

# Memo

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

From: Deven Mitchell, Executive Director & CEO



Date: March 17, 2025

Re: APFC Follow-Up to Questions from March 13, 2025

Thank you for the opportunity to discuss APFC’s budget request. Resources are essential for effectively managing the Permanent Fund and the other state funds under our fiduciary care. Our team is keenly aware of the state’s reliance on these financial resources to benefit today’s generation while looking to tomorrow’s.

Responses to questions posed during the March 13, 2025 meeting follow.

**What are APFC’s current vacancies? Which are in active recruitment?**

APFC has 67 full-time positions, with 10 current vacancies. Three vacant positions are in the active recruitment/selection/hiring stages. For the remainder of the positions, APFC is preparing for recruitment and assessing the best use of the positions based on current investment management needs.

The following table shows APFC vacancies as of March 17, 2025:

Section	Title	Recruitment status
Private Equity	Analyst/Associate	Active Recruitment
Real Estate	Director of Investments - Real Estate	Active Recruitment/Selection/Hiring Process
Admin	Procurement Officer	Active Recruitment/Selection/Hiring Process
Public Equities	Portfolio Manager	Assessing best use and team needs
Private Equity	Sr. Portfolio Manager	Holding - assessing
Middle Office	Investment Operations Analyst	Holding - assessing
Public Equity	Reclass Business Analyst	Pending recruitment- Reclassified to address need
Fixed Income	Global Rates Analyst	Planning to repost recruitment
Private Income	Portfolio Manager	Recent vacancy - assessing recruitment
Risk	Risk Analyst	Recent vacancy - assessing recruitment

Attracting and retaining top talent is crucial for both the Fund and the State of Alaska and has been a long-standing priority for APFC’s Board of Trustees. *Strong leadership and professional talent are essential for safeguarding and growing the Fund in a competitive global market, which provides over*

59% of the state's unrestricted general fund revenues. As such, we appreciate the Legislature's support in providing necessary resources.

**Are there any additional fees besides the investment management fees reflected in APFC's budget request?**

APFC is transparent and accountable to our stakeholders by [reporting investment management fees](#) quarterly in the Board of Trustees meeting packets, our report archive, and the [Annual Report](#). In reporting fees, APFC provides information on the investment management fees, which are paid based on assets under management, and performance fees, which increase with managers' outperformance relative to their benchmarks.

**Investment Management Fees:** APFC has three methods to track & pay investment management fees:

- Fees funded by investments: these fees are not included in the annual investment management fee allocation within the state's operating budget.
- Fees covered by the investment management allocation of APFC's budget.
- Fees and costs associated with the operations allocation of APFC's budget.

For FY25 year-to-date (as of Dec. 31, 2024), investment management fees totaled \$261.9 million or 32 bps, based on the following categories:

- **Fees Funded by Investments** (\$204.1 million or 25 bps as of Dec. 31, 2024) are based on the value of assets under management; these fees are netted against income and retained by the investment manager before the net profit is distributed back to the Fund.
- **Fees Funded by Investment Management Allocation** (\$46.4 million or 6 bps as of Dec. 31, 2024) Fees that reflect the value of assets under management, contractual fee terms for external management, and internal costs associated with effective portfolio management, including investment systems, due diligence, and custody fees.
- **Fees Funded by APFC Operations Allocation** (\$11.4 million or 1 bps as of Dec. 31, 2024) represent the Corporation's operating expenses, including personal services, travel, contractual services, commodities, and equipment, are directly related to the management of all assets in the portfolio.

Total investment management fees for FY24 (as of June 30, 2024) were \$504.6 million (62 basis points or "bps") of the \$82.0 billion in assets under management, including funds for the Alaska Mental Health Trust Authority and the Power Cost Equalization Endowment Fund.

**Performance Fees** also referred to as profit sharing reflect contracts with external managers that allow the sharing of profits if they outperform a set benchmark. Performance fees indicate that APFC assets have performed above expectations.

- Total performance fees for FY24 were \$287.5 million (35 bps) of all assets under management as of June 30, 2024.
- For FY25 year-to-date (as of Dec. 31, 2024), performance fees total \$160.1 million (20 bps).

***What is the Information Technology ‘spending plan’ and anticipated future costs?***

Significant improvements have been made in the last year and a half and will continue into this next fiscal year to replace aging equipment and implement strategic initiatives such as the data vault for a unified data environment, updated firewalls for increased protection and capabilities, and the datacenter relocation. These initiatives and the significant cost increases in software licensing models have driven the IT budget up in recent years and made budget planning very challenging. Going forward for the next few years, we anticipate that spending will flatten out and that increases will primarily reflect inflationary costs.

***How much of APFC's FY24 Operating Budget in the operations allocation was unspent - ‘lapsed’?***

APFC's Operating Allocation total authorization for FY24 was \$25,933,800. The actual spend in FY24 was \$22,488,300 leaving a total surplus authority of \$3,445,500 (13%). The primary driver of this surplus was personal services with \$2,999,500; approximately \$795,930 of this was unpaid incentive compensation.

APFC seeks a budget that provides the resources necessary to support our professional talent, support our external management and contractual obligations, and ensure that our business systems and due diligence needs are met. As we plan our budget more than a year in advance, we strive to anticipate needs and present those requests. APFC's budget is funded through the fund code Permanent Fund Gross Receipts generated through the Fund's investment activity. **All money appropriated for APFC's operational and investment management needs that are not spent remains invested in the Fund and does not lapse.**

***What is the explanation for the overspend of the HR & Recruitment line based on FY24 actuals?***

The HR & Recruitment line houses two different costs: the Department of Administration chargeback amount and APFC's in-house recruitment efforts. The in-house recruitment portion has held a flat budget of \$30,000, which supports APFC charges for all job postings, background checks, etc., necessary for successful recruitment. The overspending is attributed to the chargebacks and is due to a few things: first, at the end of FY23, APFC accrued approximately \$33,300 to cover the HR chargebacks based on estimates from the prior year. When the invoice came, we were about \$23,200 underbudgeted leaving that portion to be paid out of FY24 budget authority. APFC then received the FY24 invoice for approximately \$42,000. The additional budget authority shown in FY25 is to true up to anticipated HR chargeback costs, with the same \$70,000 of budget authority requested for FY26.

***What is the explanation for the overspend of the Board travel line based on FY24 actuals?***

The board travel budget is underfunded for the needs of six fiduciaries to attend an average of five meetings per year, almost exclusively for Board of Trustee meetings. The FY26 proposed budget request included an increment to bring Trustee travel to \$30,000 (six Trustees for five trips at an approximate overall average of \$1,000 per trip). This increment request was not included in the Governor's proposed budget.

**In conclusion -**

To be the top-tier investor that all Alaskans expect of the Corporation, we request the necessary flexibility to manage funds effectively while maximizing returns. At the same time, we recognize the importance of accountability in the appropriations process.

We understand your responsibility to monitor how funds are spent and remain committed to transparency through regular reporting. As we have demonstrated prudent fiscal management in the past to fulfill our mission of managing more than \$80 billion, we ask that budget resources remain intact to support our continued success.

Our goal is to foster a strong partnership with the legislature - ensuring accountability while preserving the ability to make strategic business decisions that benefit the Fund and the state. We appreciate your consideration and look forward to our continued collaboration.