


Memo

To: Senator Kiehl, Chair
Senate Finance Budget Subcommittee, Revenue

From: Deven Mitchell, Executive Director & CEO 

Date: March 12, 2025

Re: Requested Structure Re-categorization of APFC's Operating Budget FY24-FY26

As you requested, attached is the structure recategorization of APFC's operating budget from FY24 authorized through the FY26 Governor's amended request.

While APFC is providing this information as requested by the subcommittee, we want to clarify that we are not seeking a structural change from the Governor's FY26 proposed operating budget. Rather, as an investment management corporation operating and competing within the private sector, our focus is on ensuring we have the necessary resources and flexibility to achieve optimal investment returns in stewardship of the Alaska Permanent Fund. In being accountable to our stakeholders, APFC maintains quarterly transparency through budget reports included in board packets posted on our website.

APFC's FY26 budget requests have been incorporated into the requested structure attached to this memo and are detailed below according to those categories:

Personal Services

- *Add Private Income Portfolio Manager | \$391.6 PF Gross*
\$391.6k is the salary/benefits amount requested for a new Private Income Portfolio Manager, which is in line with the competitive range for investment management professional talent. This position will be responsible for identifying, analyzing, selecting, monitoring, and managing infrastructure, private credit, income opportunities fund investments, co-investments, and direct investments into operating companies.

Incentive Compensation

- *Fully Funding Incentive Compensation | \$810.0 PF Gross*
A total of \$810k is needed to fully fund incentive compensation. This figure includes \$470k that was not funded in FY25 and an additional \$340k to fully fund FY26. It's important to note that this compensation is dependent on the Fund achieving established portfolio performance benchmarks. Ensuring full funding of the maximum payment is essential for the policy's effectiveness.

Board

- *Board Support & Meetings | \$5.5 PF Gross*
A small increment based on anticipated board meetings.

Travel

- *Program Receipts for Third-Party Travel | \$250.0 SDPR*
This increment for Statutory Designated Program Receipts is to enhance transparency in our accounting from third parties for travel. This will provide us with the authority to collect receipts for third-party payments and associated expenses. It is important to clarify that this process pertains only to third-party travel and results in no additional cost to the State. This proposal does not represent an increase in the travel budget; rather, it formalizes our current practice of managing third-party reimbursements within the budget framework, in accordance with the Administrative Manual.

HR, Recruitment, & Retention

- *Training & Conferences | \$48.0*
Additional systems training opportunities across asset classes.
- *Office Support | \$15.0 PF Gross*
This covers \$5.0 for increased mobile costs and \$10.0 for increased lease space cost for the datacenter.

Technology & Licensing

- *Information Technology | \$307.5 PF Gross*
This increment covers the increased cost of software licensing as well as a cyber security audit for our board.
- *Commodities | \$45.5 PF Gross*
This covers two requests, an increase to subscriptions as well as an increase given the workstation equipment lifecycle plan.
- *Investment Systems | \$810.8 PF Gross*
This increment is primarily for additional data analytics as well as some contracting for the ongoing data vault implementation as well as contingent consulting services for our middle office team should they need to develop additional processes or integrate systems.

Investment Management Oversight

- *Investment Due Diligence | \$521.7 PF Gross*
Increase for fiduciary advice across various asset classes as well as additional access to market research data for necessary due diligence.
- *Audit, Legal, and Consulting | \$89.0 PF Gross*
This is two increments for the Law RSA and the required annual SWIFT audit, offset by a small decrement to true up to audit contractual obligations.

In conclusion, investment management demands agility and strategic decision-making to quickly respond to changing market conditions. We need to align our structure, tools, and resources to achieve the best possible outcomes. We request that the subcommittee consider this as decisions regarding our budget funding and structure are proposed.

As always, we look forward to working with you and your staff. Please contact us if you would like additional information.

SFIN Budget Subcommittee Requested Recategorization Appropriation Structure

APFC	FY24 Authorized	FY24 Actuals	FY24 % Expended	FY25 Authorized Budget	FYTD Actuals & Encumbrances	Remaining Budget	FY25 % Expended	FY26 Gov Amend
Personal Services	\$ 17,716,097	\$ 15,522,331	88%	\$ 19,771,900	\$ 7,750,816	\$ 12,021,084	39%	\$ 20,998,400
Staff	\$ 17,716,097	\$ 15,522,331	88%	\$ 19,771,900	\$ 7,750,816	\$ 12,021,084	39%	\$ 20,998,400
Incentive Compensation	\$ 2,800,000	\$ 2,004,070	72%	\$ 3,245,000	\$ 1,780,607	\$ 1,464,393	55%	\$ 4,055,000
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Board	\$ 160,700	\$ 125,969	78%	\$ 151,400	\$ 34,217	\$ 117,183	23%	\$ 170,900
Honoraria	\$ 31,300	\$ 21,532	69%	\$ 16,000	\$ 8,176	\$ 7,824	51%	\$ 30,000
Travel	\$ 18,000	\$ 24,710	137%	\$ 18,000	\$ 10,038	\$ 7,962	56%	\$ 18,000
Board Support & Meetings	\$ 111,400	\$ 79,727	72%	\$ 117,400	\$ 16,004	\$ 101,396	14%	\$ 122,900
Travel	\$ 782,000	\$ 599,356	77%	\$ 757,000	\$ 260,894	\$ 496,106	34%	\$ 1,007,000
Staff	\$ 602,000	\$ 468,802	78%	\$ 552,000	\$ 226,921	\$ 325,080	41%	\$ 552,000
Third-Party Travel								\$ 250,000
Professional Development Travel	\$ -	\$ -	0%	\$ 75,000	\$ 32,650	\$ 42,350	44%	\$ 75,000
Moving and Non-employee Travel	\$ 180,000	\$ 130,554	73%	\$ 130,000	\$ 1,323	\$ 128,677	1%	\$ 130,000
HR, Recruitment, & Retention	\$ 470,930	\$ 300,090	64%	\$ 430,703	\$ 183,903	\$ 246,800	43%	\$ 458,700
Training and Conferences	\$ 159,680	\$ 77,679	49%	\$ 102,003	\$ 10,305	\$ 91,698	10%	\$ 150,000
HR & Recruitment	\$ 65,100	\$ 80,915	124%	\$ 100,000	\$ 34,636	\$ 65,364	35%	\$ 100,000
Office Support	\$ 246,150	\$ 141,496	57%	\$ 228,700	\$ 138,962	\$ 89,738	61%	\$ 208,700
Communications	\$ 395,300	\$ 396,527	100%	\$ 547,997	\$ 334,041	\$ 213,956	61%	\$ 547,997
Public Communications	\$ 395,300	\$ 396,527	100%	\$ 547,997	\$ 334,041	\$ 213,956	61%	\$ 547,997
Alaska Based	\$ 277,800	\$ 289,124	104%	\$ 286,997	\$ 149,657	\$ 137,340	52%	\$ 286,997
Global Financial	\$ 117,500	\$ 107,403	91%	\$ 261,000	\$ 184,384	\$ 76,616	71%	\$ 261,000
Technology & Licensing	\$ 14,024,770	\$ 9,999,875	71%	\$ 13,748,100	\$ 3,216,476	\$ 10,531,624	23%	\$ 14,911,920
Information Technology	\$ 1,490,000	\$ 1,613,027	108%	\$ 1,348,000	\$ 747,187	\$ 600,813	55%	\$ 1,655,500
Commodities	\$ 435,570	\$ 427,001	98%	\$ 200,900	\$ 109,313	\$ 91,587	54%	\$ 246,420
Equipment	\$ 450,000	\$ 443,001	98%	\$ 600,000	\$ 43,731	\$ 556,269	7%	\$ 600,000
Investment Systems	\$ 11,649,200	\$ 7,516,845	65%	\$ 11,599,200	\$ 2,316,246	\$ 9,282,954	20%	\$ 12,410,000
Facilities Costs	\$ 520,000	\$ 556,892	107%	\$ 580,000	\$ 563,874	\$ 16,126	97%	\$ 615,000
Lease	\$ 520,000	\$ 556,892	107%	\$ 580,000	\$ 563,874	\$ 16,126	97%	\$ 615,000
Juneau	\$ 520,000	\$ 534,892	103%	\$ 580,000	\$ 532,874	\$ 47,126	92%	\$ 583,000
Anchorage	\$ -	\$ 22,000		\$ -	\$ 31,000	\$ -		\$ 32,000
Investment Management Oversight	\$ 8,776,600	\$ 5,002,751	57%	\$ 9,081,400	\$ 3,376,411	\$ 5,704,989	97%	\$ 9,692,100
Investment Due Diligence	\$ 5,763,400	\$ 3,151,780	55%	\$ 5,813,400	\$ 2,349,719	\$ 3,463,681	40%	\$ 6,335,100
Custody Fees	\$ 2,300,000	\$ 1,350,948	59%	\$ 2,500,000	\$ 852,727	\$ 1,647,273	34%	\$ 2,500,000
Audit, Legal, Consulting	\$ 713,200	\$ 500,023	70%	\$ 768,000	\$ 173,965	\$ 594,035	23%	\$ 857,000
Investment Manager Fees	\$ 175,651,000	\$ 115,543,754	66%	\$ 178,251,000	\$ 42,547,427	\$ 135,703,573	24%	\$ 178,251,000
Public Equities	\$ 139,157,000	\$ 84,135,305	60%	\$ 139,157,000	\$ 26,746,852	\$ 112,410,148	19%	\$ 139,157,000
Real Estate	\$ 3,594,000	\$ 2,349,033	65%	\$ 3,594,000	\$ 1,176,036	\$ 2,417,964	33%	\$ 3,594,000
Alternative Markets	\$ 32,900,000	\$ 29,059,416	88%	\$ 35,500,000	\$ 14,624,539	\$ 20,875,461	41%	\$ 35,500,000
APFC Total	\$ 221,297,397	\$ 150,051,613	68%	\$ 226,564,500	\$ 60,048,665	\$ 166,515,835	27%	\$ 230,708,017