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Memo

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

From: Deven Mitchell, Executive Director & CEO

Date: March 19, 2025

Re: Responses to Questions forwarded on March 19

Thank you for sending the additional subcommittee questions pertaining to APFC's budget request; responses follow.

Since we are three quarters through the fiscal year, please give us your best estimate on incentive comp that's likely to be paid out in FY26?

Incentive Compensation is paid based on end-of-fiscal-year performance. At this time, it is too early to predict the final FY25 performance return for the Fund and the asset class portfolios.

The value of an incentive compensation structure is only as strong as the consistency of funding and having the resources available each and every year to pay out incentives if they are earned. APFC's funding requests for incentive compensation assume 'the maximum amount of incentive pay that could have been earned per the policy.'

Any incentive compensation not earned through outperformance remains unpaid and remains in the Fund at the end of the fiscal year.

One of the increment requests adds a portfolio manager to support private income. How much will you save in investment management fees as a result of this position?

While this position does not directly correlate to any investment management fee savings, the opportunity for potential fee savings would come as our Private Income team bolsters its internal capacity for due diligence and deploys capital to co-investments. For every $100 million of co-investment activity, there is a correlated savings of $2 million and a percentage of the upside profits.

The Private Income portfolio has a 10% target allocation and is valued at approximately $7.5 billion (9% of the total fund). The small team of three deploys approximately $1.3 billion annually across infrastructure, private credit, and income opportunities investments.

Could you please provide additional information on the "subscriptions" for asset class teams in the increment request? What are these subscriptions and what portion of the increment cost covers the subscriptions?

The FY26 request includes an increment request of $20.5k for subscriptions across several different profit centers. The increment ensures that our staff has the resources they need to manage the Fund effectively. It is comprised of increased costs based on inflationary pressures and a true-up to needs based on current and anticipated staffing levels. This line provides important industry coverage for competitive intelligence on institutional asset management.

For moving and non-employee travel, what does this cover and why does it vary so much each year?

The moving and non-employee segment of the travel budget covers all candidate travel, bringing prospective final candidates to meet the team, as well as relocation expenses to Alaska for those hired. The variation in costs from year to year is due to the unpredictability of from-where our top candidates will apply. Relocation assistance is provided for certain positions or circumstances and varies annually based on the types of vacancies, the difficulty of recruiting for specific roles, and the turnover rate in any given year.

Please break out the items in "office support" and the amount spent on each item.

Contractual Services - Office Support	FY25 Management Plan
Admin Services	$ 48,000
Copier/Fax Maintenance	$ 10,000
Delivery Services	$ 7,000
Inter-agency Insurance	$ 4,000
Inter-agency Mail	$ 5,200
Inter-agency Safety (Parking)	$ 2,000
Mobile Devices	$ 35,000
Office Furniture/Other Repair	$ 8,000
Other Misc Expenses	$ 14,500
Other Rent/Leases	$ 77,000
Phone/Fax Lines/Toll/Cell	$ 25,000
Records Retention Storage	$ 3,000
Office Support Total	**$ 238,700**

Of the travel costs, how much is associated with the second office in Anchorage?

Fiscal year-to-date, there has been approximately $32.7k spent on travel specific to the Anchorage office.