

State of Alaska
Department of Revenue
STATE INVESTMENT REVIEW MEETING
August 19, 2024 – 10:00 a.m.

Click here to join the meeting Meeting ID: 237 531 107 977 Passcode: sXPT6w	Call In (Audio Only): Phone: 1-907-202-7104 Code: 324 662 873#
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- I. Introduction**
Zachary Hanna, Chief Investment Officer
Adam Crum, Commissioner of Revenue

- II. State Investment Review**
Zachary Hanna, Chief Investment Officer
 - A. Economic and Market Update**
 - B. June 30, 2024, Performance – Commissioner’s Report**
 - C. Non-Routine Investment Update**
 - D. Summary of Adopted FY2025 Asset Allocations**
 - E. Constitutional Budget Reserve Fund & Subaccount Review**

- III. IAC Comments**
Investment Advisory Council Members

- IV. Future Agenda Items & Calendar**
Zachary Hanna, Chief Investment Officer
Alysia Jones, ARMB Liaison

- V. Other Matters for Discussion**

- VI. Adjournment**



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

State Investment Review:

- **Economic and Market Update**
- **June 2024 Performance – Commissioners Report**
- **Non-Routine Investment Update**
- **Summary of Adopted FY2025 Asset Allocations**
- **Constitutional Budget Reserve Fund and Subaccount Review**



August 2024

Zachary Hanna, CFA
Chief Investment Officer, Treasury Division
Alaska Department of Revenue

Economic and Market Update

Inflation and Economic Growth

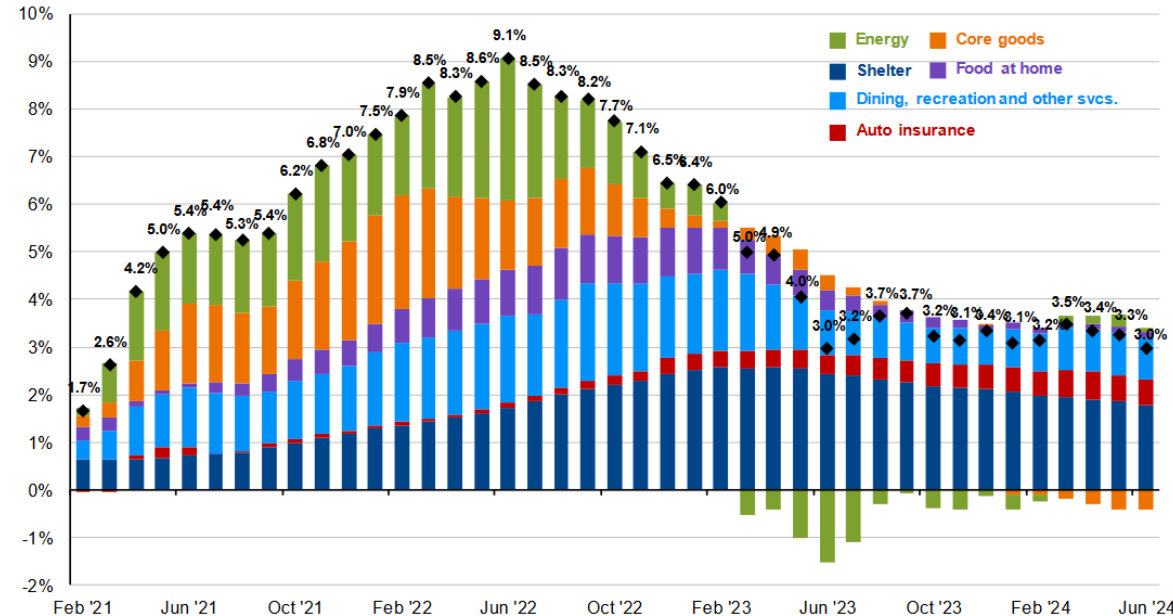
- Inflation has dominated markets since 2022, peaking at 9.1% in June of 2022 and declining to 2.9% in July of 2024.
- The drivers of inflation have rotated considerably in response to higher interest rates. Now mainly centered around services, current drivers have switched from medical services and transportation to shelter, insurance, and recreation.
- Economic growth has slowed but remains relatively strong.

Inflation components

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Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and home insurance. "Food at home" includes alcoholic beverages.
Guide to the Markets - U.S. Data are as of July 31, 2024.

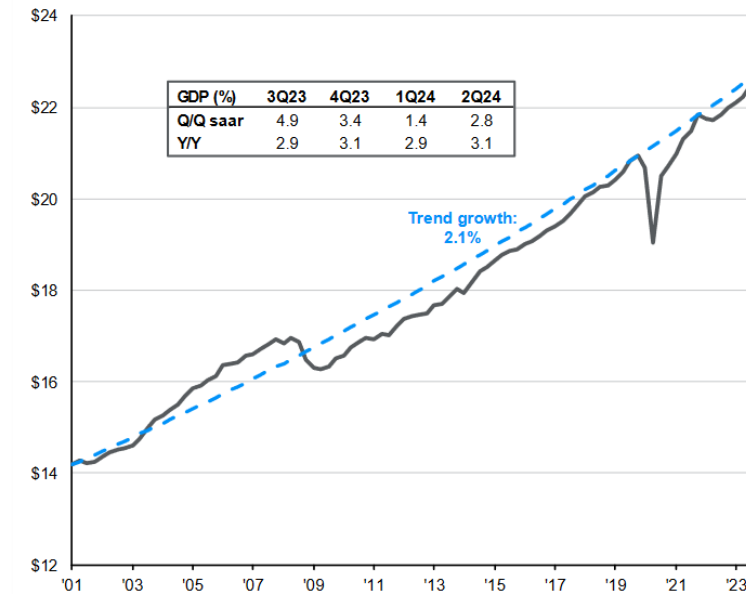
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Economic growth and the composition of GDP

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Real GDP

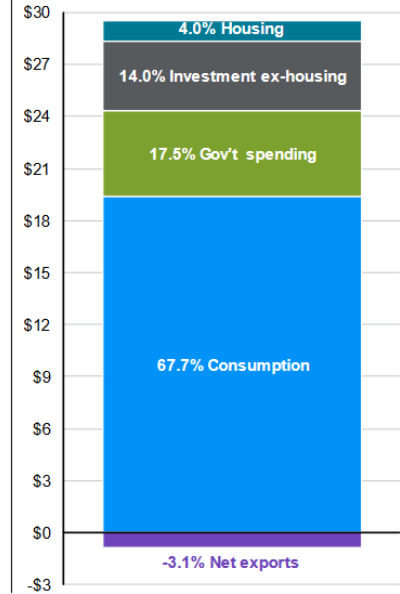
Trillions of chained (2017) dollars, seasonally adjusted at annual rates



Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.
Guide to the Markets - U.S. Data are as of July 31, 2024.

Components of GDP

2Q24 nominal GDP, USD trillions



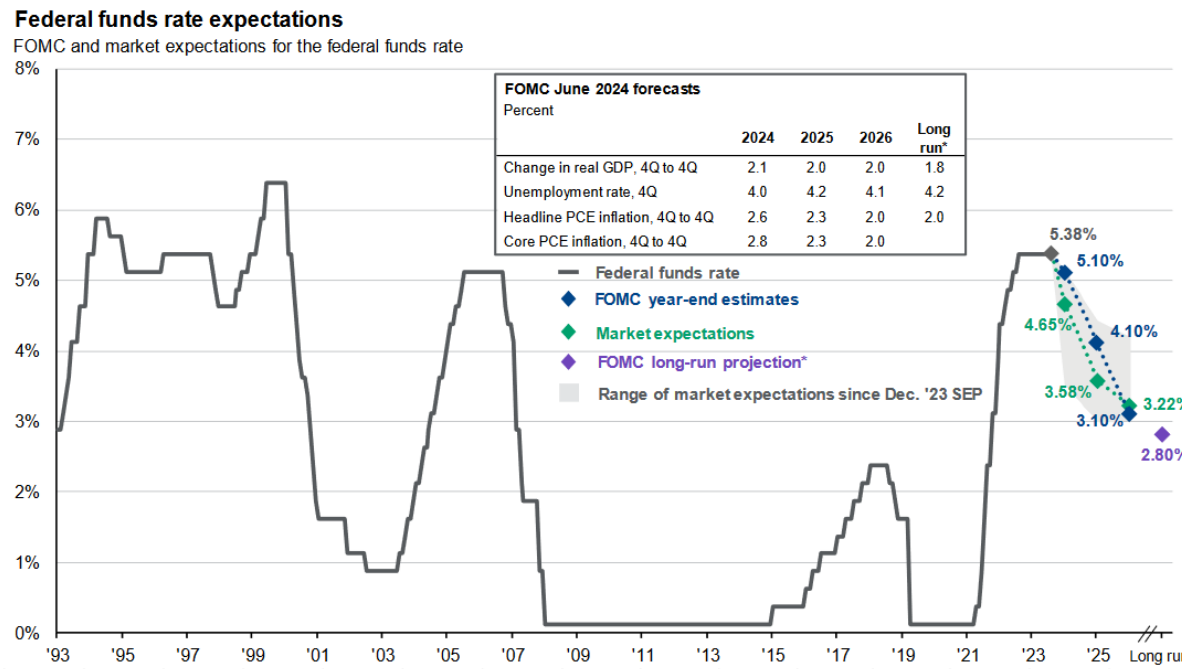
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Interest Rates and the Federal Reserve

- To combat inflation, the Federal Reserve has raised interest rates from near zero in 2022 to 5.50% in July of 2023.
- Notably the Fed has made no further changes to rates at the last eight meetings.
- Recent forecasts suggest rate cuts are likely to start as soon as the September Fed meeting.

The Fed and interest rates

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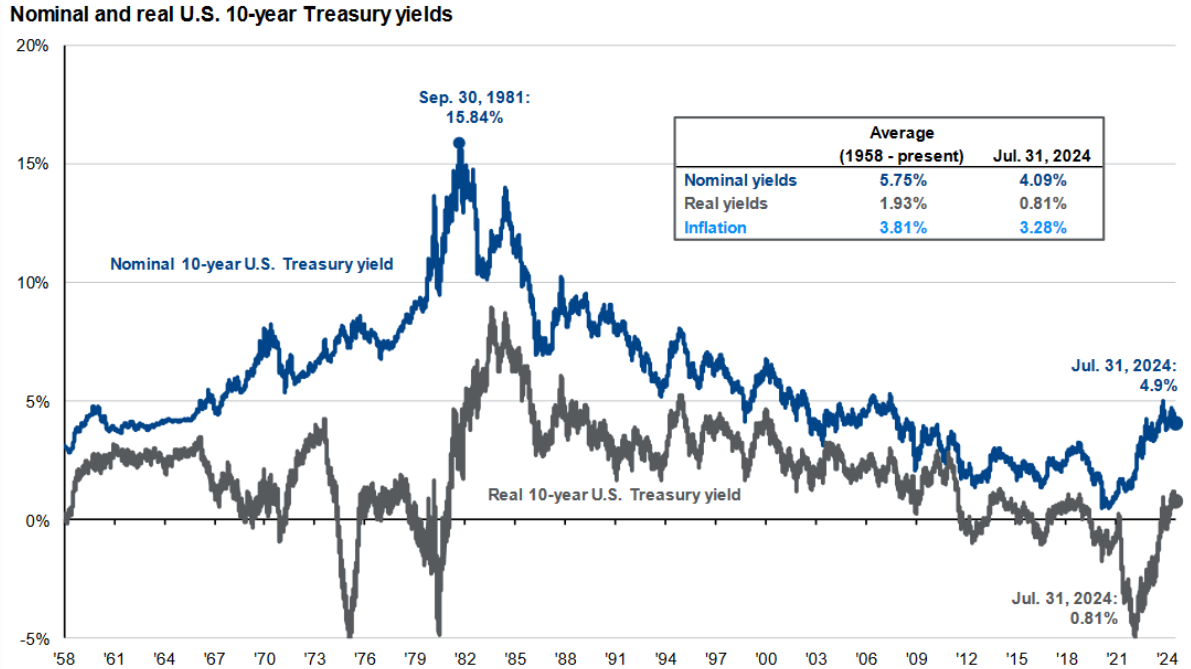


Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
 Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets - U.S. Data are as of July 31, 2024.

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Interest rates and inflation

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Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.
 Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month. For the current month, we use the prior month's core CPI figures until the latest data are available. Guide to the Markets - U.S. Data are as of July 31, 2024.

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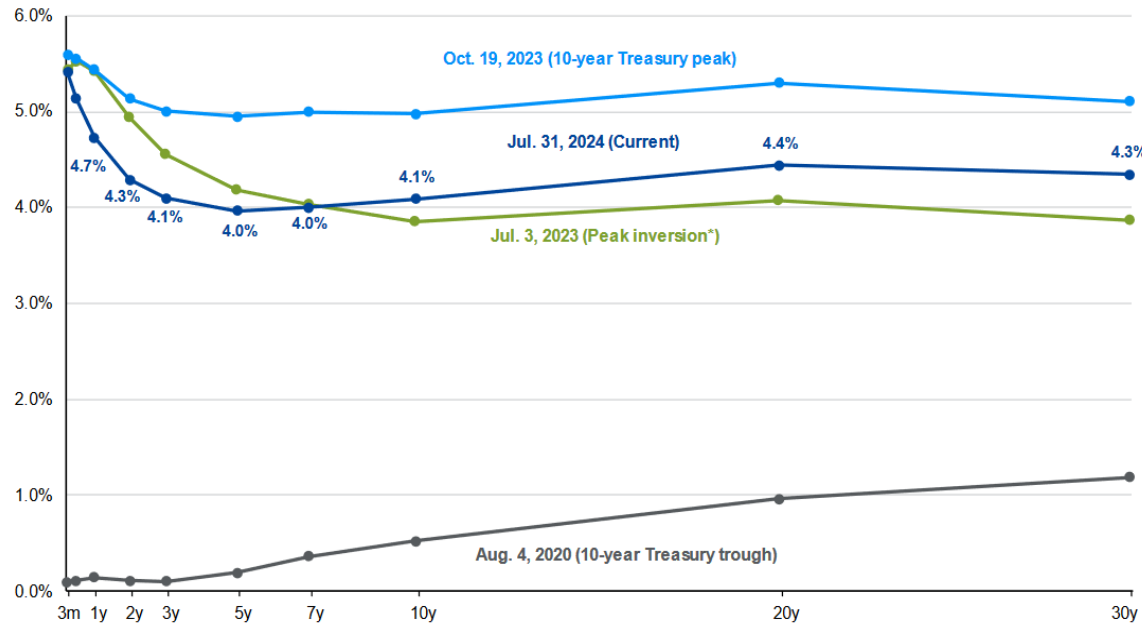
Fixed Income

- Bond yields increased dramatically in reaction to the Fed's increase in rates into 2023.
- Most bond sectors performed very poorly in 2022, but bond returns improved in 2023 and 2024 with higher yields and more tempered rate increases.
- Despite the recent volatility in interest rates, forward return expectations for fixed income investments are strong with high starting yields and a forecast of moderating interest rates.

Yield curve

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U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Analysis references data back to 2020. *Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury. Guide to the Markets - U.S. Data are as of July 31, 2024.

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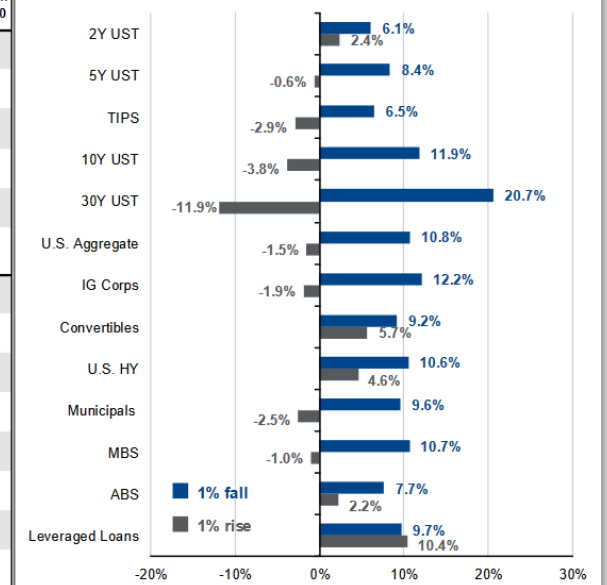
Fixed income market dynamics

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U.S. Treasuries	Yield		Return		Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
	7/31/2024	12/31/2023	2024 YTD				
2-Year	4.29%	4.23%	2.27%	2 years	0.76	0.00	
5-Year	3.97%	3.84%	1.76%	5	0.94	-0.03	
TIPS	1.84%	1.72%	2.50%	7.4	0.73	0.33	
10-Year	4.09%	3.88%	0.81%	10	1.00	-0.08	
30-Year	4.35%	4.03%	-2.78%	30	0.93	-0.12	
Sector							
U.S. Aggregate	4.64%	4.53%	1.61%	8.4	0.89	0.24	
IG Corps	5.14%	5.06%	1.89%	10.8	0.68	0.46	
Convertibles	7.10%	7.26%	3.30%	-	-0.06	0.86	
U.S. HY	7.59%	7.59%	4.58%	4.8	0.07	0.77	
Municipals	3.58%	3.22%	0.50%	13.5	0.71	0.26	
MBS	4.88%	4.68%	1.63%	7.3	0.81	0.25	
ABS	5.44%	5.65%	4.18%	3.8	0.40	0.21	
Leveraged Loans	10.05%	10.59%	5.28%	4.6	-0.23	0.61	

Impact of a 1% rise or fall in interest rates

Total return, assumes a parallel shift in the yield curve



Source: Bloomberg, FactSet, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management. Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by - U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS; ABS: J.P. Morgan ABS Index; IG Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite. Convertibles yield is as of most recent month-end and is based on U.S. portion of Bloomberg Global Convertibles Index. Yield and return information based on bellwethers for Treasury securities. Yields shown for TIPS are real yields. Sector yields reflect yield-to-worst. Leveraged loan yields reflect the yield to 3Y takeout. Correlations are based on 15-years of monthly returns for all sectors. ABS returns prior to June 2012 are sourced from Bloomberg. Past performance is not indicative of future results. Guide to the Markets - U.S. Data are as of July 31, 2024.

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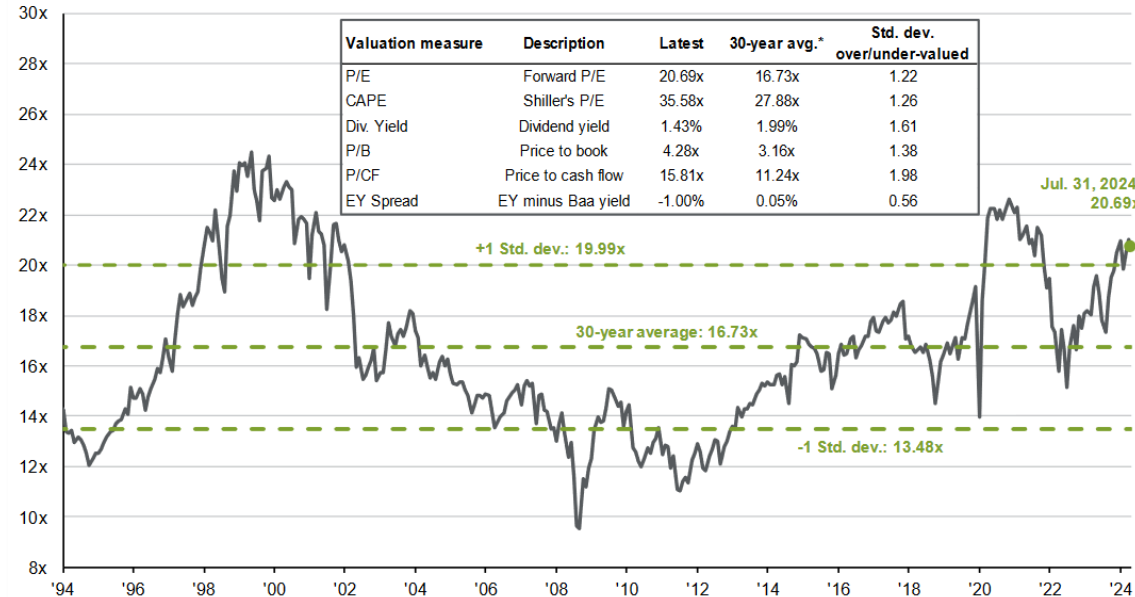
Equity Markets

- Although U.S. equities have declined in value recently, valuations continue to be elevated and driven significantly by just a few constituents.
- Domestic equity returns and valuations remain driven by the largest technology corporations resulting in more concentrated equity indexes.
- International equity valuations remain much lower than in the U.S.

S&P 500 valuation measures

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S&P 500 Index: Forward P/E ratio

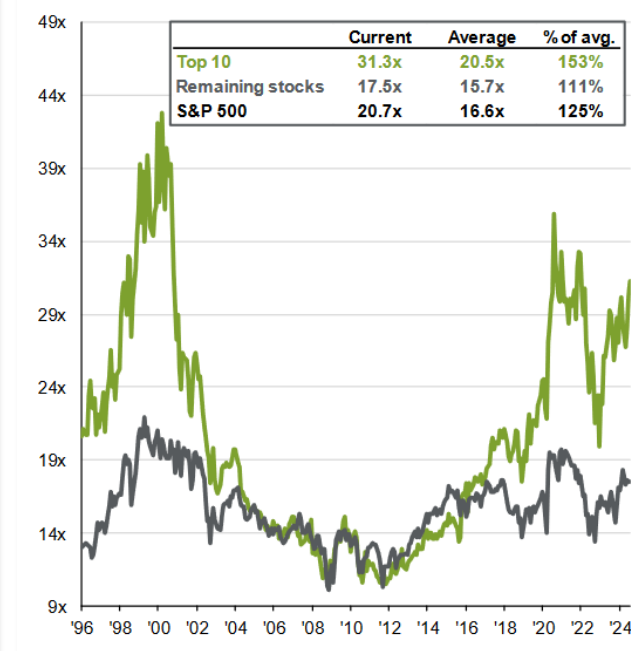


Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since March 1994 and by FactSet since January 2022. Average P/E and standard deviations are calculated using 30 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 30 years for each measure. *Averages and standard deviations for dividend yield and P/CF are since November 1995 due to data availability. Guide to the Markets - U.S. Data are as of July 31, 2024.

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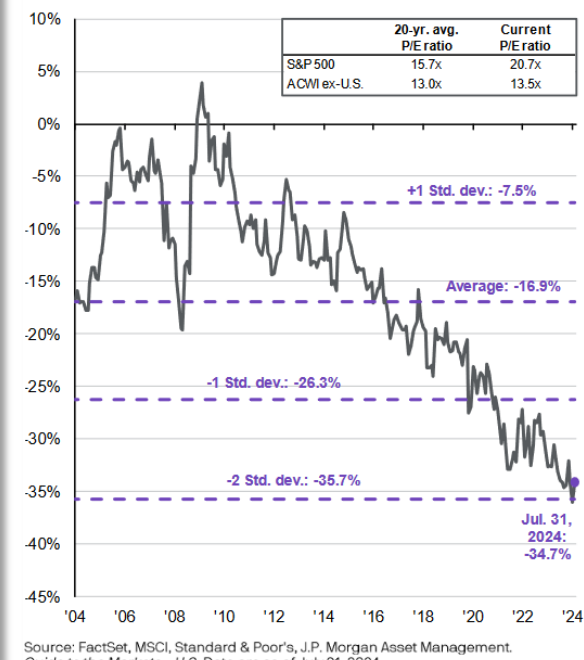
P/E ratio of the top 10 and remaining stocks in the S&P 500

Next 12 months, 1996 - present



International: Price-to-earnings discount vs. U.S.

MSCI All Country World ex-U.S. vs. S&P 500, next 12 months



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Guide to the Markets - U.S. Data are as of July 31, 2024.

Capital Market Performance Update

- After a challenging 2022, performance was strong in 2023 and fiscal year 2024, but volatile across most asset classes.
- Capital markets have been focused on the interplay of inflation, interest rates, and economic growth.
- As inflation has moderated, the risk of further rate hikes has diminished, removing a growth headwind.
- As a result, equity markets have recovered strongly from the correction of 2022 and both core U.S. fixed income and cash equivalents have benefited from high yields.

	2018	2019	2020	2021	2022	2023	FY2024	2024-Q2
Cash Equivalents	1.9%	Broad U.S. Equity 31.0%	Broad U.S. Equity 20.9%	REITs 41.3%	Cash Equivalents 1.5%	Broad U.S. Equity 26.0%	Broad U.S. Equity 23.1%	Broad U.S. Equity 13.6%
Core U.S. Fixed Income	0.0%	REITs 28.7%	TIPS 11.0%	Broad U.S. Equity 25.7%	High Yield (11.2%)	International Equity 15.6%	International Equity 11.6%	International Equity 5.7%
TIPS	(1.3%)	International Equity 21.5%	International Equity 10.7%	International Equity 7.8%	TIPS (11.8%)	High Yield 13.4%	High Yield 10.4%	Cash Equivalents 2.6%
High Yield	(2.1%)	High Yield 14.3%	Core U.S. Fixed Income 7.5%	TIPS 6.0%	Core U.S. Fixed Income (13.0%)	REITs 11.4%	REITs 5.8%	High Yield 2.6%
REITs	(4.0%)	Core U.S. Fixed Income 8.7%	High Yield 7.1%	High Yield 5.3%	International Equity (16.0%)	Core U.S. Fixed Income 5.5%	Cash Equivalents 5.4%	TIPS 0.7%
Broad U.S. Equity	(5.2%)	TIPS 8.4%	Cash Equivalents 0.7%	Cash Equivalents 0.0%	Broad U.S. Equity (19.2%)	Cash Equivalents 5.0%	TIPS 2.7%	Core U.S. Fixed Income (0.7%)
International Equity	(14.2%)	Cash Equivalents 2.3%	REITs (5.1%)	Core U.S. Fixed Income (1.5%)	REITs (24.9%)	TIPS 3.9%	Core U.S. Fixed Income 2.6%	REITs (2.2%)

Performance:
Commissioner's Report
June 2024

DOR Commissioner's Report: Market Values for Month Ending 6/30/2024

Market Value

Plan Name	Cash Equivalents	Domestic Equity	Fixed Income	Interm. Fixed Income	Int'l Equity	REITs	Market Value
2008 Transportation Project Government Bonds (AY2Q)	\$837,072						\$837,072
2013B Tax Exempt Education (AY3Z)	\$192,361						\$192,361
2016A - 2012 Transportation Bond Act (AY3Y)	\$697,899						\$697,899
2016B - 2012 Transportation Bond Act (AY3Q)	\$47,704,737						\$47,704,737
Alaska Higher Education Investment (AY3L)	\$4,905,112	\$164,326,458	\$121,501,710		\$102,126,478	\$19,178,901	\$412,038,659
Alaska Mental Health Trust Reserve (AY2L)	\$572,319	\$21,385,545	\$16,917,929		\$14,893,573		\$53,769,366
ASLC Investment Fund (AY3S)	\$1,706,916	\$27,048,912	\$70,946,641		\$16,691,048	\$3,360,383	\$119,753,900
Constitutional Budget Reserve Fund (AY19)	\$2,739,948,819						\$2,739,948,819
Education Endowment Fund (AY3G)	\$18,507	\$580,405	\$429,057		\$360,711	\$67,756	\$1,456,436
EVOS Habitat Investment (AY2H)	\$24,333,906			\$45,125,161			\$69,459,067
EVOS Research Investment (AY02)	\$11,384,466			\$21,109,965			\$32,494,431
GeFONSI I (AY01)	\$2,302,493,974			\$299,688,461			\$2,602,182,435
GeFONSI II (AY3F)	\$839,270,347	\$57,380,478		\$458,463,208	\$27,815,767		\$1,382,929,799
Illinois Creek Mine Reclamation (AY9J)	\$19,842	\$620,229	\$458,581		\$385,423	\$72,381	\$1,556,456
International Airports Repair & Replacement Fund (AY05)	\$528,526						\$528,526
International Airports Revenue Fund (AY04)	\$191,521,275			\$32,793,389			\$224,314,664
International Airports Series 2002 Reserve Account (AY2E)	\$16,275,238						\$16,275,238
International Airports Series 2003 Reserve (AY2U)	\$11,570,929						\$11,570,929
Investment Loss Trust Fund (AY28)	\$3,646,986						\$3,646,986
Permanent Fund Dividend Holding Account (AY2G)	\$43,487,633						\$43,487,633
Public School Trust Fund (AY08)	\$11,397,027	\$331,957,184	\$245,446,494		\$206,271,794	\$38,743,335	\$833,815,835
RHIF LTC Insurance (AY11)	\$16,120,976	\$219,091,750	\$438,033,755		\$152,937,593	\$31,912,173	\$858,096,247
RHIF Major Medical (AY03)	\$21,110,251						\$21,110,251

*Plans with a market value under \$100,000 are excluded from this report. Information on these plans is available upon request.

DOR Commissioner's Report: Market Values for Month Ending 6/30/2024

Actual Allocation

Plan Name	Cash Equivalents	Domestic Equity	Fixed Income	Interm. Fixed Income	Int'l Equity	REITs
2008 Transportation Project Government Bonds (AY2Q)	100.00%					
2013B Tax Exempt Education (AY3Z)	100.00%					
2016A - 2012 Transportation Bond Act (AY3Y)	100.00%					
2016B - 2012 Transportation Bond Act (AY3Q)	100.00%					
Alaska Higher Education Investment (AY3L)	1.19%	39.88%	29.49%		24.79%	4.65%
Alaska Mental Health Trust Reserve (AY2L)	1.06%	39.77%	31.46%		27.70%	
ASLC Investment Fund (AY3S)	1.43%	22.59%	59.24%		13.94%	2.81%
Constitutional Budget Reserve Fund (AY19)	100.00%					
Education Endowment Fund (AY3G)	1.27%	39.85%	29.46%		24.77%	4.65%
EVOS Habitat Investment (AY2H)	35.03%			64.97%		
EVOS Research Investment (AY02)	35.04%			64.96%		
GeFONSI I (AY01)	88.48%			11.52%		
GeFONSI II (AY3F)	60.69%	4.15%		33.15%	2.01%	
Illinois Creek Mine Reclamation (AY9J)	1.27%	39.85%	29.46%		24.76%	4.65%
International Airports Repair & Replacement Fund (AY05)	100.00%					
International Airports Revenue Fund (AY04)	85.38%			14.62%		
International Airports Series 2002 Reserve Account (AY2E)	100.00%					
International Airports Series 2003 Reserve (AY2U)	100.00%					
Investment Loss Trust Fund (AY28)	100.00%					
Permanent Fund Dividend Holding Account (AY2G)	100.00%					
Public School Trust Fund (AY08)	1.37%	39.81%	29.44%		24.74%	4.65%
RHIF LTC Insurance (AY11)	1.88%	25.53%	51.05%		17.82%	3.72%
RHIF Major Medical (AY03)	100.00%					

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DOR Commissioner's Report: Market Values for Month Ending 6/30/2024

Target Allocation

Plan Name	Cash Equivalents	Domestic Equity	Fixed Income	Interm. Fixed Income	Int'l Equity	REITs
2008 Transportation Project Government Bonds (AY2Q)	100.00%					
2013B Tax Exempt Education (AY3Z)	100.00%					
2016A - 2012 Transportation Bond Act (AY3Y)	100.00%					
2016B - 2012 Transportation Bond Act (AY3Q)	100.00%					
Alaska Higher Education Investment (AY3L)	1.00%	39.00%	30.00%		25.00%	5.00%
Alaska Mental Health Trust Reserve (AY2L)	1.00%	39.00%	32.00%		28.00%	
ASLC Investment Fund (AY3S)	1.00%	22.00%	60.00%		14.00%	3.00%
Constitutional Budget Reserve Fund (AY19)	100.00%					
Education Endowment Fund (AY3G)	1.00%	39.00%	30.00%		25.00%	5.00%
EVOS Habitat Investment (AY2H)	35.00%			65.00%		
EVOS Research Investment (AY02)	35.00%			65.00%		
GeFONSI I (AY01)	85.00%			15.00%		
GeFONSI II (AY3F)	61.00%	4.00%		33.00%	2.00%	
Illinois Creek Mine Reclamation (AY9J)	1.00%	39.00%	30.00%		25.00%	5.00%
International Airports Repair & Replacement Fund (AY05)	100.00%					
International Airports Revenue Fund (AY04)	85.00%			15.00%		
International Airports Series 2002 Reserve Account (AY2E)	100.00%					
International Airports Series 2003 Reserve (AY2U)	100.00%					
Investment Loss Trust Fund (AY28)	100.00%					
Permanent Fund Dividend Holding Account (AY2G)	100.00%					
Public School Trust Fund (AY08)	1.00%	39.00%	30.00%		25.00%	5.00%
RHIF LTC Insurance (AY11)	1.00%	25.00%	52.00%		18.00%	4.00%
RHIF Major Medical (AY03)	100.00%					

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DOR Commissioner's Report: Market Values for Month Ending 6/30/2024

Relative Allocation

Plan Name	Cash Equivalents	Domestic Equity	Fixed Income	Interm. Fixed Income	Int'l Equity	REITs
2008 Transportation Project Government Bonds (AY2Q)	0.00% ●					
2013B Tax Exempt Education (AY3Z)	0.00% ●					
2016A - 2012 Transportation Bond Act (AY3Y)	0.00% ●					
2016B - 2012 Transportation Bond Act (AY3Q)	0.00% ●					
Alaska Higher Education Investment (AY3L)	0.19% ●	0.88% ❌	-0.51% ◆		-0.21% ●	-0.35% ▲
Alaska Mental Health Trust Reserve (AY2L)	0.06% ●	0.77% ❌	-0.54% ◆		-0.30% ▲	
ASLC Investment Fund (AY3S)	0.43% ▲	0.59% ◆	-0.76% ❌		-0.06% ●	-0.19% ●
Constitutional Budget Reserve Fund (AY19)	0.00% ●					
Education Endowment Fund (AY3G)	0.27% ▲	0.85% ❌	-0.54% ◆		-0.23% ●	-0.35% ▲
EVOS Habitat Investment (AY2H)	0.03% ●			-0.03% ●		
EVOS Research Investment (AY02)	0.04% ●			-0.04% ●		
GeFONSI I (AY01)	3.48% ❌			-3.48% ❌		
GeFONSI II (AY3F)	-0.31% ▲	0.15% ●		0.15% ●	0.01% ●	
Illinois Creek Mine Reclamation (AY9J)	0.27% ▲	0.85% ❌	-0.54% ◆		-0.24% ●	-0.35% ▲
International Airports Repair & Replacement Fund (AY05)	0.00% ●					
International Airports Revenue Fund (AY04)	0.38% ▲			-0.38% ▲		
International Airports Series 2002 Reserve Account (AY2E)	0.00% ●					
International Airports Series 2003 Reserve (AY2U)	0.00% ●					
Investment Loss Trust Fund (AY28)	0.00% ●					
Permanent Fund Dividend Holding Account (AY2G)	0.00% ●					
Public School Trust Fund (AY08)	0.37% ▲	0.81% ❌	-0.56% ◆		-0.26% ▲	-0.35% ▲
RHIF LTC Insurance (AY11)	0.88% ❌	0.53% ◆	-0.95% ❌		-0.18% ●	-0.28% ▲
RHIF Major Medical (AY03)	0.00% ●					

*Plans with a market value under \$100,000 are excluded from this report. Information on these plans is available upon request.

DOR Commissioner's Report: Net Pool Performance for Month Ending 6/30/2024

Pool Performance (Net of Fee)	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year
Cash Equivalents	0.43%	1.38%	5.71%	5.71%	3.25%	2.33%	2.24%	1.74%
Fixed Income - Short Term	0.58%	1.02%	5.05%	5.05%				
Fixed Income - Core US	0.88%	0.19%	3.21%	3.21%	-2.49%	0.22%	1.21%	1.66%
Fixed Income - Core Plus	0.78%	0.02%	4.16%	4.16%				
Equity - Broad US*	3.09%	3.21%	23.21%	23.21%	8.17%	14.17%	13.49%	
Equity - REITS	2.20%	-0.88%	5.86%	5.86%				
Equity - Global ex-US*	-0.14%	1.06%	11.51%	11.51%	0.49%	5.52%	5.23%	
Benchmark Performance	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year
Cash Equivalents	0.41%	1.32%	5.40%	5.40%	3.03%	2.16%	2.07%	1.51%
Fixed Income - Short Term	0.58%	0.91%	4.53%	4.53%				
Fixed Income - Core US	0.95%	0.07%	2.63%	2.63%	-3.02%	-0.23%	0.86%	1.35%
Fixed Income - Core Plus	0.95%	0.07%	2.63%	2.63%				
Equity - Broad US*	3.10%	3.22%	23.13%	23.13%	8.05%	14.14%	13.48%	
Equity - REITS	2.21%	-0.90%	5.78%	5.78%				
Equity - Global ex-US*	-0.10%	0.96%	11.62%	11.62%	0.46%	5.55%	5.17%	
Relative Performance (Net of Fee)	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year
Cash Equivalents	0.03% ●	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.18% ●	0.18% ●	0.23% ●
Fixed Income - Short Term	0.00% ▲	0.10% ●	0.52% ●	0.52% ●				
Fixed Income - Core US	-0.07% ◆	0.13% ●	0.58% ●	0.58% ●	0.53% ●	0.45% ●	0.34% ●	0.31% ●
Fixed Income - Core Plus	-0.17% ◆	-0.05% ▲	1.52% ●	1.52% ●				
Equity - Broad US*	-0.01% ▲	0.00% ▲	0.09% ●	0.09% ●	0.11% ●	0.02% ●	0.00% ●	
Equity - REITS	-0.01% ▲	0.01% ●	0.08% ●	0.08% ●				
Equity - Global ex-US*	-0.04% ▲	0.10% ●	-0.12% ◆	-0.12% ◆	0.03% ●	-0.03% ▲	0.05% ●	

*Equity performance reflects data as of July 1, 2016 due to accounting structure change.

DOR Commissioner's Report: Net Plan Performance for Month Ending 6/30/2024

Plan Performance (Net of Fee)	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year
2008 Transportation Project Government Bonds (AY2Q)	0.43%	1.38%	5.71%	5.71%	3.25%	2.34%	2.24%	1.74%
2013B Tax Exempt Education (AY3Z)	0.43%	1.38%	5.71%	5.71%	3.25%	2.34%	2.24%	1.74%
2016A - 2012 Transportation Bond Act (AY3Y)	0.43%	1.38%	5.71%	5.71%	3.25%	2.32%	2.23%	1.73%
2016B - 2012 Transportation Bond Act (AY3Q)	0.43%	1.38%	5.71%	5.71%	3.25%	2.34%	2.24%	
Alaska Higher Education Investment (AY3L)	1.54%	1.55%	13.21%	13.21%	2.64%	7.57%	7.54%	6.86%
Alaska Mental Health Trust Reserve (AY2L)	1.45%	1.62%	13.27%	13.27%	3.12%	7.11%	7.18%	6.59%
ASLC Investment Fund (AY3S)	1.24%	0.95%	8.92%	8.92%				
Constitutional Budget Reserve Fund (AY19)	0.43%	1.38%	5.71%	5.71%	3.25%	2.61%	2.69%	2.32%
Education Endowment Fund (AY3G)	1.54%	1.54%	13.20%	13.20%	2.64%			
EVOS Habitat Investment (AY2H)	0.53%	1.14%	5.28%	5.28%	-0.08%	4.69%	5.53%	5.68%
EVOS Research Investment (AY02)	0.53%	1.14%	5.28%	5.28%	-0.10%	4.91%	5.68%	5.78%
GeFONSI I (AY01)	0.46%	1.33%	5.60%	5.60%	2.52%	1.95%	1.98%	1.57%
GeFONSI II (AY3F)	0.58%	1.33%	6.30%	6.30%	2.01%	2.37%		
Illinois Creek Mine Reclamation (AY9J)	1.54%	1.54%	13.19%	13.19%	2.64%	7.55%	7.52%	6.57%
International Airports Repair & Replacement Fund (AY05)	0.43%	1.38%	5.71%	5.71%	3.25%	2.34%	2.24%	1.74%
International Airports Revenue Fund (AY04)	0.46%	1.33%	5.60%	5.60%	2.50%	2.18%	2.40%	2.13%
International Airports Series 2002 Reserve Account (AY2E)	0.43%	1.38%	5.71%	5.71%	3.25%	2.34%	2.24%	1.74%
International Airports Series 2003 Reserve (AY2U)	0.43%	1.38%	5.71%	5.71%	3.25%	2.34%	2.24%	1.74%
Investment Loss Trust Fund (AY28)	0.43%	1.38%	5.71%	5.71%	3.25%	2.34%	2.24%	1.74%
Permanent Fund Dividend Holding Account (AY2G)	0.43%	1.38%	5.69%	5.69%	3.22%	2.31%	2.34%	1.79%
Public School Trust Fund (AY08)	1.54%	1.54%	13.19%	13.19%	2.64%	7.57%	7.35%	6.62%
RHIF LTC Insurance (AY11)	1.28%	1.06%	9.83%	9.83%	1.42%	5.54%	5.68%	5.29%
RHIF Major Medical (AY03)	0.43%	1.38%	5.71%	5.71%	3.25%	2.34%	2.24%	1.74%

*Plans with a market value under \$100,000 are excluded from this report. Information on these plans is available upon request.

DOR Commissioner's Report: Net Plan Performance for Month Ending 6/30/2024

Benchmark Performance	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year
2008 Transportation Project Government Bonds (AY2Q)	0.41%	1.32%	5.40%	5.40%	3.03%	2.16%	2.07%	1.51%
2013B Tax Exempt Education (AY3Z)	0.41%	1.32%	5.40%	5.40%	3.03%	2.16%	2.07%	1.51%
2016A - 2012 Transportation Bond Act (AY3Y)	0.41%	1.32%	5.40%	5.40%	3.03%	2.16%	2.07%	1.51%
2016B - 2012 Transportation Bond Act (AY3Q)	0.41%	1.32%	5.40%	5.40%	3.03%	2.16%	2.07%	
Alaska Higher Education Investment (AY3L)	1.58%	1.48%	12.90%	12.90%	2.41%	7.44%	7.44%	6.73%
Alaska Mental Health Trust Reserve (AY2L)	1.49%	1.56%	12.98%	12.98%	2.82%	6.81%	6.94%	6.28%
ASLC Investment Fund (AY3S)	1.31%	0.87%	8.37%	8.37%				
Constitutional Budget Reserve Fund (AY19)	0.41%	1.32%	5.40%	5.40%	3.03%	2.41%	2.52%	2.11%
Education Endowment Fund (AY3G)	1.58%	1.48%	12.90%	12.90%	2.41%			
EVOS Habitat Investment (AY2H)	0.52%	1.05%	4.83%	4.83%	-0.60%	4.34%	5.30%	5.33%
EVOS Research Investment (AY02)	0.52%	1.05%	4.83%	4.83%	-0.52%	4.60%	5.49%	5.47%
GeFONSI I (AY01)	0.43%	1.26%	5.27%	5.27%	2.28%	1.76%	1.80%	1.37%
GeFONSI II (AY3F)	0.56%	1.25%	5.94%	5.94%	1.84%	2.23%		
Illinois Creek Mine Reclamation (AY9J)	1.58%	1.48%	12.90%	12.90%	2.41%	7.44%	7.44%	6.48%
International Airports Repair & Replacement Fund (AY05)	0.41%	1.32%	5.40%	5.40%	3.03%	2.16%	2.07%	1.51%
International Airports Revenue Fund (AY04)	0.43%	1.26%	5.27%	5.27%	2.27%	2.00%	2.23%	1.91%
International Airports Series 2002 Reserve Account (AY2E)	0.41%	1.32%	5.40%	5.40%	3.03%	2.16%	2.07%	1.51%
International Airports Series 2003 Reserve (AY2U)	0.41%	1.32%	5.40%	5.40%	3.03%	2.16%	2.07%	1.51%
Investment Loss Trust Fund (AY28)	0.41%	1.32%	5.40%	5.40%	3.03%	2.16%	2.07%	1.51%
Permanent Fund Dividend Holding Account (AY2G)	0.41%	1.32%	5.40%	5.40%	3.03%	2.16%	2.07%	1.51%
Public School Trust Fund (AY08)	1.58%	1.48%	12.90%	12.90%	2.41%	7.44%	7.28%	6.51%
RHIF LTC Insurance (AY11)	1.34%	0.99%	9.37%	9.37%	1.17%	5.34%	5.56%	5.09%
RHIF Major Medical (AY03)	0.41%	1.32%	5.40%	5.40%	3.03%	2.16%	2.07%	1.51%

DOR Commissioner's Report: Net Plan Performance for Month Ending 6/30/2024

Relative Performance (Net of Fee)	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year
2008 Transportation Project Government Bonds (AY2Q)	0.03% ●	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.18% ●	0.18% ●	0.23% ●
2013B Tax Exempt Education (AY3Z)	0.03% ●	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.18% ●	0.18% ●	0.23% ●
2016A - 2012 Transportation Bond Act (AY3Y)	0.03% ●	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.17% ●	0.17% ●	0.22% ●
2016B - 2012 Transportation Bond Act (AY3Q)	0.03% ●	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.18% ●	0.18% ●	
Alaska Higher Education Investment (AY3L)	-0.04% ▲	0.06% ●	0.31% ●	0.31% ●	0.22% ●	0.13% ●	0.09% ●	0.13% ●
Alaska Mental Health Trust Reserve (AY2L)	-0.04% ▲	0.06% ●	0.29% ●	0.29% ●	0.29% ●	0.31% ●	0.24% ●	0.31% ●
ASLC Investment Fund (AY3S)	-0.06% ◆	0.08% ●	0.55% ●	0.55% ●				
Constitutional Budget Reserve Fund (AY19)	0.03% ●	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.20% ●	0.17% ●	0.21% ●
Education Endowment Fund (AY3G)	-0.04% ▲	0.06% ●	0.30% ●	0.30% ●	0.23% ●			
EVOS Habitat Investment (AY2H)	0.01% ●	0.09% ●	0.45% ●	0.45% ●	0.52% ●	0.35% ●	0.23% ●	0.35% ●
EVOS Research Investment (AY02)	0.01% ●	0.09% ●	0.45% ●	0.45% ●	0.43% ●	0.31% ●	0.19% ●	0.31% ●
GeFONSI I (AY01)	0.02% ●	0.06% ●	0.32% ●	0.32% ●	0.24% ●	0.19% ●	0.18% ●	0.20% ●
GeFONSI II (AY3F)	0.02% ●	0.07% ●	0.36% ●	0.36% ●	0.17% ●	0.15% ●		
Illinois Creek Mine Reclamation (AY9J)	-0.04% ▲	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.11% ●	0.07% ●	0.09% ●
International Airports Repair & Replacement Fund (AY05)	0.03% ●	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.18% ●	0.18% ●	0.23% ●
International Airports Revenue Fund (AY04)	0.02% ●	0.07% ●	0.33% ●	0.33% ●	0.22% ●	0.18% ●	0.17% ●	0.22% ●
International Airports Series 2002 Reserve Account (AY2E)	0.03% ●	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.18% ●	0.18% ●	0.23% ●
International Airports Series 2003 Reserve (AY2U)	0.03% ●	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.18% ●	0.18% ●	0.23% ●
Investment Loss Trust Fund (AY28)	0.03% ●	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.18% ●	0.18% ●	0.23% ●
Permanent Fund Dividend Holding Account (AY2G)	0.03% ●	0.06% ●	0.29% ●	0.29% ●	0.19% ●	0.16% ●	0.27% ●	0.28% ●
Public School Trust Fund (AY08)	-0.04% ▲	0.06% ●	0.29% ●	0.29% ●	0.22% ●	0.13% ●	0.07% ●	0.12% ●
RHIF LTC Insurance (AY11)	-0.06% ◆	0.07% ●	0.46% ●	0.46% ●	0.25% ●	0.20% ●	0.13% ●	0.20% ●
RHIF Major Medical (AY03)	0.03% ●	0.06% ●	0.30% ●	0.30% ●	0.22% ●	0.18% ●	0.18% ●	0.23% ●

*Plans with a market value under \$100,000 are excluded from this report. Information on these plans is available upon request.

DOR Commissioner's Report: External Management Fees as of Month Ending 6/30/2024

Plan Fees for the Last Year

Plan	Fee as a %
2008 Transportation Project Government Bonds (AY2Q)	0.0000%
2013B Tax Exempt Education (AY3Z)	0.0000%
2016A - 2012 Transportation Bond Act (AY3Y)	0.0000%
2016B - 2012 Transportation Bond Act (AY3Q)	0.0000%
Alaska Higher Education Investment (AY3L)	0.0193%
Alaska Mental Health Trust Reserve (AY2L)	0.0204%
ASLC Investment Fund (AY3S)	0.0291%
Constitutional Budget Reserve Fund (AY19)	0.0000%
Education Endowment Fund (AY3G)	0.0195%
EVOS Habitat Investment (AY2H)	0.0000%
EVOS Research Investment (AY02)	0.0000%
GeFONSI I (AY01)	0.0000%
GeFONSI II (AY3F)	0.0006%
Illinois Creek Mine Reclamation (AY9J)	0.0193%
International Airports Repair & Replacement Fund (AY05)	0.0000%
International Airports Revenue Fund (AY04)	0.0000%
International Airports Series 2002 Reserve Account (AY2E)	0.0000%
International Airports Series 2003 Reserve (AY2U)	0.0000%
Investment Loss Trust Fund (AY28)	0.0000%
Permanent Fund Dividend Holding Account (AY2G)	0.0000%
Public School Trust Fund (AY08)	0.0193%
RHIF LTC Insurance (AY11)	0.0265%
RHIF Major Medical (AY03)	0.0000%

**Plans with a market value under \$100,000 are excluded from this report. Information on these plans is available upon request.*

Commissioner's Report: Top GeFONSI Accounts for Month Ending: 6/30/2024

Program	Account Name	End Balance
GeFONSI I	General Fund	\$1,844,996,590.33
	Alaska Clean Water Fund	\$169,269,543.10
	Alaska Drinking Water Fund	\$97,323,140.42
	Public Advocacy Trust	\$53,405,402.14
	Fish & Game Fund	\$50,877,980.79
GeFONSI II	Statutory Budget Reserve Fund	\$239,270,292.75
	National Petroleum Reserve Fund	\$115,974,681.28
	Regional Ed Attendance Area School Fund	\$105,186,110.88
	General Fund Investment Fund	\$95,598,786.34
	Highway Equipment Working Capital Fund For Operating Appropriations	\$90,317,413.69
Sum of 5 Largest GeFONSI I and II Funds		\$2,862,219,941.72

Non-Routine Investments

Non-Routine Investments

- The Department of Revenue is presented periodically with non-routine investment opportunities that fall outside the scope of its existing investment opportunity set.
- The state does not currently have any non-routine investments, and none are presently contemplated by investment staff.

- Non-routine investment process summary:
 - Document the investment opportunity and determine if it merits further diligence and/or if it is more suitable for other funding sources.
 - Seek legal advice on DOR eligibility.
 - Seek guidance from external auditors.
 - Use an impartial external expert to evaluate the opportunity and to provide an opinion on the investment.
 - Seek advice from the Investment Advisory Council.
 - Notify the Office of Management and Budget.
 - Complete diligence and investment documentation.
 - Inform the Chairs of the Senate and House Finance Committees of any decision to move forward with an investment.

Summary of Adopted FY2025 Asset Allocations

Summary of FY2025 State Asset Allocations

- The Commissioner of Revenue is the fiduciary for over \$9 billion in state assets across 100+ accounts pooled into over 25 funds with similar assets or mandates.
- Setting investment policies and asset allocations are key fiduciary duties for these funds.
- Treasury staff reviewed and made recommendations on the investment policy and asset allocation of each fund and discussed them in a transparent process with an independent investment advisory committee.
- Each investment program is designed to balance fund investment objectives, risk tolerance, and other attributes including capacity for loss or volatility over short, medium, and longer time horizons.
- The process used Callan’s capital market assumptions and Modern Portfolio Theory to arrive at asset allocations and set short-term return expectations using current yields for lower risk profile funds.
- Expected fiscal year earnings for State funds is \$500 million, with \$350 million coming from lower risk funds like the CBRF and GeFONSI.

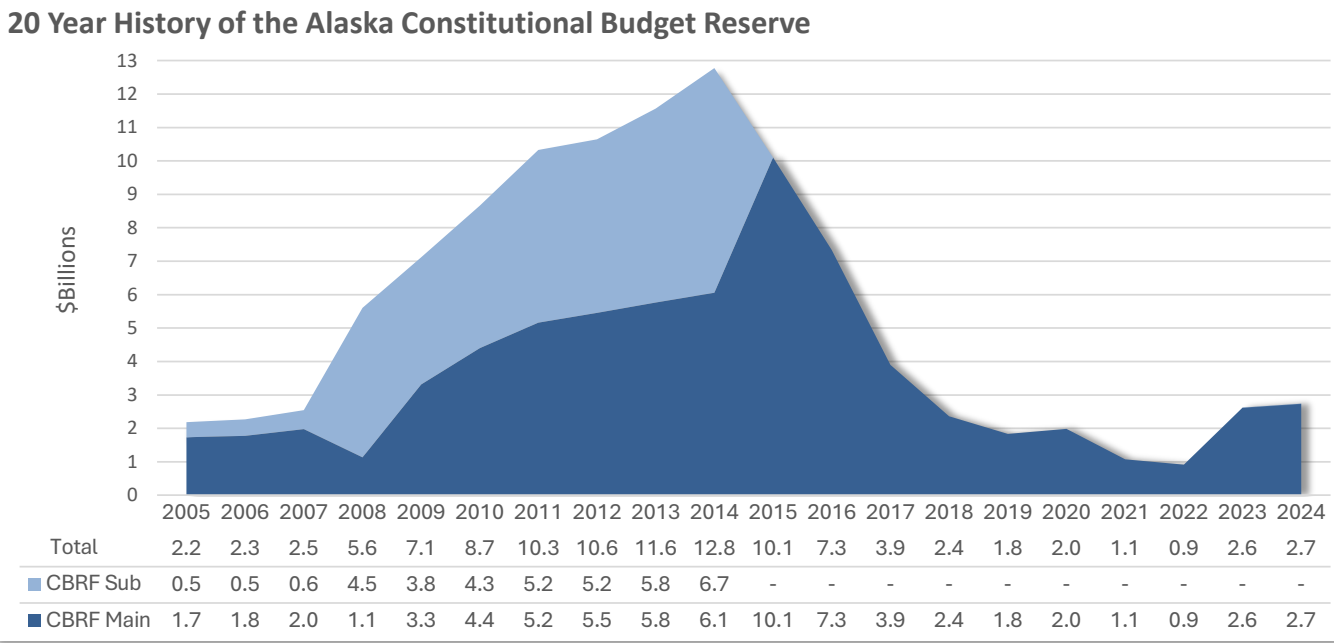
Asset Classes	Low	Low	Low	All SOA	Higher Risk	Highest Risk
	CBRF	Moderate GeFONSI I	High GeFONSI II		LTC	Public School
Broad U.S. Equity			4.0%	7.5%	17.0%	39.0%
Global ex-U.S. Equity			2.0%	5.0%	14.0%	25.0%
U.S. REITs				1.1%	5.0%	5.0%
Core U.S. Fixed Income				10.0%	63.0%	30.0%
Short Duration Gov't/Credit		15.0%	33.0%	9.6%		
Cash Equivalents	100%	85.0%	61.0%	66.8%	1.0%	1.0%
Total	100%	100%	100%	100%	100%	100%
Optimization Results:						
Expected Return - Short-Term	5.09%	5.08%	5.31%	5.54%		
Expected Return - Long-Term Compound	3.00%	3.18%	3.77%	4.22%	6.43%	7.25%
Expected Return - Real/After Inflation	0.50%	0.68%	1.27%	1.72%	3.93%	4.75%
Risk - Standard Deviation	0.90%	0.93%	1.52%	2.79%	7.17%	12.48%
Sharpe Ratio	(0.00)	0.20	0.51	0.44	0.48	0.34
Risk Statistics						
10% Probable Downside Return - 1 Year	3.5%	3.5%	1.1%	-0.7%	-6.2%	-14.6%
5% Probable Downside Return - 1 Year	3.2%	3.2%	0.6%	-1.5%	-8.4%	-18.5%
5% Probable Downside Return - 3 Year				0.9%	-2.1%	-7.6%
5% Probable Downside Return - 5 Year				1.6%	-0.2%	-4.3%
Probability of Loss - 1 Year	0.0%	0.0%	0.6%	6.5%	18.5%	28.1%
Prob. Return < -1%	0.0%	0.0%	0.1%	3.1%	15.0%	25.4%
Prob. Return < -5%	0.0%	0.0%	0.0%	0.0%	5.6%	16.3%
Prob. Return < -10%	0.0%	0.0%	0.0%	0.0%	1.1%	8.3%
Prob. Return < -20%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%
Probability of Loss - 10 Year				0.0%	0.2%	3.3%
Asset Time Horizon Estimate	0.3	0.5	1.2	1.9	5.9	5.9
Dollars: (\$Millions)						
Assets	2,857.6	2,822.1	1,382.9	9,169.6	858.1	1,248.9
Expected Annual Earnings	145.4	143.4	73.4	507.9	55.2	90.6
1-Year 10% Probable Return (10% cVaR)	100.3	97.4	15.3	(61.5)	(52.9)	(182.9)
1-Year 5% Probable Return (5% cVaR)	92.4	89.4	8.9	(140.2)	(71.8)	(230.8)
3-Year 5% Probable Return (5% cVaR)				82.6	(18.1)	(95.0)
5-Year 5% Probable Return (5% cVaR)				151.1	(1.6)	(53.2)

Constitutional Budget Reserve

Main Fund and Subaccount Review

Constitutional Budget Reserve Fund Background

- The Constitutional Budget Reserve Fund (CBRF) was established in the State Constitution in 1990.
- The State relies on the fund for fiscal support when revenue or cashflows are insufficient.
- The CBRF main fund:
 - The main fund has always been invested conservatively to protect principal and limit exposure to oil or capital market volatility.
 - The balance is subject to regular discussion in the legislature with a minimum of \$2 billion often referenced.
 - The main fund was last drawn down for fiscal support in 2020 during the pandemic but stabilized in 2023 and 2024.
- The CBRF subaccount:
 - The legislature established a subaccount of the CBRF with funding in 2000 to “be invested to yield higher returns” provided that “those funds will not be needed for at least five years.”
 - The subaccount historically had an asset allocation that was close to 60% equity, 40% fixed income.
 - The size of the subaccount increased by \$4.1 billion in 2008 after the legislature transferred in surplus revenue.
 - The legislature has been involved with all transfers into the subaccount and DOR does not have a formal process for evaluating main account and subaccount balances.
 - The subaccount was last used 10 years ago when it was determined that the subaccount would be consumed within 5 years and the balance was transferred back to the main account.
- CBRF investment is subject to a high level of legislative scrutiny.



Asset Allocation Process and Policy Risk

- Treasury staff reviews every investment policy at least annually and makes recommendations designed to balance investment objectives, risk tolerance, and attributes like time horizon, return objectives, cashflows, liquidity, yield, and capacity for loss or volatility over short, medium, and longer time horizons.
- Documenting the rationale for key investment decisions in a transparent fashion using the State Investment Review and an independent investment advisory committee is core to DOR's investment process.
 - This is good practice generally, but also a critical risk control that helps to insulate long-term investment decisions from shorter-term policy risk by providing policy makers with a record to evaluate.
- DOR uses many external inputs to form the basis for investment decisions including capital market assumptions and market information. The department also uses relevant published state information that is shared as a part of the SIR process.

Relevant links to SOA budgetary/cashflow documentation provided in May:

State of Alaska (SOA) Office of Management and Budget (OMB)

<https://omb.alaska.gov/>

OMB Amended Budget:

<https://omb.alaska.gov/fiscal-year-2025-amended-budget/>

CBRF balances: OMB 10-Year Forecast

https://omb.alaska.gov/ombfiles/25_budget/PDFs/FY2025_10-Year_Plan_12-14-23.pdf

CBRF balance: OMB Updated FY25 Fiscal Summary

https://omb.alaska.gov/ombfiles/25_budget/PDFs/FY2025_Fiscal_Summary_4.9.24.pdf

Revenue forecasts Fall/Spring

<http://www.tax.alaska.gov/programs/sourcebook/index.aspx>

GeFONSI:

<https://treasury.dor.alaska.gov/home/investments/gefonsi>

<https://treasury.dor.alaska.gov/home/investments/gefonsi/gefonsi-cbrf-and-sbrf-charts>

<https://treasury.dor.alaska.gov/home/cash-management/cash-management-reports>

https://treasury.dor.alaska.gov/docs/treasurydivisionlibraries/cash-management/reports/fy24a.pdf?sfvrsn=a97cd63c_117

https://treasury.dor.alaska.gov/docs/treasurydivisionlibraries/investments/gefonsi/2021-8-31-gefonsi-mou-attachment-c-2021-2026.pdf?sfvrsn=44574f35_3

APFC Trustee Paper – Earning Reserve Account (ERA) Sufficiency

https://apfc2017.wpenginpowered.com/download/33/trustees-papers/4839/2024_apfc_trustees-paper-10.pdf

Review of May 2024 CBRF Time Horizon Evaluation

- The forecast that DOR has always used to evaluate the investment timeframe for reserve funds like the CBRF is the ten-year forecast that the State Office of Management and Budget (OMB) publishes each year. This forecast has many assumptions that are subject to active debate, and it is the primary long-term forecast that is public and transparent.
- A five-year portion of this forecast was reviewed at the May SIR meeting with the following observations:
 - 1) Oil revenue is 33% of total revenue and can vary materially intra-year based on prevailing oil prices and volumes.
 - 2) The POMV draw from the APFC is 58% of revenue and can vary over time since it is exposed to earnings reserve limitations and smoothed market risk.
 - 3) The deposit to fund the annual permanent fund dividend to residents gets high legislative focus –full statutory dividends are assumed in the forecast, but not usually adopted.
 - 4) The overall size of government is also an active legislative debate.
 - 5) The ending CBRF balance is the result of all of these decisions. As shown, the CBRF was projected to be consumed in 2-3 years with full dividends.
- The budget for FY2025 has now been adopted with meaningful differences from this OMB forecast. The operating budget was higher, and the dividend was lower, which should produce a CBRF balance similar to the current level. This is the result of active debate and compromise in the legislative process.
- These FY2025 budget differences will flow into new OMB forecasts this Fall, which can be used to evaluate any expected long-term CBRF surpluses.

Portions of the OMB forecast discussed at the May 2024 SIR:

Sources of Funds	FY2024	FY2025	FY2026	FY2027	FY2028
Traditional UGF Revenue	2,959.4	2,651.2	2,542.3	2,585.8	2,659.3
Petroleum Revenue	2,414.4	1) 2,078.2	1,935.7	1,950.1	2,003.4
Non-Petroleum Revenue	454.5	485.2	518.8	547.9	568.1
Investment Revenue	3,616.6	3,745.0	3,847.8	3,979.8	3,964.8
Non-POMV Investment Revenue	90.5	87.8	87.8	87.8	87.8
Percentage of Market Value	3,526.1	2) 3,657.2	3,760.0	3,892.0	3,877.0
Revenue Adjustments	41.5	0.0	0.0	0.0	0.0
Carryforward	41.5	0.0	0.0	0.0	0.0
Total Revenue	6,527.0	6,308.4	6,302.3	6,477.8	6,536.3
PFD Deposit	(881.5)	3) (2,303.7)	(2,499.7)	(2,199.7)	(2,272.5)
Available Revenue	5,645.5	4,004.7	3,802.6	4,278.1	4,263.8

Uses of Funds	FY2024	FY2025	FY2026	FY2027	FY2028
Permanent Fund Dividend Transfer	881.5	2,303.7	2,499.7	2,199.7	2,272.5
Per capita PFD (dollars)	\$1,312	\$3,429	\$3,720	\$3,274	\$3,382
Operating Budget	4,831.5	4,686.8	4,755.2	4,831.5	4,912.9
Capital Budget	364.8	305.2	309.8	314.4	319.1
Total General Fund Appropriations	5,196.3	4) 4,992.0	5,065.0	5,145.9	5,232.0

Reserve Balances	FY2024	FY2025	FY2026	FY2027	FY2028
Statutory Budget Reserve					
SBR Beginning Balance	20.9	20.9	0.0	0.0	0.0
Surplus/(Draws)	0.0	(20.9)	0.0	0.0	0.0
SBR End Balance	20.9	0.0	0.0	0.0	0.0
Constitutional Budget Reserve					
CBR Beginning Balance	2,734.3	2,829.1	1,939.5	715.9	(137.6)
Earnings & Deposits	94.8	76.7	38.8	14.3	(2.8)
Surplus/(Draws)	0.0	(966.3)	(1,262.4)	(867.8)	(968.2)
CBR End Balance	2,829.1	5) 1,939.5	715.9	(137.6)	(1,108.5)

Review of Adopted CBRF FY2025 Asset Allocation

AY19: CBRF Investment Policy

The investment policies for the Constitutional Budget Reserve Fund (CBRF) have changed over the years as the balance and the expected uses of the CBRF have changed. Declining production of Alaska North Slope crude oil and the inconsistency of future prices are still a concern. The CBRF is the state's "savings account" and as such is responsible for covering fluctuations in the general fund.

Financial planning by the administration and the legislature is highly dependent upon the CBRF balance maintaining stability and high liquidity. Given the short-term expected requirement for these funds, a cash equivalent investment program is warranted.

Investment Topic	FY 2025	FY 2024
Investment Objective	Very low exposure to principal loss. Little inflation protection needed. High liquidity requirement.	No Change
Risk Tolerance	Low	No Change
Policy Risk/Loss Range	<1%	No Change
Time Horizon	Short	No Change
Asset Allocation	Broad U.S. Equity International Equity Short Duration Govt/Credit Core U.S. Fixed Income Cash Equivalents 100%	100%
Expected Return - Short-Term	5.09%	5.01%
Expected Real Return - Short-Term	2.59%	2.51%
Risk - Standard Deviation	0.90%	0.90%
Probability of Loss - 1 Year	0.0%	0.0%
5% Probable Downside Return (5% cVaR)	3.2%	3.2%

The proposed policy is effective July 1, 2024:



Approved

6/21/2024

Date

CBRF History	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expected ST Return	5.01%	2.39%	0.05%	0.17%	2.32%	2.89%	2.89%	2.89%	2.89%	2.38%
Expected Volatility	0.90%	0.90%	0.05%	0.90%	1.23%	1.64%	1.62%	1.59%	1.58%	1.58%
10% cVaR	3.40%	0.80%	-0.04%	-1.41%	0.16%	0.01%	0.05%	0.10%	0.12%	-0.40%
Assets (billions)	2.6	2.6	0.9	1.1	2.0	1.8	2.4	3.9	7.3	10.1

State of Alaska Asset Allocation

Asset Classes	FY24	FY25*	GF I	2/3 ST	GF II	60/40
Broad U.S. Equity					4%	60%
Global ex-U.S. Equity					2%	
US REITS						
Short Duration Gov't/Credit			15%	33%	33%	
Core U.S. Fixed Income						40%
Cash Equivalents	100%	100%	85%	67%	61%	
Total	100%	100%	100%	100%	100%	100%
Optimization Results:						
Expected Return - Short-Term	5.01%	5.09%	5.08%	5.07%	5.31%	6.82%
Expected Return - Real/After Inflation	2.51%	2.59%	2.58%	2.57%	2.81%	4.32%
Risk - Standard Deviation	0.90%	0.90%	0.93%	1.12%	1.52%	10.72%
Sharpe Ratio	(0.00)	(0.00)	(0.01)	(0.02)	0.14	0.16

Risk Statistics:

10% Probable Downside Return - 1 Year	3.4%	3.5%	3.5%	3.1%	2.6%	-12.0%
5% Probable Downside Return - 1 Year	3.2%	3.2%	3.2%	2.8%	2.2%	-15.3%
Probability of Loss - 1 Year	0.0%	0.0%	0.0%	0.0%	0.0%	26.1%
Prob. Return < -1%	0.0%	0.0%	0.0%	0.0%	0.0%	23.2%
Prob. Return < -2%	0.0%	0.0%	0.0%	0.0%	0.0%	20.4%
Prob. Return < -3%	0.0%	0.0%	0.0%	0.0%	0.0%	17.9%
Prob. Return < -4%	0.0%	0.0%	0.0%	0.0%	0.0%	15.6%
Prob. Return < -5%	0.0%	0.0%	0.0%	0.0%	0.0%	13.4%
Prob. Return < -10%	0.0%	0.0%	0.0%	0.0%	0.0%	5.8%
Prob. Return < -20%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%
Probability of Loss - 10 Year	0.0%	0.0%	0.0%	0.0%	0.0%	2.2%
Asset Time Horizon Estimate	0.3	0.3	0.5	0.8	1.2	6.0

Dollars: (\$Millions)

Assets	2,619.9	2,785.6	2,785.6	2,785.6	2,785.6	2,785.6
Expected Annual Earnings	131.2	141.7	141.5	141.2	147.8	189.9
1-Year 10% Probable Return (10% cVaR)	89.8	97.7	96.2	86.7	73.7	(333.0)
1-Year 5% Probable Return (5% cVaR)	82.5	90.0	88.2	77.1	60.7	(424.8)
3-Year 5% Probable Return (5% cVaR)	103.1	111.9	110.7	104.2	97.5	(164.6)
5-Year 5% Probable Return (5% cVaR)	109.4	118.6	117.7	112.6	108.9	(84.4)

CBRF – State Constitution and Statutes

Alaska Constitution

Article IX, Section 17. Budget Reserve Fund.

(a) There is established as a separate fund in the State treasury the budget reserve fund. Except for money deposited into the permanent fund under Section 15 of this article, all money received by the State after July 1, 1990, as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation in a State or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the budget reserve fund. Money in the budget reserve fund shall be invested so as to yield competitive market rates to the fund. Income of the fund shall be retained in the fund. Section 7 of this article does not apply to deposits made to the fund under this subsection. Money may be appropriated from the fund only as authorized under (b) or (c) of this section.

(b) If the amount available for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year, an appropriation may be made from the budget reserve fund. However, the amount appropriated from the fund under this subsection may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year.

(c) An appropriation from the budget reserve fund may be made for any public purpose upon affirmative vote of three-fourths of the members of each house of the legislature.

(d) If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the general fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law.

Alaska Statutes

Section 37.10.430. Management of the Budget Reserve Fund.

(a) The Department of Revenue may transfer management responsibility over all or a portion of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Alaska Permanent Fund Corporation.

(b) By March 15 of each year, the Department of Revenue shall, after consulting with the Alaska Permanent Fund Corporation, prepare a report setting out the balance in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) on January 1 and on December 31 of the previous calendar year. The report shall state the nominal, real, and realized return on the budget reserve fund compared to the nominal, real, and realized return on the permanent fund and the general fund during the previous calendar year.

(c) A special subaccount is established in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska). Money in the subaccount shall be invested to yield higher returns that might be feasible to obtain with other money in the budget reserve fund. In establishing or modifying the investment policy for the subaccount in the constitutional budget reserve fund, the commissioner of revenue shall assume that those funds will not be needed for at least five years. Income earned on money in the subaccount shall be retained in the subaccount by the department.

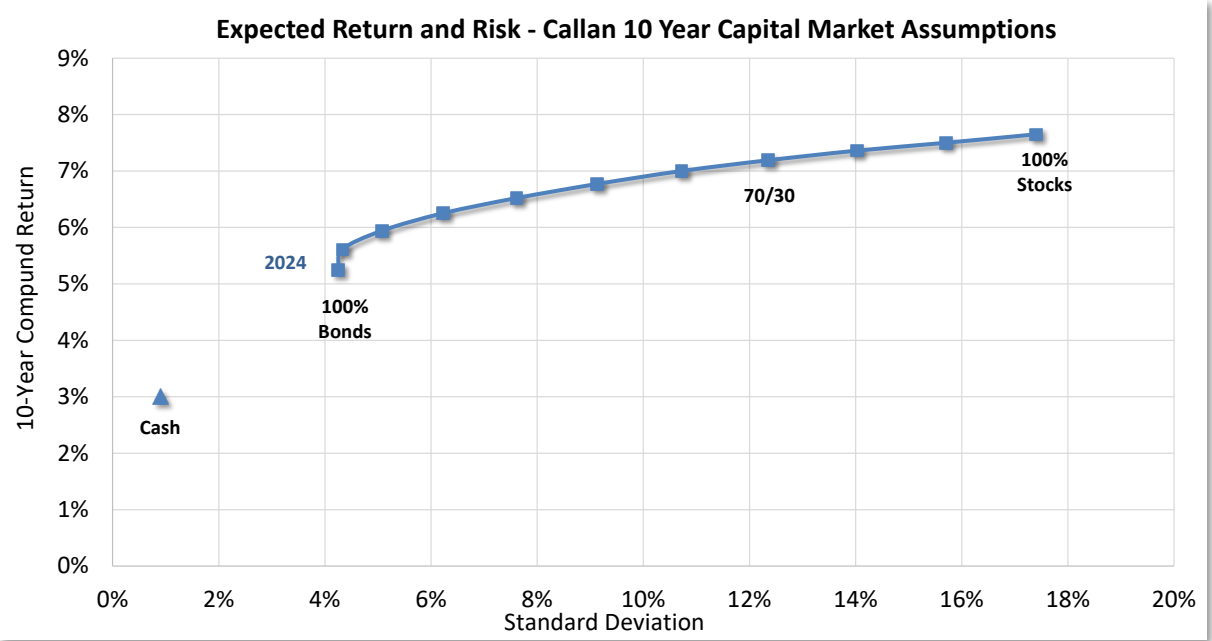
Questions?

Appendices:

- May 2024 Investment Policy and Asset Allocation Process**
- Adopted FY2025 Asset Allocations**

State Investment Policy and Asset Allocation Process

- The Commissioner of Revenue is the fiduciary for over \$8 billion in state assets across 100+ accounts pooled into over 25 funds with similar assets or mandates.
- Setting investment policies and asset allocations are key fiduciary duties for these funds.
- Treasury staff reviews and makes recommendations on the investment policy and asset allocation of each fund at least annually.
- Each investment program is designed to balance fund investment objectives, risk tolerance, and other attributes:
 - Time horizon
 - Nominal or real return objectives
 - Cashflows, liquidity, and income needs
 - Capacity for loss or volatility over short, medium, and longer time horizons
- Performance, investment policy, and asset allocations are discussed quarterly in a transparent process with an independent investment advisory committee.

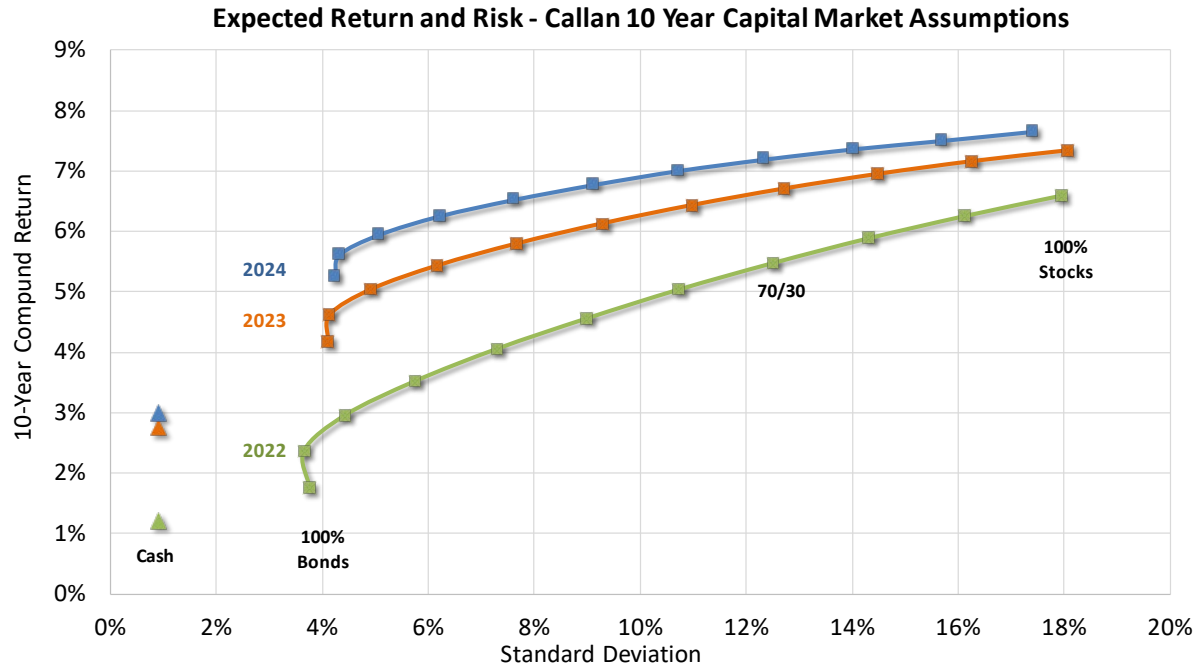


Fund - Account	Assets (6/30/2024)	Risk Tolerance
Short-Term Funds	\$117,677,000	Lowest ↓ Highest
CBRF	\$2,739,949,000	
GeFONSI	\$2,602,182,000	
International Airport	\$219,896,000	
GeFONSI II	\$1,382,930,000	
Retiree Long-Term Care	\$858,096,000	
Public School Trust	\$833,816,000	
AK Higher Education	\$412,039,000	
Illinois Creek Mine	\$1,556,000	
Education Endowment	\$1,456,000	
Total	\$9,169,597,000	

Risk Tolerance Assessment

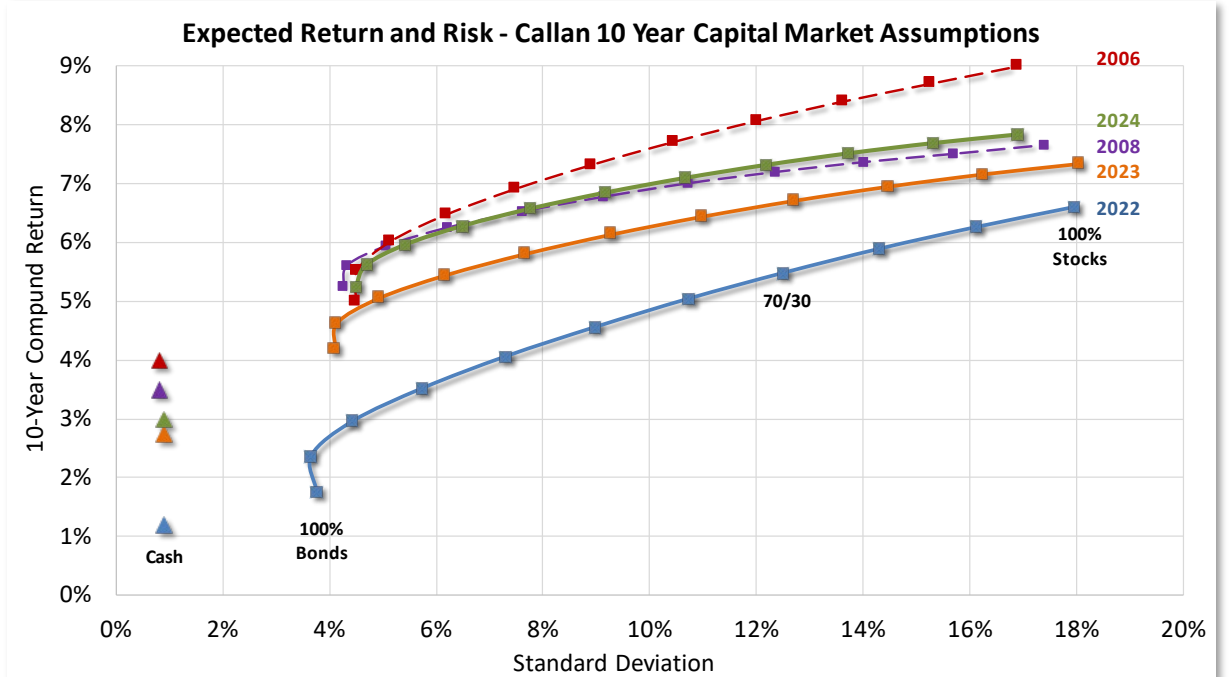
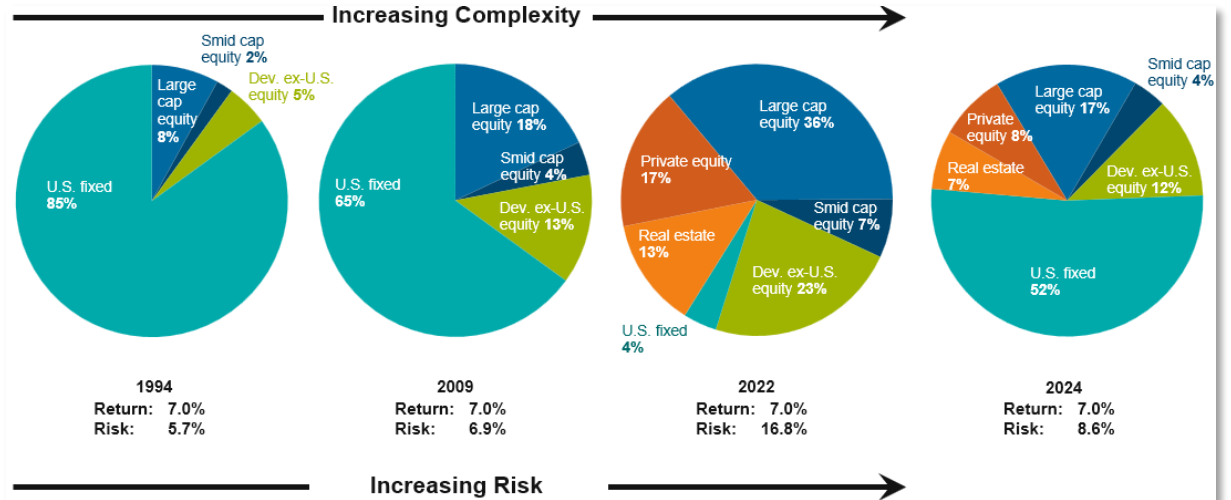
General Risk Tolerance Assessment	Time Horizon	Probability of Loss (1yr)	Magnitude of Potential Loss	Discussion
Low	Short - Less than 1 year	< 1%	< 0.4%	Unwilling to risk material short-term volatility because of the immediate need for the invested funds. Minimizing exposure of principal to loss is very important.
Low-Moderate	Short to Intermediate - 1 to 2 years	< 5%	< 1.5%	Willing to assume an average amount of market risk and volatility to achieve higher returns.
Low-High	Intermediate - 2 to 6 years	< 10%	< 5%	Willing to assume an above average amount of risk, volatility and loss of principal to achieve higher returns.
High - 5% Return Target	Long - Greater than 6 years	> 10%	< 20%	Willing to tolerate an amount of risk, volatility and loss of principal to achieve stated return target over long time periods.
High - Endowment	Long - Greater than 6 years	> 10%	< 20%	Willing to assume a material amount of risk, volatility and loss of principal to take advantage of higher return opportunities.

Fund - Account	Assets (6/30/2024)	Risk Tolerance
Short-Term Funds	\$117,677,000	Lowest ↓ Highest
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Illinois Creek Mine	\$1,556,000	
Education Endowment	\$1,456,000	
Total	\$9,169,597,000	



Asset Allocation

- Callan is an investment consultant that annually develops 10-year capital market assumptions for clients including the Alaska Retirement Management Board and the Alaska Permanent Fund Corporation. DOR uses these assumptions for independence and consistency.
- Return expectations have generally fallen over the past 30 years as interest rates, growth, and inflation expectations declined. Forward return expectations have now increased due to inflation, higher starting interest rates and the pullback in equity markets.
- Treasury staff evaluates Callan's capital market assumptions and current market conditions to develop an asset allocation approach for each state fund.
- The goal is to maximize return or minimize risk consistent with investment objectives and risk tolerance using a combination of modern portfolio theory and account specific constraints and characteristics.



2024 Capital Market Assumption Update

- In January, Callan released their 10-year capital market assumptions for 2024. Forward return expectations increased due to higher starting interest rates and the pullback in equity markets.
- Staff selects a subset of these asset classes for use in state funds based on risk, return, diversification, complexity, and cost.
- DOR is currently using Broad U.S. Equities, International Equities, Government 1-3 Fixed Income, Broad U.S. Fixed Income, U.S. REITs, and Cash Equivalents for state funds.
- For some portfolios, staff also invests up to 30% of the fixed income allocation in a tactical bond portfolio that opportunistically invests in high yield, TIPS, and other fixed income asset classes in a risk-managed fashion.
- Only liquid registered investments are used since State funds were not allowed to purchase unregistered investments, including alternative investments, prior to 2021 due to the SEC's definition of accredited investor – a definition that did not apply to the retirement funds and APFC. Even with the SEC change, illiquid investments are still problematic for State funds subject to annual legislative changes.

Asset Classes	2024 10-Year Geometric Return	2023 10-Year Geometric Return	Return Change	Real Return	Standard Deviation	Correlation to Domestic Equity
Broad U.S. Equity	7.65%	7.35%	0.30%	5.2%	17.4%	1.00
Large Cap U.S. Equity	7.50%	7.25%	0.25%	5.0%	17.0%	1.00
Small/Mid Cap U.S. Equity	7.70%	7.45%	0.25%	5.2%	22.0%	0.91
International Equity	7.65%	7.45%	0.20%	5.2%	21.4%	0.79
Developed ex-U.S. Equity	7.50%	7.25%	0.25%	5.0%	20.2%	0.73
Emerging Market Equity	7.70%	7.45%	0.25%	5.2%	25.6%	0.85
Cash Equivalents	3.00%	2.75%	0.25%	0.5%	0.9%	-0.03
Government 1-3 year Bonds	4.25%	3.80%	0.45%	1.8%	2.4%	0.04
Core U.S. Fixed Income	5.25%	4.25%	1.00%	2.8%	4.3%	0.08
TIPS	5.05%	4.00%	1.05%	2.6%	5.4%	-0.03
Emerging Market Sovereign Debt	6.35%	6.25%	0.10%	3.9%	10.7%	0.61
High Yield	6.80%	6.25%	0.55%	4.3%	11.8%	0.75
Core Real Estate	6.00%	5.75%	0.25%	3.5%	14.0%	0.34
REITs	7.15%	6.90%	0.25%	4.7%	25.6%	0.77
Private Equity	8.75%	8.50%	0.25%	6.3%	27.6%	0.80
Private Credit	7.40%	7.00%	0.40%	4.9%	15.7%	0.68
Hedge Funds	6.05%	5.55%	0.50%	3.6%	8.2%	0.59
Inflation	2.50%	2.50%	0.00%		1.6%	
70/30 Portfolio	7.11%	6.71%	0.40%	4.6%		

FY25

Asset Allocation Recommendation

Using March 31, 2024, Assets

State Asset Allocation Approach for FY2025

- Evaluate the current attributes of each fund to identify the best balance of risk and return.
- Use Callan’s capital market assumptions and Modern Portfolio Theory to arrive at asset allocations.
- Set short-term return expectations using current yields (YTW) for short-term and moderate risk profiles.
- Emphasize diversification in an uncertain market.

Proforma FY2025 table uses Callan’s long-term CMA’s for all risk profiles for comparability

Asset Classes	Low	Low Moderate	Low High	All SOA	Higher Risk	Highest Risk
Broad U.S. Equity			4.0%	8.0%	17.0%	39.0%
Global ex-U.S. Equity			2.0%	5.4%	14.0%	25.0%
U.S. REITs				1.2%	5.0%	5.0%
Core U.S. Fixed Income				10.6%	63.0%	30.0%
Short Duration Gov't/Credit		15.0%	33.0%	9.2%		
Cash Equivalents	100%	85.0%	61.0%	65.5%	1.0%	1.0%
Total	100%	100%	100%	100%	100%	100%
Optimization Results:						
Expected Return	3.00%	3.18%	3.77%	4.22%	6.43%	7.25%
Expected Return - Real/After Inflation	0.50%	0.68%	1.27%	1.72%	3.93%	4.75%
Risk - Standard Deviation	0.90%	0.93%	1.52%	2.79%	7.17%	12.48%
Sharpe Ratio	(0.00)	0.20	0.51	0.44	0.48	0.34
Risk Statistics:						
10% Probable Downside Return - 1 Year	1.4%	1.6%	1.1%	-0.7%	-6.2%	-14.6%
5% Probable Downside Return - 1 Year	1.1%	1.3%	0.6%	-1.5%	-8.4%	-18.5%
5% Probable Downside Return - 3 Year	1.9%	2.1%	2.0%	0.9%	-2.1%	-7.6%
5% Probable Downside Return - 5 Year	2.2%	2.3%	2.4%	1.6%	-0.2%	-4.3%
Probability of Loss - 1 Year	0.0%	0.0%	0.6%	6.5%	18.5%	28.1%
Prob. Return < -1%	0.0%	0.0%	0.1%	3.1%	15.0%	25.4%
Prob. Return < -5%	0.0%	0.0%	0.0%	0.0%	5.6%	16.3%
Prob. Return < -10%	0.0%	0.0%	0.0%	0.0%	1.1%	8.3%
Prob. Return < -20%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%
Probability of Loss - 10 Year	0.0%	0.0%	0.0%	0.0%	0.2%	3.3%
Asset Time Horizon Estimate	0.3	0.5	1.2	1.9	5.9	5.9
Dollars: (\$Millions)						
Assets	2,939.7	2,008.4	1,438.8	8,459.8	844.4	1,228.5
Expected Annual Earnings	88.1	63.9	54.2	356.9	54.3	89.1
1-Year 10% Probable Return (10% cVaR)	41.7	31.2	16.0	(56.8)	(52.0)	(179.9)
1-Year 5% Probable Return (5% cVaR)	33.5	25.5	9.3	(129.3)	(70.6)	(227.1)
3-Year 5% Probable Return (5% cVaR)	56.6	41.8	28.3	76.2	(17.8)	(93.4)
5-Year 5% Probable Return (5% cVaR)	63.7	46.8	34.1	139.4	(1.6)	(52.3)

State Budget, Cashflow, Reserve Primer

CBRF and State of Alaska Budget Summary

- Treasury staff works to collect data and evidence that support transparent investment decisions including some key state budgetary and cashflow data.
- The Constitutional Budget Reserve Fund (CBRF) is the State's primary reserve fund. The CBRF has increased and decreased over time as the legislature has either reserved surpluses or appropriated borrowings to cover spending deficits.
- The State Office of Management and Budget (OMB) publishes a ten-year forecast each year. A five-year portion of this forecast are included here with the Governor's proposed budget for FY25:
 - Oil revenue is 33% of total revenue and can vary materially intra-year based on prevailing oil prices and volumes.
 - The POMV draw from the APFC is 58% of revenue and can vary over time since it is exposed to both five-year average assets and earnings reserve limitations. The ERA is the only APFC account from which appropriations can be made and its balance could limit future State drawdowns.
 - The deposit to fund the annual permanent fund dividend to residents gets high legislative focus.
 - The overall size of government is also a high focus.
 - The CBRF ending balance is the result of all of these projections and decisions. As shown, the CBRF is currently projected to be consumed in 2-3 years. The minimum CBRF balance is generally viewed to be \$1-2 billion.
- By the end of June each year, the State generally has a one-year budget that has gone through legislative and Governor approval.

Sources of Funds	FY2024	FY2025	FY2026	FY2027	FY2028
Traditional UGF Revenue	2,959.4	2,651.2	2,542.3	2,585.8	2,659.3
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Revenue Adjustments	41.5	0.0	0.0	0.0	0.0
Carryforward	41.5	0.0	0.0	0.0	0.0
Total Revenue	6,527.0	6,308.4	6,302.3	6,477.8	6,536.3
PFD Deposit	(881.5)	3) (2,303.7)	(2,499.7)	(2,199.7)	(2,272.5)
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Reserve Balances	FY2024	FY2025	FY2026	FY2027	FY2028
Statutory Budget Reserve					
SBR Beginning Balance	20.9	20.9	0.0	0.0	0.0
Surplus/(Draws)	0.0	(20.9)	0.0	0.0	0.0
SBR End Balance	20.9	0.0	0.0	0.0	0.0
Constitutional Budget Reserve					
CBR Beginning Balance	2,734.3	2,829.1	1,939.5	715.9	(137.6)
Earnings & Deposits	94.8	76.7	38.8	14.3	(2.8)
Surplus/(Draws)	0.0	(966.3)	(1,262.4)	(867.8)	(968.2)
CBR End Balance	2,829.1	5) 1,939.5	715.9	(137.6)	(1,108.5)

The General Fund, GeFONSI, and Cashflow Summary

- Almost all SOA cashflows move through the General Fund (GF) that is part of GeFONSI I. The current GF balance of \$1.1 billion and even total operating revenue in excess of \$6 billion are only a part of the overall cashflow picture.
- Total revenues from all sources are expected to be close to \$16 billion for FY24, much of which flows into and then back out of the GF, which speaks to a high need for liquidity in GeFONSI I.

FY2024 Management Plan plus Proposed Supplementals

Revenues	UGF	DGF	Other	Federal	FY2024 Total
Unrestricted Revenue	3,024.9	-	-	-	3,024.9
POMV ERA Draw For Government ¹	3,526.0	-	-	-	3,526.0
Restricted Revenue	-	1,003.0	1,927.0	5,613.9	8,543.8
Carryforward and Adjustments	41.5	54.4	40.0	605.0	740.9
Total Revenues	6,592.4	1,057.4	1,967.0	6,218.9	15,835.6

- Unrestricted oil revenue comes in monthly, and Treasury Cash Management works to extend APFC POMV ERA draws throughout the year to increase APFC long-term earnings.
- Material deviations from cash forecasts occur due to both the high level of inflows and the fact that underlying state agencies have independent control over how and when their budgets are spent. The GF can borrow from the CBRF and other funds intra-year to accommodate cashflow mismatches, which serves to stabilize the fund size over time.
- GeFONSI I and II have over 150 subaccounts. Some are annual agency operating accounts, and some are multi-year drawdown accounts. Historical analysis indicates that \$600 million of these accounts have stable balances and more current analysis indicates that this amount may be higher – perhaps \$1+ billion. However, if CBRF balances are low and/or there are ERA limitations, even long-standing stable-balance accounts could become subject to legislative redirection. Overall, the size of these more stable accounts lengthens the time horizon of GeFONSI within practical limits.

Lowest Risk Tolerance Funds

Short Term Funds


Short-Term Funds Investment Policy

The Department manages several funds that have high liquidity requirements necessitating investment entirely in short-term fixed income. The following funds are covered by this policy:

AY03 - Retiree Health Insurance Fund	AY3B - International Airports 2010-B
AY05 - International Airport Repair and Replacement Fund	AY3V - 2010-C GO Bonds
AY28 - Investment Loss Trust Fund	AY3Y - 2013-C GO Bonds
AY2E - 2002 Series Reserve Account	AY3Z - 2013-B GO Bonds
AY2G - Permanent Fund Dividend Holding Account	AY9X - 2006B Non-AMT Construction Fund
AY2Q - 2008 Transportation Project GO Bonds	AY9Y - 2006 Series Variable Rate
AY2U - 2003 Series Reserve Account	AY3Q - FY 2017 2016B - 2012 Transportation Bond
AY3A - International Airports 2010-A	

Investment Topic	Proposed Policy	Current Policy
Investment Objective	Very low exposure to principal loss. Modest current income requirement. Little inflation protection needed. High liquidity requirement.	No Change
Risk Tolerance	Low	No Change
Policy Risk/Loss Range	<1%	No Change
Time Horizon	Short	No Change
Asset Allocation	Broad U.S. Equity International Equity Short Duration Gov't/Credit Core U.S. Fixed Income Cash Equivalents 100%	100%
Expected Return - Short-Term	5.01%	2.39% (short-term)
Risk - Standard Deviation	0.90%	0.90%
Probability of Loss - 1 Year	0.0%	0.4%
5% Probable Downside Return (5% cVaR)	3.2%	0.5%

The proposed policy is effective July 1, 2023:


Approved

June 20, 2023
Date

State of Alaska Asset Allocation

Asset Classes	FY24	FY25*
Broad U.S. Equity		
Global ex-U.S. Equity		
US REITS		
Short Duration Gov't/Credit		
Core U.S. Fixed Income		
Cash Equivalents	100%	100%
Total	100%	100%
Optimization Results:		
Expected Return - Short-Term	5.01%	5.04%
Expected Return - Real/After Inflation	2.51%	2.54%
Risk - Standard Deviation	0.90%	0.90%
Sharpe Ratio	(0.00)	(0.00)

Risk Statistics:

10% Probable Downside Return - 1 Year	3.4%	3.5%
5% Probable Downside Return - 1 Year	3.2%	3.2%
5% Probable Downside Return - 3 Year	3.9%	4.0%
5% Probable Downside Return - 5 Year	4.2%	4.2%
Probability of Loss - 1 Year	0.0%	0.0%
Prob. Return < -1%	0.0%	0.0%
Probability of Loss - 10 Year	0.0%	0.0%
Asset Time Horizon Estimate	0.3	0.3

Dollars: (\$Millions)

Assets	154.3	154.1
Expected Annual Earnings	7.7	7.8
1-Year 10% Probable Return (10% cVaR)	5.3	5.3
1-Year 5% Probable Return (5% cVaR)	4.9	4.9
3-Year 5% Probable Return (5% cVaR)	6.1	6.1
5-Year 5% Probable Return (5% cVaR)	6.4	6.5

Note: FY25* is the current asset allocation with updated capital market assumptions

Cash History	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expected ST Return	5.01%	2.39%	0.05%	0.17%	1.93%	2.25%	2.25%	2.25%	2.25%	2.25%
Expected Volatility	0.90%	0.90%	0.05%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
10% cVaR	3.40%	0.80%	0.00%	-1.41%	0.35%	0.67%	0.67%	0.67%	0.67%	0.67%

CBRF

AY19: CBRF Investment Policy

The investment policies for the Constitutional Budget Reserve Fund (CBRF) have changed over the years as the balance and the expected uses of the CBRF have changed. Declining production of Alaska North Slope crude oil and the inconsistency of future prices are still a concern. The CBRF is the state's "savings account" and as such is responsible for covering fluctuations in the general fund.

Financial planning by the administration and the legislature is highly dependent upon the CBRF balance maintaining stability and high liquidity. Given the short-term expected requirement for these funds, a cash equivalent investment program is warranted.

Investment Topic	Proposed Policy	Current Policy
Investment Objective	Very low exposure to principal loss. Little inflation protection needed. High liquidity requirement.	No Change
Risk Tolerance	Low	No Change
Policy Risk/Loss Range	<1%	No Change
Time Horizon	Short	No Change
Asset Allocation	Broad U.S. Equity International Equity Short Duration Govt/Credit Core U.S. Fixed Income Cash Equivalents	100%
Expected Return - Short-Term	5.01%	2.39% (short-term)
Risk - Standard Deviation	0.90%	0.90%
Probability of Loss - 1 Year 5% Probable Downside Return (5% cVaR)	0.0% 3.2%	0.4% 0.5%

The proposed policy is effective July 1, 2023:


 Approved _____ Date June 20, 2023

CBRF History	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expected ST Return	5.01%	2.39%	0.05%	0.17%	2.32%	2.89%	2.89%	2.89%	2.89%	2.38%
Expected Volatility	0.90%	0.90%	0.05%	0.90%	1.23%	1.64%	1.62%	1.59%	1.58%	1.58%
10% cVaR	3.40%	0.80%	-0.04%	-1.41%	0.16%	0.01%	0.05%	0.10%	0.12%	-0.40%
Assets (billions)	2.6	2.6	0.9	1.1	2.0	1.8	2.4	3.9	7.3	10.1

State of Alaska Asset Allocation

Asset Classes	FY24	FY25*	GFI	2/3 ST
Broad U.S. Equity				
Global ex-U.S. Equity				
US REITS				
Short Duration Gov't/Credit			15%	33%
Core U.S. Fixed Income				
Cash Equivalents	100%	100%	85%	67%
Total	100%	100%	100%	100%
Optimization Results:				
Expected Return - Short-Term	5.01%	5.04%	5.06%	5.07%
Expected Return - Real/After Inflation	2.51%	2.54%	2.56%	2.57%
Risk - Standard Deviation	0.90%	0.90%	0.93%	1.12%
Sharpe Ratio	(0.00)	(0.00)	0.01	0.02

Risk Statistics:

10% Probable Downside Return - 1 Year	3.4%	3.5%	3.4%	3.1%
5% Probable Downside Return - 1 Year	3.2%	3.2%	3.1%	2.8%
5% Probable Downside Return - 3 Year	3.9%	4.0%	4.0%	3.7%
5% Probable Downside Return - 5 Year	4.2%	4.2%	4.2%	4.0%
Probability of Loss - 1 Year	0.0%	0.0%	0.0%	0.0%
Prob. Return < -1%	0.0%	0.0%	0.0%	0.0%
Probability of Loss - 10 Year	0.0%	0.0%	0.0%	0.0%
Asset Time Horizon Estimate	0.3	0.3	0.5	0.8

Dollars: (\$Millions)

Assets	2,619.9	2,785.6	2,785.6	2,785.6
Expected Annual Earnings	131.2	140.5	140.8	141.2
1-Year 10% Probable Return (10% cVaR)	89.8	96.5	95.5	86.7
1-Year 5% Probable Return (5% cVaR)	82.5	88.8	87.5	77.1
3-Year 5% Probable Return (5% cVaR)	103.1	110.7	110.1	104.2
5-Year 5% Probable Return (5% cVaR)	109.4	117.4	117.0	112.6

Low Risk Tolerance Funds

GeFONSI I and II – Top 30 Participants of Each as of 3/31/24

GF	Fund Name	Ending Balance	Cum. %/Total	GF	Fund Name	Ending Balance	Cum. %/Total
GFI	General Fund	\$ 1,146,081,974	59%	GFI	Statutory Budget Reserve Fund	\$ 264,106,061	18%
GFI	Alaska Clean Water Fund	\$ 163,738,354	68%	GFI	Regional Ed Attendance Area School Fund	\$ 142,365,523	28%
GFI	Alaska Drinking Water Fund	\$ 91,876,590	73%	GFI	National Petroleum Reserve Fund	\$ 107,840,187	36%
GFI	Public Advocacy Trust	\$ 52,904,691	75%	GFI	Highway Equipment Working Capital Fund For Operating Appropriations	\$ 93,876,927	42%
GFI	Fish & Game Fund	\$ 51,222,211	78%	GFI	Disaster Relief Fund	\$ 90,257,743	49%
GFI	Oil & Hazardous Substance Release Response Account	\$ 45,575,795	80%	GFI	General Fund Investment Fund	\$ 77,060,569	54%
GFI	Exxon Valdez Settlement	\$ 37,896,304	82%	GFI	Community Revenue Sharing Fund	\$ 69,739,275	59%
GFI	Mental Health Trust Income Settlement Account	\$ 34,717,704	84%	GFI	School Construction Fund	\$ 60,639,226	63%
GFI	Renewable Energy Grant Fund	\$ 25,490,959	86%	GFI	State Insurance Catastrophe Reserve	\$ 56,089,031	67%
GFI	Vaccine Assessment Fund	\$ 22,129,380	87%	GFI	Commercial Fishing Revolving Loan Fund	\$ 55,656,456	71%
GFI	AIA Passenger Facility Charge Revenue Fund Application #2	\$ 18,711,208	88%	GFI	Alaska Comprehensive Health Insurance Fund	\$ 49,060,923	74%
GFI	DVA Retiree Health	\$ 17,272,343	89%	GFI	Alaska Marine Highway System Vessel Replacement Fund	\$ 43,513,694	77%
GFI	Oil & Hazardous Substance Release Prevention Account	\$ 17,140,896	89%	GFI	Fisheries Enhancement Revolving Loan Fund	\$ 41,488,403	80%
GFI	PFD Trust	\$ 17,125,575	90%	GFI	Alaska Marine Highway System Fund	\$ 40,756,787	83%
GFI	Group Health And Life Insurance Fund	\$ 15,211,488	91%	GFI	Public Education Fund	\$ 37,241,069	86%
GFI	Bulk Fuel Loans Fund	\$ 13,148,241	92%	GFI	Major Maintenance Grant Fund	\$ 32,852,778	88%
GFI	MHT Settlement Deferred Maintenance	\$ 8,503,446	92%	GFI	Alaska Public Building Fund	\$ 32,373,006	90%
GFI	Bulk Fuel Bridge Loan Fund	\$ 8,287,791	93%	GFI	Information Services Fund	\$ 16,709,337	91%
GFI	School Trust Land Sales-GF Portion	\$ 8,031,496	93%	GFI	Alaska Seafood Marketing Institute	\$ 15,368,862	92%
GFI	Railbelt Energy Fund	\$ 7,845,895	94%	GFI	Alaska Fishermen's Fund	\$ 12,816,281	93%
GFI	Memorial Education Revolving Loan Fund	\$ 7,652,410	94%	GFI	Agricultural Revolving Loan Fund	\$ 12,540,133	94%
GFI	Alaska Drinking Water Administrative Operating Account	\$ 6,993,922	94%	GFI	Commercial Vessel Passenger Tax Account	\$ 11,315,132	95%
GFI	Oil & Gas Tax Credit Fund	\$ 6,492,925	95%	GFI	Unclaimed Property	\$ 11,036,384	96%
GFI	Alaska Clean Water Administrative Operating Account	\$ 6,198,931	95%	GFI	Alaska Capital Income Fund	\$ 8,256,414	96%
GFI	Rural Development Initiative Fund	\$ 5,897,468	95%	GFI	Deposits, Suspense & Miscellaneous	\$ 6,845,350	97%
GFI	FIA Passenger Facility Charge Revenue Fund	\$ 5,756,161	96%	GFI	Second Injury Fund	\$ 6,410,685	97%
GFI	Google Cost Sharing Fund	\$ 5,391,367	96%	GFI	Large Passenger Vessel Gambling Tax Account	\$ 5,361,471	98%
GFI	Mariculture RLF	\$ 5,351,291	96%	GFI	Clean Air Protection Fund	\$ 3,463,404	98%
GFI	Election Fund	\$ 5,132,710	96%	GFI	Employee Assistance & Training Program Account	\$ 3,429,162	98%
GFI	ATIB Repayment Account	\$ 4,654,546	97%	GFI	Alcohol & Other Drug Abuse Treatment & Prevention	\$ 3,213,949	98%

AY01: GeFONSI Investment Policy

The General Fund constitutes the largest element of the General Fund and Other Non-Segregated Investments (GeFONSI) fund. Much of the money in the fund has been appropriated and a material loss could affect the state's ability to fulfill its obligations. Treasury expects much of the money in the pool to be spent in less than one year. Accordingly, the allocation should allow minimal exposure to principal loss. Equities are not recommended for the GeFONSI.

Investment Topic	Proposed Policy	Current Policy
Investment Objective	Minimal exposure to principal loss. Maximize current income within moderate risk tolerance. Minimal inflation protection needed. High liquidity requirement.	No Change
Risk Tolerance	Moderate	No Change
Policy Risk/Loss Range	1 - 5%	No Change
Time Horizon	Short to Intermediate	No Change
Asset Allocation	Broad U.S. Equity International Equity Short Duration Gov't/Credit 15% ±10% Core U.S. Fixed Income Cash Equivalents 85% ±10%	15% ±10% 85% ±10%
Expected Return - Short-Term	5.00%	2.51% (short-term)
Risk - Standard Deviation	0.93%	0.90%
Probability of Loss - 1 Year	0.0%	0.3%
5% Probable Downside Return (5% cVaR)	3.1%	0.7%

The proposed policy is effective July 1, 2023:



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June 20, 2023
 Date

GeFONSI History	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expected ST Return	5.00%	2.51%	0.27%	0.44%	1.91%	2.38%	2.38%	2.36%	2.30%	2.30%
Expected Volatility	0.93%	0.90%	0.57%	1.16%	0.93%	1.08%	1.08%	1.08%	1.08%	1.08%
10% cVaR	3.40%	0.90%	-0.70%	-1.60%	0.28%	0.48%	0.48%	0.46%	0.40%	0.40%

State of Alaska Asset Allocation

Asset Classes	FY24	FY25*	1/4 ST	2/3 ST
Broad U.S. Equity				
Global ex-U.S. Equity				
US REITS				
Short Duration Gov't/Credit	15%	15%	25%	33%
Core U.S. Fixed Income				
Cash Equivalents	85%	85%	75%	67%
Total	100%	100%	100%	100%
Optimization Results:				
Expected Return - Short-Term	5.00%	5.06%	5.06%	5.07%
Expected Return - Real/After Inflation	2.50%	2.56%	2.56%	2.57%
Risk - Standard Deviation	0.93%	0.93%	1.02%	1.12%
Sharpe Ratio	(0.00)	0.01	0.02	0.02

Risk Statistics:

10% Probable Downside Return - 1 Year	3.4%	3.4%	3.3%	3.1%
5% Probable Downside Return - 1 Year	3.1%	3.1%	3.0%	2.8%
5% Probable Downside Return - 3 Year	3.9%	4.0%	3.9%	3.7%
5% Probable Downside Return - 5 Year	4.1%	4.2%	4.1%	4.0%
Probability of Loss - 1 Year	0.0%	0.0%	0.0%	0.0%
Prob. Return < -1%	0.0%	0.0%	0.0%	0.0%
Probability of Loss - 10 Year	0.0%	0.0%	0.0%	0.0%
Asset Time Horizon Estimate	0.5	0.5	0.7	0.8

Dollars: (\$Millions)

Assets	2,142.2	1,789.5	1,789.5	1,789.5
Expected Annual Earnings	107.2	90.5	90.6	90.7
1-Year 10% Probable Return (10% cVaR)	72.3	61.3	58.7	55.7
1-Year 5% Probable Return (5% cVaR)	66.2	56.2	53.1	49.5
3-Year 5% Probable Return (5% cVaR)	83.6	70.7	69.0	66.9
5-Year 5% Probable Return (5% cVaR)	88.9	75.2	73.9	72.3

International Airport Revenue Fund

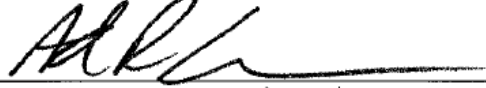
AY04: International Airport Revenue Fund Investment Policy

The Revenue Fund maintains a significant balance and the investment earnings on that balance are a revenue source for the airport system. Airport management and airline representatives want to keep fees as stable and low as practical. Relatively stable investment earnings assist the airport system and the airlines in meeting that goal.

Beginning October 2000, the Revenue Fund contained receipts from passenger facility charges collected at the Anchorage and Fairbanks International Airports. All the airport systems' revenue and expenses flow through the Revenue Fund. This includes normal operating transactions and most repair and maintenance projects. This subjects the Revenue Fund to the possibility of relatively significant cash inflows and outflows.

Investment Topic	Proposed Policy	Current Policy
Investment Objective	Minimal exposure to principal loss. Maximize current income within moderate risk tolerance. Minimal inflation protection needed. High liquidity requirement.	No Change
Risk Tolerance	Moderate	No Change
Policy Risk/Loss Range	1 - 5%	No Change
Time Horizon	Short to Intermediate	No Change
Asset Allocation	Broad U.S. Equity International Equity Short Duration Gov't/Credit 15% ±10% Core U.S. Fixed Income Cash Equivalents 85% ±10%	15% ±10% 85% ±10%
Expected Return - Short-Term	5.00%	2.51% (short-term)
Risk - Standard Deviation	0.93%	0.90%
Probability of Loss - 1 Year	0.0%	0.3%
5% Probable Downside Return (5% cVaR)	3.1%	0.7%

The proposed policy is effective July 1, 2023:



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June 20, 2023

Date

State of Alaska Asset Allocation

Asset Classes	FY24	FY25*	1/4 ST	2/3 ST
Broad U.S. Equity				
Global ex-U.S. Equity				
US REITS				
Short Duration Gov't/Credit	15%	15%	25%	33%
Core U.S. Fixed Income				
Cash Equivalents	85%	85%	75%	67%
Total	100%	100%	100%	100%
Optimization Results:				
Expected Return - Short-Term	5.00%	5.06%	5.06%	5.07%
Expected Return - Real/After Inflation	2.50%	2.56%	2.56%	2.57%
Risk - Standard Deviation	0.93%	0.93%	1.02%	1.12%
Sharpe Ratio	(0.00)	0.01	0.02	0.02

Risk Statistics:

10% Probable Downside Return - 1 Year	3.4%	3.4%	3.3%	3.1%
5% Probable Downside Return - 1 Year	3.1%	3.1%	3.0%	2.8%
5% Probable Downside Return - 3 Year	3.9%	4.0%	3.9%	3.7%
5% Probable Downside Return - 5 Year	4.1%	4.2%	4.1%	4.0%
Probability of Loss - 1 Year	0.0%	0.0%	0.0%	0.0%
Prob. Return < -1%	0.0%	0.0%	0.0%	0.0%
Probability of Loss - 10 Year	0.0%	0.0%	0.0%	0.0%
Asset Time Horizon Estimate	0.5	0.5	0.7	0.8

Dollars: (\$Millions)

Assets	184.3	218.9	218.9	218.9
Expected Annual Earnings	9.2	11.1	11.1	11.1
1-Year 10% Probable Return (10% cVaR)	6.2	7.5	7.2	6.8
1-Year 5% Probable Return (5% cVaR)	5.7	6.9	6.5	6.1
3-Year 5% Probable Return (5% cVaR)	7.2	8.6	8.4	8.2
5-Year 5% Probable Return (5% cVaR)	7.6	9.2	9.0	8.8

GeFONSI II

AY3F: GeFONSI II Investment Policy

GeFONSI II is comprised of funds that do not benefit from positive investment returns, nor bear the risk of loss in the event of negative returns. The General Fund benefits, or is harmed, by these returns. GeFONSI II is invested more aggressively than is the GeFONSI. The premise for the higher risk posture is that over the course of several years the General Fund will generate more total return, despite having a higher risk of loss in any given year.

Investment Topic	Proposed Policy	Current Policy																									
Investment Objective	Tolerate moderate exposure to principal loss to target modestly higher returns.	No Change																									
Risk Tolerance	Moderate-High	No Change																									
Policy Risk/Loss Range	5 - 10%	No Change																									
Time Horizon	Intermediate	No Change																									
Asset Allocation	<table border="0"> <tr> <td>Broad U.S. Equity</td> <td>4%</td> <td>- 4%/+5%</td> <td>4%</td> <td>- 4%/+5%</td> </tr> <tr> <td>International Equity</td> <td>2%</td> <td>- 2%/+5%</td> <td>2%</td> <td>- 2%/+5%</td> </tr> <tr> <td>Short Duration Govt/Credit</td> <td>33%</td> <td>±10%</td> <td>33%</td> <td>±10%</td> </tr> <tr> <td>Core U.S. Fixed Income</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cash Equivalents</td> <td>61%</td> <td>±10%</td> <td>61%</td> <td>±10%</td> </tr> </table>	Broad U.S. Equity	4%	- 4%/+5%	4%	- 4%/+5%	International Equity	2%	- 2%/+5%	2%	- 2%/+5%	Short Duration Govt/Credit	33%	±10%	33%	±10%	Core U.S. Fixed Income					Cash Equivalents	61%	±10%	61%	±10%	
Broad U.S. Equity	4%	- 4%/+5%	4%	- 4%/+5%																							
International Equity	2%	- 2%/+5%	2%	- 2%/+5%																							
Short Duration Govt/Credit	33%	±10%	33%	±10%																							
Core U.S. Fixed Income																											
Cash Equivalents	61%	±10%	61%	±10%																							
Expected Return - Short-Term	5.24%	3.01% (short-term)																									
Risk - Standard Deviation	1.51%	1.39%																									
Probability of Loss - 1 Year	0.0%	1.5%																									
5% Probable Downside Return (5% cVaR)	2.1%	0.2%																									

The proposed policy is effective July 1, 2023:


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GeFONSI II History	2024	2023	2022	2021	2020	2019	2018
Expected ST Return	5.24%	3.01%	0.91%	0.94%	2.37%	3.38%	3.38%
Expected Volatility	1.51%	1.39%	1.37%	1.47%	1.61%	2.63%	2.58%
10% cVaR	3.40%	0.90%	-1.50%	-1.64%	-0.46%	-1.24%	-1.15%

State of Alaska Asset Allocation

Asset Classes	FY24	FY25*	GFI	Gen. Fund
Broad U.S. Equity	4%	4%		5%
Global ex-U.S. Equity	2%	2%		3%
US REITS				0%
Short Duration Gov't/Credit	33%	33%	15%	56%
Core U.S. Fixed Income				0%
Cash Equivalents	61%	61%	85%	162%
Total	100%	100%	100%	226%
Optimization Results:				
Expected Return - Short-Term	5.24%	5.31%	5.06%	11.71%
Expected Return - Real/After Inflation	2.74%	2.81%	2.56%	9.21%
Risk - Standard Deviation	1.51%	1.52%	0.93%	2.59%
Sharpe Ratio	0.15	0.17	0.01	2.57

Risk Statistics:

10% Probable Downside Return - 1 Year	2.6%	2.6%	3.4%	7.2%
5% Probable Downside Return - 1 Year	2.1%	2.2%	3.1%	6.4%
5% Probable Downside Return - 3 Year	3.4%	3.5%	4.0%	8.6%
5% Probable Downside Return - 5 Year	3.8%	3.9%	4.2%	9.3%
Probability of Loss - 1 Year	0.0%	0.0%	0.0%	0.0%
Prob. Return < -1%	0.0%	0.0%	0.0%	0.0%
Probability of Loss - 10 Year	0.0%	0.0%	0.0%	0.0%
Asset Time Horizon Estimate	1.2	1.2	0.5	

Dollars: (\$Millions)

Assets	1,573.9	1,438.8	1,438.8	1,146.1
Expected Annual Earnings	82.4	76.4	72.7	134.2
1-Year 10% Probable Return (10% cVaR)	40.7	38.1	49.3	82.0
1-Year 5% Probable Return (5% cVaR)	33.4	31.4	45.2	72.9
3-Year 5% Probable Return (5% cVaR)	54.1	50.4	56.9	98.8
5-Year 5% Probable Return (5% cVaR)	60.5	56.3	60.4	106.8

Higher Risk Tolerance Funds

Retiree LTC Insurance

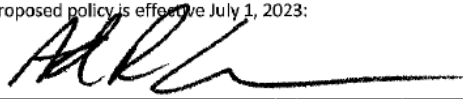
AY11: Retiree LTC Insurance Investment Policy

Effective July 1, 1997, the Department of Administration established the Group Health and Life Insurance Fund and the Retiree Health Insurance Fund. The Retiree Health Insurance Fund is further broken down into three plans: 1) medical, 2) dental, vision and audio, and 3) long term care.

The Retiree Long-Term Care Plan consists of premiums paid for retiree long term care. While many retirees are paying premiums into the plan today, at present only a small percentage of the premiums are needed for claims payments. Per the analysis, Actuarial Valuation of the State of Alaska Long-Term Care Program as of June 2021, conducted by Lewis & Ellis, Inc., the actuarial assumed net investment earnings assumption is 5.25%.

Investment Topic	Proposed Policy	Current Policy																		
Investment Objective	To match the fund's assumed actuarial rate of return while minimizing risk	No Change																		
Risk Tolerance	High	No Change																		
Policy Risk/Loss Range	>10%	No Change																		
Time Horizon	Long	No Change																		
Asset Allocation	<table border="0"> <tr> <td>Broad U.S. Equity</td> <td>25% ± 5%</td> <td>35% ± 5%</td> </tr> <tr> <td>International Equity</td> <td>18% ± 5%</td> <td>22% ± 5%</td> </tr> <tr> <td>U.S. REITs</td> <td>4% ± 3%</td> <td>5% ± 3%</td> </tr> <tr> <td>Core U.S. Fixed Income</td> <td>52% ± 5%</td> <td>37% ± 5%</td> </tr> <tr> <td colspan="3"><i>*may include up to 13% in tactical fixed income</i></td> </tr> <tr> <td>Cash Equivalents</td> <td>1% - 1%/+2%</td> <td>1% - 1%/+2%</td> </tr> </table>	Broad U.S. Equity	25% ± 5%	35% ± 5%	International Equity	18% ± 5%	22% ± 5%	U.S. REITs	4% ± 3%	5% ± 3%	Core U.S. Fixed Income	52% ± 5%	37% ± 5%	<i>*may include up to 13% in tactical fixed income</i>			Cash Equivalents	1% - 1%/+2%	1% - 1%/+2%	
Broad U.S. Equity	25% ± 5%	35% ± 5%																		
International Equity	18% ± 5%	22% ± 5%																		
U.S. REITs	4% ± 3%	5% ± 3%																		
Core U.S. Fixed Income	52% ± 5%	37% ± 5%																		
<i>*may include up to 13% in tactical fixed income</i>																				
Cash Equivalents	1% - 1%/+2%	1% - 1%/+2%																		
Expected Return - Long-Term	6.14%	5.27%																		
Risk - Standard Deviation	8.87%	11.14%																		
Probability of Loss - 1 Year	24.4%	31.8%																		
10% Probable Downside Return (10% cVaR)	-9.4%	-14.3%																		

The proposed policy is effective July 1, 2023:



Approved

June 20, 2023

Date

LTC	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expected LT Return	6.14%	5.27%	5.10%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
Expected Volatility	8.87%	11.14%	10.50%	8.08%	6.02%	8.17%	8.15%	7.52%	7.28%	7.27%
10% cVaR	-9.40%	-14.30%	-13.50%	-8.93%	-5.32%	-9.09%	-9.05%	-7.95%	-7.53%	-7.51%

State of Alaska Asset Allocation

Asset Classes	FY24	FY25*	Mix 1	Mix 2: 5%
Broad U.S. Equity	25%	25%	15%	5%
Global ex-U.S. Equity	18%	18%	11%	4%
US REITS	4%	4%	4%	1%
Short Duration Gov't/Credit				
Core U.S. Fixed Income	52%	52%	69%	75%
Cash Equivalents	1%	1%	1%	15%
Total	100%	100%	100%	100%
Optimization Results:				
Expected Return - Long-Term	6.14%	6.74%	6.24%	5.25%
Expected Return - Real/After Inflation	3.64%	4.24%	3.74%	2.75%
Risk - Standard Deviation	8.87%	8.86%	6.29%	3.78%
Sharpe Ratio	0.38	0.42	0.51	0.59

Risk Statistics:

10% Probable Downside Return - 1 Year	-9.4%	-8.8%	-4.8%	-1.4%
5% Probable Downside Return - 1 Year	-12.1%	-11.5%	-6.7%	-2.5%
5% Probable Downside Return - 3 Year	-4.4%	-3.8%	-1.3%	0.7%
5% Probable Downside Return - 5 Year	-2.0%	-1.4%	0.4%	1.8%
Probability of Loss - 1 Year	24.4%	22.3%	16.1%	8.2%
Prob. Return < -1%	21.0%	19.1%	12.5%	4.9%
Prob. Return < -5%	17.5%	9.3%	3.7%	0.3%
Prob. Return < -10%	9.2%	2.9%	0.5%	0.0%
Prob. Return < -20%	1.7%	0.1%	0.0%	0.0%
Probability of Loss - 10 Year	1.4%	0.8%	0.1%	0.0%
Asset Time Horizon Estimate	5.9	5.9	5.9	5.1

Dollars: (\$Millions)

Assets	762.3	844.4	844.4	844.4
Expected Annual Earnings	46.8	56.9	52.7	44.3
1-Year 10% Probable Return (10% cVaR)	(71.8)	(74.3)	(40.6)	(11.7)
1-Year 5% Probable Return (5% cVaR)	(92.6)	(97.4)	(56.9)	(21.5)
3-Year 5% Probable Return (5% cVaR)	(33.7)	(32.2)	(10.6)	6.3
5-Year 5% Probable Return (5% cVaR)	(15.5)	(12.1)	3.7	14.9

Highest Risk/Endowment Profile Funds

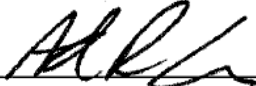
AY08: Public School Trust Fund Investment Policy

The Public School Trust Fund is a fund dedicated to the benefit of Alaska's public schools. The central objective is to provide "increasing returns from capital appreciation and net income over long-term periods to the fund's current beneficiaries." The fund may be invested "on the basis of probable total rate of return to promote the long-term generation of capital appreciate and income."

On July 1 of each year, the commissioner shall determine the monthly average market value of the fund for the previous five fiscal years preceding the previous fiscal year. The legislature may appropriate not more than five percent of the amount determined by the commissioner. Pending signature by the governor, the appropriated amount may be expended the following fiscal year.

Investment Topic	Proposed Policy	Current Policy																		
Investment Objective	High exposure of principal to loss in return for higher expected Longer-term returns. Limited current income requirement. Limited inflation protection needed. Moderate liquidity requirement.	No Change																		
Risk Tolerance	High	No Change																		
Policy Risk/Loss Range	>10%	No Change																		
Time Horizon	Long	No Change																		
Asset Allocation	<table border="0"> <tr> <td>Broad U.S. Equity</td> <td>39% ± 5%</td> <td>39% ± 5%</td> </tr> <tr> <td>International Equity</td> <td>25% ± 5%</td> <td>25% ± 5%</td> </tr> <tr> <td>U.S. REITS</td> <td>5% ± 3%</td> <td>5% ± 5%</td> </tr> <tr> <td>Core U.S. Fixed Income</td> <td>30% ± 5%</td> <td>30% ± 5%</td> </tr> <tr> <td colspan="3"><i>*may include up to 7% in tactical fixed income</i></td> </tr> <tr> <td>Cash Equivalents</td> <td>1% - 1%/+2%</td> <td>1% - 1%/+2%</td> </tr> </table>	Broad U.S. Equity	39% ± 5%	39% ± 5%	International Equity	25% ± 5%	25% ± 5%	U.S. REITS	5% ± 3%	5% ± 5%	Core U.S. Fixed Income	30% ± 5%	30% ± 5%	<i>*may include up to 7% in tactical fixed income</i>			Cash Equivalents	1% - 1%/+2%	1% - 1%/+2%	
Broad U.S. Equity	39% ± 5%	39% ± 5%																		
International Equity	25% ± 5%	25% ± 5%																		
U.S. REITS	5% ± 3%	5% ± 5%																		
Core U.S. Fixed Income	30% ± 5%	30% ± 5%																		
<i>*may include up to 7% in tactical fixed income</i>																				
Cash Equivalents	1% - 1%/+2%	1% - 1%/+2%																		
Expected Return - Long-Term	6.83%	5.60%																		
Risk - Standard Deviation	12.65%	12.41%																		
Probability of Loss - 1 Year	29.5%	32.6%																		
10% Probable Downside Return (10% cVaR)	-15.4%	-16.2%																		

The proposed policy is effective July 1, 2023:



 Approved

June 20, 2023

 Date

State of Alaska Asset Allocation

Asset Classes	FY24	FY25*	Mix 1	70/30
Broad U.S. Equity	39%	39%	36%	70%
Global ex-U.S. Equity	25%	25%	27%	
US REITS	5%	5%	5%	
Short Duration Gov't/Credit				
Core U.S. Fixed Income	30%	30%	31%	30%
Cash Equivalents	1%	1%	1%	
Total	100%	100%	100%	100%
Optimization Results:				
Expected Return - Long-Term	6.83%	7.25%	7.24%	7.11%
Expected Return - Real/After Inflation	4.33%	4.75%	4.74%	4.61%
Risk - Standard Deviation	12.65%	12.48%	12.38%	12.35%
Sharpe Ratio	0.32	0.34	0.34	0.33

Risk Statistics:

10% Probable Downside Return - 1 Year	-15.4%	-14.6%	-14.5%	-14.6%
5% Probable Downside Return - 1 Year	-19.3%	-18.5%	-18.3%	-18.4%
5% Probable Downside Return - 3 Year	-8.2%	-7.6%	-7.5%	-7.6%
5% Probable Downside Return - 5 Year	-4.8%	-4.3%	-4.2%	-4.3%
Probability of Loss - 1 Year	29.5%	28.1%	27.9%	28.2%
Prob. Return < -1%	26.8%	25.4%	25.3%	25.6%
Probability of Loss - 10 Year	4.4%	3.3%	3.2%	3.4%
Asset Time Horizon Estimate	5.9	5.9	5.9	6.0

Dollars: (\$Millions)

Assets	2,091.1	1,228.5	1,228.5	1,228.5
Expected Annual Earnings	142.9	89.1	89.0	87.4
1-Year 10% Probable Return (10% cVaR)	(321.5)	(179.9)	(178.0)	(179.0)
1-Year 5% Probable Return (5% cVaR)	(402.9)	(227.1)	(224.8)	(225.7)
3-Year 5% Probable Return (5% cVaR)	(172.2)	(93.4)	(92.2)	(93.4)
5-Year 5% Probable Return (5% cVaR)	(101.2)	(52.3)	(51.4)	(52.6)

High Risk History	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expected LT Return	6.83%	5.60%	5.62%	6.37%	6.58%	6.20%	6.21%	6.55%	6.73%	6.73%
Expected Volatility	12.65%	12.41%	12.50%	12.60%	12.50%	12.70%	12.70%	12.95%	13.23%	13.23%
10% cVaR	-15.40%	-16.20%	-16.40%	-15.74%	-15.36%	-16.09%	-16.08%	-16.18%	-16.49%	-16.49%

Highest Risk/Endowment Profile Funds - Continued

AY3L: Alaska Higher Education Investment Policy

The Alaska Higher Education Investment Fund was established to make grants and scholarship payments to qualified postsecondary institutions for students. The Legislature may appropriate up to seven percent of the fund's prior June 30 market value balance each year.

Investment Topic	Proposed Policy	Current Policy																		
Investment Objective	High exposure of principal to loss in return for higher expected Longer-term returns. Limited current income requirement. Limited inflation protection needed. Moderate liquidity requirement.	No Change																		
Risk Tolerance	High	No Change																		
Policy Risk/Loss Range	>10%	No Change																		
Time Horizon	Long	No Change																		
Asset Allocation	<table border="0"> <tr> <td>Broad U.S. Equity</td> <td>39% ± 5%</td> <td>39% ± 5%</td> </tr> <tr> <td>International Equity</td> <td>25% ± 5%</td> <td>25% ± 5%</td> </tr> <tr> <td>U.S. REITs</td> <td>5% ± 3%</td> <td>5% ± 5%</td> </tr> <tr> <td>Core U.S. Fixed Income</td> <td>30% ± 5%</td> <td>30% ± 5%</td> </tr> <tr> <td colspan="3"><i>*may include up to 7% in tactical fixed income</i></td> </tr> <tr> <td>Cash Equivalents</td> <td>1% - 1%/+2%</td> <td>1% - 1%/+2%</td> </tr> </table>	Broad U.S. Equity	39% ± 5%	39% ± 5%	International Equity	25% ± 5%	25% ± 5%	U.S. REITs	5% ± 3%	5% ± 5%	Core U.S. Fixed Income	30% ± 5%	30% ± 5%	<i>*may include up to 7% in tactical fixed income</i>			Cash Equivalents	1% - 1%/+2%	1% - 1%/+2%	
Broad U.S. Equity	39% ± 5%	39% ± 5%																		
International Equity	25% ± 5%	25% ± 5%																		
U.S. REITs	5% ± 3%	5% ± 5%																		
Core U.S. Fixed Income	30% ± 5%	30% ± 5%																		
<i>*may include up to 7% in tactical fixed income</i>																				
Cash Equivalents	1% - 1%/+2%	1% - 1%/+2%																		
Expected Return - Long-Term	6.83%	5.60%																		
Risk - Standard Deviation	12.65%	12.41%																		
Probability of Loss - 1 Year	29.5%	32.6%																		
10% Probable Downside Return (10% cVaR)	-15.4%	-16.2%																		

The proposed policy is effective July 1, 2023:



 Approved


June 20, 2023
 Date

AY9J: Illinois Creek Mine Reclamation Investment Policy

The Illinois Creek Gold Mine is a remote gold mine located on state land approximately 51 miles south of Galena, Alaska. Construction of the gold mine began in June, 1996. The companies responsible for the mine dissolved, the financier abandoned its ownership rights, and the State of Alaska inherited operating responsibility for the mine in July 1999. Following reclamation of the mine by American Reclamation Group, the State now assumes responsibility to monitor the site and to fix unexpected post-reclamation problems. To fund the post-closure monitoring and any potential maintenance, this trust fund was created. The Department of Revenue will manage the fund and Department of Natural Resources will withdraw funds for monitoring and reclamation obligations.

Investment Topic	Proposed Policy	Current Policy																		
Investment Objective	Maximize return while still being able to fund uncertain maintenance expenditures (amount and size)	No Change																		
Risk Tolerance	High	No Change																		
Policy Risk/Loss Range	>10%	No Change																		
Time Horizon	Long	No Change																		
Asset Allocation	<table border="0"> <tr> <td>Broad U.S. Equity</td> <td>39% ± 5%</td> <td>39% ± 5%</td> </tr> <tr> <td>International Equity</td> <td>25% ± 5%</td> <td>25% ± 5%</td> </tr> <tr> <td>U.S. REITs</td> <td>5% ± 3%</td> <td>5% ± 5%</td> </tr> <tr> <td>Core U.S. Fixed Income</td> <td>30% ± 5%</td> <td>30% ± 5%</td> </tr> <tr> <td colspan="3"><i>*may include up to 7% in tactical fixed income</i></td> </tr> <tr> <td>Cash Equivalents</td> <td>1% - 1%/+2%</td> <td>1% - 1%/+2%</td> </tr> </table>	Broad U.S. Equity	39% ± 5%	39% ± 5%	International Equity	25% ± 5%	25% ± 5%	U.S. REITs	5% ± 3%	5% ± 5%	Core U.S. Fixed Income	30% ± 5%	30% ± 5%	<i>*may include up to 7% in tactical fixed income</i>			Cash Equivalents	1% - 1%/+2%	1% - 1%/+2%	
Broad U.S. Equity	39% ± 5%	39% ± 5%																		
International Equity	25% ± 5%	25% ± 5%																		
U.S. REITs	5% ± 3%	5% ± 5%																		
Core U.S. Fixed Income	30% ± 5%	30% ± 5%																		
<i>*may include up to 7% in tactical fixed income</i>																				
Cash Equivalents	1% - 1%/+2%	1% - 1%/+2%																		
Expected Return - Long-Term	6.83%	5.60%																		
Risk - Standard Deviation	12.65%	12.41%																		
Probability of Loss - 1 Year	29.5%	32.6%																		
10% Probable Downside Return (10% cVaR)	-15.4%	-16.2%																		

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Highest Risk/Endowment Profile Funds - Continued

AY3G: Education Endowment Investment Policy

AS 43.23.063(b)(2) directs the commissioner to invest in a manner likely to achieve at least a four percent nominal return over a five-year period.

On July 1 of each year, the "commissioner shall determine the fund balance for the previously closed fiscal year, including the earnings of the fund" and "when the average market value for the fiscal year exceeds \$1,000,000,000, transfer 4.5% of the average fiscal-year-end market value of the balance of the fund for the last five fiscal years, including the fiscal year just ended, and including any unrealized gains and losses."

Investment Topic	Proposed Policy	Current Policy																		
Investment Objective	High exposure of principal to loss in return for higher expected Longer-term returns. Limited current income requirement. Limited inflation protection needed. Moderate liquidity requirement.	No Change																		
Risk Tolerance	High	No Change																		
Policy Risk/Loss Range	>10%	No Change																		
Time Horizon	Long	No Change																		
Asset Allocation	<table border="0"> <tr> <td>Broad U.S. Equity</td> <td>39% ± 5%</td> <td>39% ± 5%</td> </tr> <tr> <td>International Equity</td> <td>25% ± 5%</td> <td>25% ± 5%</td> </tr> <tr> <td>U.S. REITs</td> <td>5% ± 3%</td> <td>5% ± 5%</td> </tr> <tr> <td>Core U.S. Fixed Income</td> <td>30% ± 5%</td> <td>30% ± 5%</td> </tr> <tr> <td colspan="3"><i>*may include up to 7% in tactical fixed income</i></td> </tr> <tr> <td>Cash Equivalents</td> <td>1% - 1%/+2%</td> <td>1% - 1%/+2%</td> </tr> </table>	Broad U.S. Equity	39% ± 5%	39% ± 5%	International Equity	25% ± 5%	25% ± 5%	U.S. REITs	5% ± 3%	5% ± 5%	Core U.S. Fixed Income	30% ± 5%	30% ± 5%	<i>*may include up to 7% in tactical fixed income</i>			Cash Equivalents	1% - 1%/+2%	1% - 1%/+2%	
Broad U.S. Equity	39% ± 5%	39% ± 5%																		
International Equity	25% ± 5%	25% ± 5%																		
U.S. REITs	5% ± 3%	5% ± 5%																		
Core U.S. Fixed Income	30% ± 5%	30% ± 5%																		
<i>*may include up to 7% in tactical fixed income</i>																				
Cash Equivalents	1% - 1%/+2%	1% - 1%/+2%																		
Expected Return - Long-Term	6.83%	5.60%																		
Risk - Standard Deviation	12.65%	12.41%																		
Probability of Loss - 1 Year	29.5%	32.6%																		
10% Probable Downside Return (10% cVaR)	-15.4%	-16.2%																		

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State Asset Allocation Approach for FY2025 Summary

- Evaluate the current attributes of each fund to identify the best balance of risk and return.
- Use Callan’s capital market assumptions and Modern Portfolio Theory to arrive at asset allocations.
- Set short-term return expectations using current yields (YTW) for short-term and moderate risk profiles.
- Emphasize diversification in an uncertain market.

2024 Table uses Callan’s long-term CMA’s for all risk profiles for comparability

Asset Classes	Low	Low Moderate	Low High	All SOA	Higher Risk	Highest Risk
Broad U.S. Equity			4.0%	8.0%	17.0%	39.0%
Global ex-U.S. Equity			2.0%	5.4%	14.0%	25.0%
U.S. REITs				1.2%	5.0%	5.0%
Core U.S. Fixed Income				10.6%	63.0%	30.0%
Short Duration Gov't/Credit		15.0%	33.0%	9.2%		
Cash Equivalents	100%	85.0%	61.0%	65.5%	1.0%	1.0%
Total	100%	100%	100%	100%	100%	100%
Optimization Results:						
Expected Return	3.00%	3.18%	3.77%	4.22%	6.43%	7.25%
Expected Return - Real/After Inflation	0.50%	0.68%	1.27%	1.72%	3.93%	4.75%
Risk - Standard Deviation	0.90%	0.93%	1.52%	2.79%	7.17%	12.48%
Sharpe Ratio	(0.00)	0.20	0.51	0.44	0.48	0.34
Risk Statistics:						
10% Probable Downside Return - 1 Year	1.4%	1.6%	1.1%	-0.7%	-6.2%	-14.6%
5% Probable Downside Return - 1 Year	1.1%	1.3%	0.6%	-1.5%	-8.4%	-18.5%
5% Probable Downside Return - 3 Year	1.9%	2.1%	2.0%	0.9%	-2.1%	-7.6%
5% Probable Downside Return - 5 Year	2.2%	2.3%	2.4%	1.6%	-0.2%	-4.3%
Probability of Loss - 1 Year	0.0%	0.0%	0.6%	6.5%	18.5%	28.1%
Prob. Return < -1%	0.0%	0.0%	0.1%	3.1%	15.0%	25.4%
Prob. Return < -5%	0.0%	0.0%	0.0%	0.0%	5.6%	16.3%
Prob. Return < -10%	0.0%	0.0%	0.0%	0.0%	1.1%	8.3%
Prob. Return < -20%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%
Probability of Loss - 10 Year	0.0%	0.0%	0.0%	0.0%	0.2%	3.3%
Asset Time Horizon Estimate	0.3	0.5	1.2	1.9	5.9	5.9
Dollars: (\$Millions)						
Assets	2,939.7	2,008.4	1,438.8	8,459.8	844.4	1,228.5
Expected Annual Earnings	88.1	63.9	54.2	356.9	54.3	89.1
1-Year 10% Probable Return (10% cVaR)	41.7	31.2	16.0	(56.8)	(52.0)	(179.9)
1-Year 5% Probable Return (5% cVaR)	33.5	25.5	9.3	(129.3)	(70.6)	(227.1)
3-Year 5% Probable Return (5% cVaR)	56.6	41.8	28.3	76.2	(17.8)	(93.4)
5-Year 5% Probable Return (5% cVaR)	63.7	46.8	34.1	139.4	(1.6)	(52.3)

Appendix

- Links to relevant SOA budgetary and cashflow documentation:

State of Alaska (SOA) Office of Management and Budget (OMB)

<https://omb.alaska.gov/>

OMB Amended Budget:

<https://omb.alaska.gov/fiscal-year-2025-amended-budget/>

CBRF balances: OMB 10-Year Forecast

https://omb.alaska.gov/ombfiles/25_budget/PDFs/FY2025_10-Year_Plan_12-14-23.pdf

CBRF balance: OMB Updated FY25 Fiscal Summary

https://omb.alaska.gov/ombfiles/25_budget/PDFs/FY2025_Fiscal_Summary_4.9.24.pdf

Revenue forecasts Fall/Spring

<http://www.tax.alaska.gov/programs/sourcebook/index.aspx>

GeFONSI:

<https://treasury.dor.alaska.gov/home/investments/gefonsi>

<https://treasury.dor.alaska.gov/home/investments/gefonsi/gefonsi-cbrf-and-sbrf-charts>

<https://treasury.dor.alaska.gov/home/cash-management/cash-management-reports>

https://treasury.dor.alaska.gov/docs/treasurydivisionlibraries/cash-management/reports/fy24a.pdf?sfvrsn=a97cd63c_117

https://treasury.dor.alaska.gov/docs/treasurydivisionlibraries/investments/gefonsi/2021-8-31-gefonsi-mou-attachment-c-2021-2026.pdf?sfvrsn=44574f35_3

APFC Trustee Paper – Earning Reserve Account (ERA) Sufficiency

https://apfc2017.wpenginepowered.com/download/33/trustees-papers/4839/2024_apfc_trustees-paper-10.pdf

FY2025 Adopted Asset Allocations



Memo

To: Adam Crum, Commissioner of Revenue

From: Zachary Hanna, Chief Investment Officer

A handwritten signature in blue ink, appearing to read "Zachary Hanna".

Date: June 4, 2024

Re: Fiscal Year 2025 Asset Allocation Approval

Each year, staff reviews the investment objectives, risk tolerance, and other attributes of each fund for which the Commissioner of Revenue has fiduciary responsibility and recommends asset allocations for approval. The recommendations take into consideration expected investment return, income, volatility, cash flows, liquidity, and other fund-specific characteristics.

The State holds a quarterly State Investment Review ("SIR") meeting where asset allocation, performance, market conditions, risk/return considerations, and other matters are discussed at length with the State's Investment Advisory Committee comprised of three independent financial experts.

This fiscal year, the SIR meetings were held on August 14, 2023, November 14, 2023; February 14, 2024; and May 8, 2024. Meeting summaries, packets, and other relevant information are available on the department's website. The May 2024 meeting reviewed the asset allocation process and FY2025 considerations in detail and form the basis for this year's recommendations.

Staff's Investment Policy recommendations for Fiscal Year 2025 are attached for your consideration and approval. The rationale for each asset allocation is provided in the May 2024 SIR asset allocation presentation.

Short-Term Funds Investment Policy

The Department manages several funds that have high liquidity requirements necessitating investment entirely in short-term fixed income. The following funds are covered by this policy:

- | | |
|--|---|
| AY03 - Retiree Health Insurance Fund | AY3B - International Airports 2010-B |
| AY05 - International Airport Repair and Replacement Fund | AY3V - 2010-C GO Bonds |
| AY28 - Investment Loss Trust Fund | AY3Y - 2013-C GO Bonds |
| AY2E - 2002 Series Reserve Account | AY3Z - 2013-B GO Bonds |
| AY2G - Permanent Fund Dividend Holding Account | AY9X - 2006B Non-AMT Construction Fund |
| AY2Q - 2008 Transportation Project GO Bonds | AY9Y - 2006 Series Variable Rate |
| AY2U - 2003 Series Reserve Account | AY3Q - FY 2017 2016B - 2012 Transportation Bond Act |
| AY3A - International Airports 2010-A | |

Investment Topic	FY 2025	FY 2024
Investment Objective	Very low exposure to principal loss. Modest current income requirement. Little inflation protection needed. High liquidity requirement.	No Change
Risk Tolerance	Low	No Change
Policy Risk/Loss Range	<1%	No Change
Time Horizon	Short	No Change
Asset Allocation	Broad U.S. Equity International Equity Short Duration Govt/Credit Core U.S. Fixed Income Cash Equivalents	100%
Expected Return - Short-Term	5.09%	5.01%
Expected Real Return - Short-Term	2.59%	2.51%
Risk - Standard Deviation	0.90%	0.90%
Probability of Loss - 1 Year	0.0%	0.0%
5% Probable Downside Return (5% cVaR)	3.2%	3.2%

The proposed policy is effective July 1, 2024:



Approved

6/21/2024

Date

AY19: CBRF Investment Policy

The investment policies for the Constitutional Budget Reserve Fund (CBRF) have changed over the years as the balance and the expected uses of the CBRF have changed. Declining production of Alaska North Slope crude oil and the inconsistency of future prices are still a concern. The CBRF is the state’s “savings account” and as such is responsible for covering fluctuations in the general fund.

Financial planning by the administration and the legislature is highly dependent upon the CBRF balance maintaining stability and high liquidity. Given the short-term expected requirement for these funds, a cash equivalent investment program is warranted.

Investment Topic	FY 2025	FY 2024
Investment Objective	Very low exposure to principal loss. Little inflation protection needed. High liquidity requirement.	No Change
Risk Tolerance	Low	No Change
Policy Risk/Loss Range	<1%	No Change
Time Horizon	Short	No Change
Asset Allocation	Broad U.S. Equity International Equity Short Duration Govt/Credit Core U.S. Fixed Income Cash Equivalents 100%	100%
Expected Return - Short-Term	5.09%	5.01%
Expected Real Return - Short-Term	2.59%	2.51%
Risk - Standard Deviation	0.90%	0.90%
Probability of Loss - 1 Year 5% Probable Downside Return (5% cVaR)	0.0% 3.2%	0.0% 3.2%

The proposed policy is effective July 1, 2024:



Approved

6/21/2024

Date

AY01: GeFONSI Investment Policy

The General Fund constitutes the largest element of the General Fund and Other Non-Segregated Investments (GeFONSI) fund. Much of the money in the fund has been appropriated and a material loss could affect the state’s ability to fulfill its obligations. Treasury expects much of the money in the pool to be spent in less than one year. Accordingly, the allocation should allow minimal exposure to principal loss. Equities are not recommended for the GeFONSI.

Investment Topic	FY 2025	FY 2024
Investment Objective	Minimal exposure to principal loss. Maximize current income within moderate risk tolerance. Minimal inflation protection needed. High liquidity requirement.	No Change
Risk Tolerance	Low-Moderate	No Change
Policy Risk/Loss Range	1 - 5%	No Change
Time Horizon	Short to Intermediate	No Change
Asset Allocation	Broad U.S. Equity International Equity Short Duration Govt/Credit 15% ±10% Core U.S. Fixed Income Cash Equivalentents 85% ±10%	15% ±10% 85% ±10%
Expected Return - Short-Term	5.08%	5.00%
Expected Real Return - Short-Term	2.58%	2.50%
Risk - Standard Deviation	0.93%	0.93%
Probability of Loss - 1 Year	0.0%	0.0%
5% Probable Downside Return (5% cVaR)	3.2%	3.1%

The proposed policy is effective July 1, 2024:



Approved

6/21/2024

Date

AY04: International Airport Revenue Fund Investment Policy

The Revenue Fund maintains a significant balance and the investment earnings on that balance are a revenue source for the airport system. Airport management and airline representatives want to keep fees as stable and low as practical. Relatively stable investment earnings assist the airport system and the airlines in meeting that goal.

Beginning October 2000, the Revenue Fund contained receipts from passenger facility charges collected at the Anchorage and Fairbanks International Airports. All the airport systems' revenue and expenses flow through the Revenue Fund. This includes normal operating transactions and most repair and maintenance projects. This subjects the Revenue Fund to the possibility of relatively significant cash inflows and outflows.

Investment Topic	FY 2025	FY 2024
Investment Objective	Minimal exposure to principal loss. Maximize current income within moderate risk tolerance. Minimal inflation protection needed. High liquidity requirement.	No Change
Risk Tolerance	Low-Moderate	No Change
Policy Risk/Loss Range	1 - 5%	No Change
Time Horizon	Short to Intermediate	No Change
Asset Allocation	Broad U.S. Equity International Equity Short Duration Govt/Credit 15% ±10% Core U.S. Fixed Income Cash Equivalentents 85% ±10%	15% ±10% 85% ±10%
Expected Return - Short-Term	5.08%	5.00%
Expected Real Return - Short-Term	2.58%	2.50%
Risk - Standard Deviation	0.93%	0.93%
Probability of Loss - 1 Year	0.0%	0.0%
5% Probable Downside Return (5% cVaR)	3.2%	3.1%

The proposed policy is effective July 1, 2024:



Approved

6/21/2024

Date

AY3F: GeFONSI II Investment Policy

GeFONSI II is comprised of funds that do not benefit from positive investment returns, nor bear the risk of loss in the event of negative returns. The General Fund benefits, or is harmed, by these returns. GeFONSI II is invested more aggressively than is the GeFONSI. The premise for the higher risk posture is that over the course of several years the General Fund will generate more total return, despite having a higher risk of loss in any given year.

Investment Topic	FY 2025	FY 2024
Investment Objective	Tolerate moderate exposure to principal loss to target modestly higher returns.	No Change
Risk Tolerance	Low-High	No Change
Policy Risk/Loss Range	5 - 10%	No Change
Time Horizon	Intermediate	No Change
Asset Allocation	Broad U.S. Equity 4% - 4%/+5% International Equity 2% - 2%/+5% Short Duration Govt/Credit 33% ±10% Core U.S. Fixed Income Cash Equivalentents 61% ±10%	4% - 4%/+5% 2% - 2%/+5% 33% ±10% 61% ±10%
Expected Return - Short-Term	5.31%	5.24%
Expected Real Return - Short-Term	2.81%	2.74%
Risk - Standard Deviation	1.52%	1.51%
Probability of Loss - 1 Year	0.0%	0.0%
5% Probable Downside Return (5% cVaR)	2.2%	2.1%

The proposed policy is effective July 1, 2024:



Approved

6/21/2024

Date

AY11: Retiree LTC Insurance Investment Policy

Effective July 1, 1997, the Department of Administration established the Group Health and Life Insurance Fund and the Retiree Health Insurance Fund. The Retiree Health Insurance Fund is further broken down into three plans: 1) medical, 2) dental, vision, and audio, and 3) long term care.

The Retiree Long-Term Care Plan consists of premiums paid for retiree long term care. While many retirees are paying premiums into the plan today, at present only a small percentage of the premiums are needed for claims payments. Per the analysis, Actuarial Valuation of the State of Alaska Long-Term Care Program as of June 2021, conducted by Lewis & Ellis, Inc., the actuarial assumed net investment earnings assumption is 5.25%.

Investment Topic	FY 2025	FY 2024
Investment Objective	To match the fund’s assumed actuarial rate of return while minimizing risk	No Change
Risk Tolerance	High	No Change
Policy Risk/Loss Range	>10%	No Change
Time Horizon	Long	No Change
Asset Allocation	Broad U.S. Equity 15% ± 5% International Equity 11% ± 5% U.S. REITs 4% ± 3% Core U.S. Fixed Income 69% ± 5% <i>*may include up to 17% in tactical fixed income</i> Cash Equivalents 1% - 1%/+2%	25% ± 5% 18% ± 5% 4% ± 3% 52% ± 5% 1% - 1%/+2%
Expected Return - Long-Term	6.22%	6.14%
Expected Real Return - Long-Term	3.72%	3.64%
Risk - Standard Deviation	6.29%	8.87%
Probability of Loss - 1 Year	16.1%	24.4%
10% Probable Downside Return (10% cVaR)	-4.8%	-9.4%
5% Probable Downside Return (5% cVaR)	-6.7%	-12.1%

The proposed policy is effective July 1, 2024:



Approved

6/21/2024

Date

AY08: Public School Trust Fund Investment Policy

The Public School Trust Fund is a fund dedicated to the benefit of Alaska’s public schools. The central objective is to provide “increasing returns from capital appreciation and net income over long-term periods to the fund’s current beneficiaries.” The fund may be invested “on the basis of probable total rate of return to promote the long-term generation of capital appreciation and income.”

On July 1 of each year, the commissioner shall determine the monthly average market value of the fund for the previous five fiscal years preceding the previous fiscal year. The legislature may appropriate not more than five percent of the amount determined by the commissioner. Pending signature by the governor, the appropriated amount may be expended the following fiscal year.

Investment Topic	FY 2025	FY 2024
Investment Objective	High exposure of principal to loss in return for higher expected longer-term returns. Limited current income requirement. Limited inflation protection needed. Moderate liquidity requirement.	No Change
Risk Tolerance	High	No Change
Policy Risk/Loss Range	>10%	No Change
Time Horizon	Long	No Change
Asset Allocation	Broad U.S. Equity 39% ± 5% International Equity 25% ± 5% U.S. REITs 5% ± 3% Core U.S. Fixed Income 30% ± 5% <i>*may include up to 7% in tactical fixed income</i> Cash Equivalents 1% - 1%/+2%	39% ± 5% 25% ± 5% 5% ± 5% 30% ± 5% 1% - 1%/+2%
Expected Return - Long-Term	7.21%	6.83%
Expected Real Return - Long-Term	4.71%	4.33%
Risk - Standard Deviation	12.48%	12.65%
Probability of Loss - 1 Year	28.1%	29.5%
10% Probable Downside Return (10% cVaR)	-14.6%	-15.4%
5% Probable Downside Return (5% cVaR)	-18.5%	-19.3%

The proposed policy is effective July 1, 2024:



Approved

6/21/2024

Date

AY3L: Alaska Higher Education Investment Policy

The Alaska Higher Education Investment Fund was established to make grants and scholarship payments to qualified postsecondary institutions for students. The Legislature may appropriate up to seven percent of the fund's prior June 30 market value balance each year.

Investment Topic	FY 2025	FY 2024
Investment Objective	High exposure of principal to loss in return for higher expected longer-term returns. Limited current income requirement. Limited inflation protection needed. Moderate liquidity requirement.	No Change
Risk Tolerance	High	No Change
Policy Risk/Loss Range	>10%	No Change
Time Horizon	Long	No Change
Asset Allocation	Broad U.S. Equity 39% ± 5% International Equity 25% ± 5% U.S. REITs 5% ± 3% Core U.S. Fixed Income 30% ± 5% <i>*may include up to 7% in tactical fixed income</i> Cash Equivalents 1% - 1%/+2%	39% ± 5% 25% ± 5% 5% ± 5% 30% ± 5% 1% - 1%/+2%
Expected Return - Long-Term	7.21%	6.83%
Expected Real Return - Long-Term	4.71%	4.33%
Risk - Standard Deviation	12.48%	12.65%
Probability of Loss - 1 Year	28.1%	29.5%
10% Probable Downside Return (10% cVaR)	-14.6%	-15.4%
5% Probable Downside Return (5% cVaR)	-18.5%	-19.3%

The proposed policy is effective July 1, 2024:



Approved

6/21/2024

Date

AY9J: Illinois Creek Mine Reclamation Investment Policy

The Illinois Creek Gold Mine is a remote gold mine located on state land approximately 51 miles south of Galena, Alaska. Construction of the gold mine began in June, 1996. The companies responsible for the mine dissolved, the financier abandoned its ownership rights, and the State of Alaska inherited operating responsibility for the mine in July 1999. Following reclamation of the mine by American Reclamation Group, the State now assumes responsibility to monitor the site and to fix unexpected post-reclamation problems. To fund the post-closure monitoring and any potential maintenance, this trust fund was created. The Department of Revenue will manage the fund and Department of Natural Resources will withdraw funds for monitoring and reclamation obligations.

Investment Topic	FY 2025	FY 2024
Investment Objective	Maximize return while still being able to fund uncertain maintenance expenditures (amount and size)	No Change
Risk Tolerance	High	No Change
Policy Risk/Loss Range	>10%	No Change
Time Horizon	Long	No Change
Asset Allocation	Broad U.S. Equity 39% ± 5% International Equity 25% ± 5% U.S. REITs 5% ± 3% Core U.S. Fixed Income 30% ± 5% <i>*may include up to 7% in tactical fixed income</i> Cash Equivalents 1% - 1%/+2%	39% ± 5% 25% ± 5% 5% ± 5% 30% ± 5% 1% - 1%/+2%
Expected Return - Long-Term	7.21%	6.83%
Expected Real Return - Long-Term	4.71%	4.33%
Risk - Standard Deviation	12.48%	12.65%
Probability of Loss - 1 Year	28.1%	29.5%
10% Probable Downside Return (10% cVaR)	-14.6%	-15.4%
5% Probable Downside Return (5% cVaR)	-18.5%	-19.3%

The proposed policy is effective July 1, 2024:



Approved

6/21/2024

Date

AY3G: Education Endowment Investment Policy

AS 43.23.063(b)(2) directs the commissioner to invest in a manner likely to achieve at least a four percent nominal return over a five-year period.

On July 1 of each year, the “commissioner shall determine the fund balance for the previously closed fiscal year, including the earnings of the fund” and “when the average market value for the fiscal year exceeds \$1,000,000,000, transfer 4.5% of the average fiscal-year-end market value of the balance of the fund for the last five fiscal years, including the fiscal year just ended, and including any unrealized gains and losses.”

Investment Topic	FY 2025	FY 2024
Investment Objective	High exposure of principal to loss in return for higher expected longer-term returns. Limited current income requirement. Limited inflation protection needed. Moderate liquidity requirement.	No Change
Risk Tolerance	High	No Change
Policy Risk/Loss Range	>10%	No Change
Time Horizon	Long	No Change
Asset Allocation	Broad U.S. Equity 39% ± 5% International Equity 25% ± 5% U.S. REITs 5% ± 3% Core U.S. Fixed Income 30% ± 5% <i>*may include up to 7% in tactical fixed income</i> Cash Equivalents 1% - 1%/+2%	39% ± 5% 25% ± 5% 5% ± 5% 30% ± 5% 1% - 1%/+2%
Expected Return - Long-Term	7.21%	6.83%
Expected Real Return - Long-Term	4.71%	4.33%
Risk - Standard Deviation	12.48%	12.65%
Probability of Loss - 1 Year	28.1%	29.5%
10% Probable Downside Return (10% cVaR)	-14.6%	-15.4%
5% Probable Downside Return (5% cVaR)	-18.5%	-19.3%

The proposed policy is effective July 1, 2024:



Approved

6/21/2024

Date

**State of Alaska
Department of Revenue**

2024 State Investment Review Meeting Schedule

February 14, 2024 @ 10:30 AM (Videoconference)

1. December 31, 2023, Performance
2. 2024 Capital Market Assumptions and asset class discussion
3. Fixed Income Investments

May 08, 2024 @ 10:00 AM (Videoconference)

1. March 31, 2024, Performance
2. FY2025 Asset Allocation Discussion
3. Middle Office Update

August 19, 2024 @ 10:00 AM (Videoconference)

1. June 30, 2024, Performance
2. FY2025 Asset Allocation Discussion

November 12, 2024 @ 10:00 AM (Videoconference)

1. September 30, 2024, Performance
2. TBD