

Alaska Student Loan Corporation

May 11, 2023

**ALASKA STUDENT LOAN CORPORATION
BOARD MEETING**

[Zoom link](#)

Meeting #: 943 8236 9624

Password: ASLC

Teleconference: (888) 788-0099; Code: 943 8236 9624 #

AGENDA

Thursday, May 11, 2023

1. 1:30 pm Convene/Roll Call
- 2.* Adoption of Agenda
 - *Suggested motion: move to adopt the agenda of the May 11, 2023, Corporation meeting.*
3. Ethics Disclosure Relative to Adopted Agenda
- 4.* Election of Officers
 - *ASLC Bylaws Article IV, Section 2. Election of Officers. The Board shall elect a Chair and Vice-Chair from among its membership at the last regularly scheduled meeting of the current fiscal year. The Chair and Vice-Chair shall take office immediately after election at that same meeting. The terms of office of the Chair and Vice-Chair shall be one (1) year, with no restriction on consecutive terms.*
- 5.* Approval of February 9, 2023 Minutes
 - *Suggested motion: move approval of the meeting minutes from the February 9, 2023 Corporation Meeting*
6. 1:40 pm Public Comment:
 - Individuals 3-minute limit
 - Group Representative 5-minute limit
- 7.* 1:45 pm Annual Investment Policy Review Memo – Julie Pierce
 - *Suggested Motion: Move to accept the Alaska Student Loan Corporation Investment Policy and Procedures with no material changes based on discussion and recommendation from Staff, DOR Investment Management team, and Financial Advisor.*
- 7a. Investment Portfolio Management, Performance, Asset Allocation and Policy Review Presentation – Zach Hana, Chief Investment Officer, Department of Revenue
- 7b. Investment Policy Topic Discussion – Lee Donner, Hilltop Securities
8. 2:30 p.m. Chief Finance Officer Report (Written Report for Information Only)– Julie Pierce

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- 9.* 2:30 p.m. Adoption of Loan Program Variable Interest Rates FY2023-2024 – Julie Pierce
- *Suggested Motion: Move approval of variable interest rates for variable rate ASEL loans as recommended by staff*
10. 2:45 p.m. Executive Officer Report – Sana Efird
- 11.* 2:55 p.m. Discuss Proposed 2024 Future Meeting Dates
- Thursday, February 8, 2024 at 1:30 pm
 - Thursday, May 9, 2024 at 1:30 pm
 - Thursday, November 7, 2024 at 1:30 pm
12. Miscellaneous (For Information Only)
- FY23 Engagement Letter
- 13.* 3:00 p.m. Adjournment

***Action Required**

5. Approval of February 9, 2023 Meeting Minutes

**MEETING MINUTES OF THE
ALASKA STUDENT LOAN CORPORATION BOARD
February 9, 2023**

A meeting of the Board of Directors of the Alaska Student Loan Corporation (ASLC), conducted via distance delivery, originated from the offices of the Corporation at 3030 Vintage Boulevard, Juneau, Alaska on Thursday, February 9, 2023. Chair Adams called the meeting to order at approximately 1:30 p.m.

ROLL CALL

Members of the board present for all or portions of the meeting: Genevieve Wojtusik, Dr. Barbara Adams, Donald Handeland, Dave Donley and Micaela Fowler.

Staff present for all or portions of the meeting: Sana Efird, Executive Officer; Julie Pierce, CPA, Chief Finance Officer; Kerry Thomas, Director of Program Operations; Kate Hillenbrand, Director of Communications and Outreach; Andrew Bocanumenth, Assistant Attorney General; and Danni Erickson, Executive Secretary.

Guests in attendance: Lee Donner, Regional Managing Director, and Tim Webb with Hilltop Securities.

ADOPTION OF AGENDA

Dave Donley moved to adopt the agenda of the February 9, 2023, board meeting. Genevieve Wojtusik seconded the motion. By roll call vote, all members present voted aye. The motion carried.

ETHICS DISCLOSURE

Relative to the adopted agenda, no potential violations were disclosed by board members.

APPROVAL OF MINUTES

Donald Handeland moved to approve the minutes of the November 3, 2022, board meeting. Genevieve Wojtusik seconded the motion. By roll call vote, all members present voted aye. The motion carried.

PUBLIC TESTIMONY

Chair Adams opened the public comment period to accept public testimony. There being no members of the public wishing to speak, Chair Adams closed the public comment period.

ADOPTION OF PROPOSED INCREASED ANNUAL AND AGGREGATE LOAN LIMITS

Kerry Thomas, Director of Program Operations, referenced her memorandum on page 10 of the meeting packet. She explained she would provide a brief overview of the report. Recent statutory changes removed the annual and aggregate loan limits for in-school loans, which are our Alaska Supplemental Education Loan and Alaska Family Education Loan Programs. These changes authorized or charged the Alaska Student Loan Corporation to set these limits going forward. In order to put together this proposal, staff considered the purpose of the loan programs, the goals in providing financial aid to Alaskans that need supplemental funding, historical loan limits, and a

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number of other factors. It was found that over time, the cost of postsecondary education and the financial need has increased, but our loan programs have not changed since 2015. Consequently, when students are unable to find the funding they need, they typically obtain funds from high interest lenders or they don't attend school. So our goal is to provide relevant loans and be responsive to student needs, which will increase access to and success in postsecondary education, which is our mission. The objectives for the review were to recommend aggregate and annual loan limits for these programs that met student needs for funding without burdening them with excessive debt, simplify our current loan levels, and then develop a plan for ongoing monitoring to bring an annual proposal to the corporation. The methodology is outlined in the memo, but she explained that they reviewed several data points concerning in state and out-of-state costs of attendance. They looked at the top 25 out-of-state institutions that Alaskans attend, and the cost of attendance at these schools. They also reviewed the average financial aid packages for Alaskans in postsecondary education as well as the unmet need from 2016 to 2021. They reviewed aggregate loan total since ACPE loan program inception, and the number of students that were borrowing under current loan limits, and where they fell in terms of maximizing or hitting the loan maximums. They also considered ACPE's historical loan awards and surveyed nonprofit lenders.

Next, she explained that some findings with the 15% increase of cost of attendance show that very few of our borrowers have ever hit the current aggregate loan maximum and the vast majority of borrowers have less than \$10,000 in debt. Non-profit lenders typically award up to the cost of attendance minus other aid, so there is no set limit. They would provide a loan to a student up to the amount they needed. That is based on what their financial aid office certifies, and some of the nonprofit lenders they spoke with had lifetime maximums or aggregate limits between \$100,000 and \$170,000. While some review their loan limits annually, others just periodically review and adjust as needed. In putting all of this information together, staff recommends simplifying our current structure and eliminating the distinction between on time and full time enrollment. It can be very confusing for institutions, so we would provide the same loan amount based on fulltime or on time attendance. She added that they advise revising undergraduate and graduate maximums, and having the same limit for both, by increasing the annual loan limit to \$24,000 and increasing the aggregate loan limit to \$96,000 which is essentially 4 years of borrowing at \$24,000. They also propose no changes to career and technical education loan limits, because reviews show that the tuition costs of those programs have remained unchanged over the last several years. They also propose implementing an annual evaluation of tuition levels, financial aid packages for students, and what the unmet need is for Alaskans and bringing those recommended changes to the Corporation. She concluded by explaining there was a table at the end of the memo that summarized the current limits and the proposed limits as well as the current aggregate limit and the proposed aggregate.

Genevieve Wojutsik moved to approve the increased annual and aggregate loan limits for the Alaska Supplemental Education Loan Program and Alaska Family Education Loan Program as outlined in the memo. Donald Handeland seconded the motion.

Discussion: Vice Chair Fowler wanted to clarify why in the memo it states there is no change to the limits for Career and Technical Education but the table shows an increase to \$96,000. Director Thomas explained that there is a proposed change to the aggregate limit for simplification purposes. The annual limit would remain at \$10,000, but they are recommending moving all the loan limits to \$96,000. A student would have to complete currently more than five CTE programs to hit our current annual loan limit, and then over nine programs to reach the aggregate limit. Currently no students are in that situation for the current aggregate limit, and it's really in terms of

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simplification that we're recommending increasing the aggregate loan limit for CTE.

Chair Adams thanked Director Thomas for her explanation. She continued stating that while she understands we have not reached the limits and the \$10,000 for CTE seems sufficient, why not make it comparable across all categories. We could make the proposed annual limit for CTE also \$24,000, knowing that borrowers can never borrow more than their program, so there's already a check on how much can be borrowed. It would just make sense to keep things the same across the board. Director Thomas explained that they didn't recommend an increase for CTE annual loan limits because the need isn't there, but in terms of simplification the controls are in place to ensure that students are only receiving loans for the amount of unmet need so that change could take place. They did observe that for most CTE programs, room and board is omitted from the overall cost, so that is one of the questions that came up from an institution when our regulations were out for public comment about these topics. If the loan limit went up, could we potentially add in the cost of room and board to get the students more money? It could be a way to provide students additional funding for CTE programs if they needed it. So the simple answer is that yes, we could increase the loan limit to \$24,000. Chair Adams opened it up for Board members.

Member Handeland asked what the controls in place were and what the purpose of the limit is. Director Thomas explained that the purpose of the limit is to provide some financial certainty to the corporation. We would not be able to control the amount of loans we issue on an annual basis or forecast that as well without the limit. It is also to prevent students from over-borrowing. This isn't technically an activity we perform, so we don't analyze the amount of debt to the program or career the student is going into to see if they would be able to afford repaying the loan. There is a lot of counseling from the school and through the loan process that walk students through that. Ultimately, it is more of a student personal decision about their borrowing needs and their career plans. The purpose of the limit is twofold; it's for financial planning of the corporation and also to prevent students attending very high cost institutions that have very large unmet need from borrowing very large amounts. The amount we are proposing would meet the needs of nearly all Alaskans that attend out of state, or the top 25 institutions. There are, of course, outliers that attend other institutions that may cost more, but that's where we came up with this number.

Chair Adams asked if the top 25 institutions included CTE. Director Thomas stated that it does, however, we don't provide loans for CTE programs outside of Alaska. There is specific criteria that an institution has to meet in order to be able to participate in our loan programs for CTE programs. They have to be within the state of Alaska and for out-of-state institutions, they have to be participating in the Title IV federal student aid program in order to be able to participate in our loan program.

Deputy Commissioner Donley moved to amend the loan limit for Career and Technical Education from \$10,000 to \$24,000. Donald Handeland seconded the motion. By roll call vote, all members present voted aye. The motion carried.

Vice Chair Fowler asked if there is any concern about raising the annual loan limit past what we think anyone would need and what is demonstrated would be a potential need for kids or adults in a CTE Program. Since financial literacy is not a common skill, the increase could cause potential confusion to the borrower. Executive Officer Efird explained that we have in place ways to control that, because the cost is not there for this program. Therefore, the student would not need to borrow that full amount, and would still have to be certified through the program and the school. She added

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that she appreciates the motion, because this will help streamline the efficiency and the systems that we're putting in place for the new program years as we go forward. It makes that simpler. She concluded that she will defer to Director Thomas if there is a piece she is missing. Director Thomas stated she had nothing additional to add.

Chair Adams thanked Director Thomas and her team for putting the report together. She stated the Board is looking forward to future reports on this.

ADOPTION OF LOAN PROGRAM FIXED INTEREST RATES FY2023-2024

Julie Pierce, Chief Finance Officer for ACPE, referenced her proposed rate memo starting on page 17 of the meeting packet. She explained that Corporation regulations specify that the corporation's established rates, among other provisions, do not exceed all-inclusive costs expressed as a rate and ensure the financial stability of the corporation's current repayment and loan origination projections. The loan portfolio balances are expected to continue to decline for the near future, unless there are significant increases in loan originations. Although, operating costs have declined year after year, in order to align costs to a level that the loan portfolio can support, additional operating cost reductions and increases in investment income will need to be achieved. The interest rates proposed are not calculated to cover current and recent years cost alone. However, the proposed rates are set to be competitive and result in financial sustainability. This is a long-term approach that sets rates at a level that is competitive to the market, and it's to the benefit of borrowers and the corporation.

Next, she brought the Board's attention to page 18 of the packet and specifically the Immediate Repay New Rate Tier. The statutory changes previously outlined provides for ACPE to offer future student loan borrowers a loan program with immediate repayment requirements. Staff are proposing a separate fixed interest rate tier for these types of loans, because we are proposing lower rates for the immediate repayment loan option. We consider them to have lower credit risk. Staff considers the increase in loan limits to increase exposure to loan loss. The corporation already reduces credit risk by adopting risk-based lending practices by setting loan rates based on FICO score tiers, requiring no adverse credit for in-school loans and, new this year, providing reduced rate tiers for the immediate loan repayment option. Additionally, the supplemental loan limit information included in the packet outlines the change in loan limits and plan strategies to mitigate the increased credit risk associated with the increased credit limits regarding market rates. The corporation considers the Federal PLUS loan program to be its primary competitor. The interest rates being proposed are based on the conservative assumption that the PLUS rate will be equal to, or higher than approximately 8.14%. Additionally, the PLUS loans include a 4.23% origination fee that increases the APR of those loans.

Next, she explained that the tables on page 19 and 20 of the packet outline the proposed rates and the rate changes compared to current rates. In general non-immediate repay loan rates proposed are 75 to 100 basis points higher than current year rates and immediate repay loan rate. Tiers are 50 to 75 basis points lower than immediate repay loan rates. The table on page 21 of the packet outlines proposed refinance rates that are 100 basis points higher than rates currently being offered for all term and FICO score tiers and staff still believe that these are competitive refinance rates. She concluded her report by stating that staff recommends the fixed interest rates and underwriting criteria be set as proposed in the report's tables.

Discussion: Vice Chair Fowler stated that she appreciates that at the last board meeting they participated in the Fiduciary training and learned the Fiduciary responsibility of the Board. The

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training was important and helped center that responsibility for this discussion. It is always hard to discuss increasing the interest rates for our students, because everyone wants to make sure that higher education is affordable. She thought the training was well timed and appreciated.

Chair Adams added that she felt that staff worked really hard to find a very appropriate balance. She also stated that she appreciates that we are working hard to move forward with many of those ideas that have been discussed that could help with the financial health of the borrowers.

Genevieve Wojtusik moved to accept the fixed interest rates and underwriting criteria for the 2023-2024 academic year loans be set as shown in the report. Donald Handeland seconded the motion. By roll call vote, all members present voted aye. The motion carried.

EXECUTIVE OFFICER REPORT

Executive Officer Sana Efird began her report by thanking each board member for their engagement, guidance and input. She explained that for this meeting she had decided it would be best for the Corporation to see her full report she typically provides the Commission. She added that she would pick out a few things and summarize what might be more appropriate for the Corporation, but thought it was important for them to see the full work of the Commission and what the Corporation's funds are supporting.

She briefly explained that the Commission has proposed a flat budget for FY2024. There are no increases and the organization is continuing to downsize due to outsourcing of our loan origination and servicing. She also outlined some future initiatives, which will occur after outsourcing. Staff will begin to work on these initiatives with the goal of building more robust relationships with borrowers through providing more financial education to help them make sound decisions. She added that as of that moment staff had met their most recent milestone and are looking at implementing the final phase of the outsourcing servicing of loans by April 1, 2023.

Next, she expressed her appreciation for the dedication of staff working to balance the mission to provide a loan product that offers access to students for their postsecondary training that will help support our workforce and economy while trying to sustain the fund. She also wanted to acknowledge Hilltop Securities staff, Lee Donner and Tim Webb, who met with staff several times as they grappled with the loan limits and the data. Their input was appreciated and immensely helpful.

Then she provided an overview of a bill that Representative and Commission Member Andi Story had put forward in the 33rd Alaska State Legislature. The bill was HB 31 and sought to help move the Alaska Performance Scholarship into the future to help more students. It was found that over the last 10-11 years use of the APS has decreased. Representative Story used the recommendations from a 10-year review done by McKinley Research for the language of the bill. Executive Officer Efird also explained that a companion bill was introduced on the Senate side, which was SB 56. She added that she has been very busy meeting with legislators to talk through and answer some of their questions surrounding the bills.

Lastly, she wanted to touch on the importance of the State's financial aid programs, the APS, the Education Grant and the need for Alaskans to complete their Free Application for Federal Student Aid (FAFSA). She added that our goal is to increase communication to borrowers to encourage

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them to go for grants, scholarships, and other types of funding that they can have access to if they complete their FAFSA. This will help them if they have a gap in funding and by keeping their loan at the lowest level possible and their debt as manageable as possible. This will help borrowers gain access to their selected program, meet their goals, and help grow Alaska’s workforce.

In conclusion, she thanked the Board for their time and input.

Discussion: Member Wojtusik thanked Executive Director Efird for her report and added that she appreciates all the work she and her team do for the Board and the Commission.

Chair Adams also thanked Executive Director Efird for her time and added that she is fully supportive of the effort to improve the APS and appreciates the information surrounding that.

Vice Chair Fowler wanted to express her gratitude and stated that the body of work the staff produced for this meeting was impressive. She added that she enjoys the opportunity to sit on this Board.

FUTURE MEETING DATES

- **Thursday, November 3, 2023 at 1:30 p.m.**
- **Thursday, January 11, 2024 at 1:30 p.m.**

ADJOURN

Deputy Commissioner Donley moved to adjourn. Ms. Wojtusik seconded the motion. By roll call vote, all members present voted aye. There being no objection, and no further business to discuss, the motion carried.

The meeting adjourned at approximately 2:20 p.m.

Approved by:

Dr. Barbara Adams, Chair

Date



Memorandum

To: Alaska Student Loan Corporation Members
Thru: Sana Efird, Executive Officer
From: Julie Pierce, Chief Finance Officer
Date: May 11, 2023
Re: Annual Investment Policy Review

In accordance with the Corporations Investment Policy and Procedures, the Board is required to review the investment policy annually to determine the policy's effectiveness and to make adjustments to reflect changes in investment strategy and goals.

The current investment policy document is included with this memo and outlined on page 8 of the policy.

The proposed revised Investment Policy for Board review and approval is included in Zach Hanna, Chief Investment Officer Department of Revenue's presentation on page 18.

Suggested Motion after presentation, review of proposed policy and discussion:

- *Suggested Motion: Move to accept the Alaska Student Loan Corporation Investment Policy and Procedures with no material changes based on discussion and recommendation from Staff, DOR Investment Management team, and Financial Advisor.*

**Investment Policy
and Procedures**

**ALASKA STUDENT
LOAN CORPORATION**

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This investment policy provides the Executive Officer or the Chief Finance Officer the authority to enter into:

- contracts with outside investment providers/managers;
- investment agreements with the State’s Department of Revenue, Treasury Division; and/or
- direct investment transactions.

Statutory Authority

Alaska Statutes (AS) 14.42.100 – 14.42.990 create the Alaska Student Loan Corporation (Corporation) and set out the Corporation’s authorized powers. These statutes provide the Corporation: (1) the power to invest its funds, subject to agreements with bondholders, and (2) the powers and responsibilities established in AS 37.10.071 (the prudent investor rule) with respect to the investment of amounts held by the Corporation (AS 14.42.200 (8)).

Purpose

This investment policy will provide Corporation board members, staff, and financial consultants with investment parameters to implement the authority granted in AS 14.42.100 - 14.42.990. The investment goals of the Corporation are to:

- grow long-term financial assets;
- maintain adequate liquidity to ensure timely payment of obligations;
- comply with federal arbitrage requirements;
- maximize earnings; and
- maintain diversification of investments.

The Corporation must invest its monies to provide for the timely payment of debt, operating costs and education loan commitments. To meet education loan commitments, the Corporation must have the ability to accelerate or decelerate draws from certain accounts without subjecting itself to prepayment penalties or market risk.

The Corporation desires to maximize earnings while achieving its other investment goals.

The Corporation will diversify investments to minimize risk.

To ensure a market rate and to comply with federal requirements regarding investment of tax-exempt bond proceeds, the Corporation will utilize the competitive procurement process for investment contracts, unless otherwise provided for in this policy. The Corporation will follow the process described in the section titled Procurement Process.

Summary of Investible Assets

- Assets pledged to bond indentures or other debt instruments (collectively referred to as Pledged Funds) for which investments are governed by related debt instruments and/or a credit provider, if any.
- Assets not pledged (non-pledged funds).

Requirements

The Board will review this investment policy annually to determine the policy’s effectiveness and to make adjustments to reflect changes in investment strategy and goals.

Diversification

All investment contracts must meet the Corporation’s diversification standards at the time the investment is made. Investment agreement providers will be limited to providing investments to the lesser of \$50,000,000 or 5% of the Corporation’s total invested assets. These diversification standards are not applicable to investments in direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and also unconditionally guaranteed as to the timely payment of principal and interest by the U.S., or bonds, notes or other evidences of indebtedness rated “AAA/Aaa” and issued by FNMA or FHLMC, or to acquisition funds (monies held in an account designated for education loan originations) that will be reduced to a maximum of \$50,000,000 in the first six months of the agreement.

Bank deposits or sweep accounts held in U.S. domestic financial institutions or trust companies which are members of the Federal Deposit Insurance Corporation are also excluded from the diversification standards. These holdings will be utilized as investments only when the return on such holdings is expected to be higher than the return on other allowable securities or when the risks associated with such holdings are deemed lower relative to other allowable securities.

Safekeeping

Unless otherwise indicated, the Executive Officer shall appoint independent third-party trustee(s) to act as safekeeping and custodial agent(s).

Non-Pledged Funds

The Corporation's non-pledged funds may be invested in the various investment pools managed by the State of Alaska’s Department of Revenue, Treasury Division

Non-pledged funds not invested in the State’s investment pools but still managed by the State of Alaska’s Department of Revenue, Treasury Division shall be invested in the manner directed by ASLC (see Appendix A).

Non-pledged funds not invested in the State’s investment pools and not managed by the State of Alaska’s Department of Revenue, Treasury Division shall consist of:

- Fixed income money market funds if rated, rated “AAA,” and if not rated, underlying holdings must be rated “AAA” or better.

All references to ratings contained herein are to the ratings of nationally recognized rating agencies including, but not limited to, Standard & Poor's Ratings Group (S&P), Moody's Investors Service (Moody's), and Fitch. The highest rating of the nationally recognized rating agencies is the rating that will be used to determine compliance with this policy.

Collateral

- Direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and also unconditionally guaranteed as to the timely payment of principal and interest by the U.S.
- Bonds, notes or other evidences of indebtedness rated no lower than “AAA/Aa+” or no lower than current credit ratings on U.S. Treasury obligations and issued by federal agencies which do not represent the full faith and credit of the U.S.
- Collateral requirements: 102% when using direct obligations of the U.S. Treasury or 103% when using agency securities.
- Collateral shall be held by a third-party custodian acting solely as an agent for the Corporation, if not held by the Corporation directly.
- Collateral shall be valued at least monthly by a third-party custodian, and marked-to-market at current price.

Other Investment Types

Any investment types not specifically authorized by this policy are not permitted.

Investment Manager

If the Corporation chooses to contract with an investment manager to assist with investment activities, such services shall be obtained through the competitive process described in the section titled Procurement Process. The investment manager must be a registered investment advisor with the SEC, and must be registered to do business in the State of Alaska at contract signing. The manager shall provide SEC form ADV II on an annual basis as evidence of ongoing SEC registration. The investment manager shall, at all times, operate within the Corporation’s investment policy and any specific instructions (more limiting than the policy) provided by the Corporation.

In addition to the Corporation’s investment policy and specific instructions, the following requirements apply to all investments managed by external investment managers:

- In the event that the rating of a provider or security purchased by the investment manager is withdrawn or downgraded below that required in this policy, it will no longer be an eligible security under this policy. The Investment Manager will report the situation to the Corporation within five business days of learning of the downgrade. The investment manager will include, in the report to the Corporation, a plan for monitoring and timely liquidation of the security.

- The investment manager will use duration as a means of managing the interest rate risk associated with the investment portfolio. Specific duration limits will be set based on the portfolio's liquidity and investment goals.
- Performance will be evaluated quarterly and compared to the performance of a predetermined benchmark based on the particular account's liquidity and investment requirements.

Managers are expected to achieve total returns, net of fees, which at a minimum match that of the benchmark.

The Investment Manager will not charge commissions, take spread revenue or offer any soft dollar arrangements associated with the account. The Investment Manager will strive to use non-load funds; however, in the rare situation that a no-load fund is not available, the Investment Manager will fully disclose all revenue sharing details with the Corporation.

Procurement Process

Request for Proposal

The Corporation, in consultation with the Financial Advisor, will develop a request for proposal (RFP) outlining the scope of services, minimum experience requirements, compensation structure, reporting requirements, and the process by which a proposal will be accepted and evaluated.

Distribution

RFPs will be widely distributed using means that reach the intended population of entities interested in providing the services requested.

For the purpose of selecting Investment Managers

RFP's will be distributed to Investment Managers expressing interest and RFP will be posted on the State's Online Public Notice web site.

For the purpose of selecting Investment Providers

The Corporation shall select which brokers/providers will receive the applicable RFP based on the following:

- businesses that have provided past quality service to the Corporation,
- businesses that have been active in the market as determined in consultation with the financial advisor and
- businesses that have requested a copy of the RFP.

The number of providers/brokers to solicit proposals from will be determined for each RFP by the Executive Officer or the Chief Finance Officer. The number of RFPs released will be sufficient to ensure the market is fairly represented.

Evaluation of Proposals

For the purpose of selecting an Investment Manager

An evaluation committee consisting of the Chief Finance Officer (or his/her designee) and staff of the Corporation's financial advisory firm will evaluate and summarize the proposals. The committee will submit a recommendation along with the proposals, evaluations, and related summaries to the Executive Officer for review and final selection.

For the purpose of selecting an Investment Provider

All proposals will be summarized and evaluated by the Chief Finance Officer (or his/her designee) and staff of the Corporation's financial advisory firm. Proposals and related summaries will be submitted to the Executive Officer (or his/her designee) for review and final selection.

AY3S: FY23 DOR-Alaska Student Loan Corporation Investment Policy

Investment Topic	Proposed Policy	Current Policy
Investment Objectives	Can tolerate high exposure of principal to loss in return for higher expected long-term returns. Limited current income requirement. Inflation protection desirable, but not required. Moderate liquidity requirement.	No Change
Policy Risk/Loss Range	10% Probable Annual Loss (10% cVaR) >5%	No Change
Time Horizon	Long	No Change
Asset Allocation	Broad U.S. Equity 22% ± 5% International Equity 14% ± 5% U.S. REITs 3% ± 5% Core U.S. Fixed Income 60% ± 5% <i>*may include up to 15% in tactical fixed income</i> Cash Equivalents 1% - 1%/+2%	No Change
Expected Return - Long-Term	4.10%	4.10%
Risk - Standard Deviation	7.15%	7.14%
Probability of Loss - 1 Year 10% Probability of Annual Loss (10% cVaR)	28.3% -8.4%	29.2% -8.6%
Implementation	To avoid market timing risk, gradually increase the risk of the portfolio from the initial level to the full long-term level by the start of FY2024. Reassess the investment policy and asset allocation annually.	

The proposed policy is effective July 1, 2022



Approved

6/24/22

Date



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Alaska Student Loan Corporation

Portfolio Performance and Asset Allocation



May 2023

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

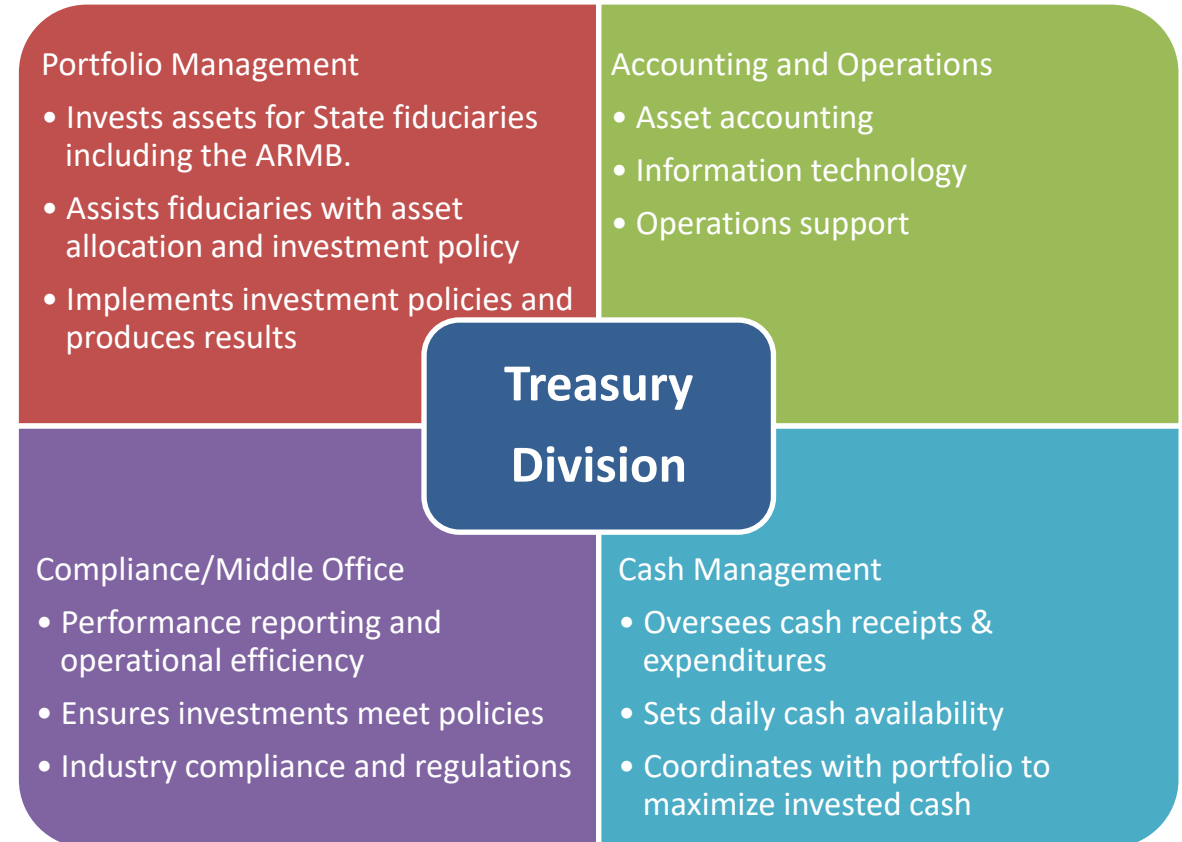
Alaska Student Loan Corporation Investment Discussion

Department of Revenue, Treasury Division:

- The Treasury Division is run by 40 professionals in portfolio management, accounting, operations, compliance, and cash management
- The Division helps state fiduciaries achieve investment objectives and manage risks
- \$49 billion in assets managed as of 3/31/23:
 - Alaska Retirement Management Board - \$39.5 Billion
 - Commissioner of Revenue/SOA - \$9.4 Billion
 - Other State assets include Alaska Mental Health Trust, Alaska Student Loan Corporation, and the Exxon Valdez Oil Spill Trust.

ASLC Investment Discussion Agenda:

- Capital Market Update
- ASLC Performance through March 31, 2023
- Asset Allocation for FY 2024



Economic and Market Update

Inflation and Economic Growth

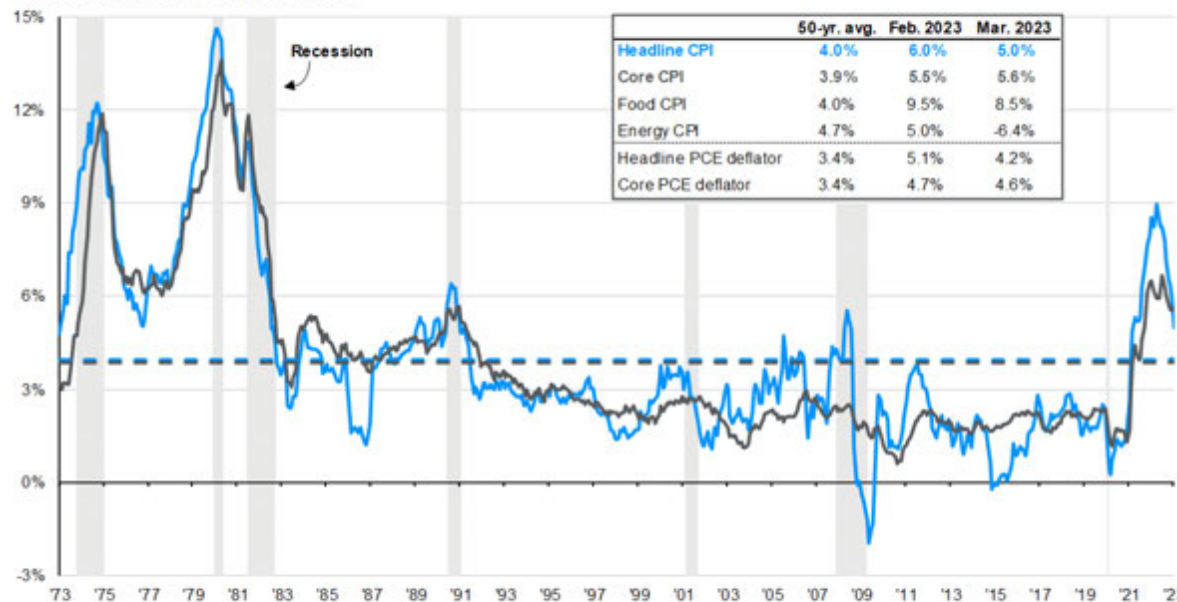
- Early in 2022, the Russia/Ukraine crisis dominated headlines and capital markets. The direct impact to equity markets was initially muted, but the effect on energy inflation and European growth was pronounced.
- Since then, inflation has dominated markets with CPI peaking at 9.1% in June 2022 before declining to 5.0% in March 2023. Despite moderating, employment remains tight with continued wage pressure in some sectors.
- Inflation and rising interest rates have created a challenging dynamic for economic growth.

Inflation

GTM U.S. 29

CPI and core CPI

% change vs. prior year, seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management. CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations. Guide to the Markets – U.S. Data are as of April 30, 2023.

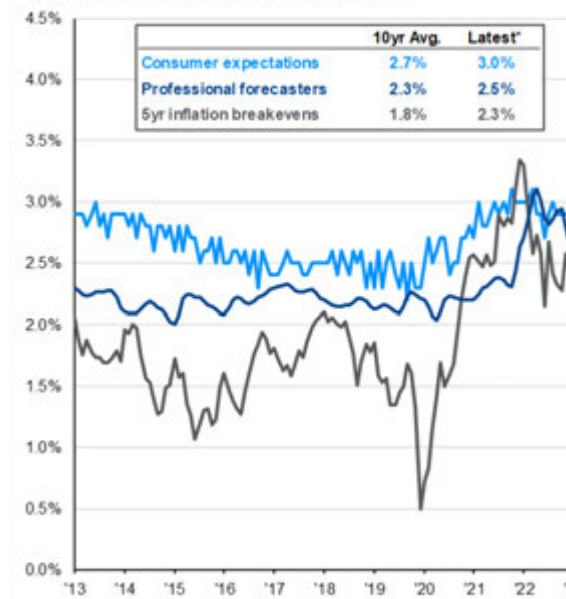
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Inflation expectations

GTM U.S. 31

Inflation expectations, next 5 years

% change vs. prior year, non-seasonally adjusted



Source: Bureau of Labor Statistics, Citi, FactSet, Federal Reserve Bank of Philadelphia, University of Michigan, J.P. Morgan Asset Management. *Reflects the latest daily 5yr/5yr breakevens, preliminary or final Consumer Sentiment survey, and the quarterly Survey of Professional Forecasters interpolated to a monthly series. The Survey of Professional Forecasters reflects the median estimate by professional forecasters of average CPI inflation over the next 5 years. The series has been adjusted by J.P. Morgan Asset Management to exclude realized inflation readings within the forecast window. Citi Inflation Surprise Index: A reading above 0 means that data are on average coming in above consensus expectations. Guide to the Markets – U.S. Data are as of April 30, 2023.

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Citi Inflation Surprise Index

Monthly



Interest Rates and the Federal Reserve

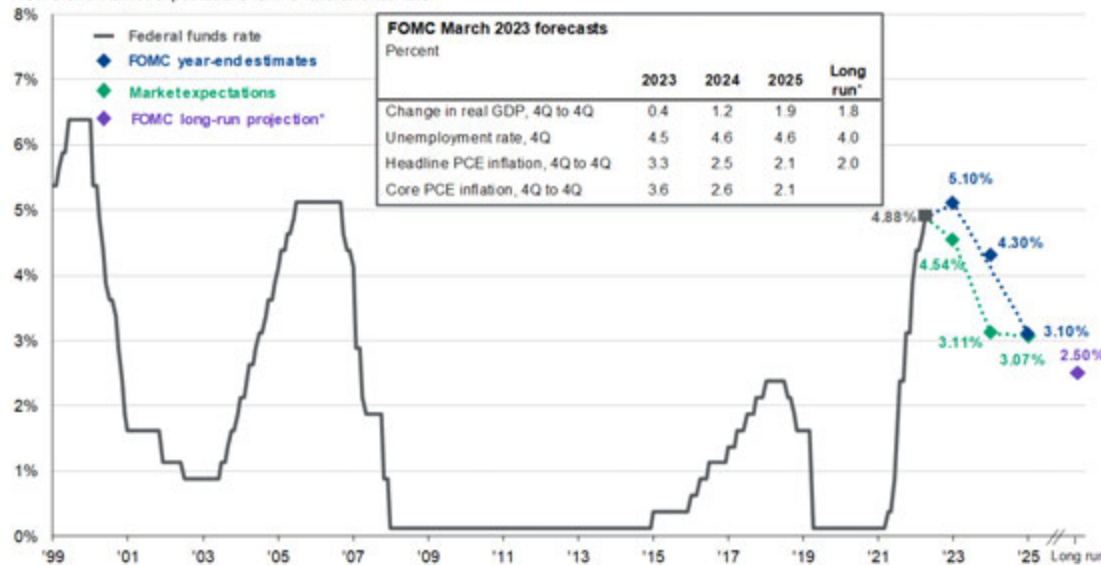
- To combat inflation, the Federal Reserve has raised interest rates from near zero at the start of 2022 to 5% in March of 2023.
- This rapid reversal of a 40-year decline in interest rates has had a pronounced effect on capital markets.
- Repercussions such as the failure of some regional banks in early 2023 have also added to market volatility.

The Fed and interest rates

GTM U.S. 34

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



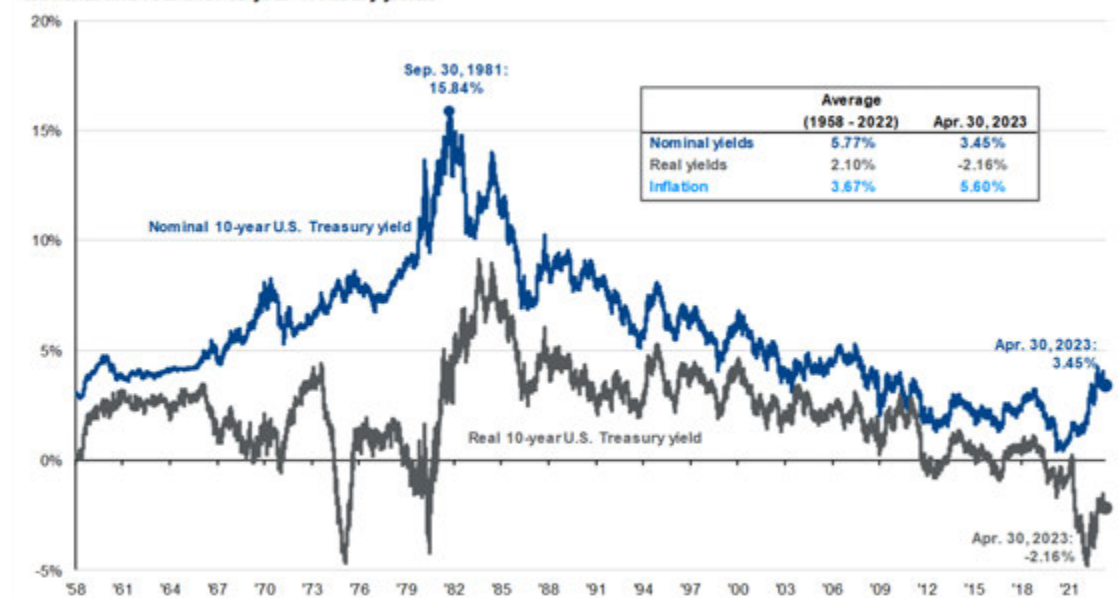
Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management. Market expectations are based off of the respective Federal Funds Futures contracts for December expiry. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge 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 April 30, 2023.

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Interest rates and inflation

GTM U.S. 35

Nominal and real U.S. 10-year Treasury yields



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 is available. Guide to the Markets – U.S. Data are as of April 30, 2023.

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- Yields increased dramatically in reaction to the Fed’s rate increase plans but fell during the first quarter of 2023.
- Most bond sectors performed poorly in 2022, but returns improved during the first quarter of 2023.
- Fixed income investments remain exposed to further rate increases but are cushioned by higher starting yields.

Yield curve

GTM U.S. 37

U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of April 30, 2023.

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Fixed income market dynamics

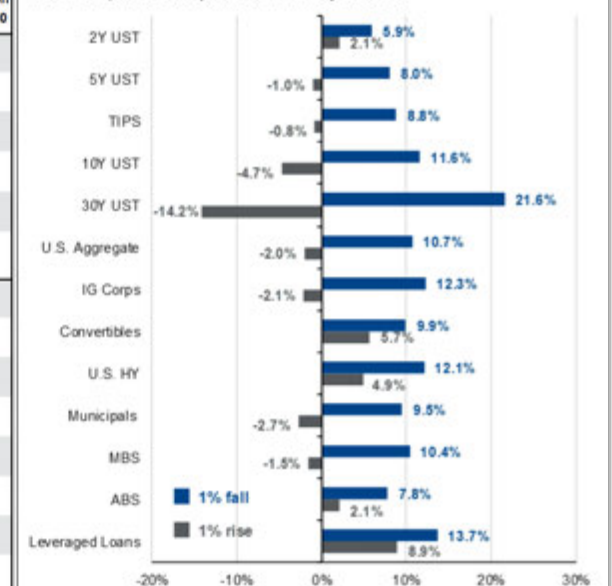
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	Yield		Return			
	4/30/2023	12/31/2022	2023 YTD	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
U.S. Treasuries						
2-Year	4.04%	4.41%	1.68%	2 years	0.74	-0.14
5-Year	3.51%	3.99%	3.06%	5	0.93	-0.12
TIPS	1.26%	1.58%	3.45%	10	0.60	0.38
10-Year	3.44%	3.88%	4.50%	10	1.00	-0.13
30-Year	3.67%	3.97%	6.16%	30	0.93	-0.17
Sector						
U.S. Aggregate	4.35%	4.68%	3.59%	8.5	0.86	0.22
IG Corps	5.10%	5.42%	4.29%	11.0	0.54	0.47
Convertibles	7.42%	7.58%	2.83%	-	-0.13	0.87
U.S. HY	8.48%	8.96%	4.60%	5.3	-0.09	0.74
Municipals	3.39%	3.55%	2.54%	13.0	0.54	0.22
MBS	4.48%	4.71%	3.06%	7.5	0.78	0.15
ABS	5.60%	5.89%	2.30%	3.6	0.25	-0.05
Leveraged Loans	11.30%	11.41%	4.25%	2.4	-0.33	0.59

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; 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. Sector yields reflect yield-to-worst. Convertibles yield is based on U.S. portion of Bloomberg Global Convertibles. Correlations are based on 15-years of monthly returns for all sectors. Past performance is not indicative of future results. Guide to the Markets – U.S. Data are as of April 30, 2023.

Impact of a 1% rise or fall in interest rates

Total return, assumes a parallel shift in the yield curve



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Equity Markets

- With the stock market correction in 2022, U.S. equities are back to more normal valuations.
- Corporate profits are exposed to slowing growth and inflation and may not price in a potential recession.
- International equity valuations remain low relative to the U.S. with high dividend yields.

S&P 500 valuation measures

GTM U.S. 5

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 April 1998 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are \$229. Average P/E and standard deviations are calculated using 25 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 25 years for each measure. *P/CF is a 20-year average due to cash flow availability. Guide to the Markets - U.S. Data are as of April 30, 2023.

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International valuations and dividend yields

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



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Guide to the Markets - U.S. Data are as of April 30, 2023.

International: Difference in dividend yields vs. U.S.



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Stock and Bond Returns Strengthen

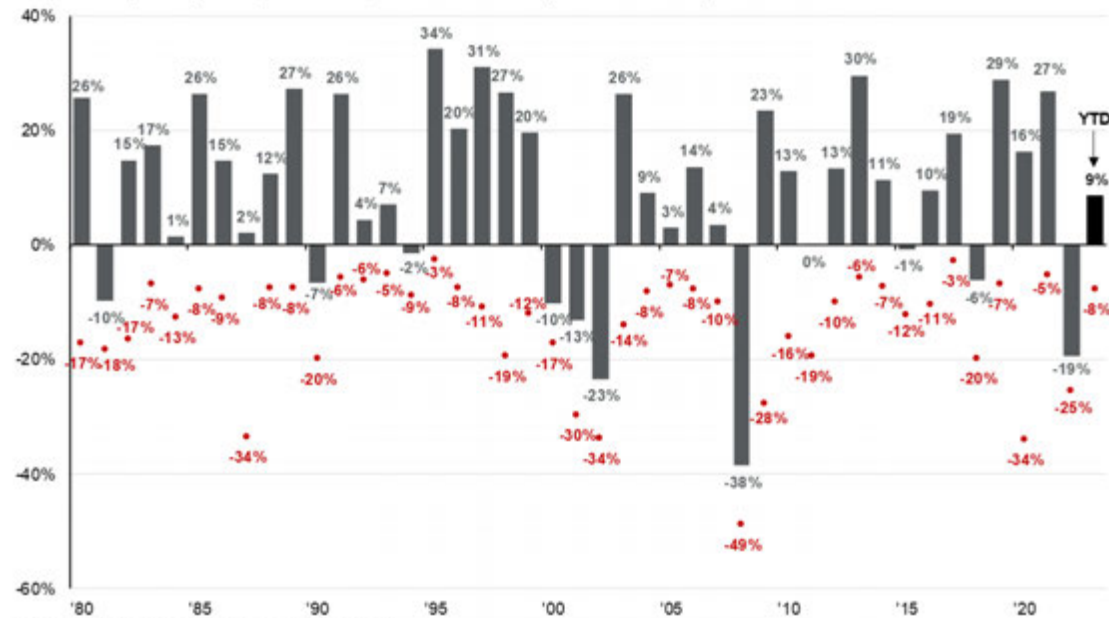
- Stocks fell 19% in 2022, and have returned 9% year to date for 2023.
- Fixed income was down an unprecedented 13% in 2022 after rates increased strongly from a low starting point. Fixed income returns year to date for 2023 have been 4%.

Annual returns and intra-year declines

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S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 32 of 43 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2022, over which time period the average annual return was 8.7%. Guide to the Markets – U.S. Data are as of April 30, 2023.

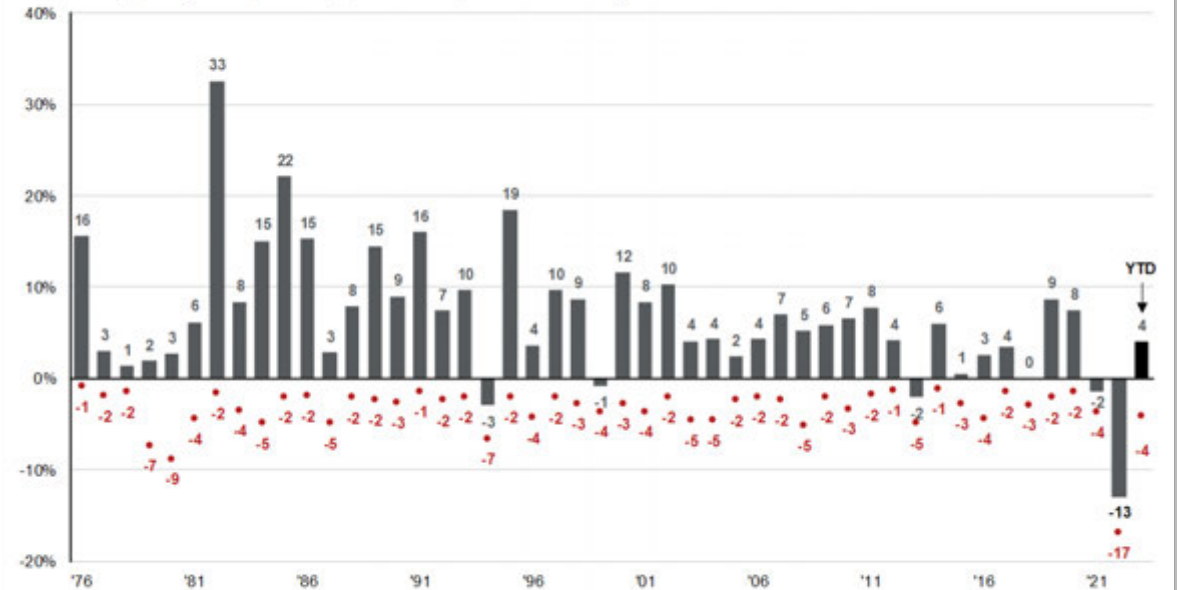
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Bloomberg U.S. Agg. annual returns and intra-year declines

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Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.3%, annual returns positive in 42 of 47 years



Source: Bloomberg, FactSet, J.P. Morgan Asset Management. Returns are based on total return. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1976 to 2022, over which time period the average annual return was 6.6%. Returns from 1976 to 1989 are calculated on a monthly basis; daily data are used afterwards. Guide to the Markets – U.S. Data are as of April 30, 2023.

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Capital Market Performance Update

- Investment performance was challenging for both stocks and bonds in 2022.
- U.S. Fixed Income was down 13% and U.S. Equities were down 19%, in 2022, which led to historically difficult conditions for balanced stock and bond portfolios.

Asset Mix	2022 Return
Cash Only	1.5%
U.S. Bonds Only	-13.0%
20% Stock/80%Bond	-14.2%
40% Stock/60%Bond	-15.5%
60% Stock/40%Bond	-16.7%
70% Stock/30%Bond	-17.3%
80% Stock/20%Bond	-18.0%
U.S. Stocks Only	-19.2%

- Losses were concentrated in the first half of the year and markets rebounded modestly in the second half – particularly in the 4th quarter.
- Most asset classes continued to recover in the first quarter of 2023 led by equity investments.

2018	2019	2020	2021	2022	2022-Half1	2022-Half2	FY23 YTD	2023-Q1
Cash Equivalents 1.9%	Broad U.S. Equity 31.0%	Broad U.S. Equity 20.9%	REITs 41.3%	Cash Equivalents 1.5%	Cash Equivalents 0.1%	High Yield 3.5%	International Equity 10.0%	Broad U.S. Equity 7.2%
Core U.S. Fixed Income 0.0%	REITs 28.7%	TIPS 11.0%	Broad U.S. Equity 25.7%	High Yield (11.2%)	TIPS (8.9%)	International Equity 3.0%	Broad U.S. Equity 9.7%	International Equity 6.9%
TIPS (1.3%)	International Equity 21.5%	International Equity 10.7%	International Equity 7.8%	TIPS (11.8%)	Core U.S. Fixed Income (10.3%)	Broad U.S. Equity 2.4%	High Yield 7.2%	High Yield 3.6%
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%)	High Yield (14.2%)	Cash Equivalents 1.3%	Cash Equivalents 2.4%	TIPS 3.3%
REITs (4.0%)	Core U.S. Fixed Income 8.7%	High Yield 7.1%	High Yield 5.3%	International Equity (16.0%)	International Equity (18.4%)	Core U.S. Fixed Income (3.0%)	TIPS 0.0%	Core U.S. Fixed Income 3.0%
Broad U.S. Equity (5.2%)	TIPS 8.4%	Cash Equivalents 0.7%	Cash Equivalents 0.0%	Broad U.S. Equity (19.2%)	REITs (19.2%)	TIPS (3.2%)	Core U.S. Fixed Income (0.1%)	REITs 1.7%
International Equity (14.2%)	Cash Equivalents 2.3%	REITs (5.1%)	Core U.S. Fixed Income (1.5%)	REITs (24.9%)	Broad U.S. Equity (21.1%)	REITs (7.1%)	REITs (5.5%)	Cash Equivalents 1.1%

Portfolio Performance

ASLC/DOR Investment History

- DOR started managing the current ASLC investments in July of 2021 with a lower-risk intermediate-bond mandate.
- DOR worked with the ASLC board to explore other risk profiles that could allow the corporation to efficiently use its assets.
- Several risk profiles were explored and the ASLC board ultimately adopted a 40% equity and 60% bond risk profile.
- The ASLC board elected to dollar-cost average into the new risk profile over a 2 year period designed to achieve the full risk profile at the start of FY24.
- The portfolio is now arriving at the full risk profile.

	FY22	FY22 Q2	FY 22 Q3	FY22 Q4	FY23 Q1	FY23 Q2	FY23 Q3	FY23 Q4	FY24
Broad U.S. Equity		5%	7%	10%	12%	16%	19%	21%	22%
Global ex-U.S. Equity		3%	5%	6%	8%	10%	12%	12%	14%
U.S. REITS		1%	1%	2%	2%	3%	3%	3%	3%
Core U.S. Fixed	26%	26%	41%	54%	54%	54%	54%	54%	60%
Cash Equivalents	74%	65%	46%	28%	24%	17%	12%	10%	1%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Expected LT Return	1.35%	1.98%	2.34%	2.74%	3.00%	3.45%	3.76%	3.88%	4.10%
Expected Risk	1.26%	1.89%	2.70%	3.63%	4.25%	5.39%	6.24%	6.57%	7.15%
10% Probable Annual Return (10% cVaR)	-0.9%	-1.3%	-2.4%	-3.6%	-4.5%	-6.0%	-7.2%	-7.7%	-8.4%
5% Probable Annual Return (5% cVaR)	-1.3%	-1.9%	-3.2%	-4.8%	-5.8%	-7.7%	-9.1%	-9.7%	-10.6%
Probability of Loss - 1 Year	14.2%	14.8%	19.3%	22.5%	24.0%	26.1%	27.3%	27.7%	28.3%
Prob. Return < -1%	3.1%	5.8%	10.8%	15.2%	17.3%	20.5%	22.3%	22.9%	23.8%
Prob. Return < -2%	0.4%	1.8%	5.4%	9.6%	12.0%	15.6%	17.8%	18.5%	19.7%
Prob. Return < -3%	0.0%	0.4%	2.4%	5.7%	7.9%	11.6%	13.9%	14.8%	16.0%
Prob. Return < -4%	0.0%	0.1%	0.9%	3.2%	5.0%	8.4%	10.7%	11.5%	12.9%
Prob. Return < -5%	0.0%	0.0%	0.3%	1.7%	3.0%	5.9%	8.0%	8.8%	10.2%
Prob. Return < -10%	0.0%	0.0%	0.0%	0.0%	0.1%	0.6%	1.4%	1.7%	2.4%
Prob. Return < -20%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Probability of Loss - 10 Year	0.0%	0.0%	0.3%	0.9%	1.3%	2.2%	2.8%	3.1%	3.5%
Asset Time Horizon Estimate	1.7	2.3	3.4	4.4	4.6	5.0	5.3	5.4	5.9
Return Statistics:									
Short-Term Expected Return	2.4%	2.9%	3.4%	3.9%	4.1%	4.5%	4.8%	4.9%	5.1%
Long-Term Expected Return	1.3%	2.0%	2.3%	2.7%	3.0%	3.5%	3.8%	3.9%	4.1%
Long-Term Real Return	-0.9%	-0.3%	0.1%	0.5%	0.8%	1.2%	1.5%	1.6%	1.9%
Long-Term Yield	1.6%	1.7%	2.0%	2.3%	2.4%	2.4%	2.5%	2.5%	2.6%
Capital Gain	-0.3%	0.2%	0.3%	0.4%	0.6%	1.0%	1.3%	1.4%	1.5%
Arithmetic Return	1.4%	2.0%	2.4%	2.8%	3.1%	3.6%	3.9%	4.1%	4.3%
Dollars: (\$Millions)									
Assets	88.3	88.3	88.3	88.3	88.3	88.3	88.3	88.3	88.3
Expected Annual Earnings	1.2	1.7	2.1	2.4	2.7	3.0	3.3	3.4	3.6
10% Probable Annual Return (10% cVaR)	-0.8	-1.2	-2.1	-3.2	-3.9	-5.3	-6.4	-6.8	-7.5

ASLC Portfolio Performance

- ASLC performance has rebounded since the first half of 2022 with fiscal-year-to-date performance of 4.3% through March 2023, 64 bps in excess of the benchmark.
- Calendar year 2022 performance was challenging at -8.12%.
- The inception track record, which is still short at 20 months, has generated an annualized loss of 2.69%.
- The State's asset class building blocks have all performed within expectations with most providing excess returns.

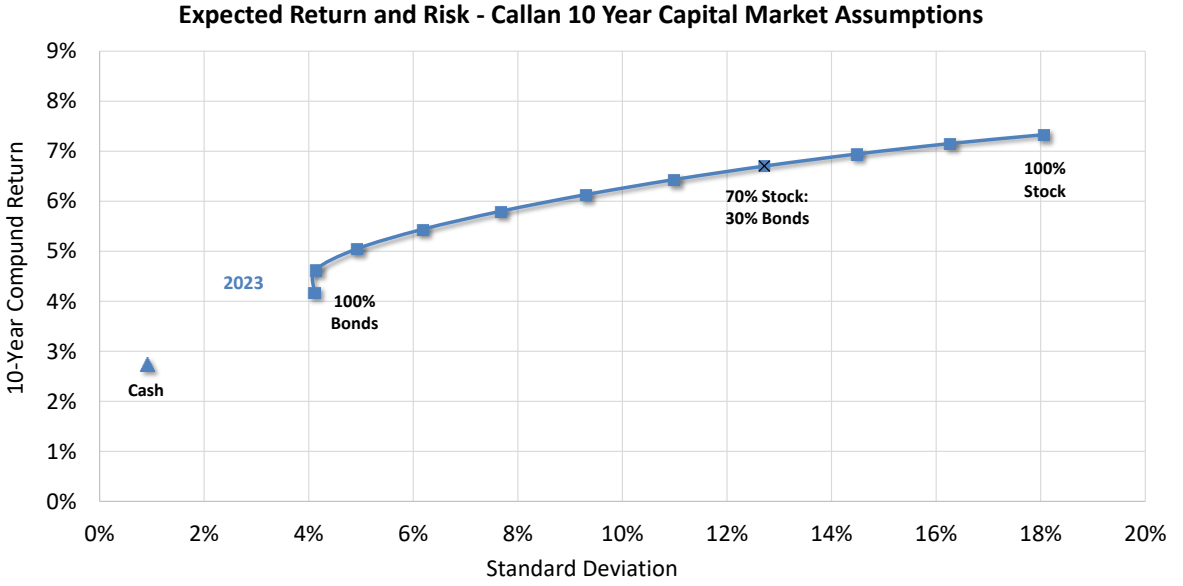
Performance through 3/31/23	3 Months	FYTD	1 Year	CY 2022	Inception (8/21)	3 Years	5 Years
ASLC Portfolio	4.08%	4.30%	-1.36%	-8.12%	-2.69%		
Benchmark	3.97%	3.66%	-1.83%	-8.51%	-2.98%		
<i>Excess Return</i>	<i>0.11%</i>	<i>0.64%</i>	<i>0.47%</i>	<i>0.39%</i>	<i>0.29%</i>		
<i>Original Benchmark</i>	<i>1.55%</i>	<i>0.83%</i>	<i>0.25%</i>	<i>-3.75%</i>	<i>-1.75%</i>		
Component Performance	3 Months	FYTD	1 Year	CY 2022	Inception (8/21)	3 Years	5 Years
Domestic Equity	7.17%	9.80%	-8.52%	-19.08%	-4.14%	18.51%	10.44%
Benchmark	7.18%	9.75%	-8.58%	-19.21%	-4.29%	18.48%	10.45%
<i>Excess Return</i>	<i>-0.01%</i>	<i>0.05%</i>	<i>0.06%</i>	<i>0.13%</i>	<i>0.14%</i>	<i>0.03%</i>	<i>-0.01%</i>
International Equity	6.88%	9.98%	-5.02%	-15.92%	-5.95%	11.84%	2.53%
Benchmark	6.87%	10.03%	-5.07%	-16.00%	-6.03%	11.80%	2.47%
<i>Excess Return</i>	<i>0.02%</i>	<i>-0.06%</i>	<i>0.05%</i>	<i>0.09%</i>	<i>0.09%</i>	<i>0.05%</i>	<i>0.05%</i>
Internally Managed REITs	1.74%	-5.46%	-19.37%	-24.86%	-9.10%		
Benchmark	1.74%	-5.52%	-19.40%	-24.95%	-9.17%		
<i>Excess Return</i>	<i>-0.01%</i>	<i>0.07%</i>	<i>0.03%</i>	<i>0.09%</i>	<i>0.07%</i>		
Broad Market Fixed Income	3.11%	0.53%	-4.07%	-12.24%	-6.52%	-2.19%	1.22%
Benchmark	2.96%	-0.09%	-4.78%	-13.01%	-6.98%	-2.77%	0.91%
<i>Excess Return</i>	<i>0.15%</i>	<i>0.62%</i>	<i>0.72%</i>	<i>0.77%</i>	<i>0.47%</i>	<i>0.58%</i>	<i>0.31%</i>
Tactical Bond	3.36%	3.33%	-4.03%				
Benchmark	2.96%	-0.09%	-4.78%				
<i>Excess Return</i>	<i>0.40%</i>	<i>3.42%</i>	<i>0.75%</i>				
Short-term Fixed Income	1.15%	2.67%	2.80%	1.60%	1.66%	1.09%	1.55%
Benchmark	1.07%	2.40%	2.50%	1.46%	1.53%	0.89%	1.41%
<i>Excess Return</i>	<i>0.08%</i>	<i>0.27%</i>	<i>0.29%</i>	<i>0.14%</i>	<i>0.13%</i>	<i>0.20%</i>	<i>0.14%</i>

Notes: Plan funded July 28, 2021. ITD performance for all funds listed starts August 1, 2021. ASLC did not invest in equity and REITs until October 22, 2021. ASLC Custom benchmark reflects multiple asset class target changes. ASLC Original Benchmark is 50% Bloomberg 1-3yr US Gov/Credit and 50% Bloomberg 1-3yr Gov. Performance greater than 1 year is annualized.

Asset Allocation

State Investment Policy and Asset Allocation Process

- In addition to \$39 billion in retirement assets, the Department of Revenue manages \$9 billion in state assets across 100+ accounts pooled into 26 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.**

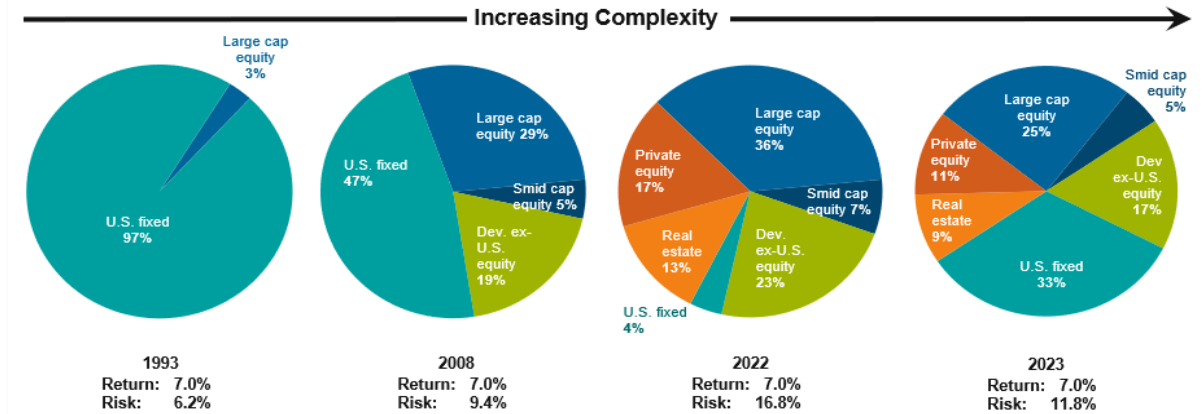


Fund - Account	Assets (3/31/23)	Risk Tolerance
Short-Term Funds	\$166,162,708	Low
CBRF - AY19	\$2,586,837,529	Low
GeFONSI - AY01	\$1,754,167,850	Moderate
International Airport - AY04	\$175,637,757	Moderate
GeFONSI II - AY3F	\$1,629,558,666	Moderate-High
Retiree LTC - AY11	\$733,267,140	5% Return Tgt
PCE Endowment - AY13	\$978,815,684	High/Endowment
Public School Trust Fund - AY08	\$735,385,732	High/Endowment
AK Higher Education - AY3L	\$366,532,446	High/Endowment
Illinois Creek Mine - AY9J	\$1,324,961	High/Endowment
Education Endowment - AY3G	\$988,439	High/Endowment
Total	\$9,128,678,912	

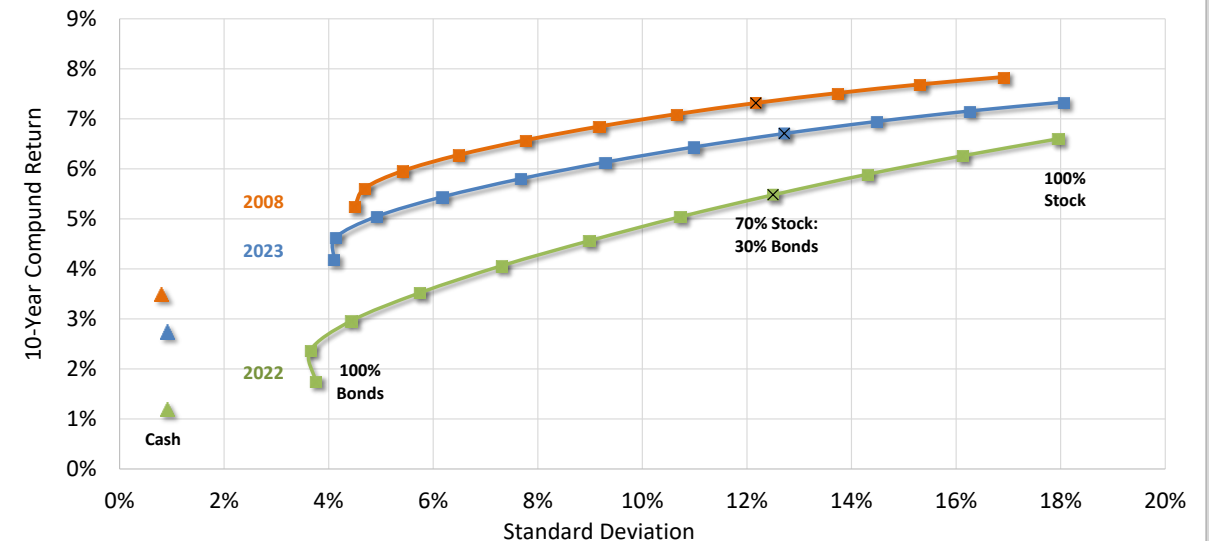
Asset Allocation

- 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.

7% Expected Returns Over Past 30 Years - Callan



Expected Return and Risk - Callan 10 Year Capital Market Assumptions



2023 Capital Market Assumptions

- In January, Callan released their 10-year capital market assumptions for 2023. 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 25% 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	10-Year Geometric Return	Return Change	Standard Deviation	Correlation to Domestic Equity	Real Return
Broad U.S. Equity	7.35%	0.75%	18.05%	1.00	4.85%
<i>Large Cap U.S. Equity</i>	7.25%	0.75%	17.75%	1.00	4.75%
<i>Small/Mid Cap U.S. Equity</i>	7.45%	0.75%	22.15%	0.92	4.95%
International Equity	7.45%	0.65%	21.25%	0.80	4.95%
<i>Developed ex-U.S. Equity</i>	7.25%	0.75%	20.15%	0.75	4.75%
<i>Emerging Market Equity</i>	7.45%	0.55%	25.70%	0.82	4.95%
Cash Equivalents	2.75%	1.55%	0.90%	-0.06	0.25%
Government 1-3 year Bonds	3.80%	2.30%	2.30%	0.04	1.30%
Core U.S. Fixed Income	4.25%	2.50%	4.10%	0.02	1.75%
<i>TIPS</i>	4.00%	2.75%	5.30%	-0.07	1.50%
<i>Emerging Market Sovereign Debt</i>	5.85%	2.25%	10.65%	0.66	3.35%
<i>High Yield</i>	6.25%	2.35%	11.75%	0.76	3.75%
Core Real Estate	5.75%	0.00%	14.20%	0.44	3.25%
REITs	6.90%	0.70%	20.90%	0.79	4.40%
Private Equity	8.50%	0.50%	27.60%	0.80	6.00%
Hedge Funds	5.55%	1.45%	8.45%	0.68	3.05%
Inflation	2.50%	0.25%			
70/30 Portfolio	6.71%	1.23%			

ASLC Investment Policy Review

Investment objectives and risk assessment:

- Time horizon and cashflow needs:
 - ASLC expects net cash inflows through FY27, with modest liquidity needs starting in FY28. Net cash outflows are expected to be reasonable for the planning horizon.
 - As a result, the system has a long time-horizon.
- Investment Objectives:
 - ASLC seeks a minimum return to cover operational expenses and provide downside loan protection. A target minimum return of 4% is required to cover operations and potential loan losses.
 - Future ASLC programs would also benefit from inflation protection and assets growth over time.
- Capacity for loss:
 - ASLC should be able to tolerate short-to-mid-term losses and volatility to target higher long-term returns.
 - ASLC may be sensitive to abrupt increases in risk profile.

Conclusion and recommendation:

- ASLC has the time horizon, investment objectives, and other attributes consistent with adopting a high risk tolerance.
- The ASLC asset allocation should cover downside loan losses and potentially increase assets.
- No substantive change is recommended to the existing Investment Policy.

AY35: FY23 DOR-Alaska Student Loan Corporation Investment Policy

Investment Topic	Proposed Policy	Current Policy
Investment Objectives	Can tolerate high exposure of principal to loss in return for higher expected long-term returns. Limited current income requirement. Inflation protection desirable, but not required. Moderate liquidity requirement.	No Change
Policy Risk/Loss Range	10% Probable Annual Loss (10% cVaR) >5%	No Change
Time Horizon	Long	No Change
Asset Allocation	Broad U.S. Equity 22% ± 5% International Equity 14% ± 5% U.S. REITs 3% ± 5% Core U.S. Fixed Income 60% ± 5% <i>*may include up to 15% in tactical fixed income</i> Cash Equivalents 1% - 1%/+2%	No Change
Expected Return - Long-Term	4.10%	4.10%
Risk - Standard Deviation	7.15%	7.14%
Probability of Loss - 1 Year 10% Probability of Annual Loss (10% cVaR)	28.3% -8.4%	29.2% -8.6%
Implementation	To avoid market timing risk, gradually increase the risk of the portfolio from the initial level to the full long-term level by the start of FY2024. Reassess the investment policy and asset allocation annually.	

The proposed policy is effective July 1, 2022


 _____ Approved _____ Date 6/24/22

Proposed FY24 Investment Policy

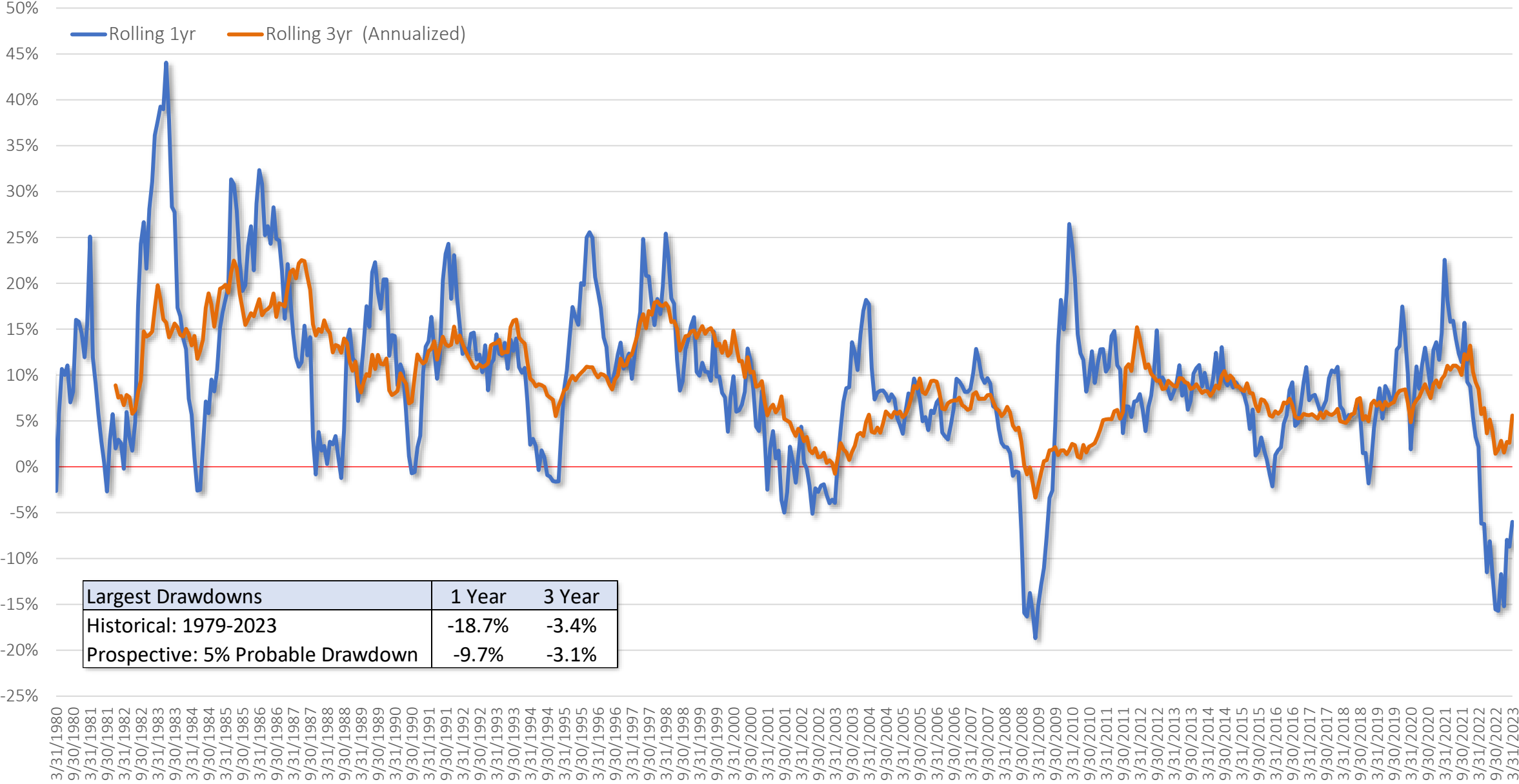
State of Alaska Asset Allocation

Asset Classes	FY23	FY24	40/60
Broad U.S. Equity	22%	22%	40%
Global ex-U.S. Equity	14%	14%	
US REITS	3%	3%	
Core U.S. Fixed Income	60%	60%	60%
Cash Equivalents	1%	1%	
Total	100%	100%	100%
Optimization Results:			
Expected Return - Long-Term	4.10%	5.85%	5.80%
Expected Return - Real/After Inflation	1.85%	3.35%	3.30%
Risk - Standard Deviation	7.15%	7.54%	7.67%
Sharpe Ratio	0.41	0.41	0.40
Risk Statistics:			
10% Probable Downside Return - 1 Year	-8.4%	-7.4%	-7.7%
5% Probable Downside Return - 1 Year	-10.6%	-9.7%	-10.0%
5% Probable Downside Return - 3 Year		-3.1%	-3.3%
5% Probable Downside Return - 5 Year		-1.1%	-1.3%
Probability of Loss - 1 Year	28.3%	21.9%	22.5%
Prob. Return < -5%	10.2%	7.5%	7.9%
Prob. Return < -10%	2.4%	1.8%	2.0%
Prob. Return < -20%	0.0%	0.0%	0.0%
Probability of Loss - 10 Year	3.5%	0.7%	0.8%
Asset Time Horizon Estimate	5.9	5.9	6.0
Dollars: (\$Millions)			
Assets		104.5	104.5
Expected Annual Earnings		6.1	6.1
1-Year 10% Probable Return (10% cVaR)		(7.7)	(8.0)
1-Year 5% Probable Return (5% cVaR)		(10.1)	(10.5)
3-Year 5% Probable Return (5% cVaR)		(3.3)	(3.5)

AY3S: FY24 DOR-Alaska Student Loan Corporation Investment Policy

Investment Topic	FY 2024	FY 2023
Investment Objectives	Can tolerate high exposure of principal to loss in return for higher expected long-term returns. Limited current income requirement. Inflation protection desirable, but not required. Moderate liquidity requirement.	No change
Policy Risk/Loss Range	10% Probable Annual Loss (10% cVaR) >5%	No Change
Time Horizon	Long	No Change
Asset Allocation	Broad U.S. Equity 22% ± 5% International Equity 14% ± 5% U.S. REITs 3% ± 5% Core U.S. Fixed Income 60% ± 5% <i>*may include up to 15% in tactical fixed income</i> Cash Equivalents 1% - 1%/+2%	22% ± 5% 14% ± 5% 3% ± 5% 60% ± 5% 1% - 1%/+2%
Expected Return - Long-Term	5.85%	4.10%
Risk - Standard Deviation	7.54%	7.15%
Probability of Loss - 1 Year	21.9%	28.3%
10% Probability of Annual Loss (10% cVaR)	-7.4%	-8.4%
Implementation	Reassess the investment policy and asset allocation annually.	
The proposed policy is effective July 1, 2023		
	Approved	Date

Historical Performance of a 40% Equity/60% Fixed Income Portfolio



Largest Drawdowns	1 Year	3 Year
Historical: 1979-2023	-18.7%	-3.4%
Prospective: 5% Probable Drawdown	-9.7%	-3.1%

Questions?



Zachary Hanna, CFA
Chief Investment Officer, Treasury Division
Alaska Department of Revenue
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Appendix: Risk Spectrum Update with SOA Funds

Asset Classes	Low	Moderate	Moderate +	20/80	30/70	ASLC	50/50	60/40	High Risk	Endowment
Broad U.S. Equity			4.0%	20.0%	30.0%	22.0%	50.0%	60.0%	35.0%	39.0%
Global ex-U.S. Equity			2.0%			14.0%			22.0%	25.0%
U.S. REITs						3.0%			5.0%	5.0%
Core U.S. Fixed Income				80.0%	70.0%	60.0%	50.0%	40.0%	37.0%	30.0%
Short Duration Gov't/Credit		15.0%	33.0%							
Cash Equivalents	100%	85.0%	61.0%			1.0%			1.0%	1.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Expected Return	2.75%	2.97%	3.44%	5.05%	5.44%	5.85%	6.13%	6.43%	6.63%	6.83%
Expected Return - Real/After Inflation	0.25%	0.47%	0.94%	2.55%	2.94%	3.35%	3.63%	3.93%	4.13%	4.33%
Risk - Standard Deviation	0.90%	1.05%	1.51%	4.92%	6.17%	7.54%	9.29%	10.98%	11.41%	12.65%
Sharpe Ratio	(0.00)	0.21	0.46	0.47	0.44	0.41	0.36	0.34	0.34	0.32
Risk Statistics:										
10% Probable Downside Return - 1 Year	1.2%	1.1%	0.8%	-3.6%	-5.4%	-7.4%	-10.2%	-12.8%	-13.4%	-15.4%
5% Probable Downside Return - 1 Year	0.9%	0.8%	0.3%	-5.1%	-7.3%	-9.7%	-13.0%	-16.2%	-16.9%	-19.3%
5% Probable Downside Return - 3 Year	1.7%	1.7%	1.6%	-0.8%	-1.9%	-3.1%	-4.9%	-6.6%	-7.0%	-8.2%
5% Probable Downside Return - 5 Year	1.9%	2.0%	2.1%	0.5%	-0.3%	-1.1%	-2.4%	-3.7%	-3.9%	-4.8%
Probability of Loss - 1 Year	0.1%	0.2%	1.1%	15.2%	18.9%	21.9%	25.5%	27.9%	28.1%	29.5%
Prob. Return < -1%	0.0%	0.0%	0.2%	10.9%	14.8%	18.2%	22.1%	24.9%	25.2%	26.8%
Prob. Return < -5%	0.0%	0.0%	0.0%	2.1%	4.5%	7.5%	11.5%	14.9%	15.4%	17.5%
Prob. Return < -20%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.8%	1.0%	1.7%
Probability of Loss - 10 Year	0.0%	0.0%	0.0%	0.1%	0.3%	0.7%	1.8%	3.2%	3.3%	4.4%
Asset Time Horizon Estimate	0.3	1.1	1.2	6.0	6.0	5.9	6.0	6.0	5.9	5.9
Dollars: (\$Millions)										
Assets	104.5	104.5	104.5	104.5	104.5	104.5	104.5	104.5	104.5	104.5
Expected Annual Earnings	2.9	3.1	3.6	5.3	5.7	6.1	6.4	6.7	6.9	7.1
1-Year 10% Probable Return (10% cVaR)	1.2	1.2	0.8	(3.7)	(5.6)	(7.7)	(10.6)	(13.4)	(14.0)	(16.1)
1-Year 5% Probable Return (5% cVaR)	0.9	0.8	0.3	(5.3)	(7.6)	(10.1)	(13.6)	(16.9)	(17.7)	(20.1)
3-Year 5% Probable Return (5% cVaR)	1.8	1.8	1.7	(0.8)	(2.0)	(3.3)	(5.2)	(6.9)	(7.3)	(8.6)

Table uses Callan's long-term CMA's for all risk profiles



Memorandum

To: Alaska Student Loan Corporation Board Members
Thru: Sana Efird, Executive Officer
From: Julie Pierce, Chief Finance Officer
Date: May 11, 2023
Re: Chief Finance Officer Report

FY2023 Audit

Included with your packet is a copy of the engagement letter for the annual financial statement and federal single audit for the fiscal year ended June 30, 2023. The most recent peer review report with a rating of pass is also included for information.

Audit fieldwork is scheduled for the week of August 28th and the audited Financial Statements are expected to be finalized by the beginning of October. The audited Financial Statements will be presented by our auditors, Elgee Rehfeld LLC., at the next ASLC Board meeting following statement finalization.

If you have any questions or wish to discuss this information further, please do not hesitate to contact me at 907-465-6757 or julie.pierce@alaska.gov.



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Alaska Student Loan Corporation

FINANCE OFFICE

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Memorandum

To: Alaska Student Loan Corporation Members

Thru: Sana Efird, Executive Officer

From: Julie Pierce, Chief Finance Officer

Date: May 1, 2023

Re: Proposed 2023-2024 Interest Rates for Variable Rate Alaska Supplemental Education Loans

Pursuant to AS 14.42.215 and 20 AAC 14.050, the Corporation sets the annual interest rates for variable rate Alaska Supplemental Education Loans (ASEL) on or after May 1 of each year. These rates will be in effect for the 12-month period beginning July 1, 2023 and ending June 30, 2024.

The Corporation issued variable rate ASEL loans from July 1, 2002, through June 30, 2006. The Corporation no longer originates variable rate ASEL loans.

Corporation regulations specify the ASEL variable interest rates be based on “the bond equivalent rate of the 91-day U.S. Treasury bills auctioned at the final auction held before May 1 of the loan year plus up to 2.8 percent.” The final auction held before May 1st occurred on April 28, 2023.

Staff recommend the interest rate for variable rates for ASEL loans be set as follows for the 12-month period beginning July 1, 2023:

1. During the in-school period and applicable grace and deferment periods, 5.70%¹ (91-day U.S. Treasury Bill rate set April 28th of 5.02% plus 2.70 %.)
2. During the repayment period and applicable forbearance periods, 5.80%¹, (91-day U.S. Treasury bill rate set April 28th of 0.85% plus 2.80 %.)

Requested Motion:

Move approval of variable interest rates for variable rate ASEL loans as recommended by staff.

¹ The base rate has been rounded to the nearest tenth of a percent, consistent with past practice.



Alaska Commission on Postsecondary Education

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MEMORANDUM

TO: Members, Alaska Commission on Postsecondary Education
FROM: Sana Efird, Executive Director
DATE: March 13, 2023
SUBJECT: Executive Director Report

With the start of a new Legislative Session, I have focused on meeting with newly elected legislators, preparing and presenting to Legislative Committees, and completing bill analysis and fiscal notes for bills that could affect ACPE. Worked with staff to develop and review regulation changes needed for new loan legislation including establishing new loan limits, immediate repay, and expanding eligibility for refinance loans. I have continued to work with Senior Managers, internal staff, and external contractors to complete the outsourcing of the servicing of our loan portfolio, participated and presented at a number of events, and attended numerous meetings with staff, partners, and stakeholders.

FY 2024 Budget Update:

The House Education Finance Subcommittee closed out the DEED FY 2024 Budget on Wednesday, March 8. The Committee recommended the Governor's numbers for ACPE with one addition in the form of Legislative Intent Language stating:

- Add intent language directing the ACPE direct its resources to student completion of the Free Application for Federal Student Aid (FAFSA) and require a report. See [documents](#).

The Alaska Commission on Postsecondary Education (ACPE) budget includes:

- One increment request in the amount of \$197.7 to cover a routine annual increase in the cost of the state's WWAMI contract with the University of Washington;
- Technical adjustments for PERS increases;
- Increment of \$7.3 for increased fees for Institutional Authorization due to new regulations
- The APS, AEG, and WWAMI programs' funding source was switched from Unrestricted General Fund (UGF) back to the Higher Education Investment Fund (HEIF);
- A UGF increment of \$1,647.5 to fund an additional ten WWAMI students, increasing the program from 20 to 30 students per year which was originally only through FY2024, was included in WWAMI base operating budget to ensure students have funding to complete their program.

Next, the House Education Finance budget recommendations will go to the full House Finance Committee for changes/adoption and then to the House Floor for a vote. Meanwhile, the Senate Finance Subcommittee will prepare their version of the budget recommendation to the full Senate Finance Committee which will go to the Senate Floor for a vote. If there are differences in the two adopted budgets, the differences between the House and Senate will be determined through the Conference Committee process. Still a long way to go!

ACPE also submitted a FY 2023 Supplemental Budget request for \$44.9 to cover the actual costs of the State’s Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) FY2023 contract with the University of Washington School of Medicine due to an increase in inflation costs for the WWAMI contract.

Senior Managers continue to meet consistently to review and revise our current operating budget to ensure oversight and control of expenditures.

Legislative Session:

Since there is more than one third of the current members of the legislature that is new or returning after a long break, I have spent time meeting with legislators to share the vision and mission of ACPE, to provide information on the programs and resources we offer and to advocate for support of higher education access and funding opportunities for all Alaskans.

Specifically, I have shared the concerning information from the 2023 Alaska Performance Scholarship (APS) Outcomes Report which indicates this past year saw the lowest percentage of high school seniors eligible for the APS; only 17%.

We are monitoring bills as they are filed for possible impact on higher education or ACPE operations and programs. Of particular interest are [HB 31](#) Alaska Performance Scholarship; eligibility filed by Representative Andi Story and [SB 56](#), a companion bill filed in the Senate by Senators Dunbar and Gray-Jackson. These bills amend current APS statutes to include recommendations from the McDowell Group [APS 10 Year Program Review](#).

Below is a list of Education Bills introduced.

Bill	Short Title	Sponsor	Status	Last Action
HB 6	PUBLIC SCHOOLS; OPIOID AWARENESS PROGRAM	REPRESENTATIVES RAUSCHER, Armstrong, Story	(H) HSS Then EDC, FIN	3/1/2023
HB 21	SCHOOL/UNIVERSITY EMPLOYEE HEALTH	REPRESENTATIVES VANCE, McCabe	(H) EDC	1/27/2023

	INSUR		Then L&C	
HB 27	DESIGNATE SEX FOR SCHOOL-SPONSORED SPORTS	REPRESENTATIVE MCKAY	(H) EDC Then HSS	01/19/2023
HB 31	AK PERFORMANCE SCHOLARSHIP; ELIGIBILITY	REPRESENTATIVES STORY, Fields	(H) EDC Then FIN	2/7/2023
HB 39	APPROP: OPERATING BUDGET/LOANS/FUND; SUPP	HOUSE RULES BY REQUEST OF THE GOVERNOR	(H) FIN	01/19/2023
HB 40	APPROP: CAPITAL/SUPPLEMENTAL	HOUSE RULES BY REQUEST OF THE GOVERNOR	(H) FIN	01/19/2023
HB 41	APPROP: MENTAL HEALTH BUDGET	HOUSE RULES BY REQUEST OF THE GOVERNOR	(H) FIN	01/19/2023
HB 44	CULTURAL EDUCATION PROGRAM	REPRESENTATIVES STORY, Dibert	(H) EDC	2/7/2023
HB 54	APPROP: SUPPLEMENTAL; REAPPROP; AMENDING	HOUSE RULES BY REQUEST OF THE GOVERNOR	(H) FIN	02/01/2023
HB 65	INCREASE BASE STUDENT ALLOCATION	REPRESENTATIVES ORTIZ, Fields, Dibert, Carrick, Schrage, Armstrong, Himschoot, Groh, Story, Josephson, Gray, Hannan, Galvin, Mina	(H) EDC Then FIN	3/8/2023
HB 69	RECLASSIFICATION OF FIRST CLASS CITIES	REPRESENTATIVES CRONK, McCabe	(H) EDC Then CRA	3/10/2023
HB 71	SCHOOL DISTRICT ONLINE CHECKBOOK	REPRESENTATIVE RAUSCHER	(H) EDC	02/13/2023

HB 105	SEX/REPRODUCTION EDUCATION; SCHOOLS	HOUSE RULES BY REQUEST OF THE GOVERNOR	(H) EDC Then JUD	03/08/2023
HB 106	TEACHER RECRUITMENT; LUMP SUM PAYMENT	HOUSE RULES BY REQUEST OF THE GOVERNOR	(H) EDC Then FIN	03/08/2023
SB 9	ALASKA SUNSET COMMISSION	SENATOR HUGHES	(S) STA Then JUD, FIN	01/18/2023
SB 11	TEACHERS & PUB EMPLOYEE RETIREMENT PLANS	SENATOR KIEHL	(S) L&C Then FIN	01/18/2023
SB 14	RIP FOR PUBLIC EMPLOYEES/TEACHERS	SENATORS KAWASAKI, Gray-Jackson	(S) L&C Then FIN	02/22/2023
SB 24	PUBLIC SCHOOLS: MENTAL HEALTH EDUCATION	SENATORS GRAY-JACKSON, Tobin, Claman	(S) HSS Then FIN	03/08/2023
SB 25	REPEALING FUNDS, ACCOUNTS, AND PROGRAMS	SENATOR KAUFMAN	(S) FIN	01/18/2023
SB 29	CIVICS EDUCATION; EST AK CVCS ED COMM	SENATORS STEVENS, Tobin, Giessel, Bjorkman, Claman	(S) FIN	03/09/2023
SB 40	APPROP: OPERATING BUDGET/LOANS/FUND; SUPP	SENATE RULES BY REQUEST OF THE GOVERNOR	(S) FIN	01/18/2023
SB 41	APPROP: CAPITAL/SUPPLEMENTAL	SENATE RULES BY REQUEST OF THE GOVERNOR	(S) FIN	01/18/2023
SB 42	APPROP: MENTAL HEALTH BUDGET	SENATE RULES BY REQUEST OF THE GOVERNOR	(S) FIN	01/18/2023

SB 43	HEALTH AND PERSONAL SAFETY EDUCATION	SENATORS GRAY-JACKSON, Tobin, Dunbar	(S) EDC	01/18/2023
SB 52	INCREASE BASE STUDENT ALLOCATION	SENATE EDUCATION	(S) EDC Then FIN	02/01/2023
SB 54	APPROP: SUPPLEMENTAL; REAPPROP; AMENDING	SENATE RULES BY REQUEST OF THE GOVERNOR	(S) FIN	02/01/2023
SB 56	AK PERFORMANCE SCHOLARSHIP; ELIGIBILITY	SENATORS DUNBAR, Gray-Jackson	(S) EDC Then FIN	02/06/2023
SB 88	RETIREMENT SYSTEMS; DEFINED BENEFIT OPT.	SENATORS GIESSEL, Bishop, Stevens, Kiehl, Kawasaki, Tobin, Wielechowski, Gray-Jackson, Dunbar, Claman	(S) L&C Then FIN	03/01/2023
SB 96	SEX/REPRODUCTION EDUCATION; SCHOOLS	SENATE RULES BY REQUEST OF THE GOVERNOR	(S) JUD Then FIN	03/08/2023
SB 97	TEACHER RECRUITMENT; LUMP SUM PAYMENT	SENATE RULES BY REQUEST OF THE GOVERNOR	(S) EDC Then FIN	03/08/2023
SB 99	FINANCIAL LITERACY COURSE IN SCHOOLS	SENATORS WIELECHOWSKI, Giessel, Gray-Jackson, Tobin, Claman, Myers	(S) EDC	03/10/2023

Kate Hillenbrand, Director of Outreach and Communications and I presented a Legislative Lunch and Learn session March 8th, on The Importance of FAFSA Completion. This session was sponsored by Senator Gary Stevens who attended along with a number of other legislators and staff. Positive feedback was received from those in attendance.

A welcome email/letter was sent to all legislators introducing them to ACPE and our resources. Communications have been sent to all legislators specifically on FAFSA resources requesting they share this information with their constituents.

I continue to meet regularly with University of Alaska (UA) leadership and am actively involved with legislative strategic planning with both DEED and UA.

Outsourcing Projects Update:

Staff have been focused on user acceptance testing (UAT) during the past month and leadership have determined that we are on track for an April 1 conversion. Communications have been sent to legislators, Governor's Office, borrowers, and other appropriate constituent groups notifying them of the change on April 1 to American Education Services (AES) as our loan servicer. Staff continue to monitor the new loan origination process through CampusDoor to identify any issues and ensure concerns or issues are addressed quickly.

Human Resources Update:

Recruitment efforts and staff changes over the last quarter resulted in the separation of one employee, Administrative Assistant, Juliet Hutchison and the retirement of one employee, Loan Servicing Specialist, Terisa Hall who had 15 years of service to the State of Alaska and ACPE. There are a total of five (5) employees eligible to retire in calendar year 2023.

Currently, there are nine vacant positions, including: two in the Executive Office, one in Finance, one in Postsecondary Planning Activities - Outreach, one in Information Support Services, and four in Program Operations. There are currently three active recruitments: one for a Programmer/Analyst position in Information Support Services, one for an Administrative Assistant in Operations and one for a Quality Assurance Analyst in Operations. There are no immediate plans to take action on the six remaining vacancies, but management retains the flexibility to do so if needed to provide support for agency initiatives. We are in discussion with DEED regarding areas that may be appropriate to share staffing responsibilities. At present ACPE has 46 positions filled: 10 in Anchorage, 36 in Juneau. The breakdown of those positions by divisions is as follows: ISS-10, Finance-13, Program Operations-14, Postsecondary Planning Activities - Outreach-6, and Executive Office-3.

Juneau and Anchorage Lease/Space Update:

Juneau Office move to the smaller footprint in our current Vintage Park Office space is close to completion. It is anticipated staff will be fully functional in the new Juneau space by end of April.

A new location for the Anchorage Office has been identified and staff are working with State of Alaska Leasing to outline IT needs, determine space delineation for staff and common areas and provide cost estimates for any retrofitting or construction costs.

Alaska Student Loan Corporation Meeting:

The Alaska Student Loan Corporation (ASLC) Board held their regularly scheduled meeting on February 7. The Board adopted Increased Annual and Aggregate Loan Limits and Loan Program Fixed Interest Rates for FY2023-2024.

Professional Organization Meetings/Presentations:

I attended regular monthly and semi-monthly meetings with the Education Finance Council, State Higher Education Officers Association, Western Interstate Commission for Higher Education (WICHE), and the Alaska Business Education Compact.

I was a keynote speaker along with Paul Layer, Vice President UA at the AlaskaCAN Conference and shared ACPE's vision regarding efforts to meet Alaska's workforce needs. I also participated along with a number of legislators in a Career and Technical Education (CTE) Panel hosted by the Alaska Association of School Administrators highlighting the importance of financial support to access funds for CTE and other postsecondary programs including the urgency to adopt changes to the Alaska Performance Scholarship eligibility criteria to enhance CTE pathways.

Other Meetings:

- Strategic Planning sessions
- Participated in Alaska Education 101 for Legislators
- WWAMI meetings with UA and UWSOM
- Meetings with ASLC Board members on loan limits
- Meeting with Lael Oldmixon, Director of AK 529
- AK Legislative training for fiscal notes/bill analysis
- Consistent Meetings with Chair Bicchinella
- Business Education Compact meetings
- Alaska Statewide Education Leaders Collaboration meeting
- EFC CEO Peer Group Calls
- Monitoring Senate and House Education and Finance Committee meetings for impacts on ACPE/Higher Education
- Responded to Media request regarding latest info on APS report
- Meetings with AASB regarding College and Career Guides and possible Federal earmark appropriations request to Senator Murkowski
- Tribal Workforce Roundtable
- Calls regarding Anchorage lease and move to new space
- Meetings with legislators

- Met with Demi Michelau WICHE – participated in WICHE CEO evaluation process
- Met with Teri Cothren, Associate VP for Workforce Development UA
- Continued meetings with UA Paul Layer and Michelle Rizk
- Quarterly All Staff meeting

- Weekly meetings with internal staff, SMs and external meetings with American Education Services (AES) on outsourcing project
- Participated in the Alaska Council of School Administrators CTE panel during Legislative Fly In
- Met with new Ilisavvik President Justina Wilhelm
- Keynote speaker at AlaskaCAN conference and attended
- Met with State Higher Education Executive Officers (SHEEO) representative, Paul Layer and other SHEEOs from Louisiana and South Dakota on rural/remote completions of FAFSA
- Budget projection internal meetings
- Development of regulations for new enacted legislation
 - New Loan Limits
 - Establish fixed interest rates
 - Immediate repay
 - Refinance
- Presented a Lunch & Learn with Kate sponsored by Senator Gary Stevens on Importance of FAFSA

- Elected to the Education Finance Council (EFC) Board of Directors – participated in Board meeting
- Attended the EFC Conference in Austin, TX

I also am excited to announce that I have been appointed as an Education Finance Council (EFC) Board Member. As a Voting Member, I will help form the governing structure of EFC and provide a voice for State Nonprofit organizations and have an opportunity to learn from other EFC members to further the mission of the organization. This is a wonderful opportunity and I am looking forward to working more closely with EFC. Education Finance Council supports state-based and nonprofit members' public purpose mission to expand access to postsecondary education and training, facilitate student success, assist students and families in identifying their best sources of education funding, assist individuals with connecting postsecondary education and career outcomes, encourage responsible borrowing, and advocate for and with individuals in support of successful management of their postsecondary education financing.

Serving as the Executive Director of the Commission is a joy and I am proud of the work staff have accomplished to support Alaskans and their access to higher education opportunities. One of the greatest pleasures is the interaction with such an amazing group of Commissioners. Each of you have different perspectives and insights to share which provide a robust exchange of ideas and enhances the group and builds relationships among each other. Therefore, it is always hard when we lose a Commissioner because of other commitments or their allotted appointment time is up. However, it is much harder when we lose an Alaskan that has made such an impact on the face of education in our State. Commissioner Hargraves had a short tenure on the Commission, but the wisdom and guidance I received from him during this short time was so appreciated and

valuable. His contributions to the education landscape will last for years to come, however, his present voice in Alaska will be a great void.

Please reach out to me with questions, concerns, ideas, or just to talk. I value your input and guidance. Thank you!

Attachments:

1. 2023 APS Outcomes Press release
2. ACPE Year in Review
3. AKCIS Parent Guide
4. APS Delivers Supplemental



February 1, 2023

Alaska Performance Scholarship – 2023 Outcomes Report

JUNEAU- The [Alaska Performance Scholarship \(APS\) 2023 Outcomes Report](#) is now available for review. This report reflects APS eligibility and usage trends from Fall 2011 – Fall 2022. Highlights from this report include:

- Eligibility of 17% for the Class of 2022 is the lowest eligibility rate since APS inception.
- Of first-time APS recipients who enrolled in the University of Alaska System, 95% were prepared to take college-level coursework, compared to 72% of non-APS eligible first-time students
- APS recipients remain Alaska residents and participate in the Alaska workforce at a higher rate than APS-eligible students who did not use the scholarship

“The APS provides an incentive for Alaska’s students to be intentional about coursework selections and academic achievement in high school, in preparation for postsecondary education goals. In response to the decline of APS eligibility and use, ACPE, in collaboration with other education stakeholders, seeks to be responsive and supportive of new ways to enhance the APS and increase education persistence and attainment in Alaska,” said ACPE Executive Director, Sana Efird.

To learn more about recommendations to modernize and streamline the Alaska Performance Scholarship, read the [Alaska Performance Scholarship Program Review & Recommendations Report](#)

ABOUT THE ALASKA PERFORMANCE SCHOLARSHIP:

APS provides an opportunity for Alaska high school graduates to earn a scholarship to help cover the cost of an Alaska postsecondary education. By meeting curriculum, GPA, and testing requirements, Alaskan students may earn the APS to attend qualified Alaska colleges, universities, or career and technical education programs.

ABOUT THE ALASKA COMMISSION ON POSTSECONDARY EDUCATION:

Funded by the Alaska Student Loan Corporation, ACPE promotes access to and success in education and career training beyond high school.

THE COMMISSION PROVIDES:

- Education planning tools and resources
- Advocacy and support for postsecondary participation in Alaska
- Financial aid for college and career training
- Education consumer protection through institutional authorization and complaint investigation



Alaska
Commission on
Postsecondary
Education

Winter 2023

ALASKA'S SOURCE FOR COLLEGE & CAREER FUNDING & EDUCATIONAL PLANNING RESOURCES

acpe.alaska.gov

907-465-6740

ACPE Year in Review

Looking back on 2022

Education Loan Legislation ACPE successfully passed legislation to become more responsive to borrowers needs, enhance Alaska-residency access, and offer immediate repayment options.

APS 10-Year Report & Recommendations

Published a programmatic review since APS inception with recommendations to increase access & usage. 1: Remove standardized test score requirements 2: Remove distinction between CTE & Collegiate Tracks 3: Increase award amounts.

Institutional Authorization Regulation

Changes: Clarify & provide consistency for institutional student outcomes and financial soundness reporting. Ensures policies & procedures are aligned to enhance consumer protections.

Looking Ahead in 2023

ACPE Strategic Planning

ACPE will launch its updated Strategic Plan Vision, and Strategic Priorities for 2023-28.

Education Loan Limits ACPE will introduce new loan limits, responding to education funding needs of Alaska's postsecondary students.

APS Modernization ACPE advocate & engage in Legislative efforts to modernize the APS, as recommended by the 2022 APS 10-Year Report.

FAFSA Completion ACPE leads Alaska-based efforts to increase FAFSA completion rates for Alaska's students; leading to increased enrollment, persistence, and completion.

CONNECT WITH US

✉ eed.acpe-execdirector@alaska.gov

📞 907-465-6740



Winter 2023

ALASKA'S SOURCE FOR COLLEGE & CAREER FUNDING & EDUCATIONAL PLANNING RESOURCES

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907-465-6740

ACPE SPOTLIGHT

What We Do

ACPE administers State education funding programs: Alaska Performance Scholarship & Alaska Education Grant

ACPE delivers education loan programs: Supplemental Education Loan, Family Education Loan, Education Refinance Loan

ACPE provides college & career planning and financial literacy resources: AKCIS, FAFSA Completion, Success Center, & more

ACPE advances policy and collaboration with partners statewide to build a skilled Alaska workforce

Learn More

ACPE Reports: acpe.alaska.gov/reports

Alaska Performance Scholarship (APS): aps.alaska.gov

Alaska Education Grant (AEG): acpe.alaska.gov/aeg

Alaska Career Information System (AKCIS): akcis.org

Education Loan Programs: acpe.alaska.gov/loans

Institutional Authorization: acpe.alaska.gov/institutional-authorization

Success Center: acpe.alaska.gov/planning/success-center

CONNECT WITH US

✉ eed.acpe-execdirector@alaska.gov

📞 907-465-6740



Important Dates For High School Seniors:

Oct 1 (or soon after) Go to studentaid.gov to complete the FAFSA annually.

Feb 15

Scholarship applications are due at UAA, UAF, UAS, APU, and the UA Foundation.

Submit a FAFSA for priority financial aid at many schools.

June 30

Submit a FAFSA by June 30 for the state grant and/or scholarship (APS* & AEG*)

Help for Parents:

AKCIS.org explains commonly used terms and concepts

- Choosing a School
- Paying for School
- Job Search

Attend College Goal Alaska events and Financial Aid Nights in your community (collegegoalak.org)

Tools for Counselors, Teachers, and Users

Resources in AKCIS improve your experience including:

- national & Alaska curricula
- implementation
- user guides
- tutorials and more

AKCIS.ORG

AKCIS Helpline:

800-441-2962

(option #3)

or in Juneau 465-2962

akcis@alaska.gov

PARENT GUIDE

Alaska Career Information System

GET INVOLVED IN YOUR STUDENT'S COLLEGE & CAREER PLANNING

AKCIS.org provides PLCP* resources to help parents stay involved

Connect with your child about important **decisions** for education and career choices

Model a **positive attitude** about school, work, education, and career goals

Engage in **education and career exploration** to prepare your child to be successful in the workforce

Nurture dreams and **self-confidence**

Help identify your student's **interests, abilities, and lifestyle goals** and pay attention to how these evolve during high school

Encourage discussions about **career plans and education**

Register or request training at AKCIS.org



Get started as early as 4th grade with AKCIS Jr.

*Acronyms To Know

AKCIS: Alaska Career Information System → *plan for your future*

PLCP: Personal Learning & Career Plan → *create your Portfolio*

FAFSA: Free Application for Federal Student Aid → *gain access to grants, loans, and work-study funds for college or career school*

TERC: Testing & Education Resource Center → *find test prep materials*

APS: Alaska Performance Scholarship → *money for college or training*

AEG: Alaska Education Grant → *need-based financial assistance*

Parent Guide for Education & Career Planning

AKCIS.org is an online tool to help build your student's Personal Learning & Career Plan (PLCP):



START HERE

Student:

- Create a Student Portfolio through the school's site account, in AKCIS.org**

Parent:

- Register a Parent Account to review your student's progress, reflections, & choices.**

1) GETTING STARTED (TYPICALLY 7TH - 9TH GRADE)

- Complete Assessments: Discover how interests, skills, & values match occupations.
- Record education, employment, skills, achievements, & test scores for easy retrieval with the Resume Creator.
- Explore Career Clusters, Occupations, & Industries with your learner: Access helpful occupational information.
- Examine Programs of Study: Explore the many options available.
- Compare school & training program offerings: Learn about costs, demographics, & more.
- Set Goals: Personal, academic, & career. Update Goals in AKCIS annually.

2) DIGGING DEEPER (TYPICALLY 10TH - 11TH GRADE)

- Evaluate postsecondary education & training options available in AK and outside.
- Financial Aid Sort: Create a list of local, state, & national scholarships & grants.
- Track scholarship & school requirements, meetings, campus tours, & career fairs with the Application Tracker.
- Visit APS.alaska.gov for APS information Checklist: Does your student meet the GPA, testing, & curriculum requirements?
- Consider attending Financial Aid Events: Sessions are delivered locally & by webinar.

3) NEXT STEPS (TYPICALLY 12TH GRADE)

- Plan secondary & postsecondary course work to meet goals using the Course Planner.
- Gather parent & student financial documents to complete the FAFSA at studentaid.gov
- Access parent/student resources by grade level & college entrance exam prep sites by visiting the State Library Electronic Doorway - <https://lam.alaska.gov/sled> .
- Take Placement Tests - ACT, SAT, WorkKeys: Use the Application Tracker to record dates & results.
- Request Letters of Recommendation: Scan & save these letters in Saved Files & Links at AKCIS.org.
- Participate in Financial Aid & FAFSA Completion Events: Sessions are delivered locally & by Zoom^^
- Review Award Letters: Remember to "accept" the aid! Update results in the Application Tracker.
- Hone interview skills with the Job Search section: Get ready for school, scholarship, & career interviews.



** Site administrative tools are provided for counselors/advisors to assist students with college & career planning. Contact your school or the AKCIS Helpline for more information.

** Counselors/advisors create Parent Accounts. Contact your student's school or the AKCIS Helpline for more information.

^^ For more information about FAFSA visit: ACPE.alaska.gov/AlaskaFAFSACompletion

Provided to all Alaskans through a partnership between:



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT



APS DELIVERS 2011-2022

The Alaska Legislature enacted the Alaska Performance Scholarship (APS) in 2011 to inspire and prepare our high school students for success in college and career training. Since inception, **29,000** Alaska high school graduates completed the rigorous requirements and achieved APS eligibility.

THE FULL 2023 APS OUTCOMES REPORT IS AVAILABLE AT ACPE.Alaska.Gov/Reports

1

APS OFFERS INCENTIVE FOR ALASKA STUDENTS TO EXCEL IN HIGH SCHOOL.

APS-Eligible students are more likely to do the following, even if the award is never used.
2022 APS-Eligible High School Graduates (APS Survey, 2022)



26 UNIVERSITIES, COLLEGES, & CAREER TRAINING CENTERS IN ALASKA ACCEPT THE APS

2

APS PREPARES ALASKA STUDENTS FOR COLLEGE AND CAREER TRAINING.

Only 5% of APS recipients require developmental coursework, compared with nearly 30% of non-recipients.
(Fall 2022 first-time, full-time freshmen)

TOP REASONS APS ELIGIBLE STUDENTS DID NOT USE THE APS (2022-23 SCHOOL YEAR):



3

APS HELPS ALASKA STUDENTS PERSIST & COMPLETE COLLEGE.

APS students succeed at higher rates than non-recipients at University of Alaska.
UA Data Analysis & Institutional Research Department (first-time, full-time freshmen)

“The scholarship was a LIFE SAVER & allowed me to pursue college without taking out loans.”
— Alaska High School Graduate

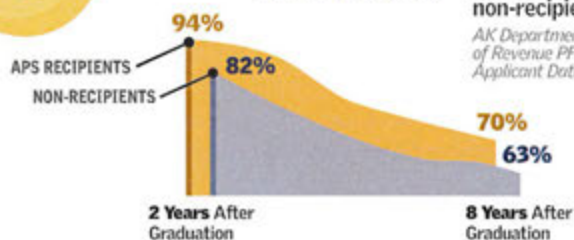


4

APS RETAINS SKILLED ALASKANS IN ALASKA.

APS recipients have higher Alaska residency rates than non-recipients.
AK Department of Revenue PFD Applicant Database

APS influenced the majority of eligible high school graduates to attend school in-state.
2022 APS-eligible high school graduates (APS Survey, 2022)



DID YOU KNOW?

APS can be used for university studies as well as career or technical training.

★ APS recipients must meet **Continuing Eligibility requirements** while in college/training to continue receiving APS.

★ The APS is funded through earnings of the Alaska Higher Education Investment Fund, created by the legislature to ensure long-term sustainable funding.



RESOLUTION OF SUPPORT
HOUSE BILL 148 AND SB 56

WHEREAS, the mission of the Alaska Commission on Postsecondary Education (ACPE) is to promote access to and success in education and career training beyond high school; and

WHEREAS, ACPE, in partnership with the Alaska Student Loan Corporation (ASLC), provides financing and educational resources to Alaskans through early awareness, college and career planning, financial aid and education loan programs; and

WHEREAS, ACPE encourages students to pursue scholarships and federal aid to meet their education financial needs; and

WHEREAS, when scholarships and federal aid do not meet Alaska students' full financial needs, Alaska state education loans fill the gap with low-cost, high quality loans; and

WHEREAS, the goal of HB 148 and SB 56 is to expand the eligibility requirements for the Alaska Performance Scholarship (APS) to include a high school career and technical education (CTE) pathway; and

WHEREAS, the Commission is aware of the need to expand CTE opportunities in Alaska and supports CTE as integral to the future success of our Alaska students and our State; and

WHEREAS, HB 148 and SB 56 will remove current barriers for eligibility and allow more Alaska students the opportunity to earn the APS and will specifically expand options for high school CTE students; and

WHEREAS, the APS benefits not only students who receive awards but all Alaska students and districts by encouraging school districts to provide a rigorous curriculum available to all students, which they are maintaining as part of their obligation to ensure their students have the opportunity to strive for the APS; and

WHEREAS, Alaska's secondary and postsecondary students, parents, teachers, and employers value the APS, and support improvements so all Alaskans can reap the benefits of an Alaskan grown workforce; and

WHEREAS, the APS is not just an investment in Alaska's students, it is an investment in Alaska's schools and districts, Alaska's economic health, and Alaska's future.

NOW THEREFORE BE IT RESOLVED, the Alaska Commission on Postsecondary Education strongly supports HB 148 and SB 56 and requests the Alaska State Legislature's favorable action in passing this legislation.

ADOPTED April 26, 2023

Alaska Student Loan Corporation

2024 Proposed Meeting Dates

- Thursday, February 8, 2024
- Thursday, May 9, 2024
- Thursday, November 7, 2024



Elgee Rehfeld
Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

Partners

Janelle Anderson, CPA
Ryan Beason, CPA
Sarah Griffith, CPA
Mark Mesdag, CPA
Adam Sycks, CPA
Karen Tarver, CPA

April 28, 2023

Julie Pierce
Chief Financial Officer
Alaska Student Loan Corporation
3030 Vintage Boulevard
Juneau, AK 99801

Dear Julie:

You have requested that we audit the financial statements of the net position, statement of revenues, expenses and changes in net position and cash flows of Alaska Student Loan Corporation (the Corporation), as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise Alaska Student Loan Corporation's basic financial statements as listed in the table of contents.

In addition, we will audit the entity's compliance over major federal award programs for the period ended June 30, 2023, but as permitted by U.S. Office of Management and Budget's Compliance Supplement for the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L program, Other Information - , Use of Third Party Servicers section, we may not audit the Corporation's compliance with the compliance requirements applicable to the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L that the third party servicer's attestation examination includes in their report for the period of July 1, 2021 through June 30, 2022.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the entity's major federal award programs. The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and, in accordance with *Government Auditing Standards*, will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

The objectives of our compliance audit are to obtain sufficient appropriate audit evidence to form an opinion and report at the level specified in the governmental audit requirement about whether the entity complied in all material respects with the applicable compliance requirements and identify audit and reporting requirements specified in the governmental audit requirement that are supplementary to GAAS and Government Auditing Standards, if any, and perform procedures to address those requirements.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis

Schedule of Expenditures of Federal Awards

We will subject the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements as a whole.

Audit of the Financial Statements

We will conduct our audits in accordance with GAAS, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). As part of an audit of financial statements in accordance with GAAS and, in accordance with *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the Corporation's basic financial statements. Our report will be addressed to the governing body of the Corporation. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of the Corporation's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. As permitted by U.S. Office of Management and Budget's Compliance Supplement for the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L program, Other Information - , Use of Third Party Servicers section, we may not audit the Corporation's compliance with the compliance requirements applicable to the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L that the third party servicer's attestation examination includes in their report for the period of July 1, 2021 through June 30, 2022. We cannot provide assurance that an

unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether material noncompliance with applicable laws and regulations, the provisions of contracts and grant agreements applicable to major federal award programs, and the applicable compliance requirements occurred, whether due to fraud or error, and express an opinion on the entity's compliance based on the audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the entity's compliance with the requirements of the federal programs as a whole.

As part of a compliance audit in accordance with GAAS and, in accordance with *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Our procedures will consist of determining major federal programs and, performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs. As permitted by U.S. Office of Management and Budget's Compliance Supplement for the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L program, Other Information - , Use of Third Party Servicers section, we may not audit the Corporation's compliance with the compliance requirements applicable to the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L that the third party servicer's attestation examination includes in their report for the period of July 1, 2021 through June 30, 2022. The purpose of those procedures will be to express an opinion on the entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will obtain an understanding of the entity's internal control over compliance relevant to the audit in order to design and perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the entity's major federal award programs. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report. However, we will communicate to you, regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we have identified during the audit.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the entity's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. For identifying, in its accounts, all federal awards received and expended during the period and the federal programs under which they were received;
4. For maintaining records that adequately identify the source and application of funds for federally funded activities;
5. For preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance;
6. For designing, implementing, and maintaining effective internal control over federal awards that provides reasonable assurance that the entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;
7. For identifying and ensuring that the entity complies with federal laws, statutes, regulations, rules, provisions of contracts or grant agreements, and the terms and conditions of federal award programs, and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal award programs;
8. For disclosing accurately, currently, and completely the financial results of each federal award in accordance with the requirements of the award;
9. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
10. For taking prompt action when instances of noncompliance are identified;
11. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
12. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
13. For submitting the reporting package and data collection form to the appropriate parties;
14. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
15. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements including the disclosures, and relevant to federal award programs, such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;

- d. A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; and
 - e. A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
16. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
 17. For acceptance of nonattest services, such as financial statement preparation including identifying the proper party to oversee nonattest work;
 18. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
 19. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
 20. For the accuracy and completeness of all information provided;
 21. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
 22. For confirming management's understanding of their responsibilities as defined in this letter to us in a management representation letter.

With regard to the schedule of expenditures of federal awards referred to above, you acknowledge and understand your responsibility (a) for the preparation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance, (b) to provide us with the appropriate written representations regarding the schedule of expenditures of federal awards, (c) to include our report on the schedule of expenditures of federal awards in any document that contains the schedule of expenditures of federal awards and that indicates that we have reported on such schedule, and (d) to present the schedule of expenditures of federal awards with the audited financial statements, to make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by you of the schedule and our report thereon.

As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Nonattest Services

With respect to any nonattest services we perform (such as financial statement preparation assistance), the Corporation's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to

oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

We will not assume management responsibilities on behalf of the Corporation. However, we will provide advice and recommendations to assist management of the Corporation in performing its responsibilities.

Our responsibilities and limitations of the nonattest services are as follows:

- We will perform the services in accordance with applicable professional standards.
- Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

Limitation of Liability

In no event will Elgee Rehfeld, LLC be liable for any consequential, special, indirect, incidental, punitive, or exemplary losses, damages, or expenses, regardless of whether or not Elgee Rehfeld, LLC has been advised of the possibility of such damages. In circumstances where all or any portion of the provisions of this Agreement are finally judicially determined to be unavailable, void, or impermissible for any reason, the aggregate liability of Elgee Rehfeld, LLC for any Claim shall not exceed the amount of compensation Elgee Rehfeld, LLC received pursuant to the terms of this Agreement.

Other

Karen Tarver is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising Elgee Rehfeld's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report. We will contact you regarding the audit start date, and will issue our reports no later than sixty days subsequent to the receipt of all data and schedules.

We estimate that our fees for these services will be \$41,440 for the audit as included in our proposal dated April 21, 2020. You will also be billed for other out-of-pocket costs such as report production, typing, postage, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, our fees will exceed the preliminary estimate.

We utilize a web portal, Suralink, to request date specific items that need to be provided to us to complete the audit. These include items from you, and possibly others. Our fee quote assumes that you agree to provide the items we request in Suralink by the dates specified and monitor Suralink to meet these dates. Our experience has been that when items are provided late, it adds to the time and cost of the audit. We will bill you for additional time.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes sixty days or more overdue and may not be resumed until your account is paid in full.

A finance charge of 1% per month (12% annually) will be assessed to all accounts over sixty days old. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we had not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

During the course of the engagement, we may communicate with you or your personnel via our portal (Suralink), Zoom, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

The audit documentation for this engagement is the property of Elgee Rehfeld, LLC and constitutes confidential information. However, we may be requested to make certain audit documentation available to federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Elgee Rehfeld, LLC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

You agree that any dispute (other than our efforts to collect outstanding invoice) that may arise regarding the meaning, performance or enforcement of this engagement or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation, and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. Any mediation initiated as a result of this engagement shall be administered within the State of Alaska, by local chapter of the American Arbitration Association, according to its mediation rules, and any ensuing litigation shall be conducted within Alaska, according to Alaska law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of mediation shall be shared equally by the participating parties.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor’s report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to management and the board the following significant findings from the audit:

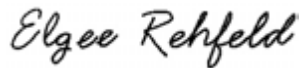
- Our view about the qualitative aspects of the entity’s significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management’s consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter (electronic copy via email is fine) to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements and compliance over major federal award programs including our respective responsibilities.

We appreciate the opportunity to be your auditors and look forward to working with you and your staff.

Sincerely,



Elgee Rehfeld, LLC

RESPONSE:

This letter correctly sets forth our understanding.

Alaska Student Loan Corporation

Acknowledged and agreed on behalf of Alaska Student Loan Corporation by:

Chief Financial Officer: Julie Pierce

Printed Name: Julie Pierce

Date: 5/2/23

Executive Director: Sana Efirid

Printed Name: Sana Efirid

Date: 5/02/2023

ATTACHMENT A



Report on the Firm's System of Quality Control

October 19, 2020

To Elgee Rehfeld, LLC and the Peer Review
Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Elgee Rehfeld, LLC (the firm) in effect for the year ended April 30, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

190 Camino Oruga, Suite 1 • Napa, CA 94558 • telephone: 707.255.0677 • fax: 707.255.0687
Member: American Institute of CPAs • California, Hawaii, & Oregon Societies of CPAs

ATTACHMENT A (continued)

Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act, and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Elgee Rehfeld, LLC in effect for the year ended April 30, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Elgee Rehfeld, LLC has received a peer review rating of *pass*.

Coughlan Napa CPA Company, Inc.

Coughlan Napa CPA Company, Inc.