



Board of Trustees

Budget Work Session

September 5, 2024

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## BOARD OF TRUSTEES BUDGET MEETING

September 5, 2024  
8:30 a.m. – 12:00 p.m.

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

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

### Teams Webinar Access:

<https://apfc.org/bot-meeting-day2>

Event Password: ANiBOR

### Teleconference Option

Phone: 323-792-6284  
Meeting ID: 233 435 211 391  
Phone Conference ID: 671 693 003#

## AGENDA

THURSDAY, SEPTEMBER 5, 2024

- 8:30 a.m. CALL TO ORDER
- ROLL CALL (Action)
- APPROVAL OF AGENDA (Action)
- OPPORTUNITY FOR PUBLIC PARTICIPATION
- 8:45 a.m. FY26 BUDGET OVERVIEW (Information)  
Alysha Guthrie, Administrative Operations Director
- BREAK (when needed)*
- 11:00 a.m. ADDITIONAL OPPORTUNITY FOR PUBLIC PARTICIPATION
- 11:15 a.m. UPDATE ON INTERNAL REVIEW (Information)  
Executive Session
- 11:50 a.m. EXECUTIVE DIRECTOR & TRUSTEE COMMENTS
- 12:00 p.m. *ADJOURN*
- 
- 1:00 p.m. **Audit Committee (See Separate Agenda)**

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

TO: Board of Trustees  
 THROUGH: Deven Mitchell, CEO  
 FROM: Alysha Guthrie, Director of Administrative Operations  
 DATE: September 5, 2024  
 RE: FY2026 Proposed Budget

ACTION:  
 INFORMATION: X

This proposed budget acknowledges the importance of the Alaska Permanent Fund Corporation’s (APFC, Corporation) continued success in providing benefits for generations of Alaskans as the largest sovereign wealth fund in the US and the 2<sup>nd</sup> largest per capita globally.

APFC’s operations rely on necessary budget resources to ensure that the Alaska Permanent Fund (Fund) and other funds entrusted to the Corporation by law are effectively managed. This proposed budget will help to ensure that the Corporation can fulfill the vision to deliver outstanding returns for the benefit of all current and future generations of Alaskans.

The budget proposal for FY2026 is a culmination of the internal strategies of directors and managers when anticipating their needs to effectively manage starting July 2025. As the first step in the budget development process, we are pleased to present this to the Board and look forward to engaging in meaningful discussions. We look forward to taking the Board’s direction and modifying this proposed budget as necessary to incorporate all feedback. A final version of the proposed budget will be brought before the Board for approval at the annual meeting to take place September 25<sup>th</sup> and 26<sup>th</sup>.

Once approved, the proposed budget will be brought forward to the Office of Management and Budget (OMB) for review and consideration for the FY2026 Governor’s budget. Ultimately, the Governor’s proposed budget will be transmitted to the Legislature by December 15<sup>th</sup> to be deliberated during the upcoming Legislative session. If other considerations are brought forward to staff by the Board after the annual meeting, staff will work with OMB for inclusion into a Governor’s amended budget. We look forward to staying engaged with the Board throughout the Legislative process.

As the starting point for FY2026 budget development, the FY2025 enacted budget included a structural change for APFC. There are now two separate appropriations: Investment Management Fees and APFC Juneau Office Operations.

In summary of this memo, the following table represents the initial FY2026 proposed budget. This memo serves to outline the components within the appropriations; a detailed breakdown can be found in the appendix to this memo.

	FY 2024 Actuals	FY2025 Management Plan	FY2026 Proposed	BPS	FY26 Proposed to FY25 MP	Variance %
<b>APFC Appropriations</b>	\$ 150,051,613	\$ 226,564,500	\$ 231,179,843	28	\$ 4,615,343	12%
Operations	\$ 22,488,285	\$ 28,400,900	\$ 31,683,743	4	\$ 3,282,843	12%
Investment Management	\$127,563,328	\$ 198,163,600	\$ 199,496,100	24	\$ 1,332,500	1%

## JUNEAU OFFICE OPERATIONS APPROPRIATION

The Juneau Office Operations Appropriation is separated into five objects of expenditure. The total request for the appropriation is a 12% increase which will be discussed in each object of expenditure below.

### PERSONAL SERVICES

	FY 2024 Actuals	FY2025 Management Plan	FY2026 Proposed	FY26 Proposed to FY25 MP	Variance %
<b>Personal Services</b>	\$ 17,547,933	\$ 23,032,900	\$ 25,470,226	\$ 2,437,326	11%
Base Salaries	\$ 10,551,523	\$ 13,827,228	\$ 14,963,856	\$ 1,136,628	8%
Base Benefits	\$ 4,970,807	\$ 6,627,452	\$ 7,082,769	\$ 455,317	7%
Incentive Compensation (Inv. Staff)	\$ 2,004,070	\$ 2,800,000	\$ 3,575,000	\$ 775,000	28%
Incentive Compensation (Ops. Staff)	\$ -	\$ 445,000	\$ 480,000	\$ 35,000	8%
Board Honorarium	\$ 21,532	\$ 16,000	\$ 30,000	\$ 14,000	88%
Vacancy Factor (3%) + Other		\$ (682,780)	\$ (661,399)	\$ 21,381	-3%

Two main goals for APFC to recruit and retain top talent is to provide discretionary salary adjustments as well as cost of living adjustments. In addition to these personal services increments, it is important to fully fund the board approved incentive compensation to ensure funding is appropriated if all benchmarks are exceeded. The total increase for personal services includes 3% cost of living provided by SB259, a 2% discretionary merit increase based on performance, 3% to fund two new positions, and restoring most of the board honoraria.

APFC currently has 67 full-time positions as well as two summer interns. There are currently six vacant full-time positions (breakdown by department below).

<u>Vacant Positions as of 8/23</u>	Department	Vacancy Date
Investment Analyst	Fixed Income	5/9/2024
Investment Operations Analyst	Middle Office	7/8/2024
Investment Operations Analyst	Middle Office	12/1/2023
Portfolio Manager	Real Estate	4/8/2023
Administrative Specialist	Admin	1/3/2023
Project Manager	Admin	New FY23

The investment analyst position is recently vacant due to an internal promotion. The two investment operations staff are critical to our operations and are actively being recruited for. We anticipate the administrative specialist position being posted in the coming weeks to fill a gap and round out the administrative team increasing capacity and redundancy particularly with our procurement section. There have been several conversations in terms of how to best utilize the project manager position. Finally, the real estate team is being assessed on their current capacity and how to best

utilize the vacant position. This position could potentially be reclassified, once the new Deputy CIO is able to finish assessing, we will have a direction to move forward with that position.

## **RETENTION**

At the end of the most recent Legislative session, SB259 was passed which for FY2025 provided a 5% COLA increase and an additional 3.38% salary adjustment for all partially exempt employees who are not included in union negotiations. APFC was approved to accept these provisions. SB259 also provided for a 3% increase for FY2026. Staff is requesting the 3% COLA from SB259 as well as a 2% performance-based discretionary merit increase for a total of \$922,126.

## **INCENTIVE COMPENSATION**

In accordance with the incentive compensation policy currently in place, the maximum distribution for those staff who are currently eligible is estimated to be \$4.05 million, which reflects \$3.6 million for investments staff and \$480,000 for operations staff. The FY2026 request includes an increment of \$809,570 to achieve full funding.

FY2025 was the first year that we achieved funding for the operations staff. We did not receive full funding for the investment staff for FY2025 given FY2023 actuals so the FY2026 request reflects a 25% increase over FY2025 management plan. It is important to fully fund the approved incentive compensation amount for both recruitment and retention. The lapsed funds at the end of the fiscal year remain in the ERA.

## **NEW POSITIONS**

Although there are currently vacant positions, those positions are critical to fulfill the mission of the Corporation. Staff is requesting two additional positions.

### *Portfolio Manager, Private Income*

Private income makes up just under 9% of the total fund with a target of 10% as of the start of fiscal year 2025.

An additional portfolio manager on the private income team is critical to scaling the program to position the team from less reliance on external consultants for due diligence activities. This person would increase capacity of the team for more thorough oversight over the increasingly complex portfolio, leading to better informed investment decisions and ideally, better returns.

The current three-person team on private income manages the existing portfolio of approximately 120 investments alongside 53 unique investment managers across infrastructure, private credit, and income opportunities. In addition to this, the team reviews over 200 new investment opportunities annually and commits more than \$1 billion of capital to 15+ primary funds and co-investments.

### *Senior Analyst/Junior Portfolio Manager, Public Equities*

On the public equities team, the strategy and board direction is to ensure redundancies and succession contingencies. This small team of three currently manages 32% of the total fund (20% internally). This position will help to develop and build-out new and potentially more complex factor-based products and strategies. Once tested and subject to good execution and performance, APFC will be positioned to bring additional assets under internal management. This would result in both short-term and long-term cost savings from manager fees as well as better performance. With this strategy, the trading volume and complexity would also likely increase particularly with the

increase in trading in international markets.

## TRAVEL

	FY 2024 Actuals	FY2025 Management Plan	FY2026 Proposed	FY26 Proposed to FY25 MP	Variance %
<b>Travel</b>	\$ 624,065	\$ 775,000	\$ 1,225,000	\$ 450,000	34%
Staff	\$ 468,802	\$ 552,000	\$ 718,000	\$ 166,000	30%
Training and Conferences		\$ 75,000	\$ 75,000	\$ -	0%
Third Party Travel	\$ -	\$ -	\$ 250,000	\$ 250,000	NEW
Trustees	\$ 24,710	\$ 18,000	\$ 33,000	\$ 15,000	83%
Moving and Non-Employee	\$ 130,554	\$ 130,000	\$ 149,000	\$ 12,000	9%

For FY2026, APFC will implement a new process to ensure transparency with third-party travel. Because third-party travel has become material to APFC's travel budget and is part of the regular duties to carry out the purpose of some of our asset classes, we are requesting additional budget authority to be transparent in our accounting of these trips.

Over the last two years, the approved list of third-party reimbursors has doubled. APFC has historically budgeted for the anticipated APFC direct costs associated with third-party travel, however, to provide more transparency, we are requesting authority for the full cost of each trip which is then offset by the reimbursement and/or the direct pay amount; this is in alignment with the Alaska Administrative Manual for third-party reimbursements. A total of \$250,000 of the FY26 proposed travel budget is requested to be Statutorily Designated Program Receipts (SDPR) authority to account for this type of travel.

SDPR will provide APFC the necessary authority that cannot be utilized for any other purpose aside from recording the third-party direct pay and/or reimbursements from third-party related travel. The reimbursements or receipts for direct pay will be recorded as revenue and the corresponding expenses will be charged against it. It is important to highlight that third-party reimbursements as well as any third party direct pay equate to a net-zero to the State and that all lapsed funds remain in the ERA.

There is also a \$166,000 request to increase staff travel, primarily investment staff for asset visits, due diligence, and attend industry-standard conferences and trainings. There is also a request for increase travel costs for the Board as well as a small increase related to non-employee travel and/or relocation.

**CONTRACTUAL SERVICES**

Contractual services in the operations appropriation accounts for the majority of our programs and operations at APFC. Presented in the below table are the major areas of operations, each are discussed following.

	FY 2024 Actuals	FY2025 Management Plan	FY2026 Proposed	FY26 Proposed to FY25 MP	Variance %
<b>Contractual Services</b>	\$ 3,446,285	\$ 3,792,100	\$ 4,142,097	349,997	9%
Audit, Legal, Consulting	\$ 500,023	\$ 768,000	\$ 857,000	89,000	12%
Public Communications	\$ 396,527	\$ 547,997	\$ 547,997	-	0%
Board Support and Meetings	\$ 79,727	\$ 117,400	\$ 122,900	5,500	5%
Information Technology	\$ 1,613,027	\$ 1,348,000	\$ 1,505,500	157,500	12%
HR and Recruitment	\$ 80,915	\$ 100,000	\$ 100,000	-	0%
Training and Conferences	\$ 77,679	\$ 102,003	\$ 150,000	47,997	47%
Office Support	\$ 698,388	\$ 808,700	\$ 858,700	50,000	6%

**AUDIT, LEGAL, CONSULTING**

This category accounts for professional services that support the broader needs of the Corporation such as the annual audit, advisory consultants, and the Reimbursable Services Agreement (RSA) with the Department of Law (DOL). Staff has requested an increment of \$89,000, primarily for additional legal capacity, but also to cover the SWIFT audit. The total cost of these two items has been offset by a slight reduction in audit costs due to a true up to contractual obligations.

As the assets under management grow, so does the amount of legal work that APFC faces in the management of these state assets. In the near term, to accommodate this increasing legal workload, APFC expects to push additional state law legal work toward the DOL so that in-house counsel can focus the required attention on the investment transactions faced by APFC. To ensure that we have sufficient budget authority to cover this increased legal work being handled by the DOL, APFC seeks to increase its budget authority by \$75,000 for FY2026.

In late 2020, APFC was assigned the SWIFT Business Identifier Code (BIC) APFOUS8J as required by BlackRock to allow continued trading and financial messaging with the Aladdin order management system. To date, APFC has engaged in self-attestation within the SWIFT Customer Security Program (CSP) as allowed. Per SWIFT requirements, a third-party audit is required after multiple periods of self-attestation. This is a niche audit category requiring SWIFT-certified assessors. Staff is requesting \$20,000 to meet these SWIFT-mandated requirements.

**PUBLIC COMMUNICATIONS**

This category encompasses all contractual support for the global communications program including meeting statutory publication requirements, educational outreach, brand enhancement, digital communications, website maintenance, media relations, crisis communications, and youth program development. This line is being held flat as funding is anticipated to be sufficient to meet FY2026 programmatic needs.

**BOARD MEETINGS**

All contractual support related to board meetings including room and equipment rentals, refreshments, transcription services, and advisory fees are included in this category. To meet the

anticipated needs a small increment of \$5,500 is requested to true up to anticipated costs.

**INFORMATION TECHNOLOGY**

This covers all contractual-based IT services related to the general support of the Corporation including consulting services, software licensing and maintenance, and equipment repairs. An increment of \$150,000 is requested specifically for the anticipated increase in software licensing. FY2026 will also be a security audit year.

**HR & RECRUITMENT**

HR continually looks for new and creative ways to successfully recruit talented professionals. We are asking for flat funding for this line for FY2026.

**TRAINING**

Training, professional certifications, and industry-standard conferences for staff are essential to ensure that APFC can continue competing in global investment markets to effectively manage and grow the portfolio. With new employees and internal advancements, ongoing educational opportunities will be crucial to their success and the value added to the Corporation. Training has also been a focus of the board. The increase of nearly \$50,000 includes \$17,000 for the real estate asset class software training and conferences, \$12,000 for executive training opportunities, and a small increase to other asset classes interested in additional training opportunities particularly for their new staff.

**OFFICE SUPPORT**

All contractual services necessary to support the shared administrative needs of the Corporation are contained within this group, primarily office lease and state support services for the Department of Revenue. The FY2026 request is relatively flat, with the largest increment in this line being to support the Anchorage office lease at \$35,000; there is also a request for \$5,000 for the anticipated cost increase for the datacenter, and \$10,000 in support for increased mobile phone costs.

**COMMODITIES & EQUIPMENT**

Commodities and Equipment are the final two objects of expenditure within the operations appropriation. These budget lines both include goods purchased to support the needs of the Corporation such as workstations, servers, furniture, and office supplies. The two lines are differentiated primarily by cost – items less than \$5,000 fall under the commodities line, while those greater than \$5,000 fall in the equipment line.

	FY 2024 Actuals	FY2025 Management Plan	FY2026 Proposed	FY26 Proposed to FY25 MP	Variance %
Commodities	\$ 427,001	\$ 200,900	\$ 246,420	\$ 45,520	23%
Equipment	\$ 443,001	\$ 600,000	\$ 600,000	\$ -	0%

**COMMODITIES**

In FY2025, the IT workstation equipment took a decrement to return to the second-year of the three-year workstation replacement cycle. There is an increment request for \$25,000 in this line to replace

workstation equipment as needed in year three prior to the full replacement cycle. There is also a request for increase for subscriptions across our various departments.

### EQUIPMENT

This fiscal year, APFC will be moving and upgrading the Disaster Recovery site from Fairbanks to Anchorage.

The equipment in both Juneau and Anchorage is generationally expiring. To use the newest generations of servers, which will yield the longest service life per dollar, our team will need to replace system components such as the chassis and controllers. Due to the increased cost of computer component and the need to replace a large portion of the compute stack, we are requesting a flat funded budget for FY2026.

### INVESTMENT MANAGEMENT APPROPRIATION

The Investment Management appropriation includes a single object of expenditure (contractual services) that is allocated between four groups of services.

### CONTRACTUAL SERVICES

The investment management appropriation consists of all contractual service lines that support the investments and decision-making process. The investment due diligence process is supported in this appropriation as well as investment systems utilized, the investment management fees as well as custody fees.

	FY 2024 Actuals	FY2025 Management Plan	FY2026 Proposed	FY26 Proposed to FY25 MP	Variance %
Investment Systems	\$ 7,516,845	\$ 11,599,200	\$ 12,410,000	810,800	7%
Investment Due Diligence	\$ 3,151,780	\$ 5,813,400	\$ 6,335,100	521,700	9%
Custody Fees	\$ 1,350,948	\$ 2,500,000	\$ 2,500,000	-	0%
Investment Manager Fees	\$115,543,754	\$ 178,251,000	\$ 178,251,000	-	0%
Public Equities	\$ 84,135,305	\$ 139,157,000	\$ 139,157,000	-	0%
Real Estate	\$ 2,349,033	\$ 3,594,000	\$ 3,594,000	-	0%
Alternative Markets	\$ 29,059,416	\$ 35,500,000	\$ 35,500,000	-	0%

### INVESTMENT SYSTEMS

This line is comprised of all the financial network systems, data feeds, and research portals used by APFC staff to make investment decisions, trade, confirm and account for investments, manage external accounts, and manage investment risk at various portfolio levels. These vendors include Bloomberg, BlackRock, Tradeweb, Moody's, S&P, and Fitch.

There is an increment request of \$810,800 for this line, primarily for our investment staffs shared analytics and data, but also includes investment operations consulting, and a request for a data vault contractor.

### *SHARED SERVICES*

This line has a requested increase of \$430,800. Part of this also includes a true up to our anticipated Bloomberg terminal costs and SWIFT access for our middle office team. There are systems for some of our asset classes that they are considering and would like to have the flexibility to move forward in FY26 if it is the product they need.

### *INVESTMENT OPS CONSULTING*

There is an increment request for \$30,000 for our investment operations team to secure consulting services that may become necessary for investment systems expansion, integration, and improved reliability. This is contingent on emerging needs of the internally-managed Public Equity and/or Fixed Income teams.

### *DATA VAULT CONTRACTOR*

To continue the strategic IT roadmap, APFC has been working with the Bank of New York Mellon through discovery sessions for the Data Vault project. \$350,000 has been requested for consulting services to help with the implementation if we move forward with this project.

### **INVESTMENT DUE DILIGENCE**

Funding for fiduciary advisors, Callan's general consulting contract, manager searches, and APFC's membership in peer groups such as the International Forum of Sovereign Wealth Funds (IFSWF) are captured in this line of expenditure. The request for FY2026 is an increase of \$521,700.

The largest increase in this line is to provide \$477,000 in additional fiduciary advice across several of our asset classes. \$200,000 of that increased authority is for our private income team for additional due diligence as well as adding Albourne modules to their existing resource. There is also increment requests for additional \$44,000 in research and membership authority to cover the professional designations of our staff on various teams.

### **INVESTMENT MANAGER FEES**

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

For FY2026, we do not anticipate a need for increased budget authority for management fees.

### **CUSTODY FEES**

This line accounts for the fees paid to the Bank of New York Mellon for custody services of the Fund's assets. Also included are additional fees paid for collateral management and tax advisory services required to trade in specific international markets.

For FY2026, we do not anticipate a need for increased budget authority for custody fees.

Appendix: FY24 Actuals, FY25 Management Plan, FY26 Request

<u>Operations Appropriation</u>	FY24 Actuals	FY25 Management Plan	FY26 Proposed	Variance FY25 Management Plan to FY26 Proposed	Variance %	FY26 Basis Points
FY2025 BOY PF Balance						
\$ 82,006,153,813						
Personal Services	\$ 17,547,933	\$ 23,032,900	\$ 25,470,226	\$ 2,437,326	11%	3
Staff	\$ 15,522,331	\$ 19,771,900	\$ 21,385,226	\$ 1,613,326	8%	
Incentive Compensation	\$ 2,004,070	\$ 3,245,000	\$ 4,055,000	\$ 810,000	25%	
Board: Honoraria	\$ 21,532	\$ 16,000	\$ 30,000	\$ 14,000	88%	
Travel	\$ 624,065	\$ 775,000	\$ 1,225,000	\$ 450,000	58%	0
Staff	\$ 468,802	\$ 552,000	\$ 718,000	\$ 166,000	30%	
Training and Conferences	\$ -	\$ 75,000	\$ 75,000	\$ -	0%	
Third Party Travel*	\$ -	\$ -	\$ 250,000	\$ 250,000		
Trustees	\$ 24,710	\$ 18,000	\$ 33,000	\$ 15,000	83%	
Moving and Non-Employee	\$ 130,554	\$ 130,000	\$ 149,000	\$ 19,000	15%	
Contractual Services	\$ 3,446,285	\$ 3,792,100	\$ 4,142,097	\$ 349,997	9%	1
Audit, Legal, Consulting	\$ 500,023	\$ 768,000	\$ 857,000	\$ 89,000	12%	
Public Communications	\$ 396,527	\$ 547,997	\$ 547,997	\$ -	0%	
Board Support and Meetings	\$ 79,727	\$ 117,400	\$ 122,900	\$ 5,500	5%	
Information Technology	\$ 1,613,027	\$ 1,348,000	\$ 1,505,500	\$ 157,500	12%	
HR and Recruitment	\$ 80,915	\$ 100,000	\$ 100,000	\$ -	0%	
Training and Conferences	\$ 77,679	\$ 102,003	\$ 150,000	\$ 47,997	47%	
Office Support	\$ 698,388	\$ 808,700	\$ 858,700	\$ 50,000	6%	
Commodities	\$ 427,001	\$ 200,900	\$ 246,420	\$ 45,520	23%	0
Equipment	\$ 443,001	\$ 600,000	\$ 600,000	\$ -	0%	0
<b>Corporate Operations Total</b>	<b>\$ 22,488,285</b>	<b>\$ 28,400,900</b>	<b>\$ 31,683,743</b>	<b>\$ 3,282,843</b>	<b>12%</b>	<b>4</b>

<u>Investment Management</u>	FY24 Actuals	FY25 Management Plan	FY26 Proposed	Variance FY25 Management Plan to FY26 Proposed	Variance %	FY26 Basis Points
FY2025 BOY PF Balance						
\$ 82,006,153,813						
Investment Systems	\$ 7,516,845	\$ 11,599,200	\$ 12,410,000	\$ 810,800	7%	2
Investment Due Diligence	\$ 3,151,780	\$ 5,813,400	\$ 6,335,100	\$ 521,700	9%	1
Custody Fees	\$ 1,350,948	\$ 2,500,000	\$ 2,500,000	\$ -	0%	0
Investment Manager Fees	\$ 115,543,754	\$ 178,251,000	\$ 178,251,000	\$ -	0%	22
Public Equities	\$ 84,135,305	\$ 139,157,000	\$ 139,157,000	\$ -	0%	
Real Estate	\$ 2,349,033	\$ 3,594,000	\$ 3,594,000	\$ -	0%	
Alternative Markets	\$ 29,059,416	\$ 35,500,000	\$ 35,500,000	\$ -	0%	
<b>Investment Management Total</b>	<b>\$ 127,563,328</b>	<b>\$ 198,163,600</b>	<b>\$ 199,496,100</b>	<b>\$ 1,332,500</b>	<b>1%</b>	<b>24</b>



APFC

ALASKA PERMANENT  
FUND CORPORATION

# FY2026 Proposed Budget

September 5, 2024

# FY26 Proposed Budget

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Supporting the high level of investment management services demanded of APFC, the FY26 proposed budget aligns strategy across key areas.

- **Recruit and Retain Top Talent**
  - Merit/inflation salary adjustments
  - Fully funded incentive compensation
- **Increase Capacity of Internal Investment Team**
  - Less reliance on external consultants for due diligence
  - Ensure redundancies and succession planning
- **Continue IT Strategic Roadmap**
  - Ensure security (mid-August YTD: 1.8m malicious attempts on our systems)
  - Add resources for data model extract for use cases with the data vault
  - Develop process and integrate investment systems

## 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.*

# FY2026 Proposed Budget

<b>FY2025 BOY PF Balance</b>	<b>\$ 82,006,153,813</b>	
	<b>FY2026</b>	<b>Basis Points</b>
Operations Appropriation	\$ 31,683,743	4
Investment Management	\$ 199,496,100	24

	<b>FY2024 Actuals</b>	<b>FY2025 Management Plan (MP)</b>
Operations Appropriation	22,488,285	28,400,900
Investment Management Appropriation	127,563,328	198,163,600
<b>Total Appropriations</b>	<b>150,051,613</b>	<b>226,564,500</b>

<b>FY2026 Proposed</b>	<b>BPS</b>
31,683,743	4
199,496,100	24
<b>231,179,843</b>	<b>28</b>

<b>FY26 Proposed to FY25 MP</b>	<b>FY26 Proposed to FY24 Actuals</b>
3,282,843	9,195,458
1,332,500	71,932,772
<b>4,615,343</b>	<b>81,128,230</b>

Fund Sources: Permanent Fund Gross Receipts, Statutory Designated Program Receipts (SDPR)



# Operations Appropriation

# Operations Appropriation

## Budget Components

	FY2024 Actuals	FY2025 Management Plan (MP)	FY2026 Proposed	BPS	FY26 Proposed to FY25 MP	FY26 Proposed to FY24 Actuals
Personal Services	17,547,933	23,032,900	25,470,226	3	2,437,326	7,922,293
Travel	624,065	775,000	1,225,000	0	450,000	600,935
Contractual Services	3,446,285	3,792,100	4,142,097	1	349,997	695,812
Commodities	427,001	200,900	246,420	0	45,520	(180,581)
Equipment	443,001	600,000	600,000	0	-	156,999
<b>Total APFC Operations</b>	<b>22,488,285</b>	<b>28,400,900</b>	<b>31,683,743</b>	<b>4</b>	<b>3,282,843</b>	<b>9,195,458</b>

# Travel

	FY2024 Actuals	FY2025 Management Plan (MP)
Travel	624,065	775,000
Staff	468,802	552,000
Training & Conferences	-	75,000
Third Party	-	-
Trustees	24,710	18,000
Moving & Non-Employee	130,554	130,000

FY2026 Proposed	BPS
1,225,000	0
718,000	
75,000	
250,000	
33,000	
149,000	

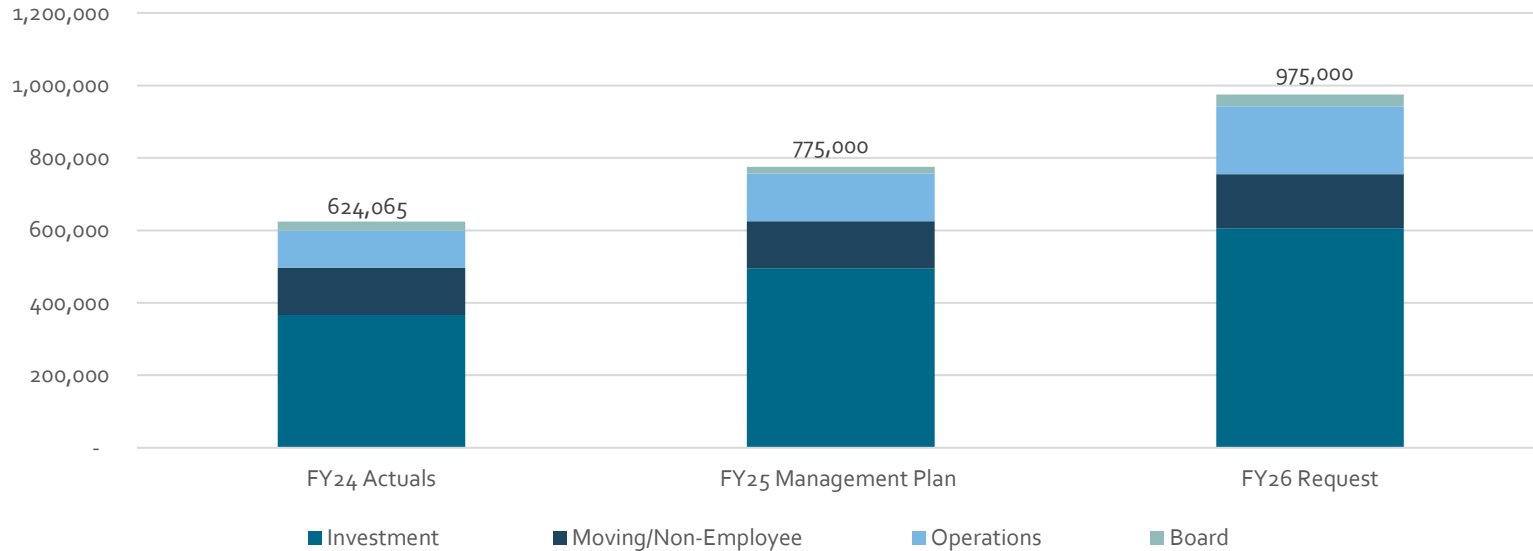
FY26 Proposed to FY25 MP	FY26 Proposed to FY24 Actuals
450,000	600,935
166,000	249,198
-	75,000
250,000	250,000
15,000	8,290
19,000	18,446

## FY26 Travel Request Funding Breakout:

- \$200,000 APFC Receipts
- \$250,000 SDPR

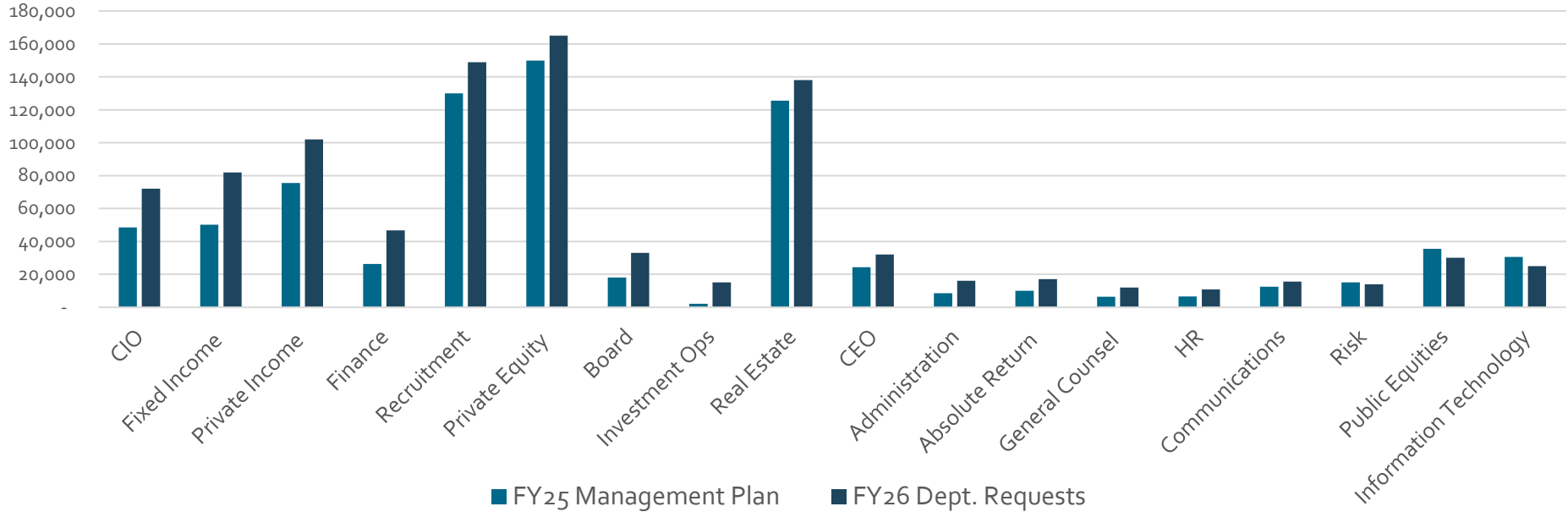
# APFC Receipt Travel

APFC Receipt Travel FY24 Actuals to FY26 Request



# Travel Continued

## FY25 Management Plan to FY26 Request

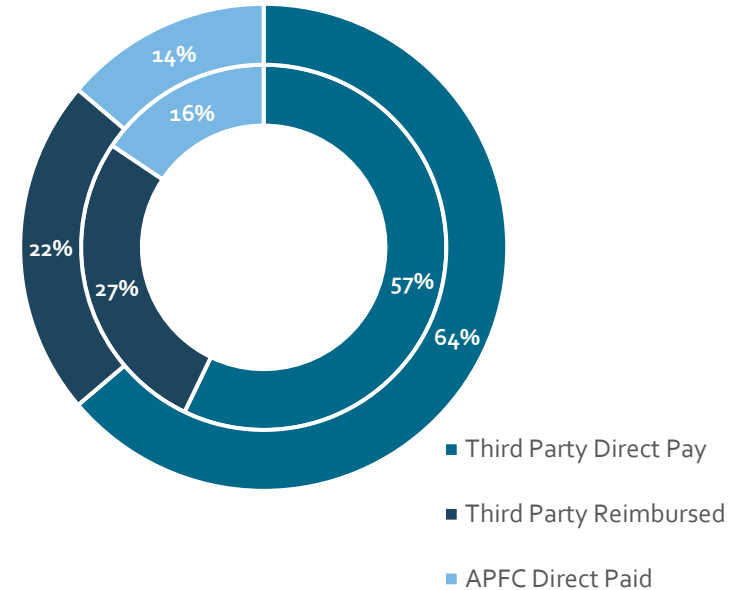


# Third-Party Travel

	FY2024 Actuals	FY2026 Request
Third Party Direct Pay	127,900	167,500
Third Party Reimbursed	61,075	82,500
<b>Total (less APFC direct pay)</b>	<b>188,975</b>	<b>250,000*</b>
<i>APFC Direct Paid</i>	34,882	40,000

- FY26 Request: \$250,000 \*SDPR
- APFC Direct Paid included in staff request, APFC receipts

FY24 Actuals to FY26 Request



# Contractual Services

	FY2024 Actuals	FY2025 Management Plan (MP)
Contractual Services	3,446,285	3,792,100
Audit, Legal, Consulting	500,023	768,000
Public Communications	396,527	547,997
Board Support and Meetings	79,727	117,400
Information Technology	1,613,027	1,348,000
HR and Recruitment	80,915	100,000
Training and Conferences	77,679	102,003
Office Support	698,388	808,700

FY2026 Proposed	BPS
4,142,097	1
857,000	
547,997	
122,900	
1,505,500	
100,000	
150,000	
858,700	

FY26 Proposed to FY25 MP	FY26 Proposed to FY24 Actuals
349,997	695,812
89,000	356,977
-	151,470
5,500	43,173
157,500	(107,527)
-	19,085
47,997	72,321
50,000	160,312

# Contractual Service Increment Requests

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\$89,000

## Consulting Services:

- Legal
- Middle Office - SWIFT

\$157,500

## Information Technology:

- IT Security Audit Year
- Increased Software Licensing Costs

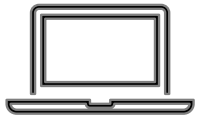
\$97,997

## Staff and Office Support:

- Training & Conferences
- Anchorage Office Lease
- Increased Datacenter Lease
- Increased Mobile Costs

# Commodities & Equipment

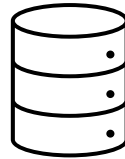
	FY2024 Actuals	FY2025 Management Plan (MP)	FY2026 Proposed	BPS	FY26 Proposed to FY25 MP	FY26 Proposed to FY24 Actuals
Commodities	427,001	200,900	246,420	0	45,520	(180,581)
Equipment	443,001	600,000	600,000	0	-	156,999



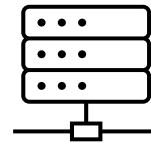
Workstation  
Equipment



Subscriptions



Database &  
Servers



Datacenter &  
Computer Rack

# Personal Services

Retain professional staff within a competitive labor market.

	FY2024 Actuals	FY2025 Management Plan (MP)	FY2026 Proposed	BPS	FY26 Proposed to FY25 MP	FY26 Proposed to FY24 Actuals
Salaries	10,551,523	13,827,228	14,963,856	2	1,136,628	4,412,333
Benefits	4,970,807	6,627,452	7,082,769	1	455,317	2,111,962
Incentive Compensation	2,004,070	3,245,000	4,055,000	0	810,000	2,050,930
Investments	2,004,070	2,800,000	3,575,000		775,000	1,570,930
Operations	-	445,000	480,000		35,000	480,000
Board Honorarium	21,532	16,000	30,000	0	14,000	8,468
Vacancy		(682,780)	(661,399)		21,381	(661,399)
<b>Total Personal Services</b>	<b>17,547,933</b>	<b>23,032,900</b>	<b>25,470,226</b>	<b>3</b>	<b>2,437,326</b>	<b>7,922,293</b>

FY26 Proposed Salary Variance (8%):

- 3% COLA (SB259)
- 2% Merit
- 3% Additional Positions

FY26 Total Personal Services Variance (11%):

- Restore Most Board Honoraria
- Fully Fund Incentive Compensation

# Personal Services

Increase capacity of internal investment teams.

## *Portfolio Manager, Private Income*

Private income makes up just under 9% of the total fund with a target of 10% as of the start of fiscal year 2025.

Necessary for:

- Scaling the program
- Less reliance on external consultants for due diligence
- More thorough oversight on increasingly complex portfolio
- Better informed investment decisions

Currently:

- Three-person team
- 120 investments
- 53 unique investment managers
- Review of over 200 new investments opportunities each year
- Commits more than \$1BN of capital to 15+ primary funds and co-investments

## *Senior Analyst/Junior Portfolio Manager, Public Equities*

This small team of three currently manages 32% of the total fund (20% internally).

Necessary for:

- Adhering to the strategies and board direction to ensure redundancies and succession contingencies
- Building out new and potentially more complex factor-based products and strategies
- Short-term and long-term cost savings from manager fees (once tested)
- Additional capacity for current strategy; increased trading volume, complexity, and international markets

# Vacant Positions

APFC Positions	Filled	Vacant
Operations	31	4
Investments	30	2
Total APFC	61	6

APFC Positions	Department	Vacancy Date	Status
Investment Analyst	Fixed Income	5/9/2024	Actively Recruiting
Investment Operations Analyst	Middle Office	7/8/2024	Actively Recruiting
Investment Operations Analyst	Middle Office	12/1/2023	Actively Recruiting
Portfolio Manager	Real Estate	4/8/2023	Not Actively Recruiting
Administrative Specialist	Admin	1/3/2023	Pending Recruitment
Project Manager	Admin	New FY23	Not Actively Recruiting



# Investment Management Fees Appropriation

# Investment Management APPROPRIATION

	FY2024 Actuals	FY2025 Management Plan (MP)	FY2026 Proposed	BPS	FY26 Proposed to FY25 MP	FY26 Proposed to FY24 Actuals
Investment Systems	7,516,845	11,599,200	12,410,000	2	810,800	4,893,155
Investment Due Diligence	3,151,780	5,813,400	6,335,100	1	521,700	3,183,320
Custody Fees	1,350,948	2,500,000	2,500,000	0	-	1,149,052
Investment Management Fees	115,543,754	178,251,000	178,251,000	22	-	62,707,246
Public Equity	84,135,305	139,157,000	139,157,000		-	55,021,695
Real Estate	2,349,033	3,594,000	3,594,000		-	1,244,967
Alternative Investments	29,059,416	35,500,000	35,500,000		-	6,440,584
<b>Investment Management</b>	<b>127,563,328</b>	<b>198,163,600</b>	<b>199,496,100</b>	<b>24</b>	<b>1,332,500</b>	<b>71,932,772</b>

# Investment Systems Increment Requests

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\$430,800

Shared  
Services/Analytics/Data

- Investment Ops:  
Bloomberg, SWIFT,  
Refinitiv
- Real Estate: Argus, Yardi

\$350,000

Data Vault Contractor

- Architect Solutions for  
Use Cases
- Integrate Automation

\$30,000

Investment Operations  
Consulting

- Develop Process
- Integrate Systems

# Investment Due Diligence Increment Requests

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\$300,000

Private Income: Private  
Credit and Real Asset  
Modules

\$177,700

Fiduciary Advice

- Additional Due Diligence  
Various Asset Classes
- Real Estate: Manager  
Reviews, Underwriting

\$44,000

Research and Memberships

- Market Research Data  
Various Asset Classes
- ISITC Annual  
Membership



Questions?