



Board of Trustees  
Regular Meeting  
September 4, 2025



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## BOARD OF TRUSTEES REGULAR MEETING

**September 4, 2025**  
**1:30 p.m. – 4:30 p.m.**

### VIRTUAL

Webinar Access ([click here to register](#))

The link above leads to the registration page.

After registering, check your email for a meeting link - there is a delivery delay.

Please register early to join on time.

Teleconference Option

Phone: 323-792-6284

Phone Conference ID: 380 471 549#

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

### AGENDA

THURSDAY, SEPTEMBER 4, 2025

- |           |   |
|-----------|---|
| 1:30 p.m. | <p>CALL TO ORDER</p> <p>ROLL CALL (Action)</p> <p>APPROVAL OF AGENDA (Action)</p> <p>APPROVAL OF MINUTES (Action)</p> <ul style="list-style-type: none"> <li>• May 28-29, 2025 Quarterly Meeting</li> </ul> <p>OPPORTUNITY FOR PUBLIC PARTICIPATION</p> <p>COMMITTEE REPORTS (Information)</p> <ul style="list-style-type: none"> <li>• Audit Committee (see next agenda item)</li> </ul> |
| 1:45 p.m. | <p>REPORT OF THE ANNUAL AUDIT (Action)</p> <p>Beth Stuart, Lead Audit Partner, KPMG</p> <p>Melissa Beedle, Audit Managing Director, KPMG</p> <p>Valerie Mertz, Chief Financial Officer</p>  |
| 2:15 p.m. | <p>FY27 BUDGET OVERVIEW &amp; APPROVAL (Action)</p> <p>Deven Mitchell, Chief Executive Officer</p> <p>Valerie Mertz, Chief Financial Officer</p> <p><i>BREAK (when needed)</i></p>  |
| 4:00 p.m. | <p>ADDITIONAL OPPORTUNITY FOR PUBLIC PARTICIPATION</p>  |
| 4:15 p.m. | <p>EXECUTIVE DIRECTOR &amp; TRUSTEE COMMENTS</p>  |
| 4:30 p.m. | <p>ADJOURN</p>  |

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

SUBJECT: Approval of Minutes

ACTION: X

DATE: September 4, 2025

INFORMATION:

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BACKGROUND:

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

- May 28-29, 2025 Quarterly Meeting

RECOMMENDATION:

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

**ALASKA PERMANENT FUND CORPORATION  
QUARTERLY MEETING OF THE BOARD OF TRUSTEES**

May 28, 2025  
08:30 AM.

Originating at:  
Harrigan Centennial Hall, Raven Room  
330 Harbor Drive, Sitka, Alaska

**Trustees Present:**

Jason Brune, Chair  
John Binkley

Adam Crum, Vice-Chair  
Ryan Anderson

Craig Richards  
Ethan Schutt

**APFC Staff Present:**

Deven Mitchell, CEO  
Val Mertz, CIO  
Chris Poag  
Jim Parise  
Ross Alexander  
Jennifer Loesch  
Larissa Murray  
Jordyn Perletti  
Ben Williams  
Norix Mangual  
Jacki Mallinger  
Edward Rime  
Henry Lloyd  
Lesley Creswell  
Alexander Smith  
Sarah Clark  
Steven Gagliardo  
Tara Mendoza

Marcus Frampton, CIO  
Sebastian Vadakumcherry  
Paulyn Swanson  
Terek Rutherford  
Eric Ritchie  
Scott Balovich  
Joseph Jeralds  
Juliette Alldredge  
Shannon McCain  
Allen Waldrop  
Steve Adams  
Chris LaVallee  
Marisa McComas  
Sarah Struble  
Matt Sykes  
Shawn Calhoon  
Michael Gumz  
Lillie Haggard

Valeria Martinez  
Lara Pollock  
Joshua Ungar  
Colton Scrudder  
Cassandra King  
Michael Prebeg  
Youlian Ninkov  
Heather Pedersen  
Damien Miller  
Fawad Razzaque  
Masha Skuratovskaya  
Cody Graves  
Roman Lajala  
Joe Shinn  
Jessica Thornsbury  
Matthew Ives  
Luke Kirkham

**Department of Law Staff Present:**

Ben Hofmeister

William Milks

**Investment Advisors:**

George Zinn

John Skjervem

**Callan:**

Greg Allen

Steve Center

**Public:**

Rep. Rebecca Himschoot

Senator Bert Stedman

David Witthuhn

Aurora Hauke

Amory Lelake

Cindy Miata

Cathy Schlingheyde

Jay Duddles

Ricky Seybolt

Phil Nunes

Rod James

Stacie Crown

Andre Peirovi

Dick Hess

Stephen Panos

Robert Gerschultz

Leola Rutherford

Michael Formanek

Barron Rutherford

Catherine Hatch

Peter Benyo

Greg Richard

Lauren Albanese

Martin Cawley

Adam Redling

Michael Bloom

Deborah Brollini

Doug Woodby

Michael L. McHargue

Kim Smith

Brenda Hentschel

Sophia Torres

Elaine Schroeder

Anne Rittgers

Jim Simard

Kevin Balaod

**CALL TO ORDER**

CHAIR JASON BRUNE called the quarterly meeting of the Board of Trustees of the Alaska Permanent Fund Corporation (APFC) to order at 8:31 a.m. Chair Brune confirmed that public notice of the meeting had been properly given in accordance with state requirements.

**ROLL CALL**

A roll call was conducted by JENNIFER LOESCH.

Trustees present included:

- CHAIR JASON BRUNE
- VICE CHAIR ADAM CRUM
- TRUSTEE CRAIG RICHARDS
- TRUSTEE RYAN ANDERSON
- TRUSTEE JOHN BINKLEY
- TRUSTEE ETHAN SCHUTT

J. Loesch confirmed that a quorum was established.

**APPROVAL OF AGENDA**

Chair Brune requested a motion to approve the meeting agenda.

- Motion: Moved by Trustee Crum

- Second: Seconded by Trustee Schutt  
Chair Brune announced for the public that the board would meet until 12:15 p.m., recess for committee meetings, and reconvene at 8:30 a.m. the following day.
- Vote: The motion passed without objection.

### **APPROVAL OF MINUTES**

Chair Brune requested a motion to approve the minutes of the February 12–13, 2025, quarterly meeting.

- Motion: Moved by Vice Chair Crum
- Second: Seconded by Trustee Schutt
- Vote: The motion passed without objection.

### **PUBLIC COMMENT**

Chair Brune opened the meeting for public comment, noting there would be a second opportunity the following day.

- ELAINE SCHROEDER, co-chair of 350 Juneau, addressed the board to ask how climate change affects the viability of the Permanent Fund’s investments. She stated that climate change presents an undeniable risk to global economies and that managing this risk is a core fiduciary responsibility. She submitted a written report, which was entered into the meeting record. Chair Brune thanked E. Schroeder for her comments and confirmed the trustees had received the report.
- JIM SIMARD, a retired librarian and board member of 350 Juneau Climate Action for Alaska, cited NOAA data showing a dramatic increase in the frequency and cost of billion-dollar climate disasters. He expressed concern that NOAA would retire this dataset and encouraged the board to examine producer responsibility in light of escalating climate disruption. Chair Brune thanked J. Simard for his testimony.

### **CHIEF EXECUTIVE OFFICER REPORT**

DEVEN MITCHELL, Chief Executive Officer, presented the CEO report.

#### **Pending Board Matters**

D. Mitchell reported that most outstanding action items were completed, with the proxy voting audit expected by September 2025.

#### **Trustee Education and Travel**

D. Mitchell highlighted the Callan conference as a valuable event. He noted that Governor’s Administrative Order 358 introduced a travel waiver requirement for all state travel. CHAIR J. Brune stressed the importance of responsibly managing public funds while ensuring APFC continues to engage actively in relationship building and deal flow.

#### **Internship Program**

D. Mitchell reported two internal and three external interns. TRUSTEE C. RICHARDS

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emphasized the program as a strategic pipeline to develop Alaskan financial talent and urged expansion. He highlighted that it historically produced successful recruits. GREG ALLEN of Callan warned about potential SEC compliance risks, suggesting internships might be viewed as a "currency" for access. Trustees acknowledged the tension but affirmed commitment to long-term local capacity building.

### **Recruitment and Hiring**

D. Mitchell reported ten vacancies, with two filled. He stated that recruitment now requires a waiver under Administrative Order 358. CHAIR J. Brune noted constructive conversations with the Governor's Chief of Staff and was optimistic about approvals for critical roles.

### **Legislative Update and Inflation Proofing**

D. Mitchell noted that the legislature passed intent language retroactively applying a \$4 billion appropriation to inflation proofing, while repealing FY25's allocation and omitting FY26's. TRUSTEE C. RICHARDS objected, arguing that it violated board precedent and undermined intergenerational equity. He stressed the need for formal board ratification before adopting any revised stance.

CHRIS POAG, General Counsel, confirmed that legislative intent language in appropriations bills is non-binding and that only formal appropriations count.

- Motion: C. Richards moved that the board reaffirm its stance that inflation proofing must occur at the time of appropriation.
- Second: Seconded by Trustee Anderson
- Vote: The motion passed unanimously by **roll call vote**.

### **Financial and Administrative Updates**

D. Mitchell summarized IT upgrades, investment referral improvements, and WilmerHale response planning (to be reviewed by the Governance Committee). He reported statutory net income of \$4.1 billion as of March 2025.

## **CHIEF INVESTMENT OFFICER REPORT**

MARCUS FRAMPTON, Chief Investment Officer, presented the investment report.

### **Performance and Rebalancing**

M. Frampton emphasized APFC's real-time rebalancing strategy, which mitigates exposure risks more dynamically than month-end industry practices. He reported that the fund exceeded its CPI + 5% target over five- and 10-year periods and consistently outperformed peer groups. He rejected passive S&P 500 indexing as shortsighted and exposed to high valuation risk.

### **Total Portfolio Approach (TPA)**

M. Frampton introduced TPA, a framework used by sovereign funds focusing on factor-risk over asset classes. He raised concerns about the erosion of benchmark discipline. GREG ALLEN



called TPA potentially a "fad" that could obscure transparency. Trustees expressed caution and deferred adoption. JOHN SKJERVEM warned that TPA lacks structural accountability, especially for long-term institutions reliant on durable, rules-based systems.

## **RISK AND COMPLIANCE OFFICER REPORT**

SEBASTIAN VADAKUMCHERRY, Chief Risk and Compliance Officer, reported that the fund's risk posture aligned with board limits. He highlighted \$7.6 billion in unfunded private asset commitments spread over 3–5 years, emphasizing they were cash-flow offset. He reiterated that the private portfolio remained net positive.

He presented historical stress tests, indicating that a GFC-like event could cause a 40% drawdown. He emphasized: "We cannot predict such downturns, but we must be prepared. The goal is not to panic—it's to build institutional resilience."

## **INVESTMENT ADVISOR PERSPECTIVES**

GEORGE ZINN warned of overexposure to U.S. assets ("home country bias") in institutional portfolios. He noted that future trade conflicts and "revenge taxes" could destabilize returns. He urged a diversified approach in the upcoming asset allocation review.

JOHN SKJERVEM praised the board's early gold investment as foresight amid systemic risks. He advocated for pre-set buy/sell triggers to institutionalize discipline during market turbulence. He reaffirmed the importance of rules-based investment governance that transcends individual staff tenures.

## **PUBLIC AND PRIVATE MARKETS UPDATE**

### **Private Markets Update**

ALLEN WALDROP, Deputy CIO for Private Markets, reported \$1.1 billion committed of a \$1.5 billion target, focusing on fee-reducing co-investments. He cited recovery from tech/biotech downturns and diversification into industrials and finance. In real estate, he described an active management strategy with annual asset reviews, \$350 million pulled forward through credit facilities, and new team expansions underway.

### **Public Markets Update**

JIM PARISE, Deputy CIO for Public Markets, reported overweight positions in small/mid-cap stocks, value stocks, and emerging markets. He detailed a plan to reduce tracking error from 300 to 100 basis points over two years to improve volatility control. Fixed income underperformed slightly for the quarter but outperformed long-term. The team increased high-yield positions in April's volatility. \$900 million was transferred to the State, and \$1.8 billion was used for internal rebalancing.

## **ADJOURNMENT**

The meeting adjourned at 12:15 p.m. and would reconvene at 8:30 a.m. on Thursday, May 29,

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2025. The Ethics, Audit, and Cybersecurity Committee was scheduled for 1:00 p.m. that afternoon.

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**CALL TO ORDER**

CHAIR JASON BRUNE called the second day of the quarterly meeting to order at 8:35 a.m. He expressed appreciation to the community of Sitka for its hospitality and welcomed STATE REPRESENTATIVE REBECCA HIMSCHOOT to the proceedings. Public meeting notice requirements were confirmed as satisfied.

**PRIVATE INCOME ASSET CLASS UPDATE**

**Team and Portfolio Overview**

ROSS ALEXANDER, Senior Portfolio Manager and Head of Private Income, presented an overview of the \$7.5 billion Private Income portfolio, comprising private credit, infrastructure, and income opportunities. He acknowledged a current staffing shortfall and commended TEREK RUTHERFORD, Associate, for assuming expanded responsibilities during the vacancy.

**Staffing and Resource Constraints**

Trustees voiced concern about key person risk, given that a two-person team oversees a multibillion-dollar portfolio. DEVEN MITCHELL, Chief Executive Officer (CEO), confirmed efforts to fill the vacant role and noted that a request for an additional portfolio manager included in the Governor's amended budget was not adopted by the legislature. TRUSTEE RICHARDS emphasized the disparity between the Private Income team's staffing and the robust resources allocated to managing state royalties, urging action to expand investment capacity.

**Infrastructure Market Update**

R. Alexander described infrastructure as a maturing asset class and cited a projected \$15 trillion global investment shortfall by 2039. He noted the portfolio's evolution toward digital infrastructure and highlighted that investments are primarily made through closed-end vehicles with 10- to 12-year lives, targeting capital appreciation.

**Exposure and Risk Management**

In response to TRUSTEE ANDERSON's inquiry, staff clarified that commodities exposure, such as copper and steel, is gained through the public equity portfolio rather than private infrastructure. R. Alexander reported that approximately 30% of the energy transition portfolio is invested in renewables, and reaffirmed the team's pragmatic, returns-focused approach.

**Private Credit Market Conditions**

T. Rutherford delivered an update on private credit, noting a persistent yield premium due to illiquidity and credit risks. He acknowledged rising default rates but indicated these remain within historical norms. The portfolio remains focused on first-lien, senior-secured loans with strong covenant protections.

TRUSTEE RICHARDS expressed concern over the influx of capital into private credit markets, warning that it often leads to weakened underwriting standards and a degradation of long-term portfolio resilience. He cautioned that such dynamics, if left unchecked, could conflict with the board's fiduciary responsibility to safeguard intergenerational equity. R. Alexander concurred, stressing the team's focus on experienced managers and prudent capital deployment.

### **Performance, Co-Investments, and Direct Investment Capacity**

The team reported that infrastructure returns have been bolstered by co-investments, which have saved the fund hundreds of millions in fees. This led to a discussion on the feasibility of internalizing direct investments. MARCUS FRAMPTON, Chief Investment Officer (CIO), cited significant resource requirements, and INVESTMENT ADVISOR JOHN SKJERVEM emphasized governance transparency as a constraint compared to other models like Utah's.

### **Benchmark Review**

R. Alexander reported underperformance of the private credit portfolio relative to the Cliffwater Direct Lending Index, attributing the discrepancy to fee structure differences and leverage variance. M. Frampton acknowledged these issues and agreed to a review. Trustees questioned whether the benchmark fairly reflected the portfolio's unique composition and risk profile, raising philosophical concerns about benchmarking transparency and accountability. The Chair directed Callan and investment advisors to assess benchmark appropriateness.

## **LEGISLATIVE UPDATE FROM SENATOR BERT STEDMAN**

SENATOR STEDMAN addressed the board regarding efforts to restructure the fund via a constitutional amendment implementing a Percent of Market Value (POMV) framework. He emphasized that ensuring liquidity to meet the annual 5% draw was critical not only from a financial perspective but also as a political safeguard to maintain public trust and avoid undermining the reform effort. He framed liquidity discipline as a foundational principle in sustaining the state's fiscal integrity and aligning long-term asset allocation with predictable public expectations.

## **REAL ESTATE ASSET CLASS UPDATE**

### **Strategic Repositioning**

Prior to the staff presentation, TRUSTEE RICHARDS recommended a fundamental restructuring of the real estate portfolio. He criticized the concentration of directly owned assets as a legacy construct that now introduces sector risk, key-person dependency, and strategic inflexibility. He proposed a long-term 50% reduction in direct holdings.

### **Performance and Hold/Sell Strategy**

ERIC RITCHIE, Senior Portfolio Manager and Head of Real Estate, reported that the portfolio's decade-long underperformance stems largely from retail asset exposure. ALLEN WALDROP, Deputy CIO for Private Markets, presented a hold/sell analysis, which identified eight assets for near-term sale.

## ACTION ITEMS & MOTIONS

### Real Estate Policy Updates

- **Motion:** Moved by Trustee Anderson to approve Board Resolution 2501 adopting the expanded NPI benchmark.
  - **Second:** Trustee Schutt
  - **Vote:** Unanimous roll call approval.
- **Motion:** Moved by Trustee Richards to remove REITs from the benchmark and cap REIT exposure at 10%.
  - **Second:** Trustee Schutt
  - **Vote:** Unanimous roll call approval.

### Asset Allocation Decisions

M. Frampton and SEBASTIAN VADAKUMCHERRY, Chief Risk and Compliance Officer, presented the annual review. They outlined three potential allocation paths, ranging from the current structure to higher-risk alternatives. Trustees acknowledged that while the status quo aligns with existing tolerance levels, rising volatility and geopolitical risk merit cautious consideration. They affirmed the 80/20 equity-to-bond benchmark as an interim strategy but expressed interest in revisiting a higher-risk model in the future, contingent on macroeconomic stability and continued fiduciary alignment.

- **Motion:** Moved by Trustee Schutt to reaffirm the status quo asset allocation for FY26.
  - **Vote:** Unanimous roll call approval.
- **Motion:** Moved by Trustee Richards to direct staff to revisit Option 1 (higher risk allocation) for long-term consideration within a 2–4 year horizon.
  - **Vote:** Unanimous roll call approval.
- **Motion:** Moved by Trustee Richards to reduce the direct real estate portfolio by 50% over five years.
  - **Vote:** Unanimous roll call approval.

### Investment Policy Statement (IPS) Changes

The board approved modifications to the Investment Policy Statement for public equities and fixed income, effective July 1, 2025. The reduced tracking error target was framed as a strategy to balance long-term performance with volatility control, consistent with the board's risk management philosophy.

### Investment Advisory Group Appointment

- **Motion:** Moved by Trustee Crum to approve JANET BECKER-WOLD as the new Investment Advisory Group member.

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- **Second:** Trustee Schutt
- **Vote:** Unanimous roll call approval.

### **FY26 Budget Authorization**

Following a brief executive session to receive legal counsel, the board reconvened to authorize the FY26 budget, which includes four separate appropriations. Trustees confirmed the proposed expenditures align with APFC’s strategic objectives and legislative mandate.

- **Motion:** Moved by Trustee Crum to authorize the CEO to expend the FY26 budget as appropriated.
  - **Second:** Trustee Anderson
  - **Vote:** Unanimous roll call approval.

### **PUBLIC COMMENT**

Chair Brune invited public comment both in-person and via remote channels. As no participants came forward, the opportunity was formally closed, with the record reflecting full compliance with public transparency obligations.

### **CLOSING REMARKS**

Advisors JOHN SKJERVEM and GEORGE ZINN commended the board’s depth of discussion and public transparency. They praised the organization’s governance culture and its commitment to disciplined oversight, highlighting the board’s engagement as a model of effective fiduciary stewardship. Trustees extended appreciation to staff for comprehensive presentations and thanked the Sitka community for hosting.

### **ADJOURNMENT**

- **Motion:** Moved by Trustee Anderson to adjourn the meeting.
  - **Second:** Trustee Crum
  - **Vote:** The motion passed without objection.

The meeting adjourned at 5:07 p.m.

SUBJECT: Report of Annual Audit

ACTION: X

DATE: September 4, 2025

INFORMATION:                     BACKGROUND:

The corporate governance manual requires the Board of Trustees to approve the annual audited financial statements.

STATUS:

The financial audit for fiscal year 2025 was completed by KPMG with a report date of September 4th. The results of the audit and a recap of the year-end financial statements were presented to the Audit, Ethics, & Cybersecurity Committee on September 4th.

Beth Stuart, engagement partner, and Melissa Beedle, audit managing director, from KPMG, will present a summary of the audit results. A copy of the presentation is included here.

RECOMMENDATION:

Staff is requesting board approval of the audited financial statements.

# Alaska Permanent Fund Corporation

## Discussion with those charged with governance

Audit results and strategy for the year ending June 30, 2025

September 4, 2025



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# Audit results required communications and other matters

Matters to communicate		Response
Significant unusual transactions	--	
Uncorrected audit misstatements	✓	Page 7
Corrected audit misstatements	--	
Financial statement presentation and disclosure omissions	--	
Non-GAAP policies and practices	--	
Auditors' report	--	
Changes to our risk assessment and planned audit strategy	--	
Significant accounting policies and practices	✓	Page 4
Significant accounting estimates	✓	Pages 4 to 5
Significant financial statement disclosures	✓	Page 4

Matters to communicate		Response
Related parties	--	
Going concern	--	
Other information	✓	Page 8
Subsequent events	--	
Noncompliance with laws and regulations	--	
Significant difficulties encountered during the audit	--	
Significant findings or issues discussed, or the subject of correspondence with management	--	
Management's consultation with other accountants	--	
Disagreements with management	--	
Other significant matters	--	

✓ = Matters to report    -- = No matters to report



# Audit results required communications and other matters

Matters to communicate	
Consultations	There were no difficult or contentious matters for which the auditor consulted outside the engagement team that are relevant to the audit committee's oversight of the financial reporting process.
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in system of internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Engagement letter, management representation letters, including summary of uncorrected misstatements, internal control deficiency letter, and minutes representation letter to be distributed under separate covers.
Independence	See page 9

# Significant disclosures, accounting policies and practices

Description of significant disclosures, accounting policies and practices	Audit findings
<p>Financial statement disclosures are attached to the financial statements for the Fund and describe the related policies and supplementary detail into the amounts included on the statements.</p> <p>The significant accounting policies are described in note 2 to the financial statements</p>	<p>There have been no changes to the disclosures, accounting policies and practices used by the entity during FY2025.</p>

# Significant accounting estimates

## Description of significant accounting estimates

Valuation of directly owned real estate investments

## Audit findings

### Management's process used to develop the estimates

- Management uses a third party to manage the appraisals of the directly held real estate assets. Each property is valued quarterly by third-party advisors and annually through an appraisal performed by a third party.

### Significant assumptions used that have a high degree of subjectivity

- Assumptions used in the determination of the valuation that have a degree of subjectivity include management estimates related to market rent growth rate, vacancy rates, downtime, discount rate, replacement cost new, renewal probability and terminal capitalization rates.

### Indicators of possible management bias

- There were no indicators of possible management bias identified during our audit of this estimate.

### Qualitative aspects

- No changes in methods in the current year

## Conclusions

- We involved our valuation specialist team to review certain of the properties and their third-party appraisals for consistency and reasonableness with national standards and assumptions.
- We performed substantive tests of details over this estimate and determined that the methods used by management and the valuations recorded by management are reasonable.

# Significant accounting estimates, continued

## Description of significant accounting estimates

- Valuation of private investments

## Audit findings

### Management's process used to develop the estimates

- Management receives periodic capital statements from external fund managers. These capital statements are the starting point to estimate fair value of each private investment and are adjusted for any contributions or distributions made during the period and any other factors management believes impact fair value.

### Significant assumptions used that have a high degree of subjectivity

- None

### Indicators of possible management bias

- There were no indicators of possible management bias identified during our audit of this estimate.

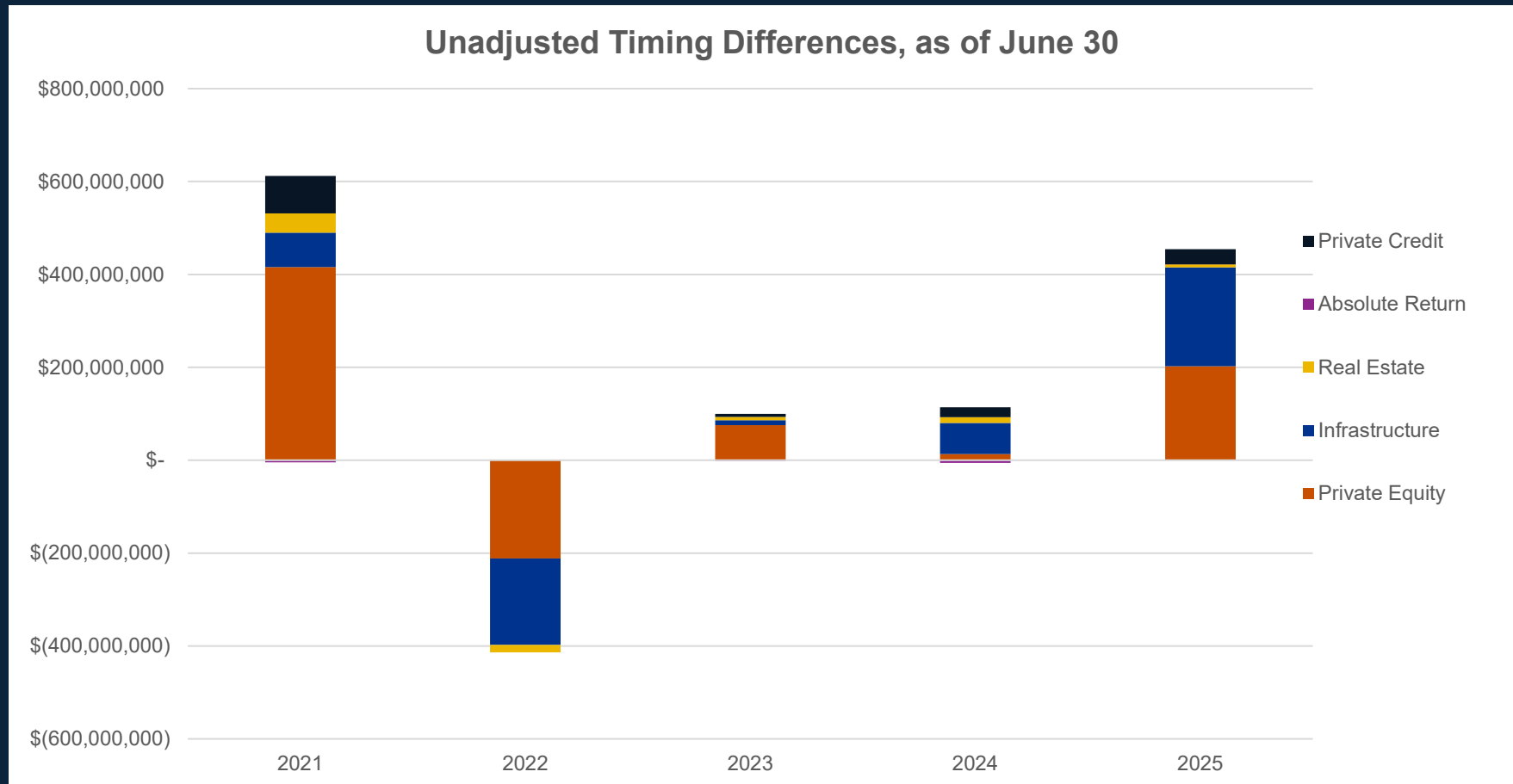
### Qualitative aspects

- No changes in methods in the current year

## Conclusions

- We performed substantive tests of details over this estimate and determined that the methods used by management and the valuations recorded by management are reasonable.

# Uncorrected audit misstatements



Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

# Other information

Other information	Procedures performed
Annual Report	<p>We will obtain a draft of the annual report when it is available and will review it for consistency with the audited financial statement.</p> <p>If we identify any material inconsistencies from the audited financial statements or material misstatements of facts, we will request management to revise the document prior to its publication.</p>

# Independence communications

The following are circumstances or relationships that, in our professional judgment, may reasonably be thought to bear on independence, and to which we gave significant consideration, in reaching the conclusion that independence has not been impaired.

Relationship	Description of relationship and relevant safeguards, if applicable
Financial Statement preparation assistance	Assistance with proforma financial statements, word processing, and drafting of the financial statements

## Affirmation of independence

We hereby affirm that as of September 4, 2025, the engagement team and others in the firm as appropriate, the firm and its affiliated firms, have complied with relevant ethical requirements regarding independence.

# On the 2026 board agenda

Issues for boards to keep in mind as they carry out their 2026 agendas



Maintain focus on how management is preparing to address risks and opportunities related to geopolitical and economic shifts and global disruption.



Model and assess what the new administration's policy initiatives might mean for the company's strategy in 2025 and beyond.



Understand the company's generative AI (GenAI) strategy and related risks, and closely monitor the governance structure around the company's deployment and use of technology.



Probe whether the company's data governance and cybersecurity governance frameworks and processes are keeping pace with the growth and sophistication of data-related risks.



Keep environmental and social issues, including climate risk, embedded in risk and strategy discussions, and monitor management's preparations for new US, state, and global sustainability reporting requirements.



Maintain focus on CEO succession and talent development.



Help set the tone, monitor the culture, and keep abreast of management's efforts to build stakeholder trust and protect the company's reputation.



Revisit board and committee risk oversight responsibilities and the allocation of issues among committees, including whether the existing committee structure is still fit for purpose.



Think strategically about the company's future needs and reconsider whether and how the board's composition and succession planning process address them.

*KPMG Board Leadership Center: On the 2025 board agenda*



# AI-driven financial reporting and auditing revolution

Insights from KPMG's AI in Financial Reporting and the Audit Survey



97% of financial reporting leaders intend to use or pilot Gen AI over the next three years.



83% of financial reporting leaders say it is important that external auditors use AI in their analysis.



Key AI benefits focus on real-time insights, ability to predict trends and impacts, increased data accuracy and reliability, and better data-enabled decisions.



Desire for auditors to use AI for risk and anomaly identification, data analysis and quality management, and risk mitigation and internal controls.



Expected AI and Gen AI benefits come with risks. Leaders focus on ethical use of Gen AI, setting up policies and governance, and early Board involvement.

Effective practices include regular monitoring, training, ethical frameworks, and human oversight.

KPMG has developed a trusted AI approach centered around using AI responsibly and ethically.

Values-driven

Human-centric

Trustworthy



# Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at [www.kpmg.com/ACI](http://www.kpmg.com/ACI)

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TO: Board of Trustees  
THROUGH: Deven Mitchell, CEO  
FROM: Valerie Mertz, Chief Financial Officer  
DATE: September 4, 2025  
RE: FY2027 Proposed Budget

ACTION: X  
INFORMATION:

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 FY2027 is the culmination of an internal process involving directors and managers quantifying the anticipated funding levels necessary to effectively manage their areas for the fiscal year beginning July 2026. We will take the Board's direction and modify this proposed budget as necessary to incorporate feedback. Due to the timing of the annual meeting this year, staff is seeking approval of a final budget request from the Board at this meeting.

Once approved, the proposed budget will be brought forward to the Office of Management and Budget (OMB) for consideration for inclusion in the FY2027 Governor's budget. Ultimately, the Governor's proposed budget will be transmitted to the Legislature by December 15<sup>th</sup> for deliberation during the upcoming Legislative session. If other considerations are brought forward by the Board after this meeting, staff will work with OMB for inclusion in the Governor's amended budget. We look forward to staying engaged with the Board throughout the Legislative process.

This proposed budget for FY2027 is structured as a single appropriation with three allocations: Corporate Operations, Facilities Rent Non-State Owned, and Investment Management.

This memo serves to outline the components within the allocations; a detailed breakdown can be found in the appendix.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25 Actuals	FY26 Auth
<b>APFC Appropriation</b>	\$ 155,843,981	\$ 227,631,400	\$ 209,579,671	\$ 53,735,690	\$ (18,051,729)
Corporate Operations	\$ 22,979,181	\$ 28,606,300	\$ 30,479,271	\$ 7,500,090	\$ 1,872,971
Facilities Non-State Owned	\$ 611,163	\$ 583,000	\$ 649,000	\$ 37,837	\$ 66,000
Investment Management	\$ 132,253,638	\$ 198,442,100	\$ 178,451,400	\$ 46,197,762	\$ (19,990,700)

## CORPORATE OPERATIONS ALLOCATION

The Corporate Operations Allocation is separated into five objects of expenditure. The total request for the allocation is a 6.5% increase from the FY2026 authorization, which is detailed below.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
Corporate Operations	\$ 22,979,181	\$ 28,606,300	\$ 30,479,271	\$ 7,500,090	\$ 1,872,971
Personal Services	\$ 19,053,121	\$ 23,881,800	\$ 24,677,771	5,624,650	\$ 795,971
Travel	\$ 503,451	\$ 1,025,000	\$ 1,173,300	669,849	\$ 148,300
Contractual Services	\$ 2,643,490	\$ 3,111,500	\$ 3,495,620	852,130	\$ 384,120
Commodities	\$ 195,441	\$ 145,000	\$ 382,580	187,139	\$ 237,580
Equipment	\$ 583,678	\$ 443,000	\$ 750,000	166,322	\$ 307,000

### PERSONAL SERVICES

To effectively recruit and retain top APFC talent, it is essential to provide discretionary salary adjustments and cost-of-living adjustments. Additionally, it is important to fully fund the board-approved incentive compensation policy to ensure funding is authorized if all benchmarks are exceeded. The net increase to personal services includes an increase to fully fund the anticipated incentive payments per the policy, a small increase to Board honorarium, and a decrease to salary and benefits for a position that we do not plan to fill.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
Personal Services	\$ 19,053,121	\$ 23,881,800	\$ 24,677,771	\$ 5,624,650	\$ 795,971
Base Salaries	\$ 11,617,369	\$ 14,242,040	\$ 14,158,040	\$ 2,540,671	\$ (84,000)
Base Benefits	\$ 5,639,650	\$ 7,095,335	\$ 7,033,884	\$ 1,394,234	\$ (61,451)
Incentive Compensation (Inv. Staff)	\$ 1,615,350	\$ 2,800,000	\$ 3,600,000	\$ 1,984,650	\$ 800,000
Incentive Compensation (Ops. Staff)	\$ 165,257	\$ 445,000	\$ 505,000	\$ 339,743	\$ 60,000
Board Honorarium	\$ 15,495	\$ 16,000	\$ 18,000	\$ 2,505	\$ 2,000
Vacancy		\$ (716,575)	\$ (637,153)	\$ (637,153)	\$ 79,422

APFC currently has 67 full-time positions as well as two summer interns. This budget proposal includes the elimination of the vacant Investment Operations Analyst position, which would bring the position count to 66. There are currently ten vacant full-time positions:

Vacant Positions as of 8/18	Vacancy Date	Status
Investment Analyst – Fixed Income	5/8/2024	Actively recruiting
Investment Operations Analyst	7/8/2024	No intent to fill – propose forfeit
Portfolio Manager – Private Equity	10/12/2024	Not actively recruiting
Director – Real Estate	4/14/2025	Not actively recruiting
Portfolio Manager – Public Equities	2/20/2025	Not actively recruiting
Portfolio Manager – Private Income	3/8/2025	Actively recruiting
Risk & Compliance Analyst	3/15/2025	Actively recruiting
Administrative Operations Manager	5/10/2025	Actively recruiting
Business Analyst		Recruitment on hold
Chief Operating Officer (Admin Spec)	4/23/2025	Waiver request outstanding

There are four positions in various stages of active recruitment: one Investment Analyst for Fixed Income, one Portfolio Manager for Private Income, a Risk & Compliance Analyst, and the Administrative Operations Manager. Recruiting is on hold for three positions: one Portfolio Manager for Private Equity and one for Public Equities, and the Director of Real Estate. Discussions are ongoing about how to best utilize these positions within the investments team. Recruitment was put on hold for the Business Analyst that was slated to lead the data warehouse implementation; however, internal deliberations have concluded that we need to take a different approach to our data solution. A waiver request has been submitted to fill the vacant Administrative Specialist position as a Chief Operating Officer. This waiver request is pending. Lastly, staff is proposing to forfeit the vacant Investment Operations Analyst position. With the transition away from internal management of Public Equities, there is no need for a third member of that team.

## RETENTION

Beginning for FY2025, SB259 was passed to provide a 5% COLA increase and an additional 3.38% salary adjustment for all partially exempt employees who are not included in union negotiations. APFC staff were determined to be eligible for these increases. The COLA remains at 3% for FY2026 and steps down to 2.5% for FY2027. OMB automatically adds this amount to our base request so it does not need to be included in the Board's request. No additional amounts are being requested for merit adjustments.

## 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 \$4.11 million, which reflects \$3.6 million for investment staff and \$505,000 for operations staff. The FY2027 request includes an increment of \$860,000 to achieve full funding.

We did not receive full funding for incentive compensation for FY2026 so the FY2027 request reflects a 26% increase over the FY2026 authorization. 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

There are no new positions being proposed in this request.

## TRAVEL

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
<b>Travel</b>	\$ 503,451	\$ 1,025,000	\$ 1,173,300	\$ 669,849	\$ 148,300
Staff	\$ 454,777	\$ 735,000	\$ 737,000	\$ 282,223	\$ 2,000
Trustees	\$ 41,597	\$ 18,000	\$ 55,000	\$ 13,403	\$ 37,000
Third Party Reimbursed	\$ -	\$ 250,000	\$ 361,300	\$ 361,300	\$ 111,300
Non-Employee	\$ 7,077	\$ 22,000	\$ 20,000	\$ 12,923	\$ (2,000)

In FY2026, APFC implemented 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 portfolio management's regular responsibilities in some asset classes, we requested and received budget authority to collect reimbursement from our investment partners to offset the cost of some staff

travel.

The amount authorized for FY2026 was an estimate which was expected to be refined as we tracked third party reimbursed travel in this way. An increment of \$111,000 is being requested to the Statutorily Designated Program Receipts (SDPR) authority based on staff plans for the fiscal year.

SDPR 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 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 cost to APFC.

The FY2027 overall request for staff travel is flat to the FY2026 level. An increment to Board travel of \$37,000 has been included to better align with actual expenses for FY2025.

## CONTRACTUAL SERVICES

The Contractual Services line covers the services provided externally to support activities not directly related to investment activity. Presented below are the major areas of operations, with detail following.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
<b>Contractual Services</b>	\$ 2,643,491	\$ 3,111,500	\$ 3,495,620	\$ 852,129	\$ 384,120
Audit, Legal, Consulting	\$ 427,994	\$ 765,000	\$ 742,000	\$ 314,006	\$ (23,000)
Public Communications	\$ 503,971	\$ 547,997	\$ 542,870	\$ 38,899	\$ (5,127)
Board Support and Meetings	\$ 36,355	\$ 97,400	\$ 89,400	\$ 53,045	\$ (8,000)
Information Technology	\$ 1,275,013	\$ 1,282,400	\$ 1,630,000	\$ 354,987	\$ 347,600
HR and Recruitment	\$ 25,907	\$ 31,200	\$ 40,000	\$ 14,093	\$ 8,800
Training/Education	\$ 45,747	\$ 102,003	\$ 110,050	\$ 64,303	\$ 8,047
Office Support	\$ 328,503	\$ 285,500	\$ 341,300	\$ 12,797	\$ 55,800

## 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). The decrement on this line is related to a true-up to the contractual amount for the annual audit. The FY2026 request was based on an estimate.

The request for all other lines in this category are flat versus the prior year authorization.

## 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. There is a small decrement to this line attributed to lower anticipated printing costs.

## 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. The small

decrement on this line relates to a reduction in meeting room and transcription expenses offset by an increase to catering due to the rising cost of food service.

### **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 \$347,000 is requested related to the increased licensing fees for the CISCO firewall that will be installed in FY2026. The new firewall provides for enhanced security for APFC's network and data.

### **HR & RECRUITMENT**

HR continually looks for new and creative ways to successfully recruit talented professionals. The \$9,000 increment on this line is being requested to cover the increased cost of posting recruitments. Having national reach is essential to attracting top talent.

### **TRAINING**

Training, professional certifications, and industry conferences for staff are essential to ensure that APFC can continue to compete 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 will enhance value added to the corporation. Training has also been a focus of the Board. A \$8,000 increment is being requested on this line.

### **OFFICE SUPPORT**

All contractual services necessary to support the shared administrative needs of the corporation are contained within this group, such as state support services from the Department of Revenue through RSA's and office maintenance. Nearly half of the increment being requested for office support is due to increases in the amounts charged to us for state services through the RSA process. The remainder is an increase to expenses related to records retention. In order to more effectively respond to public records requests, tools to allow for the storage of text and chat messages were implemented in FY2026.

### **COMMODITIES & EQUIPMENT**

Commodities and Equipment are the final two objects of expenditure within the operations allocation. 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 by cost – items less than \$5,000 fall under the commodities line, while those greater than \$5,000 are accounted for in the equipment line.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
Commodities	\$ 195,441	\$ 145,000	\$ 382,580	\$ 187,139	\$ 237,580
Equipment	\$ 583,678	\$ 443,000	\$ 750,000	\$ 166,322	\$ 307,000

### **COMMODITIES**

Workstation equipment is on a three-year replacement cycle. \$196,000 of the increment to the Commodities line is designated for this purpose. The remaining \$42,000 is related to subscriptions for research and analytics that has been identified as value add by several investment teams.



## EQUIPMENT

In FY2026, an increment was requested to refresh the equipment in both the Juneau and Anchorage datacenters. The equipment in both locations has reached end-of-life. 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. The authorized amount for FY2026 was cut to the FY2024 actual expenditure amount and was not adequate to fund this expenditure. The \$307,000 increment requested on this line will allow for the datacenter replacement and restore this line to the amount authorized in prior years for regular maintenance.

## FACILITIES RENT NON-STATE OWNED ALLOCATION

Beginning with FY2026, an allocation was added to the statewide budget structure per guidance from OMB. The Facilities Rent Non-State Owned allocation is intended to capture the lease costs related to space occupied in buildings that are not owned by the State of Alaska.

A \$66,000 increment is being requested for this allocation to support a contractual increase for the office space in Juneau as well as to fund the lease costs for the Anchorage office.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
Facilities Non-State Owned	\$ 611,163	\$ 583,000	\$ 649,000	\$ 37,837	\$ 66,000

## INVESTMENT MANAGEMENT ALLOCATION

The investment management allocation consists of all contractual services that support the investment process. This includes investment due diligence, investment analytics and trading platforms, investment management fees as well as custody fees.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
Investment Systems & Due Diligence	\$ 13,655,334	\$ 20,191,100	\$ 19,191,400	\$ 5,536,066	\$ (999,700)
Investment Systems	\$ 8,814,303	\$ 11,877,700	\$ 10,813,000	1,998,697	\$ (1,064,700)
Investment Due Diligence	\$ 3,234,810	\$ 5,813,400	\$ 5,813,400	2,578,590	\$ -
Custody Fees	\$ 1,606,222	\$ 2,500,000	\$ 2,565,000	958,778	\$ 65,000
Investment Manager Fees	\$ 118,598,304	\$ 178,251,000	\$ 159,260,000	\$ 40,661,696	\$ (18,991,000)
Public Equities	\$ 85,721,089	\$ 139,157,000	\$ 120,000,000	34,278,911	\$ (19,157,000)
Real Estate	\$ 2,239,359	\$ 3,594,000	\$ 3,000,000	760,641	\$ (594,000)
Alternative Markets	\$ 30,637,856	\$ 35,500,000	\$ 36,260,000	5,622,144	\$ 760,000

## 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. These vendors include Bloomberg, BlackRock, Tradeweb, Moody's, S&P, and Fitch.



A decrement of \$1,000,000 is being proposed on this line. A reduction of \$500,000 is attributed to a decrease in consulting for the data warehouse project. After considerable internal discussion, we decided to shift our approach to data solutions, moving away from a comprehensive enterprise system to tools that better meet the specific needs of individual groups. To address these needs, \$500,000 for data solutions has been retained in the FY2027 request. The remainder of the reduction relates to the cost of the data feeds and systems utilized by the investments team. The reduction brings the request more in line with anticipated actual expenditures.

### **INVESTMENT DUE DILIGENCE**

Funding for fiduciary advisors, the Board's general consultant, performance measurement, manager searches, and APFC's membership in peer groups such as the International Forum of Sovereign Wealth Funds (IFSFWF) are captured in this line of expenditure. No increase is being requested on this line for FY2027.

### **INVESTMENT MANAGER FEES**

This budget includes all costs paid directly to firms that manage the Fund's external portfolios and 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 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 FY2027, we are requesting a net decrement of \$19 million. This is primarily due to a reduction on the public equity line. Fees in the area have been lower than budget for the last few years. This adjustment brings the budget more in line with actuals, leaving a contingency due to the uncertain nature of investment performance. Also included on this line is a reduction to real estate fees caused by a reduction in externally managed public real estate (REITs) and an increase for alternative assets to accommodate the growing private markets portfolio.

### **CUSTODY FEES**

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

A small increment is being requested on this line due to increased activity in some international markets.

### **BOARD ACTION**

Staff is seeking approval from the Board of Trustees to put forward this budget for inclusion in the Governor's FY2027 operating budget.

Proposed motion:

*"move to approve the advancement of the FY2027 APFC operating budget as presented (amended) for inclusion in the Governor's budget that will be submitted to the Legislature."*

**Appendix: FY2027 Budget Proposal**

**Corporate Operations Allocation**

	Actual	Authorized	Proposed	Variance From	
	FY2025	FY2026	FY2027	FY2025	FY2026
Personal Services	\$19,053,121	\$23,881,800	\$24,677,771	\$5,624,650	\$795,971
Staff	19,037,626	23,865,800	24,661,771	5,624,145	795,971
Board: Honorarium	15,495	16,000	16,000	505	-
Travel	\$503,451	\$1,025,000	\$1,173,300	\$669,849	\$148,300
Staff	454,777	735,000	737,000	282,223	2,000
Trustees	41,597	18,000	55,000	13,403	37,000
Third Party Reimbursed	-	250,000	361,300	361,300	111,300
Non-Employee	7,077	22,000	20,000	12,923	(2,000)
Contractual Services	\$2,643,491	\$3,111,500	\$3,495,620	\$852,129	\$384,120
Audit, Legal, Consulting	427,994	765,000	742,000	314,006	(23,000)
Public Communications	503,971	547,997	542,870	38,899	(5,127)
Board Support and Meetings	36,355	97,400	89,400	53,045	(8,000)
Information Technology	1,275,013	1,282,400	1,630,000	354,987	347,600
HR and Recruitment	25,907	31,200	40,000	14,093	8,800
Training/Education	45,747	102,003	110,050	64,303	8,047
Office Support	328,503	285,500	341,300	12,797	55,800
Commodities	\$195,441	\$145,000	\$382,580	\$187,139	\$237,580
Information Technology	111,067	64,100	260,000	148,933	195,900
Office Support	84,373	80,900	122,580	38,207	41,680
Equipment	\$583,678	\$443,000	\$750,000	\$166,322	\$307,000
Information Technology	583,678	443,000	750,000	166,322	307,000
<b>Total Allocation</b>	<b>\$22,979,181</b>	<b>\$28,606,300</b>	<b>\$30,479,271</b>	<b>\$7,500,090</b>	<b>\$1,872,971</b>

**Facilities Non-State Owned Allocation**

	Actual	Authorized	Proposed	Variance From	
	FY2025	FY2026	FY2027	FY2025	FY2026
Office Rent/Lease	611,163	583,000	649,000	37,837	66,000
<b>Total Allocation</b>	<b>\$611,163</b>	<b>\$583,000</b>	<b>\$649,000</b>	<b>\$37,837</b>	<b>\$66,000</b>

**Investment Management Allocation**

	Actual	Authorized	Proposed	Variance From	
	FY2025	FY2026	FY2027	FY2025	FY2026
Investment Systems & Due Diligence	<b>13,655,334</b>	<b>20,191,100</b>	<b>19,191,400</b>	<b>5,536,066</b>	<b>(999,700)</b>
Investment Systems	8,814,303	11,877,700	10,813,000	1,998,697	(1,064,700)
Investment Due Diligence	3,234,810	5,813,400	5,813,400	2,578,590	-
Custody Fees	1,606,222	2,500,000	2,565,000	958,778	65,000
Investment Manager Fees	<b>\$118,598,304</b>	<b>\$178,251,000</b>	<b>\$159,260,000</b>	<b>\$40,661,696</b>	<b>\$(18,991,000)</b>
Public Equities	85,721,089	139,157,000	120,000,000	34,278,911	(19,157,000)
Fixed Income	-	-	-	-	-
Real Estate	2,239,359	3,594,000	3,000,000	760,641	(594,000)
Alternative Assets	30,637,856	35,500,000	36,260,000	5,622,144	760,000
<b>Total Allocation</b>	<b>\$132,253,638</b>	<b>\$198,442,100</b>	<b>\$178,451,400</b>	<b>\$46,197,762</b>	<b>\$(19,990,700)</b>

<b>Total APFC</b>	<b>\$ 155,843,981</b>	<b>\$ 227,631,400</b>	<b>\$ 209,579,671</b>	<b>\$ 53,735,690</b>	<b>\$ (18,051,729)</b>
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**APFC**

ALASKA PERMANENT  
FUND CORPORATION

# FY2027 Proposed Budget

*September 4, 2025*

# FY27 Proposed Budget

Supporting the high level of investment management services demanded of APFC, the FY27 proposed budget aligns strategy across key areas.

## ➤ **Recruit and Retain Top Talent**

- Fully funded incentive compensation
- SB259 2.5% funding to be added by OMB

## ➤ **Continue IT Strategic Roadmap**

- Enhanced security through firewall upgrades
- Data Center equipment refresh
- Robust analytics for effective decision-making

## 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.*

# FY2027 Proposed Budget

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25 Actuals	FY26 Auth
<b>APFC Appropriation</b>	\$155,843,981	\$227,631,400	\$209,579,671	\$53,735,690	\$(18,051,729)
Corporate Operations	\$22,979,181	\$28,606,300	\$30,479,271	\$7,500,090	\$1,872,971
Facilities Non-State Owned	\$611,163	\$583,000	\$649,000	\$37,837	\$66,000
Investment Management	\$132,253,638	\$198,442,100	\$178,451,400	\$46,197,762	\$(19,990,700)

## Fund Sources:

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

A blue-tinted photograph of a forest with tall, thin trees and dense foliage, serving as the background for the slide.

# Operations Allocation



# Operations Allocation

Five objects of expenditure.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
Corporate Operations	\$ 22,979,181	\$ 28,606,300	\$ 30,479,271	\$ 7,500,090	\$ 1,872,971
Personal Services	\$ 19,053,121	\$ 23,881,800	\$ 24,677,771	5,624,650	\$ 795,971
Travel	\$ 503,451	\$ 1,025,000	\$ 1,173,300	669,849	\$ 148,300
Contractual Services	\$ 2,643,490	\$ 3,111,500	\$ 3,495,620	852,130	\$ 384,120
Commodities	\$ 195,441	\$ 145,000	\$ 382,580	187,139	\$ 237,580
Equipment	\$ 583,678	\$ 443,000	\$ 750,000	166,322	\$ 307,000

# Personal Services

Retain professional staff within a competitive labor market.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
<b>Personal Services</b>	\$ 19,053,121	\$ 23,881,800	\$ 24,677,771	\$ 5,624,650	\$ 795,971
Base Salaries	\$ 11,617,369	\$ 14,242,040	\$ 14,158,040	\$ 2,540,671	\$ (84,000)
Base Benefits	\$ 5,639,650	\$ 7,095,335	\$ 7,033,884	\$ 1,394,234	\$ (61,451)
Incentive Compensation (Inv. Staff)	\$ 1,615,350	\$ 2,800,000	\$ 3,600,000	\$ 1,984,650	\$ 800,000
Incentive Compensation (Ops. Staff)	\$ 165,257	\$ 445,000	\$ 505,000	\$ 339,743	\$ 60,000
Board Honorarium	\$ 15,495	\$ 16,000	\$ 18,000	\$ 2,505	\$ 2,000
Vacancy		\$ (716,575)	\$ (637,153)	\$ (637,153)	\$ 79,422

FY27 Proposed Salary Variance (-1%):

- Forfeit Investment Operations Analyst PCN
- SB259 2.5% to be added by OMB

FY27 Total Personal Services Variance (3%):

- Increase Board Honorarium
- Fully Fund Incentive Compensation



# Vacant Positions

APFC Positions	Filled	Vacant
Operations	31	4
Investments	26	6
Total APFC	57	10

<u>Vacant Positions as of 8/18</u>	Vacancy Date	Status
Investment Analyst – Fixed Income	5/8/2024	Actively recruiting
Investment Operations Analyst	7/8/2024	No intent to fill – propose forfeit
Portfolio Manager – Private Equity	10/12/2024	Not actively recruiting
Director – Real Estate	4/14/2025	Not actively recruiting
Portfolio Manager – Public Equities	2/20/2025	Not actively recruiting
Portfolio Manager – Private Income	3/8/2025	Actively recruiting
Risk & Compliance Analyst	3/15/2025	Actively recruiting
Administrative Operations Manager	5/10/2025	Actively recruiting
Business Analyst		Recruitment on hold
Chief Operating Officer (Admin Spec)	4/23/2025	Waiver request outstanding

# Travel

An essential part of doing business.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
<b>Travel</b>	\$ 503,451	\$ 1,025,000	\$ 1,173,300	\$ 669,849	\$ 148,300
Staff	\$ 454,777	\$ 735,000	\$ 737,000	\$ 282,223	\$ 2,000
Trustees	\$ 41,597	\$ 18,000	\$ 55,000	\$ 13,403	\$ 37,000
Third Party Reimbursed	\$ -	\$ 250,000	\$ 361,300	\$ 361,300	\$ 111,300
Non-Employee	\$ 7,077	\$ 22,000	\$ 20,000	\$ 12,923	\$ (2,000)

## FY27 Travel Increment:

- \$37,000 APFC Receipts – Trustee Travel
- \$111,300 SDPR - Third Party Reimbursed

# Contractual Services

Leveraging external partnerships.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
<b>Contractual Services</b>	\$ 2,643,491	\$ 3,111,500	\$ 3,495,620	\$ 852,129	\$ 384,120
Audit, Legal, Consulting	\$ 427,994	\$ 765,000	\$ 742,000	\$ 314,006	\$ (23,000)
Public Communications	\$ 503,971	\$ 547,997	\$ 542,870	\$ 38,899	\$ (5,127)
Board Support and Meetings	\$ 36,355	\$ 97,400	\$ 89,400	\$ 53,045	\$ (8,000)
Information Technology	\$ 1,275,013	\$ 1,282,400	\$ 1,630,000	\$ 354,987	\$ 347,600
HR and Recruitment	\$ 25,907	\$ 31,200	\$ 40,000	\$ 14,093	\$ 8,800
Training/Education	\$ 45,747	\$ 102,003	\$ 110,050	\$ 64,303	\$ 8,047
Office Support	\$ 328,503	\$ 285,500	\$ 341,300	\$ 12,797	\$ 55,800

- Information Technology
  - Firewall upgrades to enhance network and data security
- Office Support
  - Increase to pass-through expenses from the Department of Revenue
  - Records retention tools to support public records requests

# Commodities & Equipment

Tools critical to maximizing returns.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
Commodities	\$ 195,441	\$ 145,000	\$ 382,580	\$ 187,139	\$ 237,580
Equipment	\$ 583,678	\$ 443,000	\$ 750,000	\$ 166,322	\$ 307,000

## Commodities - < \$5,000

- Subscriptions
- Office Supplies
- Workstation Equipment

## Equipment - > \$5,000

- Servers
- Storage
- Switches
- Firewall



# Facilities Non-State Owned Allocation

# Facilities Non-State Owned

Professional space to support excellent work.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
Facilities Non-State Owned	\$ 611,163	\$ 583,000	\$ 649,000	\$ 37,837	\$ 66,000

- \$615,000 Juneau Headquarters
- \$34,000 Anchorage Office





# Investment Management Allocation

# Investment Management

The core of our business.

	FY25 Actuals	FY26 Authorized	FY27 Proposed	Variance From	
				FY25	FY26
Investment Systems & Due Diligence	\$ 13,655,334	\$ 20,191,100	\$ 19,191,400	\$ 5,536,066	\$ (999,700)
Investment Systems	\$ 8,814,303	\$ 11,877,700	\$ 10,813,000	1,998,697	\$ (1,064,700)
Investment Due Diligence	\$ 3,234,810	\$ 5,813,400	\$ 5,813,400	2,578,590	\$ -
Custody Fees	\$ 1,606,222	\$ 2,500,000	\$ 2,565,000	958,778	\$ 65,000
Investment Manager Fees	\$ 118,598,304	\$ 178,251,000	\$ 159,260,000	\$ 40,661,696	\$ (18,991,000)
Public Equities	\$ 85,721,089	\$ 139,157,000	\$ 120,000,000	34,278,911	\$ (19,157,000)
Real Estate	\$ 2,239,359	\$ 3,594,000	\$ 3,000,000	760,641	\$ (594,000)
Alternative Markets	\$ 30,637,856	\$ 35,500,000	\$ 36,260,000	5,622,144	\$ 760,000



# Investment Systems

-\$500,000

## Consulting & Modeling

- Data solutions
- Asset class research
- Special projects

-\$86,200

## Shared Services/Analytics/Data

- Bloomberg
- Aladdin
- SWIFT
- SAP
- Argus
- Market indices

-\$478,500

## Network Access Fees

- Internet fees
- Phones
- Proprietary networks (Bloomberg & Blackrock)

# Investment Due Diligence

-\$257,000

## **Fiduciary & Legal**

- Fiduciary advice
- Due diligence reports
- Subject matter experts
- Deal related legal

\$194,000

## **Performance Measurement & Manager Searches**

- Monthly performance reporting
- Manager search support
- Asset allocation
- General consulting

\$63,000

## **Research & Memberships**

- Professional Certifications
- Industry Memberships
- IFSWF
- Asset class specific research

# Investment Manager Fees

-\$19,000,000

## Public Markets

- Public Equities

\$166,000

## Private Markets

- Real Estate
- Private Equity

\$65,000

## Custody

- Safekeeping
- Trade Settlement
- Securities Lending
- Collateral Management
- Investment Accounting
- Tax Advisory Services



# Questions?

# Board Action

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*“move to approve the advancement of the FY2027 APFC operating budget as presented (amended) for inclusion in the Governor’s budget that will be submitted to the Legislature”*