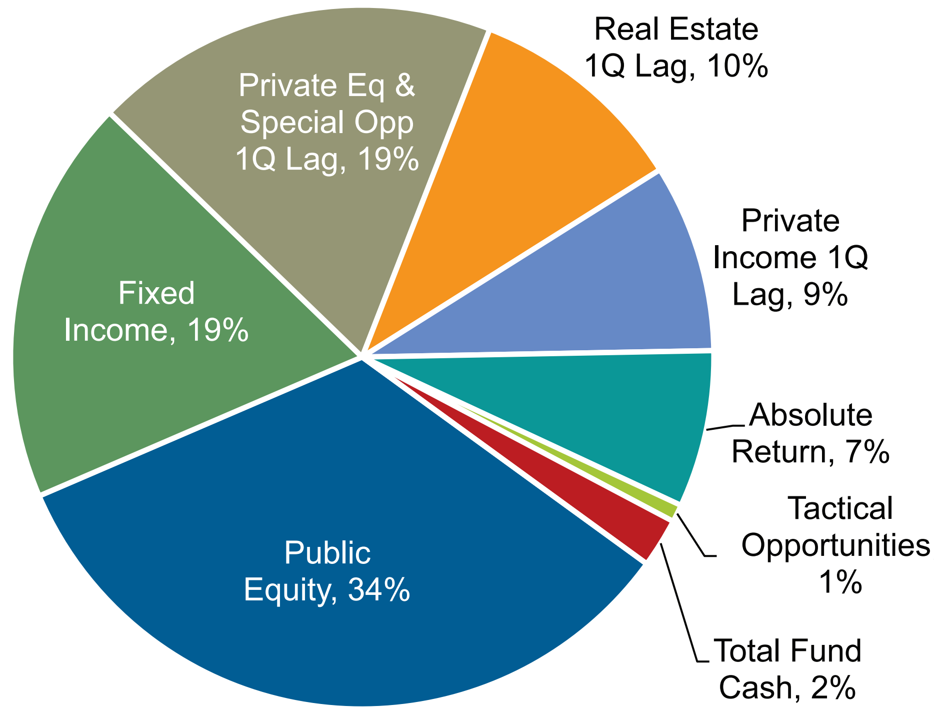
Primary Category	Primary Category Weight	Year-over-Year Change											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
All Items	**100.0%**	**6.4%**	**6.0%**	**5.0%**	**4.9%**	**4.0%**	**3.0%**	**3.2%**	**3.7%**	**3.7%**	**3.2%**	**3.1%**	**3.4%**
Housing	44.4%	8.2%	8.2%	7.8%	7.5%	6.8%	6.3%	6.2%	5.7%	5.6%	5.2%	5.2%	4.8%
Transportation	16.7%	3.8%	2.6%	-1.0%	0.2%	-2.0%	-5.1%	-3.0%	1.4%	2.4%	0.8%	0.9%	2.9%
Food & Bev	14.4%	9.9%	9.2%	8.3%	7.5%	6.6%	5.7%	4.8%	4.2%	3.7%	3.3%	2.9%	2.7%
Medical Care	8.1%	3.1%	2.3%	1.5%	1.1%	0.7%	0.1%	-0.5%	-1.0%	-1.4%	-0.8%	0.2%	0.5%
Education & Communication	5.8%	1.0%	1.0%	1.4%	1.6%	1.5%	1.1%	1.2%	1.0%	1.0%	0.9%	-0.1%	-0.1%
Recreation	5.4%	4.8%	5.0%	4.8%	5.0%	4.5%	4.3%	4.1%	3.5%	3.9%	3.2%	2.5%	2.7%
Other Goods & Svcs	2.7%	6.2%	6.1%	6.1%	6.6%	6.7%	6.3%	6.1%	5.8%	6.0%	6.2%	5.6%	5.5%
Apparel	2.5%	3.1%	3.3%	3.3%	3.6%	3.5%	3.1%	3.2%	3.1%	2.3%	2.6%	1.1%	1.0%

Source: U.S. Bureau of Labor Statistics

Total Fund Asset Allocation

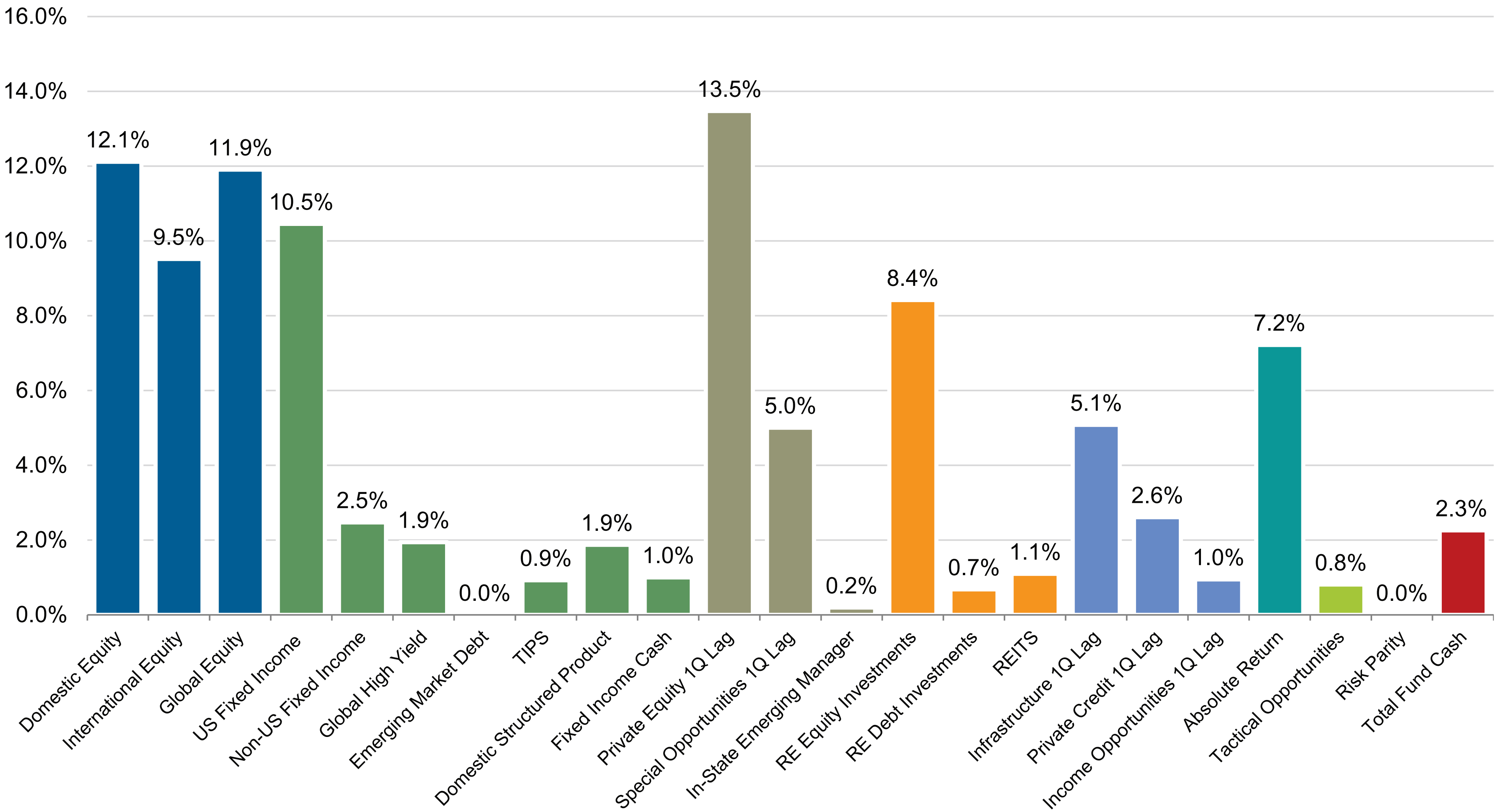
As of December 31, 2023: $80.27B

- APFC portfolio is well diversified across all major asset classes employed by institutional investors.
- Using institutional standard asset class definitions, the portfolio is currently allocated 32% to public equity, 18% to fixed income, 48% to alternative investments and 2% cash.
- Compared to allocations in the second quarter, weights to public equity decreased while weights to alternative investments increased. Fixed income weights remained relatively unchanged.
- Alternatives include private equity, special opportunities, real estate, private infrastructure, private credit, private income, absolute return, and risk parity.
- Private Equity & Special Opportunities, Real Estate, and Infrastructure & Private Income are reported on a one-quarter lag.



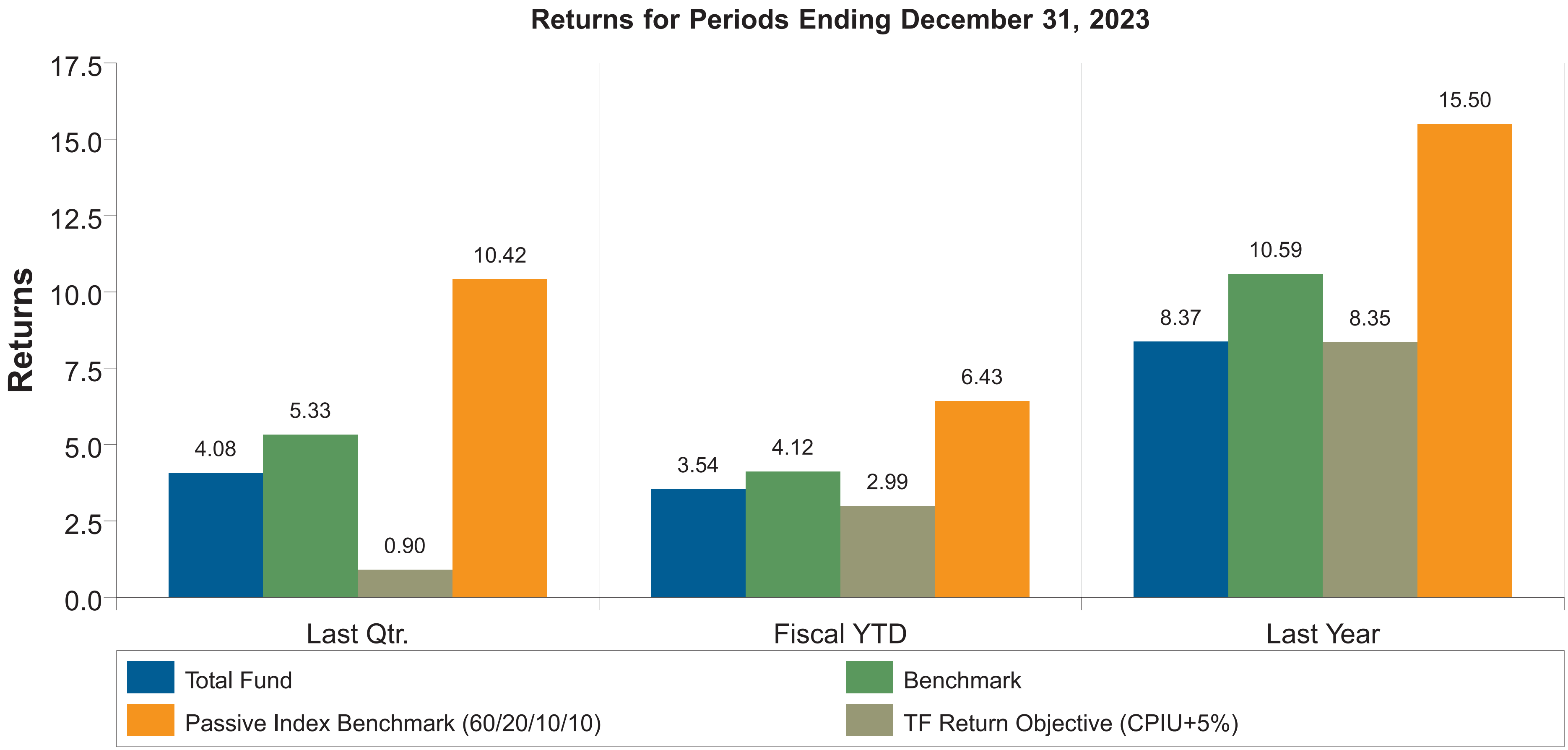
Total Fund Asset Allocation

Periods Ended December 31, 2023



APFC Total Fund Cumulative Returns

Total Fund versus Total Fund Targets



- Benchmark (FY23-FY24) = 36% MSCI ACWI IMI, 1.0% 90 Day T-Bills, 1.0% BB US TIPS, 5.5% BB Agg, 5.5% BB Corp IG, 3.0% BB Global Treasury xUS Hdgd, 2.0% BB US BB HY, 2.0% BB US Securitized, 17% Cambridge PE (lagged), 7.4% NCREIF Total Index (lagged), 1.4% MSCI US REIT (lagged), 5.4% Cambridge Global Pvt. Infrastructure (lagged), 3.6% Cliffwater Direct Lending TR (lagged), 3% HFRI EH Equity Market Neutral, 3% HFRI Macro, 2% 90 Day T-Bills, 1% HFR Risk Parity Vol 12% Institutional Index

APFC Total Fund Cumulative Returns

Total Fund versus Total Fund Targets

- Benchmark (FY23-FY24) = 36% MSCI ACWI IMI, 1.0% 90 Day T-Bills, 1.0% BB US TIPS, 5.5% BB Agg, 5.5% BB Corp IG, 3.0% BB Global Treasury xUS Hdgd, 2.0% BB US BB HY, 2.0% BB US Securitized, 17% Cambridge PE (lagged), 7.4% NCREIF Total Index (lagged), 1.4% MSCI US REIT (lagged), 5.4% Cambridge Global Pvt. Infrastructure (lagged), 3.6% Cliffwater Direct Lending TR (lagged), 3% HFRI EH Equity Market Neutral, 3% HFRI Macro, 2% 90 Day T-Bills, 1% HFR Risk Parity Vol 12% Institutional Index

APFC Total Fund Attribution

One Quarter Ended December 31, 2023

Relative Attribution Effects for Quarter ended December 31, 2023

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Public Equity	32%	34%	10.51%	11.14%	(0.19%)	(0.13%)	(0.32%)
Fixed Income	18%	20%	6.96%	6.79%	0.03%	(0.02%)	0.01%
Private Eq & Special Opp	20%	16%	(1.97%)	(0.41%)	(0.32%)	(0.20%)	(0.53%)
Real Estate	11%	10%	(2.89%)	(2.20%)	(0.08%)	(0.05%)	(0.13%)
Private Income	9%	9%	0.48%	1.94%	(0.13%)	0.01%	(0.12%)
Absolute Return	8%	7%	(0.09%)	0.48%	(0.04%)	(0.03%)	(0.07%)
Tactical Opportunities	1%	2%	11.94%	11.69%	0.00%	(0.08%)	(0.08%)
Total Fund Cash	2%	2%	1.38%	1.37%	0.00%	(0.02%)	(0.02%)
Total			**4.08% =**	**5.33% +**	**(0.73%) +**	**(0.52%)**	**(1.25%)**

- In the fourth quarter, the Total Fund underperformed the Performance Benchmark by 125 basis points.
- Manager effects in Private Eq & Special Opportunities and Public Equity were the largest detractors to relative returns.
- In aggregate, active management detracted 73 basis points from relative performance, while deviations from the Policy Target lost an additional 52 basis points.

APFC Total Fund Attribution

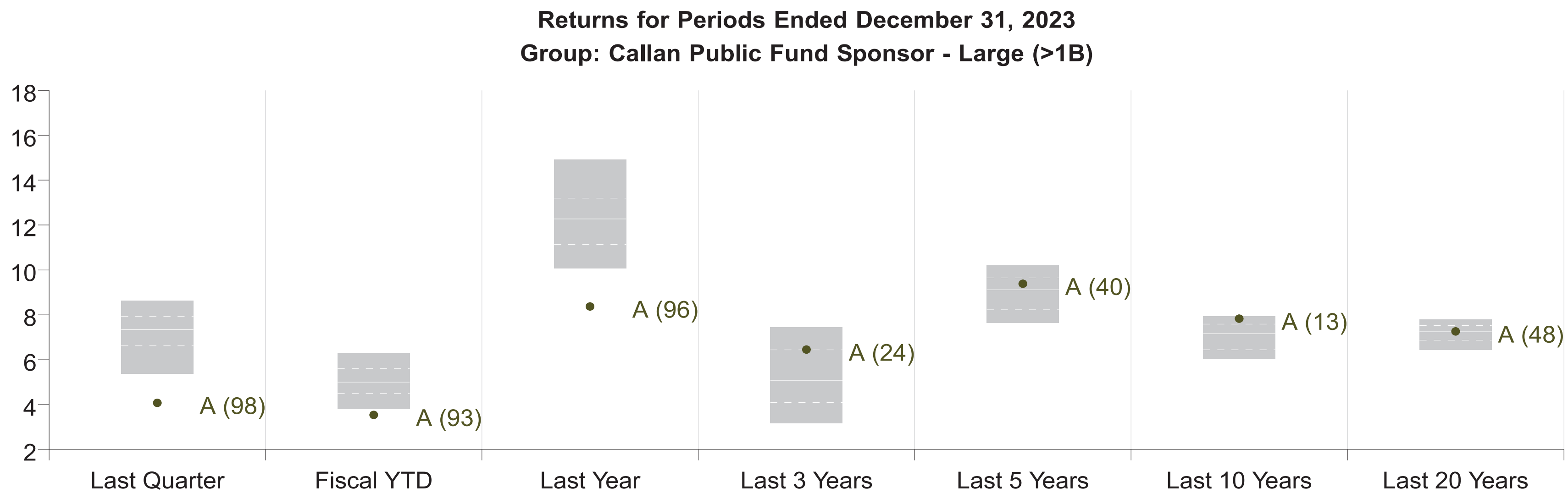
One Year Ended December 31, 2023

One Year Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Public Equity	34%	35%	18.09%	21.58%	(1.10%)	(0.27%)	(1.37%)
Fixed Income	18%	20%	7.88%	7.19%	0.13%	0.05%	0.18%
Private Eq & Special Opp	20%	16%	1.53%	4.29%	(0.58%)	(0.21%)	(0.79%)
Real Estate	10%	9%	(6.07%)	(6.54%)	0.07%	(0.10%)	(0.03%)
Private Income	9%	9%	7.21%	11.46%	(0.37%)	(0.02%)	(0.39%)
Absolute Return	7%	6%	5.11%	2.79%	0.17%	(0.09%)	0.08%
Tactical Opportunities	0%	1%	-	-	0.01%	(0.05%)	(0.04%)
Total Fund Cash	2%	2%	11.25%	5.01%	0.10%	0.01%	0.11%
Risk Parity	0%	0%	-	-	0.00%	0.03%	0.03%
Total			**8.37% =**	**10.59% +**	**(1.56%) +**	**(0.66%)**	**(2.22%)**

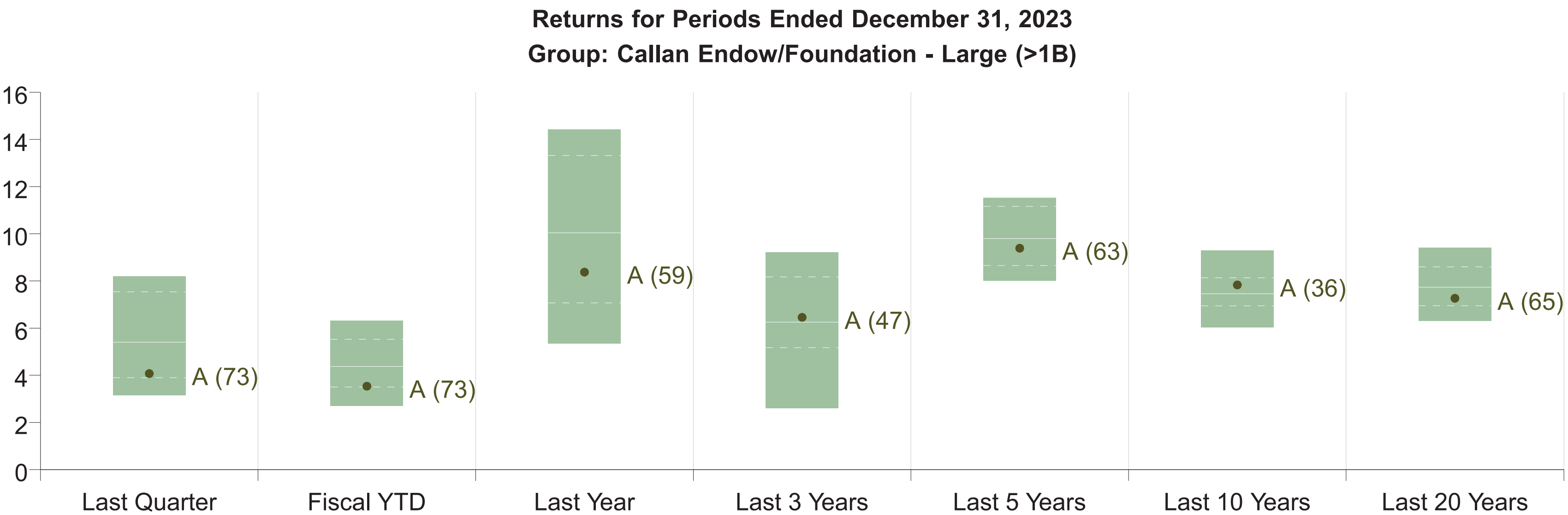
- For the trailing year, the Total Fund underperformed the Performance Benchmark by 222 basis points.
- Weak manager performance in Public Equity, Private Equity & Special Opportunities, and Private Income dampened relative results. Asset allocation effects in Public Equity and Private Equity & Special Opportunities also weighed on relative performance.
- In aggregate, active management detracted 156 basis points from relative performance, while deviations from the Policy Target detracted a further 66 basis points.

APFC Total Fund Relative to Callan's Large Public Fund Database



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	8.63	6.29	14.91	7.45	10.20	7.93	7.79
25th Percentile	7.94	5.61	13.20	6.44	9.65	7.59	7.53
Median	7.34	5.00	12.27	5.08	9.12	7.17	7.25
75th Percentile	6.62	4.50	11.14	4.09	8.23	6.45	6.87
90th Percentile	5.38	3.81	10.07	3.18	7.64	6.05	6.43
Member Count	121	121	121	119	119	119	74
Total Fund • A	4.08	3.54	8.37	6.46	9.39	7.83	7.26

APFC Total Fund Relative to Callan's Large Endowment / Foundation Database

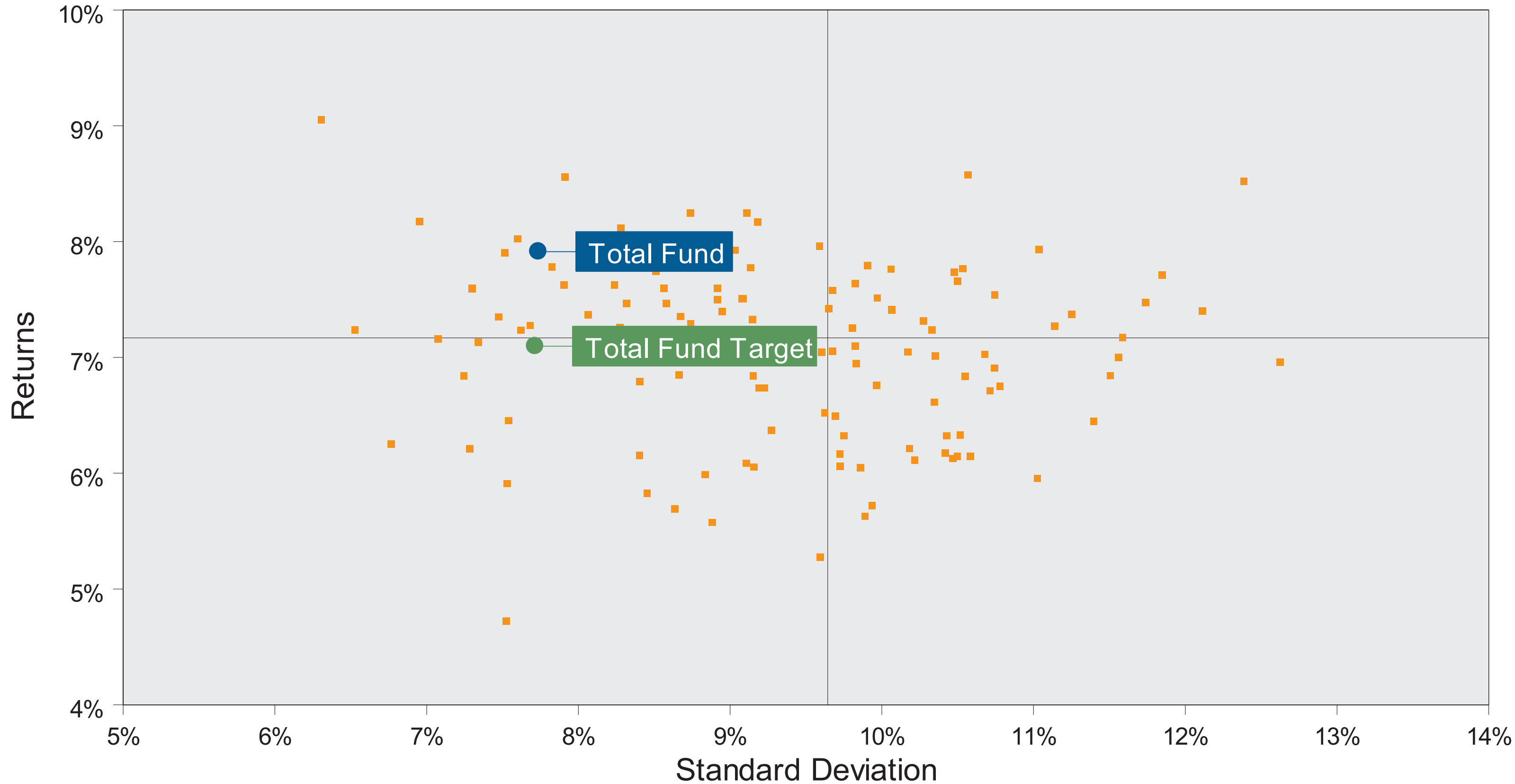


	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 20 Years
10th Percentile	8.20	6.32	14.42	9.22	11.52	9.30	9.41
25th Percentile	7.54	5.53	13.32	8.17	11.16	8.13	8.60
Median	5.41	4.38	10.04	6.26	9.80	7.46	7.74
75th Percentile	3.90	3.50	7.07	5.17	8.66	6.95	6.95
90th Percentile	3.15	2.70	5.34	2.61	8.00	6.04	6.31
Member Count	71	71	71	71	70	70	47
Total Fund • A	4.08	3.54	8.37	6.46	9.39	7.83	7.26

APFC Total Fund Return versus Standard Deviations

Relative to Callan's Large Public Fund Database

Ten Year Annualized Risk vs Return

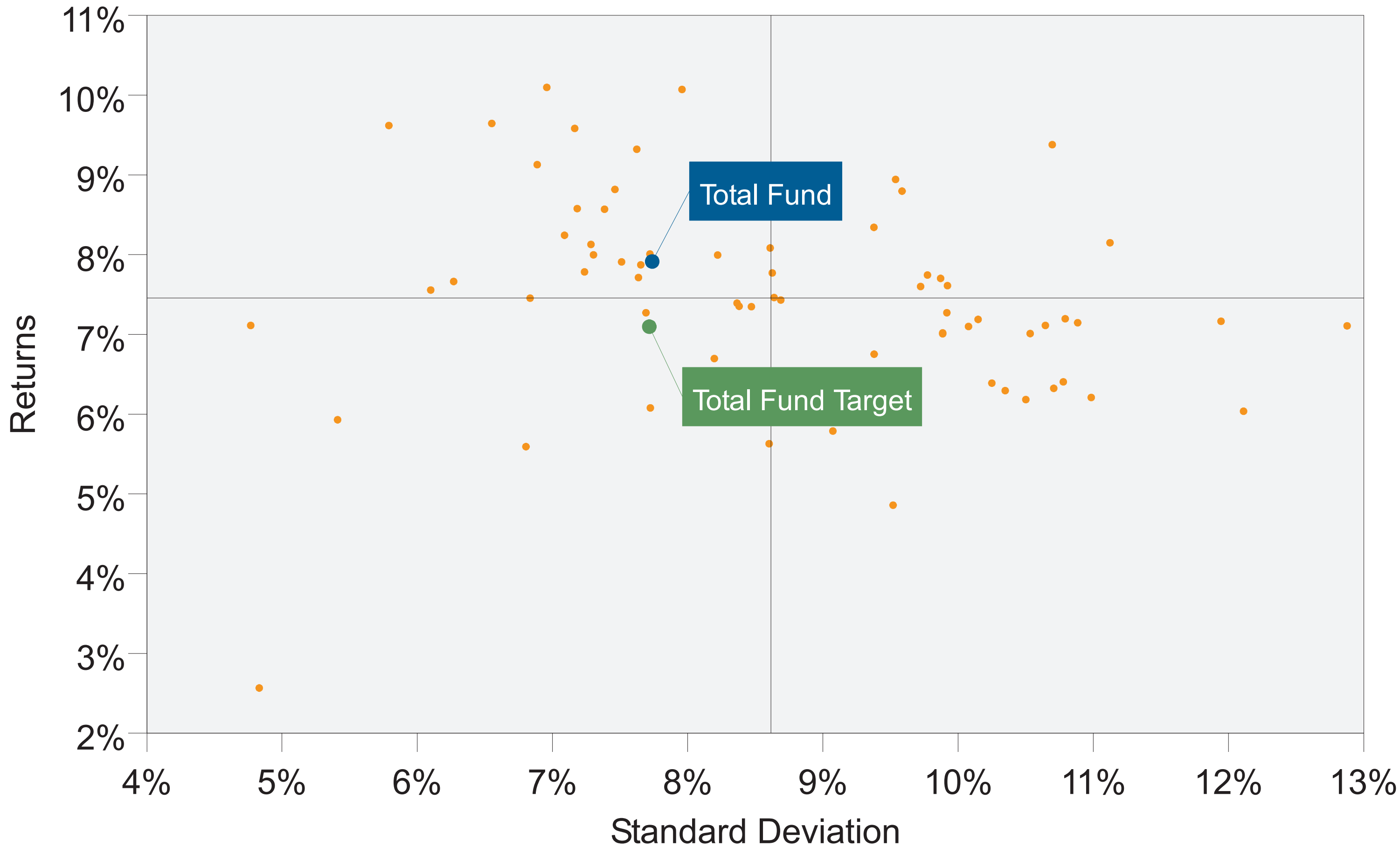


Squares represent membership of the Callan Public Fund Spons - Large (>1B)

APFC Total Fund Return versus Standard Deviations

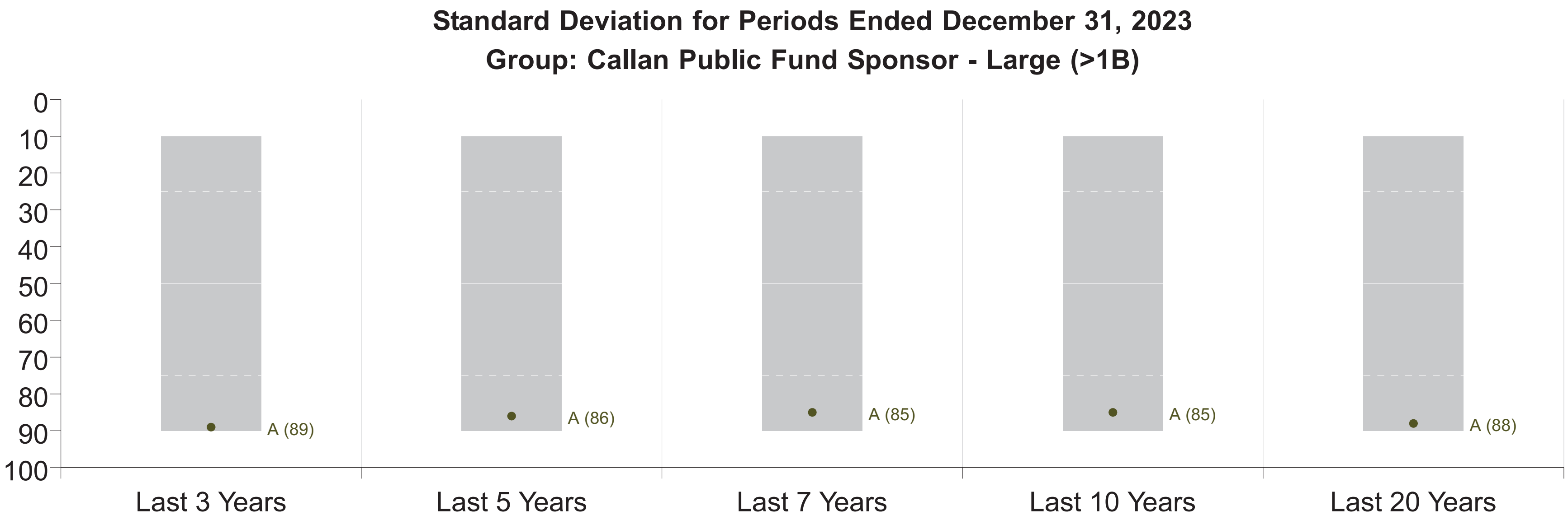
Relative to Callan's Large Endowment / Foundation Database

Ten Year Annualized Risk vs Return



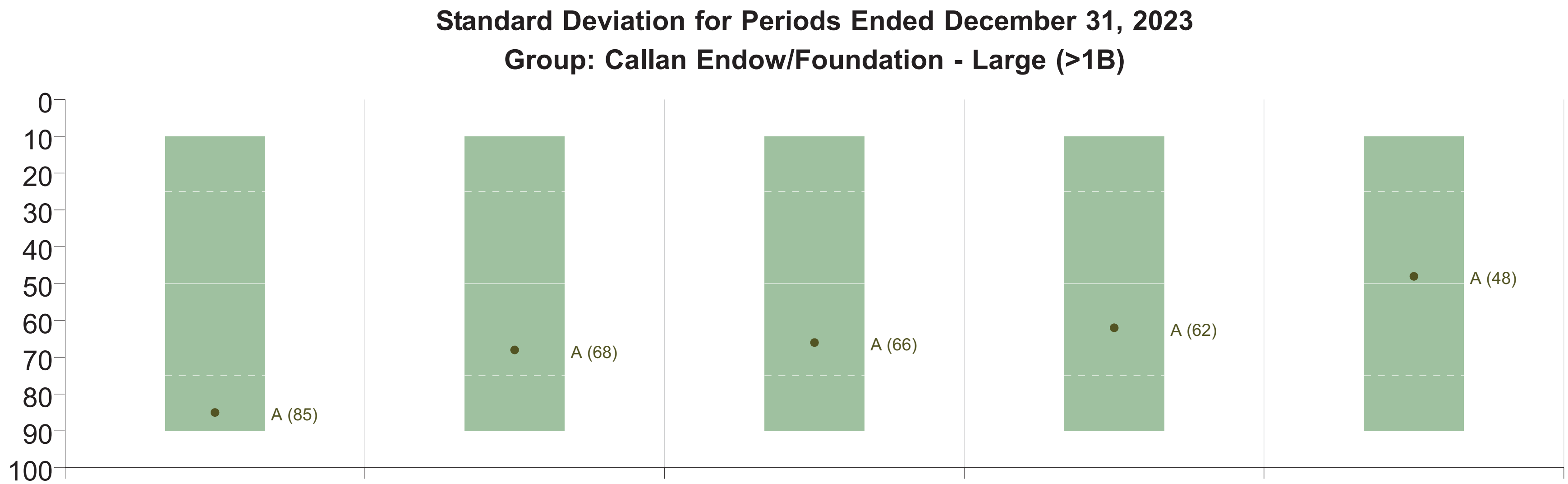
Squares represent membership of the Callan Endow/Foundation - Large (>1B)

APFC Total Fund Standard Deviation Relative to Callan's Large Public Fund Database



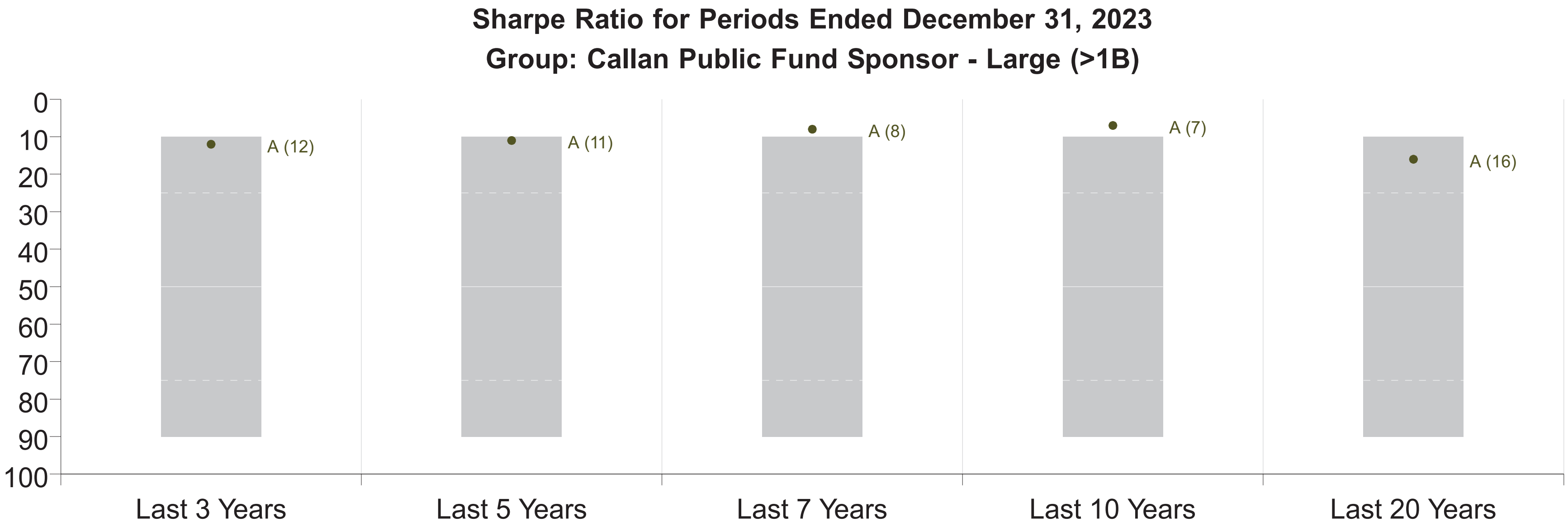
	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
10th Percentile	11.56	14.30	12.83	11.09	11.56
25th Percentile	10.85	13.36	11.98	10.41	10.79
Median	9.64	12.01	10.80	9.64	10.16
75th Percentile	8.59	10.86	9.58	8.46	9.60
90th Percentile	7.40	9.35	8.55	7.57	8.88
Member Count	119	119	119	119	74
Total Fund ● A	7.45	9.71	8.77	7.74	8.90

APFC Total Fund Standard Deviation Relative to Callan's Large Endowment/Foundation Database



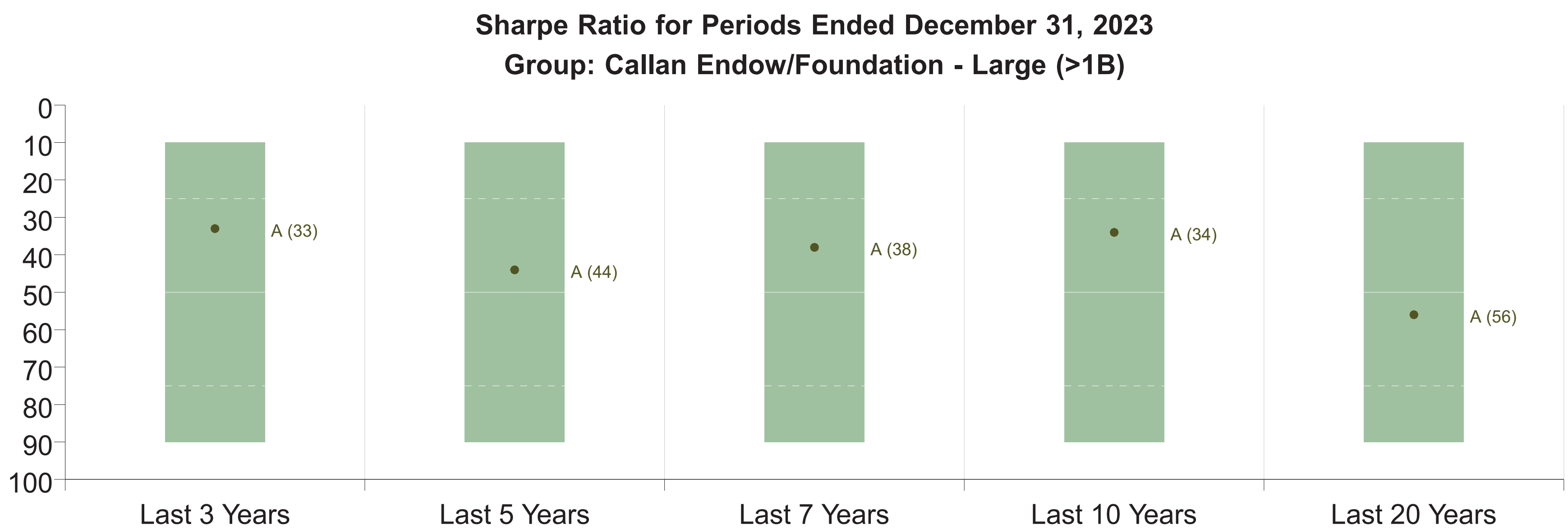
	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
10th Percentile	12.04	14.12	12.55	10.79	10.93
25th Percentile	10.40	12.89	11.52	9.96	9.77
Median	9.20	10.74	9.67	8.62	8.87
75th Percentile	7.89	9.31	8.22	7.36	8.25
90th Percentile	6.86	8.08	7.60	6.58	7.21
Member Count	71	70	70	70	47
Total Fund ● A	7.45	9.71	8.77	7.74	8.90

APFC Total Fund Sharpe Ratio Relative to Callan's Large Public Fund Database



	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
10th Percentile	0.72	0.80	0.81	0.81	0.69
25th Percentile	0.45	0.69	0.67	0.72	0.64
Median	0.30	0.58	0.57	0.61	0.56
75th Percentile	0.17	0.50	0.49	0.52	0.51
90th Percentile	0.09	0.45	0.45	0.47	0.47
Member Count	119	119	119	119	74
Total Fund ● A	0.61	0.79	0.82	0.86	0.66

APFC Total Fund Sharpe Ratio Relative to Callan's Large Endowment/Foundation Database



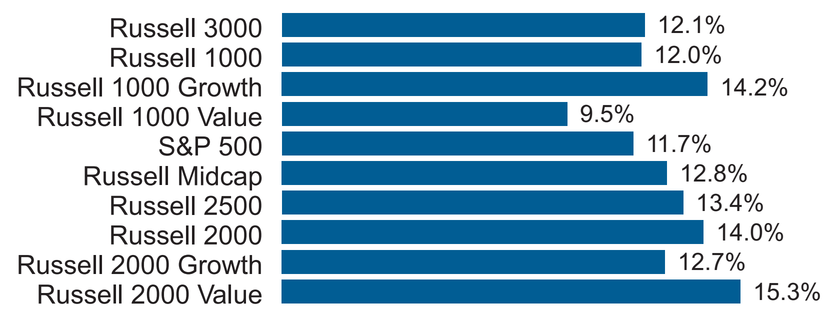
	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years
10th Percentile	0.85	1.01	1.05	1.10	1.05
25th Percentile	0.73	0.89	0.92	0.90	0.83
Median	0.49	0.73	0.72	0.72	0.68
75th Percentile	0.30	0.57	0.56	0.55	0.56
90th Percentile	0.05	0.46	0.45	0.47	0.50
Member Count	71	70	70	70	47
Total Fund ● A	0.61	0.79	0.82	0.86	0.66

U.S. Equity Performance: 4Q23

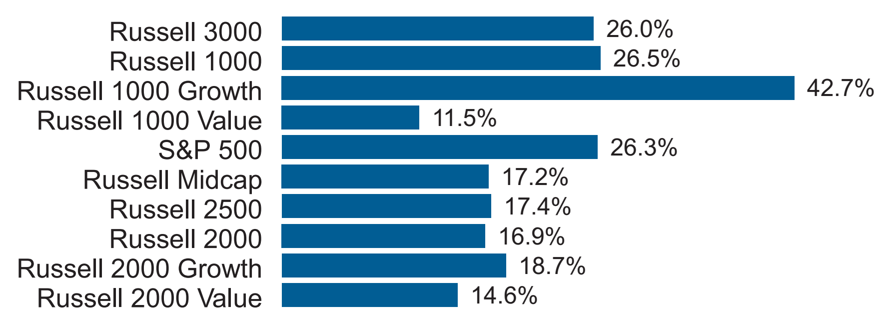
The U.S. equity market rallied in 4Q, closing the year near record highs

- U.S. equity markets rebounded in the last two months of the year as the impact of possible rate cuts in 2024 started to get priced in.
- 2023 saw the narrowest breadth of leadership (“the Magnificent Seven”) since 1987 with just 27% of stocks outperforming the S&P 500. Historically, such concentrated leadership has not been the sign of a healthy market. However, gains started broadening out in the last two months of the year with the equal-weighted S&P index outperforming the capitalization-weighted version.
- Smaller cap stocks also outperformed their large cap counterparts in 4Q23, further proof of the broadening out of returns; for the full year, large cap stocks outperformed small cap stocks by almost 10 percentage points.
- Growth vs. value performance was mixed across market capitalization during the quarter. Within large cap, growth outperformed value, while the opposite was true within small cap.

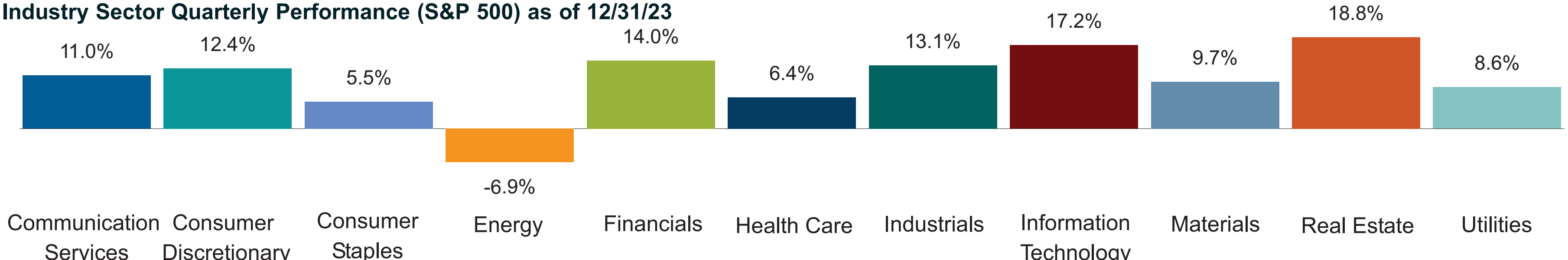
U.S. Equity: Quarter Ended 12/31/23



U.S. Equity: One Year Ended 12/31/23



Industry Sector Quarterly Performance (S&P 500) as of 12/31/23



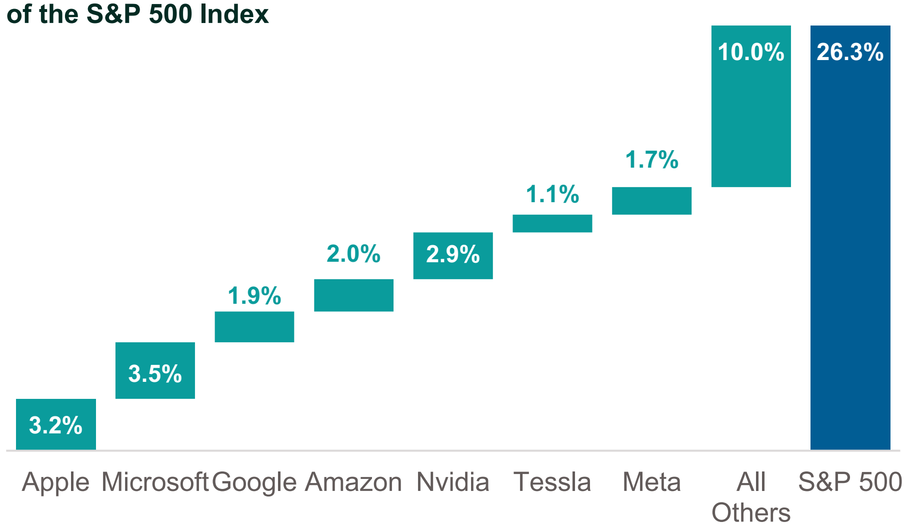
Sources: FTSE Russell, S&P Dow Jones Indices

U.S. Equity Overview

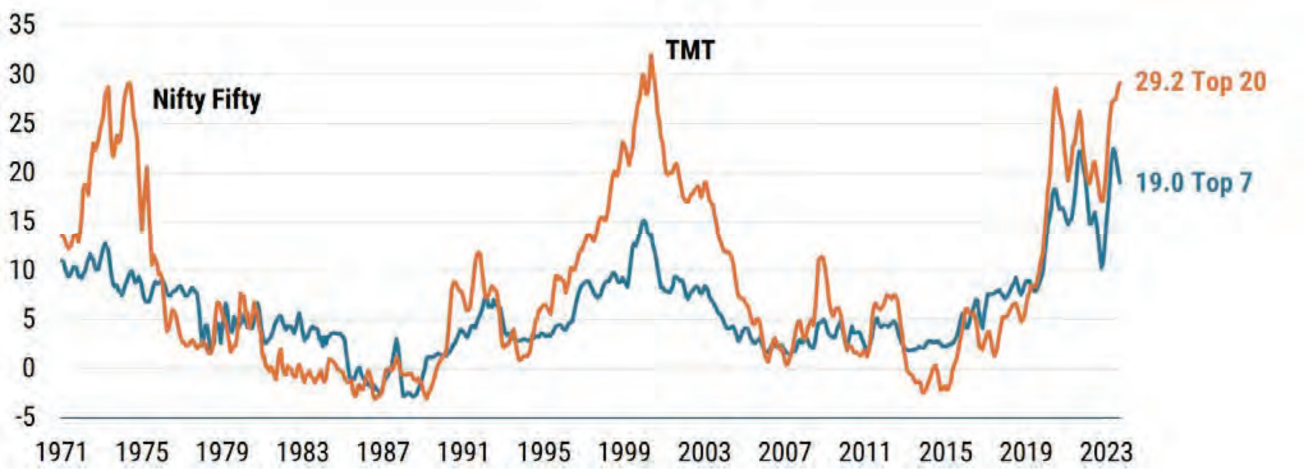
Active large cap managers had a challenging year

- Index concentration remains notable. Within the S&P 500, the top 10 issuers comprise 30% of the benchmark. Within the Russell 1000 Growth Index, the top 10 issuers comprise 51% of the index.
- The "Magnificent Seven" have helped large cap stocks outperform for the year. In 2023 these stocks were responsible for 62% of the S&P 500 Index's gains.
- Active managers that were underweight to the largest benchmark names have had a difficult time generating alpha.
- The largest names in the S&P 500 are trading at valuation premiums not seen since the late 1990s and 1970s.

Contribution to Returns by 'Magnificent 7' Stocks vs. Rest of the S&P 500 Index



Valuation Premiums (Percent) of the Largest Stocks in the S&P 500 Index



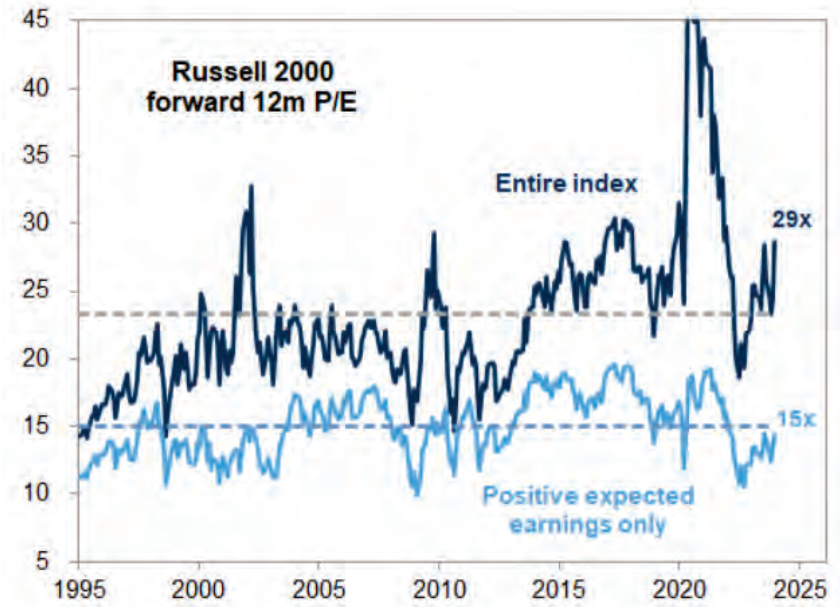
Sources: Carson Investment Research, Factset; GMO
*Magnificent Seven" are Apple, Microsoft, Amazon, NVIDIA, Alphabet, Tesla, and Meta

U.S. Equity Key Theme

Small caps still present an opportunity

Russell 2000 Price/Book Remains Below Historical Average

Russell 2000 Forward Price/Earnings Still Cheap When Negative Earners are Removed



- Despite the rally at year-end, small caps still look attractive. 40% of the Russell 2000 Index is comprised of non-earners. Excluding these companies, the Russell 2000 looks cheap on a forward 12-month P/E basis. Relative valuations are particularly compelling.
- Small cap stocks continue to face headwinds from a potential slowdown in domestic growth since smaller companies tend to derive less revenue outside the U.S. Additionally, about a third of small cap outstanding debt is floating rate, which can be challenging in a “higher for longer” rate environment.
- Lower valuations could provide a buffer if economic growth fails to meet market expectations.

Sources: Compustat, FactSet, Goldman Sachs, IBES
Past performance is no guarantee of future results.

Global/Global ex-U.S. Equity Performance: 4Q23

Dovish central banks drove market higher

Global markets in the black for 4Q

Broad market

- Dovish signaling from central banks and dropping yields led to a broad market rally in 4Q.
- Global ex-U.S. small caps reclaimed some of their lagging performance in 4Q but ended the year as the worst-performing broad-based index, albeit up over 12%. Elevated borrowing costs and the persistent risk of a recession have kept investors away.
- Japan's low rates have benefited exporters, and the threat of being delisted spurred a stock buy-back spree. Coupled with an increased focus on governance, this spurred Japan to a multi-decade high.

Emerging markets

- Emerging markets underperformed developed markets.
  - India's rally couldn't overcome China's weakness, whose economic growth was near the government's target, but investor concerns around stimulus and a surprisingly sluggish reopening drove stocks lower.

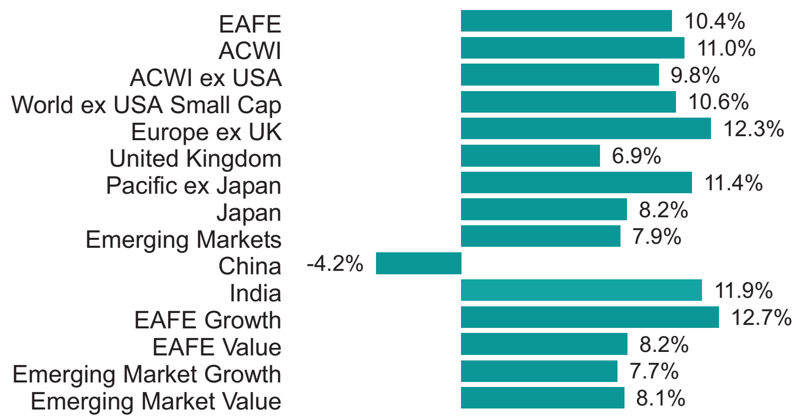
Growth vs. value

- Energy, a volatile area in the market, pulled back value's rally after having a strong 3Q. Global ex-U.S. growth rallied on lowering yields but couldn't overcome earlier underperformance and ended the year behind its value peers in both emerging and developed markets.

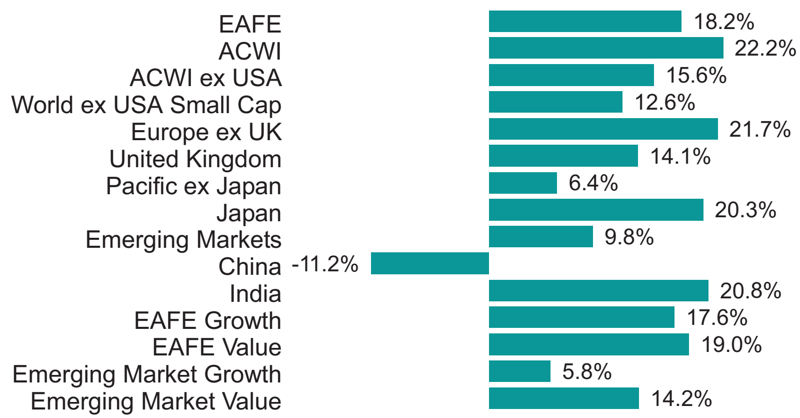
U.S. dollar vs. other currencies

- The U.S. dollar weakened in 4Q as investors believed that U.S. interest rates would fall faster than much of the developed world.

Global Equity Returns: Quarter Ended 12/31/23



Global Equity Returns: One Year Ended 12/31/23



Source: MSCI

Global/Global ex-U.S. Equity Key Themes

Tailwinds include currency, interest rates

Interest Rates

– Increased dispersion between central bank actions, such as potential interest rate cuts in the U.S. while the rest of the world holds or increases interest rates, could increase capital flows outside of the U.S.

Currency

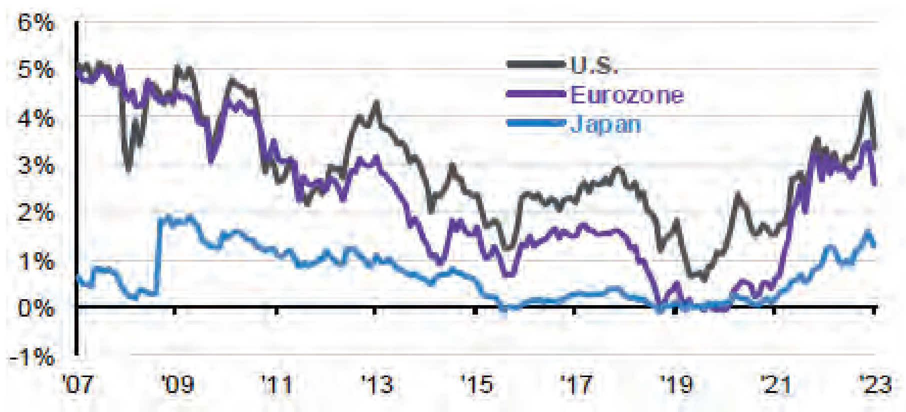
– A decrease in the interest rate differential between the U.S. and global ex-U.S. countries may put pressure on the U.S. dollar and provide support for global ex-U.S. equities.

Valuation

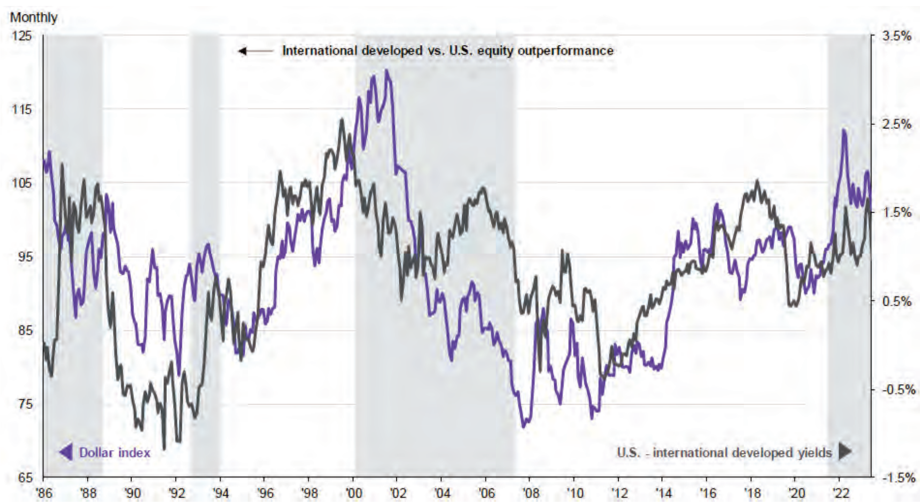
– With valuations at relative discounts to history and the U.S., global ex-U.S. equities could provide attractive opportunities should interest rate and currency shift course.

Interest Rate Expectations by Country

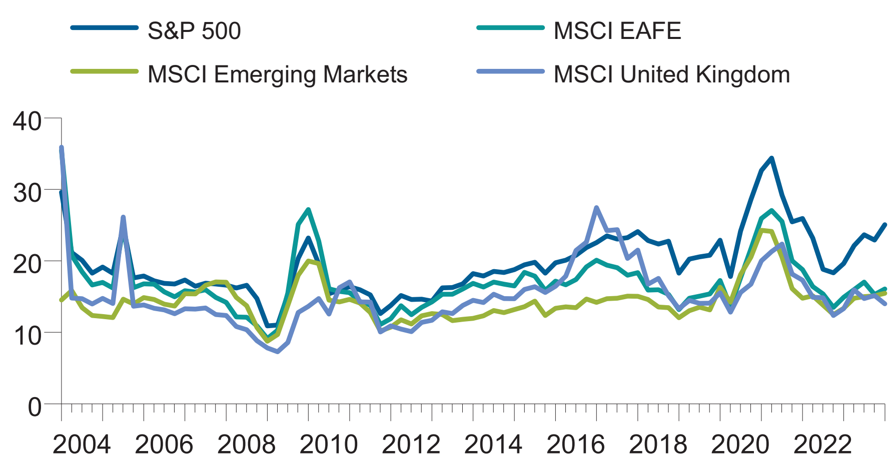
Based on 5Y5Y swaps



U.S. Dollar and Interest Rate Differentials



Price/Earnings Ratio (inc neg) for 20 Years Ended 12/31/23



Sources: Bank of Canada, Bloomberg, FactSet, Federal Reserve Economic Data (FRED), J.P. Morgan Asset Management, Ministry of Finance of Japan, MSC, OECD, S&P Dow Jones Indices

Global/Global ex-U.S. Equity Key Themes

China: Danger or opportunity?

Long-term growth potential

- China has the second-largest GDP and the world's largest population of consumers.

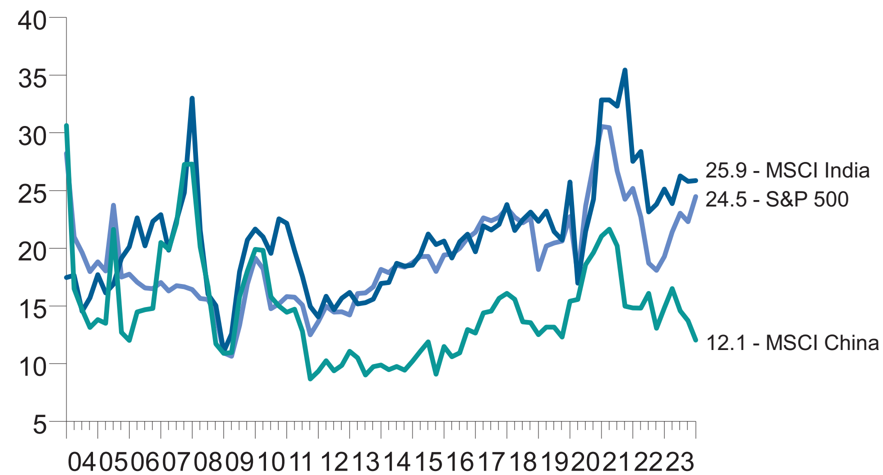
Valuation

- Valuations remain attractive on a forward P/E basis.

Structural challenges

- Inbound foreign direct investment (FDI) for China went negative for the first time as local markets remain weak and geopolitical tensions persist.
- China is run by an authoritarian regime that may act against investors' best interests.

Price/Earnings Ratio (exc neg) for 20 Years Ended 12/31/23

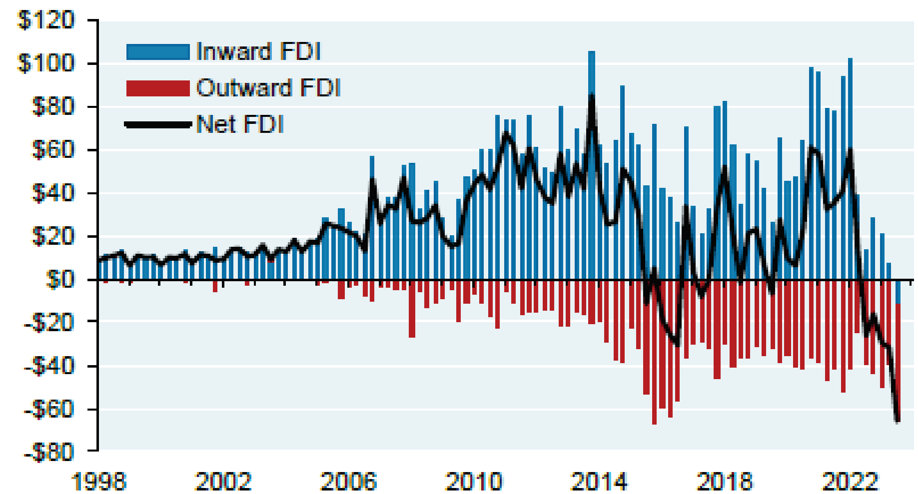


China Consumer Confidence

Index (100 = 1997)

FDI Into China Fell Into Negative Territory for the First Time

US $billions

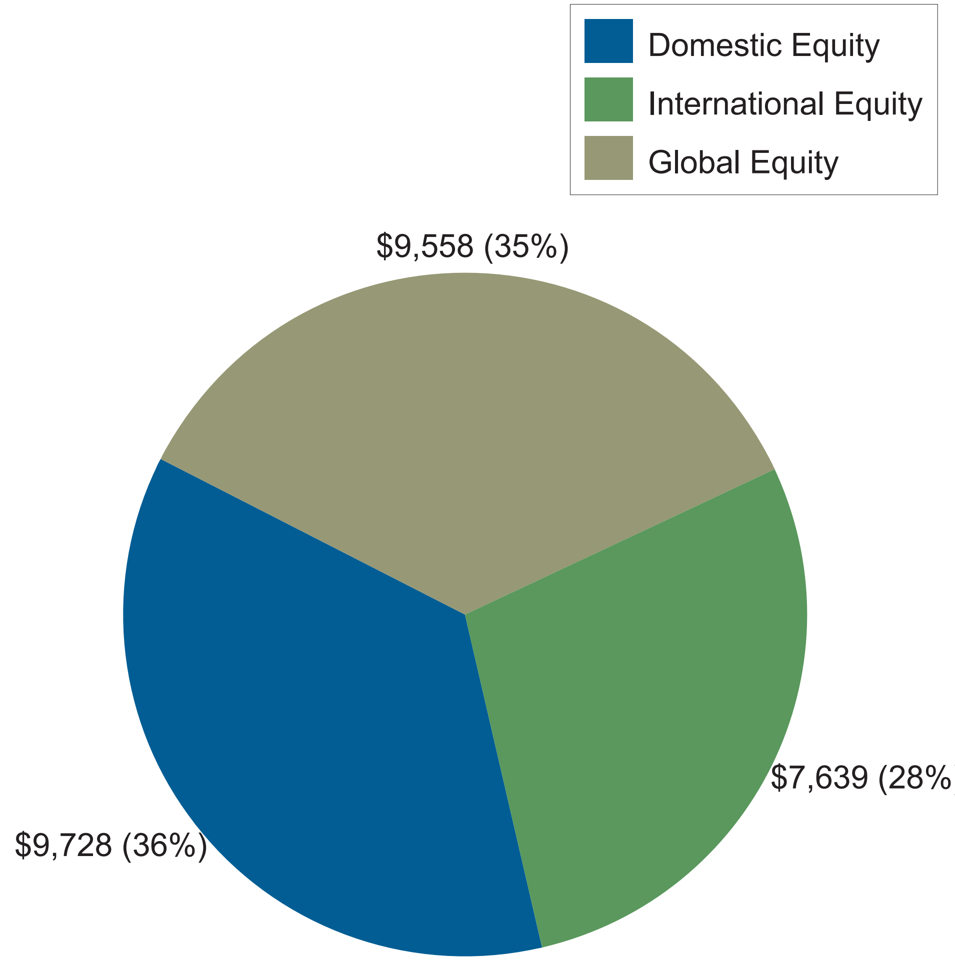


Sources: Bloomberg, J.P. Morgan Asset Management.

APFC Public Equity Structure

As of December 31, 2023

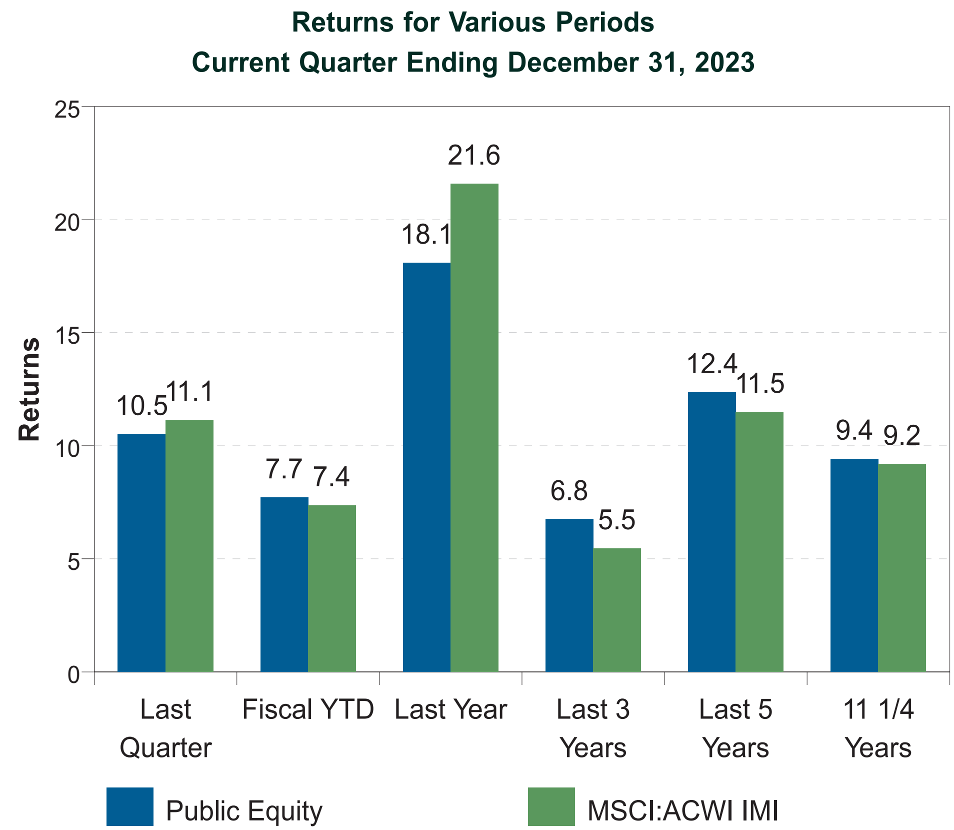
- APFC Public Equity portfolio is comprised of Domestic, International and Global Equity.



APFC Public Equity vs. MSCI ACWI-IMI

Periods Ended December 31, 2023

- APFC Public Equity portfolio trailed the MSCI ACWI IMI index for the quarter and trailing year, but exceeded the benchmark over the intermediate and long-term.
- Domestic, International and Global Equity composites ended behind their respective benchmarks for the quarter and trailing year.
- Overall, the portfolio is well diversified across regions, countries, and underlying strategies.



APFC US Equity Performance vs. Fund Sponsor US Equity

Periods Ended December 31, 2023

- The universe is comprised of total domestic equity portfolios of large institutional investors in Callan's Fund Sponsor Database.
- APFC US Equity portfolio trailed the Russell 3000 Index for the quarter and over the trailing year.
- When compared to US Equity portfolios of other large institutional investors, APFC's US Equity composite ranked near median in longer term periods.

Performance vs Fund Spnsor - Domestic Equity (Gross)

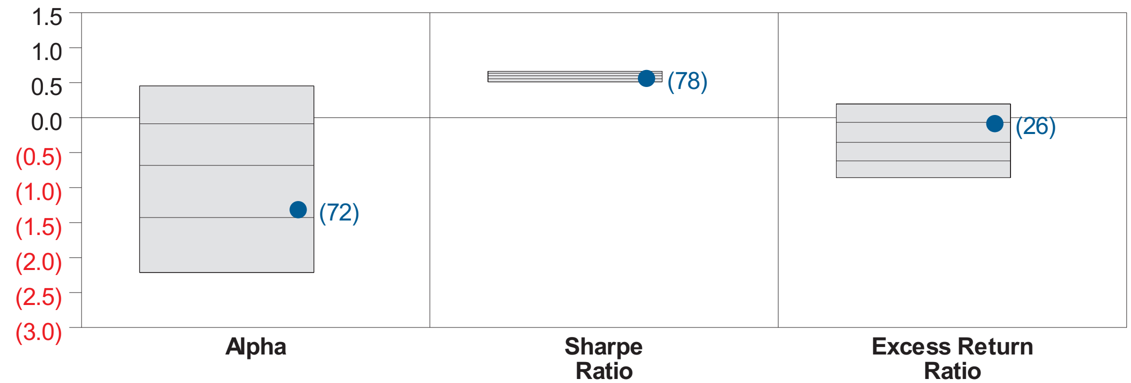
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	12.55	9.33	26.43	9.93	15.56	13.31	11.78
25th Percentile	12.22	8.54	25.59	9.17	15.07	12.72	11.30
Median	11.87	8.10	23.77	8.41	14.44	12.13	10.86
75th Percentile	11.46	7.62	21.85	7.34	13.52	11.35	10.19
90th Percentile	11.03	7.03	18.92	6.13	12.68	10.69	9.50
Domestic Equity ●	11.78	8.80	18.82	9.51	14.63	11.85	10.64
Russell 3000 Index ▲	12.07	8.43	25.96	8.54	15.16	12.81	11.48

APFC US Equity Portfolio Risk Adjusted Return Rankings

Periods Ended December 31, 2023

- The universe is comprised of total domestic equity portfolios of large institutional investors in Callan's Fund Sponsor Domestic Equity Database.
- For the trailing ten-year period, APFC portfolio ranked below median for alpha and Sharpe ratio, and above median for excess return ratio.
  - Alpha measures contribution to performance – portfolio's return above index adjusted for risk.
  - Sharpe Ratio represents return gained per unit of risk taken (return/risk).
  - Excess Return Ratio measures alpha (return above benchmark) divided by tracking error (risk versus benchmark).

Risk Adjusted Return Measures vs Russell 3000 Index
Rankings Against Fund Spnsor - Domestic Equity (Gross)
Five Years Ended December 31, 2023

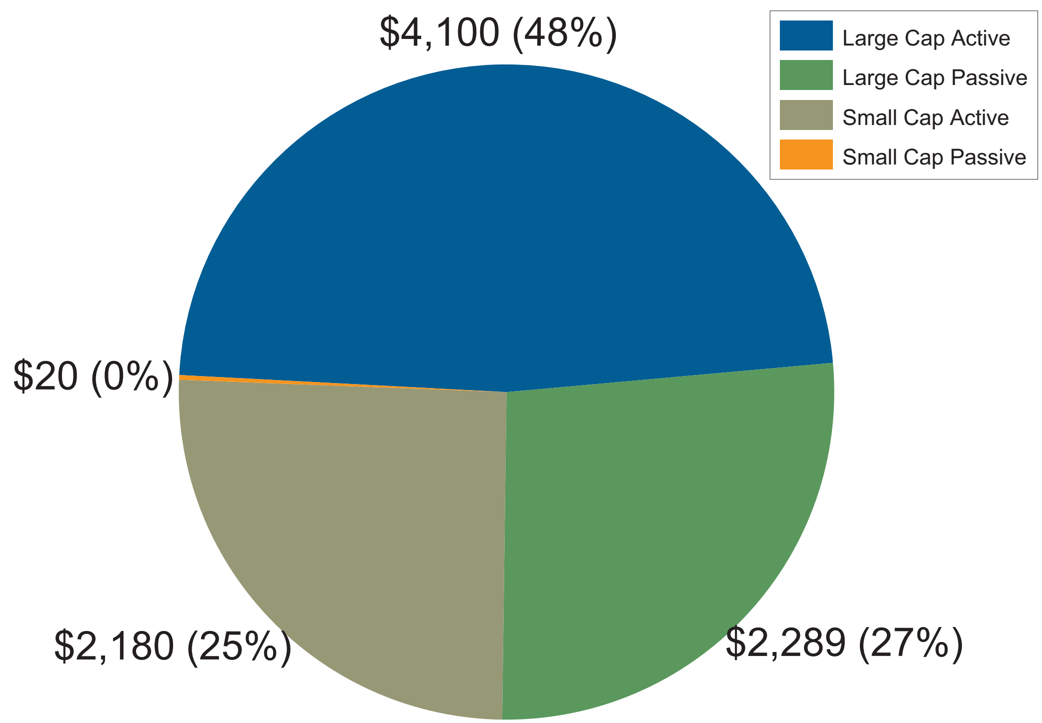


	Alpha	Sharpe Ratio	Excess Return Ratio
10th Percentile	0.46	0.66	0.20
25th Percentile	(0.09)	0.64	(0.07)
Median	(0.68)	0.60	(0.35)
75th Percentile	(1.43)	0.56	(0.62)
90th Percentile	(2.22)	0.51	(0.86)
Domestic Equity ●	(1.33)	0.55	(0.10)

APFC US Equity Structure

As of December 31, 2023

- US equity portfolio is roughly 73% actively managed and 27% passive (or quasi-passive).
- Roughly 64% of the large cap allocation is actively managed while 99% of the small cap allocation is actively managed.



APFC Large Cap Equity Relative to Large Cap Universe

Periods Ended December 31, 2023

- APFC's Large Cap and Small Cap portfolios outperformed their benchmark for the quarter. Over the trailing year the Small Cap portfolios outperformed the benchmark, while Large Cap portfolio missed the benchmark.
- Small Cap portfolios ranked above the peer group median over the quarter and trailing year, while Large Cap portfolios ranked below peer group medians over both time periods.
- Performance from the APFC US Tactical Tilt portfolio aided relative results over the quarter but detracted over the trailing year.

Performance vs Callan Large Capitalization (gross)

	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
Large Cap Equity	9.11 (54)	20.12 (62)	10.04 (46)	14.83 (56)	12.21 (59)	10.90 (60)
S&P 500 Index	8.04 (72)	26.29 (50)	10.00 (48)	15.69 (44)	13.42 (50)	12.03 (47)
Russell 1000 Index	8.44 (62)	26.53 (50)	8.97 (57)	15.52 (46)	13.21 (54)	11.80 (50)
Callan Large Cap	9.41	26.41	9.83	15.11	13.40	11.84

Performance vs Callan Small Capitalization (gross)

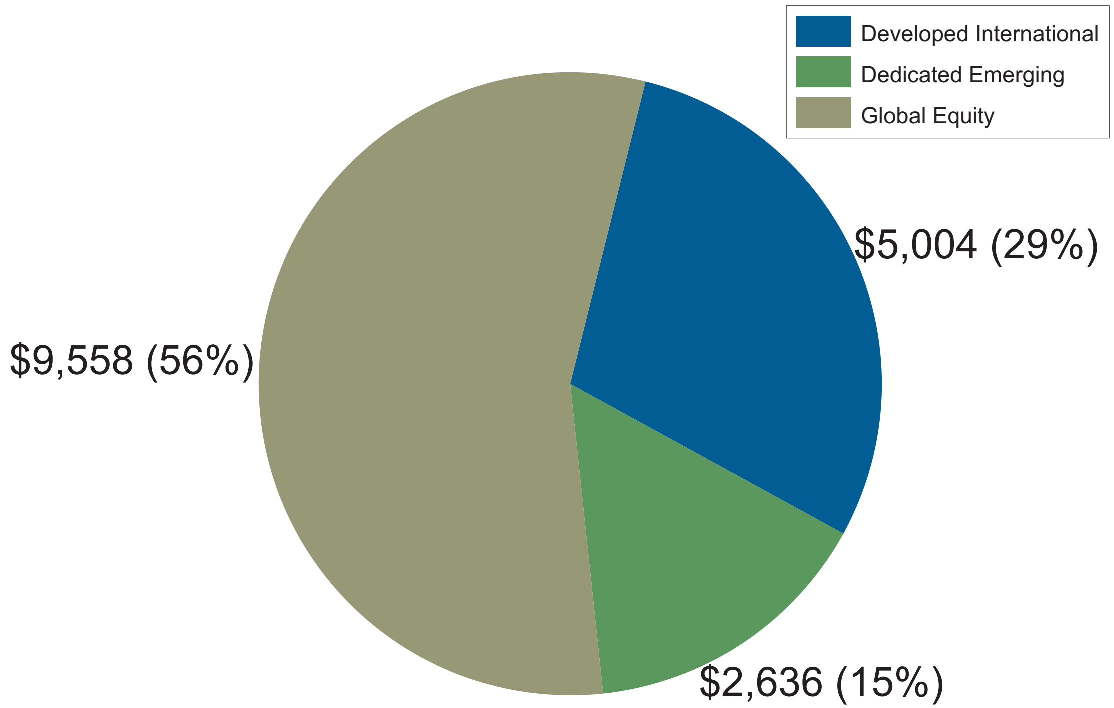
	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
Small Cap Equity	9.71 (29)	18.36 (38)	6.43 (49)	13.33 (31)	10.00 (42)	9.45 (33)
Russell 2000 Index	8.18 (44)	16.93 (56)	2.22 (69)	9.97 (86)	7.33 (84)	7.16 (93)
Callan Small Cap	7.64	17.35	6.19	12.26	9.51	8.87

*Peer group returns reflect median

APFC Non-US and Global Equity Structure

As of December 31, 2023

- Portfolio is divided between global, non-US, and emerging markets mandates.
- Both global and non-US equity managers invest in emerging markets.
- Global managers invest in US markets as part of their mandate.



APFC International Equity Relative to Fund Sponsor Universe

Periods Ended December 31, 2023

- International Equity ended the quarter trailing its benchmark and its peer group median. Over the trailing year, International Equity underperformed the benchmark and peer group median.
- In periods outside the year, the portfolio outperformed its benchmark.
- Relative to other fund sponsor portfolios, International Equity ranked near median for most longer time periods.

Performance vs Fund Spnsor - International Equity (Gross)

	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	10.70	7.07	18.96	4.72	9.79	8.74	6.14
25th Percentile	10.08	6.06	18.07	3.35	8.97	7.93	5.41
Median	9.72	5.38	16.55	1.95	8.20	7.32	4.83
75th Percentile	9.41	4.34	14.75	0.33	7.31	6.56	4.27
90th Percentile	8.78	3.01	13.07	(1.31)	5.99	5.57	3.53
International Equity ●	8.41	6.66	14.57	1.66	8.02	7.24	4.58
MSCI ACWI xUS IMI ▲	9.81	5.98	15.62	1.53	7.19	6.38	3.97

APFC International Equity Relative to Fund Sponsor Universe

Periods Ended December 31, 2023

Performance vs Callan Non-US Equity (gross)

	Fiscal YTD		Last Year		Last 3 Years		Last 5 Years		Last 7 Years		Last 10 Years	
International Developed	7.06	(21)	16.12	(74)	4.23	(36)	8.95	(48)	7.46	(59)	4.98	(58)
MSCI ACWI xUS (net)	5.61	(38)	15.62	(78)	1.55	(71)	7.08	(89)	6.33	(83)	3.83	(90)
Callan Non-U.S. (gr)	5.09		18.08		3.36		8.86		7.62		5.16	

Performance vs Emerging Markets Equity Database (gross)

	Fiscal YTD		Last Year		Last 3 Years		Last 5 Years		Last 7 Years		Last 10 Years	
Emerging Markets	5.94	(37)	11.69	(51)	(2.73)	(44)	6.15	(42)	6.76	(42)	3.77	(58)
MSCI EM	4.71	(48)	9.83	(59)	(5.08)	(55)	3.69	(75)	4.98	(76)	2.66	(84)
EM Equity DB (gr)	4.44		11.81		(4.03)		5.69		6.31		4.14	

Performance vs Global Equity Database (gross)

	Fiscal YTD		Last Year		Last 3 Years		Last 5 Years		Last 7 Years		Last 10 Years	
Global Equity	7.46	(43)	19.98	(51)	7.94	(31)	13.55	(30)	11.15	(42)	8.86	(45)
MSCI ACWI IM Index	7.36	(46)	21.58	(42)	5.46	(59)	11.49	(60)	9.77	(64)	7.77	(67)
Global Equity DB (gr)	7.07		20.07		6.32		12.25		10.70		8.57	

*Peer group returns reflect median

U.S. Fixed Income Performance: 4Q23

Bonds bounce back at year-end; U.S. Treasury yield has volatile 2023

Strong returns at end of year

- Driven by falling rates and strong risk-on sentiment, the Agg returned 6.8%, the highest quarterly return since 2Q89 (when the 90-day T-bill was over 8% and inflation hit 14% earlier in the decade)!
- 10-year U.S. Treasury yield closed the year at 3.88%.
  - A round trip from 12/2022, masking significant volatility during the year
  - High was 4.98% in October and low was 3.30% in April
- Corporates and mortgages outperformed Treasuries for the quarter and year.
- High yield corporates soared as defaults remained low, economy resilient.

U.S. Treasury yield curve remained inverted, but less so

- 106 bps as of 6/30; 44 bps as of 9/30; 35 bps as of 12/31

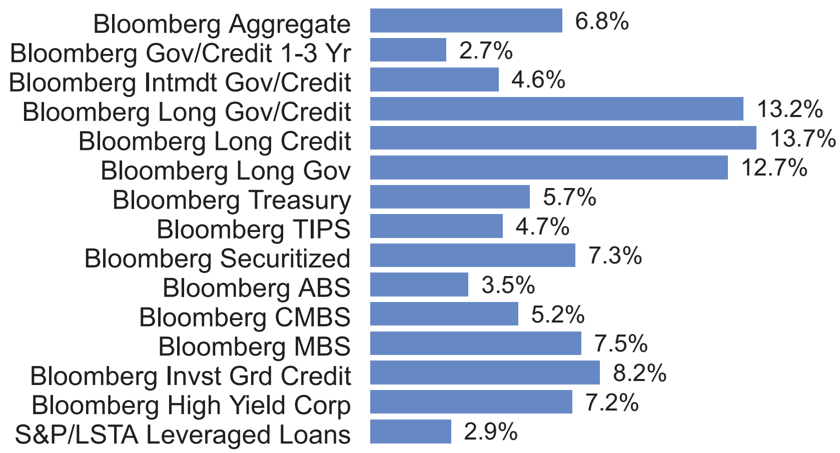
Fed kept Fed Funds rate on hold and softened language

- Pivoted from “higher for longer” to projected rate cuts in 2024
- Inflation over past six months below Fed’s 2% target
  - Core PCE Price Index was 1.9% annualized in November
- Markets expect six rate cuts in 2024 versus three in the Fed’s Summary of Economic Projections

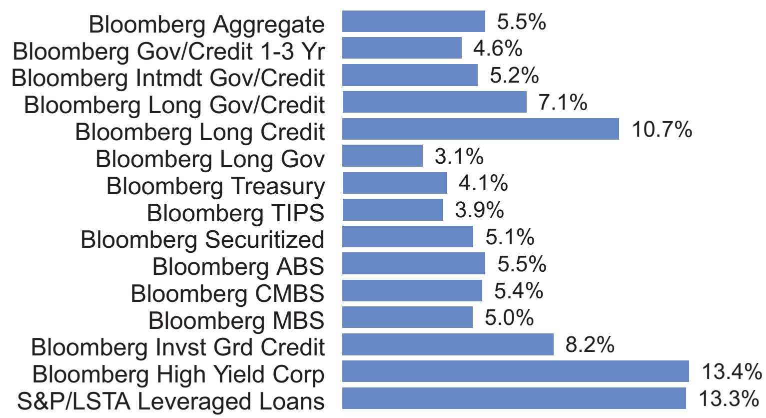
Valuations

- Investment grade and high yield corporate spreads now below 10-year averages

U.S. Fixed Income Returns: Quarter Ended 12/31/23



U.S. Fixed Income Returns: One Year Ended 12/31/23



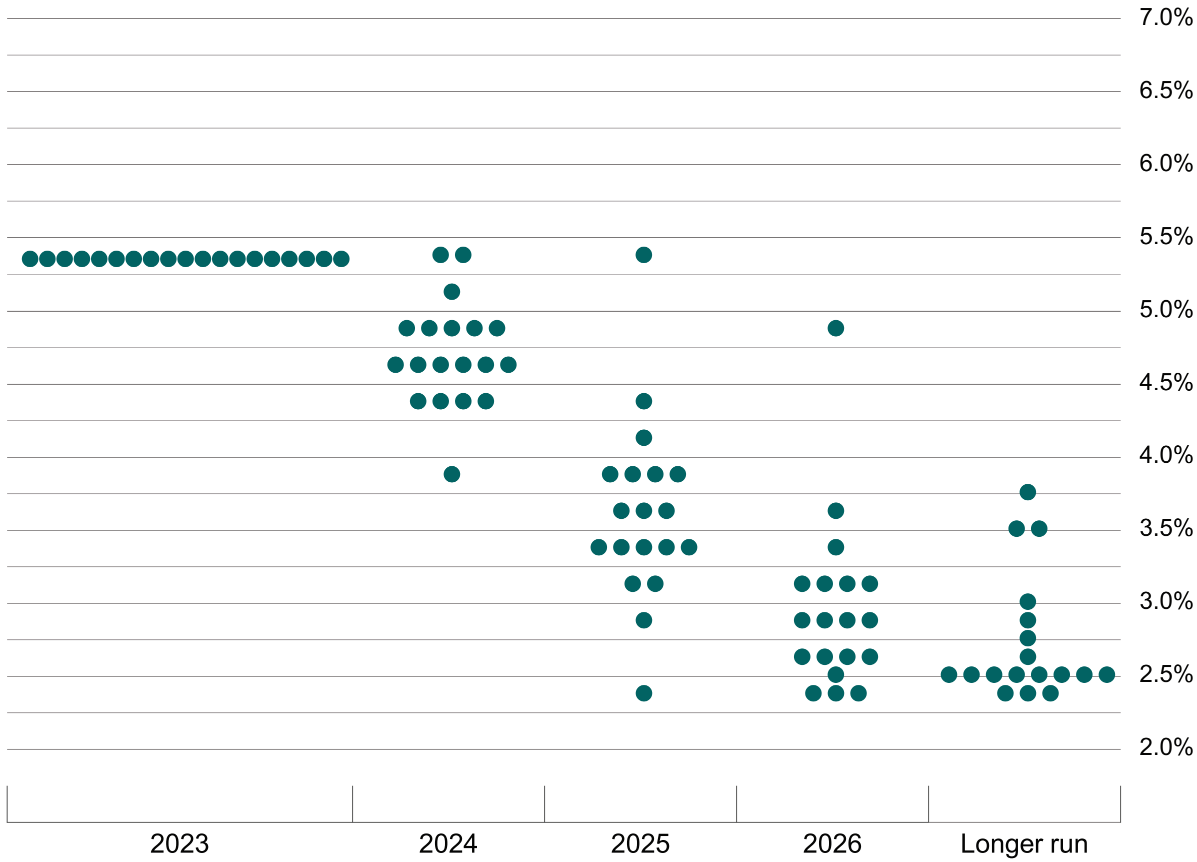
Sources: Bloomberg, Callan, S&P Dow Jones Indices

The Fed's 'Dot Plot'

Dec. 13, 2023

Federal Open Market Committee (FOMC) participants' assessments of appropriate monetary policy

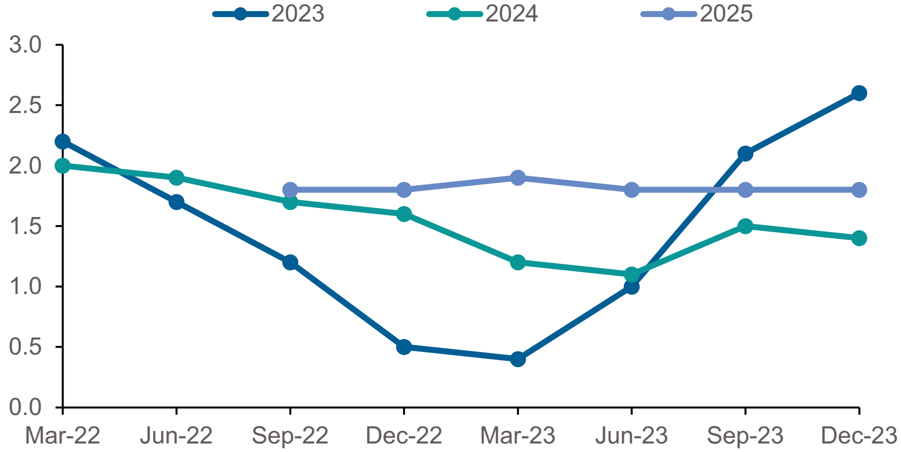
- Median year-end in 2024 = 4.6% (down from 5.1% projection at September meeting)
- Longer-run unchanged at 2.5%
- Dispersion of views widens in 2025 but narrows over "longer run"
- Market expects more cuts next year based on CME FedWatch as of December 2023. Fed Funds expectations:
  - 27% expect 4.00% to 4.25%
  - 37% expect 3.75% to 4.00%
  - 21% expect 3.50% to 3.75%



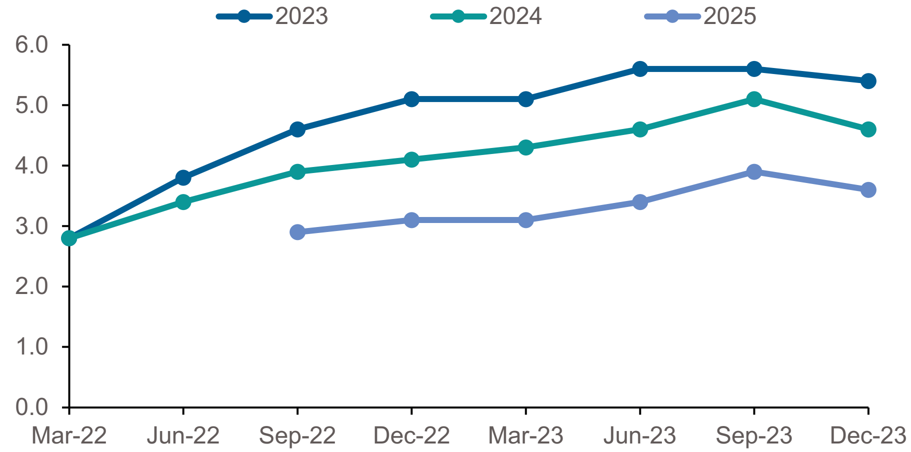
Source: Federal Reserve (One participant did not submit longer-run projections for the federal funds rate.)

The Shifting Mindset at the Fed

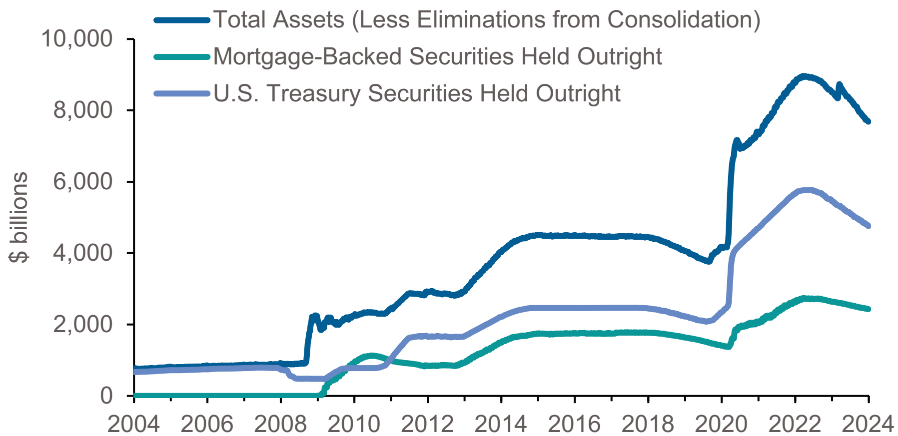
Fed Projection of Change in Real GDP
By Fed Meeting Date and Projection Year



Fed Projection of Fed Funds Rate
By Fed Meeting Date and Projection Year



Fed Balance Sheet



The big swing in the Fed's GDP projection reflects the surprising nature of economic resilience.

- The Fed steadily increased projections for the appropriate Fed Funds Rate in response to this economic strength.
  - Inflation down from recent highs but well above the Fed's long-term 2% target
- The Fed is also unwinding its balance sheet.
  - This has a more direct impact on longer-term rates than the Fed Funds Rate and could help to slow economic activity if it causes rates to rise.

Source: Federal Reserve, Financial Times

Global Fixed Income Performance: 4Q23

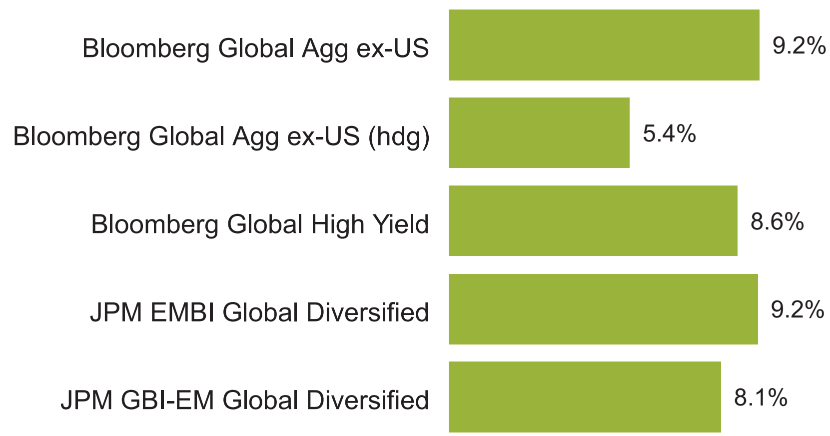
Falling rates bolstered returns

Falling rates bolstered 4Q returns globally
- Central banks seen as moving closer to cutting rates as inflation moderated
- Gains were broad-based across countries with the U.S. lagging other developed markets in unhedged terms
- Emerging markets also posted strong results with gains across most countries

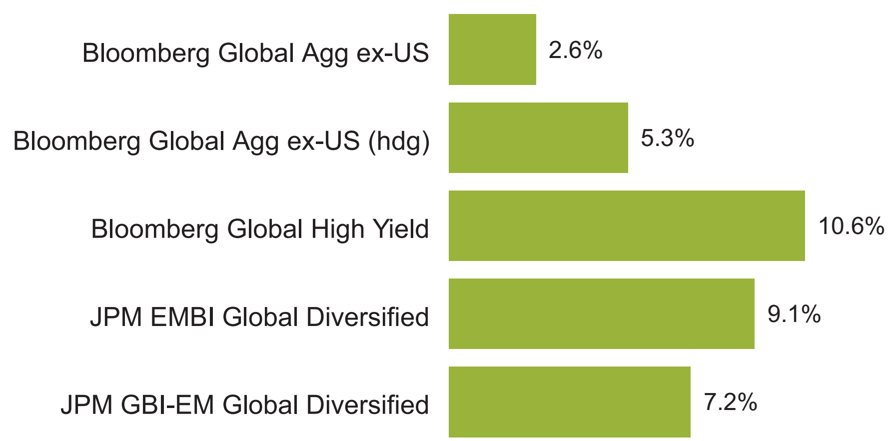
U.S. dollar weakened
- Major currencies rose compared to the dollar in 4Q

Emerging markets also posted strong results
- Gains across most countries

Global Fixed Income Returns: Quarter Ended 12/31/23



Global Fixed Income Returns: One Year Ended 12/31/23

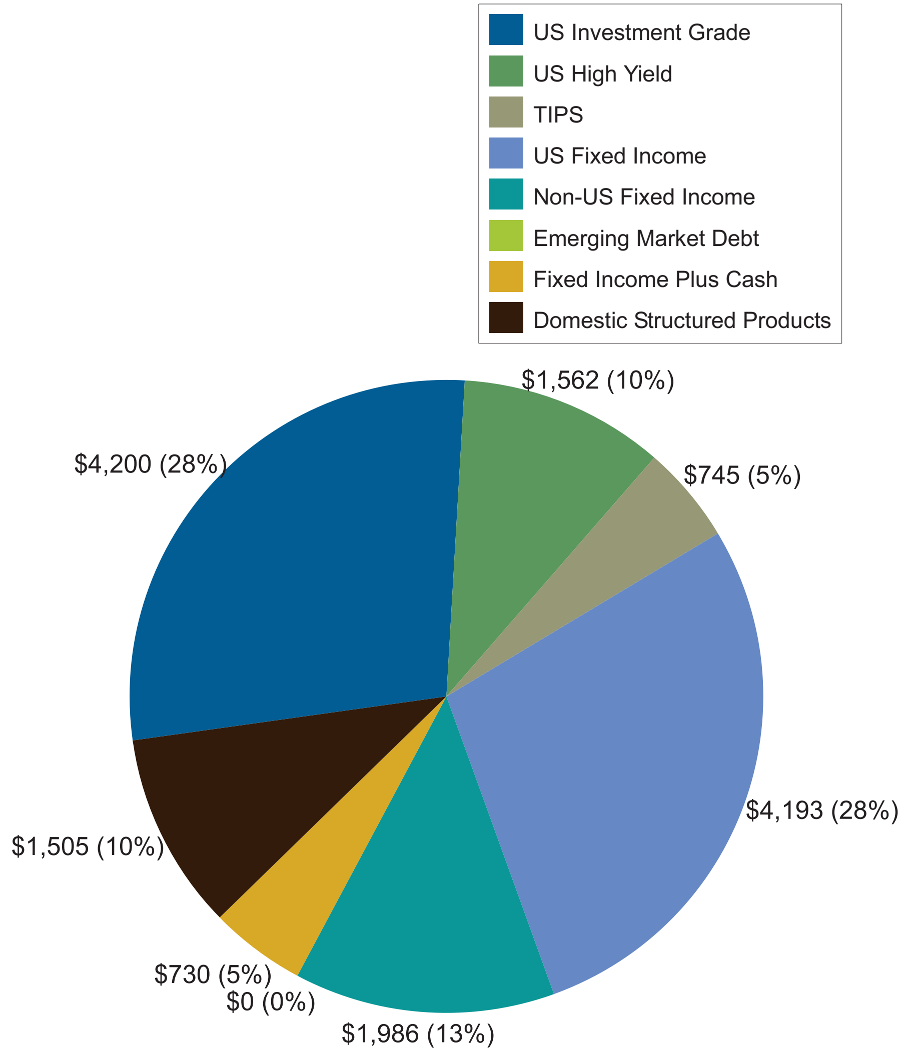


Sources: Bloomberg, JP Morgan

APFC Fixed Income Structure

As of December 31, 2023

- The fixed income portfolio is now managed internally, including allocations within Fixed Income Plus Cash, US Fixed Income Aggregate, US Investment Grade Corporate, Non-US Fixed Income, Structured Products, Emerging Market Debt, US High Yield and TIPS.
- Small allocations to external managers in liquidation remain in Non-US Fixed Income, US High Yield and Emerging market Debt (~$0.6M).

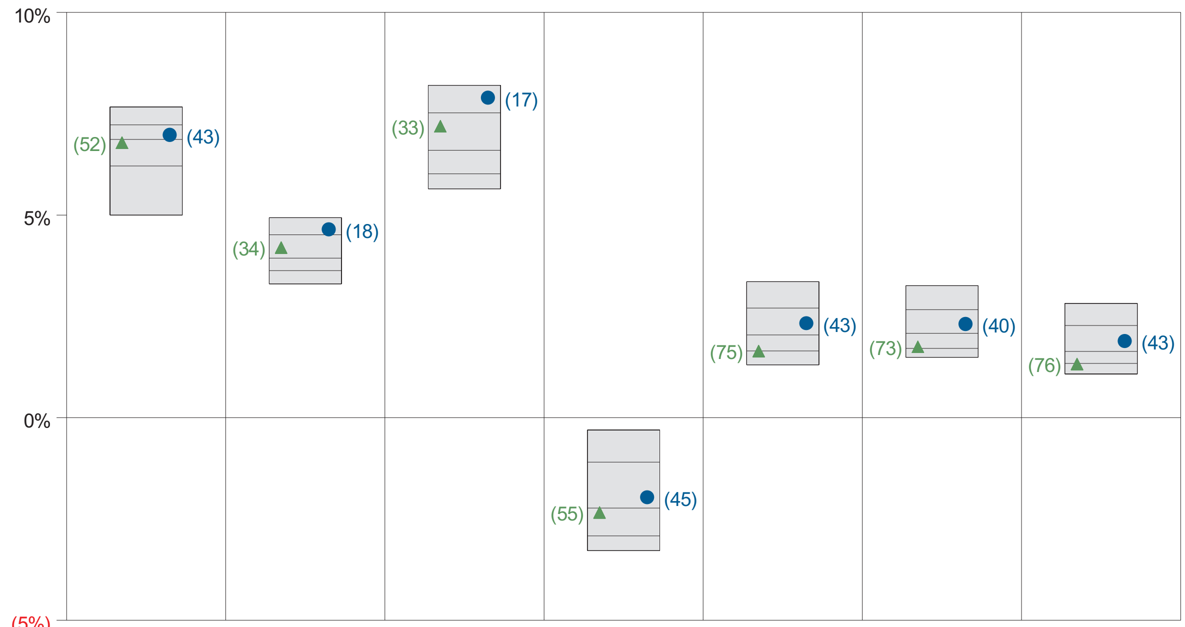


Fixed Income Relative to Public Fixed Income Funds

Periods Ended December 31, 2023

- The APFC Total Fixed Income portfolio outperformed its benchmark in both the quarter and trailing year. The portfolio ranked above median for the quarter and top quartile for the year.
- The portfolio outperformed its benchmark over the 3-, 5-, and 7-year periods.
- As a reminder, Total Fixed Income included REITs and Listed Infrastructure up to the end of the second quarter of 2020.

Performance vs Public Fund - Domestic Fixed (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 7-1/4 Years
10th Percentile	7.67	4.94	8.20	(0.30)	3.36	3.26	2.82
25th Percentile	7.23	4.51	7.52	(1.10)	2.71	2.66	2.27
Median	6.87	3.94	6.60	(2.23)	2.04	2.08	1.64
75th Percentile	6.21	3.63	6.02	(2.91)	1.65	1.71	1.34
90th Percentile	5.00	3.30	5.65	(3.28)	1.30	1.49	1.08
Fixed Income ●	6.96	4.63	7.88	(1.98)	2.31	2.30	1.88
Fixed Income Benchmark ▲	6.79	4.20	7.19	(2.34)	1.65	1.75	1.33

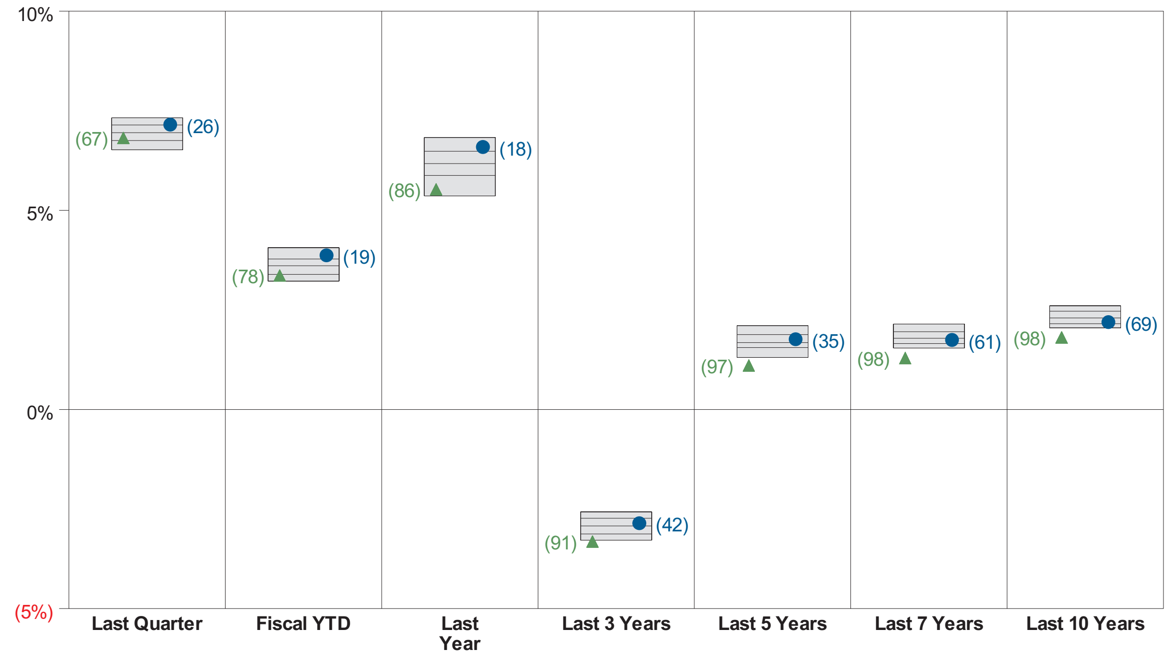
Fixed Income Benchmark components: 5% 90 Day T-Bills, 5% BB US TIPS, 25% BB US Agg, 25% BB US Corp Inv Grade TR, 10% Gl Treas xUS Hdg, 2.5% JPM EMBI Gl Div, 2.5% JPM GBI-EM Gl Div, 10% BB US HY 2% Issuer, 10% S&P Gl REIT & 5% S&P Gl Listed Inf to 6/30/20, 5% 90 Day T-Bills, 5% BB US TIPS, 27.5% BB US Agg, 27.5% BB US Corp Inv Grade TR, 10% Gl Treas xUS Hdg, 2.5% JPM EMBI Gl Div, 2.5% JPM GBI-EM Gl Div, 10% BB US HY 2% Issuer, and 10% BB US Sec Idx to 6/30/22, and 5% 90 T-Bills, 27.5% BB US Corp Inv Gr TR, 15% Gl Treas xUS Hdgd, 27.5% BB US Agg, 10% BB HY Corp Ba, 5% BB US TIPs, and 10% BB US Securitzed Idx thereafter.

US Fixed Income Aggregate Relative to Core Bond Funds

Periods Ended December 31, 2023

- APFC US Fixed Income Aggregate portfolio outperformed its benchmark in the quarter and all other standard periods.
- Peer ranks were above median for the quarter and top quartile for the year.
- As a reminder, this strategy is far more benchmark-aware than the typical active manager in the Callan Core Bond peer group.

Performance vs Callan Core Bond Fixed Income (Gross)



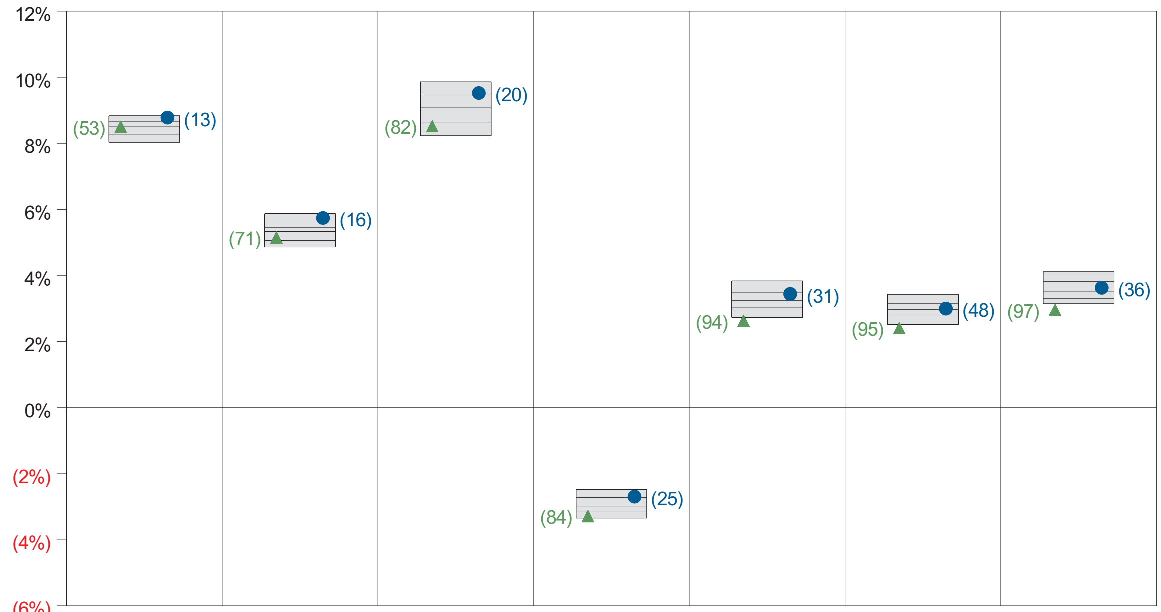
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	7.32	4.06	6.83	(2.57)	2.11	2.15	2.61
25th Percentile	7.14	3.78	6.49	(2.73)	1.88	1.95	2.47
Median	6.95	3.61	6.17	(2.92)	1.68	1.79	2.30
75th Percentile	6.75	3.39	5.88	(3.12)	1.55	1.66	2.15
90th Percentile	6.52	3.22	5.36	(3.28)	1.31	1.54	2.05
US Fixed Income Aggregate ●	7.14	3.85	6.57	(2.87)	1.75	1.73	2.18
Blmbg:Aggregate ▲	6.82	3.37	5.53	(3.31)	1.10	1.29	1.81

US Investment Grade Corp Relative to Investment Grade Funds

Periods Ended December 31, 2023

- APFC US Investment Grade Corporate portfolio ended ahead of its benchmark for the quarter and the trailing year.
- The Investment Grade Corporate composite outperformed its benchmark over all other periods.
- Peer group ranks ended most periods above the median.

Performance vs Callan Investment Grade Credit Fixed Inc (Gross)



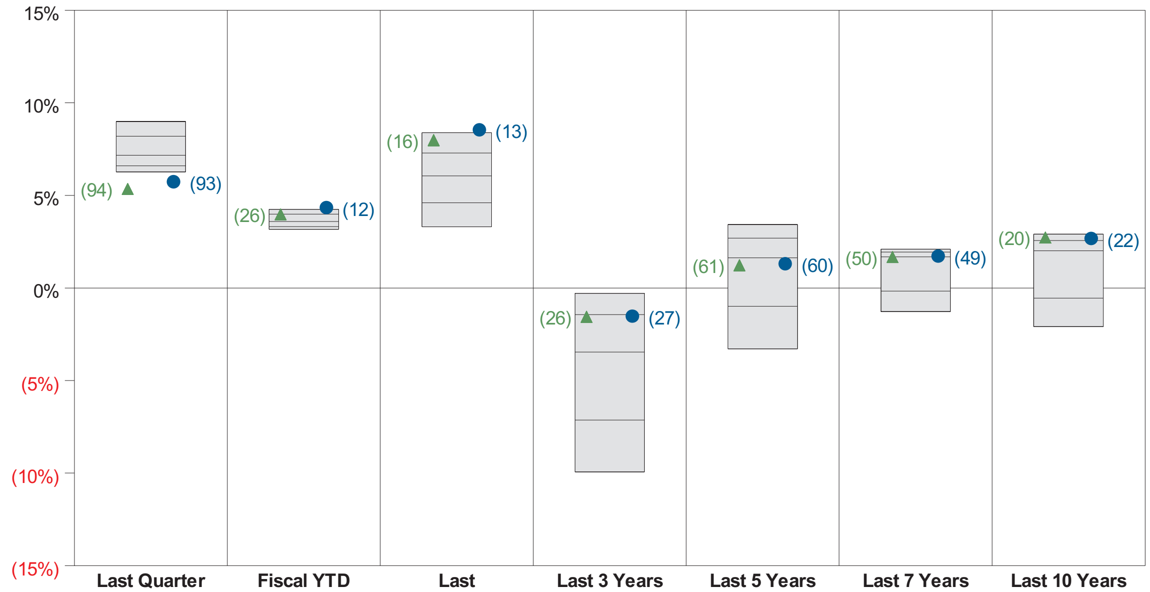
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	8.83	5.86	9.86	(2.48)	3.83	3.43	4.11
25th Percentile	8.65	5.46	9.46	(2.72)	3.48	3.16	3.82
Median	8.52	5.33	9.08	(2.98)	3.24	2.97	3.50
75th Percentile	8.25	5.06	8.64	(3.16)	3.02	2.80	3.30
90th Percentile	8.03	4.86	8.22	(3.34)	2.73	2.52	3.14
US Investment Grade Corporate ●	8.76	5.72	9.50	(2.72)	3.42	2.98	3.60
Blmbg Corporate ▲	8.50	5.15	8.52	(3.29)	2.63	2.41	2.95

Non-U.S. Fixed Income Relative to International Fixed Income Funds

Periods Ended December 31, 2023

- The APFC Non-U.S. Fixed Income portfolio finished the quarter and trailing year roughly in line with its benchmark.
- Compared to peers, the portfolio ranked below median in the quarter, but in the top quartile over the trailing year.

Performance vs Public Fund - International Fixed (Gross)



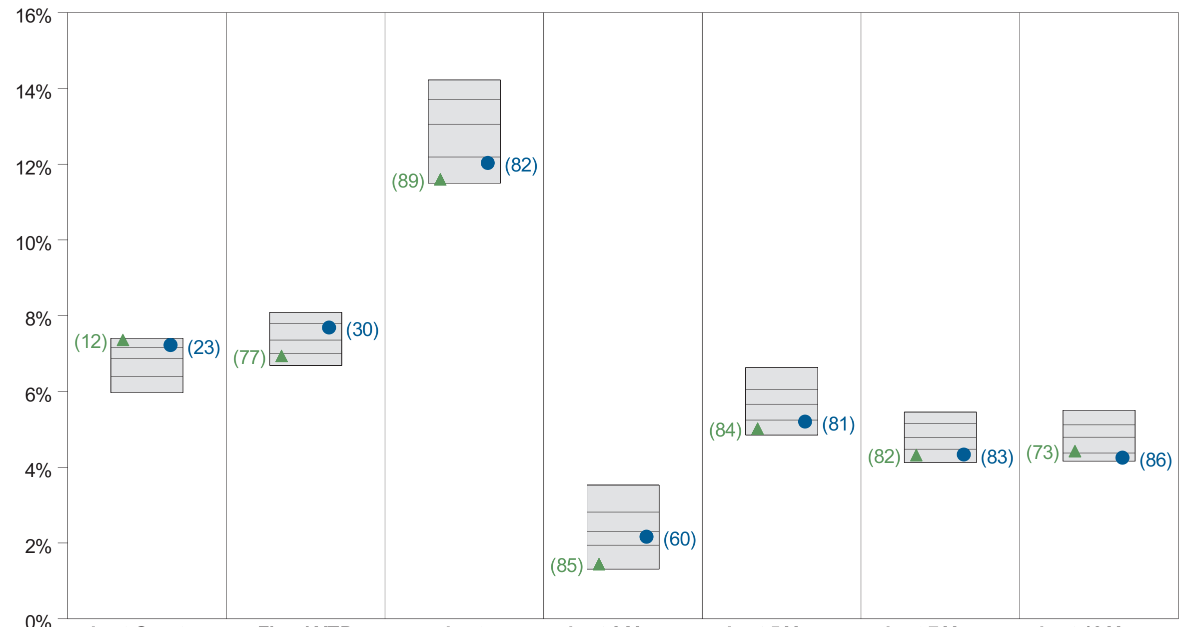
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	8.99	4.25	8.39	(0.29)	3.43	2.10	2.90
25th Percentile	8.20	3.99	7.29	(1.44)	2.69	1.94	2.57
Median	7.17	3.60	6.05	(3.46)	1.63	1.69	2.01
75th Percentile	6.60	3.32	4.61	(7.13)	(0.99)	(0.16)	(0.55)
90th Percentile	6.27	3.17	3.30	(9.93)	(3.28)	(1.27)	(2.08)
Non US Fixed Income ●	5.71	4.31	8.51	(1.55)	1.28	1.69	2.64
Blmbg Global Treasury ex-US ▲	5.35	3.98	7.99	(1.55)	1.22	1.67	2.73

US High Yield Relative to High Yield Funds

Periods Ended December 31, 2023

- APFC Global High Yield portfolio fell short of the benchmark in the quarter but outperformed over the trailing year.
- The portfolio ranked below median over longer time periods.

Performance vs Callan High Yield Fixed Income (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	7.40	8.09	14.23	3.53	6.64	5.46	5.50
25th Percentile	7.16	7.79	13.70	2.82	6.06	5.16	5.12
Median	6.87	7.36	13.06	2.30	5.66	4.78	4.80
75th Percentile	6.40	7.00	12.19	1.94	5.25	4.48	4.38
90th Percentile	5.97	6.69	11.49	1.31	4.85	4.12	4.16
US High Yield ●	7.21	7.67	12.02	2.15	5.19	4.32	4.24
US High Yield Benchmark ▲	7.36	6.94	11.60	1.44	5.02	4.32	4.43

US High Yield Benchmark components: BB US High Yield 2% Issuer Cap through 6/30/22, then BB US BB HY thereafter

TIPS Relative to Callan's Inflation Linked Bonds database

Periods Ended December 31, 2023

- APFC TIPS portfolio outperformed its benchmark for the quarter and year.
- The TIPS composite ranked above median in Callan's Inflation Linked Bonds peer universe for the quarter and year.
- The TIPS allocation includes an In-House TIPS portfolio; APCM was completely liquidated in Q4 2021.

Performance vs Callan Inflation Linked Bonds (Gross)

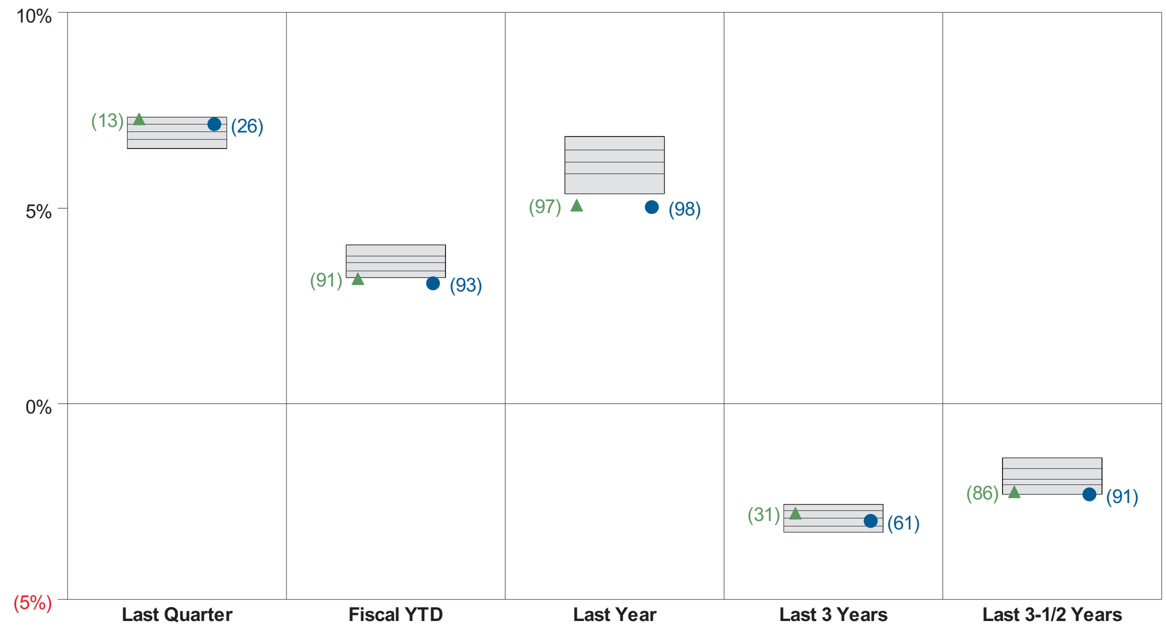
	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	5.28	3.47	5.97	0.71	4.28	3.51	3.27
25th Percentile	4.86	2.07	4.09	(0.64)	3.57	2.97	2.82
Median	4.66	1.86	3.99	(0.92)	3.22	2.60	2.51
75th Percentile	4.50	1.74	3.63	(1.12)	3.09	2.48	2.40
90th Percentile	4.29	1.53	3.06	(1.41)	3.00	2.44	2.34
TIPS ●	4.79	2.14	4.19	(0.57)	3.29	2.64	2.38
Blmbg TIPS ▲	4.71	1.99	3.90	(1.00)	3.15	2.49	2.42

Domestic Structured Product to Callan's Core Bond database

Periods Ended December 31, 2023

- The Domestic Structured Product portfolio was funded at the end of the second quarter of 2020.
- The portfolio finished modestly behind its benchmark for the quarter and trailing year.
- The portfolio ranked ahead of the median of the Core Bond Fixed Income peer group for the quarter.

Performance vs Callan Core Bond Fixed Income (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 3-1/2 Years
10th Percentile	7.32	4.06	6.83	(2.57)	(1.38)
25th Percentile	7.14	3.78	6.49	(2.73)	(1.66)
Median	6.95	3.61	6.17	(2.92)	(1.93)
75th Percentile	6.75	3.39	5.88	(3.12)	(2.07)
90th Percentile	6.52	3.22	5.36	(3.28)	(2.31)
Domestic Structured Products ●	7.13	3.06	5.01	(3.01)	(2.33)
BB US Securitized ▲	7.28	3.20	5.08	(2.80)	(2.25)

U.S. Private Real Estate Performance: 4Q23

Income returns positive but appreciation returns negative once again

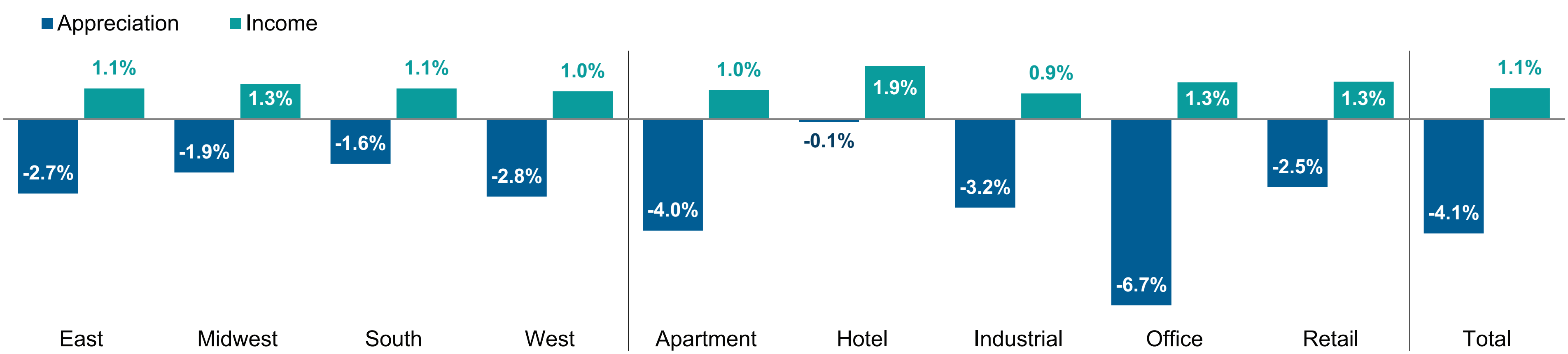
Valuations reflect higher interest rates

- Income returns were positive across sectors and regions.
- All property sectors and regions experienced negative appreciation.
- Valuations are reflective of higher interest rates, which have put upward pressure on capitalization rate and discount rate assumptions.
- Return dispersion by manager within the ODCE Index was due to the composition of underlying portfolios.

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
NCREIF ODCE	-5.0%	-12.7%	4.0%	3.3%	6.3%
Income	0.7%	2.8%	2.8%	2.9%	3.3%
Appreciation	-5.7%	-15.2%	1.2%	0.4%	3.0%
NCREIF Property Index	-3.0%	-7.9%	4.6%	4.3%	6.8%
Income	1.1%	4.3%	4.1%	4.2%	4.6%
Appreciation	-4.1%	-11.8%	0.4%	0.1%	2.2%

Returns are geometrically linked

NCREIF Property Index Quarterly Returns by Region and Property Type

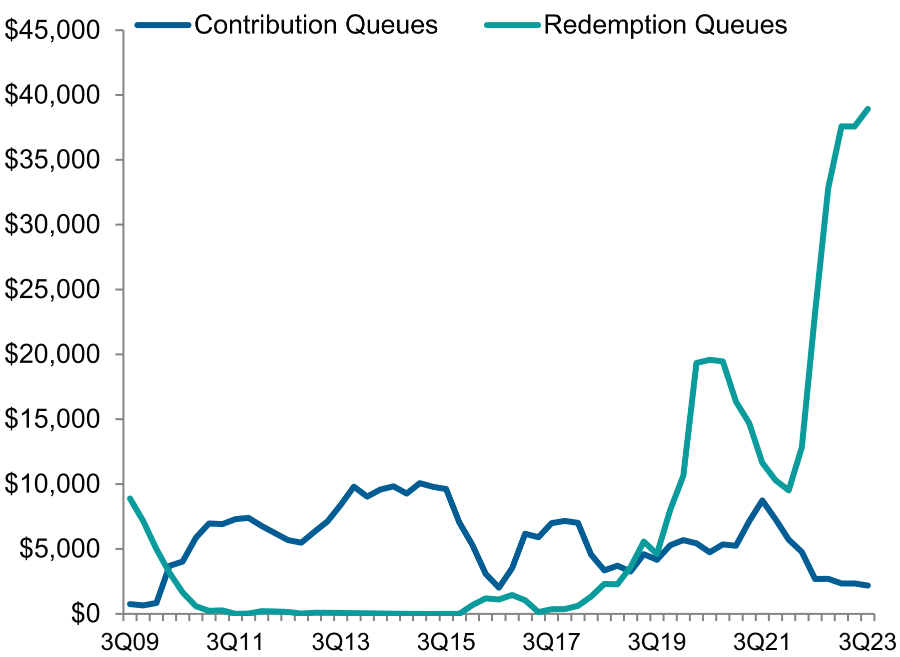


Source: NCREIF, ODCE return is net

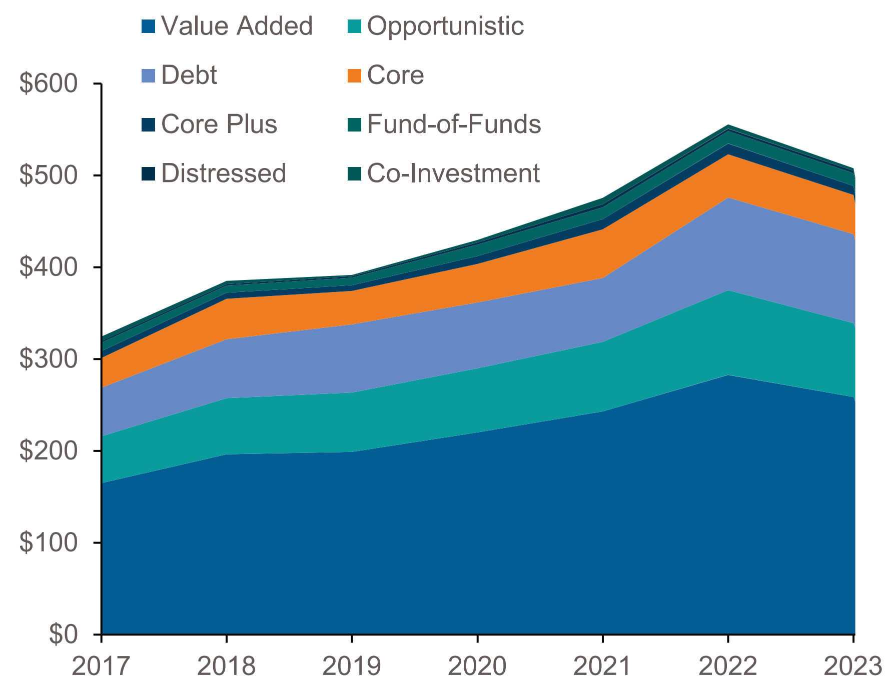
U.S. Private Real Estate Market Trends

Over $400 billion of dry powder for value-added strategies

Core Fund Contribution/Redemption Queues ($mm)^



Dry Powder for CRE Investment in North America ($bn)



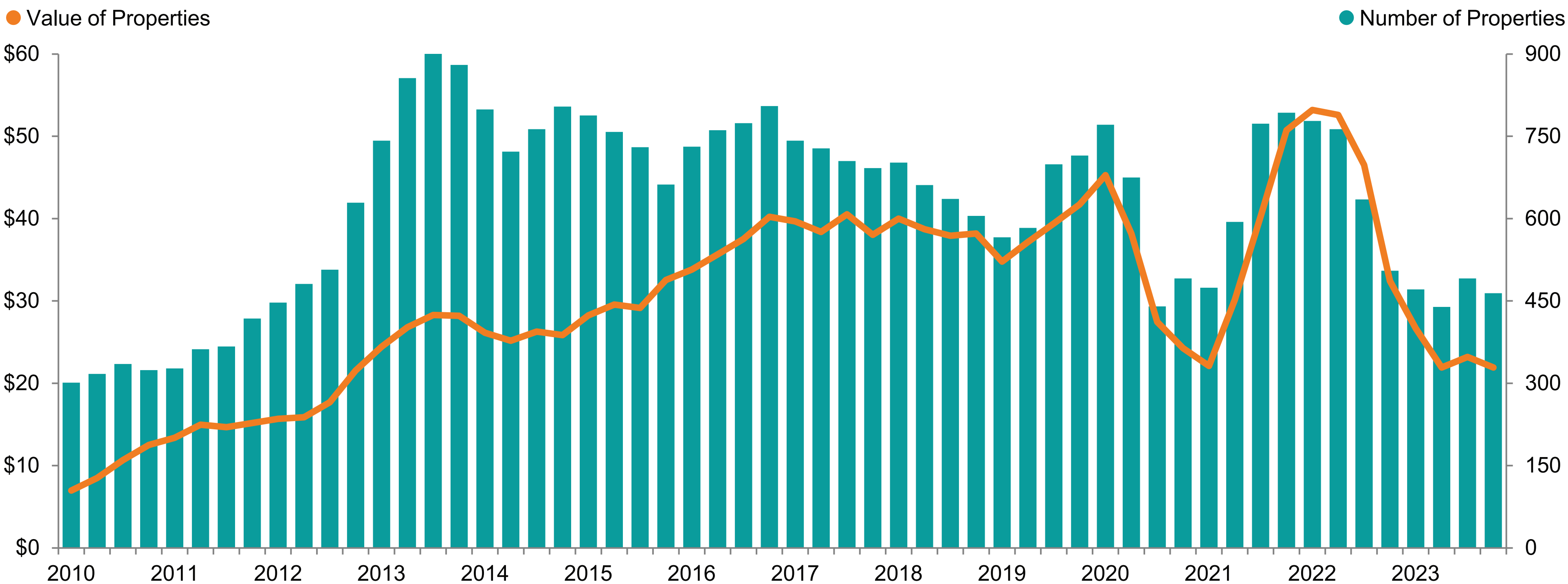
- Current ODCE redemption queues average approximately 15.3%, with a median queue of 13.4%. This compares to the GFC, when queues peaked at approximately 17% of NAV.
- Outstanding redemption requests for most large ODCE funds are approximately 11% to 20% of net asset value.
- For a large proportion of funds, these redemptions are partial redemptions, due to portfolio rebalancing and liquidity needs. For a smaller underperforming subset, redemption requests are full redemptions indicative of manager termination.

Sources: AEW, NCREIF, Preqin
Queue data as of 3Q23, the latest available at time of publication

U.S. Private Real Estate Market Trends

Pricing and transaction volumes decline through 4Q23

NCREIF Property Index Rolling 4-Quarter Transaction Totals

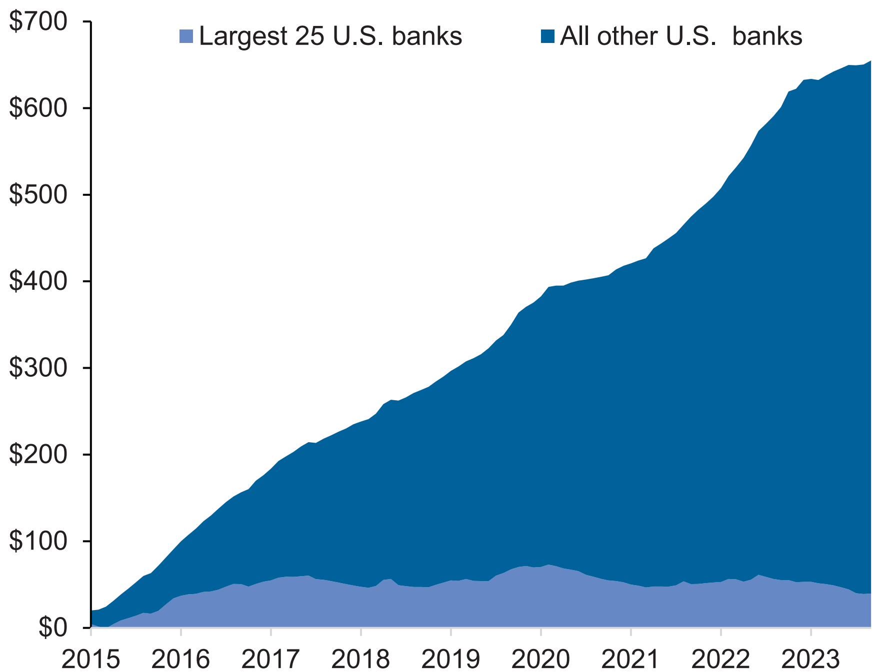


- Transaction volume continues to flatten on a rolling four-quarter basis and remains well below five-year averages.
- In 4Q23 transaction volume decreased slightly on a quarter-over-quarter basis. Transaction volume remains significantly lower compared to 2022.
- The rise in interest rates is the driving force behind the slowdown in transactions. A bid-ask spread remains and price discovery continues to occur among market participants. Values continue to reset adjusting to current base rates.

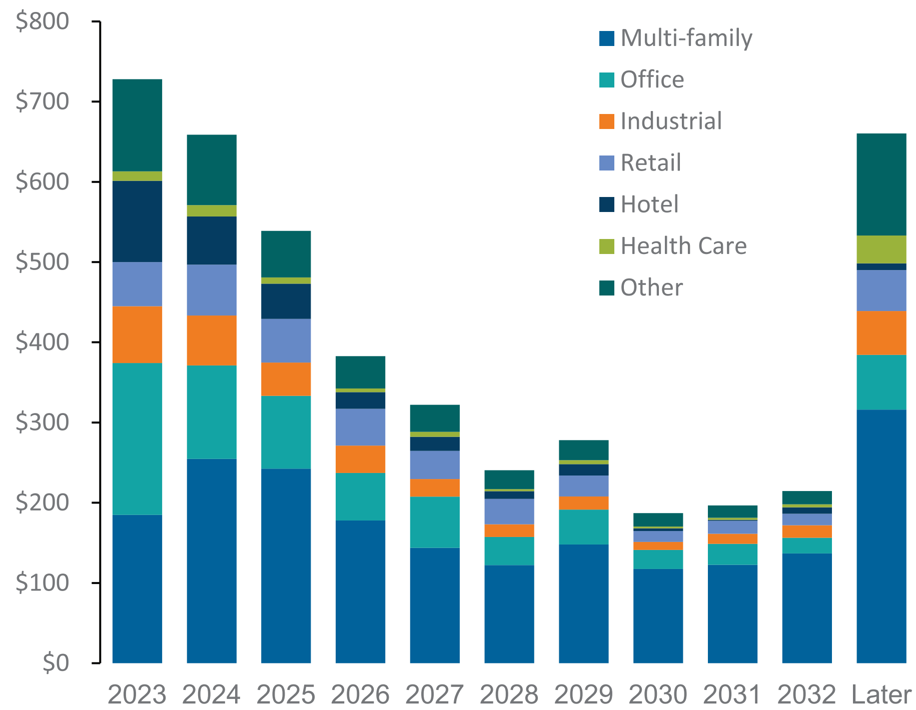
Source: NCREIF

Real Estate Capital Markets

Cumulative Increase in Bank Commercial Real Estate Loan Book (excluding Mutual Funds) $billion



Loan Maturities by Sector ($billion)



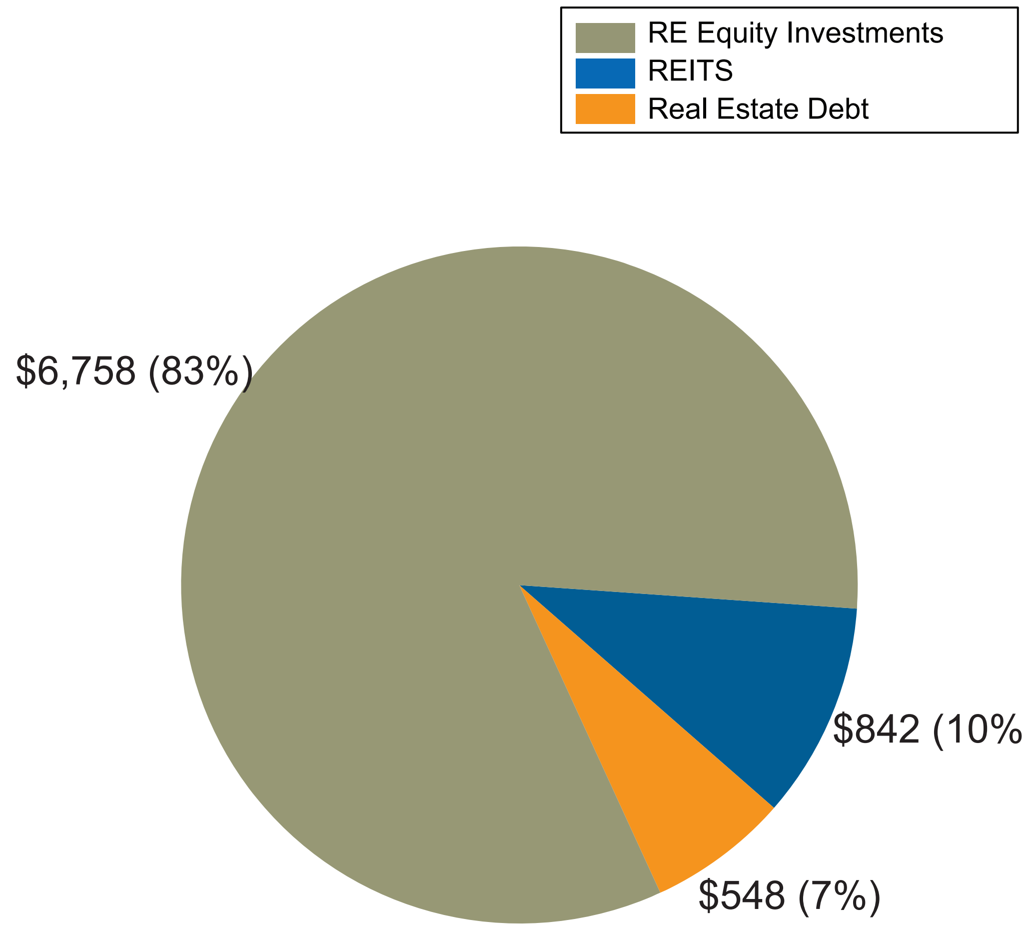
- Smaller and regional banks represent a large and growing share of commercial real estate lending; additional sources of lending are needed, and debt investment opportunities are increasingly attractive.
- A sizeable pool of loans maturing in 2023–2025, particularly office, will put further pressure on lending markets.

Sources: FDIC, JP Morgan Asset Management, MBA, Moody's

APFC Real Estate Structure *(1Q LAG)*

As of September 30, 2023

- The real estate portfolio is comprised of Real Estate Equity Investments, REITS, and Real Estate Debt Investments.
- Real Estate Debt Funds moved from Real Estate Separate Accounts and Direct Investments, and REITS from Fixed Income Plus.

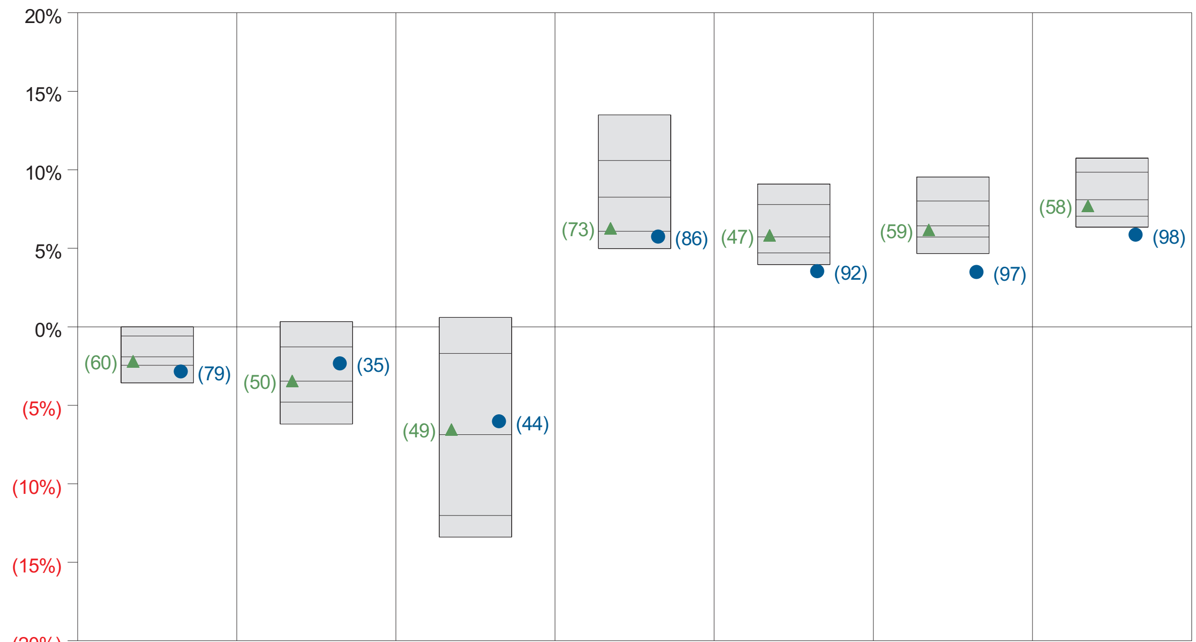


Real Estate Relative to Callan's Total Real Estate Database *(1Q LAG)*

Periods Ended September 30, 2023

- APFC Real Estate portfolio performance is shown net of fees for all investments.
- The real estate portfolio underperformed versus its benchmark for the quarter but outperformed on the trailing year.
- The portfolio ranked below median in the Real Estate peer group for the quarter but above median for the trailing year.

Performance vs Public Fund - Real Estate (Gross)



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	(0.00)	0.33	0.59	13.50	9.10	9.54	10.75
25th Percentile	(0.59)	(1.28)	(1.69)	10.59	7.78	8.02	9.85
Median	(1.91)	(3.46)	(6.87)	8.25	5.72	6.43	8.09
75th Percentile	(2.45)	(4.79)	(12.02)	6.09	4.70	5.71	7.04
90th Percentile	(3.57)	(6.19)	(13.39)	4.97	3.96	4.67	6.34
Real Estate ●	(2.89)	(2.37)	(6.07)	5.70	3.51	3.45	5.83
Real Estate Target ▲	(2.20)	(3.44)	(6.54)	6.27	5.82	6.16	7.70

Real Estate Target components: Real Estate Custom: NCREIF Total Index through 6/30/20, then 85% NCREIF Total Index and 15% MSCI US REIT thereafter

Real Estate Performance *(1Q LAG)*

Periods Ended September 30, 2023

	Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
RE Equity Investments	**-2.67**	**-8.83**	**4.96**	**--**	**--**
RE EQ Separate Accts & Direct	-3.72	-11.51	2.76	0.75	4.41
RE EQ Funds & Co-Invest	-0.05	-3.21	15.99	10.41	--
RE EQ Development	-2.97	-0.30	--	--	--
RE Debt Investments	**2.45**	**9.65**	**11.43**	**11.01**	**--**
RE Debt Separate Accounts	2.53	10.07	10.15	8.70	--
RE Debt Funds & Co-Invests	2.00	8.25	11.88	--	--
NCREIF Monthly	-1.37	-8.39	6.04	5.26	7.40
REITS	**-7.46**	**3.79**	**6.76**	**--**	**--**
MSCI:US REIT Index	-7.02	3.18	5.70	2.82	5.94
Real Estate Composite	**-2.89**	**-6.07**	**5.70**	**3.51**	**5.83**
Real Estate Target	-2.20	-6.54	6.27	5.82	7.70

- APFC's Real Estate Equity and Debt outperformed their respective benchmarks for the quarter and over the trailing year, while the REIT portfolio lagged for the quarter but outperformed for the trailing year.
- Overall, the Real Estate Composite outperformed its custom benchmark for the quarter and year.

Private Credit Fundraising Landscape

Activity fell at end of 2023

– Private credit remained in high demand across Callan's investor base, and a number of large defined benefit plans are looking to increase their existing private credit allocations from 2%–3% to 5%–10%.

– While we always work to build out diversified client portfolios, we think there is particularly interesting relative value in upper middle market sponsor-backed lending and asset-based lending.

– We are seeing an uptick in stress for some individual names in direct lending portfolios due to a combination of input cost inflation and increased interest expense.

Largest Funds Holding Closes in 2023

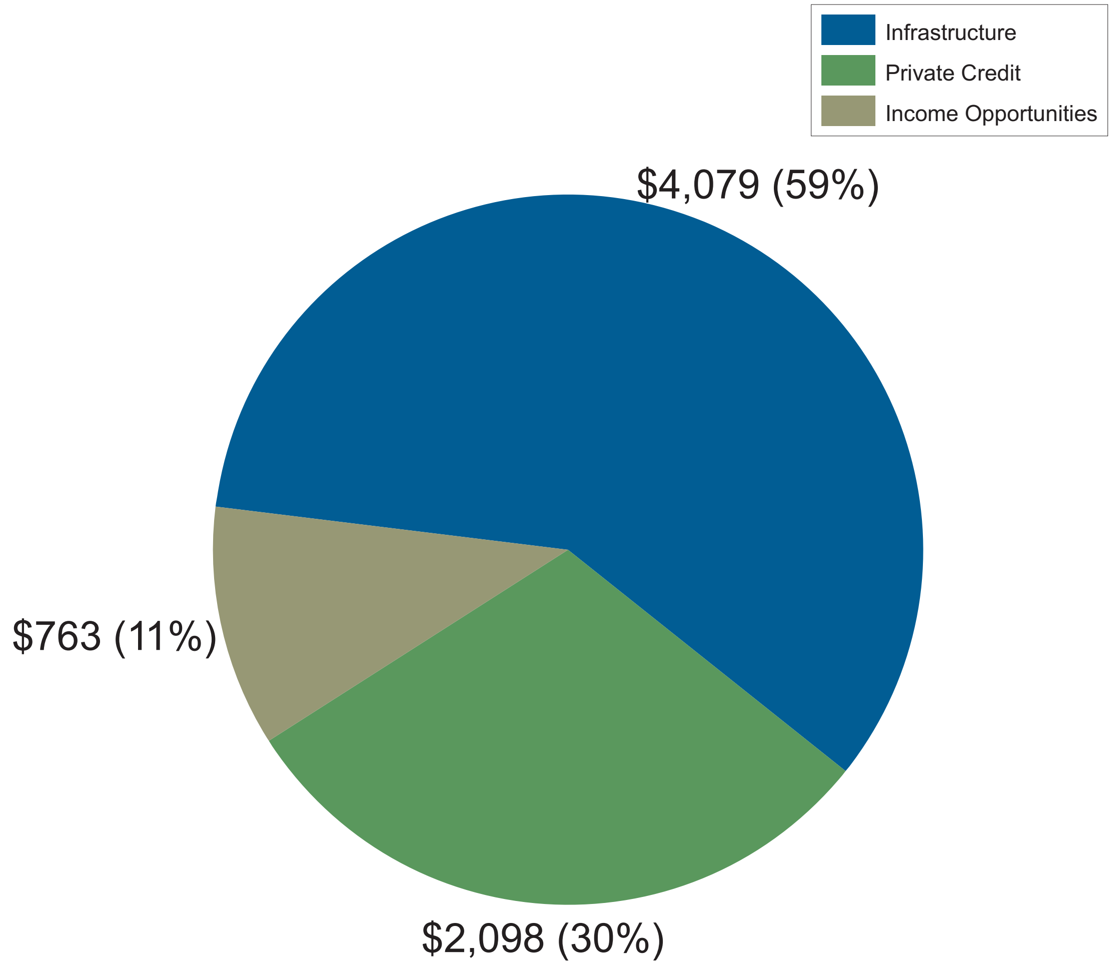
Name	Amount ($millions)	Strategy
HPS Strategic Investment Partners V	$17,000	Mezzanine
GS Mezzanine Partners VIII	$11,700	Mezzanine
HPS Core Senior Lending Fund II	$10,000	Direct Lending
Crescent Credit Solutions VIII	$8,000	Mezzanine

Source: Preqin

APFC Private Income Structure *(1Q LAG)*

As of September 30, 2023

- 59% of the structure is invested in infrastructure funds, which includes a diversified portfolio of infrastructure, energy, and generation assets. Listed Infrastructure makes up just 6.9% of this allocation.
- 30% of the structure was invested in private credit mandates including mezzanine debt, opportunistic credit, and direct lending strategies.
- 11% of the structure was invested in income opportunities including structured credit, alternative credit, AH4R2, APFC ADAC and timber.



Private Income Performance *(1Q LAG)*

Periods Ended September 30, 2023

	Quarter	Last Year	Last 3 Years	Last 5 Years
Private Income	**0.48**	**7.21**	**11.27**	**8.58**
Private Income Custom	1.94	11.46	12.75	8.89
Infrastructure	**-0.07**	**6.66**	**15.23**	**10.37**
Cambridge Global Pvt Infrastructure	1.13	11.65	12.79	9.21
Private Credit	**1.13**	**9.84**	**10.82**	**7.80**
Cliffwater Direct Lending TR	3.17	11.15	12.69	8.31
Income Opportunities	**1.67**	**3.07**	**4.20**	**5.49**
Private Income Custom	1.94	11.46	12.75	8.89

- APFC's Private Income composite underperformed the benchmark (60% Cambridge Global Private Infra and 40% Cliffwater Direct Lending TR) for the quarter and over the trailing year.
- Private Income sub-strategies, Infrastructure, Private Credit, and Income Opportunities underperformed their respective benchmarks over the trailing quarter and year.

Private Income Costom Benchmark components: 60% FTSE Dev Core Infr and 40% BB US Corp HY 2% to 6/30/20, 60% Cambridge Global Pri Inf and 40% Cambridge Pri Cdt

Hedge Fund Performance: 4Q23

Risk assets rallied into year-end boosted by hopes for aggressive Fed cuts in 2024

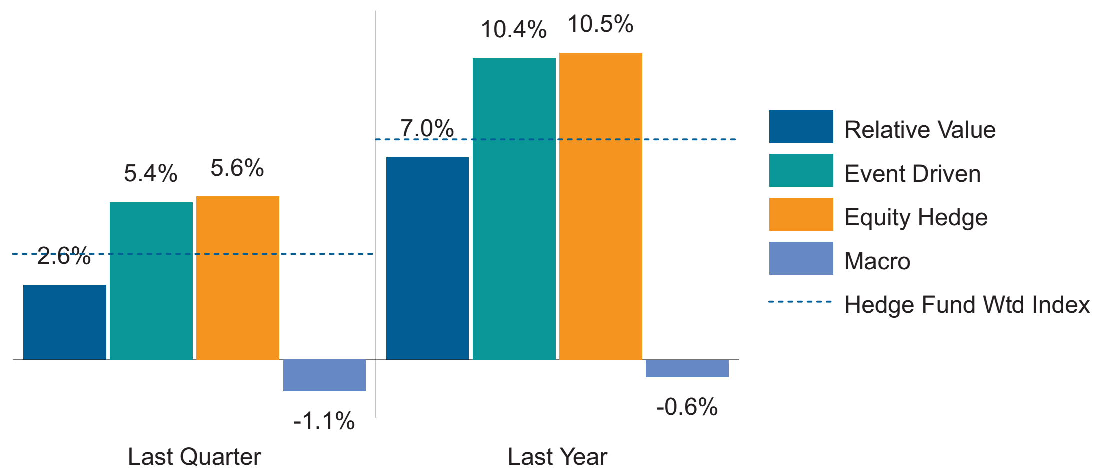
Hedge fund strategies finished strong

- Event-driven strategies ended higher, as positions across special situations equities and credit drove performance.
- Equity hedge strategies finished strong, as positions across technology and financials aided performance during 4Q23.
- Macro strategies posted a loss during 4Q, as commodities detracted from performance while rates trading slightly offset some of that performance.

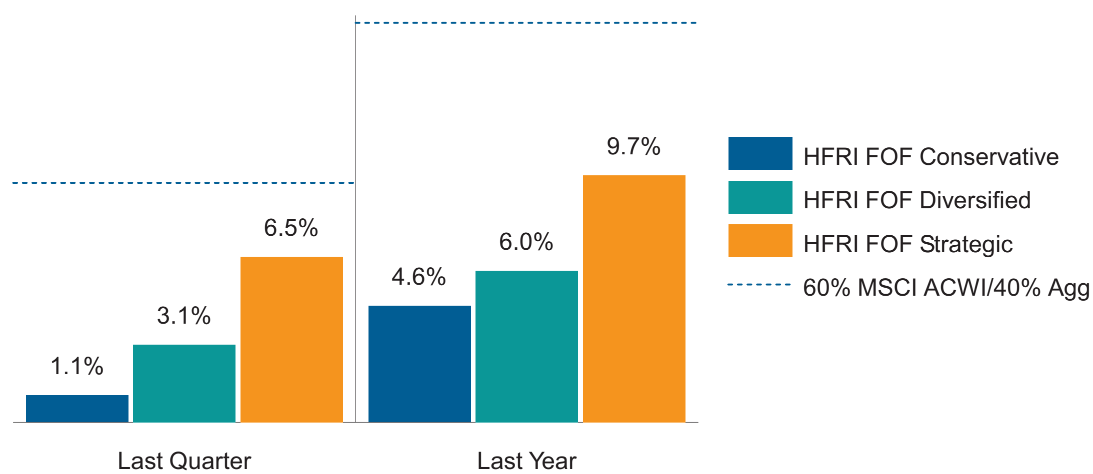
FOFs ended on a strong note

- FOFs with more exposure to equity hedge strategies performed well during 4Q.
- Those FOFs with less equity beta and more relative value strategies underperformed those with more equity beta.

HFRI Strategy Index Returns vs. Broad Hedge Fund Universe as of 12/31/23



HFRI Fund-of-Funds Returns vs. 60% Stock/40% Bond Mix as of 12/31/23



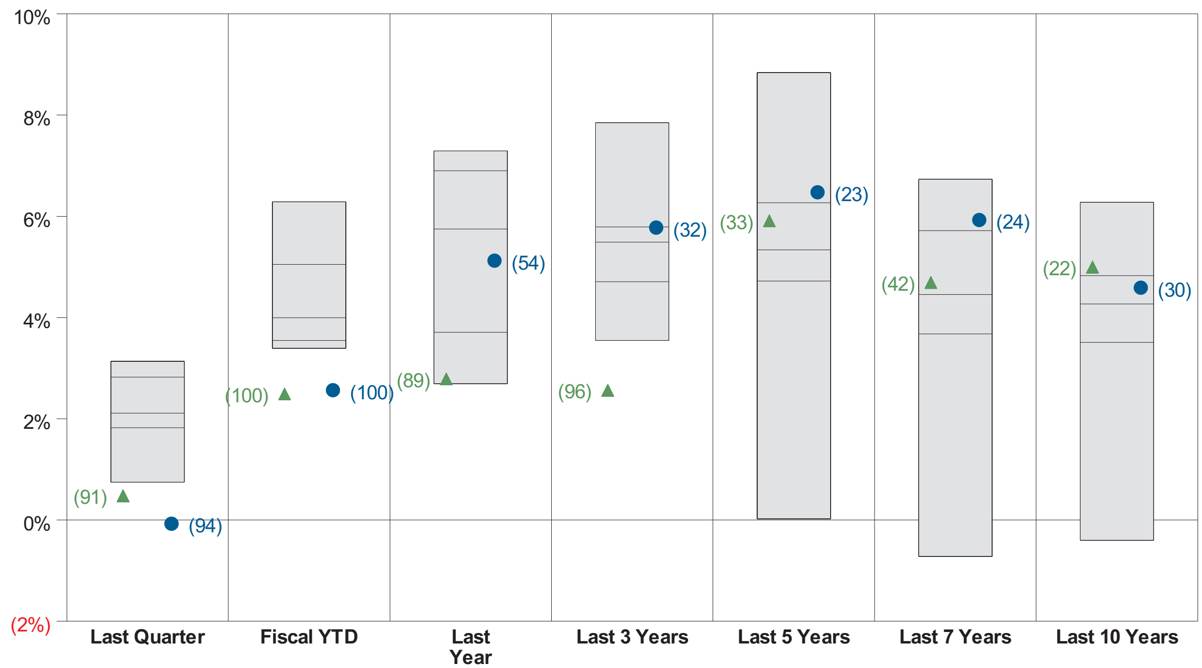
Source: Hedge Fund Research (www.hedgefundresearch.com)

Absolute Return Portfolio Relative to HFOF Universe

Periods Ended December 31, 2023

- The Absolute Return portfolio missed its benchmark and peer group median in the fourth quarter of the calendar year.
- The portfolio outperformed its benchmark, but modestly trailed the peer group median for the trailing year.
- Over most periods, the Absolute Return portfolio ranked above the median of its peer group.

Performance vs Callan Absolute Rtn Hedge Fund of Funds (Net)



	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
10th Percentile	3.14	6.28	7.29	7.85	8.84	6.73	6.28
25th Percentile	2.82	5.05	6.90	5.79	6.27	5.72	4.83
Median	2.11	4.00	5.75	5.49	5.34	4.45	4.27
75th Percentile	1.82	3.55	3.71	4.71	4.72	3.67	3.51
90th Percentile	0.75	3.39	2.69	3.55	0.02	(0.72)	(0.40)
Absolute Return ●	(0.09)	2.55	5.11	5.76	6.46	5.91	4.57
Absolute Return Benchmark ▲	0.48	2.49	2.79	2.56	5.91	4.69	5.00

Absolute Return Benchmark components: LIBOR + 4% to 6/30/13, LIBOR + 6% to 6/30/15, LIBOR + 5% to 9/30/16, HFRI Total HFOF Universe to 6/30/22, and 50% HFRI EH Equity Market Neutral and 50% HFRI Macro thereafter

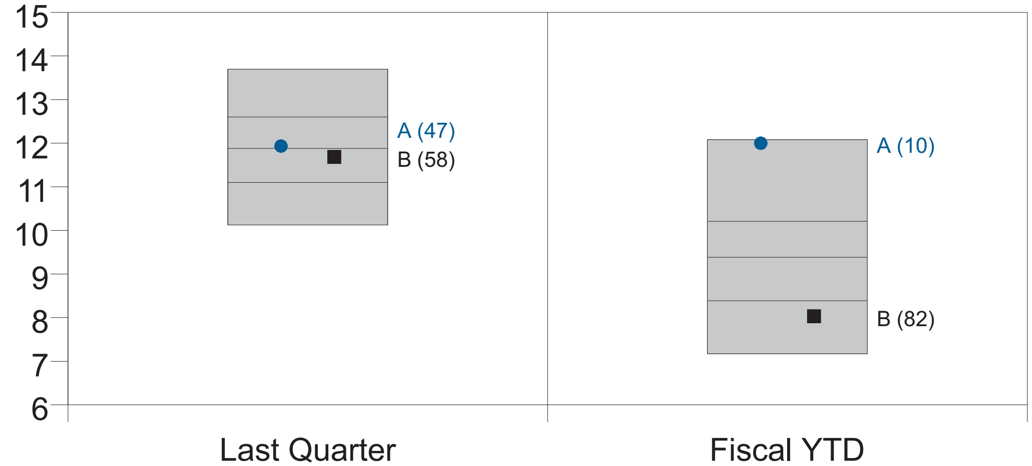
Tactical Opportunities Relative to S&P 500 Index

Periods Ended December 31, 2023

- The Tactical Opportunities portfolio is managed internally to complement the bottom-up stock selection strategies employed by external managers and achieve excess returns from top-down selection decisions emphasizing sectors/industries, countries/regions, and style factors.

- The Tactical Opportunities portfolio outperformed the benchmark and peer group median in the quarter and FYTD periods.

Performance vs Callan Large Cap Core (Gross)



		Last Quarter	Fiscal YTD
10th Percentile		13.70	12.09
25th Percentile		12.60	10.21
Median		11.88	9.38
75th Percentile		11.10	8.39
90th Percentile		10.13	7.17
Member Count		36	36
Tactical Opportunities	● A	11.94	12.00
S&P:500	■ B	11.69	8.04

Fixed Income Benchmark components: 5% 90 Day T-Bills, 5% BB US TIPS, 25% BB US Agg, 25% BB US Corp Inv Grade TR, 10% Gl Treas xUS Hdg, 2.5% JPM EMBI Gl Div, 2.5% JPM GBI-EM Gl Div, 10% BB US HY 2% Issuer, 10% S&P Gl REIT & 5% S&P Gl Listed Inf to 6/30/20, 5% 90 Day T-Bills, 5% BB US TIPS, 27.5% BB US Agg, 27.5% BB US Corp Inv Grade TR, 10% Gl Treas xUS Hdg, 2.5% JPM EMBI Gl Div, 2.5% JPM GBI-EM Gl Div, 10% BB US HY 2% Issuer, and 10% BB US Sec Idx to 6/30/22, and 5% 90 T-Bills, 27.5% BB US Corp Inv Gr TR, 15% Gl Treas xUS Hdgd, 27.5% BB US Agg, 10% BB HY Corp Ba, 5% BB US TIPs, and 10% BB US Securitzed Idx thereafter.

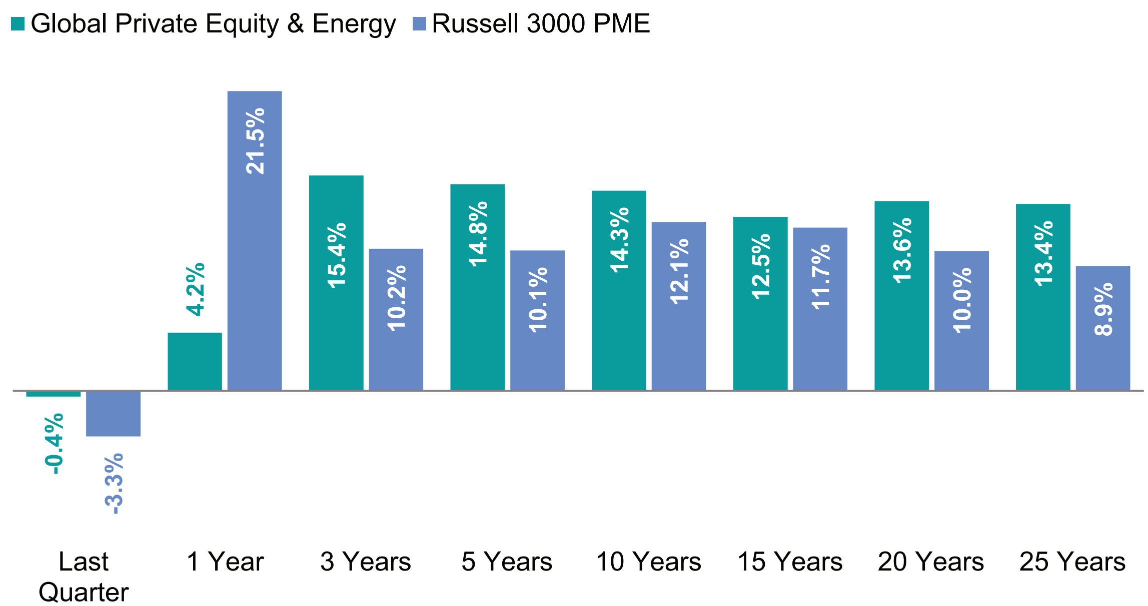
Private Equity Market Trends

Gains for stocks not shared by private equity

Smoothing effect in performance

- Public equity's strong recovery in 2023 (led by the "Magnificent Seven" technology stocks) has left private equity in its wake.
- Private equity doesn't recover as quickly as the public markets, because the smoothing effect dampens private equity returns in both up and down markets.
- Private equity only saw about a fifth of the gains of the public markets over the last year, on a PME basis.
- While buyouts saw solid performance for the year, venture capital and growth equity continued to struggle. These strategies have seen the largest valuation adjustments from the highs of 2021.

Net IRRs as of 09/30/23



Net IRRs by Strategy as of 09/30/23

Strategy	Last Quarter	1 Year	3 Years	5 Years	10 Years	15 Years
Venture Capital	-2.4%	-8.9%	14.8%	17.2%	17.2%	13.4%
Growth Equity	-0.6%	0.8%	12.3%	14.8%	14.3%	13.1%
Buyouts	0.1%	10.2%	16.8%	15.0%	14.6%	12.4%
Mezzanine	1.8%	13.0%	13.5%	11.0%	11.1%	10.7%
Credit Opportunities	1.2%	8.2%	11.1%	7.1%	7.5%	10.1%
Control-Oriented Distressed	0.4%	5.6%	19.4%	13.6%	11.7%	11.5%

Source: Refinitiv/Cambridge. PME: Public Market Equivalent

Private Equity Market Trends

Another down year for fundraising

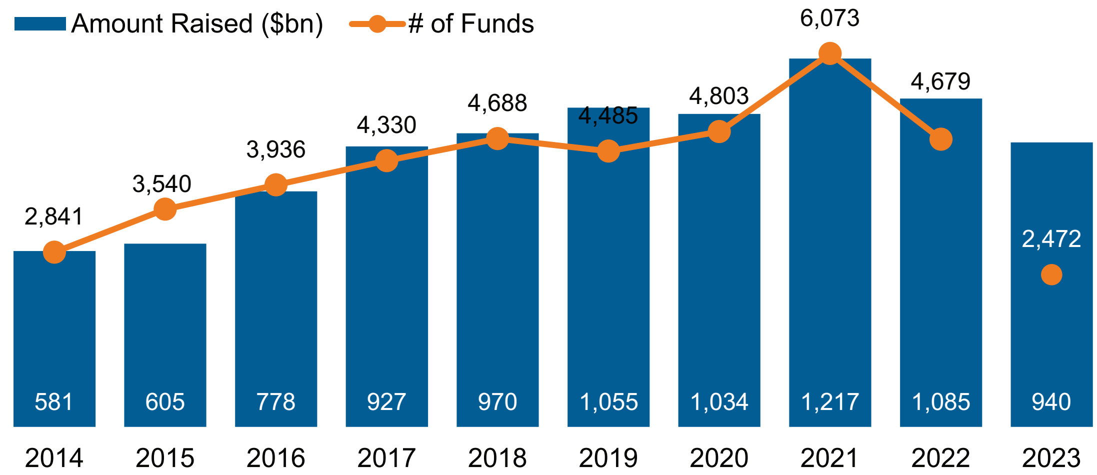
Back to 2022 levels

- Fundraising declined back closer to historical levels in 2022 after its frenzied peak in 2021.
- So far, 2023 has been another down year, with LPs being more selective with their commitments.
- With significantly fewer funds closing this year and constrained LP commitment budgets, many GPs are reluctant to come back to market in the near term.

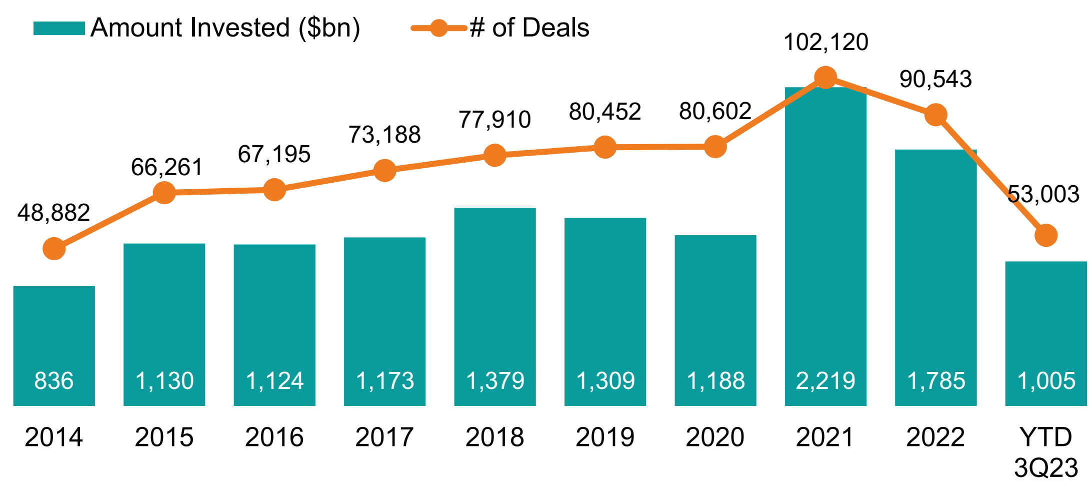
Deal activity slowdown continues

- Both new investment activity and exit activity slowed markedly in 2023, following rising interest rates, declines in the public markets, and continued price uncertainty.

Annual Fundraising



Annual Deal Activity

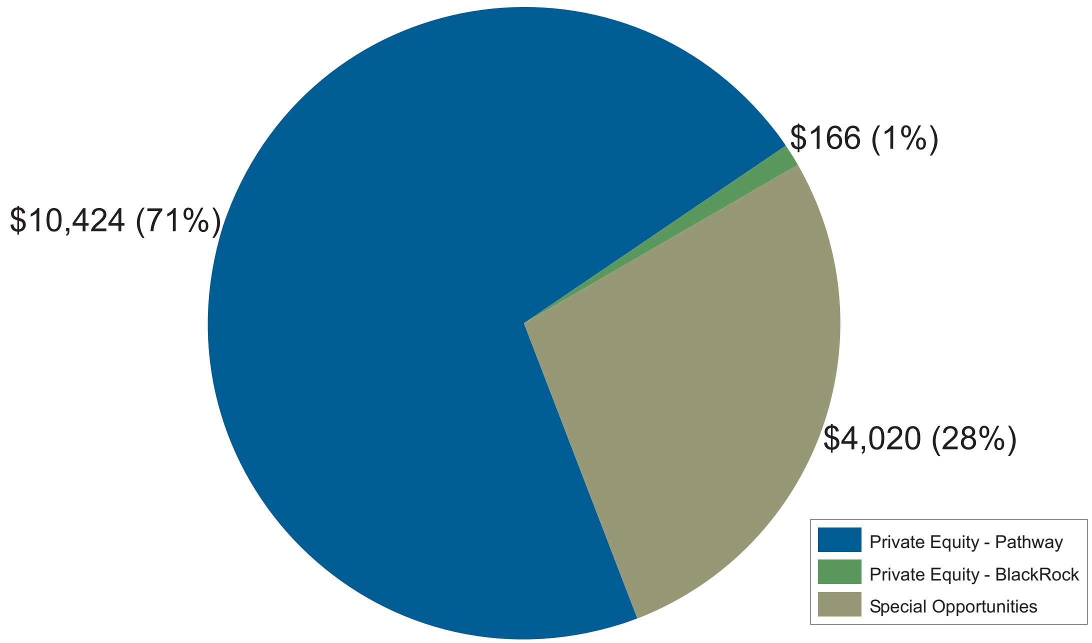


Source: PitchBook

APFC Private Equity and Special Opportunities Structure *(1Q LAG)*

As of September 30, 2023

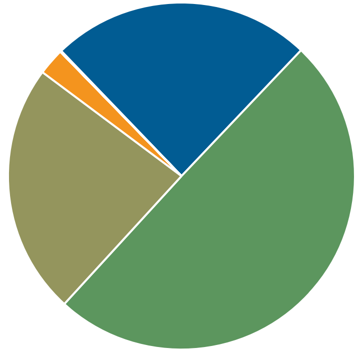
- 72% of the structure was invested in private equity.
- 28% of the structure was invested in special opportunities.



APFC Private Equity and Special Opportunities Structure *(1Q LAG)*

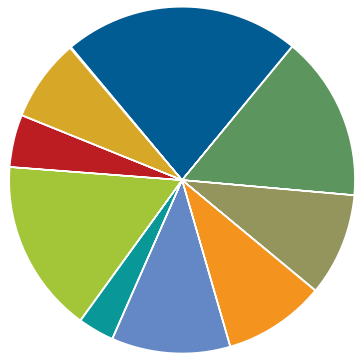
As of June 30, 2023

- APFC's Total Private Equity Portfolio continued to be well-diversified by strategy, geography, and industry.
- Buyouts, Venture Capital and Special Situations remained the largest strategy allocations.
- The largest non-U.S. geographic exposure was Europe. The largest industry exposure was in Technology.



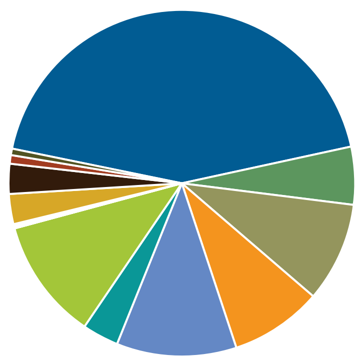
Strategy Mix by Net Asset Value

Venture Capital	24.32%
Buyout	49.66%
Special Situations	23.38%
Distressed for Control	2.49%
Secondary Interest	0.03%
Mezzanine	0.12%



Geographic Mix by Net Asset Value

West/Pacific Northwest	22.12%
North Atlantic	15.45%
Mid-West	9.58%
Southeast	9.50%
Southwest/Rockies	11.14%
Mid-Atlantic	3.42%
Europe	16.15%
Asia/Pacific	4.90%
Other	7.74%



Industry Mix by Net Asset Value

Technology	43.41%
Communication Services	5.37%
Consumer Discretionary	9.34%
Financial	8.60%
Health Care	11.18%
Energy	3.40%
Industrials	11.26%
Utilities	0.37%
Consumer Staples	2.79%
Materials	2.81%
Other/Misc	0.85%
Real Estate	0.63%

APFC Private Equity and Special Opportunities Performance *(1Q LAG)*

Periods Ended September 30, 2023

	Last Quarter	FYTD	Last Year	Last 3 Years	Last 5 Years
Private Equity and Special Opportunities	-1.97	-0.26	1.53	15.34	15.34
Cambridge Private Equity	-0.41	1.20	4.29	14.97	14.42

- APFC's Private Equity and Special Opportunities composite outperformed the Cambridge Private Equity benchmark over intermediate and long timeframes, despite near term underperformance.
- In the last reported quarter, Private Equity was down 0.2% and Special Opportunities was down 6.6%.

Total Fund Cash

Periods Ended December 31, 2023

	Quarter	Last Year	Last 3 Years	Last 5 Years
TOTAL FUND CASH	**1.38**	**11.25**	**3.69**	**--**
3 Month T-Bill	1.37	5.01	2.15	1.88
APF Operating Cash	**1.31**	**4.80**	**2.31**	**--**
APF Internal Cash	**1.42**	**4.84**	**2.12**	**--**

- APFC's cash accounts were within expectations relative to the 3-month Treasury Bill Index.
- Funded in the first quarter of 2022 and included in the Total Fund Cash composite, the allocation to Gold was liquidated during the second quarter of 2023 (approximately $320M).

Closing Remarks

- Total Fund ended the fourth quarter of 2023 with $80.3 billion in assets up from $77.5 billion in the prior quarter. The trailing quarter performance placed the Total Fund in the bottom quartile relative to other large public funds and relative to large endowments/foundations peer group.
- For the quarter, the Total Fund underperformed the Passive Index Benchmarks but bested the CPI + 5% Benchmark. Over the long-term, the Fund outperformed and was ahead of all three targets.
- The Public Equity portfolio fell short of its benchmark for the quarter and the trailing year. Domestic, International, and Global Equity composites lagged their respective benchmarks over the trailing quarter and year as well, but longer-term performance remains favorable.
- The Fixed Income portfolio outperformed its benchmark in the latest quarter and over the trailing year. In the quarter, sub-strategies: US Fixed Income Aggregate, US Investment Grade Corporate, and Non-US Fixed Income outperformed their respective benchmarks, while US High Yield, and Structured Products fell just shy of their benchmarks.
- In the Alternatives portfolio, Private Equity & Special Opportunities, Real Estate, Absolute Return, and Private Income underperformed their respective benchmarks in the fourth quarter.
- Prudent asset allocation with appropriate levels of diversification and a long-term perspective remain Callan's recommended course.

Callan

Callan Update

Published Research Highlights from 4Q23

2023 Nuclear Decommissioning Funding Study

2023 Investment Management Fee Study

2023 Asset Manager ESG Study

Callan's Retirement Conundrum Webinar

Recent Blog Posts

ILS on Pace for Banner Year in 2023
Sean Lee

Carbon-Footprinting Basics for Institutional Investors
Amit Bansal

Key Issues to Know for the Proposed Fiduciary Rule
Jana Steele

Additional Reading

Alternatives Focus quarterly newsletter
Active vs. Passive quarterly charts
Capital Markets Review quarterly newsletter
Monthly Updates to the Periodic Table
Market Pulse Flipbook quarterly markets update
Real Estate Indicators market outlook

Callan Institute Events

Upcoming conferences, workshops, and webinars

Callan College

Intro to Investments—Learn the Fundamentals

This course is for institutional investors, including trustees and staff members of public plans, corporate plans, and nonprofits. This session familiarizes trustees and staff with basic investment theory, terminology, and practices.

- March 19-21, 2024 – Virtual Session via Zoom
- June 18-19, 2024 – In Person Session in Chicago

Intro to Alternatives

This course is for institutional investors, including trustees and staff members of public plans, corporate plans, and nonprofits. This session familiarizes trustees and staff with alternative investments like private equity, hedge funds, and real estate and how they can play a key role in any portfolio. You will learn about the importance of allocations to alternatives and how to consider integrating, evaluating, and monitoring them.

- February 21–22, 2024 – Virtual Session via Zoom

Please visit our website at callan.com/events-education as we add dates to our 2024 calendar!

Mark Your Calendar

2024 National Conference
April 8–10, 2024 – San Francisco

2024 Regional Workshops
June 25, 2024 – Atlanta
June 27, 2024 – San Francisco
October 22, 2024 – Denver
October 24, 2024 – Location TBD

Watch your email for further details and an invitation.

Webinars & Research Café Sessions

Webinar: Capital Markets Assumptions
January 17, 2024 – Virtual Session via Zoom
Webinar: Market Intelligence
January 19, 2024 – Virtual Session via Zoom
Research Café: ESG Interview Series
March 12, 2024 – Virtual Session via Zoom

Important Disclosures

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ALASKA PERMANENT FUND CORPORATION
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907.796.1500 | apfc.org

SUBJECT:	Annual Asset Allocation Study Greg Allen, Callan CEO & Chief Research Officer Steve Center, Callan Senior VP	ACTION:	______
DATE:	February 16, 2024	INFORMATION:	X

BACKGROUND:

Callan Associates, Inc. is currently under contract to perform APFC's core general consulting services of 1) Investment policies and procedures review; 2) annual preparation of an asset allocation plan; 3) performance reporting and analysis; 4) risk analysis; 5) statistical modeling, manager searches, selection, and oversight; and 6) other special consulting services as needed.

STATUS:

At every quarterly board meeting or as requested, Callan Associated, Inc. provides an extensive review of the Fund's performance as well as updates on market conditions. Greg Allen, Chief Executive Officer and Chief Research Officer, and Steven Center, Senior Vice President, will be the presenters at this meeting.

February 2024

Fiscal Year 2024 Capital Market Projections and Asset Allocation Review

Gregory C. Allen
CEO, Chief Research Officer

Steven J. Center, CFA
Senior Vice President

Outline

- Callan's capital market projection process
- Equities
  - Historical long-term structural patterns of US equity market
  - Economic and market backdrop
  - 2023 equity projections
- Fixed Income
  - Historical long-term structural patterns of US bond market
  - Economic and market backdrop
  - 2023 equity projections
- Full-set Callan 2024 capital market projections.
- APFC 2024 policy target portfolio
- Concluding observations
- Appendix

Callan Capital Market Projection Process

Process Overview

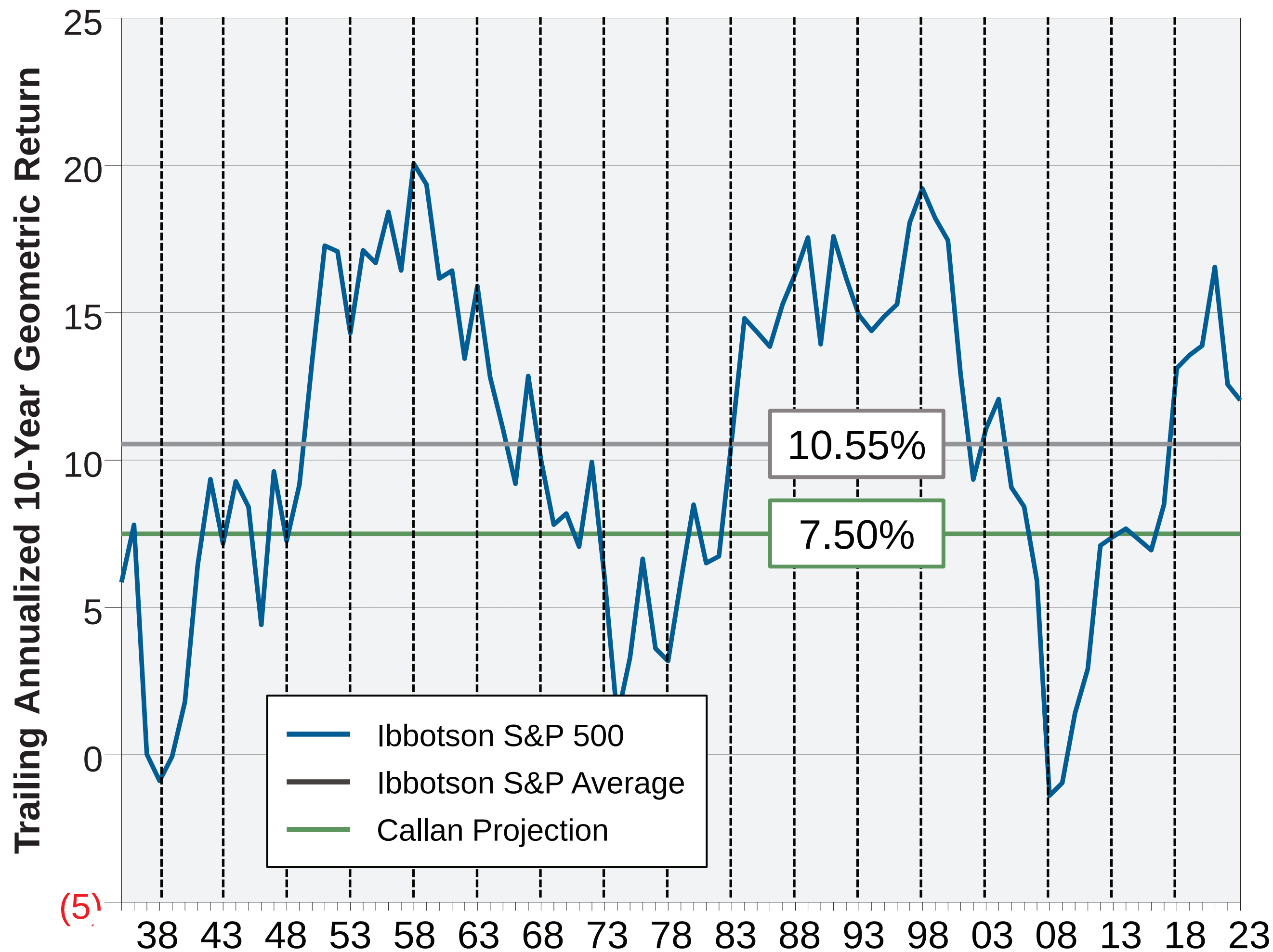
- Callan updates long term capital market projections each year in January and uses them for the full year with all clients for strategic planning purposes.
- Projections take into account long term relationships balanced with current market conditions.
- Consensus expectations (central banks, economists, asset managers, consultants, etc.) are carefully considered as an integral part of the process.
- Each number – **return, risk, correlation** – for every asset class must be individually defensible, and the numbers collectively need to work together as a set to generate reasonable portfolios during strategic planning exercises.
- Projections change slowly over time and are not designed to provide tactical insights.
- Process is executed by Callan's Capital Markets Research group and projections are peer reviewed by Callan's Client Policy Review Committee as well as the hundreds of clients that use them every year.
- Process is battle proven – it has evolved and improved but hasn't fundamentally changed over the last four decades.

US Equity Rolling 10-Year Returns

Historical Perspective – US Large Cap Equity

- Historical 10-year return for US large cap has averaged 10.55%.
- 2024 projected return for large cap US equities is 7.50%.
- Historically there have been very few periods of negative 10-year returns for US equities.
- Current outlook is in lower third of historical distribution, driven by relatively high valuations, concentration, and secular decline in equity risk premium.

Rolling 10 Year Returns
US Large Cap Equity (Ibbotson S&P 500)



Stock Market Returns by Calendar Year

Performance in perspective: History of the U.S. stock market (233 years of returns)

2015 return: +1.4%

2020 return: +18.4%

2016 return: +12.0%

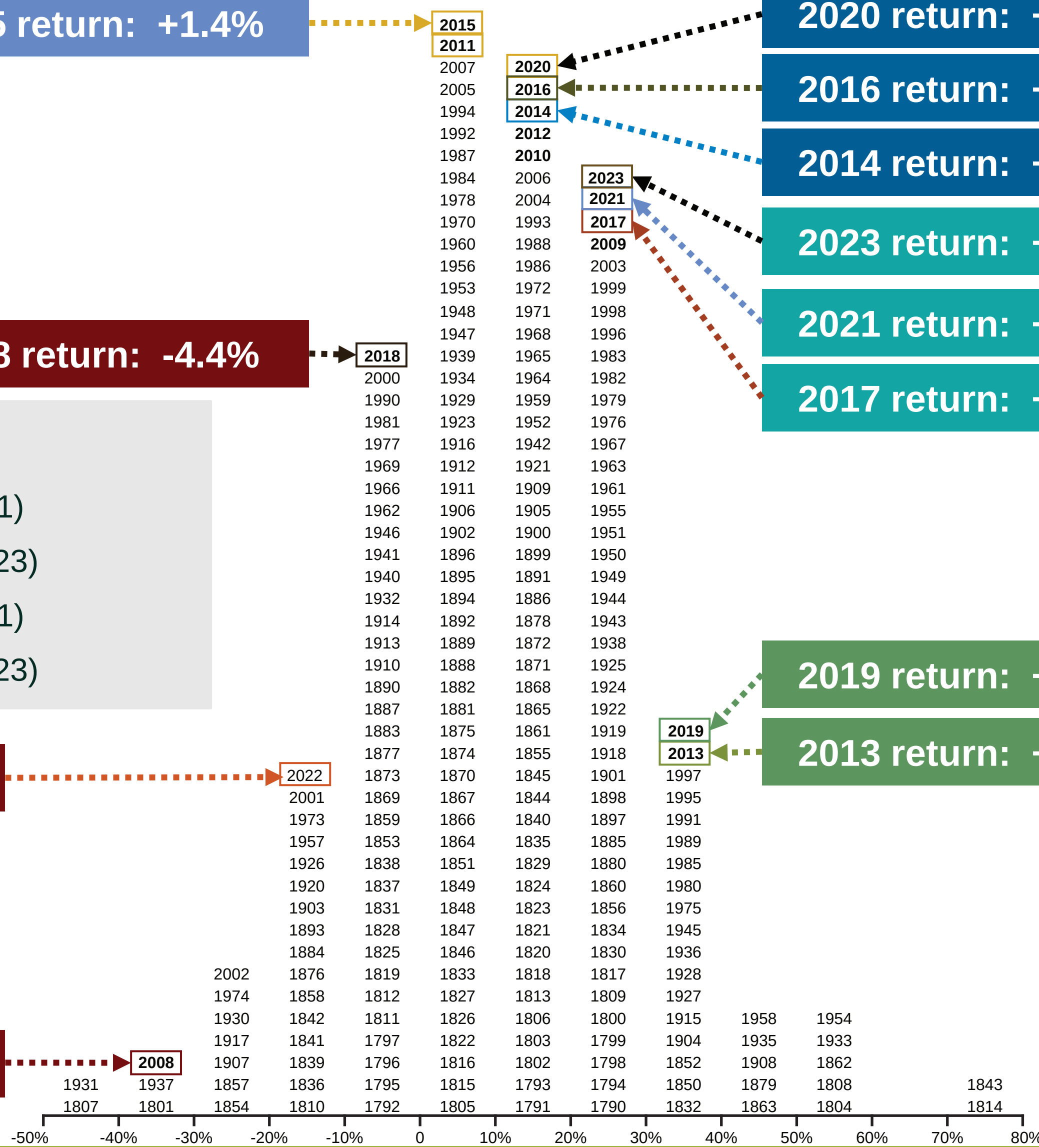
2014 return: +13.7%

2023 return: +26.3%

2021 return: +28.7%

2017 return: +21.8%

2018 return: -4.4%



S&P 500

Five-year return: **+18.5%** (thru 12/31/21)

+15.7% (thru 12/31/23)

Ten-year return: **+16.6%** (thru 12/31/21)

+12.0% (thru 12/31/23)

2019 return: +31.5%

2013 return: +32.4%

2022 return: -18.1%

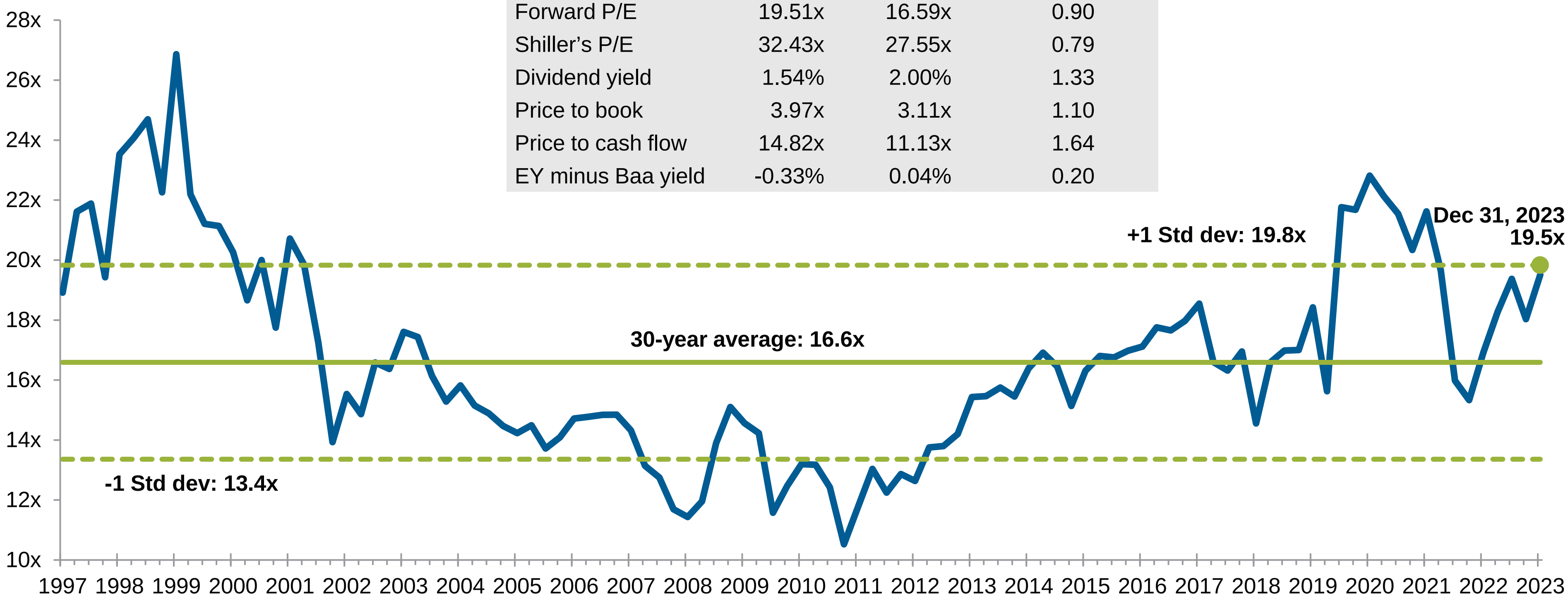
2008 return: -37.0%

- Sources: Callan, Ibbotson

U.S. Equity Market: Key Metrics

S&P 500 valuation measures

S&P 500 Index: Forward P/E Ratio



Valuation Measure	Latest	30-year Average*	Std Dev Over- / Under-valued
Forward P/E	19.51x	16.59x	0.90
Shiller's P/E	32.43x	27.55x	0.79
Dividend yield	1.54%	2.00%	1.33
Price to book	3.97x	3.11x	1.10
Price to cash flow	14.82x	11.13x	1.64
EY minus Baa yield	-0.33%	0.04%	0.20

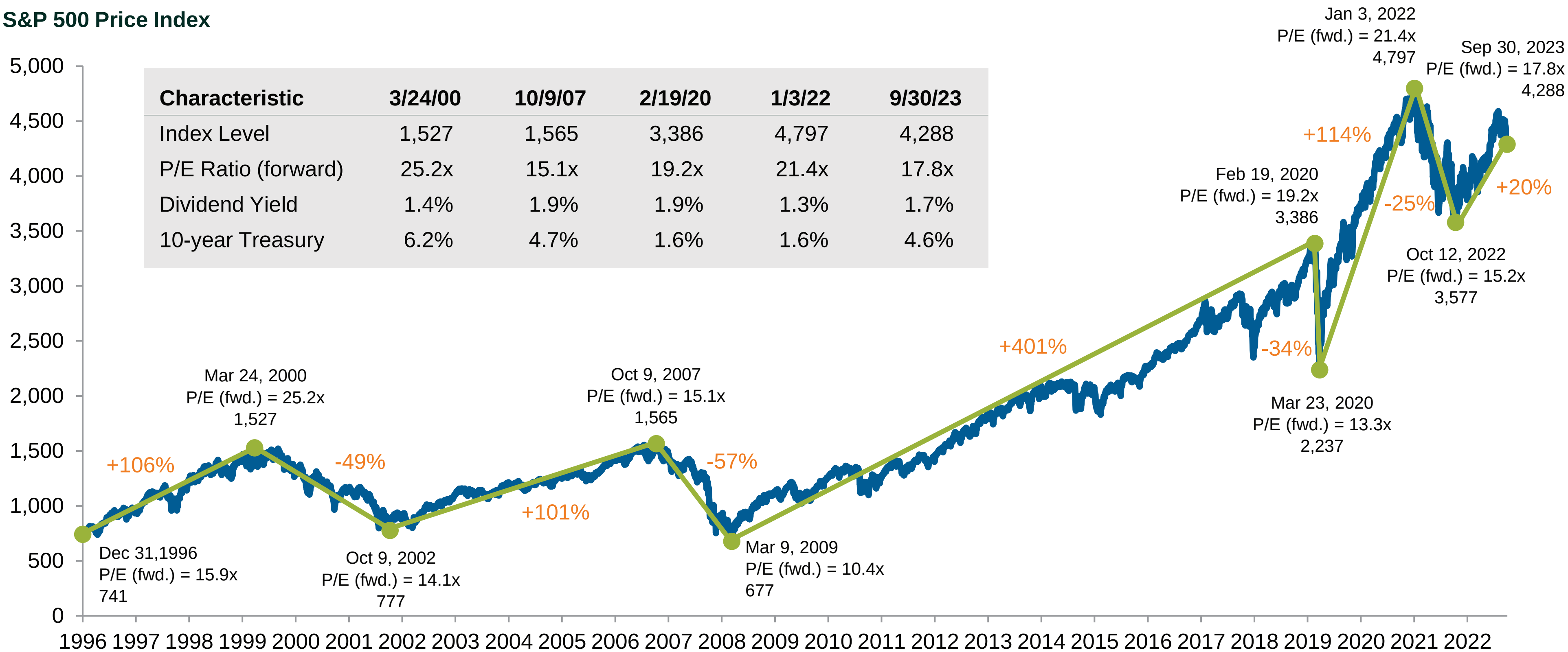
- Forward P/E is one standard deviation above it's long-term average of 16.6%

- Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, S&P Dow Jones Indices, Thomson Reuters, J.P. Morgan Asset Management.
- Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since December 1998 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are $245. Average P/E and standard deviations are calculated using 30 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 30 years for each measure. *Averages and standard deviations for dividend yield and P/CF are since November 1995 due to data availability. Guide to the Markets – U.S. Data are as of December 31, 2023.

U.S. Equity Market: Price Relative to History

S&P 500 Index at inflection points

S&P 500 Price Index



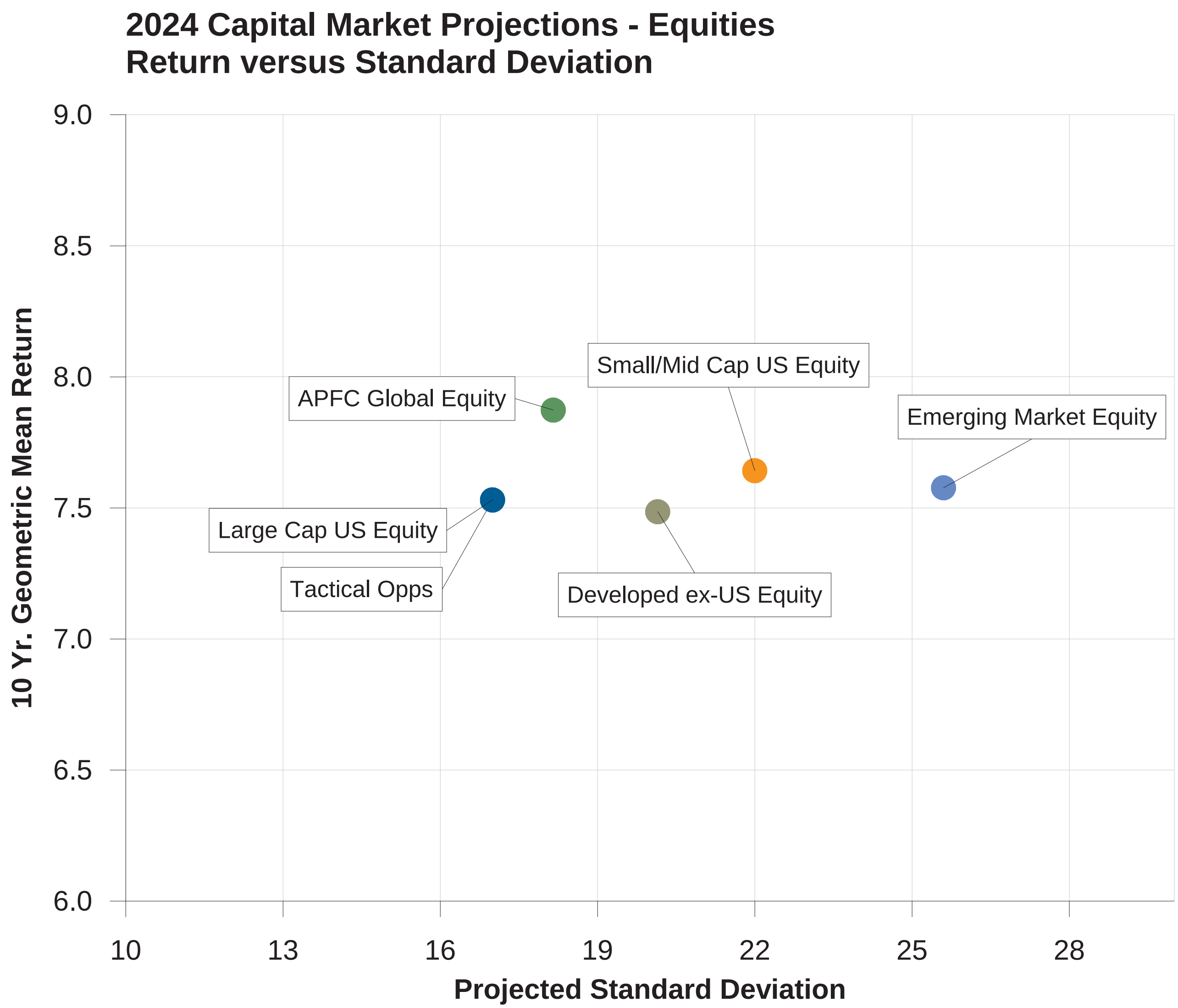
Characteristic	3/24/00	10/9/07	2/19/20	1/3/22	9/30/23
Index Level	1,527	1,565	3,386	4,797	4,288
P/E Ratio (forward)	25.2x	15.1x	19.2x	21.4x	17.8x
Dividend Yield	1.4%	1.9%	1.9%	1.3%	1.7%
10-year Treasury	6.2%	4.7%	1.6%	1.6%	4.6%

- The S&P is still modestly below its January 2022 peak even after 26% return in 2023
- PE of 19.5x below 2022 levels, and well below 2000.

- Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
- Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Guide to the Markets – U.S. Data are as of December 31, 2023.

2024 Equity Market Projections

- Projected 10-year annualized geometric returns for public equity markets are in the 7.5% to 7.7% range.
- APFC portfolio employs all of the underlying equity markets.
- Diversification results in higher projected return than any single building block (7.85%).
- Higher standard deviation for non-US markets is partially due to currency volatility.



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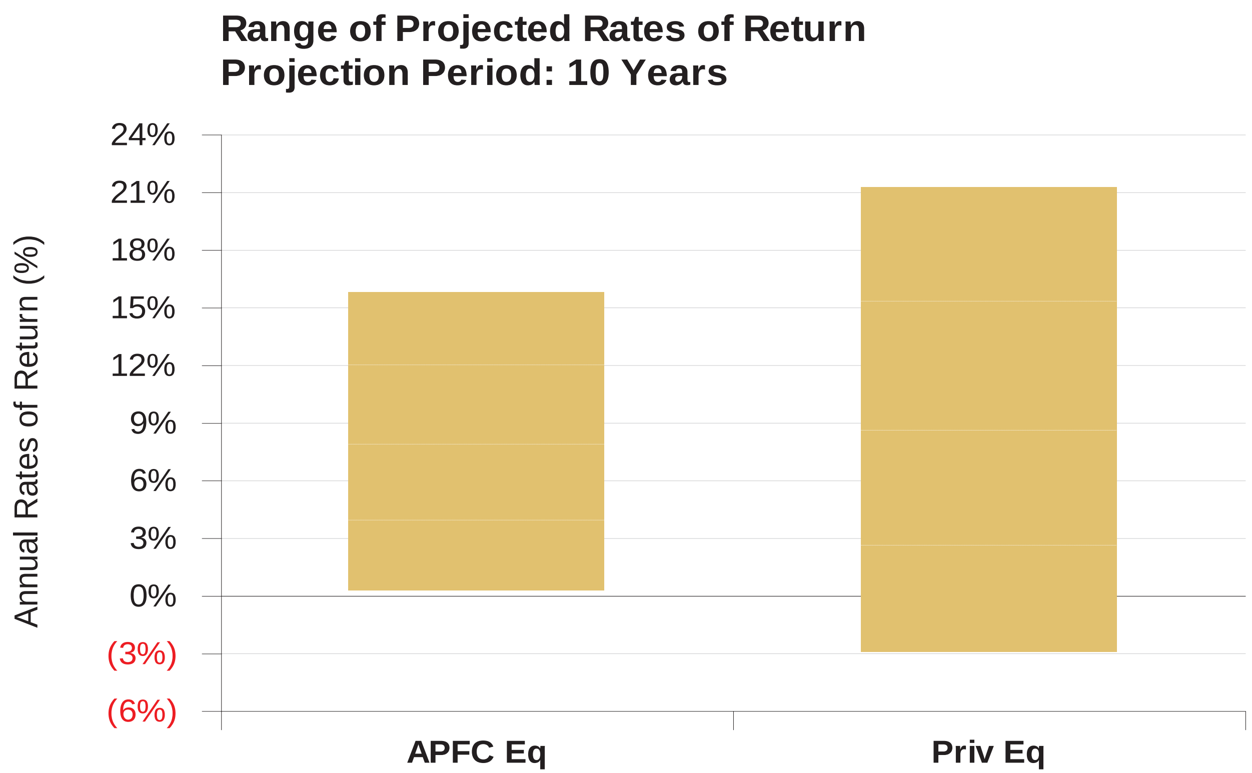
Range of Projected Equity Returns for APFC

10th through 90th Percentile

- Projected mid-point of range of 10-year annualized returns for APFC Public Equity portfolio increased from 7.60% in 2023 to 7.85%
- Projected mid-point for Private Equity portfolio increased from 8.50% to 8.60%
- Valuation lags for private equity resulted in a modestly smaller increase in return expectations.



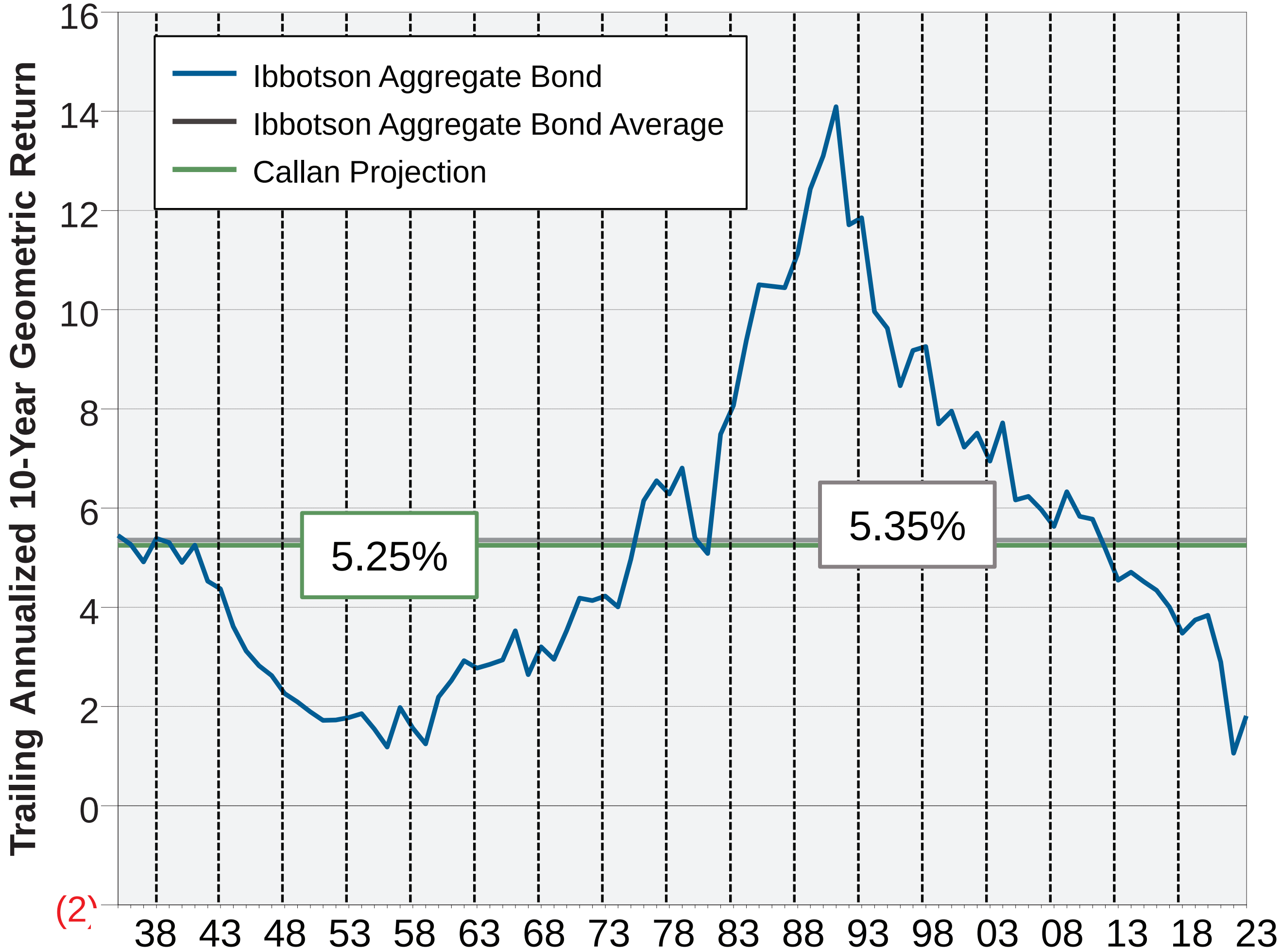
	APFC Eq	Priv Eq
10th Percentile	15.77%	21.23%
25th Percentile	11.99%	15.31%
Median	7.86%	8.58%
75th Percentile	3.90%	2.60%
90th Percentile	0.23%	(2.96%)

US Bonds Rolling 10-Year Returns

Historical Perspective – US Fixed Income

- Historical 10-year return for US bonds has averaged 5.35%.
- 2024 Projection is 5.25%.
- Still no periods historically of negative 10-year return for US bonds.
- Current outlook is in line with long term historical average.
- Rising interest rates have created higher return expectations going forward.
- Consistent cyclical decline in bond returns since 1990.

Rolling 10 Year Returns
US Investment Grade Fixed Income (Ibbotson Aggregate Bond)



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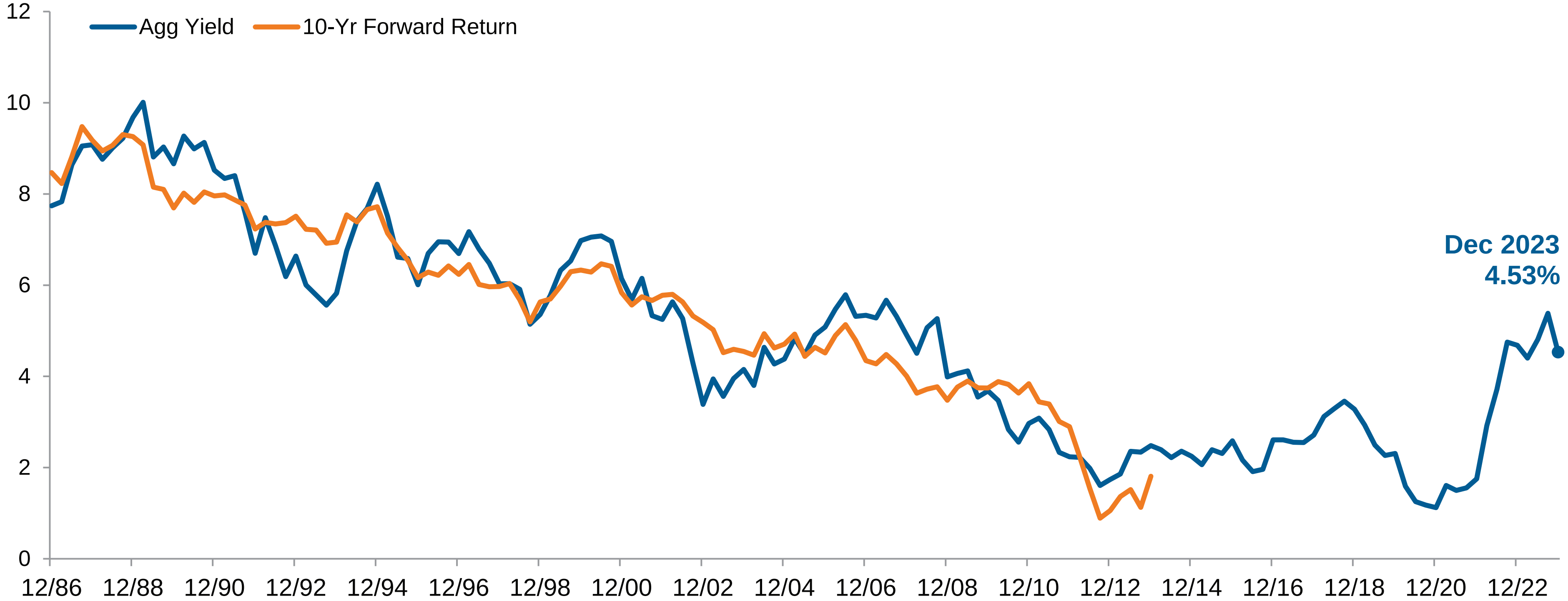
Starting Yield Strongly Predicts Forward Returns

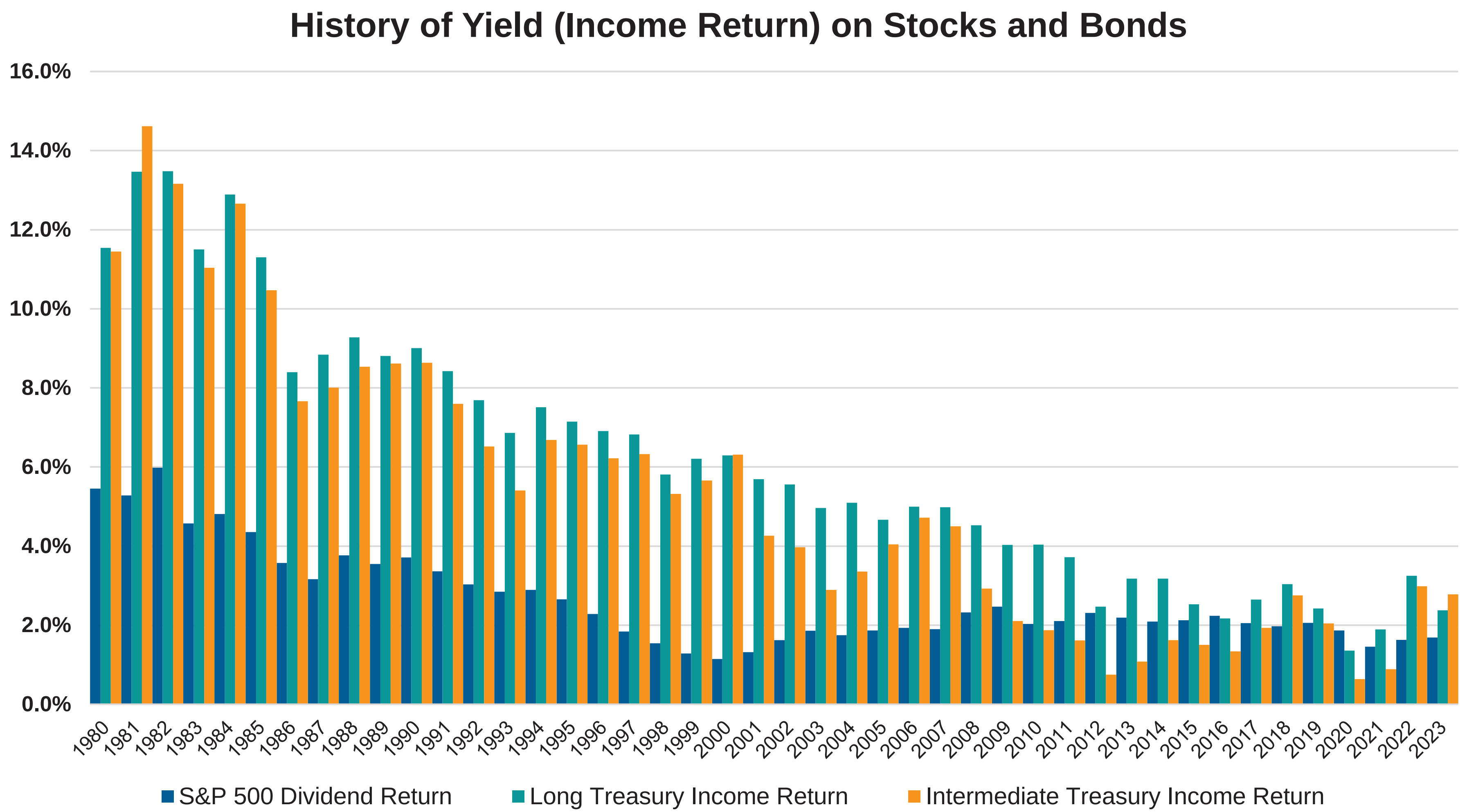
Bloomberg Aggregate Index Starting Yield vs. 10-Year Forward Return



- There is a strong relationship between starting yields and subsequent 10-Year returns.
- Yield on the Bloomberg Aggregate Index was 4.53% as of December 31, 2023.

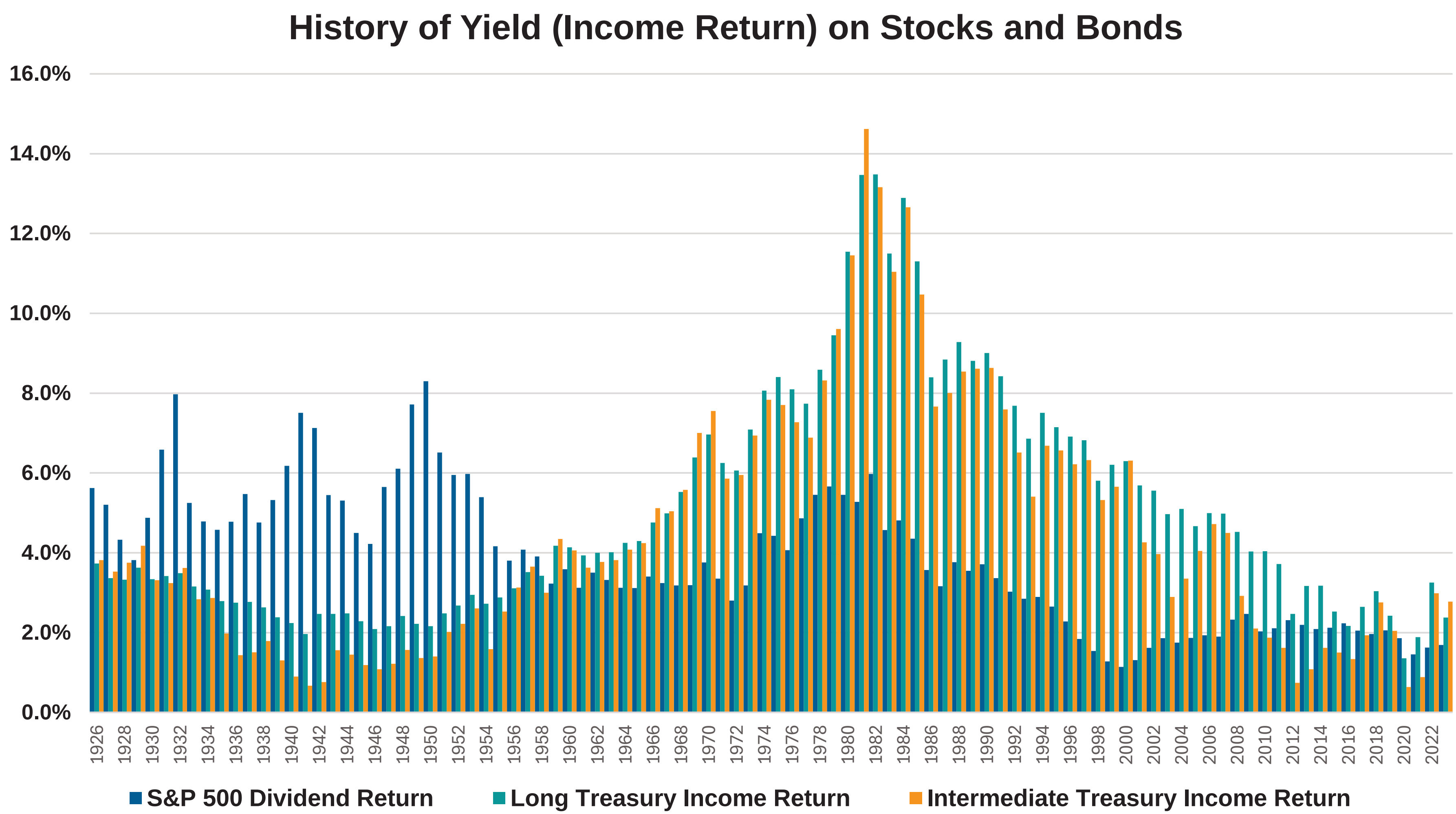
- Source: Bloomberg Barclays

History of Equity and Bond Yields since 1980



- Bond yields consistently declined since 1981 through the end of 2021.
- Rose sharply over next two years resulting in worst return for bonds in recorded history.

History of Equity and Bond Yields since 1926



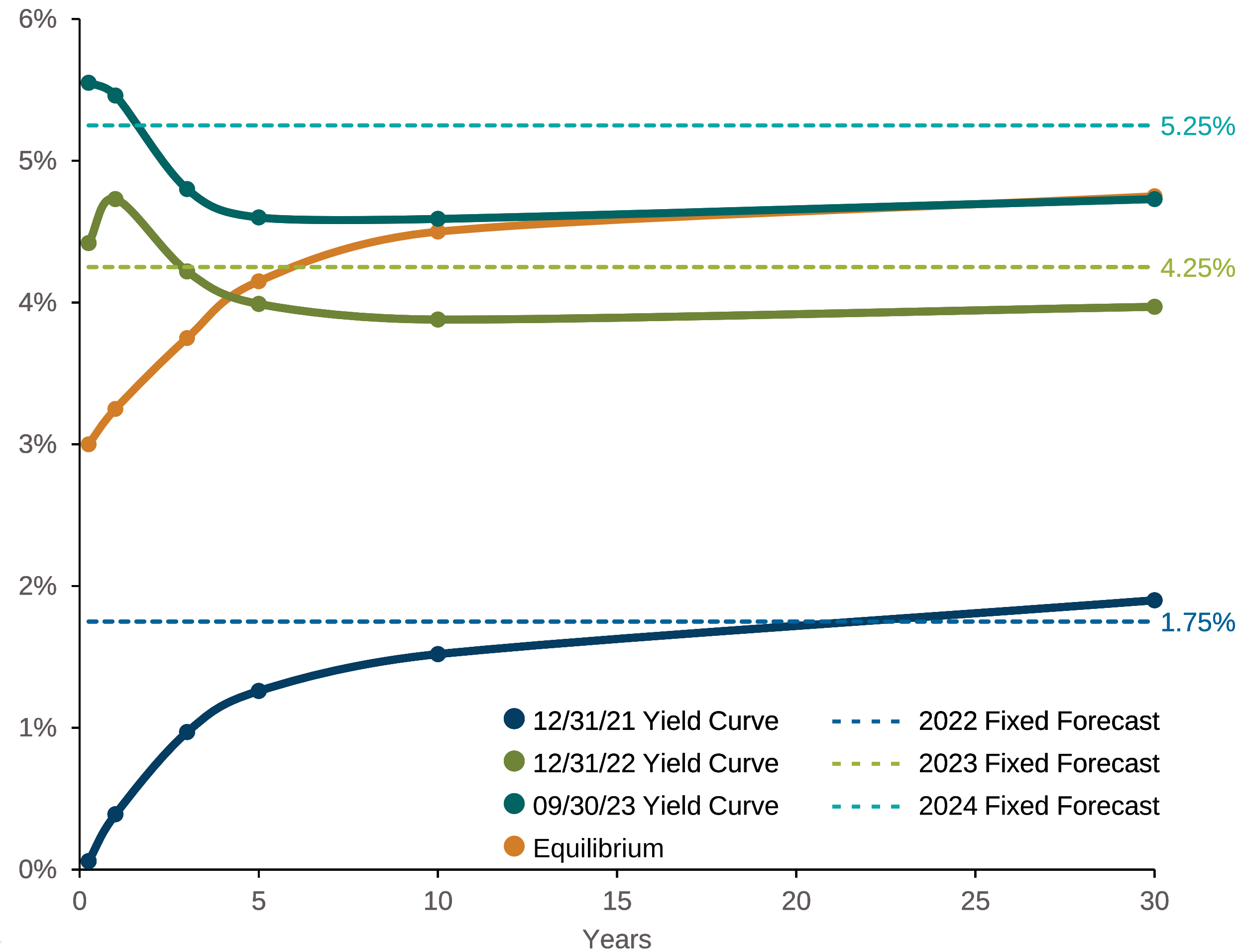
- Check out those dividends pre-1956!
- Equity dividends have only exceeded bond yields once since (2016).

Yield Curve Rose and Inverted in 2022 and 2023

Level and Shape of the Yield Curve Drives Fixed Income Return Projections

- After a historic rise in 2022, the Treasury yield curve continued to rise through the third quarter of 2023.
- Yield curve has been inverted since the middle of 2022.
- Callan's forecasts assume a reversion to an upward sloping yield curve and a long-term equilibrium across the curve.
- We expect a large and swift decline for intermediate- and short-term rates. This drop leads to capital appreciation for sectors with exposure to these areas of the curve.

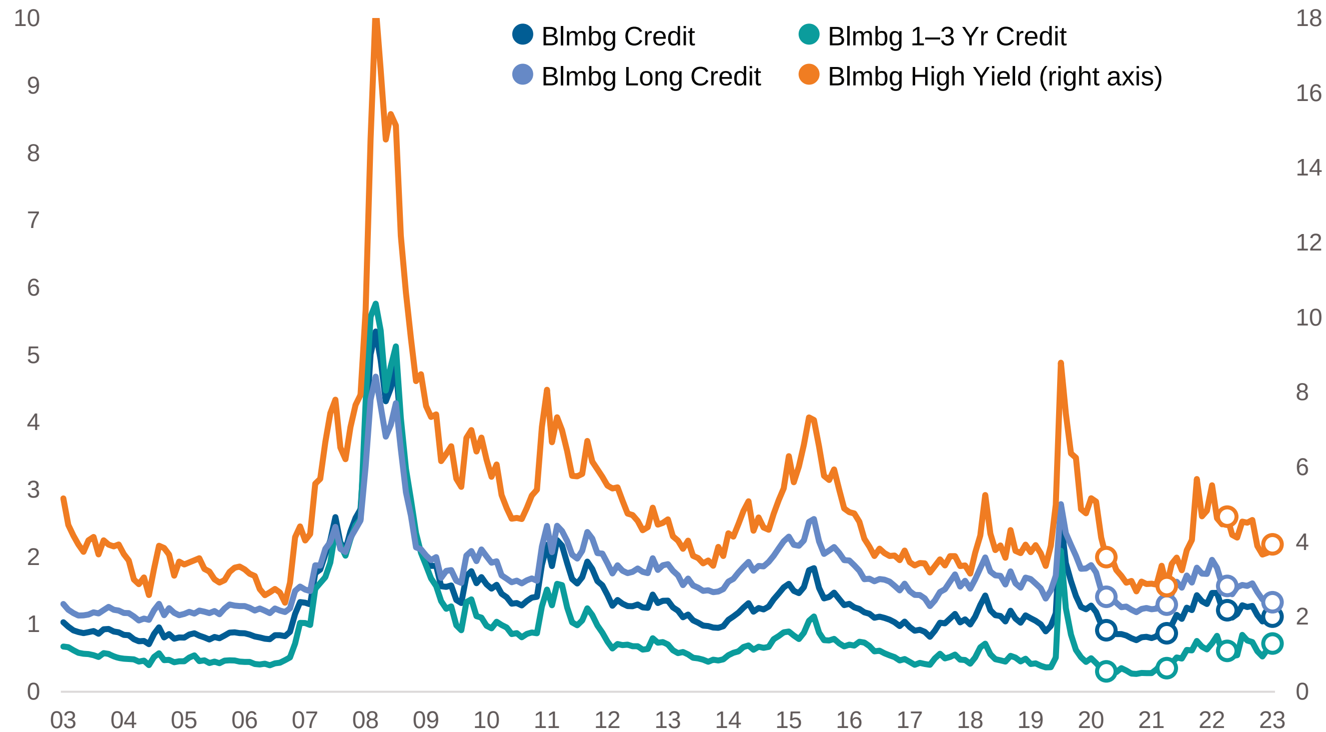
Fixed Income Yields and Forecasts



Spreads Remained Off 2021 Lows but Divergence Emerges

- Spreads widened in 2023 for short-dated credits but tightened in other sectors.
- Callan forecasts assume spreads revert to long-term medians over time.
- Wider spreads on the short end contribute to higher return projections as spreads fall toward equilibrium.
- Tighter spreads in other sectors, particularly long credit, detract from return projections as spreads rise toward equilibrium.

Historical Option Adjusted Spreads (OAS)



	December 2020		December 2021		December 2022		September 2023	
	OAS	Percentile*	OAS	Percentile*	OAS	Percentile*	OAS	Percentile*
Blmbg 1-3 Yr Credit	0.3	3%	0.4	5%	0.6	48%	0.7	63%
Blmbg Credit	0.9	23%	0.9	17%	1.2	50%	1.1	43%
Blmbg Long Credit	1.4	27%	1.3	22%	1.6	39%	1.3	24%
Blmbg HY	3.6	26%	2.8	3%	4.7	60%	3.9	42%

- *Percentiles based on 20-year history of OAS for each respective index.
- Source: Bloomberg

Fixed Income Forecasts

Source: Callan

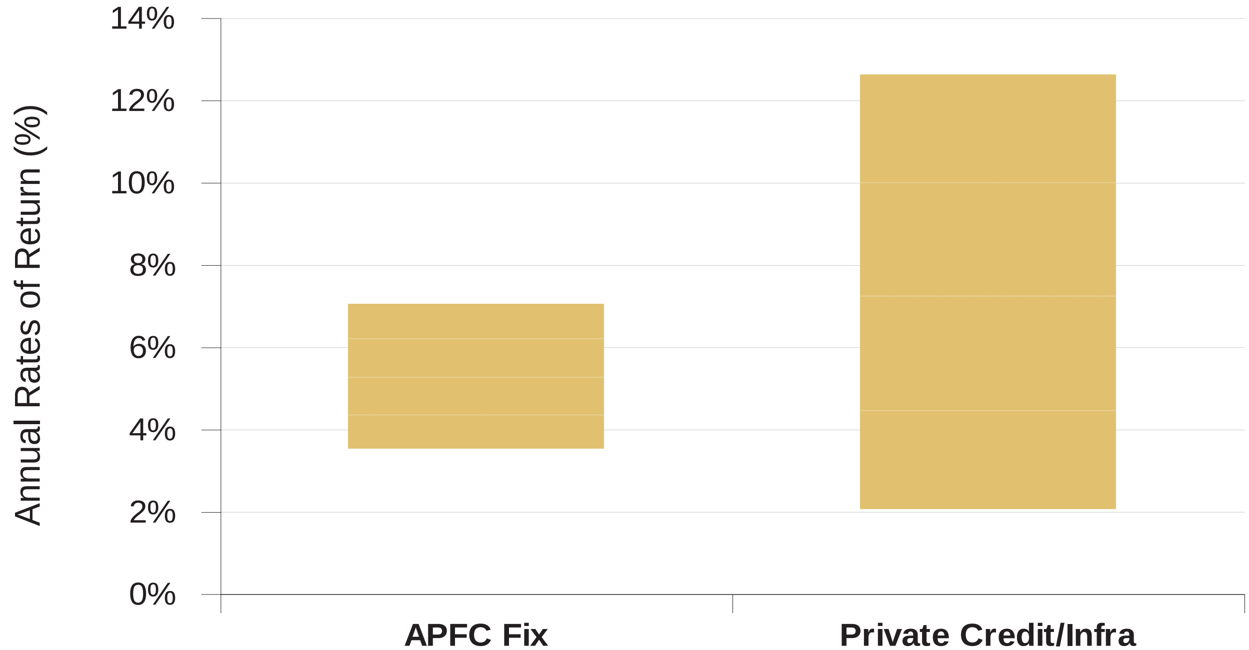
	Income Return	+	Capital Gain/Loss	+	Credit Default	+	Roll Return	=	2024 Expected Return	2023 Expected Return	Change vs. 2023	2022 Expected Return	Change vs. 2022
Cash	**3.00%**		**0.00%**		**0.00%**		**0.00%**		**3.00%**	**2.75%**	**0.25%**	**1.20%**	**1.80%**
1-3 Year Gov/Credit	**3.70%**		**0.40%**		**-0.10%**		**0.25%**		**4.25%**	**3.80%**	**0.45%**	**1.50%**	**2.75%**
1-3 Year Government	3.50%		0.40%		0.00%		0.25%		4.15%	3.60%			
1-3 Year Credit	4.20%		0.40%		-0.20%		0.25%		4.65%	4.00%			
Intermediate Gov/Credit	**4.30%**		**0.30%**		**-0.10%**		**0.25%**		**4.75%**	**4.10%**	**0.65%**	**1.70%**	**3.05%**
Intermediate Gov	3.90%		0.30%		0.00%		0.25%		4.45%	4.00%			
Intermediate Credit	4.90%		0.40%		-0.30%		0.25%		5.25%	4.25%			
Aggregate	**4.70%**		**0.40%**		**-0.10%**		**0.25%**		**5.25%**	**4.25%**	**1.00%**	**1.75%**	**3.50%**
Government	4.20%		0.40%		0.00%		0.25%		4.85%	3.95%			
Securitized	4.50%		0.60%		0.00%		0.25%		5.35%	4.25%			
Credit	5.55%		0.20%		-0.40%		0.25%		5.60%	4.70%			
Long Duration Gov/Credit	**5.70%**		**-0.10%**		**-0.20%**		**0.60%**		**6.00%**	**4.65%**	**1.35%**	**1.80%**	**4.20%**
Long Government	4.80%		0.00%		0.00%		0.60%		5.40%	3.70%			
Long Credit	6.20%		-0.20%		-0.30%		0.60%		6.30%	5.20%			
TIPS	**4.30%**		**0.50%**		**0.00%**		**0.25%**		**5.05%**	**4.00%**	**1.05%**	**1.25%**	**3.80%**
Global ex-U.S. Fixed	**2.70%**		**0.30%**		**-0.10%**		**0.25%**		**3.15%**	**2.25%**	**0.90%**	**0.80%**	**2.35%**
High Yield	**8.45%**		**0.20%**		**-2.10%**		**0.25%**		**6.80%**	**6.25%**	**0.55%**	**3.90%**	**2.90%**
Emerging Markets Debt	**7.70%**		**0.30%**		**-1.90%**		**0.25%**		**6.35%**	**5.85%**	**0.50%**	**3.60%**	**2.75%**
Bank Loans	**8.15%**		**0.00%**		**-1.60%**		**0.00%**		**6.55%**	**6.10%**	**0.45%**	**4.60%**	**1.95%**

Range of Projected Fixed Income Returns for APFC

10th through 90th Percentile

- Projected mid-point of range of 10-year annualized returns for APFC Public Fixed Income portfolio increased from 4.35% in 2023 to 5.25%
- Projected mid-point for Private Credit/Infrastructure portfolio increased from 6.90% to 7.25%
- Changes in yields had a larger impact on the outlook for public fixed income than for private credit and infrastructure

Range of Projected Rates of Return
Projection Period: 10 Years



	APFC Fix	Private Credit/Infra
10th Percentile	7.04%	12.62%
25th Percentile	6.20%	9.98%
Median	5.26%	7.23%
75th Percentile	4.34%	4.45%
90th Percentile	3.52%	2.05%

Highlights of 2024 Capital Market Projections

Changes and Observations

- 10-year annualized inflation expectation remained constant at 2.50%.
- Public equity 10-year annualized return projection increased from **7.60%** to **7.85%.** Projected standard deviation (volatility) decreased from 18.50% to 18.15%.
- Public fixed income 10-year annualized return projection increased from **4.35%** to **5.25%**. Projected standard deviation decreased modestly from 4.20% to 4.15%.
- Private real estate projection increased from 5.75% to 6.00%.
- The projected premium of private equity over public markets equity declined year-over-year due to the public markets more fully absorbing valuation adjustments.
- The projected premium of private credit and infrastructure over public fixed income also declined due to similar dynamics in those two asset classes.
- Projected Total Fund return for APFC policy portfolio increased from 7.25% to 7.60% (more on that next).

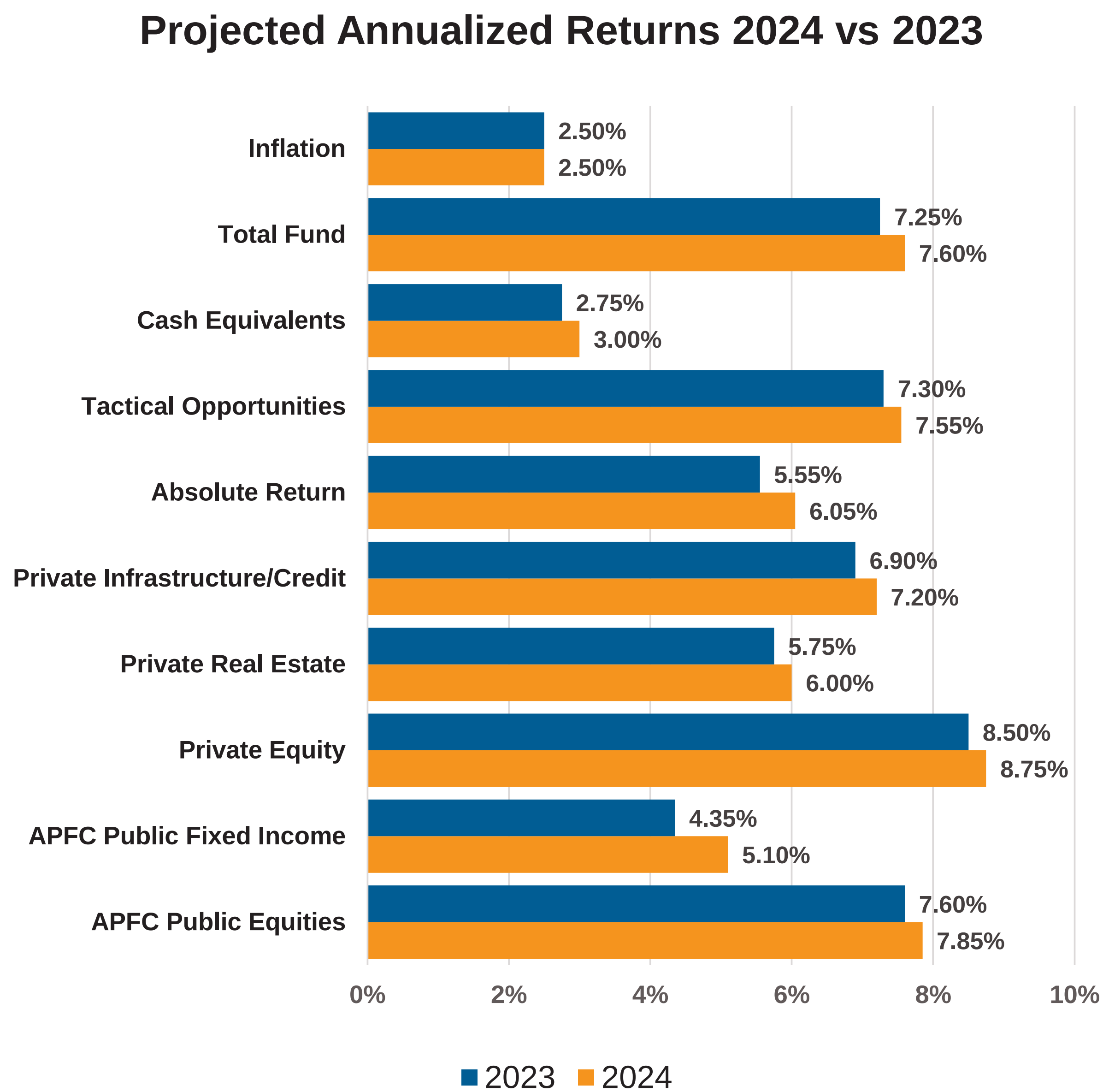
Capital Market Projections

Summary of Callan's Long-Term Capital Market Projections for APFC Asset Allocation Model (FY 2024 - 2033)

		PROJECTED RETURN		PROJECTED RISK	
Asset Class	**Performance Index**	**1-Year Arithmetic**	**10-Year Geometric Return**	**Annualized Standard Deviation**	**Projected Yield**
APFC Public Equities		**9.25%**	**7.85%**	**18.15%**	**2.85%**
Global Equity	MSCI ACWI - IMI	9.25%	7.85%	18.15%	2.85%
APFC Public Fixed Income		**5.25%**	**5.25%**	**4.15%**	**4.95%**
Cash Equivalents	90-Day T-Bill	3.00%	3.00%	0.90%	3.00%
TIPS	Bloomberg TIPS	5.10%	5.05%	5.40%	4.30%
US Fixed Income	Bloomberg Aggregate	5.25%	5.25%	4.25%	4.70%
US Investment Grade Credit	Bloomberg Credit	5.25%	5.25%	4.70%	4.90%
Non-US Fixed Income	Bloomberg Global Treasury ex-US Hedged	3.60%	3.15%	9.80%	2.70%
Emerging Market Debt	50/50 JPM EMBI/JPM GBI	6.75%	6.35%	10.65%	7.70%
High Yield	Bloomberg US High Yield 2% Issuer Cap	7.30%	6.80%	11.75%	8.45%
US Securitized	Bloomberg US Securitized	5.30%	5.35%	3.00%	4.50%
Private Equity		**12.15%**	**8.75%**	**27.60%**	**0.00%**
Private Equity	Cambridge Private Equity (lag)	12.15%	8.75%	27.60%	0.00%
Private Real Estate		**6.85%**	**6.00%**	**14.00%**	**4.00%**
Real Estate	NCREIF Total Index (lag)	6.85%	6.00%	14.00%	4.00%
Private Infrastructure/Credit		**7.75%**	**7.20%**	**12.40%**	**5.85%**
Private Infrastructure	Cambridge Global Private Infra (lag)	7.30%	6.35%	15.20%	4.80%
Private Credit	Bloomberg US High Yield (lag)	8.40%	7.40%	15.70%	7.40%
Absolute Return		**6.25%**	**6.05%**	**8.20%**	**0.00%**
Hedge Funds	HFRI Total HFOF Universe	6.25%	6.05%	8.20%	0.00%
Tactical Opportunities		**8.70%**	**7.50%**	**17.00%**	**2.00%**
Tactical Opportunities	S&P 500	8.70%	7.50%	17.00%	2.00%
Cash Equivalents		**3.00%**	**3.00%**	**0.90%**	**3.00%**
Hedge Funds	90-Day T-Bill	3.00%	3.00%	0.90%	3.00%
Total Fund	APFC Total Fund Target	**8.15%**	**7.60%**	**12.65%**	**2.95%**
Inflation	CPI-U		2.50%	1.60%	

2024 Return Projections versus 2023

- Projected returns for all asset classes used by APFC went up.
- Equities generally went up in the range of 25 basis points.
- APFC fixed income increased by 75 basis points.
- Private markets generally increased by 25-30 basis points.
- Absolute return increased by 50 basis points due to higher cash yields.
- APFC Total Fund projected return increased by 35 basis points.

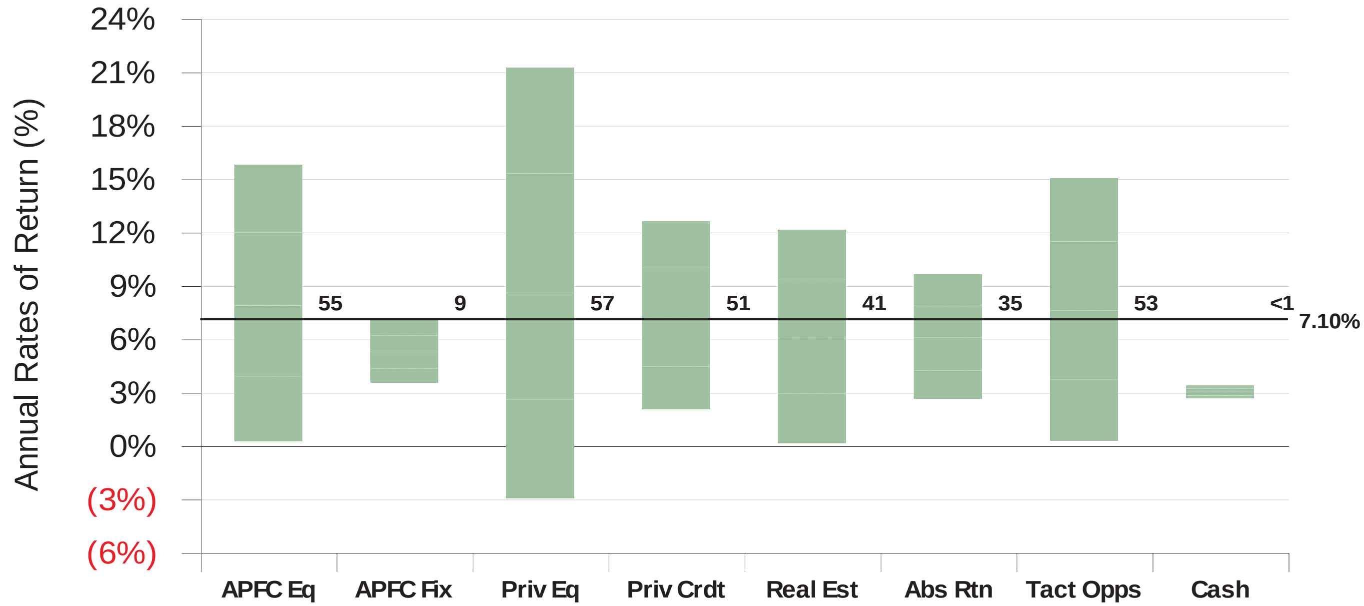


Range of Projected Returns

10^{th} through 90^{th} Percentile

- Projections are ranges not point estimates
- Point estimates are impossible to forecast
- Forecasting ranges is a more realistic goal
- Range forecasts can supply reasonable estimates for probabilities of exceeding a threshold return
- Projected probability of 2023 Target Mix exceeding 7.5% annualized return over 10 years is roughly 48%

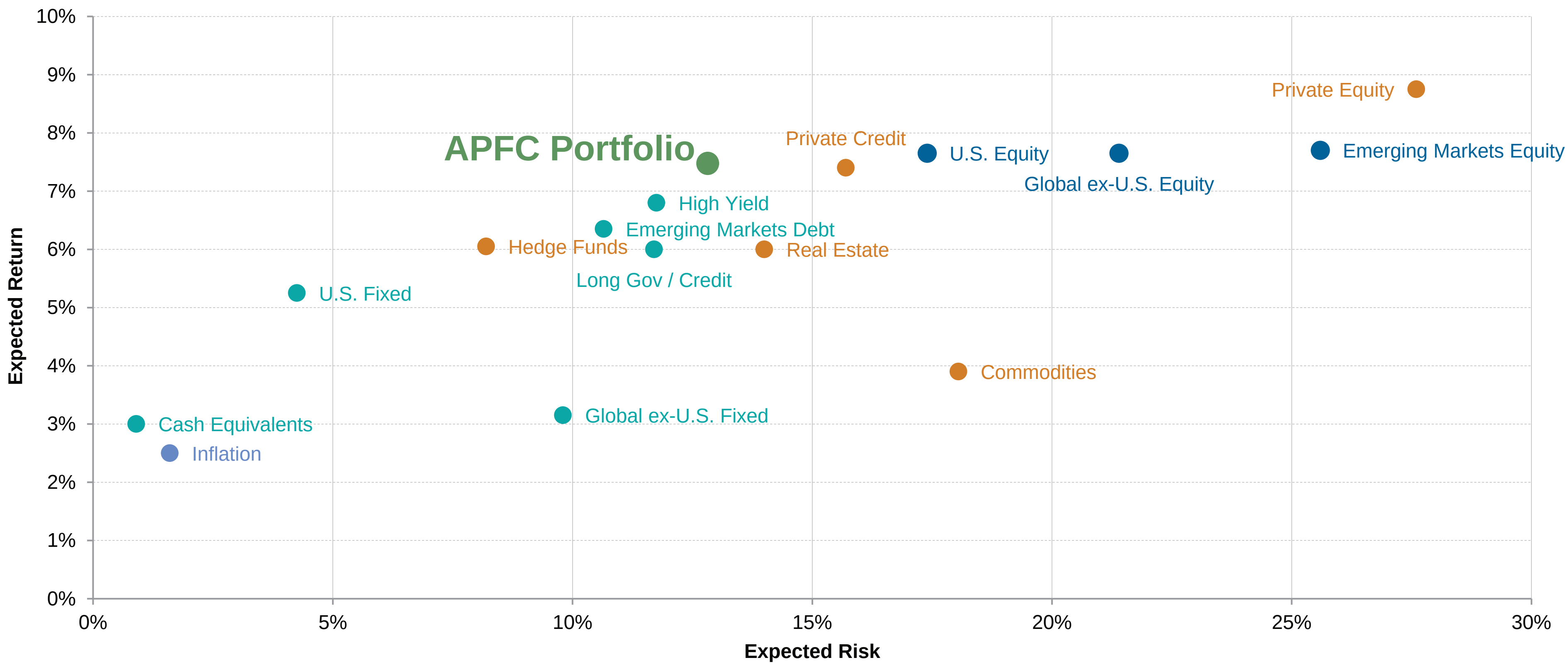
Range of Projected Rates of Return
Projection Period: 10 Years



	APFC Eq	APFC Fix	Priv Eq	Priv Crdt	Real Est	Abs Rtn	Tact Opps	Cash
10th Percentile	15.77%	7.04%	21.23%	12.62%	12.12%	9.61%	15.04%	3.39%
25th Percentile	11.99%	6.20%	15.31%	9.98%	9.30%	7.91%	11.47%	3.21%
Median	7.86%	5.26%	8.58%	7.23%	6.04%	6.08%	7.58%	3.02%
75th Percentile	3.90%	4.34%	2.60%	4.45%	2.95%	4.23%	3.71%	2.82%
90th Percentile	0.23%	3.52%	(2.96%)	2.05%	0.13%	2.63%	0.27%	2.65%
Prob > 7.10%	55.1%	9.3%	57.0%	51.3%	41.3%	35.4%	53.4%	<1.0%

Relationship Between Expected Return and Volatility

Visualizing Callan's Capital Markets Assumptions

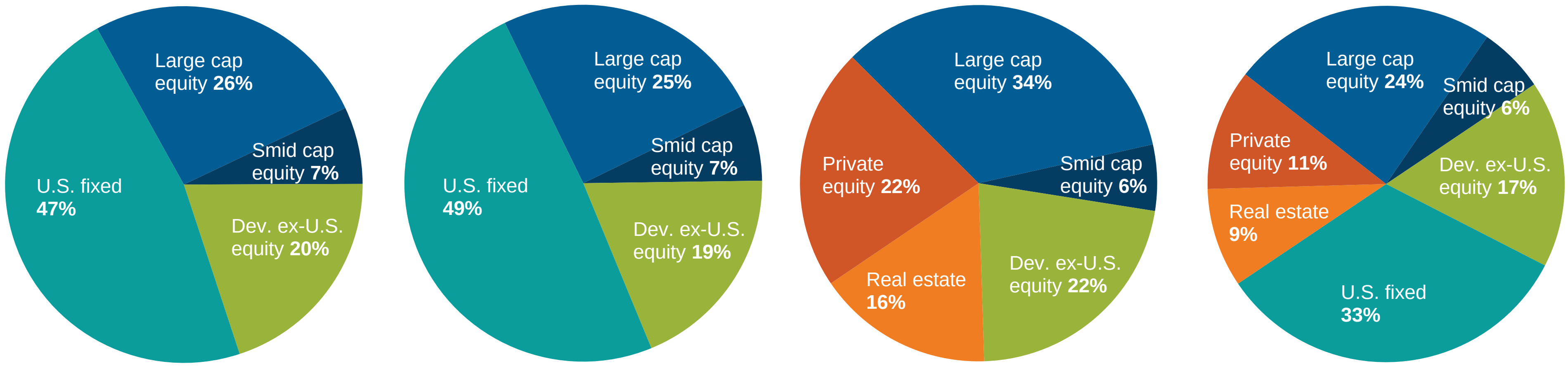


Expected Return Increases with Increased Expected Risk

- For example, investors demand a greater return from private equity than public equity as compensation for higher implementation risk and lower liquidity
- Lower correlation asset classes can fall below the capital markets line and still be efficient components of a diversified portfolio (e.g. Global ex-US Fixed, Emerging Market Equity)

5% Expected Real Returns Over Past 30 Years

Increasing Complexity



	1994	2009	2022	2024
Inflation:	3.75%	2.75%	2.25%	2.50%
Real Return:	5.0%	5.0%	5.0%	5.0%
Risk:	9.6%	8.9%	17.8%	11.5%

Increasing Risk

Despite a 3.75% inflation projection, an investor could have almost half of the portfolio in low-risk assets (fixed income) and still earn a 5% projected real return in 1994.

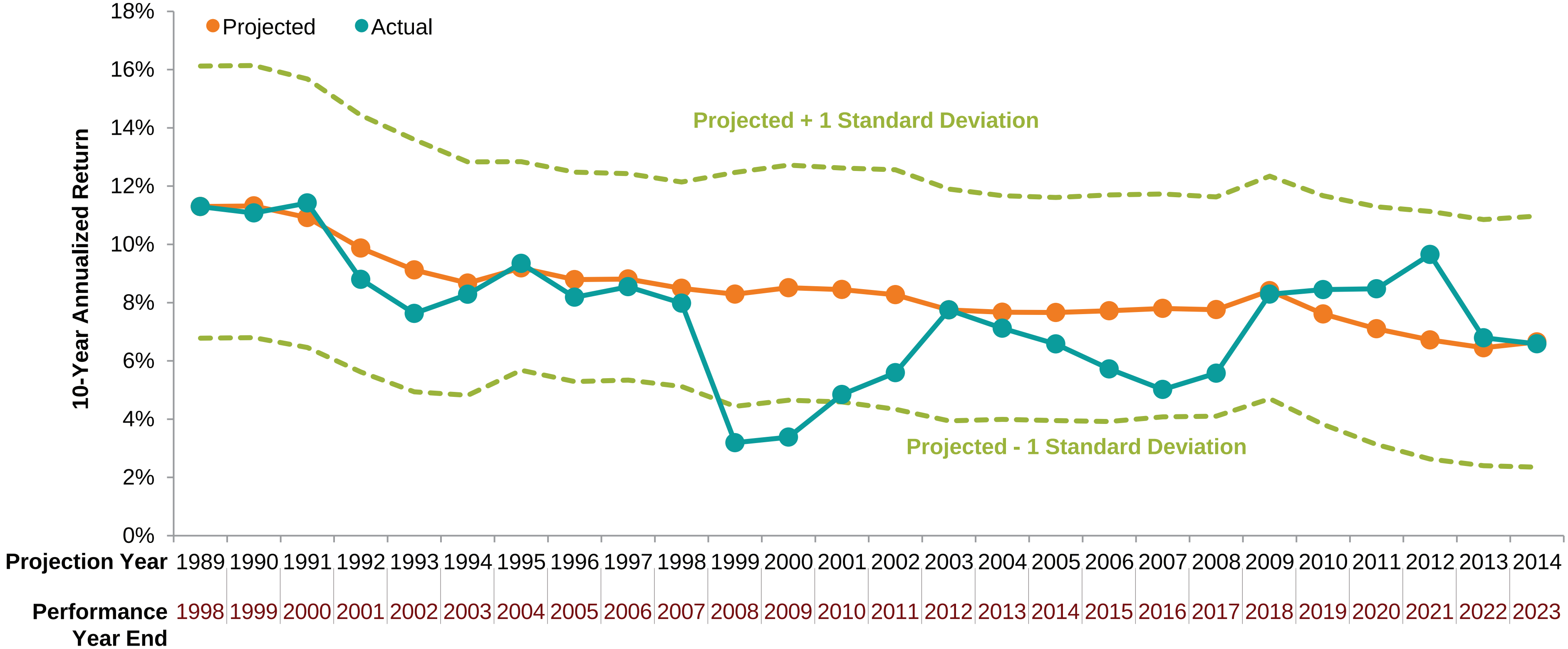
15 years later, an institutional investor would have needed to maintain essentially the same asset allocation to achieve a 5% projected real return despite a 100 basis point decline in inflation.

In 2022 an investor required 100% of the portfolio in return-seeking assets to earn a 5% projected real return at almost double the volatility compared to 1994.

Today's 5% expected real return portfolio is much more reasonable than it was in 2022, with a third of the portfolio in fixed income and a correspondingly lower level of risk.

Actual Returns versus Callan Projections

Historical Comparison: Actual Returns vs. Callan Capital Markets Projections
Portfolio (60% Equity, 30% Fixed, 10% Real Estate)



- Our projections have generally been within one standard deviation of the future actual return
- The glaring exceptions are the 10-year periods ended in 2008 and 2009 which contained not one but two major collapses in the equity market: the Dot-Com Bubble in 2001-02 and the Global Financial Crisis in 2008

APFC Policy Mix

Callan's 2023 Capital Market Projections

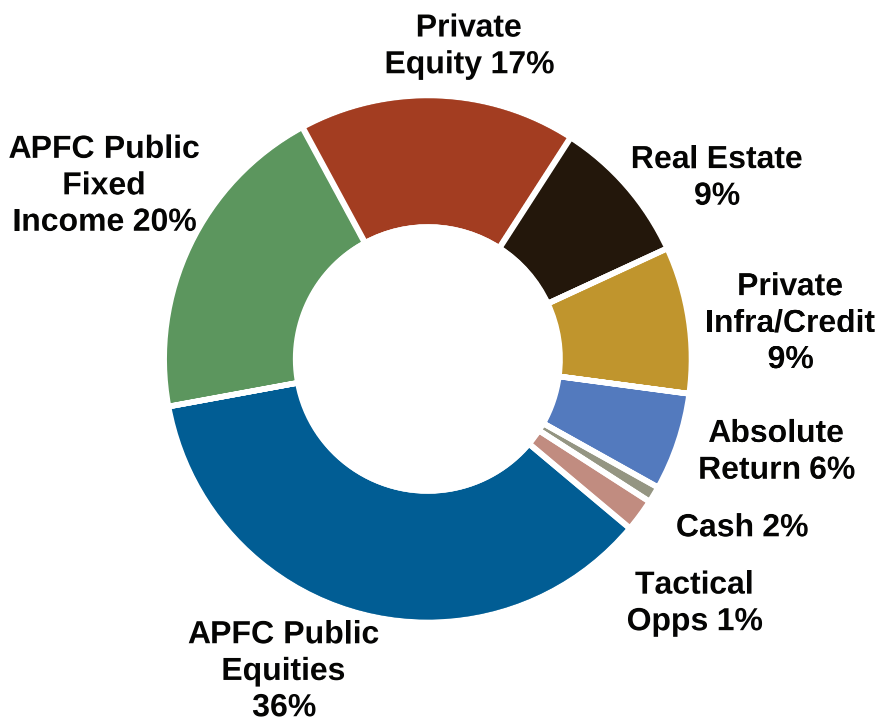
- Projected range of 10-year annualized return
- Projected range of 10-year annualized real return
- Asset allocation compared with peers
- Efficient Frontier analysis

APFC FY 2023 Total Fund Policy Target

Projected Return and Standard Deviation

- Projected median 10-year annualized return of **7.25%** is roughly the same as last year.
- Inflation expectation increased from 2.00% to **2.50**%.
- Projected median 10-year annualized real return of **4.75%** is an increase of roughly 55 basis points relative to last year.
- Projected standard deviation of **13.30%** is roughly the same as last year.
- Percent probability of exceeding 7.5% annualized return over 10-year horizon is estimated to be **48%.**
- Percent probability of exceeding 7.1% (median effective real payout) is estimated to be roughly **51%.**

FY 2023 Total Fund Target



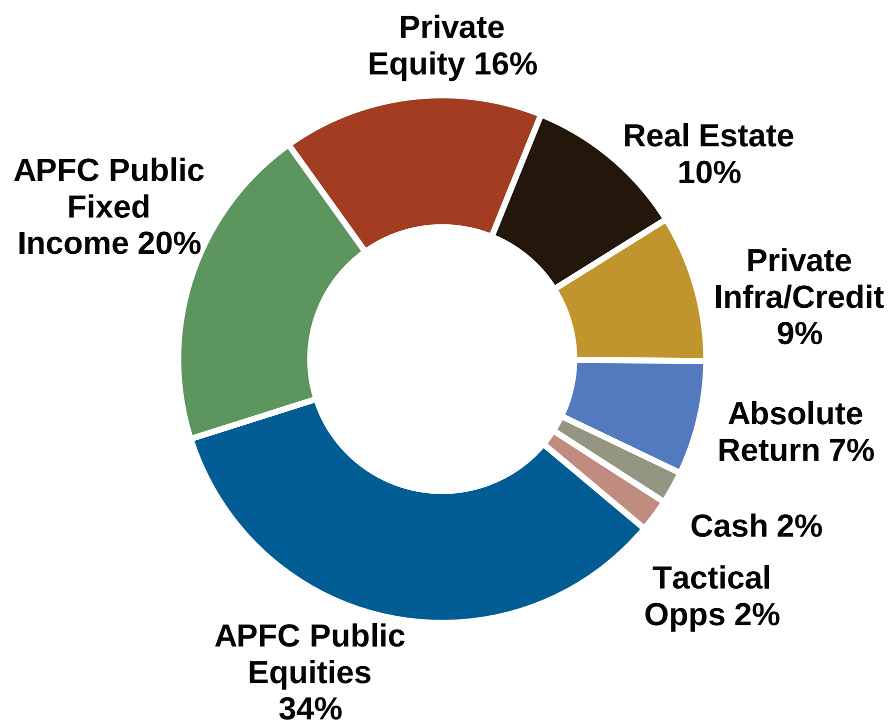
Expected 10-year Geometric Return:	**7.25%**
Expected Standard Deviation:	**13.30%**
Expected Inflation:	**2.50%**
Expected Real Return:	**4.75%**

APFC FY 2024 Total Fund Policy Target

Projected Return and Standard Deviation

- Projected median 10-year annualized return of **7.60%** is roughly 35 basis points higher than last year.
- Inflation expectation remained the same at **2.50**%.
- Projected median 10-year annualized real return of **5.10%** is an increase of roughly 35 basis points relative to last year.
- Projected standard deviation of **12.65%** is 50 basis points lower than last year.
- Percent probability of exceeding 7.5% annualized return over 10-year horizon is estimated to be **51%.**
- Percent probability of exceeding 7.1% (median effective real payout) is estimated to be roughly **54%.**

FY 2024 Total Fund Target



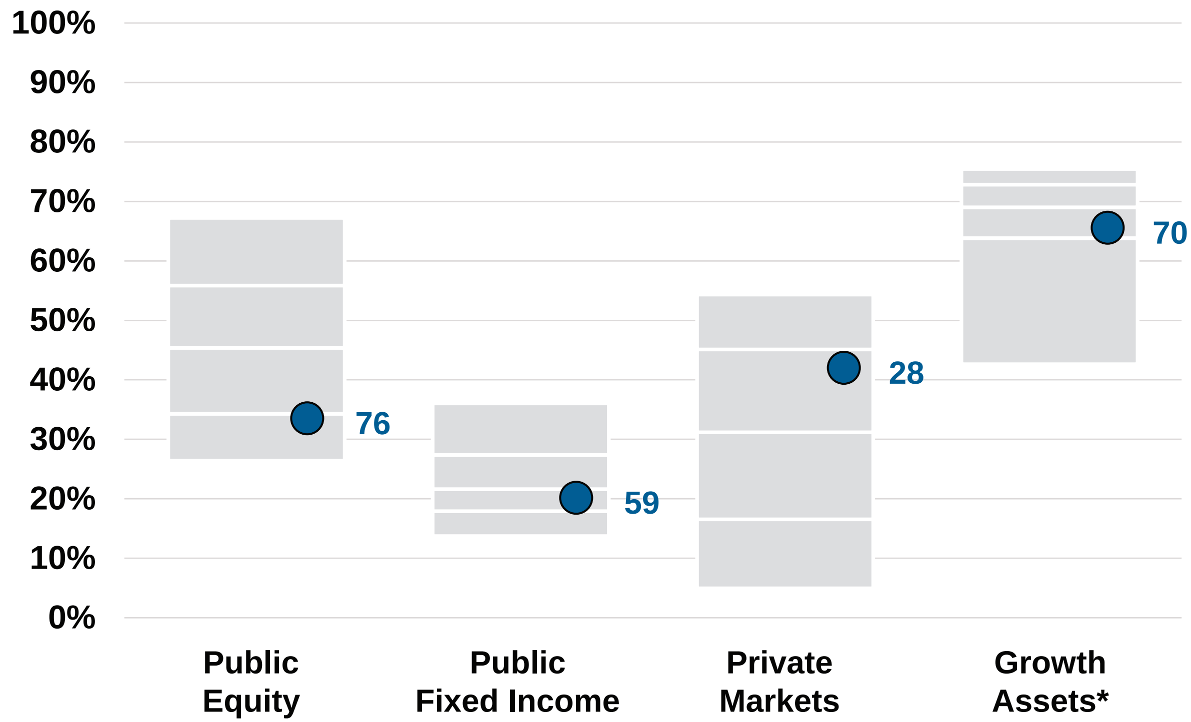
Expected 10-year Geometric Return:	**7.60%**
Expected Standard Deviation:	**12.65%**
Expected Inflation:	**2.50%**
Expected Real Return:	**5.10%**

APFC FY 2024 Target versus Large Public Funds

Target Asset Allocation Comparison

- **Low Public Equity**
  - Lower allocation to public equities than 76% of Public Funds.
  - Median is 45%, APFC is 34%.
- **Median Public Fixed Income**
  - Slightly below median allocation to public fixed income.
  - Median is 22%, APFC is 20%.
- **High Private Markets**
  - Higher allocation to private markets than 72% of Public Funds.
  - Median is 31%, APFC is 42%
- **Low Growth Assets**
  - Slightly below median allocation to Growth Assets
  - Median is 69%, APFC is 65%

Asset Allocation Distribution as of December 31, 2023
Callan Large Public Fund (> $1 billion)



	Public Equity	Public Fixed Income	Private Markets	Growth Assets*
APFC	**34%**	**20%**	**42%**	**65%**
Median	45%	22%	31%	69%
Rank	76%	59%	28%	70%

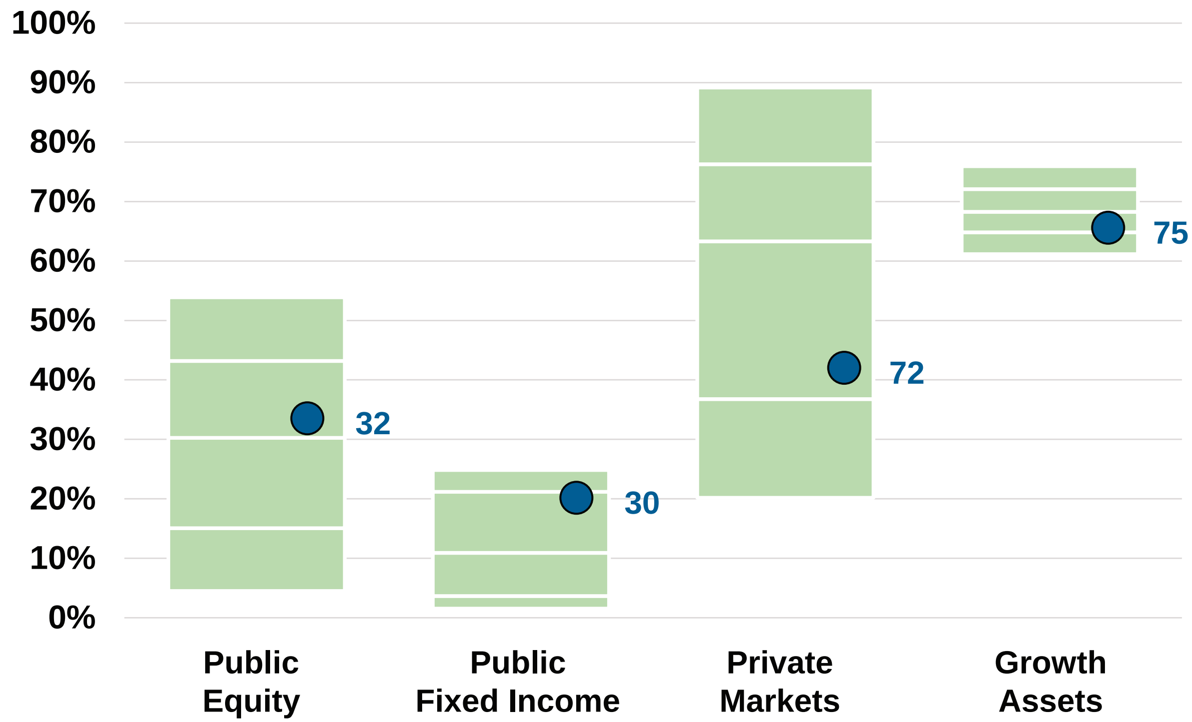
*Growth Assets include public equity, private equity, tactical opportunities, 70% of private real estate, 70% of private infrastructure/credit.

APFC FY 2024 Target versus Large Endowment/Foundations

Target Asset Allocation Comparison

- **High Public Equity**
  - Higher allocation to public equities than 68% of E&F's.
  - Median is 30%, APFC is 34%.
- **High Public Fixed Income**
  - Higher allocation to public fixed income than 70% of E&F's.
  - Median is 11%, APFC is 20%.
- **Low Private Markets**
  - Lower allocation to private markets than 72% of E&F's.
  - Median is 63%, APFC is 42%
- **Low Growth Assets**
  - Slightly below median allocation to Growth Assets
  - Median is 68%, APFC is 65%

Asset Allocation Distribution as of December 31, 2023
Callan Large Endowment/Foundation (> $1 billion)



	Public Equity	Public Fixed Income	Private Markets	Growth Assets
APFC	**34%**	**20%**	**42%**	**65%**
Median	30%	11%	63%	68%
Rank	32%	30%	72%	75%

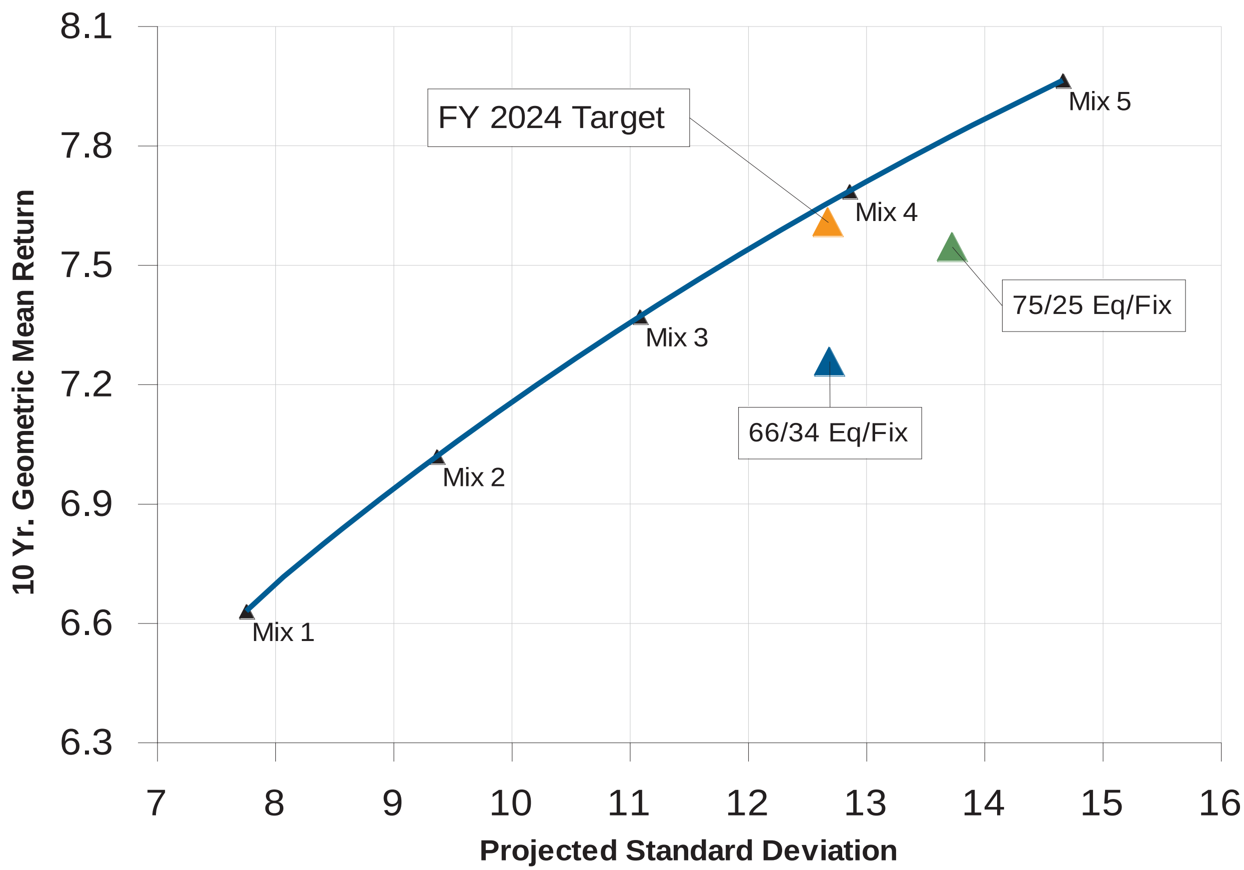
*Growth Assets include public equity, private equity, tactical opportunities, 70% of private real estate, 70% of private infrastructure/credit.

Constrained Efficient Frontier Analysis (50% Private Assets)

Projected Return and Standard Deviation

- Efficient frontier with 50% private markets constraint.
- Strategic Policy target portfolio is slightly below the constrained efficient frontier due to 2% cash allocation and private markets allocation of 42%.
- 75/25 Equity/Fixed portfolio is pure public markets portfolio with slightly lower expected return and higher risk.
- APFC Policy Target has a roughly **35** basis point projected return premium over 66/34 public markets (portfolio with same projected risk).

Efficient Frontier
10-Year Geometric Return vs Projected Standard Deviation



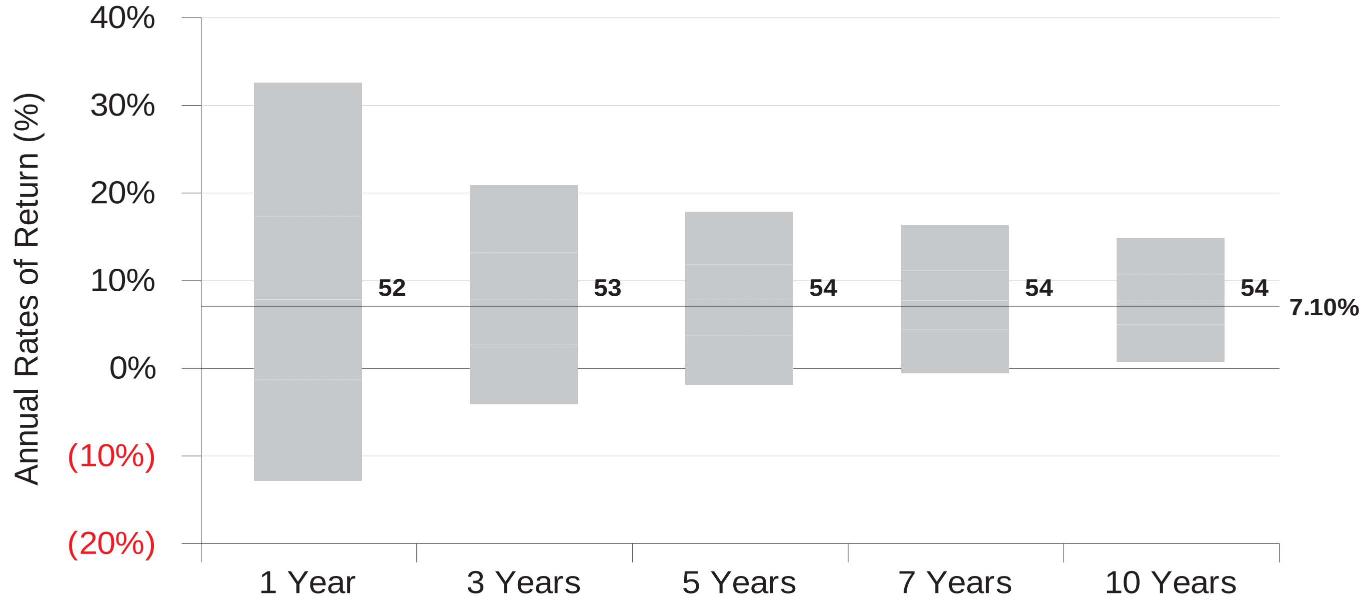
*75/25 Equity/Fixed portfolio assumes 75% allocation to APFC Global Equity benchmark and 25% allocation to Bloomberg Aggregate Index

Range of Projected Returns over Various Time Periods

10^{th} through 90^{th} Percentile

- POMV spending rule is equal to 5% of the average ending market value for the first five of the trailing six years
- Given expected positive returns, this translates to an effective payout (relative to the most recent market value) of roughly 4.6%
- Adding 2.5% inflation to 4.6% yields a target threshold return of 7.1%
- Projected probability of 2024 Target Mix exceeding 7.1% annualized return over 10 years is roughly 54%

Range of Projected Annualized Total Return
FY 2024 Target



	1 Year	3 Years	5 Years	7 Years	10 Years
5th Percentile	32.5%	20.8%	17.8%	16.3%	14.7%
25th Percentile	17.3%	13.1%	11.7%	11.1%	10.5%
Median	7.8%	7.7%	7.7%	7.6%	7.6%
75th Percentile	(1.4%)	2.6%	3.6%	4.3%	4.9%
95th Percentile	(12.9%)	(4.2%)	(2.0%)	(0.6%)	0.7%
Prob > 7.10%	52.1%	53.0%	53.9%	54.3%	54.2%

Concluding Observations

Callan's 2023 Capital Market Projections

- No change in inflation expectation of 2.50%
- Public equity return projections were increased modestly
- Public fixed income return projections increased significantly
- Yield expectations up across the board
- Private market return expectations also increased but by smaller percentage
- APFC Policy Target is well diversified and lies close to the efficient frontier for portfolios with a target of 50% private markets
- Expected nominal and real return for APFC portfolio increased relative to last year
- APFC Policy Target has lower projected risk and higher expected return relative to a public markets portfolio with a 75% allocation to Global Equity and 25% allocation to US Fixed Income.
- The projected probability of exceeding the effective POMV annual payout of 4.6% (of current market value, 5% of trailing average) increased to over 54%.

Appendix

Callan's 2023 Capital Market Projections

- Thoughts on inflation
- Geometric versus arithmetic return
- Stocks versus bonds – rolling 20-year returns

Thoughts on Inflation

Current Conditions and Background for Forecasts

- Inflation was unexpectedly high in 2022 which lead to it becoming a dominant discussion point for consumers, the media, and institutional investors
- Many of the factors leading to outsized inflation in 2022 are expected to be temporary
- The majority of the working-age and younger population has no experience with sustained inflation
- Key variables tracked in developing 10-year forecast:
  - Personal Consumption Expenditures Index—the Fed's preferred measure of inflation
  - Spread between inflation and the Fed Funds rate—at an extreme, suggesting some adjustment is coming in both variables
  - Five-year, five-year forward rate, and 10-year breakeven rate
    - *Bond market expectations*
    - *Long enough horizon to minimize short-term emotion and reaction to immediate events*
  - Philadelphia Fed survey of professional forecasters

Contributors to Recent Inflation: Primary Categories

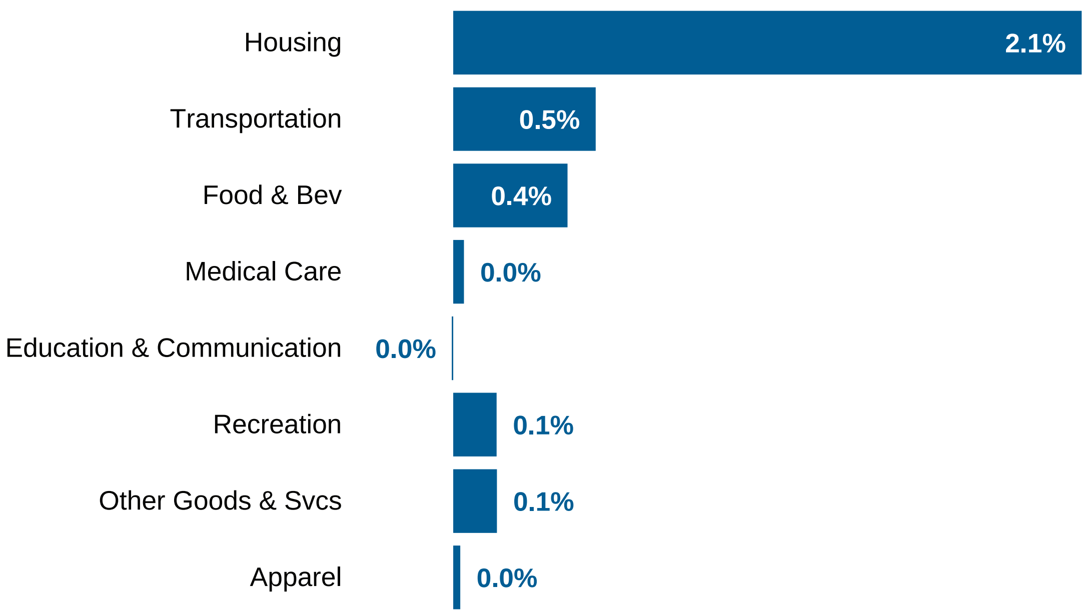
Housing is a broad category that includes Shelter, Fuels and Utilities, and Household Furnishings and Operations as sub-components.

– Shelter makes up 34.4% of the overall index and accounted for over half of September's increase in year-over-year headline CPI.

Energy is not shown in this view of CPI because it is a sub-component of other categories.

– Energy makes up 6.9% of the index and is split evenly between Housing (fuel for powering homes) and Transportation (motor fuel).

Contribution to December 2023 Year-Over-Year Inflation

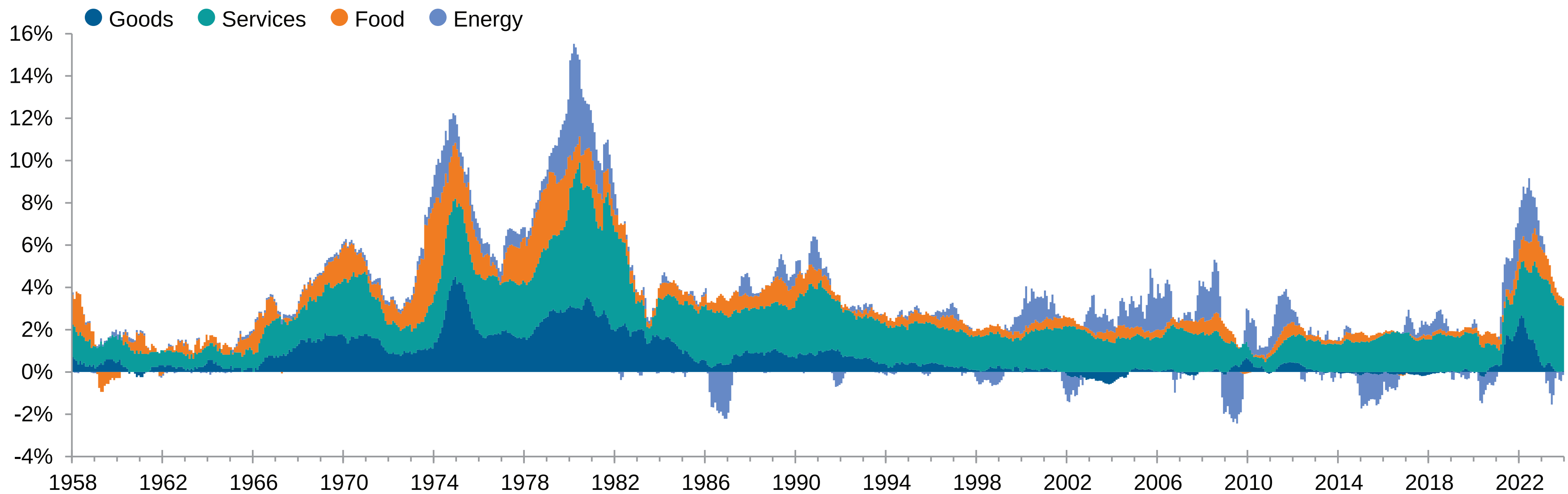


Primary Category	Primary Category Weight	Year-over-Year Change Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
All Items	100.0%	6.4%	6.0%	5.0%	4.9%	4.0%	3.0%	3.2%	3.7%	3.7%	3.2%	3.1%	3.4%
Housing	44.4%	8.2%	8.2%	7.8%	7.5%	6.8%	6.3%	6.2%	5.7%	5.6%	5.2%	5.2%	4.8%
Transportation	16.7%	3.8%	2.6%	-1.0%	0.2%	-2.0%	-5.1%	-3.0%	1.4%	2.4%	0.8%	0.9%	2.9%
Food & Bev	14.4%	9.9%	9.2%	8.3%	7.5%	6.6%	5.7%	4.8%	4.2%	3.7%	3.3%	2.9%	2.7%
Medical Care	8.1%	3.1%	2.3%	1.5%	1.1%	0.7%	0.1%	-0.5%	-1.0%	-1.4%	-0.8%	0.2%	0.5%
Education & Communication	5.8%	1.0%	1.0%	1.4%	1.6%	1.5%	1.1%	1.2%	1.0%	1.0%	0.9%	-0.1%	-0.1%
Recreation	5.4%	4.8%	5.0%	4.8%	5.0%	4.5%	4.3%	4.1%	3.5%	3.9%	3.2%	2.5%	2.7%
Other Goods & Svcs	2.7%	6.2%	6.1%	6.1%	6.6%	6.7%	6.3%	6.1%	5.8%	6.0%	6.2%	5.6%	5.5%
Apparel	2.5%	3.1%	3.3%	3.3%	3.6%	3.5%	3.1%	3.2%	3.1%	2.3%	2.6%	1.1%	1.0%

Source: U.S. Bureau of Labor Statistics

Broad Components of Inflation

Contribution to Inflation by Broad Component

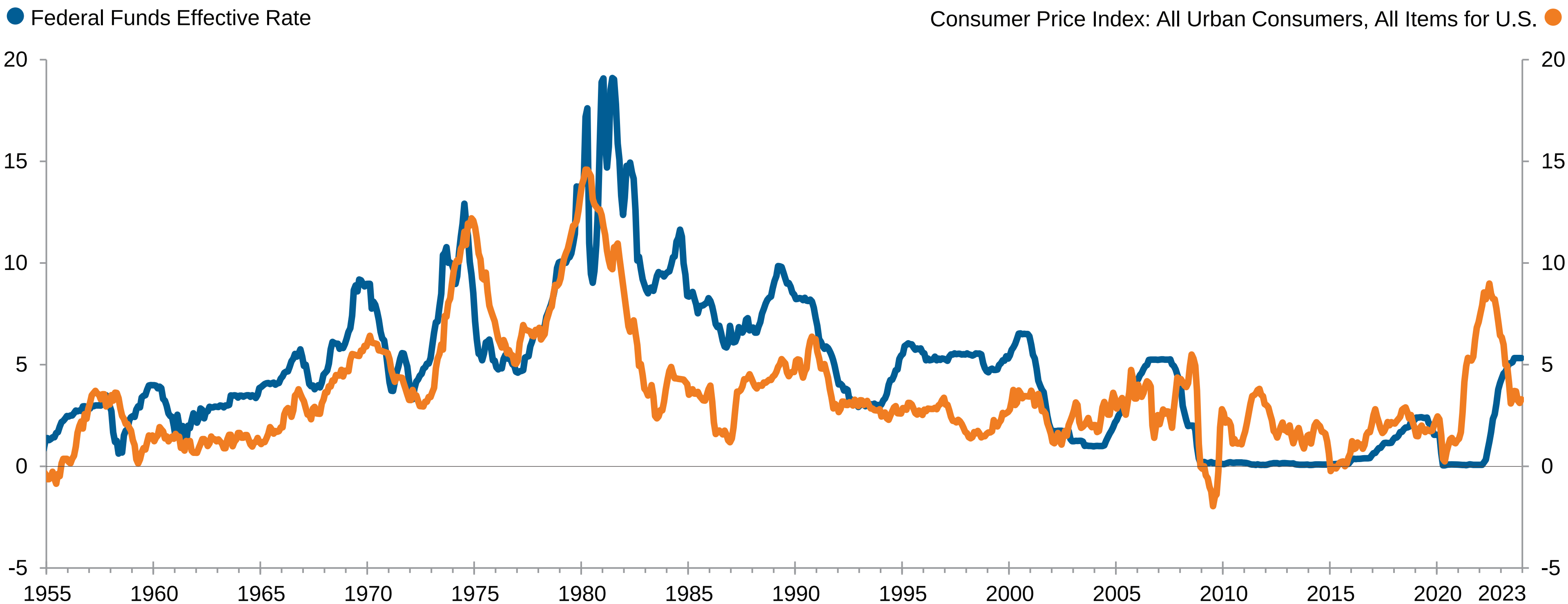


Category	Category Weight	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		Year-over-Year Change											
Headline CPI	**100.0%**	**6.4%**	**6.0%**	**5.0%**	**4.9%**	**4.0%**	**3.0%**	**3.2%**	**3.7%**	**3.7%**	**3.2%**	**3.1%**	**3.4%**
Food	13.5%	10.1%	9.5%	8.5%	7.7%	6.7%	5.7%	4.9%	4.3%	3.7%	3.3%	2.9%	2.7%
Energy	6.9%	8.7%	5.2%	-6.4%	-5.1%	-11.7%	-16.7%	-12.5%	-3.6%	-0.5%	-4.5%	-5.4%	-2.0%
Core CPI	**79.5%**	**5.6%**	**5.5%**	**5.6%**	**5.5%**	**5.3%**	**4.8%**	**4.7%**	**4.3%**	**4.1%**	**4.0%**	**4.0%**	**3.9%**
Goods Less Food and Energy	21.4%	1.4%	1.0%	1.5%	2.0%	2.0%	1.3%	0.8%	0.2%	0.0%	0.1%	0.0%	0.2%
Services Less Energy	58.2%	7.2%	7.3%	7.1%	6.8%	6.6%	6.2%	6.1%	5.9%	5.7%	5.5%	5.5%	5.3%

Source: U.S. Bureau of Labor Statistics. Note Goods excludes food and energy goods while Services excludes energy services.

Inflation vs. Interest Rates Over the Long Term

Federal Funds vs. Consumer Price Index



The recent inflation spike capped out at 9% in June 2022, well above the last inflation peak from 2005–08.

- The gap between inflation and the Fed Funds rate reached an unprecedented level going back to 1955 but has closed quickly, as the Fed acted on rates and inflation has come down.
- Yield history suggests that the Fed Funds rate is typically above inflation, not below it.
  - This relationship was restored in May after 42 months of inversion starting in November 2019.

Source: Federal Reserve Bank of St. Louis

Inflation: What Key Variables Should We Track?

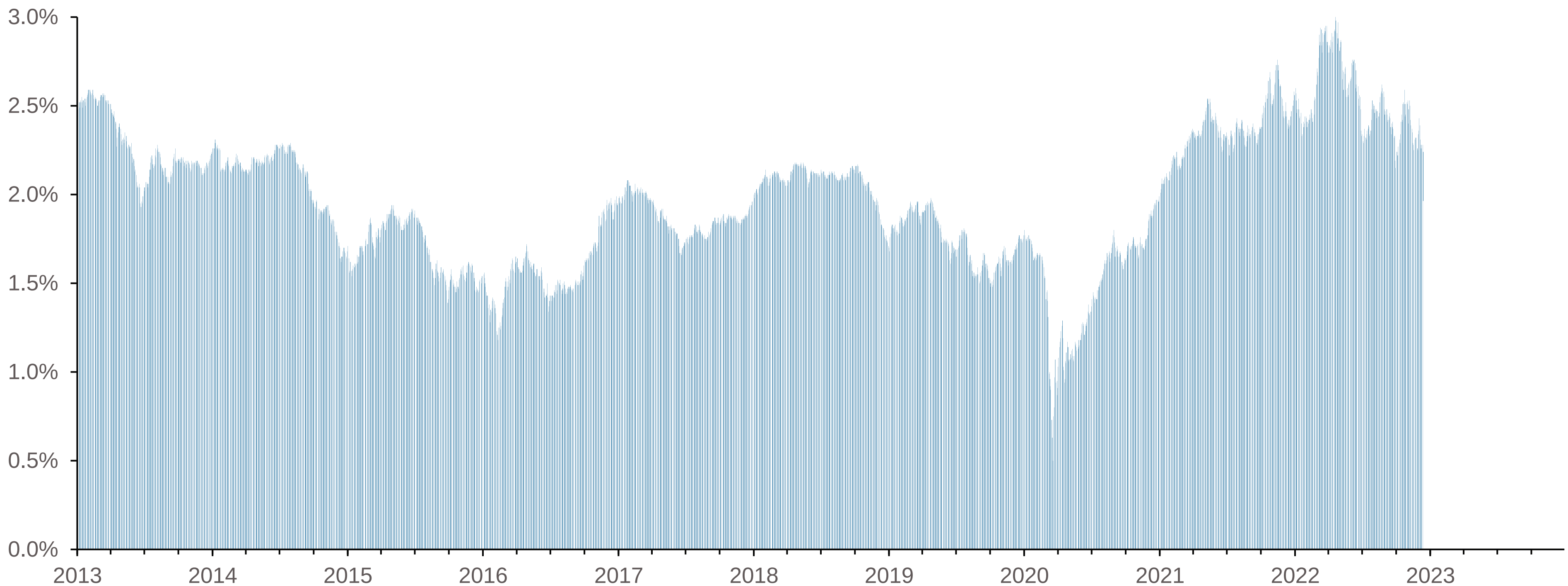
The majority of the working-age and younger population has no experience with sustained inflation

Key variables to track

- Personal Consumption Expenditures Index—the Fed's preferred measure of inflation
  - Typically lower and less volatile than CPI-U
- Spread between inflation and the Fed Funds rate—at an extreme, suggesting some adjustment is coming in both variables
- Five-year, five-year forward rate, and 10-year breakeven rate
  - Bond market expectations
  - Long enough horizon to minimize short-term emotion and reaction to immediate events
- Philadelphia Fed survey of professional forecasters
- Growth in Average Hourly Earnings – tracks labor in many industries, particularly manufacturing
- Growth in Real Disposable Income – tracks salary and wages, plus interest, dividends and rental income, plus transfer payments
  - Net of inflation and taxes
  - Lags in reporting make this variable more useful in spotting trends as they evolve – real incomes rose in 2Q and 3Q 2023 for the first time in a couple of years as inflation subsided and wages rose

10-Year Breakeven Rate: Bond Market Forecast of Inflation

10-Year Breakeven Inflation Rate

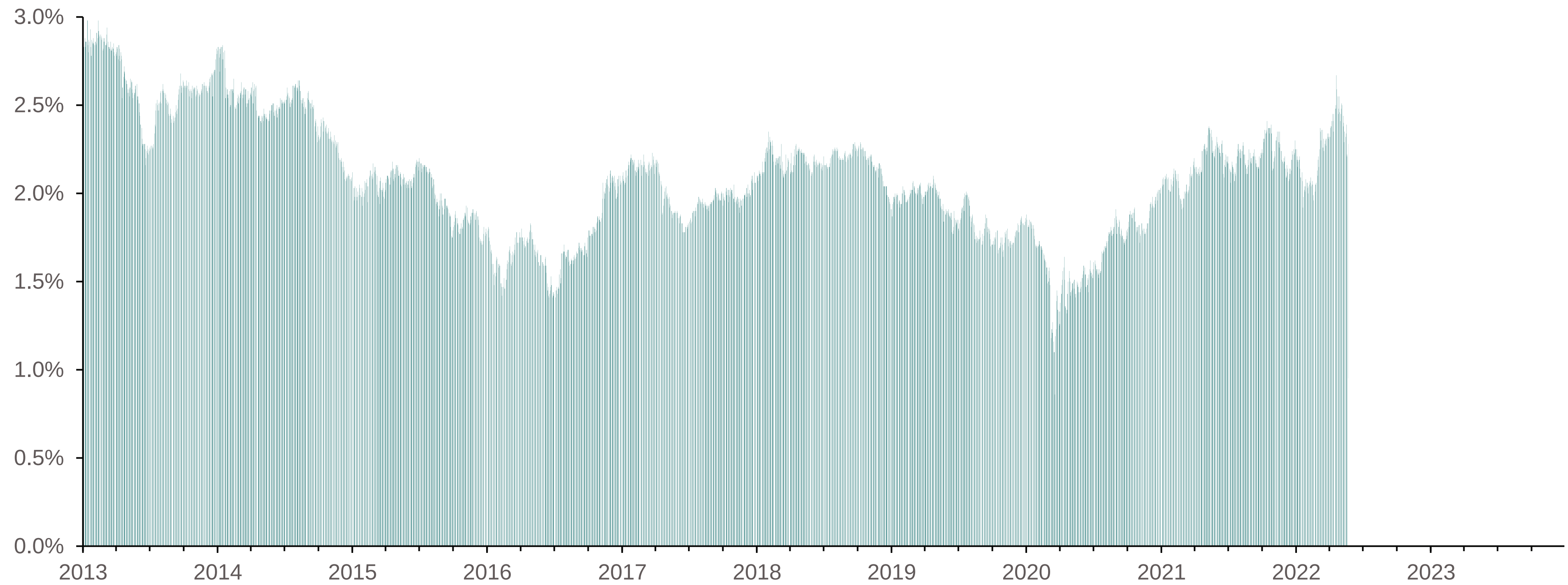


- 10-year breakeven inflation rate is the difference in yield between the nominal 10-year Treasury and the 10-year Treasury Inflation-Protected Security (TIPS).
  - Includes current higher levels of inflation
  - Extra yield nominal Treasury would have to earn to maintain the same purchasing power as a TIPS investment.
- Values of implied inflation reached 3% in April 2022 but have since declined to around 2.25%.

Source: Federal Reserve Bank of St. Louis

5-Year, 5-Year Forward Rate: Bond Market Forecast of Inflation

5-Year, 5-Year Forward Inflation Expectation Rate



- The 5-year, 5-year forward rate is the bond market's estimate of the 5-year inflation rate 5 years from now.
  - Excludes current high levels of inflation
- The market inflation expectation for the years 2029 through 2033 is around 2.25% after peaking at 2.7% in April 2022.

Source: Federal Reserve Bank of St. Louis

Final Thoughts on the Macro Economy

U.S. economy remained strong through the rate hikes in 2022 and 2023. Why?

- Stimulus and lots of it = pent up demand
- Very tight labor market
- Housing market has taken a big hit but has NOT dragged down the economy as in rate hike episodes of yore.
- We do NOT have a mortgage crisis similar to the one that struck in 2008-09 and nearly took down the banking system.
- We do have a commercial real estate tsunami working through office in CBDs and retail trade, which will reshape the physical as well as business landscape of many communities in the U.S.
- And we do have a housing shortage that may have long-term generational problems that will upset income and wealth disparity.

It may take longer than many believe to unravel the current growth momentum in the U.S. economy.

Always expect a recession in our 10-year projections; *when* it will occur is the more difficult question than *if*

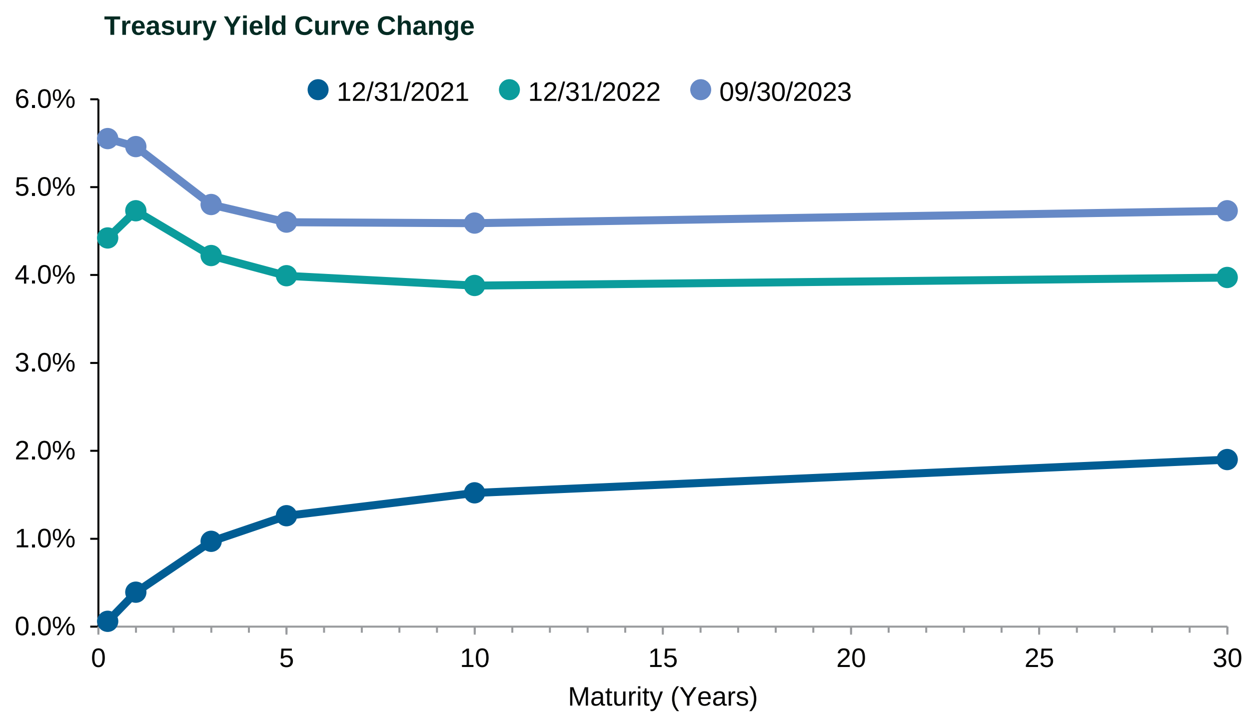
Risks are plentiful:

- Recession
  - Jobs and income
  - Sales and earnings growth
  - Fed reverses course sooner than expected
- Inflation
- Housing market
- Geopolitical strife

Yield Curve Rose and Inverted in 2022 and 2023

Level and Shape of the Yield Curve Drives Fixed Income Return Projections

- After a historic rise in 2022, the Treasury yield curve continued to rise through the third quarter of 2023.
- Yield curve has been inverted since the middle of 2022.
- Callan's forecasts assume a reversion to an upward sloping yield curve and a long-term equilibrium across the curve.
- We expect a large and swift decline for intermediate- and short-term rates. This drop leads to capital appreciation for sectors with exposure to these areas of the curve.



	3 Month	1 Year	3 Year	5 Year	10 Year	30 Year
12/31/2021	0.06	0.39	0.97	1.26	1.52	1.90
12/31/2022	4.42	4.73	4.22	3.99	3.88	3.97
09/30/2023	5.55	5.46	4.80	4.60	4.59	4.73

Arithmetic versus Geometric Average Returns

What is the Distinction and Why do We use Geometric?

- The annualized arithmetic mean return is the simple average of the return in each year.
- The annualized geometric mean return is the annualized compound return over the period.
- You earn the geometric return, not the arithmetic return.
- Example illustrates how volatility of return reduces the geometric average return relative to the arithmetic average return.

No Volatility

	Return	BMV	EMV
Year 1	7.0%	$100.0	$107.0
Year 2	7.0%	$107.0	$114.5

Arithmetic Average:	**7.0%**
Geometric Average:	**7.0%**
Standard Deviation:	**0.0%**

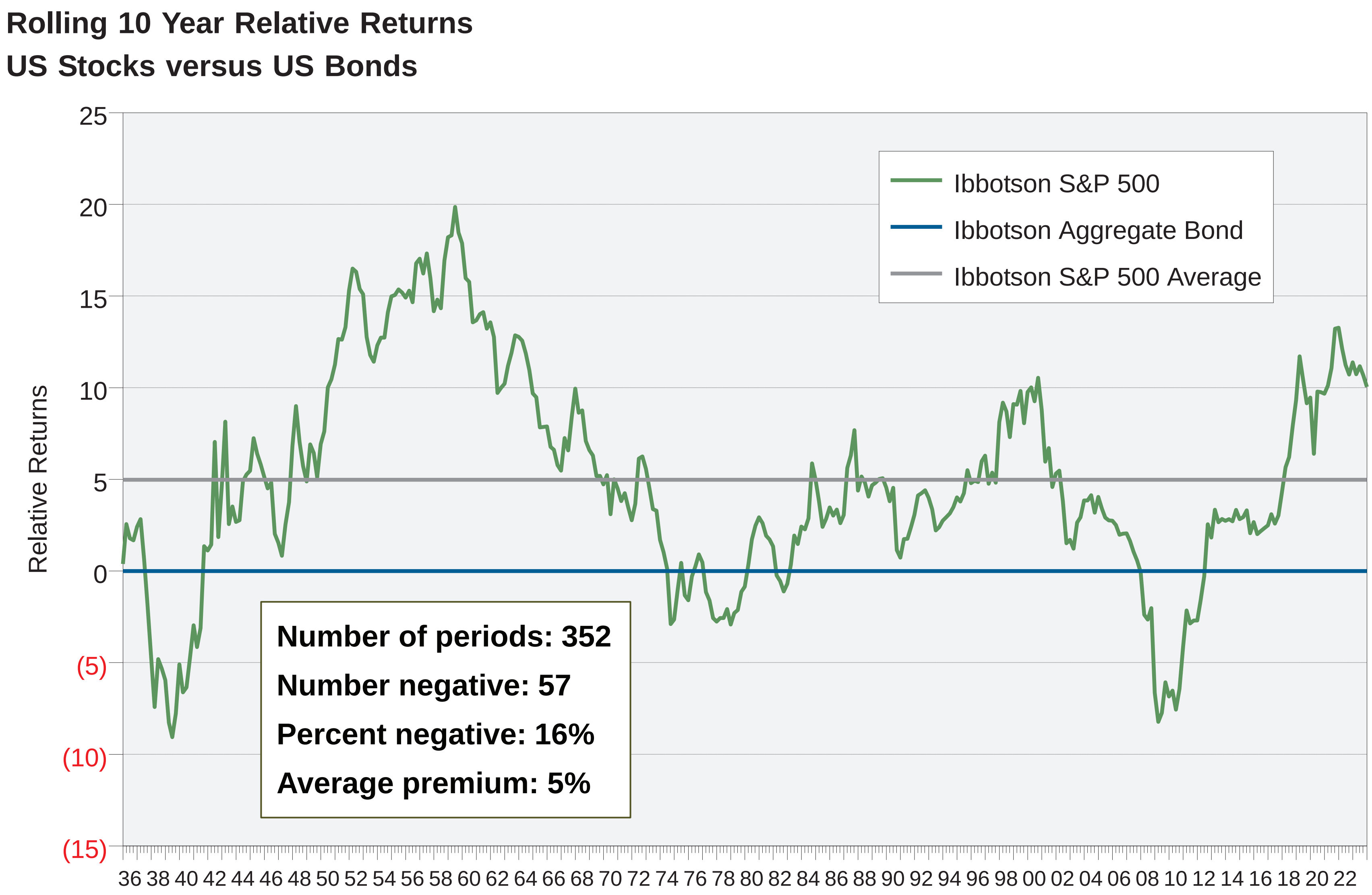
Volatility

	Return	BMV	EMV
Year 1	-50.0%	$100.0	$50.0
Year 2	64.0%	$50.0	$82.0

Arithmetic Average:	**7.0%**
Geometric Average:	**-9.4%**
Standard Deviation:	**57.0%**

Relative Returns Stocks versus Bonds – 10-year Roll

Long Term Relationship Between Stocks and Bonds



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SUBJECT: 2024 Strategic Plan

ACTION: X

DATE: February 16, 2024

INFORMATION:

BACKGROUND:

In *Building an Organization that Sets the Standard for Endowment-Style Sovereign Wealth Funds*, the Trustees initiated the work of bringing forth a new strategic plan to achieve best-in-class performance utilizing skill, expertise, and prudent portfolio management strategy to invest the Fund to benefit Alaskans during their Board meeting on July 12, 2023. As such, the staff was given the direction to initiate the process of drafting a revised strategic plan, and through a competitive procurement, a consultant was hired to support the effort.

Staff and a Trustee working group were engaged in bringing forth strategic ideas to support the goals and expectations of the Trustees. These goals, ideas, and concepts were presented and discussed during the Board's Annual Meeting held on September 27-28.

Further discussion and plan revisions were brought forth for the Board's consideration during the following public meetings –

- October 30, 2023 Special Meeting
- December 13-14, 2023 Quarterly Meeting.

A public comment period commenced on January 24, 2024, and, at the request of Trustees, was extended through February 14, 2024. Comments have been posted daily on apfc.org. We appreciate the public's engagement, consideration, and the perspectives offered on the proposed plan.

Although comments are not included in the initial packet release, they are available on our website and will be printed for the Trustees during the meeting. Additionally, they will be added to the Board packet as an addendum and updated online. This is due to the extended deadline and the need to compile, print, and distribute packets before the meeting.

RECOMMENDATION:
A link to public comments was provided to the Board prior to the Quarterly Board of Trustees meeting to give time for Trustees to consider public comments.

Trustees to consider further action on the Strategic Plan and potential adoption through a roll call vote.

APFC ALASKA PERMANENT FUND CORPORATION

2024 Strategic Plan

Objective:

A strategic plan endorsed by the Board of Trustees in support of APFC's mission, vision, and values

APFC Mission

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

APFC Vision

Our vision is to deliver outstanding returns for the benefit of all current and future generations of Alaskans

APFC Values

Integrity

Stewardship

Passion

Board of Trustees Strategic Goals

Building an Organization that Sets the Standard for Endowment-Style Sovereign Wealth Funds

- Grow Fund to $100 Billion
  - Consideration of additional targeted and limited use of leverage
  - Outperformance through the generation of alpha
  - Develop asset class-level strategic plans aligned to the goal
- Improve Corporate Functionality
  - Open Meetings Act as related to selecting Executive Director
  - Key person risk/additional incentive compensation structure
  - Explore benefits of continental US and or international offices
  - Enhance data management capabilities
- Advance Comprehensive Communications Plan
  - In-state mission of education and awareness
  - Nationwide focus on investment performance and strategy
- Review and Assess Optimal Structure of the Alaska Permanent Fund
  - Trustee Paper #10

Grow Fund to $100 Billion

	Tasks	Timeline	Staff
Consideration of Leverage 5-10% of Fund size maximum Short term for liquidity Mid term to achieve performance enhancement	• Pursue changes to state law	• Multi-year • Initiate discussions with policy makers in 2024	CEO, CIO, Risk, Legal, Communications
Outperformance through the generation of alpha (Achieve investment performance that exceeds benchmark)	• Review asset class strategies and APFC investment philosophy	• Presented on 12-14-2023 • Execute over next four years	All Staff
Develop asset class-level strategic plans aligned to the goal	• Review asset class documents • Assess adequacy and provide feedback	• Presented on 12-14-2023 • Implement over next four years	Executive Leadership Team, Asset Class Leads

Improve Corporate Functionality

	Tasks	Timeline	Staff
Open Meetings Act – Limited to Executive Director selection	• Pursue changes to state law	• 2024 Legislative session	CEO, Legal, Communications
Key person risk/additional incentive compensation structure	• Review current status quo and provide • Consider whether changes to budget flexibility are possible	• Years two through four	Executive Leadership Team
US & international offices	• Assess the value of the Anchorage office • Evaluate additional offices	• Years two through four	Executive Leadership Team
Enhance data management capabilities	• Plan, procure and implement foundational data/artificial intelligence technologies	• One, three and five-year IT strategic plan	Information Technology, Executive Leadership Team

Communications Plan & Fund Structure

	Tasks	Timeline	Staff
In-state mission of education and awareness	• Inform Alaskans about the Fund and the work of APFC – to empower understanding and informed discussion	• Ongoing with collaboration and coordination amongst the Board, staff, and communications contractor	Communications
Nationwide focus on investment performance and strategy	• Procure global consultant • Collaborative plan with emphasis on finance management, strategy, investment performance, and our team	• January 2024 – contract and consultant onboarding • Annual planning and ongoing development	Communications
Review & assess optimal structure of the Fund through Trustee Paper #10	• Final Drafting • Publication & Distribution • Education & Awareness	• 2024 publication • 2024 e-distribution • 2024 & ongoing messaging and awareness	CEO, Communications


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ALASKA PERMANENT
FUND CORPORATION

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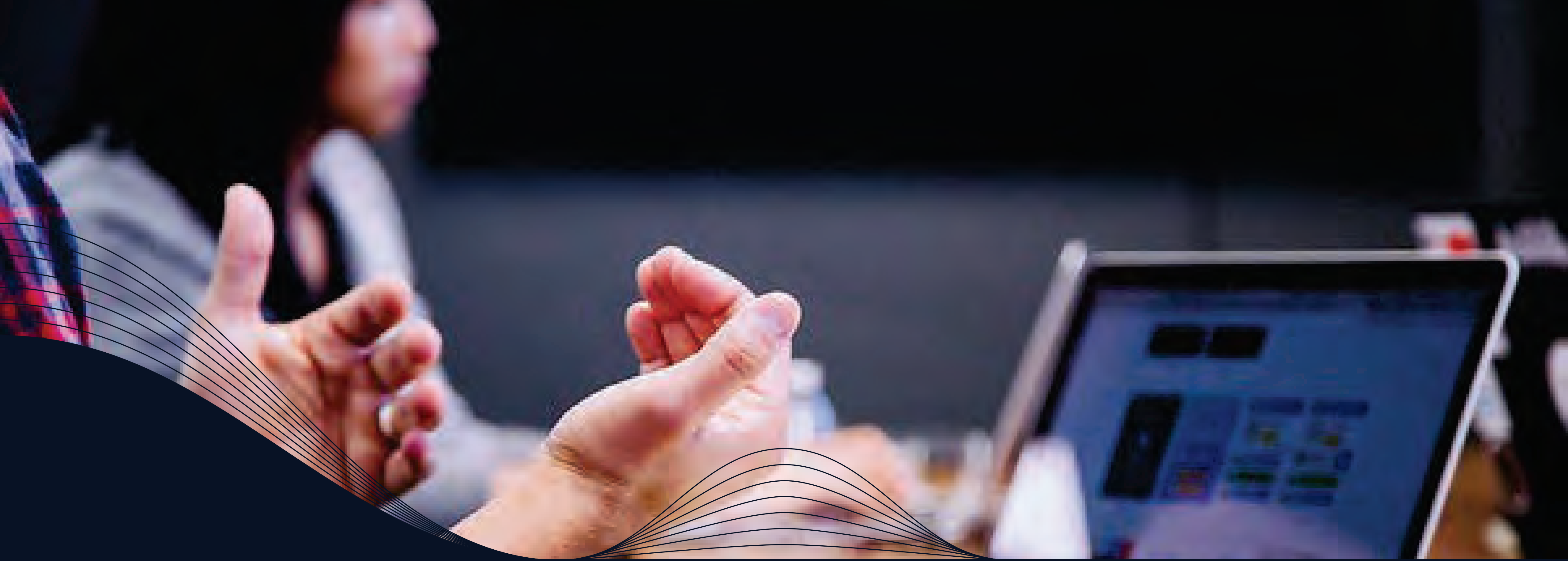
907.796.1500 | apfc.org

SUBJECT:	Fiduciary Duties and Ethics	ACTION:	_______
DATE:	February 16, 2024	INFORMATION:	____X____

Consistent with the objective of the Trustee Education Policy to ensure that members of the Board have access to the knowledge and information necessary to fulfill their duties as trustees of the Alaska Permanent Fund, each year the Board will receive a presentation that provides a refresher on their fiduciary duties and obligations under the Executive Branch Ethics Act.

This year the Board will receive this presentation from Richard Ashley, III of DLA Piper. Rich's practice includes advising professional asset managers, registered investment advisors, plan fiduciaries, and service providers with respect to fiduciary obligations, reporting and disclosure obligations, recordkeeping, and compliance with the prohibited transaction rules under ERISA and the Code.

Rich's presentation for this meeting has been custom built, taking into account the fiduciary obligations outlined in Alaska Statute 37.13.120, which is the specific state statute that outlines this Board's fiduciary obligations in investing and managing the assets of the Alaska Permanent Fund. Rich's presentation will also include an outline of the Executive Branch Ethics Act and the process to be used by members of this Board in identifying and disclosing potential ethics conflicts.



APFC Trustee Fiduciary Responsibilities

Richard Ashley

February 16, 2024

DLA PIPER


ALASKA
Barrow
Wainwright
Kaktovik
Point Hope
Kivalina
Anaktuvuk Pass
Kiana
Venetie
Beaver
Fort Yukon
Wales
Taylor
Buckland
Central
Circle
Tanana
Minto
Kokrines
Fairbanks
Eagle
Elim
Nome
Shaktoolik
Kaltag
Poorman
Big Delta
Chicken
Unalakleet
Tanacross
Tetlin Junction
Saint Michael
Medfra
Paxson
Kotlik
Iditarod
Chistochina
Talkeetna
Glennallen
Nabesna
Pilot Station
Holy Cross
Tonsina
Chitina
Anchorage
Palmer
Mccarthy
Bethel
Tanunak
Seward
Cordova
Iliamna
Homer
Yakutat
Klukwan
Skagway
Kwigillingok
Manokotak
King Salmon
Egegik
Juneau
Kodiak
Sitka
Petersburg
Cold Bay
Unalaska

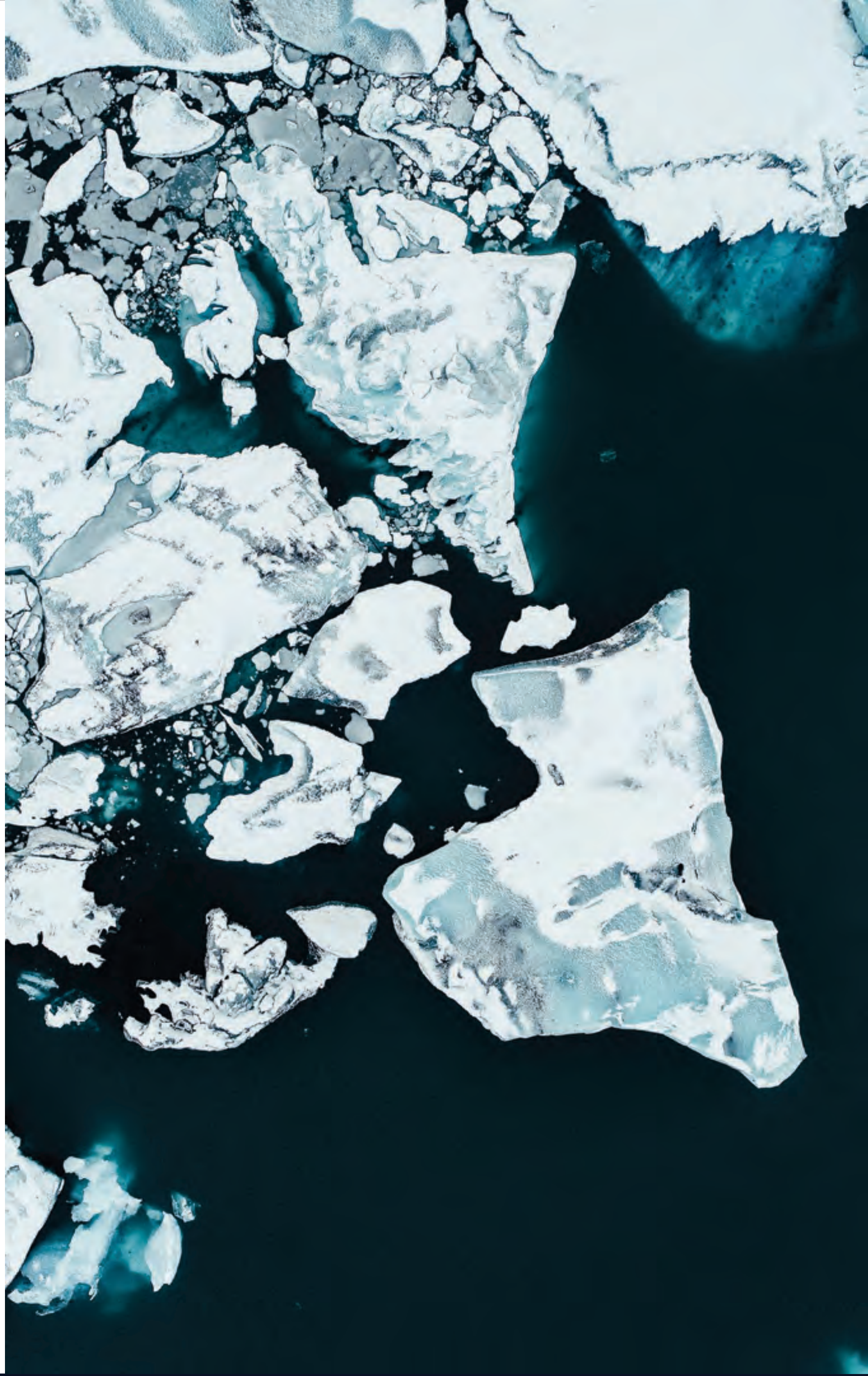
Introduction - Alaska Permanent Fund AS § 37.13.010 – § 37.13.206 (Fund Statute)

- The Alaska Permanent Fund was established in Article 9, Section 15 of the Alaska State Constitution~~)~~ in 1976. It is governed by the Alaska Permanent Fund Statute which sets forth:
  - The purpose of the Fund
  - Responsibilities of Trustees
  - Certain Behavioral Standards for Trustees
  - Investment Responsibilities
  - Trustee Qualifications

Fund Statute – Legislative Findings
Alaska Statutes § 37.13.020 - § 37.13.030

Instructions

- The Permanent Fund is a means of conserving revenue from mineral resources **to benefit all generations of Alaskans.**
- The Permanent Fund's is to **maintain safety of principal** while **maximizing total return.**
- The Fund is to be used as a savings device managed to **allow the maximum use of disposable income from the fund for the purposes designated by law.**
- Purpose of the Fund is to **provide a mechanism for the management and investment of assets to achieve the above goals.**



Fiduciary Obligations under Fund Statute- Summary

- Mandates the purpose of the Fund, the composition and qualification of board members, their terms of office and other practical and administrative provisions.
- Requires disclosure of conflict of interests AS § 37.13.110
- Trustees to disclose any direct or indirect interest in or control over an entity or project in which funds are invested.
- This is a matter of public record.
- **Trustee Responsibilities also set forth in Public Official Disclosure Act. AS § 39.50.010 – 200**. Within 30 days after taking office, Trustees must file a statement giving income sources and business interests, under oath and on penalty of perjury. AS § 39.50.020
- ***<u>There can be a fine of up to $1,000 and/or imprisonment of up to six months for willful violation of disclosure requirements</u>* AS § 39.50.080**

Responsibility of Trustee - What is a Fiduciary

A Trustee is a Fiduciary

1

Fiduciary duty is considered the "highest duty known to the Law" – it is higher than that of a corporate fiduciary

2

State laws pertaining to public funds are often modeled after the Employee Retirement Income Security Act of 1974, as amended ("ERISA")

3

Over almost 50 years, ERISA regulatory guidance, advisory opinions and court cases have created a fuller understanding of the scope of fiduciary duty

Therefore, ERISA regulations, guidance and court cases can illuminate Alaska statutes regarding fiduciary duties.

Introduction – Uniform Prudent Investor Act – Addresses Responsibilities of Trustees Alaska Statute § 13.36.225 – § 13.36.290.

The Uniform Prudent Investor Act (“Prudence Statute) details affirmative duties of trustees such as:

- Standard of Care
- Diversification
- Loyalty

The Fund Statute and the Prudence Statute must be read together to fully comprehend fiduciary duties of trustees

Fiduciary Obligations under the Prudence Statute - Summary

The Prudent Statute requires fiduciaries to:	Manage trust assets as a prudent investor would by considering the purposes, terms, distribution requirements, and the circumstances of the trust AS § 13.36.225 - 13.36.290
	Make individual investment decisions in the context of the trust portfolio as a whole and as part of a reasonably suitable investment strategy AS § 13.36.230
	Take into account, among other considerations: general economic conditions, inflation or deflation, expected total return, need for liquidity, regularity of income and preservation or appreciation of capital AS § 13.36.230
	When delegating investment and management functions, make a reasonable effort to verify facts relevant to investment and management of assets AS § 13.36.230 and AS § 13.36.225 - 270
	<u>If a trustee has special skills or expertise, the trustee has a duty to use those special skills or expertise</u>

Fund Statute - Duty of Prudence
Alaska Statute § 37.13.120

Prudent institutional investor must exercise –

Judgment and care under the circumstances then prevailing that an **institutional investor of ordinary prudence, discretion, and intelligence exercises** in the delegation and management of large investments entrusted to it

Compare to ERISA: Must act with the care, skill, prudence and diligence under the circumstances then prevailing that **a prudent person acting in a like capacity and familiar with such matters** would use in the conduct of an enterprise of like character and with like aims 29 U.S. Code § 1104(a)(B)

How to Comply:

- ***Periodically conduct board training***
- ***Develop relevant board materials***

Prudence Statue – Duty of Prudence
Alaska Statute § 37.13.120(c)

Summary

- The Board shall maintain a reasonable diversification among investments unless it is clearly not prudent to do so.
- The Board shall invest assets of the fund in in-state investments to the extent that in-state investments are available and if in-state investments:

  (1) have a risk level and expected return comparable to alternate investment opportunities; and

  (2) are eligible for investment of fund assets exercised as defined in the above slide.

Prudence Statute - Duty to Diversify
Alaska Statutes § 13.36.235 - Investment Responsibilities

The Board shall **diversify the investments of the trust the board unless, because of special circumstances, the trust is better served without diversifying**.

Compare to ERISA: Fiduciaries must **diversify investments** so as to minimize the risk of large losses, **unless under the circumstances it is clearly not prudent to do so**.
29 U.S. Code § 1104

How to Comply:

- ***Consult with Expert Advisers on diversification of investments***
- ***Periodically review diversification of assets***

Prudence Statute - Duty of Loyalty
Alaska Statute § 13.36.245

Fiduciaries must invest and manage the trust assets **solely in the interest of the beneficiaries**

Fiduciaries have no duty of loyalty to –

• The legislature • Taxpayers • The person who appointed him or her • The union or employers

<u>Compare to ERISA</u>: Fiduciaries must discharge their duties . . . **solely in the interest of [plan] participants and beneficiaries**…for the exclusive purpose of:(i)providing benefits to participants and their beneficiaries; and(ii)defraying reasonable expenses of administering the plan 29 U.S. Code § 1104(a)(1) – Also known as **"Exclusive Benefit Rule"**

How to Comply:

Do not take into account any interests other than those of the beneficiaries.

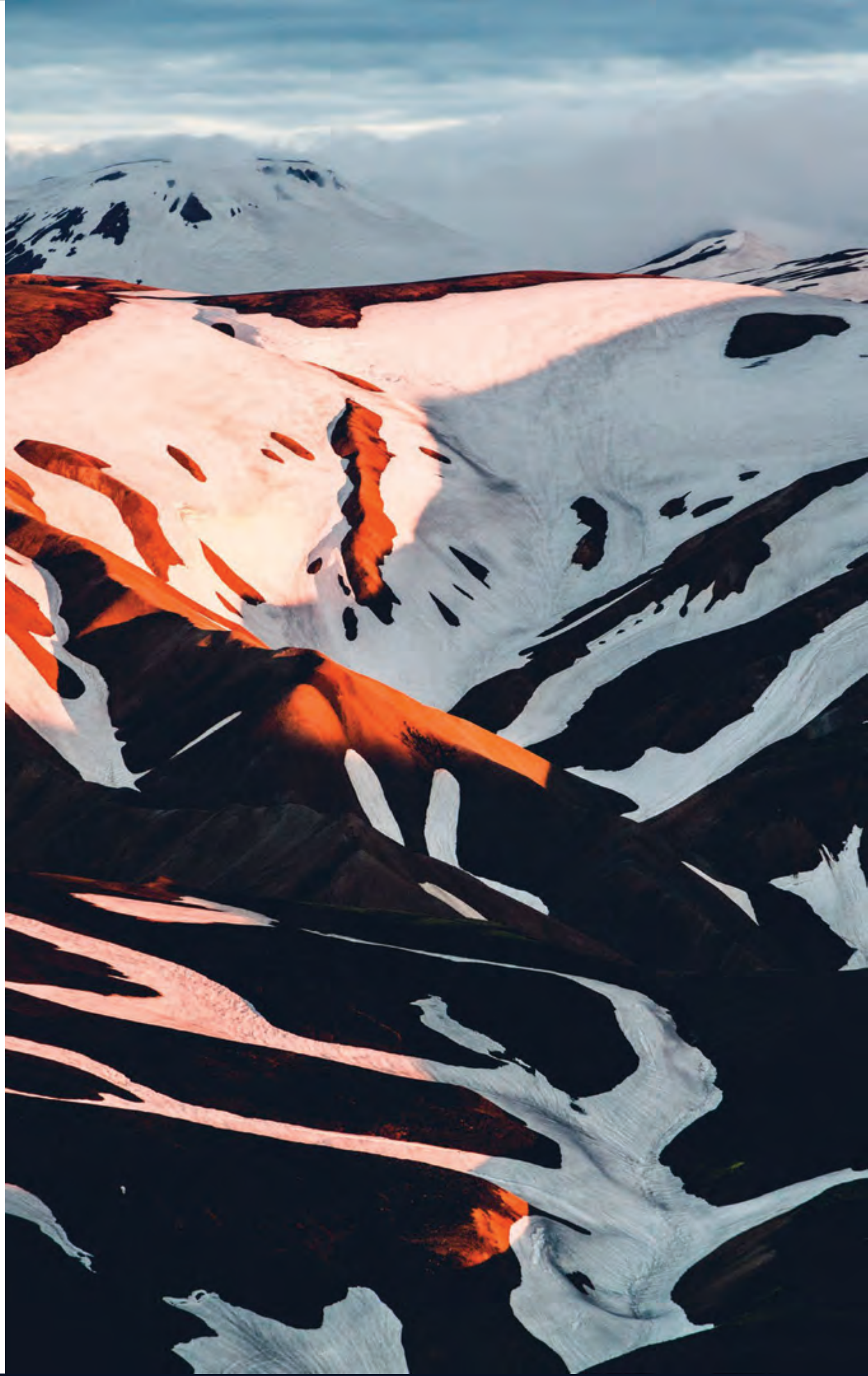
Prudence Statute - Duty of Impartiality

In investing assets, trustees "**shall act impartially in investing and managing the trust assets, taking into account any differing interests of the beneficiaries**."

There is no identical provision under ERISA; however, the Supreme Court has opined that a duty of impartiality falls within a fiduciary's duties. "[t]he *common law of trusts recognizes the need to preserve assets to satisfy future, as well as present, claims and requires a trustee to* ***take impartial account of the interests of all beneficiaries****..." Varity v. Howe*, 516 U.S. 489, at 514 (1996)

How to Comply:

Carefully consider needs of both current and future beneficiaries and take steps to balance them.



Prudence Statute - Duty to Incur only Reasonable Costs: Alaska Statute

Incur only **costs that are appropriate and reasonable** in relation to the assets, the purposes of the trust, and the skills of the trustee.

Compare to ERISA: Under ERISA's exclusive benefit rule, one requirement is that the fiduciary is obligated to **defray reasonable expenses** of administering the plan.
29 U.S. Code § 1104(a)(1)(A)(ii).

How to Comply:

Carefully review all costs associated with plan investments and seek multiple bids.

Prudence Statute - Reviewing Compliance
Alaska Statute

Compliance with prudent investor rule is determined in light of facts and circumstances existing at the time of a trustee's decision or action and not by hindsight

Compare to ERISA. In Field Assistance Bulletin 2015-02, the Department of Labor has recognized that "the prudence of a fiduciary decision is evaluated under ERISA based on the information available at the time the decision was made -- and not based on facts that come to light only with the benefit of hindsight." Court cases have reached the same conclusion.

How to Comply: Trustees must educate themselves on all relevant facts and circumstances at the time of the decision. Document that this has been done.

Prudence Statute- Delegation of Investment and Management Functions - Alaska Statute

- When delegating investment functions, exercise reasonable care, skill and caution in:
  - selecting agent
  - establishing scope and terms of trust, and
  - periodically reviewing agent's performance and compliance

  Safe Harbor: If above three steps are followed, trustee will not be liable for the decisions or actions of agent

Compare to ERISA: If an investment manager has been appointed under 29 U.S. Code § 1102(c), the trustee will not be liable for the acts or omissions of the investment manager, or be under an obligation to invest or otherwise manage any assets that are subject to the management of the investment manager. 29 U.S. Code § 1105(d)

How to Comply: The selection of an investment manager in accordance with the prudent person rule. Ongoing monitoring.

Compliance with these provisions will be a defense against a claim of co-fiduciary liability.

Board Decisions

Primary Board Decisions/Actions

1. Set total fund investment objective (currently CPI plus 5% within their approved risk appetite which is outlined in the investment policy statement);
2. Set target asset allocation and ranges of authority outside of the target asset allocation that staff can operate in (green/yellow/ and red zones);
3. Establish and update the investment policy statement, provides direction and sideboards on staff and external manager investment authority;
4. Set bylaws and governance charters and (generally govern board affairs and board interaction with ED/CEO);
5. Set and annually review the four year strategic plan;
6. Review and approve annual budget request to be submitted to Governor and Legislature;
7. Annual review of ED performance;
8. Set the personnel management plan that the ED follows in hiring and supervising all employees;
9. Approve annual audit and annual report; and
10. Holds quarterly board meetings to evaluate/oversee the investment performance of the fund.

Role of the Fiduciary

- Direct decisions are made in accordance with the fiduciary standards for prudence.
- Timing and frequency of these decisions are based upon the need or potential need to take additional actions during the course of the year.
- The establishment and review of the processes are a part of fiduciary compliance.
- Once a direct decision is made, the process should establish a method for notification to the extent there is a need for additional action.
- If a function is delegated, the delegation decision is a fiduciary decision, and thereafter there should be a monitoring process.

Bylaws-Duties of Executive Director

(a) Provide for execution of all operational, administrative, and investment functions of the Corporation on a daily basis;

(b) Act as Secretary/Treasurer of the Corporation and sign all contracts, deeds, and other instruments of the Corporation;

(c) Provide for recording of all votes and proceedings of the Board of Trustees, electronically whenever possible;

(d) Provide for the custody, recordkeeping, and monitoring of all assets managed by the Corporation, either directly or through one or more financial institutions or fiduciaries qualified and experienced in the safekeeping of financial assets of large institutional investors;

(e) Provide for the retention and safekeeping of all instruments that reflect the assets managed by the Corporation;

(f) Provide for disbursements of funds for Corporation-managed investments, expenses, and obligations;

(g) Provide periodic reports to the Board of Trustees;

(h) Perform such duties and responsibilities assigned to the Executive Director in the Board of Trustees Charters and Governance Policies; and

(i) Perform such other duties as may be assigned from time to time by the Board of Trustees by resolution or motion.

Executive Branch Ethics Act (Ethics Act) Alaska Statute

As if the Permanent Fund and Prudent Investor Statutes Weren't Enough…	Trustees also subject to the Ethics Act
	It proscribes ethical violations but carves out some transactions that would otherwise be prohibited:
	There is no substantial impropriety if, as to a specific matter, a public officer's
	(1) personal or financial interest in the matter is insignificant, or of a type that is possessed by the public or a large class of persons to which the public officer belongs; or
	(2) action or influence would have insignificant or conjectural effect on the matter. Alaska Statute § 39.52.110(b).

Stock or other ownership interest in a business is presumed insignificant if the value of the stock or other ownership interest, including an option to purchase an ownership interest, is less than $5,000. Alaska Statute § 39.52.110(d)

Ethics Act
Alaska Statute

Summary

A public officer may not misuse their official position either for personal or financial benefit. Alaska Statute § 39.52.120

A public officer may not receive gifts of any sort that are a benefit to the officer's personal or financial interests if it could reasonably be inferred that the gift is intended to influence the performance of official duties, actions, or judgment.

Notice of receipt of a gift with a value in excess of $150, including the name of giver and description of gift and its approximate value, must be provided to the designated within 30 days after the date of its receipt - Alaska Statute § 39.52.130

This applies to a gift received by a family member due to the officer's official duties in which case, obligation to report the gift if it would otherwise have to be reported - Alaska Statute § 39.52.130

A public officer may not disclose or use non-public information that could in any way result in the receipt of any benefit for the officer or an immediate family member. Alaska Statute § 39.52.140

Ethics Act
Alaska Statute

Summary

A person may report a potential violation of the above prohibitions by a public officer.
Alaska Statute § 39.52.230

Those who violate the Ethics Act may be required to pay restitution.
Alaska Statute § 39.52.410

Civil penalties of up to $5000 may be levied.
Alaska Statute § 39.52.440

In addition, may have to pay twice the amount of any financial benefit that was gained due to violation of the Ethics Act.
Alaska Statute § 39.52.450

These penalties would be in addition to any criminal penalties.
Alaska Statute § 39.52.460

The attorney general may issue advisory opinions interpreting the provisions of the Ethics Act.
Alaska Statute § 39.52.240

Issue – How can I Avoid Conflicts of Interest? Ethics Act – Alaska Statutes § 39.52.220

1. Trustee discloses their potential violation of the Ethics Act on the public record and in writing to the Chair and the Attorney General

2. The Chair makes a determination as to whether Trustee's involvement would violate the prohibition on unethical conduct in

3. Any other Trustee may object to the determination

4. If there is an objection, the Trustees vote (except the Trustee who made the disclosure does not vote).
   - **Exception:** A Trustee vote cannot overrule AG opinion.

5. If the decision is that a conflict exists, the Trustee must refrain from voting, deliberating or participating in the matter.

Issue – Can a Trustee have Co-Fiduciary Liability? .

You may have co-fiduciary liability:

If you knowingly aid another public officer in an ethics violation

Alaska Statute §39.52.420

- Resigning, without disclosing the other fiduciary's breach, is **not** a solution

If you know of a breach by another fiduciary, but do not take reasonable steps to remedy the breach – Potential violation of your duty of prudence

If you enable another fiduciary to commit a breach

Issue – How can Trustees Protect Against Claims of Breach of Fiduciary Duty?

Procedural Prudence is Best Protection Against Liability

- Become familiar with regulations regarding Fund investments. 15 AAC 137.410 – 15 AAC 137.530
- Maintain and update your guidelines that:
  - Dictate how overall investment decisions are made (e.g., asset allocation)
  - Set forth procedures for assessing and hiring managers and advisers
- Hire competent advisers to educate Board about specific classes of assets
- Maintain and monitor your procedures for selection of investment managers and follow them
- Follow your procedures for periodic review of assets and investment returns
- Continue periodic training for Board members
- Seek professional guidance as necessary
- Maintain appropriate written records of processes and material decisions

“Acting within the Scope of the Trustee’s Office?” Alaska Statutes § 09.50.253(h)(1)

“Acting within the scope” of the Trustee’s office means acts or omissions by the Trustee that:

- the Trustee is authorized to perform;
- occur substantially within the authorized time and space limit;
- are activated by a purpose to serve the state; *and*
- do not constitute acting (or failing to act) with willful, reckless, or intentional misconduct, or with gross negligence or malice.

Summary

- Observe obligations under Alaska Permanent Fund Statue and Alaska Uniform Prudent Act
- Become Familiar with Ethics Act, Investment Regulations and Actionable Claims Act
  Review current policies and contracts
- Set up ongoing trustee training
- Review procedures for soliciting bids, selecting agents and monitoring them
- Review how minutes are recorded– do they adequately demonstrate decision process
- Always observe procedural prudence

Questions

Thank you

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SUBJECT: Communications Legislative Initiative ACTION:

DATE: 2/16/2024 INFORMATION: X

During the board meeting, there will be an update on APFC's legislative initiatives which include the following goals:

- Pursuing legislation that can improve corporate functionality.
- Educating on stewardship, performance, and the Fund structure.
- Securing resources based on the Board's approved FY25 budget.
- Monitoring and responding to legislative inquiries, legislation, and committee requests.

We always welcome discussion and input from the Trustees.

APFC ALASKA PERMANENT FUND CORPORATION

Board of Trustees Legislative Update

February 2024

Accountability

Senate Finance Committee Overview
House Finance Committee Overview
Budget Subcommittee Presentations
Meetings with Legislators and Staff
APFC Insights News Updates
APFC Open House in Juneau

- Pursuing legislation that can improve corporate functionality
- Educating on stewardship, performance, and Fund structure
- Securing resources based on the Board's approved FY25 budget
- Monitoring and responding to legislative inquiries, legislation, and committee requests

Legislation Reviewing & Monitoring

HB 222

PERMANENT FUND APPROPRIATIONS/INVESTMENTS

"An Act relating to the Alaska permanent fund and the income and investments of the fund; relating to the permanent fund dividend; and providing for an effective date."

in H Resources, then Finance

HB 222 -

- Directs the investment of Fund assets toward achieving a 25 percent ownership share of a natural gas pipeline originating on the North Slope.
- In doing so, the Prudent Investor Rule and diversification requirements of AS 37.13.120 are carved out and would not apply to this investment mandate.
- APFC recognizes the statutory policy purview of the Legislature and the Executive.
- APFC's Investment responsibilities are directed by Statute.

Legislation Reviewing & Monitoring

HB 303

RTMT PLAN AND PERM FUND INVESTMENT POLICY

"An Act relating to the duties of the Alaska Retirement Management Board; relating to the duties of the Board of Trustees of the Alaska Permanent Fund Corporation; and providing for an effective date."

in H Finance 1st Committee of Referral

HB 303 -

- Requires the Board to act only on pecuniary factors when engaging with an investment advisor and voting shares or proxies.
- Requires Board meetings to be broadcast live and make the recording publicly available.
- Modifies the current prudent investor rule and diversification standards - language similar to the Employment Retirement Income Security Act (ERISA) standards.
- Adds a new section to the investment responsibilities AS 37.13.120 to require all proxy shares to be voted based upon pecuniary interest and states that the Board may not rely on nor promote the benefit of nonpecuniary factors for investments.
- Amends the APFC publications statute AS 37.13.170 to require the Board to submit an annual report providing information on investment relationships, including limited partner commitments, costs, annualized rate of return, and detailed information related to investment managers and consulting firms.


APFC
Integrity - Stewardship - Passion

SUBJECT: Investment Advisory Group (IAG) Candidates ACTION: X

DATE: February 16, 2024 INFORMATION:

Candidates are listed in order of interview time slots. For full application materials, please refer to the confidential information sent in advance. Upon conclusion of the interviews, the board will take action to appoint one of the candidates to the Investment Advisory Group.

Below is a timetable for the Investment Advisor Group Candidate recruitment.

- January 31, 2024 Response deadline for proposals at 4 p.m. AK time
- February 5, 2024 Three candidates were referred to board interviews
- February 16, 2024 Board interviews and selection of new IAG member
- February 19, 2024 Notice of Intent to Award issued
- February 29, 2024 Contract start

Candidate 1
Brock Williamson, CFP

Current Position:
Owner – Principal Financial Advisor, Promontory Financial Planning

Education:
Bucknell University, Lewisburg, PA B.S.B.A. Business Management
St. Joseph's University, Philadelphia, PA Master's in Financial Services

Professional Licenses, certificates, etc.
Certified Financial Planner, 2009-present

Candidate 2
Dr. Cyndi Walsh

Current Position:
President, Walsh Advisors

Education:
Purdue University, Lafayette, IN BS (Computer Information Systems)
University of Chicago, Chicago, IL MBA (Finance Specialty)
DePaul University, Chicago, IL Doctorate of Business Administration

Professional Licenses, certificates, etc.
Series 65 Registered Investment Advisor – State of Indiana

Candidate 3
George Zinn

Current Position:
President, Treasureygo, LLC

Education:
Bowdoin College, A.B. Economics, Minor Romance Languages, Interdisciplinary Major Environmental Studies
University of Washington, M.B.A., Finance & Accounting

Professional Licenses, certificates, etc.
None currently

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Memo

To: Board of Trustees

Through: Deven Mitchell, Executive Director

From: Shannon Ely McCain,
Director of Human Resources

Date: February 16, 2024

RE: PMP 2018 Update

Background:

This presentation is the initial step in working towards an update to the APFC Personnel Management Plan (PMP). As the board is aware, the last board approved PMP is from 2018 and due to a variety of reasons, sections of the document are out of date and need to be updated.

Rather than completely overhaul the current PMP our proposal is to review the current information and update the areas that are out of date, or no longer in alignment with APFC practice. Most notably, review would include areas related to compensation & classification, remote work, and performance management as they relate to board approved polices since 2018.

Recommendations:

This is not an action item. The focus for this presentation will be to discuss the method and scope of the update and get feedback on the process and any areas of concern from the Board.

APFC ALASKA PERMANENT FUND CORPORATION

PMP – Employee Handbook 2018

Shannon Ely McCain, Director or Human Resources

A revised approach

- The PMP provides a framework necessary for the effective management of APFC.
- Our approach will be to focus only on the areas that do not align with current APFC practice.

Methodology

- Identify specific sections that do not align with practice or are out of date.
- Work with APFC Leadership to update language using track changes in existing 2018 PMP.
- Provide a track change version of the PMP to the Board.
- Provide a written summary and verbal explanation of proposed changes to the Board.

Governance Policy
Operations and Human Resources

- The Executive Director will develop and recommend to the Board human resources policies and procedures necessary for the effective management of the APFC including a compensation and benefit policy and succession plan for senior management of the organization.

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

Sections of the PMP for Focus

Classification and Compensation Structure

Merit Salary Increases

Impacts of Remote Work Policy & Performance Management

Housekeeping – non substantive changes that ensure our PMP is in alignment with legal requirements

Questions and Feedback from the Board

PMP - EMPLOYEE HANDBOOK

2018

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Mission, Vision & Values

Mission

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

Vision

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

Values

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

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

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

INTRODUCTION

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

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

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

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

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

Employment-at-will Status

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

EMPLOYMENT OVERVIEW

Organizational Chart

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

Disclosure Requirements

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

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

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

Equal Employment Opportunity

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

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

Disability Accommodation

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

Nepotism and Hiring of Immediate Family Members

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

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

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

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

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

Outside Employment

Employees may hold employment outside of APFC as long as they meet the performance standards of their APFC job and that such outside employment does not conflict with APFC job duties and responsibilities, corporate values, or the Alaska Executive Branch Ethics Act. All employees are encouraged to read the Alaska Executive Branch Ethics Act, as they will be responsible for abiding by it. Employees are judged by the performance standards and measurements detailed in their individual position descriptions and/or their individual employee performance appraisals without consideration for the outside work requirements and are subject to APFC's scheduling demands, regardless of existing outside work requirements.

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

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

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

Nondisclosure of Confidential Information

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

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

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

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

COMPENSATION CLASSIFICATION

APFC Market Guided Classification Method

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

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

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

Class Specifications

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

Job Description

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

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

COMPENSATION PHILOSOPHY & STRUCTURE

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

Salary Structure

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

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

Market Surveys

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

Structure Calculation

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

Classification & Compensation Authority

AS 37.13.100

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

APFC Bylaws, Article II, Section 4

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

APFC Bylaws, Article II, Section 8

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

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

Authority for Position Classification & Compensation Actions

Classification / Compensation Action	Approval Authority
• Hiring Executive Director • Establishing and adjusting Executive Directory compensation • Amending the compensation structure	Board of Trustees
• Amending position classification structure • Hiring employees (within Board approved budgeted appropriation) • Establish pay rates for new hires • Promoting staff • Adjusting staff compensation for performance based increases (excluding ED) • Adjusting staff compensation outside the evaluation cycle and merit increase provisions but within existing classification and compensation structure • Reclassifying positions within existing classification structure	Executive Director

Administrative Guidelines for Classification & Compensation

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

Review of Classification and Compensation Structures

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

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

Compensation Considerations at Hire

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

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

Post-Survey Salary Adjustments

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

Length of Introductory Period

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

Promotion and Reclassification

Promotion

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

Reclassification

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

Merit Salary Increases (not incl. promotions and reclassifications)

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

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

1. **Upon January 1 for performance during the prior year,** in accordance with the performance appraisal process and merit scale (see following section). An employee who has worked an incomplete year in a position may receive a pro-rated performance-based salary increase on January 1 based upon the amount of time worked between their new position starting date and December 31, the end of the performance review period.

2. **One-time allowance** (*with controls in place to ensure that it is not awarded a second time during the fiscal year annual review*). A one-time allowance is a percentage increase to the base salary for a specific period:

- *For an employee who assumes full authority, for at least a month, to execute all job responsibilities for a supervisor or coworker whose class specification is at a higher classification level, while the supervisor or coworker is absent from work (e.g., family leave), or while the position is vacant.* The employee's salary may be temporarily increased to the minimum of the higher position's salary grade or 10% over the employee's current salary but typically does not exceed the midpoint of the higher-level position's salary grade. If the employee assumes a major portion (at least

50% but not 100%) of the authority level and job responsibilities of the higher position, the salary may be temporarily increased in proportion to the additional higher-level job functions but cannot exceed the increase paid for assuming 100% authority level.

- *For an employee whose work performance results in a work product that adds value to the ongoing operations of the APFC.* The work product belongs to the corporation when the employee leaves. APFC allows for one-time recognition of performance that would not otherwise be compensated, except as part of the employee's base pay.

3. **Other:** The Executive Director has the authority to make adjustments to assure internal equity

PERFORMANCE MANAGEMENT

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

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

Performance Appraisal system elements

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

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

Annual Performance Appraisal/Evaluation Process

The annual performance appraisal/evaluation process begins in the 4th Quarter of the Calendar Year during performance period year end. The process may involve an employee self-review and may include peer reviews. Self-reviews will not technically factor into the quantitative rating but rather be used as information for the supervisor, who is the only person in the process whose rating technically factors into the evaluation score. Following the supervisor's review is a review and approval hierarchy, which varies depending on the position under review. Upon completion of each step in the process, the next individual in the queue is prompted to complete their task until the review is final. Salary adjustments may occur when all parties involved in the process for an employee have completed their tasks. The performance appraisal discussion between supervisor and employee and any resulting pay adjustment or position movement discussion may occur at different times and are processed separately.

The Performance Appraisal includes

Looking back by:

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

Looking forward by:

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

Recommendation for pay action

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

Change of supervisor

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

Merit Scale

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

Detailed definitions of the Ratings Used in Employee Work Performance Appraisals

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

Exceeded expectations; this year's contribution is clearly identifiable.
Employees with this overall rating correctly complete and exceed the requirements in the majority of areas of their position. Their supervisor and other staff easily recognize the employee's consistent high achievements. Employees with this overall rating work with co-workers/supervisor to assist the high achievements of others, and may seek or take on work from other employees, or perform the tasks of their position, but at a higher level. Rating any competency or goal at this level means that the employee exceeded the requirements of that competency or goal.

Fully met expectations in all key areas; minimal errors of execution or strategy.
Employees with an overall rating correctly complete the requirements of their position. Rating any competency or goal means that the employee completed the requirements of that competency or goal.

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

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

RECRUITMENT OVERVIEW

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

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

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

EMPLOYMENT CATEGORIES

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

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

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

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

Categories of Appointment List

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

Categories of Appointment Descriptions

Regular Full-Time Appointments

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

Characteristics

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

Regular Part-Time Appointments

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

Characteristics

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

In-House Intern Appointments

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

Special Considerations for Intern Appointments

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

Regular Seasonal Appointments

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

Temporary Long-Term Appointments

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

Temporary Short-Term Appointments

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

Emergency Appointments

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

INTRODUCTORY PERIOD

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

Purpose of Introductory Period

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

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

Length of Introductory Period

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

WORK HOURS, OVERTIME AND LEAVE

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

Work Hours and Office Hours

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

Attendance and Absence

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

Flexible Workday Schedule

- APFC may require or APFC employees may use the option of "flexing" their workday outside the standard APFC office hours with the approval of their supervisor and department head

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

Overtime

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

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

For these employees:

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

Other employee categories as regards overtime

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

Holidays

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

Holiday		
New Year's Day	Jan	1st
MLK Jr.'s Birthday	Jan	3rd Monday
President's Day	Feb	3rd Monday
Seward's Day	Mar	Last Monday
Memorial Day	May	Last Monday
Independence Day	July	4th
Labor Day	Sept	1st Monday
Alaska Day	Oct	18th
Veteran's Day	Nov	11th
Thanksgiving Day	Nov	4th Thursday
Christmas Day	Dec	25th

Work Status on APFC Holidays

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

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

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

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

Work at Home

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

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

LEAVE

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

Administrative Absence from Work

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

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

Short-Term Leave of Absence

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

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

PROFESSIONAL PRACTICES

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

Professional Codes of Conduct

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

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

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

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

Gifts

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

Interpersonal Communications

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

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

Public Communications

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

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

Dress Code

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

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

Political Activities

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

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

- APFC resources – including but not limited to employee time, equipment, information, or supplies – may not be used to finance or influence, directly or indirectly, candidates for political office, ballot propositions, or public issues of a municipal, statewide or national character, or any other political activities, either partisan or nonpartisan, unless specifically appropriated by the Alaska Legislature and signed by the Governor.

- In the performance of official duties, employees responding to politicians, candidates, or the general public about public policy, political issues, or general information concerning APFC or the Fund shall treat all requests equally and impartially.

- Unless authorized by the Executive Director to represent APFC to outside parties, employees shall not purport to the public that they are representing APFC. To prevent misconceptions when making public statements about a political issue or when representing personal opinions, employees must issue a disclaimer stating they are not representing APFC; failure to do so will result in disciplinary action, up to and including termination.

- No APFC employee may display or distribute partisan political material on APFC work premises or while conducting official business.

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

PROFESSIONAL EDUCATION AND TRAINING

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

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

EMPLOYEE DISCIPLINE

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

At-Will Employment Status

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

Employee Discipline

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

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

Supervisor Assesses When to Use Disciplinary Action

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

Possible Disciplinary Options

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

Verbal Warning

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

Written Warning

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

Recommendation for Suspension/Termination

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

Suspension

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

Termination

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

Supervisor Authority to Impose Disciplinary Action

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

Disciplinary Actions and Performance Appraisals

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

First-time Discharge Offenses

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

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

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

GRIEVANCE PROCEDURE

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

Grievance Defined

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

Employee Complaints and the Formal Grievance Process

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

Employee Complaints

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

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

Peer Review Committee

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

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

Grievance Filing Procedures

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

1. The employee discusses the grievance with his/her supervisor.
2. If the employee is dissatisfied with the outcome of the discussion, the employee may file a written complaint to his/her supervisor (and a copy to the HR Officer) as soon as possible to retain accuracy of detail, but no later than ten (10)

days from the incident causing concern. If the grievance involves the employee's supervisor, an alternate channel is the department head. If the grievance involves the department head, an alternate channel is the HR Officer. The written grievance must include:

- Name, title, signature of the author, and date
- Full description of the complaint, including full names and direct quotes, if applicable, date(s) and time(s) of incident(s), names of witnesses, if any, location(s) of incident(s)
- Desired outcome to relieve the grievance
- Attachment of related documents

3. The supervisor receiving the grievance must respond in writing within five working days of receipt of the grievance. A complete investigation within a five-day period may not be possible due to many factors such as witness travel, records search etc. Therefore, within the five-day period, the responding management staff provides a status report on the investigation phase and provides an expected completion date. The response includes:

- Name, title, signature of the author, and date
- Summary of the grievance
- Steps taken to investigate the grievance
- Findings of the investigation
- Recommended resolution

Appeal Process

1. If the aggrieving employee is dissatisfied with the written response, the decision may be appealed in writing to the next level of authority.
   i. The written appeal must be made within five workdays of receipt of the response and must be attached to the original grievance and the APFC management response, and must include the reasons for the employee's appeal.

2. If the grievance:
   i. first went to the employee's supervisor, the appeal is to the department head
   ii. was filed with the department head, the appeal is to the HR Officer
   iii. was filed with the HR Officer, the appeal is to the Executive Director

3. The final appeal may be filed with the Executive Director who has the authority to offer final determination for resolution.

4. Each level of appeal has five days to respond in writing to the aggrieved party. If no written appeal is made within this time frame, APFC considers the matter resolved to the employee's satisfaction.

Filing a Complaint of Sexual Harassment or Unlawful Harassment or Discrimination

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

Unlawful Harassment Prevention

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

Employee Protection

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

EMPLOYEE SEPARATION FROM APFC EMPLOYMENT

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

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

Types of Separation

Layoff due to Reduction in Force

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

Dismissal or Discharge

Involuntary employment termination initiated by APFC

Resignation

Voluntary employment termination initiated by the employee

Presumed Resignation

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

Retirement

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

Separation Process

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

Steps of the Separation Process:

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

Resignation Notice

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

Immediate Acceptance of Resignation

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

Salary and benefits

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

Severance Pay

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

Exit Interviews

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

Guideline for the departure interview with the supervisor, department head, HR Officer or the Executive Director. Ideally, it should be completed before the departing employee's final day on the job.

Separation Performance Appraisal

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

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

Reference Authorization Form

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

Letters of Recommendation

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

Employment References

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

Use of Personal Leave during Notice Period

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

PERSONNEL RECORDS

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

Personnel Records

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

File Locations

Central Personnel File/s

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

Departmental Personnel File/s

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

Confidentiality and Access to Personnel Files

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

Employee Complaint Procedure re: Personnel Files

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

Release of Information from Personnel File

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

Recruitment Files

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

MISCELLANEOUS POLICIES

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

General Office Safety

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

Medical Emergencies

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

Fire, Fire Drills and Evacuation

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

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

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

Workplace Safety Hazards

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

Bomb Threat Response Plan

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

Personal Safety while in Travel Status

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

Visitors in the Workplace

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

Workplace Violence Prevention

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

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

Weapons

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

Building Security

- The Michael J. Burns Building management contracts with a local firm for building security. Contact APFC Administration or management staff to report security or safety-related problems or concerns regarding the building or APFC offices
- Inform your supervisor, the receptionist and others whom you trust if you will be working after normal office hours so that others know you are in the building
- Use the elevator to enter or exit the APFC floor if you are working beyond posted work hours
- Your key fob opens doors to both the building and APFC office suites during non-business hours
- Do not prop the office suite door open, even if you are in the office
- Shut the main office suite door behind you to ensure security of the office in your absence when exiting the office suites for any length of time
- Park your car in the well-lit areas of the parking lot
- Be aware of individuals near the building entrance when entering or exiting after hours

- Do not enter or exit the building if you are concerned for your safety
- Do not prop the building exterior doors open for any reason
- If you are concerned for your safety after hours and are in the office alone, call the Juneau Police to check building security or to escort you to your car. If two or more employees are working after hours, ask your coworker to escort you to your car or leave together
- Locks to all APFC doors are monitored by Administration
- At hire and when necessary, key fobs are issued to employees and are collected at separation
- Immediately report a lost key fob to Administration to guard against unauthorized access

Emergency Office Closing

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

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

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

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

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

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

APFC Technology

Workplace Monitoring

To ensure quality control, employee safety and security, APFC management may conduct workplace monitoring. APFC is responsible for all employee workstations. Your use of the station and the equipment is as an employee and not owner. All resources furnished to employees are APFC property. APFC is obliged to ensure that equipment and employee time are used for business purposes. Therefore, computer use and files may be monitored or accessed and other equipment use justified to APFC satisfaction. APFC makes every effort to conduct workplace monitoring ethically and respectfully. Through the practice of this policy, APFC disallows any expectation of employee privacy of workstations, email, electronic and hard copy files.

Computer Rooms/Access to Network

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

Employee Responsibilities for APFC Technology

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

Employee Personal Use of APFC Resources

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

Office Resources

Lobby, Conference rooms, Break room, Mailroom

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

Coffee/Tea Fund

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

Break Room

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

Storage Room Supplies

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

Board Room and Conference Rooms

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

Community Volunteer Involvement

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

Waste Reduction and Recycling

APFC complies with state statutes requiring and encourages recycling.

Smoking

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

Solicitation

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

18.35.100 - 18.33.365 Regulation of Smoking in Public Facilities

AS 37.07 Executive Budget Act

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

AS 37.13.100 Alaska Permanent Fund Corporation / Staff

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

AS 39.20.110-350 Compensation, Allowances and Leave

Provides that State travel and leave rules apply to APFC

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

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

AS 39.25.160 State Personnel Act

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

AS 39.52 Executive Branch Ethics Act

Addresses: Outside Employment Restrictions, Gifts, and other topics

APFC Bylaws Article II, Section 4

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

Article II, Section 8

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

Administrative Order 81 Regarding unlawful harassment

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

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

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

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

Employee Acknowledgment

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

Employee Name ______________________________ Title: ____________________

Employee Signature: ______________________________ Date: ____________________

APFC ALASKA PERMANENT FUND CORPORATION

801 W 10TH SUITE 302 | JUNEAU, AK 99801
907.796.1500 | apfc.org

SUBJECT: Board of Trustees May Meeting Discussion ACTION: X

DATE: February 16, 2024 INFORMATION:

BACKGROUND:

Previously the Board of Trustees approved the December 2024 and 2025 Quarterly Meetings, however, due to the annual state budget release around December 15, it may work for cabinet appointed trustees to choose alternate December dates. Staff have the following recommendations for Trustees to consider.

Current Approved Dates:

December 11-12, 2024 (Wednesday & Thursday)

December 10-11, 2025 (Wednesday & Thursday)

2024 Option:

- December 4-5, 2024 (Wednesday & Thursday)
- December 10-11, 2024 (Tuesday & Wednesday)

2025 Option:

- December 3-4, 2025 (Wednesday & Thursday)
- December 9-10, 2025 (Tuesday & Wednesday)

AS 37.13.145 (a)

The earnings reserve account is established as a separate account in the fund. Income from the fund shall be deposited by the corporation into the account as soon as it is received. Money in the account shall be invested in investments authorized under AS 37.13.120.

Earnings Reserve Account (ERA)

Available for Legislative Appropriation through a simple majority vote

Components of ERA

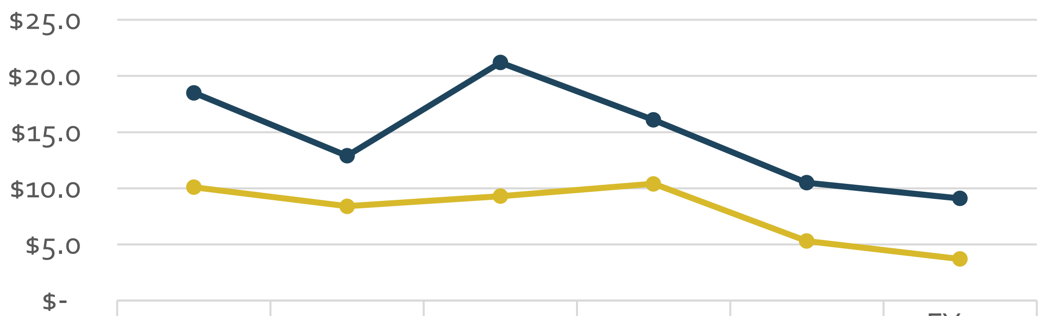
- Realized Earnings
- Commitments for Future $s Out
- Allocation of Unrealized Gains

Earnings Reserve Account

+ Statutory Net Income
- POMV Distribution
- Inflation Proofing
- Alaska Capital Income Transfers
- Other Appropriations

Anticipated Commitments Start of FY25
Percent of Market Value Distribution FY26 = $3.8 B
Inflation Proofing FY25 = estimated $1.5 B

Fiscal Year End, in Billions

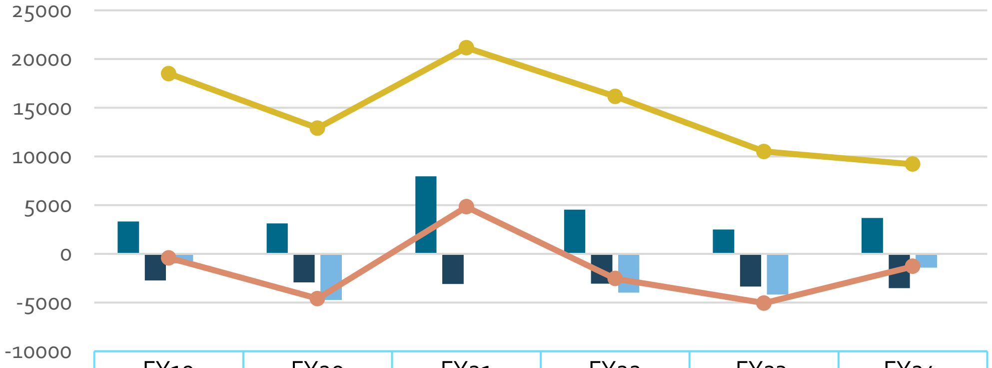


	FY19	FY20	FY21	FY22	FY23	FY24 projected
ERA Available to Spend	$10.1	$8.4	$9.3	$10.4	$5.3	$3.7
ERA Total Balance	$18.5	$12.9	$21.2	$16.1	$10.5	$9.1

ERA Available to Spend ERA Total Balance

ERA: Deposits and Withdrawals

in $s millions



	FY19	FY20	FY21	FY22	FY23	FY24
Statutory Net Income	3,305	3,106	7,962	4,544	2,491	3,664
Dividend/POMV Transfer	(2,723)	(2,933)	(3,091)	(3,069)	(3,361)	(3,526)
Inflation Proofing & Special Approp.	(989)	(4,758)	-	(4,000)	(4,179)	(1,413)
Alaska Capital Income	(22)	(21)	(50)	(24)	(14)	(23)
Net Impact	(429)	(4,606)	4,821	(2,549)	(5,063)	(1,298)
ERA Value FY-end	18,481	12,894	21,148	16,150	10,491	9,193

FY24 projected

ERA Walk-forward in billions

Commitments on FY24 Balance Sheet			*FY24 END*
POMV Distribution FY25	$	3.7	*to Liabilites*
Inflation Proofing FY24	$	1.4	*to Principal*
Capital Income Fund	$	0.1	*to ACIF*
Total FY24 Financial Commitments	$	5.2	
Realized Balance - Available to Spend End of FY24	**$**	**3.7**	
Commitments on FY25 Balance Sheet			
POMV Distribution FY26	$	3.8	
Inflation Proofing FY25 *estimated*	$	*1.5*	
Capital Income Fund	$	0.1	
Need for FY25 Financial Commitments	**$**	**5.4**	
Projected shortfall - full funding commitments, FY start	**$**	**(1.7)**	

In the past, there has been a sufficient balance of realized earnings to fully fund all financial commitments going into the fiscal year.

In FY25, current-year earnings would be required to fully fund the balance sheet commitments for POMV and inflation-proofing since the passage of the POMV statute.

Alaska Permanent Fund Corporation

RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA PERMANENT FUND CORPORATION OFFERING ALTERNATE PROPOSALS TO SUPPORT AN ANNUAL PERCENT OF MARKET VALUE DRAW FROM THE PERMANENT FUND
RESOLUTION 20-01

With the enactment of SB 26, Chapter 16 SLA 18 on July 1, 2018, an essential step was taken to codify a set of rules to establish a sustainable annual draw from the realized earnings of the Alaska Permanent Fund (Fund). The Board of Trustees believes additional measures would enhance the sustainable use of Fund earnings for the benefit of all generations of Alaskans that warrant consideration by the Alaska Legislature and the Administration, including:

1. **Transform, by constitutional or statutory amendment, the Alaska Permanent Fund and Earnings Reserve Account into a single fund and limit the annual draw to the fund's long-term real return:**

   a. **Constitutional Amendment:** On three prior occasions the Board has adopted a resolution (Resolutions 00-13, 03-05, and 04-09) to collapse the Earnings Reserve Account into the Principal of the Fund and limit the annual draw from the combined Fund to no more than five percent of the average fiscal year-end market value of the fund over the immediately preceding five years. These resolutions explained that limiting the Fund's annual draw to the average real return of the Fund was both: (1) a common practice among large endowment funds, and (2) an effective way to balance the goal of maximizing the availability of income with the long-term goal of protecting the purchasing power of the Fund. Constitutional amendments to advance this change were considered by the Alaska Legislature during the Twenty-Second and Twenty-Third Alaska Legislatures, and are currently being considered by the Thirty-First session of the Alaska Legislature. To date, none of these resolutions have received sufficient Legislative support to advance to a general election for consideration by Alaska voters. The Board, through this Resolution, expresses its continued support of a constitutional amendment along the parameters outlined in its three prior resolutions on this topic.

   b. **Statutory Amendment:** The Board has also discussed and supports the development of a legislative proposal that would amend existing law to transform the current two-fund structure (i.e. Principal and ERA) into a single fund with an annual appropriation to the General Fund based on the average long-term real return of the Fund. Because the constitutionally dedicated royalty deposits and appropriations to the Principal of the Fund are not subject to appropriation (i.e., permanent dedications), an annual appropriation would be prohibited if it would cause the value of the Fund to drop below the historic dollar value of these dedicated deposits. By collapsing the ERA and Principal into a single fund and limiting the annual draw to the Fund's real return, inflation-proofing the Fund on an annual basis via annual appropriation would no longer be necessary. Importantly, this single fund transformation, based on the words contained in article IX, section 15 of the Alaska Constitution, appears supported by the rules of construction in section 4 of the Uniform Prudent Management of Institutional Funds Act, which Alaska enacted in 2010. The Board, through this Resolution, expresses its support for and directs APFC Staff to draft a legislative proposal and seek input from the Department of Law before submitting this proposal to the Administration and Legislature for their consideration.

2. **Adjustments to the existing rules-based system governing fund transfers into and out of the Principal and ERA, if the ERA and Principal are not combined:** If sufficient support for a constitutional or statutory amendment cannot be garnered to transform the Principal and ERA into a single fund with a limited annual draw, the Board supports the following additions to the existing rules-based system to ensure the ERA balance is sufficient to meet the annual POMV draw enacted by the Legislature in SB 26:

    a. **Periodic Review of Fund Return Assumption:** Because the POMV draw from the ERA established in SB 26 is based on the assumption that the Fund expects to generate an average real return of 5%, if the Fund's real return falls below 5% for an extended period of time, the ERA will run dry (i.e. ERA Shortfall). The Board recommends having a mechanism built into state law that would require APFC to revisit this return assumption every few years and provide the Legislature with a report as to whether a 5% POMV is projected to be sustainable, both in terms of the expectation of the Fund to generate a 5% real return and the ERA's ability to support the POMV draw based upon its current and projected balance.

    b. **ERA Balance Buffer:** In modeling and analyzing the long-term durability of the ERA to support the POMV draw, it is clear that during market environments when realized gains from the Principal remain low for a prolonged period of time, without a buffer of funds in the ERA, the risk of ERA Shortfalls become meaningful. To hedge this risk, the Board supports a change to the existing rules-based system to maintain a balance in the ERA of at least four times the expected annual POMV draw ("4X Buffer"). This would include a rules-based approach that suspends inflation proofing when the ERA balance is below the 4X Buffer, and to make up missed inflation proofing payments when the ERA balance exceeds the 4X Buffer. This set of rules is projected to result in similar inflation proofing outcomes as the current annual rule, but significantly decrease the chance the POMV draw cannot be made in any given year.

To be clear, the Board continues to support the consistent inflation-proofing of the Principal of the Fund as set forth in Board Resolutions 17-01 and 18-04. However, if the Legislature can both maintain the long-term durability of the ERA to support the SB 26 annual POMV draw and honor its commitment to inflation-proof the Principal of the Fund over the long-term, the harm to the Principal of the Fund will be mitigated. The Board is also evaluating and discussing with the Department of Law a legislative proposal to re-define "net income" so that the annual inflation-proofing transfer would happen every year automatically. Should this legislative proposal receive support, it could be designed to trigger the suspension of inflation-proofing when the ERA balance is too low and trigger inflation-proofing catch-up payments when the balance of the ERA recovers; all without the need for annual appropriation to support these events.

Based on analysis completed by APFC Staff and the General Consultant at the request of the Board, the combination of these two protective measures will enhance the ability of the ERA to weather most foreseeable market environments and sustainably generate the 5% POMV draw set forth in SB 26.

NOW THEREFORE BE IT RESOLVED that the Trustees direct the Executive Director to distribute this Resolution to the Members of the 31st Alaska State Legislature and offer to have the Board, Staff, and the General Consultant testify in support of the Legislative initiatives set forth in this Resolution.

PASSED AND APPROVED by the Board of Trustees if the Alaska Permanent Fund Corporation, this 5th day of March, 2020.

/s/
Craig Richards
Chairman, Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:

/s/
Angela M. Rodell, Corporate Secretary

Callan

February 2024

APFC Elimination of ERA analysis

Simulation Output

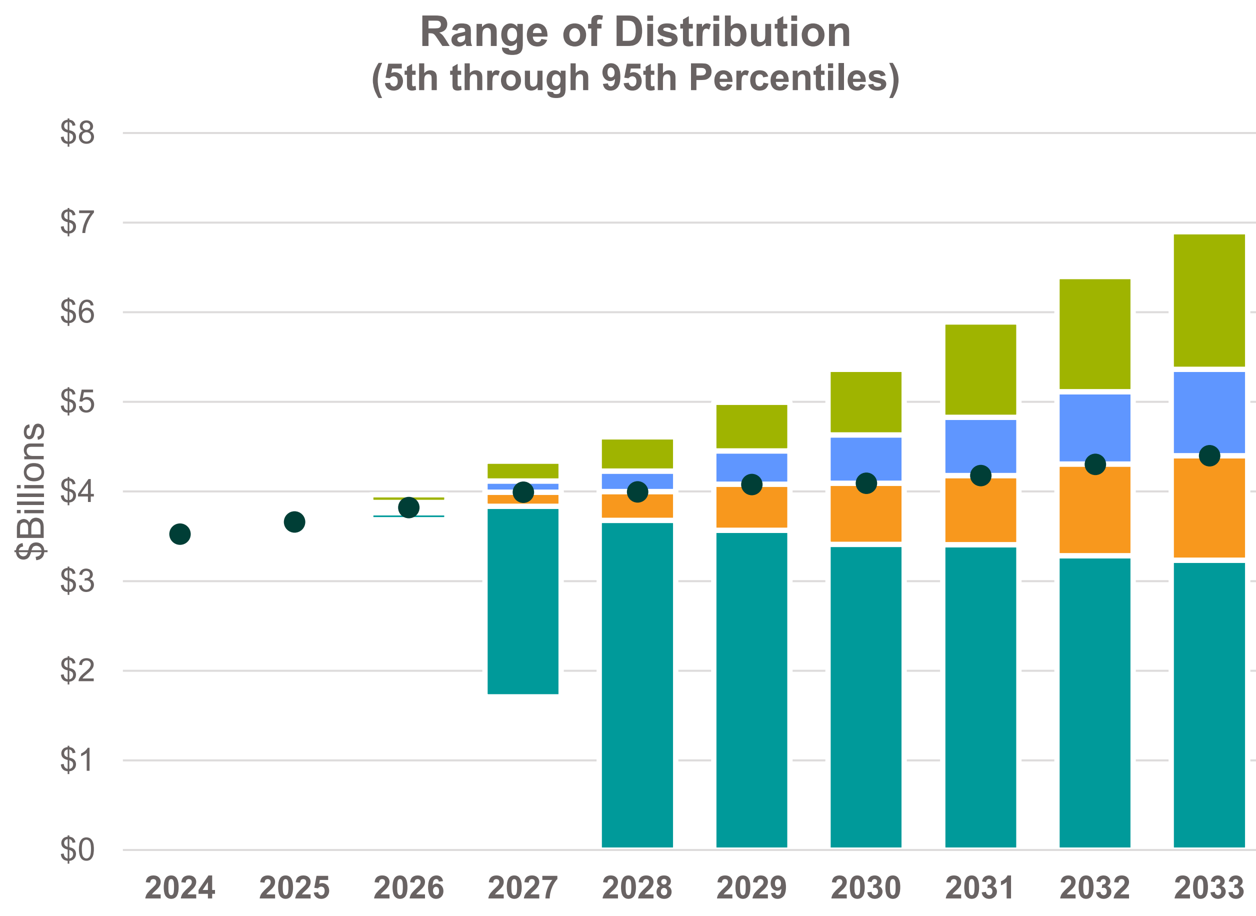
Gregory C. Allen
CEO and Chief Research Officer

Analysis Outline

- Base Case assumes:
  - Callan 2023 capital market assumptions
  - APFC FY 2024 Strategic Policy Target
  - Current ERA limits on appropriations
- “One Account” Case assumes:
  - Callan 2023 capital market assumptions
  - APFC FY 2024 Strategic Policy Target
  - No ERA limits on appropriations
- Examine impact on year-by-year basis on key financial variables
  - Distribution
  - Market Value
  - Statutory Net Income
- Examine cumulative 10-year distributions
- Analysis focuses on range of outcomes for each financial variable from 5^{th} to 95^{th} percentile

Range of Distributions – Base Case

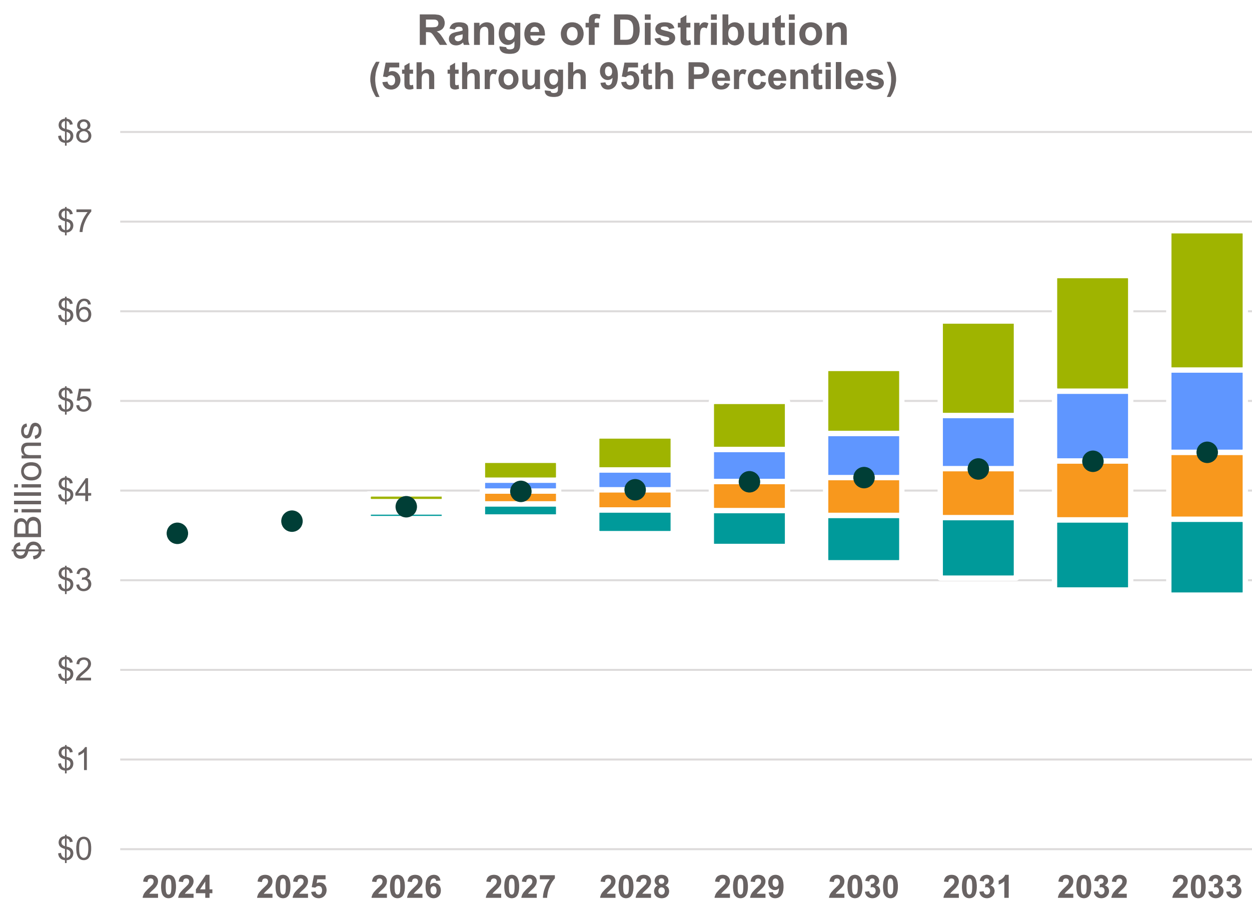
- At least a 5% probability that the ERA will limit the distribution beginning in 2027.
- At least a 5% probability of a zero distribution due to ERA limit by 2028.
- At least a 10% probability of a zero distribution due to ERA limit by 2033.



	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
5th Percentile	3.53	3.66	3.96	4.34	4.61	5.00	5.36	5.89	6.40	6.90
25th Percentile	3.53	3.66	3.88	4.12	4.23	4.45	4.63	4.83	5.11	5.36
50th Percentile	3.53	3.66	3.82	3.99	4.00	4.08	4.09	4.18	4.30	4.40
75th Percentile	3.53	3.66	3.76	3.83	3.68	3.57	3.41	3.40	3.28	3.23
95th Percentile	3.53	3.66	3.68	1.71	0.00	0.00	0.00	0.00	0.00	0.00

Range of Distributions – One Account Case

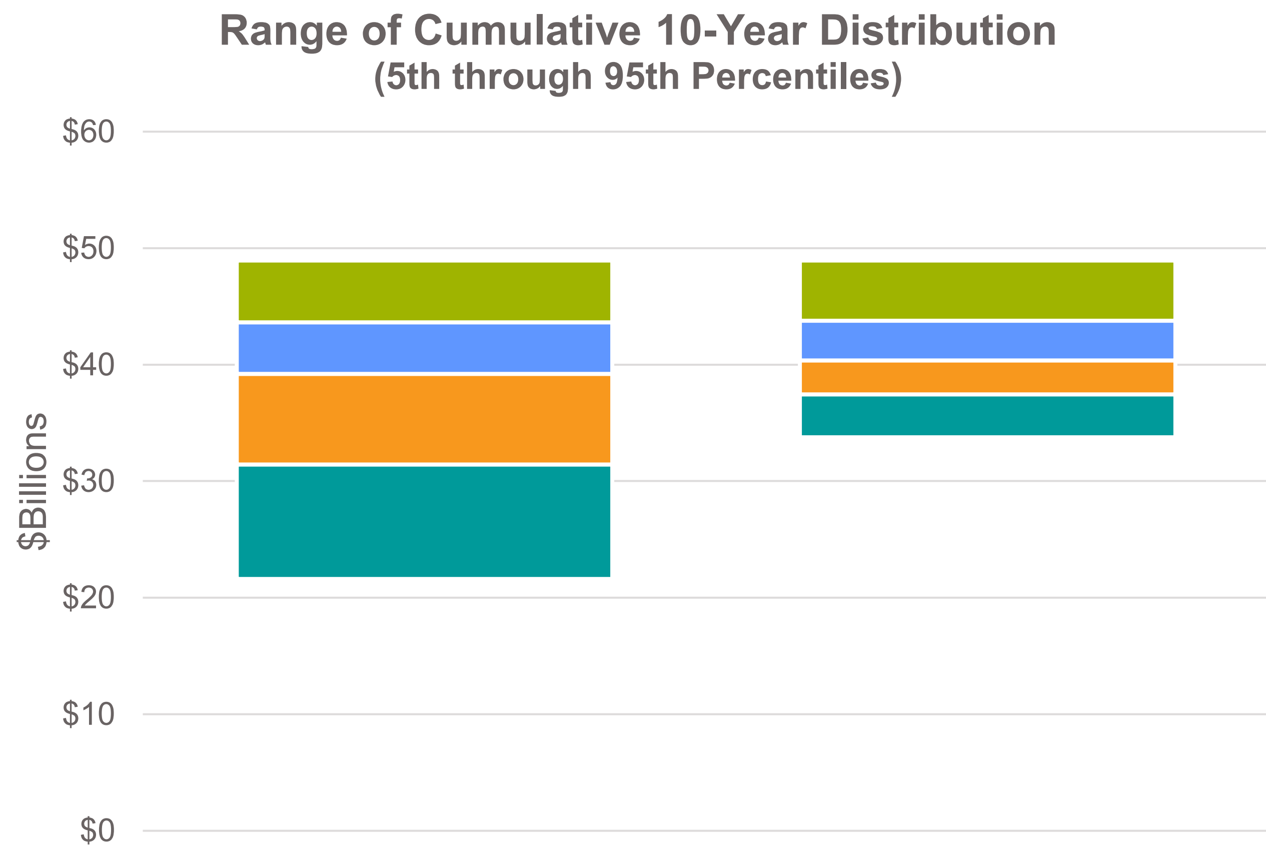
- Removing the ERA limitation on distributions results in a full distribution being paid in all years across all outcomes.
- 5th through 75th percentile outcomes are essentially the same as the base case.



	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
5th Percentile	3.53	3.66	3.96	4.34	4.61	5.00	5.36	5.89	6.40	6.90
25th Percentile	3.53	3.66	3.88	4.12	4.23	4.46	4.64	4.84	5.11	5.34
50th Percentile	3.53	3.66	3.82	3.99	4.01	4.10	4.15	4.24	4.33	4.43
75th Percentile	3.53	3.66	3.76	3.85	3.79	3.78	3.72	3.70	3.67	3.68
95th Percentile	3.53	3.66	3.69	3.70	3.52	3.38	3.20	3.02	2.89	2.83

Range of Cumulative Distributions

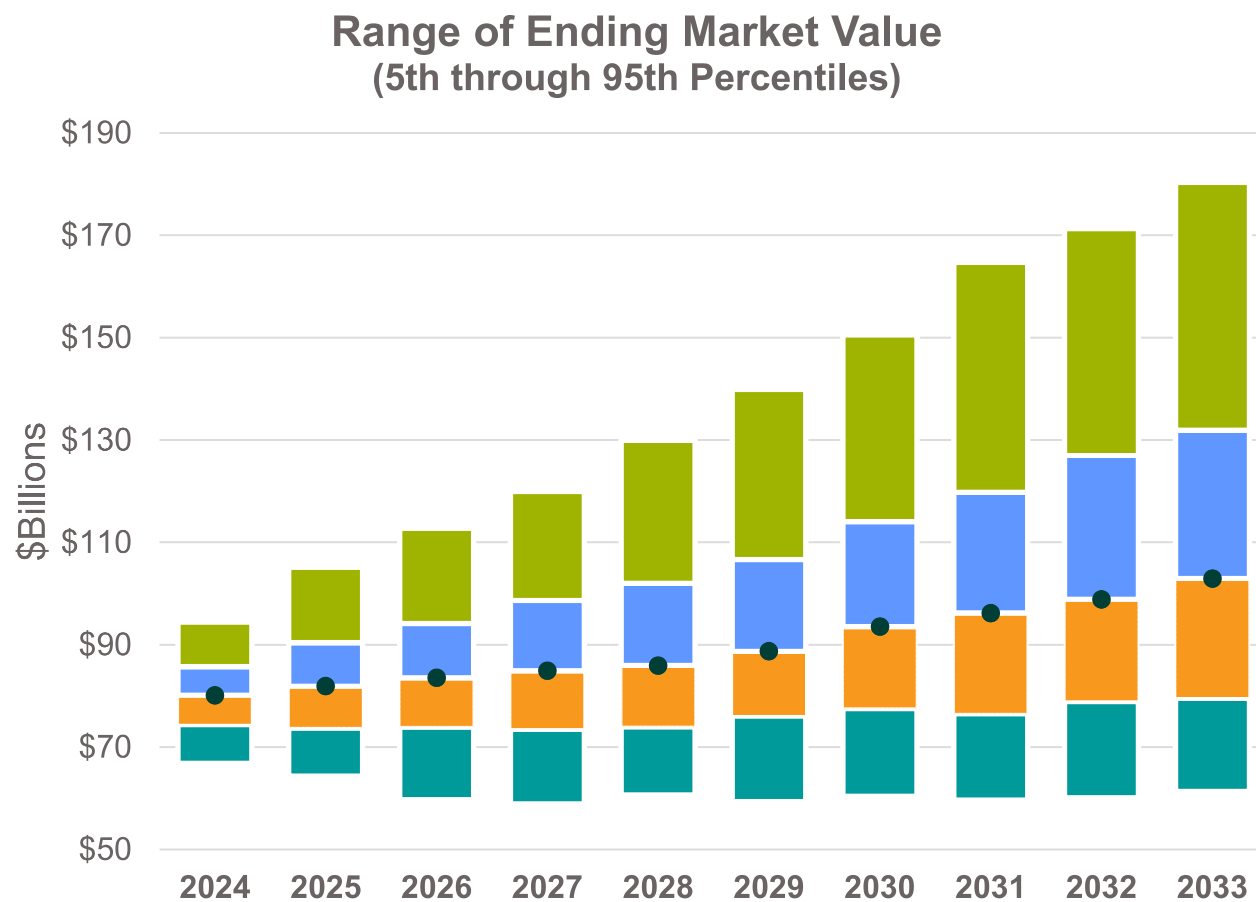
- Sum of total distributions over 10-year projection period.
- Eliminating the ERA limit increases contributions in worse case outcomes.
- $12 billion difference between 5th percentile outcomes.
-



	Base	One Account
5th Percentile	48.93	48.93
25th Percentile	43.64	43.76
50th Percentile	39.20	40.35
75th Percentile	31.42	37.45
95th Percentile	21.62	33.77

Range of Market Value – Base Case

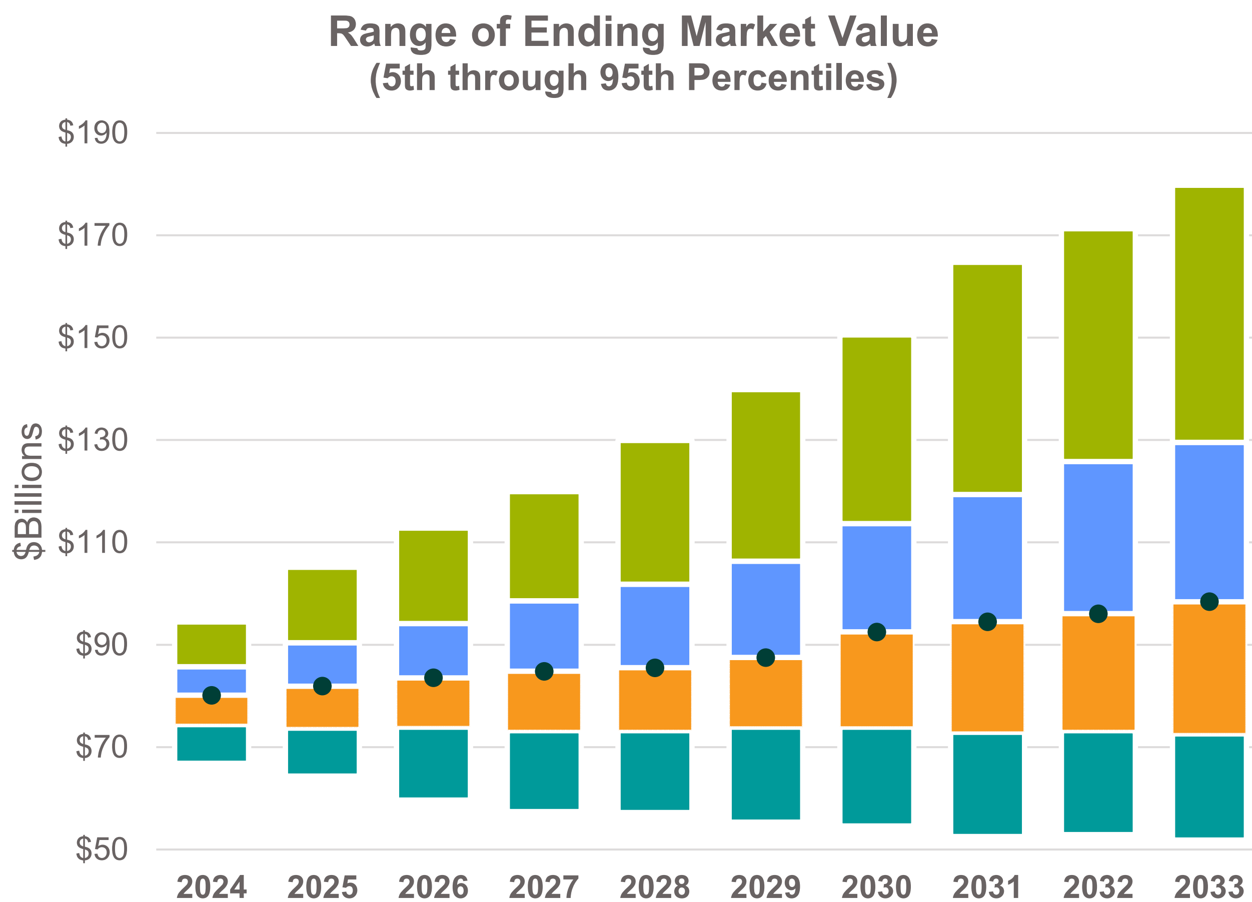
- Market Value a product of asset allocation, capital market returns, and net flows.
- High outcomes associated with strong markets.
- Low outcomes associated with weak or negative markets.



	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
5th Percentile	94.5	105.1	112.8	119.9	129.9	139.8	150.5	164.7	171.3	180.3
25th Percentile	85.7	90.4	94.2	98.7	102.0	106.7	114.1	119.8	127.0	131.9
50th Percentile	80.1	81.9	83.5	84.9	86.0	88.7	93.6	96.2	98.9	103.0
75th Percentile	74.4	73.8	73.9	73.5	74.0	76.1	77.5	76.5	78.9	79.6
95th Percentile	66.8	64.4	59.7	58.9	60.6	59.4	60.4	59.7	60.1	61.4

Range of Market Value – One Account Case

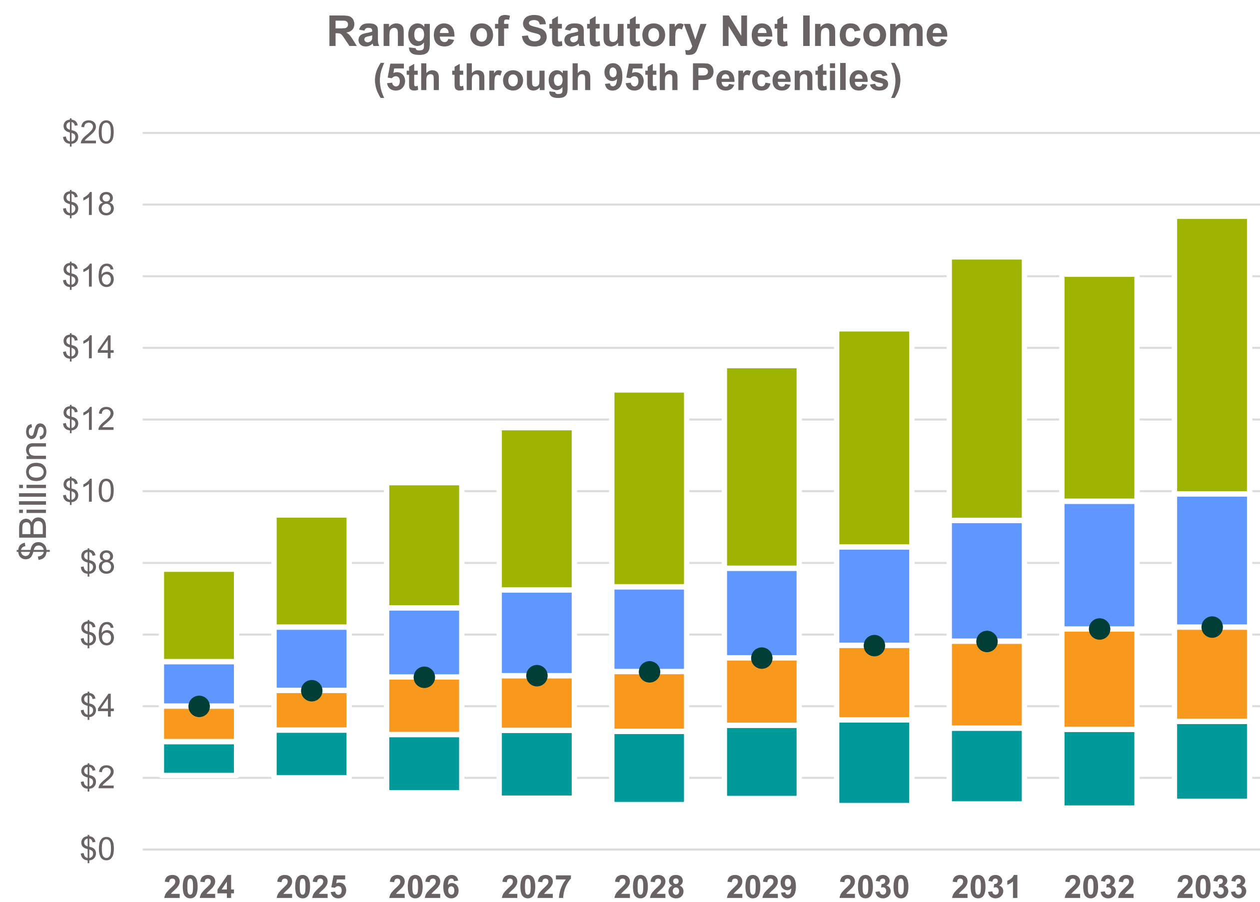
- Market value is lower in one account case due to higher distributions in worse case outcomes.
- 2033 5th percentile outcome is $51.8 billion versus $61.4 billion in the base case.
- Difference primarily explained by difference in cumulative worse case distributions over projection period.
- Cumulative distributions over ten years in 95th percentile outcome roughly $10 billion higher.
- $5 billion higher in median case.



	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
5th Percentile	94.5	105.1	112.8	119.9	129.9	139.8	150.5	164.7	171.3	179.8
25th Percentile	85.7	90.4	94.2	98.6	101.9	106.3	113.6	119.4	125.8	129.5
50th Percentile	80.1	81.9	83.5	84.8	85.5	87.5	92.5	94.5	96.1	98.4
75th Percentile	74.4	73.8	73.9	73.2	73.2	73.9	73.9	72.9	73.2	72.6
95th Percentile	66.8	64.4	59.7	57.4	57.3	55.3	54.6	52.6	52.9	51.8

Range of Statutory Net Income – Base Case

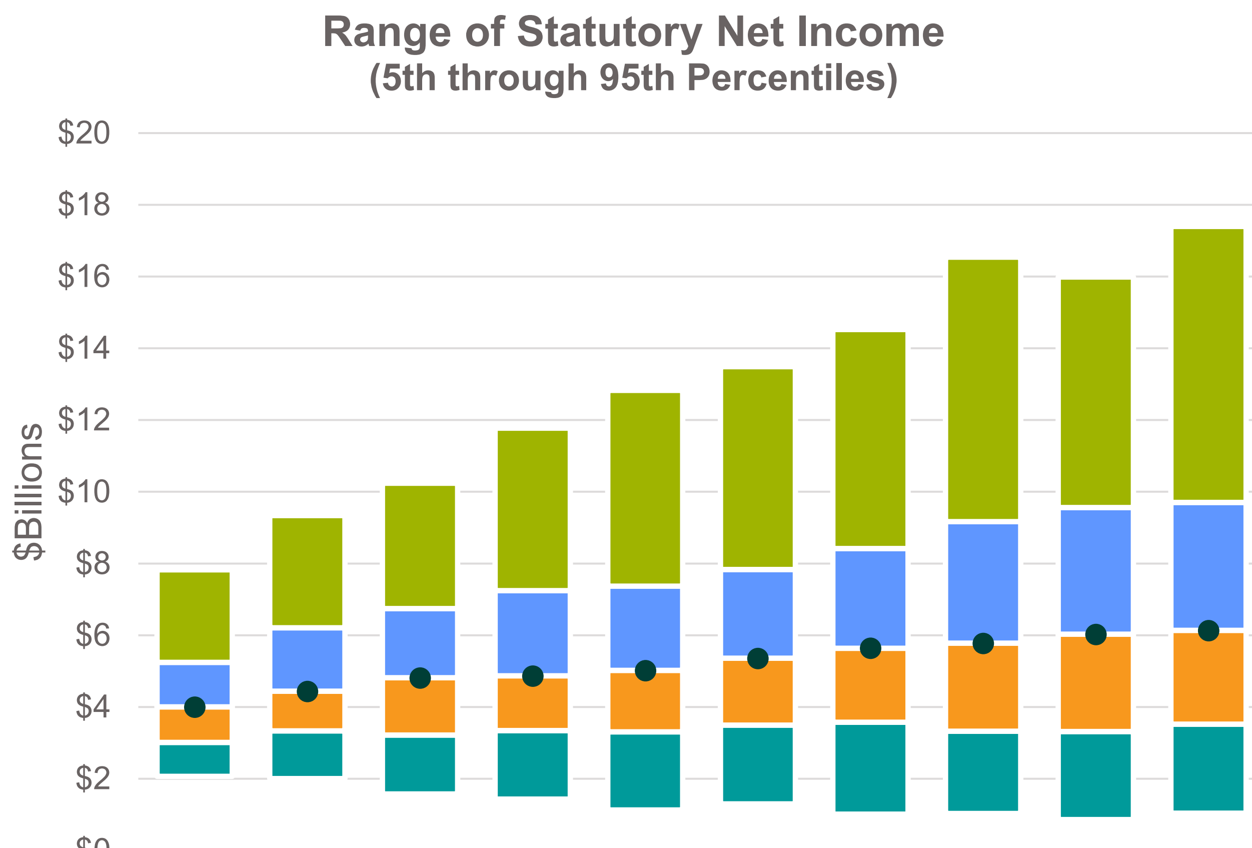
- Statutory Net Income impacted by asset allocation and market returns.
- High outcomes associated with strong markets.
- Low outcomes associated with weak or negative markets.



	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
5th Percentile	7.83	9.33	10.23	11.78	12.82	13.50	14.53	16.54	16.06	17.67
25th Percentile	5.24	6.21	6.75	7.25	7.33	7.86	8.44	9.19	9.72	9.93
50th Percentile	4.00	4.44	4.81	4.85	4.97	5.35	5.70	5.82	6.16	6.21
75th Percentile	3.02	3.34	3.21	3.33	3.30	3.47	3.62	3.39	3.35	3.58
95th Percentile	2.07	2.00	1.58	1.43	1.26	1.43	1.23	1.27	1.16	1.34

Range of Statutory Net Income – One Account Case

- Statutory Net Income relatively unaffected by elimination of ERA limit.
- Slight reduction in worse case SNI.
  - Higher payouts in worse case outcomes result in lower market value.
  - Lower market value results in lower SNI.
- Impact is pretty small, $1.04 billion in 2033 vs $1.34 billion in the base case.



	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
5th Percentile	7.83	9.33	10.23	11.78	12.82	13.49	14.53	16.54	15.99	17.39
25th Percentile	5.24	6.21	6.75	7.25	7.37	7.84	8.42	9.17	9.55	9.70
50th Percentile	4.00	4.44	4.81	4.87	5.02	5.36	5.64	5.78	6.03	6.14
75th Percentile	3.02	3.34	3.22	3.35	3.31	3.50	3.57	3.33	3.32	3.53
95th Percentile	2.07	2.00	1.58	1.43	1.13	1.30	1.02	1.03	0.86	1.04

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