

**State of Alaska  
FY2016 Governor Amended Operating  
Budget**

**Department of Revenue  
APFC Investment Management Fees  
RDU/Component Budget Summary**

**RDU/Component: APFC Investment Management Fees**

*(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)*

**Contribution to Department's Mission**

See Alaska Permanent Fund Corporation Component Narrative Report.

**Core Services**

- See Alaska Permanent Fund Corporation Component Narrative Report.

**Major Component Accomplishments in 2014**

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 FY2016**

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 Investment Management Fees Component Financial Summary			
<i>All dollars shown in thousands</i>			
	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
<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	95,831.7	138,575.0	151,391.0
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>95,831.7</b>	<b>138,575.0</b>	<b>151,391.0</b>
<b>Funding Sources:</b>			
1105 Alaska Permanent Fund Corporation Receipts	95,831.7	138,575.0	151,391.0
<b>Funding Totals</b>	<b>95,831.7</b>	<b>138,575.0</b>	<b>151,391.0</b>

Estimated Revenue Collections				
Description	Master Revenue Account	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
<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	95,831.7	138,575.0	151,391.0
<b>Restricted Total</b>		<b>95,831.7</b>	<b>138,575.0</b>	<b>151,391.0</b>
<b>Total Estimated Revenues</b>		<b>95,831.7</b>	<b>138,575.0</b>	<b>151,391.0</b>

**Summary of Component Budget Changes  
From FY2015 Management Plan to FY2016 Governor Amended**

*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>FY2015 Management Plan</b>	<b>0.0</b>	<b>0.0</b>	<b>138,575.0</b>	<b>0.0</b>	<b>138,575.0</b>
<b>Adjustments which continue current level of service:</b>					
-Transfer from APFC Operations for Performance Management	0.0	0.0	477.0	0.0	477.0
-Transfer from APFC Operations for Investment Systems, Analytics and Data	0.0	0.0	1,898.5	0.0	1,898.5
-Transfer from APFC Operations for Manager Searches	0.0	0.0	186.0	0.0	186.0
<b>Proposed budget increases:</b>					
-Specialized Consulting Work for Risk Management	0.0	0.0	455.0	0.0	455.0
-Performance Measurement	0.0	0.0	23.0	0.0	23.0
-Manager Searches	0.0	0.0	94.0	0.0	94.0
-Investment Manager Fees	0.0	0.0	9,200.0	0.0	9,200.0
-Financial Network Services	0.0	0.0	482.5	0.0	482.5
<b>FY2016 Governor Amended</b>	<b>0.0</b>	<b>0.0</b>	<b>151,391.0</b>	<b>0.0</b>	<b>151,391.0</b>

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

**Component:** APFC Investment Management Fees (AR15574) (2310)  
**RDU:** APFC Investment Management Fees (318)

	<b>FY2014 Actuals</b>	<b>FY2015 Conference Committee</b>	<b>FY2015 Authorized</b>	<b>FY2015 Management Plan</b>	<b>FY2016 Governor Amended</b>	<b>FY2015 Management Plan vs FY2016 Governor Amended</b>	
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	95,831.7	138,575.0	138,575.0	138,575.0	151,391.0	12,816.0	9.2%
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>95,831.7</b>	<b>138,575.0</b>	<b>138,575.0</b>	<b>138,575.0</b>	<b>151,391.0</b>	<b>12,816.0</b>	<b>9.2%</b>
<b>Fund Sources:</b>							
1105PFund Rcpt (Other)	95,831.7	138,575.0	138,575.0	138,575.0	151,391.0	12,816.0	9.2%
<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>95,831.7</b>	<b>138,575.0</b>	<b>138,575.0</b>	<b>138,575.0</b>	<b>151,391.0</b>	<b>12,816.0</b>	<b>9.2%</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 Investment Management Fees (2310)

**RDU:** APFC Investment Management Fees (318)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2015 Conference Committee To FY2015 Authorized *****												
<b>FY2015 Conference Committee</b>												
1105 PFund Rcpt	ConfCom	138,575.0	0.0	0.0	138,575.0	0.0	0.0	0.0	0.0	0	0	0
		138,575.0										
<b>Subtotal</b>		<b>138,575.0</b>	<b>0.0</b>	<b>0.0</b>	<b>138,575.0</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 FY2015 Authorized To FY2015 Management Plan *****												
<b>Subtotal</b>		<b>138,575.0</b>	<b>0.0</b>	<b>0.0</b>	<b>138,575.0</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 FY2015 Management Plan To FY2016 Governor Amended *****												
<b>Transfer from APFC Operations for Performance Management</b>												
1105 PFund Rcpt	Trin	477.0	0.0	0.0	477.0	0.0	0.0	0.0	0.0	0	0	0
		477.0										
<b>Transfer from APFC Operations for Investment Systems, Analytics and Data</b>												
1105 PFund Rcpt	Trin	1,898.5	0.0	0.0	1,898.5	0.0	0.0	0.0	0.0	0	0	0
		1,898.5										

The Alaska Permanent Fund Corporation (APFC) believes that certain internal operating costs directly associated with investment related due diligence currently residing in the operations appropriation should more appropriately reside in the appropriation where management, custody, other investment consulting and legal fees are funded.

These costs include: performance measurement, manager searches, risk consulting and modeling, and the system tools used by staff for monitoring and analyzing our investments and the markets.

These types of costs are primarily driven by the underlying investment whether already in the portfolio or under consideration. Moving these costs to this appropriation will provide the APFC with the ability to more readily respond to changing Board asset allocation decisions or market conditions.

Consists of  
 477,000 - Performance Measurement  
 186,000- Manager Searches  
 1,898,500- Investment Systems, Analytics and Data

The Alaska Permanent Fund Corporation (APFC) believes that certain internal operating costs directly associated with investment related due diligence currently residing in the operations appropriation should more appropriately reside in the appropriation where management, custody, other investment consulting and legal fees are funded.

These costs include: performance measurement, manager searches, risk consulting and modeling, and the system tools used by staff for monitoring and analyzing our investments and the markets.

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

**Component:** APFC Investment Management Fees (2310)

**RDU:** APFC Investment Management Fees (318)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
<p>These types of costs are primarily driven by the underlying investment whether already in the portfolio or under consideration. Moving these costs to this appropriation will provide the APFC with the ability to more readily respond to changing Board asset allocation decisions or market conditions.</p> <p>Consists of            477,000 - Performance Measurement            186,000- Manager Searches            1,898,500- Investment Systems, Analytics and Data</p>												
<b>Transfer from APFC Operations for Manager Searches</b>												
	Trin	186.0	0.0	0.0	186.0	0.0	0.0	0.0	0.0	0	0	0
1105 PFund Rcpt		186.0										
<p>The Alaska Permanent Fund Corporation (APFC) believes that certain internal operating costs directly associated with investment related due diligence currently residing in the operations appropriation should more appropriately reside in the appropriation where management, custody, other investment consulting and legal fees are funded.</p> <p>These costs include: performance measurement, manager searches, risk consulting and modeling, and the system tools used by staff for monitoring and analyzing our investments and the markets.</p> <p>These types of costs are primarily driven by the underlying investment whether already in the portfolio or under consideration. Moving these costs to this appropriation will provide the APFC with the ability to more readily respond to changing Board asset allocation decisions or market conditions.</p> <p>Consists of            477,000 - Performance Measurement            186,000- Manager Searches            1,898,500- Investment Systems, Analytics and Data</p>												
<b>Technical Adjustment to Allow for Expensing of Investment-Related Legal Fees to Custody and Management Fee Component</b>												
	Misadj	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<p>Technical adjustment to allow for expensing of investment-related legal fees to the Custody and Management Fee Component.</p>												
<b>Change Component and RDU Name to Investment Management Fees</b>												
	Misadj	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<p>Technical Adjustment to Change Component and RDU Name to Investment Management Fees</p>												
<b>Specialized Consulting Work for Risk Management</b>												
	Inc	455.0	0.0	0.0	455.0	0.0	0.0	0.0	0.0	0	0	0
1105 PFund Rcpt		455.0										

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

**Component:** APFC Investment Management Fees (2310)

**RDU:** APFC Investment Management Fees (318)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
<p>Transfer all anticipated costs directly associated with investment related due diligence from the operations appropriation to the investment management appropriation, \$2,561.5. These costs include:  manager searches, investment related legal fees, performance measurement, risk consulting and modeling, and investment systems used to monitor, track, and analyze fund holdings, potential investment opportunities, and fund performance.</p> <p>To support this transfer, Alaska Permanent Fund Corporation (APFC) proposes the redirection \$2,561.5 of base funding from the operations appropriation to the investment management appropriation. In addition, to fully support these service costs APFC requests incremental funding of \$1,054.5.</p> <p>Moving these costs and funding support will provide the APFC with the ability to more readily respond to changing Board asset allocation decisions or market conditions.</p> <p>Transferred Funding Includes:  Performance Measurement: \$477.0  Manager Searches: \$186.0  Financial Network Services: \$1,898.5</p> <p>Incremental Funding in APFC Custody and Management Fees Include:  Performance Measurement: \$23.0  Manager Searches: \$94.0  Specialized Consulting Work For Risk: \$455.0  Financial Network Services: \$482.5</p>												
<b>Performance Measurement</b>												
1105 PFund Rcpt	Inc	23.0	0.0	0.0	23.0	0.0	0.0	0.0	0.0	0	0	0

Transfer all anticipated costs directly associated with investment related due diligence from the operations appropriation to the investment management appropriation, \$2,561.5. These costs include:  
manager searches, investment related legal fees, performance measurement, risk consulting and modeling, and investment systems used to monitor, track, and analyze fund holdings, potential investment opportunities, and fund performance.

To support this transfer, Alaska Permanent Fund Corporation (APFC) proposes the redirection of \$2,561.5 of base funding from the Operations appropriation to the Investment Management appropriation. In addition, to fully support these service costs APFC requests incremental funding of \$1,054.5.

Moving these costs and funding support will provide the APFC with the ability to more readily respond to changing Board asset allocation decisions or market conditions.

Transferred Funding Includes:  
Performance Measurement: \$477.0  
Manager Searches: \$186.0  
Financial Network Services: \$1,898.5

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

**Component:** APFC Investment Management Fees (2310)

**RDU:** APFC Investment Management Fees (318)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
Incremental Funding in APFC Custody and Management Fees Include: Performance Measurement: \$23.0 Manager Searches: \$94.0 Specialized Consulting Work For Risk: \$455.0 Financial Network Services: \$482.5												
<b>Manager Searches</b>												
	Inc	94.0	0.0	0.0	94.0	0.0	0.0	0.0	0.0	0	0	0
1105 PFund Rcpt		94.0										
Transfer all anticipated costs directly associated with investment related due diligence from the operations appropriation to the Investment Management appropriation, \$2,561.5. These costs include: manager searches, investment related legal fees, performance measurement, risk consulting and modeling, and investment systems used to monitor, track, and analyze fund holdings, potential investment opportunities, and fund performance.												
To support this transfer, Alaska Permanent Fund Corporation (APFC) proposes the redirection of \$2,561.5 of base funding from the operations appropriation to the investment management appropriation. In addition, to fully support these service costs APFC requests incremental funding of \$1,054.5.												
Moving these costs and funding support will provide the APFC with the ability to more readily respond to changing Board asset allocation decisions or market conditions.												
Transferred Funding Includes: Performance Measurement: \$477.0 Manager Searches: \$186.0 Financial Network Services: \$1,898.5												
Incremental Funding in APFC Custody and Management Fees Include: Performance Measurement: \$23.0 Manager Searches: \$94.0 Specialized Consulting Work For Risk: \$455.0 Financial Network Services: \$482.5												
<b>Investment Manager Fees</b>												
	Inc	9,200.0	0.0	0.0	9,200.0	0.0	0.0	0.0	0.0	0	0	0
1105 PFund Rcpt		9,200.0										

This incremental funding is for \$9,200,000 for investment manager fees. These fees are calculated based primarily on the market value of assets under management and vary by investment type. The requested increment is based on projected asset value growth, changes within the asset allocation that produces a higher fee structure, and projected incentive fees. The Alaska Permanent Fund Corporation's (APFC) external investment managers provide expertise and services that are essential in allowing the Fund to achieve the Board's long-term investment goals.

**Financial Network Services**

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

**Component:** APFC Investment Management Fees (2310)

**RDU:** APFC Investment Management Fees (318)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
1105 PFund Rcpt	Inc	482.5	0.0	0.0	482.5	0.0	0.0	0.0	0.0	0	0	0
<p>Transfer all anticipated costs directly associated with investment related due diligence from the operations appropriation to the Investment Management appropriation, \$2,561.5. These costs include:  manager searches, investment related legal fees, performance measurement, risk consulting and modeling, and investment systems used to monitor, track, and analyze fund holdings, potential investment opportunities, and fund performance.</p> <p>To support this transfer, Alaska Permanent Fund Corporation (APFC) proposes the redirection of \$2,561.5 of base funding from the operations appropriation to the investment management appropriation. In addition, to fully support these service costs APFC requests incremental funding of \$1,054.5.</p> <p>Moving these costs and funding support will provide the APFC with the ability to more readily respond to changing Board asset allocation decisions or market conditions.</p> <p>Transferred Funding Includes:  Performance Measurement: \$477.0  Manager Searches: \$186.0  Financial Network Services: \$1,898.5</p> <p>Incremental Funding in APFC Custody and Management Fees Include:  Performance Measurement: \$23.0  Manager Searches: \$94.0  Specialized Consulting Work For Risk: \$455.0  Financial Network Services: \$482.5</p>												
<b>Totals</b>		<b>151,391.0</b>	<b>0.0</b>	<b>0.0</b>	<b>151,391.0</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 Investment Management Fees (2310)  
**RDU:** APFC Investment Management Fees (318)

Line Number	Line Name		FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
73000	Services		95,831.7	138,575.0	151,391.0
Expenditure Account	Servicing Agency	Explanation	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
<b>73000 Services Detail Totals</b>			<b>95,831.7</b>	<b>138,575.0</b>	<b>151,391.0</b>
73050	Financial Services	Investment management fees, custodian fees, third party fiduciaries, subject matter experts, manager searches, performance measurement, risk consulting and modeling, and other investment related due diligence services.	95,201.1	136,650.0	147,085.0
73075	Legal & Judicial Svc	Investment Legal Due Diligence	630.6	1,925.0	1,925.0
73150	Information Technlgy	Investment systems, analytics, information and data, related consulting services, and access fees.	0.0	0.0	2,381.0

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

**Component:** APFC Investment Management Fees (2310)  
**RDU:** APFC Investment Management Fees (318)

<b>Master Account</b>	<b>Revenue Description</b>				<b>FY2014 Actuals</b>	<b>FY2015 Management Plan</b>	<b>FY2016 Governor Amended</b>
51373	Permanent Fund Earnings Reserve Account				95,831.7	138,575.0	151,391.0
<b>Detail Information</b>							
<b>Revenue Amount</b>	<b>Revenue Description</b>	<b>Component</b>	<b>Collocation Code</b>	<b>AKSAS Fund</b>	<b>FY2014 Actuals</b>	<b>FY2015 Management Plan</b>	<b>FY2016 Governor Amended</b>
51373	Permanent Fund Earnings As 37.13.150 Corporation budget				95,831.7	138,575.0	151,391.0