

Alaska Student Loan Corporation

*May 12, 2022
Corporation Meeting*

**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 12, 2022

1. 1:30 p.m. Convene/Roll Call
- 2.* Adoption of Agenda
 - *Suggested motion: move to adopt the agenda of the May 12, 2022, 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. Welcome New Members – Donald Handeland and Genevieve Wojtusik
- 6.* Approval of February 10, 2022 Minutes
 - *Suggested motion: move approval of the meeting minutes from the February 10, 2022 Corporation Meeting*
- 7.* Resolution of Appreciation
 - *Suggested motion: move to approve the Resolution of Appreciation for departed Board Chair, Anna MacKinnon*
8. 1:40 p.m. Public Comment
9. 1:45 p.m. Annual Investment Policy Review Memo – Julie Pierce
- 9a.* Investment Portfolio Management, Performance, Asset Allocation and Policy Review Presentation – Zach Hana, Chief Investment Officer, Department of Revenue
- 9b.* Investment Policy Topic Discussion – Lee Donner, Hilltop Securities
 - *Suggested Motion: Move to accept the Alaska Student Loan Corporation Investment Policy and Procedures with no changes based on discussion and recommendation from Staff, DOR Investment Management team, and Financial Advisor.*

**ALASKA STUDENT LOAN CORPORATION
BOARD MEETING**

10. 2:40 p.m. Chief Finance Officer Report (Written Report for Information Only)- Julie Pierce
- 11.* 2:40 p.m. Adoption of Loan Program Variable Interest Rates FY2022-2023 – Julie Pierce
See suggested motion in memorandum
12. 2:55 p.m. Executive Officer Report (Written Report for Information Only) – Sana Efird
13. 2:55 p.m. Discuss Proposed 2023 Future Meeting Dates
- Thursday, February 9, 2023 at 1:30 p.m.
 - Thursday, May 11, 2023 at 1:30 p.m.
 - Thursday, November 2, 2023 at 1:30 p.m.
14. Miscellaneous (For Information Only):
- FY22 Engagement Letter
- 15.* 3:00 p.m. Adjournment

***Action Required**



Donald Handeland

Alaska Commission on Postsecondary Education

Seat: General Public

Term: March 2021 - March 2024

Donald Handeland is a Professional Engineer who has worked on a variety of construction projects across Alaska. Most of his work involves transportation projects in south-central Alaska. He was born in raised in Nome and graduated from Mt. Edgecumbe High School in Sitka. He earned a B.S in Civil Engineering and Finance from Oregon State University and an MBA from the University of Alaska Fairbanks.

While a high school student, Donald served on the Alaska State Board of Education and Early Development and the Alaska Advisory Task Force on Higher Education and Career Readiness as the student member.



Genevieve Wojtusik

Genevieve Wojtusik is the Special Assistant II to the Commissioner, Legislative Liaison and Public Information Officer for the Department of Revenue since May of 2017. Genevieve was born and raised in Anchorage and moved to Juneau in 2016. Prior to this role, Genevieve was a Legislative Aide for many years in Juneau and Anchorage.

**MEETING MINUTES OF THE
ALASKA STUDENT LOAN CORPORATION BOARD
February 10, 2022**

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 10, 2022. Chair MacKinnon called the meeting to order at approximately 1:31 p.m.

ROLL CALL

Members of the board present for all or portions of the meeting: Chair Anna MacKinnon, Vice Chair Donn Liston, Dr. Barbara Adams, Deputy Commissioner Dave Donley, and Deputy Commissioner 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; Jamie Oliphant, Director of Information Support Services; Susan Sonneborn, Assistant Attorney General; and Kordel Thompson, Interim Executive Secretary.

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

ADOPTION OF AGENDA

Dr. Adams moved to adopt the agenda of the February 10, 2022, board meeting. Vice Chair Liston 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

Deputy Commissioner Donley moved to approve the minutes of the November 4, 2021 board meeting. Dr. Adams seconded the motion. By roll call vote, all members present voted aye. The motion carried.

PUBLIC TESTIMONY

Chair MacKinnon opened the public comment period to accept public testimony. Ms. Malan Paquette provided public testimony. There being no other members of the public wishing to speak, Chair MacKinnon closed the public comment period.

Discussion: Chair MacKinnon and several other board members addressed a comment from Ms. Paquette wherein she found it unlikely that no board members had any conflicts of interest to report during the ethics disclosure agenda item. Chair MacKinnon explained she had been a _____

cosigner on a loan her son used to have with ACPE decades prior. She went on to state she had sought advice from the Corporation's ethics counsel and it was her understanding that she did not need to disclose such previous ties as they were no longer current. Dr. Adams likewise stated that she paid off her ACPE loans long before joining the board, and therefore had no current ethics disclosure to share. Deputy Commissioner Donley stated he had paid off his ACPE loan 35 years prior. Chair McKinnon commented she was certainly happy to disclose this information any time a member of the public presented the question, but that during her tenure with ASLC there has never been anyone on the board with an active loan with ACPE. She ended the discussion by indicating her understanding after ethics training was that members should only disclose active connections during public meetings, but that she would double check that information.

CHIEF FINANCE OFFICER REPORT

Chief Finance Officer Julie Pierce referenced her written report starting on page 9 of the meeting packet. Ms. Pierce spoke to how the benchmark rates for the special allowance payment (SAP) is tied to LIBOR, which is expected to cease to exist. The legislation to change the SAP rates is not detrimental to ASLC's financial interests as currently written, but has yet to be approved. She went on to speak about the updates to Finance's Strategic Areas of Focus included in her report:

- Investment Policy - Risk and Return goals were identified as an area of focus and the board reviewed and adopted a revised investment policy in October.
- Allowance for Loan Loss - Staff identified the need to review the allowance for loan loss calculation methodology and loan performance. Staff revised the calculation methodology and have been focusing on strategies to decrease overall loan loss and increase recoveries.
- Loan Rate Setting - Staff revised its rate setting analysis process to consider all costs/sources of revenue and to forecast financially sustainable costs to propose rates. Staff also developed additional loan rate tiers by term/FICO score for refinance loans in order to be competitive and serve additional borrowers, with rates set to cover additional risk of loss.
- Loan Financing - Staff also focused on analyzing current and planned future loan financing options and timing. During FY2021, the Board approved the redemption of the outstanding 2013 bonds. Staff continue to evaluate the benefit to borrowers and the Corporation of retaining the FFELP portfolio as it is no longer pledged to financing and on identifying other financing options.
- Financial Projections – ACPE's financial advisor and staff utilized a specialized student loan modeling program to perform loan portfolio forecasts.
 - These projections were incorporated in a 10 year summary financial forecast of all financial activity, which informed:
 - Cash flow
 - Management rate setting
 - Financing and bonds redemption analysis
 - Investment policy development
 - Interagency budget proposal
 - Strategic planning.
 - Staff are evaluating the cost and functionality of purchasing an internally managed software program/cloud service designed to model student loans financial activity, in order to more efficiently perform future forecast projections.

- Staff will continually update these projections to monitor and inform the management of a financially sustainable loan program.
- Forecast Assumptions - Projections for loan balance, related income and cash flow are based on model results that incorporate existing offering rates and management assumptions about originations, repayment speed and loan performance.
 - *Investment balance related income and cash flow projections* - Assumptions are based on overall projected net cash flow and assumed rates of return as outlined by the Department of Revenue in the revised investment policy and asset allocation schedule.
 - *Allowance for loan loss and interest receivable loss and related provision* - Based on assumptions about changes in loan loss risk factors.
 - *Administrative Expense* - Based on management assumptions of both known and estimated expenses, including the expected impact of cost reduction strategies.
- Forecast Results - Reflect that loan balances and related interest income on loans are projected to continue to decline for all projected periods due to loan principal repayments exceeding originations.
 - Investment balances and related investment income is projected to increase for all projected periods, generally commensurate with the decline in the loan portfolio.
 - The rate of return on investment is projected to increase through FY25 and then projected at the long term rate of return, as reflected in the target asset allocation schedule and policy.
 - Allowance for and provision for loan loss is projected to decline gradually for all projected periods, due primarily to the overall decline in loan portfolio balances, but also in response to default mitigation efforts.
 - Administrative expenses are projected to continue to decline, through FY25 - FY26 as post outsourcing cost savings are fully realized.
 - Overall forecast results indicate an approximate net loss for FY22 and FY23, approximate breakeven for FY24 and FY25, and positive net income after FY25.

CFO Pierce concluded by highlighting that the type of factors that would materially impact the forecast results include: loan originations that are significantly different than what was forecasted; repayments speeds that are different than forecast; possible sale of the FFELP portfolio; investment rate of return that differs from forecasts; unanticipated changes in administrative costs or operations; or significant differences in loan performance from what was assumed and forecast.

Discussion: Dr. Adams noted that loan origination was on a downward trend before and has continued through the pandemic, and asked if there was any indication that originations may see an uptick in the next few years or if they're expected to continue declining. Executive Officer Efirid replied that they are still seeing a reduction in loan originations at this time, but are hopeful that post-pandemic they will start seeing an increase due to new outreach, education, and marketing approaches to getting the information out about the benefits of ACPE's programs. Chair McKinnon followed up by asking specifically if there was an uptick reflected in the forecast, or if it included the continued downward decline of the Corporation's portfolio. CFO Pierce explained the forecast projections assumed a level of origination based on FY20, as there wasn't a reason to change that assumption for an increase in originations in the projected period. However, in FY21 they are seeing a continued decline, slightly down from the original projections. Chair MacKinnon explained that her intent was to know which direction the board should be looking at as they look at the

totality of the research, and expressed that loan origination is one of the areas that has experienced reduction, at least recently. She commented that the categories CFO Pierce discussed are ambitious goals that the Corporation has asked staff to take on in an effort to reduce the cost to borrowers. She mentioned that the public testimony earlier touched upon a belief that the outsourcing of loans was causing increased costs. She asked staff to tell the board and public whether outsourcing is positively or negatively affecting the costs of the Corporation. Executive Officer Efirm responded that the projected savings is the reason ACPE is even pursuing outsourcing, as it will reduce operating costs for the Commission, positively impact the bottom line of the Corporation, and result in better interest rates for borrowers. It will also increase efficiency, as the Commission loan system is aging and it was determined to cost less to outsource than replacing it with an updated system. She also clarified that ACPE & ASLC are not selling their loan portfolio, but are outsourcing the origination and servicing of the loans. They will still maintain the loans and be responsible for compliance. Chair MacKinnon further highlighted that the terms of any borrower's individual loans being maintained by ACPE will not be changed in this process. Executive Officer Efirm concurred, stating the terms of the promissory note that borrowers signed will remain intact through the outsourcing. Vice Chair Liston asked for verification that the loan portfolio was in decline even before the pandemic. Executive Officer Efirm deferred to Director of Operations Kerry Thomas, who advised that the loan volume was increasing in FY17 to FY19, but had started to decline just prior to the pandemic, with that decline becoming more significant over the last two years into FY22. Vice Chair Liston asked when they might achieve a break-even point and begin to increase considering the Board's stated directions and goals. Executive Officer Efirm replied that as CFO Pierce explained, they expect to see losses continue over the next two years, but they expect the gap to decrease in the net loss each year until FY25, at which point they are projecting no loss and will hopefully see an increase at that time. She further stated that they have legislation currently in consideration that they hope will positively impact originations if passed, and they have already seen an increase in Refinance loan originations. Chair MacKinnon asked staff to clarify whether it was accurate that despite the uptick in FY17 – FY19, the loan volume has had a generally downward trajectory for over a decade. CFO Pierce replied that was correct, and that originations would have to increase significantly to exceed the repayments they've seen in recent fiscal years. Chair MacKinnon commented that the challenge the Corporation needs to overcome is that the portfolio is shrinking due to originations being outpaced by borrower repayments, this is contributing to the Corporation's net operating loss. She stated that the Commission & Corporation's primary target is to ensure they can offer the most competitive, if not lowest, interest rate possible for Alaskans to achieve their academic dreams. Executive Officer Efirm concurred that it is their goal to offer the most competitive loan products they can for Alaskans.

ANNUAL SETTING OF LOAN PROGRAM FIXED INTEREST RATES

Chief Finance Officer Pierce discussed her memo on page 13 of the meeting packet. She relayed that the Corporation sets the interest rate for loans it originates pursuant to regulations. She expressed that the continuing decline of the corporation's loan portfolio balance poses a challenge in setting rates. Despite the decline in operating costs, additional operating cost reductions, as well as reductions in loan losses and increases in investment income, are needed to align costs to a level that the loan portfolio can support. While plans for cost reductions, loan loss reductions, and increases in long term rates of return on investment are continuing to be implemented, staff proposes continuing to set rates that are competitive. CFO Pierce explained that while the proposed interest rates aren't sufficient to cover current and recent year cost of loan operation, they are forecast to result in financial sustainability within the next few years.

She expressed that the corporation considers the federal plus loan program to be the primary competitor for the ASEL, PSEP, and FEL loans. Considering that the plus rate is assumed to be equal to or higher than 6.28%, and that the plus loans include a 4.23% origination fee, staff are not proposing a rate change for these three loan programs. However, the underwriting criteria for ASEL loans was revised to reflect the requirement of no adverse credit for all FICO Score Tiers - additional information regarding this change can be found in Director Thomas' memo on pages 18 - 20 of the meeting packet.

CFO Pierce went on to discuss the Refinance loans, stating that the proposed interest rates are 50 basis points higher than the rates currently being offered for all term and FICO score tiers. She explained that was due to staff taking into account the rates offered by other private loan originators, as well as considering interest rate environment, FICO score, and other credit risk factors. Like the other loan programs, the proposed Refinance rates are not sufficient to cover the current net costs of operation, yet are forecast to result in financial sustainability within the next two to three fiscal years when combined with further costs and loss reduction and investment income increase efforts. She also noted the table of proposed rates on page 16 of the packet should be revised to indicate an effective date of "April 1 or as soon as administratively feasible".

She concluded by stating it was staff's recommendation that the fixed interest rates and underwriting criteria for the 22-23 academic year loans be set as shown in the tables included in the memo, with the revision to the effective date to the Refinance loan.

Deputy Commissioner Donley moved approval of the fixed interest rates and underwriting criteria for the 2022–2023 academic year loans to set as shown in the tables in the memorandum [pages 13 - 17 in meeting packet]. Vice Chair Liston seconded the motion. By roll call vote, all members present voted aye. The motion carried.

Discussion: Chair MacKinnon asked whether the board needed to vote to amend the effective date of the Refinance loans, or if CFO Pierce's verbal presentation is sufficient to revise it. CFO Pierce deferred to Assistant Attorney General Sonneborn, who indicated that as the change and discussion thereof will be reflected in the minutes, that she believes the record is clear and that the motion as stated with the verbal amendment is sufficient. Chair MacKinnon asked Deputy Commissioner Donley and Vice Chair Liston whether, as the ones to make and second the original motion, if they would accept that as a friendly change or would prefer a more formal one. They both stated they accepted the change. Chair MacKinnon stated for the general public that on page 16 of 42 in the electronic packet for the Alaska Student Loan Corporation meeting packet, in the table on the bar line that is titled "Effective Date", they would be voting on April 1, 2022, or as soon as administratively feasible. Dr. Adams asked whether this change allowed for the effective date of the rate change to be sooner than April 1st, or later. CFO Pierce replied that the language would allow flexibility for the rate to be changed sooner. Chair MacKinnon asked to clarify if it could be either sooner or later, to which CFO Pierce confirmed it could be either. Chair MacKinnon stated for the record that the intent is to provide these rate opportunities as soon as is administratively feasible, with which CFO Pierce concurred. Deputy Commissioner Fowler commented for the record that as stated these rates will not cover current costs, and that she wanted to express her appreciation of the focus of the Corporation on keeping rates as low as possible for borrowers, as well as to acknowledge her commitment as a member of the ASLC board to support staff in achieving this goal.

EXECUTIVE OFFICER REPORT

Executive Officer Efirm referenced her written report starting on page 21 of the meeting packet. She began with a budget update, referencing that the Governor's budget was released in December. The budget includes a decrement due to the reduction of four additional vacant positions within the Commission, as a way to reduce operating costs and help with the sustainability of the Corporation's bottom line. The positions being deleted include a full-time Accountant/Payment Processing Supervisor, two full-time Financial Aid-Specialists, and a full-time Customer Service Specialist. She addressed a technical change to the program operations budget component, wherein the Alaska Education Grant (AEG) was removed from under that and given its own separate component within in the budget. This was done to both clarify the true operations budget, as well as to better identify the AEG money as being pass-through funds.

Executive Officer Efirm highlighted that the Higher Education Investment Fund (HEIF) is still caught up in the Constitutional Budget Reserve (CBR) sweep, and that the Legislature has yet to reverse the sweep. Due to that, the Governor has proposed to fund the HEIF through unrestricted general funds in his budget. She also mentioned the lawsuit filed by University of Alaska students requesting that the HEIF be reestablished and stating that it should not be subject to the CBR sweep. She brought up that the Governor is seeking to expand the WAMMI medical education program by adding an additional ten (10) students each year. The Executive Officer has been working with Commissioner of Education and the Governor's office to use ARPA and other COVID funds to support Commission initiatives, and ACPE has subsequently received \$75,000 for the FAFSA Completion initiative and \$40,000 to help support the Alaska Career Information System.

Regarding legislative updates, she advised they are in the second session of the 32nd Legislature, and that the Corporation and Commission have bills on the docket in the form of House Bill 114 and Senate Bill 94, which would update and make positive changes to the loan program. The joint bills made it through the House and Senate Education Committees last session. SB 94 was referred to Senate Finance, while on the House side HB 114 made it through the House Education Committee and has been referred to the House Rules Committee. A separate bill has been introduced by Representative Josephson, House Bill 229, which proposes to move the HEIF under the Alaska Student Loan Corporation, with the intent to change where the HEIF is located to ensure it's not caught up in the CBR sweep going forward without changing how the fund operates.

Executive Officer Efirm concluded by briefly touching upon outsourcing and staffing updates. She mentioned that the Outsourcing Project is on track to meet the April 1st and October 1st deadlines. Regarding staffing, she announced that Executive Secretary Kordel Thompson has decided to return to the Financial Aid Servicing Team, and that Dannielle Erickson would be joining the Commission as the new Executive Secretary starting the next week.

Discussion: Chair MacKinnon expressed her gratitude to Executive Officer Efirm for assisting the students and supporting staff as the board works through these issues to help Alaskans reach their dreams in pursuing their education opportunities.

FUTURE MEETING DATES

- Thursday, May 12, 2022 at 1:30-2:30 pm
- Thursday, November 3, 2022 at 1:30-2:30 pm

CLOSING COMMENTS

Chair MacKinnon afforded the board members the opportunity to present closing comments.

Deputy Commissioner Fowler stated that she continued to reiterate her support and appreciation for the staff.

Dr. Adams thanked Executive Officer Efirm and the whole staff, stating that it feels like they are on the right track. She mentioned they had discussed program expenses at the last meeting, and that Executive Officer Efirm was able to provide how much has actually been spent since 2017, not just budgeted expenses. In calculating how far underspent they are each year, even the amount that they are not spending compared to the budget continues to increase percentage wise. She commented that this along with everything else they've heard today she thinks is a good picture that they are going to get there, that it may take a few years but they are on the right track in all these different ways.

Neither Chair MacKinnon, Vice Chair Liston, nor Deputy Commissioner Donley had any closing comments.

ADJOURN

Deputy Commissioner Donley moved to adjourn. Vice Chair Liston 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 2:36 p.m.

Approved by:

Anna MacKinnon, Chair

Date

State of Alaska

Student Loan Corporation

Resolution of Appreciation 2022.01

WHEREAS, Board Member MacKinnon, as a designee of the Department of Revenue, faithfully served on the Alaska Student Loan Corporation Board of Directors from May 2019 until March 2022; and

WHEREAS, Board Member MacKinnon provided the Board with dedicated and valuable leadership as Chair for nearly 3 years helping to facilitate and oversee the Board’s mission; and

WHEREAS, Board Chair MacKinnon’s dedication to the mission of the Board has helped safeguard the Alaska Commission on Postsecondary Education’s ability to continue to develop, implement and sustain programs and policies to increase access to the benefits of higher education; and

WHEREAS, Anna MacKinnon’s extensive experience in public service as an Anchorage Assembly Member, an Alaska State Representative, an Alaska State Senator, and more recently the Division Director for the Permanent Fund Dividend greatly benefited the Board as she provided vital insight and expertise; and

NOW, THEREFORE BE IT RESOLVED, that the members of the Alaska Student Loan Corporations Board of Directors and its Staff officially recognize Anna MacKinnon’s service as a member on the Board and extend their statement of appreciation for her support and contributions to the Board’s efforts; and

BE IT FURTHER RESOLVED, that their Resolution be appropriately engrossed and conveyed to Anna MacKinnon with a copy to be incorporated in the official minutes of the May 12, 2022, meeting of the Corporation.

, Chair

Sana Efird, Executive Officer



THE STATE
of ALASKA
GOVERNOR MIKE DUNLEAVY

Alaska Student Loan Corporation

FINANCE OFFICE

P.O. Box 110505
Juneau, Alaska 99811-0505
Phone: 907.465.6740
Toll Free: 800.441.2962
TTY: Dial 711 or 800.770.8973
Fax: 907.465.3293
acpe.alaska.gov

Memorandum

To: Alaska Student Loan Corporation Members
Thru: Sana Efird, Executive Officer
From: Julie Pierce, Chief Finance Officer
Date: May 12, 2022
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.

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: FY22 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.	Tolerate moderate exposure to principal loss to target modestly higher returns than cash equivalents.
Policy Risk/Loss Range	10% Probable Annual Loss (10% cVaR) >5%	0-1.5%
Time Horizon	Long	Intermediate
Asset Allocation	Broad U.S. Equity 22% ± 5% International Equity 14% ± 5% U.S. REITs 3% ± 5% Core U.S. Fixed Income 60% ± 5% Cash Equivalents 1% - 1%/+2%	26% ± 10% 74% ± 10%
Expected Return - Long-Term	4.10%	1.20%
Risk - Standard Deviation	7.14%	0.98%
Probability of Loss - 1 Year	29.2%	33.3%
10% Probability of Annual Loss (10% cVaR)	-8.6%	-1.3%
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 10/15/21 with execution as soon as possible.



Approved

10/15/2021

Date

Type text here



Alaska Student Loan Corporation

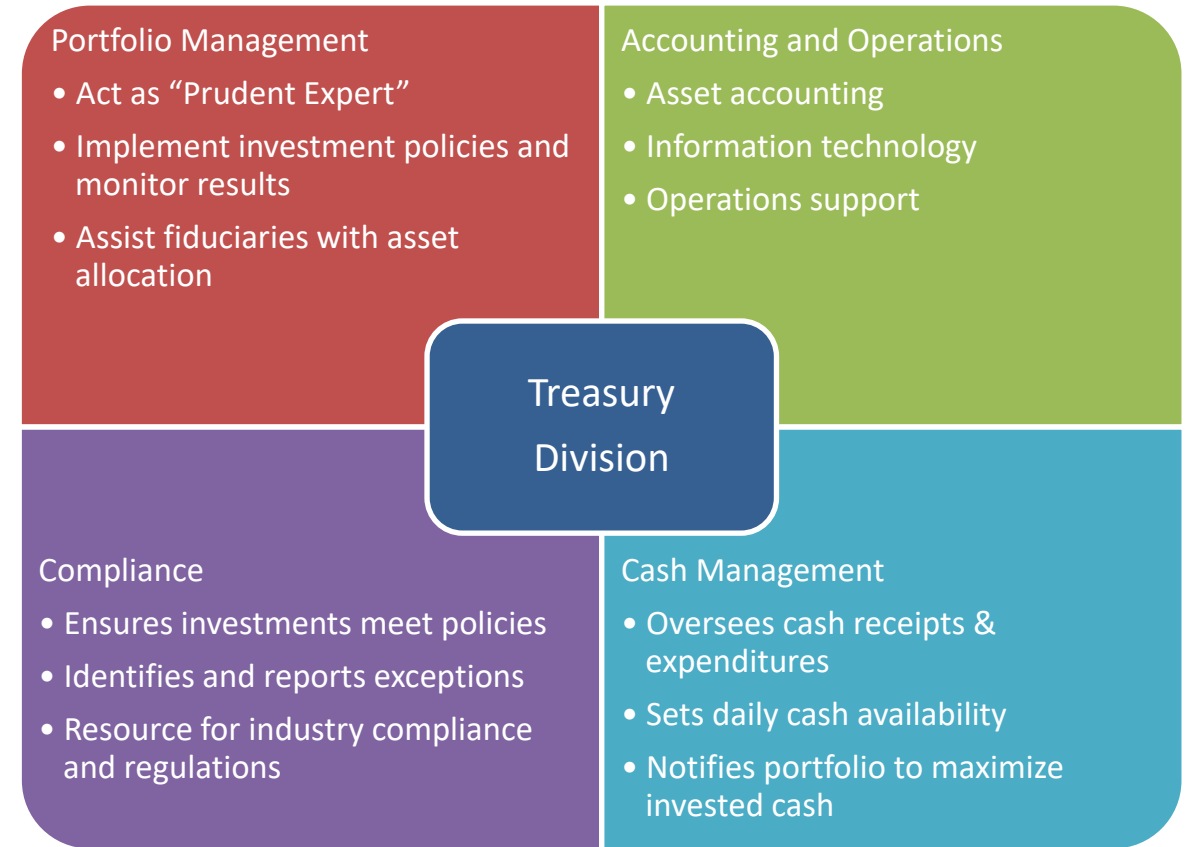
Portfolio Management, Performance, and Asset Allocation

May 2022

**Zachary Hanna, CFA
Chief Investment Officer
State of Alaska, Department of Revenue**

Portfolio Management – Treasury Division

- Portfolio management is run by 14 investment professionals based in Juneau, Alaska.
- The Treasury Division has an additional 25 professionals in accounting, operations, compliance, and cash management.
- \$50 billion in assets managed as of March 2022:
 - Alaska Retirement Management Board (ARMB): \$42.6 billion
 - Funds under Commissioner of Revenue: \$7.3 billion
 - Other Fiduciaries: \$300 million
- The Division is a resource to help state fiduciaries achieve investment objectives and understand risks.
- Treasury implements investment policy and produces results.



Economic and Market Update

The Economy, Geopolitics, and Inflation

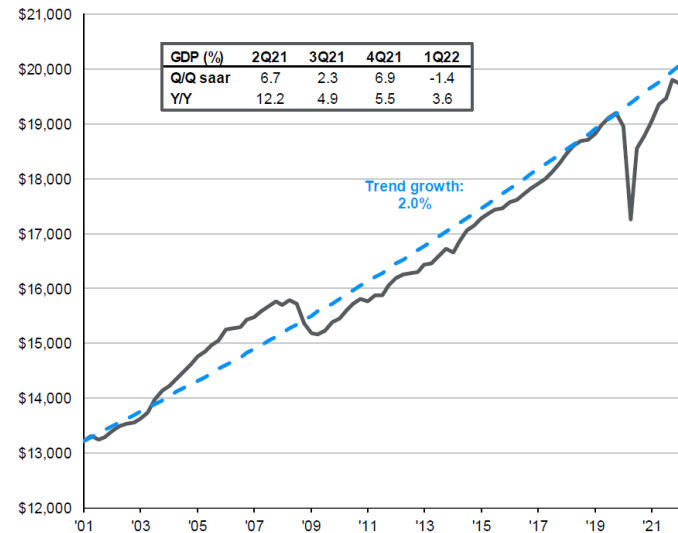
- The Economic recovery was proceeding well despite growing concerns about persistent inflation.
- Since February, the Russia/Ukraine crisis has dominated headlines and capital markets. The direct impact to equity markets was muted, but the impact on energy inflation and European growth has been more pronounced.
- U.S. Real GDP is still expected to be on trend at 2% despite negative GDP growth in the 1st quarter.
- Unemployment is almost back to the pre-pandemic low of 3.5%, but job openings are ~50% higher leading to wage pressure.
- CPI reached 8.5% annualized in March, well in excess of the Fed’s inflation target driven by energy/commodity prices, wage pressure, and remaining supply chain issues.

Economic growth and the composition of GDP

GTM U.S. 18

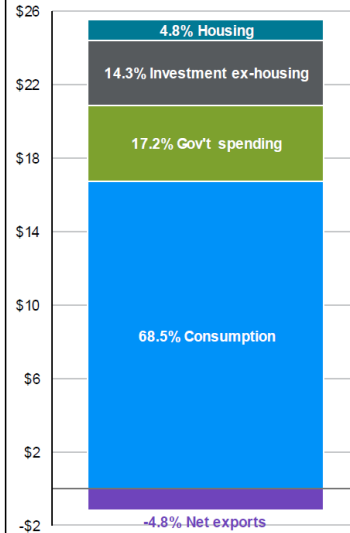
Real GDP

Billions of chained (2012) dollars, seasonally adjusted at annual rates



Components of GDP

1Q22 nominal GDP, USD trillions



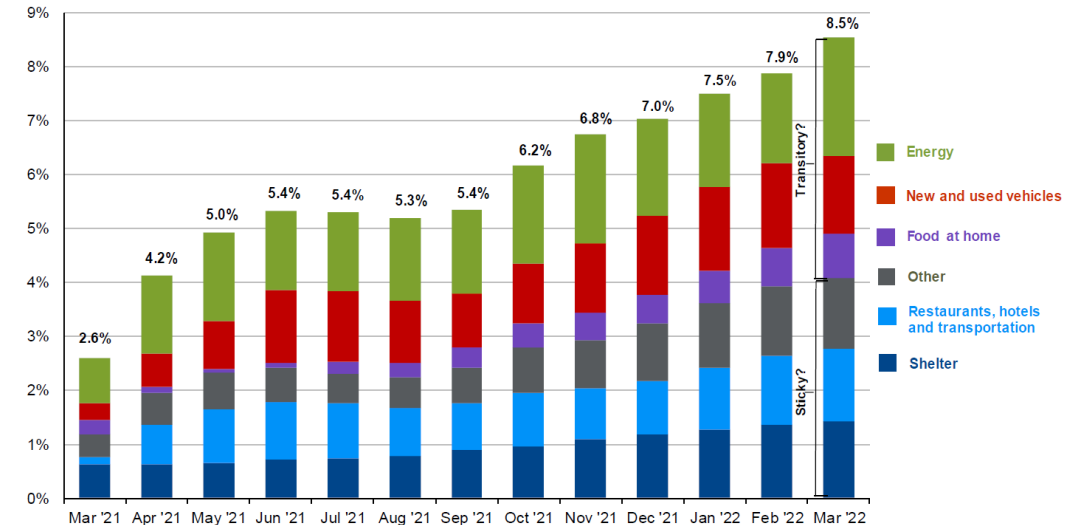
Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19. Guide to the Markets – U.S. Data are as of April 30, 2022.

Inflation components

GTM U.S. 27

Contributors to headline inflation

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



Source: BLS, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners equivalent rent and rent of primary residence. "Other" primarily reflects household furnishings, apparel and medical care services. Guide to the Markets – U.S. Data are as of April 30, 2022.

Interest Rates and the Federal Reserve

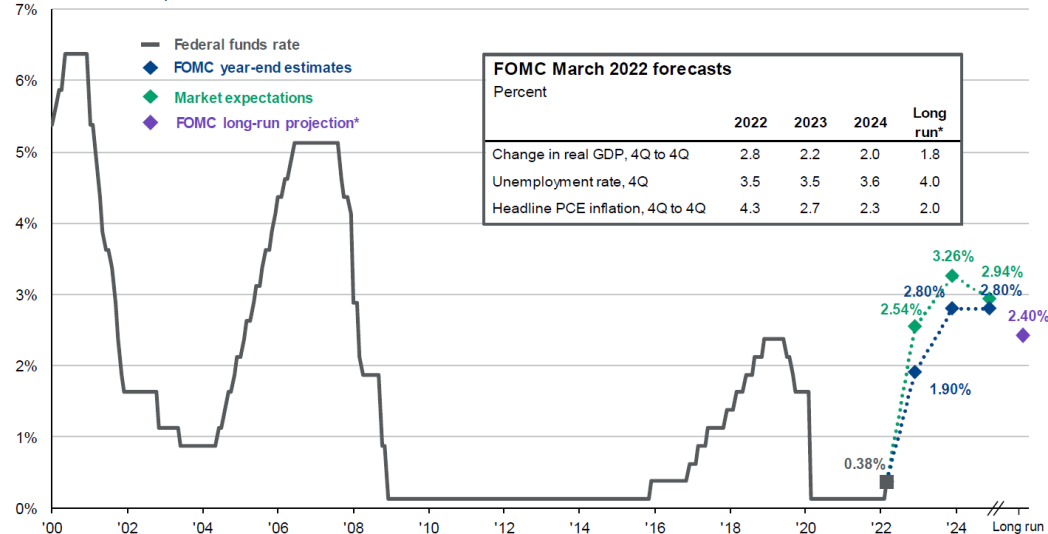
- Energy price increases along with other pressures have catalyzed the Federal Reserve into action to control inflation.
- The Fed has started raising interest rates and is expected to increase them 7+ more times this year alone.
- The Fed also plans to decrease the size of their balance sheet, which doubled through the pandemic.
- These actions have a direct impact on fixed income markets and will also affect other capital markets.

The Fed and interest rates

GTM U.S. 32

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, 2022.

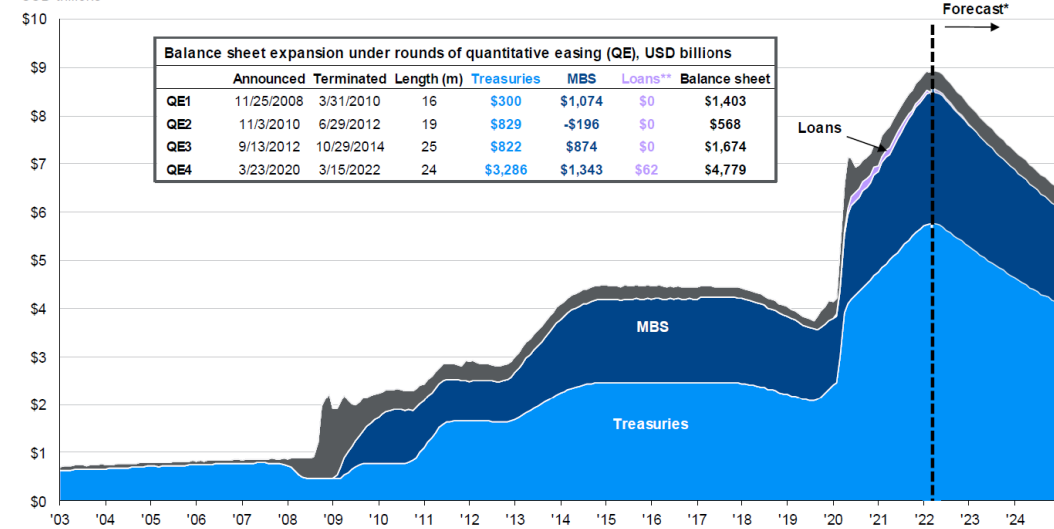
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The Federal Reserve balance sheet

GTM U.S. 33

The Federal Reserve balance sheet

USD trillions

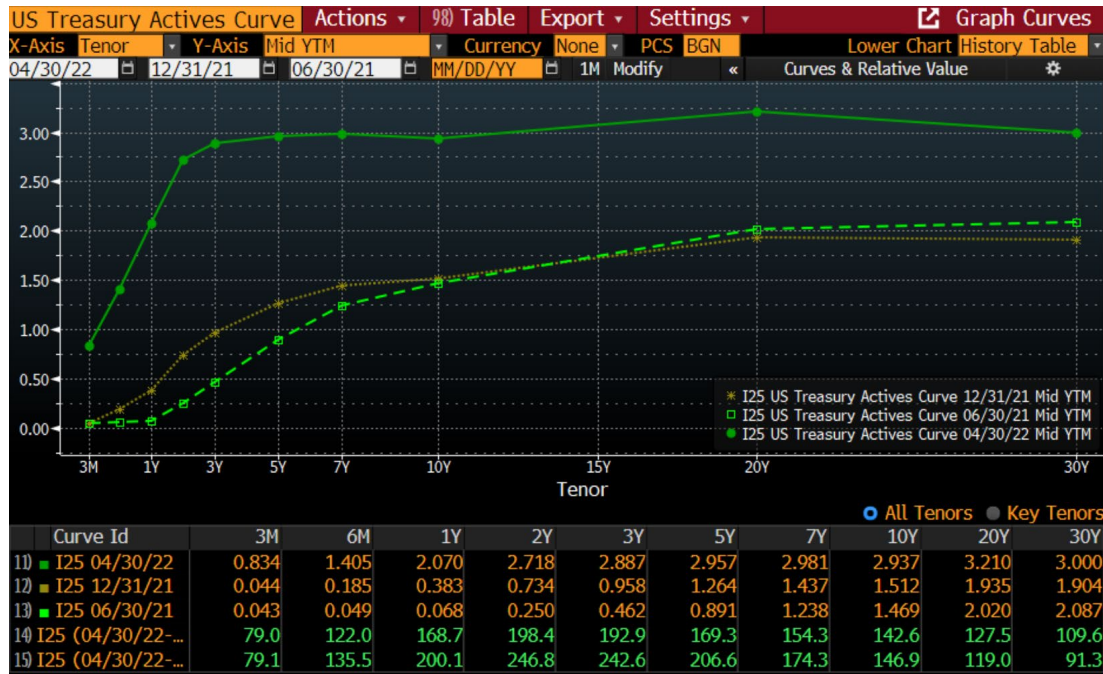


Source: FactSet, Federal Reserve, J.P. Morgan Investment Bank, J.P. Morgan Asset Management. At its peak, the balance sheet contained \$5.8tn in Treasuries and \$2.7tn in MBS. *The forecast assumes the Federal Reserve begins balance sheet runoff in mid-May and gradually increases the monthly cap on maturing Treasury and MBS securities per meeting until a max cap of \$100bn/month. The forecast does not include the active selling of securities from the committee. **Loans include liquidity and credit extended through corporate credit facilities established in March 2020. Other includes primary, secondary and seasonal loans, repurchase agreements, foreign currency reserves and maiden lane securities. 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, 2022.

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ASSET MANAGEMENT

Fixed Income

- Yields have increased dramatically in reaction of the Fed’s rate increase plans.
- Valuations remain relatively tight for fixed income sectors as measured by historical spread levels.
- Fixed income investments remain exposed to further rate increases but are cushioned by higher starting yields.



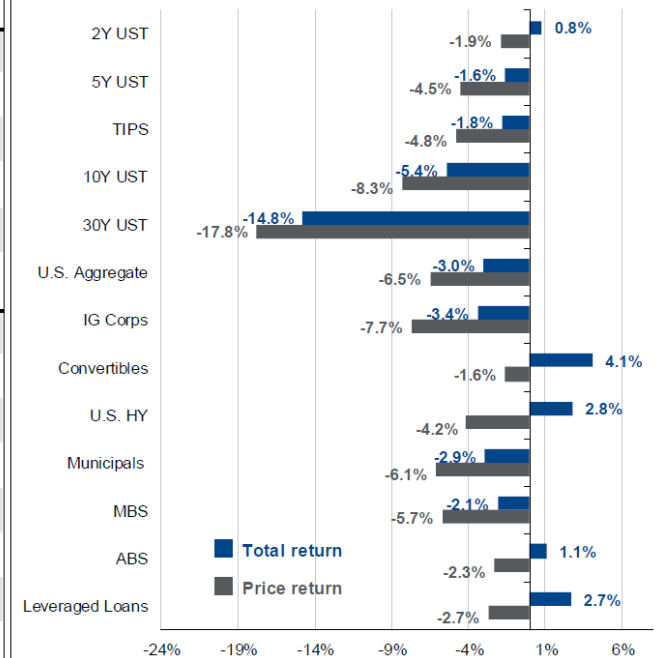
Fixed income market dynamics

GTM | U.S. | 36

	Yield		Return			
	04/30/2022	12/31/2021	2022 YTD	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
U.S. Treasuries						
2-Year	2.70%	0.73%	-3.05%	2 years	0.69	-0.35
5-Year	2.92%	1.26%	-7.08%	5	0.92	-0.31
TIPS	0.01%	-1.04%	-5.00%	10	0.59	0.22
10-Year	2.89%	1.52%	-11.29%	10	1.00	-0.27
30-Year	2.96%	1.90%	-20.49%	30	0.93	-0.26
Sector						
U.S. Aggregate	3.48%	1.75%	-9.50%	8.7	0.85	0.08
IG Corps	4.31%	2.33%	-12.73%	11.5	0.46	0.41
Convertibles	5.76%	3.66%	-11.26%	-	-0.26	0.87
U.S. HY	6.98%	4.21%	-8.22%	6.1	-0.21	0.73
Municipals	3.18%	1.11%	-8.82%	12.8	0.42	0.13
MBS	3.59%	1.98%	-8.31%	7.7	0.81	-0.06
ABS	4.01%	1.96%	-2.71%	2.4	-0.30	0.11
Leveraged Loans	5.41%	4.60%	-0.01%	2.7	0.14	0.09

Impact of a 1% rise in interest rates

Assumes a parallel shift in the yield curve



Source: Bloomberg, FactSet, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management. Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by - U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS; ABS: J.P. Morgan ABS Index; 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 as of April 30, 2022.

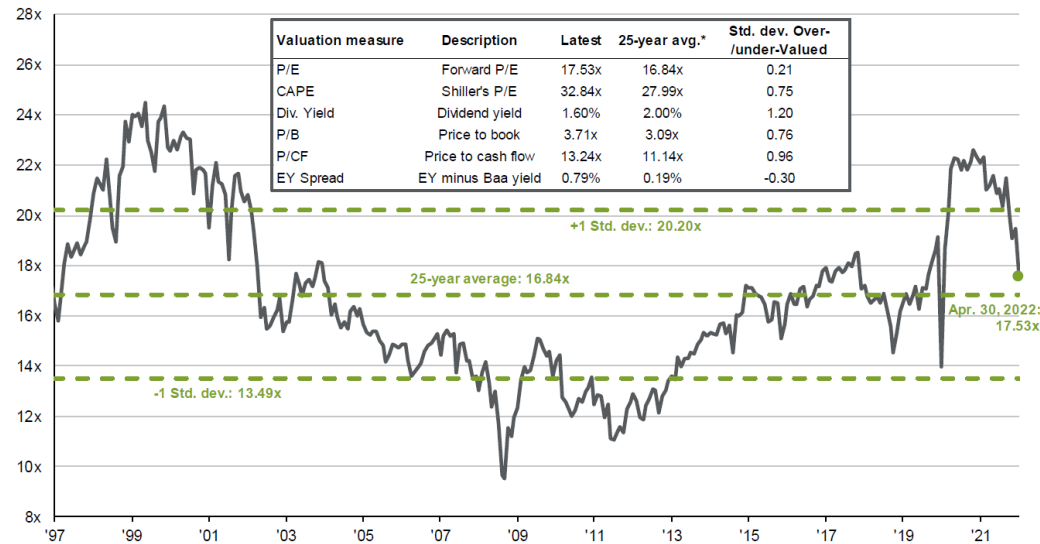
Equity Markets

- With the recent stock market correction, U.S. equities are back to more normal valuations.
- U.S. corporate fundamentals remain robust, supported by strong profit margins and healthy balance sheets.
- International equity valuations are close to all time lows 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



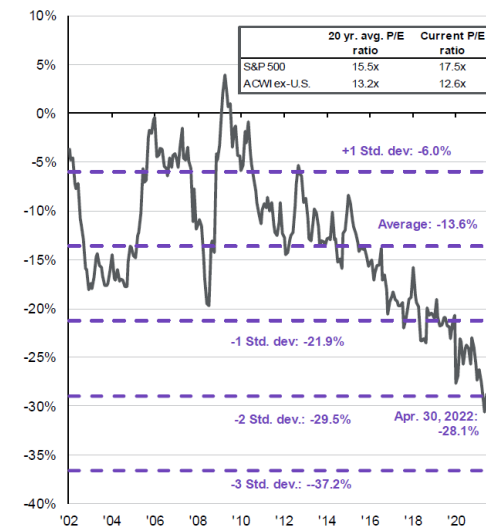
Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since April 1997 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are \$236. 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, 2022.

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International valuations and dividend yields

GTM U.S. 47

International: Price-to-earnings discount vs. U.S.
MSCI AC World ex-U.S. vs. S&P 500 Indices, next 12 months



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Guide to the Markets - U.S. Data are as of April 30, 2022.

International: Difference in dividend yields vs. U.S.
MSCI AC World ex-U.S. minus S&P 500 Indices, next 12 months



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Capital Market Update

2017	2018	2019	2020	2021	Last 5 Yrs.	Q3 2021	Q4 2021	Q1 2022	FYTD 2021
International Equity 27.2%	Cash Equivalents 1.9%	Broad U.S. Equity 31.0%	Broad U.S. Equity 20.9%	REITs 41.3%	Broad U.S. Equity 15.4%	TIPS 1.8%	REITs 16.2%	Cash Equivalents 0.0%	REITs 10.3%
Broad U.S. Equity 21.1%	Core U.S. Fixed Income 0.0%	REITs 28.7%	TIPS 11.0%	Broad U.S. Equity 25.7%	REITs 10.7%	High Yield 0.9%	Broad U.S. Equity 9.3%	TIPS (3.0%)	Broad U.S. Equity 3.4%
REITs 8.7%	TIPS (1.3%)	International Equity 21.5%	International Equity 10.7%	International Equity 7.8%	International Equity 6.8%	REITs 0.2%	TIPS 2.4%	High Yield (4.8%)	TIPS 1.0%
High Yield 7.5%	High Yield (2.1%)	High Yield 14.3%	Core U.S. Fixed Income 7.5%	TIPS 6.0%	High Yield 4.7%	Core U.S. Fixed Income 0.1%	International Equity 1.8%	REITs (5.3%)	Cash Equivalents 0.1%
Core U.S. Fixed Income 3.5%	REITs (4.0%)	Core U.S. Fixed Income 8.7%	High Yield 7.1%	High Yield 5.3%	TIPS 4.4%	Cash Equivalents 0.0%	High Yield 0.7%	Broad U.S. Equity (5.3%)	High Yield (3.3%)
TIPS 3.0%	Broad U.S. Equity (5.2%)	TIPS 8.4%	Cash Equivalents 0.7%	Cash Equivalents 0.0%	Core U.S. Fixed Income 2.1%	Broad U.S. Equity (0.1%)	Core U.S. Fixed Income 0.0%	International Equity (5.4%)	Core U.S. Fixed Income (5.9%)
Cash Equivalents 0.9%	International Equity (14.2%)	Cash Equivalents 2.3%	REITs (5.1%)	Core U.S. Fixed Income (1.5%)	Cash Equivalents 1.1%	International Equity (3.0%)	Cash Equivalents 0.0%	Core U.S. Fixed Income (5.9%)	International Equity (6.6%)

Fund Performance

ASLC Performance

Fund Performance	March 2022	February 2022	January 2022	December 2021	November 2021	October 2021	September 2021	August 2021	ASLC ITD
ASLC Investment Fund	-0.79%	-0.77%	-1.51%	0.34%	-0.18%	0.02%	-0.22%	-0.05%	-3.11%
ASLC Custom Benchmark	-0.83%	-0.75%	-1.56%	0.35%	-0.14%	0.02%	-0.22%	-0.05%	-3.13%
Relative	0.04%	-0.02%	0.05%	-0.01%	-0.04%	-0.01%	0.00%	0.00%	0.02%
ASLC Original Benchmark	-1.38%	-0.42%	-0.71%	-0.18%	-0.06%	-0.33%	-0.09%	0.00%	-3.12%
Component Performance	March 2022	February 2022	January 2022	December 2021	November 2021	October 2021	September 2021	August 2021	
Core Fixed Income	-2.51%	-1.14%*	-2.06%	-0.28%	0.15%	-0.05%	-0.86%	-0.20%	
<i>DOR Fixed Income</i>	-2.60%	-1.12%	-2.06%	-0.28%	0.15%	-0.05%	-0.86%	-0.20%	
<i>Tactical Bond</i>	-1.58%								
US Agg Bond Index	-2.78%	-1.12%	-2.15%	-0.26%	0.30%	-0.03%	-0.87%	-0.19%	
Relative	0.27%	0.00%	0.10%	-0.02%	-0.14%	-0.02%	0.00%	-0.01%	
Broad US Equity	3.26%	-2.52%	-5.82%	3.97%	-1.51%				
Russell 3000 Index	3.24%	-2.52%	-5.88%	3.94%	-1.52%				
Relative	0.02%	0.00%	0.07%	0.03%	0.02%				
Global ex-US Equity	0.31%	-2.14%	-3.61%	4.12%	-4.43%				
MSCI ACWI ex-US Index	0.16%	-1.98%	-3.69%	4.13%	-4.50%				
Relative	0.15%	-0.16%	0.07%	-0.01%	0.07%				
US REITs	7.06%	-3.90%	-7.85%	9.62%	-1.01%				
FTSE NAREIT Index	7.04%	-3.89%	-7.93%	9.60%	-1.01%				
Relative	0.02%	-0.01%	0.09%	0.02%	0.00%	0.00%	0.00%	0.00%	
Cash Equivalents	-0.02%	0.00%	0.00%	0.00%	0.00%	-0.01%	0.01%	0.01%	
3-month T Bill	0.03%	0.01%	0.00%	0.01%	0.01%	0.00%	0.01%	0.00%	
Relative	-0.05%	-0.02%	0.00%	0.00%	-0.01%	0.00%	0.00%	0.00%	

Plan funded July 28, 2021.

ASLC Custom benchmark reflects multiple asset class target changes.

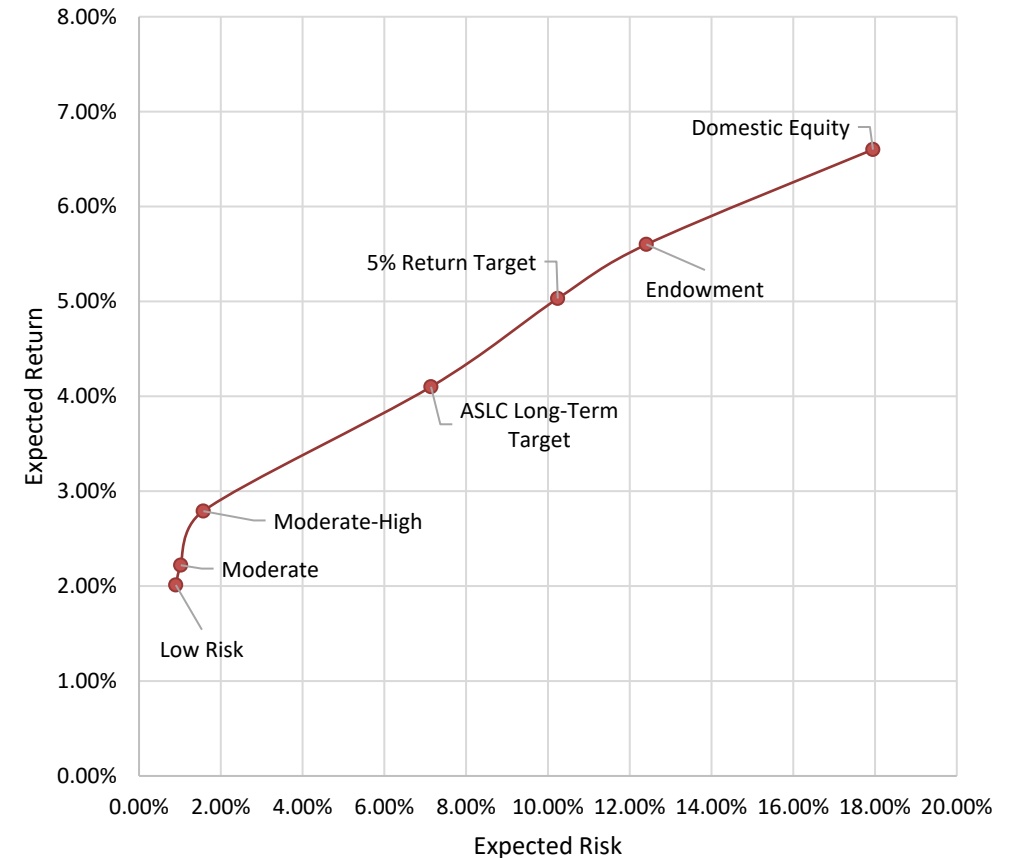
ASLC Original Benchmark is 50% Bloomberg 1-3yr US Gov/Credit and 50% Bloomberg 1-3yr Gov.

*Pool performance may appear different from shown constituent performance if an underlying constituent was funded or redeemed during the month.

Asset Allocation

Investment Policy and Asset Allocation

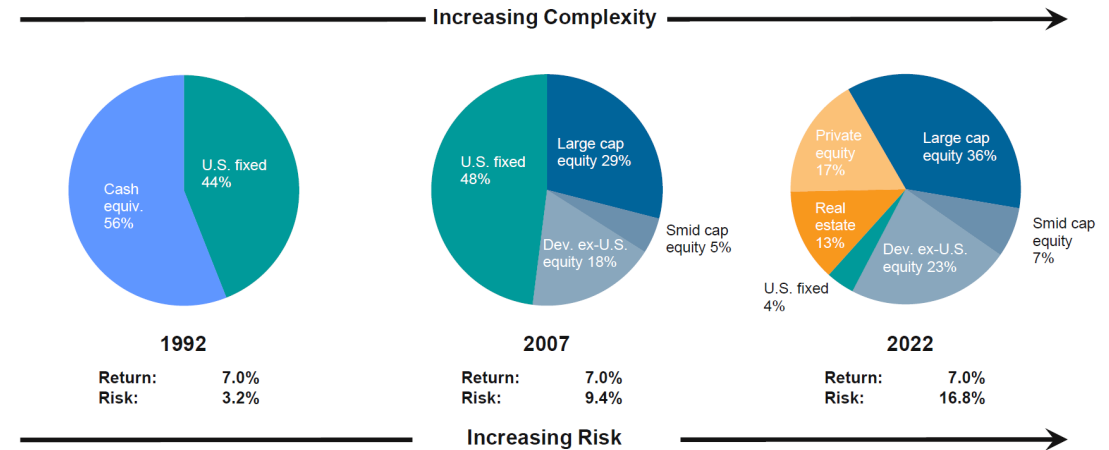
- The department manages assets across 100+ accounts pooled into 25+ funds with similar assets or mandates.
- Setting investment policies and asset allocations are key fiduciary duties for these funds.
- Staff reviews and makes recommendations on the investment policy and asset allocation of each fund 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



Asset Allocation

- Callan LLC, annually develops 10-year capital market assumptions for risk, return, and correlations using a building block approach.
- Return expectations have steadily declined over time due to lower rates, growth and inflation expectations due largely to global trade, technology, and the transition toward a service economy.
- Staff evaluates Callan’s capital market assumptions, other provider’s assumptions, and current market conditions to develop an asset allocation approach for each state fund.
- The goal is generally to maximize return or minimize risk consistent with investment objectives and risk tolerance using a combination of Modern Portfolio Theory and investment judgment.

7% Expected Returns Over Past 30 Years



2022 Capital Market Assumptions

- In January, Callan released their 10-year capital market assumptions (CMAs) for 2022. Risk and correlation assumptions were largely unchanged from 2021. Long-term inflation expectations did increase which impacts real return forecasts.
- Staff selects a subset of these asset classes for use in state funds based on risk, return, diversification, complexity, and cost.
- For FY23, staff recommends continuing with the use of Broad U.S. Equities, International Equities, Core U.S. Fixed Income U.S. REITs, and Cash Equivalents for state funds.
- In Fiscal Year 2022, staff incorporated up to 20% of the fixed income allocation in a tactical bond portfolio that can opportunistically invest in high yield, TIPS, and other fixed income asset classes in a risk-managed fashion. For FY23, staff recommends targeting 20% to this strategy with a 25% maximum.

Asset Classes	2022 1-Year Arithmetic Return	2022 10-Year Geometric Return	Return Change	2022 Standard Deviation	2022 Correlation to Domestic Equity	2022 Real Return
Broad U.S. Equity	8.0%	6.6%	0.0%	18.0%	1.00	4.4%
Large Cap U.S. Equity	7.9%	6.5%	0.0%	17.7%	1.00	4.3%
Small/Mid Cap U.S. Equity	8.8%	6.7%	0.0%	21.3%	0.93	4.5%
International Equity	8.7%	6.8%	0.0%	20.7%	0.82	4.6%
Developed ex-U.S. Equity	8.3%	6.5%	0.0%	19.9%	0.78	4.3%
Emerging Market Equity	9.8%	6.9%	0.0%	25.2%	0.80	4.7%
Cash Equivalents	1.2%	1.2%	0.2%	0.9%	-0.06	-1.1%
Government 1-3 year Bonds	1.6%	1.5%	0.2%	3.5%	-0.25	-0.8%
Core U.S. Fixed Income	1.2%	1.8%	0.0%	3.8%	-0.10	-0.5%
TIPS	1.4%	1.3%	-0.5%	5.1%	-0.08	-1.0%
Emerging Market Sovereign Debt	4.0%	3.6%	0.1%	9.5%	0.56	1.4%
High Yield	4.4%	3.9%	-0.5%	10.8%	0.72	1.7%
Core Real Estate	6.6%	5.8%	0.0%	14.2%	0.64	3.5%
REITs	8.2%	6.2%	-0.1%	20.7%	0.80	4.0%
Private Equity	11.5%	8.0%	0.0%	27.6%	0.77	5.8%
Hedge Funds	4.4%	4.1%	0.1%	8.2%	0.79	1.9%
Inflation		2.3%	0.3%			
60/40 Portfolio		5.0%	0.0%			

ASLC Investment Policy Review

No substantive change is recommended to the Investment Policy since the circumstances are largely unchanged from last year.

Investment objectives and risk assessment:

- Time horizon and cashflow needs:
 - Assets are currently expected to grow in perpetuity with no forecasted need for significant withdrawals.
 - ASLC is expected to be increasingly cash flow positive over the next 10 years and has no significant investment liquidity needs.
 - 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 return of 4.1% would be required to cover potential loan losses of \$3 million in a year.
 - Future ASLC programs could also benefit from inflation protection and growing assets over time.
- Capacity for loss:
 - ASLC should be able to tolerate short-to-mid-term losses for the potential of long-term returns.
 - ASLC may be sensitive to abrupt increases in risk profile.

Conclusion and recommendations:

- ASLC has the time horizon, investment objectives, and other attributes consistent with adopting a high risk tolerance
- ASLC asset allocation should cover downside loan losses and potentially increase assets.
- Gradually increase investment risk to minimize market timing exposure.

Investment Policy

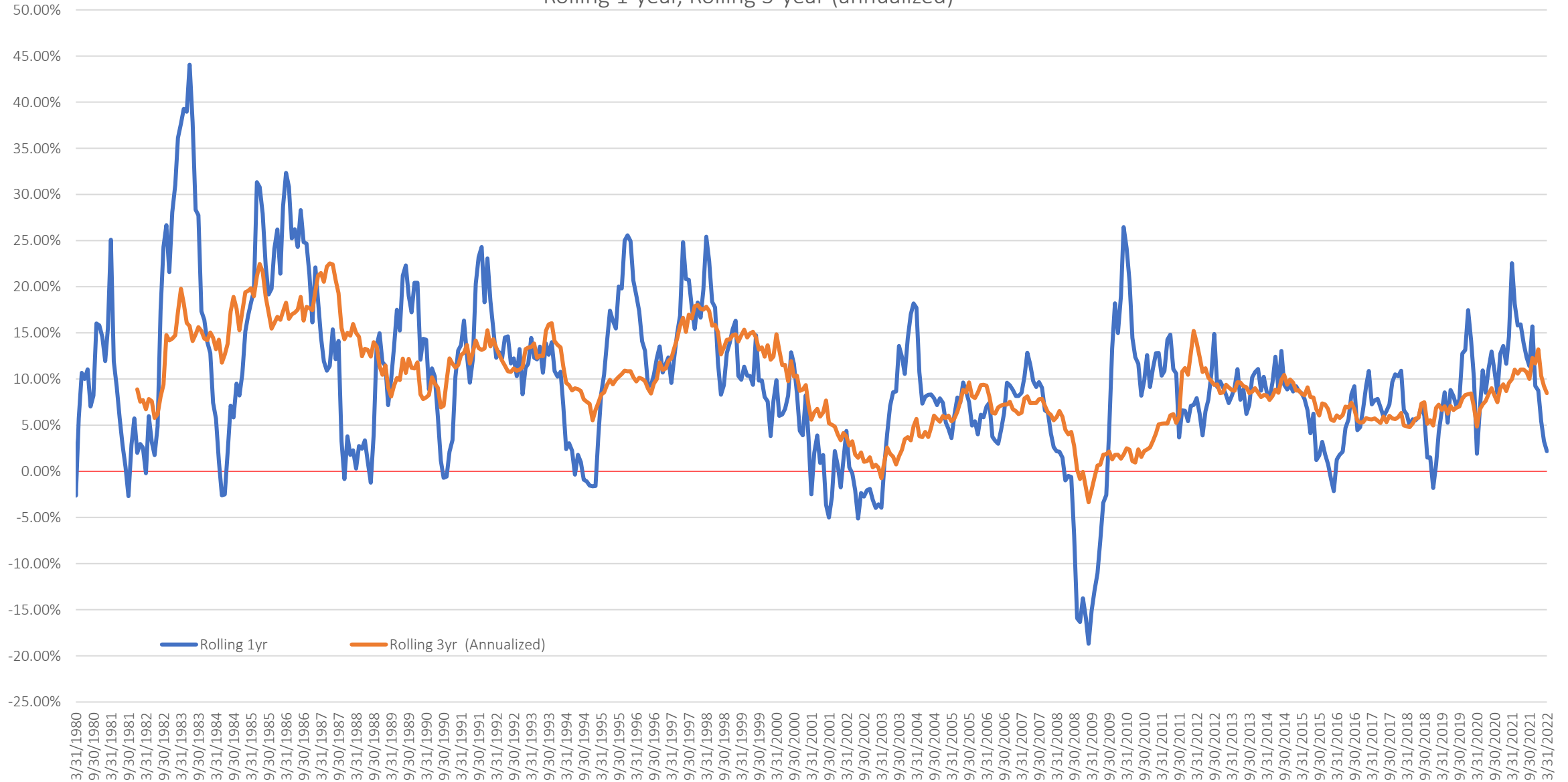
AY3S: FY23 DOR-Alaska Student Loan Corporation Investment Policy

		FY22	FY22 Q2	FY 22 Q3	FY22 Q4	FY23 Q1	FY23 Q2	FY23 Q3	FY23 Q4	FY24	
Investment Topic	Proposed Policy	Current Policy									
		No Change									
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%	No Change							
	International Equity	14%	± 5%	No Change							
	U.S. REITs	3%	± 5%	No Change							
	Core U.S. Fixed Income	60%	± 5%	No Change							
	<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	28.3%	29.2%									
10% Probability of Annual Loss (10% cVaR)	-8.4%	-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.										
		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%	60%	
		Cash Equivalents	74%	65%	46%	28%	24%	17%	12%	1%	
		Total	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%	4.10%	
		Expected Risk	1.26%	1.89%	2.70%	3.63%	4.25%	5.39%	6.24%	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

The proposed policy is effective July 1, 2022

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

40/60 Portfolio Returns
Rolling 1-year, Rolling 3-year (annualized)



Questions?



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Alaska Student Loan Corporation

FINANCE OFFICE

P.O. Box 110505
Juneau, Alaska 99811-0505
Phone: 907.465.6740
Toll Free: 800.441.2962
TTY: Dial 711 or 800.770.8973
Fax: 907.465.3293
acpe.alaska.gov

Memorandum

To: Alaska Student Loan Corporation Board Members
Thru: Sana Efird, Executive Officer
From: Julie Pierce, Chief Finance Officer
Date: May 12, 2022
Re: Chief Finance Officer Report

LIBOR Issue

As previously reported to the Board, the London Interbank Offered Rate (LIBOR) was expected to cease to exist at the end of 2021 with an extension of the official termination date for key tenors of LIBOR until the end of June 2023.

LIBOR exposure for ASLC includes special allowance payment (SAP) rates which are calculated quarterly, by the Department of Education (DOE), based on the quarter's daily average one-month LIBOR, plus a pre-determined factor that varies according to loan type, disbursement date, loan status, and not-for-profit eligibility of the lender less the loan's applicable interest rate.

Update: The FY22 Omnibus bill passed and included the provision to transition the FFELP SAP rate from being tied to LIBOR to being tied to the Secured Overnight Financing Rate (SOFR). This transition is not expected to be detrimental to the Corporation's financial interest.

FY2021 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, 2022. 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 29th 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.

Variable Loan Rate Approval

Reference separate memo.

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.



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Memorandum

To: Alaska Student Loan Corporation Members

Thru: Sana Efird, Executive Officer

From: Julie Pierce, Chief Finance Officer

Date: May 12, 2022

Re: Proposed 2022-2023 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, 2022 and ending June 30, 2023.

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 25, 2022.

Staff recommend the interest rate for variable rates for ASEL loans be set as follows for the 12-month period beginning July 1, 2022:

1. During the in-school period and applicable grace and deferment periods, 3.60%¹ (91-day U.S. Treasury Bill rate set April 25th of 0.85% plus 2.70 %.)
2. During the repayment period and applicable forbearance periods, 3.70%¹, (91-day U.S. Treasury bill rate set April 25th 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.



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GOVERNOR MIKE DUNLEAVY

Alaska Student Loan Corporation

EXECUTIVE OFFICE

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Juneau, Alaska 99811-0505
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Toll Free: 800.441.2962
TTY: Dial 711 or 800.770.8973
acpe.alaska.gov

MEMORANDUM

TO: Members, Alaska Student Loan Corporation
FROM: Sana Efird, Executive Director
DATE: May 2, 2022
SUBJECT: Executive Officer Report

This quarter has been focused on legislative activities including presenting to multiple committees, providing bill analysis and fiscal note information for bills introduced that affect ACPE, meeting one on one with legislators and their staff to provide information on ACPE's proposed legislation, and gathering information to respond to legislative inquiries on multiple topics. Additionally, the Executive Director's Office has worked with staff on our two large and very detailed outsourcing projects; and attended numerous meetings with staff, partners, and stakeholders including Senator Murkowski's Grants Symposium and Workforce Development sessions in Anchorage.

Budget Update:

On March 16, the full House Finance Committee adopted an Operating Budget Committee Substitute for HB 281 which incorporates items from all of the House Finance Subcommittees. For ACPE, all the Governor's proposed budget items are included in the House Operating Budget bill. The one item that was deleted during the House Finance Subcommittee meeting was the unrestricted general fund (UGF) increment of \$1,647.5 to expand the WWAMI program from 20 to 30 students per year. However, the House Finance Committee reinstated this funding and changed the increment to a multi-year appropriation for FY2023 and FY2024, acknowledging that the logistics of expanding the WWAMI program will take time to implement. Additionally, House Finance recapitalized the Higher Education Investment Fund at \$394.6 million and changed the funding source of the Alaska Performance Scholarship, Alaska Education Grant, and WWAMI back to Higher Education Investment Funds instead of UGF.

UA Student Lawsuit to Protect the APS/AEG Higher Education Investment Fund (HEIF):

An Anchorage Superior Court Judge ruled in favor of the State in the HEIF 'Sweep' Lawsuit on February 17, 2022. The lawsuit filed on January 4, 2022 by four University of Alaska Students sought to protect the endowed HEIF from being swept into the Constitutional Budget Reserve. According to the Department of Law, the students reasoned that the fund should be protected from the sweep because the money within should be considered designated for a specific use and not "available for appropriation under the law." The Court Judge agreed with the State's reasoning that the HEIF money is in fact available for appropriation by the Legislature. This will not impact the existing HEIF grants and currently HEIF scholarships have been fully funded throughout Governor Dunleavy's Administration, including the FY23 Budget.

For our current FY22 budget, Senior Managers continue to meet consistently to review and revise our operating expenditures to ensure oversight, monitoring and control.

Legislative Session Update:

My focus has been meeting one on one with Legislators to provide information and answering questions regarding ACPE's legislation that was introduced during last session as HB 114 and SB 94 - *An Act relating to the education loan program and Alaska supplemental education loan program; and providing for an effective date.*

On April 25, the House of Representatives passed [HB 114](#) – an act relating to the education loan program and Alaska supplemental education loan program; and providing for an effective date. On the Senate side, [SB 94](#) is in Senate Finance Committee which has held one hearing on this bill.

Another bill that could affect ASLC is:

- [HB 229 An Act relating to the Alaska higher education investment trust fund; and relating to the Alaska Student Loan Corporation](#)

This bill, introduced by Representative Josephson, renames the Alaska Higher Education Investment Fund to the Alaska Higher Education Investment Trust Fund (HEITF) and removes the fund (HEITF) from an account of the General Fund and establishes the fund as a separate fund of the Alaska Student Loan Corporation. The commissioner of revenue is a fiduciary of the fund and is directed to invest money in the fund to yield competitive market rates. Department of Revenue would still determine the market value of the HEITF and calculate the seven percent available for distribution of financial aid. The intent of this bill is to protect the HEIF from the sweep.

Outsourcing Projects Update:

On April 18, 2022, CampusDoor began processing all new education loan applications offered by ACPE. CampusDoor provides innovative education loan origination and servicing to a variety of lenders including state agencies, national and regional banks, credit unions, schools, and school endowment funds. Together, ACPE and CampusDoor will support Alaskans in funding their educational goals and refinancing their existing education loans.

Human Resources Update:

Recruitment efforts and staff changes over the last quarter resulted in the separation of one employee, with former Financial Aid Specialist Dakota McLaughlin having separated as of February 11th, and the hire of one employee, with Dannielle Erickson transferring from the Governor's Office as of February 16th. There have been no other appointments or separations as of April 30, 2022.

Currently, there are ten vacant positions, including: one in the Executive Office, one in Finance, one in Postsecondary Planning Activities - Outreach, and seven in Program Operations. There are currently two active recruitments: one for the College Intern position, and one for a Financial Aid Specialist position. There are no immediate plans to take action on the eight remaining vacancies, but management retains the flexibility to do so if needed to provide support for

agency initiatives. At present ACPE has 47 positions filled: 11 in Anchorage, 36 in Juneau. The breakdown of those positions by division is as follows: ISS-11, Finance-13, Program Operations-15, Postsecondary Planning Activities - Outreach-6, and Executive Office-2.

Strategic Planning

I am excited to share that ACPE has signed a contract with Black Fox Strategy to support our strategic planning efforts. This will encompass a comprehensive planning effort which will include staff, stakeholders, and commission members. The anticipated timeframe will be between May and December 2022, culminating with a formal 3-5 year strategic plan to include implementation guidance.

Federal Update

- Recently the U.S. Department of Education announced enhancements to the Public Service Loan Forgiveness (PSLF) program which may positively impact borrowers with federal student loans. Public service employees with federal student loans may qualify for forgiveness of their remaining balances sooner than previously anticipated. There is a [limited PSLF waiver](#) available, through October 2022, allowing a broader range of previous payments on federal loans to count towards forgiveness. Through American Education Services (AES), ACPE has shared this information with all of our current Federal Family Education Loan Program (FFELP) borrowers. Additionally, a notification will be sent to other entities who have employees that may qualify for this enhanced loan forgiveness opportunity including State of Alaska, numerous 501(c)(3) not-for-profits, or other not-for-profit organizations that provide a qualifying service, and other governmental entities.

Partners

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



Elgee Rehfeld

Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

April 22, 2022

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

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, as of June 30, 2022, 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.

In addition, we will audit the entity's compliance over major federal award program for the period ended June 30, 2022, 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, 2020 through June 30, 2021.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit 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) 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, 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 audit in accordance with auditing standards generally accepted in the United States of America (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 U.S. GAAS, 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 Alaska Student Loan 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 U.S. 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 Alaska Student Loan Corporation's basic financial statements. Our report will be addressed to the governing body of Alaska Student Loan 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 Alaska Student Loan 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 and 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, 2020 through June 30, 2021. 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 *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, 2020 through June 30, 2021. 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, including federal awards and funding increments 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 to the appropriate parties;

14. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance, and providing the documentation needed to support contractor's program compliance attestation engagement results.
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, 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, 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 your understanding of your responsibilities as defined in this letter to us in your 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, or if the schedule will not be presented 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, Alaska Student Loan 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 Alaska Student Loan Corporation. However, we will provide advice and recommendations to assist management of Alaska Student Loan 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 \$40,825 for the FY22 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, fax or e-mail, 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.

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.

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.

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 acceptable) to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal award program including our respective responsibilities.

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

Sincerely,

Elgee Rehfeld

Elgee Rehfeld, LLC

Date

RESPONSE:

This letter correctly sets forth our understanding.

Alaska Student Loan Corporation

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

Executive Director: *Sana Efird*

Printed Name: Sana Efird

Date: 4/27/2022

Chief Financial Officer: *Julie Pierce*

Printed Name: Julie Pierce

Date: 4/27/2022

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.