Board of Trustees

Audit Committee Meeting

September 2, 2020

APFC ALASKA PERMANENT FUND CORPORATION
801 W 10TH SUITE 302 | JUNEAU, AK 99801
907.796.1500 | apfc.org

Audit Committee Meeting
September 2, 2020

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Audit Committee Meeting
September 2, 2020

Webex

Due to health and public safety precautions
APFC Board of Trustees meetings are closed to in-person public attendance.
We invite the public to join via Webex or by phone.

Webinar Access (click link to join webinar)
Join via WebEx and enjoy the ability to listen on your computer and follow presentations:
https://apfc.webex.com/apfc/onstage/g.php?MTID=e7a1b0c315c01285d047faffd2d72da0a
Event Password: APFC0902

Teleconference Option
If you are unable to join in-person or via webinar, please contact us at
(907) 796-1519 to receive a teleconference number

AGENDA

WEDNESDAY, SEPTEMBER 2, 2020

1:30 p.m. CALL TO ORDER

ROLL CALL (Action)

APPROVAL OF AGENDA (Action)

APPROVAL OF MINUTES (Action)
- Audit Committee Minutes – May 19, 2020

SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION

1:45 p.m. KPMG AUDIT REPORT (Information)
Mike Hayhurst, Engagement Partner, KPMG
Melissa Beedle, Engagement Manager, KPMG

2:15 p.m. DETAILED REVIEW OF FY20 YEAR-END FINANCIAL STATEMENTS (Information)
Valerie Mertz, Chief Financial Officer, APFC
- FY20 Management's Discussion & Analysis
- FY20 Financial Statements
- FY20 Financial Statements Notes

2:45 p.m. OTHER MATTERS / FUTURE AGENDA ITEMS / TRUSTEE COMMENTS

3:00 p.m. ADJOURNMENT

NOTE: TIMES MAY VARY AND THE CHAIR MAY REORDER AGENDA ITEMS
(Please telephone Jennifer Thorsteinson at 907.796.1519 with agenda questions.)

SUBJECT: Approval of Minutes ACTION: __X__

DATE: September 2, 2020 INFORMATION:

BACKGROUND:

Staff reviewed the following Board of Trustees meeting summary minutes, draft copies are attached for your approval.

- May 19, 2020 Audit Committee Meeting

RECOMMENDATION:

Approval of the summary minutes of the Board of Trustees meetings listed above.

ALASKA PERMANENT FUND CORPORATION
MEETING OF THE BOARD OF TRUSTEES

AUDIT COMMITTEE
May 19, 2020
1:30 p.m.
WebEx/Teleconference

Originating at:
Michael J. Burns Building
David Rose Board Room
801 W. 10th Street
Juneau, Alaska 99801

SUMMARY MINUTES

Trustees Present:
Marty Rutherford, Chair
William G. Moran
Corri A. Feige
Lucinda Mahoney
Steve Rieger

Staff Present:
Angela Rodell, CEO
Marcus Frampton, CIO
Val Mertz, CFO
Chris Poag, General Counsel
Maggie Meiners
Sebastian Vadakumcherry

Invited Participants and Others Present:
Mike Hayhurst, KPMG
Melissa Beedle, KPMG

PROCEEDINGS

CALL TO ORDER
CHAIR RUTHERFORD called the meeting to order and asked for a roll call.

ROLL CALL
TRUSTEES FEIGE, MORAN, MAHONEY, and RUTHERFORD were present, forming a quorum.

CHAIR RUTHERFORD moved to the approval of the agenda.

> **MOTION:** A motion to approve the agenda was made by TRUSTEE FEIGE; seconded by TRUSTEE MORAN.

After a roll-call vote, the MOTION was APPROVED (Rutherford, Moran, Feige).

MOTION: A motion to approve the minutes from September 5, 2019, was made by TRUSTEE MORAN; seconded by TRUSTEE FEIGE.

After a roll-call vote, the MOTION was APPROVED (Feige, Moran, Rutherford).

CHAIR RUTHERFORD asked for any scheduled appearances or public online that would like to speak to the committee.

MS. MEINERS replied not at this time.

CHAIR RUTHERFORD moved to the fiscal year '20 audit preview and risk assessment review. She introduced Mike Hayhurst, the new KPMG engagement partner, and welcomed him.

MR. HAYHURST highlighted the fact that the audit is performed in accordance with generally accepted government auditing standards, and the ultimate purpose of the audit is to be able to provide an opinion on whether or not the financial statements are prepared in accordance with U.S. generally accepted accounting principles. He continued that the plan is to issue a report on the financial statements of the Fund itself and on the schedule of investments managed by the Alaska Permanent Fund Corporation for the Alaska Mental Health Trust Authority. The other planned deliverables include material written communication and the Board letter that is issued at the end of the audit. He added that the rest of his presentation will provide an overview of the risk assessment and audit plan. He stated that he is the new lead engagement partner and the firm has a policy whereby the partners have to mandatorily rotate off after ten years of services. Beth Stuart reached her ten years and is on a time-out period for two years. He explained that he previously served as the second reviewing partner on this engagement for four years and is not completely new in his role as the lead engagement partner. He continued that Karissa Marker has stepped in as the second reviewing partner. He added that the other individuals are all returning on the engagement. He moved to materiality and stated that the concept of materiality is set as part of the audit because every number is not audited down to the last dollar. What is considered is what users of the financial statement would find to be material or impacting decisions that might be made when setting and determining the audit scope. Throughout the audit management, various individuals are talked with about a number of items, including internal controls over financial reporting, fraud, illegal acts, and they confirm that they are not aware of any. In addition, there is a similar question to the Audit Committee on whether anyone is aware of any matters of illegal acts or fraud by management.

CHAIR RUTHERFORD asked the committee members, as well as the two new trustees, of any concerns to bring to the Audit Committee or to the auditors, specifically. There were no concerns from the committee or the Chair.

MR. HAYHURST moved on to significant risk and stated that the valuation of alternative investments as a significant risk of error is looked to, as well as the consideration of the valuation of real estate. He moved on and talked about the plan deliverables and timeline and what is being done with the plan to issue the financial statement. The key is ensuring to hit the intended timeline for the reporting that the Fund is required to have with the State for purposes of the Permanent Fund distributions in Q1 of fiscal year '21. He stated that, as part of independence, the firm has a number of quality controls related to independence, as well as monitoring for the individual investments, and for the clients.

CEO RODELL asked if the ability to maintain any of the quality controls has been affected by working remotely and how it had changed.

MR. HAYHURST replied that all of the engagements have moved to be primarily remote, and the audit for the Permanent Fund is no different. He stated that the anticipation is to be substantially remote in process. He explained that for a number of years an electronic work paper set has been used, and we have been able to review documents and do things remotely as teams. He added that the Permanent Fund allows for itself to have a remote audit without significant impact to the audit process.

TRUSTEE MORAN asked if any kind of delays associated with COVID and getting all the evaluations and financial statements in place are anticipated.

MS. MERTZ replied that no feedback had been received on any challenges in getting things done on a regular schedule. There has been no indication from any of the partners that there will be any delays in getting the audit or the appraisals completed.

CHAIR RUTHERFORD asked Mr. Hayhurst to give a short background on himself.

MR. HAYHURST replied that he is situated in Boise, Idaho, and started at KPMG in 1990. In 2007, he transferred to Anchorage to be the managing partner of the Anchorage office. In 2015, he had an opportunity to transfer back to Idaho.

TRUSTEE FEIGE asked a question related to cyber security and for a sense of what is being undertaken in the presence of COVID. She asked about some of the particular things to look for.

MR. HAYHURST replied that part of the procedures are to get updated on cyber security, and if there have been any incidents.

CEO RODELL stated that the Corporation has made a lot of investment into remote capability which started because a lot of people needed to travel for business and wanted to ensure their work was going to be protected. A lot of those procedures and a lot of that investment into the firewalls and the BPN came over the last couple of years.

MR. HAYHURST completed his presentation.

CHAIR RUTHERFORD moved to the fiscal year '20 year-to-date financial statement review, and recognized Valerie Mertz.

MS. MERTZ began her update on the year-to-date financial results through March 31st, which will show how the coronavirus trickled all the way through to the financials of the Permanent Fund. She stated that the end of March was pretty close to the bottom of the public equity drawdown. There has been a significant recovery since the end of March, but the report is on the quarter. She continued that, in contrast to the accounting net loss, statutory net income for the first three quarters was positive $2.6 billion, and was consistent with where the Fund was at this time last year. Having a significant accounting net loss along with a positive statutory net income highlights how loosely correlated those two calculations can be depending on the market conditions. She then walked through the financial statements and stated that the total investments decreased by 7 percent over the end of the prior fiscal year. She moved to the assigned section of fund balance, the spendable portion which is available for appropriation by the Legislature. It represents the accumulated net earnings of the Fund since inception; everything that has been earned but not transferred out. She moved to the statement of revenues and expenditures. Revenues for the Fund consist of cash-flow income and changes in the fair value of the investment. Cash-flow income represents dividends on stock, interest on bonds, real estate lease payments, distributions on other private assets. She then explained the expenditures and completed the walk through the financials. She reminded all that this was a measurement at a point in time, and hopes for a rosier picture for year-end.

CHAIR RUTHERFORD moved on to the Audit Committee self-assessment which is accomplished every year.

MS. MERTZ clarified that this was only sent to the committee members because just the committee performs the self-assessment.

CHAIR RUTHERFORD asked Commissioner Feige and Bill Moran to submit their comments to Ms. Mertz at the end of the meeting on Thursday. She asked for any additional matters to bring before the committee. There being none, she adjourned the meeting.

(Audit Committee meeting adjourned at 2:37 p.m.)

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SUBJECT:	Report of Annual Audit	ACTION:	____________
DATE:	September 2, 2020	INFORMATION:	X

BACKGROUND:

The charter for the Audit Committee requires the committee to review the annual audited financial statements prior to filing or distribution of the final report.

STATUS:

The financial audit for fiscal year 2020 will be completed by KPMG with a report date of September 2nd following the committee's review. Mike Hayhurst, engagement partner, and Melissa Beedle, engagement manager, will present a summary of the audit results. A copy of the presentation is included here.

KPMG

Alaska Permanent Fund Corporation Report to the Audit Committee

Audit results for the year ending June 30, 2020

September 2, 2020

Executive Summary

REQUIRED COMMUNICATIONS

AUDIT DEBRIEF

COVID-19

Our commitment to you

We aim to deliver an exceptional client experience by focusing on

QUALITY

Quality in all that we do and how we deliver

EXPERIENCE

We are committed to delivering a thoughtful, transparent and coordinated approach

PRODUCTIVITY

Risk based auditing by enabling our people through the design, execution, and automation of our processes

INSIGHTS

Having best-in-class industry and topical insights, which help our auditors make better decisions and share those relevant insights

Summary: Audit results required communications and other matters

Audit Results		Response
	Outstanding matters	Anticipated outstanding matters as of the date of the audit committee meeting are: - Final quality review of report - Management representation letter
	Uncorrected audit misstatements	See slide 11
	Corrected audit misstatements	No corrected misstatements identified during the audit
	Financial presentation and disclosure omissions	No matters to communicate
	Non-GAAP policies and practices	See slide 10
	Material weaknesses and significant deficiencies in internal control	See slide 5
	Auditors' report	See slide 6
	Changes to our planned risk assessment and audit strategy	No matters to report
	Significant accounting policies and practices	See slide 7
	Significant accounting estimates	See slide 8 and 9
	Significant financial statement disclosures	No matters to report
	Related parties	No matters to report
	Going concern	No matters to report
	Other information	No matters to report

Summary: Audit results required communications and other matters

Audit Results	Response
Subsequent events	No matters to report
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit
Noncompliance with laws and regulations	No matters to report
Significant difficulties encountered during the audit	No matters to report
Significant findings or issues discussed, or the subject of correspondence, with management	No matters to report
Management's consultation with other accountants	No matters to report
Difficult or contentious matters for which the auditor consulted	No matters to report
Disagreements with management	No matters to report
Other significant matters	No matters to report
Written communications	Engagement letter and management representation letter, including summary of uncorrected misstatement
Inquiries	See slide 13

Material weaknesses and significant deficiencies in internal control

Material weaknesses

Description	Potential effects	Status
None identified		

Significant deficiencies

Description	Potential effects	Status
None identified		

Auditors' report

Emphasis of matter or other matter paragraphs

— Emphasis of matter paragraph:

As discussed in note 1, the financial statements present only the Alaska Permanent Fund and do not purport to, and do not, present fairly the financial position of the State of Alaska as of June 30, 2020 and 2019, or the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

— Other matter paragraph:

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Significant accounting policies and practices

Description of significant accounting policies and practices	Audit findings
— The Fund's policies are disclosed in Note 2 to the financial statements and are consistent with prior years. — Governmental Accounting Standards (specifically GASB Statement No. 54) provides guidance on the classification of Fund Balance.	**Qualitative aspects** — We did not identify indication of significant elements of management bias when reviewing these policies.

Significant accounting estimates

Description of significant accounting estimates

— Valuation of directly owned real estate investments

Audit findings

Management's process used to develop the estimates

— Management uses a third party, Cushman & Wakefield, to manage the appraisals of the directly held real estate assets. Each property is valued quarterly by third party advisors and annually through an appraisal performed by a third-party selected by Cushman & Wakefield. Management reviews the assumptions used within the valuations for reasonableness.

Significant assumptions used that have a high degree of subjectivity

— None

Indicators of possible management bias

— There were no indicators of possible management bias identified during our audit of this estimate.

Qualitative aspects

— To be discussed at meeting

Conclusions

— We determined that the methods used by management and the valuations recorded by management are reasonable and not affected by indicators of management bias.

Significant accounting estimates

Description of significant accounting estimates

— Valuation of private investments

Audit findings

Management's process used to develop the estimates

— Management receives periodic capital statements from external fund managers. These capital statements are the starting point to estimate fair value of each private investment and are adjusted for any contributions or distributions made during the period and any other factors management believes impact fair value.

Significant assumptions used that have a high degree of subjectivity

— None

Indicators of possible management bias

— There were no indicators of possible management bias identified during our audit of this estimate.

Qualitative aspects

— To be discussed at meeting

Conclusions

— We determined that the methods used by management and the valuations recorded by management are reasonable and not affected by indicators of management bias.

Non-GAAP policies and practices

The Company has adopted certain accounting policies or practices that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. The Company has evaluated the effect of the application of such policies and practices on the financial statements (and its assessment of internal control over financial reporting) and concluded that such effect is not material to the 2020 financial statements or to its assessment of internal control over financial reporting.

Non-GAAP polices and practices	Impact of non-GAAP policies and practices
APFC values private investments based on information, calculations, and estimates provided by the fund managers on a one quarter lag.	This policy is applied for purchase of timely reporting. Thus estimates on the June 30 statements have fair values as of March 31. Historically, this has resulted in an unadjusted audit difference for the change in fair value between the two dates. Due to the implications of COVID-19, management performed an additional assessment through August 15 to preliminary determine the potential impact of this lag.

Uncorrected audit misstatements

This information to be provided at meeting

COVID-19: Resilience & Readiness

COVID-19 is truly a unique and demanding challenge with severe human consequences. We place the highest priority on the health of our people and yours, and continue to take action based on guidance from public health authorities.

Key Insights For Your Organization

— Our team is producing insights and providing perspectives on actions we can all take to respond with resilience.

— Our Audit Committee Institute and Board Leadership Center is producing insights on oversight of companies' pandemic response.

— Our COVID-19 resource center also covers topics such as financial reporting, global economic impacts, financial management, contingency planning and business continuity, and more.

Business Continuity Excellence

— Our business continuity plan is working effectively and we have taken steps to prepare for future, potentially longer-term, alternative work arrangements.

— We are coordinating with your teams to best work together and communicating frequently to keep each other informed.

— Our Heads Up Thinking culture vision is helping to shape the way the firm responds to challenges like this to the benefit of our clients.

COVID-19 impacted the execution of this year's audit. We will discuss specifics and as we move forward we will continue to focus on understanding the impact of COVID-19 to your business, and will adjust our next audit plan as appropriate.

Inquiries

The following inquiries are in accordance with AU-C 260

Is the audit committee aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
  - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
  - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Does the audit committee have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Company?

Additional inquiries:

- What are the audit committee's views about fraud risks in the Company?
- Who is the appropriate person (audit committee chair or full committee) for communication of audit matters during the audit?
- How are responsibilities allocated between management and the audit committee?
- What are the Company's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are the audit committee's attitudes, awareness, and actions concerning (a) the Company's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the Company entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?
- Have any subsequent events occurred that might affect the financial statements?

Audit quality and transparency

2019 Audit Quality Report

— Highlights the steps we have taken in 2019 to evolve and enhance our audit practice and our firm

— Provides an overview of how we are strengthening our culture, continuing to invest in our people, and the new technologies that will enable our workforce

2019 Transparency Report

— Provides more granular detail on our commitment to continually enhance audit quality

— Outlines KPMG LLP's structure, governance and approach to audit quality

— Discusses how the firm aligns with the requirements and intent of applicable professional standards

Reports and supplements available at:
read.kpmg.us/auditquality

Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit KPMG's Audit Committee Institute (ACI) at www.kpmg.com/ACI

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kpmg.com/socialmedia

SUBJECT: Review of Year-End Financial Statements ACTION: ____________

DATE: September 2, 2020 INFORMATION: ______X_____

BACKGROUND:

The corporate governance manual requires the Audit Committee to review the annual audited financial statements prior to filing or distribution of the final report

STATUS:

The financial audit for fiscal year 2020 will be completed by KPMG with a report date of September 2nd. The reports were still being finalized at the packet deadline. A draft of management's discussion and analysis, the financial statements and the footnotes are included here. Significant changes, if any, will be highlighted during the presentation of FY2020 year-end results.

APFC ALASKA PERMANENT FUND CORPORATION

Detailed Review of FY20 Year-End Financial Statements

September 2, 2020

Highlights

- Accounting net income: $1.6b
- Statutory net income: $3.1b
- Mineral revenues deposited to corpus: $319m
- Inflation rate for FY20 1.81%, $758m
- FY20 POMV transfers to General Fund, $2.9b
- Total return 2.01%

Total Assets (millions)

Assets		FY20	FY19
	Cash	$4,815.9	$4,585.9
	Receivables	2,194.7	673.6
	Investments	60,894.0	61,949.0
	Securities lending collateral	1,540.2	2,840.8
	Total Assets	$69,444.8	$70,049.3

Investments (millions)

Investments at Fair Value		FY20	FY19
	Marketable debt securities	$13,595.4	$13,725.0
	Preferred and common stock	25,109.9	24,253.2
	Real estate	4,303.6	5,755.9
	Absolute return	4,288.6	4,327.5
	Private equity	9,804.0	8,770.2
	Infrastructure	1,902.2	3,300.9
	Private credit	1,890.3	1,816.3
	Total Investments	$60,894.0	$61,949.0

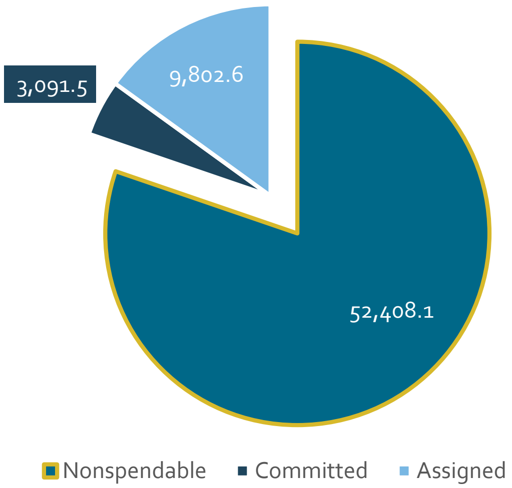
Liabilities (millions)

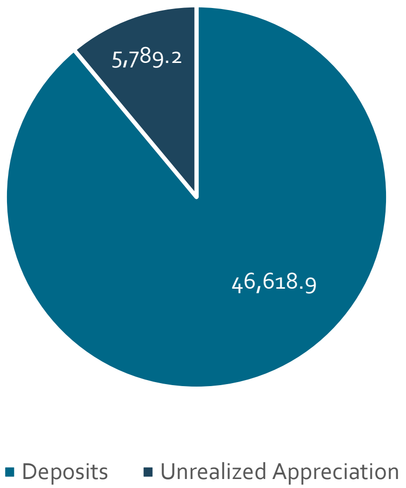
Liabilities		FY20	FY19
	Accounts Payable	$2,581.9	$879.7
	Income Distributable	20.5	28.5
	Securities Lending Collateral	1,540.2	2,840.8
	Total Liabilities	$4,142.6	$3,749.0

Fund Balances (millions)

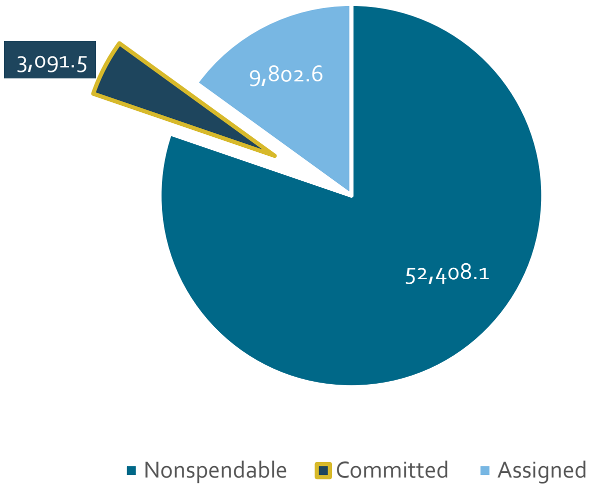
Fund balances		FY20	FY19
	Nonspendable	$52,408.1	$47,819.6
	Committed	3,091.5	5,933.1
	Assigned	9,802.6	12,547.6
	Total fund balances	$65,302.2	$66,300.3
	Total liabilities and fund balances	$69,444.8	$67,208.5

Nonspendable

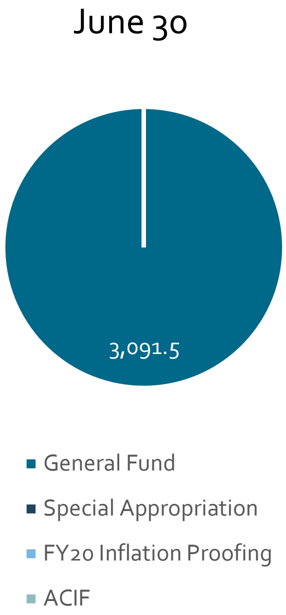




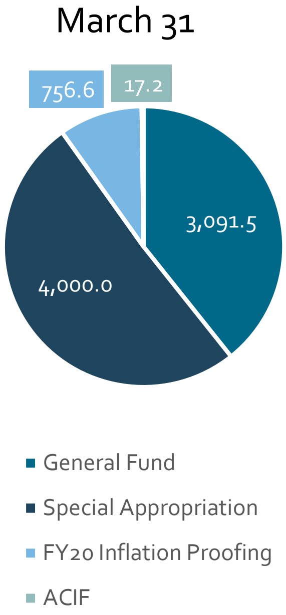
Committed



3,091.5
9,802.6
52,408.1
Nonspendable
Committed
Assigned



June 30
3,091.5
General Fund
Special Appropriation
FY20 Inflation Proofing
ACIF



March 31
756.6
17.2
3,091.5
4,000.0
General Fund
Special Appropriation
FY20 Inflation Proofing
ACIF

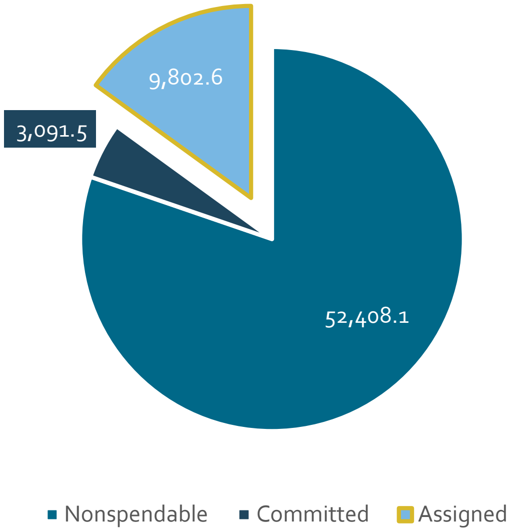
FY21 General Fund Transfer Calculation

ALASKA PERMANENT FUND GENERAL FUND COMMITMENT FISCAL YEAR ENDING JUNE 30, 2020 (millions)			
FISCAL YEAR	GAAP MARKET VALUE	STATE vs AMERADA HESS	APFC MARKET VALUE
2015	52,800	424	52,376
2016	52,770	424	52,345
2017	59,785	424	59,361
2018	64,894	424	64,470
2019	66,300	424	65,876
		Average market value	58,886
		PERCENTAGE from AS 37.13.140(b)	5.25%
		Amount available for appropriation per AS 37.13.140(b)	3,091

FY22 General Fund Transfer Calculation

ALASKA PERMANENT FUND GENERAL FUND COMMITMENT FISCAL YEAR ENDING JUNE 30, 2021 (millions)			
FISCAL YEAR	GAAP MARKET VALUE	STATE vs AMERADA HESS	APFC MARKET VALUE
2016	52,770	424	52,345
2017	59,785	424	59,361
2018	64,894	424	64,470
2019	66,300	424	65,876
2020	65,302	424	64,878
		Average market value	61,386
		PERCENTAGE from AS 37.13.140(b)	5%
		Amount available for appropriation per AS 37.13.140(b)	3,069

Assigned



9,802.6
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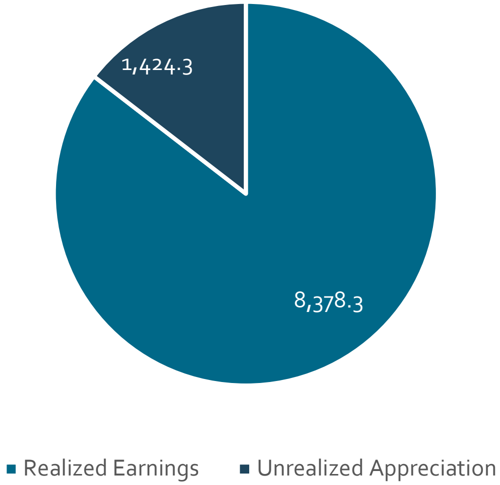
Nonspendable
Committed
Assigned



1,424.3
8,378.3
Realized Earnings
Unrealized Appreciation

Revenues (millions)

Revenues		FY20	FY19
	Interest	$492.9	$564.0
	Dividends	515.3	591.0
	Real estate and other income	394.7	399.7
	Total interest, dividends & other income	$1,402.9	$1,554.7
	Total increase (decrease) in fair value of investments	361.8	2,352.3
	Total Revenues	$1,764.7	$3,907.0

Net Change in Investments Value (millions)

Net increase (decrease) in fair value	FY20	FY19
Marketable debt securities	$433.9	$857.7
Preferred and common stock	40.7	393.5
Real estate	(456.4)	(202.9)
Absolute return	44.4	56.6
Private equity	886.0	1,232.4
Infrastructure	(347.9)	344.3
Private credit	(5.1)	41.0
Derivatives & Currency	(233.8)	(370.3)
Total net increase (decrease)	$361.8	$2,352.3

Expenditures (millions)

Expenditures		FY20	FY19
	Operating expenditures	$(120.4)	$(132.5)
	Other legislative appropriations	(7.8)	(8.8)
	Total expenditures	$(128.2)	$(141.3)
	Excess of revenues over expenditures	$1,636.5	$3,765.7

Statutory Net Income (millions)

	FY20	FY19
Accounting (GAAP) net income	$1,636.5	$3,765.7
Unrealized (gains) losses	1,490.0	(438.3)
ACIF realized income	$(20.5)	$(22.3)
Statutory net income	$3,106.0	$3,305.1

Changes in fund balances (millions)

Other financing sources (uses)		FY20	FY19
	Transfers in	$319.0	$385.2
	Transfers out	(2,953.6)	(2,744.9)
	Net change in fund balances	$(998.1)	$1,406.0
Fund balances	Beginning of period	$66,300.3	$64,894.3
	End of period	$65,302.2	$66,300.3


Questions?

Management's Discussion and Analysis

The Alaska Permanent Fund Corporation ("APFC") management is pleased to provide this Management's Discussion and Analysis ("MD&A") of the financial activities of the Alaska Permanent Fund ("Fund" or "Permanent Fund") for the fiscal years ended June 30, 2020 and June 30, 2019. This narrative is intended to provide management's insight into the results of operations from the past two fiscal years and highlight specific factors that contributed to those results. The MD&A is comprised of three sections: financial highlights, discussion regarding use of the financial statements, and analysis of the financial statements; the sections should be reviewed together with the financial statements and related notes that follow it.

Financial Highlights

- Public markets experienced extreme volatility during the year as the impacts of COVID-19 were felt across the globe. The Fund ended the fiscal year ("FY") at 2.01 percent total return. While representing a strong recovery from the lows experienced in the third quarter, these results were not as strong as the 6.32 percent of FY2019 and were well below the average over the Fund's history. Total fund return for FY2020 just slightly underperformed the performance benchmark of 2.05 percent by 4 basis points. FY2020's results are substantially below the mid-point of the range of returns since 1985, which have ranged from -17.96 percent to 25.58 percent.
- FY2020's excess of revenues over expenditures (net income) was $1.6 billion. This represents a decrease from FY2019 of $2.1 billion and is also significantly lower than FY2018's level of $5.5 billion.
- During FY2018, legislation was passed which, subject to appropriation, provides for a transfer from the Earnings Reserve Account to the General Fund to help balance the State's budget. The amount of the transfer is based upon a percentage of the average market value of the Fund at the end of the first five of the preceding six fiscal years. The funding for the Alaska Permanent Fund dividend is then transferred from the General Fund. The June 30, 2019 balance sheet reflects a $1.9 billion commitment of fund balance for the appropriation that was transferred to the General Fund during FY2020. An additional $1 billion was appropriated after year end bringing the total transfer for FY2020 to $2.9 billion. The June 30, 2020 balance sheet reflects a $3.1 billion commitment of fund balance for the appropriation to be transferred to the General Fund in FY2021.
- The portion of dedicated State of Alaska revenues deposited into the principal (or "corpus") of the Fund is based on mineral prices and production. In FY2020, this amount came in at $319 million, well below FY2019's deposits of $385 million. For FY2018 and FY2019, the amount appropriated by the Legislature was limited to the Constitutionally required level of 25 percent of mineral royalties and related payments. It did not include the additional amount required by statute on select leases, which had historically been appropriated. If the additional amount required by statute had been appropriated by the Legislature, the deposits into principal would have been approximately $100 million larger in FY2019 and $80 million larger in FY2018. During FY2020, legislation was passed by the Legislature, but vetoed by the Governor, to transfer the additional amounts for both years from the Earnings Reserve Account to the corpus. Subsequent to the end of FY2020, additional legislation was passed by the Legislature, but vetoed by the Governor, to transfer these amounts. The amounts shown on the financial statements are limited to the deposits that were appropriated.
- Inflation proofing of the Fund's corpus is outlined in Alaska Statute and, like the transfer to the General Fund, is subject to appropriation. In FY2020, the inflation rate was 1.81 percent, resulting in a transfer of $758 million to the corpus. In FY2019, the statutory inflation rate was 2.44 percent which resulted in a transfer to principal of $989 million. There was no appropriation for inflation proofing for FY2016 – FY2018. If appropriated, the transfers for these three years would have totaled $1.4 billion.
- During FY2019, legislation was passed to transfer $4 billion from the Earnings Reserve Account to the corpus in FY2020. This amount is reflected as committed fund balance on the June 30, 2019 balance sheet. The transfer was completed on June 30, 2020.

Using the Financial Statements

This section of the MD&A aims to provide an introduction to the Fund's required financial statement components which include: Balance Sheets; Statements of Revenues, Expenditures and Changes in Fund Balances; and Notes to the Financial Statements.

Balance Sheets

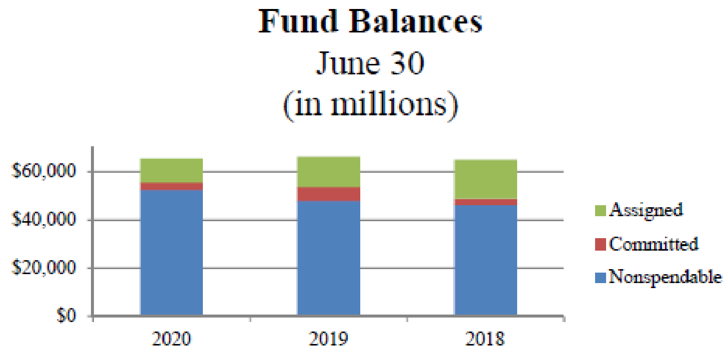
The Balance Sheets present all assets, liabilities and fund balances of the Fund as of June 30, 2020, as well as the prior fiscal year's ending balances at June 30, 2019.

Assets are grouped into broad categories for ease of readability and analysis. Receivables include cash not yet received from the sale of investments, as well as dividends and interest receivable from stock and bond holdings. Investments are broken out by traditional asset class and are shown at market value. The securities lending cash collateral (cash received from the borrower on loans of securities that is returned to the borrower once the loan is terminated without default) is shown as an asset.

Liabilities on the Balance Sheets primarily consist of obligations for investments purchased but not yet settled (shown in the accounts payable grouping), the amount payable to the State of Alaska for the Alaska Capital Income Fund, and the securities lending cash collateral that is returned to borrowers of the Fund's stocks and bonds when the borrowers return those loaned assets to the Fund.

In the graph set forth below, fund balances are shown in three categories: non-spendable, committed, and assigned.

- The largest category is non-spendable (80 percent as of June 30, 2020) which is not available for government appropriation by the State of Alaska.
- Committed fund balance (5 percent as of June 30, 2020) represents amounts that have been signed into law before the end of our fiscal year, for transfer to another account or purpose during the subsequent fiscal year. In both years, this includes the legislation which took effect at the beginning of FY2019, which provides for a percent-of-market-value transfer from the Earnings Reserve Account to the General Fund. For FY2019, it also includes legislative action to transfer an additional $4 billion from the earnings reserve account to the corpus.
- The remaining balance (the assigned fund balance) is available for government appropriation. The assigned fund balance decreased by 22 percent from FY2019 to FY2020, from $12.5 billion to $9.8 billion. Generally, four factors contribute significantly to changes in the assigned fund balance: investment cash flow income including transactional realized gains and losses (statutory net income); the State of Alaska general fund transfer; inflation proofing (a transfer of assets from the assigned to the non-spendable fund balance); and the change in unrealized gains and losses allocated to the assigned fund balance. During FY2020, the amounts contributing to the net decrease of approximately $2.7 billion in the assigned fund balance were:
    - (i) realized income of $3.1 billion;
    - (ii) an additional transfer to the General Fund for FY2020 that was appropriated during FY2020;
    - (iii) the commitment of $3.1 billion for transfer to the General Fund;
    - (iv) an inflation proofing transfer to non-spendable of $758 million; and
    - (v) the allocation of a portion of unrealized gains and losses, which decreased from FY2019 to FY2020 by $1 billion, to a balance of $1.4 billion.



Statements of Revenues, Expenditures and Changes in Fund Balances

The Statements of Revenues, Expenditures and Changes in Fund Balances present the financial activity of the Fund over the 12 months in FY2020 and FY2019.

Revenues are shown in two sections on the statement, separating cash receipts of various investment holdings such as interest, dividends, and real estate rental income, from the change in value of investment holdings. The first section of the revenues also includes miscellaneous income such as class action litigation proceeds and securities lending income. The second section of revenues ("Net increase (decrease) in the fair value of investments") includes both realized and unrealized gains and losses on investments. Realized gains and losses are produced only through the sale of investments, while unrealized gains and losses are the result of changes in the fair value of investments without a sale of those investments. Realized and unrealized gains and losses are summarized by asset class to match the groupings on the Balance Sheets and represent the total net increase or decrease for the year in each asset category.

To derive the total net change in fund balances from the prior year to the current year, the Statements of Revenues, Expenditures and Changes in Fund Balances also includes the Fund's expenditures and other sources and uses of funds. Operating expenditures include fees paid to external investment managers, salaries of APFC employees, and other routine operating costs such as rent, travel, and legal fees. Other legislative appropriations made through the State's annual budget process are obligations for support services received from other State of Alaska departments.

Dedicated State revenues transferred into the Fund's principal are based on a percentage of mineral revenues that the State receives. Transfers out of the Fund are (i) the percent-of-market-value transfer to the General Fund and (ii) the annual deposit to the Alaska Capital Income Fund (ACIF).

Notes to the Financial Statements

The Notes to the Financial Statements are an essential element to fully understanding all financial aspects of the Fund and to interpreting the major components of the financial statements. The Notes to the Financial Statements can be found immediately following the Statements of Revenues, Expenditures and Changes in Fund Balances.

Financial Statement Analysis

This section of the MD&A is intended to provide an analysis of past fiscal years' activities and specific contributors to changes in the net assets of the Fund. The fund balance serves to provide a gauge of the financial strength of the Fund. While assets of the Fund exceeded liabilities each year by double-digit ratios (excluding securities lending collateral, held separately by the custodian for repayment to the borrower upon a loan's completion), the non-spendable fund balance is unavailable for appropriation. The table set forth below was derived from the Balance Sheets of the Fund, and provides a comparison of the change between balances of June 30, 2020 and 2019.

Balance Sheets	June 30 2020	2019	Net change	Percent
Assets				
Cash and temporary investments	$ **4,815,872,000**	4,585,921,000	229,951,000	5%
Receivables, prepaid expenses and other assets	**2,194,723,000**	673,595,000	1,521,128,000	226%
Investments	**60,893,991,000**	61,948,996,000	(1,055,005,000)	(2)%
Securities lending collateral	**1,540,240,000**	2,840,792,000	(1,300,552,000)	(46)%
Total assets	$ **69,444,826,000**	70,049,304,000	(604,478,000)	(1)%
Liabilities				
Accounts payable	**2,581,892,000**	879,776,000	1,702,116,000	193%
Income distributable to the State of Alaska	**20,492,000**	28,469,000	(7,977,000)	(28)%
Securities lending collateral	**1,540,240,000**	2,840,792,000	(1,300,552,000)	(46)%
Total liabilities	$ **4,142,624,000**	3,749,037,000	393,587,000	10%
Fund balances				
Nonspendable:				
Permanent Fund corpus - contributions and appropriations	**46,618,846,000**	41,542,110,000	5,076,736,000	12%
Unrealized appreciation on invested assets	**5,789,217,000**	6,277,500,000	(488,283,000)	(8)%
Total nonspendable	**52,408,063,000**	47,819,610,000	4,588,453,000	10%
Committed:				
General Fund appropriation	**3,091,493,000**	1,933,084,000	1,158,409,000	60%
Permanent Fund corpus	—	4,000,000,000	(4,000,000,000)	n/a
Total committed	**3,091,493,000**	5,933,084,000	(2,841,591,000)	(48)%
Assigned for future appropriations:				
Realized earnings	**8,378,305,000**	10,121,532,000	(1,743,227,000)	(17)%
Unrealized appreciation on invested assets	**1,424,341,000**	2,426,041,000	(1,001,700,000)	(41)%
Total assigned	**9,802,646,000**	12,547,573,000	(2,744,927,000)	(22)%
Total fund balances	$ **65,302,202,000**	66,300,267,000	(998,065,000)	(2)%
Total liabilities and fund balances	$ **69,444,826,000**	70,049,304,000	(604,478,000)	(1)%

The value of the Fund’s assets, excluding securities lending collateral, increased slightly between June 30, 2019 and June 30, 2020. The value of the Fund’s assets is most significantly impacted by investment performance. Comparative performance for each asset class is shown below:

	FY2020	FY2019
Public Equity	**0.41%**	2.96%
Fixed Income Plus	**4.19%**	9.28%
Private Equity & Special Opportunities	**1.94%**	19.18%
Real Estate	**-0.16%**	-1.29%
Infrastructure & Private Income	**-0.39%**	10.94%
Absolute Return	**1.46%**	1.94%
Asset Allocation	**-0.25%**	2.50%
TOTAL FUND	**2.01%**	6.32%

The ending values of securities lending collateral invested and the related liability are dependent upon the amount of securities out on loan on any particular day. These values can change significantly from day to day and year to year, depending on activity in the market. The average value of assets on loan during FY2020 was $7.9 billion, with a low of $5.7 billion and a high of $9.3 billion. The Fund had earnings from securities lending of $31.4 million during FY 2020, a significant increase from $27 million received in FY2019.

In the liability section of the Balance Sheets, accounts payable primarily consist of obligations due, but not yet settled, on securities purchased. The open transactions can vary widely from day to day and are usually the largest portion of Fund payables, representing 99 percent and 97 percent of the FY2020 and FY2019 accounts payable balances, respectively. The increase of $1.7 billion, or 193 percent, from FY2019 to FY2020 was primarily due to an increase in pending fixed income purchases of $1.6 billion caused by rebalancing at the end of the fiscal year.

The sole amount due to the State of Alaska at the end of FY2020 and FY2019 is the transfer to the Alaska Capital Income Fund (ACIF). This amount is calculated based on realized earnings and was $21 million for FY2020 and $28.5 million for FY2019. The $7.5 million dollar decrease from the prior year is caused by lower realized returns in FY2020 versus FY2019.

Total fund balance decreased by 2 percent from FY2019 to FY2020, with a decrease of $1 billion, consistent with the 2.01 percent total return for the year and the net transfers out of the Fund. Components of this decrease were increases of $1.4 billion for cash flow income, $319 million in dedicated mineral deposits, and an increase in the fair value of investments of $362 million offset by operating expenses of $128 million, and the General Fund transfer of $2.9 billion. Deposits from the State of Alaska were down 17 percent from the FY2019 dedicated revenues of $385 million.

In comparison, total fund balance increased from FY2018 to FY2019 by 2 percent, or $1.4 billion, due to net income of the Fund of $3.8 billion and transfers in (State dedicated mineral revenues of $385 million), partially offset by transfers out (General Fund of $2.7 billion and ACIF of $22 million).

The table below is derived from the Statements of Revenues, Expenditures and Changes in Fund Balances, and shows the annual activity of the Fund. The differences in activity in FY2020 as compared to FY2019 are shown in both dollars and percentages.

Statements of Revenues, Expenditures and Changes in Fund Balances		Year Ended June 30 2020	2019	Net change	Percent
Revenues					
Total interest, dividends, real estate and other income	$	**1,402,898,000**	1,554,748,000	(151,850,000)	(10)%
Total net increase in the fair value of investments		**361,738,000**	2,352,276,000	(1,990,538,000)	(85)%
Total revenues		**1,764,636,000**	3,907,024,000	(2,142,388,000)	(55)%
Expenditures					
Operating expenditures		**(120,382,000)**	(132,567,000)	12,185,000	(9)%
Other legislative appropriations		**(7,792,000)**	(8,783,000)	991,000	(11)%
Total expenditures		**(128,174,000)**	(141,350,000)	13,176,000	(9)%
Excess of revenues over expenditures		**1,636,462,000**	3,765,674,000	(2,129,212,000)	(57)%
Other financing sources (uses)					
Transfers in – dedicated State revenues		**319,049,000**	385,231,000	(66,182,000)	(17)%
Transfers out – appropriations		**(2,953,576,000)**	(2,744,983,000)	(208,593,000)	8%
Net change in fund balances		**(998,065,000)**	1,405,922,000	(2,403,987,000)	(171)%
Fund balances					
Beginning of period		**66,300,267,000**	64,894,345,000	1,405,922,000	2%
End of period	$	**65,302,202,000**	66,300,267,000	(998,065,000)	(2)%

During FY2020, cash flow revenue from interest, dividends, real estate, and other sources was slightly less than FY2019 levels at $117 million per month on average, down from $130 million per month on average in FY2019. FY2019 cash flow income was down slightly from $132 million per month on average in FY2018.

The change in the fair value of investments decreased by 85 percent from a $2.4 billion gain in FY2019 to a $362 million gain in FY2020. FY2019's change in fair value of investments was a 43 percent decrease from the $4.1 billion gain in FY2018.

Operating expenditures decreased from FY2019 to FY2020 by 9 percent. This decrease was slightly higher than the decrease experienced between FY2018 and FY2019 of 3 percent. The volatility between years is mainly caused by fluctuations in amounts paid in investment management fees. Investment management fees depend upon assets under management by external managers and their performance relative to their benchmarks. Market volatility and changes to asset allocation can cause fees to fluctuate.

Transfers in of dedicated State revenues decreased from FY2019 to FY2020 by 17 percent ($66 million) and totaled $319 million compared to $385 million in FY2019. These transfers totaled $353 million in FY2018. The Alaska Constitution requires that at least 25% of mineral royalties and related payments received by the State be transferred to the Permanent Fund. State statutes mandate an additional 25% on select leases be deposited. Transfers in of dedicated state revenues under these statutes are subject to legislative appropriation. The budget appropriations for FY2018 and FY2019 failed to include amounts required by statute beyond the constitutional floor of 25 percent. In the absence of an appropriation for the additional amounts, they were not transferred. Therefore, amounts shown in the financial statement for FY2019 are limited to the amount required by the Constitution.

Transfers out of the Fund are for two purposes: 1) an appropriation to the General Fund and 2) an appropriation to fund the Alaska Capital Income Fund (ACIF). The General Fund and ACIF transfers are subject to legislative appropriation. The total transfer amount is shown as committed fund balance at the end of the year in which the appropriation is made, and the commitment is released when the transfer to the General Fund is made. The amount originally appropriated for the General Fund for FY2020 was $1.9 billion. In August 2019, an additional $1 billion was appropriated for FY2020, but because of the timing, that amount is not reported as committed at June 30, 2020. The FY2021 appropriation of $3.1 billion is shown as committed as of June 30, 2020, based on appropriations authorized as of that date. The ACIF transfer is based on realized earnings for only one year; it is not averaged over multiple years. ACIF realized earnings of $21 million in FY2020 and $29 million in FY2019. The earnings for FY2018 were $43 million.

Economic, Investment, and Political Factors

The market value of and earnings from the Fund's assets are directly impacted by the volatility of the financial markets, as well as investment decisions made by the Trustees, internal Fund management, and external Fund investment managers. Diversification of asset allocation and diversification of investments within each allocation are intended to mitigate the risk of volatility of the financial markets. The APFC, as a component unit of the State of Alaska, is subject to legislative changes that govern the APFC and the Fund.

Additional Information

This financial report is designed to provide an overview of the Alaska Permanent Fund's ending net asset balances and fiscal year financial activities. This report does not include any other funds owned or managed by the State of Alaska or APFC. Due to the potential volatility of the financial markets, Fund values and income may vary greatly from period to period. For more information on the Fund, both current and historical, readers are encouraged to visit www.apfc.org, or send specific information requests to the Alaska Permanent Fund Corporation at P.O. Box 115500, Juneau, Alaska 99811-5500.

Alaska Permanent Fund

Balance sheets

		June 30, 2020	June 30, 2019
Assets			
Cash and temporary investments	$	**4,815,872,000**	4,585,921,000
Receivables, prepaid expenses and other assets		**2,194,723,000**	673,595,000
Investments:			
Marketable debt securities		**13,595,452,000**	13,725,033,000
Preferred and common stock		**25,109,759,000**	24,253,205,000
Real estate		**4,303,604,000**	5,755,856,000
Absolute return		**4,288,542,000**	4,327,475,000
Private credit		**1,890,392,000**	1,816,276,000
Private equity		**9,803,985,000**	8,770,247,000
Infrastructure		**1,902,257,000**	3,300,904,000
Total investments		**60,893,991,000**	61,948,996,000
Securities lending collateral		**1,540,240,000**	2,840,792,000
Total assets	$	**69,444,826,000**	70,049,304,000
Liabilities			
Accounts payable		**2,581,892,000**	879,776,000
Income distributable to the State of Alaska		**20,492,000**	28,469,000
Securities lending collateral		**1,540,240,000**	2,840,792,000
Total liabilities	$	**4,142,624,000**	3,749,037,000
Fund balances			
Nonspendable:			
Permanent Fund corpus - contributions and appropriations		**46,618,846,000**	41,542,110,000
Unrealized appreciation on invested assets		**5,789,217,000**	6,277,500,000
Total nonspendable		**52,408,063,000**	47,819,610,000
Committed:			
General Fund appropriation		**3,091,493,000**	1,933,084,000
Permanent Fund corpus		**—**	4,000,000,000
Total committed		**3,091,493,000**	**5,933,084,000**
Assigned for future appropriations:			
Realized earnings		**8,378,305,000**	10,121,532,000
Unrealized appreciation on invested assets		**1,424,341,000**	2,426,041,000
Total assigned		**9,802,646,000**	12,547,573,000
Total fund balances	$	**65,302,202,000**	66,300,267,000
Total liabilities and fund balances	$	**69,444,826,000**	70,049,304,000

See accompanying notes to the financial statements.

Alaska Permanent Fund

Statements of revenues, expenditures and changes in fund balances

		Year Ended June 30,	
		2020	2019
Revenues			
Interest	$	**492,899,000**	564,063,000
Dividends		**515,335,000**	590,980,000
Real estate and other income		**394,664,000**	399,705,000
Total interest, dividends, real estate and other income		**1,402,898,000**	1,554,748,000
Net increase (decrease) in the fair value of investments:			
Marketable debt securities		**433,840,000**	718,789,000
Preferred and common stock		**40,654,000**	393,520,000
Real estate		**(456,356,000)**	(63,998,000)
Absolute return		**44,446,000**	56,604,000
Private credit		**(5,146,000)**	40,983,000
Private equity		**885,987,000**	1,232,440,000
Infrastructure		**(347,896,000)**	344,267,000
Foreign currency forward exchange contracts and futures		**(7,001,000)**	79,107,000
Currency		**(226,790,000)**	(449,436,000)
Total net increase in the fair value of investments		**361,738,000**	2,352,276,000
Total revenues		**1,764,636,000**	**3,907,024,000**
Expenditures			
Operating expenditures		**(120,382,000)**	(132,567,000)
Other legislative appropriations		**(7,792,000)**	(8,783,000)
Total expenditures		**(128,174,000)**	(141,350,000)
Excess (deficiency) of revenues over expenditures		**1,636,462,000**	3,765,674,000
Other financing sources (uses)			
Transfers in - dedicated State revenues		**319,049,000**	385,231,000
Transfers out - statutory and legislative appropriations		**(2,953,576,000)**	(2,744,983,000)
Net change in fund balances		**(998,065,000)**	1,405,922,000
Fund balances			
Beginning of period		**66,300,267,000**	64,894,345,000
End of period	$	**65,302,202,000**	66,300,267,000

See accompanying notes to the financial statements.

1. ENTITY

The Constitution of the State of Alaska ("State") was amended by public referendum in 1976 to dedicate a portion of certain natural resource revenues to the Alaska Permanent Fund ("Fund"). Contributions to the Fund are to be invested in income-producing investments authorized by law. In 1980, the Alaska State Legislature ("Legislature") established the Alaska Permanent Fund Corporation ("APFC"), a State governmental instrumentality within the Department of Revenue, to manage and invest Fund assets. The APFC is managed by a six-member board of trustees ("Trustees" or "Board") consisting of the Commissioner of Revenue, one other head of a principal state department, and four public members with recognized competence and experience in finance, investments, or other business management related fields. The Governor appoints the public members to staggered four-year terms, and can remove public members only for cause. The Board employs an executive director who in turn employs additional staff as necessary. The Fund's assets are diversified across a wide variety of investments in accordance with statutes, regulations, and APFC's investment policy. The Fund's investment performance is generally related to the success of the financial markets. While diversification aims to mitigate volatility, significant period-to-period fluctuations in investment performance may occur.

By annual appropriation, the APFC transfers (i) a portion of the Fund's realized earnings to the State's general fund, (ii) a portion of realized earnings sufficient to offset the effect of inflation on contributions and appropriations to the nonspendable balance of the Fund, and (iii) realized earnings on the balance of the North Slope royalty case settlement money (*State v. Amerada Hess*, *et al.*) to the Alaska Capital Income Fund (ACIF). The remaining balance of the Fund's realized earnings (referred to in Alaska Statute as the Earnings Reserve Account) is held in the assigned fund balance by the APFC and is subject to appropriation by the Legislature. The nonspendable fund balance (referred to in the Alaska Constitution as the principal) includes the historical cost basis of contributions and appropriations. Because the Alaska Constitution specifies that principal can only be used for income-producing investments, it is unavailable for appropriation by the Legislature. Unrealized gains and losses (appreciation/depreciation) on Fund assets are allocated proportionately between the principal and the Earnings Reserve Account. The unrealized amounts allocated to contributions and appropriations are considered a component of principal and are nonspendable, unless and until they become realized, at which point they will be transferred to the Earnings Reserve Account in the assigned (realized earnings) fund balance. All assets are aggregated for investment purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. In preparing the financial statements, APFC management is required to make estimates and assumptions as of the date of the balance sheet that affect the reported amounts of assets and liabilities and the disclosure of contingent assets, liabilities, revenues, and expenses for the period. The fair value of real estate, absolute return, private equity, infrastructure, and private credit investments and the related unrealized gains and losses thereon are particularly sensitive estimates. Actual results could differ from those estimates.

Cash and temporary investments

The amounts shown on the balance sheets as cash and temporary investments include cash on deposit at the custodian bank, cash swept to overnight investment funds, cash held at futures brokers, U.S. Treasury bills, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes approximately two percent in cash. APFC's investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted-average maturities of no greater than 24 months.

General Fund appropriations

In FY2018 the Legislature passed Senate Bill 26, which created a percent of market value draw on the Earnings Reserve Account for transfer to the general fund. Alaska Statute 37.13.140 was amended to specify the formula for percent of market value as 5.25% of the average market value of the fund as of June 30 for the first five of the preceding six fiscal years, including the fiscal year just ended. The average market value of the fund includes the Earnings Reserve Account, but not the principal attributed to the settlement of *State v. Amerada Hess*. This legislation took effect for FY2018 and replaced the appropriation to the dividend fund. The amount appropriated prior to year-end as transferrable to the general fund for the next fiscal year is shown as committed fund balance on the financial statements at June 30.

Inflation proofing

Alaska statutes require that the contributions and appropriations of the Fund be adjusted annually to offset the effect of inflation on Fund principal during the fiscal year. Based on advice from the Alaska Department of Law, an annual intra-fund inflation proofing transfer (from the assigned to the nonspendable fund balance) should occur only by legislative appropriation. The APFC measures inflation by (i) computing the percentage change in the averages of the monthly United States Consumer Price Index for all urban consumers for the two previous calendar years and (ii) applying that percentage to the total of the nonspendable fund balance, excluding unrealized gains and losses, at the end of the fiscal year. Using this formula, the inflation proofing rates for the years ended June 30, 2020 and 2019 were 1.81 percent and 2.44 percent, respectively. This resulted in transfers to principal of $758 million in FY2020 and $989 million in FY2019.

Fund balance

- *Unrealized gains and losses*
  A State of Alaska Attorney General's Opinion dated June 16, 2009 clarified the accounting treatment of the Fund's unrealized gains and losses by providing that unrealized appreciation or depreciation on invested assets should be allocated proportionately to principal and the Earnings Reserve Account.
- *Nonspendable fund balance*
  Nonspendable fund balance includes items that cannot be spent. This includes the corpus of the Permanent Fund, and the unrealized gains and losses allocated to it.
- *Committed fund balance*
  Committed fund balance can only be used for specific purposes subject to constraints imposed by a formal action of the Alaska Legislature, the State's highest level of decision-making authority. This formal action is the passage of a law creating, modifying or rescinding an appropriation. Earnings Reserve Account amounts appropriated to the General Fund are included in this classification. The commitment will be released when the transfer to the General Fund has been made. In FY2019, a commitment to principal is also included as committed fund balance.

- *Assigned fund balance*
  Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are not committed. The Alaska Legislature is the body authorized by the Alaska Constitution to assign amounts to a specific purpose. Alaska Statute 37.13.020 authorizes the Legislature to assign funds in the Earnings Reserve Account. The Earnings Reserve Account includes realized earnings and the unrealized gains and losses allocated to it.

Forward exchange contracts

Fund managers enter into a variety of forward currency contracts in their trading activities and management of foreign currency exchange rate risk exposure. These contracts are typically intended to neutralize the effect of foreign currency fluctuations, and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in the net increase/decrease in the fair value of investments at the time the contract is settled and determined based on the difference between the contract rate and the market rate at the time of maturity or closing. Unrealized gains and losses are also included in the net increase/decrease in the fair value of investments, and are calculated based on the difference between the contract rate and a forward market rate determined as of the balance sheet date.

A portion of the investment in forward exchange contracts is intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control the effect of fluctuations in foreign exchange rates within their overall portfolio strategy rather than on a security by security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure to the market's currency.

Futures

Certain equity and fixed income managers for the Fund are permitted to buy and sell equity and interest rate index futures. The gross contract and fair value of futures do not appear in the balance sheets. The net unrealized gain or loss on open futures trades is included in investments on the balance sheets, based on the difference between the future's purchase price and the current value of such index futures. Realized gains and losses on futures are included in the net increase in the fair value of investments at the time the futures contract expires. The net change in unrealized gains and losses is included in the net increase in the fair value of investments.

Income taxes

In the opinion of legal counsel, the Fund should not be subject to United States federal income taxation under the doctrine of implied statutory immunity for states because it is an integral part of the State, and it performs an essential governmental function, with its income, if any, accruing to the State. The Fund may be subject to tax in certain international jurisdictions.

Investments and related policies

Carrying value of investments

The Fund considers all of its ownership interests in securities and other assets to be investments because they are held for the purpose of income or profit and have a present service capacity based solely on their ability to generate cash or be sold to generate cash. Investments are reported at fair value in the financial statements. Investments without a readily determinable fair value are generally reported by using the net asset value per share (or its equivalent) of the investment. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in fund balance.

State investment regulations

In accordance with Alaska Statute 37.13.120(a), the Trustees have adopted regulations designating the types of eligible investments for Fund assets. The regulations follow the prudent investor rule, requiring the exercise of judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the Fund over time while maximizing the expected total return from both income and the appreciation of capital.

Investment policy – Asset allocation

The Trustees have established a long-term goal of achieving a five percent real rate of return over time on the Fund's investment portfolio. To help achieve this goal, the Trustees allocate the Fund's investments among various asset classes. At June 30, 2020, the APFC's strategic asset allocation targets were as follows:

Asset Class	Asset Class Target
Public Equities	37%
Fixed Income Plus	20%
Private Equity & Special Opportunities	13%
Real Estate	12%
Infrastructure & Private Income	8%
Absolute Return	5%
Asset Allocation	5%

To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each asset class, the APFC's chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's executive director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the Board can approve operating for longer than 30 days within a third range (the "red zone"). For example, the target dollar allocation for the public equities class is 37 percent, with the green zone range set at plus or minus five percent, the yellow zone range set at zero to ten percent beyond the green zone, and red zone range set at greater than ten percent beyond the green zone. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The APFC manages the Fund's concentration of credit risk by following its strategic asset allocation policy, diversifying investments among managers with varying investment styles and mandates, and monitoring tracking error. Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with APFC investment policy and investment manager contracts. There is no single-issuer exposure within the APFC portfolio that comprises five percent or more of the overall portfolio. Therefore, no concentration of credit risk is reported in the notes to the financial statements.

Credit risk

Credit risk is the risk that an issuer or other counterparty to a marketable debt investment will not fulfill its obligations. The APFC requires that its investment grade fixed income managers, both internal and external, invest in domestic and non-domestic bonds that have an explicit or implied investment grade rating. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain high yield investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure the Fund's deposits may not be returned. The APFC generally requires that all investment securities at custodian banks be held in the name of the Fund or the APFC (on behalf of the Fund). For the Fund's non-domestic securities held by most sub-custodians, the APFC's primary custodian provides contractual indemnities against sub-custodial credit risk. Excess cash in custodial accounts is swept daily to a money market fund. Late deposits of cash which miss the money market sweep deadline are deposited to an interest-bearing account at the custodian.

Foreign currency risk

Foreign currency risk is the risk of loss from adverse changes in foreign currency exchange rates. Foreign currency risk is managed through foreign currency forward contracts, and by diversifying assets into various countries and currencies.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The APFC manages the Fund's exposure to interest rate risk in part through tracking error guidelines set forth in the APFC's investment policy. Duration is an indicator of a portfolio's market sensitivity to changes in interest rates. In general, the major factors affecting duration are, in order of importance, maturity, prepayment frequency, level of market interest rates, size of coupon, and frequency of coupon payments. Rising interest rates generally translate into the value of fixed income investments declining, while falling interest rates are generally associated with increasing value. Effective duration attempts to account for the price sensitivity of a bond to changes in prevailing interest rates, including the effect of embedded options. As an example, for a bond portfolio with a duration of five years, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of five percent.

At June 30, 2020, the Fund held fixed income investments with floating, variable, and step interest rates, valued at $533,539,000. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from 0 to 13 percent.

Transfers in

Contributions from dedicated State revenues are recorded when certain revenues defined by the constitution, or by statute and legislative appropriation, are received or reported by the Alaska Department of Natural Resources and are available to meet current obligations. Contributions from appropriations and other sources are recorded when received.

Transfers out

Transfers out to other State agencies are recorded when measurable and represent a present obligation to pay.

3. CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments, which includes the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30:

		2020	2019
Cash	$	**1,062,878,000**	121,377,000
Pooled Funds		**3,665,096,000**	2,728,476,000
Commercial Paper		**37,812,000**	456,893,000
U.S. Treasury Bills		**50,086,000**	1,279,175,000
Total Cash & Temporary Investments	$	**4,815,872,000**	4,585,921,000

Uninvested cash was held at the custodian, sub-custodian, or futures broker banks, primarily in interest-bearing accounts. All pooled funds were invested in a money market fund. U.S. Treasury bills are explicitly guaranteed by the U.S. government.

4. RECEIVABLES, PREPAID EXPENSES AND OTHER ASSETS

Receivables, prepaid expenses and other assets at June 30 are as follows:

		2020	2019
Interest receivable	$	**103,433,000**	113,958,000
Dividends receivable		**64,392,000**	71,058,000
Sales receivable		**1,999,461,000**	422,647,000
Dedicated state revenues receivable		**27,437,000**	65,932,000
Total receivables, prepaid expenses and other assets	$	**2,194,723,000**	673,595,000

5. MARKETABLE DEBT SECURITIES

Marketable debt securities at June 30 are summarized as follows, categorized by debt instrument type and by country of registration:

2020		Cost	Fair value	Unrealized gains (losses)
Treasury and government notes/bonds	**$**	**1,450,630,000**	**1,481,186,000**	**30,556,000**
Mortgage-backed securities		**2,087,591,000**	**2,111,917,000**	**24,326,000**
Corporate bonds		**5,803,147,000**	**6,216,160,000**	**413,013,000**
Commercial mortgage/asset-backed securities		**244,299,000**	**256,740,000**	**12,441,000**
Non-U.S. treasury and government bonds		**2,049,619,000**	**2,009,412,000**	**(40,207,000)**
Non-U.S. corporate bonds		**1,082,211,000**	**1,133,916,000**	**51,705,000**
Bond-backed exchange traded funds		**412,428,000**	**386,121,000**	**(26,307,000)**
Total marketable debt securities	**$**	**13,129,925,000**	**13,595,452,000**	**465,527,000**
2019				
Treasury and government notes/bonds	$	1,546,459,000	1,564,359,000	17,900,000
Mortgage-backed securities		1,127,812,000	1,136,605,000	8,793,000
Corporate bonds		6,012,209,000	6,264,994,000	252,785,000
Commercial mortgage/asset-backed securities		287,649,000	292,357,000	4,708,000
Non-U.S. treasury and government bonds		2,367,247,000	2,400,936,000	33,689,000
Non-U.S. corporate bonds		1,048,517,000	1,076,962,000	28,445,000
Bond-backed exchange traded funds		984,350,000	988,820,000	4,470,000
Total marketable debt securities	$	13,374,243,000	13,725,033,000	350,790,000

6. MARKETABLE DEBT CREDIT RATINGS

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate, issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates are allowed to hold positions in assets with below investment grade ratings (high yield bonds) based on the terms of their contracts. For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported. At June 30, 2020, the Fund's credit ratings for its marketable debt securities are as follows:

NRSRO quality ratings	Domestic	Non-domestic	Total fair value	Percentage of holdings
AAA	$ 298,514,000	189,478,000	487,992,000	3.59%
AA	435,294,000	312,185,000	747,479,000	5.50%
A	1,635,608,000	782,266,000	2,417,874,000	17.78%
BBB	2,621,198,000	977,179,000	3,598,377,000	26.47%
BB	809,382,000	302,323,000	1,111,705,000	8.18%
B	472,499,000	207,401,000	679,900,000	5.00%
CCC	137,970,000	52,650,000	190,620,000	1.40%
CC	3,484,000	12,246,000	15,730,000	0.12%
C	483,000	—	483,000	0.00%
D	6,622,000	22,178,000	28,800,000	0.21%
Total fair value of rated debt securities	**6,421,054,000**	**2,857,906,000**	**9,278,960,000**	**68.25%**
Commingled bond funds	434,521,000	1,000	434,522,000	3.20%
Not rated	13,155,000	285,421,000	298,576,000	2.20%
U.S. government explicitly backed by the U.S. government (AA)	2,034,888,000	—	2,034,888,000	14.97%
U.S. government implicitly backed by the U.S. government (AA)	1,548,506,000	—	1,548,506,000	11.39%
Total fair value debt securities	**$ 10,452,124,000**	**3,143,328,000**	**13,595,452,000**	**100.00%**

7. MARKETABLE DEBT DURATION

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2020, the effective duration by investment type, based on fair value, is as follows:

	Percent of bond holdings	Duration
Domestic bonds		
Treasury and government notes/bonds	14.17%	8.25
Mortgage-backed securities	20.21%	1.91
Corporate bonds	59.47%	7.72
Commercial mortgage and asset-backed securities	2.46%	3.82
Bond-backed exchange traded funds	3.69%	—
Total domestic bonds	**100.00%**	**6.24**
Non-domestic bonds		
Non-U.S. treasury and government bonds	63.93%	8.02
Non-U.S. corporate bonds	36.07%	7.37
Bond-backed exchange traded funds	0.00%	—
Total non-domestic bonds	**100.00%**	**7.79**

8. PREFERRED AND COMMON STOCK

Direct investments in preferred and common stock are held by the APFC's custodian bank on behalf of the Fund. The Fund also invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors, and equity index futures, which are held at the prime broker.

Preferred and common stocks and commingled stock funds at June 30 are summarized as follows, which include the net fair value of equity index futures of $2.6 million as of June 30, 2020 and $1.3 million as of June 30, 2019:

2020		**Cost**	**Fair value**	**Unrealized holding gains (losses)**
Direct investments				
Domestic stock	**$**	**11,122,771,000**	**12,969,390,000**	**1,846,619,000**
Non-domestic stock		**10,941,930,000**	**11,298,111,000**	**356,181,000**
Commingled funds		**866,224,000**	**842,258,000**	**(23,966,000)**
Total preferred and common stock	**$**	**22,930,925,000**	**25,109,759,000**	**2,178,834,000**
2019				
Direct investments				
Domestic stock	$	9,632,786,000	11,805,605,000	2,172,819,000
Non-domestic stock		10,974,207,000	11,948,439,000	974,232,000
Commingled funds		452,859,000	499,161,000	46,302,000
Total preferred and common stock	$	21,059,852,000	24,253,205,000	3,193,353,000

9. FOREIGN CURRENCY EXPOSURE

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies. At June 30, 2020, the Fund's cash holdings, foreign currency forward contracts, non-domestic public and private equity, and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded):

Foreign currency	Cash and equivalents	Foreign exchange forward contracts	Public/private equity, real estate, infrastructure	Debt	Total foreign currency exposure
Australian Dollar	$ 96,406,000	(32,908,000)	331,562,000	29,178,000	424,238,000
Brazil Real	1,763,000	10,923,000	131,543,000	34,889,000	179,118,000
Canadian Dollar	59,546,000	(154,125,000)	441,215,000	23,180,000	369,816,000
Chilean Peso	236,000	(6,175,000)	7,684,000	14,100,000	15,845,000
Chinese Yuan Renminbi	3,769,000	(69,737,000)	281,573,000	86,264,000	301,869,000
Colombian Peso	1,951,000	(4,802,000)	1,157,000	30,363,000	28,669,000
Czech Koruna	237,000	8,676,000	1,654,000	8,700,000	19,267,000
Danish Krone	4,347,000	(2,148,000)	131,098,000	–	133,297,000
Dominican Republic Peso	–	–	–	301,000	301,000
Egyptian Pound	73,000	(1,911,000)	154,000	1,794,000	110,000
Euro Currency	169,340,000	(619,612,000)	2,577,500,000	401,438,000	2,528,666,000
Hong Kong Dollar	46,586,000	(40,150,000)	1,119,826,000	–	1,126,262,000
Hungarian Forint	370,000	1,592,000	8,860,000	7,026,000	17,848,000
Indian Rupee	1,163,000	(10,557,000)	234,187,000	–	224,793,000
Indonesian Rupiah	2,833,000	(19,421,000)	50,469,000	63,026,000	96,907,000
Israeli Shekel	1,101,000	(8,368,000)	22,208,000	11,634,000	26,575,000
Japanese Yen	144,181,000	(295,081,000)	1,247,616,000	354,969,000	1,451,685,000
Malaysian Ringgit	2,024,000	(6,372,000)	24,029,000	30,620,000	50,301,000
Mexican Peso	5,971,000	(20,063,000)	45,121,000	70,966,000	101,995,000
New Taiwan Dollar	832,000	(8,260,000)	302,763,000	–	295,335,000
New Zealand Dollar	9,314,000	37,587,000	13,604,000	5,070,000	65,575,000
Nigerian Naira	–	(835,000)	–	–	(835,000)
Norwegian Krone	645,000	(68,873,000)	39,312,000	16,346,000	(12,570,000)
Pakistan Rupee	–	–	13,000	–	13,000
Peruvian Sol	178,000	(6,885,000)	–	12,208,000	5,501,000
Philippines Peso	84,000	(5,452,000)	6,829,000	–	1,461,000
Polish Zloty	600,000	13,491,000	23,785,000	14,939,000	52,815,000
Pound Sterling	74,751,000	(258,045,000)	870,912,000	83,556,000	771,174,000
Qatari Riyal	552,000	(346,000)	10,853,000	–	11,059,000
Romanian Leu	130,000	3,242,000	–	4,202,000	7,574,000
Russian Ruble	1,838,000	(14,050,000)	7,980,000	60,232,000	56,000,000
Saudi Arabian Riyal	112,000	–	11,539,000	–	11,651,000
Serbian Dinar	182,000	–	–	5,423,000	5,605,000
Singapore Dollar	43,160,000	(37,894,000)	45,914,000	11,828,000	63,008,000
South African Rand	6,241,000	(11,788,000)	64,114,000	38,470,000	97,037,000
South Korean Won	2,100,000	(28,045,000)	319,326,000	38,170,000	331,551,000
Swedish Krona	9,529,000	(18,936,000)	166,830,000	11,085,000	168,508,000
Swiss Franc	12,267,000	586,000	390,249,000	–	403,102,000
Thailand Baht	1,908,000	12,152,000	43,273,000	19,525,000	76,858,000
Turkish Lira	639,000	(1,425,000)	36,934,000	3,642,000	39,790,000
UAE Dirham	393,000	–	10,040,000	–	10,433,000
Ukraine Hryvana	6,000	–	–	2,107,000	2,113,000
Uruguayan Peso	–	–	–	576,000	576,000
Total foreign currency exposure	**$ 707,358,000**	**(1,664,015,000)**	**9,021,726,000**	**1,495,827,000**	**9,560,896,000**

Cash amounts in the schedule above include receivables, payables, certificates of deposit, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Fund assets are invested in U.S. cash, equities, and debt, as well as in direct real estate properties, absolute return and similar funds, and infrastructure, all of which are denominated in U.S. dollars, and are not included in the schedule above.

10. REAL ESTATE

The Fund holds a variety of real estate interests, including directly owned real estate, real estate investment trusts, multi-family and industrial real estate operating companies, private real estate funds, and other entities in which the assets consist primarily of real property. The Fund's directly owned real estate is through ownership of interests in corporations, limited liability companies, and partnerships that hold title to the real estate. External institutional real estate management firms administer the Fund's directly owned real estate investments.

The APFC periodically reviews real estate investments for other than temporary impairment. During FY2020, it was determined that one direct real estate holding was impaired because it was more likely than not that the Fund would not recover the carrying cost over the remaining estimated holding period of the asset. In order to reflect the impairment in statutory net income and fund balance classifications, $7.9 million of unrealized losses were realized through a write-down of cost to fair value. In FY2019, two real estate holdings were impaired with a related write-down of $138.9 million. Real estate investments at June 30 are summarized as follows:

2020		**Cost**	**Fair value**	**Unrealized holding gains (losses)**
Real estate investment trusts	**$**	**180,293,000**	**214,924,000**	**34,631,000**
Real estate funds and notes		**343,755,000**	**363,572,000**	**19,817,000**
American Homes 4 Rent II		**128,620,000**	**147,555,000**	**18,935,000**
Directly owned real estate -				
Retail		**785,771,000**	**1,540,130,000**	**754,359,000**
Office		**1,014,231,000**	**1,241,455,000**	**227,224,000**
Hotel		**59,448,000**	**66,205,000**	**6,757,000**
Industrial		**255,714,000**	**409,290,000**	**153,576,000**
Multifamily		**220,439,000**	**320,473,000**	**100,034,000**
Total real estate	**$**	**2,988,271,000**	**4,303,604,000**	**1,315,333,000**
2019				
Real estate investment trusts	$	1,367,325,000	1,541,897,000	174,572,000
Real estate funds and notes		130,655,000	125,621,000	(5,034,000)
American Homes 4 Rent II		135,603,000	155,256,000	19,653,000
Directly owned real estate -				
Retail		749,920,000	1,766,138,000	1,016,218,000
Office		1,125,817,000	1,366,596,000	240,779,000
Hotel		59,252,000	73,481,000	14,229,000
Industrial		287,206,000	407,955,000	120,749,000
Multifamily		219,680,000	318,912,000	99,232,000
Total real estate	$	4,075,458,000	5,755,856,000	1,680,398,000

As of June 30, 2020, the APFC, on behalf of the Fund, had outstanding future funding commitments of $600 million for real estate fund investments.

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11. ALTERNATIVE INVESTMENTS

Alternative investments include the Fund's investments in absolute return and risk parity strategies, private equity, infrastructure, and private credit. The APFC periodically reviews alternative investments for other than temporary impairment.

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market driven asset classes. The Fund invested in two absolute return limited partnerships in which the Fund was the only limited partner ("fund-of-one"); both are currently in liquidation. The Fund also holds direct hedge fund investments, in which the Fund is one of many limited partners. Risk parity strategies also seek to deliver returns that are largely uncorrelated with global public markets, however they do so through allocation of risk rather than allocation of capital. External investment management services for both strategies are provided by institutional investment managers who have acknowledged their status as fiduciaries to the Fund. Because of the off-exchange and private nature of many absolute return strategies, investments may have no readily determinable fair value, and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets. Risk parity strategy investments are generally more liquid but may also not have readily determinable fair value depending on the underlying investments of a given fund. For both strategies, each manager provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit.

The Fund holds private equity through investments in limited liability companies and limited partnerships that typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired external advisors to assist in the selection of private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by APFC staff, the external advisors, and the underlying fund managers. The underlying private equity funds provide the Fund with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

During FY2020, it was determined that 20 private equity funds were impaired because it was more likely than not that the Fund would not recover their carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in statutory net income and fund balance classifications, $195.2 million of unrealized losses were realized through a write-down of cost to fair value. In FY2019, 17 private equity funds were impaired with a related write-down of $61.5 million. These impairments have no impact on the carrying value of investments or on the net increase in the fair value of private equity investments.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include: toll roads; airports; deep water ports; communication towers; and energy generation, storage and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the Fund's investment strategy. The Fund holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates, as well as through securities listed on public exchanges. The limited partnerships undergo annual independent audits. Infrastructure investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

During FY2020, it was determined that one infrastructure fund was impaired because it was more likely than not that the Fund would not recover the carrying cost over the remaining estimated holding period of the asset. In order to reflect the impairment in statutory net income and fund balance classifications, $24.5 million of unrealized losses were realized through a write-down of cost to fair value. There were no infrastructure impairments in FY2019.

At the end of FY2020, the Fund sold five infrastructure investments on the secondary market with total proceeds of $637 million.

The Fund invests in private credit through limited partnerships that invest either directly in distressed or mezzanine debt, or in commingled limited liability funds with a distressed debt or credit opportunity focus. These investments are funded over time, as opportunities arise. The limited partnerships and funds undergo annual independent audits. Private credit investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

During FY2020, it was determined that three private credit funds were impaired because it was more likely than not that the Fund would not recover the carrying cost over the remaining estimated holding period of the asset. In order to reflect the impairment in statutory net income and fund balance classifications, $41.8 million of unrealized losses were realized through a write-down of cost to fair value. In FY2019, one private credit fund was impaired with a related write-down of $41.7 million.

Alternative investments at June 30 are summarized as follows:

2020		**Cost**	**Fair value**	**Unrealized holding gains (losses)**
Absolute return	**$**	**3,989,336,000**	**4,288,542,000**	**299,206,000**
Private equity		**7,162,435,000**	**9,803,985,000**	**2,641,550,000**
Infrastructure		**1,728,714,000**	**1,902,257,000**	**173,543,000**
Private credit		**1,760,455,000**	**1,890,392,000**	**129,937,000**
Total alternative investments	**$**	**14,640,940,000**	**17,885,176,000**	**3,244,236,000**
2019				
Absolute return	$	4,086,304,000	4,327,475,000	241,171,000
Private equity		6,376,004,000	8,770,247,000	2,394,243,000
Infrastructure		2,618,523,000	3,300,904,000	682,381,000
Private credit		1,644,463,000	1,816,276,000	171,813,000
Total alternative investments	$	14,725,294,000	18,214,902,000	3,489,608,000

As of June 30, 2020, the APFC, on behalf of the Fund, had outstanding future funding commitments of $100 million for absolute return, $4.8 billion for private equity, $1.9 billion for infrastructure, and $1.2 billion for private credit investments. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

12. SECURITIES LENDING

State regulations at 15 AAC 137.510 and APFC investment policy authorize the APFC to enter into securities lending transactions on behalf of the Fund. Through a contract with the Bank of New York Mellon (the Bank), the Fund lends marketable debt and equity securities to borrowers who are banks and broker-dealers. The loans are collateralized with cash or certain marketable securities. Under APFC's contract with the Bank, the Bank must mark the loaned securities and collateral to the market daily, and the loan agreements require the borrowers to maintain the collateral at not less than 102 percent of the fair value of the loaned securities for domestic securities (and non-domestic loaned securities denominated in U.S. dollars) and not less than 105 percent of the fair value for other non-domestic loaned securities. The APFC can sell securities that are on loan. If a borrower fails to return the loaned securities (borrower default), the Bank can use cash collateral (and the proceeds on the sale of any non-cash collateral) to purchase replacement securities. Generally, the APFC is protected from credit risk associated with the lending transactions through indemnification by the Bank against losses resulting from counterparty failure, the reinvestment of cash collateral, default on collateral investments, or a borrower's failure to return loaned securities.

Cash collateral received for loaned securities is reported on the Fund's balance sheets and invested by the Bank of New York Mellon on behalf of the Fund. As of June 30, 2020, such investments were in overnight repurchase agreements that had a weighted-average-maturity of one day. The average term of the loans was also one day. At June 30, the value of securities on loan is as follows:

		2020	2019
Fair value of securities on loan, secured by cash collateral	**$**	**1,512,625,000**	2,784,825,000
Cash collateral		**1,540,240,000**	2,840,792,000
Fair value of securities on loan, secured by non-cash collateral		**6,126,859,000**	6,431,804,000
Non-cash collateral		**6,699,184,000**	6,976,507,000

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank of New York Mellon retains 20 percent. During the years ended June 30, 2020 and 2019, the Fund incurred no losses from securities lending transactions. The Fund received income of $31.4 million and $27.0 million from securities lending for the years ended June 30, 2020 and 2019, respectively, which is recorded in real estate and other income on the statements of revenues, expenditures and changes in fund balances.

13. ACCOUNTS PAYABLE

Accounts payable include trades entered into on or before June 30 that settle after fiscal year end. Cash held for trade settlements is included in cash and short-term investments. Accounts payable at June 30 are summarized as follows:

		2020	2019
Accrued liabilities	**$**	**30,885,000**	22,582,000
Securities purchased		**2,551,007,000**	857,194,000
Total accounts payable	**$**	**2,581,892,000**	879,776,000

14. STATUTORY AND LEGISLATIVE APPROPRIATIONS

Historically, the Legislature has appropriated portions of the Fund's statutory net income to the Permanent Fund Dividend Fund (Dividend Fund), a sub-fund of the State's general fund created in accordance with Alaska Statute 43.23.045 and administered by the Alaska Department of Revenue. The Dividend Fund is used primarily for the payment of dividends to qualified Alaska residents. In addition, the Legislature has appropriated a portion of the dividend distribution to fund various other agency activities. Beginning with FY2019, legislation requires that, upon appropriation, a portion of the realized earnings be transferred to the State's General Fund instead of the Dividend Fund, based upon a percent-of-market-value calculation. The amount transferred to the general fund for the dividend and State operating expenses was $2,933,084,000 in FY2020. The amount appropriated for FY2021, which is shown as committed as of June 30, 2020, is $3,091,493,000.

Per statute, realized earnings on the principal balance of the dedicated State revenues from the North Slope royalty case settlements (*State v. Amerada Hess, et al.*) have been appropriated from the Fund to the Alaska Capital Income Fund (ACIF) established under Alaska Statute 37.05.565. Funds in the ACIF may be further appropriated for any public purpose. During years with net realized losses, no funds are transferred to the ACIF. Statutory and legislative appropriations made during the years ended June 30 are summarized as follows:

		2020	**2019**
Income distributed during the year:			
General fund transfer	**$**	**2,933,084,000**	2,722,654,000
Income distributable at year end:			
Alaska Capital Income Fund		**20,492,000**	22,329,000
Total statutory and legislative appropriations	**$**	**2,953,576,000**	2,744,983,000

Appropriations for APFC operating expenses and other specific State agencies are made separately and are detailed in Note 20.

15. FUND BALANCES

Fund balance activity during the years ended June 30 is summarized as follows:

		2020	2019
Nonspendable			
Balance, beginning of year	$	**47,819,610,000**	46,029,992,000
Dedicated State revenues		**319,049,000**	385,231,000
Inflation proofing transfer from assigned		**757,687,000**	989,484,000
FY19 commitment to principal		**4,000,000,000**	–
Change in unrealized appreciation on invested assets		**(488,283,000)**	414,903,000
Balance, end of year	$	**52,408,063,000**	47,819,610,000
Committed			
Balance, beginning of year	$	**5,933,084,000**	2,722,654,000
General Fund transfer to liability		**(1,933,084,000)**	(2,722,654,000)
General Fund commitment		**3,091,493,000**	1,933,084,000
FY19 commitment to principal		**(4,000,000,000)**	4,000,000,000
Balance, end of year	$	**3,091,493,000**	**5,933,084,000**
Assigned			
Balance, beginning of year	$	**12,547,573,000**	16,141,699,000
Inflation proofing transfer to nonspendable		**(757,687,000)**	(989,484,000)
General Fund commitment		**(3,091,493,000)**	(1,933,084,000)
Additional transfer to General Fund		**(1,000,000,000)**	–
FY19 commitment to principal		**–**	(4,000,000,000)
Settlement earnings payable to the ACIF		**(20,492,000)**	(22,329,000)
Realized earnings, net of operating expenditures		**3,126,445,000**	3,327,384,000
Change in unrealized appreciation on invested assets		**(1,001,700,000)**	23,387,000
Balance, end of year	$	**9,802,646,000**	12,547,573,000
Total			
Balance, beginning of year	$	**66,300,267,000**	64,894,345,000
Dedicated State revenues		**319,049,000**	385,231,000
General Fund transfer		**(1,933,084,000)**	(2,722,654,000)
Additional transfer to General Fund		**(1,000,000,000)**	–
Settlement earnings payable to the ACIF		**(20,492,000)**	(22,329,000)
Excess of investment revenues over expenditures		**1,636,462,000**	3,765,674,000
Balance, end of year	$	**65,302,202,000**	66,300,267,000

The composition of the contributions and appropriations in the nonspendable fund balance at June 30 is shown as follows:

		2020	2019
Dedicated State revenues	$	**17,596,589,000**	17,277,539,000
Special appropriations		**10,885,906,000**	6,885,906,000
Inflation proofing		**17,983,440,000**	17,225,753,000
Settlement earnings		**152,911,000**	152,912,000
Total contributions and appropriations	$	**46,618,846,000**	41,542,110,000

On June 16, 2009, the Alaska Attorney General issued a legal opinion clarifying the accounting treatment of unrealized gains and losses. Based on the opinion, proportionate values of the unrealized appreciation or depreciation of invested assets should be allocated to nonspendable fund balances and assigned fund balances. As of June 30, 2020, the Fund's net unrealized gain was $7,213,558,000, of which $5,789,217,000 was allocated to the nonspendable fund balance and $1,424,341,000 was allocated to the assigned fund balance. As of June 30, 2019, the Fund's net unrealized gain was $8,703,541,000, of which $6,277,500,000 was allocated to the nonspendable fund balance and $2,426,041,000 was allocated to the assigned fund balance.

During the fiscal years 1990 through 1999, the Fund received dedicated State revenues from North Slope royalty case settlements (*State v. Amerada Hess, et al.*). Accumulated settlement related activity, included in the contributions and appropriations balance of the Fund at June 30, is $424,399,000. By statute, realized earnings from these settlement payments are to be treated in the same manner as other Fund income, except that these settlement earnings are excluded from the dividend calculation and are not subject to inflation proofing. Since 2005, the Legislature has appropriated these settlement earnings to the Alaska Capital Income Fund (ACIF). Prior to 2005, the statute required such earnings to be appropriated to Fund principal. The Fund realized earnings on settlement principal of $20,492,000 during FY2020 and $22,329,000 during FY2019.

16. FAIR VALUE MEASUREMENT

Various inputs are used in valuing the investments held by the Fund. GAAP establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These input levels are summarized as follows:

Level 1 – Quoted prices for identical assets in an active market.

Level 2 – Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly.

Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Investments measured using net asset value (NAV) per share as a practical expedient to fair value are not categorized into input levels. The input levels used to measure the Fund's investments and derivative instruments at June 30 are summarized as follows:

		Measured using input levels			Measured using	
2020		**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Marketable debt securities	**$**	**1,868,303,000**	**11,650,169,000**	**76,980,000**	**—**	**13,595,452,000**
Preferred and common stock		**24,923,991,000**	**3,000**	**—**	**185,765,000**	**25,109,759,000**
Real estate		**214,971,000**	**—**	**—**	**4,088,633,000**	**4,303,604,000**
Absolute return		**—**	**—**	**—**	**4,288,542,000**	**4,288,542,000**
Private credit		**—**	**—**	**—**	**1,890,392,000**	**1,890,392,000**
Private equity		**93,761,000**	**—**	**—**	**9,710,224,000**	**9,803,985,000**
Infrastructure		**195,710,000**	**—**	**—**	**1,706,547,000**	**1,902,257,000**
Total investments	**$**	**27,296,736,000**	**11,650,172,000**	**76,980,000**	**21,870,103,000**	**60,893,991,000**

		Measured using input levels			Measured using	
2019		**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Marketable debt securities	$	2,557,871,000	11,065,117,000	102,045,000	—	13,725,033,000
Preferred and common stock		24,253,205,000	—	—	—	24,253,205,000
Real estate		1,546,464,000	—	—	4,209,392,000	5,755,856,000
Absolute return		—	—	—	4,327,475,000	4,327,475,000
Private credit		—	—	—	1,816,276,000	1,816,276,000
Private equity		—	—	—	8,770,247,000	8,770,247,000
Infrastructure		793,183,000	—	—	2,507,721,000	3,300,904,000
Total investments	$	29,150,723,000	11,065,117,000	102,045,000	21,631,111,000	61,948,996,000

Marketable debt securities and preferred and common stock classified as level 1 are valued using prices quoted in active markets for those securities. Debt securities classified as level 2 are valued using matrix pricing. Pricing is sourced from various sources. Marketable debt securities valued at level 3 are term loans.

Publicly traded real estate investment trusts are valued using prices quoted in active markets and are reported as level 1. Directly owned real estate through ownership of interests in corporations, limited liability companies, and partnerships that hold title to real estate are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. The underlying directly owned real estate investments are subject to annual appraisals and audits. American Homes 4 Rent II is reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions, and does not allow redemptions until the company is wound-up and dissolved.

Absolute return investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Absolute return investments undergo annual independent financial statement audits. The redemption notice period is from 1-91 days and the frequency of redemption is daily to quarterly.

Private equity investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private equity investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 10-12 years.

Publicly traded infrastructure investments are classified as level 1 and are valued using prices quoted in active markets for those securities. The majority of infrastructure investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions.

Infrastructure investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 5-7 years.

Private credit investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private credit investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 5-7 years.

17. STATUTORY NET INCOME

By Alaska law, statutory net income is computed in accordance with U.S. generally accepted accounting principles (GAAP), excluding settlement income from the North Slope royalty case (*State v. Amerada Hess, et al.)* and any unrealized gains or losses. However, the excess of revenues over expenditures is required by GAAP to include unrealized gains and losses and income, regardless of source. Consequently, GAAP excess of revenues over expenditures and statutory net income differ.

The APFC periodically reviews investments for other than temporary impairment of value. Investments with fair values significantly less than costs over multiple reporting periods may be considered impaired if the cost basis will not be recovered over the investment's remaining estimated holding period. If an other than temporary impairment is determined to exist for an investment, a realized loss will be recorded which will replace the previously recorded unrealized loss. Carrying value will not be affected, but the reclassification of the loss from unrealized to realized will affect the statutory net income of the Fund. During FY2020, approximately $269 million of net impairments were recorded. During FY2019, approximately $242 million of impairments were recorded.

Statutory net income for the years ended June 30 is calculated as follows:

		2020	2019
Excess of revenues over expenditures	**$**	**1,636,462,000**	3,765,674,000
Unrealized (gains) losses		**1,489,983,000**	(438,290,000)
Settlement earnings		**(20,492,000)**	(22,330,000)
Statutory net income	**$**	**3,105,953,000**	3,305,054,000

18. INVESTMENT INCOME BY SOURCE

Investment income during the years ended June 30 is summarized as follows:

		2020	2019
Interest			
Marketable debt securities	$	**457,889,000**	481,213,000
Short-term and other		**35,010,000**	82,850,000
Total interest	$	**492,899,000**	564,063,000
Total dividends	$	**515,335,000**	590,980,000
Real estate and other income			
Directly owned real estate net rental income		**106,130,000**	121,337,000
Real estate investment trust dividends		**56,422,000**	60,498,000
Real estate fund and notes, net of fees		**661,000**	(3,842,000)
Absolute return dividend and interest income		**11,000**	6,457,000
Private credit interest income, net of fees		**63,577,000**	48,246,000
Infrastructure interest and dividend income, net of fees		**84,576,000**	58,903,000
Private equity dividend income, net of fees		**46,471,000**	76,439,000
Class action litigation income		**4,861,000**	3,773,000
Loaned securities, commission recapture and other income		**31,955,000**	27,894,000
Total real estate and other income	$	**394,664,000**	399,705,000

19. FOREIGN EXCHANGE CONTRACTS, FUTURES, AND OFF-BALANCE SHEET RISK

Certain APFC external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies for the Fund at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2020 ranged between one and 274 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of non-performance by these counterparties. The Fund's market risk as of June 30, 2020 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for FY2020 and FY2019 are summarized as follows:

		2020	2019
Balances at June 30			
Face value of FX forward contracts	$	**3,154,765,000**	5,470,398,000
Net unrealized holding gains (losses) on FX forward contracts		**5,660,000**	(21,501,000)
Fair value of FX forward contracts	$	**3,160,425,000**	5,448,897,000
Activity for fiscal years ending June 30			
Change in unrealized holding gains (losses)	$	**27,160,000**	(42,730,000)
Realized gains (losses)		**24,322,000**	92,635,000
Net increase in fair value of FX forward contracts	$	**51,482,000**	49,905,000

Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account, and the internal fixed income management team trades U.S. Treasury index futures. Equity index futures are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Equity and fixed income index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to futures in equity accounts for FY2020 and FY2019 is summarized as follows:

		2020	2019
Balances at June 30			
Face value of equity index futures	**$**	**38,952,000**	76,167,000
Net unrealized holding gains (losses) on futures		**2,587,000**	1,258,000
Fair value of equity index futures	**$**	**41,539,000**	77,425,000
Activity for fiscal years ending June 30			
Change in unrealized holding gains (losses)	**$**	**1,316,000**	9,157,000
Realized gains (losses)		**(1,865,000)**	(16,828,000)
Net increase (decrease) in fair value of equity index futures	**$**	**(549,000)**	(7,671,000)

Activity and balances related to futures in fixed income accounts for FY2020 and FY2019 is summarized as follows:

		2020	2019
Balances at June 30			
Face value of U.S. Treasury index futures	**$**	**100,596,000**	335,184,000
Net unrealized holding losses on futures		**(707,000)**	(4,049,000)
Fair value of U.S. Treasury index futures	**$**	**99,889,000**	331,135,000
Activity for fiscal years ending June 30			
Change in unrealized holding gains (losses)	**$**	**3,322,000**	38,447,000
Realized losses		**(60,613,000)**	(3,043,000)
Net increase (decrease) in fair value of U.S. Treasury index futures	**$**	**(57,291,000)**	35,404,000

The face value of FX forward contracts and futures shown in these schedules is not required to be included in the Fund's balance sheets. All other activity amounts shown above are included in the Fund's financial statements in the Foreign currency forward exchange contracts and futures line on the Statement of Revenues, Expenditures and Changes in Fund Balances.

20. EXPENDITURES

Fund expenditures for the years ended June 30 are summarized as follows:

		2020	2019
APFC operating expenditures			
Salaries and benefits	$	**10,296,000**	9,562,000
Communications and electronic services		**5,493,000**	4,277,000
Consulting fees		**4,116,000**	4,482,000
Training, supplies, services and other		**1,007,000**	615,000
Rent		**507,000**	504,000
Travel		**431,000**	566,000
Legal and audit fees		**1,486,000**	988,000
Property and equipment		**837,000**	3,948,000
Public information and subscriptions		**171,000**	122,000
Subtotal APFC operating expenditures		**24,344,000**	25,064,000
Investment management and custody fees			
Investment management fees		**94,706,000**	106,131,000
Custody and safekeeping fees		**1,332,000**	1,372,000
Subtotal investment management and custody fees		**96,038,000**	107,503,000
Total operating expenditures, investment management and custody fees	$	**120,382,000**	132,567,000
Other legislative appropriations from corporate receipts			
Department of Natural Resources		**6,132,000**	6,045,000
Department of Law		**1,562,000**	2,644,000
Department of Revenue		**98,000**	94,000
Total other legislative appropriations	$	**7,792,000**	8,783,000
Total expenditures	$	**128,174,000**	141,350,000

Through the appropriations and budget process, the Legislature allocates corporate receipts to other State departments to compensate these departments for work done on behalf of the Fund during the year.

21. PENSION PLANS

All APFC full-time, regular employees participate in the State of Alaska Public Employees Retirement System (PERS). PERS is a multiple-employer public employee retirement system established and administered by the State to provide pension and post-employment healthcare benefits to eligible retirees. The PERS financial report can be obtained from the State of Alaska's Retirement and Benefits website. Benefit and contribution provisions are established by state law and can be amended only by the Legislature.

PERS consists of Defined Contribution Retirement (PERS-DCR) and Defined Benefit Retirement (PERS-DBR) plans. Employees who entered the system on or after July 1, 2006 participate in the PERS-DCR plan. Employees who entered the system prior to July 1, 2006 participate in the PERS-DBR plan. PERS-DBR employees contribute 6.75 percent of their annual salaries to PERS and PERS-DCR members contribute 8 percent.

As an integrated cost sharing plan, the PERS system requires employers to pay a uniform contribution rate of 22 percent of eligible employee salaries for the benefit of PERS members. Total salaries subject to PERS for the years ended June 30, 2020 and 2019 amounted to $7,114,000 and $6,574,000, respectively.

In addition to the pension plan discussed above, all APFC employees and Trustees participate in the Alaska Supplemental Benefits System Supplemental Annuity Plan (SBS-AP). The SBS-AP is a multiple-employer defined contribution plan created pursuant to Internal Revenue Code section 401(a) to provide benefits in lieu of those provided by the Federal Social Security System. Each year, APFC employees and Trustees contribute 6.13 percent of salaries or honoraria, up to a specified maximum, to SBS-AP. The APFC contributes a matching 6.13 percent. Participants are eligible to withdraw from SBS-AP 60 days after termination of employment or service as a Trustee. Total salaries and honoraria for individuals subject to SBS-AP for the years ended June 30, 2020 and 2019 amounted to $5,141,000 and $4,860,000, respectively.