



City of Valdez

212 Chenega Ave.
Valdez, AK 99686

Meeting Agenda

City Council

Tuesday, September 2, 2025

6:00 PM

Council Chambers

Annual Permanent Fund Meeting

WORK SESSION AGENDA - 6:00 pm

Transcribed minutes are not taken for Work Sessions. Audio is available upon request.

1. [City of Valdez Permanent Fund; Annual Meeting](#)



Legislation Text

File #: 25-0386, **Version:** 1

ITEM TITLE:

City of Valdez Permanent Fund; Annual Meeting

SUBMITTED BY: Jordan Nelson, Finance Director

FISCAL NOTES:

Expenditure Required: n/a

Unencumbered Balance: n/a

Funding Source: n/a

RECOMMENDATION:

Receive and file

SUMMARY STATEMENT:

This is a one-hour workshop that serves as the annual Permanent Fund discussion with Council

City's Investment Advisors, Alex Browning and Alex Ford from Callan LLC will join in-person.

Callan will present on high-altitude view of the Fund and recent performance. There will likely be time for Council Q&A, as well as interaction with the Permanent Fund Committee.



September 2, 2025

City of Valdez Permanent Fund

City Council Presentation

Alexander Browning
Fund Sponsor Consulting

Alex Ford
Fund Sponsor Consulting

Important Disclosures regarding the use of this document are included at the end of this document. These disclosures are an integral part of this document and should be considered by the user.

An Overview of Callan

Focus, experience, resources

► Callan began advising the Valdez Permanent fund in 1997

Independent & Focused



- Established in 1973
- Investment consulting is our primary focus
- 100% employee-owned
- Third generation of private ownership
- 137 current owner-employees (~70%)

Experienced



- Over 525 funds representing \$4.6 trillion in assets
- Over 80 alternative investment clients representing over \$200 billion in alternative capital
- Client-focused consultants averaging 6 retainer clients each
- Consultant tenure averages 10 years Callan / 19 years industry
- Retainer client tenure averages 13 years

Fully Resourced



- 202 employees
- 62 CFA / CAIA / FRM Charterholders and 14 CFA / CAIA / FRM candidates
- 64 advanced degrees
- Over 90 specialists
- Proprietary systems and database

1973

Ed Callan and associates founded company

1990

Transitioned ownership to employees while independent consulting firm

2007

Third generation of employee owners transitioned to senior management positions, and Greg Allen became president

2017

Formalized leadership succession plan by promoting Greg Allen to chief executive officer and Ron Peyton to executive chairman

2018

Jim Callahan assumed the role of president and Millie Viqueira became head of fund sponsor consulting

2023

Millie Viqueira retired, and Greg DeForrest became head of fund sponsor consulting

50
YEARS

Callan’s Key Differentiators

What makes Callan different?

We combine the best attributes of both large and small firms—an uncommon blend that results in the highest level of service for our clients.

Like large firms, Callan has:

Broad and deep institutional knowledge + A wide variety of client types + Depth and breadth of specialist resources

Like smaller firms, we feature:

Independent ownership + Personalized service + Customized recommendations

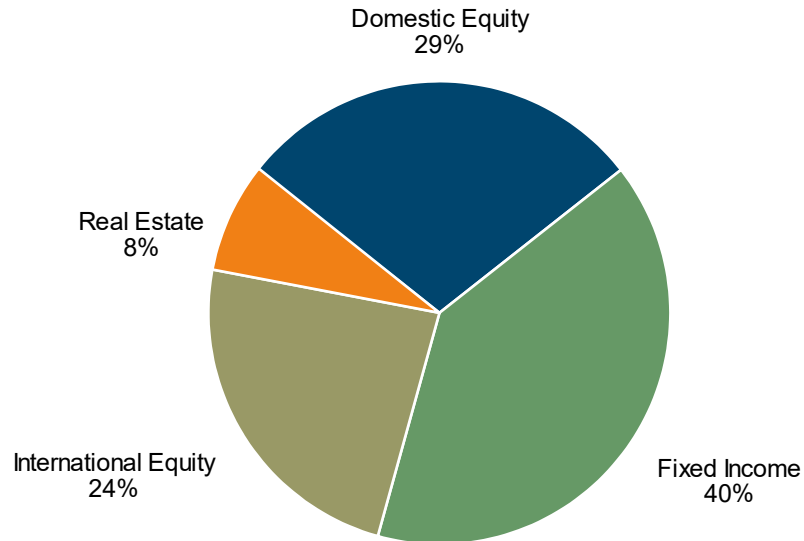
Attributes that are uniquely “Callan”

We own our data & performance measurement systems + Education and research are cornerstones of the Callan Institute + Peer review committees ensure our best thinking is delivered to our clients

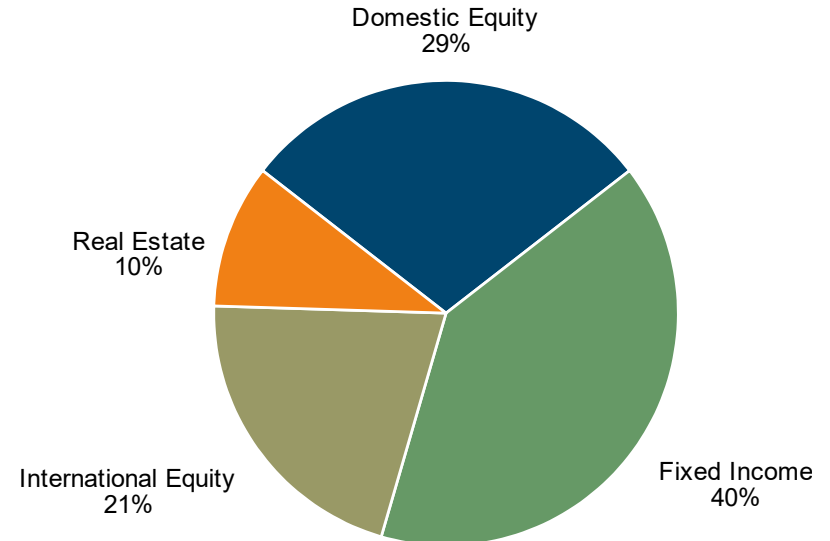
City of Valdez Permanent Fund – Asset Allocation

As of June 30, 2025

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	87,670	28.8%	29.0%	(0.2%)	(755)
Fixed Income	121,684	39.9%	40.0%	(0.1%)	(283)
International Equity	72,168	23.7%	21.0%	2.7%	8,136
Real Estate	23,393	7.7%	10.0%	(2.3%)	(7,098)
Total	304,916	100.0%	100.0%		

- Staff has effectively managed the strategic asset allocation by regularly rebalancing
- The current allocations to the primary asset classes were all within target ranges at the end of the period

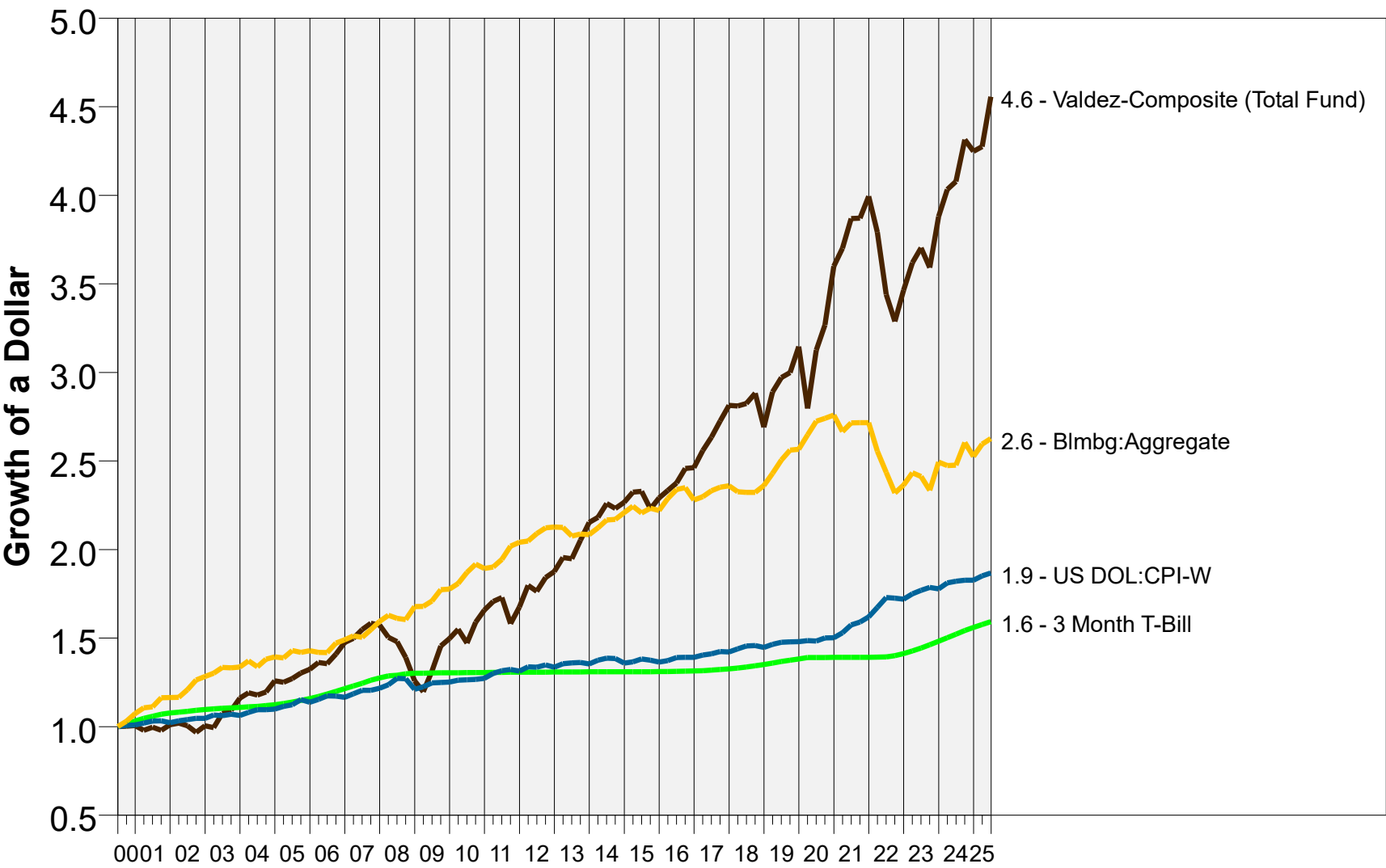
City of Valdez Permanent Fund Investment Returns (\$)

Trailing one-year period as of June 30, 2025

	Third Quarter 2024	Fourth Quarter 2024	First Quarter 2025	Second Quarter 2025	Last Year
U.S. Equity	\$ 5,756,353	\$ 1,698,129	\$ (4,317,333)	\$ 7,735,737	\$ 10,872,886
Vanguard Institutional Index	\$ 3,672,669	\$ 1,629,842	\$ (2,522,495)	\$ 6,157,261	
Vanguard Mid Cap 400 Index	\$ 1,155,309	\$ 99,950	\$ (1,016,421)	\$ 1,048,051	
PGIM U.S. Small Cap	\$ 928,375	\$ (31,663)	\$ (778,418)	\$ 530,425	
Non-U.S. Equity	\$ 4,982,474	\$ (3,935,688)	\$ 2,984,350	\$ 9,364,691	\$ 13,395,827
Vanguard International Growth	\$ 1,729,543	\$ (1,359,514)	\$ 335,355	\$ 3,472,317	
Vanguard International Value	\$ 1,858,650	\$ (2,235,958)	\$ 1,096,715	\$ 2,627,016	
Brandes International Small Cap	\$ 1,394,281	\$ (340,216)	\$ 1,552,280	\$ 3,265,358	
Fixed Income	\$ 5,292,430	\$ (2,795,913)	\$ 2,738,764	\$ 1,474,899	\$ 6,710,179
Alaska Permanent Capital	\$ 1,921,423	\$ (1,211,696)	\$ 1,132,179	\$ 483,932	
Baird Aggregate Bond	\$ 1,412,230	\$ (249,033)	\$ 445,336	\$ 491,541	
Insight Global Fixed Income	\$ 1,958,777	\$ (1,335,184)	\$ 1,161,249	\$ 499,425	
Real Estate	\$ (34,395)	\$ 218,378	\$ 339,933	\$ 241,784	\$ 765,700
UBS Trumbull Property	\$ (90,249)	\$ 122,401	\$ 162,629	\$ 171,434	
Morgan Stanley Prime Property Fund	\$ 55,854	\$ 95,977	\$ 177,304	\$ 70,350	
Total Valdez Permanent Fund	\$ 15,996,862	\$ (4,815,094)	\$ 1,745,713	\$ 18,817,110	\$ 31,744,592

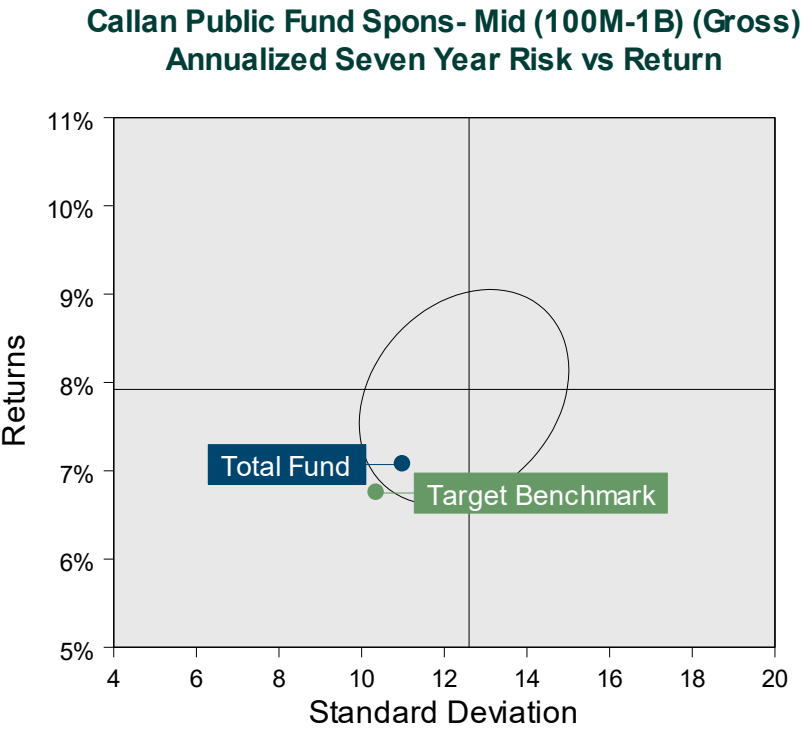
City of Valdez Permanent Fund – Long-Term Growth

Growth of a Dollar
For 25 Years Ended June 30, 2025



City of Valdez Permanent Fund Returns

Cumulative annualized performance as of June 30, 2025



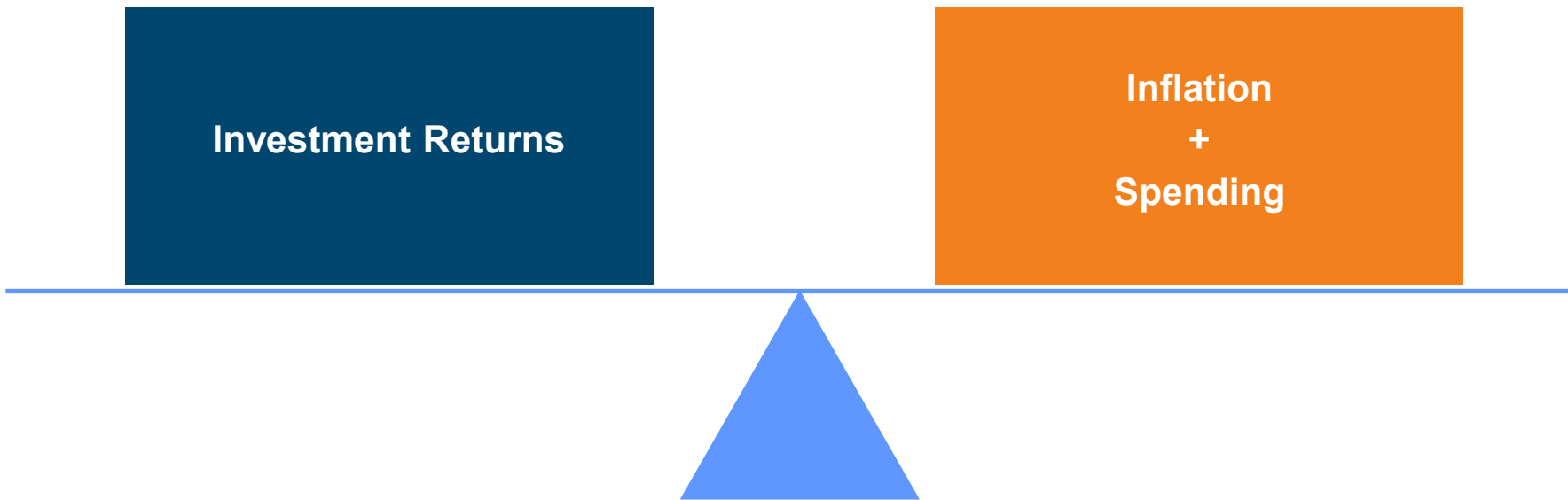
	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 15 Years
10th Percentile	8.13	12.96	12.44	10.31	8.87	8.59	9.56
25th Percentile	7.70	12.17	11.47	9.83	8.36	8.17	9.23
Median	7.07	11.41	10.52	9.08	7.92	7.76	8.81
75th Percentile	6.26	10.33	9.38	8.24	7.20	7.13	8.21
90th Percentile	5.60	9.38	8.37	7.48	6.64	6.62	7.69
Total Fund ●	6.60	11.74	9.82	7.83	7.07	6.95	7.83
Target Benchmark ▲	6.42	11.03	8.80	6.89	6.75	6.53	7.39

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2024 Asset-Spending Study

Permanent Fund “Equation of Balance”

Required to preserve the real spending power of the corpus



Investment returns grow the fund, while inflation and spending erode the corpus

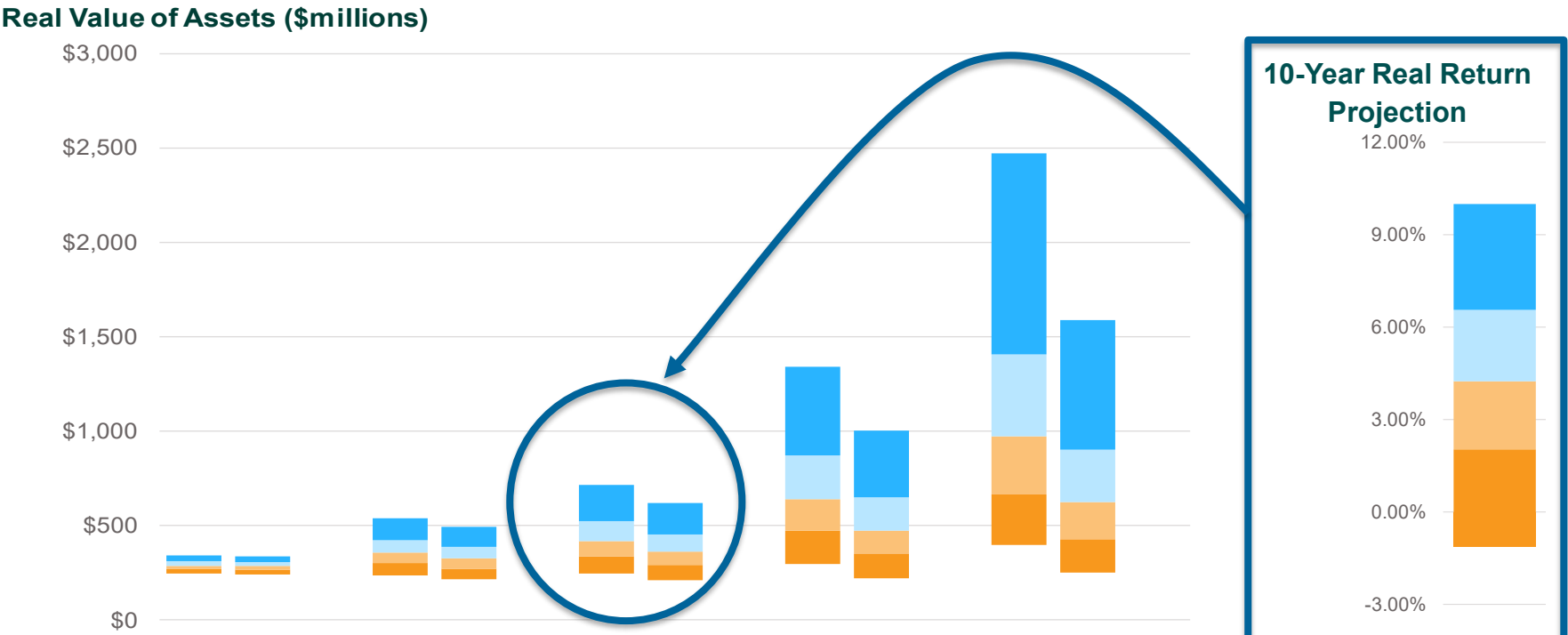
- ▶ When “Investment Returns” are greater than “Inflation + Spending” => The corpus grows in real terms
- ▶ When “Investment Returns” are less than “Inflation + Spending” => The corpus shrinks in real terms
- ▶ Thus, if intergenerational wealth is the objective, the target return must equal or exceed “Inflation + Spending”

Projections based on different Project Spending Rates

This section evaluates the use of different spending rates:

- 1) 1.5%/year (the baseline assumption);
- 2) 0.0%/year (no spending at all).

2024 Spending Policy Comparison: Net Real Asset Value Projections (Year End)



Projection Yr Percentile/ Spend Rate	2024		2029		2033		2043		2053	
	0%	1.5%	0%	1.5%	0%	1.5%	0%	1.5%	0%	1.5%
5th%	341	337	539	494	716	619	1,343	1,002	2,471	1,590
25th%	310	305	423	387	523	451	871	649	1,407	904
50th%	289	285	355	325	420	362	637	474	971	623
75th%	270	266	299	274	339	292	473	351	665	426
95th%	244	240	235	215	247	213	299	222	396	253
Prob >\$277M	67%	60%	84%	74%	90%	79%	97%	89%	99%	93%

Summary Observations

- Using the current asset allocation over the ten-year projection horizon, the Permanent Fund is expected to grow from \$276MM to \$362MM after accounting for the effects of expected inflation and the 1.50% annual distribution
- Annual fund distributions are expected to grow by approximately 2.40% per year after accounting for inflation in the expected case; growing from \$4.1MM to \$5.2MM
- If the annual fund distributions were suspended for 10-years, the annual distribution amount would be approximately \$6.3MM vs \$5.2MM or 21% higher
- The Investment Committee continues to review potential alternative asset allocations and their impacts on total fund and annual distribution growth

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Appendix

Asset Distribution and Cash Flow Across Investment Managers

As of June 30, 2025

	June 30, 2025				March 31, 2025	
	Market Value	Weight	Net New Inv.	Inv. Return	Market Value	Weight
Domestic Equity	\$87,670,279	28.75%	\$(16,892)	\$7,735,737	\$79,951,434	27.93%
Large Cap Equity	\$62,482,393	20.49%	\$(3,967)	\$6,157,261	\$56,329,099	19.68%
Vanguard Institutional Index	62,482,393	20.49%	(3,967)	6,157,261	56,329,099	19.68%
Mid Cap Equity	\$16,672,207	5.47%	\$0	\$1,048,051	\$15,624,156	5.46%
Vanguard S&P Mid Cap 400 Index	16,672,207	5.47%	0	1,048,051	15,624,156	5.46%
Small Cap Equity	\$8,515,679	2.79%	\$(12,925)	\$530,425	\$7,998,179	2.79%
PGIM Small Cap Core Equity Fund	8,515,679	2.79%	(12,925)	530,425	7,998,179	2.79%
International Equity	\$72,168,304	23.67%	\$(31,986)	\$9,364,691	\$62,835,599	21.95%
Vanguard Intl Growth	27,461,810	9.01%	0	3,472,317	23,989,493	8.38%
Vanguard Intl Value	27,679,311	9.08%	0	2,627,016	25,052,295	8.75%
Brandes International Small Cap	17,027,183	5.58%	(31,986)	3,265,358	13,793,811	4.82%
Fixed Income	\$121,683,529	39.91%	\$0	\$1,474,898	\$120,208,631	41.99%
Alaska Permanent Cap Mgmt	42,779,455	14.03%	0	483,932	42,295,523	14.77%
Insight Global Fixed	36,283,202	11.90%	0	491,541	35,791,661	12.50%
Baird Aggregate Bond	42,620,872	13.98%	0	499,425	42,121,446	14.71%
Real Estate	\$23,393,400	7.67%	\$(139,658)	\$241,784	\$23,291,274	8.14%
UBS Trumbull Property*	11,158,337	3.66%	(105,558)	171,434	11,092,460	3.87%
Morgan Stanley Prime Property Fund	12,235,064	4.01%	(34,100)	70,350	12,198,814	4.26%
Total Fund	\$304,915,512	100.00%	\$(188,536)	\$18,817,110	\$286,286,938	100.00%

Callan Periodic Table of Investment Returns

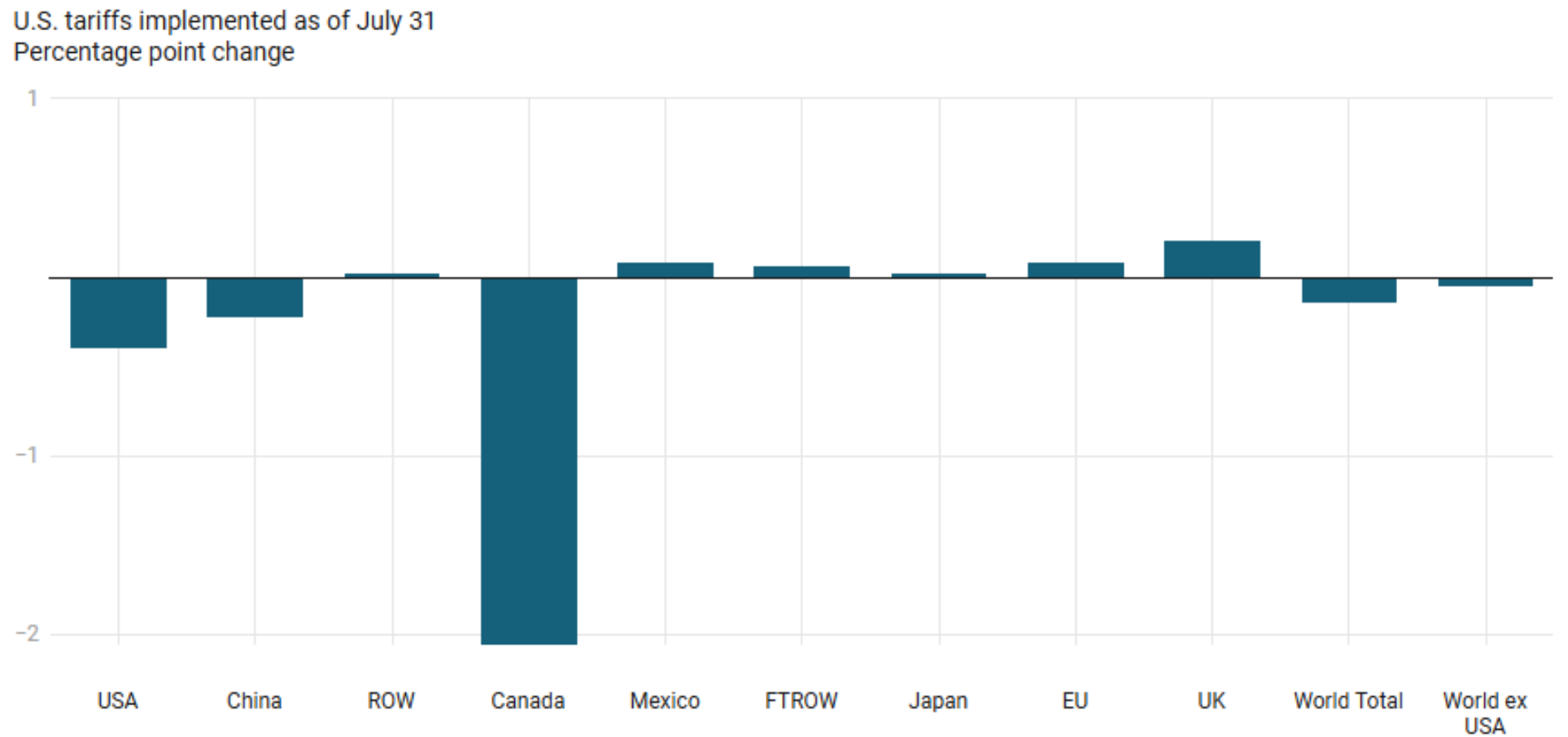
Cumulative Returns as of June 30, 2025
Periods greater than one year are annualized

Annual Returns						Cumulative Returns						
2019	2020	2021	2022	2023	2024	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	Last Qtr.
Large Cap Equity	Small Cap Equity	Large Cap Equity	High Yield	Large Cap Equity	Large Cap Equity	Large Cap Equity	Large Cap Equity	Large Cap Equity	Large Cap Equity	Dev ex-U.S. Equity	Dev ex-U.S. Equity	Dev ex-U.S. Equity
31.49%	19.96%	28.71%	-11.19%	26.29%	25.02%	14.86%	13.65%	16.64%	19.71%	18.70%	18.99%	12.05%
Small Cap Equity	Large Cap Equity	Real Estate	U.S. Fixed Income	Dev ex-U.S. Equity	Small Cap Equity	Small Cap Equity	Small Cap Equity	Dev ex-U.S. Equity	Dev ex-U.S. Equity	Emerging Market Equity	Emerging Market Equity	Emerging Market Equity
25.52%	18.40%	27.21%	-13.01%	17.94%	11.54%	10.35%	7.12%	11.51%	15.73%	15.29%	15.27%	11.99%
Real Estate	Emerging Market Equity	Small Cap Equity	Dev ex-U.S. Equity	Small Cap Equity	High Yield	Dev ex-U.S. Equity	Dev ex-U.S. Equity	Small Cap Equity	Small Cap Equity	Large Cap Equity	Global ex-U.S. Fixed Income	Large Cap Equity
23.06%	18.31%	14.82%	-14.29%	16.93%	8.19%	7.42%	6.65%	10.04%	10.00%	15.16%	10.01%	10.94%
Dev ex-U.S. Equity	Global ex-U.S. Fixed Income	Dev ex-U.S. Equity	Large Cap Equity	High Yield	Emerging Market Equity	Real Estate	High Yield	Emerging Market Equity	High Yield	Real Estate	Real Estate	Small Cap Equity
22.49%	10.11%	12.62%	-18.11%	13.44%	7.50%	6.83%	5.38%	6.81%	9.93%	12.36%	6.66%	8.50%
Emerging Market Equity	Dev ex-U.S. Equity	High Yield	Global ex-U.S. Fixed Income	Real Estate	Dev ex-U.S. Equity	High Yield	Emerging Market Equity	Real Estate	Emerging Market Equity	Global ex-U.S. Fixed Income	Large Cap Equity	Global ex-U.S. Fixed Income
18.44%	7.59%	5.28%	-18.70%	10.85%	4.70%	6.44%	4.82%	6.13%	9.70%	11.21%	6.20%	7.29%
High Yield	U.S. Fixed Income	U.S. Fixed Income	Emerging Market Equity	Emerging Market Equity	Real Estate	Emerging Market Equity	Real Estate	High Yield	Real Estate	High Yield	High Yield	Real Estate
14.32%	7.51%	-1.54%	-20.09%	9.83%	2.00%	4.44%	4.15%	5.97%	4.60%	10.29%	4.57%	4.72%
U.S. Fixed Income	High Yield	Emerging Market Equity	Small Cap Equity	Global ex-U.S. Fixed Income	U.S. Fixed Income	U.S. Fixed Income	U.S. Fixed Income	U.S. Fixed Income	Global ex-U.S. Fixed Income	Small Cap Equity	U.S. Fixed Income	High Yield
8.72%	7.11%	-2.54%	-20.44%	5.72%	1.25%	2.29%	1.76%	-0.73%	2.74%	7.68%	4.02%	3.53%
Global ex-U.S. Fixed Income	Real Estate	Global ex-U.S. Fixed Income	Real Estate	U.S. Fixed Income	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	Global ex-U.S. Fixed Income	U.S. Fixed Income	U.S. Fixed Income	Small Cap Equity	U.S. Fixed Income
5.09%	-8.18%	-7.05%	-24.42%	5.53%	-4.22%	0.77%	0.61%	-1.63%	2.55%	6.08%	-1.79%	1.21%

Sources: ● S&P 500 Index ● Russell 2000 Index ● MSCI World ex-U.S. Index ● MSCI Emerging Markets Index ● Bloomberg Aggregate U.S. Bond Index
● Bloomberg Corp. High Yield Index ● Bloomberg Global Aggregate ex-U.S. Index ● FTSE EPRA Nareit Developed Index

Long-Run Change in Real GDP Level from 2025 Tariffs to Date

As of July 31, 2025



FTROW = countries with a comprehensive free trade agreement with the US
ROW = all other countries

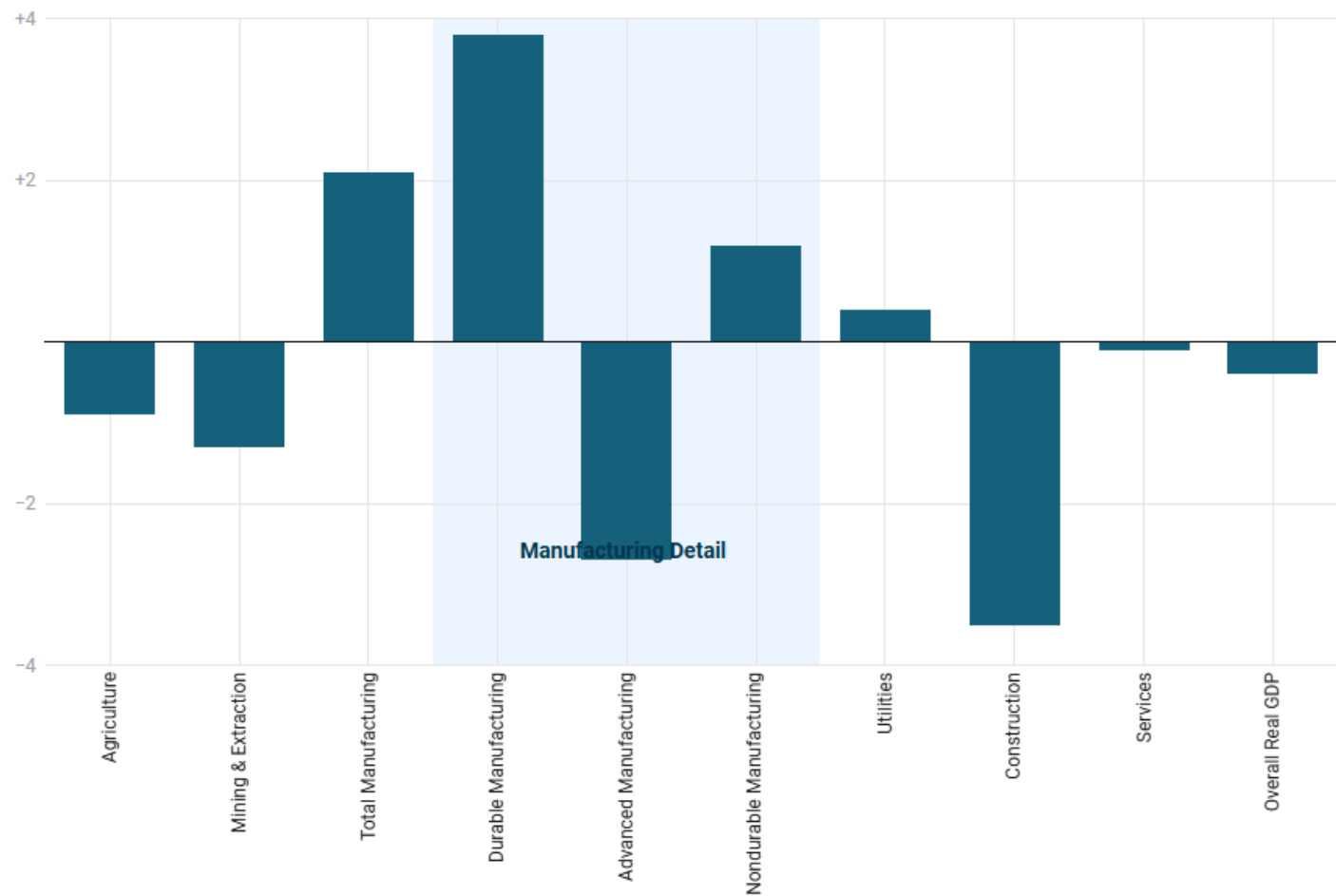
Source: The Budget Lab at Yale

Change in Long-Run Real U.S. GDP by Sector from Tariffs

As of July 31, 2025

Figure 5. Change in Long-Run Real U.S. GDP by Sector from 2025 Tariffs

U.S. tariffs implemented as of July 31, plus foreign retaliation
Percentage Points



Source: The Budget Lab at Yale

Average Effective US Tariff Rate

As of July 31, 2025

Pre- and post-substitution

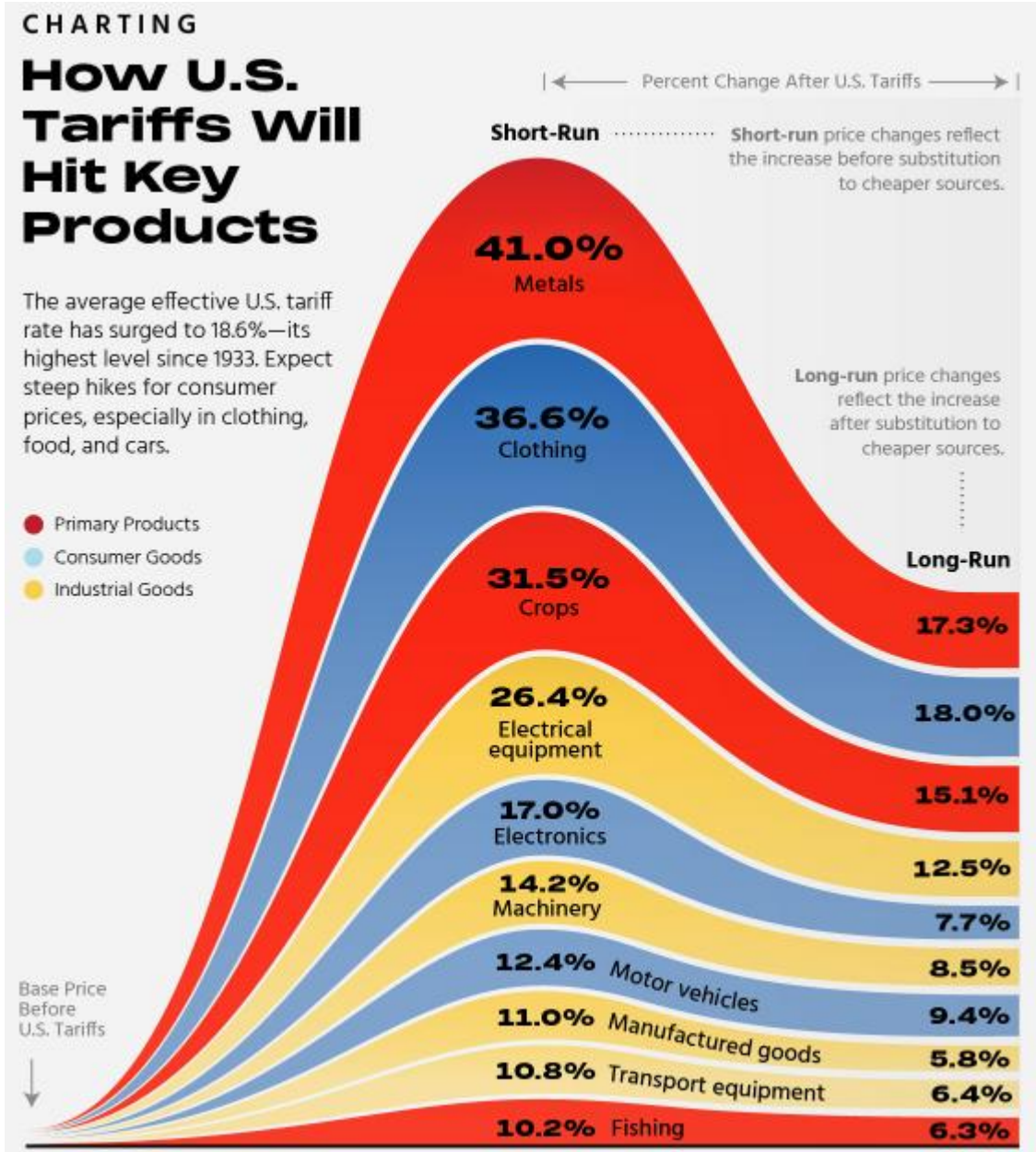
	Effective Tariff	Import Share		Average Effective Tariff	
		Pre-Substitution	Post-Substitution	Pre-Substitution	Post-Substitution
China	27.9	14%	8%	3.8	2.3
Canada	13.1	13%	17%	1.7	2.2
Mexico	10.6	15%	19%	1.6	2.0
Rest of World	15.0	58%	56%	8.8	8.5
Total		100%	100%	15.9	14.9

Table: The Budget Lab • Source: Source: GTAP v7, The Budget Lab analysis. • [Get the data](#) • Created with [Datawrapper](#)

Source: The Budget Lab at Yale

U.S. Tariffs and Goods Pricing

As of July 31, 2025



Source: Hinrich Foundation

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