

# **State of Alaska FY2012 Governor's Operating Budget**

## **Department of Revenue APFC Custody and Management Fees Component Budget Summary**

**Component: APFC Custody and Management Fees**

**Contribution to Department's Mission**

See Alaska Permanent Fund Corporation Component Narrative Report.

**Core Services**

- See Alaska Permanent Fund Corporation Component Narrative Report.

**Key Component Challenges**

See Alaska Permanent Fund Corporation Component Narrative Report.

**Significant Changes in Results to be Delivered in FY2012**

See Alaska Permanent Fund Corporation Component Narrative Report.

**Major Component Accomplishments in 2010**

See Alaska Permanent Fund Corporation Component Narrative Report.

**Statutory and Regulatory Authority**

AS 37.13 Alaska Permanent Fund and Corporation

**Contact Information**

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**APFC Custody and Management Fees  
Component Financial Summary**

*All dollars shown in thousands*

	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Services	60,373.0	76,175.0	90,300.0
74000 Commodities	0.0	0.0	0.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>60,373.0</b>	<b>76,175.0</b>	<b>90,300.0</b>
<b>Funding Sources:</b>			
1105 Alaska Permanent Fund Corporation Receipts	60,373.0	76,175.0	90,300.0
<b>Funding Totals</b>	<b>60,373.0</b>	<b>76,175.0</b>	<b>90,300.0</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2010 Actuals	FY2011 Management Plan	FY2012 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	60,373.0	76,175.0	90,300.0
<b>Restricted Total</b>		<b>60,373.0</b>	<b>76,175.0</b>	<b>90,300.0</b>
<b>Total Estimated Revenues</b>		<b>60,373.0</b>	<b>76,175.0</b>	<b>90,300.0</b>

**Summary of Component Budget Changes  
From FY2011 Management Plan to FY2012 Governor**

*All dollars shown in thousands*

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
<b>FY2011 Management Plan</b>	<b>0.0</b>	<b>0.0</b>	<b>76,175.0</b>	<b>0.0</b>	<b>76,175.0</b>
<b>Proposed budget decreases:</b>					
-Moving to Language Section - Investment Management and Third Party Fiduciary Fees	0.0	0.0	-90,300.0	0.0	-90,300.0
<b>Proposed budget increases:</b>					
-Investment Management and Third Party Fiduciary Fees	0.0	0.0	14,125.0	0.0	14,125.0
-Investment Management and Third Party Fiduciary Fees	0.0	0.0	90,300.0	0.0	90,300.0
<b>FY2012 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>90,300.0</b>	<b>0.0</b>	<b>90,300.0</b>

**Component Detail All Funds**  
**Department of Revenue**

**Component:** APFC Custody and Management Fees (2310)  
**RDU:** Alaska Permanent Fund Corporation (45)

	FY2010 Actuals	FY2011 Conference Committee (Final)	FY2011 Authorized	FY2011 Management Plan	FY2012 Governor	FY2011 Management Plan vs FY2012 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
73000 Services	60,373.0	76,175.0	76,175.0	76,175.0	90,300.0	14,125.0	18.5%
74000 Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
<b>Totals</b>	<b>60,373.0</b>	<b>76,175.0</b>	<b>76,175.0</b>	<b>76,175.0</b>	<b>90,300.0</b>	<b>14,125.0</b>	<b>18.5%</b>
<b>Fund Sources:</b>							
1105 PFund Rcpt	60,373.0	76,175.0	76,175.0	76,175.0	90,300.0	14,125.0	18.5%
<b>Unrestricted General (UGF)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Designated General (DGF)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Other Funds</b>	<b>60,373.0</b>	<b>76,175.0</b>	<b>76,175.0</b>	<b>76,175.0</b>	<b>90,300.0</b>	<b>14,125.0</b>	<b>18.5%</b>
<b>Federal Funds</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Positions:</b>							
Permanent Full Time	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

**Change Record Detail - Multiple Scenarios With Descriptions**  
**Department of Revenue**

**Component:** APFC Custody and Management Fees (2310)

**RDU:** Alaska Permanent Fund Corporation (45)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2011 Conference Committee (Final) To FY2011 Authorized *****												
<b>FY2011 Conference Committee</b>												
	ConfCom	76,175.0	0.0	0.0	76,175.0	0.0	0.0	0.0	0.0	0	0	0
1105 PFund Rcpt		76,175.0										
<b>Subtotal</b>		<b>76,175.0</b>	<b>0.0</b>	<b>0.0</b>	<b>76,175.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>
***** Changes From FY2011 Authorized To FY2011 Management Plan *****												
<b>Subtotal</b>		<b>76,175.0</b>	<b>0.0</b>	<b>0.0</b>	<b>76,175.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>
***** Changes From FY2011 Management Plan To FY2012 Governor *****												
<b>Investment Management and Third Party Fiduciary Fees</b>												
	IncM	14,125.0	0.0	0.0	14,125.0	0.0	0.0	0.0	0.0	0	0	0
1105 PFund Rcpt		14,125.0										
<p>Manager fees are calculated based on the market value of assets under management. This increment in manager fees is to fund increases in fees based on projected asset value growth, and to fund higher fees associated with changes to the Fund's structure and strategies. The Fund's external investment managers provide expertise and services that are essential in allowing the Fund to achieve the Board's long-term investment goals.</p> <p>This increment also supports additional third party fiduciary work that is anticipated to be required in FY2012. This work will provide the Board with additional assistance in evaluating investment strategies, investments, and investment managers.</p>												
<b>Moving to Language Section - Investment Management and Third Party Fiduciary Fees</b>												
	Dec	-90,300.0	0.0	0.0	-90,300.0	0.0	0.0	0.0	0.0	0	0	0
1105 PFund Rcpt		-90,300.0										
<p>The fees paid by this appropriation are calculated based on contracted rates applied to the assets under management at the time the fees are invoiced. Projected fees for the operating budget have historically been based on the Fund's mid-case projections for assets under management for the fiscal year. However, markets are unpredictable and projections have to be made up to 24 months in advance to meet the budget cycle. At times fees have exceeded the budgeted amount, requiring a supplemental budget request to meet the shortfall.</p> <p>In the past, the Legislature has been receptive to supplemental requests for this appropriation, understanding that markets are unpredictable. However, even with this understanding, supplemental requests add to the work load for a number of people in the Legislative and Executive Branch. As a result, APFC has provided a range for this appropriation for FY12, rather than a single number. The low end of the range is based on mid-case projections (as has been done in the past) while the high end of the range is based on higher-end projections for both FY11 and FY12. There is still a slight chance that fees could exceed the range if markets show unexpected, remarkable growth leading up to the end of FY12.</p>												
<b>Investment Management and Third Party Fiduciary Fees</b>												
	IncM	90,300.0	0.0	0.0	90,300.0	0.0	0.0	0.0	0.0	0	0	0

**Change Record Detail - Multiple Scenarios With Descriptions**  
**Department of Revenue**

**Component:** APFC Custody and Management Fees (2310)

**RDU:** Alaska Permanent Fund Corporation (45)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
1105 PFund Rcpt		90,300.0										
<p>The fees paid by this appropriation are calculated based on contracted rates applied to the assets under management at the time the fees are invoiced. Projected fees for the operating budget have historically been based on the Fund's mid-case projections for assets under management for the fiscal year. However, markets are unpredictable and projections have to be made up to 24 months in advance to meet the budget cycle. At times fees have exceeded the budgeted amount, requiring a supplemental budget request to meet the shortfall.</p> <p>In the past, the Legislature has been receptive to supplemental requests for this appropriation, understanding that markets are unpredictable. However, even with this understanding, supplemental requests add to the work load for a number of people in the Legislative and Executive Branch. As a result, APFC has provided a range for this appropriation for FY12, rather than a single number. The low end of the range is based on mid-case projections (as has been done in the past) while the high end of the range is based on higher-end projections for both FY11 and FY12. There is still a slight chance that fees could exceed the range if markets show unexpected, remarkable growth leading up to the end of FY12.</p>												
	<b>Totals</b>	<b>90,300.0</b>	<b>0.0</b>	<b>0.0</b>	<b>90,300.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Line Item Detail**  
**Department of Revenue**  
**Services**

**Component:** APFC Custody and Management Fees (2310)  
**RDU:** Alaska Permanent Fund Corporation (45)

Line Number	Line Name		FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
73000	Services		60,373.0	76,175.0	90,300.0
			<b>FY2010 Actuals</b>	<b>FY2011 Management Plan</b>	<b>FY2012 Governor</b>
Expenditure Account	Servicing Agency	Explanation			
<b>73000 Services Detail Totals</b>			<b>60,373.0</b>	<b>76,175.0</b>	<b>90,300.0</b>
73050	Financial Services	Investment management fees, custodian fees, and third party fiduciary fees	60,373.0	76,175.0	90,300.0

**Restricted Revenue Detail**  
**Department of Revenue**

**Component:** APFC Custody and Management Fees (2310)  
**RDU:** Alaska Permanent Fund Corporation (45)

<b>Master Account</b>	<b>Revenue Description</b>	<b>FY2010 Actuals</b>	<b>FY2011 Management Plan</b>	<b>FY2012 Governor</b>
51373	Permanent Fund Earnings Reserve Account	60,373.0	76,175.0	90,300.0

**Detail Information**

<b>Revenue Amount</b>	<b>Revenue Description</b>	<b>Component</b>	<b>Collocation Code</b>	<b>AKSAS Fund</b>	<b>FY2010 Actuals</b>	<b>FY2011 Management Plan</b>	<b>FY2012 Governor</b>
51373	Permanent Fund Earnings As 37.13.150 Corporation budget				60,373.0	76,175.0	90,300.0