

**State of Alaska  
FY2009 Governor's Operating Budget**

**Department of Revenue  
APFC Operations  
Component Budget Summary**

**Component: APFC Operations**

**Contribution to Department's Mission**

The mission of the Alaska Permanent Fund Corporation is to maximize the value of the Permanent Fund within return objectives.

**Core Services**

- Investment management for Fund assets
- Provide public information on Fund activities and issues

End Result	Strategies to Achieve End Result
<p><b>A: Maximize the value of the Fund</b></p> <p><u>Target #1:</u> A long-term 5% real rate of return  <u>Measure #1:</u> Real rate of return over time</p>	<p><b>A1: Develop and implement an asset allocation plan that minimizes the risk necessary to achieve the target return</b></p> <p><u>Target #1:</u> The Fund's rate of return meets or exceeds the composite investment performance benchmark adopted by the Board  <u>Measure #1:</u> The Fund's rate of return versus the investment performance benchmark</p>
End Result	Strategies to Achieve End Result
<p><b>B: Provide Alaskans with complete and timely information on Fund activities and issues</b></p> <p><u>Target #1:</u> Meet 100% of statutory and communication plan guidelines for disseminating information  <u>Measure #1:</u> Percent of communication target objectives completed</p>	<p><b>B1: Develop and implement an annual communications plan</b></p> <p><u>Target #1:</u> Complete 100% of the tasks in the communications plan  <u>Measure #1:</u> Percent of communications plan tasks completed</p>

<b>Major Activities to Advance Strategies</b>	
<ul style="list-style-type: none"> <li>• Contract with external investment managers for specific expertise for stocks, bonds, and real estate</li> <li>• Internal bond portfolio management</li> <li>• Daily, monthly, quarterly, and annual performance and compliance reports</li> <li>• Renegotiate fees on an ongoing basis</li> <li>• Prepare reports, newspaper inserts and other publications</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain web site and keep content up-to-date</li> <li>• Research evolving alternative investment strategies</li> <li>• Respond to media and public inquiries</li> <li>• Seek out other opportunities for public education</li> </ul>

**FY2009 Resources Allocated to Achieve Results**

**FY2009 Component Budget: \$9,879,900**

**Personnel:**

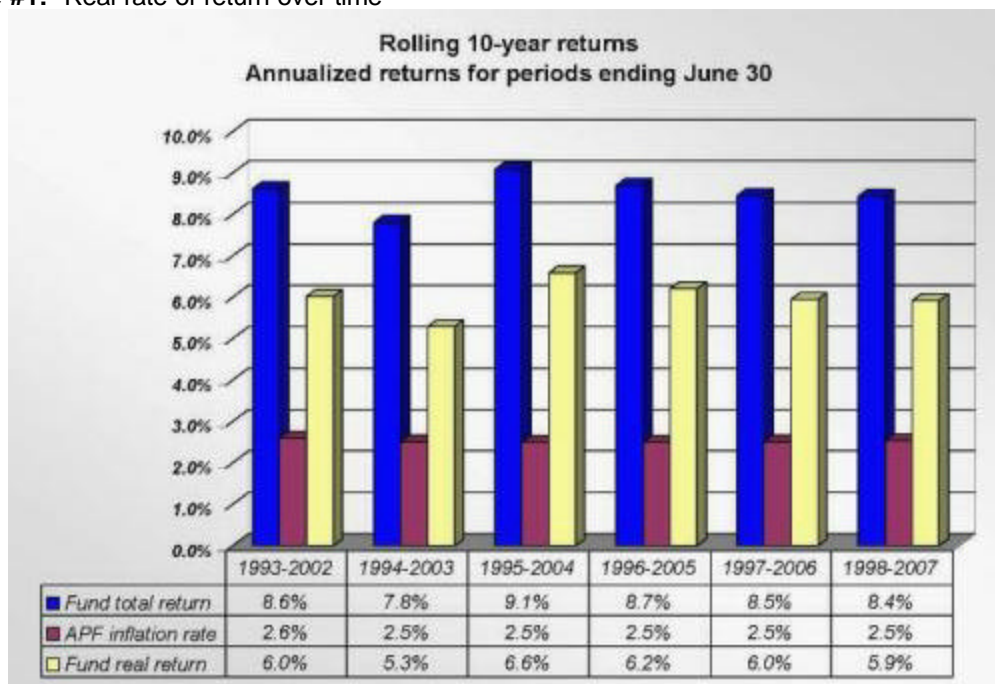
Full time	39
Part time	0
<b>Total</b>	<b>39</b>

**Performance Measure Detail**

**A: Result - Maximize the value of the Fund**

**Target #1:** A long-term 5% real rate of return

**Measure #1:** Real rate of return over time



**Analysis of results and challenges:** The Fund's market value was to \$37.8 billion on 6/30/2007 (after \$1.0 billion dividend payout), up \$4.9 billion from 6/30/2006 ending market value. The long term real rate of return for the period FY1998 - FY2007 was 5.9% and the Fund's total return for FY2007 was 17.1%.

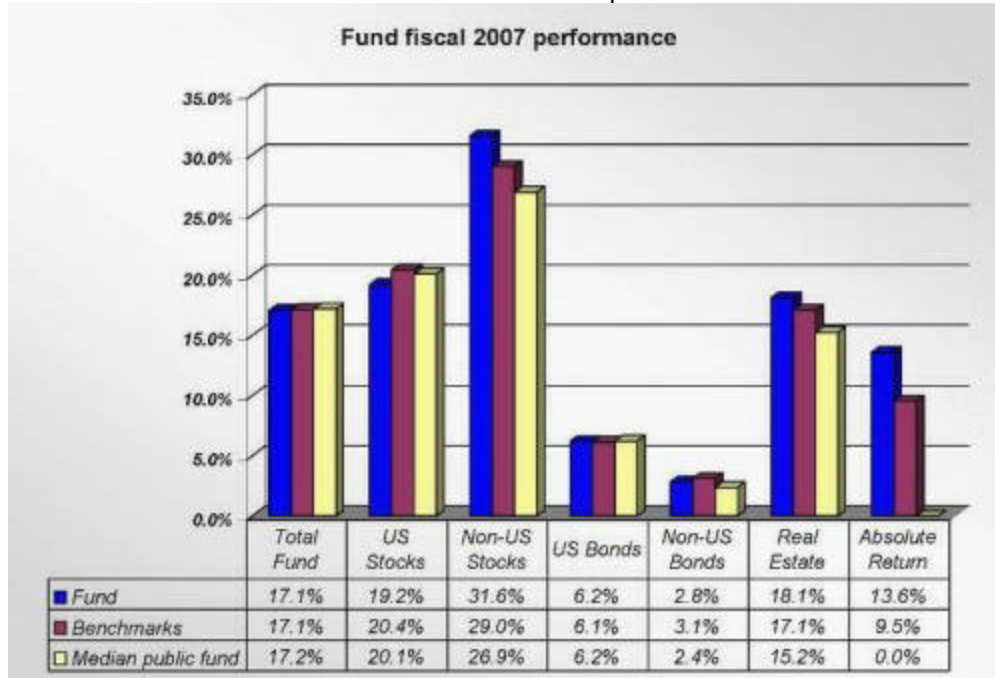
To achieve a target total rate of return, the Board of Trustees manages risk by strategically allocating the Fund among stocks, bonds, real estate, and recently, alternative investments. Different types of assets are influenced differently by factors such as the economic cycle, interest rates, inflation and fiscal policy. A mix of asset types whose returns move out of sync with one another moderates the total Fund's volatility.

Each year the Board fine-tunes its asset allocation to adjust to changes in the market environment. Its current goal is to earn about 5 percent over the rate of inflation in the long run. That means, in any 10-year period, the average real return (the return after inflation) should be around 5 percent.

**A1: Strategy - Develop and implement an asset allocation plan that minimizes the risk necessary to achieve the target return**

**Target #1:** The Fund's rate of return meets or exceeds the composite investment performance benchmark adopted by the Board

**Measure #1:** The Fund's rate of return versus the investment performance benchmark



**APFC total return versus Benchmark return**

Year	APFC Return	Benchmark
FY 2001	-3.3%	-4.5%
FY 2002	-2.2%	-3.7%
FY 2003	4.5%	4.8%
FY 2004	14.2%	14.1%
FY 2005	10.4%	10.5%
FY 2006	11.0%	10.5%
FY 2007	17.1%	17.1%

**Analysis of results and challenges:** Experts agree that over 90% of performance (return) is attributable to the asset allocation decision. We anticipate evaluating expanded asset class opportunities in the future with the goal of increasing total return and further diversifying the funds asset mix.

## B: Result - Provide Alaskans with complete and timely information on Fund activities and issues

**Target #1:** Meet 100% of statutory and communication plan guidelines for disseminating information

**Measure #1:** Percent of communication target objectives completed

Year	% of tasks completed
FY 2002	NA
FY 2003	NA
FY 2004	100%
FY 2005	100%
FY 2006	100%
FY 2007	100%

**Analysis of results and challenges:** The Board and staff believe it is critical to practice good corporate governance by holding ourselves accountable to the people of Alaska. We believe that it is critical to be as clear and open as possible regarding decisions made and the resulting Fund performance.

## B1: Strategy - Develop and implement an annual communications plan

**Target #1:** Complete 100% of the tasks in the communications plan

**Measure #1:** Percent of communications plan tasks completed

Year	% of tasks completed
FY 2004	100 %
FY 2005	100 %
FY 2006	100 %
FY 2007	100 %

**Analysis of results and challenges:** APF is a public fund with high visibility and importance to Alaskans. The Corporation must be accountable and maintain the public trust by communicating to Alaskans effectively and efficiently.

## Key Component Challenges

- Plan for and manage investment risk incorporating the capital market assumptions and projected volatility for the Fund.
- Maintaining corporate best practices and necessary due diligence relating to an ever growing and complex Permanent Fund.
- Ensure investment policies maintain the balance between the Fund's competing mandates of protecting the Fund to benefit future generations and producing income to benefit current generations.
- Attracting and retaining qualified investment officers.
- Educate the general public on the Fund's complex structure and investments.
- Maintaining independent data systems to compete in global financial markets.

## Significant Changes in Results to be Delivered in FY2009

No changes in results delivered.

## Major Component Accomplishments in 2007

- The Fund's long-term real rate of return was 5.9% for the rolling period 1998 - 2007.
- The Fund had a 17.1% total return and 13.9% real return for FY2007.
- The Fund increased to \$37.8 billion after accounting for the Alaska Permanent Fund Dividend distribution and

other appropriations.

### Statutory and Regulatory Authority

AS 37.13 Alaska Permanent Fund and Corporation  
15 AAC 137.410 - 15 AAC 137.990  
15 AAC 137.610

Contact Information
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**APFC Operations  
Component Financial Summary**

*All dollars shown in thousands*

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	4,282.3	4,652.7	5,425.0
72000 Travel	222.9	313.8	355.0
73000 Services	2,757.5	3,816.0	3,905.0
74000 Commodities	118.9	125.7	114.9
75000 Capital Outlay	48.3	85.0	80.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>7,429.9</b>	<b>8,993.2</b>	<b>9,879.9</b>
<b>Funding Sources:</b>			
1105 Alaska Permanent Fund Corporation Receipts	7,429.9	8,993.2	9,879.9
<b>Funding Totals</b>	<b>7,429.9</b>	<b>8,993.2</b>	<b>9,879.9</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
<b>Unrestricted Revenues</b>				
None.		0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Permanent Fund Earnings Reserve Account	51373	7,429.9	8,993.2	9,879.9
<b>Restricted Total</b>		<b>7,429.9</b>	<b>8,993.2</b>	<b>9,879.9</b>
<b>Total Estimated Revenues</b>		<b>7,429.9</b>	<b>8,993.2</b>	<b>9,879.9</b>

**Summary of Component Budget Changes  
From FY2008 Management Plan to FY2009 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2008 Management Plan</b>	<b>0.0</b>	<b>0.0</b>	<b>8,993.2</b>	<b>8,993.2</b>
<b>Adjustments which will continue current level of service:</b>				
-FY 09 Health Insurance Increases for Exempt Employees	0.0	0.0	6.6	6.6
<b>Proposed budget decreases:</b>				
-Commodities & Equipment Decrement	0.0	0.0	-15.8	-15.8
<b>Proposed budget increases:</b>				
-Travel Increment	0.0	0.0	41.2	41.2
-Contractual Services Increment	0.0	0.0	89.0	89.0
-Salary Management Plan Increment	0.0	0.0	272.3	272.3
-New Position - Accountant	0.0	0.0	83.6	83.6
-New Position - Investment Associate	0.0	0.0	95.3	95.3
-New Position - IT Technician	0.0	0.0	63.5	63.5
-New Position - Administrative Specialist	0.0	0.0	70.1	70.1
-New Position - Attorney	0.0	0.0	180.9	180.9
<b>FY2009 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>9,879.9</b>	<b>9,879.9</b>



APFC Operations Personal Services Information					
Authorized Positions			Personal Services Costs		
	FY2008 Management Plan	FY2009 Governor			
Full-time	34	39	Annual Salaries		3,876,848
Part-time	0	0	Premium Pay		0
Nonpermanent	2	2	Annual Benefits		1,616,069
			Less 3.56% Vacancy Factor		(195,457)
			Lump Sum Premium Pay		100,000
			Board Honoraria		27,540
<b>Totals</b>	<b>36</b>	<b>41</b>	<b>Total Personal Services</b>		<b>5,425,000</b>

Position Classification Summary					
Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant	0	0	6	0	6
Administrative Assistant	0	0	3	0	3
Administrative Officer	0	0	2	0	2
Administrative Specialist	0	0	4	0	4
Attorney V	0	0	1	0	1
Chief Investment Officer	0	0	1	0	1
Controller	0	0	1	0	1
Dir of Information Technology	0	0	1	0	1
Director of Finance	0	0	1	0	1
Executive Director, PFC	0	0	1	0	1
Information Technology Spec	0	0	2	0	2
Intern	0	0	2	0	2
Investment Associate	0	0	4	0	4
Investment Officer	0	0	8	0	8
IT Technician	0	0	1	0	1
Research & Liaison Officer	0	0	1	0	1
Secretary	0	0	1	0	1
Sr Information Technology Spec	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>0</b>	<b>41</b>

Component Board Summary					
Board Description	Member Count	Pay Per Day	Budgeted Days	Additional Pay	Total Cost
Permanent Fund Corporation	4	400.00	16	0.00	27,540.48
<b>Total</b>					<b>27,540.48</b>