

Alaska Permanent Fund Corporation

Fiscal Year 2017
Budget Presentation



Alaska Permanent Fund Corporation

Mission

To maximize the value of the Permanent Fund within return parameters.

Core Service: Achieve the target return within acceptable risk parameters.

	One	Three	Five	Ten
Return	4.9%	10.4%	10.1%	6.4%
Benchmark	-1.4%	8.3%	9.0%	5.5%



2015 – a year of change

- **A new Executive Director/CEO**
- **Departure of Chief Investment Officer**
- **Four new positions in FY16 budget**
 - **Real Estate Investment Officer in place**
 - **Private Markets Investment Officer and Special Opportunities Analyst hired**
 - **Portfolio Accountant recruitment launched on February 1**



FY2015 performance

Total return **4.9%**

Benchmark return **-1.4%**

Ending balance **\$52.8 billion**

Change from FY14 **\$ 1.6 billion**

Dividend **\$1.4 billion**



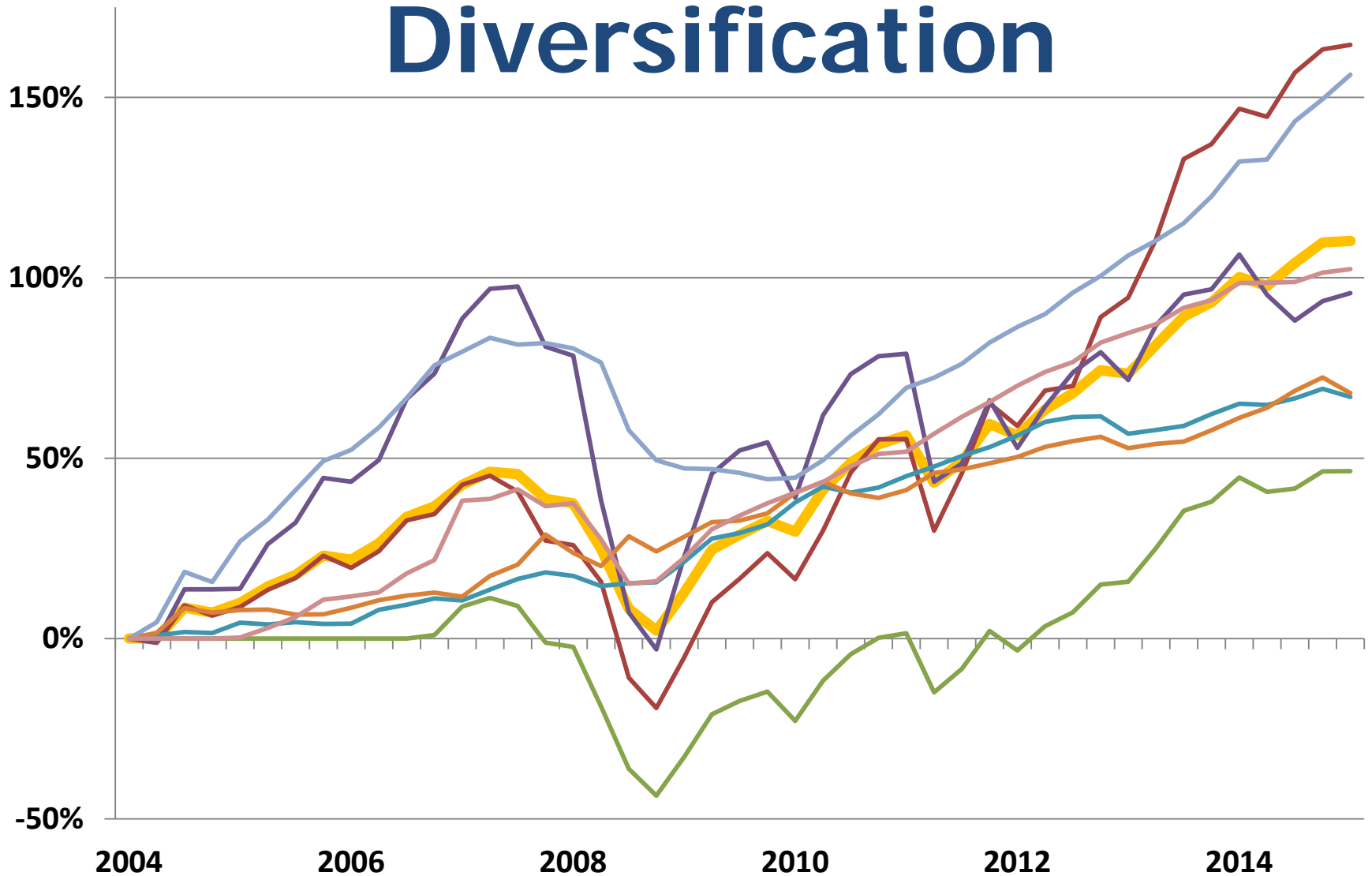
FY2016 performance as of Nov. 30

Total return	-0.5%
Benchmark return	-1.7%

Ending value	\$52.6 billion
Change from FY15	-\$0.2 billion

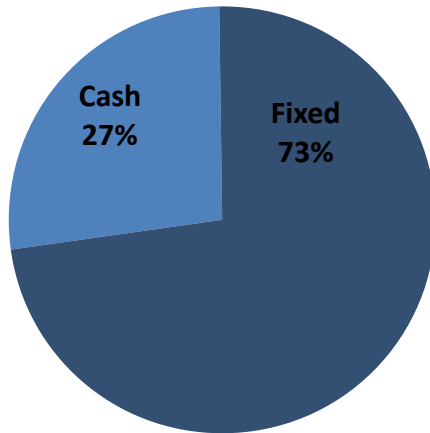


Diversification



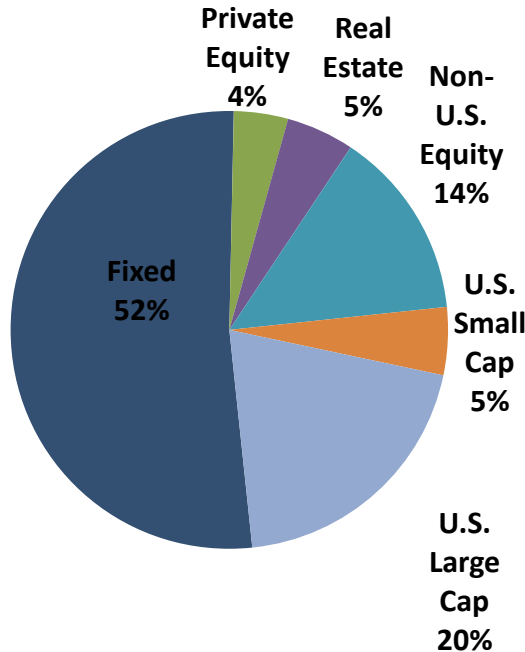
Increasing volatility and complexity

Increasing Complexity



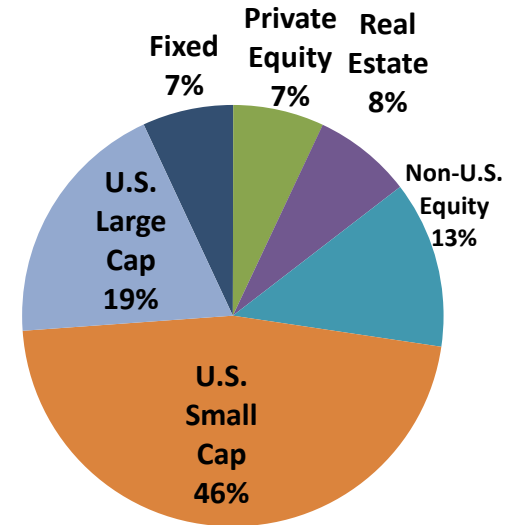
1995

Expected Return: 7.5%
Standard Deviation: 6.0%



2005

Expected Return: 7.5%
Standard Deviation: 8.9%



2015

Expected Return: 7.5%
Standard Deviation: 17.2%

Increasing Risk

Source: Callan Associates



Alaska Permanent Fund Corporation

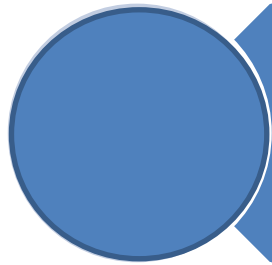
Fee savings through in-sourcing

- Fiscal year 2014 fees paid was 52bps or \$276,200,000

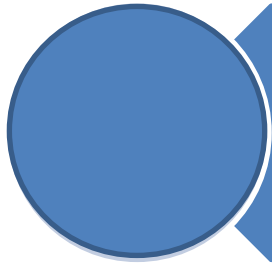
Internal program	Annual fee savings
Fixed Income	\$15 million
Global rates	\$500,000
Real estate	\$3 million
Private equity	\$6.5 million
Private markets co-investment	\$2.84 million



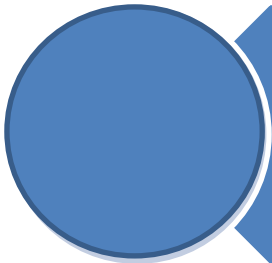
Recent initiatives



Co-investments in private equity and infrastructure



Direct investments in private companies



Direct investments in specialized funds



Recruitment and Retention Challenges

Location - The distance from friends and family in the lower 48, limited career options for a trailing spouse, and the limited retail and restaurant scene create smaller pool of potential candidates.

Benefits - There are other public funds that still offer a defined benefit retirement program, which the APFC can no longer offer to offset a lower salary.

Total compensation - Base salaries are significantly lower than the private sector, but relatively close to other public sector funds. However, many other public funds offer additional incentive compensation that can be considerable - the median is 65% of base salary.



Recruitment and Retention Strengths

Lifestyle - Juneau offers easy access to the outdoors, a small-town lifestyle, and significantly shorter commute times than the financial centers in the lower 48.

Professional development - As a small organization, investment staff are given the opportunity to take on greater responsibility and work across a wider range of investments.

Reputation - APFC has won two aiCIO Industry Innovation awards and the attention of the finance industry for the Fund's approach to risk and alternative investment approach.



Organizational Size

- CalSTRS has \$1 billion in infrastructure and 5 staff, APFC has \$1.6 billion in infrastructure and 1 staff
- CalPRS has \$29 billion in private equity and 45 staff, Michigan Retirement has \$10 billion and 8 staff, and APFC has \$3.4 billion in private equity and 1 staff
- Michigan Retirement has \$5.9 billion in real estate and infrastructure and 6 staff, APFC has \$7.5 billion and 5 staff

	Global Pension Funds	APFC	Texas School Fund	Sovereign Wealth Funds
Staff	12 – 15 investment	17 investment/42 total	51 total	200 total
AUM	\$20 - \$30 billion	\$50 billion	\$36 billion	\$100 billion



FY17 Budget Request

Rules based stock portfolio

Staff:	3 investment, 1 risk, 1 IT
Annual salary cost:	\$882,000
Annual fee savings:	\$3.2 million
<i>**Office realignment for new staff</i>	<i>\$1.5 million</i>

Special opportunities

Staff:	Investment analyst
Annual salary cost:	\$145,000
Savings:	\$44 M over the life of one investment

<u>Staff retention adjustments</u>	\$216,000
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