

APFC Keeps Steady Keel During Turbulent Year

By Chair Craig Richards, APFC Board of Trustees

As the Alaska Permanent Fund Corporation's Board gathers in Anchorage this week for the annual meeting, the Trustees would like to update Alaskans on the status of the Alaska Permanent Fund, the outstanding job our staff has done in these turbulent times, and our search for a new executive director.

FY2022 was a challenging year for all investors. Persistent market volatility and some of the highest levels of inflation the Fund has ever encountered reinforced the importance of the long-term investment perspective of the portfolio. Our primary mission continues to be ensuring that the assets of the Fund are safeguarded and well-positioned to maximize risk-adjusted returns over a long horizon.

APFC was able to protect the value of the Principal in FY2022 and generate substantial realized revenues for Alaskans, even as it posted a -1.32% total rate of return. Many peer funds didn't fare as well through the market volatility as indicated in the performance benchmark return of -3.24% that APFC beat by 1.92%. Further success is provided in the comparison to the passive benchmark that the Fund outperformed by 13.32% through APFC's diligent management.

The Trustees want to acknowledge that our Fund did well relative to a down market due to the dedication, expertise, and vision of a team of skilled professionals working together to meet the needs of Alaskans today and into the future. The Corporation's enduring stewardship and safeguarding of Alaska's essential financial resources are based on our commitment to ensure that investment of the Fund is managed per constitutional provisions, statutory mandates, and governance structures.

Late last year, the Board made the difficult decision to remove the former executive director due to a breakdown of trust and confidence in the working relationship. The executive director is an important figure in helping the Board manage the Fund and is the only employee who reports directly to the Board. The functions of the Board and executive director are inextricably entwined, and a high-performing dynamic is crucial to a good governance process and corporate tone. Ensuring the continued health of APFC necessitated a change in this position.

The Board of Trustees requested the Chief Financial Officer, Valerie Mertz, to act as interim Executive Director during an in-depth search for a new executive director. The Corporation is in good hands during this process, and the Trustees are grateful to Valerie for temporarily taking on this additional role.

APFC has contracted with an Alaska recruitment company to solicit and vet qualified candidates who will be interviewed first by a Recruitment Committee comprised of Board members and senior staff. This committee will forward the leading candidates to the full Board of Trustees for consideration during a public interview process to be scheduled in October. The Board and staff look forward to welcoming a new executive director this fall to build on and enhance our mission-driven, dynamic investment management of Alaska's most valuable financial resource.

We invite interested Alaskans to listen to our Annual Meeting on Sept. 21-22 to get an informed update on the Fund's performance, the executive director search, and other topics of interest. Directions on how to watch the meeting are posted at <https://apfc.org/board-of-trustees/board-of-trustees-meetings/>.

As Trustees, we recognize our obligation to Alaskan stakeholders and global partners in setting the standard for fiduciary duty, ethical conduct, accountability, and integrity. We have strong governance measures to document our commitment to managing the Fund on behalf of generations of Alaskans, including a code of conduct and the requirement for annual fiduciary training. Public trust requires an ongoing commitment to consistent, capable leadership. We honor our commitment to Alaskans and the Alaska Permanent Fund.

###