

**ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

January 17, 2022

2:01 p.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Chair
Senator Peter Micciche
Senator Lora Reinbold
Senator Bert Stedman
Senator Click Bishop (alternate)

Representative Chris Tuck, Vice Chair
Representative Ivy Spohnholz
Representative Andy Josephson
Representative Neal Foster
Representative James Kaufman
Representative Dan Ortiz (alternate)

MEMBERS ABSENT

Senator Lyman Hoffman

COMMITTEE CALENDAR

APPROVAL OF MINUTES

EXECUTIVE SESSION

FINAL RELEASE OF AUDITS

REVISED PROGRAM LEGISLATIVE

INVITED TESTIMONY: ALASKA PERMANENT FUND CORPORATION BOARD OF TRUSTEES

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ALEXEI PAINTER, Director
Division of Legislative Finance
Legislative Agencies and Offices
Juneau, Alaska

POSITION STATEMENT: Addressed the RPLs before the committee.

CRAIG RICHARDS, Chair
Alaska Permanent Fund Corporation Board of Trustees

Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Gave a PowerPoint presentation and answered questions during invited testimony from the Alaska Permanent Fund Corporation Board of Trustees.

CHRISTOPHER POAG, General Council
Alaska Permanent Fund Corporation
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Answered questions during the invited testimony from the Alaska Permanent Fund Corporation Board of Trustees.

ACTION NARRATIVE

[2:01:55 PM](#)

CHAIR NATASHA VON IMHOF called the Legislative Budget and Audit Committee meeting to order at 2:01 p.m. Representatives Tuck, Foster, Spohnholz, Josephson, Kaufman, and Ortiz (alternate) and Senators Stedman, Reinbold, Bishop (alternate), and von Imhof were present at the call to order. Also present were Representatives Stutes, LeBon, Merrick, Edgmon, and Claman and Senators Stevens, Begich, and Olson.

APPROVAL OF MINUTES

[2:03:20 PM](#)

SENATOR VON IMHOF announced that the first order of business would be the approval of minutes.

SENATOR VON IMHOF requested a correction be made to the minutes from the November 9, 2021, Legislative Budget and Audit Committee meeting, on page 9, third paragraph, to change the name of the speaker from that of Representative Spohnholz to that of Kris Curtis.

[2:03:41 PM](#)

REPRESENTATIVE TUCK moved that the Legislative Budget and Audit Committee approve the minutes from the November 9, 2021, and December 15, 2021, meetings, "as noted." There being no objection, the minutes were approved.

EXECUTIVE SESSION

[2:04:04 PM](#)

SENATOR VON IMHOF announced that the next order of business would be an executive session.

[2:04:17 PM](#)

REPRESENTATIVE TUCK moved that the Legislative Budget and Audit Committee go into executive session under Uniform Rule 22(b)(3), for the discussion of matters that may, by law, be required to be confidential. He asked that the following members remain in the room or on line: the legislative auditor and necessary staff for the auditor; any legislators not on the committee; and staff for legislators who are on the committee. There being no objection, it was so ordered.

[2:04:50 PM](#)

The committee took an at-ease from 2:05 p.m. to 2:35 p.m. for the purpose of executive session.

[2:34:53 PM](#)

SENATOR VON IMHOF called the Legislative Budget and Audit Committee back to order at [2:35] p.m. Present at the call back to order were Representatives Tuck, Foster, Spohnholz, Josephson, Kaufman, Ortiz (alternate) and Senators Stedman, Micciche, Reinbold, Bishop (alternate), and von Imhof. Also present were Representatives Stutes, LeBon, Merrick, Edgmon, Hopkins, and Claman and Senators Stevens, Begich, and Olson.

FINAL RELEASE OF AUDITS

[2:35:32 PM](#)

SENATOR VON IMHOF announced that the next order business would be a final audit release.

[2:35:42 PM](#)

REPRESENTATIVE TUCK moved that the Legislative Budget and Audit Committee release the Board of Pharmacy audit as the final audit report. There being no objection, it was so ordered.

REVISED PROGRAM LEGISLATIVE

2:36:03 PM

SENATOR VON IMHOF announced that the next order of business would be Revised Programs Legislative (RPLs).

2:36:27 PM

ALEXEI PAINTER, Director, Division of Legislative Finance, Legislative Agencies and Offices, addressed the two RPLs before the committee. The first was RPL 10-2022-5091, Department of Natural Resources, Division of Parks and Outdoor Recreation, appropriation parks management and access allocation, \$200,000 in statutory designated program receipts in the fiscal year 2022 (FY 22) operating budget. He paraphrased the "purpose" section of the RPL, which read as follows [original punctuation provided]:

Unanticipated Statutory Designated Program Receipts (SDPR) provided by Friends of Eagle River Nature Center are available to the Division of Parks and Outdoor Recreation for the completion of improvements to the salmon viewing deck at the Eagle River Nature Center within Chugach State Park. The state-owned structure has outlived its serviceable life and needs to be repaired and upgraded. A portion of the deck was damaged during the 2018 earthquake and the Federal Emergency Management Agency (FEMA) approved funding to repair the earthquake damage and make improvements to the impacted section only. The Friends of Eagle River Nature Center, a private non-profit group, has secured private monies to fund improvements to the remaining sections of the structure.

MR. PAINTER explained the \$200,000 represents those private funds, and if receipt authority is granted, DNR could do that portion of the work, along with the earthquake repair, this spring. Without the authority, DNR would have to split it up into two seasons.

MR. PAINTER advised that this request is for operating funds; however, the activity described better fits the description of a capital project, which in statute is defined as something that is an asset with anticipated life exceeding one year and a cost exceeding \$25,000, including things like construction and structural improvement. He explained that generally when trying to keep the operating and capital budgets separate, the biggest hazard is having operating budget items in the capital budget,

because the capital budget has more generous lapsing rules that can last for five years versus the single year of the operating budget. He said the committee could weigh that potential technical issue against the potential legal issue; although, having spoken with Legislative Legal Services, he said it is hard to imagine it would become a problem and is "probably a pretty minor risk."

[2:39:05 PM](#)

REPRESENTATIVE TUCK asked whether the administration had been contacted to inquire whether it could fix the technical error.

MR. PAINTER answered that the Division of Legislative Finance received the RPL on Friday afternoon [1/14/22] and contacted the administration, which did not correct the RPL. He said there is not really a capital budget to which this RPL could be attached; therefore, "going the capital route" would probably not be a good option. He indicated that the administration is aware of the issue and prepared to speak to it, if asked by the committee.

[2:40:01 PM](#)

SENATOR VON IMHOF proffered that one could argue the amount of funds is not high and is for construction that should begin this spring and be finished by fall. She stated her assumption that even though it is capital money, it would be consumed by 2022. She asked if that was a fair assessment.

MR. PAINTER confirmed the funds would be consumed before the end of FY 22.

[2:40:46 PM](#)

MR. PAINTER turned attention to RPL 45-2022-1056, University of Alaska, Fairbanks campus, for \$60 million in federal receipts in the FY 22 operating budget. He said this RPL is for an increase to the Geophysical Institute due to a contract with the U.S. Department of Defense (DoD). He noted that the governor's operating budget includes a \$50 million federal authority increase. He said this RPL is "a mirror item to that increment." He stated that the Division of Legislative Finance has no technical issues with this RPL.

[2:41:38 PM](#)

REPRESENTATIVE JOSEPHSON asked for confirmation that the FY 23 parallel dollars are also federal dollars.

MR. PAINTER confirmed that is correct.

[2:42:04 PM](#)

REPRESENTATIVE TUCK moved that the Legislative Budget and Audit Committee approve the following RPLs as presented to the committee: RPL 10-2022-5091, Department of Natural Resources, for \$200,000; and RPL 45-2022-1046, University of Alaska, University Affiliated Research Center, for \$60 million.

REPRESENTATIVE TUCK stated an objection for the purpose of discussion. Addressing the confusion related to capital and operating budgets, he stated for the record that "the fact that we're going to approve this does not set precedent." He then removed his objection.

[2:43:01 PM](#)

REPRESENTATIVE JOSEPHSON noted that Mr. Painter had indicated concern regarding putting capital money in the operating budget, and he asked whether Mr. Painter has similar concerns "relative to the geophysical dollars."

MR. PAINTER answered, "No, that's an ongoing contract; it's not really constructing a capital asset. As I understand it, it's monitoring potential thermo-nuclear tests and things like that." He added that it is an ongoing activity; therefore, he thinks it would fit in the operating budget.

[2:43:44 PM](#)

SENATOR STEDMAN suggested that one way to address this issue may be to "pick up cleanup language in the capital budget coming at us in the next few months" to ensure the project sits where it should.

[2:44:17 PM](#)

SENATOR VON IMHOF announced there being no further objection, the RPLs were adopted.

[2:44:27 PM](#)

The committee took an at-ease from 2:44 p.m. to 2:47 p.m.

INVITED TESTIMONY: ALASKA PERMANENT FUND CORPORATION BOARD OF TRUSTEES

[2:47:47 PM](#)

SENATOR VON IMHOF announced the final item of business would be invited testimony from the Alaska Permanent Fund Corporation Board of Trustees.

SENATOR VON IMHOF offered an opening statement as follows:

At our previous meeting on December fifteenth, this committee met and discussed the Alaska Permanent Fund Corporation Trustee actions on December Ninth, in which the board terminated ... Executive Director Angela Rodell. At that time very little was known regarding the circumstances of this decision; so, after some consideration, this committee invited the [Alaska Permanent Fund Corporation] (APFC) Board [of Trustees] to present the process and procedures of how they evaluate the executive director, and specifically, which factors led to Ms. Rodell's dismissal.

I would like to point out this is not an investigation at this time, but rather this committee is on a fact-finding mission, and it's important for all of us to keep an open mind, and to listen, and to ask questions so that we may fully understand what happened last month.

The Legislative Budget and Audit Committee does have statutory authority and responsibility to look into matters of any state agency or department that contributes to the fiscal, economic, and social well-being of the state and its citizens. The Alaska Permanent Fund Corporation falls under this umbrella. In addition, members of this committee, and other legislators, have received many emails from the public inquiring what happened regarding Ms. Rodell's termination. This committee is doing its due diligence by looking into the matter.

The objectives for this meeting are: First, to learn more about the process by which the Alaska Permanent Fund Board [of Trustees] evaluates, supports, and - as

the case may be - potentially terminates the executive director of the fund. Specifically, we would like to learn the circumstances behind why Ms. Rodell was terminated so abruptly, ... without explanation, and without a clear plan for a professional and timely leadership transition. ... Second, this committee's goal is to ensure that the fund stays politically independent from both legislative and executive influence and political agendas.

CHAIR VON IMHOF noted that available to speak were the following from the Alaska Permanent Fund Corporation: Chair Craig Richards, Acting Executive Director Valerie Mertz, and Communications Director Pauly Swanson. From the Department of Law, Attorney at Law Chris Poag was also available. She said Mr. Richards would give a PowerPoint presentation, during which she would allow committee questions between slides.

2:51:20 PM

CRAIG RICHARDS, Chair, Alaska Permanent Fund Corporation Board of Trustees, Department of Revenue, noted that Marcus Frampton, Chief Executive Officer of the Permanent Fund Corporation, is available to speak on "performancing," benchmarking, and risk. Mr. Richards explained that because the executive session in which Ms. Rodell's removal was discussed was confidential and there is a threat of pending litigation, and after consulting with legal counsel, he must advise the committee that it is not appropriate for him to discuss the specific facts related to Ms. Rodell's removal.

MR. RICHARDS said Ms. Rodell's personnel file, which is public record, demonstrates that her relationship with the board and much of the investment staff has been strained for some time and was deteriorating. Further, he asked the committee to review the annual board meeting that was held in Kodiak, Alaska, in late September. This record further demonstrates the "visible tension between the director and the board." He deferred to Chris Poag to impart further detail.

2:53:50 PM

CHRISTOPHER POAG, General Council, Alaska Permanent Fund Corporation, Department of Revenue, stated his understanding that the Legislative Budget and Audit Committee, through information available in the news, is aware that Ms. Rodell has hired an attorney and is contemplating litigation. He said care

needs to be taken not to allow the questions and comments made at this meeting impact the outcome of that litigation; therefore, he explained, Chair Richards is prepared to discuss three topics: one, the process and procedure the board followed in evaluating Ms. Rodell's performance; two, the records of Ms. Rodell's prior performance evaluations - including her own evaluations - which have been provided to the committee and members of the press; and three, how the board intends to select a new executive director. He said should Ms. Rodell pursue litigation, it is clear that any remaining questions the committee may have would get answered during that process. He thanked the committee for understanding the need to protect the possibility of potential litigation.

[2:55:58 PM](#)

REPRESENTATIVE JOSEPHSON asked Mr. Poag if it is his understanding that at-will employees can still sue under the [Implied] Covenant of Good Faith and Fair Dealing, under that common-law doctrine.

MR. POAG noted Ben Hofmeister was available to answer questions, then he shared his understanding of at-will employment, as found in the bylaws. He continued:

Ms. Rodell serves at the pleasure of the board. She's the one and only employee that the board has the ability hire or to fire. And my understanding is that the things that would restrain the board's decision to hire or fire the board have to do with constitutional restraints. In other words, she couldn't be terminated for an unconstitutional reason - something maybe regarding her age or her gender. I've never evaluated whether a covenant of good faith and fair dealing would apply to an employment contract; I would have to research that. It seems odd to apply it in that context. But I could certainly look into that unless Mr. Hoffmeister has a more specific answer.

REPRESENTATIVE JOSEPHSON indicated he would seek no further response. He remarked that the charters that guide the agency require it "to do certain things, even for at-will employees," and he said he was sure the committee would hear more about those obligations on the part of the [Alaska] Permanent Fund [Corporation Board of Trustees].

CHAIR VON IMHOF remarked that that is one of the things the committee had hoped to learn: that which was done on the agency's behalf to arrive at the decision to terminate Ms. Rodell.

[2:58:10 PM](#)

SENATOR STEDMAN first noted some members, including himself, may not have legal background in terms of employment law. He recognized the caution being expressed because of the possibility of future litigation. Nevertheless, he noted committee members have submitted questions to Chair von Imhof, and they are questions that could be asked at any time at the will of Chair von Imhof. Furthermore, he expressed that they are questions that need to be asked.

[3:00:38 PM](#)

SENATOR VON IMHOF acknowledged she had received questions, and she encouraged further questions and a robust discussion.

[3:01:04 PM](#)

REPRESENTATIVE ORTIZ asked about the basis of the strained relationship between the board and Ms. Rodell.

MR. RICHARDS answered it was not his intention to talk about the specific events surrounding the board's decision-making. He said he was happy to answer questions relating to process, and he said he would do his best to answer questions related to documents provided to the committee.

SENATOR VON IMHOF offered her understanding that the board meeting in Kodiak, Alaska, was public.

MR. RICHARDS answered yes.

CHAIR VON IMHOF asked, "So, there was nothing in there that was covered under executive session or anything that's private, is that correct?"

MR. RICHARDS responded:

That's correct; I think we can discuss the Kodiak meeting. But what we can't discuss is the Kodiak meeting as it was discussed in the executive session. So, this is the tricky thing to this, right? So, I

mean, I can make some broad observations to this, if I'm asked, but I certainly can't go into how any of those observations informed and/or were discussed or resulted in actions taken in the executive session.

SENATOR VON IMHOF noted Mr. Richards had said there were tensions, and she questioned whether tensions she is not able to see would be mentioned.

MR. RICHARDS said he thinks they would be apparent, as "it is on the public record." He added, "If they're not apparent, then maybe that was not a very good thing for me to try to cite to in the public record."

[3:03:35 PM](#)

SENATOR MICCICHE asked about whether Mr. Richards could draw a line between what can and cannot be discussed.

MR. RICHARDS re-emphasized that he would not discuss specific facts related to the executive director's removal and the reasons for it, except to point to "the few items in the public record that are available."

[3:04:22 PM](#)

REPRESENTATIVE TUCK said the Legislative Budget and Audit Committee is responsible for oversight of the fund and ensuring investments are made wisely. He said tensions are not necessarily a bad thing and sometimes lead to better outcomes. He said he would hate to discover Ms. Rodell's termination as an at-will employee was due to a personality issue. For that reason, he said he would like to learn more about the tensions that occurred on December 8, [2021], in order to understand what was justifiable.

MR. RICHARDS responded that the board has been granted the statutory obligation to oversee the funds; it has set up a system with designated roles; the executive director is the only employee that reports directly to the board, which is the direct supervisor of the executive director; the executive director is an at-will employee; and there are "years of documented items" in the papers provided. He continued:

If there are problems with the board, communicating - or whatever they are - with the executive director, it is wholly, appropriately in our right to remove an at-

will employee and to find someone that can have a working relationship with the board that is more in keeping with how we need to manage the fund.

... Ms. Rodell ... was a highly compensated executive-level employee, and at the end of the day, it is a board's prerogative to put in place a person that they think ... can best work for the board and best manage the fund.

MR. RICHARDS added that this is not the case of a classified employee that has the right to disagree with the loss of his/her job.

REPRESENTATIVE TUCK responded that he recognizes Ms. Rodell was an at-will employee. He added, "But just because you can doesn't mean you should." He said he thinks the committee wants to figure out whether [Ms. Rodell's termination] should or should not have happened.

[3:07:32 PM](#)

REPRESENTATIVE JOSEPHSON noted that Mr. Richards had stated that the executive director is the only employee that reports directly to the board, but he offered his understanding that the chief investment officer (CIO), pursuant to a new, internal order, also reports directly to the board.

MR. RICHARDS responded that that was "a little incorrect." He explained:

In 2018 there was an initiative to make that happen based on some behavior that was observed from Ms. Rodell that made the board uncomfortable. There was a change in administration and a change in trustees. That issue got brought back up again in 2020, and that is to basically have the ... chief investment officer report directly to the board. The board did not ultimately select to do that. Instead, what the board did is it put in place, in the investment guidelines, a policy where Ms. Rodell was largely removed from participation and investment decisions. In particular, a committee structure was created, and the committee structure provided that the investment committee - the committee that the CIO runs that is composed of his selected investment professionals - will make the investment decisions for the

corporation; those would then go up to the executive director; the executive director had the right to alter or veto those recommendations; but if she did so, it had to be reported to the board within 30 days. From the ... roughly two years in which that policy has been in place, the executive director never once altered or changed any investment decision made by the chief investment officer.

REPRESENTATIVE JOSEPHSON noted that Mr. Richards had said that two years ago an event or series of events occurred that made the board uncomfortable vis a vis Ms. Rodell, and he asked for confirmation that following those series of events, "you awarded her a merit increase."

MR. RICHARDS confirmed that is correct. He explained that when there is an employee where things are not "going great," one option is to ignore it; another is to work on it and foster a good relationship with the employee; and another alternative is to terminate the employee. He indicated that having increases [in salary] speaks to the second option where "things were being worked on."

[3:10:27 PM](#)

REPRESENTATIVE TUCK offered his understanding that at one time, Ms. Rodell had tried to combine the executive director and CIO positions.

MR. RICHARDS specified his response to Representative Tuck was his own - not speaking for anyone else - and he proceeded to say, "That was the incident in which, for me, huge red flags went up, and I think was ultimately the incident that led to a differentiation between the executive director's role ... being an administrative role ..., but not a role in which she was to have day-to-day involvement in the investments."

[3:11:12 PM](#)

MR. RICHARDS began a PowerPoint presentation [hard copy included in the committee packet]. He stated that the fund was created in 1976 via a constitutional amendment. Ultimately, the Alaska Permanent Fund Corporation was created in 1980 under Senate Bill 161. Regarding the issue of maintaining the independence of the corporation, Mr. Richards spoke about a memorandum that had been written on Senate Bill 161 in conjunction with a conference committee. He stated that the fund has levels of independence

but "is not independent as a true corporation." He said the permanent fund "exists as a feature within the state's system." The legislative branch is responsible for approving [the fund's] budget; the Legislative Budget and Audit Committee is responsible for oversight; the executive branch and governor are responsible for appointing board members; and the fund itself is within the executive branch. He explained that means that the corporation interacts with all those state entities, but where the independence is created is in the fiduciary obligations of the fund; as a trustee, he is operating and acting as a fiduciary.

MR. RICHARDS spoke about the legal framework surrounding the corporation: the Constitution of the State of Alaska; Alaska Statute; regulatory power; bylaws; "a very robust set of charters and policies" that fill out those bylaws; and board resolutions.

[3:14:53 PM](#)

REPRESENTATIVE JOSEPHSON noted there have been at least four resolutions in the last decade "that speak to a sustainable, predictable draw." Further he noted the board has repeatedly recommended a draw of 5 percent. He surmised it had been Ms. Rodell's job to defend the resolutions.

MR. RICHARDS interjected, "Unequivocally."

REPRESENTATIVE JOSEPHSON entertained the notion of Ms. Rodell shouting her support for the resolutions "from the rafters" and queried whether the board would have a problem with that.

MR. RICHARDS answered, "No, it was the express purpose of adopting these resolutions to put forward the board's policy in terms of how it views a number of issues." He gave examples, including the board's support of a resolution that the state should follow a rules-based system for fund transfers. He said those resolutions were adopted in 2018-2020 and have been confirmed a number of times.

REPRESENTATIVE JOSEPHSON surmised from media accounts he had read that Ms. Rodell, if asked, would say that the topic that had been raised was the source of the dispute. He noted Mr. Richards had said the board agrees with the 5 percent or less; therefore, if Ms. Rodell thinks that is the cause for her termination, Mr. Richards would disagree.

MR. RICHARDS indicated that the statements he had read made him feel he was in "a dystopian world." He imparted that during his time as attorney general during the Walker Administration, he was actively involved working with the group that drafted and argued for the Alaska Permanent Fund Protection Act, which is what resulted in the percent of market value (POMV). He spoke further about his efforts toward a rules-based system; therefore, he said it is not clear to him why Ms. Rodell "is choosing this item to suggest was something that she was fired over." He observed that Ms. Rodell's critique makes no sense, because the executive director follows the policies put in place by the board. If the board wanted to change a resolution to have a one-time ad hoc draw, for example, then it would do so, and the director, as an employee of the board, would be obligated to follow the policy. He pointed out that the board has not decided to change the resolutions, and it still believes in and supports these resolutions.

[3:20:45 PM](#)

CHAIR VON IMHOF pointed out that Ms. Rodell has First Amendment rights.

MR. RICHARDS concurred but said having the right of free speech does not mean someone is not supposed to, "in the appropriate way, carry the message of your employer."

CHAIR VON IMHOF asked Mr. Richards whether the board, at any time, had "entertained or modeled ... making a one-time ad hoc draw that exceeds the 5 percent draw."

MR. RICHARDS answered yes. He detailed that during the meeting in Kodiak, staff put forward "a modeling of that," which he said was not robust and was "intellectually devoid," and the commissioner of the Department of Revenue asked that it be done differently. He encouraged Chair von Imhof to listen to that conversation. He added, "So, yes, I was on e-mails where the commissioner of Revenue specifically asked that [an]other ... analysis that she thought was little more accurate be modeled."

CHAIR VON IMHOF asked Mr. Richards whether he was referring to "the Callan and Associates' Monte Carlo simulation."

MR. RICHARDS replied, "I think that is what it turned into."

CHAIR VON IMHOF noted that Callan and Associates has been the board's advisor for several years. She asked for confirmation

that Callan and Associates, in the last quarter of 2021, provided a Monte Carlo simulation on testing the earnings reserve account (ERA) and the POMV spending rule in various different ad hoc draws." She added that that seems robust to her.

MR. RICHARDS replied yes, but offered his understanding that the models that Callan and Associates ran were the ones the commissioner had asked it to run, among others. He added, "That is the analysis that came after [emphasis on "after"] the first analysis. The first analysis was presented by the chief risk officer in Kodiak." In response to a follow-up question, he said he did not recall the model having a recommendation, but does recall that "they kind of forgot to put in inflation-proofing." He explained, "They didn't inflation-proof until 2024, so I think that the modeling probably needs a little bit of a dust off." He pointed out that this type of modeling is not new, as Callan and Associates did similar modeling in 2020 just before the board passed Resolution 2001. Further, he noted that the chief investment officer had prepared an entirely different model, which Mr. Richards opined was "incredibly smart and robust."

[3:24:15 PM](#)

REPRESENTATIVE ORTIZ proffered that based on Mr. Richards' statements, Ms. Rodell was not let go based on an issue with her performance or because of disagreement over the 5 percent issue, which Ms. Rodell contends. He questioned, "So, where are we going to go from here?"

MR. RICHARDS encouraged the committee to look at the public record, which includes the statements made in the performance reports, Ms. Rodell's own self-evaluations about "her own view of the world," and other materials. He continued:

But we're not here prepared today to go into an in-depth, detailed analysis of: Here's everything she did right; and here's everything she did wrong.

CHAIR VON IMHOF stated that that was most unfortunate, since Mr. Richards had been given a month to prepare.

[3:26:05 PM](#)

SENATOR BISHOP questioned what had spurred the decision to model a \$3 billion overdraw in Kodiak.

MR. RICHARDS replied that he does not know and offered his understanding that it was "a staff-driven decision." He considered that a trustee could have asked, and explained he would not know since he had not been the chair of the board at the time; however, he said he had assumed that "it had been initiated by Angela or Sebastian, who is the risk officer."

SENATOR BISHOP asked that the committee seek an answer to his question "on the record somewhere."

CHAIR VON IMHOF asked who normally engages communication with Callan and Associates.

MR. RICHARDS answered that most of the time it is staff, but he talks with Callan and Associates from time to time. He explained that Callan and Associates is the board's advisor, but since board members do not have staff, the fund staff handles the vast majority of communications with Callan and Associates.

CHAIR VON IMHOF suggested a follow-up question for APFC folks would be: "Who, from the permanent fund, communicated with the most recent Callan report to request the various different levels of modeling for ad hoc draws above the 5 percent? Who was the primary communicator through the APFC? Was it a board or was it a staff member and Callan for this ... most recent round?"

[3:28:27 PM](#)

REPRESENTATIVE SPOHNHOLZ noted Mr. Richards had said the board had not changed its position regarding a rules-based framework or the 5 percent POMV system and wanted the chief executive officer (CEO) to defend those resolutions. Further, she recalled Mr. Richards had said Callan and Associates works for and "models for the board," but then he described how the analysis that was done first by staff and then Callan and Associates modeled an ad hoc draw that would have been "in total contrast to your own stated policy." She expressed confusion why Mr. Richards would invest precious resources modeling something that he has said the board does not support.

MR. RICHARDS recollected that a trustee had a conversation with Callan and Associates "after they saw the one that was done in Kodiak," and "he had some thoughts on how it could be done a little better" and "was asked to do what he said he thought he could do." Mr. Richards indicated he did not find that out of

the ordinary, because Callan and Associates has done this type of modeling numerous times.

3:30:15 PM

REPRESENTATIVE TUCK recapped that two analyses were done that the board thought were incomplete or incorrect; then a third one was done that the board liked. He asked who did the third analysis.

MR. RICHARDS responded that he liked all the analyses, except in the most recent one by Callan and Associates where "the numbers probably need to be adjusted for ... proper treatment of inflation." The other ones were done in 2020 in the leadup to adoption of Resolution 2021, by Callan and Associates, specifically by the chief investment officer he noted was available for comment today.

3:31:03 PM

SENATOR STEDMAN said he was puzzled over the contrasting views. He said there are board resolutions for a rule-based structure.

MR. RICHARDS interjected, "That I was actively involved in pushing and writing and have been an advocate for, for a very long time."

SENATOR STEDMAN mentioned a presentation that had been given. He said he thinks the public would be impressed with the position of the permanent fund worldwide and its management, costs, and benefits to the people [of Alaska]. He recalled the presenter had talked about other funds that did not have the long-term viability that the permanent fund had "when they've moved off of a rules-based system." He mentioned a "trustee paper number nine" and the board advocacy of a rules-based system "to hold the line," while one of the commissioners is advocating before the public and the legislature for ad hoc draws. He mentioned the inquiry about a one-time ad hoc draw, and he stated that "that trustee is an employee of the governor." He said it is not clear "where that break is." He said he thinks this would make it difficult for any employee to work with the board on that subject in harmony, because he said the board is not in harmony.

MR. RICHARDS recollected the presentation to which Senator Stedman referred was given by [Malan Rietveld, PhD], at the request of the administration, and he indicated that the board

listened to the presentation as a courtesy to the administration, but the board "took no action on it." He said there are not "six people that walk in lockstep" but rather may have differing views; however, there has been no motion to amend the resolutions.

[3:34:42 PM](#)

SENATOR VON IMHOF recalled that Mr. Richards had said the board was insulated, and she asked Mr. Richards to specify how the corporation was insulated.

MR. RICHARDS answered, "We have less direct legislative and executive officer involvement in our corporation than maybe others do, by the structure." For example, he said the board of trustees does not serve at will; its members must be fired "for cause." He said he thinks there are "legislative carve-outs." For example, he offered his understanding that the board may not [be required to] follow "all the same travel policies that everybody else does." He emphasized that the board members serve as fiduciaries of a trust, and their primary obligation, consistent with state law, is to act as fiduciaries.

CHAIR VON IMHOF asked, "So, you're being insulated to act as independent fiduciaries of \$83 billion?"

MR. RICHARDS said he did not know whether that is what the free conference committee reported, but it seemed a reasonable statement. He added, "The state's system does not necessarily create our fiduciary status, but I believe it also does, so there certainly are fiduciaries within that system."

CHAIR VON IMHOF asked Mr. Richards whether he thinks that the governor's having sole responsibility of selecting the trustees of the fund, as well as including two of his/her commissioners serving on the fund, is truly insulating the fund and making it nonpartisan.

MR. RICHARDS answered that he thinks "it works" and, further, he offered his understanding that it is constitutionally mandated. He added that only those appointees to boards and commissions that are heads of departments or those to regulatory or quasi-judicial are subject to legislative approval [via confirmation hearings].

[3:38:30 PM](#)

SENATOR BISHOP asked who terminates a trustee if he/she breaches his/her fiduciary responsibility.

MR. POAG answered that removal of a trustee takes place via the executive branch. He suggested that individuals or the legislature could bring a claim against individuals for breach of fiduciary duty, to recover damages. A decision to remove the trustee would be limited to the executive branch, and there would be cause if there had been a breach of duty.

[3:39:37 PM](#)

SENATOR STEDMAN said he would like discussion held on who does the executive review and a comparison of how it was done in the past.

MR. RICHARDS responded that the first time he heard of the commissioner not being the vice chair was from Ms. Rhodes during the meeting in Kodiak. He said he has been on the board for six years and was not aware that was a custom. He said, "I will add that I don't think that's factually accurate. I think that there have been ... commissioners that have served as vice chair and chairman." He recollected the first vice chair was Tom Williams when he was the commissioner of the Department of Revenue. He said under governance documents, the vice chair is chair of the governance committee of the board, and that committee is tasked with the annual review of the executive director. He said Carl Brady was vice chair 2018-19. He indicated Mr. Brady was less formal in the review, and he indicated there had been a survey that went to the board and was summarized by human resources. In 2019, the head of human resources expressed he was uncomfortable doing [the summary] because it was his boss for whom he was doing it; therefore, [the board] hired a consultant to do [the review] in 2020. Mr. Richards said he was not a fan of the consultant process, and he offered his understanding others were not, as well. Ultimately, that time around the survey was designed by the vice chair and was summarized by the vice chair and then passed to the human resources. Mr. Richards said both the summary and the underlying data were produced.

[3:44:19 PM](#)

SENATOR VON IMHOF advised that the committee would be discussing the performance reviews a bit later in the meeting, as they are "the meat and potatoes." She cited AS 37.13.050 as the statute that governs how the governor chooses trustees of the APFC.

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REPRESENTATIVE JOSEPHSON offered his understanding that for the last two decades the board has been adamant that there be a rules-based system, and that it be predictable; at some point the board made clear the number it believed to be most supportable was 5 percent; then very recently the board directed Callan and Associates to model a \$3 billion overdraw. He recollected that Mr. Richards had said Callan and Associates was modeling the ERA overdraw durability. Representative Josephson said, "It just strikes me that the \$3 billion modeling is precisely, to the penny, what the governor wanted last year as bridge money."

MR. RICHARDS responded, "I think that's accurate." He then corrected the notion that the rules-based system has been supported by the board for 20 years; he said he thinks Resolution 1801, in 2018, "was really the first time you saw that language and that concept." He suggested that "a support for a combination of the ERA and the principle" and a 5 percent POMV could be observed 20 years ago, because those show up in resolutions in 2003 and 2004. He said the rules-based system was created around the permanent fund protection Act and got adopted by the board after it began to see cracks in the system where inflation-proofing was not happening every year, dividends were starting to get paid out by nonformulaic methods, "not all the royalty deposits occurred," and "the consummate risk of an ad hoc draw."

REPRESENTATIVE JOSEPHSON expressed concern that "it wasn't an accident that the governor wanted a \$3 billion bridge draw and that the board of trustees modeled that same draw."

MR. RICHARDS noted that the ad hoc draws also had been proposed by the prior administration, he estimated in 2018. Then the current administration proposed it. He reflected that the first modeling of it was by the staff in Kodiak, and there were concerns that "the modeling wasn't as robust as it could [be]." He covered what took place from there, as previously iterated. He said as chair of the board, he agrees to requests from trustees that don't "take three hours" or are "totally off agenda." He said there is room for whatever presentations people want to have, and "modeling the durability of the ERA from an ad hoc draw or for inflation-proofing is ... something we have done regularly and often - oftentimes at my request."

SENATOR VON IMHOF asked what the modeling showed.

MR. RICHARDS responded that he did not know, but then gave an overview of modeling as showing probability of an ERA failure over a number of years based upon different scenarios. He said he could not recall those scenarios in the present moment. He recalled that Callan and Associates "did not think to include inflation-proofing until 2024, so it showed a much more robust ERA than I suspect would happen if you modeled it with inflation-proofing."

CHAIR VON IMHOF responded, "With inflation-proofing exceeding 6 percent for certain months, I would expect that would be the case."

MR. RICHARDS concurred. He said inflation-proofing would "put some pressure on the ERA over time."

[3:50:22 PM](#)

SENATOR BISHOP suggested the need to bring before the committee the trustee who requested the modeling on the ERA overdraw, because he could see the committee going into a deeper discussion regarding protecting the integrity of the fund for future generations, which he stated is paramount. He added that 5 percent will probably not "cut it"; 7 percent is likely necessary.

SENATOR VON IMHOF asked Mr. Richards to address slides 9 and 10 next.

[3:51:53 PM](#)

SENATOR MICCICHE, regarding observation that management of the fund has remained politically isolated, at least on the surface, said he remembers an administrative request to reward high-performing employees. He continued, as follows:

I'm reading the vision "to deliver outstanding returns for the benefit of all current and future generations of Alaskans." So, I'm going to separate maximum returns and politics. And when that request was made, there was an -- I'm paraphrasing this comment -- something like, "It looks bad that employees receive a raise while PFDs are being reduced," which is a political comment. And looking bad is one thing, but has the board remained, or attempted to remain

relatively politically pure toward the maximum returns? Because some of these issues, without getting into that detail about Ms. Rodell, do we actively separate politics from maximum returns, which is your mission, your vision? Because a lot of this sort of reeks of something else.

MR. RICHARDS responded that he did not know how to answer that. He expressed that there are six trustees, all with differing points of view; therefore, until such time as there is a resolution or decision made, each trustee is speaking as an individual. As chair, he said one thing he likes about the board's resolutions is that they speak on behalf of the entire board. Regarding whether an issue is political, and harking back to Senator Micciche's reference to the issue of raises and poor dividend performance, he said, "We have a lot of issues around how we're doing compensation, but that's not a thing that's driving the discussion in any way."

SENATOR MICCICHE clarified that he was not asking Mr. Richards to speak for others but would like to know whether Mr. Richards remains on task with the board's mission and vision in its operations, which, he said, is what the board is charged to do.

MR. RICHARDS answered, "Unequivocally." He stated that that mission is investment returns.

SENATOR VON IMHOF said in the second half of the presentation the committee would like to hear whether Mr. Richards felt Ms. Rodell did not adhere to that vision and mission. She added that she has seen in different documents that [Ms. Rodell] did not adhere to the same vision and mission that the board did; that they were at odds.

[3:56:02 PM](#)

SENATOR STEDMAN, regarding Senator Micciche's question, offered his understanding that the commissioner of DOR "made that comment," and it was political. He asked, then, if Mr. Richards, as chair, councils board members to "keep that political ideology off the table."

MR. RICHARDS answered no, but added that the board is a congenial one. He said perhaps after a board meeting he might suggest someone "tone it down a bit."

SENATOR STEDMAN opined that it is good for the chair "to exercise that" and "keep it on focus" so that the board does not "drift into the political realm."

MR. RICHARDS replied that that is a good observation, which he would take to heart.

[3:58:02 PM](#)

SENATOR BISHOP asked Mr. Richards if the trustees have bi-annual or annual fiduciary training.

MR. RICHARDS answered no; trustees are trained when they start. He acknowledged that [periodic] training is "not a bad idea."

[3:58:40 PM](#)

REPRESENTATIVE SPOHNHOLZ said it concerns her when board members start talking about linking compensation for staff with dividends, appropriated by the legislature, and when the person "that made those remarks" is the person "responsible for an evaluation." She then observed that Ms. Rodell's rating was higher in 2021 than in the previous four years; the only higher rating being in her first year, 2017, which Representative Spohnholz described as a "honeymoon" phase during which an evaluation is likely to be good. She further observed that in 2020, Ms. Rodell had been given a raise, even though her evaluation rated below her current one.

REPRESENTATIVE SPOHNHOLZ continued:

You can say that there's no change in the way that the board is operating, but we now have a member of your board who has made very controversial statements on the record, which don't align with long-term ... organizational development for our state's most important ... resource. It smells really bad.

MR. RICHARDS offered his understanding that the 2021 survey "broadly increased the number of people that were in the pool," in particular increasing the number of people to include "the operational side of the house." He said [Ms. Rodell] was "very popular with the operational side of the house"; therefore, it would not surprise him that the result would be an increase in Ms. Rodell's numbers. He remarked that a survey is a tool used as a basis for conversation but not as sole consideration.

MR. RICHARDS stated that politicalizing something cuts both ways. He explained:

On the one hand, you're concerned the board is being politicized because of comments made or other things that you see, but there's also a huge politicization effect occurring through this committee process right now. I mean, you ... brought up the chairman of the board, to grill me pretty good, I might say, about essentially a personnel decision involving an at-will employee. So, it's your right to do it, but ... there's politics going both ways here. So, I would just encourage all of us to work through what needs to be worked through, and then take our foot off the gas and let things get back to normal. Because the permanent fund, myself included, ... this is a lot for us to handle.

REPRESENTATIVE SPOHNHOLZ pointed out that by definition, the legislative process is a political process, while the management of the state's most important financial aspect should not be political. She listed factors for consideration as performance of the fund and adherence to the rules, and she said she is not clear on what, if anything, was different. She noted that the survey shows employees and board members were happy with Ms. Rodell's performance and that "the permanent fund" was, in 2021, "celebrated internationally as one of the best places to work of its kind." She said it is troubling that [Ms. Rodell] is meeting all the benchmarks, yet Mr. Richards does not want to talk about the process.

MR. RICHARDS acknowledged Representative Spohnholz' statement; however, he said it is clear there has been stress between [Ms. Rodell] and employees of the corporation, and the board "took an at-will employee, who they manage, who is a highly compensated executive, and made a decision to change." He characterized that as "a normal, appropriate, natural process that occurs when you manage a large corporation." He said he did not know what else to say.

[4:05:16 PM](#)

REPRESENTATIVE TUCK said he does not think it is clear there have been tensions, and the first time he has heard about them is today. He stated that the Legislative Budget and Audit Committee does have the oversight of the corporation, and

considering the outstanding performance of the fund, it is appropriate that the committee ask these questions.

REPRESENTATIVE TUCK cited a portion of AS 24.20.156, which read as follows:

The purposes of the Legislative Budget and Audit Committee include

- (1) monitoring and reporting
 - (A) the performance of the agencies of the state that perform lending or investment functions,
 - (B) the extent to which the performance of these agencies has contributed to the fiscal, financial, economic, and social improvement of the state and its citizens,

REPRESENTATIVE TUCK then cited a portion of [AS 24.20.206], which relate to duties, and state that the Legislative Budget and Audit Committee shall:

- (5) provide for an annual post audit and annual operational and performance evaluation of the Alaska Permanent Fund Corporation investments and investment programs;

REPRESENTATIVE TUCK remarked, "We're trying to [do] our best to make sure this isn't political." He then credited Representative Spohnholz as having said that simply by the nature of it being government related, it is political. He said the questions he is hearing from [committee] members appear not to be political but to be of a fact-checking nature and in response to there being ambiguity on the issue that needs clarification.

REPRESENTATIVE TUCK referred to the three analyses done and asked whether they were presented publicly.

MR. RICHARDS answered that the durability of the ERA has had multiple analyses, and he encouraged Representative Tuck to look at the one done in 2020 by the CIO. He offered his awareness that "the durability one-time draw was done twice," always in public session. He continued:

The board certainly can have materials distributed to it, but it does not meet or have conversations except for in public session. And one was done by staff at the request of either the executive director or at the

request of the chief risk officer; I don't know the answer. The second one that was done, was done by Callan [and Associates]; and that one was done at the request of the vice chair after Callan had offered some thoughts on the one that staff had put together. So, that is our ... record. And then I didn't see any of those until they were in the board packet.

[4:09:03 PM](#)

SENATOR BISHOP recalled Mr. Richards' comment about the politics cutting both ways, and he asked Mr. Richards to "refresh that statement."

MR. RICHARDS responded that he is hearing legislators express concern that politics are entering into the fund from the executive branch. He said it is absolutely the legal right of the Legislative Budget and Audit Committee to oversee the Permanent Fund Corporation; however, just as it is the legal right and role of the executive branch to oversee the appointment of commissioners, he said he hopes "we don't have to get too deep into politics with the legislature either, because both involve politics, and frankly, both distract from the fundamental mission of the board."

SENATOR BISHOP said he has sat at both ends of the table, and he said the committee is here to find the facts.

[4:10:47 PM](#)

REPRESENTATIVE JOSEPHSON expressed surprise and concern that Mr. Richards has said that what is happening is political rather than denying any political involvement.

MR. RICHARDS clarified he did not mean to say that executive branch politics had "entered the realm of the board." He encouraged finding a resolution to the issue so that the board can "move forward with its mission," while acknowledging the right of the Legislative Budget and Audit Committee to "do what you choose to do."

REPRESENTATIVE JOSEPHSON said Mr. Richards had stated that Ms. Rodell was an at-will employee, and he said there is copious evidence of that. He then noted that the [Implied] Covenant of Good Faith and Fair Dealing requires there be an objectively reasonable cause for the termination of an employee, and a jury would be given that instruction. He expressed concern that "in

these 500 pages there is a tremendous amount of evidence that our lawyers - the Department of Law - are going to have to defend." He asked Mr. Richards if he should not be concerned about that.

MR. RICHARDS indicated that this was a tough question for him to answer, because not only does he serve as board chair, but he is also a lawyer; however, he does think it is his role to opine what could and could not be defended. As chair, he said he is not concerned. He said he has been involved in the removal, termination, forced resignation, "got to go spend time with my family" situations in state government dozens of times, and he cannot think of a single instance where it resulted in "a successful termination lawsuit." He allowed there might be [such a case in existence].

[4:13:42 PM](#)

SENATOR VON IMHOF, in response to Mr. Richards' remark about the stress and tension between the board and Ms. Rodell, commented that Ms. Rodell was not present to defend herself today. Therefore, she read the following three comments from former employees, who had spoken on her behalf:

The CEO was effective within the bounds set by the board, but much of what needs to be strategically addressed isn't within her power to implement due to the board's failure to empower her.

Very effective at implementing and modeling mission, vision, and purpose; recent attempts at engaging the board in some strategic areas have been met with resistance.

Recent board meetings brought to light that the board does not seem to be still strategically aligned with what they have previously approved. When Angela tried to engage the board, the discussion was refused and then seemed to be dismissed.

CHAIR VON IMHOF suggested the board had failed on its end to properly engage and support Ms. Rodell in what should be a shared mission from which the board deviated.

[4:15:34 PM](#)

MR. RICHARDS responded that he did not think it fair to read [three] comments when he could have countered with the same number of comments expressing the opposite view.

CHAIR VON IMHOF asked, "Which ones are accurate?"

MR. RICHARDS said the comments read were made in a survey, and he does not know who made them. He said negative comments tend to come from the board and staff, while the comments from "the operational side of the house" tend to be positive. He said he thinks that accurately reflects the dynamic of the relationship.

SENATOR VON IMHOF asked where the tensions lie.

MR. RICHARDS, regarding whether the board did enough to bring the executive director along, said he thinks it did, and ultimately that is not the board's obligation.

SENATOR VON IMHOF asked why, if the tensions between the board [and Ms. Rodell] have been going on for a while, there is "nothing in the 296 pages indicating a work performance improvement plan."

MR. RICHARDS answered that to the extent that occurred, it would have been in executive session; therefore, he could not talk about it. Second, he said, "Different companies have different ways of handling employee problems." There can be a formal plan, but "there's not one that exists in the formal record." He continued:

Again, ... you're putting a level of duty on the board, in terms of how it tries to drag along an executive director, that ... I don't think ... is reflective of realistically how large corporations operate. When a board gets, for whatever reason, dissatisfied with their CEO, ... maybe you can make it work; maybe you can't; maybe it's time to move on; maybe it's not.

[4:19:08 PM](#)

REPRESENTATIVE SPOHNHOLZ recollected Mr. Richards had said the board changed its evaluation process, and she asked him to explain the reason behind the change.

MR. RICHARDS responded that the evaluation of 2018-19 was board-centric; a consultant was brought in for 2020, with the survey

expanded and focused on the board and key reports, but there was dissatisfaction with that method; so, the governance committee wrote a survey, which was transmitted to the entire staff. He questioned that decision, because while everyone's view is important, he suggested the view of the receptionist, for example, should not be equally weighted with the views of the chief financial officer (CFO), the CIO, and the board. He said it is "an adaptive process." He added, "And I also suspect our ability to use surveys is going to be now quite dampened, as well. So, I'm not sure that those are going to be a tool that staff is going to engage much going forward, 'cause certainly no one thought all this was going to get public."

REPRESENTATIVE SPOHNHOLZ said while she is not asking Mr. Richards to violate the rules of executive session, she wants to know whether he considered a performance improvement plan.

MR. RICHARDS emphasized his answer would include nothing having to do with the executive session, then answered, "I don't think so." He said that having been an executive of a large corporation, he finds it "a little unrealistic" that an executive CEO-level employee "of this magnitude" is going to be treated like a classified employee working for the state or a labor union person that would be instructed to improve under a four-category plan. He said that in his experience, that is just not how CEOs of large corporations are reviewed.

REPRESENTATIVE SPOHNHOLZ said she did not think anyone in the room would expect the performance plan of a CEO of an \$82 billion organization would be similar to that of a classified employee, but clearly the board had performance benchmarks for Ms. Rodell, and "it sounds like perhaps there was a communication gap between what the board expected and what Ms. Rodell was delivering." She asked Mr. Richards, "Did you ever considered writing that down on a piece of paper and sharing that with her and giving her the opportunity to decide whether or not she was going to make an effort to meet your goals?"

MR. RICHARDS answered that all of the conversation "around those things" occurred during executive session; therefore, "there was no written thing." He added that that was probably on purpose. He stated, "I mean, I'm not going to say that this is true, but I would hesitate before I did something like that and put it in someone's employment file."

REPRESENTATIVE SPOHNHOLZ said she would think that as an attorney, Mr. Richards would want to cover his "rear end" by "writing something down."

MR. RICHARDS said everybody was just trying to manage an organization well and resolve any issues.

REPRESENTATIVE SPOHNHOLZ asked Mr. Richards whether he - by phone or text, in the last six months - had any conversations with members of the Office of the Governor regarding "Ms. Rodell's role at the permanent fund."

MR. RICHARDS replied that he had been clear he would not go into the interactions and communications and decisions that led up to the firing of Ms. Rodell because it would not be appropriate to do so.

REPRESENTATIVE SPOHNHOLZ said, "Alright, I will take that as a yes."

[4:25:03 PM](#)

REPRESENTATIVE JOSEPHSON commented that Mr. Richards is entitled to his opinion about plans of improvement, but page 33 of the board's charters and policies from September [2020] "talks about plans of improvement for the executive director, so it's a thing."

[4:25:25 PM](#)

SENATOR MICCICHE lead up to a single question by emphasizing his intent not to rake Mr. Richards "over the coals," while noting that he would focus on the benefit of the fund being one in perpetuity while political problems are temporary. He said politics will erode maximum returns over the years, and if allowed, the results could be tens of billions in lost opportunity cost earnings and maximum returns. He then asked whether Mr. Richards would manage for maximum returns or "let erosion move into lost maximum returns in the future."

MR. RICHARDS answered that maximum returns would always be his primary focus, to the extent it is his duty as a trustee "to do that." He added, "I only hedge because there's different roles for different people." For example, he said as a trustee he does not oversee investments but is obligated to oversee and create a system that provides for the highest returns possible relative to risk. He added, "You always have to put in that

caveat." He said that is "what everybody's doing across the company."

[4:27:28 PM](#)

SENATOR BISHOP recollected Mr. Richards had made a comment about having to drag along the executive director. He remarked that he would figure out a way to drag that person along, especially when the one-, two-, three-, and five-year returns have all "been benchmark," and in order to maintain those rates of return. He asked for confirmation that Ms. Rodell had no interaction with the human resources (HR) manager.

MR. RICHARDS answered that Ms. Rodell certainly had interactions with the HR manager but had to report to the board as a matter of hierarchy, and it was the board's obligation to oversee Ms. Rodell's employment. Regarding the notion that the executive director is tied to performance, he said while he respects everyone "at the permanent fund," it is a team effort toward winning. That said, he pointed out that Ms. Rodell did not handle investments but had a limited oversight role, and if she interfered, then she had to report to the board. The investments are being handled by the chief investment officer. He said different organizations have varying structures, and the one that the Permanent Fund Corporation Board [of Trustees] has is not atypical. He said although everyone on the team, including the former and next executive director deserve aplomb for the fund's performance, ultimately it is the CIO that is responsible for managing the fund's assets. The executive director's role lies more within administrative oversight and political outlook.

MR. RICHARDS referred to a slide that shows the investments "come to a peak" at the CIO, and then below the CIO are the portfolio managers. There are 25-26 other investment personnel, as well as "a very large stable of external asset managers and all the different asset classes that are also charged with investing."

[4:31:13 PM](#)

CHAIR VON IMHOF asked why the Survey Monkey format is not one Mr. Richards wants to use again.

MR. RICHARDS answered that no one knew that the surveys would be subject to the Public Records Acts requests; therefore, he

predicted surveys would not be a tool people would be eager to use in the future.

CHAIR VON IMHOF asked if it is difficult to know whether one person has taken the survey more than once or whether, in the area of collating, there may be less oversight.

MR. RICHARDS said that if Chair von Imhof was suggesting someone tampered with a survey, then that is a spurious accusation.

CHAIR VON IMHOF asked, "What were the controls in place to make sure it wasn't?"

MR. RICHARDS answered that there are no controls in place; it is an annual survey. He speculated that more attention has been given to the survey by the Legislative Budget and Audit Committee this year than in years past. He said the survey is a tool; "it's not like it's this thing that gets a massive amount of attention." He said he takes exception to the suggestion that someone might have manipulated the data. He said the surveys have all been produced, so someone could go through them and compare them, but he said he "would encourage us not to go down this road."

CHAIR VON IMHOF responded:

We actually did compare them; we laid them side by side; and it was interesting that one year it was 21 employees, and the second year it was 38 employees. It was quite a jump. One was done by a third party where, as a score, one was the highest and five was the lowest; and the next year it flipped where five was the highest and one was the lowest. So it is a misnomer if you say Ms. Rodell got a 2.73 in 2020, and you think that's a low score, when in fact it's quite a high score. And I think it's important to note when the jump of participation goes almost double, it is interesting; when it goes from third party to internally with the executive branch, when the executive branch has stated that they have no knowledge of ... the termination of Ms. Rodell, it does raise some flags.

CHAIR VON IMHOF said she thinks the question on some people's minds is now that Ms. Rodell is "out of the way," will Mr. Richards be applying for the job of executive director.

MR. RICHARDS answered no, stating that it would not even be a possibility since he is divorced, has an eight-year-old son, and lives in Anchorage.

[4:35:27 PM](#)

SENATOR BISHOP talked about his method of curbing "water cooler comments" by requiring the person who talked about someone else behind their back to repeat what they said in front of the targeted person. He indicated the result of this practice is that these types of comments "just go away." Next, he recalled having read a statement that "50 percent of the legislature had lost confidence in the executive director," to which he responded that "nobody's interviewed me."

[4:37:04 PM](#)

SENATOR STEDMAN said he has heard the comment, "No one contacted me." He then shared that he has no issue with [Ms. Rodell]. He said she was always "straight up" and articulate; she was forthcoming with information about the permanent fund and her presentations to the legislature were good. He said he is not her personal friend. He said he would question lack of support for Ms. Rodell and inquire who was asked. He expressed concern about a comment the committee had read about, that a trustee thought his/her employment would be in jeopardy if he/she did not support terminating Ms. Rodell. He emphasized that is a serious issue that should be addressed if it is accurate.

MR. RICHARDS said he doesn't know anything about that, then said he thinks he read "something similar." He issued a heartfelt statement: "We are fiduciaries. We make decisions based on the best interest of the fund." He said if a legislator, a governor, or anybody else called him to say he/she wanted someone hired or fired, he would thank the individual for the input and tell him/her that he would consider it. He said he has received high-pressure calls, and there are situations in which he does what is asked and other situations in which he follows his own counsel. He concluded, "And in this case, as a fiduciary of this fund, people are going to exercise their own independent judgement."

SENATOR STEDMAN said Mr. Richards was talking about himself. He said he was not referring to Mr. Richards as having made that comment, because "clearly you do not work for the governor."

[4:40:42 PM](#)

CHAIR VON IMHOF shared her perspective that what Senator Stedman is talking about regarding the legislature, taking into account the cover sheet detailing Ms. Rodell's performance, is as follows: "Her relationship with the board is stressed and some trustees report a lack of trust and candor. The same can be said for her dealings with the executive branch and the legislature." She indicated that she would like, as follow-up information for the committee, to discover who, from the legislature, provided input that said Ms. Rodell's dealings report a lack of trust and candor. She asked Mr. Richards what the basis would be for that statement. She noted that he has heard from several legislators who were not contacted, and she asked who was contacted to provide input.

MR. RICHARDS responded that he suspects that the answer is going to be that that information would not be provided for reasons that have been discussed. He pointed out that in service of reflecting on relative boundaries, the executive director reports to the board, not to the legislature. He added that he has "no doubt" that Ms. Rodell was well-liked by many in the State of Alaska Capitol building and well-liked by many of the members of the committee. He shared his understanding that Ms. Rodell's performance reports accurately reflect [the positive sentiments towards her] in many ways. He opined that Ms. Rodell did well regarding external communication, and that it was one of her strengths in her job. However, that is just one role of many that an executive has in managing the job, he said.

CHAIR VON IMHOF commented that Mr. Richards used Ms. Rodell's relationship, or lack thereof, with the legislature as one of the dedicated reasons [in the summary] to terminate her. She opined that it is material.

MR. RICHARDS said that that was a board comment.

CHAIR VON IMHOF returned, "No, it is the overall summary." She quoted from the summary as follows: "Oversaw an organization that delivered record returns. Oversaw rapid expansion of assets under the management. Designed a remote work system." She shared her understanding that there are around 10 bullet [points] like this.

MR. RICHARDS responded that he doesn't know, but would say that whether or not an APFC employee is popular with the legislature is certainly a factor that reflects on relative performance in some of the areas of [Ms. Rodell's] job, but that it is

certainly not controlling as to other areas of her job. He said that he would "no more hire or not fire someone because she was popular with the legislature" than he would with anyone else. He said that it is a factor to be considered.

[4:43:33 PM](#)

CHAIR VON IMHOF noted that the committee needs to talk about the origin of "these large binders that everyone has in front of them," which contain the release of Ms. Rodell's personnel file. She asked Mr. Richards who authorized the release of Ms. Rodell's personnel file.

MR. RICHARDS responded that he doesn't know "who ultimately authorized it," but can explain the process by which it was released. He said that a Public Records Act request (PRAR) was received first from the Anchorage Daily News (ADN), which he said opened the doors. He explained that there was a review by the Department of Law (DOL) to determine whether or not some or all of the records were subject to release. He shared that DOL determined that some or all of those records were subject to public release. He explained that Ms. Rodell was then contacted, and she hired an attorney. He relayed that her attorney said that these records should not be released and cited "whatever legal argument was put forward." He added that DOL reviewed the information and notified Ms. Rodell's attorney that DOL did not agree that the records were not subject to PRAR, and that Ms. Rodell was given "something like a week" to file a lawsuit to prevent the release. He said that that did not occur and that the records were released "pretty darn close to the statutory guideline." He opined that this is a lot of work to get done in 20 days.

CHAIR VON IMHOF asked for clarification that Mr. Richards is saying that the statute has been interpreted by DOL to support that certain employees' personnel files can be released to the public if simply asked for it.

MR. RICHARDS responded, "That's what they determined."

CHAIR VON IMHOF asked whether the employee files for Commissioner Mahoney, Commissioner Feige, and for Mr. Richards himself as acting Attorney General, should be asked for as well.

MR. RICHARDS responded, "I guess you can." He expressed that he doesn't think this is good policy. He said, "Please don't think that I'm saying that I think it's okay that this is released."

He noted that people have the right to have personnel files be private. He said that he thinks it's "absurd" that all of this confidential information has been made available, but "that's the law."

CHAIR VON IMHOF asked Mr. Richards, "Why did communications person Jeff Turner, with the Dunleavy Administration, comment that he knew exactly the date and time when Ms. Rodell's file would be released?"

MR. RICHARDS responded that he doesn't know who Mr. Turner is, and he has no idea why, other than he suspects that "if you had called Paulyn [Swanson], she would have told you."

CHAIR VON IMHOF asked why Paulyn, or anyone else at the Alaska Permanent Fund Corporation, is "not in charge - solely in charge - and protective of permanent fund employees' personnel files."

MR. RICHARDS responded that this is the way the state system works. He said that when there is a legal case like this, it goes to DOL, and DOL makes a determination. He reiterated that he doesn't like the determination and that "it's a bad one," and that he would change it if he were a legislator.

CHAIR VON IMHOF asked Mr. Richards to whom the personnel file was released.

MR. RICHARDS responded that he thinks it was released to James Brooks, but that it was released within a very short period of time to the Legislative Budget and Audit Committee, as well. He said that he doesn't know whether it was "a half day or a day," but that it was at right about the same time. He reiterated that he wasn't the one doing this, but that this is what he understood was occurring.

CHAIR VON IMHOF stated, "A personnel file was released to the media."

MR. RICHARDS responded, "I know; it's terrible."

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REPRESENTATIVE JOSEPHSON commented that this has been, in one sense of the word, "a productive time." He said that notwithstanding everyone's incredibly busy schedules, it is his request of the chair that the committee revisit this topic at a future meeting.

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REPRESENTATIVE FOSTER referred to an earlier comment made by Mr. Richards in which he claimed that the "stellar" performance of the fund over the 1-, 3-, and 5-year performance periods should be credited to the chief investment officer and not to Ms. Rodell. He opined that some credit should be given to Ms. Rodell for the performance of the fund.

MR. RICHARDS clarified that Ms. Rodell was a critical member of the fund's team and complimented some of her administrative decisions but stated that she did not have day-to-day decision-making capacity over the investments. He added that should Ms. Rodell change any of the investment decisions made [by the CIO], those decisions would be required to be reported to the board, and none had been reported in the two-year period in which the reporting rule had been in place.

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SENATOR VON IMHOF asked how many times over the last five years the CIO position had changed.

MR. RICHARDS postulated that it had changed three times.

SENATOR VON IMHOF stated that it had been Ms. Rodell as a constant [presence over the previous five years] including significant turnover of members of the board.

MR. RICHARDS suggested that the second CIO may have had reasons for leaving that resulted in complexity related to the turnover in the CIO position. He stated that regardless of board turnover, the executive director position necessarily reports directly to the board.

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SENATOR STEDMAN stated his concern regarding Ms. Rodell's personnel file becoming public and recommended further investigation into that matter. He expressed his desire that the public be able to observe a full conclusion to the dismissal and understand the management of the fund and the committee's role in oversight of the management of the fund.

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REPRESENTATIVE ORTIZ stated that he had not been approached for his input as a legislator on evaluating Ms. Rodell's performance. He recalled Mr. Richards' statement of commitment to the duty [of the board] to manage the fund for maximum return and stated that any public suggestion [by a board member] of an overdraw of the fund would be contradictory to maximum returns for the fund.

[4:53:04 PM](#)

REPRESENTATIVE KAUFMAN stated that the focus of the committee should be on the management and performance of the fund and allowed that there may exist constraints on what may or may not be discussed publicly. He said that he had requested unrelated fiscal modeling [of scenarios] that he may not agree with to determine failures or other information from the models. He recalled his experience in the private sector of having participated in 360-degree reviews and expressed his reluctance at the time of having to provide feedback on upper management and suggested that the process was not necessarily confidential. He concluded with the suggestion that the overall performance and management of the fund must take into consideration risk.

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REPRESENTATIVE JOSEPHSON expressed his concern that the "covenant of the right to terminate" may exist; however, case precedent in Alaska would show precedent that cases regarding termination may be brought and referred to a case involving Kenai Chrysler. He added that it would have been his preference to compensate Ms. Rodell for her work he described as capable rather than for a potential lawsuit settlement regarding her termination.

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REPRESENTATIVE SPOHNHOLZ said she felt deeply troubled by what she learned about this process, adding that she felt frustrated by some of Mr. Richards' testimony. She opined that Mr. Richards was "talking kind of out of both sides of [his] mouth." She paraphrased his earlier statement regarding Ms. Rodell being responsible for [APFC's] challenges, but not for any of its successes. She contended that Ms. Rodell is a "world class professional" who was the commissioner of the Department of Revenue (DOR) prior to being the CEO of APFC; further, she asserted that Ms. Rodell was not a "glorified administrative assistant," adding that if she had been, Mr. Richards [the Board

of Trustees] would not have awarded her a 5 percent increase last year. She pointed out that the Alaska Permanent Fund currently brings in 70 percent of the state's unrestricted revenue. She characterized APFC's decision to started modeling overdrafts that are in direct conflict with some of the position papers that the board had been clear on for some time as troubling. Nonetheless, she thanked Mr. Richards for his role in creating the rules-based framework and the passage of Senate Bill 26 [in the Thirtieth Alaska State Legislature], which made the state more stable and modernized its funding structure, she opined. She went on to express her concern that the Office of the Governor seemed to know about the situation regarding Ms. Rodell in advance, pointing out that the Office of the Governor was able to speak to her personnel files being released on January 11, [2022]. She shared her belief that Ms. Rodell's popularity in the capitol building is inconsequential, emphasizing that "it's about performance and about the law." Nonetheless, she acknowledged that Ms. Rodell is respected in the capitol building for her work in Alaska. She addressed the importance of managing the permanent fund in an apolitical manner because of its strategic importance to the future of Alaska. She stated her belief that growing the permanent fund should be the [legislature's] top priority, and she opined that everything else should be secondary when it comes to Alaska's fiscal policy. She welcomed future hearings on this topic, sharing her belief that the committee's work is not done.

5:00:01 PM

REPRESENTATIVE FOSTER echoed the request for future meetings on this issue. Specifically, he recalled that Mr. Richards had mentioned that he couldn't speak to his fellow trustees' intent or motivation. Consequently, Representative Foster expressed his interest in hearing from those trustees at a future hearing.

5:00:37 PM

REPRESENTATIVE TUCK stated that he would like to see more meetings on this issue, as well, opining that the events leading up to Ms. Rodell's termination were unclear. He recalled that Representative Josephson had pointed out that the executive director should be allowed a performance review and the opportunity for improvement. He indicated that everything should be documented in writing, as it holds people accountable in situations like this. He emphasized that it is the committee's responsibility to look into matters such as [the termination of Ms. Rodell] and shared his understanding that

though her termination may not have been political, it seemed to be personal. He expressed his interest in acquiring additional answers on what led up to that decision. He continued by pointing out ambiguities in Mr. Richards' testimony. He stated, "On one hand, she is not in charge of the investments, and ... the investment staff weren't happy with her performance; but on the other hand, she is overseeing the administration, the clerical, the accounting, and if you ask them, she did a stellar job." Representative Tuck thanked Chair von Imhof for holding this meeting.

5:03:10 PM

MR. RICHARDS expressed his "shock" that he was called to testify before the committee. He remarked:

We have an at-will employee who reports to the board, who years of documented evidence demonstrates that there were trust problems going both ways between the board and the executive director - it's in her 2018 review; it's in her 2019 review. In her 2020 review, she even says, "There's a reciprocal lack of trust." This is the employee that reports to the board. This has been going on for years. The board decided to make a change.

MR. RICHARDS asserted that the board had the authority to [terminate Ms. Rodell.] He opined that the response and the feedback is due to Ms. Rodell's popularity and because she is "making a lot of hay." He stated his hope that the committee would respect that the board's job is to oversee the permanent fund and the executive director. He posited that the board made an "informed, rational decision, consistent with our policies and all the laws, maybe there is something that you think is applicable otherwise, but by and large we did it like you're supposed to do it." Further, he asserted that the best course of action for the permanent fund is to "move on." He acknowledged that it is the committee's prerogative to hold more hearings on this issue; however, he cautioned that there would be a cost to that decision to Ms. Rodell, the Board of Trustees, and the staff members involved. He encouraged the committee to act quickly to allow APFC to redirect its focus back to managing the permanent fund.

5:06:09 PM

SENATOR VON IMHOF said this is a tough way to start the legislative session for all parties involved, adding that "this will take as long as it takes." She reminded Mr. Richards that the Legislative Budget and Audit Committee has the statutory authority and fiduciary responsibility to ensure that Alaska's "largest nest egg" is protected from political influence on any side; further, that it is managed in a prudent and thoughtful way with integrity. She opined that the answers provided today were not as deep and thorough as the committee would have liked. She remarked, "This is not the end of the story. We would like to know why the governor's office had knowledge of the personnel file." She added that she looks forward to future hearings on this subject to address why Mr. Richards could not speak to the intent and motivation of other trustees.

[5:08:04 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 5:08 p.m.