


**To:** Board of Trustees  
**From:** Andrew Stemp, Chief Financial Officer   
**Date:** May 6th, 2019  
**Re:** Supplement to Finance Committee Report re. Proposed Transfer

---

The Trust received a letter on May 6, 2019 from our partner advisory board, the Alaska Commission on Aging. The letter offered a recommendation to promote clarity and avoid any potential confusion around the amount of the proposed transfer; specifically that a supplemental explanation around the transfer amount be provided for consideration at the May board meeting. The recommendation is very helpful and I am pleased to provide the following explanation:

The special audit report notes that a total of \$44.4 million in principal was spent by the Trust in three areas: investment in commercial real estate, investment in program related real estate, and investment in natural resource development projects.

The legislative audit report makes no recommendation about reimbursing the Trust Fund for \$39.5 million invested in the seven commercial real estate properties; however the Finance Committee has proposed making a transfer of that amount to refund the amount of principal that would have otherwise been sent to the Trust Fund.

The legislative audit report specifically notes in Recommendation Two that \$1.8 million has been invested in program related real estate and recommends that the Trust Fund be reimbursed for that amount. During discussion at the Finance Committee meeting, this amount was added to the transfer amount for a combined total proposed transfer of \$41.3 million.

The legislative audit report made no recommendations about the status of principal used for the Icy Cape project or any other natural resource development projects, therefore the transfer currently being considered does not include amounts associated with those projects.

I hope this explanation clarifies why there is a difference between the total amount noted in the legislative audit report of \$44.4 million and the proposed transfer amount of \$41.3 million. A copy of the Alaska Commission on Aging's May 6, 2019 letter is attached for your reference. Thank you very much for allowing me the opportunity to address this question.



THE STATE  
of **ALASKA**  
GOVERNOR MICHAEL I. DUNLEAVY

Department of  
Health and Social Services

ALASKA COMMISSION ON AGING

P.O. Box 110693  
Juneau, AK 99811-0693  
Main: 907-465-3250  
Fax: 907-465-1398

May 6, 2019

Chair Mary Jane Michael, Board of Trustees  
Mike Abbott, Trust CEO  
Alaska Mental Health Trust Authority  
3745 Community Park Loop  
Anchorage, Alaska 00508

Re: ACoA Comments and the Trust Finance Committee Recommendation, Transfer of Reserves

Dear Chair Michael and Mr. Mike Abbot,

Thank you for asking the Trust's advisory board partners to provide input regarding the corrective action steps being proposed by the Trust Finance Committee that address the FY2018 legislative audit findings. The Alaska Commission on Aging has reviewed the proposed recommendation provided by the Trust Finance Committee that was submitted by former Committee Chair, Trustee Selby (4.17.2019). The Commission is pleased that the Alaska Mental Health Trust Authority is taking significant steps, including those being proposed as well as those already being implemented, to address the legislative audit concerns.

The Commission offers one recommendation for the Trust to consider regarding the Selby proposal in order to promote clarity and avoid potential confusion regarding the amount of fund transfer. The Selby proposal identifies the amount of \$41.3 million for the Board of Trustees to authorize transfer from the Trust Reserves into the Permanent Fund portfolio. However, this amount is \$3.1 million less than the \$44.4 million amount specified by the Trust Legislative Audit, as described on page 13 of the Audit report, which is required to resolve the Legislative Audit finding. We raised this question to Trust staff and have since learned that the amounts differ due to funding being used for Icy Cape and other natural resource development projects which total \$3.1 million. While the audit report raised concern about this funding for these projects (on page 19), it did not make any recommendation that this amount be transferred back to the permanent fund, which may be the reason for the lower funding amount being requested for authorization by Trustees.

The Commission on Aging recommends that the Trust provide clarification for the difference in transfer amounts as part of your response to Legislative Audit as well as a supplemental explanation to the Trust Finance Committee memo for Trustees to consider at the May 2019 board meeting.

We appreciate your request for input from the partner advisory boards and value our ongoing partnership to improve the quality of life for Trust beneficiaries. Thank you.

Sincerely,

Handwritten signature of Gordon Glaser.

Gordon Glaser  
Chair, Alaska Commission on Aging

Handwritten signature of Denise Daniello.

Denise Daniello  
ACoA Executive Director