

City of Fairbanks  
Permanent Fund Review Board  
Quarterly Meeting Minutes  
January 22, 2024

The Permanent Fund Review Board (PFRB) convened at 4:05 p.m. in the City Council Chambers to conduct a quarterly meeting.

Board Members Present: Vice Chair Bernard Gatewood (online)  
Board Member Dave Owen (online)  
Council Member John Ringstad  
Board Member Pamela Wentz

Board Member Absent: Chair Patty Mongold (excused)

Also Present: Margarita Bell, Chief Financial Officer  
Blake Phillips, Director of Institutional Solutions - APCM  
Brandy Niclai, Chief Investment Officer – APCM

John Ringstad moved, and Dave Owen seconded to approve the minutes from the October 25, 2023 meeting. The PFRB unanimously agreed.

Margarita Bell reviewed the account's performance through December 31, 2023:

- \$ 141,706,933 - Balance including accrued income
- \$ 3,912,108 - Dividends and interest earnings
- \$ 1,890,167 - Realized gain
- \$ 11,033,273 - Unrealized gain
- \$ (101,795) - Management and custodial fees
- \$ 16,733,753 - Earnings, net of expenses

Margarita Bell reported that the annual draw will be made in December 2024 in the amount of \$6,374,346 to the general fund (\$5,666,085) and capital fund (\$708,261). The city made the 2023 draw on December 19, 2023.

Brandy Niclai presented an annual report for the council work session reporting \$110.5 million in deposits, \$123.0 million in withdrawals with an average of \$4.9 million per year, and \$141.7 million in current market value since Alaska Permanent Capital Management (APCM) managed the account. Margarita Bell provided an annual report since inception of the permanent fund.

Brandy Niclai stated that the annual return had an average of 5.57% since inception and 5.90% since March 2017 with the adoption of higher equity exposure. She reported that APCM anticipates that economic growth will be slower but positive and that policy rate hikes of 400 basis points or more have often culminated in a recession. She also reported that the portfolio positioning will be designed to address an array of macroeconomic and market scenarios to maintain a neutral stance on risk assets, underweight to alternatives assets, and an overweight of risk control assets.

Brandy Niclai reported that over ten years, the portfolio is expected to experience returns from -12.7% to 32.0% to arrive at a long-term average of 7.4% with 4.5% for the current distribution and earnings of 2.9%. This will exceed the expected inflation rate of 2.5%.

Brandy Niclai reported that the balance of the fund was \$140,590,889 on January 21, 2024.

Brandy Niclai presented a strategic review of the current portfolio demonstrating the impacts of adding 5% or 10% in private equity. The current portfolio is expected to provide an annual return of 8.0%, long-term return of 7.4%, and net earnings of 4.9%. A portfolio adding 5% in private equity is expected to provide an annual return of 8.1%, long-term return of 7.6%, and net earnings of 5.1%. A portfolio adding 10% in private equity is expected to provide an annual return of 8.5%, long-term return of 8.0%, and net earnings of 5.5%.

PFRB members inquired about the impacts of adding private equity to the portfolio. The changes in distribution in ten years were not significant since this type of investment does not see returns until 8 to 10 years. Brandy Niclai stated that the presentation about private equity was to address an inquiry at the prior quarterly meeting and that APCM is not recommending this change since the current allocation will provide more than the required return of 7.0%. Overall, the addition of private equity could be added to reduce overall portfolio risk with a similar expected return at 5% or increase expected returns with similar overall risk at 10%. Bernard Gatewood recommended adding private equity as an asset class in the investment policy but not investing funds.

Brandy Niclai presented a portfolio review for the fourth quarter. The portfolio performance was 8.56% with a benchmark of 8.87% due to an overweight in cash. The combined equity allocation returned 11.14% and the combined fixed income allocation returned 5.84% for the quarter.

Portfolio Summary							
4th Quarter		Year to Date		Prior Year		Inception to Date	
Account	Benchmark	Account	Benchmark	Account	Benchmark	Account	Benchmark
8.60%	8.90%	12.90%	13.90%	-13.26%	-13.54%	5.60%	5.40%
	0.13% <sup>1</sup>		0.50% <sup>2</sup>		0.50% <sup>3</sup>		
8.60%	9.03%	12.90%	14.40%	-13.26%	-13.04%	5.60%	5.40%

1 - 12.5 bps - per quarter rounded  
2 - 50 bps hurdle -annual (YTD = 12.5 basis pts X # quarters)  
3 - 50 bps hurdle codified in March 2009. Inception performance begins January 31, 1998.

APCM report stated no compliance issues.

The next quarterly meeting will be held on April 24, 2024 in the City Council Chambers.

The meeting was adjourned at 5:05 p.m.