

ALASKA PERMANENT FUND CORPORATION  
Special Meeting of the Board of Trustees  
July 13, 2004

Location of Meeting  
Anchorage Marriott Downtown Hotel  
Skagway/Valdez Room  
820 West 7<sup>th</sup> Avenue  
Anchorage, Alaska

SUMMARY MINUTES

Tuesday, July 13, 2004

Trustees Present: Trustee Brady, Chair  
Trustee Wohlforth, Chair  
Trustee Frank, Vice Chair  
Trustee Corbus  
Trustee Hudson  
Trustee Renkes (via telephone)

Staff Present: Rick Shafer  
David Stuart  
Christi Grussendorf  
Sandra Firestack

Invited Participants Present: Michael O'Leary, Callan Associates  
Ron Lorensen  
Bob Storer

Others Present: Theresa Nangle Obermeyer

CALL TO ORDER

CHAIR BRADY called the meeting to order at 9:03 a.m.

ROLL CALL

All members were present at the time of roll call with Trustee Renkes participating in the meeting telephonically.

APPROVAL OF AGENDA

TRUSTEE HUDSON moved to approve the agenda. TRUSTEE WOHLFORTH seconded.

There being no objection, the motion passed unanimously.

## APPROVAL OF MINUTES

TRUSTEE WOHLFORTH moved to approve the minutes of May 26, 2004 and the minutes of June 7-8, 2004. TRUSTEE HUDSON seconded.

There being no objection, the motion passed unanimously.

## SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION – None

### REAL ESTATE POLICY, STRATEGY & TACTICAL PLAN FOR FY2005

BOB BARTHOLOMEW explained that he would be bringing to the Board the work done by staff regarding implementation of the real estate strategy. Real Estate Committee meetings were held in December and January at which there was discussion regarding giving discretion to managers rather than staff retaining discretion. In addition, the Fund's real estate staff has developed a new strategy to be recommended to the Board for implementation of this change.

MR. BARTHOLOMEW indicated there is a significant amount of information before the Board, which typically would have gone first to the Real Estate Committee, but there was an effort to consolidate the review to one presentation before all members. MR. BARTHOLOMEW noted that there would also be discussion of new types of delegation of authority being provided to the Executive Director, including the authority to delegate to managers and to real estate staff. There would be no immediate implementation of this change in delegation authority. He estimated that a period of 6 to 8 weeks would be required for staff to work with real estate managers to outline how this change will be achieved and how the transition will affect the portfolio vis-à-vis the benchmarks.

#### Recap of Real Estate Committee Meetings

RICK SHAFER briefly reviewed what occurred at the December 5, 2003 Real Estate Committee meeting and the January 21, 2004 Real Estate Committee meeting (minutes were provided). At the December and January meetings, Ms. Grussendorf presented information on delegation of authority to managers and received feedback from managers. There were also presentations from all real estate managers regarding all of the Fund's properties. The Committee reviewed instances where managers have only discretionary clients and discussed the ways in which that is implemented. The Committee had presentations from other plan sponsors, some of which use discretion and others of which do not. There was a general consensus to move in the direction of giving more discretion to the Fund's outside managers.

#### Portfolio Review

CHRISTI GRUSSENDORF explained that when the Fund began investing in real estate it could own up to 40% of an asset. That was increased in 1994 to 67% of an asset, and then again in 1995 to 100% of any asset. In 1996, the Board adopted a real estate strategic plan, which was the last formal adoption of a restructuring plan for the real estate portfolio. The strategic plan focused on restructuring the

existing portfolio from minority ownership of assets wholly-owned, owning a majority or thereby allowing the Fund greater control of the investment decisions being made at the asset level. In 1996, the Fund had over \$880 million in minority co-investments, \$165 million in majority co-investments, and \$252 in wholly owned assets. The current portfolio contains over \$900 million in wholly owned assets, \$255 million in majority co-investments, and \$70 million in minority co-investments. In the strategic plan, the Board elected to liquidate holdings in commingled funds. At this time, there is one commingled fund investment with a single asset, totaling a value of less than \$1 million.

The REIT program was established in 1997. The initial funding was made to AEW in 1997 and another \$100 million in May 1999. In December 2000, the Board hired Wellington to also manage REITs on its behalf. Today there is over \$990 million in the REIT portfolio. The private real estate portfolio, comprised of CMBs and whole loan program, was established in 2000 through Lend Lease. A decision has been made to liquidate that program, so there are no dollars allocated to it at this time. The total real estate portfolio was \$1.4 billion in 1996 and is \$2.2 billion today.

The last strategic plan was adopted in 1996 and the most current resolution for real estate was adopted in 2000 (Resolution 00-10). The discussion today is of an updated real estate resolution and new investment strategy for the program. Key milestones for the Fund's real estate program include a realignment of the existing portfolio in 1996, a rationalization/consolidation of the real estate program in 2000, and a new resolution being proposed in 2004 to address the under-allocation to the private equity real estate.

TRUSTEE HUDSON asked if the under allocation is in REITs or wholly owned loans. MS. GRUSSENDORF replied that the under allocation is in the direct equity program. MR. BARTHOLOMEW explained that staff is proposing that 70% of the real estate allocation be in private real estate and 30% in the REIT program. Today direct real estate investment is 55% of the total allocation and 45% is REITs. Because 8% of the Fund is invested in real estate and the target is 10%, it is 2% under target. Staff does not propose to lessen the allocation to REITs, rather the proposal is to increase the allocation to private equity.

CHAIR BRADY noted that the allocations came about because the Fund decided to be a net seller, not a net buyer, of real estate. Until such time as the market conditions are such that the Fund wants to purchase properties, the Fund will probably stay as it is. MR. BARTHOLOMEW stated the goal is to work back to the full allocation over the next approximately 18 to 24 months.

Real Estate Policy Resolution #04-07

MR. SHAFER stated that full discretion is not given to the manager in any asset class. When a manager is hired, the Fund provides a set of guidelines regarding investment in a particular asset class. There is somewhat of an anachronism with

regard to private equity real estate in that the Fund does not hire the manager, the manager comes with the asset that is purchased. The staff is proposing that those managers conform their activity to that of other managers that the Fund hires. The proposal is that the Board hire managers based on their abilities and that they be given an allocation to invest. He cautioned that, although a change is being proposed to give managers more discretion, the Board should not approve that change thinking that it will result in better real estate performance for the Fund. The change is designed to put more money into the asset class and give transparency to the asset class. In addition, this program still does not offer to give selling discretion to managers, and it does not have an ideal benchmark, in his view. TRUSTEE CORBUS asked for a definition of the NPI. MR. SHAFER explained that NPI is an acronym for the NCREIF Property Index, which is not the NCREIF Classic Index, against which the Fund currently measures its real estate performance.

MR. SHAFER noted that this work is a first step. If the resolution is approved substantially in the form it is presented the real estate team and CIO will return to the Board with recommendations on other asset types within the asset class and other managers that the Board ought to consider hiring. Staff will also ask the Board to potentially expand the options so that more of the real estate money stays in real estate rather than being allocated by default to other asset classes.

MR. O'LEARY stated that giving managers discretion to acquire, but not discretion to sell, is a potential source of confusion. He thought that within five years, manager guidelines would include the discretion to both buy and sell. MR. SHAFER hoped that change would occur before five years. He noted that some sales are triggered by a buy/sell agreement within a property that the Fund owns, meaning there is no discretion on the sale by either the Fund or the manager.

CHAIR BRADY thought that discretion in the acquisition of a property is more important than discretion in the sale of a property. He did not believe that the Fund's consideration of a sale would be as involved or time-consuming as an acquisition. Timeliness is also a factor to consider on both buy and sell sides. MR. O'LEARY hoped that managers would be thinking about their total responsibilities for the properties they own, as well as the new allocation, in determining the size and type of investments to acquire. MR. BARTHOLOMEW noted that the resolution grants full discretion to the Executive Director to implement the real estate program and to grant full discretion to managers for acquisition and disposition of real estate. The strategy, which is a 3- to 5-year horizon, recommends delegating only acquisition authority to managers.

TRUSTEE WOHLFORTH asked if the resolution sections dealing with this issue are contained on page 6, item G, of the resolution. MR. BARTHOLOMEW replied that sections G.1a and G.1b address this issue. TRUSTEE WOHLFORTH asked if this establishes a limitation on the real estate manager's right to sell. MR. BARTHOLOMEW indicated that limitation is contained in the real estate

strategy. The resolution gives the Executive Director full authority to delegate discretion for both acquisition and disposition of real estate.

TRUSTEE HUDSON understood that buy and sell decisions are currently discretionary with the Executive Director. MR. BARTHOLOMEW replied in the affirmative. TRUSTEE HUDSON understood that much of the real estate activity involves upgrading properties. He asked if that discretion lies with real estate managers or Fund staff. MR. BARTHOLOMEW replied that discretion would be retained with the Executive Director and staff. MR. SHAFER stated the Executive Director is given authority to implement the real estate program, just as the Executive Director does with all other asset class programs. MR. STUART referenced the real estate strategy, item III on page 12, that indicates the authority for disposition would be reconsidered in FY06.

TRUSTEE CORBUS voiced concern with the language in the tactical plan that the Executive Director can update the tactical plan and then later review that update with the Board. He noted that the Board approves the tactical plan for alternative investments, that plan is not first approved by the Executive Director and later reviewed by the Board. MR. SHAFER explained the Board's approach in private equity investing in total was to wrap its policy and guidelines into the resolution that authorizes an investment in that asset class. Then the Board hired a manager and gave the manager full discretion and the only way to monitor that program was to require that manager to submit a tactical plan. There is little room for input from staff in that process because so much discretion has been given to the private equity managers. In this situation, the Executive Director has been granted all implementation authority and staff has a great deal of input and communication with the managers. MR. STUART stated this is a comprehensive planning framework for real estate investment that includes policy established by the Board, the strategy that represents current market conditions, the tactical plan, and lastly the individual manager plans. Each element of the framework has a different timeframe. The policy level is long-lived, the strategy is anticipated to be functional for about three years, and the tactical plans and investment management plans are one year. Staff anticipates bringing the investment strategy to the Board and/or the Real Estate Committee for adoption at a minimum of every three years. The tactical plan is the implementation/execution tool.

MR. BARTHOLOMEW asked if the Board wished to review the resolution itself or simply the significant changes to the resolution. CHAIR BRADY suggested that there be a motion to adopt the resolution and the Trustees can then ask questions, referring to the materials as needed. TRUSTEE WOHLFORTH favored presentation of the changes to the resolution.

TRUSTEE WOHLFORTH moved to adopt Resolution 04-07. TRUSTEE HUDSON seconded.

MR. SHAFER explained that the Real Estate Committee discussions touched on the difficulties of managing a discretionary account given the distance from Alaska to other locations and limited knowledge of markets elsewhere. The resolution authorizes the Executive Director to implement a discretionary program that gives external managers discretion for newly acquired private equity real estate. The resolution also modifies the asset mix of 70%/25%/5% private/public/opportunistic by eliminating the 5% allocation to opportunistic, which was not well defined, and now recommends a 70% allocation to private investment and a 30% allocation to public investment. The resolution has a minimum cash-on-cash and internal rate of return requirement applied at the acquisition of a private real estate equity property. The measures for this are interest rate and market dependent. The Fund should be targeting a real estate return that is between that of bond and equities. The 10% real estate return target is the same as what is expected for common stocks, which staff believes is unrealistic. Staff is asking for a portfolio-wide set of targets that is more comprehensive and more realistic and more responsive to the market. Lastly, the resolution adds a requirement for preparation of a separate Real Estate Investment Strategy document for Board approval that contemplates a 3- to 5-year timeframe, and an annual Tactical Plan to be approved by the Executive Director. MR. SHAFER stated there are adequate controls in place with these changes.

MR. BARTHOLOMEW noted there is also a change in the resolution respecting the benchmark by which performance will be measured. There is currently an allocation to private real estate within this resolution on page 9 and further sub-allocates the private real estate allocation to core and non-core.

TRUSTEE FRANK asked for examples of core and non-core properties. TRUSTEE WOHLFORTH noted that the glossary contains definitions of these terms. MR. STUART referred to the chart on page 17 of the strategy, which shows that core is nearly the least risk. The next category up the risk/return spectrum is "value added." As opposed to including value added as a specific investment type, the delineation is core and non-core, to permit flexibility to modify the strategy. An example of a non-core investment is an office building that is 75% occupied in a major market. This property is not core because of its occupancy rate. The idea of value-added is, as opposed to acquiring a 95% occupied property with the objective to maintain occupancy, the value of the property is increased by increasing occupancy through various means. Core investments tend to be more income oriented; that is, more of the total return will come from current income. Value added investments are more balanced with half of the return from income and half from appreciation. MR. O'LEARY added that the Fund has had non-core investments throughout its history and the Fund is limited by statute to the type and character of investments that could be made without utilizing a basket provision.

TRUSTEE WOHLFORTH asked if the management tool is essentially that each year the manager is given an assignment as to specific property types, regions,

price, etc. which tells them what they are expected to acquire in a given year. MR. STUART stated managers currently produce an annual plan and, as part of that plan, they are reviewing their existing portfolio, doing sell/hold analyses, and providing the Fund with market insight with regard to investment opportunities. The Fund's strategy is to take those individual plans, consolidate them, develop a tactical plan based on manager and other input, make determinations of allocations, and allocate a particular dollar amount to each manager.

MR. BARTHOLOMEW reiterated that giving discretion to managers would not happen immediately. Staff believes that by the fourth quarter of this calendar year, the managers and staff will be at a point that discretion will be given to managers. Also, the existing portfolio is going to be reviewed to accommodate the allocation between core and non-core. There will be need for discussions with managers and the Fund's consultant prior to that allocation decision.

TRUSTEE FRANK asked what is the market timing of real state vis-à-vis other asset categories, and what incentives are established for managers by going to a discretionary program. He noted that the Fund has a current under allocation to real estate and apparently a desire to increase that allocation. He asked if this asset class is viewed differently than equities and bonds, which are not market timed. He asked why real estate is market timed, if that is the case. He suggested that, if real estate managers are measured against a benchmark and others are making returns when the market is high, they will sell when the market is high and then the Fund's real estate portfolio would be under allocated. MR. SHAFER explained that part of the reason staff does not want to give discretion to sell is that there is no desire on the part of the Fund to be in and out of real estate on a market-timing basis. It makes sense to approach this asset class using a variety of asset types, both public and private. This is a different asset class than equities and fixed income in that if a manager sells an asset in the latter, they retain the funds and that affects performance. In real estate, if an asset is sold, the money moves away from the manager, except in the case of a REIT when the manager sells a stock and the money stays within that confined portfolio. It is possible to passively invest in listed markets, but that is not possible in unlisted markets.

CHAIR BRADY stated there is passive and active management, as well as growth and value management in equity. There are opportunities in real estate in relation to changes in the market and, therefore, active managers are valuable. MR. SHAFER agreed that the portfolio must be managed and harvested. CHAIR BRADY noted that there are attractive investments in real estate so investments can, in fact, be made. MR. SHAFER noted that there could be any variety of opportunities in real estate, including in the area of REITs, so the proceeds from a sale of an asset could be deployed.

MR. O'LEARY saw the proposed change as a positive, exciting, fundamental change in how the Fund addresses real estate. This proposed change allows people who work in the markets on a day-to-day basis to determine what is

attractive to buy and when it is attractive to buy. The role of staff with regard to real estate will be shifted from making those determinations to making determinations about risk control and diversification and coordinating the actions of the managers. Dollar allocations are made to liquid assets that are in line with the longer-term view. At the point that the Board considered the over allocation to REITs it also considered the under allocation to private equity. He explained that the process would likely be that managers would come to staff with opportunities that address an under allocation in the Fund's portfolio and propose an acquisition, unless staff says otherwise. He believed part of the Fund's under allocation was due not only to the sale of assets, but to the lack of flexibility to buy in a changing market.

TRUSTEE RENKES stated he reviewed the real estate policy and supports it, believing that it is a step in the right direction. He explained he would have to leave the meeting, but wished to express his support for the resolution. He stated the Board has discussed the absolute return policy at previous meetings and he believed an almost pro forma discussion of that was scheduled for later in this meeting; in that regard, he supports Resolution 04-08 as well. He stated he would return to the meeting at 2:15 p.m. to participate in the Executive Director Recruitment discussion.

TRUSTEE RENKES left the meeting at 10:12 a.m.

MR. O'LEARY noted that page 4 of Resolution 04-07, paragraph e says the Fund can invest in commingled investments provided that holdings in private real estate (office, retail, multi-family, industrial, and mixed-use) comprise 95% of the value weighted holdings at the time of initial investment. He explained that it had occurred to him that the funds could have cash in excess of 5%, in which case the Fund could not invest in them. The intent of this language is that the properties that the Fund holds are substantially in conformance with the types of properties that could be purchased individually. He indicated he had mentioned this to Mr. Lorensen today and he had a suggested solution. RON LORENSEN suggested adding to the end of paragraph 2 e of Section II “, excluding cash and other short-term investments.” This was added as a friendly amendment to the motion.

TRUSTEE WOHLFORTH referenced the language regarding Custody of Closing Documents (paragraph 1 c of Section II subsection I), which he felt was confusing. He asked who would determine who is holding the closing documents. Also, paragraph 1 g dealing with Lease Structure says, "Multi-tenant properties should be characterized by staggered lease maturities." He asked if this was mandatory or suggestive language. He asked if this is intended to be mandatory. MR. LORENSEN stated the Custody of Closing Documents language comes from the existing resolution and it gets at the fact that any private equity investment the Fund makes is made through a title holding company. The referral to "appropriate investment entity" is to the Fund. In terms of paragraph 1 g, he stated that the language is intended to be advisable, but not mandatory. MR.

SHAFER stated staff would prefer to delete paragraph 1 g and insert it as a strategy element. MR. STUART suggested striking the second sentence of 1 g.

TRUSTEE HUDSON moved a friendly amendment to delete the second sentence from 1 g on page 10 of Resolution 04-07. This was accepted as a friendly amendment.

MR. LORENSEN noted that page 11 of Resolution 04-07 contains paragraph 3 of Section III Subsection I regarding best execution and proxy voting of REITs. MR. SHAFER explained the intent of including this language is to conform what is done with REIT managers to what is done with other equity managers.

TRUSTEE CORBUS asked for discussion of CMBS and REITs securities under authorized investments on page 3 of Resolution 04-07, Section II subsection C. MR. SHAFER explained that the Fund formerly had a manager that invested in CMBS. The Fund no longer has such a manager. There would be no future investment in CMBS without the Board selecting a benchmark and hiring a manager. The resolution simply contemplates that this is an accepted asset type. MR. STUART noted that the strategy document indicates that the primary focus of the real estate program will be on private and public equity. Debt investments are tactical alternatives that would be employed if market conditions were such that debt was more attractive. He noted that the language in subsection C is primarily taken from the existing resolution. TRUSTEE WOHLFORTH thought it would be helpful for the Board to receive a document that shows what is being deleted and what is being added to a resolution. MR. SHAFER acknowledged the reasonableness of Trustee's request, but noted that the extent of changes to the resolution caused the marked version to be difficult to read and confusing.

TRUSTEE HUDSON stated he was confused about the discretion to buy and sell where the benefit is balanced between the Fund's best interest and that of a manager. He asked if the strategic plan clearly addresses any potential conflict so that the Fund's best interest is primary. MR. STUART believed that every effort had been made to do exactly that. He stated the strategy is intended to be very transparent. Alignment of interests is a constant struggle with all investment classes. He stated the language in the documents goes as far as possible to ensure there is alignment of interests. MR. O'LEARY expected that managers, as part of the annual process, would come to staff with suggested sells, which is valuable input that should be seriously considered by staff. MR. SHAFER indicated that staff would look at the entire portfolio to see if any value could be added as buy/sell suggestions come from managers. TRUSTEE HUDSON wished to ensure, from a purely political point of view, that there is nothing in Resolution 04-07 that would preclude the Board from assuring the liquidity that might be needed on an annual basis to meet overall Fund obligations. MR. O'LEARY replied that thinking about liquidity at the total Fund level is done in relation to establishing the Fund's annual asset allocation. In considering the liquidity of the underlying asset categories, private equity and direct real estate are illiquid. If the

sum of those two categories were in excess of 20% of the Fund that would be an issue, but the sum of those two is less than 10%. He noted that one of the appeals of real estate is the income generation associated with it, which is the ultimate source of continuing liquidity.

By roll call vote, the motion passed unanimously.

CHAIR BRADY indicated that following the Absolute Return (Hedge Fund) Policy discussion would be an Executive Session to discuss Executive Director selection with Mike Burns. TRUSTEE CORBUS clarified that there would also be an opportunity for the Trustees to talk without Mr. Burns present during the Executive Session.

BREAK 10:32 a.m. to 10:47 a.m.
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#### Strategy

MR. BARTHOLOMEW explained that this item would be approved by motion and not through resolution. MR. STUART explained that the Real Estate Strategy document is intended to be fully functional over a 3- to 5-year timeframe. It is intended to coordinate over multiple asset types, multiple strategic objectives for each asset type, and multiple implementers. The responsibility for coordination of all these aspects rests with the APFC real estate team. The investment strategy represents the intersection between the Fund's investment objectives and constraints and the current real estate market conditions and expectations. Establishing a viable strategy that can be implemented requires intimate knowledge of both the internal and external environment, capabilities, and resources available.

The most significant change proposed in the strategy is providing discretion, in a box, to the strategic investment managers. Staff proposes allocating \$100 million in discretionary funds to each strategic investment manager. Within the investment strategy and tactical plan will be the guidelines for committing capital, in effect, pre-approving investments. There are also established procedures for exceptions to the guidelines. For example, each manager is limited to a \$50 million level for discretionary investment. Other elements required to implement a discretionary program include benchmarks. The strategy proposes to revise benchmarks to in order achieve better accountability with appropriate benchmarks established for every portfolio and at every level. Each manager will have a benchmark based on its investment program and style. Each manager will have a benchmark customized to measure their relative performance on a portfolio basis and over time. The benchmark, measures, etc. will be clearly defined for each manager.

Risk control is another key element to the strategy. The risk control system allows for monitoring portfolio risk comprehensively across private and public sectors of the portfolio. This system establishes risk ceilings for, and monitors for portfolio

exposure to, the allocation to public and private real estate exposure across property types, the degree of leverage, exposure to development risk, single asset concentration exposure, single manager concentration risk, and geographic diversification. The strategy also implements an enhancement to the traditional geographical diversification concept, incorporating economic diversification methodology. Grouping markets by common characteristics allows for control of market level diversification. The objective for the revised valuation approach is to better understand the market conditions and to have managers explain the impacts on those conditions quarterly.

In terms of implementation, the strategy provides discretion in a box, requires an annual tactical plan, requires individual manager investment plans, and utilizes pipeline management to monitor acquisitions and dispositions.

MR. BARTHOLOMEW reiterated the key elements in the strategy proposal before the Board. The Fund has an existing pool comprised of five real estate advisors that do not have discretion. Staff is recommending that the Board allow discretion to be delegated to these firms, making them real estate managers, rather than real estate advisors. Board action would be required to either hire a new manager or fire an existing manager.

TRUSTEE WOHLFORTH asked if there would be new contracts with the five existing real estate investment firms. MR. STUART replied that over the last 12 months there have been negotiations with all of the Fund's external real estate advisors. The plan is to incorporate the aspect of discretion through an amended restatement of some portion of the existing advisor contracts. MR. BARTHOLOMEW stated there would be language in the contract regarding discretion and annual business plans for each firm would also need to be amended.

TRUSTEE CORBUS asked if the \$500 million to be allocated is authorized in the tactical plan or strategic plan. MR. BARTHOLOMEW stated that the 10% allocation to real estate currently equates to an approximately \$2.8 billion allocation to real estate and the current investment is approximately \$2.3 billion. The allocation exists in the asset allocation approved by the Board. TRUSTEE CORBUS understood that, if the Fund grew, there would automatically continue to be investment in real estate at a proportional level. MR. BARTHOLOMEW replied that this was correct. TRUSTEE CORBUS felt it was important that the Board remain cognizant of the activity in the real estate portfolio. MR. O'LEARY added that at this time the Fund is 25% under its target, so the initial allocation being proposed would bring the Fund to that target. If the portfolio were currently at target, the additional investments in real estate would be minimal. MR. SHAFER clarified that the Board is not being requested to approve a \$500 million allocation; the allocation was made in this year's asset allocation resolution. The Board is being asked to approve a plan for implementing the allocation.

TRUSTEE WOHLFORTH understood there is a limitation of 35% allocation to any one manager. MR. BARTHOLOMEW stated that a decision by the Trustees to allocate more money to one manager versus another would be a tactical one. TRUSTEE WOHLFORTH referred to page 6 of the APFC Real Estate Investment Strategy and asked what authority exists for the staff, for instance, to reduce the REIT allocation to the benchmark and, in such an instance, would staff instruct the REIT managers to liquidate. MR. BARTHOLOMEW explained that the intention is to maintain the existing level of REITs and lower the percentage of total portfolio allocation to REITs by increasing direct equity investments, not by selling REITs. MR. SHAFER stated that, if the desire were to sell REITs, that would require Board authorization. He noted that, if the Fund grows to \$30 billion in two years, the REIT allocation is 3% of the total fund, or \$900 million; the current investment in REITs is \$990 million. Not much is planned in terms of REIT investment. If there was a robust market and it was sensible to invest in REITs, staff would come to the Board to move money from one asset type within real estate to another.

TRUSTEE HUDSON asked at what frequency does the Board receive an overview of the real estate market. MR. STUART replied that quarterly reports are produced and are available 45 days from end of quarter. He indicated staff would expect that the array of real estate investment types would be similar to what is shown in the strategy document. TRUSTEE HUDSON stated that, as a member of the Real Estate Committee, and given the fact that the Board is delegating more authority for action to the Executive Director and to the real estate managers, he felt it would be useful that any reports given to the Executive Director be shared with the Real Estate Committee and the Board. MS. GRUSSENDORF indicated that the past practice was to hold quarterly Real Estate Committee meetings at which real estate investment is covered in detail. This practice could be re-instituted. MR. BARTHOLOMEW indicated that two more Real Estate Committee meetings are scheduled. There is interim real estate reporting that can be made available to keep the Board up to speed. TRUSTEE HUDSON favored delegation, but thought that there must be commensurate verification of what is being done.

TRUSTEE FRANK asked what fee structure is in place for real estate advisors. MS. GRUSSENDORF explained that the contracts with real estate advisors were just redone so there is now one contract for each manager, not each property, as was formerly the case. Fees are not standard. Some are based on the NOI on the property, some are basis points off the market value, and some are basis points off the investment in the property. TRUSTEE FRANK asked what would be the fee for the new \$500 million that would be allocated. MR. STUART replied that the assumption is that current contracts would be amended and the fee structure would not be changed. MR. SHAFER stated there was discussion at a recent Real Estate Committee meeting suggesting that all manager fees should be based on a percentage of net operating income (NOI), with which he agreed. MR. BARTHOLOMEW remarked that during this transition there would be items to

resolve and there will be meetings with existing managers. He was not yet sure that all managers would be comfortable switching to NOI, but that is the direction staff wishes to go.

TRUSTEE WOHLFORTH asked whether the managers had reviewed the strategy and made suggestions. MR. STUART replied that he has shared sections of both the strategy and tactical plan with some existing managers to get feedback. TRUSTEE WOHLFORTH noted that page 12 of the strategy speaks to delegated approval authority and that looks like a document assigning authorization to the CIO. He asked if this language is also perceived to be the articulation of permission to buy but not to sell. MR. BARTHOLOMEW stated section III is specific to delegation coming first to the Executive Director with the option to sub-delegate to the CIO up to one million, and for the CIO to sub-delegate to the real estate manager up to \$50 million. Paragraph III.A.1c gives delegation authority to the manager. TRUSTEE WOHLFORTH asked for clarification between the use of the \$100 million figure in III.A.1.a and the \$50 million figure in III.B.2. MR. O'LEARY agreed that III.B.2 should refer to \$100 million, not \$50 million. MR. SHAFER explained that the language in III.B forward is the discretion program for the private equity real estate managers. MR. O'LEARY again suggested that III.B.2 should refer to \$100 million and then the individual manager contracts will contain manager limitations. MR. SHAFER noted that the language in this section of the strategy was not intended to pertain only to the Executive Director. He suggested inserting language to clarify that sections B forward relate to managers. MR. BARTHOLOMEW stated the intent is not that the limitations in III pertain only to a discretionary program, but to the overall real estate program. Subparagraph B relates to the Fund's Real Estate Manager, and subparagraph C relates to the external managers.

TRUSTEE CORBUSS noted that page 13, subparagraph L.3 of the strategy, speaks to customized benchmarks being established on a quarterly basis. He asked if this language means that benchmarks will be established if one does not exist or would the benchmarks be changed every quarter. MR. STUART replied that benchmarks currently exist. This proposal is to establish a benchmark for an individual manager based on the composition of the portfolio they manage. MR. BARTHOLOMEW clarified that there would not necessarily be a quarterly change in benchmark. TRUSTEE WOHLFORTH noted that the language refers to a quarterly benchmark.

CHAIR BRADY asked if staff wished to continue with this detailed review or bring the document back to the Board at a later date with revisions/clarifications. MR. SHAFER replied that the staff would not want the Board to approve something it is not comfortable with. TRUSTEE WOHLFORTH stated he would be comfortable with the minutes reflecting the clarifications that have been discussed.

TRUSTEE CORBUS asked what is the difference between the tactical plan and the annual business plan. MR. STUART replied that the latter are created by the individual managers and are presented to staff. The Fund staff generates the tactical plan.

TRUSTEE CORBUS moved to adopt APFC Real Estate Strategy June 30, 2004 subject to the clarifications made through discussion. TRUSTEE WOHLFORTH seconded.

CHAIR BRADY asked that the Board receive a draft of the changes that are recorded in the minutes. MR. SHAFER indicated this would be done and staff would also send a revised copy of the APFC Real Estate Strategy reflecting those clarifications.

MR. SHAFER noted that the Board is being asked to designate CB Richard Ellis Investors, Kennedy Associates Real Estate Counsel, L&B Real Estate Counsel, LaSalle Investment Management, and Sentinel Realty Advisors as Strategic Investment Managers of the Fund. He asked that the Board's motion include that designation. This was accepted as a friendly amendment.

MR. STUART suggested a change to page 12, subsection III.C, the minimum metropolitan market size of populations greater than one million, to clarify that this does not preclude the Alaska Outreach designated manager, Kennedy Real Estate Counsel, from acquiring properties in the state of Alaska. He suggested adding the phrase "except in Alaska." MR. BARTHOLOMEW asked if that was intended to be part of the discretionary program or an exception to the discretionary program so that it would come back to staff. MR. SHAFER stated the intent was not that the Alaska Outreach designated manager would have to come back to staff. Staff simply wanted a mechanism to enable that investment. TRUSTEE WOHLFORTH felt the suggested language change was acceptable.

TRUSTEE FRANK asked if the Fund is limiting investment to markets with populations of one million or more. MR. SHAFER stated there are 50 to 60 such markets in the United States. TRUSTEE FRANK asked if Sacramento qualifies under this provision. MR. SHAFER replied in the affirmative. MR. BARTHOLOMEW clarified that, if a manager found an investment in an area with a lower population than one million, the manager could come to staff with that investment and an exception could be made. TRUSTEE FRANK asked whether this reflects a feeling that small towns will eventually die off. MR. SHAFER explained that the intent of this provision is to allow investments in larger markets and provide that other investments be brought to staff. TRUSTEE FRANK felt this limitation seems arbitrary in its exclusion of smaller markets with a history of growth and stable employment. MR. SHAFER stated he would not be surprised if, over time, half of the real estate portfolio would meet this narrow definition of discretion in a box. That definition will be expanded over time. MR. STUART stated that the bulk of core and near-core properties, which is

the mandate under which this program is created, will fall in larger markets for reasons of liquidity and economic diversification. These restrictions are delineated as a pre-approval of transactions that fit this profile. TRUSTEE FRANK explained his concern is that this proposes guidelines that could keep managers from looking at smaller markets because of the process associated with making that type of investment. MR. SHAFER remarked that would not be possible to invest a large amount of money if managers are not assured that they will get a prompt response from staff if they have an exception to these guidelines.

MR. O'LEARY suggested that staff could compile a list of markets that would be excluded by the 100 million population threshold. TRUSTEE FRANK explained there are large markets that are not doing well and smaller markets that are doing well. MR. O'LEARY stated the intent behind the one million population threshold is to provide a market where there is a greater probability of finding a buyer, however, the restriction could have an unintended consequence. MR. BARTHOLOMEW added that this document is at a lower level than the Board is typically involved, but the Board's review of it is valuable. He committed to the Board that staff would bring the strategy back to the Board if amendments are needed after discussions with managers over the next several months.

TRUSTEE WOHLFORTH called the question on the motion.

By roll call vote, the motion passed unanimously.

Tactical Plan for FY 2005

MR. BARTHOLOMEW stated the APFC Real Estate Tactical Plan for FY 2005 had been provided as a separate document from the materials in the staff packet. This tactical plan delineates a target to achieve over the next two years.

MR. STUART explained this is an annual tactical plan that is used to implement the APFC's Real Estate Strategy. Highlights of the tactical plan are: the target real estate allocation for the end of FY 2005 is 9% and is 10% for the end of FY 2006; the real estate portfolio is moving toward 70% private/30% public equity composition; the intent is to fully implement the discretion program; the Fund is acquiring co-investors' interests, which is a continuing effort; and the Fund is developing new strategic relationships with managers who bring expertise in addition to investment ability, and expanding asset types.

The tactical plan proposes in the public equity category that AEW's weighting be reduced, if the opportunity exists, to reduce manager concentration. The plan further proposes adding non-core investments in order to achieve style diversification, re-examining existing constraints on investment, and initiating education on new assets and new managers, specifically non-core managers.

TRUSTEE WOHLFORTH asked when the reduction in REIT weighting would occur. MR. STUART replied that this would be a high priority, following policy

and strategy approval. Alternatives to a core (REIT) manager will be discussed and there would be a search or whatever is appropriate to bring on a manager with that specific mandate. MR. O'LEARY stated that REIT reduction, identification of alternative investment manager(s), and search/hiring of manager(s) would occur after finalizing contract changes with the five existing managers. Therefore, realistically, action would not likely be consummated prior June 1, 2005.

MR. STUART noted that staff would revisit existing constraints to determine whether they are accomplishing their original intent.

MR. STUART stated that the tactical plan proposes that there be enhanced planning and communication with private equity managers; discretion for strategic investment managers; reality-based valuation; and initiation of education on new assets and new managers, specifically non-core.

MR. STUART reviewed the current real estate portfolio at May 31, 2004 and the projected portfolio at June 30, 2006. Private equity and public equity would be altered to incorporate non-core investments. There is a shift between private and public closer to the 70%/30% private/public target. Presuming a 10% total fund allocation overall to real estate, the total real estate portfolio would be approximately \$2.95 billion at the end of FY 2006.

TRUSTEE FRANK asked that staff provide a review the current real estate market situation. He was under the impression that managers have not been bringing forward deals or that staff has not accepted them, if they have been brought forward. He asked how that fits with allocating another \$500 million to managers and giving them acquisition discretion. He also asked for assistance in understanding the various rates of return expected in equity, bonds, and real estate going forward and the forward return expectations for real estate.

MR. O'LEARY replied to Trustee Frank's last question that CAI has consistently advised its clients that, in looking at a strategic allocation, a 5% real rate of return should be anticipated on real estate. Given CAI's 5-year inflation forecast, that would equate to a nominal return of 7.6%. The broad domestic equity market expectation is about 9%. The bond market had been at 4.75% nominal. TRUSTEE FRANK asked if the latter is an average or the rate for Treasuries. MR. O'LEARY replied that figure is for the broad investment-grade bond market. Rates have moved up substantially in the second quarter. Inflation may go beyond the 2.6% that CAI projected. CAI does not produce market forecasts for real estate asset categories; there has been extensive use of leverage in real estate because interest rates have been so low and CAI's projections are for unlevered investments. Core investments include leverage of up to 30%, although historically leverage has been less than that. Core plus investments could be leveraged up to 50% in this market. In a real estate market, the actual fundamentals always lag the economy. Managers are beginning to say that the underlying fundamentals appear to potentially be improving, but that is predicated

on the continuation of the current economic recovery. The pricing of real estate is very affected by the level of interest rates. He did not think a valuation increase could be expected in association with a decline in cap rates because that part of the cycle has passed.

TRUSTEE FRANK asked if real estate managers have been bringing forward properties with cap rates that are high. MR. O'LEARY stated the factor primarily responsible for the Fund's lack of opportunities is the requirement for a high cash-on-cash number that does not reflect the realities of the market. The fact there has been a major change within the Fund with regard to looking at real estate understandably caused a hiatus in terms of deals being brought forward.

TRUSTEE FRANK recalled that one advisor indicated there have not been many good deals. MR. O'LEARY agreed with this statement and further noted that the competition for good deals has been intense. TRUSTEE FRANK was concerned with allocating \$500 million with the expectation that it would be invested, when that might not be the case. He did not want to set an expectation that would encourage managers to accept terms in a deal that they might not otherwise. MR. O'LEARY stated the Fund is setting an expectation, but is also changing the dimensions of the process because now the Fund's real estate advisors will have discretion with regard to acquisitions and will be judged on that. Presumably they will be motivated by the long-term relationship they hope to have with the Fund.

MR. SHAFER thanked Mr. Stuart and Ms. Grussendorf for their work on the documents considered by the Board.

LUNCH BREAK 12:05 p.m. to 1:35 p.m.
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CHAIR BRADY recognized former trustee John Kelsey.

#### ABSOLUTE RETURN (HEDGE FUND) POLICY

Resolution #04-08

BOB STORER indicated that the Trustees had been provided, in resolution form, a policy on absolute return strategy. This is a re-visit of what has been reviewed by the Trustees in draft form on several prior occasions. The process has been development of the policy, a review of the policy by Crestline, and bringing the policy back to the Board for approval.

MR. STORER stated that he is comfortable that funding can occur by July 29, 2004 and Crestline will accomplish full investment by August 1, 2004. He stated he has reviewed a contract with Crestline and will be meeting tomorrow on that contract. There are two outstanding issues with respect to the contract. First, Crestline has changed the proposed indemnification clause to a standard of gross negligence and the Fund has always used the standard of negligence. The Fund has never even contemplated signing a contract with the standard of gross negligence. Second, if the program is terminated early the contractor would like to

be compensated through the life of the program. The Fund has not done this before and he did not believe the Fund would agree to this provision.

After adoption of the policy, he and Rick Shafer will conduct a due diligence visit to Crestline in August 2004. The Board will receive a review of the pilot program at its October 2004 (formerly November 2004) meeting.

CHAIR BRADY indicated there would not be an October 2004 meeting. MR. STORER indicated that the review of the pilot program would occur at the meeting after the Fund's Annual Meeting.

TRUSTEE WOHLFORTH asked how the issue of disclosure of proprietary information is being addressed. MR. LORENSEN replied that the Fund dealt with the issue of confidentiality of proprietary information in the latest contract for the private equity manager and he did not anticipate any issues in this regard for Crestline. The Fund developed its approach to confidentiality and proprietary information in that most recent private equity manager contract. If Crestline has specific issues, those will be discussed. MR. STORER stated there are statutes that protect the Fund in terms of making certain information public. Pathway was given comfort that the Fund would not make that information public without their permission, but that they would provide that information to the staff and Board.

TRUSTEE HUDSON asked how early termination is dealt with in other contracts. MR. STORER replied that the Fund can terminate with cause without notice. Historically, the manager is informed that staff will be making a recommendation for termination and, if the Board terminates a manager, staff calls the Fund office and they fax information to the custodian bank and the manager dismissing them and the Fund then takes control of the assets. This situation will be somewhat unique with regard to hedge funds due to liquidity issues. There would have to be negotiation in terms of unwinding investments that will take some period of time. He indicated that most of the partnerships will be relatively liquid and can be liquidated quickly. TRUSTEE HUDSON understood that Crestline is asking for full compensation in the event of termination and staff is suggesting negotiation on a proportionate basis. MR. O'LEARY stated that in a typical public securities contract a 30-day written notice of termination is not unusual. The manager can be immediately relieved of managing assets, but they could bill the client for that period of time. In a situation like this where the underlying investments are partnerships, the liquidity of those partnerships will turn on the characteristics of each of them individually, so a proper notice period would be longer than 30 days. In the event the Fund believed there was misbehavior, the Fund could terminate the manager and begin the liquidation process. MR. STORER reiterated that did not anticipate problems in the contract negotiation, but he wished to outline the two areas where there is still discussion.

CHAIR BRADY noted that the three-year timeframe for this program was based on the feeling that one year was not enough time to judge, two years might be enough to judge, but three years would be enough to judge.

MR. STORER directed the Board's attention to Resolution 04-08. On page 2, item 3 identifies two ways that a relationship can be developed with a manager. The conclusion in discussions with Crestline and staff is that option B, single-investor limited partnership ("fund of one"), is the vehicle that will be used. Further, the original policy proposed a band of 3% to 6% and the proposal on page 3 of Resolution 04-08 is for the minimum of 4%, eliminating the band. The minimal expected rate of return is 3% above LIBOR. The projected volatility is less than 5% per annum. Paragraph 6 on page 3 of Resolution 04-08 deals with risk management. The subsection on Strategy Risk imposes a limitation on exposure to one underlying strategy to 25%. This was originally recommended at 20% and Crestline asked for 25%.

MR. STORER explained that, in order to be successful in this type of investment, there must be awareness of the ever-changing market. On page 4 of Resolution 04-08 is language that other absolute return strategies meeting the investment objective of the program may be included. Staff will monitor the program and report any changes to the Board, but the desire is to not keep the program from success. Under the subsection on Manager Risk is language imposing a limitation to one underlying partnership of 10% or to a group of affiliated partnerships of 15%. Language in the subsection on Leverage Risk has not changed. Directional portfolios tend to have a higher expected return and greater volatility than non-directional portfolios. Crestline's presentation reveals that 41% of their recommended portfolio was directional and the remainder was non-directional. Language in the Liquidity Risk subsection states that "Notwithstanding the term of the program and the stated redemption schedule of the individual underlying managers, the Board recognizes that it may be necessary for an underlying manager to suspend such liquidity timetables under certain circumstances." MR. STORER emphasized that Crestline is well aware that, as a pilot program, they would not go into relationships that would go beyond the 36 months. However, there are certain times when the environment is not such that investments can be liquidated as quickly as desired. This section of Resolution 04-08 also prohibits the manager from making "an investment under the program established by this Resolution 04-08 if the commitment period extends beyond the program's termination date." Some language in the subsection on Counterparty Risk has been changed. It states that "The Investment Manager may use non-exchange traded options, forwards, or swaps only if the counterparty is rated A or better by at least one of the major rating agencies." Crestline anticipates 39 partnerships in the initial funding of the Fund's hedge fund portfolio. Twice in Crestline's history they have evaluated the portfolio and determined that there was more exposure or risk in a certain area than they would like. In response to that, they create an overlay to take certain actions to mitigate the risk of the portfolio.

TRUSTEE CORBUS asked if the entire \$250 million allocation would be invested by August 1, 2004. MR. STORER replied in the affirmative. He noted that Ron Lorensen has worked with Crestline to structure the contract. There will be another meeting with staff and then the contract will be brought back to Crestline. He hoped there would be agreement to the language of the contract on Monday. Crestline anticipates full investment of the funds by August 1<sup>st</sup> with the presumption that the money will be wired to them on July 29<sup>th</sup>.

MR. SHAFER noted that the Board has already taken action on funding this mandate, the source of which is the internal fixed income portfolio.

TRUSTEE WOHLFORTH moved to adopt Resolution 04-08 Setting Out Investment Policies and Guideline Relating to Absolute Return Investment Vehicles and Strategies. TRUSTEE HUDSON seconded.

TRUSTEE HUDSON asked what is a reasonable timeframe to expect review of this investment. MR. STORER responded that he had concern with a short-term review that may or may not be relevant. A 36-month period is a sufficient time period to measure success. Crestline has said that, at a minimum, an 18-month timeframe is needed. CAI will report quarterly on this manager. He suggested that, unless there is something fundamentally wrong at an earlier point in time, the 36-month time period is appropriate. MR. BARTHOLOMEW stated that staff is working with Mr. Storer and with Crestline to determine what amount of data will be sent to the Fund at month-end. MR. STORER stated he had envisioned this pilot program as a learning experience in terms of management, but also in terms of the accounting and reporting associated with this type of investment.

TRUSTEE WOHLFORTH was pleased that this has gone forward so smartly. He suggested that staff review the information it receives from Crestline and determine what is appropriate for the Board to receive. He asked that the Board be provided with the contract language addressing the issue of confidentiality of proprietary information.

By roll call vote, the motion passed unanimously.

BREAK 2:00 p.m. to 2:10 p.m.
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#### EXECUTIVE DIRECTOR RECRUITMENT

MR. BARTHOLOMEW reviewed the process to date related to selection of a new Executive Director for the Alaska Permanent Fund. The Executive Director search was initiated after Mr. Storer announced his retirement. On April 6, 2004 the Board met and reviewed the executive director job description and outlined the organizational needs and the requirements of the position. A recruitment timeline was proposed at the April 26-27, 2004 meeting. On May 26, 2004 the recruitment process was completed with 12 completed applications received. The Board met by teleconference to review all the applications and select 6 semi-

finalists for interview. Five candidates were interviewed on June 7-8, 2004; one of the six candidates had withdrawn. On June 8, 2004 the Board selected two candidates, Mike Burns and David Miles, for consideration and directed staff and Trustees to initiate a due diligence process. Mr. Miles withdrew his name from consideration last week.

TRUSTEE FRANK cited AS 44.62.310.c pertaining to the Open Meetings Act and moved that the APFC Board of Trustees convene in executive session to discuss the character and reputation of a candidate for the position of Executive Director. This topic falls under subsection (2) of that statute as a subject that tends to prejudice the reputation and character of any person, provided the person may request a public session. TRUSTEE HUDSON seconded.

By roll call vote, the motion passed unanimously.

TRUSTEE CORBUS noted that Trustee Renkes indicated he would participate telephonically in this portion of the meeting. MR. BARTHOLOMEW stated he would attempt to contact Trustee Renkes on his cellular telephone.

EXECUTIVE SESSION 2:15 p.m. to 3:45 p.m.
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CHAIR BRADY announced that the Board took no action while in Executive Session.

TRUSTEE WOHLFORTH moved that the APFC Board of Trustees offer the position of Executive Director of the Alaska Permanent Fund Corporation to Michael Burns at the salary of \$200,000 per annum. TRUSTEE FRANK seconded.

TRUSTEE HUDSON felt confident that, if Mr. Burns accepts this offer, the Fund would be selecting a new Executive Director who would be an active manager and exert the proper level of professionalism with the Fund's professional staff. He was very pleased that an Alaskan could be selected with the kind of background and professionalism that Mr. Burns offers.

TRUSTEE WOHLFORTH stated he made the motion because he was pleased the Board was able to consider someone of Mr. Burns's caliber. Mr. Burns has a unique knowledge of the state and of its institutions that will serve him well in dealings with the Legislature and Executive Branch. He also believed that Mr. Burns would conscientiously educate himself to become a first class institutional investment manager.

TRUSTEE FRANK commented that the proposed salary is an appropriate level of compensation, which is in the mid-range according to the salary survey of executive directors of funds of this nature throughout the nation. He strongly believed that, while this level of compensation may be low by comparison to

other private sector positions or by comparison to other funds of this size, there is a public service element in this position, particularly for an Alaskan that has demonstrated a commitment to public service in the past. He expected that Mr. Burns would see this position from a public service viewpoint.

TRUSTEE RENKES stated he was very enthused by Mr. Burns's interest in this position. He thought all of the candidates for this position were highly qualified and noted that this was a difficult decision. He believed that Mr. Burns, should he accept this position, is the best Alaska has to offer. He noted that Mr. Burns is a team-builder who has a record of working not only with his staff, but with the public in a productive and sensitive way. He was excited by the opportunity that Mr. Burns potential service represents for the State and for the Fund. He remarked on the contribution to the public made by those in public service, but contribution often comes with sacrifice. He believed there is a methodology that supports the salary. A salary review was conducted two years ago and that survey was used to identified a salary range. The proposed compensation is at the mid-point of that range and is in the upper range of senior management public service positions in the state.

TRUSTEE CORBUS stated he was pleased that the Board has offered the position of APFC Executive Director to Mr. Burns. He commented that he served under Mr. Burns as a director at Key Bank and he knows he has the leadership skills to be a successful Executive Director for the Fund. He looked forward to Mr. Burns becoming more a part of state government in a general sense.

TRUSTEE FRANK thought it was important to have an Executive Director that enjoys the complete confidence of the Board.

CHAIR BRADY called for a vote on the motion.

By roll call vote, the motion passed unanimously.

MICHAEL BURNS appreciated and was flattered by the comments made by Trustee Frank regarding the confidence of the Board. He stated he looks forward to the responsibility of this position, which is unique in the state and probably in the country. He viewed this as a fascinating opportunity. He stated he has high regard for the staff of the Fund after his tour of the Fund's office in Juneau. He was impressed by the staff's seriousness of purpose, commitment to their charge, and professionalism.

CHAIR BRADY asked how and when press releases would be issued. MR. BURNS stated he would like to discuss this offer with his wife this evening before a press release is issued.

MR. BARTHOLOMEW appreciated the time and effort the Board put into the selection of the Executive Director. He noted that the process began in April 2004 and this is the fifth time Trustees have met as a Board to fill this position.

CHAIR BRADY thanked Mr. Bartholomew for his efforts as Interim Executive Director.

#### OTHER MATTERS

CHAIR BRADY asked whether, if the Board meets on November 22-23, 2004, there should be a Board meeting or only committee meetings scheduled for December 1, 2004. MR. BARTHOLOMEW stated that five Trustees would be available for a November 22-23, 2004 meeting and Trustee Renkes has a conflict. A Trustee Retreat is tentatively planned for August 12, 2004.

There were no objections to the calendar year 2004 meeting schedule as presented with a Board meeting on November 22-23, 2004 and committee meetings on December 1, 2004.

CHAIR BRADY noted that he has previously mentioned whether the corporate headquarters of the Fund should have a name other than the Goldbelt Building. The Fund is the owner of that property, with others, and is the prime tenant. He noted that there could be confusion between the Goldbelt Building and the Goldbelt Hotel, which is also in Juneau and relayed his personal experience in this regard. He asked that the Trustees consider whether it would be appropriate to rename the building. TRUSTEE CORBUS thought that alternative names should be considered. MR. BARTHOLOMEW stated staff would initiate a process to discuss this subject with Trustees and bring recommendations, if any, to the Board. TRUSTEE HUDSON did not believe the Legislature had to act regarding a change in building name. CHAIR BRADY stated that legislative action is not needed to change the name of this building. He also noted that the Goldbelt Corporation does not object to change in the name of this building; they also have situations where people come to the building rather than their hotel. As a sense of pride, he thought the Fund should put its name on its building. TRUSTEE CORBUS noted there are, in fact, three buildings with the name Goldbelt: the Goldbelt Corporation headquarters at the airport, the Goldbelt Hotel, and the Goldbelt Building.

#### TRUSTEE COMMENTS

TRUSTEE WOHLFORTH stated he has been in conversation with the dean and associate dean of the Business School at the University of Alaska and they have suggested joint hosting of a seminar using the Fund's managers as a workshop for CFOs of municipalities and others. He indicated he would send a more detailed email about this subject to Trustees.

CHAIR BRADY stated he is pleased with the conclusion of Executive Director selection process. He was pleased that the position has been offered to an Alaskan

and someone who is as knowledgeable and experienced as Mr. Burns. He stated he has also had experience working with Mr. Burns in his banking capacity and on other numerous boards and he was confident that Mr. Burns is the best among the candidates considered. He thought the Executive Director selection process taught the Trustees not only about Mr. Burns, but also about themselves. He stated this was a thorough process and he did not see how the Fund could have ended up in a better position than it has. He encouraged staff to be excited about the opportunity to work with Mr. Burns.

FUTURE AGENDA ITEMS – None

ADJOURNMENT

The meeting was adjourned at 4:08 p.m.

APPROVAL OF MINUTES

/s/ Carl Brady, Chair

09/14/04