

**Department of Revenue
FY24 Midyear Status Report**

Item No.	Appropriation / Allocation	Description	Amount / Fund Source	LFD Questions
1	Taxation and Treasury / Tax Division	Tax Revenue Management System (TRMS) Cloud Server Hosting	\$373.6 Gen Fund (UGF)	When did the Department enter into this contract with FAST, and what is the annual cost of the contract?
<p>Agency Response Annual costs of the contract are \$470.0 increasing by 3% each year with an inflationary rider as part of the contract for the cloud services. The amount we asked for, offset the total amount we've asked for by a projected decrease in needed OIT hosting services. DOR anticipates needing additional funding and are planning to have as part of budget development in FY26 now that we have more accurate charge back numbers from OIT.</p>				
2	Various	(SB 98) AK PERM FUND CORP. & PCE ENDOWMENT FUND Fiscal Note	Total: \$2,560.0 \$1,178.9 Gen Fund (UGF) \$2,560.0 PF Gross (Other) (\$1,178.9) PCE Endow (DGF)	Has Treasury seen any cost savings resulting from no longer managing PCE assets?
<p>Agency Response Treasury manages \$50 billion in assets for many funds and is able to achieve economies of scale by using one team to manage them all. This results in no net change as we continue to require the same investment tools, resources and personnel to manage the remaining State of Alaska assets. No longer managing PCE assets results in Treasury's total costs being allocated to the remaining state and retirement investment funds managed by the Treasury. There was no anticipated cost savings.</p>				
3	Taxation and Treasury / Permanent Fund Dividend Division	Dividend Application Information System Maintenance and Support	\$326.4 PFD Fund (Other)	On what date did the Department enter into a contract for ongoing maintenance/support, and what is the annual cost of the contract?
<p>Agency Response This is currently being done under the existing contract and vendor. A new contract has not yet been negotiated for ongoing support for PFD. This was an estimated cost based on support outlined in the existing contract.</p>				

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4	Alaska Permanent Fund Corporation / APFC Operations	Fully Fund Incentive Compensation for Direct Investment Staff	\$1,200.0 PF Gross (Other)	Will the maximum amount available for incentive compensation be distributed in FY24? If not, how much will be distributed, and what is the estimated lapse?
<p>Agency Response Incentive Compensation – a standard offering of most pension, endowment, and sovereign wealth funds In FY24, there was a \$1,200,000 increment to bring full funding of the program to \$2,800,000 for investment staff.</p> <ul style="list-style-type: none"> • The incentive compensation payout during fiscal year 2024 is based on the benchmarked performance achieved at the end of fiscal year 2023. • Based on FY23 performance, the maximum amount of incentive pay that could have been earned per the policy was \$2,615,669, and the actual amount of incentive pay earned by our investment staff was \$2,004,070 which was paid out in September of 2023. • The amount that lapsed and remained unspent is \$795,930. • Full funding of the incentive compensation is crucial to ensure funds are available in case of maximum outperformance of benchmarks and ensure continuity. 				
5	Alaska Permanent Fund Corporation / APFC Operations	Salary Increases and Corresponding Benefit Costs	\$1,410.5 PF Gross (Other)	Which positions received targeted pay increases (due to being substantially below market rates)? What was the percentage pay increase for these positions?
<p>Agency Response Annual Merit adjustments – essential to maintain the continuity of our staffing levels FY24 \$914,000 increment (6% annual merit and 2% for targeted adjustments) FY24 \$496,520 increment to benefits associated with salary adjustments</p> <ul style="list-style-type: none"> • Personal Services proactive funding is essential in retaining professional staff, recruiting in the competitive landscape, and one team ensuring success. • FY24 personal services increment included the funding for annual merit pay, which was 6% - an amount of \$684,000, which was distributed to all eligible staff. • The additional increment of 2% for targeted pay adjustments totaled \$230,000. <ul style="list-style-type: none"> o The targeted pay adjustments have provided needed strategic flexibility to both retain talented staff who have received offers for higher pay elsewhere and optimize recruitment to garner the attention of a certain category of skill and talent for investment management. o Currently, we are also in the process of reviewing positions identified for targeted pay increases including our Executive leadership (Chief Investment, Chief Financial, and Chief Risk Officers), key investment staff including our Director of Private Equity, Director of Absolute Return, support investment staff including two analyst positions, junior members of our risk management team, our board liaison, and junior members of our IT staff. Additional staff may be added to this list as resource need is finalized and determination on ability to target additional staff is determined. 				

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6	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Investment Management Fees	(\$3,004.4) PF Gross (Other)	Has APFC entered into a contract for a data repository? If so, please provide details and costs for the contract.
<p>Agency Response</p> <p>In FY24, APFC experienced a significant decrease in investment management fees due to the management of fixed-income assets being handled in-house. However, a part of the decrease was offset by the need for an improved data platform. In terms of FY24 Investment Systems, an increment of \$2,757,500 was allocated for analytical software and associated data feeds required for investing and monitoring the portfolio. This includes a provision for the normal 5-10% annual increases and an additional \$2 million for the continuation of the data strategy project that was initiated in FY22.</p> <ul style="list-style-type: none"> o Enhancing APFC's data management capabilities is crucial for future use cases and portfolio analytics, making good data a prerequisite for investment management rather than just an advantage. o Developing and implementing a robust data strategy demands resources, including talent and technology. o Currently, APFC is collaborating with our custodian to assess their data storage and analytical product, identified so far as the most efficient option. This evaluation will address current technical needs and lay the foundation for future use cases. o We anticipate utilizing the entire allocated budget, encompassing implementation costs and ongoing maintenance and technology expenses. Since we are in the evaluation phase, specific numbers are not yet finalized. 				