
Alaska Mental Health Trust Fund

Investment Operations Orientation

January 2015

Treasury Division Organizational Overview

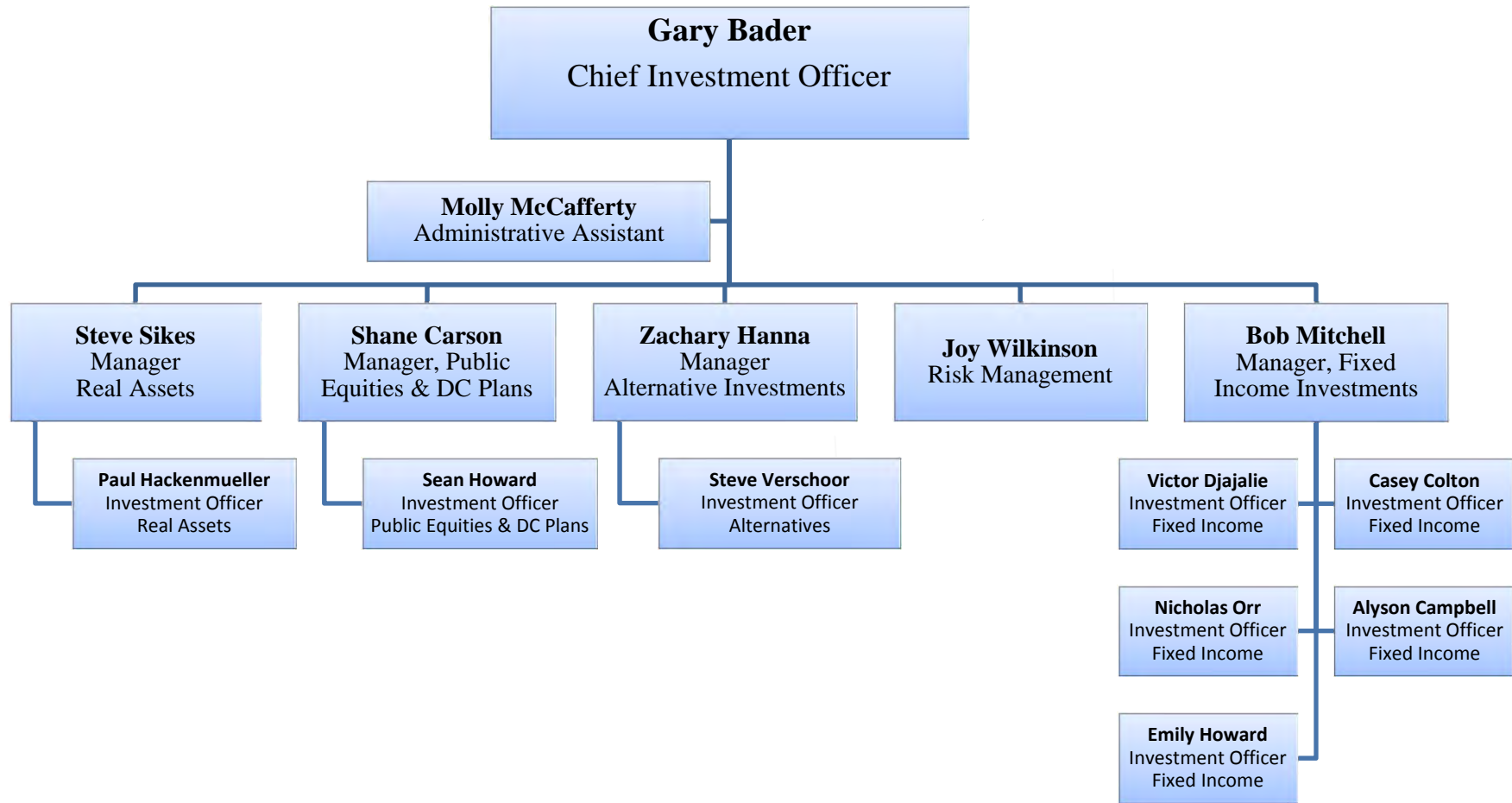


Department of Revenue Investments

Manages \$49.57 billion (as of December 31, 2014)

- ARMB = \$27.57 billion (14 funds)
- DOR Commissioner = \$21.74 billion (32 funds)
- Other = \$257.6 million (3 funds)

Portfolio Management Section



Standard of Care for DOR Commissioner

AS 37.10.071 (c) states, “(c) In exercising investment, custodial, or depository powers or duties under this section, the fiduciary of a state fund shall apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the fund entrusted to the fiduciary. Among beneficiaries of a fund, the fiduciaries shall treat beneficiaries with impartiality.”

Fiduciary Duty - a legal duty to act solely in another party's interests.

AS 13.36.225 to 13.36.290 - defines prudent investor in statute

Standard of Care Applicable to State Funds

- Determine the missions and objectives of each fund.
- Choose an appropriate asset allocation strategy for each fund.
- Establish investment policies consistent with each fund's objective.
- Select investment managers for each fund to implement the investment policy.
- Diversify assets in light of pertinent risk/return objectives.
- Use “prudent experts” to make investment decisions.
- Control investment expense.
- Monitor the activities of all investment managers and consultants.
- Avoid conflicts of interest.
- For assets held in trust, take actions with respect to those assets for the sole benefit of the trust beneficiaries.

Available Investment Options

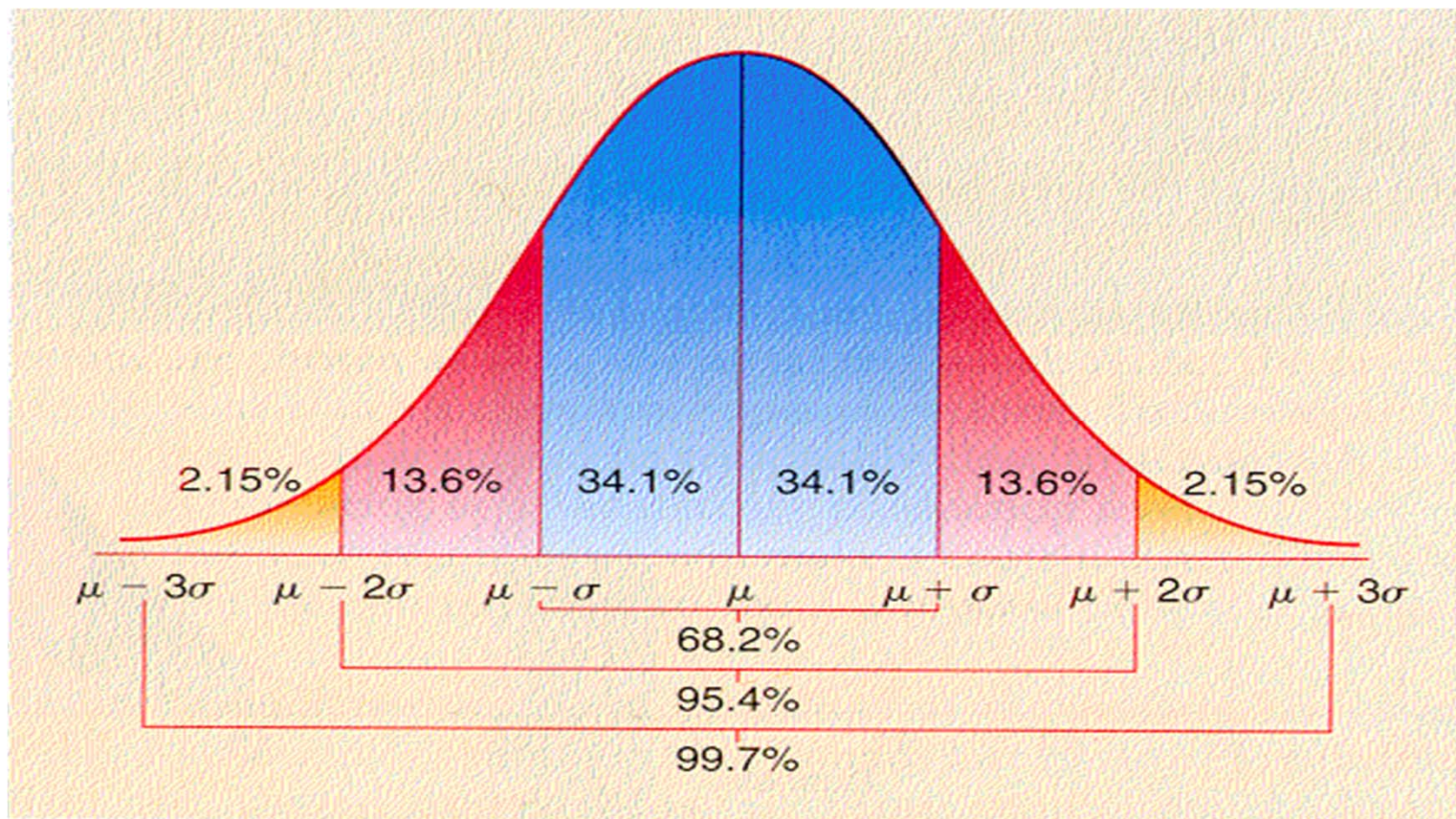
- Fixed Income
 - Short-term Fixed Income Pool (\$7.3 billion)
 - Intermediate Fixed Income Pool (\$3.8 billion)
 - Broad Market Fixed Income Pool (\$5.1 billion)
- Domestic Equities (\$3.7 billion)
 - Passive
- International Equities (\$1.9 billion)
 - Passive
 - Active

Asset Allocation Decision

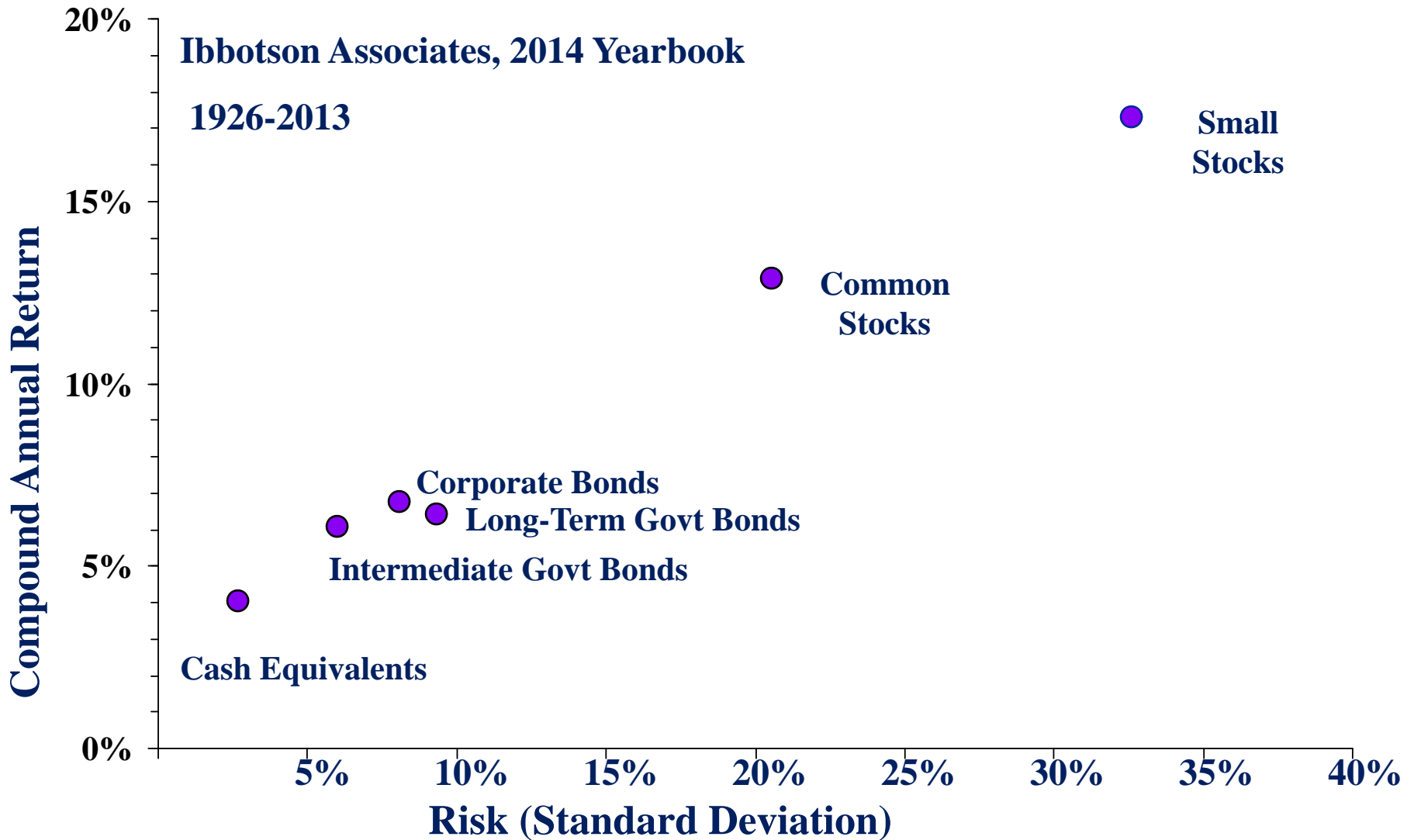


Set of “Efficient Portfolios”

Normal Curve and Standard Deviation



Historical Risk/Return Tradeoff



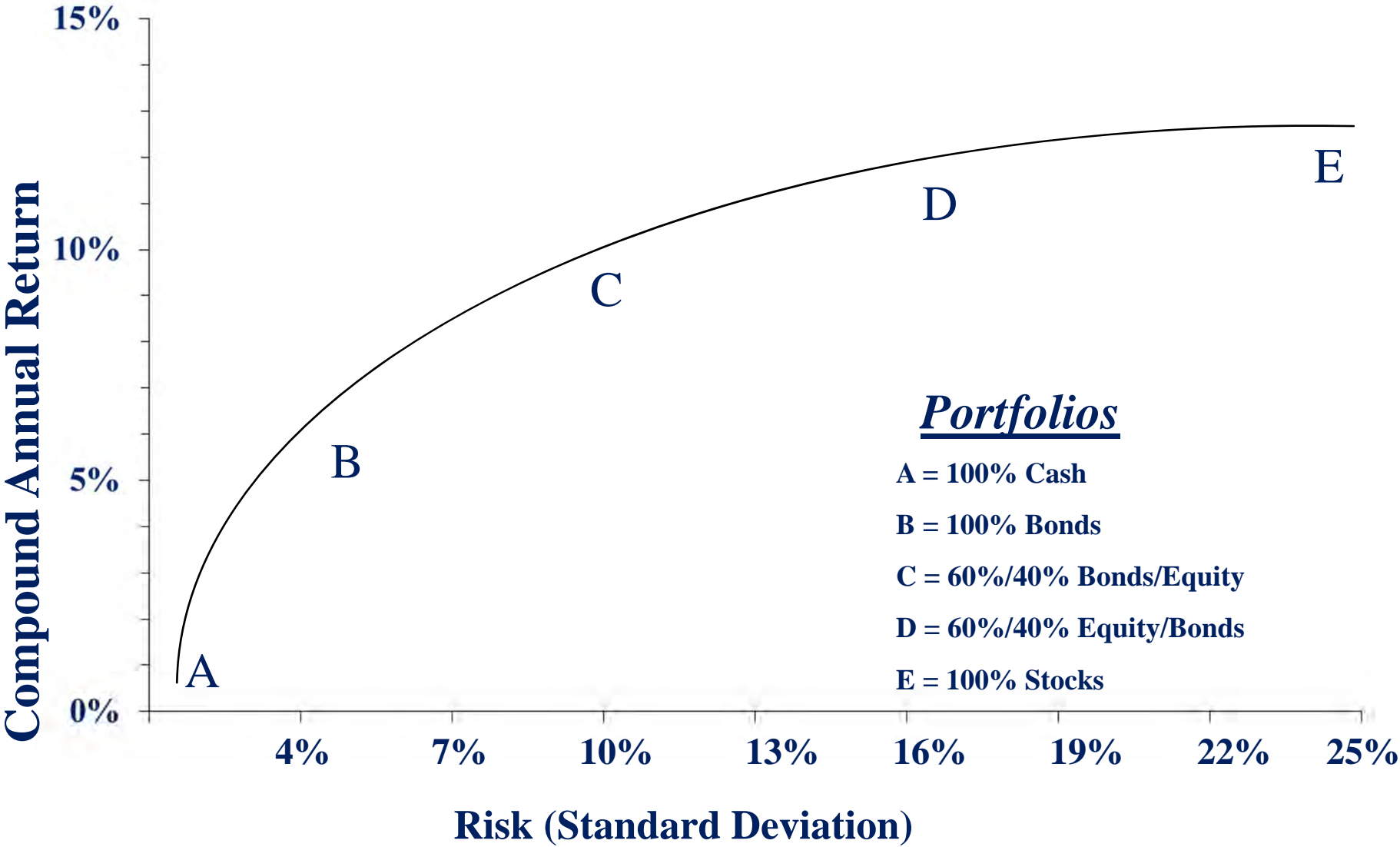
Correlation of Asset Class Returns

Ibbotson Associates, 2014 Yearbook

1926 to 2013

	<u>Large Stocks</u>	<u>Small Stocks</u>	<u>LT Corp Bonds</u>	<u>LT Govt Bonds</u>	<u>Int Govt Bonds</u>	<u>US T-Bills</u>
Large Stocks	1.00					
Small Stocks	0.80	1.00				
LT Corp Bonds	0.14	0.05	1.00			
LT Govt Bonds	-.01	-.10	0.89	1.00		
Int Govt Bonds	-.04	-.12	0.87	0.89	1.00	
US T-Bills	-.02	-.10	0.17	0.20	0.46	1.00

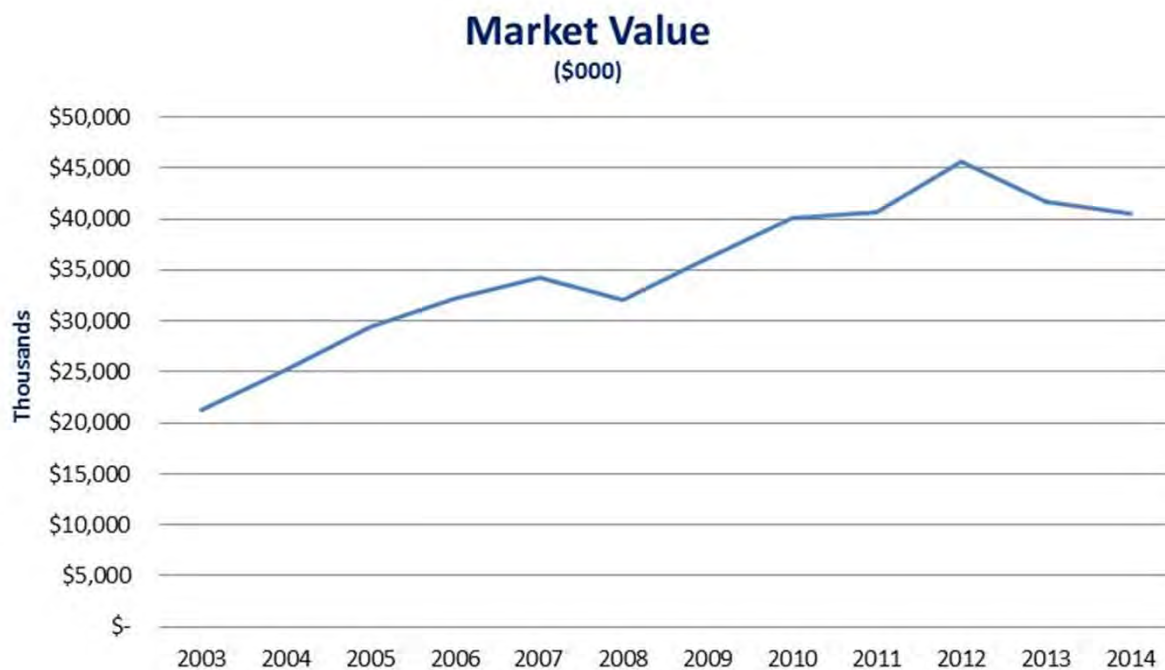
Efficient Frontier



History of Alaska Mental Health Trust Fund

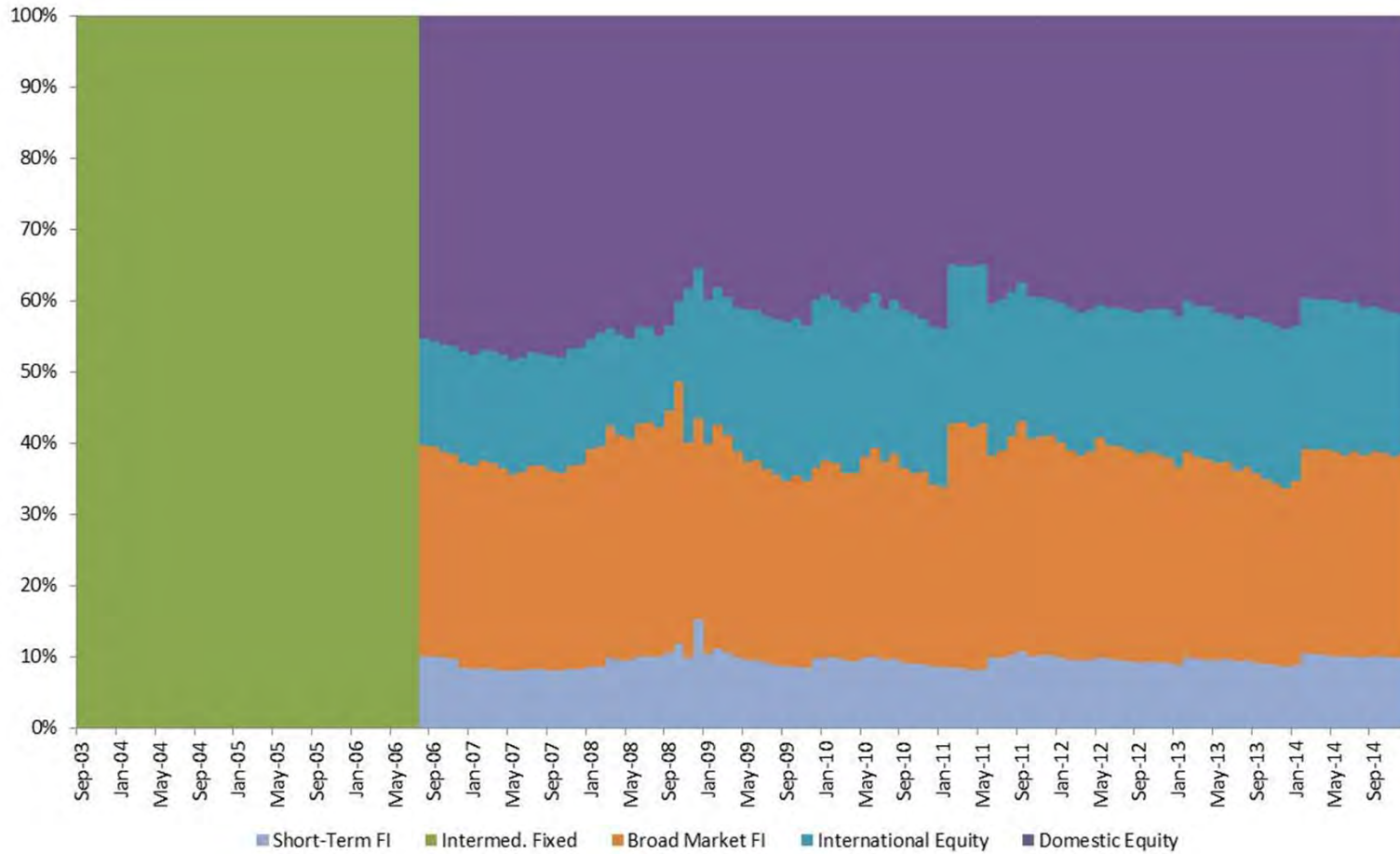
- April 2003: Alaska Mental Health Trust Authority (AMHTA) staff met with DOR Treasury staff to discuss possibility of Treasury investing some of the trust settlement income account.
- May 2003: AMHTA Board approves motion to invest in DOR Treasury's Intermediate-Term Fixed Income Investment Pool. AMHTA remains fiduciary.
- September 2003: the Alaska Permanent Fund Corporation transferred \$20,963,600 to DOR for investment in the Intermediate-Term Fixed Income Investment Pool.
- August 2006: AMHTA adopted an asset allocation consisting of 30% Broad Market Fixed Income, 45% Domestic Equity Pool, 15% International Equity Pool and 10% Short-Term Fixed Income Pool.
- November 2008: AMHTA adopted an asset allocation consisting of 29% Broad Market Fixed Income, 40% Domestic Equity Pool, 21% International Equity Pool and 10% Short-Term Fixed Income Pool.

Market Value Over Time

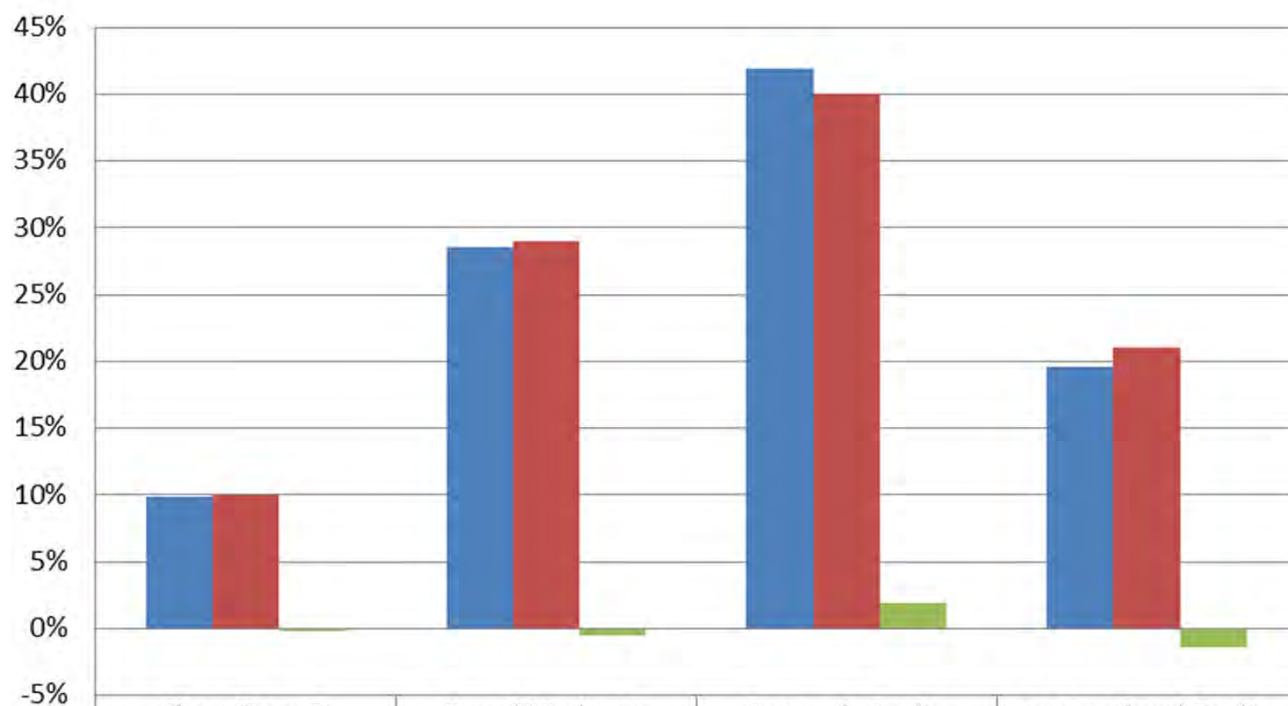


Date	Market Value
December 31, 2003	\$ 21,316,414
December 31, 2004	\$ 25,249,200
December 31, 2005	\$ 29,415,543
December 31, 2006	\$ 32,164,880
December 31, 2007	\$ 34,236,926
December 31, 2008	\$ 32,004,231
December 31, 2009	\$ 36,086,941
December 31, 2010	\$ 40,017,690
December 31, 2011	\$ 40,729,317
December 31, 2012	\$ 45,605,792
December 31, 2013	\$ 41,612,905
December 31, 2014	\$ 40,480,812

Asset Allocation Over Time



Asset Allocation versus Target



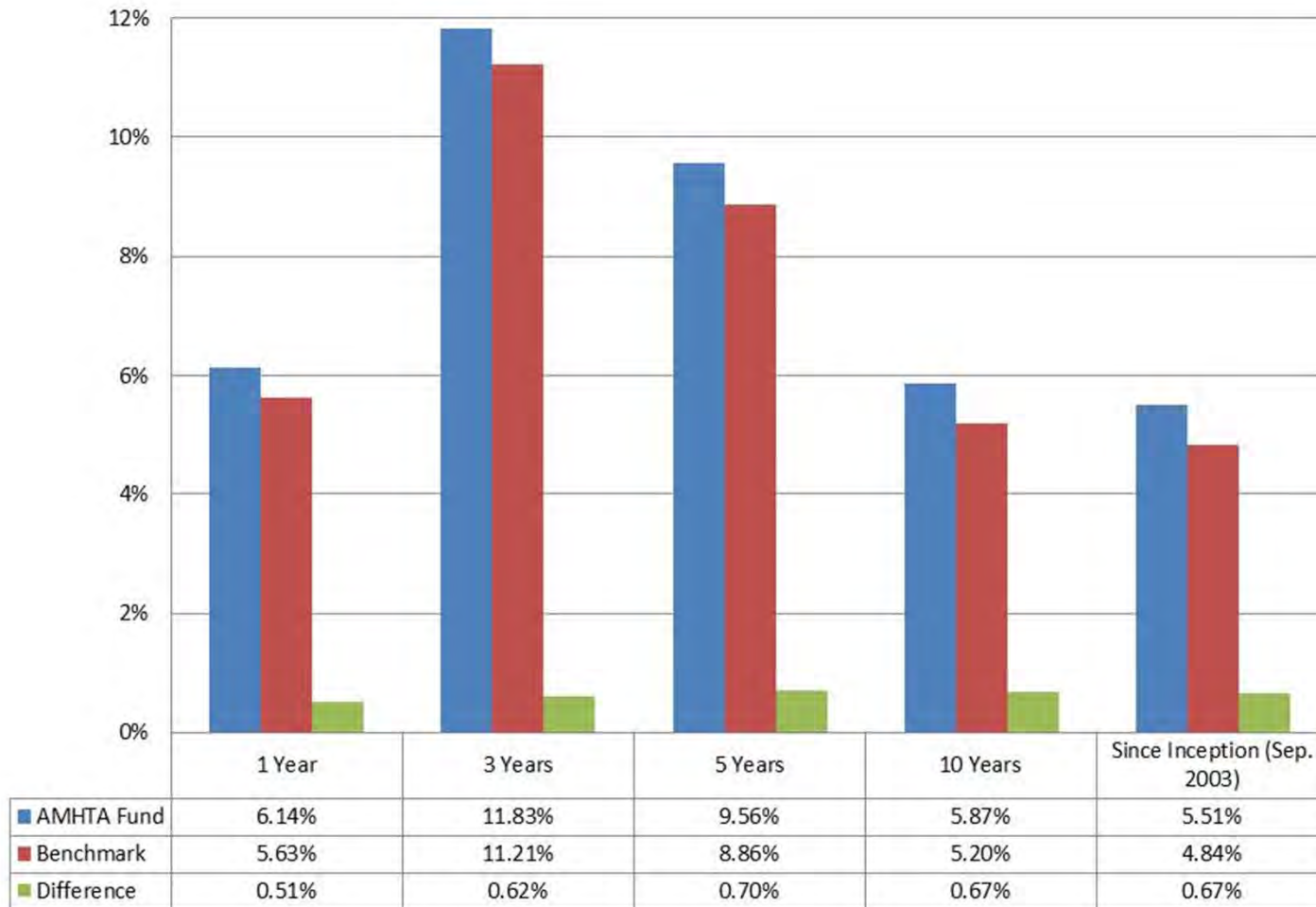
	Short-Term FI	Broad Market FI	Domestic Equity	International Equity
Actual Allocation	9.9%	28.5%	42.0%	19.6%
Target Allocation	10.0%	29.0%	40.0%	21.0%
Difference	-0.1%	-0.5%	2.0%	-1.4%

Asset Allocation versus Efficient Frontier

FY15 Asset Allocation	Constraints		Asset Mix Alternatives									
	Min	Max	1	2	3	4	5	6	7	8	9	10
Asset Classes												
Domestic Equity	0%	100%	36.0%	36.8%	37.6%	38.9%	40.0%	41.1%	42.0%	42.9%	44.0%	45.1%
International Equity	0%	100%	18.5%	19.3%	20.0%	20.3%	20.9%	21.4%	22.0%	22.7%	23.3%	23.7%
Broad-Market Fixed Income	0%	100%	35.6%	34.0%	32.3%	30.7%	29.1%	27.5%	25.9%	24.3%	22.7%	21.1%
Intermediate-Term Fixed Income	0%	0%	-	-	-	-	-	-	-	-	-	-
Short-Term Fixed Income	10%	10%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Projected 10 Year Return			5.93%	6.00%	6.07%	6.14%	6.21%	6.28%	6.35%	6.41%	6.48%	6.54%
Expected Risk (Standard Deviation)			10.14%	10.44%	10.74%	11.04%	11.34%	11.64%	11.94%	12.24%	12.54%	12.84%
Sharpe Ratio			0.39	0.38	0.38	0.38	0.37	0.37	0.36	0.36	0.36	0.35

Performance

(through December 31, 2014)



Performance

(through December 31, 2014)



Performance

(through December 31, 2014)

The screenshot shows the Alaska Department of Revenue Treasury Division website. The header includes the state logo and navigation links for myAlaska, My Government, Resident, Business in Alaska, Visiting Alaska, and State Employees. The main navigation bar lists HOME, UNCLAIMED PROPERTY, INVESTMENTS, CASH MANAGEMENT, and DEBT MANAGEMENT. A search bar and radio buttons for Treasury and State of Alaska are also present. The breadcrumb trail reads: State of Alaska > Revenue > Treasury > Investments > Mental Health Trust Fund. The left sidebar contains 'Investments' and 'Treasury Links' sections. The main content area features the title 'Mental Health Trust Reserve Fund', a description of the Alaska Mental Health Trust Authority (AMHTA), a callout box for the 'MHTR Fund Market Value \$40.48M at 12/31/2014', a 'Current Fiscal Year' section with a list of report types, and a link to the fund's archive page.

*For more information,
check out our web site:*

<http://treasury.dor.alaska.gov/Investments/MentalHealthTrustFund.aspx>